

WYATT MATAS

A HEALTHCARE ADVISORY FIRM

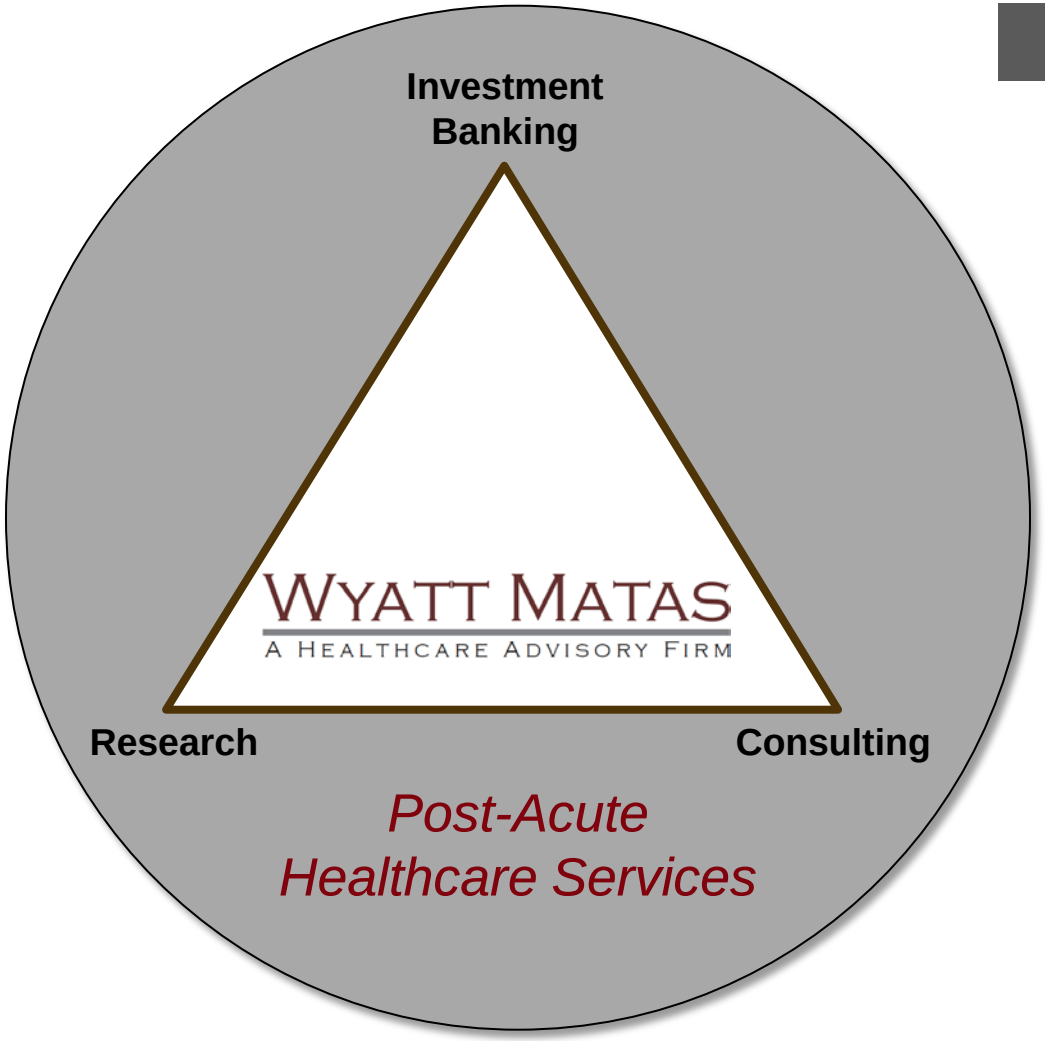
Introduction of the Care Cycle Management Industry

Presented to:

Illinois Home Care & Hospice Conference—March 16-18, 2011

McKesson's Executive Conference—April 12, May 1, June 9, 2011

Strategic Overview



Why is WMA Different?

1 Our Approach to Investment Banking

WMA's research and consulting builds thought leadership that elevates our transactional advice to our clients.

2 Client Focused

WMA partnerships with clients are based on a trusted foundation built through results-oriented advice.

3 Post-Acute Healthcare

WMA's focus on post-acute healthcare allows us to bring our extensive relationships with post-acute leaders, buyers, sellers, and equity and debt providers to each of our client's engagements.

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Purpose of Presentation

Introducing the industry of Care Cycle Management

Wyatt Matas & Associates is a post-acute healthcare advisory firm specializing in providing mergers and acquisitions, capital raising and strategic advice to our clients. Our firm dedicates substantial resources to researching the post-acute industry in an effort to identify and anticipate trends in the market and the legislative changes that lead to opportunities for our clients.

Based on our research and experience, Wyatt Matas & Associates has identified an emerging opportunity for care providers focused on serving severely chronically ill patients. We have named this new industry Care Cycle Management, which is defined as coordinating care and managing all of a patient's care throughout the disease process. The industry is not constrained by episodic care or the siloed care that results from fee-for-service, but manages the patient as long as there is a potential for an exacerbation of their illness. In turn, Care Cycle Management companies improve the quality of life of their patients and lowers the overall cost of care. Because of their effectiveness managing patient's total cost or care, Care Cycle Management companies are willing to go "at-risk" with payor sources and share in the savings they produce on behalf of the payor, which aligns the interest of the patient, care providers and payor sources.

Our firm has committed resources to assisting in the development of the Care Cycle Management Industry. Wyatt Matas & Associates current focus is to:

- Identify companies poised to become Care Cycle Management Companies
- Facilitate the capital to elevate the industry of Care Cycle Management
- Gather the intellectuals that can promote the concept of Care Cycle Management

Wyatt Matas & Associates believes that the combination of interventional care coordination and care delivery on a at-risk basis can change the dynamics of our healthcare system.

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Summary

Introducing Care Cycle Management

Care Cycle Management Industry: The integration of interventional disease management and care delivery that reduces the cost of care for the chronically ill on an at-risk basis, which aligns the interest of the patient, providers and payor sources.

Market Size: Care Cycle Management Companies care for the sickest 25% of the population which cost the healthcare system 83% of total healthcare expenditures.

Margin Expansion Opportunity: The industry allows providers the opportunity to achieve net margins in excess of 30%.

Partnership Opportunity: Changes payor and referral sources' perception of providers from a vendor of service to a solutions provider

Revenue Model: Care Cycle Managers are at-risk providers that generate revenue through shared saving contracts with managed care organizations, commercial insurers and self-funded retirement plans.

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Care Cycle Management Business Model

Superior market size to disease management and home care industries

Patient Segments

25% of the population consuming 83% of the cost

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Market size goes from $18 billion to $87.8 billion

Patient Relationships

Patient throughout the care/disease cycle

Non-episodic based care

Partner ~~Referral~~ Channels

Sought after as a *SOLUTIONS PROVIDER* rather than a service provider:

1. Managed Care Plans
2. Hospitals
3. Office-based PCPs

Value Proposition

Gives the patient what they want—true care coordination with a majority of care being delivered in the home.

Gives payors what they want—method of lowering the cost of care for high cost beneficiaries with a reimbursement method that aligns the interest of the provider and payors sources.

Solves the problem for the hospital—lower readmission rates, coordinates care outside the walls of the hospital.

Key Activities

Core competencies of a distributed SNF at home model. May or may not be owned.

1. Clinical Call Center
2. Physician House Call
3. Home Healthcare
4. Hospice

Key Participants

Leverages current industries as a platform for transformation.

1. Home Healthcare
2. Disease and Case Management
3. Risk Assessment
4. Physician House Call
5. Integrated Healthcare Systems
6. Health Call Centers

Revenue Streams

No longer thinking about payor source first—value based care in turn provides higher margin revenue streams—***SHARED SAVINGS.***

1. Medicare Advantage Plans
2. Medicare—Independence at Home
3. Medicaid Plans
4. Commercial Insurance
5. State Medicaid
6. Hospitals
7. Office-based PCPs

Technology Platform

Mission critical technology/operation tools to execute care delivery, operational effectiveness and margin control.

1. EMR
2. Telehealth
3. Health Informatics
4. Telemedicine

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Core Competencies

Other services may be offered, but key activities will have to include monitoring, physician services and homecare

- ***Clinical Call Center, Driven by Remote Patient Monitoring:*** Daily monitoring by clinicians of chronically ill patients' that proactively manages and delivers care over the phone in an effort to arrest potential exacerbation of their condition that could otherwise result in a hospitalization.

- ***Physician house calls****:* By providing primary physician's care in the home, patients are more likely to remain compliant. Employed physicians will also help CCM companies become the center of care management.

- ***Home healthcare****:* By providing intermittent nursing and rehabilitative care, care cycle managers can further reduce the need for higher cost hospitalizations.

- ***Hospice****:* Effectively managing the entire disease cycle of the patient will lead most providers to include hospice as part of their care delivery continuum, which will lead to improved patient care and lower cost of total care.

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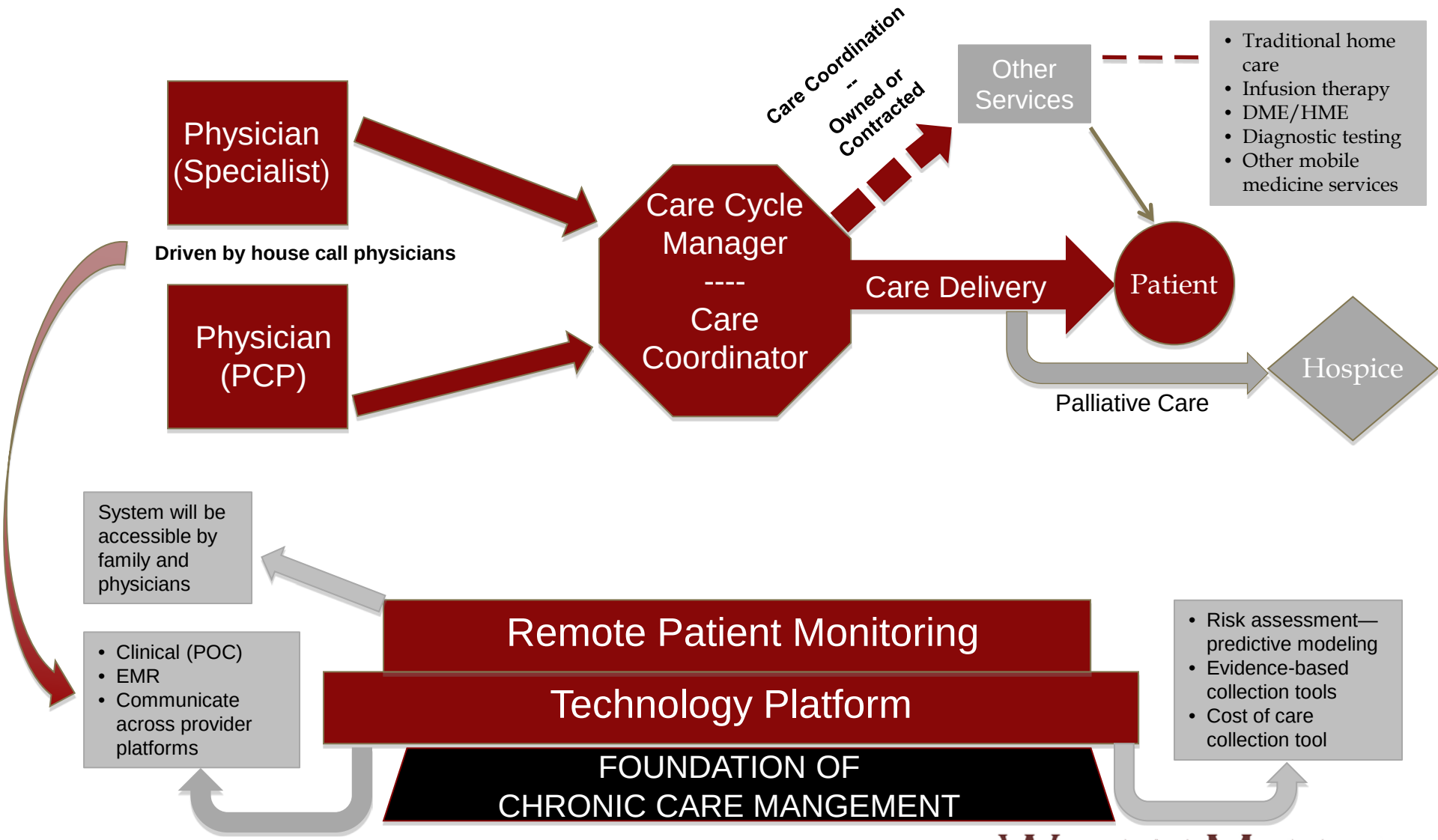
Care Cycle Management Operational Structure

The future of chronic care management in the home will not be called home healthcare



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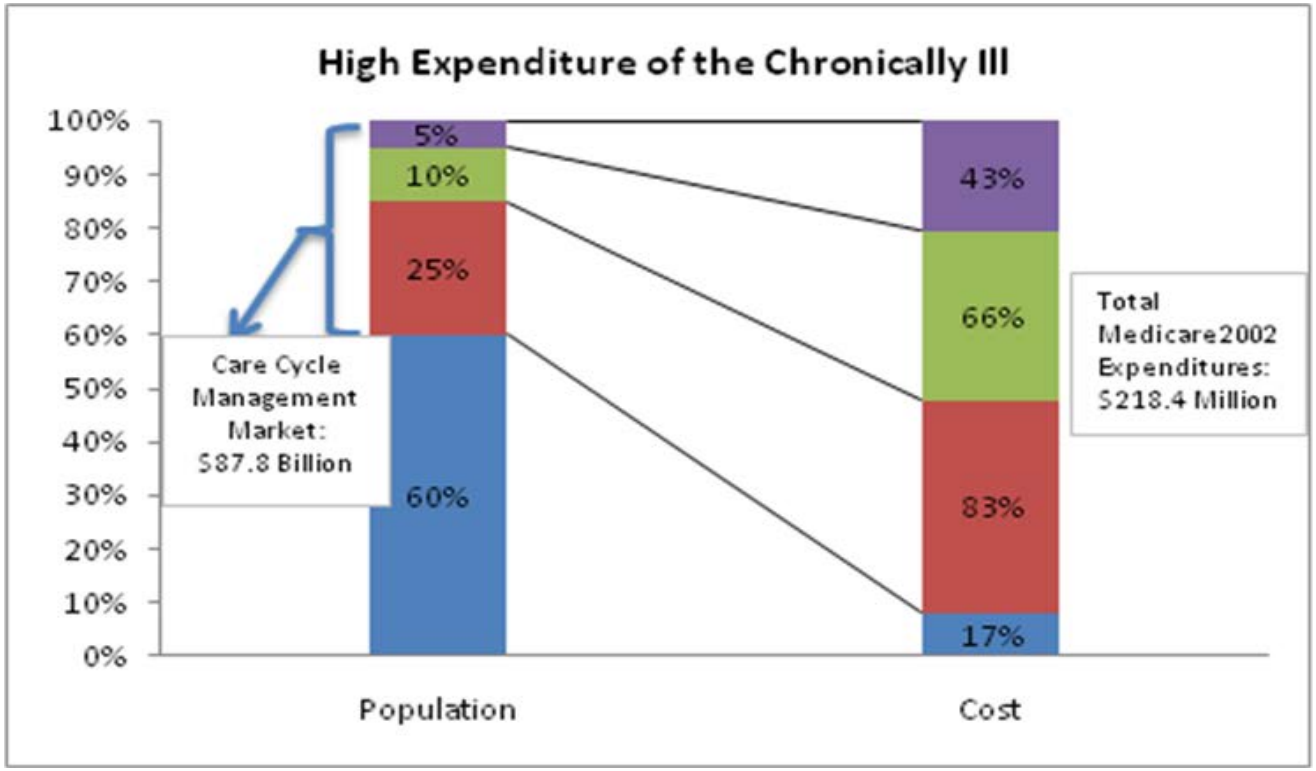
Patient Segmentation

Care Cycle Management is designed to serve the sickest 5% costing 43% of total expenditures

High Expenditure of the Chronically Ill



Source: CMS, Medicare and Chronic Conditions, 2004

Total Medicare 2002 Expenditures: $218.4 Million

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Value Proposition

Solves problems for patients, payors and hospitals

- Gives the patient what they want—true care coordination with a majority of care being delivered in the home
- Gives payors what they want—method of lowering the cost of care for high cost beneficiaries with a reimbursement method that aligns the interest of the provider and payors sources
- Solves the problem for the hospital—lower readmission rates, coordinates care outside the walls of the hospital
- A true care coordination hub can assist physician practices in becoming a medical home

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Shared Savings

Shared savings revenue models are the an increasing trend in healthcare reimbursement

"While not explicitly in the law, cost effectiveness will be central. Health plans are revisiting provider risk-sharing methods as a way to help control costs and to create quality incentives. These efforts may be different from those attempted in the past due to better technology and improved risk adjustment."

Source: Strategic Considerations for the Post-healthcare Reform Environment, McMilliman, Inc.

While always negotiable, gain-sharing contracts state that if a provider can demonstrate a per capita savings for a group of patients, the payor source will share a portion of its savings with the provider. In some cases, gain-sharing also allows for the provider to be reimbursed on a traditional fee-for-service basis.

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Care Cycle Management Market Size

Superior market size to disease management and home care industries

Wyatt Matas & Associates estimates the potential market size of the Care Cycle Management industry to be ***$87.8 billion under a shared savings payment model.[1]***

[1] These market size estimates are based on total Medicare expenditures for 2010 for the program's most costly 5% beneficiaries, which was $223.7 billion. The market size also estimates achieving at least a total savings 24.0%, demonstrated by the Veterans Administrations Home Based Primary Care. The market sizes excludes *any reimbursement a provider may receive under fee-for-service prior to the calculation and distribution of shared savings. It also excludes savings that are retained by the payor source.*

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Independence at Home Act

The basis for changing care for the chronically ill

- IAH is a new chronic care coordination benefit that manages the entire care cycle of the patient; designed for beneficiaries who receive the worst care at the highest cost.
- The Act holds participating practitioners and providers strictly accountable for a) minimum savings of 5% annually, b) good outcomes, and c) patient/caregiver satisfaction
- IAH proposes a split of savings beyond 5% on an 80%/20% basis, with 80% going to the provider.
- The only provision in the PPACA that requires a savings.

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Where Cycle Management Is at Work

VA has dramatically reduced hospital days while increase home care visits

Success of Veterans Administration's Home-Based Primary Care Program

Reduced Hospital Days	62%
Reduced Nursing Home Days	88%
Reduced Veteran Administration's Costs	24%
Reduced Medicare Costs	11%
Increased Home Care Visits	264%
Increased Home Care Spending	460%

Source: Veterans Administration

The VA has more than 40,000 patients enrolled in 200 locations.

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Where Cycle Management Is at Work

Geisinger's Proven Health Navigator is a partnership with 11 physician offices and Geisinger's Health Plan

Success of Proven Health Navigator

Number of Physician Practices Enrolled	11
Case Managers per Enrolled Beneficiary	1 per 800
Reduction in hospitalizations	18%
Reduction 30-day readmissions	36%
Total care cost savings for population	7%

Source: The American Journal of Managed Care

Physician practices were paid under a fee-for-service and shared savings model.

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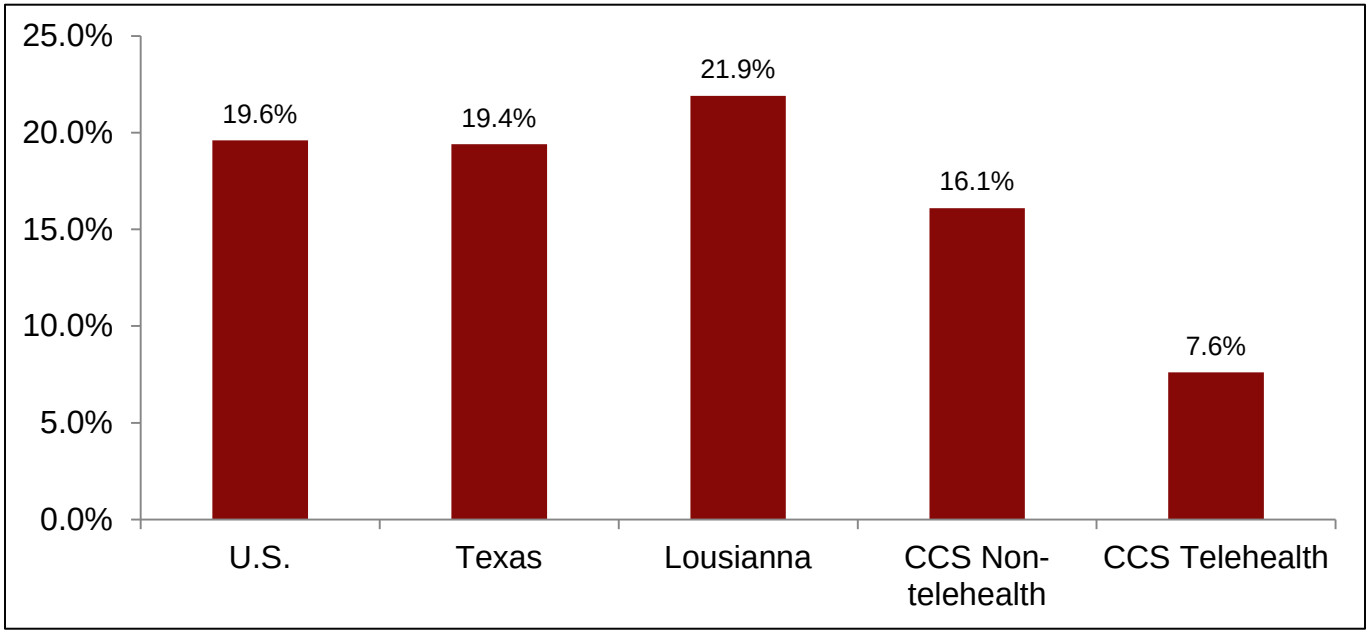
Where Cycle Management Is at Work

Care CycleSolutions has more than 55% of the Medicare patients on remote monitoring

Average 30-Day Avoidable Readmission Rates
All Readmissions
National and State Averages vs. Care CycleSolutions



Source: Home Healthcare Partners

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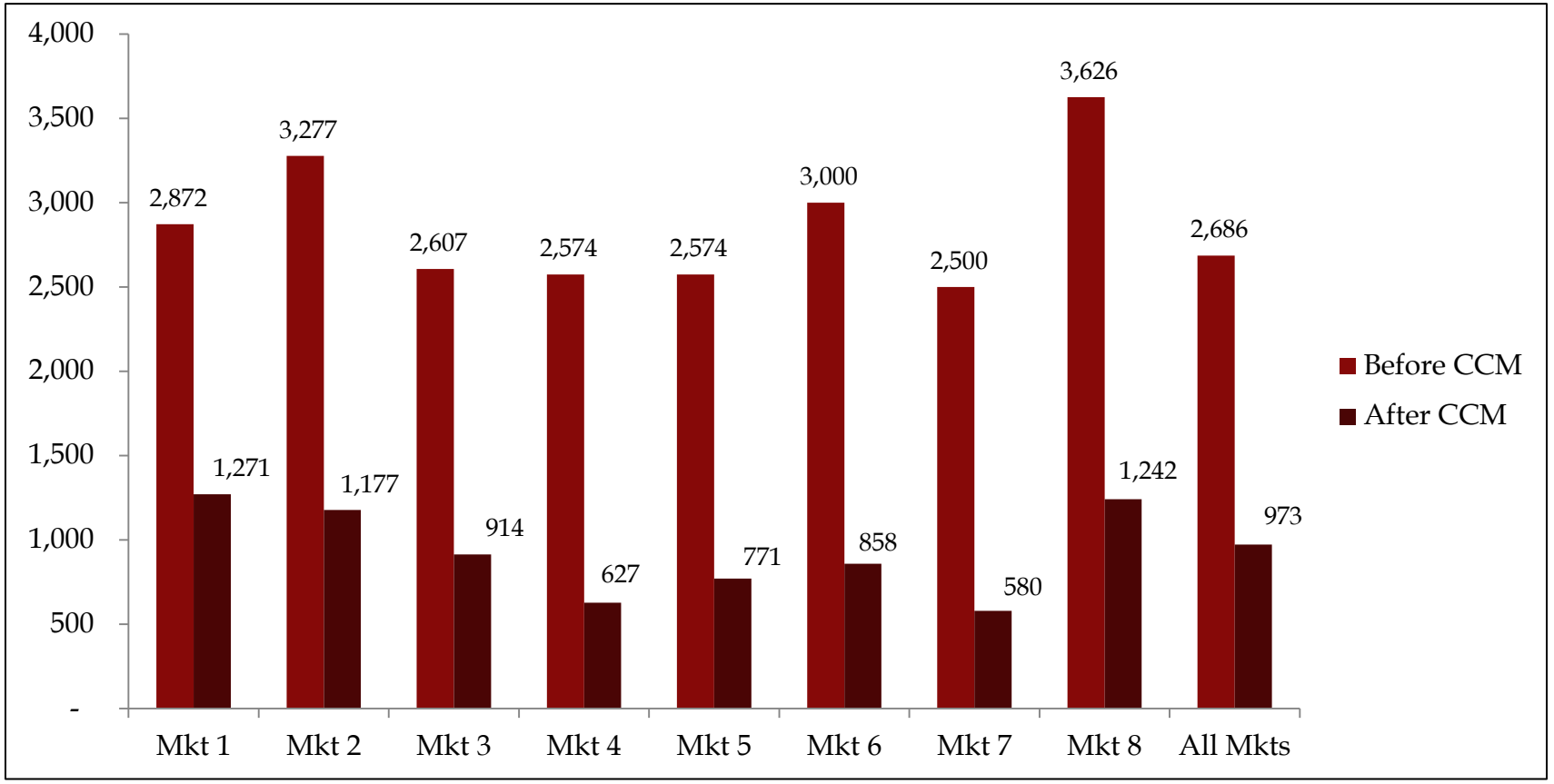
Where Care Cycle Management Is at Work

Inspiris has been able to achieve a 64% reduction in acute care admissions.

Per Member Per Month Improvements—Acute Admission/1,000



Source: Inspiris

Inspiris has demonstrated an average per member per month improvement of $2,010.

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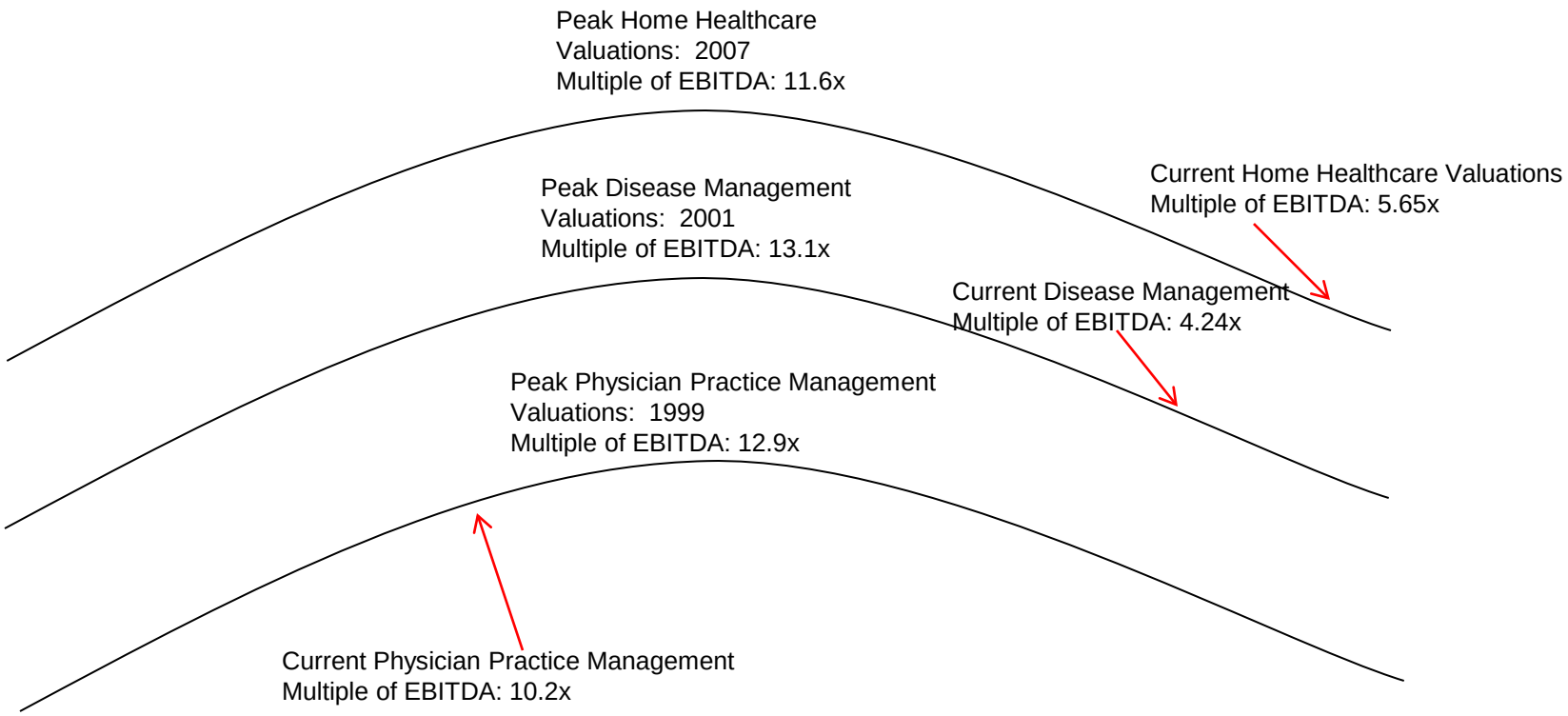
Projected Valuations

Care Cycle Management companies' valuations will range between 10x-13x EBITDA



Source: Wyatt Matas & Associates Research

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Supporting White Papers

Analysis provided by WMA Research

The Delineation of Home Healthcare

The Natural Evolution of a Healthy Industry

April 2010

The Value Continuum for Home Health Care

November 2010

The Care Cycle Management Industry

Changing How Care will be Delivered in the Home

February 2011

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Presenter's Bio

Chip Measells

Mr. Measells is a Partner at Wyatt Matas & Associates, an investment banking firm based in Washington, D.C. Mr. Measells has been active for the past 14 years in the areas of mergers and acquisitions and finance. He has successfully completed over one hundred transactions involving a variety of industries, with a special emphasis in healthcare. Before joining Wyatt Matas & Associates, he was the Director of Mergers & Acquisitions at Fry Consultants, a global merchant bank in Atlanta, Georgia.

Previously, Mr. Measells was the president of a senior healthcare company where he managed the company through 11 successful acquisitions while keeping it profitable. It was later sold to a national company where Mr. Measells now serves on the board of directors. Mr. Measells has extensive knowledge and relationships with privately held and public companies in the U.S. as well as contacts in merger and acquisition, equity analysis, private equity, and other banking and finance industries.

After graduating with a degree in economics from Mississippi State University, he went on to complete his MBA at Wharton School of Business at the University of Pennsylvania. Mr. Measells serves on various committees and boards, including the Board of Governors for a not-for-profit micro-financing institution in Chicago.

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