Vanguard
HEALTH SYSTEMS
health. forward.

Investor Presentation

December 2012

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 SEC Filings page.

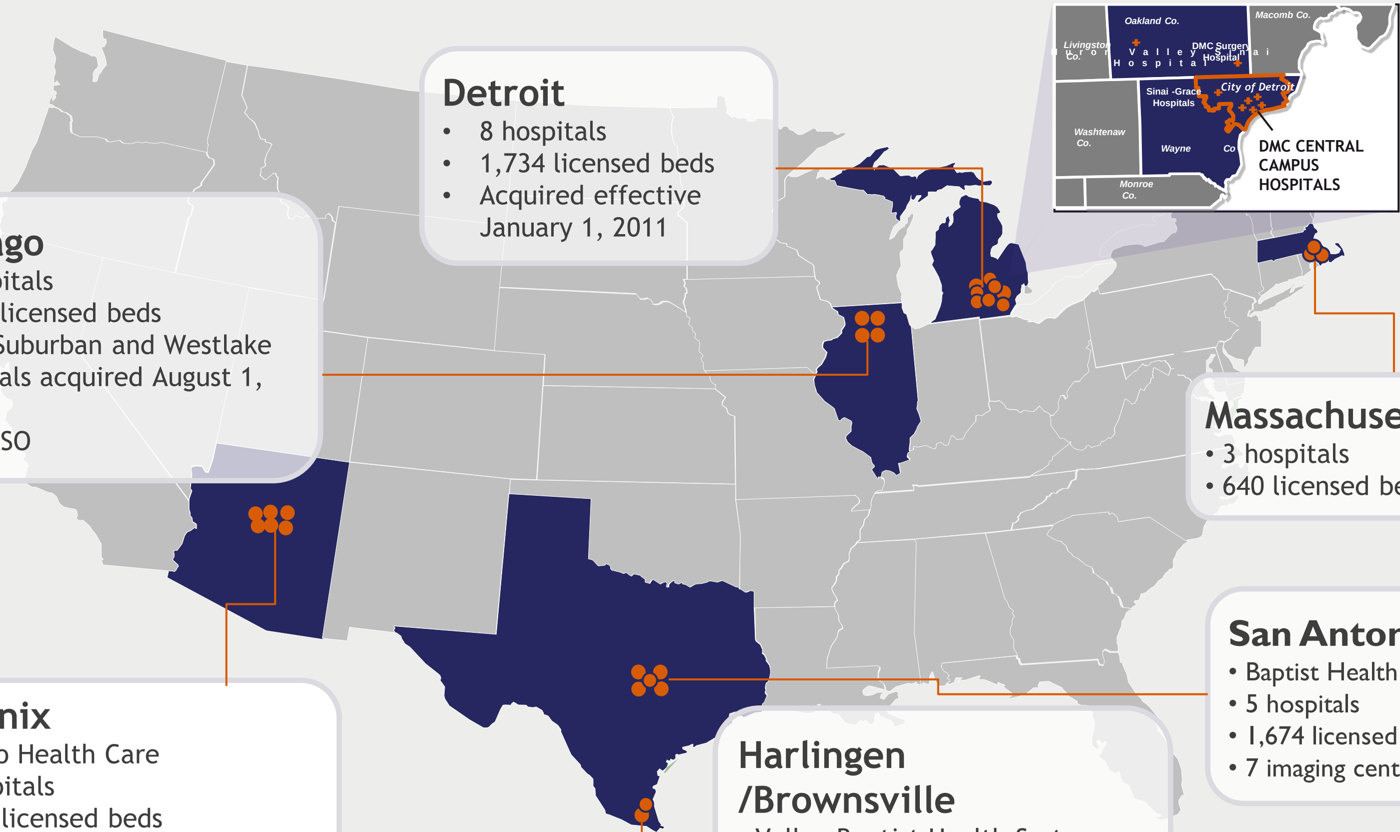
This presentation contains forward-looking statements within the meaning of the federal securities laws, which are intended to be covered by the safe harbors created thereby. These forward-looking statements include all statements that are not historical statements of fact and those statements regarding 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 and 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; a reduction or elimination of supplemental Medicare and Medicaid payments, including disproportionate share payments, indirect medical education/graduate medical education payments and other similar payments; 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; potential adverse impact of known and unknown governmental investigations and audits; Vanguard's inability to adequately enhance its facilities with technologically advanced equipment; 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; failure of AHCCCS to renew its contract with, or award future contracts to, Phoenix Health Plan; Phoenix Health Plan's ability to comply with the terms of its contract with AHCCCS, as noncompliance could subject it to fines, penalties or termination of its contract; Vanguard's inability to accurately estimate and manage health plan claims expense within Vanguard's health plan; Vanguard's inability to accurately estimate and manage employee medical benefits expense within Vanguard's health plans; reductions in the enrollment of Vanguard's health 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 other operating expenses; 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; delays in receiving payments for services provided, especially from governmental payers; changes in revenue mix, including changes in Medicaid eligibility criteria and potential declines in the population covered under managed care agreements; 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.

About Us

- **Fortune 500 company operating regional integrated health and healthcare delivery networks in urban regions of the United States**
  - 28 hospitals and related facilities in five states
  - $1 billion of risk-based revenue
- **Publicly traded on the New York Stock Exchange (NYSE: VHS), with annual revenue in excess of $6 billion**
- **Experienced, cohesive management team who, collectively, own 12% of the company**
- **Committed to health system transformation and innovation**
  - Journey from fee for service to fee for value
  - 3 approved shared savings ACOs
  - 5 hospitals participating in ACE demonstration projects for both cardiology and orthopedics
  - 7 hospitals awarded CMS Bundled Payment Projects
  - CMMI award
- **Recognized by numerous organizations such as Gallup, US News and World Report, Leapfrog, HealthLeaders, Thomson Reuters (Top 100 and Top 50 Cardiovascular), and ANCC (Magnet Status)**

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 August 1, 2010
- Risk MSO

Massachusetts

- 3 hospitals
- 640 licensed beds

San Antonio

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

Phoenix

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

Harlingen /Brownsville

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

Vanguard HEALTH SYSTEMS

Our Strategic Focus

- **Build and support regionally scaled, 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 sustained 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
  - Leverage scale to reduce administrative costs and excel in performance
  - Develop strategic partnerships with regional and national organizations

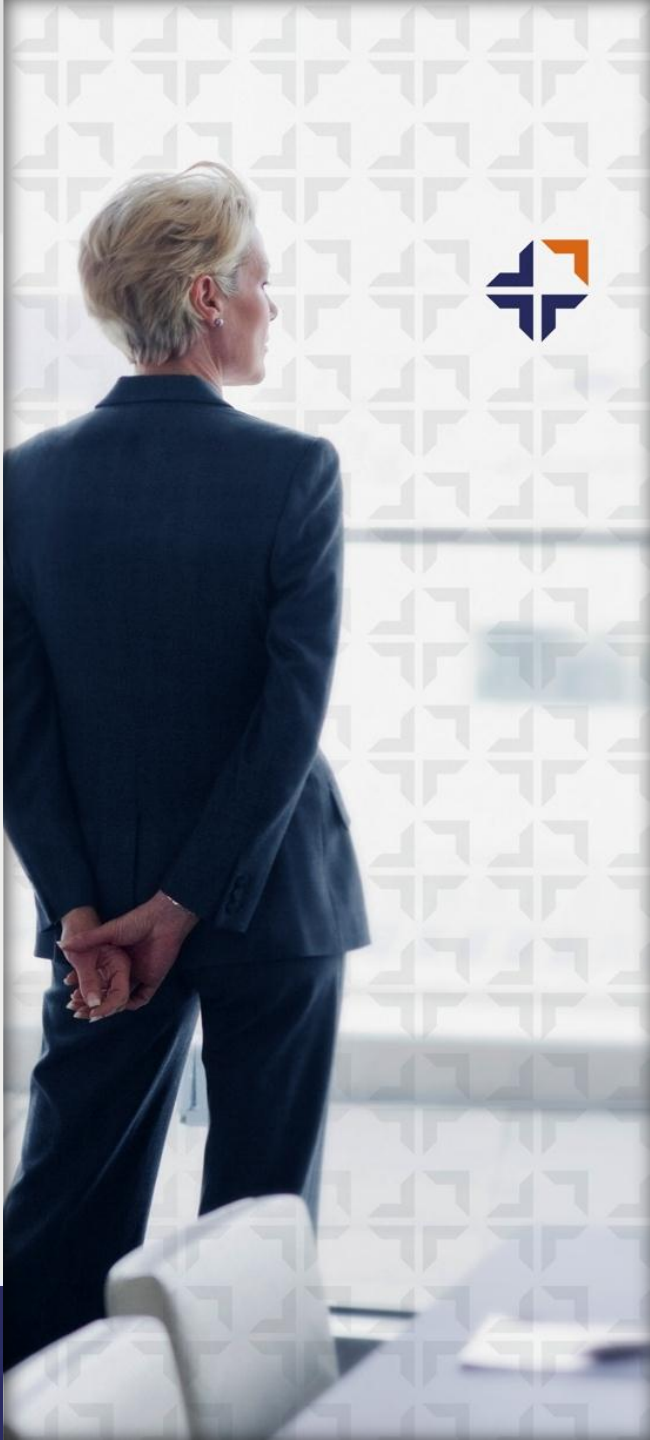
Our Opportunities

- **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**
  - New Braunfels de novo
  - North Central Baptist expansion
  - Baptist Emergency Hospital network
  - West Valley expansion
  - St. Vincent Cancer Center

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



Healthcare Current State - Future State

Current State

- Transactional care
- Volume driven
- Acute focus
- Fragmented delivery system
- Patients as passive recipients of care
- Volume incentive

Fee for service

Future State

- Population health management
- Continuum of care
- Bundled payments + Risk
- Integrated delivery systems
- Patient engagement
- Value incentive

Fee for value

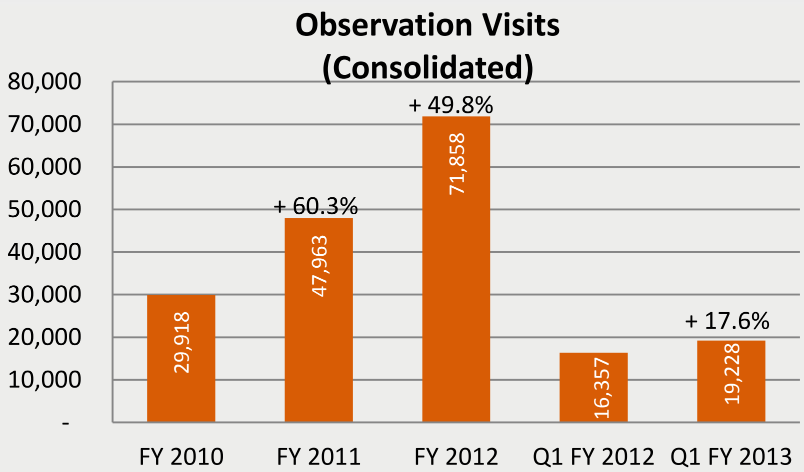
Preparing for Increased Risk-Based Payment

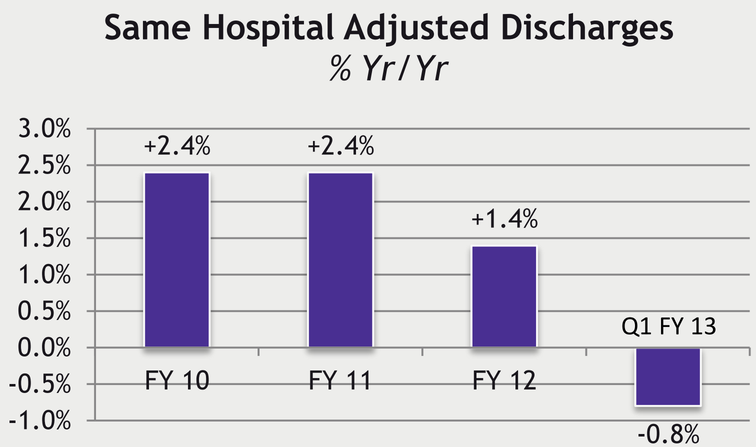
- **Position integrated networks in all markets as high value systems**
  - High quality, low cost
  - Develop strategic network partnerships with other complementary providers
  - Build out ambulatory platform in existing markets aggressively
  - Seek "Tier One" status by major payers
- **Aggressively seek opportunities to accelerate transition from fee-for-service to fee-for-value**
  - Pioneer ACO awarded in Detroit; shared savings ACO's in Texas and Chicago
  - 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
  - Leverage experience in Arizona with Medicare, Medicaid and Dual-Eligible risk in other markets
- **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 in alignment with our hospitals**
  - IPA and PHO development
  - Scale Risk MSO to all markets
  - Develop scalable Basic Physician MSO to manage employed physicians and allow independent physicians access to cost effective services

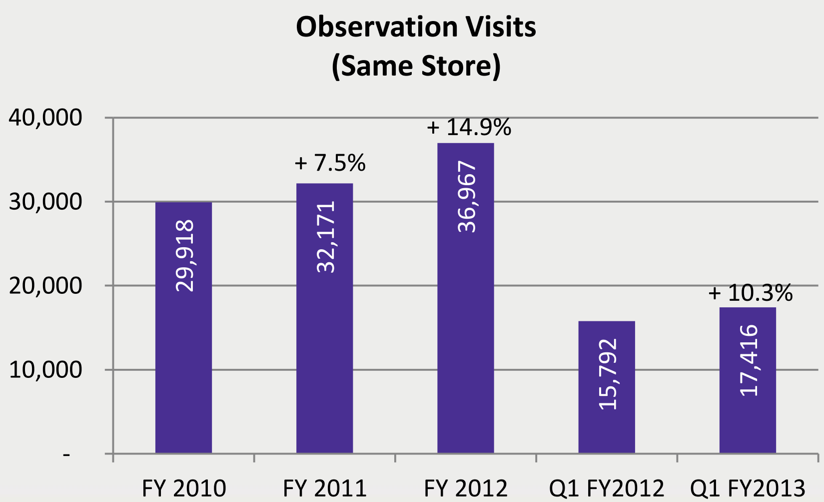
Drive Performance on Balanced Scorecard

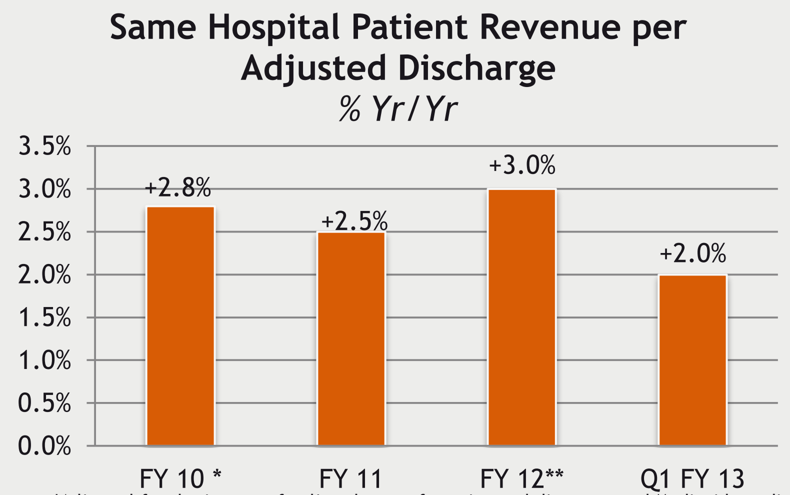
Historical Results

Continued Focus on Strategic In-Market Growth



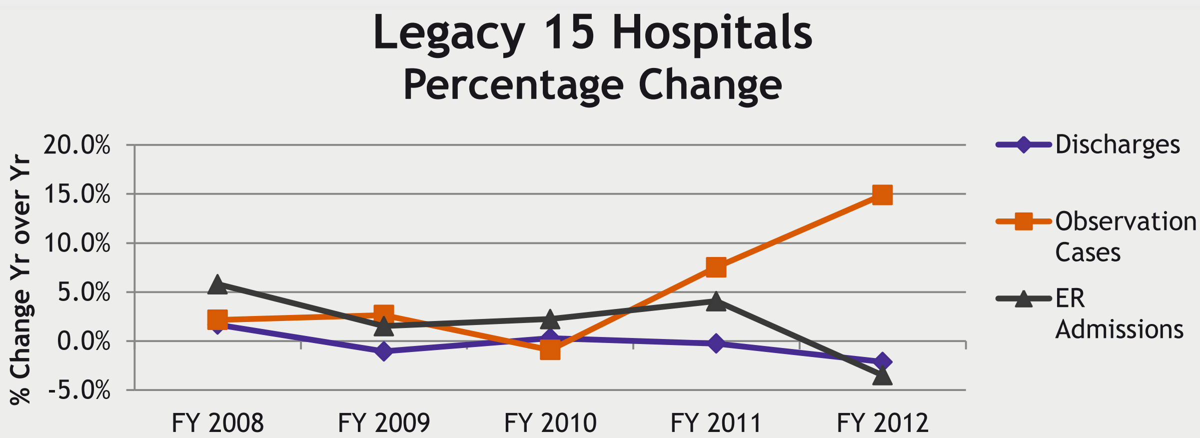


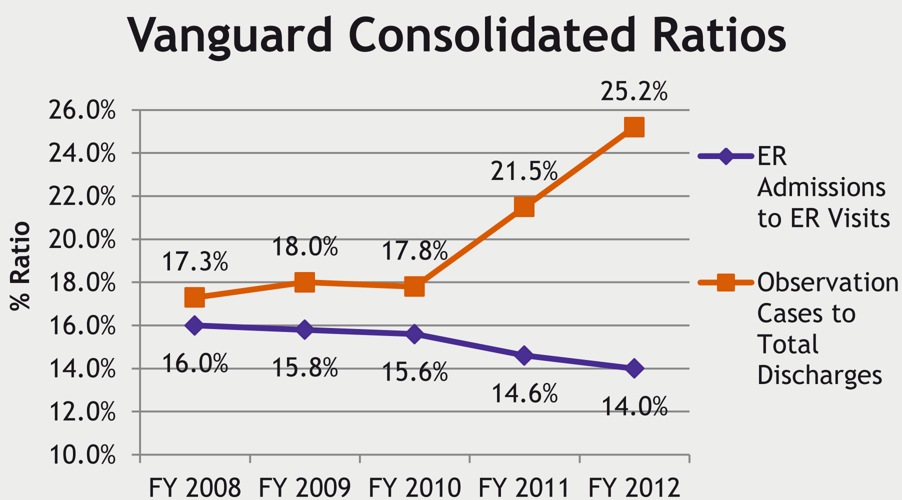


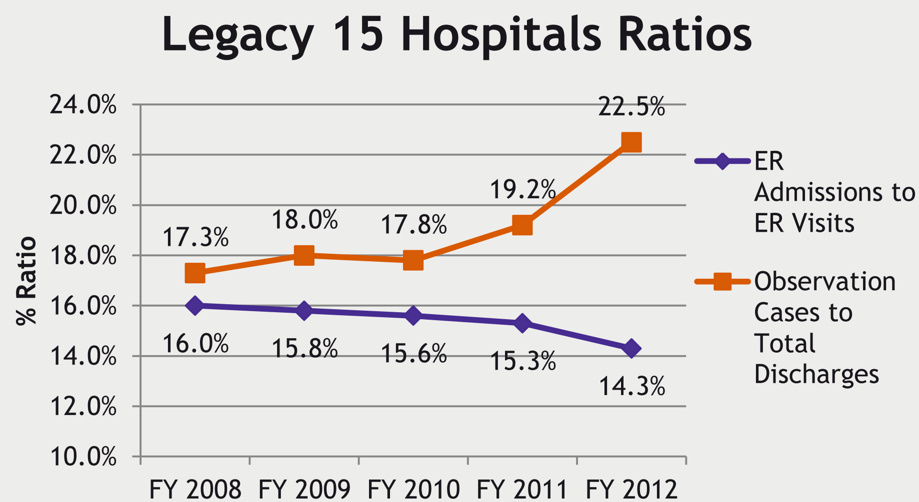


*Adjusted for the impact of policy changes for uninsured discounts and Medicaid pending.
**Excludes the impact of updates to Medicare reimbursement estimates for rural floor settlement and SSI factor.

Observation Case Trends







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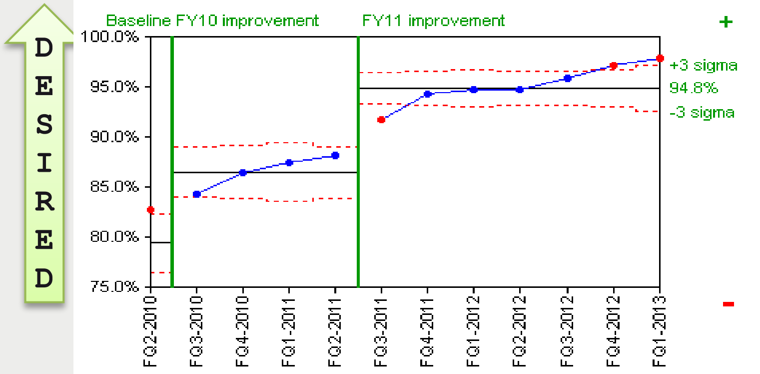
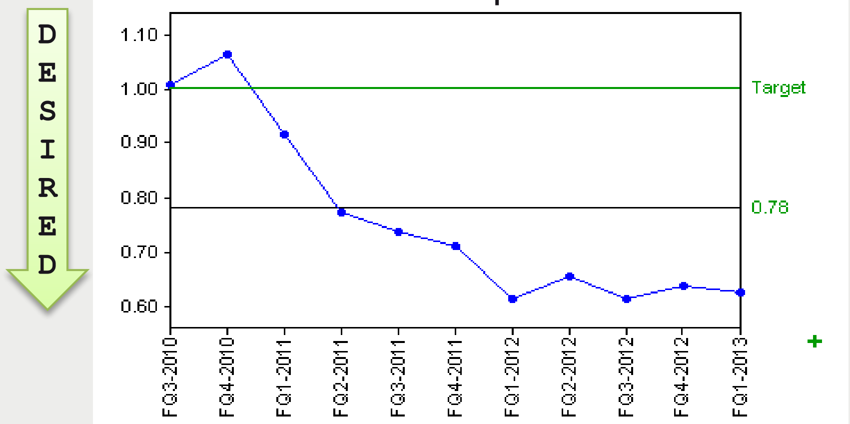
Quality Focused Leadership

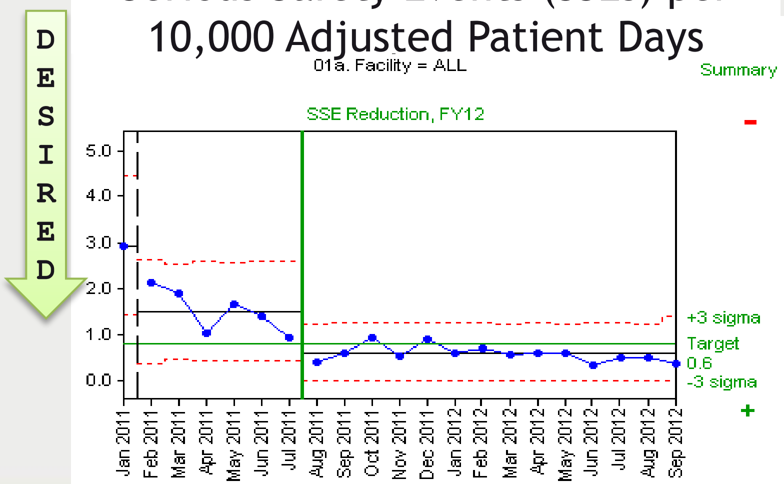
Core Measure All-or-None Bundle



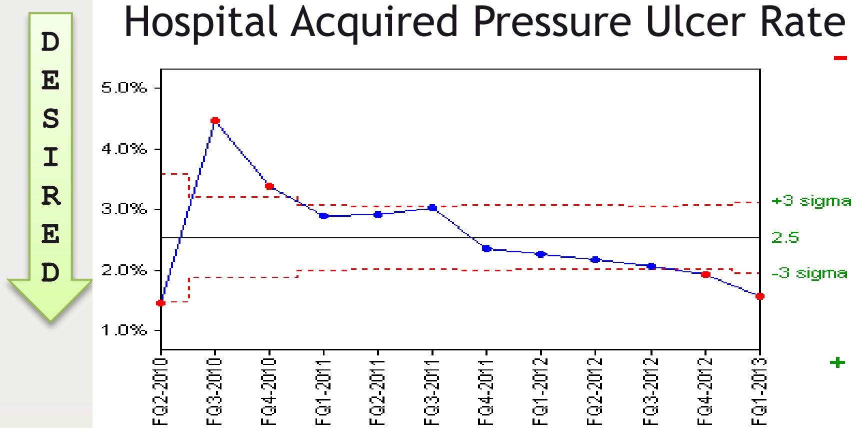
Severity Adjusted Hospital Mortality, Observed-to-Expected Ratio



Serious Safety Events (SSEs) per 10,000 Adjusted Patient Days



Hospital Acquired Pressure Ulcer Rate



Note: Valley Baptist not included in the above graphs.
DMC excluded from SSE graph because still in baseline period.

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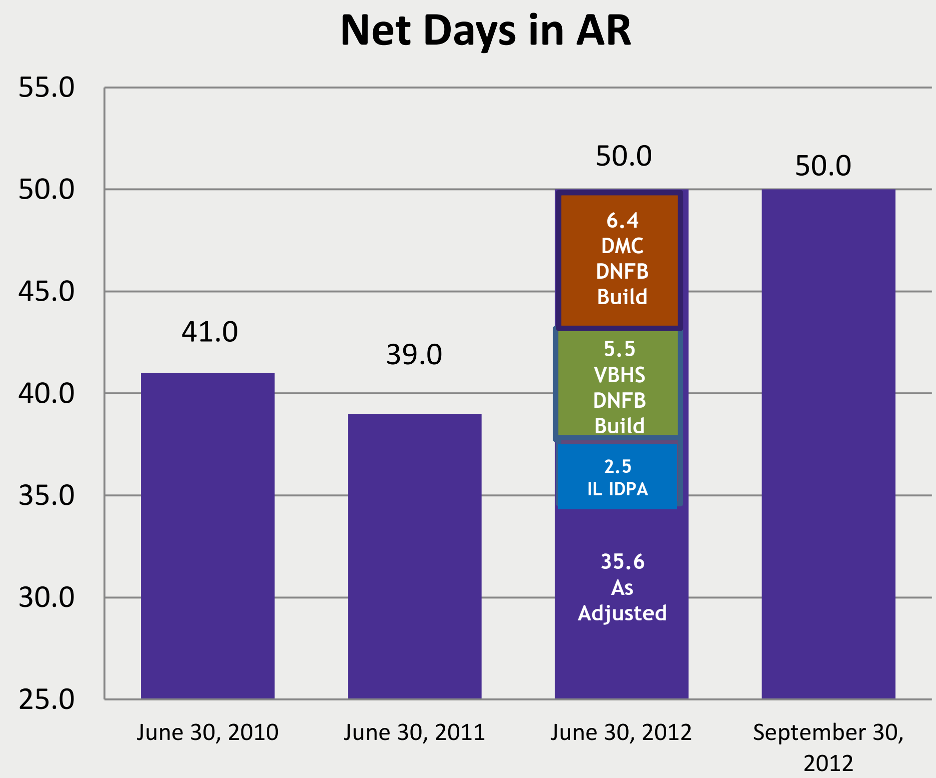
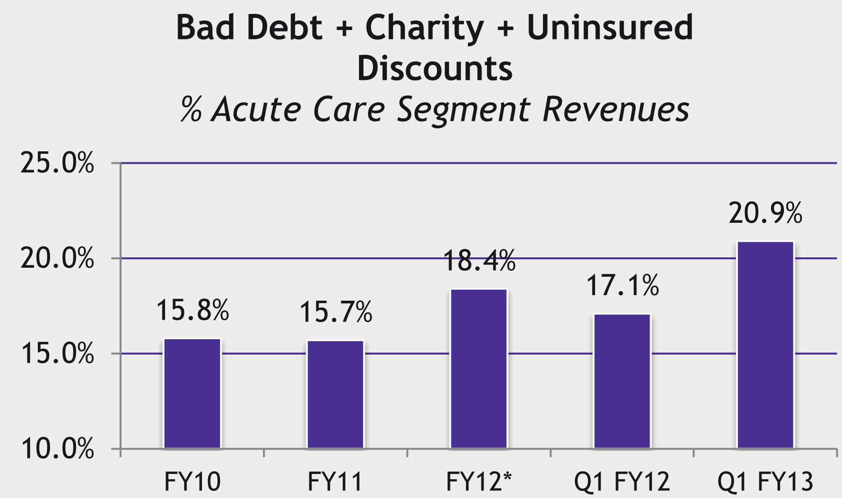
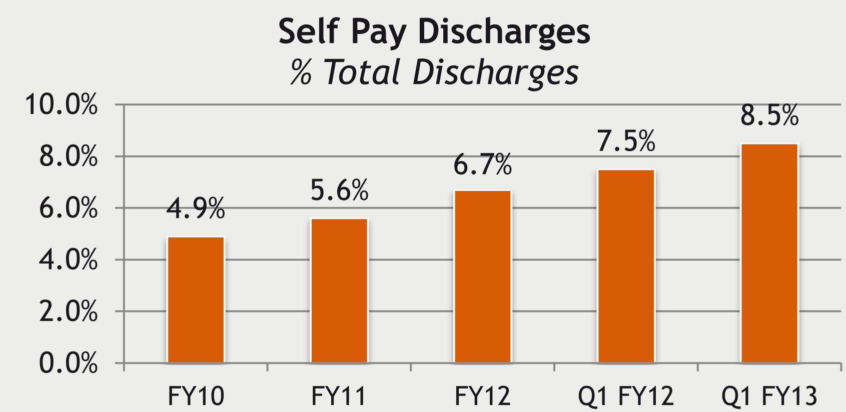
Bad Debt/Revenue Cycle



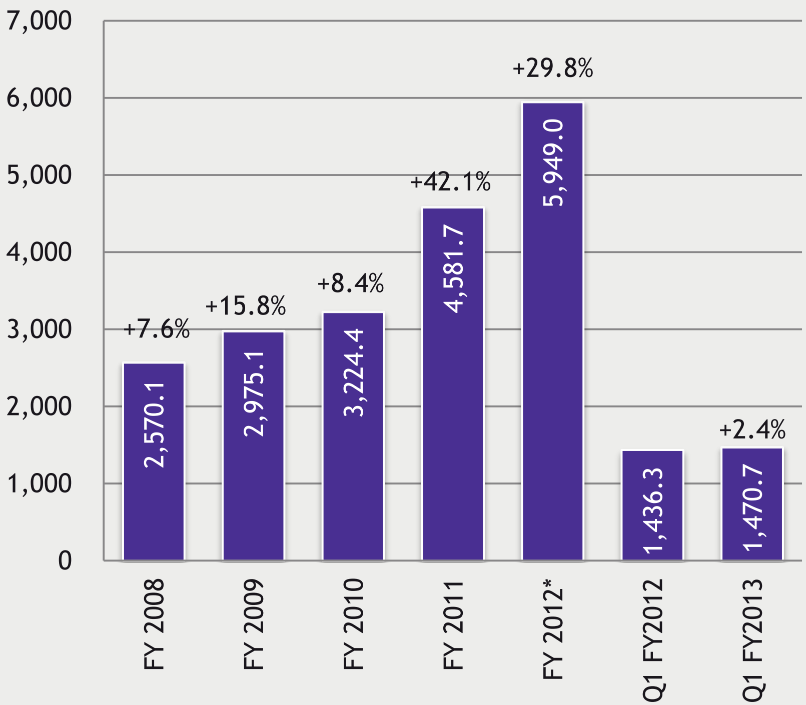




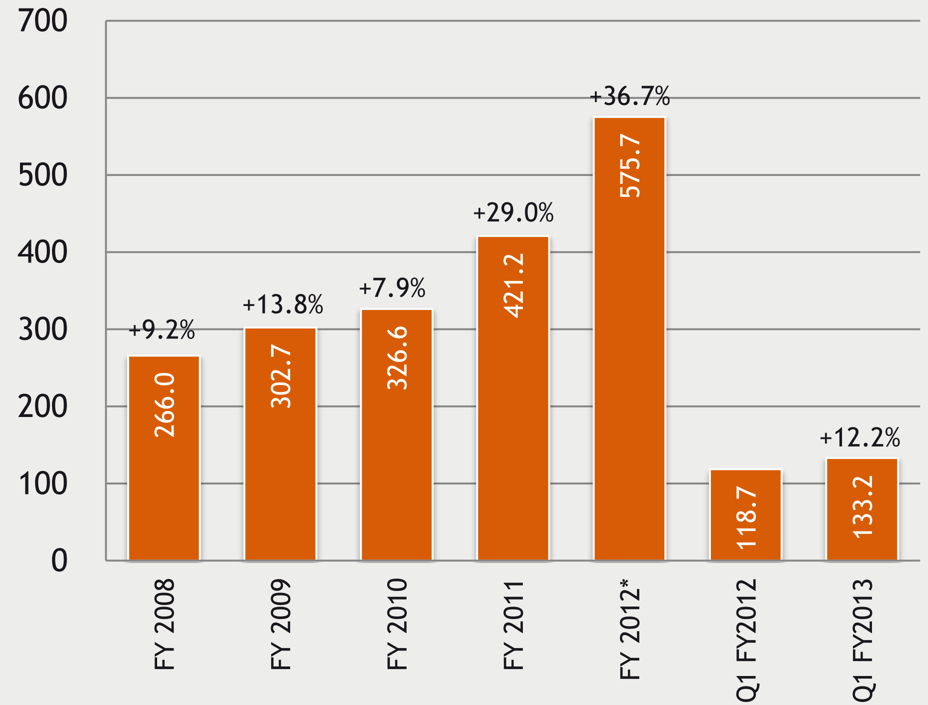
*Excludes the impact of updates to Medicare reimbursement estimates for rural floor settlement and SSI factor.

Revenues and Adjusted EBITDA

Total Revenues



Adjusted EBITDA



Adj. EBITDA Margin 10.3% 10.2% 10.1% 9.2% 9.7% 9.1% 8.3%

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

*Revenues and Adjusted EBITDA were positively impacted by $49.7 million and $34.6 million, respectively, related to the updates to reimbursement estimates for rural floor settlement and SSI factor.

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Capitalization

($MM)	Actual September 30,2012 Amount	%
Cash & Restricted Cash	**$ 334.1**	
Debt		
VHS HoldCo II Debt		
Revolving Sr. Credit Facility - $365mm	$0.0	0.0%
Term B Debt - Sr. Credit Facility	796.8	26.4%
Total Credit Facility Debt	796.8	26.4%
8.0% Senior Secured Notes	1,159.8	38.4%
7.75% Senior Notes	722.4	23.9%
10.375% Senior Discount Notes	10.1	0.3%
Other	15.5	0.5%
Total Debt	**2,704.6**	89.5%
Total Equity	**319.2**	10.5%
Total Book Capitalization	**$ 3,023.8**	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