



Trinity Health

Leading a People-Centered Health System to Achieve Operational Excellence and Transformation

2018 Not-for-Profit Health Care Investor Conference

Rick Gilfillan, M.D.
Chief Executive Officer

Mike Slubowski
President and Chief Operating Officer

Ben Carter
Executive Vice President, Chief Financial Officer & Treasurer

May 17, 2018



Our Mission drives our Vision and strategy

We, Trinity Health, serve together in the spirit of the Gospel as a compassionate and transforming healing presence within our communities.

Our Core Values

- Reverence
- Commitment to Those Who are Poor
- Justice
- Stewardship
- Integrity

Trinity Health's 22-state diversified system

\$18.3B*

In Revenue

1.4M*

Attributed
Lives

\$1.1B**

Community
Benefit Ministry

133K

Colleagues

7.8K

Employed Physicians
& Clinicians

27.5K

Affiliated
Physicians

94

Hospitals***
in 22 states

23

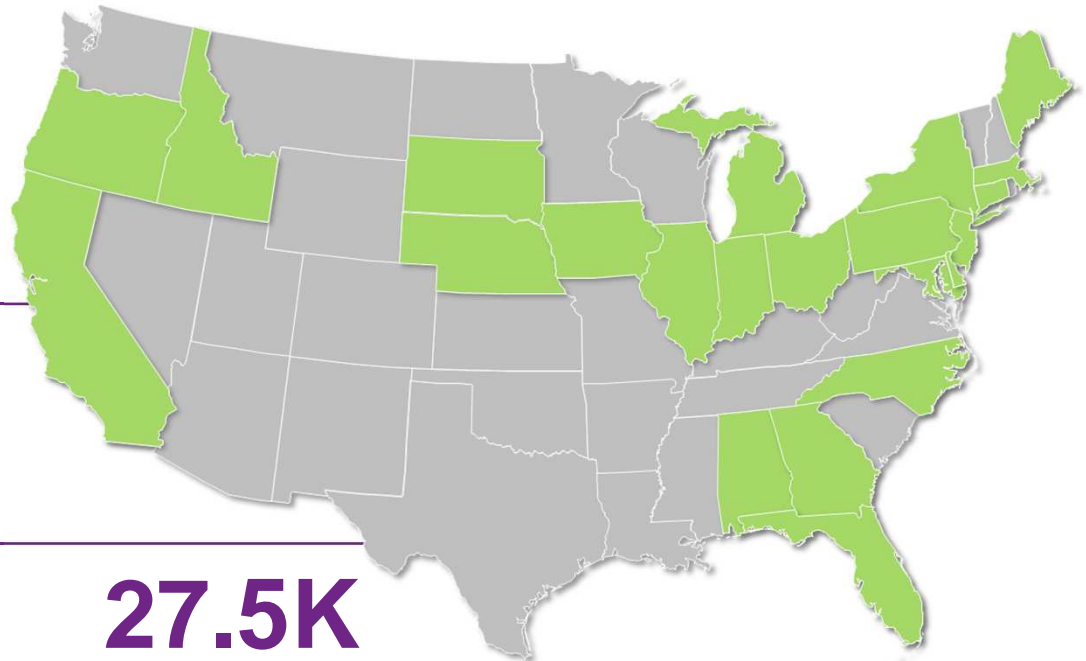
Clinically Integrated
Networks

13

PACE
Programs

109

Continuing
Care Locations



*Projected FY18

**Year End FY17

***Owned, managed or in JOAs or JVs



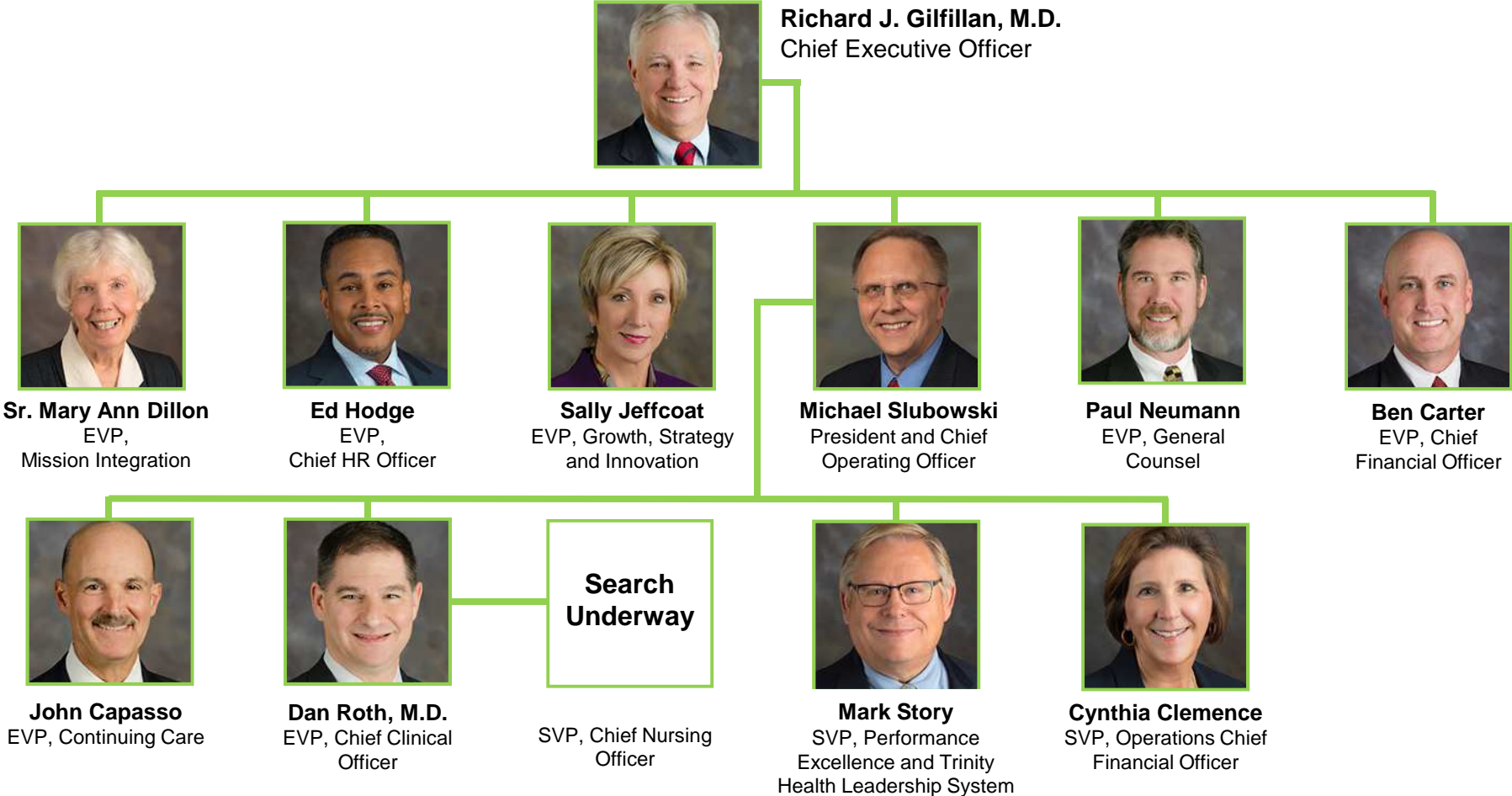
In FY17, we provided a highly diversified set of services to almost six million people

Number of People Served	5.9M*
Babies Born	67K**
Physician Visits	12.7M
ER Visits	2.4M
Discharges	0.6M
Home Health & Hospice Admissions	107K
Long-term Care Days	1.2M

*4% growth from 5.65M in FY16

**1.71 % of all U.S. Births – CY 2017

Our Executive Leadership Team is focused on operational excellence and transformation



We are extending our leadership team with individuals from varied business backgrounds



Emily Brower
SVP, Clinical Integration
Atrius Health



Odette Bolano
President, Idaho
Kaiser Permanente



Norvell "Van" Coots, M.D.
CEO, Maryland
U.S. Army



Reginald J. Eadie, M.D.
CEO, New England
Tenet Health



Mouhanad Hammami, M.D.
SVP, Community Health
Wayne County Dept. of HHS



Ed Lamb
CEO, Ohio
IASIS Healthcare



Leslie Paul Luke
CEO, N.Y.
Community Health Systems



Tammy Lundstrom, M.D.
SVP, Chief Medical Officer
Premier Health



Bob Ritz
CEO, Iowa
Mercy Des Moines



Chad Towner
CEO, Indiana
Community Health Systems



Cassandra Willis-Abner
VP, Diversity & Inclusion
University of Michigan



Jim Woodward
CEO, St. Mary Medical Center
Elliot Health System

Trinity Health's People-Centered Health System delivers the Triple Aim for individuals, populations and communities



Our People-Centered 2020 Strategic Plan has been our blueprint for building the system



PEOPLE-CENTERED CARE



ENGAGED COLLEAGUES



OPERATIONAL EXCELLENCE



PHYSICIANS, NURSES AND CAREGIVERS








LEADERSHIP NATIONALLY











EFFECTIVE STEWARDSHIP



Our FY18 Priority Strategic Aims focus our efforts on delivering these outcomes

 People-Centered Care	<ul style="list-style-type: none">• Tobacco and BMI screening and referral• Community Health and Well-Being GPA• Reduction of unplanned 30-day readmissions• Reduction of Hospital Acquired Infections• Willingness to recommend:<ul style="list-style-type: none">• Acute care• Emergency care• Owned physician practice groups
 Engaged Colleagues	<ul style="list-style-type: none">• Colleague engagement score (Press Ganey)
 Operational Excellence	<ul style="list-style-type: none">• Cost per CMAED
 Leadership Nationally	<ul style="list-style-type: none">• Net revenue growth
 Effective Stewardship	<ul style="list-style-type: none">• Operating Margin

We have made significant progress on many foundational initiatives

-  Population Health and Community Health and Well-Being infrastructure is built, operating
-  New service line accountability model is operational
-  Accountable care and payment models have taken root – ACOs and Bundled Payment for Care Improvement
-  Workday, our system-wide HR tool, is up for 90% of our people
-  Trinity Health Leadership System is developed and deployed
-  Transforming Operations initiative delivered more than \$1.4B in annual run rate savings since FY14
-  Centralized Managed Care Contracting is well-established
-  Enterprise Resource Planning (Finance and Supply Chain) is live in pilot

Coordinated care results in better outcomes for our patients

Meet our patient: Shellean

- Uninsured, unemployed 53-year-old
- Unmanaged COPD, hypertension, asthma and diabetes

Comprehensive care coordination plan

- RN Complex Care Navigator Susan addressed social determinants and provided access to care

Outcome

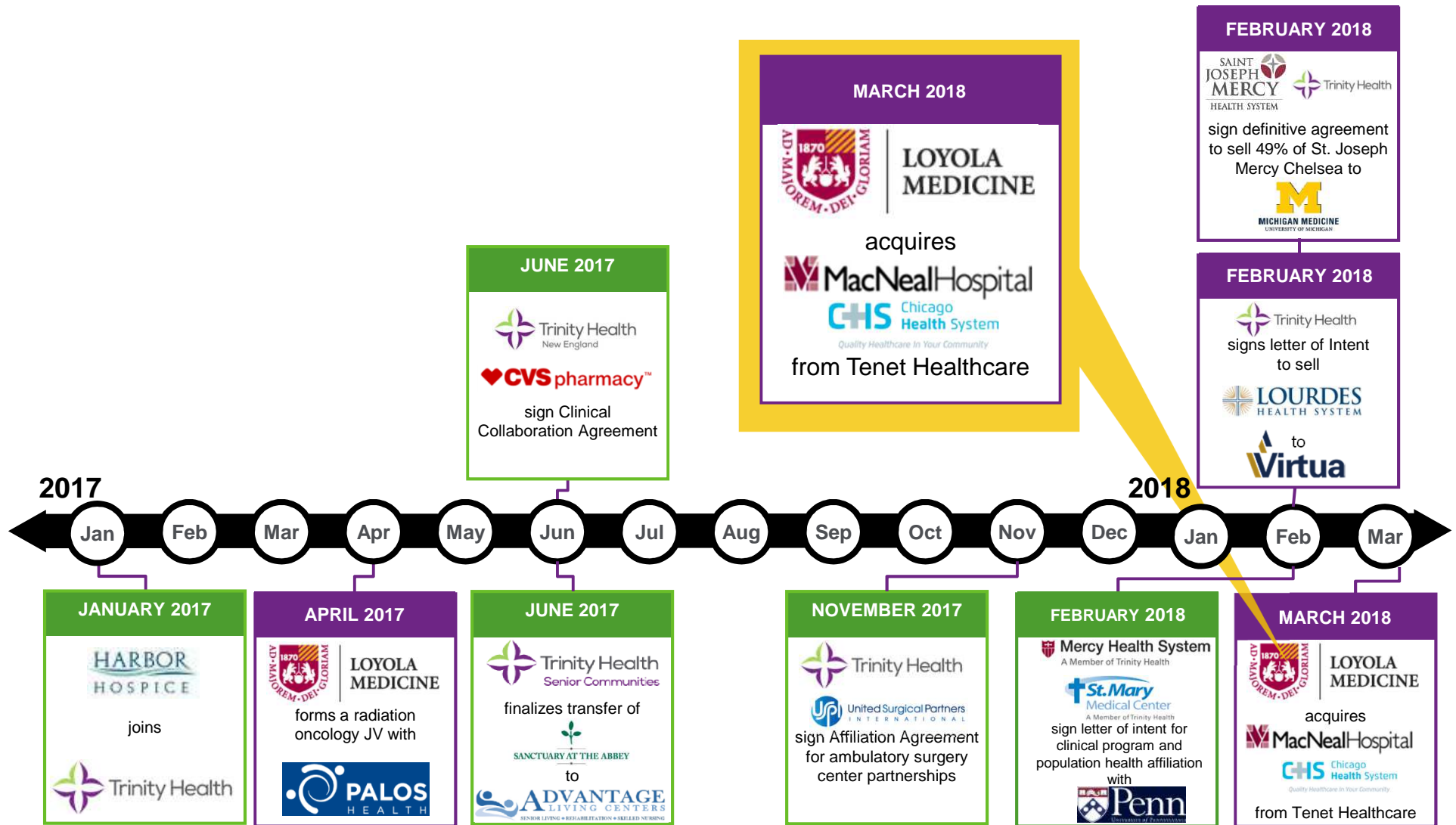
- Full-time employment, affording health care coverage and financial resources to purchase medications
- No further ER visits or hospitalizations

- Mercy Fitzgerald Hospital








Shellean at her new job.

💡 We continue to actively manage our portfolio and partnerships to improve performance








Transactions Acute Care Diversified

Current business trends and considerations are challenging the health care industry

	Trend		Key Trends for Consideration
1	Pursuit of Scale		Health systems continue to seek scale to drive economies and accelerate competency, development and innovation.
2	New Entrants		In pursuit of “first dollar” positioning, the control of access points and consumer relationships, traditional payer, retail and provider segments are merging and new entrants are disrupting markets.
3	Consumerism		Providers are making significant investments to manage consumer relationships, led by technology, and through the creation of comprehensive service centers.
4	Shifting Focus and Downward Pressure on Reimbursement		Shifting focus and downward pressure on reimbursement continues with increasing “value” expectation.
5	“The Great Divide”		There is an increasing gap between those with comprehensive coverage and those with limited/no coverage.

We are adapting our plan with added emphasis on:

-  Care coordination across the continuum
-  Consumer focus
-  Community health and well-being
-  Accelerated change management
-  Common platforms to create effective scale
 - Epic unified platform **Epic**

...and, we are exploring innovative care and business models



**Direct-to-Consumer
Telehealth**

Video delivery of low-acuity services to patients in their homes



**Innovative
Primary Care**

Redesign primary care space & model to transform the experience for patients & clinicians



**Community-based
Palliative Care**

Reaching patients with serious illness in clinics and home settings with an interdisciplinary team



**Project Rx: Generic
Drug Company**

Partnership addresses unwarranted shortages and high costs of life-saving medications

Our Home Care Connect digital home care model has scaled rapidly with great results

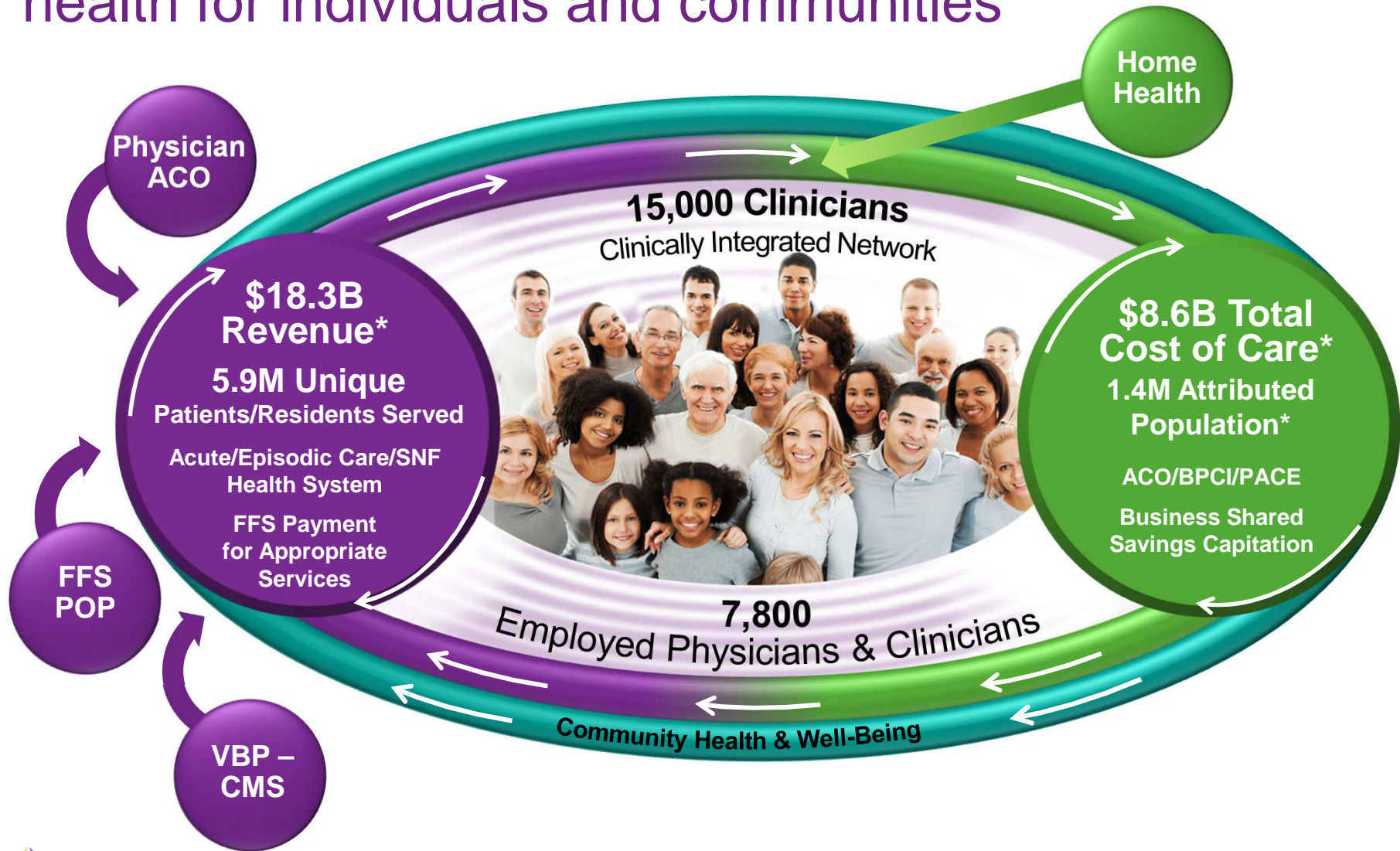
- 9 of 11 agencies fully integrated
- 6,668 patients' care plans included Home Care Connect, April 2017 to date
- 24/7 Virtual Care Center



- **Preliminary data:**

- Reduced national readmission rates from 13+% to 8%
- Positive patient satisfaction impact

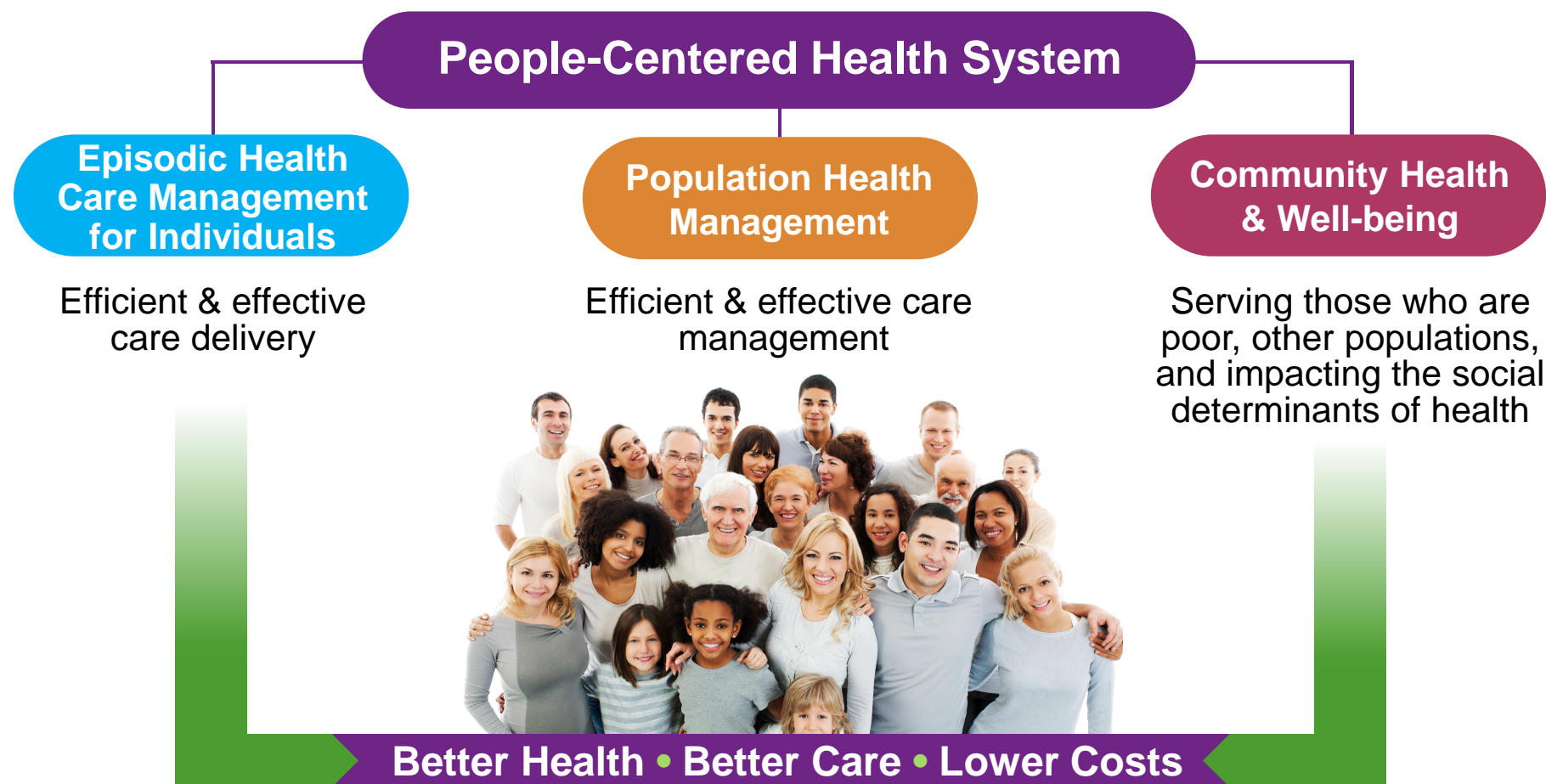
We are transforming into a People-Centered Health System that unites all three components to improve health for individuals and communities



Operating Our People-Centered Health System

Mike Slubowski
President and Chief Operating Officer

Our goal is to deliver the Triple Aim for individuals, populations and communities

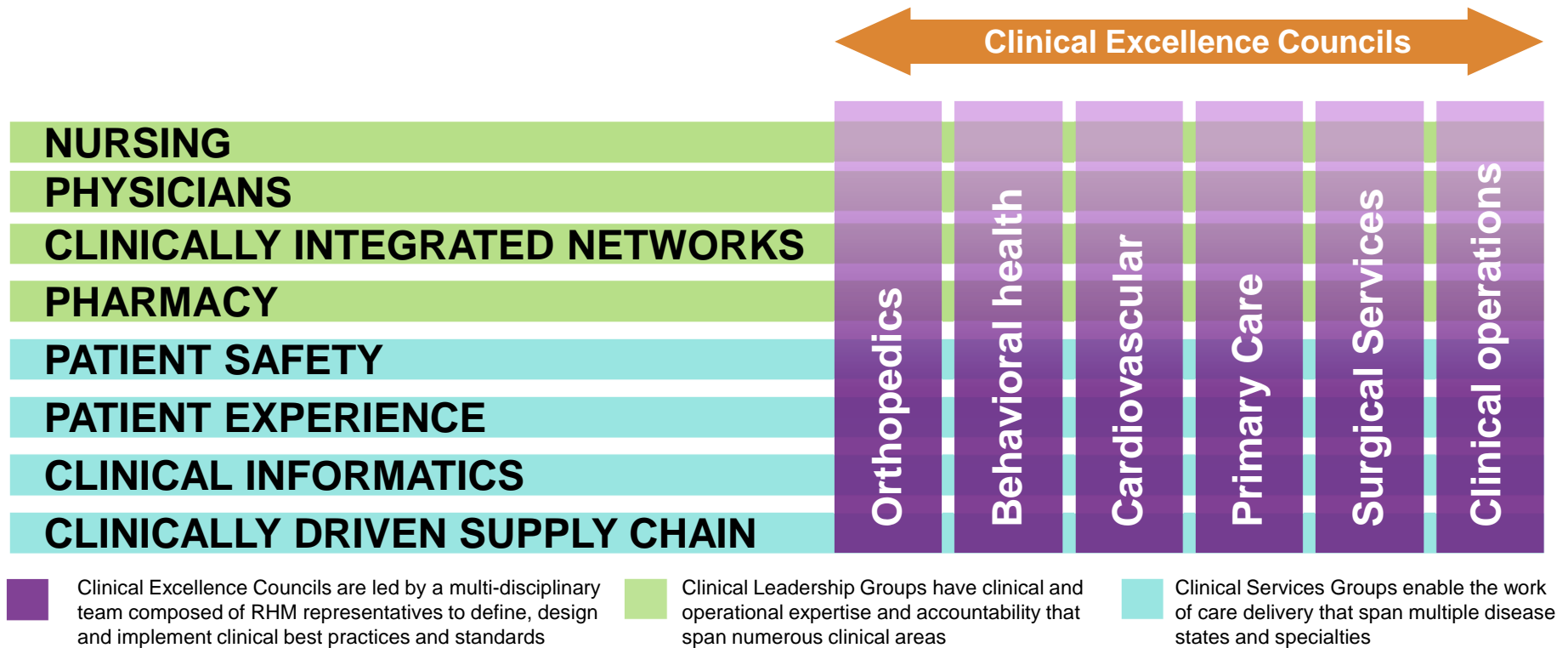


Our acute care clinical collaborative teams are continually making care safer and more effective

Since 2015 to the present:

- Annual purchases of opioids decreased 12%
- Sepsis was reduced by 35% and mortality decreased 17%
- Hospital-acquired conditions decreased 29%

Our new clinical leadership framework creates Clinical Excellence Councils that are driving system-wide improvement



Episodic Health Care Management for Individuals

These teams are focused on spreading best practices and eliminating unwarranted clinical variation

Orthopedics	Cardiovascular	Surgical Services
<ul style="list-style-type: none">• Implant rationalization• Clinical informatics standards• System-wide clinical registry development	<ul style="list-style-type: none">• Formulary consistency• Diagnostic testing• Clinical registry standards• New supply standardization	<ul style="list-style-type: none">• OR efficiency• Operative supplies• Patient safety

**Episodic Health
Care Management
for Individuals**

We are currently accountable for **\$8.6B*** in total cost of care for almost **1.4M*** people

	Total Cost of Care**	Lives**	Estimated upside gain/downside risk performance
Upside gain/downside risk	\$2.6B	272K	\$36M
Upside gain only	\$6.0B	1.1M	\$18M
TOTAL	\$8.6B	1.4M	\$54M

*Projected FY18

**Approximately \$4B (47%) is delivered by the Trinity Health delivery system
 Note: Total upside gain/downside risk programs carry a downside exposure of \$42M



Population Health Management

Expanding **ACO** programs are the primary driver of **alternative payment model** growth

- **~15K** physicians participating in our **23** Clinically Integrated Networks accountable for **1.4 million*** lives



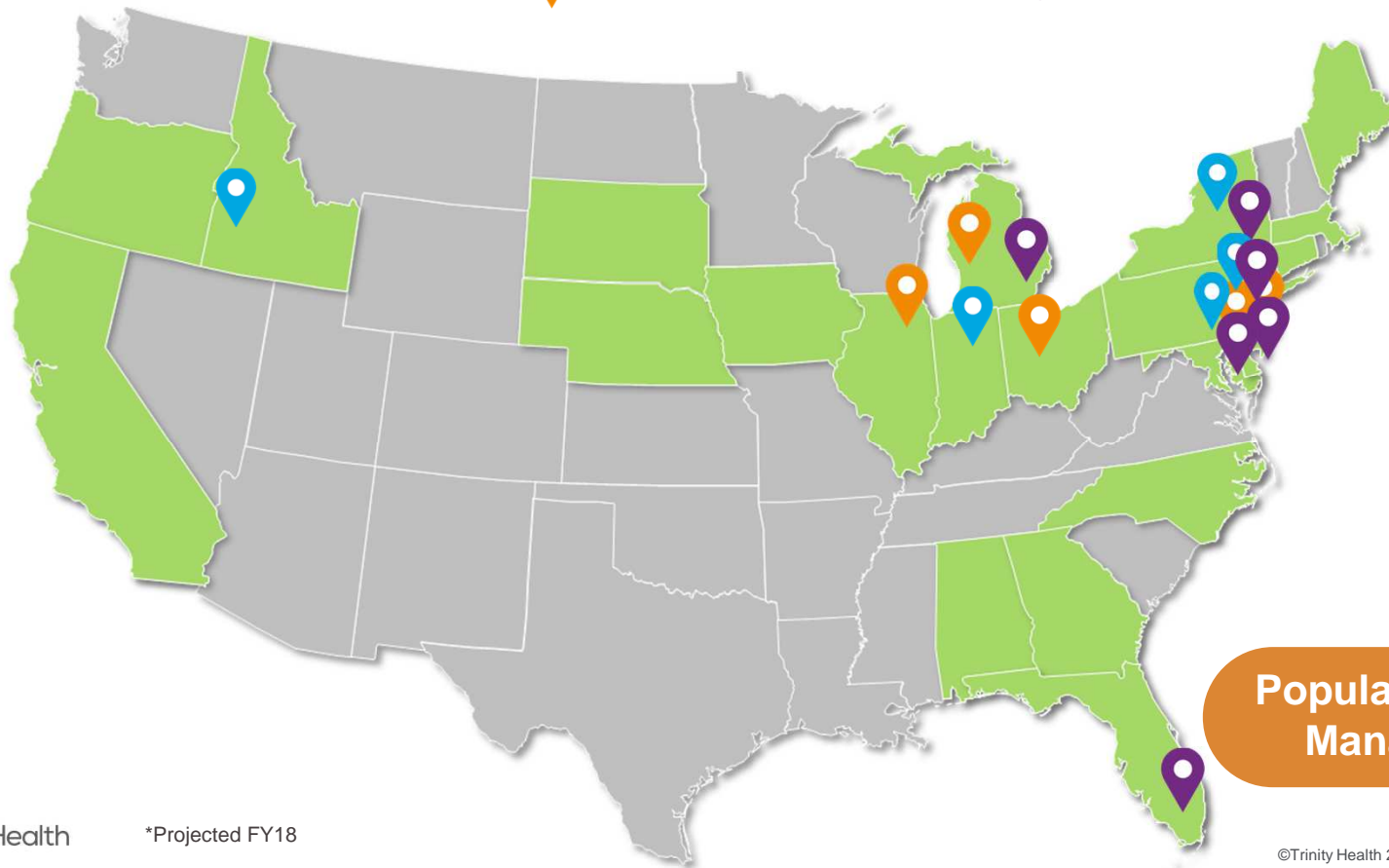
MSSP Track 3 ACO



Next Gen ACO

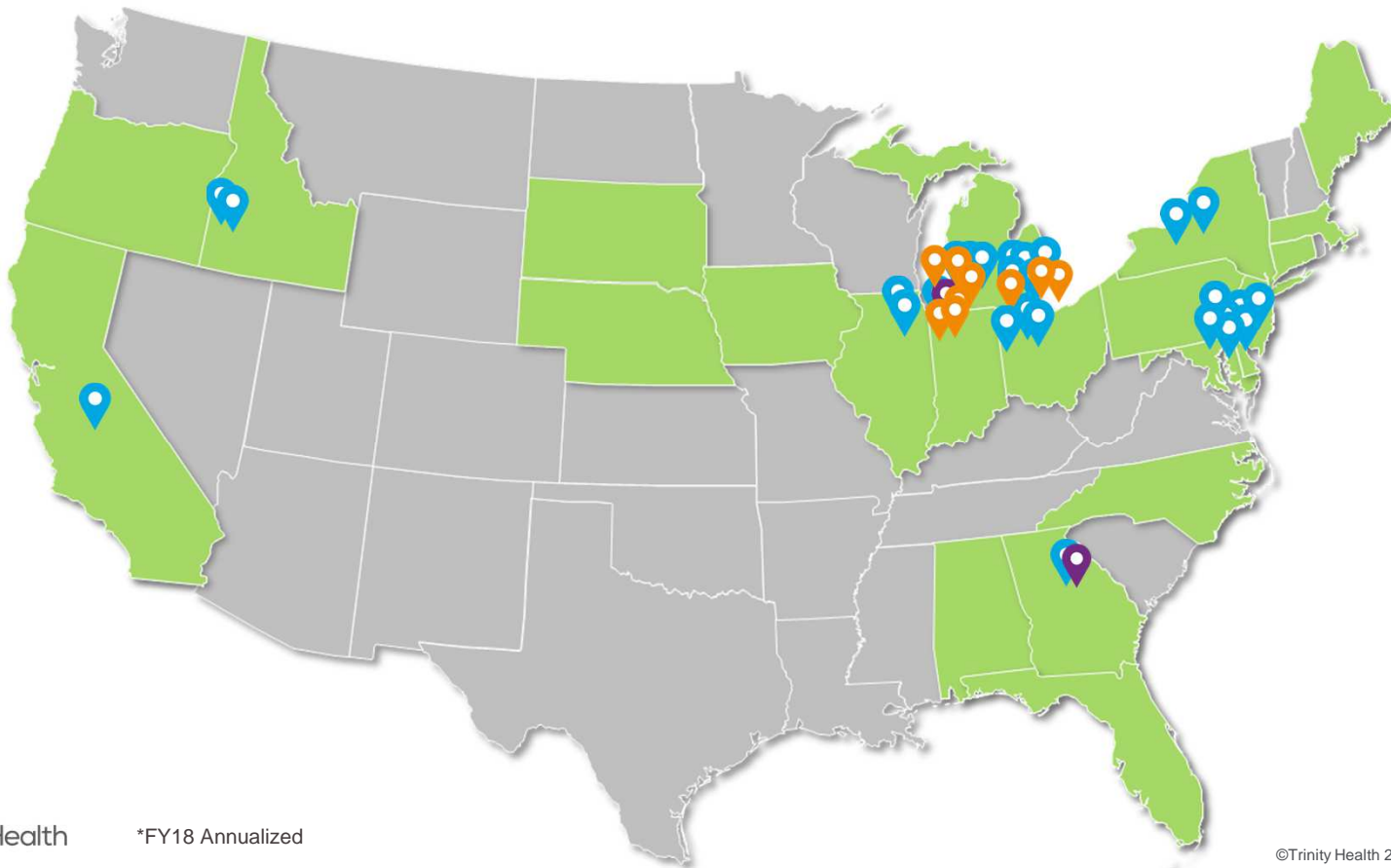


MSSP Tracks 1 & 1+



We operate one of the largest **clinical episode payment** programs in the nation

- **30** Model 2 Bundled Payment for Care Improvement (BPCI) hospitals
- **8** Model 3 Skilled Nursing Facilities (SNF)
- **2** Comprehensive Joint Replacement (CJR) sites
- **\$400M*** total cost of care and **18,000** total annual episodes



Community Health and Well-Being (CHWB) effort targets decreasing impact of Social Determinants of Health (SDOH) for individuals and communities



Community Health & Well-Being Key Dimensions

Clinical Services

Delivery of efficient and effective people-centered health care services

- Safety Net
- Reducing Disparities
- Pharmaceutical Assistance Programs
- Tobacco Cessation Interventions

Community Engagement

Connecting the vulnerable and the poor to wrap-around services

- Diabetes Prevention Program
- Community Health Workers
- Health Care for the Homeless

Community Transformation

Policy, system and environmental change strategies to improve health

- Transforming Communities Initiative (TCI)
- Tobacco 21 Policy
- Creating Built Environments
- Breastfeeding Promotion
- School Policies

Our **CHWB** Clinical Priority Strategic Aims are addressed across all three dimensions

Clinical Services

Community Engagement

Community Transformation

TOBACCO AIM: By 2020, smoking rates will decline faster than national average.

OBESITY AIM: By 2020, obesity rates will decline faster than national average.

RHM Community Health Needs Assessment (CHNA) Identified Need

RHM Identified Social Determinants of Health to Be Addressed






Our **operating model** is structured to optimize regional performance

Short List of High-Impact Priorities – Our “Priority Strategic Aims”



Success in achieving our Priority Strategic Aims will tell us how effective we are ...



	<u>As of Dec 2017</u>	<u>2020 Target</u>	
 People-Centered Care	Tobacco screening/cessation	80%	90%
	Obesity assessment/intervention	35%	90%
	Readmissions	15.2%	14.6%
	Hospital acquired conditions	0.83	0.61
	<u>Likelihood to recommend</u>		
	Acute Care	73%	85%
	Emergency Care	64%	80%
Medical Groups	92%	94%	
 Engaged Colleagues	Engaged colleagues	4.03	4.25
 Operational Excellence	Cost per case mix	\$7,627	\$7,500
 Leadership Nationally	Growth (Net Patient Service Revenue)*	\$18.3B	\$20.0B
 Effective Stewardship	Operating margin	2.0%	3.0%

...combined with three-tier operating framework clarifies and drives accountability



Operating TIER 1 Regional Health Ministry (RHM)-led

Operating TIER 2 System Leadership sets targets and holds RHMs accountable

Operating TIER 3 System-wide, unified services, shared services, standard work, standard platforms

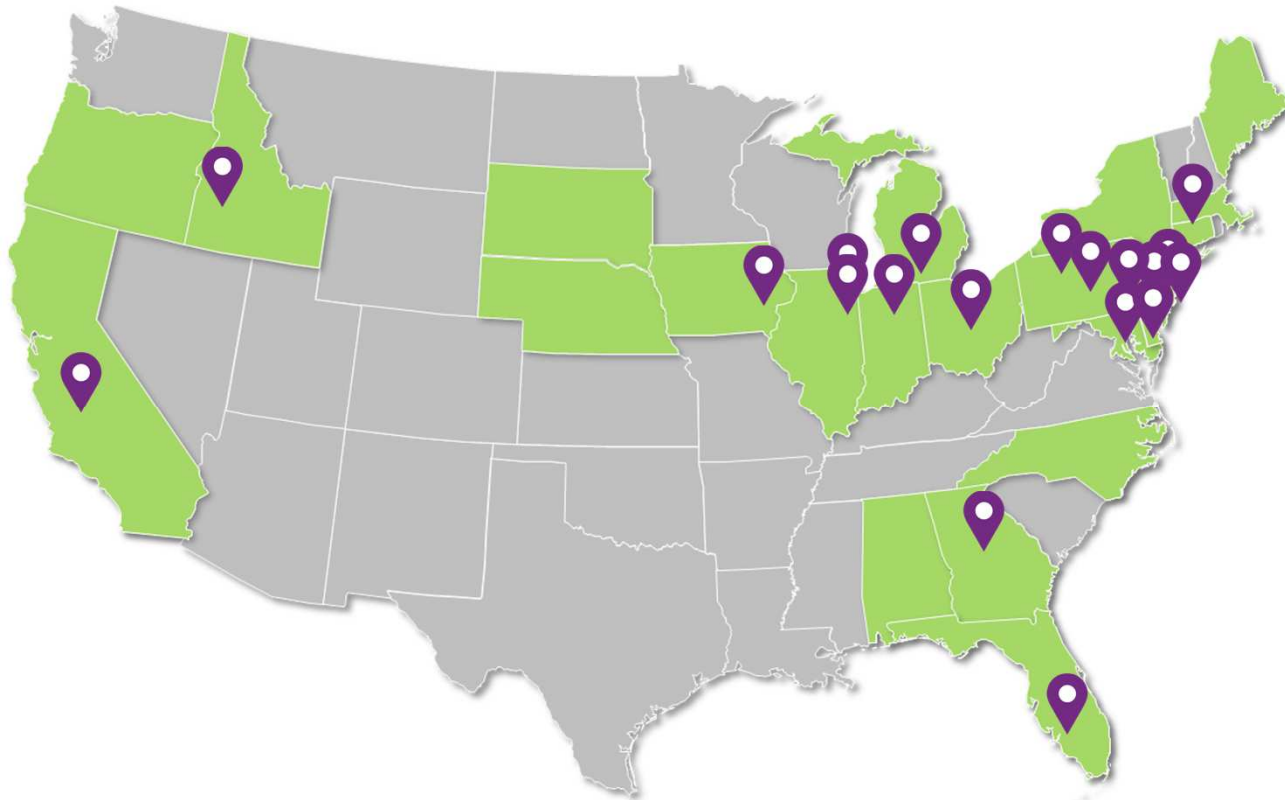
Engagement

- Weekly CEO operational huddle teleconference
- Monthly operating reviews
- Bi-monthly face-to-face session with all CEOs
- Focused interventions-underperforming RHMs

Regional Health Ministries (RHMs) enable fast response to changing market dynamics



- RHMs have the leadership expertise to integrate and coordinate a continuum of services in a given market.
- RHMs do not add additional layers of management or duplicate system services.



Our Strategy and Growth Engine (SAGE): Synergistic use of RHM and System Office expertise

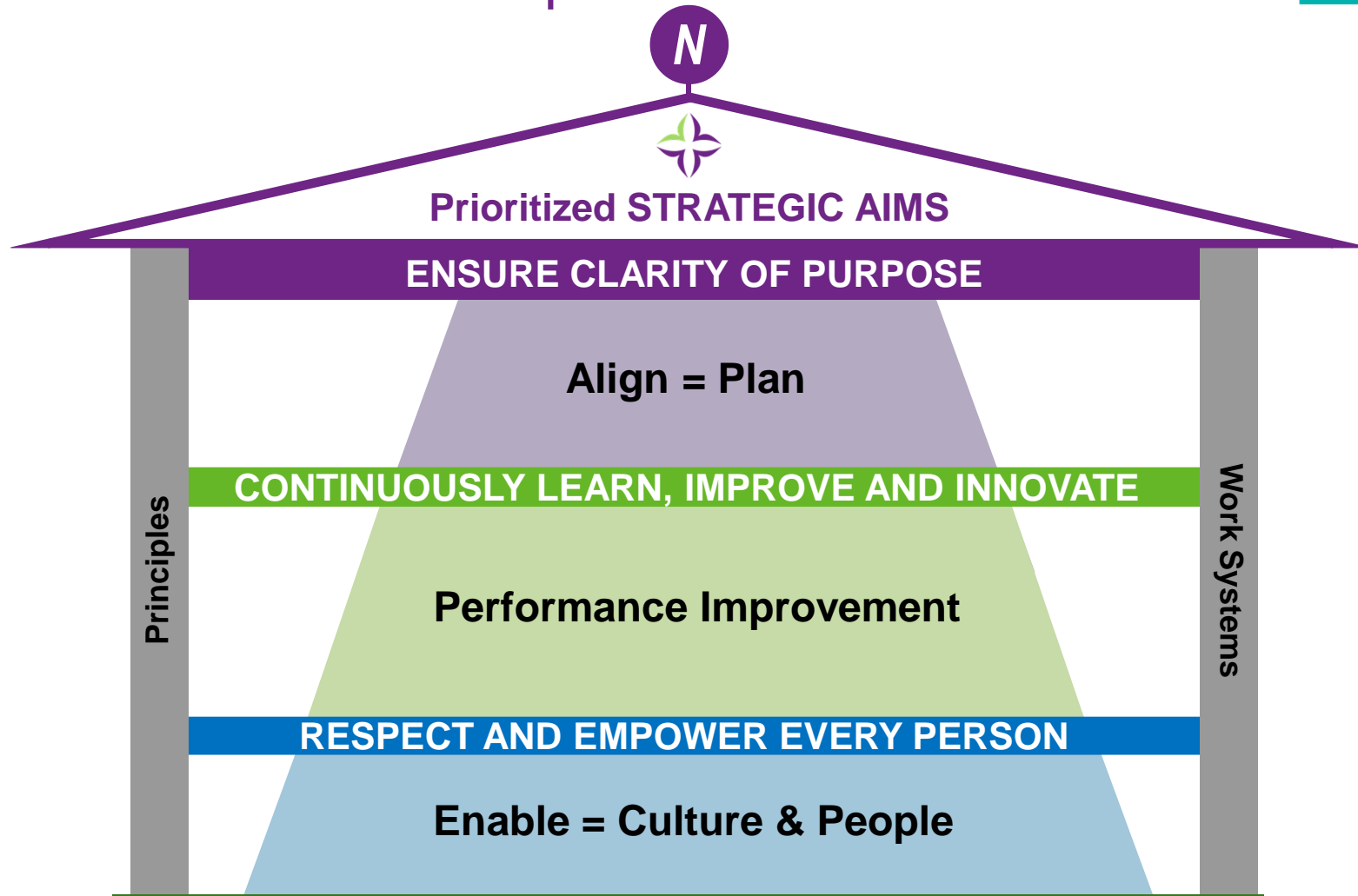
System Office

- Creates standard model for strategic approach
- Provides standard market/competitive analysis
- Staff RHM teams across three meetings to produce plan

RHM Team

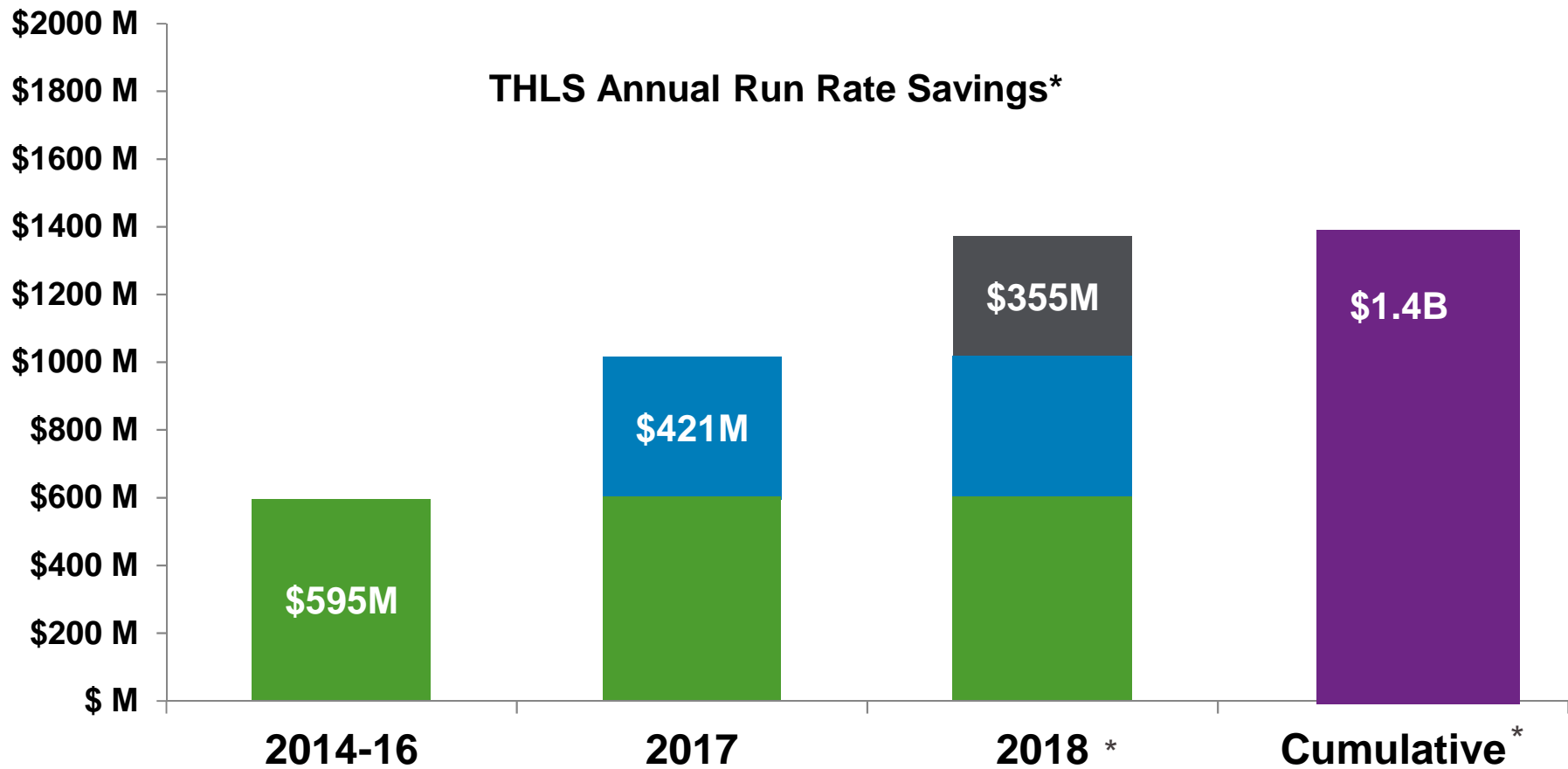
- Provides market input to competitive analysis
- Develops priorities and plan
- Creates and executes plan across seven growth levers:
 - Physician outreach
 - Network access/operations
 - CIN/regional network growth
 - Payer strategies

Trinity Health Leadership System engages and empowers every colleague in the organization to generate continuous improvement toward PSAs



Trinity Health Leadership System (THLS)

THLS run rate savings demonstrate effectiveness in improving our cost structure



* Projected FY18

Future **operational excellence** requires **BOTH** to be successful!

Continuous Improvement

- Focused on problem-solving
- Evolutionary
- Change within a stable system
- Internal process-focused and customer-focused
- Done by those doing the work at every level
- Process owners experiment and improve

Transformational Change

- Focused on strategy
- Revolutionary
- Big system change
- Changes in both work systems and social systems
- Must begin and end with the customer view
- Design with the changing landscape in mind

Effective Stewardship Drives Improved Financial Performance

Ben Carter
Executive Vice President, Chief Financial Officer & Treasurer

Operating income jumps 62% from FY17

		FY17 YTD Q2	FY18 YTD Q2
Income Statement Indicators	Operating Revenue (\$mils)	\$8,677	\$8,992
	Operating Income (\$mils)	\$110	\$178
	Operating Cash Flow Margin	7.4%	7.9%
	Operating Margin	1.3%	2.0%
	Total Excess Revenue (\$mils)	\$737	\$806
Balance Sheet Indicators	Operating Cash (\$mils)	\$7,701	\$8,766
	Days Cash on Hand	174	193
	Cash to Debt	120%	125%
Volume Indicators	Adjusted Discharges*	985,800	1,009,200
	Discharges and Observation	356,300	356,300
	Outpatient Visits	9,747,000	9,902,000
	Attributed and Covered Lives	1,194,000	1,406,000
	Surgeries	207,800	204,400
	ER Visits	1,190,600	1,175,500
	Home Health Admissions	47,700	46,400
	Long Term Care Days	588,600	536,700

What drove the improvement?

Net revenue growth of \$314M

- Net volume growth of CMAEDs 2.4%
- Payment rate and case mix increases of 2.2%
- Health plan premium rate improvements



Cost containment of \$246M

- \$170M in savings from Trinity Health Leadership System and Transforming Operations
- Improvements in length of stay and productivity
- Cost per CMAED increased **only** 0.2%

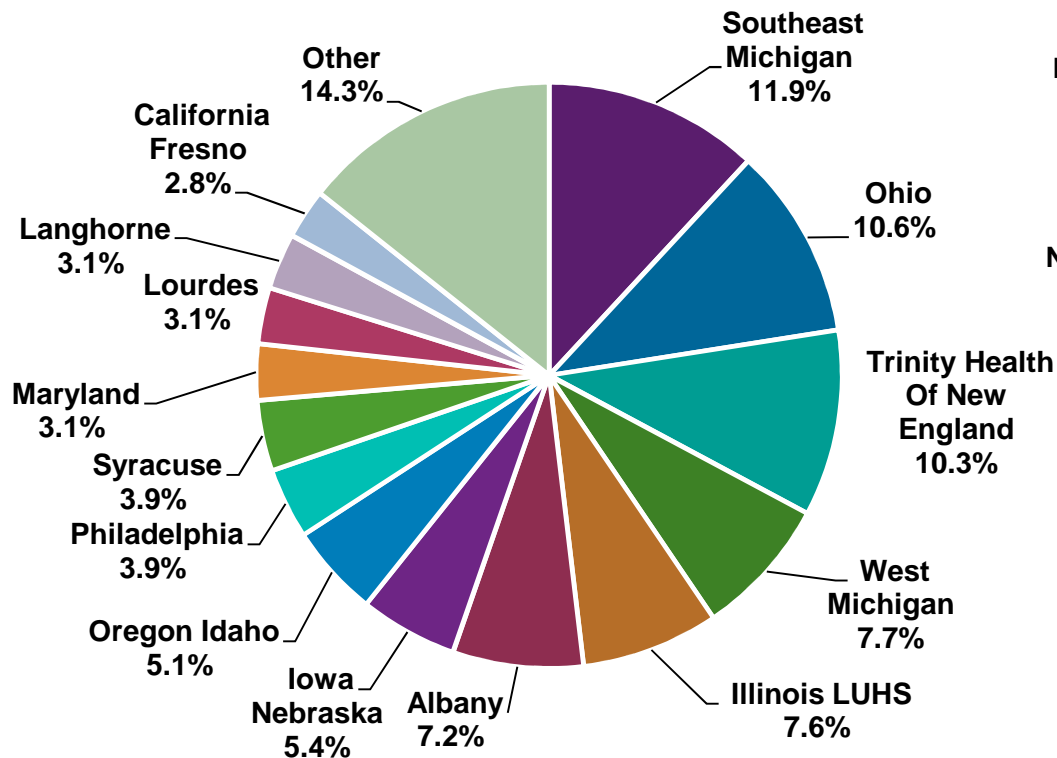


Through Q2 FY18, \$58M in strategic investments

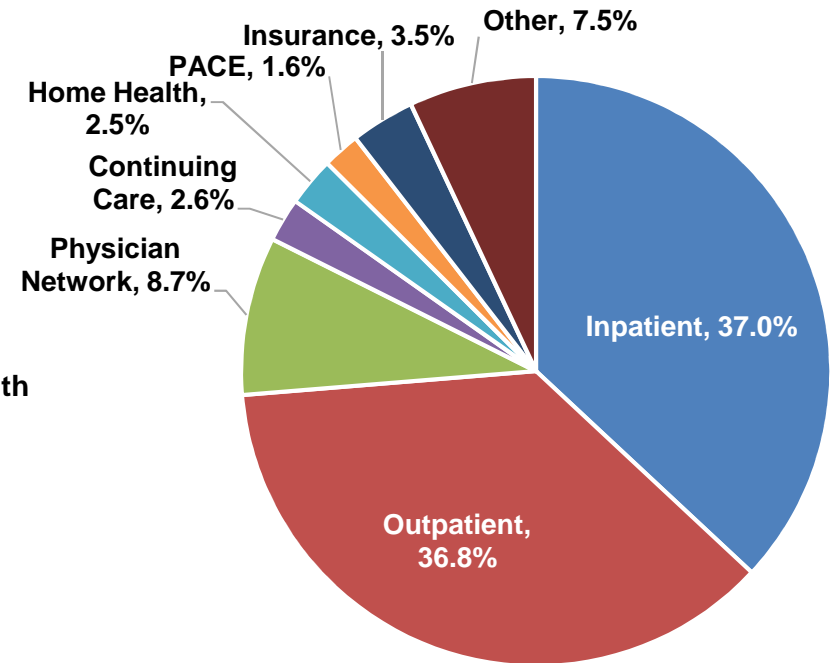
Geographic and business line diversity continues to be our strength

Based on Q2 FY18 Operating Revenue

RHM Diversification

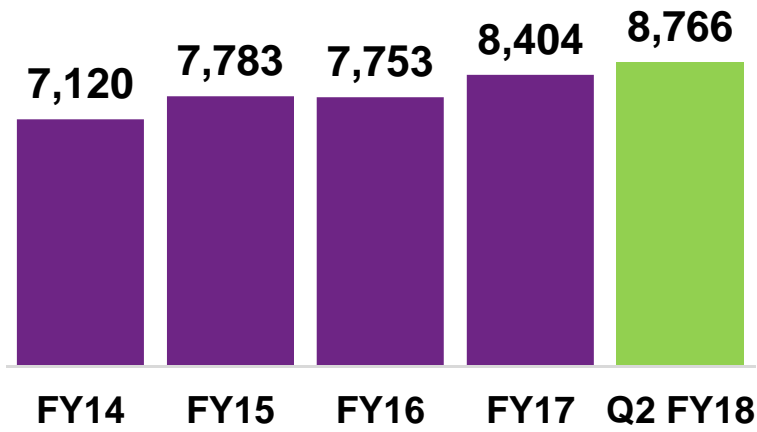


Revenue by Business Line

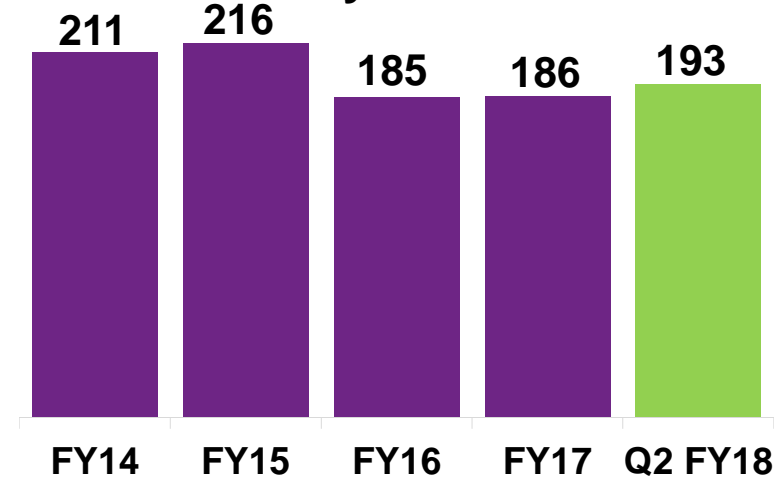


Operating cash grows to \$8.8B

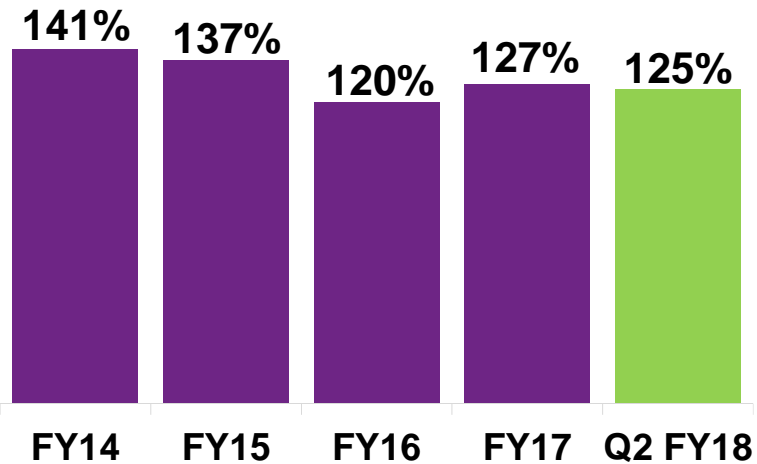
Cash (\$ in millions)



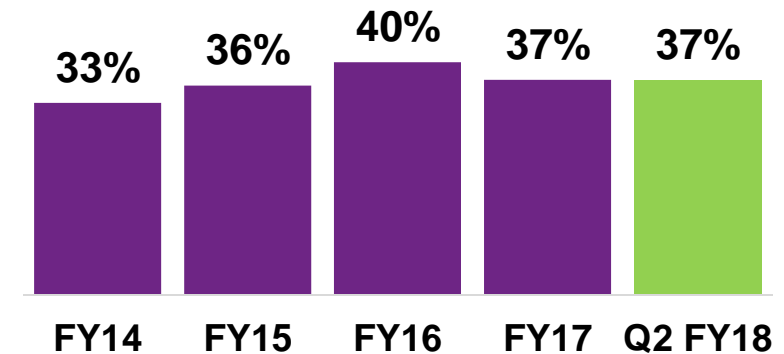
Days Cash



Cash To Debt Ratio



Debt To Capitalization Ratio

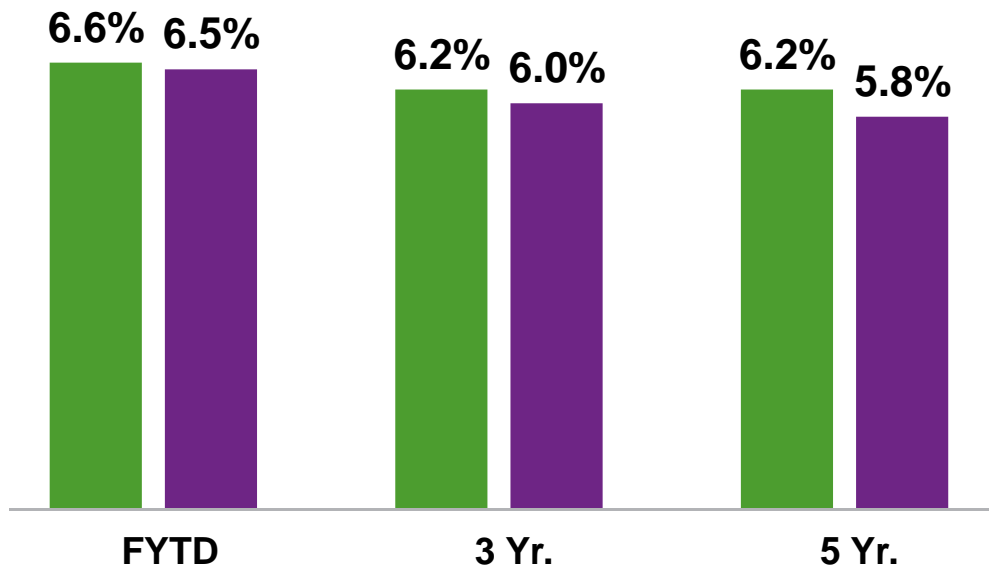


Investment performance outperforms policy index

Annualized Performance

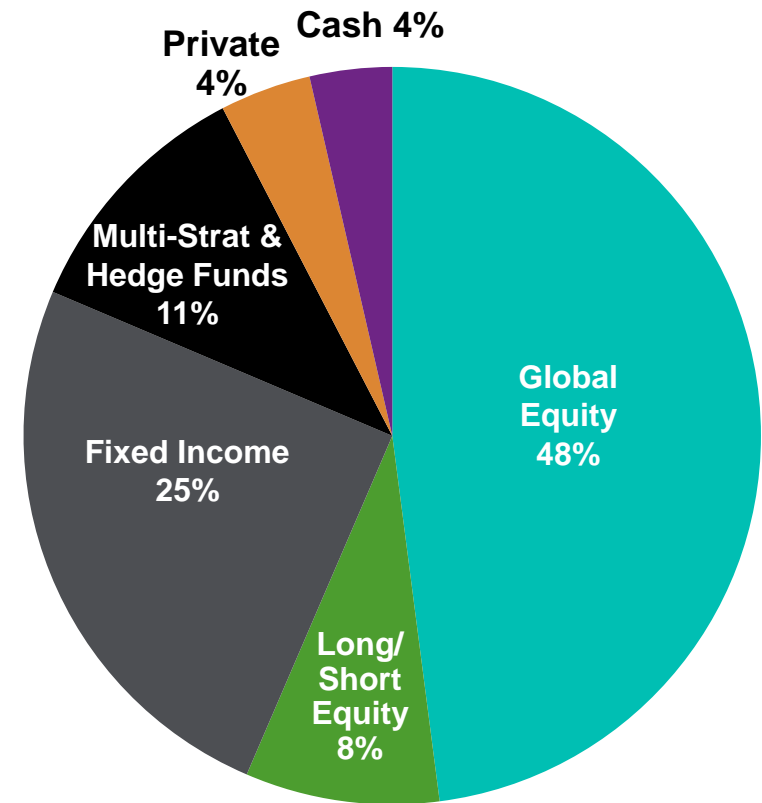
As of 12/31/2017

■ Performance ■ Policy Index



Asset Allocation

As of 12/31/2017



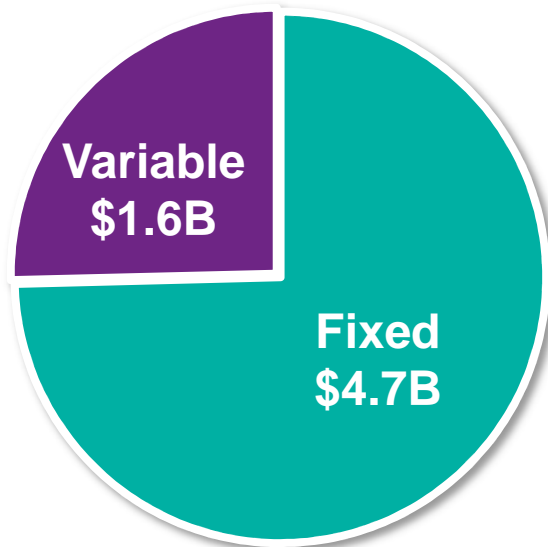
Optimal debt mix to reduce risk

Debt Mix*

As of 12/31/2017

74% Fixed includes bank placements, tax-exempt and taxable

26% Variable with high product diversification



Bond Issuance Success (Dec 2017)!

\$1.2 billion in Tax Exempt Bonds:

- Accelerated sale and closing ahead of Tax Reform changes to include significant advance refundings
- Credit Rating outlook improved
- Over \$15B in total orders, resulting in lower yields (12 to 15 basis points) across the curve
- Almost \$70M of PV savings for \$560 million of bonds refunded (12.3% PV)
- Opportunistic conversions to fixed rate reduced variable rate exposure to 25% (from 30%)

*Excludes "Other Debt" (Notes Payable to Banks, Capital Leases, Mortgage Obligations & Other Secured Borrowings) totaling \$644M as of Q2 FY18

Trinity Health remains focused on building our People-Centered Health System delivering:

- Operational excellence and results today
- Transformation of our clinical and business models
- The Triple Aim for the people we serve
- Mitigation of the social determinants of health for our communities



Forward-looking statements in this presentation

Certain statements included in this Presentation constitute “forward-looking statements.” Such statements generally are identifiable by the terminology used, such as “plan,” “expect,” “predict,” “estimate,” “anticipate,” “budget” or other similar words. Such forward-looking statements include but are not limited to certain statements contained in the information under the captions “STRATEGIC DIRECTION AND VISION” and “FINANCIAL PERFORMANCE.”

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