We are one.
For all.

Baylor Health Care System and Scott & White Healthcare are now one. And the health care world will never be the same.
Disclaimer

This presentation is not a prospectus and is not an offer to sell securities. The statements made by representatives of Baylor Scott & White Health (“BSWH”) that are not historical facts are forward-looking statements. The forward-looking statements generally can be identified with words or phrases such as “anticipates,” “believes,” “could,” “proforma”, “estimates,” “expects,” “foresees,” “may,” “plan,” “predict,” “should,” “will” or other words or phrases of similar import. All statements included in this presentation that any person expects or anticipates will, should or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses made by BSWH in light of its experience and perception of historical trends of Baylor Health Care System and its affiliates and Scott & White Healthcare and its affiliates, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments conform to expectations and predictions is subject to a number of risks and uncertainties as well as additional factors beyond BSWH control. All of the forward-looking statements made in this presentation are qualified by these cautionary statements. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on BSWH business or operations. All subsequent forward-looking statements attributable to BSWH or persons acting on their behalf are expressly qualified in their entirety by the factors and assumptions described above and in any documents containing those forward-looking statements. The information contained in this presentation speaks only as of the date stated, or if no date is stated, as of the date of this presentation. BSWH is not under any obligation and does not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this presentation to reflect circumstances existing after the date of this presentation or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized. The information contained in this presentation supersedes any information that BSWH has previously distributed to the extent that such prior information conflicts with the information contained herein.
Baylor Scott & White Health
Investor Presentation

BSWH Presenters

• Joel Allison – Chief Executive Officer

• Robert Pryor, M.D. – President, Chief Operating Officer, and Chief Medical Officer

• Fred Savelsbergh – Chief Financial Officer

• Frank Anderson – Chief Debt Officer
Advancing Value-Based Care and Population Health Management

- The merger further enhances our focus on developing the integrated delivery network beyond the typical hospital-based platform

- We have successfully completed a significant step on this journey with the combination of our two systems, which will result in significant synergies and will transform both

- The combined balance sheet and operational strength of both Baylor and Scott & White position the new System for future success in the evolving healthcare paradigm

- BSWH continues to evaluate, select and implement strategies and organizational changes that will enable the system to effectively serve the health needs of our combined and growing service area
A Union Of Complementary Strengths

• Enhance our missions
• Advance clinical care for our patients
• Build on exceptional reputations
• Enhance medical education and research
• Enhance recruitment and retention opportunities
• Generate economies of scale
• Optimize care delivery sites
• Expand integrated health care delivery model
• Value = \[ \text{Quality} + \text{Patient Experience} + \text{Functional Status Post Episode of Care} \]
\[ \text{Cost of Event} + \text{Cost of Episodes of Care} + \text{Ongoing Costs Post Care} \]

Source for Value Formula: American College of Physician Executives
Creates The Largest Not-for-Profit Health Care System In Texas

- Health Plan / Members: 1 / > 240k
- Assets: $8.3B
- Revenues: $6.2B
- Hospitals: 43
- Patient Care Sites: 500
- Licensed Beds: 5,410
- Affiliated Physicians: 6,000
  - Employed Physicians: 1,630
  - Midlevel Providers: 510
- Employees: 34,000
- Community Benefit: $867mm

Note: All numbers and amounts above are estimates based on the information available to management as of the time of merger on October 1, 2013.
Baylor Scott & White Health exists to serve all people by providing personalized health and wellness through exemplary care, education and research as a Christian ministry of healing.

To be the most trusted name in giving and receiving safe, quality, compassionate health care.
System Strategic Framework

**Population Health**
Create innovative care delivery and financing models and be leaders in managing Population Health
- Patient Centered Clinical Value
- Value-Based Reimbursement
- Strategic Growth

**Center of Excellence**
Be a recognized destination for delivering and receiving high quality healthcare
- Education and Research
- Clinical Centers of Excellence

**Synergy**
Combine the best of both organizations to deliver exceptional value to our patients, stakeholders and communities
- Merger Synergies
- Clinical Best Practices
- Capital Capacity
Combining The Best Of Both Organizations
To Unlock Synergies

• **Operational Synergies**
  • Achieve operational synergies by aligning clinical and administrative programs to avoid duplication and improve efficiency – find the best way

• **Supply Chain Synergies**
  • Achieve supply chain synergies through volume aggregation and clinical preference item standardization
  • Majority of synergies are expected to come from supply chain
  • Synergies are anticipated to be achieved over the next 5 years

• **Optimize the delivery of services**
  • Optimize the delivery of services across the expanded system – provide the right care in the right locations (inpatient, outpatient, hub and spoke)

Together we are stronger and better prepared for the rapid pace of change facing us in the future
# Operational Objectives

| Engagement   | • Workforce  
|              | • Patients/consumers  
|              | • Physicians  
|              | • Board  
| Alignment    | • Goals/strategies  
|              | • Physicians  
|              | • Payors  
|              | • Donors  
| Execution    | • Safety  
|              | • Quality  
|              | • Strategies  
|              | • Operations improvement/synergies  
| Results      | • Outcomes/quality scorecard  
|              | • Best place to work  
|              | • Financial stewardship  
|              | • Value realization  
| Accountability| • Mission/vision/values  
|              | • Patients  
|              | • Communities  
|              | • Each other  

Baylor Scott & White Health
Combining The Best Of Both Organizations To Deliver Exceptional Value

• Leverage Clinical Best Practices
  • Leverage best practices from both organizations to achieve top decile performance in quality and patient satisfaction
  • Apply Lean thinking and the best practices from both organizations to achieve top decile performance in cost per adjusted patient day and cost per clinic visit
  • Learn together to build data driven, digitally connected, physician led care teams capable of delivering evidence-based, population health management

• Generate Capital Capacity
  • Continuously generate capacity and maintain access to low-cost capital while strengthening BSWH

• Position Scott & White Health Plan to Maximize Value and Return on Investment Regardless of Financial Reimbursement Models

• Create Patient Centered Integrated Care Delivery Models
BSWH Leadership

Chief Executive Officer
Joel T. Allison

President, Chief Operating Officer, and Chief Medical Officer
Robert Pryor, MD

Chief Compliance Officer
Bob Michalski

Chief Financial Officer
Fred Savelsbergh

Chief Government Relations Officers
Kristi Sherrill

Chief Health Policy Officer
Jim Rohack, MD

Chief Integration Officer
LaVone Arthur

Chief Legal Officer
Steve Boyd

Chief Mission & Ministry Officer
Mark Grace

Chief Strategy Officer
Steve Sullivan

Interim Chief Human Resources Officer
John McWhorter
Final Corporate Structure
Anticipated on or about March 1, 2014

*Baylor Health Care System and Scott & White Healthcare continue to be the nonprofit member of their respective material affiliates; however, many of their reserved powers over their affiliates have been permanently transferred to the new parent, Baylor Scott & White Holdings.
STEEEP™ Care addresses the six aims of quality

Organizational Approach To Quality

Triple Aim represents comprehensive outcomes

STEEEP™
- Safe
- Timely
- Effective
- Efficient
- Equitable
- Patient-Centered

Better Patient Experience
Lower Per Capita Costs
Healthier Populations
Creating Quality Through The Power Of Partnership

**Physician Value Modifier**
Opportunity for internal benchmarking across our provider networks to better prepare us for national comparison.

**Readmission Reduction Program**
Both systems are currently strong performers.
Leveraging resources across the system care transitions will only make us stronger.

**HAC Reduction Program**
Implementation of a shared surveillance system for tracking of infections will allow for rapid response to trends or emerging resistant bacteria.

**Hospital Value Based Purchasing**
Overall quality score is above 80% for both legacy systems
www.Medicare.gov
Shared learnings & EHR implementation will drive further improvements.
Strong physician relationships have been key to each system’s success.

Physician-friendly model offers a variety of partnership opportunities

Entry into strategic markets begins with placement of primary care physicians and clinical ancillary services

Integrated physician employment models provide resources to efficiently enter new markets to capture market share
## Combined MTI and Credit Group

- Substituted the existing BHCS MTI and the existing S&W MTI with a new MTI before the implementation of the final legal structure.
- Integrated the two MTIs and credit groups under a common document, resulting in the following Obligated Affiliates*:

<table>
<thead>
<tr>
<th>BHCS</th>
<th>S&amp;W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baylor Health Care System</td>
<td>Scott &amp; White Healthcare</td>
</tr>
<tr>
<td>Baylor University Medical Center</td>
<td>Scott &amp; White Memorial Hospital</td>
</tr>
<tr>
<td>Baylor-Grapevine</td>
<td>Scott &amp; White Clinic</td>
</tr>
<tr>
<td>Baylor-Waxahachie</td>
<td>Scott &amp; White Hospital-Round Rock</td>
</tr>
<tr>
<td>Baylor-Plano</td>
<td>Scott &amp; White Continuing Care Hospital</td>
</tr>
<tr>
<td>Baylor-All Saints</td>
<td>Hillcrest Baptist Medical Center</td>
</tr>
</tbody>
</table>

*It is expected that Baylor Scott & White Holdings will join the Obligated Group shortly after effectuation of final corporate structure.

**Combined Group asset and revenue contributions are not adjusted for reclassifications and eliminations. Scott & White Health Plan revenue excluded from percentages.

BSWH Combined Group accounts for approximately 83% of total BSWH assets and 60% of total BSWH patient service and other revenues based on combined unaudited 2013 financial information**
## BSWH MTI Key Provisions

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security</td>
<td>Gross revenue (A/R and receipts) pledge of Obligated Affiliates with “burn off” provision</td>
</tr>
<tr>
<td>Rate Covenant</td>
<td>≥ 1.10x Maximum Annual Debt Service; engage consultant if &lt; 1.10x MADS; EOD if Rate Covenant &lt; 1.00x MADS for two consecutive years</td>
</tr>
<tr>
<td>Transaction Test</td>
<td>1) No Default or Event of Default results from proposed transaction; and 2.i) Consolidated Net Revenues ÷ MADS following transaction ≥ 1.50x OR 2.ii) Unrestricted net assets of Obligated Affiliates ≥ 70% of unrestricted net assets of Obligated Affiliates prior to transaction</td>
</tr>
<tr>
<td>Permitted Encumbrances / Limitations on Liens</td>
<td>Only permitted encumbrances and permitted liens</td>
</tr>
<tr>
<td>Liens on Property</td>
<td>Only permitted encumbrances and permitted liens</td>
</tr>
<tr>
<td>Merger, Consolidation, Sale or Conveyance</td>
<td>Resulting entity is an Obligated Affiliate – OR – 1) Assumption of Indenture; 2) Transaction Test met on pro forma basis; 3) Opinion of Counsel stating no adverse affect on tax exemption; and 4) Officer's Certificate and Opinion of Counsel stating compliance with precedent conditions</td>
</tr>
<tr>
<td>Admission/Withdrawal of Obligated Affiliates</td>
<td>1) Combined Group Representative Consent; 2) compliance with relevant MTI section; 3) demonstration of complying with Transaction Test immediately after such admission or withdrawal; and 4) Opinion of Counsel</td>
</tr>
<tr>
<td>Generally Accepted Accounting Principles</td>
<td>GAAP will be frozen at selected year, however, Combined Group Representative may elect to utilize GAAP on the date of certification if an election is made to do so</td>
</tr>
<tr>
<td>Ability for MTI Substitution</td>
<td>Permitted pursuant to terms and conditions in the MTI</td>
</tr>
</tbody>
</table>
Underlying 59% fixed rate debt and 41% variable rate debt
Initially weighted cost of capital of 4.45%
Debt structure will result in slightly front-loaded debt service
Maximum annual debt service occurring in 2016 at about $168 million
Mutual debt credit/liquidity exposure with Bank of America, JP Morgan and Wells Fargo
  - Baylor has additional debt credit/liquidity exposure with Northern Trust
  - S&W has additional debt credit/liquidity exposure with BMO, Goldman Sachs and Compass Bank
Combined swap portfolio of $816.9 million split approximately 51% / 49% between BHCS and S&W, respectively. Combined market-to-market as of 12/31/13 of -$152.6mm
Entire BHCS swap portfolio suspended through January 15, 2016
Mutual swap counterparty exposure to Goldman Sachs, Wells Fargo, and Deutsche Bank
  - Baylor has additional swap counterparty exposure to Bank of America
  - S&W has additional swap counterparty exposure to JP Morgan
BSWH Combined Debt Profile

BSWH Annual Debt Service Breakdown

Note: “Other BHCS Leases and Notes D/S” only includes capital leases and notes payable
### BSWH System Key Ratios

Combined Unaudited Financial Information 2011-2013

<table>
<thead>
<tr>
<th>Fiscal Year Ending,</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow Margin (%)</td>
<td>12.3</td>
<td>11.9</td>
<td>10.1</td>
</tr>
<tr>
<td>Debt to Cash Flow (x)</td>
<td>3.4</td>
<td>3.6</td>
<td>3.8</td>
</tr>
<tr>
<td>Annual Debt Service Coverage (x)</td>
<td>4.4</td>
<td>3.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Unrestricted Cash to Debt (%)</td>
<td>98.2%</td>
<td>104.0%</td>
<td>100.5%</td>
</tr>
<tr>
<td>Debt to Capitalization (%)</td>
<td>42.0%</td>
<td>40.8%</td>
<td>41.2%</td>
</tr>
<tr>
<td>Unrestricted Days Cash on Hand (days)</td>
<td>169.7</td>
<td>166.8</td>
<td>166.1</td>
</tr>
<tr>
<td>Days in Accounts Receivable (days)</td>
<td>44.0</td>
<td>44.1</td>
<td>41.5</td>
</tr>
<tr>
<td>Capital Spending Ratio (%)</td>
<td>184.8%</td>
<td>169.6%</td>
<td>134.5%</td>
</tr>
</tbody>
</table>

Source: Baylor Health Care System (“BHCS”) and Scott & White Healthcare (“S&W”) audited financial statements for the years ended 6/30/13 and 8/31/13, respectively, combined by BSWH management for presentation purposes. The combined financial information is unaudited. Historical combined information above includes accounting conformity between BHCS and S&W and is not adjusted for timing difference in annual reporting. All years presented reflect the adoption of ASU 2011-07 for healthcare entities, which reclassifies patient-related bad debt from operating expense to net patient care revenue.

See *Ratio Definitions* in the Appendix for detailed ratio calculations.
Recent Rating Agency Activity

- **Moody’s Investors**
  - On January 15, 2014, Moody’s assigned the following:
    - Aa3 BSWH rating (negative outlook)
    - Aa3 on bonds issued for Baylor Health Care System (negative outlook)
    - Aa3 on bonds issued for Scott & White Healthcare (negative outlook)

- **Standard & Poor’s**
  - On December 18, 2013, S&P assigned the following:
    - A+ BSWH rating (positive outlook)
    - A+ on bonds issued for Baylor Health Care System (positive outlook)
    - A+ on bonds issued for Scott & White Healthcare (positive outlook)

- **Fitch Ratings**
  - BSWH will not be rated by Fitch
  - Withdrawal of rating requested for Scott & White bonds
Expected Financial Reporting

Prior Fiscal Year End (FYE) 2013 Audits:

• BHCS – Fiscal Year Ending ("FYE") June 30, 2013 disclosure – posted on 12/22/2013 and SWHC – FYE August 31, 2013 disclosure – posted on 1/15/14

Interim Financials for Quarter End (QE) December 31, 2013 posted February 14, 2014

• BHCS and SWHC issued separate quarterly financials for Year To Date ended December 31, 2013 similar to prior reporting
  • BHCS provided financial statements that included 3 months ended September 2013, 3 months ended December 2013, a year-to-date total; all with accounting conformity. Other Financial Information ("OFI") covered three months ended December 2013.
  • SWHC received consent to change its fiscal year to a FYE June 30, effective retroactively to October 1, 2013. SWHC provided financial statements that include 1 month ended September 30, 2013, 3 months ended December 31, 2013, a year to date total; without accounting conformity.
  • For both BHCS and SWHC, Management Discussion & Analysis ("MD&A") provided high-level summary performance and balance sheet indicators for the quarterly time periods noted above. Financial covenants were tested separately for each legacy Obligated Group. Discussion of utilization statistical differences were disclosed. Comparative published financials for prior year quarter end for each were appended to the disclosure.

Interim Financials for QE March 31, 2014 and forward

• BSWH – disclosure to be on a combined basis, reflecting the integration of the MTIs and the final organizational structure, including the effectuation of the 501(c)3 status of BSWH. Ratios to be tested on a combined basis.
  • Comparative financials will be separate BHCS and SWHC quarterly filings from the previous year’s quarter. OFI will include Combined Group* and Health Plan and other information.
  • First quarterly comparative financial information on a combined basis for BSWH will be for the three months ending December 31, 2014.

FYE June 30, 2014

• Audit will consist of 9 months beginning 10/1/13 inception of new BSWH entity under merger accounting with no prior year column. OFI will include Combined Group and Health Plan and other information. Comparative financials will be separate BHCS and SWHC quarterly filings from the previous year’s quarter.
  • First fiscal year comparative on a 12 month basis will be June 30, 2016.

*Combined Group includes Obligated Affiliates and Restricted Affiliates
# Expected Financial Reporting

<table>
<thead>
<tr>
<th>Reporting Period</th>
<th>BHCS</th>
<th>SWHC</th>
<th>BSWH</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Dec. 31, 2013</strong></td>
<td>• Standalone Quarter ended 12/31/13 – with accounting conformity *&lt;br&gt;• Attachment of prior year 12/31/12 quarterly BHCS disclosure&lt;br&gt;• Year-To-Date Total&lt;br&gt;• 12/31/13 Quarter MD&amp;A and OFI</td>
<td>• Standalone Quarter ended 12/31/13 – without accounting conformity *&lt;br&gt;• Attachment of prior year 11/30/12 quarterly SWHC disclosure&lt;br&gt;• Year-To-Date Total&lt;br&gt;• 12/31/13 Quarter MD&amp;A and OFI&lt;br&gt;• Standalone1-month stub ended 9/30/13</td>
<td>• None</td>
</tr>
<tr>
<td><strong>Mar. 31, 2014</strong></td>
<td>• None</td>
<td>• None</td>
<td>• Combined Quarter ended 3/31/14 – with accounting conformity *&lt;br&gt;• 3/31/14 Quarter OFI includes BSWH Combined Group and Health Plan&lt;br&gt;• Attachment of prior year 3/31/13 quarterly BHCS disclosure&lt;br&gt;• Attachment of prior year 2/28/13 quarterly SWHC disclosure</td>
</tr>
<tr>
<td><strong>Jun. 30, 2014</strong></td>
<td>• None</td>
<td>• None</td>
<td>• Consolidated Audit for nine (9) Months Ending 6/30/2014&lt;br&gt;• No prior year comparative information&lt;br&gt;• OFI will include Combined Group ** and Health Plan and other information.&lt;br&gt;• Attachment of prior year 6/30/13 quarterly BHCS disclosure&lt;br&gt;• Attachment of prior year 5/31/13 quarterly SWHC disclosure</td>
</tr>
</tbody>
</table>

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* Accounting conformity discussed in MD&A
** Combined Group includes Obligated Affiliates and Restricted Affiliates
Support A Full Continuum Of Services
Positioning An Integrated BSWH For The Future

- Anticipated Synergies
- Increases Scale
- Expanded Partnership Opportunities
- Strong and Complementary Management Teams
- Maintains Financial Flexibility
- Broader Service Offering
- Affordable Care Act
- Enhances Geographic Breadth
- Consistent Cultural Attributes
- Strong and Complementary Management Teams
This could be formed from hospital-centric companies, but also could be:

- Walgreens
- DaVita/ Healthcare Partners
- Blue Cross (Highmark)
- Others with interest

But this should be Baylor Scott & White

Source: Kaufman, Hall & Associates
Contact Information

Fred Savelsbergh
Chief Financial Officer
Baylor Scott & White Health
Office: (214) 820-7506
FredSa@baylorhealth.edu

Frank Anderson
Chief Debt Officer
Baylor Scott & White Health
Office: (254) 724-4386
fanderson@sw.org

• Bondholders should contact Frank Anderson to receive a copy of the new MTI
## Appendix: Key Ratio Definitions

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Cash Flow Margin (%)</td>
<td>Total of income (loss) from operations, depreciation and amortization and reported operating interest expense divided by total operating revenue.</td>
</tr>
<tr>
<td>Debt to Cash Flow (x)</td>
<td>Total of current portion of long-term debt, long-term debt subject to short-term remarketing arrangements, and long-term debt divided by the total of revenue and gains in excess of expenses and losses (excl. unrealized gains on investment income) and depreciation and amortization.</td>
</tr>
<tr>
<td>Annual Debt Service Coverage (x)</td>
<td>Total of revenue and gains in excess of expenses and losses (excl. unrealized gains on investment income), depreciation and amortization, and reported operating interest expense divided by the total of reported operating interest expense and annual principal payments of debt (estimated based on prior year's current maturities of long-term debt).</td>
</tr>
<tr>
<td>Unrestricted Cash to Debt (%)</td>
<td>Total of cash and cash equivalents, short-term investments, unrestricted long-term investments, and investments of insurance subsidiaries divided by the total of current portion of long-term debt, long-term debt subject to short-term remarketing arrangements, and long-term debt.</td>
</tr>
<tr>
<td>Debt to Capitalization (%)</td>
<td>Total of current portion of long-term debt, long-term debt subject to short-term remarketing arrangements, and long-term debt divided by the total of current portion of long-term debt, long-term debt subject to short-term remarketing arrangements, long-term debt, and unrestricted net assets.</td>
</tr>
<tr>
<td>Unrestricted Days Cash on Hand</td>
<td>Total of cash and cash equivalents, short-term investments, unrestricted long-term investments, and investments of insurance subsidiary divided by (the total of operating expenses less depreciation and amortization divided by the total number of days in the year).</td>
</tr>
<tr>
<td>Days in Accounts Receivable</td>
<td>Total patient accounts receivable, net divided by (net patient care revenue divided by number of days in the year).</td>
</tr>
<tr>
<td>Capital Spending Ratio (%)</td>
<td>Total of cash spent on purchases of property and equipment divided by depreciation and amortization.</td>
</tr>
</tbody>
</table>