McGladrey

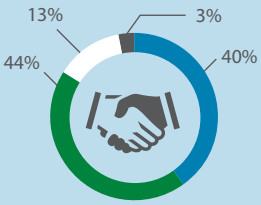
Health care industry's big issues in 2014

PART 1 – MERGERS AND ACQUISITIONS

We asked webcast registrants and attendees the following questions related to mergers and acquisitions in health care. Results were compiled from over 100 health care providers from a variety of sectors including hospitals, health care systems, home health agencies, ambulatory surgery centers, and more. Questions and percentage replies are as follows:

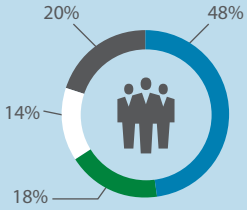
POLL SURVEY RESULTS

Which best describes your organization's experience with acquisitions?



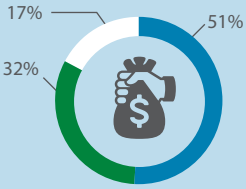
- Do not expect to be involved
- Made acquisitions in last three years and expect more
- No transactions yet, but are considering
- Organization was acquired in last three years

How would you describe your organization's current approach to ACO formation or involvement?



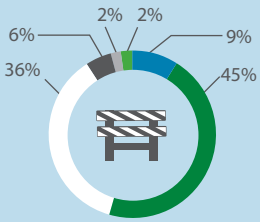
- ACOs are not applicable to my organization
- Do not expect to be part of an ACO
- Reviewing our options to form or join an ACO
- Part of or soon to be part of an ACO

Do you think you can maintain revenue/operating margins over the next 5-10 years?



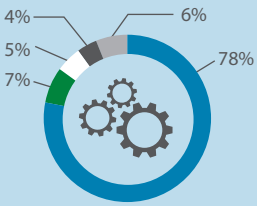
- Not sure
- Yes
- No

Which factors present the most serious issues/ roadblocks in a health care acquisition or merger?



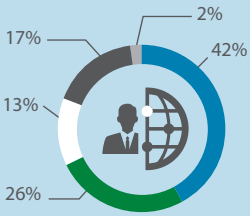
- Culture
- All the above
- Financial issues
- None of the above
- Perceived quality of care differences
- Resistance from key physicians and employees

Which would likely be the most influential factor?



- All the above
- Cost cutting and elimination of admin. expenses
- Expanding our continuum of care
- Geographical expansion
- Increasing revenues

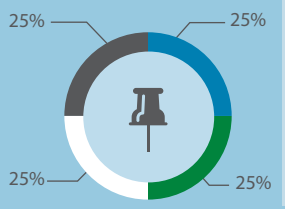
As part of your overarching long-term financial strategy, acquisitions and mergers are:



- Does not prepare long-term financial strategies
- Not applicable
- Not something in our formal strategy
- Simply a means to an end
- Cornerstone of our execution plan

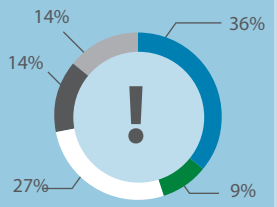
FOLLOW UP SURVEY RESULTS

What type of organization do you represent?



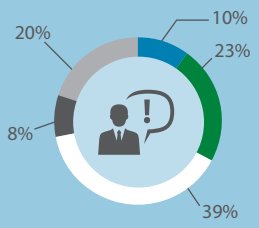
- Cancer hospital
- Critical access hospital
- Health care system
- Other

Whether considering or in the process of a transaction, what is your greatest concern?



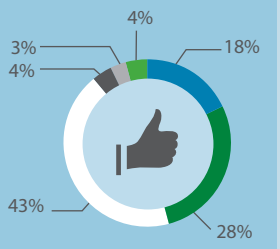
- Continuing your organization's mission
- Ensuring continued medical access for the community
- Loss of employment
- Obtaining a fair price
- Other

What concerns you most about a potential transaction?



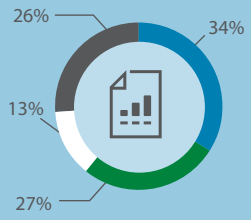
- Determining the right price
- Finding the right target
- Managing risk
- Other
- The process

Regardless of your M&A experience, what do you see as the principal benefit to an acquisition?



- Expanded continuum of care (for providers)
- Expanded geography or coverage
- Improved financial performance
- Improved quality metrics/scores
- Improved supply chain, i.e. vertical integration (for non-providers)
- Other

With respect to growth, what is most appealing option?



- Acquisition
- Joint venture
- None of the above
- Organic growth