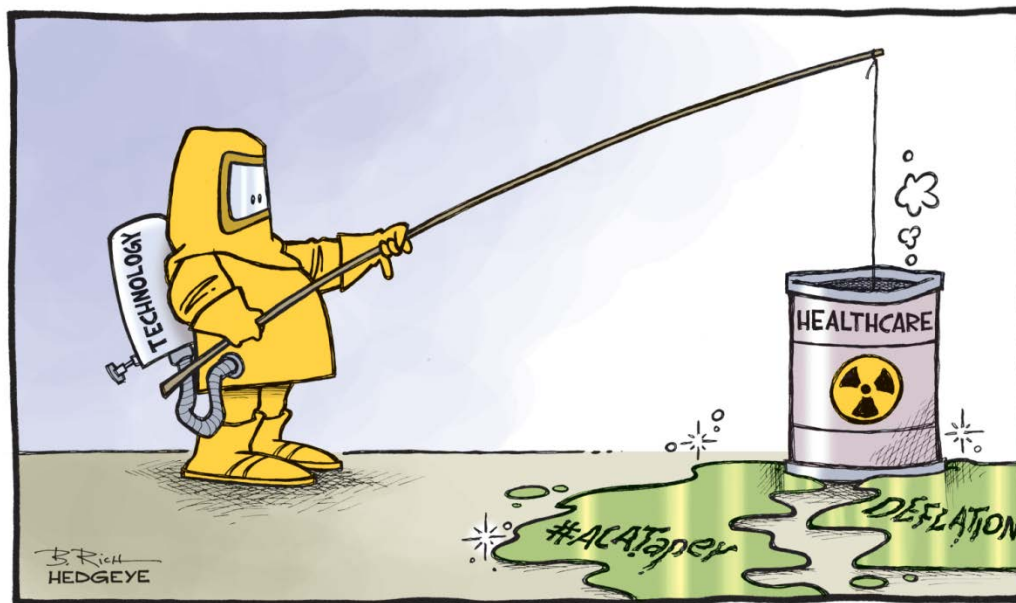




HEALTHCARE THEMES CALL

JULY 14TH, 2016 AT 11:00 M ET



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HEALTHCARE THEMES

1

#LATECYCLE

- The ACA likely steepened what is typically a late cycle recovery in medical consumption. Medical consumption trends are slow to develop and can often be confused as defensive. Its different this time...a steeper drop.

2

DEMOGRAPHIC DEFLATION

- Commercially insured working population continues to slow. The Commercially Insured US Medical Consumer has the highest revenue and margins.
- Medicare beneficiaries are growing but CMS policy will need to reduce real per beneficiary spending.

3

REGULATION / #ACATAPER

- New enrollees from exchanges and Medicaid expansion was a one-time stimulus to the medical economy.
- ACA reforms will continue to put pressure on healthcare inflation.

LATE CYCLE

Healthcare is late to slow, and late to reaccelerate.

DEMOGRAPHICS

Aging Population,
Medicare Mix Shift,
More w/Less,
Incidence

HEALTHCARE DEFLATION

#ACATaper

Pent-Up Demand
High Acuity
Normalization

REGULATORY

ACA / HDHP / CCJR
Technology
Transparency

HEALTHCARE POSITION MONITOR

Sentiment Investment Ideas - Longs

Score¹ **LONG**

6 **ATHN** athenahealth, Inc.

Trade	Trend	Tail
✓	✓	✓

Sentiment Long Bench

Score¹ **LONG**

35 **CSLT** Castlight Health, Inc. Class B
 76 **EVH** Evolent Health Inc Class A
 82 **CERN** Cerner Corporation

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Sentiment Investment Ideas - Shorts

Score¹ **SHORT**

93 **ZBH** Zimmer Biomet Holdings, Inc.
 90 **AHS** AMN Healthcare Services, Inc.
 62 **MD** MEDNAX, Inc.
 45 **HOLX** Hologic, Inc.
 24 **MDRX** Allscripts Healthcare Solutions, Inc.

Trade	Trend	Tail
---	x	x
---	x	x
x	x	x
x	x	x
---	x	x

Sentiment Short Bench

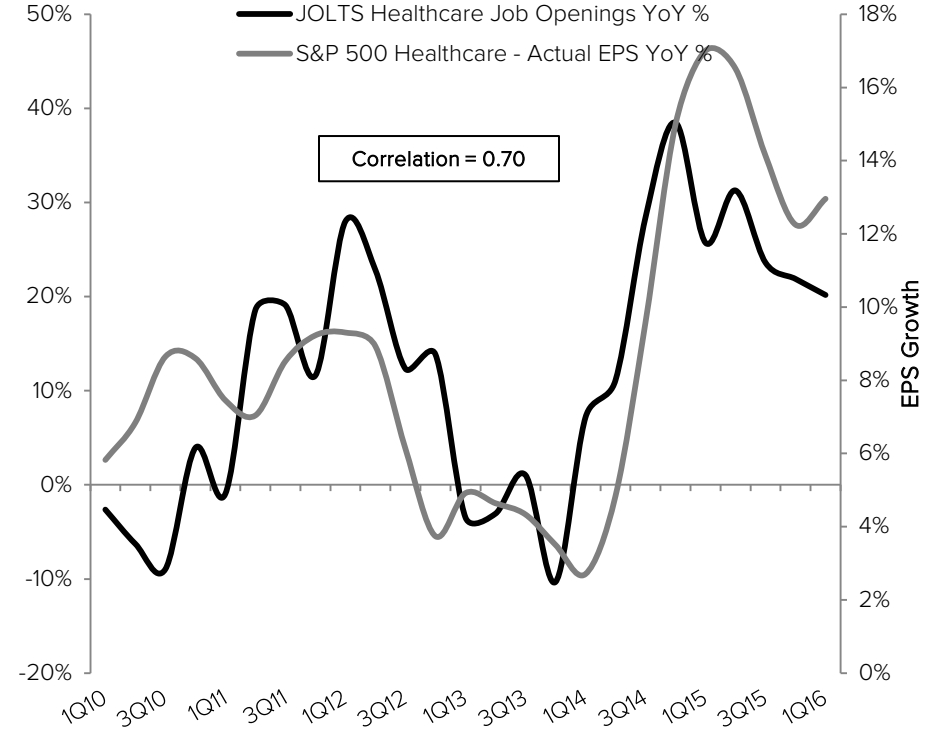
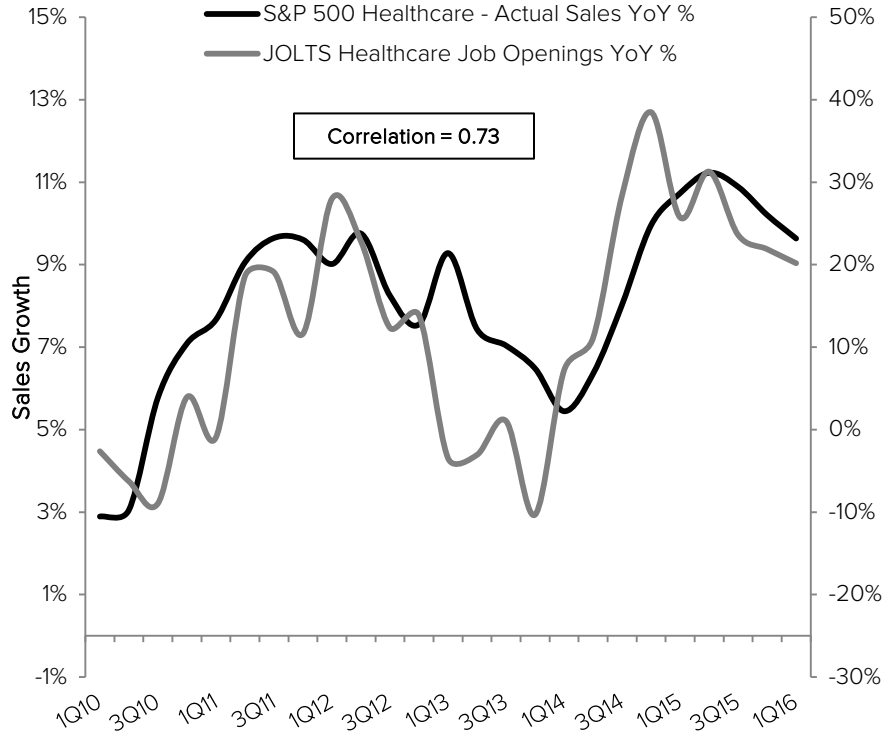
Score¹ **SHORT**

n/a **CPHD** Cepheid
 94 **MDSO** Medidata Solutions, Inc.
 89 **ILMN** Illumina, Inc.
 81 **WOOF** VCA Inc.
 72 **ICLR** ICON Plc
 69 **CYH** Community Health Systems, Inc.
 61 **Q** Quintiles Transnational Holdings, Inc.
 56 **CRL** Charles River Laboratories International, Inc.
 45 **DVA** DaVita HealthCare Partners Inc.
 38 **LPNT** LifePoint Health, Inc.
 29 **QSII** Quality Systems, Inc.
 24 **LH** Laboratory Corporation of America Holdings
 19 **HCA** HCA Holdings, Inc.
 17 **PRXL** PAREXEL International Corporation
 1 **DGX** Quest Diagnostics Incorporated
 1 **CPSI** Computer Programs and Systems, Inc.

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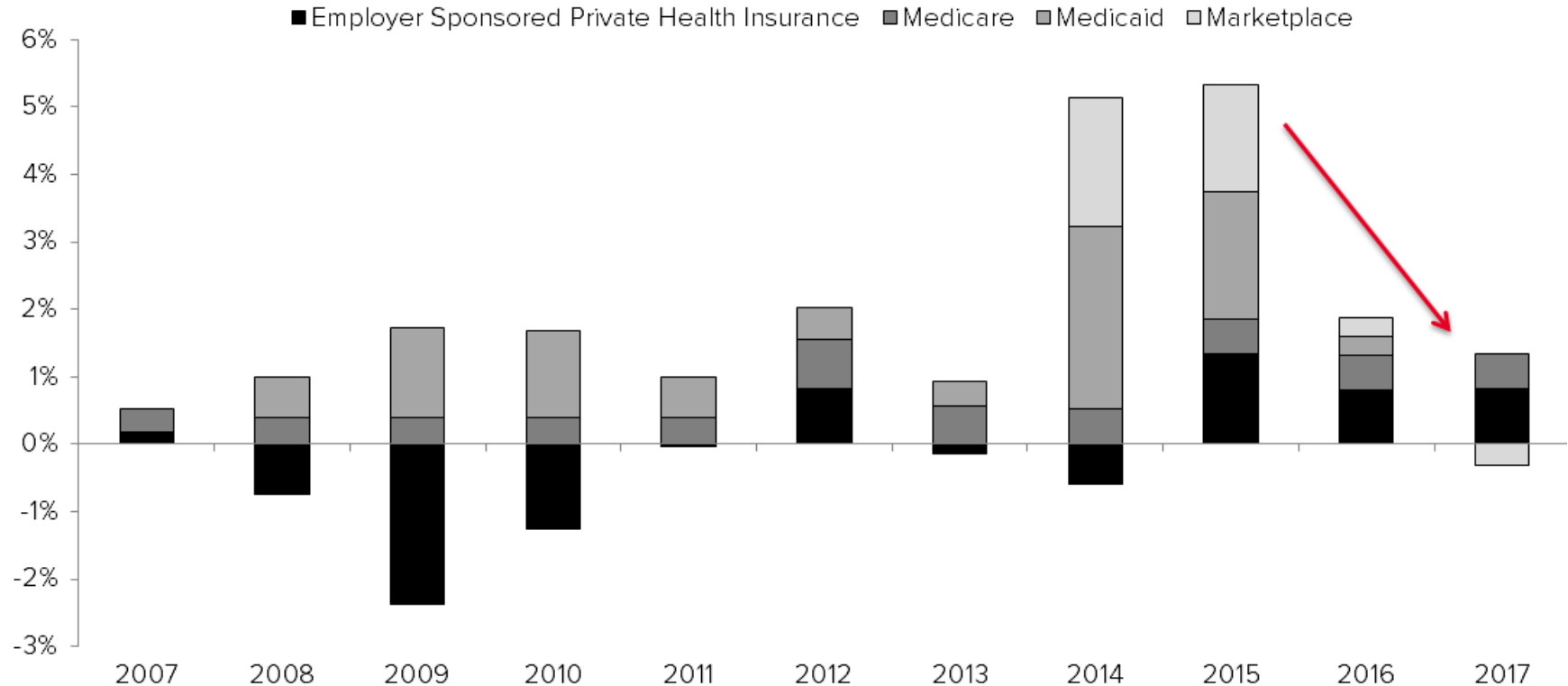
HEALTHCARE GROWTH SLOWING

AGGREGATE SALES AND EPS TIED TO JOB OPENINGS

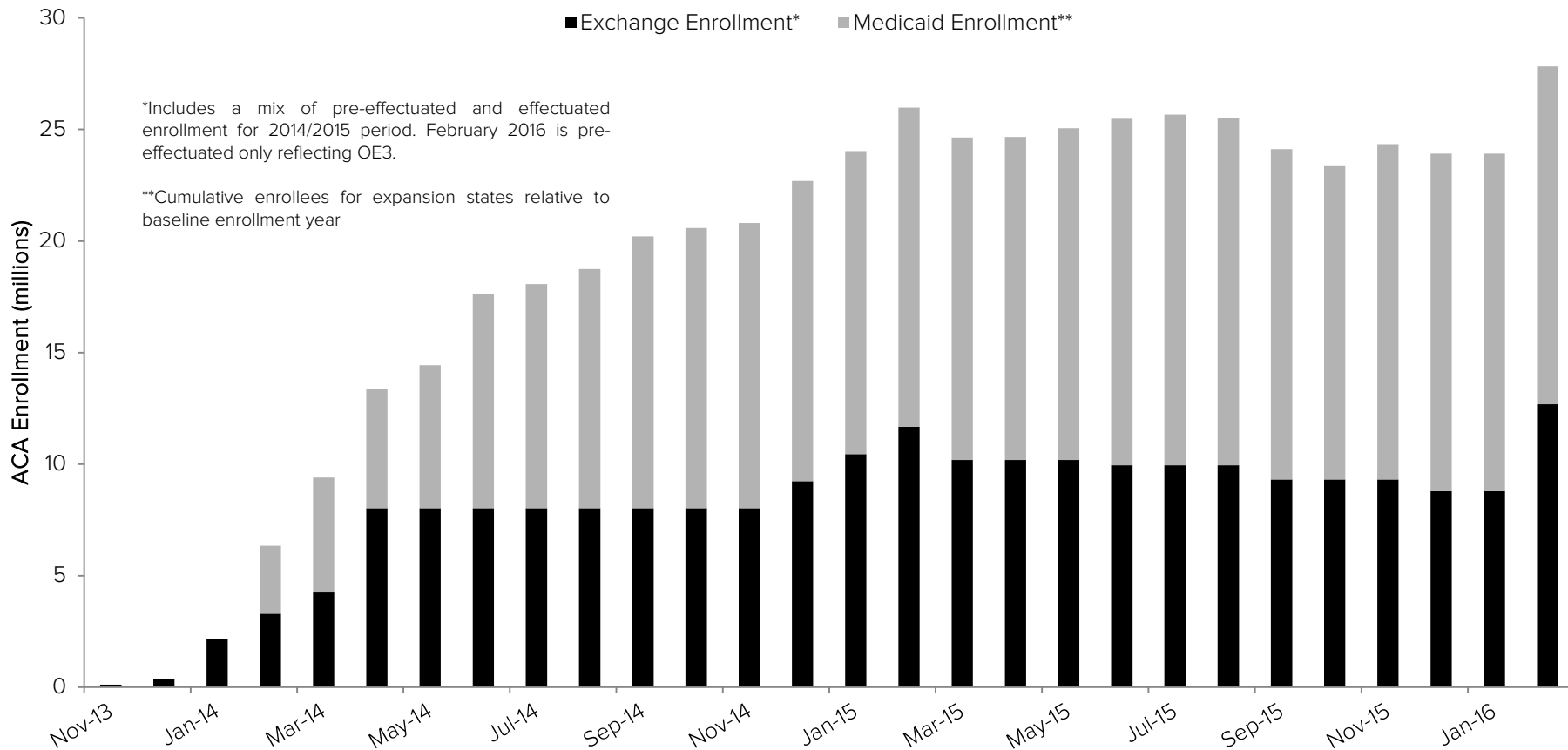


WHERE TO FROM HERE?

MEDICAL CONSUMER SLOWDOWN

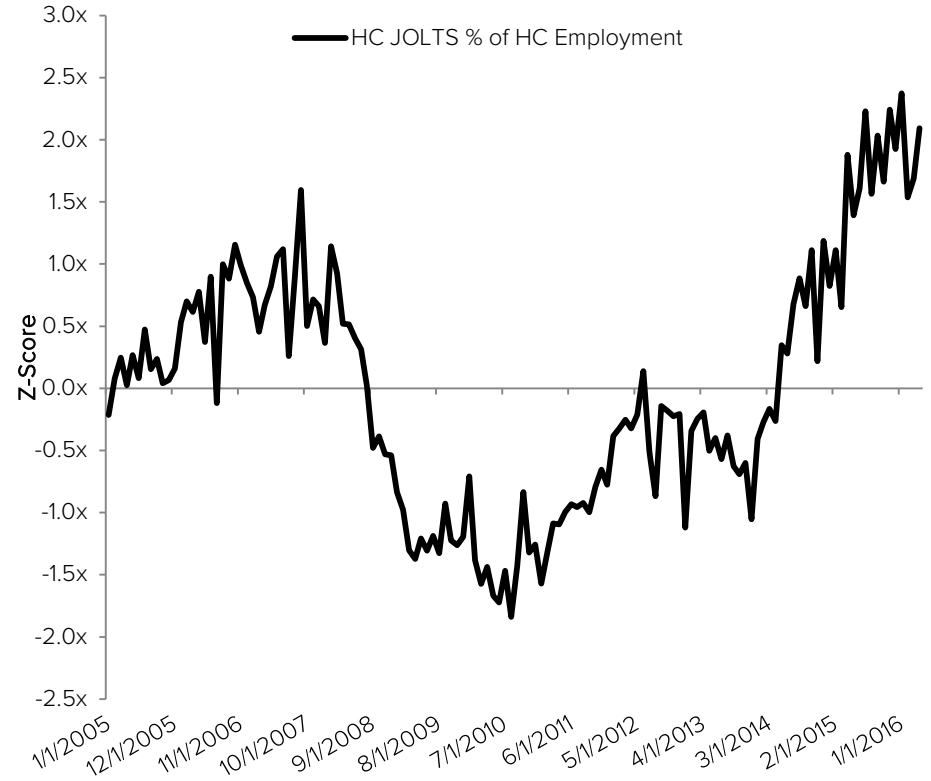
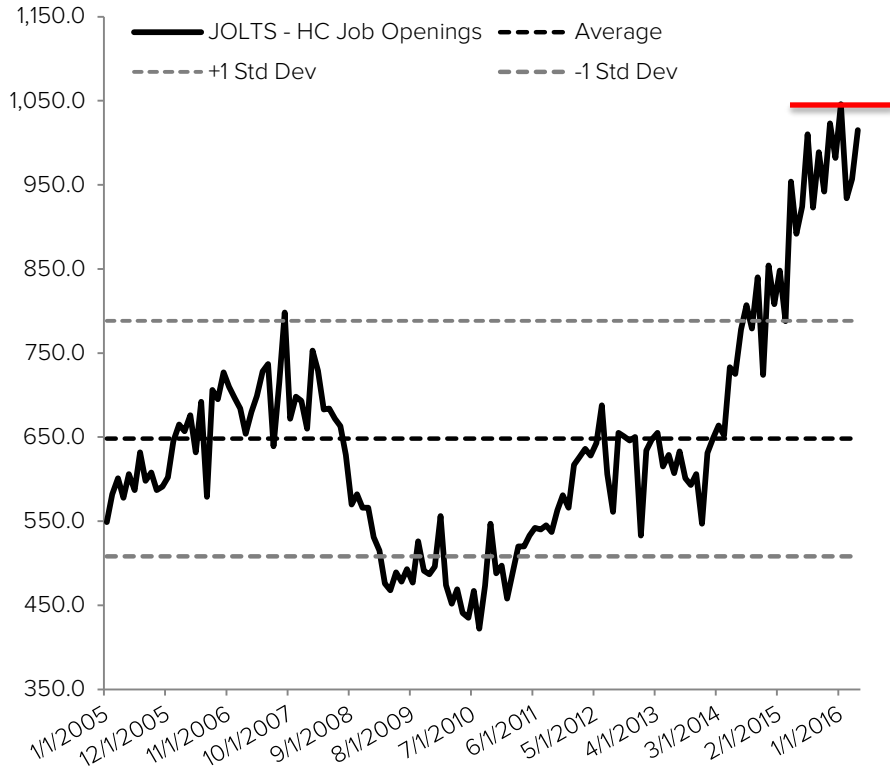


ACA ENROLLMENT

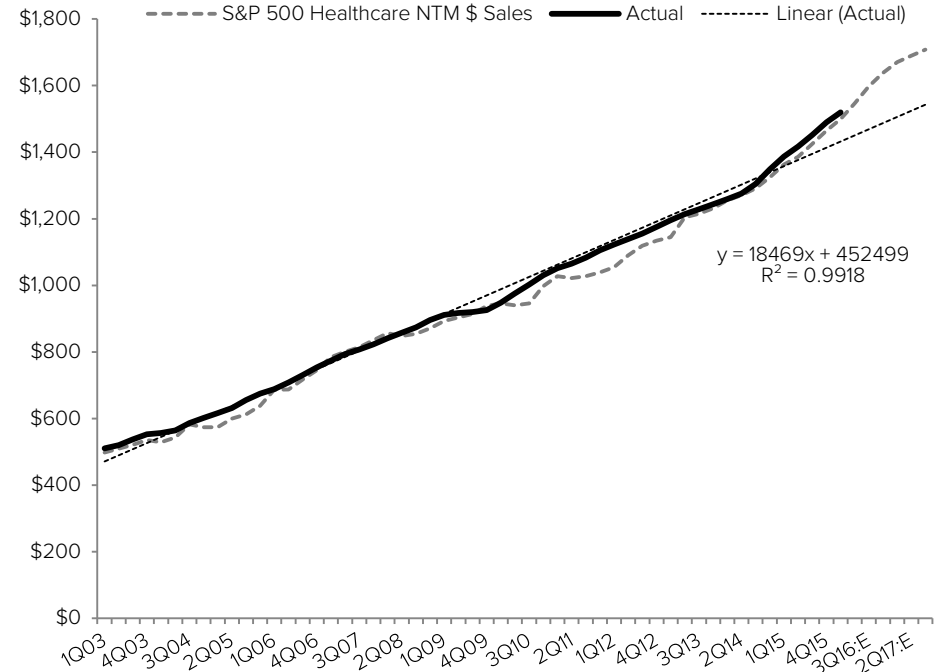
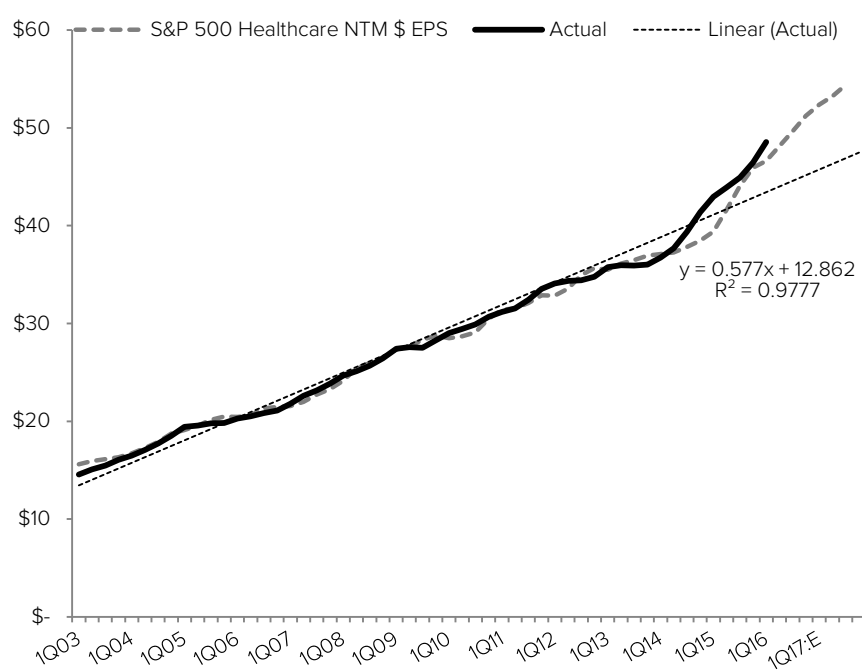


HEALTHCARE JOB OPENINGS (JOLTS)

EXTENDED AND SLOWING



ESTIMATES SUGGEST ACCELERATION

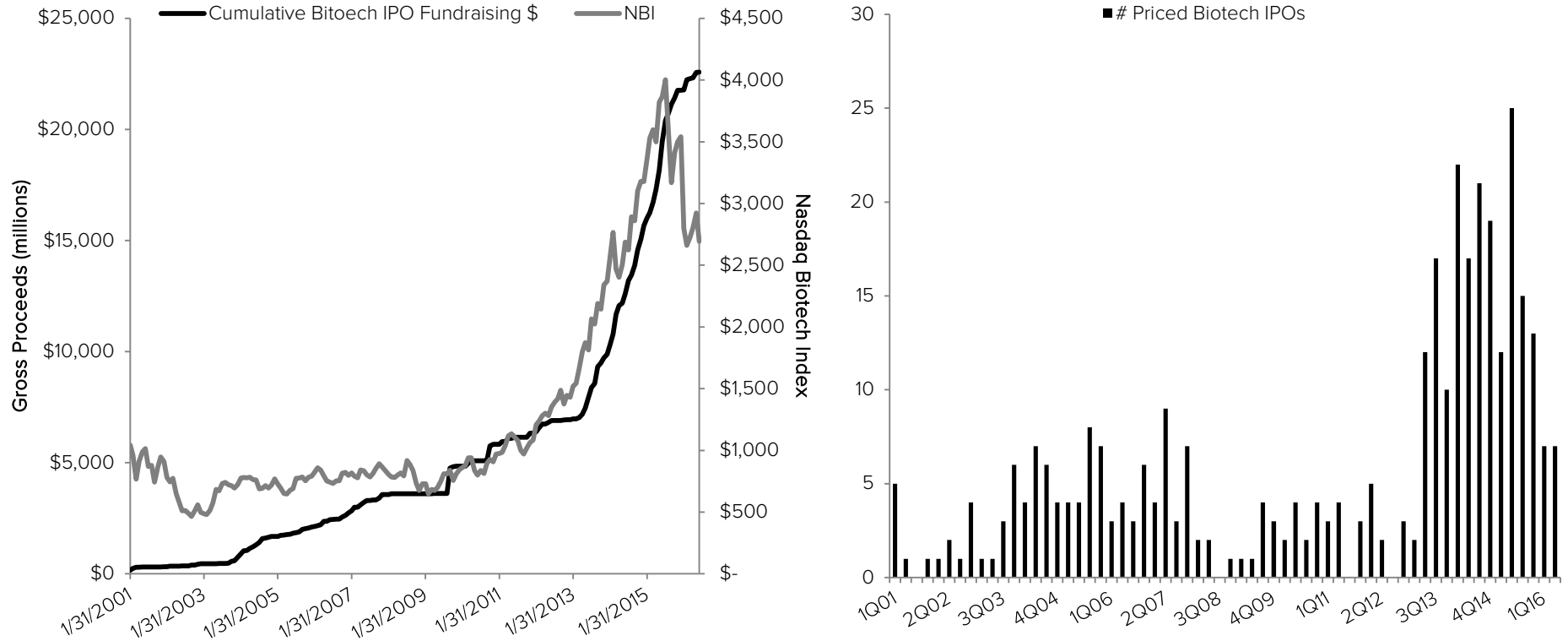


CONSENSUS DEVIATING FROM LONG-TERM TREND

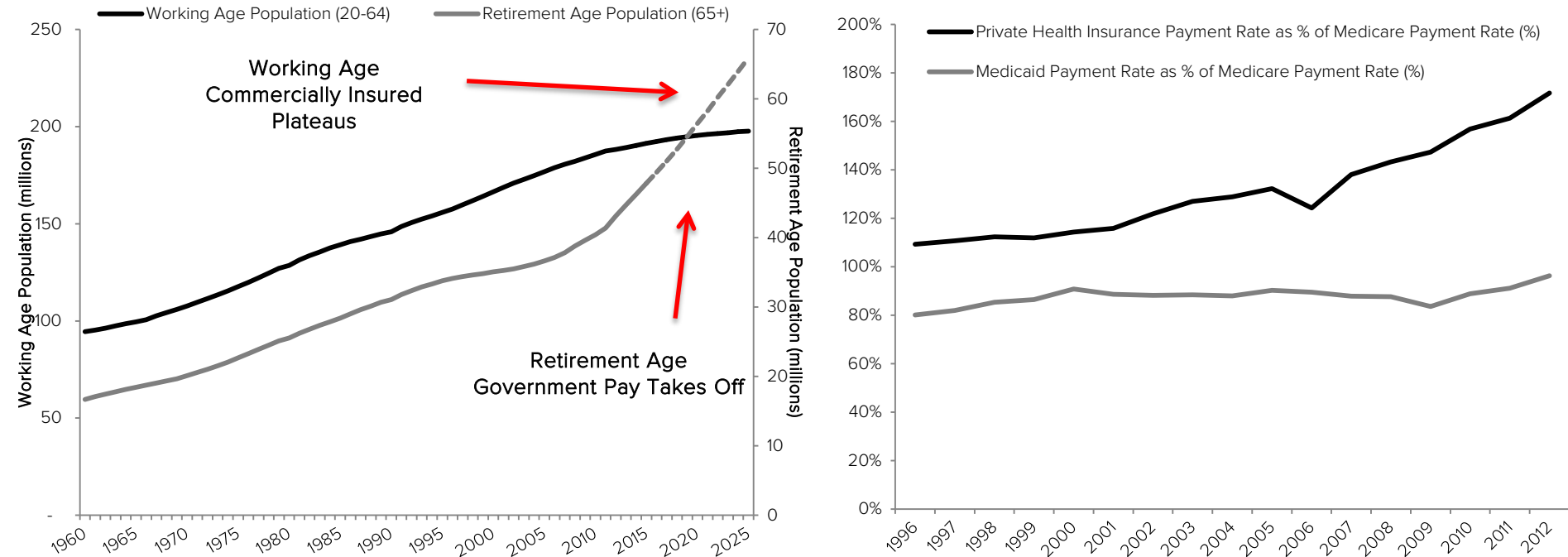
Reasonable given level of M&A and Stimulus.... but likely to mean revert amid slowing growth.

BIOTECH IPO FUNDRAISING

IT IS ALL ABOUT ACCESS TO CAPITAL....



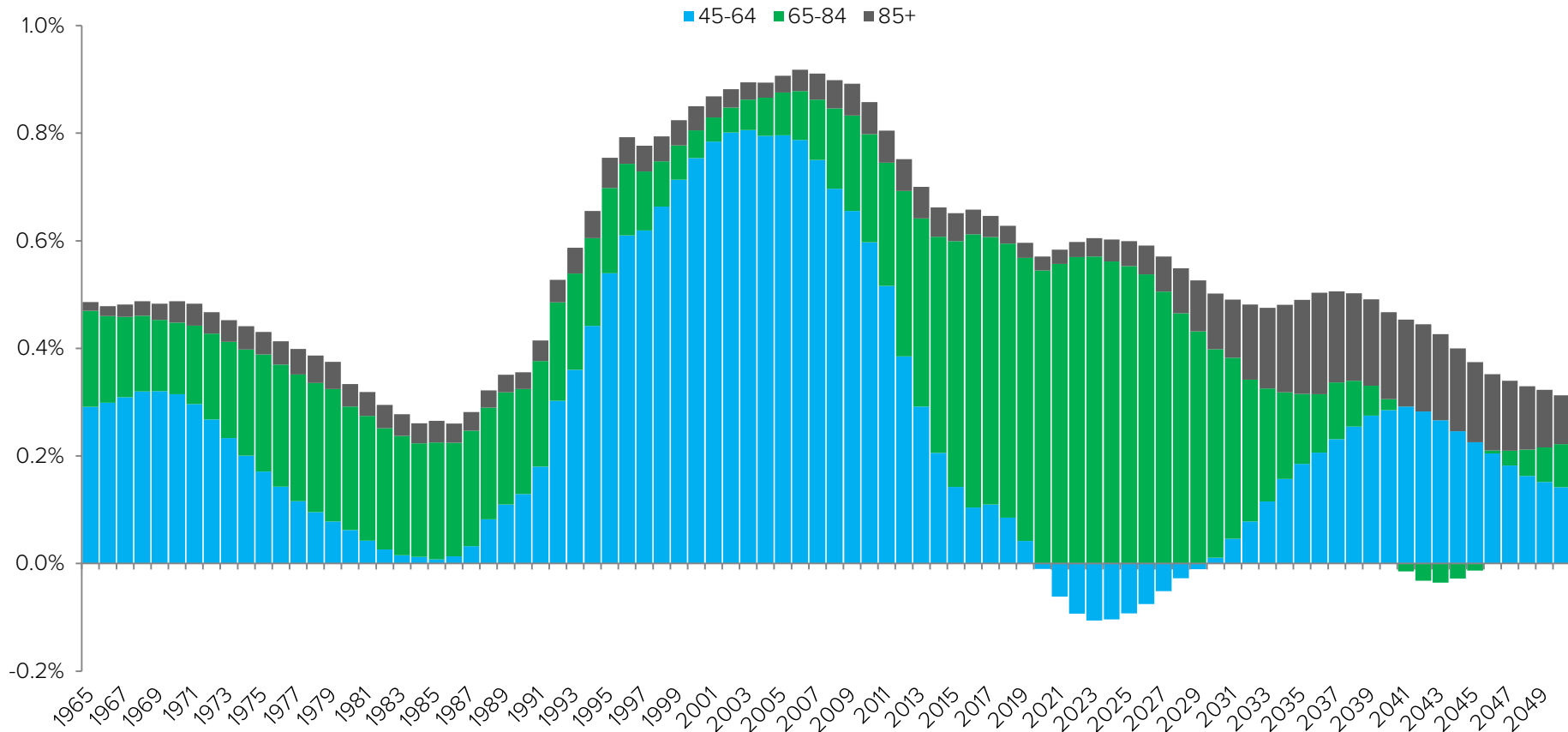
COMMERCIALLY INSURED FLAT



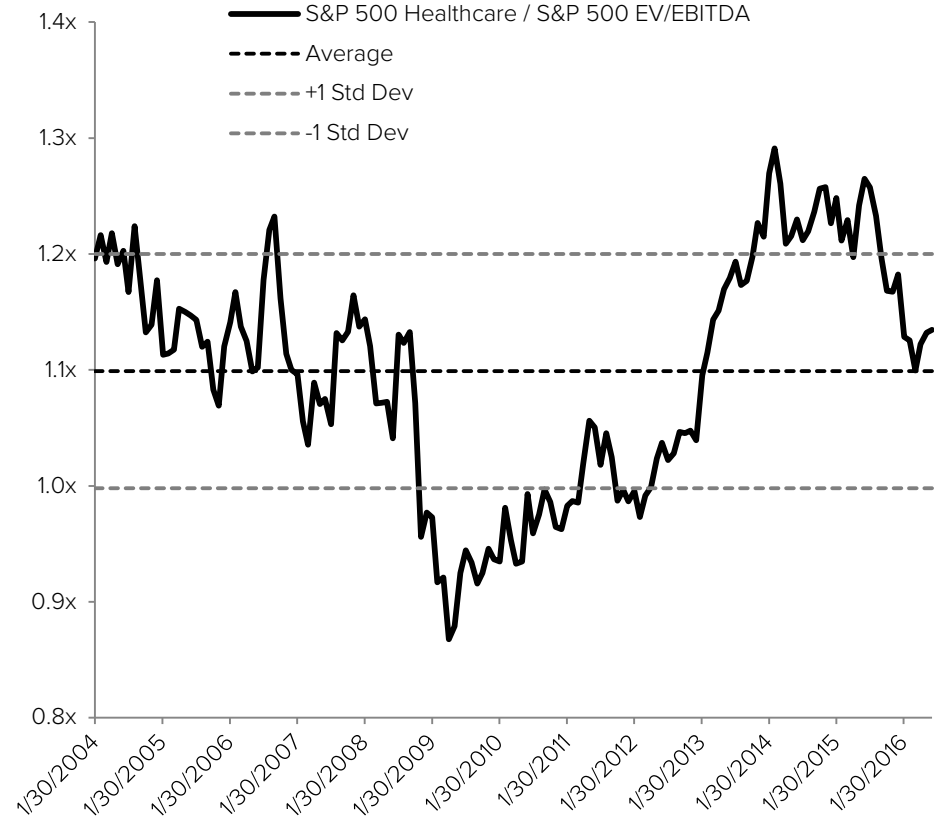
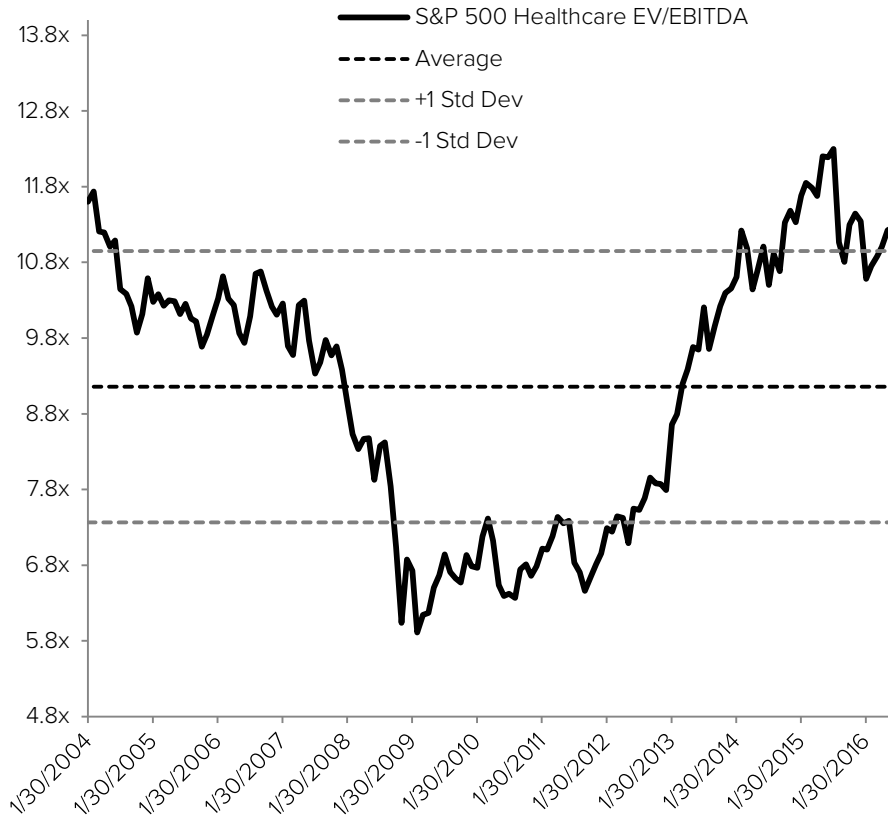
PRIVATE HEALTH INSURANCE ~170% OF MEDICARE

Mix shift toward Medicare will weigh on Hospital margins and eventually device manufacturers.

45+ AGE CONTRIBUTIONS TO GROWTH



HEALTHCARE NTM EV/EBITDA



1

ALTERNATIVE PAYMENT MODELS

Health Care Payment Learning Action Network, Catalyst for Payment Reform, Vanderbilt Center for Health Care Market Innovation. Some are working, some are not – we expect bundled payments will see significant take-up.

2

MACRA

Has even greater potential to change how medicine is practiced than anything even the ACA Post-acute reform.

3

POST-ACUTE REFORM

Post-acute care has become the focus of policy makers interest for over a decade. The trajectory of reform has steepened in recent years due to passage of the ACA.

