

Perspectiva Financiera para Modelos de Salud

Welcome Message



**“Transformations are Marathons,
Not 100 meter races”**

Francisco Rodríguez-Castro
President & CEO

Birling Capital Overview

Birling Capital Overview

Birling Capital is a leading corporate advisory & consulting firm that offers broad corporate finance & advisory services to institutional, government, corporate, middle-market companies, family corporations and their owners, in identifying and resolving organizational finance-related issues. We use a holistic approach both assets and liabilities sides with integrated business, personal, family needs and objectives.

Over the past two decades, our firm's principals have advised on more than \$10 Billion in transactions in the corporate, healthcare, retail, education, insurance, banking and government markets.

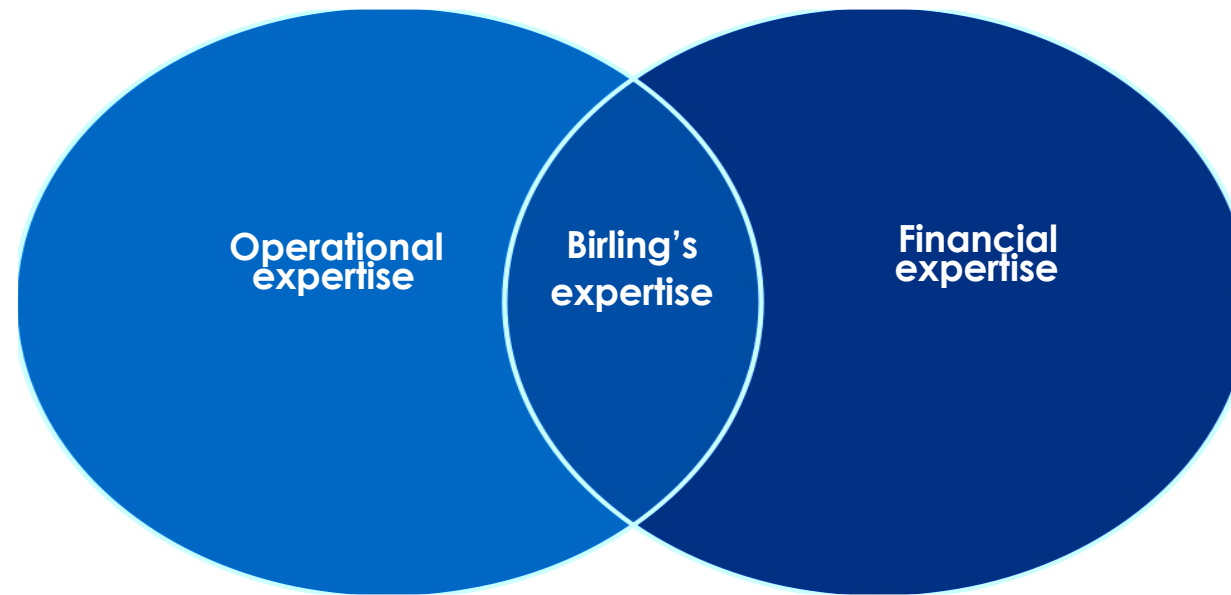
Our value proposition has been implemented with three critical ingredients for success:

- Unwavering Commitment to Client Service
- Unparalleled Degree of Professionalism and Senior-Level Attention
- Extraordinary Level of Industry Expertise



Birling Capital's Integrated Approach

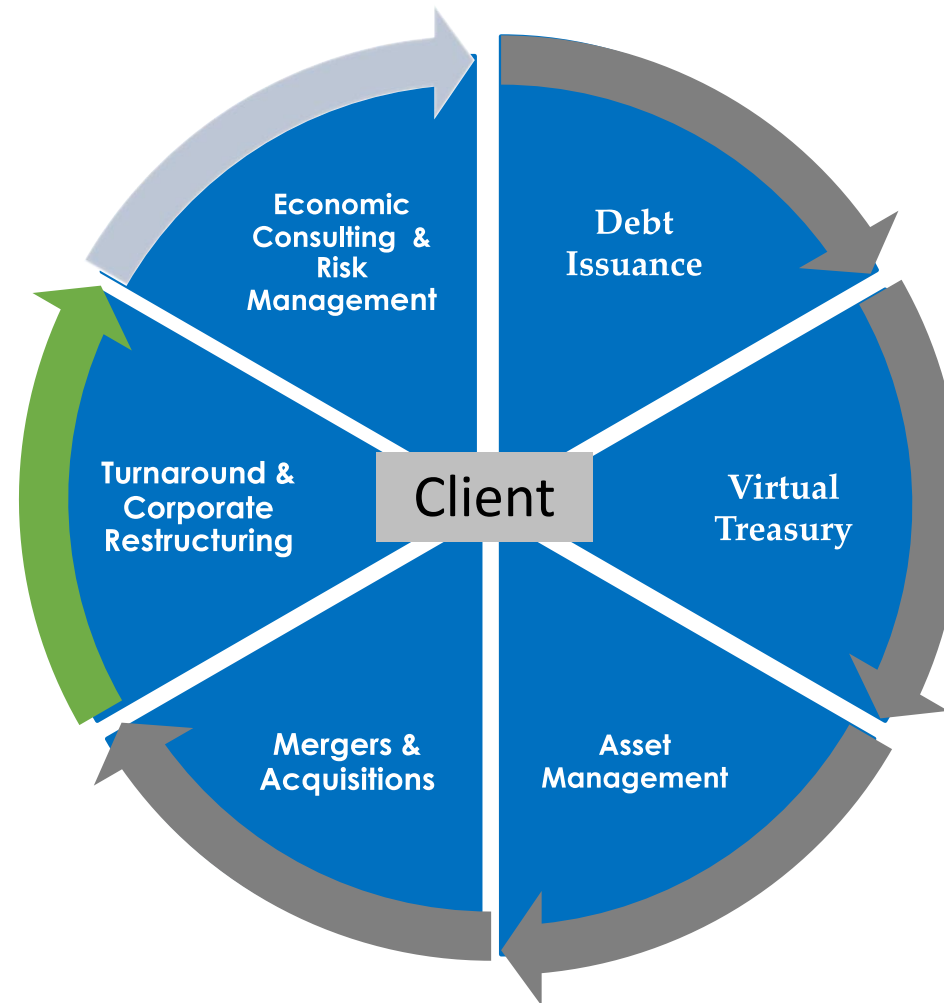
- Revenue and profit improvement
- SG&A and cost reduction strategies
- Asset base analysis and optimization
- Corporate simplification
- Finance function transformation
- Interim management including CEO, CFO and COO



- Crisis management stabilization
- Working capital improvement
- Chief Restructuring Officer (CRO)
- Project management and delivery
- Lead advisor to creditor groups, management teams and other stakeholders

- Business review and business planning
- Cashflow management, liquidity review, stabilization and optimization
- Stakeholder negotiation involving covenant resets, refinancing and debt restructuring

Birling Capital's Corporate Financial Planning (CFP)



Birling Capital's holistic service approach

US Economic Highlights

The Federal Reserve Bank of Atlanta

GDPNow Forecast for the Third Quarter 2023

Date	GDPNow 3Q23	Change
7/28/2023	3.50%	Initial Forecast
8/31/2023	5.60%	37.50%
9/29/2023	4.90%	-14.29%
10/2/2023	4.90%	0.00%
10/5/2023	4.90%	0.00%
10/10/2023	5.10%	3.92%
10/17/2023	5.40%	5.56%

The GDPNow for the third quarter was updated
on 10/17 to 5.40% GDP.

The Federal Reserve Bank of Cleveland

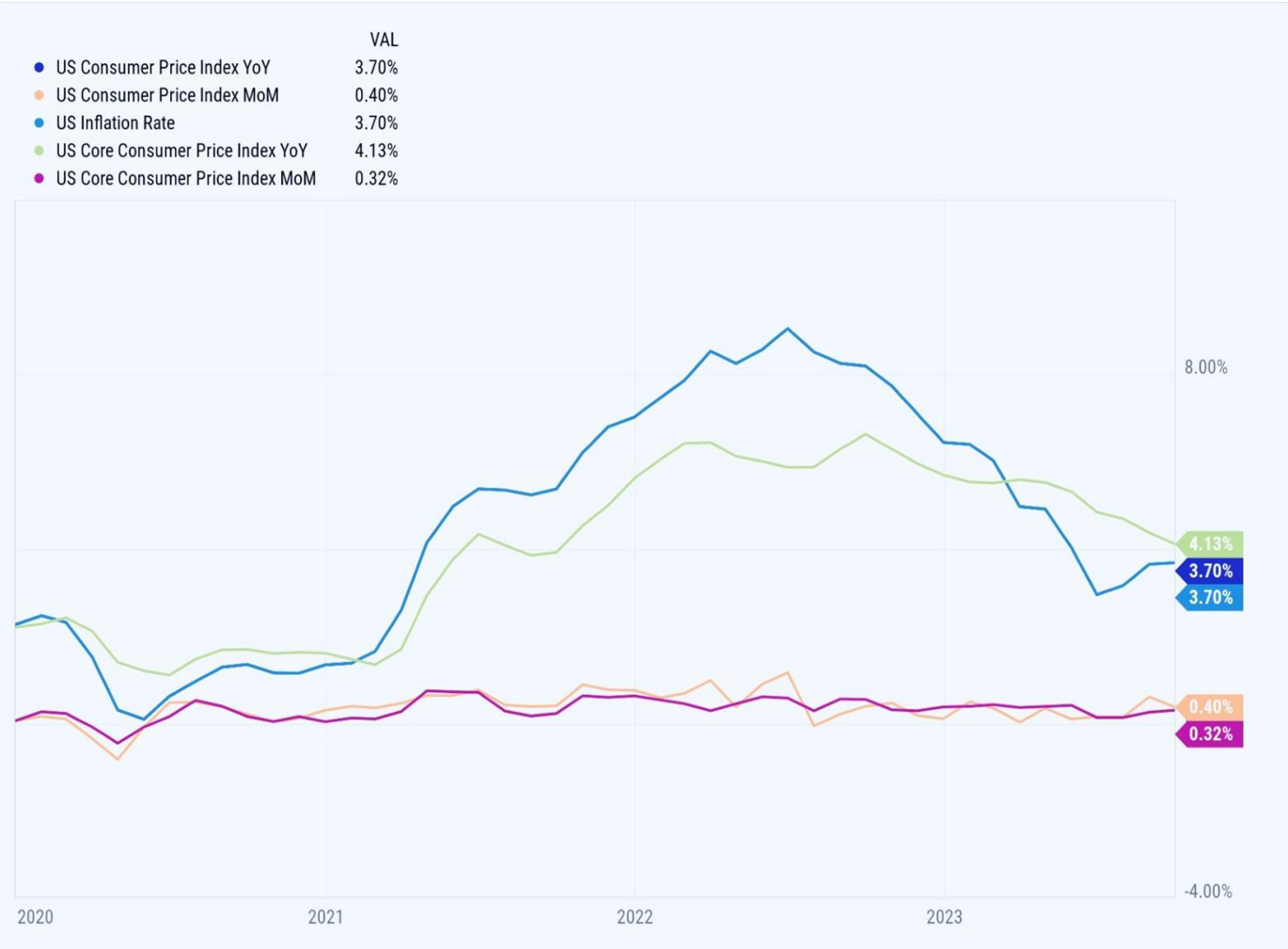
Inflation Nowcast

Inflation Nowcast	CPI	Actual CPI	Change	Core CPI	Actual Core CPI	Change
September	3.69%	3.70%	0.27%	4.17%	4.13%	-0.97%

US Consumer Price Index YoY is at 3.70%, compared to 3.67% last month, and has decreased 59.16% since its high in June 2022.

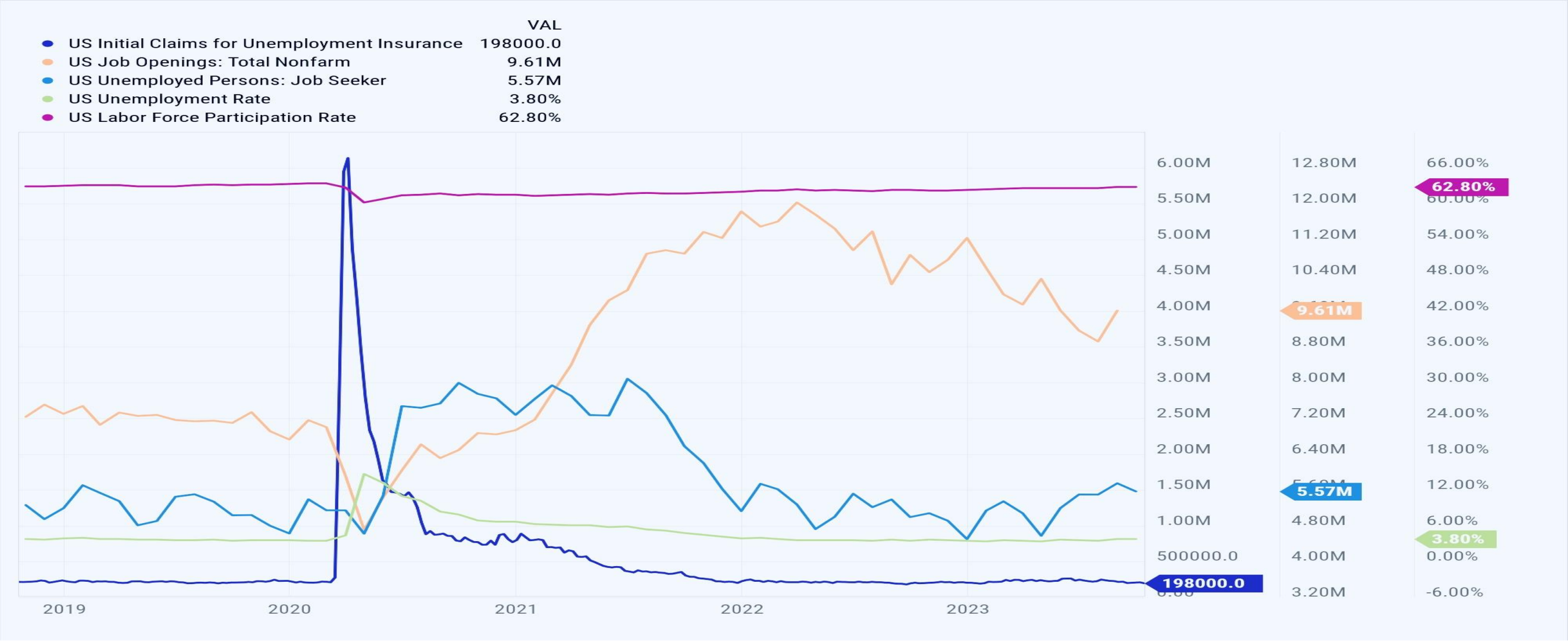
Inflation Becomes the Central Banks focus

CPI, Core CPI, PCE, Core PCE vs Interest Rates



US Jobs Market Shows Resiliency

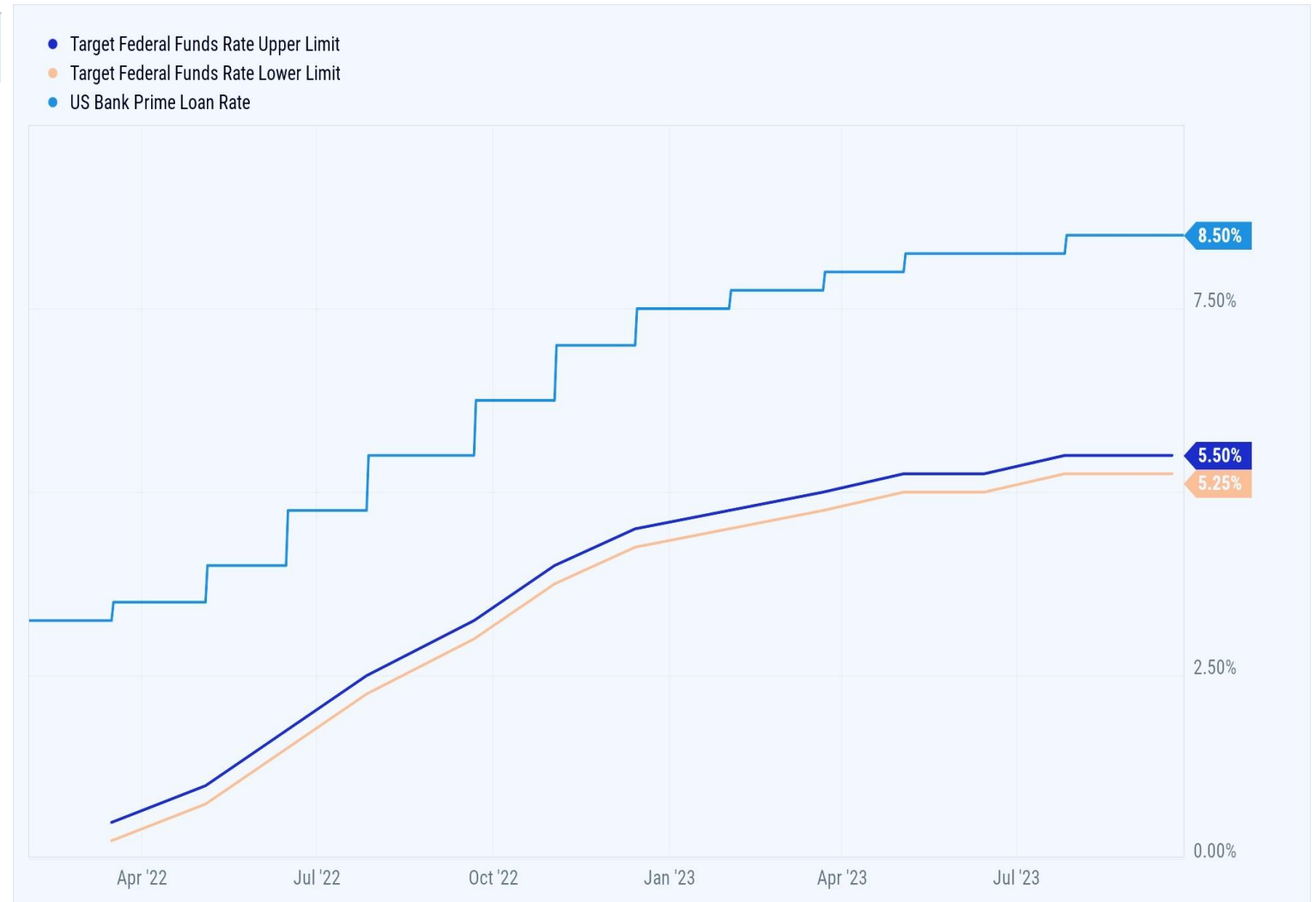
Unemployment at 3.80%, 9.61 million Open Jobs, and 5.57 million job seekers.



Inflation Becomes the Central Banks focus

Interest Rates to 22-year highs

FOMC Meeting	Rate Change	Fed Funds Rate	Prime Rate
9/20/2023	Unchanged	5.25%-5.50%	8.50%
7/26/2023	0.25%	5.25%-5.50%	8.50%
5/3/2023	0.25%	5.00%-5.25%	8.25%
3/22/2023	0.25%	4.75%-5.00%	8.00%
2/1/2023	0.25%	4.50%-4.75%	7.75%
12/14/2022	0.50%	4.25%-4.50%	7.50%
11/2/2022	0.75%	3.75%-4.00%	7.00%
9/21/2022	0.75%	3.00%-3.25%	6.25%
7/27/2022	0.75%	2.25%-2.50%	5.50%
6/16/2022	0.75%	1.50%-1.75%	4.75%
5/5/2022	0.50%	0.75%-1.00%	4.00%
3/17/2022	0.25%	0.25%-0.50%	3.50%



Market Overview

Key Stock Market Index Performance

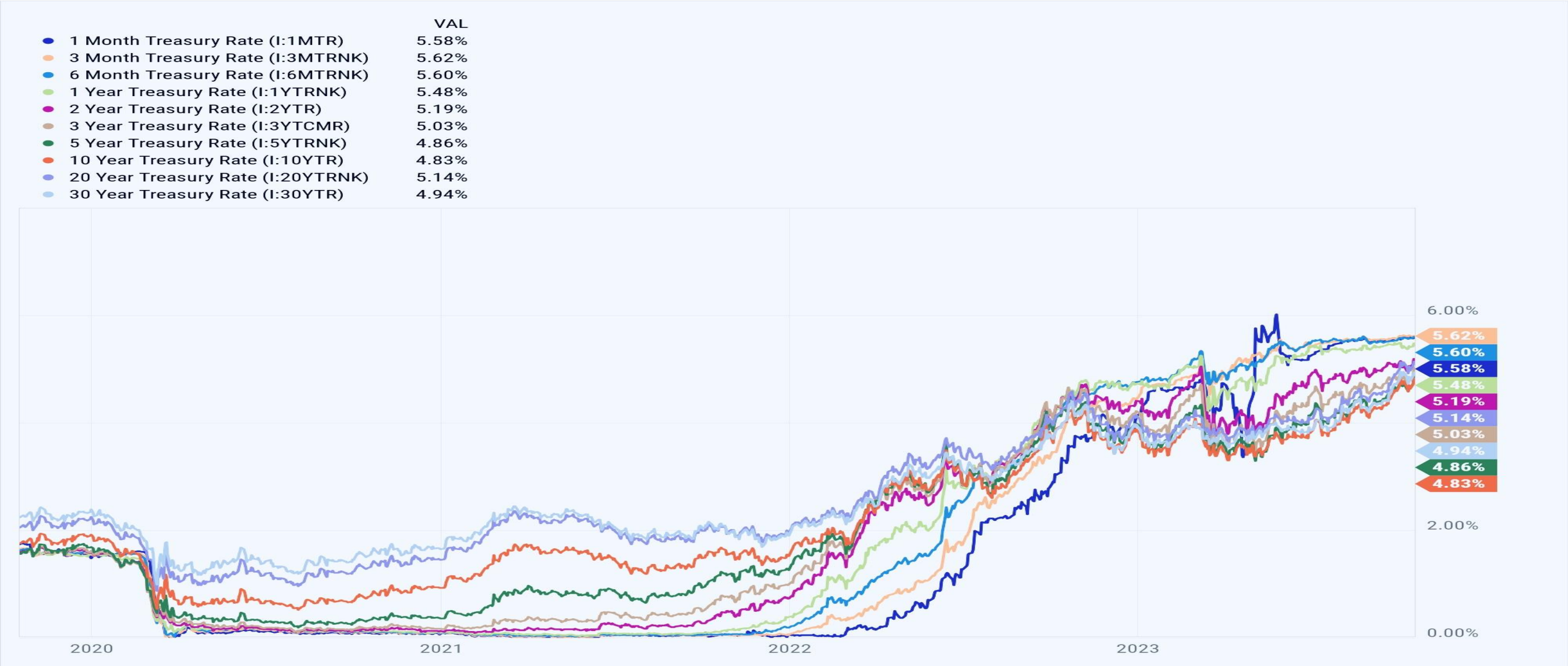
Dow Jones, S&P 500, Nasdaq Composite, Birling Capital Puerto Rico Stock Index & Birling Capital US Bank Index



P.R. Public Companies Performance for 9/30 and YTD 23

Ticker	Name	Sep. Price Returns	YTD Price Returns	Industry	Sector
EVTC	Evertec, Inc.	▼ -6.09%	▲ 11.09%	Software-Infrastructure	Technology
OFG	OFG Bancorp.	▼ -0.99%	▲ 9.07%	Banks Regional	Financial Services
FBP	First Bancorp.	▼ -2.89%	▲ 8.73%	Banks Regional	Financial Services
BPOP	Popular, Inc.	▼ -7.72%	▼ -3.85%	Banks Regional	Financial Services
P:296524	Birling PR Stock Index	▼ -4.04%	▲ 8.64%	Index Regional	Puerto Rico Stocks

US Treasury Yield Curve



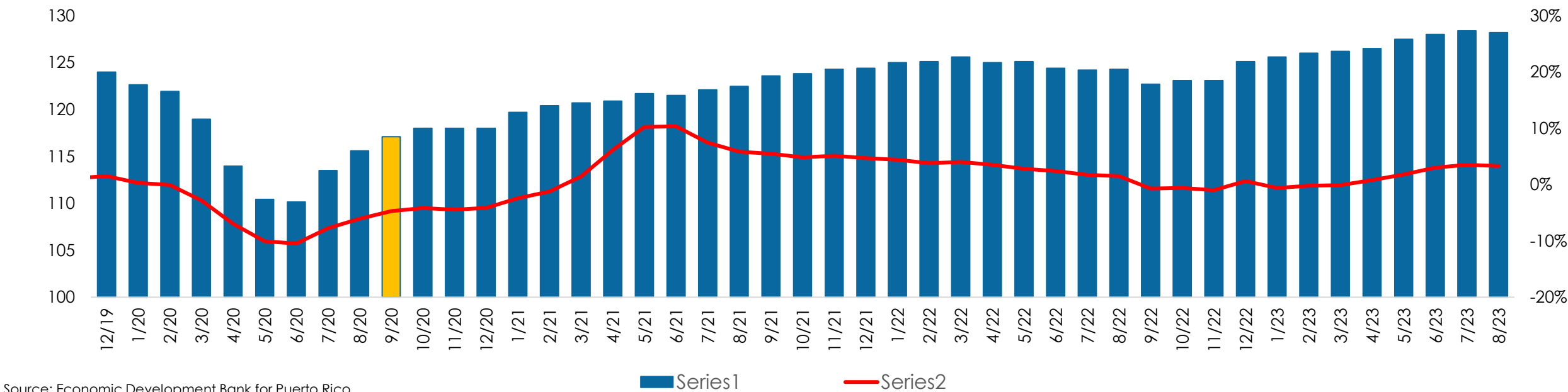
Puerto Rico Economic Update

Economic Activity Rebounded

Puerto Rico is expected to close at 1.6% GDP in 2023

Economic Development Bank of Puerto Rico - Index of Economic Activity
December 2019 – August 2023

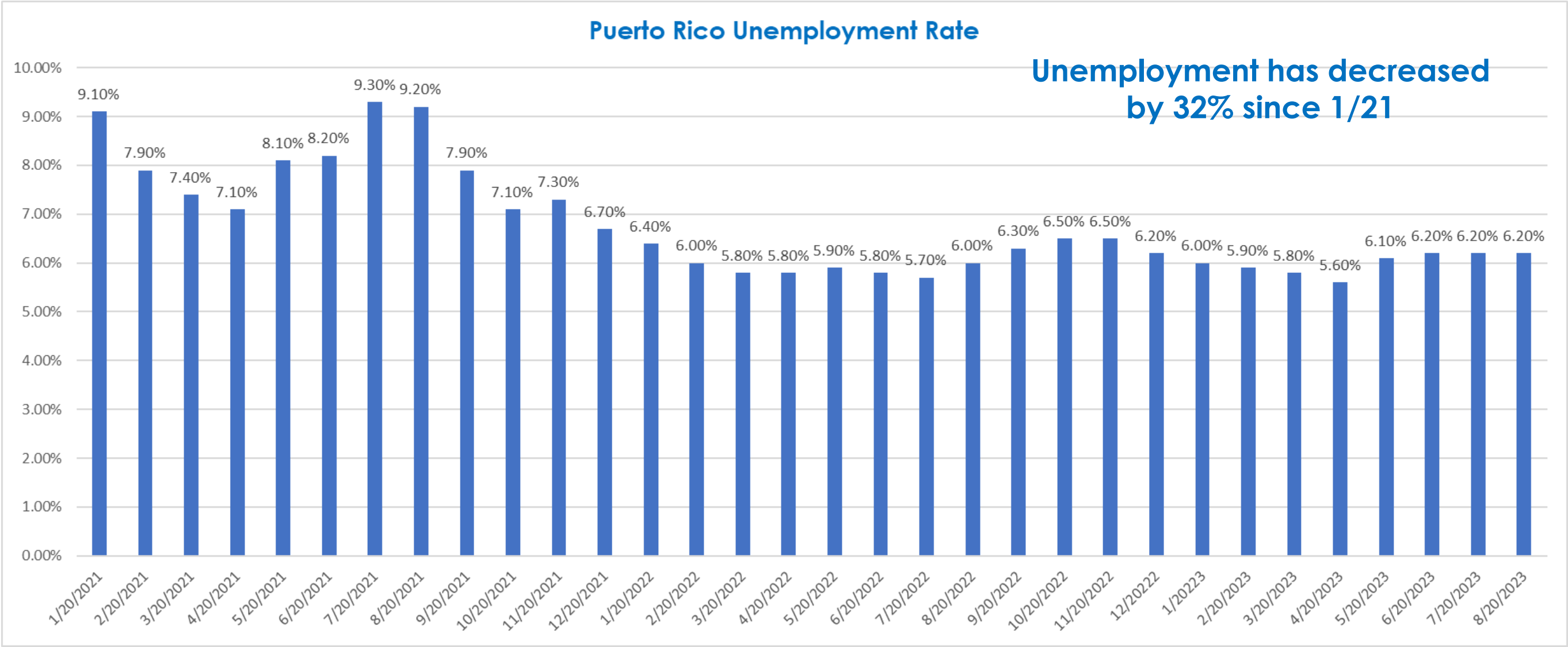
The August Economic Activity Index shows a growth of 3.3%



Source: Economic Development Bank for Puerto Rico

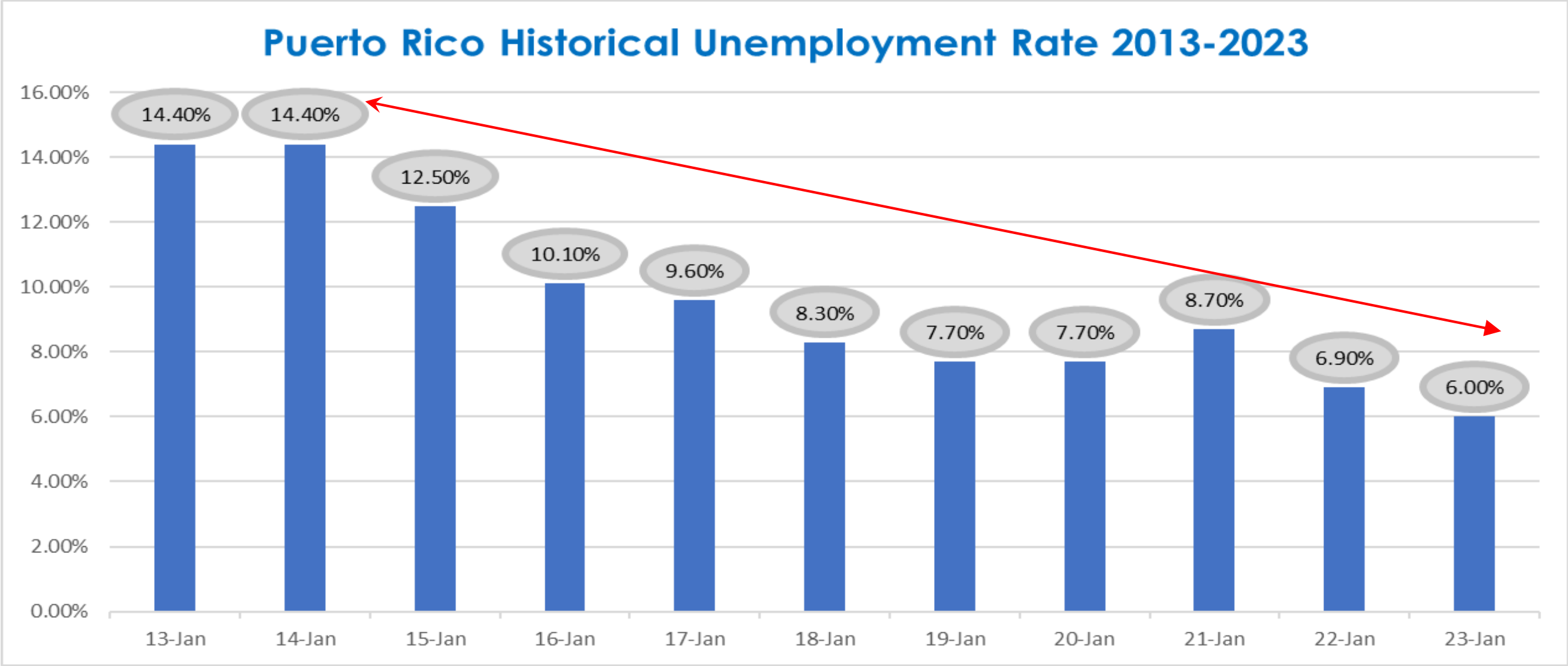
Puerto Rico Labor Markets is robust

The Unemployment rate is at 6.20% in August 2023, with an average during Fiscal 2023 of 6.00%, the lowest in 50 years.



Puerto Rico Labor Markets is robust

Unemployment has decreased by 58.33% since 2013.



Puerto Rico Labor Markets is robust

The employment level stood at 1,182,000 in August, the highest since 2009

Labor Data	8/30/2023	7/31/2023	Change	FY-23	FY-22
Labor Force	1,182,000	1,105,000	6.96%	1,184,000	1,197,000
Participation Rate	43.70%	43.40%	0.69%	43.30%	43.60%
Out of the Labor Force	1,538,000	1,548,000	0.64%	1,113,000	1,114,000
Unemployment Rate	6.20%	6.20%	N/C	6.00%	6.90%
Unemployment Persons	73,000	74,000	1.35%	40.70%	40.50%

Puerto Rico's Economy became Smaller

Real GNP Growth in Puerto Rico
Fiscal Year: 2006-2021

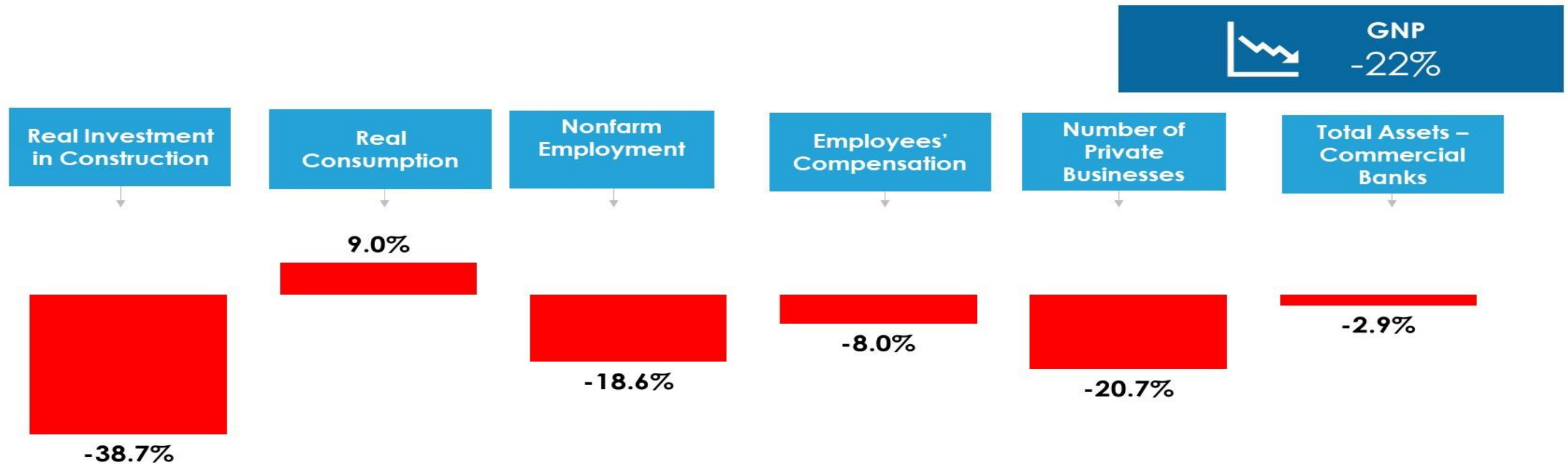
The size of the economy shrank since 2006: 22%



The Economic Contraction Impact

Puerto Rico's economy is smaller than in 2006 when the economic contraction began. Although there was growth in fiscal year 2019, Covid-19 derailed the recovery process and in 2022 it regained its footing.

Selected Indicators: change 2006-2021

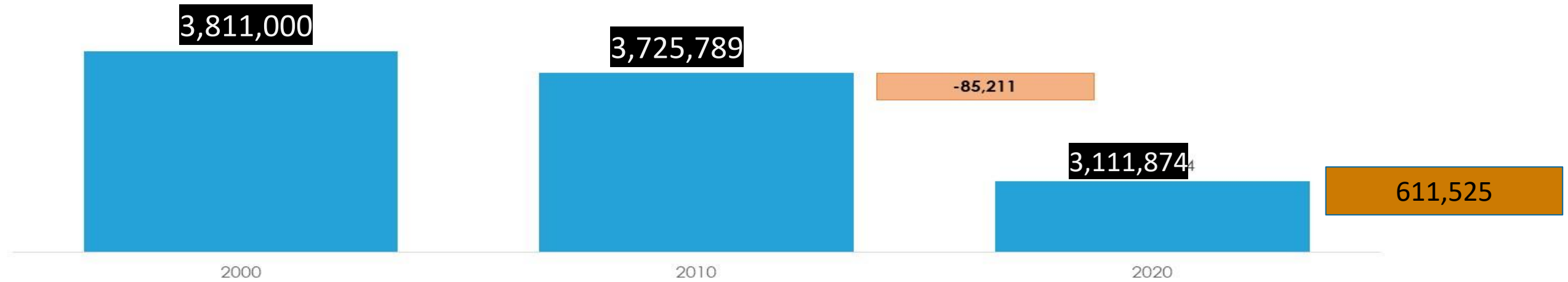


Source: Puerto Rico Planning Board, Statistical Appendix to the Governor 2021.

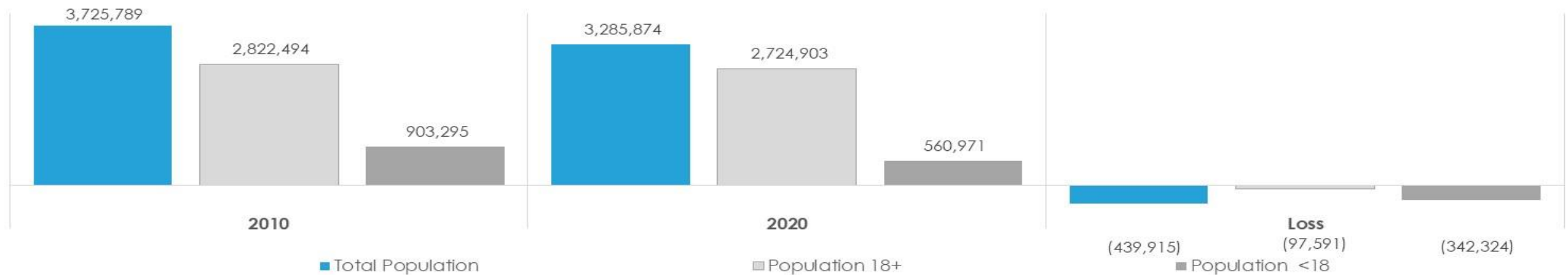
Demographic Transformation

Census Annual Population, 2000-2020

Total Population loss
of **696,736** or **18.29%**

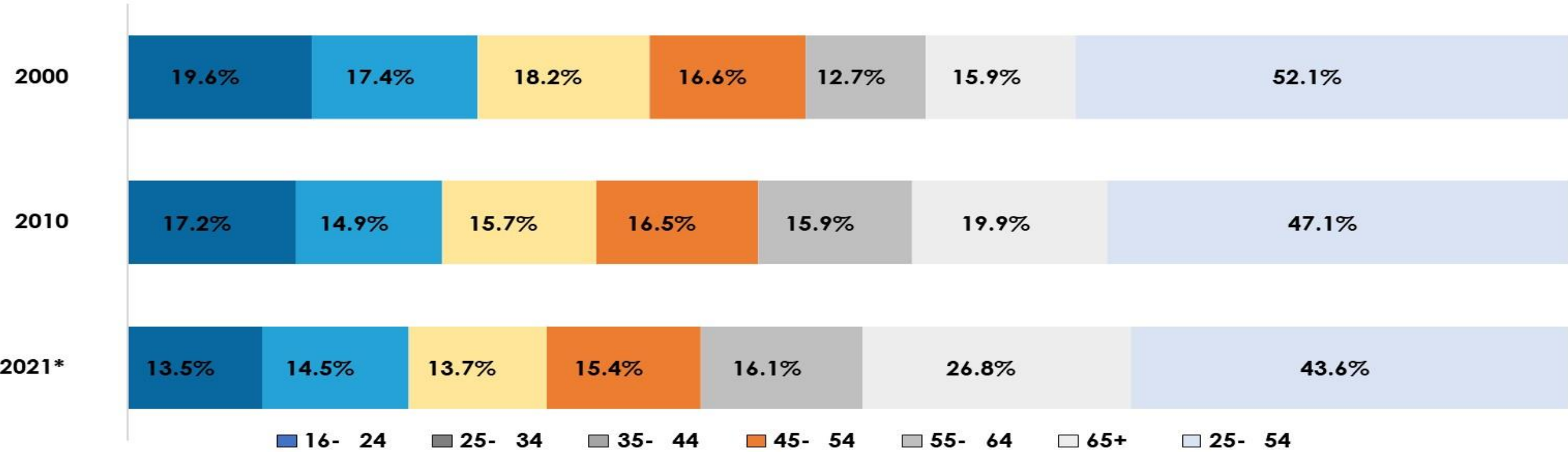


Total Population and by Age Group, 2020



Demographic Transition

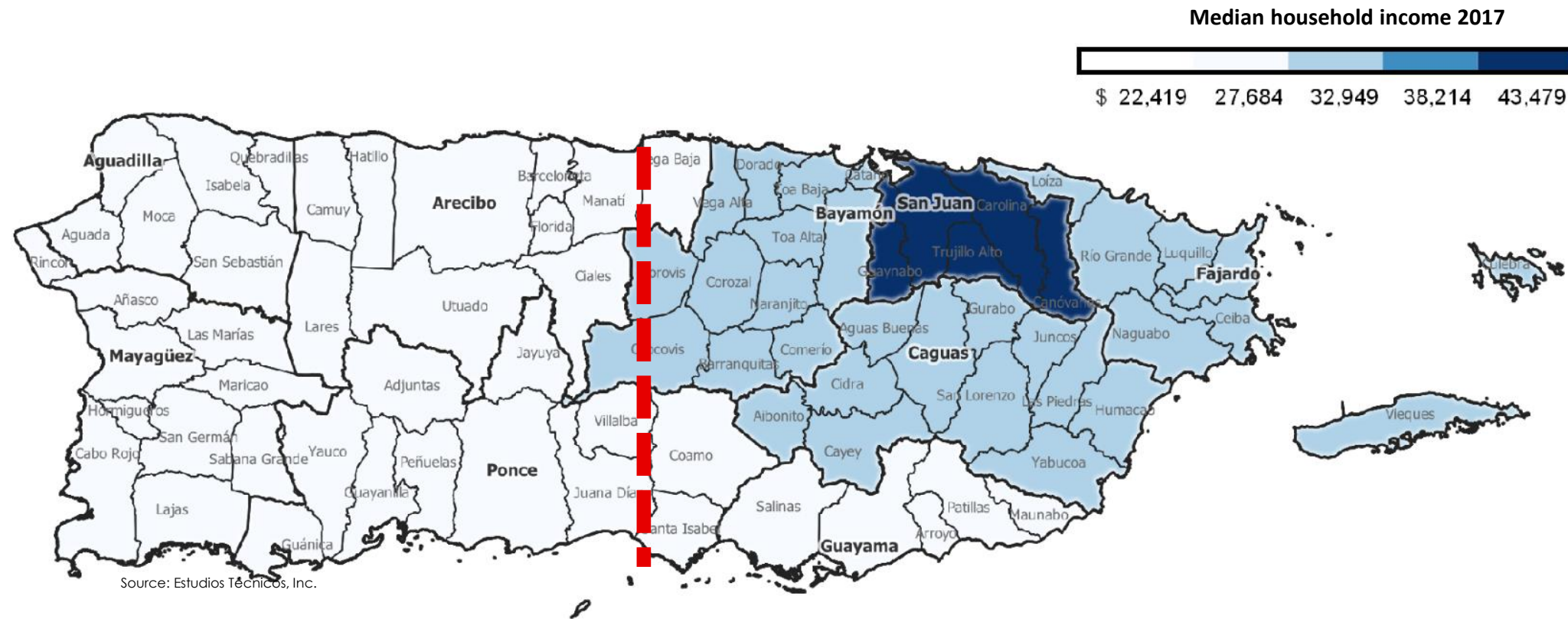
Distribution of the Civil Non-Institutionalized Population by Age Group, 2000, 2010 and 2021.



Source: Puerto Rico Department of Labor (2021). Employment and Unemployment (various years). *May 2021.

Demographic Changes

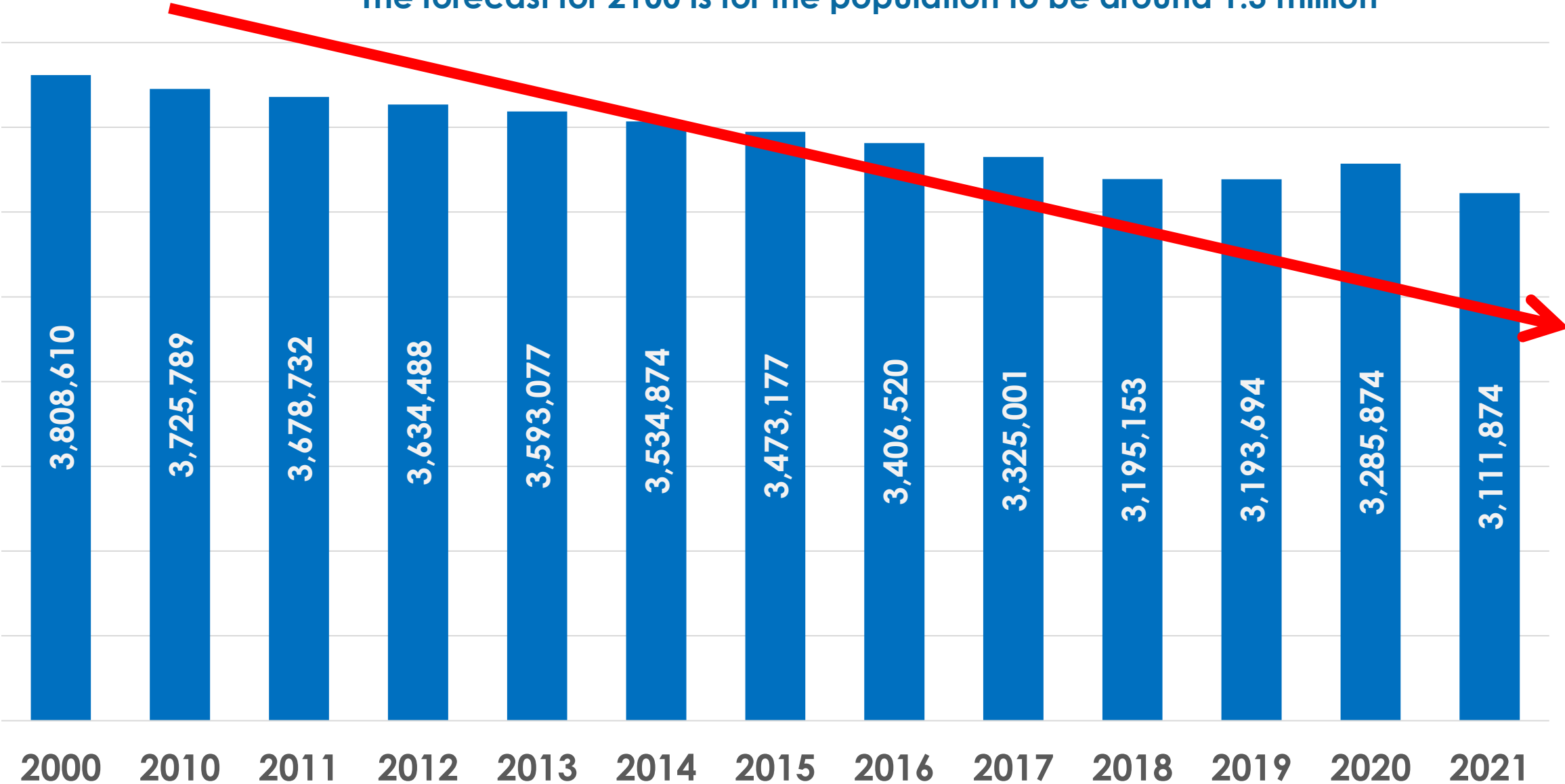
The median household income disparity create two Puerto Rico's



West of the red imaginary line is a very different Puerto Rico from the eastern side.

Demographic Transformation

The forecast for 2100 is for the population to be around 1.3 million



Puerto Rico Economic Outlook

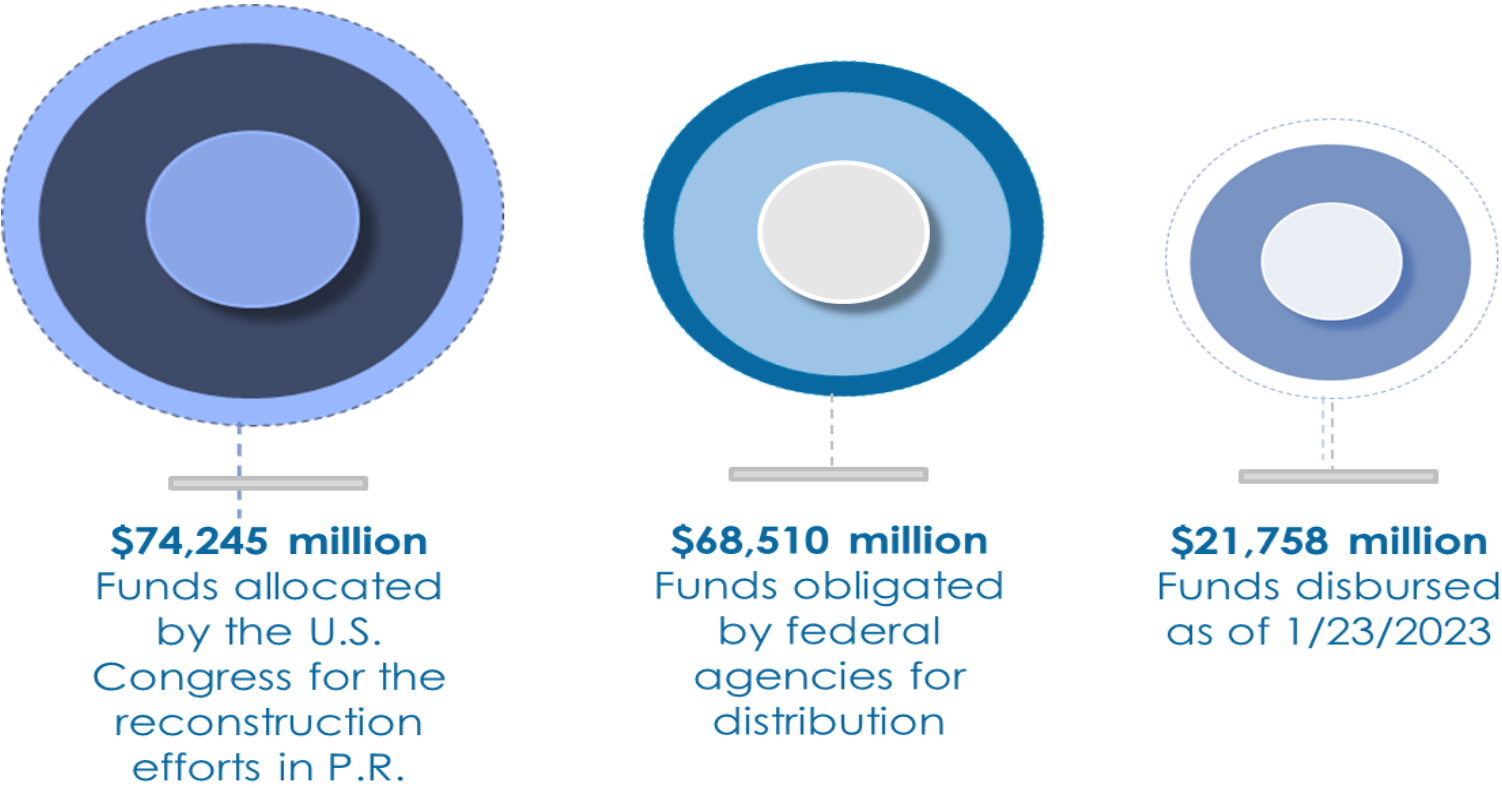
The Federal Stimulus related to the Pandemic Allowed the Economy to Stabilize.

Funding Granted to Puerto Rico as of February 21, 2023

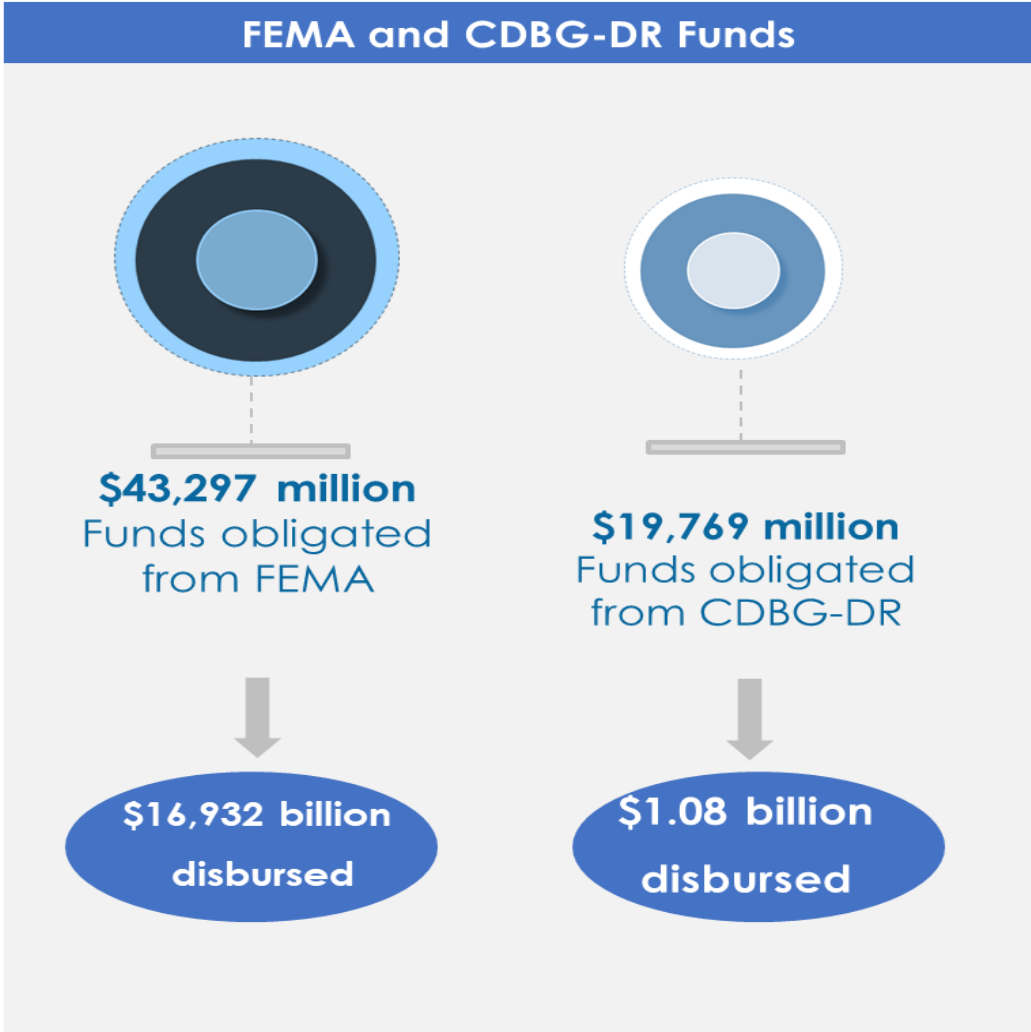
Funding	Quantity Allowed	Quantity Committed and/or Disbursed	% of Total Allowed	% committed or Disbursed from Allowed
Income Support	\$10.9B	\$9.2B	36.5%	84%
Business Support	\$6.1B	\$6.0B	20.6%	98%
State & Local Funding	\$11.5B	\$11.5B	38.9%	100%
Health Spending	\$651M	\$630M	2.2%	97%
Other Spending	\$423M	\$265M	1.4%	63%
Total	\$29.6B	\$27.5B	100%	

Source: Committee for a Responsible Budget (2021). CovidmoneyTracker - Puerto Rico. Figures updated as of February 21, 2023.

Federal Reconstruction Funds are critical for medium-term Economic Growth.

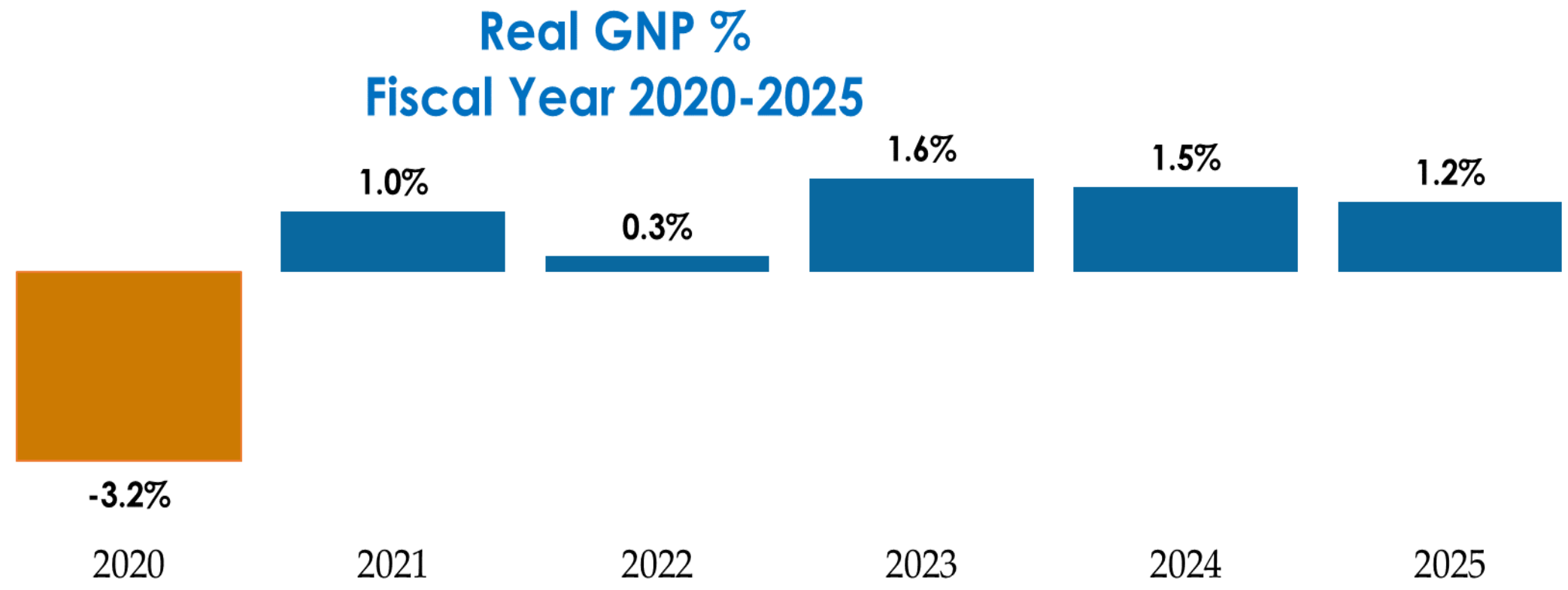


Source: COR3



Disbursing Reconstruction Funds are the key to medium-term Economic Growth.

The force of infrastructure investment shall be the driver of economic growth, and, when combined with the \$2.7 billion in annual debt service, the government has ample dry powder to expand, enhance and improve the infrastructure of Puerto Rico.



U.S. Congress discrimination in Puerto Rico's Healthcare funding

U.S. Congress discrimination in Puerto Rico's Healthcare funding

The Medicare FFS program data that Congress considered a standard for the ACA MA payment formula does not work in Puerto Rico. The resulting anomaly is that Puerto Rico's average M.A. is as follows:

- **43% of payments** below the U.S. average: Puerto Rico's Medicare Advantage benchmark is now 43% below the U.S. average.
- **38% of payments below the lowest State (H.I.) standard.**
- **26% of payments below the U.S. Virgin Islands** (just 9 miles from Puerto Rico).
- In Puerto Rico this program has faced reductions of more than 20% since 2011 compared to U.S. rates, while the U.S. average has increased by 4% over the same period.

This disparity with U.S. rates is one of the causes of the healthcare ecosystem's financial challenges, in addition to the accelerated migration to the U.S. of all types of healthcare ecosystem professionals.

U.S. Congress discrimination Amounts to:

- **\$300 Billion in a decade**
- **What the healthcare sector would look like today with such an infusion of capital?**

CONGRESS DISCRIMINATION IN NUMBERS

US PER CAPITA
HEALTHCARE
PAYOUTS
\$13,000

PUERTO RICO PER
CAPITA HEALTHCARE
PAYOUTS
\$4,000

PUERTO RICO PER
CAPITA HEALTHCARE
PAYOUTS
ARE 69% LESS

The Cost of Congress
Discrimination of Puerto
Rico in Healthcare payouts
is

\$29.9 billion



External & Internal Challenges

External & Internal Challenges

External Challenges

- Constant Changes to health environment
- New Operators with no market knowledge
- Prolonged and ongoing recession
- Decreasing population
- Changes in Healthcare offerings
- Decrease in parameters

Internal Challenges

- Adjusting to growth fast enough
- Cost cutting due to lower demographics
- Acquisition opportunities
- Implementing programs to increase lives attract life base
- Revenues & Expense management Improvements

Managing External & Internal Challenges

LIQUIDITY MANAGEMENT

12 month Liquidity forecast
26 week cash flow
Cash management
Use optimization
Leverage reduction
Business recapitalization
Cash flow forecasting
Determine reporting protocols
Cap-Ex Review

BUSINESS PLAN REVIEW/ DEVELOPMENT

Model “pressure-testing”

Resource utilization
Performance/strategy levers
Side-by-side management
Working capital optimization
Contract review

Customer and product
profitability
Macroeconomic assumptions

SG&A review
Business unit performance
review
Management assessment
Quick process change

STRATEGIC ALTERNATIVES

Capital market options

Company and BU valuation
Business portfolio assessment
Potential risk factors
Business unit prospects
Value driver assessment

Covenant compliance

Non-core asset divestiture

Sell, harvest, wind-down
Tax implications

Brand repositioning
Timing considerations
Anticipated shareholder return

PLAN EXECUTION AND OVERSIGHT

Re-Position

Transaction through
transformation
Creditor negotiations
Standalone plan negotiation
Well-capitalized core
operations

9 Factors affecting the healthcare ecosystem

1. **2% to 3% of patients consume 80% of medical budgets:** One of the biggest problems in Puerto Rico is that the most significant percentage of health spending arises because people do not take care of their health conditions on time. When they go to the health centers, their conditions are so critical that the cost of treating them is in the millions. For example, 2% to 3% of patients consume 80% of medical budgets.
2. **Shortage of physicians wreaks havoc:** According to figures from the Puerto Rico College of Surgeons, in ten years, 5,000 physicians have left Puerto Rico, and the vast majority have moved to the United States in search of better economic conditions and more excellent work flexibility. That is a loss of over 36% of physicians in Puerto Rico, contrasting with a population loss of 15.40% . This leaves us with about 9,000 active physicians, which results in 1 physician for every 345.7 people out of a total population according to the 2020 census of 3,11,874.
3. **There is a need to focus attention on chronic diseases:** diabetes is the most expensive condition in Puerto Rico due to genetic and dietary reasons.
4. **Lack of funds to carry out a Holistic Healthcare Model** restructuring of the entire system: it is critical to create a holistic model of preventive healthcare, where the population is educated to take care of their health in a proactive way and with constant monitoring to learn how to stay healthy at all stages of their lives.

9 Factors affecting the healthcare ecosystem

5. **Cataclysmic events:** Hurricanes Irma and Maria in 2017, the 2020 earthquakes followed by Fiona in 2022 continued and unprecedented activity requiring emergency capacity renovations and upgrades costing millions).
6. **Concerns about cybersecurity:** the victimization of medical facilities by placing the entire burden of protecting personal information on providers without government support.
7. **Federal and state regulatory requirements have been increasing:** Medicare and Medicaid payments on both a per diem and per stay basis and a considerable reduction in outpatient reimbursement.
8. **Diverse and stricter quality measures:** the real problem is that all insurance companies have different quality measures that evaluate process, not patient outcomes; there is an increased need to overhaul the systems and agree on a process that places patient care first. Better quality with less overhead spending.
9. **Access to Capital Impacted:** The recent wave of Hospital sales and Bankruptcies create another set of challenges to the access to capital scenario.





BIRLING

CAPITAL ADVISORS, LLC



Francisco Rodríguez-Castro
President & Chief Executive Officer



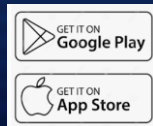
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