

## NOTICE OF MATERIAL CHANGE

Date of Notice: 10/30/2013

1.	Name:	Lahey Health System, Inc.				
2.	Federal TAX ID #	MA DPH Facility ID #		NPI #		
	61-1665701	Not Applicable		Not Applicable		
<b>Contact Information</b>						
3.	Business Address 1:	41 Mall Road				
4.	Business Address 2:					
5.	City:	Burlington	State:	MA	Zip Code:	01805
5.	Business Website:	<a href="http://www.laheyhealth.org">www.laheyhealth.org</a>				
<b>Contact Information</b>						
7.	Contact First Name:	David		Contact Last Name:	Spackman	
8.	Title:	General Counsel and SVP Governmental Affairs				
9.	Contact Phone:	781-744-3466		Extension:		
10.	Contact Email:	<a href="mailto:David.G.Spackman@lahey.org">David.G.Spackman@lahey.org</a>				
<b>Description of Organization</b>						
11.	<i>Briefly describe your organization.</i>					
	<p>Lahey Health System, Inc. ("Lahey Health"), a Massachusetts non-profit corporation, is the direct and indirect corporate parent of a number of operating subsidiaries which provide a full continuum of integrated health services in northeastern Massachusetts and southern New Hampshire. Lahey Health's primary subsidiaries include: (i) Lahey Hospital &amp; Medical Center, an acute care hospital in Burlington, MA, a satellite campus in Peabody, MA, and an outpatient center in Lexington, MA; (ii) Beverly Hospital, an acute care hospital in Beverly, MA, a satellite campus at Addison Gilbert Hospital in Gloucester, MA, an outpatient center in Danvers, MA, and BayRidge Hospital, an inpatient psychiatric hospital in Lynn, MA; (iii) Lahey Clinic, a physician group practice with offices in Burlington, Peabody and other locations throughout northeastern Massachusetts and southern New Hampshire, including more than 30 primary care physician practices; (iv) Lahey Health Senior Care, providing skilled nursing care at Seacoast Nursing and Rehabilitation Center and Ledgewood Rehabilitation and Skilled Nursing Center as well as home care, adult day health care, and private duty care; and (v) Lahey Health Behavioral Services, providing outpatient and inpatient behavioral health care at a number of locations. The Lahey Clinical Performance Accountable Care Organization, LLC (the "Lahey ACO"), a Medicare Shared Savings Program ACO, is also a part of Lahey Health.</p>					
<b>Type of Material Change</b>						
12.	Check the box that most accurately describes the proposed material change:					
	<input type="checkbox"/> Merger or affiliation with a carrier <input type="checkbox"/> Acquisition of or acquisition by a carrier <input checked="" type="checkbox"/> Merger with or acquisition of or by a hospital or a hospital system <input type="checkbox"/> Any other acquisition, merger, or affiliation between a provider organization and another provider organization where such acquisition, merger, or affiliation would result in an increase in annual net patient service revenue of the provider or provider organization of more than \$10,000,000 <input type="checkbox"/> Any clinical affiliation between a provider or provider organization with another provider or provider organization which itself has an annual net patient service revenue of more than \$25,000,000 <input type="checkbox"/> Formation of a partnership, joint venture, common entity, accountable care organization, or parent corporation created for the purpose of contracting on behalf of more than one provider or provider organizations					

13.	What is the proposed effective date of the proposed material change?	Immediately upon the receipt of necessary regulatory consents and approvals.
<b>Material Change Narrative</b>		
14.	<i>Briefly describe the nature and objectives of the proposed material change:</i>	
	<p>Pursuant to an Affiliation Agreement between Lahey Health and Winchester Healthcare Management, Inc. ("Winchester"), the sole corporate member of Winchester Hospital, a Massachusetts non-profit corporation operating an acute care hospital in Winchester, executed on September 27, 2013, Lahey Health will become: (i) the sole corporate member of Winchester Hospital; and (ii) the indirect corporate parent of Winchester Hospital's operating subsidiaries (including those that are currently subsidiaries of Winchester), which includes Winchester Physician Associates, Inc. (together, the "Affiliation").</p> <p>As more specifically described in Section 15 hereafter, the objective of the Affiliation is to rationalize and improve the quality and delivery of healthcare services to residents of the Winchester and Lahey Health marketplaces at aggregate costs to the Commonwealth and its residents that will be materially lower than those currently supported and driven by historical over-reliance (unrelated to access, cost or quality) on higher cost medical centers.</p>	
15.	<i>Briefly describe the anticipated impact of the proposed material change:</i>	
	<p>Following the consummation of the Affiliation, and consistent with the goals and objectives of Chapter 224 of the Acts of 2012, Lahey Health and Winchester Hospital will operate the post-closing business of Winchester Hospital in a collaborative decision-making manner, with the shared goals of: (i) maintaining and enhancing quality, safety and patient satisfaction; (ii) achieving further cost savings from operational efficiencies and best demonstrated practices of both entities; (iii) enabling Winchester Hospital to obtain an electronic medical record platform that it could not access on its own; (iv) providing a broader and deeper foundation for the transition from fee-based reimbursement systems to population health management based payment systems and for the associated financial challenges; (v) using all available tools to promote transparency and consumer education; and (vi) assuring services are provided in appropriate settings.</p> <p>The objective of assuring that services are provided in appropriate settings will be accomplished by (i) maximizing the use of high-quality, lower cost community hospital settings, (ii) reducing unnecessary admissions to less accessible, high-cost medical centers, and (iii) reserving Lahey Hospital and Medical Center's 300+ beds for the far more limited number of patients requiring high-intensity tertiary and quaternary level services. These changes constitute the only realistic path to truly affordable quality care for the Commonwealth. Providing that care at the most appropriate setting (highest quality, lowest cost, and convenient access) inherently requires the highly coordinated care transition protocols (accountability for both processes and outcomes) that Winchester Hospital and Lahey Health are committed to provide.</p>	
<b>Development of the Material Change</b>		
16.	<i>Describe any other material changes you anticipate making in the next 12 months:</i>	
	<p>As indicated in BIDMC's submission to HPC on March 22, 2012, Atrius, Lahey Health, and Beth Israel Deaconess Medical Center are engaged in preliminary and high-level discussions about a possible new multi-party collaboration.</p> <p>Lahey Health is currently engaged in preliminary discussions with other health care providers in the region regarding potential collaborations and affiliations; however, Lahey Health has not entered into definitive agreements or letters of intent as a result of these discussions and none of these potential collaborations or affiliations are anticipated to be completed within the next 12 months.</p>	
17.	<i>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:</i>	
	<p>On October 25, 2013, Winchester Hospital filed an application with the Massachusetts Department of Public Health for a Determination of Need for a change of ownership of Winchester Hospital. The parties anticipate making submissions to federal authorities under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 ("HSR") in mid-November. Lahey Health and Winchester have previously notified the Office of the Attorney General of Massachusetts (the "AGO") of the Affiliation and anticipate further discussions with the AGO subsequent to the HSR filing.</p>	

**Affidavit of Truthfulness and Proper Submission**

I, the undersigned, certify that:

1. I have read the Health Policy Commission Bulletin 2013-1, **Interim Guidance for Providers and Provider Organizations Relative to Notice of Material Change to the Health Policy Commission**.
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 and to all relevant agencies (see below\*) as required.

Signed on the 30<sup>th</sup> day of October, 20 13, under the pains and penalties of perjury.

Signature: Howard R. Grant

Name: Howard R. Grant, J.D., M.D.

Title: President and CEO

FORM MUST BE NOTARIZED IN THE SPACE PROVIDED BELOW:

Barbara T. Lamont  
Notary Signature  
Expiration: May 18, 2018

Copies of this application have been submitted electronically as follows:

Office of the Attorney General (1)

Center for Health Information and Analysis (1)