

**Mass General Brigham
Incorporated**

**Analysis of the Reasonableness of
Assumptions Used For and
Feasibility of Projected Financials of
Mass General Brigham Incorporated
For the Years Ending September 30, 2023
Through September 30, 2028**

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June 28, 2023

Ms. Meredith Wasko
Mass General Brigham Incorporated
399 Revolution Drive STE 645
Somerville, MA 02145

RE: Analysis of the Reasonableness of Assumptions and Projections Used to Support the Financial Feasibility and Sustainability of the Proposed New CT Imaging Unit and Improvements Project at Cooley Dickinson Hospital in Northampton, MA

Dear Ms. Wasko:

I have performed an analysis of the financial projections prepared by Mass General Brigham Incorporated ("Mass General Brigham" or "the Company"; formerly Partners HealthCare System, Inc.) detailing the projected operations of Mass General Brigham including the projected operations of the Cooley Dickinson Hospital, Inc. ("CDH") new CT unit and associated renovation at the CDH campus in Northampton, Massachusetts. This report details my analysis and findings with regards to the reasonableness of assumptions used in the preparation and feasibility of the projected financial information of Mass General Brigham as prepared by the management of Mass General Brigham ("Management"). This report is to be included by Mass General Brigham in 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 my analysis was limited to the six-year consolidated financial projections (the "Projections") prepared by Mass General Brigham as well as the actual operating results for Mass General Brigham for the fiscal years ended September 30, 2021 and 2022 ("Base Budget"), and the supporting documentation in order to render an opinion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections with regards to the impact of the capital project involving and ancillary to the CDH new CT unit project in Northampton, Massachusetts.

The impact of the proposed CT unit at CDH, which is the subject of this DoN application, represents a relatively insignificant component of the projected operating results and financial position of Mass General Brigham. As such, I determined that the Projections are reasonable and feasible, and not likely to have a negative impact of the Applicant's (MGB) patient panel or result in a liquidation of Mass General Brigham's assets. A detailed explanation of the basis for my determination of reasonableness and feasibility is contained within this report.

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II. RELEVANT BACKGROUND INFORMATION

Mass General Brigham Incorporated is the parent organization and sole corporate member of numerous organizations. One of those organizations is Cooley Dickinson Hospital, which is located in Northampton, Massachusetts. Please refer to Factor 1 of the application for description of proposed CT unit project at Cooley Dickinson Hospital, and the rationale for the expenditures.

III. SCOPE OF REPORT

The scope of this report is limited to an analysis of the Projections, Base Budget and the supporting documentation in order to render an opinion as to the reasonableness of assumptions used in the preparation and feasibility of the Projections with regards to the impact of the capital project involving and ancillary to CDH. My analysis of the Projections and conclusions contained within this report are based upon my detailed review of all relevant information (see Section IV which references the sources of information). I have gained an understanding of Mass General Brigham and CDH through my review of the information provided as well as a review of Mass General Brigham website, annual reports, and 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 Mass General Brigham’s existing patient panel” (per Determination of Need, Factor 4(a)).

This report is based upon historical and prospective financial information provided to me by Management. I have not audited or performed any other form of attestation services on the projected financial information. If I had audited the underlying data, matters may have come to my attention that would have resulted in my using amounts that differ from those provided. Accordingly, I do not express an opinion or any other assurances on the underlying data or projections presented or relied upon in this report. I do not provide assurance on the achievability of the results forecasted by Mass General Brigham 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. I reserve the right to update my analysis in the event that I am provided with additional information.

IV. PRIMARY SOURCES OF INFORMATION UTILIZED

In formulating my opinions and conclusions contained in this report, I reviewed documents produced by Management. The documents and information upon which I relied are identified below or are otherwise referenced in this report:

1. Six-Year Pro-Forma Statements (Projections) for the fiscal years ending 2023 through 2028, provided February 17, 2023, updated on March 3, 2023, updated again on June 22, 2023.
2. Projected income statements for the CDH new CT unit, including detailed assumptions for the first five years of operations, provided February 17, 2023 and updated on March 3, 2023;
3. CDH CT Scan Department income statements for fiscal years 2021 and 2022, provided March 17, 2023;

4. Multi-Year Financial Framework of Mass General Brigham Incorporated for the fiscal years ending 2023 through 2027 prepared for Mass General Brigham Finance Committee as of November 11, 2022;
5. Schedule of Estimated Total Capital Expenditure (Factor 4 Form F4a.ii) provided March 3, 2023 and updated on May 11, 2023;
6. Consolidating Balance Sheet and Statements of Operations of MGB and Affiliates, which includes CDH, as of and for the years ended September 30, 2021 and 2022, provided February 12, 2023;
7. Cooley Dickinson Health Care Emergency/Endoscopy Department Renovation presentation to MGB CFO – prepared as of April 11, 2022;
8. Audited Financial Statements of Mass General Brigham Incorporated and Affiliates as of and for the years ended September 30, 2022 and 2021;
9. Company website – <https://www.massgeneralbrigham.org>; Cooley Dickinson Hospital website – <https://www.cooleydickinson.org>;
10. Various news publications and other public information about the Company;
11. Determination of Need Application Instructions dated March 2017; and
12. Draft Determination of Need Factors 1, 2 and 5 provided May 1, 2023.

V. REVIEW OF THE PROJECTIONS

This section of my report summarizes my review of the reasonableness of the assumptions used and feasibility of the Projections. The Projections are delineated between five categories of revenue and six general categories of operating expenses of Mass General Brigham as well as other nonoperating gains and losses for the Company. The following table presents the Key Metrics, as defined below, of Mass General Brigham which compares the results of the Projections for the fiscal years ending 2023 through 2028 to Mass General Brigham historical results for the fiscal year ended 2022. The amounts in each of the columns 2023 through 2028 represent the change in the Key Metrics compared to the prior year.

	As Reported		Change in Key Metrics of Projected Results				
(\$ in thousands)	2022	2023	2024	2025	2026	2027	2028
EBIDA (\$)	502,954	696,246	17,396	37,445	(2,809)	3,180	3,894
EBIDA Margin (%)	3.0%	3.5%	-0.3%	-0.1%	-0.3%	-0.3%	-0.3%
Operating Margin (%)	-2.6%	3.8%	-0.2%	0.0%	0.0%	0.0%	0.0%
Total Margin (%)	-13.5%	17.2%	1.9%	-0.1%	0.0%	0.1%	-0.3%
Total Assets (\$)	26,208,331	637,386	1,277,288	1,263,052	1,355,278	1,462,452	1,469,047
Total Net Assets (\$)	14,625,277	741,111	1,215,524	1,212,803	1,273,964	1,388,600	1,393,022
Unrestricted Cash Days on Hand (days)	251.4	(11.9)	4.3	6.3	(3.4)	(8.1)	(7.7)
Unrestricted Cash to Debt (%)	185.6%	7.1%	12.2%	14.2%	6.3%	2.1%	2.0%
Debt Service Coverage (ratio)	(4.9)	10.8	1.7	(0.2)	0.9	0.2	0.1
Debt to Capitalization (%)	34.4%	-1.8%	-1.8%	-1.6%	-1.4%	-1.4%	-1.2%

The Key Metrics fall into three primary categories: profitability, liquidity, and solvency. Profitability metrics, such as EBIDA, EBIDA Margin, Operating Margin, Total Margin, and Debt Service Coverage

Ratio are used to assist in the evaluation of management performance in how efficiently resources are utilized. Liquidity metrics, such as Unrestricted Cash Days on Hand and Unrestricted Cash to Debt, measure the quality and adequacy of assets to meet current obligations as they come due. Solvency metrics, such as Debt to Capitalization and Total Net Assets, measure the company's ability to service debt obligations. Additionally, certain metrics can be applicable in multiple categories.

The following table shows how each of the Key Metrics is calculated.

Key Metric	Definition
EBIDA (\$)	(Earnings before interest, depreciation and amortization expenses) - Income (loss) from operations + interest expense + depreciation expense + amortization expense
EBIDA Margin (%)	EBIDA expressed as a % of total operating revenues. $EBIDA / \text{total operating revenues}$
Operating Margin (%)	$\text{Income (loss) from operations} / \text{total operating revenues}$
Total Margin (%)	$\text{Excess (deficit) of revenues over expenses} / \text{total operating revenues}$
Total Assets (\$)	Total assets of the organization
Total Net Assets (\$)	Total net assets of the organization (includes net assets without donor restrictions and net assets with donor restrictions)
Unrestricted Cash Days on Hand (days)	$(\text{Cash and equivalents} + \text{investments} + \text{current portion investments limited as to use} + \text{investments limited as to use} - \text{externally limited funds}) / ((\text{Total operating expenses} - \text{nonrecurring charges} - \text{depreciation \& amortization}) / \text{YTD days})$
Unrestricted Cash to Debt (%)	$(\text{Cash and equivalents} + \text{investments} + \text{current portion investments limited as to use} + \text{investments limited as to use} - \text{externally limited funds}) / (\text{Current portion of long-term obligations} + \text{long-term obligations})$
Debt Service Coverage (ratio)	$(\text{Excess (deficit) of revenues over expenses} + \text{depreciation expense} + \text{amortization expense} + \text{interest expense}) / (\text{Principal payments} + \text{interest expense})$
Debt to Capitalization (%)	$(\text{Current portion of long-term obligations} + \text{long-term obligations}) / (\text{Current portion of long-term obligations} + \text{long-term obligations} + \text{net assets without donor restrictions})$

1. Revenues

The only revenue category on which the proposed capital project would have an impact is net patient service revenue. Therefore, I have analyzed net patient service revenue identified by Mass General Brigham in both their historical and projected financial information. Based upon my analysis of the projected results from Fiscal Year 2023 through Fiscal Year 2028, the proposed capital project would represent approximately .0148% (1.5 one-hundredth of 1%) of Mass General Brigham net patient service revenue in FY 2025, and approximately .0172% (Less than 2 one-hundredths of 1%) of Mass General Brigham net patient service revenue in FY 2028. The first year in which revenue is present for the proposed capital project is FY 2025.

It is my opinion that the revenue growth projected by Management reflects a reasonable estimation based primarily upon the Company's historical operations, excluding FY 2020 due to the financial impact of the COVID -19 pandemic.

2. Operating Expenses

I analyzed each of the categorized operating expenses for reasonableness and feasibility as it relates to the projected revenue items. I reviewed the actual operating results for Mass General Brigham for the years ended 2021 and 2022 in order to determine the impact of the proposed capital project at CDH on the consolidated entity and in order to determine the reasonableness of the Projections for the fiscal years 2023 through 2028. Based upon my analysis of the projected results from Fiscal Year 2023 through Fiscal Year 2028, the proposed capital project would represent approximately .0011% (about 1-one thousandths of 1%) of Mass General Brigham operating expenses in FY 2025, and approximately .0019% (about 2-one thousandths of 1%) of Mass General Brigham operating expenses in FY 2028. The first year in which operating expenses are present for the proposed capital project is FY 2025.

It is my opinion that the growth in operating expenses projected by Management reflects a reasonable estimation based primarily upon the Company's historical operations, excluding FY 2020 due to the financial impact of the COVID -19 pandemic.

3. Nonoperating Gains/Expenses and Other Changes in Net Assets

The final categories of Mass General Brigham Projections are various nonoperating gains/expenses and other changes in net assets. The items in these categories relate to investment account activity (realized and unrealized), philanthropic and academic gifts, benefit plan funded status, fair value adjustments and other items. Because many of these items are unpredictable, nonrecurring, or dependent upon market fluctuations, I analyzed the nonoperating activity in aggregate. Based upon my analysis, there were no nonoperating expenses projected for the proposed capital project at CDH. Accordingly, it is my opinion that the pro-forma nonoperating gains/expenses and other changes in net assets are reasonable.

4. Capital Expenditures and Cash Flows

I reviewed Mass General Brigham capital expenditures and cash flows in order to determine whether Mass General Brigham anticipated reinvesting sufficient funds for technological upgrades and property, plant and equipment and whether the cash flow would be able to support that reinvestment.

Based upon my discussions with Management and my review of the information provided, I considered the current and projected capital project and loan financing obligations included within the Projections and the impact of those projected expenditures on Mass General Brigham cash flow. Based upon my analysis, it is my opinion that the pro-forma capital expenditures and resulting impact on Mass General Brigham cash flows are reasonable.

VI. FEASIBILITY

I analyzed the projected operations for Mass General Brigham and the changes in Key Metrics prepared by Management as well as the impact of the proposed new CT unit at CDH upon the Projections and Key Metrics. In performing my analysis, I considered multiple sources of information including historical and projected financial information for Mass General Brigham. It is important to note that the Projections do

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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.

Because the impact of the proposed new CT unit at Cooley Dickinson Hospital represents a relatively insignificant portion of the operations and financial position of Mass General Brigham, I determined that the Projections are not likely to result in insufficient funds available for capital and ongoing operating costs necessary to support the proposed project. Based upon my review of the Projections and relevant supporting documentation, I determined the project and continued operating surplus are reasonable and based upon feasible financial assumptions. Therefore, the proposed new CT unit at CDH is financially feasible and within the financial capability of Mass General Brigham.

Respectively submitted,

A handwritten signature in black ink that reads "Bernard L. Donohue, III, CPA". The signature is written in a cursive, flowing style.

Bernard L. Donohue, III, CPA