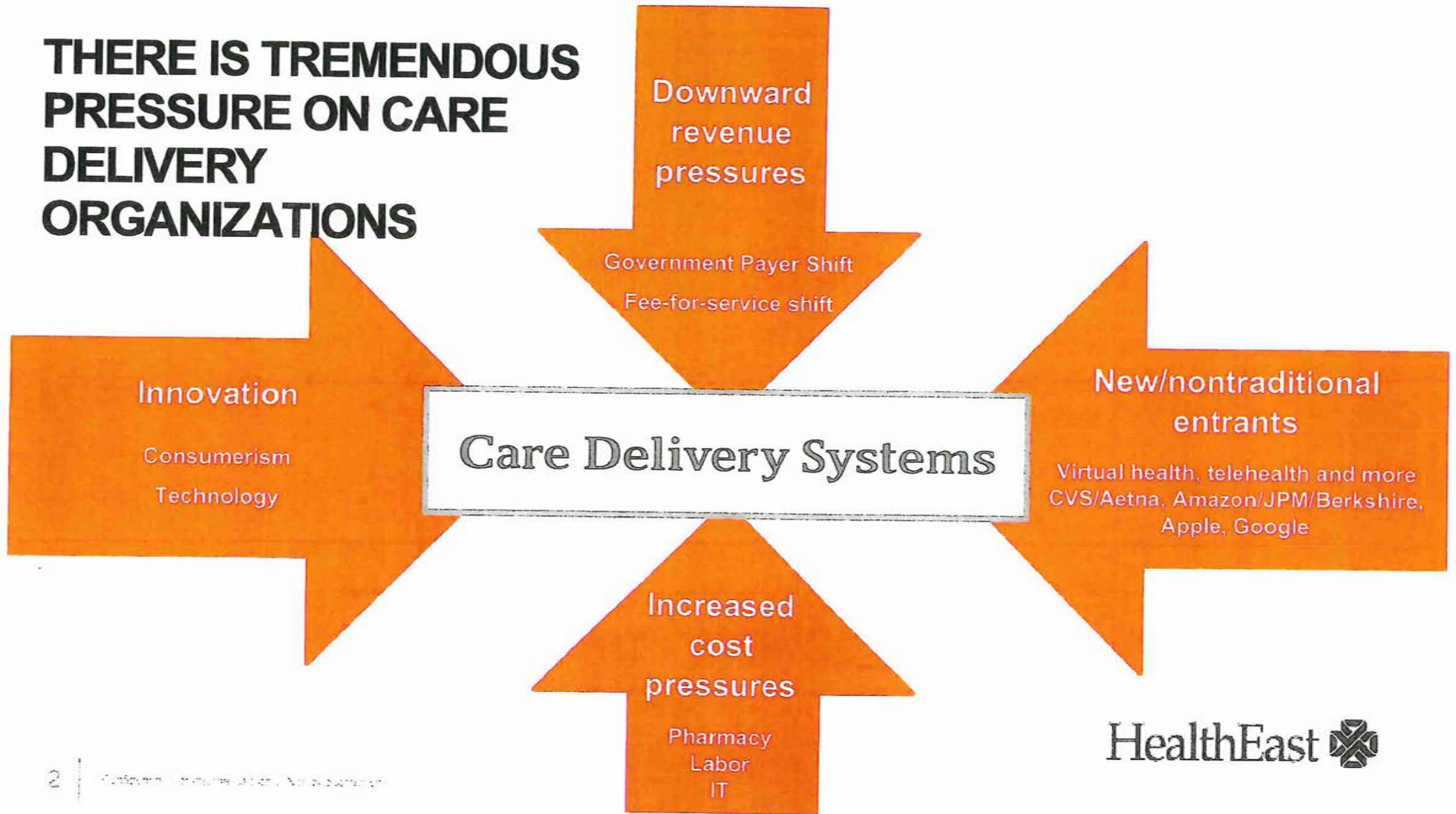


HEALTHEAST: ECONOMIC BACKGROUND



THERE IS TREMENDOUS PRESSURE ON CARE DELIVERY ORGANIZATIONS



OUR 2018 NUMBERS SHOW BROAD IMPACT, AND LIMITED ABILITY TO REINVEST IN CARE

OPERATING REVENUE
\$5.7 billion

OPERATING INCOME
\$96.7 million

What's left after expenses

YEAR-END OPERATING MARGIN
1.7%

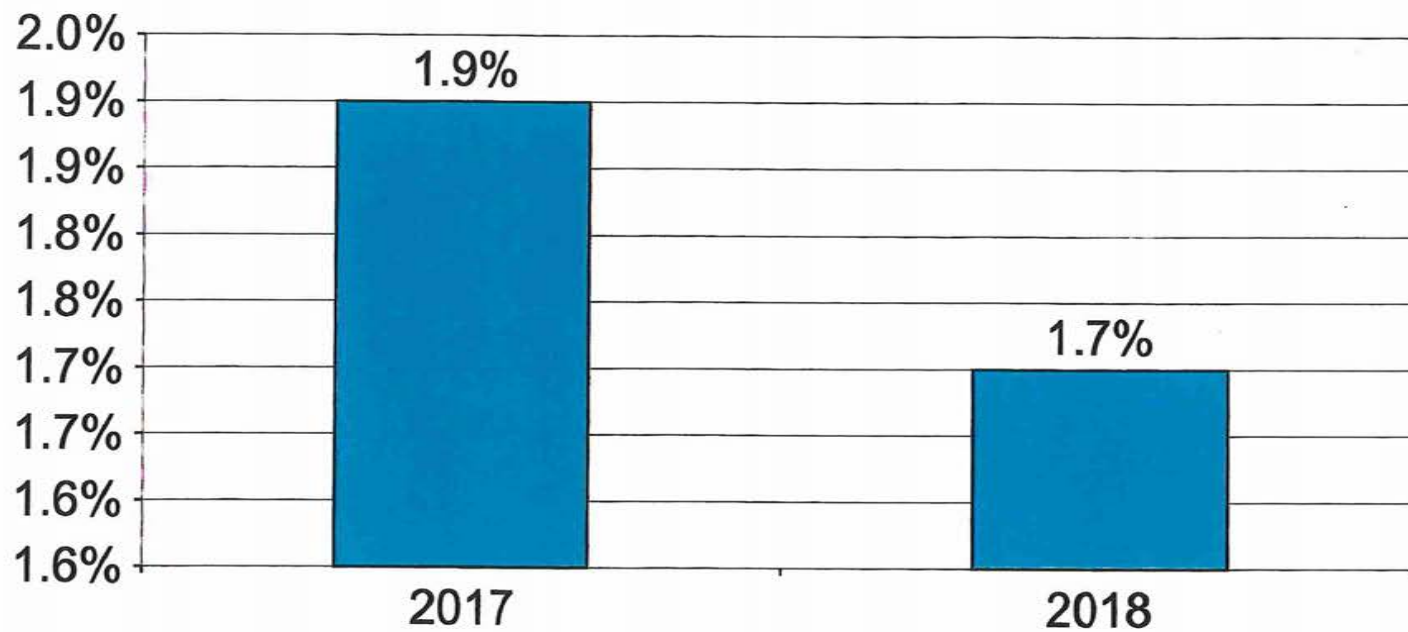
2018 IMPACT

People served by HealthEast and Fairview

- 2.1+ million clinic visits
- 1,144,520 outpatient registrations
- 326,198 emergency department registrations
- 106,101 inpatient admissions
- 90,411 surgeries
- 13,699 births
- 11,527 behavioral inpatient admissions
- 331 organ transplants
- 236 blood and marrow transplants



OPERATING MARGIN IS DECLINING



Combined results for Fairview and HealthEast



WHY DOES A NON-PROFIT HEALTH CARE ENTITY HAVE A MARGIN?

To cover every day costs and fund improvements in care:

- Operating Cost - Tools & IT: Epic system and upgrades, other new technologies, etc.
- Routine Maintenance and Facility Enhancements: Unit/dept. rehab, repair and maintenance, clinic expansion, etc.
- Growth-related investments

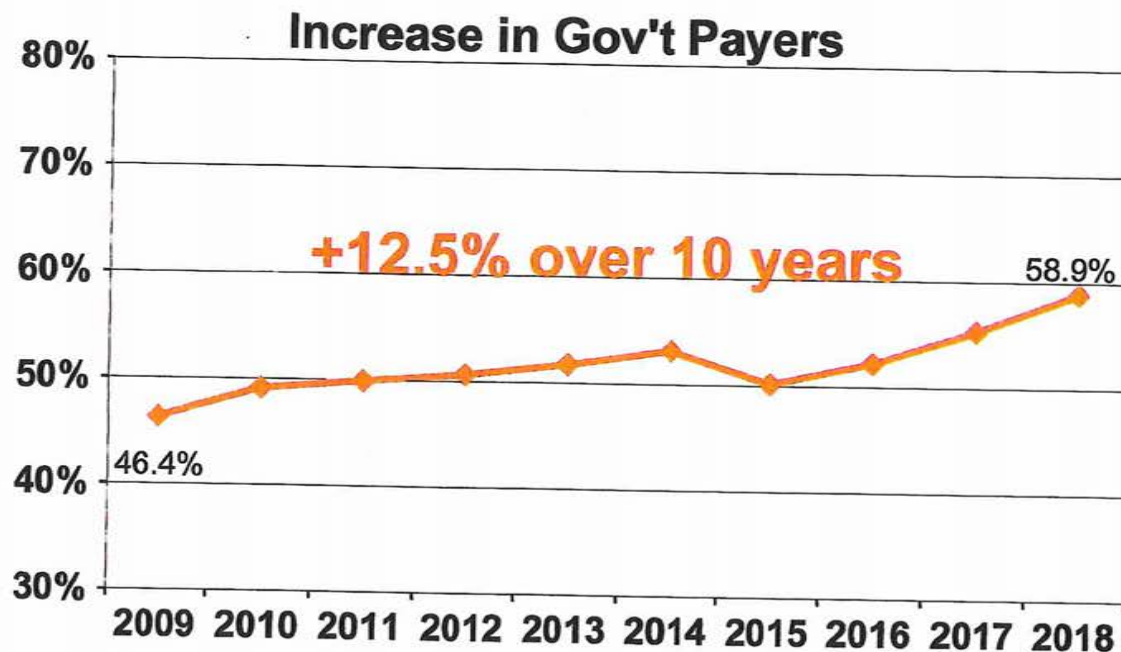
THE INCREASING PERCENTAGE OF GOVERNMENT PAYERS WITH LOWER REIMBURSEMENT IS ADDING ECONOMIC PRESSURE

- Government insurance does not pay what it costs to deliver care.
- The government pays only **73.3%** of what it costs to deliver care.
- These government payers represent **58.9%** of our business, up from **46.4%** ten years ago.



THE SHIFT FROM COMMERCIAL TO GOVERNMENT PAYERS HAS STEADILY INCREASED

A 1% shift from commercial to government payers is an approximate loss of \$29 million in net revenue per year.

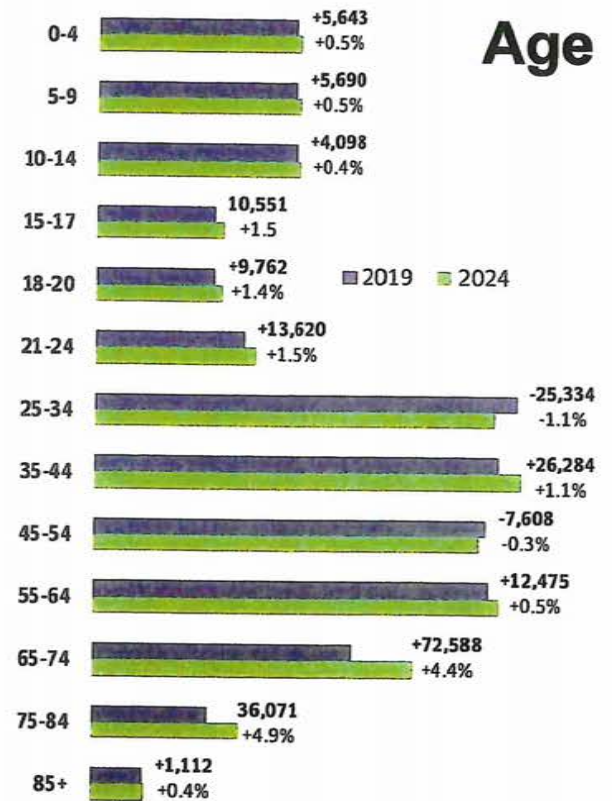


MEDICARE-AGED DEMOGRAPHIC IS PREDICTED TO CONTINUE GROWING



- Total population in the metro area is expected to grow by +0.9% annually over the next 5 years
- The 65-84 age cohort will experience the largest percent growth

Medicare population is growing faster than non-Medicare population; Lower payment rates from Medicare means increasing economic challenges.



HEALTHEAST: RN WAGES

10-YEAR VIEW SHOWS MORE THAN KEEPING PACE WITH INFLATION



If a new grad started June 1, 2008 as a 0.8:

\$28.24 starting rate

Wage increases + average step increases of 3.2%

\$42.53 on June 1, 2018

+ 50.6% increase over 10 years

If a new grad started June 1, 2008 full time:

\$28.24 starting rate

Wage increases + average step increases of 3.2%

\$47.14 on June 1, 2018

+ 66.9% increase over 10 years

84% of HealthEast nurses are eligible for step increases

For same period:

- + 16.1% is the average increase in Consumer Price Index (CPI) – a measure of inflation and indicator of cost of living
- Average wage increase across Minneapolis/St. Paul (16 counties) for all occupations was 17.9% and for all RNs was 18.5%

HealthEast

OUR GUIDING PRINCIPLES FOR NEGOTIATIONS



- We are committed to reaching a contract agreement that is **fair and equitable**.
- Health care is changing. Our organization and all of us who work in the health system need to adapt to the evolving needs and expectations of the people we serve. We need to reach a contract agreement that **allows flexibility** to meet the challenges of a changing health care environment.
- We must remain good stewards of health, which requires **balancing a variety of needs with limited resources**. We are committed to a contract agreement that is sustainable in an era of health care in which the consumer is demanding care that costs less, not more.
- We have a long history of providing exceptional care; **nurses are valued partners in care**. We need to reach an agreement that supports us continuing to work together to ensure safe, high quality patient care.