PARTNERS HEALTHCARE SYSTEM, INC.
DON APPLICATION # PHS-18050912-AM
ATTACHMENTS

SIGNIFICANT AMENDMENT
NORTH SHORE MEDICAL CENTER

JUNE 7, 2018

BY

PARTNERS HEALTHCARE SYSTEM, INC.
800 BOYLSTON STREET, SUITE 1150
BOSTON, MA 02199

PARTNERS HEALTHCARE SYSTEM, INC.
APPLICATION # PHS-18050912-AM

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RETURN OF PUBLICATION

I, the undersigned, hereby certify under the pains and penalties of perjury, that I am employed by the publishers of *The Salem News* and the following Public/Legal announcement was published in two sections of the newspaper on May 24, 2018 accordingly:

1) "Public Announcement Concerning a Proposed Health Care Project" page 25, Legal Notice Section.

(check one) _____ Size at least two inches high by three columns wide
✓ Size at least three inches high by two columns wide

2) "Public Announcement Concerning a Proposed Health Care Project" page 2, From Page One Section.

(check one) ✓ Size at least two inches high by three columns wide
_____ Size at least three inches high by two columns wide

Signature

Customer Support Manager
~~Name~~ Title

Christa MacDonald
~~Title~~ Name

another cluster because of ... [illegible] ...@salemnews.com.

PUBLIC ANNOUNCEMENT CONCERNING A PROPOSED HEALTH CARE PROJECT

Partners HealthCare System, Inc. ("Applicant") located at 800 Boylston Street, Suite 1150, Boston, MA 02199 intends to file a Notice of Determination of Need ("DoN") for Significant Change ("Application") with respect to the previously issued DoN Project #6-3C46 for a substantial capital expenditure at North Shore Medical Center located at 81 Highland Avenue, Salem, MA 01970. The Application requests approval to build out shell space previously approved in the Project to accommodate an additional thirty (30) inpatient psychiatric beds. The total value of the requested change based on the approved maximum capital expenditure is $0. The Applicant does not anticipate any price or service impacts on the Applicant's existing Patient Panel as a result of the Project. Any ten Taxpayers of Massachusetts may register in connection with the intended Application no later than 30 days of the filing of the Notice of Determination of Need by contacting the Department of Public Health, Determination of Need Program, 250 Washington Street, 6th Floor, Boston, MA 02108.

SN – 5/24/18

esterly by said land of Moroney, 93.4 feet to the street now called Buxtreet which leads northerly from Warren Street; thence running
rtherly by said Buxton Street, 49 feet to the point of beginning.
gether with the right to pass and repass over the land once reserved street, now called Water Street, which lies on the northerly side of and ning the granted premises.
RCEL II
parcel of land being a portion of Lot 3C on a plan entitled, "Land of Hen-Connelly, Water Street, Peabody, Mass., dated April 1958, by Edwin T. zynski, Surveyor", recorded in Book 4467, Page 151, more particularly ribed as follows:
sterly by land of grantors, 37.84 feet;
outherly by land now or formerly of Moroney, 30.73 feet;
rthwesterly by land of grantees, 48.55 feet;
ntaining 581 square feet shown as "AREA, 581 S.F." on a plan entitled d in Peabody, Mass., Scale 1 in. = 20 ft., dated April 1959, Edward udzynski, Registered Surveyor", which plan is recorded as Plan 611 59.
r Mortgagor's title see deed recorded in Book 22387, Page 94.
r mortgagor's (s') title see deed recorded with Essex County (Southern ict) Registry of Deeds in Book 22387, Page 94.
ese premises will be sold and conveyed subject to and with the benf all rights, rights of way, restrictions, easements, covenants, liens or s in the nature of liens, improvements, public assessments, any and npaid taxes, tax titles, tax liens, water and sewer liens and any other icipal assessments or liens or existing encumbrances of record which n force and are applicable, having priority over said mortgage, whether ot reference to such restrictions, easements, improvements, liens or mbrances is made in the deed.
ERMS OF SALE:
deposit of Five Thousand ($5,000.00) Dollars by certified or bank

Public Announcement Concerning a Proposed Health Care Project

Partners HealthCare System, Inc. ("Applicant") located at 800 Boylston Street, Suite 1150, Boston, MA 02199 intends to file a Notice of Determination of Need ("DoN") for Significant Change ("Application") with respect to the previously issued DoN Project #6-3C46 for a substantial capital expenditure at North Shore Medical Center located at 81 Highland Avenue, Salem, MA 01970. The Application requests approval to build out shell space previously approved in the Project to accommodate an additional thirty (30) inpatient psychiatric beds. The total value of the requested change based on the approved maximum capital expenditure is $0. The Applicant does not anticipate any price or service impacts on the Applicant's existing Patient Panel as a result of the Project. Any ten Taxpayers of Massachusetts may register in connection with the intended Application no later than 30 days of the filing of the Notice of Determination of Need by contacting the Department of Public Health, Determination of Need Program, 250 Washington Street, 6th Floor, Boston, MA 02108.

SN - 5/24/18

Attachment/Exhibit

2

STAFF SUMMARY FOR DETERMINATION OF NEED
BY THE PUBLIC HEALTH COUNCIL
July 13, 2016

APPLICANT: North Shore Medical Center, Inc.

PROGRAM ANALYST: Jere Page

LOCATIONS: Salem Hospital Campus
81 Highland Ave.
Salem, MA 01970

Union Hospital Campus
500 Lynnfield Street
Lynn, MA 01904

REGION: HSA VI

DATE OF APPLICATION: October 7, 2015

PROJECT NUMBER: 6-3C46

PROJECT DESCRIPTION: New construction of a 3-story, 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, there will be 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. Finally, the vacated emergency department building will be renovated to accommodate a new main entrance/reception/lobby, as well as additional capacity for relocated outpatient cardiac and pulmonary rehabilitation. Also included in the renovation are wellness, ultrasound and infusion services.

ESTIMATED MAXIMUM CAPITAL EXPENDITURE:
Requested: $180,507,208 (October 2015 dollars)
Recommended: $180,507,208 (October 2015 dollars)

ESTIMATED FIRST YEAR INCREMENTAL OPERATING COSTS:
Requested: $1,791,253 (October 2015 dollars)
Recommended: $1,791,253 (October 2015 dollars)

LEGAL STATUS: A regular application for substantial changes in service pursuant to M.G.L. c.111, s.25C and the regulations adopted thereunder.

ENVIRONMENTAL STATUS: No environmental notification form or environmental impact report is required to be submitted for this project since it is exempt under 301 Code of Massachusetts Regulations 10.32 (3) promulgated by the Executive Office of Environmental Affairs pursuant to Massachusetts General Laws, Chapter 20, §§ 61-62H. As a result of this exemption, the project has, therefore, been determined to cause no significant damage to the environment.

OTHER PENDING APPLICATIONS: None

COMPARABLE APPLICANT(S): None

COMMENTS BY CENTER FOR HEALTH INFORMATION AND ANALYSIS: None submitted

COMMENTS BY HEALTH POLICY COMMISSION: None submitted

COMMENTS BY TEN TAXPAYER GROUPS: A Determination of Need public hearing was held on January 12, 2016, in Salem at the request of the Michael Toomey, Alan Jackson, and Leslie Greenberg Ten Taxpayer Groups. The hearing was attended by approximately 100 people, 35 of whom testified. Subsequent to the hearing, over 20 written comments and several calls related to the proposed transfer were received by the DoN Office. In addition, an Essential Services hearing was held on January 7, 2016, in Lynn, which was attended by approximately 300 people, 44 of whom testified.

RECOMMENDATION: Approval with conditions.

I. BACKGROUND AND PROJECT DESCRIPTION

North Shore Medical Center ("Applicant" or "NSMC") submitted a Determination of Need application on October 7, 2015 for a substantial capital expenditure and substantial change in service. NSMC is the eighth largest hospital system in Massachusetts and currently operates two campuses, the 268-bed campus in Salem and the 126-bed campus in Lynn. The proposed project will encompass the construction of a new 3-story, 115,405 GSF building on the Salem Campus, which will include a new emergency department on the ground floor and two 24-bed units of new private medical/surgical beds on the above two floors.

The project also involves 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility ("SNS") adjacent to the Salem Campus. The renovated SNS will accommodate 120 inpatient psychiatric beds, including 18 existing pediatric psychiatric beds and 20 existing geriatric psychiatric beds transferred from the Union Campus, relocation of 26 existing adult psychiatric beds from the Salem Campus, and the expansion of 56 new inpatient beds (12 pediatric, 10 geriatric, and 34 adult psychiatric beds). In addition, the vacated emergency department building will be renovated to accommodate a new main entrance/reception/lobby, as well as additional capacity for relocated outpatient cardiac and pulmonary rehabilitation and wellness from elsewhere on the Salem Campus, and relocated ultrasound and infusion services from the Union Campus.

Salem Campus is a 268-bed acute care hospital located at 81 Highland Avenue in Salem, and currently provides the following services:

- Adult Emergency Medicine
- Pediatric Emergency Medicine
- Adult Hospital Medicine
- Pediatric Hospital Medicine
- Adult Surgical Services
- Pediatric Surgical Services
- Adult Pulmonary and Critical Care
- Obstetrics
- Special Care Nursery
- Laboratory Services
- Radiology
- Sleep Center
- Physical Medicine and Rehabilitation
- Outpatient Adult Specialty Clinics
- Outpatient Pediatric Specialty Clinics
- Inpatient Adult Behavioral Health
- Outpatient Adult Behavioral Health

Union Campus is a 126-bed acute care hospital located at 500 Lynnfield Street in Lynn, and currently provides the following services:

- Adult Emergency Medicine
- Adult Hospital Medicine
- Adult Surgical Services
- Adult Pulmonary and Critical Care
- Laboratory Services
- Radiology

- Outpatient Adult Specialty Clinics
- Inpatient Geriatric Behavioral Health
- Inpatient Pediatric Behavioral Health
- Outpatient Adult Behavioral Health

Chart 1

Service	Current Licensed Beds			Post-Project Licensed Beds		
	Salem	Union	Total NSMC	Salem	Union	Total NSMC
Medical/Surgical	171	76	247	219	0	219
ICU/CCU/SICU	28	12	40	28	0	28
Pediatrics	24	0	24	24	0	24
Adult Psych	26	0	26	60	0	60
Geri Psych	0	20	20	30	0	30
Pedi Psych	0	18	18	30	0	30
Obstetrics	19	0	19	19	0	19
Total	268	126	394	410	0	410

NSMC reports that it developed the proposed project in response to the move to population health management and to the mandates of state and national health reform requiring providers to control costs and provide more efficient care. To meet these demands, NSMC will consolidate all services at the Salem Campus to better accommodate the changing utilization patterns of its service area and the increasing demands for sub-specialization and evolving technology in inpatient care. As a result, all acute care services at the Union Campus will be closed in approximately three years. The chart below shows the changes in bed numbers after the consolidation:

NSMC is a member of the Partners HealthCare System ("Partners"), which was founded in 1994, and consists of two tertiary and six community acute care hospitals, one hospital providing inpatient and outpatient mental health services, four rehabilitation hospitals, other health care related facilities, and the Neighborhood Health Plan, Inc. a licensed health maintenance organization.

NSMC's Primary Service Area ("PSA") Communities

To define NSMC's PSA, Staff selected the communities below that in 2014 cumulatively accounted for 90% of annual discharges at the Salem and Union Campuses when ranked ordinarily. They are:

Danvers	Peabody
Lynn	Revere
Lynnfield	Salem
Marblehead	Saugus
Nahant	Swampscott

Source: Center for Health Information and Analysis (CHIA): NSMC 2013-2014 Hospital Profiles

Staff's findings from the data show that residents of Lynn contributed the largest percentage of discharges to NSMC, almost two and one half times that of either Salem or Peabody in both 2013 and 2014, as indicated below:

Chart 2

	2013			2014		
	Hospital's Discharges	Cumulative % of Hospital's Discharges	% of Town's Discharges	Hospital's Discharges	Cumulative % of Hospital's Discharges	% of Town's Discharges
Lynn	7,524	37.89%	61%	7,026	38.03%	60%
Peabody	3,095	15.58%	42%	2,729	14.77%	39%
Salem	3,051	15.36%	59%	2,796	15.13%	56%
Marblehead	971	4.89%	56%	875	4.74%	52%
Swampscott	766	3.86%	55%	686	3.71%	53%
Danvers	719	3.62%	19%	643	3.48%	17%
Saugus	610	3.07%	18%	584	3.16%	17%
Beverly	500	2.52%	9%	463	2.51%	8%
Lynnfield	305	1.54%	26%	299	1.62%	24%
Nahant				228	1.23%	57%
Revere	219	1.10%	3%			
Total PSA*	17,760	89.43%		16,329	88.39%	
Total Discharges	19,860			18,474		

In 2014, 60% of all the residents of Lynn who were discharged from hospitals went to NSMC. Only slightly more than a third of patients who reside in Lynn were hospitalized at other facilities whereas 44% of Salem residents and 61% of Peabody residents went to other hospitals.

Project Phases

Upon approval by the Department, the project is expected to be accomplished in three distinct phases, as indicated below:

The **first phase** will involve renovation of the former Spaulding Hospital - North Shore ("SNS") facility as well as the construction of a new building on the Salem campus that will house the proposed 48 private medical surgical beds and the new emergency department.

The **second phase** will involve construction of a new main lobby/entrance for the campus which will include reception, security, café and gift shop.

The **third phase** will involve renovation of the space currently occupied by the Hospital's emergency department. The former emergency department space will be renovated to provide outpatient services including infusion, cardiac and pulmonary rehabilitation and wellness services, along with a large phlebotomy draw station.

All of the project's construction and renovation is expected to be completed by December 2019.

Essential Services Process

In January, 2016, the Department held a public hearing regarding the proposed closure of essential services at NSMC's Union Hospital campus in Lynn, at a future date to be determined, but estimated to be within approximately three years. As a result of its review, including testimony presented at the hearing, the Department made a finding that the services provided by NSMC at its Union Hospital campus are in fact necessary for preserving access and health status within NSMC's service area.

NSMC has indicated in writing that it will continue to operate an emergency department at Union Hospital while Union Hospital remains open for approximately the next three years. NSMC has also indicated that it is considering a range of options after closure, one of which is a satellite emergency facility.

Based on the above, the Department required NSMC to prepare a plan that details how access to the emergency services provided at its Union Hospital campus will be maintained for the residents of the service area. The Department instructed NSMC that its plan must include information regarding NSMC's plans to ensure the availability of emergency department services to the residents of Lynn and the surrounding towns; methods under consideration to address transport times to remaining emergency departments in the area, and NSMC's plan, if any, to provide emergency services in Lynn after the closure of the Union Hospital emergency department, including but not limited to establishing a satellite emergency facility ("SEF") of Salem Hospital in Lynn.

II. STAFF ANALYSIS

A. Factor 1 -Health Planning Process

Prior to filing this application, NSMC consulted with the Determination of Need Program, the Bureau of Health Care Quality and Safety, the Division of Medical Assistance, the Department of Mental Health, and Partners Continuing Care. NSMC also reports that it consulted with and received letters of support from the City of Salem, Lynn Community Health Center, North Shore Community Health, Massachusetts Association for Mental Health, CareDimensions, BaneCare Management, Salem State University, Eastern Bank, Massachusetts General Hospital, North Shore Physicians Group, and several physicians and other clinical staff from NSMC.

NSMC further reports that the consolidation of acute care services at the Salem Campus is the result of a multi-year planning process resulting in a strategic plan that responds to the mandates of state and national health reform requiring providers to control costs and provide more efficient care in recognition of the shift of care to outpatient settings and the increasing demand for sub-specialization and evolving technology in inpatient services.

NSMC April 2012 Independent Community Health Needs Assessment ("ICHNA")

NSMC reports that its strategic plan to consolidate acute care services at Salem was complemented by an independent community health needs assessment conducted in April 2012, which determined that the Hospital's PSA needed increased access to primary, specialty and urgent care, behavioral health care and chronic disease management support.

Staff Review of the NSMC ICHNA

The NSMC 2012 independent community health assessment is referred to as a complement to and an integral part of the planning process for consolidation of all acute care services at the Salem Campus. The ICHNA included 18 charts and tables of statistical data related to substantial social determinants in the NSMC service area. In every instance, the data identified Lynn as the community with the greatest healthcare needs and the most vulnerable population. Based on the data in NSMC's community health assessment and other sources, Lynn:

- Lynn is the largest city in NSMC's PSA with a population greater than 90,000, which is almost double the population of the next highest PSA community.
- Lynn has the highest poverty rate in NSMC's PSA (21% of population below the federal poverty level)
- Lynn has the highest population percentage of minorities in NSMC's PSA
- Lynn has the largest population of Limited English Proficient ("LEP") residents in NSMC's PSA (19,000 residents)
- Lynn has the highest level of publicly insured and uninsured residents in NSMC's PSA (47,000 residents with public insurance; 6,000 residents uninsured)
- Lynn has the lowest per capita income in NSMC's PSA (lower than the MA rate by 36%)
- Lynn has the highest number of residents with less than a high school diploma in NSMC's PSA (20% of population)
- Lynn has the highest number of substance abuse admissions in the PSA (2,360 in FY 2014)
- Lynn had the highest number of lung cancer cases in the PSA (365 in FY 2014)
- Lynn had the highest number of teen births in the PSA (150 in FY 2014)
- Lynn had the highest number of sexually transmitted illnesses, including chlamydia in the PSA (178 in FY 2014)

U.S. Census Bureau, Bureau of Labor Statistics (October 2015 Report), Massachusetts Department of Transitional Assistance, Department of Public Health - Bureau of Substance Abuse Services FY2014, Department of Public Health - Cancer Registry Nov. 2015, Department of Public Health MassCHIP (Community Health Information Profiles)

Given the needs of the City of Lynn and NSMC's decision to consolidate all services at Salem, Staff is concerned about the adequacy of the ICHNA report as a planning document for the project, and in particular the lack of involvement by and consultation with Lynn City officials. Staff agrees with Lynn City officials that expanded community and stakeholder input needs to be a part of a meaningful and ongoing dialogue with NSMC. Given this concern, Staff recommends the following condition of approval:

Condition:

To ensure more equitable geographic and socioeconomic access to health care services for Lynn residents, and in recognition of the processes already underway, NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents. This updated evaluation shall be provided in two phases. The initial phase shall reflect the work of the Emergent/Urgent Care Services Planning Group that is meeting regarding how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation. This initial update shall be provided to the Department within one year of the issuance of DoN approval. Upon completion of Phase One in 2018, the second phase of this updated evaluation of community health needs shall begin and be incorporated into NSMC's existing community health needs planning process. As part of its existing federally mandated community health needs assessment process every three years the hospital must conduct an in-depth community needs assessment and outline a strategy for meeting community-identified needs of underserved populations. This process will be expanded to include a targeted focus on assessing the needs of the general populations throughout the hospital's primary service area, including the City of Lynn. The update shall be done in active consultation and active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area. In addition, with respect to the City of Lynn, the community health needs assessment will be inclusive of the diverse socio-economic groups that exist in the city.

NSMC Board of Trustees

NSMC reports that its planning process involved considerable long term participation by its Board of Trustees, Hospital administration, physicians, nurses, managers and others.

However, Staff is concerned that the NSMC Board does not equitably reflect all of the communities in the NSMC PSA, or the priorities and needs of the people within those communities. Staff believes it essential that NSMC ensure that the communities within the PSA, and the more vulnerable patient population within the PSA, are adequately represented in the governance structure for NSMC.

Staff recommends the following condition of approval regarding the NSMC Board.

Condition:

NSMC shall seat, over the next three years, and maintain a board of individuals with cultural, ethnic and gender diversity that is reflective of the communities it serves with a particular emphasis on the needs of the underserved and more vulnerable patient populations. As part of the process of identifying and electing new board members NSMC shall consider the

recommendations of a wide number of sources in the PSA, including other health care organizations, elected officials, advocacy groups and other community organizations.

To ensure compliance with the above conditions, Staff recommends a further condition of approval, as follows:

Condition:

At a minimum, the Department shall review compliance with the above conditions within 1 year of issuance of DoN approval and again after the completion of the project. At each time, NSMC's report of the status of compliance shall be reviewed by the Staff of Department and presented to the Public Health Council (PHC) by Staff of the Department after consultation with NSMC and community parties specified in these conditions. Further, NSMC and the community parties shall have an opportunity to address the PHC in regard to these conditions. Upon consideration of such presentations, the PHC will be the final arbitrator as to compliance with the conditions, and reserves the right to continue the progress reports beyond the specified one year if needed and, if so, decide the timeline for the preparation of said reports to the PHC.

Given NSMC's agreement with the above conditions regarding a reevaluation of the planning process, Board reconfiguration, and the PHC reporting process, Staff finds that NSMC has engaged in a satisfactory health planning process, in keeping with the Department's mission to ensure access and health equity for all people in the Commonwealth.

B. Factor 2 - Health Care Requirements

1. Medical/Surgical Beds

As indicated above, the project will include construction of a new 3-story building on the Salem Campus, which will include two 24-bed units of new private medical/surgical beds on the top two floors.

NSMC is currently licensed to operate 247 medical/surgical beds among its two campuses. The Salem Campus currently operates 171 medical/surgical beds and the Union Campus operates 76 medical/surgical beds.

With consolidation of all acute services at Salem, NSMC reports that its analysis of future medical/surgical bed need focused on historical overall occupancy among both campuses, as well as utilization based on patient acuity. Based on these factors, NSMC concluded that a simple one-to-one replacement of all the existing 247 medical/surgical beds would result in excess capacity and exceed demand in the PSA for the service. In order to ensure that the proposed project results in efficient use of resources, the Hospital determined that a net reduction in beds will allow it to continue to meet the needs of the service area while eliminating unnecessary capacity.

Given the above decision, NSMC plans to relocate 48 of the 76 licensed medical/surgical beds at the Union Campus to the Salem Campus, bringing the total to 219 beds at Salem. This will occur by constructing an addition above the new ED building with two floors of 24 private rooms each. As shown in Table 1 below, this will result in a net reduction of 28 medical/surgical beds from NSMC's license after project implementation.

Table 1

NSMC Medical/Surgical Bed Changes

	Salem	Union	Total
Current	171	76	247
Change	+48	-76	-28
Future	219	0	**219**

In addition, NSMC reports that for both Campuses combined, its average total occupancy rate for inpatients for 2012 through 2014 was 61%. Table 2 below also shows NSMC's medical/surgical occupancy separated by individual campus from 2012 -2015.

Table 2

NSMC Medical/Surgical Service Based on Inpatient Admissions

	Patient Days			Occupancy Rate		
Year	Salem	Union	Total NSMC	Salem	Union	Total NSMC
2012	38,602	16,866	55,468	61%	60%	61%
2013	40,336	16,938	57,274	65%	61%	64%
2014	39,112	14,342	53,454	63%	52%	59%
2015	43,040	13,624	56,694	69%	49%	63%
2016 YTD annualized*	43,162	13,984	57,146	69%	50%	63%

*October 2015 – March 2016

NSMC also reports there are utilization issues resulting from the existence of multi-bed rooms at the Hospital. When there is rooming incompatibility due to gender or the presence of infection, the Hospital often cannot utilize all beds in a room. Therefore, the addition of 48 private rooms will be more efficient, increase privacy for patients and families and provide for improvement in occupancy rates.

The Hospital's occupancy projections following completion of the project are detailed in Table 3 below. Using the utilization data indicated in 2016 YTD, above, and a reduction in beds to 219, NSMC has calculated that in 2019, its medical/surgical occupancy would be 70.8%, as shown below in Table 3 NSMC reports that it would likely retain all its current patients and will have that capacity. However it is likely that a small percentage of patients will choose another provider once services are not available on the Union campus.

Table 3

NSMC Total Actual(A) and Projected (P) Medical/Surgical Occupancy

	Occupancy Rate
2012 (A) (247 beds)	61.29%
2013 (A)	63.53%
2014 (A)	59.29%
2015 (A)	63.00%

2016 (annualized)	63.20%
2019 (P) (219 beds)	71.00%
2020 (P)	70.80%
2021 (P)	71.00%
2022 (P)	71.00%

2. Inpatient Psychiatric Beds

NSMC reports that it currently operates a comprehensive inpatient psychiatric service with a total of 64 beds among the Salem and Union campuses. This includes 26 adult psychiatric beds on the Salem Campus and 18 pediatric and 20 geriatric psychiatric beds on the Union Campus.

The project will involve renovation of the former Spaulding Hospital – North Shore facility ("SNS") to accommodate 120 inpatient psychiatric beds. When completed, the renovated SNS will accommodate inpatient psychiatric beds as follows:

- The relocation of 18 existing pediatric psychiatric beds and 20 existing geriatric psychiatric beds transferred from the Union Campus.
- The relocation of 26 existing adult psychiatric beds from the Salem Campus.
- The expansion of 56 new inpatient beds (12 pediatric, 10 geriatric, and 34 adult psychiatric beds).

NSMC further reports that its current adult, pediatric, and geriatric beds are regularly close to or at capacity, as detailed in Table 4 below. For example, in FY 2014, based on an occupancy rate of 95% to account for room blocks due to patient incompatibility, the Hospital's adult unit was at full capacity 50% of the time, the pediatric unit was at capacity 21% of the time and the geriatric unit was at capacity 28% of the time. As a result, NSMC reports that there were 173 days in FY 2014, when there was no bed available at the Hospital for adult psychiatry patients who presented to the Hospital's Emergency Department ("ED") and required admission. This trend has continued for FY 2015 –FY 2016, with all units at capacity at least 25% of the time. Because of the high utilization of these units, NSMC is often confronted with daily backlogs in its ED, as patients wait for admission or transfer to another facility with capacity.

Table 4
NSMC Historical Demand for Inpatient Psychiatric Services
FY 2012 –FY 2015

Year	Patient Days	% Change	Occupancy	Beds
Pediatric Psychiatric				
2012	4,880	-	74.07%	18
2013	5,009	2.6%	76.24%	18
2014	5,299	5.1%	80.65%	18
2015	5,153	-2.8%	78.43%	18
Adult Psychiatric				
2012	8,841	-	92.91%	26
2013	8,431	-4.6%	88.84%	26
2014	8,944	6.1%	94.25%	26
2015	8,819	-1.40%	92.93%	26
Geriatric Psychiatric				
2012	5,785	-	79.03%	20
2013	6,038	4.4%	82.71%	20
2014	6,127	1.5%	83.93%	20
2015	6,212	1.39%	85.10%	20

To project demand for its expanded psychiatric services, NSMC has assumed that because historical demand for its existing pediatric, geriatric and adult services is high, projected occupancy will increase due to population growth in the PSA, reduced patient transfers to other facilities, and the elimination of gender incompatibility, as seen in Table 5 below.

Table 5
NSMC Projected Demand for Inpatient Psychiatric Services

FY 2019 – FY 2022

Year	Patient Days	% Change	Occupancy	Beds
Pediatric Psychiatric				
2019	7,665	-	70%	30
2020	8,232	5%	75%	30
2021	8,760	5%	80%	30
2022	9,034	2.5%	82.5%	30
Adult Psychiatric				
2019	18,615	-	85%	60
2020	19,764	5%	90%	60
2021	19,710	0%	90%	60
2022	19,710	0%	90%	60
Geriatric Psychiatric				
2019	8,760	-	80%	30
2020	9,223	4%	84%	30
2021	9,636	4%	88%	30

NSMC states that the renovations to accommodate the above projected demand will also allow an overall psychiatric capacity increase of 82%, as well as more than double the number of adult beds that the Hospital currently operates, and allow for 1,730 additional annual psychiatric admissions by 2020. This expanded capacity will also allow NSMC to admit patients who are currently transferred to other facilities for the service and improve their continuity of care.

NSMC further reports that relocating the 26 adult beds from the Salem Campus to SNS, will also eliminate existing physical plant deficiencies including an inadequate HVAC, limited ability to cohort higher acuity patients, limited physician and social work consultation space, and shortage of private patient rooms and baths. The expanded beds will also allow NSMC to decrease lengths of stay in its ED for patients requiring admission, as well as reduce the delays in care that occur while patients await transfer.

NSMC states that it will collaborate with Massachusetts General Hospital in the operation of the expanded psychiatric services, and the parties are currently developing the specific programming for the services. NSMC reports that the new facility will be committed to improving access to care for patients with comorbid substance use disorders by providing state-of-the-art treatment including group and individual therapies, as well as medically managed withdrawal and psychopharmacologic treatment. NSMC further reports that the plans for the expanded pediatric unit include a specialized area of the unit to focus on and co-locate patients diagnosed with autism spectrum disorders. Also, additional areas of programmatic focus will be explored and refined as planning continues for the facility.

As shown in Table 6 below, the changes in inpatient psychiatric beds after the renovation is completed will be as follows:

Table 6
NSMC Psychiatric Bed Changes

	Salem		Union	
	Current	**Future**	**Current**	**Future**
Adult	26	60	0	0
Pediatric	0	30	18	0
Geriatric	0	30	20	0
Total Beds	26	120	38	

Staff notes that the DoN Guidelines for acute behavioral health services were last updated in 1986. Rather than updating these existing Guidelines, the DoN Program has opted to defer to the expertise of the Department of Mental Health ("DMH") on the need for the proposed 56 additional psychiatric bed capacity at NSMC.

DMH has provided a letter of support (Attachment 1) for the proposed project citing a need for additional psychiatric services to serve the population residing in the NSMC service area. DMH notes that the NSMC proposal will provide specialized behavioral treatment programs such as adults with co-morbid Substance Use Disorders and children with Autism Spectrum Disorders. DMH further notes that it is often difficult to find appropriate clinical placement for such patients, who may incur significant waiting times in emergency departments.

3. Emergency Department

As indicated previously, the project will encompasses the construction of a new 3-story, which will include a new emergency department on the ground floor.

NSMC reports that it is a Level III trauma center with a reported high acuity patient population, which in 2014 experienced 85,707 patient visits. As a Level III trauma center, NSMC provides 24-hour-a-day coverage by trauma-trained surgeons, emergency department physicians and nurses, and 24-hour-a-day access to anesthesia, laboratory and radiology services.

The current Emergency Departments at the Salem and Union Campuses are configured as follows:

NSMC Salem Emergency Department

- Gross Square Footage – 22,115 SF (includes Pedi ED)
- Imaging equipment – 1 X-Ray and 1 CT (both permanent)
- Treatment bays – 37 Adult and 7 Pedi
- Specially equipped behavioral health rooms – 1
- Observation rooms – none

NSMC Union Emergency Department

- Gross Square Footage – 13,755 SF
- Imaging equipment – 1 portable X-Ray unit
- Treatment bays – 19
- Specially equipped behavioral health rooms – 1
- Observation rooms – none

NSMC reports that both the Salem and Union ED's were opened in 2002, and both have significant physical space limitations or operational deficiencies based on the 2010 Facility Guidelines Institute Guidelines for Design and Construction of Health Care Facilities and the Department's Plan Review Checklist. The Salem and Union ED deficiencies are listed below, which were compiled by NSMC.

List of Deficiencies from 2010
DPH Checklist
NSMC Emergency Department – Salem

No. 1	Main waiting room does not have a dedicated exhaust system as per 2010 checklist	(page 3 of 13, Table 7-1)(2.2-3.1.3.4)
No. 2	Triage rooms do not have negative pressure @ 12 air changes as per 2010 checklist	(page 2 of 3, Table 7-1) (2.2-3.1.3.3(3))
No. 3	Triage rooms do not have medical gas outlets as per 2010 checklist	(page 2 of 13, Table 2.1-6) (2.2-3.1.3.3(3))
No. 4	Pedi Trauma room is only 184 sq. ft. and does not meet the new 2010 standard of 250 sq. ft.	(page 4 of 13) (2.2-3.1.3.6(6))
No. 5	Pedi Trauma room does not have 15 air changes	(page 4 of 13, Table 7-1) (2.2-3.1.3.6(6))
No. 6	There is no exam room or bay in the Adult or Pedi area that meet the 2010 Bariatric code requirements	(page 5 of 13) (2.2-3.1.3.6(5))
No. 7	There are no ceiling lift systems for bariatric patients	(page 5 of 13) (2.2-3.1.3.6(5)(d))
No. 8	There is no separate treatment room in the fast track area	(page 7 of 13) (2.2-3.1.3.6(10))
No. 9	There is no separate exam/treatment room designed for pelvic exams in the fast track area as required in the 2010 checklist	(page 7 of 13) (2.2-3.1.3.6(10(c))
No. 10	The current E.D. does not have a dedicated observation unit, nor does it have many of the required support functions as required in the 2010 checklist	(page 8 of 13) (2.2-3.1.4.3)
No. 11	The current E.D. does not have a dedicated shower and nourishment station as required in the 2010 checklist for an observation unit	(page 9 of 13) (2.2-3.1.4.3(8)) & (2.1-2.6.7)
No. 12	There is not sufficient space in the E.D. for emergency storage as required in the new 2010 checklist	(page 10 of 13) (2.2-3.1.6.11(2))
No. 13	E.D. staff offices are on another floor due to inadequate space in the current E.D.	
No. 14	There is no isolation room in the pediatric area as per the 2010 checklist	(page 4 of 13) (2.2-3.1.3.6(4)(b))

List of Deficiencies from 2010
DPH Checklist
NSMC Emergency Department – Union

No. 1	Main waiting room does not have a dedicated exhaust system as per 2010 checklist	(page 3 of 13 Table 7-1) (2.2-3.1.3.4)
No. 2	Triage rooms do not have negative pressure @ 12 air changes as per 2010 checklist	(page 2 of 3Table 7-1) (2.2-3.1.3.3(3))
No. 3	There are no exam rooms or bays in the Adult area that meet the 2010 Bariatric code requirements	(page 5 of 13) (2.2-3.1.3.6(5))
No. 4	There are no ceiling lift systems for bariatric patients	(page 5 of 13) (2.2-3.1.3.6(5)(d))
No. 5	The current E.D. does not have a dedicated observation unit, nor does it have many of the required support functions as required in the 2010 checklist	(page 3 of 13) (2.2-3.1.4.3)
No. 6	The current E.D. does not have a dedicated shower and nourishment station as required in the 2010 checklist for an observation unit.	(page 9 of 13) (2.2-3.1.4.3(8)) & (2.1-2.6.7)
No. 7	There is not sufficient space in the E.D. for emergency storage as required in the new 2010 checklist	(page 10 of 13) (2.2-3.1.6.11(2))
No. 8	The current E.D. does not have a decontamination room or decontamination storage	(page 6 of 13) (2.2-3.1.3.6(9)
No. 9	The existing Trauma room does not have the required number of scrub stations	(page 6 of 13) (2.2-3.1.6.5)
No. 10	The E.D. addition is not structurally isolated in all locations for seismic purposes	(7B1 CMR)
No. 11	The E.D. addition was not separated from the existing structure by a fire barrier having not less than a 2 hr. rating	NFPA 101 (18.1.1.4)
No. 12	Some of the exam/treatment rooms are off of a 6 ft. wide corridor	(page 11 of 13) (2.1-7.2.2.1)
No. 13	Six of the exam bays do not meet the minimum square footage requirements	(page 3 of 13) (2.1-3.2.2.1)

In light of these deficiencies, NSMC reports that the planned new, larger state-of-the-art ED planned for the Salem campus will have capacity to care for high acuity and emergent patients from across the Hospital's service area. With the additional capacity of 2 bays resulting in a total of 65 bays, and improved space for behavioral health patients, the new ED has been planned to account for higher acuity patients and those with conditions that require inpatient admission or surgery, who will present at Salem.

As shown below in Table 7 projected ED patient volume will remain consistent. NSMC reports that their ED volume projections below were held flat due to the significant percentage of patients (patient acuity Level 4 and 5) that could be cared for more efficiently and more effectively in physician office or urgent care in these settings within community.

Table 7

NSMC Actual(A) and Projected (P) ED Volume*,**

	Visits
2012 (A)	90,932
2013 (A)	90,491
2014 (A)	85,707
2015 (A)	87,236
2019 (P)	86,439
2020 (P)	86,439
2021 (P)	86,439
2022 (P)	86,439

*Data excludes patients who left without being seen
**Data includes both adult and pediatric patients

NSMC also reports that ED construction at the Salem Campus has been sized to meet anticipated demand from the communities served, whether admitted from the ED or by a member of the medical staff. Also, as indicated previously, the addition of 56 new inpatient psychiatry beds will increase overall capacity by 82%, more than double the number of current adult beds and allow for 1,730 additional annual admissions.

Staff requested utilization data for the EDs for each NSMC hospital campus for the last five years. Table 8 below shows ED patient origin for both the Salem Campus and Union Campus by zip codes and patient volume for the top ten contributing communities for 2010-2015. The data indicates that total NSMC ED utilization, as well as utilization at each individual Campus has remained consistent during the time period.

Table 8
NSMC ED Patient Origin

		FY11			FY12			FY13			FY14			FY15		
Town	Zip	SH	UH	Total	SH	UH	Total	SH	UH	Total	SH	UH	Total	SH	UH	Total
1) Lynn Total	All Zips	23,491	18,059	41,550	24,304	18,378	42,682	24,529	18,343	42,872	24,238	17,437	41,675	25,793	17,060	42,853
2) SALEM	01970	15,063	418	15,481	15,446	417	15,863	15,071	392	15,463	14,181	403	14,584	14,318	369	14,687
3) PEABODY	01960	9,461	1,829	11,290	9,006	1,840	10,846	9,074	1,797	10,871	7,975	1,602	9,577	8,495	1,475	9,970
4) MARBLEHEAD	01945	3,456	132	3,588	3,493	146	3,639	3,408	137	3,545	3,305	112	3,417	3,289	121	3,410

5) TOPSCOTT	01907	3,040	406	3,446	3,013	426	3,439	2,924	301	3,225	2,722	255	2,977	2,617	213	2,830
6) DANVERS	01923	1,766	271	2,037	1,807	279	2,086	1,822	315	2,137	1,603	272	1,875	1,858	261	2,119
7) SAUGUS	01906	889	1,566	2,455	892	1,521	2,413	818	1,475	2,293	788	1,251	2,039	881	1,183	2,064
8) BEVERLY	01915	1,414	112	1,526	1,466	123	1,589	1,398	149	1,547	1,461	116	1,577	1,461	112	1,573
9) LYNNFIELD	01940	397	909	1,306	370	874	1,244	336	851	1,187	324	815	1,139	360	778	1,138
10) REVERE	02151	583	429	1,012	529	422	951	565	397	962	507	370	877	501	312	813

Conclusion on Need

With regard to demand for medical/surgical, inpatient psychiatric, and emergency services, NSMC has documented a trend of consistent significant growth for its inpatient psychiatric services, and consistent demand for medical/surgical and emergency services. There are also documented concerns about current significant operating constraints and space deficiencies associated with inpatient psychiatric and emergency services, as well as multiple bed rooms involved with medical/surgical services.

Therefore, consistent with Factor 2 of the DoN regulations, Staff finds that the project, as proposed, will permit NSMC to improve the service capacity of its existing medical/surgical, ED and psychiatric services with the addition of all private medical/surgical rooms, a new ED and significantly expanded psychiatric beds.

C. Factor 3 - Operational Objectives

NSMC reports that it has a comprehensive utilization review plan in place to ensure quality patient care and efficient utilization of facility services for all of NSMC's acute care services. For example, NSMC's Quality Assurance Performance Improvement Plan ("QAPI") sets goals and objectives to measure the quality, safety, and accessibility of cost-effective health care services at NSMC, monitors performance improvement activities, and ensures that appropriate resources and support are available to all NSMC clinical staff. In addition, NSMC's Patient Care Assessment Committee has consistently been recognized by the Massachusetts Board of Registration in Medicine as a physician-led best practice in the state. NSMC also reports that it has a number of written transfer or affiliation agreements with such varied area providers as Lahey Clinic Hospital, the Lynn Community Health Center, and the New England Home for the Deaf.

NSMC has also stated that it will continue to offer services to patients who are poor, medically indigent, and/or Medicaid eligible and to care for all patients in a non-discriminatory manner.

The Department's Office of Health Equity ("OHE") recently conducted a review of the interpreter and language access services available to limited- and non-English proficient patients at NSMC's Salem and Union Campuses. Improvements recommended by OHE at both Campuses are presented in Attachment 2 of this Staff Summary, and have been included as a condition of approval.

Based on the above analysis, Staff finds that the proposed project meets the operational objectives requirements of the DoN regulations.

D. Factor 4 – Standards Compliance

The total recommended GSF for this project is 252,773 GSF, which will include 115,405 GSF of new construction and 137,368 GSF of renovation, which involves three separate buildings on the Salem Campus. This will be accomplished in three phases, as indicated below:

Phase 1: both the renovation of the former Spaulding North Shore ("SNS") facility as well as the construction of a new building on the hospital's campus that will connect to the SNS building. The SNS building will be renovated to house the proposed inpatient psychiatric services and the new building will house the proposed 48 private medical surgical beds, as well as the new emergency department. A physical connector will be constructed to join the SNS building to the new building, as well as to the existing main campus building.

Phase 2: construction of a new main lobby/entrance for the campus which will include reception, security, café and gift shop.

Phase 3: renovation of the space currently occupied by the hospital's emergency department following the completion of Phase 1 and relocation of ED services to the new building. The former ED space will be renovated to provide outpatient services including infusion, cardiac and pulmonary rehabilitation and wellness services, along with a large phlebotomy draw station.

In addition, the levels below are listed for individual buildings. As the Salem Campus is built on a large hill, the first floors of several existing buildings are on various levels of the campus. Level 1 of the new building, as well as Spaulding and Davenport are consistent.

New Building (5 Floors of New Construction)

- Level 1- Emergency Department including standard exam bays, radiology, trauma rooms, observation pod, psych pod and Pedi pod
- Level 1– Vertical connector/elevator bank
- Level 2 – Medical/Surgical inpatients
- Level 2 –Vertical connector/elevator bank
- Level 3 – Medical/Surgical inpatients
- Level 3 – Vertical connector/elevator bank
- Level 4 – Mechanical and electrical equipment
- Level 4 – Vertical connector/elevator bank
- Level 5 – Vertical connector/elevator bank

Spaulding Building ("SNS" - 6 Floors of Renovation)

- Level 1 – Emergency Department
  - A portion of the ED is new construction and a portion is renovation, because Spaulding floor will become part of the ED
- Level 2 – Pediatric Psychiatry Inpatients
- Level 3 – Geriatric Psychiatry inpatients
- Level 4 – Adult Psychiatry inpatients
- Level 5 – Adult Psychiatry inpatients
- Level 6 – Mechanical equipment

Davenport Building (1 Partial Floor Renovation)

- Level 3 – Mechanical infrastructure including chiller, cooling tower, and emergency generators to serve the new Building and Spaulding

New Lobby (3 Floors of New Construction)

- Level 1 – Reception, cafe, public restrooms and elevators
- Level 2 – Security, gift shop, meeting rooms, admitting and offices
- Level 3– Mechanical equipment

Renovated Former Emergency Department Building

- Level 1 – Phlebotomy, Infusion, Cardiac Rehab & Wellness, Reception and Security

As discussed previously, the proposed new construction and renovation will permit NSMC to significantly improve the service capacity of its existing medical/surgical, ED and psychiatric services.

Given this, Staff finds the proposed functional space to be reasonable and is recommending approval of the project's total of 252,773 GSF, which will include 115,405 GSF of new construction and 137,368 GSF of renovation.

NSMC states that the proposed project will meet all Department construction and licensure requirements, in addition to all requirements set forth for such physical facilities by the Medicare Program, including handicap access.

Based on the above analysis, Staff finds that the proposed project meets the standards compliance factor of the DoN regulations.

E. Factor 5 - Reasonableness of Expenditures and Cost

1. Maximum Capital Expenditure ("MCE")

The requested and recommended capital expenditure ("MCE") of $180,507,208 (October 2015 dollars) is itemized below:

	New Construction	Renovation
Land Costs:		
Site Survey and Soil Investigation	$ 230,000	0
Other Non-Depreciable Land Development	3,333,683	$ 1,355,583
Total Land Costs	3,563,683	1,355,583
Construction Costs:		
Depreciable Land Development Cost	3,557,846	
Construction Contract (including bonding cost)	$ 73,086,772	$74,027,829
Fixed Equipment Not in Contract	1,700,000	1,080,000
Architectural Cost (including fee, printing, supervision etc.) and Engineering Cost	7,525,000	5,100,000
Pre-filing Planning and Development Costs*	242,500	192,500
Post-filing Planning and Development Costs*	525,000	420,000
Other (See Below**):	1,350,000	365,000
Other (See Below***):	4,517,000	160,000
Total Construction Costs	$ 92,504,118	$81,345,330
Financing Costs:		
Cost of Securing Financing (legal, administrative, feasibility studies, mortgage insurance, printing, etc.)	925,041	813,453

Total Financing Costs	925,041	813,453
Estimated Total Capital Expenditure	$96,992,842	$83,514,366
Total		$180,507,208

*Pre- and Post-filing Planning and Development Costs include the following: a construction manager, pre-construction services, MEPA checklist consultation, legal consultation, City Planning Board, A/E Peer Review, Department Plan Review filing fee, and an investigation to aid design (MEP audits and scanning).

**Other Costs: consultant fees for the following: Building commissioning, LEED, geotechnical construction monitoring, DEP Permitting support, waterproofing, construction support, SOC assessment, as well as insurance for builder's risk and pollution and utility charges for temporary services.

***Other Costs: accounting, project management, project support including testing of electrical, concrete, piping balancing and medical gas.

a. **New Construction**

As noted previously, Staff is recommending approval of 115,405 GSF of new construction. NSMC has requested $715.24/GSF as calculated below:

Construction Contract	$73,086,772
Site Survey and Soil Investigation	230,000
Architect and Engineering	7,525,000
Fixed Equipment Not in Contract	1,700,000
TOTAL	$82,541,772
Total GSF Requested	115,405
Cost/GSF	$715.24

Marshall Valuation Index for New Construction Cost/GSF

Staff has compared the requested new construction cost of $715.24/GSF to the most recent Marshall & Swift Valuation Service ("Marshall") Class A "Excellent" base cost/GSF under its General Hospital designation. Staff found the requested new construction cost of $715.24/GSF to be $60.84 higher than the comparable Marshall cost estimate (Class A "Excellent"). Taking into account the current regional, local and other multipliers recommended by Marshall, the maximum allowable cost/GSF for new general hospital construction in the Salem area is $654.40/GSF (October 2015 dollars), as indicated below:

Marshall Valuation Index	
Base Cost	$478.61 (Class A Excellent)
Sprinklers	2.53 (Wet System)
HVAC	13.50 (Extreme Climate)
	$494.64
Multipliers	
Height per Story	1.046
Regional	1.02
Local	1.24
Marshall Cost/GSF	$654.40

Staff notes that NSMC's requested new construction cost/GSF is $60.84 more than the allowable Marshall cost/GSF. However, NSMC reports that the location of the proposed new building that will house the new ED and medical/surgical units will be largely on a "fill" site. As a result, it will need a more expensive foundation system than a simple concrete slab poured on the existing grades. Due to the potential settling of the ground surface, close to 230 mini piles going down as much as 26 feet to reach bedrock, pile caps and grade beams will need to be installed before the concrete slab is poured. NSMC also notes that the site also is very close to wetlands and requires a considerable grade change, which will require filling a portion of the wetlands as well as the construction of a retaining wall.

b. **Renovation**

As noted previously, Staff is recommending approval of 137,368 GSF of renovation. NSMC has requested $582.95/GSF as calculated below:

Construction Contract	$74,027,829
Architect and Engineering	5,100,000
Fixed Equipment Not in Contract	1,080,000
TOTAL	$80,078,829
Total GSF Requested	137,368
Cost/GSF	$582.95

The calculated $582.95/GSF is above the normal DoN standard for renovation cost/GSF, which is normally 60% or $392.64/GSF of the most recent Marshall class A "Excellent" base cost of $654.40/GSF for new construction under its General Hospital designation in the Salem area.

However, NSMC reports that the higher renovation costs result from the complete renovation of the SNS Building, which requires almost a full gut of the existing facility, making the renovation cost/GSF closer to those for new construction. For example:

- The entire electrical system needs to be replaced because it was originally built with aluminum wiring and the switchgear is obsolete.
- All of the plumbing drains and vents will need to be replaced because a high percentage of them are rotten/split.
- The air handlers will also be replaced because they do not meet minimum Department air change and filtration requirements.
- The heat/cooling system will be replaced in its entirety because it was originally built as an all-electric system and is extremely inefficient.
- All of the duct work is being replaced because it leaks and will not meet today's Stretch Energy Code (which most of MA has adopted).
- All of the windows will be replaced because a number leak and replacement will ensure that the project meets the Department LEED requirement for thermal efficiency.

In addition, the following factors will also contribute to the higher renovation cost/GSF:

- The inclusion of infrastructure that will serve other portions of the Campus in addition to the new medical/surgical building and SNS building also will result in an increased cost/GSF. The equipment (emergency power generators, electrical switchgear, cooling towers, chiller, pumps, underground conduit, etc.) will not only service the Spaulding North Shore building and the new building and lobby, but it will service a portions of the existing campus as well.

- The NSMC construction contract has a project labor agreement which means that the workforce must be union labor and will draw from the same union labor pool as the Boston hospitals.

To determine the impact of the above factors on the proposed renovation cost/GSF, Staff consulted Marshall regarding the cost impact of these components. After some research, Marshall determined that the financial magnitude of these components could add significantly to the projected renovation cost/GSF for the project, and believes that the requested $582.95/GSF can be considered reasonable given these factors.

Given the detailed explanations by NSMC and subsequent Marshall findings, Staff finds the requested new construction and renovation costs of the project to be reasonable.

2. **Reasonableness of Incremental Operating Costs**

The requested incremental operating costs of $1,791,253 (October 2015 dollars) were calculated by the accounting firm of Feeley & Driscoll ("F&D") for the first full year of operation (FY 2020) following project implementation, and are itemized below:

Salaries, Wages and Fringe	$ (4,819,142)
Supplies and Other Expenses	(6,090,045)
Purchased Services	(128,077)
Depreciation	5,435,320
Interest	7,950,883
Pension	(557,687)
Total Operating Expenses	$ 1,791,253

Staff notes that NSMC's overall staffing will be reduced by 69.51 FTE's due to the campus consolidation, and is reflected above in the projected salaries, wages and fringe and pension.

Staff finds the recommended incremental operating costs to be reasonable based on the expected equity funding of the project. All operating costs are subject to review and approval by the Center for Health Information and Analysis and by third party payers according to their policies and procedures.

F. Factor 6 - Financial Feasibility and Capability

Financing of the recommended MCE of $180,507,208 (October 2015 dollars) will be through debt financing of the entire MCE funded by Partners, NSMC's parent. Partners will secure financing with tax-exempt bonds issued by the Massachusetts Development Finance Agency ("MDFA"), at an anticipated fixed interest rate of 4.500% for 30-year term. Staff notes that the financial covenants

associated with the bond issue will be applicable to Partners. No financial covenants will be applicable to NSMC.

Partners has confirmed in writing (Attachment 3) that it will be the obligator on debt incurred related to the proposed project. As such, Partners will be liable for the repayment of such borrowed funds. Staff has reviewed Partners FY 2013-2014 consolidated audited financial statements and determined that it has sufficient funds to maintain the anticipated debt service coverage ratio set forth by the lender for the project.

In response to Staff's queries about the mechanism employed by Partners to support NSMC's operating losses and capital debt, Partners states that NSMC has received cash and intercompany debt as the primary mechanism for supporting any working capital shortfalls, driven by operating losses or capital investments authorized through the Partners capital budgeting process. Partners further states that the debt on the books of NSMC is therefore reflective of the cumulative leadership and financial commitment to sustaining care in the community. As indicated, all debt is issued by Partners who is ultimately liable for repayment of such funding.

Assuming project approval, F&D projects a loss from operations of $9,878,816 in FY 2020, the first full year of operation after project implementation. NSMC states that this operational loss will reflect significant savings in operational expenses, largely due to reduction in Union Campus overhead, as services there close when all services are consolidated at the Salem Campus.

Given the claims of operational savings, Staff requested that F&D include this component in the Independent Cost Analysis ("ICA"). NSMC was required to provide an ICA of its DoN application to supplement the evaluation of the application by DoN staff. Feeley & Driscoll was engaged to analyze the costs associated with the DoN, The projected cost savings discussed in the ICA (Attachment 4) is included below.

Feeley & Driscoll determined that the improvement in contribution margin (EBID -the total earnings available to pay for fixed expenses and to generate a profit) with project approval (P1) over project denial (P2) is $25.3 million, due to the increase in behavioral health volume in P1 and a decrease in salaries and wages, supplies, and other expenses based on cost savings from the campus consolidation. The improvement in operational margin with project approval is $11.9 million, caused by the additional behavioral health activity and cost savings from consolidation, offset by the depreciation and interest related to the new construction and renovation related to the project. Net patient service revenue increased $13.1 million because of the increased behavioral health volume with the expansion of the program. Total operating expenses increased $1.8 million, driven by an increase in depreciation and interest of $13.4 million offset by a decrease in all other expenses of $11.6 million.

With project approval (P1), NSMC will save 16% in salaries and wages, 15% in purchased services, 18% in supplies and expense, and 20% in pension expense per adjusted patient day ("APD"), offset by an increase of 12% in depreciation and a 38% increase in interest per APD. Total operating expenses, per APD are 14% less than P2 operating expenses, which supports the Commonwealth's Chapter 224 cost containment goals in the projection years.

NSMC reports that despite the expected financial benefits of services consolidation, there currently is not a clear path to an operational cost breakeven point for NSMC. NSMC states that this is largely due to the high percentage of Medicare and Medicaid patients treated by the Hospital, which will allow the Hospital to partially mitigate its operational losses. The Hospital's financial

status will improve as a result of the project and expenses will be reduced, but the Hospital does not have a projected break-even point.

Based upon the above analysis, including the written guarantee by Partners to be the obligator on the project's debt, Staff finds the project to be financially feasible and within the financial capability of the Applicant.

G. Factor 7 - Relative Merit

NSMC reports that it considered three alternatives to the present project prior to its decision to consolidate all acute care services at the Salem Campus.

The first alternative involved the possible closure of the Salem Campus in its entirety and expansion of services offered at the Union Campus. However, due to the size and expansion limitation of the Union Campus, NSMC decided it could not effectively provide the services needed at Union Campus to accommodate the closure at Salem.

The second alternative involved the consolidation of medical/surgical services at the Salem Campus and Behavioral Health Services at the Union Campus. NSMC reports that this alternative was proposed before the SNS facility at Salem became available for repurposing. NSMC believes that the clinical benefits of having separated full acute services and behavioral health inpatient space at individual facilities was the best option for meeting the medical, surgical, and behavioral health needs of all NSMC patients.

The third alternative was to close the Union Campus in its entirety and continue to operate the Salem Campus as is without any expansion of services or capacity. After review, NSMC decided this option might result in a significant cost savings, but would not meet the needs of its service area.

After review of the above, Staff inquired as to why there was not more information in the application regarding the option of consolidation of services on the Union Campus, and requested some documentation that a thorough review of this option was conducted and deemed infeasible.

In response, NSMC reported that its review process included a physical assessment by an architectural firm of both campuses that examined existing buildings using a variety of criteria, one of which was suitability for major investment. The only building on either campus that received a rating of "good" in that category was the Davenport Building (268,800 sq. ft.) on the Salem Campus.

NSMC further reports that the study also examined expansion zones on both campuses and the distance from the existing vertical core (patient elevator banks). The Salem Campus had four zones of significant size, one of which was recently used for a new power plant and one of which is the site of the proposed new construction. The Union Campus had two potential zones both of very limited size and significantly farther away from the existing vertical core.

Further, the Salem main Campus is 32.2 acres with 615K Sq. Ft. of clinical space and 71K Sq. Ft. of medical office space. Spaulding North Shore (which has become a part of the NSMC Salem facility) encompasses an additional 112K Sq. Ft. of clinical space on a 9.2 acre parcel contiguous

to the Davenport Building. There is also 4.5 acre parcel which is used for parking under a long-term lease. This brings the full campus total to just under 46 acres.

In contrast, the Union main Campus is 10.5 acres with 238K Sq. Ft. of existing clinical space and 29K Sq. Ft. of medical office space. There is also a 9.5 acre non-contiguous parcel across the street which is used for parking. This brings the full campus total to 20 acres. NSMC asserts that the available footprint of the Union Campus clearly cannot accommodate the requisite square footage from Salem and the location of the campus in a dense residential neighborhood makes vertical expansion an unrealistic option.

Based on this further explanation by NSMC, Staff finds that the project meets the relative merit requirements of the Guidelines.

H. Factor 8 Environmental Impact

Staff notes that NSMC has submitted the LEED 2009 for Healthcare: New Construction and Major Renovations project checklist ("Checklist") to demonstrate its commitment to green building standards for the proposed project (Attachment 5). The Checklist shows that the proposed new addition will achieve 57 out of a possible 110 credit points, meeting the minimum 50% compliance standard of the Department's Determination of Need Guidelines for Environmental and Human Health Impact ("Environmental Guidelines"). NSMC reports that it may achieve an additional 14 credit points as the project progresses, because of the project's environmentally sound design.

Based on the above information, Staff finds that NSMC meets the environmental requirements of the DoN regulations.

I. Factor 9 - Community Health Initiatives

NSMC has agreed to provide a total of $9,025,360 (October 2015 dollars) over five years to fund the community health service initiatives described in Attachment 6. Staff will recommend the funding of these initiatives as a condition of approval.

Based on the above information, Staff finds that NSMC meets the community initiatives requirements of the DoN regulations

III. COMMENTS BY TEN TAXPAYER GROUPS ("TTG's") AND OTHER PARTIES

The Allen Jackson, Michael Toomey, Leslie Greenberg and Aikaterina Panagiotakis Koudanis Ten Taxpayer Groups ("TTGs") registered in connection with this project. At the request of the Jackson, Toomey, and Greenberg TTGs, a DoN public hearing was held on January 12, 2016, at the Hawthorne Hotel in Salem. The hearing was attended by approximately 100 people, 35 of whom testified. Subsequent to the hearings, written comments and calls related to the proposed transfer were received by the DoN Office. Comments concerning the proposed DoN project were also made at the Essential Services hearing held in Lynn on January 7, 2016, and are addressed in the Staff Responses below.

The names and affiliations of those testifying at the DoN hearing or submitting subsequent written comments are included as Attachment 7. These include representatives from North Shore Medical Center, State Senator Joan Lovely, State Representative Paul Tucker, Salem Mayor Kim Driscoll, Salem City Councilors Josh Turiel and Stephen Lovely, NSMC clinical staff, North Shore Community Health Center, Lynn Community Health Center, Massachusetts Law Reform Institute, Lynn Health Task Force, 1199 SEIU, Massachusetts Association for Mental Health, National Alliance on Mental Illness in Massachusetts, New American Center, North Shore Physicians Group, and residents of Salem, Lynn, Lynnfield, Danvers, and Swampscott.

The names and affiliations of those testifying at the Essential Services hearing on the proposed DoN project include State Senator Thomas McGee, State Representatives Robert Fennell, Brendan Crighton, Donald Wong and Lori Ehrlich, Lynn Mayor Judith Kennedy, Lynn City Councilors Buzzy Barton, Daniel Cahill, Peter Capano, Diane Chakoutis, Richard Colucci, Darren Cyr, Brian Lapierre, Jay Walsh and Wayne Lozzi. Additionally, Lynnfield Selectmen Phillip Crawford, Thomas Terranova, Lynnfield Fire Chief Mark Tetrault, and residents of Lynn, Lynnfield, and Saugus.

The major issues of the testimony and written comments for both the DoN and Essential Services public hearings, along with Staff's responses, are presented below.

DoN Hearing

The majority of comments presented at the DoN public hearing in Salem or in subsequent written testimony expressed strong support of the proposed consolidation of services at Salem. Many expressed a belief that the project will provide an exceptional system of high-quality, cost effective, accessible health care to serve NSMC communities for many years. It was also frequently noted that the project will result in improved access for patients by keeping the services used most frequently -- primary care, behavioral health and support services-- conveniently located throughout the community, while consolidating some of the most complex care to enable specialization of clinical expertise.

A number of commenters also noted that North Shore residents are lucky to have such a strong medical center in the community, and a project that will take North Shore Medical Center into the future as one of the premier hospitals in Massachusetts.

Essential Services Hearing – Comments on DoN Project

Staff notes that few speakers at the essential services hearing spoke specifically about the proposed NSMC DoN project. However, Lynn City Council President Dan Cahill requested that the Lynn City Council be recorded as a party of record for the DoN application. He reported several substantial concerns regarding the proposed closure of Union Hospital.

Councilor Cahill emphasized the extremely critical nature of the potential loss of full emergency services in Lynn, the difficulty of driving to the ED at the Salem during peak traffic hours, the expensive ambulance rides to Salem that will burden poorer residents of Lynn, the concern among Lynn residents about the adequacy of translation services at Salem Campus, and the loss of wages, seniority rights, and community benefits by NSMC caregivers from Lynn when the Union Campus is closed.

Councilor Cahill further stated that commitments regarding benefits and promises made by NSMC/Partners to Lynn residents need to be fulfilled, and called on the Department to assist in making sure all NSMC/Partners commitments are kept.

Staff Response

NSMC is required, through the Department's Essential Services process, to prepare a plan that addresses the concerns raised at the public hearing, including but not limited to the availability of emergency services in Lynn and to the surrounding municipalities; the impact of the closure of the Union Hospital campus on remaining emergency departments in the area, including but not limited to Salem Hospital; methods under consideration to address transport times to remaining emergency departments in the area, and the increased time out of services for ambulances during return trips; and NSMC's plan, if any, to provide emergency services in Lynn including but not limited to establishing a satellite emergency facility ("SEF") of Salem Hospital in Lynn.

Also, as indicated previously, Staff is recommending, as a condition of approval, that NSMC conduct and complete before project construction an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services by Lynn residents. The update must include active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area.

In addition, the Department's Office of Health Equity has recently conducted a review of the interpreter and language access services available to limited- and non-English proficient patients at NSMC's Salem and Union Campuses. Improvements recommended by OHE at both Campuses have been incorporated into this Staff Summary as a condition of approval.

The Leslie Greenberg Ten Taxpayer Group

The Greenberg TTG, representing the Lynn Health Task Force ("LHTF"), expressed concern about the adverse consequences of the planned closure of Union Hospital on the residents of Lynn, and is recommending that conditions of approval be written to address these issues as follows:

Residential Support for Patients With Acute Needs:

Lynn needs a short-term residential solution for patients who are well enough to be out of the hospital but lack a safe and healthy place to recuperate or prepare for a procedure. A respite setting would provide a safe and sanitary environment for patients needing to heal from surgery, illness or injury, and also a place for patients who need to prepare for medical testing or surgery in order to identify and/or treat conditions that are exacerbated when left untreated.

Staff Response

Factor 9 - Community Health Initiative monies will provide funding to support the Lynn Health Task Force and the Massachusetts Coalition for the Homeless to

collaborate and build a 10-14 bed medical respite in Lynn serving homeless and at risk individuals in a short-term residential setting allowing people to rest and recover from illness, surgery or injury.

Governance

NSMC must commit to, and DPH must require, that Lynn's population is adequately represented in the governance structure for NSMC and the MGH-operated behavioral health unit that will be located on the Salem campus. Lynn has historically been underrepresented on NSMC's Board of Trustees and remains so at this time. NSMC's 24-member Board of Trustees includes just one resident of Lynn, although Lynn's population represents over 90,000 people of the 313,000 people in the NSMC primary service area. It also indisputably has the greatest unmet medical need. Lynn represents 39% of the usage of North Shore Medical Center and 60% of Lynn discharges come from NSMC, but the Board of Trustees has only one member (4%) representing Lynn. There is no member on the NSMC Board of Trustees with either professional experience or lived experience in health disparities or meeting unmet health care needs.

Staff Response

As a condition of approval, NSMC has agreed to seat, over the next three years, and maintain a board of individuals with cultural, ethnic and gender diversity that is reflective of the communities it serves with a particular emphasis on the needs of the underserved and more vulnerable patient populations. As part of the process of identifying and electing new board members NSMC shall consider the recommendations of a wide number of sources in the PSA, including other health care organizations, elected officials, advocacy groups and other community organizations.

Public Insurance: (NSMC and MGH Behavioral Health Unit)

The LHTF notes that most MassHealth members in Lynn and all ConnectorCare members must participate in one of six managed care plans (MCOs). However, NSMC only accepts two of these plans. It does not accept Tufts (formerly Network Health), which covers 25% of MassHealth patients.

Therefore, to be accessible to the North Shore's many low income residents, NSMC and the MGH Behavioral Health Unit planned for the Salem Campus must be broadly represented in the networks of subsidized insurance programs. The Department should work with the Lynn Health Task Force, NSMC and MGH to determine how to ensure that insurance enrollment issues are not a barrier to care for North Shore residents.

Staff Response

Staff requested an update on the above concern from both the LHTF and NSMC. The LHTF reports that many Lynn residents participate in the public insurance programs available to low income people. There are five such plans available locally: PCC, NHP, BMC, Tufts/Network Health and Celticare.

NSMC reports that 88% of the individuals in Medicaid managed care plans that reside in the area served by NSMC are enrolled in the 3 plans that NSMC accepts (PCC, NHP and BMC). NSMC further reports that government payor/free care patients represent 75% of the payor mix for inpatient behavioral health at NSMC. NSMC also provides waivers to serve other patients who do not participate in the above three plans, to ensure that access to behavioral health care at NSMC is not denied. Based on the above explanation, the LHTF states that it is satisfied with the current progress made by NSMC to make its behavioral health services more accessible to the North Shore's low income residents.

Other Suggested LHTF Conditions:

Staff notes that the following suggested conditions regarding Investment in Lynn, Primary and Urgent Care, Specialty Care, Disparities Reduction, Jobs/Retraining, Transportation, and SANE were not funded by Factor 9 CHI. However, LHTF also reports that discussions are currently underway with NSMC to address funding for several of these conditions outside of the Factor 9 scope.

In addition, as a condition of approval, NSMC will conduct and complete before construction an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services by Lynn residents. LHTF involvement in this updated evaluation may also prove beneficial to its goal of mitigating health care impacts on Lynn residents after closure of Union Hospital.

Primary Care: NSMC should establish a plan to support the addition of sufficient primary care resources to serve all Lynn patients in need of such care. NSMC should commit to ensuring that by 2021, Lynn has an adequate supply of primary care providers to meet the needs of its population.

Investment in Lynn: NSMC/Partners needs to commit to significant long-term financial investment in Lynn's health care infrastructure that target the most underserved people and address Lynn's many health disparities. To do this, NSMC should be required to spend at least $150 million dollars over the next 20 years to address these disparities.

Urgent Care: NSMC must ensure local access to urgent care for Lynn residents. NSMC must also ensure access to Salem Hospital's emergency room without additional costs being imposed on Lynn residents

Specialty Care: Lynn residents face barriers in obtaining specialty care, including the distant location of specialty services and the lack of transportation, as well as lack of insurance or adequate insurance. NSMC must establish practical transportation assistance which enables Lynn residents to get to area specialists without charge, and also ensure that patients with limited or no insurance are able to see specialists as needed without charge.

Disparities Reduction, Community Education and Stigma Reduction

Leadership from North Shore Medical Center and the new MGH Behavioral Health unit located on the Salem campus must commit to participating in MGH's Disparities Leadership Training Program. After being trained, NSMC and MGH leadership should offer trainings to

the wider NSMC community on disparities. It should also lead a behavioral health stigma reduction campaign, both with its own employees and leadership and with the broader community.

Transportation: The closure of Union Hospital will exacerbate this problem, as services move to Salem and with physician practices likely following. NSMC should therefore provide round-trip taxi vouchers to all low income patients who live in Lynn and need to be seen at Partners facilities.

Jobs/Retraining: Planning for the closure of Union Hospital and the Salem Hospital construction and renovation must include job preservation for existing Union Hospital employees. There must also be appropriate retraining of current Hospital employees and expansion of job training opportunities for low income Lynn residents. Jobs for current Union Hospital employees must be guaranteed with no loss of salary, benefits or seniority. All employees of North Shore Medical Center must be trained in best practices related to behavioral health and reduction of stigma and such training must be integrated into orientation for new employees in the future. Further, as Lynn has the highest poverty rate in the area, Partners should expand its Partners in Career and Workforce Development Health Care Training and Employment Program (PCWD) and Student Success Jobs Program (SSJP) to serve students and job seekers in Lynn.

Sexual Abuse Nurse Examiner Program (SANE)

The Sexual Abuse Nurse Examiner (SANE) program is a program of the Massachusetts Department of Public Health which provides 24/7 emergency forensic nursing services by specially trained and certified professionals skilled in performing quality forensic medical-legal exams. However, there is no SANE program on the North Shore. The only SANE program in Essex County is in Lawrence, approximately an hour away.

LHTF strongly recommends that the Department ensure that a SANE program is established on the North Shore. Such a program will enhance the expanded Emergency Department planned as part of this project and will allow North Shore residents who are victims of sexual assault to benefit from the SANE program.

Allen Jackson Ten Taxpayer Group

The Jackson TTG, representing 1199SEIU United Healthcare Workers East, states that it represents 850 caregivers at Union Hospital.

Given the many healthcare disparities that prevail in the Greater Lynn area, the TTG wants to ensure that any closure or movement of services meets the needs of the Lynn community. This would include the frontline workers at Union Hospital.

Therefore, 1199SEIU is calling on NSMC and Partners Healthcare to engage in a productive dialogue about services and jobs. 1199SEIU further states that both it and Partners are currently in discussions on how best to proceed with a community health study to better understand the future healthcare needs of the people of Lynn.

Staff Response

As indicated previously, NSMC has agreed, as a condition of approval, to conduct and complete before construction an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services by Lynn residents. The update shall include active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area.

Staff believes SEIU involvement in this updated evaluation may prove beneficial to its goal to preserve quality jobs and ensure continued access to appropriate health care services for Lynn residents.

Aikaterina Panagiotakis Koudanis

The Koudanis TTG, representing Save Union Hospital, is opposed to the project. The TTG is concerned that there has been a lack of responsibility regarding the Department's mission in past years, particularly when services were removed from Union Hospital and transferred to Salem Hospital.

The TTG also asserts that when NSMC and Partners received DoN approval to acquire AtlantiCare Medical Center (now Union Hospital) in 1997, Partners promised the Department that an acute care hospital would remain in Lynn.

Finally, the TTG further asserts that the 1997 DoN approval also stipulated that the license was to remain with AtlantiCare Medical Center. However, shortly after the approval, AtlantiCare Medical Center was changed to a different non-profit organization, thereby removing that clause.

Staff Response

Staff has reviewed the 1997 DoN approval (Project No. 6-3942) of the transfer of ownership of AtlantiCare Medical Center, Inc., in which North Shore Medical Center, Inc. became the sole member of AtlantiCare Medical Center, Inc.

Despite the assertions by the TTG, Staff finds no indication in the above DoN approval of any promise to maintain an acute care hospital in Lynn, or any stipulation or condition that the license was to remain with AtlantiCare Medical Center, Inc.

Michael Toomey Ten Taxpayer Group

The Toomey TTG, representing neighbors of Union Hospital, is opposed to the project based on NSMC's failure to meet significant review factors, as discussed below:

Health Planning Process

The TTG asserts that the 2012 independent community health need assessment (ICHNA) referred to as a complement to and an integral part of the planning process because

NSMC planners chose to ignore all of the statistical data and charts presented in the study which identified Lynn as the community with the greatest healthcare needs and the most vulnerable population.

Staff Response

Staff agrees with the TTG that the 2012 ICHNA assessment was not adequate as a planning document for the project, because NSMC chose not to take into account the substantial impact of the proposed consolidation on access to services by Lynn residents. Given this Staff is recommending the following condition of approval:

Condition: To ensure more equitable geographic and socioeconomic access to health care services for Lynn residents, and in recognition of the processes already underway, NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents. This updated evaluation shall be provided in two phases. The initial phase shall reflect the work of the Emergent/Urgent Care Services Planning Group that is meeting regarding how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation. This initial update shall be provided to the Department within one year of the issuance of DoN approval. Upon completion of Phase One in 2018, the second phase of this updated evaluation of community health needs shall begin and be incorporated into NSMC's existing community health needs planning process. As part of its existing federally mandated community health needs assessment process every three years the hospital must conduct an in-depth community needs assessment and outline a strategy for meeting community-identified needs of underserved populations. This process will be expanded to include a targeted focus on assessing the needs of the general populations throughout the hospital's primary service area, including the City of Lynn. The update shall be done in active consultation and active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area. In addition, with respect to the City of Lynn, the community health needs assessment will be inclusive of the diverse socio-economic groups that exist in the city.

Health Care Requirements

The TTG notes that while NSMC describes its Salem ED as "undersized and inefficient", the Union Hospital ED is newly renovated and recognized as highly efficient. The TTG asserts that it does not make sense, either cost-wise or service-wise, to close the newer, more efficient and highly accessible and centrally-located ED and to allocate funds to renovate the inefficient and inaccessible ED.

In addition, the NSMC PSA shows the Union Hospital site is more convenient to residents of the PSA, in close proximity to all major highways and almost directly in the center of the PSA.

Also, none of the additional data or statistics presented in the application identify substantial savings or long term cost-saving measures that justify the $ 180 million expenditure at Salem Hospital. While alternatives are discussed, none are analyzed. Perhaps the expenditure of $90 million to upgrade and specialize the service delivery at each facility would provide more economical, more accessible healthcare.

Staff Response

Staff agrees that the Union Hospital site may be in closer proximity to major highways in the NSMC PSA. However, the NSMC project planning included a physical assessment by an architectural firm of both the Salem and Union campuses. The assessment concluded that the available footprint of the Union Campus clearly cannot accommodate the requisite square footage from Salem, and the location of the Campus in a dense residential neighborhood makes vertical expansion an unrealistic option.

Staff also notes that the ICA identified significant costs savings associated with the consolidation of all services at the Salem Campus. This will result from an increase in behavioral health volume and a decrease in salaries and wages and supplies, as well as other cost savings identified in the consolidation.

Financial Feasibility

The TTG questions whether this project properly allocates healthcare resources to address the delivery of inpatient acute care and emergency services within the PSA. The money, resources, and delivery of services are better served with the two facilities in operation. Unfortunately, none of the financial data allows for comparison or analysis of options for renovations at each facility.

Staff Response

Staff notes that the ICA determined that the consolidation of services at Salem would result in a lower cost than the continued provision of hospital services at two campuses, and is within the Commonwealth's health care cost containment goals in the projection years.

After careful consideration of all the above comments, Staff continues to recommend approval of the proposed project to consolidate all acute care services at the Salem Campus.

V. STAFF FINDINGS

1. NSMC is proposing new construction of a 3-story, 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds, as well as 137,368 GSF of renovation of the former Spaulding Hospital – North Shore adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services, and also renovate the vacated emergency department building to accommodate a new main entrance/reception/lobby, relocated outpatient cardiac and pulmonary rehabilitation wellness, and ultrasound and infusion.

2. The health planning process for the project was satisfactory.

3. The proposed new construction and renovation is supported by current and projected service utilization, as discussed under the Health Care Requirements factor of the Staff Summary.

4. The project, with adherence to certain conditions, meets the operational objectives of the DoN regulations.

5. The project, with adherence to a certain condition, meets the standards compliance factor of the DoN regulations.

6. The recommended maximum capital expenditure of $180,507,208 (October 2015 dollars) is reasonable based on Marshall & Swift construction cost estimates.

7. The recommended incremental operating costs of $1,791, 253 (October 2015 dollars) are reasonable based on the expected funding of the project by Partners.

8. The project is financially feasible and within the financial capability of NSMC based on Partners support

9. The project, as clarified by NSMC, satisfies the requirements for relative merit.

10. The proposed community health service initiatives, with adherence to a certain condition, are consistent with the DoN Regulations.

11. NSMC meets the Green Guidelines standards of the Department's Determination of Need Guidelines for Environmental and Human Health Impact ("Environmental Guidelines").

VI. STAFF RECOMMENDATION

Based upon the above analysis, Staff recommends approval with conditions of Project Number 6-3C46 filed by NSMC for new construction of a 3-story, 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. The project also involves 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility ("SNS") adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. Finally, the vacated emergency department building will be renovated to accommodate a new main entrance/reception/lobby, as well as additional capacity for relocated outpatient cardiac and pulmonary rehabilitation and wellness, and ultrasound and infusion.

Failure of NSMC to comply with the conditions of approval may result in Department sanctions, including possible fines and/or revocation of the DoN.

The conditions of approval are as follows:

1. NSMC shall accept the maximum capital expenditure of $180,507, 208 (October 2015 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.

2. The total approved gross square feet ("GSF") for this project shall be 252,773 GSF, which will include 115,405 GSF of new construction and 137,368 GSF of renovation.

3. The Applicant shall contribute a total of $9,025,360 (October 2015 dollars) for a period of five years, to fund community health services initiatives as described in the document prepared by the Office of Community Health Planning and Engagement ("OHPE"), as amended from time to time by agreement of the Applicant and OHPE, which is attached and is incorporated herein by reference (Attachment 6).

4. The Applicant shall continue to provide language access services at both the Salem Campus and the Lynn Campus with the improvements described in the document prepared by the Office of Health Equity ("OHE"), as amended from time to time by agreement of the Applicant and OHE, which is attached hereto as Attachment 2 and is incorporated herein by reference.

5. To ensure more equitable geographic and socioeconomic access to health care services for Lynn residents, and in recognition of the processes already underway, NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents. This updated evaluation shall be provided in two phases. The initial phase shall reflect the work of the Emergent/Urgent Care Services Planning Group that is meeting regarding how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation. This initial update shall be provided to the Department within one year of the issuance of DoN approval. Upon completion of Phase One in 2018, the second phase of this updated evaluation of community health needs shall begin and be incorporated into NSMC's existing community health needs planning process. As part of its existing federally mandated community health needs assessment process every three years the hospital must conduct an in-depth community needs assessment and outline a strategy for meeting community-identified needs of underserved populations. This process will be expanded to include a targeted focus on assessing the needs of the general populations throughout the hospital's primary service area, including the City of Lynn. The update shall be done in active consultation and active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area. In addition, with respect to the City of Lynn, the community health needs assessment will be inclusive of the diverse socio-economic groups that exist in the city.

6. NSMC shall seat, over the next three years, and maintain a board of individuals with cultural, ethnic and gender diversity that is reflective of the communities it serves with a particular emphasis on the needs of the underserved and more vulnerable patient populations. As part of the process of identifying and electing new board members

NSMC shall consider the recommendations of a wide number of sources in the PSA, including other health care organizations, elected officials, advocacy groups and other community organizations.

7. At a minimum, the Department shall review compliance with the above conditions within 1 year of issuance of DoN approval and again after the completion of the project. At each time, NSMC's report of the status of compliance shall be reviewed by the Staff of Department and presented to the Public Health Council (PHC) by Staff of the Department after consultation with NSMC and community parties specified in these conditions. Further, NSMC and the community parties shall have an opportunity to address the PHC in regard to these conditions. Upon consideration of such presentations, the PHC will be the final arbitrator as to compliance with the conditions, and reserves the right to continue the progress reports beyond the specified one year if needed and, if so, decide the timeline for the preparation of said reports to the PHC.

The Applicant has agreed to these conditions of approval.

List of Attachments

1. DMH Letter of Support
2. Language Access
3. Partners Letter
4. Independent Cost Analysis
5. LEEDS Checklist
6. Factor 9-Community Initiatives
7. List of Individuals Testifying at the DoN Public Hearing

Attachment 1

The Commonwealth of Massachusetts

Executive Office of Health and Human Services
Department of Mental Health
25 Staniford Street
Boston, Massachusetts 02114-2575

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

JOAN MIKULA
Commissioner

(617) 626-8000
www.mass.gov/dmh

April 4, 2016

Darrell Villaruz, Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Dear Mr. Villaruz:

I am writing to confirm the Department of Mental Health's (DMH) support for the addition of 56 psychiatric beds being proposed at North Shore Medical Center's ("Hospital") Salem campus for adult, pediatric, and geriatric psychiatric patients.

The Hospital has informed DMH of its intention to provide specialized behavioral treatment programs to address the clinical needs of especially vulnerable patient populations, such as adults with co-morbid Substance Use Disorders and children with Autism Spectrum Disorders. It is often difficult to find appropriate clinical placement for such patients, who may incur significant waiting times in emergency departments. The Hospital has assured DMH that their programs will be designed to effectively identify available medical services for these patients and efficiently direct them to those resources.

The addition of these beds will further enhance the psychiatric services provided by North Shore Medical Center as they already hold a DMH license for 26 adult psychiatric beds, 18 pediatric psychiatry beds, and 20 geriatric psychiatric beds.

If you have questions or need more information on this letter of support, please feel free to call the DMH Director of Licensing, Janet Ross at 617-626-8279.

Sincerely,

Joan Mikula
Commissioner

cc: Janet Ross
Joy B. Rosen
Andrew Levine, Esq

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

May 9, 2016

Robert G. Norton
President and CEO
North Shore Medical Center
81 Highland Avenue
Salem, MA 01970

Dear Mr. Norton:

Pursuant to your recent Determination of Need Application, Samuel Louis met with Jeremy Freitas, Manager Interpreter Services, Maura Hines Clouser, Executive Director of PCS Finance and Business Operations, Lori Long, Director, Community Relations, and Cheryl Merrill, Senior VP of Patient Care Services/Chief Nursing Officer on February 25, 2016 to review changes in service operations and policies, progress and improvement as well as exchanging ideas on strategies for continued operations and improvement.

After review of submitted documents and subsequent conversations, the Office of Health Equity has determined that North Shore Medical Center shall continue to:

- Enhance its capacity to provide quality, timely and competent interpreter services, i.e., posting of availability of interpreter services, annual language needs assessment, tailored community outreach, and submission of an annual language needs assessment.

Supplemental Conditions:
North Shore Medical Center shall:

- Monitor over the next 12 months its Interpreter Services and implement specific activities in response thereof, including but not limited to, support to the Coordinator of Interpreter Services, increase in personnel, resources and equipment, participation in language services forums and entities, and appropriate training for all staff.

- Document over the next 6 months the increase usage of telephonic and video remote interpretation and provide a detailed report of its findings.

- Obtain feedback from Interpreter Services patients regarding the use of telephonic and video remote interpretation and provide a detailed report of its findings.

- Continue to implement its Culturally and Linguistically Appropriate Services (CLAS) Initiative plan for the Language Access Services standards and follow recommended standards for Cultural Competent Care and Organizational Support for Cultural Competency for all sites operating under its license. Provide the Office of Health Equity with an updated plan that includes specific goals and objectives, action steps, targeted staff/departments, evaluation, and outcomes.

- Identify and report on the different mechanisms and/or projects the hospital has and will continue to use the data collected on race, ethnicity, and language to improve patient care and eliminate health disparities.

- Provide an Annual Progress Report to the Office of Health Equity within 45 days at the end of the Federal Fiscal Year.

An implementation plan that addresses the aforementioned and includes anticipated outcomes, evaluation, and **periodic submission of progress reports**, is to be submitted within 30 days of DoN's approval to:

Preferred:
samuel.louis@state.ma.us

Or

Samuel Louis, M.P.H.
Massachusetts Department of Public Health
Office of Health Equity
250 Washington Street, 5th Floor
Boston, MA 02108

It is imperative that North Shore Medical Center staff communicates with the Office of Health Equity to assure adequate monitoring, compliance, satisfactory implementation and progress to the implementation plan.

If you wish to discuss any of the conditions, or other areas covered at the visit, please contact me at (617) 624-5905 or at samuel.louis@state.ma.us.

Sincerely,

Samuel Louis, M.P.H.
Health Care Interpreter Services Coordinator

Cc: Jere Page, Determination of Need Analyst
Rodrigo Monterrey, Acting Director, Office of Health Equity

Attachment 3

PARTNERS HEALTHCARE | FOUNDED BY BRIGHAM AND WOMEN'S HOSPITAL AND MASSACHUSETTS GENERAL HOSPITAL

March 22, 2016

Jere Page, Senior Program Analyst
Determination of Need Program
Department of Public Health
99 Chauncy Street, 2nd Floor
Boston, MA 02111

Re: North Shore Medical Center, Determination of Need Project #6-3C46

Dear Mr. Page:

This is written in response to your inquiry regarding funds to be borrowed for the North Shore Medical Center's ("Hospital") proposed capital expenditure as set forth in DoN Project #6-3C46 ("Project") currently under review by the Determination of Need Program. The DoN Program is seeking formal confirmation that Partners HealthCare System ("Partners") will secure financing for the Project and will be liable for the repayment of such borrowed funds. I can confirm for you that Partners will be the obligator on debt incurred related to this Project. As such, Partners will be liable for the repayment of the borrowed funds

Sincerely,

Peter K. Markell
Executive Vice President of Administration and Finance, Chief Financial Officer & Treasurer

cc: A. Levine, Esq.
C. Bloom, Esq.

Peter K. Markell
Executive Vice-President of Administration and Finance, Chief Financial Officer and Treasurer

Prudential Tower, Suite 1150, 800 Boylston Street, Boston, MA 02199-8001
Tel: 617 278-1046, Fax: 617 278-1087, Email: pkmarkell@partners.org

Feeley & Driscoll, P.C.
Certified Public Accountants / Business Consultants

NORTH SHORE MEDICAL CENTER
DON PROJECT #6-3C46 INDEPENDENT COST ANALYSIS
APRIL 2016

200 Portland Street • Boston, Massachusetts 02114-1709 • (617) 742-7788
154 Broad Street • Nashua, New Hampshire 03061-3158 • (603) 889-0444
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NORTH SHORE MEDICAL CENTER
PROJECT #6-3C46 INDEPENDENT COST ANALYSIS
APRIL 2016

TABLE OF CONTENTS

1. Project Scope:

North Shore Medical Center is required to provide an independent cost analysis (ICA) of its application for Determination of Need ("DoN") filed on October 7, 2015, to supplement the evaluation of the application by the Department of Public Health ("Department"). Feeley & Driscoll ("F&D") has been engaged to analyze the costs associated with the DoN, addressing the following items:

I. The cost of health care to society

A. The project's effect on the Commonwealth's health care cost containment goals – addressed in section 4 analysis. The project results in a lower cost than the continued provision of hospital services at two campuses and is within the Commonwealth's health care cost containment goals in the projection years.

B. The impact of the project on payers and consumers – addressed in section 4 analysis. The project will not impact the reimbursement rates by payer or pricing to consumers.

II. Support of estimated capital expenditures and impact on future cash and non-cash operating expenses via depreciation and interest – addressed in section 5 analysis. The project has a positive impact on both the cash and non-cash operating expenses compared to P2 project denial.

III. Support of the estimated overhead expense savings associated with consolidation of medical and surgical inpatient services and outlined outpatient services from Union Hospital.

C. Increase in variable costs in line with the increase in revenue – addressed in section 3 analysis. The project results in reduced variable expenses through economies of scale and the variable expenses have been revised in this ICA.

D. Demonstrate the magnitude of the estimated cost savings and to what extent the savings will be reflected in lower prices to payers and consumers – addressed in section 4 and 7 analysis. The project reduces the overall cost of services at NSMC. The project will have no impact on reimbursement from payers or prices to payors or consumers.

E. Support for the cost of the relocation of the 48 medical/surgical beds from the Union Campus to the Salem Campus – addressed in section 5 analysis. The cost of relocating 48 medical/surgical beds from the Union campus to the Salem campus is incorporated in the overall project cost analysis which was compared to current construction and renovation cost standards.

F. Revenue and expense analysis for each hospital with supporting documentation over the past 5 years – addressed in section 2 analysis. The historical financial performance of NSMC by campus for the period FY 2011 to FY 2015 was prepared from various analyses and schedules provided by NSMC which indicates that NSMC has incurred losses at both campuses during this five-year period.

IV. Review of the specific source documentation and assumptions supporting the estimated financial contribution of consolidating and expanding behavioral health inpatient services – addressed in section 8 analysis. The inpatient behavioral health operations were isolated in a separate financial performance analysis indicating the details of the contribution margin to NSMC, historically and in projected P1 and P2 scenarios.

V. Meet with real estate, finance and medical leadership staff to discuss alternatives and data not included in the DoN application related to investments in the Union Campus and delivery model if the project was not approved.

G. Capital investments in the physical plant as well as medical equipment needed to keep up with the evolving technology in areas like surgery, radiology and laboratory – addressed in section 5 analysis. Based on these interviews, we identify additional facility infrastructure improvements necessary to

maintain the Union campus if the project is denied (P2). It was also discussed and agreed that there are continuing medical advancements, including clinical regulatory requirements that will require capital investment by NSMC to maintain quality healthcare services at the two hospital sites.

H. Additional operating investments will be needed to attract and retain medical coverage - addressed in section 3 analysis. Based on discussion with medical staff representatives, it was evident that health care services are evolving from primary care providers to specialists. The availability of specialists limits the provision of quality healthcare services at the two hospital sites.

2. Historical Five Year Performance by Campus

North Shore Medical Center ("NSMC") is a single provider operating at two campus locations in Salem and Lynn. As NSMC is a single reporting entity, there are limited directly assigned cost centers to a specific location. It was necessary for F&D to work with NSMC to identify an allocation methodology in order to assign the financial activity to each campus.

F&D received historical revenue and cost center data from 2011 to 2015 by department for the historical five year performance. NSMC provided detail schedules and analysis in order to isolate the revenue and expense associated with the Salem campus and the revenue and expense associated with the Union campus. F&D used these schedules to compile performance statements by year for each campus (see Exhibit 1).

For each year, NSMC provided the location of revenue centers for each revenue line item in order to segregate revenue by campus and by service. Estimated payment on account factors for behavioral health and all other programs, which were then applied to gross patient service revenue (GPSR) to determine net patient service revenue (NPSR) by program and department, by year.

For each year, NSMC provided the location and cost center of each expense line item in order to separate expense by campus, by service. For the cost centers that were not directly assigned by campus, and therefore have shared expense between both the Salem and Union campus, an allocation methodology was applied based on one of the following five factors deemed most appropriate: discharges, emergency department visits, encounters, full-time equivalents, and square footage.

The five year performance by campus was compiled using the aforementioned revenue and expense methodology in order to separate the activity by campus over the five year period from 2011 to 2015.

As reflected in Exhibit 1, both campuses experienced losses from 2011 to 2015. The increase in losses from 2014 to 2015 of $13.7 million can be attributed to one-time expenses (snow removal cost, building of the future abandonment costs, and contract settlement cost).

3. Projected Performance by Program by Campus – P1 and P2

With the 2014 historical performance as a base year, a projection of 2019 to 2022 activity was performed by NSMC considering the acceptance of the DoN (P1 – expansion at Salem and consolidation of Salem and Union) and the denial of the DoN - no change (P2 – both Salem and Union remain as standalone campuses). F&D conducted interviews with key stakeholders, including real estate, finance, and medical leadership, in order to validate the DoN assumptions and identify the additional investments necessary to maintain the Union hospital campus at its existing operating levels.

P1 Projections

A review of the volume and cost assumptions was performed in order to validate the P1 projections. As the first fully operational year for P1 is 2020, F&D analyzed NSMC's expansion assumptions and related results from 2014 to 2020 as presented. To validate NSMC's projected increase in revenue due to an increase in volume, F&D substantiated NSMC's increase in volume from the 2014 base year to the P1 2020 projection year based on volume analysis in 2015 and budgeted 2016 as provided by NSMC. The change in activity from base year 2014 to projection year P1 2020 is shown in Exhibit 2.

Projected P1 medical/surgical days were estimated using budgeted FY16 volume of 58,556 days as the baseline. There was an assumption of 0% year over year growth in the projection years. It was also assumed that not all of the Union volume would transfer to Salem upon consolidation, and therefore a 97% retention rate was applied by NSMC resulting in projected patient days of 58,111 in the P1 projection. It is important to note that while factor 6 measures baseline from 2014 actual days of 53,454, the narrative in Factor 2 highlights the significantly higher annualized total for FY 15 of 56,584. The growth rate between P1 and FY15 annualized days is 2.6% and is built into the FY 16 budget based upon physician recruitment and program development plans.

The medical/surgical staffing plan was developed by reviewing the required staffing for the two new inpatient units at NSMC Salem, the shift in staffing from inpatient observations going to the ED CDTU observation unit, and the efficiency of consolidating three units at Union to two at Salem with improved occupancy rates.

Behavioral health volume was determined on a revenue producing center basis, using the estimated occupancy rate of each unit, as provided by NSMC to determine discharges. These calculated discharges were multiplied by the average length of stay by revenue producing center to determine the projected days by year for adult psychiatry, geriatric psychiatry, and pediatric psychiatry.

For the ultrasound, cardiology, infusion, and lab revenue producing centers, fiscal year 2014 actual volume was used as a baseline with a 3% projected volume growth factor, which appears reasonable for these services.

The emergency room activity in fiscal year 2014 was unusually low according to NSMC. Annualized FY15 volume was used as the baseline with a 3% projected volume growth factor in projecting ER visits and GPSR.

The additional volume and GPSR was multiplied by the 2014 average gross charge to come to a total gross revenue adjustment. An estimated payment on account factor for behavioral health and all other revenue centers was applied to the GPSR to determine the NPSR by revenue center. The additional estimated net revenue over the 2014 base year for P1 2020 is $18.5 million.

NSMC provided various assumptions and schedules identifying expense savings associated with approval of the DoN (P1 consolidation). The direct and indirect cost savings associated with the consolidation of Union services at Salem were analyzed to validate the cost savings by cost center. The same allocation methodology used for the historical performance was applied to the expenses based on one of the five allocation factors deemed most appropriate: discharges, emergency department visits, encounters, full-time equivalents, and square footage.

For each indirect cost center, an estimated percent savings was determined using base year 2014 and the following methodology:

Indirect Overhead Cost Centers - Union Only: NSMC identified that for certain departments, 100% of expense would be eliminated, as their services would be folded into the existing service at Salem without any additional expense. Other departments were decreased in varying ranges, mostly 50% to reflect economies of scale and efficiencies from having one campus but also illustrating the necessity to continue providing patient services for the patients transferring to Salem.

Indirect Overhead Cost Centers - Combined Campus Cost Centers with Estimated Cost Savings: It was identified that for certain departments 30% of expense could be eliminated, as there would be economies of scale by providing services on one campus. The variable expense, which is the existing 70% of expense, would continue to be necessary to serve the current and projected patient volume. The 30% savings estimate was based on existing knowledge of their business and the ratio of services currently and historically provided between Salem and Union Campuses.

Indirect Overhead Cost Centers - Combined Cost Centers without Estimated Cost Savings: There are a significant number of cost centers that provide overhead to both campuses but would not produce any savings from consolidation. These services are not provided on a per patient basis but are overarching corporate services that would exist regardless of a campus location. Departments such as Medical Education and Marketing provide services to NSMC which is not campus specific.

Direct Union Campus Patient Care Cost Centers: For each direct cost center at Union Hospital, while most costs are estimated to follow patient volumes to Salem, a 10% savings from base year 2014 expense was estimated with increased efficiencies of consolidating services.

F&D isolated both the direct and indirect cost center percentage savings on a financial statement line item basis, by allocating the expense by cost center between salaries and wages, purchased services, supplies and other expenses, and pension based on year 2014 allocation percentages. NSMC reported all expense savings in the salaries and wages in the as file DoN. F&D reclassified these savings from salaries and wages into purchased services, supplies and other expenses, and pension expense based on the expense allocation methodology. For projection year 2020, the estimated direct cost savings with the consolidation of Union and Salem is $9.1 million, and the estimated indirect cost savings is $5.0 million.

Staffing change savings were validated by analyzing the projected staffing schedule provided by NSMC. The change in salary was determined between base year 2014 and P1 2020, with a 28% fringe benefit factor applied. For P1 2020, the staffing changes cost savings are estimated to be $6.1 million.

Total depreciation related to the construction and renovation project less savings in depreciation from closing Union, result in a net additional cost of $6 million. The savings in depreciation from closing Union will be discussed in further detail in section 5. Interest expense related to the new project results in additional expense of $8.8 million.

The total improvement in margin between base year 2014 and projection year 2020 is $11.6 million. This positive change includes an increase in NPSR of $18.5 million, from additional behavioral health volume and increased volume in inpatient and emergency room activity. Total expenses increased $6.8 million, including a decrease in salaries and wages of $1.9 million, decrease in purchased services of $77 thousand, a decrease in supplies and other expense of $5.7 million, an increase in depreciation of $6.0 million, an increase in interest of $8.8 million, and a decrease in pension expense of $340 thousand.

P2 Projections

The P2 projection years in the as-filed DoN were presented to mirror the activity of the 2014 base year. Adjustments were made to P2 by F&D to account for additional volume and related revenues and expenses that were reported in P1 as well as additional infrastructure capital improvements to maintain Union operations. The adjustments and change in activity from base year 2014 to projection year P2 2020 is presented in Exhibit 3.

Revenue related to additional projected volume in P1 was added to the P2 activity as this increase in volume will occur whether the project is approved or denied. Additional behavioral health revenue was excluded as Salem and Union do not have the capacity for additional volume in P2. The additional volume increase was added to Union medical/surgical activity in order to account for the volume included in the P1 projections. This additional medical/surgical revenue is the only difference between the P1 and P2 projection year revenue.

With the additional revenue estimated at $4.8 million and related expense adjustment totaling $5.1 million, P1 and P2 activity is comparable. An additional adjustment to P2 costs is for the infrastructure improvements at Union. Union will incur additional depreciation and interest expense related to the upkeep of its facility, which is estimated to be $610 thousand for depreciation and $870 thousand for interest expense to finance the infrastructure improvements. This additional cost will be discussed in further detail in section 5. These adjustments decrease the P2 bottom line by $330 thousand ($4.8M less $3.6M less $610K less $870K)

Discussion with NSMC and medical staff leadership provided an overview of the patient care delivery concerns at NSMC.

The declining number of primary care physicians is due to the current demands on physicians and shifting to specialization and sub-specialization practices. Many healthcare services, such as endoscopy, interventional - cardiology, orthopedics, trauma, and surgery are provided by specialists and sub-specialists.

Salem Hospital has a trauma team, surgical team, and 24-hour house staff coverage as well as the specialist and sub-specialists on site. Certain specialists are rotated to Union on scheduled days.

Union Hospital does not have surgeons or specialists full-time on site which limits its ability to provide trauma coverage and higher end emergency care services.

The number of specialists in the system is limiting the availability to provide quality healthcare services to the community. There is not sufficient availability of specialists and sub-specialists at NSMC to provide full-time coverage at both hospital locations.

4. Project Impact on Cost (Pricing) of Healthcare to the Community

To analyze the cost of the approved project to the community, F&D compared charges by campus to identify differences in the pricing at each campus. A total of 48 claims were analyzed, with 24 claims by campus for inpatient, inpatient pysch, and emergency department service. We selected eight payers to review: Medicare, Medicaid, Blue Cross Blue Shield, Harvard Pilgrim Health Care, Tufts, Aetna, Health Safety Net, and Self Pay. Of these 48 claims, a sample of charges and payments was selected to determine pricing and reimbursement by campus. It was determined that the pricing and payment rates at each campus are identical.

The difference in revenue per patient day between Salem and Union is primarily attributed to the acuity at each campus, with Salem's case mix at 1.48 in FY14 compared to Union's case mix of 1.26. NSMC has a government (Medicare, MassHealth, HSN) payer mix of approximately 70%, with payments based on fixed fee schedules, regardless of the hospital's cost. The remaining 30% are commercial payers which reimburse the hospital based on fixed fee schedules regardless of the hospital's cost. Approximately 1% of commercial payers do reimburse the hospital based on a payment on account factor of the hospital's charges, limiting annual increases to inflation year over year. As healthcare evolves, cost trends at NSMC and other hospitals will most likely be used on a bundled case basis to determine payment rates in the future.

5. Capital Expenditures Related to the Project – P1 and P2

The reasonableness of capital expenditure assumptions was determined by analyzing the DoN assumptions and reviewing the depreciation and interest schedule provided to support the as-filed DoN.

P1 Additional Capital Expense and Savings

The project construction and renovation cost of $194.6 million results in an increase in projected annual depreciation of $10.0 million as estimated by NSMC. F&D confirmed the useful lives applied to the basis by asset class, which were deemed reasonable. NSMC assigned depreciation to each program. F&D reviewed the cost assignments to fixed asset categories by program and the useful lives assigned and related depreciation expense estimates.

A reduction in depreciation expense of $3.9 million for the closure of Union was applied against the new depreciation. This amount was determined by eliminating 50% of the Union Hospital's annual depreciation expense. The depreciation expense for building, building improvement, land improvements would be eliminated while major movable equipment depreciation would be transferred to the Salem campus upon consolidation.

The cost per gross square foot for new construction and renovation related to the project was compared to Marshall Valuation estimates for new construction. The new construction costs of $715 per square foot, compared to the Marshall Valuation new construction estimate of $654 results in a difference of $61 per square foot. The renovations cost of $584 per square foot compares to the Marshall valuation estimate of $458, for a difference of $126 per square foot.

The interest expense on the long term debt utilized to finance the project was estimated at 4.5% of the total estimated capital expenditure of $199.3 million, resulting in interest expense in P1 2020 of $8.8 million. This amount was allocated to each program based on the ratio of project depreciation to total project additional depreciation.

P2 Additional Capital Expense

Based on interviews with NSMC real estate, finance and medical leadership, Union will incur additional depreciation and interest expense related to necessary facility infrastructure improvements. The additional facility infrastructure improvements were estimated to be $19.6 million, which is detailed in Exhibit 6. These improvements resulted in additional depreciation of $610 thousand per year and interest expense of $870 thousand, included in P2 in the ICA analysis.

Considering the denial of the DoN, capital expenditures will continue to be incurred to comply with ongoing technological advancements moving forward. For example, costly modifications to the operating rooms to comply with the air change rate per hour requirements, changes in relation to the air change rate in

the hospital based pharmacies, and upgrades to the HVAC and electrical systems in order to keep up with the technology of hospital clinical equipment will all be required at both campuses.

To finance the additional capital, a 4.5% interest rate factor was used to maintain consistency with P1, to calculate an additional interest expense of $870 thousand for P2.

A fixed charge analysis was completed for both P1 and P2 to compare the cash outlays of each scenario at Exhibit 8. For year 2020 P1, an additional $25.3 million in cash from operations is available for debt service when compared to 2020 P2. An additional $14.2 million is incurred for interest and principal payments in P1, resulting in a ratio of fixed charges covered of .38. P1 also has estimated average annual capital expenditures not financed of $3.5 million less than P2.

Both P1 project approval and P2 project denial result in a less than 1.0 coverage ratio. However, P1 provides a slightly higher coverage ratio. As indicated in Factor 6 of the as-filed DON, Partners Health system will secure the financing and certain financial covenants will be applicable to Partners and not to NSMC. The Hospital is not directly providing the collateral for the financing.

6. Alternative Options

The two options that NSMC have include the consolidation of hospitals in the P1 scenario and keeping both campuses operating separately in the P2 scenario. A physical assessment of both campuses examined existing buildings using a variety of criteria, one of which was suitability for major investment. The only building on either campus that received a rating of "good" in that category was the Davenport Building on the Salem campus.

The assessment also examined expansion zones on both campuses and the distance from the existing vertical core (patient elevator banks). The Salem campus had four zones of significant size, one of which was used for the power plant and one of which is the site of the new construction discussed in the as-filed DoN. The Union campus had two potential zones both of very limited size and significantly farther away from the existing vertical core.

The Salem main campus is 32.2 acres with 615K Sq. Ft. of clinical space and 69K Sq. Ft. of medical office space. Spaulding North Shore (which has become a part of the NSMC Salem facility) encompasses an additional 112K Sq. Ft. of clinical space on a 9.2 acre parcel contiguous to the Davenport Building. The Union main campus is 10.48 acres with 238K Sq. Ft. of existing clinical space and 29K Sq. Ft. of medical office space. The available footprint of the Union campus does not accommodate the requisite square footage from Salem and the location of the campus in a dense residential neighborhood makes vertical expansion an unrealistic option.

7. Project Cost Savings Analysis

To determine the cost savings by campus, revenue and expense by adjusted patient day (APD) was analyzed to compare the P1 and P2 scenarios. Adjusted patient days were calculated to account for inpatient and outpatient volume, as well as case mix, due to the higher acuity levels at the Salem campus.

Comparing the total projected performance in total dollars by program, by campus of P1 and P2 identifies the savings with project approval (P1). The improvement in contribution margin (EBID) with project approval (P1 over P2) is $25.3 million, due to the increase in behavioral health volume in P1 and a decrease in salaries and wages and supplies and other expense due to cost savings identified in the consolidation. The improvement in operational margin with project approval is $11.9 million, caused by the additional

behavioral health activity and cost savings from consolidation, offset by the depreciation and interest related to the new construction and renovation related to the project. Net patient service revenue increased $13.1 million because of the increased behavioral health volume with the expansion of the program. Total operating expenses increased $1.8 million, driven by an increase in depreciation and interest of $13.4 million offset by a decrease in all other expenses of $11.6 million.

Comparing the total projected performance in dollars by program, by campus of P1 and P2 on an APD basis at exhibit 4 identified the savings with project approval (P1). The increase in operating margin per APD with project approval (P1 vs. P2) is $41, driven by the decrease in total operating revenue per APD of $147 because of the lower acuity in additional behavioral health volume, offset by the decrease in total operating expense per APD of $188. Net patient service revenue per APD decreased $141, due to the increased behavioral health volume and lower acuity related to this additional volume. Total operating expenses decreased $188 per APD, related to the decrease in salaries and wages and supplies and other expense per APD due to the cost savings identified in the consolidation. Depreciation and interest increased $22 per APD due to the new construction and renovations. The decrease in loss per APD from P1 to P2 is $41, driven by the decrease in NPSR per APD of $147, offset by the decrease in total operation expenses of $188 per APD.

With project approval (P1), NSMC will save 16% in salaries and wages, 15% in purchased services, 18% in supplies and expense, and 20% in pension expense per APD, offset by an increase of 12% in depreciation and a 38% increase in interest per APD. Total operating expenses, per APD are 14% less than P2 operating expenses, which supports the Commonwealth's Chapter 224 cost containment goals in the projection years.

8. Estimated Financial Contribution of Behavioral Health Expansion

The estimated financial contribution of behavioral health was also analyzed on an APD cost basis. Adjusted patient days were calculated to account for inpatient and outpatient volume, as well as case mix.

Comparing the total projected performance in total dollars by program, by campus of P1 and P2 at exhibit 5, savings were identified with project approval (P1). The positive difference in contribution margin (EBID) between P1 and P2 is $6.8 million, due to the increase in behavioral health volume in P1 offset by an increase in salaries and wages, supplies and expenses related to the additional volume. The operating margin for behavioral health decreased (P1 vs. P2) by $2.6 million, caused primarily by the additional depreciation and interest related to the new construction and renovation for the P1 project. Net patient service revenue increased $13.4 million because of the increased volume due to the expansion of the behavioral health program. Total operating expenses increased $16.7 million, driven by an increase in depreciation and interest of $9.4 million and an increase in salaries and wages of $7.2 million

Comparing the total projected performance in dollars by program, by campus of P1 and P2 on an APD basis at exhibit 5, identifies the contribution of the behavioral health expansion with project approval (P1). The decreased operational margin per APD (P1 vs. P2) is $118, driven by the increased depreciation and interest cost related to the P1 project. Net patient service revenue per APD increased $43, due to the increased adult behavioral health volume which has a higher acuity level than child behavioral health. Total operating expenses increased $163 per APD, related to the additional depreciation and interest related to the new construction and renovation for the P1 project. Depreciation and interest increased $223 per APD due to the P1 new construction and renovation project.

With project approval (P1) a reduction of the overall contribution to NSMC of $2.6 million will occur due to increased capital cost related to the new construction and renovations.

EXHIBITS

NSMC - Schedule A - Historical Schedule 2011-2015

		2011			2012			2013			2014			2015		
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem	Union	Total
1	Gross Patient Service Revenue*	981,286,504	350,386,496	1,331,673,000	967,109,871	338,474,130	1,305,584,000	1,013,327,793	341,569,206	1,354,897,000	1,030,749,227	307,108,774	1,337,858,000	1,078,982,687	290,823,313	1,369,806,000
2	Less: Contractuals	645,883,349	230,433,650	876,317,000	619,103,422	216,868,578	835,972,000	670,275,667	225,669,333	895,945,000	695,190,838	206,839,162	902,030,000	735,009,822	197,796,178	932,806,000
3	Provision for Doubtful Accounts	8,176,756	2,917,244	11,094,000	9,315,004	3,262,996	12,578,000	9,107,394	3,064,606	12,167,000	9,141,224	2,719,776	11,861,000	8,552,471	2,301,529	10,854,000
4	Free Care	30,378,703	10,839,297	41,217,000	33,557,122	11,754,878	45,312,000	33,406,615	11,247,385	44,654,000	25,351,277	6,941,723	32,273,000	21,261,409	5,721,591	26,983,000
5	Other (Specify)	2,466,883	880,117	3,347,000	(6,257,153)	(2,191,847)	(8,449,000)	2,197,981	740,019	2,938,000	(1,162,209)	(345,791)	(1,508,000)	(3,738,850)	(1,006,150)	(4,745,000)
6	Net Patient Service Revenue	294,380,813	105,237,187	399,618,000	311,391,475	108,779,525	420,171,000	298,345,137	100,847,863	399,193,000	304,248,096	90,953,904	395,202,000	317,898,316	85,010,165	403,908,481
7																
8	Other Operating Revenue*	6,691,042	2,391,958	9,083,000	8,070,650	2,819,350	10,890,000	10,734,485	3,628,515	14,363,000	14,258,478	4,262,522	18,521,000	10,023,936	2,712,064	12,736,000
9																
10	Net Operating Revenue	301,071,855	107,629,145	408,701,000	319,462,125	111,598,875	431,061,000	309,079,621	104,476,379	413,556,000	318,506,574	95,216,426	413,723,000	327,922,252	88,722,229	416,644,481
11																
12	Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13a	Salaries, Wages* and Fringe Excl. Pension	173,666,768	65,177,232	238,844,000	178,957,524	65,083,476	244,041,000	179,364,906	65,021,094	244,386,000	180,498,511	64,822,489	245,321,000	183,637,174	63,978,826	249,616,000
13b	Purchased Services	10,891,302	1,975,698	12,867,000	14,909,888	2,983,112	17,893,000	11,069,725	1,955,275	13,025,000	15,067,501	2,367,499	17,435,000	14,839,303	2,131,697	16,971,000
14	Supplies and Other Expenses	100,054,356	34,502,644	134,557,000	105,239,871	35,394,129	140,634,000	102,714,365	35,081,635	137,796,000	101,839,293	33,272,707	135,112,000	108,356,836	33,216,164	141,573,000
15	Depreciation	13,942,002	5,873,998	19,816,000	13,673,884	5,761,116	19,435,000	12,649,592	5,329,408	17,979,000	12,119,035	5,105,965	17,225,000	14,634,925	6,166,075	20,801,000
16	Interest	5,938,146	2,506,854	8,457,000	6,389,012	2,691,988	9,081,000	7,397,341	3,116,659	10,514,000	8,519,576	3,589,424	12,109,000	9,971,676	4,201,324	14,173,000
17	Pension	6,863,790	1,771,210	8,635,000	6,454,540	1,665,460	8,120,000	8,292,712	2,137,288	10,430,000	6,370,232	1,643,768	8,014,000	6,958,387	1,795,613	8,754,000
18																
19	Total Operating Expenses*	311,368,363	111,807,637	423,176,000	325,624,719	113,579,281	439,204,000	321,478,640	112,641,360	434,120,000	324,414,147	110,801,852	435,216,000	340,398,306	111,489,694	451,888,000
20																
21	Gain (Loss) from Operations	(10,296,508)	(4,178,492)	(14,475,000)	(6,162,594)	(1,980,406)	(8,143,000)	(12,399,018)	(8,164,982)	(20,564,000)	(5,907,573)	(15,585,427)	(21,493,000)	(12,476,049)	(22,767,470)	(35,243,519)
22																
23	Total Non-operating Revenue	253,410	90,590	344,000	(2,139,092)	(746,908)	(2,886,000)	238,232	73,768	292,000	(511,953)	(153,047)	(665,000)	(585,569)	(158,431)	(744,000)
24																
25	Excess of Revenues Over Expenses	(10,043,099)	(4,087,902)	(14,131,000)	(8,301,686)	(2,727,314)	(11,029,000)	(12,160,786)	(8,091,214)	(20,272,000)	(6,419,526)	(15,738,473)	(22,158,000)	(13,061,618)	(22,925,901)	(35,987,519)

Per Adjusted Day

Adjusted Day	230,585	82,266	312,850	227,932	82,597	310,530	232,404	80,632	313,036	231,258	75,663	306,922	238,483	73,342	311,825
	2011			2012			2013			2014			2015		
	Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem	Union	Total
1 Gross Patient Service Revenue*	4,256	4,258	4,256	4,243	4,098	4,204	4,360	4,238	4,328	4,457	4,059	4,359	4,524	3,965	4,393
2 Less: Contractuals	2,801	2,801	2,801	2,716	2,626	2,692	2,884	2,799	2,862	3,008	2,734	2,939	3,082	2,697	2,991
3 Provision for Doubtful Accounts	35	35	35	41	40	41	39	38	39	40	36	39	38	31	35
4 Free Care	132	132	132	147	142	146	144	135	143	101	92	99	89	78	87
5 Other (Specify)	11	11	11	(27)	(27)	(27)	9	9	9	(5)	(5)	(5)	(16)	(14)	(15)
6 Net Patient Service Revenue	1,277	1,279	1,277	1,366	1,317	1,353	1,284	1,251	1,276	1,316	1,262	1,288	1,333	1,173	1,295
7															
8 Other Operating Revenue*	29	29	29	35	34	35	46	45	46	62	56	60	42	37	41
9															
10 Net Operating Revenue	1,306	1,308	1,306	1,402	1,351	1,388	1,330	1,296	1,321	1,377	1,258	1,348	1,376	1,210	1,336
11															
12 Operating Expenses:															
13a Salaries, Wages* and Fringe Excl. Pension	753	792	763	785	788	780	772	806	781	781	857	799	770	872	800
13b Purchased Services	47	24	41	65	36	58	48	24	42	65	31	57	62	29	54
14 Supplies and Other Expenses	434	419	430	462	429	453	442	435	440	440	440	440	454	453	454
15 Depreciation	60	71	63	60	70	63	54	66	57	52	67	56	61	84	67
16 Interest	26	36	27	26	33	29	32	39	34	37	47	39	42	57	45
17 Pension	30	22	28	28	20	26	36	27	33	28	22	26	29	24	28
18															
19 Total Operating Expenses*	1,350	1,369	1,353	1,429	1,375	1,414	1,383	1,397	1,387	1,403	1,464	1,418	1,427	1,520	1,449
20															
21 Gain (Loss) from Operations	(45)	(61)	(46)	(27)	(24)	(26)	(53)	(101)	(66)	(26)	(206)	(70)	(52)	(310)	(113)
22															
23 Total Non-operating Revenue	1	1	1	(9)	(9)	(9)	1	1	1	(2)	(2)	(2)	(2)	(2)	(2)
24															
25 Excess of Revenues Over Expenses	(44)	(60)	(45)	(36)	(33)	(36)	(52)	(100)	(65)	(28)	(208)	(72)	(55)	(313)	(115)

EXHIBIT 1

NSMC - Schedule A - P1 (with Project)

		2014			2014 to 2020 Adjustments			2020 Totals		
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total
1	**Gross Patient Service Revenue***	1,030,749,227	307,108,774	1,337,858,000	366,897,108	(307,108,774)	59,788,334	1,397,646,335	-	1,397,646,335
2	Less: Contractuals	695,190,838	206,839,163	902,030,000	247,150,520	(206,839,163)	40,311,357	942,341,357	-	942,341,357
3	Provision for Doubtful Accounts	9,141,224	2,719,776	11,861,000	3,249,839	(2,719,776)	530,063	12,391,063	-	12,391,063
4	Free Care	23,331,277	6,941,723	30,273,000	8,294,611	(6,941,723)	1,352,888	31,625,888	-	31,625,888
5	Other (Specify)	(1,162,209)	(345,791)	(1,508,000)	(413,182)	345,791	(67,392)	(1,575,392)	-	(1,575,392)
6	**Net Patient Service Revenue**	304,248,096	90,953,904	395,202,000	108,615,322	(90,953,904)	17,661,418	412,863,418	-	412,863,418
7										
8	Other Operating Revenue*	14,258,478	4,262,522	18,521,000	5,090,219	(4,262,522)	827,697	19,348,697	-	19,348,697
9										
10	**Net Operating Revenue**	318,506,574	95,216,426	413,723,000	113,705,541	(95,216,426)	18,489,116	432,212,116	-	432,212,116
11										
12	Operating Expenses									
13a	Salaries, Wages* and Fringe Excl. Pension	180,498,511	64,822,489	245,321,000	62,936,210	(64,822,489)	(1,886,279)	243,434,721	-	243,434,721
13b	Purchased Services	15,067,501	2,367,499	17,435,000	2,290,587	(2,367,499)	(76,912)	17,358,088	-	17,358,088
14	Supplies and Other Expenses	101,839,293	33,272,707	135,112,000	27,584,277	(33,272,707)	(5,688,431)	129,423,569	-	129,423,569
15	Depreciation	12,119,035	5,105,965	17,225,000	11,151,477	(5,105,965)	6,045,512	23,270,512	-	23,270,512
16	Interest	8,519,576	3,589,424	12,109,000	12,410,063	(3,589,424)	8,820,639	20,929,639	-	20,929,639
17	Pension	6,370,232	1,643,768	8,014,000	1,304,169	(1,643,768)	(339,599)	7,674,401	-	7,674,401
18										
19	**Total Operating Expenses***	324,414,147	110,801,852	435,216,000	117,676,783	(110,801,852)	6,874,931	442,090,931	-	442,090,931
20										
21	**Gain (Loss) from Operations**	(5,907,573)	(15,585,427)	(21,493,000)	(3,971,242)	15,585,427	11,614,185	(9,878,815)	-	(9,878,815)
22										
23	Total Non-operating Revenue	(511,953)	(153,047)	(665,000)	(153,047)	153,047	-	(665,000)	-	(665,000)
24										
25	**Excess of Revenues Over Expenses**	(6,419,526)	(15,738,473)	(22,158,000)	(4,124,288)	15,738,473	11,614,185	(10,543,815)	-	(10,543,815)
	P1 without BH			(24,410,571)			14,350,584			(10,059,986)
	P1 Behavioral Health			$2,252,571			(2,736,399)			(483,829)
	Variance			-			-			-
	Net Operating Revenue	318,506,574	95,216,426	413,723,000				432,212,116	-	432,212,116
	Expense less dep & int	303,775,537	102,108,463	405,882,000				397,890,780	-	397,890,780
	Contribution Margin (EBID)	14,731,038	(6,890,038)	7,841,000				34,321,336	-	34,321,336
	Depreciation	12,119,035	5,105,965	17,225,000				23,270,512	-	23,270,512
	Interest	8,519,576	3,589,424	12,109,000				20,929,639	-	20,929,639
	Margin	(5,907,573)	(15,585,427)	(21,493,000)				(9,878,815)	-	(9,878,815)
	Non-operating Rev	(511,953)	(153,047)	(665,000)				(665,000)	-	(665,000)
	Excess of Revenue over Expense	(6,419,526)	(15,738,473)	(22,158,000)				(10,543,815)	-	(10,543,815)
		0	-	-				(0)	-	0

Reconciliation to Original P1

P1 NPSR	17,661,418	412,863,418
P1 Adjustments	17,661,418	17,661,418
Variance	(0)	395,202,000
P1 Depreciation	6,045,512	23,270,512
P1 Adjustments	6,045,512	6,045,512
Variance	(0)	17,225,000
P1 Interest	8,820,639	20,929,639
P1 Adjustments	8,820,639	8,820,639
Variance	-	12,109,000
P1 Total Expense	6,874,931	442,090,931
P1 Adjustments	6,874,931	6,874,931
Variance	-	435,216,000

EXHIBIT 2

NSMC - Schedule A - P2 (without Project)

		2014			2014 to 2020 Adjustments			2020 Totals		
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total
1	Gross Patient Service Revenue*	1,030,749,227	307,108,774	1,337,858,000	19,403,057	3,664,118	23,067,175	1,050,152,283	310,772,892	1,360,925,175
2	Less: Contractuals	695,190,838	206,839,163	902,030,000	15,292,194	2,374,956	17,667,150	710,483,031	209,214,119	919,697,150
3	Provision for Doubtful Accounts	9,141,224	2,719,776	11,861,000	201,081	31,229	232,309	9,342,305	2,751,005	12,093,309
4	Free Care	23,331,277	6,941,723	30,273,000	513,221	79,706	592,927	23,844,498	7,021,428	30,865,927
5	Other (Specify)	(1,162,209)	(345,791)	(1,508,000)	(25,565)	(3,970)	(29,536)	(1,187,775)	(349,761)	(1,537,536)
6	Net Patient Service Revenue	304,248,096	90,953,904	395,202,000	3,422,127	1,182,198	4,604,324	307,670,223	92,136,101	399,806,324
7										
8	Other Operating Revenue*	14,258,478	4,262,522	18,521,000	109,490	39,876	149,366	14,367,967	4,302,398	18,670,366
9										
10	Net Operating Revenue	318,506,574	95,216,426	413,723,000	3,531,616	1,222,074	4,753,690	322,038,191	96,438,499	418,476,690
11										
12	Operating Expenses	-	-	-	-	-	-			
13a	Salaries, Wages* and Fringe Excl. Pension	180,498,511	64,822,489	245,321,000	2,063,657	869,206	2,932,863	182,562,168	65,691,695	248,253,863
13b	Purchased Services	15,067,501	2,367,499	17,435,000	49,919	1,246	51,165	15,117,420	2,368,745	17,486,165
14	Supplies and Other Expenses	101,839,293	33,272,707	135,112,000	296,405	105,210	401,614	102,135,697	33,377,917	135,513,614
15	Depreciation	12,119,035	5,105,965	17,225,000	-	610,192	610,192	12,119,035	5,716,157	17,835,192
16	Interest	8,519,576	3,589,424	12,109,000	-	869,756	869,756	8,519,576	4,459,180	12,978,756
17	Pension	6,370,232	1,643,768	8,014,000	198,262	19,826	218,088	6,568,494	1,663,594	8,232,088
18										
19	Total Operating Expenses*	324,414,147	110,801,852	435,216,000	2,608,243	2,475,436	5,083,678	327,022,390	113,277,288	440,299,678
20										
21	Gain (Loss) from Operations	(5,907,573)	(15,585,427)	(21,493,000)	923,374	(1,253,362)	(329,988)	(4,984,199)	(16,838,789)	(21,822,988)
22										
23	Total Non-operating Revenue	(511,953)	(153,047)	(665,000)	-	-	-	(511,953)	(153,047)	(665,000)
24										
25	Excess of Revenues Over Expenses	(6,419,526)	(15,738,473)	(22,158,000)	923,374	(1,253,362)	(329,988)	(5,496,153)	(16,991,835)	(22,487,988)
	P1 without BH			(24,410,571)			(198,518)			(24,609,088)
	P1 Behavioral Health			$2,252,571			(131,471)			2,121,100
	Variance			-			-			-

Net Operating Revenue	318,506,574	95,216,426	413,723,000		322,038,191	96,438,499	418,476,690
Expense less dep & int	303,775,537	102,106,463	405,882,000		308,383,779	103,101,951	409,485,730
Contribution Margin (EBID)	14,731,038	(6,890,038)	7,841,000		15,654,411	(6,663,451)	8,990,960
Depreciation	12,119,035	5,105,965	17,225,000		12,119,035	5,716,157	17,835,192
Interest	8,519,576	3,589,424	12,109,000		8,519,576	4,459,180	12,978,756
Margin	(5,907,573)	(15,585,427)	(21,493,000)		(4,984,199)	(16,838,789)	(21,822,988)
Non-operating Rev	(511,953)	(153,047)	(665,000)		(511,953)	(153,047)	(665,000)
Excess of Revenue over Expense	(6,419,526)	(15,738,473)	(22,158,000)		(5,496,153)	(16,991,835)	(22,487,988)
	0	-	-		0	-	0

Reconciliation to Original P2

P2 NPSR	4,604,324	399,806,324
P2 Adjustments	4,604,324	4,604,324
Variance	-	395,202,000
P2 Depreciation	610,192	17,835,192
P2 Adjustments	610,192	610,192
Variance	-	17,225,000
P2 Interest	869,756	12,978,756
P2 Adjustments	869,756	869,756
Variance	-	12,109,000
P2 Total Expense	5,083,678	440,299,678
P2 Adjustments	5,083,678	5,083,678
Variance	-	435,216,000

EXHIBIT 3

NSMC - Total Schedule A P1 vs. P2 - Analysis

		2014			P1 (with Project) 2020			P2 (without Project) 2020			P1 & P2 Total Total Variance			
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem $ Variance	Union $ Variance	Total $ Variance	Total % Variance
1	Gross Patient Service Revenue*	1,030,749,227	307,108,774	1,337,858,000	1,397,646,335	-	1,397,646,335	1,050,152,283	310,772,892	1,360,925,175	347,494,052	(310,772,892)	36,721,160	3%
2	Less: Contractuals	695,190,838	206,839,163	902,030,000	942,341,357	-	942,341,357	710,483,031	209,214,119	919,697,150	231,858,326	(209,214,119)	22,644,207	2%
3	Provision for Doubtful Accounts	9,141,224	2,719,776	11,861,000	12,391,063	-	12,391,063	9,342,305	2,751,005	12,093,309	3,048,758	(2,751,005)	297,754	2%
4	Free Care	23,331,277	6,941,723	30,273,000	31,625,888	-	31,625,888	23,844,498	7,021,428	30,865,927	7,781,390	(7,021,428)	759,962	2%
5	Other (Specify)	(1,162,209)	(345,791)	(1,508,000)	(1,575,392)	-	(1,575,392)	(1,187,775)	(349,761)	(1,537,536)	(387,617)	349,761	(37,856)	-2%
6	Net Patient Service Revenue	304,248,096	90,953,904	395,202,000	412,863,418	-	412,863,418	307,670,223	92,136,101	399,806,324	105,193,195	(92,136,101)	13,057,094	3%
7														0%
8	Other Operating Revenue*	14,258,478	4,262,522	18,521,000	19,348,697	-	19,348,697	14,367,967	4,302,398	18,670,366	4,980,730	(4,302,398)	678,332	4%
9														
10	Net Operating Revenue	318,506,574	95,216,426	413,723,000	432,212,116	-	432,212,116	322,038,191	96,438,499	418,476,690	110,173,925	(96,438,499)	13,735,426	3%
11														
12	Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	
13a	Salaries, Wages* and Fringe Excl. Pension	180,488,511	64,822,489	245,311,000	243,434,721	-	243,434,721	182,562,168	65,691,695	248,253,863	60,872,553	(65,691,695)	(4,819,142)	-2%
13b	Purchased Services	15,067,501	2,367,499	17,435,000	17,358,088	-	17,358,088	15,117,420	2,368,745	17,486,165	2,240,668	(2,368,745)	(128,077)	-1%
14	Supplies and Other Expenses	101,839,293	33,272,707	135,112,000	129,423,569	-	129,423,569	102,135,697	33,377,917	135,513,614	27,287,872	(33,377,917)	(6,090,045)	-4%
15	Depreciation	12,119,035	5,105,965	17,225,000	23,270,512	-	23,270,512	12,119,035	5,716,157	17,835,192	11,151,477	(5,716,157)	5,435,320	30%
16	Interest	8,519,576	3,589,424	12,109,000	20,929,639	-	20,929,639	8,519,576	4,459,180	12,978,756	12,410,063	(4,459,180)	7,950,883	61%
17	Pension	6,370,232	1,643,768	8,014,000	7,674,401	-	7,674,401	6,568,494	1,663,594	8,232,088	1,105,907	(1,663,594)	(557,687)	-7%
18											-	-	-	
19	Total Operating Expenses*	324,414,147	110,801,852	435,216,000	442,090,931	-	442,090,931	327,022,390	113,277,288	440,299,678	115,068,540	(113,277,288)	1,791,252	0%
20											-	-	-	
21	Gain (Loss) from Operations	(5,907,573)	(15,585,427)	(21,493,000)	(9,878,815)	-	(9,878,815)	(4,984,199)	(16,838,789)	(21,822,988)	(4,894,616)	16,838,789	11,944,173	55%
22														
23	Total Non-operating Revenue	(511,953)	(153,047)	(665,000)	(665,000)	-	(665,000)	(511,953)	(153,047)	(665,000)	(153,047)	153,047	-	0%
24														
25	Excess of Revenues Over Expenses	(6,419,526)	(15,738,473)	(22,158,000)	(10,543,815)	-	(10,543,815)	(5,496,153)	(16,991,835)	(22,487,988)	(5,047,662)	16,991,835	11,944,173	53%

Net Operating Revenue	318,506,574	95,216,426	413,723,000	432,212,116	-	432,212,116	322,038,191	96,438,499	418,476,690	110,173,925	(96,438,499)	13,735,426	3%
Expense less dep & int	303,775,537	102,106,463	405,882,000	397,890,780	-	397,890,780	306,383,779	103,101,951	409,485,730	91,507,001	(103,101,951)	(11,594,950)	-3%
Contribution Margin (EBID)	14,731,038	(6,890,038)	7,841,000	34,321,336	-	34,321,336	15,654,411	(6,663,451)	8,990,960	18,666,925	6,663,451	25,330,376	282%
Depreciation	12,119,035	5,105,965	17,225,000	23,270,512	-	23,270,512	12,119,035	5,716,157	17,835,192	11,151,477	(5,716,157)	5,435,320	30%
Interest	8,519,576	3,589,424	12,109,000	20,929,639	-	20,929,639	8,519,576	4,459,180	12,978,756	12,410,063	(4,459,180)	7,950,883	61%
Margin	(5,907,573)	(15,585,427)	(21,493,000)	(9,878,815)	-	(9,878,815)	(4,984,199)	(16,838,789)	(21,822,988)	(4,894,815)	16,838,789	11,944,173	55%
Non-operating Rev	(511,953)	(153,047)	(665,000)	(665,000)	-	(665,000)	(511,953)	(153,047)	(665,000)	(153,047)	153,047	-	0%
Excess of Revenue over Expense	(6,419,526)	(15,738,473)	(22,158,000)	(10,543,815)	-	(10,543,815)	(5,496,153)	(16,991,835)	(22,487,988)	(5,047,862)	16,991,835	11,944,173	53%
	0	-	-	(0)	-	0	0	-	0				

Per Adjusted Day

Adjusted Day

		231,258	75,663	306,922	379,099	-	379,099	248,164	76,946	325,109				
		2014			P1 (with Project) 2020			P2 (without Project) 2020			P1 & P2 Total Variance By Adjusted Day			
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem $ Variance	Union $ Variance	Total $ Variance	Total % Variance
1	Gross Patient Service Revenue*	4,457	4,059	4,359	3,687	-	3,687	4,232	4,039	4,186	(545)	(4,039)	(499)	-12%
2	Less: Contractuals	3,006	2,734	2,939	2,486	-	2,486	2,863	2,719	2,829	(377)	(2,719)	(343)	-12%
3	Provision for Doubtful Accounts	40	36	39	33	-	33	38	36	37	(5)	(36)	(5)	-12%
4	Free Care	101	92	99	83	-	83	96	91	95	(13)	(91)	(12)	-12%
5	Other (Specify)	(5)	(5)	(5)	(4)	-	(4)	(5)	(5)	(5)	1	5	1	12%
6	Net Patient Service Revenue	1,316	1,202	1,288	1,089	-	1,089	1,240	1,197	1,230	(151)	(1,197)	(141)	-11%
7														
8	Other Operating Revenue*	62	56	60	51	-	51	58	56	57	(7)	(56)	(6)	-11%
9														
10	Net Operating Revenue	1,377	1,258	1,348	1,140	-	1,140	1,298	1,253	1,287	(158)	(1,253)	(147)	-11%
11														
12	Operating Expenses	-	-	-	-	-	-	-	-	-	-	-	-	
13a	Salaries, Wages* and Fringe Excl. Pension	781	857	799	642	-	642	736	854	764	(94)	(854)	(121)	-16%
13b	Purchased Services	65	31	57	46	-	46	61	31	54	(15)	(31)	(8)	-15%
14	Supplies and Other Expenses	440	440	440	341	-	341	412	434	417	(70)	(434)	(75)	-18%
15	Depreciation	52	67	56	61	-	61	49	74	55	13	(74)	7	12%
16	Interest	37	47	39	55	-	55	34	58	40	21	(58)	15	38%
17	Pension	28	22	26	20	-	20	26	22	25	(6)	(22)	(5)	-20%
18														
19	Total Operating Expenses*	1,403	1,464	1,418	1,166	-	1,166	1,318	1,472	1,354	(152)	(1,472)	(188)	-14%
20														
21	Gain (Loss) from Operations	(26)	(206)	(70)	(26)	-	(26)	(20)	(219)	(67)	(6)	219	41	61%
22														
23	Total Non-operating Revenue	(2)	(2)	(2)	(2)	-	(2)	(2)	(2)	(2)	0	2	0	14%
24														
25	Excess of Revenues Over Expenses	(28)	(203)	(72)	(28)	-	(28)	(22)	(221)	(69)	(6)	221	41	60%

EXHIBIT 4

NSMC Behavioral Health Schedule A P1 vs. P2 - Analysis

		2014 Behavioral Health			P1 BH (with Project) 2020			P2 BH (without Project) 2020			P1 & P2 Total Behavioral Health Variance			
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem $ Variance	Union $ Variance	Total $ Variance	Total % Variance
1	Gross Patient Service Revenue*	19,991,796	26,064,060	46,055,856	83,988,111	-	83,988,111	19,991,796	26,064,060	46,055,856	63,996,315	(26,064,060)	37,932,255	82%
2	Less: Contractuals	13,199,839	17,209,130	30,408,969	53,870,341	-	53,870,341	13,199,839	17,209,130	30,408,969	40,670,502	(17,209,130)	23,461,372	77%
3	Provision for Doubtful Accounts	173,568	226,287	399,855	708,354	-	708,354	173,568	226,287	399,855	534,786	(226,287)	308,499	77%
4	Free Care	442,999	577,555	1,020,554	1,807,941	-	1,807,941	442,999	577,555	1,020,554	1,364,942	(577,555)	787,387	77%
5	Other (Specify)	(22,067)	(28,770)	(50,837)	(90,060)	-	(90,060)	(22,067)	(28,770)	(50,837)	(67,992)	28,770	(39,222)	-77%
6	Net Patient Service Revenue	6,197,457	8,079,859	14,277,315	27,691,535	-	27,691,535	6,197,457	8,079,859	14,277,315	21,494,078	(8,079,859)	13,414,220	94%
7											21,494,078			
8	Other Operating Revenue*	290,442	378,660	669,101	1,297,754	-	1,297,754	290,442	378,660	669,101	1,007,312	(378,660)	628,653	94%
9														
10	Net Operating Revenue	6,487,898	8,458,518	14,946,417	28,989,289	-	28,989,289	6,487,898	8,458,518	14,946,417	22,501,391	(8,458,518)	14,042,872	94%
11														
12	Operating Expenses													
13a	Salaries, Wages* and Fringe Excl.	4,055,887	6,450,469	10,506,355	17,668,140	-	17,668,140	4,055,887	6,450,469	10,506,355	13,612,253	(6,450,469)	7,161,785	68%
13b	Purchased Services	-	-	-	-	-	-	-	-	-	-	-	-	0%
14	Supplies and Other Expenses	348,105	314,634	662,740	631,250	-	631,250	348,105	314,634	662,740	283,145	(314,634)	(31,489)	-5%
15	Depreciation	246,862	453,587	700,448	5,758,467	-	5,758,467	246,862	507,793	754,654	5,511,605	(507,793)	5,003,812	663%
16	Interest	173,542	318,865	492,407	4,963,219	-	4,963,219	173,542	396,130	569,671	4,789,677	(396,130)	4,393,548	771%
17	Pension	142,625	165,246	307,872	428,017	-	428,017	142,625	165,246	307,872	285,392	(165,246)	120,146	39%
18														
19	Total Operating Expenses*	4,967,021	7,702,801	12,669,822	29,449,094	-	29,449,094	4,967,021	7,834,272	12,801,293	24,482,073	(7,834,272)	16,647,801	130%
20														
21	Gain (Loss) from Operations	1,520,878	755,717	2,276,595	(459,805)	-	(459,805)	1,520,878	624,246	2,145,124	(1,980,682)	(624,246)	(2,604,929)	-121%
22														
23	Total Non-operating Revenue	(10,428)	(13,596)	(24,024)	(24,024)	-	(24,024)	(10,428)	(13,596)	(24,024)	(13,596)	13,596	-	0%
24														
25	Excess of Revenues Over Expenses	1,510,449	742,121	2,252,571	(483,829)	-	(483,829)	1,510,449	610,651	2,121,100	(1,994,278)	(610,651)	(2,604,929)	-123%
	Net Operating Revenue	6,487,898	8,458,518	14,946,417	28,989,289	-	28,989,289	6,487,898	8,458,518	14,946,417	22,501,391	(8,458,518)	14,042,872	94%
	Expense less dep & int	4,546,617	6,930,349	11,476,967	18,727,408	-	18,727,408	4,546,617	6,930,349	11,476,967	14,180,791	(6,930,349)	7,250,442	63%
	Contribution Margin (EBID)	1,941,281	1,528,169	3,469,450	10,261,881	-	10,261,881	1,941,281	1,528,169	3,469,450	8,320,600	(1,528,169)	6,792,431	196%
	Depreciation	246,862	453,587	700,448	5,758,467	-	5,758,467	246,862	507,793	754,654	5,511,605	(507,793)	5,003,812	663%
	Interest	173,542	318,865	492,407	4,963,219	-	4,963,219	173,542	396,130	569,671	4,789,677	(396,130)	4,393,548	771%
	Margin	1,520,878	755,717	2,276,595	(459,805)	-	(459,805)	1,520,878	624,246	2,145,124	(1,980,682)	(624,246)	(2,604,929)	-121%
	Non-operating Rev	(10,428)	(13,596)	(24,024)	(24,024)	-	(24,024)	(10,428)	(13,596)	(24,024)	(13,596)	13,596	-	0%
	Excess of Rev over Exp	1,510,449	742,121	2,252,571	(483,829)	-	(483,829)	1,510,449	610,651	2,121,100	(1,994,278)	(610,651)	(2,604,929)	-123%
		-	-	-	0	-	(0)	-	-	0				

Per Adjusted Day

Adjusted Day		8,944	11,426	20,370	37,218	-	37,218	8,944	11,422	20,366				
		2014 Behavioral Health			P1 BH (with Project) 2020			P2 BH (without Project) 2020			P1 & P2 Total Variance By Adjusted Day			
		Salem	Union	Total	Salem	Union	Total	Salem	Union	Total	Salem $ Variance	Union $ Variance	Total $ Variance	Total % Variance
1	Gross Patient Service Revenue*	2,235	2,281	2,261	2,257	-	2,257	2,235	2,282	2,261	21	(2,282)	(5)	0%
2	Less: Contractuals	1,476	1,506	1,493	1,447	-	1,447	1,476	1,507	1,493	(28)	(1,507)	(46)	-3%
3	Provision for Doubtful Accounts	19	20	20	19	-	19	19	20	20	(0)	(20)	(1)	-3%
4	Free Care	50	51	50	49	-	49	50	51	50	(1)	(51)	(2)	-3%
5	Other (Specify)	(2)	(3)	(2)	(2)	-	(2)	(2)	(3)	(2)	0	3	0	3%
6	Net Patient Service Revenue	693	707	701	744	-	744	693	707	701	51	(707)	43	6%
7														
8	Other Operating Revenue*	32	33	33	35	-	35	32	33	33	2	(33)	2	6%
9														
10	Net Operating Revenue	725	740	734	779	-	779	725	741	734	54	(741)	45	6%
11														
12	Operating Expenses	-	-	-	-	-	-				-	-	-	
13a	Salaries, Wages* and Fringe Excl.	453	565	516	475	-	475	453	565	516	21	(565)	(41)	-8%
13b	Purchased Services	-	-	-	-	-	-	-	-	-	-	-	-	0%
14	Supplies and Other Expenses	39	28	33	17	-	17	39	28	33	(22)	(28)	(16)	-48%
15	Depreciation	28	40	34	155	-	155	28	44	37	127	(44)	118	318%
16	Interest	19	28	24	133	-	133	19	35	28	114	(35)	105	377%
17	Pension	16	14	15	12	-	12	16	14	15	(4)	(14)	(4)	-24%
18														
19	Total Operating Expenses*	555	674	622	791	-	791	555	686	629	236	(686)	163	26%
20														
21	Gain (Loss) from Operations	170	66	112	(12)	-	(12)	170	55	105	(182)	(55)	(118)	-112%
22														
23	Total Non-operating Revenue	(1)	(1)	(1)	(1)	-	(1)	(1)	(1)	(1)	1	1	1	45%
24														
25	Excess of Revenues Over Expenses	169	65	111	(13)	-	(13)	169	53	104	(182)	(53)	(117)	-112%

EXHIBIT 5

NSMC - Union Campus Facility Infrastucture Requirements

Item	Campus	Status	Current Age	Expected Life	useful life	Estimated Cost to Replace	2020 Annual Depr
Low pressure boiler replacement (3)	Union	End of useful life	35+ years	30 years	30	$ 1,000,000	$ 33,333
Upgrade the current Honeywell Building automation system	Union	Current system outdated and obsolete according to Honeywell.	25+ years	30 years	30	$ 750,000	$ 25,000
Honeywell Campus Fire Alarm System	Union	End of useful life. Replacement parts getting increasingly difficult to find.	35+ years	30 years	30	$ 1,500,000	$ 50,000
Replacement of three cooling towers	Union	Current towers are past manufacturers suggested useful life of ten years	12 years	13 years	13	$ 750,000	$ 57,692
Replace exhaust fans on the East roof	Union	Units are old and ineffective although currently still operating	18 years	30 years	30	$ 250,000	$ 8,333
Replacement air compressor for the boiler room for cooling	Union	Frequent break downs cause heating and cooling issues with the facility	13 years	20 years	20	$ 50,000	$ 2,500
OP Penthouse roof replacement	Union	Roof leaks frequently	25+ years	30 years	30	$ 200,000	$ 6,667
East Medical building roof replacement	Union	Roof leaks frequently	25+ years	30 years	30	$ 100,000	$ 3,333
West Medical Building roof replacement	Union	Roof leaks frequently	25+ years	30 years	30	$ 250,000	$ 8,333
Replace OR lighting	Union	Light fixtures are currently held together with sheet metal screws, lenses are heavy	23 years	30 years	30	$ 400,000	$ 13,333
Operating Room Air Handler	Union	End of useful life	30+ years	30 years	30	$ 2,000,000	$ 66,667
Air Handler – East 2/East 3 (multiple areas)	Union	Commercial grade air system that typically doesn't last as long as a high quality aluminum unit that would replace it.	>30 years	20 years	20	$ 1,000,000	$ 50,000
South Building Main Air Handler	Union	End of useful life	30+ years	30 years	30	$ 1,250,000	$ 41,667
South 1 Telemetry Air Handler	Union	End of useful life	30+ years	30 years	30	$ 500,000	$ 16,667
Laboratory Air Handler	Union	End of useful life	30+ years	30 years	30	$ 500,000	$ 16,667
Electrical Switchgear	Union	This is the main distribution point from the 13.8kV utility line that services the entire campus.	30+ Years	40 years	40	$ 3,000,000	$ 75,000
Elevators Replacement (8)	Union	End of useful life. Two of the eight elevators may need to be replaced sooner due to changing regulations for hydraulic systems.	30 + years	40 years	40	$ 2,400,000	$ 60,000
East MOB – Needs total Renovation	Union	The building houses physician practices and hasn't had any upgrades since the 1970's. Beyond the interior finishes, it would need fire sprinkler system, windows, air system and electrical system upgrades.	40+ years	50 Years	50	$ 3,000,000	$ 60,000
Paving	Union	All parking lots have cracks and frost heaves due to age and many freeze/thaw cycles.	Unknown	Depends on conditions	50	$ 750,000	$ 15,000
		Total				**$ 19,650,000**	**$ 610,192**

EXHIBIT 6

NSMC - Construction & Renovation Cost Analysis

	Category of Expenditure	New Construction	Renovation		Total	Bldg	Land imp	Bldg Imp	fixed Equip	MM	Total
1	**Land Costs:**										
2	Land Acquisition Cost	$ -			$ -						
3	Site Survey and Soil Investigation	$ *230,000*			$ 230,000		230,000				230,000
4	Other Non-Depreciable Land Development	$ *3,333,683*	$ *1,355,583*		$ 4,689,266		4,689,266				4,689,266
5	Total Land Costs (lines 2 through 4)	$ *3,563,683*	$ *1,355,583*		$ 4,919,266	-	4,919,266	-	-	-	4,919,266
6	**Construction Costs:**				$ -						-
7	Depreciable Land Development Costs - Walsh Brothers	$ *3,557,846*			$ 3,557,846		3,557,846				3,557,846
8	Building Acquisition Cost	$ -	$ 1		$ 1						-
9	Construction Contract (including bonding cost)	$ *73,086,772*	$ *74,027,829*		$ 147,114,601	73,086,772		74,027,829			147,114,601
10	Fixed Equipment Not in Contract	$ *1,700,000*	$ *1,080,000*		$ 2,780,000				2,780,000		2,780,000
11	Architectural & Engineering Cost	$ *7,525,000*	$ *5,100,000*		$ 12,625,000	7,525,000		5,100,000			12,625,000
12	Pre-Filing Planning and Development Costs	$ *242,500*	$ *192,500*		$ 435,000	242,500		192,500			435,000
13	Post-filing Planning and Development Costs	$ *525,000*	$ *420,000*		$ 945,000	525,000		420,000			945,000
14	Other (specify) Building Commissioning & Other Consultant	$ *1,350,000*	$ *365,000*		$ 1,715,000	1,350,000		365,000			1,715,000
15	Other (specify) Accounting, PM & Other Project Support	$ *4,517,000*	$ *160,000*		$ 4,677,000	4,517,000		160,000			4,677,000
16	Net Interest Expense During Construction				$ -						
17	Major Movable Equipment				$ -						
18	Total Construction Costs (Lines 7 through 17)	$ *92,504,118*	$ *81,345,330*		$ 173,849,448	*87,246,272*	*3,557,846*	*80,265,329*	*2,780,000*	-	*173,849,447*
19	**Financing Costs:**				$ -						
20	Cost of Securing Financing (legal, admin, feasibilty, etc.)	$ 925,041	$ 813,453		$ 1,738,494						
21	Bond Discount				$ -						
22	Other (specify)				$ -						
23	Total Financing Costs (Lines 20 through 22)	$ 925,041	$ 813,453		$ 1,738,494	925,041		813,453			
24	**Estimated Total Capital Expenditure (line 5 + Line 18 + Line**	$ 96,992,842	$ 83,514,366		$ 180,507,208	88,171,313	8,477,112	81,078,782	2,780,000	-	180,507,207

Factor 6 Schedule E : Depreication Expense										
Less :										
Land										-
Other -Non depericable Land development cost	$ (3,333,683)	$ (1,355,583)		$ (4,689,266)		(4,689,266)				(4,689,266)
Financing cost										-
Add :										-
M/M Equipment			$ 18,773,500	$ 18,773,500					18,773,500	18,773,500
Depericable cost (Factor 6 sch E)	$ 93,559,159	$ 82,158,783	$ 18,773,500	$ 194,591,442	**Reconciled total**	88,171,313	3,787,846	81,078,782	2,780,000	18,773,500	194,591,441
					per DoN	88,171,314	3,787,846	81,078,782	2,780,000	18,773,500	194,591,442
Factor 5 Schedule 5.1					**Useful Life**	40	20	15	10	10	20
Less:					**Annual depr**	2,204,283	189,392	5,405,252	278,000	1,877,350	9,954,277
M/M Equipment			(18,773,500)	(18,773,500)							
Depreciable Land Development Costs	(3,557,846)	-		(3,557,846)							
Pre filing cost	(242,500)	(192,500)		(435,000)							
Post filing cost	(525,000)	(420,000)		(945,000)	**P2 Reported amounts**						
Building Commissioning & Other Consultants	(1,350,000)	(365,000)		(1,715,000)	Salem - P2 Depr	1,134,238	82,975	5,218,609		5,683,037	12,118,859
Accounting, PM & Other Project Suppor	(4,517,000)	(160,000)		(4,677,000)	Union -P2 Depr	477,881	34,960	2,808,917		2,394,399	5,716,157
Financing cost	(925,041)	(813,453)		(1,738,494)	**P2 Depreciation**	1,612,119	117,935	8,027,526		8,077,436	17,835,016
				-	**Eliminate**						
Total cost for Factor 5	$ 82,541,772	$ 80,207,830	$ -	$ 162,749,602	Union Deper	(477,881)	(34,960)	(2,808,917)		(1,197,200)	(4,518,957)
					Salem P1- Depr	3,338,520	272,368	10,623,861	278,000	8,757,586	23,270,336
Gross Square Footage	115,405	137,368		252,773							
Cost per Gross square	$ 715.24	$ 583.89		$ 643.86							

	Med/Surg	BH	Al other		
Factor 5 cost	26,295,871	44,183,593	92,270,137		162,749,600
New Beds	48	94	N/A		
Cost per Bed	547,831	470,038	N/A		

Marshall Valuation Index (October 2015) Per DoN office		
Base cost (Class A excellent)	478.61	
Sprinklers	2.53	
HVAC	13.50	
	494.64	346.25
Multiplier per Story	1.046	1.046
Multiplier -region	1.020	1.020
Multiplier -Local	1.240	1.240
Marshall Valuation estimate	$ 654.40	$ 458.08
Renovation cost estimated at % of New Construction		70%
Difference	$ 60.84	$ 125.81

EXHIBIT 7

NSMC - Fixed Charges Covered Analysis

		per DoN		per DoN	Adjustments	Modified	per DoN	Adjustments	Modified	Modified	
		2014		2020 P1	2020 P1	2020 P1	2020 P2	2020 P2	2020 P2	P1 vs P2	
1	Gain (Loss) from Operations	$ (21,493,000)		$ (13,787,582)	$ 3,908,765	$ (9,878,817)	$ (21,493,000)	$ (330,211)	$ (21,823,211)	11,944,394	
2	Add: Interest Expense	$ 12,109,000		$ 20,929,639	$ -	$ 20,929,639	$ 12,109,000	$ 869,756	$ 12,978,756	7,950,883	
3	Depreciation Expense	$ 17,225,000		$ 27,179,277	$ (3,908,765)	$ 23,270,512	$ 17,225,000	$ 610,192	$ 17,835,192	5,435,320	
4	Lease Payments	$ -								-	
5	**Cash from Operations Available for Debt Service**	**$ 7,841,000**		**$ 34,321,334**	**$ -**	**$ 34,321,334**	**$ 7,841,000**	**$ 1,149,737**	**$ 8,990,737**	25,330,597	
6	Debt Service Required:										
7	Interest on Long Term Debt (LTD)	$ 12,109,000		$ 20,929,639		$ 20,929,639	$ 12,109,000	$ 869,756	$ 12,978,756	7,950,883	A
8	Interest on Certain Short Term Debt					$ -					
9	Principal Payments - LTD	$ 61,743,690		$ 68,423,720		$ 68,423,720	$ 61,743,690	$ 336,588	$ 62,080,278	6,343,442	A
10	Reduction in Short Term Debt								-		
11	Lease Payments								-		
12	Net Sinking Fund Payment								-		
13	**Total Debt Service Required**	**$ 73,852,690**		**$ 89,353,359**	**$ -**	**$ 89,353,359**	**$ 73,852,690**	**$ 1,206,344**	**$ 75,059,034**	**$ 14,294,325**	
14	**Ratio: Fixed Charges Covered**	**0.11**		**0.38**		**0.38**	**0.11**	**0.95**	**0.12**	**1.77**	
15											
	Average Estimated Annual Capital Expentures not financed	$ 33,010,485		$ -		$ 33,920,186	$ -		37,366,912	(3,446,726)	

A New debt for Union campus Facility infrastucture capital improvements & renovations - P2 $ 19,650,000

Annual depreciation $ 610,192

Loan interest $ 869,756

Loan principal $ 336,588

NSMC capital expenditures - Actuals/Budgets

	Salem	Union	Total	
FY12	17,160,074	$ 3,571,610	$ 20,731,684	
FY13	61,014,626	$ 8,170,685	$ 69,185,311	
FY14	25,056,738	$ 7,953,746	$ 33,010,485	
FY15	28,099,918	$ 4,555,922	$ 32,655,841	
FY16	38,263,724	$ 2,313,701	$ 40,577,426	
3 year avg	30,473,460	6,893,451	$ 37,366,912	P2
	(2014-2016)	(2013-2015)		
	100%	50%		
3 year avg	$ 30,473,460	$ 3,446,726	$ 33,920,186	P1

EXHIBIT 8

LEED 2009 for Healthcare: New Construction and Major Renovations

Project Checklist: NSMC Campus Consolidation

Pre-Design: 10.6.15

Sustainable Sites — Possible Points: 18

Y	?	N			Assignment
Y			Prereq 1	Construction Activity Pollution Prevention	WB
Y			Prereq 2	Environmental Site Assessment	Civil
1			Credit 1	Site Selection	1 Civil
1			Credit 2	Development Density and Community Connectivity	1 Civil
	1		Credit 3	Brownfield Redevelopment	1 TBD
3			Credit 4.1	Alternative Transportation--Public Transportation Access	3 Civil
1			Credit 4.2	Alternative Transportation--Bicycle Storage and Changing Rooms	1 Civil/SB
	1		Credit 4.3	Alternative Transportation--Low-Emitting and Fuel-Efficient Vehicles	1 Civil
1			Credit 4.4	Alternative Transportation--Parking Capacity	1 Civil
			Credit 5.1	Site Development--Protect or Restore Habitat	
			Credit 5.2	Site Development--Maximize Open Space	
1			Credit 6.1	Stormwater Design--Quantity Control	1 Civil
1			Credit 6.2	Stormwater Design--Quality Control	1 Civil
			Credit 7.1	Heat Island Effect--Non-roof	
1			Credit 7.2	Heat Island Effect--Roof	1 SB
1			Credit 8	Light Pollution Reduction	1 ESI
1			Credit 9.1	Connection to the Natural World--Places of Respite	
			Credit 9.2	Connection to the Natural World--Direct Exterior Access for Patients	

Water Efficiency — Possible Points: 9

Y	?	N			Assignment
Y			Prereq 1	Water Use Reduction--20% Reduction	ESI
Y			Prereq 2	Minimize Potable Water Use for Medical Equipment Cooling	ESI
	1		Credit 1	Water Efficient Landscaping--No Potable Water Use or No Irrigation	1 LA
1			Credit 2	Water Use Reduction: Measurement & Verification	1-2 ESI
2			Credit 3	Water Use Reduction	1-3 ESI
			Credit 4.1	Water Use Reduction--Building Equipment	
			Credit 4.2	Water Use Reduction--Cooling Towers	
			Credit 4.3	Water Use Reduction-- Food Waste Systems	

Energy and Atmosphere — Possible Points: 39

Y	?	N			Assignment
Y			Prereq 1	Fundamental Commissioning of Building Energy Systems	Cx
Y			Prereq 2	Minimum Energy Performance	ESI
Y			Prereq 3	Fundamental Refrigerant Management	ESI
7	2		Credit 1	Optimize Energy Performance	1-24 ESI
			Credit 2	On-Site Renewable Energy	
1	1		Credit 3	Enhanced Commissioning	1-2 Cx
1			Credit 4	Enhanced Refrigerant Management	1 ESI
	1		Credit 5	Measurement and Verification	2 ESI
	1		Credit 6	Green Power	1 RMEC
1			Credit 7	Community Contaminant Prevention--Airborne Releases	1 ESI

Materials and Resources — Possible Points: 16

Y	?	N			Assignment
Y			Prereq 1	Storage and Collection of Recyclables	SB
Y			Prereq 2	PBT Source Reduction--Mercury	SB
2	1		Credit 1.1	Building Reuse--Maintain Existing Walls, Floors, and Roof	1-3 SB
	1		Credit 1.2	Building Reuse--Maintain Interior Non-Structural Elements	1 SB
2			Credit 2	Construction Waste Management	1-2 WB
2	2		Credit 3	Sustainably Sourced Materials and Products	1-4 WB
1			Credit 4.1	PBT Source Reduction--Mercury in Lamps	1 ESI
2			Credit 4.2	PBT Source Reduction--Lead, Cadmium, and Copper	2 ESI/SB
2			Credit 5	Furniture and Medical Furnishings	1-2 SB
			Credit 6	Resource Use--Design for Flexibility	

Indoor Environmental Quality — Possible Points: 15

Y	?	N			Assignment
Y			Prereq 1	Minimum Indoor Air Quality Performance	ESI
Y			Prereq 2	Environmental Tobacco Smoke (ETS) Control	SB
Y			Prereq 3	Hazardous Material Removal or Encapsulation	SB
			Credit 1	Outdoor Air Delivery Monitoring	
2			Credit 2	Acoustic Environment	1-2 SB
1			Credit 3.1	Construction IAQ Management Plan--During Construction	1 WB
1			Credit 3.2	Construction IAQ Management Plan--Before Occupancy	1 WB
4			Credit 4	Low-Emitting Materials	1-4 WB
1			Credit 5	Indoor Chemical and Pollutant Source Control	1 ESI/SB
	1		Credit 6.1	Controllability of Systems--Lighting	1 ESI
1			Credit 6.2	Controllability of Systems--Thermal Comfort	1 ESI
1			Credit 7	Thermal Comfort--Design and Verification	1 ESI
			Credit 8.1	Daylight and Views--Daylight	
	1		Credit 8.2	Daylight and Views--Views	1-3 HDR

Innovation in Design — Possible Points: 6

Y	?	N			Assignment
Y			Prereq 1	Integrated Project Planning and Design	RMEC
1			Credit 1.1	Innovation in Design: Green Building Education	1 SB/PHC
1			Credit 1.2	Innovation in Design: Green Cleaning	1 PHC
1			Credit 1.3	Innovation in Design: Food Composting	1 PHC
1			Credit 1.4	Innovation in Design: Reduced Mercury in Lamps	1 ESI
1			Credit 2	LEED Accredited Professional	1 RMEC
1			Credit 3	Integrated Project Planning and Design	1 RMEC

Regional Priority Credits — Possible Points: 4

Y	?	N			Assignment
1			Credit 1.1	Regional Priority: SSc3 achievement	1 TBD
1			Credit 1.2	Regional Priority: SSc6.1 achievement	1 Civil
1			Credit 1.3	Regional Priority: SSc7.2 achievement	1 SB
1			Credit 1.4	Regional Priority: MRc1.1 achievement (75% min)	1 SB

Total — Possible Points: 110

57 14

Certified 40 to 49 points Silver 50 to 59 points Gold 60 to 79 points Platinum 80 to 110

Attachment 5

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

Attachment 6

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

To: Commissioner Bharel and Members of the Public Health Council

From: Ben Wood, Bureau of Community Health and Prevention

Date: 6/01/2016

Re: Community Health Initiative (CHI) for Factor 9; North Shore Medical Center, Inc.; Project #3C46; New construction and renovation of Salem Hospital campus; MCE: $180,507,208; CHI: $9,025,360

The Applicant, North Shore Medical Center, Inc. is committed to contributing an amount reasonably related to this Project for programs that provide primary care and preventative health services to underserved populations in its service area. As such, the Applicant will contribute five percent (5%) of the MCE for the Factor 9 requirements.

Consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014, the Applicant has worked with representatives of the Department of Public Health's Bureau of Community Health and Prevention (BCHAP), Office of Community Health Planning and Engagement to identify community planning partners for the development of a specific funding plan for the Initiative(s). The identified planning partners included the Lynn Health Taskforce, a Ten-Taxpayer Group. Planning partners further included representatives from the Lynn and Salem health departments, the region's Community Health Network Area (the North Shore Community Health Network) and two community health centers (North Shore Community Health Center and the Lynn Community Health Center). The planning group convened three (3) times to assist the Applicant in ensuring that the funds are directed to community health initiatives that will improve health for vulnerable populations and reduce health disparities based on the identified health needs and priorities in North Shore Medical Center's Community Health Needs Assessment's conducted in 2012 and 2015. Specifically, $9,025,360 will be distributed over 5 years according to the funding plan attached to this memo. Funding will initiate upon approval by Public Health Council.

Community Health Initiative Planning Summary:
The Applicant submitted a Factor 9/Community Health Initiative funding proposal with its' Determination of Need application that focused on three priority areas identified in the 2012 and 2015 community health needs assessment:

1. Access to Primary, Urgent and Specialty Care
2. Behavioral Health and Substance Use Disorder Programming
3. Community Programming for Supporting Health

DPH staff met with the planning group on December 22nd, 2015 to review the Community Health Initiative planning process and the Applicant's proposal. Subsequent to that meeting DPH staff held separate meetings with members of the planning group to gain additional background information on needs, perspectives and priorities. The issue of most concern for planning members related to the proportion of funds allocated specifically for the City of Lynn versus allocations in other areas of the Applicant's service region.

After these meetings DPH requested that the Applicant prepare a more detailed proposal using the SMART (specific, measurable, attainable, relevant, time-focused) framework to better understand both the allocation percentage between communities and the intended impact of the funding. After the Applicant completed this activity, the planning group convened two additional times (March 22nd, 2016 and April 26th, 2016) for discussion and completion of a funding proposal. At the April 26th, 2016 meeting of the planning group consensus on the attached funding plan was achieved. The funding plan is consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014.

The Applicant and other designated planning partners will meet on an annual basis to review the outcomes of funded initiatives and confirm subsequent year investments of the community health initiative budget. Any modifications to the Factor 9 budget must be approved in advance by BCHAP.

Consistent with 105 CMR 100.551(J), the applicant is required to file written reports to the department, annually through the duration of each approved project, including a) reporting period; b) funds expended; c) recipient(s) of funds; d) purpose(s) of expenditures; e) project outcomes to date; f) proposed changes, if any, to the approved CHI; g) balance of funds to be expended over the duration of the project; and h) name of applicant's representative, including complete contact information. Reports may but are not required to include copies of printed materials, media coverage, DVDs, etc. Reports should be submitted electronically to Ben Wood, Bureau of Community Health and Prevention @ ben.wood@state.ma.us

Attachment 6

NSMC Factor 9 Planning Group: Summary of Recommended Program Funding- FINAL

Summary: Programming recommended for Factor 9 funding is based on the Health Needs Assessment that NSMC first completed in April, 2012 and renewed in September, 2015 which identified the following top 3 health priorities for the communities it serves:

1. Access to Primary, Urgent and Specialty Care: Increase access to primary, urgent and specialty care for vulnerable and under and uninsured patients

2. Behavioral Health and Substance Use Disorder Programming: Provide support and services for those affected by behavioral health issues and substance use disorders

3. Community Programming for Supporting Health: Work with community organizations to provide coordinated programming to support individuals and families in staying healthy

Factor 9 Budget: $9,025,360

1. Increase Access to Primary, Urgent and Specialty Care						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
LCHC: Primary and Behavioral Healthcare Expansion	LCHC proposes to significantly increase access to medical and behavioral health services in the community by renovating and expanding the health center's main site (269 Union St) as follows: •3rd floor build out (12,095 sq ft) for 14 existing PC providers and 6 existing BH providers •2nd floor renovation (9,422 sq ft) for 5 new PC providers and 5 new BH/addictions providers	•# of net new primary care patients and visits (estimated ~15K annual new PC visits, ~5K annual new BH visits and ~5K new PC patients) •ED utilization by LCHC patients •# of new providers •Third next available appointment •Waiting list	Findings from the 2015 Health Needs Assessment shows a persistent need for Primary Care providers in Lynn. LCHC has conservatively projected recruitment plans and ramp up assumptions given PCP recruitment and retention challenges.	Adding an additional integrated primary care team promotes LCHC's mission to provide comprehensive health care to everyone in the community, regardless of ability to pay.	Construction and renovations for both floors is expected to take 6 months in total (6-8 wk lead time is needed for mobilization of the Contractor and Architect team once funding is approved; Detailed plans have already been approved by DPH). LCHC expects it will take 2 years to recruit the full complement of providers (2 years for each provider to ramp up).	**$2,500,000** (Note: NSMC has committed to supplement this request with $2.5M. N5MC/Partners provided an additional $638,597 in 2014 ($292,298, for planning and architectural services for 269 Union St renovations and $346,299 for BH expansion at 20 Central Ave).

Attachment 6

1. Increase Access to Primary, Urgent and Specialty Care (continued)						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
NSCHi: Primary care expansion at Salem Family Health	To expand the availability of primary care at SFHC: •NSCHi will expand the current operating hours at SFHC to include three additional evenings (5-9pm) and expanded hours on Saturdays (1-3pm) •NSCHi will hire a new provider team including 1 MD, 1 NP, 1 RN, 2 MAs, 1 PSR and 1 MSW	•# of net new primary care patients and visits (estimated ~3K annual new PC visits) •ED utilization by NSCHi patients •# of new providers •Third next available appointment •Waiting list	Findings from the 2015 Health Needs Assessment shows a need for additional access to affordable primary care services in Salem and Peabody (where poverty levels are increasing). NSCHi has conservatively projected ramp up assumptions. No capital expenses are required.	Expanding primary care at Salem Family Health Center promotes NSCHi's mission to provide comprehensive, accessible and affordable primary care to residents of the North Shore, Cape Ann and surrounding areas.	NSCHi expects staff will be hired and the operating hours at Salem Family Health Center will expand by September 2016. Provider ramp up is assumed to take several years based on NSCHi's prior experience.	**$500,000**
1. Total Factor 9 Funds Allocated to Access to Primary, Urgent and Specialty Care						**$3,000,000**

Attachment 6

2. Behavioral Health and Substance Use Disorder Programming						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
2a. School Based Behavioral Health Programs						
LCHC: School based mental health expansion in Lynn	LCHC proposes to establish new Behavioral Health Teams in five additional Elementary Schools in the Lynn Public Schools during the period 2016-2020 in order to help students with their psychological and emotional challenges, many of which get in the way of their ability to learn and graduate.	•Improved school performance •Improved school attendance •Reduced drop out •Improved BH access for ~2K additional students	•LCHC has already developed and implemented a replicable prototype for providing behavioral health services in elementary schools •The clinical services provided in the schools can be supported by reimbursement from MassHealth and other insurance coverage.	National data show that low-income minority children have disproportionately high rates of physical and mental health problems and disproportionately low rates of treatment access.	Expand program to one additional elementary school (to be chosen by the Superintendant) each year over the next five years starting in 2016.	**$730,950**
NSCHi: School based mental health expansion in Salem and Peabody	NSCHi proposes to expand the availability of on-site behavioral health services in Salem and Peabody public schools.	•Improved school performance •Improved school attendance •Reduced drop out •Improved BH access for ~5K additional students	•NSCHi has already implemented behavioral health services at the Teen Health Center at Salem High School and Peabody Veteran Memorial H.S. •The clinical services provided in the schools can be supported by reimbursement from MassHealth and other insurance coverage.	Data from Peabody and Salem schools indicate a critical need for strong behavioral health support to be accessible for youth and adolescents in these areas.	By September 2016, NSCHi will begin to provide behavioral health services at two elementary schools in Salem (Nathaniel Hawthorne and Bentley), two middle schools (Collins Middle School in Salem and Higgins Middle School in Peabody) and expanded services at Peabody Veterans Memorial H.S.	**$159,479**
2a. Subtotal School Based Behavioral Health Programs						**$890,429**

Attachment 6

2. Behavioral Health and Substance Use Disorder Programming (continued)						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
2b. Opiate/Addiction Programming						
NSCHi: SUD expansion in Salem and Peabody	Expand suboxone programs at Peabody and Salem locations by hiring 1 new MD at SFHC, OBOT RN and BH provider at PFHC.	NSCHi's SUD expansion will accommodate ~300 new patients receiving medication assisted treatment with suboxone.	The findings from the 2015 Needs Assessment support the need for SUD expansion on the North Shore. NSCHi's OBOT program has proved to be a successful model.	SUD expansion promotes NSCHi's mission to provide comprehensive, accessible and affordable care to residents of the North Shore, Cape Ann and surrounding areas.	NSCHi expects to hire a full-time behavioral health provider for PFHC by June 2016. SFHC staff expansion is expected by September 2016.	**$349,187**
Project Cope: ED Recovery Coach	Pilot an addictions recovery coach program in the Salem ED to work with patients who suffer from opiate use disorders.	Reduced repeat opiate overdoses and improved engagement in recovery support programs.	The recovery coach program has proven results such as the Anchor ED program in Rhode Island that providers 24/7 recovery coaches in most of the EDs in the state.	This initiative supports the mission of the Addiction Services Consortium to collaborate on opportunities to provide addiction services for our shared patients.	Request for $25K in year 1 (additional $25K funding already secured); $50K per year for years 2-5 to support recovery coach salaries.	**$225,000**
LCHC: 280 Union St. Substance Use Disorder Expansion	LCHC has leased additional space (4,900 sq ft) on the floor of 280 Union St. adjacent to the recently expanded (Oct 2015) suboxone clinic (7,100 sq ft) to accommodate a new integrated primary care team. The space will be used for 5 new PC providers and 3 new BH/addictions providers.	•# of new patients receiving medication assisted SUD treatment with suboxone (estimated ~300) •# of net new primary care patients and visits (estimated ~15K annual new PC visits, ~3K annual new BH visits and ~5K new PC patients) •ED utilization by LCHC patients •# of new providers •Third next available appointment •Waiting list	The findings from the 2015 Needs Assessment, the recent spike in Opiate overdoses and the growing unmet demand in Lynn all indicate a need for expansion. LCHC has already secured the space and started hiring staff.	Expanding addiction services promotes LCHC's mission to provide comprehensive health care to everyone in the community, regardless of ability to pay.	LCHC expects to be able to occupy the additional 4900 square foot section intended for the new integrated primary care team in July 2016, when renovations by the landlord are expected to be completed. LCHC currently occupies the 7,100 sq ft section of the floor of 280 Union St. By the end of this year, LCHC expects the full complement of addiction services staff to be hired. Provider ramp up is assumed to take 2 years.	**$153,625** (Note: start up costs funded by HRSA and DPH grants; request represents remaining equipment costs)

Attachment 6

2b. Subtotal Opiate/Addiction Programming	$727,812

Attachment 6

2. Behavioral Health and Substance Use Disorder Programming (continued)						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
2c. Programming for Children, Teens and Families						
Children's Friends and Family: Family Guide Posts to success	Implementation of Family Guide Posts to Success, a MH/SUDs and social services initiative that will support families by ensuring timely, comprehensive, holistic, consistently accessible interventions regardless of insurance coverage or eligibility for state funded services.	•Improved access to care for ~250 families in Salem and Lynn over the next 5 years •Decrease in parents perception of difficulties of their child and an increase in their child's strengths •Decrease in waiting lists and time spent waiting by families seeking services	•Children's Friends and Family has already built strong partnerships with the public schools, primary care providers, DCF and others •Staff recruitment is not anticipated to be challenging	Implementing practices that support children and families who are in need but do not meet criteria to be served by our current systems supports Children's Friends and Family Services' mission to improve the lives of children and promote strong families.	•Year 1: hiring, training, identifying and engaging families, and marketing/communicating with the communities served about the project. •Year 2-4: Staff ramp up, implementation of assessment tools, sustainability planning •Year 5: Transition youth and families to appropriate health home services	**$734,014** (Note: Amount calculated based on remaining Factor 9 funds)
2c. Subtotal Programming for Children, Teens and Families						**$734,014**
2.Total Factor 9 Funds Allocated to Behavioral Health and Substance Use Disorder Programming						**$2,352,255**

Attachment 6

3. Community Programming						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	**M**easurable (quantify indicators of progress)	**A**ttainable (realistic and achievable)	**R**elevant (aligned with mission)	**T**ime-Based (start date, timeframe, end date)	
3a. Medical Respite						
Medical Respite of Greater Lynn	Collaboration between the Lynn Health Task Force (planning), Massachusetts Coalition for the Homeless (building) and Bridgewell (provision of services) to build a 10-14 bed high-quality medical respite in Lynn on the floor of the MCH facility. The respite program will serve homeless and at risk individuals in a short-term residential setting allowing people to rest and recover from illness, surgery or injury or to prepare for surgery or preventive procedures.	•~300 annual admissions •Reduced ED/IP utilization •Improved health outcomes for patients due to being linked to services, including behavioral health, podiatry, ophthalmology, oncology, radiology and neurology during their respite stay •Primary care engagement (100% enrolled in primary care on discharge)	•The project will receive technical assistance (including funding and reimbursement strategies, policy and procedure best practices, staff training, etc.) from Boston Health Care for the Homeless and the National Health Care for the Homeless Council. •The partnership has a proven history of working in collaboration. •Medical respites have the ability to bill for services within a circumscribed scope and that billing can help sustain a large portion of operations indefinitely.	Medical Respite is both a cost-effective and humane way to address health problems and reduce hospitalizations for homeless people and promotes the shared mission of the organizations to improve the well-being of low-income and homeless individuals living on the North Shore.	Building construction will begin upon approval and will last approximately 6 months. Once the building construction is complete, build-out of the respite will begin and take approximately 3 months. Staff will be hired and trained during the build-out phase. The respite program will begin operating with a resident capacity of ~25% approximately one year after construction begins. Patient admission will increase by 25% each quarter until full capacity.	**$2,800,000**
My Brother's Table: Gap funding for the Homeless Medical Outreach Program	Seeking one year of Factor 9 funding for the Homeless Medical Outreach Program (operates an on-site clinic at My Brother's Table and provides outreach services in the community).	•Primary care engagement •Number of on-site clinic visits •Number of case management visits •Number of unique patients	Since 2013 the program has successfully provided outreach case management and health care to homeless and at risk low income individuals.	Continuing the Homeless Medical Outreach program is consistent with the mission is to nourish the community every day through hospitality, free meals and unconditional love.	The Homeless Medical Outreach Program will be part of the Medical Respite program, therefore only one year of gap funding to pay the salaries of the NP and Outreach case manager is needed.	**$150,000**
Subtotal Medical Respite						**$2,950,000**

Attachment 6

3. Community Programming (continued)						
Title of Proposal:	**SMART Proposal Evaluation**					**Factor 9 Allocation:**
	Specific (clear, unambiguous, specific area of improvement)	Measurable (quantify indicators of progress)	Attainable (realistic and achievable)	Relevant (aligned with mission)	Time-Based (start date, timeframe, end date)	
3b. On-going Funding for Existing Lynn Programs						
City of Lynn: The Lynn Prevention and Wellness Trust Partnership (PWTF) gap funding	The city of Lynn is requesting an additional year of funding for certain, key aspects of the PWTF demonstration project directed to gather evidence of the cost saving power of disease. The PWTF seeks to improve health outcomes through community change and linking clinical providers with community partners.	Reduction in the prevalence of the following four preventable health conditions: •pediatric asthma (~150-200 annual patients +~2,000 public school kids) •tobacco use (~300 annual patients) • hypertension (~300 annual patients) •falls among the elderly (~1,200 LCHC patients)	This demonstration project has been underway since 2012 and currently offers five different clinical interventions and nine interventions in the community.	The PWTF is part of the Chapter 224 legislation passed in 2012 ("Act Improving the Quality of Health Care and Reducing Costs through Increased Transparency, Efficiency and Innovation").	As of June 2017, program funding will cease. Although the MDPH and the MPHA are seeking additional funding to continue PWTF's work, there is likely to be a gap of 1-2 years without funding.	**$500,000** (Note: represents funding for key aspects of the PWFT)
GLSS: Kiosks for Living Well	Enhance the current capabilities of the Kiosks for Living Well in Lynn to include: Diabetes and COPD management, stress management supports and mobile mental health services. GLSS also proposes to expand the kiosk operation from 6 to 10 hours per week.	•Increased number of Lynn residents using kiosks •Increased number of referrals from kiosks to providers •Improvement in clinical measures including BP, weight, falls risk assessment, depression and anxiety assessment, tobacco use, etc. •Reduced ED utilization	The success of the kiosks have already been demonstrated in Lynn. Since the kiosks were implemented, they have saved lives by identifying patients in emergent situations, connected patients with PCPs and achieved positive clinical outcomes.	Kiosk expansion supports GLSS's mission to build healthy and more livable communities wherein the critical home and community based services and supports required to promote optimal independence and well being are fully accessible to older adults and people living with disabilities.	Lynn kiosk expansion will begin immediately upon funds distribution. Requested funds are for 3 years of partial funding for a nurse, CSWs, a mental health counselor and program materials. After 3 years, GLSS anticipates kiosk services will be covered under capitation plans.	**$173,105** (Note: represents Lynn portion of the proposal)
Lynn Police Dept: Behavioral Health Unit	Seeking funding to continue the Behavioral Health Unit (grant funding is due to expire in June 2016).	•Number of individuals referred for BHU outreach •Percentage of referrals engaged in services	•Existing program •September 2014 – January 2016: 764 recommended for BHU outreach	The goal of the BHU is to get individuals the treatment they need and defer them outside the criminal justice dept.	Ongoing funding to support 1 Licensed Clinician, 1 Bilingual Case Manager starting in July 2016.	**$50,000**
Subtotal On-going Funding for Existing Lynn Programs						**$723,105**
3.Total Factor 9 Funds Allocated to Behavioral Health and Substance Use Disorder Programming						**$3,673,105**

Attachment 6

Attachment 7

I N D E X

* * * *

Attachment/Exhibit

3

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
Bureau of Health Care Safety and Quality
Determination of Need (DoN) Program
99 Chauncy Street, Boston, MA 02111

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

July 18, 2016

VIA EMAIL

Andrew S. Levine
Donoghue Barrett & Singal
One Beacon Street, Suite 1320
Boston, MA 02108-3106
ALevine@dbslawfirm.com

RE: North Shore Medical Center (NSMC)
Project Number 6-3C46
(New Construction/Renovation to Consolidate all NSMC Acute Care Services on the Salem Campus)

Dear Mr. Levine:

At their meeting of July 13, 2016, the Commissioner and the Public Health Council, acting together as the Department, voted pursuant to M.G.L. c.111, § 25C and the regulations adopted thereunder, to approve with conditions the above application filed by North Shore Medical Center ("NSMC" or "Applicant"). The approved project will involve new construction of a 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, there will be 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. There will also be new construction of an addition to the existing Davenport building on the Salem campus to accommodate a new main entrance/reception/lobby. Finally, the vacated emergency department building will be renovated to accommodate additional capacity for relocated outpatient cardiac and pulmonary rehabilitation, as well as wellness, ultrasound and infusion services.

This Notice of Determination of Need ("DoN") incorporates by reference the Staff Summary, Public Hearings, a Memorandum to the Public Health Council, and the Public Health Council proceedings concerning this application.

The approved maximum capital expenditure ("MCE") of $180,507,208 (October 2015 dollars) is itemized below:

	New Construction	Renovation
Land Costs:		
Site Survey and Soil Investigation	$ 230,000	
Other Non-Depreciable Land Development +	3,333,683	$ 1,355,583
Total Land Costs	3,563,683	1,355,583
Construction Costs:		

Depreciable Land Development Cost	3,557,846	
Construction Contract (including bonding cost)	$ 73,086,772	$74,027,829
Fixed Equipment Not in Contract	1,700,000	1,080,000
Architectural Cost (including fee, printing, supervision etc.) and Engineering Cost	7,525,000	5,100,000
Pre-filing Planning and Development Costs*	242,500	192,500
Post-filing Planning and Development Costs*	525,000	420,000
Other (See Below**):	1,350,000	365,000
Other (See Below***):	4,517,000	160,000
Total Construction Costs	$ 92,504,118	$81,345,330
Financing Costs:		
Cost of Securing Financing (legal, administrative, feasibility studies, mortgage insurance, printing,	925,041	813,453
Total Financing Costs	925,041	813,453
Estimated Total Capital Expenditure	$96,992,842	$83,514,366
Total		$180,507,208

Financing of the approved MCE of will be through debt financing of the entire MCE funded by Partners, NSMC's parent. Partners will secure financing with tax-exempt bonds issued by the Massachusetts Development Finance Agency ("MDFA"), at an anticipated fixed interest rate of 4.500% for 30-year term. The financial covenants associated with the bond issue will be applicable to Partners. No financial covenants will be applicable to NSMC.

The approved incremental operating costs of $1,791,253 (October 2015 dollars) for the project's first full year (FY 2020) of operation are indicated below:

Salaries, Wages and Fringe	$ (4,819,142)
Supplies and Other Expenses	(6,090,045)
Purchased Services	(128,077)
Depreciation	5,435,320
Interest	7,950,883
Pension	(557,687)
Total Operating Expenses	$ 1,791,253

The reasons for this approval with conditions are as follows:

1. NSMC proposes to undertake new construction of a 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, there will be 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. There will also be new construction of an addition to the existing Davenport building on the Salem campus to accommodate a new main entrance/reception/lobby. Finally, the vacated emergency department building will be renovated to accommodate additional capacity for relocated outpatient cardiac and pulmonary rehabilitation, as well as wellness, ultrasound and infusion services.

2. The health planning process for the project was satisfactory.

3. The proposed project is supported by a trend of consistent significant growth for the inpatient psychiatric services, and consistent demand for medical/surgical and emergency services. There are also documented concerns about current significant operating constraints and space deficiencies associated with inpatient psychiatric and emergency services, as well as multiple bed rooms involved with medical/surgical services, as discussed under the Health Care Requirements factor of the Staff Summary.

4. The project, with adherence to certain conditions, meets the operational objectives of the DoN regulations.

5. The project, with adherence to a certain condition, meets the standards compliance factor of the DoN regulations.

6. The recommended maximum capital expenditure of $180,507, 208 (October 2015 dollars) is reasonable based on the significantly higher than average new construction/renovation costs associated with the consolidation of all acute care services on the Salem Campus.

7. The recommended incremental operating costs of $1,791,253 (October 2015 dollars) are reasonable based on the expected substantial operational cost savings involved with the project.

8. The project is financially feasible based on the substantial financial support of Partners Healthcare, the Applicant's parent.

9. The project satisfies the requirements for relative merit.

10. The proposed community health service initiatives, with adherence to a certain condition, are consistent with DoN regulations.

11. The Applicant meets the Determination of Need Guidelines for Environmental and Human Health Impact ("Environmental Guidelines").

This Determination is effective upon receipt of this Notice. The Determination is subject to the conditions set forth in Determination of Need Regulation 105 CMR 100.551, including sections 100.551 (C) and (D) which read in part:

(C) ...such determination shall be valid authorization only for the project for which made and only for the total capital expenditure approved.

(D) The determination...shall be valid authorization for three years. If substantial and continuing progress toward completion is not made during the three year authorization period, the authorization shall expire if not extended by the Department for good cause shown (see 105 CMR 100.756).... Within the period of authorization, the holder shall make substantial and continuing progress toward completion; however, no construction may begin until the holder has received final plan approval in writing from the Division of Health Care Quality.

This Determination is subject to the following conditions, in addition to the terms and conditions set forth in 105 CMR 100.551. Failure of the Applicant to comply with the conditions may result in Department sanctions, including possible fines and/or revocation of the DoN.

1. NSMC shall accept the maximum capital expenditure of $180,507, 208 (October 2015 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.

2. The total approved gross square feet ("GSF") for this project shall be 252,773 GSF, which will include 115,405 GSF of new construction and 137,368 GSF of renovation.

3. The Applicant shall contribute a total of $9,025,360 (October 2015 dollars) for a period of five years, to fund community health services initiatives as described in the document prepared by the Office of Community Health Planning and Engagement ("OHPE"), as amended from time to time by agreement of the Applicant and OHPE, which is attached and is incorporated herein by reference (Attachment 1).

4. The Applicant shall continue to provide language access services at both the Salem Campus and the Lynn Campus with the improvements described in the document prepared by the Office of Health Equity ("OHE"), as amended from time to time by agreement of the Applicant and OHE, which is attached hereto as Attachment 2 and is incorporated herein by reference.

5. To ensure more equitable geographic and socioeconomic access to health care services for Lynn residents, and in recognition of the processes already underway, NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents. This updated evaluation shall be provided in two phases. The initial phase shall reflect the work of the Emergent/Urgent Care Services Planning Group that is meeting regarding how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation. This initial update shall be provided to the Department within one year of the issuance of DoN approval. Upon completion of Phase One in 2018, the second phase of this updated evaluation of community health needs shall begin and be incorporated into NSMC's existing community health needs planning process. As part of its existing federally mandated community health needs assessment process every three years the hospital must conduct an in-depth community needs assessment and outline a strategy for meeting community-identified needs of underserved populations. This process will be expanded to include a targeted focus on assessing the needs of the general populations throughout the hospital's primary service area, including the City of Lynn. The update shall be done in active consultation and active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area. In addition, with respect to the City of Lynn, the community health needs assessment will be inclusive of the diverse socio-economic groups that exist in the city.

6. NSMC shall seat, over the next three years, and maintain a board of individuals with cultural, ethnic and gender diversity that is reflective of the communities it serves with a particular emphasis on the needs of the underserved and more vulnerable patient populations. As part of the process of identifying and electing new board members NSMC shall consider the recommendations of a wide number of sources in the PSA, including other health care organizations, elected officials, advocacy groups and other community organizations.

7. At a minimum, the Department shall review compliance with the above conditions within 1 year of issuance of DoN approval and again after the completion of the project. At each time, NSMC's report of the status of compliance shall be reviewed by the Staff of Department and presented to the Public Health Council (PHC) by Staff of the Department after consultation with NSMC and community parties specified in these conditions. Further, NSMC and the community parties shall have an opportunity to address the PHC in regard to these conditions. Upon consideration of such presentations, the PHC will be the final arbitrator as to compliance with the conditions, and reserves

the right to continue the progress reports beyond the specified one year if needed and, if so, decide the timeline for the preparation of said reports to the PHC.

Sincerely,

Darrell Villaruz, Interim Manager
Determination of Need Program

DV/jp

cc: Michael Sinacola, Bureau of Health Care Safety and Quality
Rebecca Rodman, Office of General Counsel
Sherman Lohnes, Division of Health Care Facility Licensure and Certification
Mary Byrnes, Center for Health Information and Analysis
Stephen Thomas, MassHealth
Erica Koscher, Health Policy Commission
Daniel Gent, Division of Health Care Facility Licensure and Certification
Ben Wood, Bureau of Community Health and Prevention
Samuel Louis, Office of Health Equity
Katherine Mills, Health Policy Commission
Emily Gabrault, Office of the Attorney General

Attachment 1

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Mental Health
25 Staniford Street
Boston, Massachusetts 02114-2575

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

JOAN MIKULA
Commissioner

(617) 626-8000
www.mass.gov/dmh

April 4, 2016

Darrell Villaruz, Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Dear Mr. Villaruz:

I am writing to confirm the Department of Mental Health's (DMH) support for the addition of 56 psychiatric beds being proposed at North Shore Medical Center's ("Hospital") Salem campus for adult, pediatric, and geriatric psychiatric patients.

The Hospital has informed DMH of its intention to provide specialized behavioral treatment programs to address the clinical needs of especially vulnerable patient populations, such as adults with co-morbid Substance Use Disorders and children with Autism Spectrum Disorders. It is often difficult to find appropriate clinical placement for such patients, who may incur significant waiting times in emergency departments. The Hospital has assured DMH that their programs will be designed to effectively identify available medical services for these patients and efficiently direct them to those resources.

The addition of these beds will further enhance the psychiatric services provided by North Shore Medical Center as they already hold a DMH license for 26 adult psychiatric beds, 18 pediatric psychiatry beds, and 20 geriatric psychiatric beds.

If you have questions or need more information on this letter of support, please feel free to call the DMH Director of Licensing, Janet Ross at 617-626-8279.

Sincerely,

Joan Mikula
Commissioner

cc: Janet Ross
Joy B. Rosen
Andrew Levine, Esq

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

May 9, 2016

Robert G. Norton
President and CEO
North Shore Medical Center
81 Highland Avenue
Salem, MA 01970

Dear Mr. Norton:

Pursuant to your recent Determination of Need Application, Samuel Louis met with Jeremy Freitas, Manager Interpreter Services, Maura Hines Clouser, Executive Director of PCS Finance and Business Operations, Lori Long, Director, Community Relations, and Cheryl Merrill, Senior VP of Patient Care Services/Chief Nursing Officer on February 25, 2016 to review changes in service operations and policies, progress and improvement as well as exchanging ideas on strategies for continued operations and improvement.

After review of submitted documents and subsequent conversations, the Office of Health Equity has determined that North Shore Medical Center shall continue to:

- Enhance its capacity to provide quality, timely and competent interpreter services, i.e., posting of availability of interpreter services, annual language needs assessment, tailored community outreach, and submission of an annual language needs assessment.

Supplemental Conditions:
North Shore Medical Center shall:

- Monitor over the next 12 months its Interpreter Services and implement specific activities in response thereof, including but not limited to, support to the Coordinator of Interpreter Services, increase in personnel, resources and equipment, participation in language services forums and entities, and appropriate training for all staff.

- Document over the next 6 months the increase usage of telephonic and video remote interpretation and provide a detailed report of its findings.

- Obtain feedback from Interpreter Services patients regarding the use of telephonic and video remote interpretation and provide a detailed report of its findings.

- Continue to implement its Culturally and Linguistically Appropriate Services (CLAS) Initiative plan for the Language Access Services standards and follow recommended standards for Cultural Competent Care and Organizational Support for Cultural Competency for all sites operating under its license. Provide the Office of Health Equity with an updated plan that includes specific goals and objectives, action steps, targeted staff/departments, evaluation, and outcomes.

- Identify and report on the different mechanisms and/or projects the hospital has and will continue to use the data collected on race, ethnicity, and language to improve patient care and eliminate health disparities.

- Provide an Annual Progress Report to the Office of Health Equity within 45 days at the end of the Federal Fiscal Year.

An implementation plan that addresses the aforementioned and includes anticipated outcomes, evaluation, and **periodic submission of progress reports**, is to be submitted within 30 days of DoN's approval to:

Preferred:
samuel.louis@state.ma.us

Or

Samuel Louis, M.P.H.
Massachusetts Department of Public Health
Office of Health Equity
250 Washington Street, 5th Floor
Boston, MA 02108

It is imperative that North Shore Medical Center staff communicates with the Office of Health Equity to assure adequate monitoring, compliance, satisfactory implementation and progress to the implementation plan.

If you wish to discuss any of the conditions, or other areas covered at the visit, please contact me at (617) 624-5905 or at samuel.louis@state.ma.us.

Sincerely,

Samuel Louis, M.P.H.
Health Care Interpreter Services Coordinator

Cc: Jere Page, Determination of Need Analyst
Rodrigo Monterrey, Acting Director, Office of Health Equity

The Commonwealth of Massachusetts Attachment 6
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

To: Commissioner Bharel and Members of the Public Health Council

From: Ben Wood, Bureau of Community Health and Prevention

Date: 6/01/2016

Re: Community Health Initiative (CHI) for Factor 9; North Shore Medical Center, Inc.; Project #3C46; New construction and renovation of Salem Hospital campus; MCE: $180,507,208; CHI: $9,025,360

The Applicant, North Shore Medical Center, Inc. is committed to contributing an amount reasonably related to this Project for programs that provide primary care and preventative health services to underserved populations in its service area. As such, the Applicant will contribute five percent (5%) of the MCE for the Factor 9 requirements.

Consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014, the Applicant has worked with representatives of the Department of Public Health's Bureau of Community Health and Prevention (BCHAP), Office of Community Health Planning and Engagement to identify community planning partners for the development of a specific funding plan for the Initiative(s). The identified planning partners included the Lynn Health Taskforce, a Ten-Taxpayer Group. Planning partners further included representatives from the Lynn and Salem health departments, the region's Community Health Network Area (the North Shore Community Health Network) and two community health centers (North Shore Community Health Center and the Lynn Community Health Center). The planning group convened three (3) times to assist the Applicant in ensuring that the funds are directed to community health initiatives that will improve health for vulnerable populations and reduce health disparities based on the identified health needs and priorities in North Shore Medical Center's Community Health Needs Assessment's conducted in 2012 and 2015. Specifically, $9,025,360 will be distributed over 5 years according to the funding plan attached to this memo. Funding will initiate upon approval by Public Health Council.

Community Health Initiative Planning Summary:
The Applicant submitted a Factor 9/Community Health Initiative funding proposal with its' Determination of Need application that focused on three priority areas identified in the 2012 and 2015 community health needs assessment:

1. Access to Primary, Urgent and Specialty Care
2. Behavioral Health and Substance Use Disorder Programming
3. Community Programming for Supporting Health

DPH staff met with the planning group on December 22nd, 2015 to review the Community Health Initiative planning process and the Applicant's proposal. Subsequent to that meeting DPH staff held separate meetings with members of the planning group to gain additional background information on needs, perspectives and priorities. The issue of most concern for planning members related to the proportion of funds allocated specifically for the City of Lynn versus allocations in other areas of the Applicant's service region.

After these meetings DPH requested that the Applicant prepare a more detailed proposal using the SMART (specific, measurable, attainable, relevant, time-focused) framework to better understand both the allocation percentage between communities and the intended impact of the funding. After the Applicant completed this activity, the planning group convened two additional times (March 22nd, 2016 and April 26th, 2016) for discussion and completion of a funding proposal. At the April 26th, 2016 meeting of the planning group consensus on the attached funding plan was achieved. The funding plan is consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014.

The Applicant and other designated planning partners will meet on an annual basis to review the outcomes of funded initiatives and confirm subsequent year investments of the community health initiative budget. Any modifications to the Factor 9 budget must be approved in advance by BCHAP.

Consistent with 105 CMR 100.551(J), the applicant is required to file written reports to the department, annually through the duration of each approved project, including a) reporting period; b) funds expended; c) recipient(s) of funds; d) purpose(s) of expenditures; e) project outcomes to date; f) proposed changes, if any, to the approved CHI; g) balance of funds to be expended over the duration of the project; and h) name of applicant's representative, including complete contact information. Reports may but are not required to include copies of printed materials, media coverage, DVDs, etc. Reports should be submitted electronically to Ben Wood, Bureau of Community Health and Prevention @ ben.wood@state.ma.us

Attachment/Exhibit

4

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

August 9, 2017

Via E-mail and first class mail

Andrew S. Levine, Esq.
Donoghue Barrett & Singal
One Beacon Street Suite 1320
Boston, MA 02108-3106

RE: Notice of Final Action
Project Number 6-3C46.1
North Shore Medical Canter

Dear Mr. Levine:

At their meeting of August 9, 2017 the Commissioner and the Public Health Council ("PHC"), acting together as the Department, voted pursuant to M.G.L. c.111, §25C and the regulations adopted thereunder, to approve, with conditions, the application filed by North Shore Medical Center (NSMC) with respect to its request for a Significant Change or an Amendment (hereinafter used interchangeably) to its previously approved Determination of Need (DoN) Project.

This Notice of Final Action (Notice) incorporates by reference the Staff Summary dated July 18, 2017, as amended, the Notice of Final Action dated July 16, 2016, issued in response to the original DoN application, and the PHC proceedings concerning this Application for Significant Change to Project No. 6-3C46. The conditions of approval as set forth in this Notice reflect the amendments thereto voted by the Department at its meeting.

Those conditions of approval are as follows:

Condition 1

NSMC shall, on a quarterly basis, commencing with the approval of this Amendment and continuing for a period of five years after the later of the commencement of operations of any Satellite Emergency Facility (SEF) in Lynn or the complete cessation of operations of the Union campus as an inpatient facility, provide a report (in native format) to DoN staff setting out the following:

With respect to individuals presenting for care in the Salem campus ED or at any SEF operated by or on behalf of NSMC in Lynn:

a. The occupancy rate, for each of adult psychiatry, pediatric psychiatry, geriatric psychiatry and medical/surgical ("M/S") patients, by month, calculated as follows: the number of actual patient days divided by the capacity defined as the number of operating beds multiplied by thirty days. In each report, please indicate the number of beds being used for each of adult psychiatry and geriatric psychiatry patients;

b. The average number of people, by month, who are admitted for inpatient psychiatric care to a facility outside of the NSMC system, the facility to which those patients were admitted, and the zip code of origin;

c. The number of patients, by month, who present at NSMC (either Salem or at any emergency facility Partners operates in Lynn) with psychiatric indications and leave against medical advice;.

d. The primary and secondary diagnoses, including co-occurring substance use disorders, aggregated by quarter, for any psychiatric patients who are either admitted to beds at NSMC or admitted to beds other than at NSMC;

e. The monthly average number of psychiatric patients and M/S patients who present at either the Salem campus ED or any SEF in Lynn and are boarded for 12 or more hours at either facility;

f. The average turnaround time, by month, for both psychiatric and M/S patients presenting at either the Salem campus ED or any SEF in Lynn from presentation at either facility to admission to a bed at NSMC or transfer to another facility;

g. For all of the above reports, subject to HIPAA confidentiality requirements, these reports shall include the following: race, ethnicity, primary language spoken, and insurance type.

h. With respect to the update to the Community Health Needs Assessment (CHNA) as required by the initial approval of Project 6-3C46:

    i. the status of the process, including dates of meetings, agendas, and attendance;

    ii. ii. a description of how the process maintains a targeted focus on assessing the needs, including transportation to care, of the general populations throughout the hospital's primary service area, including the City of Lynn; and

    iii. evidence that NSMC is working in active consultation with and ensuring the active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area.

Condition 2

Review
The DoN program shall review the data received from NSMC in accordance with Condition 1 to determine whether one or more of the following Referral Indicators is present:

a. material increase in ED boarding or a material increase in average length of stay within the ED for either admitted or transferred M/S or psychiatry patients;

b. material increase in adult psychiatry patients transferred from NSMC to other providers;

c. material failure to make meaningful progress toward the development of the revised CHNA as contemplated in the initial approval of Project 6-3C46;

d. material increase in the average turnaround time, by month, for both psychiatric and M/S patients presenting at either the Salem campus ED or any SEF in Lynn from presentation at either facility to admission to a bed at NSMC or transfer to another facility.

Referral

If the DoN Program finds, based upon Reporting by NSMC or otherwise, any one or more of the Referral Indicators, the matter shall be referred to the PHC for review to determine whether NSMC is in violation of one or more of the Referral Indicators.

Upon referral to the PHC based upon any one or more of the Referral Indicators, NSMC shall have an opportunity to show cause why the PHC shall not find one or more of the Referral Indicators.

If the PHC finds that evidence of need for additional adult psychiatry capacity, NSMC agrees that the PHC may require that NSMC show cause why it shall not construct additional capacity in the shell space: at that time, NSMC shall have the opportunity to present to DoN Staff, for referral to the PHC, another option that addresses capacity or occupancy concerns or may present evidence that the purported violation occurred as a result of factors beyond the control of NSMC.

A finding of material failure to make meaningful progress on the revised CHNA may be viewed as a violation of the original DoN or of this Amendment with appropriate consequences.

Condition 3

Prior to submitting any future requests for Significant Change to Project 6-3C46, NSMC shall complete the revised CHNA, as outlined in the Department's initial approval of Project 6-3C46, and align any requests for proposed changes with the findings of the revised CHNA. This condition shall not preclude the filing of a request for Amendment which, in its entirety, addresses adding additional psychiatry capacity in the shell space built for same.

Condition 4

As part of any future requests for Significant Change to Project 6-3C46, NSMC shall provide documentation that the revised CHNA and any proposed deviations from this Project, as amended, have been reviewed with and result from active participation by and consultation with Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, other stakeholders in the Greater Lynn area that are inclusive of the diverse socio-economic groups that exist in the city, and other community representatives from the NSMC PSA.

Notice of Final Action
Project Number 6-3C46.1
North Shore Medical Canter

Condition 5

NSMC shall return to PHC one year following the opening date of the new psychiatry capacity at Salem Hospital, at the invitation of the PHC, to present an update on the status of NSMC's compliance with the conditions of this DoN.

All other conditions in DoN 6-3C46 remain in effect.

Sincerely,

Nora J. Mann
Director, Determination of Need Program

cc: Sherman Lohnes, Director, Division of Health Care Facility Licensure and Certification
Rebecca Rodman, Deputy General Counsel
Samuel Louis, Office of Health Equity
Mary Byrnes, Center for Health Information and Analysis
Steven Sauter, MassHealth
Katherine Mills, Health Policy Commission
Ben Wood, Office of Community Health Planning
Lynn Health Task Force
SEIU-1199

STAFF SUMMARY FOR DETERMINATION OF NEED
BY THE PUBLIC HEALTH COUNCIL

APPLICANT: North Shore Medical Center 81 Highland Avenue, Salem, MA 01970

PROJECT NUMBER: 6-3C46.1 (Significant Change)

I. Introduction and Background

This memorandum presents, for Public Health Council (PHC) action, the Determination of Need (DoN) Program's recommendation on a request by North Shore Medical Center (NSMC) in Salem, for a Significant Change to its previously approved DoN Project. The terms Significant Change and Amendment will be used interchangeably in this Staff Summary. Because it was submitted before the effective date of the current DoN regulation, the Application will be reviewed under the pre-2017 regulation (Regulation) which provided that: "The request shall contain a detailed description and comparison of the approved project with the proposed change, a description of the cost implications, and the rationale for the proposed change" and that the staff report "summarize the proposed changes to the project, and the comments [of interested parties] if any." See, 105 CMR 100.753 and 100.756.

On October 7, 2015, NSMC submitted a Determination of Need (DoN) Application for a Substantial Capital Expenditure and Substantial Change in Service. At that time, NSMC, a member of the Partners HealthCare System (Partners), operated two campuses, the 268-bed Salem campus (which is the subject of this proposed Amendment) and the 126-bed Union campus in Lynn. The original DoN as approved on July 13, 2016 authorized: construction of 115,405 gross square feet (GSF) a 3-story building to accommodate both a relocated Emergency Department (ED) and 48 medical/surgical (M/S) beds in two 24-bed units; construction of a new main entrance/reception/lobby; renovation of the vacated ED building; and renovation of the former Spaulding Hospital-North Shore (Spaulding) facility adjacent to the Salem campus to accommodate expanded inpatient psychiatric services for pediatric, adult, and geriatric patients.

As part of the same plan, NSMC announced plans to close the Union campus and filed the required notice with the Department of Public Health (Department). The planned closure generated an essential services closure hearing and the development of an essential services closure plan. The essential services closure plan framed important responsibilities of NSMC in connection with how it would continue to serve its patient panel. As a result of Department concerns about the degree to which the proposals in the DoN would accommodate the needs of all NSMC patients, approval of the DoN was conditioned upon NSMC updating and enhancing its Community Health Needs Assessment (CHNA) to specifically address the needs of people and the diversity of the communities in NSMC's primary service area, including Lynn.

NSMC's request for Significant Change proposes the following:

1. Decrease the total GSF of new construction and increase the total GSF that will be renovated.
2. Eliminate plans for the lobby renovation/expansion. The decision to eliminate plans for a new lobby space appears not to have an impact upon access or care and appears reasonable. Because this component of the proposed amendment meets the DoN review criteria for Significant Changes, this portion of the project will not figure further in this analysis.

3. Decrease the amount of the Project to be financed by including $10 million in fundraising by NSMC[1]. This change appears reasonable and will not figure further in this analysis.
4. Reduce the total number of M/S beds to be relocated from Union from 48 to 32.
5. Reduce the total number of adult psychiatry beds to be added at this time from 34 to four.
6. Create shell space in the new building and the renovated Spaulding building which could be built out in the future as needed and would accommodate, respectively, additional M/S beds and additional adult psychiatry beds.

In accordance with the Regulation, NSMC provided a description of both the approved Project and the proposed change. NSMC offered, as an overarching rationale for its proposed change, what it characterized as "unprecedented and untenable losses in FY2016" to each of Partners and NSMC. These are losses that NSMC asserts will not abate without "changes in how the system operates" and which have resulted in what NSMC characterized as a re-calibration of the Project. Staff requested additional information from NSMC in an effort to understand both the impact of NSMC's proposed decreases in capacity upon the analysis that NSMC provided in support of its original plan and the impact of the planned changes upon the continuing ability of NSMC to provide care to its patients. NSMC's rationale is discussed in detail in the remainder of this Staff Summary.

[1] In the original, approved DoN, the NSMC parent, Partners, committed to secure financing, with tax-exempt bonds issued by the Massachusetts Development Finance Agency ("MDFA"), in the total amount of $180,507,208. In its request for amendment to the DoN, NSMC both proposes to reduce the MCE to $168,173,839 and to modify the financing methodology by decreasing Partners' bond financing and by funding $10,000,000 of the MCE through fundraising by NSMC. NSMC indicates that it has, to date, received a $5 million pledge payable over five years in equal installments and has raised $4.5 million to support the oncology suite in the new M/S floor; the remaining $500,000 is expected by October, 2017.

II. Summary of Proposed Changes

Psychiatry Capacity

NSMC proposed in the original, approved DoN to operate a total of 120 psychiatry beds at Salem: 30 each in geriatric and pediatric psychiatry (GeriPsych and PediPsych, respectively) and 60 in its adult psychiatry service. Through this proposed Amendment, NSMC plans to construct an additional four adult psychiatry beds rather than an additional 34 adult psychiatry beds. The proposed Amendment leaves both the GeriPsych and PediPsych capacity increase unchanged: there will be 30 beds in each unit. Chart 1, below, shows the licensed psychiatry and medical/surgical beds at the two campuses prior to closure of the Union campus; the proposed bed count in the original DoN; and the bed count proposed in this Amendment.

Chart 1 –Licensed Medical/Surgical and Psychiatric Beds at NSMC

Beds	Current	DoN Approved	Amendment
Medical/Surgical	247	219	203
Adult Psych	26	60	30
Geri Psych	20	30	30
Pedi Psych	20	30	30

NSMC notes and Staff acknowledge, that, even under the proposed Amendment, there will be a net increase in psychiatry beds overall as compared to the current number of operating beds. NSMC further notes that the distribution of its psychiatry capacity including GeriPsych and PediPsych, and the fact that NSMC is not proposing to decrease the capacity in either, reflects priorities of the Massachusetts Department of Mental Health ("DMH"). NSMC also points out that the DoN as approved includes a plan to improve the ED layout and design by including a behavioral health area that can accommodate patients awaiting admission and transfer to another facility, and that those plans are unaffected by this proposed Amendment. As noted above, the proposed Amendment includes construction of shell space in the Spaulding building renovation in which, depending upon need and finances, NSMC indicates it can place additional psychiatry capacity.

Inpatient M/S Capacity

Under the proposed Amendment, NSMC proposes to open 16 fewer M/S beds than planned in the approved DoN. The original proposal called for the addition of 48 beds in two newly constructed 24 bed units. In this Amendment, they propose to construct one 24 bed unit and place eight beds in the former cardiac care unit for a total of 32 new beds and a total M/S bed count of 203. In the original DoN, NSMC was approved for a total bed count that was lower than the combined bed count at the two campuses. In the DoN as approved, the projected occupancy for M/S was approximately 72% of licensed beds. With the proposed Amended licensed bed count of 203, the M/S occupancy at Salem is projected to be approximately 77%.

Changes to Approved GSF and Maximum Capital Expenditure (MCE)

In addition to eliminating the originally planned and approved lobby renovation, this Application for Amendment also proposes changes to NSMC's planned renovations to existing structures and planned construction of a new 3-story building, as approved in the original DoN. These proposed changes include:

1. Relocating the mechanical/electrical level within the new building on the Salem campus;
2. Renovating the Salem campus' former cardiac care unit to accommodate eight M/S beds;
3. Adding an elevator machine room to the new building;
4. Changing the proposed location of the M/S floors within the new building in order to provide for increased floor-to-floor height to accommodate more energy efficient duct work; and
5. Modifying the inpatient connector design due to seismic code requirements[2].

In total, the proposed Amendment contemplates a net reduction of 2,477 GSF of new construction and an increase of 5,166 GSF of renovation, resulting in an overall 1.06% increase in the GSF for the Project. The requested amended GSF for the Project is 112,928 GSF of new construction and 142,534 GSF of renovation for a total of 255,462 GSF for the Project. These changes, like the decision to eliminate the lobby space, appear reasonable and not to have an impact upon access or care and will not figure further in this analysis.

At the same time, NSMC proposes a reduced Maximum Capital Expenditure (MCE). NSMC states that the reduction in expenditures is a function both of the above-referenced changes in GSF (less new construction, more renovation, and the construction of shell space) and what NSMC describes as an effort to "calibrate the proposed expansion at the Salem campus to implement new beds as demand and capital availability warrant." NSMC ties its decision to reduce the increase in the number of new psychiatry and M/S beds and the decision to construct shell space for potential future capacity, to what it describes as a decline in NSMC's financial capacity. NSMC asserts that in the face of that decline, NSMC re-evaluated the Project and determined to not pursue certain aspects. In its proposal to amend the DoN, NSMC requests a decrease in the total capital expenditure of 6.8% from the approved MCE $180,507,208 (2015 dollars) to $168,173,839 (2017 dollars). NSMC will not decrease its contribution to CHI funds despite the decrease in the MCE.

[2] Many of the changes to the Project result from the development of detailed project designs, commenced after approval.

III. NSMC's Rationale for Proposed Amendment[3]

In its original DoN Application, NSMC acknowledged annual losses in the amounts of $11,028,000 in 2012; $20,272,000 in 2013; and $22,158,000 in 2014. Assuming approval of the Project, NSMC projected losses in each of the subsequent years as follows: $18,814,170 in 2019, $13,787,582 in 2020, $12,700,489 in 2021, and $11,931,692 in 2022. (Statement of Revenue and Expenses, Schedule A, Factor 6, Original DoN Application)

NSMC asserts that during the analysis required for plan approval, it "uncovered certain facts that were not reasonably foreseeable at the time of approval [which] result in the need to amend the Project approval." NSMC also cites "unprecedented and untenable losses in FY2016" to each of Partners and NSMC that NSMC claims will not abate without "changes in how the system operates". NSMC indicated that it posted a $48 million loss in FY 2016, which was an increase of $12 million in losses over FY 2015. In response to questions from Staff about what changed in the period between approval of the DoN in July, 2016 and the fall of that year when NSMC first started to discuss publically its plans to recalibrate, NSMC said "to put [NSMC] on a path to break even following campus consolidation, Partners has set an ambitious goal to reduce NSMC's operating budget by $45 million over the next two years – approximately 10% of its operating budget – through improved efficiency in services and programs."

This proposed justification stands in contrast to NSMC's acknowledgment in its original DoN Application, as reflected in the Staff Summary, which stated that "despite the expected financial benefits of services consolidation, there currently is not a clear path to an operational cost breakeven point for NSMC..." (Staff Summary page 25) and that while "[NSMC's] financial status will improve as a result of the project and expenses will be reduced, [NSMC] does not have a projected break-even point."(Id)

The losses and renewed financial perspective have resulted in what N5MC characterizes as a recalibration of the Project. NSMC asserts that "due to worsening financial conditions, [NSMC] determined that it would be prudent for certain project components to be eliminated or delayed"[4].

IV. Impact of the Proposed Changes

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[3] In further support for its Application for Amendment, NSMC states that "since the Project was approved, significant new inpatient psychiatric capacity is planned in the Commonwealth..." NSMC states that the impact of this external inpatient psychiatric capacity may already be manifesting itself. NSMC indicates that inpatient adult psychiatric admissions have decreased by approximately 10% in the first quarter of FY2017 as compared to the same timeframe last year. NSMC further posits that "[as] approximately 12% of [its] adult psychiatric admissions originate from outside of [NSMC's] primary and secondary service areas..." the off-site capacity that is also located outside of NSMC's service area may effectively serve those patients.

[4] Adding to its rationale for the change, NSMC states that the closure of the NSMC cardiac surgery service at the Salem campus resulted in newly available space that could house eight new M/S beds in what NSMC describes as a cost effective manner. As a result, NSMC says it can add some capacity without having to construct the second of the two planned 24-bed units. Instead of opening up two units of 24 beds each, the Amended Project contemplates one new unit of 24 and the eight beds in the former cardiac area for a total new M/S capacity of 32. This is 16 fewer than was originally contemplated. The Applicant indicates that the cardiac surgery service at NSMC resulted in a loss of $460K in 2015 and therefore that closing this service decreases NSMC's operating losses.

In its original DoN Application in the Factor 1 Health Planning section, NSMC described the project as "a major capital expenditure for new construction and renovation at the Salem campus to accommodate the identified service needs and...a redesign of both care delivery and facilities for the future." (Page 11a, Factor 1 Analysis, original DoN Application) NSMC stated that it planned to consolidate acute care services previously offered at its campus in Lynn to the Salem campus and reported that the decision to consolidate was the result of a multi-year planning process and that, among other things, NSMC sought "to address the urgent need for improved access to inpatient behavioral health services on the North Shore".(Id) NSMC pointed out that the need "had become a priority focus for state and local officials and [that] the Salem campus expansion represented an 82% increase in NSMC's inpatient psychiatry capacity".(Id)

Also in the original DoN Application, NSMC documented a consistent trend of growth for its inpatient psychiatric service, and consistent demand for M/S and emergency services. NSMC reported that in its psychiatric service, its adult, pediatric, and geriatric beds operating at the time of the original DoN Application were regularly close to or at capacity. In its original Application, NSMC argued persuasively in support of the need for the full complement of psychiatry beds[5]. In its Factor 1 analysis, NSMC stated: "[NSMC] operates a comprehensive inpatient psychiatric service with a total of 64 beds...Even with this large number of beds, the service is regularly at capacity...Increasing access to psychiatry and behavioral health services is an important component of the Project and is also a priority focus for state and local officials. To address this demand, [NSMC] propose[d] expanding its inpatient psychiatric services to a total of 120 beds through the addition of 56 new beds."(Page 13e, Factor 2 Analysis, Original DoN Application)

The increased inpatient psychiatry capacity figured into the analysis of financial feasibility of this project when it was approved, as well. NSMC was required to fund an Independent Cost Analysis ("ICA") in connection with its original Application. A conclusion of the ICA was that "the improvement in margin between the base year 2014 and projection year 2020 is $11.6 million. This positive change includes an increase in Net Patient Service Revenue ("NPSR") of $18.5 million, *from additional behavioral health volume* and increased volume in inpatient and emergency room activity (emphasis added)." (ICA, page 5) The report supported NSMC's estimates of an increase in NPSR per Adjusted Patient Day ("APD") as a result of "increased adult behavioral health volume which has a higher acuity level than child behavioral health."

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[5] "[NSMC] determined demand for inpatient psychiatric beds by evaluating utilization trends in recent fiscal years. In fiscal year 2014, based on an occupancy rate of 95% to account for room blocks due to patient incompatibility, the Hospital's adult [psychiatry] unit was at full capacity 50% of the time, the pediatric [psychiatry] unit was at capacity 21% of the time and the geriatric [psychiatry] unit was at capacity 28% of the time. Viewed another way, this means that there were 173 days where there was no bed available at [NSMC] for adult psychiatry patients who presented to [NSMC's] ED and required admission. This trend has continued for the first eight months of the current fiscal year with all units at capacity a quarter of the time. The high utilization of the units often creates backlogs in [NSMC's] ED daily as patients wait for admission or transfer to another facility with capacity. To accommodate this unmet demand, [NSMC] will add 56 new inpatient psychiatric beds. This will increase overall capacity by 82%, more than double the number of adult beds that [NSMC] currently operates, and allow for 1,730 additional annual admissions by 2020. *This expanded capacity will provide [NSMC] with the capacity to admit patients that are currently transferred to other facilities, thereby improving the continuity of care for these patients as well as providing them with the clinical benefits of inpatient psychiatry connected to a full service acute care hospital.*" (Page 13e-13f, Factor 2 Analysis, Original DoN Application)(Emphasis added)

Reviewing the revised, proposed adult psychiatry capacity requires several assumptions. In the original project, NSMC proposed to add sufficient capacity to enable it to serve all of the patients who present at the ED but who, historically and currently have to be admitted elsewhere because of lack of bed/space[6]. As amended, the Project will, NSMC asserts, meet the adult psychiatry need for people from within its primary service area (PSA) who present for care but will not provide the capacity to accommodate what NSMC characterized in its original DoN Application as unmet need from outside the PSA. In its original DoN, NSMC projected between 18,600 and 19,700 adult psychiatry patient days. For the amended proposal, NSMC projects 13,804 patient days.

NSMC appears also to have revised its GeriPsych projections: "This plan will result in a reduction in the number of geri[atric] patient days originally projected for the DoN. (...) With the revised plan, [NSMC] will accommodate the historical volume based on FY2016, along with an additional 8% growth [which is] less than the growth originally projected in the DoN application, [but with which NSMC] believes that it will be able to meet the needs of the geri[atric] patients from its service area." NSMC points out that using its projections for GeriPsych the occupancy rate will be 63.3%, leaving 31.7% capacity that NSMC proposes to use for what it calls an "older adult cohort".

Using the adjusted projections for need by GeriPsych patients, NSMC has what it has characterized as excess capacity in its GeriPsych beds. NSMC will locate the GeriPsych beds near to the adult beds and use the excess capacity to accommodate what NSMC describes as an older cohort of the adult psychiatry patients in GeriPsych beds. When fully 10 of the 30 approved GeriPsych beds are used for older adults, the occupancy rate for adult psychiatry patients is about 95%. Without the full 10 GeriPsych beds being used for the adult patients, the occupancy rate for adult psychiatry could be as high as 126%.

Current ED boarding data reflect that about 6% of the average monthly visits to the Salem ED result in boarding (12 hours or longer in the ED) for both M/S and behavioral health (BH) patients. Approximately 3% of the total patients boarding presented with BH indications[7].

With respect to its M/S capacity, NSMC asserts that by using the former cardiac care unit to house eight new M/S beds, it can accommodate the projected M/S patient days (which have not been revised) with fewer additional M/5 beds. NSMC will have a revised, total M/S capacity of 203 beds. With that revised total, as noted above (page 3) the occupancy rate averages out to approximately 77%.

VII. Comments received

A public hearing was held on this Application on March 7, 2017. See, Transcript, Exhibit 1 and List of Speakers at Public Hearing, Exhibit 2. Commenters generally spoke of their frustration and disappointment that the project as originally proposed, which was combined with the loss to the

[6] NSMC states that it transfers between 1600-1800 behavioral health patients to other facilities for care annually from either the Salem or Union campus. Forty percent of these patients are transferred because NSMC does not currently have the physical capacity to accommodate the psychiatry admissions. NSMC anticipates that after construction of the expanded psychiatry units with additional beds on the Salem campus these patients will remain at NSMC. The remaining 60 percent are currently transferred because they are best served by either a specialty unit, or different level of care such as, but not limited to, DDART (Dual diagnosis Addiction Treatment Services), Enhanced Addiction Treatment services (EATS), or a substance use disorder residential program.

[7] Note that the boarding data includes all patients whether they ultimately were admitted or left the hospital. And behavioral health data includes both psychiatry and other behavioral health indications including substance use disorders.

community of the Union campus, was, in their view, being further eroded. In addition, the Department received a letter from the legislative delegation, dated March 7, 2017, Exhibit 3; from the Lynn Health Task Force dated February 7, 2017, Exhibit 4; and from 1199 SEIU dated February 9, 2017, Exhibit 5.

Speakers at the public hearing included current and former elected officials from the city of Lynn; representatives of the National Alliance for Mental Illness – Massachusetts; residents, including from one of the Ten Taxpayer Groups that organized originally in opposition to NSMC's plans to close the Union campus; and staff from each of the Salem and Union campuses, including a nurse on the Telemetry Unit at the Union campus who is also an elected delegate to the 1199 SEIU United Healthcare Workers East. Staff also heard from representatives of NSMC, including an administrator who pointed out that the plan outlined in the proposed Amendment is based on current demand trends and will still result in an increase in its capacity for inpatient psychiatry while also providing NSMC the flexibility to increase capacity in the future while they carefully monitor their census to meet the needs of patients.

Most speakers at the public hearing addressed their lack of trust and sense of betrayal by Partners and NSMC generated by the effect that the proposed changes to the DoN would have on commitments made in the original DoN. Speakers acknowledged that their comments on the proposed amendment to the DoN were made the context of activity at NSMC's Salem campus in the months since approval of the DoN including closure of the cardiothoracic surgical suite and the planned closure of a 24-bed pediatric unit, as well as announced layoffs of employees from both the Salem and the Union campuses. Others addressed the larger context including Partners' construction of a large ambulatory care center in Danvers which, along with the transfer of the cardiac unit to MGH, they assert is part of a plan to move profitable services out of NSMC to other parts of Partners.

The information received in writing and at the public hearing was reviewed by DoN staff and has helped to inform its analysis of the Application for Significant Change. The concerns raised regarding capacity, occupancy rates, and transportation mitigate in favor of certain conditions which Staff recommends below.

VIII. Findings and Recommendation

This Application is presented for review under the regulations in effect at the time of filing and before the 2017 regulations became effective. The Regulation sets out certain requirements for Significant Changes including that they contain a detailed description of the plan, a comparison of the project as approved with the proposed changes, and the rationale for the proposed change[8]. The Application before the PHC today contains a detailed description and comparison of the approved Project with the proposed change. NSMC is forthright in describing the cost implications, indicating that the decisions were informed by, *inter alia,* the financial condition of NSMC and Partners.

When reviewing the proposed Amendments, in particular the decrease in capacity in adult psychiatry beds, Staff is mindful that in making recommendations to approve the underlying DoN, the Regulation

[8] 105 CMR 100.753"Changes or modifications which are significant shall not be made unless the Department approves such changes in accordance with the procedures set forth in 105 CMR 100.756."
105 CMR 100.756 "[a]request shall contain a detailed description and comparison of the approved project with the proposed change, a description of the cost implications, and the rationale for the proposed change."

required a finding that, among other things, the project would result in "the least ... adverse consequences as possible in the circumstances." Looking at the impact of the decrease in capacity proposed in this Amendment, and seeing that occupancy rates are projected to increase, Staff is concerned about the potential impact the decreased capacity might have on ED boarding as well as on occupancy rates and access to care for the relevant patient population.

NSMC made a compelling case, just under a year ago, that the consolidation of its services at the Salem campus made sense, both financially and from a patient care perspective. In its original DoN, NSMC stated that "this expanded capacity will provide [NSMC] with the capacity to admit patients that are currently transferred to other facilities, thereby improving the continuity of care for these patients as well as providing them with the clinical benefits of inpatient psychiatry connected to a full service acute care hospital." (Page 13e-13f, Factor 2 Analysis, Original DoN Application)

This amended proposal presumes that some of the patients presenting for psychiatric care to the Salem campus will continue to require transfer to inpatient psychiatry providers outside of NSMC. The proposal also contemplates the construction of shell space which could be built out with adult psychiatry beds if needed. While the proposal will result in increased psychiatric bed capacity as compared to present-day, Staff is concerned about how the current proposal to open only four additional adult psychiatry beds instead of the previously approved addition of 34 new adult psychiatry beds will meet the needs of the patient population without significant negative impact including an increase in ED boarding. Toward that end, in order to address these potential capacity issues Staff recommends certain conditions to any proposed DoN that will allow the Department to track and, potentially address negative impacts on boarding and occupancy.

The approved DoN included certain conditions on which NSMC and the Department contemplated regular review.[9] These conditions were premised on an effort, "to ensure more equitable geographic and socioeconomic access to health care services for Lynn residents..."; requires that, "*NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents*"; and address "how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation.[10] (Staff Summary, emphasis added) This condition remains in effect, and is of continuing importance because it may support both NSMC's and the Department's understanding of the impact of the amended consolidation project (the consolidation of Union and Salem campuses) on the community health needs in the PSA.

In order for Staff to recommend the PHC's support of the decrease in capacity, Staff recommends that as a part of this DoN approval, the conditions regarding reporting from the original DoN be more finely

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[9] From the Staff Summary: At a minimum, the Department shall review compliance with the above conditions within one year of issuance of DoN approval and again after the completion of the project. At each time, NSMC's report of the status of compliance shall be reviewed by the Staff of Department and presented to the PHC by Staff of the Department after consultation with NSMC and community parties specified in these conditions. Further, NSMC and the community parties shall have an opportunity to address the PHC in regard to these conditions. Upon consideration of such presentations, the PHC will be the final arbitrator as to compliance with the conditions, and reserves the right to continue the progress reports beyond the specified one year if needed and, if so, decide the timeline for the preparation of said reports to the PHC.

[10] The first update was to be provided to the Department within one year of the issuance of DoN approval and is thus, due shortly. A review of progress in that regard shows that the group charged with addressing emergency services needs in Lynn has met four times: in each of May, June, and October 2016 and again on May 1, 2017.

tuned to require regular and specific reporting by NSMC to the Department and that additional reporting be required for the purpose of tracking and, potentially addressing any negative impact of the decreased capacity.

Condition 1

NSMC shall, **on a quarterly basis**, commencing with the approval of this Amendment and continuing for a period of five years after the later of the commencement of operations of any Satellite Emergency Facility (SEF) in Lynn or the complete cessation of operations of the Union campus as an inpatient facility, provide a report (in native format) to DoN staff setting out the following:

With respect to individuals presenting for care in the Salem campus ED or at any SEF operated by or on behalf of NSMC in Lynn:

a. The occupancy rate, for each of adult psychiatry, pediatric psychiatry, and geriatric psychiatry patients, by month, calculated as follows: the number of actual patient days divided by the capacity defined as the number of operating beds multiplied by thirty days. In each report, please indicate the number of beds being used for each of adult psychiatry and geriatric psychiatry patients;
b. The average number of people, by month, who are admitted for inpatient psychiatric care to a facility outside of the NSMC system, the facility to which those patients were admitted, and the zip code of origin;
c. The number of patients, by month, who present at NSMC (either Salem or at any emergency facility Partners operates in Lynn) with psychiatric indications and leave against medical advice;
d. The primary and secondary diagnoses, aggregated by quarter, for any psychiatric patients who are admitted to beds other than at NSMC;
e. The monthly average number of psychiatric patients and M/S patients who present at either the Salem campus ED or any SEF in Lynn and are boarded for 12 or more hours at either facility;
f. The average turnaround time, by month, for both psychiatric and M/S patients presenting at either the Salem campus ED or any SEF in Lynn from presentation at either facility to admission to a bed at NSMC or transfer to another facility;
g. For all of the above reports, subject to HIPAA confidentiality requirements, these reports shall include the following: race, ethnicity, primary language spoken, and insurance type.
h. With respect to the update to the CHNA as required by the initial approval of Project 6-3C46:

    i. the status of the process, including dates of meetings, agendas, and attendance;
    ii. a description of how the process maintains a targeted focus on assessing the needs, including transportation to care, of the general populations throughout the hospital's primary service area, including the City of Lynn; and
    iii. evidence that NSMC is working in active consultation with and ensuring the active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area

Condition 2

Review

The DoN program shall review the data received from NSMC in accordance with Condition 1 to determine whether one or more of the following Referral Indicators is present:

a. material increase in ED boarding;
b. material increase in adult psychiatry patients transferred from NSMC to other providers;
c. material failure to make meaningful progress toward the development of the revised CHNA as contemplated in the initial approval of Project 6-3C46.

Referral
If the DoN Program finds, based upon Reporting by NSMC or otherwise, any one or more of the Referral Indicators, the matter shall be referred to the PHC for review to determine whether NSMC is in violation of one or more of the Referral Indicators.

Upon referral to the PHC based upon any one or more of the Referral Indicators, NSMC shall have an opportunity to show cause why the PHC shall not find one or more of the Referral Indicators.

If the PHC finds that evidence of need for additional adult psychiatry capacity, NSMC agrees that the PHC may require that NSMC show cause why it shall not construct additional capacity in the shell space: at that time, NSMC shall have the opportunity to present to DoN Staff, for referral to the PHC, another option that addresses capacity or occupancy concerns or may present evidence that the purported violation occurred as a result of factors beyond the control of NSMC.

A finding of material failure to make meaningful progress on the revised CHNA may be viewed as a violation of the original DoN or of this Amendment with appropriate consequences.

Condition 3

Prior to submitting any future requests for Significant Change to Project 6-3C46, NSMC shall complete the revised CHNA, as outlined in the Department's initial approval of Project 6-3C46, and align any requests for proposed changes with the findings of the revised CHNA. This condition shall not preclude the filing of a request for Amendment which, in its entirety, addresses adding additional psychiatry capacity in the shell space built for same.

Condition 4

As part of any future requests for Significant Change to Project 6-3C46, NSMC shall provide documentation that the revised CHNA and any proposed deviations from this Project, as amended, have been reviewed with and result from active participation by and consultation with Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, other stakeholders in the Greater Lynn area that are inclusive of the diverse socio-economic groups that exist in the city, and other community representatives from the NSMC PSA.

All other conditions in DoN 6-3C46 remain in effect.

Recommendation

With inclusion of the above conditions, Staff recommends approval of this request for Significant Change.

EXHIBIT 1

Volume I
Pages 1 to 48

COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF PUBLIC HEALTH

DETERMINATION OF NEED PROGRAM

PUBLIC HEARING RE:

REQUEST FOR SIGNIFICANT AMENDMENT

OF A DETERMINATION OF NEED DATED JULY 18, 2016

HELD BY NORTH SHORE MEDICAL CENTER

BEFORE:

Nora J. Mann, Esq.
Director, Determination of Need Program

Held at:
Hawthorne Hotel
18 Washington Square
Salem, Massachusetts
Tuesday, March 7, 2017
5:05 p.m.

(Carol H. Kusinitz,
Registered Professional Reporter)

I N D E X

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P R O C E E D I N G S

HEARING OFFICER MANN: We're going to get started. My name is Nora Mann, and I am the Director of the Determination of Need Program at the Department of Public Health.

Today is March 7, 2017, and we are convening a public hearing that has been called in connection with the Request for Significant Amendment of a Determination of Need, the notice of which was dated July 18, 2016, and held by North Shore Medical Center.

In the original Determination of Need, North Shore was authorized to embark upon new construction and renovation in connection with consolidation of services. The approved project was to involve new construction of 115,000 gross square feet and to accommodate a new relocated emergency department and two 24-bed units of relocated med/surg beds. In addition, there was to be 137,000 gross square feet of renovation at the former Spaulding Hospital North Shore facility adjacent to the Salem campus, the purpose of which was to accommodate expanded inpatient psychiatric services, comprised of 120 beds, including a planned increase

of 56 beds.

The plan entailed new construction of an addition to accommodate a new main entrance, reception and lobby, and renovation of the vacated emergency department building to accommodate additional capacity for relocated outpatient cardiac and pulmonary rehab, as well as wellness, ultrasound and infusion services.

As proposed in the requested amendment, the project will not include the lobby renovation or expansion; contemplates adjustments as between gross square footage to be constructed versus that which will be renovated; proposes a reduction in the total med/surg and psychiatric beds to be constructed at this time, providing for the construction of shell space which could be built out in the future. The proposed amendment contemplates the construction of 30 fewer psychiatric beds and 16 fewer medical/surgical beds at this time.

In addition, and separately, North Shore has filed a notice of its intent to discontinue the 24-bed inpatient pediatric med/surg unit. Essential services notices are separate proceedings for which there may be a hearing.

To date, public comment has been received from the Lynn Health Task Force and from 1199 SEIU. This afternoon our objective is to provide opportunity for additional comment.

DoN staff will take all relevant information into account in preparing its recommendation to the Massachusetts Public Health Council, whose decision on whether to approve this DoN amendment will be made at one of its upcoming monthly public meetings in Boston.

The Department will review all comments, whether presented orally or in writing. It is not necessary to speak at this hearing to have your testimony considered and included in the meeting record. In the interests of time, if your oral testimony is lengthy, you may wish to present a summary of your remarks verbally and submit the full text of your comments in writing.

The deadline for written comments for the proposed Amendment to the Determination of Need is ten days from today, March 17th. Our mailing address and our e-mail address can be found on slips of paper that are on the table out front.

Please make sure, if you want to speak,

that you have signed in with a legible e-mail. We will be using this list to call people up to speak. I will call a speaker and indicate who the next speaker will be, essentially the on-deck person. In the interests of accommodating all who want to speak, I ask that everybody keep their comments generally under five minutes.

Your statement will be transcribed, and for the benefit of our transcriptionist, please state your name and any affiliation that you wish to be considered clearly.

Before we open the floor to public comment, I will ask the Applicant, North Shore, to present and make a short statement. Please introduce yourself as well.

DR. MEYER: Good afternoon, and thank you to the Department of Public Health and members of the community for coming today and sharing your opinions.

My name is Gregg Meyer. I'm a primary care physician. I'm also the Interim President of North Shore Medical Center. In addition to that, I have a role as the Chief Clinical Officer of Partners HealthCare.

I'm here today to present North Shore Medical Center's modifications to the project approved by the DPH on July 13, 2016. As you are aware, the Medical Center provided written notice of these modifications on January 20, 2017. I will provide greater detail about these changes in a moment but at the outset would like to make it clear that the Medical Center remains committed to serving the communities and families it serves today for many years to come. Our goal continues to be to provide high quality, state-of-the art, safe care in a regional facility for complex care on the North Shore, within a health care network that redesigns care around the patient, expands access to community-based services and leverages new technology to advance health and wellness.

The project originally approved by the DPH creates the capacity to enable consolidation of Salem and Union Hospitals and improves our facilities to meet today's demands for patient care. Construction includes a three-story building on the Medical Center's main campus at Salem Hospital to accommodate a new, relocated emergency department and two units of private rooms for medical and

surgical beds that would be relocated from the Union campus.

In addition, the former Spaulding Hospital North Shore would be renovated to accommodate relocated and expanded inpatient psychiatric services. The former Salem emergency department would be renovated to accommodate additional capacity for outpatient services relocated from the Union Hospital campus. Finally, the project was originally proposed to include a new main entrance and lobby.

A great deal of thought and consideration has been given to the Medical Center's decision to amend the original project. Several changes, both in the need for new beds and the imperative to manage our resources more efficiently, however, demand more creative thinking to achieve the project's goals, and as a result, we submitted the Plan for Modification.

Since the original project was approved, the Medical Center has continued to face significant financial challenges. Many of you have read about them in the paper recently. We posted a $36 million loss in fiscal year 2015 and lost $48 million in

2016, losses that compelled us to take another look at the project and identify opportunities for greater cost effectiveness as we look across all of our operations, including our staffing. The Medical Center's cardiac surgery service was transferred to MGH, freeing up eight beds on the Salem campus for alternative use.

Other outside forces have driven our proposal here as well. The Medical Center learned that significant psychiatric capacity was planned for elsewhere in the region and state, with approximately 380 new inpatient psychiatry beds slated for development. With our economic challenges and with additional medical, surgical and psychiatric capacity available, it is only responsible to leverage local resources more efficiently and take a more prudent approach to additional capital expenditures.

The key modifications the Medical Center is requesting today are to convert the former cardiac surgery unit to create 8 new medical and surgical beds and reduce the overall number of new beds in the medicine, surgery and psychiatry units that the Medical Center will construct at this time. The

main entrance and lobby will sadly also be eliminated from the plan.

Despite the changes, the project before you today remains an extraordinary investment of more than $200 million in the future health care for this community and includes an expanded state-of-the-art emergency department with advanced trauma, cardiac and stroke programs and a dedicated observation unit and pediatric emergency area. With universal treatment rooms organized into small pods, separate spaces can be dedicated for pediatric, behavioral health and less acute patients but remain flexible to accommodate both volume surges and off-hour shortfalls efficiently and effectively.

The project will also add 32 new private medical and surgical patient rooms with family-centered design and accommodations. As private rooms, these units enable greater efficiency by improving occupancy rates that can be challenged by gender or clinical incompatibility or infection control needs.

To ensure that the modified facility will have sufficient capacity to meet patient demand, the Medical Center has planned carefully, using well-

accepted industry benchmarks for occupancy and patient flow. In addition, it has identified opportunities for greater efficiency, including the use of a new 10-bed observation unit that will free up additional medical/surgical unit capacity. With these supports in place, we remain confident that patients who turn to North Shore Medical Center today will continue to have access to exceptional care in the future and in a new renovated facility.

Also included in the plan is the renovation of the former Spaulding Hospital North Shore to accommodate 90 inpatient psychiatric beds, an increase of 24 over current capacity at the Medical Center. These beds will complement the significant new psychiatric capacity being developed elsewhere in the region and state, including much that is licensed and operational today. The Medical Center's inpatient psychiatric facility will serve all age groups and, by integrating into a full-service medical center, will enable patients with concurrent medical and psychiatric needs to access the comprehensive care that they need. These beds will also support the integration of addiction treatment with inpatient and outpatient psychiatry,

behavioral health and community-based services.

While the Medical Center is prepared to move forward with the modified project, it is doing so with a plan to revisit construction of the beds eliminated from the plan if they're needed in the future. The two floors that were originally slated to house those additional beds will be developed as shell space and include the infrastructure to enable beds to be added more readily at a later date. With this contingency in place, the Medical Center can carefully calibrate its demand on resources and respond quickly should future conditions support expansion.

I have shared with you our plans for hospital-based care, but it is important to understand that the Medical Center also works with our integrated physicians in the North Shore Physicians Group and our community health center Partners to support a robust network of outpatient primary, specialty and urgent care services that complement the care provided in our hospitals.

The North Shore Physicians Group includes 16 offices located throughout the North Shore that address a wide range of patient needs in convenient

locations. This network is critical to the health and wellbeing of our community and is very much an integral part of our plan to meet the health needs of the region.

It is also important to note that although the modifications of the project decrease expenses significantly, the Medical Center is committed to fulfill the community commitments that were submitted as part of the original Determination of Need filing. These commitments include more than $9 million in support for the needs of the underserved communities in Lynn and Salem, and include funding for substance use and addiction treatment, behavioral health care and expansion of primary, secondary and urgent care at the Lynn Community Health Center and North Shore Community Health, Incorporated.

In summary, we believe this plan balances the need for additional inpatient capacity with the need to stabilize the Medical Center's finances. It continues to meet the goals of the original project: to consolidate technologically demanding, complex care in a single, state-of-the-art facility, expand access to behavioral health services, invest in

community-based primary and secondary care through our physician network and community health center partners, and provide a more cost-effective model for operations. We believe that this plan is a more sustainable model for providing an exceptional system of high-quality, accessible health care to our communities for years to come, and with this, we have a prudent approach that delivers flexibility if our needs change in the future.

Thank you for allowing me to share this information. Thank you for your time and attention to this important topic, and we look forward to your comments.

HEARING OFFICER MANN: Thank you, Dr. Meyer.

The first speaker is Mike Toomey. Mr. Toomey, you can either speak here or there, whichever you wish.

MR. TOOMEY: Thank you for this opportunity to speak. My name is Mike Toomey, and I'm here basically as a representative of the Ten Taxpayer Group that was originally involved in the DoN process in an effort to preserve Union Hospital as a full-service, acute care community hospital.

We are greatly concerned about the delivery of health care services in the Greater Lynn area. Therefore, we found the information provided by the Applicant in the Request for Changes in the DoN Approval quite disturbing.

The North Shore Medical Center reports that it's experiencing operating losses of $36 million in 2015, $48 million in 2016, and expects greater losses in 2017. We basically wonder if this is bookkeeping manipulation or if this is legitimate losses, and if it is, we're very concerned that the Massachusetts Department of Public Health should be investigating the management and financial practices at North Shore Medical Center. Is the North Shore Medical Center financially viable and able to provide the essential health care services that are needed in the future?

North Shore Medical Center also seeks modification of the project funding. Originally all funding was to be arranged through the parent company, Partners HealthCare. Now the Applicant seeks approval to raise $10 million through fundraising. In light of these two facts, perhaps North Shore Medical Center should not be so cavalier

as to waive its right to reduce the Community Health Initiative payment that amounts to over $600,000 and would save the hospital $600,000. It's not that the money would not be very well spent where it's headed, but financially it seems kind of questionable.

One of the major selling points presented in the original DoN application was the creation of 56 new inpatient psychiatric beds. This idea was enthusiastically supported by the Massachusetts Department of Mental Health. North Shore Medical Center's amendment would reduce that number by 30, a decrease of over 50 percent from the original request. Does the Mass. Department of Mental Health agree that there is no longer a need for these beds?

Another aspect of the original DoN included the relocation from Union Hospital of 48 medical/surgical beds. The amended DoN seeks to reduce this number by 16 beds. Does the Massachusetts Department of Public Health agree there is no longer a need for these beds?

We understand the financial idea behind these moves, but the major concern is whether there's going to be adequate facilities here for the

patients in need.

8 of the new beds will be placed in the former cardiac care unit, the cardiac care unit that was transferred to Boston. According to North Shore Medical Center cardiologist Dr. David Rabin -- and I'm not sure of the pronunciation, I apologize -- the decision to transfer cardiac surgery to MGH/Brigham in Boston "has less to do with better or more efficient care but more so with the financial challenges we are led to believe Partners is experiencing, and this move will supposedly be a major step in addressing those challenges. This move will not improve patient care, although it may improve the bottom line." The quote is from an editorial by Dr. Rabin in the May 2, 2016, Daily Item.

The transfer of the vital cardiac surgery services apparently was accomplished without the filing of a Determination of Need, without a public hearing, without public input and without any input from federal, state or local health agencies.

In the editorial referenced above, Dr. Rabin added that the diversion of cardiac surgery cases to MGH/Brigham will cost patients and

ratepayers "15 to 60 percent more per case due to the fee lifts inherent in the payment arrangements with academic medical centers."

The Massachusetts Department of Public Health Policy Commission, in a 2014 report in Commonhealth, identified the fact that in Massachusetts, over 40 percent of the Medicare patient hospitalizations occur in major teaching hospitals, compared with 16 percent nationally. They identified this as a major factor in the $14 billion in Massachusetts that is considered, by them anyhow, to be health care waste.

The Daily Item recently reported that North Shore Medical Center intends to close the pediatric care unit at Salem Hospital, and a question we have is, is that decision subject to public review and discussion, or is that another decision that eludes public scrutiny? Is this another move to bolster Partners' Boston teaching hospitals? What vital services will Partners next choose to remove from North Shore Medical Center? How far will they go to ensure the survival of their very expensive Boston-based teaching hospitals?

Are Greater Lynn and North Shore residents

continually going to face higher health costs and greater health risks because of Partners' concern over their corporate image and the bottom line?

On behalf of our neighbors, our families and our group, we ask that Mass. DPH and its commissions and agencies take appropriate actions to ensure that the residents of this area are given high-quality, affordable care within our communities. Thank you.

HEARING OFFICER MANN: Thank you, Mr. Toomey.

The next speaker will be Maria Carrasco, and after Ms. Carrasco, Lori Berry.

MS. CARRASCO: Good afternoon. My name is Maria Carrasco. I want to say thank you for the opportunity to testify today.

First I want to introduce myself. I have lived in Lynn for many years, I have raised my children here in Lynn, and I have just retired.

I am an elected official in the City of Lynn, and I became the first Latina elected in the City of Lynn on a School Committee. I am the Chairperson of the New Lynn Coalition, and I am also a Trustee at North Shore Community College.

I am an immigrant from the Dominican Republic, and I have many people in Lynn that I have been in touch with, and I know how it's affecting what's going on right now in our city. As a matter of fact, my youngest daughter was born in 1983, and I believe that she was one of the last kids born in the maternity in Lynn where now it's a Stop & Shop. At that time we had more than 100,000 residents. Right now we have 95,000 residents.

I am here tonight because I am very worried about what's going on about our services that we go to receive at Salem Hospital. I have to tell you, my mother has been in Salem Hospital many times, and I have seen the line of beds just in the hallway in the emergency room, to spend one day in that hallway, not just my mother, many other people, because there's no room available. That is not quality and that is not dignity. I don't believe health has a price.

First of all, Partners promised us -- and we were fighting so much about this and we have to let go -- when they closed Lynn's only hospital, Union Hospital, that we would get high quality care because of improvements they would make at Salem

Hospital. There's going to be 40 new medical beds. Now they want to cut 24. They promised us there would be 56 new psychiatric beds. Now they cut out 30 of those beds. They talk about money. Again, to me, our needs have no price, especially when we talk about health.

If we talk about Lynn, Lynn is a city that has a great, diverse group of people, and we have many health care needs. We have many people who are low income, elderly, disabled and immigrants who face barriers getting needed care. We have a very high rate of medical problems, including substance abuse, drug addiction, mental health, lung cancer and teen pregnancy.

We ask the Department of Public Health to make sure that Partners keeps its promise so that Salem Hospital will be able to take care of, with dignity, all the people in our community who need a hospital bed. Thank you so much.

HEARING OFFICER MANN: Lori Berry.

MS. BERRY: That was a mistake. I thought I was just signing in.

HEARING OFFICER MANN: Okay. Karen Gromis, and after Ms. Gromis, William Legault.

MS. GROMIS: Thank you for allowing me to testify today. My name is Karen Gromis, and I am the Deputy Director of the National Alliance on Mental Illness of Massachusetts and also a Lynn resident.

The mission of NAMI Mass. is to improve the quality of life both for people with mental illnesses and for their families. Currently NAMI Massachusetts has 21 local chapters and over 2500 members, comprised of individuals with mental illness, family members and others in the mental health community. NAMI Mass. offers free educational programs to peers and family members which offer resources, insights, coping skills and support.

In addition to these programs, NAMI Mass. runs the Compass, an information and referral help line meant to help citizens of the Commonwealth navigate the state's increasingly complex mental health system. Every day we hear from peers and family members looking for assistance on a myriad of issues relating to their experience with mental health conditions.

Last January, NAMI Mass. testified in

support of North Shore Medical Center's plan to expand their current campus at Salem Hospital and create a new center for excellence and behavioral health.

Today I am here to express my dismay about Partners HealthCare and North Shore Medical Center's decision to scale back the expansion of the Salem campus, which was previously approved by the Public Health Council last July. While the original plans promised an increase of 56 new inpatient psychiatric beds, the current plan will reduce the number of new beds to 90 instead of 120.

NAMI Mass. is always happy to see new psychiatric beds being brought online; however, we believe that Partners HealthCare and North Shore Medical Center's revised proposal will not meet the behavioral health or medical needs of the individuals currently living in the Northeast region of Massachusetts.

There are plans to bring beds online in other parts of the state. TaraVista Behavioral Health Center anticipated bringing 108 beds online this year. However, at the end of February, we learned from Michael Krupa, the CEO of TaraVista,

that they are currently unable to bring all their beds online due to a shortage in mental health clinicians. Additionally, Signature Health Care's plan to construct a 152-bed psychiatric facility in Westborough appears to be a long way from completion. Therefore, these additions will do little to address the shortage of psychiatric beds our state already faces and the dearth of beds in Essex County in particular.

Massachusetts has the capability to send patients to open psychiatric beds in other regions of the state, but many residents do not have the capacity to follow their loved ones to where they are placed. Separating family members from their hospitalized loved ones unnecessarily impedes the recovery process.

Furthermore, the scaled-back expansion will not be enough to help address the boarding crisis in emergency rooms across the state and especially in the Northeast region. The Massachusetts Mental Health Advisory Committee recently addressed that more than 40,000 residents board longer than 12 hours in Massachusetts emergency rooms due to a shortage in inpatient psychiatric beds annually.

This shortage will disproportionately impact poorer individuals who are on Medicaid or are currently uninsured, populations who currently face longer boarding times than privately insured individuals. Children will also be disproportionately affected, since they have especially long wait times in our emergency rooms which sometimes stretch into weeks.

NAMI Massachusetts realizes that denying Partners HealthCare and North Shore Medical Center's request to scale back their expansion will not solve the problems Massachusetts currently faces with its behavioral health system. There are many variables that influence our situation, including insurance reimbursement rates for behavioral health services and a shortage in appropriate medical staff. However, if the Commonwealth does not hold its medical facilities accountable for the promises they make to the communities they serve, the problems we face will only continue to intensify.

Thank you for the opportunity to testify.

HEARING OFFICER MANN: Thank you, Ms. Gromis.

William Legault, and then following Mr.

Legault, Debra Stevens.

MR. LEGAULT: My name is William Legault. I'm a Salem resident, former City Councilor, and I'm still quite involved in both municipal and state government.

I'm a member of the Salem Commission on Disabilities, a volunteer position. I am not speaking, however, for the Commission today, because we were not aware of this meeting or of this change, at least not in time for our last meeting, which was held two weeks ago. We have not had time to meet and discuss this, so open meeting laws dictate that I cannot speak for the Commission. I am speaking as a citizen of Salem and of Massachusetts.

I was on the City Council when these plans were first presented, and a lot of promises were made to Lynn and a lot of promises were made to Salem.

Partners has a problem here, the same problem a lot of organizations and governments have. That problem is trust. You've already lost the trust of the large community of Lynn. You're risking losing the trust of the community of Salem with these amendments. They just seem to have kind

of come up out of nowhere. I'm not saying they did come out of nowhere, but I was not aware of these until today when I was on that wonderful little social media vehicle called Facebook. That's why I'm here today.

I come from a family that's been affected over the years by both mental illness and by addiction, in the past and today, and more than likely tomorrow too, because the fact of the matter is, there's just not enough places out there, not enough doctors, not enough beds to address these problems. And these days, today, the opioid epidemic ties right in.

These beds are critical. You promised these beds. You closed your hospital in Lynn based on the promise of these beds, and you've been allowed to move that operation to Salem based on the promise of these beds.

You need to provide these beds. There are a lot of people out there having a lot of issues today that are falling into these addictions. We have a chance here in Salem, with these additional beds, to maybe do something about this. Walking away, even only partially, from your promises made

to address these issues and to provide these beds is wrong.

And I get back again to the matter of trust, sir. You are the representative of Partners here, so I am talking to you, sir. It's a matter of trust. You're going to lose that trust.

I am a man who attends public meetings. I go to Design and Review Board meetings. I go to Planning Board meetings. I go to ZBA meetings. I like those meetings. I like speaking at those meetings. I'm not making a threat; I'm just telling you, I will be there. I've been to some of your past meetings, and I have not had an issue with most of the plans I've seen. I think I'm going to have an issue now, and I am going to be at these meetings, and I'm going to speak at these meetings, because I object. I object strenuously.

It's unfortunate that our health care system is profit driven, but it is a fact of life. You are walking away from those that don't have the money to pay for their care in order to cater to those who do have the money to pay for their care with these private beds.

I'm 57 years old. I struggle to make a

living. Sir, I will never be able to afford a private room, ever. It's not going to happen, because I'm not dumb enough to play the Lottery. I'm not going to take that chance. I'll never get to occupy one of your private rooms. It just won't happen.

Salem doesn't need private rooms. Let people go to the big hospitals in Boston for that. You need to support the population of the North Shore. You need to live up to your promises, the promises that you make. You, sir, are representing Partners, so I'm talking to Partners through you.

You, Partners Health, you made promises to Lynn. You made promises to Salem. Keep the trust. Keep the promises. Thank you very much.

HEARING OFFICER MANN: Thank you, Mr. Legault.

Debra Stevens, and following Ms. Stevens, Dianne Kuzia Hills.

MS. STEVENS: Hello. My is Debra Lou Stevens. I'm a Salem resident. I'm also a registered nurse on the Telemetry Unit at the Union Hospital. I'm also an elected delegate to the 1199 SEIU United Healthcare Workers East. As you know,

1199 represents more than 50,000 health care workers in Massachusetts, including three different bargaining units at the North Shore Medical Center and the Union campus.

Thank you for this opportunity to provide testimony regarding the Application for a Significant Change to the project of renovation and new construction at North Shore Medical Center.

It is difficult to provide meaningful comments on the proposed significant changes without expanding the focus to look at the big picture of what has been happening at North Shore Medical Center. In almost eight months since the Public Health Council granted approval for the renovation and new construction at North Shore Medical Center, it has closed its cardiothoracic surgical suite, announced the closure of a 24-bed pediatric unit, and is on the verge of laying off 200 employees from the Union campus as well as the North Shore Medical Center Salem campus.

And now North Shore Medical Center is asking for approval of a significant change to a plan that was supposedly so carefully developed. We are very concerned about the chaotic and piecemeal

way in which each of these changes has been proposed and announced. In addition, we are concerned about the transparency and the lack of communication about the problems and challenges that have led to the proposed changes.

The data that are used to support one plan today are then used to support a different plan the next day, with no explanation. Some data that are presented by North Shore Medical Center and Partners does not seem to be consistent with other publicly available data, and some information, such as the hospital-level audited financials or the 990s no longer seem to be available at all. And even when the data are available, they are shared late in the day, after decisions have already been made.

In the last year, 1199 SEIU has deeply engaged in helping to plan for a reconfigured and consolidated North Shore Medical Center. We commissioned a Community Health Needs Assessment and have engaged with community members in Lynn to identify the changes that are needed to enable and support the newly consolidated North Shore Medical Center when the Union Hospital closes.

We are committed to fighting for

affordable, accessible quality health care for our North Shore communities, but this engagement and all of our efforts become meaningless when North Shore Medical Center and Partners HealthCare fail to share accurate, complete and timely information with the North Shore community.

Why do we only care about the low occupancy and other problems after the fact, when a new course of action has already been chosen by the Hospital?

We are honored to represent the workers at both the Union Hospital and the Salem Hospital campuses of North Shore Medical Center, but we are very concerned about North Shore Medical Center and Partners HealthCare having failed these employees, having failed the communities that they serve by this lack of communication, lack of transparency and the failure to engage in a more open, holistic planning process that engages all stakeholders concerned with the health care services of our community.

We urge the Determination of Need staff to carefully evaluate the real need for the proposed changes and to demand a higher level of engagement, transparency and commitment from North Shore Medical

Center and Partners HealthCare leadership.

Thank you.

HEARING OFFICER MANN: Thank you, Ms. Stevens.

Ms. Stevens and others, if your testimony is all written out, it would probably be tremendously helpful to our stenographer if you had an extra copy. I should have mentioned this earlier. So for anyone who has written-out testimony, if you want to give a copy to the stenographer, that would be valuable.

Dianne Kuzia Hills, and following Ms. Hills, Elizabeth Nash Wrenn.

MS. KUZIA HILLS: Thank you. In July, Partners HealthCare promised --

HEARING OFFICER MANN: Can you just state your name in case I mispronounced it.

MS. KUZIA HILLS: Dianne Kuzia Hills. K-u-z-i-a and H-i-l-l-s.

In July, Partners HealthCare promised $180 million to expand and improve Salem Hospital by closing Union Hospital. The plan described to the Lynn and Salem communities, as well as state licensing agencies, was a new, state-of-the-art,

consolidated hospital, located in Salem, which would better meet the needs of the residents of Lynn, a population that Partners described as having serious health needs.

In July, the State approved Partners' plan to add desperately needed psychiatric beds, add 48 new private rooms, expand and improve the emergency department, and finally construct a coherent common entrance to the Salem Hospital.

But less than three months later they said they could no longer afford to keep their promise and cut 24 medical beds and 30 psychiatric beds out of their plans, as well as completely eliminating the lobby.

They say they need to do this because Salem Hospital is losing money, but the plan they already presented to the State in July included analysis of all those losses, with the claim that closing Union and making improvements to Salem would improve the hospital's financial position.

But Partners isn't claiming that medical needs have changed. They still plan to close Union Hospital; however now they're only adding 24 beds to replace the 128 beds at Union Hospital.

Anyone who's spent any time in the emergency department lately knows how long the waits are for a bed, and chances are good that your bed will be found in a double or a quad, despite Partners arguing this summer that private rooms are better care.

Partners is the largest and richest medical organization in Massachusetts, according to the most recent state charitable reporting. In the past three years, their total assets have increased by a billion dollars each year. They have over $4 million in unrestricted assets. Yet they say they can't afford to keep their promises, while the Lynn/Salem area has the greatest unmet health care needs of any of Partners' ten hospitals.

As most people know, Lynn used to have two hospitals. One, Lynn Hospital, closed in the 1990s after having its services dismantled and moved to Union Hospital. Then Lynn's only hospital, Union Hospital, began seeing their services relocated, and the Union Hospital has to close, leaving Salem Hospital to meet the needs of all of Lynn's diverse population.

Partners' claims that North Shore Medical

Center is losing too much money to allow the investment in infrastructure that it promised a few short months ago. But why is North Shore Medical Center losing so much money? Didn't Partners systematically relocate revenue-generating services to its $108 million Ambulatory Care Center in Danvers in 2009? Didn't Partners skim off the privately insured patients to Danvers, while complaining that the payer mix at North Shore Medical Center was unsustainable?

Partners chose to transfer profitable services out of our area, leaving low-margin services in Lynn and Salem. In addition to building the Ambulatory Care Center in Danvers, Partners moved its cardiac surgery services to MGH in Boston.

They now not only renege on their commitments but blame the community for the consequences of the business decisions that they made.

Partners is a non-profit charity that has a mission to serve patients who need care, regardless of whether they're wealthy, have good insurance, or need profitable medical services. Partners claims that its mission is to provide high quality care,

closer to home, for patients and their families in a lower cost community-based setting.

But their actions run contrary to their statements. With insufficient beds on the North Shore, patients will be forced to higher cost hospitals in Boston, increasing health care costs for everyone. Thank you.

HEARING OFFICER MANN: Thank you.

Elizabeth Nash Wrenn, and then Roxanne Ruppel.

MS. NASH WRENN: Hi. My name is Elizabeth Nash Wrenn, W-r-e-n-n. I am a Salem resident, as well as a social worker on the North Shore. I've been lucky enough to work in the sexual violence field for 10 years and have worked with many survivors who have sought care on the North Shore.

There is an overwhelming gap in mental health services in this area. On 24-hour hot lines, 365 days a year, individuals are calling in crisis looking for a place to go. North Shore already has less-than-ideal medical services for survivors who are duly diagnosed. We do not have a SANE site, which should be Partners' commitment, to treat survivors of sexual violence with the highest level

of care.

In addition, I recently had the opportunity to accompany a family member to the emergency room. They came in with life-threatening low blood sugar from juvenile diabetes. That individual sat in the emergency room, with me by her side, for 18 hours waiting for a bed. During that time, her blood sugar dropped five times to lower than when she came in and 911 was called.

If I had not been by her bedside, I assure you the overworked ER staff would have not been aware as she lapsed into a coma.

As her advocate, as a family member, I had the privilege of a call to be by her side. I had the privilege of a partner to watch my child so I could go be by her side. While I was there for those 18 hours, I saw the hallways lined with gurneys with people moaning, people bleeding, people asking for care. Those individuals did not even have the luxury of an emergency room cubicle. They were in the hallway.

And finally, after 18 hours of care in what should be one of the leading hospitals, from one of the leading medical providers, my family member

said, "I've had enough. I'm leaving." I advocated for her to leave, because it took 12 hours for them to bring her a piece of food. The only food she was provided was from the vending machine that I went and got, that I poured more money into after it ate my $5.

So with my privilege, my luxury of having a master's in social work, of being a white woman of privilege who speaks English, with a car, I was able to advocate by her bedside for 18 hours, until I could get her back to my car, after I fed her.

And I ask, what is your commitment to the individuals on those gurneys in the hallways? What is your commitment to the two-year-old child who waited eight hours for her pregnant mother to be seen in a gurney bed? That two-year-old child could not go home and go to sleep because there was one car, and we could choose to be there when her mom was discharged or bring the two-year-old child home.

So unless Partners is willing to take the phone calls in the middle of the night that social workers, crisis workers, advocates and volunteers are picking up the pieces and hearing the pain, I ask that you at least, at the very least support a

minimal system in place that allows us to support those that aren't being supported.

Thank you.

HEARING OFFICER MANN: Thank you.

Roxanne Ruppel.

MS. RUPPEL: Good evening, and thank you for the opportunity to speak to the members of the Department of Public Health and to the community. My name is Roxanne Ruppel. I'm the Senior Vice President of Operations at North Shore Medical Center.

I do want to take the opportunity to acknowledge those who have joined us this evening to share their thoughts about our plan, their experience, and to advocate for the care of patients in this community. I'm very respectful of the intentions here and the sentiment. I have listened carefully to the concerns here and take them very seriously and take the responsibility that lies before us very seriously.

I started working at North Shore Medical Center about 20 years ago. I'm a physical therapist by training, so I would say always a clinician at heart. I've seen firsthand the outstanding work of

this organization, in particular its people every day, and the extraordinary lengths they go to care for our patients and their families, including some of the most vulnerable in our community, such as those with psychiatric illness, those suffering from substance abuse, and frail elders in our community who don't have adequate family support, who look to us not just for c1inical care, but also for a safe discharge plan. We're committed to ensuring that we do our very best for all our patients and for their families going forward.

I want to assure the Department and our community and all of you here that we're making these changes fully confident that we can be successful in meeting the needs of our patients with this new plan. It's just too important. The changes outlined come forward after considerable assessment and analysis, and this is a plan based on current demand trends that we see will result in an occupancy rate for our medical/surgical patients that are within the industry standards.

As mentioned, it will increase our capacity for inpatient psychiatry considerably, and that's a huge need in the community, but we also need to

expand access to outpatient services in parallel, and we are committed to that. We will also have flexibility to increase capacity in the future, and we will carefully monitor our census every day to meet the needs of our patients.

Our most vital obligation of course is to our patients, and we have planned carefully and thoroughly to ensure that we will continue to provide them with the excellent care they need and of course deserve.

We've worked diligently on the development of this plan and our recent amendments to it and have considered carefully the many people who rely on us day in and day out for care. I do believe that this plan will significantly improve our ability to serve this community in the future and will provide a more financially sustainable model of care that enables us to keep doing so for the years to come. Thank you.

HEARING OFFICER MANN: Thank you.

That completes the list of individuals who have signed in indicating an interest in speaking.

Is there anybody who did not get a chance to sign in and who wants an opportunity to speak?

(No response)

Seeing nobody, I'm going to close this hearing. I appreciate the time that everybody has taken to come and be heard. The folks who have spoken will be on a list to obtain further information. Thank you very much. This hearing is now closed.

(Pause)

HEARING OFFICER MANN: I was just informed that four other people who are outside want to speak. There's plenty of time for that.

The first speaker will be James Grayson, and after James Grayson, Gale Bowers.

MR. GRAYSON: Hello. My name is James Grayson.

I just want to recall what I heard when they was talking about the Union Hospital and they was going to leave it standing. Now, they reneged on what they're doing.

If you're like me, I have a family. I have a wife, kids, grandkids. I have aunts, uncles that is old. I mean, if they take out this hospital, what are they going to put in there?

My aunt, she is very, very weak. She's

sick, short of breath. I mean, there's no way -- I mean, if she's having an attack, there is no way that they get her to Boston, when she's been coming here for maybe about 20 something years in Lynn.

But I just want to say, they've come here before saying that they were going to save the Union Hospital, and all of a sudden now they're reneging on it.

I just want to ask one question. Do they do this in Newton, Wellesley, in the rich part of the city, or just only attacking poor people? That's the only thing we have here: people that don't have cars, people too old to get transportation.

And I just -- I don't know. I don't know. Like I said, that's one reason I came here today, because it really makes me upset. If a person said they're going to do something, stick to their word, be a man of their word. Give the elder people something to make them feel comfortable, because a lot of people I know, they are sick, and they can't abide this. They're not too happy about this. So what are they going to do?

That's all I have to say.

HEARING OFFICER MANN: Thank you, Mr. Grayson.

Gale Bowers.

MS. BOWERS: I'm speaking as a resident of Lynn. We already lost two hospitals, but we were told that services would be picked up by the Salem Hospital. Now we're being told that they're not going to be getting all the services.

A couple of years ago I suffered a major illness and I had to go into Boston. It took me almost an hour and a half to go in there. If a person is ill, they don't want to be riding in traffic for an hour and a half. If a person is getting treatments, they don't want to be riding an hour and a half to get home because they can't get the services at Salem Hospital.

So please try to get the services and retain the services you had and try to get the new services, because we really need them.

HEARING OFFICER MANN: Thank you very much.

Bella Chang Nicioso, and after that Katia Bispo.

MS. NICIOSO: Good evening, everybody. I'm just coming from Lynn. I've lived in Lynn for,

like, 40 years.

We used to have Lynn Hospital in Lynn, and they got rid of it. Now we have Union Hospital, and they're trying to get rid of it. So we're going to have no more hospital in Lynn.

We need it. We need it. They say it changed, and we try to keep their promise, what they did.

I don't know if you understand what I'm trying to say, but, you know, in Lynn, we needed that hospital because a lot of people, we have a lot of community, if they take it away, we don't have no more hospital in Lynn. They're going to have it in Salem.

So we try to maintain it for the old people, like I do. Like, I am a senior, and most senior people, they're going to need it too. It's more convenient to us. So we want them to keep their promise, what they say before.

Thank you. That's the only thing what I can say. Thank you very much.

HEARING OFFICER MANN: Thank you, ma'am.

Katia Bispo.

Is Katia Bispo interested in speaking?

MS. BISPO: No.

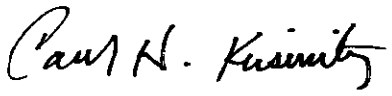
HEARING OFFICER MANN: Thank you. That is the end of the list of folks that we have, and it is 6:05. We commenced the hearing at five o'clock.

Seeing no other people here, we will close the hearing, and I appreciate everybody's time. Thank you very much for coming.

(Whereupon the hearing was adjourned at 6:05 p.m.)

C E R T I F I C A T E

I, Carol H. Kusinitz, Registered Professional Reporter, do hereby certify that the foregoing transcript, Volume I, is a true and accurate transcription of my stenographic notes taken on March 7, 2017.



Carol H. Kusinitz

Registered Professional Reporter

- - - -

EXHIBIT 2

Mike Toomey
Maria Carrasco
Karen Gromis
William Legault
Debra Stevens
Dianne kuzla Hills
Elisabeth Nash Wrenn
Roxanne Ruppell
James Grayson
Gale Bowers 16 Newhall Street
Bella Chang Nicioso

EXHIBIT 3

The Commonwealth of Massachusetts

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Chairman
JOINT COMMITTEE ON TRANSPORTATION

WAYS AND MEANS

GLOBAL WARMING AND CLIMATE CHANGE

ECONOMIC DEVELOPMENT AND EMERGING TECHNOLOGIES

ENVIRONMENT, NATURAL RESOURCES AND AGRICULTURE

Tuesday, March 07, 2017

Nora Mann Esq., Program Director
Determination of Need Program
Department of Public Health 250 Washington Street
Boston, MA 02108

Re: North Shore Medical Center Request for Approval of Significant Amendment to Determination of Need Project #6-3C46

Dear Attorney Mann,

We are writing at this time with concerns for North Shore Medical Center's (NSMC) request for approval to amend their Determination of Need (DoN) Project #6-3C46. The service consolidation for NSMC as approved by the Public Health Council in July 2016 will leave the City of Lynn as one of the largest cities in Massachusetts without a full service hospital. As stated in previously submitted letters and public comment, it is our responsibility to prevent substantial negative impacts to quality and access of medical care that our constituents, and the citizens of the entire region, depend on.

Through the DoN and Essential Services process last year, NSMC assured the community that the health care needs of the service area would continue to be met, in part, because it would be expanding and upgrading the Salem Campus including an increase of medical/surgical and psychiatric beds. We are troubled by the reduced scale of that project proposed in the amendment. It is our objective to ensure that these changes do not result in inadequate bed capacity for both departments, leading to longer wait times in the Emergency Department, patients being transferred to higher-cost facilities, and interrupting continuity of care.

We ask that NSMC is data-driven and transparent about their reasons for proposed changes and actions to ensure that the community has access to the services they need on the North Shore going forward. It is also important that NSMC continues to have robust public engagement on issues pertaining to essential services, the workforce, and transportation.

We appreciate your time and consideration. Please do not hesitate to reach out to us directly with any further questions on this matter.

Sincerely,

Thomas M. McGee
State Senator
Third Essex

Bradley H. Jones, Jr.
State Representative
Twentieth Middlesex

Lori A. Ehrlich
State Representative
Eighth Essex

Donald H. Wong
State Representative
Ninth Essex

RoseLee Vincent
State Representative
Sixteenth Suffolk

Brendan P. Crighton
State Representative
Eleventh Essex

Daniel F. Cahill
State Representative
Tenth Essex

EXHIBIT 4 rec'd 2/8/17

Lynn Health Task Force

Fighting for a Healthy Lynn

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COMMENTS OF THE LYNN HEALTH TASK FORCE ON NSMC'S APPLICATION FOR APPROVAL OF AN AMENDMENT TO DETERMINATION OF NEED PROJECT # 6-3C46

February 8, 2017

INTRODUCTION

The Lynn Health Task Force hereby submits the following comments on the proposed amendment to DoN # 6-3C46 filed by the North Shore Medical Center. Our grassroots organization, which is focused on issues of health access for underserved groups, participated as a 10-taxpayer group in the underlying Determination of Need proceeding as well as the closely related Essential Services proceeding related to NSMC/Partners' plan to close Union Hospital. The two proceedings are inextricably linked because the capital expenditure that was the subject of the DoN proceedings was a fundamental aspect of NSMC/Partners' promises as to how it will ensure that patients in the Union Hospital service area will continue to have adequate access to essential hospital services. In essence, NSMC/Partners assured the community and the Department of Public Health that the closure of Union Hospital would not diminish the health status of residents of Greater Lynn because it would be expanding and upgrading its Salem campus by, among other things, expanding the Emergency Department, adding 48 Medical/Surgical beds (still a net loss of 28 Medical/Surgical beds from the current two-campus total), creating 56 new Psychiatry beds and improving access and flow at the facility by building a lobby. The DoN was approved by the Public Health Council on July 13, 2016. Three months later, NSMC/Partners announced that it intends to scale back the project by eliminating 24 of the promised Medical/Surgical beds (thereby reducing the current total medical surgical beds by 52 beds), eliminating 30 of the planned psychiatry beds (increasing current capacity by 24 instead of

the promised 54 additional psychiatry beds[1]), and eliminating the construction of the lobby, thereby reducing its planned expenditure by $30 million.

The Lynn Health Task Force membership is deeply troubled by NSMC/Partners' announcement that it proposes to significantly scale back its plans for Salem Hospital. Our community lost one of its two hospitals in the 1990s and now our only remaining hospital will soon close, leaving us as a city of 92,000 people without a hospital. NSMC/Partners made promises about how it would soften this blow by creating a bigger and better hospital at the Salem campus, but is now reneging on those commitments. NSMC/Partners has violated the trust of an entire community that is the largest in the region, has the greatest health needs and health disparities in the area and is losing its only hospital; a community that fills more than half its beds, has supported the hospital financially, and provides a large share of its workforce. It is quite clear that the proposed Amendment will lead to inadequate bed capacities for both Medical/Surgical and Psychiatry beds and will not meet the bed needs identified by NSMC/Partners itself in the DoN application. For years now, NSMC/Partners has acknowledged that the community of Lynn has critical unmet health needs, needs which are confirmed by DPH's own data. However, somehow in the three months following the hearing on the DoN, unspecified "new information" came to light calling for the retrenchment of NSMC/Partners' plans. In our view NSMC/Partners' claims that their abandonment of their promised improvements is based on new information is disingenuous and should be considered as such by DPH.

NSMC'S APPLICATION FOR AMENDMENT SHOULD BE REJECTED BECAUSE THE REDUCED SCALE OF THE PROJECT WILL NOT MEET THE MEDICAL AND PSYCHIATRIC NEEDS OF NSMC'S SERVICE AREA

NSMC/Partners' application for an amendment to the Determination of Need seeks approval for reducing the scale of the project by 24 medical/surgical beds and 30 psychiatry beds. With the closure of Union Hospital, the reduced scale of the Salem Hospital project will not create enough capacity to meet the in-patient needs of residents of the hospital's service area in either the medical/surgical component or the in-patient psychiatry component.

A. If NSMC builds only 24 new medical/surgical beds at the Salem campus, with the closure of Union Hospital there will not be sufficient capacity to serve the needs of the region.

The amendment seeks approval for NSMC/Partners to build only 24 new medical/surgical beds instead of the 48 that were promised and approved in the DoN application.

[1] Between the time the DoN was approved and the time the Amendment was submitted, NSMC increased its pediatric psychiatry beds by 2, so the current total number of psychiatry beds is 66.

NSMC would also utilize 8 existing beds from the cardiac surgery unit that was closed over the summer. Thus the plan would create 16 fewer Medical/Surgical beds than the project as reviewed by the Department of Public Health in the Essential Services proceeding and approved by the Public Health Council on July 13, 2016. Even under the original plan that was approved, with the closure of Union Hospital, the NSMC system would lose 28 Medical/Surgical beds. (Union Hospital currently has 76 Medical/Surgical beds. By adding 48 at Salem Hospital, the consolidated hospital would lose a net 28 beds. NSMC/Partners is now proposing to reduce the total Medical/Surgical beds in the area by 44 beds.)

In the application for a Determination of Need, NSMC predicted that with the project as proposed (including the promised 48 Medical/Surgical beds), it would experience an average occupancy rate of 79-80% in coming years, based on projected bed days of 63,396-63,883 and 219 beds. Under the amendment, the area would have 203 Medical/Surgical beds, generating a maximum capacity of 74,095 bed days. This would yield an average occupancy rate of over 85%. Given the natural variation in the number of patients in need of admission, this rate will inevitably lead to many days when a patient in need of admission will not have an available bed. In addition to the natural variation in the number of patients needing admission, some beds will not be available due to issues such as gender, infection control and maintenance. This is especially true where many of the existing beds are in double rooms (64 beds) and quads (24 beds). If NSMC has inadequate numbers of beds, patients will be forced to wait longer in the Emergency Department and some will be transferred to other facilities, interrupting continuity of care and the ability of families to provide support to their seriously ill members.

The Task Force is therefore very concerned that the amendment for which NSMC is seeking approval will not have a sufficient number of Medical/Surgical beds for the hospital's service area once Union Hospital is closed. The result will be patients who remain in the Emergency Department for hours and days awaiting an open bed, or having to be transferred to other facilities. As people recognize that NSMC has long waits for admission, they will "vote with their feet" and seek care at other facilities, including those in higher-cost tertiary facilities in Boston. Additionally, care metrics such as hospital acquired infections will worsen with overcrowding and both the hospital's reputation and performance rankings will suffer. Local patients will also be pushed toward higher-cost facilities with sufficient beds, thus driving up costs across the health care system.

B. NSMC's request to reduce the project's psychiatric bed capacity will also result in insufficient beds to serve the community's needs.

NSMC/Partners' original Determination of Need application, which was approved by the Public Health Council, was based on a plan to have 120 Psychiatric beds. The system already has

66 Psychiatric beds, broken down as 26 adult beds at the Salem campus, and 20 pediatric beds and 20 geriatric beds at Union Hospital. The application proposed the addition of 54 newl psychiatric beds, in recognition of the desperate need for these types of beds in our area. NSMC/Partners now wants to decrease the additional beds by 30, seeking to add only 24 new beds, resulting in only a total of 90 psychiatric beds at NSMC.

Here, too, NSMC/Partners is failing to address the region's need for psychiatric beds. The DoN application notes that in FY 2014, the NSMC adult psychiatry unit was at full capacity 50% of the time, the pediatric unit was at full capacity 21% of the time, and the geriatric unit was at full capacity 28% of the time. The application explains that, viewed another way, on 173 days, **almost half the year,** there were no beds available at the hospital for adult psychiatry patients who presented at the Emergency Department and required admission.

The Lynn Health Task Force met with NSMC leaders about this situation and learned that the average wait time for patients in the Emergency Department who have been determined to need admission is over 16 hours. (This wait time contrasts with 7 hours for patients who require admission to a medical floor.) For patients who are being transferred to another facility, the average wait is over 18 hours. In other words, the wait time for psychiatric patients is more than **double** that of patients with non-psychiatric conditions. We consider these delays to be unacceptable, as is the disparity in in-patient bed availability for patients with psychiatric emergencies.

The original DoN application included a letter from the Commissioner of the Department of Mental Health applauding the addition of 56 new Psychiatry beds and NSMC/Partners' intention to provide "specialized behavioral treatment programs to address the clinical needs of especially vulnerable patient populations, such as adults with co-morbid Substance Use Disorders and children with Autism Spectrum Disorders." The Commissioner noted that "It is often difficult to find appropriate clinical placement for such patients, who may incur significant waiting times in emergency departments.

The Task Force is convinced that the reduced scale of the project if amended will not be adequate to address the need for psychiatry beds in the area and that we will continue to see excessive waits and boarding in the Emergency Department, with some patients transferred to other facilities due to insufficient beds. These delays and transfers interfere with the continuity and appropriate treatment of patients in psychiatric crisis. Further, while the Application for Amendment did not include the specific cost savings associated with reducing the number of psychiatric beds, we do not accept that the savings is justified given the scale of the project and the pressing need for these beds.

THERE IS NO CHANGE IN CIRCUMSTANCES WHICH JUSTIFIES NSMC'S PROPOSAL TO REDUCE ITS PROJECT FROM THAT APPROVED BY THE PUBLIC HEALTH COUNCIL

NSMC/Partners states that the reason it is seeking approval of the proposed Amendment with construction of fewer Medical/Surgical and Psychiatry beds is that the financial situation of NSMC has worsened. It also claims that "since the Project was approved, significant new inpatient psychiatric capacity is planned in the Commonwealth with approximately 380 new inpatient psychiatric beds..." NSMC/Partners' claim that it was not aware of NSMC's financial situation and of the 380 Psychiatry beds prior to the Public Health Council hearing lacks credibility.

NSMC/Partners appeared before the Public Health Council for this DoN application on July 13, 2016. It announced to the community that it planned to scale back the project on November 2, 2016, but privately it had begun letting the community know as early as October. That announcement was clearly the product of internal discussion and decision-making prior to the November 2 announcement. There were no major unanticipated changes in NSMC's financial situation during that 3 month period. NSMC's financial state and its losses have been well documented and were noted by NSMC in its application for a DoN. In fact NSMC/Partners cited its losses as a primary reason for closing Union Hospital. NSMC/Partners presented its plans for closing Union Hospital as tied to its significant construction plans for Salem Hospital as a way to save money and to improve services. In essence, NSMC/Partners told the community that although they are closing Union Hospital, the community will have a bigger, better, more modern facility to address its needs at the Salem Campus. This was of little comfort to many of the 92,000+ residents of Lynn who stand to lose their only hospital; but realizing the financial burden of keeping both hospitals open, many Lynn residents were willing to acquiesce, knowing that their needs would be met by a bigger, stronger hospital in Salem. Shockingly, just a few months later, NSMC/Partners announced that it had to "trim" its plans for building at the Salem campus. In our view, this is a simple "bait and switch." NSMC/Partners made promises for adding Medical/Surgical and Psychiatry beds in order to assuage the community's understandable and predictable angst over closure of Union Hospital and to win DPH approval of its plans for closure. Having achieved that, it promptly announced that it no longer intended to meet its commitments.

NSMC/Partners' application for Amendment to the DoN states "since the project was approved, significant new inpatient psychiatric capacity is planned in the Commonwealth with approximately 380 new psychiatric beds." The Task Force asked NSMC about these new beds and was informed that reference is to 120 beds at Southcoast Behavioral Health in Dartmouth, 104 beds at TaraVista in Devens, and 152 beds at Signature Healthcare Services in Westboro.

None of these facilities is less than an hour away, with Southcoast being an hour and a half away. These beds are **not** a meaningful solution to the lack of psychiatry beds in the Lynn-Salem area. Furthermore, there is **nothing** "new" about this information. There were press and other public records available both at the time of the filing of the application for the DoN and at the time of the Public Health Council hearing. The Southcoast facility opened in 2015. The TaraVista facility opened in the summer of 2016, and the Westborough facility has been in development since at least January of 2016. It appears that this information is being described as "new" in order to justify NSMC's retrenchment of its plans; but none of this information became available after the July 13, 2016 approval of the DoN and, as noted, the beds in these facilities are **not** a meaningful response to the needs of acute psychiatric patients in the NSMC service area.

NSMC'S ATTEMPT TO RENEGE ON ITS COMMITMENT TO OUR COMMUNITY WILL NOT ADEQUATELY ADDRESS NEEDS IN THE AREA AND SERVES TO UNDERMINE BOTH THE DON PROCESS AND PUBLIC TRUST

As we have noted, the Lynn community lost one hospital in the 1990s and is now about to lose its one remaining hospital. NSMC/Partners presented its DoN proposal to DPH and had it approved by the Public Health Council in July, 2016 promising benefits including more effective utilization of complex evolving technology and enhanced sub-specialization. It also reported that NSMC/Partners was committed to meeting the many health needs of the service area, and that it had determined that the project was right-sized to meet demand. Through the Essential Services and DoN proceedings, DPH evaluated the plan, reviewed an independent cost analysis and determined that the capital expenditure at Salem Hospital, including the addition of 48 new private Medical/Surgical Beds and 56 Psychiatric Beds was needed (Determination of Need decision), was sustainable (Determination of Need), was fiscally sound (Independent Cost Analysis), and that the plan for meeting the needs of area patients following closure of Union Hospital was adequate (Essential Services decision).

In the larger picture, we fear that underinvestment in NSMC will result in a self-fulfilling prophesy. MGH opened the Ambulatory Care Center in Danvers in the summer of 2009 which has siphoned off many commercially insured patients to the ACC, leaving NSMC with a less desirable payor mix. Revenue generating services like outpatient care, day surgery, imaging and others moved from Union and Salem hospitals, siphoning off revenue needed to sustain less profitable services. Similarly, Partners moved the cardiac surgery unit from NSMC to MGH. The more that profitable services are moved away from NSMC, the worse its financial performance will be. While the profitable services will continue to generate revenue for the Partners system NSMC is left looking like a liability and a drain, while in fact patients in the NSMC service area are still using Partners facilities, but not NSMC. Having now lost two hospitals in Lynn, we are

left wondering if Partners will ultimately close or substantially downscale NSMC too because of its operating losses.

Both NSMC/Partners in the application for a DoN and Feeley and Driscoll in the Independent Cost Analysis provide ample evidence that the increased beds and increased revenue would provide cost-effective and sustainable growth for NSMC. Investing in an improved hospital infrastructure will lead to better care, reasonable costs and adequate access to a chronically underserved population with serious health needs. While plans like an improved lobby and coherent access to NSMC may seem trivial, the investment in making a community hospital as functional and updated as any in the Partners system is important to the very community NSMC/Partners claims to serve. We want our remaining local hospital to be as robust and efficient as any hospital in Massachusetts. This is what NSMC/Partners originally offered, and this is what our community needs and deserves.

Finally, Partners is a non-profit, charitable organization with a mission and, indeed, an obligation, to serve the medical needs of **all** patients. Partners made a commitment to this community that, while it is closing Union Hospital, it would create beds at Salem Hospital that would meet the region's needs. Its sudden announcement, shortly after the DPH approval, that it was scaling back its plans significantly due to "new" circumstances, undermines community trust and strains credibility. The changed plans were not based on any change in the assessment of the community's medical needs – they seem to be simply an attempt to reduce capital expenditures. We believe that Partners can afford to make good on its original commitment to our area, and do not see any justification for the change in plans.

CONCLUSION

In sum, the Lynn Health Task Force asks that the Department of Public Health deny the request for Amendment of the DoN. NSMC/Partners has not shown any new information or circumstances that warrant a change from the approved project. Most importantly, the project as contemplated by the Amendment does not provide adequate beds to address the medical needs in the hospital's service area once NSMC/Partners closes Union Hospital. The request to reduce the number of Medical/Surgical and Psychiatry beds at Salem Hospital should not be approved unless or until there is evidence that the bed count will be sufficient to serve our community.

EXHIBIT 5

1199SEIU
United Healthcare Workers East
Massachusetts Division

February 9, 2017

Ms. Nora Mann, Director
Determination of Need Program
Department of Public Health
250 Washington St.
Boston, MA 02108

Dear Director Mann,

We write today to thank you for the scrutiny that the Department of Public Health Determination of Need Program is giving to the application for a significant change under 105 CMR §100.753(A) to the NSMC-Salem Hospital Determination of Need project that was approved by the Public Health Council on July 13, 2016 (Project #6-3C46).

We also want to update the DPH and DoN staff on the work that 1199SEIU has been doing to help the Lynn community be best prepared to meet the healthcare needs of its residents as the NSMC-Salem Hospital project is completed and services are discontinued at the NSMC-Union Hospital site.

Project #6-3C46 approval was for renovation and new construction on the NSMC-Salem hospital campus, and took into consideration a related application for termination of essential services on the NSMC-Union campus, with the understanding that the Union campus services would be consolidated on the Salem campus.

We have noted the specific changes that the application for a significant amendment proposes to the approved Determination of Need project:

- reductions in the number of med/surg and psych beds, with shell space that can be fully built out at a later date;
- elimination of a new main entrance/lobby/reception area for the Salem campus;
- modification of the cost as well as the financing mechanism for the project; and
- other changes due to unanticipated site conditions.

We note as well that the applicant does not propose any change to the funds as approved for community health initiatives and we appreciate that.

The proposed changes are indeed significant. We are aware that the Determination of Need staff, as well as other community groups are providing much-needed scrutiny to the assumptions underlying the old and new proposals, and at this time we defer to them to assure that any changes from the approved Determination of Need will be well justified. In addition, we thank the Determination of Need office for the plan to hold a Public Hearing on March 8 to hear from the community any concerns they may have with regard to the proposed changes.

As we hope you are aware, in early 2016, 1199SEIU commissioned the NextShift Collaborative to conduct an independent Community Health Needs Assessment, with a focus on health needs in the city of Lynn. This assessment (attached) was completed and made public in late summer 2016. Since that time, 1199SEIU has hosted two "community conversations" with members of the Lynn community in order to prioritize issues as highlighted in the NextShift report, and to identify particular initiatives that we and the Lynn community might champion.

Our first meeting took place at the Lynn Museum on November 17, and was co-hosted by 1199SEIU and State Senator Thomas McGee and City Council President Dan Cahill. At that meeting, researchers from the NextShift Collaborative, including team leader Andrew Binet, presented their findings regarding health needs in Lynn, and reviewed the recommendations made in their report. For the next hour, we heard from community members including 1199SEIU members from Union Hospital and the Lynn Community Health Center, members of Mass Senior Action, local residents, and representatives from several health and human service organizations in the Lynn community. By the end of the evening, we felt we had identified three main areas to focus on for ongoing endeavors:

1. The ongoing need for emergency services in Lynn;
2. Improved transportation alternatives to Salem Hospital and other outpatient sites;
3. Ensuring culturally competent care that is well coordinated with other services in the Lynn community.

We met again on January 26 and were pleased to have DPH Safety and Quality Director Eric Sheehan join us. We broke into groups that began to flesh out in more detail the exact concerns represented by each of the three issues, as well as possible solutions to address the problems identified. At this point, we are in the process of summarizing the specific concerns raised and solutions proposed, and we hope to meet with the community again on March 30 to present the summary that will include the next steps identified for 1199SEIU and community members to take. As always, members of the Determination of Need program are very welcome to attend this event, and we will be in contact with you with more details about the meeting.

1199SEIU thanks the Determination of Need program for the opportunity to comment on the North Shore Medical Center's application for a significant amendment to Project #6-3C46 at Salem Hospital, and we look forward to continuing to work with you to help ensure appropriate, accessible, high quality health care services in the greater Lynn Community.

Sincerely yours,

Tyrék D. Lee, Sr.
Executive Vice President

January 20, 2017

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Via Email and Hand Delivery - Return Receipt Requested

Nora Mann, Esq., Program Director
Determination of Need Program
Department of Public Health
250 Washington Street
Boston, MA 02108

Re: Request for Approval of Significant Amendment to Determination of Need Project #6-3C46

Dear Attorney Mann:

We write on behalf of North Shore Medical Center, Inc. ("Applicant" or "Hospital") the current holder of approved Determination of Need ("DoN") Project #6-3C46 ("Project"). See Exhibit A for copy of the approval issued on July 13, 2016. Since the Project was approved, the Applicant has continued the detailed planning required to implement the Project. As a result of this work, the Applicant determined, in consultation with the Department of Public Health ("Department"), that the original approval requires certain modifications prior to full implementation. Accordingly, the Applicant hereby respectfully requests a significant amendment to its DoN authorization pursuant to 105 C.M.R. §§ 100.753 and 100.756. We offer the following comments in support of the Applicant's request for this significant amendment to its DoN approval.

Overview of the Project.

The Applicant's Project as approved consists of the construction of a 3-story building on the main campus of Salem Hospital, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, the former Spaulding Hospital-North Shore would be renovated to accommodate relocated expanded inpatient psychiatric services for a total of 120 beds (64 relocated beds; 56 new beds). Please note that since the DoN was approved, the Applicant has added 2 new psychiatric beds at the Union campus. As a result, as approved 66 psychiatric beds would relocate to the newly renovated psychiatric facility on the Salem campus. The vacated emergency department building would be renovated to accommodate additional capacity for outpatient services relocated from the Union Hospital campus. Finally, the Project included a new main entrance/lobby/reception. The maximum capital expenditure ("MCE") of the approved Project is $180,507,208 (October 2015 dollars). The Project involves a total of 252,773 gross square feet ("GSF"), of which 115,405 GSF is for new construction and 137,368 GSF is for renovation.

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Requested Changes in DoN Approval.

Following the Department's approval of the Project, the Applicant continued the detailed planning required in order to obtain architectural plan approval and begin construction. Through this planning, the Applicant uncovered certain facts that were not reasonably foreseeable at the time of approval. These circumstances result in the need to amend the Project approval with respect to costs, square footage and conceptual design. It was not possible to develop detailed architectural and engineering plans until the project was approved and further investigation of site conditions was conducted. Moreover, the actual costs could not be determined until the detailed plans were developed. In addition, the cardiac surgery service at the Salem campus was consolidated to MGH, resulting in a newly available cardiac care unit space that could be converted to medical/surgical beds in a cost effective manner. Finally, due to worsening financial conditions for the Hospital, the Applicant determined that it would be prudent for certain project components to be eliminated or delayed. Each of these factors resulted in the need to modify the Project and approval.

To that end, the Applicant now requests approval of certain changes to the Project. In summary, the requested changes to the Project are as follows: (1) elimination of the new main entrance/reception/lobby component; (2) renovation to the former cardiac care unit to create 8 new medical/surgical beds; (3) reduction in the total medical/surgical and psychiatric beds to be constructed at this time; (4) design revisions due to unforeseen site conditions; and (5) modification to the financing mechanism for the Project to fund $10,000,000 of the Project costs through fundraising and reduce bond financing. Due to the proposed changes to the Project, the Applicant requests corresponding changes to the approved GSF and MCE associated with the Project as summarized below.

1. Changes to the Approved GSF.

The Applicant requests changes to the approved GSF involved in the Project due to certain necessary Project modifications. These changes in GSF are a result of the elimination of the new main entrance/reception/lobby, relocation of the mechanical/electrical level and the renovation of the former cardiac care unit to accommodate 8 medical/surgical beds. Each of these changes are more fully described below.

As previously indicated, the Applicant has experienced additional operating losses. The Applicant has continued to see its financial challenges mount, posting a loss of $36 million in 2015, $48 million in 2016 and is expecting higher losses in 2017. In light of these challenges, the Applicant re-evaluated the Project and determined that it will not pursue the development of

a new entrance/reception/lobby. The elimination of this component of the project reduces the GSF for renovation involved in the Project.

In addition, with the development of detailed design plans, the Applicant determined that the proposed location of the mechanical and electrical level of the Project was not the most efficient design. In consultation with Project architects and engineers, the Applicant proposes to relocate this function from a penthouse to be constructed on Level 4 to Level 2. This relocation will result in better floor alignment between the new building and the Hospital's existing Davenport building, providing for connection of the new medical/surgical floor with the 4th and 5th floors of Davenport where the main lab, radiology and operating rooms for the Hospital are located. Such alignment of clinical floors will provide for efficient care as medical/surgical patients receive care in the new building and Davenport. In addition, the remaining space of Level 2 will be utilized for storage that will support the emergency department and campus-wide needs. This change from a mechanical penthouse to provide an additional level of the new building will result in an increase of GSF of new construction.

Since the Project was approved, the Hospital's cardiac surgery service was transferred to the Massachusetts General Hospital. With the surgery service, the Hospital operated an 8 bed cardiac care unit. As the Hospital no longer performs cardiac surgery, it does not need a cardiac care unit. The Applicant now proposes to renovate this unit to provide 8 additional medical/surgical beds at the Salem campus. The 8 additional beds will provide a cost-effective use of existing resources to provide additional medical/surgical capacity at the Salem campus. The renovation of the unit in the Davenport building involves an increase in the Project's renovation GSF.

Additional changes to the Project result from the development of detailed project designs. These changes include the addition of an elevator machine room to the new building. In addition, the Hospital also plans to change the proposed location of the medical/surgical floors from the 2nd and 3rd floors to the 4th and 5th floors of the new building to provide for increased floor-to-floor height to accommodate more energy efficient duct work. Finally, the inpatient connector design was modified due to the discovery of seismic code requirements, which necessitate that the Applicant demolish a portion of the existing building and build a new structure.

In total, the Applicant requests a net reduction in the GSF for new construction by 2,477 GSF and an increase of the GSF for renovation by 5,166 GSF. Accordingly, the requested amended GSF for the Project is 112,928 GSF of new construction and 142,534 GSF of renovation for a total of 255,462 GSF for the Project. This represents a 1.06% increase in the GSF for the Project. A revised Factor 5.1 is provided as Exhibit B and provides a detailed breakdown of the amended GSF by functional area for the Project.

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2. Changes to the Approved MCE.

The Applicant also is requesting approval of changes to its DoN approved MCE. The current approved MCE is $180,507,208 (October 2015 dollars). The Applicant now seeks a decrease in its permitted MCE to $168,173,839. This is a decrease of $12,333,369 or 6.8% over the approved MCE. Although the Applicant requests a reduction in the MCE, the Applicant is committed to fulfilling the DoN Approval conditions relating to the payment of community health initiatives and does not seek a corresponding reduction in such initiative amounts due to the decrease in the Project's MCE.

The requested changes in the MCE are a result of the aforementioned changes in the design of the Project. In addition, due to the continuing decline in the Hospital's financial condition, the Applicant determined that it will need to calibrate the proposed expansion at the Salem campus to implement new beds as demand and capital availability warrant. Moreover, since the Project was approved, significant new inpatient psychiatric capacity is planned in the Commonwealth with approximately 380 new inpatient psychiatric beds, many of which have been or will be licensed by the Department of Mental Health at newly established psychiatric hospitals. As a result, the Applicant determined that with this additional capacity to the system and the increasing financial challenges for the Hospital, it would be more prudent to hold on fully implementing this portion of this Project at this time. As a result, the Applicant seeks to amend the DoN approval to reduce the number of psychiatric beds in the Project by 30 psychiatric beds at this time. With this change, the Spaulding North Shore building will be renovated to accommodate the relocation of 66 psychiatric beds from the Union and Salem campuses, as well as the addition for 24 new beds for a total of 90 psychiatric beds at the Salem campus.

In addition, the Applicant determined that it will reduce the number of medical/surgical beds originally included in the Project. As with the reduction in psychiatric beds, this decision was informed by the financial condition of the Hospital, along with the ability of the Hospital to implement 8 medical/surgical beds in the former cardiac care unit. As a result, the Applicant seeks to amend the DoN approval to reduce the number of medical/surgical beds by 16 beds at this time. With this change, the Project will involve the construction of 32 new medical/surgical beds, 24 of which will be located in the new building and 8 beds will be the result of renovation to the former cardiac care unit.

Additional floors that were intended to house the remaining 24 medical/surgical and 30 psychiatric beds that were approved in the Project will not be built out and will instead be developed as shell space for future build out for medical/surgical and inpatient psychiatric beds. Construction of this shell space will include the necessary ductwork, plumbing lines and elevator shafts for the two floors. In creating shell space, the Applicant will have the infrastructure in

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place to allow for the space to be fitted out in an efficient manner. Accordingly, the Applicant seeks to modify the approved MCE associated with reduction in construction and the addition of shell space for future use. A summary of the changes requested to the MCE is provided in the following table.

Category of Expenditure	Approved New Construction	Approved Renovation	Requested New Construction	Requested Renovation
Land Costs				
Land Acquisition	$0	$0	$0	$0
Non-Depreciable Land Dev.	$230,000	$0	$230,000	$0
Site Survey and Soil Invest.	$3,333,683	$1,355,583	$3,333,683	$1,905,583
Total Land Costs	**$3,563,683**	**$1,355,583**	**$3,563,683**	**$1,905,583**
Construction Costs				
Depreciable Land Dev. Costs	$3,557,846	$0	$3,557,846	$0
Building Acquisition Costs	$0	$1	$0	$1
Construction Contract	$73,086,772	$74,027,829	$68,641,891	$67,130,909
Fixed Equip. Not in Contract	$1,700,000	$1,080,000	$1,450,000	$930,000
Architect. & Engineering Costs	$7,525,000	$5,100,000	$6,445,000	$5,375,000
Pre-filing Planning and Dev.	$242,500	$192,500	$252,500	$192,500
Post-filing Planning and Dev.	$525,000	$420,000	$625,000	$420,000
Other:	$1,350,000	$365,000	$1,140,000	$365,000
Other:	$4,517,000	$160,000	$4,517,000	$160,000
Total Construction Costs	**$92,504,118**	**$81,345,330**	**$86,619,237**	**$74,573,410**
Financing Costs				
Costs of Securing Financing	$925,041	$813,453	$766,192	$745,734
Total Financing Costs	**$925,041**	**$813,453**	**$766,192**	**$745,734**
Total Capital Expenditure	**$96,992,842**	**$83,514,366**	**$90,949,112**	**$77,224,727**

Request for Significant Change.

In accordance with the provisions of 105 C.M.R. § 100.753(A), the Applicant respectfully requests that the Department approve a significant change to its DoN authorization. Specifically, the Applicant requests approval for a decrease in its approved MCE to $168,173,839 (January 2017 Dollars). In addition, the Applicant respectfully requests that its total approved GSF for the

Project be increased to 255,462. Of this total, 112,928 GSF is for new construction and 142,534 GSF is renovation. In compliance with the regulations applicable to significant changes, 105 C.M.R. §§ 100.753 and 100.756, the Applicant states the following:

1. Along with the original request, two (2) copies of this request are being submitted to the DoN Program Director. A copy of the request is also being filed with the North East Regional Health Office, and the Center for Health Information and Analysis.

2. In accordance with 105 C.M.R. § 100.756, this request has provided a detailed description and comparison of the approved project with the proposed change, a description of the cost implications, and the rationale for the proposed change.

3. Attached as Exhibit C is a Certificate of Truthfulness and Proper Submission pursuant to 105 C.M.R. § 100.324, certifying to the truthfulness of the facts contained in the request and that the requisite number of copies of this request have been sent to the Program Director, Regional Health Office, and the Center for Health Information and Analysis.

4. In accordance with 105 C.M.R. §§ 100.330 and 100.331(A) of the DoN regulations, notice of this request for significant change was published in the Salem News on January 20, 2017. Original copies of the notice and the original Return of Publication Affidavit will be provided when produced by the newspaper.

The Department's approval of this request will be consistent with the DoN Program's mandate to ensure satisfactory access to quality health care at reasonable costs. To that end, we respectfully request that you approve this amendment, which has been submitted in conformance with 105 C.M.R. §§ 100.753 and 100.756 of the Department's DoN regulations.

DONOGHUE
BARRETT
& SINGAL

Your attention to this request is greatly appreciated. If you require any additional information, please do not hesitate to contact Crystal Bloom or me.

Sincerely,

Andrew Levine/CB

Andrew S. Levine

Enclosures (2 copies)

cc: J. Ross, DMH
S. Davis, DPH
S. Lohnes, Esq., DPH
R. Rodman, Esq., DPH
Center for Health Information and Analysis
Health Policy Commission
MassHealth
North East Regional Health Office
J. Alviani
P. Cushing, Esq.
M. Fishman
G. Meyer

Attachment/Exhibit

A

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
Bureau of Health Care Safety and Quality
Determination of Need (DoN) Program
99 Chauncy Street, Boston, MA 02111

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

July 18, 2016

VIA EMAIL

Andrew S. Levine
Donoghue Barrett & Singal
One Beacon Street, Suite 1320
Boston, MA 02108-3106
ALevine@dbslawfirm.com

RE: North Shore Medical Center (NSMC)
Project Number 6-3C46
(New Construction/Renovation to Consolidate all NSMC Acute Care Services on the Salem Campus)

Dear Mr. Levine:

At their meeting of July 13, 2016, the Commissioner and the Public Health Council, acting together as the Department, voted pursuant to M.G.L. c.111, § 25C and the regulations adopted thereunder, to approve with conditions the above application filed by North Shore Medical Center ("NSMC" or "Applicant"). The approved project will involve new construction of a 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, there will be 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. There will also be new construction of an addition to the existing Davenport building on the Salem campus to accommodate a new main entrance/reception/lobby. Finally, the vacated emergency department building will be renovated to accommodate additional capacity for relocated outpatient cardiac and pulmonary rehabilitation, as well as wellness, ultrasound and infusion services.

This Notice of Determination of Need ("DoN") incorporates by reference the Staff Summary, Public Hearings, a Memorandum to the Public Health Council, and the Public Health Council proceedings concerning this application.

The approved maximum capital expenditure ("MCE") of $180,507,208 (October 2015 dollars) is itemized below:

	New Construction	Renovation
Land Costs:		
Site Survey and Soil Investigation	$ 230,000	
Other Non-Depreciable Land Development +	3,333,683	$ 1,355,583
Total Land Costs	3,563,683	1,355,583
Construction Costs:		

Depreciable Land Development Cost	3,557,846	
Construction Contract (including bonding cost)	$ 73,086,772	$74,027,829
Fixed Equipment Not in Contract	1,700,000	1,080,000
Architectural Cost (including fee, printing, supervision etc.) and Engineering Cost	7,525,000	5,100,000
Pre-filing Planning and Development Costs*	242,500	192,500
Post-filing Planning and Development Costs*	525,000	420,000
Other (See Below**):	1,350,000	365,000
Other (See Below***):	4,517,000	160,000
Total Construction Costs	$ 92,504,118	$81,345,330
Financing Costs:		
Cost of Securing Financing (legal, administrative, feasibility studies, mortgage insurance, printing,	925,041	813,453
Total Financing Costs	925,041	813,453
Estimated Total Capital Expenditure	$96,992,842	$83,514,366
Total		$180,507,208

Financing of the approved MCE of will be through debt financing of the entire MCE funded by Partners, NSMC's parent. Partners will secure financing with tax-exempt bonds issued by the Massachusetts Development Finance Agency ("MDFA"), at an anticipated fixed interest rate of 4.500% for 30-year term. The financial covenants associated with the bond issue will be applicable to Partners. No financial covenants will be applicable to NSMC.

The approved incremental operating costs of $1,791,253 (October 2015 dollars) for the project's first full year (FY 2020) of operation are indicated below:

Salaries, Wages and Fringe	$ (4,819,142)
Supplies and Other Expenses	(6,090,045)
Purchased Services	(128,077)
Depreciation	5,435,320
Interest	7,950,883
Pension	(557,687)
Total Operating Expenses	$ 1,791,253

The reasons for this approval with conditions are as follows:

1. NSMC proposes to undertake new construction of a 115,405 gross square foot ("GSF") building on the Salem Campus, to accommodate a new, relocated emergency department and two 24-bed units of relocated medical/surgical beds. In addition, there will be 137,368 GSF of renovation of the former Spaulding Hospital – North Shore facility adjacent to the Salem Campus to accommodate expanded inpatient psychiatric services. There will also be new construction of an addition to the existing Davenport building on the Salem campus to accommodate a new main entrance/reception/lobby. Finally, the vacated emergency department building will be renovated to accommodate additional capacity for relocated outpatient cardiac and pulmonary rehabilitation, as well as wellness, ultrasound and infusion services.

2. The health planning process for the project was satisfactory.

3. The proposed project is supported by a trend of consistent significant growth for the inpatient psychiatric services, and consistent demand for medical/surgical and emergency services. There are also documented concerns about current significant operating constraints and space deficiencies associated with inpatient psychiatric and emergency services, as well as multiple bed rooms involved with medical/surgical services, as discussed under the Health Care Requirements factor of the Staff Summary.

4. The project, with adherence to certain conditions, meets the operational objectives of the DoN regulations.

5. The project, with adherence to a certain condition, meets the standards compliance factor of the DoN regulations.

6. The recommended maximum capital expenditure of $180,507, 208 (October 2015 dollars) is reasonable based on the significantly higher than average new construction/renovation costs associated with the consolidation of all acute care services on the Salem Campus.

7. The recommended incremental operating costs of $1,791,253 (October 2015 dollars) are reasonable based on the expected substantial operational cost savings involved with the project.

8. The project is financially feasible based on the substantial financial support of Partners Healthcare, the Applicant's parent.

9. The project satisfies the requirements for relative merit.

10. The proposed community health service initiatives, with adherence to a certain condition, are consistent with DoN regulations.

11. The Applicant meets the Determination of Need Guidelines for Environmental and Human Health Impact ("Environmental Guidelines").

This Determination is effective upon receipt of this Notice. The Determination is subject to the conditions set forth in Determination of Need Regulation 105 CMR 100.551, including sections 100.551 (C) and (D) which read in part:

(C) ...such determination shall be valid authorization only for the project for which made and only for the total capital expenditure approved.

(D) The determination...shall be valid authorization for three years. If substantial and continuing progress toward completion is not made during the three year authorization period, the authorization shall expire if not extended by the Department for good cause shown (see 105 CMR 100.756).... Within the period of authorization, the holder shall make substantial and continuing progress toward completion; however, no construction may begin until the holder has received final plan approval in writing from the Division of Health Care Quality.

This Determination is subject to the following conditions, in addition to the terms and conditions set forth in 105 CMR 100.551. Failure of the Applicant to comply with the conditions may result in Department sanctions, including possible fines and/or revocation of the DoN.

1. NSMC shall accept the maximum capital expenditure of $180,507, 208 (October 2015 dollars) as the final cost figure except for those increases allowed pursuant to 105 CMR 100.751 and 100.752.

2. The total approved gross square feet ("GSF") for this project shall be 252,773 GSF, which will include 115,405 GSF of new construction and 137,368 GSF of renovation.

3. The Applicant shall contribute a total of $9,025,360 (October 2015 dollars) for a period of five years, to fund community health services initiatives as described in the document prepared by the Office of Community Health Planning and Engagement ("OHPE"), as amended from time to time by agreement of the Applicant and OHPE, which is attached and is incorporated herein by reference (Attachment 1).

4. The Applicant shall continue to provide language access services at both the Salem Campus and the Lynn Campus with the improvements described in the document prepared by the Office of Health Equity ("OHE"), as amended from time to time by agreement of the Applicant and OHE, which is attached hereto as Attachment 2 and is incorporated herein by reference.

5. To ensure more equitable geographic and socioeconomic access to health care services for Lynn residents, and in recognition of the processes already underway, NSMC shall provide the Department with an updated evaluation of community health needs resulting from the impact of the proposed consolidation on access to services for Lynn residents. This updated evaluation shall be provided in two phases. The initial phase shall reflect the work of the Emergent/Urgent Care Services Planning Group that is meeting regarding how to most appropriately serve the longer term emergent/urgent needs of all NSMC's patients and communities post-consolidation. This initial update shall be provided to the Department within one year of the issuance of DoN approval. Upon completion of Phase One in 2018, the second phase of this updated evaluation of community health needs shall begin and be incorporated into NSMC's existing community health needs planning process. As part of its existing federally mandated community health needs assessment process every three years the hospital must conduct an in-depth community needs assessment and outline a strategy for meeting community-identified needs of underserved populations. This process will be expanded to include a targeted focus on assessing the needs of the general populations throughout the hospital's primary service area, including the City of Lynn. The update shall be done in active consultation and active participation by Lynn City elected officials or their designees, the Lynn Health Taskforce, SEIU, and other stakeholders in the Greater Lynn area. In addition, with respect to the City of Lynn, the community health needs assessment will be inclusive of the diverse socio-economic groups that exist in the city.

6. NSMC shall seat, over the next three years, and maintain a board of individuals with cultural, ethnic and gender diversity that is reflective of the communities it serves with a particular emphasis on the needs of the underserved and more vulnerable patient populations. As part of the process of identifying and electing new board members NSMC shall consider the recommendations of a wide number of sources in the PSA, including other health care organizations, elected officials, advocacy groups and other community organizations.

7. At a minimum, the Department shall review compliance with the above conditions within 1 year of issuance of DoN approval and again after the completion of the project. At each time, NSMC's report of the status of compliance shall be reviewed by the Staff of Department and presented to the Public Health Council (PHC) by Staff of the Department after consultation with NSMC and community parties specified in these conditions. Further, NSMC and the community parties shall have an opportunity to address the PHC in regard to these conditions. Upon consideration of such presentations, the PHC will be the final arbitrator as to compliance with the conditions, and reserves

the right to continue the progress reports beyond the specified one year if needed and, if so, decide the timeline for the preparation of said reports to the PHC.

Sincerely,

Darrell Villaruz, Interim Manager
Determination of Need Program

DV/jp

cc: Michael Sinacola, Bureau of Health Care Safety and Quality
Rebecca Rodman, Office of General Counsel
Sherman Lohnes, Division of Health Care Facility Licensure and Certification
Mary Byrnes, Center for Health Information and Analysis
Stephen Thomas, MassHealth
Erica Koscher, Health Policy Commission
Daniel Gent, Division of Health Care Facility Licensure and Certification
Ben Wood, Bureau of Community Health and Prevention
Samuel Louis, Office of Health Equity
Katherine Mills, Health Policy Commission
Emily Gabrault, Office of the Attorney General

Attachment 1

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Mental Health
25 Staniford Street
Boston, Massachusetts 02114-2575

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

JOAN MIKULA
Commissioner

(617) 626-8000
www.mass.gov/dmh

April 4, 2016

Darrell Villaruz, Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Dear Mr. Villaruz:

I am writing to confirm the Department of Mental Health's (DMH) support for the addition of 56 psychiatric beds being proposed at North Shore Medical Center's ("Hospital") Salem campus for adult, pediatric, and geriatric psychiatric patients.

The Hospital has informed DMH of its intention to provide specialized behavioral treatment programs to address the clinical needs of especially vulnerable patient populations, such as adults with co-morbid Substance Use Disorders and children with Autism Spectrum Disorders. It is often difficult to find appropriate clinical placement for such patients, who may incur significant waiting times in emergency departments. The Hospital has assured DMH that their programs will be designed to effectively identify available medical services for these patients and efficiently direct them to those resources.

The addition of these beds will further enhance the psychiatric services provided by North Shore Medical Center as they already hold a DMH license for 26 adult psychiatric beds, 18 pediatric psychiatry beds, and 20 geriatric psychiatric beds.

If you have questions or need more information on this letter of support, please feel free to call the DMH Director of Licensing, Janet Ross at 617-626-8279.

Sincerely,

Joan Mikula
Commissioner

cc: Janet Ross
Joy B. Rosen
Andrew Levine, Esq

Attachment 2

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

May 9, 2016

Robert G. Norton
President and CEO
North Shore Medical Center
81 Highland Avenue
Salem, MA 01970

Dear Mr. Norton:

Pursuant to your recent Determination of Need Application, Samuel Louis met with Jeremy Freitas, Manager Interpreter Services, Maura Hines Clouser, Executive Director of PCS Finance and Business Operations, Lori Long, Director, Community Relations, and Cheryl Merrill, Senior VP of Patient Care Services/Chief Nursing Officer on February 25, 2016 to review changes in service operations and policies, progress and improvement as well as exchanging ideas on strategies for continued operations and improvement.

After review of submitted documents and subsequent conversations, the Office of Health Equity has determined that North Shore Medical Center shall continue to:

- Enhance its capacity to provide quality, timely and competent interpreter services, i.e., posting of availability of interpreter services, annual language needs assessment, tailored community outreach, and submission of an annual language needs assessment.

Supplemental Conditions:
North Shore Medical Center shall:

- Monitor over the next 12 months its Interpreter Services and implement specific activities in response thereof, including but not limited to, support to the Coordinator of Interpreter Services, increase in personnel, resources and equipment, participation in language services forums and entities, and appropriate training for all staff.

- Document over the next 6 months the increase usage of telephonic and video remote interpretation and provide a detailed report of its findings.

- Obtain feedback from Interpreter Services patients regarding the use of telephonic and video remote interpretation and provide a detailed report of its findings.

- Continue to implement its Culturally and Linguistically Appropriate Services (CLAS) Initiative plan for the Language Access Services standards and follow recommended standards for Cultural Competent Care and Organizational Support for Cultural Competency for all sites operating under its license. Provide the Office of Health Equity with an updated plan that includes specific goals and objectives, action steps, targeted staff/departments, evaluation, and outcomes.

- Identify and report on the different mechanisms and/or projects the hospital has and will continue to use the data collected on race, ethnicity, and language to improve patient care and eliminate health disparities.

- Provide an Annual Progress Report to the Office of Health Equity within 45 days at the end of the Federal Fiscal Year.

An implementation plan that addresses the aforementioned and includes anticipated outcomes, evaluation, and **periodic submission of progress reports**, is to be submitted within 30 days of DoN's approval to:

Preferred:
samuel.louis@state.ma.us

Or

Samuel Louis, M.P.H.
Massachusetts Department of Public Health
Office of Health Equity
250 Washington Street, 5th Floor
Boston, MA 02108

It is imperative that North Shore Medical Center staff communicates with the Office of Health Equity to assure adequate monitoring, compliance, satisfactory implementation and progress to the implementation plan.

If you wish to discuss any of the conditions, or other areas covered at the visit, please contact me at (617) 624-5905 or at samuel.louis@state.ma.us.

Sincerely,

Samuel Louis, M.P.H.
Health Care Interpreter Services Coordinator

Cc: Jere Page, Determination of Need Analyst
Rodrigo Monterrey, Acting Director, Office of Health Equity

The Commonwealth of Massachusetts
Executive Office of Health and Human Services
Department of Public Health
250 Washington Street, Boston, MA 02108-4619

Attachment 6

CHARLES D. BAKER
Governor

KARYN E. POLITO
Lieutenant Governor

MARYLOU SUDDERS
Secretary

MONICA BHAREL, MD, MPH
Commissioner

Tel: 617-624-6000
www.mass.gov/dph

To: Commissioner Bharel and Members of the Public Health Council

From: Ben Wood, Bureau of Community Health and Prevention

Date: 6/01/2016

Re: Community Health Initiative (CHI) for Factor 9; North Shore Medical Center, Inc.; Project #3C46; New construction and renovation of Salem Hospital campus; MCE: $180,507,208; CHI: $9,025,360

The Applicant, North Shore Medical Center, Inc. is committed to contributing an amount reasonably related to this Project for programs that provide primary care and preventative health services to underserved populations in its service area. As such, the Applicant will contribute five percent (5%) of the MCE for the Factor 9 requirements.

Consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014, the Applicant has worked with representatives of the Department of Public Health's Bureau of Community Health and Prevention (BCHAP), Office of Community Health Planning and Engagement to identify community planning partners for the development of a specific funding plan for the Initiative(s). The identified planning partners included the Lynn Health Taskforce, a Ten-Taxpayer Group. Planning partners further included representatives from the Lynn and Salem health departments, the region's Community Health Network Area (the North Shore Community Health Network) and two community health centers (North Shore Community Health Center and the Lynn Community Health Center). The planning group convened three (3) times to assist the Applicant in ensuring that the funds are directed to community health initiatives that will improve health for vulnerable populations and reduce health disparities based on the identified health needs and priorities in North Shore Medical Center's Community Health Needs Assessment's conducted in 2012 and 2015. Specifically, $9,025,360 will be distributed over 5 years according to the funding plan attached to this memo. Funding will initiate upon approval by Public Health Council.

Community Health Initiative Planning Summary:
The Applicant submitted a Factor 9/Community Health Initiative funding proposal with its' Determination of Need application that focused on three priority areas identified in the 2012 and 2015 community health needs assessment:

1. Access to Primary, Urgent and Specialty Care
2. Behavioral Health and Substance Use Disorder Programming
3. Community Programming for Supporting Health

DPH staff met with the planning group on December 22nd, 2015 to review the Community Health Initiative planning process and the Applicant's proposal. Subsequent to that meeting DPH staff held separate meetings with members of the planning group to gain additional background information on needs, perspectives and priorities. The issue of most concern for planning members related to the proportion of funds allocated specifically for the City of Lynn versus allocations in other areas of the Applicant's service region.

After these meetings DPH requested that the Applicant prepare a more detailed proposal using the SMART (specific, measurable, attainable, relevant, time-focused) framework to better understand both the allocation percentage between communities and the intended impact of the funding. After the Applicant completed this activity, the planning group convened two additional times (March 22nd, 2016 and April 26th, 2016) for discussion and completion of a funding proposal. At the April 26th, 2016 meeting of the planning group consensus on the attached funding plan was achieved. The funding plan is consistent with the policies and procedures set forth in the Department of Public Health Bulletin ("Bulletin") of February 11, 2009 and amended August 2014.

The Applicant and other designated planning partners will meet on an annual basis to review the outcomes of funded initiatives and confirm subsequent year investments of the community health initiative budget. Any modifications to the Factor 9 budget must be approved in advance by BCHAP.

Consistent with 105 CMR 100.551(J), the applicant is required to file written reports to the department, annually through the duration of each approved project, including a) reporting period; b) funds expended; c) recipient(s) of funds; d) purpose(s) of expenditures; e) project outcomes to date; f) proposed changes, if any, to the approved CHI; g) balance of funds to be expended over the duration of the project; and h) name of applicant's representative, including complete contact information. Reports may but are not required to include copies of printed materials, media coverage, DVDs, etc. Reports should be submitted electronically to Ben Wood, Bureau of Community Health and Prevention @ ben.wood@state.ma.us

Attachment/Exhibit

B

North Shore Medical Center - Determination of Need Amendment

December 22, 2016

	Square Footage Involved in Project								Total Cost		Cost/ Square Footage	
Functional Areas	Present Square Footage		New Construction Salem		Renovation		Resulting Square Footage		New Construction	Renovation	New	Renovation
	Net	Gross	Net	Gross	Net	Gross	Net	Gross				
1 Level 1: EMERGENCY DEPARTMENT	14,673	22,998	26,708	42,048	9,857	21,791	36,565	63,839	$ 35,945,619	$ 11,257,492	$ 854.87	$ 516.61
2 Level 2:												
MECH/ELEC & ED STORAGE			16524	18321			16524	18321	$ 5,329,583		$ 290.90	
SNS PEDI-PSYCH	6,909	12,043	548	3,595	27,259	29,985	27,807	33,580	$ 3,952,735	$ 15,331,390	$ 1,099.51	$ 511.30
3 Level 3:							-	-				
CI - MEP CAMPUS INFRASTRUCTURE	8,957	9,853			8,957	9,853	8,957	9,853		$ 18,165,209		$ 1,843.62
SNS - GERI-PSYCH	6,665	11,216	-	-	12,116	18,626	12,116	18,626	$ -	$ 9,529,493		$ 511.62
IP - CONNECTOR	709	780	1,535	3,671	780	1,277	2,315	4,948	$ 4,036,298	$ 269,813	$ 1,099.51	$ 211.29
PHLEBOTOMY	596	1,110			1,332	1,477	1,332	1,477		$ 283,983		$ 192.27
CARDIAC REHAB & WELLNESS	2,820	3,431			4,122	5,644	4,122	5,644		$ 1,121,178		$ 198.65
INFUSION	2,274	2,492			3,319	5,377	3,319	5,377		$ 1,054,317		$ 196.08
LOBBY / CHECK-IN / SECURITY (EXISTING ED)	1,308	2,272			1,308	2,272	1,308	2,272		$ 425,734		$ 187.38
							-	-				
4 Level 4:							-	-				
SNS - ADULT PSYCH	6,159	10,192	-	-	12,091	18,625	12,091	18,625	$ -	$ 9,529,442		$ 511.65
IP - CONNECTOR	709	780	998	2,328	780	828	1,778	3,156	$ 2,559,657	$ 174,946	$ 1,099.51	$ 211.29
IP - MED-SURGE BEDS	11,303	18,194	12,979	19,665	-	-	12,979	19,665	$ 13,445,968	$ -	$ 683.75	
							-	-				
5 Level 5:							-	-				
Shell Space			-	-	12,091	18,626	12,091	18,626	$ -	$ 5,388,106		$ 289.28
IP - CONNECTOR	709	780	998	2,344	685	3,002	1,683	5,346	$ 2,577,249	$ 634,283	$ 1,099.51	$ 211.29
Shell Space	4,647	7,248	12,979	19,665	-	-	12,979	19,665	$ 7,500,310	$ -	$ 381.40	
IP - Med Surge Beds (Davenport Bldg- former CC	4,906	5,151			4,906	5,151	4,906	5,151		$ 225,000		$ 43.68
							-	-				
6 Level 6:							-	-				
ELEVATOR MACHINE ROOM			855	1,291			855	1,291	$ 1,419,466		$ 1,099.51	
							-	-				
Total:	73,344	108,540	74,124	112,928	99,603	142,534	173,727	255,462	$ 76,766,886	$ 73,390,385	$ 679.79	$ 514.90

Attachment/Exhibit

C

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION

We, the undersigned, on behalf of North Shore Medical Center, Inc., hereby certify as follows:

1. We have read the Massachusetts Department of Public Health's (the "Department") Determination of Need regulations, 105 CMR 100.00 et seq. (the "Regulations").

2. We have read the foregoing Request for Significant Amendment, including all exhibits and attachments (the "Request"), prepared on behalf of North Shore Medical Center, Inc.

3. We have caused to be submitted the required copies of this Request to the Program Director of the Determination of Need Program, the appropriate Regional Health Office of the Department, the Center for Health Information and Analysis, and the Department of Mental Health in accordance with 105 CMR 100.756(A). No filing with the Department of Elder Affairs was required by 105 CMR 100.152.

4. We have arranged for notices to be published in the *Salem News* on January 20 2017 and to have an original of such notice forwarded to the Determination of Need Program and the Attorney General in accordance with 105 CMR 100.330-100.332 and 105 CMR 100.756(C) of the Regulations.

5. The material submitted to the Department by or on behalf of North Shore Medical Center, Inc. with respect to the Request is true and does not, to the best of our knowledge, contain any false statement or misrepresentation of fact.

Signed on this 17th day of January, 2017, under the pains and penalties of perjury.

For Corporation:

By: Gregg S. Meyer, M.D.
Its: Interim President

For Board of Directors:

By: Richard E. Holbrook
Its: Chairman of the Board

On this 17th day of January, 2017, Gregg S. Meyer personally appeared before me, the undersigned notary public, and proved to me through satisfactory evidence of identification, which was a driver's license, to be the person whose name is signed above and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his knowledge and belief.

Notary Public Signature:

My Commission Expires: January 5, 2018

On this 17th day of January, 2017, Richard E. Holbrook personally appeared before me, the undersigned notary public, and proved to me through satisfactory evidence of identification, which was a driver's license, to be the person whose name is signed above and who swore or affirmed to me that the contents of the document are truthful and accurate to the best of his knowledge and belief.

Notary Public Signature:

My Commission Expires: January 5, 2018

Attachment/Exhibit

5

Examiner

Name Approved

The Commonwealth of Massachusetts

OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE
MICHAEL J. CONNOLLY, Secretary
ONE ASHBURTON PLACE, BOSTON, MASSACHUSETTS 02108

ARTICLES OF ORGANIZATION

(Under G.L. Ch. 180)

ARTICLE I

The name of the corporation is:

MGH/BRIGHAM HEALTH CARE SYSTEM, INC.

ARTICLE II

The purpose of the corporation is to engage in the following activities:

(i) To organize, operate and support a comprehensive health care system, including without limitation hospital and other health care services for all persons, and education and research for the prevention, diagnosis, treatment and cure of all forms of human illness; (ii) to improve the health and welfare of all persons; (iii) to operate for the benefit of and to support The Massachusetts General Hospital, The Brigham Medical Center, Inc., their respective affiliated corporations and such other charitable, scientific or educational organizations which are or are affiliated with teaching hospitals in the Greater Boston Area; and (iv) to carry on any other activity that may lawfully be carried on by a corporation formed under Chapter 180 of the Massachusetts General Laws which is exempt under section 501(c)(3) of the Internal Revenue Code.

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Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8½ x 11 sheets of paper leaving a left hand margin of at least 1 inch. Additions to more than one article may be continued on a single sheet so long as each article requiring each such addition is clearly indicated.

ARTICLE III

If the corporation has one or more classes of members, the designation of such classes, the manner of election or appointments, the duration of membership and the qualification and rights, including voting rights, of the members of such class, may be set forth in the by-laws of the corporation or may be set forth below:

The designation of classes of members, if any, the manner of election or appointment, the term of office, and the qualifications and rights of members are set forth in the by-laws of the Corporation.

ARTICLE IV

* Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or members, or of any class of members, are as follows:

See Continuation Sheets IV-A through IV-D attached hereto and incorporated herein by reference.

* If there are no provisions, state "None".

Note: The preceding four (4) articles are considered to be permanent and may ONLY be changed by filing appropriate Articles of Amendment.

IV. Other Lawful Provisions for Conduct and Regulation of the Business and Affairs of the Corporation, for its Voluntary Dissolution, and for Limiting, Defining and Regulating the Powers of the Corporation and of its Trustees and Members.

4.1. The corporation shall have in furtherance of its corporate purposes all of the powers specified in Section 6 of Chapter 180 and in Sections 9 and 9A of Chapter 156B of the Massachusetts General Laws (except those provided in paragraph (m) of said Section 9) as now in force or as hereafter amended, and may carry on any operation or activity referred to in Article 2 to the same extent as might an individual, either alone or in a joint venture or other arrangement with others, or through a wholly or partly owned or controlled corporation; provided, however, that no such power shall be exercised in a manner inconsistent with said Chapter 180 or any other chapter of the Massachusetts General Laws or which would deprive it of exemption from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

4.2. The by-laws may authorize the trustees to make, amend or repeal the by-laws in whole or in part, except with respect to any provision thereof which by law, the articles of organization or the by-laws requires action by the members.

4.3. Meetings of the members may be held anywhere in the United States.

4.4. No trustee or officer of the corporation shall be personally liable to the corporation or its members for monetary damages for breach of fiduciary duty as such trustee or officer notwithstanding any provision of law imposing such liability, except to the extent that such exemption from liability is not permitted under Chapter 180 of the Massachusetts General Laws.

4.5.(a) The corporation shall, to the extent legally permissible, indemnify each person who serves as one of its members, trustees or officers, or who serves at its request as a member, trustee or officer of another organization or in a capacity with respect to any employee benefit plan (each such person being called in this Section 4.5 a "Person") against all liabilities and expenses, including amounts paid in satisfaction of judgments, in compromise or as fines and penalties, and

counsel fees, reasonably incurred by such Person in connection with the defense or disposition of any action, suit or other proceeding, whether civil or criminal, in which such Person may be involved or with which such Person may be threatened, while in office or thereafter, by reason of being or having been such a Person, except with respect to any matter as to which such Person shall have been adjudicated in any proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the corporation or, to the extent that such matter relates to service at the request of the corporation for another organization or an employee benefit plan, in the best interests of such organization or of the participants or beneficiaries of such employee benefit plan. Such best interests shall be deemed to be the best interests of the corporation for the purposes of this Section 4.5.

(b) Notwithstanding the foregoing, as to any matter disposed of by a compromise payment by any Person, pursuant to a consent decree or otherwise, no indemnification either for said payment or for any other expenses shall be provided unless such compromise shall be approved as in the best interests of the corporation, after notice that it involves such indemnification, (a) by a disinterested majority of the trustees then in office; or (b) by a majority of the disinterested trustees then in office, provided that there has been obtained an opinion in writing of independent legal counsel to the effect that such Person appears to have acted in good faith in the reasonable belief that his or her action was in the best interests of the corporation; or (c) by a majority of the disinterested members entitled to vote, voting as a single class.

(c) Expenses, including counsel fees, reasonably incurred by any Person in connection with the defense or disposition of any such action, suit or other proceeding may be paid from time to time by the corporation in advance of the final disposition thereof upon receipt of an undertaking by such Person to repay the amounts so paid if such Person ultimately shall be adjudicated to be not entitled to indemnification under this Section 4.5. Such an undertaking may be accepted without reference to the financial ability of such Person to make repayment.

(d) The right of indemnification hereby provided shall not be exclusive. Nothing contained in this Section shall affect any other rights to indemnification to which any Person or other corporate personnel may be entitled by contract or otherwise under law.

(e) As used in this Section 4.5, the term "Person" includes such Person's respective heirs, executors and administrators, and

a "disinterested" member, trustee or officer is one against whom in such capacity the proceeding in question, or another proceeding on the same or similar grounds, is not then pending.

4.6.(a) No person shall be disqualified from holding any office by reason of any interest. In the absence of fraud, any trustee, officer or member of this corporation, or any concern in which any such trustee, officer or member has any interest, may be a party to, or may be pecuniarily or otherwise interested in, any contract, act or other transaction (collectively called a "transaction") of this corporation, and

(1) such transaction shall not be in any way invalidated or otherwise affected by that fact; and

(2) no such trustee, officer, member or concern shall be liable to account to this corporation for any profit or benefit realized through any such transaction;

provided, however, that such transaction either was fair at the time it was entered into or is authorized or ratified either (i) by a majority of the trustees who are not so interested and to whom the nature of such interest has been disclosed, or (ii) by vote of a majority of each class of members of the corporation entitled to vote for trustees, at any meeting of members the notice of which, or an accompanying statement, summarizes the nature of such transaction and such interest. No interested trustee or member of this corporation may vote or may be counted in determining the existence of a quorum at any meeting at which such transaction shall be authorized, but may participate in discussion thereof.

(b) For purposes of this Section 4.6, the term "interest" shall include personal interest and also interest as a trustee, officer, stockholder, shareholder, director, member or beneficiary of any concern; and the term "concern" shall mean any corporation, association, trust, partnership, firm, person or other entity other than this corporation.

(c) No transaction shall be avoided by reason of any provisions of this paragraph 4.6 which would be valid but for such provisions.

4.7. No part of the assets or net earnings of the corporation shall inure to the benefit of any member, officer or trustee of the corporation or any individual; no substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting, to influence legislation except to the extent permitted by Section 501(h) of the Internal Revenue Code; and the corporation shall not participate in, or

intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for public office. It is intended that the corporation shall be entitled to exemption from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and shall not be a private foundation under Section 509(a) of the Internal Revenue Code.

4.8. If and so long as the corporation is a private foundation (as that term is defined in Section 509 of the Internal Revenue Code), then notwithstanding any other provisions of the articles of organization or the by-laws of the corporation, the following provisions shall apply:

A) the income of the corporation for each taxable year shall be distributed at such time and in such manner as not to subject the corporation to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code, and

B) the corporation shall not engage in any act of self dealing (as defined in Section 4941(d) of the Internal Revenue Code), nor retain any excess business holdings (as defined in Section 4943(c) of the Internal Revenue Code), nor make any investments in such manner as to subject the corporation to tax under Section 4944 of the Internal Revenue Code, nor make any taxable expenditures (as defined in Section 4945(d) of the Internal Revenue Code).

4.9. Upon the liquidation or dissolution of the corporation, after payment of all of the liabilities of the corporation or due provision therefor, all of the assets of the corporation shall be disposed of pursuant to Massachusetts General Laws, Chapter 180, Section 11A, to The Massachusetts General Hospital and The Brigham Medical Center, Inc. if exempt from taxation as organizations described in Section 501(c)(3) of the Internal Revenue Code or, if both are not, to one or more organizations with similar purposes and similar tax exemption.

4.10. All references herein: (i) to the Internal Revenue Code shall be deemed to refer to the Internal Revenue Code of 1986, as now in force or hereafter amended; (ii) to the General Laws of The Commonwealth of Massachusetts, or any chapter thereof, shall be deemed to refer to said General Laws or chapter as now in force or hereafter amended; and (iii) to particular sections of the Internal Revenue Code or said General Laws shall be deemed to refer to similar or successor provisions hereafter adopted.

MGH/BRIGHAM HEALTH CARE SYSTEM, INC.

Continuation Sheet VII(b)

	Name	Residence or Post Office Address
Officers		
Vice-President	J. Robert Buchanan, M.D.	25 Commonwealth Avenue Boston, MA 02116
President	H. Richard Nesson, M.D.	565 Boylston Street Brookline, MA 02146
Treasurer	Richard A. Spindler	210 Schoolmaster Lane Dedham, MA 02026
Clerk	David M. Donaldson	22 Weston Road Lincoln Center, MA 01773
Trustees	W. Gerald Austen, M.D.	163 Wellesley Street Weston, MA 02193
	Eugene Braunwald, M.D.	75 Scotch Pine Road Weston, MA 02193
	J. Robert Buchanan, M.D.	25 Commonealth Avenue Boston, MA 02116
	Francis H. Burr	44 Prince Street Beverly, MA 01915
	Ferdinand Colloredo-Mansfeld	Winthrop Street Hamilton, MA 01982

MGH/BRIGHAM HEALTH CARE SYSTEM, INC.

Continuation Sheet VII(b)

Name	Residence or Post Office Address
John H. McArthur	Fowler 10 Soldiers Field Boston, MA 02134
H. Richard Nesson, M.D.	565 Boylston Street Brookline, MA 02146
Richard A. Spindler	210 Schoolmaster Lane Dedham, MA 02026

ARTICLE V

By-laws of the corporation have been duly adopted and the initial directors, president, treasurer and clerk or other presiding, financial or recording officers, whose names are set out below, have been duly elected.

ARTICLE VI

The effective date of organization of the corporation shall be the date of filing with the Secretary of the Commonwealth or if a later date is desired, specify date, (not more than 30 days after date of filing).

The information contained in ARTICLE VII is NOT a PERMANENT part of the Articles of Organization and may be changed ONLY by filing the appropriate form provided therefor.

ARTICLE VII

a. The post office address of the initial principal office of the corporation IN MASSACHUSETTS is:

c/o Ropes & Gray, One International Place, Boston, MA 02110

b. The name, residence and post office address of each of the initial directors and following officers of the corporation are as follows:

	NAME	RESIDENCE	POST OFFICE ADDRESS
President:	See Continuation Sheet VII(b) attached hereto and incorporated herein by reference.		
Treasurer:			
Clerk:			

Directors: (or officers having the powers of directors).

NAME	RESIDENCE	POST OFFICE ADDRESS
See Continuation Sheet VII(b) attached hereto and incorporated herein by reference.		

c. The fiscal year of the corporation shall end on the last day of the month of: September

d. The name and BUSINESS address of the RESIDENT AGENT of the corporation, if any, is:

I/We the below-signed INCORPORATORS do hereby certify under the pains and penalties of perjury that I/We have not been convicted of any crimes relating to alcohol or gaming within the past ten years. I/We do hereby further certify that to the best of my/our knowledge the above-named principal officers have not been similarly convicted. If so convicted, explain.

IN WITNESS WHEREOF and under the pains and penalties of perjury, I/WE, whose signature(s) appear below as incorporator(s) and whose names and business or residential address(es) ARE CLEARLY TYPED OR PRINTED beneath each signature do hereby associate with the intention of forming this corporation under the provisions of General Laws Chapter 180 and do hereby sign these Articles of Organization as incorporator(s) this 9th day of December, 19 93

David M. Donaldson

David M. Donaldson

Ropes & Gray
One International Place
Boston, MA 02110

NOTE: If an already-existing corporation is acting as incorporator, type in the exact name of the corporation, the state or other jurisdiction where it was incorporated, the name of the person signing on behalf of said corporation and the title he/she holds or other authority by which such action is taken.

SECRETARY OF STATE
RECEIVED
1993 DEC 15 PM 1:39
CORPORATION DIVISION

449104

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF ORGANIZATION

GENERAL LAWS, CHAPTER 180

I hereby certify that, upon an examination of the within-written articles of organization, duly submitted to me, it appears that the provisions of the General Laws relative to the organization of corporations have been complied with, and I hereby approve said articles; and the filing fee in the amount of $35.00 having been paid, said articles are deemed to have been filed with me this 15TH day of December 1993.

Effective date

Michael Joseph Connolly

MICHAEL J. CONNOLLY
Secretary of State

A PHOTOCOPY OF THESE ARTICLES OF ORGANIZATION SHALL BE RETURNED

TO: David M. Donaldson, Esq.
Ropes & Gray
One International Place, Boston, MA 02110

Telephone: (617) 951-7250

FEE: $15.00

The Commonwealth of Massachusetts

FEDERAL IDENTIFICATION NO. 000449104

MICHAEL J. CONNOLLY

Secretary of State

ONE ASHBURTON PLACE, BOSTON, MASS. 02108

ARTICLES OF AMENDMENT

General Laws, Chapter 180, Section 7

This certificate must be submitted to the Secretary of the Commonwealth within sixty days after the date of the vote of members or stockholders adopting the amendment. The fee for filing this certificate is $15.00 as prescribed by General Laws, Chapter 180, Section 11C(b). Make check payable to the Commonwealth of Massachusetts.

We, H. Richard Nesson, President/XXXXXXXXXX and David M. Donaldson, Clerk/XXXXXXXXXX of

MGH/BRIGHAM HEALTH CARE SYSTEM, INC.

(Name of Corporation)

located at One International Place, Boston, MA 02110

do hereby certify that the following amendment to the articles of organization of the corporation was duly adopted at a meeting held on March 14, 1994, by vote of all members ~~[illegible]~~

That the Articles of Organization of this corporation be and they hereby are amended to change the name of the corporation to "Partners HealthCare System, Inc."

Name Approved

P.C.

Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate 8½ x 11 sheets of paper leaving a left hand margin of at least 1 inch for binding. Additions to more than one article may be continued on a single sheet so long as each article requiring each such addition is clearly indicated.

The foregoing amendment will become effective when these articles of amendment are filed in accordance with Chapter 180, Section 7 of the General Laws unless these articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective on such later date.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 18th day of March, in the year 1994

H. Richard Nesson ..... President/Vice President

..... Clerk/Assistant Clerk

459052

SECRETARY OF STATE
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CORPORATION DIVISION

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT

(General Laws, Chapter 180, Section 7)

I hereby approve the within articles of amendment and, the filing fee in the amount of $ 15 having been paid, said articles are deemed to have been filed with me this 18th day of March, 1994

Michael Joseph Connolly

MICHAEL J. CONNOLLY

Secretary of State

TO BE FILLED IN BY CORPORATION

PHOTO COPY OF AMENDMENT TO BE SENT

TO: John E. Beard

Ropes & Gray

One International Place, Boston 02110

Telephone 617-951-7411

Copy Mailed

FEDERAL IDENTIFICATION NO. 042035
Fee: $15.00

Examiner

Name Approved

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

042
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ARTICLES OF AMENDMENT
(General Laws, Chapter 180, Section 7)

We, Samuel O. Thier, M.D., *President / ~~Vice President~~,

and Ernest M. Haddad, Secretary ~~Assistant Clerk~~,

of Partners HealthCare System, Inc.,
(Exact name of corporation)

located at 800 Boylston Street, Suite 1150, Boston, MA 02199,
(Address of corporation in Massachusetts)

do hereby certify that these Articles of Amendment affecting articles numbered:

II and IV
(Number those articles 1, 2, 3, and/or 4 being amended)

of the Articles of Organization were duly adopted at a meeting held on May 4, 1998, by vote of:

277 members, ~~of the directors~~ ~~of shareholders~~

being at least two-thirds of its members/directors legally qualified to vote in meetings of the corporation ~~[illegible]~~

1. Delete Article II and insert in place thereof the following:

Article II

(i) To organize, operate and support a comprehensive health care system, including without limitation hospital and other health care services for all persons, and education and research for the prevention, diagnosis, treatment and cure of all forms of human illness: (ii) to improve the health and welfare of all persons: (iii) to operate for the benefit of and to support The Massachusetts General Hospital, The Brigham Medical Center, Inc., The North Shore Medical Center, Inc., their respective affiliated corporations, such other hospitals, charitable, scientific or educational organizations, and their affiliated corporations that become affiliated with Partners HealthCare System, Inc.

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R.A. ☐

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P.C.

*Delete the inapplicable words.
Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on one side only of separate 8 1/2 x 11 sheets of paper with a left margin of at least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

(collectively, the "Partners Affiliated Corporations") and such other charitable, scientific or educational organizations which are or are affiliated with teaching hospitals in the Greater Boston Area; and (iv) to carry on any other activity that may lawfully be carried on by a corporation formed under Chapter 180 of the Massachusetts General Laws which is exempt under Section 501(c)(3) of the Internal Revenue Code; and in furtherance of the foregoing purposes to:

(a) Serve as the controlling and coordinating organization for the Partners Affiliated Corporations in order to assure the consistency and appropriateness of their respective missions, activities, governance and administration;

(b) Solicit and receive devises of real property and grants, donations and bequests of money and other property to be used to further the foregoing purposes and those of the Partners Affiliated Corporations; and

(c) Support the Partners Affiliated Corporations by loan, lease or donation of funds or other assets, by guaranty of obligations or by other action.

2. Delete Section 4.5. of Article IV.

The foregoing amendment(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 180, Section 7 unless these articles specify, in accordance with the vote adopting the amendment, a *later* effective date not more than *thirty days* after such filing, in which event the amendment will become effective on such later date.

[redacted] _____.

SIGNED UNDER THE PENALTIES OF PERJURY, this 29TH day of MAY, 1998.

_____, *President [redacted]

_____, Secretary *[redacted]

*Delete the inapplicable words.

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT

(General Laws, Chapter 180, Section 7)

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SECRETARY OF THE COMMONWEALTH
98 JUN -2 AM 9:52

I hereby approve the within Articles of Amendment and, the filing fee in the amount of $ 150 having been paid, said articles are deemed to have been filed with me this 2ND day of JUNE 19 98.

Effective date: _____

William Francis Galvin

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
Photocopy of document to be sent to:

Ernest M. Haddad, Esq.
Partners HealthCare System, Inc.
800 Boylston Street, Ste. 1150
Boston, MA 02199

Telephone: (617) 278-1065

AACRS

FEDERAL IDENTIFICATION NO. 043230035

Fee: $15.00

Examiner HG

N/A

Name Approved

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF AMENDMENT

042

(General Laws, Chapter 180, Section 7)

We, Samuel O. Thier, M.D. , *President / ~~Vice President~~

and Ernest M. Haddad , Secretary ~~Assistant Clerk~~

of Partners HealthCare System, Inc. ,
(Exact name of corporation)

located at 800 Boylston Street, Suite 1150, Boston, MA 02199 ,
(Address of corporation in Massachusetts)

do hereby certify that these Articles of Amendment affecting articles numbered:

II
(Number those articles 1, 2, 3, and/or 4 being amended)

of the Articles of Organization were duly adopted at a meeting held on May 3 19 99 , by vote of:

293 members, ~~of the directors, or of the shareholders~~

being at least two-thirds of its members/directors legally qualified to vote in meetings of the corporation ~~(or, if the corporation has capital stock, by the holders of at least two-thirds of the capital stock having the right to vote thereon)~~

Delete Article II and insert in place thereof the following:

Article II

The purpose of the corporation is to engage in the following activities:

(i) To organize, operate, coordinate and support a comprehensive integrated health care delivery system (the "System") that provides, without limitation, hospital, physician and other health care services for all persons and education and research for the prevention, diagnosis, treatment and cure of all forms of human illness; (ii) to improve the health and welfare of all persons; (iii) to serve as the controlling and coordinating organization for the System and its member institutions and entities including Brigham and Women's/Faulkner Hospitals, Inc., The Massachusetts General Hospital, The North Shore Medical Center, Inc., Newton-Wellesley Health Care System, Inc., and such other hospital, physician, charitable, scientific, educational,

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R.A. ☐

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*Delete the inapplicable words.
Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on one side only of separate 8 1/2 x 11 sheets of paper with a left margin of at least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

research and other institutions and entities that are controlled, directly or indirectly, through sole corporate membership, stock ownership or otherwise, by the Corporation (collectively, the "Affiliated Organizations"); (iv) to assist and support the Affiliated Organizations in fulfilling their respective purposes, missions and objectives in a manner consistent with the purposes, missions and objectives of the Corporation and the System; and (v) to carry on any other activity that may lawfully be carried on by a corporation formed under Chapter 180 of the Massachusetts General Laws which is exempt under Section 501(c)(3) of the Internal Revenue Code; and in furtherance of the foregoing purposes to:

(a) Solicit and receive devises of real property and grants, donations and bequests of money and other property to be used to further the foregoing purposes; and

(b) Support the Affiliated Organizations by loan; lease or donation of funds or other assets; and

(c) Support the Affiliated Organizations by guaranty of the obligations of the Affiliated Organizations or by other action.

The foregoing amendment(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 180, Section 7 unless these articles specify, in accordance with the vote adopting the amendment, a *later* effective date not more than *thirty days* after such filing, in which event the amendment will become effective on such later date.

~~Later effective date:~~ xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx

SIGNED UNDER THE PENALTIES OF PERJURY, this 24th day of May, 19 99,

[signature], *President/~~*Vice President~~,

[signature] Secretary, ~~*Clerk/*Assistant Clerk~~

**Delete the inapplicable words.*

660922

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT

(General Laws, Chapter 180, Section 7)

I hereby approve the within Articles of Amendment and, the filing fee in the amount of $ 15.00 having been paid, said articles are deemed to have been filed with me this 26th day of May 19 99.

99 MAY 26 AM 9:24

Effective date: _____

William Francis Galvin

WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
Photocopy of document to be sent to:

Mary LaLonde

Partners HealthCare System

Office of the General Counsel
50 Staniford St., 10th floor
Boston, MA 02114

Telephone
617-726-5315

The Commonwealth of Massachusetts
William Francis Galvin

Minimum Fee: $15.00

Secretary of the Commonwealth, Corporations Division
One Ashburton Place, 17th floor
Boston, MA 02108-1512
Telephone: (617) 727-9640

Articles of Amendment

(General Laws, Chapter 180, Section 7)

Identification Number: 043230035

We, BRENT L. HENRY __ **President** X **Vice President,**

and MARY C. LALONDE __ **Clerk** X **Assistant Clerk ,**

of PARTNERS HEALTHCARE SYSTEM, INC.
located at: 800 BOYLSTON ST., SUITE 1150 BOSTON , MA 02199 USA

do hereby certify that these Articles of Amendment affecting articles numbered:

__ Article 1 X Article 2 __ Article 3 __ Article 4

(Select those articles 1, 2, 3, and/or 4 that are being amended)

of the Articles of Organization were duly adopted at a meeting held on 4/19/2016 , by vote of: 197 members, 0 directors, or 0 shareholders,
being at least two-thirds of its members/directors legally qualified to vote in meetings of the corporation (or, in the case of a corporation having capital stock, by the holders of at least two thirds of the capital stock having the right to vote therein):

ARTICLE I

The exact name of the corporation, ***as amended***, is:
(Do not state Article I if it has not been amended.)

ARTICLE II

The purpose of the corporation, ***as amended***, is to engage in the following business activities:
(Do not state Article II if it has not been amended.)

THE PURPOSE OF THE CORPORATION IS TO ENGAGE IN THE FOLLOWING ACTIVITIES: (I) TO ORGANIZE, OPERATE, COORDINATE AND SUPPORT A COMPREHENSIVE INTEGRATED HEAL TH CARE DELIVERY SYSTEM (THE "SYSTEM") THAT PROVIDES, WITHOUT LIMITATION, HOS PITAL, PHYSICIAN AND OTHER HEALTH CARE SERVICES FOR ALL PERSONS AND EDUCATI ON AND RESEARCH FOR THE PREVENTION, DIAGNOSIS, TREATMENT AND CURE OF ALL FO RMS OF HUMAN ILLNESS; (II) TO IMPROVE THE HEALTH AND WELFARE OF ALL PERSONS A ND TO CONDUCT AND SUPPORT EDUCATION, RESEARCH AND OTHER ACTIVITIES RELATIN G THERE TO, (III) TO SERVE AS THE CONTROLLING AND COORDINATING ORGANIZATION F OR THE SYSTEM AND ITS MEMBER INSTITUTIONS AND ENTITIES INCLUDING BRIGHAM AN D WOMEN'S HEALTH CARE, INC., THE MASSACHUSETTS GENERAL HOSPITAL, NSMC HEALT HCARE, INC., NEWTON WELLESLEY HEALTH CARE SYSTEM, INC., PARTNERS COMMUNITY PHYSICIANS ORGANIZATION, INC., PARTNERS CONTINUING CARE, INC., NEIGHBORHOOD HEALTH PLAN, INC. AND SUCH OTHER HOSPITAL, PHYSICIAN, CHARITABLE, SCIENTIFIC, E

DUCATIONAL, RESEARCH AND OTHER INSTITUTIONS AND ENTITIES THAT ARE CONTROLLED, DIRECTLY OR INDIRECTLY, THROUGH SOLE CORPORATE MEMBERSHIP, STOCK OWNERSHIP OR OTHERWISE, BY THE CORPORATION (COLLECTIVELY, THE "AFFILIATED ORGANIZATIONS"); (IV) TO ASSIST AND SUPPORT THE AFFILIATED ORGANIZATIONS IN FULFILLING THEIR RESPECTIVE PURPOSES, MISSIONS AND OBJECTIVES IN A MANNER CONSISTENT WITH THE PURPOSES, MISSIONS AND OBJECTIVES OF THE CORPORATION AND THE SYSTEM; AND (V) TO CARRY ON ANY OTHER ACTIVITY THAT MAY LAWFULLY BE CARRIED ON BY A CORPORATION FORMED UNDER CHAPTER 180 OF THE MASSACHUSETTS GENERAL LAWS WHICH IS EXEMPT UNDER SECTION 501(C)(3) OF THE INTERNAL REVENUE CODE; AND IN FURTHERANCE OF THE FOREGOING PURPOSES TO: (A) SOLICIT AND RECEIVE DEVISES OF REAL PROPERTY AND GRANTS, DONATIONS AND BEQUESTS OF MONEY AND OTHER PROPERTY TO BE USED TO FURTHER THE FOREGOING PURPOSES; AND (B) SUPPORT THE AFFILIATED ORGANIZATIONS BY LOAN, LEASE OR DONATION OF FUNDS OR OTHER ASSETS; AND (C) SUPPORT THE AFFILIATED ORGANIZATIONS BY GUARANTY OF THE OBLIGATIONS OF THE AFFILIATED ORGANIZATIONS OR BY OTHER ACTION.

ARTICLE III

A corporation may have one or more classes of members. ***As amended,*** the designation of such classes, the manner of election or appointments, the duration of membership and the qualifications and rights, including voting rights, of the members of each class, may be set forth in the by-laws of the corporation or may be set forth below:

ARTICLE IV

As amended, other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the business entity, or of its directors or members, or of any class of members, are as follows:
(If there are no provisions state "NONE")

The foregoing amendment(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 180, Section 7 unless these articles specify, in accordance with the vote adopting the amendment, a *later* effective date not more than *thirty days* after such filing, in which event the amendment will become effective on such later date.

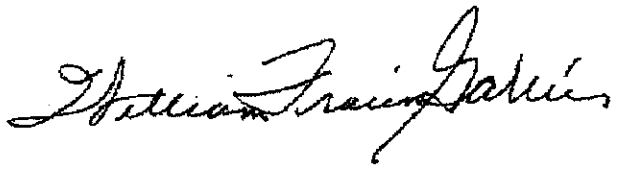
Later Effective Date:

Signed under the penalties of perjury, this 20 Day of April, 2016, BRENT L. HENRY , its , President / Vice President,
MARY C. LALONDE , Clerk / Assistant Clerk.

THE COMMONWEALTH OF MASSACHUSETTS

I hereby certify that, upon examination of this document, duly submitted to me, it appears that the provisions of the General Laws relative to corporations have been complied with, and I hereby approve said articles; and the filing fee having been paid, said articles are deemed to have been filed with me on:

April 20, 2016 04:09 PM



WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

Attachment/Exhibit

6

Massachusetts Department of Public Health
Determination of Need
Affidavit of Truthfulness and Compliance with Law and Disclosure Form 100.405(B)

Version: 7-6-17

Instructions: Complete Information below. When complete check the box "This document is ready to print:". This will date stamp and lock the form. Print Form. Each person must sign and date the form. When all signatures have been collected, scan the document and e-mail to: **dph.don@state.ma.us** Include all attachments as requested.

Application Number: PHS-18050912-AM

Original Application Date: 10/07/2015

Applicant Name: Partners HealthCare System, Inc.

Application Type: Amendment Significant

Applicant's Business Type: (•) Corporation ( ) Limited Partnership ( ) Partnership ( ) Trust ( ) LLC ( ) Other

Is the Applicant the sole member or sole shareholder of the Health Facility(ies) that are the subject of this Application? (•) Yes ( ) No

The undersigned certifies under the pains and penalties of perjury:

1. The Applicant is the sole corporate member or sole shareholder of the Health Facility[ies] that are the subject of this Application;
2. I have ~~read~~* 105 CMR 100.000, the Massachusetts Determination of Need Regulation;
3. I understand and agree to the expected and appropriate conduct of the Applicant pursuant to 105 CMR 100.800;
4. I have ~~read~~* this application for Determination of Need including all exhibits and attachments, and ~~certify that~~** all of the information contained herein is accurate and true;
5. I have caused, as required, notices of intent to be published and duplicate copies to be submitted to all Parties of Record, and all carriers or third-party administrators, public and commercial, for the payment of health care services with which the Applicant contracts, and with Medicare and Medicaid, as required by 105 CMR 100.405(C), et seq.;
6. If subject to M.G.L. c. 6D, § 13 and 958 CMR 7.00, I have submitted such Notice of Material Change to the HPC - in accordance with 105 CMR 100.405(G);
7. Pursuant to 105 CMR 100.210(A)(3), I certify that both the Applicant and the Proposed Project are in material and substantial compliance and good standing with relevant federal, state, and local laws and regulations, as well as with all ~~previously issued~~ Notices of Determination of Need*** ~~and the terms and Conditions attached therein~~;
8. I have ~~read~~* and understand the limitations on solicitation of funding from the general public prior to receiving a Notice of Determination of Need as established in 105 CMR 100.415;
9. I understand that, if Approved, the Applicant, as Holder of the DoN, shall become obligated to all Standard Conditions pursuant to 105 CMR 100.310, as well as any applicable Other Conditions as outlined within 105 CMR 100.000 or that otherwise become a part of the Final Action pursuant to 105 CMR 100.360;
10. Pursuant to 105 CMR 100.705(A), I certify that the Applicant has Sufficient Interest in the Site or facility; and
11. Pursuant to 105 CMR 100.705(A), I certify that the Proposed Project is authorized under applicable zoning by-laws or ordinances, whether or not a special permit is required; or,
    a. If the Proposed Project is not authorized under applicable zoning by-laws or ordinances, a variance has been received to permit such Proposed Project; or,
    b. The Proposed Project is exempt from zoning by-laws or ordinances.

Corporation:

Attach a copy of Articles of Organization/Incorporation, as amended

David F. Torchiana, M.D.	David Torchiana	6/6/18
CEO for Corporation Name:	Signature:	Date
Scott M. Sperling		
Board Chair for Corporation Name:	Signature:	Date

This document is ready to print: ☒ Date/Time Stamp: 05/30/2018 2:27 pm

*been informed of the contents of
**have been informed that
***issued in compliance with 105 CMR 100.00, the Massachusetts Determination of Need Regulation effective January 27, 2017

Massachusetts Department of Public Health
Determination of Need
Affidavit of Truthfulness and Compliance with Law and Disclosure Form 100.405(B)

Version: 7-6-17

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Application Number: PHS-18050912-AM

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Applicant Name: Partners HealthCare System, Inc.

Application Type: Amendment Significant

Applicant's Business Type: (•) Corporation ( ) Limited Partnership ( ) Partnership ( ) Trust ( ) LLC ( ) Other

Is the Applicant the sole member or sole shareholder of the Health Facility(ies) that are the subject of this Application? (•) Yes ( ) No

The undersigned certifies under the pains and penalties of perjury:

1. The Applicant is the sole corporate member or sole shareholder of the Health Facility[ies] that are the subject of this Application;
2. I have* ~~read~~ 105 CMR 100.000, the Massachusetts Determination of Need Regulation;
3. I understand and agree to the expected and appropriate conduct of the Applicant pursuant to 105 CMR 100.800;
4. I have* ~~read~~ this application for Determination of Need including all exhibits and attachments, and ~~certify that~~** all of the information contained herein is accurate and true;
5. I have caused, as required, notices of intent to be published and duplicate copies to be submitted to all Parties of Record, and all carriers or third-party administrators, public and commercial, for the payment of health care services with which the Applicant contracts, and with Medicare and Medicaid, as required by 105 CMR 100.405(C), et seq.;
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9. I understand that, if Approved, the Applicant, as Holder of the DoN, shall become obligated to all Standard Conditions pursuant to 105 CMR 100.310, as well as any applicable Other Conditions as outlined within 105 CMR 100.000 or that otherwise become a part of the Final Action pursuant to 105 CMR 100.360;
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    a. If the Proposed Project is not authorized under applicable zoning by-laws or ordinances, a variance has been received to permit such Proposed Project; or,
    b. The Proposed Project is exempt from zoning by-laws or ordinances.

Corporation:

Attach a copy of Articles of Organization/Incorporation, as amended

David F. Torchiana, M.D. CEO for Corporation Name:	Signature:	Date
Scott M. Sperling Board Chair for Corporation Name:	Signature:	Date 6/5/2018

This document is ready to print: ☒ Date/time Stamp: 05/30/2018 2:27 pm

*been informed of the contents of
**have been informed that
***issued in compliance with 105 CMR 100.00, the Massachusetts Determination of Need Regulation effective January 27, 2017