



LEGACY/PACIFICSOURCE JOINT VENTURE

George Brown, M.D.
President and CEO, Legacy Health Systems

I. Legacy – Outline

I. Legacy

- a) Mission and History
- b) People, Services, and Locations
- c) Financial Strength

II. Partnership

- a) Background
- b) Objectives
- c) Benefits

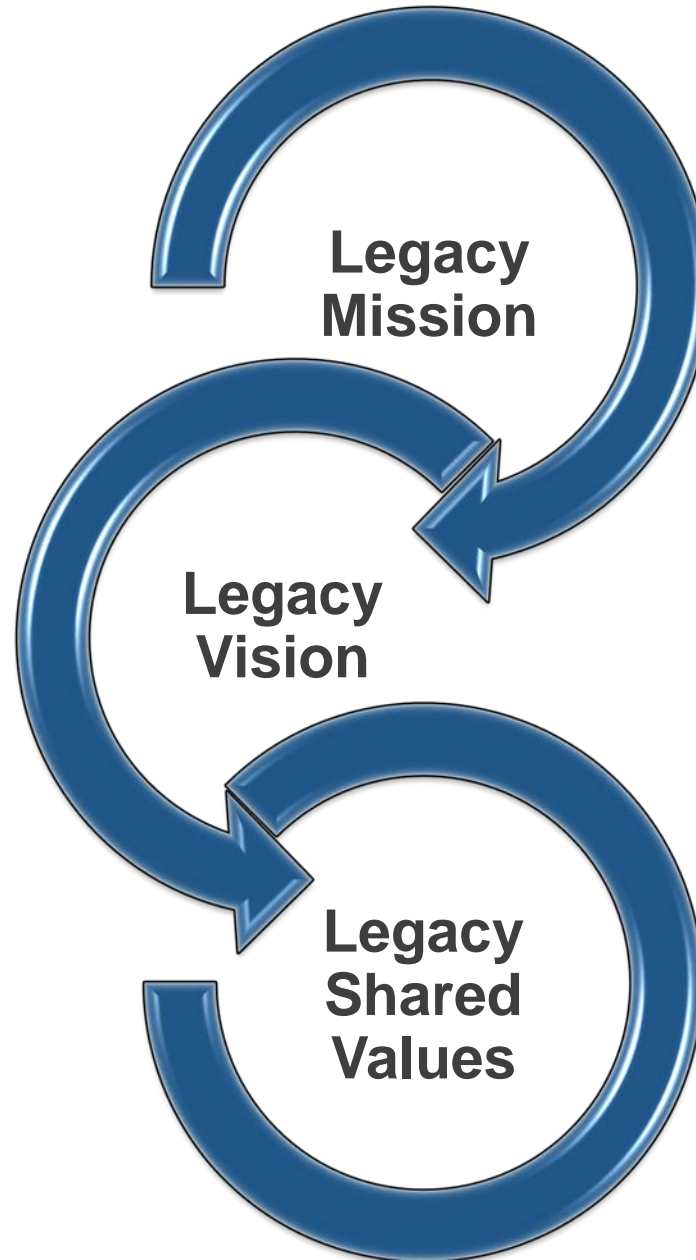
III. Conclusions

I. Legacy – Mission

**Our Legacy is
good health for**

Our people
Our patients
Our communities
Our world

- Respect
- Service
- Quality
- Excellence
- Responsibility
- Innovation
- Leadership

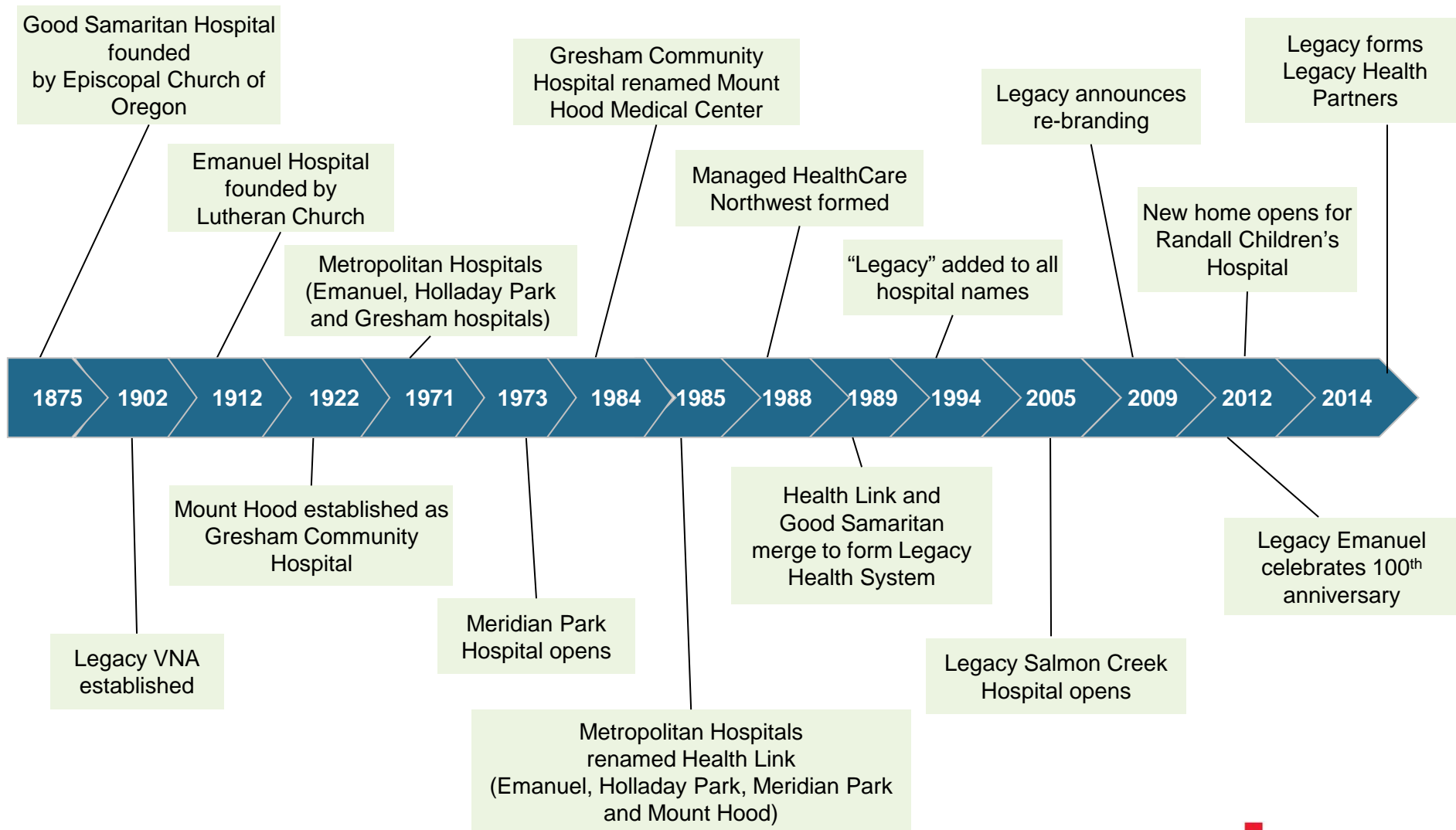


**To be essential to
the health of our
region, while
investing profits
back into the
community mission**

I. Legacy – Community

- Charity Care
 - Legacy of serving as safety net provider of medical services in Portland
 - Over \$20 million paid to cover medical costs for the uninsured
- Unity Health Center
 - Leader in raising over \$32 million in support of behavioral health center
- Medicare/Medicaid
 - Nearly \$172 million spent covering the cost gap in Medicare/Medicaid reimbursement
- Education/Research
 - \$12.6 million spent on medical education and \$3.5 million in research
- Support of Local Nonprofit/Community Programs
 - \$2.2 million spent to support local nonprofit/community based programs
 - Legacy employees hold board positions on more than 120 community based organizations
 - Legacy employees collected and donated more than 5 tons of food

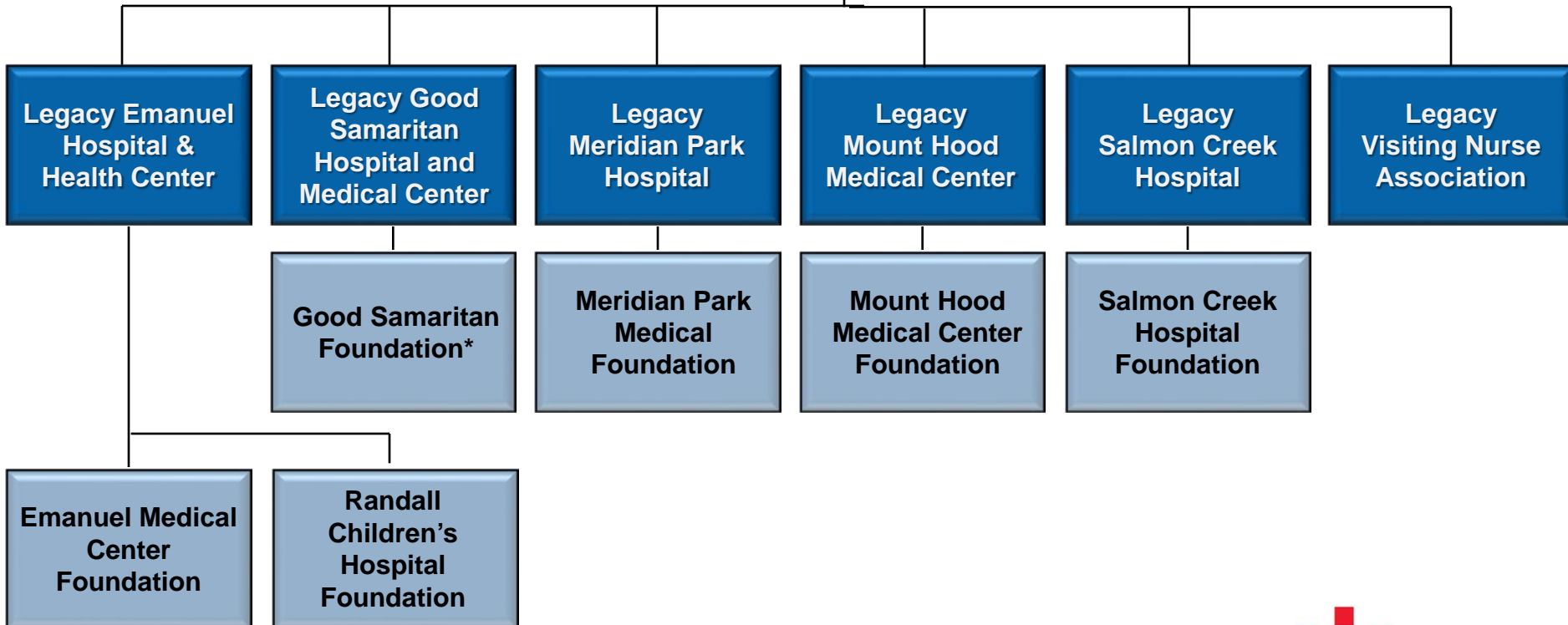
I. Legacy – History



I. Legacy – Corporate Structure

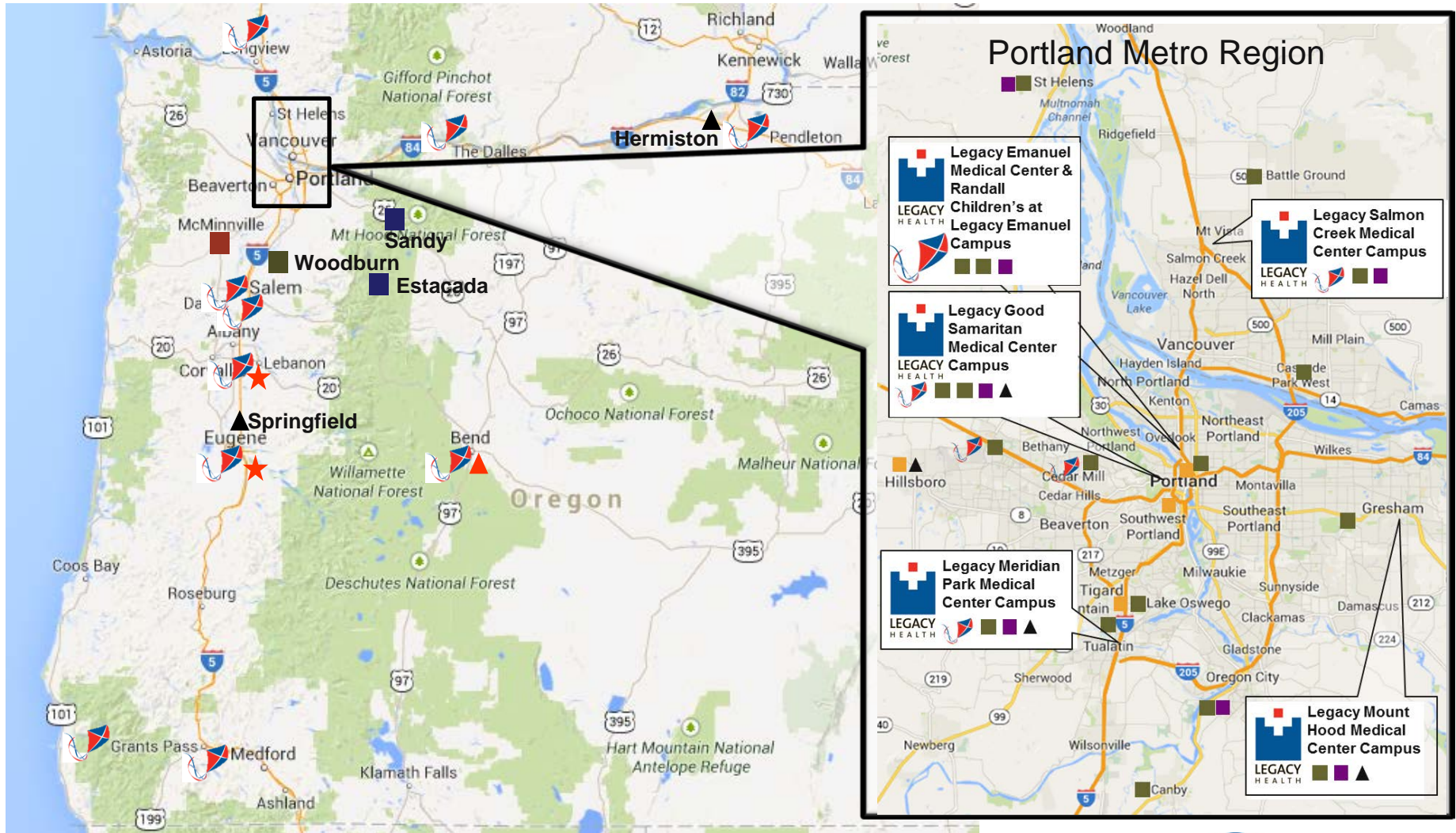


(Sole Corporate Member of each of the subsidiary corporations)



* Also in support of Legacy Hospice Services

I. Legacy – Locations



- LMG Primary Care Clinic
- LMG Specialty Clinic
- LMG Multiple Specialty Clinics
- 🚑 Randall Outreach Clinics
- ▲ Legacy Telehealth (Adult & Peds)
- ★ Randall Outreach Hospitalist



I. Legacy – Statistics

Sites of Care

Adult Hospitals	5
Pediatric Hospitals	1
Future Hospital (Silverton Merger)	1
Outpatient Surgery Ventures	2
Urgent Care Centers	11
Future Behavioral Inpatient/ED Facility (Unity Center – Open FY 17)	1
Legacy Hospice	

Statistics (FY 2015)

- Staffed Beds – 1,111
- Average Daily Census – 729
- Annual ED Visits – 253,523
- Annual Net Revenue: \$1.66 B
- Foundation FY 2015 Fund Raising - \$40 M

Employees (Est. FY 2015)

Employees	11,255
FTEs	8,851
Total Employed Providers	451
• Physicians	298
• Advanced Practice Providers	153

Provider Types:

- Primary Care - Adult, Pediatric, Mid-levels
- Residents & Fellows
- Pediatric & Adult Hospitalists
- Adult Specialists
- Pediatric Specialists
- Medical & Surgical Specialists

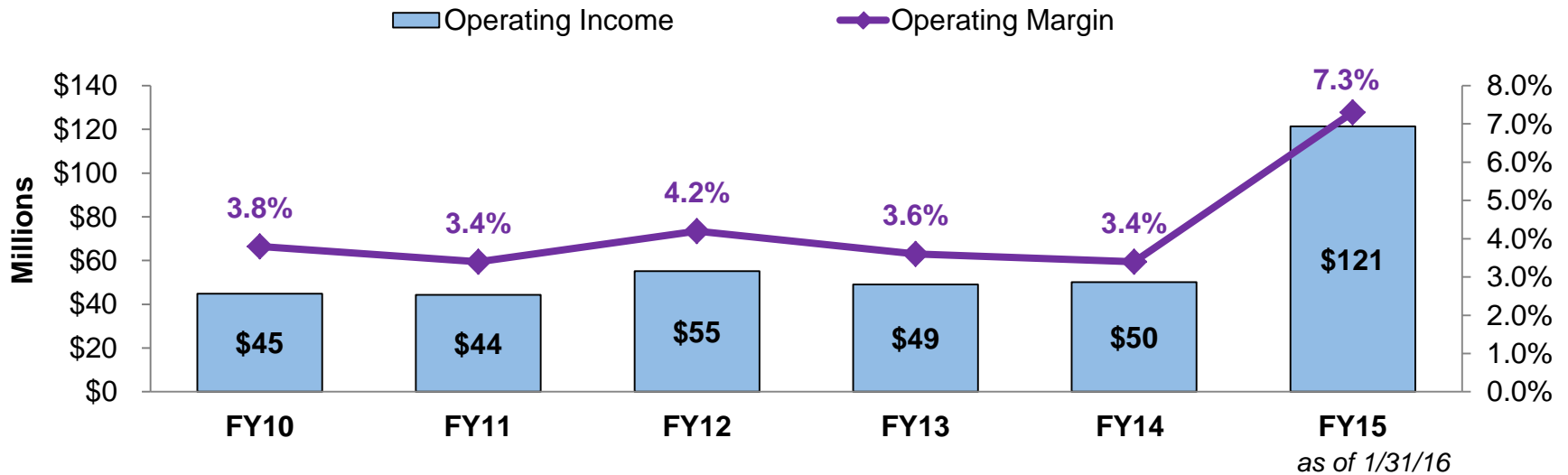
I. Legacy – Physicians

- Legacy relies on a mix of independent physicians and employed providers in Legacy Medical Group (LMG). LMG represents about 1 in 5 Legacy providers.
- LMG includes more than 425 providers in 108 different sites of care across the service area. LMG will continue to grow.
- Legacy is developing Legacy Health Partners (LHP), an 2,300+ member, provider-led organization that includes more than 1,400 independent providers as well as LMG members, with the intent to develop a clinically integrated network.



I. Legacy – Financial Strength

Indicator	FY14	FY15
Days Cash on Hand	216	228
Net Days in A/R	47.6	47.6
Debt to Capitalization	32%	29%
Cash to Debt	163%	198%



II. Partnership – Background

- Relationship Overview
- Organizational Compatibility
 - ✓ Long-term Missions
 - ✓ Legal Structures
 - ✓ Corporate Cultures
 - ✓ Intermediate Objectives
 - ✓ Team Members: Professionals, Staff, Directors, & Officers

II. Partnership – Objectives

The strategic objectives of the two organizations are strongly aligned.

PacificSource Objectives

- Maintain community mission
- Maintain strong quality performance and member and provider satisfaction
- Support membership growth
- Lower overall cost of care
- Develop a scalable alignment vehicle to drive closer relationships with providers in key geographies
- Improve capital position

Partnership Opportunity

Legacy Objectives

- Maintain community mission
- Improve health outcomes
- Drive more efficient utilization of healthcare services
- Enable shift to value based payments
- Engage physicians and strengthen physician relationships
- Create a scalable platform
- Invest in health plan strategy

II. Partnership – Benefits

Growth

Opportunity to capitalize on growing consumer centric markets and build differentiated products which will allow for growth in Portland and a platform for regional expansion

Flexibility

Partnership structure creates opportunity and flexibility for capital infusion to support innovation and strategic growth efforts

Pop Health Infrastructure

Leverage population health investments and use as a tool to attract and engage physicians in value-based care

Alignment for revenue and cost management

Committed provider partner to support initiatives needed for risk adjustment and cost of care that will drive product affordability

Complementary Capabilities

Each organization brings complementary capabilities to bear to the partnership to drive favorable working relationships

Integration

Achieve integration of health system and health plan functions in Legacy markets.

III. Conclusions

- Partnership is driven by a mutual commitment to the patients, members, and communities we serve
- Partnership strengthens two non-profit community assets
- Partnership will result in a more integrated and coordinated approach to health care and population health, without consolidation of healthcare or insurance providers
- Partnership will improve competition by significantly increasing PacificSource's participation in the Portland area market as a strong, local, not-for-profit health plan



LEGACY/PACIFICSOURCE JOINT VENTURE

Ken Provencher
President and CEO, PacificSource

PacificSource – Outline

I. PacificSource

- a) Mission, Vision, Values
- b) History
- c) Key Facts
- d) Financial Strength

II. Partnership

- a) Major Transaction Components
- b) Partnership Structure
- c) Board Composition and Governance
- d) Capital Structure

III. Conclusions

PacificSource – Mission, Vision, Values

MISSION

Our mission is to provide better health, better care and better cost to the people and communities we serve

VISION

Our vision is to be the health plan with the highest preference, satisfaction and value in all our markets

VALUES

We are committed to doing the right thing

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We are one team working towards a common goal

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We are each responsible for our customer's experience

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We practice open communication at all levels of the company to foster individual, team and company growth

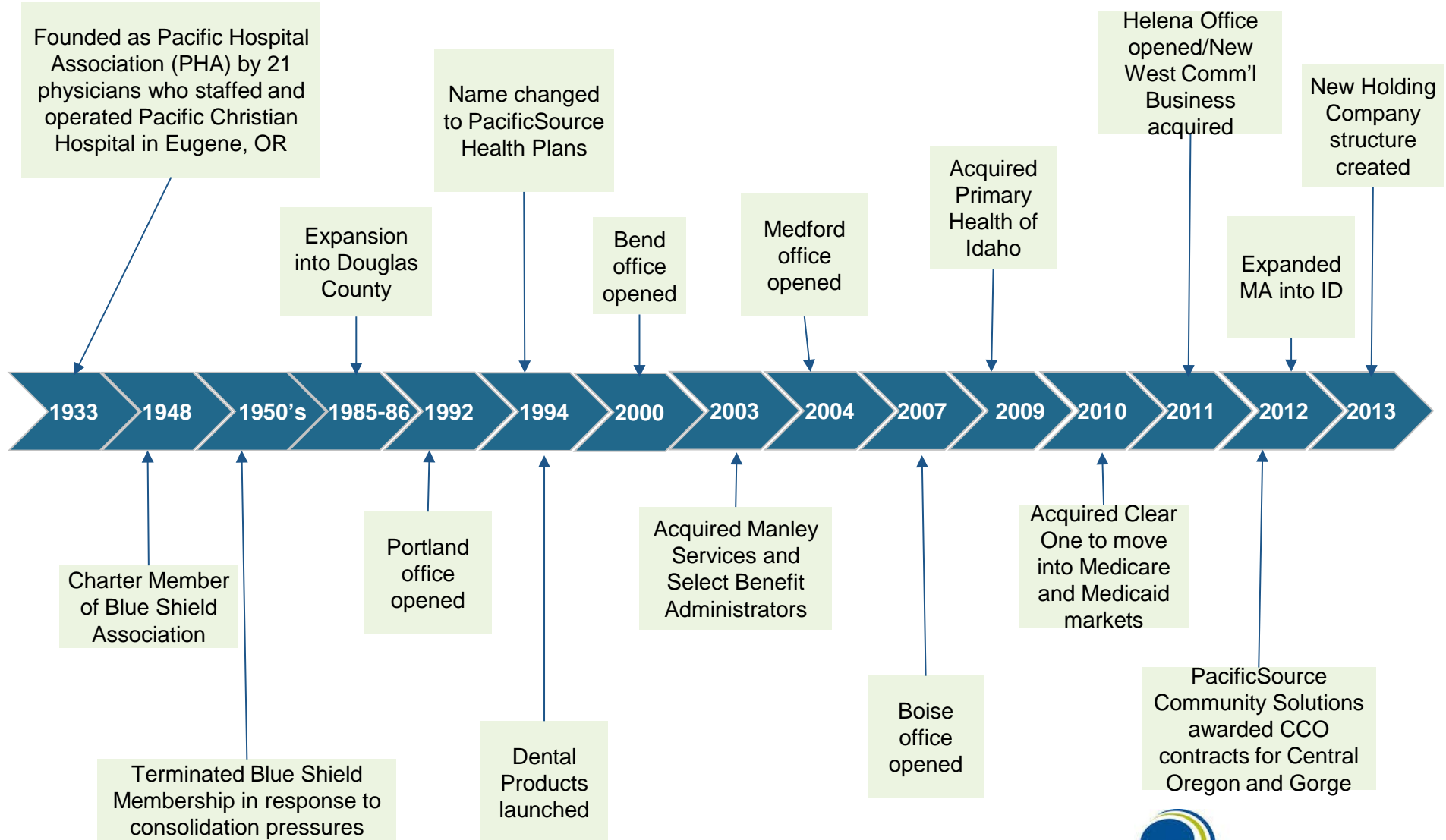
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We actively participate in efforts to improve our communities, internal and external

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We encourage creativity, innovation, continuous improvement and the pursuit of excellence

PacificSource - History



PacificSource – Key Facts

- Taxable, Not-For-Profit mutual benefit corporation
- Headquartered in Springfield, Oregon
- Offices in Springfield, Portland, Bend, Medford, Boise, Idaho Falls and Helena
- 277,000 members
- 750 employees
- Licensed in Oregon, Idaho, Montana and Washington (not currently offering products in Washington)
- Full range of Commercial, Medicare Advantage and Medicaid products
- Operate CCO's in Central Oregon and the Columbia Gorge
- Participating in Individual and SHOP exchanges in Oregon, Idaho and Montana



PacificSource – Financial Strength

Annual Revenue \$1.2B

Total Assets \$340M

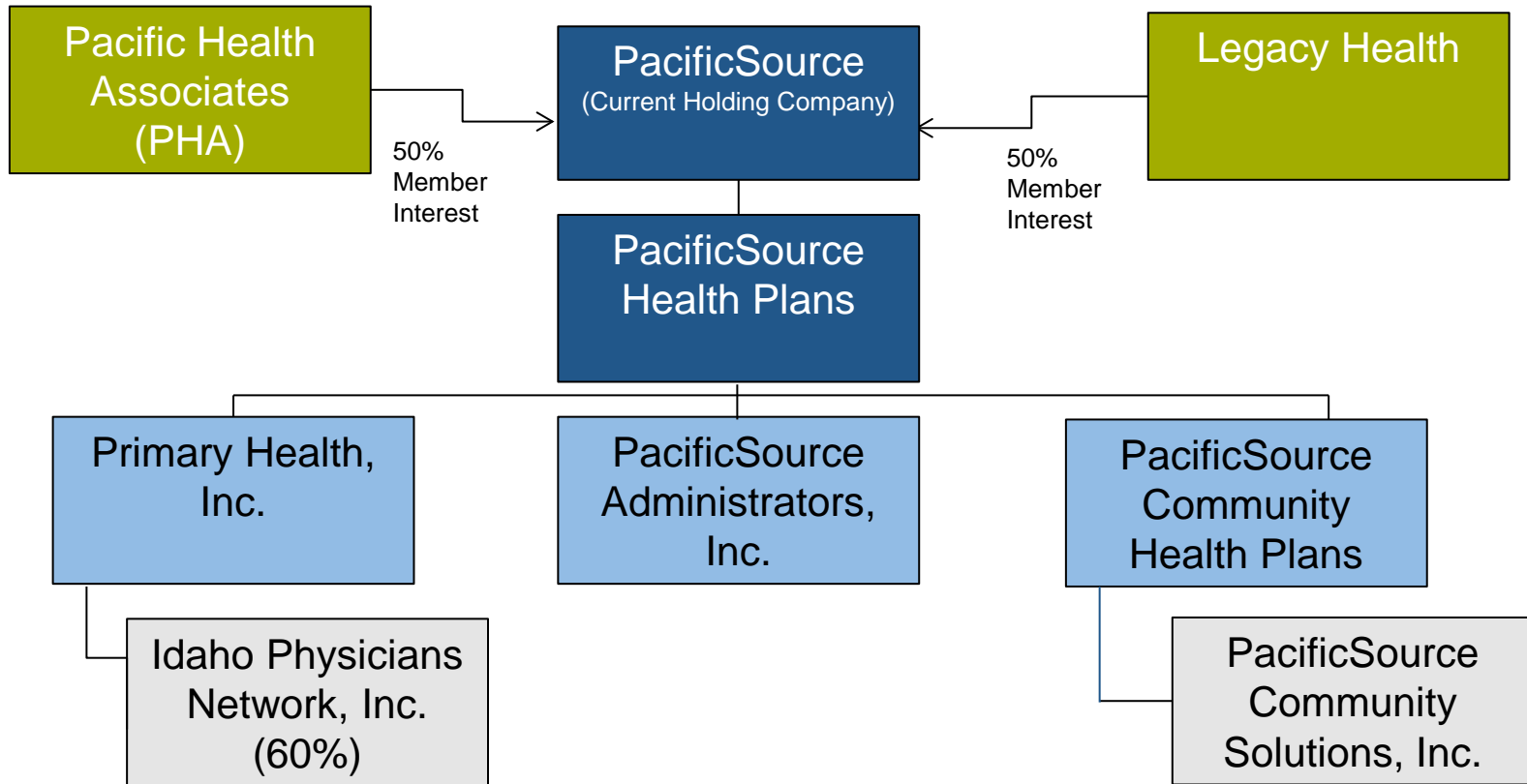
Capital Surplus \$139M

PSHP RBC 417%

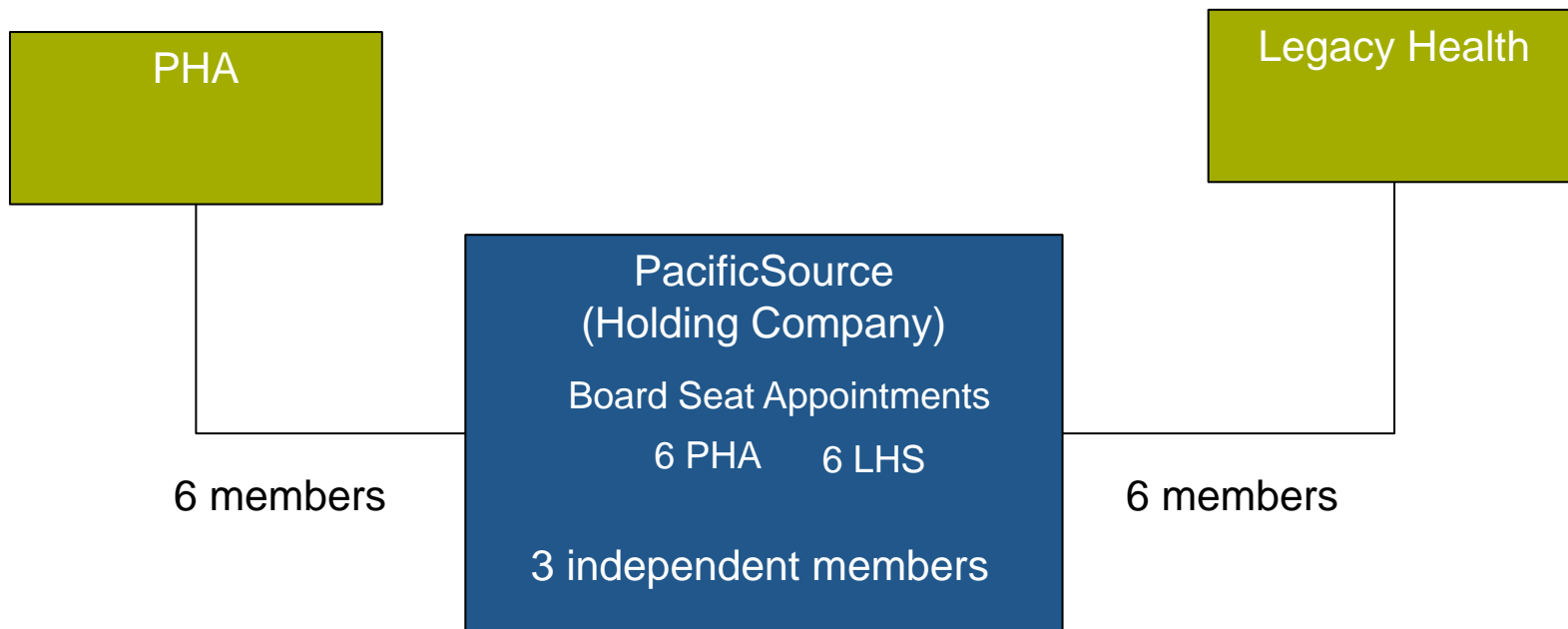
PCHP RBC 453%

- Restructuring of PacificSource as a member corporation
- Two members – Legacy and Pacific Health Associates
- Joint governance
- Capital Contributions

Partnership - Structure



Partnership - Board Composition and Governance



Partnership - Board Composition and Governance

- After closing, PHA and Legacy will each appoint six board members to the PacificSource Board and those board members will elect three independent board members.
- PHA's Board appointees will include at least two actively licensed physicians and at least three community members (as defined in ORS 750.015 (1)).
- Legacy's Board appointees will include at least two actively licensed physicians and no more than two Legacy employees (none of the Legacy board members qualify as community members, as defined in ORS 750.015 (1)).
- One of the independent board members will be an actively licensed physician and two will be community members (as defined in ORS 750.015(1)).
- Board members may serve up to three (3) three-year terms (initial terms to be staggered).
- PHA and Legacy retain independent boards.

Partnership - Capital Structure

	<u>PHA</u>	<u>Legacy</u>
2016	\$247.5M (value of PacificSource (\$290M) less appraised value of property (\$42.5M))	\$100M
2017	0	\$29.5M
2018	0	\$29.5M
2019	0	\$29.5M
2020	0	\$29.5M
2021	<u>0</u>	<u>\$29.5M</u>
Total Contribution	\$247.5M	\$247.5M
% Member Interest	50%	50%



Conclusions

- Development of integrated approach that reduces cost and improves quality, population health and access.
- New products and options in multiple market segments.
- No negative impact on competition.
- Creation of a strong, community-based, not-for-profit, regional health plan.