

NOTICE OF MATERIAL CHANGE

DATE OF NOTICE: July 13, 2017

1. Name: **Lahey Health System, Inc.**

2.	Federal TAX ID #	MA DPH Facility ID #	NPI #
	61-1665701	Not applicable	Not applicable

CONTACT INFORMATION

3. Business Address 1: **41 Mall Road**

4. Business Address 2:

5. City: **Burlington** State: **MA** Zip Code: **01805**

6. Business Website: **www.laheyhealth.org**

7. Contact First Name: **David** Contact Last Name: **Spackman**

8. Title: **General Counsel & SVP Governmental Affairs**

9. Contact Phone: **781-744-5100** Extension:

10. Contact Email: **David.G.Spackman@lahey.org**

DESCRIPTION OF ORGANIZATION

11. *Briefly* describe your organization.

Lahey Health System, Inc. ("Lahey") is a non-profit integrated health system. Lahey is the sole member of three corporations which hold hospital licenses in Massachusetts (Lahey Clinic Hospital, Inc., Northeast Hospital Corp., and Winchester Hospital). Lahey's model is predicated on providing care in the most cost-efficient and clinically appropriate setting, and is intended to support the transition to a market that rewards value-based care. Lahey also operates behavioral health and post-acute care organizations.

TYPE OF MATERIAL CHANGE

12. Check the box that most accurately describes the proposed Material Change involving a Provider or Provider Organization:

- A Merger or affiliation with, or Acquisition of or by, a Carrier;
- A Merger with or Acquisition of or by a Hospital or a hospital system;
- Any other Acquisition, Merger, or affiliation (such as a Corporate Affiliation, Contracting Affiliation, or employment of Health Care Professionals) of, by, or with another Provider, Providers (such as multiple Health Care Professionals from the same Provider or Provider Organization), or Provider Organization that would result in an increase in annual Net Patient Service Revenue of the Provider or Provider Organization of ten million dollars or more, or in the Provider or Provider Organization having a near-majority of market share in a given service or region;
- Any Clinical Affiliation between two or more Providers or Provider Organizations that each had annual Net Patient Service Revenue of \$25 million or more in the preceding fiscal year; provided that this shall not include a Clinical Affiliation solely for the purpose of collaborating on clinical trials or graduate medical education programs; and
- Any formation of a partnership, joint venture, accountable care organization, parent corporation, management services organization, or other organization created for administering contracts with Carriers or third-party administrators or current or future contracting on behalf of one or more Providers or Provider Organizations.

13. What is the proposed effective date of the proposed Material Change? **On or about 12/31/2017**

MATERIAL CHANGE NARRATIVE

14. *Briefly* describe the nature and objectives of the proposed Material Change, including any exchange of funds between the parties (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of Health Care Services) and whether any changes in Health Care Services are anticipated in connection with the proposed Material Change:

The objective of the proposed Material Change is to create the level of economic and clinical integration required to establish a new health care delivery system in Eastern Massachusetts – one that is well positioned to provide consumers with a high-value market alternative to help the Commonwealth lower health care costs.

CareGroup, Inc. (the parent of Beth Israel Deaconess Medical Center, Inc. (BIDMC), which includes Beth Israel Deaconess Hospital-Milton, Inc., Beth Israel Deaconess Hospital – Needham, Inc., and Beth Israel Deaconess Hospital – Plymouth, Inc., New England Baptist Hospital, and Mount Auburn Hospital), Lahey Health System (LHS), Inc. (the parent of Lahey Clinic Hospital, Inc., Northeast Hospital Corp., and Winchester Hospital), and Seacoast Regional Health Systems (SRHS), Inc. (the parent of Anna Jaques Hospital), together will create a new, non-profit charitable corporation (NewCo), which will serve as a comprehensive, distributed, and high-value health care system in Eastern Massachusetts.

NewCo will become the sole corporate member of (i) each hospital within CareGroup, LHS, and SRHS; and (ii) a Clinically Integrated Network (NewCo CIN), which will be the sole corporate member of Beth Israel Deaconess Physician Organization, LLC d/b/a Beth Israel Deaconess Care Organization, Lahey Clinical Performance Network, LLC and Lahey Clinical Performance Accountable Care Organization, LLC. Mount Auburn Cambridge Independent Practice Association, Inc. will remain an independent corporate entity, but will participate in the design, management, and governance of, and become a participating provider in, NewCo CIN.

No funds will be exchanged among the parties as part of this transaction. There are no specific changes to Health Care Services planned as part of this affiliation at this time.

15. *Briefly* describe the anticipated impact of the proposed Material Change, including but not limited to any anticipated impact on reimbursement rates, care referral patterns, access to needed services, and/or quality of care:

NewCo providers are among the lowest cost relative to market peers. Bringing these providers together offers a procompetitive, high-quality, lower cost option that will benefit consumers and payers in the Commonwealth. The establishment of NewCo CIN allows NewCo to effectively manage total medical expenses and improve access, quality, and coordination of medical and behavioral health care. Through this organizational structure, NewCo will achieve the level of economic and clinical integration required to compete effectively and thereby help the Commonwealth meet its cost containment goals.

NewCo aims to positively impact the average cost of care by attracting patients to its lower cost provider network. As a financially integrated provider network, NewCo, along with NewCo CIN, will be better able to attract such patients and provide the right level of care within the system. The geographic coverage of NewCo and NewCo CIN will improve access for consumers to medical and behavioral health providers within a well-managed, integrated system of care that can be the foundation for tiered or narrow network insurance products. In addition, NewCo and NewCo CIN will build on the legacy of quality improvement pursued by each of the parties through improved access to patient information and the sharing of best practices, evidence-based medicine, and quality improvement infrastructure.

DEVELOPMENT OF THE MATERIAL CHANGE

16. Describe any other Material Changes you anticipate making in the next 12 months:

Lahey does not anticipate further Materials Changes in the next 12 months but will provide any and all required regulatory notices and applications to appropriate government agencies should that change.

17. Indicate the date and nature of any applications, forms, notices or other materials you have submitted regarding the proposed Material Change to any other state or federal agency:

None.

Note: Lahey anticipates filing a Determination of Need application to the Massachusetts Department of Health and participating in the review of the proposed transaction which may be conducted by the Massachusetts Attorney General's Office and the Federal Trade Commission, but has submitted no documents to these agencies as of this time.

SUPPLEMENTAL MATERIALS

18. Submit the following materials, if applicable, under separate cover to HPC-Notice@state.ma.us.

The Health Policy Commission shall keep confidential all nonpublic information, as requested by the parties, in accordance with M.G.L. c. 6D, § 13(c), as amended by 2013 Mass. Acts, c. 38, § 20 (July 12, 2013).

- a. Copies of all current agreement(s) (with accompanying appendices and exhibits) governing the proposed Material Change (e.g., definitive agreements, affiliation agreements);
- b. A current organizational chart of your organization
- c. Any analytic support for your responses to Questions 14 and 15 above.

[Remainder of this page intentionally left blank]

This signed and notarized Affidavit of Truthfulness and Proper Submission is required for a complete submission.

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION

I, the undersigned, certify that:

1. I have read 958 CMR 7.00, Notices of Material Change and Cost and Market Impact Reviews.
2. I have read this Notice of Material Change and the information contained therein is accurate and true.
3. I have submitted the required copies of this Notice to the Health Policy Commission, the Office of the Attorney General, and the Center for Health Information and Analysis as required.

Signed on the 13th day of JULY, 2017, under the pains and penalties of perjury.

Signature: David G. Spackman

Name: DAVID G. SPACKMAN

Title: GENERAL COUNSEL & SUP GOVERNMENT RELATIONS

FORM MUST BE NOTARIZED IN THE SPACE PROVIDED BELOW:

Barbara T. Lamont
Notary Signature

Copies of this application have been submitted electronically as follows:

Office of the Attorney General (1)

Center for Health Information and Analysis (1)