Funding New Healthcare Opportunities

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Insight to Value-Based Care and Joint Venture Opportunities

Whitney Courser, Senior Vice President, Sales and Marketing, NueHealth
Meet NueHealth

• 22-year-old, privately held, nationally trusted healthcare partner and gateway to value-based care

• Partner with Health Systems and Physicians to develop Ambulatory Centers for Excellence™ (ACE) and hyper specialty facilities

• Delivers customized services and risk readiness programs that reward high quality
nuehealth

Corporate Headquarters
Leawood, KS

10,000 physician partners

25 health system partners

20+ years representing providers & payors

150 developed, managed or owned facilities

28 states

$25B adjudicated claims

15+ years VBA contracting with payors

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$500 billion is spent annually on surgical care.

Yet only 14% of procedures are done in an ASC, where costs are 45% less.
It’s Time for a Shift

• Payment systems are transitioning to value-based payments

• Payors are shifting financial risk to providers

• Providers are seeking alternative ways to generate revenue, protect professional fees and drive down expenses

• Purchasers of healthcare are expecting the transition to high-quality value-based care
Value-Based Models Taking Root

- UnitedHealthcare: Spends $52 billion (roughly 45% of total spend) through value-based care
- Aetna: Runs more than 45% of its medical spend through some form of value-based care model
- Anthem BlueCrossBlueShield: 43% of payments are currently tied to a shared savings programs
- CMS: By 2018, plans to tie 90% of all fee-for-service payments to a specific quality metric
60% of Fortune 500 companies are currently using or planning to use value-based centers of excellence, narrow networks or systems by the end of 2018.
We Understand The Challenge

Physicians Care Surgical Hospital

Why

Through ownership the surgeons were able capture the facility fee to offset declining professional fees

Decreasing professional fees and overall reimbursement

Health systems threaten independence, aim to employ surgeons

Driving patient satisfaction and superior patient outcomes in lower cost setting

How

Development of Physicians Care Surgical Hospital gave the physician owners a voice in how healthcare would be delivered in their market

Direct contracting with the payors for more appropriate site of service will continue the shift to value-based contracts today

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Physicians Care Surgical Hospital Case Study

2008
- 17 physician owners and management company
- 6 bed hospital
- 5 OR

2010
- Open October 2010
- 17 physician owners and management company
- 12 bed hospital
- 5 OR

2017
- 17 physician owners and management company
- 2 health systems
- 1 mega ortho group
- Campus ASC under development
Physicians Care Surgical Hospital Today

• Remains a Tier 1 facility for physicians and health system partners that the payors demand as an alternative to high cost/high overhead large hospitals

• Physicians Care Surgical Hospital is positioning itself for prospective bundles and risk readiness where all cases benefit in the site of service shift differential

Awards

• Healthgrades Outstanding Patient Experience Award 2017, 2016, 2015
• Healthgrades America’s 100 Best Joint Replacement
• Healthgrades 5 star Hip Replacement
• Healthgrades 5 star Total Knee Replacement
• Highest profit margin in Pennsylvania for all hospitals 2015, 2016, 2017 (pending)
Risk Readiness & Sustainability Programs

Phase 1: No Risk
- Quality incentive to provide care in the appropriate site of care

Phase 2: Shared Risk
- Quality gate
- Care pathways & bundles
- Care Navigation
- Risk Shadowing
- Outcomes Reporting

Phase 3: Up & Downside Risk
- The same components as Phase Two
- Full financial risk

• Increase case volume and financial performance
• Improve outcomes and patient satisfaction
• Respond to consumer-driven trends
• Prepare for financial risk
• Maximize top and bottom-line revenue
• Thrive—don’t just survive—in the value-based model

Change is not coming—it’s here. Trust NueHealth to put healthcare back into your hands. Right where it belongs.
THANK YOU
So much construction...so much patient demand...so little money

3 strategies to leverage capital and achieve your real estate goals

Roger Herritz, Senior Vice President, JLL

Jonathan Jasina, Vice President, JLL
Session objectives

The value of objective prioritization

**Learning objectives:**

- Capital planning should align with Real Estate strategy
- Utilize objective data for capital allocation
- Proactively manage capital program to maximize ROI
Lots of competition for funding

<table>
<thead>
<tr>
<th>Competition for Capital Funding</th>
<th>Competition between facilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Mergers &amp; acquisitions</td>
<td>• New facilities</td>
</tr>
<tr>
<td>• Facilities</td>
<td>• Renovations / Expansions</td>
</tr>
<tr>
<td>• Information technology</td>
<td>• Acquisitions</td>
</tr>
<tr>
<td>• Medical equipment</td>
<td>• Recapitalization of existing facilities</td>
</tr>
</tbody>
</table>
How are capital funding decisions made?

- Executives “pet” projects?
- Ego?
- Politics?
- “Gut feel”?

How about...
- Supporting your organization’s mission
- Community needs
- ROI
- Based on objective data
3 strategies to leverage capital and achieve your real estate goals

- **CP**: Align capital planning with real estate strategy
- **CA**: Determine best capital allocation
- **CM**: Proactive capital management

ACE SUMMIT AND REVERSE EXPO
3 strategies to leverage capital and achieve your real estate goals

Align *capital planning* with real estate strategy
Typical business planning process

1. Business goals and strategy
2. Deployment strategy
3. Real estate strategy
4. Capital plan
5. Facilities master plan
1) Utilize data and determine best locations
✓ Demographic information
✓ Patient origin data

2) Determine options to consolidate and/or expand (reduce occupancy costs)

3) Improve asset performance
Deployment strategy
Map data to determine opportunities

1. Facility locations
2. Patient origins
3. Drive times for facilities
4. Identify gaps or consolidation opportunities
Deployment strategy

Portfolio analysis – metrics

<table>
<thead>
<tr>
<th>Annual Spend</th>
<th>Portable Area</th>
<th># Units</th>
<th># Licensed</th>
<th># Vacant</th>
<th># Valued</th>
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</thead>
<tbody>
<tr>
<td>$61.7M</td>
<td>3.7M</td>
<td>189</td>
<td>140</td>
<td>49</td>
<td></td>
</tr>
</tbody>
</table>

Intelligent filters to view portfolio by cost, location, specialty
Deployment strategy

Portfolio analysis – comparing asset productivity

- Identify concentrations of primary care with low utilization KPI
  - Findings: Three primary care facilities in concentrated area all with suboptimal utilization
  - Strategy – explore consolidation

Compare decisions using multiple metrics

Potential area for expansion based on gaps in coverage
Factors such as:

• Inpatient vs Outpatient
• On Campus vs off campus
• Primary tenant
• Testing a new service or location
Sources of capital

- For profit - sell stock
- NFP – issue bond
- Joint ventures / M&A
- Monetize assets
- 3rd Party development
Monetize assets to achieve capital plan

- Facilities
- Central energy plant
- Equipment
- Businesses
- Health Plans
Case study 1: Monetize asset to achieve capital plan

- Business strategy - continue growth of physician group
- Real estate strategy – not own off campus outpatient facilities
- Leases expiring at 3 small facilities
- Acquired 50,000sf MOB shell
- Consolidated practices
- Highly visible and better image
- Reduced occupancy expenses
- Sale lease back (w/15 year lease) netted 30% profit over acquisition cost

Duke Health at Brier Creek
Case study 2: Develop and monetize asset to achieve capital plan

- Business strategy – consolidate area practices into a single outpatient health center
- Real estate strategy – not own off campus outpatient facilities
- Leases expiring at multiple nearby locations
- Developed 125,000sf MOB
  - consolidated practices
  - better patient experience in one location
  - highly visible and better image
- Investor to acquire MOB following completion, netting sizeable profit

Duke Health at Crooked Creek
3 strategies to leverage capital and achieve your real estate goals

Determine best capital allocation
A programmatic approach to allocating limited capital

- Defining and developing the competing needs
- Objective prioritization
- Managing process and utilization
The competing needs

- Lease Action
- Sustainability
- CRE Strategy
- FCI
- Asset Life Cycle
- Business Requests
- Audits
- Portfolio Plan
Objective prioritization

- Align business strategy with real estate strategy
- Create a prioritization schema that ranks competing needs
- Select projects and tactics that achieve strategic goals
Integrated process management

- Portfolio information
- Capital/Portfolio Planning Tool
- Financial Modeling Scenario Planning
- Reporting and analytics
- Real estate plan aligned with business strategy
3 strategies to leverage capital and achieve your real estate goals

CM

Proactive capital management
Case study | 9 hospital health system

**Challenge**
- Years of underfunding
- Aged infrastructure
- Significant prime systems failing and causing shutdowns of critical areas
- Capital selection not strategically aligned

**Capital Management Solution**
- Program aligned with real estate strategy
- Rigorous process for capital requests
- Algorithm developed to objectively prioritize
- Interactive management of capital projects
- Comprehensive reporting
- Strategic advisory to inform the business master plan

**Results**
- 2 year plan mitigating interruptions
- 10 year plan improving quality
- Business justification for consolidation
- Reduction of operational expenses
- Opportunity to raise capital for long term plan

$264MM

50%

of deferred Maintenance

of requests that were cancelled through business case review
Thank you!

3 strategies to leverage capital and achieve your real estate goals

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Benefits of an effective capital management process

• Provides objective recommendations and prioritization
• Data driven and fact based
• Eliminates corporate politics and personal bias
• Full alignment with enterprise goals
• Efficient and effective allocation of capital dollars
The need for effective capital management

- Capital to be deployed to achieve business goals
- Objective allocation of capital
- Alignment with business and real estate strategies
- Multiple year capital planning
Understanding Healthcare CRE capital demand

Key issues:
- Regulation and compliance
- Competitive advantage
- Patient centric focus
- Continued M&A / Collaborations / Partnerships

Impact on CRE:
- Maintain operational readiness of critical infrastructure
- Long term strategy alignment with business
- Balancing increasing demand for limited capital
- Speed to market and nimble design
- Effectively managing capital utilization
The need for effective capital management

- Re-capitalization of existing facility
- Predictability with vetted capital projects and plans
- Capital supply and demand changes through the year
- Transparency of capital management process
Define and develop the competing needs

 ✓ Gather all the requests and centralize
 ✓ Identify the key aspects of the projects/actions
 ✓ Review the requests against the business and location strategy
 ✓ Compare the different projects/actions and prioritize
 ✓ Identify financial impacts
 ✓ Create scenarios and analyze the impacts to formulate a multi-year plan