The Strategic Expansion of Ambulatory Services Beyond the ASC

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Christine Henry Musa, VP of Development & Operations
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Overview

• Key trends

• Shift in service model

• Regent model

• About Regent
Three Key Trends

1. Shift Toward Outpatient
2. Convergence of retail and healthcare
3. Movement to outsource
All Trends Shifting Toward Outpatient

Mix of Inpatient vs. Outpatient Surgeries in Community Hospitals

Sg2 Growth Forecast ’15–’25

Outpatient 14%

Inpatient -4%

Comment
- 2 Regent ASCs have total joint programs in place

Source: Sg2 and AHA
Thousands of “Big Boxes” Have Sprouted Across the Country

- Palisades Medical Center- HUHN (Hackensack, NJ)
- Peterson Regional Medical Center (Kerrville, TX)
- Newton Wellesley Hospital (Newton, MA)
- Boston Medical Center’s Shapiro Center (Boston, MA)
- UConn Health (Farmington, CT)
- University of Minnesota (Minneapolis, MN)
- University of Utah (Salt Lake City, UT)
- New York Presbyterian (New York, NY)
- Barnabas Health (Livingstone, NJ)
- St. Vincent Jennings Hospital (North, Vernon Indiana)
- University of Arkansas for Medical Sciences
- St. Elizabeth Healthcare (Covington, KY)
- Capital Health System (Trenton, NJ)
- Greater Hazleton Health Alliance (Hazleton, PA)
- Advocate IL Masonic/ Kaiser Permanente
- Memorial Hospital (Jacksonville, FL)

Patient convenience is essential to the design of the Ambulatory Care Center
Examples in the News

Virtua to End Inpatient Services at Berlin Campus
Becker’s Hospital Review, May 2014

An ER, Not a Hospital, Is Set to Open at St. Vincent’s Site

Mid Valley Hospital to Stop Acute Care and Emergency Room Services
Scranton Times, April 2014
Tully Health Center, CT
• Stamford Health System consolidated two hospitals in 2002
• 230K square foot medical mall
• One stop shopping experience
• Clinic space
• Endoscopy, ASC
• Health Club
• Urgent Care

Montefiore Medical Center, NY
• Opened Nov., 2014
• 12 ORs, 1 Procedure Room
• Pathology Lab
• Imaging
• Pain Center
• Primary Care and Specialty Clinic Space
Challenges and Opportunities with Pre-ACA Ambulatory Care Centers

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Opportunity</th>
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<tbody>
<tr>
<td>Designed as Fee for Service vs. Value-Based</td>
<td>• Urgent care</td>
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<tr>
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<td>• Ambulatory surgery center</td>
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<tr>
<td>Lack of Population Health Focus</td>
<td>• Fitness center</td>
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<td>• Community events venue</td>
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<tr>
<td>Limited Retail Orientation</td>
<td>• Barber shop, AT&amp;T store, Thai food</td>
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<td>• CVS or Walgreens</td>
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<tr>
<td>Minimal Patient Screening Criteria</td>
<td>• Total joint programs</td>
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<td>• Hotel partnerships</td>
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Various Trends Driving Retailization of Healthcare Delivery

- Increasing vacancy rates in the malls over the past 20 years
- 19% of malls experiencing financial distress
- 15% of malls expected to close in next decade

Decline of the Classic Retail Mall

Growing Healthcare Needs

- Increasing demand consumer-centric medical care such as retail clinics, same-day scheduling and after hours care

Source: Biomet Central
Paradigm Shifting Toward Integrated Medical Malls

Metro Health Village Site Visit

Metro Health services:
- Sleep lab
- Endoscopy Center
- Physician clinic space

Cooper Health Site Visit

Cooper Health services:
- Breast imaging
- Cancer Institute
- Radiology
- Sleep Center
- Surgical Center
- Surgical Specialties
Overhead costs for operating these facilities can be reduced by outsourcing select clinical and non-clinical services to strategic partners.

<table>
<thead>
<tr>
<th>Clinical Outsourcing</th>
<th>Non-Clinical Outsourcing</th>
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<tbody>
<tr>
<td>• Emergency room</td>
<td>• Revenue cycle</td>
</tr>
<tr>
<td>• Anesthesia</td>
<td>• Supply chain</td>
</tr>
<tr>
<td>• Neonatology</td>
<td>• IT</td>
</tr>
<tr>
<td>• Radiology</td>
<td>• Housekeeping</td>
</tr>
<tr>
<td>• Dialysis</td>
<td>• Food services</td>
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<tr>
<td>• Hospitalists</td>
<td></td>
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<tr>
<td>• ICU</td>
<td></td>
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<tr>
<td>• Biomedical engineering</td>
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Recent Transactions Embody the Shift in Service Model

“We are going to evaluate multiple sectors. Other outpatient services such as urgent care centers and freestanding emergency departments are attractive.”
-Senior VP, Tenet

“We want to transition from a pure surgical facility company to an enterprise ambulatory solution for our health system partners.”
-President, USPI

Acquiring 50.1% stake for $450MM
Recent Transactions Embody the Shift in Service Model

Estimates show that Acute Care services will make up just 41% of overall EBITDA contribution on a pro forma basis.

Ambulatory business segment will grow from 4% of 2014 EBITDA to 9% of EBITDA.
Regent Model Enables Health Systems to Optimize their Joint Venture Strategy

Regent will execute the healthcare system’s ambulatory strategies by facilitating joint-ventures with separate businesses within an ambulatory center.
### Interested Partners in Key Categories

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>COMPANY</th>
<th>DESCRIPTION</th>
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</thead>
<tbody>
<tr>
<td>Imaging</td>
<td>Alliance Healthcare</td>
<td>• Diagnostic radiology services&lt;br&gt;• 1,000 hospital partners in 43 states</td>
</tr>
<tr>
<td>Practice Management</td>
<td>athenahealth</td>
<td>• Serves over 59,000 providers&lt;br&gt;• Services include medical billing, practice management, order management, EHR services</td>
</tr>
<tr>
<td>Wound Care</td>
<td>Healogics</td>
<td>• Approximately 750 wound care centers nationally</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>Walgreens</td>
<td>• Located on 200 hospital campuses&lt;br&gt;• Population health initiatives</td>
</tr>
<tr>
<td>Urgent Care</td>
<td>PremierHealth</td>
<td>• Pioneer in urgent care – hospital partnerships&lt;br&gt;• 29 locations nationally</td>
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</table>
## Interested Partners in Key Categories

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<td>Freestanding ED</td>
<td><strong>Adeptus Health</strong></td>
<td>• 50 locations nationally</td>
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<tr>
<td></td>
<td></td>
<td>• Partnered with Concentra and HCA</td>
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<tr>
<td>Rehab</td>
<td><strong>Accelerated</strong></td>
<td>• Over 500 national locations with Athletico merger</td>
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<td>Home Health Care</td>
<td><strong>SYNERGY HomeCare</strong></td>
<td>• Focus on non-medical home care</td>
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<td>• 140 locations nationally</td>
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<td>Architecture Firm</td>
<td><strong>REES</strong></td>
<td>• Experience in healthcare architecture planning and interior design for past 38 years</td>
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<td>• Healthcare projects in 43 states and 33 countries</td>
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Regent will serve as the “general contractor” for the healthcare system and facilitate the JV with each business in the ambulatory center.

HoldCo with Health System (80%) and Regent Surgical Health (20%)

Surgery Center  Diagnostic Imaging  Rehab  Freestanding ED  Urgent Care  Pharmacy  Senior Care/ Home Health

*The figure does not represent all potential outpatient services

Key Services Regent Will Provide:

- Management of RFP and partner selection process
- Creation of JV entities and operating agreements
- Real estate selection/lease negotiation
- Real estate management
- Financial Analysis
- Design and build of center
- Board Oversight
Surgery Center Partnerships Nationally and Internationally
Regent Surgical Health Background

Seasoned Operator
- Founded in 2001, Regent Surgical Health (RSH) has developed and managed over 35 surgery centers and 2 acute care hospitals
- Over 50,000 surgeries annually spanning diverse specialties

Experienced Team
- Diverse backgrounds including ASC management, acquisitions, joint ventures, and physician syndication
- Hospital administration, legal, clinical, and public company leadership experience

Partnership Driven
- Recruited hundreds of physicians to partnerships nationally
- Successfully partnered with major health systems such as Ohio Health and Robert Wood Johnson University Health System
Regent has Successfully Partnered with Leading Health Systems
### Why partner with Regent Surgical Health?

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<tr>
<th>Problem</th>
<th>Description</th>
<th>Solution</th>
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<td>Time</td>
<td>• Meetings and conference calls</td>
<td>• Nimble operator without bureaucratic constraints</td>
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<td></td>
<td>• Inherent bureaucracy</td>
<td>• “Boots-on-ground” = speed</td>
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<tr>
<td>Market Share</td>
<td>• Competitor facilities eroding system’s market share</td>
<td>• “Big Box” ambulatory care centers offer mechanism to recapture and gain market presence</td>
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<tr>
<td>Expertise</td>
<td>• Limited experience with JVs</td>
<td>• Diverse experience with health system and physician JVs</td>
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<td>• Lack of integral talent</td>
<td>• Outsource service lines to category experts</td>
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<td>Capital</td>
<td>• Lack of capital to risk</td>
<td>• Possible off-balance sheet arrangement</td>
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<td>• Credit rating</td>
<td>• Risk-sharing model</td>
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Contact

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