The Business We Are In

VS

The Business We Are
PHD = ACO

Accountable to a defined population

Accountable to a defined population
Vision
EvergreenHealth will create an inclusive community health system that is the most trusted source for health care solutions.
EvergreenHealth

Operating System

VISION
To create an inclusive community health system that is the most trusted source for healthcare solutions.

Strategic Pillars

Patient & Family Centered

STANDARD WORK

PEOPLE
- Coaching & Development
- Magnet Principles
- Art of Caring

PROCESS
- Lean
- Safety Management System
- Change Management System

STRUCTURE
- Leadership Dyads
- Service Lines
- Leadership Councils
- Strategic Partnerships

LEADERSHIP PRINCIPLES

VALUES
Compassion  Respect  Excellence  Collaboration  Accountability

Mission
To advance the health of communities we serve through our dedication to high quality, safe, compassionate, and cost-effective healthcare.

Purpose
Working together to enrich the health and well-being of every life we touch.
What is Value?
Thinking about having a baby?

Whether you’re just considering starting a family or are already expecting, EvergreenHealth’s team of skilled, compassionate providers are ready to help you navigate your childbirth journey.
The **Hottest** Job in Health Care

Hiring Facebook’s First Data Scientist

Former:
First Data Scientist, Facebook
Analyzed user behaviors to target marketing

Current:
Assistant Professor, Mount Sinai Hospital
Develops predictive algorithms to guide clinical interventions

“The best minds of my generation are thinking about how to make people click ads. This sucks.”

Jeff Hammerbacher  
Assistant Professor, Mount Sinai Hospital

Many believe the only way to succeed is through size and scale creating widespread consolidation across industries.
Consumer Goods . . .
Banking Industry . . .
Airline Industry . . .

- TWA: Buys Ozark Air Lines
- AMERICAN AIRLINES: Buys AirCal, Buys Reno Air
- US AIRWAYS: Buys Piedmont, Buys former Trump Shuttle
- AMERICA WEST
- CONTINENTAL AIRLINES: Buys Frontier, New York Air and People Express
- UNITED AIRLINES
- NORTHWEST AIRLINES: Buys Republic Airlines
- DELTA AIR LINES: Buys Pan Am routes, shuttle
- WESTERN AIRLINES
- SOUTHWEST AIRLINES: Buys Muse Airlines, Buys Morris Airlines

Sources: the companies; Airlines for America
A Wave of Hospital Mergers

Over the last four years, there has been a surge in the number of hospital mergers. In 2012, the number of deals was more than twice what it was in 2009 — and each of those deals may involve multiple hospitals. Related Article »

Hospital mergers and acquisitions

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Deals</th>
<th>For-Profit Buyers</th>
<th>Nonprofit Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>'05</td>
<td>50</td>
<td>34</td>
<td>16</td>
</tr>
<tr>
<td>'06</td>
<td>54</td>
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<tr>
<td>'13</td>
<td></td>
<td>46</td>
<td>22</td>
</tr>
</tbody>
</table>

Percentage of practices owned by hospitals, physicians

- **Physician**: Decreasing trend from 80% in 2002 to 50% in 2009
- **Hospital**: Increasing trend from 20% in 2002 to 70% in 2009
Is Bigger Better . . .?

http://www.youtube.com/watch?v=U3YczWZeuW0

. . . Conventional Wisdom says “Yes”
Bigger Is Better

5 Conventional Wisdoms

- Access to capital is easier and less expensive
- Purchasing power is greater and reduces costs
- Access to expertise is easier and affordable for first-to-market advantages
- Risk is reduced to weather changes
- Geographic expansion increases market power
Is Bigger Better?  
*Challenging the Conventional Wisdom*

- Size does not guarantee or correlate to stronger performance

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>Delta</th>
<th>Alaska</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Ranking by Revenue</td>
<td>#1</td>
<td>#9</td>
</tr>
<tr>
<td>Revenue</td>
<td>$31.7 Billion</td>
<td>$3.8 Billion</td>
</tr>
<tr>
<td>Profit Margin</td>
<td>1.05%</td>
<td>5.90%</td>
</tr>
<tr>
<td>On-Time Performance</td>
<td>90% Departure</td>
<td>94% Departure</td>
</tr>
<tr>
<td></td>
<td>88% Arrival</td>
<td>95% Arrival</td>
</tr>
</tbody>
</table>
# Is Bigger Better?

**Challenging the Conventional Wisdom**

- Size doesn’t guarantee or correlate to quality, cost or experience outcomes

<table>
<thead>
<tr>
<th>Performance Metric</th>
<th>UW System</th>
<th>Swedish/ Providence</th>
<th>EvergreenHealth</th>
</tr>
</thead>
<tbody>
<tr>
<td>King Co Ranking by Market Share</td>
<td>#1 – 28%</td>
<td>#2 – 23%</td>
<td>#3 – 14% (with VM/VGH)</td>
</tr>
<tr>
<td>LeapFrog Hospital Safety Score</td>
<td>C Hbrview &amp; NW=A, VMC= B</td>
<td>A Cherry Hill=B</td>
<td>B</td>
</tr>
<tr>
<td>Consumer Reports Safety Score</td>
<td>63 Hbrview=53, NW=59, VMC=56</td>
<td>60 Cherry Hill=56, 1st Hill=53</td>
<td>64 VGH = 69</td>
</tr>
<tr>
<td>U.S. News &amp; World Report Best Regional Hospitals</td>
<td>#1 Hbrview #4, NW #9, VMC #14</td>
<td>#11</td>
<td>#2</td>
</tr>
<tr>
<td>PCI Observed vs. Expected Mortality Rate</td>
<td>1.8 NW=1.6, VMC=0.5</td>
<td>1.3 Prov Ev=0.7, Edmonds=1.1 Issaquah=1.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Patients who would <strong>definitely</strong> recommend the hospital</td>
<td>84%</td>
<td>80% Prov Ev=78%</td>
<td>81%</td>
</tr>
<tr>
<td>NRC Consumer Choice Award</td>
<td>2011</td>
<td>2000-2012</td>
<td>2012</td>
</tr>
<tr>
<td>The Best Hospital of 425 Magazine</td>
<td>$$$$$</td>
<td>$$$$$</td>
<td>$$$</td>
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<tr>
<td>Cost</td>
<td></td>
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</tbody>
</table>
**Key Challenges & Action Needed**

### CHALLENGES
- Funding the transition from FFS to Value-Based Purchasing
- Recognition AND reward for being a high value entity
- Translating value to the consumer in a simple manner

### ACTION NEEDED
- **CARRIERS**
  - Accelerate execution of contracts
  - Partner with employers & providers
- **REGULATORS**
  - Prioritize value in approving filings
  - Reduce barriers to logical & consumer friendly pricing
- **PURCHASERS**
  - Leadership - vote with your feet