

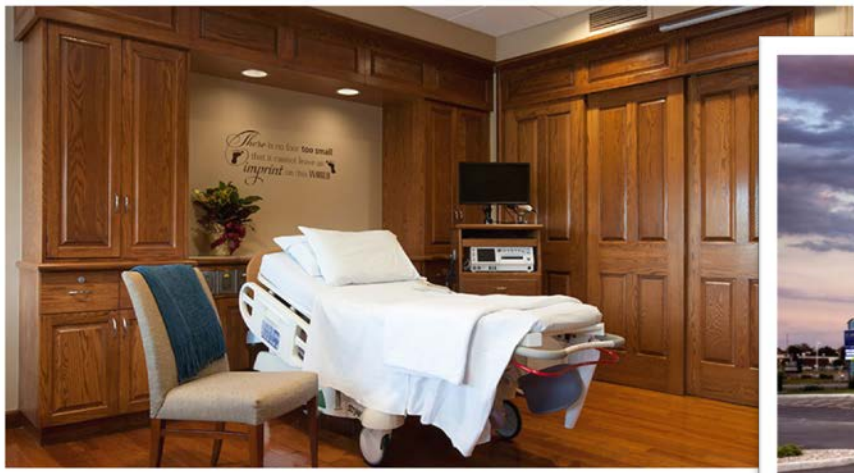


Hospital Sisters
HEALTH SYSTEM

2017 J.P. MORGAN Healthcare Conference

Mary Starmann-Harrison – President and CEO

Michael Cottrell – CFO



The following material and presentation contains information which is forward looking with the meaning of federal securities law. These forward-looking statements are based on the current plans and expectations of Hospital Sisters Health System (HSHS) that, although believed to be reasonable, are subject to a number of known and unknown uncertainties and risks inherent in the operation of health care facilities, many of which are beyond HSHS' control, that could significantly affect current plans and expectations and HSHS' future financial position and results of operations. These forward-looking statements speak only as of the date made. Investors are cautioned not to unduly rely on such forward-looking statements. This presentation should be reviewed in conjunction with HSHS' June 30, 2016 and September 30, 2016 continuing disclosure reports.

DISCLAIMER

Hospital Sisters Health System: History

- 1875: Hospital Sisters immigrate to Illinois
- 1875-1900: Legacy hospitals founded throughout Illinois and Wisconsin
- 1978: Hospital Sisters Health System (HSHS) incorporated
- 1995: Prevea partnership with HSHS formed
- 2008: HSHS full affiliation with Prairie Cardiovascular Consultants
- 2009: HSHS Medical Group founded



Mission, Vision & Values

- Mission:** To reveal and embody Christ's healing love for all people through our high quality Franciscan health care ministry
- Vision:** Rooted in our Franciscan Mission, we will be the unique, high quality Health System providing exceptional care, centered on the whole person
- Values:** Respect | Care | Competence | Joy

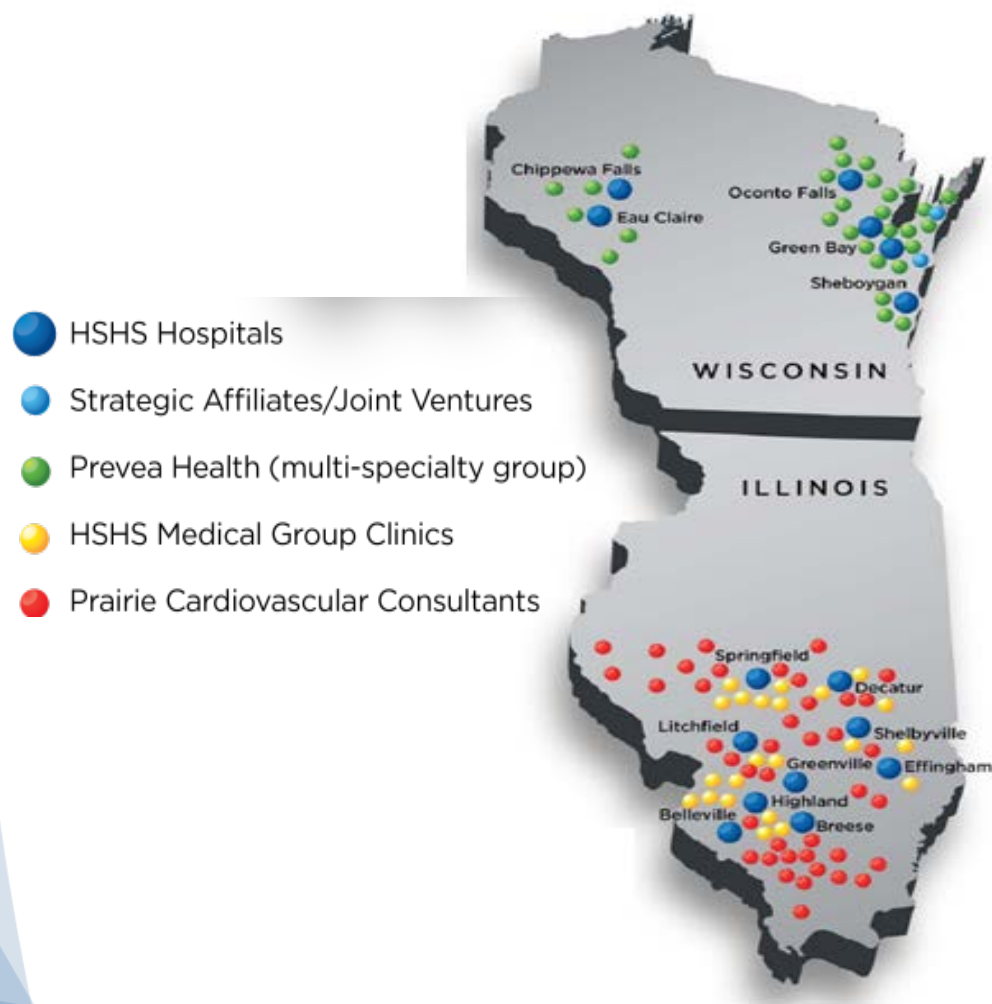


Healthcare is Local

Wherever volume can ensure quality and financial viability, care should be delivered within a patient's community



Mid-sized and Rural Markets



Fiscal Year 2016 Statistics	
Population Served:	2.6 Million
Total Revenue:	\$ 2.3 Billion
Community Benefit:	\$ 203.8 M
Total Surgeries	66,598
Inpatient Admissions:	75,225
Outpatient Registrations:	1,533,191
Emergency Room Visits:	310,230
Employees:	14,482

Strategic Plan: 2017-2021

Four Key Strategies:

- Franciscan Formation/Mission Integration
- Quality/Care Integration
- Develop Our People
- Stewardship: Operations/Finance and Growth

Annual Goals and Outcomes



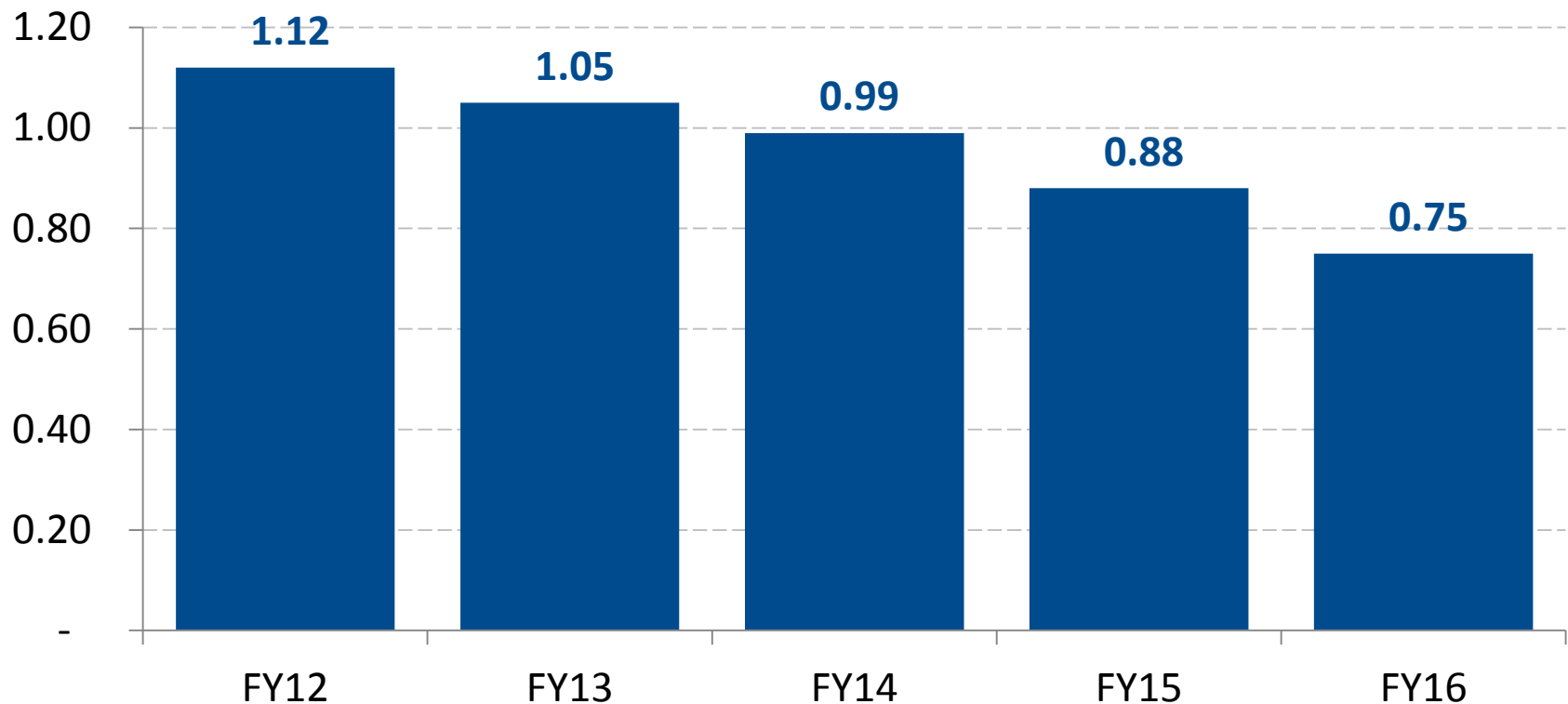
Franciscan Formation/Mission Integration

- Community Benefit
8.1% of Operating Expenses Annually
- Press Ganey Mission Questions
68th percentile rank
- Advisory Board Colleague Engagement Mission Questions
78th percentile rank
- Catholic Sponsored



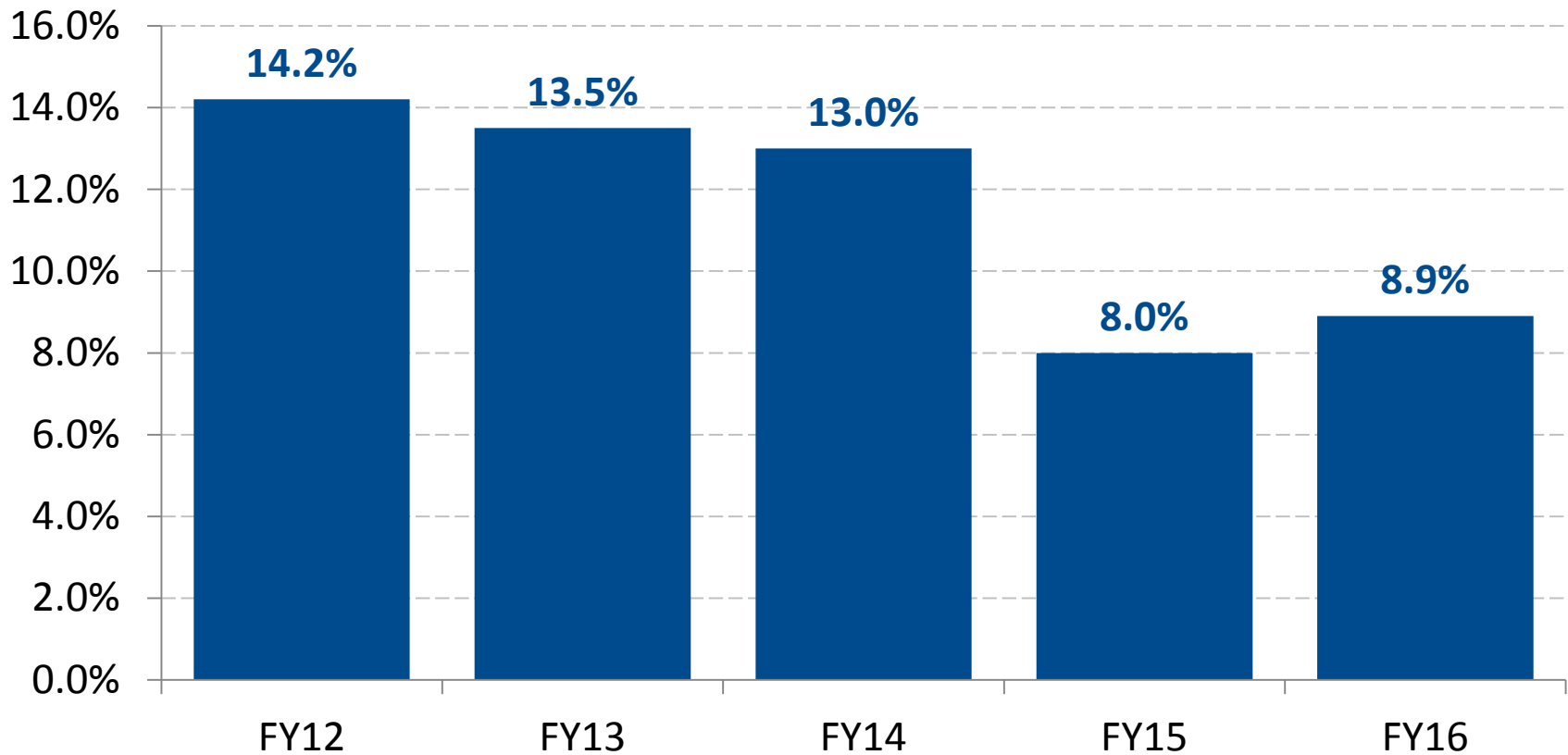
Quality: Risk Adjusted Mortality

**Risk Adjusted Mortality
(Outcome/Expected Ratio)**



Quality: 30-Day Readmissions

VBP 30- Day Readmission Rate



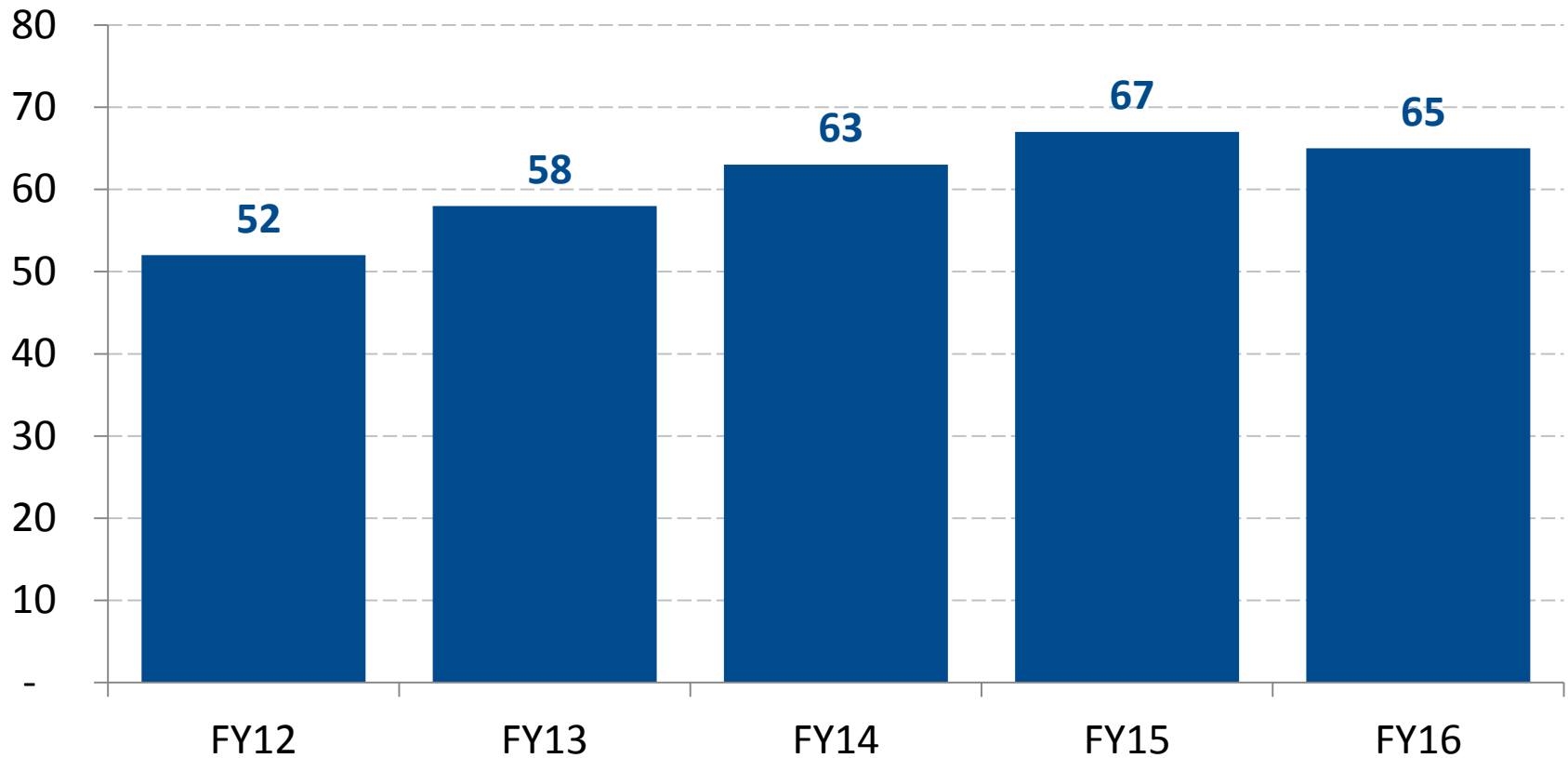
* New diagnoses have been added each year



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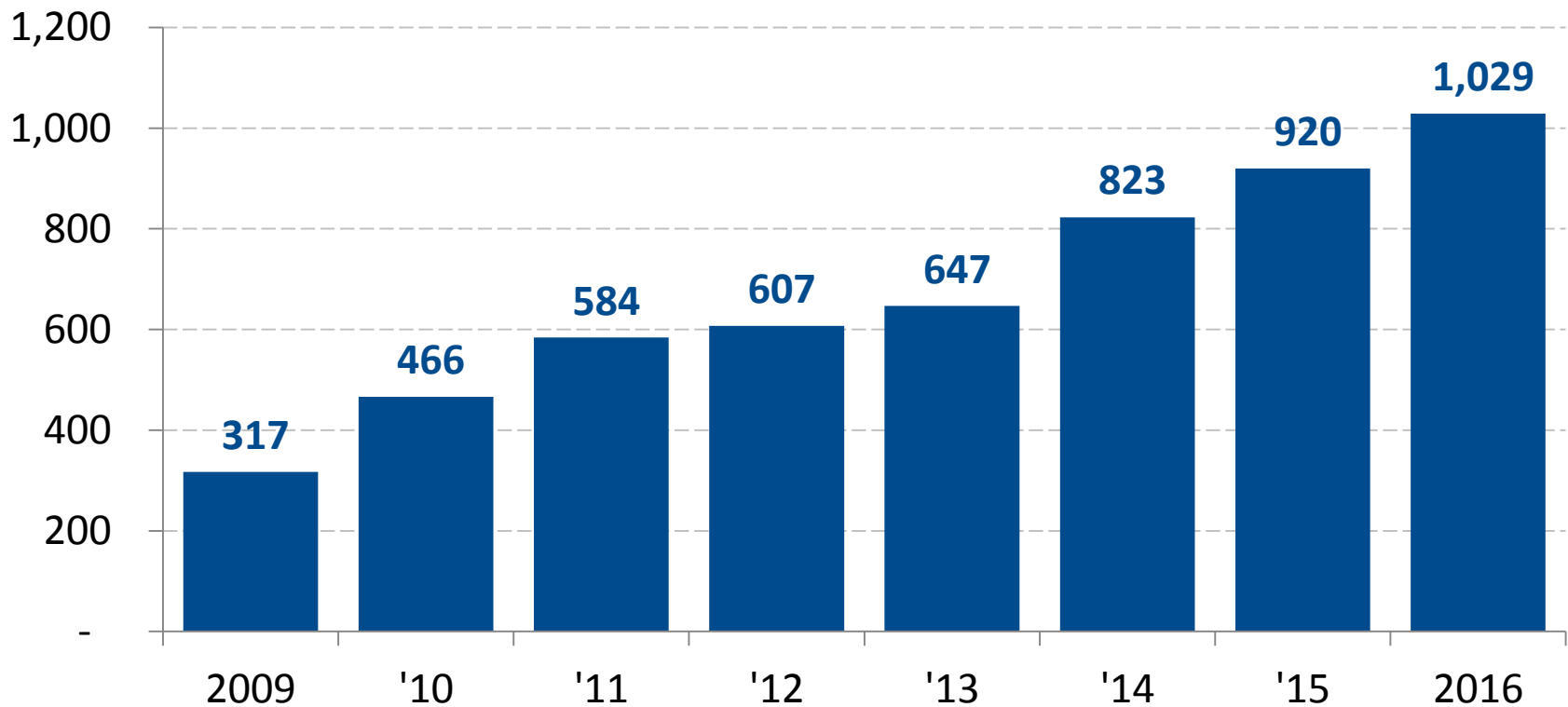
Quality: HCAHPS Ranking

Average Percentile Rank of VBP HCAHPS



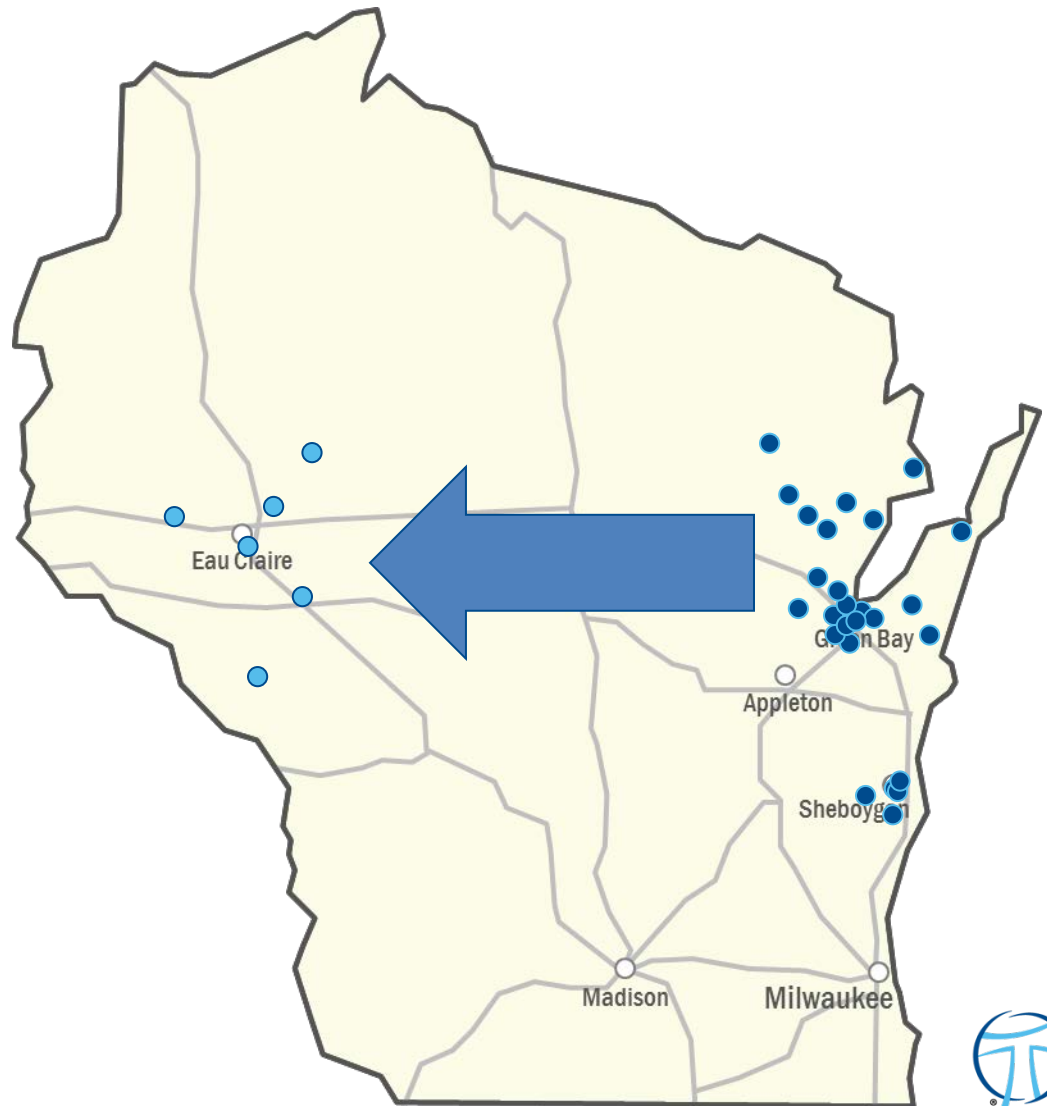
Care Integration: Provider Growth

Employed/PSA Aligned Providers
(Prevea, HSHS Medical Group, Prairie Cardiovascular Consultants)

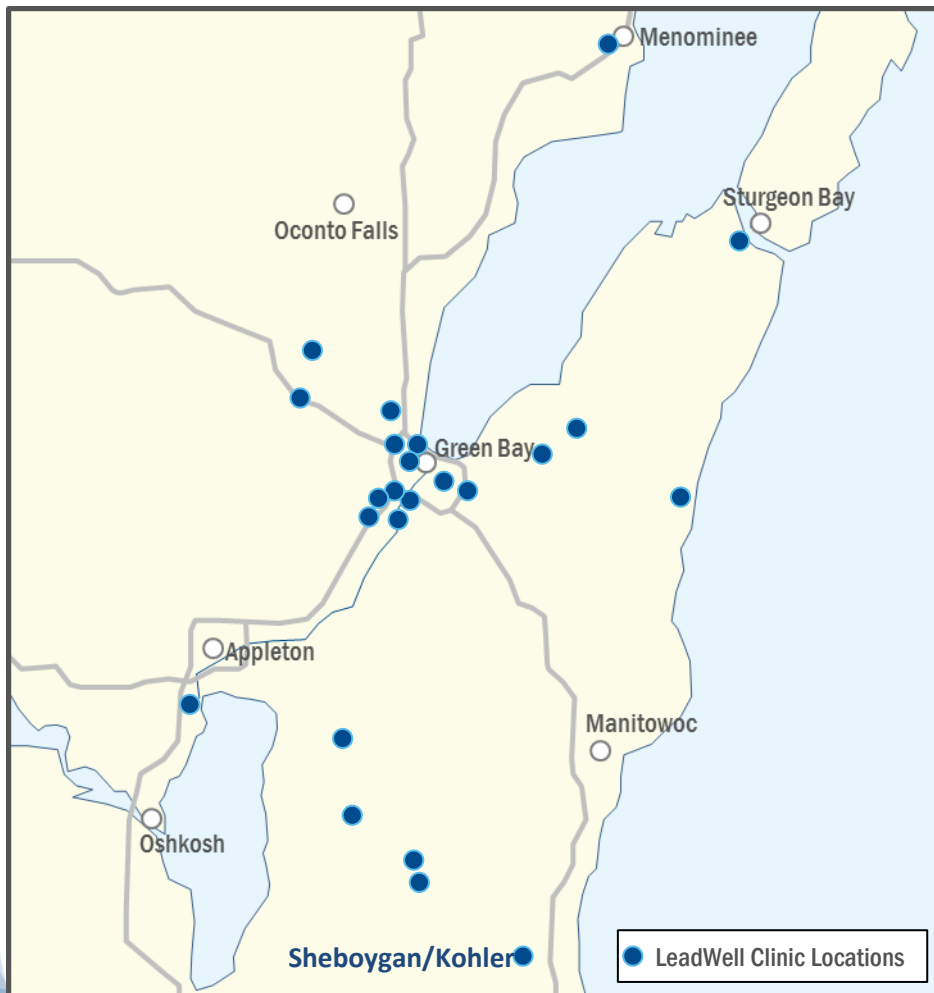


Care Integration: Expansion of Prevea

- A strong physician partner was needed in Western Wisconsin after a previous physician relationship was severed
- Prevea is an established brand in Eastern Wisconsin
- A 3-year project to expand Prevea physician services to Western Wisconsin was started in late 2015



Care Integration: LeadWell Employer Sponsored Clinics

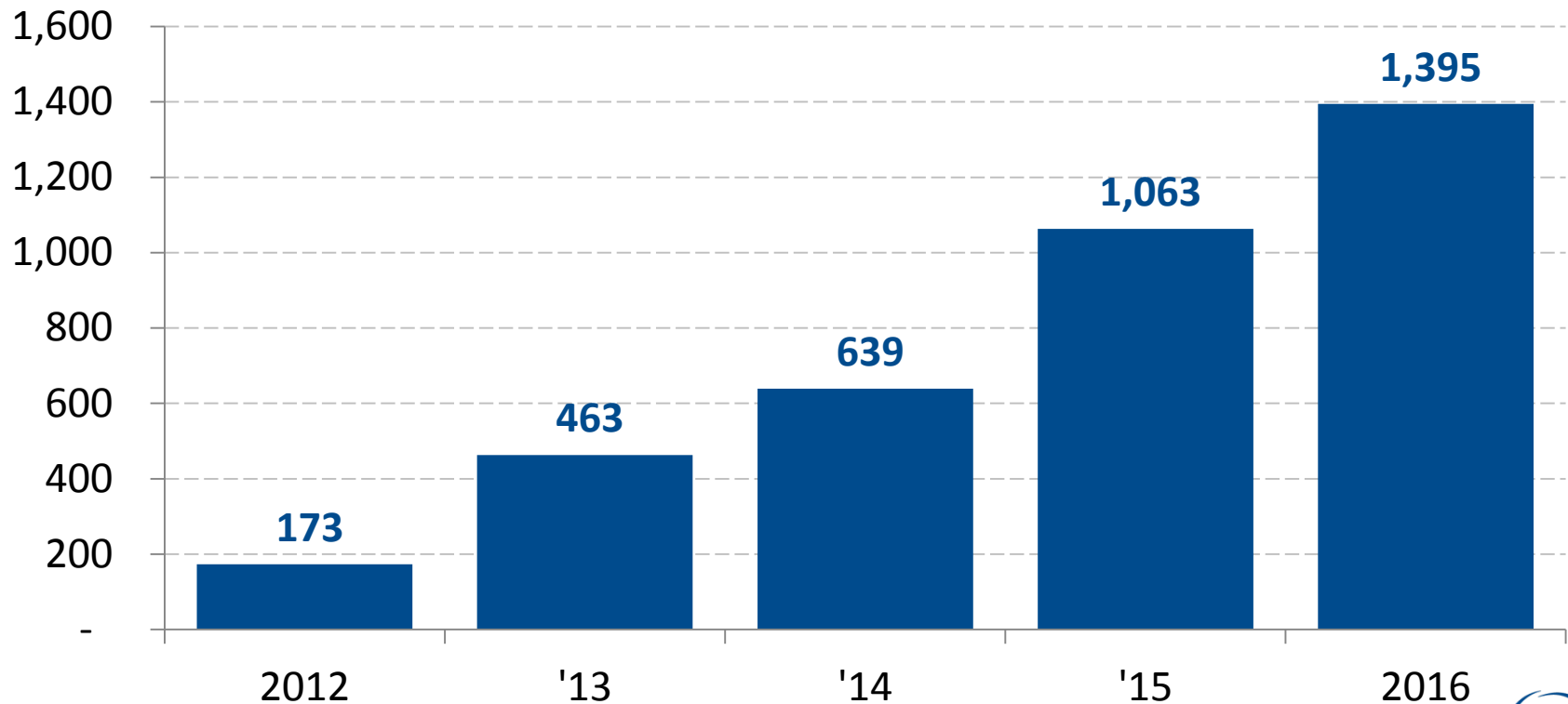


- First onsite/near-site clinic established in 2006
- 31 Onsite/Near-site clinics (WI)
- 5 Onsite/Near-site clinics (IL)
- Additional services include:
 - Wellness Education
 - Executive Physicals
 - Fitness Programming
 - Occupational Health



Care Integration: Physician Clinical Integration Network

PCIN Membership (Physician Providers Only)



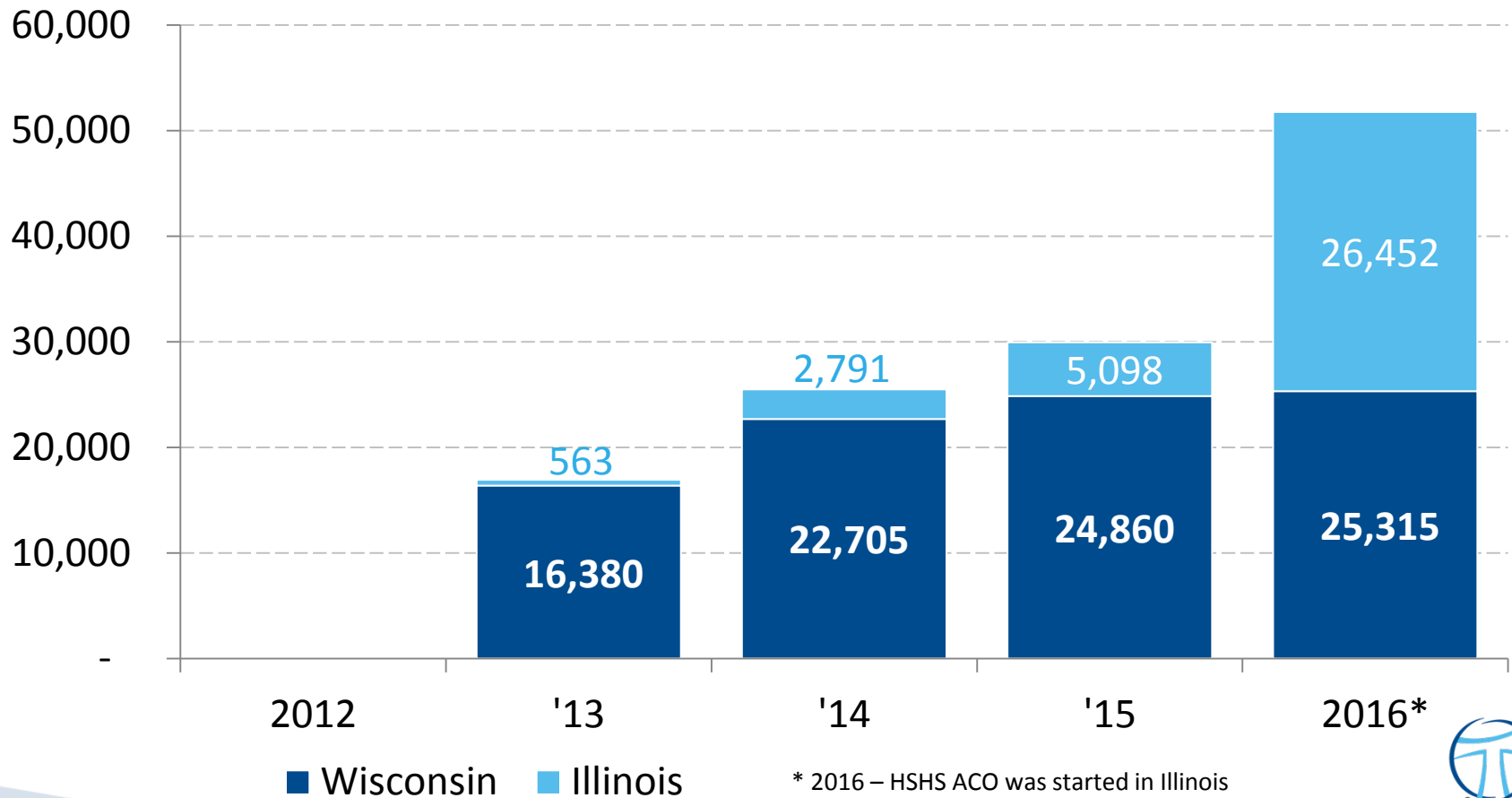
* With the addition of Springfield Clinic physicians in the fall of 2016, total membership in PCIN has increased to 1,752



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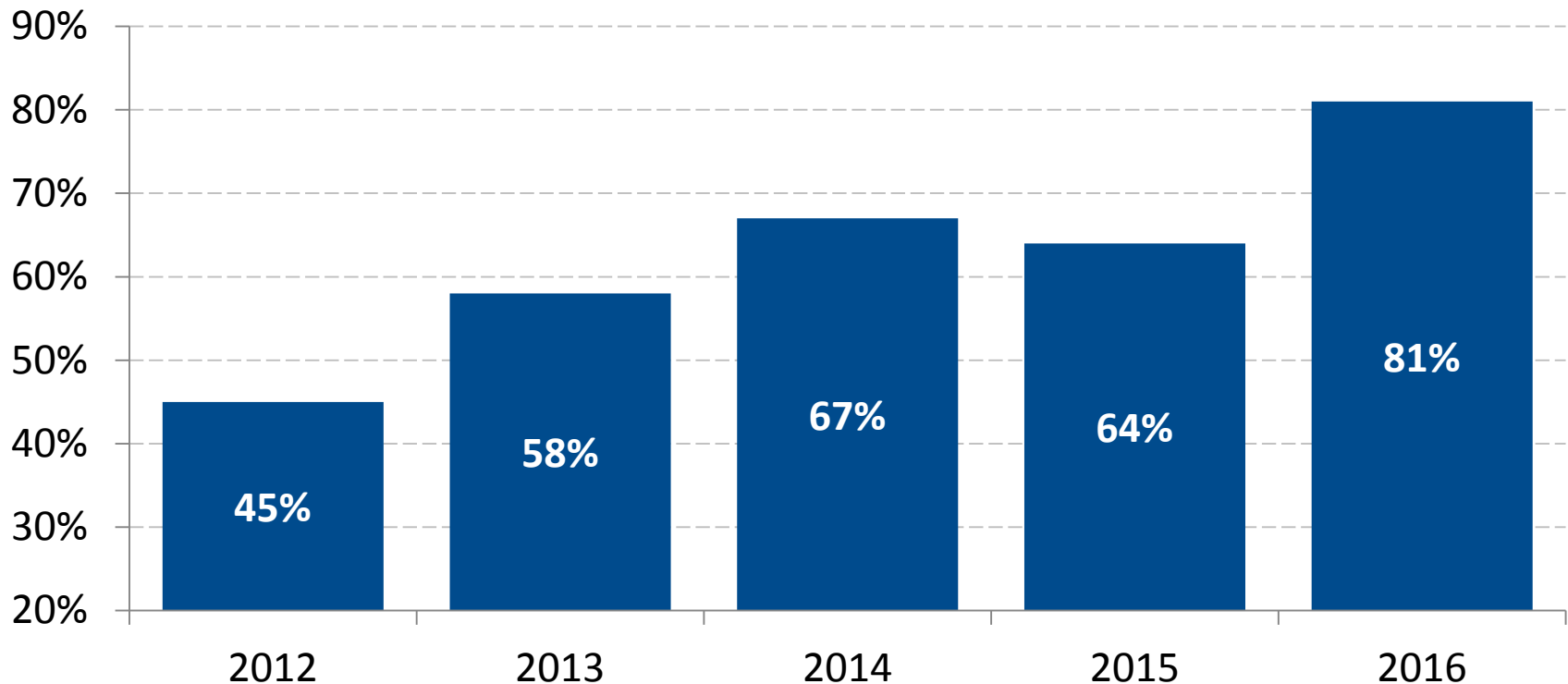
Care Integration: Value Based Lives

HSHS/Prevea Managed Lives



Develop Our People: Colleague Engagement

Colleague Engagement Survey Results: Percentile Ranking



■ %ile ranking of Engaged Employees

(Non weighted average of each HSHS entity)



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Stewardship: Growth

HSHS St. Clare – Oconto Falls



HSHS Holy Family –
Greenville



Door County Medical Center
Minority Equity Interest



Shelby Memorial Hospital
Closing January 2017



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Stewardship: Growth

Ambulatory-focused Replacement Hospitals



HSHS St. Joseph's – Highland
Opened August 2013

HSHS St. Elizabeth's – O'Fallon
Opening Fall 2017



Geography Matters

- St. Mary's Streator was a 2 hour drive from the nearest HSHS Hospital
- A nearby system—with a compatible mission—could better coordinate care within the community
- HSHS transferred St. Mary's to the other system in January 2016



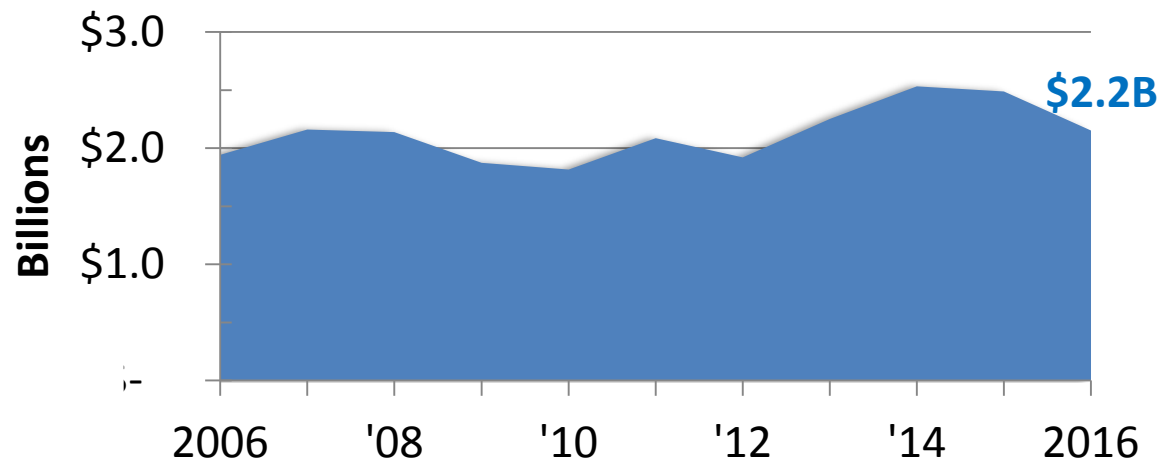
Stewardship: Finance/Operations

	Year End FY16
Days Cash on Hand	296
Debt-to-Capital	24.3%
MADS Coverage*	6.0



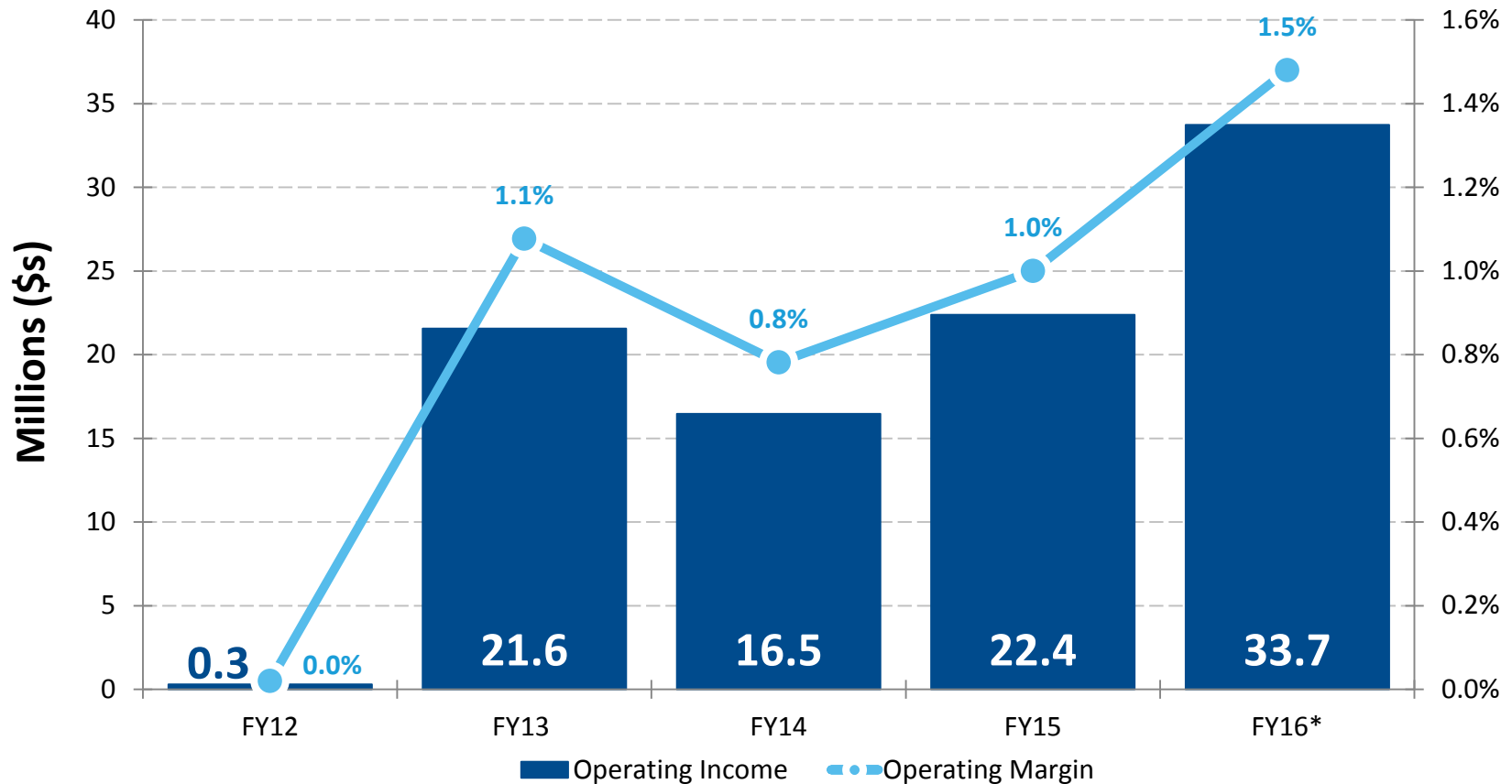
*MADS as of June 30, 2016. Calculated per MTI covenant.

Total Net Assets



Stewardship: Finance/Operations

Improving Operating Performance



* For continuity with previous years the "pension expense, market to market adjustment" was removed for this calculation; excludes accelerated amortization for St. Elizabeth's Hospital – Belleville



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Plan of Finance: Overview

Summary

- **Financing purpose:** St. Elizabeth replacement hospital project
- **Financing products:** mix of fixed and variable rate products, final product selection to match most attractive markets at the time of pricing, currently anticipated to be:
 - December 2016: Completed Total Return Swap (“TRS”) for \$75M
 - 2017A: Traditional fixed rate debt \$58M
 - 2017B: Self-liquidity VRDB \$65M
 - Cash defeasance of Series 2007A \$72M on December 20, 2016
- **Timing:**

12/23/16	Series 2016 to close	01/31/17	Series 2017B to price
01/11/17	Series 2017A to price	02/01/17	Series 2017AB to close

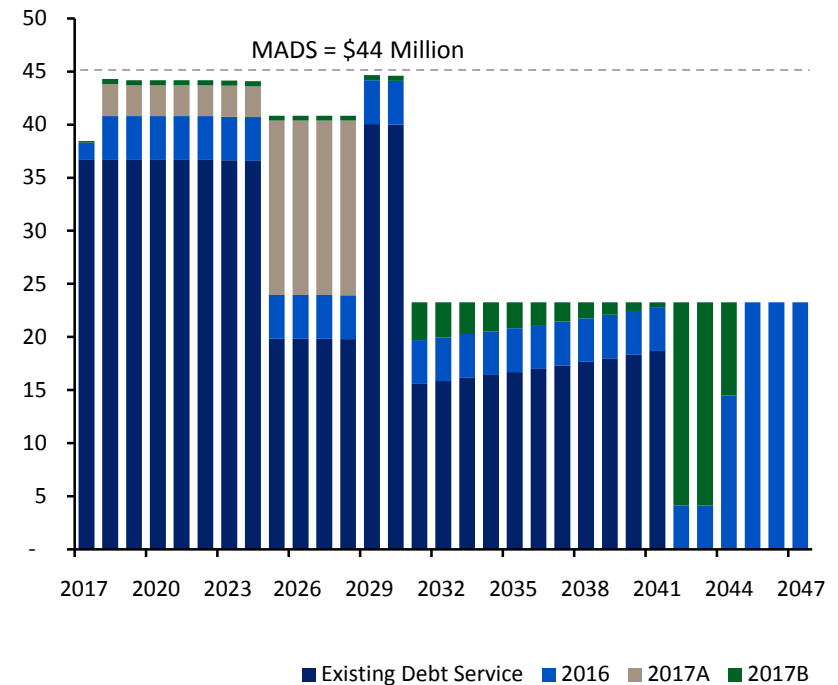


Plan of Finance: Overview

Preliminary Sources and Uses Table (\$MM)

	2016 TRS	2017A Fixed Rate	2017B Variable Rate	Aggregate
Sources:				
Par Amount	\$ 75.000	58.240	65.095	198.335
Premium	-	9.129	-	9.129
Total Sources:	\$ 75.000	67.369	65.095	207.464
Uses:				
Project Fund	\$ 70.334	63.910	63.910	198.154
CAP I	4.090	2.650	0.500	7.240
COI	0.576	0.809	0.685	2.070
Total Uses:	\$ 75.000	67.369	65.095	207.464

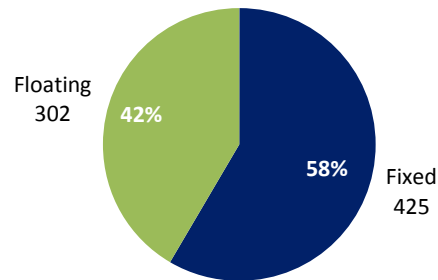
Pro Forma MADS (\$MM)



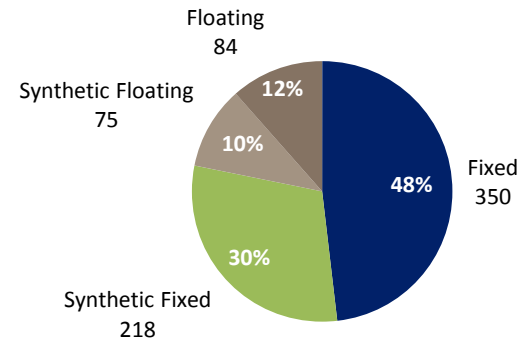
Plan of Finance:

Pro Forma Debt Composition (\$MM)

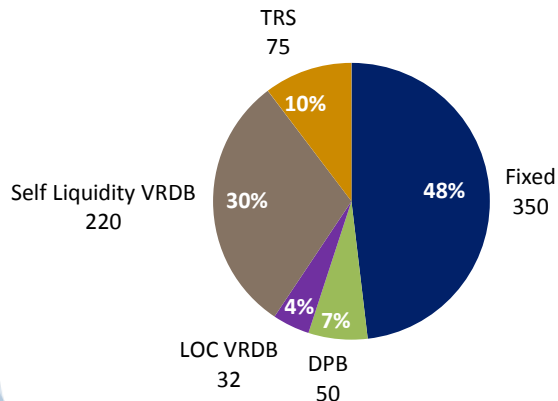
Underlying Debt Mix



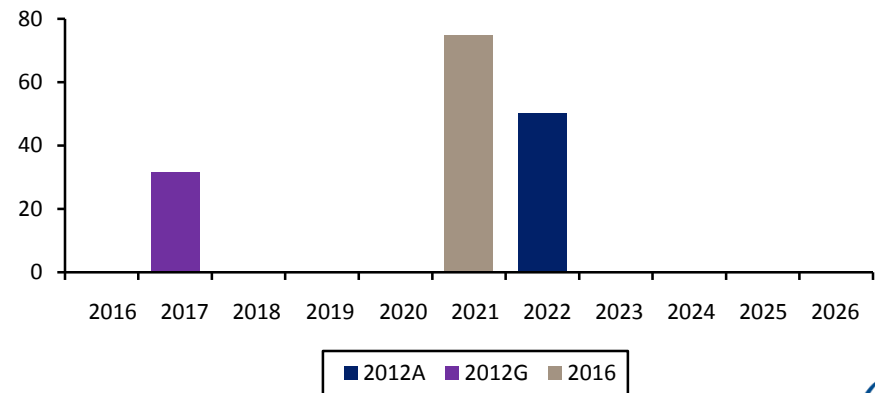
Debt Mix with Swaps



Product Mix



Renewal Timeline



Recent Recognitions



Summary

- Growing as a System while keeping care local
- Improving Operating Performance
- Implementing New Risk Products
- Continued Physician Growth and Integration
- Bond Rating AA- w/ Stable Outlooks

