

2017 Vizient Playbook

March 2017





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President and Chief Executive Officer
Vizient

Letter from Curt

Health care is both art and science: a quest to determine which variables of prevention and treatment keep an individual in top condition. The business of health care is that challenge compounded: how best to balance quality, affordability and access so that entire populations receive the right care at the right time and in the right setting.

Vizient is helping solve this equation. While we anticipate changes will impact the health care industry in the coming year, we know providers' focus on improving quality and lowering costs will remain constant—if not accelerate.

This is where we excel. Vizient works side by side with members to find greater efficiency that leads to greater effectiveness. In 2016, a year of tremendous transition, we saw tremendous member value, exciting growth of new members, strong retention of existing members and solid achievement in our pursuit to integrate our new company.

While Vizient's size has grown, we remain focused on preserving and advancing the practices that have fueled our past success. Our strategy is driven by member needs, and throughout the coming year, we will frame our solutions on a platform that specifically addresses these priorities for performance improvement. Our combined capabilities in sourcing, analytic, advisory and collaboration services are cornerstone strengths for delivering unique, tangible value to a diverse mix of providers—all of whom operate collectively as national partners in the delivery of safe and effective health care.

When I talk with member CEOs, many of whom lead the country's most prestigious health systems, they reiterate the importance of working with partners like Vizient to improve their performance. I have heard many positive comments about the speed with which we've integrated our companies, the value they are seeing from our combined capabilities and their excitement for the future enhancements we have planned.

I believe that Vizient's success is powered in large part by our employees, who bring passion, experience and expertise to the challenges our members face. Our teams have shown enthusiasm for creating a new company—one built on shared commitment to identify the biggest challenges and unite as one in finding innovative ways of tackling them.

Together with our members and supplier community, I am confident that Vizient sparks the brilliant connections necessary to drive transformative change in health care.

Here's to 2017!

Our strategic direction

Our purpose and mission guide our strategy

Purpose—why we exist

To ensure our members deliver exceptional, cost-effective care

Mission—how we deliver on our purpose

To connect members with the knowledge, solutions and expertise that accelerate performance

We are successful only when our members are successful.

Our strategy integrates the choices we have made

Strategic aspirations—our focused, multiyear objectives

Become an indispensable partner to health care organizations

- Connect members to learn, improve and build together
- Provide market-leading solutions that address the distinct needs of diverse members
- Create an extraordinary member experience

Become a leader in health care innovation

- Provide market-driven insights that anticipate and address member opportunities
- Repeatedly and reliably deliver innovations

Accelerate our growth rate

- Grow member value
- Grow membership
- Grow profitability

Our values

In executing our strategy, we operate from a dynamic set of values that drive both the performance of our enterprise and the exceptional experience we want to provide—for members and each other.

Permission-to-play values

Our baseline expectations

Simply put, you are here because you demonstrate these values

- **Respect:** Treat others as you would like to be treated
- **Integrity:** Be honest, ethical and trustworthy
- **Service:** Diligently meet the needs of others
- **Judgment:** Make wise decisions

Core values

Cultural cornerstones

These principles guide all of our actions and are never to be compromised. Together, they distinguish the type of partnership we provide internally among our leadership and employees and externally with our members

- **Collaborative:** Work together to achieve success
- **Adaptive:** Anticipate and embrace change
- **Resourceful:** Bring together the right expertise at the right time to achieve the right result

Aspirational values

Key to our future

These aspirations for daily interaction will drive our future success

- **Personal best:** Foster a shared commitment to unleash employee potential
- **Innovation:** Challenge convention to forge new paths and solutions
- **Partnership:** Utilize our collective wisdom and insights to guide our members
- **Aligned execution:** Nurture a unified network of employees, members and business partners to create value
- **Diversity:** Embrace and leverage the skills and cultural perspectives of others

Accidental values

Behaviors that limit our potential

We can work together to prevent behaviors that negatively influence interactions—and address them when they arise

- **Optional buy-in:** Agree without intent to follow through
- **Conflict avoidance:** Sidestep uncomfortable issues
- **Siloed thinking:** Pursue your own agenda at the expense of the enterprise
- **Being reactive:** Act without thoughtful planning, creating a false sense of urgency

Member needs drive our strategy

We know our members continue to do more with less while shifting to value-based care and new payment models. 2017 will further challenge current approaches and layer on rising expectations for care coordination strategies, technology enhancements and consumer conveniences.

Vizient™ commits to being the partner who can help members navigate these changes, with unique insight and ability to address their most pressing concerns.

To be successful, we must actively listen to our members. Over the past year, we have talked with them, individually and in groups. We also researched market imperatives and trends.

From that, we built our strategy around our members' primary needs:

- **Cost:** Ensure a sustainable cost structure
- **Variation:** Reduce unnecessary clinical and operational variation
- **Quality:** Improve clinical outcomes
- **Strategy:** Execute strategies for market success

What a single provider desires in each of these areas can vary based on the facility's size, scope and local market. Therefore, it's essential that we continue to foster relationships with member executive teams and service line leaders so that we fully understand their particular priorities.

It's essential that we stay close to the people we serve:



The hospital C-suite who need an indispensable partner to help them develop a competitive market strategy for the local community



The physician and quality leader who need data to design and coordinate care plans that ensure quality clinical outcomes



The nurse who needs expert staff and support to provide consistent and effective care at the patient bedside



The supply chain leader who needs easy access to affordable and effective pharmaceuticals and supplies to ensure operational efficiency



The pharmacy leader who needs to stabilize drug costs while ensuring effective clinical care

We are the nation's largest member-driven, health care performance improvement company

Vizient serves a diverse mix of health care providers, including academic medical centers, pediatric facilities, community hospitals, integrated health delivery networks and nonacute facilities. We work for them, and with them, to ensure delivery of exceptional, cost-effective care for patients and communities nationwide.

Vizient's solution framework

Designed to fulfill our purpose to ensure our members deliver exceptional, cost-effective care



Tailoring solutions to evolving member needs

This framework illustrates how Vizient helps members with one of their greatest challenges: solving the care equation. Providers must define their specific care equation, factoring in their situation, geography, patient mix and care delivery model. But ultimately they are all looking for the best way to deliver high-quality, affordable care to families and communities. Vizient can help them achieve this.

The framework—anchored around our performance improvement platforms—is flexible to answer members' needs with the solutions we offer. Ultimately, it all adds up to tailored solutions that enable them to progress from where they are to where they want to be.

Our performance improvement platforms position members for success

To ensure members are positioned to deliver exceptional, cost-effective care, we have defined four performance improvement platforms that are our basis for building and delivering Vizient solutions and services. These emerge directly from member needs and leverage our

organization's foundational capabilities in sourcing, analytic, advisory and collaboration services. The performance improvement platforms encompass specific outcomes that members seek in their journey to peak performance.



Optimize supply operations

- Lower supply costs
- Achieve clinical-supply integration
- Drive operational efficiencies



Improve care delivery

- Balance quality and total cost of care
- Reduce non-value-added clinical variation
- Optimize service line performance



Maximize pharmacy performance

- Stabilize pharmacy spend
- Improve clinical pharmacy care
- Drive incremental revenue



Evolve strategies to grow and compete

- Develop an effective system of care
- Design new clinical and business models
- Align with physicians and strategic partners

By combining our capabilities and expertise in this framework, we can more finely tailor Vizient solutions and products to meet members' unique needs and drive measurable results.

Our capabilities remain the foundation for delivering expertise

Vizient has four capabilities that represent the core strength of our organization. We assemble these in different ways to develop products and solutions that meet members' distinct needs.



Sourcing Services

Elevate members' supply performance by leveraging scale, workflow automation and expertise

- Broader, more competitive contract portfolio
- Data-driven contracting decisions
- Offerings that support the industry's most diverse membership and customers



Analytic Services

Be members' trusted source for clinical, safety, supply, financial and operational decision-making across the care continuum

- Comprehensive insights identify opportunities to improve:
 - Cost savings
 - Operational efficiencies
 - Clinical outcomes
 - Overall performance



Advisory Services

Accelerate improvement in member performance through the transfer of knowledge and expertise

- Unparalleled insights to improve the pace and effectiveness of value-based care
- Expanded breadth of advisory services
 - Physician strategies
 - Clinical redesign
 - Workforce solutions
 - Nonlabor strategies
- Sg2 market and enterprise strategy
 - National, regional and local market analysis to drive growth across the System of CARE



Collaboration Services

Connect members to enable learning, improving and building together

- Empowering members to improve faster than they could on their own
- Advancing visionary innovation to meet the evolving needs of providers

In a competitive market space, our capabilities are unequaled

Vizient has tremendous opportunity to drive improvement and innovation, spurring optimal clinical outcomes and reducing the total cost of care.

Only Vizient has:

- Holistic solutions—from strategy to implementation—focused on clinical, safety, supply, operational and financial improvement
- Comprehensive contract portfolio for supplies and services, offering members significant value, efficiencies and cost savings
- Deep analytics platforms that link with proven change management expertise to drive insights and results
- Benchmarking and best practice development with the industry's deepest and broadest client databases
- Unique ability to convene like-minded provider peers to explore and collaborate together

In members' own words

“Thriving in the world ahead will require agile, evidence- and data-based planning and decision-making. Vizient networks and data offerings provide the framework for collaboration, innovation and robust analysis that facilitate rapid learning cycles among members.

These are the ingredients that Vizient members will use to lead the way in the realization of the quadruple aim of better health, better health care, lower health care costs, and greater joy in delivering care.”

- **William A. Bornstein, MD, PhD**
Chief Medical Officer and Chief Quality Officer
Emory Healthcare

“The people at Vizient are known for diving into operations as deeply as they do into data and figures. That kind of immersion into the culture is key to a successful implementation of changes, as opposed to a report of recommendations with no execution strategy Once you create a situation where people feel empowered to bring attention to problems, you create an environment where patients truly come first.”

- **Joe DiPaolo**
Vice President, Atlantic Health Systems and
CEO, Hackettstown and Newton Medical Centers

“Many people can come in and tell us what we’re doing wrong, but Vizient resources are extremely helpful. We get information from other facilities that have done well in their surveys and documents that help guide us with tools, policies and procedures. As a smaller hospital, we have to be very careful about how many people we allocate to different programs. I look at it as a cost-effective method to continue our journey toward compliance and regulatory excellence by partnering with Vizient.”

- **Craig Luzinski**
Vice President of Performance Optimization
Cheyenne Regional Medical Center

“Savings Actualyzer takes you from A to Z—from identifying savings opportunities, to keeping savings initiatives on track, all the way through to showing how much you actually saved a year later. It’s not something we thought we would need; but now that it’s here, it’s hard to imagine doing without it.”

- **Cameron Eppley**
Purchasing Data Analyst
Genesis HealthCare

“The value that I realize through participation in the Pharmacy Network is measured in the depth and breadth of knowledge that I gain from our members sharing their innovative practices, which have resulted in significant expansion and improvement in pharmacy services at my institution. Our members’ willingness to share knowledge and best practices, collaborate with each other to drive innovation and shape the practice of pharmacy are unparalleled in the pharmacy profession.”

- **William W. Churchill, MS, RPh, FMSHP**
Chief Pharmacy Officer
Brigham and Women’s Healthcare

Living as one Vizient

In 2016, we began building one Vizient—integrating functional teams and business operations under a single mission and common goals. Working side by side, we began to align ourselves as a new company. One capable of delivering increased value to health care organizations nationwide. Our success is a credit to the character and commitment of our employees.

This year, we carry that same spirit into living as one Vizient—further linking our values, actions and overall practices to foster the brilliant connections that Vizient inspires.

We believe the way we interact and do business—in essence, our culture—drives a consistent employee and member experience that is a strategic advantage for the organization as a whole.

All employees have an opportunity to help shape our culture and reinforce our values. We each bring unique skills

and perspectives to the workplace and unite with compassion and a sense of shared purpose to make a positive difference in the lives of others. By being inclusive and connecting authentically with each other, we build trust and can leverage our differences to further align our actions and inspire innovation. In doing so, we empower our employees to make a positive impact in health care and communities where we work and live.

In a dynamic health care environment, the challenge to improve outcomes continues to be of utmost importance. To meet these demands, our members seek a partner with advanced thinking and smarter analytics to help them accelerate performance. As Vizient, we are uniquely positioned to connect them with the knowledge, solutions and expertise they need.

And working as one, we can help ensure the delivery of exceptional care for all.



Aligned to achieve our 2017 goals

Approved in March 2017

1. Become an indispensable partner to health care organizations

Goal	Threshold	Target	Superior	Weight
Increase member value to drive exceptional, cost-effective care	Achieve \$2.60 billion in value ¹	Achieve \$3.30 billion in value ¹	Achieve \$4.20 billion in value ¹	35%

2. Become a leader in health care innovation

Goal	Threshold	Target	Superior	Weight
Increase member participation in Vizient clinical solutions	20 net new member facilities participate in the CDB, SLA or FPSC solutions	40 net new member facilities participate in the CDB, SLA or FPSC solutions	60 net new member facilities participate in the CDB, SLA or FPSC solutions	20%

3. Accelerate our growth rate

Goal	Threshold	Target	Superior	Weight
A) Increase adoption of Vizient offerings	Generate \$203 million in new sales and renewal bookings for Vizient offerings ²	Generate \$253 million in new sales and renewal bookings for Vizient offerings ²	Generate \$303 million in new sales and renewal bookings for Vizient offerings ²	15%
B) Improve Vizient financial performance—revenue	Achieve revenue of \$1,136 million ³	Achieve revenue of \$1,195 million ³	Achieve revenue of \$1,256 million ³	10%
C) Improve Vizient financial performance—adjusted EBITDA	Achieve adjusted EBITDA of \$337 million ⁴	Achieve adjusted EBITDA of \$372 million ⁴	Achieve adjusted EBITDA of \$417 million ⁴	10%
D) Improve Vizient financial performance—Free Cash Flow	Achieve Free Cash Flow of \$70 million ⁵	Achieve Free Cash Flow of \$105 million ⁵	Achieve Free Cash Flow of \$150 million ⁵	10%

¹ Initiatives include all Vizient programs, services and offerings that drive exceptional, member cost-effective care.

² Total contract value from fee-for-service renewals and new group purchasing organization (GPO) and non-GPO sales closed in 2017.

³ 2017 budgeted consolidated net revenue for Vizient, Inc.

⁴ 2017 budgeted consolidated EBITDA for Vizient, Inc. (pro forma and adjusted) as defined in credit agreement for the term loan B note.

⁵ Net cash provided by operating, financing and investing activities excluding the one-time MDAS and NIPA tax payments and additional principal payments on the term loan.

vizient™

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