



Discussion Materials

January 16, 2014

Evaluation of Bidders and Objectives

Objective	Bidder 2	 	Bidder 3	Bidder 4
Parent Governance	<ul style="list-style-type: none"> • [REDACTED] Board: 17 members including 4 from CMC Community • Initial CMC Community Directors as agreed by the parties • 3rd anniversary after closing, [REDACTED] will appoint future CMC Community Directors 	<ul style="list-style-type: none"> • One CMC Community member appointed to JV board • One CMC Community member appointed to BC parent board 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None

Evaluation of Bidders and Objectives

Objective	Bidder 2	 	Bidder 3	Bidder 4
Hospital Governance	<ul style="list-style-type: none"> • 11 member non-fiduciary Local Board, with CEO of [REDACTED] (or his designee) as the 11th member • Initial members as agreed by the parties • Self-perpetuating but subject to [REDACTED] approval 	<ul style="list-style-type: none"> • 10 member non-fiduciary Local Board including 4 physicians, 5 community leaders and local CEO, ex officio • Initial members of Local Board shall be appointed in consultation with Hospital • Self-perpetuating consistent with Local Board 	<ul style="list-style-type: none"> • 10 - 12 member non-fiduciary Local Board including 4 physicians, 5 community leaders and local CEO, ex officio • Retains functionality similar to the existing Board of Directors without the fiscal responsibilities for CMC 	<ul style="list-style-type: none"> • 50/50 local advisory board evenly divided between CMC-appointed and [REDACTED] appointed board members

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Capital Commitments	<ul style="list-style-type: none"> At least 110% of annual depreciation for 10 years 	<ul style="list-style-type: none"> For 10 years, an annual amount equal to 4% of net patient revenue less bad debt \$65.76 million routine capital over 10 years \$60 million strategic capital over 10 years 	<ul style="list-style-type: none"> At least 110% of CMC's annual depreciation 	<ul style="list-style-type: none"> Not specified Capital plan to be developed jointly prior to closing
Maintenance of Clinical Services	<ul style="list-style-type: none"> Maintain essential clinical services/departments for period of 10 years, subject to certain contingencies 	<ul style="list-style-type: none"> Maintain essential clinical services/departments at not less than current levels for period of 10 years, subject to certain contingencies Commitment for service line expansion as well as support of current programs 	<ul style="list-style-type: none"> Maintain of essential services for a period of 5 years after the Closing 	<ul style="list-style-type: none"> Committed to maintain and expand services Time period not specified

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Objective	Bidder 2	 	Bidder 3	Bidder 4
Medical Staff	<ul style="list-style-type: none"> Committed to recruit and retain medical staff consistent with recruitment plan to be mutually agreed to (expected to include 60 FTEs over 3 years) 5 new advanced practice clinicians joined [REDACTED] Medical Group in 2012 12 full-time MDs/DOs joined [REDACTED] Medical Group in 2012 	<ul style="list-style-type: none"> Committed to recruit and retain medical staff consistent with recruitment plan to be mutually agreed to (expected to include 60 FTEs over 3 years) \$40 million committed to recruit approximately 80 physicians over 10 years Billings /RegionalCare has recruited 227 physicians over past three years 	<ul style="list-style-type: none"> Committed to recruit and retain medical staff consistent with recruitment plan to be mutually agreed to (expected to include 60 FTEs over 3 years) In 2012, recruited over [REDACTED] physicians to [REDACTED] hospitals 	<ul style="list-style-type: none"> Commitment to recruitment and retention not specified

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Objective	Bidder 2	 	Bidder 3	Bidder 4
Cost Cutting Initiatives	<ul style="list-style-type: none"> • Increase physician medical production levels • Cost-containment for office practices 	<ul style="list-style-type: none"> • Utilize economies of scale through JV partnership • Utilize GPO/EHR systems • Improve patient satisfaction through Lean/Six Sigma process initiatives • Total savings of \$21.8 million from FY 2009-2012 	<ul style="list-style-type: none"> • Utilize [REDACTED] to consolidate back-office functions, add additional clinical services • Utilize clinical consultants • Utilize Physician Advisory Boards 	<ul style="list-style-type: none"> • Estimates healthcare cost savings of \$70 million • Estimates cash generation for growth opportunities of \$53 million



From day one.

Evaluation of Bidders and Objectives

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Financial Strength of Purchaser and Access to Capital	<ul style="list-style-type: none"> • \$361.5 million of revenue • \$65.3 million of EBITDA 	<ul style="list-style-type: none"> • RegionalCare is backed by Warburg Pincus, which initially invested \$300 million in RegionalCare 	<div style="background-color: black; width: 100%; height: 100%;"></div>	<ul style="list-style-type: none"> • \$11 billion in net revenue with \$913 million in EBITDA