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

- **1875**: Good Samaritan Hospital founded by Episcopal Church of Oregon
- **1902**: Emanuel Hospital founded by Lutheran Church
- **1912**: Mount Hood established as Gresham Community Hospital
- **1922**: Metropolitan Hospitals (Emanuel, Holladay Park and Gresham hospitals)
- **1971**: Legacy VNA established
- **1973**: Meridian Park Hospital opens
- **1984**: Gresham Community Hospital renamed Mount Hood Medical Center
- **1985**: Managed HealthCare Northwest formed
- **1988**: “Legacy” added to all hospital names
- **1989**: Health Link and Good Samaritan merge to form Legacy Health System
- **1994**: Legacy announces re-branding
- **2005**: New home opens for Randall Children’s Hospital
- **2009**: Legacy forms Legacy Health Partners
- **2012**: Legacy Emanuel celebrates 100th anniversary
- **2014**: Legacy forms Legacy Health Partners

**Timeline Events**:
- **1984**: Metropolitan Hospitals renamed Health Link (Emanuel, Holladay Park, Meridian Park and Mount Hood)
- **2005**: Legacy announces re-branding
- **2009**: New home opens for Randall Children’s Hospital
- **2012**: Legacy forms Legacy Health Partners
- **2014**: Legacy Emanuel celebrates 100th anniversary
I. Legacy – Corporate Structure

Legacy Health Parent Corporation
(“Legacy”)
Non-membership
501(c)(3) Oregon Nonprofit Public Benefit Corporation

(Sole Corporate Member of each of the subsidiary corporations)

Legacy Emanuel Hospital & Health Center
Legacy Good Samaritan Hospital and Medical Center
Legacy Meridian Park Hospital
Legacy Mount Hood Medical Center
Legacy Salmon Creek Hospital
Legacy Visiting Nurse Association

Good Samaritan Foundation*
Meridian Park Medical Foundation
Mount Hood Medical Center Foundation
Salmon Creek Hospital Foundation

Emanuel Medical Center Foundation
Randall Children’s Hospital Foundation

* Also in support of Legacy Hospice Services
I. Legacy – Locations

Legacy Emanuel Medical Center & Randall Children’s at Legacy Emanuel Campus
Legacy Salmon Creek Medical Center Campus
Legacy Good Samaritan Medical Center Campus
Legacy Meridian Park Medical Center Campus
Legacy Mount Hood Medical Center Campus

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

<table>
<thead>
<tr>
<th>Sites of Care</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult Hospitals</td>
<td>5</td>
</tr>
<tr>
<td>Pediatric Hospitals</td>
<td>1</td>
</tr>
<tr>
<td>Future Hospital (Silverton Merger)</td>
<td>1</td>
</tr>
<tr>
<td>Outpatient Surgery Ventures</td>
<td>2</td>
</tr>
<tr>
<td>Urgent Care Centers</td>
<td>11</td>
</tr>
<tr>
<td>Future Behavioral Inpatient/ED Facility (Unity Center – Open FY 17)</td>
<td>1</td>
</tr>
<tr>
<td>Legacy Hospice</td>
<td></td>
</tr>
</tbody>
</table>

## Employees (Est. FY 2015)

<table>
<thead>
<tr>
<th>Employees (Est. FY 2015)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>11,255</td>
</tr>
<tr>
<td>FTEs</td>
<td>8,851</td>
</tr>
<tr>
<td>Total Employed Providers</td>
<td>451</td>
</tr>
<tr>
<td>Physicians</td>
<td>298</td>
</tr>
<tr>
<td>Advanced Practice Providers</td>
<td>153</td>
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</tbody>
</table>

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

## 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
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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>FY14</th>
<th>FY15</th>
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<tbody>
<tr>
<td>Days Cash on Hand</td>
<td>216</td>
<td>228</td>
</tr>
<tr>
<td>Net Days in A/R</td>
<td>47.6</td>
<td>47.6</td>
</tr>
<tr>
<td>Debt to Capitalization</td>
<td>32%</td>
<td>29%</td>
</tr>
<tr>
<td>Cash to Debt</td>
<td>163%</td>
<td>198%</td>
</tr>
</tbody>
</table>

### Operating Income and Margin

- **Operating Income**
  - FY10: $45
  - FY11: $44
  - FY12: $55
  - FY13: $49
  - FY14: $50
  - **FY15 as of 1/31/16**: $121

- **Operating Margin**
  - FY10: 3.8%
  - FY11: 3.4%
  - FY12: 4.2%
  - FY13: 3.6%
  - FY14: 3.4%
  - **FY15 as of 1/31/16**: 7.3%
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

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

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

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

We are committed to doing the right thing.

We are one team working towards a common goal.

We are each responsible for our customer’s experience.

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

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

We encourage creativity, innovation, continuous improvement and the pursuit of excellence.
PacificSource - History

1933: Founded as Pacific Hospital Association (PHA) by 21 physicians who staffed and operated Pacific Christian Hospital in Eugene, OR

1948: Charter Member of Blue Shield Association

1950’s: Terminated Blue Shield Membership in response to consolidation pressures

1985-86: Expansion into Douglas County

1992: Portland office opened

1994: Bend office opened

2000: Name changed to PacificSource Health Plans

2003: Dental Products launched

2004: Medford office opened

2007: Acquired Manley Services and Select Benefit Administrators

2009: Acquired Primary Health of Idaho

2010: Expanded MA into ID

2011: Helena Office opened/New West Comm’l Business acquired

2012: New Holding Company structure created

2013: Acquired Clear One to move into Medicare and Medicaid markets

PacificSource Community Solutions awarded CCO contracts for Central Oregon and Gorge
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%
Partnership - Major Transaction Components

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

Pacific Health Associates (PHA) 
- 50% Member Interest

PacificSource (Current Holding Company)

Legacy Health
- 50% Member Interest

PacificSource Health Plans

Primary Health, Inc.
- Idaho Physicians Network, Inc. (60%)

PacificSource Administrators, Inc.

PacificSource Community Health Plans
- PacificSource Community Solutions, Inc.
Partnership - Board Composition and Governance

PHA

PacificSource (Holding Company)

Board Seat Appointments
6 PHA  6 LHS
3 independent members

Legacy Health

6 members

6 members
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.
<table>
<thead>
<tr>
<th>Year</th>
<th>PHA</th>
<th>Legacy</th>
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<tbody>
<tr>
<td>2016</td>
<td>$247.5M (value of PacificSource ($290M) less appraised value of property ($42.5M))</td>
<td>$100M</td>
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<tr>
<td>2017</td>
<td>0</td>
<td>$29.5M</td>
</tr>
<tr>
<td>2018</td>
<td>0</td>
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<tr>
<td>2019</td>
<td>0</td>
<td>$29.5M</td>
</tr>
<tr>
<td>2020</td>
<td>0</td>
<td>$29.5M</td>
</tr>
<tr>
<td>2021</td>
<td>0</td>
<td>$29.5M</td>
</tr>
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</table>

Total Contribution: $247.5M

% Member Interest: 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.