

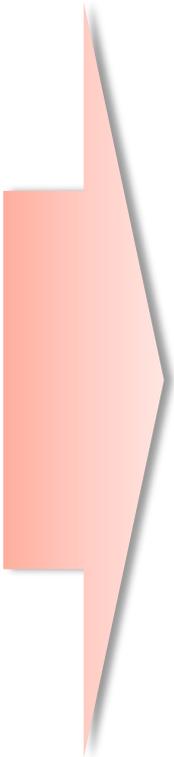
Health care transformation is inevitable.



The U.S. Health Care System is too expensive, wildly variable, with lower than desired quality and outcomes.

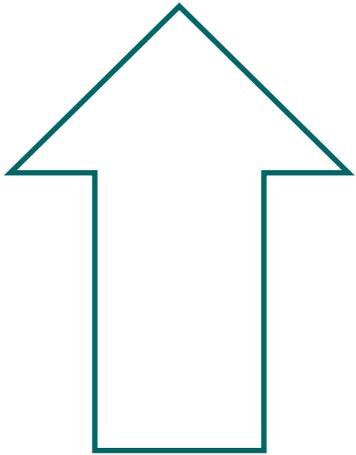
The transformation requires comprehensive changes to our business models.

	<i>Volume Based</i>	<i>Value Based</i>
Reimbursement	<ul style="list-style-type: none">▪ FFS/DRGs▪ No payment for readmits, never events, etc.	<ul style="list-style-type: none">▪ Outcomes & Quality based▪ Global payments
Organizational model	<ul style="list-style-type: none">▪ Departmental	<ul style="list-style-type: none">▪ Populations▪ Conditions▪ Focused factories
Value drivers	<ul style="list-style-type: none">▪ Volume▪ Efficiency (procedure level)	<ul style="list-style-type: none">▪ Quality and low variability▪ Efficiency (population level)
Profit pools	<ul style="list-style-type: none">▪ Visits▪ Surgery / Procedures▪ Outpatient ancillary	<ul style="list-style-type: none">▪ Wellness and prevention▪ Population management▪ Chronic condition management
Investments	<ul style="list-style-type: none">▪ Capacity▪ Revenue-producing assets▪ Patient referrals	<ul style="list-style-type: none">▪ Health IT▪ Clinical integration▪ Commercialization

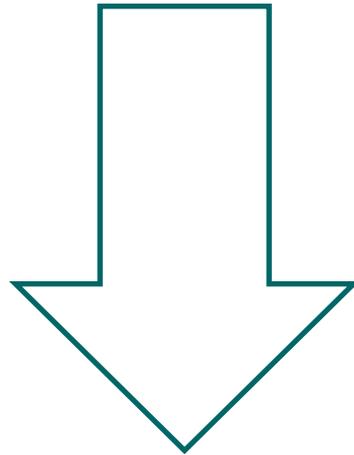


There are only a few key drivers of success within any business model.

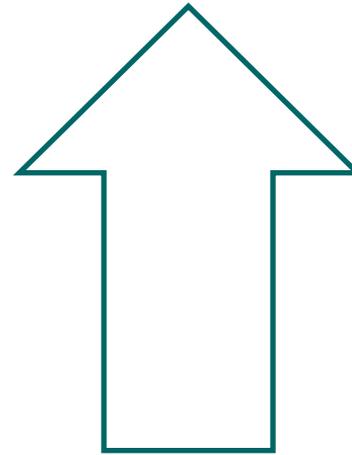
Improve Quality and Experience



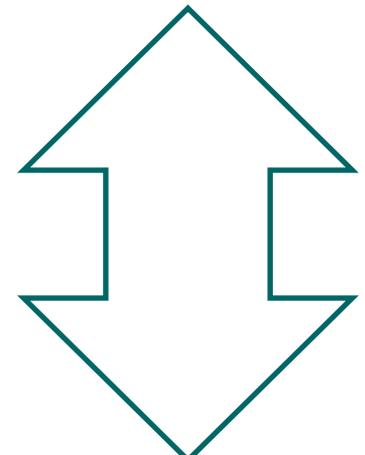
Reduce Total Cost of Product



Increase Customers



Manage Capacity



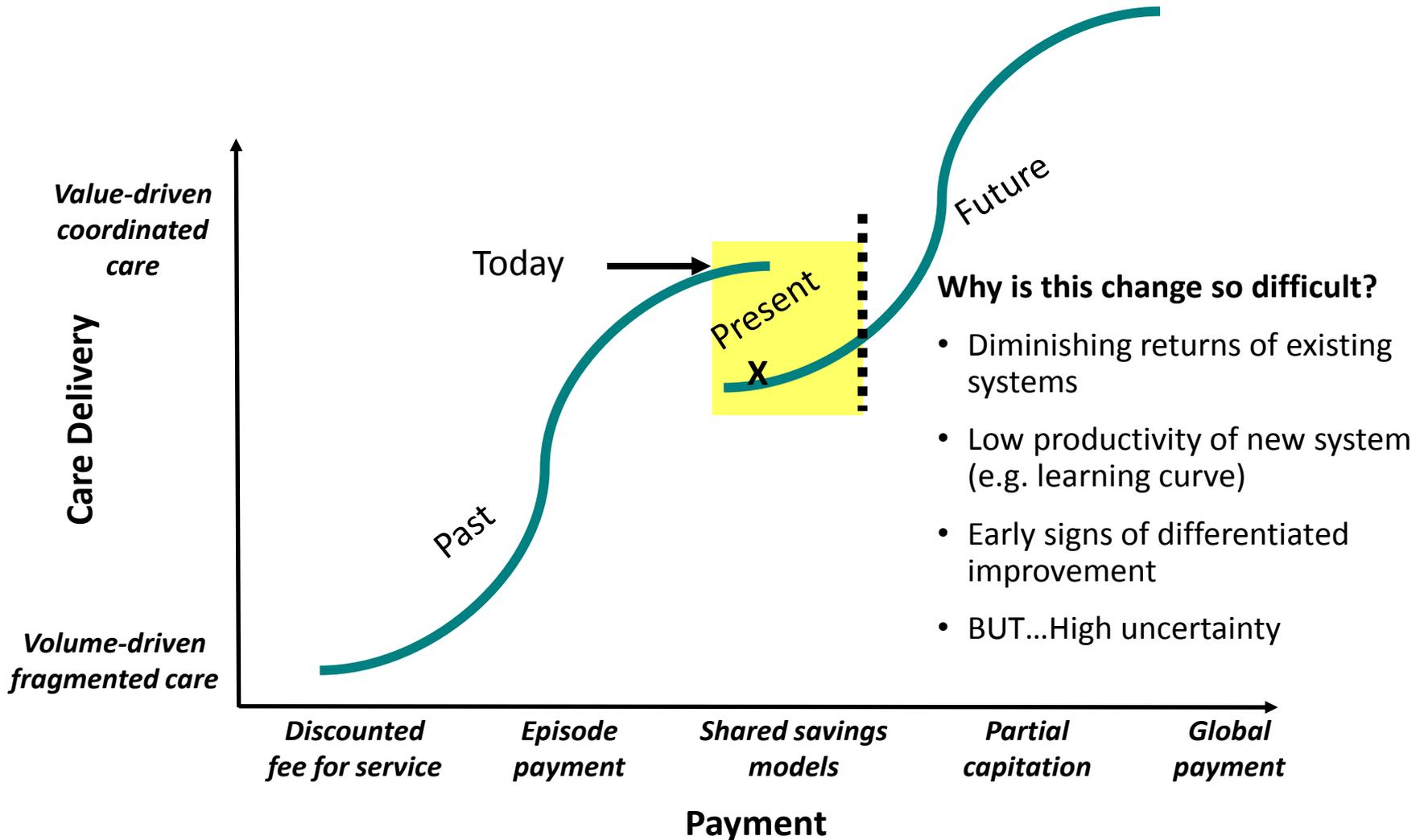
Reduce unit cost
Reduce inappropriate utilization

Increase attributed lives
Increase assigned lives
Increase enrolled lives

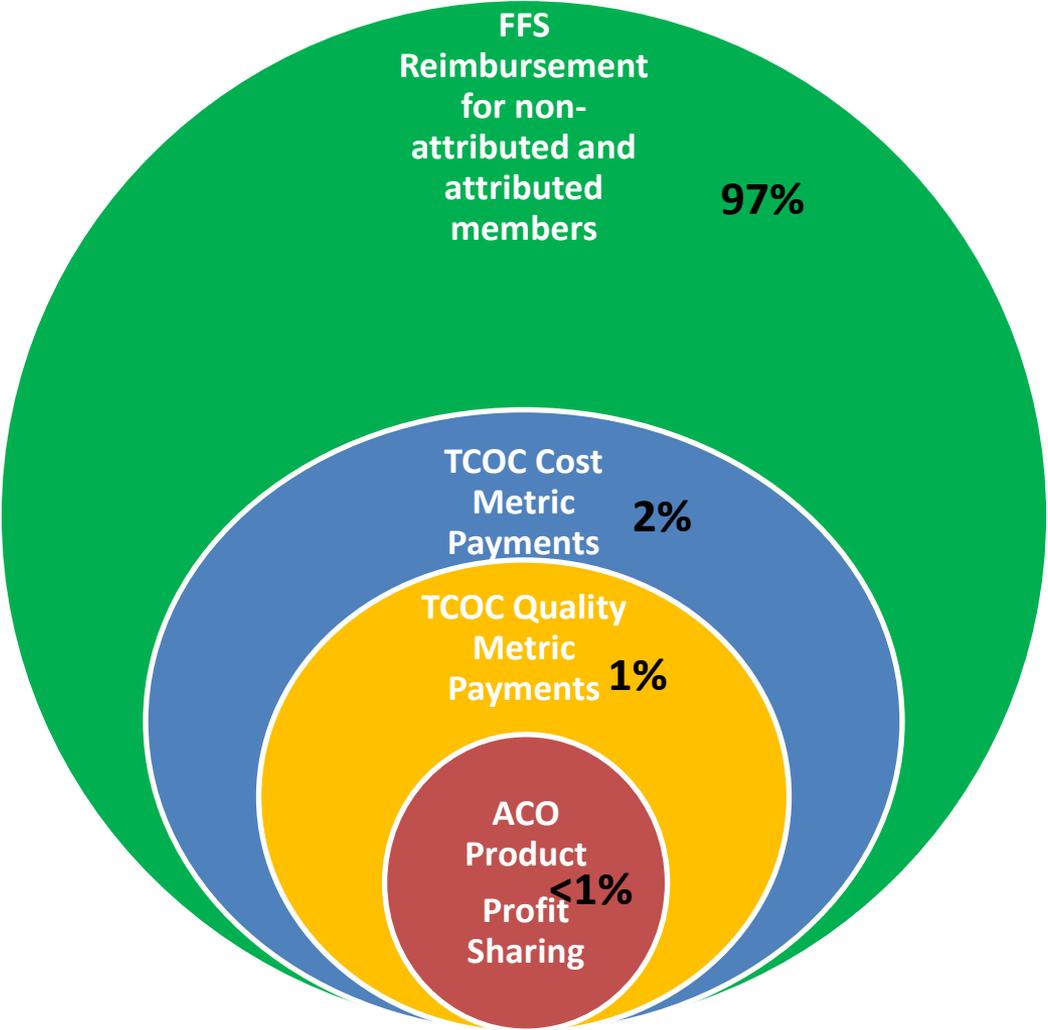
Reduce fixed costs
Flex up and down

During business transitions operational challenges are expected.

With transformational change comes uncertainty



Currently the order of magnitude of revenue from the new business models is minimal.

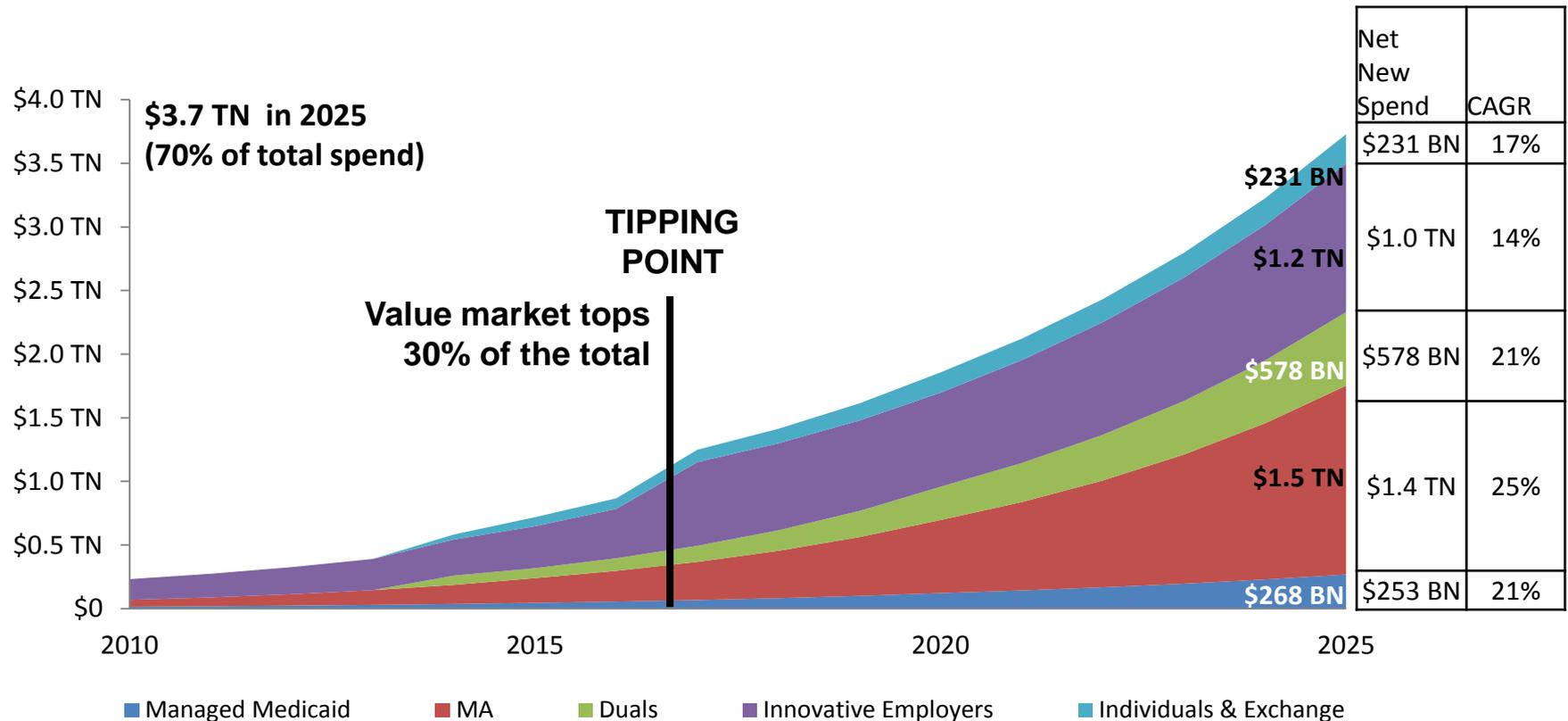


But the transition to the new business models will accelerate over the next few years.



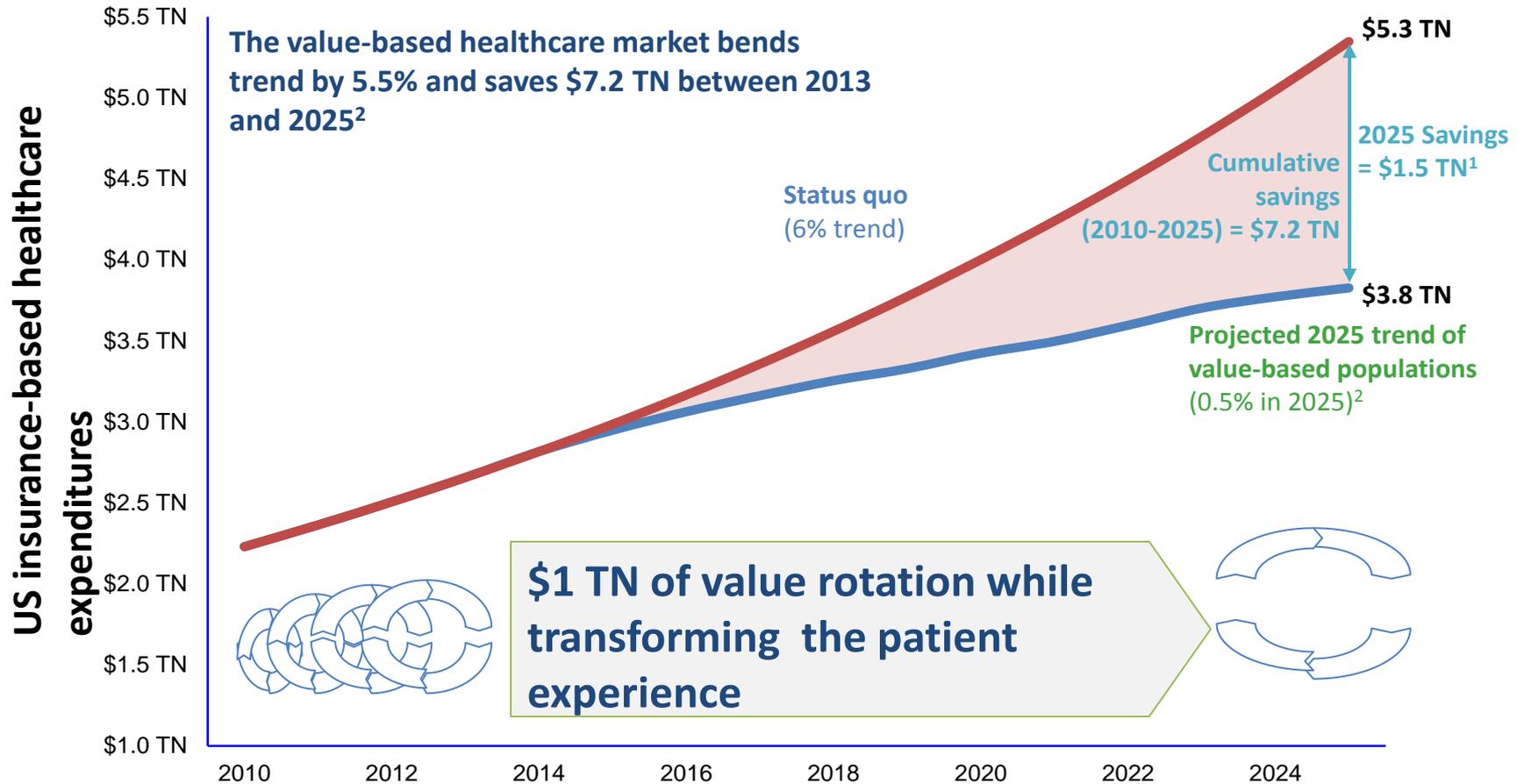
By 2017 nearly 100 MM consumers will choose value-based health solutions.

Value market opportunity by funding source
2010-2025



... by 2025 the population health marketplace will save over \$7 TN

A new sustainable better health marketplace



1. Represents \$880 BN Total Cost Reduction and \$640 BN Trend Reduction

2. Represents trend only for individuals in value-based markets (fully effective). Trend of entire market in 2025 is 2.2%

Is it really different this time?

	1990s Managed Care	2013 Population Health
Employers	Unemployment rate was low and the focus was how to keep and retain employees with little desire to change benefits	Unemployment high and employers trying to find any way to reduce benefit cost
Data	Most data systems were immature and could not be used to manage populations	Robust population management systems are available in the market and the beginning of quality management
Patients	Did not understand what they were buying into and had no financial incentive to decrease or change utilization	Benefit design gives patients options associated with different costs
Payment*	Deals were done to trade off reduced prices in exchange for more volume	Most per-unit payments are the same with opportunities for performance-based increased payment
Key to Success	Financial leadership. Create roadblocks to keep patients from using healthcare	Physician leadership. Segment patients and provide the ones with the greatest need enhanced, lower-cost services to avoid the need for expensive rescue care

* Payment today is dependent upon local supply and demand for services. In markets with excess capacity, there are movements to have reduced payment for increases in volume.