



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

**Southcoast Health System, Inc.
For the Years Ending December 31, 2026
Through December 31, 2030**



The report accompanying these financial statements was issued by

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February 12, 2026

Renee Clark
Chief Operating Officer
Southcoast Health System, Inc.
101 Page Street
New Bedford, MA 02740

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

Dear Ms. Clark:

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

Sincerely,

BDO USA, P.C.

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

Dear Ms. Clark:

We have performed an analysis related to the reasonableness and feasibility of the financial projections (the “Projections”) of Southcoast Health System, Inc. (“Southcoast”, “SHS” 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 Southcoast (“Management”). This report is to be used by Southcoast in connection with its Determination of Need (“DON”) Application - Factor 4(a) and should not be distributed or relied upon for any other purpose.

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I. EXECUTIVE SUMMARY

The scope of our review was limited to an analysis of the consolidated five-year financial Projections for the Applicant for the fiscal years ending December 31, 2026 through December 31, 2030 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 income surplus of approximately 1.9 percent of the Applicant's cumulative projected total net revenue over the five-year period from fiscal year ("FY") 2026 through 2030. Based upon our review of the relevant documents and analysis of the Projections, we determined the anticipated operating income 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 Southcoast's assets. A detailed explanation of the basis for our determination of reasonableness and feasibility is contained within this report.

II. RELEVANT BACKGROUND INFORMATION¹

The Applicant, Southcoast Health System, Inc. (“SHS”), is a leading not-for-profit provider of comprehensive healthcare services for residents of Southeastern Massachusetts. Southcoast operates an integrated health delivery system encompassing Southcoast Hospitals Group, Inc. (“SHG”), a licensed hospital with three campuses, urgent care centers, physician offices, a visiting nurse association, an ambulatory surgery center, a nursing facility, and accountable care organizations participating in both the Medicare Shared Savings Program and MassHealth Medicaid Accountable Care Organization program. With a robust workforce and a longstanding commitment to community health, Southcoast delivers high-quality, patient-centered care across a diverse and medically underserved region.

The Southcoast Cancer Program, with locations at SHG’s Charlton Memorial Hospital in Fall River and the SHG Cancer Center in Fairhaven (“Cancer Center”), provides advanced oncology services to the region. The program offers a full spectrum of cancer care, including medical oncology, radiation oncology, surgical oncology, multidisciplinary clinics, and a wide array of support services such as patient navigation, nutritional counseling, social work, and survivorship care. The Cancer Program is accredited by the American College of Surgeons Commission on Cancer, the American College of Radiology in Radiation Oncology, the National

¹ Portions of this section of the report were adapted directly from the Project Description section of the SHS Application Form for DON Application as directed by the Applicant.

Accreditation Program for Breast Centers, and the Quality Oncology Practice Initiative, reflecting its commitment to excellence and continuous improvement.

The Cancer Center in Fairhaven is a central hub for radiation therapy, currently operating a state-of-the-art linear accelerator installed in September 2025. The Center also houses a dormant linear accelerator, previously used for external beam therapy, which remains onsite in a dedicated vault. The high utilization of the primary linear accelerator has resulted in a need to extend daily hours of operation, increased Southcoast's reliance on the equipment, and reduced its ability to accommodate overflow patients and complex cases without extending hours and increasing the burden on patients and staff in order to do so. This challenge is compounded by the region's elevated cancer incidence and risk factors, as well as significant growth in patient volume—monthly new patient visits increased by 40 percent and new treatment volumes by 30 percent between 2023 and 2025, with the Fairhaven location absorbing a disproportionate share of this growth.

The need for expanded radiation therapy capacity is further underscored by several recent developments. These include the growing demand for local treatment of benign conditions, such as essential tremors and osteoarthritis, and the persistent health disparities in the South Coast region, where lower incomes, higher poverty rates, a greater proportion of immigrants, and a significant number of patients who speak English as a second language contribute to challenges in healthcare access and outcomes. According to the Center for Health Information and Analysis (CHIA), the region faces substantial barriers to care and affordability, making local access to advanced cancer treatment especially critical.

Through the Proposed Project, the Applicant seeks approval to reactivate the existing dormant linear accelerator at the Fairhaven Cancer Center, enabling the operation of two linear accelerators at the site. This approach leverages an existing resource, requires no additional capital expenditure, and will immediately expand radiation therapy capacity to meet both current and future demand. The Proposed Project will strengthen Southcoast's ability to deliver timely, high-quality oncology care to the South Coast community, ensuring greater access to essential cancer treatments and specialized therapies in a cost-effective and community-based setting.

III. SCOPE OF REPORT

The scope of this report is limited on evaluating the five-year Projections for the fiscal years ending December 31, 2026 through 2030, 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 February 9, 2026 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 Southcoast.

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 December 31, 2025 through December 31, 2030;
2. Unaudited Financial Statements for Southcoast Health System, Inc., for Fiscal Years Ended September 20, 2025;
3. Audited Financial Statements for Southcoast Health System, Inc., for Fiscal Years Ended September 20, 2023 and September 30, 2024 ;

4. Integra Reports, published by MicroBilt Corporation as of October 2025;
5. Definitive Healthcare data as of January 2024;
6. IBISWorld Industry Report, Hospitals in the US, dated December 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 Southcoast to historical results for the Applicant and market information from Integra Data, IBISWorld, and Definitive Healthcare to assess the reasonableness of the Projections.

Southcoast Health System, Inc.	2022	2023	2024	2025	2026	2027	2028	2029	2030
Profitability: Operating Margin (%)	-4.2%	0.8%	0.9%	0.5%	0.6%	0.6%	1.9%	3.0%	3.1%
Profitability: Excess Margin (%)	-12.3%	5.1%	8.8%	4.9%	1.7%	3.2%	4.4%	5.2%	5.3%
Liquidity: Days Available Liquidity on Hand (#)	161	173	193	166	155	155	151	148	155
Liquidity: Operating Margin Cash Flow (%)	NA	6.1%	5.7%	4.1%	4.1%	4.1%	5.2%	6.2%	6.6%
Solvency: Current Ratio (x)	1.4x	1.4x	1.3x	1.3x	1.3x	1.3x	1.3x	1.3x	1.3x
Solvency: Total Debt to Total Capitalization (%)	23.9%	21.5%	18.2%	17.1%	16.9%	19.3%	24.6%	24.3%	22.3%
Solvency: Debt Service Coverage Ratio	1.1x	4.2x	4.3x	3.6x	3.6x	2.9x	3.6x	4.6x	5.0x
Solvency: Debt Service/Revenues (%)	1.2%	1.3%	1.3%	1.2%	1.1%	1.4%	1.5%	1.4%	1.3%
Solvency: Unrestricted Net Assets (\$ in million)	\$705	\$776	\$905	\$905	\$989	\$1,019	\$1,078	\$1,164	\$1,272



Southcoast Health System, Inc.	2022	2023	2024	2025	2026	2027	2028	2029	2030
Solvency: Total Equity (\$ in million)	\$781	\$861	\$1,005	\$1,096	\$1,129	\$1,189	\$1,276	\$1,385	\$1,501

Southcoast Health System, Inc.	2022	2023	2024	Integra - General Medical and Surgical Hospitals (5-year Average)	IBIS - Hospitals in the US (3-year)	Definitive Healthcare
Profitability: Operating Margin (%)	-4.2%	0.8%	0.9%	2.20%	19.1%	-10.7%
Profitability: Excess Margin (%)	-12.3%	5.1%	8.8%	0.66%	NA	-3.7%
Liquidity: Days Available Liquidity on Hand (#)	161	173	193	127	NA	NA
Liquidity: Operating Margin Cash Flow (%)	NA	6.1%	5.7%	3.5%	49.6%	NA
Solvency: Current Ratio (x)	1.4x	1.4x	1.3x	2.47x	1.3x	NA
Solvency: Total Debt to Total Capitalization (%)	23.9%	21.5%	18.2%	46.3%	NA	NA
Solvency: Debt Service Coverage Ratio (x)	1.1x	4.2x	4.3x	1.03x	3.3x	NA
Solvency: Debt Service/Revenues (%)	1.2%	1.3%	1.3%	NA	2.3%	NA
Solvency: Unrestricted Net Assets (\$ in million)	\$705	\$776	\$905	NA	NA	NA
Solvency: Total Equity (\$ in million)	\$781	\$861	\$1,005	\$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.

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 (%)	Operating Income (Loss) Divided by Net Revenue
Profitability: Excess Margin (%)	Excess of Revenue over Expenses divided by Net Revenue
Liquidity: Days Available Liquidity on Hand (#)	Total of Cash, Short-Term Investments and Unrestricted Investments Multiplied by 365 Divided by Total Operating Expenses excluding Depreciation & Amortization
Liquidity: Operating Cash Flow (%)	Operating Income adjusted for Depreciation & Amortization, Interest and Change in working capital, thereby Divided by Net 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 Total 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. Short-Term Debt + Interest)
Solvency: Debt Service/Revenues (%)	Total Debt Service (i.e. Short-Term Debt + Interest) Divided by Net Revenue

1. Revenue

We reviewed the revenue forecasts included in the Applicant’s projections. Total net revenue, which is comprised of net patient service revenue and other operating revenue, is projected to increase by 5.7 percent in fiscal year 2026, 3.7 percent in fiscal year 2027, 5.2 percent in fiscal year 2028, 6.2 percent in fiscal year 2029, and 4.9 percent in fiscal year 2030. Net patient service revenue is calculated based on projected gross inpatient and outpatient revenue, adjusted for contractual discounts, free care, prior-year settlements, and the

provision for bad debt. Net patient service revenue represents approximately 88 percent of total net revenue.

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 increase in inpatient revenue is driven by steady annual growth in inpatient discharges of approximately 1.4 percent to 2.5 percent, along with a 5.0 percent annual price increase. Similarly, outpatient revenue growth is driven by projected increases in modified work RVUs (Relative Value Units, a common measure of physician service volume and productivity) of approximately 2.0 percent to 3.5 percent per year, along with the same 5.0 percent annual price adjustment. Other operating revenue is projected to grow due to consistent 2.0 percent annual improvements in out-of-region volume, 7.0 percent annual growth in retail and specialty pharmacy operations, and variable donation growth that peaks at 10.0 percent in 2027. Overall, the combination of rising patient volumes, consistent annual price adjustments, operational improvements such as out-of-region growth, and strategic expansion in retail and specialty pharmacy services has positioned Southcoast for sustained growth through fiscal years 2026 to 2030.

To assess the reasonableness of the projected net revenue, we reviewed the underlying assumptions provided by Management. Our review indicates that the projected compounded annual revenue growth rate ("CAGR") of 5.1 percent between fiscal years 2025 and 2030 is lower than the historical annual revenue growth rates between fiscal years 2022 and 2025, ranging from 7.5 percent to 14.8 percent, and is lower than the CAGR of 11.2 percent observed for the historical years 2022 through 2025.

	Annual Revenue Growth Range (2022-2025)	Compounded Annual Growth (2022-2025)	Compounded Annual Growth (2025-2030)
Total Operating Revenue	7.5% - 14.8%	11.2%	5.1%

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

2. Total Operating Expenses

We performed a review of the categorized operating expenses for fiscal year 2025 to assess their reasonableness and feasibility in the context of the organization's operations. The total operating expenses for 2025 were distributed across several key categories. Personnel services accounted for 48.1 percent of net revenue, benefits represented 10.3 percent, and non-labor expenses comprised the remaining 41.2 percent. Non-labor expenses included supplies of 18.7 percent of net revenue, physician services of 1.1 percent, other services of 4.7 percent, other expenses of 11.9 percent, insurance of 0.9 percent, depreciation and amortization of 3.4 percent, and interest of 0.5 percent.

Consistent with the projected growth in net revenue for fiscal years 2026 through 2030, total operating expenses are expected to increase by approximately 3.7 percent to 5.6 percent annually. The three primary expense categories discussed above, personnel services, benefits, and non-labor expenses, are all expected to increase over this period. Personnel services are projected to grow by approximately 4.5 percent to 5.9 percent per year, benefits

are projected to increase by approximately 4.5 percent to 6.0 percent per year, and non-labor expenses are projected to increase by approximately 2.5 percent to 5.6 percent per year.

The projected increases across these categories from fiscal years 2026 through 2030 are primarily driven by several key factors. Merit and market salary adjustments are expected to contribute a consistent 3.0 percent annual growth, while nurse salary increases are forecasted at 4 percent per year, reflecting ongoing efforts to remain competitive in the labor market. Growth in services and other expenses is anticipated to range between 2.0 percent and 3.0 percent annually, driven by inflationary pressures and expanded service offerings. Rental expenses are projected to rise by 3.0 percent in most years, with a temporary pause in growth for one year. Overall, the increases are primarily driven by wage adjustments, ongoing merit and market-based salary increases, and an anticipated expansion in the number of full-time employees and physicians. Additionally, growth in patient volumes and service utilization further contributes to the upward trajectory of operating expenses during this period.

The table below indicates that the projected compounded annual growth rate in operating expenses of 4.6 percent from fiscal year 2025 through 2030 is lower than the historical annual growth rates observed from fiscal years 2022 through 2025, which ranged from 6.0 percent to 15.4 percent, and is also below the 9.5 percent operating expense CAGR over the fiscal year 2022 to 2025 period. We believe this lower projected operating expense growth is reasonable, as it is consistent with the more modest projected net revenue CAGR of 5.1

percent for fiscal years 2025 through 2030, compared to the higher historical net revenue CAGR of 11.2 percent from fiscal years 2022 through 2025, as indicated in the section above.

	Annual Growth (2022 - 2025)	Compounded Annual Growth (2022 - 2025)	Compounded Annual Growth (2025-2030)
Total Operating Expenses	6.0% - 15.4%	9.5%	4.6%

Based upon the foregoing, it is our opinion that the total operating expenses within the Projections represent a reasonable estimate of the Applicant’s future expenses. The projected increases in personnel services, benefits, and non-labor expenses for fiscal years 2026 through 2030 are consistent with anticipated wage adjustments, expansion of staffing levels, and higher service volumes. These growth rates are supported by expected merit and market salary increases, competitive nurse compensation, and increased patient activity. The moderation in certain expense categories and operational metrics in later years aligns with management’s expectations for stabilized operations and ongoing cost management efforts. Overall, the projected annual and compounded growth rates for total operating expenses are substantiated by historical trends and the underlying assumptions detailed above.

3. Capital Expenditures and Proposed Project Financing

The Proposed Project does not require additional capital expenditures because it involves reactivating an existing dormant linear accelerator rather than purchasing or installing a new machine. Additionally, as communicated by Management, no construction or renovation costs are expected, as the existing space is already suitable to house the reactivated equipment.

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 operating income surplus of approximately 1.9 percent of cumulative projected net revenue for the five years from FY 2026 through FY 2030. Based upon our review of the relevant documents and analysis of the Projections, we determined the anticipated operating income 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 Southcoast Health System, Inc., and therefore the Project is financially feasible for the Applicant to undertake.

Respectively submitted,

BDO USA, P.C.

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