

Beth Israel Lahey Health, Inc.

**Analysis of the Reasonableness of Assumptions Used For and
Feasibility of Projected Financial Information associated with the addition of three endoscopy procedure rooms
and seven pre/post procedure bays to the existing endoscopy center at Winchester Hospital**

For Years Ending September 30, 2028 through September 30, 2032

BETH ISRAEL LAHEY HEALTH, INC.

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November 24, 2025

Ms. Karen Hart
Winchester Hospital
41 Highland Avenue
Winchester, MA 01890

Dear Ms. Hart:

We have performed an analysis of the financial projections prepared by Beth Israel Lahey Health, Inc. (the “Applicant” or “BILH”) detailing the projected operations of the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing endoscopy center at Winchester Hospital (“WH”) in Woburn, MA (the “Project”). This report details our analysis and findings with regards to the reasonableness of assumptions used in the preparation and feasibility of the projected financial information of the Project as prepared by the management of Winchester (“Management”). This report is to be included by the Applicant in its Determination of Need (“DON”) application, (see Factor 4(a) of the DON) and should not be distributed or relied upon for any other purpose.

I. Executive Summary

The scope of our analysis was limited to the five-year financial projections for the fiscal years ending September 30, 2028 through September 30, 2032 (the “Projections”) prepared by Management, and the related supporting documentation provided by Management. The purpose is to assess the reasonableness of assumptions used in the preparation and feasibility of the projections with regards to the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing endoscopy center at WH.

The addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing hospital-based endoscopy center is projected to have positive overall cash flows (see section V of this report). We determined that the projections were not likely to result in a scenario where there are insufficient funds available for the ongoing operating costs required to support the addition of three additional endoscopy procedure rooms and seven pre/post procedure bays. It is our conclusion that the projections are financially feasible, not likely to have a negative impact of the existing patient panel of the Applicant and is within the financial capability of the Applicant as detailed below.

II. Relevant Background Information

Refer to Factor 1 of the DON application for a description of the scope of the Applicant, as well as the overall description and rationale for the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing endoscopy center at WH.

III. Scope of Report

The scope of this report is limited to an analysis of the five-year financial projections prepared by Management and the supporting documentation in order to assess the reasonableness of assumptions used in the preparation and feasibility of the projections with regards to the Project. Our analysis of the projections and conclusions contained within this report are based upon our detailed review of all relevant information (see section IV of this report). We have gained an understanding through our review of the information provided by Management, as well as a review of the DON application.

Reasonableness is defined within the context of this report as supportable and proper, given the underlying information. Feasibility is defined as based on the assumptions used, the plan is not likely to result in insufficient funds available for capital and ongoing operating costs necessary to support the proposed project without negative impacts or consequences to the Applicant's existing patient panel.

This report is based upon historical and prospective financial information provided to us by Management. If Meyers Brothers Kalicka, P.C. had audited the underlying data, matters may have come to our attention that would have resulted in our using amounts that differ from those provided. Accordingly, we do not express an opinion or any other assurances on the underlying data presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by Management because events and circumstances frequently do not occur as expected, and the achievement of the forecasted results is dependent on the actions, plans, and assumptions of Management. We reserve the right to update our analysis, if we are provided with additional information.

IV. Primary Sources of Information Utilized

In formulating our opinions and conclusions contained in this report, we obtained and reviewed various documents obtained from Management. The documents and information we reviewed and relied on are noted below and/or referenced in this report:

- Historical volume of patients and procedures for the existing endoscopy center at the Woburn, MA location for the fiscal years ended September 30, 2023, 2024, and year-to-date June 30, 2025.
- Historical revenue and expenses for the existing endoscopy center at the Woburn, MA location for the fiscal years ended September 30, 2023, 2024, and year-to-date June 30, 2025.
- Winchester Hospital's Form 990 for the years ended September 30, 2024 and 2023.
- Beth Israel Lahey Health, Inc. and Affiliates audited consolidated financial statements as of and for the years ended September 30, 2024 and 2023.
- Projected outpatient volume for the Project for the fiscal years ending September 30, 2028, 2029, 2030, 2031, and 2032.
- Projected revenue and expenses for the Project for the fiscal years ending September 30, 2028, 2029, 2030, 2031, and 2032.
- Projected statements of cash flows from operations for the Project for the fiscal years ending September 30, 2028, 2029, 2030, 2031, and 2032.
- Quote for equipment, installation and service agreements from STERIS Corporation totaling \$971,130.
- Quote for equipment and installation from Nihon Kohden totaling \$119,232.
- Quote for Anesthesia machines from Coast to Coast Medical totaling \$39,000.

IV. Primary Sources of Information Utilized (continued)

- Lease Extension #8 between WH and Cummings Properties, LLC, which includes an extension of the existing lease for ten years following the completion of the construction. Following the completion of the construction, a renovation charge of approximately \$1,954,000, which agrees to the quote provided by Cummings Property, LLC dated May 2, 2025, will be added to the lease repayment schedule to be paid back over the term of the lease. The total construction charge related to the addition of the three endoscopy rooms and seven pre/post procedure bays (1,970 sq ft) and to be included with capital expenditures on the DON application will be \$941,443.
- DON Application Instructions dated July 2023.
- DON Narrative draft provided November 19, 2025.
- DON Application Form.
- Total project costs of the Applicant are made up of the following:

	Capital Expenditures	Other Project Costs	Total
Construction costs	\$ 941,443	\$ -	\$ 941,443
Major movable equipment	971,130	572,713	1,543,843
Total project costs	\$ 1,912,573	\$ 572,713	\$ 2,485,286

Based on discussions with Management and review of information provided, other project costs of approximately \$573,000 are related to major movable equipment, such as computers, printers, furniture, stretchers and other related costs, which are excluded from total capital expenditures of \$1,912,573 in section V of the report as they are not defined as DON-required equipment and are therefore excluded from the DON application.

V. Review of the Projections

This section of the report summarizes our review of the reasonableness of the assumptions used and feasibility of the projections. The tables that follow summarize the projected results of the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing hospital-based endoscopy center at WH.

Revenues

We have reviewed and analyzed the net operating revenues in the historical and projected financial information. For the purposes of this pro forma, volume is based on total outpatient visits. The volume disclosed in the table below represents total outpatient visits projected for the fiscal years ending September 30, 2028 through September 30, 2032. Historical volume of outpatient visits for the existing endoscopy center at WH average a total of ten patients per day (week day) per room for the nine months ended June 30, 2025. Management believes that based on historical volume, an average of six patients per day per room (or 1,140 patients per room per year), is reasonable for the projection for the year ending September 30, 2028 for the addition of three endoscopy procedure rooms and seven pre/post procedure bays. Management assumes increases between 11% and 17% in outpatient cases for the years ended September 30, 2029 through September 30, 2032.

Based on discussions with Management, the rates per outpatient visit are based on the average of Blue Cross Blue Shield (historically 30% of total charges), Harvard Pilgrim (16%), Medicare (27%) and other payers (27%). Management has projected revenue at a rate of \$1,179 per outpatient visit for the year ending September 30, 2028, with an annual increase of 2% for the years ending September 30, 2029 through September 30, 2032.

V. Review of the Projections (continued)

The table below provides a summary of some of the key information for the projected incremental volume and revenues by year for the addition of three endoscopy procedure rooms and seven pre/post procedure bays at WH (fiscal year September):

	Projected/ pro-forma 2028	Projected/ pro-forma 2029	Projected/ pro-forma 2030	Projected/ pro-forma 2031	Projected/ pro-forma 2032
Volume - # of outpatient visits	3,420	3,800	4,370	5,130	5,700
Net patient revenue	\$ 4,032,180	\$ 4,569,804	\$ 5,360,380	\$ 6,418,473	\$ 7,274,269
Net patient revenue per outpatient visit	\$ 1,179	\$ 1,203	\$ 1,227	\$ 1,251	\$ 1,276

We analyzed the projected/pro-forma incremental net revenue for the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing hospital-based endoscopy center at WH for the fiscal years ending September 30, 2028 through September 30, 2032 to assess the reasonableness of the pro-forma statements. Based on our analysis, the pro-forma net revenue projected by Management is a reasonable estimation and conservative.

Expenses

We analyzed each of the categorized expenses for reasonableness and feasibility as it relates to the projected revenue. The table below provides a summary of some of the key information for the projected expenses by year for the addition of three endoscopy procedure rooms and seven pre/post procedure bays at WH (fiscal year September):

Expenses	Projected/ pro-forma 2028	Projected/ pro-forma 2029	Projected/ pro-forma 2030	Projected/ pro-forma 2031	Projected/ pro-forma 2032
Salaries and wages (1)	\$ 888,160	\$ 1,071,408	\$ 1,430,425	\$ 1,459,034	\$ 1,488,214
Fringe benefits (2)	230,922	278,566	371,911	379,349	386,936
Supplies (3)	256,500	290,700	340,991	408,300	462,740
Professional Fees (4)	605,883	641,334	689,861	752,210	804,397
Rent and utilities (5)	253,101	253,443	253,792	254,148	254,511
Repairs and maintenance (6)	79,000	80,580	82,192	203,683	205,360
Other expenses (7)	225,637	230,150	234,753	239,448	244,237
Depreciation (8)	155,184	155,184	155,184	155,184	155,184
CHI payment (9)	28,816	28,816	28,816	-	-
Total Expenses	\$ 2,723,203	\$ 3,030,181	\$ 3,587,925	\$ 3,851,356	\$ 4,001,579

(1) Salaries and wages in the fiscal year ending September 30, 2028 represents wages of eight full-time employees (“FTEs”), including registered nurses and various technicians, for the three additional procedure rooms and seven pre/post procedure bays. Management has assumed the hourly rates for these employees will range from \$28 for technicians to \$78 for registered nurses, based on historical rates for these positions of approximately \$26 and \$65, respectively, for the nine months ended June 30, 2025. Management has estimated pay rates will increase approximately 2% annually for the years ending September 30, 2029 through September 30, 2032.

Management expects an additional registered nurse will be hired for the year ending September 30, 2029, resulting in a total of nine FTEs. For the year ending September 30, 2030, Management assumes two additional registered nurses will be hired, and the total of eleven FTEs will stay consistent for the years ending September 30, 2031 and 2032. For the nine months ended June 30, 2025, there was approximately twenty-eight FTEs for the five existing endoscopy procedure rooms, resulting in an average of five FTEs per room. Management believes that based on historical FTEs, an average of three to four FTEs per room is reasonable for the projections for the years ending September 30, 2028 through September 30, 2032 for the addition of three endoscopy procedure rooms and seven pre/post procedure bays.

V. Review of the Projections (continued)

- (2) Management has estimated the projected fringe benefits at approximately 26% of salary and wages for the years ending September 30, 2028 through September 30, 2032. Management's projections are based on historical fringe benefits for the years ended September 30, 2023 and 2024, and the nine months ended June 30, 2025 of approximately 26% of total wages. These expenses include the pension defined contribution match, FICA and other fringe benefits received through employment.
- (3) Supplies include endoscopic supplies, medical and surgical supplies, pharmaceuticals, and other items needed to operate the endoscopy center. Management's projection is based on historical supply expenses of approximately \$72 per procedure for the nine months ended June 30, 2025. Management is projecting supply expense to be \$75 per procedure for the year ending September 30, 2028, with a 2% inflation of costs annually for the years ending September 30, 2029 through September 30, 2032.
- (4) Professional fees include the anesthesia expense, which is estimated to be \$400,000 for the year ending September 30, 2028. The fee is based on 3 new anesthesiologists at approximately \$133,000 each. Management anticipates the fees will increase annually at a rate of 2% for the years ending September 30, 2029 through September 30, 2032.

In addition, professional fees include a fee related to the Strategic Affiliation Agreement with Atrius Health, Inc. ("Atrius"). Management anticipates 20% of patients will be covered by Atrius Health Insurance. The fee to Atrius is calculated as 25.53% of net revenue for the years ending September 30, 2028 through September 30, 2032, based on the second letter of agreement with Atrius, effective for fiscal years 2025 through 2028.

- (5) WH is currently leasing approximately 9,780 square feet of space for the existing endoscopy center out of approximately 17,000 square feet in total at the Woburn location from Cummings Properties, LLC at a rate of \$27.05 per square foot. The new lease agreement includes the three additional endoscopy procedure rooms and seven pre/post procedure bays, which will be an additional 1,970 square feet of space, and the new rate will be \$42.60 per square foot or approximately \$84,000 annually. The rate includes the construction costs of three new endoscopy rooms and seven pre/post procedure bays of approximately \$941,000, which has been factored into rent expense for the ten years following the completion of construction.

Management has estimated annual rent expense based on the additional space at the new rate of \$42.60, along with the increase in the rate of \$15.55 or approximately \$152,000 for the existing 9,780 square feet. Annual rent is expected to be approximately \$236,000 for the years ending September 30, 2028 through September 30, 2032.

Management has estimated the utilities expense to be approximately \$17,000 for the year ending September 30, 2028, and is expecting a 2% annual increase in costs for the years ending September 30, 2029 through September 30, 2032. Management's projections for the utilities expense are based historical expenses of approximately \$15,000 for the year ended September 30, 2024.

- (6) For the years ending September 30, 2028 through September 30, 2032, repairs and maintenance includes service contracts and purchased services. Management expects a service contract with Steris Corporation for an equipment care plan to begin during the year ending September 30, 2031. Total expenses for this contract will be approximately \$240,000 and will be paid over a two-year period. A contract related to scope services is anticipated to be approximately \$3,300 per month during the year ending September 30, 2028, with a 2% increase annually for the years ending September 30, 2029 through September 30, 2032. Purchased services includes laundry and linen expenses, courier services, cable television, and other services. Management has assumed purchased services expense to be \$12 per procedure for the year ending September 30, 2028, and is projected to increase 2% annually. Management's projection is based on historical purchased services expense at a cost of \$11 per procedure for the year ended September 30, 2024.

V. Review of the Projections (continued)

- (7) Other expenses include monthly lease payments for various equipment, including scope and pyxis machines of approximately \$16,000 per month. Management anticipates the lease expenses to be approximately \$192,000 for the year ending September 30, 2028, and expects a 2% increase in the lease expense annually.
- (8) The estimated costs of the three additional endoscopy procedure rooms, seven pre/post procedure bays and equipment is \$1,543,843, including a 10% contingency, which will be depreciated on a straight-line basis over ten years, beginning in the year ending September 30, 2028.
- (9) The applicant is required to pay a 5% fee to the Commonwealth of Massachusetts based on total project costs of \$1,912,573 which results in a community health initiative (“CHI”) payment of approximately \$95,600. After the DON is approved, a payment equal to 10%, less administrative fees, of the calculated CHI payment is due within 30 days. The applicant is expecting the first payment of \$9,180 will be due during the year ending September 30, 2026, with the remaining amount of \$86,448 due over a three year period, with payments occurring during the years ending September 30, 2028, 2029, and 2030, which have been included in the expenses for the Project shown in the table on page 4.

We analyzed the projected/pro-forma expenses for the fiscal years ending September 30, 2028 through September 30, 2032 to assess the reasonableness of the pro-forma statements. Based on our analysis, the pro-forma total expenses projected by Management are a reasonable estimation and conservative.

Net Income

The table below provides a summary of the net income by year (fiscal year September) for the addition of three endoscopy procedure rooms and seven pre/post procedure bays at WH:

<u>Category</u>	Projected/ pro-forma 2028	Projected/ pro-forma 2029	Projected/ pro-forma 2030	Projected/ pro-forma 2031	Projected/ pro-forma 2032
Total revenue, net	\$ 4,032,180	\$ 4,569,804	\$ 5,360,380	\$ 6,418,473	\$ 7,274,269
Total expenses	2,723,203	3,030,181	3,587,925	3,851,356	4,001,579
Net income	\$ 1,308,977	\$ 1,539,623	\$ 1,772,455	\$ 2,567,117	\$ 3,272,690

Cash Flows

The table below provides a summary of cash flow by year (fiscal year September) for the addition of three endoscopy procedure rooms and seven pre/post procedure bays at WH:

<u>Category</u>	Projected/ pro-forma 2028	Projected/ pro-forma 2029	Projected/ pro-forma 2030	Projected/ pro-forma 2031	Projected/ pro-forma 2032
Net income	\$ 1,308,977	\$ 1,539,623	\$ 1,772,455	\$ 2,567,117	\$ 3,272,690
Depreciation	155,184	155,184	155,184	155,184	155,184
Cash, beginning of year	-	1,464,161	3,158,968	5,086,607	7,808,908
Cash, end of year	\$ 1,464,161	\$ 3,158,968	\$ 5,086,607	\$ 7,808,908	\$ 11,236,782

Based upon our discussion with Management and our review of the information provided, the capital needs and ongoing operating costs required for the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing hospital-based endoscopy center at WH are not likely to result in a scenario where there is negative cash flow over the five year projected period. The Applicant has the resources to fund the capital needs and ongoing operating costs of the addition of three endoscopy procedure rooms and seven pre/post procedure bays.

Ms. Karen Hart
Winchester Hospital
November 24, 2025

VI. Feasibility

We analyzed the projected operations, including outpatient volume, revenue and expenses for the endoscopy center at WH. In performing our analysis, we considered multiple sources of information including historical and projected financial information. It is important to note that the projections do not account for any anticipated changes in accounting and regulatory standards. These standards, which may have a material impact on individual future years, are not anticipated to have a material impact on the aggregate projections.

We determined that the projections were not likely to result in insufficient funds available for ongoing operating costs necessary for the Applicant to support the Project. Based upon our review of the projections and relevant supporting documentation, we determined the addition of three endoscopy procedure rooms and seven pre/post procedure bays to the existing hospital-based endoscopy center at WH is financially feasible, not likely to have a negative impact on the existing patient panel of the Applicant and within the financial capability of the Applicant.

Meyers Brothers Kalicka, P.C.

Holyoke, Massachusetts
November 24, 2025