VANGUARD HEALTH SYSTEMS

Investor Presentation

January 11, 2012

Health for Life

VANGUARD HEALTH SYSTEMS

Regulation G and Forward-Looking Information

This presentation contains some non-GAAP financial measures with respect to Vanguard's performance. You can find the most directly comparable GAAP financial measures and the required reconciliation of those measures to GAAP measures under the SEC's Regulation G on our website, www.vanguardhealth.com, available by entering the Investor Relations section and then the Supplemental Financial Disclosures page.

This presentation contains forward-looking statements within the meaning of the federal securities laws, which are intended to be covered by the safe harbors created thereby. These forward-looking statements include all statements that are not historical statements of fact and those statements regarding the Company's intent, belief or expectations. Do not rely on any forward-looking statements as such statements are subject to numerous factors, risks and uncertainties that could cause the Company's actual outcomes, results, performance or achievements to be materially different from those projected. These factors, risks and uncertainties include, but are not limited to, Vanguard's high degree of leverage and interest rate risk; Vanguard's ability to incur substantially more debt; operating and financial restrictions in Vanguard's debt agreements; Vanguard's ability to generate cash necessary to service its debt; weakened economic conditions and volatile capital markets; potential liability related to disclosures of relationships between physicians and Vanguard's hospitals; post-payment claims reviews by governmental agencies that could result in additional costs to Vanguard; Vanguard's ability to grow its business and successfully implement its business strategies; Vanguard's ability to successfully integrate the acquisition of substantially all of the assets of The Detroit Medical Center, Westlake Hospital and West Suburban Medical Center, Valley Baptist Health System and future acquisitions or to recognize expected synergies from such acquisitions; potential acquisitions could be costly, unsuccessful or subject Vanguard to unexpected liabilities; conflicts of interest that may arise as a result of Vanguard's control by a small number of stockholders; the highly competitive nature of the healthcare industry; governmental regulation of the industry, including potential reductions to Medicare and Medicaid reimbursement levels in general and with respect to the impact of the Budget Control Act of 2011 and other future deficit reduction plans; pressures to contain costs by managed care organizations and other insurers and Vanguard's ability to negotiate acceptable terms with these third party payers; Vanguard's ability to attract and retain qualified management and healthcare professionals, including physicians and nurses; the currently unknown effect on Vanguard of the major federal healthcare reforms enacted by Congress in March 2010 or other potential additional federal or state healthcare reforms; future governmental investigations; Vanguard's inability to adequately enhance its facilities with technologically advanced equipment could adversely affect Vanguard's revenues and market position; the availability of capital to fund Vanguard's corporate growth strategy and improvements to Vanguard's existing facilities; potential lawsuits or other claims asserted against Vanguard; Vanguard's ability to maintain or increase patient membership and control costs of its managed healthcare plans; changes in general economic conditions nationally and regionally in the markets served by Vanguard; Vanguard's exposure to the increased amounts of and collection risks associated with uninsured accounts and the co-pay and deductible portions of insured accounts; dependence on Vanguard's senior management team and local management personnel; volatility of professional and general liability insurance for Vanguard and the physicians who practice at its hospitals and increases in the quantity and severity of professional liability claims; Vanguard's ability to achieve operating and financial targets and to maintain and increase patient volumes and control the costs of providing services, including salaries and benefits, supplies and bad debts; increased compliance costs from further government regulation of healthcare and Vanguard's failure to comply, or allegations of Vanguard's failure to comply, with applicable laws and regulations; the geographic concentration of Vanguard's operations; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, healthcare services and shift demand for inpatient services to outpatient settings; a failure of Vanguard's information systems would adversely impact its ability to manage its operations; costs and compliance risks associated with Section 404 of the Sarbanes-Oxley Act of 2002; material non-cash charges to earnings from impairment of goodwill associated with declines in the fair market values of Vanguard's reporting units; volatility of materials and labor costs for, or state efforts to regulate, potential construction projects that may be necessary for future growth; changes in accounting practices; Vanguard's ability to demonstrate meaningful use of certified electronic health record technology and to recognize revenues for the related Medicare or Medicaid incentive payments; and those factors, risks and uncertainties detailed in Vanguard's filings from time to time with the Securities and Exchange Commission, including, among others, Vanguard's Annual Reports on Form 10-K and its Quarterly Reports on Form 10-Q .

Our forward-looking statement speak only as of the date made. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements contained herein, whether as a result of new information, future events or otherwise.

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Our History

- Founded in 1997 by management and Morgan Stanley Capital Partners
- Recapitalized in 2004 with Blackstone as the lead investor
- Initial Public Offering completed on June 22, 2011
- Strategy is to acquire multi-hospital, not-for-profit systems in urban and suburban markets to anchor the development of regional integrated health delivery networks
- Today Vanguard has:
  - 28 hospitals in 5 states
  - A large health plan in Arizona
  - Strategically aligned outpatient facilities, physician organizations, and related businesses
  - Pro forma annualized revenues of approximately $6.0 billion, including the pro forma impact of completed acquisitions
  - A strong balance sheet and flexible access to additional capital to fund growth opportunities
- The management team has a strong track record in the healthcare delivery industry with multiple companies throughout the past four decades

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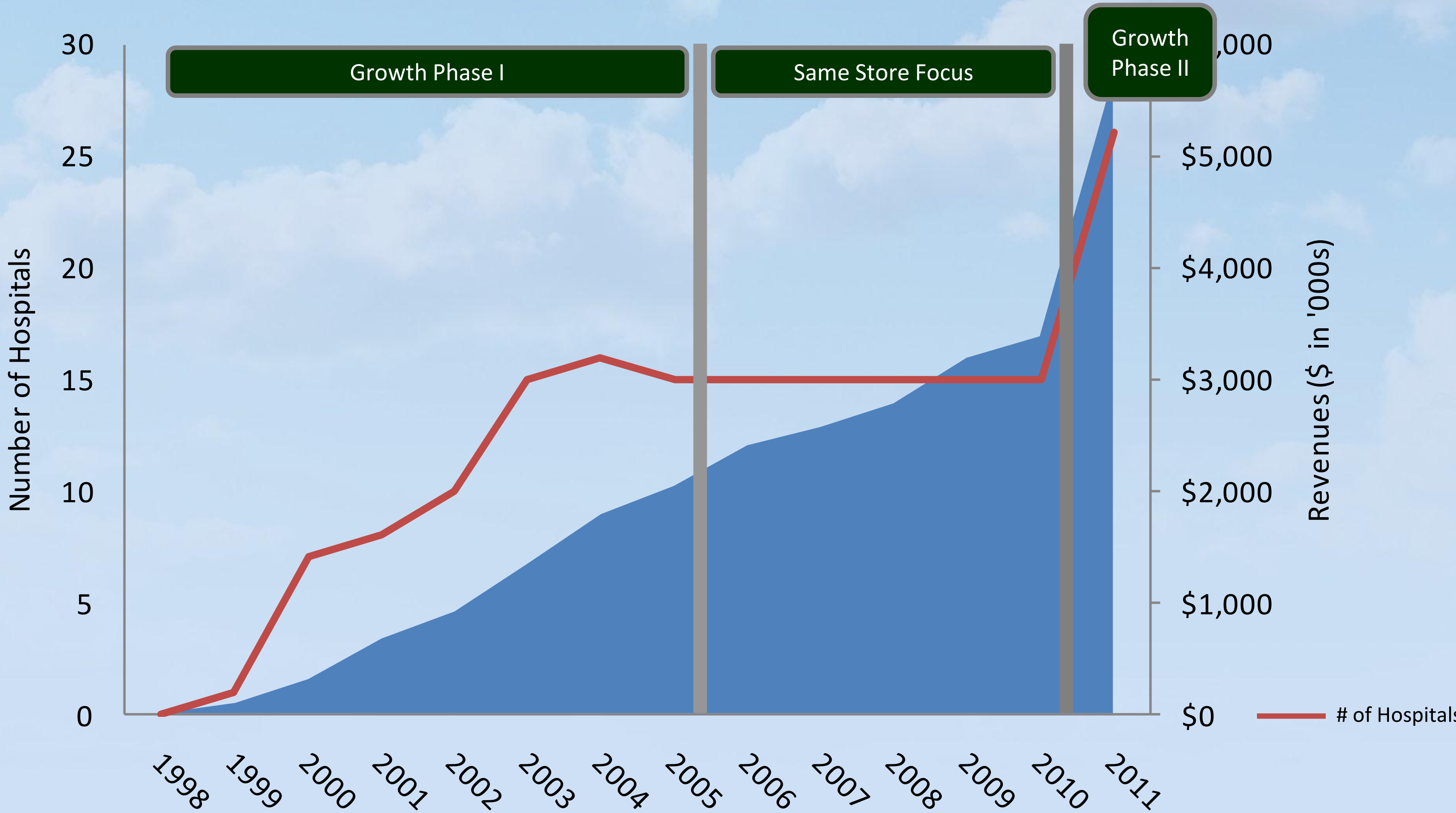
The Vanguard Growth Story



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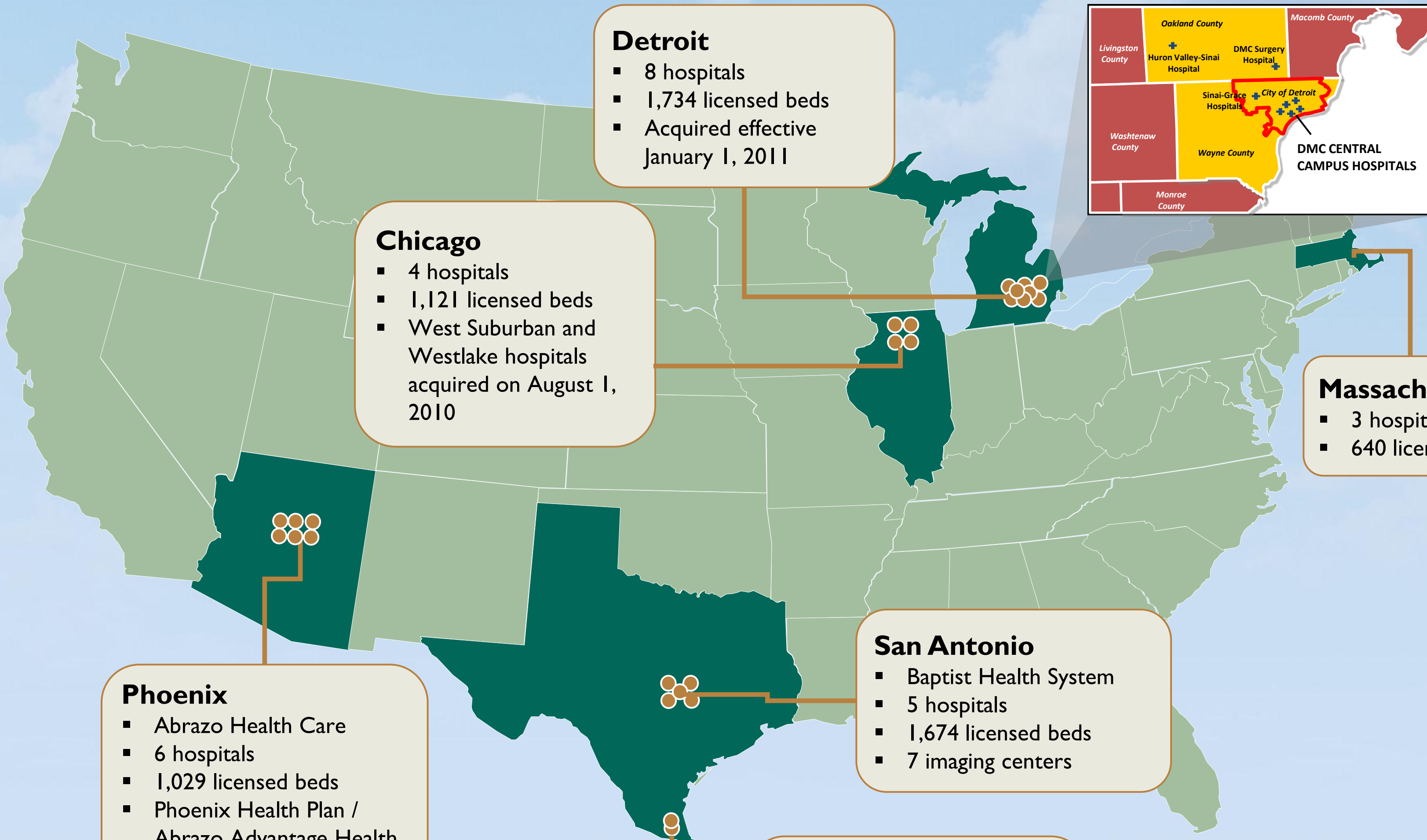
Vanguard Today



Detroit
- 8 hospitals
- 1,734 licensed beds
- Acquired effective January 1, 2011

Chicago
- 4 hospitals
- 1,121 licensed beds
- West Suburban and Westlake hospitals acquired on August 1, 2010

Massachusetts
- 3 hospitals
- 640 licensed beds

Phoenix
- Abrazo Health Care
- 6 hospitals
- 1,029 licensed beds
- Phoenix Health Plan / Abrazo Advantage Health Plan

San Antonio
- Baptist Health System
- 5 hospitals
- 1,674 licensed beds
- 7 imaging centers

Harlingen/Brownsville
- Valley Baptist Health System
- 2 hospitals, health plan, and related services
- 866 licensed beds

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Preparing for the Future: Strategic Focus

- **Build and operate high-performance patient-centered integrated care networks**
  - Focus on safety, quality and value
  - Clinically coordinated, integrated and evidenced-based care
  - Establish the standard of care for positive experiences for our patients, their families and our physicians
- **Fully engage in health and wellness**
  - Create an organization where our employees and their families are some of the healthiest and most productive in the markets we serve
  - Lead efforts to measure and directly improve the health of our communities as payments move from fee for service to fee for health, including risk sharing platforms
- **Strengthen our growth and reputation through local trust, national scale and access to capital markets**
  - Innovate and share best practices
  - Find, invest in and retain talented people
  - Create a great place to work and a most admired company

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Key Strategic Initiatives

- **Position integrated networks in all markets as high value systems**
  - High quality
  - Low cost
  - "Tier One" status by major payers
- **Develop partnerships with payers and self-insured employers to provide access to high value services on a preferred basis**
- **Aggressively seek opportunities to accelerate transition from fee-for-service to fee-for-value**
  - Pioneer ACO awarded in Detroit
  - CMS Community-Based Care Transition Program grant awarded in Massachusetts
  - Aggressively seeking CMS Innovation grants
  - Bundled pricing initiatives with CMS and private payers. Leverage multi-year experience in the Acute Care Episode (ACE) demonstration project
- **Develop strategies and tools to assist physicians to remain in the practice model of their choice while having access to new payment streams and opportunities**
  - Pioneer ACO in Michigan is partnered with predominantly independent physicians

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Environmental Issues

- **Continued focus on federal deficit will impact the trajectory of provider payment increases**
  - Sequestration
  - Two-month physician fix
- **Health Reform Overhaul**
  - Supreme Court Decision
  - Political unpopularity
  - Potential exists for changes to post-2014 assumptions – full “repeal” likely difficult
- **State Medicaid Programs**
  - States seeing tremendous funding pressures even as revenues increase due to continued high unemployment, driving high enrollment (Arizona and Illinois in toughest shape)
  - Other states looking at major transitions (Texas 1115 Waiver)
- **Slow economic recovery and persistent high unemployment continues to put downward pressure on elective volume and payer mix**
  - ER volume growth still strong

Our Opportunities

- **50% of revenue base has been added to the portfolio since August 2010**
  - Implementation of revenue cycle processes
  - Cost reduction opportunities with labor management tools, purchased service contracts and acceleration of GPO conversion/compliance
  - Leverage system scale for in-market acquisitions

- **Continue to improve processes and reduce costs per adjusted discharge across portfolio**

- **Active M & A market –** disciplined acquisition strategy
  - Opportunities for accretive acquisitions, both in-market and new markets

- **Expansion in existing markets through expanded facilities, de novo locations, acquisitions, ambulatory locations, and balanced physician alignment**

- **Accelerate ARRA Hi-Tech opportunities**
  - No written guidance yet on accounting (HFMA position paper)

- **Pursue advocacy opportunities aggressively, both federal and state**
  - Arizona

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New Market in South Texas

- **Acquired Valley Baptist Health System effective September 1, 2011**
  - Valley Baptist Medical Center – Harlingen
  - Valley Baptist Medical Center – Brownsville
  - Valley Baptist Insurance Company - HMO, PPO
  - Other outpatient facilities and services
  - Physician Group

Rationale / Opportunity

- **Leading provider in Rio Grande Valley of South Texas**
- **Additional opportunities to consolidate services in South Texas**
- **Projected annualized revenues of $430 million for FY12 (adjusted for bad debt)**
- **Currently in low single digit margins consistent with most independent small systems – significant opportunity for margin expansion**
  - Historical results for annual fiscal period included in Form 8-K dated November 14, 2011 does not include impact of SDA reduction.
- **Opportunity to leverage existing support services in San Antonio**

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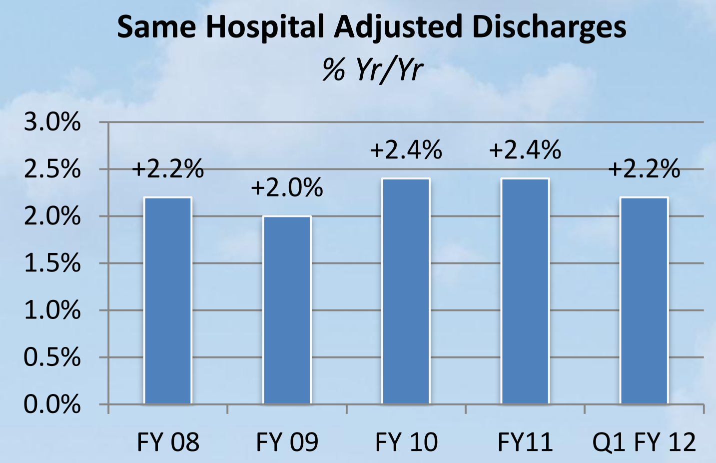
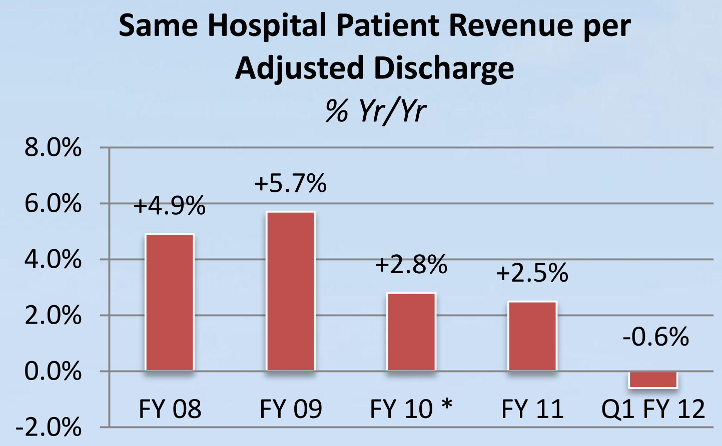
Drive Performance on Balanced Scorecard

Historical Results

Continued Focus on Strategic In-Market Growth

- *Redefining Payer Relationships*
- *Expanding/Enhancing Service Lines*
- *Physician Alignment and Leadership*
- *Facility Development*
- *Outpatient Strategies*
- *Quality Focus*
- *Enhancing Patient Experience*
- *Clinical Outcomes*





*Adjusted for the impact of policy changes for uninsured discounts and Medicaid pending.

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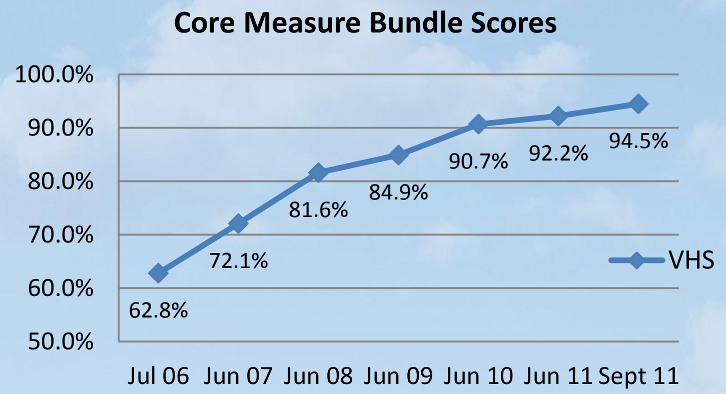
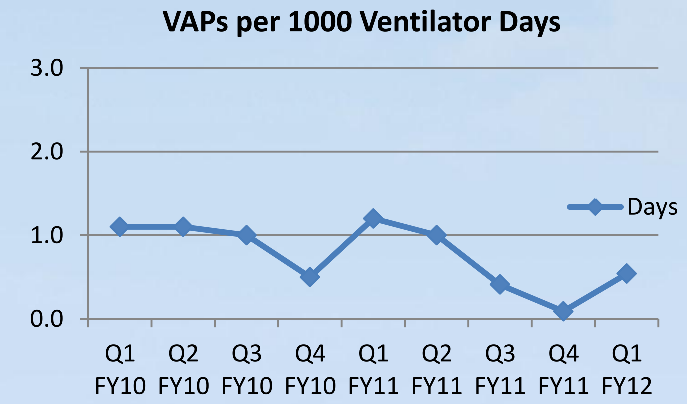
Quality Focused Leadership

- **Dedicated leadership**
  - Commitment to reducing serious safety events
  - Monthly quality review sessions by market
  - Executive comp linked to objective, measurable quality and safety targets

- **Investment in information technology and tools**
  - Computerized Physician Order Entry
  - Medication bar coding
  - Theradoc infection control surveillance system

- **Other patient care initiatives**
  - Patient safety error prevention training for all staff
  - Critical care model deployment
  - Standardization of evidence-based patient care through integrated hospitalist model
  - Certified Chest Pain Centers and accredited Stroke Programs





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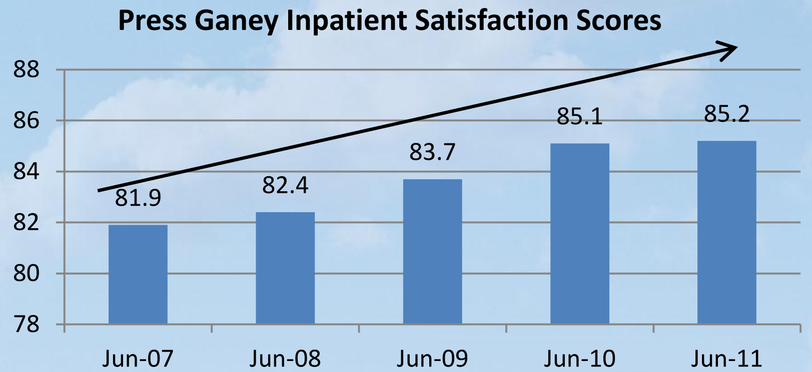
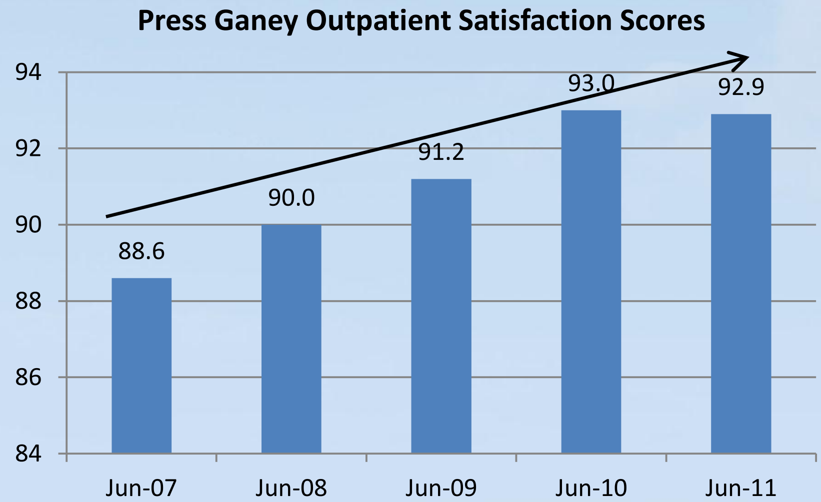
Patient Experience

- **Hourly rounding by administration & nursing staff**
- **Post-discharge phone calls**
- **Patient satisfaction survey**
  - Press Ganey
  - National benchmarks for inpatient, outpatient, emergency room and HCAHPS
- **Robust patient advocacy & risk management programs**



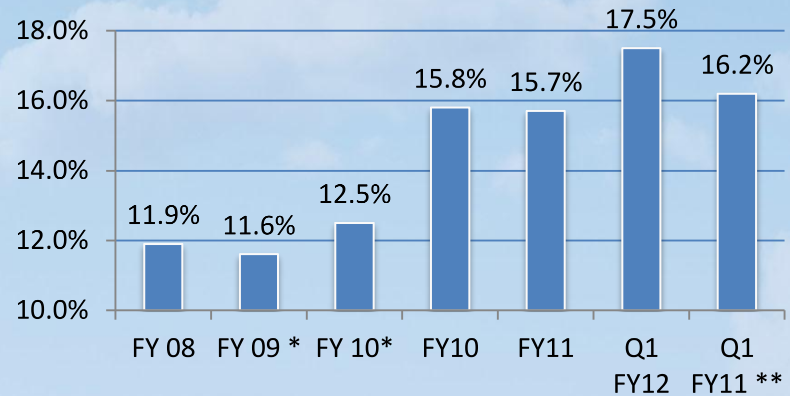


Bad Debt/Revenue Cycle

- **Bad debt policy**
  - Uninsured discount policy implemented in Chicago hospitals on April, 1, 2009 and in Phoenix and San Antonio hospitals on July 1, 2009.
  - Quarterly hindsight and cash collection analyses
  - Adoption of accounting standard to reclassify provision for doubtful accounts to revenue deduction effective July 1, 2011
- **Revenue cycle initiatives**
  - Eligibility automation
    - Improved upfront cash collections
    - Increased registration accuracy
  - Billing automation
    - Improve clean claim rate
    - Prevent lost claims
    - Electronic remittance posting
  - Days sales outstanding have averaged between 39 and 45 days during the past 24 months

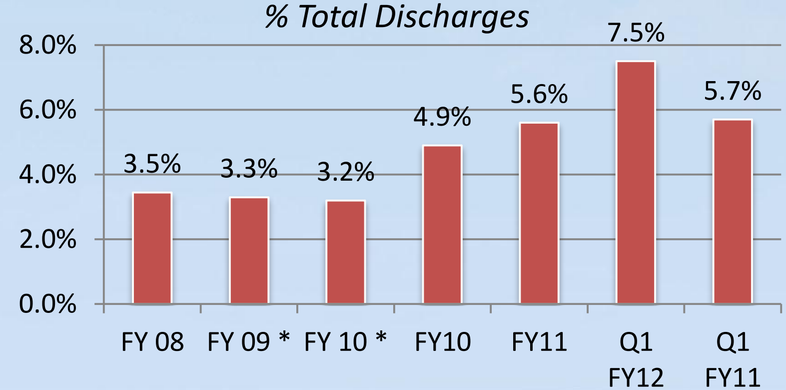
Bad Debt + Charity + Uninsured Discounts

% Acute Care Segment Revenues



Self Pay Discharges

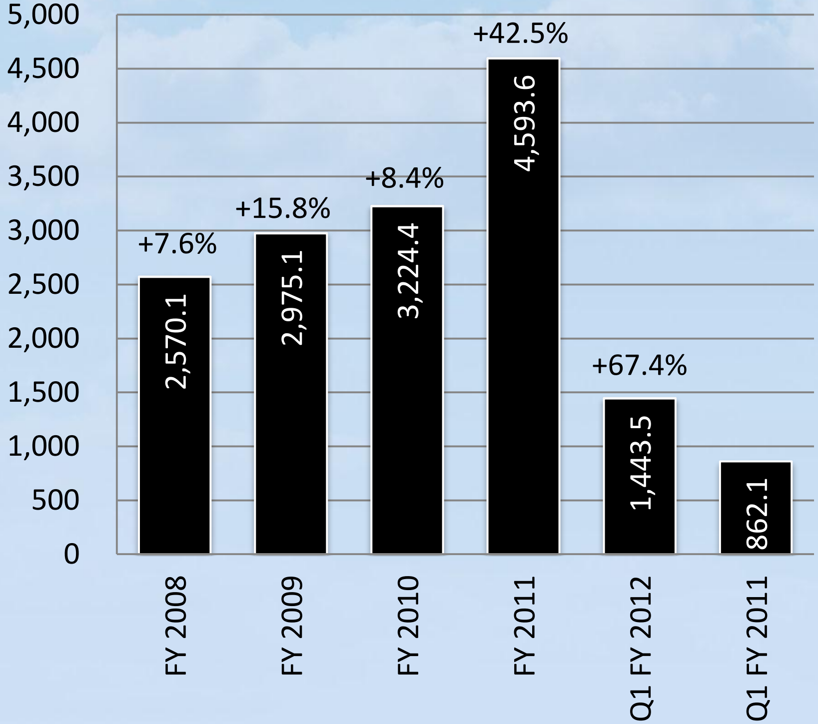
% Total Discharges

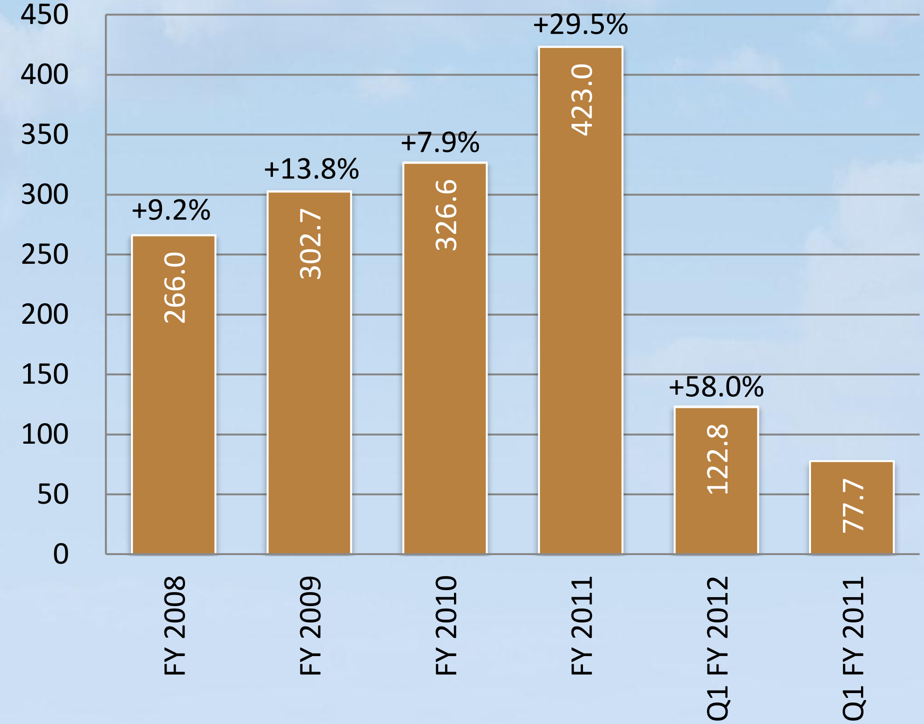


*Adjusted to exclude the impact of uninsured discount and Medicaid pending policy changes so will not be comparable to FY10 and FY11 measures.

**Includes the impact of the reclassification of the provision for doubtful accounts to a revenue deduction

Revenues and Adjusted EBITDA





Note: All periods have been adjusted to reflect the reclassification of the provision for doubtful accounts to a revenue deduction

Adj. EBITDA Margin	9.6%	9.5%	9.7%	8.6%	8.5%	9.0%

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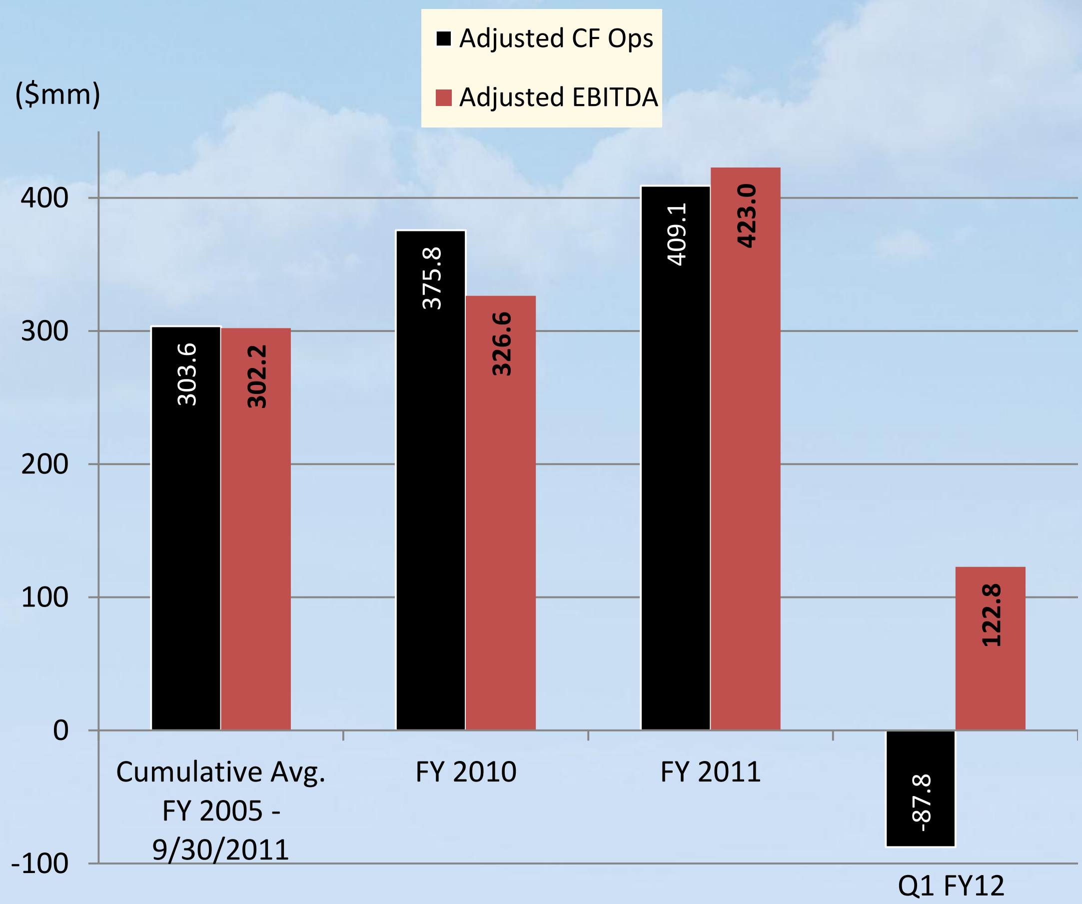
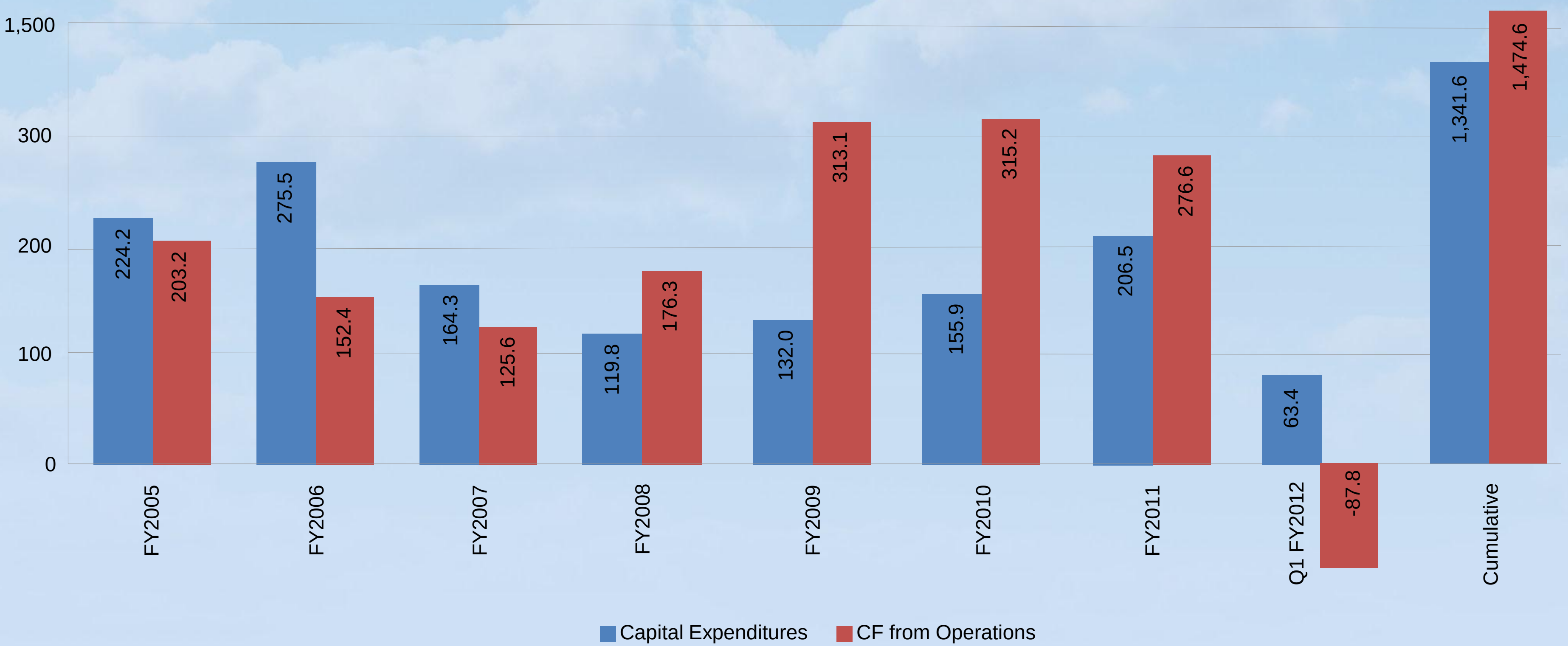
Quality of Earnings



Adjusted CF Ops is defined as "cash flow from continuing operations" plus "net interest paid" (less hedge interest payments) and "net income taxes paid." These three GAAP components that make up Collected Adjusted EBITDA can be found in the statement of cash flows set forth in our Forms 10-K or 10-Q.

Capital Investments Funded by Cash Flow from Operations



Note: Projected cash flows and existing revolver capacity are sufficient to fund projected CapEx, including DMC.

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Same Hospital Operating Statistics

Quarters Ended September 30, 2010 and 2011

($mm)	2010	2011	% change
Hospitals, end of period	15	15	
Net Patient Service Revenue ($MM)	$ 599.1	$ 609.1	1.7%
Discharges	42,005	41,565	(1.0%)
Patient Days	172,976	167,014	(3.4%)
Adj. Discharges	75,592	77,232	2.2%
Adj. Patient Days	311,288	310,328	(0.3%)
Patient Rev. per Adjusted Discharge*	$ 7,757	$ 7,709	(0.6%)
Emergency Room Visits	160,880	169,992	5.7%
Outpatient Surgeries	18,343	17,762	(3.2%)
Uncompensated Care as % of Net Patient Revenues (prior to uncompensated care)	16.0%	20.5%	+450 bp

Capitalization

($MM)	September 30, 2011 Amount	%
Cash & Restricted Cash	**$ 157.1**	
Debt		
VHS HoldCo II Debt		
Revolving Sr. Credit Facility - $260mm	$0.0	0.0%
Term B Debt - Sr. Credit Facility	804.9	30.6%
Total Credit Facility Debt	804.9	30.6%
8.0% Senior Secured Notes	1,157.0	44.0%
7.75% Senior Notes	350.0	13.3%
10.375% Senior Discount Notes	14.8	0.6%
Other	19.5	0.7%
Total Debt	**2,346.2**	89.2%
Total Equity	**284.4**	10.8%
Total Book Capitalization	**$ 2,630.6**	100.0%

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Investment Summary

- Established integrated networks with significant scale in several large, growing urban markets
- Diverse portfolio of Acute Care and complementary Outpatient Facilities
- Established track record in managing risk and bundled payment
- Consistent ability to manage non-paying population and collection process
- Well-developed infrastructure combined with a focus on cost controls and quality initiatives
- Proven ability to complete and integrate acquisitions and simultaneously de-lever
- Experience, deep, cohesive Management Team
- Significant sponsorship and support from major shareholders

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