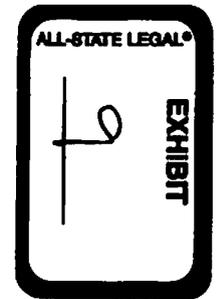




## Vanguard Health Systems Overview

<b>Company:</b>	Vanguard Health Systems
<b>Financial Sponsor:</b>	The Blackstone Group
<b>Website:</b>	<a href="http://www.vanguardhealth.com">www.vanguardhealth.com</a>
<b>Corporate Office:</b>	Nashville, TN
<b>Revenues:</b>	\$3.2 billion
<b>Hospitals:</b>	15
<b>Credit Rating:</b>	B/B2 (S&P/Moody's)



### Description:

Vanguard was founded in 1997 by its current Chairman and CEO, Charles Martin. The company acquired its first hospital in 1998 in Arizona. Vanguard currently owns and operates 15 hospitals in Arizona (5), Illinois (2), Massachusetts (3) and Texas (5). Vanguard also owns managed health care plans in Illinois and Arizona and two surgery centers in California.

### Acquisition Strategy:

Vanguard's strategy is to develop locally-branded, comprehensive healthcare delivery networks in urban markets. The company will pursue acquisitions where there are opportunities to partner with leading delivery systems. Upon acquiring a facility or network of facilities, Vanguard implements strategic and operational improvement initiatives including expanding services, strengthening relationships with physicians and managed care organizations, recruiting new physicians and upgrading information systems and other capital equipment. These strategies improve quality and network coverage in a cost effective and accessible manner for the communities Vanguard serves.

# Corporate Strategy and Mission Statement



## **Corporate Strategy**

### ***Non-profit values, investor-owned vision***

**“Vanguard embraces the principles of non-profit health care and marries them with the business acumen of a privately owned organization.**

**At Vanguard, we serve as the bridge between non-profit health systems and the strengths of a for-profit corporation. In providing that bridge, we view our health systems as partners, and with partnership comes opportunity. We offer our partners a broad spectrum of experience, from operations, contracting and finance to purchasing, human resources and community relations.**

**Sensitive to a hospital’s specific needs, we collaborate with the existing staff, remain dedicated to the community and invest in the hospital by providing resources and technology that improve the overall care patients receive. Furthermore, we respect the hospital’s autonomy and firmly believe in maintaining local authority. This serves our partners well. It serves Vanguard well. Most importantly, though, it serves patients well.”**

## **Mission Statement**

**“Vanguard Health Systems aspire to be the pre-eminent organization of market-leading, top quality healthcare provider system preferred by communities, patients, physicians, vendors, employers and employees.”**

# Utilization and Financial Trends



FYE 6/30

Financial Statistics (\$000s)	FY 2007	FY 2008	FY 2009
Total Revenues	\$2,581	\$2,791	\$3,200
EBITDA	\$238	\$254	\$303
EBIT	\$125	\$133	\$182
Net Income	(\$133)	(\$1)	\$29
Total Assets	\$2,538	\$2,582	\$2,731
Long-Term Debt	\$1,529	\$1,538	\$1,552

Financial Ratios	FY 2007	FY 2008	FY 2009
EBITDA Margin	9.2%	9.1%	9.5%
EBIT Margin	4.9%	4.8%	5.7%
Return on Assets	3.0%	3.2%	4.3%
Return on Equity	(18.2%)	(0.1%)	4.8%
LT Debt-to-Capital	72.6%	72.4%	71.7%
A/R Days	41	39	33
Days Payable	28	26	22

Utilization Statistics	FY 2007	FY 2008	FY 2009
Licensed Beds	4,143	4,181	4135
Adjusted Discharges	264,698	270,076	274,767
Average Length of Stay	4.3	4.3	4.2
Patient Days	721,832	734,838	709,952
Inpatient Surgeries	37,227	37,538	37,970
Outpatient Surgeries	76,606	73,339	76,378
ER Visits	572,946	588,246	605,729

Payor Mix	FY 2007	FY 2008	FY 2009
Medicare	26%	26%	25%
Medicaid	9%	8%	8%
Managed Medicare	13%	14%	14%
Managed Medicaid	7%	7%	9%
Managed Care	32%	35%	35%
Commercial	3%	1%	1%
Self-Pay	10%	9%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Vanguard 2009 annual 10K filing.

# Hospital Portfolio

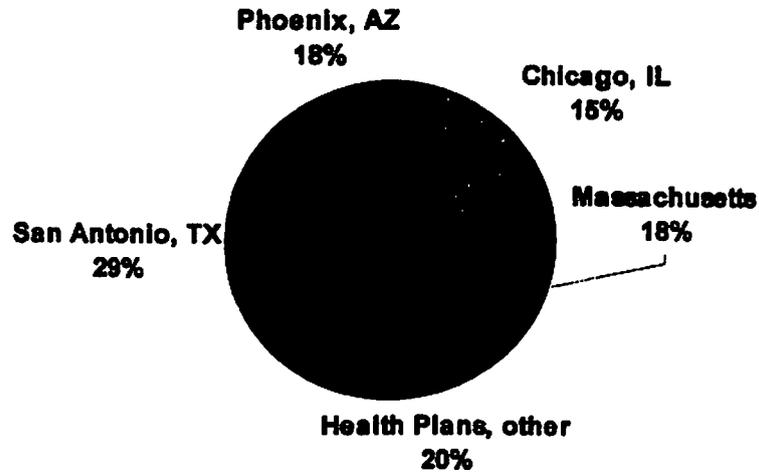


Hospital	Location	beds	Acquired
<b>Texas</b>			
Baptist Medical Center	San Antonio, TX	636	January 1, 2003
Northeast Baptist Hospital	San Antonio, TX	367	January 1, 2003
North Central Baptist Hospital	San Antonio, TX	268	January 1, 2003
Southeast Baptist Hospital	San Antonio, TX	175	January 1, 2003
St. Luke's Baptist Hospital	San Antonio, TX	295	January 1, 2003
<b>Arizona</b>			
Arrowhead Hospital	Glendale, AZ	220	June 1, 1998
Paradise Valley Hospital	Phoenix, AZ	136	June 1, 2000
Maryvale Hospital	Phoenix, AZ	232	November 1, 2001
Phoenix Baptist Hospital	Phoenix, AZ	236	June 1, 2000
West Valley Hospital	Goodyear, AZ	164	September 4, 2003 (constructed)
<b>Illinois</b>			
MacNeal Hospital	Berwyn, IL	427	February 1, 2000
Weiss Memorial Hospital	Chicago, IL	339	June 1, 2002
<b>Massachusetts</b>			
MetroWest Medical Center (2 hospitals)	Framingham, MA	319	December 31, 2004
Saint Vincent Hospital	Worcester, MA	321	December 31, 2004

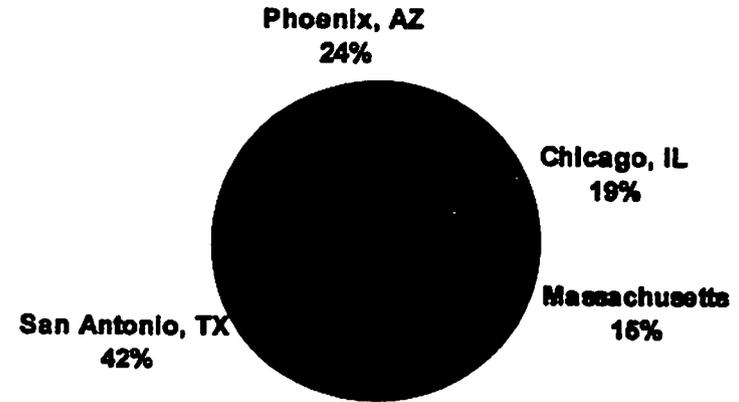
Source: Vanguard 2009 annual 10K filing.

# Geographic Markets

**Geographic Distribution by Revenues**



**Geographic Distribution by Number**





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**BRINGING TOGETHER THE BEST PEOPLE  
TO PROVIDE THE BEST HEALTHCARE**



### **The Vanguard Advantage**

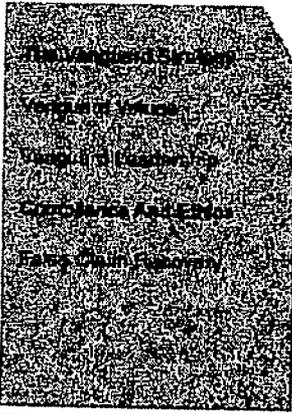
**Nationwide, Vanguard aspires to lead the health care industry in delivering compassionate, quality care effectively and strategically.**

**At Vanguard, we work diligently to stay at the forefront of the health care industry, leading our peers in pursuing a new, better way of providing quality health care. It's a simple commitment with significant impact, for as we create better processes to deliver the best in health care, everyone benefits.**



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COMPANY



### The Vanguard Strategy

Non-profit values, investor owned vision

Vanguard embraces the principles of non-profit health care and marries them with the business acumen of a privately owned organization.

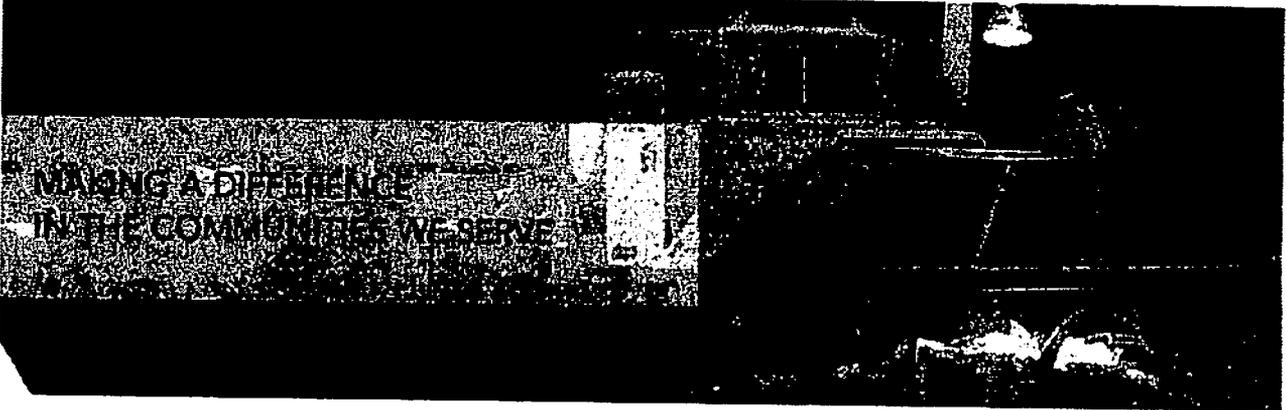
At Vanguard, we serve as the bridge between non-profit health systems and the strengths of a for-profit corporation. In providing that bridge, we view our health systems as partners, and with partnership comes opportunity. We offer our partners a broad spectrum of experience, from operations, contracting and finance to purchasing, human resources and community relations.

Sensitive to a hospital's specific needs, we collaborate with the existing staff, remain dedicated to the community and invest in the hospital by providing resources and technology that improve the overall care patients receive. Furthermore, we respect the hospital's autonomy and firmly believe in maintaining local authority. This serves our partners well. It serves Vanguard well. Most importantly, though, it serves patients well.



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## COMMUNITY



**MAKING A DIFFERENCE  
IN THE COMMUNITIES WE SERVE**

Our commitment to our communities' well-being reaches far beyond providing quality clinical health care. Our hospitals are anchors in their respective communities. At Vanguard, we believe in the mission of providing health care to everyone and we act on that belief. We provide funding to local charitable foundations and activities, allowing the hospitals to address important issues affecting surrounding neighborhoods. We also maintain several school-based clinics and outreach or educational programs.

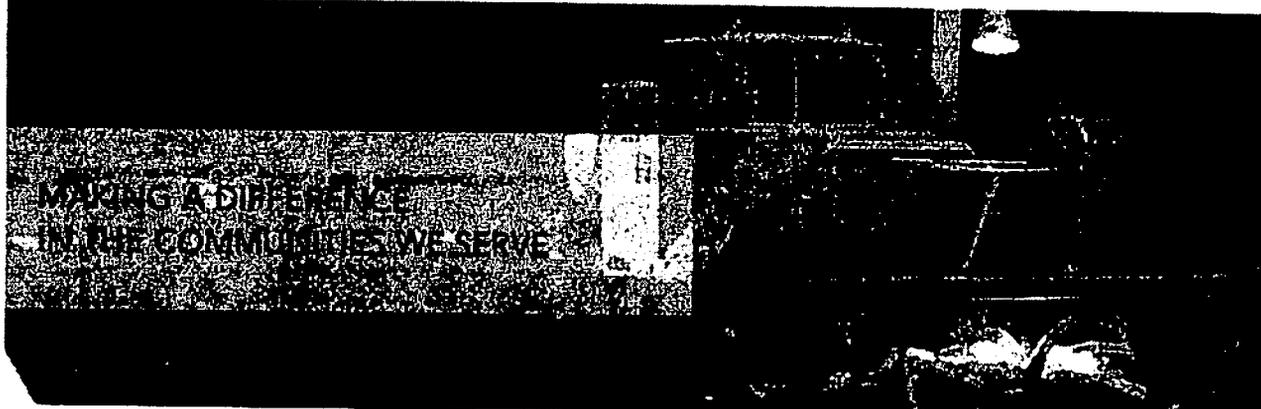
Our goal is to develop hospitals that offer a full range of health care services and give back to the communities. Here are some highlights we're proud to report in each market:

**In Massachusetts**, Saint Vincent Hospital runs the Pernet Clinic, a prenatal clinic that serves uninsured mothers-to-be and gives them access to prenatal care that otherwise would not be available to them. Through this clinic, women can get pregnancy tests, health education, nutrition counseling, even referrals to services to



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## COMMUNITY



**MAKING A DIFFERENCE  
IN THE COMMUNITIES WE SERVE**

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**In Massachusetts, Saint Vincent Hospital runs the Pemat Clinic, a prenatal clinic that serves uninsured mothers-to-be and gives them access to prenatal care that otherwise would not be available to them. Through this clinic, women can get pregnancy tests, health education, nutrition counseling, even referrals to services to help them locate housing and find sufficient food for their families.**

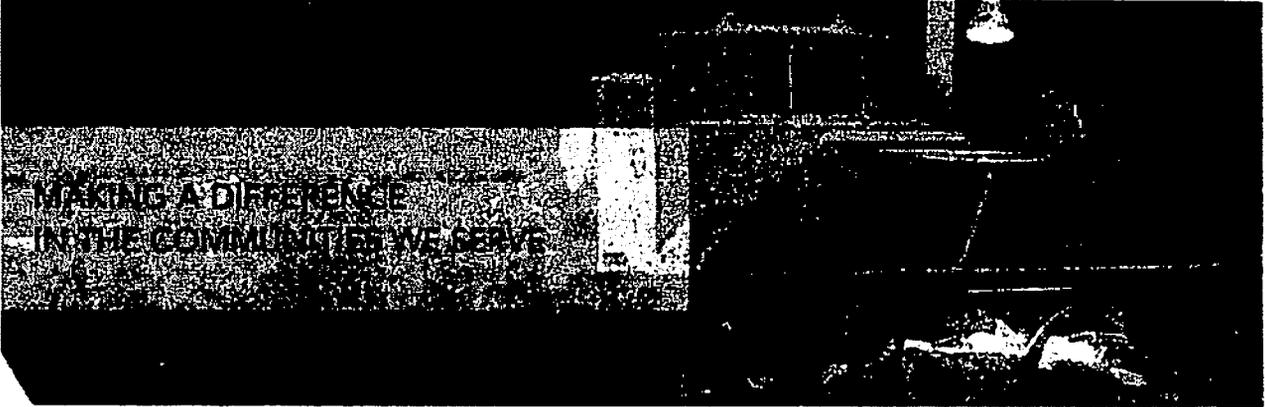
**At Vanguard's MetroWest Medical Center, which has two locations in the nearby communities of Natick and Framingham, employees are working with local companies to send packages overseas through "Support Our Troops" initiative and have sponsored countless local sports and athletic teams in support of this effort. Additionally, MetroWest distributes free bicycle helmets to children twice a year.**





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COMMUNITY



**In Chicago, staff members at both MacNeal Hospital and Weiss Memorial Hospital participate as board or committee members in a number of community organizations, including:**

**Apna Ghar, a domestic violence shelter primarily serving Asian women and children – the first Asian shelter of its kind in the Midwest.**

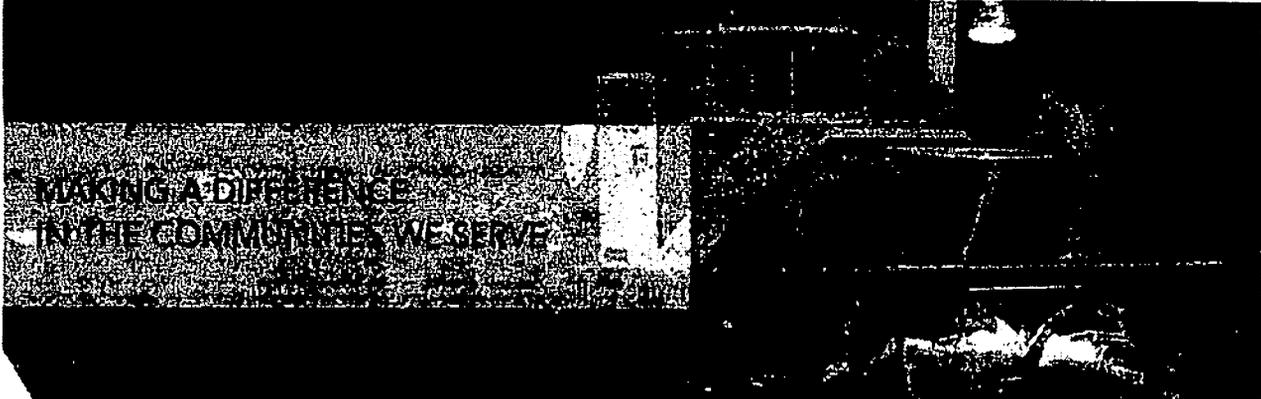
**Chicago Health Outreach, community health centers on the North, South and West sides of Chicago that provide neighborhood health care and HIV services.**

**Alivio Medical Center, a bilingual, bicultural center committed to providing access to quality cost-effective healthcare to the Latino community.**



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COMMUNITY



MAKING A DIFFERENCE  
IN THE COMMUNITIES WE SERVE

healthcare to the Latino community.

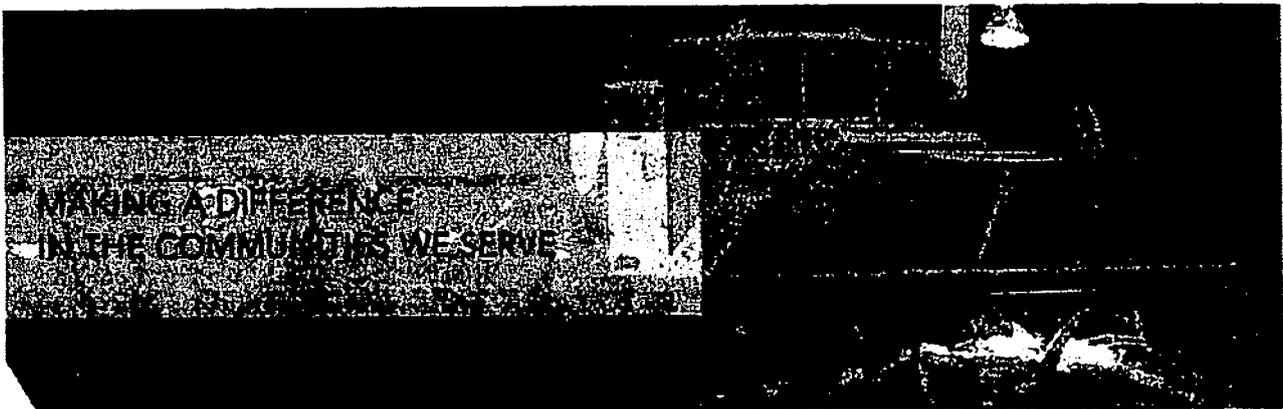
**In Texas**, the Baptist Health System in San Antonio continues its commitment to partner with area groups to improve lives. Hospital employees and members of area churches have raised funds and helped build five Habitat for Humanity houses within the past three years. In addition, individual and corporate support of local United Way efforts has resulted in Baptist Health System being the largest giver to the United Way among non-governmental hospitals in San Antonio for two consecutive years. Baptist also has opened its sixth Pregnancy Testing Center. These centers offer free testing, prenatal care and subsidized delivery services to improve the health of underprivileged mothers and babies. To learn more about the Baptist Health System and its community contributions, visit Baptist Health Systems

**In Phoenix**, Vanguard's Abrazo Health Care System – a five-hospital system serving Maricopa County,



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## COMMUNITY



MAKING A DIFFERENCE  
IN THE COMMUNITIES WE SERVE

community contributions, visit [Baptist Health Systems](#)

**In Phoenix**, Vanguard's Abrazo Health Care System – a five-hospital system serving Maricopa County, sponsors 19 licensed school-based health centers serving 28 schools throughout the metropolitan Phoenix, providing access to primary health services. Our services focus on providing basic primary care services, including prevention, immunizations, diagnosis, treatment, referrals and follow-up. Most of the children served by our school-based health centers have no health insurance and most lack a "medical home." In addition to providing on-campus office space for the Susan G. Komen Breast Center Foundation, the system supports the Susan G. Komen Race for the Cure, the American Diabetes Association Walk and the American Heart Association Walk. In addition to supporting local charitable causes, Abrazo actively promotes healthy lifestyles through programs such as the Wellness Connection at Arrowhead Hospital, which provides more than 70 programs, lectures, classes and support groups each month.