Eighteenth Annual Not-for-Profit Health Care Investor Conference

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Jim Skogsbergh
President and Chief Executive Officer

Lee B. Sacks, M.D.
Executive Vice President and Chief Medical Officer

Dominic J. Nakis
Chief Financial Officer and Treasurer
The following material and presentation contains information which is forward looking within the meaning of federal securities law. These forward-looking statements are based on the current plans and expectations of Advocate Health Care Network (“Advocate”) that, although believed to be reasonable, are subject to a number of known and unknown uncertainties and risks inherent in the operation of health care facilities, many of which are beyond Advocate’s control, that could significantly affect current plans and expectations and Advocate’s future financial position and results of operations. These forward-looking statements speak only as of the date made. Investors are cautioned not to unduly rely on such forward-looking statements. This presentation should be reviewed in conjunction with Advocate’s December 31, 2016 and March 31, 2017 continuing disclosure reports.
Overview & Strategic Focus

Jim Skogsbergh
President and Chief Executive Officer
MISSION --- To serve the health needs of individuals, families and communities through a wholistic philosophy rooted in our fundamental understanding of human beings as created in the image of God.

VALUES --- Compassion, equality, excellence, partnership and stewardship guide our actions as we work together to provide health services to others in our communities.

PHILOSOPHY --- Is grounded in the principles of human ecology, faith and community-based health care. These principles arise from an understanding of human beings as a whole person in light of their relationship to God, themselves, their families and the society in which they live.
Advocate Health Care

**Physicians**
- 1,350 Employed
- 4,970 Physician Partners
- 6,300 Medical Staff

**Hospitals**
- 11 Acute Care
- 4 Teaching / 1 Children’s
- 5 Level 1 Trauma Centers

**Post-Acute**
- Home Health / Hospice
- Palliative Care / LTACH
- SNF Partnerships

**Associates**
- 37,000 Associates

**Financials**
- $5.6 B. Total Revenue
- $660+ M. Community Benefits

**Location**
- Illinois-Based
- Chicago / Central IL
Nationally Recognized
ADVOCATE 2020
Mission, Values, Philosophy

To be a faith-based system providing the safest environment and best health outcomes, while building lifelong relationships with the people we serve.

Vision

Strategies

Key Result Areas

Advocate Experience
Safety Quality Service

Access and Affordability
Growth Funding our Future

AdvocateCare®
Coordinated Care

Foundation

Strong Physician Engagement
Health Care Landscape/Market Dynamics

- Provider consolidation
- Intense physician acquisition activity
- Decreasing utilization
- Shifting payor mix / declining payment rates
- Dominant Blue plans
- Unstable public exchange
- Increasing bad debt & charity care
- Tight labor market
Health Care Transformation

• Reinvent our delivery model (who, what, where, when & how)

• Address cost structure
Advocate Well Positioned

• National leader in safety and health outcomes
• Top decile workforce engagement
• Strong physician partnerships
• #1 in brand recognition
• Financial strength
Focused Areas

Lee B. Sacks, M.D.
Executive Vice President and Chief Medical Officer
# Current Value-Based Agreements

<table>
<thead>
<tr>
<th>Contract</th>
<th>Lives</th>
<th>Total Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial HMO</td>
<td>286,000</td>
<td>$0.8 B</td>
</tr>
<tr>
<td>Medicare Advantage</td>
<td>45,000</td>
<td>$0.3 B</td>
</tr>
<tr>
<td>Advocate Employee</td>
<td>32,000</td>
<td>$0.1 B</td>
</tr>
<tr>
<td>Commercial Shared Savings</td>
<td>370,000</td>
<td>$1.6 B</td>
</tr>
<tr>
<td>Medicare Shared Savings</td>
<td>147,000</td>
<td>$1.6 B</td>
</tr>
<tr>
<td>Medicaid ACO</td>
<td>93,000</td>
<td>$0.1 B</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>973,000</td>
<td><strong>$4.5 B</strong></td>
</tr>
</tbody>
</table>
## Commercial Based Insurance

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Attribution</td>
<td>• Benefit Design</td>
</tr>
<tr>
<td>• Infrastructure</td>
<td>• HMO Products</td>
</tr>
<tr>
<td>• Leakage</td>
<td>• Total Cost &lt; market median</td>
</tr>
<tr>
<td>• Shared Savings</td>
<td>• Clinically Integrated Network</td>
</tr>
<tr>
<td>• Dominant Blues Plan</td>
<td>• Global Capitation</td>
</tr>
</tbody>
</table>

Advocate Health Care
# Public Exchange

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual Mandate</td>
<td>110,000 Lives</td>
</tr>
<tr>
<td>Cost Sharing Reduction</td>
<td>In Network Utilization</td>
</tr>
<tr>
<td>Risk Transfer Payment</td>
<td>Supplemental Insurance</td>
</tr>
<tr>
<td>Complexity</td>
<td>Premium Increases</td>
</tr>
<tr>
<td>Uncertainty</td>
<td></td>
</tr>
<tr>
<td>Bad Debt</td>
<td></td>
</tr>
</tbody>
</table>
# Medicare

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reimbursement increases less than inflation</td>
<td>• Medicare Advantage</td>
</tr>
<tr>
<td>• Benefit Design</td>
<td>• Medicare Shared Savings Plan</td>
</tr>
<tr>
<td>• MACRA Impact on Physicians</td>
<td>• MACRA Support for physicians</td>
</tr>
<tr>
<td></td>
<td>• SNF Utilization</td>
</tr>
</tbody>
</table>
## Medicaid

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Illinois</td>
<td>Improved Quality</td>
</tr>
<tr>
<td>Disproportionate Growth</td>
<td>Improved Access</td>
</tr>
<tr>
<td>12 MCO’s</td>
<td>RFP for 2018 MCOs</td>
</tr>
<tr>
<td>Denials</td>
<td>Global Capitation</td>
</tr>
<tr>
<td>Observation Status</td>
<td></td>
</tr>
<tr>
<td>Delayed Payments</td>
<td></td>
</tr>
</tbody>
</table>
Reducing Clinical Variation

• Continued Redesign of Joint Replacement Surgery
• Robotic Surgery
• Enhanced Recovery After Surgery
• Adult ICU care - eICU®
• Glucose gel to reduce neonatal hypoglycemia
• Summary – better outcomes and lower costs
BHAG: ZERO Serious Safety Events by 2020

• Current decline at 45%

• 2017 decline target 65%

• Culture of safety
Financial Profile

Dominic J. Nakis
Chief Financial Officer and Treasurer
Strong Operating Performance

Dollars in Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$300</td>
<td>6.1%</td>
</tr>
<tr>
<td>2014</td>
<td>$339</td>
<td>6.3%</td>
</tr>
<tr>
<td>2015</td>
<td>$331</td>
<td>6.1%</td>
</tr>
<tr>
<td>2016</td>
<td>$264</td>
<td>4.7%</td>
</tr>
<tr>
<td>2016 Q1</td>
<td>$42</td>
<td>3.0%</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>$49</td>
<td>3.2%</td>
</tr>
</tbody>
</table>
Operating Cash Flow is Solid

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Cash Flow (in Millions)</th>
<th>Operating Cash Flow Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$567</td>
<td>11.5%</td>
</tr>
<tr>
<td>2014</td>
<td>$636</td>
<td>12.0%</td>
</tr>
<tr>
<td>2015</td>
<td>$633</td>
<td>11.7%</td>
</tr>
<tr>
<td>2016</td>
<td>$587</td>
<td>10.5%</td>
</tr>
<tr>
<td>2016 Q1</td>
<td>$121</td>
<td>8.8%</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>$136</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Dollars in Millions

- Operating Cash Flow
- Operating Cash Flow Margin

Advocate Health Care
Positive Investment Yields

Investment Income and Yield Over Time:
- 2013: $343M, 7.1%
- 2014: $188M, 3.2%
- 2015: $(184), -2.6%
- 2016: $374M, 7.8%
- 2016 Q1: $(43), -0.8%
- 2017 Q1: $206M, 3.4%

Investment Income and Yield as of Actual Mar31:
- Real Assets: 16%
- Hedge Funds: 24%
- Fixed Income: 19%
- Private Equity: 9%
- Public Equity: 32%
Capital Spend Moderating

Dollars in Millions

- Cash Spending
- Capital Spend Ratio

2013: $386
2014: $508
2015: $504
2016: $402
2016 Q1: $102
2017 Q1: $87

Capital Spend Ratio: 182% (2013), 212% (2014), 196% (2015), 149% (2016), 151% (2016 Q1), 121% (2017 Q1)
Debt Profile – low, level & long

Tax-exempt debt of $1.6 billion, annual debt service is level and average life is 18 years.
Debt Profile – Well Diversified

Underlying Debt Mix

- $70, 4%
- $100, 6%
- $142, 9%
- $321, 21%
- $936, 60%

Net Interest Rate Mix

- $165, 10%
- $142, 9%
- $326, 21%
- $936, 60%

Renewal Risk

- $250
- $220
- $200
- $175
- $150
- $125
- $100
- $75
- $50
- $25

Credit Provider Mix

- $936, 60%
- $185, 12%
- $212, 14%
- $49, 3%
- $87, 5%
- $100, 6%
- $77.5
- $50.0
- $127.9
- $144.2

- SBPA
- Direct Placement
- Tender Bonds

- Fixed Rate
- Synthetic Fixed Rate
- Intermediate
- Unhedged Floating

Advocate Health Care
Strong Coverage & Capitalization

Debt Service Coverage Ratio (times)

- 2013: 9.5
- 2014: 9.4
- 2015: 7.6
- 2016: 8.5
- 2016 Q1: 6.9
- 2017 Q1: 10.0

Debt as % of Unrestricted Capitalization

- 2013: 24.0%
- 2014: 23.2%
- 2015: 23.9%
- 2016: 21.8%
- 2016 Q1: 24.0%
- 2017 Q1: 21.2%

Strong Coverage & Capitalization
Robust Cash to Debt Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>283</td>
</tr>
<tr>
<td>2014</td>
<td>296</td>
</tr>
<tr>
<td>2015</td>
<td>280</td>
</tr>
<tr>
<td>2016</td>
<td>297</td>
</tr>
<tr>
<td>2016 Q1</td>
<td>273</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>304</td>
</tr>
</tbody>
</table>
Pension Plans Well Funded

<table>
<thead>
<tr>
<th>Year</th>
<th>Dollars in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$840, $838</td>
</tr>
<tr>
<td>2014</td>
<td>$899, $937</td>
</tr>
<tr>
<td>2015</td>
<td>$915, $945</td>
</tr>
<tr>
<td>2016</td>
<td>$979, $999</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>$1,009, $1,007</td>
</tr>
</tbody>
</table>

Percent Funded:
- 2013: 100%
- 2014: 96%
- 2015: 97%
- 2016: 98%
- 2017 Q1: 100%
Substantial Liquidity Position

Dollars in Millions

2013: $4,518
2014: $4,725
2015: $4,712
2016: $4,692
2016 Q1: $4,590
2017 Q1: $5,065

Days on Hand

Dollars

Days Cash and Investments on Hand

Advocate Health Care
Advocate Well Positioned

• National leader in safety and health outcomes
• Strong brand
• Physician & associate engagement
• Balance sheet strength and solid operating performance
• AA+ (S&P), Aa2 (M) AA (F) bond ratings with stable outlooks