

**Catholic Health Association:
Catholic Health Strategy Summit
December 14, 2010**

**System Strategies for Seniors: Organizing for
Better Integration to Meet Emerging Needs**

**Presented by: John DiCola
Senior Vice President, Strategy & Business Development
Catholic Health Initiatives**

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Our Mission, Vision, and Core Values

Mission:

The mission of Catholic Health Initiatives is to nurture the healing ministry of the Church by bringing it new life, energy and viability in the 21st century. Fidelity to the Gospel urges us to emphasize human dignity and social justice as we move toward the creation of healthier communities.

Vision:

Our Vision is to live up to our name as one CHI:

Catholic: Living our Mission and Core Values.

Health: Improving the health of the people and communities we serve.

Initiatives: Pioneering models and systems of care to enhance care delivery.

Core Values:

Catholic Health Initiatives' core values define the organization and serve as its guiding principles. They are the roots or anchors from which all activities, decisions and behaviors follow.

Reverence Profound respect and awe for all of creation, the foundation that shapes spirituality, our relationships with others and our journey to God.

Integrity Moral wholeness, soundness, fidelity, trust, and truthfulness in all we do.

Compassion Solidarity with one another, capacity to enter into another's joy and sorrow.

Excellence Preeminent performance, becoming the benchmark, putting forth our personal and professional best.



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Catholic Health Initiatives: A Snapshot

Size	<ul style="list-style-type: none"> ▶ 73 hospitals ▶ 40 long-term care, assisted living and residential facilities ▶ Two community-based health ministries
Location	<ul style="list-style-type: none"> ▶ 19 states including rural and urban communities
Employees	<ul style="list-style-type: none"> ▶ Approximately 67,000 full and part-time employees ▶ More than 1,500 physicians and extenders
Financial Highlights	<ul style="list-style-type: none"> ▶ \$12.8 billion in assets ▶ \$8.5 billion in net patient service revenues ▶ 3.9% operating margin
Statistics	<ul style="list-style-type: none"> ▶ Acute inpatient days: 1,812,664 ▶ Acute inpatient revenues as a percentage of revenues from patient services: 49.1% ▶ Long-term care days: 451,107 ▶ Residential days: 717,208

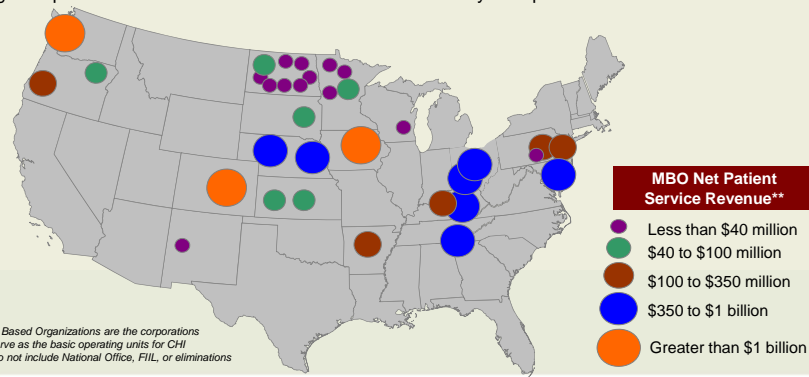
Note: Financial highlights and statistics reflect information for fiscal year 2010, ended June 30, 2010.



Serving a Diverse Population Base

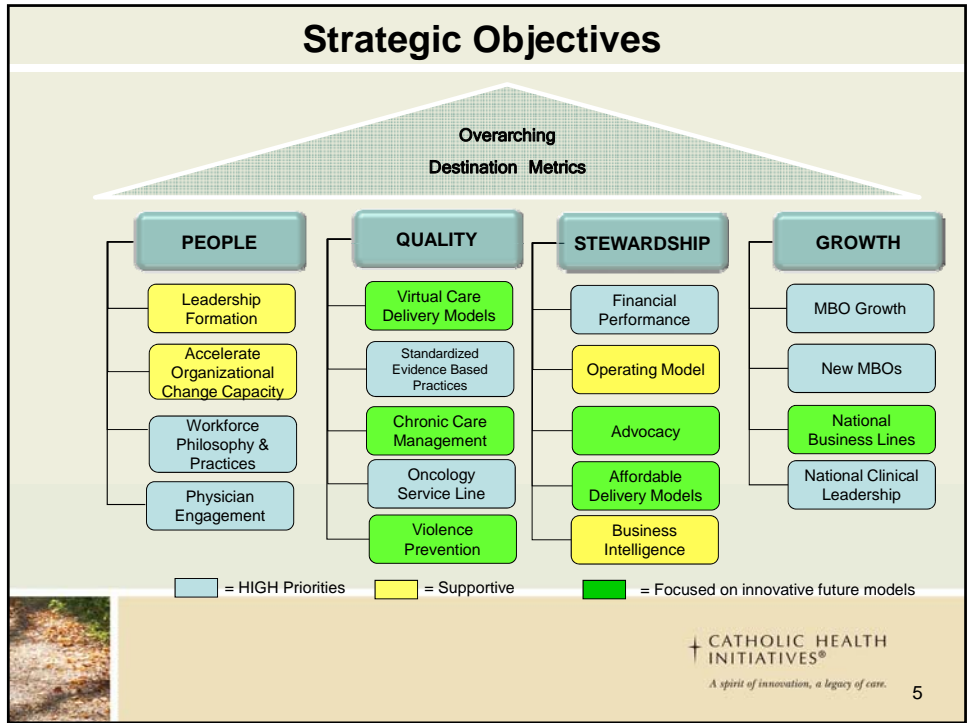
Nationwide Presence with:

- ▶ 35 Market-Based Organizations* and JOAs located in 18 states
- ▶ Well positioned in our urban / suburban markets with 90% ranked #1 or #2
- ▶ Strong rural presence: 28 of CHI's MBOs are the sole community care provider in the market



* MBOs = Market Based Organizations are the corporations that serve as the basic operating units for CHI
 ** NPSR values do not include National Office, FIL, or eliminations





Catholic Health Initiatives Research & Development Initiative:

*Provides the structure and financing for
research and innovation in future care
delivery*

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CHI Institute for Research & Innovation

Center for
Clinical Trials

Center for
Translational Research

Center for
Healthcare Innovation



Provide access to leading edge clinical trials
Enhance market and national reputation
Generate research revenue for reinvestment
Initial focus on oncology, moving to CV



Advance the delivery of personalized medicine
Biorepository and research lab
Establish partnerships with industry, government and academia
Generate new sources of revenue and profit



Provide an incubator for innovation within CHI
Pilot new healthcare delivery models:
-accountable care
-virtual care models
Deploy effective new innovations throughout CHI



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Catholic Health Initiatives Accountable Care “Readiness”

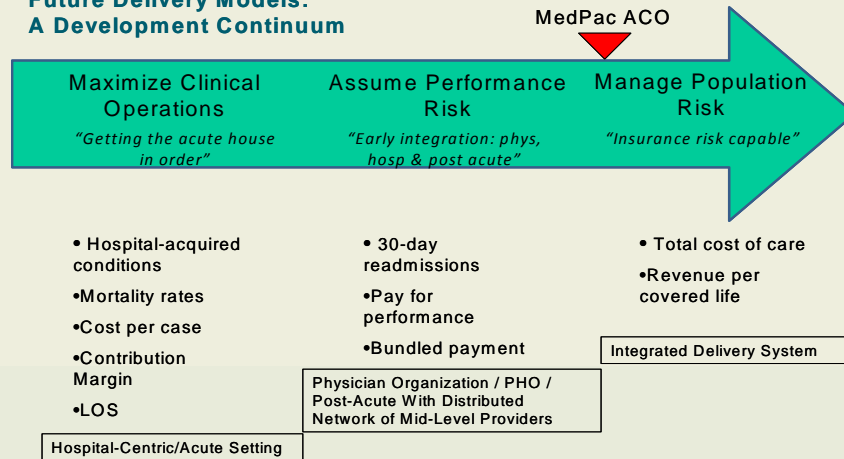
**How CHI will develop the new care
delivery capabilities required for
success in the future**

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CHI Accountable Care "Readiness" Framework

ACOs in the Larger Context of Future Delivery Models: A Development Continuum



CHI MBOs are at various levels of development along this continuum

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CHI Accountable Care "Readiness" Pilots

- ✓ Four MBOs in FY 11 (Denver, Des Moines, Lexington and Lincoln)
- ✓ Focus on Medicare population with selected chronic disease conditions (CHF, pneumonia, AMI, COPD)
- ✓ Pilot Components:
 - Health Coaches (primary care practices)
 - Care Transitions (hospital/post-discharge)
 - Geriatric Care Management (home health linkages)
- ✓ Test the organizational capabilities and new competencies required to managed chronic disease across a continuum of care
 - Primary Care ("medical home")
 - Acute Settings (and post discharge)
 - Home Care
 - Infrastructure/IT requirements (disease registry)
- ✓ Explore potential payer models (e.g. Medicare Advantage)
- ✓ Spread best practice models/learnings across MBOs

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Catholic Health Initiatives National Business Lines Strategy:

Develop innovative national models for
delivery of non-acute service lines:

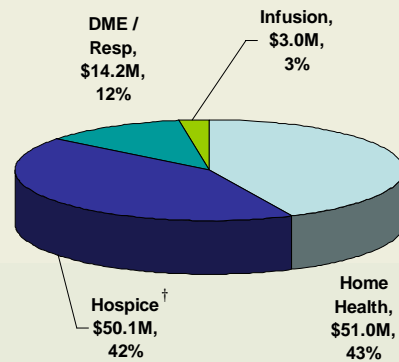
1. Home Health Initiative

Home Care Services at CHI: A Significant Service Line

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- ◆ 26 MBO home care operations generate approximately \$120 million in revenues
- ◆ Additional home care services of approximately \$100million in net revenue provided by five local health systems in joint-operating agreements (JOAs) with CHI
- ◆ Potential for improving quality outcomes, financial performance and growth through centralized services platform and standardization

CHI MBO Homecare Revenue



† Tacoma, WA represents greater than 65% of hospice revenues

CHI's Home Care Vision

Establish a national platform for the system wide development, operation and innovation of home care services capable of competing among national providers.

The new home health care platform will provide:

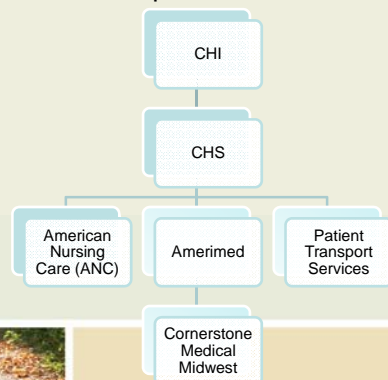
- Leading quality outcomes
- Superior integrated technology
- Patient-centric care with better quality outcomes
- Demonstrated cost advantage over traditional models of care
- Expanded scope of home care services through transformative clinical programs and new service lines
- Financial benefit from leading home care management practices



CHI's Acquisition of Consolidated Health Services (CHS)

Major Service Lines

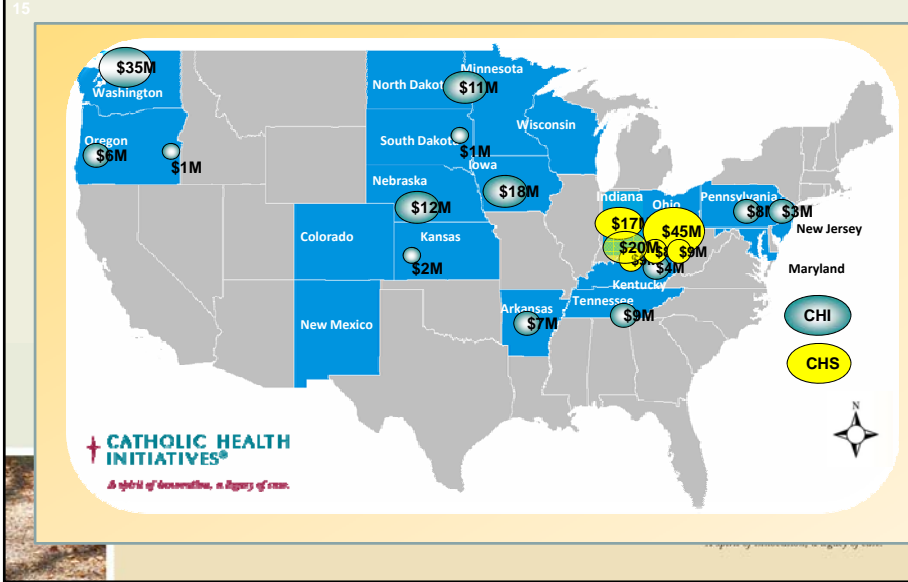
Home Health Care
Durable Medical Equipment
Infusion Oxygen Therapy Services
Patient Transport



- ◆ For-profit wholly-owned home care provider
- ◆ A diversified portfolio of home care services operating in Kentucky, Indiana, and Ohio
- ◆ Owns and/or operates \$120 million of home care revenue
- ◆ CHS was founded in 1976, and continues to fulfill its Mission of caring for patients



Home Care Services at CHI: A Standardized National Platform

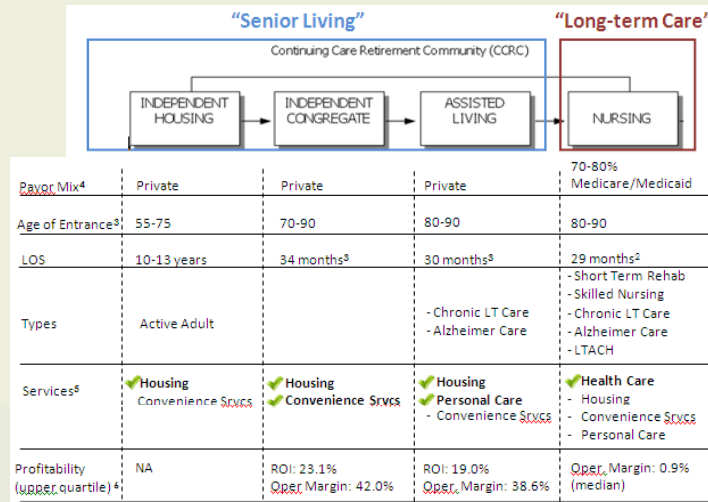


Catholic Health Initiatives National Business Lines Strategy:

***Develop innovative national models for
delivery of non-acute service lines:***

2. Senior Living Initiative

Defining Senior Living/Long Term Care



Services are characteristic of the type of housing. All other services are considered an incidental feature.



- 2009 Overview of Assisted Living MetLife
- 2004 MetLife Survey
- The State of Seniors Housing 2009, ASHA, NIC, AAHSA, ALFA, NCAL
- Senior Traditions
- NIC's National Supply Estimate of Senior Housing and Care Properties (Ziegler Presentation, 2.10.2010)
- ASHA The State of Senior Housing Report, 2009.

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Senior Living and Long Term Care at CHI

24 senior living/LTC operations generated approximately \$148 million in revenues in FY2010

CHI's portfolio (by units) was **ranked second in size among other healthcare providers** and when compared to Ziegler's 50 Largest Senior Housing Owners (as of 7/1/2009)

Senior Living/LTC Portfolio ¹

- 5 CCRCs
- 8 NFs
- 6 ILFs
- 1 ILF/ALF
- 3 ALFs
- 1 Alzheimer/Adult Day.
- Memory care is provided at four locations.



1. These totals do not include skilled nursing units (SNU). The four Milwaukee, WI locations are counted individually within the total. CCRCs include Villa Pueblo Senior Living Community in Pueblo, CO; Medallions Retirement Community in Colorado Springs, CO; Villas at Sunny Acres in Denver, CO; Bishop Drumm Retirement Center in Des Moines, IA; and St. Francis Life Care Corporation in Denville, NJ. Francis Villa in Milwaukee is not considered a CCRC because it does not include Independent Living.

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CHI's Historical Operating Issues

- ♦ CHI's senior living/LTC communities have been operated under the auspices of the hospitals
- ♦ Facilities are typically “aging in place”, facing newer competition
- ♦ Occupancy has been impacted by economy/housing market
- ♦ No national support structure or framework to:
 - Disseminate and share knowledge and innovative best practices
 - Provide consistent access to capital on a timely basis
 - Stay abreast of national industry dynamics and opportunities
 - Assure consistent performance against key metrics (quality, operational, financial, etc.)



Senior Living and Long Term Care Assessment

- ♦ Scope of Work (Consulting firm: Senior Traditions):
 - Develop and administer “state of the community” assessment
 - Site visits occur November-January to six locations: Milwaukee, WI; Des Moines, IA; Roseburg, OR; Denville, NJ; Fargo, ND; Breckenridge, ND
 - Senior living industry assessment (including new trends in the industry)
 - Analyze other CHI resources (debt capacity, branding, home-base service initiatives, etc.) that can offer value to a new operating model and/or new national business line
 - National business line growth opportunity analysis
 - Evaluate potential partnership opportunities, including other Catholic systems
 - Assessment and recommendation report
- ♦ Timeframe: October 1 – April 8

