

UMASS MEMORIAL MEDICAL CENTER, INC.

**APPLICATION FOR DETERMINATION OF NEED
FOR RENOVATIONS TO UNIVERSITY CAMPUS**

DECEMBER 22, 2016

BY

**UMASS MEMORIAL MEDICAL CENTER, INC.
55 LAKE AVENUE NORTH
WORCESTER, MA 01655**

A. DoN Application

INTRODUCTION

The purpose of the Massachusetts Determination of Need Application Kit is twofold. First, it is to provide applicants with a clear indication of the nature, scope and depth of preparations expected of them. Second, it is to provide DoN Program staff, as well as the Public Health Council, with the information necessary for fair and thorough evaluations. The kit should contribute to the speed, consistency, and predictability of reviews while increasing public involvement.

It should be noted that many of the questions presented in this kit are organized according to the factors found in 105 CMR 100.533. The questions listed under individual factors in the kit are intended to assist applicants and reviewers by gathering relevant information in a structured and convenient manner. Although questions are grouped by factors, the completed application will be viewed and evaluated in its entirety. Questions have been categorized in order to avoid unnecessary repetition of data requests rather than to limit the use of specific information to the evaluation of any particular factor or factors.

Since no general kit can be exhaustive in its data requests, it will remain the responsibility of applicants to provide all necessary information. Currently, it is often necessary for reviewers to request information not supplied in an applicant's original submission. Use of this kit is expected to substantially reduce, although not eliminate, the need for additional data requests. Statutory and regulatory changes may take place from time to time and may not be reflected in this kit. It is the duty of the applicant to be cognizant of such changes and to file an application consonant with such changes.

GENERAL INSTRUCTIONS

Enclosed is an application form for Determination of Need. In order to complete this form, it is necessary to read and comply with the Massachusetts Determination of Need Regulation 105 CMR 100.000. An unofficial version of the regulation may be found online at the DoN website (www.mass.gov/dph/don) or the official version may be obtained from the State House Bookstore, Boston, MA 02133, Telephone: (617) 727-2834 (<http://www.sec.state.ma.us/spr/sprcat/catidx.htm>).

Assistance in preparing applications is available from the Determination of Need Staff (617-624-5690).

CONTENTS OF APPLICATION

Please refer to 105 CMR 100.300-100.303 and 105 CMR 100.320-100.326 regarding the required contents of the application.

Please note that 105 CMR 100.350-100.354 substantially limits the right of applicants to alter applications or to provide additional information after an application has been submitted. Therefore, applicants should not file an application unless and until all important information is included.

Please note that if a filing fee is required (See 105 CMR 100.323) it must be submitted with the application, by check, payable to the "**Commonwealth of Massachusetts**."

Please see 105 CMR 100.306 which requires documentation as to ownership and zoning. Such documentation need only be submitted with the original copy and referenced in succeeding copies.

Newspaper Notice: Every applicant for Determination of Need is required to publish a notice of application, as prescribed in 105 CMR 100.330-100.332, in the legal notice section of the appropriate newspaper and an identical notice at least once in some other section as well. Refer to the regulation for details of publication. Please note that the final day to request a public hearing or to register as a ten taxpayer group (following the publication) must be on a business day. Please attach a true copy of the notices of publication with date of publication, as required under the above-referenced section, immediately after page 3 of general instructions.

No application will be accepted if the requirements of 105 CMR 100.306 and 100.320-100.326 are not met, and no application will be accepted if all relevant parts of the application kit are not complete.

PLEASE NOTE: The Determination of Need application kit asks applicants, in some cases, to supply answers on additional sheets. Where additional sheets are used, they should be clearly labeled with the factor name, question number (and page number) to which they pertain.

GENERAL INSTRUCTIONS

DISTRIBUTION OF COPIES

(105 CMR 100.300) Applicants must submit one complete original hard copy and one electronic copy in PDF format (or one original and two additional hard copies) to:

Department of Public Health
Determination of Need Program
99 Chauncy Street
Boston, MA 02111
Dph.don@massmail.state.ma.us

Applicants must also submit one hard copy (or electronic copy in PDF format) to the offices listed below. An updated list of contact persons with phone numbers and email addresses is available at the DoN website (www.mass.gov/dph/don) in the "Applications" section.

Department of Public Health
Regional Health Office
(See 100.300 for appropriate office)

If relevant under Section 100.152:

Executive Office of Elder Affairs
One Ashburton Place, 5th Floor
Boston, MA 02108

Center for Health Information and Analysis
501 Boylston Street
Boston, MA 02116

If relevant under Section 100.153:

Department of Mental Health
Division of Clinical & Professional Services/
Office of Policy Development
25 Staniford Street
Boston, MA 02114

Division of Medical Assistance
Office of Acute and Ambulatory Care
100 Hancock Street
Quincy, MA 02171

Health Policy
Commission 50 Milk
Street, 8th Floor
Boston, MA 02109

MassHealth
1 Ashburton Place
Boston, MA 02108

FILING FEE AND COMPUTATION SHEET

Every applicant, other than a government agency, filing under M.G.L. c. 111, §25C is required to accompany the application with a filing fee as indicated below:

MAXIMUM CAPITAL EXPENDITURE: \$30,400,243 _____ x .0020
= \$60,800.49 _____ Filing Fee

Minimum Filing Fee is \$250.00, regardless of maximum capital expenditure.

Applicant must attach a check or money order made payable to the "Commonwealth of Massachusetts" in the amount indicated above. If applicant claims an exemption from the filing fee, state here why the applicant is exempt, citing the applicable section of the regulation.

THE FACE OF THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER

UMass Memorial Medical Center, Inc.

Accounts Payable Department
306 Belmont St, Suite 150
Worcester, MA 01604

BANK OF AMERICA
WORCESTER, MA ⁵¹⁻⁴⁴/₁₁₉

No. 0250604660

CHECK DATE
12/19/16

CHECK AMOUNT

***60,800.49

PAY Sixty Thousand Eight Hundred and 49/100 Dollars

Eric W. Derksen

TO
THE
ORDER
OF

COMM OF MA
DEPT PUBLIC HEALTH
99 CHAUNCEY ST
BOSTON MA 02111



AUTHORIZED SIGNATURE(S)

(1 MANUAL SIGNATURE REQUIRED FOR \$100,000 OR OVER)

THE BACK OF THIS DOCUMENT CONTAINS CHECK SECURITY WATERMARK AND COIN REACTIVE INK

⑈0250604660⑈ ⑆011900445⑆0000054083⑈

C-Line.com
Style #62017 1-888-860-9120

1. Face Sheet

FACE SHEET

- 1a. FILING DATE: December 22, 2016 1b. FILING FEE: \$ 60,800.49
2. HSA: II 3. ☒ REGULAR or ☐ UNIQUE APPLICATION (Check one)
4. APPLICANT NAME: UMass Memorial Medical Center, Inc.
5. ADDRESS: 55 Lake Avenue North, Worcester, MA 01655
6. CONTACT PERSON: (Name) Andrew S. Levine (Title) Attorney
- (Mailing Address): One Beacon Street, Suite 1320, Boston, MA 02108 (Telephone) (617) 598-6700
- Email: alevine@dbslawfirm.com
- 7a. FACILITY NAME: UMass Memorial Medical Center University Campus
- 7b. LOCATION: 55 Lake Avenue North, Worcester, MA 01655
8. FACILITY TYPE (circle one):
- 1) **Acute Care Hospital** 2) Nursing Facility 3) Ambulatory Surgery Center
- 4) Chronic Disease/Rehabilitation Hospital 5) _____
9. TYPE OF OWNERSHIP (circle as appropriate):
- 1) **Private non-profit** 3) Public
- 2) Private for-profit 4) Other _____
10. BRIEF PROJECT DESCRIPTION (consistent with newspaper notice):
- Renovation of the University Campus
11. PROJECT TYPE (check one or more as appropriate):
- Substantial Change in Service** – The addition or expansion of or conversion to a new technology, innovative service, or ambulatory surgery by acute care or non-acute care facilities regardless of whether the expenditure minimum is exceeded; non-acute care services provided by acute care hospitals; and any increase in bed capacity by a non-acute care facility totaling more than 12 beds to the licensed bed capacity of the entire facility.
- X Substantial Capital Expenditure** – Any capital expenditure that is at or exceeds the DoN expenditure minimums for acute care, non-acute care (including nursing homes) facilities and clinics.
- Original Licensure** – Original licensure of hospitals or clinics providing ambulatory surgery. This includes an original license to be issued following a transfer of ownership.

FACE SHEET

12. BEDS INVOLVED IN THE PROJECT (select all that apply):

	Existing Number of Licensed Beds	Number of Additional Beds Requested	Number of Beds Replaced/Renovated
Acute			
Medical/Surgical	458	0	40
Obstetrics (Maternity)			
Pediatrics			
Neonatal Intensive Care			
ICU/CCU/SICU			
Acute Rehabilitation			
Acute Psychiatric			
adult			
adolescent			
pediatric			
Chronic Disease			
Substance Abuse			
detoxification			
short-term intensive rehabilitation			
Skilled Nursing Facility			
Level II			
Level III			
Level IV			
Other (specify)			

13. MAXIMUM CAPITAL EXPENDITURE: \$30,400,243

14. ANNUAL INCREMENTAL OPERATING COST: \$15,245,522

15. COMMUNITY HEALTH SERVICES INITIATIVES EXPENDITURE (see Factor 9)

\$1,520,012.15

2. Affidavit of Truthfulness

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION

UMass Memorial Medical Center, Inc.

(Name of Applicant)*

55 Lake Avenue North, Worcester, MA 01655

(Address of Applicant, Street, City/Town and Zip Code)

hereby makes an application for a Determination of Need under M.G.L. c. 111, §§25C or 51 and 105 CMR 100.000 for

: original licensure
 X substantial capital expenditure
 substantial change in service

With respect to a: X hospital
 long term care facility
 ambulatory surgery center
 other (specify) Clinic

for the development of: Renovations to University Campus

(Name of facility and/or program)

at the following address: 55 Lake Avenue North, Worcester, MA 01655

(Street, City/Town and Zip Code)

Type of Ownership:

 City State
 County X Private Nonprofit Organization

Proprietary:
 Individual Partnership
 X Corporation

with the following estimated capital expenditure (105 CMR 100.020)

\$ 30,400,243

*All persons participating in joint venture DoN applications (e.g., applications with two or more corporations) should be aware that each person who comprises the "applicant" will have to be named on the license. In addition, any subsequent changes in ownership of any person comprising the licensee will require compliance with the relevant change of ownership procedures.

All joint venture applicants should carefully evaluate the effect these requirements will have on their future activities.

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION continued

I, the undersigned, certify that:

1. I have read 105 CMR 100.000, the Massachusetts Determination of Need Regulation.
2. I have read this application for Determination of Need including all exhibits and attachments, and the information contained therein is accurate and true.
3. I have submitted the required copies of this application to the Determination of Need Program and to all relevant agencies (see below¹) as required.
4. I have caused notices to be published as required by 105 CMR 100.330-100.332. The notices, true copies of which are enclosed, were published in the

Worcester Telegram and Gazette
(Name of Newspaper)

on December 22, 2016
(Date of Publication)

(Name of Newspaper)

on (Date of Publication)

5. The applicant is, or will be, the eventual licensee of the facility.

Signed on the 16 day of December, 2016, under the pains and penalties of perjury.

For Corporation: Robert G. Muldowney and
Chief Executive Officer

Chairman of the Board

Partnership:

All Partners

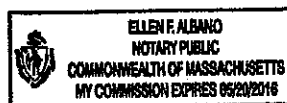
Limited Partnership:

General Partner

Trust:

All Trustees

FORM MUST BE NOTARIZED IN THE SPACE PROVIDED BELOW:



7/13/23

Ellen Albano

Notary Signature 7/13/2023

¹Copies of the application have been submitted as follows:

- ✓ Department of Public Health
- ✓ Regional Health Office
- ✓ Division of Medical Assistance (MassHealth)
- ✓ Health Policy Commission

- ✓ Center for Health Information and Analysis
 - ☐ Executive Office of Elder Affairs*
 - ☐ Department of Mental Health

AFFIDAVIT OF TRUTHFULNESS AND PROPER SUBMISSION continued

I, the undersigned, certify that:

1. I have read 105 CMR 100.000, the Massachusetts Determination of Need Regulation.
2. I have read this application for Determination of Need including all exhibits and attachments, and the information contained therein is accurate and true.
3. I have submitted the required copies of this application to the Determination of Need Program and to all relevant agencies (see below¹) as required.
4. I have caused notices to be published as required by 105 CMR 100.330-100.332. The notices, true copies of which are enclosed, were published in the

Worcester Telegram and Gazette on December 22, 2016
(Name of Newspaper) (Date of Publication)

_____ on _____
(Name of Newspaper) (Date of Publication)

5. The applicant is, or will be, the eventual licensee of the facility.

Signed on the 16TH day of DECEMBER, 2016, under the pains and penalties of perjury.

For Corporation: _____ and David L. Bennett
Chief Executive Officer Chairman of the Board


DAVID L. BENNETT

Partnership: _____
All Partners

Limited Partnership: _____
General Partner

Trust: _____
All Trustees

FORM MUST BE NOTARIZED IN THE SPACE PROVIDED BELOW:

 **SANDRA J. LEGER**
NOTARY PUBLIC
Commonwealth of Massachusetts
My Commission Expires Nov. 11, 2022

Sandra J. Leger
Notary Signature

¹Copies of the application have been submitted as follows:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Department of Public Health | <input checked="" type="checkbox"/> Center for Health Information and Analysis |
| <input checked="" type="checkbox"/> Regional Health Office | <input type="checkbox"/> Executive Office of Elder Affairs* |
| <input checked="" type="checkbox"/> Division of Medical Assistance (MassHealth) | <input type="checkbox"/> Department of Mental Health |
| <input checked="" type="checkbox"/> Health Policy Commission | |

3. Newspaper Notice

Public Announcement Concerning UMass Memorial Medical Center, Inc.

On or about December 22, 2016, UMass Memorial Medical Center, Inc. intends to file an application ("Application") with the Massachusetts Department of Public Health ("Department") to obtain a Determination of Need for the renovation of its University Campus located at 55 Lake Avenue North, Worcester, MA 01655 ("Project"). The estimated capital expenditure for the Project is \$30,400,243. The Project involves a total of 53,458 gross square feet ("GSF"). Any ten taxpayers of Massachusetts may register in connection with the Application by January 21, 2017 or thirty (30) days after the Application has been filed with the Department or notice of the same has been published in the newspaper, whichever is later. If requested, a public hearing shall be ordered on the Application at the request of any ten taxpayers made in writing, not later than January 11, 2017, or twenty (20) days after the date of filing or publication date, whichever is later. Such registrations or requests for public hearing shall be sent to the **Department of Public Health, Determination of Need Program, Attention: Program Director, 250 Washington Street, Boston, MA 02108**. The Application may be inspected at such address and at the Central Regional Health Office located at 180 Beaman Street, Route 140, West Boylston, MA 01583.

4. Applicant Information

APPLICANT INFORMATION

1. List all officers, members of the board of directors, trustees, stockholders, partners, and any other individuals who have an equity or otherwise controlling interest in the application. With respect to each of these persons, please give his or her address, principal occupation, position with respect to the applicant, and amount, if any, of the percentage of stock, share of, partnership or other equity interest. (Answer on additional sheet). **Exhibit A**
2. Have any of the individuals listed ever been convicted of any felony or ever been found in violation of any local, state or federal statute, regulation, ordinance, or other law which arises from or otherwise relates to that individual's relationship to a health care facility? **No**
3. For all individuals listed, list all other health care facilities, within or without the Commonwealth in which they are officers, directors, trustees, stockholders, partners, or in which they hold an equity interest. **Exhibit B**
4. State whether any of these individuals presently have, or intend to have, any business relationship, including but not limited to: supply company, mortgage company, etc., with the applicant. **Exhibit B**
5. If the applicant is a corporation, please attach a copy of your articles of incorporation to this section of your application. **Exhibit C**
6. Indicate here the applicant's representative in regard to this application:

Andrew S. Levine
Name

617-598-6700
Telephone

Attorney
Title

alevine@dbslawfirm.com
Email

Donoghue Barret & Singal, PC
Facility/ Organization

One Beacon Street

Suite 1320

Boston, MA 02108
Address (Street, Town/City, and Zip Code)

All written and oral communications will be directed accordingly.

Attachment/Exhibit

A

UMass Memorial Medical Center, Inc.
Board of Trustees

1. Name: Patrick Muldoon
Address: 7207 Avalon Drive, Northborough, MA 01532
Principal Occupation: Administrator
Position with Applicant: President, UMass Memorial Medical Center and Trustee
Equity Interest: 0%
2. Name: David Bennet
Address: 7 Mt. View Drive, Paxton, MA 01612
Principal Occupation: Attorney
Position with Applicant: Chairman, Board of Trustees
Equity Interest: 0%
3. Name: Richard Siegrist
Address: 189 Prairie Street, Concord, MA 01742
Principal Occupation: Adjunct Professor, Harvard School of Public Health
Position with Applicant: Vice Chairman, Board of Trustees
Equity Interest: 0%
4. Name: Sergio Melgar
Address: 71 Clubhouse Way, Sutton, MA 01590
Principal Occupation: Executive Vice President and Chief Financial Officer,
UMass Memorial Health Care
Position with Applicant: Treasurer, Board of Trustees
Equity Interest: 0%
5. Name: Douglas Brown
Address: 92 Bullard Street, Sherborn, MA 01770
Principal Occupation: Chief Administrative Officer, UMass Memorial Health Care
Position with Applicant: Secretary, Board of Trustees
Equity Interest: 0%
6. Name: Katharine Bolland Eshghi
Address: 16 Oak Meadow Road, Lincoln, MA 01773
Principal Occupation: General Counsel, UMass Memorial Health Care
Position with Applicant: Assistant Secretary, Board of Trustees
Equity Interest: 0%
7. Name: Edward Parry, III
Address: 44 Walden Way, Milford, MA 01757
Principal Occupation: Principal, Montshire Advisors, LLC
Position with Applicant: Trustee
Equity Interest: 0%
8. Name: Raymond Pawlicki
Address: 23 Marlborough Street, Boston, MA 02116

UMass Memorial Medical Center, Inc.
Board of Trustees

Principal Occupation: Retired
Position with Applicant: Trustee
Equity Interest: 0%

9. Name: Edward D'Alelio
Address: 88 Black Rock Drive, Hingham, MA 02043
Principal Occupation: Retired
Position with Applicant: Trustee
Equity Interest: 0%
10. Name: Elvira Guardiola
Address: 122 Sterling Street, #1, Worcester, MA 01610
Principal Occupation: Parking Administrator & Municipal Hearing Officer, City of Worcester
Position with Applicant: Trustee
Equity Interest: 0%
11. Name: Mary Ellen McNamara
Address: One Park Lane, #1322, Boston, MA 02210
Principal Occupation: Director, Business Transformation, Philips Healthcare
Position with Applicant: Trustee
Equity Interest: 0%
12. Name: Harris MacNeill
Address: 125 Madison Road, Northborough, MA 01532
Principal Occupation: President & CEO, MacNeill Engineering Worldwide
Position with Applicant: Trustee
Equity Interest: 0%
13. Name: Nsidinanya Okike, MD
Address: 26 Baypath Drive, Boylston, MA 01505
Principal Occupation: Physician
Position with Applicant: Trustee
Equity Interest: 0%
14. Name: Jack Wilson, PhD
Address: 18 Kendall Drive, Westborough, MA 01581
Principal Occupation: Professor, UMass Lowell
Position with Applicant: Trustee
Equity Interest: 0%
15. Name: Paul Kangas
Address: 23 Bridle Path, Franklin, MA 02038
Principal Occupation: Senior Vice President and Chief Compliance Officer, The TJX Companies, Inc.

UMass Memorial Medical Center, Inc.
Board of Trustees

Position with Applicant: Trustee
Equity Interest: 0%

16. Name: Peter Knox

Address: 6407 Sturgeon Bay Road, Luxemburg, Wisconsin, 54217-9116
Principal Occupation: Executive Vice President, Bellin Health
Position with Applicant: Trustee
Equity Interest: 0%

17. Name: Paulette Seymour-Route, PhD

Address: 140 Kendall Hill Road, Sterling, MA 01564
Principal Occupation: Retired
Position with Applicant: Trustee
Equity Interest: 0%

18. Name: Richard Bennett

Address: 19 Mark Avenue, Webster, MA 01570
Principal Occupation: President & CEO, Marlborough Savings Bank
Position with Applicant: Trustee
Equity Interest: 0%

19. Name: Robert Finberg

Address: 259 Crawford Street, Northborough, MA 01532
Principal Occupation: Physician
Position with Applicant: Chair, Department of Medicine and Trustee
Equity Interest: 0%

20. Name: Lynda Young, MD

Address: 11 Otsego Road, Worcester, MA 01609
Principal Occupation: Physician
Position with Applicant: Ambulatory Physician Leader, Dept. of Pediatrics and Trustee
Equity Interest: 0%

21. Name: Eric Dickson, MD

Address: 93 Mirick Road, Princeton, MA 01541
Principal Occupation: President and CEO, UMass Memorial Health Care
Position with Applicant: Trustee
Equity Interest: 0%

22. Name: Michael Collins, MD

Address: 77 Flagg Street, Worcester, MA 01609
Principal Occupation: Chancellor, UMass Medical School
Position with Applicant: Trustee
Equity Interest: 0%

UMass Memorial Medical Center, Inc.
Board of Trustees

23. Name: Terrence Flotte, MD

Address: 122 Paxton Road, Holden, MA 01520

Principal Occupation: Dean, UMass Medical School

Position with Applicant: Trustee

Equity Interest: 0%

Attachment/Exhibit

B

UMass Memorial Medical Center
Board of Trustees
Disclosures

1. Name: David Bennett
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass memorial Realty
2. Name: Richard Siegrist
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass Memorial Community Hospitals
Business Relationship: Mr. Siegrist is the former CEO of Press Ganey, which provides patient experience surveys to the Applicant.
3. Name: Patrick Muldoon
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: You, Inc.
4. Name: Sergio Melgar
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc., Community Healthlink, UMass Memorial Behavioral Health System, UMass Memorial Community Hospitals, UMass Memorial Health Ventures and UMass Memorial Realty
Business Relationship: Mr. Melgar is an Executive Vice President and the Chief Financial Officer of UMass Memorial Health Care, the parent organization of the Applicant which has shared services agreements with UMass Medical School
5. Name: Douglas Brown
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc., Central New England Health Alliance, Clinton Hospital, Community Healthlink, HealthAlliance Hospitals, Marlborough Hospital, UMass Memorial Accountable Care Organization, UMass Memorial Behavioral Health System and UMass Memorial Community Hospitals
Business Relationship: Mr. Brown is the Chief Administrative Officer of UMass Memorial Health Care, the parent organization of the Applicant which has shared services agreements with UMass Medical School
6. Name: Katharine Bolland Eshghi
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc., Central New England Health Alliance and HealthAlliance Hospitals
Business Relationship: Attorney Eshghi is the General Counsel for UMass Memorial Health Care, the parent organization of the Applicant which has shared services agreements with UMass Medical School
7. Name: Edward Parry, III
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.

UMass Memorial Medical Center
Board of Trustees
Disclosures

Business Relationship: Mr. Parry's company, Montshire Advisors, LLC, in partnership with a voluntary benefits product distribution company, has an agreement with the Medical Center to distribute voluntary benefit products to the Applicant's employees

8. Name: Raymond Pawlicki
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
9. Name: Edward D'Alelio
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
10. Name: Elvira Guardiola
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
11. Name: Mary Ellen McNamara
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass Memorial Medical Group
12. Name: Harris MacNeill
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
13. Name: Nsidinanya Okike, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
14. Name: Jack Wilson
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
15. Name: Paul Kangas
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass Memorial Health Ventures
16. Name: Peter Knox
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.

UMass Memorial Medical Center
Board of Trustees
Disclosures

17. Name: Paulette Seymour-Route, PhD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
18. Name: Richard Bennett
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and Marlborough Hospital
19. Name: Robert Finberg, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc.
Business Relationship: Employed by the Applicant as the Chair of the Department of Medicine and by UMass Medical School
20. Name: Lynda Young, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass Memorial Medical Group
Business Relationship: Employed by the Applicant as an Ambulatory Physician Leader in the Department of Pediatrics for which she receives a stipend.
21. Name: Eric Dickson, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc., UMass Memorial Accountable Care Organization, UMass Memorial Community Hospitals, UMass Memorial Health Ventures, UMass Memorial Medical Group and UMass Memorial Realty
Business Relationship: Dr. Dickson is the President and CEO of UMass Memorial Health Care, the parent organization of the Applicant which has shared services agreements with UMass Medical School
22. Name: Michael Collins, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and the American University of Beirut
Business Relationship: Chancellor of UMass Medical School with which the Applicant has shared services agreements.
23. Name: Terrence Flotte, MD
Other Healthcare Facilities where the Trustee holds a Board Position or an Equity Interest: UMass Memorial Health Care, Inc. and UMass Memorial Medical Group
Business Relationship: Dean, UMass Medical School with which the Applicant has shared services agreements.

Attachment/Exhibit

C

Examiner

Name

Approved

The Commonwealth of Massachusetts

William Francis Galvin

Secretary of the Commonwealth

One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF ORGANIZATION

(General Laws, Chapter 180)

ARTICLE I

The exact name of the corporation is:

UMass Memorial Medical Center, Inc.

ARTICLE II

The purpose of the corporation is to engage in the following activities:

See page 2a attached hereto and made a part hereof.

C ☐
P ☒
M ☐
R.A. ☐

97063008

9
P.C.

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.

ARTICLE III

A corporation may have one or more classes of members. If it does, 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 each class, may be set forth in the by-laws of the corporation or may be set forth below:

The corporation shall have only one class of members.

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 pages 4a-4c attached hereto and made a part hereof.

ARTICLE V

The 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 on the following page, have been duly elected.

***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.

**CONTINUATION PAGES TO ARTICLES OF ORGANIZATION
UMASS MEMORIAL MEDICAL CENTER, INC.**

2. The purpose of the corporation is to engage in the following activities:

- (1) (a) to maintain and operate a charitable hospital with multiple campuses in Worcester, Massachusetts for the surgical and medical treatment and care of the sick and injured; (b) to maintain and operate other services associated with charitable hospitals, including but not limited to medical centers, health care centers, nursing care centers, laboratories, clinics, physician groups, and other medical, surgical, dental, educational and scientific and research facilities and home health agencies; (c) to advance the knowledge and practice of, and education and research in, medicine, surgery, nursing and all other subjects relating to the care, treatment and healing of humans; and (d) to improve public health in cooperation with federal, state, municipal and other health departments and officers; and (e) in connection therewith to support, promote and enhance the medical programs and activities of the University of Massachusetts Medical School and to serve as a teaching hospital for the University of Massachusetts Medical School;
- (2) to receive in trust or otherwise and from whatever source, and administer, gifts, legacies and devises, grants and grants-in-aid, whether unrestricted or for specific purposes; to cooperate with, contribute to and support other organizations in promoting the purposes of this corporation, including the support of all corporations affiliated with this corporation that are determined to be exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"); and to do all things incidental to the foregoing;
- (3) to conduct any business that may lawfully be carried on by a corporation formed under Chapter 180 of the General Laws of Massachusetts and that is not inconsistent with this corporation's qualification as an organization described in Section 501(c)(3) of the Code.

4. 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 any class of members, are as follows:

- (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 Section 2 hereof 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 inconsistent with the exemption from federal income tax to which the corporation shall be entitled under Section 501(c)(3) of the Code.
- (2) No trustee or officer of the corporation shall be personally liable to the corporation 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.
- (3)(a) No person shall be disqualified from holding any office by reason of any interest. In the absence of fraud, any trustee or officer of this corporation, or any concern in which any such trustee or officer 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 or officer 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 by a majority of the trustees who are not so interested and to whom the nature of such interest has been disclosed. No interested trustee 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.

- (3)(b) For purposes of this Section 3, the term "interest" shall include personal interest and also interest as a trustee, officer, member, stockholder, shareholder, trustee or beneficiary of any concern; and the term "concern" shall mean any corporation, association, trust, partnership, limited liability company, firm, person or other entity other than this corporation.
- (3)(c) No transaction shall be avoided by reason of any provisions of this Section 3 which would be valid but for such provisions.
- (4) No part of the assets or net earnings of the corporation shall inure to the benefit of any 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 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 under Section 501(c)(3) of the Code and shall not be a private foundation under Section 509(a) of the Code.
- (5) If and so long as the corporation is a private foundation (as that term is defined in Section 509 of the 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 Code, and
 - (b) the corporation shall not engage in any act of self dealing (as defined in Section 4941(d) of the Code), nor retain any excess business holdings (as defined in Section 4943(c) of the Code), nor make any investments in such manner as to subject the corporation to tax under Section 4944 of the Code, nor make any taxable expenditures (as defined in Section 4945(d) of the Code).
- (6) 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 to UMass Memorial Health Care, Inc. so long as it is then exempt from Federal income tax under Section 501(c)(3) of the Code and otherwise fifty percent (50%) to one or more corporations exempt from Federal income tax under Section 501(c)(3) of the Code selected by a

majority of the Trustees of the corporation then in office and fifty percent (50%) to the University of Massachusetts.

- (7) The corporation shall not discriminate in administering its policies and programs or in the employment of its personnel on the basis of race, creed, color, national or ethnic origin, sex, or handicap.
- (8) All references herein: (i) to the Code shall be deemed to refer to the 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 Code or said General Laws shall be deemed to refer to similar or successor provisions hereafter adopted.

7. The name, residential address and post office address of each trustee and officer of the corporation is as follows:

	<u>Name</u>	<u>Residential Address</u>	<u>Post Office Address</u>
President:	Peter H. Levine, M.D.	9 Aylesbury Road Worcester, MA 01609	119 Belmont Street Worcester, MA 01605
Treasurer:	Arthur R. Russo, M.D.	12 Massachusetts Avenue Worcester, MA 01609	55 Lake Avenue North Worcester, MA 01655
Secretary:	Arthur R. Russo, M.D.	12 Massachusetts Avenue Worcester, MA 01609	55 Lake Avenue North Worcester, MA 01655
Trustees:	Peter H. Levine, M.D.	9 Aylesbury Road Worcester, MA 01609	119 Belmont Street Worcester, MA 01605
	Arthur R. Russo, M.D.	12 Massachusetts Avenue Worcester, MA 01609	55 Lake Avenue North Worcester, MA 01655

ARTICLE VI

The effective date of organization of the corporation shall be the date approved and filed by the Secretary of the Commonwealth. If a later effective date is desired, specify such date which shall not be more than *thirty days* after the date of filing.

N/A

ARTICLE VII

The information contained in Article VII is not a permanent part of the Articles of Organization.

a. The street address (post office boxes are not acceptable) of the principal office of the corporation in *Massachusetts* is:
55 Lake Avenue North
Worcester, MA 01655

b. The name, residential address and post office address of each director and officer of the corporation is as follows:

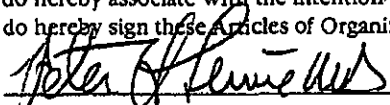
	NAME	RESIDENTIAL ADDRESS	POST OFFICE ADDRESS
President:			
Treasurer:			
Clerk:			
Directors: (or officers having the powers of directors)	See page -7a attached hereto and made a part hereof.		

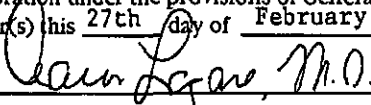
c. The fiscal year of the corporation shall end on the last day of the month of: September

d. The name and business address of the resident agent, if any, of the corporation is: N/A

I/We, the below signed incorporator(s), 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 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 name(s) 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 27th day of February, 1997.


Peter H. Levine, M.D.


Aaron Lazare, M.D.

Memorial Health Care, Inc.
119 Belmont Street
Worcester, MA 01605-2982

University of Massachusetts Medical Center
55 Lake Avenue North
Worcester, MA 01655.

Note: If an 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.

567908

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF ORGANIZATION

(General Laws, Chapter 180)

SECRETARY OF
THE COMMONWEALTH

97 MAR -4 PM 12:04

CORPORATION DIVISION

I hereby certify that, upon examination of these 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 4th day of MARCH 19 97.

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:

Anne P. Ogilby, Esq.

Ropes & Gray

One International Place

Boston, MA 02110

Telephone: 617-951-7000

FEDERAL IDENTIFICATION
NO. 04-3321703

FEDERAL IDENTIFICATION
NO. 04-3358584
Fee: \$35.00

Examiner

The Commonwealth of Massachusetts

William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF ~~CONSOLIDATION~~ MERGER (General Laws, Chapter 180, Section 10) Domestic and Domestic Corporations

~~Consolidation~~ merger of

UMass Memorial Laboratories, Inc.

UMass Memorial Medical Center, Inc.

the constituent corporations, into
UMass Memorial Medical Center, Inc.

*one of the constituent corporations ~~and one corporation~~

The undersigned officers of each of the constituent corporations certify under the penalties of perjury as follows:

1. The agreement of ~~consolidation~~ merger was duly adopted in accordance and compliance with the requirements of General Laws, Chapter 180, Section 10.

2. That if any of the constituent corporations constitutes a public charity, then the resulting or surviving corporation shall be a public charity.

3. The resulting or surviving corporation shall furnish a copy of the agreement of ~~consolidation~~ merger to any of its members or to any person who was a stockholder or member of any constituent corporation upon written request and without charge.

4. The effective date of the ~~consolidation~~ merger determined pursuant to the agreement of ~~consolidation~~ merger shall be the date approved and filed by the Secretary of the Commonwealth. If a later effective date is desired, specify such date which shall not be more than *thirty days* after the date of filing:

October 1, 2012

5. (For a merger)

(a) The following amendments to the Articles of Organization of the *surviving* corporation have been effected pursuant to the agreement of merger:

C ☐
P ☐
M ☐
R.A. ☐

P.C.

*Delete the inapplicable word.

(For a consolidation)

(b) The purpose of the *resulting* corporation is to engage in the following activities:

***(c) The resulting corporation may have one or more classes of members. If it does, the designation of such class or classes, the manner of election or appointment, the duration of membership and the qualification and rights, including voting rights, of the members of each class, may be set forth in the bylaws of the corporation or may be set forth below:**

***(d) Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the resulting 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:**

6. The information contained in Item 6 is *not a permanent* part of the Articles of Organization of the ~~resulting~~ "surviving corporation."

(a) The street address of the ~~resulting~~ surviving corporation in Massachusetts is: *(post office boxes are not acceptable)*

One Biotech Park, 365 Plantation Street, Third Floor, Worcester, MA 01605

**Delete the inapplicable word.*

***If there are no provisions state "None".*

(b) The name, residential address and post office address of each director and officer of the ~~transferee~~ surviving corporation is:

NAME	RESIDENTIAL ADDRESS	POST OFFICE ADDRESS
President: See attached Exhibit A		
Treasurer:		
Clerk:		
Directors:		

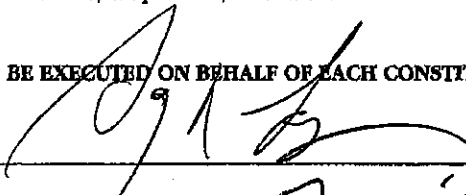

(c) The fiscal year (i.e. tax year) of the ~~transferee~~ surviving corporation shall end on the last day of the month of September

(d) The name and business address of the resident agent, if any, of the ~~transferee~~ surviving corporation is:

n/a


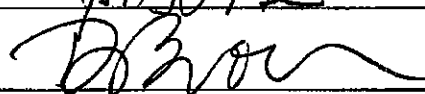
The undersigned officers of the several constituent corporations listed herein further state under the penalties of perjury as to their respective corporations that the agreement of ~~consolidation~~ merger has been duly executed on behalf of such corporations and duly approved by the members / stockholders / directors of such corporations in the manner required by General Laws, Chapter 180, Section 10.

TO BE EXECUTED ON BEHALF OF EACH CONSTITUENT CORPORATION

 _____, *President / *Vice President
 _____, *Clerk / *Assistant Clerk

UMass Memorial Laboratories, Inc.
 of _____

(Name of constituent corporation)

 _____, *President / *Vice President
 _____, *Clerk / *Assistant Clerk

UMass Memorial Medical Center, Inc.
 of _____

(Name of constituent corporation)

*Delete the inapplicable words.

UMASS MEMORIAL MEDICAL CENTER, INC.
Fed. I.D. # 04-3358564

<u>Name of Directors (or Officers Having the Powers of Directors Of Office</u>	<u>Resident Address</u>	<u>Expiration of Term of Office</u>
David L. Bennett (Chairperson)	7 Mt. View Drive Paxton, MA 01612	[ex officio]
Douglas S. Brown (Clerk)	92 Bullard Street Sherborn, MA 01770	2013
Richard Bennett	3 McIntosh Drive Stow, MA 01775	2015
John H. Budd	17 Drury Lane Worcester, MA 01609	2013
Michael Collins, M.D.	72 Flagg Street Worcester, MA 01609	[ex officio]
Lois Cornell	31 Farm Hill Road Natick, MA 01760	2013
Edward D'Alelio	Seven Ringbolt Rd., Hingham, MA 02043	2013
Robert Finberg, MD	64 Canterbury Drive Sudbury, MA 01776	2016
Terence Flotte, M.D.	122 Paxton Road Holden, MA 01520	2016
Paul Kangas	23 Bridle Path Franklin, MA 02038	2015
Todd A. Keating (Treasurer)	241 Bragg Road West Brookfield, MA 01585	2013
Harris L. MacNeill	125 Madison Road Northborough, MA 01532	2014
Mary Ellen McNamara	1 Hidden Meadow Lane Southborough, MA 01772	2014

UMASS MEMORIAL MEDICAL CENTER, INC. (continued)
Fed. I.D. # 04-3358564

**Name of Directors (or Officers
Having the Powers of Directors
Of Office**

Resident Address

**Expiration of
Term of Office**

John G. O'Brien (President)	50 Clubhouse Way Sutton, MA 01590	[ex officio]
O. N. Okike, MD	26 Baypath Drive Boylston, MA 01505	2014
Edward J. Parry, III (Vice Chairperson)	44 Walden Way Milford, MA 01757	2013
Paulette Seymour Route, Ph.D	140 Kendall Hill Road Sterling, MA 01564	2015
Irina Simmons	10 South Water Street Onset, MA 02558	2015
Jack Wilson	18 Kendall Drive Westborough, MA 01581	2014

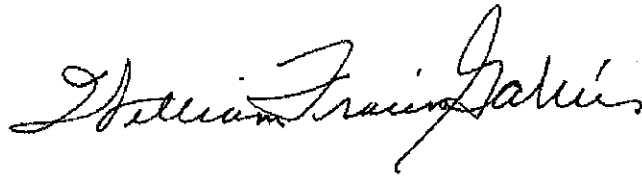
Business address for Officers and Trustees is:

One Biotech, 365 Plantation Street
Worcester, MA 01605

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:

September 27, 2012 12:50 PM

A handwritten signature in cursive script, reading "William Francis Galvin". The signature is written in dark ink and is centered on the page.

WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

5. Standing to Make Application

STANDING TO MAKE APPLICATION

Pursuant to 105 C.M.R. 100.306 of the Department of Public Health's Determination of Need ("DoN") regulations, attached please find documentation evidencing the Applicant's standing to make this DoN Application.

Exhibit A

Evidence of Ownership

Exhibit B

Evidence of Zoning

Attachment/Exhibit

A

OCCUPANCY AND SHARED SERVICES AGREEMENT

OWNER: The Board of Trustees of
University of Massachusetts

OCCUPANT: UMass Memorial Medical Center, Inc.
and UMass Memorial Health Care, Inc.

From the Office of
Carl E. Axelrod, Esquire
Mary C. Mazzio, Esquire
Brown, Rudnick, Freed & Gesmer
One Financial Center
Boston, Massachusetts 02111

ARTICLE I - BASIC PROVISIONS

Each reference in this Occupancy and Shared Services Agreement ("this Occupancy Agreement") to titles or terms contained in Article I shall be deemed to incorporate the applicable definitions or data. The Exhibits attached to this Occupancy Agreement are incorporated by reference.

Date of Occupancy Agreement: March 31, 1998

Commencement Date: March 31, 1998

Owner: The Board of Trustees of
University of Massachusetts

Owner's Mailing
Address: The Trustees of University of Massachusetts
University of Massachusetts Worcester Campus
55 Lake Avenue North
Worcester, MA 01605
Attention: Chancellor

with a copy to:

General Counsel
One Beacon Street
Boston, MA 02108

Occupant: UMass Memorial Medical Center, Inc., and UMass
Memorial Health Care, Inc., jointly and severally.

Occupant's Mailing
Address: University of Massachusetts Memorial Medical Center, Inc.
119 Belmont Street
Worcester, MA 01605
Attention: President

with a copy to:

General Counsel
119 Belmont Street
Worcester, MA 01605

Premises:

(a) that certain building known as the "UMass Teaching Hospital", (b) that certain building known as the "Benedict Building", and (c) that certain building known as the "Maple House Building", and , "all as shown on Exhibit A, (the buildings described in clauses (a) and (b) are together referred to herein as the "Teaching Hospital" and the buildings described in clauses (a), (b) and (c) are collectively referred to herein as the "Buildings") located on the University of Massachusetts Medical School Campus, having an address of 55 Lake Avenue North, Worcester, Massachusetts 01655 and situated on the property (the "Campus Property") legally described in the description attached hereto as Exhibit B. As used herein, the "Premises" shall refer to the Buildings and the portions of the Campus Property on which the footprints of the Buildings are situated.

Term:

Ninety-nine (99) years plus any partial month at the commencement of the Term, unless sooner terminated as provided herein.

Permitted Use:

For hospital use and any other clinical or non-clinical health care use not in conflict with Owner's academic use of facilities located on the Campus Property and support services and uses accessory or ancillary thereto..

Required Payments:

All payments relating to the MBIA Bonds, as defined in the Definitive Agreement (as hereinafter defined) including, without limitation, principal, interest, and premium (if any) thereon as well as all sums from time to time due and owing to Owner pursuant to that certain Amended and Restated Definitive Agreement, dated as of March 31, 1998, together with the Schedules and Exhibits annexed thereto, entered into by and between the University of Massachusetts, Memorial Health Care, Inc., Worcester City Campus Corporation, UMass Memorial Health Care, Inc., and UMass Memorial Medical Center, Inc. (the "Definitive Agreement"), the Affiliation Agreement (as defined in the Definitive Agreement), and the License Agreement (as defined in the Definitive Agreement), all as executed on the date hereof (collectively, as from time to time amended, the "Transaction Documents").

Additional Payments:

All sums, other than Required Payments, due from Occupant pursuant to the terms of this Occupancy Agreement.

ARTICLE II - PREMISES

2.1. Premises. On the terms set forth herein, Owner hereby grants and leases to Occupant for the Term, and Occupant accepts from Owner, the exclusive right to use, occupy and enjoy the Premises, together with the right to use in common with the Owner and others, the Common Areas (as defined below), the Campus Property for vehicular and pedestrian egress and ingress to the Premises. Owner hereby determines, pursuant to the Special Act, as hereinafter defined, that this Occupancy Agreement and all of the rights and interests afforded Occupant hereunder are required for the University of Massachusetts Medical School within the meaning of Chapter 901 of the Acts of 1965.

2.2. Common Areas. The term "Common Areas" shall mean all areas within the Campus Property (but not within the Buildings or any other buildings or structures on the Campus Property, other than structures which are part of the Parking Areas, as defined in Section 2.3) as are currently available for the common use of occupants of the Campus Property together with such additional areas as may be from time to time designated by Owner, including but not limited to, helicopter pad areas, parking areas, driveways, sidewalks, loading areas, access roads, landscaping and planted areas. Owner may, from time to time, relocate, reconfigure or reconstruct any of the Common Areas ("Common Area Changes"), provided that any such Common Area Changes shall be of reasonably comparable size, convenience, utility and value to Occupant and Occupant's Affiliates (as hereinafter defined) as compared to the Common Areas before any such relocation, reconfiguration, or reconstruction. In such connection, Owner shall

use reasonable efforts to minimize interference with Occupant's operations in the Premises.

Notwithstanding anything to the contrary contained herein, the Owner shall have the right to reduce the size of currently existing landscaping and planted areas to accommodate any future development of the Campus Property.

Owner and Occupant and their respective agents, employees, licensees, contractors, customers, visitors, invitees (including, without limitation, patients), lessees, assignees, and sublessees (collectively "Owner's Affiliates" or "Occupant's Affiliates," as applicable), shall have the non-exclusive rights to shared use of the Common Areas (excepting the parking areas and the helicopter pad area, which are addressed in Section 2.3 and Section 2.4, respectively) for their intended purposes, subject to reasonable rules and regulations established by Owner from time to time. Owner and Occupant shall abide by such rules and regulations, shall use reasonable efforts to cause their respective Affiliates to abide by such rules and regulations, and shall not interfere with the rights of each other, and their respective Affiliates to use the Common Areas, subject to reasonable temporary interruption with respect to maintenance, repair or replacement of same.

Any such rules and regulations shall not be inconsistent with any of the provisions hereof. In addition, any such rules and regulations shall be reasonable and non-discriminatory in their effect upon, and shall be enforced on a consistent basis as to, Owner and Occupant and their respective Affiliates. Owner shall maintain or arrange to maintain, repair and, as necessary replace the Common Areas in good operating repair and condition. Occupant hereby acknowledges that the Common Areas are generally in good operating condition as of the date of this Occupancy Agreement.

2.3. Parking. Occupant's Affiliates and Owner's Affiliates shall have the non-exclusive rights to shared use of those certain parking areas and facilities from time to time

serving the Campus Property, including, without limitation, the existing parking garage and all replacements thereof (the "Parking Areas"). Spaces available for Occupant's Affiliates in the Parking Areas shall be from time to time allocated and designated to Occupant by Owner (provided that the allocation and designation of such parking spaces shall be of at least comparable size, convenience, utility and value as those spaces allocated to and designated for Owner's Affiliates), at parking rates set from time to time by Owner, provided that (i) such parking rates shall not exceed the parking rates of other comparable medical centers (unless otherwise agreed to by Occupant and Owner); and (ii) the parking rates charged by Owner to Occupant's Affiliates shall not exceed the parking rates charged from time to time by Owner to Owner's Affiliates (unless otherwise agreed to by Occupant and Owner).

All parking revenues derived from the Parking Areas shall be paid into the University of Massachusetts Medical Parking Trust Fund (the "Parking Trust Fund"), provided that notwithstanding the foregoing, any parking revenue attributable to fines and penalties shall be paid into the University of Massachusetts Medical School Scholarship Fund.

Notwithstanding the foregoing, however, any new parking areas or facilities, as distinct from replacement of existing parking areas or facilities, serving the Campus Property installed after the Commencement Date shall not be deemed Parking Areas hereunder (and therefore, Occupant and Occupant's Affiliates shall not have rights to shared use of such new parking areas or facilities), if (a) neither Occupant nor Occupant's Affiliates make any direct or indirect financial contribution to the development of such new parking areas or facilities through (i) the five-year capital budget process described in Section 5.4; (ii) parking fees paid into the Parking Trust Fund; or (iii) any other means; and, (b) either such new parking areas or facilities do not materially reduce the number of parking spaces in the Parking Areas available for use by

Occupant or Occupant's Affiliates, or Owner makes provisions for suitable additional available parking to offset such reduction.

Occupant may obtain and maintain 100% replacement cost, all-risk, extended coverage property insurance covering those portions of the Parking Areas comprising parking garages, in which case the cost of such insurance shall be equitably allocated between Owner and Occupant through the budget process set forth in Section 5.4.

Owner shall maintain, repair and replace the Parking Areas so that they remain in good and serviceable condition throughout the Term. Any replacement facility shall be built in the same or approximate location as the former Parking Areas whenever possible and economically feasible; and whenever not possible or economically feasible, such as in the case of a Taking (as defined herein), the replacement Parking Area shall be built at another location as close as reasonably practicable to the Parking Area being replaced.

Notwithstanding the foregoing, however, if (i) the costs of such maintenance, repair or replacement, as the case may be, in any particular instance exceed the aggregate of funds available for such uses in the Parking Trust Fund and any available net insurance proceeds that may be expended for such uses; and (ii) Owner has fulfilled its obligations hereunder to obtain and maintain insurance on the Parking Areas, then, to the extent of the shortfall described in the foregoing clause (i), such maintenance, repair or replacement costs shall be allocated between Owner and Occupant, through the five-year capital budget process set forth in Section 5.4., based on each party's respective use of the subject Parking Areas.

Owner shall not use funds in the Parking Trust Fund contributed by Occupant or Occupant's Affiliates or by users of the Parking Areas, except for purposes of payment of (i) the cost of operating the Parking Areas; (ii) indebtedness related to the installation or construction of

any of the Parking Areas; and (iii) the cost of maintenance, repair, improvement and replacement of any of the Parking Areas.

2.4. Helicopter Pad Area. Occupant shall have the non-exclusive right with other occupants of the Campus Property to use the helicopter pad area designated on Exhibit A for emergency medical transport and for no other use. Owner shall have the right to use said helicopter pad areas for helicopter uses which shall include without limitation, the transport of governmental and University of Massachusetts officials as well as the transport of Owner's employees.

2.5. Teaching Hospital Cafeteria. Owner's Affiliates shall have the non-exclusive right of access to and use (as patrons) of the cafeteria presently located in the Teaching Hospital or any replacement thereof located in the Teaching Hospital, but only for so long as such cafeteria remains open for use by of any of Occupant's Affiliates. The cost for food and service charged by Occupant to Owner's Affiliates shall not exceed the cost for such food and service charged from time to time by Occupant to Occupant's Affiliates (unless otherwise agreed to by Owner and Occupant).

2.6. Utilities. Occupant shall purchase and Owner shall supply all utilities servicing the Premises which are furnished by Owner as of the Commencement Date, in accordance with Article XI. Owner may elect to supply all or any particular utility required by Occupant but not servicing the Premises as of the Commencement Date and Occupant shall be obligated to purchase the same from Owner in accordance with Article XI. Notwithstanding the foregoing, however, if at any time, (i) Occupant's requirements exceed the then existing capacity of the Owner to supply; (ii) Owner elects, (or fails within a reasonable period of time to give notice to Occupant of its election, not to supply all or any particular utility required by Occupant ; (iii) if

Owner fails to satisfy the service standard set forth in Section 11.2 for any particular utility (), or (iv) Owner fails to supply any particular utility required by Owner for a period exceeding thirty (30) consecutive months (each a "Utility Termination Event"), then Occupant shall be relieved of its obligation to obtain such particular utility service from Owner for the balance of the Term, and Owner agrees to provide reasonable access easements to utility companies for the purposes of bringing and connecting such particular utility service to the Premises. Notwithstanding anything to the contrary contained herein, if Owner fails to provide any particular utility service required by the Teaching Hospital to deliver emergency medical care to its patients, Occupant shall have the right to contract for the provision of such utility service (including the rights to install, maintain, repair or replace utility lines, if required, but only if Owner fails to take immediate action with respect thereto) and to purchase same from a utility company but only for such period that the Owner does not supply same, unless a Utility Termination Event occurs, in which case Occupant shall no longer be required to purchase such utility service from Owner for the balance of the Term.

2.7. Owner hereby further grants to Occupant the right to maintain, repair and replace any and all existing utilities lines currently serving solely the Premises and not the Remaining Parcels, as defined in Section 2.7, and to install, maintain, repair and replace any and all future utility lines permitted by this Section 2.6 and servicing solely the Premises and not the Remaining Parcels.

2.7 Reciprocal Construction, Repair, Maintenance, and Structural Support Rights and Obligations. The parties hereby acknowledge that the UMass Teaching Hospital and the University of Massachusetts Medical School building (the "Medical School Building") located on the Campus Property share a common party wall and that the Buildings comprising the

Teaching Hospital and the Maple House Building share common utilities with other buildings, including, without limitation, the Medical School Building (the "Remaining Buildings") located on that portion of the Campus Property which do not comprise the Premises (the "Remaining Parcels"). Accordingly, on the terms set forth herein, and for the Term, the Occupant shall have the right from time to time, temporarily to enter onto or encroach upon such portions of the Remaining Parcels (and the Owner shall have the same right, subject to the same limitations, to enter onto or encroach upon such portion of the Premises), as is reasonably necessary for the purpose of demolition, construction, reconstruction, restoration, repair, replacement and maintenance of the Buildings servicing the Occupant's Premises (or as to the Owner, the Remaining Buildings serving the Owner's Remaining Parcels) as is reasonably necessary, including without limitation, utility lines, common party walls and any other shared support structures and including without limitation, the right to use such portion of the Owner's Remaining Parcels (or as to the Owner, the Occupant's Premises) as is reasonably necessary as a staging area and as an area for loading, unloading, and storing materials and equipment in connection with said demolition, construction, reconstruction, restoration, repair, replacement and maintenance; provided that the exercise by the Occupant of its rights granted hereunder shall not unreasonably interfere with the owner's use of its Remaining Parcels and Remaining Buildings and the exercise by Owner of its rights granted hereunder shall not unreasonably interfere with the Occupant's use of its Premises including its Buildings.

ARTICLE III - TERM: OWNER'S WORK

3.1. Term; Delivery of Premises. This Occupancy Agreement is for the Term beginning on the Commencement Date. Except for certain space from which certain Shared Services, as defined in Section 11.1, are currently delivered and certain space located on the third

floor of the Benedict Building dealt with in a letter agreement between Owner and Occupant of even date, Owner shall deliver full and exclusive possession of the Premises to Occupant on the Commencement Date and this Occupancy Agreement shall not be deemed effective until such delivery.

3.2. Owner's Work. Except for the Owner's environmental indemnification of the Occupant set forth in Section 11.3 of the Definitive Agreement (the "Environmental Indemnity"), the Premises are accepted "AS IS", subject to all title matters whether or not set forth or referred to in the leasehold title insurance policy issued in connection with the execution and delivery of this Occupancy Agreement and the recorded notice hereof, all applicable zoning, and Laws and Insurance Regulations (as defined in Section 5.1(a)). Owner shall not be required to make any repairs or replacements or improvements, alterations or additions to the Premises at or prior to the Commencement Date. Occupant is satisfied with the condition of the Premises, and waives any existing defect, latent or otherwise (except for environmental matters covered by the Environmental Indemnity) in the condition of the Premises.

ARTICLE IV - PAYMENTS

4.1. Required Payments and Additional Payments. Occupant shall pay Required Payments in accordance with the Transaction Documents, and with respect to the debt service on the MBIA Bonds, in accordance with the Financing Agreement related thereto, it being understood that except as specifically set forth in this Occupancy Agreement or the Transaction Documents, Occupant shall continue to make Required Payments notwithstanding the expiration or termination of all or any portion of this Occupancy Agreement or the Transaction Documents. Any additional sums due to Owner under the terms of this Occupancy Agreement, including, without limitation, Tax Payments as defined in Section 4.3, and Shared Services payments as set

forth in Article XI ("Additional Payments") payable by Occupant, shall be paid to Owner when due. If Base Payments (as defined in the Definitive Agreement), Participation Payments (as defined in the Definitive Agreement), the reconciliation payments required by Section 3.4 of the Definitive Agreement with respect to Department of Education Funds, as defined in the Definitive Agreement (the "Education Reconciliation Payments"), or Additional Payments are not received by Owner when due, Occupant shall pay interest, at the Late Payment Rate (as defined in the Definitive Agreement), on (i) the Base Payment, commencing thirty (30) days after the date due; (ii) the Participation Payment, commencing as of the last day of UMass Memorial Health Care, Inc.'s Fiscal Year immediately preceding the date due; (iii) the Education Reconciliation Payments, commencing as of the last day of UMass Memorial Health Care, Inc.'s Fiscal Year immediately preceding the date due; and (iv) Additional Payments, commencing as of the date due.

4.2. Net Payments. Occupant shall pay all Required Payments and Additional Payments without notice, demand, set-off, deduction, counterclaim, defense or abatement, except as specifically provided in this Occupancy Agreement.

4.3. Real Estate Tax and Other Payments. Occupant shall pay to Owner One Hundred Percent (100%) of all real estate taxes properly allocable to the Premises, as now existing or hereafter improved as well as assessments, sales or use taxes, sewer entrance fees, and other public charges on or relating to the Premises, as now existing or hereafter improved or to Occupant's personalty or to rentals payable hereunder (it being understood that Required Payments are not rentals for this purpose) foreseen and unforeseen, ordinary and extraordinary, and all costs related to attempts to secure abatements thereof (collectively, "Tax Payments") but only if and to the extent (i) Occupant's use of the Premises is or would be taxable under then

applicable law if the same were owned in fee by Occupant; and (ii) provided Occupant has given reasonable notice to Owner of available exemptions or abatements and Occupant reimburses Owner for all reasonable costs and expenses related thereto, Owner has made all required filings and otherwise used reasonable efforts to maintain any available exemption (including, without limitation, any available exemption under ch. 773 of the Acts of 1960) or obtain any available abatements for Occupant's benefit. Owner shall reasonably cooperate (at no cost to Owner) with Occupant in obtaining a separate tax bill for the Premises.

If Occupant expands, alters or modifies the type of clinical or non-clinical use as permitted hereunder, Occupant shall pay the net amount of all increases in Tax Payments attributable to such expansion, alteration or modification. Occupant shall have the right, in its own name and on its own behalf, to pursue abatements of such Tax Payments with respect to the Premises or any of the subject Buildings at its sole cost and expense and Owner shall reasonably cooperate (at no cost to Owner) with Occupant in its efforts to obtain such abatements.

Tax Payments payable by Occupant hereunder shall be paid to Owner monthly, at the same time as the Base Payments are due, in the amount which Owner reasonably estimates, from time to time, will represent one-twelfth of Occupant's Tax Payments. Owner shall notify Occupant of the actual sum due within ninety (90) days of the end of each calendar or fiscal year of Owner (provided Owner's failure to so notify Occupant shall not reduce Occupant's liability), and any excess paid by Occupant shall be applied to Occupant's next Tax Payments due and any deficiency shall be paid by Occupant within thirty (30) days of such notice. Occupant shall also pay all taxes, fees, or charges attributable to Occupant's signs, operations, or personal property.

ARTICLE V - OCCUPANT'S AND OWNER'S COVENANTS AND OBLIGATIONS

5.1. General Covenants. In addition to the other covenants set forth herein, Occupant and Owner shall, each at its own expense, fully and faithfully perform the covenants set forth below, as applicable to each.

(a) Occupant shall not use the Premises for any purpose other than the Permitted Use (which shall require, so long as the Teaching Hospital is being used for hospital use or any other clinical or non-clinical health care use, the treatment of Medicare/Medicaid patients and indigent persons on a non-discriminatory basis). Notwithstanding anything to the contrary contained herein, no use of the Campus Property or change in Occupant's corporate structure shall be permitted which conflicts with the MBIA Bonds or any other tax exempt debt financing currently existing or obtained in the future by Owner relating to the Campus Property, provided that any use restrictions that would be applicable to the Premises in connection with any such future tax exempt debt financing by Owner shall not unreasonably restrict or interfere with the Permitted Use otherwise allowed hereunder and any such use restrictions proposed in connection with future financings by Owner shall be submitted to Occupant for its prior approval, which approval shall not be unreasonably withheld, delayed, or conditioned. Notwithstanding the foregoing, Occupant and Owner will negotiate in good faith with respect to issues relating to Occupant's ability to defease any tax-exempt financing in the event Occupant desires to change its corporate structure, provided that any such defeasance shall be at the sole cost and expense of Occupant and shall not jeopardize, restrict, interfere with, or adversely affect any existing or future tax-exempt financing by Owner.

Except to the extent otherwise required in this Occupancy Agreement, neither Occupant nor Owner shall have any obligation to the other to comply with, or to procure any required license or permit to use the Buildings, or any other buildings or structures on the

Campus Property, or to comply with any present or future law, ordinance, order or regulation of any public authority relating to the condition or operation of such buildings or structures, including without limitation, the State Building Code and the Americans With Disabilities Act of 1990, as amended, and any and all regulations promulgated thereunder (hereafter collectively "Laws and Insurance Regulations").

(b) Owner shall not develop, subdivide or otherwise undertake any activity with respect to the Campus Property, and shall not participate in or consent to (and shall cooperate, at no expense to Owner, with Occupant's efforts to resist or oppose) any public or private restriction with respect to the Campus Property, including, without limitation, any zoning or other land use law or regulation, if the purpose or effect of any such activity, restriction, or law or regulation may reasonably be expected to materially adversely affect Occupant's rights and obligations to use, maintain, repair and replace the Teaching Hospital consistent with the provisions hereof.

(c) Subject to Section 2.6 (Utilities) and Article XI (Shared Services), Owner shall cooperate as necessary to enable Occupant to obtain utility contracts in its own name and Occupant shall pay, as they become due, all charges for utilities for the Premises and contract for same in Occupant's name.

(d) Except as otherwise expressly provided in this Occupancy Agreement, including, without limitation, this Section 5.1(d) and Article VIII, Occupant shall maintain, repair and replace the Buildings (including, without limitation, the roof, structure, doors, windows, plumbing, electrical, sewage, mechanical, air conditioning, ventilating and heating equipment and fixtures and equipment appurtenant thereto) as required, from time to time, to keep the Buildings in a condition not less favorable than the condition from time to time of

Owner's existing medical school building located on the Campus Property (the "Medical School") and, to the extent Occupant continues to operate in the Teaching Hospital an acute care licensed facility or any other facility accredited by the Joint Commission on Accreditation of Health Care Organizations ("JCAHO"), in compliance with JCAHO standards.

Owner shall be entitled to oversee on a so-called "clerk-of-the-works" basis, to ensure compliance with the terms of this Lease, all work performed by Occupant or its Affiliates in connection with any repair or improvement to or replacement of the Buildings or any utility lines permitted under this Occupancy Agreement. Occupant shall pay prevailing wage for all such work and, except to the extent exempted under 1997 Mass. Acts 163, (the "Special Act"), shall comply with all applicable laws with respect to such work including, without limitation, Mass. Gen. Laws, ch.149 §§26 and 27.

Notwithstanding the foregoing, if Occupant is required hereunder or otherwise desires to make a repair or improvement to or replacement of or upgrade to the Teaching Hospital, which repair, improvement, replacement or upgrade is reasonably expected to cost more than \$5,000,000.00 in any one instance (a "Material Upgrade"), and if Occupant, because of (a) the assignment and sublet restrictions and other provisions set forth in this Occupancy Agreement, (specifically excluding the use restrictions set forth herein, but specifically including any expressed or implied obligations of Occupant's Lender (defined in Section 5.1(i)) and its successors to make the Required Payments), which are inconsistent with typical provisions of a financeable long-term ground lease (b) the absence of other provisions in this Occupancy Agreement that would generally be included in a financeable long-term ground lease; (c) any of the matters set forth or referred to in Exhibit G hereto, (any of which hereafter referred to as a "Transfer or Use Restriction"); or (d) some combination of (a), (b) and (c) (collectively, the

"Restrictive Provisions"), cannot obtain financing for such Material Upgrade at rates comparable to those which would be available to Occupant but for such Restrictive Provisions (taking into account whether or not, at the time, Occupant is then tax-exempt), and provided Occupant first has used its best efforts to finance such Material Upgrade by mortgaging, to the extent permitted by law, the real property known as the "119 Belmont Street, Worcester campus" and the "55 Lake Avenue, Worcester campus", or any site to which the existing activities of UMass Memorial Medical Center may be transferred (the "Alternative Mortgage Financing Condition"), Owner may by notice to Occupant within 60 days thereafter, at its election, agree to either (a) modify the Restrictive Provisions to permit such financing (in which event such modification will be subject to the condition that Occupant's Lender agrees to notify Owner if Occupant defaults under any such financing documents and to provide Owner with the opportunity to cure such default within a reasonable time after the expiration of any applicable cure period) or (b) undertake to provide alternative financing itself or credit enhancement for the benefit of such borrowing such that under either (a) or (b) the cost to Occupant of financing such Material Upgrade is comparable to that which would have been available to Occupant (taking into account whether or not, at the time, Occupant is then tax-exempt), in connection with a financeable long-term ground lease without the Restrictive Provisions. The Owner's decision as to whether or not and on what basis to elect to modify the Restrictive Provisions or to provide alternative financing or credit enhancement as set forth above, is expressly subject to the Covenant of Good Faith and Fair Dealing set forth in Section 12.20, viewed in the context of the entire transaction, including the significant capital obligations with respect to the Teaching Hospital that the Occupant has assumed under this Occupancy Agreement, the financial constraints created by the Restrictive

Provisions, the Owner's intention to continue to fulfill its mission of operating a high quality academic medical center on the Campus Property, and the parties' intent under this Occupancy Agreement to establish the frame work for a long-term cooperative relationship between the parties (collectively the "Good Faith and Fair Dealing Covenant"). If Occupant complies with the Alternative Mortgage Financing Condition and Owner does not so elect to modify the Restrictive Provisions or provide alternative financing or credit enhancement as set forth above, or, despite having so elected, has not done so within a reasonable time (but not later than 90 days, unless the type of alternative financing or credit enhancement reasonably requires additional time) after such election, then: Occupant shall not be obligated to make any required Material Upgrade to the Teaching Hospital and if Occupant does not elect to make such Material Upgrade, it may (and shall, if the Material Upgrade was a replacement required of Occupant pursuant to the terms of this Occupancy Agreement and Owner then elects to terminate this Occupancy Agreement, but such election shall also be made subject to the Owner's Good Faith and Fair Dealing Covenant), by notice to Owner terminate this Occupancy Agreement, in which event Occupant shall yield up, in accordance with Section 6.2, the Premises, within a reasonable period of time. In such event, Owner shall have the election to raze and demolish any of the Buildings yielded up and remove asbestos and Hazardous Materials (defined in Section 5.2) therefrom (the "Demolition and Removal Rights") all at the sole cost and expense of Occupant. Upon vacating the Premises, Occupant's obligation to continue to provide Shared Services (as hereinafter defined) shall cease, the Affiliation Agreement shall terminate and the Occupant's obligations to make payments thereunder shall cease. Unless otherwise provided therein, the provisions of this Section 5.1(d) shall not apply with respect to a Material Upgrade which is

necessitated by a fire or casualty or eminent domain taking, it being understood that the same shall be governed by Article VIII.

(e) Intentionally omitted

(f) Owner and Occupant shall not act, and shall not permit their respective Affiliates to act, in or about the Campus Property in any manner (other than the Permitted Use with respect to the Occupant and health and medical educational uses, (including, without limitation, a medical school and other allied health school uses as well as uses accessory or ancillary thereto (the "Educational Uses")), with respect to the Owner) which prevents Owner or Occupant from obtaining, or makes void or voidable, any insurance, or, except to the extent paid as hereinafter provided, creates extra premiums for, or increases the rate of, insurance required hereunder. Any extra premiums or increased rates for insurance required hereunder, shall be paid, upon demand, by the party whose acts or whose Affiliate's acts are causing such extra premiums or increased rates.

(g) Owner and Occupant shall not act, and shall not permit their respective Affiliates to act, in any manner, other than the Permitted Use with respect to Occupant and the Educational Uses with respect to Owner, which prevents Owner or Occupant from obtaining, or causes the revocation of, any government license, permit, or authority applicable to space on or about the Campus Property occupied by the other and the other's Affiliates.

(h) Occupant shall not assign this Occupancy Agreement or sublet the Premises in whole or in part, whether by changes in Ownership or control of any entity which is the Occupant, or any direct or indirect Owner of the Occupant, and whether by sale or transfer of membership, stock, partnership or beneficial interests, operation of law or otherwise (collectively, a "Transfer") without the written consent of Owner, which consent shall not be

unreasonably withheld. Notwithstanding anything to the contrary herein contained, Owner's consent shall not be required for a Transfer by Occupant (i) with respect to a sublease to a physician group practice, provided that all of the physicians of such practice are on the medical staff of the Teaching Hospital; (ii) for any Transfer to a "UMass Memorial Affiliate" (as defined in the Definitive Agreement), or to any other entity which is a wholly-owned subsidiary or wholly-controlled non-profit affiliate of Occupant; (iii) for any Transfer in connection with a merger, consolidation, or sale of substantially all of its assets, provided, however, that such Transfer, merger, consolidation or sale is not precluded by the provisions of the Special Act or any Transaction Document; (iv) for subleases of limited portions of space for uses ancillary or accessory to hospital or health care, uses, such as a food court and gift shop; or (v) for any assignment to Occupant's Lender pursuant to Section 5.1(i) below. Notwithstanding the foregoing, Owner's consent shall be required for any Transfer under the foregoing clauses (i), (ii), or (iii) if the assignee's contemplated use of the Premises will violate the provisions of Section 5.1(a).

No Transfer, whether or not permitted without Owner's consent as set forth above, shall affect the Permitted Use and no such consent shall constitute Owner's consent to any subsequent Transfer. Occupant shall remain fully and primarily liable hereunder notwithstanding any Transfer. In the event of any Transfer requiring Owner's Consent, Occupant shall reimburse Owner upon demand for all reasonable costs incurred by Owner in connection therewith.

Any Transfer requiring Owner's consent made without Owner's consent shall be void and confer no rights upon any third person, provided that in such event, Owner may elect to collect Required Payments and Additional Payments from the transferee without waiving the

prohibition against Transfer, accepting the transferee, or releasing Occupant from full performance under this Occupancy Agreement.

Owner shall have a right of first offer (as set forth below) with respect to any proposed Transfer permitted above (unless such Transfer does not require Owner's consent hereunder) and Occupant shall have a right of first offer (as set forth below) with respect to any proposed lease of space by Owner in any building now or hereafter located on the Campus Property, provided that Occupant's right of first offer shall not apply to leases, subleases or other occupancy agreements (i) with state, federal, municipal agencies or other governmental or quasi-governmental agencies; (ii) with any third party by Owner's Mortgagee, as hereinafter defined, or its successors and assigns who has taken title to any portion of the Campus Property by foreclosure or deed in lieu thereof; or (iii) of limited portions of space for uses ancillary or accessory to medical school or other academic uses such as, but not limited to, a food court or book store.

In connection with the rights of first offer set forth above, the offering party hereby agrees not to enter into any lease, sublease, or assignment or other Transfer from time to time without first giving to the other party written notice of the offering party's proposal setting forth all of the material terms and conditions of any such lease, sublease or assignment or other Transfer ("Proposal"), which Proposal shall be sent to the other party prior to the issuance of the Proposal to any third party, and, when sent to any third party, shall be expressly subject to the other party's rights of first offer hereunder. The other party shall have a period of 15 business days after receipt of such Proposal within which to advise the offering party by written notice that it desires to enter into the lease or sublease or accept the Transfer described in the Proposal, upon and subject to the terms and provisions contained in the Proposal, time being of the

essence. Failure of the other party to timely exercise its right to lease or sublease the space or accept the Transfer described in the Proposal by written notice to the offering party within said 15 business day period or to enter into an appropriate lease, sublease or assignment reflecting the terms of the Proposal (a "Transfer Document") within 30 business days after receipt by the other party of any such Proposal, shall be deemed a waiver of the other party's rights with respect to such space designated in the Proposal and thereupon the offering party shall be free, within 60 business days after the other party's receipt of such Proposal, to enter into a Transfer Document with a third party for no less than the rent offered to the other party and otherwise on substantially the same terms set forth in the Proposal. If the offering party has not entered into a Transfer Document with a third party within such 60 business day period, or if the offering party at any time desires to reduce the rent or otherwise materially amend the terms of the Proposal, a new notice and Proposal shall be given to the other party in accordance with the terms of this Paragraph and the other party shall have a right of first offer with respect to such Proposal.

(i) Notwithstanding anything contained to the contrary herein, Occupant may collaterally assign its rights under this Occupancy Agreement (and any subleases permitted or approved hereunder) to an institutional mortgagee ("Occupant's Mortgagee" or "Occupant's Lender") as security for one or more loans to Occupant, provided that all of the loan proceeds are used solely and exclusively to (a) construct a Material Upgrade of the Premises, to reimburse Occupant for the costs and expenses, including design, engineering, legal and other "soft" costs, incurred in such Material Upgrade, (b) or to refinance any prior such borrowings or, (c) some combination of (a) and (b) ("Permitted Loan"). Occupant shall provide written notice to Owner of the name and address of each and every Occupant's Mortgagee. Owner agrees that so long as any such collateral assignment to Occupant's Mortgagee is outstanding and remains unsatisfied,

the following provisions shall apply notwithstanding any provision in this Occupancy Agreement to the contrary:

- (i) There shall be no cancellation or surrender of this Occupancy Agreement by agreement of Owner and Occupant (unless specifically provided herein) without the prior consent of Occupant's Mortgagee.
- (ii) Owner shall, upon serving Occupant with any notice of termination of this Occupancy Agreement, simultaneously serve a copy thereof to Occupant's Mortgagee (provided Occupant has previously furnished Owner with such mortgagee's address), and Occupant's Mortgagee shall have the same opportunity and right as is available to Occupant to cure any default based upon which Owner may assert the right to terminate this Occupancy Agreement, provided Occupant's Mortgagee shall have an additional thirty (30) days after the expiration of Occupant's cure period within which to complete such cure or such longer period as may be reasonably necessary so long as such default is susceptible of cure and Occupant's Mortgagee continuously proceeds with due diligence to complete such cure. The curing of Occupant's default by Occupant's Mortgagee in accordance herewith shall be treated as performance by Occupant.
- (iii) In the event that Occupant defaults under the terms of the loan to Occupant's Mortgagee after the expiration of any applicable cure period, Occupant's Mortgagee may, within thirty (30) days after the expiration of any applicable cure period, but only if \$5,000,000.00 or more remains outstanding on a Permitted Loan at the time of the default, enter the Teaching Hospital and the Benedict Building upon reasonable prior notice to Owner, and arrange for the Teaching Hospital and the Benedict Building to be operated by an experienced health care operator, which operator shall be reasonably acceptable to Owner, for a period of time not to exceed six (6) months, provided that in any such event, Occupant's Mortgagee or such operator shall comply with Occupant's obligations hereunder, other than making the Required Payments, arising subsequent to such entry by Occupant's Mortgagee.

5.2. Environmental Covenants.

(a) Definition. As used in this Occupancy Agreement, the term "Hazardous Materials" means any flammable items, explosives, radioactive materials, hazardous or toxic substances, material or waste or related materials, including any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "infectious wastes",

"hazardous materials" or "toxic substances" pursuant to any Hazardous Materials Laws or now or subsequently regulated under any federal, state or local laws, regulations or ordinances including, without limitation, oil, petroleum-based products, paints, solvents, lead, cyanide, DDT, printing inks, acids, pesticides, ammonia compounds and other chemical products, asbestos, PCBs and similar compounds, and including any different products and materials which are subsequently found to have adverse effects on the environment or the health and safety of persons. The term "Hazardous Materials Laws" shall mean, without limitation, each and every law, rule, order, statute or regulation described above in this Section, together with (i) any amendments thereto or regulations promulgated thereunder, and (ii) any other laws pertaining to the protection of the environment or governing the use, release, storage, generation or disposal of Hazardous Materials, whether now or existing or hereafter enacted or promulgated.

(b) General Prohibition. Owner and Occupant agree that neither they nor their respective Affiliates shall cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated, discharged, released, spilled or disposed of on, in, under or about the Premises or the Campus Property or any improvements from time to time thereon subsequent to the Commencement Date except in compliance with applicable law. Owner and Occupant shall each have the right to contest, and negotiate in good faith with environmental authorities regarding the applicability of and their compliance with, Hazardous Materials Laws.

(c) Notice. If Hazardous Materials are discovered upon, in, or under the Premises or the Campus Property, or any improvement from time to time thereon, and any governmental agency or entity having jurisdiction requires the removal of such Hazardous Materials, Owner and Occupant shall each be responsible at their sole cost and expense for removing those Hazardous Materials arising out of or related to the use or occupancy of the

Premises, the Campus Property, or any improvement from time to time thereon by their respective Affiliates as and to the extent required by law. Neither Owner nor Occupant shall have any right to require the other to remove Hazardous Materials from the Premises or the Campus Property, except to the extent required by law. Notwithstanding the foregoing, except in an emergency, neither Owner nor Occupant shall take any substantial remedial action without first notifying the other of its intention to do so and affording the other the opportunity to protect its interest with respect thereto by appropriate legal proceedings. Owner and Occupant immediately shall notify each other in writing upon receiving notice thereof, of: (i) any spill, release, discharge or disposal of any Hazardous Material in, on or under the Premises or the Campus Property or any improvement from time to time thereon or any portion thereof; (ii) any notice, enforcement, clean-up, removal or other governmental or regulatory action instituted, contemplated, or threatened pursuant to any Hazardous Materials Law; (iii) any claim made or threatened by any person against Owner or Occupant or the Premises or the Campus Property or any improvement from time to time thereon, relating to Hazardous Materials; and (iv) any reports made to any governmental agency or entity arising out of or in connection with any Hazardous Materials in, on, under or about or removed from the Premises, the Campus Property or any improvement from time to time thereon including any complaints, notices, warnings, reports or asserted violations in connection therewith.

(d) Survival. The respective rights and obligations of Owner and Occupant under this Subsection 5.2 shall survive the expiration or earlier termination of this Occupancy Agreement.

(e) To the extent the terms and conditions of this Subsection 5.2 are inconsistent with the terms and conditions of the Definitive Agreement, the Definitive Agreement shall control.

5.3. Intentionally Omitted.

5.4 Infrastructure and Other Capital Repairs and Improvements. Each year of the Term, during the Owner's normal annual budget cycle, the Chief Operating Officer for the Academic System of the University of Massachusetts shall recommend to the Joint Space Committee (as defined herein) for its approval an annual plan and capital budget for repairs, improvements and replacements to the shared infrastructure of the Campus Property which require, under generally accepted accounting principles, capital expenditures ("Capital Repairs and Improvements"), including, without limitation, repairs, improvements and replacements to or of the power plant, power lines, water runs, parking areas (but specifically excluding repairs, improvements and replacements to parking areas and facilities to the extent covered by Parking Trust Fund monies and insurance proceeds, which repairs, improvements and replacements shall be the sole responsibility of Owner pursuant to the terms of Section 2.3) roadways, sidewalks, utilities, landscaping, building systems, life safety codes, elevators, roofs, Common Areas and structural improvements to the extent they are part of shared facilities.

Amended
Subject to the provisions of this paragraph, for a period of five (5) years commencing July 1, 1998 (the "Five Year Capital Budget Period"), each of the Owner and the Occupant shall be responsible for paying up to fifty (50) percent of the costs associated with Capital Repairs and Improvements in each year, up to an annual obligation for each party of one million dollars (\$1,000,000) and an aggregate obligation for each party for the five-year period of five million

dollars (\$5,000,000). Each party's payment obligation shall be cumulative over the five year period as follows:

Cumulative Payment Obligation:

Year 1	\$1,000,000
Year 2	\$2,000,000
Year 3	\$3,000,000
Year 4	\$4,000,000
Year 5	\$5,000,000

However, if the Owner or Occupant elects to pay an amount greater than \$1,000,000 toward Capital Repairs and Improvements in any year, such party's payment obligation in the following year shall be reduced by any such payment in excess of \$1,000,000. For example, if a party elects to pay \$1,100,000 in year one, that party's annual payment obligation in year two will be \$900,000 (for a cumulative payment obligation in year two of \$2,000,000).

After the Five Year Capital Budget Period, the Owner and Occupant shall negotiate in good faith to determine the equitable allocation between Owner and Occupant of the costs associated with the Capital Repairs and Improvements.

All Costs allocated to Occupant under this Section 5.4 shall be paid to Owner by Occupant throughout the Term on a quarterly basis on each July 1, commencing July 1, 1998.

The timing, quality, scope, cost, and personnel (including architects and contractors) to be hired for Capital Repairs and Improvements shall be recommended by the majority of the "Joint Space Committee" (a committee comprised of 6 representatives, 3 of whom shall be appointed by Owner and 3 of whom shall be appointed by Occupant) and then sent to the Chancellor of the Worcester Campus of the University of Massachusetts or his/her designee ("Chancellor") for approval, provided that notwithstanding the foregoing, any Capital Repair or Improvement to the

infrastructure which involves state capital dollars shall conform to state construction statutes and any other applicable laws, except to the extent of any variances, exemptions (including those in the Special Act), and other relief from compliance with laws. Any changes shall require the mutual consent of the Occupant and Fee Owner. All future Capital Budgets shall be recommended by a majority of the Joint Space Committee for final determination by the Worcester Campus Chancellor or his designee. In the event that a majority of the Joint Space Committee cannot agree within a reasonable period of time upon a recommendation or approval with regard to any matters set forth in this Section 5.4 which so requires its recommendation or approval, the Worcester Campus Chancellor shall be the decision maker without such recommendation, and any costs relating to infrastructure improvements shall be assessed by the Chancellor equitably to the Occupant and Fee Owner based on the relative value to each of Occupant and Owner of the work undertaken pursuant to the Capital Budget implemented by the Chancellor.



ARTICLE VI - CONDITION OF PREMISES

6.1. Improvements. Occupant may not make any exterior or structural improvement to the Premises unless such improvement has been recommended by a majority of the Joint Space Committee and approved by the Chancellor, which recommendation and approval shall not be unreasonably withheld or delayed. All construction plans and specifications for any exterior or structural improvement shall be submitted to Owner not less than 30 days prior to construction. All improvements undertaken by Occupant or any of Occupant's Affiliates on the Premises, including, without limitation, installation or replacement of utility lines permitted under this Occupancy Agreement, whether or not such recommendation and approval are required, shall (a) comply, in all material respects, with the construction plans and specifications submitted to

Owner (if any); (b) be made using good quality materials; (c) be completed in a good and workmanlike manner and without material adverse effect to the infrastructure or other buildings located on the Campus Property; and (d) be constructed in material compliance with all laws, rules, regulations, orders, ordinances, statutes and codes of all governmental authorities having jurisdiction with respect to such work, except to the extent of any applicable variances, exemptions (including those in the Special Act), and other relief from compliance with laws (collectively, the "Improvement Conditions"). Owner shall be entitled to oversee on a clerk-of-the-works basis all improvements undertaken by or for Occupant or any of Occupant's Affiliates on the Premises, whether or not such recommendation and approval are required, to assure compliance with the Improvement Conditions. Occupant shall pay prevailing wage with respect to any such work. At the end of the Term, the Occupant shall not be required to remove, and without Owner's consent shall not remove, any of such improvements.

6.2. Fixtures; Yield-Up. Except as Owner directs in writing and except as specifically otherwise set forth in Section 5.1(d) or Article VIII hereof, Occupant shall remove its personal property, signs and trade fixtures, and peaceably yield-up the Premises, broom-clean and in the condition required by Section 5.1(d) at the end of the Term, with all repairs required under this Occupancy Agreement, (including painting and patching to the Premises required by removal of such property) having been made and all utility lines left exposed or unconnected having been capped. If Occupant fails to remove its personal property, signs and trade fixtures, or to make the repairs as aforesaid by the end of the Term, Owner may remove and store same in a public warehouse at Occupant's expense or sell same at public auction, and make repairs as aforesaid, and Occupant shall promptly reimburse Owner for its reasonable out-of-pocket costs incurred in connection therewith.

6.3. Mechanic's Liens. Occupant shall immediately discharge or bond off any mechanic's, materialmen's or other lien against the Premises and/or Owner's interest therein arising out of any payment due, or purported to be due, for any labor, services, materials, supplies, or equipment alleged to have been furnished to or for Occupant or any of Occupant's Affiliates.

ARTICLE VII - INSURANCE

7.1. Insurance. Occupant shall maintain, at its sole expense, the following coverages:

(a) Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage arising out of Occupant's operations, assumed liabilities or use of the Premises, including the performance by Occupant of the indemnities set forth herein, with a combined single limit of not less than \$10,000,000.00 (or such higher limits as or may be reasonably required by Owner based upon inflation, increased liability awards, or the advice of professional insurance advisors).

(b) Casualty Insurance. 100% replacement cost all-risk, extended coverage property insurance, including, without limitation, demolition costs, debris removal, explosion, collapse and underground hazards (if applicable), in each case to the full insurable value without any co-insurance covering the Buildings and all improvements, alterations and replacements made thereto, which insurance shall contain a sprinkler leakage endorsement.

(c) Boiler and Machinery Insurance. If Occupant operates a boiler or other pressured vessel in the Premises, , Occupant shall place and maintain boiler insurance with liability limits in an amount not less than \$500,000.00 per occurrence, (or such higher limits as may be reasonably required by notice to Occupant from Owner based upon inflation, increased

liability awards or the advice of professional insurance advisors), and insurance coverage for the full replacement value thereof.

(d) Worker's Compensation/Employer's Liability Insurance. Worker's compensation insurance or similar statutory coverage containing statutory prescribed limits and employer's liability with limits reasonably acceptable to Owner.

(e) Business Interruption Insurance. Comprehensive business interruption insurance for a period of at least one (1) year.

(f) Builder's Risk Insurance. During construction, repair or renovation of any improvements, alterations or replacements of the Buildings, Occupant shall maintain or cause to maintain at its sole cost and expense, builder's risk insurance (all risks, including collapse) in an amount equal to 100% of the projected completed value of such improvements, alterations or replacements.

7.2. Occupant's Risk. Except to the extent damage or injury would not have occurred but for the gross negligence of Owner or Owner's Affiliates, all merchandise, furniture, fixtures and personal property of Occupant or Occupant's Affiliates which may be in the Premises shall be at the sole risk and hazard of Occupant.

7.3. General Requirements. All insurance policies required to be procured by Occupant hereunder shall be with companies qualified to do business in Massachusetts, reasonably acceptable to Owner and shall name Occupant's Mortgagee, if any (and if none, then a mutually acceptable Insurance Trustee) as loss payee on casualty policies, and shall name Occupant, Occupant's Mortgagee, if any, Owner and Owner's Mortgagee as their interests may appear, as additional named insureds on liability policies. In addition, all liability insurance obtained by Occupant shall be (a) primary insurance as to all claims thereunder and provide that

any insurance carried by Owner is not in excess to, and is non-contributing with, any insurance of Occupant; (b) contain cost liability endorsements or a severability of interest clause acceptable to Owner; (c) written on an occurrence basis, unless same is not available on a commercially reasonable basis to Occupant, in which event it may be written on a "claims made" basis; and (d) specifically cover the liability assumed by Occupant under this Occupancy Agreement.

Occupant shall deliver a copy of the policies or certificates of all insurance required under this Occupancy Agreement to Owner within a reasonable time after the Commencement Date, and copies of the new policies or new certificates not later than 30 days prior to the expiration of each such policy. In addition, each such policy shall provide (and the certificate shall evidence) that it will not expire, or be canceled or modified without 30 days prior written notice to Owner and, if Owner requests, to Owner's Mortgagee(s).

Notwithstanding anything to the contrary contained herein, any general liability insurance required by Section 7.1(a) may be provided in accordance with Section 10.4 of the Definitive Agreement.

7.4. [Intentionally Omitted.]

7.5. Waiver of Subrogation. Owner and Occupant release each other and each other's Affiliates, officers and directors from liability or responsibility for any loss or damage to their respective property, including their respective buildings, to the extent such loss or damage is of a nature normally covered by so-called "all risk" fire and other casualty insurance, including, without limitation, coverage against loss or damage resulting from vandalism and malicious mischief. This release shall apply to the parties and anyone claiming through or under the parties by way of subrogation or otherwise, even if the occurrence was caused by the fault or negligence of a party or anyone for whom a party is responsible. Owner and Occupant each agree that if

available without extra cost (or if the other party pays any such extra cost) it will obtain a waiver of subrogation provision for any insurance policy it is required to obtain and maintain under this Occupancy Agreement.

ARTICLE VIII - CASUALTY AND EMINENT DOMAIN

8.1. Damage. Unless this Occupancy Agreement is terminated in accordance with Section 8.2, Occupant shall promptly repair, in accordance with the requirements of Section 6.1, any damage to the Buildings after a fire or other casualty ("Casualty"), so that the Buildings are in as nearly as practicable the same condition as on the date of such Casualty. Any proceeds of casualty insurance applicable to the restoration of Buildings shall be paid to Occupant's Mortgagee or, if there is no Occupant Mortgagee, to a mutually acceptable insurance trustee, to be made available (on conventional construction loan terms) for, and to be applied to, the repair, reconstruction or replacement of the damaged section(s) of the Buildings. Whether or not such insurance proceeds exist or whether or not they are adequate to complete such repair, reconstruction or replacement of the damaged portions of the Buildings, Occupant shall nonetheless be obligated to restore the Buildings within a reasonable period of time. Notwithstanding the foregoing, if the repair, reconstruction, or restoration of the Teaching Hospital after a casualty or fire will be a Material Upgrade hereunder, and: (i) Occupant has maintained the applicable casualty insurance coverages required pursuant to this Occupancy Agreement; (ii) Occupant's Mortgagee recaptures all or a portion of the insurance proceeds leaving a material shortfall ("material" being defined as a shortfall of at least two (2%) percent of the operating budget for the University of Massachusetts Memorial Medical Center, Inc.); (iii) Occupant first has complied with the Alternative Mortgage Financing Condition; and (iv) because of the Restrictive Provisions, the Occupant cannot obtain financing for such required

Material Upgrade of the Teaching Hospital at rates comparable to those which would have been available to Occupant but for the Restrictive Provisions (taking into account whether or not, at the time, Occupant is then tax-exempt), Owner may by notice to Occupant within 60 days thereafter, at its election, agree to either (a) modify the Restrictive Provisions to permit such financing (in which event such modification will be subject to the condition that Occupant's Mortgagee agrees to notify Owner if Occupant defaults under any such financing documents and to provide Owner with the opportunity to cure such default within a reasonable time after the expiration of any applicable cure period) or (b) undertake to provide alternative financing itself or credit enhancement for the benefit of such borrowing such that the cost to the Occupant of financing such Material Upgrade of the Teaching Hospital is comparable to that which would have been available in connection with a financeable long term ground lease without the Restrictive Provisions (taking into account whether or not, at the time, Occupant is then tax-exempt). The Owner's decision as to whether or not and on what basis to elect to modify the Restrictive Provisions or to provide alternative financing or credit enhancement as set forth above, is expressly subject to the Owner's Good Faith and Fair Dealing Covenant. If Occupant complies with the Alternative Mortgage Financing Condition and Owner does not so elect to modify the Restrictive Provisions or provide alternative financing or credit enhancement as set forth above, or despite having so elected has not done so within a reasonable time (but not later than 90 days, unless the alternative financing or credit enhancement reasonably requires additional time) after such election, then: Occupant shall not be obligated to perform such required Material Upgrade of the Teaching Hospital but if Occupant does not elect to perform such required Material Upgrade to the Teaching Hospital, it may (and shall, if Owner elects to

terminate this Occupancy Agreement but such Owner's election also shall be made subject to Owner's Good Faith and Fair Dealing Covenant), by notice to Owner terminate this Occupancy Agreement, in which event Occupant shall yield up all of the space in the Premises in accordance with Section 6.2 within a reasonable period of time. In such event, Owner shall have the Demolition and Removal Rights set forth in Section 5.1(d). Upon vacating the Premises, Occupant's obligation to continue to provide or purchase Shared Services (as hereinafter defined) shall cease, the Affiliation Agreement shall terminate and Occupant's obligation to make payments thereunder shall cease.

If the Teaching Hospital cannot be restored because of changes in zoning laws or other circumstances beyond the Occupant's reasonable control or if for any reason beyond Occupant's reasonable control, whether or not there has been a fire or other casualty, Occupant is permanently or indefinitely (but not temporarily) deprived of the use of the Teaching Hospital as contemplated hereby through no fault of its own, (i) Owner, at its sole cost and expense, shall make a suitable alternate site available to Occupant for the purpose of constructing a replacement facility, subject to the terms of this Occupancy Agreement, and (ii) insurance proceeds remaining after the discharge of all debt relating to the Teaching Hospital shall be used first to demolish and raze same (and remove asbestos and Hazardous Materials) and the net balance shall be paid to Occupant for reconstructing said new facility, which facility shall be constructed in accordance with Section 6.1. If Owner does not make such suitable alternate site available to Occupant within a reasonable period of time, then (a) Occupant shall be entitled to the balance of the insurance proceeds after discharging the debt relating to the Teaching Hospital, and after paying for the costs to demolish the Teaching Hospital, and removing asbestos and Hazardous Materials, and (b) Occupant shall permanently yield up the Premises in accordance with Section 6.2 within

a reasonable period of time. In such event, Owner shall have the rights set forth in 5.1(d) and, upon vacating the Premises in accordance with this Occupancy Agreement, Occupant's obligation to continue to provide or purchase Shared Services (as hereinafter defined) shall cease, the Affiliation Agreement shall terminate, and Occupant's obligation to make payments thereunder shall cease.

8.2. Termination Rights. If any substantial portion (more than 20% of the useable space) of the Teaching Hospital is subjected to an eminent domain taking (a "Taking"), and Owner does not elect to make a suitable alternate site available as set forth in Section 8.4 below, Occupant may elect to terminate this Occupancy Agreement by written notice to Owner within 6 months of the date on which the condemning authority has the right to possession ("Taking Date"), in which case this Occupancy Agreement and the Affiliation Agreement shall terminate as of the Taking Date and the Occupant's obligation to make payments thereunder shall cease and Occupant's obligation to continue to provide or purchase Shared Services, as herein defined, shall terminate.

8.3. Abatement. If any portion of the Premises is damaged by Casualty or taken, there shall be no abatement of Required Payments or Additional Payments hereunder, provided that if the business interruption insurance maintained pursuant to Section 7.1(e) does not fully cover the "Base Payments and Participation Payments" (as defined in the Affiliation Agreement) required to be made by Occupant during the restoration period, Owner and Occupant shall negotiate in good faith as to whether an abatement of the Base Payments and Participation Payments is appropriate (and, if so, the amount thereof), taking into account Occupant's and Owner's respective financial condition at such time.

8.4. Eminent Domain Award. If all or any portion of the Teaching Hospital is taken by eminent domain, then the portion of the award attributable to the value of the leasehold interest of the Teaching Hospital (including the leasehold value of the land upon which it is situated, and with respect solely to the Occupant's Mortgagee, such leasehold interest shall be valued by assuming that such Occupant's Mortgagee shall not be obligated to make the Required Payments and assuming that this Occupancy Agreement is free of any Restrictive Provisions specifically modified by Owner, if any, in connection with such financing) shall belong: first to the Occupant's Mortgagee to the extent necessary to pay off a Permitted Loan; then to Occupant based upon the value of Occupant's leasehold interest in the Teaching Hospital (which leasehold shall be valued subject to all Restrictive Provisions, whether or not modified by Owner); and any remaining balance shall be paid to the Owner. If the parties fail to agree on the value of the leasehold interest of the Teaching Hospital, the matter shall be submitted to arbitration. Any such arbitration required pursuant to this Section 8.4 shall proceed as set forth in Section 12.19, except that any appointed mediators or arbitrators shall have at least ten (10) years of commercial real estate experience in Worcester, Massachusetts. Notwithstanding the foregoing, if Owner elects to make a suitable alternate site available to Occupant for the purpose of constructing a replacement facility, then Owner shall be entitled to the portion of the award entirely attributable to the land value (both fee and leasehold), and Occupant shall be entitled to the portion of the award attributable to the value of the fee and leasehold interest in the Teaching Hospital, it being understood that Occupant shall be obligated to construct a replacement facility in accordance with Section 6.1 and apply the entirety of such taking award towards the reconstruction of such facility. If Owner does not make such suitable alternate site available to Occupant within a

reasonable period of time, then Occupant shall permanently yield up the Premises in accordance with Section 6.2 within a reasonable period of time. In such event, the Owner shall have the Demolition and Removal Rights set forth in Section 5.1(d) and upon vacating the Premises in accordance with this Occupancy Agreement, Occupant's obligation to continue to provide or purchase Shared Services (as hereinafter defined), shall cease, the Affiliation Agreement shall terminate, and Occupant's obligation to make payments thereunder shall cease.

8.5. Taking for Temporary Use. If the Premises are taken for temporary use, this Occupancy Agreement and Occupant's obligations hereunder shall continue, except to the extent the Taking renders compliance impossible or impracticable, and Occupant shall be entitled to receive the entirety of any Taking award or damages properly allocable to the Premises.

ARTICLE IX - DEFAULTS AND REMEDIES

9.1. Occupant's Default. The following conditions shall be considered a "Default" by Occupant:

(a) failure to make any of the payments set forth below, together with any interest accrued thereon in accordance with Section 4.1, if any, within the time periods designated below:

- (i) as to any Additional Payments, including, without limitation, payments for Shared Services provided by Owner to Occupant, failure to pay within ninety (90) days after Occupant's receipt of invoice;
- (ii) with respect to Education Reconciliation Payments, failure to pay within one hundred fifty (150) days when due;
- (iii) as to Research Facility Funding Payments, failure to pay within ninety (90) days when due;
- (iv) with respect to Base Payments, failure to pay within two hundred seventy (270) days when due; and
- (v) with respect to Participation Payments, failure to pay within one hundred fifty (150) days when due.

(b) Occupant's leasehold estate is taken by execution or other process of law; or Occupant is liquidated, dissolved, is declared bankrupt or insolvent according to law, or an assignment of Occupant's property is made for the benefit of creditors or a receiver, guardian, conservator, trustee or assignee, is appointed to take charge of any part of Occupant's property; or any reorganization or similar proceedings are commenced by or against Occupant under any bankruptcy or insolvency law and not dismissed within 90 days from its commencement; or,

(c) failure to perform or observe any other term or covenant set forth herein for a period of 90 days after notice, except that if Owner's interest in the Campus Property shall not be materially adversely affected or unreasonably jeopardized, Occupant shall not be deemed to be in Default if such Default can not be reasonably cured within such 90 day period and Occupant promptly and continuously and diligently proceeds to cure such failure.

If Occupant Defaults, other than a Default relating solely to the Maple House Building (as to which Owner's rights and remedies under this paragraph shall relate solely to the Maple House Building), Owner may at any time terminate this Occupancy Agreement by written notice effective on the date of the notice or on any date specified in the notice (it being understood that the Required Payments shall continue to be made by Occupant irrespective of whether this Occupancy Agreement is terminated for Default), and without demand or notice, re-enter, take possession and repossess the Premises and, with a court order and at Occupant's risk, expel Occupant and those claiming under Occupant and their personal property, all without prejudice to any remedies for arrearages or preceding Defaults.

If either Owner or Occupant Defaults, the other party may take whatever action at law or in equity as may appear necessary or desirable to enforce performance or observance of any obligations, agreements or covenants of the defaulting party under this Occupancy Agreement. In

addition, and notwithstanding any termination of this Occupancy Agreement, the defaulting party shall reimburse the other party for all expenses and liabilities incurred by such non-defaulting party in connection with such default, including, without limitation, reasonable attorneys' fees.

9.2. Damages. Occupant's liability and obligations under this Occupancy Agreement shall survive termination or repossession, and Occupant shall pay as current damages the Required Payments, Additional Payments and other sums up to what would have been the end of the Term in the absence of the termination or repossession, with a credit for the net proceeds, if any, Owner receives from any reletting of the Premises, after deducting all of Owner's expenses in connection with the reletting including, without limitation, expenses of preparing the Premises for the reletting. Occupant shall pay the current damages to Owner on the days Required Payments would have been payable if not for the termination or repossession. In the event of such termination or repossession, Occupant shall not be obligated to pay for Shared Services which are no longer provided to Occupant, provided, however, that Occupant shall reimburse Owner for all Shared Service Termination Costs (defined in Section 11.3 hereof).

9.3. Owner's Self-Help. If Occupant Defaults, Owner may, at its option, without waiving its right to terminate this Occupancy Agreement or its claim for damages, cure the Default, and Occupant shall reimburse Owner for any amount paid or contractual liability incurred by Owner in doing so; provided Owner may immediately cure any default or failure by Occupant to perform any obligation set forth herein if the cure or performance is reasonably necessary to protect the Premises or Owner's interests, or to prevent injury or damage to persons or property.

9.4. Owner's Default. Owner shall not be deemed to be in default hereunder unless its default continues for 90 days after notice, except that if Occupant's interest in the Premises shall

not be materially adversely affected or unreasonably jeopardized, Owner shall not be deemed to be in default thereafter if it promptly commences and is continuously and diligently proceeding to cure such default.

9.5. Mutual Right of Offset. In the event Owner or Occupant fails to make any payments required under this Occupancy Agreement, the other party shall have the right to offset such sums against any moneys owed by it under this Occupancy Agreement.

9.6. Cessation of University Medical School. If the Owner ceases permanently to operate a Medical School during the term of this Occupancy Agreement, then from and after the date of such occurrence, at the election of and upon written notice provided by the President/Chief Executive Officer of Occupant (a) the Affiliation Agreement shall terminate and (b) the obligation of Occupant to make any Base Payments or Participation Payments shall cease, and (c) Occupant and Owner shall in good faith negotiate and enter into an amendment of this Occupancy Agreement (the "Lease Amendment") incorporating, for the balance of the Term for the Premises, fair market rent based upon rent then chargeable for comparable health care facility space in comparable buildings in Worcester, Massachusetts said fair market rent to be determined subject to any applicable Transfer or Use Restriction and without regard to (i) so much of the Premises as then remains but only to the extent the same were, as of the date hereof, financed by the MBIA Bonds or other capital indebtedness of Owner assumed by Occupant on the Commencement Date pursuant to the Definitive Agreement and (ii) any capital improvements then existing to the Premises as were made by or at the expense of Occupant ("Market Rent"). In the event that Owner and Occupant cannot reach an agreement on Market Rent within ten (10) business days after the termination of the Affiliation Agreement, Owner and Occupant shall submit the issue of Market Rent to appraisers as hereinafter provided. In such

event, Owner and Occupant shall each notify the other, in writing, within fifteen (15) days after the termination of the Affiliation Agreement of their selection of an appraiser. The two appraisers so selected shall then choose a third appraiser. The appraisers so selected shall be individuals with at least ten (10) years commercial real estate appraisal experience in Worcester, Massachusetts, and, in the case of the third appraiser chosen by the other two appraisers, shall not have acted in any capacity for either Owner or Occupant within five (5) years of his or her selection. Said appraisers shall determine the Market Rent for the Premises. The appraisers shall render their decision within thirty (30) days after the selection of the third appraiser and a decision by a majority of the appraisers shall be binding on both Occupant and Owner. Each party shall bear the cost of its own appraiser. The cost of the third appraiser shall be paid one-half by the Occupant and one-half by the Owner. Occupant shall pay a pro-rata share of the Market Rent for the time period between the termination of the Affiliation Agreement and the final determination of Market Rent together with the first rent payment due under the Lease, as amended by the Lease Amendment. This Section shall not be construed to alter Occupant's obligation to make Required Payments and Additional Payments as required pursuant to this Occupancy Agreement, except Occupant shall no longer be obligated to make Base Payments and the Participation Payments. In the event Occupant elects to terminate the Affiliation Agreement as provided above, Occupant shall be obligated to pay the Market Rent for the Premises in addition to the Required Payments, the Additional Payments and all other amounts as provided in this Occupancy Agreement, except Occupant shall no longer be obligated to make Base Payments and the Participation Payments.

ARTICLE X - SUBORDINATION

10.1. Subordination. Occupant's rights and interests under this Occupancy Agreement shall be prior to any existing or future mortgages, deeds of trust, or similar instruments covering Owner's fee interest in the Premises and to all advances, modifications, renewals, replacements, and extensions ("Owner's Mortgages") which Owner's Mortgages shall be in all events subject and subordinate to the terms and provisions hereof. Occupant shall give Owner's Mortgagee the same notices given to Owner, and Owner's Mortgagee shall have the same opportunity and rights as is available to Owner to cure any default based upon which Occupant may assert the right to terminate this Occupancy Agreement, provided Owner's Mortgagee shall have an additional thirty (30) days after the expiration of Owner's cure period within which to complete such cure or such longer period as may be reasonably necessary so long as such default is susceptible of cure and Owner's Mortgagee continuously proceeds with due diligence to complete such cure. Owner's Mortgagee's curing of any of Owner's default shall be treated as performance by Owner.

ARTICLE XI - SHARED SERVICES

11.1. Services to be Shared and Costs Allocated. Except as otherwise set forth herein, Owner and Occupant agree to jointly share and pay for the services (which shall include utilities, Tax Payments, and operating cost payments) set forth in Exhibit C to this Agreement ("the Shared Services") during the Term of this Occupancy Agreement, pursuant to the terms set forth in this Article XI. As noted on Exhibit C, certain of the Shared Services are to be provided to all of the Premises, others are to be provided only to a specific portion of the Premises, some are to be provided to other areas of the Campus Property not comprising the Premises, and some are to be provided to sites not located on the Campus Property.

For each Fiscal Year (defined below), all of the Shared Services shall be budgeted annually, not later than March 31 of the immediately preceding Fiscal Year, in accordance with

the departmental categories set forth on Exhibit C, as amended from time to time by mutual agreement of the parties, based upon the written good faith estimate given by the party managing the particular Shared Service (the "Managing Party") to the other party (the "Non-Managing Party") of the anticipated costs and expenses to be incurred in providing the Shared Service during the applicable Fiscal Year (the "Operating Expense Budget"). "Fiscal Year" shall mean each twelve (12) month period commencing on July 1 and terminating on June 30. The Operating Expense Budget for Fiscal Year 1998 for each Shared Service is set forth in Exhibit D to this Agreement. The actual Direct Cost (as defined in the Definitive Agreement) of the expenses incurred in providing each of the Shared Services (the "Actual Operating Expenses") during the remainder of Fiscal Year 1998 (the "Stub Period") and for Fiscal Year 1999 shall be allocated to Owner and Occupant in the proportions set forth in Exhibit C (the "Allocated Expense Proportions"). For Fiscal Year 2000 and each Fiscal Year thereafter, the Allocated Expense Proportions shall be reviewed by Owner and Occupant not later than March 31 of the immediately preceding Fiscal Year, and shall be amended by mutual agreement of the parties, based upon their good faith negotiations in determining whether such modification is equitably required and if so, the modification to be made. For Fiscal Year 2000 and thereafter, the Actual Operating Expenses shall be allocated to Owner and Occupant based on the Allocated Expense Proportions, as the same may be amended from time to time in accordance with the foregoing procedure.

11.2. Management of and Payment for Shared Services. The Managing Party for each Shared Service shall be the party so designated on Exhibit C to this Agreement. Service standards shall be mutually agreed to by Owner and Occupant within a reasonable period of time with respect to each Shared Service (or if the parties fail to mutually agree, the standard shall be

commercial reasonableness) and the Managing Party for each Shared Service shall use its commercially reasonable efforts to manage such Shared Service (i) in accordance with the applicable service standard mutually agreed to by the parties or the commercial reasonableness standard, if applicable; and (ii) in compliance with the applicable Operating Expense Budget. The Managing Party shall be responsible for hiring all employees in connection with the provision of such Shared Service, procuring all materials and supplies, and paying all expenses and costs relating to managing such Shared Service. By the last day of the month immediately following the quarterly periods ending December 31, March 31, June 30 and September 30, and commencing October 31, 1998, the Managing Party shall provide the Non-Managing Party with (i) a reasonably detailed accounting of all Actual Operating Expenses incurred during the immediately preceding quarterly period with respect to such Shared Service; and (ii) an invoice setting forth the Non-Managing Party's Allocated Expense Proportion of such Actual Operating Expenses incurred during such quarterly period with respect to such Shared Service. The Non-Managing Party shall reimburse the Managing Party within 15 days after receipt of such invoice, except that the Non-Managing Party shall not be required to pay more than its Allocated Expense Proportion of 105% of the Operating Expense Budget for the applicable Fiscal Year. If such payments are not paid when due, the Non-Managing Party shall pay interest on all such unpaid amounts at the Late Payment Rate set forth in the Definitive Agreement in accordance with Section 4.1.

11.3. Transitional Shared Services. It is anticipated that the following categories of Shared Services will be shared by Owner and Occupant on a transitional basis due to the desire of both Owner and Occupant to independently manage and operate each of such services: Information Services; Purchasing; Public Relations; Equal Employment; Human Resources;

Government Relations - Federal; Government Relations - State; Legal; and Environmental Health and Safety (collectively the "Transitional Services"). The Allocated Expense Proportions for the Transitional Services are set forth on Exhibit E and the Operating Expense Budget for Fiscal Year 1998 for the Transitional Services is set forth on Exhibit F. In the event that either Owner or Occupant elects to no longer share a particular Transitional Service and so notifies the Managing Party in writing, such Transitional Service shall no longer be shared (the "Terminated Transitional Service") effective one hundred eighty (180) days after such written notice is delivered to the other party (the "Transitional Termination Date"). In such event, within a reasonable time after the Transitional Termination Date, the Managing Party of such Terminated Transitional Service shall send a detailed written invoice to the Non-Managing Party, and the Non-Managing Party shall pay within thirty (30) days after receipt of such invoice, (i) the Non-Managing Party's Allocated Expense Proportion of all unpaid Actual Operating Expenses incurred (capped at 105% of the Operating Expense Budget on an annualized basis) in managing the Terminated Transitional Services through the Transitional Termination Date, and (ii) all costs and expenses incurred by the Managing Party in connection with the transition from providing such Transitional Service on a Shared Service basis to providing such Transitional Service on a non-shared basis, excluding any moving or renovation costs for substitute space (collectively, the "Shared Service Termination Costs"). Such Shared Service Termination Costs shall include, without limiting the generality of the foregoing, all severance and other benefits under existing University of Massachusetts policies attributable to termination of employees directly involved in delivering the Shared Service, and subject always to the limitation set forth in Section 7.2.4.1 of the Definitive Agreement. Until the Transitional Termination Date occurs, the Managing

Party shall continue to manage the Transitional Service in accordance with the terms of this Article XI.

From and after April 1, 2008, Occupant shall have the right to elect to treat Environmental Building Services and Public Safety, but only to the extent such services are provided in the Buildings (the "EBS or Public Safety Buildings Services"), as Transitional Shared Services and thus to elect to terminate purchasing of such Shared Services as set forth in Section 11.4.

If on the Transitional Termination Date, the Managing Party remains in occupancy of the space from which it managed the Terminated Transitional Service and if such space is located within space primarily assigned to the Non-Managing Party, the Managing Party shall vacate such space not later than 90 days from the Transitional Termination Date.

11.4. Shared Service Termination Election. Except as otherwise set forth in this Occupancy Agreement, no Shared Service shall be terminated by Owner or Occupant without the mutual consent of both parties. On an annual basis, the Non-Managing Party of each Shared Service shall, except as otherwise provided below, have the right to elect to no longer share a particular Shared Service and so notify the Managing Party that such Shared Service shall no longer be shared (the "Make or Buy Election") based upon a good faith determination that (i) the Managing Party has failed to manage a particular Shared Service in accordance with the applicable service standard mutually agreed to by the parties or the commercial reasonableness standard, if applicable; (ii) the proposed Operating Expense Budget for a Shared Service is excessive, the Allocated Expense Proportion for such service is unreasonable; or (iii) the external competitive market price for the Shared Service at the time the Proposed Operating Budget is adopted for a fiscal year is less than an amount equal to the proposed Operating

Expense Budget for the Shared Service plus an amount equal to the previous fiscal year's actual costs less the previous fiscal year's Operating Budget. The Non-Managing Party shall have the right to exercise its Make or Buy Election, by notifying the Managing Party in writing not earlier than May 1 nor later than June 1 of any Fiscal Year, that it elects not to continue to share such particular Shared Service specified in such written notice and the reasons for such decision (the "Shared Service Termination Election"). Notwithstanding the foregoing, however, no Shared Service Termination Election can be made without the written consent of the Managing Party, with respect to a Shared Service relating to any of the following categories: except as otherwise provided in Section 2.6, the Power Plant; Facilities and Environmental Building Services and Public Safety, except from and after April 1, 2008, Occupant can elect to terminate EBS or Public Safety Building Services.

In the event that a Shared Service Termination Election is made by the Non-Managing Party as set forth above, the specified Shared Service shall no longer be shared ("Terminated Shared Service"), effective 180 days from the date written notice is delivered to the other party, unless another effective date is mutually agreed to by the parties (the "Shared Service Termination Date"), and the Non-Managing Party shall be responsible for the payment of the Shared Service Termination Costs as provided in Section 11.3 above (provided, that if the Managing Party is Occupant, the reference in §11.3 to severance and other benefits shall be deemed to be those of Occupant.). Until the Shared Service Termination Date, the Managing Party shall continue to manage the Terminated Shared Service in accordance with the terms of this Occupancy Agreement. The Managing Party shall have no right to terminate the Shared Service without the consent of the Non-Managing Party, except in the event of the Non-Managing Party's failure to pay its Allocated Expense Proportion of the costs of the Shared

Service within 90 days of receipt of a detailed invoice for same. If on the Shared Service Termination Date, the Managing Party remains in occupancy of the space from which it managed the Terminated Shared Service and if such space is located within primary space assigned to or occupied by the Non-Managing Party under this Occupancy Agreement, the Managing Party shall vacate such space not later than 90 days from the Shared Service Termination Date.

11.5. Services at Cost-, Back-Up-Data: Inspection of Books and Records. All costs and expenses incurred in the provision of Shared Services, including, without limitation, Transitional Services, which are reimbursable by one party to the other party under the terms of this Occupancy Agreement, shall be based on the Direct Cost, as defined in the Definitive Agreement, of such expenses, incurred by the Managing Party with no mark-up or increase for administrative or other indirect charges of the Managing Party. With respect to all Direct Costs relating to Shared Services which are reimbursable by one party to the other party under the terms of this Occupancy Agreement, each party shall, upon sixty (60) days notice, make available to the other party, and its accountants, auditors, attorneys, agents and employees, for inspection, all relevant bills, invoices and the like, and shall permit the other party, and its accountants, auditors, attorneys, agents and employees, to copy the relevant portions of its books and records pertaining thereto.

ARTICLE XII - MISCELLANEOUS PROVISIONS

12.1. Parties Bound. Except as otherwise provided herein, the agreements and conditions to be performed and observed by Owner or Occupant as set forth herein shall bind and inure to the heirs, legal representatives, successors and assigns of each, provided no reference to Occupant's successors and assigns will constitute a consent to a Transfer by Occupant. The word "Owner" means only the owner, or the mortgagee in possession of the Premises such that, all

prior Owners, including Owner, shall be relieved of all Owner covenants and obligations accruing after a transfer.

12.2. Owner's and Occupant's Liabilities and Additional Rights.

(a) The obligations of Owner and Occupant set forth in this Occupancy Agreement do not constitute personal obligations of trustees, partners, directors, officers, members or shareholders of Owner or Occupant, and neither party shall seek recourse against the trustees, partners, directors, officers, members or shareholders of the other party or any of their personal assets for satisfaction of any liability in respect to this Occupancy Agreement.

(b) Neither Occupant nor Owner shall not be liable for indirect or consequential damages for any reason, or for any inconvenience, interruption or consequences resulting from the failure of utilities or any service, making repairs, improvements or resulting from leaks of steam, electricity, water, or any other substance from pipes, wires or other conduits, or from the bursting or stoppage thereof, or from leaks of water, snow, or rain.

12.3. Surrender of Premises. Occupant shall, upon the expiration or sooner termination of this Occupancy Agreement, surrender and deliver up the Premises in their then existing condition into the possession and use of Owner without hindrance or delay, free and clear of all liens and encumbrances other than those permitted under this Occupancy Agreement or created by the Owner, without any payment or allowance whatsoever by Owner on account of, or for, the Premises and any additions, alterations, improvements or replacements thereto.

12.4. Quiet Enjoyment. Provided Occupant timely pays all payments required hereunder and is not in Default under terms, conditions and covenants of this Occupancy Agreement, Occupant may peaceably and quietly have, hold and enjoy the Premises as provided

in this Occupancy Agreement, without hindrance or molestation from Owner or anyone claiming legally under Owner.

12.5. Remedies Cumulative. Except as otherwise expressly provided herein, each right and remedy provided for in this Occupancy Agreement shall be cumulative and shall be in addition to every other right or remedy provided for in this Occupancy Agreement or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by either party of any one or more of the rights or remedies provided for in this Occupancy Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by either party of any or all other rights or remedies provided for in this Occupancy Agreement or now or hereafter existing at law or in equity or by statute or otherwise.

12.6. Certificates. Within 10 days after Owner's or Occupant's request, the other shall deliver to the requesting party or to any prospective Owner's or Occupant's Mortgagee or prospective purchaser, assignee or sublessee or other such party an estoppel certificate in recordable form stating such information with respect to this Occupancy Agreement as Owner or Occupant reasonably requests.

12.7. Notices. Any notice, consent, or other communication relating to this Occupancy Agreement shall be given in writing and by registered or certified mail or overnight express commercial courier service such as "Federal Express", postage or other charges prepaid, to the other party's Notice Address or to such other address or addresses as may from time to time be designated by the party by notice, and if to Owner's Mortgagee or Occupant's Mortgagee, to such address as may be provided by such notice.

12.8. No Waiver. Neither Owner's nor Occupant's failure to complain of any act or omission of the other party shall be deemed a waiver of any of Owner's or Occupant's rights. Neither Owner's nor Occupant's waiver, express or implied, of any breach of this Occupancy Agreement shall be deemed a waiver of a breach of any other provision or a consent to any subsequent breach of the same or any other provision. Owner's or Occupant's consent to or approval to any action on one occasion shall not be deemed a consent to or approval of any other action or to such action on any subsequent occasion. Either party's payment or acceptance of a lesser amount than is due from one party to the other shall not be deemed anything but payment on account and a party's acceptance of a check or other funds transfer for a lesser amount with an endorsement or statement thereon or upon a letter accompanying the check or other funds transfer that the lesser amount is payment in full shall not be deemed an accord and satisfaction, and either party may accept the check or other funds transfer without prejudice to recover the balance due or pursue any other remedy. All of Owner's and Occupant's rights and remedies under this Occupancy Agreement or by operation of law, either at law or in equity, for any breach shall be distinct, separate, cumulative and non-exclusive and shall not be deemed inconsistent with each other.

12.9. Force Majeure. With the exception of any required payment of money, if any party's performance of any act is delayed, or prevented because of strikes, lockouts, labor troubles, inability to procure materials, power failures, restrictive laws, riots, insurrection, war, or other causes beyond such party's reasonable control, then said performance shall be excused for the period of the delay and any time period shall be extended for an equivalent period.

12.10. Recording. Occupant shall not record this Occupancy Agreement. However, the parties shall enter into a mutually agreeable so-called Notice of Lease which may be recorded.

12.11. Intentionally Omitted.

12.12. Paragraph Headings. All paragraph headings are for convenience and reference only, and shall not be held to explain, modify, amplify or aid in the construction, interpretation or meaning of the provisions of this Occupancy Agreement.

12.13. Governing Law. This Occupancy Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

12.14. Separability, Construction and Interpretation. If any term or provision hereof or the application thereof to any person or circumstance is invalid or unenforceable, the remainder of this Occupancy Agreement, or the application of the term or provision to other persons or circumstances shall not be affected, and the Occupancy Agreement shall be valid and be enforced to the fullest extent permitted by law. If any provision is capable of two constructions, then the provision shall have the meaning which renders it valid.

12.15. Joint and Several Liability of Occupant. UMass Memorial Medical Center, Inc. and UMass Memorial Health Care, Inc. are jointly and severally liable for Occupant's covenants and obligations hereunder.

12.16. Execution. This Occupancy Agreement may be executed in any number of original counterparts. Each fully executed counterpart shall be deemed an original.

12.17. Relief From Compliance With Laws. Notwithstanding anything to the contrary contained herein, Owner's and Occupant's respective obligations to comply with law hereunder shall be subject to each party's rights to contest such laws in good faith and to each party's rights under law to pursue exemptions, variances, special permits, and any other relief from such obligations to comply with law.

12.18. Expansion/Contraction of Premises. If, in its reasonable business judgment, Occupant or Owner determines that it needs to increase or decrease the Premises, it may submit a written request therefor to the Joint Space Committee which shall review any such request(s) on an annual basis. Owner and Occupant may, each at its own discretion, instruct its own representatives on the Joint Space Committee to grant or withhold consent to any proposed increase or decrease in the Premises and any increase or decrease in operating costs resulting therefrom. If a majority of the Joint Space Committee recommends such increase or decrease in the Premises, such recommendation shall be submitted to the Chancellor for final approval along with a recommended increase or decrease, as the case may be, of Occupant's share of Tax Payments required hereunder, which approval may be withheld in the Chancellor's sole and absolute discretion. Notwithstanding the rights of each of Owner and Occupant to effectively prevent any change of the Premises as aforesaid, any decrease of the Premises or any other building located on the Campus Property which is required in connection with the installation or provision of critical building services relating to life-safety issues or infrastructure requirements (such as the I.R.D. Cabling Project) may be made unilaterally by the Chancellor, and any costs in connection therewith shall be paid by the benefited party or shared equitably, as the case may be.

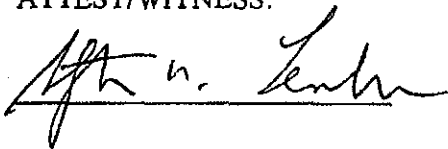
12.19. Dispute Resolution. All disputes and causes of action arising under this Occupancy Agreement by and among Occupant, Owner, the Chancellor, and the members of the Joint Space Committee (including votes and recommendations of the Joint Space Committee), shall be arbitrated in accordance with Section 14.10 of the Definitive Agreement, which Section 14.10 is incorporated by reference herein and shall be applicable to Owner's and Occupant's successors and assigns as if such Section 14.10 were set forth herein, except that arbitration shall

not apply to issues or disputes relating to the increase or decrease of space as set forth in Section 12.18 of this Occupancy Agreement.

12.20. Covenant of Good Faith and Fair Dealing. Except for issues relating to the increase and decrease of space set forth in Section 12.18 hereof, Owner and Occupant and their respective Affiliates shall cooperate in good faith and deal fairly with the other party in exercising their respective rights and performing their respective obligations under this Occupancy Agreement.

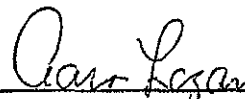
EXECUTED AS A SEALED INSTRUMENT.

ATTEST/WITNESS:



OWNER:

UNIVERSITY OF MASSACHUSETTS


By: 
Aaron Lazare, Chancellor

OCCUPANTS:

ATTEST/WITNESS:



UMASS MEMORIAL MEDICAL CENTER, INC.

By: 
(Authorized Officer)


Print Name: Peter H. Levine, M.D.

Title: President/Chief Executive Officer

ATTEST/WITNESS:



UMASS MEMORIAL HEALTH CARE, INC.

By: 
(Authorized Officer)

Print Name: Peter H. Levine, M.D.

Title: President/Chief Executive Officer

EXHIBIT A

Plan of Premises

EXHIBIT A

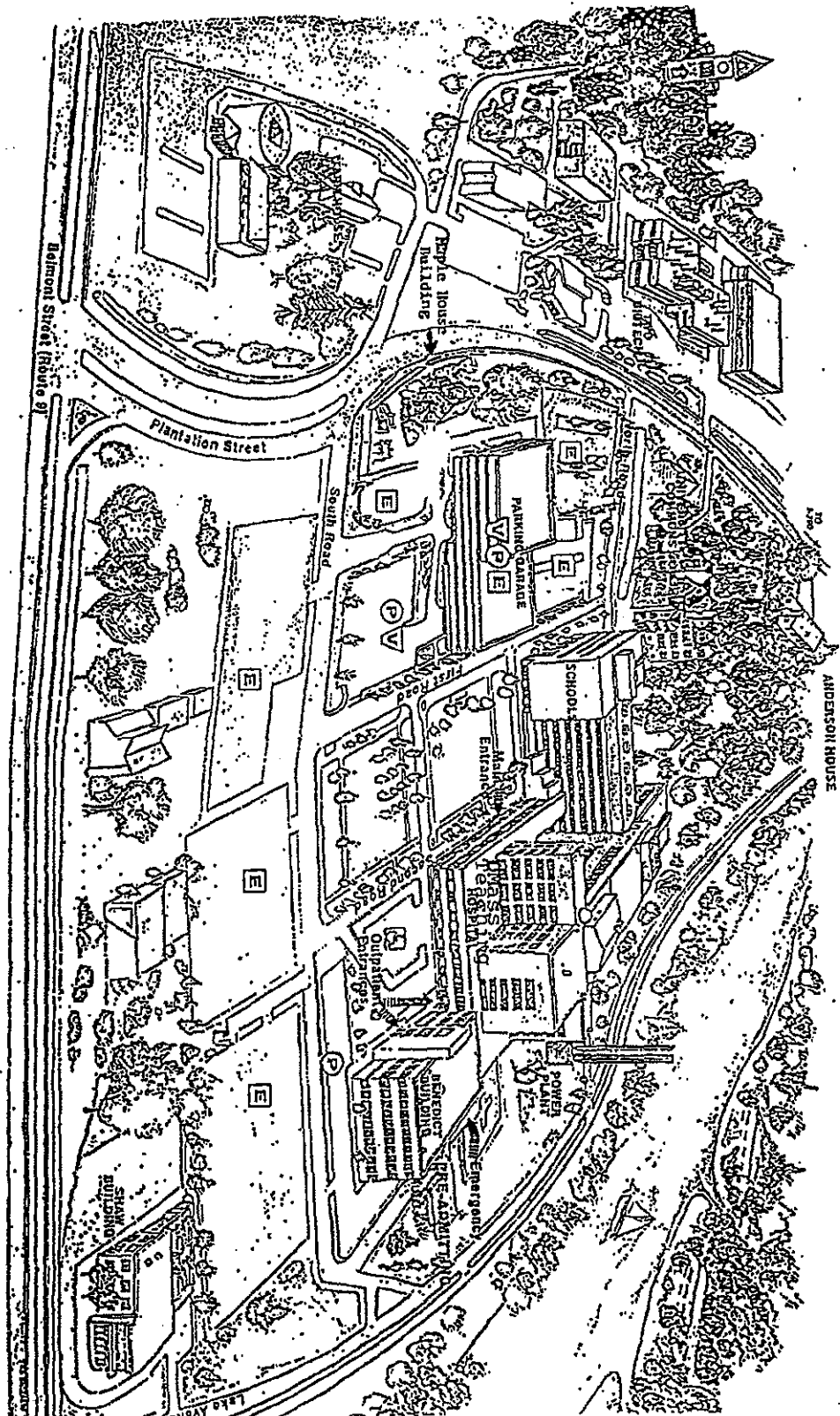


EXHIBIT B

Legal Description of Premises

Beginning at a point in the easterly sideline of Plantation Street, said point marking the southwesterly corner of land conveyed to Louis P. and Rita L. Mercadante by deed recorded in Worcester District Deeds Book 4129 at Page 254 and the northwesterly corner of the parcel described herein; thence North 79 degrees 32 minutes 10 seconds East by land of said Mercadante, land now or formerly of Peter Stapor, and land now or formerly of Joseph A. Donovan a distance of 1752.82 feet to a point in the westerly sideline of Lake Avenue North; thence southwesterly and southerly by the westerly sideline of said Lake Avenue North through two concrete bounds, each marked W. H., to a point South 3 degrees 14 minutes 03 seconds West a distance of 812.26 feet from the southerly of said bounds; thence South 85 degrees 52 minutes 10 seconds West a distance of 199.09 feet to a stone bound; thence South 40 degrees 55 minutes 30 seconds West a distance of 585.46 feet to an iron pipe, the last two courses being by land of the department of public works and formerly of the department of mental health; thence North 82 degrees 36 minutes 20 seconds West by land of the division of youth service and land of St. George's Syrian Antiochian Orthodox Church of Worcester, said land being formerly of the department of mental health, a distance of 1223.69 feet to a point in the easterly sideline of Plantation Street; thence northerly by the easterly sideline of Plantation Street to the point of beginning; containing 48.6 acres, more or less.

EXHIBIT C

Shared Services

EXHIBIT C
SHARED SERVICES

SHARED SERVICE	ALLOCATION PERCENT		MANAGEMENT	
	UNIVERSITY	CLINICAL	UNIVERSITY	CLINICAL
AUDIO VISUAL *	20%	80%	XX	
CHANCELLOR'S AREA	50%	50%	XX	
CHILD CARE	50%	50%		XX
DRUGS OF ABUSE LAB (DAL)	100%	0%	XX	
EMPLOYEE ASSISTANCE PROGRAM	50%	50%	XX	
EMPLOYEE HEALTH SERVICES	0%	100%		XX
ENV. BUILDING SERVICES (EBS) *	18%	82%	XX	
ENV. HEALTH & SAFETY	39%	61%	XX	
EQUAL EMPLOYMENT OPPORTUNITY	32%	68%	XX	
ETHICIST	33%	67%	XX	
FACILITIES *			XX	
ADMINISTRATION	50%	50%		
ASSET MANAGEMENT	50%	50%		
EQUIPMENT SERVICES	29%	71%		
FLEET	50%	50%		
PHYS. PLANT GEN. STORES	10%	90%		
GROUNDS	50%	50%		
MAINTENANCE	36%	64%		
PLANNING	50%	50%		
GOVERNMENT REL. - FEDERAL			XX	
GOVERNMENT REL. - STATE	50%	50%	XX	
HUMAN RESOURCES (HR)	46%	54%	XX	
INFORMATION SYSTEMS				XX
ADMINISTRATION	27%	73%		
DESKTOP SERVICES	50%	50%		
TELECOMMUNICATIONS				
Payroll	19%	81%		
Non-Payroll	48%	52%		
NETWORK OPERATIONS	27%	73%		
PATIENT CARE SYSTEMS	9%	91%		
INITIATIVES	30%	70%		
DATA CENTER	27%	73%		
NEW PROGRAMS	27%	73%		
GPP IS SERVICES	0%	100%		
BIOMEDICAL COMPUTING	83%	17%		
CLIENT SERVICES	30%	70%		
AFFILIATES	30%	70%		
ADMIN & FIN SYS SVS	30%	70%		
DEVELOP & INTEGRATION	30%	70%		
LEGAL	50%	50%	XX	
LIBRARY	85%	15%	XX	
MATERIALS MANAGEMENT				
RECEIVING *	26%	74%	XX	
MATERIAL HANDLING	6%	94%		XX
GENERAL STORES	3%	97%		XX
MEDICAL EXAMINER	100%	0%	XX	
POSTAL SERVICES *	28%	72%	XX	
POWER PLANT *			XX	
Non-Payroll	54%	46%		
Payroll	50%	50%		
PUBLIC RELATIONS (PR)	45%	55%	XX	
PUBLIC SAFETY *	34%	66%	XX	
PURCHASING	29%	71%		XX
RADIATION SAFETY	49%	51%	XX	
ROOM RESERVATIONS *	50%	50%	XX	
UNIVERSITY CENTRAL SERVICES	50%	50%	XX	
VOLUNTEER SERVICES	0%	100%		XX

* These services are "site specific" and managed by the University at the Umass Campus; all other services are system wide.

SHARED SERVICES

SHARED SERVICE	FY 1998 BUDGET
AUDIO VISUAL *	70,250
CHANCELLOR'S AREA	1,717,530
CHILD CARE	100,000
DRUGS OF ABUSE LAB (DAL)	286,816
EMPLOYEE ASSISTANCE PROGRAM	81,111
EMPLOYEE HEALTH SERVICES	450,558
ENV. BUILDING SERVICES (EBS) *	5,600,980
ENV. HEALTH & SAFETY	606,321
EQUAL EMPLOYMENT OPPORTUNITY	381,216
ETHICIST	254,673
FACILITIES *	
ADMINISTRATION	869,506
ASSET MANAGEMENT	134,422
EQUIPMENT SERVICES	1,702,673
FLEET	226,327
PHYS. PLANT GEN. STORES	-
GROUNDS	506,075
MAINTENANCE	2,660,514
PLANNING	350,088
GOVERNMENT REL. - FEDERAL	
GOVERNMENT REL. - STATE	334,538
HUMAN RESOURCES (HR)	2,606,446
INFORMATION SYSTEMS	
ADMINISTRATION	1,671,070
DESKTOP SERVICES	861,164
TELECOMMUNICATIONS	2,277,040
Payroll	
Non-Payroll	
NETWORK OPERATIONS	1,668,477
PATIENT CARE SYSTEMS	1,281,633
INITIATIVES	(1,397,020)
DATA CENTER	1,401,492
NEW PROGRAMS	-
GPP IS SERVICES	1,058,546
BIOMEDICAL COMPUTING	484,962
CLIENT SERVICES	353,445
AFFILIATES	211,983
ADMIN & FIN SYS SVS	974,841
DEVELOP & INTEGRATION	735,359
LEGAL	10,600
LIBRARY	2,528,170
MATERIALS MANAGEMENT	
RECEIVING *	262,012
MATERIAL HANDLING	220,280
GENERAL STORES	893,619
MEDICAL EXAMINER	
POSTAL SERVICES *	985,929
POWER PLANT *	8,201,397
Non-Payroll	
Payroll	
PUBLIC RELATIONS (PR)	898,799
PUBLIC SAFETY *	1,849,597
PURCHASING	491,187
RADIATION SAFETY	348,262
ROOM RESERVATIONS *	40,404
UNIVERSITY CENTRAL SERVICES	3,606,534
VOLUNTEER SERVICES	105,992

* These services are "site specific" and managed by t 50,965,818

EXHIBIT D

Operating Expense Budget for Fiscal Year 1998

EXHIBIT E

Allocated Expense Proportions for Transitional Services

EXHIBIT D

SHARED SERVICES

SHARED SERVICE	FY 1998 BUDGET
AUDIO VISUAL *	70,250
CHANCELLOR'S AREA	1,717,530
CHILD CARE	100,000
DRUGS OF ABUSE LAB (DAL)	286,816
EMPLOYEE ASSISTANCE PROGRAM	81,111
EMPLOYEE HEALTH SERVICES	450,558
ENV. BUILDING SERVICES (EBS) *	5,600,980
ENV. HEALTH & SAFETY	606,321
EQUAL EMPLOYMENT OPPORTUNITY	381,216
ETHICIST	254,673
FACILITIES *	
ADMINISTRATION	869,508
ASSET MANAGEMENT	134,422
EQUIPMENT SERVICES	1,702,673
FLEET	226,327
PHYS. PLANT GEN. STORES	-
GROUNDS	506,075
MAINTENANCE	2,660,514
PLANNING	350,086
GOVERNMENT REL. - FEDERAL	
GOVERNMENT REL. - STATE	334,538
HUMAN RESOURCES (HR)	2,606,446
INFORMATION SYSTEMS	
ADMINISTRATION	1,671,070
DESKTOP SERVICES	861,164
TELECOMMUNICATIONS	2,277,040
Payroll	
Non-Payroll	
NETWORK OPERATIONS	1,668,477
PATIENT CARE SYSTEMS	1,281,633
INITIATIVES	(1,367,020)
DATA CENTER	1,401,492
NEW PROGRAMS	-
GPP IS SERVICES	1,058,546
BIOMEDICAL COMPUTING	484,862
CLIENT SERVICES	353,445
AFFILIATES	211,983
ADMIN & FIN SYS SVS	974,841
DEVELOP & INTEGRATION	735,359
LEGAL	10,600
LIBRARY	2,528,170
MATERIALS MANAGEMENT	
RECEIVING *	262,012
MATERIAL HANDLING	220,280
GENERAL STORES	893,619
MEDICAL EXAMINER	
POSTAL SERVICES *	985,929
POWER PLANT *	8,201,397
Non-Payroll	
Payroll	
PUBLIC RELATIONS (PR)	898,799
PUBLIC SAFETY *	1,849,697
PURCHASING	491,187
RADIATION SAFETY	348,262
ROOM RESERVATIONS *	40,404
UNIVERSITY CENTRAL SERVICES	3,606,534
VOLUNTEER SERVICES	105,992
	<u>50,965,818</u>

EXHIBIT E
SHARED SERVICES
TRANSITIONAL SERVICES

SHARED SERVICE	ALLOCATION PERCENT		MANAGEMENT	
	UNIVERSITY	CLINICAL	UNIVERSITY	CLINICAL
ENV. HEALTH & SAFETY	39%	61%	XX	
EQUAL EMPLOYMENT OPPORTUNITY	32%	68%	XX	
GOVERNMENT REL. - FEDERAL			XX	
GOVERNMENT REL. - STATE	50%	50%	XX	
HUMAN RESOURCES (HR)	46%	54%	XX	
INFORMATION SYSTEMS				XX
ADMINISTRATION	27%	73%		
DESKTOP SERVICES	50%	50%		
TELECOMMUNICATIONS				
Payroll	19%	81%		
Non-Payroll	48%	52%		
NETWORK OPERATIONS	27%	73%		
PATIENT CARE SYSTEMS	9%	91%		
INITIATIVES	30%	70%		
DATA CENTER	27%	73%		
NEW PROGRAMS	27%	73%		
GPP IS SERVICES	0%	100%		
BIOMEDICAL COMPUTING	83%	17%		
CLIENT SERVICES	30%	70%		
AFFILIATES	30%	70%		
ADMIN & FIN SYS SVS	30%	70%		
DEVELOP & INTEGRATION	30%	70%		
LEGAL	50%	50%	XX	
PUBLIC RELATIONS (PR)	45%	55%	XX	
PURCHASING	29%	71%		XX

EXHIBIT F

Operating Expense Budget for 1998 For Transitional Services

EXHIBIT F
SHARED SERVICES
TRANSITIONAL SERVICES

SHARED SERVICE	FY 1998 BUDGET
ENV. HEALTH & SAFETY	806,321
EQUAL EMPLOYMENT OPPORTUNITY	381,216
GOVERNMENT REL. - FEDERAL	
GOVERNMENT REL. - STATE	334,538
HUMAN RESOURCES (HR)	2,608,446
INFORMATION SYSTEMS	
ADMINISTRATION	1,671,070
DESKTOP SERVICES	861,164
TELECOMMUNICATIONS	2,277,040
Payroll	
Non-Payroll	
NETWORK OPERATIONS	1,668,477
PATIENT CARE SYSTEMS	1,281,633
INITIATIVES	(1,397,020)
DATA CENTER	1,401,492
NEW PROGRAMS	
GPP IS SERVICES	1,058,546
BIOMEDICAL COMPUTING	484,962
CLIENT SERVICES	353,445
AFFILIATES	211,983
ADMIN & FIN SYS SVS	974,841
DEVELOP & INTEGRATION	735,359
LEGAL	10,600
PUBLIC RELATIONS (PR)	898,799
PURCHASING	491,187
	<u>16,912,099</u>

EXHIBIT G

Transfer or Use Restrictions

1. Chapter 901 of the Massachusetts Acts of 1965.
2. Deed from the Commonwealth of Massachusetts to the Trustees of the University of Massachusetts dated December 21, 1966 and recorded with the Worcester County (Worcester District) Registry of Deeds in Book 4729, Page 454.
3. Lease to the University of Massachusetts Building Authority dated April 1, 1984 and recorded with the Worcester County (Worcester District) Registry of Deeds in Book 8170, Page 211.

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**AMENDMENT
TO THE
OCCUPANCY AND SHARED SERVICES AGREEMENT**

NOW COME the **University of Massachusetts**, a public institution of higher education of the Commonwealth of Massachusetts acting by and through its Medical School (the "University" and/or "UMMS") and **UMass Memorial Health Care, Inc.** ("UMass Memorial") and **UMass Memorial Medical Center, Inc.** (the "Medical Center"), the latter two of which are non-profit corporations organized and existing under the laws of The Commonwealth of Massachusetts, and on this _____ day of October, 2011, hereby enter into and agree to this amendment to the "Occupancy and Shared Services Agreement" dated the 31st day of March, 1998 as previously amended (the "Agreement"). Each of the University/UMMS, UMass Memorial and the Medical Center are sometimes referred to herein as Party and collectively as "Parties."

WHEREAS, the Parties have met and discussed certain provisions of the Agreement, and now agree that the following described modifications and amendment to the Agreement relative to the defined Premises shall be made; and

WHEREAS, in this regard, the Parties have agreed to allow UMMS to demolish the Maple House building (as it is shown and described on the attached Exhibit "A"), which currently exists as a Medical Center building; and

WHEREAS, the Parties have further agreed that as a result of this demolition, no replacement space needs to be provided to Medical Center; and

WHEREAS, the Parties have met the requirements of Section 12.18 of the Agreement and all other such requirements relative to this decrease in the defined Premises; and

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed to, the Parties agree as follows:


1. ARTICLE I – BASIC PROVISIONS of the Agreement shall be amended and re-stated as follows:

Premises: (a) that certain building known as the "UMass Teaching Hospital", and (b) that certain building known as the "Benedict Building", all as shown on Exhibit A, (the buildings described in clauses (a) and (b) are together referred to herein as the "Teaching Hospital") located on the University of Massachusetts Medical School Campus, having an address of 55 Lake Avenue North, Worcester, Massachusetts 01655, and situated on the property (the "Campus Property") legally described in the description attached hereto as Exhibit B. As used herein, the "Premises" shall refer to the Buildings and the portions of the Campus Property on which the footprints of the above-described buildings are situated.

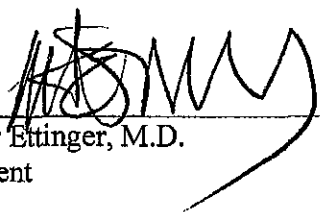
2. UMMS will be responsible for any and all costs associated with demolishing the Maple House building, and no such costs shall be reflected in any invoice statement to UMass Memorial or Medical Center pursuant to the Agreement or otherwise.
3. The terms, covenants, conditions, provisions and agreements herein contained shall be binding upon and inure to the benefit of the Parties, their successors and permitted assigns. This Amendment contains the entire agreement among the Parties with respect to the subject matter hereof, and no prior or contemporaneous oral or written representations or agreements between the Parties with respect to the subject matter of this Amendment shall be of any force or effect.

IN WITNESS WHEREOF, this Amendment has been executed by the parties as of the day and year first hereinabove written.

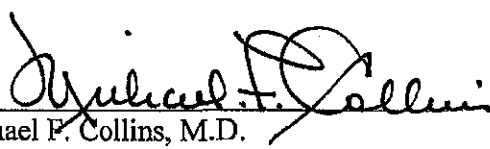
UMass Memorial Health Care, Inc.

By: 
John O'Brien
President and CEO

UMass Memorial Medical Center, Inc.

By: 
Walter Ettinger, M.D.
President

University of Massachusetts Medical School

By: 
Michael F. Collins, M.D.
Senior Vice President for the Health Sciences
and Chancellor

Attachment/Exhibit

B



**Department of Inspectional Services
Worcester, Massachusetts**

John R. Kelly
Commissioner

Amanda M. Wilson, Director
Housing/Health Inspections

October 20, 2016

Mr. Dana Swenson, Senior Vice President, Chief Facilities Officer
UMass Medical Center
55 Lake Avenue North
Worcester, MA 01605

Re: 55 Lake Avenue North

Dear Mr. Swenson,

In response to your inquiry regarding the zoning status for the area where UMass Medical Center is located at 55 Lake Avenue North in Worcester, Massachusetts, please be advised that this property is located in an area that is zoned IN-H, and is appropriately zoned for use by a licensed health care facility, including a licensed hospital.

Please do not hesitate to contact me if you have any additional questions.

Sincerely,

John Kelly, Building Commissioner

Anthony Sievers
Diversified Project Management
UMMC
55 Lake Avenue North
Worcester, MA 01605

B. Project Summary

APPLICATION NARRATIVE (PROJECT SUMMARY)

Please *briefly* describe the proposed project in the space indicated below. Detailed information is requested elsewhere in the application under the Factors Applied in Determination of Need. All applicants are required to provide an Application Narrative.

I. Overview

UMass Memorial Medical Center, Inc. (the "Applicant" or "Hospital") operates a seven hundred seventy-nine (779) bed acute care, academic medical center. The Hospital consists of three (3) campuses in Central Massachusetts: University, Memorial and Hahnemann. A copy of the Applicant's license is provided at Exhibit A. The Applicant hereby submits this Determination of Need ("DoN") application ("Application") to the Department of Public Health ("Department") for a substantial capital expenditure relating to renovation of its University campus.

II. Project Description

The Project involves a total of 53,458 gross square feet ("GSF") of renovation. The maximum capital expenditure ("MCE") associated with the project is \$30,400,243. The Applicant submits this Application in accordance with the Department's DoN regulations set forth at 105 CMR 100.000 *et seq.* ("Regulations").

The proposed Project involves several components. Each of these components are included because of the DoN Program's policy disallowing disaggregation. The overall objective in pursuing each of the components to the Project is to improve quality and access to the Applicant's University campus services. The individual components of the Project were developed based on an identified need that would result in improved access to services at the University campus. The Project includes the following components: (1) Expanded Medical/Surgical Unit; (2) New Step-Down Sub-Unit; (3) Relocated and Expanded Observation Unit; (4) Renovations to Medical/Surgical Units for ADA Compliance; (5) Renovations to BMT Unit; (6) Renovations to Cardiac Catheterization Lab; and (7) Relocated Dialysis Unit.

III. Regulation Compliance

The overall objective of the Project is to address the Hospital's need for additional medical/surgical capacity at its University campus to improve operations and ensure that patients are cared for in the most appropriate setting. This need was initially identified through a review of inpatient data that indicated consistent increases in the University campus' emergency department boarding hours. By providing for additional medical/surgical and observation bed capacity, the Hospital will be able to mitigate this backlog and improve quality and access to care at its University campus. This Project does not seek to increase the number of beds for the overall multi-campus hospital, rather beds will be allocated to the University campus from the Memorial campus to ensure the total number of licensed beds remain consistent with the Applicant's current license. Through increased bed availability, patients may be admitted to the inpatient units in a timely manner alleviating overcrowding and a lack of resources within the emergency department. The addition of beds to the University campus will allow patients to receive care in the most appropriate setting leading to better clinical outcomes and increased patient satisfaction. The Applicant's compliance with the DoN Regulations and factors presented in this Application are summarized below.

APPLICATION NARRATIVE (PROJECT SUMMARY)

A. Health Planning Process

The Proposed project is the result of the Applicant's ongoing planning and development processes. To ensure patients have access to a full range of quality medical care, the Applicant engages in long-term and strategic planning processes. Accordingly, the Applicant's Board of Trustees has charged the senior management team with the development and execution of a strategic plan that is aligned with UMass Memorial Health Care's quality assurance and performance improvement objectives and furthers the mission and vision of the organization. In developing the proposed Project, the Applicant consulted with a number of health care providers. The Applicant also discussed the Project with applicable state agencies and representatives of the Department as part of its planning process. Through these consultations, the Applicant determined that sufficient need exists to support the renovation projects included in this Application.

B. Health Care Requirements

The Applicant conducted a thorough analysis and review of service needs and demand for its service area to develop the most appropriate Project. Among the factors considered were current inpatient volume and a lack of capacity to handle admissions from the emergency department. The focus of the Project is to provide additional inpatient medical/surgical capacity, which will be achieved by reallocating beds from the Memorial campus to provide a step-down medical/surgical unit and more traditional medical/surgical beds. The observation unit is also expanded. Each of these initiatives will improve patient flow, thereby reducing emergency department boarding. A number of smaller projects are included in this Application that will improve quality and access, while unrelated, these smaller projects are included due to the Department's aggregation policy.

C. Operational Objectives

The Applicant conducts a robust quality improvement program and associated performance improvement processes. These processes were developed to ensure that the Hospital provides appropriate and high quality health care services. The Applicant's Board of Trustees and senior management team provide oversight for such programs. Through these programs, the Applicant is able to identify deficiencies and areas for improvement to assure appropriate utilization and deliver high quality care. The Applicant has embraced Lean management principles and the Team Strategies and Tools to Enhance Performance and Patient Safety ("TeamSTEPPS") framework to improve the quality and safety of care through increased communication and teamwork skills among health care professionals.

D. Compliance Standards

The Applicant developed the design for the Project in compliance with the Department's Plan Review checklists. All renovations will meet these requirements, including compliance with the American's with Disabilities Act.

E. Reasonableness of Costs & Financial Feasibility

The Project was designed to be cost efficient and financially feasible. The proposed MCE of \$30,400,243 is reasonable for the size and nature of the Project and is within the Applicant's financial capability. The

APPLICATION NARRATIVE (PROJECT SUMMARY)

incremental operating costs for the first full year of operations will be \$15,245,522. The cost per GSF is \$529. The Applicant will fund the Project through tax-exempt bond financing.

F. Relative Merit

The major focus of this Application is to provide an increase in medical/surgical bed capacity in order to reduce overcrowding in the Applicant's University campus emergency department. After evaluating the potential options for addressing this need, the Applicant determined that the proposed Project is the most efficient and cost-effective option for providing needed medical/surgical capacity. Specifically, the Applicant considered doing nothing to address the identified need. The Applicant also evaluated the possibility of constructing a new addition on the University campus. Finally, the Applicant reviewed the potential of renovating existing space within its facilities to provide additional medical/surgical beds. Upon review, the Applicant concluded that the proposed renovation project presents the optimal plan for adding inpatient capacity that would assist in addressing backlogs in the emergency department.

G. Environmental Impact

Through this Project, the Applicant will renovate aspects of the multi-storied H and Lakeside buildings on the University campus. Renovations include the demolition of selected areas on specific floors as outlined in Factor 2 and depicted in the schematics of Factor 4. However, the infrastructure of the buildings, including the sprinkler risers, HVAC shafts and electrical distribution will remain unaffected. Moreover, adjacent areas to the renovations will remain intact including corridors, utility closets, mechanical and electrical rooms and public bathrooms. Consequently, given that complete demolition of all non-structural building components is not part of the Project, based on the DoN Green Guidelines, this Project does not constitute a "gut renovation." However, the Applicant is committed to meeting sustainable measures throughout the renovation. Additionally, the Project does not trigger MEPA review.

H. Community Health Initiatives

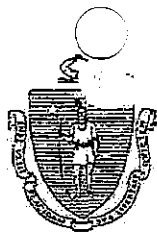
The Applicant will contribute five percent (5%) of the Project's MCE to community health initiatives. Specifically, the Applicant is committed to providing \$1,520,012.15 over five (5) years. The Applicant will work with appropriate community representatives, community-based health coalitions, local health centers and public health authorities, and the Office of Community Health Planning (OCHP) to ensure that the funds are directed to community health improvement initiatives in Central Massachusetts.

IV. Conclusion

The Applicant demonstrates its compliance with the applicable DoN Regulations and the requirements of the DoN Kit throughout this Application's narratives and supporting documentation. Moreover, the Applicant details the need for the Project and its ability to ensure continued access to high quality health services for patients of its service area. In summary, the Project will allow the Hospital to provide improved access for patients by expanding medical/surgical capacity at its University campus and alleviating backlogs in the emergency department.

Attachment/Exhibit

A



The Commonwealth of Massachusetts
DEPARTMENT OF PUBLIC HEALTH
HOSPITAL LICENSE

In accordance with the provisions of the General Laws, Chapter III, Sections 51-56 inclusive, and the regulations promulgated, thereunder, a license is hereby granted to:

UMass Memorial Medical Center, Inc.

Name of Applicant

for the maintenance of UMass Memorial Medical Center, Inc. at 55 Lake Avenue North, Worcester, MA 01655

and satellites as listed below. The license is valid until May 17, 2017 subject to revocation or suspension, either wholly or with respect to a specific service or specific services, or a part or parts thereof.

CAMPUSES

UMass Memorial Medical Center
Memorial Campus
119 Belmont Street
Worcester, MA 01605

UMass Memorial Medical Center
University Campus
55 Lake Avenue North
Worcester, MA 01655


SATELLITE

UMass Memorial Medical Center
Psychiatric Treatment & Recovery
Center (PTRC)
26 Queen Street
Worcester, MA 01610

HOSPITAL SERVICES

	<u>BEDS</u>	<u>BEDS</u>	<u>BEDS</u>	<u>TOTAL BEDS</u>
Medical/Surgical	188	258		446
Intensive Care Unit	9	64		73
Coronary Care Unit	14	14		28
Burn Unit		2		2
Pediatric Service		41		41
Pediatric Intensive Care Unit		11		11
Obstetrics Services	65 (Level III)			65
Neonatal Intensive Care Unit	27			27
Psychiatric Service		41	45	86
TOTAL NUMBER OF BEDS	303	431	45	779
Well Infant Nursery Bassinets	47			47
Special Care Nursery Bassinets	22			22
Chronic Dialysis Service	X	X		
Ambulatory Care Services	X	X		
Emergency Service	X	X		
Cardiac Catheterization Services		X		
Primary Stroke Service		X		
Designated Trauma Service		X		
Adult and Pediatric Hematopoietic		X		
Progenitor/Stem Cell Service				
Medical Control Service	X	X		

LICENSE No V111


Commissioner of Public Health

May 18, 2015

Date Issued

June 6, 2016

Date Amended



The Commonwealth of Massachusetts
DEPARTMENT OF PUBLIC HEALTH
HOSPITAL LICENSE

In accordance with the provisions of the General Laws, Chapter 111, Sections 51-56 inclusive, and the regulations promulgated, thereunder, a license is hereby granted to:

UMass Memorial Medical Center, Inc.

Name of Applicant

for the maintenance of UMass Memorial Medical Center, Inc. at 55 Lake Avenue North, Worcester, MA 01655

and satellites as listed below. The license is valid until May 17, 2017 subject to revocation or suspension, either wholly

or with respect to a specific service or specific services, or a part or parts thereof.

SATELLITES (IF APPLICABLE)

	Name of Satellite	Street Address	Floor/Suite	City or Town	Zip Code	Type of Services	
						Outpatient	Inpatient
1	UMass Memorial Medical Center Hahnemann Campus	281 Lincoln Street		Worcester, MA	01605	X	
2	Hahnemann Family Health Center	197 Lincoln Street		Worcester, MA	01605	X	
3	Shrewsbury Radiology	26 Julio Drive	Suite 104	Shrewsbury, MA	01545	X	
4	Westboro Radiology	154 East Main Street	Suite 5	Westborough, MA	01581	X	
5	Radiology Program at HealthAlliance Regional Cancer Center	Cancer Center Building 275 Nichols Road		Fitchburg, MA	01420	X	
6	Ronald McDonald Mobile	119 Belmont Street		Worcester, MA	01605	X	
7	Barre Family Health Center	151 Worcester Road P.O. Box 908		Barre, MA	01005	X	
8	Tri-River Family Health Center	281 East Hartford Avenue		Uxbridge, MA	01569	X	
9	UMass Memorial Medical Center (UMMMC)	214 Shrewsbury Street		Worcester, MA	01604	X	
10	Plumley Village Health Services	116 Belmont Street	Suite 11	Worcester, MA	01605	X	

LICENSE No

V111

May 18, 2015

Date Issued



The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC HEALTH

HOSPITAL LICENSE

In accordance with the provisions of the General Laws, Chapter III, Sections 51-56 inclusive, and the regulations promulgated, thereunder, a license is hereby granted to:

UMass Memorial Medical Center, Inc.

Name of Applicant

for the maintenance of **UMass Memorial Medical Center, Inc.** at **55 Lake Avenue North, Worcester, MA 01655**

and satellites as listed below. The license is valid until **May 17, 2017** subject to revocation or suspension, either wholly or with respect to a specific service or specific services, or a part or parts thereof.

SATELLITES (IF APPLICABLE)

	Name of Satellite	Street Address	Floor/Suite	City or Town	Zip Code	Type of Services	
						Outpatient	Inpatient
11	UMass Memorial Endoscopy Center	21 Eastern Avenue	2nd Floor	Worcester, MA	01605	X	
12	UMass Memorial Medical Center - Milford Radiology	Milford Ambulatory Care Center 91 Water Street	1st Floor	Milford, MA	01757	X	
13	UMass Memorial Ambulatory Care Center	55 Lake Avenue North	2nd, 3rd, 4th, 5th, & 6th Floors	Worcester, MA	01655	X	
14	UMass Memorial Medical Center, Inc. Cancer Center at Marlborough	157 Union Street		Marlborough, MA	01752	X	

LICENSE No

V111

May 18, 2015

Date Issued

C. Factors Applied

FACTORS APPLIED IN DETERMINATIONS OF NEED

Factor 1

FACTOR 1: HEALTH PLANNING PROCESS

1.1 Please provide a brief description of the annual planning process used by your institution, including the decision to undertake the proposed project. (Answer on a separate sheet)

The Applicant is an acute care academic medical center with three campuses in Central Massachusetts: University, Memorial and Hahnemann. To ensure patients have access to a full range of quality medical care, the Applicant engages in long-term and strategic planning processes. Accordingly, the Applicant's Board of Trustees has charged the senior management team with the development and execution of a strategic plan that is aligned with UMass Memorial Health Care's quality assurance and performance improvement objectives and furthers the mission and vision of the organization. With respect to clinical services, planning activities include senior management team participation in routine planning sessions where data related to service needs and current demand are reviewed. Additionally, the senior leadership team evaluates financial performance, patient access information and clinical department goals to ensure alignment with the Applicant's mission, vision and values. This planning process ensures that service needs are met and allows for a robust evaluation of cost efficient and clinically effective options on a quarterly basis. This approach also prevents any unnecessary duplication of services.

In developing the proposed Project, the Applicant consulted with a number of health care providers. The Applicant also discussed the Project with applicable state agencies and representatives of the Department as part of its planning process. Through these consultations, the Applicant determined that sufficient need exists to support the renovation projects included in this Application.

Additionally, the Applicant sought input from providers in its service area that utilize the Applicant's clinical services. Consistent with the requirement of the Guidelines, the primary objective of these consultations was to assure that these renovations were needed and there was no unnecessary duplication in services. As evidenced by letters of support found at **Exhibit: Letters of Support**, the Applicant has demonstrated sufficient support for the Project as required by the Guidelines.

FACTOR 1: HEALTH PLANNING PROCESS

- 1.2 Did you consult with other providers in the primary service area of this project about the relationship of this project to existing or planned operations at their institutions?

YES X NO

- 1.2a If your answer to question 1.2 was "NO", please explain below why you did not consult with other providers.

- 1.2b. If your answer to question 1.2 was "YES", please supply the name and titles of persons with whom you consulted and results of the consultation. (use separate sheet if necessary)

The Applicant consulted with individuals and organizations familiar with the Applicant's Facility. The Applicant consulted with such individuals and providers relative to the need for projects proposed herein. The following individuals are some of those consulted regarding this Project:

- William F. Corbett, MD, Senior Vice President, Community Practices
- Robert W. Finberg, MD, Chair, Department of Medicine, UMass Memorial Medical Center
- Richard M. Forster, MD, FACP, Chief, Division of Hospital Medicine and Program Director, Internal Medicine Residency, UMass Memorial Medical Center
- Martin A. Reznick, MD, MBA, FACEP, Vice Chair for Clinical Operations, Department of Emergency Medicine, UMass Memorial Health System
- Patrick Smallwood, MD, Vice Chair, Adult Psychiatry Clinical Service, UMass Memorial Medical Center
- Gregory A. Volturo, MD, FACEP, Chairman, Department of Emergency Medicine, UMass Memorial Medical Center

FACTOR 1: HEALTH PLANNING PROCESS

- 1.3 Since a broad range of inputs is valuable in the planning of a project, applicants are encouraged to undertake a diverse consultative process. Please indicate which, if any, of the following agencies or groups you consulted in the development of this application.

Determination of Need Program (DPH) YES ☒ X ☐ NO ☐

Date(s) September – November, 2016

Contact Person(s) Nora Mann, Rebecca Rodman, Sherman Lohnes

Department of Mental Health (for mental health projects) YES ☐ NO ☐ N.A. ☒ X

Date(s) _____

Contact Person(s) _____

Executive Office of Elder Affairs (for projects with special significance for elders) YES ☐ NO ☐ N.A. ☒ X

Date(s) _____

Contact Person(s) _____

EOHHS Office of Acute and Ambulatory Care YES ☒ X ☐ NO ☐ N.A. ☐

Date (s) December, 2016

Contact Person(s) Stephen Thomas and Steven Sauter

Other Relevant Agencies or Parties YES ☒ X ☐ NO ☐ N.A. ☐

Name (s) MassHealth

Date(s) December, 2016

Contact Person(s) David Garbarino

Name (s) _____

Date(s) _____

Contact Person(s) _____

Factor 2

FACTOR 2: HEALTH CARE REQUIREMENTS

2.1 How will this project affect accessibility of services for the prospective patients who are poor, medically indigent and/ or Medicaid eligible?

The Applicant does not discriminate based on ability to pay or payor source and this practice will continue following implementation of the Project. As further detailed below, the proposed Project will increase access to inpatient services and will enhance other services at the University campus.

2.2 Describe below and on additional sheet(s) your need analysis for this project including any special conditions for consideration. If your analysis is inconsistent with the relevant need methodology or criteria of Determination of Need Guidelines, please explain on the additional sheet(s) why you believe your methodology is more appropriate. Long-term care applications should show how they meet the criteria for bed replacement and/or substantial renovation of beds or the facility, consistent with the *May 25, 1993 Determination of Need Guidelines for Nursing Facility Replacement and Renovation*.

The overall objective of the Project is to address the Hospital's need for additional medical/surgical capacity at its University campus to improve operations and ensure that patients are cared for in the most appropriate setting. This need was initially identified through a review of inpatient data that indicated consistent increases in the University campus' emergency department boarding hours. By providing for additional medical/surgical and observation bed capacity through the proposed Project, the Hospital will be able to mitigate this backlog and improve quality and access to care at its University campus.

The Project involves several components each targeted at meeting this objective. A matrix showing the proposed projects and bed changes involved with each is provided at Exhibit A. Specifically, the Applicant intends to add a new fourteen (14) bed medical/surgical unit providing much needed medical/surgical bed capacity at the University campus. In addition, the Applicant will develop a dedicated nine (9) bed step-down sub-unit that will provide intermediate care to those patients who do not need ICU-level care, but have a higher acuity than a typical medical/surgical inpatient. The Project also includes a recently completed observation unit that was relocated and expanded. The Applicant also will renovate existing inpatient floors to provide for more efficient nursing stations and Americans with Disabilities Act ("ADA") compliant rooms. Finally, two (2) patient rooms in the dedicated bone marrow transplant ("BMT") will be renovated to create two (2) airborne isolation rooms. Each of these projects will allow the Applicant to ensure that patients receive care in the most appropriate setting, improve operational efficiencies, provide for cost savings and most importantly, alleviate emergency department boarding.

Beyond the inpatient projects described above, the Applicant's Project includes two (2) outpatient renovation projects that are incorporated into the Project due to the Department's policy disallowing disaggregation. These projects also are designed to meet an identified need and will improve access and quality. Specifically, the Applicant will renovate its existing cardiac catheterization lab to replace obsolete procedure equipment with new technology that allows for the provision of less invasive procedures. The Applicant also will develop a dedicated dialysis unit that can serve both inpatients and outpatients, providing enhanced privacy and efficiencies.

FACTOR 2: HEALTH CARE REQUIREMENTS

In addition to the access and quality-based objectives for the projects, the need for each project is supported by historical and projected service volume and population growth data. A summary of this data is provided throughout this Factor 2 narrative.

I. Service Area

The Applicant reviewed population data as part of its evaluation of the need for the proposed Project. Its review indicated that the population of its primary service area ("PSA"), as defined by CHIA based on inpatient discharges, has historically experienced growth. Moreover, it determined that this population growth is projected to continue into the future. The 2015 U.S. Census found that there were 432,040 residents in the Applicant's PSA.¹ This represents a 2.50% increase in population from the 2010 Census.² When this same population segment is projected for 2020, such projections indicate that the adult population will be 441,120.³ This is a 2.10% increase over 2015. Projections for PSA population for 2025 show continued growth, resulting in a project population of 449,726, which is a 1.84% increase over 2020.⁴ This trend continues in 2030, with a PSA population of 457,104, or a 1.64% increase from 2025. The following chart provides a detailed summary of this analysis.⁵

PSA Population Growth Trends

County	2010 Population	2015 Population	Percent Increase 2010-2015	2020 Projection	Percent Increase 2015-2020	2025 Projection	Percent Increase 2020-2025	2030 Projection	Percent Increase 2025-2030
Worcester	181,045	185,318	2.36%	189,784	2.41%	194,113	2.28%	198,086	2.05%
Threwsbury	35,608	37,223	4.54%	39,071	4.96%	41,290	5.68%	43,900	6.32%
Marlborough	38,499	41,974	9.02%	43,475	3.58%	44,981	3.46%	46,271	2.87%
Webster	16,767	16,938	1.02%	17,110	1.02%	17,206	0.56%	17,178	-0.16%
Auburn	16,188	16,249	0.38%	16,358	0.67%	16,391	0.20%	16,310	-0.49%
Fitchburg	40,318	40,980	1.64%	41,520	1.32%	41,952	1.04%	42,267	0.75%
Leominster	40,759	40,276	-1.20%	39,824	-1.12%	39,097	-1.83%	38,000	-2.81%
Westborough	18,272	18,348	0.42%	18,476	0.70%	18,607	0.71%	18,644	0.20%
Holden	17,346	18,147	4.62%	19,002	4.71%	19,761	3.99%	20,411	3.29%
Southbridge	16,719	16,587	-0.79%	16,500	-0.52%	16,328	-1.04%	16,037	-1.78%

¹ See University of Massachusetts Donahue Institute Vintage 2015 Population Projections. November, 2016, at <http://pep.donahue-institute.org/>

² Id.

³ Id.

⁴ Id.

⁵ Id.

FACTOR 2: HEALTH CARE REQUIREMENTS

As demonstrated by the chart, the Applicant's PSA has a historical and projected steady yet modest population growth trend. Accordingly, the population projections for the Applicant's PSA support the projections made with respect to the services involved in the Project. The Hospital's PSA and full service area inclusive of inpatient and outpatient service patient origin is also illustrated by the map at Exhibit B.

II. Project Components

The individual components of the Project were developed based on an identified need that would result in improved access to quality services at the University campus. The Project includes the following components: (1) Expanded Medical/Surgical Unit; (2) New Step-Down Sub-Unit; (3) Relocated and Expanded Observation Unit; (4) Renovations to Medical/Surgical Units for ADA Compliance; (5) Renovations to BMT Unit; (6) Renovations to Cardiac Catheterization Lab; and (7) Relocated Dialysis Unit. The following discussion provides a summary of the Applicant's analysis of the clinical need for each project.

A. Inpatient Projects

The Hospital's master plan focuses in large part on addressing inpatient capacity constraints that result in patient flow and management difficulties that have resulted in high emergency department boarding rates. At present, the Hospital is unable to efficiently move patients out of the University campus' emergency department for admission to the appropriate care setting. This is not ideal from an operational or patient care perspective as longer emergency department boarding times may result in increased mortality and infection rates. Although the Hospital has worked to improve patient flow and added measures to decrease emergency department boarder time, these measures have not adequately addressed this issue as the University campus continues to experience high emergency department boarder hours, with 7,863 average monthly boarding hours for fiscal year ("FY") 2016.

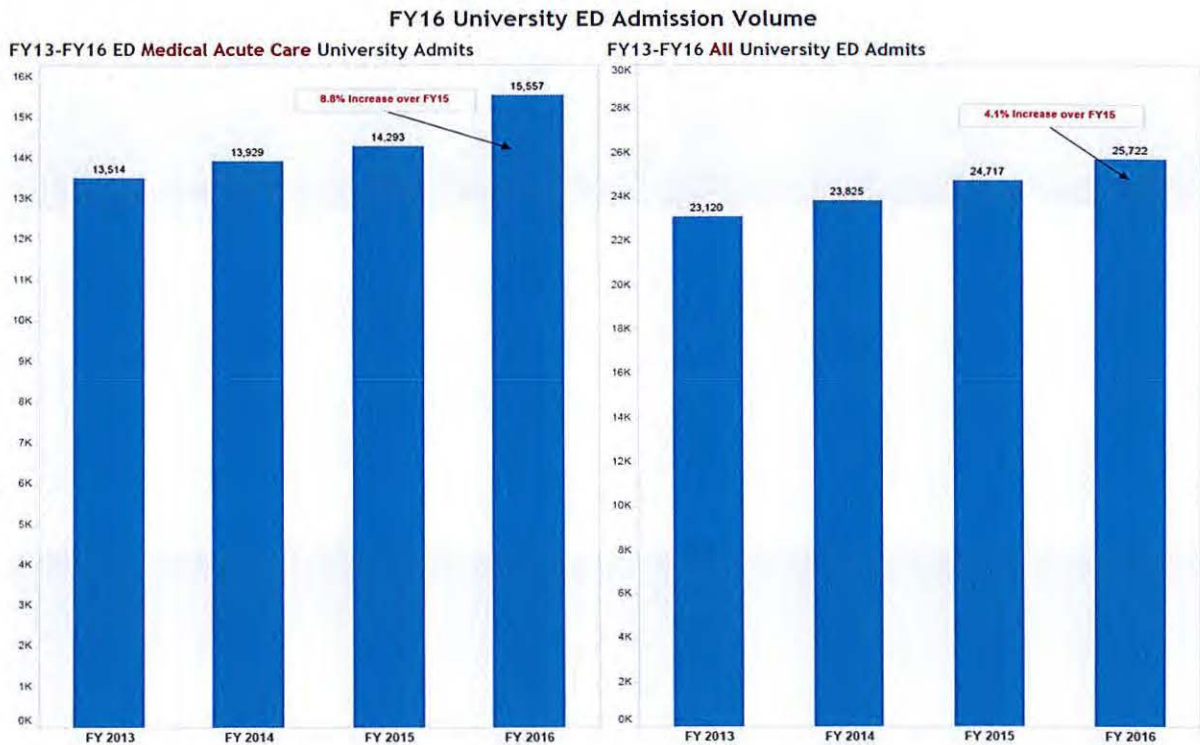
For FY2016, the medical/surgical occupancy rate at the University campus is around 84%. However, the true occupancy rate is higher given that the Hospital's license reflects eight (8) beds, which are no longer physically in existence at the University campus. These beds have been eliminated over time, but continue to be carried on the licensed bed count. The inclusion of these eight (8) beds artificially deflates the occupancy rate for the University campus. Basing occupancy on actual physical beds, the University campus medical/surgical occupancy rate is 86.5%.

Moreover, there are two other populations cared for within the inpatient units that are not reflected on the hospital cost report as medical/surgical patient days. When observation and extended recovery patients are included in the occupancy rate calculation (which account for additional 2,484 midnight census days), the actual occupancy on the University campus' medical/surgical units is 89.7%. As a result of the high occupancy rates within the medical/surgical units, there is significant delay in admitting patients to the right setting for the care they require. This ultimately results in longer stays within the campus' observation units and increased emergency department boarding.

The University campus has historically experienced an annual increase in the number of inpatient admissions originating from its emergency department. This has often resulted in the Hospital reaching one of three census stages indicating insufficient inpatient beds to facilitate

FACTOR 2: HEALTH CARE REQUIREMENTS

admission of patients from the emergency department in a timely manner. These census stages are: high census; code help; and, high capacity emergency response plan. In the period beginning September 1, 2016 through December 12, 2016, the University campus was in one of these three census stages for 77 out of 103 days during that time period. Moreover, although the campus' emergency department visits have remained flat, the number of admissions has increased, which suggests that the University campus is experiencing a shift towards higher acuity patient admissions. This increase in medical/surgical admissions at the University campus is visualized in the following table.



There are a number of limiting factors that make it difficult for the Hospital to efficiently utilize its existing inpatient beds. Although the University campus has 258 inpatient medical/surgical beds, its high number of semi-private rooms make it difficult for the Hospital to utilize all beds at a given time. Specifically, patient incompatibility due to gender and infection control issues often require semi-private rooms to be used as single bed rooms. In addition, the Hospital maintains a number of contracts to serve as the preferred provider of state prisons. As such, these patients may not board with another patient. Finally, due to the age of its facilities, at any given time 3-4% of beds should be out of service for deferred maintenance or emergency maintenance, but the hospital's ability to do this is limited due to its need to utilize the beds. Each of these factors effectively decreases the actual operating capacity of the University campus.

Moreover, these capacity constraints often result in patients being cared for on a unit that is not optimal for their presenting condition. Patients are often admitted to the first available bed in order for the Hospital to move patients out of the emergency department as quickly as possible. This approach means that a patient may initially be admitted for observation, but when the patient converts to inpatient status due to medical necessity, there may not be a

FACTOR 2: HEALTH CARE REQUIREMENTS

medical/surgical bed available. Similarly, if the observation unit is at capacity, patients meeting observation or extended recovery level of care may be admitted to a medical/surgical unit. As previously discussed, this results in high utilization of medical/surgical beds when factoring in observation or extended recovery patients. Operating in this manner is not ideal from an efficiency, quality of care or patient satisfaction perspective.

To address its need for additional inpatient capacity and decreased emergency department boarding, the Hospital has developed a number of projects that will provide for needed private room capacity and improved patient flow, thereby increasing quality of care and patient satisfaction. In total, the Hospital seeks to add fourteen (14) new inpatient beds at the University campus. These fourteen (14) medical/surgical beds will be relocated from the Hospital's Memorial campus, which is underutilized. As a result, the Hospital's total bed count will not increase, rather unused beds will be reallocated from the Memorial campus to the University campus. The Hospital also has recently implemented an expanded observation unit. Each of these projects will allow the Hospital to direct patient admissions to the most appropriate setting and ultimately result in decreased ED boarding hours at the University campus.

i. H8: Expanded Medical/Surgical Unit

The Hospital's ability to maximize patient flow and improve lengths of stay is impacted by the lack of private rooms at the University campus. Accordingly, the main component to addressing the need for additional medical/surgical capacity is the expansion of the existing eight (8) bed medical/surgical unit on the 8th floor of the H Building on the University campus. This project includes the renovation of existing inpatient rooms to comply with current architectural standards, as well as expansion of the unit on to the 8th floor's North Wing, which currently houses part of the Hospital's inpatient psychiatric unit along with administrative offices. The medical/surgical unit will be renovated and expanded to provide sixteen additional (16) private for a total of twenty-four (24) private rooms. To facilitate this addition of much needed private rooms, the psychiatric unit on the 8th floor will be reduced and will be renovated to provide new activity, dining and support spaces required by current architectural guidelines. In addition, the floor will be renovated to add a new USP 800 compliant compounding pharmacy that will support the unit, as well as the BMT unit, as the main pharmacy on the University campus is at capacity. This project will provide additional private room capacity allowing for more patients to receive care on the most appropriate unit.

ii. H7: New Step-Down Sub-Unit and Medical/Surgical Bed ADA Compliance

Currently, the University campus has a step-down sub-unit for cardiac patients. However, there is no dedicated step-down sub-unit for treatment of other intermediate care patients, which are those patients whose acuity does not require ICU level care, but they have a higher acuity than typical medical/surgical inpatients. These patients typically require treatment for respiratory complications or need post-surgical care. Historically, such patients have been cared for in medical/surgical units, but this is not ideal from a quality or efficiency perspective. This additional step-down sub-unit will be built in space previously occupied by the dialysis unit and will consist of nine (9) private rooms.

Having a dedicated unit to care for these patients allows for patients in the step-down sub-unit, as well as patients on traditional medical/surgical units, to receive more focused attention. This

FACTOR 2: HEALTH CARE REQUIREMENTS

is because intermediate care patients require greater attention. By treating these patients in a separate unit, staff will be able to maintain competency by consistently caring for patients with higher acuity conditions. At the same time, staff on the medical/surgical units will have more time to dedicate to patients resulting in improved quality and decreasing lengths of stay. Moreover, this new capacity will assist in addressing the emergency department boarding by offering new step-down capacity on a single unit.

iii. Lakeside A: Relocated and Expanded Observation Unit

In September, the Applicant moved its observation unit from the H Building on the University campus to the Lakeside Building – adjacent to the emergency department. This new location allowed the Applicant to expand the size of the observation unit, increasing the number of beds from seventeen (17) to twenty-three (23). These additional observation beds allow for the efficient movement of patients into observation status, thereby alleviating some of the University campus' boarding issues. The new location of the observation unit also allows for increased administrative and operational efficiencies as staff utilize a "racetrack design" to move patients from the emergency department to the observation unit. Through these efficiencies, patients receive care through a streamlined process that has a positive impact on the quality of care and administrative burdens. The relocated and expanded observation unit ensures patients are receiving appropriate observation level care by limiting the number of orders per patient and monitoring the individual for a specific ailment. The design and location of the unit allows the Hospital to better manage patient flow and decrease length of stay on the unit. The Applicant has received Plan Approval for this project.

iv. H4: Renovations to Medical/Surgical Units for ADA Compliance

The Hospital recognizes the need to bring its physical plant into compliance with the ADA. To achieve this goal, the Applicant is making targeted renovations to existing units. Specifically, the medical/surgical unit on the 4th floor of the H Building on the University campus is antiquated and in need of renovation. Through this Project, the Applicant is implementing three (3) patient rooms that comply with standards set forth by the ADA. To develop these three (3) patient rooms, the Applicant will convert four (4) single bed rooms into three single bed rooms with larger compliant bathrooms. In addition, the Applicant will renovate the 7th floor medical/surgical unit for ADA compliance. Accordingly, the Applicant is implementing three (3) patient rooms that comply with ADA standards. To develop these three (3) patient rooms, the Applicant will convert two (2) double-bed rooms into a single bed room with a larger bathroom facility and construct two (2) additional ADA compliant rooms. The Applicant will also modernize the nursing units to incorporate team-based provider areas that support the use of electronic medical records and encourage a collaborative care process. These upgrades allow for integrated care that produces improved quality outcomes for patients.

v. H8: Renovations to BMT Unit

Currently, BMT patients who require airborne precautions are not allowed to be transferred to the BMT unit at the University campus given that the area does not include an airborne infection isolation/protective environment room to comply with current licensure standards. Consequently, these patients are placed in secluded areas of the medical/surgical floors and staff are allocated from the BMT unit to these areas to care for them. This model of care is operationally inefficient given that resources must be taken from the BMT unit and placed in

FACTOR 2: HEALTH CARE REQUIREMENTS

other areas. Accordingly, through this Project, the Applicant will renovate the BMT unit to incorporate two (2) airborne infection isolation/protective environment rooms. These rooms require the construction of anterooms outside of each room with dedicated exhaust and HVAC adjustments to provide the necessary positive and negative air pressure between the rooms and the patient corridor. By providing this type of room in the BMT unit, the Applicant will be able to meet all BMT patients' needs within the specialty unit.

B. Additional Projects

The following projects do not address the Hospital's need to provide additional inpatient capacity to alleviate emergency department boarding. These projects are included in the Application because the Department requires aggregation of capital expenditures. Each of the projects below is meant to address an identified need for improvements and will result in improved quality, patient access and experience.

i. H2: Renovations to Cardiac Catheterization Lab

Currently, the Applicant's catheterization laboratory ("Cath Lab") operates outdated equipment that impacts the types of surgical procedures offered at the Hospital. Through this Project, the Applicant will replace obsolete equipment with new technology, so it can provide minimally invasive transfemoral aortic valve replacement (TAVR) procedures. This new technique is more cost-effective and allows for better quality outcomes for patients, as well as reduced lengths of stay in both the hospital and rehabilitation settings. A shift to TAVR procedures also impacts staff utilization and operational efficiencies as previously, cardiac catheterization procedures were conducted in operating rooms (in the event that a patient needed to be converted to surgical procedure); however, with the advent of new technology, the industry trend is to move TAVR procedures to the Cath Lab allowing staff time and operating rooms to be used for higher acuity patients. Accordingly, the addition of this new technology impacts patient outcomes and addresses Hospital inefficiencies.

To implement the updated technology, the Applicant will need to renovate the current Cath Lab, relocating walls and upgrading the HVAC system to meet licensure requirements. The renovated space will include the addition of procedure space, a control room and a modified equipment room. These upgrades will allow the Applicant's seven (7) catheterization procedure rooms to be used more efficiently.

ii. H4: Relocated Dialysis Unit

The existing dialysis unit on the University campus frequently deals with scheduling difficulties due to stringent infection control practices and restrictions on patients co-mingling in the same area/rooms. The current configuration comprises a four-bed ward that is not always used to its full capacity given fluctuations in the patient population mix. Accordingly, the dialysis unit will move from the seventh floor of the H Building to the fourth floor (formerly the observation unit) on the University campus to increase privacy for patients, provide better access for the ambulatory care population and provide more expedited care. Through this Project, the Applicant will increase the number of beds from eight (8) to thirteen (13) within the dialysis unit. Expansion will be achieved through renovations that allow for the implementation of nine (9) new treatment rooms in two- and three-bed configurations. This bed formation will allow for increased privacy and the ability to manage the inpatient and ambulatory patient populations

FACTOR 2: HEALTH CARE REQUIREMENTS

more effectively. This expansion will also allow for the implementation of blood borne infection isolation rooms, a nurse station with visual observation of the patient bays and conveniently located handwashing stations. The relocated unit will provide for more efficient staffing, better infection control processes and improved quality care.

III. Conclusion

As detailed in the aforementioned analysis, the Hospital conducted a thorough review of historical and future demand. It identified future needs by evaluating changes within its population and current demand for services, specifically, a need for increased medical/surgical bed capacity, so patients may be treated in an appropriate care setting. The Project as proposed meets these identified needs for the Hospital's service area. It will result in both more efficient and effective care, as well as an improved patient experience. Accordingly, the Hospital believes that it has developed the most complete and thoughtful plan for ensuring continued access to high quality services for patients in the service area.

FACTOR 2: HEALTH CARE REQUIREMENTS, continued

2.3: Statistical Data--Routine Inpatient Services

Complete only for those routine inpatient cost centers, as specified by the *Hospital Uniform Reporting Manual***, in which you are requesting a change.

	(1)	(2)	(3)	(4)	(5)	(6)
	Cost Center	Licensed Weighted Average Bed Capacity	Occupancy Rate	Average Length of Stay	Number of Discharges	Number of Patient Days
1	Med/Surg					
2	2013 Actual (A)	448	71.4%	4.28	27,273	116,730
3	2014 (A)	448	66.3%	4.32	26,017	112,457
4	2015 (A)	448	72.4%	4.32	27,897	120,570
5						
6	2019 (P ₁)*	446	77.0%	4.36	28,766	125,325
7	2020 (P ₁)	446	77.0%	4.36	28,766	125,325
8	2021 (P ₁)	446	77.0%	4.36	28,766	125,325
9	2022 (P ₁)	446	77.0%	4.36	28,766	125,325
10						
11	2019 (P ₂)*	446	74.1%	4.32	27,897	120,570
12	2020 (P ₂)	446	74.1%	4.32	27,897	120,570
13	2021 (P ₂)	446	74.1%	4.32	27,897	120,570
14	2022 (P ₂)	446	74.1%	4.32	27,897	120,570
15						
16	Psychiatry					
17	2013 Actual (A)	86	57.8%	9.35	1,940	18,145
18	2014 (A)	86	58.8%	10.87	1,699	18,465
19	2015 (A)	86	58.2%	10.45	1,747	18,262
20						
21	2019 (P ₁)*	73	51.1%	10.35	1,316	13,621
22	2020 (P ₁)	73	51.1%	10.35	1,316	13,621
23	2021 (P ₁)	73	51.1%	10.35	1,316	13,621
24	2022 (P ₁)	73	51.1%	10.35	1,316	13,621
25						
26	2019 (P ₂)*	86	58.2%	10.45	1,747	18,262
27	2020 (P ₂)	86	58.2%	10.45	1,747	18,262
28	2021 (P ₂)	86	58.2%	10.45	1,747	18,262
29	2022 (P ₂)	86	58.2%	10.45	1,747	18,262
30						
31						
32	20 Actual (A)					
33	20 (A)					
34	20 (A)					
35						
36	20 (P ₁)*					
37	20 (P ₁)					
38	20 (P ₁)					
39	20 (P ₁)					
40						
41	20 (P ₂)*					
42	20 (P ₂)					
43	20 (P ₂)					
44	20 (P ₂)					

*Note: P₁ assumes project is approved and P₂ assumes project is denied.

**Hospital Uniform Reporting Manual is available at <http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf>.

FACTOR 2: HEALTH CARE REQUIREMENTS, continued**2.4: Statistical Data--Routine Inpatient Services**

Complete only for those routine inpatient cost centers, as specified by the Division of Health Care Finance and Policy Uniform Reporting Manual**, in which you are requesting a change.

	(1)	(2)	(3)	(4)	(5)	(6)
	Cost Center	Licensed Weighted Average Bed Capacity	Occupancy Rate	Average Length of Stay	Number of Discharges	Number of Patient Days
1						
2	20 Actual (A)					
3	20 (A)					
4	20 (A)					
5						
6	20 (P ₁)*					
7	20 (P ₁)					
8	20 (P ₁)					
9	20 (P ₁)					
10						
11	20 (P ₂)*					
12	20 (P ₂)					
13	20 (P ₂)					
14	20 (P ₂)					
15						
16						
17	20 Actual (A)					
18	20 (A)					
19	20 (A)					
20						
21	20 (P ₁)*					
22	20 (P ₁)					
23	20 (P ₁)					
24	20 (P ₁)					
25						
26	20 (P ₂)*					
27	20 (P ₂)					
28	20 (P ₂)					
29	20 (P ₂)					
30						
31						
32	20 Actual (A)					
33	20 (A)					
34	20 (A)					
35						
36	20 (P ₁)*					
37	20 (P ₁)					
38	20 (P ₁)					
39	20 (P ₁)					
40						
41	20 (P ₂)*					
42	20 (P ₂)					
43	20 (P ₂)					
44	20 (P ₂)					

*Note: P₁ assumes project is approved and P₂ assumes project is denied.

**Hospital Uniform Reporting Manual is available at <http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf>.

FACTOR 2: HEALTH CARE REQUIREMENTS, continued

2.5: Statistical Data--Major Ancillary Services

Complete only for those routine inpatient cost centers, as specified by the *Hospital Uniform Reporting Manual***, in which you are requesting a change.

	(1) Service	(2) Standard Units of Measure	
1	Cath Procedure	* Procedure	
2	2013 Actual (A)	27,971	
3	2014 (A)	29,131	
4	2015 (A)	30,144	
5			
6	2019 (P ₁)*	30,144	
7	2020 (P ₁)	30,144	
8	2021 (P ₁)	30,144	
9	2022 (P ₁)	30,144	
10			
11	2019 (P ₂)*	30,144	
12	2020 (P ₂)	30,144	
13	2021 (P ₂)	30,144	
14	2022 (P ₂)	30,144	
15			
16	Dialysis	* Treatments	
17			
18	2013 Actual (A)	6,100	
19	2014 (A)	5,939	
20	2015 (A)	6,597	
21			
22	2019 (P ₁)*	6,597	
23	2020 (P ₁)	6,597	
24	2021 (P ₁)	6,597	
25	2022 (P ₁)	6,597	
26			
27	2019 (P ₂)*	6,597	
28	2020 (P ₂)	6,597	
29	2021 (P ₂)	6,597	
30	2022 (P ₂)	6,597	
31			
32	Laboratory		
33	20 (A)		
34	20 (A)		
35	20 (A)		
36			
37	20 (P ₁)*		
38	20 (P ₁)		
39	20 (P ₁)		
40	20 (P ₁)		
41			
42	20 (P ₂)*		
43	20 (P ₂)		
44	20 (P ₂)		
45	20 (P ₂)		

* On this line, column 2, state the standard unit of measure as specified by the *Hospital Uniform Reporting Manual*. Note: Use copies of this sheet as needed.

**Hospital Uniform Reporting Manual is available at <http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf>.

Attachment/Exhibit

A

UMass Memorial Medical Center
University Determination of Need Application – Projects Matrix

University Campus- Hospital Building: Renovation Projects

Floor	Project Included in DoN	Area	Medical/ Surgical Beds Renovated	Bed Adjustments	Net Change Medical/Surgical Beds
8 th Floor	Medical Surgical Unit	20,678 SF	24 Beds	18 New Beds; Reduce 8 Beds to 6	Add 16 Beds
	Bone Marrow Trans Unit	622 SF	2 Beds		
7 th Floor	Step Down Sub Unit & ADA Compliance	6,075 SF	11 Beds	9 New Beds; Reduce 4 beds to 2	Add 7 Beds
4 th Floor	Relocated Dialysis Unit	7,512 SF			
	Med Surg ADA Compliance	2,585 SF	3 Beds	Reduce 4 beds to 3	Reduce 1 Bed
2 nd Floor	Cardiac Cath Lab	704 SF			

Renovated Medical/Surgical Beds: 40 Beds Total Net Change: Add 22 Beds

University Campus - Lakeside Building: Project

Floor	Project Included in DoN	Area	Bed Adjustments	Net Change in Observation Beds
A Level	Observation Unit	11,561 SF	23 New Obs Beds, including relocation of 17 Beds from Hospital Bldg 4 th Floor	Add 6 Beds

Total Net Change: Add 6 Observation Beds

Post-DoN UMMC Licensed Medical/Surgical Beds

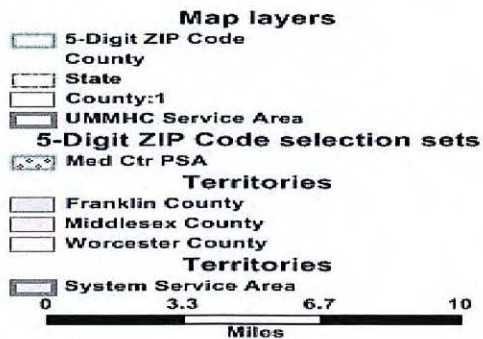
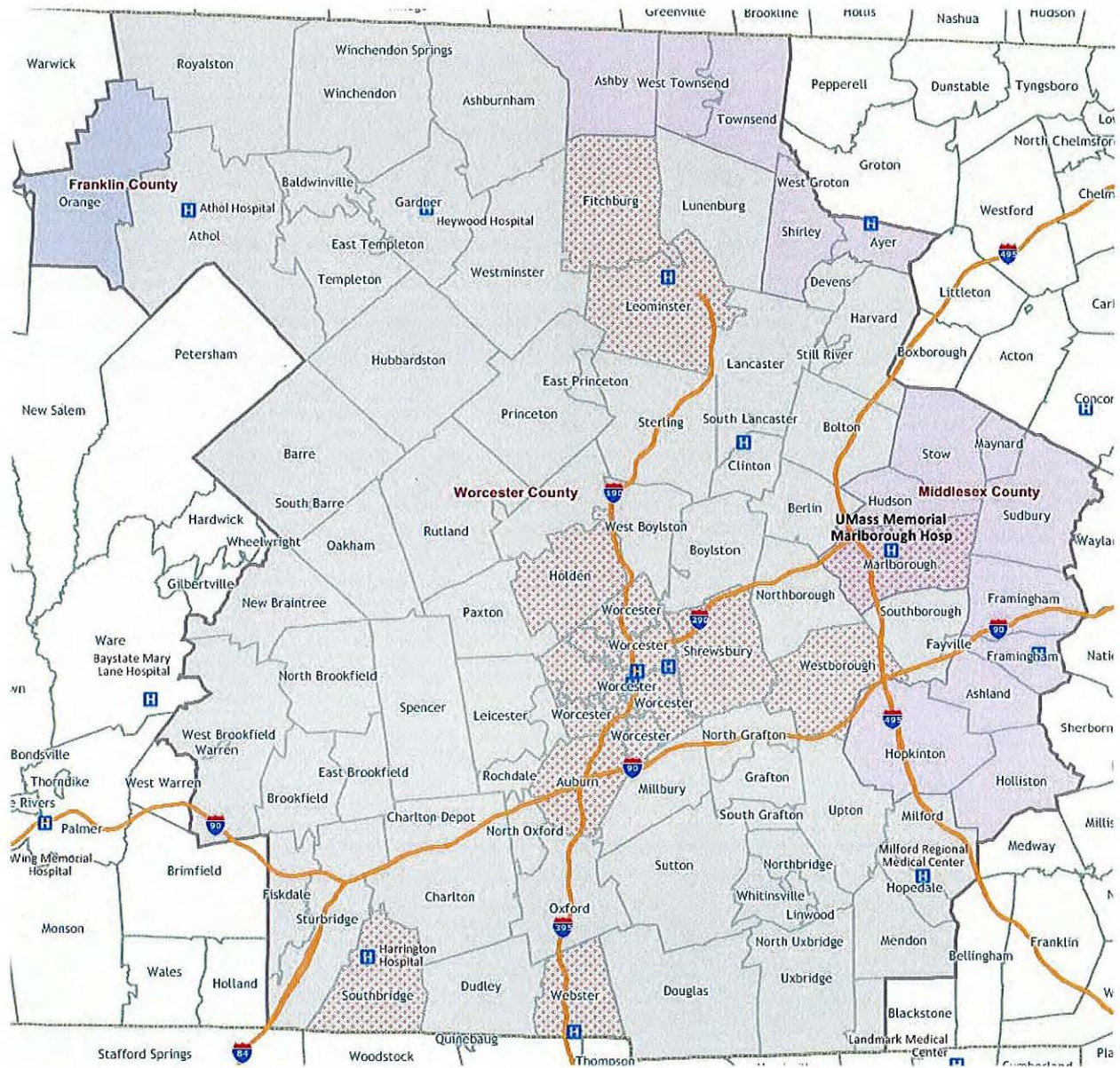
Additional Medical/Surgical Beds at University Campus	22 Beds
Remove 8 Out of Service Beds on license for University Campus	-8 Beds
<u>Relocated Medical/Surgical Beds from Memorial Campus</u>	<u>-14 Beds</u>
Change in UMMC License	0 Beds

Attachment/Exhibit

B

UMass Memorial Medical Center

Service Area



Factor 2 – Exhibit B
UMass Memorial Medical Center ¹
By City and Town

City/Town	State	Frequency	Percentage of Community Discharges in FY 14
Worcester	MA	13,559	63%
Shrewsbury	MA	1,885	60%
Marlborough	MA	1,026	24%
Webster	MA	886	40%
Auburn	MA	883	48%
Fitchburg	MA	881	20%
Leominster	MA	866	20%
Westborough	MA	715	44%
Holden	MA	680	55%
Southbridge	MA	655	28%

¹ Source: 2014 Hospital Profile – Center for Health Information Analysis

Factor 3

Factor 3 OPERATIONAL OBJECTIVES

- 3.1 If this application proposes establishment of a new health service at your institution, do you have evidence of the clinical effectiveness of this new service? Please provide relevant documentation.**

This Application does not propose the establishment of a new health services.

- 3.2 Briefly describe quality assurance mechanisms that will be used to assess the appropriateness of the health service proposed in this project.**

The Applicant maintains a strong quality improvement program and associated performance improvement processes by devoting significant resources to quality improvement activities. In 2010, the Applicant's senior leadership team introduced Lean management principles to the medical center as a methodology for addressing organizational process improvement. The core concept of Lean involves determining the value of any given process by distinguishing value-added steps from non-value-added steps, and eliminating waste, so that ultimately every step adds value to a process. When applied rigorously and throughout an entire organization, Lean principles can have a dramatic effect on productivity, cost, and quality. The Applicant offers multiple trainings each year to educate staff on Lean principles and ensures this methodology is integrated into performance improvement processes. In 2015, the senior leadership team introduced the Team Strategies and Tools to Enhance Performance and Patient Safety ("TeamSTEPPS") framework. TeamSTEPPS is an evidence-based solution developed by the Agency for Healthcare Research and Quality ("AHRQ") and the Department of Defense ("DoD") that seeks to improve the quality and safety of care through increased communication and teamwork skills among health care professionals.

To ensure uniform and sustained quality of care throughout its three campuses, the Applicant used the aforementioned frameworks to develop a Quality Assessment and Performance Improvement Plan ("QAPI"). The QAPI is comprised of two components: an Organizational Plan, a policy that outlines the Applicant's quality and performance improvements efforts, including the oversight infrastructure, methodology and evaluation of quality programming; and an Annual Quality and Patient Safety Improvement Plan that emerges from the evaluation of the previous year's outcomes and is updated to ensure alignment with the Applicant's changing organizational goals. The QAPI contains goals for maintaining a Patient Care Assessment Program that complies with requirements set forth in 243 CMR 3.00, such as providing for and measuring the quality, safety, and accessibility of cost-effective health care services and using the analysis of performance review activities to identify and act upon opportunities for improvement.

To ensure the QAPI's goals and objectives are met, the senior management team created an infrastructure for developing and monitoring performance improvement initiatives including: a Patient Care Assessment Committee ("PCAC") that oversees the development and implementation of programs to ensure quality, safety and risk management for patient care services; a Patient Safety Committee that reports to the

PCAC and provides oversight for patient safety and risk management programs aimed at improving patient safety practices and reducing the probability of adverse events; a Clinical Performance Council ("CPC"), which is a peer review committee convened to assess and support patient-centered care. The CPC serves as an oversight council for interdisciplinary clinical performance improvement efforts, patient safety programs, as well as environmental safety and patient satisfaction initiatives by reviewing quality data and suggesting performance improvement initiatives; a Medical Staff Executive Committee that oversees quality activities and performance improvement of medical staff members, including corrective action plans. The Medical Staff Executive Committee is also tasked with communicating information to the PCAC and select hospital committees. Finally, the Office of Quality and Patient Safety supports the continuous improvement of the Applicant's safety, effectiveness, efficiency, timeliness and patient-centered services to ensure sustained excellence in care. Through this infrastructure, the Applicant collects data for the QAPI to ensure the appropriateness of care. QAPI's scope covers a broad range of departments, making it as comprehensive as possible.

The Applicant is committed to providing clinical services to its patients in a safe and efficient manner. The Applicant will continue to use quality assurance and performance improvement methods as described herein to evaluate and improve its services. The QAPI allows the Applicant to engage in a full review of services used by patients.

- 3.3 Does your institution have written referral arrangements pertaining to services covered in this application with other health care providers in the primary service area of this project? (Nursing and rest homes' applicants should have an agreement with at least one acute care hospital and one home health organization).**

YES X (Please give brief descriptions of these referral arrangements)

The Applicant transfers patients when necessary to other affiliated providers within the UMass Memorial Health Care network. Affiliate providers offer the following services to the Applicant's patients: community-based primary care services, home health services, hospice care, rehabilitation services and behavioral health services

Factor 4

FACTOR 4: STANDARDS COMPLIANCE

If this project involves renovation or new construction, please submit schematic line drawings for that construction.

Please consult the Determination of Need Program staff if you require guidance in completion of this section.

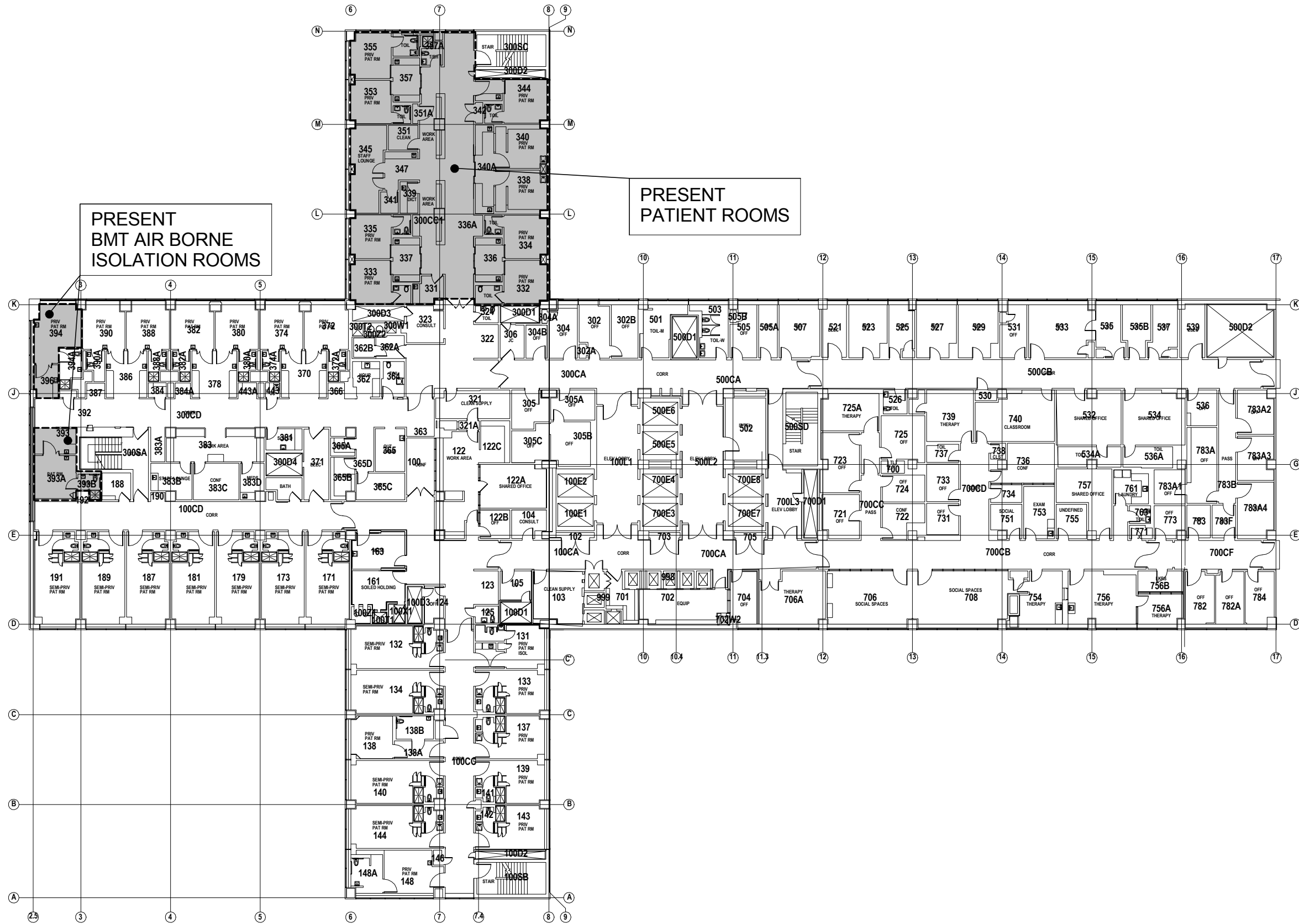
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Exhibit A: Schematics

Attachment/Exhibit

A

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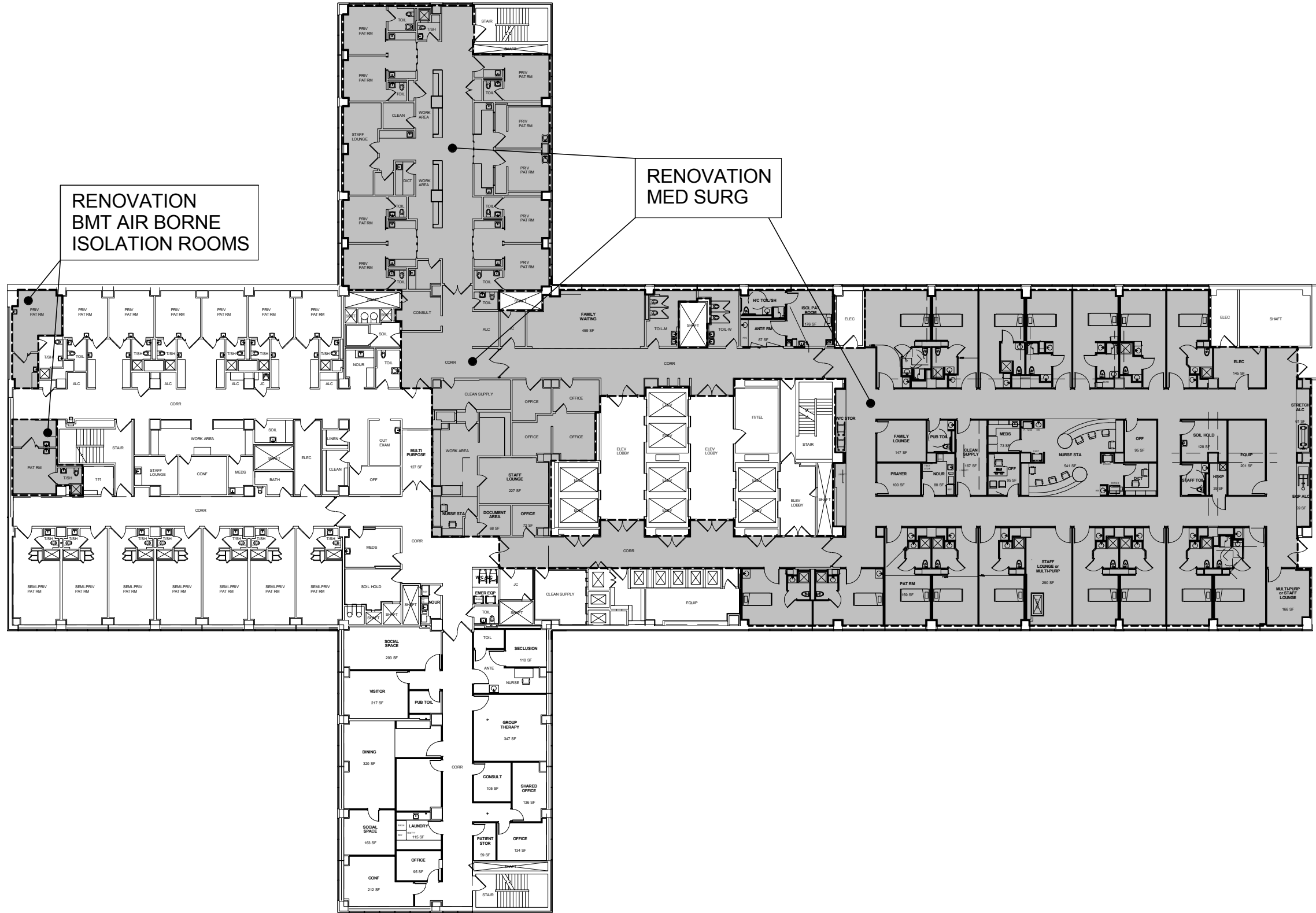
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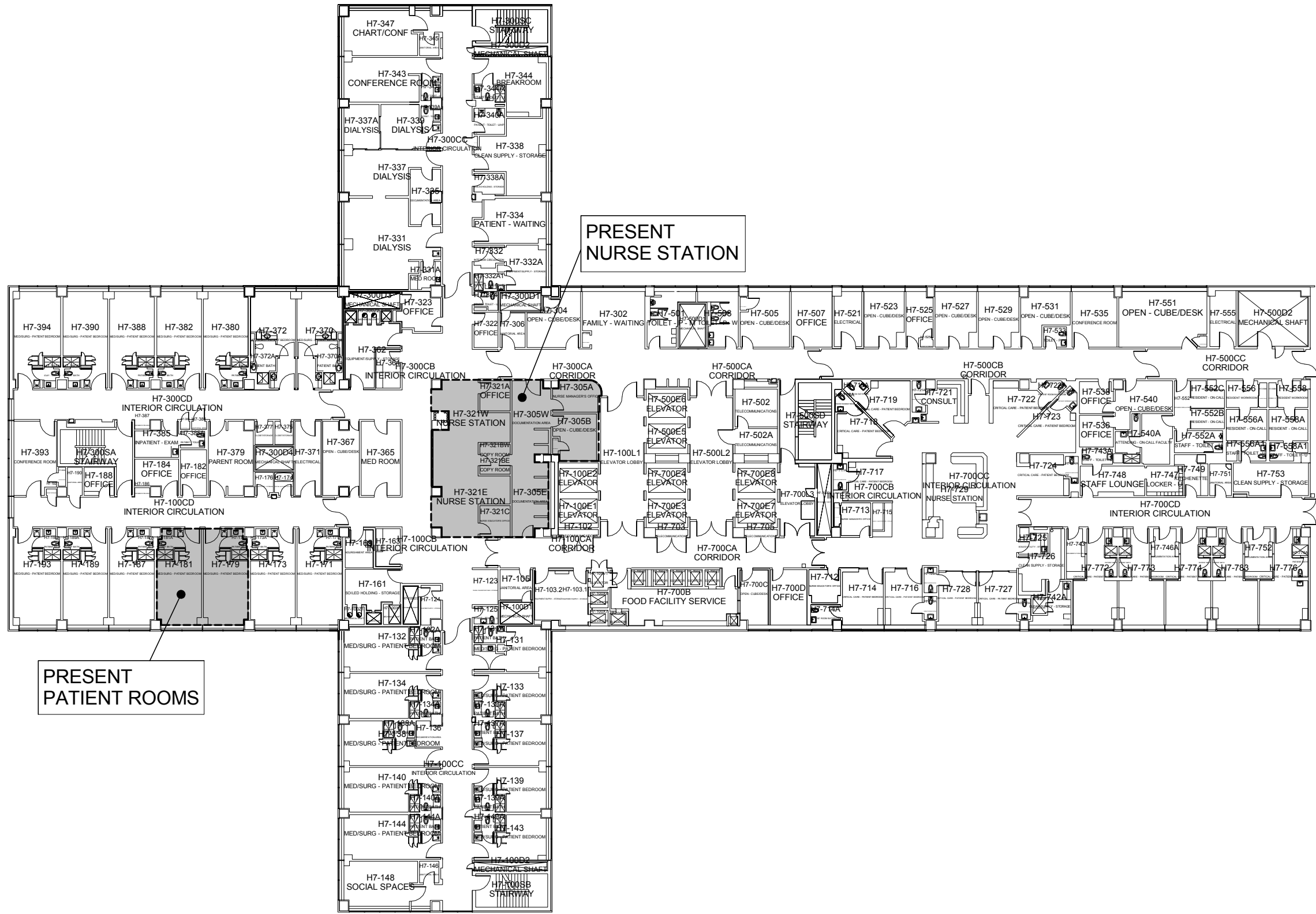
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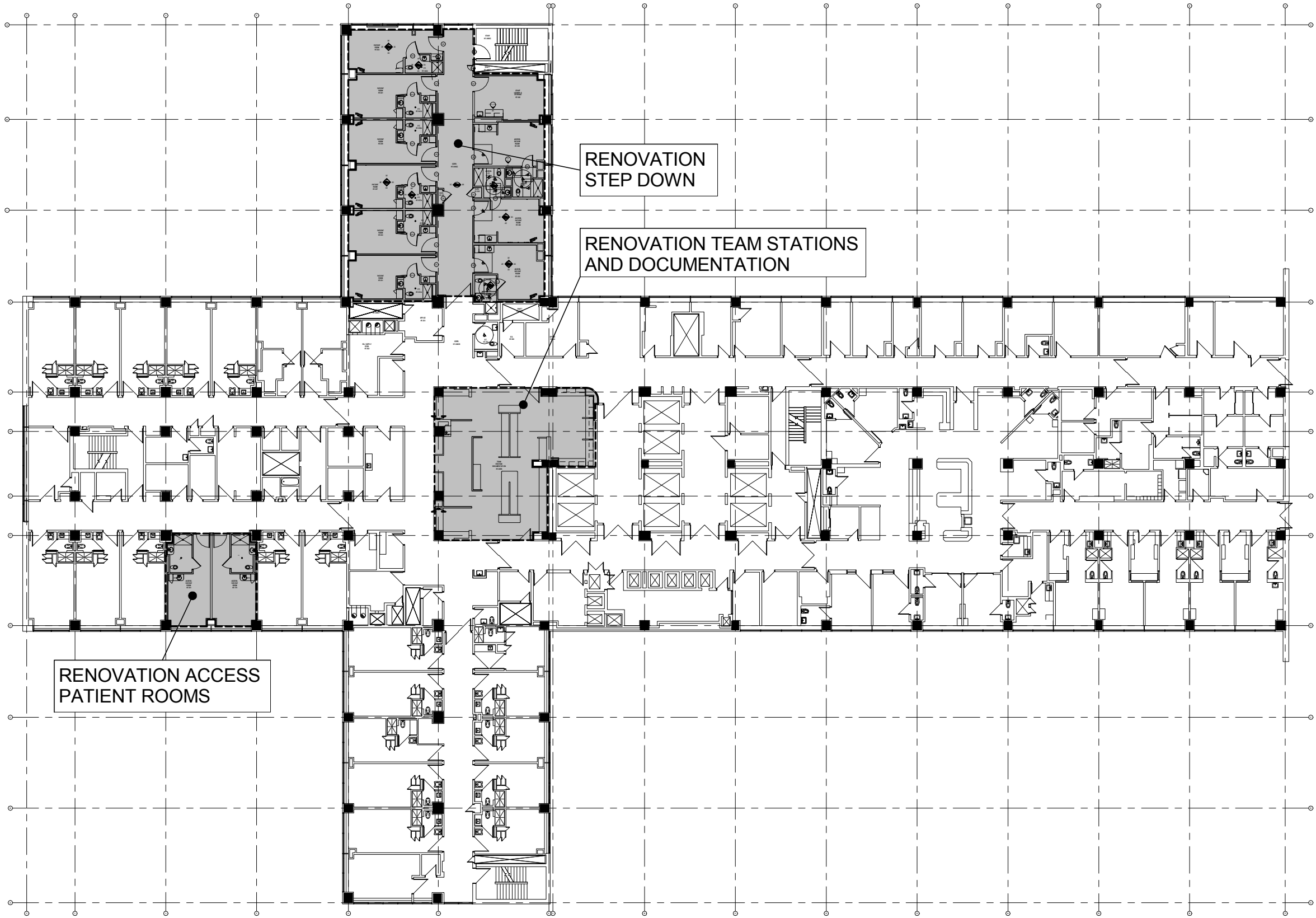
PRESENT - STEPDOWN, TEAM STN,
ACCESS ROOMS - H7

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PROPOSED - STEPDOWN, TEAM STN,
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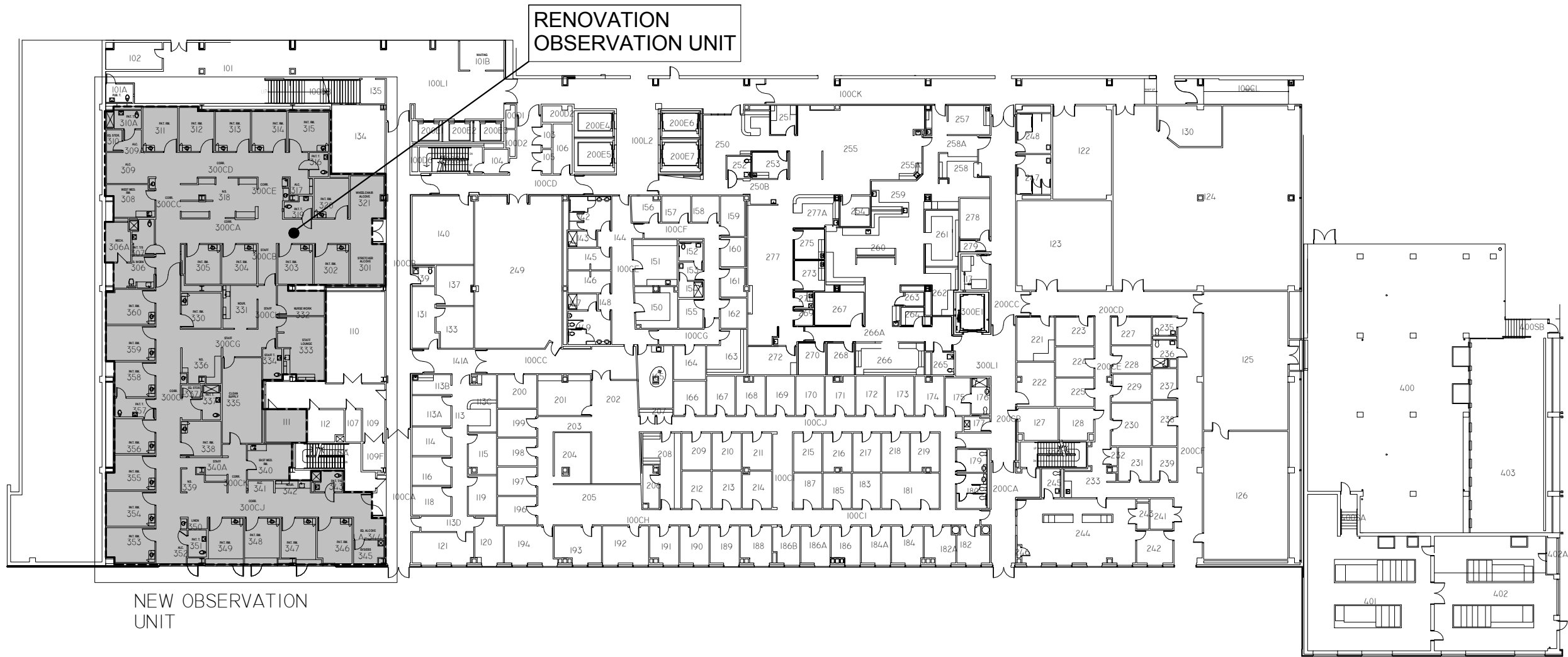
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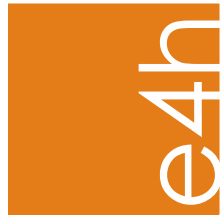
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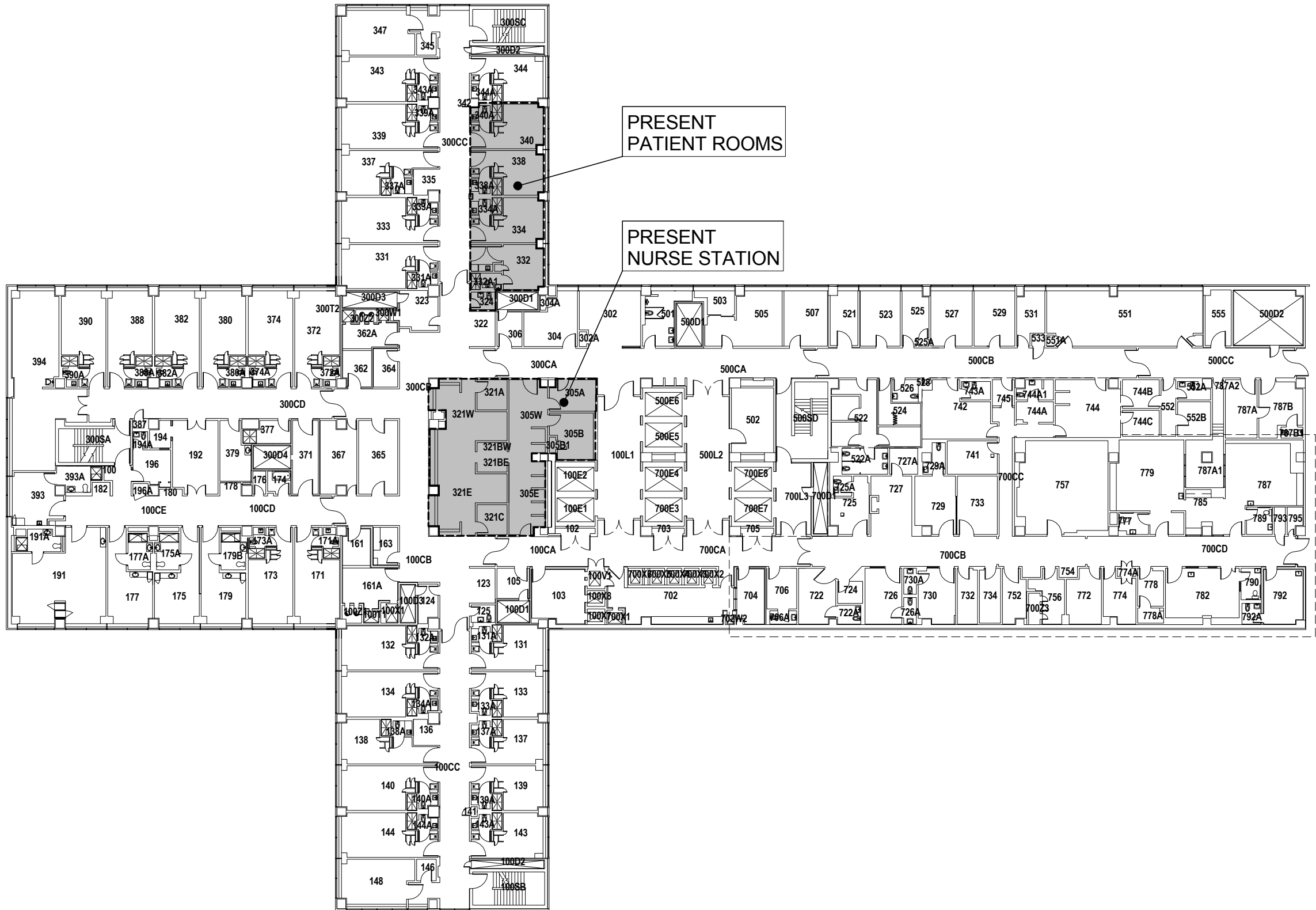
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Sheet Title	Project Name	
Date	10/13/2016	
Scale	N.T.S.	
Drawn	Check	
Project Number	Number	
Drawing Reference:		
Sheet Number	ASK-01A	



PRESENT
PATIENT ROOMS

PRESENT
NURSE STATION

PRESENT - TEAM STN. DOCUMENTATION,
ACCESS & ALL ROOMS - H4

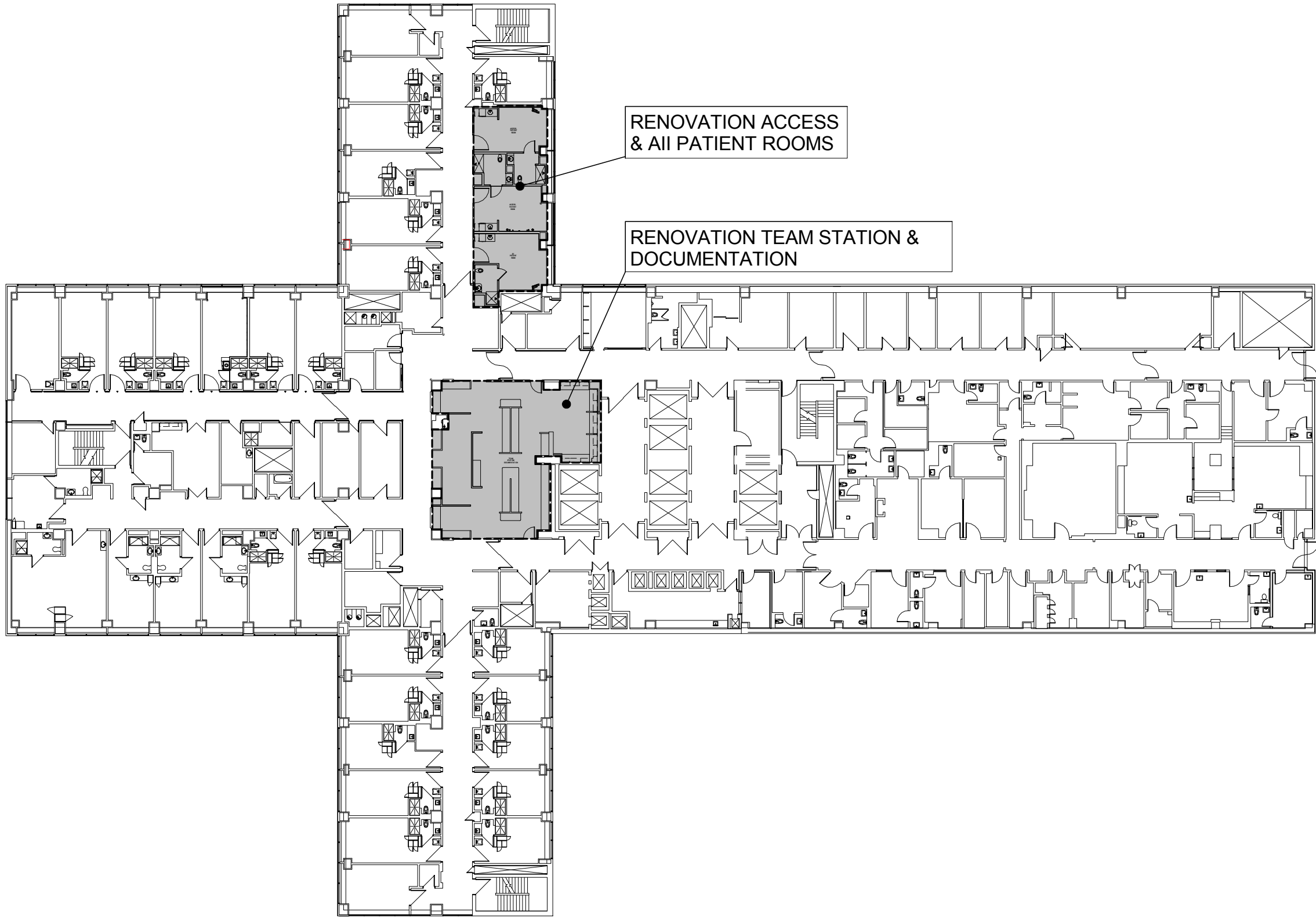
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Sheet Number	

ASK-04B



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PROPOSED - TEAM STN.
DOCUMENTATION, ACCESS & ALL ROOMS -
H4

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Sheet Title	Project Name
Date	10/13/2016
Scale	1" = 30'-0"
Drawn	Check
Project Number	Number
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Sheet Number	

ASK-4A



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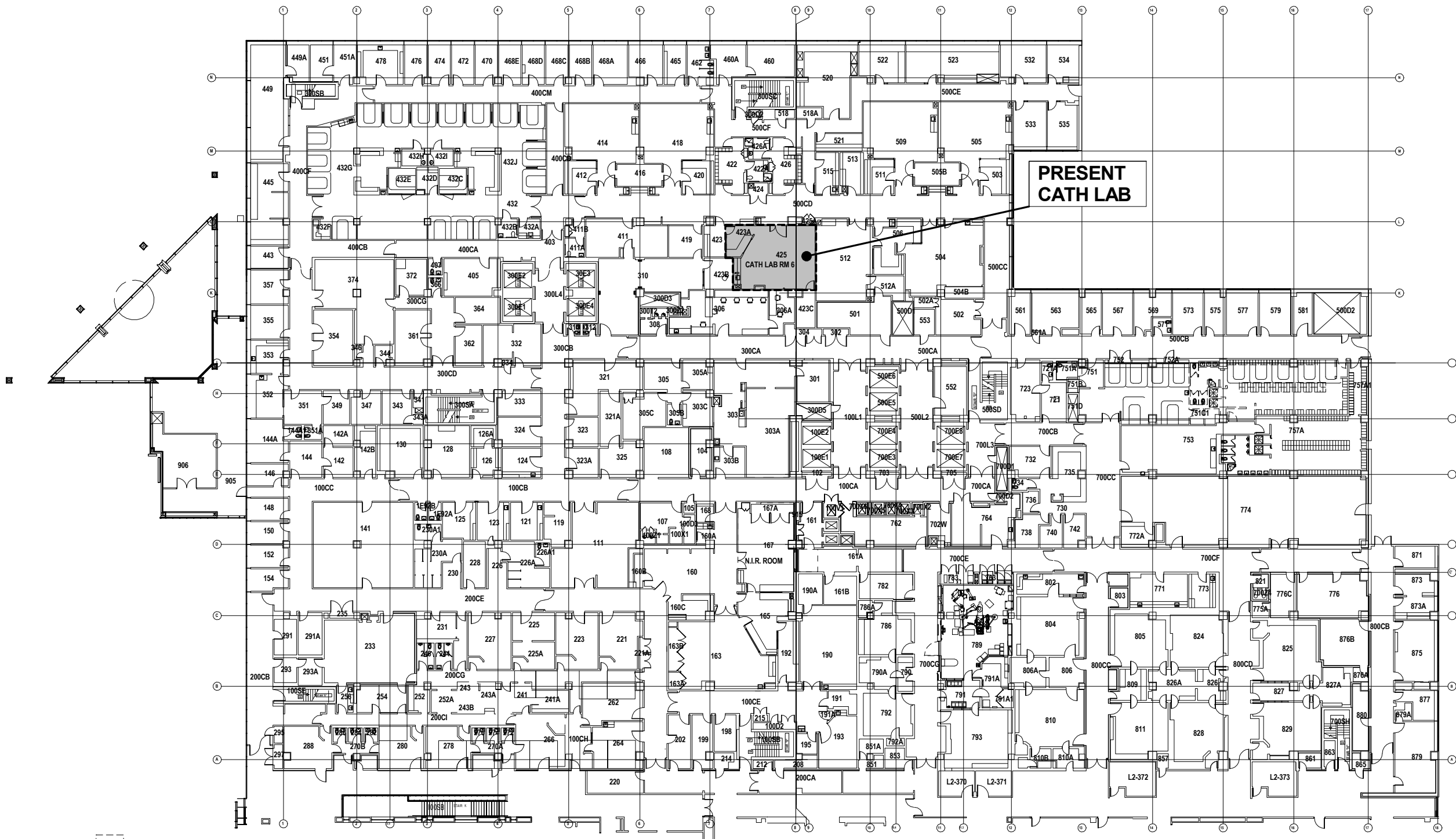
10/13/2016

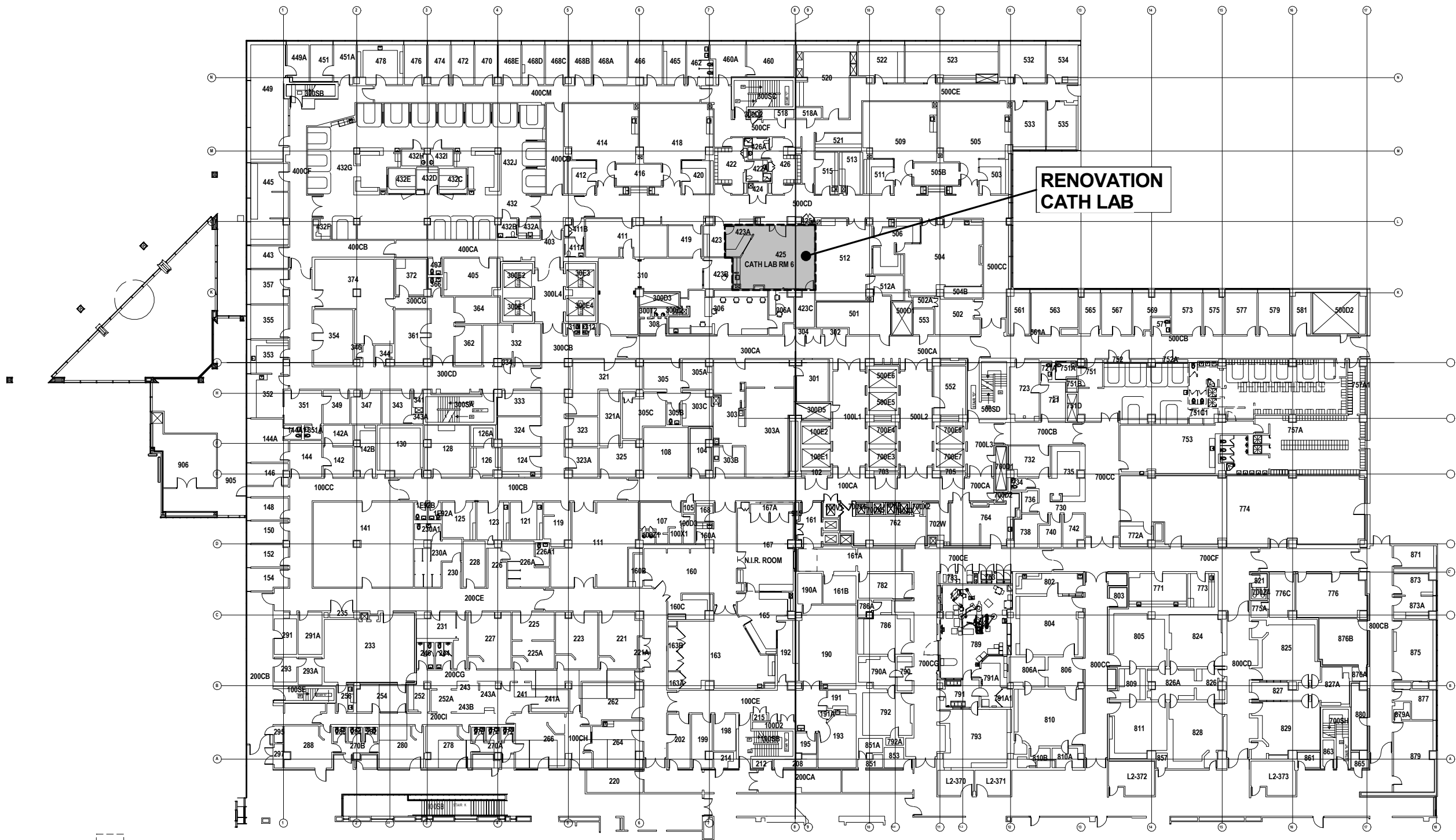
N.T.S.

Check

Number

ASK-02B





PROPOSED - CATH LAB - H2

Sheet Title	
Date	10/13/2016
Scale	N.T.S.
Drawn	Check
Project Number	Number
Drawing Reference:	
Sheet Number	

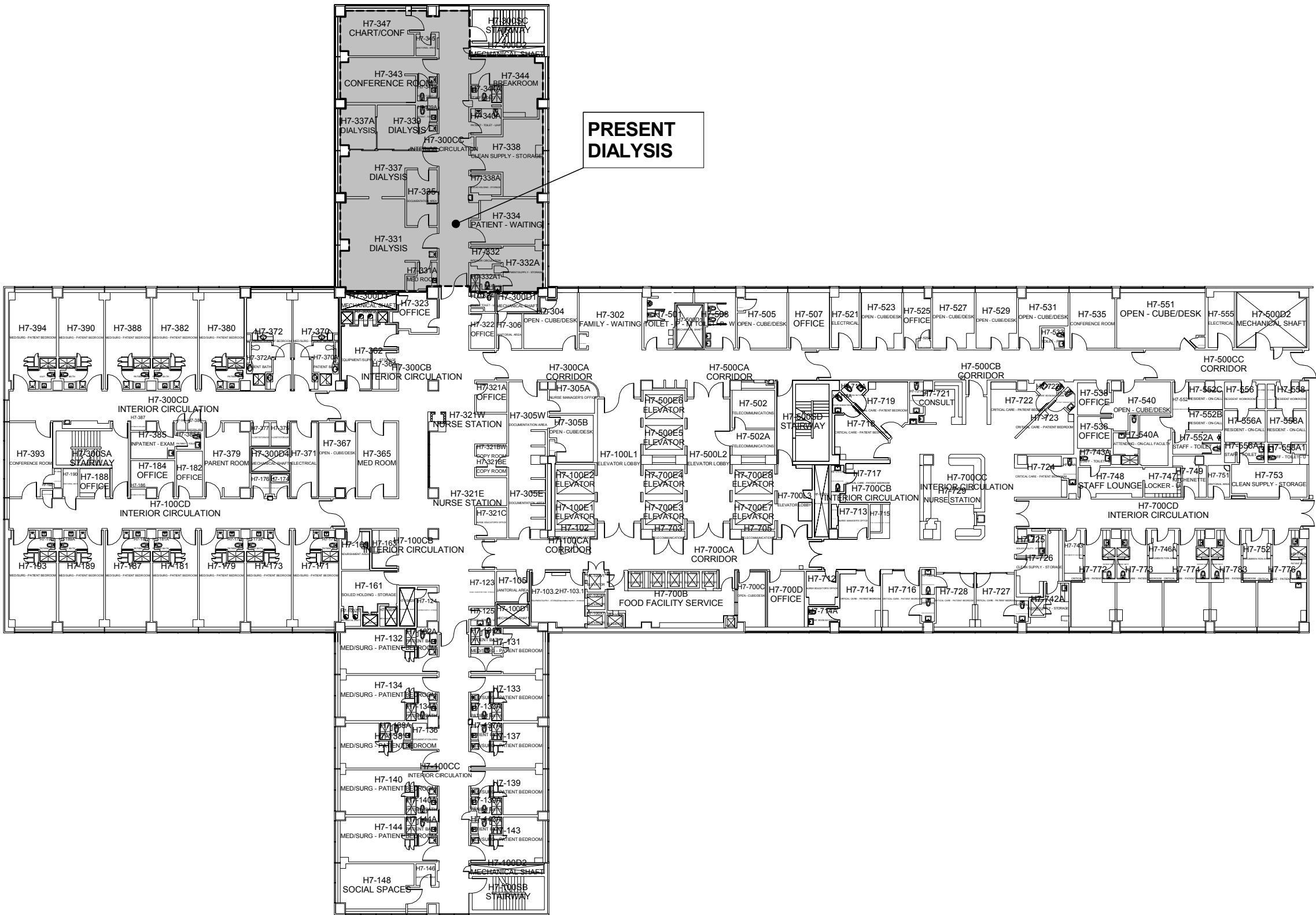
ASK-02A



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PRESENT - DIALYSIS - H7

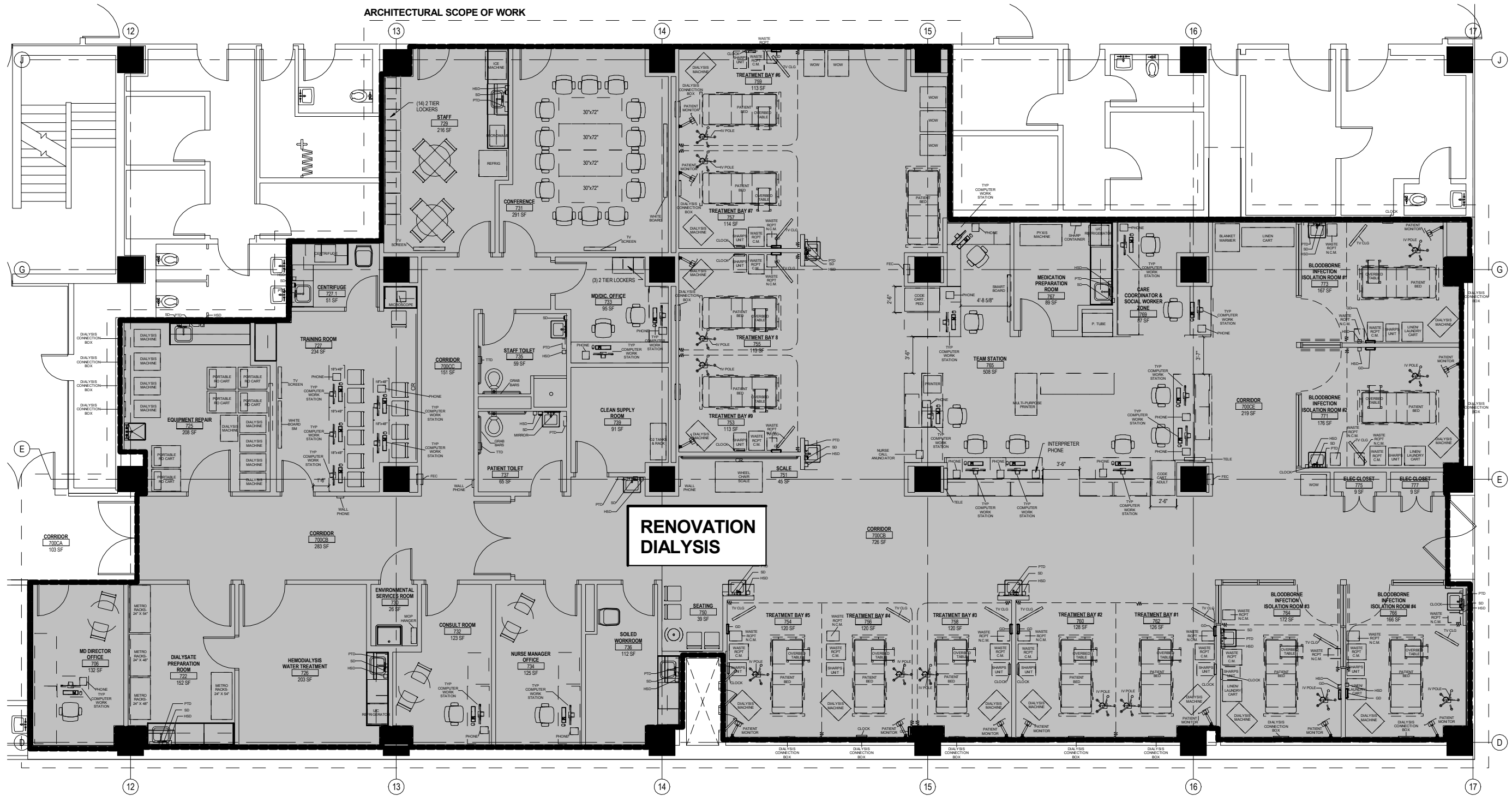
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Sheet Title	
Date	10/13/2016
Scale	N.T.S.
Drawn	Check
Project Number	Number
Drawing Reference:	
Sheet Number	

ASK-03B



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PROPOSED - DIALYSIS - H4

Sheet Title	
Date	10/13/2016
Scale	N.T.S.
Drawn	Check
Project Number	Number
Drawing Reference:	
Sheet Number	

ASK-03A



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Factor 5

FACTOR 5: REASONABLENESS OF EXPENDITURES AND COSTS

Definitions

1. Capital Expenditure

Cost of the project expressed in a dollar amount as of the filing date (i.e., assuming the project were to commence on the filing date). (See discussion in Factor 6, Schedule D.)

2. Functional Areas

Unit of space directly related to a particular service (e.g., nursing unit, laboratory, radiology, dietary and admissions) or a space common to the operation of the entire facility (e.g., lobby, mechanical, major circulation, exterior wall).

3. Square Footage

Net Square Feet (NSF): The space associated with a particular department. It includes all functional space within a department; e.g., the interior of exam rooms, closets, utility rooms and waiting areas. Also, toilet rooms, walk-in refrigerators, and storage areas should be included if they are specifically for that department. It does not include allowances for internal partitions, departmental circulation, major circulation, shafts, ductways, general mechanical space and exterior walls.

Gross Square Feet (GSF): Includes the NSF of a Department plus circulation within the department, partitions within the department, and dedicated mechanical space (e.g., pump room for a surgical suite). The GSF for a specific functional department excludes major general mechanical space, ductwork, elevator shafts, and stairwells located within the department's boundaries; these components should instead be assigned to the GSF of a non-departmental- functional area such as "Elevators and Shafts," if they are significant.

If a department's perimeter is an interior wall, half of the thickness of the wall is allocated to the department. If the perimeter is an exterior wall, only 3 inches (i.e., half of a standard partition) of that wall's thickness is assigned to the department; the remainder belongs to the functional area "Exterior Wall."

Using these definitions, a facility's overall GSF is the sum total of the GSF of each functional area; that is, the total of the departmental GSF figures plus the area allocated to Major Circulation and Exterior Walls (i.e., the non-departmental areas.)

4. Cost per Gross Square Footage

In calculating the cost/GSF, the DoN Program adds construction contract, fixed equipment not in contract, site survey and soil investigation, and architectural and engineering costs and divide by the proposed gross square footage. However, the specific costs for these components should be included separately in Schedule D.

Schedule 5.1 Square Footage And Cost Per Square Foot

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Present Square Footage		Square Footage Involved in Project			
	Functional Areas	^a Net	^a Gross	New Construction Net	Gross	Renovation Net	Gross
1	H8 Total						
2	Med Surg, All Rooms, Admin						
3	Patient - Med Surge	2,190	3,322			10,605	14,927
4	General Support	197	275			2,038	2,982
5	Public Spaces	0	0			764	1,065
6	Conference/Meeting	0	0			666	1,065
7	Staff / Admin	251	367			320	426
8	Mech, Elec, Plumbing Spaces	0	0			144	213
9							
10	Inpatient Psych (H8)						
11	Psych Spaces	5,315	7,834			1,671	2,355
12	General Support	455	644			289	406
13	Public Spaces	0	0			310	447
14	Staff / Admin	1,511	2,254			577	853
15							
16	Stepdown/ADA Rooms/ Team Stn (H7)						
17	Stepdown - Patient Area	0	0			2,578	3,617
18	Stepdown - Staff / Admin	0	0			227	318
19	ADA Rooms - Patient Area	596	630			573	635
20	Team Stations - Staff / Admin	1,415	1,568			1,527	1,506
21							
22	Observation (LS)						
23	Patient - Observation	3,414	4,814			4,674	7,643
24	General Support	729	1,062			1,717	2,779
25	Staff / Admin	887	1,203			516	811
26	Mech, Elec, Plumbing Spaces	0	0			151	347
27							
28	ADA/All Rooms & Team/Documentation (H4)						
29	Patient Rooms / Patient Care	888	1,016			885	827
30	Support	0	0			1,522	1,758
31	Admin / Offices / Staff	1,400	1,588				
32							
33	H8 Bone Marrow Transplant	563	622			563	622
34							
35	Cath Lab (H2)						
36	Cath Lab	676	704			676	704
37							

^a See the definitions on page 23.

Schedule 5.1 Square Footage And Cost Per Square Foot, continued

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
		Present Square Footage		Square Footage Involved in Project			
	Functional Areas	^a Net	^a Gross	New Construction Net	Gross	Renovation Net	Gross
38	Dialysis (H4)						
39	Patient - Dialysis	1,222	1,571			2,428	3,719
40	General Support	553	728			933	1,430
41	Public Spaces	361	460			39	72
42	Conference/Meeting	507	651			291	429
43	Staff / Admin	313	422			952	1,430
44	Mech, Elec, Plumbing Spaces	0	0			19	72
45							
46							
47							
48							
49							
50							
51							
52							
53							
54							
55	Total	23,433	31,734			37,655	53,458

Schedule 5.1 Square Footage And Cost Per Square Foot, continued

		(8)	(9)	(10)	(11)	(12)	(13)
		Resulting Square Footage ^a		Total Cost		Cost/Square Footage	
	Functional Areas	Net	Gross	New Construction	Renovation	New Construction	Renovation
1	H8 Total				13,308,616		538
2	Med Surge, All Rooms, Admin & Public Area (H8)						
3	Patient - Med	10,605	14,927		9,760,243		654
4	General Support	2,038	2,982		959,761		322
5	Public Spaces	764	1,065		548,435		515
6	Conference/				137,109		129
7	Staff / Admin	320	426		274,217		644
8	Mech, Elec,	144	213		137,109		644
9							
10	Inpatient Psych						
11	Psych Spaces	1,671	2,355		1,217,525		517
12	General Support	289	406		68,554		169
13	Public Spaces	310	447		68,554		154
14	Staff / Admin	577	853		137,109		161
15							
16	Stepdown/ADA Rooms/ Team Stn (H7)				3,621,832		596
17	Stepdown - Patient Area	2,578	3,617		2,542,030		703
18	Stepdown - Staff / Admin	227	318		136,511		429
19	ADA Rooms -	573	635		443,661		699
20	Team Stations -	1,527	1,506		499,630		332
21							
22	Observation (LS)				4,956,400		428
23	Patient - Observation	4,674	7,643		3,326,950		435
24	General Support	1,717	2,779		1,150,200		414
25	Staff / Admin	516	811		335,475		414
26	Mech, Elec,	151	347		143,775		414
27							

Schedule 5.1 Square Footage And Cost Per Square Foot, continued

		(8)	(9)	(10)	(11)	(12)	(13)
		Resulting Square Footage ^a		Total Cost		Cost/Square Footage	
	Functional Areas	Net	Gross	New Construction	Renovation	New Construction	Renovation
28	ADA/All Rooms & Team Documentation (H4)				1,780,470		689
29	Patient Rooms /				868,847		1051
30	Support	1,522	1,758		911,623		519
31	Admin / Offices / Staff	0	0		-		
32							
33	H8 Bone Marrow Transplant	563	622		183,175		294
34							
35	Cath Lab (H2)				1,207,000		1714
36	Cath Lab	676	704		-		
37							
38							
39	Dialysis (H4)				3,216,271		450
40	Patient - Dialysis	2,428	3,719		2,246,352		604
41	General Support	933	1,430		277,120		194
42	Public Spaces	39	72		103,920		1453
43	Conference/	291	429		138,560		323
44	Staff / Admin	952	1,430		415,679		291
45	Mech, Elec, Plumbing Spaces	19	72		34,640		484
46							
47							
48							
49							
50							
51							
52							
53							
54							
55	Total	37,655	53,458		\$ 28,273,764		529

^a Column 8 does not necessarily equal Columns 4 plus 6 or Columns 2 plus 4 plus 6; Column 9 does not necessarily equal Columns 5 plus 7 or Columns 3 plus 5 plus 7. This is because, for example, a) there may be demolition and b) department A may be reassigned to department B.

^b If this does not equal the sum of Lines 3,9,10 and 11 of Schedule D, please reconcile the difference (for example, do the costs include site survey and soil investigation, fixed equipment not in contract, and architectural and engineering costs which are not figured into Line 9 of Schedule D)

Schedule 5.2 Project Implementation

6.2 Anticipated Project Schedule

Construction/ Renovation or Installation	Start Date	Completion Date
• Phase One (Lakeside A Observation)	<u>12/2015</u>	<u>08/2016</u>
• Phase Two (H4 Dialysis)	<u>10/2016</u>	<u>05/2017</u>
• Phase Three (H8 BMT Upgrades)	<u>02/2017</u>	<u>04/2017</u>
• Phase Four (H7 Stepdown, Team Station ADA)	<u>06/2017</u>	<u>11/2017</u>
• Phase Five (H2 Cath Lab)	<u>07/2017</u>	<u>11/2017</u>
• Phase Six (H8 Med/Surg Unit)	<u>10/2017</u>	<u>05/2019</u>
• Phase Seven (H4 Team Station, ADA)	<u>01/2018</u>	<u>05/2018</u>

Operations	Start Date	Reach Normal Volume
• Phase One (Lakeside A Observation)	<u>09/2016</u>	<u>12/2016</u>
• Phase Two (H4 Dialysis)	<u>06/2017</u>	<u>09/2017</u>
• Phase Three (H8 BMT Upgrades)	<u>05/2017</u>	<u>05/2017</u>
• Phase Four (H7 Stepdown, Team Station ADA)	<u>12/2017</u>	<u>02/2018</u>
• Phase Five (H2 Cath Lab)	<u>12/2017</u>	<u>02/2018</u>
• Phase Six (H8 Med/Surg Unit)	<u>07/2019</u>	<u>09/2019</u>
• Phase Seven (H4 Team Station, ADA)	<u>05/2018</u>	<u>07/2018</u>

Please *briefly* describe the phrases cited above:

Phase One: Relocation and expansion of Observation unit to vacant space near the ED

Phase Two: Relocation of the Dialysis unit (outpatient and inpatient) from within the Med/Surg Unit

Phase Three: Conversion of two (2) existing BMT PE rooms to AIR/PE rooms

Phase Four: New stepdown unit, upgrades to med/surg nurse station and patient rooms

Phase Five: Renovate one room of existing Cath lab, replace equipment

Phase Six: Renovate and Expand the medical/surgical unit from 8 to 24 beds in 3 phases

Phase Seven: Upgrades to med/surg nurse station and patient rooms

Schedule 5.2 Project Implementation

- 6.3 If you have not already provided a listing and description of the equipment requirements (if any) of this project please do so in the space below or on an additional sheet.

See attached sheet

- 6.4 Do you have any additional information, which you would like to supply concerning the reasonableness of the expenditures and costs associated with this project?

YES _____ NO X

If "YES", please supply this information on an additional sheet or sheets.

Attachment/Exhibit

A



Lakeside A - Observation Unit

10/24/2016

Room Type	Equipment	Qty	Category
Patient Room, Toilet/Bathing facility; Medical Psychiatric Room			
	Artwork	25	F
	Bed, Patient	25	EC
	Board, Bulletin	25	F
	Chair, Patient side	25	F
	Clock with sweep second hand	25	F
	Commode	25	F
	Cubicle Curtain	25	EC
	Dispenser, Glove box	25	EC
	Flag, 8-Flag Multi Color	25	EC
	Flow Meter, Air	25	EC
	Flow Meter, O2	25	EC
	Hook, Coat single	25	F
	Mirror	25	EC
	Nurse Call, Rauland (per bed)	25	EC
	PC, Thin Client, wireless with Ergo Arm	25	IS
	Phone, IP Phone	25	IS
	Rack, Towel	25	EC
	Suction Regulators	25	EC
	Suction, Wall Plate	25	EC
	Table, Overbed	25	EC
	Television, 22"	25	EC
	Ventilator	25	EC
	Wastebasket, Patient Room	25	F
Nurse Station			
	Board, Bulletin	4	F
	Card Reader	4	IS
	Chair, Desk	8	F
	Clock, Office max	4	F
	Dispenser, Glove box	4	EC
	Electrocardiogram, portable	4	EC
	Glucometer	4	EC
	Hook, Coat single	8	F
	Monitor Mount	8	EC
	PC, Thin Client wireless	8	IS
	Phone, IP Phone	8	IS
	Printer, Network Multifunction	2	IS
	Storage, O2	2	EC
	Surge Suppressor, Power Strip	8	IS
	Wastebasket, office	8	F
Nourishment Area			
	Dispenser, Foam	2	EC
	Dispenser, Glove box	2	EC
	Dispenser, Ice	2	EC
	Dispenser, Paper towel	2	EC

Dispenser, Soap	2	EC
Microwave	2	F
Refrigerator, Food (full size)	2	F
Wastebasket, Office	2	F
Medication Room		
Card Reader	2	IS
Clock, Office max	2	F
PC, Thin Client, wireless with Ergo Arm	2	IS
Phone, IP Phone	2	IS
Pyxis Machine	2	EC
Refrigerator, Medication (undercounter)	2	EC
Sharps Container	2	EC
Wastebasket, Biohazard	2	F
Staff Lounge		
Chair, Stackable	10	F
Clock, Office max	1	F
Lockers, Staff (1 stack)	1	F
Phone, IP Phone	1	IS
Refrigerator, Food (full size)	1	F
Table, Lounge	1	EC
Wastebasket, Exam	1	F
Soild Holding		
Linen, Hamper	1	EC
Wastebasket, Biohazard	1	F
Clean Holding		
Cart, Housekeeping	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Storage, Rack	1	EC
General Equipment		
AED	1	EC
Blanket Warmer	1	EC
Crash Cart	2	F
Stretcher	1	EC
Wheelchair	1	EC
WOW, w/Medical Grade PC & battery pa	1	F
Housekeeping		
Cart, Housekeeping	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Storage, Rack	1	EC
Toilet Room		
Cart, Housekeeping	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Storage, Rack	1	EC



H8 Medical Surgical Unit

10/18/2016

Room Type	Equipment	Qty	Category
Patient Room, Toilet/Bathing facility; Medical Psychiatric Room			
	Artwork	15	F
	Bed, Patient	15	EC
	Board, Bulletin	15	F
	Cabinet, PPE	15	EC
	Chair, Patient side	15	F
	Chair, Recliner	15	EC
	Chair, Visitor Side	15	F
	Clock with sweep second hand	15	F
	Commode	15	F
	Cubicle Curtain	15	EC
	Dispenser, Foam	15	EC
	Dispenser, Glove box	17	EC
	Dispenser, Paper towel	15	EC
	Dispenser, Sani Wipes	15	EC
	Dispenser, Soap	15	EC
	Flag, 8-Flag Multi Color	15	EC
	Flow Meter, Air	15	EC
	Flow Meter, O2	15	EC
	Holder, Form	15	EC
	Hook, Coat single	15	F
	Lift, Patient Bed	15	
	Mirror	15	EC
	Monitor, Telemetry	36	EC
	Nurse Call, Rauland (per bed)	15	EC
	Ottoman, Patient & Bariatric	15	F
	PC, Thin Client, wireless with Ergo Arm	15	IS
	Phone, IP Phone	15	IS
	Rack, Towel	15	EC
	Sharps Container	15	EC
	Suction Regulators	15	EC
	Suction, Wall Plate	15	EC
	Table, Overbed	15	EC
	Telemetry	15	EC
	Television, 22"	15	EC
	Wastebasket, Patient Room	17	F
Airborne Infection Isolation Room, Ante Room, Toilet			
	Artwork	2	F
	Bed, Patient	2	EC
	Board, Bulletin	2	F
	Cabinet, PPE	2	EC
	Card Reader	2	IS
	Chair, Patient side	2	F
	Chair, Visitor Side	2	F
	Clock with sweep second hand	2	F

Commode	2	F
Dispenser, Foam	2	EC
Dispenser, Glove box	2	EC
Dispenser, Paper towel	2	EC
Dispenser, Sani Wipes	2	EC
Dispenser, Soap	2	EC
Flag, 8-Flag Multi Color	2	EC
Flow Meter, Air	2	EC
Flow Meter, O2	2	EC
Holder, Form	2	EC
Hook, Coat single	2	F
Mirror	2	EC
Nurse Call, Rauland (per bed)	2	EC
PC, Medical Grade (Sterile area)	2	IS
Phone, IP Phone	2	IS
Sharps Container	2	EC
Storage, Rack	2	EC
Suction Regulators	2	EC
Suction, Wall Plate	2	EC
Table, Overbed	2	EC
Telemetry	2	EC
Television, 22"	2	EC
Ventilator	2	EC
Wastebasket, Patient Room	2	F

Nurse Station

Board, Bulletin	1	F
Card Reader	1	IS
Chair, Desk	6	F
Clock, Office max	1	F
Dispenser, Glove box	3	EC
Electrocardiogram, portable	1	EC
Glucometer	1	EC
Hook, Coat single	6	F
Monitor Mount	6	EC
PC, Thin Client wireless	6	IS
Phone, IP Phone	6	IS
Printer, Network Multifunction	1	IS
Storage, O2	1	EC
Surge Suppressor, Power Strip	6	IS

Nourishment Area

Dispenser, Foam	1	EC
Dispenser, Glove box	1	EC
Dispenser, Ice	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Microwave	1	F
Refrigerator, Food (full size)	1	F
Wastebasket, Office	1	F

Medication Room

Card Reader	1	IS
Clock, Office max	1	F
PC, Thin Client, wireless with Ergo Arm	1	IS
Phone, IP Phone	1	IS
Pyxis Machine	1	EC

	Refrigerator, Medication (undercounter)	1	EC
	Sharps Container	1	EC
	Wastebasket, Biohazard	1	F
Offices			
	Chair, Desk	2	F
	Chair, Guest	2	F
	Clock, Office max	2	F
	Hook, Coat single	2	F
	PC, Desktop	2	IS
	PC, Thin Client wireless	2	IS
	Phone, IP Phone	2	IS
	Surge Suppressor, Power Strip	2	IS
	Wastebasket, Office	2	F
Staff Lounge			
	Chair, Stackable	20	F
	Clock, Office max	3	F
	Lockers, Staff (1 stack)	4	F
	Phone, IP Phone	2	IS
	Refrigerator, Food (full size)	3	F
	Table, Lounge	3	EC
	Wastebasket, Exam	3	F
General Equipment			
	AED	1	EC
	Blanket Warmer	1	EC
	Crash Cart	2	F
	Stretcher	1	EC
	Wheelchair	1	EC
	WOW, w/Medical Grade PC & battery pa	2	F
Housekeeping			
	Cart, Housekeeping	1	EC
	Dispenser, Paper towel	1	EC
	Dispenser, Soap	1	EC
	Storage, Rack	1	EC
Toilet Room			
	Cart, Housekeeping	1	EC
	Dispenser, Paper towel	1	EC
	Dispenser, Soap	1	EC
	Storage, Rack	1	EC

H4 MC2020

10/18/2016

Room Type	Equipment	Qty	Category
Patient Room, Toilet/Bathing facility			
	Board, Bulletin	50	F
	Cabinet, PPE	32	EC
	Chair, Patient side	50	F
	Chair, Visitor Side	50	F
	Clock with sweep second hand	32	F
	Cubicle Curtain	50	EC
	Dispenser, Foam	50	EC
	Dispenser, Glove box	50	EC
	Dispenser, Paper towel	50	EC
	Dispenser, Sani Wipes	50	EC
	Dispenser, Soap	50	EC
	Flag, 8-Flag Multi Color	50	EC
	Flow Meter, Air	50	EC
	Flow Meter, O2	50	EC
	Holder, Form	50	EC
	Hook, Coat single	50	F
	Lift, Patient Bed	50	
	Mirror	50	EC
	Monitor, Physio	5	EC
	PC, Thin Client, wireless with Ergo Arm	50	IS
	Phone, IP Phone	50	IS
	Rack, Towel	50	EC
	Sharps Container	50	EC
	Suction Regulators	50	EC
	Suction, Wall Plate	50	EC
	Table, Bedside	50	EC
	Telemetry	50	EC
	Television, 22"	50	EC
	Wastebasket, Patient Room	50	F
Nurse Station			
	Board, Bulletin	2	F
	Chair, Desk	10	F
	Clock, Office max	2	F
	Dispenser, Foam	3	EC
	Dispenser, Glove box	3	EC
	Electrocardiogram, portable	1	EC
	Glucometer	1	EC
	Holder, Form	10	EC
	Hook, Coat single	10	F
	Monitor Mount	10	EC
	PC, Thin Client wireless	10	IS
	Phone, IP Phone	10	IS
	Printer, Network Multifunction	1	IS
	Scanner, Large	1	IS

Surge Suppressor, Power Strip	10	IS
Wastebasket, office	10	F
Nourishment Area		
Dispenser, Foam	2	EC
Dispenser, Glove box	2	EC
Dispenser, Ice	2	EC
Dispenser, Paper towel	2	EC
Dispenser, Soap	2	EC
Microwave	2	F
Refrigerator, Food (full size)	2	F
Wastebasket, Office	2	F
Medication Room		
Card Reader	1	IS
Clock, Office max	1	F
PC, Thin Client wireless	1	IS
Phone, IP Phone	1	IS
Pyxis Machine	1	EC
Refrigerator, Medication (undercounter)	1	EC
Sharps Container	1	EC
Wastebasket, Biohazard	1	F
Offices		
Chair, Guest	3	F
Chair, Office	3	F
Clock, Office max	3	F
Hook, Coat single	3	F
PC, Thin Client wireless	3	IS
Phone, IP Phone	3	IS
Surge Suppressor, Power Strip	3	IS
Wastebasket, Office	3	F
Staff Lounge		
Chair, Stackable	12	F
Clock, Office max	1	F
Lockers, Staff (1 stack)	2	F
Phone, IP Phone	1	IS
Refrigerator, Food (full size)	1	F
Table, Lounge	1	EC
Wastebasket, Exam	1	F
Multipurpose Room		
Card Reader	1	IS
Chair, Task	6	F
Clock, Office max	1	F
Conference Board	1	F
Phone, Conference Analog	1	IS
Projector, Large Room Package	1	IS
Table, Conference	1	EC
Wastebasket, Office	1	F
Soild Holding		
Linen, Hamper	2	EC
Wastebasket, Biohazard	2	F
Clean Holding		
Cart, Housekeeping	2	EC
Dispenser, Paper towel	2	EC
Dispenser, Soap	2	EC
Storage, Rack	2	EC

General Equipment

AED	1	EC
Blanket Warmer	1	EC
Crash Cart	1	F
Stretcher	1	EC
Wheelchair	1	EC

Housekeeping

Cart, Housekeeping	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Storage, Rack	1	EC

Toilet Room

Cart, Housekeeping	3	EC
Dispenser, Paper towel	3	EC
Dispenser, Soap	3	EC
Storage, Rack	3	EC

H4 Dialysis

10/18/2016

Room Type	Equipment	Qty	Category
Treatment Room			
	Artwork	9	F
	Board, Bulletin	9	F
	Cabinet, PPE	9	EC
	Cart, Procedure	9	EC
	Chair, Patient side	9	F
	Chair, Task	9	F
	Chart Rack, outside exam room	9	EC
	Clock, Office max	9	F
	Cubicle Curtain	9	EC
	Dispenser, Foam	9	EC
	Dispenser, Glove box	9	EC
	Dispenser, Paper towel	9	EC
	Dispenser, Sani Wipes	9	EC
	Dispenser, Soap	9	EC
	Flag, 8-Flag Multi Color	9	EC
	Hamper, Linen	9	EC
	Holder, Form	9	EC
	Hook, Coat single	9	F
	Lifts, Patient Bed	9	
	Light, Procedure	9	EC
	Mirror	9	EC
	Ophthalmoscope	9	EC
	PC, Thin Client, wireless with Ergo Arm	9	IS
	Phone, IP Phone	9	IS
	Sharps Container	9	EC
	Stand, Mayo	9	EC
	Stool, Exam	9	EC
Airborne Infection Isolation Room, Ante Room, Toilet			
	Artwork	4	F
	Board, Bulletin	4	F
	Cabinet, PPE	4	EC
	Card Reader	4	IS
	Chair, Patient side	4	F
	Clock with sweep second hand	4	F
	Dispenser, Foam	4	EC
	Dispenser, Glove box	4	EC
	Dispenser, Paper towel	4	EC
	Dispenser, Sani Wipes	4	EC
	Dispenser, Soap	4	EC
	Flag, 8-Flag Multi Color	4	EC
	Holder, Form	4	EC
	Hook, Coat single	4	F
	Lifts, Patient Bed	4	EC
	Mirror	4	EC
	PC, Thin Client, wireless with Ergo Arm	4	IS

	Phone, IP Phone	4	IS
	Sharps Container	4	EC
	Storage, Rack	4	EC
	Wastebasket, Exam	4	F
Offices			
	Chair, Desk	4	F
	Chair, Office	4	F
	Clock, Office max	3	F
	Hook, Coat single	4	F
	PC, Thin Client wireless	4	IS
	Phone, IP Phone	4	IS
	Surge Suppressor, Power Strip	4	IS
	Wastebasket, Office	4	F
Staff Lounge			
	Chair, Stackable	10	F
	Clock, Office max	1	F
	Lockers, Staff (1 stack)	2	F
	Phone, IP Phone	1	IS
	Refrigerator, Food (full size)	1	F
	Table, Regular 36" x 72"	2	F
	Wastebasket, Exam	1	F
Nurse Station			
	Analyzer, Urine	1	EC
	Board, Bulletin	2	F
	Chair, Desk	8	F
	Clock, Office max	2	F
	Dispenser, Foam	2	EC
	Dispenser, Glove box	2	EC
	Electrocardiogram, portable	1	EC
	Glucometer	2	EC
	Holder, Form	2	EC
	Hook, Coat single	10	F
	PC, Thin Client wireless	8	IS
	Phone, IP Phone	8	IS
	Scanner, Large	1	IS
	Storage, O2	2	EC
	Surge Suppressor, Power Strip	8	IS
	Wastebasket, office	8	F
Medication Room			
	Card Reader	2	IS
	Clock, Office max	2	F
	PC, Thin Client, wireless with Ergo Arm	2	IS
	Phone, IP Phone	2	IS
	Pyxis Machine	2	EC
	Refrigerator, Medication (undercounter)	2	EC
	Sharps Container	2	EC
	Wastebasket, Biohazard	2	F
Soild Holding			
	Linen, Hamper	2	EC
	Wastebasket, Biohazard	2	F
Clean Holding			
	Cart, Housekeeping	1	EC
	Dispenser, Paper towel	1	EC
	Dispenser, Soap	1	EC

Storage, Rack	1	EC
General Equipment		
AED	1	EC
Crash Cart	1	F
Stretcher	1	EC
Wheelchair	1	EC
<hr/>		
Subtotal		
<hr/>		
Housekeeping		
Cart, Housekeeping	1	EC
Dispenser, Paper towel	1	EC
Dispenser, Soap	1	EC
Storage, Rack	1	EC
Multipurpose Room		
Chair, Stackable	18	F
Clock, Office max	3	F
Conference Board	3	F
Phone, Conference Analog	3	IS
Phone, IP Phone	4	IS
Projection Screen	3	IS
Projector, Large Room Package	3	IS
Table, Regular 36" x 72"	4	F
Table, Regular Square 30"	3	F
Wastebasket, Office	6	F
Laboratory		
Analyzer, Urine	2	EC
Cabinet, Specimen Collection	4	EC
Card Reader	1	IS
Centrifuge, tabletop	2	EC
Chair, Desk	4	F
Clock, Office max	2	F
Dispenser, Foam	2	EC
Dispenser, Glove box	2	EC
Dispenser, Ice	2	EC
Dispenser, Paper towel	2	EC
Dispenser, Sani Wipes	2	EC
Dispenser, Soap	2	EC
Glucose	2	EC
PC, Thin Client, wireless with Ergo Arm	4	IS
Phone, IP Phone	4	IS
Refrigerator, Specimen Collection	2	EC



H4 Dialysis

10/18/2016

Room Type	Equipment	Qty	Category
Examination/Treatment Room			
	Monitor Physio	13	EC
Toilet Room			
	Cart, Housekeeping	2	EC
	Dispenser, Paper towel	2	EC
	Dispenser, Soap	2	EC
	Storage, Rack	2	EC



IP01 Med/Surge Nursing Unit - Bone Marrow Transpla

Room Type	Equipment	Qty
Examination/Treatment Room	Imaging Equipment Package	1

ALL OTHER EQUIPMENT IS RE-USED

IP01 Med/Surge Nursing Unit - Bone Marrow Transpla

10/18/2016

Room Type	Equipment	Qty	Category
Patient Room, Toilet/Bathing facility; Medical Psychiatric Room			
	Artwork	11	F
	Board, Bulletin	11	F
	Cabinet, PPE	11	EC
	Chair, Patient side	11	F
	Chair, Recliner	11	EC
	Chair, Visitor Side	11	F
	Clock with sweep second hand	11	F
	Commode	11	F
	Cubicle Curtain	11	EC
	Dispenser, Glove box	11	EC
	Flag, 8-Flag Multi Color	11	EC
	Flow Meter, Air	11	EC
	Flow Meter, O2	11	EC
	Hook, Coat single	11	F
	Lift, Patient Bed	11	H7
	Mirror	11	EC
	Monitor, Telemetry	11	EC
	Monitor, Patient MP5 Mobile		EC
	Nurse Call, Rauland (per bed)	11	EC
	Ottoman, Patient & Bariatric	11	F
	PC, Thin Client, wireless with Ergo Arm	11	IS
	Phone, IP Phone	11	IS
	Rack, Towel	11	EC
	Sharps Container	11	EC
	Suction Regulators	11	EC
	Suction, Wall Plate	11	EC
	Table, Overbed	11	EC
	Telemetry	11	EC
	Television, 22"	11	EC
	Ventilator	11	EC
	Wastebasket, Patient Room	11	F
Nurse Station			
	Board, Bulletin	2	F
	Chair, Desk	8	F
	Clock, Office max	4	F
	Dispenser, Glove box	4	EC
	Electrocardiogram, portable	1	EC
	Glucometer	2	EC
	Hook, Coat single	8	F
	Monitor Mount	8	EC
	PC, Thin Client wireless	8	IS
	Phone, IP Phone	8	IS
	Printer, Network Multifunction	2	IS
	Scanner, Large	2	IS

	Storage, O2	4	EC
	Surge Suppressor, Power Strip	8	IS
	Wastebasket, office	8	F
Offices			
	Chair, Desk	3	F
	Chair, Guest	3	F
	Chair, Office	3	F
	Clock, Office max	3	F
	Hook, Coat single	3	F
	PC, Desktop	3	IS
	Surge Suppressor, Power Strip	3	IS
	Wastebasket, Office	3	F
Staff Lounge			
	Chair, Stackable	6	F
	Clock, Office max	1	F
	Lockers, Staff (1 stack)	1	F
	Phone, IP Phone	1	IS
	Refrigerator, Food (full size)	1	F
	Table, Lounge	1	EC
	Wastebasket, Exam	1	F
Multipurpose Room			
	Chair, Desk	6	F
	Clock, Office max	1	F
	Conference Board	1	F
	PC, Thin Client wireless	4	IS
	Phone, IP Phone	4	IS
	Wastebasket, Office	4	F



H8 Bone Marrow Transplant - Isolation Rooms

10/18/2016

Room Type	Equipment	Qty	Category
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EXISTING EQUIPMENT WILL BE RE-USED

Factor 6

FACTOR 6: FINANCIAL FEASIBILITY

LIST OF SCHEDULES FOR FACTOR SIX

SCHEDULE A:	Statement of Revenues and Expenses
*SCHEDULE B:	Statistical/Financial Data - Revenue Producing Cost Centers
SCHEDULE C:	Staffing Patterns
SCHEDULE D:	Estimated Capital Expenditure
SCHEDULE E:	Depreciation Expense
SCHEDULE F:	Proposed Funds for Estimated Capital Expenditure
SCHEDULE F1:	Features of Permanent Financing of Estimated Capital Expenditure
SCHEDULE F2:	Application of Permanent Financing Proceeds
SCHEDULE G:	Fixed Charges Covered
SCHEDULE H:	Revenue by Payer

The purpose of "Factor Six - Financial Feasibility" of the DoN Application is to: (1) collect evidence regarding the ability of the applicant to finance and support the operation of the proposed project; and (2) highlight the probable effects of the project, in cost and statistical terms.

It may be useful as a conceptual aid to think of the schedules that comprise "Factor Six- Financial Feasibility" as sorting into these categories:

- 1) Schedules A-C - information about the likely impact of the proposed project on operations of the applicant (institution).
- 2) Schedules D-G - information about the capital cost and the method of financing for the proposed project; and
- 3) Schedule H - information about the applicant's recent payer mix.

The schedules request the most recent annual historical data plus two sets of three-year projections for single service projects and the most recent three years historical data plus two sets of four-year projections for capital expenditure projects. "P1" is the projection of the likely future course of operations, assuming the project under consideration is approved by the Department. "P2" is the projection of the likely future course of operations, assuming the project under consideration is not approved by the Department.

The first projection year should be the first year following the last actual. The second, third, or fourth year projection should be the point in time when the project reaches normal volume.

The applicant must clearly explain its assumptions about costs (both operating and capital) on separate sheets to be attached to Schedule A.

Factor 6

FINANCIAL FEASIBILITY

Consistency is a key to the fairness and usability of "Factor Six- Financial Feasibility." If assumptions about unit costs, occupancies, or similar items differ between P1 and P2, explain the reasons for these differences on separate sheets. Since it is obvious that the approval or denial of this application will not alter demographic or economic trends in the applicant's area, it is expected that assumptions for P1 and P2 will be uniform for these items. This section uses Schedule A, the operating statement, to link the various other schedules together. This interlocking system will ensure that all comparisons of P1 and P2 will be made using consistent data, which fit smoothly into the broader financial situation of the applicant.

In order to obtain forecasts or financial and statistical impacts, it is necessary to consider the interrelationship of determination of need projects filed by an individual applicant. Therefore, if the applicant's institution has more than one DoN application pending, or expects to file additional applications within one year of the date of this application, please note the application numbers and dates of the pending applications and the nature and scope of expected applications on the "assumptions" sheet attached to Schedule A. "P1" and "P2" projections must assume approval of all pending (rather than anticipated or expected) DoN applications. For example, an institution that has one application pending consideration, by the Department, and which is now filing another application, should:

- note the first application in the assumption section of Schedule A of the new application; and
- assume approval of the first application in both the "P1" and "P2" projections of the new application.

The new application should, in effect, show the combined projections if the first application were, in fact, to be implemented on the applicant's proposed schedule.

On some schedules, hospitals are required to report financial and statistical data according to the specifications of the *Hospital Uniform Reporting Manual*.** Of course, this requirement does not apply to non-hospital applicants.

These schedules will provide necessary information about the probable impacts of determination of need actions on individual applicants. Schedules A, G, and H should be completed for the whole facility and not only for the project's revenue producing cost center(s).

**Hospital Uniform Reporting Manual is available at <http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf>.

Factor 6

FINANCIAL FEASIBILITY

Notes:

1. The financial and statistical information requested in Factor Six must be submitted on the schedules provided or on copies thereof.
2. Copies of audited financial statements for the most recent year must be filed with this application.
3. Assumptions used in projecting capital and operating costs, revenues, and demographic factors must be clearly explained on a separate sheet attached to the beginning of Factor 6.
4. Statistical data and projections provided in Factor Two are important for the Factor Six data and projections. Please review both Factor Two and Factor Six carefully to ensure overall consistency between them.
5. It is permissible to round dollar amounts to the nearest thousand, as long as such rounding does not materially affect the results. If you do so, please clearly indicate this on each page on which such rounding is done.
- 6(a) Use constant dollars for the projection years (that is, do not include inflation). Do not restate actual dollars.
- 6(b) In general, use the last complete fiscal year as the basis for constant dollars (e.g., an applicant filing May 2014 with a fiscal year ending September 2014 would state project costs in 2014 dollars).

Schedule A: Statement of Revenues and Expenses

The data presented here must tie to later schedules and **should be for the entire institution and not only for the project's cost center**. Explain all variances. Should your institution have another application pending (i.e. accepted and under review by the Determination of Need Program), the projections made in these schedules must assume *approval* of all pending applications.

	(1)	(2)	(3)	(4)
		Actual 2013	Actual 2014	Actual 2015
1	Gross Patient Service Revenue*	\$3,484,600,737	\$3,536,442,269	\$3,851,302,714
2	Less: Contractuals	2,058,201,708	2,034,674,183	2,334,254,999
3	Provision for Doubtful Accounts	12,787,434	17,595,626	21,051,783
4	Free Care	100,738,398	52,394,947	50,788,027
5	Other (Specify)	-	-	-
6	Net Patient Service Revenue	1,312,873,196	1,431,777,513	1,445,207,905
7				
8	Other Operating Revenue*	86,802,441	80,168,753	63,133,423
9				
10	Net Operating Revenue	1,399,675,637	1,511,946,266	1,508,341,328
11				
12	Operating Expenses			
13a	Salaries, Wages* and Fringe Benefits (Exclude Pension)*	\$605,199,177	\$624,100,401	\$616,779,954
13b	Purchased Services	203,575,605	191,594,485	207,187,961
14	Supplies and Other Expenses	501,566,181	551,965,884	501,364,452
15	Depreciation	74,220,336	75,369,885	86,582,723
16	Interest	14,654,484	14,538,622	13,517,659
17	Pension	34,161,484	36,083,451	37,698,893
18				
19	Total Operating Expenses*	1,433,377,266	1,493,652,728	1,463,131,641
20				
21	Gain (Loss) from Operations	(33,701,629)	18,293,538	45,209,687
22				
23	Total Non-Operating Revenue	102,635,677	1,534,228	14,883,160
24				
25	Excess of Revenues Over Expenses	\$68,934,049	\$19,827,765	\$60,092,847
26				
27				
28				
29				
30				

Note: For a single service project, complete the most recent year actual data and for a capital expenditure project by a hospital complete the most recent three years actual data.

Schedule A: Statement of Revenues and Expenses

	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		Assuming Project Approval				Assuming Project Denial			
		Projection 2019 (P1)	Projection 2020 (P1)	Projection 2021 (P1)	Projection 2022 (P1)	Projection 2019 (P2)	Projection 2020 (P2)	Projection 2021 (P2)	Projection 2022 (P2)
1	Gross Patient Service Revenue*	\$3,879,029,358	\$3,879,029,358	\$3,879,029,358	\$3,879,029,358	\$3,851,302,714	\$3,851,302,714	\$3,851,302,714	\$3,851,302,714
2	Less: Contractuals	2,346,292,327	2,346,292,327	2,346,292,327	2,346,292,327	2,334,254,999	2,334,254,999	2,334,254,999	2,334,254,999
3	Provision for Doubtful Accounts	20,533,660	20,533,660	20,533,660	20,533,660	21,051,783	21,051,783	21,051,783	21,051,783
4	Free Care	51,391,144	51,391,144	51,391,144	51,391,144	50,788,027	50,788,027	50,788,027	50,788,027
5	Other (Specify)	0	0	0	0	0	0	0	0
6	Net Patient Service Revenue	1,460,812,228	1,460,812,228	1,460,812,228	1,460,812,228	1,445,207,905	1,445,207,905	1,445,207,905	1,445,207,905
7									
8	Other Operating Revenue*	63,133,423	63,133,423	63,133,423	63,133,423	63,133,423	63,133,423	63,133,423	63,133,423
9									
10	Net Operating Revenue	\$1,523,945,650	\$1,523,945,650	\$1,523,945,650	\$1,523,945,650	1,508,341,328	1,508,341,328	1,508,341,328	1,508,341,328
11									
12	Operating Expenses								
13a	Salaries, Wages* and Fringe Benefits (Exclude Pension)*	\$624,024,656	\$624,024,656	\$624,024,656	\$624,024,656	\$616,779,954	\$616,779,954	\$616,779,954	\$616,779,954
13b	Purchased Services	207,486,265	207,486,265	207,486,265	207,486,265	207,187,961	207,187,961	207,187,961	207,187,961
14	Supplies and Other Expenses	504,498,350	504,437,549	504,437,549	504,437,549	501,364,452	501,364,452	501,364,452	501,364,452
15	Depreciation	88,866,201	88,866,201	88,866,201	88,866,201	86,582,723	86,582,723	86,582,723	86,582,723
16	Interest	15,359,987	13,674,123	13,033,150	12,373,185	14,358,701	13,699,830	13,059,757	12,400,723
17	Pension	38,141,704	38,141,704	38,141,704	38,141,704	37,698,893	37,698,893	37,698,893	37,698,893
18									
19	Total Operating Expenses*	1,478,377,163	1,476,630,499	1,475,989,526	1,475,329,561	1,463,972,683	1,463,313,813	1,462,673,739	1,462,014,705
20									
21	Gain (Loss) from Operations	45,568,487	47,315,151	47,956,125	48,616,090	44,368,645	45,027,516	45,667,589	46,326,623

Schedule A: Statement of Revenues and Expenses

	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
		Assuming Project Approval				Assuming Project Denial			
		Projection 2019 (P1)	Projection 2020 (P1)	Projection 2021 (P1)	Projection 2022 (P1)	Projection 2019 (P2)	Projection 2020 (P2)	Projection 2021 (P2)	Projection 2022 (P2)
22									
23	Total Non-Operating Revenue	14,883,160	14,883,160	14,883,160	14,883,160	14,883,160	14,883,160	14,883,160	14,883,160
24									
25	Excess of Revenues Over Expenses	\$60,451,647	\$62,198,311	\$62,839,285	\$63,499,250	\$59,251,805	\$59,910,675	\$60,550,749	\$61,209,783
26									
27									
28									
29									
30									

*For each of these items state on a separate and attached sheet the assumptions you made in arriving at P1 (assuming project approval, columns 5-8) and P2 (assuming project denial, columns 9-12) figures.

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers

Complete in detail for each revenue producing cost center affected by the project. Data for revenue-producing cost centers not affected by the project should be presented in aggregate under "Other Revenue-Producing Cost Centers". Under Other it is expected that P1 and P2 will be identical. The cost centers and standard units of measure must be those required by *Hospital Uniform Reporting Manual*.

(<http://www.mass.gov/chia/docs/p/hospital-reports/hospital-uniform-reporting-manual.pdf>)

	(1) Cost Center	(2) Standard Unit of Measure	(3) Gross Patient Service Revenue	(4) Major Movable Equipment Depreciation
	A Med/Surg	B Patient Days		
1	2013 Actual (A)	116,730	171,380,215	600,504
2	2014 (A)	112,457	170,035,460	634,580
3	2015 (A)	120,570	214,982,405	4,724,316
4	2019 (P1)	125,325	267,191,006	5,534,642
5	2020 (P1)	125,325	267,191,006	5,534,642
6	2021 (P1)	125,325	267,191,006	5,534,642
7	2022 (P1)	125,325	267,191,006	5,534,642
8	2019 (P2)	120,570	214,982,405	4,724,316
9	2020 (P2)	120,570	214,982,405	4,724,316
10	2021 (P2)	120,570	214,982,405	4,724,316
11	2022 (P2)	120,570	214,982,405	4,724,316
12				
13	Psychiatry	Patient Days		
14	2013 Actual (A)	18,145	58,807,109	29,717
15	2014 (A)	18,465	61,087,869	31,403
16	2015 (A)	18,262	70,558,930	571,567
17	2019 (P1)	13,621	46,076,972	588,507
18	2020 (P1)	13,621	46,076,972	588,507
19	2021 (P1)	13,621	46,076,972	588,507
20	2022 (P1)	13,621	46,076,972	588,507
21	2019 (P2)	18,262	70,558,930	571,567
22	2020 (P2)	18,262	70,558,930	571,567
23	2021 (P2)	18,262	70,558,930	571,567
24	2022 (P2)	18,262	70,558,930	571,567
25				
26	Cath Procedure	Procedure		
27	2013 Actual (A)	27,971	205,282,384	400,554
28	2014 (A)	29,131	208,996,457	423,282
29	2015 (A)	30,144	241,024,281	636,036
30	2019 (P1)	30,144	241,024,281	867,036
31	2020 (P1)	30,144	241,024,281	867,036
32	2021 (P1)	30,144	241,024,281	867,036
33	2022 (P1)	30,144	241,024,281	867,036
34	2019 (P2)	30,144	241,024,281	636,036
35	2020 (P2)	30,144	241,024,281	636,036
36	2021 (P2)	30,144	241,024,281	636,036
37	2022 (P2)	30,144	241,024,281	636,036
38				

^a On this line state the name of the cost center (Column 1)

^b On this line indicate the standard unit of measure (column 2) and number of units for Actual, P₁ and P₂

Note: Use copies of this sheet for additional cost centers

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers

	(1)	(2)	(3)	(4)
	Cost Center	Standard Unit of Measure	Gross Patient Service Revenue	Major Movable Equipment Depreciation
39	Dialysis			
40	2013 Actual (A)	6.100	9,948,219	60,656
41	2014 (A)	5.939	10,040,511	64,098
42	2015 (A)	6.597	11,295,370	235,357
43	2019 (P1)	6.597	11,295,370	468,375
44	2020 (P1)	6.597	11,295,370	468,375
45	2021 (P1)	6.597	11,295,370	468,375
46	2022 (P1)	6.597	11,295,370	468,375
47	2019 (P2)	6.597	11,295,370	235,357
48	2020 (P2)	6.597	11,295,370	235,357
49	2021 (P2)	6.597	11,295,370	235,357
50	2022 (P2)	6.597	11,295,370	235,357
51				
52	Other Revenue Cost Centers			
53	2013 Actual (A)		3,039,182,809	10,862,531
54	2014 (A)		3,086,281,972	11,478,882
55	2015 (A)		3,313,441,729	30,776,868
56	2019 (P1)		3,313,441,729	30,776,868
57	2020 (P1)		3,313,441,729	30,776,868
58	2021 (P1)		3,313,441,729	30,776,868
59	2022 (P1)		3,313,441,729	30,776,868
60	2019 (P2)		3,313,441,729	30,776,868
61	2020 (P2)		3,313,441,729	30,776,868
62	2021 (P2)		3,313,441,729	30,776,868
63	2022 (P2)		3,313,441,729	30,776,868
64				
65	Total Revenue Producing Cost Centers			
66	2013 Actual (A)		3,484,600,736	11,953,962
67	2014 (A)		3,536,442,269	12,632,245
68	2015 (A)		3,851,302,715	36,944,143
69	2019 (P1)		3,879,029,358	38,235,428
70	2020 (P1)		3,879,029,358	38,235,428
71	2021 (P1)		3,879,029,358	38,235,428
72	2022 (P1)		3,879,029,358	38,235,428
73	2019 (P2)		3,851,302,715	36,944,143
74	2020 (P2)		3,851,302,715	36,944,143
75	2021 (P2)		3,851,302,715	36,944,143
76	2022 (P2)		3,851,302,715	36,944,143
77				

^a On this line state the name of the cost center (Column 1)

^b On this line indicate the standard unit of measure (column 2) and number of units for Actual, P₁ and P₂

Note: Use copies of this sheet for additional cost centers

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers, continued

		(5)	(6)	(7)	(8)	(9)
	Cost Center	Physician Compensation & Benefits*	Direct Expenses Excluding Physician Compensation & Benefits & MME Depreciation	Total Direct Expenses (Cols. 4+5+6)	Allocated Expenses	Total Expenses (Cols. 7+8)
	A Med/Surg					
1	2013 Actual (A)	-	94,179,715	94,780,219	-	94,780,219
2	2014 (A)	-	92,097,629	92,732,209	-	92,732,209
3	2015 (A)	-	94,517,909	99,242,225	-	99,242,225
4	2019 (P1)	-	105,717,548	111,252,191	-	111,252,191
5	2020 (P1)	-	105,717,548	111,252,191	-	111,252,191
6	2021 (P1)	-	105,717,548	111,252,191	-	111,252,191
7	2022 (P1)	-	105,717,548	111,252,191	-	111,252,191
8	2019 (P2)	-	94,517,909	99,242,225	-	99,242,225
9	2020 (P2)	-	94,517,909	99,242,225	-	99,242,225
10	2021 (P2)	-	94,517,909	99,242,225	-	99,242,225
11	2022 (P2)	-	94,517,909	99,242,225	-	99,242,225
12						
13	Psychiatry					
14	2013 Actual (A)	-	16,727,531	16,757,248	-	16,757,248
15	2014 (A)	-	18,488,146	18,519,549	-	18,519,549
16	2015 (A)	-	18,870,763	19,442,330	-	19,442,330
17	2019 (P1)	-	17,365,803	17,954,311	-	17,954,311
18	2020 (P1)	-	17,365,803	17,954,311	-	17,954,311
19	2021 (P1)	-	17,365,803	17,954,311	-	17,954,311
20	2022 (P1)	-	17,365,803	17,954,311	-	17,954,311
21	2019 (P2)	-	18,870,763	19,442,330	-	19,442,330
22	2020 (P2)	-	18,870,763	19,442,330	-	19,442,330
23	2021 (P2)	-	18,870,763	19,442,330	-	19,442,330
24	2022 (P2)	-	18,870,763	19,442,330	-	19,442,330
25						
26	Cath Procedure					
27	2013 Actual (A)	-	28,801,730	29,202,284	-	29,202,284
28	2014 (A)	-	28,210,020	28,633,302	-	28,633,302
29	2015 (A)	-	29,582,409	30,218,445	-	30,218,445
30	2019 (P1)	-	29,582,409	30,449,445	-	30,449,445
31	2020 (P1)	-	29,582,409	30,449,445	-	30,449,445
32	2021 (P1)	-	29,582,409	30,449,445	-	30,449,445
33	2022 (P1)	-	29,582,409	30,449,445	-	30,449,445
34	2019 (P2)	-	29,582,409	30,218,445	-	30,218,445
35	2020 (P2)	-	29,582,409	30,218,445	-	30,218,445
36	2021 (P2)	-	29,582,409	30,218,445	-	30,218,445
37	2022 (P2)	-	29,582,409	30,218,445	-	30,218,445
38						

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers, continued

		(5)	(6)	(7)	(8)	(9)
	Cost Center	Physician Compensation & Benefits*	Direct Expenses Excluding Physician Compensation & Benefits & MME Depreciation	Total Direct Expenses (Cols. 4+5+6)	Allocated Expenses	Total Expenses (Cols. 7+8)
39	Dialysis					
40	2013 Actual (A)	-	3,365,052	3,425,708	-	3,425,708
41	2014 (A)	-	3,568,305	3,632,403	-	3,632,403
42	2015 (A)	-	3,796,808	4,032,165	-	4,032,165
43	2019 (P1)	-	3,796,808	4,265,183	-	4,265,183
44	2020 (P1)	-	3,796,808	4,265,183	-	4,265,183
45	2021 (P1)	-	3,796,808	4,265,183	-	4,265,183
46	2022 (P1)	-	3,796,808	4,265,183	-	4,265,183
47	2019 (P2)	-	3,796,808	4,032,165	-	4,032,165
48	2020 (P2)	-	3,796,808	4,032,165	-	4,032,165
49	2021 (P2)	-	3,796,808	4,032,165	-	4,032,165
50	2022 (P2)	-	3,796,808	4,032,165	-	4,032,165
51						
52	Other Revenue Producing Cost Centers					
53	2013 Actual (A)	13,735,744	549,260,381	573,858,656	715,353,151	1,289,211,807
54	2014 (A)	15,817,843	517,955,575	545,252,300	804,882,966	1,350,135,266
55	2015 (A)	-	596,436,348	627,213,216	682,983,260	1,310,196,476
56	2019 (P1)	-	596,436,348	627,213,216	687,242,818	1,314,456,034
57	2020 (P1)	-	596,436,348	627,213,216	685,496,154	1,312,709,370
58	2021 (P1)	-	596,436,348	627,213,216	684,855,180	1,312,068,397
59	2022 (P1)	-	596,436,348	627,213,216	684,195,215	1,311,408,432
60	2019 (P2)	-	596,436,348	627,213,216	683,824,302	1,311,037,518
61	2020 (P2)	-	596,436,348	627,213,216	683,165,432	1,310,378,648
62	2021 (P2)	-	596,436,348	627,213,216	682,525,358	1,309,738,574
63	2022 (P2)	-	596,436,348	627,213,216	681,866,324	1,309,079,540
64						
65	Total Revenue Producing Cost Centers					
66	2013 Actual (A)	13,735,744	692,334,409	718,024,115	715,353,151	1,433,377,266
67	2014 (A)	15,817,843	660,319,674	688,769,762	804,882,966	1,493,652,728
68	2015 (A)	-	743,204,238	780,148,381	682,983,260	1,463,131,641
69	2019 (P1)	-	752,898,917	791,134,345	687,242,818	1,478,454,641
70	2020 (P1)	-	752,898,917	791,134,345	685,496,154	1,476,695,063
71	2021 (P1)	-	752,898,917	791,134,345	684,855,180	1,476,054,090
72	2022 (P1)	-	752,898,917	791,134,345	684,195,215	1,475,394,125
73	2019 (P2)	-	743,204,238	780,148,381	683,824,302	1,463,972,683
74	2020 (P2)	-	743,204,238	780,148,381	683,165,432	1,463,313,813
75	2021 (P2)	-	743,204,238	780,148,381	682,525,358	1,462,673,739
76	2022 (P2)	-	743,204,238	780,148,381	681,866,324	1,462,014,705
77						

* Include in this column fringe benefits.

Note: The difference between P₁ and P₂ Schedule A, Line 19 "Total Operating Expenses" must tie to the difference between P₁ and P₂ "Schedule B, Column 9, "Total Expenses"

Schedule B: Statistical/Financial Data - Revenue Producing Cost Centers, continued

Not Applicable

	(10)	(11)	(12)	(13)
	Cost Center	Standard Unit of Measure	Gross Patient Service Revenue	Major Movable Equipment Depreciation
	a	b		
1	20 Actual (A)			
2	20 (A)			
3	20 (A)			
4	20 (P1)			
5	20 (P1)			
6	20 (P1)			
7	20 (P1)			
8	20 (P2)			
9	20 (P2)			
10	20 (P2)			
11	20 (P2)			
12				
13				
14	20 Actual (A)			
15	20 (A)			
16	20 (A)			
17	20 (P1)			
18	20 (P1)			
19	20 (P1)			
20	20 (P1)			
21	20 (P2)			
22	20 (P2)			
23	20 (P2)			
24	20 (P2)			
25				
26				
27	20 Actual (A)			
28	20 (A)			
29	20 (A)			
30	20 (P1)			
31	20 (P1)			
32	20 (P1)			
33	20 (P1)			
34	20 (P2)			
35	20 (P2)			
36	20 (P2)			
37	20 (P2)			
38				
39				
40				

^a On this line state the name of the cost center, Column 10.

^b On this line indicate the standard unit of measure, Column 11, and number of units for Actual, P₁ and P₂

Schedule C: Staffing Patterns

Complete in detail the staffing level of the service(s) that will be affected by the proposed project.

	(1)	(2) Number of FTEs*			(4)
		2015 ^a Actual Year	2019 ^b P1 Year	2019 ^b P2 Year	
1	Service (specify): Med/Surg				
2	Personnel category				
3	Interns & Residents	0.0	0.0	0.0	
4	Management	26.6	28.5	28.5	
5	NP	2.7	2.7	2.7	
6	RN	492.0	548.6	548.6	
7	Support Staff	30.4	51.0	51.0	
8	Other Clinical Support Staff	221.7	234.6	234.6	
9					
10	Service (specify): Psychiatry				
11	Personnel category				
12	Interns & Residents	0.0	0.0	0.0	
13	Management	5.6	5.9	5.9	
14	NP	0.0	0.0	0.0	
15	RN	53.2	40.9	40.9	
16	Support Staff	2.0	2.0	2.0	
17	Other Clinical Support Staff	60.0	53.2	53.2	
18					
19	Service (specify): Dialysis				
20	Personnel category				
21	Interns & Residents	0.0	0.0	0.0	
22	Management	2.0	2.0	2.0	
23	NP	0.0	0.0	0.0	
24	RN	14.8	14.8	14.8	
25	Support Staff	0.0	0.0	0.0	
26	Other Clinical Support Staff	2.0	2.0	2.0	
27					
28	Service (specify): Cardiac Cath Lab				
29	Personnel category				
30	Interns & Residents	0.0	0.0	0.0	
31	Management	3.2	3.2	3.2	
32	NP	17.4	17.4	17.4	
33	RN	41.5	41.5	41.5	
34	Support Staff	10.1	10.1	10.1	
35	Other Clinical Support Staff	26.1	26.1	26.1	
36					
37	Service (specify): All Other Personnel				
43	Personnel category				
44	Interns & Residents	526.0	526.0	526.0	
45	Management	295.9	295.9	295.9	
46	NP	71.4	71.4	71.4	
47	RN	1,309.0	1,309.0	1,309.0	
48	Support Staff	1,515.6	1,525.7	1,525.7	
49	Other Clinical Support Staff	1,617.7	1,619.7	1,619.7	
50					
51	All Personnel	6,346.9	6,432.2	6,432.2	

*A FTE is a full-time equivalent employee. See the *Hospital Uniform Reporting Manual* for the computation of full-time equivalent.

^a For the fiscal year most recently completed.

^b The year when normal operating volume is achieved.

Schedule D: Estimated Capital Expenditure

Outlined below is a comprehensive list of all components of Estimated Capital Expenditures. Capital Expenditure as defined in the Regulations includes the site acquisition cost of land and buildings or **fair market value of land and buildings if leased (capital or operating) or donated**, the total cost of construction including all site improvements, the cost of all capital equipment or **fair market value if leased (capital or operating) or donated**, the cost of all professional fees associated with the development of the project, including fees for architectural, engineering, legal, accounting, feasibility, planning and financing services, any fee associated with financing including any bond discount, and the interest cost to be incurred on funds borrowed during construction (but not including the on-going interest expense of permanent financing).

The estimate to be computed below must be based on costs and interest rates, which assume commencement and/or implementation of the project as of the date of application; therefore, the estimate should *not* include inflation up to the *anticipated actual* commencement and/or implementation date. (Where appropriate, an inflationary allowance is applied later during the DoN Staff's monitoring of the approved project.)

Because the inflation allowance is an important factor in large, costly construction projects, prospective applicants for such projects should consult the DoN Office for technical advice regarding completion of Schedule D. Do not include a special provision for contingency.

(1)		(2)	(3)
	Category of Expenditure	New Construction	Renovation
1	Land Costs:		
2	Land Acquisition Cost	\$0	\$0
3	Site Survey and Soil Investigation	\$0	\$0
4	Other Non-Depreciable Land Development ^a	\$0	\$0
5	Total Land Costs (Lines 2 through 4)	\$0	\$0
6	Construction Costs:		
7	Depreciable Land Development Cost ^b	\$0	\$0
8	Building Acquisition Cost	\$0	\$0
9	Construction Contract (including bonding cost)	\$0	\$24,475,045
10	Fixed Equipment Not in Contract	\$0	\$1,219,900
11	Architectural Cost (including fee, printing, supervision etc.) and Engineering Cost	\$0	\$2,578,819
12	Pre-filing Planning and Development Costs	\$0	\$311,729
13	Post-filing Planning and Development Costs	\$0	\$242,586
14	Other (specify):		
15	Other (specify):		
16	Net Interest Expense During Construction ^c	\$0	\$1,000,000
17	Major Movable Equipment ^d	\$0	\$0
18	Total Construction Costs (Lines 7 through 17)	\$0	\$29,828,079
19	Financing Costs:	\$0	\$0
20	Cost of Securing Financing (legal, administrative, feasibility studies, mortgage insurance, printing, etc.)	\$0	\$572,164
21	Bond Discount	\$0	\$0
22	Other (specify):	\$0	\$0
23	Total Financing Costs (Lines 20 through 22)	\$0	\$572,164
24	Estimated Total Capital Expenditure (Line 5 + Line 18 + Line 23)	\$0	\$30,400,243

Footnotes:

- Examples of Other Non-Depreciable Land Development Costs: commissions to agents for purchase of land, attorney fees related to land, demolition of old buildings, clearing and grading, streets, removal of ledge, off-site sewer and water lines, public utility charges necessary to service the land, zoning requirements, and toxic waste removal.
- Examples of Depreciable Land Development Costs: construction of parking lots, walkways and walls; on-site septic systems; on-site water and sewer lines; and reasonable and necessary landscaping.
- Describe assumptions used in calculating interest rates and costs.
- Acute care hospitals need not include equipment expenditure unless for DoN regulated device (see 105 CMR 100.022, definition of Expenditure Minimum).

Schedule E: Depreciation Expense

Complete for project's estimated capital expenditure (including the fair market value for capital lease), which will be depreciated. For a given category and cost center show in aggregate the data for assets with the same useful lives. Include in the basis the asset's appropriate share of construction interest and professional fees. Use the estimates from Schedule D.

	(1) Description of Asset	(2) Basis for Depreciation	(3) Useful Life	(4) Annual Depreciation Expense
1	Building:			
2				
3				
4				
5				
6				
7	Land Improvements:			
8				
9				
10				
11				
12				
13	Building Improvements:	29,180,343	39	748,214
14				
15				
16				
17				
18				
19	Parking Facilities:			
20				
21				
22				
23				
24				
25	Fixed Equipment:			
26	Fixed Equipment Not in Contract	1,219,900	5	243,980
27				
28				
29				
30				
31	Major Movable Equipment:			
32	Major Movable Equipment	5,946,155	5	1,189,231
33	IT Equipment	510,268	5	102,054
34	Furniture, Signage	0	5	0
35				
36				
37	Total	36,856,666		2,283,479

Note: For simplicity assume first year of depreciation is a full year depreciation not one half year of depreciation. Also, if project is to be gradually phased in do not adjust for such phasing unless it significantly affects this Schedule. Explain such adjustments.

Schedule F: Proposed Funds for Estimated Capital Expenditure

Show only those funds, which are intended to finance the estimated capital expenditure.

	(1)	(2)
	Funds Available as of Application Filing Date:	
1	Plant Replacement and Expansion Fund	\$
2	Unrestricted Fund	
3	Endowment Fund	
4	Specific Purpose Fund	
5	Other (specify):	\$0
6	Subtotal	\$0
	Funds to be Generated/Raised:	
	Internal Sources:	
7	Accumulated Gain from Operations	\$8,248,487
8	Accumulated Non-operating Revenue ^a	
9	External Sources: Long Term Debt Proceeds ^b (available _____ / _____) ^c month year	\$28,608,179
10	Grants (available _____ / _____) month year	
11	Unrestricted Gifts/ Bequests (available _____ / _____) month year	
12	Plant Fund Drive (available _____ / _____) month year	
13	Capital Lease (terms) _____ / _____ rate years	
14	Subtotal	\$36,856,666
15	Total Funds (Line 6 - Line 14)	(\$36,856,666)

^a Exclude unrestricted gifts and bequests. Show these on Line 11.

^b Complete Schedule F1.

^c Provide date when total amount will be available.

Schedule F1: Features of Permanent Financing of Estimated Capital Expenditure ^a

1. a) Loan principal \$28,608,179 b) Interest rate 3.50% c) Term 25 yrs.

2. Does the proposed debt service require even periodic payments, which include interest and principal?
☒ Yes ☐ No

If No, attach a separate sheet outlining the required schedule of payments of interest and principal over the term of the loan.

3. Check anticipated source of permanent financing. ^b

☐ Lending Institution (specify) _____

☐ Massachusetts Health and Educational Facilities Authority

☐ Federal Housing and Urban Development Administration Insured Mortgage

☒ Public or Private Sale Bonds

☐ Other (specify) _____

4. Check anticipated debt instrument.

☐ Mortgage

☐ Mortgage Bonds

☐ Notes

☐ Taxable Bonds

☒ Tax-exempt Bonds

☐ Bond Anticipation Note

☐ Other (specify) _____

5. Specify the loan covenants (such as required sinking fund payments, and compensating balances) associated with the proposed financing.

Debt service coverage ratio of 1.1 and days cash on hand must remain greater than or equal to 60

6. Indicate specific extent of mortgagee's proposed collateral interest in real property, gross receipts, etc.
The UMMHC Master Trust Indenture uses gross receipts to collateralize borrowings

7. Will the proposed long term loan refinance a construction loan? ☐ Yes ☒ No

8. If Yes, complete the following:

a) Source of construction loan _____

b) Maximum principal outstanding _____

c) Terms of interest rate _____

9. Anticipated date for the delivery of the long-term loan proceeds Approximately October 2017

^a If appropriate complete for internal as well as external loans.

^b If uncertain, use "1", "2", etc. to indicate order of likelihood. Explain effect on cost in going from source number 1 to source number 2, etc.

Complete question 8 only if the project includes refinancing of existing debt

Schedule F2: Application of Permanent Financing Proceeds

Complete only for the estimated capital expenditures of projects requiring debt financing.

(1)		(2)
1	Total Estimated Land and Construction Costs (from Schedule D, Columns 2 and 3, Line 5 + Line 18)	\$29,828,079
2	Debt Service Fund Requirement	
3	Total Financing Costs (from Schedule D, Columns 2 and 3, Line 23)	572,164
4	Refinancing of Existing Debt	
5	Other (specify):	
6	Other (specify):	
7	Subtotal	30,400,243
8	Less:	
9	Project Costs met by Internal Sources (from Schedule F, Column 2, Lines 6 + 7 + 8)	\$8,248,487
10	Interest Income Earned During Construction	
11	Premium on Sale of Bonds	
12	Project Costs Met by External Sources Other than Debt (from Schedule F, Column 2, Lines 10 + 11 + 12)	\$0
13	Total Deductions (Lines 9+10 + 11 + 12)	\$8,248,487
14	Loan Principal Required (Line 7 - Line 13)	\$22,151,756

Schedule G: Fixed Charges Covered

Complete for the entire institution if the estimated capital expenditure for the project requires debt financing, including capital lease.

	(1)	(2)	(3)	(4)
		Actual 2013	Actual 2014	Actual 2015
1	Gain (Loss) from Operations ^a	\$(33,701,629)	\$18,293,538	\$45,209,687
2	Add: Interest Expense ^a	14,654,484	14,538,622	13,517,659
3	Depreciation Expense ^a	74,220,336	75,369,885	86,582,723
4	Lease Payments			
5	Cash from Operations Available for Debt Service (Lines 1 + 2 + 3 + 4)	55,173,191	108,202,044	145,310,069
6	Debt Service Required:			
7	Interest on Long Term Debt (LTD)	14,654,484	14,538,622	13,517,659
8	Interest on Certain Short Term Debt ^b			
9	Principal Payments – LTD	42,503,000	40,477,000	53,688,000
10	Reduction in Short Term Debt ^b			
11	Lease Payments			
12	Net Sinking Fund Payment ^c			
13	Total Debt Service Required (Lines 7 + 8 + 9 + 10 + 11 + 12)	57,157,484	55,015,622	67,205,659
14	Ratio: Fixed Charges Covered (Line 5 ÷ Line 13)	0.97	1.97	2.16

^a Must tie to Schedule A data. Explain any variances.

^b Include only short-term debt that will be rolled over or refinanced with long-term debt and any interest expense on inter-fund loans.

^c Required payment to sinking fund less payment from sinking fund.

Schedule G: Fixed Charges Covered, continued

Complete for the entire institution if the estimated capital expenditures for the project requires debt financing, including capital lease.

	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Assuming Project Approval				Assuming Project Denial			
	Projection 2019 (P1)	Projection 2020 (P1)	Projection 2021 (P1)	Projection 2022 (P1)	Projection 2019 (P2)	Projection 2020 (P2)	Projection 2021 (P2)	Projection 2022 (P2)
1	\$45,568,487	\$47,315,151	\$47,956,125	\$48,616,090	\$44,368,645	\$45,027,516	\$45,667,589	\$46,326,623
2	15,359,987	13,674,123	13,033,150	12,373,185	14,358,701	13,699,830	13,059,757	12,400,723
3	88,866,201	88,866,201	88,866,201	88,866,201	86,582,723	86,582,723	86,582,723	86,582,723
4								
5	149,794,675	149,855,476	149,855,476	149,855,476	145,310,069	145,310,069	145,310,069	145,310,069
6								
7	15,359,987	13,674,123	13,033,150	12,373,185	14,358,701	13,699,830	13,059,757	12,400,723
8								
9	\$22,605,383	\$20,321,978	\$19,492,333	\$17,164,339	\$21,870,895	\$19,561,784	\$18,705,532	\$16,350,000
10								
11								
12								
13	37,965,370	33,996,102	32,525,483	29,537,524	36,229,596	33,261,614	31,765,289	28,750,723
14	3.95	4.41	4.61	5.07	4.01	4.37	4.57	5.05
15								
16								
17								
18								
19								

Schedule H: Revenue by Payer

Complete for the entire institution: Actual for the two fiscal years most recently completed and Projected (P1 and P2) for first full year of proposed project operation.

	(1)	(2)	(3)		(4)
			Routine Inpatient		
	Payer	Total Patient Days	Gross Patient Service Revenue	Net Patient Service Revenue	
1	2014 Actual (A)				
2	Medicare	85,063	194,217,251	81,941,996	
3	MA Medicaid	55,239	175,839,764	110,312,743	
4	Other Government	0	0	0	
5	Private Insurers	65,060	178,097,208	74,180,896	
6	Self Pay	2,462	5,122,679	1,122,302	
7	Other	0	0	0	
8	TOTAL	207,824	553,276,902	267,557,937	
9					
10					
11	2015				
12	Medicare	88,276	225,601,130	94,182,306	
13	MA Medicaid	58,810	214,366,746	101,065,447	
14	Other Government	0	0	0	
15	Private Insurers	66,317	212,033,685	93,927,333	
16	Self Pay	1,629	4,505,176	502,850	
17	Other	0	0	0	
18	TOTAL	215,032	656,506,737	289,677,937	
19					
20					
21	2019 Projected (P1)				
22	Medicare	88,848	241,543,638	101,844,167	
23	MA Medicaid	58,731	218,772,873	103,369,323	
24	Other Government	-	-	-	
25	Private Insurers	65,953	219,388,951	99,540,788	
26	Self Pay	1,614	4,527,919	527,981	
27	Other	-	-	-	
28	TOTAL	215,145	684,233,381	305,282,259	
29					
30					
31	2019 Projected (P2)				
32	Medicare	88,276	225,601,130	94,182,306	
33	MA Medicaid	58,810	214,366,746	101,065,447	
34	Other Government	-	-	-	
35	Private Insurers	66,317	212,033,685	93,927,333	
36	Self Pay	1,629	4,505,176	502,850	
37	Other	-	-	-	
38	TOTAL	215,032	656,506,737	289,677,937	
39					
40					
41					
42					
43					
44					
45					
46					
47					
48					

Factor 7

Factor 7 RELATIVE MERIT

7.1 Please describe below and on additional sheet (if necessary) any alternatives which you have considered in the development of this project. Please also give your reasons for rejecting these alternatives.

The major focus of this Application is to increase medical/surgical bed capacity in order to reduce overcrowding in the Applicant's University campus emergency department. After evaluating the potential options for addressing this need, the Applicant determined that the proposed Project is the most efficient and cost effective option for providing needed medical/surgical capacity. Specifically, the Applicant considered doing nothing to address the identified need. The Applicant also evaluated the possibility of constructing a new addition on the University campus. Finally, the Applicant reviewed the potential of renovating existing space within its facilities to provide additional medical/surgical beds. As further detailed below, the Applicant concluded that the proposed renovation project presents the optimal plan for adding inpatient capacity that would assist in addressing backlogs in the emergency department.

A. No Change

The Applicant considered continuing to operate without increased medical/surgical capacity at the University campus. However, as further discussed in Factor 2, additional capacity is needed in order to allow the hospital to operate more efficiently and admit patients to inpatient beds in the most expeditious manner. Accordingly, the Applicant concluded it would be increasingly difficult to maintain current levels of quality and without adding beds that would assist in mitigating emergency department crowding.

B. New Addition

The Applicant also evaluated whether a new addition to the University campus would be an appropriate means of addressing its need for more inpatient beds at the campus. This alternative would allow the Applicant to move patients out of the emergency department to the appropriate level of care. While there is a clear need for additional beds, this need does not support the construction of a new addition. Construction of a new addition would be an inefficient use of capital resources at this time. For this reason, the Applicant decided not to pursue this option.

C. Project Meets the Identified Needs of the Applicant

The Applicant concluded that the proposed Project provides an efficient and cost-effective option for adding medical/surgical capacity. By repurposing existing space within the Hospital's facilities, the Applicant will be able to provide inpatient capacity that will allow it to address its emergency department backlog. For these reasons, and as further elaborated upon throughout this DoN Application, the Applicant chose to pursue the proposed Project.

Factor 8

FACTOR 8: ENVIRONMENTAL IMPACT

I. Compliance with Massachusetts Environmental Protection Act ("MEPA")

The Massachusetts Environmental Protection Act or "MEPA" (M.G.L. c. 30 §§ 61, 62-62H) requires that state agencies take into account the environmental consequences of their actions. The issuance of a Determination of Need by the Department of Public Health is a state action subject to MEPA. MEPA regulations (301 CMR 11.00 et seq.) require environmental review of all DoN applications for projects exceeding the review thresholds set forth at 301 CMR 11.03.

DoN Applicants should familiarize themselves with the MEPA review thresholds to determine whether MEPA review will be required. MEPA regulations may be viewed online at <http://www.env.state.ma.us/mepa/regs/11-03.aspx> and may be obtained through the State House Bookstore (<http://www.sec.state.ma.us/spr/sprcat/catidx.htm>). Review thresholds are divided into the following categories:

- | | |
|---|---|
| (1) Land. | (7) Energy. |
| (2) State-listed Species under M.G.L. c. 131A | (8) Air. |
| (3) Wetlands, Waterways and Tidelands. | (9) Solid and Hazardous Waste. |
| (4) Water. | (10) Historical and Archaeological Resources. |
| (5) Wastewater. | (11) Areas of Critical Environmental Concern. |
| (6) Transportation. | (12) Regulations. |

Projects that are subject to MEPA review must circulate and file an Environmental Notification Form (ENF). A 20-day comment period ensues from publication of the ENF in the MEPA Monitor (appears bi-weekly). The proposal and site plans are reviewed, and within a total of 30 days from publication, a decision will be made on whether an environmental impact report (EIR) is required.

If an EIR is required, a "scope" will be issued, identifying items which the EIR must address. Draft and Final EIR's each go through a 37-day review and comment period.

Certain projects that exceed specified size thresholds (301 CMR 11.03) require a mandatory EIR. The MEPA regulations allow the Secretary of Environmental Affairs to waive a mandatory EIR, or to allow a single EIR, following review of an expanded ENF. See 301 CMR 11.05(7), 11.06(8) and 11.11, and consult with the MEPA Office to discuss whether this approach would be appropriate.

Applicants are advised to consult with the MEPA Office to determine if an Environmental Notification Form must be filed for a DoN project. Address all inquiries to:

MEPA Office
Executive Office of Energy and Environmental Affairs
100 Cambridge Street, Suite 900, 9th Floor
Boston, MA 02114
Tel: (617) 626-9031

Please note that final approval of a DoN as well as architectural plans and specifications for a project is contingent upon compliance with MEPA regulations.

Every Applicant for Determination of Need is required to certify compliance with MEPA regulations by completing section the form provided in Section 8.1 of this Application Kit.

8.1 Certification of MEPA Compliance

After careful review of the MEPA regulations (301 CMR 11.00 et seq.) in effect at the time of filing this application for Determination of Need, the status of the project as proposed relative to MEPA requirements is as follows:

[Please check one of the following boxes]


- ☒ The proposed project neither meets nor exceeds any of the thresholds for MEPA review.
- ☐ The proposed project meets one or more of the MEPA review thresholds and an Environmental Notification Form (ENF) was filed on ____/____/_____. A copy of the ENF is attached to the DoN application. (mm dd yyyy)
- ☐ The proposed project meets one or more of the MEPA review thresholds requiring both an Environmental Notification Form (ENF) and a mandatory Environmental Impact Report (EIR).

A completed EIR was submitted to MEPA on ____/____/_____ and a copy of the EIR is submitted with this DoN application. (mm dd yyyy)

Name of DoN Applicant: **UMass Medical Center, Inc.**

Brief Description of DoN Project: **Renovation to University Hospital Campus**

Signature and Printed Name of Authorized Official:


(Signature)

Gary Valcourt
(Printed Name)

Title: Associate Vice President

Date: 10/19/2016
(mm dd yyyy)

Factor 8: DoN GREEN GUIDELINES

II. Compliance with Determination of Need Guidelines for Environmental and Human Health Impact

Effective January 1, 2009 for hospitals and clinics and July 1, 2009 for long term care facilities, all Determination of Need applications involving new construction and/or gut renovation projects are required to demonstrate compliance with the Determination of Need Guidelines for Environmental and Human Health Impact ("DoN Green Guidelines"). Gut renovation is defined as construction within an existing building that requires complete demolition of all non-structural building components (After demolition, only the floor, deck above, outside walls, and structural columns would remain).

Compliance requires achievement of all of the prerequisites and at least 50% of all the possible points for the Leadership in Energy and Environmental Design – Health Care ("LEED-HC") or, with the Department's approval, its current equivalent nationally-accepted best practice standard.

Documentation of compliance with DoN Green Guidelines must be included in the submission of DoN Factor 8.

8.2 In this section, provide complete documentation of how the project, upon its implementation, will achieve compliance with the Determination of Need Guidelines for Environmental and Human Health Impact ("DoN Green Guidelines"). A completed project scorecard based upon the most current version of LEED-HC or its equivalent, as approved by the DoN Program prior to application submission, should accompany a description of the plans for compliance.

Through this Project, the Applicant will renovate aspects of the multi-storied H and Lakeside buildings on the University campus. Renovations include the demolition of selected areas on specific floors as outlined in Factor 2 and depicted in the schematics of Factor 4. However, the infrastructure of the buildings, including the sprinkler risers, HVAC shafts and electrical distribution will remain unaffected. Moreover, adjacent areas to the renovations will remain intact including corridors, utility closets, mechanical and electrical rooms and public bathrooms. Consequently, given that complete demolition of all non-structural building components is not part of the Project, based on the DoN Green Guidelines, this Project does not constitute a "gut renovation," which is defined as, "Construction within an existing building that requires complete demolition of all non-structural building components (After demolition, only the floor, deck above, outside walls, and structural columns would remain)." Accordingly, Factor 8 would not apply. However, the Applicant is committed to meeting sustainable measures throughout the renovations.

Factor 9

FACTOR 9: COMMUNITY HEALTH SERVICE INITIATIVES

The Determination of Need primary and preventive health care services and community contributions review factor is required under 105 CMR 100.533(B)(9) and described under 105 CMR 100.551(J) as follows:

- (1) the holder [of an approved DoN] shall expend, over a five-year period (or other period approved by the Department) an amount reasonably related to the cost of the project, for the provision of primary and preventive health care services necessary for underserved populations in the project's service area (or other area approved by the Department) and reasonably related to the project, in accordance with a plan submitted as part of the application process (see 105 CMR 100.533(B)(9)) and approved by the Department; and
 - (2) the holder shall file reports with the Department detailing compliance with its approved plan, and to the extent practicable, an evaluation of the health effects thereof. The frequency, content and format of such reports shall be established by the Department.
- 1.1 The plan for provision of primary and preventive health services shall be developed in consultation with the Community Health Network Areas (CHNAs) and Department of Public Health's Office of Community Health Planning to identify health issues in the service areas and the community initiatives that should be directed toward them. To identify the CHNAs in your service areas please contact the Office of Community Health Planning.

The Applicant is committed to contributing an amount reasonably related to this Project for programs that provide primary and preventative health services to underserved populations in its service area. As such, the Applicant will contribute five percent (5%) of the MCE upon project implementation for the Factor 9 requirements. The community benefit contribution will be **\$1,520,012.15** allocated over five (5) years at **\$304,002.43 per year**.

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 will work with the Office of Community Health Planning ("OCHP"), the Central MA Regional Public Health Alliance and other community representatives deemed appropriate by OCHP to ensure the funds are directed to community health improvement initiatives, such as those identified in the Community Health Improvement Plan ("CHIP"), which is based on the Community Health Assessment ("CHA") for communities within the Greater Worcester area. The Applicant will contact the OCHP to begin the community process on or before the DoN is filed with DPH to develop a more detailed Factor 9 CHI plan for Public Health Council review.

D. Other Exhibits

1. Letters of Support



Medical Group

367 Plantation Street
Worcester, MA 01605
Tel: 508-334-1461
Fax: 508-334-1448
william.corbett@umassmemorial.org
www.umassmemorial.org

William F. Corbett, MD
Senior Vice President, Community Practices

December 1, 2016

Nora Mann, Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111


Re: UMass Memorial Medical Center Application for Determination of Need

Dear Ms. Mann:

I am writing in support of the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of substantial renovations to its University campus. This project will allow the Hospital to increase the number of medical/surgical beds and thereby decrease wait times in the emergency department. As a referring physician, I work collaboratively with the Medical Center as many of my patients utilize its emergency department. Accordingly, I am aware of the capacity issues at the University campus and its impact on the emergency department. This project will add needed beds and allow patients to be admitted in an expedited manner, improving care by providing services in a timelier manner.

For these reasons, I strongly urge your approval of this Determination of Need application for the continued good health of my patients.

Sincerely,


William F. Corbett, M.D.
Senior Vice President, Community Practices



University of Massachusetts
Medical School

Department of Medicine

364 Plantation Street
Worcester, MA 01605-4321
Tel: 508-856-1886
Fax: 508-856-6176
Robert.Finberg@umassmed.edu

Robert W. Finberg, MD
Richard M. Haidack Professor of Medicine
Professor, Department of Microbiology and
Physiological Systems
Chair, Department of Medicine

December 2, 2016

Nora Mann Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Re: UMass Memorial Medical Center Application for Determination of Need

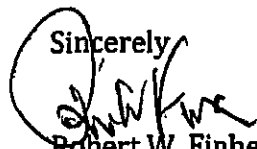
Dear Ms. Mann:

I am writing to express my support for the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of a substantial capital expenditure to renovate its University campus to increase the number of medical/surgical beds.

As the Chair of the Department of Medicine at the Medical Center, I am acutely aware of the need for additional beds at the Medical Center. The University campus medical surgical units are full approximately 90% of the time and, in the winter, we are over capacity almost every day. This downstream effect of this lack of needed beds is that the emergency department cannot move patients to inpatient beds in a timely manner, thereby causing backlogs and ultimately increasing wait times for emergency department patients.

By adding more inpatient beds, this project will allow more patients to be admitted to the hospital in a timely manner and avoid the uncomfortable prospect of spending hours (or days) waiting in the Emergency Room until a bed becomes available. Opening additional medical and surgical beds in the hospital will lead to better care for our patients. For these reasons, I strongly encourage you to approve this application.

Sincerely



Robert W. Finberg



Division of Hospital Medicine
Department of Medicine

University Campus
55 Lake Avenue North
Worcester, MA 01655
Tel: 774-442-2173
Fax: 774-442-6781
richard.forster@umassmemorial.org
www.umassmemorial.org

December 2, 2016

Richard M. Forster, MD, FACP
Clinical Associate Professor of Medicine
Chief, Hospital Medicine
Vice Chair for Graduate Medical Education
Program Director, Internal Medicine Residency

Nora Mann, Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Re: UMass Memorial Medical Center Application for Determination of Need

Dear Ms. Mann:

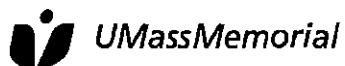
I am writing in support of the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of substantial renovations to its University campus. This project will allow the Hospital to increase the number of medical/surgical beds and thereby decrease wait times in the emergency department. As a Hospitalist physician and member of our Patient Flow Leadership Team, I work collaboratively with the Medical Center as many of my patients utilize its emergency department. Accordingly, I am aware of the capacity issues at the University campus and its impact on the emergency department. This project will add needed beds and allow patients to be admitted in an expedited manner, improving care by providing services in a timelier manner.

For these reasons, I strongly urge your approval of this Determination of Need application for the continued good health of my patients.

Sincerely,

Richard M. Forster, MD, FACP
Clinical Associate Professor of Medicine
Vice Chair for Graduate Medical Education
Chief, Division of Hospital Medicine
Program Director, Internal Medicine Residency

/ljp



University of Massachusetts
Medical School

Department of Emergency Medicine

55 Lake Avenue North
Worcester, MA 01655-0002

Tel: 508-421-1400

Fax: 508-421-1490

martin.reznek@umassmemorial.org

November 30, 2016

Nora Mann Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Martin Reznec, MD, MBA, FACEP

Associate Professor of Emergency Medicine

Vice Chairman of Clinical Affairs

Re: UMass Memorial Medical Center Application for Determination of Need

Dear Ms. Mann:

Please accept this letter as an expression of my support for the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of a substantial capital expenditure to renovate its University campus to increase the number of medical/surgical beds.

As the Vice Chair for Clinical Operations of the Emergency Department (ED) at the Medical Center, I am acutely aware of the need for additional beds at the Medical Center. The University Campus medical/surgical units are at full capacity nearly all of the time resulting in prolonged boarding of admitted patients in our ED every day. As you are certainly aware, the deleterious effects of boarding on quality, patient safety and patient satisfaction are well documented in scientific literature. In addition, boarding is causing increasing wait times for our ED patients to be seen, and it can hamper our ability to accept patient transfers safely as our region's tertiary-care referral center. By adding more inpatient beds, this project will allow more patients to be safely served in our ED and, for those that it is needed, admitted for further care in an expedited manner. For these reasons, I strongly encourage you to approve this application.

Sincerely yours,

Martin A Reznec MD, MBA, FACEP

Associate Professor

Vice Chair for Clinical Operations

Department of Emergency Medicine

UMassMemorial Health System

University of Massachusetts Medical School

December 4th, 2016

Nora Mann Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Re: UMass Memorial Medical Center Application for Determination of Need

Dear Ms. Mann:

I am writing to express my support for the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of a substantial capital expenditure to renovate its University campus to increase the number of medical/surgical beds.

As the Vice Chair of Adult Psychiatric Clinical Service at the Medical Center, I am acutely aware of the need for additional beds at the Medical Center. The University campus medical/surgical units are full over 90% of the time, causing the Emergency Department to be on high census status almost daily. Because of the need for more beds, our emergency department is unable to move patients to inpatient beds in a timely manner, causing serious backlogs, increased wait times for emergency department patients, and increased boarding time that has been clinically shown to have significant negative outcomes to our patient's health. At the present, the patients being affected the most are medical/surgical patients, and to a lesser degree, patients with mental health issues. As you may be aware, there will be more than 150 new psychiatric beds coming on line in central Massachusetts by April 2017, which will provide needed relief for our mental health patients who have long experienced increased wait and boarding times in the emergency department. By adding more inpatient medical/surgical beds, we will likewise allow our medical/surgical patients, who are in greater need, to be served in the emergency department and admitted for further care in an expedited manner. For these reasons, I strongly encourage you to approve this application.

Sincerely,



Patrick Smallwood, MD
Vice Chair, Adult Psychiatry Clinical Service
Department of Psychiatry
UMass Memorial Health Care



Department of Emergency Medicine

University Campus
55 Lake Avenue North
Worcester, MA 01655
Tel: 508 421-1453
Fax: 508 421-1490
www.umassmemorial.org

Gregory A. Volturo, MD
Chairman Department of Emergency Medicine
Professor of Emergency Medicine and Medicine
Gregory.Volturo@umassmemorial.org

December 1, 2016

Nora Mann Esq., Program Director
Determination of Need Program
Department of Public Health
99 Chauncy Street
Boston, MA 02111

Re: UMass Memorial Medical Center Application for Determination of Need

Dear Ms. Mann:

I am writing to express my support for the Determination of Need application that UMass Medical Center ("the Medical Center") is submitting for approval of a substantial capital expenditure to renovate its University campus to increase the number of medical/surgical beds.

As the Chair of the Emergency Department at the Medical Center, I am acutely aware of the need for additional beds at the Medical Center. The University campus medical surgical units are full > 90 % of the time. This downstream effect of this lack of needed beds is that the emergency department cannot move patients to inpatient beds in a timely manner, thereby causing backlogs and ultimately increasing wait times for emergency department patients. By adding more inpatient beds, this project will allow more patients to be served in the emergency department and admitted for further care in an expedited manner. For these reasons, I strongly encourage you to approve this application.

Sincerely,

A handwritten signature in black ink that reads 'Gregory A. Volturo MD'.

Gregory A. Volturo, MD, FACEP
Professor of Emergency Medicine and Medicine
Chairman, Department of Emergency Medicine

2. Audited Financial Statements

UMass Memorial Health Care, Inc. and Affiliates

**Consolidated Financial Statements with
Supplemental Consolidating Information
September 30, 2015 and 2014**

UMass Memorial Health Care, Inc. and Affiliates
Index
September 30, 2015 and 2014

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Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-53
Supplemental Consolidating Information	
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Independent Auditor's Report

To the Board of Trustees of
UMass Memorial Health Care, Inc.

We have audited the accompanying consolidated financial statements of UMass Memorial Health Care, Inc. and Affiliates (the "System"), which comprise the consolidated balance sheets as of September 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the System's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UMass Memorial Health Care, Inc. and Affiliates at September 30, 2015 and 2014, and the results of their operations, changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The supplemental consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental consolidating information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole. The supplemental consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual entities and is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position and results of operations of the individual entities.

PricewaterhouseCoopers LLP

December 17, 2015

UMass Memorial Health Care, Inc. and Affiliates
Consolidated Balance Sheets
September 30, 2015 and 2014

(in thousands of dollars)

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 162,456	\$ 121,684
Short-term investments	31,792	36,926
Current portion of assets whose use is limited	8,700	6,705
Patient accounts receivable, net of allowance for doubtful accounts of \$55,445 in 2015 and \$58,323 in 2014	237,658	241,148
Inventories	29,135	24,763
Prepaid expenses and other current assets	30,488	44,682
Estimated settlements receivable from third-party payors	353,793	212,262
Total current assets	<u>854,022</u>	<u>688,170</u>
Assets whose use is limited		
Funds held in escrow under bond indenture agreements, net of current portion	12,103	12,009
Restricted investments	88,195	81,889
Captive insurance company investments	164,440	172,258
Total assets whose use is limited	<u>264,738</u>	<u>266,156</u>
Long-term investments	404,945	431,473
Property and equipment, net	594,222	628,373
Beneficial interest in trusts	7,991	15,675
Other assets	77,748	49,076
Total assets	<u>\$ 2,203,666</u>	<u>\$ 2,078,923</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 145,288	\$ 142,275
Accrued compensation	142,335	138,477
Estimated settlements payable to third-party payors	21,593	16,477
Debt, current	87,698	27,772
Due to the University of Massachusetts	166,220	67,033
Total current liabilities	<u>563,134</u>	<u>392,034</u>
Estimated settlements payable to third-party payors, net of current portion	39,845	39,232
Other noncurrent liabilities	23,429	25,192
Accrued pension and postretirement benefit obligations	205,127	207,794
Estimated self-insurance costs	165,372	171,955
Debt, net of current portion	339,049	363,932
Total liabilities	<u>1,335,956</u>	<u>1,200,139</u>
Commitments and contingencies		
Net assets		
Unrestricted	770,804	778,744
Temporarily restricted	42,537	47,906
Permanently restricted	54,369	52,134
Total net assets	<u>867,710</u>	<u>878,784</u>
Total liabilities and net assets	<u>\$ 2,203,666</u>	<u>\$ 2,078,923</u>

The accompanying notes are an integral part of these consolidated financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Consolidated Statements of Operations
Years Ended September 30, 2015 and 2014

(in thousands of dollars)

	2015	2014
Unrestricted revenues, gains and other support		
Net patient service revenue	\$ 2,173,845	\$ 2,152,087
Less: Provision for bad debts	(48,863)	(43,989)
Net patient service revenue less provision for bad debts	2,124,982	2,108,098
Net assets released from restrictions used for operations	2,618	2,985
Other revenue	114,110	141,125
Total revenues, gains and other support	2,241,710	2,252,208
Expenses		
Salaries, benefits and contracted labor	1,298,997	1,293,021
Supplies and other expense	766,299	798,014
Depreciation and amortization	104,230	92,905
Interest	14,146	14,441
Total expenses	2,183,672	2,198,381
Income from operations before nonrecurring income and expenses	58,038	53,827
Gain (loss) on sale of business (Note 15)	13,295	(9,155)
Expense reductions associated with sale of business (Note 15)	873	853
Expenses associated with reduction in force (Note 16)	-	(16,478)
Income from operations after nonrecurring income and expenses	72,206	29,047
Nonoperating income (loss)		
Investment and other related income	5,608	5,490
Net realized and unrealized (loss) gain on investments	(30,815)	26,115
Actuarial change in the present value of annuities	(352)	190
Total nonoperating (loss) income	(25,559)	31,795
Excess of revenues over expenses	46,647	60,842
Other changes in net assets		
Gain on sale from discontinued operations (Note 17)	-	1,439
Loss on transfer of membership interest (Note 17)	-	(11,187)
Contributions for property and equipment	1,958	-
Net assets released from restrictions used for purchase of property and equipment	773	2,560
Pension-related changes other than net periodic cost	(57,318)	(36,398)
(Decrease) increase in unrestricted net assets	(7,940)	17,256
Unrestricted net assets, beginning of year	778,744	761,488
Unrestricted net assets, end of year	\$ 770,804	\$ 778,744

The accompanying notes are an integral part of these consolidated financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Consolidated Statements of Changes in Net Assets
Years Ended September 30, 2015 and 2014

<i>(in thousands of dollars)</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets - September 30, 2013	\$ 761,488	\$ 44,987	\$ 53,877	\$ 860,352
Excess of revenues over expenses	60,842	-	-	60,842
Gain on sale from discontinued operations	1,439	-	-	1,439
Loss on transfer of membership interest	(11,187)	(1,038)	(2,195)	(14,420)
Contributions	-	3,674	-	3,674
Investment and other related income	-	1,110	-	1,110
Net assets released from restrictions				
Used for purchase of property and equipment	2,560	(2,560)	-	-
Used for operations	-	(2,985)	-	(2,985)
Net realized gain on sale of investments	-	5,609	-	5,609
Change in unrealized gains and losses on investments	-	(891)	-	(891)
Change in beneficial interest in trusts and other	-	-	452	452
Pension-related changes other than net periodic cost	(36,398)	-	-	(36,398)
Total increase (decrease) in net assets	17,256	2,919	(1,743)	18,432
Net assets - September 30, 2014	778,744	47,906	52,134	878,784
Excess of revenues over expenses	46,647	-	-	46,647
Contributions	-	685	2,879	3,564
Investment and other related income	-	1,143	-	1,143
Net assets released from restrictions				
Used for purchase of property and equipment	773	(773)	-	-
Used for operations	-	(2,618)	-	(2,618)
Net realized gain on sale of investments	-	2,762	-	2,762
Contributions for property and equipment	1,958	-	-	1,958
Change in unrealized gains and losses on investments	-	(6,568)	-	(6,568)
Change in beneficial interest in trusts and other	-	-	(644)	(644)
Pension-related changes other than net periodic cost	(57,318)	-	-	(57,318)
Total increase (decrease) in net assets	(7,940)	(5,369)	2,235	(11,074)
Net assets - September 30, 2015	<u>\$ 770,804</u>	<u>\$ 42,537</u>	<u>\$ 54,369</u>	<u>\$ 867,710</u>

The accompanying notes are an integral part of these consolidated financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Consolidated Statements of Cash Flows
Years Ended September 30, 2015 and 2014

(in thousands of dollars)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (11,074)	\$ 18,432
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Net unrealized loss on investments	51,221	504
Depreciation and amortization	104,230	92,905
Accretion on asset retirement obligation	510	575
Provision for bad debts	48,241	44,830
Net loss not yet recognized in net periodic pension cost	57,318	36,398
Actuarial change in the present value of annuities	352	(190)
Net realized gain on sale of investments	(26,882)	(38,050)
Restricted contributions	(3,541)	(3,274)
(Gain) loss on sale of business, net of expense reductions	(14,168)	8,302
Loss on disposal of assets	161	1,477
Gain on sale from discontinued operations	-	(266)
Loss on transfer of membership interest	-	14,420
Change in beneficial interest in trusts	644	(452)
(Decrease) increase in cash resulting from a change in		
Patient accounts receivable	(45,373)	(21,676)
Inventories, prepaid expenses and other current assets	4,289	(11,194)
Contributions receivable	(23)	(400)
Accounts payable, accrued expenses and accrued compensation	(3,261)	(6,090)
Estimated settlements with third-party payors	(135,802)	(64,327)
Due to the University of Massachusetts	99,179	5,858
Other noncurrent assets and liabilities	112	12,988
Accrued pension and postretirement benefit obligations	(59,988)	(9,677)
Estimated self-insurance costs	(6,583)	415
Net cash used in operating activities of discontinuing operations	-	(1,431)
Net cash provided by operating activities	<u>59,562</u>	<u>80,077</u>
Cash flows from investing activities		
Purchases of property and equipment	(58,899)	(68,615)
Proceeds on the transfer of membership interest	-	39,675
Net cash used in investing activities of discontinuing operations	-	(846)
Purchases of investments	(462,517)	(463,057)
Proceeds from sales and maturities of investments	469,236	453,358
Proceeds from restricted contributions of securities	-	88
Net cash used in investing activities	<u>(52,180)</u>	<u>(39,397)</u>
Cash flows from financing activities		
Proceeds from restricted contributions	662	3,186
Net cash provided by financing activities of discontinuing operations	-	618
Cash received on contributions receivable for long-term purposes	482	855
Cash received for beneficial interest agreements	9,919	-
Payments on annuity obligation	(562)	-
Payments on long-term debt and capital lease obligations	(54,906)	(45,578)
Proceeds from borrowings under line of credit and long-term debt	77,795	5,625
Net cash provided by (used in) financing activities	<u>33,390</u>	<u>(35,294)</u>
Net increase in cash and cash equivalents	40,772	5,386
Cash and cash equivalents, beginning of year	121,684	116,298
Cash and cash equivalents, end of year	<u>\$ 162,456</u>	<u>\$ 121,684</u>

The accompanying notes are an integral part of these consolidated financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015 and 2014

1. Description of the Organization

UMass Memorial Health Care, Inc. ("UMass Memorial"), a Massachusetts not-for-profit corporation, was formed in 1998 pursuant to state legislation to develop and coordinate an integrated health care delivery system. UMass Memorial was established through the combination of Memorial Health Care, Inc., the University of Massachusetts (the "University") Medical School Teaching Hospital Trust Fund, the University of Massachusetts Clinical Services Division ("Clinical Services Division") and Worcester City Campus Corporation d/b/a UMass Health System and their affiliates. The combination is referred to herein as the "Merger." UMass Memorial is the direct or indirect member, stockholder, owner, or partner of a number of corporations, limited liability companies, and partnerships (the "Affiliates") that provide a broad range of health care and related services to Worcester and the surrounding central Massachusetts communities. The accompanying consolidated financial statements include:

Hospitals

UMass Memorial Medical Center, Inc. (the "Medical Center") operates a 779-bed acute care hospital located on two principal campuses and provides a full range of services, including all major specialties and subspecialties of inpatient care and ambulatory care.

UMass Memorial Community Hospitals, Inc. ("Hospitals, Inc.") (formerly UMass Memorial Hospitals, Inc.), a subsidiary of UMass Memorial, is the sole corporate member of Central New England HealthAlliance, Inc. ("CNEHA"). CNEHA is the parent organization of HealthAlliance Hospitals, Inc. ("HAH"), which operates a general acute-care hospital facility on two campuses in Leominster and Fitchburg, Massachusetts, with a total of 122 beds.

Hospitals, Inc. is the sole corporate member of Clinton Hospital Association, a 41-bed community hospital located in Clinton, Massachusetts; and Marlborough Hospital, a 79-bed community hospital located in Marlborough, Massachusetts. Hospitals, Inc. was the sole corporate member of Wing Memorial Hospital until September 1, 2014 (Note 17).

Physician Practices

UMass Memorial Medical Group, Inc. (the "Medical Group") is an UMass Memorial subsidiary that resulted from the merger of the Medical Group, UMass Community Physicians, Inc., and UMass Memorial Community Physician Group, Inc. The Medical Group is the principal provider of physician services to the System. The Medical Group consists of approximately 1,048 physicians who provide primary care and specialty services at various locations in and around Worcester, Massachusetts.

Ventures

UMass Memorial Health Ventures, Inc. and Affiliates ("Ventures") is comprised of several entities located in Worcester, Massachusetts. These entities focus on outpatient and non-acute healthcare services.

Other Providers

UMass Memorial and its affiliates also operate a number of related health care businesses and support organizations.

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015 and 2014

2. Summary of Significant Accounting Policies

Reporting Entity

The accompanying financial statements include the accounts of UMass Memorial and all of its majority-owned and controlled affiliates (the "System"). Intercompany accounts and transactions have been eliminated in preparing the consolidated financial statements. The assets of any one of the members of the consolidated group may not be available to meet the obligations of other affiliates in the group. UMass Memorial, the Medical Center, Ventures and HAH are referred to herein as the "Obligated Group".

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The System's significant estimates include the allowance for doubtful patient accounts receivable, valuation of its investments, estimated contractual allowances and settlements due from and to third-party payors, estimated professional liability costs, asset retirement obligations, estimated useful lives, pension and benefit obligations, and other reserves for self-insured claims. Actual results could differ from those estimates.

Revenue Recognition

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Under the terms of various agreements, regulations, and statutes, certain elements of third-party reimbursement are subject to negotiation, audit and/or final determination by the third-party payors. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Differences between preliminary estimates of net patient service revenue and final third-party settlements are included in net patient service revenue in the year in which the settlement or change in estimate occurs. Changes in prior year estimates, excluding the impact of Special Medicaid Payments, increased net patient service revenue by approximately \$21,478,000 in 2015 and \$16,819,000 in 2014.

A portion of estimated settlements with third-party payors has been classified as noncurrent since such amounts, by their nature or by virtue of regulation or legislation, will not be paid within one year.

Other Revenue

In fiscal years 2015 and 2014, the System received incentive payments relating to Electronic Health Records ("EHR") of \$4,276,000 and \$12,773,000, respectively, as part of the American Recovery and Reinvestment Act of 2009 ("ARRA"). The provisions of the ARRA allow for incentive payments to eligible hospitals and providers that implement and meaningfully use EHR technology by 2014. Incentive payments are contingent upon meeting certain data capture and data sharing capabilities accompanied by additional requirements for meeting increased clinical quality measures. Management believes all contingencies have been met and therefore these incentives have been recorded within Other Revenue in the consolidated statement of operations.

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015 and 2014

Fair Value of Financial Instruments

The carrying amounts of UMass Memorial and its affiliates' financial instruments, as reported in the accompanying consolidated balance sheets, other than long-term debt (Note 8), approximate their fair value.

Testing Financial Assets for Impairment

The System conducts an annual assessment to determine whether it is more likely than not that the fair value of each of its intangible assets are less than their respective carrying values. If there are any such indications present, the System is required to make a formal estimate of the recoverable amount. This assessment did not have a material impact on the consolidated financial statements.

Income Taxes

The System follows a two-step approach for the financial statement recognition and measurement of a tax position taken or expected to be taken on a tax return. The substantial majority of UMass Memorial and its affiliate entities are recognized by the Internal Revenue Service as tax-exempt under Section 501(c)(3) of the Internal Revenue Code. Accordingly, these entities will not incur any liability for federal income taxes except for tax on unrelated business income. Certain affiliates are taxable entities. The measurement of the amounts recorded as a provision for income taxes based upon the aforementioned approach is not material and is recorded as part of supplies and other expense in the accompanying consolidated statements of operations. The System does not believe it has any significant uncertain tax positions.

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses, the performance indicator. Changes in unrestricted net assets that are excluded from excess of revenues over expenses include the gain on sale from discontinued operations, loss on transfer of membership interest (Note 17), contributions of property and equipment (including assets acquired using contributions which, by donor restrictions, were used for the purposes of acquiring such assets), and pension-related changes other than net periodic benefit cost.

Cash and Cash Equivalents

Cash and cash equivalents include investments in certificates of deposit and highly liquid debt instruments with maturities of three months or less at the date of purchase, excluding amounts classified as assets whose use is limited and long-term investments.

Inventories

Supplies and other inventories are stated at the lower of cost (based upon the first-in, first-out method) or market.

Investment and Other Related Income

The System evaluates the fair values provided by its investment managers and assesses the valuation methods and assumptions used in determining their fair value. Those estimated fair values may differ significantly from the values that would have been used had a readily determinable market for these investments existed and the differences could be material. UMass Memorial and its affiliates have the ability to liquidate their investments periodically in accordance with the provisions of the respective fund agreements.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated balance sheets and statements of operations.

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015 and 2014

Investment related income, as well as realized and unrealized gains and losses on investments, are recorded within excess of revenues over expenses unless the income or loss is restricted by donor or law. Realized gains and losses are determined by use of average cost. Unrealized gains and losses reflect the period-to-period changes in the fair value of investments.

Investments accounted for under the Equity Method

The System accounts for investments in entities that are not under its direct control but has the ability to exercise significant influence over the operating and financial policies of the investee under the equity method. Equity method investments are recorded at original cost and adjusted periodically to recognize the applicable proportionate share of the investees' net income or losses after the date of investment, increases for additional contributions made, decreases for dividends or distributions received, and any impairment losses resulting from adjustments to net realizable value (Note 7). UMass Memorial and certain affiliates participate in joint ventures with 50% or less ownership, and accounts for the investments in the unconsolidated affiliates as equity investments.

Assets Whose Use is Limited

Assets whose use is limited include assets held by trustees under indenture and malpractice agreements and restricted contributions from donors pooled for investment purposes.

Donor Restricted Gifts

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value and are included in prepaid expenses and other current assets. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows in other assets. The discount on those amounts is computed using the interest rate applicable to the year in which the promises are received. Amortization of the discount is included in contribution revenue.

Unconditional promises to give are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the conditions have been satisfied. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of operations as net assets released from restrictions.

Split-Interest Agreement

UMass Memorial holds and administers an irrevocable charitable gift annuity recorded within other noncurrent liabilities. The contributed assets related to the annuity contract are recorded at fair value as part of investments. Contribution revenue is recognized as of the date that all donor conditions are met and a liability is recorded for the present value of the future estimated payments to the donor and/or other beneficiaries. The liability is adjusted during the term of the annuity contract consistent with the changes in the value of the assets and actuarial assumptions.

Property and Equipment

Property and equipment are recorded at cost (Note 6) or, if received by gift or donation, at fair value at the date of the gift. Depreciation is recorded over the estimated useful lives of each class of depreciable assets utilizing the straight-line method. Useful lives are determined based upon guidelines established by the American Hospital Association and range from 2 to 40 years. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment. Equipment under capital lease obligations is amortized utilizing the straight-line method over the shorter period of the

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
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lease term or the estimated useful life of the equipment. Such amortization is recorded in depreciation and amortization expense. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of property or equipment are reported as unrestricted support and are excluded from excess of revenues over expenses unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, expirations of donor restrictions are reported and such assets are reclassified from temporarily restricted to unrestricted when the donated or acquired property and equipment are placed in service.

Asset Retirement Obligation

An asset retirement obligation ("ARO") is a legal obligation associated with the retirement of property and equipment. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the System records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows.

Impairment of Property and Equipment

Property and equipment to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to dispose.

Deferred Financing Costs

Deferred financing costs and any original issue discount or premium are amortized over the period the related obligation is outstanding using the straight line method which approximates the effective interest method.

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by UMass Memorial and its affiliates has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by UMass Memorial and its affiliates in perpetuity.

UMass Memorial and its affiliates have interpreted Massachusetts' Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as requiring realized and unrealized gains on permanently restricted net assets to be retained as temporarily restricted net assets until appropriated by the Board and expended. UPMIFA allows the Board to appropriate an amount of the net appreciation as is prudent considering UMass Memorial and its affiliates' long-term and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions. Amounts appropriated by the Board for expenditure during the years ended September 30, 2015 and 2014 amounted to \$1,063,000 and \$875,000, respectively. These amounts are recorded as net assets released from restrictions.

Estimated Professional Liability Costs

Estimated professional liability costs consist of estimated liabilities for medical or general liability claims which have been reported, as well as a provision for claims incurred but not reported. It is

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
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UMass Memorial and its affiliates' policy to provide for such claims, to the extent self-insured, on a discounted basis.

Pension, Postretirement and Postemployment Benefit Plans

The System recognizes the funded status of each defined pension, retiree health care and postemployment benefit plans.

Self-Insurance

UMass Memorial and certain of its affiliates are self-insured for certain professional liability (Note 12), general liability, health insurance, and workers' compensation benefit claims, all of which are funded and insured through the Commonwealth Professional Assurance Company, Ltd. ("CPAC"), a wholly-owned subsidiary of UMass Memorial, except for health insurance which is self-funded. Estimated losses and claims are accrued as incurred. UMass Memorial and its affiliates have provided for the cost of claims incurred during the current period, as well as estimates of the liability for claims incurred but not yet reported.

Allowance for Doubtful Accounts

Patient accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectability of patient accounts receivable, the System analyzes its past history and identifies trends for each of its major categories of revenue (inpatient, outpatient and professional) to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major categories of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Throughout the year, the System, after all reasonable collection efforts have been exhausted, will write off the difference between the standard rates (or discounted rates if negotiated) and the amounts actually collected against the allowance for doubtful accounts. In addition to the review of the categories of revenue, management monitors the write offs against established allowances as of a point in time to determine the appropriateness of the underlying assumptions used in estimating the allowance for doubtful accounts.

Patient accounts receivable is presented net of an allowance for doubtful accounts of \$55,445,000 and \$58,323,000 as of September 30, 2015 and 2014, respectively, in the consolidated balance sheets. Management attributes this change in the allowance for doubtful accounts due to a decrease in accounts receivable and improvement in the aging where more current accounts are reflected in the current year. Bad debt expense for nonpatient related accounts receivable is reflected in operating expense on the statements of operations. Patient related bad debt expense is reflected as a reduction in patient service revenue in the statements of operations.

Net patient service revenue, before the provision for bad debts for the years ended September 30, 2015 and 2014 is comprised of third-party payor revenue of \$2,155,598,000 and \$2,131,438,000 and self-pay revenue of \$18,247,000 and \$20,649,000, respectively.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, a principles-based standard to recognize revenue from customer contracts. ASU 2014-09 is effective for the System's fiscal year ending September 30, 2018. The System is evaluating the impact that the ASU may have on its consolidated financial statements.

In May 2015, the FASB issued ASU 2015-7, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to

UMass Memorial Health Care, Inc. and Affiliates
Notes to Consolidated Financial Statements
September 30, 2015 and 2014

make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. This guidance is effective for the System's fiscal year ending September 30, 2018; however, this guidance can be early adopted. The System is evaluating the impact that this ASU may have on its current fair value disclosures.

Reclassifications

Certain 2014 amounts have been reclassified to conform to the current year presentation.

Supplemental Disclosures of Cash Flow Information

Cash paid for interest, net of capitalized interest of \$1,146,000 and \$1,336,000, was \$14,278,000 and \$14,689,000 for the years ended September 30, 2015 and 2014, respectively.

Noncash investing and financing activities:

<i>(in thousands of dollars)</i>	2015	2014
Property and equipment included in accounts payable and due to the University of Massachusetts	\$ 19,731	\$ 8,729
Property and equipment financed with/by capital lease obligation	304	-

During fiscal year 2015, the Medical Center exercised its option to purchase an 18.9% equity ownership in the newly formed joint venture Quest Diagnostics Massachusetts, LLC. ("Quest Diagnostics") (Note 15). During fiscal year 2014, the value of the joint venture was reassessed. Upon revaluing and then exercising the option, noncash items related to the assets received and liabilities incurred for the years ended September 30 were as follows:

<i>(in thousands of dollars)</i>	2015	2014
Prepaid expenses and other current assets	\$ (6,164)	\$ -
Property and equipment	(323)	(404)
Other assets	31,633	(10,198)
Note payable	(11,849)	-
Net assets received	<u>\$ 13,297</u>	<u>\$ (10,602)</u>
Liabilities incurred	<u>\$ 1,196</u>	<u>\$ 2,300</u>

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During fiscal year 2014, Central Massachusetts Magnetic Imaging Center, Inc., a wholly owned subsidiary of UMass Memorial, sold its operations to a partially owned joint venture entity (Note 15). In conjunction with the sale, noncash items related to assets received were as follows:

<i>(in thousands of dollars)</i>	2014
Prepaid expenses and other current assets	\$ 874
Property and equipment	(1,328)
Other assets	454
Net assets received	<u>\$ -</u>

3. Charity Care and Community Benefit Programs

Charity Care

UMass Memorial and its affiliates provide services to patients regardless of their ability to pay. Certain uninsured and underinsured patients qualify for care without charge or care at reduced rates based on established policies of UMass Memorial and its affiliates. Patient eligibility under such policies is based on income using the federal poverty guideline levels or financial hardship if medical expenses to gross income meet predefined levels. Charges foregone under these policies are not reported as net patient service revenue.

Management estimates that the cost associated with the charity care provided by UMass Memorial and its affiliates was approximately \$30,117,000 and \$33,967,000 for the years ended September 30, 2015 and 2014, respectively. Such costs have been estimated based on the ratio of expenses to established patient service revenue charges. Massachusetts law provides coverage for healthcare services via the Health Safety Net. During 2015 and 2014, the System received reimbursement from the Commonwealth of Massachusetts in the amounts of \$6,277,000 and \$5,913,000, respectively, from this program.

In addition to providing direct patient charity care, UMass Memorial and its affiliates make other significant contributions to the community. UMass Memorial and its affiliates file annual Community Benefit Reports with the Commonwealth of Massachusetts, pursuant to state Attorney General guidelines, which provides an overview of the major community programs it supports.

Community Benefit Programs

UMass Memorial has a strong history of working closely with many stakeholders and supporting programs that address health disparities to improve the health and quality of life in Central Massachusetts through its community benefits programs.

Building on the World Health Organization ("WHO") definition of health as a "state of complete physical, mental, and social well-being, and not merely the absence of disease", UMass Memorial and its affiliates, like WHO, understand that there are a host of social determinant factors that impact the ability to achieve optimal health.

In adopting this broad definition of health, UMass Memorial charges themselves with the duty of improving access to care and responding to those socio-cultural and economic barriers that negatively impact the health and well-being of individuals and the community. As a not-for-profit

UMass Memorial Health Care, Inc. and Affiliates
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hospital, UMass Memorial is required to conduct a Community Health Needs Assessment ("CHA") every three years. The CHA utilizes quantitative and qualitative data to identify and develop strategies to address the needs of the medically underserved in Central Massachusetts.

Working in collaboration with local health departments, neighborhood residents, community-based organizations, city and state officials, advocacy groups, schools, coalitions, churches and other stakeholders, UMass Memorial and its affiliates are involved in community benefits activities that target long-term solutions while addressing the root causes of disease.

The Community Benefit Strategic Implementation Plan

UMass Memorial's Community Benefit Strategic Implementation Plan aligns with the priorities identified by the 2013-2015 Community Health Assessment and Community Health Improvement Plan ("CHIP") developed in collaboration with the Worcester Division of Public Health. UMass Memorial and its affiliates have implemented programs and initiatives to address the needs of medically underserved patients as well as other priorities and strategies outlined in the CHIP. The target populations include:

- Underinsured/uninsured
- Populations living in poverty
- Children and youth at risk
- Ethnic and linguistic minorities
- Residents of targeted low-income neighborhoods
- Elders.

A partial listing of the UMass Memorial Community Benefits programs and efforts include the following:

- The UMass Memorial Asthma Home Visiting Intervention Pilot in Bell Hill was expanded in 2014-2015 under the Prevention and Wellness Trust Fund grant award to the City of Worcester to develop a city-wide, comprehensive model including a total of 11 partners. Partners include: two community health centers, the Worcester Public Schools, the Worcester Head Start Program, Worcester Community Legal Aid and the City of Worcester Division of Public Health and Office of Healthy Homes. This community/clinical linkage model is being implemented to address high rates of pediatric asthma in the City of Worcester utilizing community health workers.
- Working in collaboration with Clark University, UMass Memorial established an Academic Health Department to support the CHIP and strengthen the City of Worcester Public Health Infrastructure
- A Care Mobile program provides medical and dental services to vulnerable populations in 10 neighborhood sites and a preventive dental service to 20 schools. These programs address the high incidence of dental caries due to a lack of fluoridation in the City's water supply
- Programs and collaborative efforts that improve access to care (e.g. support of oral health initiatives, medical services for low-income elderly, outreach and support to immigrant/refugee communities, capacity building at community health centers)
- Support programs that promote positive development for at-risk youth as a way to address substance abuse, tobacco, mental health and violence prevention through advocacy, public

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health-related policy initiatives, social norms campaigns, and onsite mental health services at youth-serving organizations

- Obesity/healthy weight efforts (e.g. access to physical activity, food insecurity, community gardens, veggie mobile, and cooking/nutrition education)
- Programs that promote health equity by addressing health disparities (substance abuse residential recovery program for Latino males, and elder medical care at public housing)
- Coalition building efforts and partnerships that engage local residents and community stakeholders in identifying and planning solutions to address community needs (e.g. development of CHA) and the Worcester Free Clinics Coalition)
- Secured funding to conduct hot-spotting with the University to identify needs of super-utilizers; developed a partnership with Community Legal Aid to address the social factors impacting vulnerable populations
- Development of a community-clinical linkage program with the Trauma Department to reduce falls among the elderly population.

In partnership with community groups, each affiliate hospital is addressing identified needs and striving to improve the health and well-being needs of the residents of Central New England.

4. Third-Party Reimbursement and Uncompensated Care

UMass Memorial and its affiliates have agreements with third-party payors that provide for payments at amounts different from their established rates. A summary of payment arrangements with major third-party payors follows:

Medicare

Acute care hospitals are subject to a federal prospective payment system for most Medicare inpatient hospital services and for certain outpatient services. Under this arrangement, Medicare pays a prospectively determined per discharge or per visit rate for nonphysician services. These rates vary according to the severity based Diagnosis Related Group ("DRG") or Ambulatory Payment Classification ("APC") of each patient.

Certain transplant services and medical education costs related to Medicare beneficiaries are paid based on a cost-reimbursement methodology, subject to certain limits. Hospitals are reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. Certain other outpatient services are reimbursed according to fee screens.

Other Payor Arrangements

The System's acute care hospitals have entered into other payment arrangements with BlueCross BlueShield of Massachusetts ("Blue Cross"), the Massachusetts Executive Office of Health and Human Services ("EOHHS"), certain commercial insurance carriers, Health Maintenance Organizations ("HMO"), and preferred provider organizations. The basis for payment under these agreements includes prospectively determined rates per discharge and per day, discounts from

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established charges and fee screens. Certain arrangements also include quality and performance initiatives that may result in additional payments if quality measures are achieved.

Risk Arrangement

During 2015, the System's acute care hospitals and Medical Group entered its third year in a risk arrangement with Blue Cross covering HMO members comprising of fully and self insured accounts. This agreement is referred to as the Alternative Quality Contract ("AQC") and is effective for four years.

Special Medicaid Payments

During 2015 and 2014, the Division of Medical Assistance revised certain of UMass Memorial's affiliates' standard Medicaid rates for unreimbursed charges related to providing services to patients eligible for medical assistance under Title XIX or to low-income patients ("Special Medicaid Payments"). Special Medicaid Payments totaling \$168,649,000 in 2015 and \$240,000,000 in 2014, respectively, were recognized as net patient service revenue in the accompanying consolidated financial statements. The Special Medicaid Payment of \$168,649,000 in 2015 reflects \$210,786,000 in services related to 2015 and a change in prior year estimates that decreased net patient service revenue by approximately \$42,138,000. Special Medicaid Payments of \$352,649,000 and \$212,000,000 were recorded as a receivable as of September 30, 2015 and 2014. Differences between preliminary estimates and final settlements are included in net patient service revenue in the year the change in estimate occurs. The outstanding 2014 Special Medicaid Payment after the change in prior year estimates of \$182,787,000 was received in November 2015.

Health Safety Net

The Commonwealth of Massachusetts operates a program called the Health Safety Net ("HSN"). The program, which became effective October 1, 2007, is designed to reimburse hospitals for a portion of the uncompensated care provided to patients subject to certain eligibility rules. Hospitals are required to contribute to the HSN trust fund and are assessed a fee based upon estimates of the statewide cost of uncompensated care. The hospital has recorded its gross obligation to the HSN, net of reimbursement received as part of its net patient service revenue in the accompanying financial statements.

Accountable Care Organization

UMass Memorial commenced operations of an Accountable Care Organization ("ACO") beginning January 1, 2015 and joined the voluntary Medicare Savings Program that was established under the Affordable Care Act. The program rewards ACOs that lower their growth in health care costs while meeting performance standards on quality.

5. Assets Whose Use is Limited and Investments

UMass Memorial and certain of its affiliates have combined the management of certain of their investments in the UMass Memorial Investment Partnership, LLP (the "Partnership"). Each of the participating affiliates reports its proportionate share of the Partnership's investments in its financial statements. Pooled investment income and gains and losses of the Partnership are allocated to the participating affiliates based on their respective units in the Partnership. Investments held within the Partnership totaled approximately \$453,171,000 and \$457,383,000 as of September 30, 2015 and 2014, respectively.

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Investments, including those held within the Investment Partnership, consist of the following at September 30:

<i>(in thousands of dollars)</i>	2015	2014
Mutual funds and common collective trusts	\$ 288,813	\$ 291,843
Hedge funds	152,863	170,521
Bonds and notes	109,179	138,845
Cash and cash equivalents	79,708	68,544
Common stocks	50,435	64,119
Private equity funds	25,523	5,309
Other investments	3,654	2,079
Subtotal	710,175	741,260
Beneficial interest in trusts	7,991	15,675
Other assets	3,956	4,990
	<u>\$ 722,122</u>	<u>\$ 761,925</u>

Such amounts are reported in the consolidated balance sheets at September 30 as follows:

<i>(in thousands of dollars)</i>	2015	2014
Short-term investments	\$ 31,792	\$ 36,926
Current portion of assets whose use is limited	8,700	6,705
Assets whose use is limited		
Funds held in escrow under bond indenture agreements		
Debt service funds	13	13
Debt service reserve funds	12,090	11,996
	12,103	12,009
Restricted investments	88,195	81,889
Captive insurance company investments	164,440	172,258
Long-term investments	404,945	431,473
Subtotal	710,175	741,260
Beneficial interest in trusts	7,991	15,675
Other assets	3,956	4,990
	<u>\$ 722,122</u>	<u>\$ 761,925</u>

Funds held in escrow under bond indenture agreements include the debt service funds for payments of principal and interest. Included in total investments as of September 30, 2015 and 2014, were pending sales of \$1,652,000 and \$578,000 and purchases of \$1,909,000 and \$742,000, respectively.

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The composition of investment (loss) return for the years ended September 30 was as follows:

<i>(in thousands of dollars)</i>	2015	2014
Interest, dividend and other related income		
Other operating revenue	\$ 4,116	\$ 2,948
Nonoperating revenue	5,608	5,490
Temporarily restricted	1,143	1,110
Net realized gains on sale of investments		
Other operating revenue	10,282	6,713
Nonoperating revenue	13,838	25,728
Temporarily restricted	2,762	5,609
Change in net unrealized (losses) gains on investments		
Nonoperating revenue	(44,653)	387
Temporarily restricted	(6,568)	(891)
Permanently restricted	(644)	612
Total investment (loss) return	<u>\$ (14,116)</u>	<u>\$ 47,706</u>

UMass Memorial and its affiliates report investments at fair value. Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. A three-tier fair value hierarchy is established as a basis for considering such assumptions and for inputs used in the valuation methodologies in measuring fair value:

Level 1 -Observable inputs such as quoted prices for identical assets and liabilities in active markets;

Level 2 -Inputs, other than the quoted prices for similar assets and liabilities, that are observable either directly or indirectly in active markets; and

Level 3 -Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

The fair value hierarchy also requires UMass Memorial and its affiliates to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy does not attempt to measure the quality of the investments. Management believes that the investment values are fairly stated.

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UMass Memorial and its affiliates primarily use market values as provided by the custodian along with consideration of the prices as provided by the investment managers. These market values are set with reference to market activity for highly liquid assets such as U.S. Treasury and agency securities and agency residential mortgage-backed securities, and matrix pricing for other asset classes, such as commercial mortgage and other asset-backed securities. Values for corporate bonds, convertible bonds and municipal bonds may be determined using discounted cash flow pricing models considering adjustments for spreads and prepayments for the instruments. Prices for fixed income securities may also be priced using dealer quotes.

Management has ongoing procedures in place to evaluate and monitor new and ongoing third party valuations including regular communication with investment advisors, monthly and quarterly performance benchmarking, and the review of partnership financial statements.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Investments may be classified as Level 2 when market information (including observable net asset values) is available, yet the investment is not traded in an active market. Market information, including observable net asset values, subscription and redemption activity, if applicable, and the length of time until the investment will become redeemable are considered when determining the proper categorization of the investment's fair value measurement within the fair valuation hierarchy. Investments that have observable market inputs (such as net asset values) and UMass Memorial has the ability to redeem at the measurement date are classified in the fair value hierarchy as Level 2. Investments that have unobservable inputs or for which UMass Memorial does not have the ability to redeem at the measurement date are classified in the fair value hierarchy as Level 3.

The following fair value hierarchy table presents information about the System's financial assets measured at fair value on a recurring basis based upon the lowest level of significant input to the valuations as of September 30, 2015 and 2014.

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September 30, 2015 <i>(in thousands of dollars)</i>	Level 1	Level 2	Level 3	Total
Financial assets				
Investments				
Mutual funds and common collective trusts	\$ 174,321	\$ 114,492	\$ -	\$ 288,813
Hedge funds	-	40,284	112,579	152,863
Bonds and notes	20,266	88,913	-	109,179
Cash and cash equivalents	79,708	-	-	79,708
Common stocks	50,435	-	-	50,435
Private equity funds	-	-	25,523	25,523
Other investments	823	1,624	1,207	3,654
Total investments at fair value	<u>325,553</u>	<u>245,313</u>	<u>139,309</u>	<u>710,175</u>
Beneficial interest in trusts	-	-	7,991	7,991
Other assets	<u>3,956</u>	-	-	<u>3,956</u>
Total financial assets at fair value	<u>\$ 329,509</u>	<u>\$ 245,313</u>	<u>\$ 147,300</u>	<u>\$ 722,122</u>
 September 30, 2014 <i>(in thousands of dollars)</i>	 Level 1	 Level 2	 Level 3	 Total
Financial assets				
Investments				
Mutual funds and common collective trusts	\$ 191,444	\$ 100,399	\$ -	\$ 291,843
Hedge funds	-	59,410	111,111	170,521
Bonds and notes	13,123	125,722	-	138,845
Cash and cash equivalents	68,544	-	-	68,544
Common stocks	64,119	-	-	64,119
Private equity funds	-	-	5,309	5,309
Other investments	1,443	636	-	2,079
Total investments at fair value	<u>338,673</u>	<u>286,167</u>	<u>116,420</u>	<u>741,260</u>
Beneficial interest in trusts	-	-	15,675	15,675
Other assets	<u>4,990</u>	-	-	<u>4,990</u>
Total financial assets at fair value	<u>\$ 343,663</u>	<u>\$ 286,167</u>	<u>\$ 132,095</u>	<u>\$ 761,925</u>

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions on model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the year ended September 30, 2015, there was one transfer of \$1,207,000 from Level 1 to Level 3. For the year ended September 30, 2014, there were no transfers between levels.

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The following table presents the activity for the year for all assets categorized as Level 3 for the years ended September 30, 2015 and 2014:

<i>(in thousands of dollars)</i>	Private Equity Funds	Hedge Funds	Other Investments	Beneficial Interest in Trusts	Total
Fair Value, September 30, 2014	\$ 5,309	\$ 111,111	\$ -	\$ 15,675	\$ 132,095
Realized gains (losses)	(1,467)	3,869	-	-	2,402
Unrealized gains (losses)	(26)	(6,172)	-	-	(6,198)
Purchases	21,707	12,014	-	-	33,721
Sales	-	(8,243)	-	-	(8,243)
Transfers into Level 3	-	-	1,207	-	1,207
Cash received from beneficial interest in trusts	-	-	-	(7,060)	(7,060)
Change in value of beneficial interest in trusts	-	-	-	(624)	(624)
Fair Value, September 30, 2015	<u>\$ 25,523</u>	<u>\$ 112,579</u>	<u>\$ 1,207</u>	<u>\$ 7,991</u>	<u>\$ 147,300</u>

	Private Equity Funds	Hedge Funds	Other Investments	Beneficial Interest in Trusts	Total
Fair Value, September 30, 2013	\$ 2,965	\$ 73,481	\$ -	\$ 17,258	\$ 93,704
Realized gains	420	(15)	-	-	405
Unrealized gains	(11)	5,961	-	-	5,950
Purchases	3,331	32,000	-	-	35,331
Sales	(1,396)	(316)	-	-	(1,712)
Change in value of beneficial interest in trusts	-	-	-	(1,583)	(1,583)
Fair Value, September 30, 2014	<u>\$ 5,309</u>	<u>\$ 111,111</u>	<u>\$ -</u>	<u>\$ 15,675</u>	<u>\$ 132,095</u>

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The System uses Net Asset Value (NAV) to determine the fair value of its investments which (a) do not have a readily determinable fair market value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table summarizes the key provisions for the System's alternative investments as of September 30, 2015 and 2014:

(in thousands of dollars)

2015 Level 2

Investment	Strategy	Fair Value	# of Funds	Redemption Terms	Redemption Restrictions
Hedge Fund	Multi-strategy; equities, commodities, currencies, and fixed income securities	\$ 29,877	2	May withdraw all or any part of its distributable amount the first day of any fiscal period (first business day of the month) with 14 days advance written notice.	Payments for withdrawals will be made no later than 30 business days after the effective date of withdrawal. A reasonable reserve for the Partner's share of any future expenses or definite or contingent liabilities of the Partnership that have not been taken into account will be held until the next occurring audit.
Common collective trust	Capital growth through investment in a professionally managed portfolio of international securities	19,849	1	5 business days	The redemption of Units is subject to certain restrictions and limitations set forth in the Trust Agreement (Suspension of Subscriptions, Redemptions and Valuations).
Common collective trust	Combination of Treasury bills and notes, corporate obligations, commercial paper, repurchase agreements, and obligations of government sponsored enterprises	24,307	1	2 business days	None
Hedge Fund	Senior secured debt, loans, notes, bonds	10,407	1	Monthly liquidity with 30 days written notice	None
Mutual Fund	Growth	5,437	1	Weekly	None
Common collective trust	Return	19,114	1	Daily	None

There were no unfunded commitments as of September 30, 2015.

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2014 Level 2

Investment	Strategy	Fair Value	# of Funds	Redemption Terms	Redemption Restrictions
Hedge Fund	Multi-strategy; equities, commodities, currencies, and fixed income securities	\$ 49,316	3	May withdraw all or any part of its distributable amount the first day of any fiscal period (first business day of the month) with 14 days advance written notice.	30 business days.
Mutual Fund	Private placement portfolio primarily of senior floating rate loans (Senior Loans)	10,042	1	Redemption requests are generally paid one month after the redemption request contingent on Fund liquidation constraints.	Minimum of \$100,000.
Common collective trust	Capital growth through investment in a professionally managed portfolio of international securities	20,358	1	Requires written notice at least 5 business days prior to the dealing date.	The redemption of Units is subject to certain restrictions and limitations set forth in the Trust Agreement (Suspension of Subscriptions, Redemptions and Valuations).
Mutual Fund	Exchange-traded funds, open-end, mutual funds, and private private investment funds	27,655	1	May be redeemed on any business day upon request.	None
Common collective trust	Combination of Treasury bills and notes, corporate obligations, commercial paper, repurchase agreements, obligations of government sponsored enterprises	24,403	1	May be redeemed within 2 business days upon written request.	None
Common collective trust	Fixed income.	10,223	1	May be redeemed any business day.	No restrictions.
Hedge Fund	Senior secured debt, loans, notes, bonds	10,094	1	Monthly liquidity with 30 days written notice.	None
Mutual Fund	International Commingled Funds	7,448	1	Liquidation allowed weekly.	None

There were no unfunded commitments as of September 30, 2014.

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2015 Level 3

Investment	Strategy	Fair Value	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity	Global private equity	\$ 2,200	3	3 to 5 years	\$ 809	Term of agreement	Restricted	Amount, timing and form of distributions determined by the fund.	Not redeemable.
Hedge Fund	Arbitrage, distressed investments, long/short equity and fixed income	16,778	3	None	-	None	Redemptions are valued one month after the repurchase request (the "Valuation Date") and generally paid one month after Valuation Date contingent on Fund liquidation constraints.	Quarterly only if there has been a tender offer by the fund.	Redemption restrictions have been met at year end.
Hedge Fund	Arbitrage, hedged equity and special situations	42,245	2	None	-	None	December 31 or on calendar quarter associated with investment date applicable to each class of shares each with 100 days notice.	Redemptions are permitted on December 31 or on calendar quarter associated with investment date subject to 100 days written notice, after a lock-up period of 1 or 3 years. If members do not redeem shares at end of lock-up, they will be subject to a new lock-up period of 1 or 3 years applicable to each class of shares.	Lock up provisions reset December 31, 2013 through December 31, 2015.
Hedge Fund	Private investments in funds and hedge funds	12,600	1	None	-	None	Any calendar quarter on or after the 12th month of initial investment.	95 days written notice.	Redemption restrictions have been met at year end.
Hedge Fund	Multi-strategy	255	4	None	-	None	Currently liquidating positions.	Distribution made as positions are liquidated.	Redemptions are in process.
Private Equity	Structured debt products	2,529	1	None	-	None	None	None	None
Hedge Fund	Event Driven Strategy in stressed and distressed segments of corporate credit market	9,718	1	None	-	None	Redemptions are valued at a per share price based on the Net Asset Value of series with 90 days written notice.	As of the first calendar quarter-end occurring immediately after the end of the 11th month following the date of issuance.	Redemption restrictions have been met at year end.
Private Equity	Debt financing	2,208	1	None	-	None	Redemptions are not permitted.	Redemptions are not permitted.	Periodic distributions will be made to return capital and achieve a predetermined preferred return.
Hedge Fund	Investment in securities and other investments to achieve above-average capital growth	18,851	1	None	-	None	45 days written notice required for redemption.	Class B Shares may not be redeemed until shares held for a continuous period of at least 12 months. Thereafter, redeemable as of December 31 of each year on 45 days written notice.	Redemption restrictions have not been met.

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2015 Level 3 (continued)

Investment	Strategy	Fair Value	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity	Senior secured lending and other investment products to generate attractive risk-adjusted returns	1,375	1	None	3,830	None	Redemptions are not permitted.	Redemptions are not permitted.	Capital will be distributed to investors as investments are liquidated.
Hedge Fund	Various investments strategies to provide superior risk-adjusted returns while preserving capital	12,132	1	None	-	None	45 days written notice required for redemption.	Annually, on December 31.	Redemption restrictions have not been met.
Private Equity	Diversification through farm land investments	7,174	1	None	-	None	Written notice before September 30th after holding period	Annually	Holding period requirement has not been met.
Private Equity	Diversification through real estate investments	432	1	None	9,568	None	Not applicable	Closed-end fund with no redemptions.	Not redeemable.
Private Equity	Diversification through special investments	9,605	1	None	-	None	60 days written notice required for redemption.	Initial lock-up period of 24 months during which withdrawals are permitted but are subject to a penalty and capped.	Redemption restrictions have not been met.
Other asset	Closely held stock	1,207	-	None	-	No commitment	No restriction	No restriction	None
		<u>\$ 139,309</u>	<u>22</u>		<u>\$ 14,207</u>				

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(in thousands of dollars)

2014 Level 3

Investment	Strategy	Fair Value	# of Funds	Remaining Life	\$ Amount of Unfunded Commitments	Timing to Draw Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Private Equity	Global private equity	\$ 2,677	3	3 to 5 years	\$ 269	Term of agreement.	Restricted	Amount, timing and form of distributions determined by the fund.	Not redeemable.
Hedge Fund	Arbitrage, distressed investments, long/short equity and fixed income	16,540	3	None	-	None	Redemptions are valued one month after the repurchase request (the "Valuation Date") and generally paid one month after Valuation Date contingent on Fund liquidation constraints.	Quarterly only if there has been a tender offer by the fund.	Redemption restrictions have been met at year end.
Hedge Fund	Arbitrage, hedged equity and special situations	49,132	4	None	-	None	December 31 or on calendar quarter associated with investment date applicable to each class of shares each with 100 days notice.	Redemptions are permitted on December 31 or on calendar quarter associated with investment date subject to 100 days written notice, after a lock-up period of 1 or 3 years. If members do not redeem shares at end of lock-up, they will be subject to a new lock-up period of 1 or 3 years applicable to each class of shares.	Lock up provisions reset December 31, 2013 through December 31, 2015.
Hedge Fund	Private investments in funds and hedge funds	12,623	1	None	-	None	Any calendar quarter on or after the 12th month of initial investment.	95 days written notice.	Redemption restrictions have been met.
Hedge Fund	Multi-strategy	336	5	None	-	None	Currently liquidating positions.	Distribution made as positions are liquidated.	Redemptions are in process.
Private Equity	Structured debt products	428	1	None	2,546	On call.	None	None	None
Hedge Fund	Event Driven Strategy in stressed and distressed segments of corporate credit market	10,235	1	None	-	None	Redemptions are valued at a per share price based on the Net Asset Value of series with 90 days written notice.	As of the first calendar quarter-end occurring immediately after the end of the 11th month following the date of issuance.	Redemption restrictions have not been met.
Private Equity	Debt financing	2,204	1	None	480	On call.	Redemptions are not permitted.	Redemptions are not permitted.	Redemption restrictions have not been met.
Hedge Fund	Investment in securities and other investments to achieve above-average capital growth	22,245	1	None	-	None	45 days written notice required for redemption.	Class B Shares may not be redeemed until shares held for a continuous period of at least 12 months. Thereafter, redeemable as of December 31 of each year on 45 days written notice.	Redemption restrictions have not been met.
		<u>\$ 116,420</u>	<u>20</u>				<u>\$ 3,295</u>		

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Valuation Techniques

Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis.

The fair value of investments is determined in accordance with the current fair value guidance and as described below. Net asset value (NAV) would not be used as a practical expedient for fair value when it is determined to be probable that the investment would sell for an amount different than the reported net asset value. In such situations, management would estimate the fair value of the investment in good faith based on the available information and will update the fair value methodology if a significant event occurs which has the potential of impacting the ultimate value of the investment.

Cash Equivalents – The carrying value of cash equivalents approximates fair value as maturities are less than three months and/or include money market funds that are based on quoted prices and are actively traded.

Mutual Funds and Common Stocks – The fair values of mutual funds and common stocks are based on quoted market prices or net assets value. These mutual funds are required to publish the NAV and to transfer at that price. The mutual funds held by UMass Memorial and its affiliates are deemed to be actively traded. The fair value of domestic and international equity securities are principally based on quoted market prices that are traded in an active market.

Common Collective Trusts - The fair value of common collective trusts are based on the NAV of the fund, representing the fair value of the underlying investments, which are generally securities traded on an active market. The NAV is used as a practical expedient to estimate fair value. Such investments are classified as Level 2 when UMass Memorial and its affiliates has the ability to redeem the investment in the fund at the NAV (or its equivalent) at the measurement date or within the near term and there are no other potential liquidity restrictions.

Private Equity and Hedge Funds – The estimated fair values of these investments for which no quoted market prices are readily available, are determined based upon the information provided by the fund managers. Such information is generally based on the NAV of the fund, which is used as a practical expedient to estimate fair value. UMass Memorial and its affiliates has classified certain of its investments reported at NAV as Level 2 because it has the ability to redeem its investments in the fund at the NAV per share (or its equivalent) at the measurement date or within the near term and there are no other potential liquidity restrictions. Funds categorized within Level 3 may be subject to a minimum holding period or lockup may not be able to redeem at the measurement date or within 90 days thereof, can be subject to redemption notice periods in excess of 90 days, or have the ability to limit the aggregate amount of shareholder redemptions. Investment gains, losses, and expenses are allocated to the investors based on the ownership percentage as described in the respective partnership or hedge fund agreements.

Bonds and Notes – Certain bonds are valued at the closing price reported in the active market in which the bond is traded. Other bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flow approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

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Beneficial Interest in Trusts – The estimated fair values of UMass Memorial and its affiliates beneficial interest in trusts are determined based upon information provided by the trustees. Such information is generally based on the pro rata interest in the net assets of the underlying investments. The assets held in trust consist primarily of cash equivalents and marketable securities. The fair values of the perpetual trusts are measured using the fair value of the assets contributed to the trusts. The measurement for a beneficial interest in a perpetual trust is categorized as a Level 3 fair value measurement because UMass Memorial and its affiliates will never receive the trust's assets.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although UMass Memorial and its affiliates believes its valuation methods or assumptions are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no changes in the methodologies used at September 30, 2015 and 2014.

6. Property and Equipment

Property and equipment consist of the following at September 30:

<i>(in thousands of dollars)</i>	2015	2014
Land and land improvements	\$ 21,764	\$ 21,608
Buildings and building improvements	874,124	872,108
Major movable and fixed equipment	753,708	712,612
	<u>1,649,596</u>	<u>1,606,328</u>
Less: Accumulated depreciation and amortization	1,103,602	1,010,546
	<u>545,994</u>	<u>595,782</u>
Construction in progress	48,228	32,591
Property and equipment, net	<u>\$ 594,222</u>	<u>\$ 628,373</u>

Depreciation expense (excluding amortization of capital lease assets of \$671,000 and \$657,000 for the years ended September 30, 2015 and 2014, respectively) amounted to approximately \$103,202,000 and \$91,886,000 for the years ended September 30, 2015 and 2014, respectively.

In connection with the Merger, the University transferred to UMass Memorial substantially all of the assets of the Clinical Services Division, except to the extent that the assets were shared by the University. With respect to such shared assets, the University and UMass Memorial have entered into a 99-year occupancy and shared services agreement (the "Occupancy Agreement") under which the University has granted UMass Memorial the right to use such assets for the term of the agreement. UMass Memorial has agreed to maintain and be responsible for 50% of the capital costs under this agreement (Note 14). The Occupancy Agreement provides that if the University ceases operations as a medical school, UMass Memorial and the University will enter into a lease at the then fair value of the related space, adjusted to give effect to any improvements subsequent to the Merger and the debt assumed by UMass Memorial at the date of the Merger.

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UMass Memorial recorded its interest in the assets covered by the Occupancy Agreement utilizing the original cost and related accumulated depreciation, as reflected on the consolidated balance sheets of the Clinical Services Division on the date of the Merger. The net book value of the assets covered by the Occupancy Agreement at the date of the Merger was approximately \$56,000,000.

On July 20, 2015, management executed a contract obligation for the purchase and implementation of a System wide, fully integrated Electronic Medical Record ("EMR") and billing system (Note 12). The implementation is expected to be completed during fiscal year 2017. As a result of the pending implementation, the estimated useful lives of certain Medical Center assets expected to be replaced by the EMR were adjusted to reflect the new system's implementation date. Certain other Medical Center ongoing projects were discontinued and expensed. As of September 30, 2015, the amount of additional depreciation incurred was \$7,496,000 and the amount of discontinued projects was \$1,644,000.

7. Equity Method Investments

UMass Memorial and certain of its affiliates have investments in joint ventures accounted for under the equity method reported as other assets in the consolidated balance sheets. Amounts related to these investments were \$63,228,000 and \$11,087,000 for the years ended September 30, 2015 and 2014, respectively. Joint venture income associated with these investments is reported as other revenue in the consolidated statements of operations and amounted to \$14,247,000 and \$27,365,000, for the years ended September 30, 2015 and 2014, respectively. Of the total System joint venture investments, the Medical Center participates in an 18.9% ownership of Quest Diagnostics (Note 15) which amounted to \$54,092,000 as of September 30, 2015 and had related joint venture income of \$561,000 as of September 30, 2015.

Ventures has a joint venture ownership interest in Fairlawn Rehabilitation Hospital with HealthSouth Corporation. On June 1, 2014, Ventures sold a 30% partial interest of its ownership in to its joint venture partner, HealthSouth Corporation. After completing this partial sale, Ventures retained a 20% ownership interest in Fairlawn Rehabilitation Hospital. Ventures recognized a \$16,500,000 gain on the partial sale of its interest which has been recorded within Other Revenue in the 2014 consolidated statement of operations.

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8. Debt

Debt consists of the following at September 30:

<i>(in thousands of dollars)</i>	Interest Rate at September 30, 2015	Final Maturity	2015	2014
Massachusetts Development Finance Agency ("MDFA") Revenue Bonds				
UMass Memorial, Series A	5.00%	2028	\$ 33,275	\$ 33,275
UMass Memorial Variable Rate, Series B	0.382%	2023	12,500	13,700
UMass Memorial, Series D	5.0%-5.25%	2033	107,450	107,450
UMass Memorial Variable Rate, Series E	1.33%	2035	26,525	27,290
UMass Memorial Variable Rate, Series F	1.14%	2035	26,525	27,290
UMass Memorial, Series G	4.0%-5.0%	2022	37,595	41,870
UMass Memorial, Series H	4.0%-5.5%	2031	74,145	80,140
Marlborough Hospital Variable Rate, Series A	2.241%	2034	8,217	8,445
Revolving Loan	0.81%	2016	50,000	-
Master leases and subleases, and other notes payable	0%-5.26%	2016-2044	48,464	50,040
Capital lease obligations (Note 9)			872	872
Total debt			425,568	390,372
Less: Net unamortized original issue premium			1,179	1,332
Less: Current portion			(87,698)	(27,772)
Debt, net of current portion			<u>\$ 338,049</u>	<u>\$ 363,932</u>

Revenue Bonds and Notes Payable

UMass Memorial and certain of its affiliates are obligated under various MDFA revenue bonds and notes payable covered by a Master Trust Indenture ("MTI"). The MTI, dated as of December 1, 1998 and subsequently supplemented, includes UMass Memorial and other Members of the Obligated Group. The Master Trustee defines the terms and conditions upon which Obligations will be issued, authenticated, delivered and accepted as well as setting forth certain economic covenants. Under the terms of the loan agreements, the obligations are collateralized by property and equipment and gross receipts, as defined. The terms of the mortgage and trust agreements also require the establishment of certain reserve funds that are held by trustees (Note 5). The bonds require periodic interest and principal payments to these funds held in trust that are proportionate to the annual interest and principal payments or sinking fund installments. The revenue bonds are generally redeemable prior to maturity at premiums ranging up to 4%.

Issuance of Debt

UMass Memorial, Series E – These bonds were issued in 2009 directly to a financial institution with an initial tender date of May, 2012. In January 2012, the Obligated Group (Note 2) entered into an agreement with the same financial institution to remarket these bonds under a new Index Floating Rate Mode effective through April, 2015. On April 1, 2015, UMass Memorial and the financial institution refinanced with a five year mandatory purchase date of April 1, 2020. The principal amortization schedule remains as it had existed before and the interest rate is variable. UMass Memorial entered into a new Continuing Covenant Agreement ("CCA") with the financial institution with economic covenants that are similar to the MTI.

UMass Memorial, Series F – These bonds were issued in 2009 directly to a financial institution with an initial tender date of May, 2014. UMass Memorial also entered into a CCA with the financial

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institution at the time the bonds were originally issued. The CCA included covenants related to debt service coverage, days cash on hand and maintaining certain investment credit ratings. In February 2014, the Obligated Group entered into an agreement with the same financial institution to extend the tender date to May 2016. In addition, the CCA was amended to redefine the calculation for debt service coverage and the credit rating covenant.

On May 21, 2015, UMass Memorial and the same financial institution amended the Series F loan agreement to extend the mandatory purchase date to May 22, 2018; the amendment also provides for 2 additional one year extensions of the tender date (effectively to May 22, 2020) absent an event of default. The principal amortization schedule remains as it had existed before and the interest rate is variable. UMass Memorial and the financial institution also amended the CCA with economic covenants that are similar to the MTI and deleted the credit rating covenant.

On July 1, 2015, the Medical Center exercised its option to purchase an 18.9% equity ownership in Quest Diagnostics. Upon exercising this option, and to retain its 18.9% ownership, an additional \$11,849,000 capital contribution was incurred as a note payable to the newly formed joint venture subsidiary (Note 15). The note payable will bear interest at 0.45% annually and is due and payable on or before January 1, 2016.

In November 2014, Marlborough Hospital entered into an agreement with a commercial bank to amend its Series A bond payable to waive its initial tender date of November 24, 2014 to November 24, 2019.

Revolving Loan Agreement

On June 30, 2015, the Obligated Group entered into a \$50,000,000 unsecured revolving loan agreement with a financial institution. The loan agreement expires June 29, 2016. The amount outstanding under this agreement at September 30, 2015 was \$50,000,000. The interest rate at the close of business on September 30, 2015 was 0.81%.

Affiliate notes payable

Certain of the affiliates have borrowed funds from other affiliates. Total outstanding notes payable between the affiliates was \$32,351,000 and \$33,479,000 at September 30, 2015 and 2014, respectively. The notes bear interest at rates ranging from 1.25% - 5.26% and are due between 2016 and 2044. The notes are recorded as notes receivable and notes payable to affiliates in the consolidating information.

Debt Covenants

UMass Memorial and its affiliates' debt agreements contain limitations on additional indebtedness, mergers, and other covenants, including required debt service coverage ratios. In addition, the Obligated Group is required to maintain a specified amount of cash and unrestricted investments. Several of the debt agreements limit the transfer of assets outside of the Obligated Group. Accordingly, the assets of an affiliate included in the consolidated financial statements may not be available to meet the obligations of other affiliates.

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Principal Payments and Sinking Fund Requirements

Annual principal payments and sinking fund requirements on debt for the next five years and thereafter are as follows at September 30, 2015:

(in thousands of dollars)

2016	\$	87,559
2017		22,745
2018		21,973
2019		20,705
2020		18,529
Thereafter		<u>254,057</u>
Total debt	\$	<u>425,568</u>

Interest Paid

Total interest paid during 2015 and 2014 was approximately \$15,424,000 and \$16,025,000, respectively. Interest capitalized as a component of the cost of assets constructed was approximately \$1,146,000 and \$1,336,000 in 2015 and 2014, respectively.

Fair Value

The fair value of UMass Memorial and its affiliates' fixed rate revenue bonds are based on quoted market prices. Other debt instruments have variable interest rates and management believes that their carrying values approximate fair value. As of September 30, 2015 and 2014, the estimated fair values of bonds payable based on Level 2 inputs was \$437,778,000 and \$402,082,000, respectively. The fair value of bonds payable generally represents a mid-market estimate, a market bid and/or market ask, or any other price or estimate within a market spread.

9. Leases

UMass Memorial and its affiliates lease certain office and clinical equipment under leases with terms exceeding one year. Rent expense under operating leases was approximately \$27,706,000 and \$27,364,000 for the years ended September 30, 2015 and 2014, respectively.

During 2015, UMass Memorial and its affiliates entered into capital leases totaling \$304,000. There were no capital leases entered into for 2014.

The following assets under capital leases are included in property and equipment (excluding assets covered under the Occupancy Agreement) at September 30:

<i>(in thousands of dollars)</i>	2015	2014
Property and equipment	\$ 18,957	\$ 20,709
Less: Accumulated amortization	<u>16,199</u>	<u>17,644</u>
Net unamortized balance	<u>\$ 2,758</u>	<u>\$ 3,065</u>

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Amortization expense of assets recorded under capital leases of approximately \$671,000 and \$657,000 in 2015 and 2014, respectively, and is included in depreciation and amortization expense.

Future minimum lease payments under noncancelable capital leases and operating leases consisted of the following at September 30, 2015:

<i>(in thousands of dollars)</i>	Capital Leases	Operating Leases
2016	\$ 321	\$ 21,874
2017	269	19,762
2018	177	16,100
2019	43	13,022
2020	44	11,592
Thereafter	54	72,862
Total minimum lease payments	908	<u>\$ 155,212</u>
Less: Amounts representing interest	36	
Present value of net minimum lease payments	<u>\$ 872</u>	

Minimum payments have not been reduced by minimum sublease rentals of \$1,829,000 due in the future under noncancelable subleases.

The Obligated Group has a 99-year office building lease through 2097 with the University, which requires UMass Memorial to make annual rental payments, which are included in the preceding table. In addition to the rental component, the agreement requires the Obligated Group to pay certain operating expenses related to the leased building. During the years ended September 30, 2015 and 2014, operating expenses paid by the Obligated Group to the University amounted to approximately \$785,000 and \$859,000, respectively.

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10. Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets, including accumulated net realized and unrealized gains on permanently restricted net assets that are available for Board appropriation in accordance with state law, are available for the following purposes at September 30:

<i>(in thousands of dollars)</i>	2015	2014
Health care services	\$ 10,862	\$ 12,927
Research	6,896	7,326
Medical education	2,083	2,476
Buildings and equipment	1,712	2,258
Charity care	1,345	1,468
Accumulated gains available for Board appropriation which are expendable to support health care services or other purposes designated by the donor	19,639	21,451
	<u>\$ 42,537</u>	<u>\$ 47,906</u>

Permanently restricted net assets are restricted for the following at September 30:

<i>(in thousands of dollars)</i>	2015	2014
Investments to be held in perpetuity, the income from which is expendable to support health care services or other purposes designated by the donor	\$ 46,378	\$ 36,459
Beneficial interest in trusts	7,991	15,675
	<u>\$ 54,369</u>	<u>\$ 52,134</u>

Pledges

Pledges consist of unconditional promises to give in the future. Pledges are reported at their present value, net of allowances and discounts, at discount rates ranging from 0.37% to 2.06% and 1.00% to 2.52% at September 30, 2015 and 2014, respectively. At September 30, 2015 and 2014, pledges are expected to be received according to the following schedule:

<i>(in thousands of dollars)</i>	2015	2014
In one year or less	\$ 461	\$ 575
Between one year and five years	203	881
	664	1,456
Less: Discount to present value	(33)	(85)
Less: Allowance for doubtful pledges	(69)	(95)
Pledges receivable, net	<u>\$ 562</u>	<u>\$ 1,276</u>

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Endowment

The System's endowment consists of approximately 182 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The System has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result, the System classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the System and the Board considers the following factors in making a determination to appropriate or accumulate endowment funds:

- The duration and preservation of the fund
- The purposes of the System and the donor restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the System
- The investment policies of the System.

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Endowment net asset composition by fund as of September 30 is as follows:

September 30, 2015
(in thousands of dollars)

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds			
Income restricted	\$ 6,852	\$ 25,890	\$ 32,742
Income unrestricted	12,787	28,479	41,266
	<u>\$ 19,639</u>	<u>\$ 54,369</u>	<u>\$ 74,008</u>

September 30, 2014
(in thousands of dollars)

	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds			
Income restricted	\$ 7,705	\$ 23,239	\$ 30,944
Income unrestricted	13,746	28,895	42,641
	<u>\$ 21,451</u>	<u>\$ 52,134</u>	<u>\$ 73,585</u>

Changes in endowment net assets for the year ended September 30 are as follows:

September 30, 2015
(in thousands of dollars)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 21,451	\$ 52,134	\$ 73,585
Investment return			
Investment and other related income	717	-	717
Net depreciation (realized and unrealized)	(1,690)	-	(1,690)
Net investment return	(973)	-	(973)
Gifts	-	2,879	2,879
Appropriation of endowment assets for expenditure	(839)	-	(839)
Change in beneficial interest in trusts and other	-	(644)	(644)
Endowment net assets, end of year	<u>\$ 19,639</u>	<u>\$ 54,369</u>	<u>\$ 74,008</u>

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September 30, 2014
(in thousands of dollars)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 19,478	\$ 53,877	\$ 73,355
Investment return			
Investment and other related income	984	-	984
Net appreciation (realized and unrealized)	3,533	-	3,533
Net investment return	4,517	-	4,517
Gifts	6	-	6
Appropriation of endowment assets for expenditure	(2,550)	-	(2,550)
Change in beneficial interest in trusts and other	-	(1,743)	(1,743)
Endowment net assets, end of year	<u>\$ 21,451</u>	<u>\$ 52,134</u>	<u>\$ 73,585</u>

The primary long-term management objective for the System's endowment funds is to maintain the permanent nature of each endowment fund, while providing a predictable, stable, and constant stream of earnings. Consistent with that objective, the primary investment goal is to earn an average annual return equal to or greater than an assumed 5% annual spending policy rate for the endowment funds plus the rate of inflation, net of all fees, including investment management and related fees and expenses, over the long-term. The endowment funds are invested in the Partnership to diversify exposure and minimize risk consistent with System investment policy.

11. Benefit Plans

UMass Memorial and its affiliates sponsor several noncontributory defined contribution plans and defined benefit pension plans covering substantially all employees who have met age and service requirements.

Defined Contribution Retirement Plans

UMass Memorial and its affiliates make annual contributions to their defined contribution plans based on specific percentages of annual compensation and/or employee contributions. Pension expense related to these defined contribution plans was approximately \$25,162,000 and \$24,940,000 for the years ended September 30, 2015 and 2014, respectively.

Defined Benefit Retirement Plans

The benefits under the defined benefit plans are based primarily on years of service and employees' compensation. The funding policy is to make contributions to the plans at least equal to the minimum amount required by law. Plan assets consist principally of mutual funds, bonds and notes and common stock. In addition, UMass Memorial and its affiliates sponsor certain postretirement medical plans.

Funded Status

The funded status of UMass Memorial and affiliates' plans are recognized as liabilities. Unrecognized actuarial losses and prior service costs previously recorded as charges to net assets are "recycled" out of net assets as components of net periodic (cost) credit.

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The amounts in unrestricted net assets as of September 30, 2015 and 2014 that are not yet recognized as a component of net periodic (cost) credit are as follows:

September 30, 2015 <i>(in thousands of dollars)</i>	Pension	Postretirement Benefits	Total
Net prior service (cost) credit	\$ (66,177)	\$ -	\$ (66,177)
Net actuarial loss	361,148	4,458	365,606

September 30, 2014 <i>(in thousands of dollars)</i>	Pension	Postretirement Benefits	Total
Net prior service (cost) credit	\$ (73,690)	\$ -	\$ (73,690)
Net actuarial loss	308,330	7,470	315,800

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2015 and 2014 include:

<i>(in thousands of dollars)</i>	2015	2014
Current year actuarial net gain	\$ (71,131)	\$ (47,883)
Amortization of prior actuarial net loss	21,325	18,887
Amortization of prior service (cost) credit	(7,512)	(7,402)
	<u>\$ (57,318)</u>	<u>\$ (36,398)</u>

The amounts in unrestricted net assets as of September 30, 2015 that are expected to be recognized as a component of net periodic (cost) credit during fiscal 2016 are as follows:

<i>(in thousands of dollars)</i>	Pension	Postretirement Benefits	Total
Net prior service (cost) credit	\$ 7,515	\$ -	\$ 7,515
Net actuarial gain	(19,812)	(168)	(19,980)

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The following tables provide a reconciliation of benefit obligations, plan assets and the funded status of UMass Memorial and its affiliates' defined benefit plans and the related amounts that are recognized in the accompanying consolidated balance sheets at September 30:

	Pension Benefits	
	2015	2014
<i>(in thousands of dollars)</i>		
Accumulated benefit obligation	\$ 932,632	\$ 876,015
Change in projected benefit obligation		
Projected benefit obligation	\$ 873,106	\$ 775,978
Service cost	40,391	38,155
Interest cost	38,301	38,286
Actuarial loss	14,719	58,987
Benefits paid	(47,110)	(37,343)
Expenses paid	(2,264)	(957)
Projected benefit obligation	\$ 917,143	\$ 873,106
Change in plan assets		
Fair value of plan assets	699,856	622,522
Actual return on plan assets	(11,573)	58,448
Employer contributions	107,415	57,186
Benefits paid	(47,110)	(37,343)
Expenses paid	(2,264)	(957)
Fair value of plan assets	746,324	699,856
Funded status, end of year	\$ (170,819)	\$ (173,250)

The amounts recognized in the consolidated balance sheets for the defined benefit plans on a combined basis as of September 30 were as follows:

	2015	2014
<i>(in thousands of dollars)</i>		
Amounts recognized in the consolidated balance sheet consist of the following		
Accounts payable and accrued expenses	\$ (801)	\$ (2,327)
Accrued pension and postretirement obligations	(170,018)	(170,923)
	\$ (170,819)	\$ (173,250)

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UMass Memorial and its affiliates' used the following assumptions in determining its September 30 projected benefit obligation amounts:

	2015	2014
Discount rate	4.50-4.81%	4.27-4.47%
Rate of compensation increase (based on age and position classification)	5.95-2.45%	5.60-2.10%

UMass Memorial updated the mortality table used to value annuities to reflect longer anticipated life expectancies. The change in the mortality assumption increased the liability of the UMass Memorial Health Care Pension Plan by \$28,800,000.

The following is a summary of the allocation of plan assets for the benefit plans as of the measurement date:

Asset Category	2015	2014
Mutual funds	46 %	48 %
Bonds and notes	21 %	23 %
Common stocks	14 %	16 %
Private equity funds	10 %	2 %
Cash investments	6 %	2 %
Hedge funds	3 %	9 %

The following is a summary of the target allocation of plan assets for the benefit plans as of the measurement date:

Asset Category	2015	2014
Mutual funds	40 %	18 %
Bonds and notes	22 %	28 %
Common stocks	20 %	40 %
Private equity funds	13 %	9 %
Hedge funds	5 %	5 %

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The following table presents the assets of the defined benefit plans as of September 30, 2015 and 2014, measured at fair value on a recurring basis using the fair value hierarchy described in Note 5. Included in the asset totals of \$746,324,000 and \$699,856,000 as of September 30, 2015 and 2014, were pending sales of \$1,467,000 and \$1,203,000 and purchases of \$2,020,000 and \$3,003,000, respectively:

September 30, 2015
(in thousands of dollars)

	Level 1	Level 2	Level 3	Total
Mutual funds and common collective trusts	\$ 175,442	\$ 143,027	\$ -	\$ 318,469
Bonds and notes	21,285	137,128	-	158,413
Common stocks	107,477	-	-	107,477
Hedge funds	-	48,164	33,582	81,746
Cash investments	46,987	-	-	46,987
Private equity funds	-	-	33,233	33,233
Total investments at fair value	<u>\$ 351,191</u>	<u>\$ 328,319</u>	<u>\$ 66,815</u>	<u>\$ 746,325</u>

September 30, 2014
(in thousands of dollars)

	Level 1	Level 2	Level 3	Total
Mutual funds and common collective trusts	\$ 180,535	\$ 134,554	\$ -	\$ 315,089
Bonds and notes	18,454	141,857	-	160,311
Common stocks	111,225	-	-	111,225
Hedge funds	-	41,524	37,215	78,739
Cash investments	17,278	-	-	17,278
Private equity funds	-	-	17,214	17,214
Total investments at fair value	<u>\$ 327,492</u>	<u>\$ 317,935</u>	<u>\$ 54,429</u>	<u>\$ 699,856</u>

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The following table presents the activity for the year for all assets categorized as Level 3 for the years ended September 30, 2015 and 2014:

<i>(in thousands of dollars)</i>	Private Equity Funds	Hedge Funds	September 30, 2015
Fair value, October 1, 2014	\$ 17,214	\$ 37,215	\$ 54,429
Realized gains (losses)	(2,941)	6,246	3,305
Unrealized gains (losses)	1,252	(5,570)	(4,318)
Purchases	17,708	33,000	50,708
Sales	-	(37,309)	(37,309)
Fair value, September 30, 2015	<u>\$ 33,233</u>	<u>\$ 33,582</u>	<u>\$ 66,815</u>

<i>(in thousands of dollars)</i>	Private Equity Funds	Hedge Funds	September 30, 2014
Fair value, October 1, 2013	\$ 2,965	\$ 34,475	\$ 37,440
Realized gains (losses)	420	(15)	405
Unrealized gains	276	2,794	3,070
Purchases	15,135	-	15,135
Sales	(1,582)	(39)	(1,621)
Fair value, September 30, 2014	<u>\$ 17,214</u>	<u>\$ 37,215</u>	<u>\$ 54,429</u>

UMass Memorial and its affiliates' investment strategy is to utilize broadly diversified passive vehicles where appropriate, with an investment mix and risk profile consistent with pension liabilities. Periodic studies are undertaken to determine the asset mix that will meet pension obligations at a reasonable cost to UMass Memorial and which are consistent with the fiduciary requirements of pension regulations.

In selecting the expected long-term rate of return on assets, UMass Memorial and its affiliates' considered the average rate of earnings expected on the funds invested or to be invested to provide for the benefits of these plans. This included considering the trusts' asset allocation and the expected returns likely to be earned over the life of the plan. This basis is consistent with the prior year.

UMass Memorial and its affiliates expect to contribute approximately \$2,020,000 to their defined benefit pension plans during the year ended September 30, 2016.

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Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, are expected to be paid during the period ended September 30:

(in thousands of dollars)

2016	\$	56,857
2017		59,090
2018		60,366
2019		61,273
2020		64,787
2021 through 2025		326,635

The following are the components of net periodic (cost) credit for UMass Memorial and its affiliates' defined benefit plans:

(in thousands of dollars)

	2015	2014
Net periodic (cost) credit		
Service cost	\$ 40,391	\$ 38,155
Interest cost	38,301	38,286
Expected return on plan assets	(47,474)	(43,064)
Net amortization	13,436	11,286
Net periodic (cost) credit	<u>\$ 44,654</u>	<u>\$ 44,663</u>

Assumptions used in determining net periodic (cost) credit of the defined benefit plans were:

	2015	2014
Discount rate	4.27-4.47%	4.92-5.11%
Rate of compensation increase (based on age and position classification)	5.60-2.10%	6.25-2.75%
Expected return on plan assets	7.00 %	7.00 %

UMass Memorial Postretirement Medical Benefits

UMass Memorial and its affiliates provide postretirement medical benefits to certain of its employees. Benefits are funded from the general assets of the System on a current basis. Such plans pay a portion of health insurance costs for eligible participants.

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Presented below is financial information related to the postretirement medical plans for the years ended September 30:

<i>(in thousands of dollars)</i>	Postretirement Medical Benefits	
	2015	2014
Change in accumulated postretirement benefit obligation		
Accumulated postretirement benefit obligation	\$ 37,273	\$ 31,426
Service cost	246	257
Interest cost	1,658	1,597
Actuarial (gain) loss	(2,636)	4,280
Benefits paid	(312)	(287)
Accumulated postretirement benefit obligation	<u>36,229</u>	<u>37,273</u>
Change in plan assets		
Employer contributions	312	287
Benefits paid	(312)	(287)
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status, end of year	<u>\$ (36,229)</u>	<u>\$ (37,273)</u>

The amounts recognized in the consolidated balance sheets for the post-retirement benefit plans as of September 30 were as follows:

<i>(in thousands of dollars)</i>	2015	2014
Accounts payable and accrued expenses	\$ (450)	\$ (402)
Accrued pension and postretirement obligations	(35,779)	(36,871)
	<u>\$ (36,229)</u>	<u>\$ (37,273)</u>

UMass Memorial and its affiliates' used the following assumptions in determining its September 30 projected benefit obligation amounts:

	2015	2014
Discount rate	4.81 %	4.47 %
Current year health care cost trend rate	7.00 %	7.50 %
Ultimate year health care cost trend rate	5.00 %	5.00 %

UMass Memorial and its affiliates expect to contribute approximately \$458,000 to its postretirement benefit plans during the year ended September 30, 2016.

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Estimated Future Benefit Payments

The following benefit payments related to the postretirement benefit plan are expected to be paid during the periods ended September 30:

(in thousands of dollars)

2016	\$	485
2017		552
2018		638
2019		746
2020		857
2021 through 2025		6,179

Estimated Medicare Part D Subsidies

The following Medicare Part D subsidies related to the postretirement benefit plan are expected to be received during the periods ended September 30:

(in thousands of dollars)

2016	\$	25
2017		28
2018		31
2019		36
2020		42
2021 through 2025		377

The assumed health care cost trend rate used in measuring the postretirement medical benefit obligation was 7.00% in 2015, declining gradually to 5.00% by 2019 and remaining level thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement benefit plan. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

<i>(in thousands of dollars)</i>	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on total of service and interest cost	\$ 2,348	\$ (1,557)
Effect on postretirement benefit obligation	8,505	(6,571)

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The following are the components of net periodic (cost) credit for UMass Memorial and its affiliates' postretirement medical plan:

<i>(in thousands of dollars)</i>	2015	2014
Net periodic (cost) credit		
Service cost	\$ 246	\$ 257
Interest cost	1,658	1,597
Net amortization	377	199
Net periodic (cost) credit	<u>\$ 2,281</u>	<u>\$ 2,053</u>

Assumptions used in determining net periodic (cost) credit of the postretirement medical plan were:

	2015	2014
Discount rate	4.47 %	5.11 %
Current year health care cost trend rate	7.00 %	7.50 %
Ultimate year health care cost trend rate	5.00 %	5.00 %

12. Commitments and Contingencies

Self-Insurance

CPAC is a wholly-owned captive insurance company incorporated and based in the Cayman Islands for the purpose of providing professional and general liability, workers' compensation insurance and several other smaller lines of insurance or deductibles, including medical stop-loss insurance.

Estimated malpractice costs, as calculated by CPAC's consulting actuaries, consist of specific reserves to cover the estimated liability resulting from medical or general liability incidents, as well as potential claims which have been reported and a provision for claims incurred but not reported. Estimated malpractice liabilities are based on claims reported, historical experience and industry trends. These liabilities include estimates of future trends in loss severity and frequency and other factors that could vary as the claims are ultimately settled. Although it is not possible to measure the degree of variability inherent in such estimates, management believes the reserves for claims are adequate. These estimates are periodically reviewed and necessary adjustments are recorded in the year the need for such adjustments becomes known. Management is unaware of any claims that would cause the final expense for medical malpractice risks to vary materially from the amounts provided.

CPAC estimates that the expected claims liabilities at September 30, 2015 and 2014, on an undiscounted basis, are approximately \$171,000,000 and \$175,000,000, respectively, assuming losses are limited to \$5,000,000 for professional liability and \$3,000,000 for general liability per individual claim, respectively. These amounts are then discounted at 2% and 3%, respectively, at September 30, 2015 and 2014, over an estimated payout period of 12 years.

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Excess Liability Coverage

UMass Memorial and its affiliates have excess liability coverage of \$50,000,000 for malpractice losses in excess of \$5,000,000 per individual claim and for annual aggregate malpractice losses in excess of \$60,000,000 on a claims-made basis. The existence of this reinsurance coverage does not relieve UMass Memorial and its affiliates of its primary obligation with respect to losses incurred. UMass Memorial and its affiliates would be liable for claims ceded to reinsurers in the event such reinsurers were unable to meet their obligations. UMass Memorial records the gross exposure of claim liabilities and a corresponding receivable for insurance recoveries when such circumstances are present.

Surety Bond

UMass Memorial and its affiliates have surety bonds in the aggregate amount of \$14,380,000 related to two workers' compensation self-insurance programs.

Electronic Medical Record and Billing System

On July 20, 2015, management executed a license and support agreement for the development, licensing and implementation of a System wide, fully integrated Electronic Medical Record ("EMR") and billing system. The implementation is expected to be completed during fiscal year 2017. The design and implementation costs are expected to be funded through ongoing operations, current financial resources and additional financing. The software license and implementation fees will be paid in sixty monthly installments of \$463,000, which includes interest at the 1-month LIBOR plus 2%. In connection with the implementation, the estimated useful lives of assets expected to be replaced by the EMR, has been adjusted to reflect the new system's implementation date. See Note 6 for further discussion on related property and equipment.

Other Contingencies

UMass Memorial and its affiliates are parties to various legal proceedings and potential claims arising in the ordinary course of business. In addition, the health care industry as a whole is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at the time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations. These could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues from patient services. Management believes that the System and its affiliates are in compliance with current laws and regulations and does not believe that these matters will have a material adverse effect on its consolidated financial statements.

Centers for Medicare and Medicaid Services ("CMS") Notice of Disallowance/Request for Information - Following a 2009 audit report by the Office of Audit Services of the Office of Inspector General of the United States Health and Human Services (the "OIG"), under which the Commonwealth of Massachusetts' (the "Commonwealth") Medicaid Program returned approximately \$1,500,000 in federal financial participation ("FFP") to the CMS regarding supplemental Medicaid payments to the Medical Center from fiscal years 2000 through and including 2005, CMS informed the Commonwealth on February 7, 2011, of its intention to disallow \$25,500,000 in FFP for the same supplemental payments made to UMass Memorial for a subset of the same time period (2000 through 2003). The stated reason for the disallowance was that the Commonwealth had not complied with the time limit for claiming payment for Medicaid expenditures. The Commonwealth filed a request for reconsideration of the disallowance. On April 13, 2012, CMS issued a letter to the Commonwealth affirming the disallowance except with respect to \$8,100,000 for supplemental payments for fiscal year 2003 which CMS acknowledges were

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claimed timely. Management worked with the Commonwealth to file an appeal to the Department of Health and Human Services Departmental Appeals Board (the "DAB") on June 12, 2012. After the Commonwealth filed its brief with the DAB, CMS submitted its brief in May 2013 and asked the DAB to increase the disallowance of the federal share from \$17,000,000 to \$21,000,000 due to an earlier CMS calculation error. UMass Memorial intervened in the matter and contested the proposed increase in the disallowance. A hearing on the appeal was held on June 18, 2013.

On September 30, 2013, the DAB issued its decision reversing the CMS disallowance of approximately \$21,500,000 in FFP based on a finding that the claim for FFP had been timely and sustaining the disallowance of approximately \$4,250,000 in FFP based on the OIG's audit report finding that the relevant expenditures were not authorized by the Commonwealth plan. The Commonwealth Medicaid Agency has not recouped any funds from UMass Memorial as a result of the disallowance or, as noted above, for the prior return of funds related to the OIG audit report, although it is expected that such a recoupment will be asserted. The Medical Center has sufficient reserves to reimburse the Commonwealth for the amount sustained by the decision.

Privacy Breach – A purported class action lawsuit was filed against the Medical Center alleging damages arising from a data information breach by a former employee who is under criminal indictment for identity theft and larceny. At this time, UMass Memorial is only aware of two plaintiffs represented in the case. UMass Memorial has retained experienced counsel to defend the case. There can be no assurance as to the outcome of this matter.

13. Concentration of Credit Risk

Financial instruments that potentially subject UMass Memorial and its affiliates to concentrations of credit risk are patient and other accounts receivable, cash equivalents and investments. UMass Memorial and its affiliates generally invest available cash in certificates of deposit and repurchase agreements with various banks, commercial paper of domestic companies with high credit ratings and securities backed by the United States government.

UMass Memorial and its affiliates grant credit without collateral to their patients, many of whom are local residents and are insured under third-party payor agreements. Net patient accounts receivable consist of the following at September 30:

	2015	2014
Commercial insurance and HMOs	40 %	40 %
Medicaid	21 %	20 %
Patients	18 %	19 %
Medicare	16 %	18 %
Other	5 %	3 %
	<u>100 %</u>	<u>100 %</u>

14. Transactions with the University

In connection with the Merger discussed in Note 1, UMass Memorial entered into several agreements with the University (the "Definitive Agreement"), including:

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- The Obligated Group was granted the right to occupy certain portions of the University's Worcester, Massachusetts campus (the "Occupancy and Shared Services Agreement"). The University and the Medical Center agreed to share responsibility for various capital and operating expenses related to the occupied premises (Note 6).
- UMass Memorial and its affiliates agreed to make certain payments to the University including: (1) an annual fee of \$12,000,000 (plus an inflation adjustment), which totaled approximately \$18,661,000 and \$18,476,000 for the years ended September 30, 2015 and 2014, respectively, so long as the University continues to operate a medical school with substantial numbers of students and amounts of research funding, and (2) a percent of the net combined operating income of UMass Memorial and its affiliates (with certain exceptions) based on an agreed-upon formula ("Participation Payment", the participation payment may be adjusted under certain conditions if the University's ongoing programs and research activities substantially decrease). UMass Memorial incurred expense of approximately \$3,841,000 and \$0 for the years ended September 30, 2015 and 2014, respectively, pursuant to the agreed-upon formula.
- The System contracts University employees for medical residency, physician and other services. The cost of these contracted employees is reported as salaries, benefits and contracted labor in the accompanying consolidated financial statements. Total payroll expense related to these employees for the years ended September 30, 2015 and 2014 was \$65,424,000 and \$64,658,000, respectively.

The cost incurred for fringe benefits related to these employees for the years ended September 30, 2015 and 2014 was approximately \$13,575,000 and \$13,411,000, respectively.

Subsequent to the Merger, the University and UMass Memorial agreed to amend certain aspects of the Definitive Agreement as follows:

- The Medical Center agreed to segregate a portion of its unrestricted net assets, totaling approximately \$15,500,000 at September 30, 2001, to be designated as Department Education Funds (the "Ed Funds"). During 2002, the Medical Center transferred the balance of the Ed Funds to the Medical Group and the Medical Group segregated these funds within its unrestricted net assets. The balance of the Ed Funds at September 30, 2015 is approximately \$42,000,000. These funds have been frozen, until such time as the Chancellor of the University (the "Chancellor") and the Chief Executive Officer of UMass Memorial (the "CEO") mutually agree to release any and all of these funds.

In September of 2011, the Medical Group established Academic Investment Funds (the "AIF") at the University. The Medical Group has transferred \$6,600,000 in 2015 and 2014, respectively, to the AIF. UMass Memorial has also committed to fund \$2,000,000 to the AIF. These amounts have been recorded as expense in the accompanying consolidated statements of operations. In fiscal year 2016, the Medical Group anticipates funding the AIF by approximately \$6,600,000. The use of the AIF is controlled jointly by the Chancellor and the CEO. In addition, the Chancellor and the CEO jointly approve the annual operating budgets of each clinical department in the Medical Group.

The following significant transactions with the University have been recorded in income from operations:

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Purchased Services

The Obligated Group reimburse and are reimbursed by the University for certain common services purchased and provided. The net services purchased by the Obligated Group amounted to \$20,397,000 and \$22,995,000 for 2015 and 2014, respectively.

Due to the University

The amounts due to the University at September 30 consisted of the following:

<i>(in thousands of dollars)</i>	2015	2014
Medical education services and participation payment	\$ 146,229	\$ 58,062
Accrued compensation and benefits	11,162	2,550
Accounts payable - net of accounts receivable	7,252	4,117
Other	1,577	2,304
Total due to the University, net	<u>\$ 166,220</u>	<u>\$ 67,033</u>

Medical Education Services

As part of the academic affiliation between the University and the Medical Center and pursuant to the enabling legislation creating UMass Memorial, the University is the exclusive academic and medical teaching affiliate of the Medical Center. In connection with this affiliation, the Medical Center and other UMass Memorial affiliates compensate the University for the cost of teaching and education services and support the University contributes to the delivery of medical care by the Medical Center and other UMass Memorial affiliates. The cost of these services was approximately \$128,074,000 and \$163,750,000 for 2015 and 2014, respectively. The cost for these educational services is recorded as supplies and other expense. Certain of the amounts due to and from the University are subject to settlement between the System and the University. Management has recorded its best estimate of the amounts due to and from the University. Differences between current estimates of such assets and liabilities and final settlements are included in operations in the year in which the settlement or change in estimate occurs. Management does not expect such differences to be material to the consolidated balance sheets, results of operations, or cash flows of the System.

15. UMass Memorial Transition of Lab Outreach Business

On January 3, 2013, certain assets and the operations of the clinical and anatomic laboratory outreach businesses owned by the Medical Center were sold to Quest Diagnostics. The sales agreements included a transitional period of 18-24 months to complete the full transition of service. The consideration received in conjunction with the sale was a combination of cash and an option to purchase an equity interest in a newly formed Quest Diagnostics subsidiary (Note 7).

During fiscal year 2014, the valuation of the joint venture option was reassessed and the value was decreased by \$10,198,000 offset by a \$1,043,000 adjustment to proceeds from sale. These two transactions combined resulted in a loss on sale of \$9,155,000 in 2014. Expenses associated with the sale of this business were reduced by \$853,000 in 2014. The value of the option as of September 30, 2014 was \$21,236,000.

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Effective July 1, 2015, the Medical Center exercised its option to purchase an equity interest in the newly formed Quest Diagnostics subsidiary once the aforementioned transitional period ended. This transaction resulted in an 18.9% ownership in the subsidiary and a gain on the option exercise of \$13,620,000, offset by a \$325,000 adjustment to proceeds from sale related to Ventures. These two transactions combined resulted in a gain on sale of \$13,295,000 in 2015. Expenses associated with the sale of this business were reduced by \$873,000 in 2015. The Medical Center's 18.9% ownership as of September 30, 2015 was \$54,092,000.

The table below summarizes adjustments to the gain (loss) recognized on the sale transaction and associated expenses as of September 30:

<i>(in thousands of dollars)</i>	2015	2014
Gain (loss) on sale of business	\$ 13,295	\$ (9,155)
Expense reductions associated with sale of business	\$ 873	\$ 853

16. Reduction in force

During fiscal year 2014, UMass Memorial and certain affiliates had a reduction in force. Total expenses of the System in the amount of \$16,478,000 were incurred in conjunction with a strategic initiative aimed at reducing staffing levels and operating losses. Such costs consist of severance payouts, associated benefits and unemployment costs.

17. Discontinued Operations

Effective September 1, 2014, Wing Memorial Hospital ("Wing") was assumed by Baystate Health ("Baystate") via a membership substitution. Substantially all assets and liabilities transferred to Baystate on that date. As a result of the transfer, a loss on transfer of membership interest of \$11,187,000 was recorded in unrestricted net assets. The consolidated financial statements for all periods present the operations of Wing as a discontinued operation. For the eleven month period ended August 31, 2014, Wing reported revenue of \$74,900,000 and excess of revenue over expenses of \$1,400,000 in discontinued operations in the statement of changes in net assets. As of August 31, 2014, assets held for sale were \$77,655,000 and liabilities held for sale were \$23,863,000. The assets and liabilities held for sale consisted of:

(in thousands of dollars)

Assets		Liabilities	
Patient accounts receivable	\$ 7,668	Current liabilities	79
Other current assets	13,471	Accounts payable and accrued expenses	7,769
Property and equipment, net	42,928	Current portion of long-term debt	547
Restricted investments	974	Long-term debt, net of current portion	13,204
Other assets	12,614	Other noncurrent liabilities	2,264
Total assets	<u>\$ 77,655</u>	Total liabilities	<u>\$ 23,863</u>

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The table below summarizes the loss recognized on the sale of these asset groups as of September 30, 2014:

(in thousands of dollars)

Proceeds from sale	\$ 39,675
Net book value of assets sold and related costs of sale	
Property and equipment, net	42,928
Other net assets	6,661
Incremental transaction costs	1,273
	<u>50,862</u>
Loss on sale	<u>\$ (11,187)</u>

The operations and sale of these assets are presented in the statements of operations as a discontinued operation. Included within the discontinued operations caption are the respective loss on the sale of assets and the loss from operations. Included in the 2014 loss on the discontinued operations is a loss on the transfer of membership interest of \$11,187,000 and an operating gain prior to the sale of \$1,439,000.

The cash flow amounts related to the discontinued operations are presented within the respective aggregated categories of the consolidated statements of cash flows.

18. Functional Expenses

UMass Memorial and its affiliates provide general health care services to residents within its geographic location. Expenses related to providing these services, including the 2014 expenses related to the reduction of force (Note 16), are as follows for the years ended September 30:

(in thousands of dollars)

	2015	2014
Health care services	\$ 1,802,980	\$ 1,773,210
General and administrative	<u>380,692</u>	<u>441,649</u>
	<u>\$ 2,183,672</u>	<u>\$ 2,214,859</u>

19. Subsequent Events

The System recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheets. The System does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheets but arose after the consolidated balance sheets date but before the consolidated financial statements are issued. For these purposes, UMass Memorial has evaluated events occurring subsequent to the consolidated balance sheets date through December 17, 2015, the date the consolidated financial statements were issued. There were no subsequent events that required recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL CONSOLIDATING INFORMATION

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(In thousands of dollars)

	UMass Memorial Health Care, Inc.	UMass Memorial Medical Center, Inc.	UMass Memorial Community Hospitals, Inc.	UMass Memorial Medical Group, Inc.	UMass Memorial Accountable Care Organization, Inc.	UMass Memorial Behavioral Health Systems, Inc.	UMass Memorial Health Ventures, Inc.	UMass Memorial Realty, Inc.	Eliminations and Consolidating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	\$ 6,331	\$ 90,531	\$ 27,505	\$ 18,832	\$ 66	\$ 5,619	\$ 5,197	\$ 6,627	\$ 748	\$ 162,456
Short-term investments	1,801	5,090	9,351	6,927	-	90	8,533	-	-	31,792
Current portion of assets whose use is limited	-	6,148	-	2,552	-	-	-	-	-	8,700
Patient accounts receivable, net	-	171,102	23,467	37,371	-	5,371	-	-	347	237,658
Inventories	-	25,731	3,387	-	-	-	-	-	17	29,135
Prepaid expenses and other current assets	7,722	11,905	4,589	3,354	21	772	1,514	601	-	30,488
Current portion of notes receivable from affiliates	-	1,516	-	-	-	-	-	-	(1,516)	-
Due from related parties	14,733	47,607	529	66,711	-	150	1,087	685	(131,512)	-
Estimated settlements receivable from third-party payors	-	301,524	52,269	-	-	-	-	-	-	353,793
Total current assets	30,587	661,154	121,107	135,747	87	12,002	17,341	7,913	(131,916)	854,022
Assets whose use is limited										
Funds held in escrow under bond indenture agreements, net of current portion	-	10,777	1,326	-	-	-	-	-	-	12,103
Restricted investments	83,139	-	25,056	-	-	-	-	-	-	88,195
Captive insurance company investments	164,440	-	-	-	-	-	-	-	-	164,440
Total assets whose use is limited	227,579	10,777	26,382	-	-	-	-	-	-	264,738
Long-term investments	239,248	44,075	56,513	29,525	-	118	28,617	6,849	-	404,945
Property and equipment, net	2,049	433,546	124,773	7,371	-	12,919	-	13,493	71	594,222
Beneficial interest in trusts	582	63,849	7,409	-	-	-	-	-	(63,849)	7,991
Notes receivable from affiliates - net of current portion	-	30,109	-	-	-	-	-	-	(30,109)	-
Other assets	564	74,085	5,831	21,563	-	341	9,349	509	(34,484)	77,748
Total assets	\$ 500,609	\$ 1,317,595	\$ 342,015	\$ 194,206	\$ 87	\$ 25,380	\$ 55,307	\$ 28,764	\$ (260,297)	\$ 2,203,666
Liabilities and Net Assets										
Current liabilities										
Accounts payable and accrued expenses	\$ 25,302	\$ 89,198	\$ 19,424	\$ 7,237	\$ 6	\$ 2,648	\$ 586	\$ 756	\$ 131	\$ 145,288
Accrued compensation	11,023	60,937	10,875	56,277	-	3,299	76	48	-	142,335
Estimated settlements payable to third-party payors	-	2,161	627	18,605	-	-	-	-	-	21,593
Debt, current	-	86,357	920	-	-	421	-	-	-	87,698
Current portion of notes payable to affiliates	-	-	1,182	-	-	334	-	-	(1,516)	-
Due to related parties	31,075	58,745	40,506	-	80	1,090	7	9	(131,512)	-
Due to the University of Massachusetts	3,122	158,855	276	3,967	-	-	-	-	-	166,220
Total current liabilities	70,522	496,253	73,610	86,286	86	7,792	669	813	(132,897)	563,134
Estimated settlements payable to third-party payors, net of current portion	-	28,150	5,135	5,960	-	600	-	-	-	39,845
Other noncurrent liabilities	2,947	15,633	2,088	441	-	51	-	1,848	421	23,429
Accrued pension and postretirement benefit obligations	-	199,259	5,868	-	-	-	-	-	-	205,127
Estimated self-insurance costs	165,112	11,354	570	21,563	-	601	-	35	(33,863)	165,372
Notes payable to affiliates, net of current portion	-	-	30,109	-	-	-	-	-	(30,109)	-
Debt, net of current portion	-	320,453	11,086	-	-	7,510	-	-	-	339,049
Total liabilities	238,581	1,031,102	128,466	114,250	86	16,554	669	2,696	(196,448)	1,335,956
Net assets										
Unrestricted	198,179	222,644	180,552	79,956	1	8,766	54,538	26,068	-	770,804
Temporarily restricted	34,482	34,462	8,073	-	-	2	-	-	(34,462)	42,537
Permanently restricted	29,387	29,387	24,924	-	-	58	-	-	(29,387)	54,369
Total net assets	262,028	286,493	213,549	79,956	1	8,826	54,838	26,068	(63,849)	867,710
Total liabilities and net assets	\$ 500,609	\$ 1,317,595	\$ 342,015	\$ 194,206	\$ 87	\$ 25,380	\$ 55,307	\$ 28,764	\$ (260,297)	\$ 2,203,666

The accompanying note is an integral part of these supplemental consolidating financial statements.

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(In thousands of dollars)

	UMass Memorial Health Care, Inc.	UMass Memorial Medical Center, Inc.	UMass Memorial Community Hospitals, Inc.	UMass Memorial Medical Group, Inc.	UMass Memorial Accountable Care Organization, Inc.	UMass Memorial Behavioral Health Systems, Inc.	UMass Memorial Health Ventures, Inc.	UMass Memorial Realty, Inc.	Eliminations and Consolidating Entries	Consolidated
Assets										
Current assets										
Cash and cash equivalents	\$ 3,301	\$ 42,469	\$ 21,606	\$ 26,538	\$ -	\$ 3,717	\$ 17,271	\$ 6,056	\$ 726	\$ 121,684
Short-term investments	1,604	6,288	9,059	10,398	-	52	9,825	-	-	36,926
Current portion of assets whose use is limited	-	5,931	27	747	-	-	-	-	-	6,705
Patient accounts receivable, net	-	174,269	24,441	35,599	-	6,457	-	-	382	241,146
Inventories	-	21,573	3,167	-	-	-	-	-	23	24,763
Prepaid expenses and other current assets	6,575	24,940	5,671	3,730	-	675	2,403	688	-	44,682
Current portion of notes receivable from affiliates	-	1,293	-	-	-	-	-	-	(1,293)	-
Due from related parties	46,655	23,763	35	30,584	-	-	8	684	(101,729)	-
Estimated settlements receivable from third-party payors	-	182,456	29,806	-	-	-	-	-	-	212,262
Total current assets	58,135	482,982	93,612	107,296	-	10,901	29,507	7,428	(101,891)	688,170
Assets whose use is limited										
Funds held in escrow under bond indenture agreements, net of current portion	-	10,685	1,324	-	-	-	-	-	-	12,009
Restricted investments	56,081	-	25,808	-	-	-	-	-	-	81,889
Captive insurance company investments	172,258	-	-	-	-	-	-	-	-	172,258
Total assets whose use is limited	228,339	10,685	27,132	-	-	-	-	-	-	266,156
Long-term investments	195,253	114,274	58,518	39,804	-	172	15,388	7,064	-	431,473
Property and equipment, net	-	466,138	128,326	6,647	-	13,166	-	13,826	270	628,373
Beneficial interest in trusts	7,622	65,051	8,053	-	-	-	-	-	(65,051)	15,675
Notes receivable from affiliates - net of current portion	-	31,625	-	-	-	-	-	-	(31,625)	-
Other assets	159	41,132	6,099	19,342	-	306	12,556	623	(31,141)	49,076
Total assets	\$ 489,508	\$ 1,211,887	\$ 322,940	\$ 173,089	\$ -	\$ 24,545	\$ 57,451	\$ 28,941	\$ (229,438)	\$ 2,078,923
Liabilities and Net Assets										
Current liabilities										
Accounts payable and accrued expenses	\$ 26,109	\$ 84,120	\$ 18,278	\$ 9,067	\$ -	\$ 2,071	\$ 1,394	\$ 1,113	\$ 123	\$ 142,275
Accrued compensation	7,871	63,836	10,288	53,135	-	2,913	407	47	-	138,477
Estimated settlements payable to third-party payors	-	7,403	193	8,881	-	-	-	-	-	16,477
Debt, current	-	26,388	834	-	-	540	-	-	-	27,772
Current portion of notes payable to affiliates	-	-	1,128	-	-	165	-	-	(1,293)	-
Due to related parties	1,907	66,457	26,804	4,898	-	1,627	36	-	(101,729)	-
Due to the University of Massachusetts	3,358	62,577	268	819	-	-	-	1	-	67,033
Total current liabilities	39,255	310,791	57,773	76,860	-	7,316	1,837	1,161	(102,899)	392,034
Estimated settlements payable to third-party payors, net of current portion	-	29,070	5,702	3,860	-	600	-	-	-	39,232
Other noncurrent liabilities	2,483	17,242	2,328	501	-	48	-	2,079	511	25,192
Accrued pension and postretirement benefit obligations	-	201,658	6,136	-	-	-	-	-	-	207,794
Estimated self-insurance costs	171,664	10,181	615	19,342	-	566	-	31	(30,374)	171,955
Notes payable to affiliates, net of current portion	-	-	31,290	-	-	335	-	-	(31,625)	-
Debt, net of current portion	-	344,961	11,738	-	-	7,233	-	-	-	363,932
Total liabilities	213,432	913,903	115,482	100,503	-	16,088	1,837	3,271	(164,387)	1,200,139
Net assets										
Unrestricted	211,025	232,933	172,529	72,586	-	8,387	55,614	25,670	-	778,744
Temporarily restricted	38,543	38,543	9,361	-	-	2	-	-	(38,543)	47,906
Permanently restricted	26,508	26,508	25,568	-	-	58	-	-	(26,508)	52,134
Total net assets	276,076	297,984	207,458	72,586	-	8,447	55,614	25,670	(65,051)	878,784
Total liabilities and net assets	\$ 489,508	\$ 1,211,887	\$ 322,940	\$ 173,089	\$ -	\$ 24,545	\$ 57,451	\$ 28,941	\$ (229,438)	\$ 2,078,923

The accompanying note is an integral part of these supplemental consolidating financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Supplemental Consolidating Statement of Operations Information
Year Ended September 30, 2015
(In thousands of dollars)

	UMass Memorial Health Care, Inc.	UMass Memorial Medical Center, Inc.	UMass Memorial Community Hospitals, Inc.	UMass Memorial Medical Group, Inc.	UMass Memorial Accountable Care Organization, Inc.	UMass Memorial Behavioral Health Systems, Inc.	UMass Memorial Health Ventures, Inc.	UMass Memorial Realty, Inc.	Eliminations and Consolidating Entries	Consolidated
Unrestricted revenues, gains and other support										
Net patient service revenue	\$ -	\$ 1,466,259	\$ 284,607	\$ 354,594	\$ -	\$ 64,800	\$ -	\$ -	\$ 3,585	\$ 2,173,845
Less: Provision for bad debts	-	(21,052)	(11,002)	(16,691)	-	(58)	-	-	(60)	(48,863)
Net patient service revenue less provision for bad debts	-	1,445,207	273,605	337,903	-	64,742	-	-	3,525	2,124,982
Net assets released from restrictions used for operations	643	329	940	706	-	-	-	-	-	2,618
Other revenue	199,297	62,804	11,602	129,521	354	3,141	13,481	13,842	(319,932)	114,110
Total revenues, gains and other support	199,940	1,508,340	286,147	468,130	354	67,883	13,481	13,842	(316,407)	2,241,710
Expenses										
Salaries, benefits and contracted labor	66,912	654,479	140,664	395,363	-	46,721	14	377	(5,533)	1,296,997
Supplies and other expense	123,109	708,553	118,658	93,723	353	19,352	239	11,960	(309,648)	766,299
Depreciation and amortization	-	86,583	13,719	1,760	-	1,092	-	875	201	104,230
Interest	-	13,518	1,890	2	-	346	-	17	(1,427)	14,146
Total expenses	190,021	1,463,133	274,731	490,848	353	67,511	253	13,229	(316,407)	2,183,672
Income (loss) from operations before nonrecurring income and expenses	9,919	45,207	11,416	(22,718)	1	372	13,228	613	-	58,038
Gain (loss) on sale of business (Note 15)	-	13,620	-	-	-	-	(325)	-	-	13,295
Expense reductions associated with sale of business (Note 15)	-	873	-	-	-	-	-	-	-	873
Income (loss) from operations after nonrecurring income and expenses	9,919	59,700	11,416	(22,718)	1	372	12,903	613	-	72,206
Nonoperating income (loss)										
Investment and other related income	3,245	1,147	678	369	-	-	69	100	-	5,608
Net realized and unrealized loss on investments	(25,701)	(757)	(1,954)	(1,141)	-	1	(948)	(315)	-	(30,815)
Actuarial change in the present value of annuities	(352)	-	-	-	-	-	-	-	-	(352)
Total nonoperating income	(22,808)	390	(1,276)	(772)	-	1	(879)	(215)	-	(25,559)
Excess (deficiency) of revenues over expenses	(12,889)	60,090	10,140	(23,490)	1	373	12,024	398	-	46,647
Other changes in net assets										
Contributions for property and equipment	-	983	-	975	-	-	-	-	-	1,958
Net assets released from restrictions used for purchase of property and equipment	-	425	348	-	-	-	-	-	-	773
Pension-related changes other than net periodic (cost) credit	-	(57,350)	32	-	-	-	-	-	-	(57,318)
Transfers (to) from related parties	43	(14,437)	(2,497)	29,885	-	6	(13,000)	-	-	-
Increase (decrease) in unrestricted net assets	(12,846)	(10,289)	8,023	7,370	1	379	(976)	398	-	(7,940)
Unrestricted net assets, beginning of year	211,025	232,933	172,529	72,586	-	8,387	55,614	25,670	-	778,744
Unrestricted net assets, end of year	\$ 198,179	\$ 222,644	\$ 180,552	\$ 79,956	\$ 1	\$ 8,766	\$ 54,638	\$ 26,068	\$ -	\$ 770,804

The accompanying note is an integral part of these supplemental consolidating financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Supplemental Consolidating Statement of Operations Information
Year Ended September 30, 2014
(In thousands of dollars)

	UMass Memorial Health Care, Inc.	UMass Memorial Medical Center, Inc.	UMass Memorial Community Hospitals, Inc.	UMass Memorial Medical Group, Inc.	UMass Memorial Accountable Care Organization, Inc.	UMass Memorial Behavioral Health Systems, Inc.	UMass Memorial Health Ventures, Inc.	UMass Memorial Realty, Inc.	Eliminations and Consolidating Entries	Consolidated
Unrestricted revenues, gains and other support										
Net patient service revenue	\$ -	\$ 1,449,372	\$ 272,634	\$ 359,985	\$ -	\$ 62,905	\$ 3,665	\$ -	\$ 3,526	\$ 2,152,087
Less: Provision for bad debts	-	(17,596)	(8,572)	(17,146)	-	(34)	(527)	-	(114)	(43,989)
Net patient service revenue less provision for bad debts	-	1,431,776	264,062	342,839	-	62,871	3,138	-	3,412	2,108,098
Net assets released from restrictions used for operations	564	303	1,759	359	-	-	-	-	-	2,985
Other revenue	216,310	79,866	14,109	128,514	-	2,781	27,156	14,708	(342,319)	141,125
Total revenues, gains and other support	216,874	1,511,945	279,930	471,712	-	65,652	30,294	14,708	(338,907)	2,252,208
Expenses										
Salaries, benefits and contracted labor	70,866	651,163	139,717	389,278	-	45,602	2,402	383	(6,390)	1,293,021
Supplies and other expense	140,324	743,520	119,358	89,649	-	18,509	2,424	13,622	(329,392)	798,014
Depreciation and amortization	-	75,370	13,686	1,401	-	1,031	208	1,003	206	92,905
Interest	-	14,539	1,726	2	-	328	-	17	(2,171)	14,441
Total expenses	211,190	1,484,592	274,487	480,330	-	65,470	5,034	15,025	(337,747)	2,198,381
Income (loss) from operations before nonrecurring income and expenses	5,684	27,353	5,443	(8,618)	-	182	25,260	(317)	(1,160)	53,827
Loss on sale of business (Note 15)	-	(9,155)	-	-	-	-	-	-	-	(9,155)
Expense reductions associated with sale of business (Note 15)	-	853	-	-	-	-	-	-	-	853
Expenses associated with reduction in force (Note 16)	(4,539)	(9,057)	(1,719)	(1,163)	-	-	-	-	-	(16,478)
Income (loss) from operations after nonrecurring income and expenses	1,145	9,994	3,724	(9,781)	-	182	25,260	(317)	(1,160)	29,047
Nonoperating income (loss)										
Investment and other related income	2,564	1,799	647	364	-	-	18	98	-	5,490
Net realized and unrealized gain on investments	13,224	8,037	2,896	1,478	-	-	76	404	-	26,115
Actuarial change in the present value of annuities	190	-	-	-	-	-	-	-	-	190
Total nonoperating income	15,978	9,836	3,543	1,842	-	-	94	502	-	31,795
Excess (deficiency) of revenues over expenses	17,123	19,830	7,267	(7,939)	-	182	25,354	185	(1,160)	60,842
Other changes in net assets										
Gain on sale from discontinued operations (Note 17)	-	-	266	-	-	-	13	-	1,160	1,439
Gain (loss) on transfer of membership interest (Note 17)	38,402	-	(49,589)	-	-	-	-	-	-	(11,187)
Net assets released from restrictions used for purchase of property and equipment	-	21	2,539	-	-	-	-	-	-	2,560
Pension-related changes other than net periodic cost	-	(33,846)	(2,552)	-	-	-	-	-	-	(36,398)
Transfers (to) from related parties	20,671	(15,074)	(1,047)	14,292	-	-	(21,000)	2,158	-	-
Increase (decrease) in unrestricted net assets	76,196	(29,069)	(43,116)	6,353	-	182	4,367	2,343	-	17,256
Unrestricted net assets, beginning of year	134,829	262,092	215,645	66,233	-	8,205	51,247	23,327	-	761,488
Unrestricted net assets, end of year	\$ 211,025	\$ 232,933	\$ 172,529	\$ 72,586	\$ -	\$ 8,387	\$ 55,614	\$ 25,670	\$ -	\$ 778,744

The accompanying note is an integral part of these supplemental consolidating financial statements.

UMass Memorial Health Care, Inc. and Affiliates
Notes to Supplemental Consolidating Information
September 30, 2015 and 2014

1. Basis of Presentation

The accompanying supplemental consolidating information includes the consolidating balance sheets and the consolidating statement of operations of the individual consolidated affiliates of UMass Memorial Health Care, Inc. All intercompany accounts and transactions between affiliates have been eliminated. The consolidating information presented is prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements and is not required as part of the basic financial statements.