TABLE OF CONTENTS

CareGroup, Inc. ("CareGroup"), the parent of Beth Israel Deaconess Medical Center, Inc. ("BIDMC"), New England Baptist Hospital ("New England Baptist" or "NEBH"), and Mount Auburn Hospital ("Mount Auburn"); Lahey Health System, Inc. ("Lahey"); and Seacoast Regional Health Systems, Inc. ("SRHS"), the parent of Anna Jaques Hospital (each of the aforementioned a "Party" and together, the "Parties") are pleased to submit this response to the Department of Public Health's additional information request in regard to our determination of need ("DoN") application.

The primary purpose of this transaction is to create an integrated system of high value providers (hereinafter "NewCo") that will offer high quality care in the most cost-effective settings that are convenient to the patient as well as coordinated throughout the continuum.

This transaction will introduce more competition into the challenging Massachusetts healthcare provider market and provide a market-based solution to address rising healthcare expenditures, price variation not grounded in value, and the resulting market inequities imposed on high-value, lower cost providers.

Through financially and clinically aligning providers of high-value, full-continuum services and working with insurers, NewCo will drive insurance innovation, incentivizing consumers to make educated, value-based decisions when selecting healthcare providers through the creation of a high-value, lower cost integrated health services network.

Additionally, alignment of strategic goals across a single system will enable shared decision-making and resource allocation to improve care and reduce health inequalities for the patients served by NewCo's full continuum of providers.

1. NewCo proposes meaningful consumer incentives to encourage utilization of high-value care

1. a. Detail your plan for impacting consumer behavior

1.a.i. How will the applicant influence consumer preferences to shift care to community hospitals?

NewCo intends to implement a more integrated and regionalized approach to care delivery, through a system of care grounded in providers who are committed to providing the highest-value care to patients in the most clinically-appropriate and cost-effective setting.

The Parties' tertiary and quaternary facilities have experienced increasingly high occupancy rates (e.g., BIDMC's inpatient occupancy increased from 85% to 92% from 2014 through the first quarter of 2017 and LHMC's inpatient occupancy increased from 82% to 89% from 2014 to 2017). To relieve the volume burden and provide capacity to care for the most complex cases at the academic medical centers, and to optimize the utilization of our high-value community hospitals, the Parties will work to actively shift appropriate care to community hospitals. NewCo will achieve this through four primary initiatives, as follows:

- Develop consumer incentives to seek high-value care
- Enhance the scope and availability, as needed, of NewCo primary care and specialty care physicians and clinical programs in local communities and at community hospitals
- Strengthen consumer awareness of NewCo's capacity, high-value services, and clinical expertise
- Improve patient experience by providing better coordinated care in the context of alternative payment models ("APMs")
- Advance the creation of new insurance products with meaningful incentives consistent with these goals

Additionally, the Parties will continue to invest in programmatic enhancement and improve physician recruitment at local community hospitals and surrounding neighborhoods. These developments will have a positive impact on patient perception of community hospitals, and further encourage patient decisions to seek care in a more convenient, high-value location. Similarly, the affiliation provides the opportunity to create a stronger awareness of the high-quality care provided by NewCo community providers, which is currently a potential deterrence to patients in seeking community-based care, as one of the top provider-reported barriers to keeping care in the community is "patient preference and perception of quality".[1] NewCo will continue to pursue this strategy of focusing efforts on increasing primary and specialty care capacity at community-based locations, building upon our past successes.

How such strategies have been executed in the past include the fact that BIDMC, for example, has enhanced community hospital capabilities in emergency and hospitalist care, cancer, cardiac, stroke and surgical care, maternity and neonatal care, among others. Within the BID system, the member community hospitals have experienced levels of growth, exceeding the healthcare market overall, due to expanded clinical services and strategic investments. At Lahey, hospitalists and critical care physicians from LHMC also provide services at Northeast and Winchester to elevate the level of care available to patients locally. In addition, Lahey has enacted novel transfer policies allowing ICU patients to be transfered from Peabody to Beverly and LHMC to Winchester to ensure patients are cared for in the correct location nearest to their home. Despite the Parties' community hospitals' high-quality positions, it is difficult to shift consumer preference without the active participation of payers, employers, and the clinical reputation of a strong system.

As a system, NewCo will have the ability to provide superior, coordinated care to patients through APMs. APM participation will drive the initiatives above and provide the platform for NewCo to deliver the right care, in the right place, at the right time, and at the right price.

It is also important to note that each NewCo organization brings unique, yet complementary, areas of clinical strength and capacity, including, for example, behavioral health and home-based care expertise. The complementary services represented across the

[1] Massachusetts Health Policy Commission Review of Past Hospital Acquisitions and Contracting Affiliations. October 2, 2017.

NewCo entities continue to make possible the opportunity for a fully integrated health care system with broad capacity, or “one-stop shopping”, at a reasonable price.

1.a.ii. What percent does this represent of your current population and how much do you hope to impact?

NewCo will continue to encourage patients to seek care from the high-value providers in the NewCo network in the most appropriate care setting for the patient’s condition (e.g., community hospital versus academic medical center, home-based care versus skilled nursing facility for post-acute care) through APM contracts.

As noted throughout the DoN Application, NewCo is designed to be an attractive partner for payers and employers given its broad geographic and care continuum coverage. As such, NewCo will fill the market need for a high-quality, cost-effective, and accessible system, but transformative changes in healthcare spend and delivery cannot be created without support and aggressive buy-in from payers and employers. We note that providers are only one critical piece of a complex healthcare system that must work collaboratively to affect real change.

The Parties are limited in their ability to encourage consumers to use more cost-effective settings *if* health plan design does not provide measurable benefits – in the form of significant cost sharing differentials - to consumers for selecting high-value providers. NewCo will strive to ensure that the right incentives are in place on the provider side, that appropriate care options are available to patients seeking a high-value, cost-effective care alternative in their local community, and that the appropriate collaboration with payers takes place to realize this objective.

With respect to impact, NewCo will have a positive impact on not just its patient panel, but the healthcare system as a whole, through development of innovative and high-value products as described in 1.a.i. above and throughout the DoN Application.

In addition, NewCo providers’ experience with the strategy articulated above in 1.a.i. has already resulted in meaningful growth in community hospitalizations in excess of the market as a whole. Specifically, from 2014 to 2016, total hospitalizations at BIDMC community hospitals increased by nine percent, 18 percent, and 26 percent at BID-Plymouth, BID-Milton, and BID-Needham, respectively, significantly exceeding growth at BIDMC itself. Additionally, high acuity admissions at BIDMC outpaced growth in community-appropriate discharges. Lahey has also demonstrated success in increasing volume at affiliated community hospitals. As referenced in the DoN Application, the 2016 HPC Annual Health Care Cost Trends report specifically highlighted Lahey’s success in increasing the number of community appropriate discharges at Winchester Hospital upon the 2014 acquisition (see page 16 of the DoN Application).

1.a.iii. How will you monitor patterns of utilization to report on the use of high-value care?

Performance on cost-effectiveness and quality will continue to be measured through current Health Policy Commission (“HPC”) and Center for Health Information and Analysis (“CHIA”) mechanisms and reporting tools, given their alignment with the overarching affiliation goals and NewCo’s vision of creating a high-value system. CHIA and the HPC were created to

monitor the Massachusetts healthcare system and provide transparent information to support performance improvements, including utilization trends. CHIA's comprehensive databases will continue to be used by the Parties to monitor utilization and peer comparison points.

Utilizing CHIA data, the HPC provides annual reports and resources to benchmark and track performance, including the Annual Cost Trends Report and the Annual Report on the Performance of the Massachusetts Healthcare System to assess the utilization rates of different networks and the case mix indices of hospitals.

NewCo's vision and mission are well aligned with that of these agencies, specifically the HPC's aims to reduce unnecessary price variation and improve efficiencies within the healthcare delivery system. Thus, NewCo will continue relying on the data and metrics published through these sources.

1.a.iv. You state that the physician-patient interaction, will influence where patients seek care, how will you do this across the system?

1. *How will you measure this?*
2. *What are the benchmarks for success?*

NewCo's clinically integrated network ("NewCo CIN") will create a seamless patient experience across sites and care settings by focusing on a patient-centered care model driven by the primary care physician. With clinical information available to all clinicians within the system, primary care physician practices will be able to fulfill their central role in coordinating and directing patient care needs. Physicians across the system will have the ability and the incentive to refer to high-value specialists and faculty within the system and to align themselves with the patients' interests in seeking the best quality and lowest total (both out-of-pocket and premium) cost.

However, all NewCo providers – from primary care to specialty care, to hospitals, urgent care centers, behavioral health providers and facilities, and post-acute facilities – must be engaged in the network to enable effective care coordination. There is no "magic bullet" for influencing physician referral patterns; it requires continued physician education, meaningful communication, and the consistent building of relationships among physician members of NewCo. Through the NewCo system, there is the opportunity to introduce physicians to one another as peers working towards the same goal of enhancing NewCo delivery of care.

As a single system, NewCo will have the ability to better harness population health management tools and software to improve care coordination. The enhanced technology will enable physicians to review actionable data and make informed decisions, including where (or from whom) the patient will receive the most appropriate care. Similarly, the creation of NewCo CIN, participation in Medicare Shared Savings Program ACOs, and rollout of MassHealth ACOs for LCPN and BIDCO will promote care team collaboration, and risk-based models will incentivize physicians to choose the most appropriate, high-quality, low-cost provider for their patient.

As noted earlier, numerous public metrics exist with respect to cost and quality (i.e., TME, community appropriate discharges, relative price index, Medicare and Medicare shared savings plan quality metrics). To the extent additional metrics are called for to measure

performance, NewCo will work with the Department of Public Health and other regulatory agencies to develop them.

1.a.v. The DoN Application states that, "NewCo will maintain an attractive and supportive environment for clinicians, professional staff, and employees for the benefit of patients"

1. How will NewCo accomplish this and what will be the impact on delivery of care?

The Parties share a culture of employee engagement and support as the essential ingredient for providing outstanding care to patients. This culture will remain a top priority for NewCo. To do otherwise would be antithetical to the values of each Party and of NewCo, and would undermine the ability of NewCo to provide outstanding care.

As a fully integrated delivery system, NewCo must appeal to physicians, clinicians, and all frontline staff, as well as patients. Through the affiliation planning and DoN Application process, the Parties have engaged in extensive discussions with employees at all levels through town halls and other local forums and as part of our community engagement process.

Further, in keeping with the core NewCo principle to identify, share, and disseminate best clinical practices across the system, NewCo entities will collaborate to develop best practices at our facilities and share them to create one, unified culture and train staff to work at the top of their license/ability. Human resources collaboration, including scaling workforce development and employee career development programs also fosters a supportive environment and employee engagement.

2. Hospital mergers resulting in larger systems are associated with higher prices, how will you limit price increases?

2.1. With new-found market strength what are the incentives not to seek to increase rates?

To the extent this question assumes NewCo will be able to unilaterally increase prices, NewCo disagrees with this premise. NewCo's value proposition and competitive advantage is providing excellent quality care in a cost-effective manner. In a competitive marketplace with some of the best and highest quality hospitals in the country, in which NewCo will continue to face strong competition from larger systems even after its inception, NewCo cannot differentiate solely based on quality.

Instead, NewCo will differentiate based on value by providing top quality care within a lower cost structure and at a more attractive price point.

Currently, no provider system offers such high-quality services at lower costs, with sufficient breadth of both geographic footprint and clinical offerings to truly assume risk for health outcomes of the population served.

Maintaining this advantage is central to NewCo's strategy for long-term, sustainable success. Even as a more comprehensive healthcare entity with a broader array of patient services, NewCo will function in a competitive marketplace in an environment that requires

extensive transparency and accountability coupled with close regulatory scrutiny of healthcare costs by the Department of Public Health, HPC, and other regulators. Against this backdrop of marketplace characteristics, NewCo will also serve as a critical alternative to the continued destabilization of key providers and the cost growth associated with unjustified price variation among providers.

2.2. Please describe how this transaction will impact the THCE overall.

The primary focus of this transaction is to provide excellent quality care at a lower cost than presently available and reduce total medical expenditures ("TME"), a function of price and utilization and a key component of total healthcare expenditures.

The Parties have lower relative prices than peer hospitals and provider groups.[2] Over time, NewCo intends to continue reducing unnecessary utilization through effective population health management, which is supported through strong, coordinated care within a system of integrated providers, interoperable information technology ("IT") systems, and APMs pursued through NewCo CIN.

Additionally, care will be provided in the most appropriate setting and by the highest value providers. The affiliation will create a regionalized care delivery model consisting of local physician practices providing primary, behavioral health, and urgent care; local community and teaching hospitals; an academic medical center; and post-acute care components including home care professionals, and long-term care facilities. Collectively, these components will facilitate care in the highest value setting, but will also provide for seamless access to advanced, high-value tertiary and quaternary care when needed. Today, outmigration from NewCo hospitals' service areas to higher priced providers results in higher TME. Retention of these patients by NewCo would reduce TME and result in a significant savings to the patients, as well as the Commonwealth. While NewCo hospitals have achieved some success with regard to reducing outmigration to costlier facilities and keeping care local, a more integrated and regionalized approach to care delivery will allow the organization to keep more care in the community. As discussed further in Questions 8 and 9 below, the integrated structure will assure optimal deployment of resources and that incentives are mutually aligned to support such shifts in care. The regionalized approach will build on the existing connections local boards have with their community, and enable the system to address each community's specific needs.

Further, NewCo has a significant opportunity to reduce TME through best practice sharing across all its providers and geographies.

NewCo's favorable price and performance with regard to TME, coupled with its high-quality, will help the organization develop plans in cooperation with payers and employers that appropriately incentivize patients to make choices based on value. As evidenced throughout our DoN Application, NewCo is well positioned to partner with payers on these types of products and attract large employers and patients for enrollment. In addition to being another contributor to TME reduction by incentivizing patients to seek care at lower cost

[2] NewCo DoN Application Materials: Exhibits, Exhibit 9: Blended Relative Hospital Price, All Commercial Claims and Exhibit 10: Physician Group Relative Price, BCBSMA Commercial Claims, All Product Types Combined, pages 8 and 9.

providers, these plans will contribute to reduction of another component of total healthcare expenditures: cost sharing. Through the development of high-value network products, NewCo hopes to play a central role in passing cost savings on to consumers through premium reduction (please see pages 5, 32, and 33 of the DoN Application for specific details) and lowered direct patient costs at the point-of-service (copays and deductible savings). However, as noted in our response to 1.a.ii. above, NewCo cannot address the cost sharing component of total healthcare expenditures alone. Reduction will require close collaboration with and buy-in from payers and purchasers.

2.3. Do you assert that this affiliation will impact/affect the costs/rates of other providers/systems? If so, how and how will that be measured?

The dynamics of the marketplace are dependent on all hospitals and provider groups. NewCo cannot make assertions about the strategic decisions and tactics of other organizations. We do, however, believe that a competitive market affects the pricing decisions of all providers. As market share shifts away from the highest priced providers, these providers will be under pressure to compete on other terms. The Commonwealth has established strong mechanisms to track such effects through the HPC and CHIA. NewCo believes CHIA data is the most detailed and comprehensive source of data available, and is thus an appropriate source for measurement.

2.4. How long will it take to achieve the estimated savings? What are your targets, how will they be measured?

As previously stated, all healthcare providers, including non-NewCo providers and payers in the market, play a role in achieving savings. We anticipate that NewCo's savings will be achieved over several years, as it will take time to integrate components of NewCo, to apply best practices across the system, and for competitive market forces to take hold. We hope to quickly establish partnerships with health plans for high-value products that reward consumers for choosing high-value providers. Once these products are available, we anticipate that membership in them will grow each year.

We will measure our success based on our achievement of savings in value-based contracts and the establishment and membership growth of high-value insurance products.

3. It appears that a goal of this transaction is to ensure increased access for all patients, to improvements at one or another part of the system. Please describe how improvements to a facility or health practice will improve outcomes and quality of life for consumers/patients of another facility or health practice.

As stated in the DoN Application, the formation of NewCo will increase patient accessibility to high-value care in any provider location they visit. Each Party within NewCo embraces their set of unique strengths and strives to identify evidence-based best practices, which NewCo will then standardize and disseminate across the system. Standardization reduces potentially sub-optimal variation and improves service quality. With a system-wide standardization of quality, patients will be able to visit NewCo providers in their own community to receive seamless, high-quality care and smooth, coordinated transitions to a different care setting, when needed, that may not have previously been available.

4. How will the transaction improve the coordination of care and address barriers to seeking care for vulnerable populations (as described in your CHNAs)?

1. Include measures and benchmarks for success.

A key component of improving care coordination and access for vulnerable populations will be NewCo's participation in the MassHealth ACO Program, in which NewCo CIN, through BIDCO and LCPN, will contract with behavioral health and long-term support services community providers to improve care for approximately 60,000 (as of today) MassHealth ACO members. MassHealth ACO participation and performance will be a major area of focus and priority for NewCo once it begins in March 2018. For example, BIDCO requires that all of its member physicians participate in the program. Lahey has set forth plans to assume primary care responsibility for care coordination and will work closely with its contracting managed care organizations and community providers to ensure that MassHealth ACO members receive the right level of expertise and coordination.

NewCo CIN will measure success based on the MassHealth ACO quality measures. Proposed metrics for NewCo to track are listed on pages 30 and 31 of the DoN Application. Please refer to pages 33 and 34 of the DoN Application for additional information regarding how the affiliation will improve care for the Medicaid population and enhance community-based public health services for vulnerable populations.

Each Party within NewCo conducts their own Community Health Needs Assessment ("CHNA") and Community Health Implementation Plan ("CHIP"), serves their own unique vulnerable patient populations, and maintains partnerships with stakeholders in their respective communities. While each NewCo hospital will continue to do so, this transaction will allow the dissemination of valuable information across the system from each Party's CHNA and CHIP, combine efforts to expand community stakeholder partnerships, and collaborate on innovative programs to improve the system's ability to serve vulnerable communities and increase accessibility of healthcare for patients within those communities.

5. How will the transaction help to increase prevention and screening services for populations (as described in your CHNAs) with increased disease burden?

The transaction will allow NewCo to deliver prevention and screening services with a more expansive and thorough approach due to a larger network with aggregated resources. A larger network better enables collaboration across the Parties within NewCo to enhance and expand initiatives for prevention and lessen disease burden for patients. The combined resources of the Parties and sharing of best practices will help to better execute these ambitious community initiatives.

Currently, individual Parties have unique and effective methods of approaching prevention and screening services. Individually, Anna Jaques and Lahey have both taken measures to integrate behavioral health into various aspects of care, including primary and emergency care, to increase patients' access to behavioral health services. For example, Lahey has embedded behavioral health resources in 11 of its primary care practices spanning the system's entire service area. Lahey offers system-wide Multidisciplinary Model of Care Councils for key disease areas that discuss evidenced-based medicine and best practices of disease management. Lahey has also launched a risk assessment application for breast cancer, that can be bolstered by the added resources this transaction would provide.

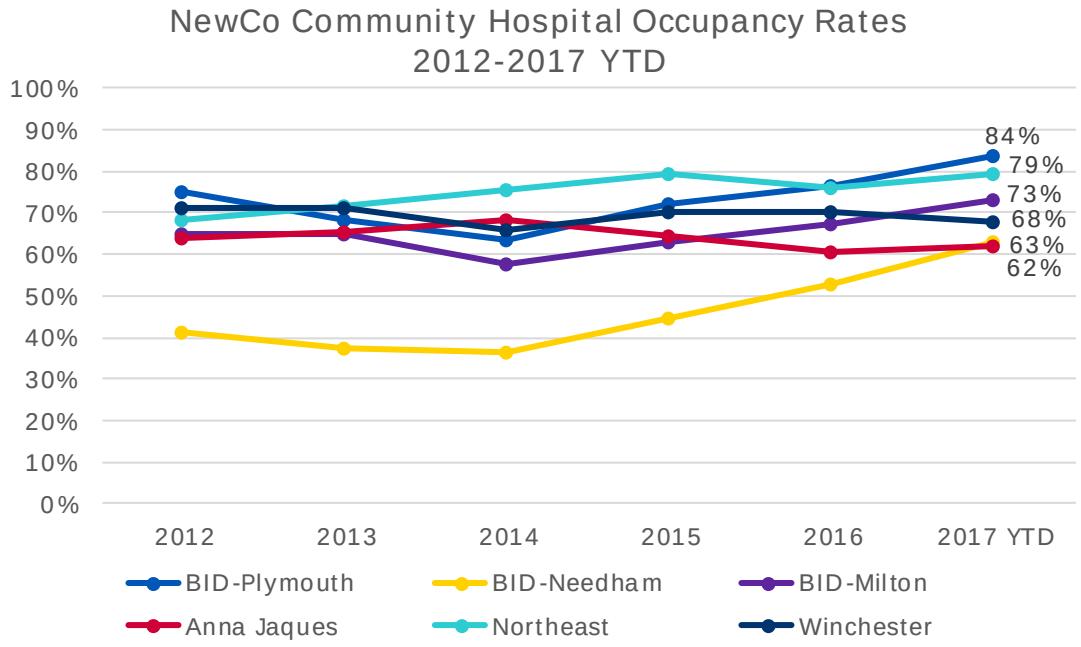
At BIDMC, within its inpatient setting, and in major primary care practices at Health Care Associates and Bowdoin Street Health Center, the longstanding and usual standard of care includes calling upon and consultation with psychiatrists, psychologists and social workers to assist patients in need. In addition, BIDMC and BIDCO have launched a number of innovative initiatives with various primary care practices, such as telephonic consultative services, to enhance behavioral health capacity in these settings. In its inpatient setting, BIDMC also conducts universal screening for substance use in its ED and has trained residents, attending physicians, resource social workers and nurses to administer Screening, Brief Intervention, Referral and Treatment (SBIRT). BIDMC's Department of Psychiatry offers an urgent care program that offers access to rapid psychiatric consultation, and has been in place for more than a decade.

Additionally, NEBH offers a comprehensive pre-admission screening program to better manage patients with behavioral health issues.

As stated in question 4, each Party has their own CHNA, vulnerable patient populations, and partnerships with community stakeholders. The transaction of NewCo would better utilize each Party's resources and allow for more robust prevention and screening services for each of their unique populations.

6. We understand that it is a goal of the project to direct care to community settings (rather than AMCs) for the purposes of increasing access and decreasing costs. How will the new entity make sure the community hospitals have sufficient capacity to meet the new/increasing demands for care that will occur as a result of changing referral patterns?

NewCo will utilize the system's inpatient capacity resources efficiently. Historically, the Parties have been able to accommodate growth at their community hospitals without expanding capacity. In fact, all the NewCo community hospitals operate below 85% occupancy, as shown in the graph below, indicating there is reasonable capacity for growth. Additionally, we have historically taken actions to increase capacity in these community hospitals as the need has arisen.



(1) Northeast represents Addison Gilbert Hospital, Beverly Hospital, and BayRidge Hospital.
(2) Occupancy data for BID-Plymouth and Northeast excludes psychiatric beds and bassinets.
(3) Occupancy data for Winchester excludes pscyhiatric beds and nursery bassinets, includes Level II bassinetts.

While shifting community appropriate care to community hospitals rather than academic medical centers is a key component of directing care to community settings, this goal also refers to other settings across the care continuum. For example, cost savings can be achieved by encouraging patients to choose home care over inpatient skilled nursing or primary care/urgent care over the emergency department. NewCo, as a system offering the full continuum of care (community and teaching hospitals, behavioral health providers, urgent care centers, primary and specialty care, outpatient services, home care professionals, and long-term care facilities) will have the geographic coverage, clinical reputation, and aligned incentives necessary to ensure patients receive the appropriate level of care at the appropriate cost-effective, high-value location, as discussed throughout the DoN Application. Consistent with the industry shift of inpatient volumes declining while

outpatient volumes grow, NewCo expects post-affiliation referral patterns will have just as much impact on the delivery of outpatient care as inpatient, and the system can similarly accommodate potential growth in those services. BIDMC, for example, has invested in the ability of community hospitals to build capacity locally, including at BID-Milton, BID-Needham, and BID–Plymouth, through service expansion, renovation, additional facilities and other actions. Northeast and Winchester have improved utilization of outpatient facilities to perform non-emergent and lower acuity procedures, which has freed up capacity within the community hospitals for emergency and/or higher acuity cases. In addition, Lahey's investments in its community hospital's clinical programs have brought new services to local communities and enhanced local patient retention. For example, system investments have brought elective percutaneous coronary intervention ("PCI") services to Beverly, thoracic services to Beverly and Winchester, and a breast program to Danvers, allowing patients residing nearby to be treated in a more cost-effective, local setting, despite the fact that LHMC had historically provided all of these services and been reimbursed at a higher rate.

7. We note that four affiliates of Beth Israel Deaconess Medical Center (BIDMC) are not a part of this transaction: Lawrence General Hospital, Signature Healthcare, Cambridge Health Alliance (CHA), and MetroWest Medical Center. Please explain the reasoning.

The Parties each have clinical and population health relationships with a variety of organizations, including those listed above. All institutions have different needs and pursue different strategies based on their unique situation with respect to affiliations. NewCo remains committed to our relationships with these organizations and the patients they serve, and we envision NewCo will continue to work collaboratively with others, including non-member organizations.

8. Describe the "tightly aligned structure" (page 14) and how it will support the ability of the new system to compete – and why prices will not increase as a result of the increased market power.

As stated in response to question 2, we disagree with the underlying premise that NewCo will have any ability to unilaterally increase prices. As previously stated, it is critical to note that NewCo's competitive goal in the marketplace will be the delivery of high-quality care delivered at lower cost in the most appropriate setting.

The "tightly aligned structure" refers to the fact that all components of the system are accountable to the same bottom line and share the same fiduciary objectives, so they can make wiser, shared, and nimble decisions about the most effective and efficient setting to provide care for each patient. This is discussed further in the response to question 9. Select administrative functions will be provided at the system level, and NewCo will retain a local hospital management structure to oversee day-to-day operations, and local boards to maintain a strong connection to local communities. This shared governance strategy will allow the system to capitalize on local knowledge and accountability to serve each community and address their public health issues, while gaining the efficiency and integration required for success.

This structure supports the long-term success of the system by enabling the direction of the individual affiliates and the system as a whole to have the financial and data-supported clarity required by a modern healthcare system to compete in a competitive marketplace, and in an environment of unprecedented transparency, accountability and regulatory oversight. Clarity and nimbleness will enable the success of the structure, far better than scale.

In addition, NewCo will work vigorously to reduce medical spending and trends by delivering the right care in the most appropriate setting; providing high-quality community-based care with access to high-value tertiary care; eliminating inappropriate use of health care services; effectively managing the health of high-cost patient populations; pursuing innovations in care management and delivery; reducing unit costs; and coordinating care across our own high-value network.

9. You describe “full system integration with a shared bottom line.” Please describe how this differs from other large health systems in MA and how those differences will result in improved outcome and public health value.

A shared bottom line produces truly mutual goals. Full integration assures the affiliates, the community, providers, administrators, and government that a cohesive and competitive system will always be available, rather than a collection of loose alliances with internal competing interests, struggling to compete in a market with other fully integrated health systems. A single NewCo creates trust among its members, frees decision-making from deal-making, and holds the intentions of a single organization accountable to the regulatory bodies of government.

Sharing a bottom line assures affiliates that resources are deployed optimally, and most importantly, all services are backed by the strengths of the whole. Transferring a community appropriate discharge is less complicated when there is a shared goal and mutual revenue, rather than mixed motivations and contractual hurdles that delay action. Additionally, NewCo can support its community hospitals with enhanced physician coverage in ways it previously could not. For example, Lahey was able to recruit thoracic surgeons to Beverly and Winchester post-affiliation to bolster those programs locally. While this created a loss for LHMC in terms of recruitment and employment costs, as well as lost reimbursement, it strengthened the position of each community hospital and provided a vital service to those communities. Without full integration, it would have been difficult for Lahey to enhance thoracic programs in these community settings without worrying about the bottom line at LHMC. This argument also applies for Lahey’s deployment of LHMC hospitalists and intensivists at Beverly and Winchester, also noted in questions 1.a.i. A single system, thinking cooperatively, can place resources where they are needed, invest in projects without the need to equalize multiple sides of a contract, and participate in high-value networks and pricing structures that cause real competition. In a loose affiliation, affiliates must prepare for the event in which they may be independent once again. In a tightly integrated system, a trust premium is realized when the bottom line is mutual.

10. How much of the success of this transaction requires securing market share from other providers/systems? Please describe how the ability to secure market share from other providers/systems is or is not implicated in this transaction.

NewCo itself can be successful by improving its ability to care for populations already served by the Parties. NewCo's success will help to manage costs for that population, thereby providing some benefit to the Commonwealth. In addition, the Commonwealth would benefit when market share shifts from more costly providers to NewCo providers.

As stated in the DoN Application, the fundamental strategic priorities for NewCo are to further the goals of fostering a competitive, value-based market by addressing unwarranted variation in provider price, promoting an efficient, high-quality healthcare delivery system, and advancing aligned and effective financial models to incent consumers and employers to make high-value choices.

Ultimately, these goals will be met by providing patients the right care, at the right time, in the right place, and at the right price. The success of the transaction will be defined and measured by patients' ability to receive the care in the most clinically-appropriate setting. However, the current market place does not fully reward providers who organize this type of care. Through new benefit designs, consumers must be able to select a high-value network and be rewarded for that choice with lower premium or lower out of pocket expenses.

Thus, these goals are predicated on introducing increased competition into the market. The development of NewCo and the establishment of high-value networks will push competitive markets to function properly. With competition and a proper functioning market, market shares will shift depending on which systems will better serve patients' needs and provide the most value.

Success for NewCo is defined by the high-value care it will provide to its patients, and any additional patients attracted to our high-value system that is secured will be a result of that.