Disclaimer

Regarding Use of this Presentation

All of the following material should be considered private and confidential.

Certain statements included, incorporated by reference or verbally discussed constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The corporation does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectation, or events, conditions or circumstances on which such statements are based occur.

THE PRINTING, COPYING, DOWNLOADING, OR DISTRIBUTION OF ANY PRESENTATION MATERIAL IS NOT PERMITTED.
Banner Health – Overview
**Samaritan Health System and Lutheran Health Systems merge to create Banner Health**

**Banner Gateway Medical Center**

**Cardon Children’s Medical Center at Desert Medical Center**

**Insurance Strategy**
- BHN (MA) – Note 1)
- Medicaid (2015)
- Banner-Aetna (2017)

**Ambulatory Strategy**
- Banner Urgent Care
- Banner Select Rehab
- Banner Atlas ASC
- Banner Imaging

**UAHN transaction:**
- 2 Medical Centers
- 2 Health Plans
- Faculty Practice Plan

**Banner University Medicine**

**History of Growth and Transformation of Banner Health**

- **1999**
  - Samaritan Health System and Lutheran Health Systems merge to create Banner Health
  - $1.5B Revenues (Hospital Co.)
  - AA-; Stable (S&P / Fitch)

- **2005**
  - Banner Gateway Medical Center
  - Banner Estrella Medical Center

- **2007**
  - Sun Health transaction: 2 hospitals
  - Medicare Adv Plan

- **2008**
  - Banner MD Anderson Cancer Center at Banner Gateway

- **2009**
  - Cardon Children’s Medical Center at Desert Medical Center

- **2011**
  - Insurance Strategy
    - BHN (MA) – Note 1)
    - Medicaid (2015)
    - Banner-Aetna (2017)

- **2012**
  - Ambulatory Strategy
    - Banner Urgent Care
    - Banner Select Rehab
    - Banner Atlas ASC
    - Banner Imaging

- **2015**
  - UAHN transaction:
    - 2 Medical Centers
    - 2 Health Plans
    - Faculty Practice Plan

- **2018**
  - Banner University Medicine

- **2019**
  - $9.4B Revenues (IDS)
  - AA-; Stable (S&P / Fitch) *


1) Banner sells Blue Advantage in Dec. 2018, harvesting a $50M gain on sale and terminating unprofitable risk contract to BHN
Banner Health’s Market Position

- Revenue = $9.4 billion
- Total Assets = $13.2 billion
- Employees: 52,000+
- AA- bond rating
- 28 Hospitals in 6 States
  - 2 Academic Medical Centers
  - 2 Children’s Hospitals
  - 5,804 Total Licensed Beds

Key Service Lines and Rankings (Full-Year 2019)

**Phoenix Metro Area**

- **Cardiovascular**
  - Market Share: 44.0% | Rank: 1
- **Neonatology**
  - Market Share: 54.5% | Rank: 1
- **OB/GYN**
  - Market Share: 52.4% | Rank: 1
- **Oncology**
  - Market Share: 41.2% | Rank: 1
- **Orthopedics**
  - Market Share: 29.4% | Rank: 1

**State of Arizona**

- **Cardiovascular**
  - Market Share: 35.0% | Rank: 1
- **Neonatology**
  - Market Share: 17.0% | Rank: 1
- **OB/GYN**
  - Market Share: 10.0% | Rank: 1
- **Oncology**
  - Market Share: 9.0% | Rank: 1
- **Orthopedics**
  - Market Share: 7.0% | Rank: 1

One of the highest population & growth areas in U.S.
Phoenix Metropolitan Area

Key Strategies

**Care Delivery:**
- Banner Ocotillo Medical Center – opening in 2020
- Acquired 20 free-standing outpatient imaging centers – 2019
- Ongoing Ambulatory expansion (OP Rehab, ASCs, Urgent Care, Banner Health Centers)

**Academic Medicine:**
- New $414M patient tower at Banner—University Medical Center Phoenix opened 2018
- New MD Anderson Cancer Center at B—UMC Phoenix opened 2019
- Comprehensive sports medicine program (AZ Diamondbacks / Phoenix Suns & Phoenix Mercury) – 2019/2020
- New heart transplantation program under active accreditation at B—UMC Phoenix

**Insurance Operations:**
- Expansion of Banner | Aetna commercial insurance offering
- Medicaid contract expansion – 3rd largest plan in Arizona (and growing)
- Offering new stand-alone MAPD in Arizona – October 2020 AEP
Community Delivery:
- Implementing new primary care strategy over the next 36-months (PCPs employed by BUMG in Tucson)
- Ongoing Ambulatory expansion (OP Rehab, ASCs, Urgent Care)
- Academic Medicine:
  - Opened new $443M patient tower at Banner—University Medical Center Tucson (2019)
  - Completed conversion of clinical IT systems for operations in Tucson (2017/2018)
  - Banner – University Affiliation in its 5th year; financial turnaround plans in process demonstrating improvements pre-COVID

Insurance Operations:
- Medicaid contract expansion – 3rd largest plan in Arizona
- Offering new stand-alone MAPD in Arizona – October 2020 AEP
Western Region
Key Strategies

**Northern Colorado**
- Banner McKee Medical Center – in Colorado, a new MD Anderson Cancer Care Center opened in 2018
- North Colorado Medical Center (NCMC) – in Colorado, a new MD Anderson Cancer Care Center opened in 2018
- Established a new long-term managed care contract with Anthem in northern Colorado market
- Purchased NCMC assets in N. Colorado – 2019

**Rural**
- Continuing to develop a robust telehealth strategy
- Leverage existing assets to develop partnerships for expanding our rural health footprint

**Number of Rural Hospitals**
- AZ = 2
- CA = 1
- CO = 2
- NE = 1
- NV = 1
- WY = 3

Signed LOI and under confirmatory due diligence to acquire Wyoming Medical Center in Casper, Wyoming
COVID-19 Update
COVID-19 Update

Banner began organizing and preparing for the onset of COVID-19 in late January 2020, establishing an Emergency Operations Command ("EOC") led by its Chief Clinical Officer ("CCO"). The EOC serves as a multi-disciplinary leadership command center to coordinate national, state and local guidance and information regarding COVID-19, and translate such evolving information across Banner operations. The CCO and leader of the EOC partnered with Banner’s Chief Operating Officer ("COO"), Chief Human Resources Officer ("CHRO") and clinical leaders across the enterprise to coordinate Banner’s full COVID-19 response for patient safety, workforce safety, and all operating capacity and resource decisions in the face of this pandemic. The EOC established a daily briefing with Banner’s Senior Leadership Team ("SLT") including Banner’s CEO and the direct reporting executives to the CEO. This structure allowed Banner to remain informed, implement coordinated clinical and operating decisions, and communicate effectively both inside Banner and to the communities and outside agencies engaged in this crisis.

Banner, in the peak of the Arizona surge through its sophisticated transfer operation, was managing approximately 50% of all COVID-19 inpatients across the state.

Because Arizona’s exposure to the pandemic was delayed compared to certain other hard hit areas of the country early on, Banner benefited from being able to better understand the disease, as well as how to handle issues around staffing, bed expansion, equipment and personal protective equipment (PPE) inventory, and clinical treatment protocols (including early discharge to alternative care facilities).
IHME Models (US vs Arizona)
Arizona’s impact delayed compared with US

Supported by the Institute of Health (IHME) models for predicting COVID-19 health care capacity requirements, the state of Arizona has experienced delayed exposure to COVID-19 compared with parts of the country hardest hit early in the pandemic. Community shelter in place orders, and restriction from providing elective services, began in Arizona in mid-March 2020. Beginning May 1, Arizona’s Governor released certain restrictions across the state, resulting in exposure and rapid reproduction of the disease, as seen by the surge in infections occurring in June and July (data as of August 7).

While the scales and values of data between Arizona and USA charts are different, the shape of the predictive curves are an indication of the difference in COVID-19 reproduction in AZ versus the United States broadly.
Banner plans expansion capabilities at all campuses considering such factors as our internal projections of likely hospitalizations and ICU and vent utilization, as well as staffing and skill capabilities, with the ultimate goal of patient and staff safety being paramount. Plans included expansion capabilities to 125% and 150% of available beds.
Banner Health
Inpatient COVID-19 Trends

- Elective procedures shut down through executive order (AZ) – inpatient and outpatient
- Banner self-directed reductions in inpatient surgical procedures, modulating according to ICU/PACU/Vent utilization
Governor issues shelter-in-place and prohibition on elective procedures

Shelter-in-place and elective procedure prohibitions lifted

Widespread Covid-19 infections and resulting hospitalizations and ICU utilization – Banner self-directs reductions in INPATIENT non-emergent procedures via clinical protocols

Legend:
- ICU Days ex NICU
- Surgical Cases
Banner Health

Hospital Volumes Impacted by COVID-19 Pandemic

**Hospital Admissions (Excl. Newborns)**

-30% IP volume declines beginning in March 2020

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2020 Budget</td>
<td>2020 Actuals (Aggregate)</td>
<td>2020 Actuals (Excl. Surge)</td>
<td></td>
</tr>
</tbody>
</table>

- State-wide shelter-in-place begins
- Reactivation begins

**Hospital Outpatient Registrations**

-40% - 60% declines beginning in March 2020

<table>
<thead>
<tr>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2020 Budget</td>
<td>2020 Actuals (Aggregate)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- AZ experiences spike in Covid-19 and corresponding hospitalizations and ICU/vent needs (Banner reduces IP surgery)
- Banner begins self-directed reactivation
# 2020 Federal/State Funding to Support Operations

As of August 1, 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>Assumptions</th>
<th>2020 Impact</th>
</tr>
</thead>
</table>
| **FMAP** | • Enhanced FMAP (+6.2%) (improvement in APSI, GME and DSH from 1/1-12/31  
• **Status** – In place | • $7M |
| **2% Sequestration** | • Temporary pause on 2% sequestration on Medicare payments through 12/31/20  
• **Status** – In place | • $31M |
| **AZ Rate Enhancement (Net)** | • Rate enhancement scheduled to begin 10/1/20 (cash flows beginning 1/1/21)  
• **Status** – Awaiting federal affirmation; targeted for 10/1/20 implementation | • $57M |
| **COVID rate enhancements** | • IP rate enhancements for COVID DRGs and HRSA (self pay) funding  
• **Status** – claims based payments | • $11M |
| **Health Care Provider Relief (CARES Act)** | • HHS provider funding pool from CARES Act – funding distributed in waves through both general and specific provider payments  
• **Status** - To date, Banner has received ~ $440M, less reserves for HHS reconciliation | • $400M  
($210M recorded in revenue as of 6/30/20) |
| **Deferral of FICA deposits** | • Cash flow opportunity for deferring FICA deposits for the balance of 2020 (to be repaid in 2021 and 2022) approximately $140M  
• **Status** – deposits reduced accordingly | • Liquidity timing only |
| **CMS Hospital advanced payments** | • Cash advance to providers for Medicare future claims for up to 120 days, to be repaid through future claim recoupment  
• **Status** – Banner has received advances to date of $609M | • Liquidity timing only |
Financial Highlights
Consolidated and Comparative Performance – Tended
2016 Through Q2 YTD 2020

Stimulus breakout amounts reflect CARES Act funding only.

Operating Revenue 2016 – 2020

Operating Income & EBIDA 2016 – 2020

Stimulus breakout amounts reflect CARES Act funding only.

19
Consolidated and Comparative Performance – 2019 & 2020
Q1 and Q2 Monthly Comparison

Operating Revenue
Jan-Jun 2019 & 2020

COVID-19 elective service restrictions

Operating Income
Jan-Jun 2019 & 2020

Recognized $117M in CARES Act revenues

COVID-19 elective service restrictions

Stimulus breakout amounts reflect CARES Act funding only.
### Summary of Financial Performance

**Stimulus Normalization – Q2 YTD June 30, 2020**

<table>
<thead>
<tr>
<th></th>
<th>YTD Operating Revenue (000s)</th>
<th>Care Delivery</th>
<th>Insurance Operations</th>
<th>Eliminations /Other</th>
<th>Sub-total Recurring Operations</th>
<th>CARES Act Stimulus</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2020</td>
<td>$3,921,333</td>
<td>$931,657</td>
<td>($307,495)</td>
<td>4,545,495</td>
<td>$209,904</td>
<td>$4,755,399</td>
<td></td>
</tr>
<tr>
<td>Q2 2019</td>
<td>4,037,511</td>
<td>976,632</td>
<td>(344,107)</td>
<td>4,670,036</td>
<td>0</td>
<td>4,670,036</td>
<td></td>
</tr>
<tr>
<td>Variance</td>
<td>($116,178)</td>
<td>($44,975)</td>
<td>$36,612</td>
<td>(124,541)</td>
<td>$209,904</td>
<td>$85,363</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>YTD Operating Income (000s)</th>
<th>Care Delivery</th>
<th>Insurance Operations</th>
<th>Eliminations /Other</th>
<th>Sub-total Recurring Operations</th>
<th>CARES Act Stimulus</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 2020</td>
<td>($79,198)</td>
<td>$21,416</td>
<td>($43,087)</td>
<td>(100,869)</td>
<td>$209,904</td>
<td>$109,035</td>
<td></td>
</tr>
<tr>
<td>Q2 2019</td>
<td>122,457</td>
<td>(40,393)</td>
<td>29,738</td>
<td>111,802</td>
<td>0</td>
<td>111,802</td>
<td></td>
</tr>
<tr>
<td>Variance</td>
<td>($201,655)</td>
<td>$61,809</td>
<td>($72,825)</td>
<td>(212,671)</td>
<td>$209,904</td>
<td>($2,767)</td>
<td></td>
</tr>
</tbody>
</table>
## Balance Sheet Strength
### Stability Through the Crisis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LT Debt to Capital</td>
<td>36.6%</td>
<td>35.0%</td>
<td>35.3%</td>
<td>33.7%</td>
<td>34.6%</td>
<td>38.1%</td>
</tr>
<tr>
<td>Days Cash on Hand</td>
<td>218</td>
<td>246</td>
<td>214</td>
<td>225</td>
<td>231</td>
<td>256</td>
</tr>
<tr>
<td>Cash to LT Debt</td>
<td>150%</td>
<td>161%</td>
<td>151%</td>
<td>167%</td>
<td>165%</td>
<td>163%</td>
</tr>
<tr>
<td>MADS Coverage Ratio</td>
<td>4.5</td>
<td>4.9</td>
<td>4.6</td>
<td>4.3</td>
<td>4.1</td>
<td>3.8</td>
</tr>
<tr>
<td>Days in Patient AR *</td>
<td>47.1</td>
<td>53.2</td>
<td>47.4</td>
<td>48.9</td>
<td>47.1</td>
<td>56.4</td>
</tr>
<tr>
<td>Debt to EBIDA</td>
<td>3.9</td>
<td>3.6</td>
<td>3.7</td>
<td>4.4</td>
<td>4.4</td>
<td>5.1</td>
</tr>
</tbody>
</table>

* Patient volume surge in June for both elective and COVID-19 services causing (temporary) increase in Days in AR; timing issue.
Liquidity
Strong (Early) Support from Management During the Crisis

Days Cash on Hand

Liquidity Support in 2020
- Taxable debt proceeds (Series 2020)
- CMS (Medicare) advance payments *

Amount | DCOH
$300M | 13 days
$609M | 25 days
$909M | 38 days

Stand-by Liquidity Support
- Bank credit syndicate
- New BofA LOC

$400M | 17 days
$150M | 6 days
$550M | 23 days

* CMS advance payments are expected to be repaid through remittance recoupments into 2021.
Operating Divisions:

Care Delivery
Insurance Operations
Care Delivery

• 28 Hospitals
• 5,804 Licensed Beds
• 2019 Operating Revenue - $8.2B (before eliminations)
• 2019 Operating Income - $225M (before eliminations)
• >2,900 Employed Physicians
Care Delivery and Comparative Performance
2016 Through Q2 YTD 2020

Operating Revenue
2016 – 2020

Operating Income & EBIDA
2016 – 2020

($ in millions)

2016 2017 2018 2019 Q2’19 Q2’20

Operating Rev (excl stimulus)  Stimulus

Operating Income

Stimulus

($ in millions)

2016 2017 2018 2019 Q2’19 Q2’20

Operating Income  Operating EBIDA

2016 Through Q2 YTD 2020

Information before eliminations. Stimulus breakout amounts are for CARES Act funding only.
Hospitals and Comparative Performance
2016 Through Q2 YTD 2020

Operating Revenue
2016 – 2020

Operating Income & EBIDA
2016 – 2020

($ in millions)

2016 2017 2018 2019 Q2’19 Q2’20

Operating Rev (excl stimulus)  Stimulus

Operating Income
2016 – 2020

Obligated Group information; before eliminations. Stimulus breakout amounts are for CARES Act funding only.
Insurance Operations

Risk Contracting / Pop Health

~940k Full/Shared Risk Lives

Banner Health Network

Premium Revenue ~ $2.0B; 21% of Total Revenue in 2019

Network Management

Banner Credentialied Providers ~ 9400

Employed ~ 2900

Banner High-value Network (CIN) ~ 6300

* Banner intends to launch a stand-alone MAPD during the October 2020 AEP, replacing the former Blue Advantage plan sold back to Blue Cross of Arizona in 2018.
Insurance Division and Comparative Performance

Operating Revenue 2016 – 2020

Operating Income 2016 – 2020

* 2018 operating income includes a one-time gain on sale from the Blue Advantage transaction for $50.4M, not repeated in 2019 forward

Information before eliminations
**Insurance Division Total Membership**

**Commercial segment**: strong enrollment from Banner | Aetna strategy is gaining market share for Banner in only 3-years.

**MA segment**: sale of Blue Advantage and termination of risk contract (in 2019); risk delegation for United and Humana; **Banner MA coming 1/1/21**

**Medicaid segment**: significant enrollment growth to continue from AHCCCS bid awards and top auto-assign algorithm

* Banner to launch stand-alone MAPD in October 2020 AEP
Key Takeaways
Q2 2020

• Banner continues to deliver on its long-standing tradition of profitable operations and stable credit profile; a deep and durable enterprise in the face of pandemic-level disruption

• Banner enjoys a market-leading position in Arizona, especially in the highly-populated Phoenix and Tucson metropolitan regions, and is developing comprehensive Ambulatory and Digital Engagement portfolios to augment its care delivery footprint – added advantages during and post-crisis

• Banner’s maturing Insurance strategy and evolution as an integrated delivery system (IDS) has us well positioned for a value-based industry

• COVID-19 Crisis and Outlook:
  o Banner’s model of integration – from payer to provider – is a natural “hedge” against fee-for-service disruptions in our industry, and has allowed Banner to outperform 2020 financial expectations even during the (late) COVID-19 surge experienced in Arizona
  o Banner’s depth of services, market-share, and scale of operations provide for durability and sustainability in the face of the pandemic crisis
  o Management moved quickly to leverage its highly-effective supply chain, raised capital and liquidity sources to preserve balance sheet strength, and established crisis-command and operations forums to effectively manage through the pandemic