

Tellica Imaging - Massachusetts, LLC

**Analysis of the Reasonableness of
Assumptions Used For and
Feasibility of Projected Financials of
Tellica Imaging - Massachusetts, LLC
For the Years Ending September 30, 2026
Through September 30, 2030**

TABLE OF CONTENTS

	Page
I. EXECUTIVE SUMMARY	1
II. RELEVANT BACKGROUND INFORMATION	2
III. SCOPE OF REPORT.....	2
IV. PRIMARY SOURCES OF INFORMATION UTILIZED	2
V. REVIEW OF THE PROJECTIONS	3
VI. FEASIBILITY	6

BERNARD L. DONOHUE, III, CPA

One Pleasure Island Road

Suite 2B

Wakefield, MA 01880

(781) 569-0070

Fax (781) 569-0460

April 18, 2025

Mr. Brad M. Isaacson, PhD, MBA, MSF, PMP

Tellica Imaging – Massachusetts, LLC

36 South Street, Suite 2200

Salt Lake City, UT 84111

RE: Analysis of the Reasonableness of Assumptions and Projections Used to Support the Financial Feasibility and Sustainability of the Proposed Imaging Center in Bedford, Massachusetts by Tellica Imaging - Massachusetts, LLC

Dear Mr. Isaacson:

I have performed an independent analysis of the financial projections prepared by the joint venture (“JV”) partners, Tellica Imaging, LLC (“Tellica”) and BMC Health System, Inc. (“BMCHS”) detailing the projected operations of Tellica Imaging - Massachusetts, LLC (“the Bedford Imaging Center” or “the Center”). This report details my analysis and findings with regards to the reasonableness of assumptions used in the preparation and feasibility of the financial forecast prepared by the JV’s management (“Management”) for the operation of the Bedford Imaging Center. This report is to be used by Tellica Imaging - Massachusetts, LLC in its Determination of Need (“DoN”) Application – Factor 4(a) and should not be distributed for any other purpose.

I. EXECUTIVE SUMMARY

The scope of my analysis was limited to an analysis of the five-year financial projections (the “Projections”) prepared by Management for the operation of the Bedford Imaging Center, 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.

The Projections exhibit a net pre-tax profit margin ranging from 14.1% to 30.3% for the fiscal years 2028 through 2030. Based upon my review of the relevant documents and analysis of the projected financial statements, I determined the project and continued operating surplus are reasonable expectations and are based upon feasible financial assumptions. Accordingly, I determined that the Projections are feasible and sustainable and not likely to have a negative impact on the patient panel or result in a liquidation of assets of Tellica Imaging – Massachusetts, LLC. A detailed explanation of the basis for my determination of reasonableness and feasibility is contained within this report.

*Member: American Institute of CPA's
Massachusetts Society of CPA's*

www.bld-cpa.com

II. RELEVANT BACKGROUND INFORMATION

Tellica was founded in 2021 by Intermountain Healthcare, and in late 2021 opened its first three MRI and CT Scan centers in Utah. It currently operates ten centers in Utah, Idaho and New Hampshire offering MRI and CT scan services. In 2023, Tellica and BMCHS formed a joint venture, Tellica Imaging - Massachusetts, LLC. BMCHS is a tax-exempt, non-profit Massachusetts corporation that oversees the operation of Boston Medical Center Corporation and various other affiliates and associated service entities.

The Proposed Project will specialize in providing MRI and CT scan services at a location in Bedford, MA. Please refer to the DoN application for a further description of the proposed project and the rationale for the expenditures.

III. SCOPE OF REPORT

The scope of this report is limited to an analysis of the Projections prepared by Management 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. 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 the JV and the Bedford Imaging Center through my review of the information provided as well as a review of other resources, such as the Tellica website 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 the Applicant’s existing Patient Panel” (per Determination of Need, Factor 4(a)).

This report is based upon prospective financial information provided to me by Management. 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 presented or relied upon in this report. I 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 are 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 as well as other relevant information that is generally available. The documents and information upon which I relied are identified below or are otherwise referenced in this report:

1. Tellica Imaging - Massachusetts, LLC 5-Year Projected Financial Statements and Assumptions, initially received from Management on June 3, 2024, updated on January 9, 2025 and February 7, 2025;

2. Various documentation supporting calculations included in the projected financial statements, initially received from Management at various times in 2024 and 2005;
3. Medicare rates and base rate calculations, received from Management on June 3, 2024;
4. Operating Agreement of Tellica Imaging – Massachusetts, LLC, received from Management on August 14, 2024;
5. Building lease received from Management on February 15, 2025.
6. Bedford Tellica Imaging DPH Cost Charts received on February 11, 2025;
7. Tellica Imaging - Massachusetts, LLC draft DoN Application as of April 15, 2025;
8. Determination of Need Application Instructions dated March 2017;
9. CMS.gov (Medicare) OPPS Payment System website;
10. Mass.gov Executive Office of Health and Human Services;
11. Tellica Imaging, LLC company website <https://Tellicaimaging.com>.

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 following table presents the key metrics, as defined below, which compares the operating results of the Projections for the fiscal years ending 2026 through 2030, first five years of operations.

<u>Key Metric</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>	<u>FY 2030</u>
Current Ratio	1.3	2.2	5.2	11.5	18.4
Days in Accounts Receivables	45.0	45.0	45.0	45.0	45.0
Days Cash on Hand	-	-	47.8	193.0	367.0
EBITDA (\$)	(1,269,306)	(625,232)	769,716	2,036,509	2,109,711
EBITDA Margin	-133.5%	-31.4%	18.4%	33.0%	33.2%
Net Profit Margin	-152.4%	-40.4%	14.1%	30.1%	30.3%
Total Assets (\$)	2,700,823	2,704,892	3,357,495	5,271,712	7,208,454
Members' Equity (\$)	2,567,674	2,540,526	3,129,750	4,985,766	6,914,984

The Key Metrics fall into three primary categories: liquidity, operating and solvency. Liquidity metrics, such as the Current Ratio, Days in Accounts Receivable and Days Cash on Hand measure the quality and adequacy of assets to meet current obligations as they come due. Operating metrics, such as earnings before interest, taxes, depreciation and amortization (“EBITDA”), EBITDA Margin, and Net Profit Margin are used to assist in the evaluation of management performance in how efficiently resources are utilized. Solvency metrics, such as Total Assets and Members’ Equity, measure the company’s ability to service debt obligations. Additionally, certain metrics can be applicable to multiple categories.

The table below shows how each of the Key Metrics are calculated.

Key Metric	Definition
Current Ratio	Current assets divided by current liabilities
Days in Accounts Receivables	Accounts receivables divided by (net patient service revenue divided by 365 days)
Days Cash on Hand	(Cash & cash equivalents) divided by ((Total operating expenses - depreciation & amortization) divided by YTD days)
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBITDA Margin	EBITDA divided by net patient service revenue
Net Profit Margin	Net profit divided by net patient service revenue
Total Assets	Total assets of the LLC
Members' Equity	Net equity of the LLC

1. Revenues

I analyzed the revenues identified by the Bedford Imaging Center in the Projections. Based upon my discussions with Management, the projected volume was based on historical data at one of Tellica's existing centers and a gradual ramp-up schedule from 16% utilization in fiscal year 2026, 32.7% utilization in fiscal year 2027, and 66.6% utilization in fiscal year 2028, to a sustained 95.5% utilization level for fiscal years 2029 and 2030. The payer mix was also based on the historical data at Tellica's existing centers. Reimbursement rates were based upon current Medicare ASC rates, Medicaid rates and expected Commercial Insurance contracted rates based on discussions with Commercial Insurance providers. In order to determine the reasonableness of the projected revenues, I reviewed the underlying assumptions upon which Management relied.

I first reviewed the Projections to determine the reasonableness of the projected volume. Tellica created a ramp up table, using conservative estimates from the historical data available from a current operating center which was deemed to be similar in stature to Bedford Imaging Center. Starting with 5 scans per day in the first month of operations, volume was increased monthly by 6.1% until full utilization was obtained in the first month of fiscal year 2029. Full utilization is considered 95% of available time. I compared the projection data to other data available of imaging centers and found that the projection data used was reasonable, and that the number of projected scans at full utilization were within the ranges of currently operating imaging centers as determined by the survey of the other data.

Next, I reviewed the Projections to determine the reasonableness of the payer mix and reimbursement rates selected for the fiscal years 2026 through 2030. To determine the reasonableness of the payer mix in the projections, I compared them to other sources available to me and found them to be within acceptable ranges. The Medicare rates are standard rates, using the Medicare Outpatient Prospective Payment System (OPPS) rates as a guide, adjusted for inflation and by a wage index for the specific geographic location of the facility. Medicare also specifies which CT and MRI procedures are able to be performed in an ASC. I compared the Medicare rates used for fiscal year 2026 to the Medicare rates effective January 1, 2025 as adjusted by inflation and the wage index, included in the 2025 OPPS and ASC Final Rule, published by CMS on November 14, 2024. The current Medicare rates include a 2% reduction, or sequestration. The Medicaid rates used in the projection were defined as global rates. I tested this assumption by comparing the rates used for the identified CPT codes from the Tellica projections to the

Medicaid rates per CPT codes for Massachusetts taken from the regulations published in 101 CMR 318.00, Rates for Radiology Services, which establishes the payment rates for scans in free standing imaging centers. I then calculated the average of the Medicare and Medicaid rates and compared it to the average rates used in the projection and found them to be within acceptable ranges. I also compared the average rates to other sources available and found that they were also within acceptable ranges. The Commercial Insurance rates were based on Management's estimate and experience with similar facilities. It is expected that these rates will be approved at an estimated \$450 for CT Scans and an estimated \$750 for MRI scans. All of the rates were increased by 3.0% for each of the succeeding years.

Based upon the foregoing, it is my opinion that the revenue projected by Management reflects a reasonable estimation of future revenues of the Bedford Imaging Center.

2. Expenses

I analyzed the Salary and Benefits, as well as the Other Operating Expenses for reasonableness and feasibility as related to the Projection of the Bedford Imaging Center.

Salaries and Benefits were analyzed both for wage rates used and, as related to clinical care, for the amount of clinical staff hours provided. The staffing hours were compared to our internal survey and were found to be consistent with the survey results. The wage rates for all clinical and administrative categories were also compared to Massachusetts median wages for 2025 and found to be consistent.

Medical Surgical Supplies included in the projections were compared to our internal survey and found to be consistent with the ranges included in the survey. Other expenses were also compared to the survey and found to be reasonable.

Salaries and benefits are projected to increase by 3.1% per year. Clinical expenses are projected to increase by 3.1% per year. Most other expenses are also projected to increase by 3.1% per year. The only exception is the management fee which is calculated as a percent of NPSR. This percentage remains constant at 6.24% and is deemed reasonable.

It is my opinion that the operating expenses projected by Management are reasonable in nature.

3. Lease Agreement, Capital Expenditures and Cash Flows

I reviewed the lease terms, projected capital expenditures and future cash flows of the Bedford Imaging Center in order to determine whether sufficient funds would be available to support the lease of the Bedford Imaging Center, support the lease of the CT and MRI equipment and whether the cash flow would be able to support the continued operations.

Based upon my review of the Projections and my discussions with Management, it is my understanding that up to 4,075 square feet of space will be leased to the Bedford Imaging Center. Rent will be \$33.08 per square foot, and common area maintenance charges, taxes and insurance will be approximately \$12.55 per square foot. The building lease will include a 3% increase every year and common area maintenance charges will increase 4% annually. The lease of the CT and MRI equipment is based on a flat rate of \$43,500 per month throughout the projection period. This amount includes maintenance and supplies.

Accordingly, I determined that the pro-forma capital expenditures, facility and equipment leases and the resulting impact on the cash flows of the Bedford Imaging Center are reasonable.

VI. FEASIBILITY

I analyzed the Projections and Key Metrics for Tellica Imaging - Massachusetts, LLC as well as the impact of the proposed project. In preparing my analysis I considered multiple sources of information including projected financial information for the Bedford Imaging Center.

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. However, Management has informed me that it has not capitalized lease assets and obligations related to its equipment and real estate leases as required under Accounting Standards Update (ASU) 2016-02, Leases (ASC Topic 842) and subsequent amendments (i.e., US GAAP). The Center has reported lease payments as expense as incurred. The effects of this departure on the Center's financial position, results of operations, and cash flows have not been determined.

Based upon my review of the relevant documents and analysis of the projected financial statements, I determined the project and continued operating surplus are reasonable and are based upon feasible financial assumptions. Accordingly, I determined that the Projections are feasible and sustainable and not likely to have a negative impact on the patient panel or result in a liquidation of assets of Tellica Imaging - Massachusetts, LLC.

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