The Strategic Expansion of Ambulatory Services Beyond the ASC

Jeffrey Simmons, Chief Development Officer
Christine Henry Musa, VP of Development & Operations
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Overview

- Key trends
- Shift in service model
- Regent model
- About Regent

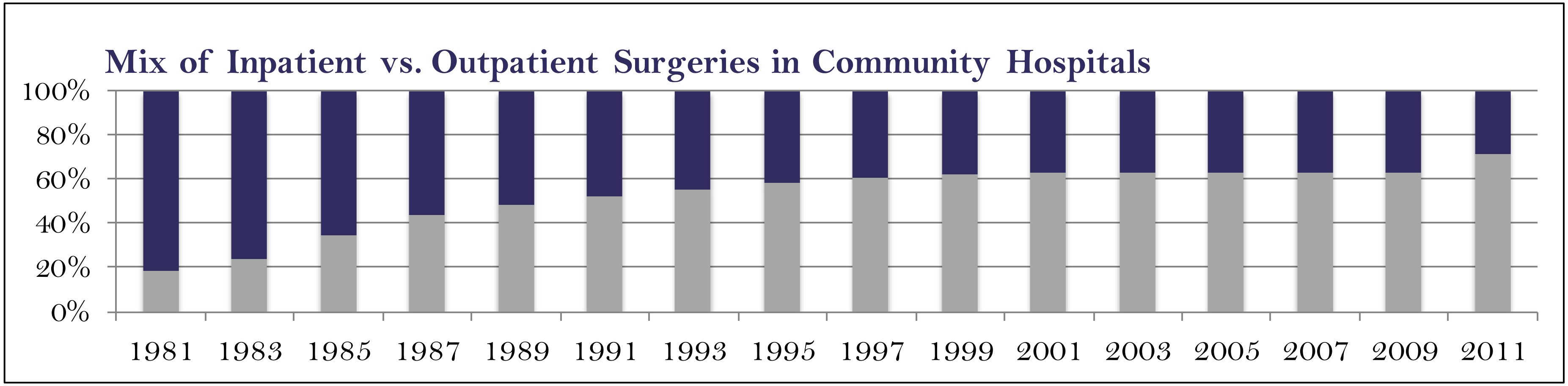
Three Key Trends

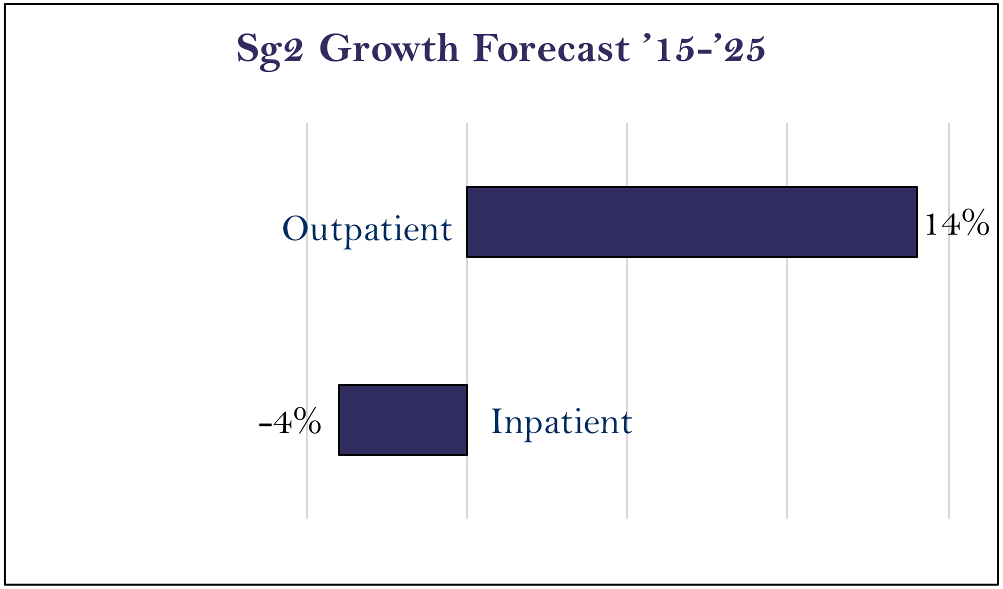
Shift Toward Outpatient

Convergence of retail and healthcare

Movement to outsource

All Trends Shifting Toward Outpatient





Comment

- 2 Regent ASCs have total joint programs in place

Source: Sg2 and AHA

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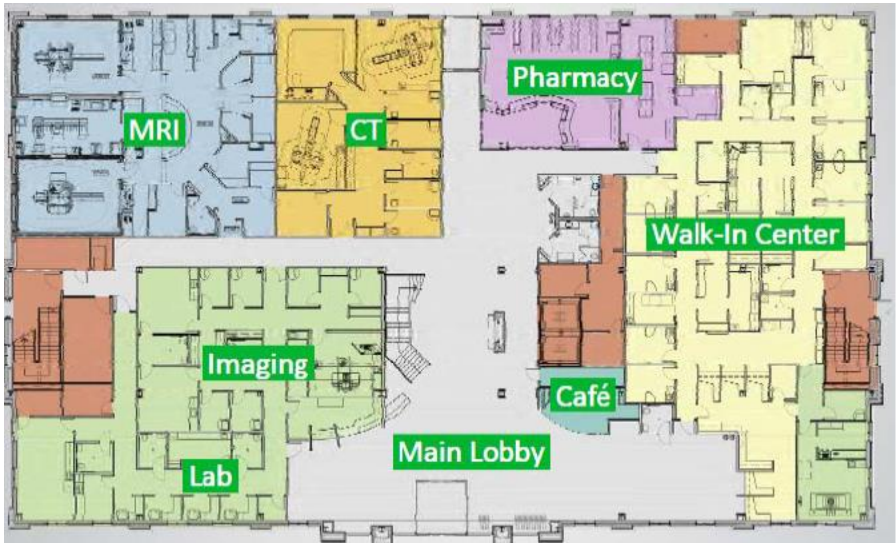
Thousands of "Big Boxes" Have Sprouted Across the Country

- 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 (Hazelton, PA)
- Advocate IL Masonic/ Kaiser Permanente
- Memorial Hospital (Jacksonville, FL)

Typical 1st Floor Plan of ACC



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
The New York Times, July 2014

Mid Valley Hospital to Stop Acute Care and Emergency Room Services
Scranton Times, April 2014

Bedless Hospital Profiles

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

Challenge	Opportunity
Designed as Fee for Service vs. Value-Based	• Urgent care • Ambulatory surgery center
Lack of Population Health Focus	• Fitness center • Community events venue
Limited Retail Orientation	• Barber shop, AT&T store, Thai food • CVS or Walgreens
Minimal Patient Screening Criteria	• Total joint programs • Hotel partnerships

Various Trends Driving Retailization of Healthcare Delivery

Decline of the Classic Retail Mall

- 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

Growing Healthcare Needs

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

radioshack

BLOCKBUSTER

BORDERS

Source: Biomet Central

Paradigm Shifting Toward Integrated Medical Malls

Metro Health Village Site Visit

Cooper Health Site Visit

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

Cooper Health services:
- Breast imaging
- Cancer Institute
- Radiology
- Sleep Center
- Surgical Center
- Surgical Specialties

Health Systems Outsourcing Multiple Dimensions of Operations

Overhead costs for operating these facilities can be reduced by outsourcing select clinical and non-clinical services to strategic partners

Clinical Outsourcing	Non-Clinical Outsourcing
• Emergency room • Anesthesia • Neonatology • Radiology • Dialysis • Hospitalists • ICU • Biomedical engineering	• Revenue cycle • Supply chain • IT • Housekeeping • Food services

Crothall Healthcare

sodexo

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TEAM Health

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

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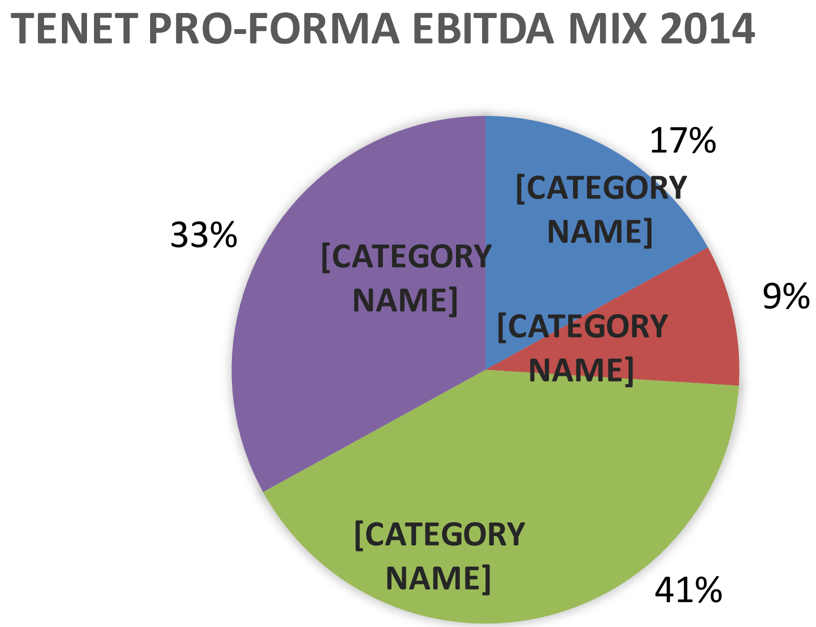
Recent Transactions Embody the Shift in Service Model



- 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

Source: Company Documents and Barclays Estimates

Regent Model Enables Heath 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

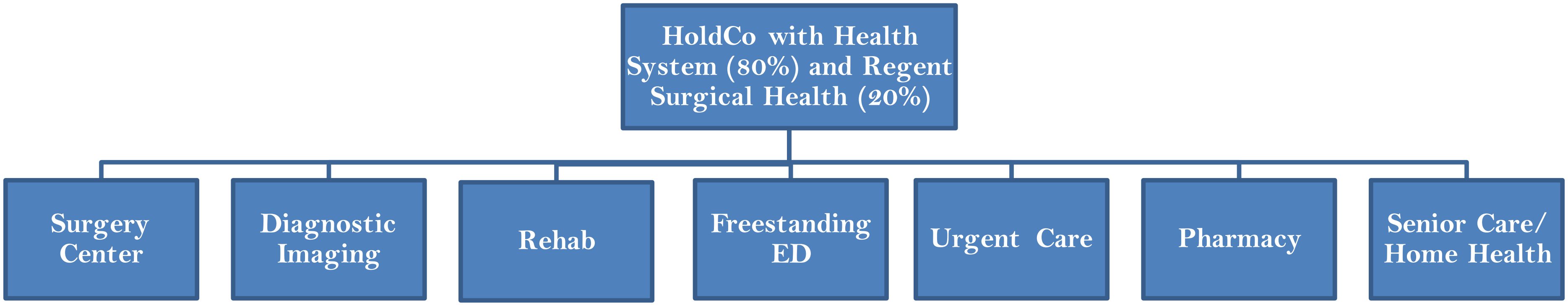
Interested Partners in Key Categories

CATEGORY	COMPANY	DESCRIPTION
Imaging	Alliance Healthcare	• Diagnostic radiology services • 1,000 hospital partners in 43 states
Practice Management	athenahealth	• Serves over 59,000 providers • Services include medical billing, practice management, order management, EHR services
Wound Care	Healogics	• Approximately 750 wound care centers nationally
Pharmacy	Walgreens	• Located on 200 hospital campuses • Population health initiatives
Urgent Care	PremierHealth (Urgent Care | Joint Ventures | Management | Consulting)	• Pioneer in urgent care – hospital partnerships • 29 locations nationally

Interested Partners in Key Categories

CATEGORY	COMPANY	DESCRIPTION
Freestanding ED	Adeptus Health	• 50 locations nationally • Partnered with Concentra and HCA
Rehab	Accelerated rehabilitation centers, Physical Therapy • Sports Medicine	• Over 500 national locations with Athletico merger
Home Health Care	SYNERGY HomeCare	• Focus on non-medical home care • 140 locations nationally
Architecture Firm	REES architecture planning interiors	• Experience in healthcare architecture planning and interior design for past 38 years • Healthcare projects in 43 states and 33 countries

Regent will serve as the "general contractor" for the healthcare system and facilitate the JV with each business in the ambulatory center

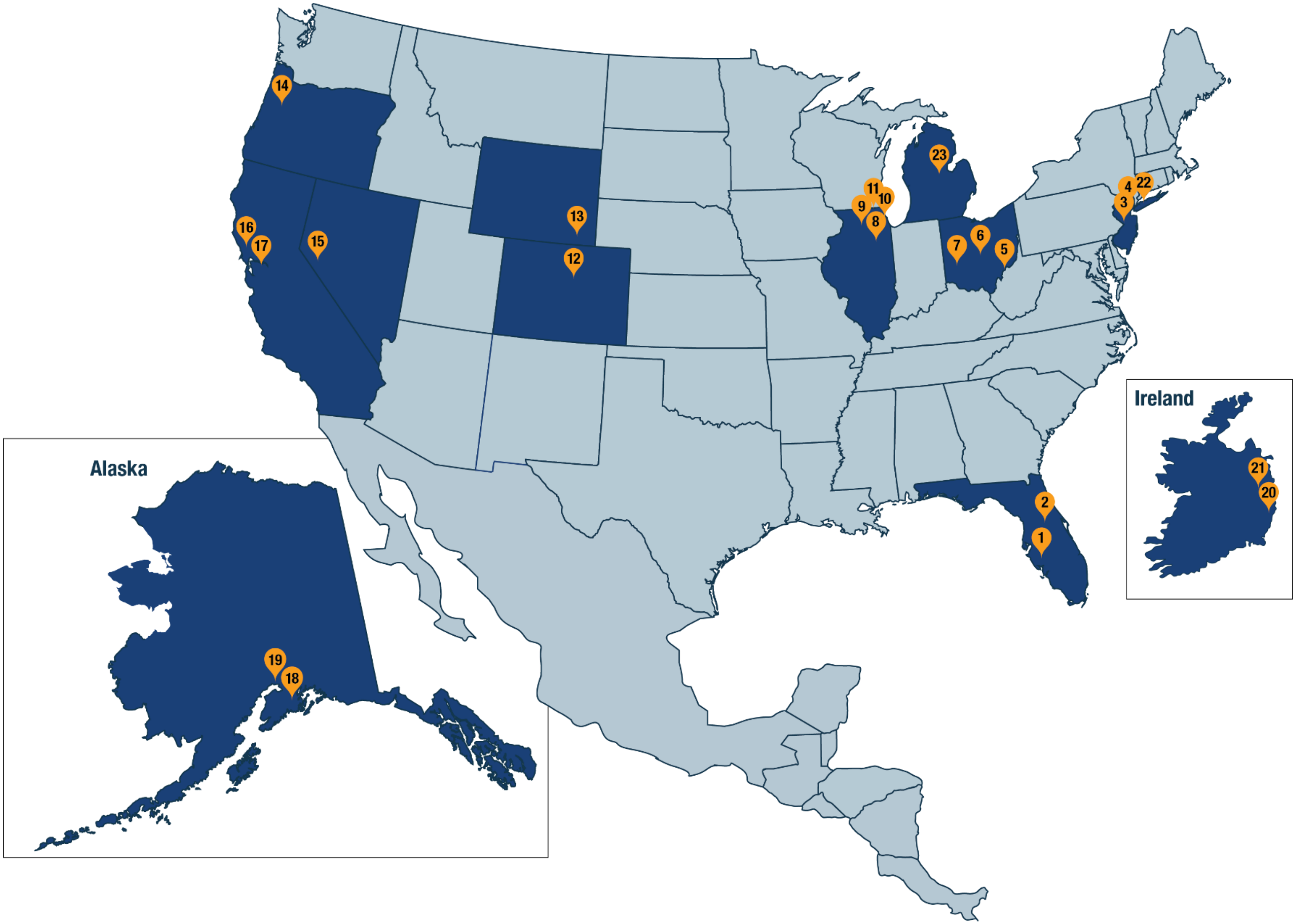


******The figure does not represent all potential outpatient services*

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



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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

Providence Health & Services

OhioHealth

RWJ Robert Wood Johnson University Hospital

Why partner with Regent Surgical Health?

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

Contact

Jeffrey Simmons, Chief Development Officer
Phone: 707.396.0138
E-mail: jsimmons@regentsurgicalhealth.com

Christine Henry Musa, VP of Development & Operations
Phone: 708.703.2801
Email: chenry@regentsurgicalhealth.com