17th Annual Citi Not-for-Profit Health Care Investor Conference
Partnering and Collaborating to Drive Value and Innovation
May 18, 2016
Presenters:

• Richard P. Miller  
  President and Chief Executive Officer

• Robert M. Segin  
  Executive Vice President and Chief Financial Officer

• Gerard V. Lowe  
  Senior Vice President, Finance
PRESENTATION OF VIRTUA

Agenda

• Overview of Virtua
• Virtua’s Value Proposition Strategy
• Market Share
• Financials
  ✓ Geographic Realignment and Focus
  ✓ Public Credit Ratings
  ✓ Major Financial Ratios
  ✓ Investment Portfolio and Debt Composition
OVERVIEW OF VIRTUA
MISSION
Virtua helps you be well, get well and stay well

VISION
Virtua will be the premier choice for health and wellness
VIRTUA

Evolving Our Network to Improve Access
Summary

• Ambulatory
  ✓ Clinical Management
    o Virtua Care – Accountable Care Organization
    o Virtua Physician Partners – Clinically Integrated Network
  ✓ Virtua Medical Group (VMG)
  ✓ Five Health and Wellness Centers
  ✓ Five Urgent Care Centers
  ✓ Thirteen Ambulatory Surgery Joint Ventures
  ✓ Home Health Agencies serving Burlington, Camden and Gloucester Counties
VIRTUA

Summary

• Acute Care
  ✓ Three acute care facilities in excess of 950 beds

• Post Acute
  ✓ Two skilled nursing facilities in excess of 300 beds

• Other
  ✓ Virtua Foundation
  ✓ Virtua Assurance - Captive
1. Memorial Hospital
   West Jersey Hospitals
   ASC Joint Ventures
   Hospital-Based Outpatient Services

2. Berlin Rehab
   Mount Holly Rehab
   Virtua Retail
   . Health Fitness Centers
   . Exuberan
   . Virtù
   . Lifewell

3. Virtua Clinically Integrated Network (CIN)
• **Awards and Recognition**

  ✓ “A” rated hospitals from The Leapfrog Group
    - Two hospitals rated in the Top 100
  ✓ “A” rated hospitals from Healthgrades
  ✓ Virtua Voorhees received Press Ganey *Guardian of Excellence Award* for Patient Satisfaction
    - Virtua Voorhees is ranked in the Top 5% nationally
  ✓ Virtua was recognized as one of the Top 100 healthcare organizations in the nation for Medical Excellence and Patient Safety by Carechex, a division of Comparion Medical Analytics
  ✓ Virtua received a High Performing Award for Quality and Efficiency Care by Horizon
  ✓ Virtua voted as *Best Place to Work in the Delaware Valley* by the Philadelphia Business Journal
Community Benefit

• Annually, Virtua’s community benefit expense has been in the $70 to $90 million range

  ✓ Largest dollars are in financial assistance and Medicaid shortfall
  ✓ Under its own program, Virtua provides charity care assistance to individuals earning up to 500% of the Federal Poverty Guidelines
  ✓ Virtua sponsors or supports a wide range of programs that improve community health or provide health professions education
  ✓ Virtua also subsidizes the losses incurred on many critically needed programs and services
VALUE PROPOSITION
STRATEGY
Customer Awareness & Service

Product & Price

Transparency (Quality & Safety)

Employment Engagement

CONSUMER LOYALTY

Excellent Service

Quality & Safety

Caring Culture

Best People

Resource Stewardship

Outstanding Experience
Continued Growth and Emphasis on Health and Wellness

✓ Virtua Medical Group
  o 415 clinicians at over 72 practice locations
    ▪ 300 employed physicians representing 20% of the active medical staff
      ▪ 85 primary care physicians - Medical Home Level III designation
      ▪ OB/GYN, maternal fetal medicine, cardiology, pulmonary, neurology, surgeons, and other specialty practices
  o 750,000 encounters annually
  o Virtua for Women
    ▪ Primary and specialty physicians dedicated to women’s health
  o Remote home monitoring
  o Commencement of access to VMG physicians via Teladoc
• Continued Growth and Emphasis on Health and Wellness (continued)

✓ Virtua Care - ACO
  o Covered lives are exclusively through VMG primary care physicians medical home model
    ▪ Medicare = 15,000
    ▪ Payers = 30,000
    ▪ Employees/Dependents = 12,000

✓ Community health managers manage the wellness, chronic disease and coordinate care for our high risk members

✓ Care teams (nutritionists, social workers, pharmacists, and health trainers) assist the health managers to promote better health and manage chronic disease

✓ ACO will be expanded to manage the covered lives of Virtua Physician Partners (CIN)
• Continued Growth and Emphasis on Health and Wellness (continued)

✓ Ambulatory Surgery Joint Venture Strategy

  o 13 Joint Ventures throughout New Jersey
  o 2016 projected case volume of 80,000 – 45% increase over 2015
  o $150 million in projected 2016 revenue
  o Over 260 physician investors
  o Six additional ASC’s are currently under review
• Continued Growth and Emphasis on Health and Wellness (continued)

✓ Virtua Partnership Models
  o Physicians
    ▪ Clinical Co-Management
    ▪ Professional Services
    ▪ Equity Based Joint Ventures
    ▪ Shared Savings
    ▪ Bundled Payments
    ▪ Employment
    ▪ Clinically Integrated Network
  o Ambulatory
    ▪ CVS Minute Clinics
    ▪ Teladoc
• Continued Growth and Emphasis on Health and Wellness (continued)
  ✓ Ambulatory Surgery Centers
    o SCA
    o Amsurg
• Continued Growth and Emphasis on Health and Wellness (continued)

✓ Health System Strategic Alliance
  o Penn Medicine
    ▪ Cancer
      ▪ Clinical trials, genetic research, physician support, navigation
    ▪ Neurosciences
      ▪ Penn working with Virtua to provide “intermediate” neurosurgery at Virtua
      ▪ Advanced neurosurgery will be performed at Penn
  o Children’s Hospital of Philadelphia
    ▪ Joint venture in pediatric diagnostic and sleep centers
    ▪ Physician pediatric coverage throughout Virtua
• Continued Growth and Emphasis on Health and Wellness (continued)

✓ Post Acute
  o Various long term facilities “preferred providers” based on quality and outcomes
  o Samaritan Hospice

✓ Other
  ▪ General Electric Enterprise partnership
• Continued Growth and Emphasis on Health and Wellness
(continued)

✓ Virtua Physician Partners – Clinically Integrated Network
  o Wholly owned by Virtua
  o Equal governance structure between Virtua and physicians
  o 1,400 physician participants throughout all specialties with an
     emphasis in primary care – 1,100 independent physicians
  o Mission is to enhance Virtua’s Population Health delivery model
     by aligning clinical groups, quality, access, efficiency, and
     affordable pricing
  o Virtua Physician Partners will participate with all health plans in
     addition to creating its own private label product
• Continued Growth and Emphasis on Health and Wellness

✓ Virtua Private Label Plan in Partnership with Aetna
  o Aetna Whole Health Virtua Plan
    ▪ Virtua Physician Partners will be the exclusive physician provider group in plan
    ▪ Virtua’s strategic healthcare partners will be preferred participants in the plan
    ▪ The plan will be offered within our three county market which serves a population of approximately 1 million
    ▪ The plan will offer:
      ▫ Health and wellness services
      ▫ Personal navigation
      ▫ Billing concierge services
      ▫ Competitive pricing
    ▪ Small group market sales will commence this summer
MARKET SHARE & FINANCIALS
Cautionary Statement Regarding Forward-Looking Statements

Certain statements included, incorporated by reference or verbally discussed constitute projections or estimates of future events, generally known as forward-looking statements. These statements are generally identifiable by the terminology used such as “plan,” “project,” “expect,” “estimate,” “budget,” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Virtua does not plan to issue any updates or revisions to those forward-looking statements if or when changes in its expectation, or events, conditions or circumstances on which such statements are based occur.
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<th>2012</th>
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• Standard & Poor’s “AA-” with a Stable Outlook

• Fitch Ratings ”AA-” with a Stable Outlook

• Virtua has the highest health system public credit rating in the State of New Jersey
VIRTUA FINANCIALS

Operating and Excess Margins

--- 2014 S&P "AA-" Excess Margin Median = 6.0%
--- 2014 S&P "AA-" Operating Margin Median = 3.2%
--- 2014 S&P "AA-" Days' Cash on Hand Median = 259.1
VIRTUA FINANCIALS

Debt to Capitalization

--- 2014 S&P "AA-" Debt to Capitalization Median = 30.5%
VIRTUA FINANCIALS

Balance Sheet

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<th>Total Assets</th>
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<td>$2,424</td>
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VIRTUA’S INVESTMENT PROFILE*

**Overall Structure**

- **Real Estate** ($12 MM), 1%
- **Fixed Income** ($714 MM), 52%
- **Equity** ($661 MM), 47%

**Allocation of Equities**

- **Emerging Markets** ($25 MM), 4%
- **Large Cap** ($206 MM), 31%
- **Defensive Equity** ($193 MM), 30%
- **International** ($171 MM), 26%
- **Small/Mid Cap** ($57 MM), 9%

- **Investment Manager:** Russell Investments (London Stock Exchange Group subsidiary)
- **Separate pools and allocations for Non-Qualified and Pension funds**
- **Frozen defined benefit pension plan funded status is 85% @ 3/31/16**

*As of 3/31/16*
2015 weighted cost of capital was 3.49%

No interest rate swaps in place

LOCs are with JP Morgan, TD Bank and Wells Fargo

Cash, net of LOC total, exceeds AA- median; up-to-4 year term-out
Thank You!