

Become a Part of a Mission-Driven Organization  
By Joining Vanguard Health Systems





## About Vanguard

### Company Snapshot

- Nashville, Tennessee based healthcare management company founded in 1997
- 17 Hospitals and complementary services located in four of the 10 largest cities in the U.S.: Phoenix, Arizona, San Antonio, TX, Boston, Massachusetts, Chicago, Illinois
- Over 22,000 employees
- Medicaid & Medicare Health Plans in Arizona with 176,200 members and growing
- Proven operating team
- \$3.2 billion revenue
- Approximately \$100M in charity care and over \$300M in uncompensated care
- Strong balance sheet and flexible access to capital on a consistent basis
- Non-binding Letter of Intent signed with Detroit Medical Center Board of Trustees for eight-hospital system, Detroit Medical Center to be acquired by Vanguard Health Systems.

### History

Vanguard Health Systems was founded in 1997 by an experienced management team in partnership with private equity firm Morgan Stanley Capital Partners. Based in Nashville, Tennessee, the Nashville healthcare community (commonly referred to as the “Silicon Valley of Healthcare,”) is home to more than 300 healthcare companies and accounts for approximately \$50 billion in revenue.

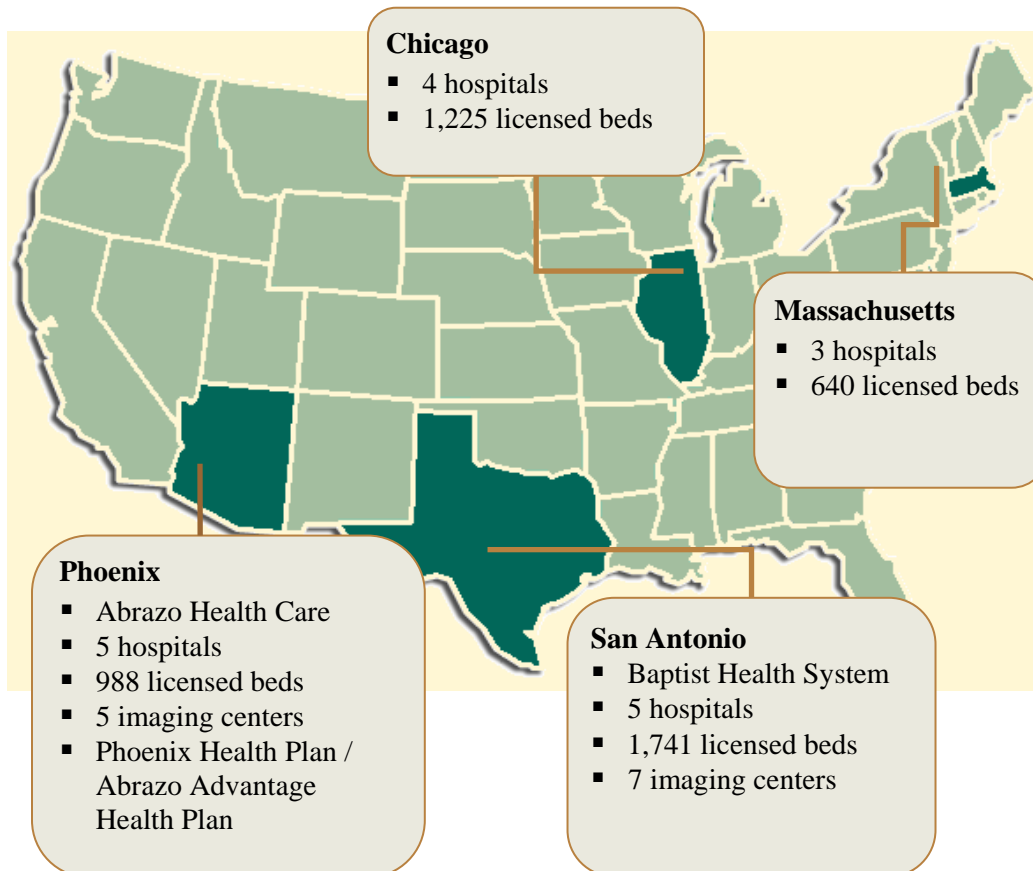
In July 2004, Blackstone Partners acquired a majority interest in Vanguard, with management and Morgan Stanley reinvesting in the company, together owning approximately 30 percent. Today, Vanguard owns and operates 15 acute care hospitals and complementary facilities and services in Chicago, Illinois; Phoenix, Arizona; San Antonio, Texas; and Massachusetts. Vanguard also owns three managed care health plans: Phoenix Health Plan, a Medicaid managed health plan in Arizona; Abrazo Advantage Health Plan, a managed Medicare and dual-eligible health plan in Arizona; and MacNeal Health Providers, a preferred provider network in Chicago.

Vanguard’s strategy is to develop locally branded, comprehensive healthcare delivery networks in urban markets. Vanguard pursues acquisitions where there are opportunities to partner with leading delivery systems in urban markets. Upon acquiring a facility or network of facilities, Vanguard implements strategic and operational improvement initiatives, including improving quality of care, expanding services, strengthening

relationships with physicians and managed care organizations, recruiting new physicians, and upgrading information systems and other capital equipment. These strategies improve quality and network coverage in a cost effective and accessible manner.

We believe that to be successful in the future, we must differentiate ourselves by providing excellent clinical care and high quality patient experiences through a dedicated and engaged workforce. Over the past few years, we have invested significantly in workforce initiatives, patient experience initiatives and innovative clinical care. Vanguard's operating strategy is managed through a balanced scorecard, ensuring the proper balance of achievement in growth, patient safety, quality outcomes, patient/guest experience, employee engagement goals and community leadership.

### Where We Are Today





## **Operating Philosophy**

Recent industry changes have resulted in a far more complex healthcare environment. Federal and state regulators have changed their focus, with oversight heightened and intensified. The healthcare reform debate continues to dominate the news. Reimbursement from payors – both public and private – is shrinking while charity care continues to balloon. The nursing shortage continues to escalate as well.

As a result, Vanguard has moved towards a more cohesive operating company model. This shift standardizes key functions in order to establish standards for everything from supply chain management to clinical quality. Vanguard's strategy is to develop locally branded, comprehensive healthcare delivery networks in urban markets. Vanguard pursues acquisitions where there are opportunities to partner with leading delivery systems in urban markets. Upon acquiring a facility or network of facilities, Vanguard implements strategic and operational improvement initiatives, including improving quality of care, expanding services, strengthening relationships with physicians and managed care organizations, recruiting new physicians, and upgrading information systems and other capital equipment. These strategies improve quality and network coverage in a cost effective and accessible manner in the communities we serve.

## **Leadership**

### **Charles N. Martin, Jr., Chairman and Chief Executive Officer**

Charlie has served as Vanguard's Chairman and CEO since the company's inception in 1997. Prior to forming Vanguard, he served as Chairman, President and Chief Executive Officer of OrNda HealthCorp. Under his leadership, OrNda grew from revenue of \$450 million to \$3 billion in four years to become the nation's third largest investor-owned hospital management company. His career includes serving as President, Director and Chief Operating Officer of HealthTrust Inc., as well as Executive Vice President and Director of Hospital Corporation of America, and Chief Operating Officer and Director of General Care Corp.

### **Keith B. Pitts, Vice Chairman**

Keith has served as Vice Chairman, Vanguard Health Systems since 1999. Prior to joining Vanguard, Keith was the Chairman and CEO of Mariner Post-Acute Network and its predecessor, Paragon Health Network. His career includes serving as OrNda HealthCorp's Executive Vice President and Chief Financial Officer as well as over 15 years as a consultant to health care organizations, most recently as a Partner in Ernst & Young's Healthcare Consulting practice.

### **Kent H. Wallace, President and Chief Operating Officer**

Kent has served as Vanguard's President and Chief Operating Officer since 2005. Prior to being named as Vanguard's President and Chief Operating Officer, he served for three years as Market President for Vanguard's Texas Region, "the Baptist Health System", a leading provider of health care in San Antonio and South Texas comprised of five acute-care hospitals and other



related health care services. Prior to Vanguard, he was Group President for Province Healthcare, Columbia/HCA and HealthTrust. He has over twenty-five years of healthcare operations experience.

**Bradley A. Perkins, MD, Chief Transformation Officer/ EVP Strategy and Innovation**

Brad joined Vanguard in 2009 as Executive Vice President of Strategy and Innovation and Chief Transformation Officer. In this capacity, he will accelerate Vanguard's transformation to compete more successfully in the rapidly changing health and healthcare delivery environment. Brad oversees the company's business strategy and innovation efforts including clinical safety and quality programs, clinical service line improvement and development and information systems/medical informatics. He is also leading efforts to develop an enterprise-wide culture that embraces new ideas for improving health of communities and patient outcomes in ways that drive margin & efficiencies. He brings more than 20 years leadership from the widely respected CDC, including his role as the Chief of Strategy & Innovation.

**Mark R. Montoney, M.D., Executive Vice President/Chief Medical Officer**

Mark joined Vanguard in 2009 as Executive Vice President and Chief Medical Officer. Dr. Montoney is responsible for leading system-wide clinical quality improvement and advancing patient safety across the organization. His additional responsibilities include driving value-based outcomes with effective clinical resource management, while establishing a model of clinical integration. Prior to joining Vanguard, Dr. Montoney most recently served as System Vice President and Chief Medical Officer for OhioHealth where he led clinical quality and patient safety initiatives across the system.

**Phillip W. Roe, Chief Financial Officer and Treasurer**

Phil began serving as Executive Vice President, Chief Financial Officer and Treasurer for Vanguard in November 2007. He previously served as Vanguard's Controller and Chief Accounting Officer since the company's founding in July 1997. Prior to joining Vanguard, he served as Senior Vice President, Controller and Chief Accounting Officer of OrNda HealthCorp. Prior to joining OrNda, Phil was associated with Ernst & Young for ten years supervising healthcare and insurance industry audits as Senior Manager.

**Joseph D. Moore, Executive Vice President**

Joe serves as Vanguard's Executive Vice President with responsibility over risk management, capital related expenditures and assets, facilities development and real estate. He previously served in the position of Chief Financial Officer and Treasurer. He has been with Vanguard since the company's inception in 1997. Joe's experience in the hospital industry has spanned the breadth of management responsibilities - from financial functions to development and acquisitions. He was formerly Senior Vice President - Development at Columbia/HCA. He has more than 25 years of experience with Hospital Corporation of America, including 11 years in hospital operations and most recently as Senior Vice President - Finance and Development.



**Ronald P. Soltman, Executive Vice President, General Counsel and Director**

Ron has served as Vanguard's Executive Vice President, General Counsel and Director since the company's inception in 1997. Prior to joining Vanguard, Ron was Senior Vice President and General Counsel of OrNda HealthCorp. Prior to that, he was Vice President and Assistant General Counsel for Hospital Corporation of America, and Assistant General Counsel with Hospital Affiliates International. Ron has extensive experience in health care law and sophisticated health care transactions.

**Bruce F. Chafin, Senior Vice President, Compliance & Ethics**

Bruce has served as Vanguard's Senior Vice President for Compliance and Ethics since April 1998. Prior to joining Vanguard, Bruce was Corporate Vice President, Compliance and Ethics for OrNda HealthCorp. Prior to that he was the Deputy Staff Director/Senior Investigator for the U.S. House of Representatives Subcommittee on Oversight and Investigations and the Committee on Energy and Commerce in Washington, D.C. where he conducted hundreds of investigations around a variety of subjects within the jurisdiction of the Committee on Energy and Commerce. He was also involved in more than 100 congressional hearings. Bruce has extensive experience in directing and implementing compliance and training programs.

**Larry L. Fultz, SVP and Chief Human Resources Officer**

Larry is responsible for overseeing all aspects of Human Resources including Talent Management, Organizational Design & Development, Compensation and Benefits, Corporate Culture/Engagement, and Employee Relations for Vanguard Health Systems. Before joining Vanguard, Larry was the EVP of Human Resources for Victoria's Secret (2005-2009), a \$5.5 Billion specialty retailer. Larry has also led the HR organizations for Cintas (2000-2005), and Lexis-Nexis (1990-2000), both multi-billion dollar enterprises. Larry has also held various HR and Finance roles for: RG Barry (1988-1990); Whirlpool Corporation (1984-1988); and The Duriron Company (1979-1984).

Mr. Fultz holds both an MBA and a BS from the University of Dayton in Business Management. He has served on Advisory Boards for both the University of Dayton and Xavier. He has also served as the Corporate Liaison for both Miami of Ohio and the Ohio State University while employed at Cintas.

## Our Culture

Vanguard's enterprise-wide focus on shared values will be the medium through which we drive innovation & transformative thinking and action across the company. Our Mission and Vision are consistent with a broadened focus on health as well as health care. Our Mission, Vision & corresponding Values will be the central focus of a multi-year, enterprise-wide internal communications effort designed to drive employee engagement and productivity around creating a consumer-centric, high-value health and healthcare delivery system.

## Our Stand

### Our Values

**Safety:** We put safety first, for our patients, their families and all who work here.

**Excellence:** We advance health through the continuous pursuit of evidence-based coordinated care.

**Respect:** We treat each other with dignity and value the ideas and perspectives each individual brings.

**Integrity:** We are open, honest & trustworthy. We live our values.

**Accountability:** We take full ownership of our actions and their outcomes.

**Innovation:** We will embrace new ideas & thinking to improve what we do.

### Our Mission

To Help People Achieve Health for Life.

### Our Vision

To Create life-long relationships by changing the way health and healthcare is delivered in our communities.

## Our Strategies

Vanguard is focused on three key strategies:

- *To build and Operate High-Performance, Patient-Centered, Integrated Care Delivery networks.*
  - Our hospitals will become some of the nation's safest places to receive care by reducing serious safety events by more than 80% (indexed to FY2010 baseline) in pursuit of "no patient harmed."
  - We will work with employed and non-employed physicians, nurses and other professionals to develop and propagate new models for primary care which substantially improve the experience of care, lower annual per-capita costs, improve population health, attract physicians and other providers, and are independently financially sustainable.
  - We will work with employed and non-employed physicians, nurses and other professionals to implement state-of-the-art clinical service lines for cancer, heart, brain, orthopedics, hospitalists, ICU & ER which are in the top deciles for experience, safety and quality.
  - We will assure the right information, materials and drugs are seamlessly and easily in the right place at the right time to make the right decision and the deliver the right care for all our patients, all the time.
  - Our hospitals will become some of the most efficient in the country by achieving and maintaining top deciles performances in key patient logistics, flow and productivity management measures through our Emergency Rooms, Floors, Operating Rooms and Intensive Care Units.
  
- *To Fully Engage in Health*
  - Our associates and their families will be one of the healthiest and most productive workforces in America with substantially improved individual and family healthcare experiences and zero growth of healthcare costs by the end of year 2015.
  - We will work with employed and non-employed physicians and other professionals to authentically, visibly and persistently commit to the long-term health and well-being of all of our patients and their families within and beyond the context for their immediate episode of care to measurably improve their and their families' health and radically increase their loyalty by the end of 2013.
  - We will measure and directly improve the health of communities we serve in innovate, clear and compelling ways by the end of FY2015.
  - We will do everything we can to make the environment of our communities as healthy possible by creating zero waste, being supplied within 100% renewable energy and buying products that sustain our resources and the environment by the end of FY2015.

- *To Strengthen our Growth and Reputation Through Local Trust, National Scale and Access to Capital Markets*
  - Our hospitals will be recognized as operational leaders in the markets we serve as measured by top deciles performance in safety and quality, experience and engagement by the end of FY2015.
  - We will create internal core competence in Business-to-Business marketing, federal/state/local advocacy and internal communications as demonstrated through improved consumer and business reputational metrics, advocacy effectiveness and employee engagement by FY2013.
  - We will leverage our vision, system scale, quality delivery systems and national reputation to triple the proportion of “at risk” patient care revenue we receive while growing the total company revenue to \$10B by the end of FY2014.
  - We will hire talent and invest in the development of our associates, increasing skill, professionalization where appropriate and ability to thrive as leaders in our company as evidenced by a 70% internal fill rate for leadership positions and 25% of our new hires graduating from internal training programs by the end of FY2015.
  - Through internal development, we will spinout/in entrepreneurial efforts and/or acquisitions, identify at least twenty new health or healthcare services or products that results in at least \$1B total revenue.



## Our Approach

### A Balanced Scorecard

At Vanguard, we believe in a balanced scorecard approach. All of our incentives plans are significantly weighted to encourage achievement of patient safety, quality outcomes, guest experience and employee engagement goals.

Vanguard Health Systems Scorecard Hospital A: September, 2009													
	Current Month			Fiscal YTD				Current Month			Fiscal YTD		
	Actual	Target	Score	Actual	Target	Score		Actual	Target	Score	Actual	Target	Score
<b>Quality and Safety</b>							<b>Financial</b>						
AMI Bundle	99%	99%	Green	99%	99%	↗	EBITDA	\$2.73	\$2.75	Yellow	\$8.19	\$8.15	↘
CHF Bundle	90%	96%	Red	93%	96%	↘	Margin	18.9%	19%	Yellow	19%	19%	↘
PN Bundle	80%	89%	Red	78%	89%	↗	Cash Flow	\$1.13	\$1.13	Green	\$3.33	\$3.31	↗
SCIP Bundle	95%	94%	Yellow	95%	94%	→	A/R days	44	45	Green	45	45	↗
30 day CHF Readmissions	21.5%	22%	Yellow	21.7%	22%	↘	<b>Growth</b>						
Pressure Ulcers	3.3%	3.5%	Green	3.2%	3.5%	↘	Net Rev. 4 Service Lines	\$8.7	\$8.6	Green	\$25.6	\$25.2	↘
Hand Hygiene rates	95%	90%	Green	97%	90%	↘	Adjusted patient disch	1,530	1,600	Yellow	4,500	4,700	→
Falls with Injury	5%	TBD	Green	5.50%	TBD	↗	Physician recruitment	1	2	Red	5	5	→
Central Line Acq. Sepsis	15th	10th	Red	18th	10th	↗	Payor mix/ Growth index	1.25	1.2	Green	1.23	1.2	↗
Ventilator Assoc Pneum.	20th	10th	Red	18th	10th	↘	<b>Community</b>						
<b>People</b>							<b>Health Index measure</b>						
Voluntary Turnover	15%	10%	Red	17%	10%	↗	To be developed			To be developed			
Contract Labor (\$000s)	\$300	\$200	Red	\$500	\$600	↘	To be developed			To be developed			
Employee engagement	TBD	TBD	Red	TBD	TBD	↗	To be developed			To be developed			
<b>Service</b>							<b>Legend</b>						
Physician Satisf.	57th	75th	Red	55th	75th	↗	At or above target	Green	↗	Trending positive			
Inpatient Satisf.	48th	75th	Red	48th	75th	→	Within 10% of target	Yellow	↘	Trending negative			
Outpatient Satisf.	49th	75th	Red	49th	75th	→	> 10% from target	Red	→	Trending constant			
ED Satisf.	44th	75th	Red	45th	75th	↘	Trends: based on _____						
HCAHPS likelihd to Recom.	71%	68%	Green	65%	68%	↗							

### Developing Future Leaders

The Vanguard Leadership Academy is a development program designed to develop and align the future leaders of Vanguard Health Systems. Nurses, physicians and operational leaders will learn and work together to drive world-class safety, quality and value to our guests through development, alignment and innovation. There are three program tracks: Nursing Leadership, Physician Leadership and Operational Leadership, and three program curriculums, Leadership Foundations, Leadership Operations and Leadership Strategy and Innovation. Competition for the 45 spots in the inaugural class was extraordinarily competitive, with the number of applicants far outnumbering the available openings.

## Recent Achievements

### People

- Our people are our most valuable asset, and we measure their engagement utilizing the Gallup organization. As a company, Vanguard has increased our employee satisfaction grand mean score from 3.97 in 2008 to 4.14 in 2009, which places the company in the 66<sup>th</sup> percentile of Gallup's healthcare database.
- In 2009, three of our facilities were ranked as "Best Places to Work" in their communities.
- In 2009, we launched the Vanguard Leadership Academy for physicians, nurses and operational leaders – a three phase process to develop future leaders from administration to the front line.
- 2010 recipient of Gallup Great Workplace Award

### Quality

- Vanguard was recognized by the Advisory Board Nurse Executive Center in 2009 as a "best practice" in the treatment of pressure ulcers.
- Vanguard Hospitals have reached a low of 0.5 Ventilator Associated Pneumonia (VAP) cases per 1,000 ventilator days in the most recent reporting month. This places us among the top 10% of all teaching hospitals per the National Healthcare Safety Network Report issued in November 2008.
- Many of our hospitals have been recognized for their quality achievements including:
  - Arrowhead Hospital, Arizona, recently chosen as a winner of the 2009 Reuters 100 Top Hospitals: Cardiovascular Benchmarks Award
  - Saint Vincent Hospital, Massachusetts which recently received the Harvard Pilgrim Quality Award and the Data Advantage Best in Value Award
  - The five hospital Baptist Health System achieved Stroke Center Accreditation from The Joint Commission for all five facilities and was the first hospital system in San Antonio to do so.

### Community

- In Phoenix, through our School Based Health Centers, we provide free medical and dental care to more than 5,000 children (K-high school) each year. The program, which is celebrating its 12th anniversary, reaches 50 schools in the Phoenix area to provide health care to underprivileged children.
- Vanguard recently opened the Faith Family Clinic a fully-staffed primary care center providing a medical home for San Antonio's working uninsured population.
- In addition to hundreds of community health fairs hosted by our hospitals, our employees commit their own time and own money to many organizations including the United Way, American Diabetes Association and Susan G. Komen.
- We continue to work with community leaders to help fund the construction of a facility in Cicero for expansion of an FQHC. MacNeal gifted the rent and expenses for 2 years of operation.

## Why Vanguard?

Vanguard will become the model of the sustainable healthcare enterprise of the future:

- By focusing on the total health & healthcare needs of the community
- Through continued excellence in operational and revenue cycle management
- Through employee engagement initiatives that reward what we value: a balanced approach to the business
- By reinventing the health & healthcare experience for consumers
- Through the creation of end-to-end, Virtual Health Networks that deliver the right care, at the right time, in the right place
- Through focused, sustained growth
- By creating life-long relationships with consumers

