

Analysis of the Reasonableness of Assumptions Used For and Feasibility of Projected Financials of:

**Cape Cod Healthcare, Inc.
For the Years Ending September 30, 2025
Through September 30, 2031**



Tel: 617-422-0700
Fax: 617-422-0909
www.bdo.com

BDO USA, P.C.
One International Place
Fourth Floor
Boston, MA 02110

January 14, 2026

Jean Butler
Interim Chief Operating Officer
Cape Cod Healthcare, Inc.
88 Lewis Bay Road
Hyannis, MA 02601

**RE: Project Financial Feasibility Services Associated with Department of Public Health
Determination of Need Factor 4**

Dear Ms. Butler:

Enclosed is a copy of our report on the reasonableness of assumptions used for and feasibility of the financial projections for Cape Cod Healthcare, Inc. Please contact me to discuss this report once you have had an opportunity to review.

Sincerely,

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**RE: Project Financial Feasibility Services Associated with Department of Public Health
Determination of Need Factor 4**

Dear Ms. Butler:

We have performed an analysis related to the reasonableness and feasibility of the financial projections (the “Projections”) of Cape Cod Healthcare, Inc. (“Cape Cod Healthcare”, “CCHC” or the “Applicant”), related to the proposed project as detailed further below (the “Proposed Project”). This report details our analysis and findings with regard to the reasonableness of assumptions used in the preparation of the Projections and feasibility of the projected financial results prepared by the management of CCHC (“Management”). This report is to be used by CCHC in connection with its Determination of Need (“DON”) Application - Factor 4(a) and should not be distributed or relied upon for any other purpose.

I. EXECUTIVE SUMMARY

The scope of our review was limited to an analysis of the consolidated seven-year financial Projections for the Applicant for the fiscal years ending September 30, 2025 through September 30, 2031 prepared by Management and the supporting documentation to render a

conclusion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections.

The Projections reflect a cumulative operating EBITDA¹ surplus of approximately 5.4 percent of the Applicant's cumulative projected total operating revenue over the seven-year period from fiscal year ("FY") 2025 through 2031. Based upon our review of the relevant documents and analysis of the Projections, we determined the anticipated operating EBITDA surplus is a reasonable expectation, supported by feasible financial assumptions. Accordingly, we determined that the Projections are both reasonable and feasible, and not likely to negatively impact the Applicant's patient panel or result in a liquidation of CCHC's assets. A detailed explanation of the basis for our determination of reasonableness and feasibility is contained within this report.

II. RELEVANT BACKGROUND INFORMATION²

The Applicant, Cape Cod Healthcare, Inc., is the largest provider of healthcare services for residents and visitors of Cape Cod, Massachusetts. With nearly 600 physicians and 5,000 employees, Cape Cod Healthcare includes the physician organization, Medical Affiliates of Cape Cod, homecare and hospice services, a skilled nursing and rehabilitation facility, an assisted living facility, seven urgent care centers and two acute hospitals - Cape Cod Hospital and Falmouth Hospital.

¹ EBITDA ("Earnings before Depreciation, Interest and Tax") is equivalent to excess of revenue over expenses from operations, excluding depreciation and amortization and interest expenses.

² Portions of this section of the report were adapted directly from the Project Description section of the CHA Application Form for DON Application as directed by the Applicant.

Cape Cod Hospital is the largest provider of inpatient and emergency services on Cape Cod with the only designated trauma emergency department serving the Cape and Islands. The Hospital's service area encompasses the entire Cape Cod region, with a population characterized by a high median age and a rapidly growing proportion of older adults. The Hospital operates three satellite Magnetic Resonance Imaging ("MRI") locations in addition to providing MRI services available at its main campus. All of the Hospital's MRI units are operating above 85 percent. This high utilization results in longer wait times, increased strain on equipment, and limited ability to accommodate emergency patients and complex inpatient cases in a timely manner.

In 2025, the Hospital upgraded its main campus by replacing its only MRI machine with a state-of-the-art unit. After receiving licensure from the Department of Public Health of Massachusetts, the previous MRI machine was deactivated but remains onsite. As a result, the main campus continues to operate with just one MRI unit, which leaves the facility vulnerable to service interruptions and unable to accommodate overflow from already overburdened satellite locations. This lack of redundancy poses a significant risk to the Hospital's ability to provide timely imaging for trauma, stroke, and other emergent cases. The challenge is further heightened by the Hospital's recent designation as the region's only Level III Trauma Center.

Utilization data highlights the increasing demand for MRI services at the main campus. Rates have risen from 83 percent in fiscal year 2022 to 89 percent in fiscal year 2025, with projections indicating utilization will exceed 100 percent by fiscal year 2027. The need for

additional MRI capacity is further emphasized by several recent developments. These include the increased emergency MRI volume resulting from the trauma center designation, the addition of a new inpatient floor with 32 private medical and surgical beds in early fiscal year 2026, updated state regulations requiring enhanced stroke care protocols effective January 1, 2026, and the region's rapidly aging population, with nearly 40 percent of Barnstable County residents expected to be 65 or older by 2035.

Through the Proposed Project, the Applicant proposes to reactivate the existing dormant MRI machine at the main campus, which would allow for the operation of two MRI units. This approach leverages an existing resource, requires no capital expenditure, and will immediately expand imaging capacity to meet both current and future demand. The Proposed Project will strengthen the Hospital's ability to deliver high-quality, patient-centered care to the Cape Cod community by ensuring timely access to advanced diagnostic imaging.

III. SCOPE OF REPORT

The scope of this report is limited on evaluating the seven-year Projections for the fiscal years ending September 30, 2025 through 2031, as prepared by Management. The analysis includes a review of the supporting documentation to render a conclusion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections. For the purpose of this report, *reasonableness* is defined as assumptions that are supportable and appropriate, given the available information. *Feasibility* is defined as the likelihood that, based on the assumptions used, the Proposed Project will not likely result in a liquidation of the underlying assets or necessitate a financial reorganization.

This report is based on prospective financial information provided to us by Management. BDO understands the prospective financial information was developed as of November 05, 2025 and is still representative of Management's expectations as of the drafting of this report. BDO has not audited or performed any other form of attestation services on the projected financial information related to the operations of CCHC.

If BDO 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 or projections presented or relied upon in this report. We do not provide assurance on the achievability of the results forecasted by the Applicant 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 in the event we are provided with additional information.

IV. SOURCES OF INFORMATION UTILIZED

In formulating our conclusions contained in this report, we reviewed documents produced by Management as well as third party industry data sources. The documents and information upon which we relied are identified below or are otherwise referenced in this report:

1. Financial Model for Client for the periods ending September 30, 2024 through September 31, 2031;

2. Audited Financial Statements for Cape Cod Healthcare, Inc., for Fiscal Years Ended September 20, 2022 to September 30, 2024 ;
3. Integra Reports, published by MicroBilt Corporation as of October 2025;
4. Definitive Healthcare data as of January 2024;
5. IBISWorld Industry Report, Hospitals in the US, dated March 2025.

V. REVIEW OF THE PROJECTIONS

This section of our report summarizes our review of the reasonableness of the assumptions used and feasibility of the Projections.

The following table presents the key metrics (“Key Metrics”), as defined below, which compare the forecasted operating results of CCHC to historical results for the Applicant and market information from Integra Data, IBISWorld, and Definitive Healthcare to assess the reasonableness of the Projections.

Cape Cod Healthcare, Inc.	2024	2025	2026	2027	2028	2029	2030	2031
Profitability: Operating Margin (%)	(1.3%)	1.1%	0.0%	1.6%	2.1%	2.7%	1.7%	0.7%
Profitability: Excess Margin (%)	7.0%	5.8%	3.6%	5.5%	6.3%	7.1%	6.5%	5.9%
Liquidity: Days Available Liquidity on Hand (#)	77	73	65	66	65	65	64	63
Liquidity: Operating Cash Flow (%)	(0.9%)	7.5%	4.0%	5.7%	6.2%	6.8%	5.7%	4.7%
Solvency: Current Ratio (x)	1.26x	1.39x	1.32x	1.33x	1.35x	1.35x	1.34x	1.33x
Solvency: Total Debt to Total Capitalization (%)	7.7%	10.6%	9.2%	7.4%	5.9%	4.7%	3.6%	2.6%
Solvency: Debt Service Coverage Ratio	1.96x	4.10x	2.64x	3.48x	4.45x	6.39x	5.82x	4.97x
Solvency: Debt Service/Revenues (%)	1.0%	1.1%	1.5%	1.6%	1.3%	1.0%	1.0%	0.9%
Solvency: Unrestricted Net Assets (\$ in million)	\$902	\$992	\$1,044	\$1,123	\$1,216	\$1,324	\$1,427	\$1,522
Solvency: Total Equity (\$ in million)	\$997	\$1,076	\$1,124	\$1,200	\$1,288	\$1,391	\$1,490	\$1,582

Cape Cod Healthcare, Inc.	2024	2025	Integra - General Medical and Surgical Hospitals (5-year Average)	IBIS - Hospitals in the US (3-year)	Definitive Healthcare
Profitability: Operating Margin (%)	(1.3%)	1.1%	2.20%	19.1%	-10.7%
Profitability: Excess Margin (%)	7.0%	5.8%	0.66%	NA	-3.7%
Liquidity: Days Available Liquidity on Hand (#)	77	73	127.3	NA	NA
Liquidity: Operating Cash Flow (%)	(0.9%)	7.5%	3.5%	49.6%	NA
Solvency: Current Ratio (x)	1.26x	1.39x	2.47x	1.3x	NA
Solvency: Total Debt to Total Capitalization (%)	7.7%	10.6%	46.3%	NA	NA
Solvency: Debt Service Coverage Ratio (x)	1.96x	4.10x	1.03	3.3	NA
Solvency: Debt Service/Revenues (%)	1.0%	1.1%	NA	2.3%	NA
Solvency: Unrestricted Net Assets (\$ in million)	\$902	\$992	NA	NA	NA
Solvency: Total Equity (\$ in million)	\$997	\$1,076	\$1,652	NA	NA

Footnotes:

- Industry data metrics based on each data source's respective definitions and may differ from the ratio definitions listed below. Further, we note industry metrics only include hospitals and do not reflect health systems, including physician organizations.
- Net income margin from Integra and Definitive Healthcare data treated as an equivalent to excess margin.
- Based on our understanding of CCHC's operations, the organization's ability to meet its cash requirements is primarily dependent on the timely collection of patient accounts receivable, as well as maintaining strong inpatient occupancy and outpatient visit volumes. Although CCHC does not plan to utilize long-term investments for operating needs, these funds could be accessed if necessary to support liquidity. If long-term investments are included in the calculation of the Days Available Liquidity on Hand ratio, the ratio for 2024 would be 234 days, with a projected range of 241 to 331 days from 2025 through 2031.

The Key Metrics fall into three primary categories: profitability, liquidity, and solvency. Profitability metrics are used in the evaluation of management performance in how efficiently resources are utilized. Liquidity metrics, including common ratios such as “days of available liquidity on hand”, measure the quality and adequacy of assets to meet current obligations as they come due. Solvency metrics measure the company’s ability to take on and service debt obligations. Additionally, certain metrics can be applicable to multiple categories. The table below shows how each of the Key Metrics is calculated.

Ratio	Definitions
Profitability: Operating Margin (%)	Excess (Deficit) of Revenue over Expenses from Operations Divided by Total Operating Revenue
Profitability: Excess Margin (%)	Excess of Revenue over Expenses divided by the Total Revenue
Liquidity: Days Available Liquidity on Hand (#)	Total of Cash, Short-Term Investments and Account Receivable Multiplied by 365 Divided by Total Cash Operating Expenses excluding Depreciation & Amortization
Liquidity: Operating Cash Flow (%)	Operating Income adjusted for Depreciation & Amortization, Interest and Change in working capital, thereby Divided by Total Operating Revenue
Solvency: Current Ratio (x)	Current Assets Divided by Current Liabilities
Solvency: Total Debt to Total Capitalization (%)	Total Debt divided by Sum of Total Debt and Net Assets (Unrestricted and Restricted Net Assets)
Solvency: Debt Service Coverage Ratio	Total Income Available for Debt Service (i.e. Income from operations adjusted for Depreciation & Amortization and Interest) Divided by Total Debt Service (i.e. Principal Payments + Interest)
Solvency: Debt Service/Revenues (%)	Total Debt Service (i.e. Principal Payments + Interest) Divided by Total Operating Revenue

1. Revenue

Total operating revenue is projected to grow by 8.0 percent in fiscal year 2025, 4.0 percent in fiscal year 2026, and 3.4 percent in fiscal year 2027. From fiscal year 2028 through fiscal year 2031, total operating revenue is expected to stabilize, with annual growth rates ranging from 3.0 percent to 3.1 percent.

We have reviewed the revenue forecasts included in the Applicant's projections. Total operating revenue primarily consists of inpatient and outpatient revenues, supplemented by other operating revenues. These figures are adjusted for contractual discounts, bad debt, and provisions for charity care. The projections reflect anticipated growth driven by increases in both inpatient and outpatient volumes.

Based on discussions with Management, the fiscal year 2025 figures represent unaudited actual results. The projected growth for fiscal year 2026 is primarily driven by a 2.0 percent increase in hospital volumes across both inpatient and outpatient services. In addition to

higher patient volumes, the organization is expected to benefit from rate increases for Medicare, Medicaid, and Managed Care services, further enhancing revenue growth in both inpatient and outpatient categories.

Several entities within the organization contributed to these positive trends. The Medical Affiliates of Cape Cod, Inc. experienced notable increases in both revenue and patient volume, largely due to the addition of new physicians, which enhanced the group's capacity to serve more patients and broaden its clinical expertise. The Visiting Nurse Association of Cape Cod, Inc. realized a \$1.5 million revenue boost as a result of improvements in billing processes. Hospice services also saw significant gains, with revenue increasing by \$346,000 from a 2.6 percent Medicare rate hike and by an additional \$900,000 due to a rise in average daily census from 159.0 to 169.0.

JML Care Center, Inc. achieved a \$1.0 million performance improvement by raising its average daily census from 94.02 to 100.87, with occupancy increasing from 71.2 percent to 76.4 percent, despite no changes in payor rates. Falmouth Assisted Living, Inc. d/b/a Heritage at Falmouth reported a 4.5 percent revenue increase, driven by a 6.0 percent charge increase applied on residents' anniversary dates.

Overall, the combination of increased patient volumes, favorable rate adjustments, operational enhancements, and strategic growth initiatives across multiple entities has positioned the organization for growth in fiscal year 2025 and fiscal year 2026.

To assess the reasonableness of the projected revenue, we reviewed the underlying assumptions provided by Management. Our review indicates that the compounded annual revenue growth rate (“CAGR”) between fiscal years 2024 and 2031 are in range of the observed historical annual revenue growth rates between fiscal years 2023 and 2024 and lower than the CAGR observed between the historical years 2022 and 2024.

	Annual Revenue Growth Range (2022-2024)	Compounded Annual Growth (2022-2024)	Compounded Annual Growth (2024-2031)
Total Operating Revenue	1.5% - 7.0%	4.2%	3.9%

Based upon the foregoing, it is our opinion that the revenue growth projected by Management reflects a reasonable estimation of future revenues of CCHC.

2. Total Operating Expenses

We performed a review of the categorized operating expenses for the fiscal year 2024 to evaluate their reasonableness and feasibility in relation to the organization’s operations. The total operating expenses for 2024 were allocated across several key categories. Salaries and wages represented 47.2 percent of total operating revenue. Employee benefits accounted for 10.5 percent of total operating revenue, while supplies comprised 21.7 percent. In addition, professional fees and purchased services accounted for 5.4 and 6.5 percent of total operating revenue. Other expenses contributed 6.5 percent of total operating revenue. Other operating expenses comprised of depreciation & amortization and Interest accounted for 3.4 and 0.1 percent of the total operating revenue.

In line with the projected growth in total operating revenue for fiscal years 2025 and 2026, total operating expenses are expected to increase by 5.5 percent and 5.1 percent, respectively. The three major expense categories highlighted in the previous section, which include salaries and wages, employee benefits, and supplies, are anticipated to experience notable growth during this period. Salaries and wages are projected to rise by 5.5 percent in 2025 and 5.2 percent in 2026, while employee benefits are expected to increase by 7.7 percent in 2025 and 5.4 percent in 2026. These increases are primarily driven by wage adjustments in accordance with union and nonunion contracts, as well as an anticipated expansion in the number of full-time employees and physicians.

In addition, physician wages and fees are projected to grow by 5.8 percent, reflecting employment offers extended to Falmouth Hospital Radiologists at \$4.2 million, who were previously independent contractors.

Supplies are also expected to increase, with growth rates of 9.0 percent in 2025 and 6.9 percent in 2026, largely attributable to inflationary adjustments and higher service volumes.

Following these increases, the growth rate of total operating expenses is expected to moderate to 1.8 percent in 2027, primarily due to a reduction in purchased services expense, which is projected to stabilize through the end of the forecast period in 2030.

The table below illustrates that the projected annual growth rates for total operating expenses, ranging from 1.8 percent to 5.5 percent, and the compounded annual growth rate

of 3.6 percent over the projection period, are reasonable when compared to the historical annual growth rate range of 3.3 percent to 5.9 percent observed during the fiscal years 2023 and 2024.

	Annual Growth (2022 - 2024)	Projected Annual Growth (2025 - 2031)	Compounded Annual Growth (2024-2031)
Total Operating Expenses	3.3% - 5.9%	1.8% - 5.5%	3.6%

Based upon the foregoing, it is our opinion that the total operating expenses within the Projections reflect a reasonable estimation of future expenses of the Applicant. The projected increases in total operating expenses for fiscal years 2025 and 2026 reflect anticipated expansion and higher service volumes, while the subsequent moderation in growth rates aligns with management's expectation of normalized operations and cost management initiatives. The projected annual and compounded growth rates for total operating expenses are supported by historical trends.

3. Capital Expenditures and Proposed Project Financing

As noted previously, the Proposed Project does not require any additional capital expenditures because it involves the reactivation of the existing dormant MRI unit rather than purchasing or installing a new machine.

VI. FEASIBILITY

We analyzed the projections and Key Metrics for the Proposed Project. In preparing our analysis we considered multiple sources of information including industry metrics, historical results, and Management expectations. It is important to note that the Projections do not account for any anticipated changes in accounting 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.

Within the projected financial information, the Projections exhibit a cumulative EBITDA surplus of approximately 5.4 percent of cumulative projected net revenue for the seven years from FY 2025 through FY 2031. Based upon our review of the relevant documents and analysis of the Projections, we determined the anticipated EBITDA surplus is a reasonable expectation and based upon feasible financial assumptions. Accordingly, we determined that the Projections are reasonable and feasible, and not likely to have a negative impact on the patient panel or result in a liquidation of assets of Cape Cod Healthcare, Inc.

Respectively submitted,

Erik Lynch
Principal, BDO USA P.C.