



**Q4'13 Review
&
2014 Outlook**

February 24, 2014

Disclosures / Forward-Looking Statements

This presentation includes “forward-looking statements.” Forward-looking statements are based on current expectations and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied. These factors include, among others, our ability to realize fully or at all the anticipated benefits of our merger with Vanguard and to successfully integrate the operations of our business and Vanguard’s business; changes in health care and other laws and regulations; changes in economic conditions; adverse litigation or regulatory developments; the ability to enter into managed care provider arrangements on acceptable terms; changes in Medicare and Medicaid payments or reimbursement; adverse litigation or regulatory developments; competition; our success in implementing our business development plans and integrating newly acquired businesses; our ability to hire and retain qualified personnel; our significant indebtedness; the availability and terms of capital to fund the expansion of our business, including the acquisition of additional facilities; adverse fluctuations in interest rates and other risks related to interest rate swaps or any other hedging activities; the ability to continue to expand and realize earnings contributions from the revenue cycle management, health care information management, management services, and patient communications services businesses under our Conifer Health Solutions (“Conifer”) subsidiary by marketing these services to third-party hospitals and other health care-related entities; and our ability to identify and execute on measures designed to save or control costs or streamline operations. These factors also include the positive and negative effects of health reform legislation on reimbursement and utilization and the future designs of provider networks and insurance plans, including pricing, provider participation, coverage and co-pays and deductibles. These and other risks and uncertainties are described in “Risk Factors” under Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2013 (“Annual Report”), “Forward-Looking Statements” under Item 1 of Part I of our Annual Report, and “Forward-Looking Statements” under Item 2 of Part I of our Annual Report on Form 10-K for the year ended December 31, 2013. We disclaim any obligation to update any forward-looking statement in this presentation, whether as a result of changes in underlying factors, new information, future events or otherwise.

Q4'13 Provides a Strong Finish to 2013

EBITDA Toward High End of Our Outlook Range

- \$444mm in Q4'13 Adjusted EBITDA
- \$1.342 b in 2013 Adjusted EBITDA

Inpatient Volumes Sequentially Strengthened

- 50 basis point decline in adjusted admissions (*same-hospital*)
- 2.3% decline in admissions (*same-hospital*)
 - 80 basis points related to fewer one-day stays and a lighter flu season
- Year-over-Year admissions change improved sequentially during 2013

Outpatient Initiative Drives Superior Growth

- 3.3% growth in outpatient visits (*same-hospital*)
- 40% of outpatient growth is organic (*same-hospital*)
- \$72mm 2013 EBITDA contribution from \$264mm OP investment initiative launched in 2010
- 1.0% growth in ED Visits (*same-hospital*)

Pricing Remains Strong

- 5.2% increase in commercial managed care revenue per admission (*same-hospital*)
- California Provider Fee Program expected to generate \$475mm through 2016
- Net operating revenues increased 6% (*same-hospital*)

Cost Control Driving Earnings Growth

- 3.7% increase in selected operating expenses per adjusted admission in hospital operations (*same-hospital*)
- 2.0% increase excluding growth in physician employment
- 2.9% increase in supplies expense per adjusted admission reflects higher acuity & surgeries

Conifer Reports Solid Quarter

- \$36mm in EBITDA, an increase of 16%
- \$264mm in revenues - a 75% increase and > \$1 billion annualized

Selected Items Impacting 2014 Adjusted EBITDA Outlook of \$1.8 – 1.9 Billion

(\$mm)	2014 ⁽¹⁾
Vanguard Synergies	50 - 100
California Provider Fee Program <i>(\$140mm in 2014 compared to \$115mm in 2013)</i>	25
HIT Incentives, net of program costs <i>(2013 HIT incentives were \$96mm, expect \$105mm in 2014)</i>	(20)
Performance Excellence Program	50
Outpatient Development	10
Conifer <i>(Excludes legacy Vanguard growth which is captured in Vanguard Synergies line)</i>	10
New Hospital in New Braunfels, TX <i>(start-up costs)</i>	(15)
Government Reimbursement Incremental Cuts ⁽²⁾	(50)
Medicare Sequestration <i>(All four quarters versus just three quarters in 2013)</i>	(25)
Two Midnight Rule	(50) - 0
Affordable Care Act	50 - 100

(1) Quantities are incremental to 2013

(2) Medicare ACA market-basket reductions; value based purchasing and readmission adjustments; and DSH reductions. Medicaid ACA federal DSH allotment reductions postponed to 2015.

Key Assumptions for 2014 ACA Impact

Uninsured Conversions

- 10% to Medicaid
- 5% to Exchanges
- CBO estimates a 23% reduction in uninsured nationwide

Utilization

- Zero incremental utilization for newly insured populations

Change in Employer-based and Non-group Coverage

- 5% of existing Commercial Managed Care volume converts to Exchanges

Exchange Payment Rates

- Within 10% of existing Commercial Managed Care rates

Medicare and Medicaid Payment Reductions

- Medicare – ACA market-basket reductions; value based purchasing and readmission adjustments; DSH reductions
- Medicaid – ACA federal DSH allotment reductions postponed until the fourth quarter of 2015

2014 Outlook Assumptions

Same-Hospital Pro Forma:	2014
Admissions Growth (%) <i>(Assumes zero contribution from newly insured populations)</i>	(2.0) - 0.0
Adjusted Admissions Growth (%) <i>(Assumes zero contribution from newly insured populations)</i>	(1.0) - 1.0
Pricing - Commercial Managed Care Increase (%)	Approximately 5
Revenue Growth per Adjusted Admission (%)	1.5 - 2.5
Selected Operating Expense Growth per Adjusted Admission <i>(Hospital Operations)</i> (%)	1.5 - 2.5
Bad Debt Ratio (%)	7.5 - 8.5
Total Company – continuing operations:	
Adjusted Cash Flow From Operations <i>(\$mm)</i>	1,050 - 1,100
Capital Expenditures <i>(\$mm)</i>	900 - 1,000
Adjusted Free Cash Flow <i>(\$mm)</i>	50 - 200
Normalized E.P.S. - fully diluted (\$)	0.49 - 1.67

Selected Items Impacting Q1'14 Adjusted EBITDA Outlook of \$350 – \$400 million

	Assumed Q1'14 EBITDA Impact	Sequential Q1'14 Change over Q4'13
Vanguard Synergies and ACA Impact	Insignificant	Insignificant
California Provider Fee Program	Zero	\$(19)mm
HIT Incentives	\$10mm	\$(38)mm
Impact of Interest Rate Decline on Liabilities	\$(5)mm	\$(15)mm

Seizing the ACA Opportunity

Expect ACA-related 2014 EBITDA growth of \$50-100mm⁽¹⁾



Create Strong Exchange Position

- 100% of hospitals participating in at least one plan at each level
- 97% of hospitals in at least one of the two lowest-cost silver plans
- Strong pricing based on commercial rates

Drive Outreach and Education

- Branded campaign with bilingual website, social media, hardcopy educational materials and central call center
- Partnerships with over 300 local community groups and navigator organizations
- Path to Health educating and providing enrollment assistance

Consumer Empowerment

- More than 300 Conifer medical eligibility personnel qualified as certified application counselors (CACs)
- Direct mail and telephone outreach targeting uninsured individuals who have used our hospitals in last 12 months
- Conifer investing in up-front consumer empowerment and patient-friendly simplified billing

⁽¹⁾ EBITDA contribution before ACA-related reimbursement cuts

Strategically Positioned Relative to Significant Industry Trends

- Early adopter of strategies to improve clinical quality
- Early to implement advanced clinical systems
- Early creator of Accountable Care Organizations (ACOs) in key markets
- Conifer manages value-based care arrangements covering 4mm lives including:
 - Patient population management
 - Authorization management
 - Patient care reporting

Summary

2013

Strong accomplishments despite challenging industry environment

Completed transformational Vanguard acquisition

Positioned to succeed in 2014 and beyond

2014

Capitalize on:

- ACA coverage expansion
- Vanguard synergies
- Organic growth including outpatient and Conifer businesses

Beyond 2014

Continued growth from ACA

Capture additional Vanguard synergies

Value-creation through portfolio management

Grow Conifer

Drive incremental outpatient growth

Develop new health plan business

Leverage Value-Based Care business model