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Putting
people first

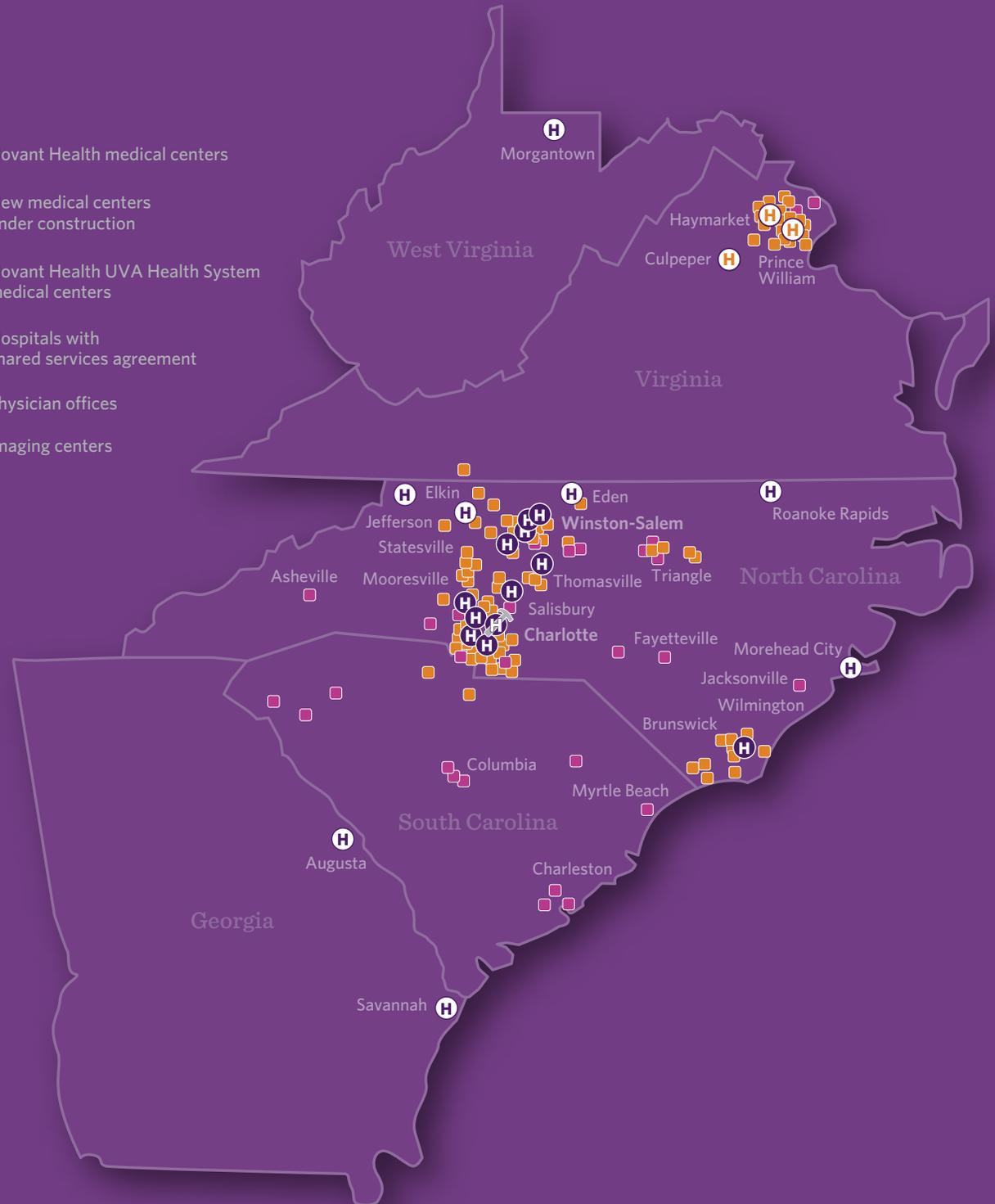
2016 annual report

N NOVANT[®]
HEALTH

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People are our business

At Novant Health, every encounter starts with people — our patients and our team members.

Our urgent care physician stitches up a 6-year-old's arm. Our nurse navigator calls a cancer patient to see how she feels after her treatment. Our pharmacist sits down with an 80-year-old to show him how to use his new asthma inhaler.

Behind each one of those episodes is a progressive health system evolving to meet the individual's growing needs. That's true for our patients as well as our team members.

An exciting development in 2016 was the debut of Novant Health Care Connections, a team of clinical and nonclinical professionals who work together to provide exceptional patient care. It is care coordination at its best. Our team members take calls 24/7, answer individual questions and provide after-hours support for our providers.

We also partnered with University of Virginia Health System to create Novant Health UVA Health System, which extended our services to Culpeper, Virginia.

Making its formal arrival in 2016 was our new clinical integration program. Novant Health partnered with independent physicians across North Carolina to launch the Novant Health Clinically Integrated Network. Collaboration among physicians, hospitals and payors improves patient satisfaction, while reducing the cost of healthcare. It is just one more way Novant Health is able to provide high-quality care to our communities.



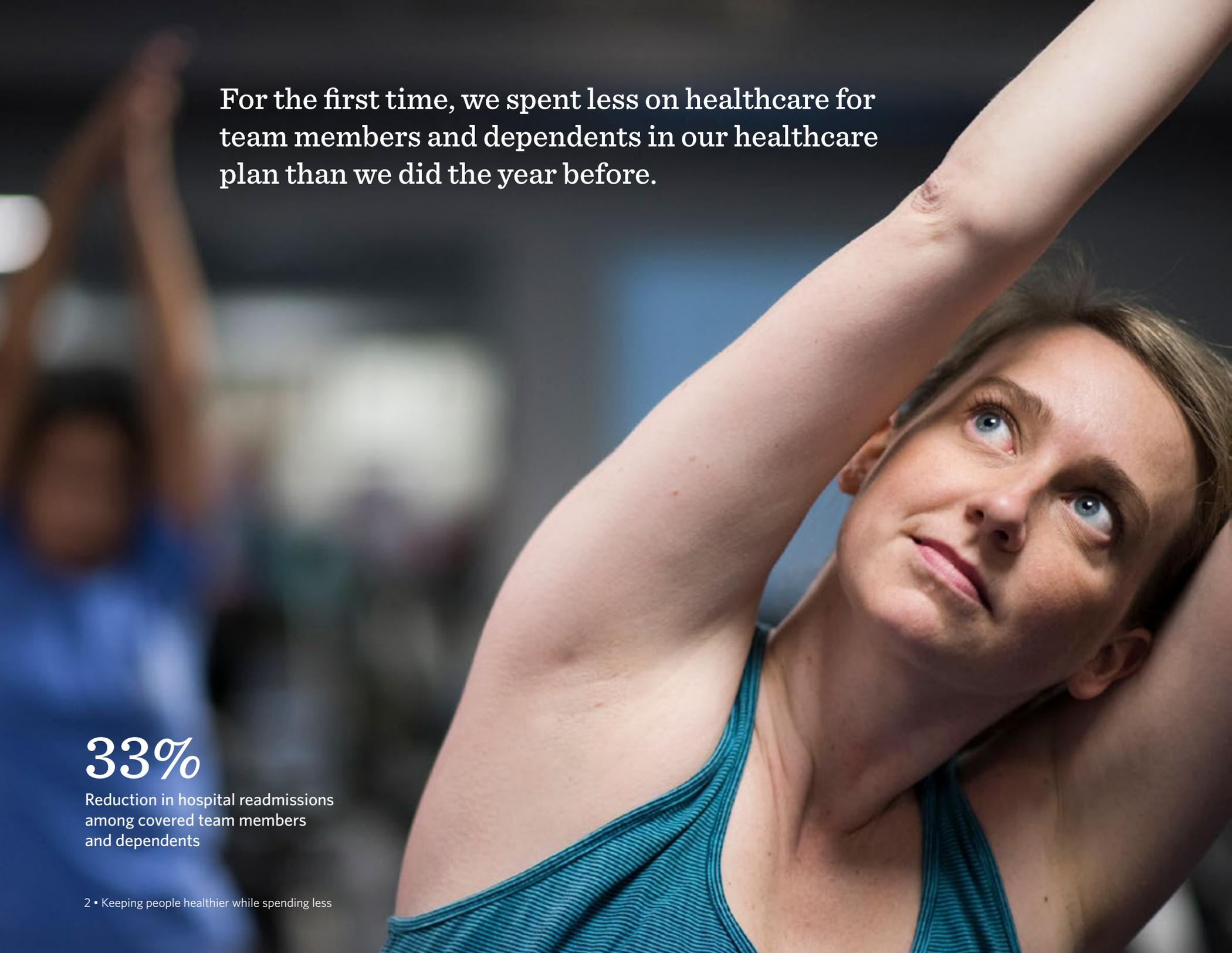
That care is provided by our diverse team. To ensure diversity and inclusion are fully embedded in how we do our work every day, Tanya Blackmon, our chief diversity and inclusion officer, spoke with nearly 700 team members over seven months. We continue to use the feedback from this listening tour to implement changes today.

We also cared for those in crisis. When Hurricane Matthew hit in October, several of our nurses and doctors staffed mobile emergency rooms in Kinston and Lumberton, North Carolina, where the storm caused devastating floods. Across our system, many team members also volunteered their time to assist communities affected by the storms.

And we closed out the year with a major announcement. In an unprecedented move, we partnered with Carolinas HealthCare System, our largest competitor, along with Bank of America, to form One Charlotte. This program will address racial inequities and healthcare disparities in underserved Charlotte neighborhoods. It's time for us to unite our resources and find a way to help our citizens who have the greatest need.

We're excited about our evolution in 2016. Putting people first is what we do at Novant Health. It's why we're here. — **Carl S. Armato, president and CEO**

| Putting people first is what we do at Novant Health. It's why we're here.



For the first time, we spent less on healthcare for team members and dependents in our healthcare plan than we did the year before.

33%

Reduction in hospital readmissions among covered team members and dependents

Keeping people healthier while spending less

For healthcare systems across the nation, it's a conundrum: How do you get people healthier and yet control healthcare spending? In 2016, Novant Health proved that those two things — improved health and lower costs — can go hand-in-hand.

For the first time, we spent less on healthcare for team members and dependents in our healthcare plan than we did the year before. That breakthrough means that our team members didn't see the level of premium increases typical of many organizations. And it means they benefited from a serious focus on disease prevention.

Many creative strategies led to this achievement. We heavily promoted the health benefits that come from having a primary care provider who can catch conditions early, and team members responded, with more of them establishing that important relationship.

A focus on prevention brought more people in to get screened for cancers, heart disease and diabetes. Offering healthier food in our cafeterias, holding wellness classes and providing education on choosing the right

venue of care helped our team members walk a healthier path.

After being released from the hospital, no one wants to suffer a health crisis and be readmitted. We used analytical tools to identify covered team members and dependents at the highest risk for hospital readmission. We then targeted our outreach and high-touch healthcare planning to those patients. The result: Emergency room visits fell, and the 30-day readmission rates dropped from 13.6 percent in January 2015 to 4.5 percent in December 2016.

In a bold investment, we began offering diabetes supplies at no charge to those covered in our plan. Providing lancets and test strips to people with diabetes means our plan incurs costs, but if more people are able to control their condition, they avoid expensive hospital stays for out-of-control diabetes. That saves money over time. But more important, it dramatically improves team members' well-being and quality of life.

And that, in the end, is our goal: people whose lives get better because they've been cared for well.



Specializing in the care our patients want

An elderly gentleman with Parkinson's disease can no longer read his book because of his hand tremors. A teenage girl with epilepsy needs surgery to help control her seizures.

In 2016, more patients than ever chose Novant Health for their care, reaching 4.4 million patient encounters.

More families have been turning to us for help with serious conditions of the brain and nervous system, so last year we responded with a dramatic systemwide expansion of our neurosciences program. Our neurologists and neurosurgeons — many who are board-certified and fellowship-trained — treat everything from movement tremors and strokes to migraines and brain tumors.

Another significant benefit is high-quality neurological care is now closer to home. "We are providing our patients with the most remarkable care anywhere in the country, in their local community," said Eric Eskioglu, MD, senior vice president for Novant Health and head of neurosciences.

Specialized care was also centrally located for women's health in one market. Novant Health believes women deserve special treatment and healthcare that's tailored to their needs. That's why we opened our new Women's Center at Novant Health Matthews Medical Center. Our expectant moms now have the ultimate family-focused experience in our spacious delivery and recovery suites.

But the center provides much more than maternity services. It is also the place where we coordinate healthcare and wellness programs for women, and offer expanded classes and support services. From a first-time mom to a fifth-time grandmother, our new center provides comprehensive care for women throughout their lifetime.

To better serve our communities, we combine the talent and expertise of our team with new capabilities across our system. This ultimately allows us to deliver a high-quality network of care in all the neighborhoods we serve. The needs of our patients evolve and so do we.



"We are providing our patients with the most remarkable care anywhere in the country, in their local community."

– Eric Eskioglu, MD, senior vice president for Novant Health and head of neurosciences



4.4M

Patient encounters

Participants say the program has given them **fresh passion** for the pursuit of healthcare.



Strengthening our teams with the right training

Our team is the foundation for everything we do. At Novant Health, we believe the care we give our patients is only as good as the care we give ourselves.

For our most experienced team members, burnout is often a reality. We are doing something about it with a resiliency program taught through our new leadership program. In 2016, nursing leaders enrolled in our Nurse Leadership Academy, which aims to renew their commitment and enable resiliency in the demanding healthcare climate.

“People who have completed the program said it has been life-changing — for their careers and personal lives,” said Tom Jenike, MD, our chief human experience officer.

This program is not about protocols, patient care or Novant Health’s priorities. It consists of a multiday wellness retreat, one-on-one coaching, a mentoring program and wellness seminars. Participants start with a self-evaluation — examining who they are and where they want to go with their lives.

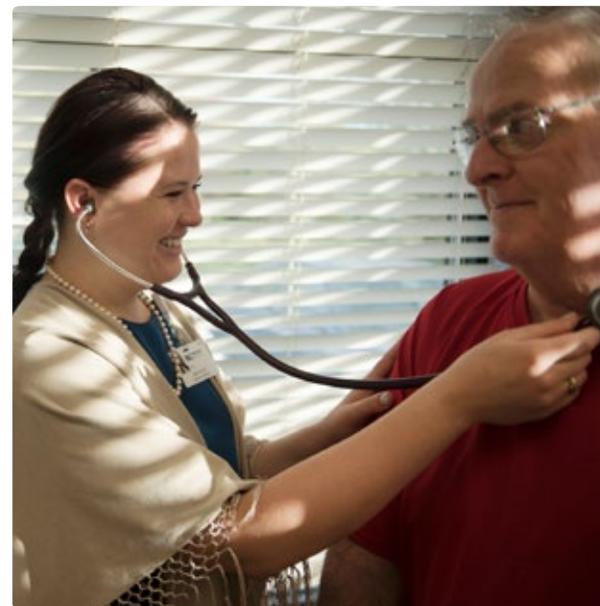
The idea: To be effective at work, they need to be happy with who they are and what they do.

Survey results show team members who participate in the program are happier in the personal lives and more productive in their professional lives. They are more engaged with patients and more aligned with our mission, vision and values.

So far, this program has been completed by more than 1,000 team members, including nurses, physicians and physician assistants. Participants say the program has given them fresh passion for the pursuit of healthcare.

While we are preparing our current team to thrive in today’s changing healthcare environment, we are also inspiring tomorrow’s residents to do the same. In 2016, we launched the Novant Health Family Medicine Residency Program focused on our patient-centered curriculum.

As a pioneer in population health, Novant Health decided this would become the training ground for our residents. This is truly an opportunity to see how the practice of family medicine is changing to meet the needs of the patient and the community.



Our residents are learning that coordinated care is the key to providing quality care and keeping costs contained.

Our team is our future. That’s why our commitment is to become world-class at taking care of our people, so they can become world-class at taking care of our patients.

“People who have completed the program said it has been life-changing — for their careers and personal lives.”

– Tom Jenike, MD, chief human experience officer

Bridging gaps in the community



When the Novant Health Community Care Cruiser parks at a Charlotte-area community center or house of worship, it's bringing more than immunizations for school children. It's bringing healthcare to underserved populations.

Novant Health team members deliver preventive care and vaccines to vulnerable children via the cruiser, making a lasting impact on those students — and the health of the community.

That focus on wellness continued in other ways throughout the Charlotte region. By partnering with Charlotte-Mecklenburg Schools, we delivered vital health assessments — now required by law for any student coming to the district from out of state — to children at high-poverty schools. Pediatric providers from Novant Health volunteered to provide the health checks to hundreds of children who otherwise risked being suspended from school for noncompliance.

“We know that early intervention is key to preventing chronic disease in children,

and that some families lack access to healthcare. That's why I'm proud of the volunteering spirit of our pediatric providers, who serve children and families in this way,” said William Hammill, MD, Novant Health pediatric physician service line leader.

Throughout the greater Charlotte market, our team members gave of their time and talent to meet a host of needs. That giving took many forms, from sorting donations at a local food bank to providing school supplies for low-income children with sickle cell disease. Novant Health Matthews Medical Center helped host a day of medical screenings and flu shots for homeless veterans. Novant Health pediatric providers joined Reach Out and Read, an early childhood literacy program that puts books into the hands of young children during each well visit. Our mobile mammography coach visited women where they work and live to screen them for breast cancer.

These and many other efforts shared one goal: to reduce disparities and bring care and compassion to those who need it most.

For many women who live in the Triad area of North Carolina, the moment was literally lifesaving.

When they arrived at churches, recreation centers, businesses and other spots across the region, some of the women found out for the first time that they were at risk for a heart attack. Novant Health team members, in partnership with the American Heart Association, measured cholesterol, blood glucose, blood pressure and other readings, in some cases delivering crucial alerts to women who may not have known they were in danger.

“Considering 80 percent of cardiac events can be prevented, these screenings in some cases saved lives by giving women the early warning about preventable cardiac disease,” said Chere Gregory, senior vice president of women’s services at Novant Health.

The screenings — which reached more than 4,000 women in the Triad area — were just one of the ways that Novant Health invested in the well-being of the greater Winston-Salem community. We stepped outside clinics and hospitals to meet residents wherever they were, focused on getting ahead of preventable disease and managing chronic conditions.

For our youngest community members, we partnered with the Duke Endowment and the Kate B. Reynolds Charitable Trust to provide free in-home nurse visits for mothers and newborns in Forsyth County through a program called Forsyth Connects. The program links families in need to community resources, improving the health and well-being of babies and their families.

We also reached out to children in the Thomasville area to help them live successfully with asthma. When you’re a child with asthma, the struggle to breathe often means you miss school days or have to forgo experiences your friends get to enjoy.

That’s why we hosted Young Lungs Without Limits, a free summer camp program sponsored by Novant Health Foundation Thomasville Medical Center. Children with asthma were able to enjoy a traditional camp experience — canoeing, fishing, hiking — while accompanied by trained respiratory therapists.

Our care extended to older students as well. Our team members in Rowan County felt a growing concern about college students in their area, among whom obesity in particular is a problem.

We’re working with students at Salisbury’s Livingstone College to break the cycle of poor health.

Clinicians from Novant Health Rowan Medical Center checked students’ blood sugar, cholesterol and body mass index, plus the students were connected to college wellness coaches.

“This partnership embodies the vision of Novant Health where we are committed to creating healthy communities, one person at a time, or in this instance — one student at a time,” said Dari Caldwell, Rowan Medical Health Center president.



Bringing healthcare 
to the heart of the community

Responding to crisis with compassion



The weather outside Novant Health Brunswick Medical Center was wild that October weekend, but inside the hospital, the mood was calm, focused and ready for action.

Hurricane Matthew was bearing down on the North Carolina coast. As they arrived for work on Friday, team members like Desiree Dunston, director of professional and support services and the administrator on call that weekend, soon discovered they wouldn't be returning home for a couple of days. That's because the hospital made the decision to call for a lockdown, a rare event in

which all team members would remain at the hospital for the weekend. Team members responded with poise and professionalism, ready to help neighbors in need.

"The team really pulled together," Desiree said. And not only did team members put others ahead of themselves that weekend, but when the hurricane claimed lives in other communities, Brunswick-area team members reached out to hard-hit towns, giving money, food and supplies.

Throughout the Eastern market last year, Novant Health team members responded to crisis with creativity and compassion. Our team members screened coastal residents for high blood pressure and diabetes at the Brunswick Beacon Health Expo. For some who attended, it was a lifesaving gift — helping them avert a health crisis.

A crisis of another sort looms for many women in Brunswick County — the crisis of poverty during pregnancy. Novant Health clinic and hospital team members created the Brunswick Community Baby Shower to help pregnant women and new mothers who face parenthood with bare pantries and empty closets. Nearly 200 people turned out for the baby shower in 2016, and, thanks to Novant Health team members, went home with packages of diapers, stacks of toiletry items, jars of baby food, and much-needed clothing for their newborns.

"Our team members recognize the needs of our community reach far beyond healthcare," said Shelbourn Stevens, Brunswick Medical Center president. "They take our mission to care for people outside the walls of our hospital and into our community."



Prince William Times

The patient stopped breathing and had no pulse. The medical team called a Code Blue, and a group of middle schoolers performed emergency resuscitation, saving the “patient.”

The mock code with a mannequin was one of the highlights for students in Northern Virginia who participated in our youth summer medical camp last year at Novant Health UVA Health System Prince William Medical Center. The students, who wore scrubs and stethoscopes, learned a host of skills — from checking vital signs and treating injuries, to caring for newborns and performing CPR.

“The students got ‘backdoor’ tours in the hospital and lots of hands-on activity,” said Shelby Forgacs, RN, community wellness partner. “We had thoughtful discussions on ethics and behavioral health with specifics related to their age group and concerns, and talks about health, wellness and disease prevention.”

More than 500 residents of the Culpeper, Virginia, area learned about breast cancer prevention, detection and treatment.

Our medical camp was just one of the ways we sought to reach and teach — making sure our system’s health expertise enriches the communities we serve.

More than 500 residents of the Culpeper, Virginia, area learned about breast cancer prevention, detection and treatment at the “Pamper Me Pink” event held at Novant Health UVA Health System Culpeper Medical Center. A raffle raised money that will help pay for mammograms for those who can’t afford them, bringing the value of early cancer detection to more people.

We worked to keep prescription medication where it belongs — only in the hands of someone to whom it is prescribed — by participating in a prescription drug take-back days at both Novant Health UVA Health System Prince William Medical Center and Novant Health UVA Health System Haymarket Medical Center. More than 2,000 pounds of prescription drugs were collected for proper disposal, helping make our communities safer.

From prescriptions to produce: In an effort to connect residents with food that’s fresh, healthy and local, we welcomed the Exit 40 Farmers Market to the campus of Haymarket Medical Center. “Our partnership with the farmers market will allow us to share our expertise in wellness, so that customers will go home with more than a bag of produce — they’ll leave with tools and resources for achieving the healthy life they want,” said Don Sedgley, president of Haymarket Medical Center.

Everywhere a classroom:

Extending education in Virginia

Strong financials ensure healthy reinvestment in our communities

For 2016, Novant Health reported a net income of \$412.8 million on operating revenue of \$4.34 billion. The not-for-profit health system also reported a community benefit of \$725.5 million, including \$122 million in financial assistance to the uninsured and those members of our communities who have the greatest needs.

Novant Health's community benefit includes hundreds of programs, such as unreimbursed health services to individuals with Medicaid and Medicare coverage; community health education; support groups; partnerships with other organizations to provide outreach services; community events and screenings; and participation in medical research and academic health programs.

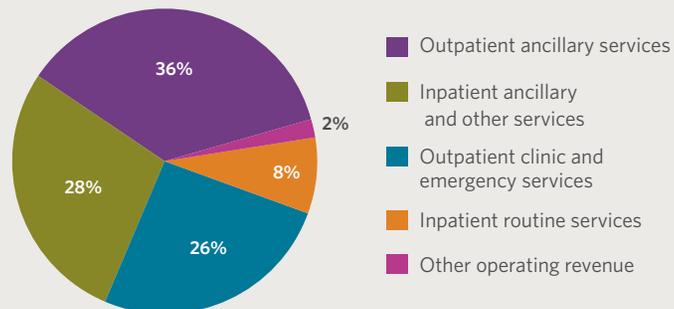
Novant Health completed the multiyear, \$600 million project to convert the health system to electronic health records (EHR). The fifth and final go-live was completed in summer 2016 at our medical centers in Virginia, converting Novant Health UVA Health System Haymarket Medical Center and Novant Health UVA Health System Prince William Medical Center from paper-based records to EHRs.

In 2016, Novant Health also achieved a "world's first" milestone when we became the first health system in the world to be revalidated for the Health Information and Management Systems Society (HIMSS) Analytics Stage 7 Ambulatory Award for our use of an EHR.

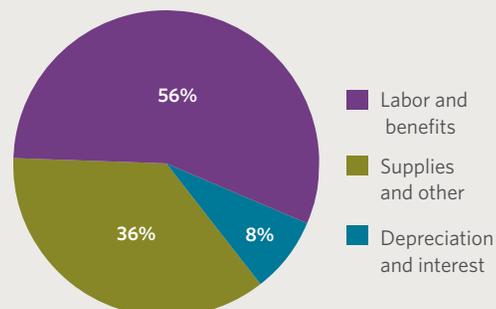
Access to convenient healthcare options for patients continued to expand, as new urgent and express care clinics were opened in every market. And in North Carolina, we broke ground for a new medical center in Mint Hill and started expanding services in Clemmons. We also added more providers to the Novant Health Medical Group and opened more offices to deliver more comprehensive care to the communities Novant Health serves.

With a strong focus on expanding access to care, Novant Health saw significant increases in physician office visits for preventive care.

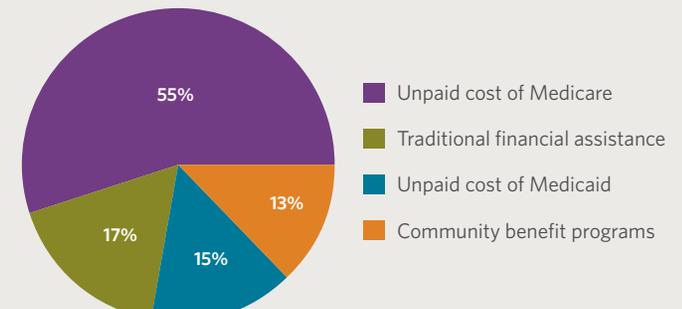
Sources of revenue



Distribution of expenses



Community benefits



Summary balance sheet

(in 000s) as of Dec. 31, 2016

| | |
|---|--------------------|
| Cash and investments | \$2,535,995 |
| Other current assets | 740,055 |
| Property, plant and equipment, net | 1,940,642 |
| Other assets | 630,840 |
| Total assets | \$5,847,532 |
| Current liabilities | \$715,922 |
| Long-term debt | 1,325,810 |
| Other liabilities | 357,463 |
| Total liabilities | \$2,399,195 |
| Net assets | |
| Unrestricted | \$3,388,289 |
| Restricted | 60,048 |
| Total net assets | \$3,448,337 |
| Total liabilities and net assets | \$5,847,532 |

Service volume growth

| | 2016 | 2015 | 2014 |
|-------------------------|-----------|-----------|-----------|
| Licensed beds | 2,697 | 2,627 | 2,710 |
| Maintained beds | 1,890 | 1,784 | 1,769 |
| Inpatient discharges | 122,662 | 119,512 | 123,770 |
| Adjusted patient days | 1,213,052 | 1,172,363 | 1,147,156 |
| ER visits | 539,085 | 515,659 | 536,046 |
| Surgeries | 132,611 | 123,103 | 121,190 |
| Physician office visits | 4,425,334 | 4,144,859 | 3,853,472 |
| Newborn deliveries | 19,685 | 18,644 | 18,755 |
| Employees | 26,532 | 24,376 | 25,684 |

Summary statement of revenue and expenses

(in 000s) as of Dec. 31, 2016

| | |
|---|--------------------|
| Operating revenue | \$4,340,123 |
| Operating expenses | |
| Labor and benefits | \$2,290,877 |
| Supplies and other expenses | 1,456,401 |
| Depreciation and interest | 322,220 |
| Loss on impairment | 11,850 |
| Total operating expenses | \$4,081,348 |
| Operating income | \$258,775 |
| Nonoperating income (expense) | 154,030 |
| Excess of revenues over expenses | \$412,805 |

Our leadership

Novant Health executive team

Carl S. Armato
President and chief executive officer

Tanya S. Blackmon
Executive vice president and chief diversity and inclusion officer

Peter S. Brunstetter
Executive vice president and chief legal officer

Jesse J. Cureton
Executive vice president and chief consumer officer

Fred M. Hargett
Executive vice president and chief financial officer

Jeffery T. Lindsay
Executive vice president and chief operating officer

Denise B. Mihal
Executive vice president and chief of nursing and clinical operations officer

John D. Phipps, MD
Executive vice president and president, medical group

Janet M. Smith-Hill
Executive vice president and chief human resources officer

Thomas N. Zweng, MD
Executive vice president and chief medical officer

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Vice chairman
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Secretary treasurer
Laura A. Schulte
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President
Carl S. Armato
Novant Health

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Mecklenburg Radiology Associates

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Universal Service Administrative Company (retired)

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Aon Hewitt (retired)
(Ex-officio, nonvoting member)

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Vi Lyles Consulting

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Piedmont Gastroenterology Specialists

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Bob Neill Inc.

David R. Plyler
Forsyth County Board of Commissioners

Larry D. Stone
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P. Anthony Zeiss, EdD
Museum of the Bible
(Ex-officio, nonvoting member)

Nondiscrimination and access to healthcare: Novant Health does not discriminate against any person on the basis of race, color, national origin, religion, disability, sex, veteran status, sexual orientation, gender identity or age with regard to admission, treatment or participation in its programs, services and activities, or in employment. Free foreign language interpreters are available for individuals with limited English proficiency. Free sign language and oral interpreters, TTYs and other services are available to deaf and hard-of-hearing persons. For further information about this policy, contact: Novant Health director of internal audit and compliance, 704-384-7638 or TDD 1-800-735-8262.

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NovantHealth.org    

Making healthcare remarkable