

**Beth Israel Lahey Health**

**Annual Report to the Massachusetts Office of the Attorney General**

Provided Under Paragraph 129 of the Assurance of Discontinuance

**Table of Contents**

**Introduction..... 2**

**BILH Targeted Cost Savings: Overview ..... 3**

**A. Targeted Cost Savings: Operational Synergies ..... 4**

**B. Targeted Cost Savings: Patient Care Efficiencies ..... 7**

**C. Targeted Cost Savings: Shifting Care to Higher Value Settings ..... 9**

**D. Elimination or Creation of Clinical Services ..... 11**

**E. Other Consolidations of Services ..... 12**

## **Introduction**

### **Overview**

Under the reporting conditions of the Assurance of Discontinuance (“AOD”) filed by the Massachusetts Office of the Attorney General (“AGO”) on November 29, 2018, Beth Israel Lahey Health (“BILH”) has agreed to regularly submit certain data and information, beginning with a 60 Day Report, which was submitted on April 30, 2019, and continuing thereafter in the form of annual reports issued on January 15 of each calendar year for a ten-year period. This report describes:

- BILH’s targeted cost savings (and outcomes achieved) from operational synergies, improved patient care efficiency, and shifting community-appropriate care to higher value sites of care,
- Elimination of clinical services and creation of new clinical services, and
- Consolidation of operations.

### **Scope of this Report**

This report represents the second submission of data and information, and the first January 15 report (“Annual Report”), submitted by BILH to the AGO under paragraph 129 of the AOD reporting requirements, covering the seven-month period of March 1, 2019 to September 30, 2019 except where otherwise noted. All future reporting under paragraph 129 will cover the prior October 1 to September 30 time period, conforming to the BILH fiscal year.

As with the previous 60 Day Report, the first partial-year Annual Report covers the subset of data elements available to BILH at the time of submission. Certain time-lagged data elements, including market share data and claims data, will be reported on for the partial FY 2019 period in subsequent annual reports.

## BILH Targeted Cost Savings: Overview

As noted in the 60 Day Report, the formation of BILH has the potential to create significant clinical and operational cost savings that will result in improved financial performance, enabling the system to reinvest in strengthening community-based care, replenishing critical infrastructure, expanding access, and improving the quality and safety of care it delivers.

Through a wide range of initiatives, BILH estimates that it will achieve targeted savings of approximately \$59.8 million to \$86.4 million annually by year five of operations, not including additional anticipated value from areas such as clinical service line growth and reduced outmigration of care. These areas are summarized below in [Table 1](#).

Targeted cost savings represent a significant portion, though not the total, of the originally projected \$88 million to \$169 million in annual margin improvement by year five of operations. As noted in the 60 Day Report, BILH is in the process of implementing a wide range of clinical integration initiatives to create an accessible, well-coordinated system of care for patients and families in Eastern Massachusetts. The scope of this report as outlined in the AOD does not include these initiatives, and similarly does not account for certain offsetting transaction-related expenses.

Given the recency of the merger and the fact that this Annual Report covers the first seven months of the partial fiscal year (FY 2019) following the closing date of March 1, 2019, BILH is not yet in a position to fully quantify the scope of realized savings to date. In its January 2021 report, BILH will provide a full quantitative summary of targeted savings achieved in both FY 2019 and FY 2020.

**Table 1. BILH Targeted Cost Savings by Year as a Result of Operational Synergies and Patient Care Efficiencies (for Fiscal Years (“FY”) Ending September 30)**

<b>\$ in Millions</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
<b>Operational Synergies</b>					
Supply Chain	1.5 – 1.9	8.1 – 9.9	17.9 – 21.9	21.6 – 26.4	25.2 – 30.8
Revenue Cycle	0.3 – 0.6	2.8 – 5.2	7.2 – 12.3	8.6 – 14.5	9.2 – 15.6
Other Operations	0.8 – 1.0	4.2 – 5.5	10.8 – 14.0	12.8 – 16.6	13.0 – 16.9
<b>Patient Care Efficiencies</b>					
Pharmacy	0.7 – 1.7	2.9 – 6.2	4.0 – 8.5	4.0 – 8.5	4.0 – 8.5
Laboratory	0.0 – 0.0	0.7 – 1.1	3.6-5.7	4.8 – 7.7	4.8 – 7.7
Clinical Engineering	0.1 – 0.3	0.5 – 1.4	1.2-2.9	1.4 – 3.1	1.4 – 3.1
Clinically Integrated Network	(0.1) – 0.8	0.8 – 2.6	2.2-3.8	2.2 – 3.8	2.2 – 3.8
<b>Total</b>	<b>3.4 – 6.4</b>	<b>20.0 – 31.8</b>	<b>47.0 – 69.2</b>	<b>55.4 – 80.6</b>	<b>59.8 – 86.4</b>

## **A. Targeted Cost Savings: Operational Synergies**

### ***Supply Chain***

As noted in the 60 Day Report, BILH projects that Supply Chain will be the single largest source of cost savings for the combined organization, with a five-year estimated value of \$25.2 million to \$30.8 million in annual run-rate savings. The system's increased scale allows for the aggregation of purchasing volume to obtain lower pricing and improved services from vendors.

In its first seven months as a new system, BILH made significant progress in laying the foundation for a consolidated and centralized Supply Chain function. First, BILH completed a competitive bid process for a Group Purchasing Organization ("GPO"), ultimately selecting HealthTrust as its exclusive system-wide GPO partner.<sup>1</sup> The relationship with HealthTrust went live on October 1, 2019. Prior to that date, each BILH member had its own GPO relationship. With a single enterprise GPO relationship, BILH has ensured one best price for each product across the system.

Second, BILH developed a system-wide Value Analysis process that launched in December 2019, which will ensure that BILH uses products and services that are both clinically effective and cost efficient. This process will bring together multi-disciplinary stakeholders to make decisions regarding new and existing products and services in a consistent, evidence-based, and transparent manner. BILH's Value Analysis structure will create pathways for the evaluation of patient care items such as IV-related products, gloves, and nursing care supplies as well as for "physician preference items," which are devices used by physicians at their discretion (i.e., the physician decides which device to use for a particular patient). Examples of such items include orthopedic implants and cardiac stents. To facilitate this new system-wide process, BILH consolidated to a single value analysis software tool, Lumere. All requests for new products and services are generated through this new system.

Third, beyond its GPO relationship, BILH negotiated several new system-wide contracts for medical devices and supplies as well as purchased services. BILH secured better pricing due to its aggregated scale; in some cases, BILH consolidated to a single vendor, further increasing its purchasing power. Several of these new contracts took effect in FY 2019, including W.B. Mason for office supplies, DaVita for dialysis services, Bayer for intrauterine devices, Medline for pre-operative skin preparation cloths, NOW Delivery for courier services, and Healthcare IQ for supply chain benchmarking services. Total FY 2019 savings from these new contracts are modest due to the short time period in which they took effect.

The system is well on track to achieve its five-year run rate targets. The securing of its new GPO partner affected the timing of the realization of these savings. BILH expects to achieve greater than \$15 million in non-pharmacy supply chain savings in FY 2020 and will report on savings achieved to date in the January 2021 report.

---

<sup>1</sup> <https://healthtrustpg.com/press/healthtrust-selected-as-exclusive-supply-chain-performance-provider-by-beth-israel-lahey-health/>

## *Revenue Cycle*

Operational enhancements in Revenue Cycle are projected to generate financial benefit to the system, with a five-year estimated value of \$9.2 million to \$15.6 million in annual run-rate net operating impact. As outlined in the 60 Day Report, BILH will achieve these targets by making improvements in three key areas: reducing bad debt (unpaid portions of bills), reducing denial write-offs (charges that payers deny), and improving overall revenue integrity. These improvements will stem from the sharing of best practices among Revenue Cycle leaders, standardizing policies, procedures, and workflows, and using the system's enhanced scale to develop deeper expertise within the Revenue Cycle domain. BILH is in the process of identifying an interim leader for Revenue Cycle, which will accelerate its efforts in these areas.

In FY 2019, the Revenue Cycle team launched one pilot and planned the FY 2020 implementation of a second pilot aimed at improving point-of-service collections. BILH also developed a system-wide financial clearance policy, the implementation of which will take place during FY 2020. As in other areas, the Revenue Cycle team is exploring opportunities to consolidate vendors and renegotiate contracts for purchased services. BILH will launch and complete two competitive bid processes in FY 2020, one for a system-wide vendor to manage self-pay payments for services and the second for a system-wide vendor to manage bad debt.

As noted in the 60 Day Report and above, BILH will evaluate its progress against its financial targets based on the three key areas noted above. The BILH Revenue Cycle team is currently working to finalize shared performance metrics, including aligned definitions, mapping, and categorization.

## *Other Operations*

In the areas of Human Resources, Information Technology, Finance Operations, and Real Estate and Facilities, BILH has projected significant savings over time. BILH's aggregated scale will allow it to achieve economies of scale, consolidate vendors, and develop operating models that improve system performance while reducing costs. As noted earlier in this report, BILH's increased purchasing power provides significant opportunity to renegotiate contracts for goods and services at lower prices and with improved terms.

### *Human Resources*

BILH is creating a system-level Human Resources team to better serve its more than 35,000 employees. Lina George, who joins BILH in January 2020 as its Chief Human Resources Officer ("CHRO"), will lead this centralized team.

To date, a primary area of focus has been employee benefits consolidation and optimization, with the system streamlining plan administration and harmonizing plan designs to meet BILH business objectives. In March 2019, with most of the BILH organizations using one Massachusetts-based insurer to administer its medical benefits, BILH was able to negotiate reduced administrative fees. More significantly, in its first seven months as a new system, BILH made substantial progress in laying the foundation for a harmonized benefits platform, which will generate significant savings starting in FY 2020. Effective January 1, 2020, the system has achieved three significant milestones:

- First, all organizations are now on a single self-insured structure for medical benefits. As noted in the 60 Day Report, self-insured plans are more cost effective as employers eliminate the profit margin that would have been paid to a third party.
- Second, BILH has consolidated to one stop-loss solution for the system. A stop-loss solution is a type of insurance that protects the financial integrity of a self-funded plan by providing protection against catastrophic or unpredictable losses.
- Third, BILH has harmonized medical, pharmacy, and dental insurance carriers and plan designs across the 45,000 employees and their dependents on its benefit plans.<sup>2</sup> All medical benefits are administered by Harvard Pilgrim Health Care, pharmacy benefits by CVS/Caremark, and dental benefits by Delta Dental. For life insurance, BILH has moved to a single insurance carrier, Voya. Looking ahead, BILH has undertaken a competitive bid process for the selection of medical, pharmacy, and dental insurance carriers for January 1, 2021.

In addition to its efforts in benefits administration, BILH has begun to identify opportunities to drive savings and improve employee experience in other key HR domains. For example, BILH is consolidating vendors and renegotiating contracts for background and reference checks, with savings expected to accrue in FY 2020. With the arrival of its permanent CHRO in January 2020, BILH expects integration-related efforts across Human Resources to accelerate.

BILH is also integrating its defined benefit pension plans to improve administrative efficiency and reduce plan cost and risk while sustaining the current market-competitive benefits valued by its employees. This effort will produce significant non-operating savings for BILH in FY 2020 and FY 2021 without creating any change in pension benefits for employees. BILH has also begun an assessment of the current state of all defined contribution plans to identify opportunities to improve efficiencies in plan administration and save costs while continuing to provide a competitive benefit to employees.

BILH expects to achieve more than \$10 million in savings from these combined efforts in FY 2020 and will report on savings achieved to date in the January 2021 report.

### *Finance Operations*

In FY 2019, BILH generated savings due to the selection of KPMG for its external audit function. The system also selected PwC for its internal audit function and BDO for its employee benefit plan audits, however, BILH will not realize savings from these changes until FY 2020.

### *Real Estate & Facilities*

As a system, BILH is responsible for managing over 13.6 million square feet of owned hospital and non-hospital space, more than \$18 million in energy spending, and over \$100 million in annual capital spending on facility infrastructure, building renovations, and equipment installation. BILH has brought together the Facilities leaders across the system to share best practices, identify savings opportunities, and make recommendations on products and vendors.

---

<sup>2</sup> BILH has approximately 35,000 employees. It provides benefits to approximately 45,000 individuals, including benefits-eligible employees and their dependents who opt to participate in BILH's benefits offerings.

As noted in the 60 Day Report, BILH will achieve savings on real estate and facilities by consolidating and renegotiating contracts for purchased services. To date, BILH has focused on energy savings. In FY 2020, BILH launched a competitive bid process for a strategic energy broker to advise the system on energy purchasing. Most of the financial benefit from this effort will accrue in later years, as most of the system's natural gas and electricity utilization is contracted through 2022 and 2023, respectively.

BILH is assessing other service contracts across the system with the goal of ensuring excellent service while reducing cost. The team is currently evaluating its elevator, chiller, and emergency generator service agreements.

### *Information Technology (IT)*

BILH has made notable progress toward the implementation of a single Enterprise Resource Planning ("ERP") system. An ERP platform is a software solution that allows an organization to manage and integrate its core business functions. Examples of such functions include:

- Finance Operations: general ledger, accounts payable, and fixed asset management;
- Human Resources: payroll, talent management, and workforce management; and,
- Supply Chain: inventory asset management, supply ordering, and distribution.

In 2019, BILH convened its leaders across Finance, Human Resources, Supply Chain, and Information Services to evaluate platforms, including the potential extension of current installations, to meet their combined system business needs. It anticipates selecting a system-wide platform in February 2020 with a goal of implementing the full system over eighteen months.

Current efforts to consolidate and analyze data on system-level initiatives are labor-intensive exercises, given the need to collect, normalize, and synthesize data from different systems. With a single ERP in place, BILH will have visibility across the entire system, which will enable consistent, timely, and efficient decision-making and reporting. Finance, Human Resources, and Supply Chain will have a single system-wide lens into their resources and processes. For example, under a single ERP, Finance will be able to more easily generate system-level reports on major revenue and cost areas, while Supply Chain will be able to more easily perform supply cost and utilization analyses.

In addition to its ERP-related efforts, BILH has created an inventory of all IT service contracts across the system and has initiated efforts to consolidate vendors and renegotiate prices and other terms for key services and hardware. BILH will see material savings from these efforts in FY 2020.

### **B. Targeted Cost Savings: Patient Care Efficiencies**

As in its operational areas, BILH identified targeted savings opportunities in its patient care services based on anticipated operational improvement efforts, staffing efficiencies, vendor consolidation, and renegotiation of vendor contracts.

### *Pharmacy*

BILH Pharmacy leaders made significant progress in four key areas in FY 2019 and the early part of FY 2020.

First, BILH focused its efforts on ensuring a seamless transition to the system's new, exclusive GPO partner, HealthTrust. The move to HealthTrust in October yielded better prices for the system on existing drugs in its inventory; for some pharmaceuticals, BILH pharmacies will generate additional savings through the conversion to clinically equivalent alternative products. BILH expects the shift to HealthTrust to generate at least \$4 million in pharmacy cost savings for the system in FY 2020.<sup>3</sup>

Second, in collaboration with the BILH Chief Medical Officer, BILH Pharmacy leaders developed a system-wide Pharmaceuticals and Therapeutics ("P&T") Committee, which launched in November 2019. The system-wide P&T Committee will develop BILH's drug formulary, establish evidence-based policies and procedures for drug use and administration, and monitor trends in drug utilization. These efforts will drive the utilization of the most clinically effective and cost efficient pharmaceuticals across BILH. The committee is a multidisciplinary group comprised of pharmacy, physician, nursing, and administrative leaders from each of the BILH hospitals. It will collaborate closely with the local P&T committees, which will have responsibility for implementing system P&T decisions.

Third, BILH is expanding retail pharmacy capacity in preparation for an anticipated increase in demand from employees. Due to changes in BILH pharmacy benefit plan design, BILH projects an increase in employee utilization of in-house pharmacies in FY 2020. Employees will benefit from both enhanced pharmacy access and lower prescription copays, while BILH will benefit from reduced drug claims costs. To prepare for this anticipated growth, Lahey Hospital & Medical Center ("LHMC") received approval from the Massachusetts Board of Pharmacy for a retail license for its 67 South Bedford Street site in Burlington in December 2019. BIDMC Pharmacy, Inc. is opening a new pharmacy site in March 2021 in Westwood, Massachusetts, which will enable expanded mail order and central fill capability for all system sites. Beth Israel Deaconess Medical Center ("BIDMC") is licensed in all New England states with the exception of Vermont. LHMC's pharmacy is licensed in Massachusetts and New Hampshire, and it is currently pursuing licensure in Florida.

Fourth, BILH Pharmacy leaders are providing input into the aforementioned competitive bid process for a Pharmacy Benefits Management carrier for 2021. Their involvement will ensure alignment with BILH Pharmacy goals and initiatives, including the continued increase of employee utilization of in-house pharmacies and the reduction in drug claims costs for BILH.

### ***Laboratory***

In FY 2019, BILH Laboratory leaders launched a competitive bid process for a single system-wide reference laboratory vendor. BILH expects to select a single vendor and implement the new contract in early FY 2020, with substantial savings beginning to accrue in FY 2020. In addition to these cost savings, the system will benefit from streamlined administration of the reference laboratory relationship.

BILH began the process of consolidating other vendors and renegotiating contracts for purchased services for better pricing and service. In FY 2019, BILH was able to lower its price on blood products with the American Red Cross.

Areas of focus for the remainder of FY 2020 include identification of opportunities to in-source

---

<sup>3</sup> Within this report, we have distinguished between anticipated GPO-related savings for non-pharmacy (in Supply Chain section) and pharmacy items (in Pharmacy section).

laboratory testing currently sent out to reference laboratories and to standardize laboratory equipment and instrumentation.

### ***Clinical Engineering***

As noted in the 60 Day Report, BILH spends approximately \$33 million annually on more than 400 service contracts for its clinical equipment. In FY 2019, BILH's leaders in Clinical Engineering inventoried existing equipment service contracts to prioritize opportunities for vendor consolidation and contract renegotiation for better prices and terms of service. Through such activities, BILH expects to exceed its targeted savings in FY 2020. In addition to its efforts on service contracts, BILH will focus on reducing total spending and improving service by developing a system-wide Clinical Engineering platform to procure, install, maintain, and service its medical technology in a streamlined, standardized fashion.

### ***Clinically Integrated Network***

The primary focus of Beth Israel Lahey Health Performance Network's ("BILHPN") efforts in FY 2019 was the consolidation of its legacy organizations – Beth Israel Deaconess Care Organization ("BIDCO") and Lahey Clinical Performance Network ("LCPN") – and the launch of system-wide programs and infrastructure under a central leadership team led by Deb Devaux, President of BILHPN and Chief Population Health Officer of BILH. As BILH predicted in its 60 Day Report, incremental administrative costs associated with BILHPN's new structure offset cost savings resulting from this consolidation. In future years, BILH anticipates that BILHPN will achieve cost savings with the launch of targeted quality, medical management, utilization management, and pharmacy initiatives.

## **C. Targeted Cost Savings: Shifting Care to Higher Value Settings**

BILH has the potential to generate significant savings for the Commonwealth by increasing the amount of care provided by BILH versus higher-priced providers and, within BILH, increasing the volume of appropriate care delivered in its lower-cost settings. BILH is uniquely positioned to deliver on these two levers given its comprehensive service offerings, broad geographic scope, and commitment to enhancing the caliber of care available in local communities.

In FY 2019, the system implemented five initiatives that will enable it to retain more of the full continuum of care for its patients and to shift care to more appropriate, lower cost settings. First, BILH launched a virtual transfer center in August 2019 through which ICU beds across BIDMC, LHMC, and Mount Auburn Hospital are made available via a one-call system to referring providers. By making these beds available for any transfer request, BILH is facilitating timely patient transfers from community hospitals across Eastern Massachusetts and Southern New Hampshire and ensuring that its patients have streamlined access to advanced care when they need it. Prior to August, many in-bound requests were turned away due to capacity limitations at one hospital and sent to higher-cost hospitals in Boston. The virtual transfer center will enable the retention of more high-acuity care within the BILH system. Notably, while the focus of this effort has been on ICU bed availability, the virtual transfer center has also accommodated a significant number of transfers to medical/surgical beds. In its first five months, BILH accommodated approximately 90 patients who would have otherwise been transferred to a higher-cost

Boston academic medical center.

Second, BILH transitioned to unified leadership and management of neonatology programs across its hospitals. By taking a system approach, BILH is providing a high-quality, integrated system of care for newborn patients and their families across its network. On October 1, 2019, management of neonatology services at both Beverly and Winchester Hospitals transitioned from Boston Children’s Hospital to BIDMC/Harvard Medical Faculty Physicians (“HMFP”). To drive standardization of clinical practices and network-wide improvement initiatives, BILH also created a system-wide Neonatology Quality Council with physician and nursing representatives from each hospital.

Third, the system created BILH Continuing Care to organize homecare, hospice, palliative care, assisted living, and skilled nursing facility care across the enterprise. BILH Continuing Care, under the leadership of its President Jennifer Gizmunt, coordinates these services through direct care delivery and by collaborating with “preferred providers” to ensure high quality, seamless, and appropriate patient care. In FY 2019 and early FY 2020, BILH Continuing Care has focused on simplifying access and referrals from BILH providers to its owned homecare and hospice agencies. Its liaison and intake resources have collaborated across agencies to ensure that BILH is meeting the needs of as many patients as possible based on available resources. In December 2019, BILH took a major step toward integrating services when CareGroup Parmenter Homecare & Hospice became a wholly owned subsidiary of Lahey Health at Home. The new organizations are being rebranded and “doing business as” Beth Israel Lahey Health at Home – Watertown and Beth Israel Lahey Health at Home.<sup>4</sup> Eventually, the agencies will be consolidated into a single organization.

Fourth, BILH is extending New England Baptist Hospital’s (“NEBH”) orthopedic care protocols and best practices to Beverly Hospital and Anna Jaques Hospital through a clinical affiliation program. This program includes a broad set of hospital and physician commitments relative to quality initiatives, quality assurance processes, and other clinical protocols, for those providers who agree to participate in the program. The program will be branded as a joint clinical affiliation between NEBH and each participating hospital. Over time, the adoption and growth of this program will facilitate the standardization of orthopedic care across the system and will optimize patient outcomes.<sup>5</sup> Patients will benefit from enhanced access to NEBH care protocols and best practices closer to home, which BILH expects will increase orthopedic volume at these hospitals and reduce outmigration to higher-cost providers. Over time, BILH will extend the NEBH model and brand to additional BILH hospitals.

Fifth, BILHPN began implementation of a centralized referral management program for commercial HMO patients in October 2019. Dedicated, trained staff manages all requests for referrals to specialty services, which better enables BILHPN to potentially redirect requests for out-of-network care to an in-network provider. Moreover, BILHPN staff are able to educate patients about appropriate care options closer to home.

---

<sup>4</sup> BILH submitted two d/b/a filings, one for Beth Israel Lahey Health at Home and one for Beth Israel Lahey Health at Home – Watertown.

<sup>5</sup> Dayal McCluskey, P. (2019, December 11). Beth Israel Lahey expands orthopedic surgery care, using Baptist Hospital as model. *The Boston Globe*. Retrieved from <https://www.bostonglobe.com/business/2019/12/11/beth-israel-lahey-expands-orthopedic-surgery-care-using-baptist-hospital-model/XulHtFnS2RBfA86t0ZsshK/story.html>

To measure its success at reducing outmigration, BILH will track the percentage of inpatient admissions provided by BILH versus higher-cost providers to its patients under risk contract arrangements. Given the time lag in claims data reporting, BILH anticipates that the report submitted in January 2021 will be the first in which the health system will be able to measure progress on care retention during the post-merger period. It is anticipated that the January 2021 report will cover the period of March 2019 to September 2019.

To measure its success in strengthening the capabilities and reputation of its community hospitals, BILH will track community hospital case mix index (“CMI”) and inpatient volume trend at each BILH institution relative to the Eastern Massachusetts market. BILH will use the FY 2019 CHIA inpatient case mix data to perform this analysis for the period of March 2019 through September 2019. As BILH anticipates receiving these data from CHIA no later than November 1, 2020, it expects to share the report file in its January 2021 report.

As noted in the 60 Day Report, BILH will further measure its success in enhancing community-based care through the system’s ongoing commitments to community health center affiliates and safety net affiliates, as outlined in Paragraphs 98 to 112 of the AOD and as detailed in annual third-party Monitor reports.

#### **D. Elimination or Creation of Clinical Services**

BILH found that there were no material eliminations of clinical services and no material creations of new clinical services over the reporting period. In two cases, BILH identified changes in services due to the surrender of a license and a transfer of assets, respectively. In both examples, BILH found that these changes did not result in a material impact on the provision of services. These changes are described in further detail below.

First, on October 8, 2018, BIDMC opened a retail pharmacy at its East Campus location at 330 Brookline Avenue. The opening of this pharmacy expanded the scope of pharmacy services at BIDMC and enhanced access to these services for all patients<sup>6</sup>. Because of this new offering, BIDMC surrendered its outpatient free care pharmacy license at 350 Longwood Avenue on March 31, 2019. On December 17, 2018, patients were notified of the change in location and the option to receive equivalent pharmacy services at the BIDMC East Campus location, which was approximately 3.5 months prior to the change of service. The distance between the East Campus pharmacy and the 350 Longwood Avenue pharmacy is less than 0.1 miles. The former BIDMC outpatient free care pharmacy license was acquired by CVS, and CVS currently owns and operates the specialty care pharmacy at the 350 Longwood Avenue location. BIDMC patients, including Health Safety Net (“HSN”) eligible patients who utilized the BIDMC outpatient free care pharmacy, now have the option of accessing equivalent pharmacy services at both the BIDMC East Campus Location and the CVS Specialty Care Pharmacy at 350 Longwood Avenue. In FY 2019, the period following the opening of the BIDMC East Campus retail pharmacy, BIDMC processed a total of approximately 20,025 prescriptions for approximately 1,384 patients who are HSN eligible or pending HSN eligible.

---

<sup>6</sup> The opening of the BIDMC retail pharmacy is not identified as a newly created service because it did not occur within the reporting period of this Annual Report.

Second, on September 30, 2019, Northeast Senior Health Corporation (“NSHC”) sold assets in connection with its Adult Day Health programs located in Beverly and Andover to the Mentor Network. These programs served between 190 and 200 patients annually. Prior to the sale, representatives from NSHC and BILH discussed the transfer with the AGO’s Public Charities Division. BILH has no expectation that the Mentor network intends to change the availability of these services at either site.

#### **E. Other Consolidations of Services**

In a number of domains within the new system, BILH has adopted a system services philosophy to realize the benefits of scale while driving stronger performance, leveraging expertise and specialization, and enhancing consistency and standardization.

In the following domains, BILH named a system-level leader in FY 2019 who is in the process of implementing a system operating model for their scope of services:

- Kerry Brown – Chief of Staff
- Deborah Devaux – Executive Vice President and Chief Population Health Officer
- Marian Dezelan – Chief Marketing and Communications Officer
- Steven Fischer – Executive Vice President and Chief Financial Officer
- Jamie Katz – General Counsel
- Kristine Laping – Chief Development Officer
- Stanley Lewis, MD – Chief Strategy Officer
- Richard Nesto, MD – Chief Medical Officer
- Michael Rowan – Executive Vice President for Hospital and Ambulatory Services
- Peter Shorett – Chief Integration Officer

In early FY 2020, BILH named Lina George as Chief Human Resources Officer, David Longworth, MD as Chair of BILH Primary Care, and Lori Dutcher as Chief Compliance Officer for the system. These functions, along with those under the Chief Information Officer and Chief Quality Officer upon permanent appointments, will be re-organized into system services functions as well.

As noted earlier in this report, BILH created BILH Continuing Care in FY 2019 to organize post-acute care services across the enterprise. Under the leadership of Jennifer Gizmunt, President of BILH Continuing Care, homecare and hospice services provided by CareGroup Parmenter Homecare & Hospice and Lahey Health at Home are being “virtually” operated as a single entity. While the agencies remain two separate legal entities, there is strong collaboration among the leadership teams of the agencies and significant functional integration is in progress to closely align operations in preparation for becoming one legal entity. In December, CareGroup Parmenter became a wholly owned subsidiary of Lahey Health at Home and the two organizations made “doing business as” filings to begin operating as Beth Israel Lahey Health at Home – Watertown and Beth Israel Lahey Health at Home.