

Executing a Community Focused Mission-Based Delivery System with a FP Acquisition: The Strengths of NFP

October 19, 2017

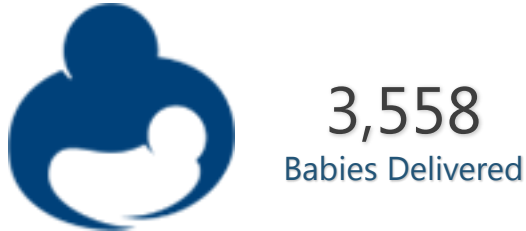
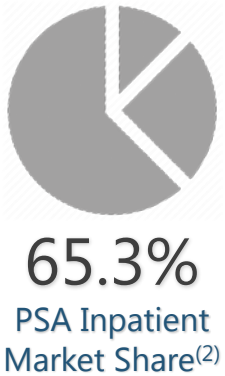




Profile



Reading Health System at a Glance (FY2017)



⁽¹⁾ 2017 Estimate
⁽²⁾ CY2016, excludes normal newborns
⁽³⁾ Includes 652 beds at Reading Hospital and 62 beds at Reading Health Rehabilitation Hospital
⁽⁴⁾ Acute+Rehab+TCC - Excludes Nursery and includes 1,401 skilled admits and 17,307 skilled patient days
⁽⁵⁾ Inpatient and Outpatient Surgery

RHS is a Recognized Tertiary Provider in the Region



Reading Hospital has received the Healthgrades Distinguished Hospital for Clinical Excellence Award™
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- Distinguished Hospital for Clinical Excellence Award™ (2014-2017)
- America's 100 Best Hospitals

Ranked #1 in Pennsylvania by ProPublica for Knee and Hip Replacements

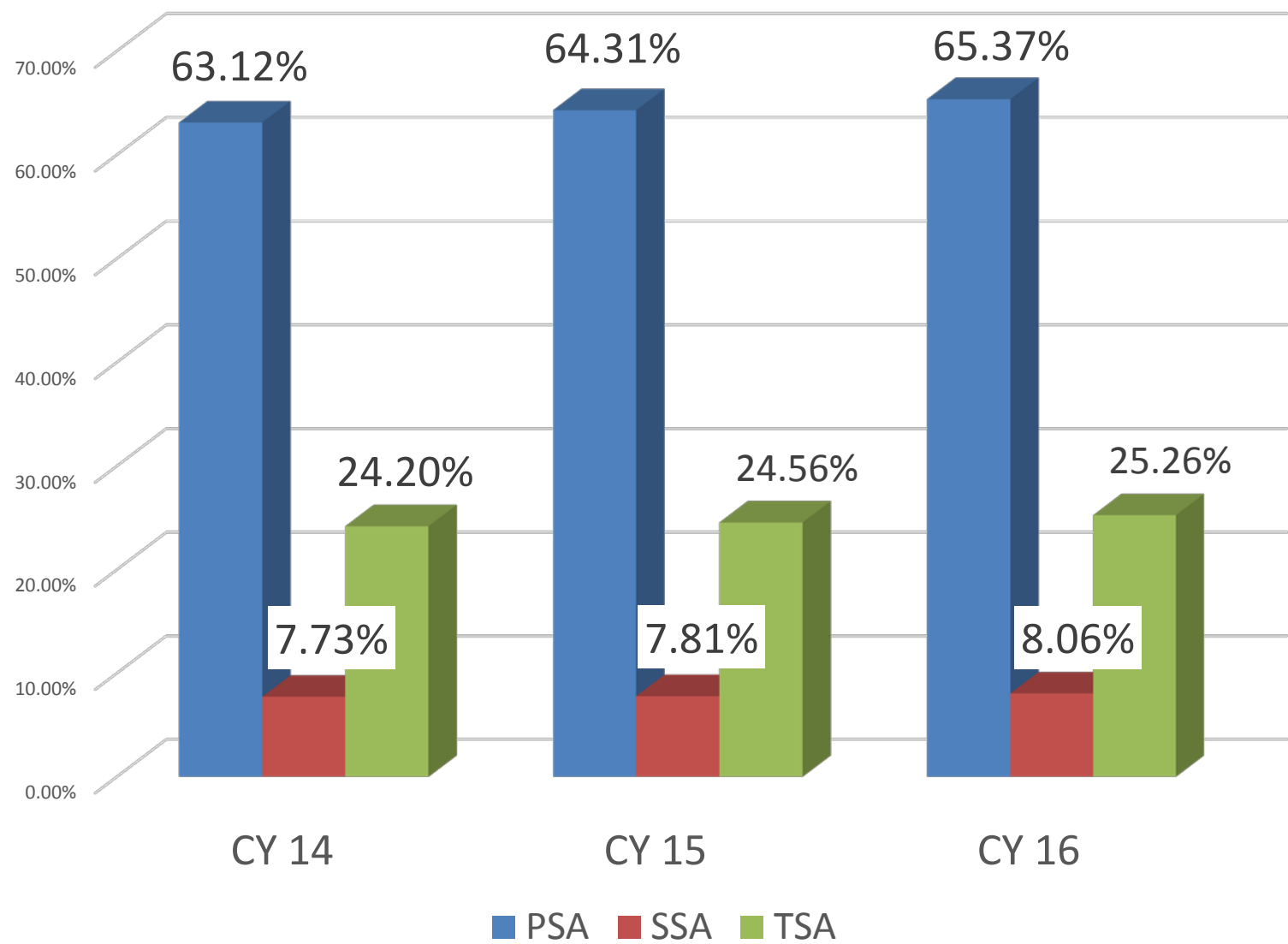
US News & World Report: 7th best hospital in PA, up from 16th in 2015

Becker's Hospital Review: One of 50 of the greenest hospitals in America

Centers for Medicare & Medicaid Services: 4-Star Rating for Overall Hospital Quality

Hospitals and Health Network: HealthCare's Most Wired

Reading Health System Growing Market Share





Building Blocks



Building the Infrastructure for Growth



Strategic Vision

Continue to Build on
Current Operational Foundation

Deliver on Community Mission

Sustain and Expand
Market Leadership Position

Seek Partners to help fill
Vision Gaps & Optimize
Learning Curve





Tower Health



Transaction Timeline

- Non Disclosure Agreement – December 12, 2016
- Letter of Intent - February 2, 2017
- Asset Purchase Agreement - May 25th, 2017
- Five acquired hospitals and affiliated assets including:
 - Brandywine Hospital in Coatesville;
 - Phoenixville Hospital in Phoenixville;
 - Pottstown Hospital in Pottstown;
 - Jennersville Hospital in West Grove; and
 - Chestnut Hill Hospital in Philadelphia
 - Affiliated Assets
- Transaction Closed - September 30th, 2017

Tower Health - At A Glance



1,458
Licensed Beds⁽³⁾



38.5%
PSA Inpatient
Market Share⁽²⁾



\$1,673
Revenues⁽⁴⁾ (millions)

63,294
Total
Admissions⁽⁵⁾



>11,000
Employees



57,474
Total Surgeries⁽⁵⁾



312,468
Patient Days⁽⁵⁾



276,499
Emergency Room Visits⁽⁵⁾



5,141
Babies Delivered⁽⁵⁾

(1) 2017 Estimate based on aggregated PSAs

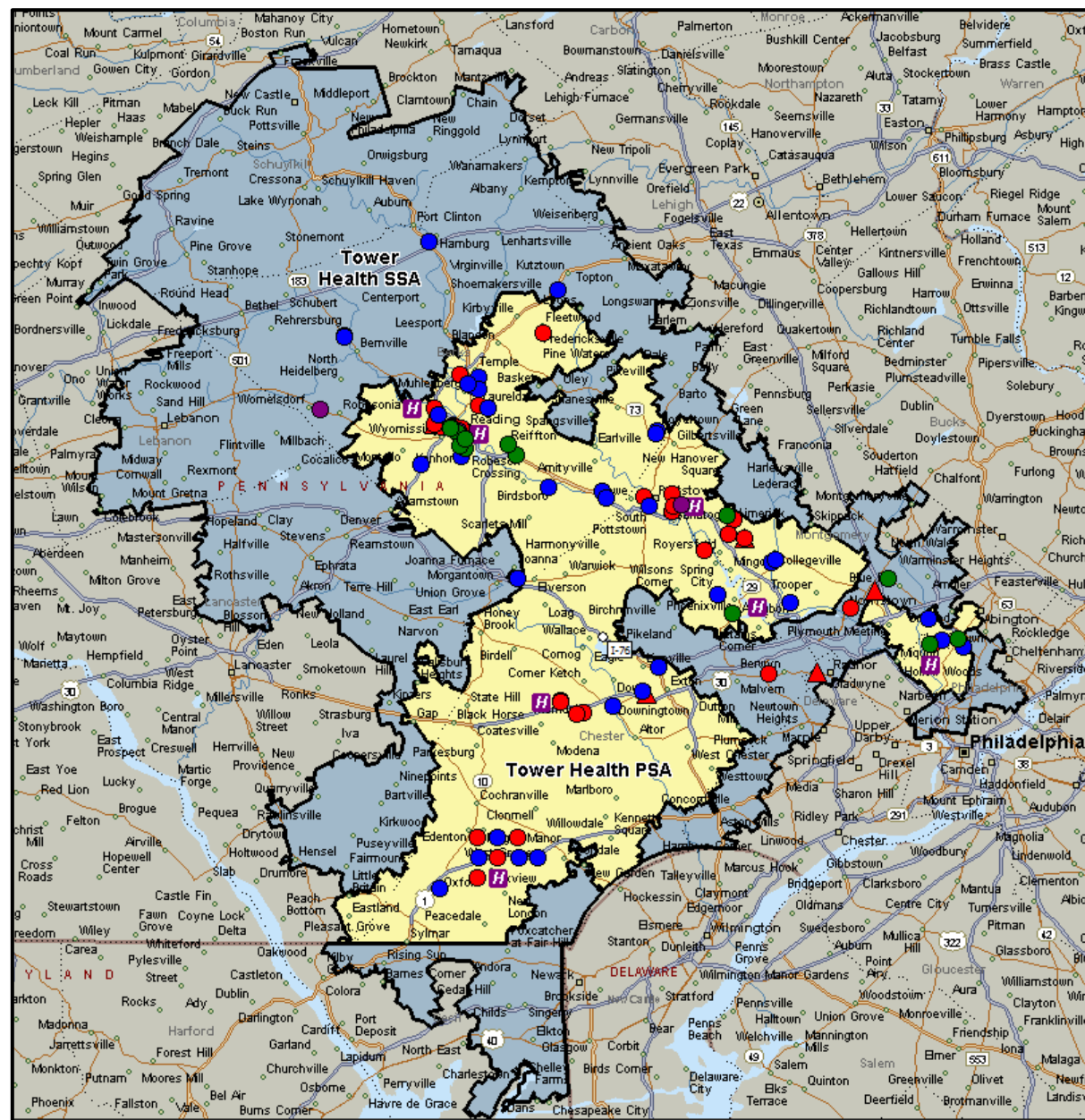
(2) CY2016 market share based on aggregated PSAs, excludes normal newborns







(3) Includes 62 beds at Reading Health Rehabilitation Hospital

(4) FY2018 projections based on ISFP and adjusted for Highlands sale

(5) Based on FY2015 DOH Statistics

Tower Health Map



-  OB/GYN Care Sites
-  Pediatric Care Sites
-  Primary Care Sites
-  Specialty Care Sites
-  Ambulatory Sites
-  Tower Health Hospitals

Tower Health Services Inventory

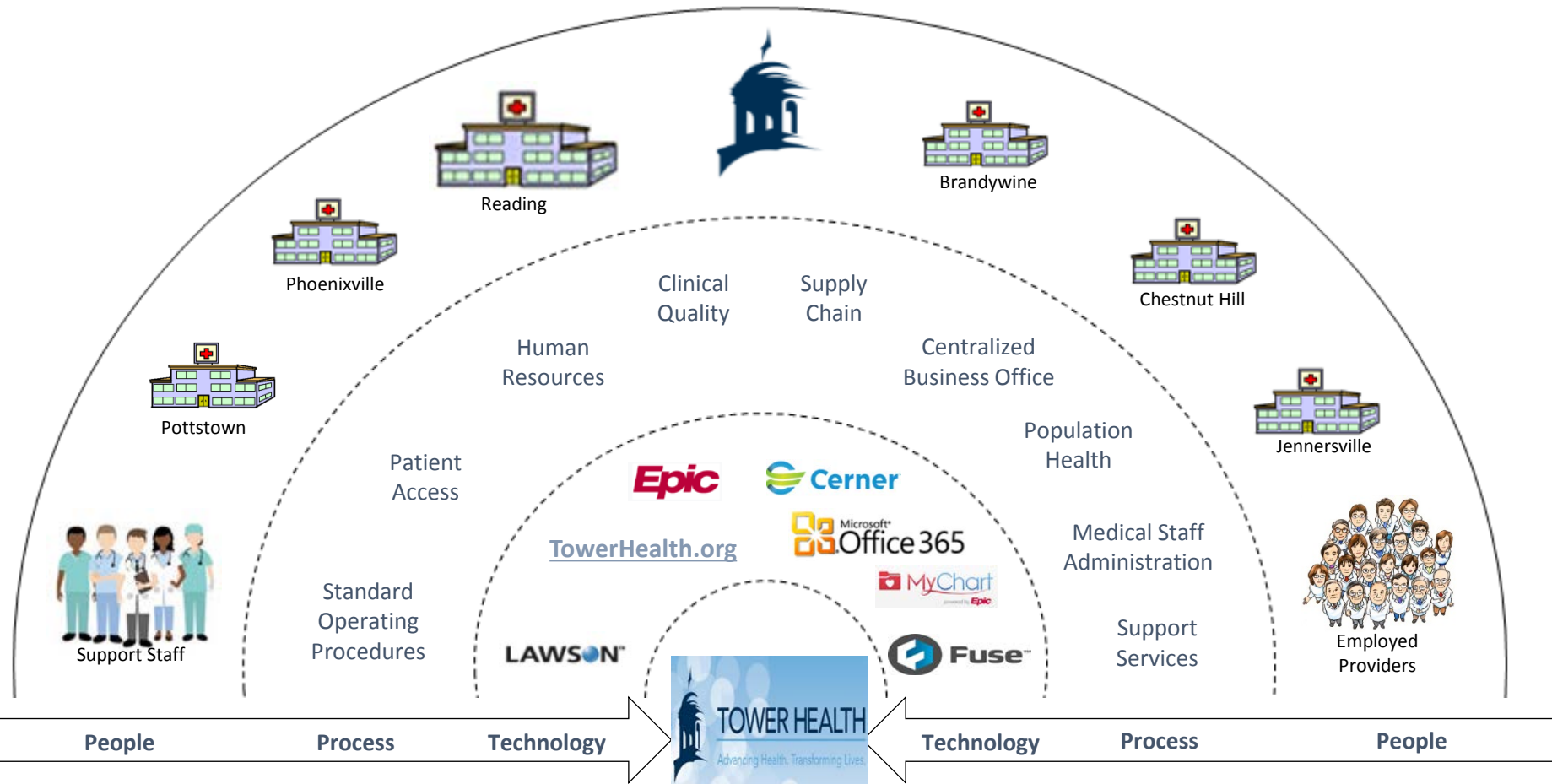
Number	Facility Type
6	Acute Care Hospitals
5	Ambulatory Surgery Centers (1 physician JV)
4	Urgent Care Sites
10	Outpatient Centers/Medical Office Buildings
45	Primary Care Sites
75	Specialty Care Sites
4	Pediatric Care Sites
19	OB/Gyn Sites
19	Imaging Sites
17	Lab Sites
3	Hospital-Based Sleep Labs
2	Cardiac Rehab Sites
17	Outpatient Therapy Sites
1	Rehabilitation Hospital
1	School of Health Sciences
1	Ambulatory Radiation Oncology Center
2	Ambulatory Veterans' Centers

With the acquisition of five CHS hospitals and their associated facilities, Tower Health gained:

- 5 Acute Care Hospitals
- 4 Ambulatory Surgery Centers
- 6 Outpatient Centers/Medical Office Buildings
- 20 Primary Care Sites
- 33 Specialty Care Sites
- 1 Pediatric Care Site
- 6 OB/Gyn Sites
- 6 Imaging Sites
- 1 Lab Site
- 2 Hospital-Based Sleep Labs
- 1 Cardiac Rehab Site
- 7 Outpatient Therapy Sites (one is in a YMCA)
- 1 Ambulatory Radiation Oncology Center
- 2 Ambulatory Veterans' Centers

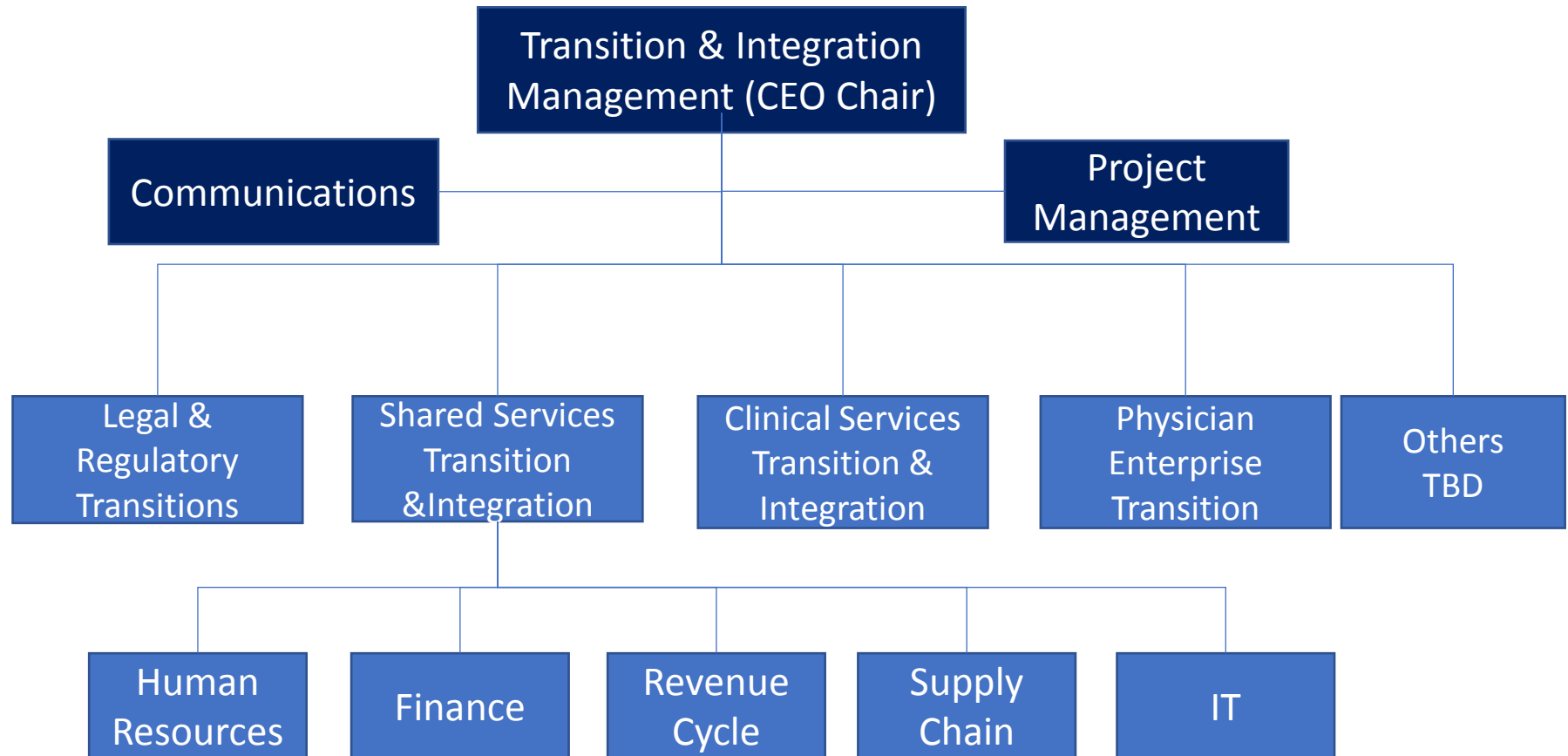
Integration Vision

Tower Health is focusing efforts to bring People, Process, and Technology together into common platforms to streamline operations and deliver High Quality, High Value Care.



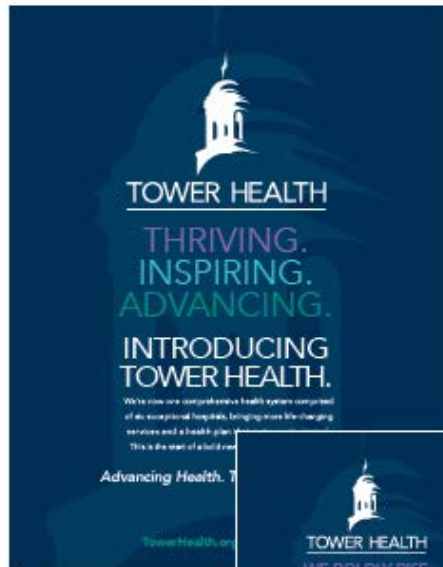
Transition & Integration Process

Tower Health launched a transition and integration management structure designed to ease the transition, assimilation, and integration of the new hospitals while ensuring focus remains on driving strong operating performance at the local level.



Tower Health Branding

Boldly 2



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Billboards



Microsite

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October 2, 2017



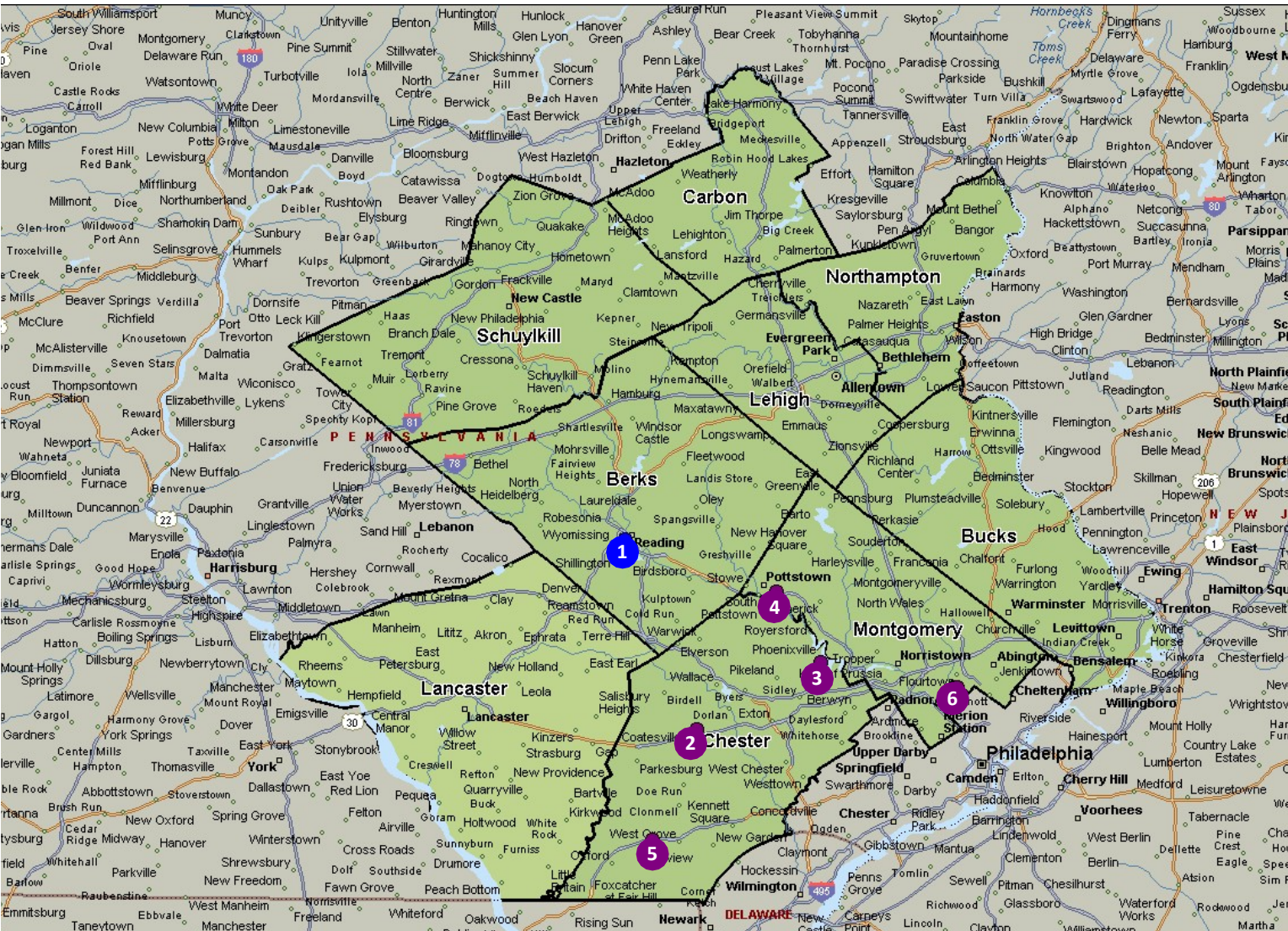
Value Based Care Positioning



Joint Venture Health Plan

FORM	<p>RHS and UPMC Health Plan, Inc. formed a Joint Venture, Integrated Delivery System (IDS) to assume financial risk for members that reside in the Service Area</p> <ul style="list-style-type: none"> Effective January 1, 2017
SERVICE AREA	<ul style="list-style-type: none"> 9 Pennsylvania Counties - Berks, Bucks, Carbon, Chester, Lancaster, Lehigh, Montgomery, Northampton, and Schuylkill
LINES OF BUSINESS	<p>Medicare Advantage, Special Needs Plans (SNP), Managed Medical Assistance, Children's Health Insurance Program (CHIP), Administrative Services Only (ASO) for self-insured employers, Individual (Exchange), and Commercial Group</p>
JOINT VENTURE (JV)	<ul style="list-style-type: none"> Pennsylvania Limited Liability Company (LLC) LLC is 50/50 Joint Venture <ul style="list-style-type: none"> Class A Member: Tower Health, effective 10/1/2017 Class B Member: UPMC Health Plan
MEMBERSHIP	<ul style="list-style-type: none"> August 2017 – 38,000 Covered Lives July 2018 (P) – 50,000 Covered Lives July 2021 (P) – 200,000 Covered Lives

Health Plan Network Alignment



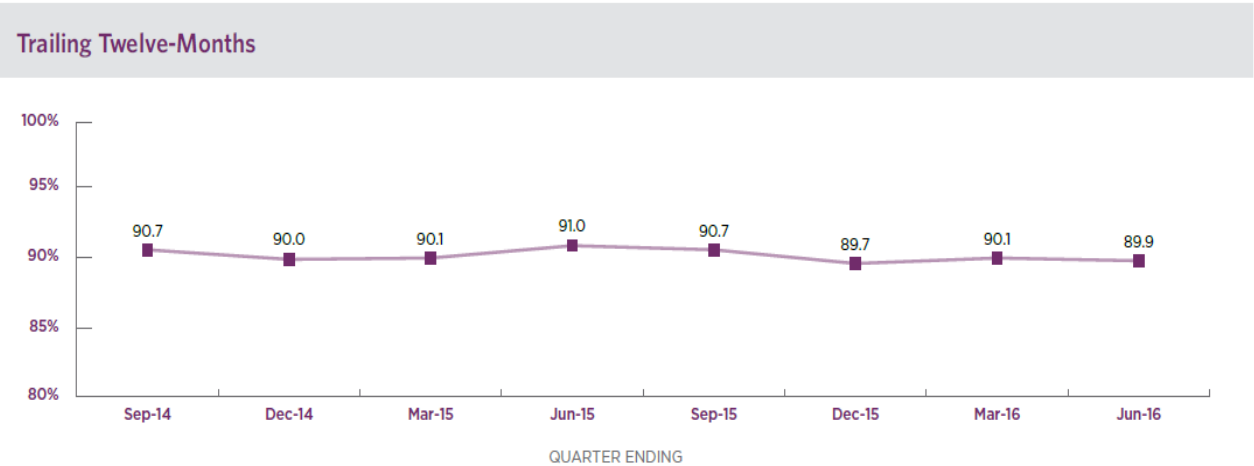
- 1 Reading Hospital
- 2 Brandywine Hospital
- 3 Phoenixville Hospital
- 4 Pottstown Memorial Medical Center
- 5 Jennersville Regional Hospital
- 6 Chestnut Hill Hospital

Low-Cost Provider Positioning

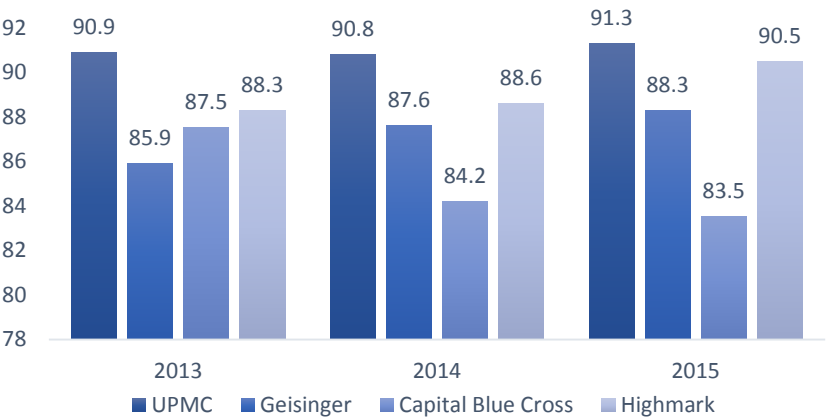
UPMC Insurance Services – Expense Ratios

Medical Expense Ratio

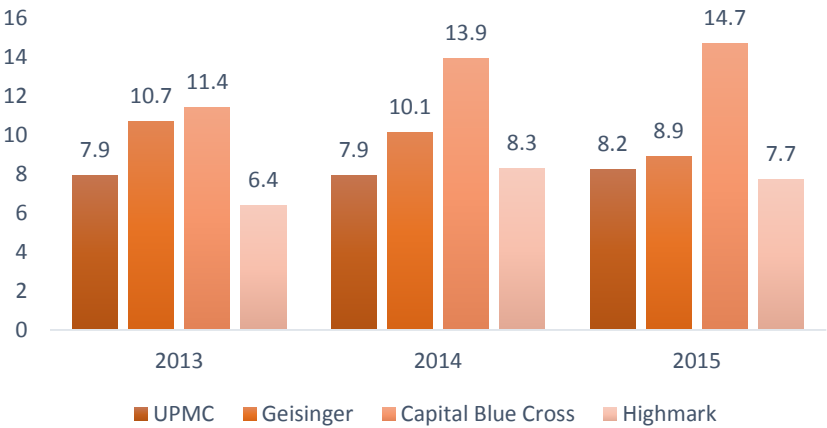
UPMC Insurance Services Medical Expense Ratio remained stable as medical expenses trended consistently with premiums.



Medical Loss Ratio Comparison



Expense Ratio Comparison





Impacts



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Business

Sale triggers loss of in-network status for five area hospitals

Updated: OCTOBER 1, 2017 — 4:37 PM EDT



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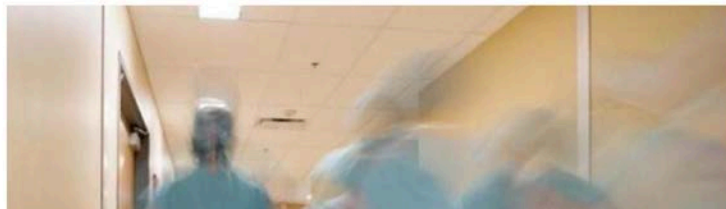
Business

Acquisition Of Five Hospitals In Philly Area Complete, Impacts Independence Members

The five newly acquired hospitals will not be covered in the Independence Blue Cross network.

By [Justin Heinze](#) (Patch Staff) - Updated Oct 2, 2017 12:43 pm ET

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Business

Uncertainty for 120,000 ends as Independence reaches deal with Tower Health

Updated: OCTOBER 6, 2017 — 3:55 PM EDT

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Tower Health, Independence Blue Cross agree to three-year contract

By Wendy Solomon, October 6, 2017 at 2:07 PM

West Reading-based Tower Health and Independence Blue Cross have agreed to a three-year contract, officials announced today.

The contract, which is effective immediately, means that 120,000 Independence Blue Cross customers will continue to receive in-network health coverage at six hospitals in Berks, Montgomery, Chester and Philadelphia counties, including Reading Hospital.

Reading HealthPlex (Contributed)

The newly formed health system, formerly known as Reading Health System, and the insurance company had been at an impasse since August over a new contract that would cover Pottstown, Phoenixville, Brandywine, Jennersville and Chestnut Hill hospitals.

Last Friday, when Tower Health finalized its acquisition of the five hospitals from Community Health Systems, it had not reached an agreement on a new contract with Independence Blue Cross.

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Executing Strategy

Strategic Opportunities	Challenges
<ul style="list-style-type: none">• Volume Growth & Share Recapture• System Branding• Physician Engagement & Participation• Clinical Service Lines Planning• Community Benefit - CHNA, Street Medicine, Accountable Healthy Communities, Consortiums and Collaborations• Staff Positivity	<ul style="list-style-type: none">• Systems Integration – Payroll, Revenue Cycle, Information Exchange, Transition Services Agreements• Management Turnover• Local Taxes• Cultural Adaptation• New Market Presence• Community Acceptance• Elevating Value Based Care Proposition



TOWER HEALTH

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Questions

