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CHI 3rd Quarter Fiscal 2017 Investor Update

Webcast and Teleconference with Q&A to Follow May 31, 2017 at 9 AM MT/11 AM ET

Call Name: CHI 3rd QTR FY 2017 Investor Update Presentation

Webcast available at www.NetRoadshow.com

Dial in Number: 888.419.5570

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Presenters

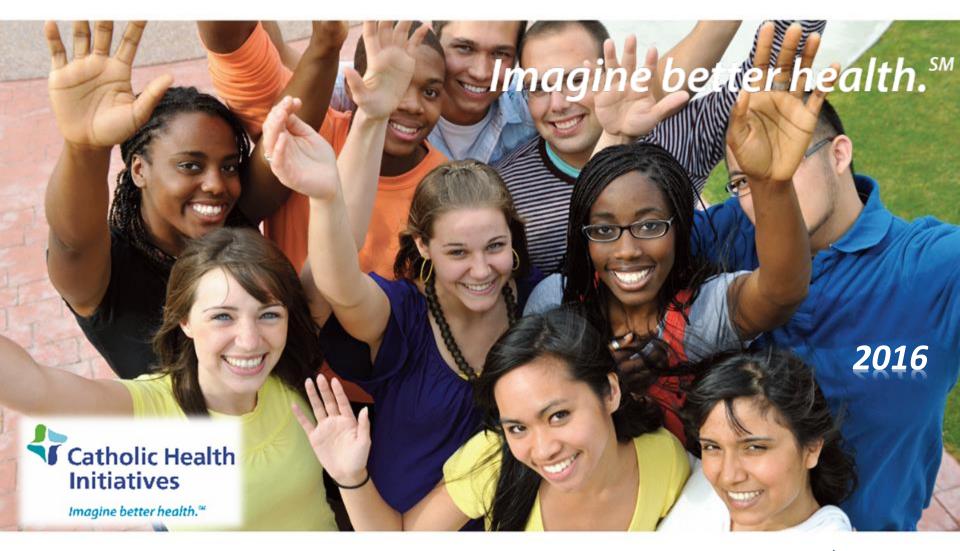
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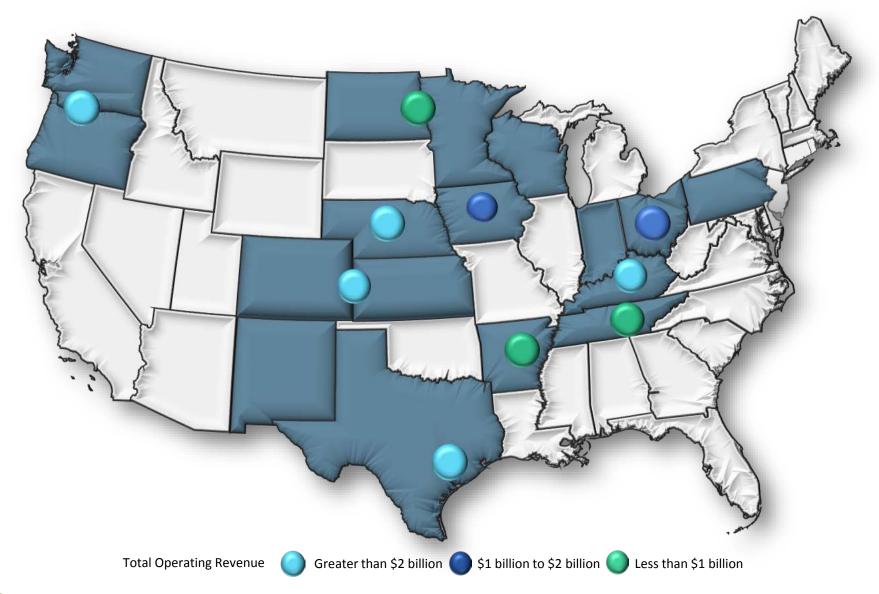




17 States 4,500 Providers 90,000 + Employees Hospitals
(30 Critical Access)

760,000 Value-based Lives \$1.1B Community Benefit

CHI Regional Map





Strategic Transformation



- Near-term focus on change in processes
 - Financial and operational performance improvement
 - Ensuring operational accountability
 - Align governance and operating models



Kentucky Update



KentuckyOne Health



University of Louisville Transition

Strategic Repositioning Including Exit Louisville Acute Care Market

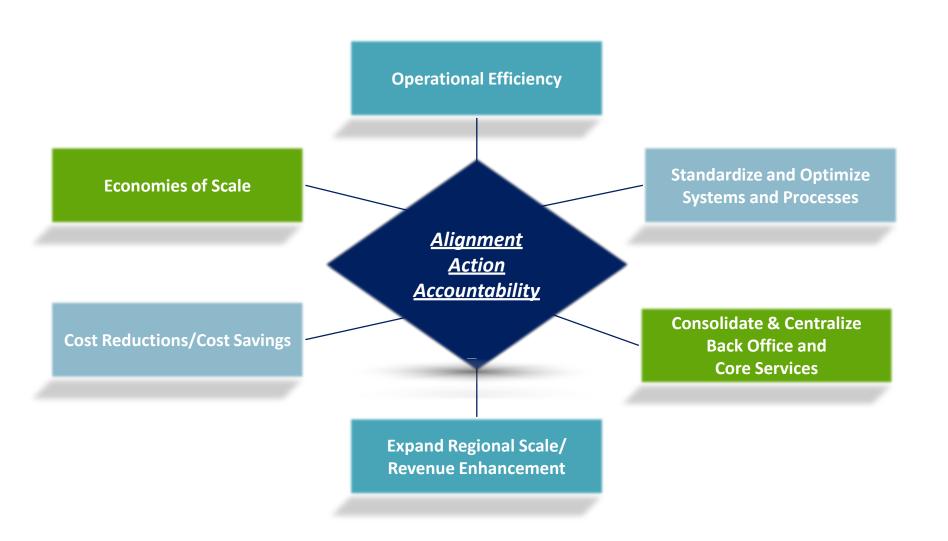
System Optimization

Maintaining Substantial Presence in the Commonwealth of KY





Operational Philosophy





Imagine better health.™

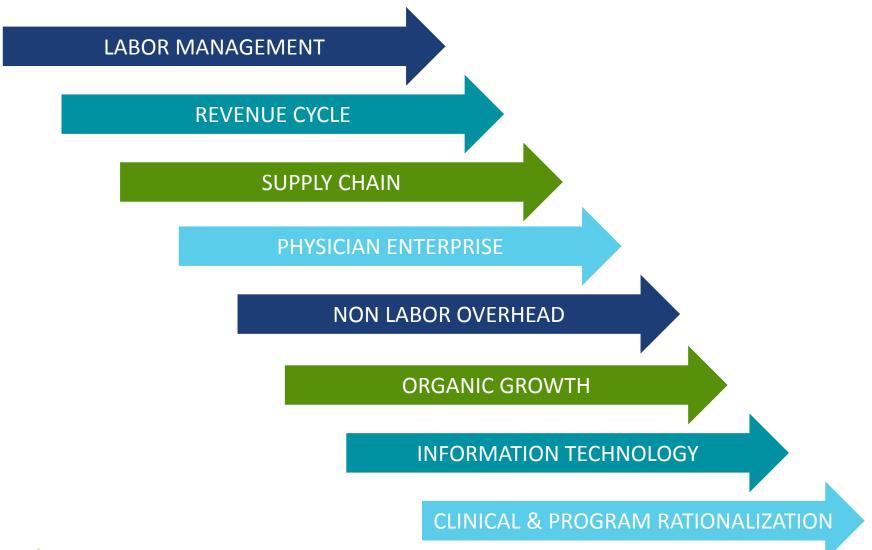


Operational Priorities



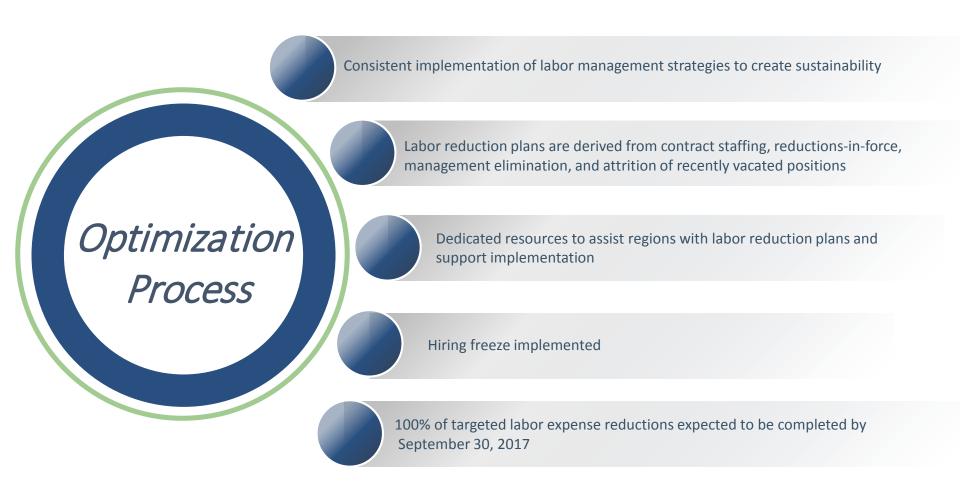


Financial Performance Improvement Plan



Productivity Improvement

Each region and functional area has a plan to achieve labor reduction

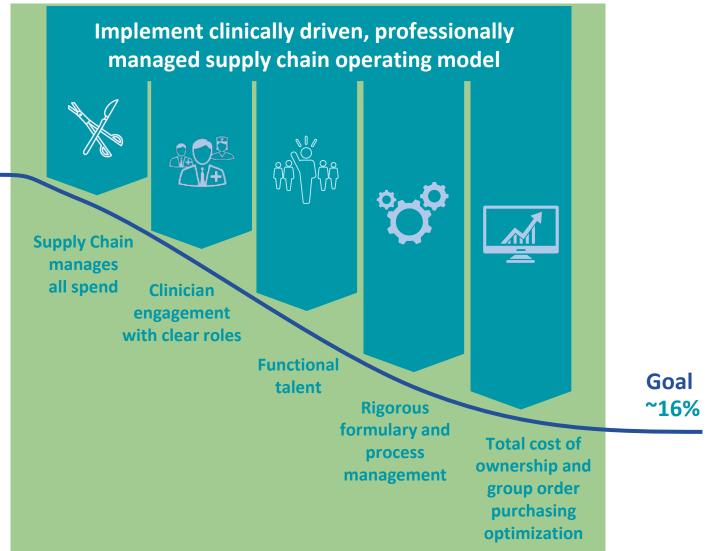




Supply Chain Transformation

Supplies as % of net patient services revenues

2016 ~19%





Texas – Market Highlights















- Partnership with the Baylor College of Medicine
- Focused efforts on Texas Medical Center assets
- Maximize opportunity within the Texas Division by completing integration of the four systems and other ancillary entities
- Opening of CHI St. Luke's Health-Springwoods Village Hospital campus, a comprehensive primary care clinic and inpatient hospital



Colorado – Market Highlights



17
Hospitals

100+

practices



- Focusing on continuing to grow the largest statewide network through ownership, management and affiliation, with balance between fee for service and value-based care
- Ongoing benefit of rapid population growth in the Denver metropolitan area and Colorado Springs markets
- Optimizing payer relationships and risk sharing agreements through FullWell, Centura's population health arm

Colorado Health Neighborhoods Centura Health

- Continuing growth and optimization of Colorado Health Neighborhoods (CHN)
 - The statewide provider network with the largest pool of specialists and most facilities in Colorado and western Kansas
 - Physician-led network caring for >140,000 people

Nebraska- Market Highlights

- Focusing on growing largest state-wide integrated health system
- Completing the Omaha market strategy, to include consolidation of academic medical center operations to reduce operating expenses, rationalize clinical services and stimulate market share growth
- Capitalizing on market movement to value-based payment opportunities through new employer contracts





Pacific Northwest - Market Highlights

- Focusing on continued growth and integration across the broader Seattle metropolitan area
- Extending geographic reach and access through growth of partnerships (e.g., CityMD), the Franciscan Medical Group and other ambulatory assets and Rainier Health Network
- Integrating the Virginia Mason (VM) and CHI Franciscan Health clinical partnership and strategic affiliation

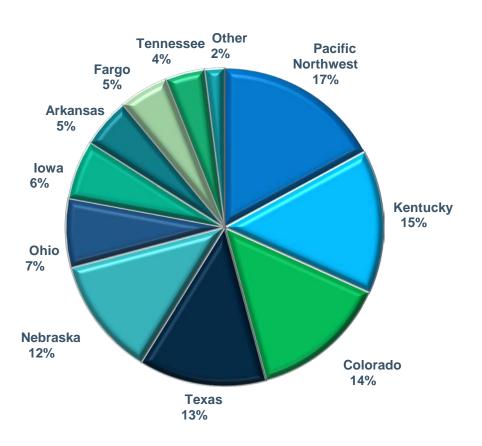




Diverse Revenue Sources - YTD March 2017

Operating Revenue

Operating EBIDA Margin before Restructuring



Pacific Northwest*	13.7%
Colorado	10.3%
Tennessee	9.6%
Ohio	8.3%
lowa	6.7%
Fargo	6.5%
Nebraska	4.9%
Texas*	3.9%
Kentucky	1.8%
Arkansas	1.6%



CHI Financial Performance

	FYTD 3/31/2017	FY 2016
Total Assets	\$21.8B	\$22.7B
Debt to Capitalization	55.1%	56.0%
Days Cash on Hand	145	159

Three Months Ended March 31, 2017

- \$229.7 million Operating EBIDA compared to \$175.8 million prior year or 31% improvement, excluding one time items
 - Operating EBIDA Margin 5.6% vs. 4.4% in prior year
- Improved labor and supply costs
- Overall case mix index improvement of ~5%
- PNW closed on sale of dialysis business

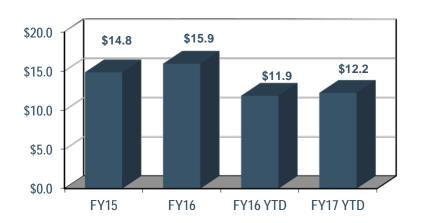
Nine Months Ended March 31, 2017

- \$545.0 million Operating EBIDA compared to \$548.5 million prior year excluding one time items
 - Operating EBIDA 4.5% vs 4.7% in prior year
 - Shifts in payer mix impacts performance
- Investment income and other nonoperating gains were \$539.0 million compared to prior year of \$(293.3) million
- Continuing to ramp-up and drive performance improvement plan

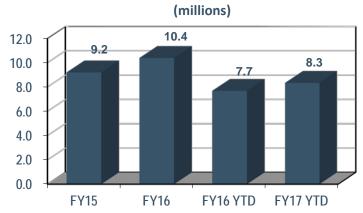


Operating Indicators

Operating Revenues (\$ in billions)

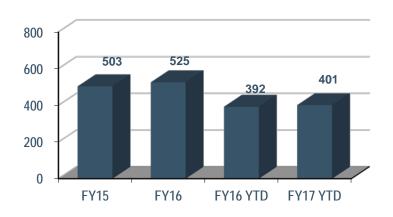


Physician Visits



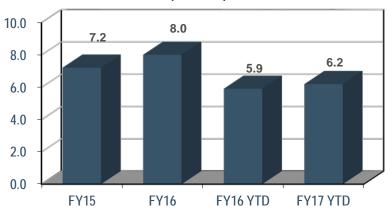
Admissions

(thousands)



Total Outpatient Visits

(millions)





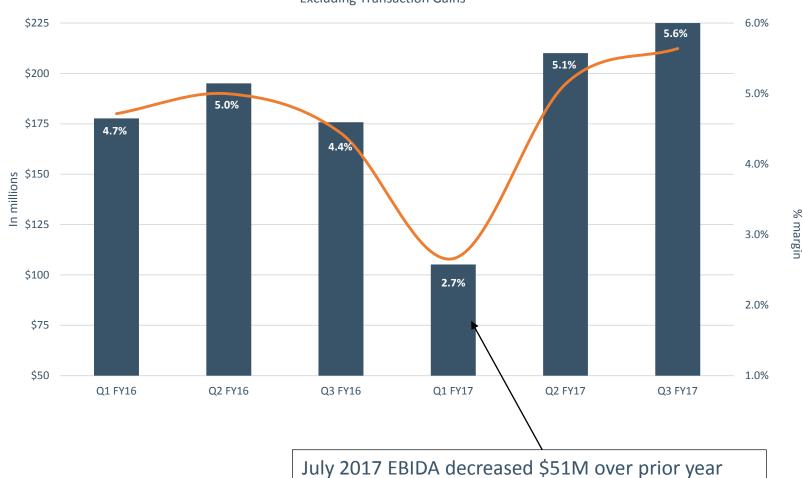
Financial Performance FYTD March 31, 2017

\$ in thousands	ا	Mar FYTD <u>FY16</u>	Mar FYTD FY17		
Total operating revenues	\$	11,868,520	\$	12,233,025	
Total operating expenses		11,957,104		12,464,619	
Loss from operations before restructuring, impairment and other losses	\$	(88,584)	\$	(231,594)	
Restructuring, impairment and other losses		99,435		192,217	
Loss from operations	\$	(188,019)	\$	(423,811)	
Operating EBIDA before restructuring	\$	784,333	\$	657,471	
Operating EBIDA margin before restructuring		6.6%		5.4%	



Sequential Quarterly Performance Trends







Financial Performance By Quarter

FY2016 and FY2017

\$ in thousands	Q1 FY16	Q2 FY16	Q3 FY16	FY16	Q1 FY17	Q2 FY17	Q3 FY17	FY17
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	Mar FYTD	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	Mar FYTD
Total operating revenues	\$ 3,909,407	\$ 3,903,242	\$ 4,055,871	\$ 11,868,520	\$ 3,973,164	\$ 4,090,099	\$ 4,169,762	\$ 12,233,025
Income (loss) from operations	31,175	(96,274)	(23,485)	(88,584)	(172,148)	(84,944)	25,499	(231,594)
Operating EBIDA before restructuring	319,316	195,035	269,982	784,333	122,018	210,053	325,400	657,471
Operating EBIDA margin before restructuring	8.2%	5.0%	6.7%	6.6%	3.1%	5.1%	7.8%	5.4%



CHI Consolidated Quarters

CHI Operating EBIDA by Division										
	FY2016	FY2016	FY2016	FY2016	F	Y2017	FY2017	FY2017	FY2017 FY2017	
\$ in thousands	Q1	Q2	Q3	Mar FYTD		Q1	Q2	Q3	Mar FYTD	
Colorado	\$ 65,031	\$ 59,460	\$ 64,049	\$ 188,540	\$	46,949	\$ 60,144	\$ 72,042	\$ 179,135	
Pacific Northwest	54,697	57,849	58,696	171,242		62,562	74,884	61,877	199,322	
Nebraska	39,087	47,840	38,551	125,478		19,100	20,596	35,528	75,223	
Kentucky	34,456	30,495	22,314	87,264		(5,435)	17,072	20,034	31,670	
Texas	36,841	30,910	46,019	113,769		(10,048)	16,077	29,998	36,027	
Iowa	18,896	21,215	23,236	63,346		16,707	20,663	13,649	51,019	
Ohio	10,747	17,468	14,407	42,621		21,901	23,773	26,368	72,043	
Arkansas	9,435	12,321	9,092	30,848		5,117	7,157	(3,357)	8,916	
Tennessee	11,792	13,993	10,376	36,161		13,089	15,800	18,337	47,226	
Fargo	15,119	19,584	13,855	48,558		7,658	18,258	10,997	36,912	
Other (NBL, CHSO, other)	(11,479)	(20,455)	(4,428)	(36,362)		(2,338)	(8,166)	(1,280)	(11,784)	
Corp and other	(106,973)	(95,646)	(120,356)	(322,976)		(70,043)	(56,203)	(54,467)	(180,713)	
Subtotal before gains	177,648	195,035	175,808	548,491		105,218	210,053	229,726	544,997	
Gains on business combinations	141,668	-	94,174	235,842		_	-	-	-	
Other gains (Dialysis)	-	-	-	-		-	-	85,674	85,674	
Real Estate asset gains						16,800		10,000	26,800	
CHI Consolidated	\$ 319,316	\$ 195,035	\$ 269,982	\$ 784,333	\$	122,018	\$ 210,053	\$ 325,400	\$ 657,471	
CHI Operating EBIDA Margin by D	ivision									
	FY2016	FY2016	FY2016	FY2016	F	Y2017	FY2017	FY2017	FY2017	
	Q1	Q2	Q3	Mar FYTD		Q1	Q2	Q3	Mar FYTD	
Colorado	12.1%	10.9%	11.3%	11.4%		8.4%	10.4%	11.9%	10.3%	
Pacific Northwest	9.1%	9.2%	9.3%	9.2%		9.8%	11.0%	9.2%	10.0%	
Nebraska	8.2%	9.4%	7.8%	8.5%		3.8%	4.1%	6.9%	4.9%	
Kentucky	5.9%	5.2%	3.8%	4.9%		(0.9%)	2.8%	3.3%	1.8%	
Texas	7.6%	6.1%	8.7%	7.5%		(2.0%)	3.0%	5.5%	2.3%	
Iowa	7.5%	8.6%	9.2%	8.4%		6.7%	8.0%	5.4%	6.7%	
Ohio	4.5%	7.0%	5.0%	5.5%		7.2%	7.7%	10.1%	8.3%	
Arkansas	5.0%	6.4%	4.7%	5.4%		2.7%	3.7%	(1.8%)	1.6%	
Tennessee	7.6%	8.7%	6.6%	7.6%		8.1%	9.7%	10.8%	9.6%	
Fargo	8.0%	9.8%	7.2%	8.4%		4.2%	9.3%	5.8%	6.5%	
CHI Consolidated	8.2%	5.0%	6.7%	6.6%		3.1%	5.1%	7.8%	5.4%	

