MultiCare Health System

HFMA Capital Conference
March 26-27, 2015
Chicago, Illinois

Presentation by: Anna Loomis
Chief Financial Officer
March 26, 2015
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Why MultiCare?
New Mission & Vision

»Mission: Partnering for Healing and a Healthy Future

»Vision: MHS will be the Pacific Northwest’s highest value system of health:
   »Leading as a people-centric community asset
   »Integrating a full continuum of high-performance customer-focused health and health related solutions
   »Delivering world class health outcomes and exceptional experience at a competitive price

»Shared Values:

Respect | Integrity | Stewardship | Excellence | Collaboration | Kindness
Who is MultiCare?
Serving South Puget Sound Area Since 1882

Legend
- Existing Hospitals
- Future Hospitals
- Multi-Specialty Medical Centers
- Primary Care Clinics

- Tacoma General and Mary Bridge Children’s Hospitals
- Gig Harbor Multi-Specialty Medical Center
- MultiCare Auburn Medical Center
- Future Behavioral Health Hospital
- Future Covington Hospital (opening Q1 2017)
- South King Market
- Covington Multi-Specialty Medical Center
- Allenmore Hospital
- West Pierce Market
- East Pierce Market
- Good Samaritan Hospital
<table>
<thead>
<tr>
<th>Sites of Care</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Hospitals</td>
<td>4</td>
</tr>
<tr>
<td>Pediatric Hospital (Level II Trauma)</td>
<td>1</td>
</tr>
<tr>
<td>Future Hospitals</td>
<td></td>
</tr>
<tr>
<td>• Covington (Opening Q1 2017)</td>
<td></td>
</tr>
<tr>
<td>Multi-Specialty Center</td>
<td>2</td>
</tr>
<tr>
<td>• Gig Harbor</td>
<td></td>
</tr>
<tr>
<td>• Covington (Free standing ED)</td>
<td></td>
</tr>
<tr>
<td>Outpatient Surgery Centers</td>
<td>5</td>
</tr>
<tr>
<td>Urgent Care Centers</td>
<td>9</td>
</tr>
<tr>
<td>MultiCare Express Retail Clinic**</td>
<td>1</td>
</tr>
<tr>
<td>Imaging Joint Ventures</td>
<td>4</td>
</tr>
<tr>
<td>• 6 sites of care</td>
<td></td>
</tr>
<tr>
<td>Home Health / Hospice</td>
<td></td>
</tr>
<tr>
<td>Occupational &amp; Behavioral Health</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Licensed Beds - 1,130</td>
</tr>
<tr>
<td>• Average Daily Census – 556</td>
</tr>
<tr>
<td>• ED Visits - 237,905</td>
</tr>
<tr>
<td>• Annual Net Revenue of over $1.8 billion</td>
</tr>
<tr>
<td>• 3 Foundations with a combined annual fund raising of approximately $23 million</td>
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<table>
<thead>
<tr>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>FTE’s</td>
</tr>
<tr>
<td>Total Provider FTE’s</td>
</tr>
<tr>
<td>• Employed Physician FTE’s</td>
</tr>
<tr>
<td>• Mid-Level Provider FTE’s</td>
</tr>
</tbody>
</table>

*as of 12/31/14

** significant future retail clinic expansion
Patients Served

- System-wide MultiCare takes care of 515,200 patients and we grew our total number of patients by 7.2% since the last year.
- Our growth has been faster than the overall population resulting in our share (percent of total residents) or market penetration increasing in each of our regions and in total.

<table>
<thead>
<tr>
<th>Region</th>
<th>Total Patients 3rd Q 2014</th>
<th>New Patients Since 3rd Q 2013</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Pierce</td>
<td>109,692</td>
<td>6,334</td>
<td>5.8%</td>
</tr>
<tr>
<td>West Pierce</td>
<td>213,048</td>
<td>8,323</td>
<td>3.9%</td>
</tr>
<tr>
<td>South King</td>
<td>132,475</td>
<td>18,348</td>
<td>13.9%</td>
</tr>
<tr>
<td>All Other Counties</td>
<td>60,021</td>
<td>4,098</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>515,236</strong></td>
<td><strong>37,103</strong></td>
<td><strong>7.2%</strong></td>
</tr>
</tbody>
</table>

Total Patient Market Share (% of Population)

<table>
<thead>
<tr>
<th>Region</th>
<th>Q3 2013</th>
<th>Q3 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Pierce</td>
<td>36%</td>
<td>37%</td>
</tr>
<tr>
<td>West Pierce</td>
<td>38%</td>
<td>40%</td>
</tr>
<tr>
<td>South King</td>
<td>27%</td>
<td>31%</td>
</tr>
<tr>
<td>Pierce &amp; So King Combined</td>
<td>34%</td>
<td>37%</td>
</tr>
</tbody>
</table>
Existing to Emerging Healthcare Ecosystem

From Volume (Current)

To Value (Future)
Our Strategic Priorities

Performance Excellence

10-10-10-25

- People - Cultivate a great, fun and safe place to work
- Quality and Safety – Eliminating hospital acquired conditions and harms for our patients - to become a high reliable organization
- Service - Ensure exceptional Customer Experience
- Cost and Margin

Population-Based Care

- Physician Integration
- Continuum of Care
- Health, Chronic Disease & Risk Management

Demonstrate capability in managing the care of increasingly larger patient groups
- ↑ the number of non-employee providers in the CIN
- ↑ the number of covered lives
- Solidify selected insurer/payer relationship.

Expanding Market Presence and Access to Care and Service

Develop services that increase both access to care for patients and additional revenue sources for MHS.
- MB Hospital and Pediatric Network.
- Behavioral Health
- Physical Medicine and Rehab
- Urgent Care Expansion
- Retail and Virtual Health
Operational Performance

Operating Income & Margin %

Operating EBIDA & Margin %

Note: 2014 is unaudited
Balance Sheet Ratios

- **AA- Cash to Debt** – 168.0%
- **AA- Total Debt to Capitalization** 31.2%
- **AA- Days Cash on Hand** – 252

Note: 2014 is unaudited
Performance Excellence
Cost Improvement Waves

- Wave 1 FY 2015
- Wave 2 FY 2016
- Wave 3 FY 2017
- Wave N

Target $100M Annually

Cost Improvement Value

- FY 2015: $100M
- FY 2016: $200M
- FY 2017: $300M
- FY 20XX: $300M+
Population-Based Care
Three Pillars for Success

Accountable Care Organization (ACO)  
**The Legal Entity**

Clinically Integrated Network (CIN)  
**The Providers**

Clinical Collaboratives and Care Management  
**The Engine**

Achieving the Triple Aim: Improved Quality, Service and Cost
# Future Environment of Care

<table>
<thead>
<tr>
<th>FROM</th>
<th>TO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sick care</td>
<td>Wellness and disease management</td>
</tr>
<tr>
<td>Episodic Care</td>
<td>Seamless comprehensive care across the continuum</td>
</tr>
<tr>
<td>Silos &amp; Fragmented Care</td>
<td>Patient-Centered &amp; Integrated</td>
</tr>
<tr>
<td>Exclusively Fee-For-Service</td>
<td>Total Cost of Care</td>
</tr>
<tr>
<td>Duplication</td>
<td>Coordinated Providers</td>
</tr>
<tr>
<td>Bricks &amp; Mortar Care</td>
<td>Continuum of Care</td>
</tr>
<tr>
<td>Single EHR</td>
<td>Single Source of Information</td>
</tr>
<tr>
<td>WIIFM (What’s In It For Me?)</td>
<td>WIIFU* (What’s In It For Us?)</td>
</tr>
</tbody>
</table>

*include patients, providers, payors, purchasers
Expanding Market Presence and Access to Care and Service
## Shifts Required for Retail Excellence

<table>
<thead>
<tr>
<th>Current State Thinking</th>
<th>Future State Thinking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute-care focus</td>
<td>Consumer-centric thinking</td>
</tr>
<tr>
<td>Health system-focused</td>
<td>Partnerships and Collaboration</td>
</tr>
<tr>
<td>Responsive marketing</td>
<td>Strategic marketing</td>
</tr>
<tr>
<td>High margin, lower volume</td>
<td>Lower margin, high volume</td>
</tr>
<tr>
<td>Acute-care driven rewards</td>
<td>Rewards for improving health</td>
</tr>
<tr>
<td>Operational-focused experience</td>
<td>Standardized experience with a strong and relevant brand, leveraging Information Technology</td>
</tr>
<tr>
<td>Opportunistic Pricing</td>
<td>Market-based pricing/strategic pricing</td>
</tr>
<tr>
<td>Focus on selling services with Clinical Oversight</td>
<td>An emphasis on selling Products or Services that enable the Consumer to “Self-Serve”</td>
</tr>
</tbody>
</table>
MultiCare Retail Health Framework

Portal of entry, improves access

Provider-Assisted

Builds loyalty, offers convenience, improves health and wellness

Self-Service

Improves experience

Campus/Location Amenities

Expanding Market Presence and Access to Care and Service

Virtual
Ambulatory
Acute

Online
Bricks & Mortar
Employee/Convenience
Patient/Comfort
Pierce County Adult Free-Standing Hospital

MHS & CHI-Franciscan Joint Venture

**Scope** – Adult voluntary and involuntary inpatient psychiatric hospital in Tacoma

**Certificate of Need application**
120 beds @ $354k per bed = $42,500,000

»Site at Allenmore Hospital campus

»Crisis Stabilization Unit – 16 beds

»CEO and board support from both systems

»CON filed and preliminary timeline open 2017
Future Hospital: Covington

Strategy

» To further develop the system of care in South King County, WA with a carefully sized highly efficient hospital by leveraging existing Covington infrastructure (ED, Imaging, Information Technology, etc), where MHS has had non-acute care presence for over 20 years.

Sizing

- 24 Inpatient Beds (Short Stay IP & Observation)
- Pediatric Inpatient Services
- 2 Inpatient Operating Rooms
- Emergency Department (Finished in 2013)
- Room for growth

Services

- Orthopedics
- General Surgery
- Birth Center
- Pediatric OP Surgery
- Ear Nose & Throat
- Urology

Timeline

<table>
<thead>
<tr>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Q1 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning, Permits &amp;</td>
<td>Design / Construction</td>
<td>Certificate of Occupancy</td>
<td>Open for Patient Care</td>
</tr>
<tr>
<td>Groundbreaking</td>
<td></td>
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</tbody>
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Status

- Groundbreaking commenced on September 30, 2014 and was officially celebrated October 28, 2014
- Early site work ongoing with surface parking will complete in phases January / February 2015
Auburn Expansion

Strategy

» To further develop the system of care in South King County, WA to include upgrades and improvements to the Auburn Campus that will support continued growth and the delivery of healthcare services in an efficient manner that meets the standards and expectations of the community.

Sizing

• Expanded Emergency Department
• New 3 story 68 bed patient care tower
• Expanded psychiatric capacity
• Upgrade power infrastructure
• Room for growth

Services

• Acute Medical Services including Intensive Care
• Birth center and Level 2 Nursery
• Adult Inpatient Psychiatric
• Surgical including robotics
• Cardiology
• Oncology

Timeline

• 2014: Finalize strategy and overall plan
• 2015:
  • Final design for Emergency Department
  • Start Emergency Department Construction Q3
  • Design development of patient care tower
  • Design and construct and open Observation Unit
  • Design and construct and open Psychiatric Unit
• 2016:
  • Complete Emergency Department Q2 & Q4
  • Start construction of patient care tower
• 2017
  • Open new patient care tower. Q4
New Mission & Vision

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