

# CNE-Lifespan: AHS Five Year Income Statement Pro Forma

September 2020

ALVAREZ & MARSAL



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**BROWN**  
Alpert Medical School



4(d)-5  
Care New England Health System  
April 2021

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# Antitrust Counsel Guidance

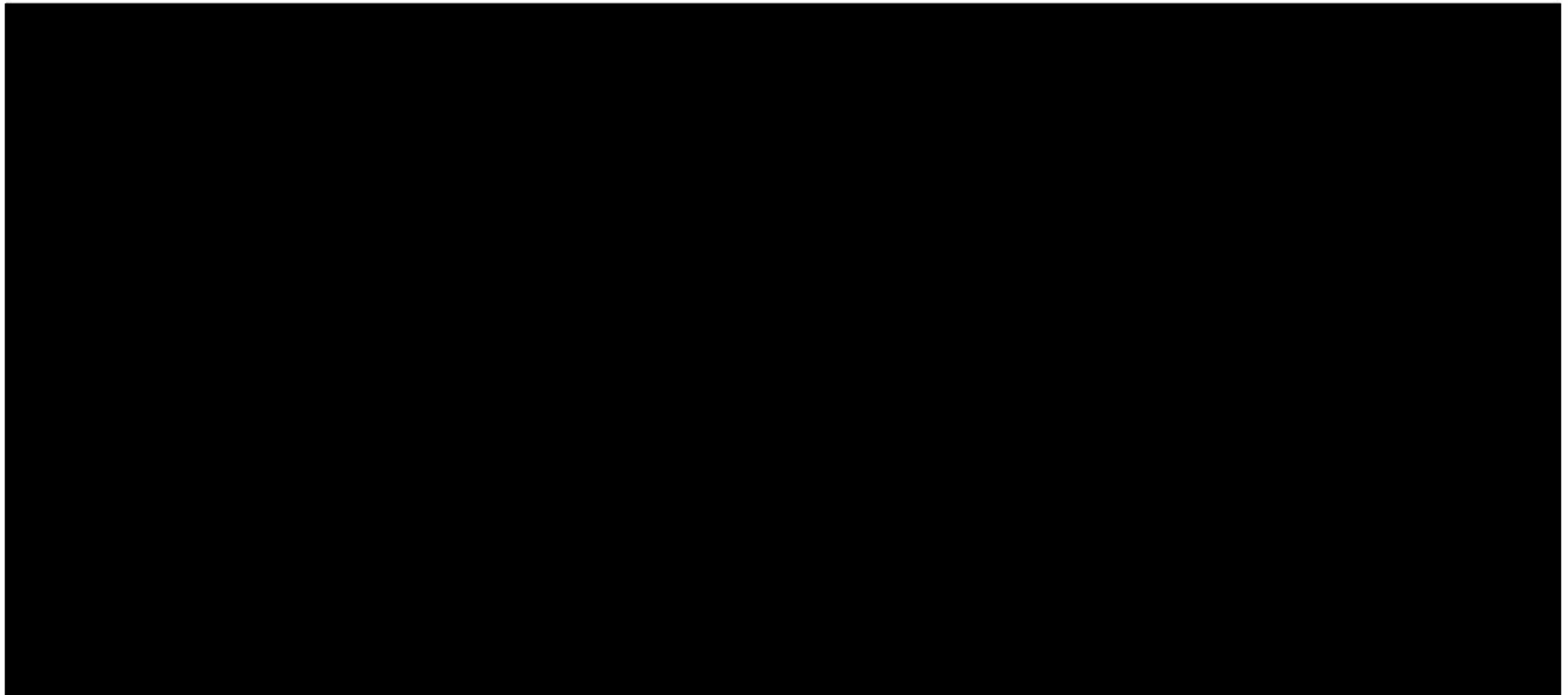


# Executive Summary

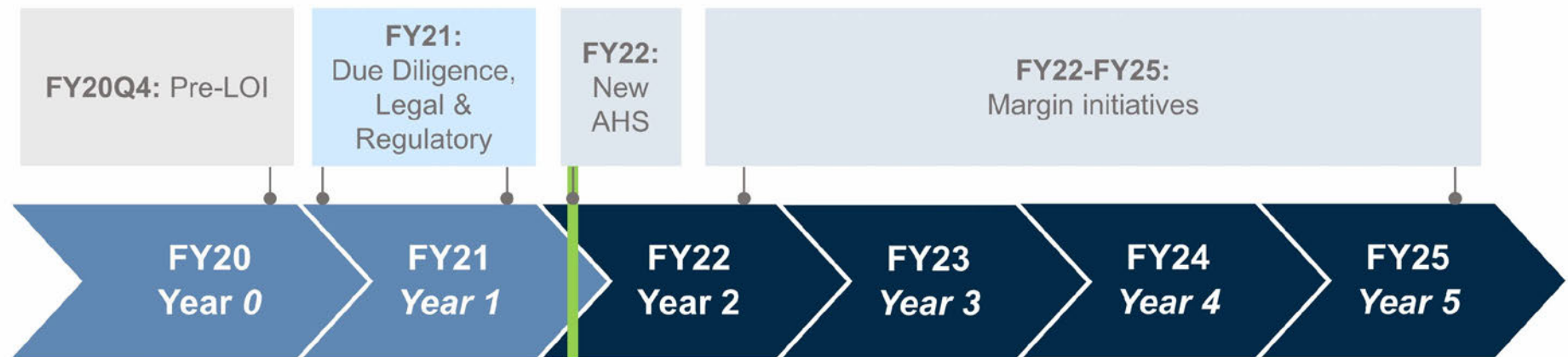
## Summary of Budget & Finance Workstream Findings

- The creation of a combined Academic Health System (AHS) produces an opportunity to better serve the health and well-being needs of the residents of the State of Rhode Island. The AHS will invest in and utilize a single electronic health record and be supported by an enterprise resource planning software. This will require the financial support of the State.
- The integration of these organizations provides a platform to:
  - Pursue significant efficiencies to lower the cost of care.
  - Assume additional risk within its payor contracts (shared savings) and create incentives to lower costs, improve patient experience, provider satisfaction and clinical outcomes.
  - Pursue out-of-state migration of care and provide care in the most appropriate settings.
  - Access the capital markets at competitive rates as an organization with approximately \$4 billion in net revenue.
  - Create a Rhode Island academic health system that educates, attracts and retains highly trained clinicians, supports innovative research and development, and is focused on the population health needs of the residents of the State of Rhode Island.
- The pro forma and capital estimates are exclusive of any impact of the potential acquisition of Coastal Medical by Lifespan.

## Summary of Budget & Finance Workstream Findings (cont'd)



## AHS – Timeline





# Operational Performance and Capital

# AHS – Transaction / Timeline Assumptions

## Transaction-related Assumptions:

- In the creation of a state-wide AHS, Alvarez & Marsal believes that the proposed transaction will benefit from active financial participation by the State of Rhode Island and Brown University.
- Both entities' fiscal years begin October 1<sup>st</sup> and end September 30<sup>th</sup>.
- The pro forma timeline spans FY2020 (Year 0) to FY2025 (Year 5).
- The presumed transaction date is the end of FY2021 (Year 1).
  - During years 0 and 1, the two entities will remain independent organizations.
  - Year 2 is the first full fiscal year following the formation of the AHS.
- Current management initiatives are included in the pro forma for years 0, 1, and 2.
  - No additional management initiatives are included in the pro forma.
  - AHS opportunities are referenced in page 13 and 14.
- The pro forma excludes:
  - Transaction costs
  - Transaction related IT Capital and Operating expenses (transaction related IT CapEx and OpEx included in pages 15 and 16)
  - Potential severance costs

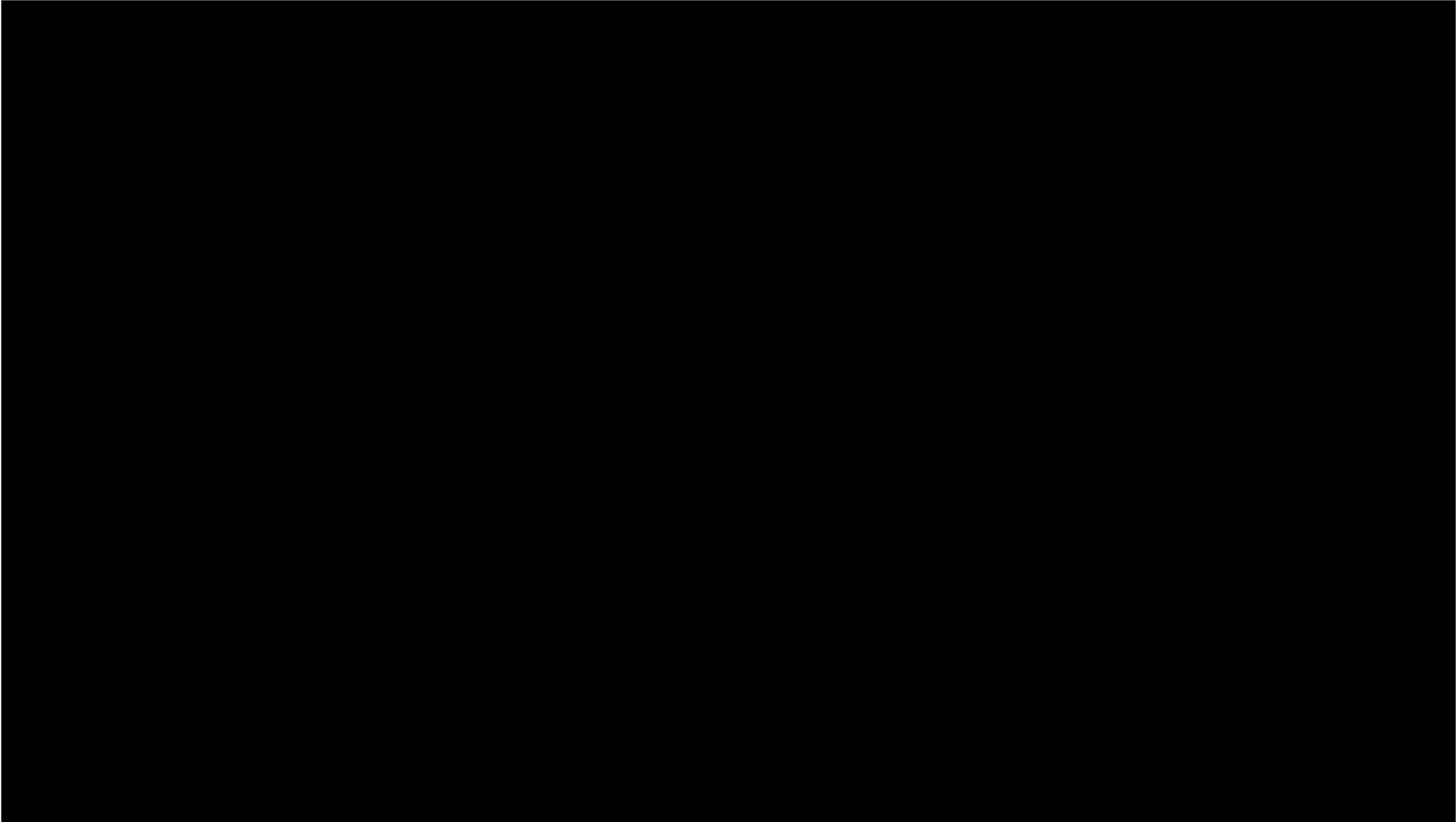
# AHS – Combined Pro Forma Income Statement, Prior to Joint Management / Synergy Actions

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## Combined Income Statement Assumptions:

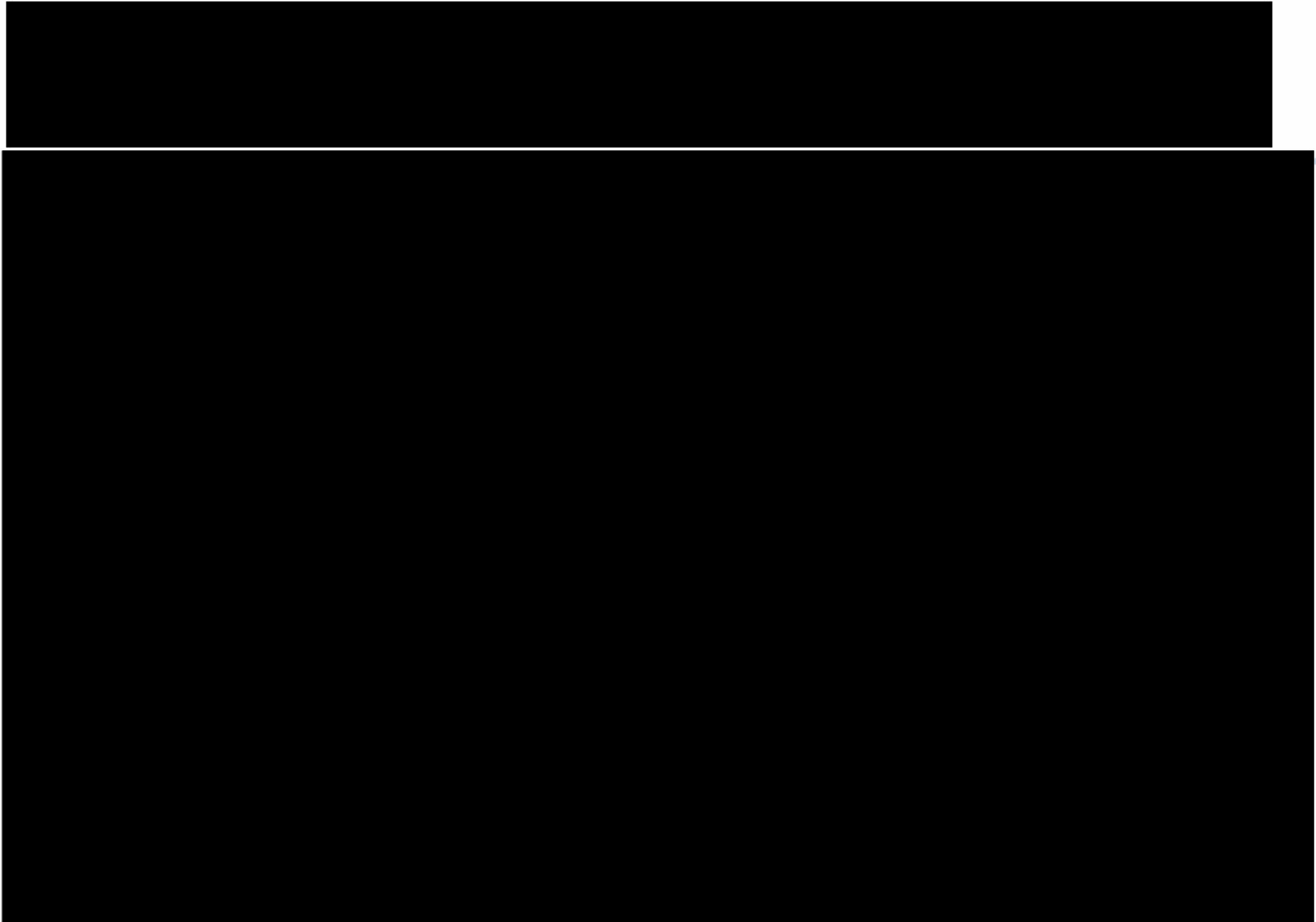
- This pro forma income statement assumes a transaction date no later than the end of September 2021.
- The two individual pro forma income statements assume no additional COVID related governmental transfers or debt issuances during the projection periods.
- Projections do not include effects of a “COVID Second Wave” or any resurgence of COVID related limitations on delivery of care.
- The pro forma income statement assumes consistent annual DSH, UPL payments and license fees. Current license fees approximate \$152 million and are scheduled to expire in 2021. Management expects the license fee legislation to be renewed and remains a consistent percentage of net patient services revenue throughout the pro forma income statement.
- Financial pro forma includes discreet management initiatives in years 0, 1 and 2 and assumes steady growth in revenue and operating expenses in years 3, 4 and 5.
- Synergy initiatives are quantified with low, medium, and high options; the medium option is utilized in the pro forma.

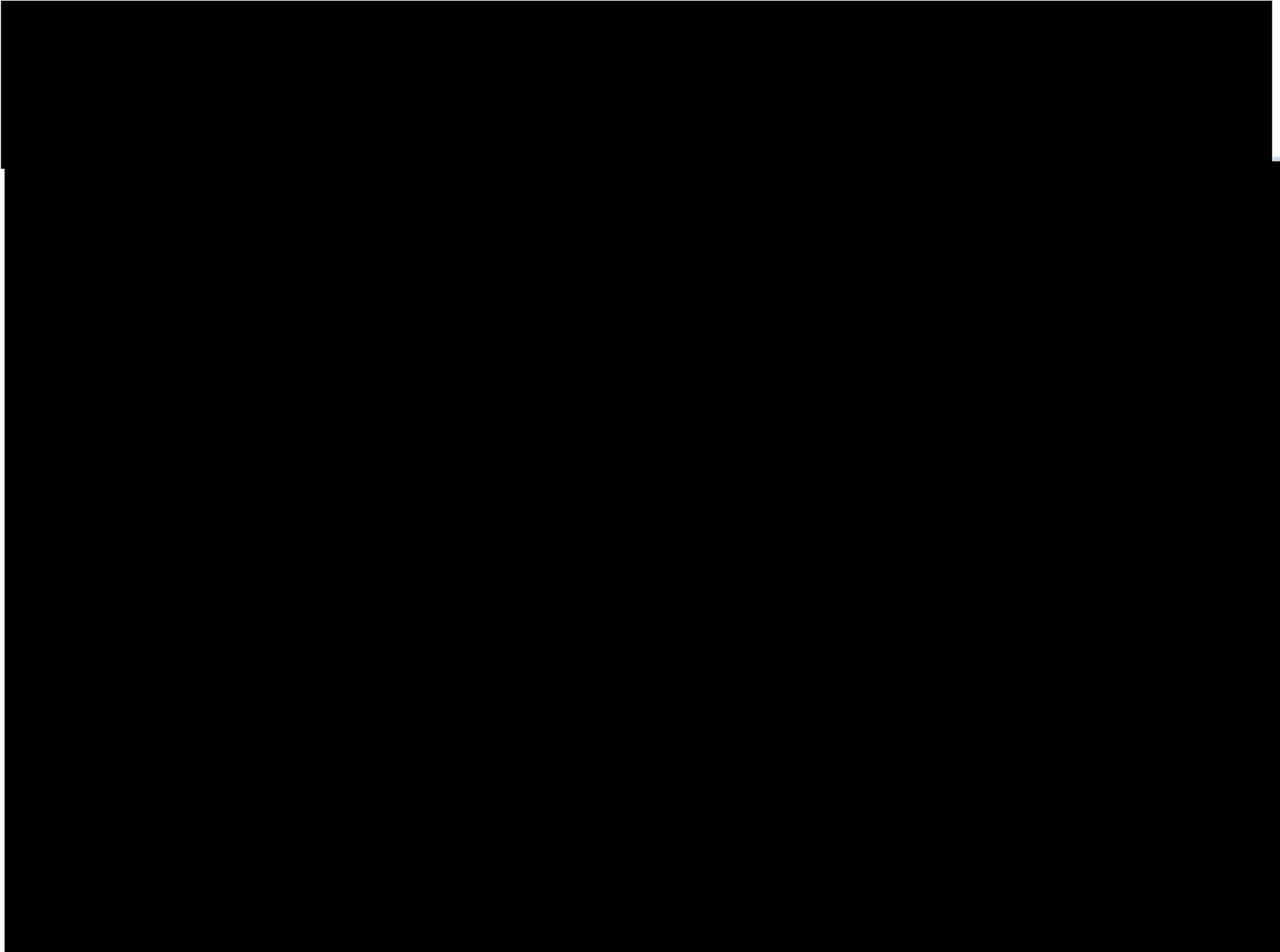




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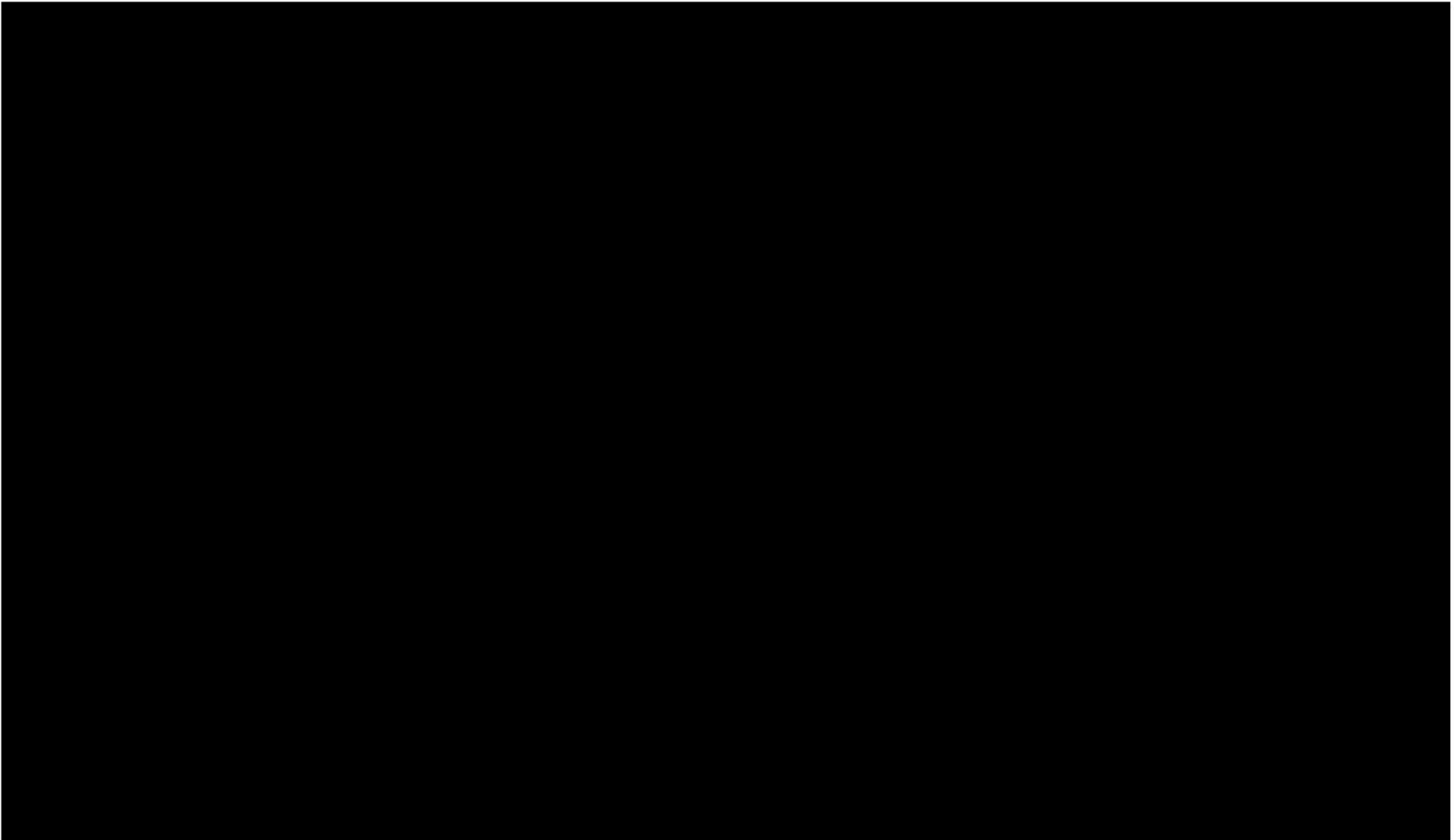






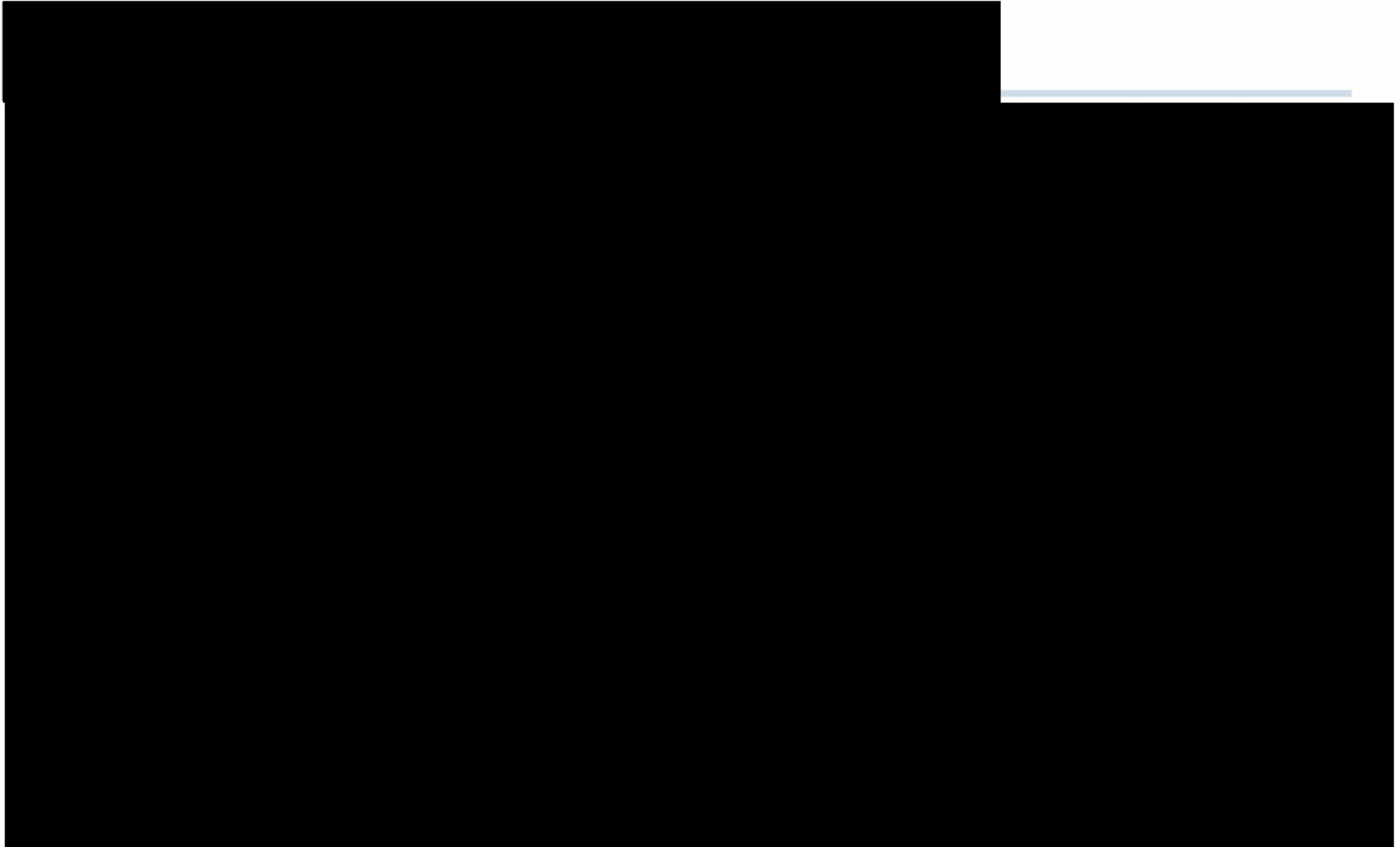
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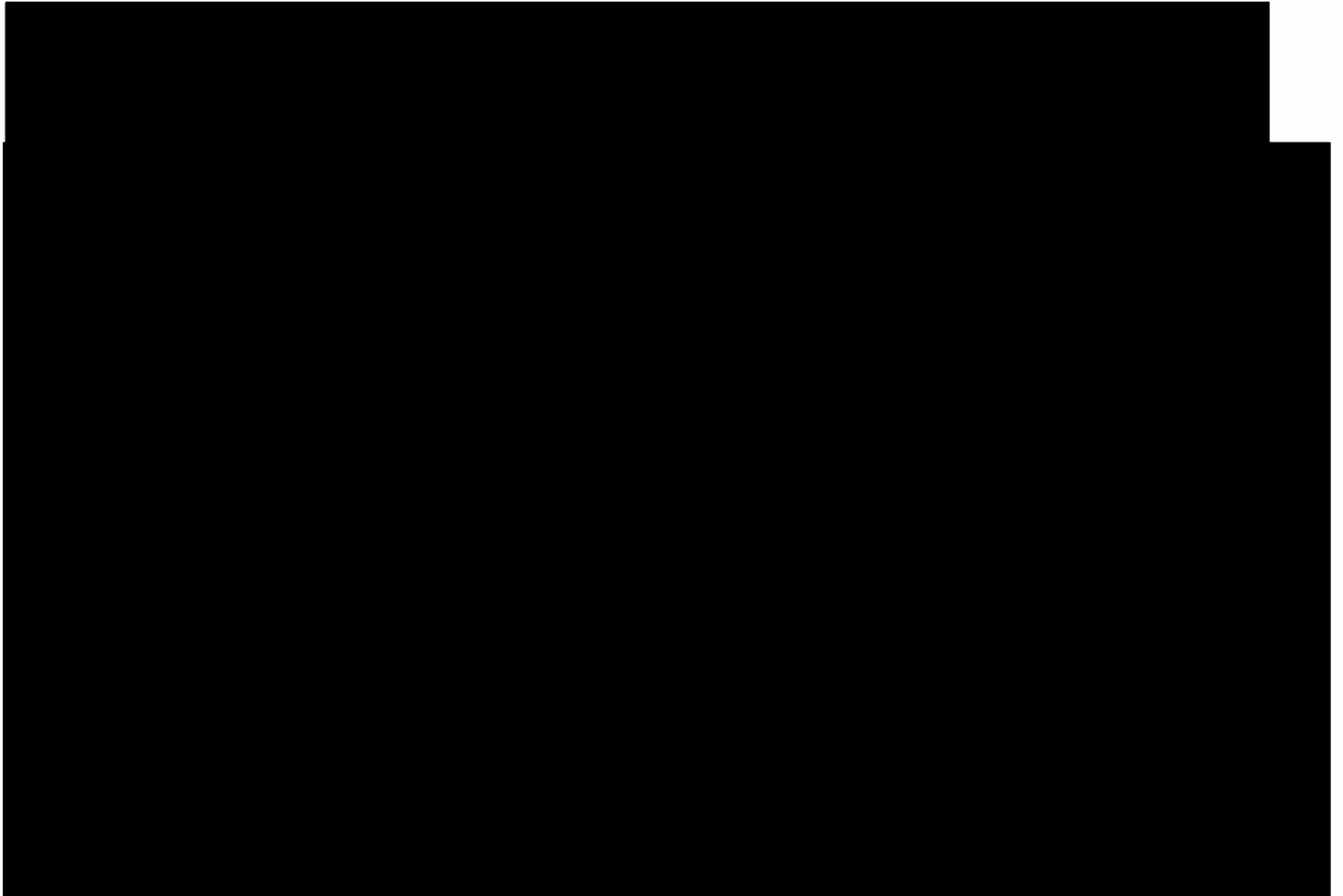








# Appendix



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