



Year-End Investor Webcast

October 7, 2020

CommonSpirit 

Disclaimer

This presentation is provided as of October 7, 2020. It has been prepared for informational purposes only, and it should not be used for the purpose of making investment decisions.

This presentation reflects the pro forma consolidated financial information of CommonSpirit Health for the fiscal years ended June 30, 2020 and 2019. The information has been derived by CommonSpirit Health management from the results of Catholic Health Initiatives and Dignity Health assuming that the operations of the two organizations were combined as of July 1, 2018.

As described herein, effective February 1, 2019, CommonSpirit Health, a Colorado nonprofit corporation formerly known as Catholic Health Initiatives (the “Corporation”), and Dignity Health, a California nonprofit public benefit corporation (“Dignity Health”) aligned their respective ministries as a single Catholic nonprofit health system known as “CommonSpirit Health”.

On August 21, 2019 the Corporation and Dignity Health consolidated certain of their existing indebtedness (the “Debt Consolidation”) to create a single credit pursuant to the Master Trust Indenture, dated as of August 1, 2019, among the Corporation, Dignity Health, the other Obligated Group Members identified therein and U.S. Bank National Association, as master trustee (as the same may be amended the “Master Indenture”). Following the Debt Consolidation, all indebtedness remaining outstanding on August 21, 2019 that was previously secured by obligations issued by Dignity Health under its then existing Master Trust Indenture or the Corporation under its then existing Capital Obligation Document are secured by obligations under the Master Indenture.

This presentation is not intended to supplement or be a substitute for the legal disclosure for the Corporation or the Credit Group (as defined in the Master Indenture), or for the disclosure related to the public offering of any of their respective securities. The information contained herein is subject to completion and amendment without notice. If you are viewing this presentation after the date stated above, events may have occurred that have a material adverse effect on the information presented. This presentation does not constitute nor does it form part of an offer to sell or purchase, or the solicitation of an offer to sell or purchase, any securities.

This presentation contains “forward-looking” statements that involve known and unknown risks, uncertainties and assumptions inherent in the operation of health care facilities. Actual actions or results may differ materially from those expressed or implied by the forward-looking statements in this presentation. Accordingly, we caution you not to place undue reliance on these statements. All statements other than the statements of historical fact could be deemed forward-looking. All opinions, estimates, projections, forecasts and valuations are preliminary, and are subject to change without notice.

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Presenters

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SVP, Finance & Corporate Controller

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SVP, Treasury & Strategic Investments

Delivering on the Promise

What We Said We'd Do

- Establish operating company model
- Grow revenue and improve financial results
- Traction on value creation and synergies
- Capital discipline
- Alignment to single CEO

What We Accomplished

- Effective operating company model
- Revenue growth and improved EBITDA through February 2020
- Value capture and synergies on track through February 2020
- Coordinated, effective COVID-19 response
- Alignment to single CEO



Clinical Update

Leading through the Pandemic

Responding to COVID-19 galvanized the system around a common purpose; leveraged the bias for action and agile decision-making; and connected efforts to set a unifying direction for the organization.

Advanced Analytics

Predictive clinical and business analytics drove our coordinated response

Immediate Recovery Planning

Orchestrated re-opening planning ensured the safety of our patients and employees

Emerging Opportunities

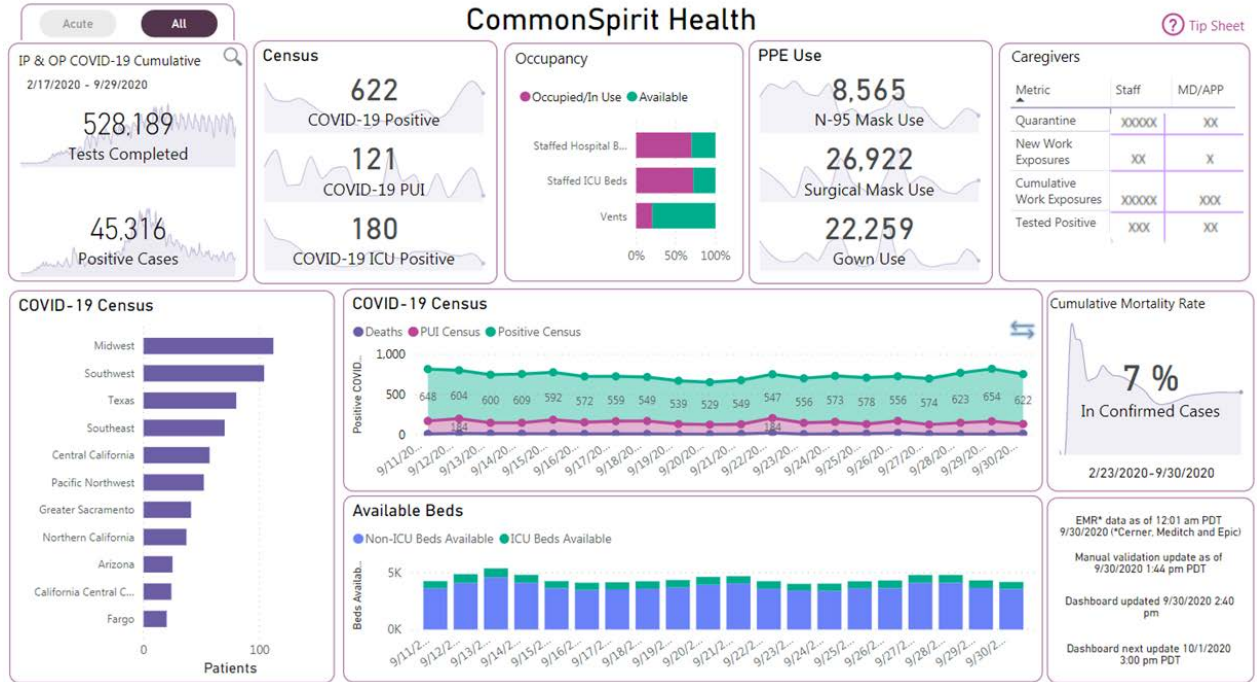
Repositioned CommonSpirit around an amplified set of clinical priorities

COVID-19 By The Numbers

Over **525,000** tests
 Over 45,000 positive
 8.5% positive rate

Total Cumulative
 ~ **37,000** inpatients
 Most in the Midwest
 Division

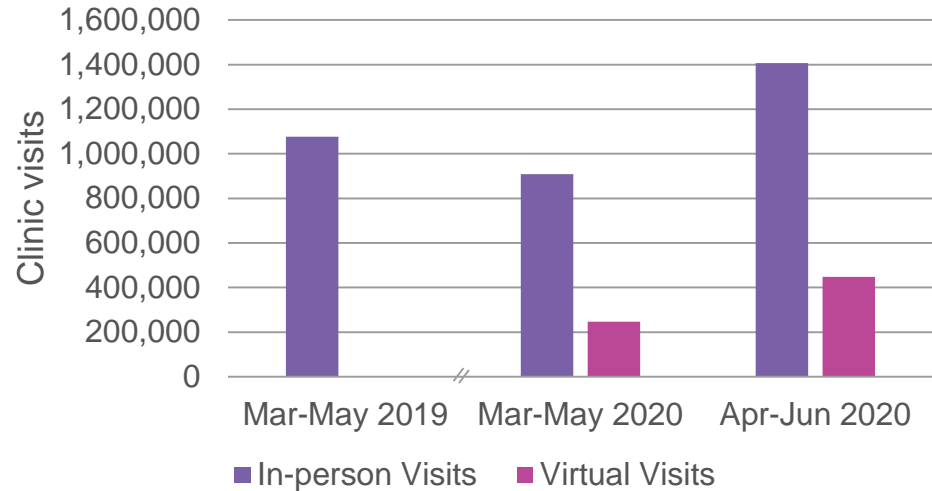
Current census
622 inpatients
 3½ month low



Virtual Care

- **Rapidly scaled** virtual visits at onset of pandemic
- Significant **demand for virtual visits persists** after in-office visits rebound
- Virtual care **extends across the continuum** (e.g., vICU, health at home, palliative care)

Clinic Visits Pre and Post COVID-19



FY20 Quality and Patient Safety Goals

Hospital Quality

Sepsis Bundle

20% Improvement
National Top Quartile

3,660 Lives Impacted
(annualized)

Ambulatory Quality

Blood Pressure Control

12% Improvement
National Top Quartile

14,000 Lives Impacted
(annualized)

Patient Safety

C diff Infections

50% Improvement
National Top Quartile

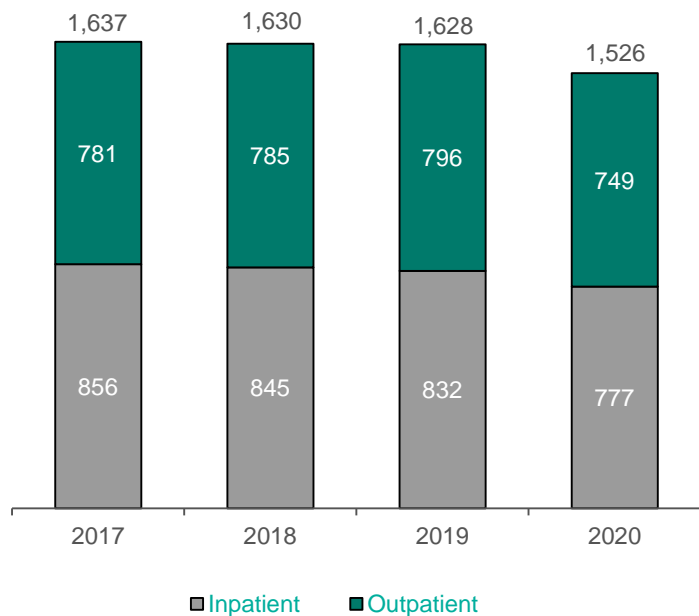
580 Lives Impacted
(annualized)

Financial Results

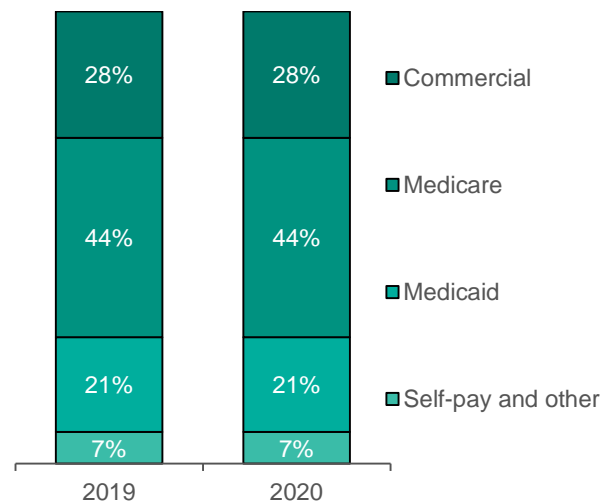
Volume

Fiscal Year Ended June 30, in Thousands, Pro Forma

Same Facility Adjusted Admissions*

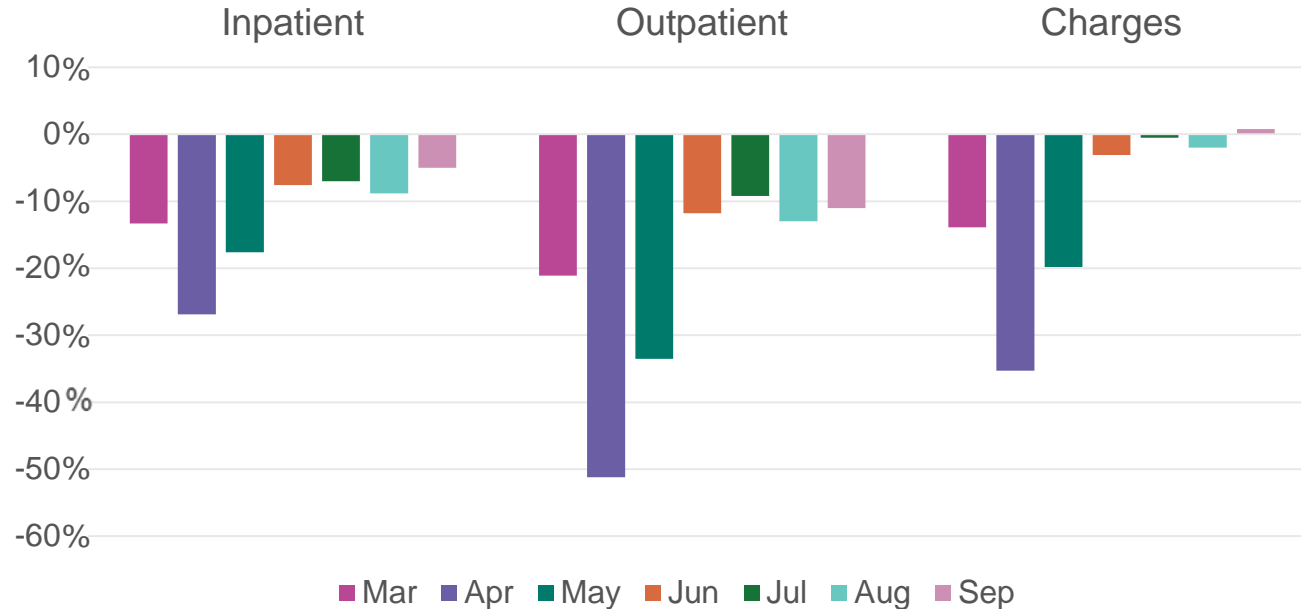


Payor Mix



COVID-19 Impact: Monthly Volume Trend

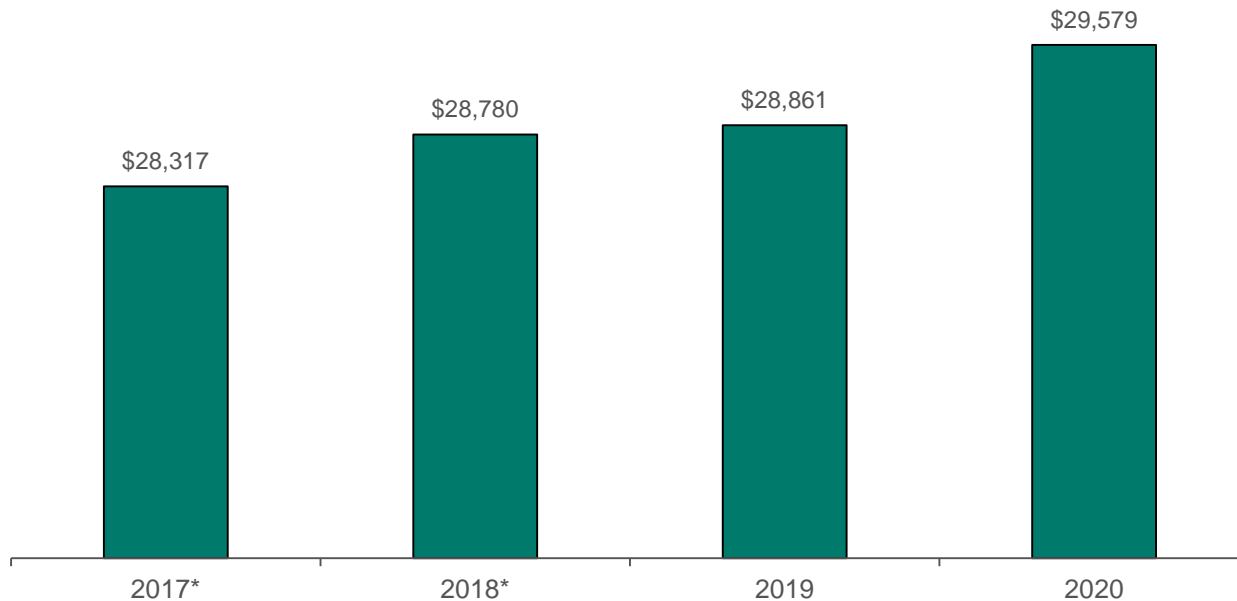
March-September Volume Trend*



Currently, inpatient volumes have improved to 6% below baseline

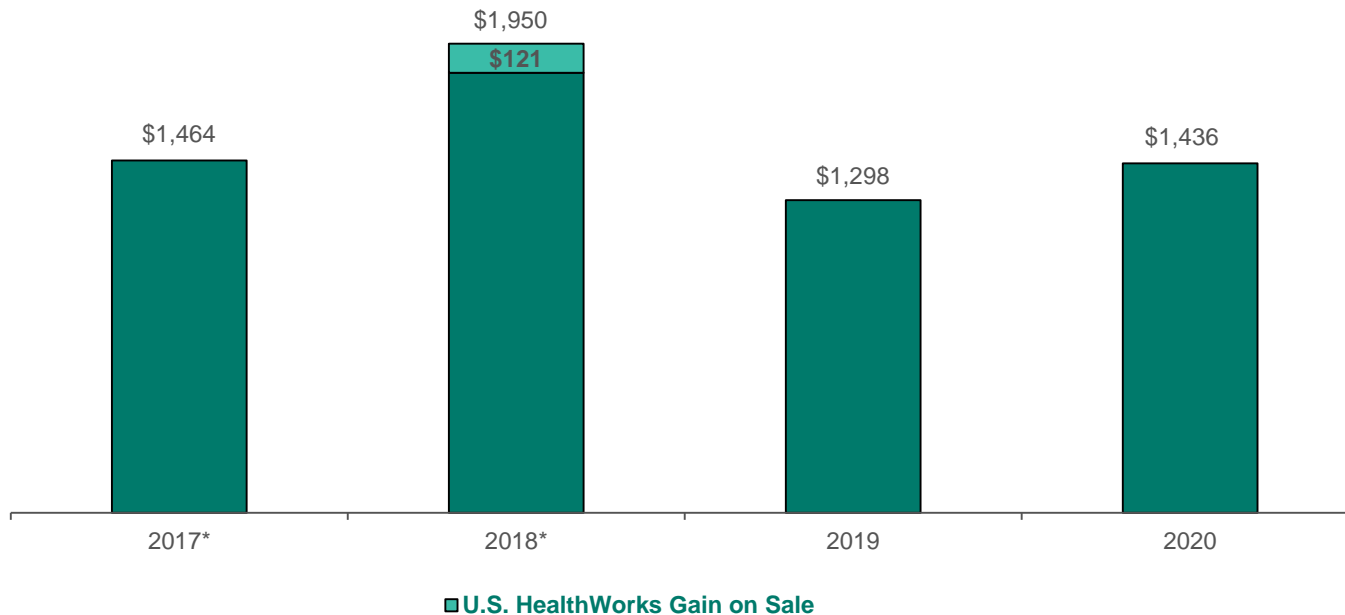
Operating Revenue

Fiscal Year Ended June 30, \$ in Millions, Pro Forma



Operating EBITDA

Fiscal Year Ended June 30, \$ in Millions, Pro Forma



Service Area Overview

Fiscal Year End June 30, 2020, \$ in Millions, Pro Forma

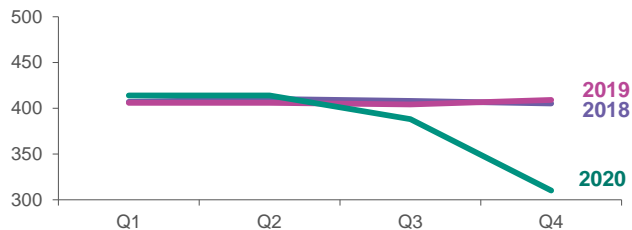
Service Area	Net Revenues	EBITDA
Southeast	\$3,294	\$(3)
Southwest	\$3,025	\$169
Greater Sacramento	\$2,916	\$188
Pacific Northwest	\$2,860	\$129
Arizona	\$2,529	\$243
Colorado	\$2,524	\$423
Midwest	\$2,381	\$104
Texas	\$2,309	\$(53)
Central California	\$2,185	\$205
Northern California	\$2,072	\$110
Central Coast	\$1,422	\$115
Iowa	\$1,033	\$29
Fargo	\$429	\$48

Note: Accounting methodologies and overhead allocations are different between historical CHI and Dignity Health entities, therefore EBITDA is not comparable at this time

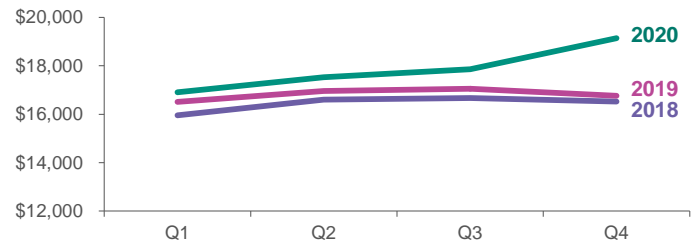
Performance Drivers by Quarter

Fiscal Year Ended June 30, Pro Forma

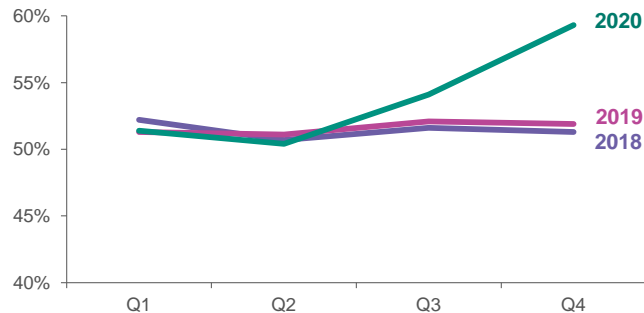
Same Facility Adjusted Admissions* (000s)



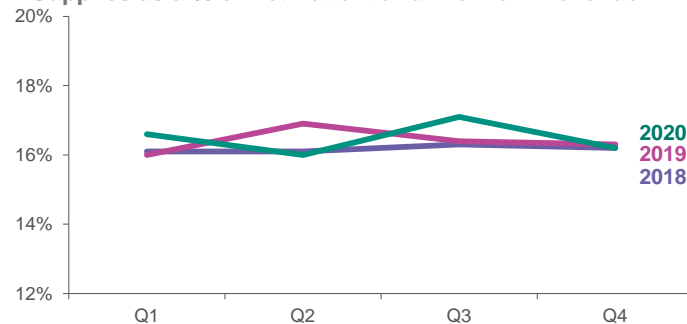
Net Patient and Premium Revenue per Adjusted Admission**



Labor as a % of Net Patient Revenue*



Supplies as a % of Net Patient and Premium Revenue*

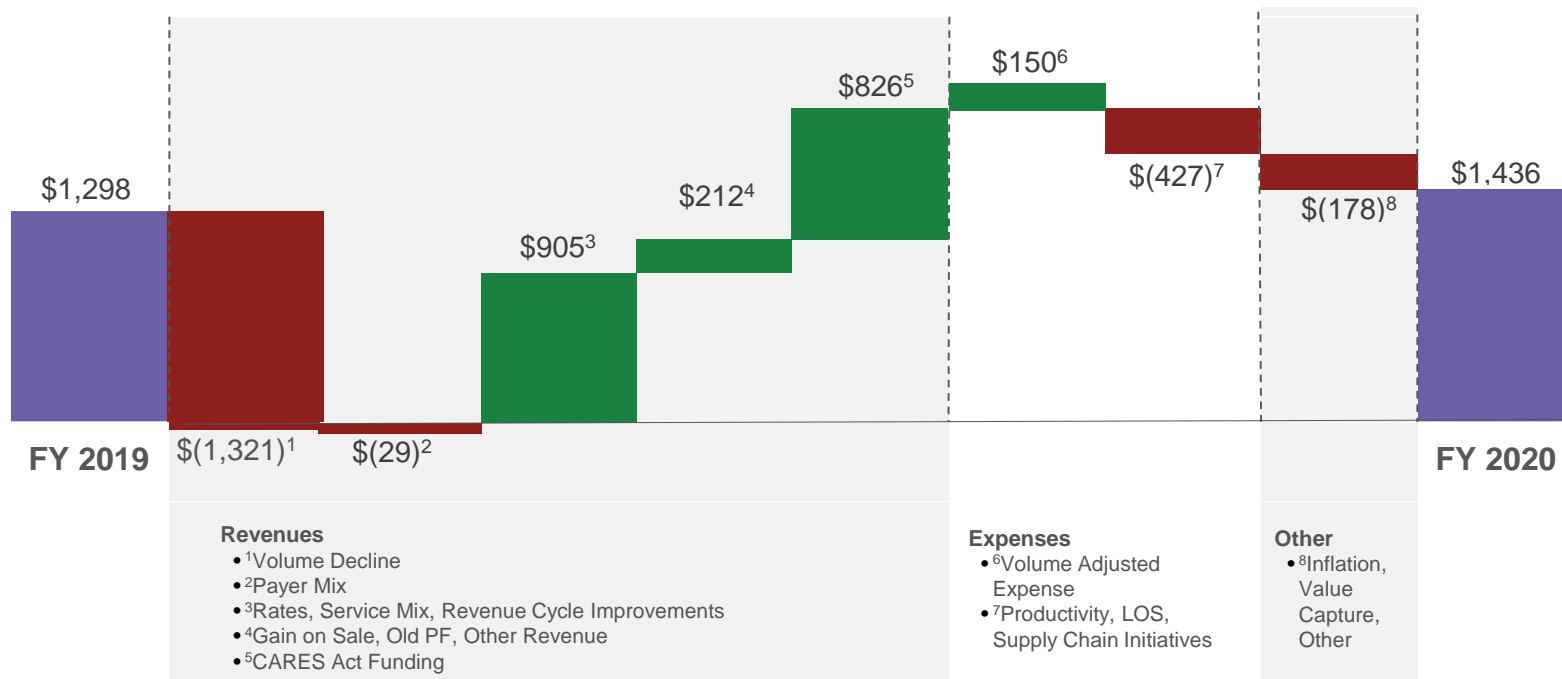


*Primary exclusions include USHW, Dayton, and SimonMed

**Normalized for timing differences of CA Provider Fee approvals by CMS

Reconciliation of Normalized EBITDA

Fiscal Year End June 30, \$ in Millions



Revenues

- ¹Volume Decline
- ²Payer Mix
- ³Rates, Service Mix, Revenue Cycle Improvements
- ⁴Gain on Sale, Old PF, Other Revenue
- ⁵CARES Act Funding

Expenses

- ⁶Volume Adjusted Expense
- ⁷Productivity, LOS, Supply Chain Initiatives

Other

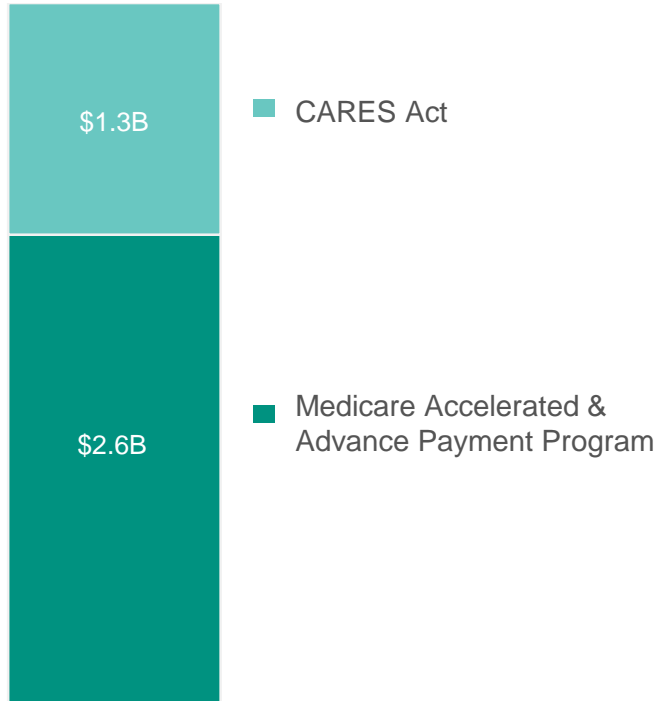
- ⁸Inflation, Value Capture, Other

COVID-19 Impact

EBITDA Impact	\$(1,326)
CARES Act Revenue	<u>826</u>
Lost EBITDA	<u>\$(500)</u>

Governmental Support During the Pandemic

As of August 31, 2020

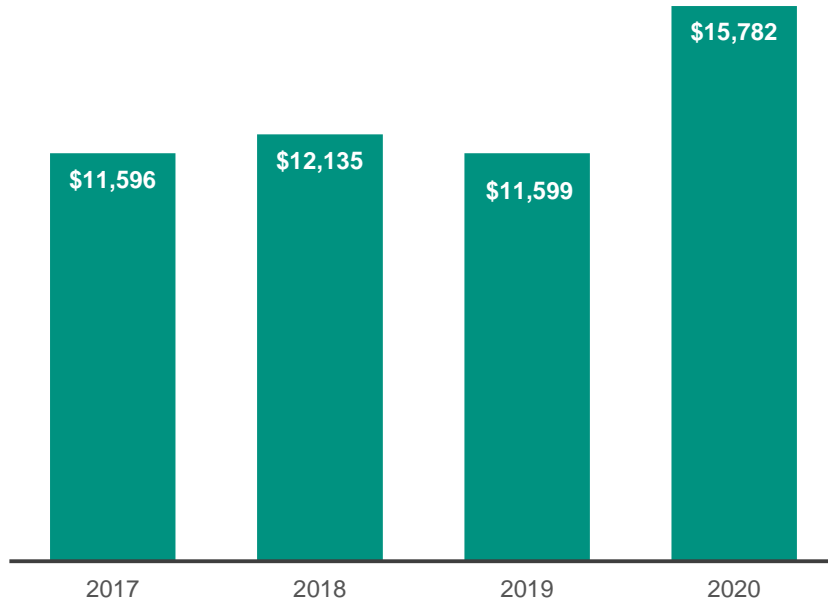


- \$1.3B in CARES Act and \$2.6B in Medicare Advance funding provides stability
- Eligible in submitting \$100M in FEMA Disaster Relief Funds
- Deferring ~\$410M of employer payroll taxes through December 2020
- \$40M tax credits and other miscellaneous federal and state grants
- Recognized \$826M in revenue in FY20 year-end audit

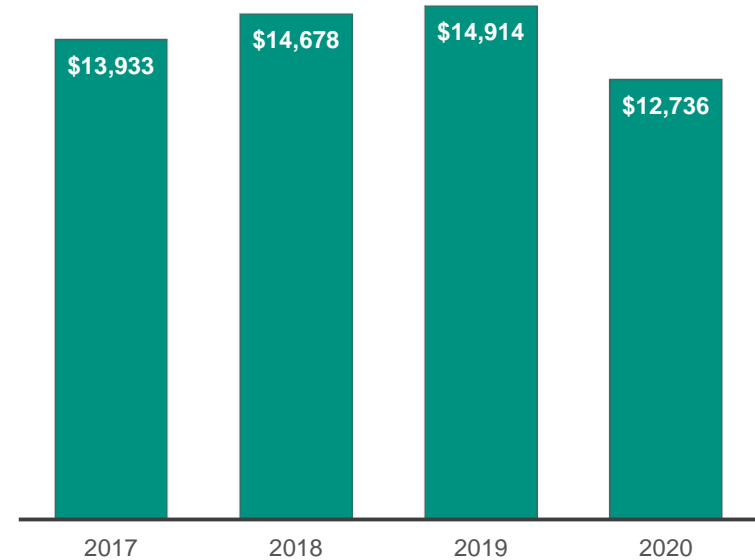
Financial Position

Fiscal Year Ended June 30, \$ in Millions, Pro Forma

Cash and Unrestricted Investments

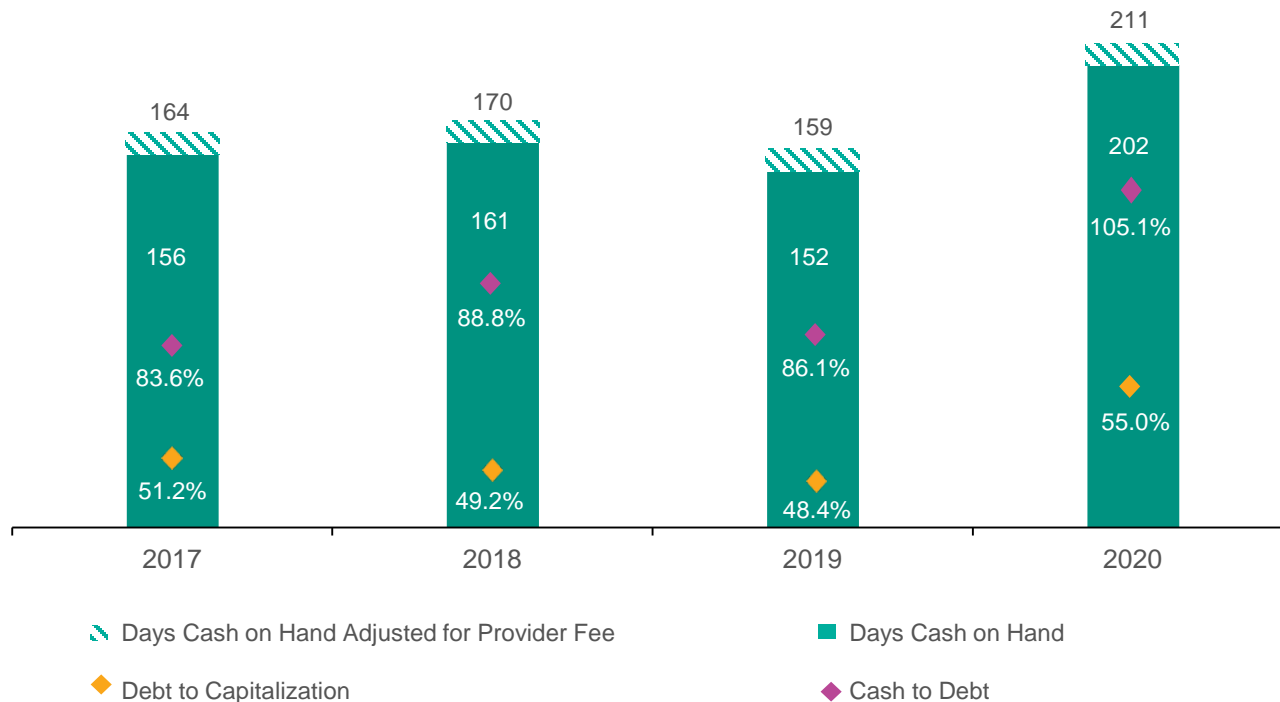


Unrestricted Net Assets



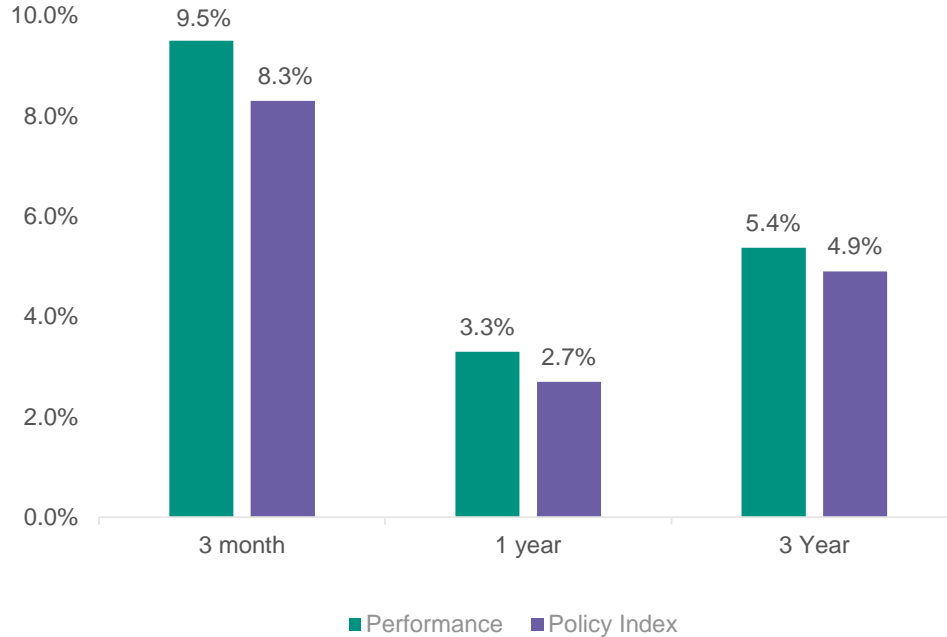
Balance Sheet Metrics

Fiscal Year Ended June 30, Pro Forma



Investment Performance – Operating Pools*

Fiscal Year Ended June 30, 2020



Consistent, Strong Performance Across Time

Performance Enhancers

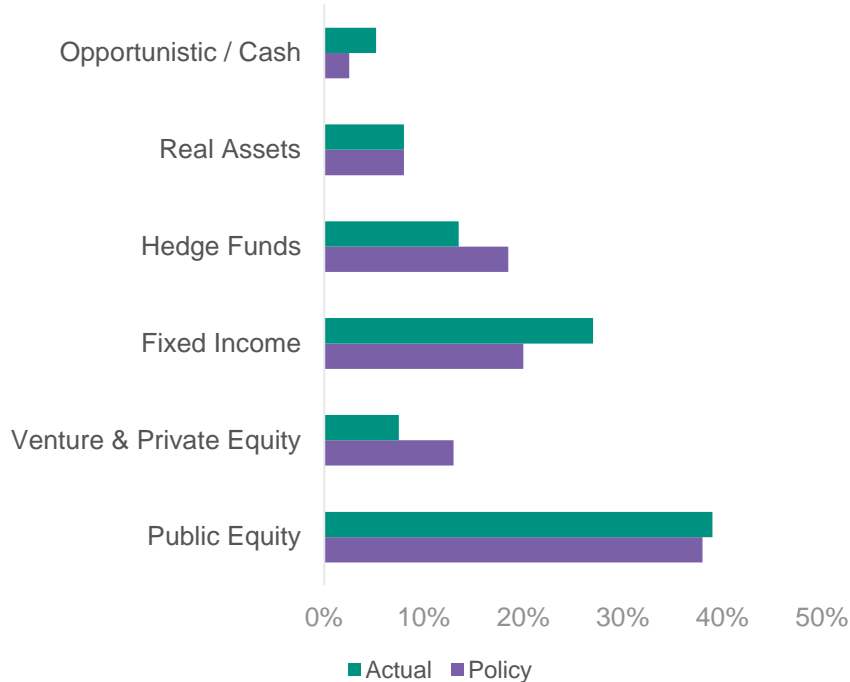
- Manager selection in U.S. and global equities delivered strong returns
- Alternative investments provided diversification and dampened volatility

Performance Headwinds

- Underweight duration within fixed income

Asset Allocation – Operating Pools*

Fiscal Year Ended June 30, 2020

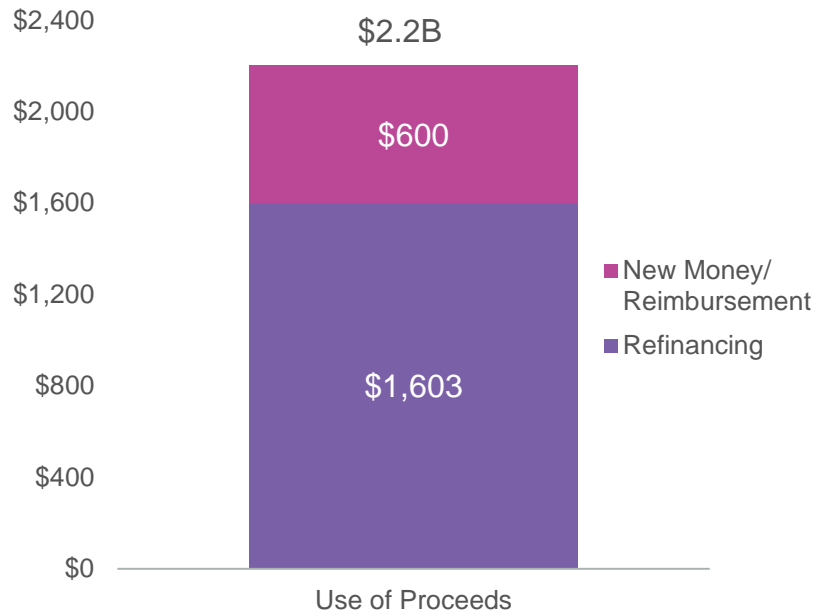


- Moving toward new policy asset allocation
- Some asset classes will take longer to reach new Policy allocations
- Maintaining a more defensive position within Policy ranges; anticipate further market volatility

2020 Financing Overview

Transaction Use of Proceeds

\$ in millions



Transaction Overview

Preliminary and subject to change

\$ in Millions	Taxable Bonds	Tax-Exempt Bonds
Issuer	CommonSpirit Health	California Health Facilities Financing Authority
Series	Series 2020	Series 2020
Par*	\$1,519	\$626
Structure	5, 10 and 30-Year Bullets	Amortizing Fixed Rate (30-Year Final Maturity)
Use of Proceeds	Refundings, New Money	Refundings, New Money Reimbursement
Credit Enhancement	None	None



Strategic Updates

Financial Imperatives

- Return to baseline
- Deliver long-term 8% EBITDA margin
- Prioritize and moderate capital spending
- Strategic opportunities to realize the vision
- Path to “A” category rating

Select Near Term Actions

Cost Management

- Temporary salary deductions, flex time / furloughs, productivity management
 - Reduction in non-essential costs
 - Renegotiation of fixed contracts to reflect lower volume
 - Shift to virtual activity
 - Focus on "opening up"
-

Balance Sheet Management

- Capital review / deferral
 - Working capital line draws
 - Ongoing liquidity monitoring
-

Regulatory Relief Funds

- Advocacy efforts at federal and state level
- Medicare Advance payments
- CARES Act, FEMA
- Employee Social Security Tax payment deferral
- Tax credits and miscellaneous state and federal grants

Synergy Progress

FYTD February 2020 Improvements: ~\$350M

Corporate Level Functions ~\$120M

- Marketing, Communications, Strategy
- Finance
- Enterprise Risk Management, Legal
- Information Technology

Functional / Field Functions ~\$230M

- Revenue Cycle
- Labor Productivity
- Physician Enterprise
- Supply Chain

- Labor productivity and physician enterprise experienced set-backs due to COVID-19
- Corporate level functions continued to make progress
- Pandemic delays progress, reduction targets and EBITDA goals remain unchanged

Priorities for the “New Normal”

Moving Upstream & becoming Preferred Choice for Personalized Care

Virtual Care

Offer a set of frictionless algorithmic and virtual access tools across a wide range of clinical and community use cases

Care In Home

Extend beyond traditional home care and offer a set of home-based services from across a full continuum

Pharma/Diagnostic/Lab

Elevate the provision and use of diagnostic tools as a core competency in care delivery

Research & Precision Medicine

Leverage our national leadership position in genomics and clinical research to improve care effectiveness

Enhancing support of Vulnerable Populations

Behavioral Health

Fully integrate mental health into a range of care models from primary care to acute to better serve our communities over the long term

Community Health

Steward our responsibility for the most vulnerable in our community by addressing barriers to care and Structural Determinants of Health (SDoH)

Health Equity

Serve as a national leader in advocacy, response, and engagement to address long-standing health equity issues recently accentuated through COVID-19

Elevating System Resources at Scale

Realigned Capabilities

Determine the core systemic competencies necessary for our future while evaluating partnership potential for best class investments

Personalized Patient Flow

Develop processes & delivery models to better customize offerings to unique patient circumstances

Evolving Opportunities

Additional opportunities as identified throughout the process

Delivering Results

While we focus in the short-term on our performance imperatives to advance the organization, we simultaneously are repositioning ourselves and setting the strategic direction for our future

Near-Term Imperatives

- Focused leadership
- Strong operating model
- Accelerated care transformation
- Fiscal stewardship and synergies
- Effective capital deployment for growth and innovation

Strategic Vision

- Leading the national dialogue on health equity and social justice
- Care continuum adapted to post-COVID-19 world
- Value-based care delivery
- Operational excellence

A photograph of a Black couple sitting on a wooden chair against a white brick wall. The woman is pregnant and wearing a light blue long-sleeved shirt. The man is wearing a light grey long-sleeved shirt and grey pants. They are both smiling and looking at a smartphone held by the man. The woman is pointing at the screen with her right hand.

Questions?