Memorial Hermann Health System
31st Annual J.P. Morgan Healthcare Conference
January 7, 2013

Daniel J. Wolterman
President & CEO

Dennis L. Laraway
Chief Financial Officer
System and Strategic Overview
Highlights

- Market Share Leader in Houston
- Superior Regional Coverage
- Operating Cash Flow Generation
- Effective Cost Management – Best Practice
- Improved Liquidity and Leverage Positions
- Well Positioned for Accountable Care and Population Management
- Quality – Competitive Advantage for Memorial Hermann
- National Recognition – Significant Accomplishments as a Provider of Excellence
The Market Leader

$4.5B Total Assets
$3.9B Net Operating Revenue
Over 20,000 Employees; 5,000 Medical Staff

171 Locations

Market Share Ranking
1st: Aggregate Market Share
1st: Burns
1st: Cardiology
1st: ENT
1st: General Medicine
1st: General Surgery
1st: Neurology
1st: Neurosurgery
1st: Ophthalmology
1st: Orthopedics
1st: Rehab
1st: Thoracic Surgery
1st: Urology
1st: Vascular
2nd: Gynecology
2nd: Obstetrics
2nd: Neonatology
2nd: Spine
3rd: Oncology

Inpatient Market Share

Greater Houston MSA 6.14 million population, projected to 6.71 million (2016)
Recent Accolades

15 Top Health Systems; Top 5 Large Health Systems

Texas Health Care Quality Improvement Awards (9 Memorial Hermann Campuses)

Healthcare’s “100 Most Wired” 7th consecutive year

America’s #1 Quality Hospital in Overall Care 2 Consecutive Years

TIRR Memorial Hermann Ranked # 3 by U.S. News and World Report

HealthGrades®
- America’s 50 Best Hospitals (2010, 2011 & 2012)
- Distinguished Hospital for Clinical Excellence

Texas Hospital Association Bill Aston Quality Award

Houston Business Journal (HBJ) No. 5 Best Places to Work
Industry Transformation

**Current Model**
- Fee-for-Service
- Disparate Payments
- Illness & Cure
- Volume Incentive
- Fragmentation

**New Model**
- Fixed Payment
- Bundled Payment
- Population Health
- Value Incentive
- Integration
Memorial Hermann will be the preeminent health system in the U.S. by advancing the health of those we serve through trusted partnerships with physicians, employees and others to deliver the best possible health solutions while relentlessly pursuing quality and value.
Advancing Health

Care Delivery: Indispensable market leader in health delivery

**Texas Medical Center**
- Primary teaching hospital for The University of Texas Medical School at Houston
- Children’s Memorial Hermann Hospital
- TIRR Memorial Hermann
- Memorial Hermann Heart & Vascular Institute – Texas Medical Center
- Mischer Neuroscience Institute
- MH Ironman Sports Medicine Institute
- Memorial Hermann Clinical Innovation & Research Center
- Nation’s Busiest Level 1 Trauma Center with 7,000 cases/year and 3,500 *Life Flight* transports/year

**Ambulatory Portfolio**
- Sports Medicine & Rehabilitation Centers: 30
- Ambulatory Surgery Centers: 18
- Diagnostic Laboratories: 21
- Imaging Centers: 24
- Breast Care Centers: 9
- 24 Hour Free Standing ER: 1
- Retirement/Nursing Center: 1
- Home Health Branches: 3
- Cancer Centers: 7

**Community Hospital Portfolio**
- The Woodlands Hospital
- Northwest Hospital
- Southwest Hospital
- Southeast Hospital
- Memorial City Medical Center
- Sugar Land Hospital
- Katy Hospital
- Northeast Hospital
Physicians: Pluralistic approach to physician alignment

MHMD
- 3,500 physicians members
- 2,900 Clinically Integrated (C.I.) physicians
- Unites private practice, academic faculty, and employed physicians
- Clinical Programs Committees linked to System Quality Committee
- Foundation for Memorial Hermann Accountable Care Organization

University of Texas Medical School, Houston
- 1,066 Faculty Members
- 24 Departments
- 871 Residents and Fellows
- 1,017 Medical Students
- 1 Million Annual Clinical Encounters

Memorial Hermann Medical Group
- 501(a)
- 250 Employed Providers
- Primary care and specialists

Clinical Integration Principles
- Create order sets, protocols, and performance standards
- Connect systems and share data
- Report and manage quality outcomes
Advancing Health

Health Solutions: Value-added health plans & employer solutions

ACO
- New subsidiary of MHHS
- Formed to meet the intent of both Commercial and Medicare ACO principles
- CMS Shared Savings Program – July 1, 2012

MHiE
Facilitates access to and retrieval of clinical data to provide safer, more timely, efficient, effective, patient-centered care by providing the capability to electronically share clinical information among disparate health care information systems in a useful manner.

MHealth
- Self-insured / TPA Services
- Fully-insured license
- Employer-based contracting
- Member Cost Share / Incentives to encourage engagement in their health
- Narrow Network of Highest Quality
- Competitive Provider Contracts built with Integral Pay for Performance structures
- Planning for Medicare Advantage. Notification of Intent submitted to CMS.
One Memorial Hermann
One Memorial Hermann

Information Technology Key To Advancing Health

Aligned Incentives & Benefit Structure
“Design & Optimize”

Population Analytics
“Measure & Score”

Individual Health Plan
“Personalize & Coordinate”

Operational & Clinical Performance
“Store & Report”

Enterprise Data Warehouse

Milliman MedInsight

Enterprise Data Warehouse

Physician Office
Hospital
Post Acute
Home Health
Diagnostic
Imaging
Surgery Center
High Reliability Organization

Central Line Associated Blood Stream Infections

UCL = 9.42
Mean = 5.53
LCL = 1.64

UCL = 5.79
Mean = 3.04
LCL = 0.29

UCL = 5.13
Mean = 2.52
LCL = 0.38

UCL = 2.97
Mean = 1.17
LCL = 0.38

2006 2007 2008 2009 2010 2011 2012

Reporting Months

High Reliability
Certified Zero Award

To: Memorial Hermann Southeast Hospital
Zero iatrogenic Pneumothorax for 12 Months
February 1, 2010 to January 31, 2011

Everyone counts on high-reliability organizations to ensure that safety is never the primary concern. In general, the answer seems to be one of the Institute of Medicine's definitions of a high-reliability organization. 

High Reliability Organization

From the C-Suite

Dan Woltermann and Dr. M. Michael Shabolt

EXTENDING THE COST CURVE

Modern Healthcare

A new standard
Aim for safety of planes, nuclear plants
Revenue & Quality

Value Based Purchasing & Meaningful Use

Information Technology and Quality Management programs on target to avoid CMS penalties, while maximizing reimbursement.

Value Based Purchasing: Estimated $4.5M net gain over 5 years. HCAHPS greatest opportunity for improvement.

Meaningful Use Stage 1 & Stage 2 Attestation January 2012

Stage I Readiness

Hospital Objectives (Stage 1) | MC | TMC | KY | NE | NW | SE | SW | SL | TW
--- | --- | --- | --- | --- | --- | --- | --- | --- | ---
Meaningful Use Criteria Compliance | | | | | | | | | |

Legend:  
- Green: Meets criteria  
- Red: Requires attention

Received $10.1M to date in Texas Medicaid funding.

Received $12.9M in Medicare funding FY12.

Meaningful Use Stage 2 requirements underway; targeting 2014 adoption.

$54.6M expected over next 4 years from both Medicare and Medicaid.
Accountable Care

- Clinically Integrated IPA
- Pluralistic approach to physician / MHHS alignment
- Exclusive Contracting DOJ/FTC Protections

MHHS/MHMD Payor Contracting

<table>
<thead>
<tr>
<th>Payor</th>
<th>Comm.</th>
<th>M/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humana</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>United Healthcare</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Aetna</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MHealth</td>
<td>✓</td>
<td>Notice of Intent</td>
</tr>
</tbody>
</table>

CMS Shared Savings

- July 1, 2012 start
- 22,000 attributed beneficiaries
- Patient Centered Medical Home (PCMH)
Texas Medicaid

• Massive statewide restructuring of Medicaid through 1115 Waiver
• Year 2 of implementation
• Memorial Hermann has reached agreement with RHP3 anchor (Harris Health)
• Supplemental Funding – expected to continue at historical levels
Greater Houston Area and Market Position
Growth of Houston

* The total population of the Expanded Greater Houston MSA is projected to reach 6.8 million by the year 2017. That represents growth of 568,846 people from 2012 (9.1% increase).

Source: Truven, formerly Thomson Reuters Medstat, 2011-2016
Note: Population number for 1980, 1990 and 2000 was based on Greater Houston MSA: Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, Waller
Expanded Greater Houston MSA includes: Austin, Brazoria, Chambers, Fort Bend, Galveston, Harris, Liberty, Montgomery, San Jacinto, Waller, Walker and Wharton
Approximately 82% of the Expanded Greater Houston MSA population lives within the primary service area of at least one Memorial Hermann campus.
Volume Forecast Summary

- Market Admissions projected to decrease 3% as a result of 9% population growth and 11% Use Rate decline
- MH Admissions projected to increase 3% through increasing market share, despite the Use Rate decline

<table>
<thead>
<tr>
<th></th>
<th>Actual 2012</th>
<th>Projected 2017</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>6,263,956</td>
<td>6,832,802</td>
<td>9%</td>
</tr>
<tr>
<td>Use Rates</td>
<td>87</td>
<td>77</td>
<td>-11%</td>
</tr>
<tr>
<td>Market Admissions</td>
<td>542,847</td>
<td>528,961</td>
<td>-3%</td>
</tr>
<tr>
<td>MH Market Share</td>
<td>22.9%</td>
<td>24.2%</td>
<td>6%</td>
</tr>
<tr>
<td>MH Admissions (Total)</td>
<td>129,469</td>
<td>133,511</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Total Inpatient Market Share**

- 2010: 23.4%
- 2011: 23.6%
- 2012: 22.9%
- 2017: 24.2%
Financial Performance
Final Governance Structure (Effective January 1, 2013)

Legend: Part of the Obligated Group
Patient Volumes

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity
Leverage
Q1 FY 2013

Inpatient Admissions (excluding OB)

<table>
<thead>
<tr>
<th>FY</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>108,348</td>
<td>133,846</td>
<td>135,099</td>
<td>135,347</td>
<td>134,064</td>
<td></td>
<td></td>
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</table>

OP Surgery Cases

<table>
<thead>
<tr>
<th>FY</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>46,831</td>
<td>61,355</td>
<td>68,354</td>
<td>78,563</td>
<td>79,275</td>
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Adjusted Admissions

<table>
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<tr>
<th>FY</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>194,737</td>
<td>218,016</td>
<td>236,843</td>
<td>256,175</td>
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</table>

Diagnostic & Therapeutic Visits

<table>
<thead>
<tr>
<th>FY</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>484,579</td>
<td>586,106</td>
<td>810,733</td>
<td>861,922</td>
<td>960,736</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Outpatient Revenues

OP Revenue % by Fiscal Year

- 2008: 64.6% IP, 35.4% OP
- 2009: 59.2% IP, 40.8% OP
- 2010: 57.0% IP, 43.0% OP
- 2011: 54.5% IP, 45.5% OP
- 2012: 52.3% IP, 47.7% OP

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity
Leverage
Q1 FY 2013
Ambulatory Care and Retail Operations Continue to Grow

Ambulatory Care / Retail Operations – Select Areas

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPID's ($000's)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NOR</td>
<td>$138,818</td>
<td>$136,345</td>
<td>$147,737</td>
</tr>
<tr>
<td>Cash Flow Margin</td>
<td>32.1%</td>
<td>33.1%</td>
<td>38.6%</td>
</tr>
<tr>
<td>D&amp;T Visits</td>
<td>339,054</td>
<td>341,141</td>
<td>359,703</td>
</tr>
<tr>
<td>Sites</td>
<td>23</td>
<td>24</td>
<td>24</td>
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</table>

<table>
<thead>
<tr>
<th><strong>SM&amp;R's ($000's)</strong></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOR</td>
<td>$33,228</td>
<td>$40,196</td>
<td>$52,285</td>
</tr>
<tr>
<td>Cash Flow Margin</td>
<td>26.7%</td>
<td>29.8%</td>
<td>34.8%</td>
</tr>
<tr>
<td>D&amp;T Visits</td>
<td>35,882</td>
<td>43,716</td>
<td>52,042</td>
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<tr>
<td>Sites</td>
<td>24</td>
<td>26</td>
<td>30</td>
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</table>

<table>
<thead>
<tr>
<th><strong>ASC's (JVIII &amp; IV) ($000's)</strong></th>
<th>FY2010</th>
<th>FY2011</th>
<th>FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOR</td>
<td>$114,969</td>
<td>$140,710</td>
<td>$154,666</td>
</tr>
<tr>
<td>Cash Flow Margin</td>
<td>29.5%</td>
<td>30.3%</td>
<td>32.0%</td>
</tr>
<tr>
<td>OP Surgeries</td>
<td>32,397</td>
<td>41,444</td>
<td>44,493</td>
</tr>
<tr>
<td>Sites</td>
<td>11</td>
<td>15</td>
<td>18</td>
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</tbody>
</table>
Case Mix Index for all Hospitals

Growth/Volumes

Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity Leverage

Q1 FY 2013

Tertiary/Quaternary Cases

<table>
<thead>
<tr>
<th></th>
<th>FY12</th>
<th>FY13 Ann'd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transplants</td>
<td>70</td>
<td>125</td>
</tr>
<tr>
<td>Burn Center</td>
<td>412</td>
<td>500</td>
</tr>
<tr>
<td>Open Heart</td>
<td>1,050</td>
<td>1,150</td>
</tr>
<tr>
<td>Trauma - TMC</td>
<td>6,700</td>
<td>7,200</td>
</tr>
</tbody>
</table>
Payor Mix for all Hospitals

Payor Mix – 5 yr. Trend

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity
Leverage
Q1 FY 2013
Strong Operating Performance
Sustained Cash Flow Generation

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity Leverage
Q1 FY 2013

- Fiscal Year 2012 operating income before extraordinary items of $171.3 million
- 12 consecutive years of solid operating performance with results at or above budget each year
Cost Control

Labor and Supply Costs

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity Leverage
Q1 FY 2013

VHA PharmaLYNX 2012 Review
Rx Cost Index:
Best in Class 10.5
Subscriber Avg. 16.4
Memorial Hermann 10.5

System-wide cost reduction initiative started in 2011, targeting $161 million reduction over 24-months. Fully implemented
Balance Sheet
Liquidity

Growth/Volumes
Managed Care
Operating Income & Cash Flow
Cost Control
Balance Sheet Position
Liquidity
Leverage
Q1 FY 2013

Cash and Investments

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and Investments (in Mil.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$766.8</td>
</tr>
<tr>
<td>2009</td>
<td>$866.2</td>
</tr>
<tr>
<td>2010</td>
<td>$1,076.8</td>
</tr>
<tr>
<td>2011</td>
<td>$1,323.0</td>
</tr>
<tr>
<td>2012</td>
<td>$1,418.2</td>
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</table>

Days Cash

<table>
<thead>
<tr>
<th>Year</th>
<th>Days Cash</th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>105</td>
</tr>
<tr>
<td>2009</td>
<td>109</td>
</tr>
<tr>
<td>2010</td>
<td>129</td>
</tr>
<tr>
<td>2011</td>
<td>151</td>
</tr>
<tr>
<td>2012</td>
<td>148</td>
</tr>
</tbody>
</table>
Balance Sheet
Leverage

Growth/Volumes

Managed Care

Operating Income & Cash Flow

Cost Control

Balance Sheet Position
Liquidity
Leverage

Q1 FY 2013

Debt to Capitalization

Cash to Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>W/Cap Leases</th>
<th>Excl Cap Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>45%</td>
<td>64%</td>
</tr>
<tr>
<td>2009</td>
<td>48%</td>
<td>74%</td>
</tr>
<tr>
<td>2010</td>
<td>61%</td>
<td>95%</td>
</tr>
<tr>
<td>2011</td>
<td>74%</td>
<td>120%</td>
</tr>
<tr>
<td>2012</td>
<td>80%</td>
<td>133%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>W/Cap Leases</th>
<th>Excl Cap Leases</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>51%</td>
<td>42%</td>
</tr>
<tr>
<td>2009</td>
<td>55%</td>
<td>44%</td>
</tr>
<tr>
<td>2010</td>
<td>52%</td>
<td>40%</td>
</tr>
<tr>
<td>2011</td>
<td>48%</td>
<td>36%</td>
</tr>
<tr>
<td>2012</td>
<td>47%</td>
<td>35%</td>
</tr>
</tbody>
</table>
## Volume Indicators
### FY2013 – 3 months ended September 30, 2012

<table>
<thead>
<tr>
<th>Selected Statistics</th>
<th>Actual</th>
<th>P/Y</th>
<th>Percent Increase (Decrease) Over P/Y</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Admissions</td>
<td>34,479</td>
<td>34,042</td>
<td>1.3%</td>
</tr>
<tr>
<td>Adjusted Admissions</td>
<td>66,853</td>
<td>64,455</td>
<td>3.7%</td>
</tr>
<tr>
<td>Deliveries</td>
<td>6,351</td>
<td>6,244</td>
<td>1.7%</td>
</tr>
<tr>
<td>ER Visits</td>
<td>117,136</td>
<td>107,800</td>
<td>8.7%</td>
</tr>
<tr>
<td>Outpatient Surgeries</td>
<td>20,230</td>
<td>19,507</td>
<td>3.7%</td>
</tr>
<tr>
<td>Diagnostic &amp; Therapeutic Visits</td>
<td>253,980</td>
<td>230,768</td>
<td>10.1%</td>
</tr>
<tr>
<td>ALOS</td>
<td>5.38</td>
<td>5.36</td>
<td>0.4%</td>
</tr>
<tr>
<td>Case Mix Index</td>
<td>1.544</td>
<td>1.486</td>
<td>3.9%</td>
</tr>
</tbody>
</table>
Current Debt Profile

Underlying Debt Mix

<table>
<thead>
<tr>
<th>Mode</th>
<th>Par Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>$408,335,000</td>
<td>40.4%</td>
</tr>
<tr>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Putable Variable Rate (VRDB's)</td>
<td>254,600,000</td>
<td>25.2%</td>
</tr>
<tr>
<td>Non-Putable Variable Rate (FRN's)</td>
<td>347,200,000</td>
<td>34.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,010,135,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Net Interest Rate Exposure

<table>
<thead>
<tr>
<th>Mode</th>
<th>Par Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Rate</td>
<td>$408,335,000</td>
<td>40.4%</td>
</tr>
<tr>
<td>Variable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Putable Variable Rate (VRDB's)</td>
<td>2,900,000</td>
<td>0.3%</td>
</tr>
<tr>
<td>Synthetic Fixed</td>
<td>598,900,000</td>
<td>59.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,010,135,000</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Credit Provider Exposure

<table>
<thead>
<tr>
<th>Credit Provider</th>
<th>Par Amount</th>
<th>Renewal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wells Fargo FRN</td>
<td>$162,400,000</td>
<td>1/1/16</td>
</tr>
<tr>
<td>JPMorgan Chase LOC</td>
<td>2008A-1 FRN</td>
<td>9/1/16</td>
</tr>
<tr>
<td>RBC FRN</td>
<td>$103,200,000</td>
<td>7/8/15</td>
</tr>
<tr>
<td>Northern Trust LOC</td>
<td>77,000,000</td>
<td>9/1/16</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$601,800,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Does not include capital lease obligations*
Operating Account (in millions)

- FY 2010: 5.5%
- FY 2011: 4.9%
- FY 2012: 3.0%
- YTD 9/30/12: 2.4%

* Percentages are Total Portfolio Returns

- International
- US Equities
- Money Mkts
- Fixed
- Short Term
### Asset-Liability Modeling

#### ("Capital Deficit")

#### Balance sheet decomposition and actions currently under consideration

**Investments**

- **US Aggregate Bonds, 34%**
- **US Cash, 52%**
- **US Small-Mid Cap, 2%**
- **Int'l Equity, 3%**

**Debt and Capitalized Leases**

- **Unhedged Floating**, 0%
- **Natural Fixed**, 24%
- **Cap. Leases (Fixed)**, 41%
- **Synthetic Fixed**, 35%

### Investment Considerations

- Current Investment Policy Statement in process of review by management and Investment Consultant, Towers Watson
- Investment teams are beginning to run analyses to evaluate potential asset allocations that would target alternate expected returns
- Evaluate higher expected return allocations while keeping expected volatility as close to current levels as possible

### Debt Considerations

- Realize present value savings on the “in the money” fixed rate refundings
- Rebalance risk profile (bank, put, variable, fixed rate, and swap exposure)
- Reduce weighted average cost of capital
- Increase floating interest rate exposure
- Evaluate self liquidity VRDB structure to further reduce bank exposure and support costs

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**Net capital deficit = $48.5MM; 95% worst deficit = $119.5MM**
Conclusion
Take away points

- Market Share Leader in Houston
- Superior Regional Coverage
- Operating Cash Flow Generation
- Effective Cost Management – Best Practice
- Improved Liquidity and Leverage Position
- Well Positioned for Accountable Care and Population Management
- Quality – Competitive Advantage for Memorial Hermann
- National Recognition – Significant Accomplishments as a Provider of Excellence