EY’s
Federal Health Services Capabilities Overview

Give us your greatest challenge.
What drives our EY Federal Health Practice

A passionate desire to build a better working world.
This is EY’s higher calling — why we exist as an organization. It’s the meaning behind the daily activities of our 167,000 people in more than 140 countries. By proudly committing to this purpose, we are recognizing the obligation and responsibility we have as a premier organization and are building a better working world in some obvious, and not so obvious, ways:

► Through our business advisory services we help our clients to improve and grow, enhancing mission performance and leveraging precious resources to achieve effectiveness
  ► We help entrepreneurs, who are key to economic health, bring their products and ideas to market through Entrepreneur Of The Year and a series of services
  ► We are an incubator when it comes to developing leaders who have successful careers at EY and go on to other roles in industry, government and academia
  ► We give back to the local communities in which we live and serve through individual and collective initiatives

Our purpose as an organization is not relevant or achievable without our clients. Delivering quality and exceptional client service is just our starting point
The healthcare environment is constantly changing
Provider consolidation, demand for improved services and an non-outcome based incentive system characterizes the current market

### Demand & Supply Friction

#### Demand Driving Factors
- Aging Population; 1.6M turn 65 years of age annually
- Post deployment mental health issues among Veterans; 20% of Iraq & Afghanistan Vets have PTSD and/or depression; 19% have TBI; suicide rates on the rise
- Explosion of lifestyle diseases
- Rise in public expectations
- Lack of value consciousness among consumers

#### Supply Driving Factors
- Rise in unit costs with advanced technologies (current estimates show the cost of Vet health care will rise 45-70% over the next decade)
- Poor allocation of resources in delivery systems
- Lack of an incentive system that rewards value
- Fewer physicians per person & beds per 1000 compared to other nations

### Current Cost of Healthcare
- Health expenditures in US neared $2.6 trillion in 2010, over ten times the $256 billion spent in 1980
- US spends $8,233 per person annually; 34 nations spend an average of $3,268, per the in the Organization for Economic Co-operation and Development (OECD)
- DoD spends $50B annually to provide healthcare to its beneficiaries; MHS costs are projected to escalate to $59B by 2016 and $92B by 2030
- US spends 17.6% of GDP on health care; OECD average is 9.5%
- US spends more in every category of care than other OECD nations; $900 per person per year goes to administrative costs
- Average hospital stay in US is $18,000; it is $6,000 in Canada
- US conducts twice as many MRIs and CTs as other OECD nations
- Current projections indicate that healthcare costs will increase by more than 70% over the next 10 years**

### Population Challenges
- US life expectancy in 2012 is 78.2 years versus 79.5 years in OECD nations
- Increasing incidence of chronic disease in the aging population combined with a declining number of primary care physicians and geriatric specialists in America
- The Affordable Care Act introduces provisions that aim to improve the quality of the care delivered and enhance prevention and health promotion measures
- Increasing prevalence of age-related illnesses including heart disease, cancer, diabetes and neurodegenerative diseases such as Alzheimer's and Parkinson's
- Increased need for patient health information sharing coupled with an increased risk of security and privacy breaches in an era of digitized medical records
- Healthcare will become more expensive as Iraq and Afghanistan Vets age*

---

* Source: Army Times News, March 2013
** Social Security Advisory Board, September 2009
The future market will focus on personalized medicine, restructured delivery systems, and increased accountability

<table>
<thead>
<tr>
<th>Attacking the healthcare cost problem</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Focus on cost, quality and population health and an evolving view of pay-for-performance</td>
</tr>
<tr>
<td>▪ Increased pressure for data transparency into manpower, performance, and cost</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transforming the way care is delivered</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Outcome-based focus requires new strategies to align performance and behaviors</td>
</tr>
<tr>
<td>▪ New outcome/quality measures require enhanced data analytics, clinical decision making, and collaborative care management</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Improving and simplifying operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Focus on service line core competencies and partnerships to support clinical care supply</td>
</tr>
<tr>
<td>▪ Enhanced demand management strategies needed to drive patient engagement, ease of access and availability of health information</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Innovating through health IT &amp; informatics</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Health communities require new approaches/services for information capture and sharing</td>
</tr>
<tr>
<td>▪ Information exchange requirements accelerate with Health Exchanges, National Health Information Network and DoD/VA sharing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thriving with increased regulations</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Government gives security/privacy provisions specificity and “teeth”</td>
</tr>
<tr>
<td>▪ Standards regarding information management and sharing demands greater consistency, interoperability and collaboration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Managing for results</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ Increased demands for transparency and expectations of effectiveness require robust, fact-based performance management</td>
</tr>
<tr>
<td>▪ Budgeting for outcomes and focusing on tangible results requires systems thinking</td>
</tr>
</tbody>
</table>
In short, the changing healthcare landscape creates the need to evaluate both what you do and how you do it.

**Volatility** of the economic, demographic and political environment
- Sequestration challenges; federal budget pressures
- Voice of the customer: changes to the way we deliver healthcare
- Increase in volume, complexity and impact of government regulations

CUSTOMIZE DELIVERY MODELS BASED ON MEASURED RISK

**Velocity** of innovation and information
- Rapid changes in technology
- Rise of business intelligence and data analytics
- New technology has become a requirement, not a differentiator
- Cyber security threats are at their all time high

INNOVATE THROUGH HEALTH INFORMATICS

**Visibility** into everything an organization does
- Increased scrutiny into federal spend
- Increased pressure for fiscal controls
- Health care reform implications
- Affordable Care Act and Health Exchange implications

BUILD TRANSPARENCY INTO EVERY COMPONENT OF THE DELIVERY MODEL
EY’s Federal Health Practice brings a proven team with insight and experience
What makes EY Federal Health different

- Our 167,000 professionals around the world deliver Exceptional Client Service (ECS) that stems from our unparalleled commitment to quality, reach back capabilities, innovative ideas, and global presence.

- EY Federal Health Advisory Services delivers ECS and helps leaders improve performance, manage risk, and drive change by:
  - *Looking at the clients’ issues holistically* to understand how a particular issue fits into the broader picture and addressing the root causes vs. the symptoms
  - Offering a team of dedicated resources with *deep and diverse experiences and skill sets*
  - Providing *in-depth knowledge of local market dynamics* and players via our global presence and regional market experts

![Diagram showing the benefits of ECS: Financial heritage, Global structure, Integrated culture, Measurable and sustainable outcomes, Faster access and response time, Superior client experience.]

We help our clients achieve sustained, measurable results by leveraging our deep financial heritage, our seamless global structure, and our collaborative and integrated culture.
Our healthcare focus delivers significant value to our clients

### Broad and Deep Institutional Knowledge...
- **Select Healthcare Topics**
  - Budget pressures / sequestration
  - Incentive design
  - Clinical transformation (Electronic Medical Record)
  - Transparency in health spending
  - Clinically relevant, cost reduction (CR2)
  - Innovation and competition
  - Quality and patient outcomes and satisfaction; holistic approach to care
  - Business Intelligence / data analytics

- **Regulatory and Legislative Activity**
  - House / Senate member positions & floor considerations
  - Committee deliberations
  - Regulatory implementation (e.g., ICD-10)
  - Healthcare Reform
  - Affordable Care Act implications

### ...Applied by Focused EY Team Members...
- Grounded in reality
- Honest about challenges, risks and rewards
- Positioned toward future trends
- Concentrated on making clear choices
- Focused on execution

### ...to Create Unique Value for Our Clients

#### Measurable benefits
- Focus on ROI and business value
- Focus on results and accountability
- Focus investment on benefits delivery
- Accelerate quick wins

#### Sustainable achievements
- Phased and proven approach to help clients build the capability and skills needed to get to their future desired state
- Sustained desired outcomes

#### Timely results
- Skilled teams with clearly defined focus and mandate
- Benefits of subject matter expertise
- Experience in executing rapid program assessments

#### Tools & Methodologies
- Exelerator – EY’s overall framework
- RAPID – Rapid Risk Assessment Predictive Indicator Diagnostics
- IDDDS – EY’s service delivery approach
- VBM – Value Based Management
- Maturity Models
Our evidenced-based approach paves a path to desired performance

Provide leaders with a quantitative, sustainable business case with full authority and accountability to deliver results - visibility throughout the life of the program is essential.

Align the organization to the performance objectives, make it personal and engage people in the planning and delivery of the program.

Drive the organization to action and empower full solution adoption.

Continuously predict, monitor and manage risk of delivery while measuring and creating additional value.
The services we provide
Our portfolio of services provides objective, fact-based insights aimed at driving relevant, tangible results

**Focusing on the right outcomes**
- Strategic Planning
- Beneficiary Engagement
- Organizational Effectiveness & Design
- Customer Strategy & Experience
- Operating Model Design
- Operational Change & Sustainability
- Enterprise Cost Reduction
- Capital Transformation
- Due Diligence Services

**Executing the right way**
- Portfolio / Program Management
- Human Capital Management
- Supply Chain Transformation
- Health Analytics & Informatics
- Synergy Identification & Assessment
- Revenue Optimization
- Integration Planning & Execution
- Clinical Transformation
- Service Line Design

**Maintaining compliance**
- Audit Readiness
- Internal Control Reviews
- Information Security Management
- ICD-10 Assessment
- IT Internal Audit
- Financial Reporting Valuation
- Tax Valuations & Reviews

**Realizing objectives**
- Performance Improvement / Lean Six Sigma
- Driver Based Performance Management
- Post Merger Integration / Shared Services
- Advisory Valuations
- Model/Scenario-Based Planning

**Sustained, Measureable Results**
- Executing the right way
- Maintaining compliance
- Realizing objectives
We help our clients realize tangible, sustainable results
Overview of our Health Sector clients

► Our Federal Health Practice provides a full range of advisory services focused on strategy, operations, program management, risk analysis, and systems improvement, as well as assurance services to the MHS, VA, HHS, and international donor organizations such as USAID and the Millennium Challenge Corporation.

► Our Commercial Health Practice is actively engaged with assisting some of the Nation’s largest providers, payers and integrated delivery systems with assessing and preparing their strategies and operational activities to meet current and future challenges.
Representative samples of our experience

EY provided SMRs in Operating Company Model (OCM) development, complex health transformation, integrated health systems, clinical quality standards, international health systems, and models of care. EY applied rigorous methodologies to provide the necessary framework for enterprise analysis of Army Medicine’s current operational state in order to create a comprehensive set of OCM design principles and initiatives that would best move the organization along the OCM maturity continuum. We provided the client with a comprehensive and actionable transformation plan that identified specific initiatives required to assist the organization in transforming to an OCM and outlined activities required to establish a sustainable Transformation Program Management Office (TPMO) Framework.

Army Medicine

TMA OCFO engaged EY to conduct a budgetary review and alignment study of the Defense Health Program (DHP) IM/IT financial management process. EY performed a detailed budget review and analysis of all DHP IM/IT funds for fiscal years 2008 and 2009. The team documented several opportunities to enhance existing processes and control points, as well as our final improvement recommendations in a financial transparency and oversight improvement plan. As part of the plan, we also developed a one (1) year improvement roadmap to support the immediate implementation of our recommendations focused on strengthening financial management processes and enhancing the transparency, traceability, and visibility of all funding decisions.

TRICARE OCFO

The VHA Veterans Access and Flow Coordination Center (VAFCC) Task Force (TF) engaged EY to assist with identifying the current state of patient flow and transfer coordination practices and developing recommendations for the VHA’s future state flow environment. EY conducted an initial baseline assessment, followed by a comprehensive assessment, to identify the current state of patient flow and transfer coordination across the VHA. As part of this engagement, we developed a future state recommendations framework, based on a comprehensive flow management concept which included proposed processes and associated functions for the VHA future state environment.

VA

The JTF CapMed engaged EY to provide independent, evidence-based performance assessments and monitoring services on the clinical Base Closure and Realignment Commission (BRAC) IO&T requirements. JTF CapMed also had added responsibility to develop and execute a Joint Transition Plan for the Walter Reed National Military Medical Center (WRNMMC), the new Fort Belvoir Community Hospital, and the decommissioning of the Walter Reed Army Medical Center. EY provided four (4) quarterly comprehensive program assessments and 12 monthly critical path reports that detailed the planning, execution, and monitoring of activities across 20 of the most critical transition milestones, as well as proactively identified areas of potential risk.

JTF CapMed
Representative samples of our experience (cont.)

<table>
<thead>
<tr>
<th>Engagement</th>
<th>EY Capabilities</th>
</tr>
</thead>
</table>
| Army Medicine       | - Strategic Planning  
|                     |   - Beneficiary Engagement  
|                     |   - Operating Model Design  
|                     |   - Operational Change and Sustainability  
|                     |   - Portfolio/Program Management  
|                     | - Change Management  
|                     |   - Drive Based Performance Management  
|                     |   - Service Line Design  
|                     |   - Performance Improvement / Lean Six Sigma  
|                     |   - Clinical Transformation  
| TRICARE OCFO        | - Operational Change and Sustainability  
|                     |   - Enterprise Cost Reduction  
|                     |   - Internal Control Reviews  
|                     |   - Financial Reporting Valuation  
|                     | - Program Evaluation  
|                     |   - Performance Improvement  
|                     |   - Synergy Identification & Assessment  
|                     |   - Integration Planning & Execution  
| VA                  | - Beneficiary Engagement  
|                     |   - Customer Strategy and Experience  
|                     |   - Operational Change and Sustainability  
|                     | - Change Management  
|                     |   - Performance Improvement  
|                     |   - Program Evaluation  
|                     |   - Portfolio / Program Management  
| JTF CapMed          | - Beneficiary Engagement  
|                     |   - Customer Strategy and Experience  
|                     |   - Operational Change and Sustainability  
|                     |   - Capital Transformation  
|                     |   - Portfolio/Program Management  
|                     |   - Human Capital Management  
|                     | - Supply Chain Transformation  
|                     |   - Synergy Identification and Assessment  
|                     |   - Integration Planning and Execution  
|                     |   - Program Evaluation  
|                     |   - Change Management  
|                     |   - Enterprise Risk Management  |
Sharing insights and experience
Health Care Thought Leadership

These timely and topical pieces are designed to help clients understand the big industry issues, and how those issues can impact business performance. We provide valuable insights that will help you protect, optimize, grow and innovate. Samples below.

New Horizons: collaboration
Featuring exclusive interviews with the Agency for Healthcare Research & Quality, the Patient-Centered Primary Care Collaborative, et al.

Progressions 2012: the third place - healthcare everywhere
Changing behaviors of patients represents the single biggest opportunity to improve outcomes in today’s health care system.

mHealth: mobile technology poised to enable a new era in healthcare
Examines the impact of technology innovation on health care and its stakeholders.

Pulse of the Industry: medical technology report 2012
Covers data on key industry metrics — financial and stock market performance, financing, and mergers and acquisitions.
5 Insights for executives

5 is an exciting series of articles from EY Advisory. Each issue answers five key questions that explore an important topic of the day. Short, snappy and to the point, 5’s innovative format provides analysis of today’s issues for the C-suite executive. Samples of health care insights below. You can also visit www.ey.com/5

- **Bringing patients into focus**
  Using analytics to create a 360-degree view

- **Are you ready for a HIPAA audit?**
  Avoid getting the next million-dollar penalty

- **Getting fit for the new health care environment**
  How hospitals can engage patients, manage capacity and address risk in the new era of health insurance exchanges

- **A new prescription for market success**
  Using commercial agility to gain market share

- **The power of collective intent**
  Collaborative care networks can help health care organizations thrive in today’s challenging landscape
EY
Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

EY refers to the global organization of member firms of EY Global Limited, each of which is a separate legal entity. EY Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com.

© 2014 EY LLP
All Rights Reserved.