

Genesis HealthCare System

Investors' Meeting

September 10, 2013





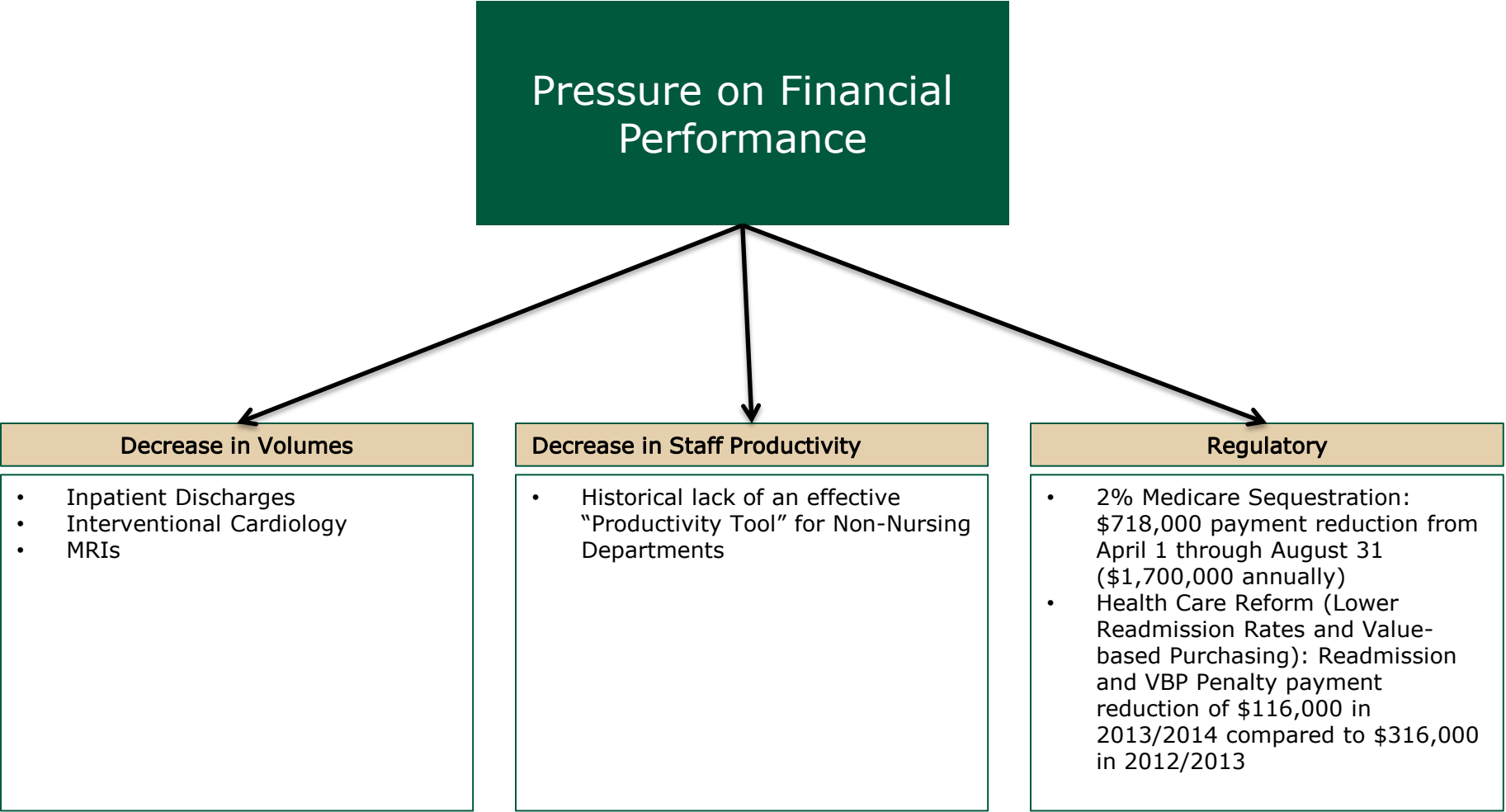
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Unaudited Statement of Operations – Hospital
Six-month Period Ended June 30, 2013 and 2012
(\$ in thousands)

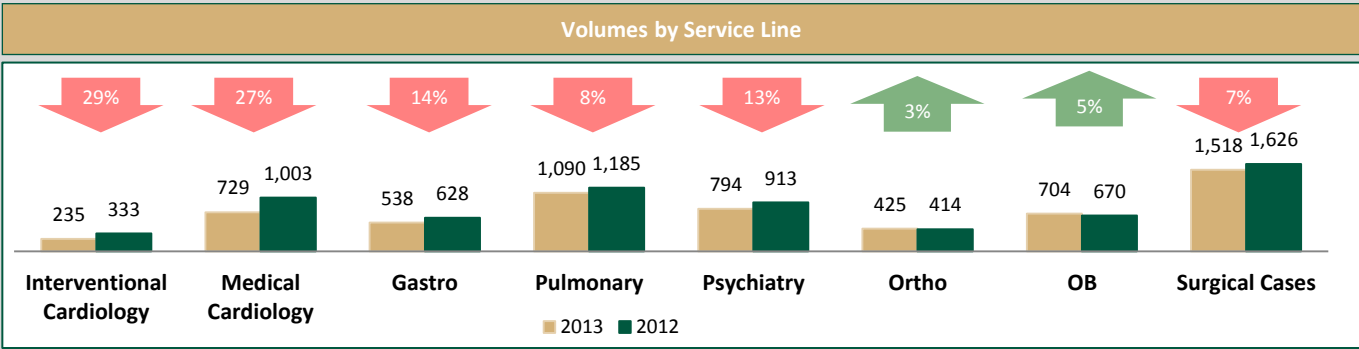
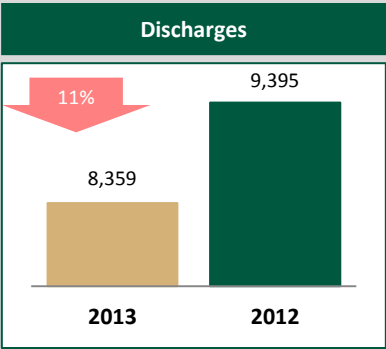
	2013	2012	Variance	
			\$	%
Revenue				
Net patient service revenue less provision for bad debts	153,320	157,535	(4,215)	-2.7% ●
Other revenue	6,280	9,432	(3,152)	-33.4% ●
Total unrestricted revenue, gains, and other support	159,600	166,967	(7,367)	-4.4% ●
Expenses				
Salaries and Wages	59,530	57,837	1,693	2.9% ●
Employee benefit and payroll taxes	18,539	18,604	(65)	-0.3% ●
Operating supplies and expenses	31,273	31,819	(546)	-1.7% ●
Purchase services	12,847	12,865	(18)	-0.1% ●
Other	19,164	18,941	223	1.2% ●
Depreciation	8,658	7,118	1,540	21.6% ●
Interest expenses	1,028	1,065	(37)	-3.5% ●
Total Expenses	151,039	148,249	2,790	1.9% ●
Operating Income Before Accelerated Depreciation on Existing Hospital Facility	8,561	18,718	(10,157)	-54.3% ●
Accelerated Depreciation	1,809	-	1,809	- ●
Operating Income After Accelerated Depreciation on Existing Hospital Facility	6,752	18,718	(11,966)	-63.9% ●
Other Income (Loss)				
Investment income	3,791	1,435	2,356	164.3% ●
Loss of refunding debt	(384)	-	(384)	- ●
Unrealized gains (losses) on trading securities	83	1,404	(1,321)	-94.1% ●
Total other income	3,490	2,839	651	22.9% ●
Excess of Revenue Over Expenses	\$ 10,242	\$ 21,557	(11,315)	-52.5% ●
Operating Margin Before Accelerated Depreciation on Existing Hospital Facility	5.4%	11.2%		



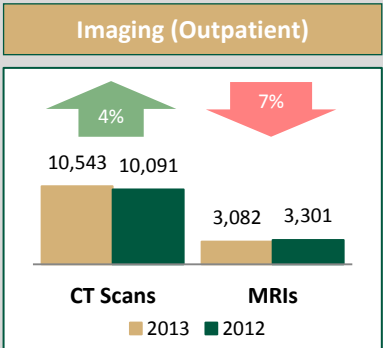
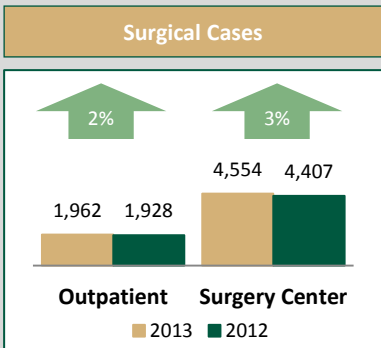
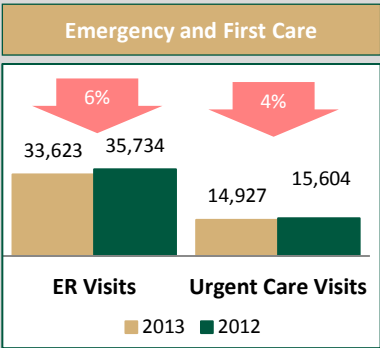
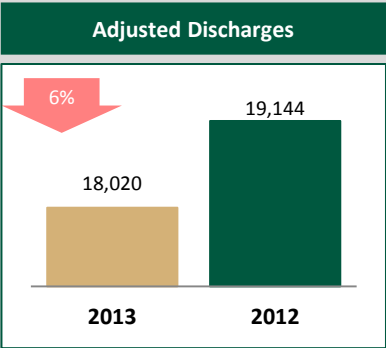
Cardiology volumes decreased primarily due to the industry-wide implementation of Appropriate Use Criteria, guidelines that physicians follow in determining whether a Percutaneous Coronary intervention is appropriate, increasing the utilization of medical therapy treatment in lieu of procedural interventions.



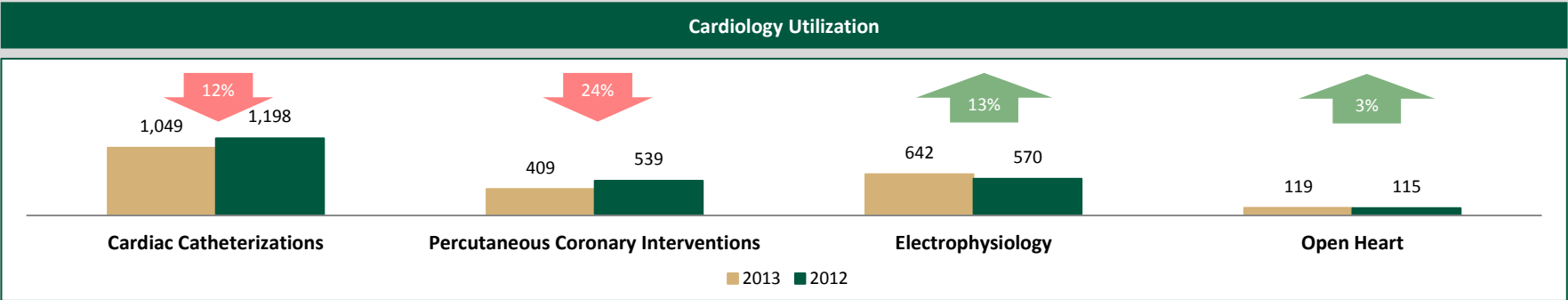
INPATIENT



OUTPATIENT

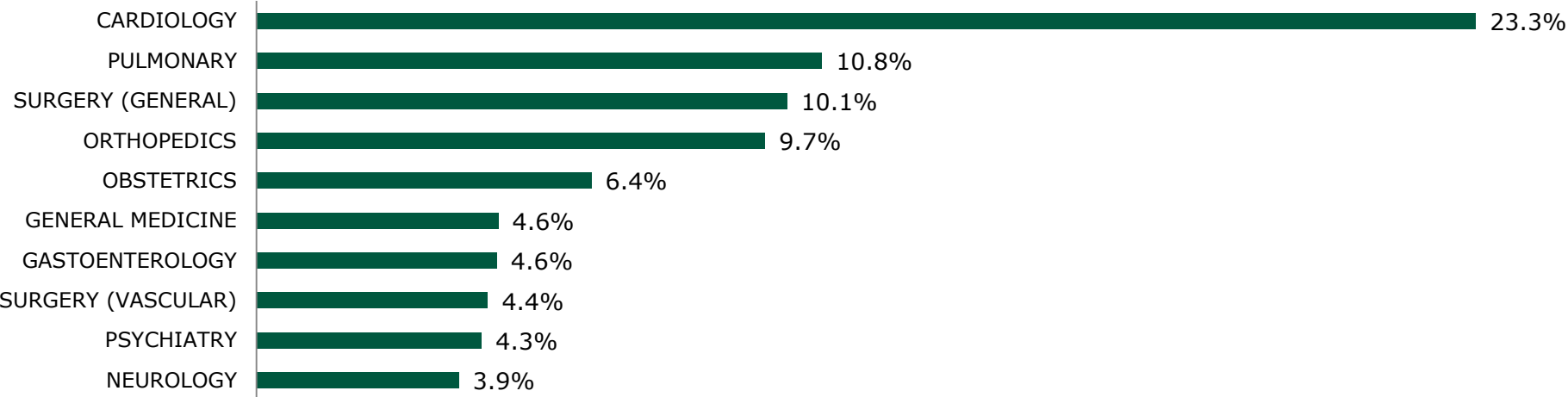


CARDIOLOGY

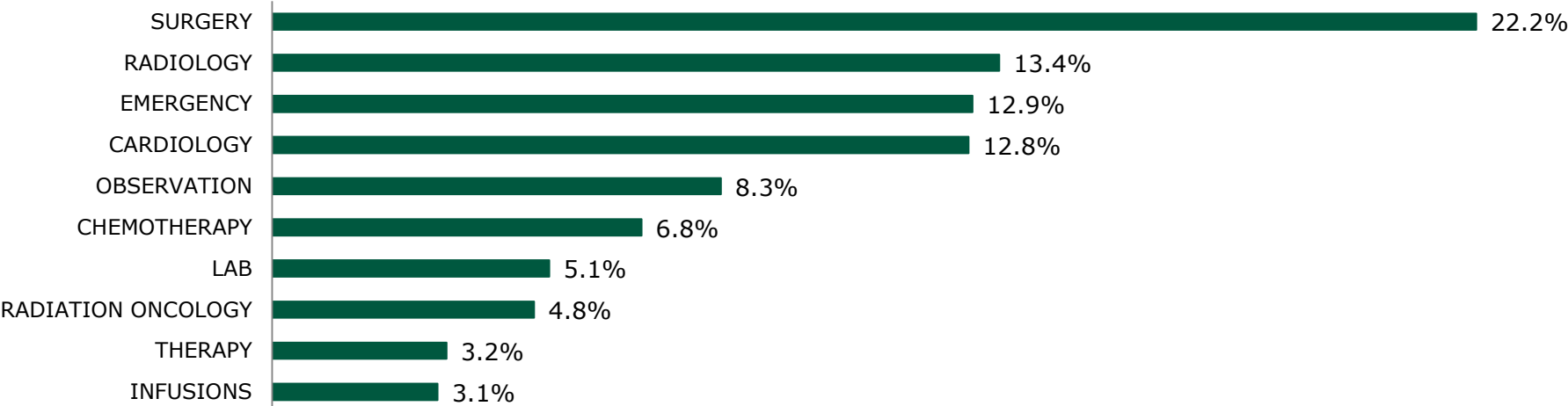




Inpatient by Service Line
Top 10 (82.1% of Net Revenue)





Outpatient by Service Line
Top 10 (92.6% of Net Revenue)





“Best Practice” Revenue Cycle

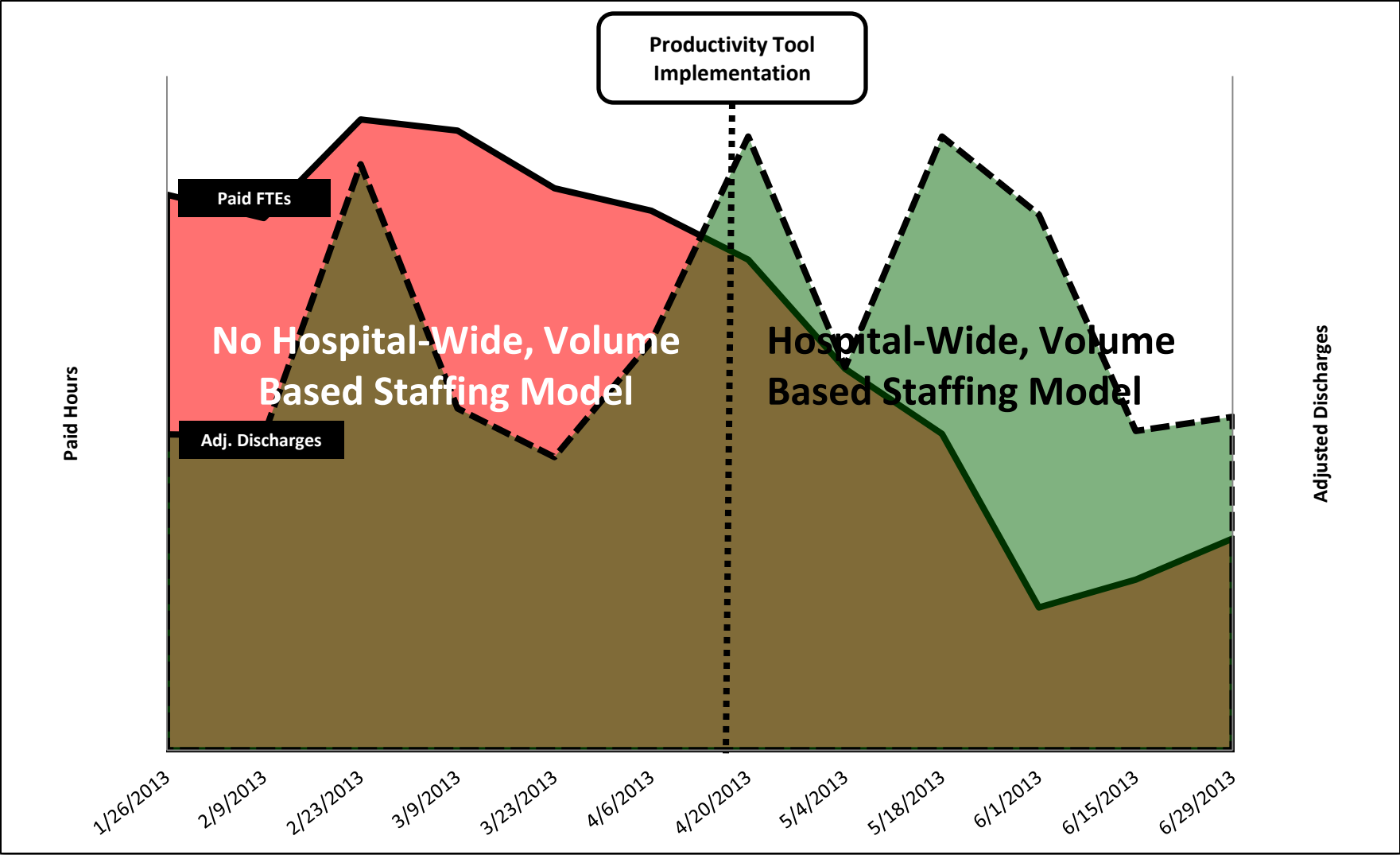
- Initiatives:
- Real-time Insurance Eligibility Verification → Optimize Insurance Collection
 - Automated Payor Denial and Underpayment Workflow → Improve Payor Collection
-  *RAC Appeal Success: 95% success rate on cases appealed (411 cases have been appealed out of 425 total Cases or 97%)*
-  *Genesis HealthCare was named an Epic MVP for its outstanding Key Metric Performance after implementation of the Epic Hospital Revenue Cycle System*

Highly Productive Staffing Model

- Initiatives:
- Implemented Hospital-Wide Productivity Monitoring/Benchmarking Tool at the end April 2013
 - 30, 60, 90 Action Plans implemented in May, June, and July 2013 to improve productivity and decrease staffing

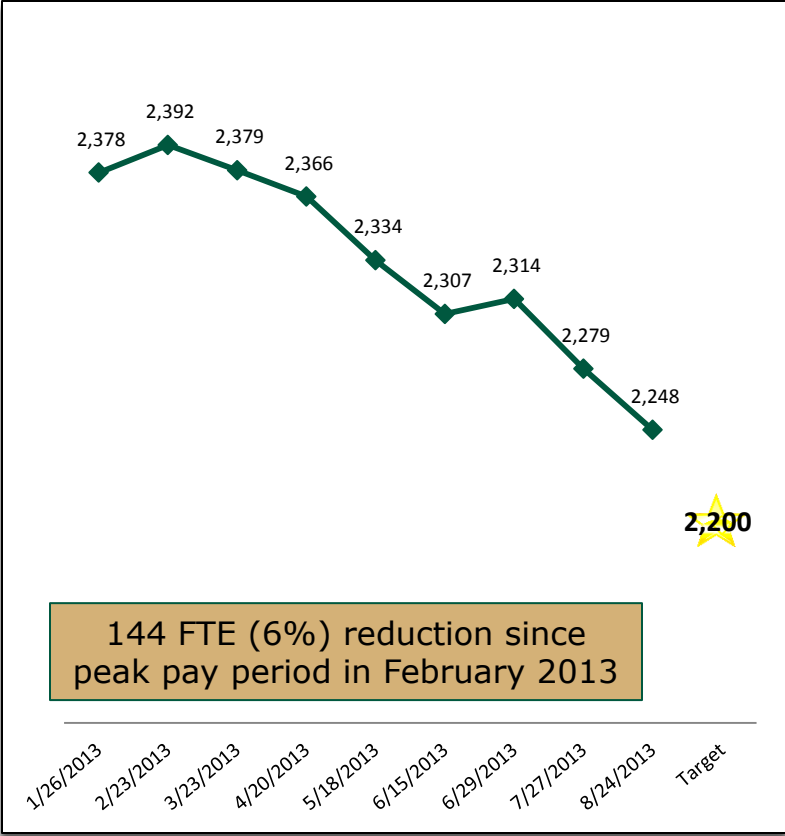
Improve Market Share Capture

- Initiatives:
- Implement efficient patient transfer process with Coshocton Hospital
 - Track and analyze domestic capture from employed physician network; focus on identifying and resolving the issues causing patient outmigration





Paid FTE Trend (Hospital)



Benefit Incentive Plan

Employees 62 or older and benefit eligible who voluntarily resigns his/her employment with Genesis by 12/31/2013 can continue to participate in the Medical and Dental plans for up to 3 more years paying only the employee portion of the premium

- 200 Eligible
- 98 Inquiries*
- 48 (36.5 FTEs) Confirmations*

* Updated as of 9/6/2013

Planned FTE Reductions

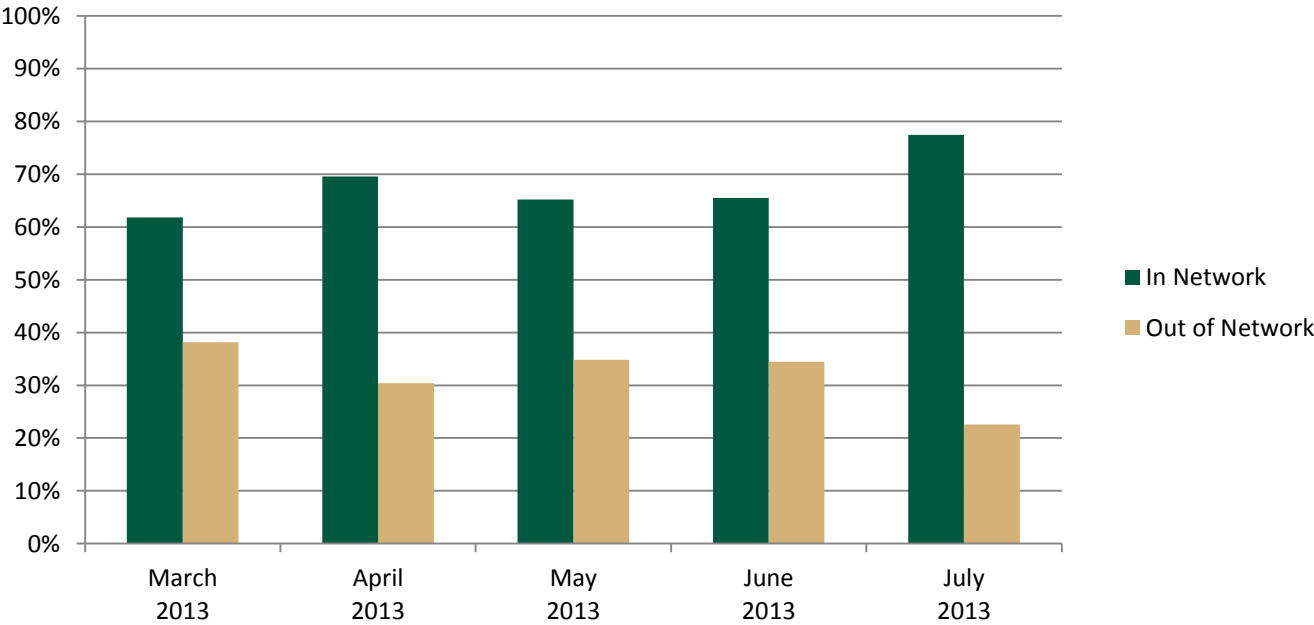
22.8 FTEs (over next 2 pay periods)



Track and analyze domestic capture from employed physician network; focus on identifying and resolving the issues causing patient outmigration

Domestic Capture 2013

71% In Network
29% Out of Network



GMG (Specialists): 68.5% / 31.5%
GPCP (Primary Care): 80.5% / 19.5%



Unaudited Statement of Operations – Consolidated Physician Companies
Six-month Period Ended June 30, 2013 and 2012
(\$ in thousands)

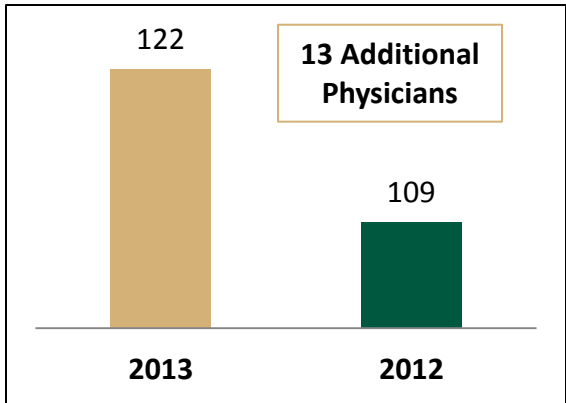
	2013	2012	Variance		
			\$	%	
Revenue					
Net patient service revenue less provision for bad debts	20,336	19,661	675	3.4%	●
Other revenue	882	789	93	11.8%	●
Total unrestricted revenue, gains, and other support	21,218	20,450	768	3.8%	●
Expenses					
Salaries and Wages	24,042	21,206	2,836	13.4%	●
Employee benefit and payroll taxes	2,634	2,221	413	18.6%	●
Operating supplies and expenses	760	422	338	80.1%	●
Purchase services	7,616	7,578	38	0.5%	●
Other	2,033	2,013	20	1.0%	●
Depreciation	189	112	77	68.8%	●
Total Expenses	37,274	33,552	3,722	11.1%	●
Operating Income	(16,056)	(13,102)	(2,954)	22.5%	●
Other Income (Loss)					
Nonoperating income	-	(4)	4	-100.0%	●
Excess of Revenue Over Expenses	\$ (16,056)	\$ (13,106)	(2,950)	22.5%	●
Operating Margin Before Accelerated Depreciation on Existing Hospital Facility	-75.7%	-64.1%			



Physician Loss By Practice Specialty (\$ in thousands)

	Six-month Period Ended June 30,		Variance		
	2013	2012	\$	%	
Primary Care	\$ (3,442)	\$ (2,313)	\$ (1,129)	48.8%	●
Specialists	(6,719)	(5,950)	(769)	12.9%	●
Emergency Medicine	(1,819)	(709)	(1,110)	156.6%	●
Inpatient Specialists	(3,097)	(2,546)	(551)	21.6%	●
Administration	(979)	(1,588)	609	-38.4%	●
Total Loss	\$ (16,056)	\$ (13,106)	\$ (2,950)	22.5%	●

of Employed Physicians



Primary Care	Specialists	Emergency Medicine	Inpatient Specialists	Administration
<p>Decrease in Net Revenue:</p> <ul style="list-style-type: none"> Volume decrease and higher exposure of bad debt and contractual adjustments 	<p>Physicians Added:</p> <ul style="list-style-type: none"> Surgery (3 Providers) \$ 337 Radiation Oncology (2 PT Providers / Locums) 175 Interventional Cardiology (1 Provider) 130 	<ul style="list-style-type: none"> Impact of Locums Coverage (4.3 FTEs) \$ 550 Recruitment of New Physicians 530 <p>As of Oct-2013 no locum coverage will be needed</p>	<ul style="list-style-type: none"> Impact of Locums Coverage (4.1 FTEs) \$ 275 	<ul style="list-style-type: none"> Incurring additional billing and collection costs in 2012 due to the legacy AR run-out



Engaged Halley Consulting Group in August 2012

Governance/Structure

- Interim Network Executive assigned (Halley Consulting Group)
- Restructured network, clarifying roles and responsibilities
- Formed network operating council (Physician Governance)
- Formal quarterly action plan establishing best-practice operational governance model and performance improvement

Increasing provider productivity

- Alignment of Compensation and Productivity
- Physician Team Care Medicine training
- Referral Management Tool implementation
- Scheduling optimization

Coding Improvements

- Coding education for all physicians
- Post education coding audits
- Implementation of GAP analysis dashboard reports to track each provider’s coding index

Revenue Cycle Improvements

- Reduce days in A/R to best practice of <35 days (Current 55-59 days)
- Reduce/eliminate denials increasing net collections to best practice of 95% (Current 84%)
- Reduce charge entry lag to best practice of <2 days (Current 14 days)
- Consider provider-based billing



Physician Reductions

(\$ in thousands)

Specialty	Provider Reductions	Projected Savings in 2013	Annualized Savings	Reductions Completed (as of 9/30/13)
Cardiology	3.00	\$ 226	\$ 1,772	2
Neurosurgery	1.00	245	529	1
Hospitalists & Intensivists*	4.35	256	1,537	3.35
ENT/Otolaryngology	1.00	-	310	1
Gastroenterology	1.00	269	487	1
Pain Management	1.00	484	684	1
Primary Care (GMG only)	2.00	91	265	2
Total	13.35	\$ 1,571	\$ 5,584	11.35

**Includes shift reduction of 1 per day , which is equal to 3.35 FTE/Providers*



THE
**Your Hospital.
Your Health.**
CAMPAIGN

Collective generosity
of employees, board
members, and the
community...

Current: \$15.5 million

16.5 M
15.0 M
13.5 M
12.0 M
10.5 M
9.0 M
7.5 M
6.0 M
4.5 M
3.0 M
1.5 M
0.0 M



Goal: \$15.0 million

Campaign started 03/01/2012



Facility Project Status

Budget

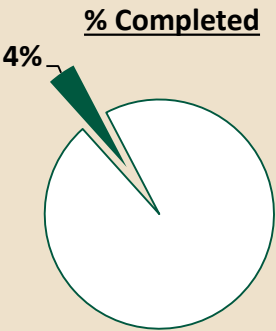
Budget
\$201,422,185



Comments

- The project is currently within budget

Timeline



Comments

- Estimated Substantial Completion Date: April 27, 2015
- The project is currently on time



Live WebCam

<http://oxblue.com/open/genesis>

