Children’s Health System of Texas
(formerly Children’s Medical Center of Dallas)

April 10, 2014

Our Mission: To make life better for children
Disclaimer

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Children’s Health System of Texas

- 6th largest pediatric medical center in the U.S.
- 2nd busiest pediatric ED in the country
- $1.1 billion in revenue
- AA, stable credit rating
- $2.4 billion economic impact annually
- 6,000 employees
- 1,000 medical and dental staff
- $157 million in community benefits and charity care annually without state or county tax dollars
Our Impact

- Recognized among the top children’s hospitals in the country by *U.S. News and World Report*; ranked in all 10 specialties
- Among only 7% of the nation’s hospitals named a Magnet recognition program
- First pediatric hospital in Texas with a Level I Trauma Center
- Best Place to Work – *Dallas Business Journal*, the *Dallas Morning News* and Becker’s *Hospital Review*
Only academic health care facility dedicated to pediatric medicine in the region

- Primary teaching hospital for University of Texas Southwestern Medical Center (UTSW)
- Affiliation with Texas A&M Baylor College of Dentistry
- Jointly operates the Children’s Research Institute with UTSW
The community we serve

- Dallas/Fort Worth is the 4th largest metropolitan area in the country
- Dallas/Fort Worth is the 3rd fastest growing area in the U.S.
- 1 of 9 children in the U.S. live in Texas
- Texas accounted for 1/2 of the growth in the U.S. child population between 2000 and 2010
- 2 of 3 children we serve need financial assistance
Service area pediatric population exceeds state and national medians

<table>
<thead>
<tr>
<th></th>
<th>United States</th>
<th>Texas</th>
<th>Children’s Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pediatric Population</td>
<td>75.6 m</td>
<td>7.1 m</td>
<td>2.0 m</td>
</tr>
<tr>
<td>Pediatric Population Growth Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1990 - 2000</td>
<td>14%</td>
<td>23%</td>
<td>25%</td>
</tr>
<tr>
<td>2000 - 2010</td>
<td>2%</td>
<td>14%</td>
<td>27%</td>
</tr>
<tr>
<td>2011 - 2016 (projected)</td>
<td>3%</td>
<td>7%</td>
<td>9%</td>
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</tbody>
</table>
Continuum of Care

- Two full-service hospitals
- Multiple specialty care centers
- 16 MyChildren’s pediatric practices
- Retail pharmacies
- Clinically-integrated networks
- Home health
- Population health
## Operating Statistics

<table>
<thead>
<tr>
<th>Category</th>
<th>2002 Actual</th>
<th>2008 Actual</th>
<th>2013 Actual</th>
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</thead>
<tbody>
<tr>
<td>Inpatient Discharges</td>
<td>13,493</td>
<td>18,419</td>
<td>17,069</td>
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<tr>
<td>Patient Days</td>
<td>69,814</td>
<td>99,494</td>
<td>104,365</td>
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<tr>
<td>Outpatient Visits</td>
<td>282,645</td>
<td>376,326</td>
<td>544,955</td>
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<tr>
<td>Emergency Room Visits</td>
<td>93,759</td>
<td>95,956</td>
<td>163,661</td>
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<tr>
<td>MyChildren’s Visits</td>
<td>20,636</td>
<td>41,375</td>
<td>143,942</td>
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<tr>
<td>Surgeries</td>
<td>15,003</td>
<td>22,008</td>
<td>27,926</td>
</tr>
<tr>
<td>Employees</td>
<td>3,440</td>
<td>4,327</td>
<td>5,730</td>
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<tr>
<td>Medical Staff</td>
<td>777</td>
<td>841</td>
<td>1,003</td>
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</table>
# Strong Financial Performance

<table>
<thead>
<tr>
<th>Dollars in Millions</th>
<th>2002 Actual</th>
<th>2008 Actual</th>
<th>2013 Actual</th>
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<tbody>
<tr>
<td>Net Assets</td>
<td>443.9</td>
<td>819.9</td>
<td>1,732.9</td>
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<tr>
<td>Total Revenues</td>
<td>359.1</td>
<td>728.2</td>
<td>1,143.3</td>
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<tr>
<td>Operating Margins</td>
<td>7.3%</td>
<td>7.1%</td>
<td>9.0%</td>
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<tr>
<td>Day Cash on Hand</td>
<td>298</td>
<td>136</td>
<td>466</td>
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<tr>
<td>Debt to Total Capitalization</td>
<td>33.9%</td>
<td>26.1%</td>
<td>18.4%</td>
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</table>
Competitor Market Share/Challenging Payor Mix

Overall Market Share
- 36% CHST
- 41% Other
- 23% Cooks

Commercial Market Share
- 43% CHST
- 33% Other
- 24% Cooks

Medicaid Market Share
- 31% CHST
- 24% Other
- 45% Cooks
Strategic Challenges

• Fast-changing reimbursement environment
• Improve business processes
• Lack of commercial patients
• Excess capacity
• High cost
• Competitors taking low acuity, profitable business
• Predominantly UTSW specialists
Future Direction

- Aggressively manage costs – break even on Medicaid
- Expand primary care network to commercial zip codes
- Build clinically integrated network with independent physicians
- Strategically align with adult ACOs
- Expand tertiary market
- Develop capabilities to assume and manage risk
Our Future

- Population health
- Children’s Research Institute at UTSW
- Affiliations
- Home health
- Children’s Health Plan
Questions?

Contact David.Eager@childrens.com