

Operational Discussion

For: Becker's Hospital Review Annual Meeting

A Total Hospital Operating System™

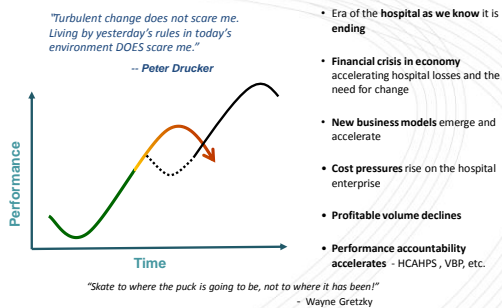
CARE LOGISTICS™
Achieve Total Hospital Efficiency™

Ben Sawyer - Executive Vice President, Care Logistics
Dr. Imran Andrabi - SVP/Chief Physician Executive Officer,
Mercy, & SVP Clinical Innovation, O.O.S.E
Catholic Health Partners

May 17, 2012

Fundamental Healthcare Industry Life Cycle Change

Drives The Need for New Models & Transformational Improvement



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What are the New Performance Expectations?

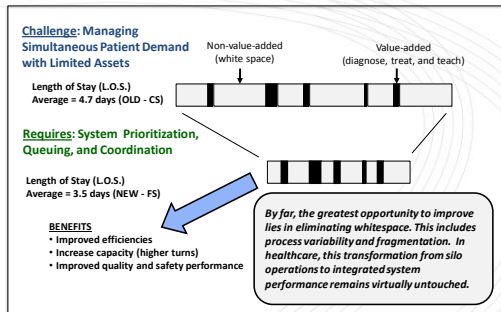
The Efficiency to Effectiveness Formula



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What Does the Journey to Peak Effectiveness Involve?

Identifying and Eliminating the 40% Waste in the System



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Case Study

Mercy St Vincent Medical Center



- Toledo region's critical care referral and teaching center (534 beds)
- Only downtown safety net hospital
- Challenging payor mix
- Annual admissions exceed 22,000
- Emergency Room visits 65,000+
- Provider of medical education with 190 Graduate Medical Education residents



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"We were having significant performance challenges due to inefficiencies and stretched facility and personnel resources. We knew we needed to approach this problem differently than we have in the past, and Care Logistics Hospital Operating System™ seemed to be the logical solution to facilitate and hardwire our leadership and process transformation approach."

— Dr. Imran Andrabi, Pres/CEO, Mercy St. Vincent

"The Care Logistics engagement has been integral in helping Catholic Health Partner (CHP) facilities, such as Mercy St Vincent, improve operational performance.

We had layered one improvement program on top of the next in an attempt to secure breakthrough performance but never achieved sustainable improvement. The results of the Care Logistics engagement speaks for itself."

— Samantha Platze, SVP - Office of Operations & Systems Effectiveness, Catholic Health Partners

Impact of Transformation: Mercy St. Vincent

Results from 2008 to 2010

- Increased core measure performance by 37%
- Achieved a 49% reduction in infection rates (UTI, VAP, BSI)
- Reduced falls and DVT's by 38%
- Achieved the 97th percentile in patient satisfaction
- Improved the RN separation rate by 41%
- Reduced Preventable Harm by 72%
- Improved breakeven census from 300 pts per day to 231
- Created 110 virtual beds



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Impact of Transformation: Mercy St. Vincent

Results from 2008 to 2010

Mercy St. Vincent Medical Center's 2010 operating income was \$26 million compared to a budget expectation of \$9 million.

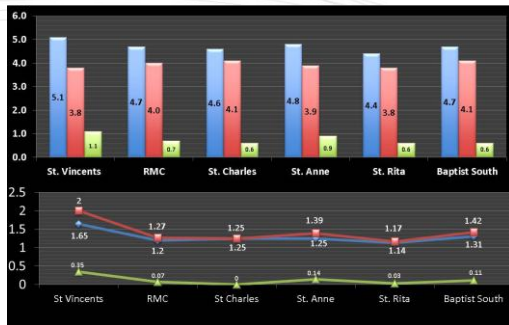
| Details of Improvements: | | 2008 to 2010 |
|--|----------------------|--------------|
| Improvements related to Transformation: | | |
| LOS improvement from 5.1 days to 3.8 | \$ 12,900,000 | |
| Overtime reduction from 4.2% to 3.0% | 4,924,000 | |
| Quality Improvements | 2,947,000 | |
| Productivity | 11,200,000 | |
| Agency Reduction | 6,489,000 | |
| | \$ 38,460,000 | |



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Examples of ALOS & CMI Impact

Associated with Care Logistics Engagements



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Market Impact

Improved Bond Rating

STANDARD & POOR'S Global Credit Portal
RatingsDirect™ March 30, 2010

- CHP concerned about bond rating downgrade, and were upgraded instead
- Why? Excerpt from S&P report:
 - "Management took action to cut expenses in concert with the volume slowdown and continues the process of spreading its best practices throughout the system, such as through the innovative reengineering process developed at Mercy St. Vincent Medical Center in Toledo, which management estimates increased the bottom line by \$10 million in 2009".
- S&P upgrade due to raters being bullish on the spread of this operational best practice (Care Logistics's strategic partnership) across the CHP system
- Allowed CHP to go to market with \$630 million of issue debt, and achieve a 1% percentage point reduction



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Care Logistics: Our Approach

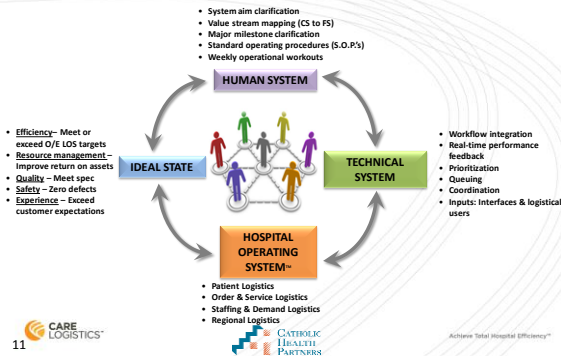
- **Step One: Create an Outcomes Based Culture**
 1. Facilitate the clarification of the System Aim
 2. Confirm and link operational priorities to the System Aim
 3. Facilitate organizational alignment and effectiveness
 4. CS to FS value stream mapping, milestones, and standard operating procedures (SOP's)
- **Step Two: Adopt a New Care Coordination Model**
 1. Deploy hub and spokes
 2. Combine case management and charge nurse functions
- **Step Three: Implement Enterprise Logistics Software**
 1. Integrate the new workflows
 2. Provide real-time performance feedback
- **Step Four: Establish a Regular Operational Review Process**
 1. Weekly executive operational rounding and workouts
 2. Develop competency in front line managers to translate data into meaningful operational information



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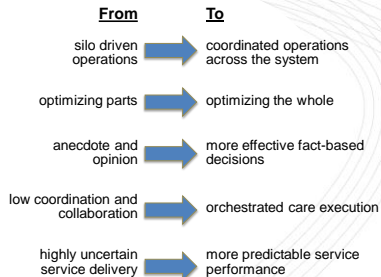
Summary: Peak Operational Performance

Is Built Upon an Efficient Human & Technical System Infrastructure



Result: A Paradigm Shift in Operations

Predictive Operational Outcomes



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Questions and
Comments



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