



Investor Presentation

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Banner Health – Overview

History of Growth and Transformation of Banner Health

Our Beginning



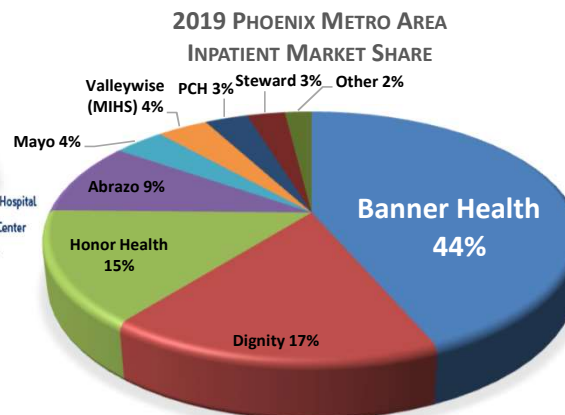
* AA-, Stable ratings affirmed by both S&P and Fitch – May 2020.

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

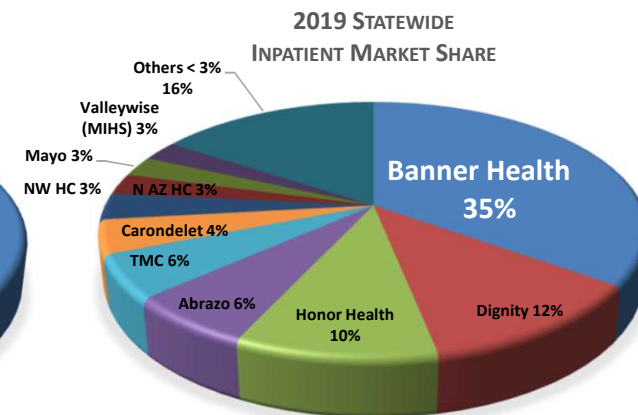
Banner Health's Market Position



Phoenix Metro Area



State of Arizona



Key Service Lines and Rankings (Full-Year 2019)

	Phoenix Metro		State of Arizona	
	Market Share	Rank	Market Share	Rank
Cardiovascular	44.0%	1	33.3%	1
Neonatology	54.5%	1	43.8%	1
OB/GYN	52.4%	1	40.5%	1
Oncology	41.2%	1	39.0%	1
Orthopedics	29.4%	1	23.2%	1

2019:

- 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

Activating Our Vision and Strategies

“Making health care easier, so life can be better.”



90% of all health care searches begin on

Phoenix Metropolitan Area

Key Strategies

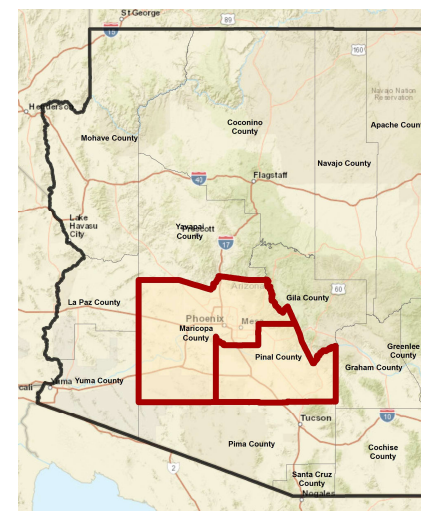
Care Delivery:

- 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



Tucson Metropolitan Area

Key Strategies

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).

August 5, 2020 PPE Inventory

CATEGORY	SYSTEM		ARIZONA TOTAL DAYS ON HAND
	ARIZONA DAYS ON HAND	RESERVE DAYS ON HAND	
EXAM GLOVES	15	8	23
FLUIDSHIELD MASKS	15	37	52
ISOLATION GOWNS	15	9	24
N95	15	39	54
PROCEDURE MASKS	15	40	55
FACE SHIELD	15	43	58
SURFACE WIPES	7	2	9

IHME Models (US vs Arizona)

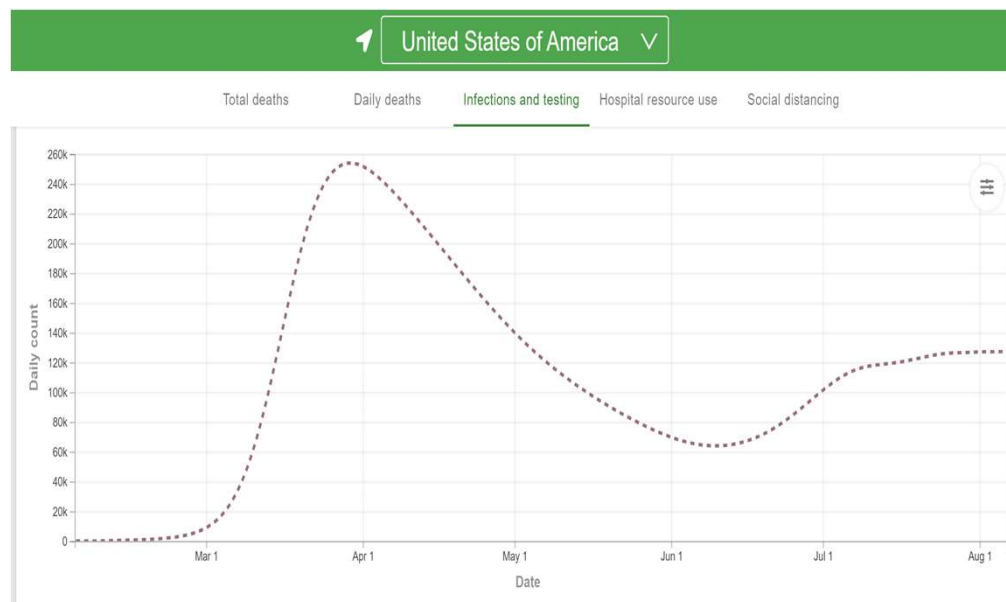
Arizona's impact delayed compared with US

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).

Institute of Health Metrics & Evaluation (IHME) Model -- **ARIZONA**



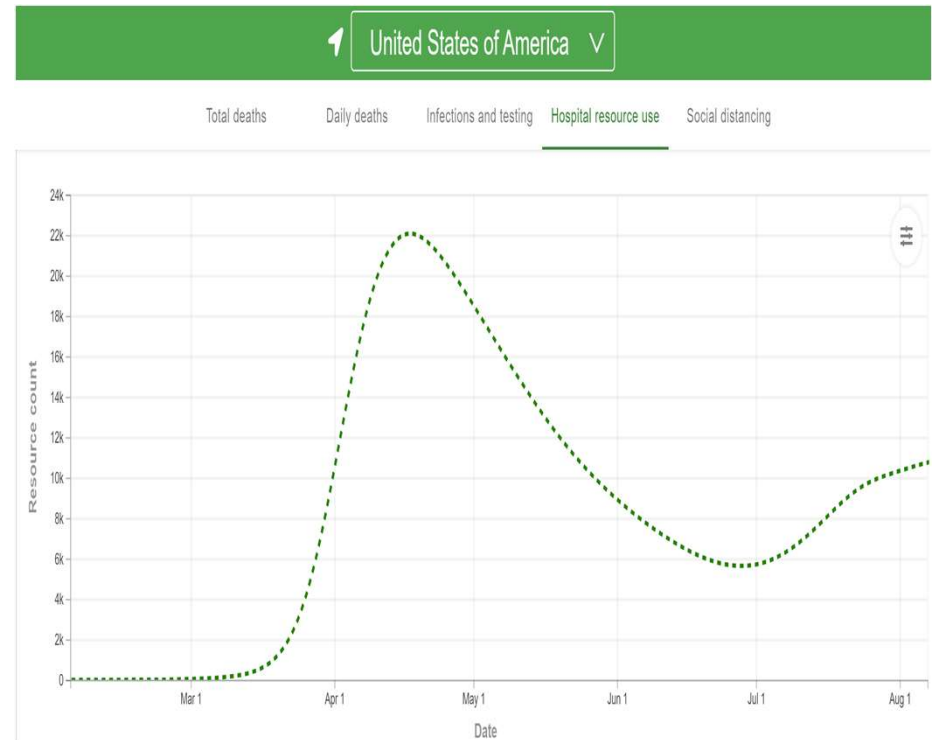
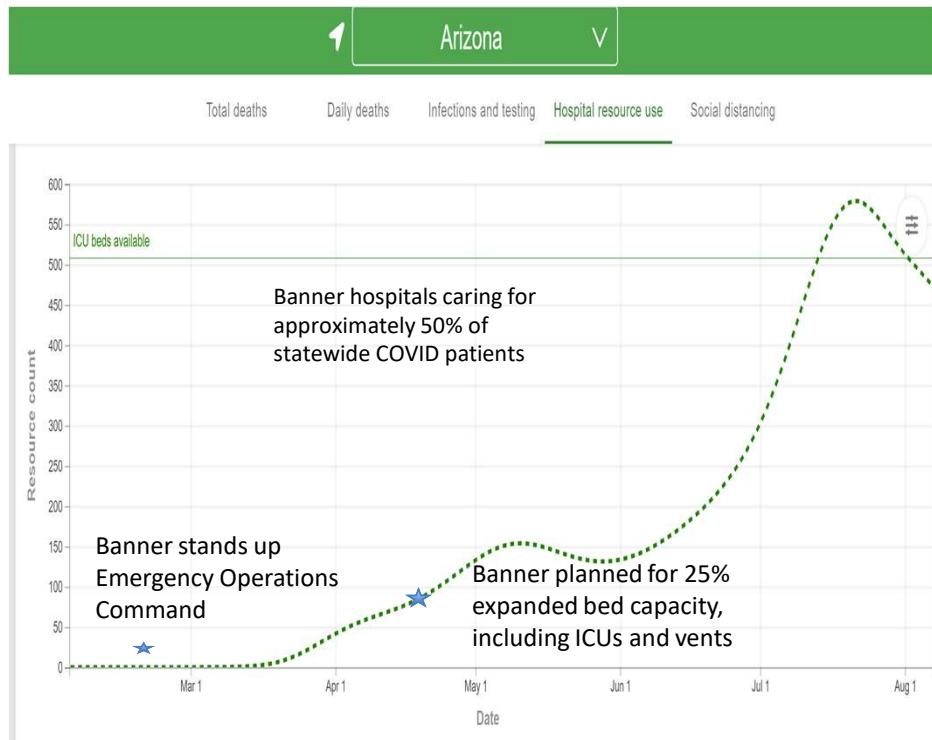
Institute of Health Metrics & Evaluation (IHME) Model -- **US**



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.

IHME Models (US vs Arizona)

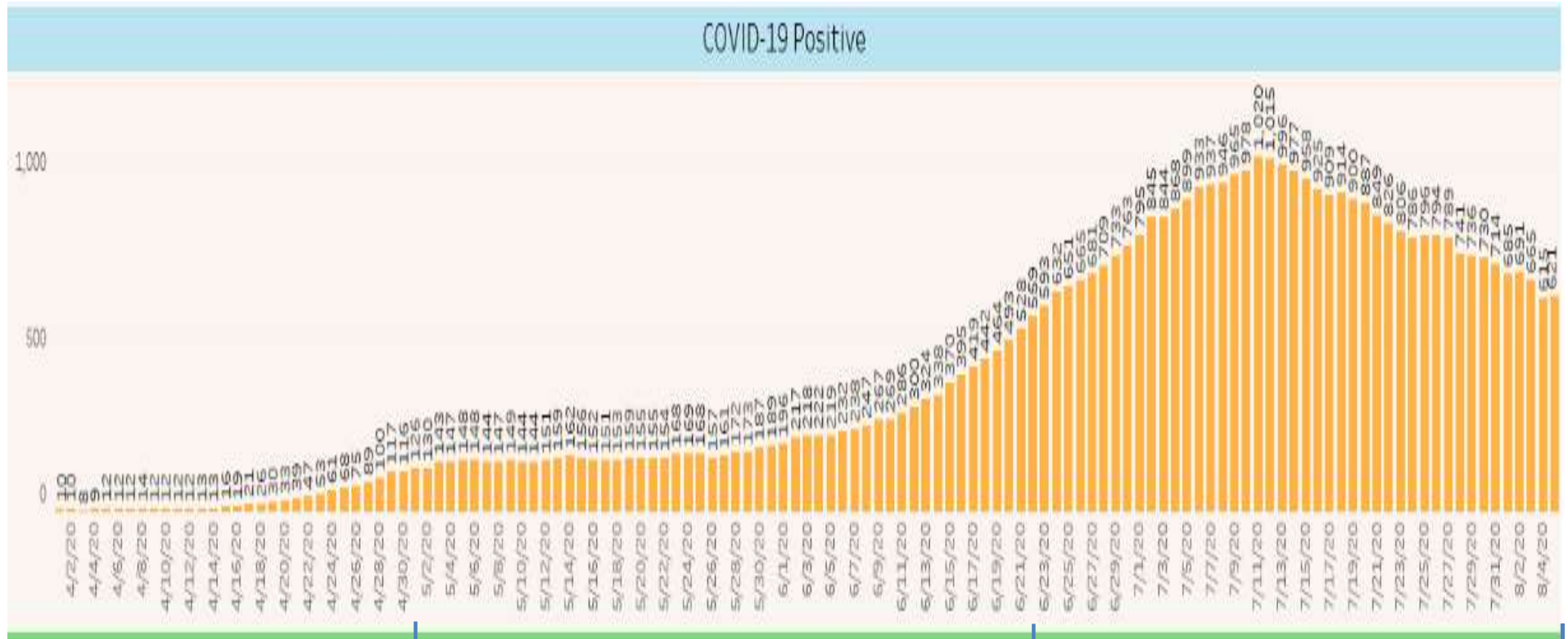
Hospital resource utilization – ICU Beds



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

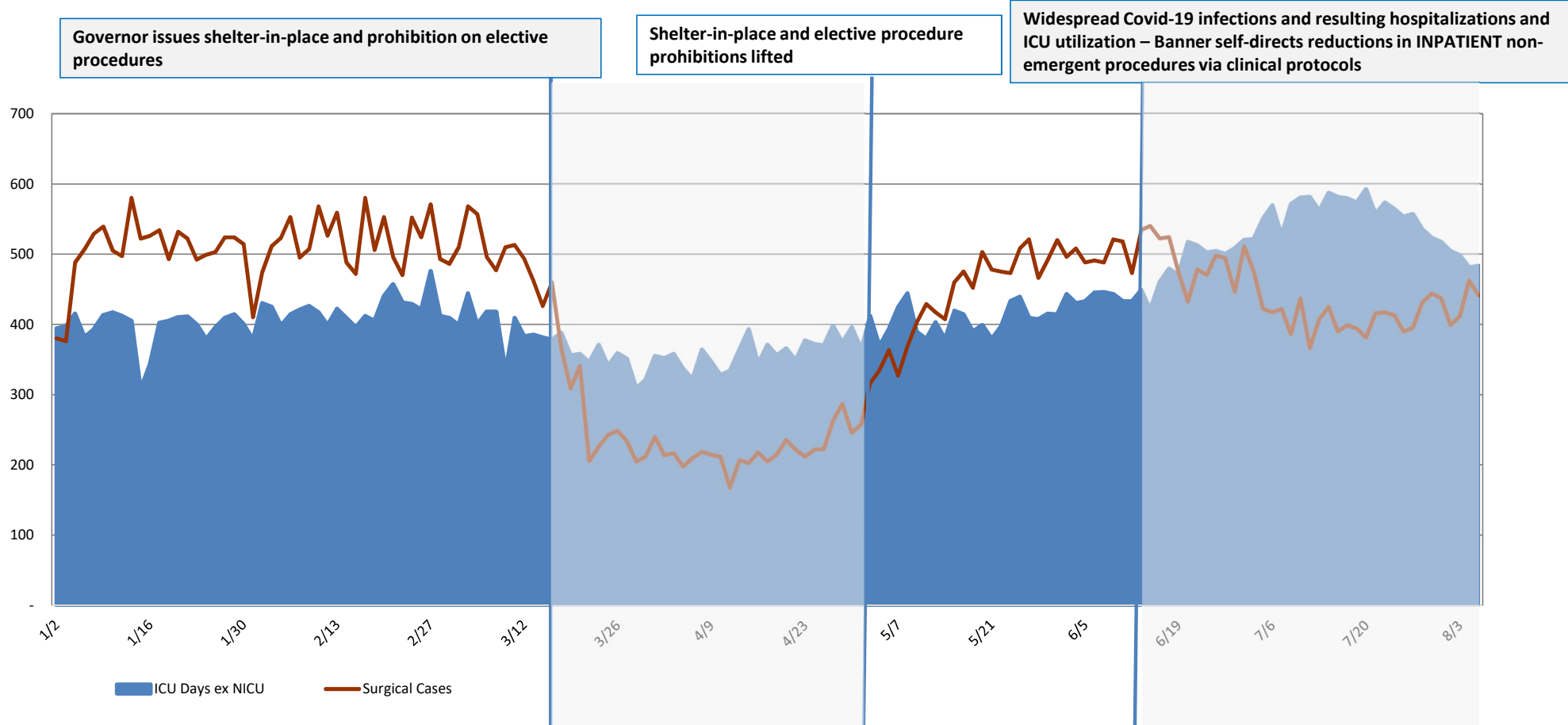


Elective procedures shut down through executive order (AZ) – inpatient and outpatient

Banner self-directed reductions in inpatient surgical procedures, modulating according to ICU/PACU/Vent utilization

Banner Health

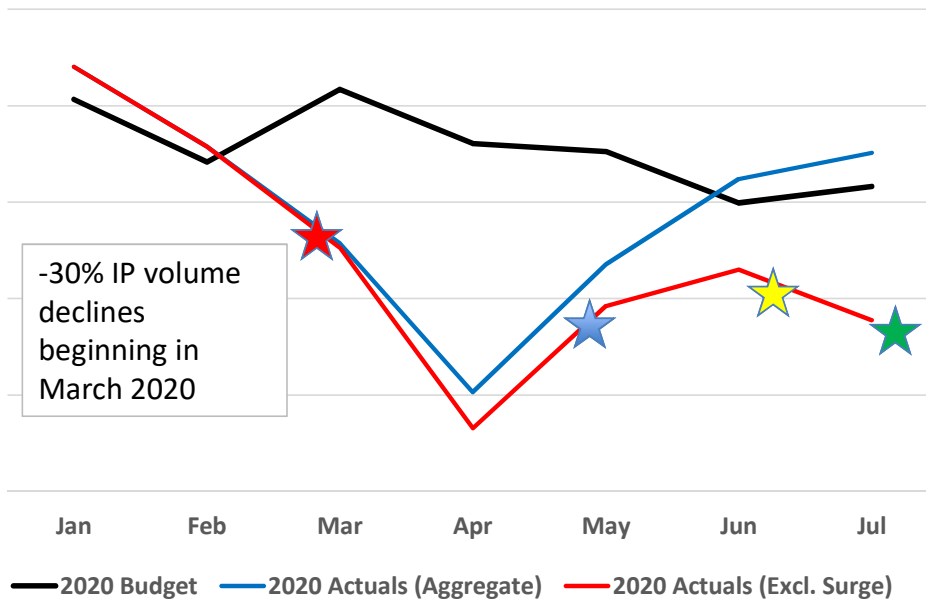
Disrupting Operations – From Governor Mandates to COVID-19 Surge



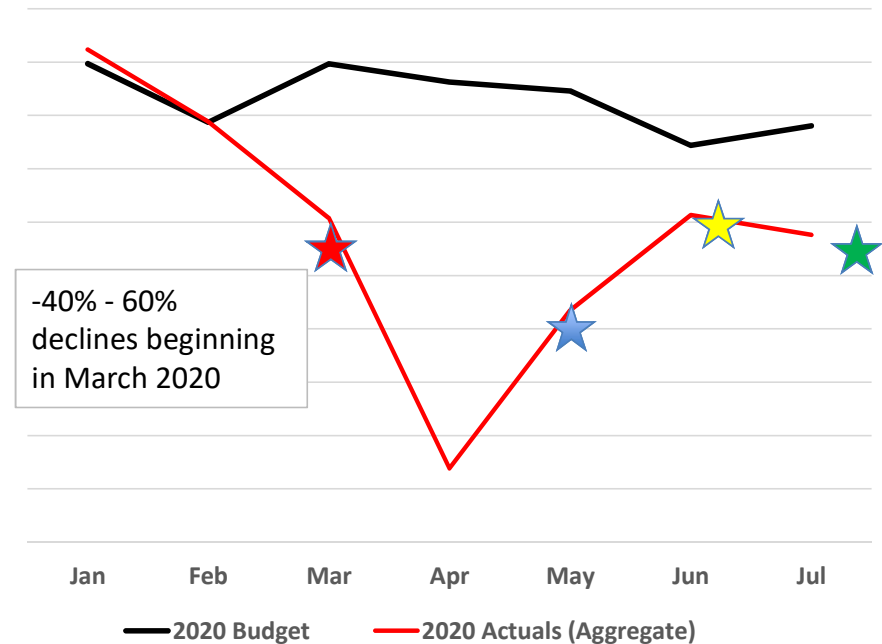
Banner Health

Hospital Volumes Impacted by COVID-19 Pandemic

Hospital Admissions (Excl. Newborns)



Hospital Outpatient Registrations



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

- ★ 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

Category	Assumptions	2020 Impact
FMAP	<ul style="list-style-type: none"> Enhanced FMAP (+6.2%) (improvement in APSI, GME and DSH from 1/1-12/31) Status – In place 	<ul style="list-style-type: none"> \$7M
2% Sequestration	<ul style="list-style-type: none"> Temporary pause on 2% sequestration on Medicare payments through 12/31/20 Status – In place 	<ul style="list-style-type: none"> \$31M
AZ Rate Enhancement (Net)	<ul style="list-style-type: none"> Rate enhancement scheduled to begin 10/1/20 (cash flows beginning 1/1/21) Status – Awaiting federal affirmation; targeted for 10/1/20 implementation 	<ul style="list-style-type: none"> \$57M
COVID rate enhancements	<ul style="list-style-type: none"> IP rate enhancements for COVID DRGs and HRSA (self pay) funding Status – claims based payments 	<ul style="list-style-type: none"> \$11M
Health Care Provider Relief (CARES Act)	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> \$400M (\$210M recorded in revenue as of 6/30/20)
Deferral of FICA deposits	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Liquidity timing only
CMS Hospital advanced payments	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Liquidity timing only

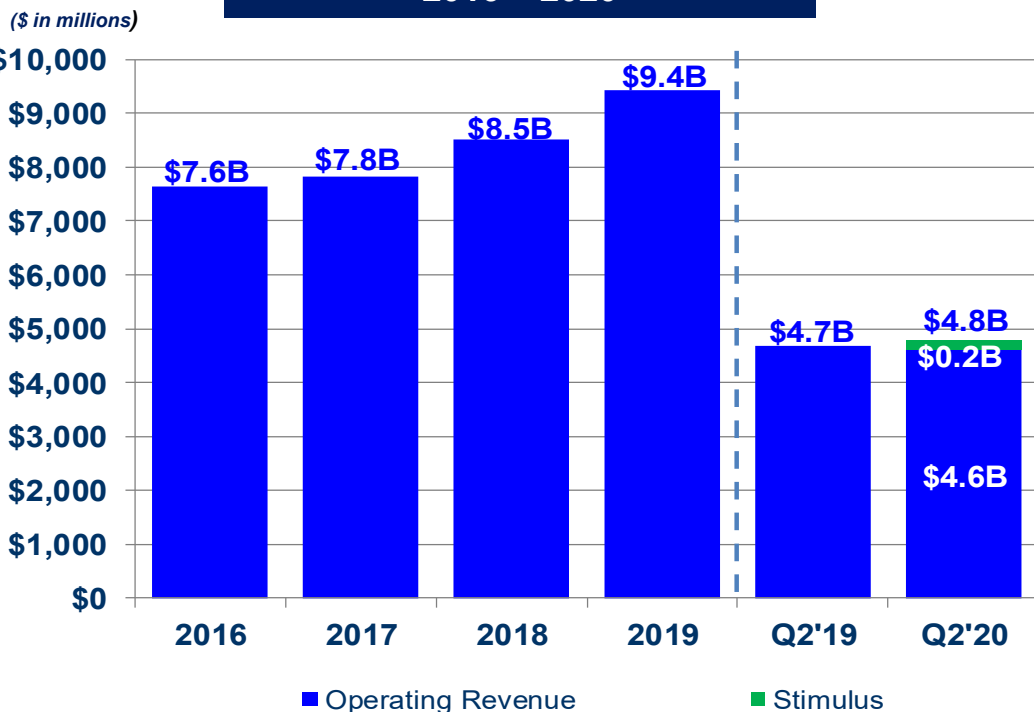
\$506M
including AZ
rate
enhancement
program

Financial Highlights

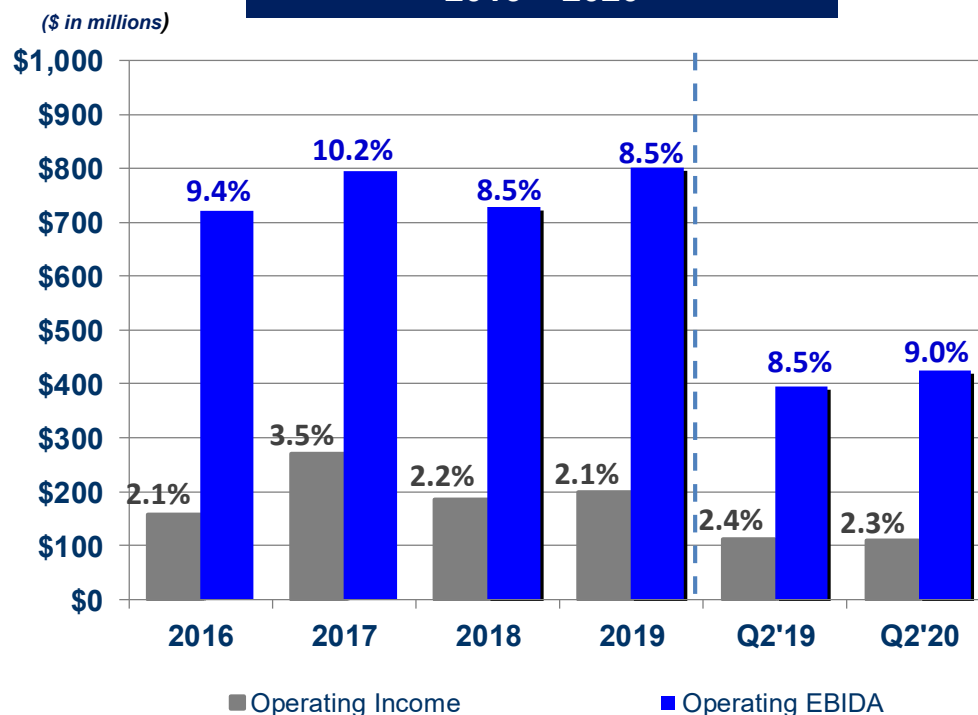
Consolidated and Comparative Performance – Trended

2016 Through Q2 YTD 2020

**Operating Revenue
2016 – 2020**



**Operating Income & EBIDA
2016 – 2020**

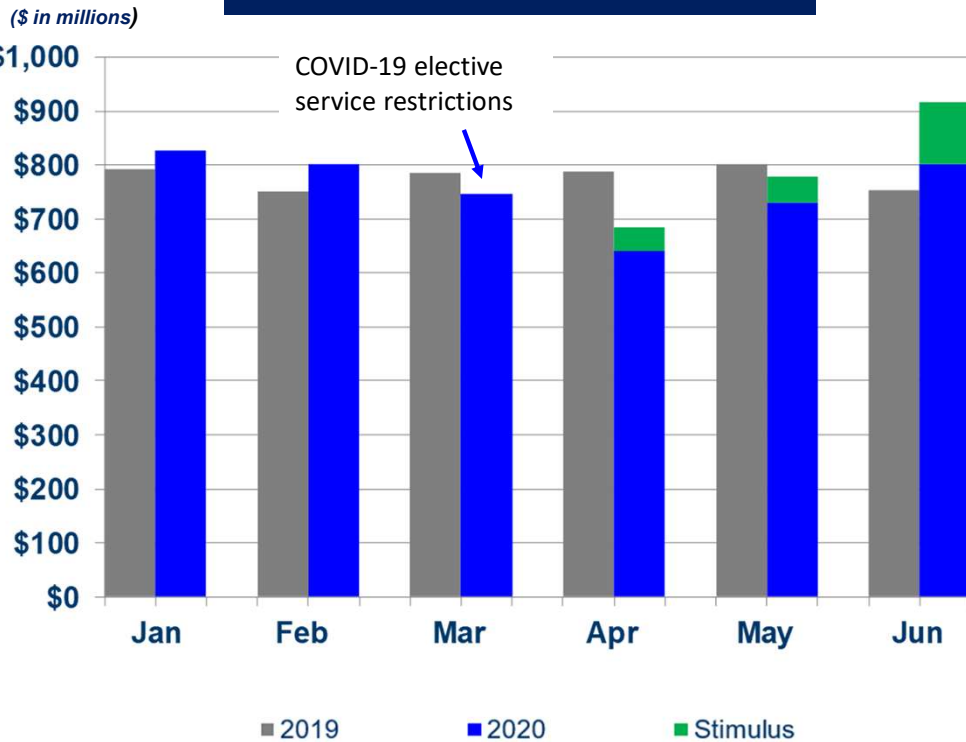


Stimulus breakout amounts reflect CARES Act funding only.

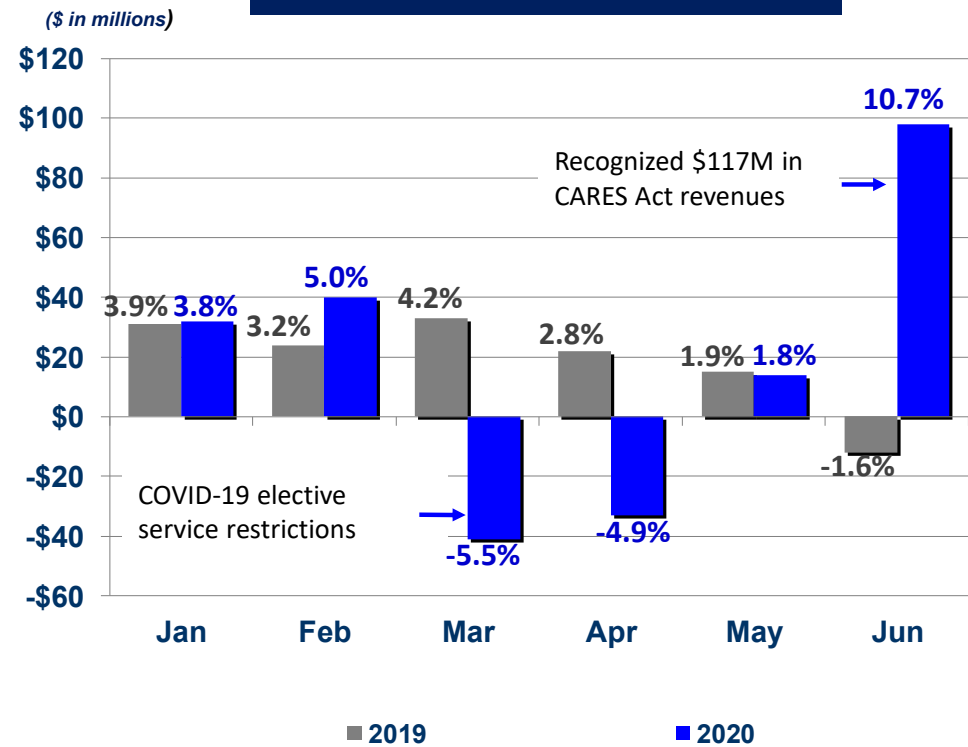
Consolidated and Comparative Performance – 2019 & 2020

Q1 and Q2 Monthly Comparison

**Operating Revenue
Jan-Jun 2019 & 2020**



**Operating Income
Jan-Jun 2019 & 2020**



Stimulus breakout amounts reflect CARES Act funding only.

Summary of Financial Performance

Stimulus Normalization – Q2 YTD June 30, 2020

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

YTD Operating Income (000s)	Care Delivery	Insurance Operations	Eliminations /Other	Sub-total Recurring Operations	CARES Act Stimulus	Consolidated
Q2 2020	(\$79,198)	\$21,416	(\$43,087)	(100,869)	\$209,904	\$109,035
Q2 2019	122,457	(40,393)	29,738	111,802	0	111,802
Variance	(\$201,655)	\$61,809	(\$72,825)	(212,671)	\$209,904	(\$2,767)

Balance Sheet Strength

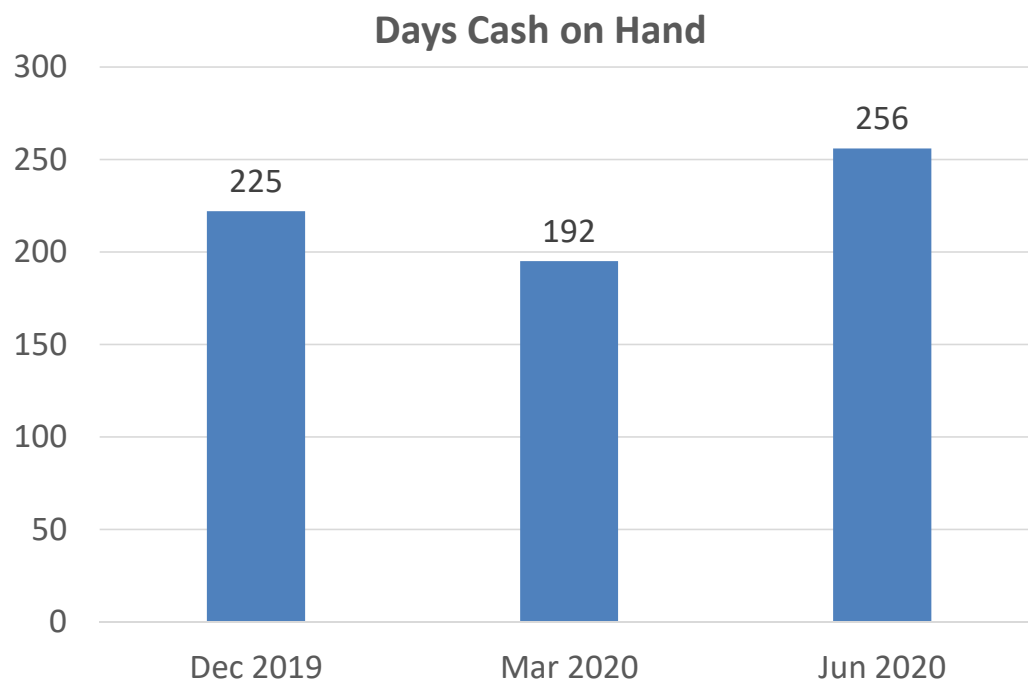
Stability Through the Crisis

Ratio	2016	2017	2018	2019	Jun 2019	Jun 2020
LT Debt to Capital	36.6%	35.0%	35.3%	33.7%	34.6%	38.1%
Days Cash on Hand	218	246	214	225	231	256
Cash to LT Debt	150%	161%	151%	167%	165%	163%
MADS Coverage Ratio	4.5	4.9	4.6	4.3	4.1	3.8
Days in Patient AR *	47.1	53.2	47.4	48.9	47.1	56.4
Debt to EBIDA	3.9	3.6	3.7	4.4	4.4	5.1

* 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



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

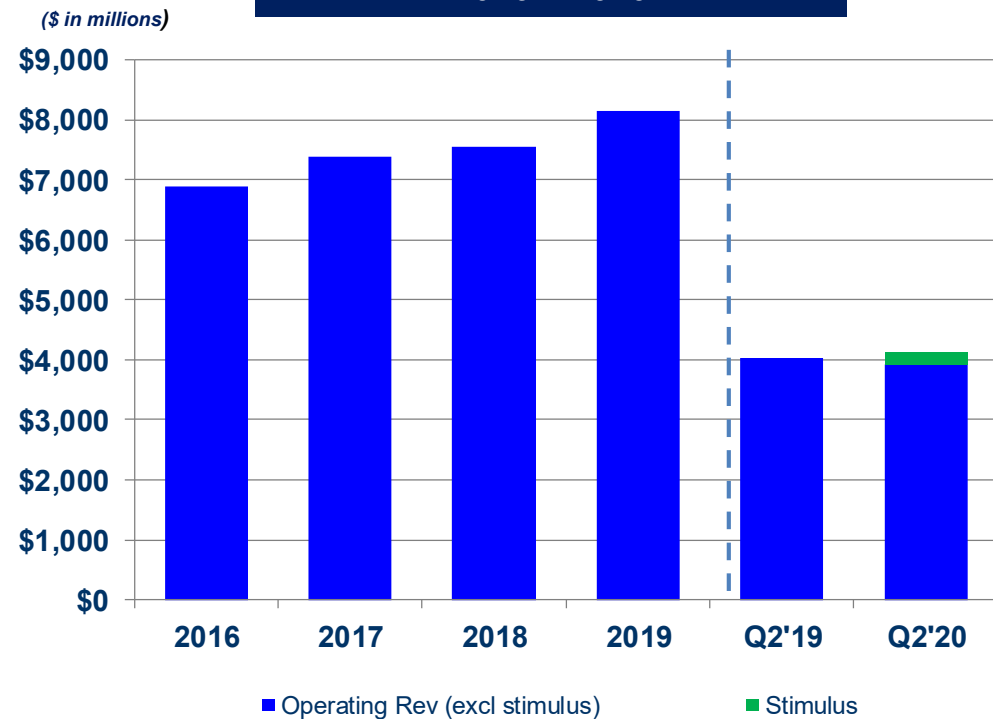


- 28 Hospitals
- 5,804 Licensed Beds
- 2019 Operating Revenue - \$8.2B (before eliminations)
- 2019 Operating Income - \$225M (before eliminations)
- >2,900 Employed Physicians

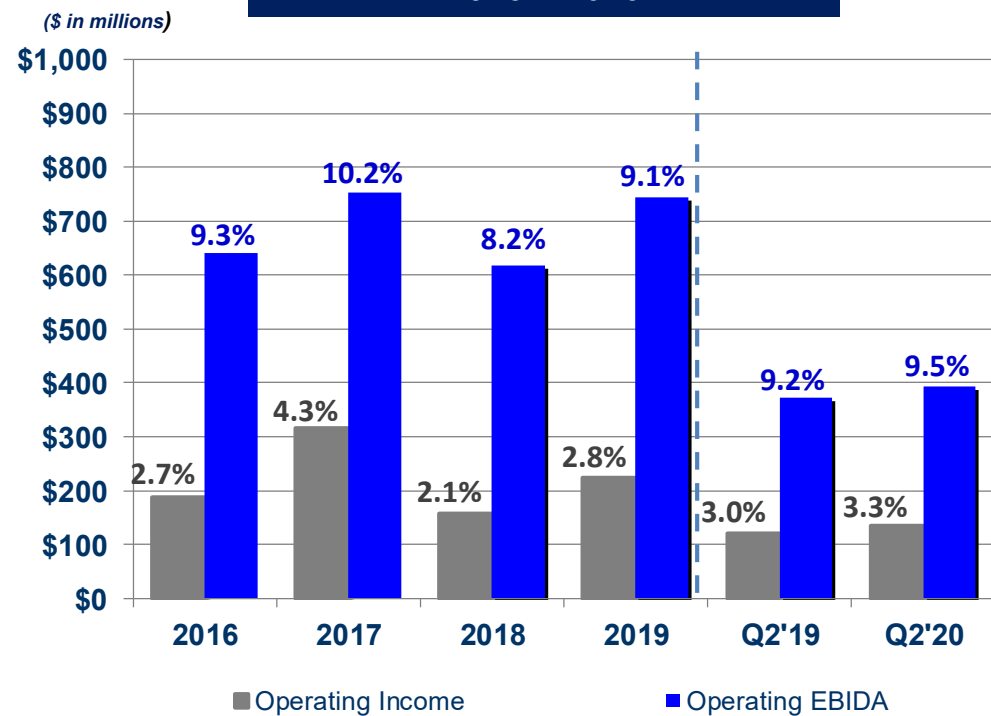
Care Delivery and Comparative Performance

2016 Through Q2 YTD 2020

**Operating Revenue
2016 – 2020**



**Operating Income & EBIDA
2016 – 2020**



Information before eliminations. Stimulus breakout amounts are for CARES Act funding only.

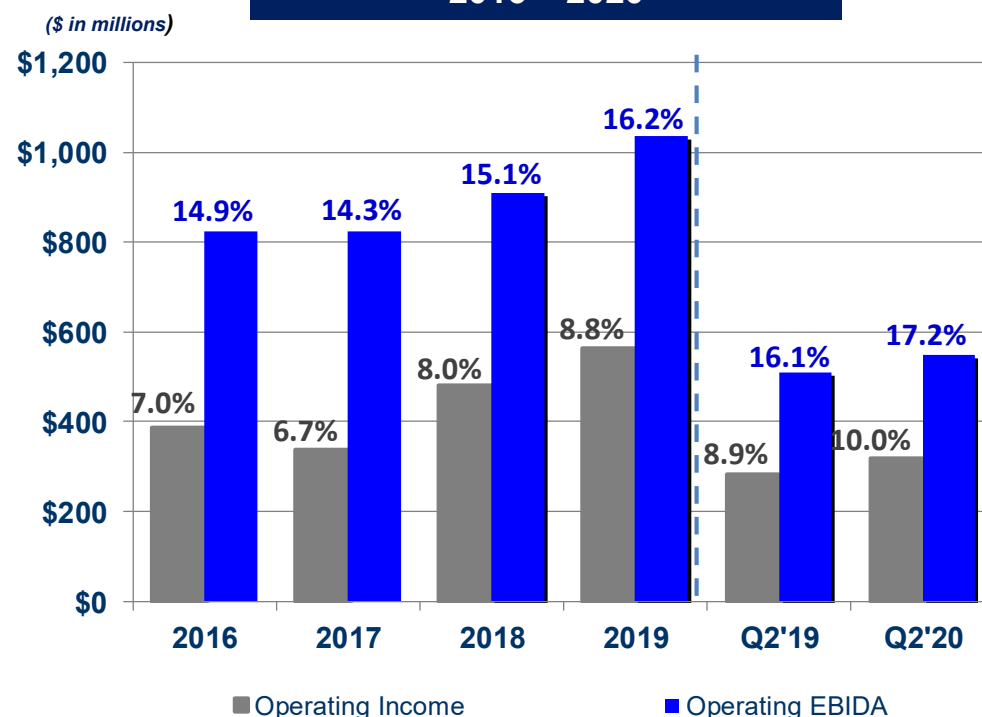
Hospitals and Comparative Performance

2016 Through Q2 YTD 2020

**Operating Revenue
2016 – 2020**



**Operating Income & EBIDA
2016 – 2020**



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

Insurance Operations



Banner Medicare Advantage *
& BHN Risk Contracts

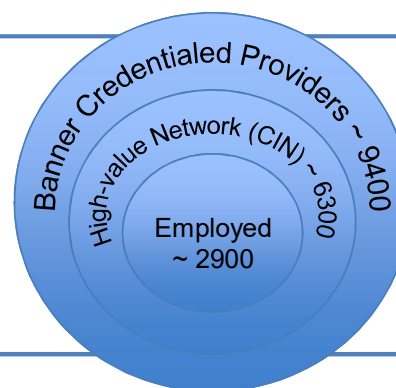


Risk Contracting /
Pop Health

~940k Full/Shared Risk Lives

Banner Health Network

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



Network
Management

Banner
University Medicine



Banner Health
Hospitals



Banner
Urgent Care



Banner
Medical Group



Banner
Home Care & Hospice



Banner
Ambulatory Services

Banner
Imaging

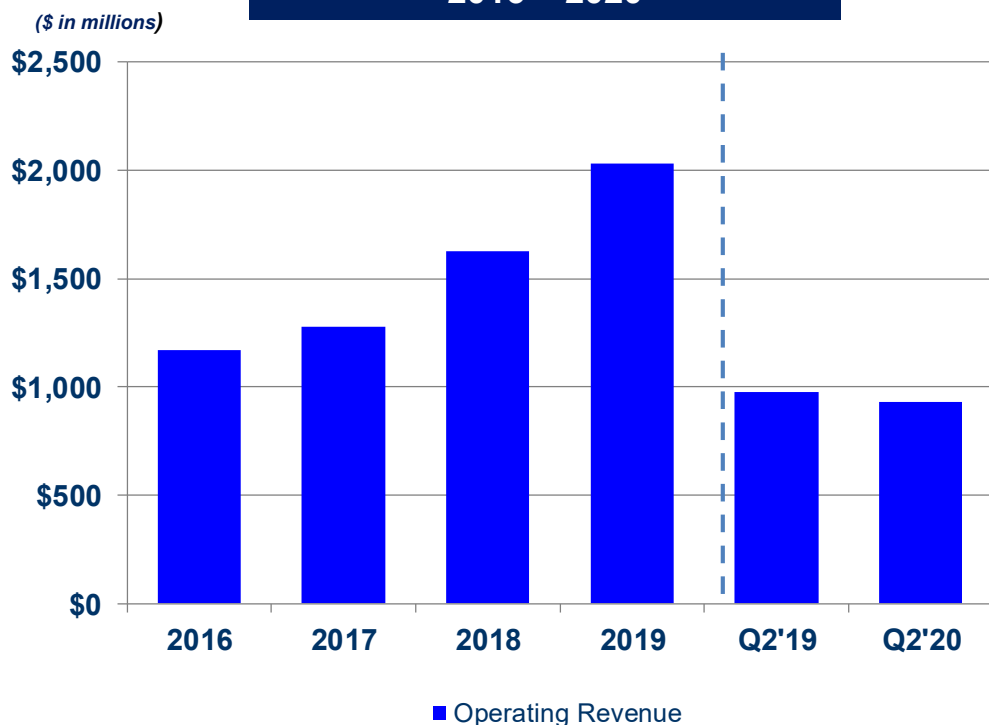
Banner ATLAS
Ambulatory Surgery
Centers

* 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.

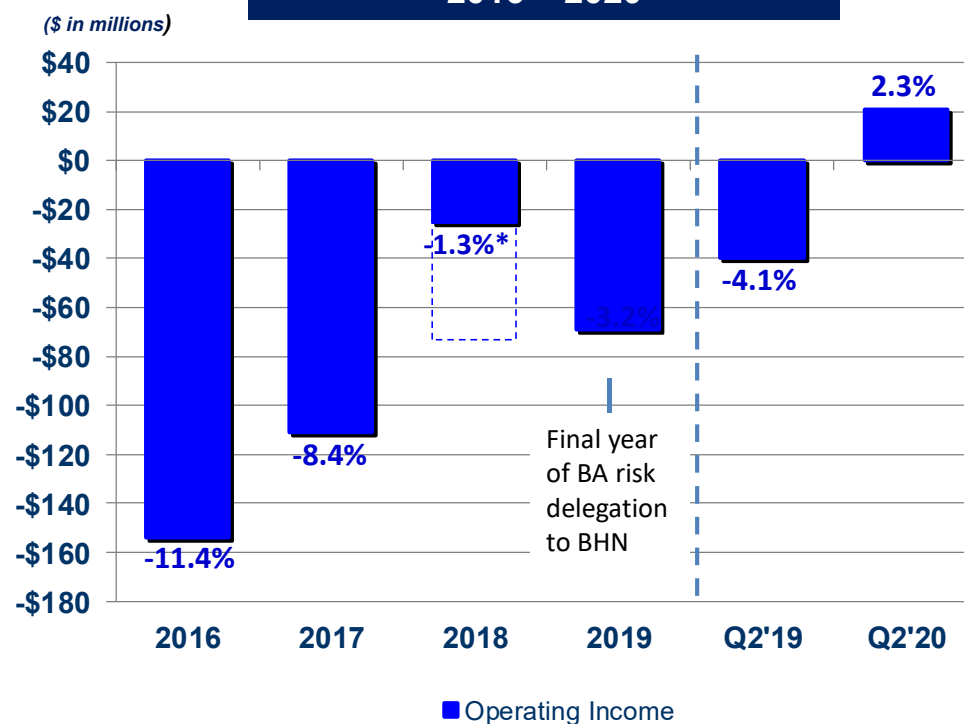
Banner Health

Insurance Division and Comparative Performance

**Operating Revenue
2016 – 2020**



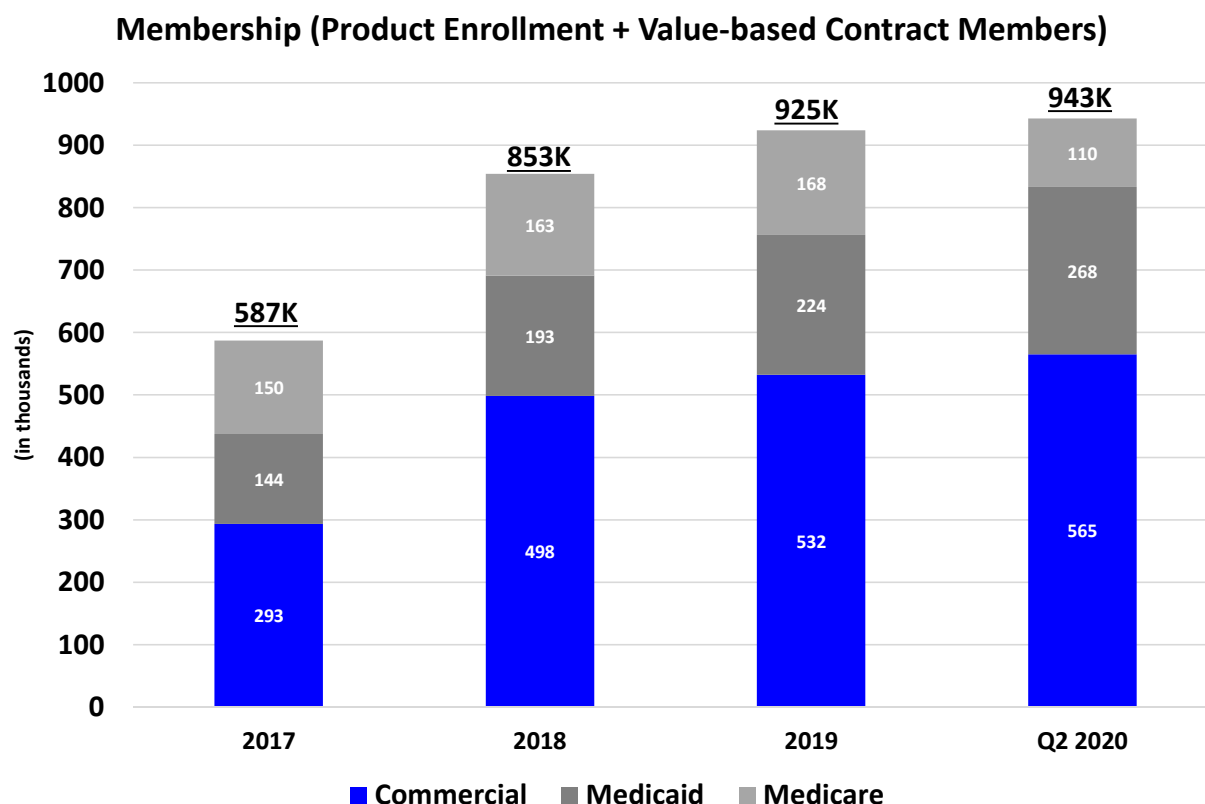
**Operating Income
2016 – 2020**



Information before eliminations

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

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:
 - 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
 - Banner’s depth of services, market-share, and scale of operations provide for durability and sustainability in the face of the pandemic crisis
 - 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



