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ADMINISTRATION

| M E M O R A N D U M |

To | All Novant Leaders & Staff
From | Carl S. Armato, President & CEO
Date | 5/29/2012
Re | Leader and Staff Changes

The recent recession combined with the new health reform law have clearly established a new imperative for the healthcare industry – make services more affordable. This demand comes from every segment of society: patients, government, businesses and even our own employees who want to pay less for healthcare services. We must address this imperative now, proactively, to remain a strong organization.

I wanted to inform all of you about the elimination of 289 leader and staff positions within Novant Health. There's no easy way to communicate this type of news since it affects people within our organization who have contributed to our mission of serving others in our communities. Affected staff are learning about this news over the next three days. I wish we could have waited until all staff were notified, but I feel it's important to communicate this information to you now because inevitably in today's environment this news quickly becomes public inside and outside of our organization.

For the individuals affected, we're hoping to find other positions within Novant when their skills and training match the 1,300 job opportunities for which we are currently recruiting. The overwhelming majority of these job opportunities are clinical and patient care positions.

Overall, we have 25,000 jobs within our health system. Of the 289 positions throughout Novant, the burden of the reductions occurs with management positions (82 individuals), which represent 28% of the decreases even though management jobs make up only 7% of our workforce. Approximately 22% of the reductions affect clinical staff and 78% non-clinical employees. The majority of the eliminated positions are located in the Winston-Salem and Charlotte markets. Novant will be extending assistance to staff who cannot find an open position and helping them during this difficult transition.

I want to share the four main reasons for this reduction of positions: 1) We all know there's a national mandate to lower what our nation spends on healthcare and to make care more affordable; 2) The poor economy has clearly changed people's behaviors and they are using fewer healthcare services, including elective surgeries and outpatient testing such as diagnostic imaging; 3) Reimbursement for our services is dramatically declining; put simply, we are being paid less for our services and this trend will unfortunately not improve; 4) The amount of charity

care we provide has increased 200% over the past five years. We're committed to providing financial assistance to people who need it the most, but this commitment is accompanied by the challenge of funding charity care.

It's important to emphasize that Novant Health is financially secure, but we have to meet the challenge of providing more affordable care. We must be proactive, right now, and make tough decisions to ensure we have the resources to continue to deliver the highest possible quality care to the communities we serve, in the months and years ahead. To do otherwise would be irresponsible.

I hope this memo provides you with enough background to understand the factors affecting this decision and the environment in which we live. Please look for other local communication and forums planned in your market. And thank you for your commitment to continue prioritizing patient care and the remarkable patient experience in the communities we serve.