

Exeter and Beth Israel Lahey Proposed Transaction

Public Hearing Fact Sheet

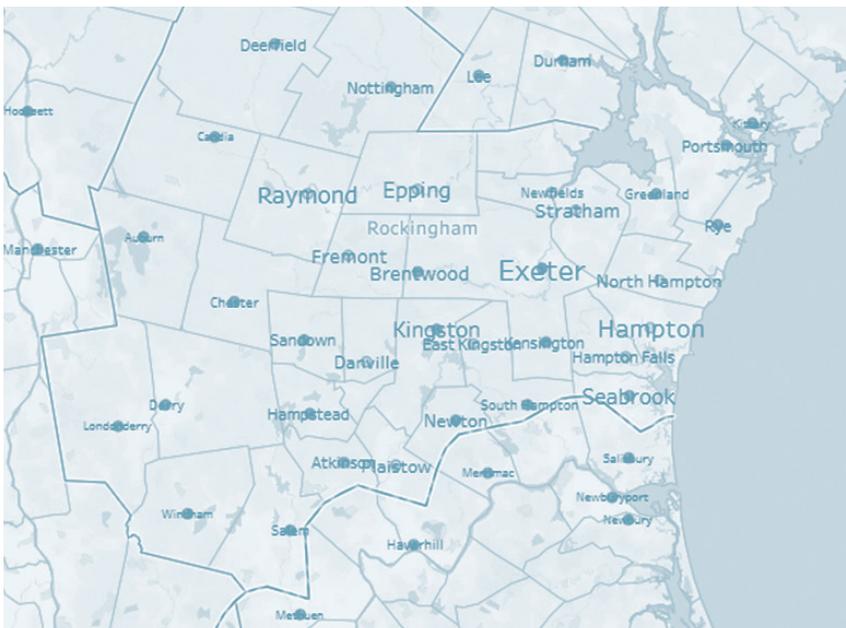
On September 30, 2022, Exeter Health Resources, Inc. (EHR) notified the New Hampshire Attorney General Director of Charitable Trusts of plans to affiliate with Beth Israel Lahey Health, Inc. (BILH), a Massachusetts-based charitable corporation.

- The transaction includes EHR as a New Hampshire nonprofit corporation together with its subsidiaries, including the following:
 - **Exeter Hospital Inc. (EH):** a 100-bed, community-based nonprofit hospital serving New Hampshire's Seacoast Region
 - **Core Physicians, LLC (Core):** a New Hampshire limited liability company
 - **Rockingham VNA & Hospice (RVNA):** a New Hampshire nonprofit corporation
- The proposed transaction will cause BILH to become the sole corporate member of EHR and the indirect parent of all EHR's subsidiaries, including EH.
- EHR will be operationally, clinically, and financially integrated with BILH. BILH will have substantial authority over EHR's governance and operations and, indirectly, powers over EHR's subsidiaries.

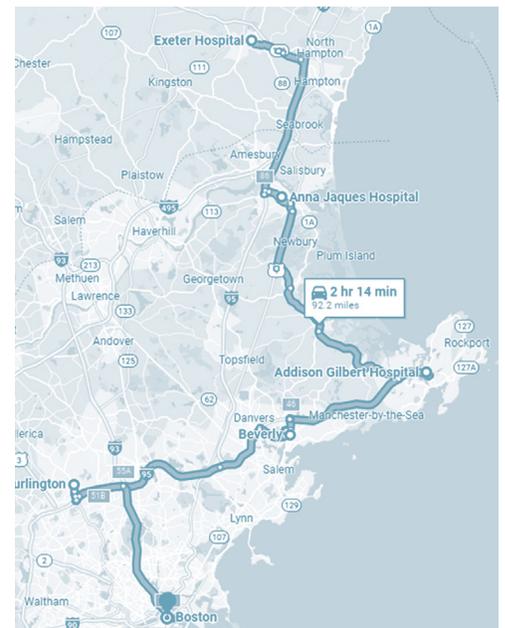
Communities Served

Exeter Hospital Service Area

Size of text reflects percentage of discharges to locality



Exeter in Relationship to BILH Hospital Facilities



Potential Benefits and Concerns

Based on document review, community forums, and stakeholder interviews.

Points of Focus for Potential Community Impact

- ① Access to services
- ② Governance and decision-making process and participants
- ③ Quality of care
- ④ Changes in charity care and community benefit services
- ⑤ Cost of care
- ⑥ Retention of charitable assets in local communities
- ⑦ Changes in/continuity of/additions to providers and services
- ⑧ Relationships with and support for community-based programs and services



Potential Benefits

- Long-term financial and operational stability and viability for EHR and its subsidiaries.
- Continued commitment to community-focused practice and mission.
- Maintenance of local governance structure, meaningful input, and retention of charitable assets in the local community.
- Expanded mental health and substance use disorder services in the region.
- Improved access for services close to home by providing more specialty services in person and through telehealth.
- Investments in clinical programming, workforce development, and infrastructure.
- Potential cost savings by coordinating administrative functions.
- More support for the clinical staff in pursuing continuous quality improvement, population health management, and adoption of best practices.

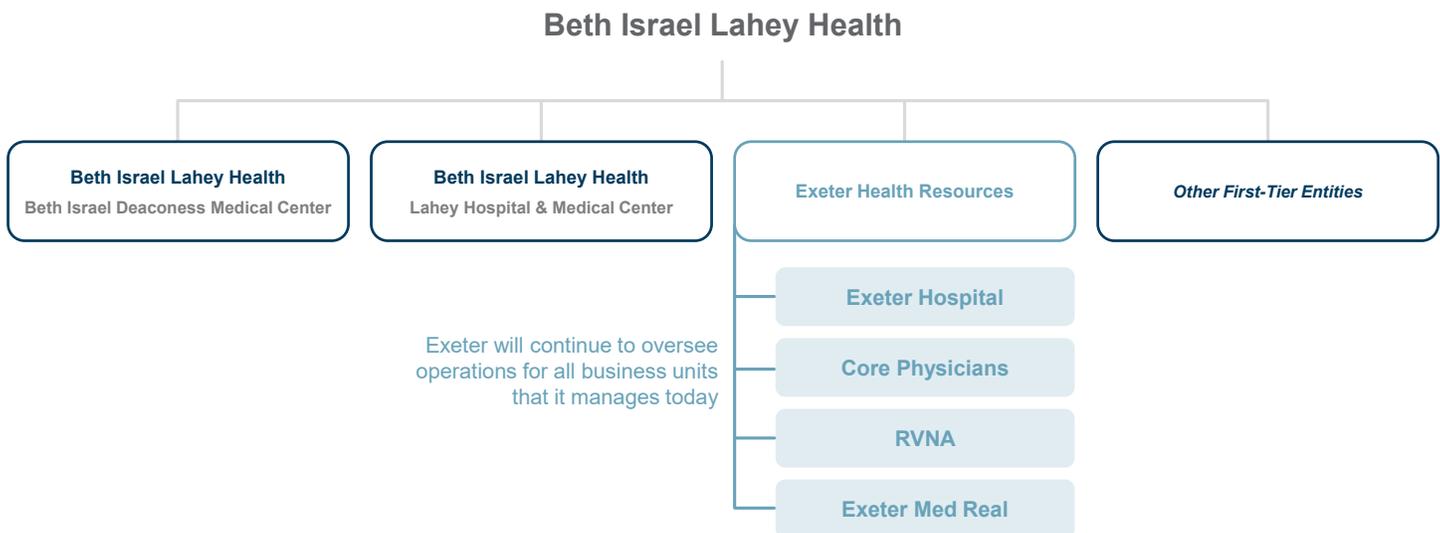


Potential Concerns

- Extraction or redirection of local resources for previous charitable mission and purposes.
- Reduction in existing scope of services.
- Effect on community members with low incomes or who are uninsured, charity care policies, and collaboration with local safety-net providers, including Lamprey Health Care and Seacoast Mental Health Center.
- Potential change in referral relationships and providers, including replacement of existing provider entities with BILH-employed entities.
- Some facilities may face increased costs for administrative services provided through the larger system. Some facilities may need to invest in their infrastructure and additional administrative services to align with the system.
- Changes to local control of hospitals, including the local administrative workforce and the operational, reporting, and management structures of the hospital systems.

Proposed Transaction: Corporate Governance and Boards

- The Affiliation will result in a change of EHR and EHR subsidiaries; BILH will have substantial authority over EHR’s governance and operations
- EHR will maintain a local board with a consistent number of trustees
- Future trustees will be members of communities served by Exeter
- BILH would have one representative on the EHR board
- Under the oversight of the BILH system Board, Exeter’s local board will continue to have oversight and/or input related to:
 - Ongoing operations
 - Reviewing and recommending strategic plans and operating/capital budgets
 - Philanthropy
 - Recommending appointment of Exeter trustees
 - Recommending appointment of Exeter representative to BILH Board
 - Local community benefit funding
- Exeter will have one representative on the BILH Board for a period of six years



Financial Considerations Proposed

- Exeter and its existing operating affiliates will remain not-for-profit.
- The integration will include all assets, liabilities, and operations associated with Exeter.
- *“In all events and at all times, the assets of Exeter shall remain dedicated to promoting the health of Exeter’s communities.”* Affiliation Agreement Article 10.5(a)
- Ownership of EHR and subsidiary assets will not change because of the affiliation. The assets will continue to be devoted to the charitable purposes of each respective subsidiary.
- Legal title to board-designated funds will not change as a result of the affiliation and will only be spent to advance the charitable purposes of Exeter.
- *“BILH shall adopt policies for the provision of care to vulnerable populations served by the Exeter Entities that are no less generous than [EHR’s current] written policies.”* Affiliation Agreement Article 10.10

Proposed Investments

- Capital Commitment: **\$375 million**
 - **\$165 million** for recapitalization of Exeter’s inpatient beds
 - **\$35 million** for acquisition and implementation of new electronic medical record (EMR) and other information technology (IT) within 24 months of the affiliation agreement
 - **\$50 million** additional capital investment in first five years
 - **\$125 million** additional capital investment in second five years
- Up to \$3 million annually for specifically supporting community benefit programs (adjusted annually with inflation escalator)

Clinical Service Changes: Text from Affiliation Agreement

During the first 10 years after the Affiliation occurs, EHR and BILH “will collaborate in good faith regarding any proposed Material Reduction in Services...[meaning] a permanent, substantial reduction or elimination, outside the Ordinary Course of Business, of a material clinical service or program.”

“For at least three (3) years following [the Affiliation], Exeter shall remain the sole corporate member of Core Physicians, LLC... unless mutually agreed upon by the Parties. BILH shall plan to support and integrate Core Physicians, LLC within its system over time...”

BILH will “develop a plan to maintain, enhance, and, to the extent applicable, eventually replace the Exeter Entities’ legacy commitments, relationships, and other clinical affiliations” under the Clinical Affiliation Plan.

“To the extent certain clinical relationships are replaced with programs provided by BILH, the Clinical Affiliation Plan shall be reviewed by the EHR Board of Trustees to ensure such replacement programs offer services on par with or more beneficial to the community than those currently offered by Exeter Entities and their current Clinical Affiliates, and that the transition to such replacement programs minimizes disruptions to physicians, employees, and patient care.”

Community Health Needs and Exeter Investments

| Community Health Needs Assessment (2019 and 2022) | Community Health Benefits Report (2021 and 2022) |
|---|--|
| Mental health and substance use disorder services Suicide prevention | Cash donations, subsidized services, funding of education in support of Youth Suicide initiative, initiating internal opioid task force Subsidized emergency department access program with Seacoast Mental Health Center, youth suicide grant and awareness programs, expansion of support services with Seacoast Mental Health Center |
| Financial barriers: Difficult to afford care, cost of dental services, cost of insurance premiums and deductibles, affordability of prescription drugs | Financial Assistance Plan, including catastrophic coverage at EHR Charity care through EH and Core Physicians charity care policies, services provided below cost |
| Senior services/geriatric care providers | Grants to Rockingham Meals on Wheels, Community Tool Box, and Society of St. Vincent de Paul |
| Transportation for older adults and disabled | Hospital-supported subsidized transportation program via taxi voucher program, support for Lamprey transportation services, Transportation for Seacoast Citizens Taxi voucher program with Seacoast Mental Health Center |

Other areas of emphasis in community health needs assessments include timely access to primary and specialty care providers and affordable housing.

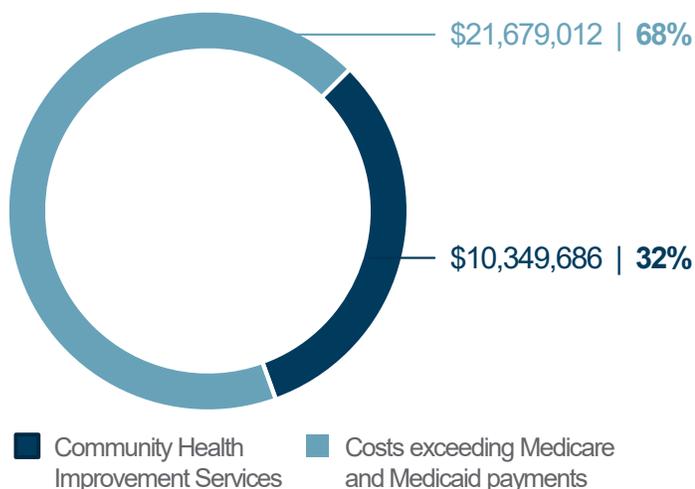
EHR’s hospital Community Health Benefit Report for 2022 identifies \$4.1 million in net expenses provided for community health improvement activities outside of direct health services. This amounts to 1.4% of EHR’s total operating expenses. EHR identifies an additional \$6.2 million as subsidized health services, bringing EHR’s total community health improvement expenses to 3.4% of total expenses.

Exeter also reports \$21.7 million to cover costs that exceed payments received for patients covered by Medicare and Medicaid—for a total of approximately \$32 million in community benefit expenses. As such, direct outlays account for about 32% of Exeter’s reported community benefit expenses, with the remaining 68% resulting from Exeter’s reported costs exceeding payments received from Medicare and Medicaid.

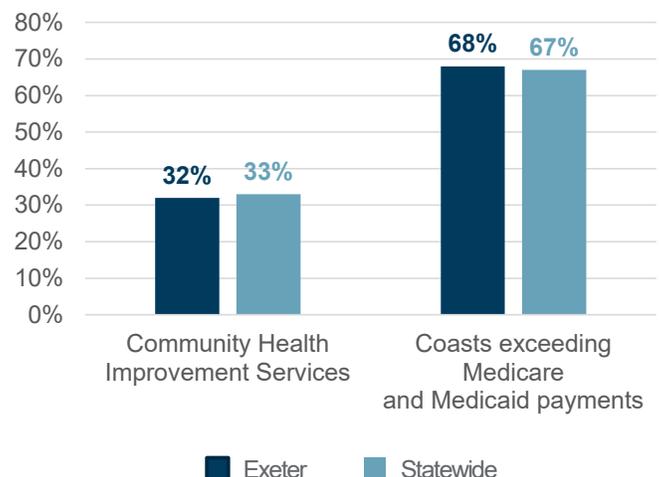
Exeter’s reported distribution of community benefits funding is similar to the distribution across New Hampshire hospitals statewide, with two-thirds of charitable funds attributable to costs exceeding payments received from Medicare and Medicaid.

| Exeter Community Health Benefits Report, Community Improvement Expenses (2022) | | Percent of Total EHR Expenses |
|--|---------------------|-------------------------------|
| Community health improvement services | \$1,322,449 | 1.3% |
| Health professions education | \$1,708,769 | |
| Cash and in-kind contributions | \$510,314 | |
| Research | \$464,352 | |
| Community-building activities | \$124,456 | |
| Total community benefit – not direct health services | \$4,130,340 | |
| Subsidized health services | \$6,219,346 | 2.1% |
| Total, including subsidized health services | \$10,349,686 | 3.4% |

Community Benefit Report, Net Expenses 2022



Distribution of Reported Community Benefits Funding: Exeter and Statewide

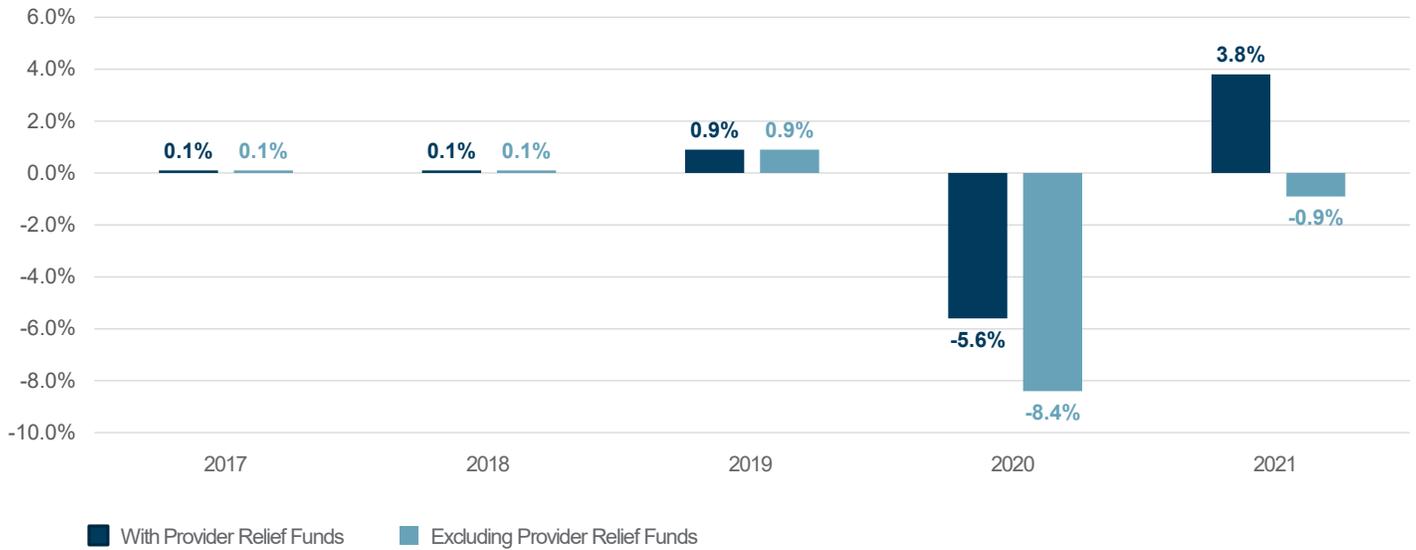


Hospital Financial Position

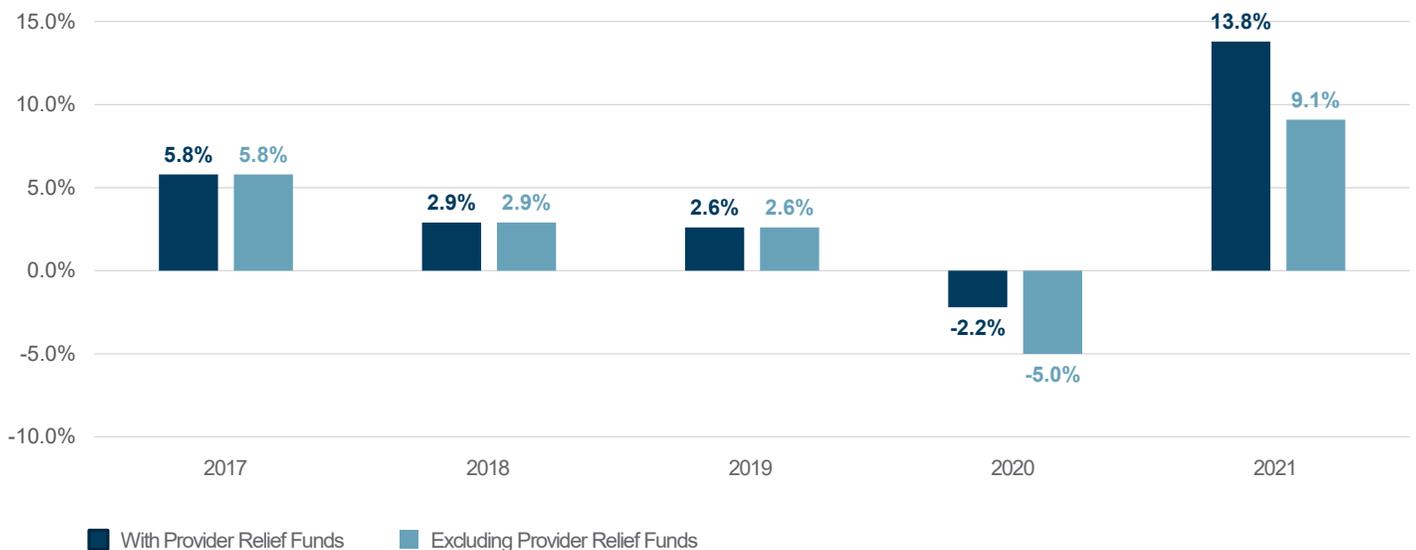
Operating Margin

EHR operated at a narrow positive operating margin in the years prior to COVID-19. The first year of the pandemic resulted in substantial operating losses, which was mitigated by federal provider relief funding. The hospital operating margin rebounded substantially in 2022, and—with the inclusion of provider relief funds—resulted in a positive operating margin. As shown in the second graph, EH shows stronger total margins due to the market performance of its assets, particularly in 2021.

Operating Margin With and Without COVID-Related Provider Relief Funds



Total Margin With and Without Provider Relief Funds

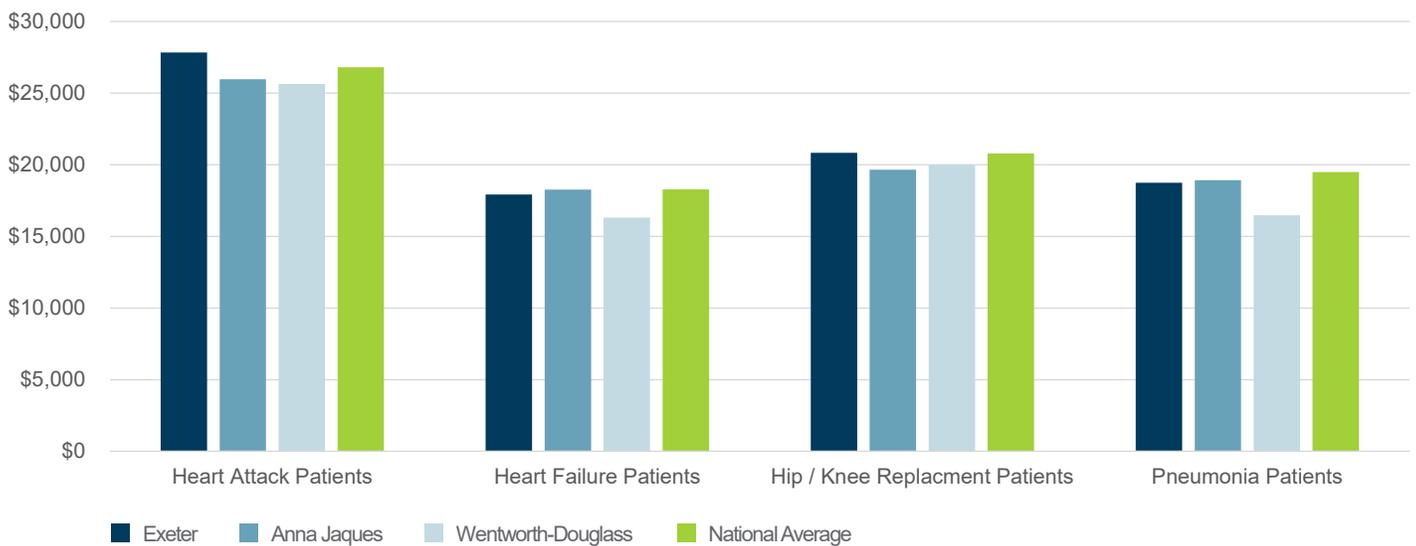


Quality and Cost of Care: How Does Exeter Compare?

CMS Hospital Quality Initiative, Public Reporting Data



Cost Comparison – Medicare Payments for Episodes of Care



- Overall, Medicare payments at Exeter did not substantially differ from the national average for any of the four services reported.
- Anna Jaques patients resulted in lower payments for hip/knee replacements.
- Wentworth-Douglas patients resulted in lower payments for pneumonia and heart failure patients.

This Fact Sheet was prepared by BerryDunn under contract and in consultation with the New Hampshire Attorney General Charitable Trusts Unit, and with financial support from the New Hampshire Endowment for Health.



With offices and employees located in 40+ states—
wherever you are based, we look forward to working together.

[berrydunn.com](https://www.berrydunn.com)