
The Crisis in Healthcare and its Impact on You in 2009
BOYAR & MILLER

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Bill Boyar

Chairman

Boyar & Miller

A Texas Perspective

How are we doing?

- **26% of Texans are uninsured (#1 nationally)**
- **30% of Harris County is uninsured**
- **26% of state spending is for healthcare for the poor**
- **Small businesses dominate the economy, but only 31% of those with 50 or fewer employees offer insurance in Texas, compared with 43% nationally. As a result, 48% of Texans are covered by employers, compared with 53% nationally.**

Source: Don Gilbert – Healthcare Consultant

How are we doing?

- **Biggest problem in Texas is a surging population: about 23.5 million in 2006, up 12.7% from 2000, fueled by immigrants who cross the nation's longest border with Mexico.**
- **55% of the births in Texas are covered by Medicaid (income less than $30,710/yr)**

Source: Don Gilbert – Healthcare Consultant

Where do the uninsured go for healthcare?

- **ER visits increased by 18%**
- **ER visits increased by 33% in Texas**
- **ER visits in Harris County increased by 50%**
- **Half of the ER visits in Houston are primary care visits (non-emergency)**

Source: Don Gilbert – Healthcare Consultant

Who pays for the uninsured?

- State & federal spending $20 billion/yr in Texas
- County government (8% for indigent care)
- Public hospitals through tax levies/not for profit hospitals
- Cost shift to the insured

Source: Don Gilbert – Healthcare Consultant

Quantifying the Financial Impact of Cost Shift:

- **Average increase in family insurance premiums to pay for health costs of the uninsured estimated for 2008**
  - **$1,502/year national average**
  - **$2,786/year in Texas**

Source: Don Gilbert – Healthcare Consultant

Who are the uninsured in Texas?

- **29% Anglo**
- **11% Black**
- **57% Hispanic**

Source: Don Gilbert – Healthcare Consultant

Who are the Medicaid recipients in Texas?

- **25% Anglo**
- **18% Black**
- **52% Hispanic**

Source: Don Gilbert – Healthcare Consultant

Changing Demographics of Texas:

- **Percent of population growth by race/ethnicity from 2000-2014**
  - **4% Anglo**
  - **5% Black**
  - **78% Hispanic**

Source: Don Gilbert – Healthcare Consultant

Who are the Medicaid recipients in Texas?

- **Income limits to qualify for federal-state health insurance program for the poor and disabled are among the lowest in the nation.**
- **Texas has no subsidized health insurance program for childless adults; 19 states and the District of Columbia offer some coverage.**

Source: Don Gilbert – Healthcare Consultant

Thanks

- **Special thanks to Don Gilbert, healthcare consultant and former Texas Health and Human Services Commissioner under Governor Bush.**

Source: Don Gilbert – Healthcare Consultant

Deloitte.

A Political Prospective: The Obama Plan

John R. Boettiger, Jr., CFA

Principal

Deloitte Financial Advisory Services, LLP

June 12, 2009

The Deloitte Center for Health Solutions

- Our commitment to helping our health care clients address operational, financial and environmental risks is evident in our investment in the Deloitte Center for Health Solutions (the Center). The Center, based in Washington, D.C., is a leading national source of objective and independent health care research. The Center's mission is to develop practical, innovative, and workable solutions to the myriad health care issues affecting the U.S. public and private sectors. The Center does not perform billable client service or lobby for policy changes; rather, it performs the role of collaborating with the public and private sector to identify solutions.
- The Center also supports our clients by producing value-added thought leadership and by providing assistance in facilitating solution development. The Center is also composed of a number of innovative subject-matter specialists who are helping to transform the U.S. health system.

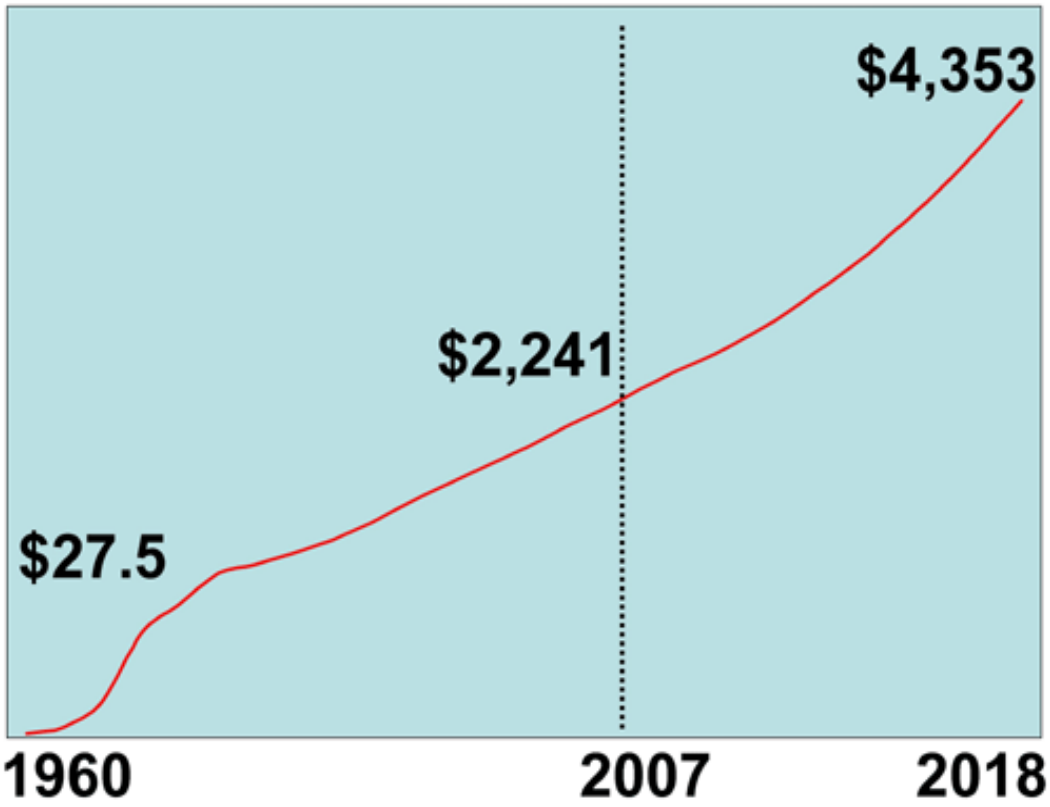
Paul H. Keckley, Ph.D.
Executive Director, Deloitte Center for Health Solutions
Deloitte Consulting LLP

Paul H. Keckley, Ph.D., is the executive director of the Deloitte Center for Health Solutions (Center). He provides strategic guidance on the development of Center research and thought leadership. Paul has 30 years of experience in academic medicine and the private sector. He is highly regarded for his knowledge of health care economics, health policy, and trend analysis and has been profiled by ABC's "20/20," CBS's "60 Minutes," CNN, Fox News, and *The Wall Street Journal*. Prior to joining Deloitte LLP, Paul served in several key roles at Vanderbilt University.

Current context for health reform

- The U.S. economy is weak—recession began 12/07
  - Unemployment at 9.4%: highest since 1939
  - Banking industry solvency: 19 major banks stress tested
  - TARP program underway: results unknown, $140 billion yet to deploy
- Containing health costs—key element in economic recovery
  - Fastest growing expense in households, companies and government
  - Only industry with employment increase since 12/07 downturn
- The new administration—"change…yes we can"
  - Health care, energy, education priorities
- Access to health insurance—campaign 2008 focus, but costs now a major theme

Health costs increased from 5.9 to 16.2% of GDP from 1965 to 2007: Fastest growing expenditure in federal budget

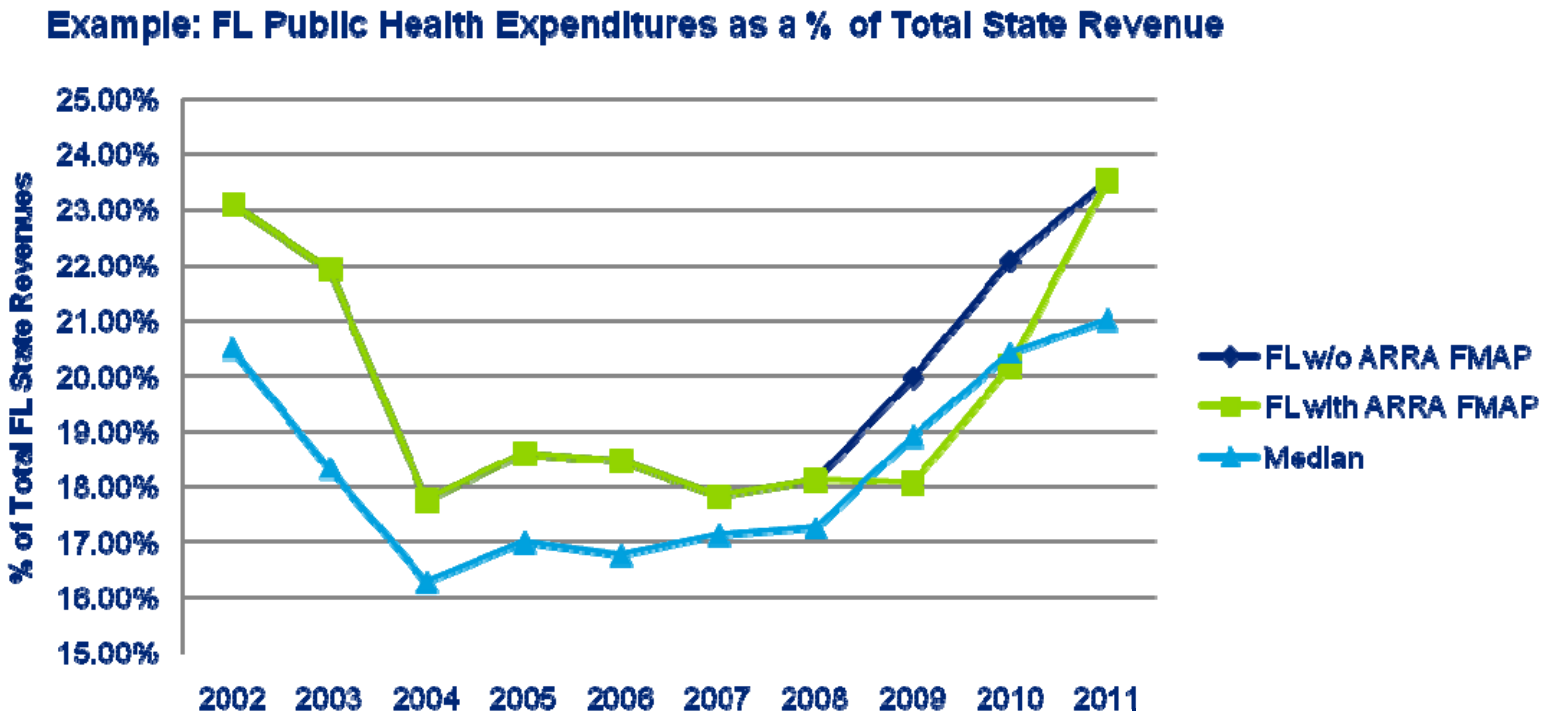


Annual health care expenditures in the United States have gone from $27.5 billion in 1960 to $2.24 trillion in 2007 and are projected to reach $4.35 trillion by 2018. Source: Department of Health and Human Services, Center for Medicare and Medicaid Services, the National Health Expenditures Accounts (NHEA)

2008-2018 Forecast:

- US economy: +4.1% CAGR
- Health costs: +6.2% CAGR
- Government spending for health care (Medicare and Medicaid): +7.2%
- Private sector spending for health care: +5.3%
- 25% of entire federal budget

Fastest growing expense in states: 36 governors up for election in 2010



Source: Deloitte Center for Health Solutions analytics

16 open seats:

•9 are currently *Democratic*: Kansas, Maine, Michigan, New Mexico, Oklahoma, Oregon, Pennsylvania, Tennessee, Wyoming

•7 are currently *Republican*: Alabama, California, Georgia, Hawaii, Rhode Island, South Carolina, South Dakota

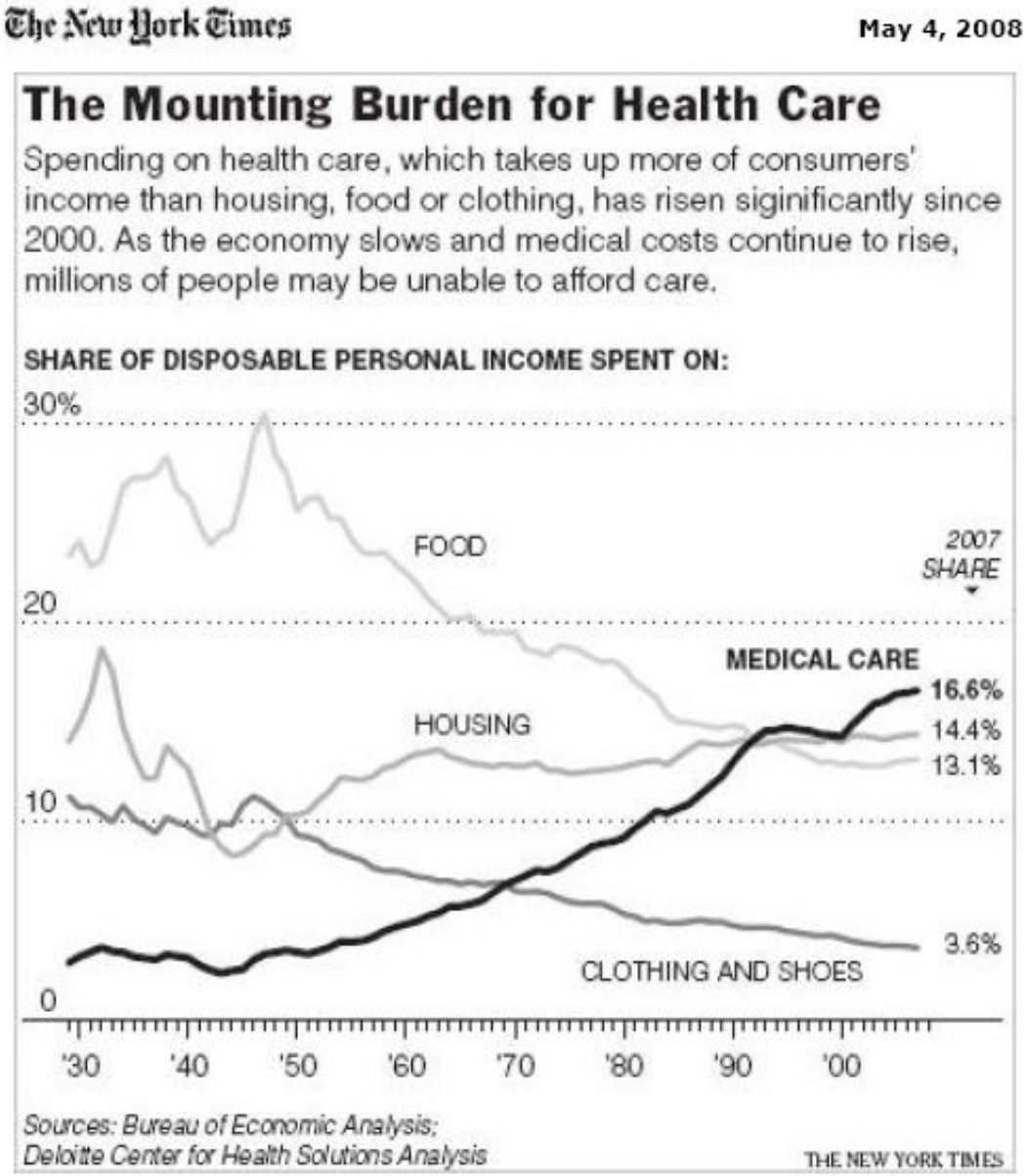
20 incumbents eligible to seek reelection:

•As many as 10 *Democrats* will seek reelection: Arkansas, Colorado, Illinois, Iowa, Maryland, Massachusetts, New Hampshire, New York, Ohio, Wisconsin

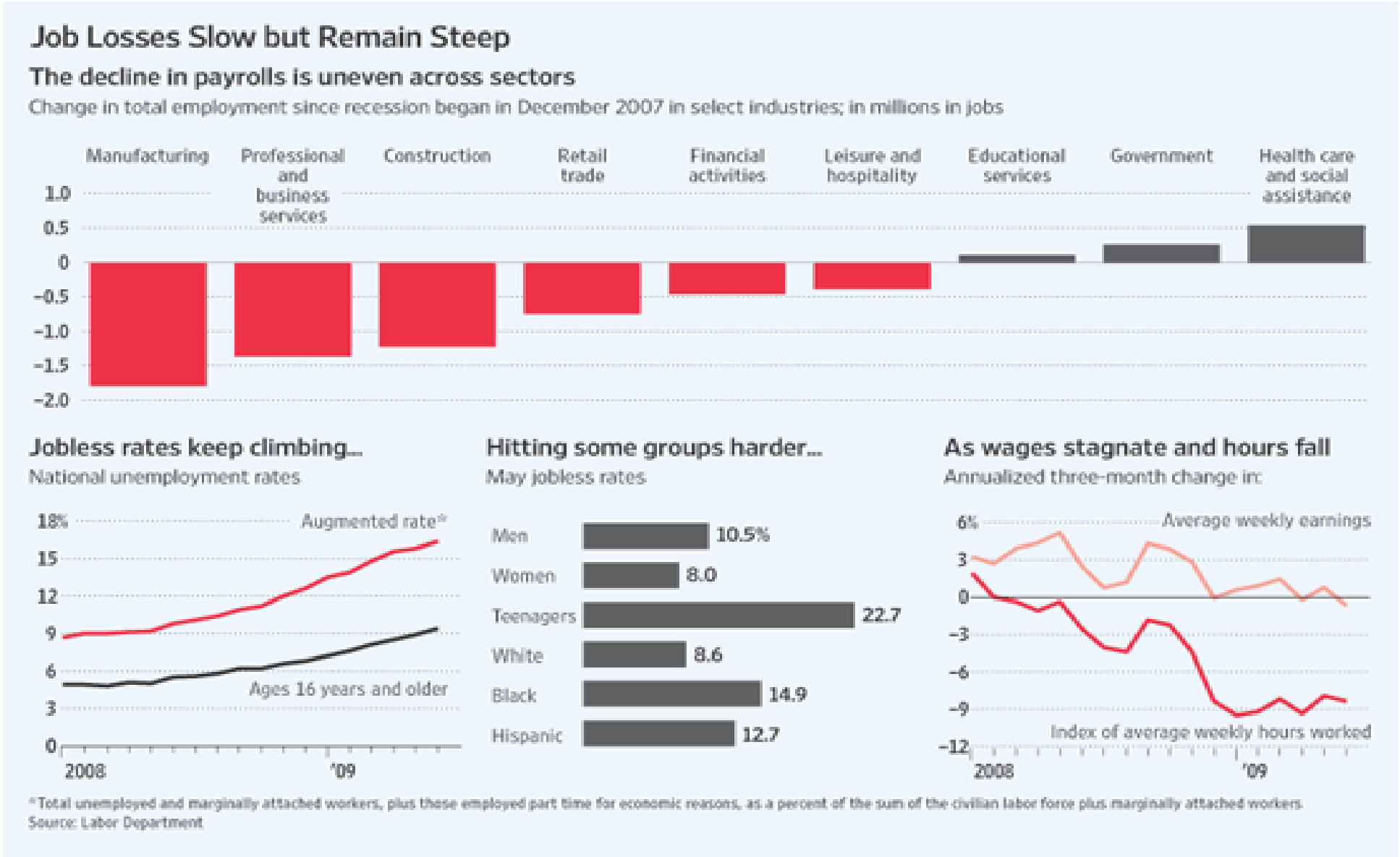
•As many as 10 *Republicans* will seek reelection: Alaska, Arizona, Connecticut, Florida, Idaho, Minnesota, Nebraska, Nevada, **Texas,** Vermont

Fastest growing expenditure for average household

Also fastest growing expense for state and federal governments and employers

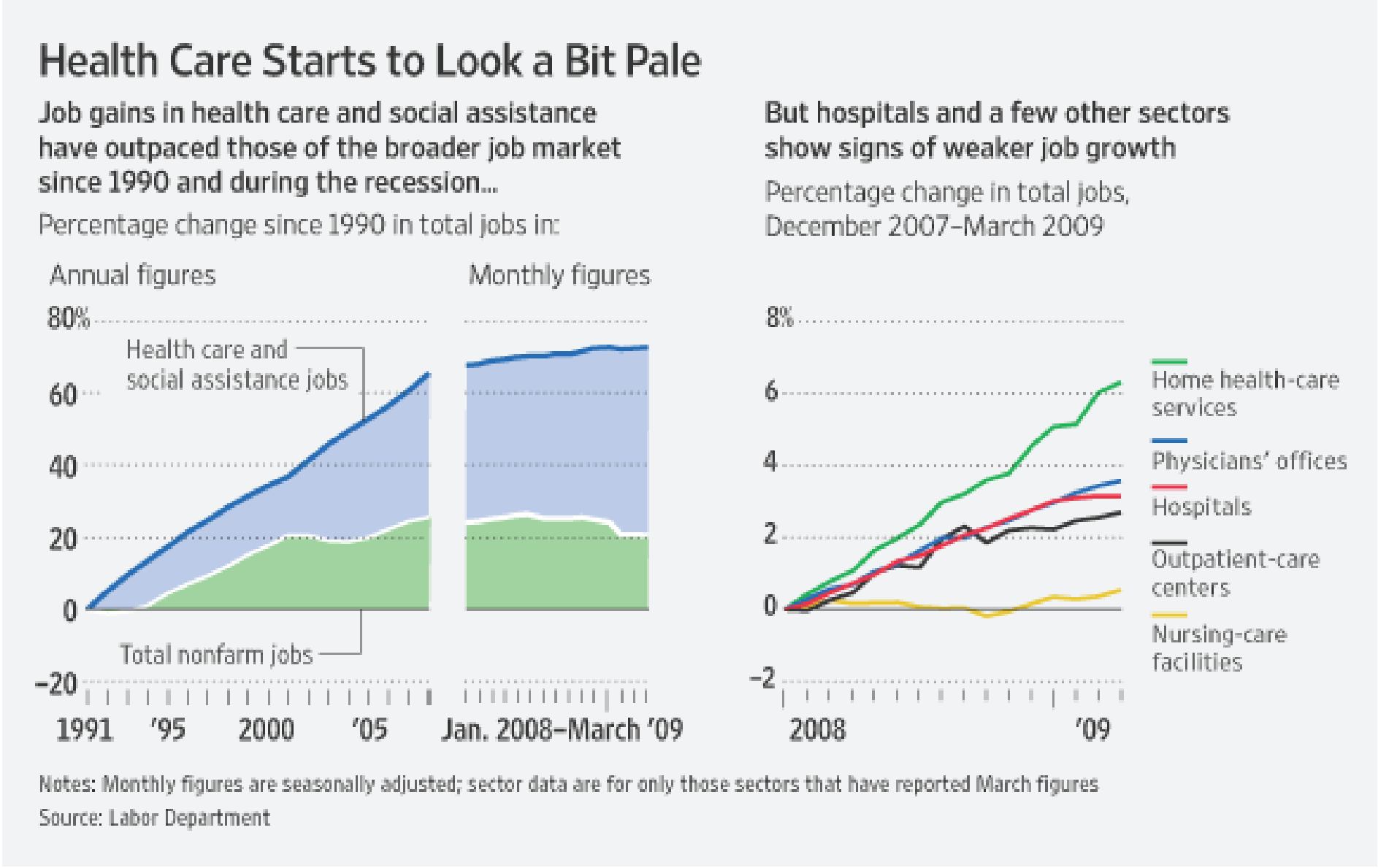


Employment in health care increased while other industries lost jobs



Source: Labor Department

While 5.7M jobs lost, health care increased 176,000



Source: Labor Department

Study: Uninsured increase to 52 million by 2010

Hard Times And Health Insurance: How Many Americans Will Be Uninsured By 2010? By Todd P. Gilmer [1] and Richard G. Kronick [2]

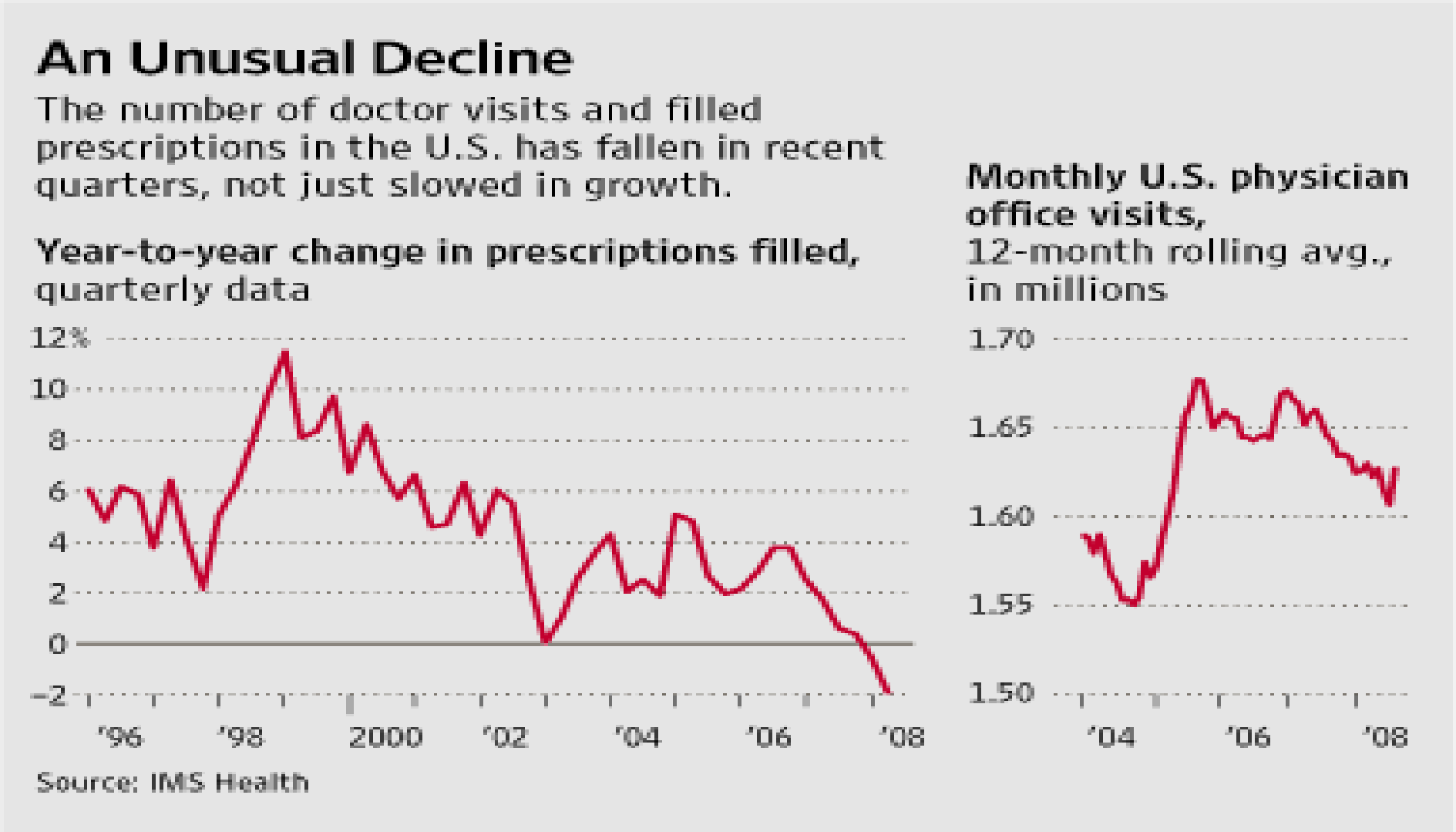
In earlier work we demonstrated that increases in the cost of health care accounted for the decline in insurance coverage from 1979 to 2002. Here we examine whether our model adequately accounts for observed changes in coverage though 2007, and we provide an estimate of the effects of the recession on the number of uninsured Americans through 2010. We project that the number will increase by at least 6.9 million. The estimate does not directly take into account the additional effects of job losses, which are likely to add millions more to the number of uninsured Americans.

Health Affairs 28, no. 4 (2009): w573-w577 (published online 28 May 2009; 10.1377/hlthaff.28.4.w573

[1] Todd Gilmer is an associate professor in the Department of Family and Preventive Medicine at the University of California, San Diego, in La Jolla.

[2] Rick Kronick is a professor in the Department of Family and Preventive Medicine at the University of California, San Diego, in La Jolla.

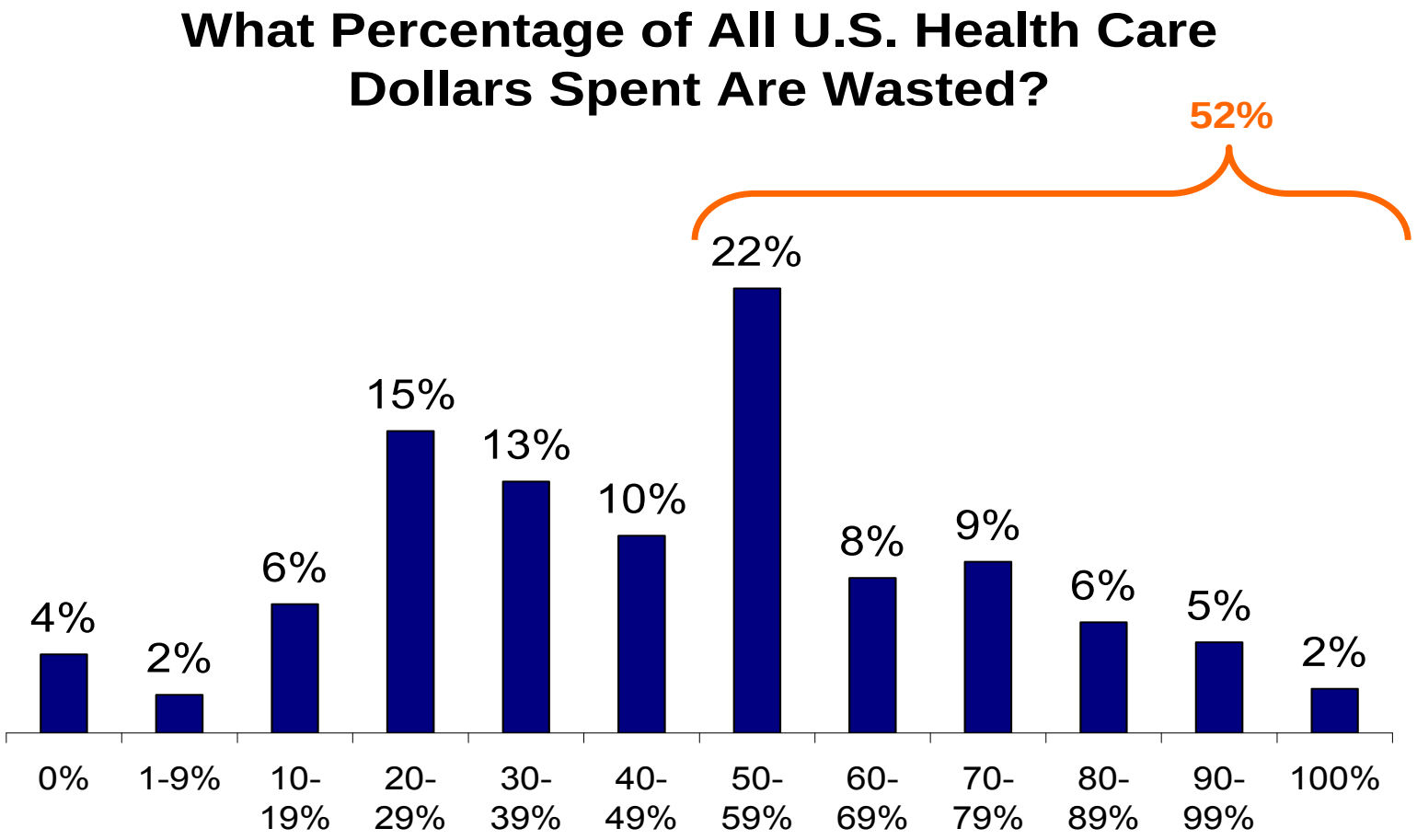
Costs taking toll on utilization: Delayed care, bad debt, lapsed premiums



Source: IMS Health

Consumers believe system is wasteful

52% of Americans feel that at least half of health costs are wasted.



Source: Deloitte 2009 Survey of U.S. Health Consumers

White House puts priority on health reform above energy, education: Reduce costs, cover everyone

- February 24, 2009 to Joint Session of Congress: Reform energy, education and health care. Pass bill in 2009.
- May 11, 2009 to Major Trade organizations: Cut CAGR to 4.7%, reduce costs by $2 trillion (2008 – 2018)
- June 3, 2009: Everything on the table—mandates, employer tax exclusion, employer mandate, public plan, et al. Bill this summer.

Looking ahead at the health reform bill

Phase one: Legislative Committee Hearings (April-June)

- House Ways and Means (Rangel)
- House Energy and Commerce (Waxman)
- House Education and Labor (Miller)
- Senate Finance (Baucus)
- Senate Health, Education, Labor and Pensions (Kennedy)
- Senate Budget (Conrad)

Phase two: Joint Conference Committee produces bill (July-August)

- Resolve major differences
- Evaluate offsets, funding
- Determine voting mechanism (reconciliation)

Phase three: vote on bill in each house

Key players: Two offices of health reform

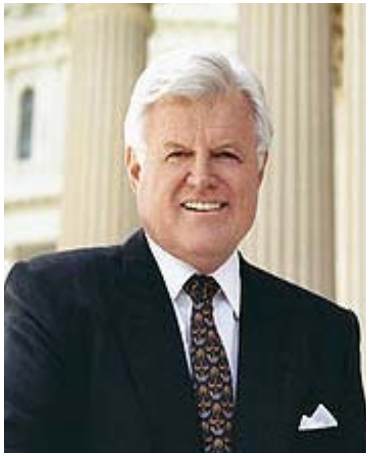
Kathleen Sebelius:
United States Secretary of Health and Human Services

Nancy-Ann DeParle:
Director of the White House Office on Health Reform

Key players: Congressional Committee leadership

MAX BAUCUS:
Senior Senator from Montana

CHUCK GRASSLEY:
Senior Senator from Iowa



TED KENNEDY:
Senior Senator from Massachusetts

Senate Finance Committee

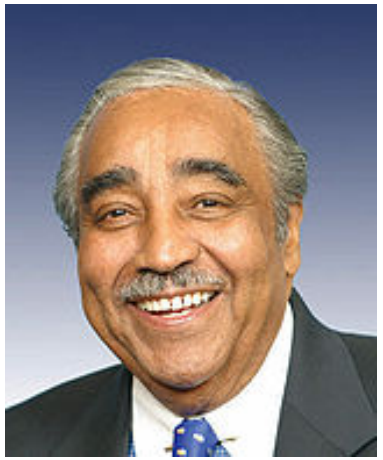
Senate Health Education, Labor and Pensions

House Ways and Means Committee

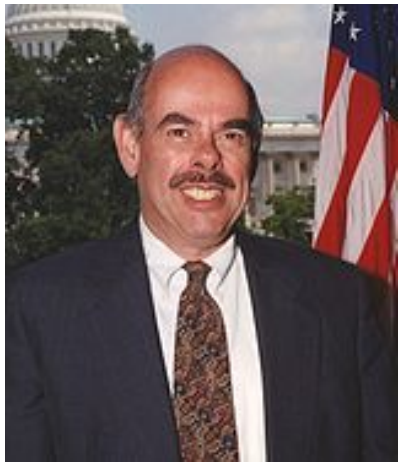
House Energy and Commerce Committee

House Education and Labor

GEORGE MILLER:
Member of the U.S. House of Representatives from California's 7th district



CHARLES RANGEL:
Member of the U.S. House of Representatives from New York's 15th district



HENRY WAXMAN:
Member of the U.S. House of Representatives from California's 30th district

Some major proposals have emerged

	"Healthy American Act" June 26, 2007	"Call to Action" Nov. 14, 2008	"American Health Choices Act" June 8, 2009
Sponsors	Sen. Ron Wyden (D-OR) Sen. Bob Bennett (R-UT)	Sen. Max Baucus (D-MT)	Sen. Ted Kennedy (D-MA)
Primary Focus	Eliminate employer-sponsored coverage; shift tax incentive and purchasing to individuals	Increased access (up to 400% of FPL) offset by comparative effectiveness, insurance market reforms, tax code changes	• Subsidized public plan to insure poor and ineligible up to 500% of FPL • Restructure insurance industry: connector model, consumer choice, standard benefits • Provider payments up to 110% of FPL
Key Features	• Shift insurance purchasing to individuals from employers • Subsidize premiums up to 400% of Federal Poverty Level (FPL) • Apply savings from excess to coverage and quality improvement • Emphasis on prevention, primary care	• National Health Insurance Exchange • Expanded Medicaid Eligibility • Pay or play mandate for employers • Cut Medicare Advantage premiums • Increased transparency: quality, costs, outcomes • Increase primary care access • Reform tax code • Focus on prevention • Comparative Effectiveness Institute	• Subsidize small business, individual health insurance • Comparative effectiveness • Individual mandate • Employer pay or play mandate • Revision of tax code • Expand human services programs • Voluntary participation by providers
Cost	Funded thru receipt of $200 billion/year by elimination of employer tax deduction	• NA	• NA

And interesting discussions among stakeholders

- **Role of industry in reform**
- **Possible role of a Federal health board in oversight**
- **Impact on capital markets: Will investment cause movement to other industries**

June 1, 2009

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Four weeks ago we came together, representing six different sectors of the health care industry, and pledged: *As restructuring takes hold and the population's health improves over the coming decade, we will do our part to achieve your Administration's goal of decreasing by 1.5 percentage points the annual health care spending growth rate – saving $2 trillion or more.*

Since then, we have been working hard on how to help achieve that goal. We have convened seven all-day meetings and multiple conference calls to discuss what we can contribute, both individually and collectively, to help achieve that challenging goal.

We have made solid progress. Individually and together, our organizations have developed initiatives that will help move the nation toward achieving the Administration's goal and we intend to keep working. Our organizations will now pursue these initiatives which, together, will help transform the U.S. health care system.

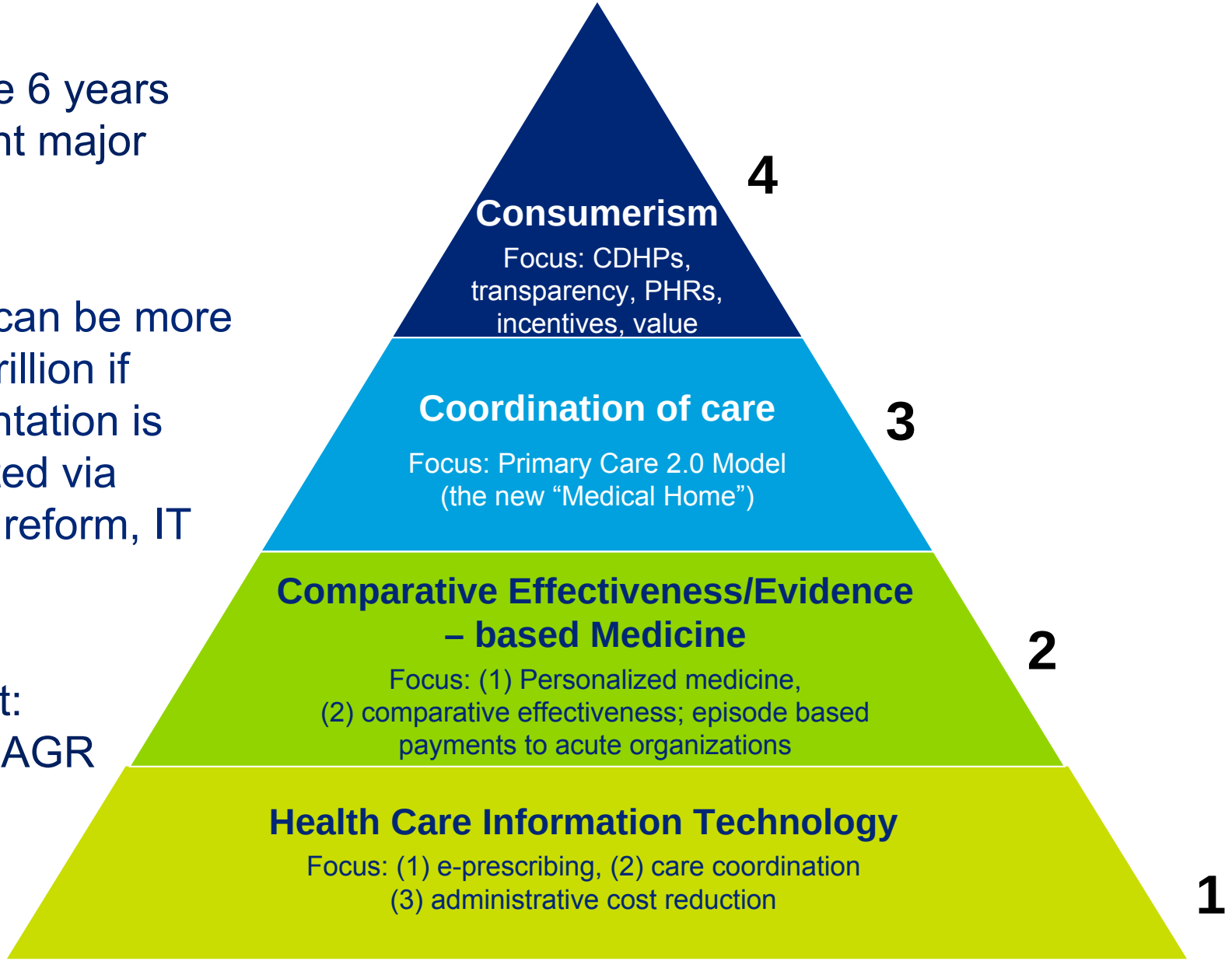
(excerpt from publicly available document)

The reform bill will likely include four strategies to reduce cost to fund improved quality and increased access for uninsureds

It will take 6 years implement major reforms

Savings can be more than $2 trillion if implementation is accelerated via payment reform, IT adoption

Net result: reduce CAGR to 4.5%



The impact of major reforms will vary by sector

Major Reforms	Providers	Health Plans	Biotech & Pharma	Medical Device	Employers
Comparative Effectiveness		Moderate impact	Significant impact	Moderate impact	Modest
Episode-based Payments	Significant impact	Modest	Moderate impact	Moderate impact	Modest
Employer Pay or Play Mandate					
Importation of Prescription Drugs	Moderate impact	Modest	Significant impact	Modest	Modest
Individual Mandates	Moderate impact	Modest	Moderate impact	Moderate impact	Modest
Insurance Exchange	Modest	Significant impact	Moderate impact	Moderate impact	Modest
Primary Care Expansion (Medical Home)	Moderate impact	Modest	Moderate impact	Modest	Moderate impact
Public Plan	Moderate impact	Significant impact	Moderate impact	Moderate impact	Modest
Tax Credit from Employers to Individuals	Modest	Moderate impact	Modest	Modest	Significant impact

Modest Moderate impact Significant impact

The most delicate issues will be:

Individual mandates:	Should the government require coverage (and subsidize those under who can't afford)?
Employer mandates:	Should the government require employers to "pay or play" or alternately takeaway the tax benefit and give tax credits to individuals?
Preventive health:	How should the government control expenditures while shifting focus to preventive and chronic health? How should primary health services and personal responsibility be strengthened?
Provider payments/Medicare leverage:	How should $$$ be redirected to reward outcomes not volume, and adherence to evidence-based practice? How will incentives change? How aggressive will government be in controlling provider, device, plan and therapeutics' income?
Privacy and security of health information:	How will identity be protected? How will data be stored? Who will have access?
Public plan and insurance market reform:	What is the government's role in coverage for the uninsured and underinsured? Should the government compete with commercial plans by creating a large public plan?
Evidence-based medicine and comparative effectiveness:	Will the government influence physician decision-making? Control access to therapeutics and interventions? Stifle innovation and R&D?
Tax increases to fund reform and expanded coverage:	$700B to $1.2T over 10 years (with at least $600M up front before savings begin)

Contact information

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For more information on the Center's view of health care in the new administration, please visit: www.deloitte.com/us/healthreform

And visit our website to subscribe to our content:
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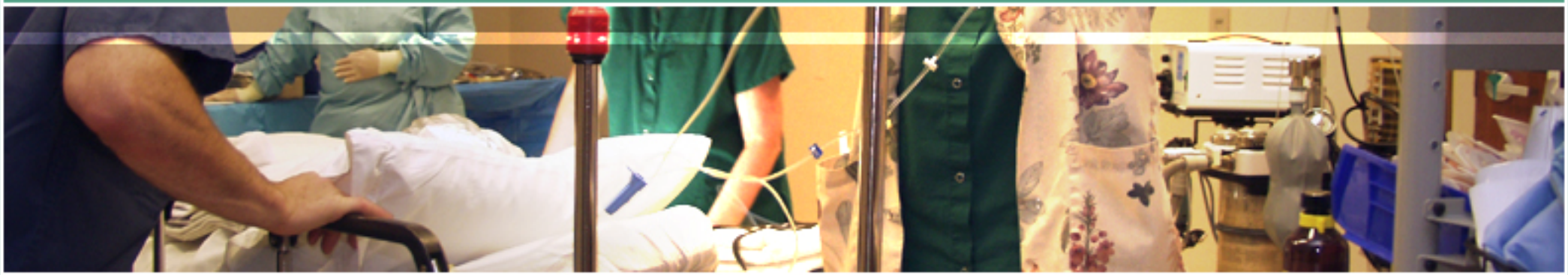
A Provider Perspective
The Impact on Care



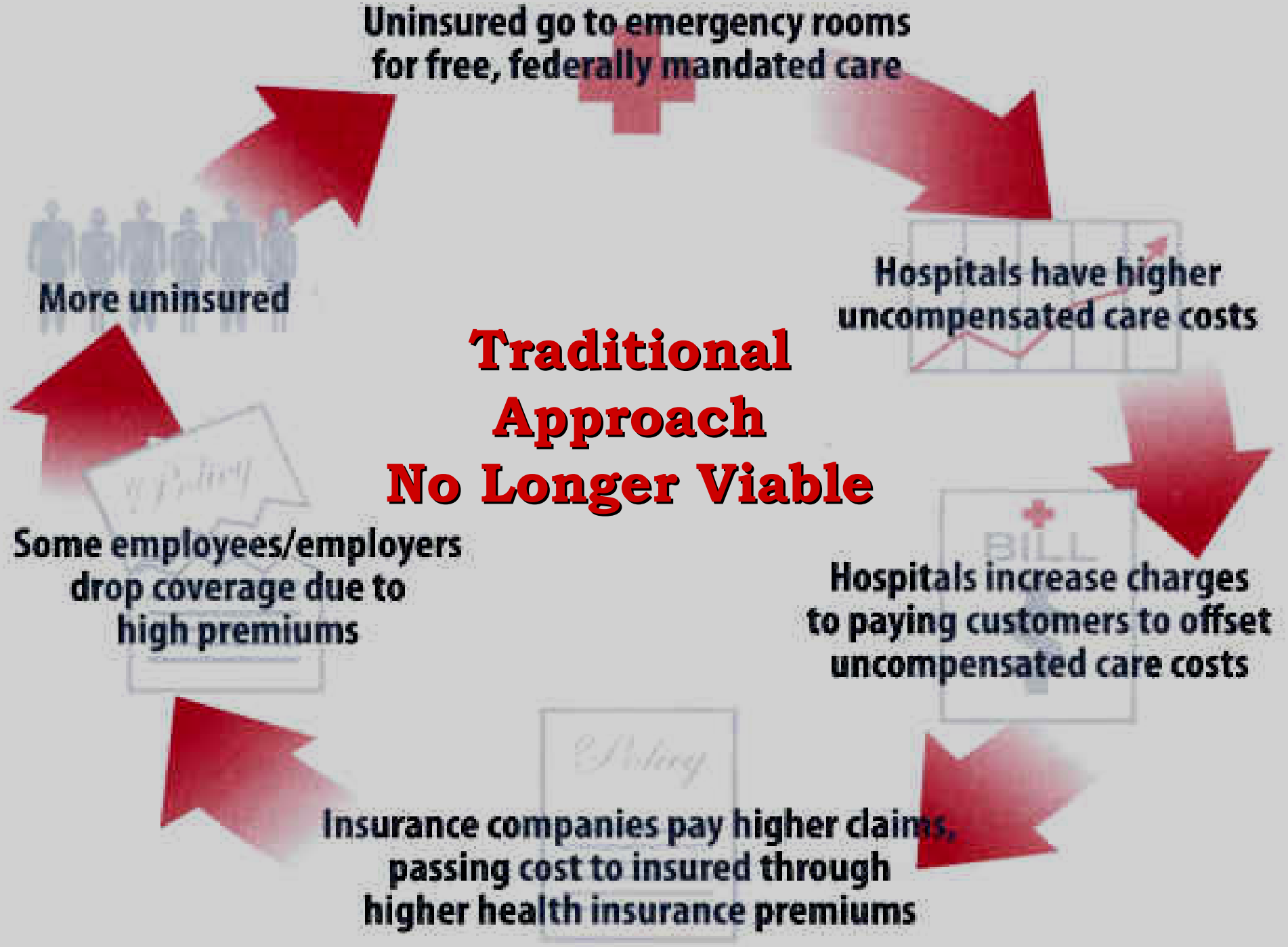
James G. Springfield, FACHE
President
JGS Consulting, LLC

Healthcare Reform Is Needed!

- Fragile provider networks
- Overwhelming number of uninsured (26% in Texas)
- Rapidly growing population with disproportionate reliance on the government for healthcare
- Workforce needs
- Quality is not significantly rewarded only volume
- No clear policy is in place

The Vicious Cycle of the Uninsured

- Uninsured seek care in hospital emergency rooms
- Care costs increase
- Costs shifted to insurance companies and individuals for recoupment
- Insurance companies shift costs to employers
- Employers receive higher premiums and frequently opt out of providing coverage
- The number of uninsured GROWS!



Source: Texas Comptroller of Public Accounts.

Future Expectations of Providers

- Greater transparency
- Accountability for performance based on quality
- Quality standards set globally, not individually
- Reimbursement tied to quality outcomes-not simply utilitarian
- Community obligation

Responses from Providers

- Fear and sensationalism initially
- Focus on quality will be welcomed
- Focus on the existing burden of mandates
- Workforce insufficiency
- If not carefully implemented, fewer numbers seeking a career in medicine
- Ultimately, compliance-Stick vs. Carrot

In Summary

- Shift toward outcomes and away from process and structure
- Increasing demand for digitization and technology
- Winners and losers
- Transparency and expectations will and SHOULD increase
- Workforce implications
- Shift to governmental coverage-Demographics don’t LIE!
- Care (and risk) must be managed and not simply shifted

Reality

- Any reform, as a practical matter, will necessarily be an evolution **NOT** a revolution

Alliant

The Crisis in Healthcare and its Impact on You in 2009

June 12, 2009

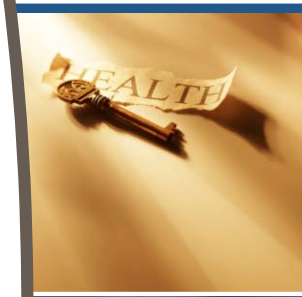
An Insurance Perspective – The Impact on Availability and Cost

PEOPLE | PRODUCTS | PROCESSES

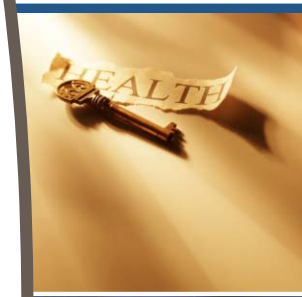
Presentation Objectives

- Current Situation
- Healthcare Crisis and Insurance
  - Property & Casualty
  - Health & Welfare

Current Situation

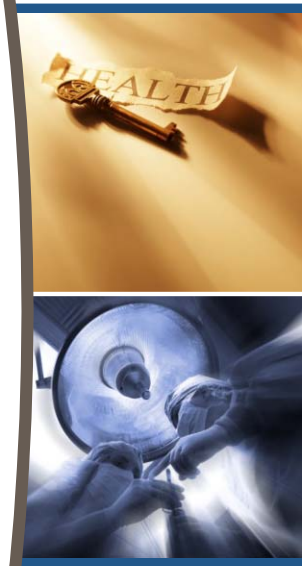


The Situation Room



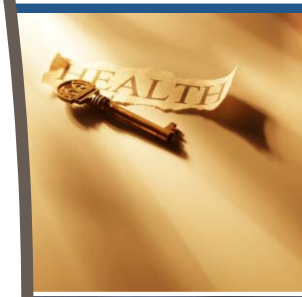
The Situation Room

"At the end of 2008, the Federal Government pledged more money to bail out the Financial Services Industry than it spent on the Louisiana Purchase, the New Deal, the Marshall Plan, the Korean War, the Race to the Moon, the Vietnam War, the Savings and Loan Crisis, Operation Iraqi Freedom, and NASA's Life Time Budget"



Source: Politico, Volume 2, No 104, December 16, 2008

Healthcare Crisis and Insurance

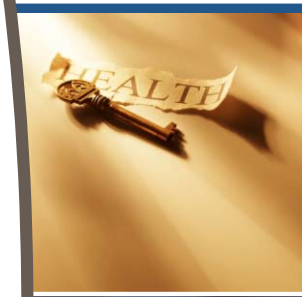


Healthcare Crisis and Insurance

- Property / Casualty
- Health / Welfare

Property Casualty

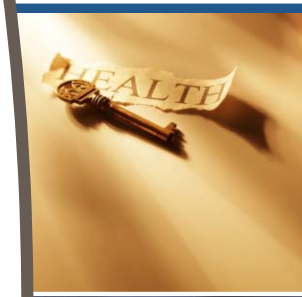
- Goldman Sachs report suggests that recent asset reduction could drive a hard market cycle
- Towers Perrin report indicates asset devaluation could be as high as $80B
- Premium and surplus ratios are favorable
- Decreased asset value will increase leverage ratios
- Current economic deflation will result in decreased demand for product
- Recognition by risk takers that post event capital will be difficult to procure
- Expect rates to modestly strengthen through 2009



Market Conditions

2009 Forecast

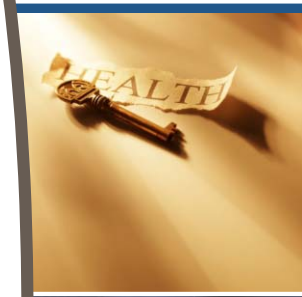
Business Segment	Expected Rate Change
Malpractice	Flat – 15% increase
Casualty	10% decrease – 15% increase
Property	Flat – 25% increase



AIG Update

- AIG in the process of effectuating separation of property / casualty insurance company assets – creation of “AIU”.
- AIU remains an A rated carrier by AM Best.
  - This rating was reaffirmed
  - Starting asset sales
- NAIC and state insurance regulators all note the following concerning AIU Insurance Holdings:
  - Adequately capitalized
  - Assets are segregated
  - Can not be up-streamed to parent

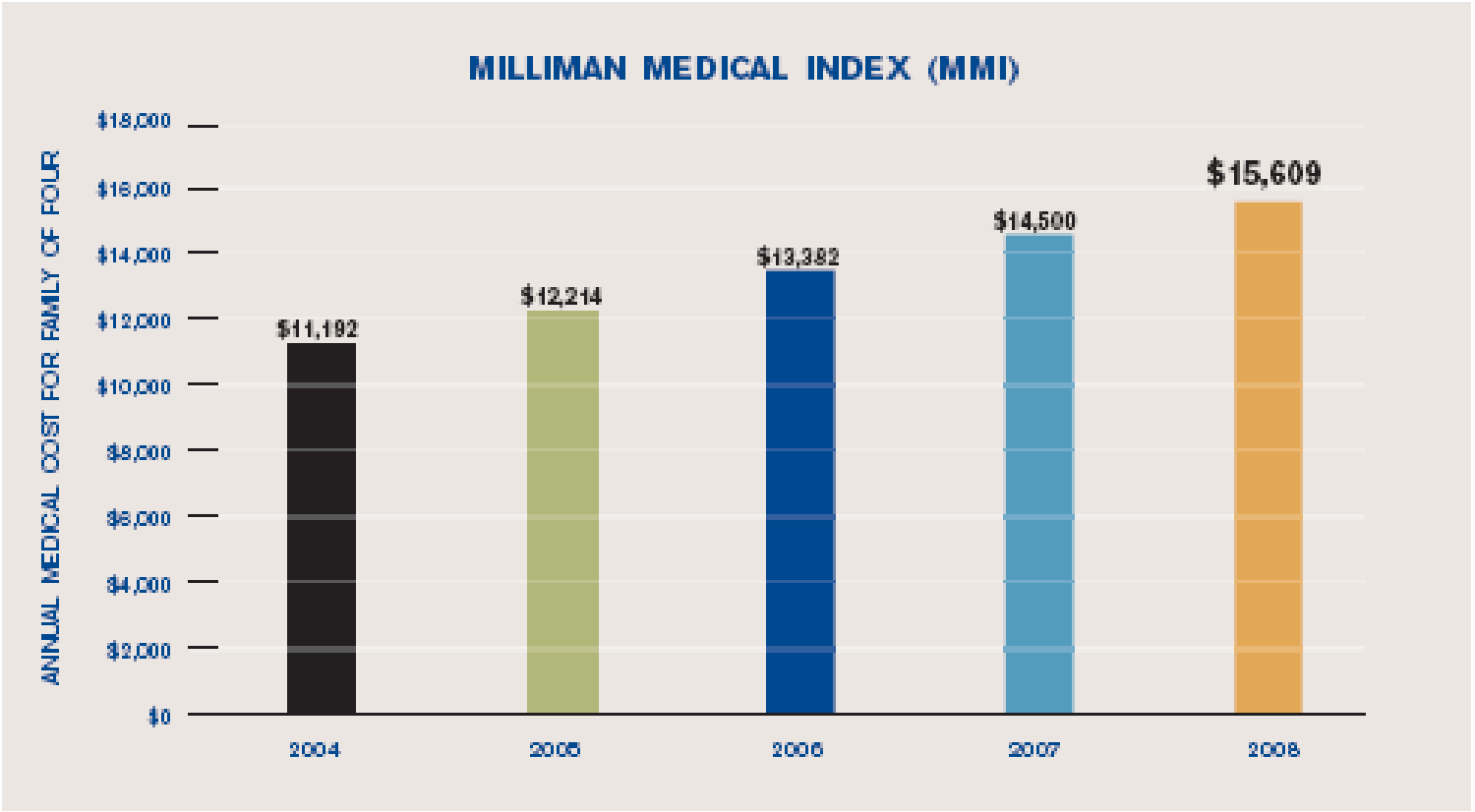
Health & Welfare Programs



US Healthcare

- $2 trillion spent on Healthcare in the U.S.
  - 4.3 times the Defense budget
  - 16% of the GDP
  - 87% increase from 2000
  - Expected to be $4 trillion by 2014
- 22nd best outcome in life expectancy
- Estimated 30% waste in the US system

Average Healthcare Spending



Impact Study – Key Findings

- 10% trend increase for most medical plans
- 9% trend increase for most prescription drugs
- 4-6% trend increase for most dental plans
- 3-4% trend increase for most vision plans

Trend Component	Hospitals	Physicians	Rx
Prince Inflation	7.9%	4.3%	6.3%
Utilization	2.5%	4.3%	2.9%
Total Trend	**10.9%**	**8.9%**	**9.8%**

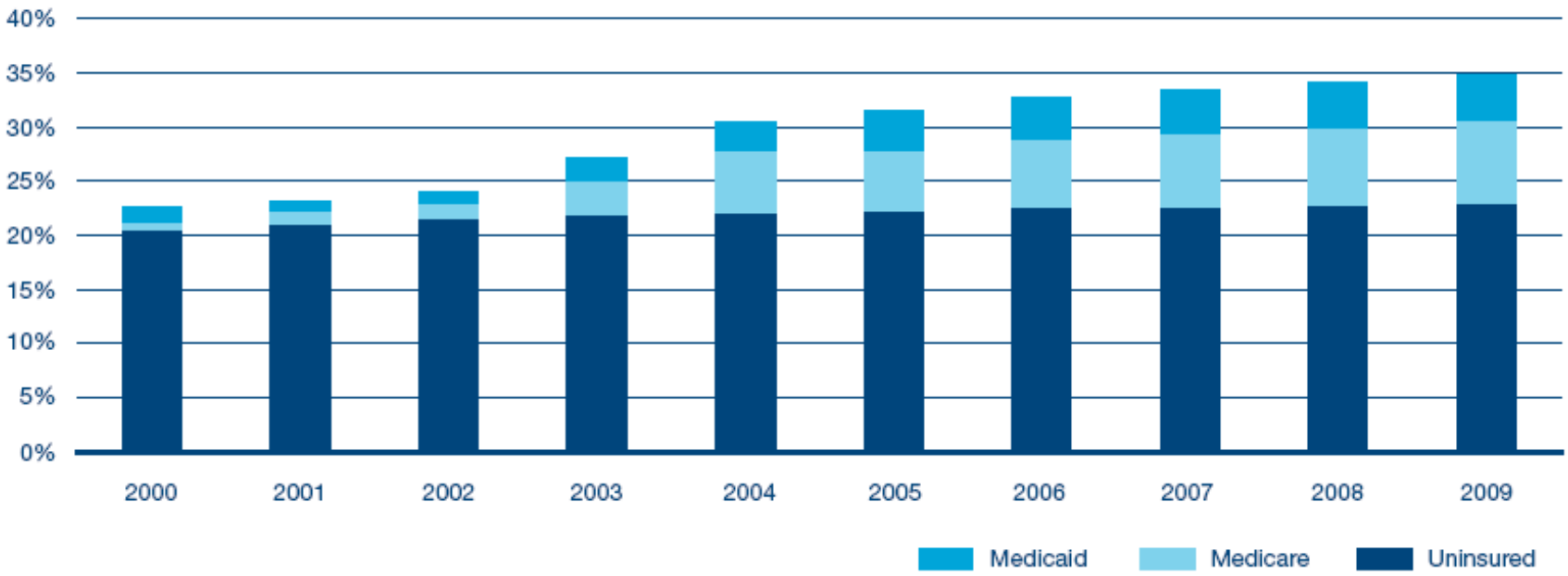
2009 SEGAL Health Plan Cost Trend Survey

Medical Cost Trends

- Deceleration of cost growth 2009
  - Improved medical management
  - Generic substitution
- Acceleration of cost growth in 2009
  - Construction to replace facilities
  - Cost shifting
  - Lifestyle Related Illness

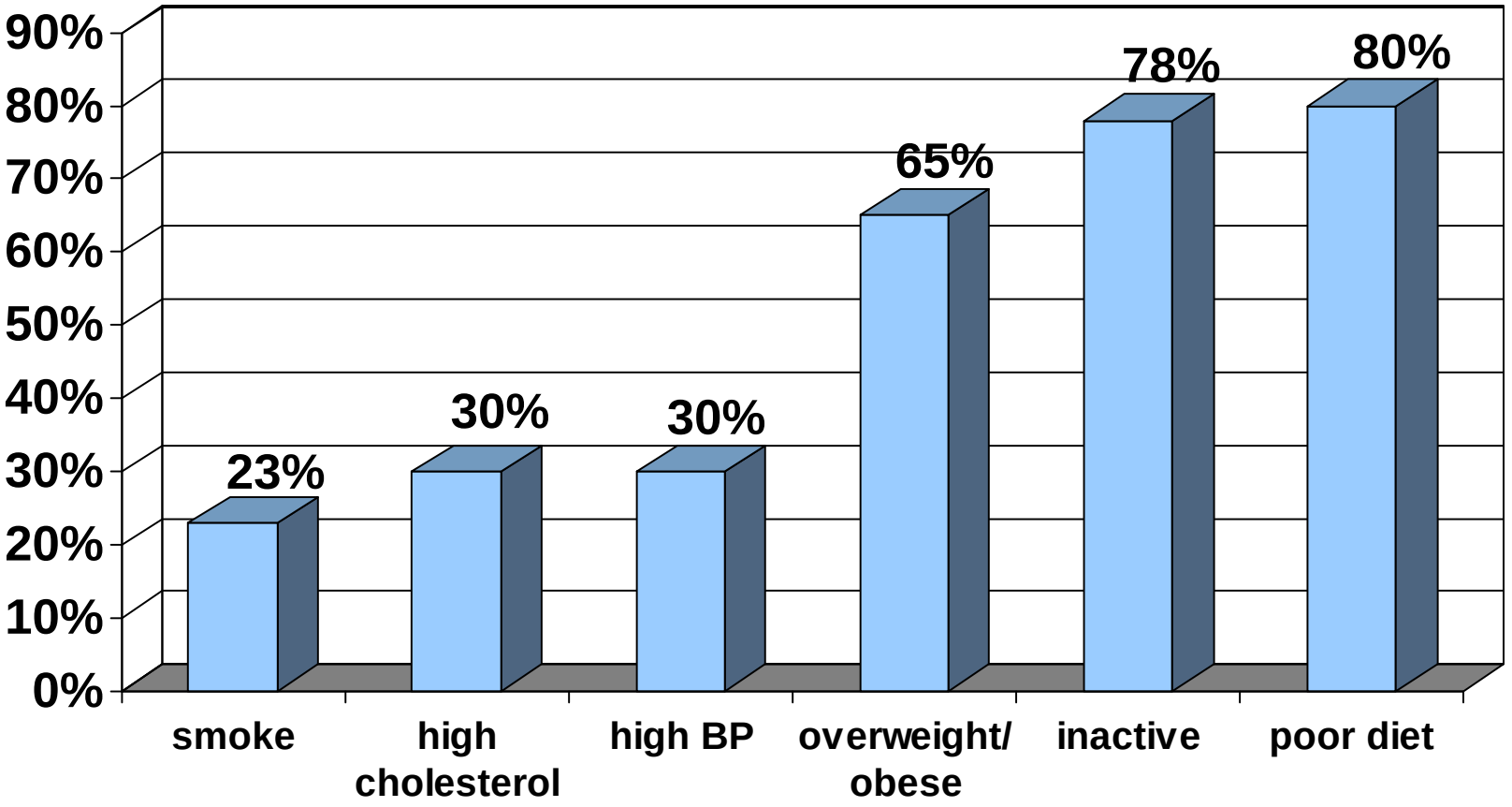
Cost-Shifting by Hospitals

Chart 7: Private Payer Additional Burden (2000 - 2009)

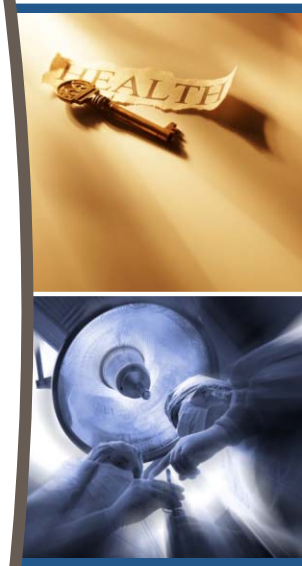


Source: "Uninsured - Paying a Premium - The Added Cost of Care for the Uninsured" - Families USA Publication No. 05-101 - © 2005 by Families USA Foundation," and "Medicare & Medicaid - American Hospital Association (www.AHA.org)", PricewaterhouseCoopers' Health Research Institute analysis

Prevalence of Lifestyle Related Health Risks



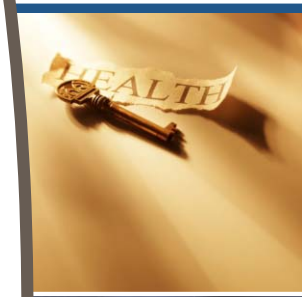
CDC, BRFSS, 2002



What Drives Insurance Risk/Cost?

10% of the Population

80% of the Total Cost



The Bottom Line – Availability and Cost

- Insurance is available
  - Only barrier is cost
- Trends will remain consistent
- Large employers should expect relatively little cost impact due to:
  - Program modifications
  - Prevention and disease management initiatives
- Smaller employers and individual buyers will likely see costs rise commensurate with trend

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Healthcare Financial Overview

HFMA Texas Gulf Coast Chapter
Houston, TX
June 12, 2009

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I. Healthcare Valuation by Sector

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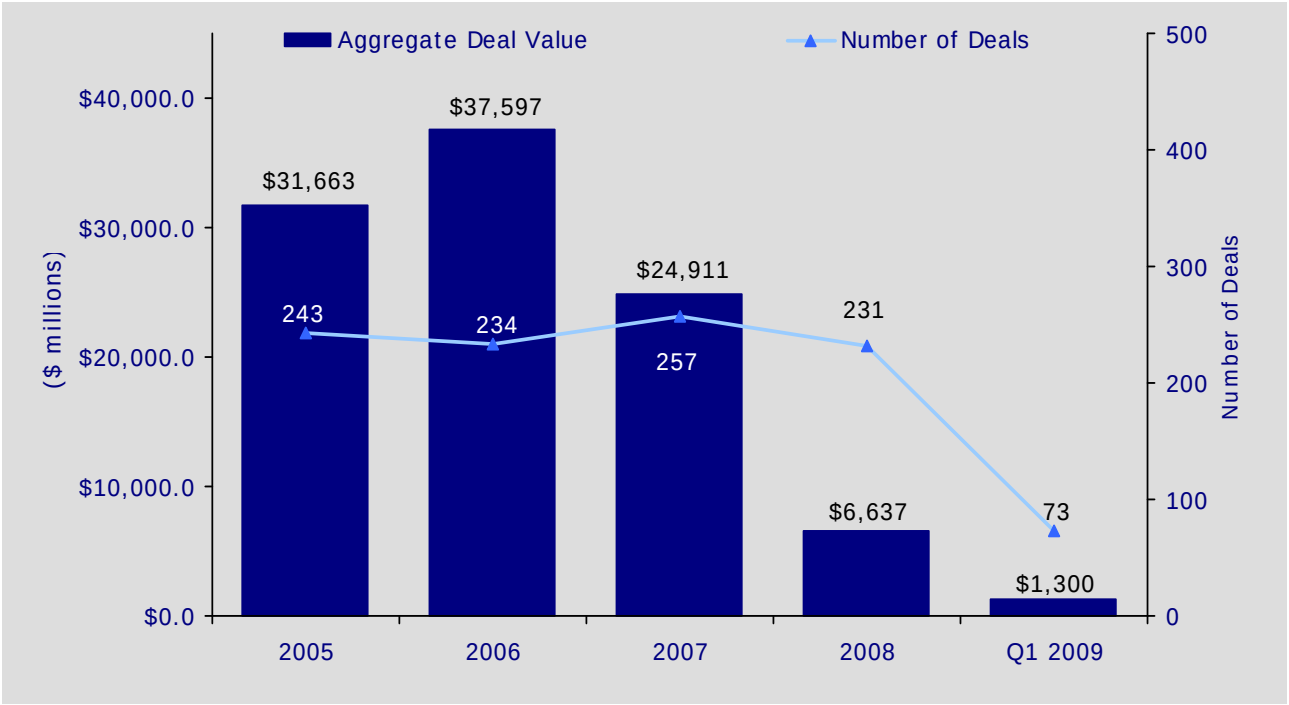
Healthcare Providers & Services Industry - M&A

Healthcare Providers & Services - U.S. M&A Transactions

- Both M&A volume and value in the Healthcare Providers & Services industry in 2008 showed a slowdown with the uncertainty in the economy. Although activity was strong, the size of M&A transactions was lower in comparison to deals in 2007. In 2008, total deal volume and value reached 231 and $6.6 billion, respectively.
- M&A activity in 2009 has continued the trend of 2008, with total volume and value reaching 73 and $1.3 billion, respectively, in Q1 2009.

Healthcare Providers & Services - U.S. M&A Transactions



Average Deal Size

2005 -	$130M
2006 -	$160M
2007 -	$97M
2008 -	$28M
2009 -	$17M

Source: Thomson, Irving Levin Associates Inc.

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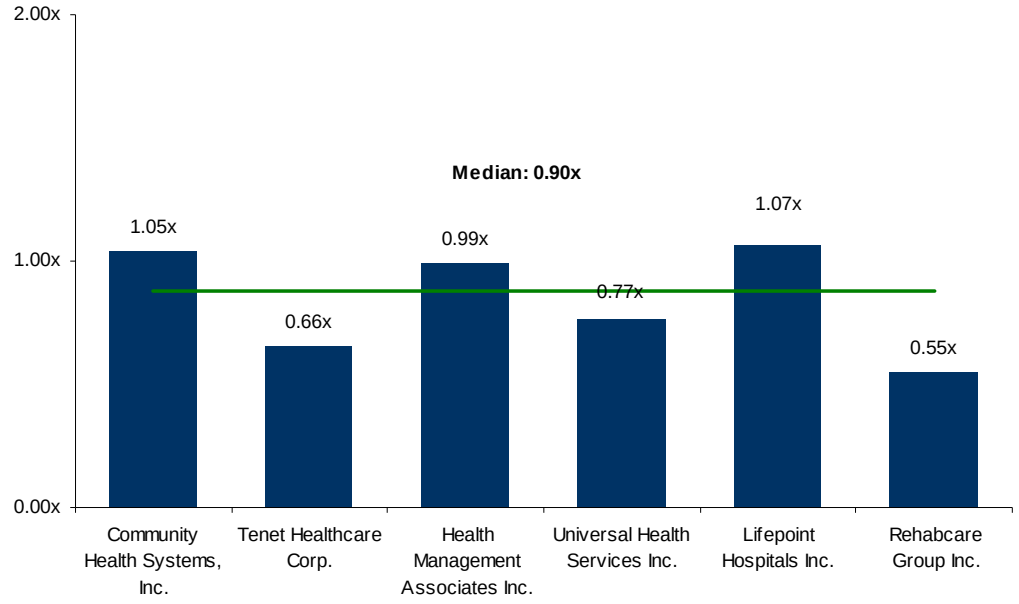
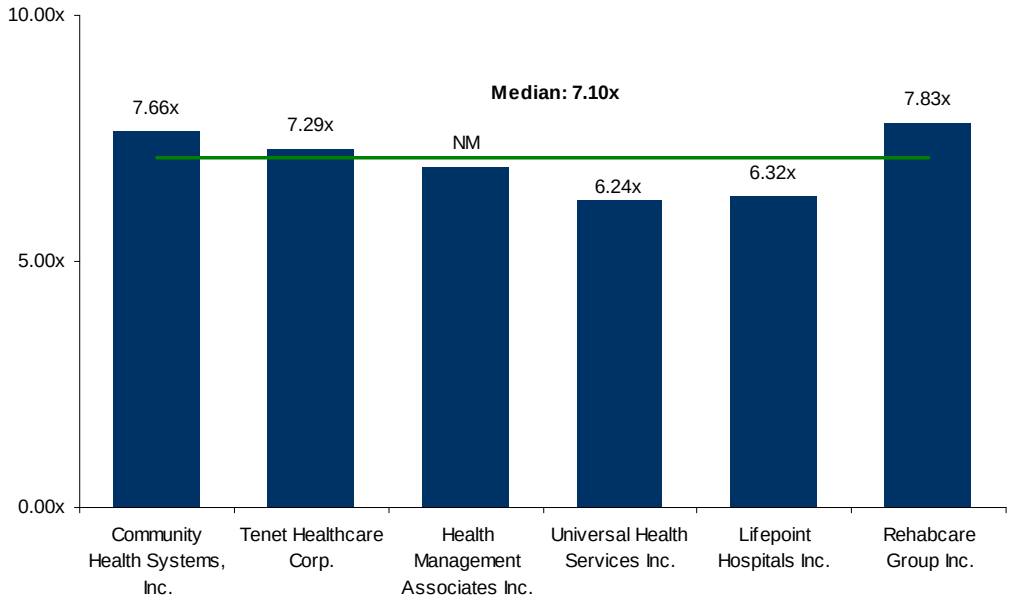
Hospital Management

($ in millions, except per share data) Company Name	Stock Price	Equity Value	Enterprise Value (EV)	Price / Earnings	Enterprise Value as a Multiple of LTM: Revenue	EBITDA	EBIT	Total Debt	Debt / EV
Community Health Systems, Inc.	$28.00	$2,589.42	$11,550.54	11.9x	1.0x	7.7x	11.6x	$9,107.62	0.8x
Tenet Healthcare Corp.	3.65	1,751.75	5,780.75	7.5x	0.7x	7.3x	14.0x	4,641.00	0.8x
Health Management Associates Inc.	5.48	1,351.43	4,451.77	16.9x	1.0x	6.9x	11.3x	3,102.68	0.7x
Universal Health Services Inc.	55.00	2,700.57	3,879.69	13.2x	0.8x	6.2x	9.2x	947.57	0.2x
Lifepoint Hospitals Inc.	28.81	1,565.85	2,937.05	13.7x	1.1x	6.3x	9.2x	1,399.20	0.5x
Rehabcare Group Inc.	20.99	386.26	417.92	16.9x	0.5x	7.8x	10.9x	57.00	0.1x
Maximum				16.9x	1.1x	7.8x	14.0x		
Minimum				7.5x	0.5x	6.2x	9.2x		
Mean				13.3x	0.8x	7.0x	11.0x		
Median				13.4x	0.9x	7.1x	11.1x		

EV / LTM Revenue



EV / LTM EBITDA



Source: Capital IQ as of 6/10/2009

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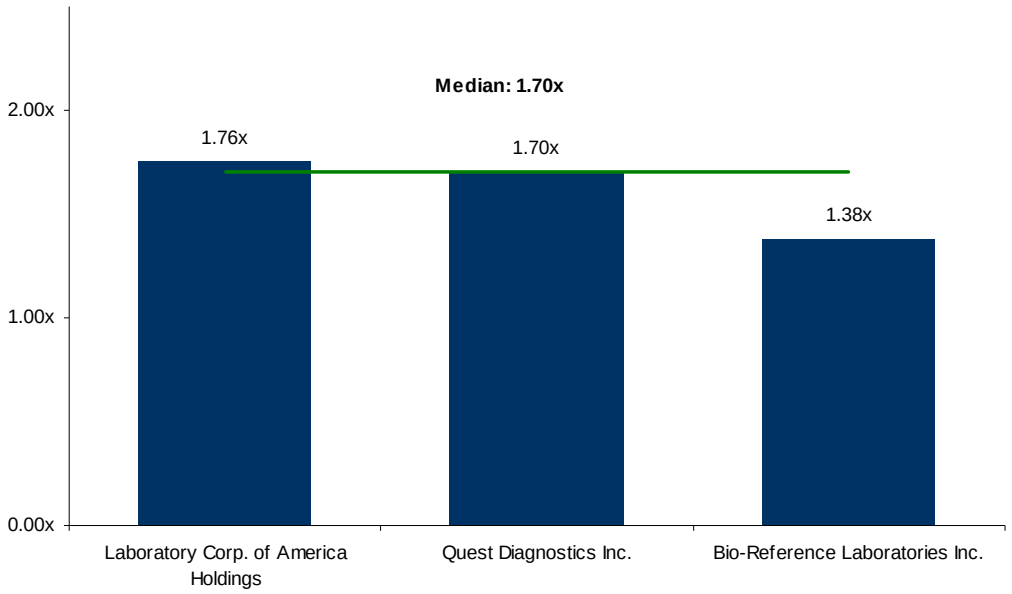
Labs

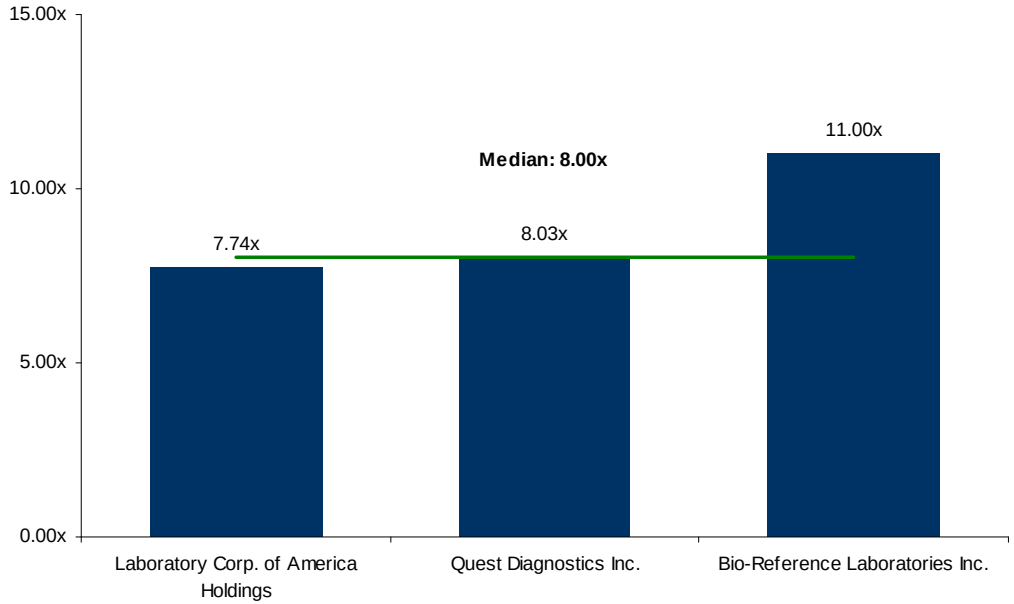
($ in millions, except per share data) Company Name	Stock Price	Equity Value	Enterprise Value (EV)	Price / Earnings	Enterprise Value as a Multiple of LTM: Revenue	EBITDA	EBIT	Total Debt	Debt / EV
Laboratory Corp. of America Holdings	$60.49	$6,551.07	$8,008.37	14.0x	1.8x	7.7x	9.0x	$1,711.50	0.2x
Quest Diagnostics Inc.	51.22	9,494.81	12,396.55	15.6x	1.7x	8.0x	9.7x	3,082.19	0.2x
Bio-Reference Laboratories Inc.	30.63	422.94	444.24	23.2x	1.4x	11.0x	14.1x	34.58	0.1x

Maximum	23.2x	1.8x	11.0x	14.1x
Minimum	14.0x	1.4x	7.7x	9.0x
Mean	17.6x	1.6x	8.9x	11.0x
Median	15.6x	1.7x	8.0x	9.7x

EV / LTM Revenue



EV / LTM EBITDA



Source: Capital IQ as of 6/10/2009

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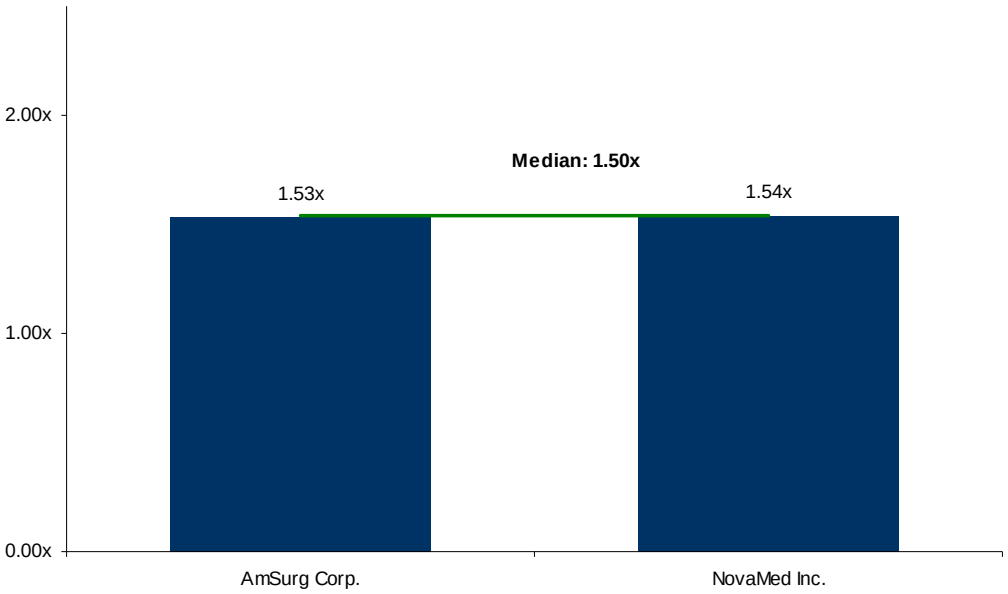
Ambulatory Centers

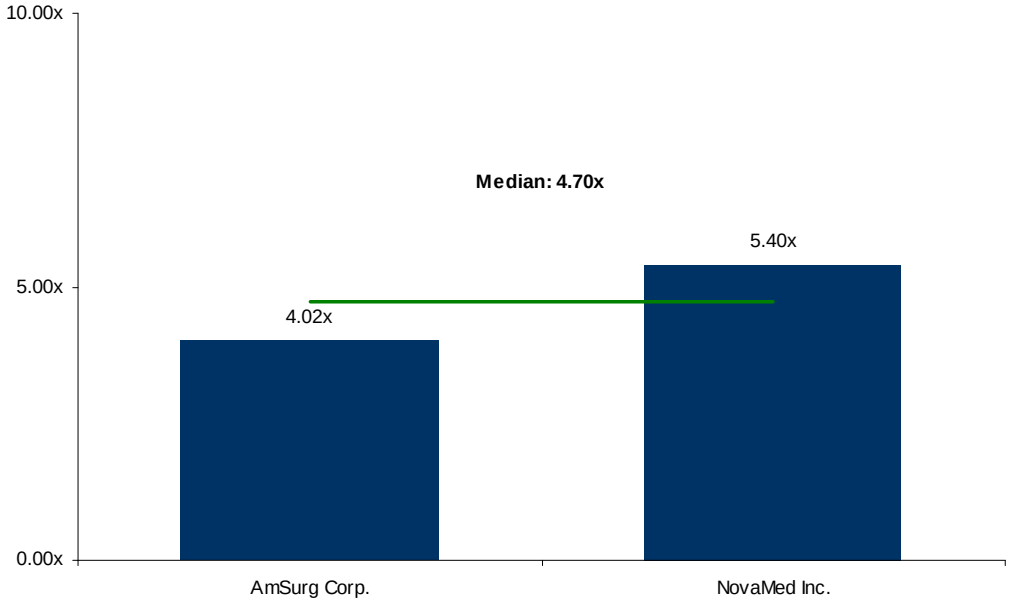
($ in millions, except per share data) Company Name	Stock Price	Equity Value	Enterprise Value (EV)	Price / Earnings	Enterprise Value as a Multiple of LTM: Revenue	EBITDA	EBIT	Total Debt	Debt / EV
AmSurg Corp.	$20.33	$623.23	$947.39	13.0x	1.5x	4.0x	4.4x	$277.93	0.3x
NovaMed Inc.	3.69	85.00	224.99	8.8x	1.5x	5.4x	6.1x	127.66	0.6x

Maximum	13.0x	1.5x	5.4x	6.1x
Minimum	8.8x	1.5x	4.0x	4.4x
Mean	10.9x	1.5x	4.7x	5.3x
Median	10.9x	1.5x	4.7x	5.3x

EV / LTM Revenue



EV / LTM EBITDA



Source: Capital IQ as of 6/10/2009

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II. Ratings Snapshot

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Moody's Not-for-Profit Hospitals Credit Rating Activity

The first quarter of 2009 continues the 2008 trend of Non-profit hospital credit downgrades exceeding upgrades

- In 2008 not-for-profit hospitals had the largest number of downgrades since 2001 and downgrades exceeded upgrades by the highest margin since 2003
- First quarter activity for 2009 is slightly less severe than 4th quarter 2008

Calendar Year	Downgrade	Upgrades	Credit Watch	Ratio
2007	31	40	2	.70
2008	53	27	10	2 to 1
1Q 2009	19	5	9	4 to 1

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III. Credit Debt Matrix

	Existing Credit	New Debt Issues
Bank/ Commercial Financing	• Banks that took TARP funds have less flexibility • Credit Management has increased • Stricter interpretation of "defaults" OUTCOME: Re-pricing & additional collateral requirements	• Mistrust of valuations • Syndication window closed • Increase in rates and new terms • Access is only with both strong financials and a strong brand • Less alternative lenders OUTCOME: Less leverage and additional collateral requests
Tax Exempt Bond Market	• Many issues re-priced/refinanced already • Increase in effective yields	• Fewer investment banking firms • Increase in rates and new terms • Access is only with both strong financials and a strong brand

Wall Street will reinvent itself – new products and services

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