

Preliminary Integration Planning Process: Potential Integration of Lifespan & Care New England to Create a New Rhode Island Academic Health System

September 8, 2020

ALVAREZ & MARSAL

Report to the CNE and Lifespan Boards of Directors and Brown University Executives



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Antitrust Counsel Guidance

Introduction

Background

- This integration planning process has represented an opportunity for Lifespan and Care New England (the “Parties”) to spend 90 days (the “Preliminary Integration Planning Period”) exploring and identifying the benefits of forming a single integrated academic health system (“AHS”) in Rhode Island.
- The Parties have engaged in this Preliminary Integration Planning Period because they believe that a more fully integrated health care system, organized in conjunction with a major, top-tier medical school, could form an essential foundation for providing high quality and lower cost patient care in a competitive environment.
- The Parties also believe that forming an AHS in conjunction with Brown University will promote innovation in research, education and cutting-edge clinical care, in a competitive environment, for the residents of Rhode Island and New England.
- Nonprofit health systems that include major teaching hospitals, are facing daunting challenges from a range of health system trends, including increased pressure from public and private third-party payers to deliver value and high quality care, while improving the patient experience in a highly volatile market.
- AHS’s nationally have responded to these challenges by pursuing strategies that lead to increased integration, coordination, alignment and operational efficiencies. Massachusetts has four such integrated systems. However, in Rhode Island, there are none, and the components that could form such an AHS are unnecessarily fragmented.
- The current COVID-19 pandemic, and the need to be prepared for future crises, has dramatically underscored the importance of engaging in preliminary integration planning.



Preliminary Integration Planning Period Process Overview

Process Overview

- In early June, Alvarez & Marsal (A&M) recommended, and the Parties' Boards approved, the Preliminary Integration Planning Period work plan, which set out a process during which the Parties' CEOs, working closely with a Project Oversight Committee that included the Parties' CEOs and Board Chairs, have:
 - Appointed and jointly chaired an Integration Planning Committee ("IPC"), whose membership included the Parties' CEOs, CFOs, CMOs, GCs and the Dean of the Warren Alpert Medical School of Brown University;
 - The IPC identified and reviewed the potential benefits of an integrated AHS for the Parties, the patients and communities they serve, and the State of Rhode Island; and
 - The IPC appointed and convened issue-specific workstreams to identify and review the potential benefits and challenges in specific domains.
- The Preliminary Integration Planning Period concludes with recommendations to the Parties' Boards, which would determine whether to sign a non-binding Letter of Intent ("LOI") that would lead to a formal due diligence period and the negotiation of a Definitive Agreement to create a new, integrated AHS in Rhode Island.

Process Overview: Workstreams in Specific Domains

- The Integration Planning Committee convened workstreams to identify potential benefits and challenges in a number of important strategic domains.
- The workstreams and integration areas addressed included the following domains:

Clinical Workstream

- Potential Benefits of Physician Integration
- Potential Benefits of Service Line Integration

Research & Academic Workstream

- Potential Benefits of Research Alignment
- Potential Benefits of Academic Alignment

Operational Workstream

- Workforce/Labor Issues & Benefits
- Operational Issues
- Information Technology

Legal & Regulatory Workstream

- Legal & Regulatory Requirements

Budget & Finance Workstream

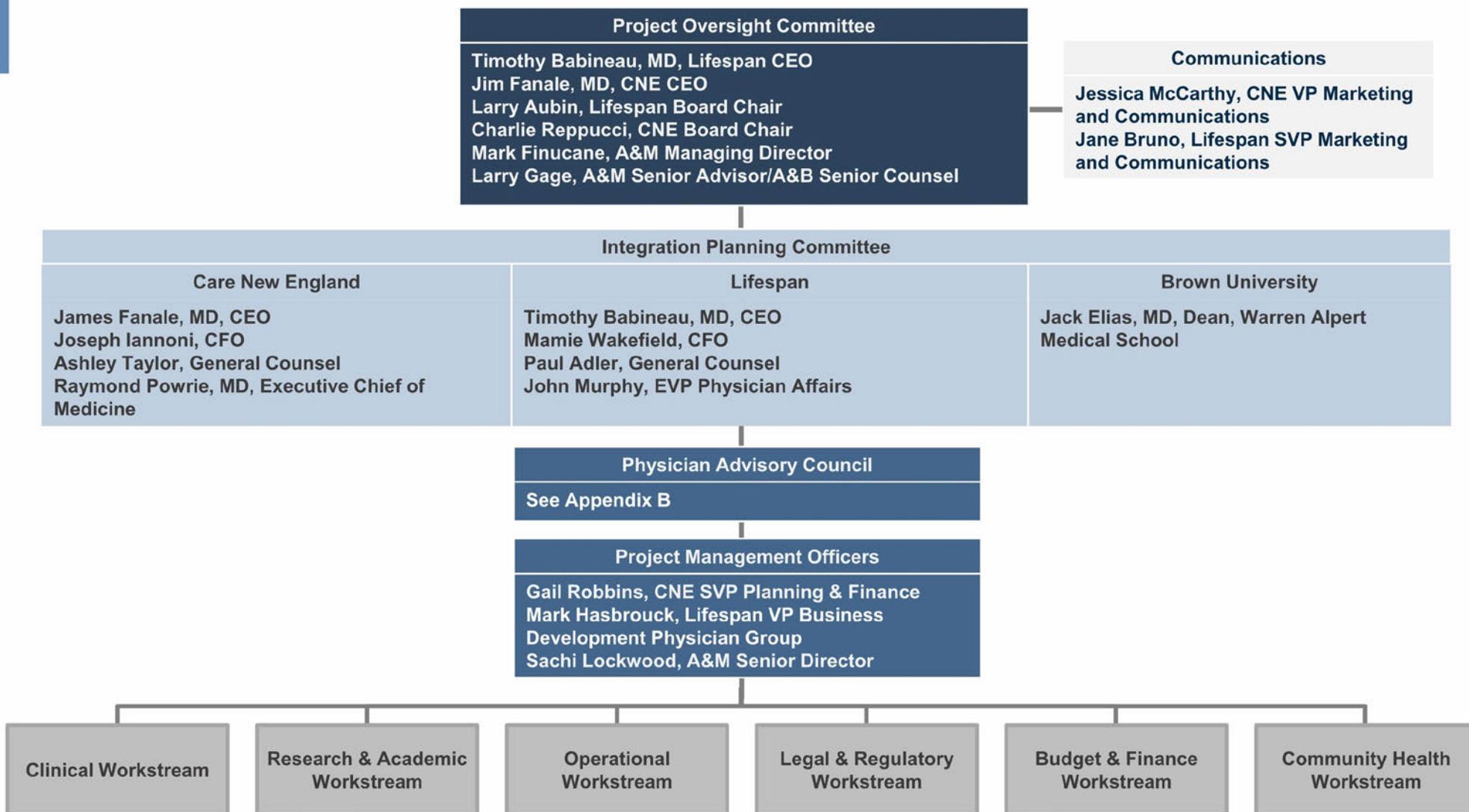
- Financial Assessment
- Capital Assessment

Community Health Workstream

- Population Health
- ACO
- Community Benefits



Organizational Chart – Project Committee Structure



Project Commitment

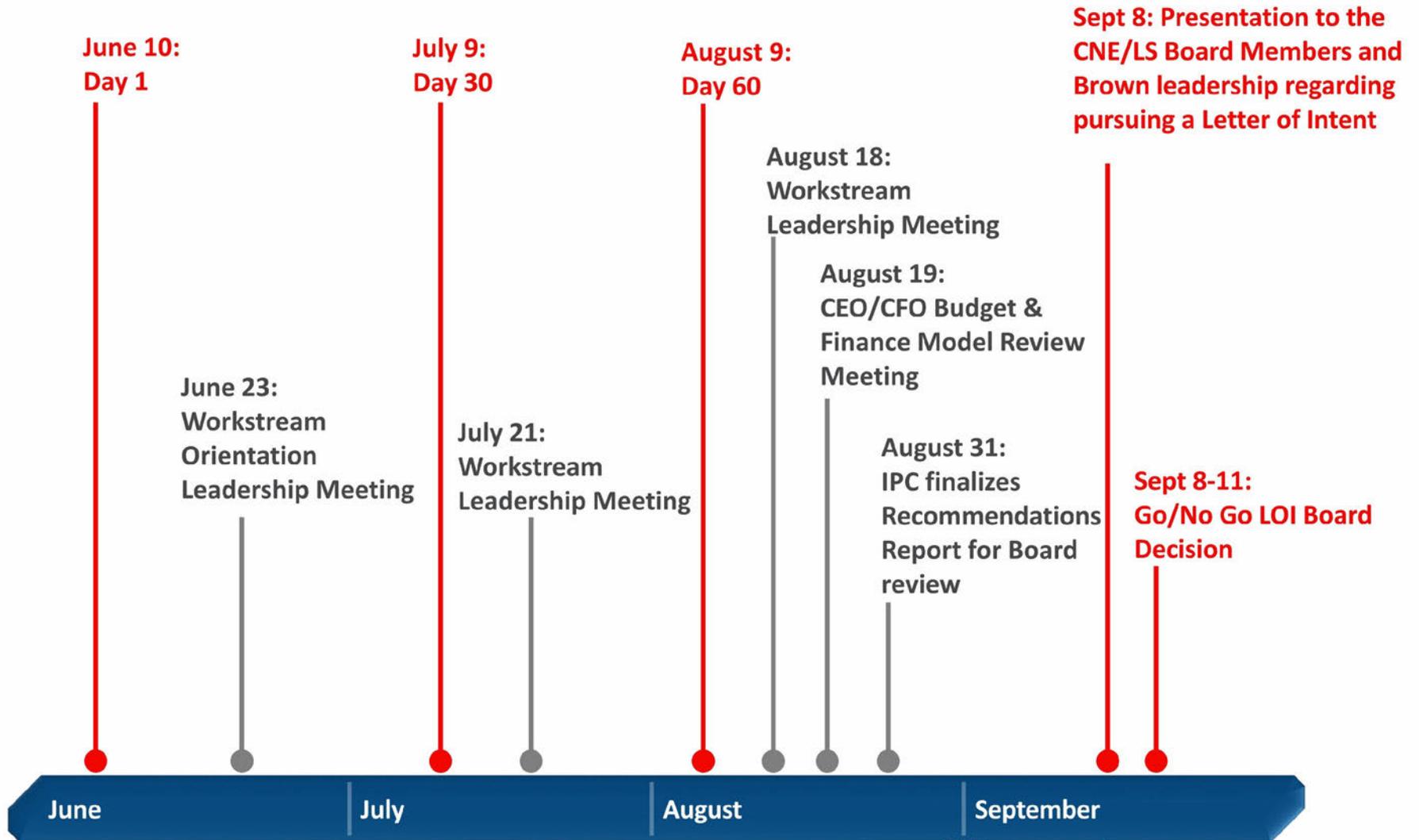
17 meetings (17+ hours) across 3 Committees:

- Project Oversight Committee – Board Chairs, CEOs
- Integration Planning Committee – CEOs, CFOs, CMOs, General Counsel, PMOs
- Physician Advisory Council (see Appendix B)

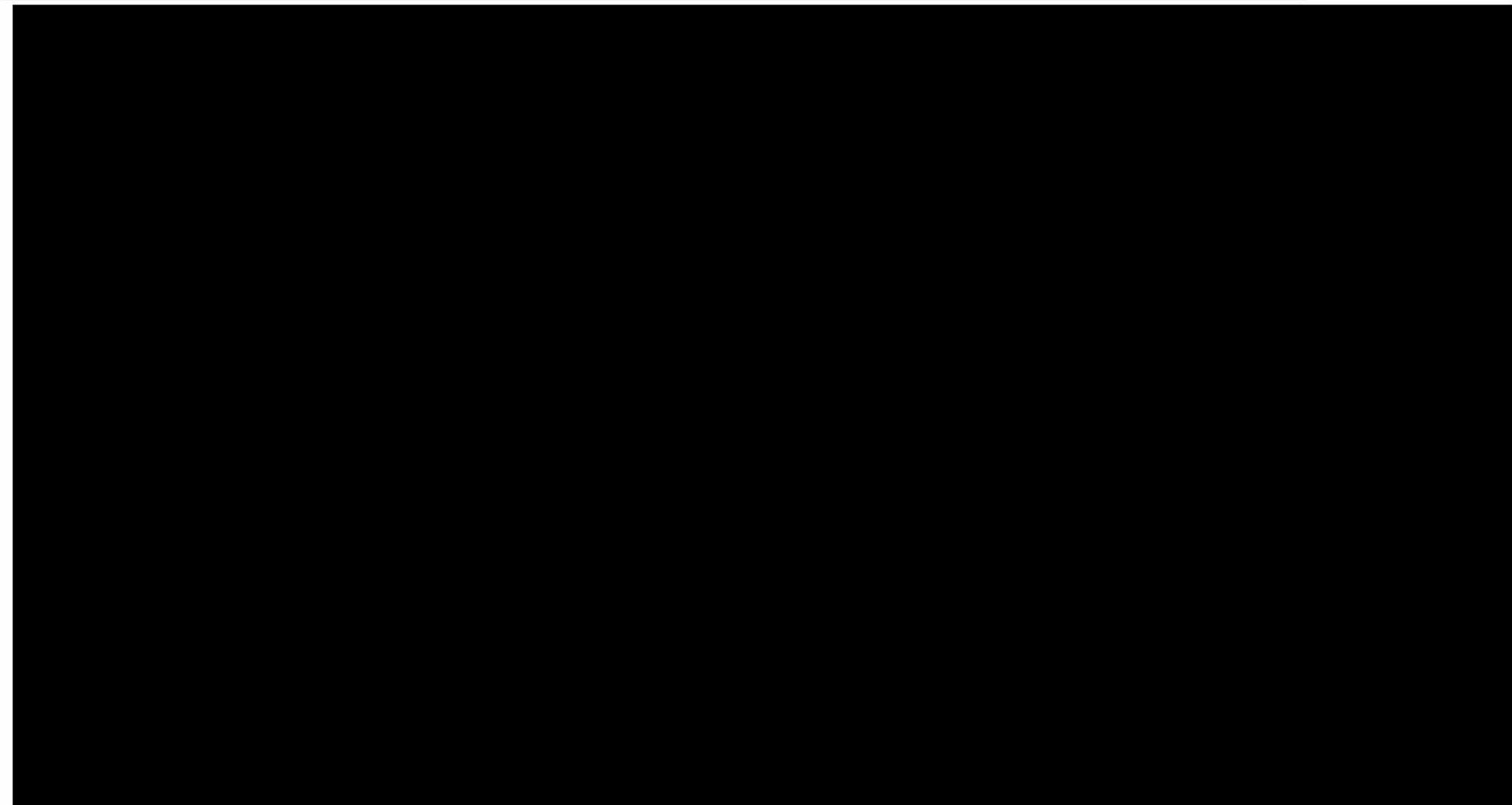
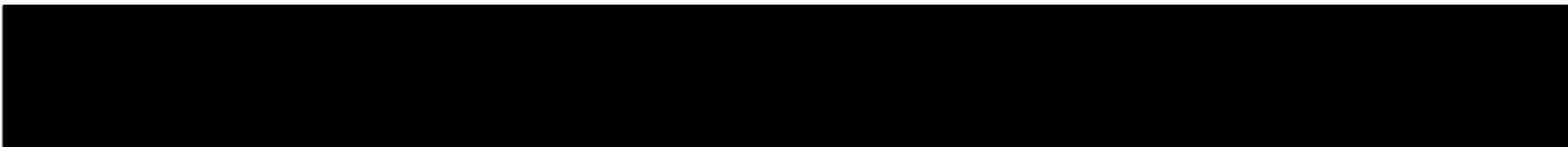
28 meetings (70+ hours) of workstream meetings across 6 workstreams comprised of members from Care New England, Lifespan, and Brown University (see Appendix C):

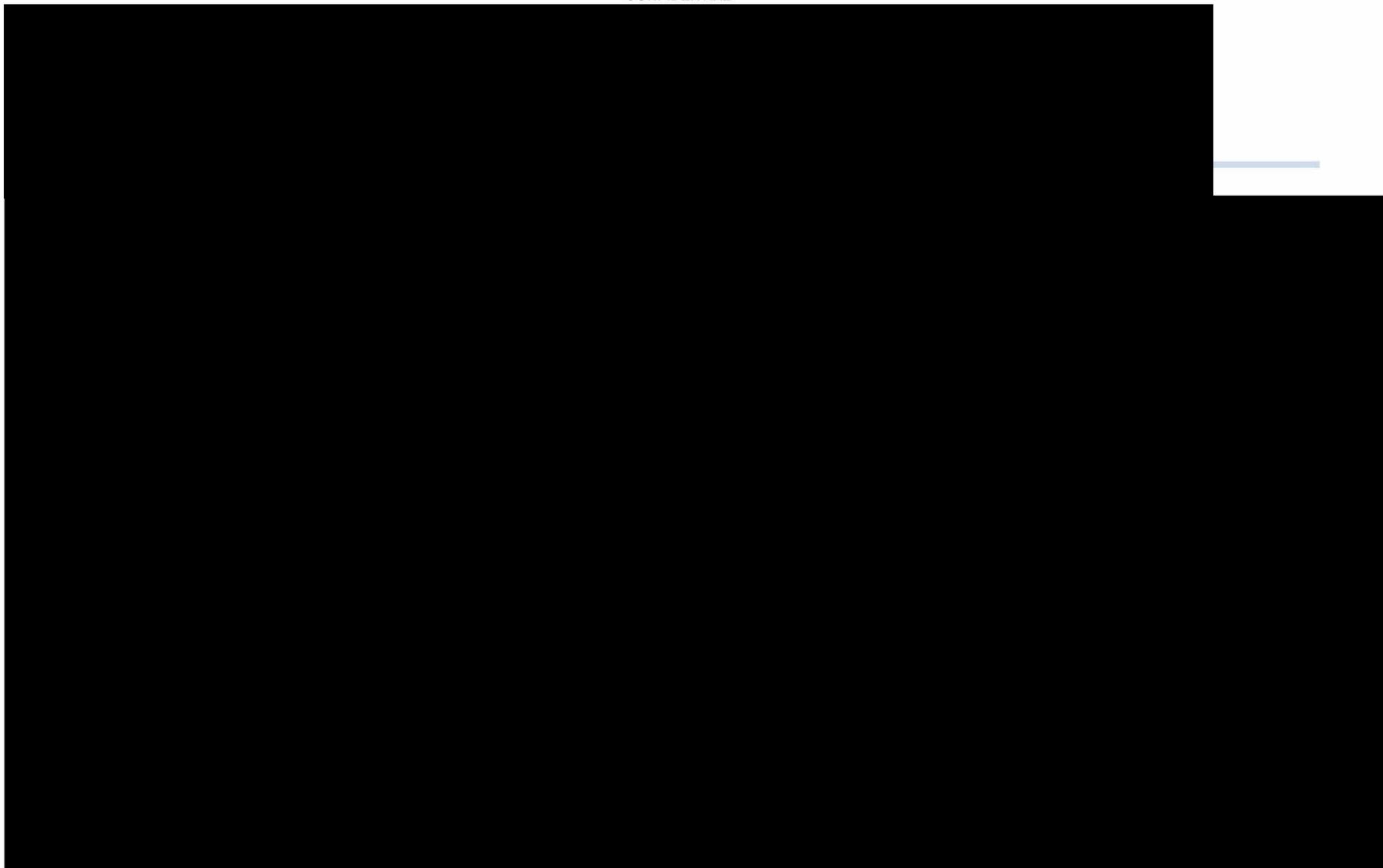
- Clinical: 14 members
- Operational: 14 members
- Research & Academic: 15 members
- Legal & Regulatory: 5 members
- Community Health: 7 members
- Budget & Finance: 5 members

Preliminary Integration Planning Timeline

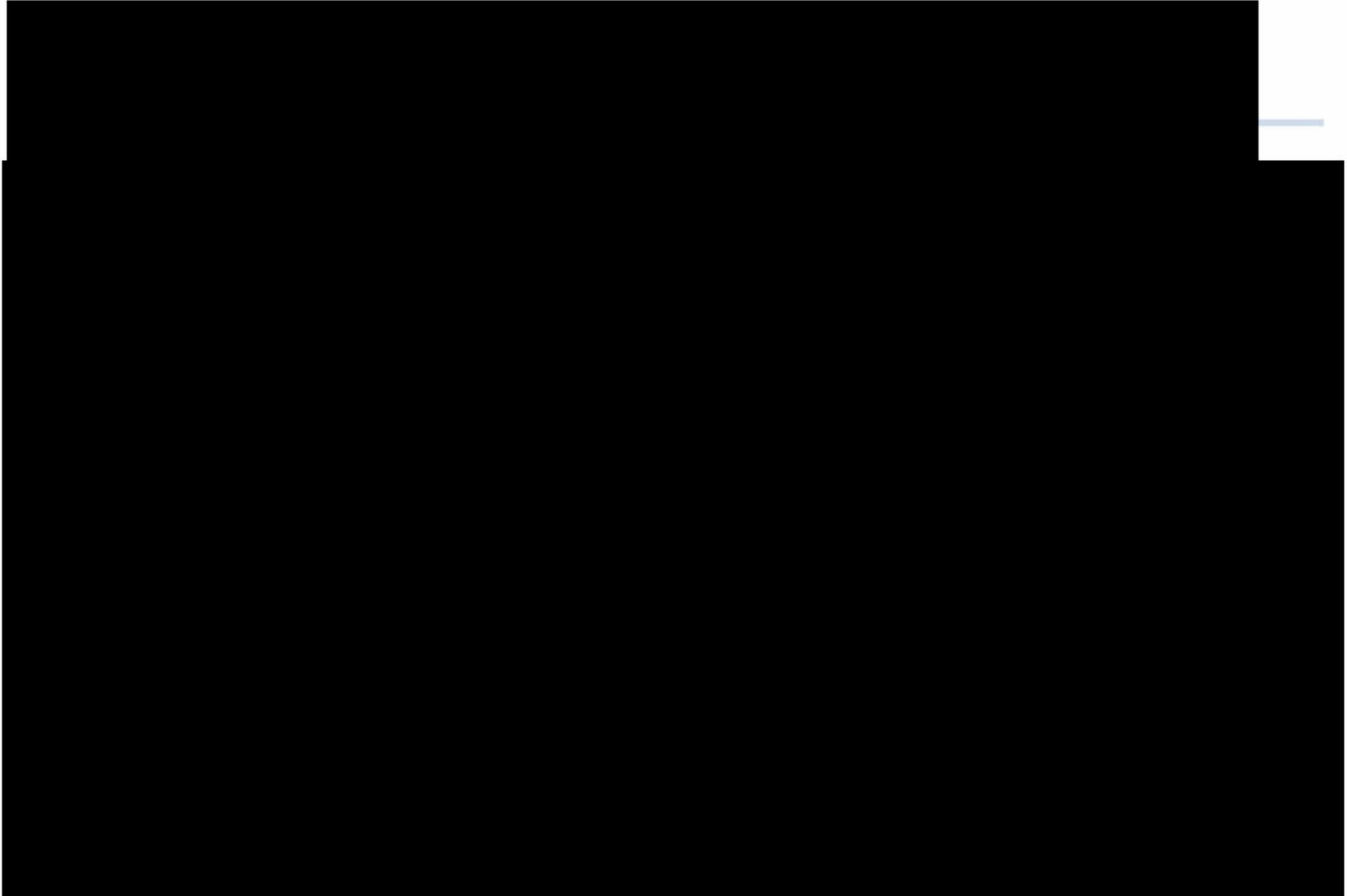


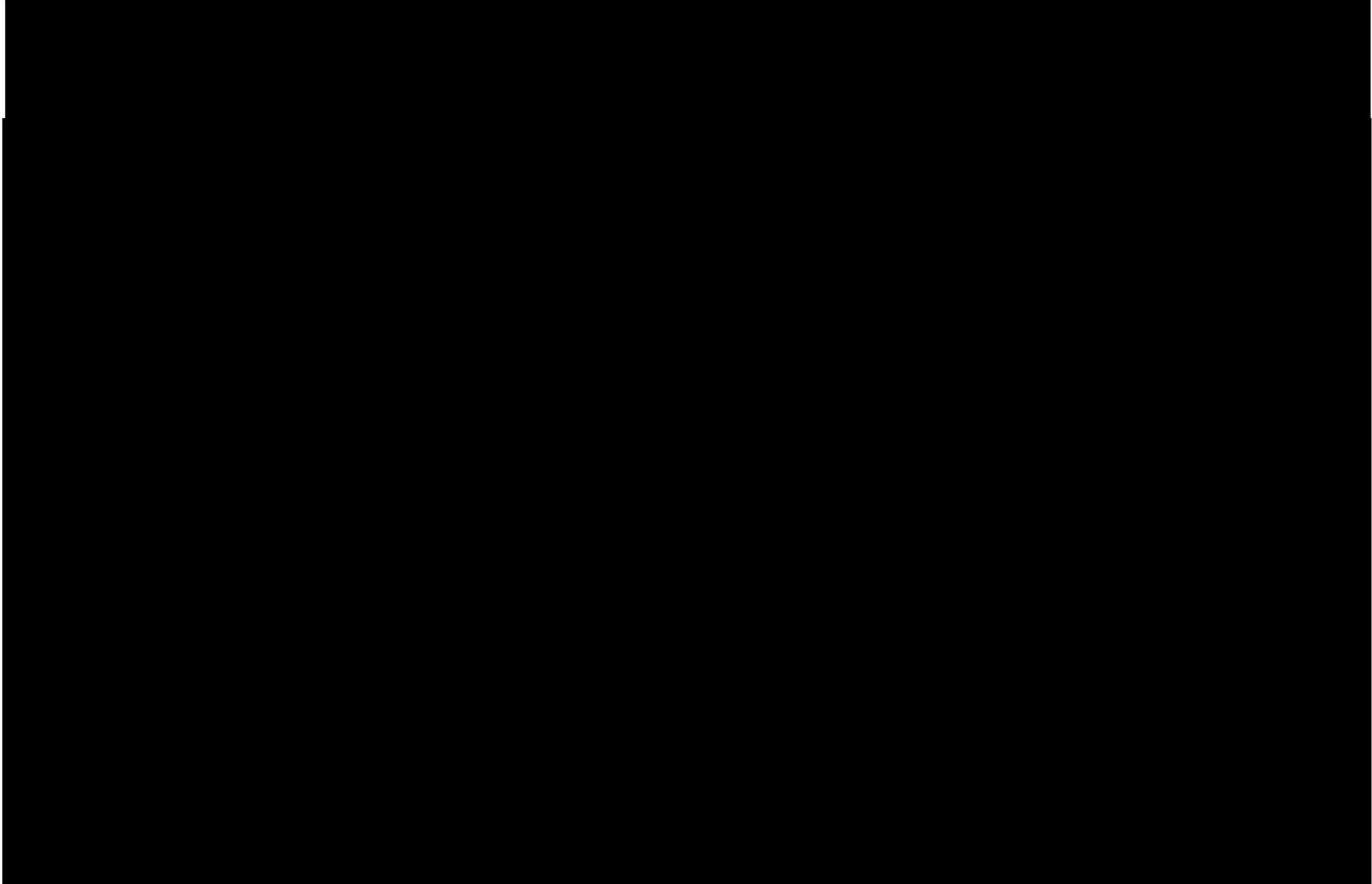
Summary of Workstream Findings

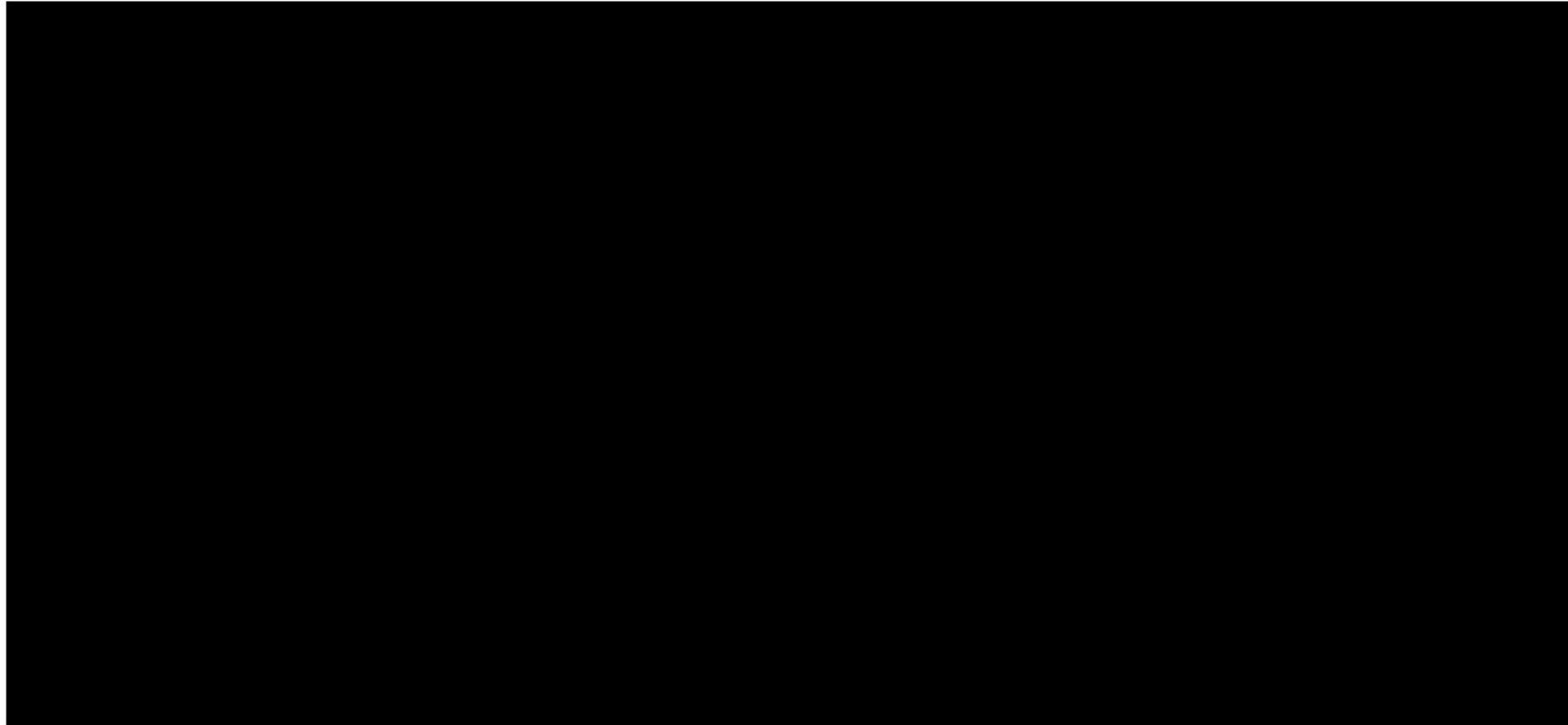
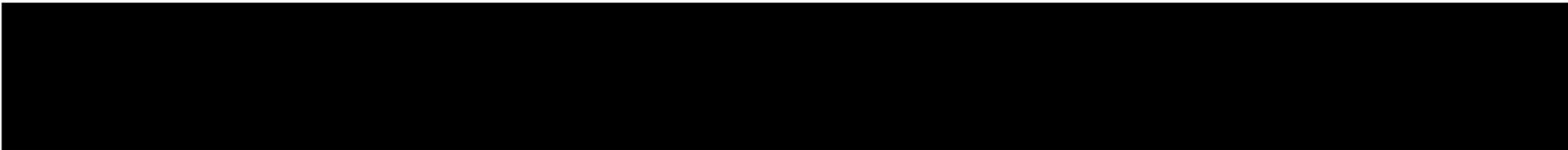


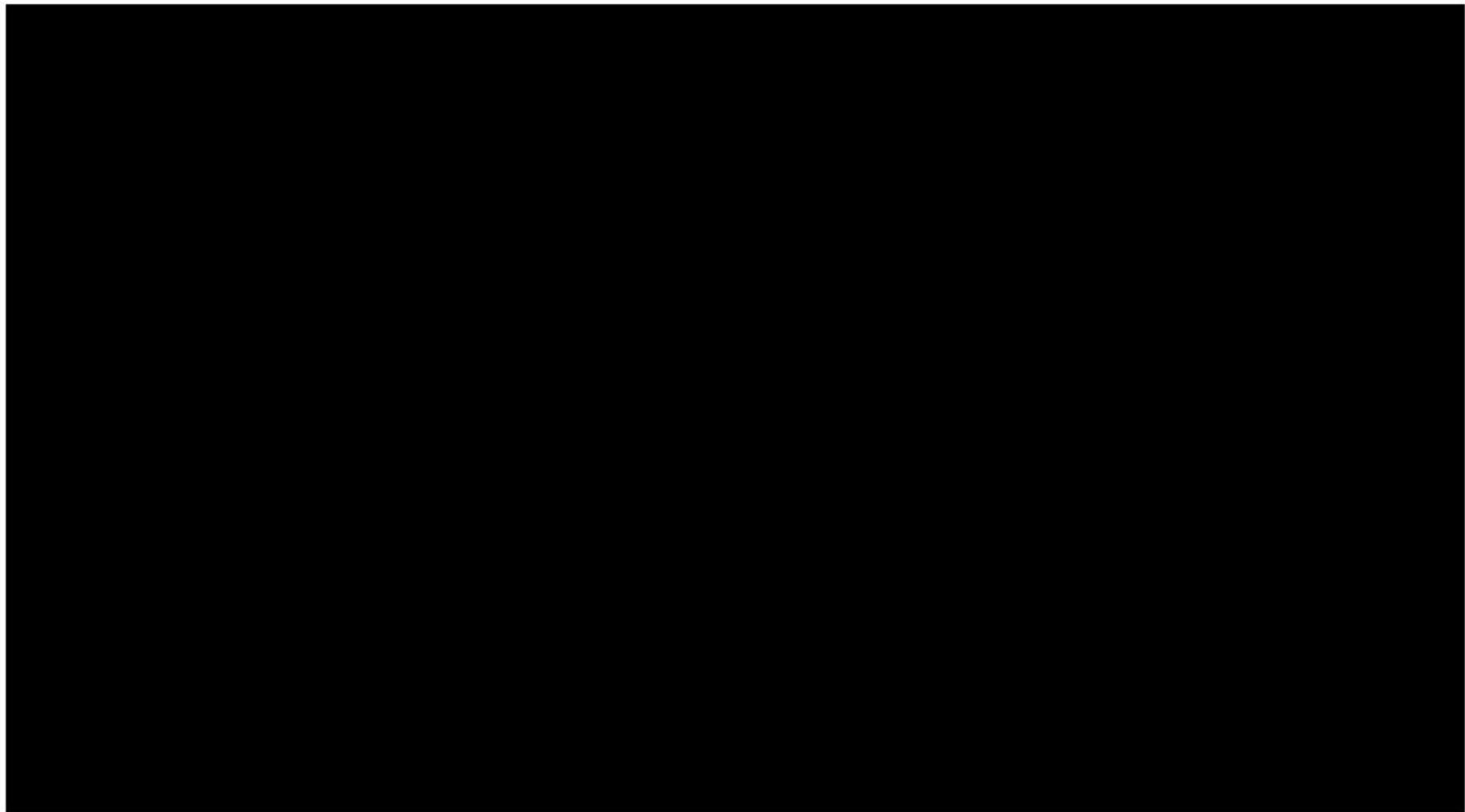




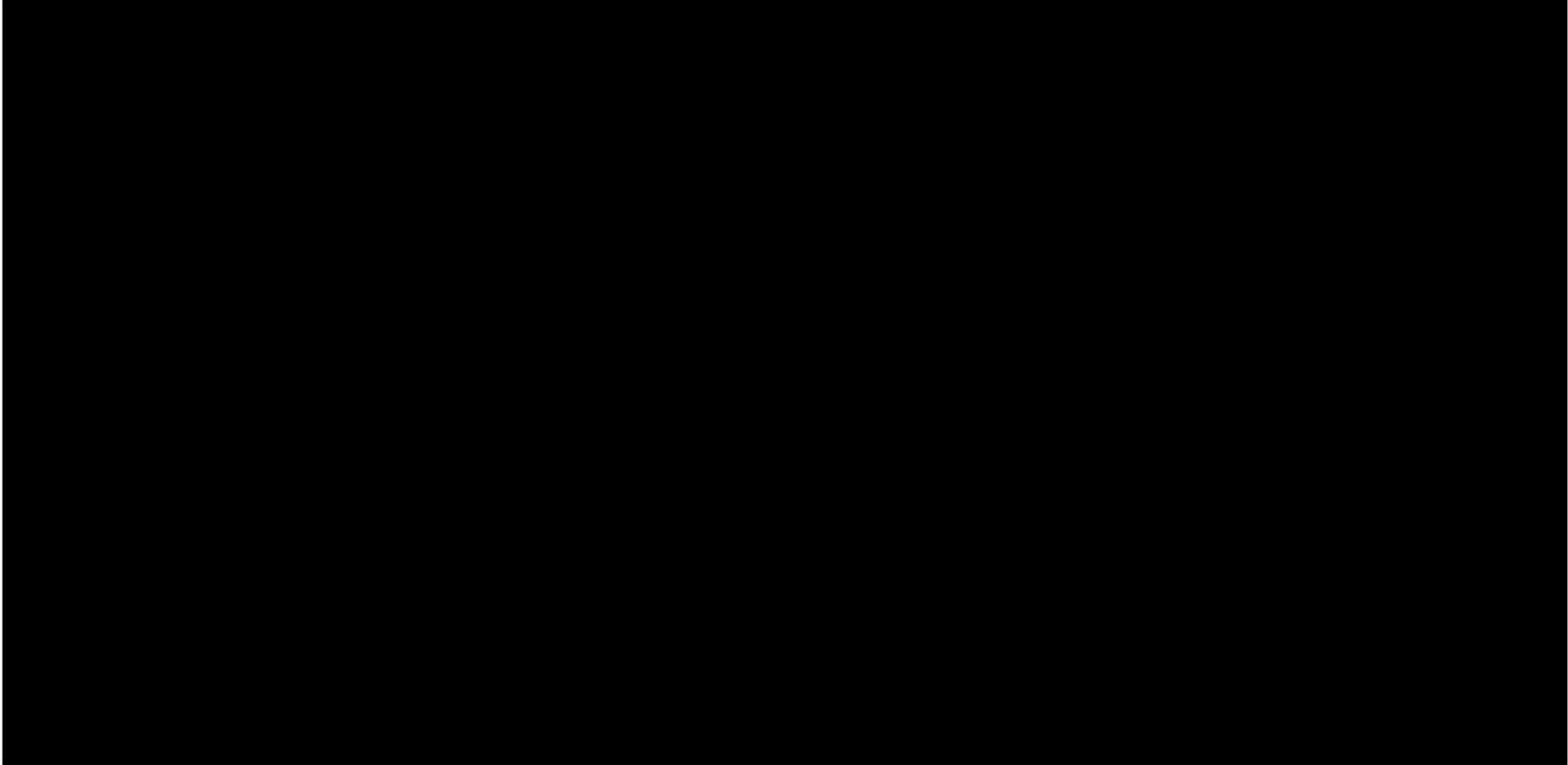


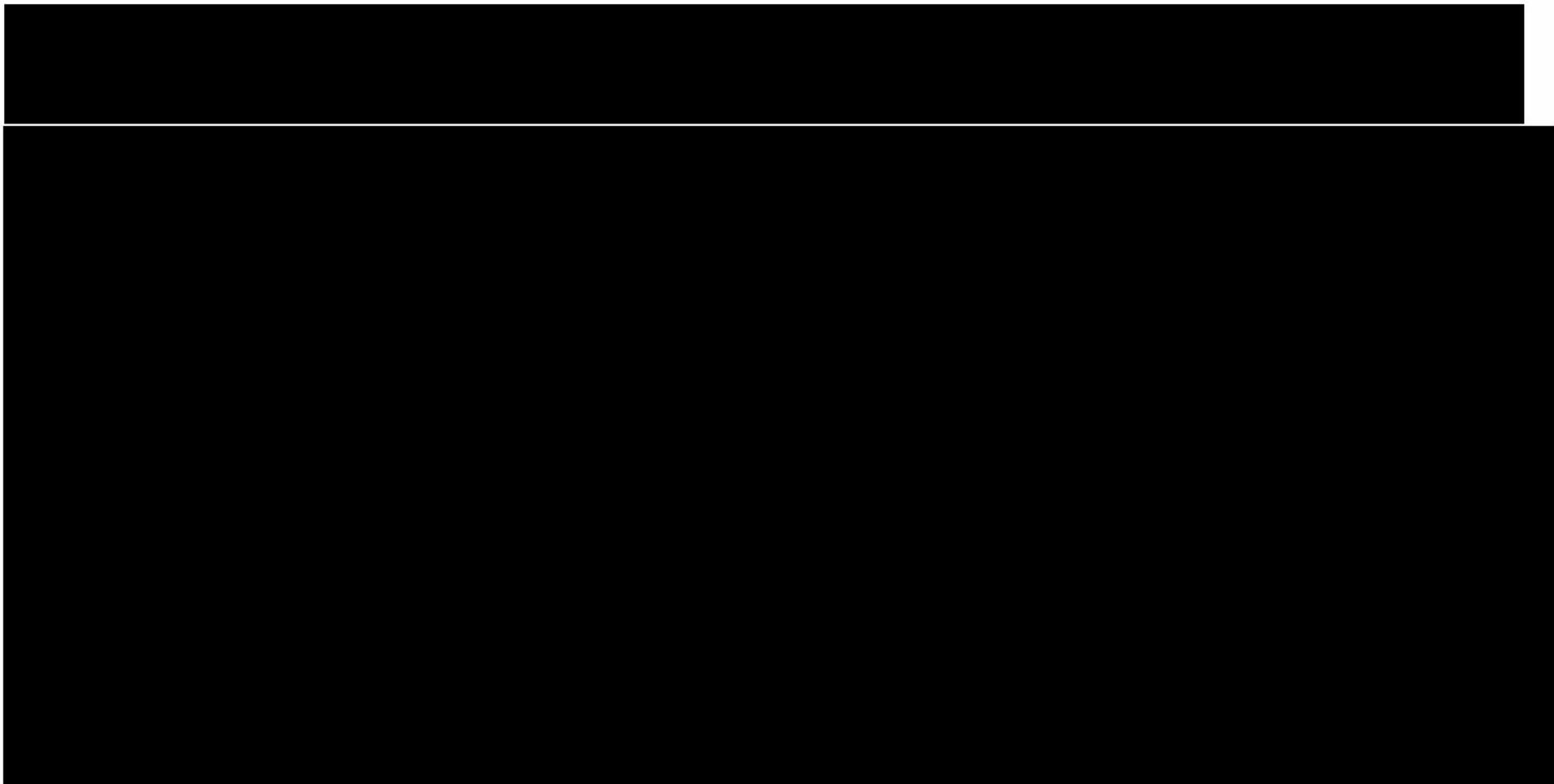




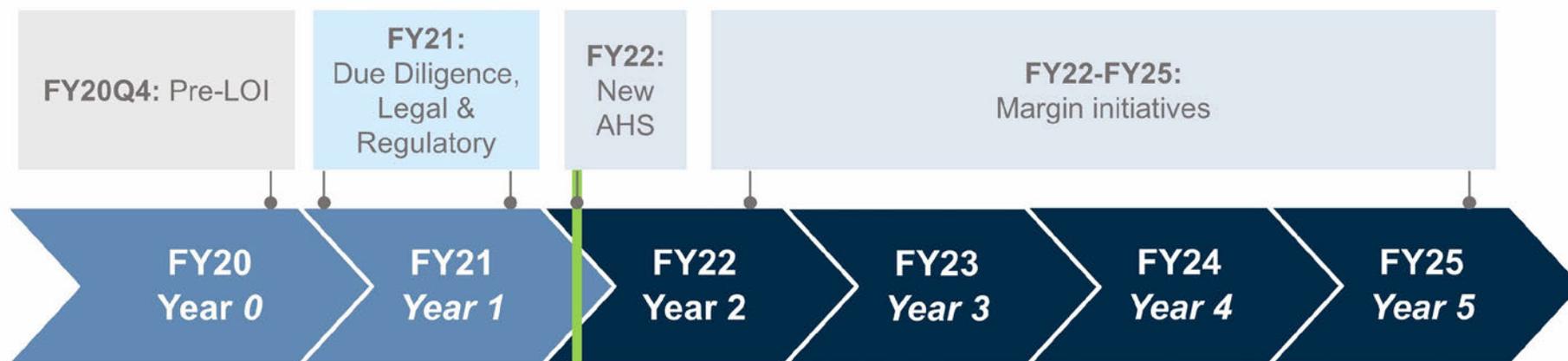


Budget & Finance Workstream – Overview of Key Findings





AHS – Timeline



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 1st and end September 30th.
- 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 27 and 28.
- The pro forma excludes:
 - Transaction costs.
 - Transaction related IT Capital and Operating expenses (transaction related IT CapEx and OpEx included in pages 29 and 30).
 - Potential severance costs.

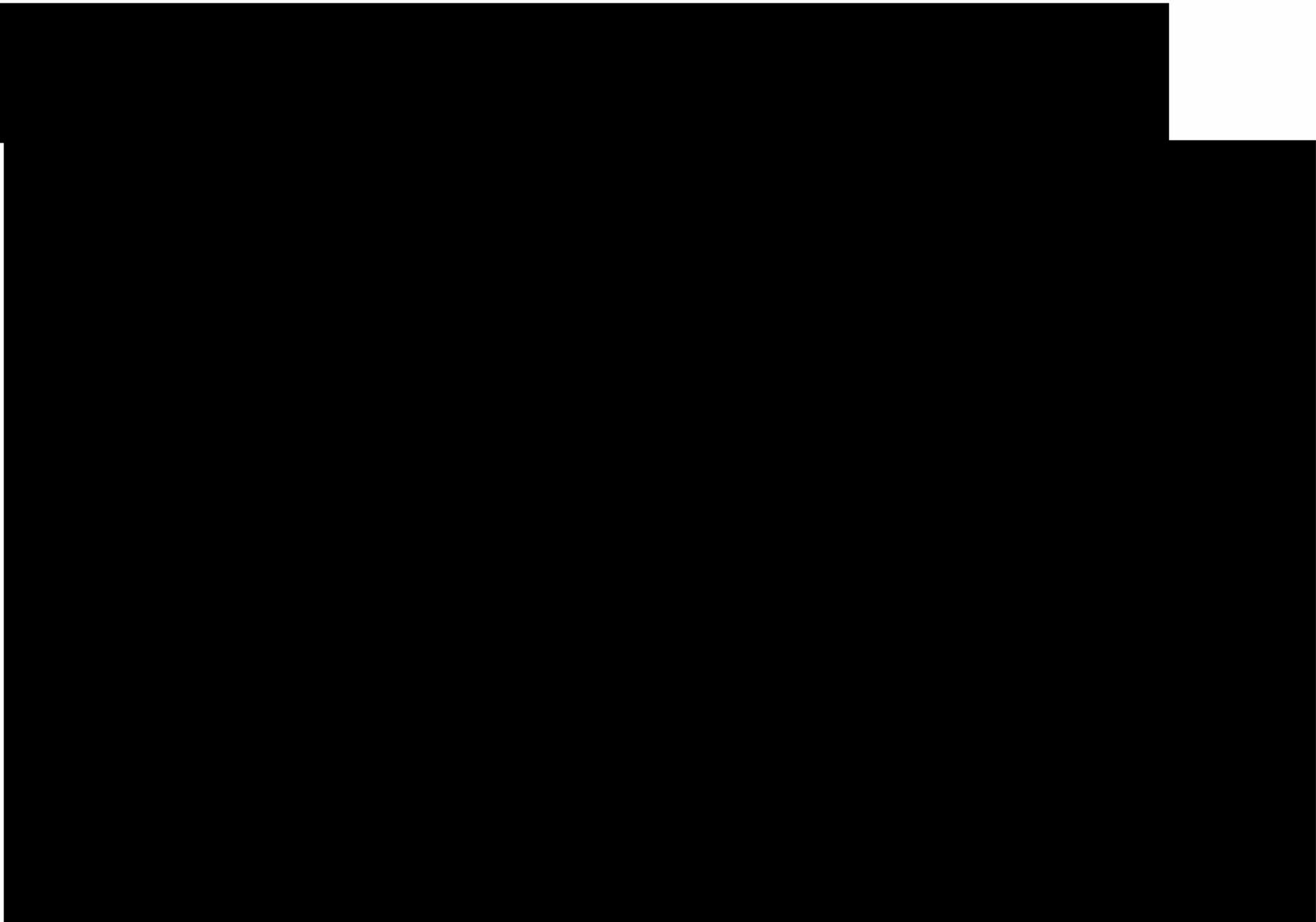


AHS – Combined Pro Forma Income Statement, Prior to Joint Management / Synergy Actions

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 discrete 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.



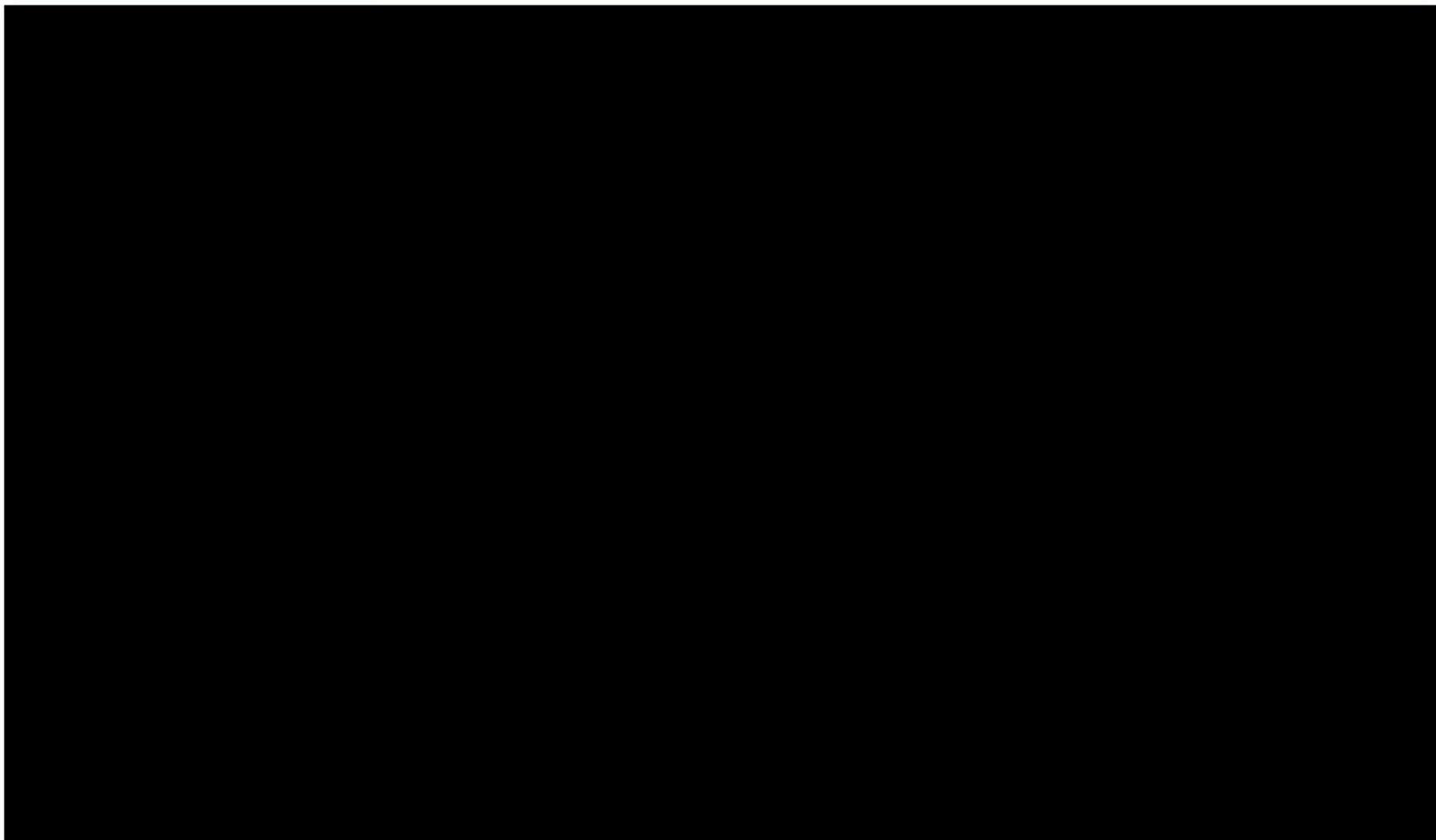
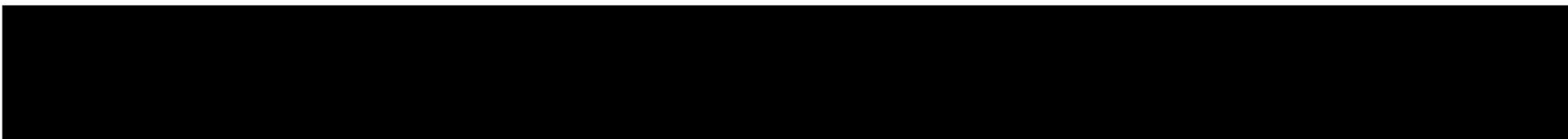


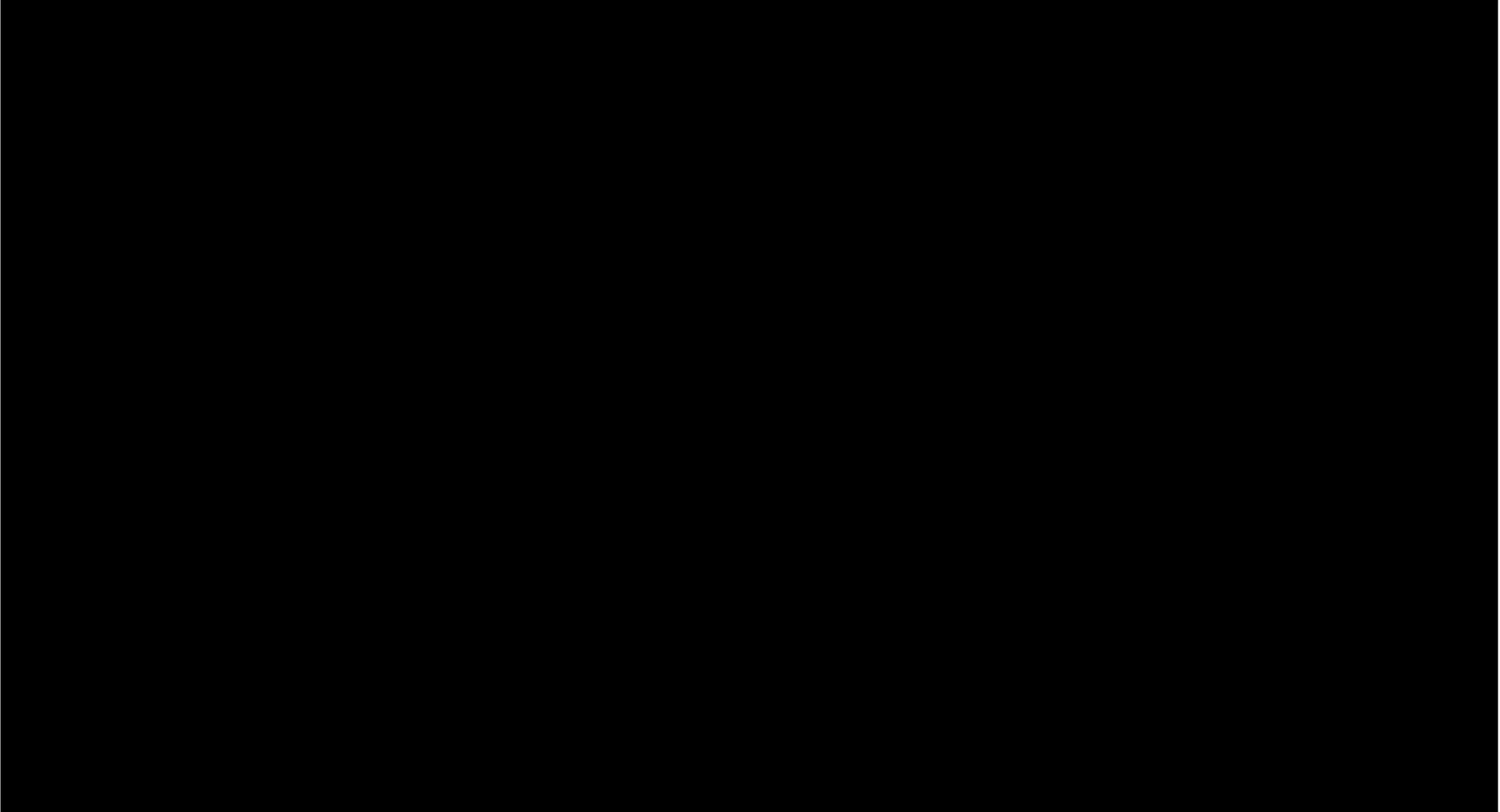


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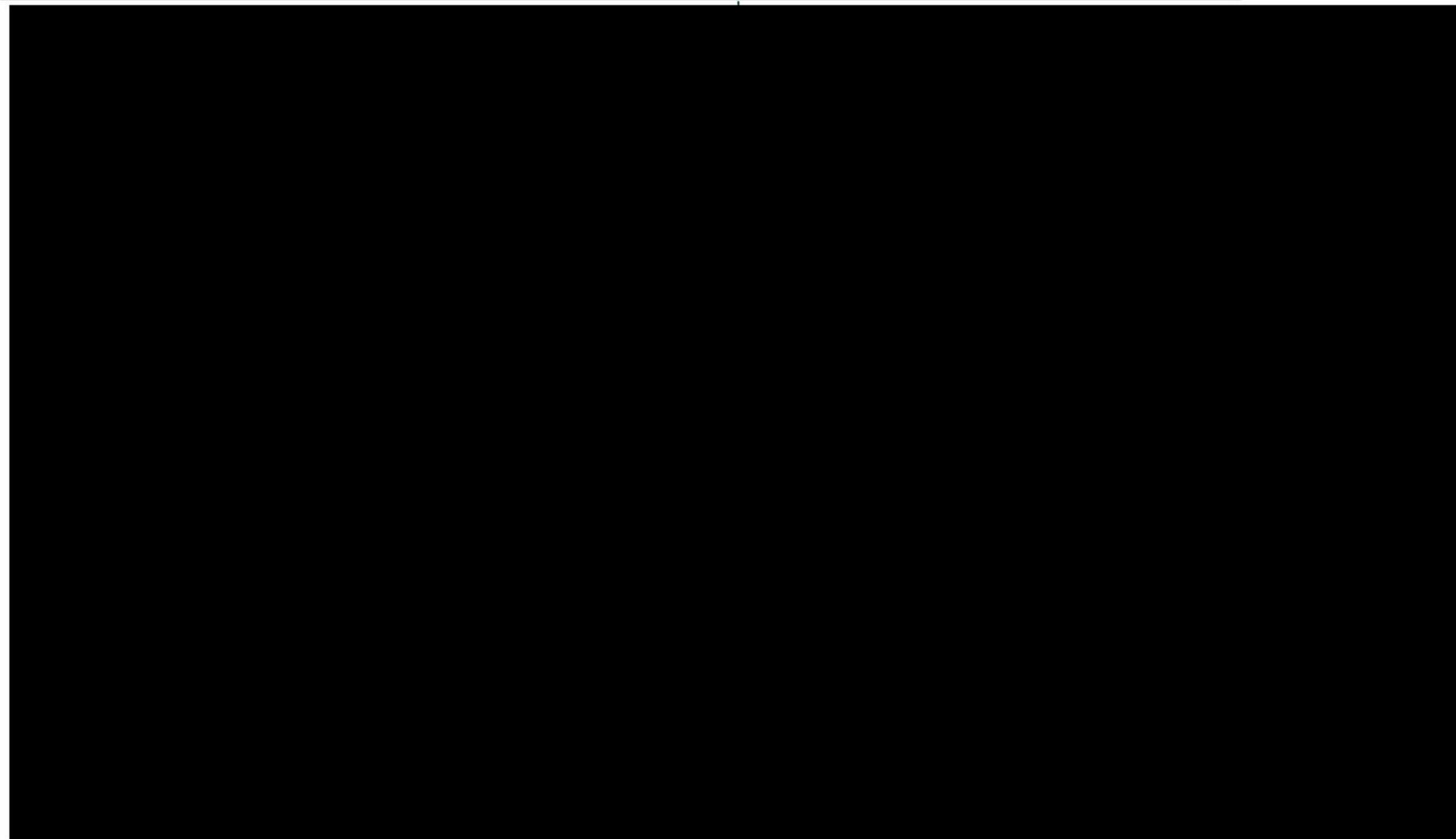












A&M Recommendations

A&M Findings & Recommendations

A&M recommends that the Boards of Lifespan and Care New England agree to enter into a non-binding Letter of Intent (LOI) for the express purpose of negotiating a Definitive Agreement by the end of 2020.

- The Agreement will create a new AHS for RI dedicated to the health and treatment of its population.**
- The strong support of the State of RI and collaboration with Brown University is essential to this effort.**



A&M Findings & Recommendations – Why Now?

- Significant changes to the healthcare environment nationally and within the state of Rhode Island have created a unique opportunity for CNE and Lifespan to build on a common foundation, to better serve the population of the state and the region, and to become a national and international resource.
- Although much attention has been devoted in recent years to how health care can be delivered more efficiently in the United State, the current pandemic has dramatically underscored the need for enhanced coordination and cooperation in Rhode Island.
- This can best be achieved by formally merging the current disparate components of CNE and Lifespan into an integrated nonprofit academic health system supported by a single electronic medical record and integrated IT platform.
- The Leadership of the two organizations had opportunities to begin working closely together this spring in order to address the unprecedented demand for healthcare services resulting from COVID-19, ranging from sharing supplies of necessary personal protection equipment to coordinating care between different campuses.



A&M Findings & Recommendations

- Both Boards have demonstrated leadership in recognizing the cultural changes within CNE and Lifespan by endorsing a 90-day exploratory period to determine the feasibility of a potential merger.
- Based on the hard work and dedication of over 70 participants in the various Workstreams and advisory committees convened this summer (Appendices B, C, D, and E), A&M believes an integrated AHS will (in addition to achieving other important results):
 - Improve the quality and coordination of care for, and population health status of, the patients and communities served;
 - Enhance the efficiency and cost effectiveness of the State's health system;
 - Continue to address issues of equity, diversity, inclusiveness;
 - Significantly expand research and academic initiatives;
 - Better prepare Rhode Island to address future public health crises and the broader social determinants of health;
 - Promote innovation and economic development in Rhode Island; and
 - Join the top tier of academic health systems nationally.



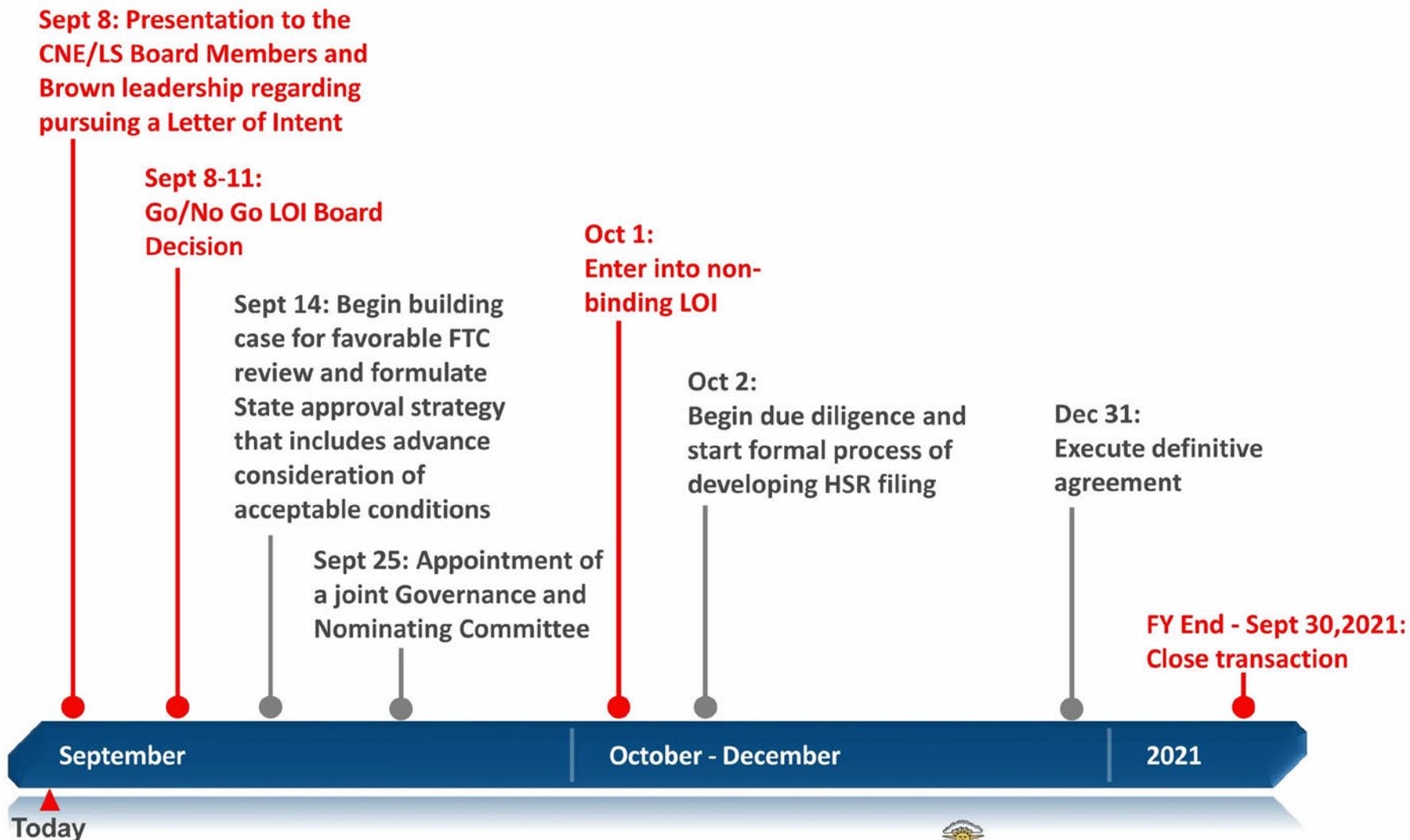
A&M Conditions for Success

- Transaction should create a new nonprofit corporation – it is not an “acquisition”.
- Brown’s role and “brand” is essential to success.
- New AHS can be a \$4 billion system with a positive margin with appropriate support from the State of Rhode Island.
- Transaction will require significant organizational discipline.
- Each Party must continue to implement current independently planned improvements in advance of transaction.
- New AHS must be prepared to adopt best practices from each organization.
- New AHS must focus on investing in physicians, researchers, and other clinical professionals.
- Work with physician leaders to develop an aligned and integrated medical staff.
- New AHS will benefit from best practices in governance and evolving concepts of fiduciary responsibility.
- Executive leadership must meet Rhode Island’s needs while developing a strong regional and national presence.

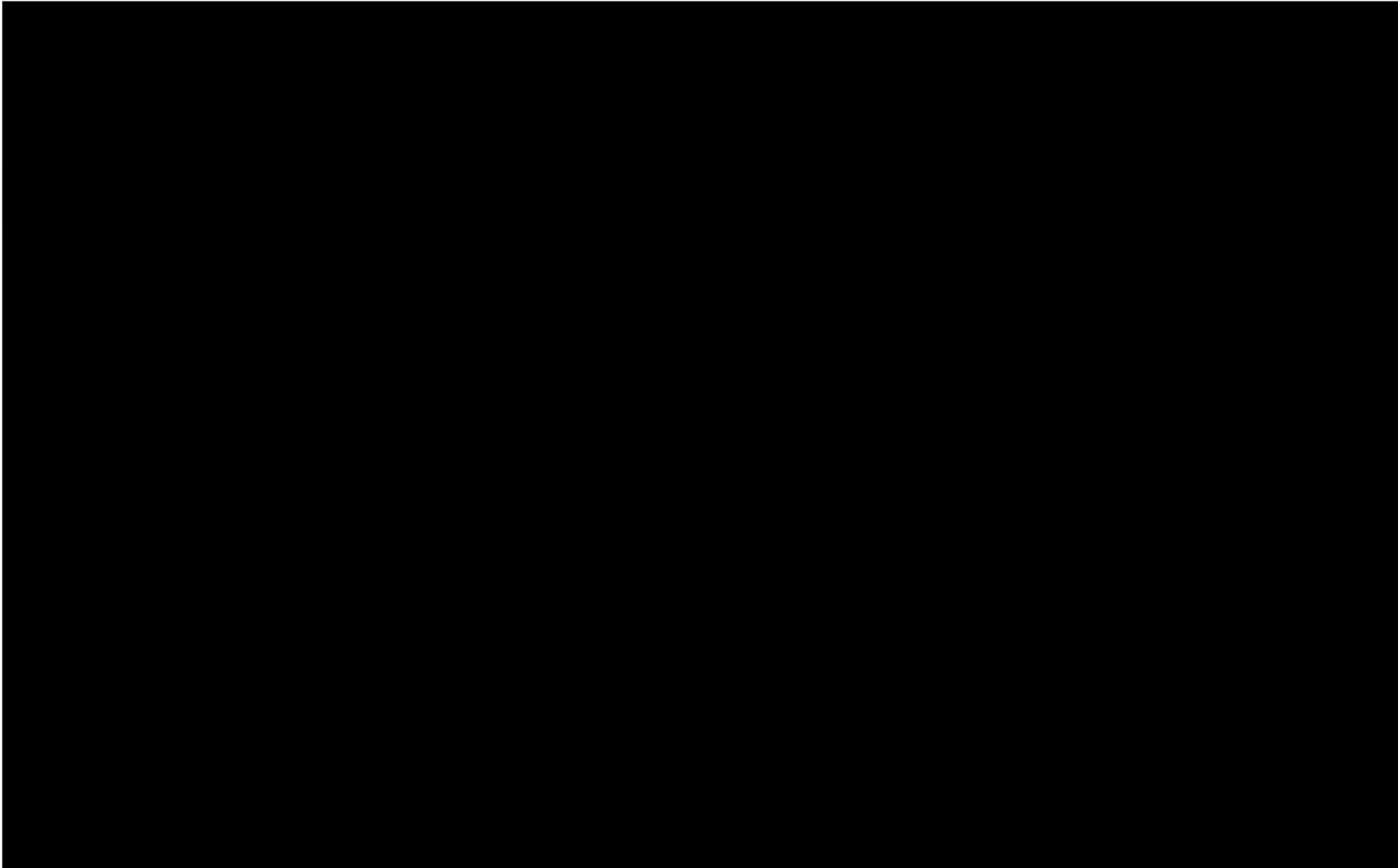


Questions

Timing & Next Steps



Appendix A: Budget & Finance Workstream Supplemental Documents



- Assumptions on page 25.



Appendix B: Physician Advisory Council Members

Physician Advisory Council

Care New England

- Jeff Borkan, Chief of Family Medicine at CNE and Chair of Family Medicine at Brown
- Brittany Hampton (Star), Interim Chief of OBGYN, W&I Hospital and CNE/Interim Chair OBGYN, WAMS
- Ana Fulton, Exec Chief of Geriatrics and Palliative Care
- Raymond Powrie, Executive Chief of Medicine
- Steven Rasmussen, Chair of Psychiatry
- Rob Shalvoy, Exec Chief of Orthopedics
- James Sullivan, Exec Chief of Psychiatry
- James Sung, Exec Chief of Pathology
- Edward Thomas, Cardiology

Lifespan

- Bill Cioffi, Chief of Surgery
- John Cronan, Chief of Diagnostic Imaging
- Phyllis Dennerly, Chief of Pediatrics
- Peg Miller, Chief of Women's Medicine
- John Murphy, EVP Physician Affairs
- Athena Poppas, Director, Lifespan Cardiovascular Institute
- Lou Rice, Chief of Medicine
- Jody Underwood, Chief of Psychiatry
- Dave Wazer, Director, Lifespan Cancer Institute

Appendix C: Workstream Team Members

Care New England Workstream Team Members

Budget and Finance

- **Co-Lead: Joe Iannoni, EVP and CFO**
- Gail Robbins, SVP CNE Planning and Finance
- Jim Burke, VP Finance, Kent Hospital
- Colleen Ramos, VP Finance, W&I Hospital

Clinical

- **Co-Lead: Jim Fanale, MD, President/CEO**
- Ray Powrie, MD, Executive Chief of Medicine
- Paari Gopalakrishnan, MD, CMO - Kent Hospital
- Bryan Liese, VP Integration and Administration, CNE/WIH
- Shannon Sullivan, Interim COO, W&I Hospital
- Ana Tuya Fulton, MD, Exec Chief, Geriatrics and Palliative Care
- Mary Marran, President and COO, Butler Hospital

Community Health

- **Co-Lead: John Minichiello, President and COO, Integra**
- Melanie Brites, Senior Director, Strategy and Analytics
- Matt Harvey, Senior Director, Government Programs and Grant Management
- Joe Diaz, MD, Internal Medicine, Associate Dean for Diversity and Multicultural Affairs, WAMS; Medical Director Integra Community Care

Legal & Regulatory

- **Co-Lead: Ashley Taylor, General Counsel**

Operational

- **Co-Lead: Mary Marran, President & COO, Butler Hospital**
- Bob Haffey, President and COO - Kent Hospital
- Tish Devaney, Sr. VP Human Resources
- Phil Kahn, CIO
- Judy Thorpe, SVP/CNO Patient Care Services, Kent Hospital
- Robin Neale, Director of Quality
- Jim Fanale, MD, President/CEO
- Gail Robbins, SVP Planning & Finance

Research & Academic

- **Co-Lead: Brittany (Star) Hampton, MD, Interim Chief of OBGYN, W&I Hospital and CNE/Interim Chair OBGYN, WAMS**
- Audrey Tyrka, MD, Director of Research, Butler Hospital
- Kristen Matteson, MD, Vice Chair of Research, WIH Dept of OB Gyn
- Jeff Borkan, MD, Chair of Family Medicine, WAMS
- Jim Padbury, MD, Chief of Pediatrics, WIH

Project Management Officer: Gail Robbins, SVP Planning and Finance



Lifespan Workstream Team Members

Budget and Finance

- **Co-Lead: Mamie Wakefield, EVP and CFO**

Clinical

- **Co-Lead: John Murphy, MD, EVP Physician Affairs**
- Gil De Oliveira, MD Chair Anesthesia
- Janine Lairmore, VP Cardiovascular Services
- Susan Korber, VP Cancer Care Services
- Patricia Richards, VP Operations - LPG
- Dean Roye, MD, CMO TMH
- Jay Schuur, MD, Chair Emergency Medicine

Community Health

- **Co-Lead: Steven Lampert, MD, President - Lifespan Physician Group**
- Peter Hollmann, MD, CMO ACO
- Dan Moynihan, VP Contracting, Director ACO

Legal & Regulatory

- **Co-Lead: Paul Adler, General Counsel**

Operational

- **Co-Lead: Arthur Sampson, President - The Miriam Hospital**
- Lisa Abbott, Sr. VP Human Resources
- Christine Collins, VP Pharmacy
- Nick Dominick, Sr. VP Support Services
- Cathy Duquette, EVP, Quality & Safety and Chief Nursing Executive
- Crista Durand, President, Newport Hospital
- Donna O'Brien, President, Strategic Visions in Healthcare
- Cedric Priebe, MD, CIO

Research & Academic

- **Co-Lead: Lou Rice, MD, Chief of Medicine**
- James Arrighi, MD Director GME
- Phyllis Denney, MD, Chair Pediatric Medicine
- Michael Henderson VP Research
- Bharat Rhamratan, MD, Chief Science Officer

Project Management Officer: Mark Hasbrouck, VP Business Development Physician Group



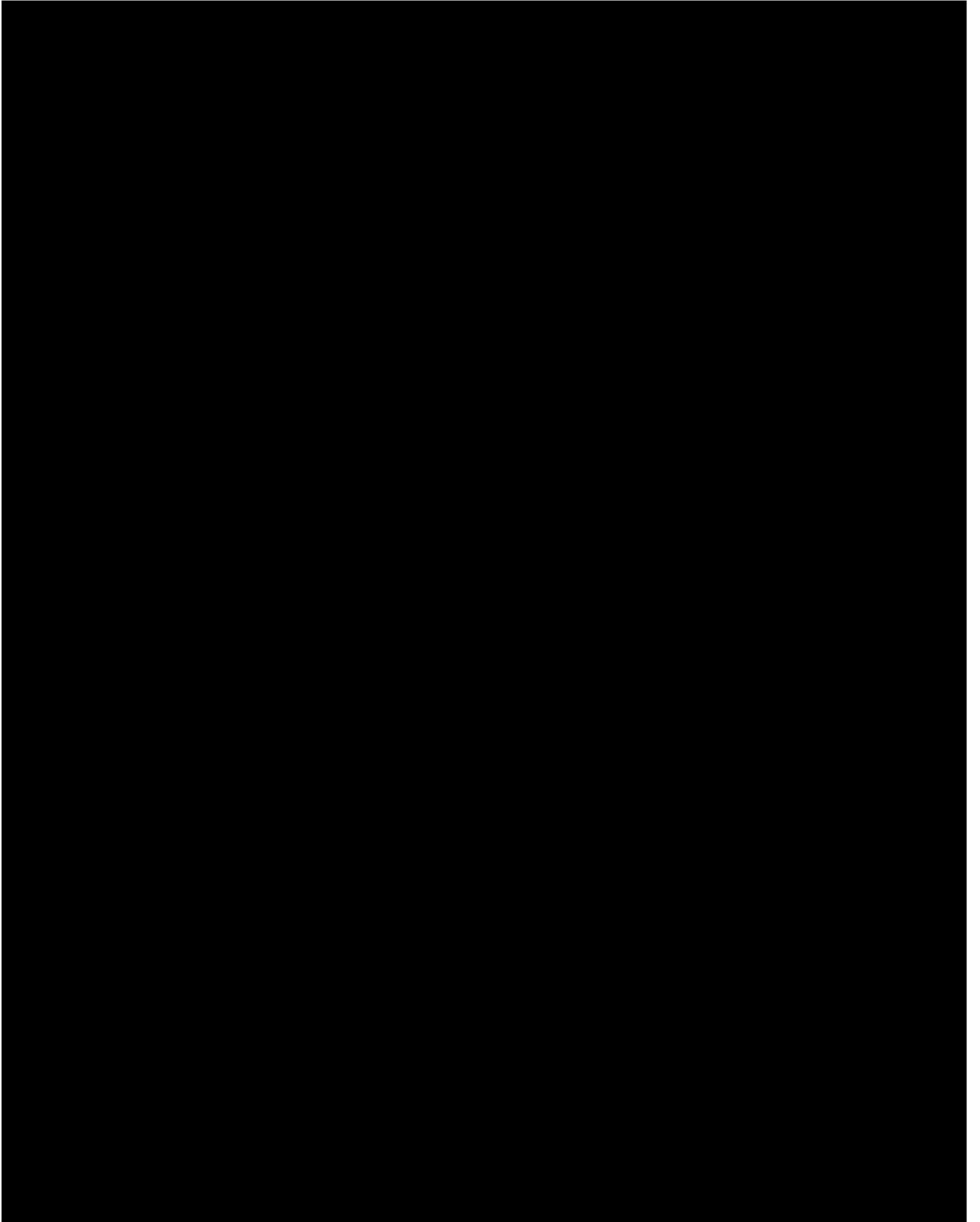
Brown Workstream Team Members

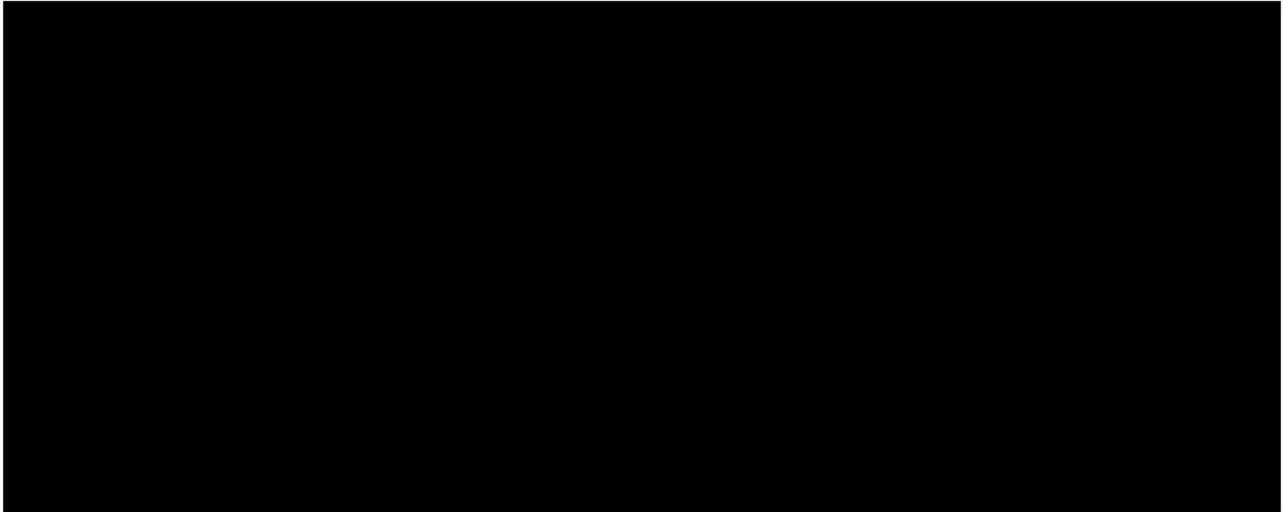
Research and Academic

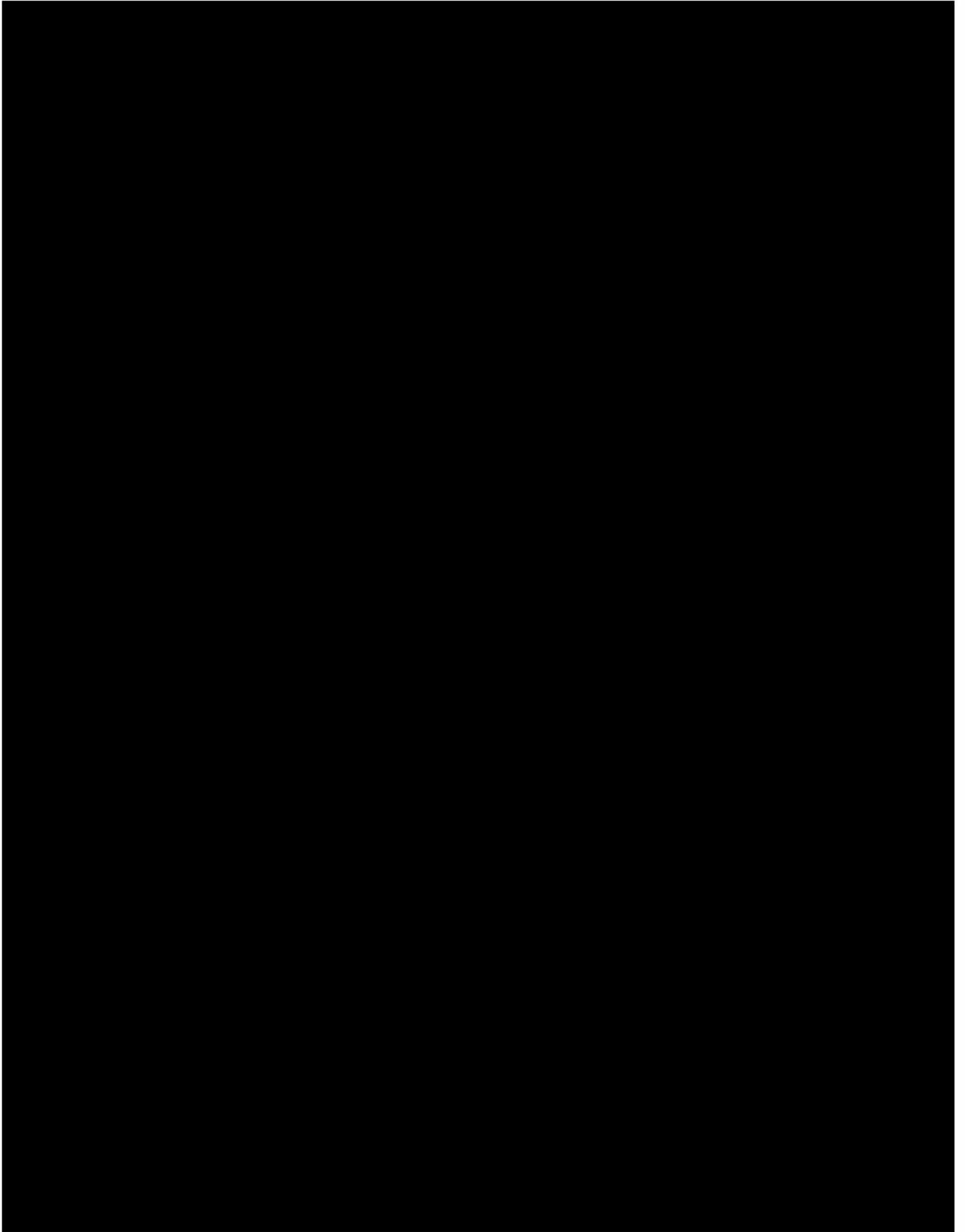
- ***Co-Lead: Jack Elias, MD, Dean, Warren Alpert Medical School***
- Ed Hawrot, PhD, Senior Associate Dean for the Program in Biology
- Sharon Rounds, MD, Associate Dean for Clinical Affairs
- Allan Tunkel, MD, PhD, Senior Associate Dean for Medical Education

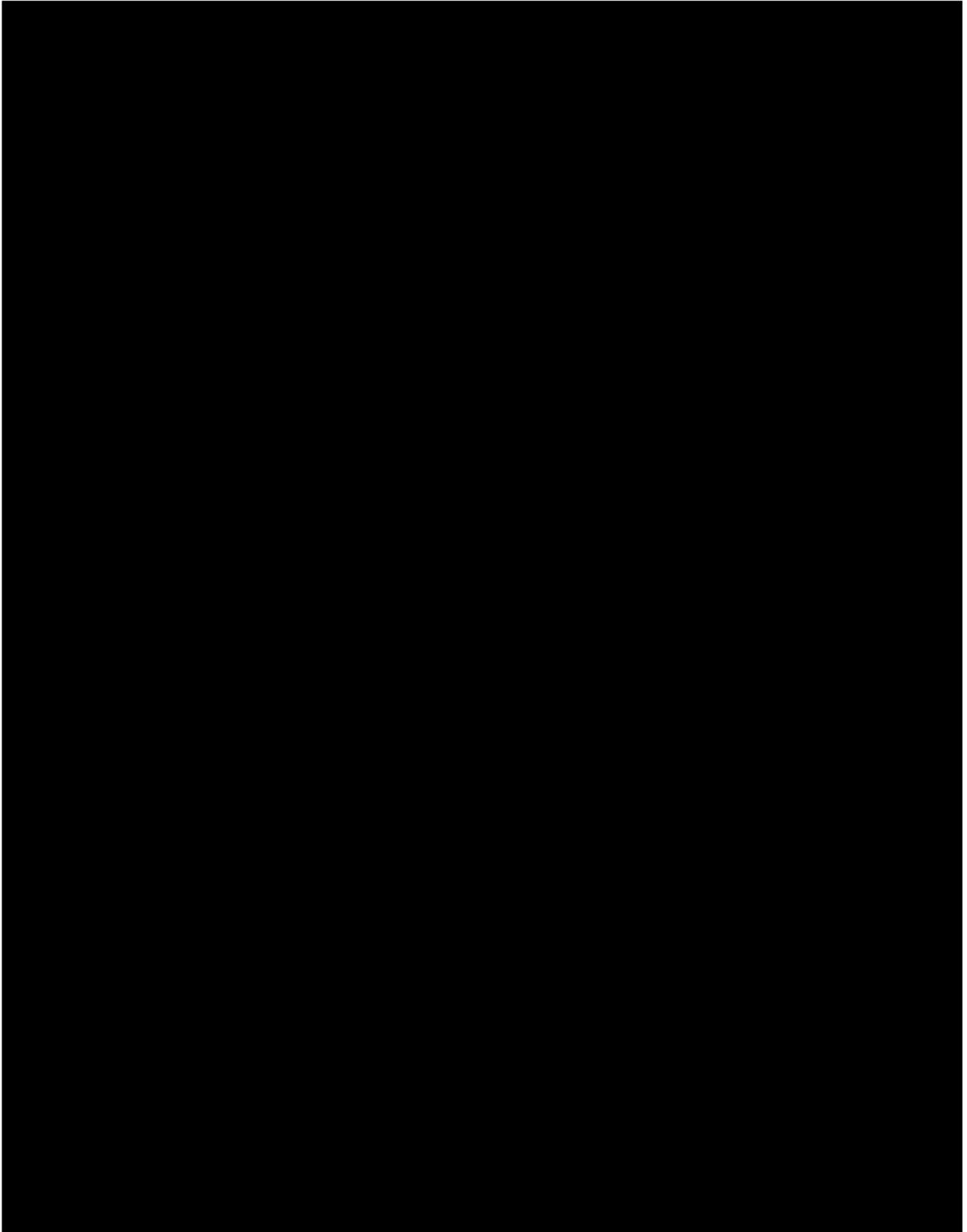


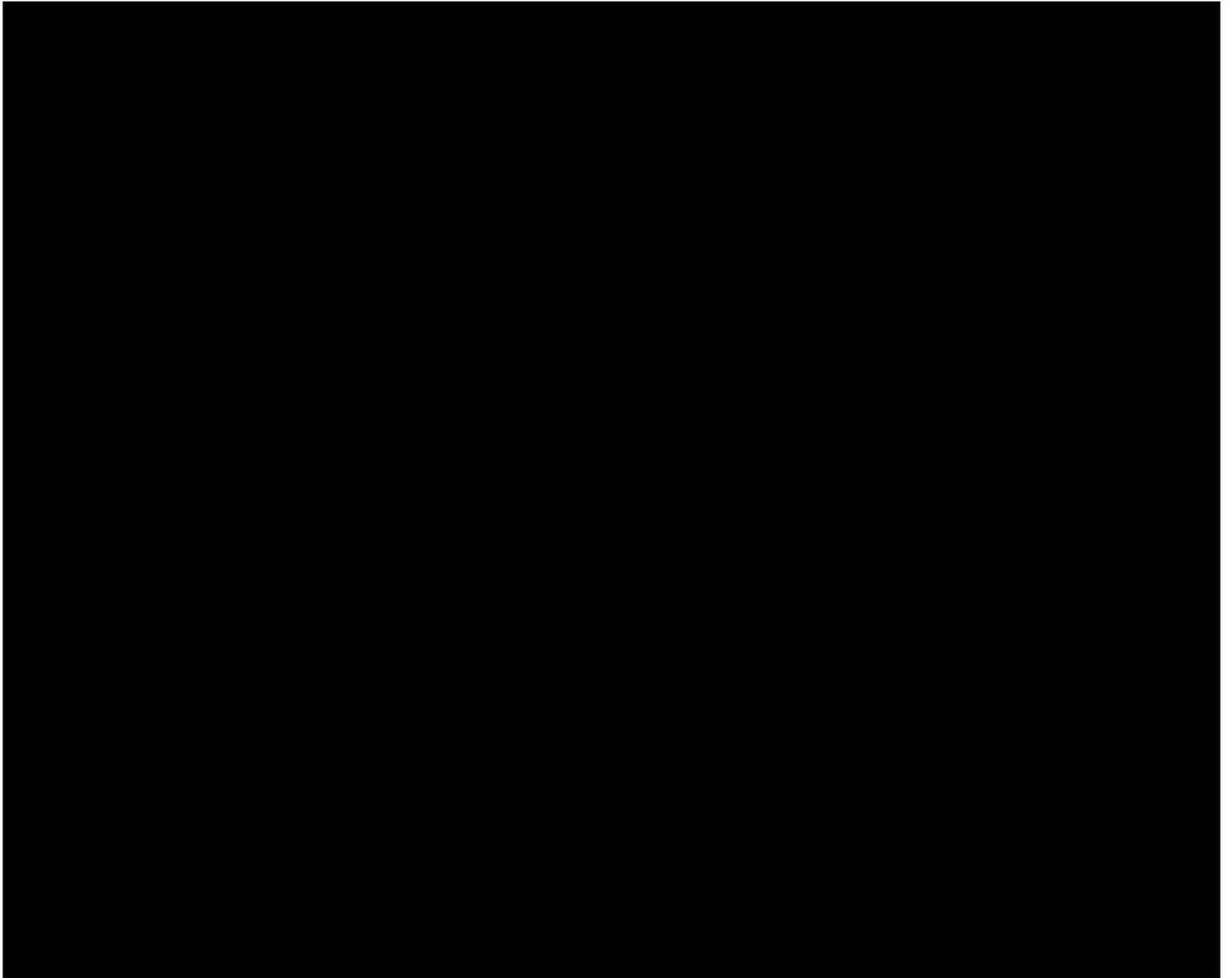
Appendix D: Workstream Executive Summaries

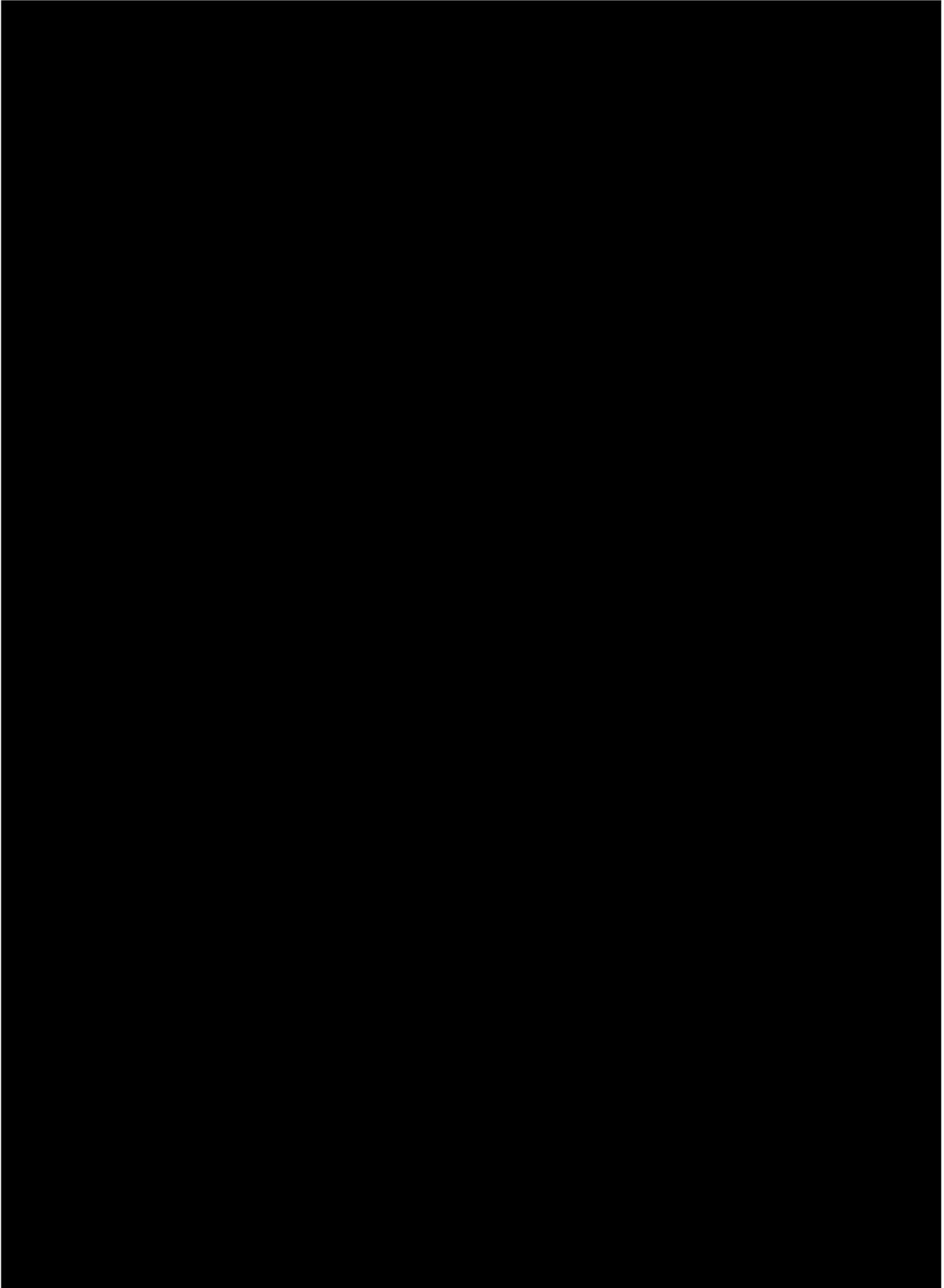


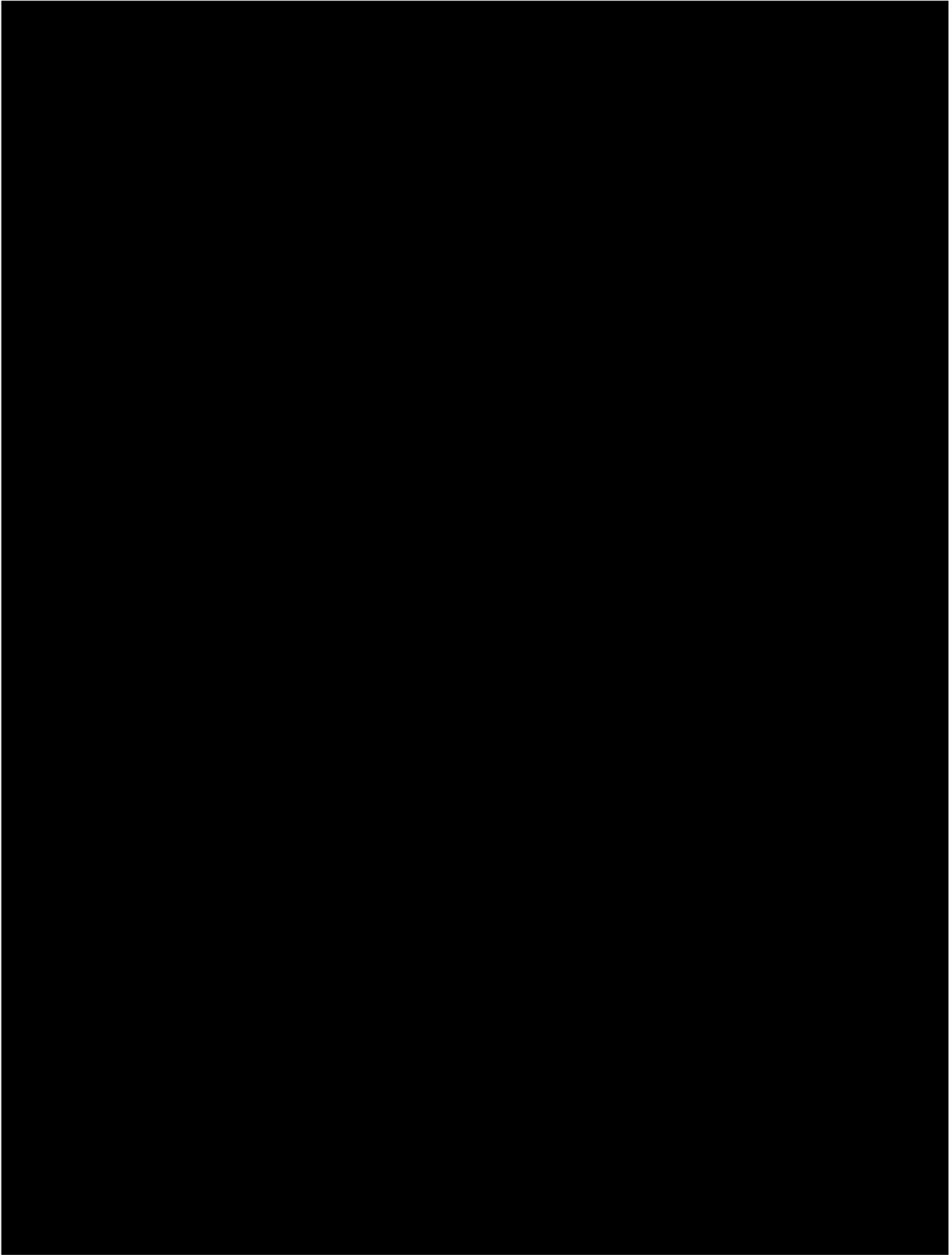












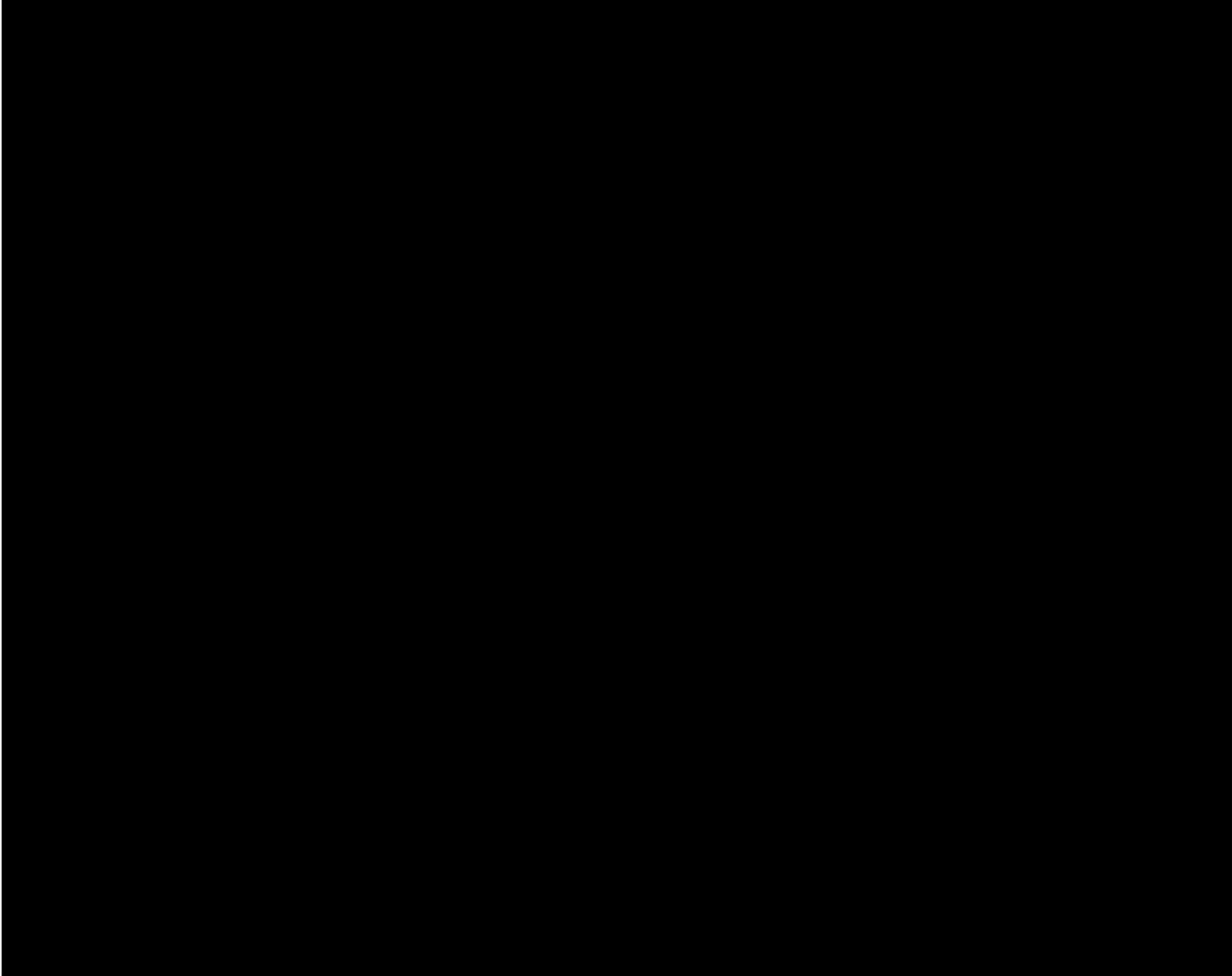
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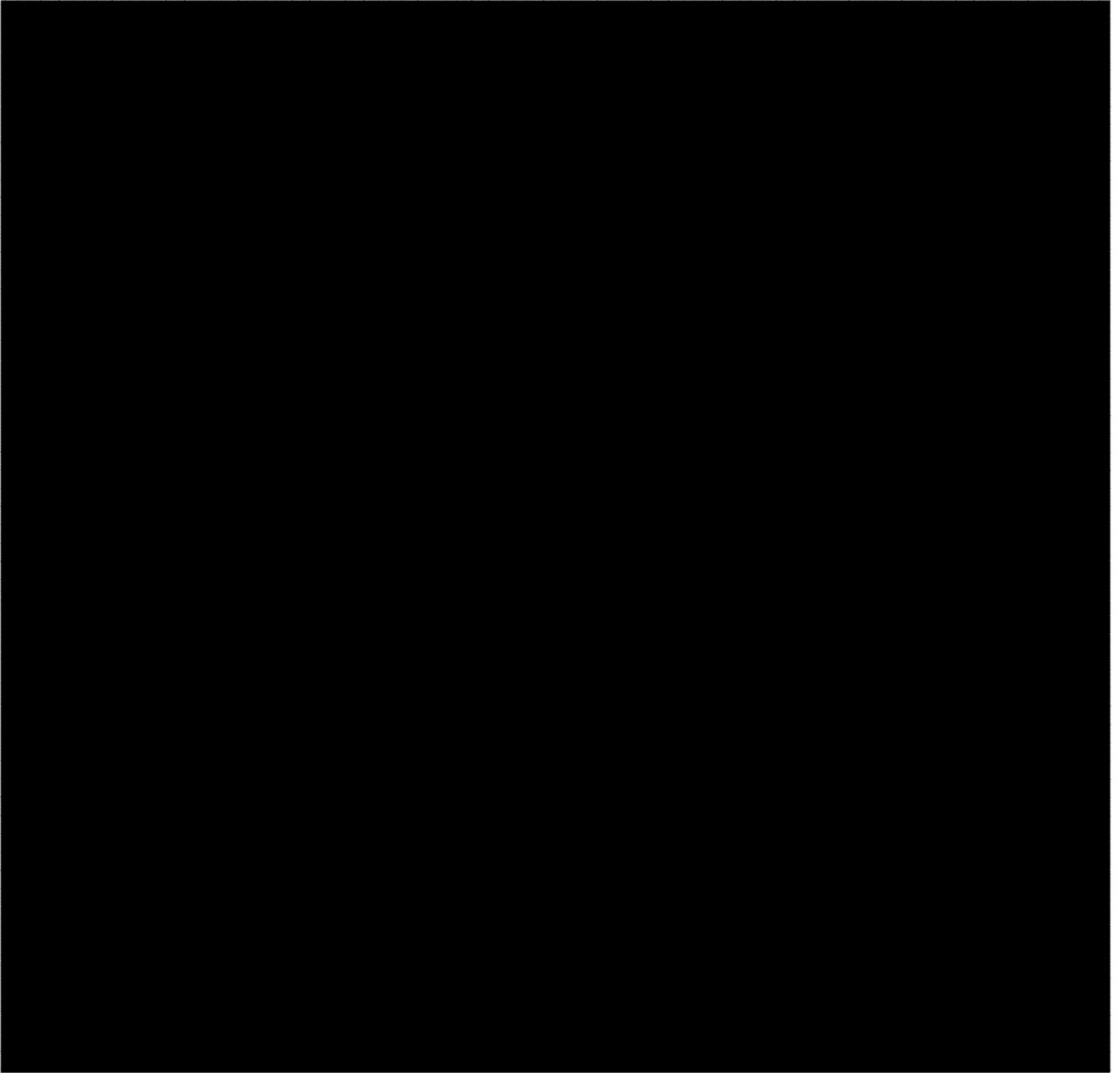


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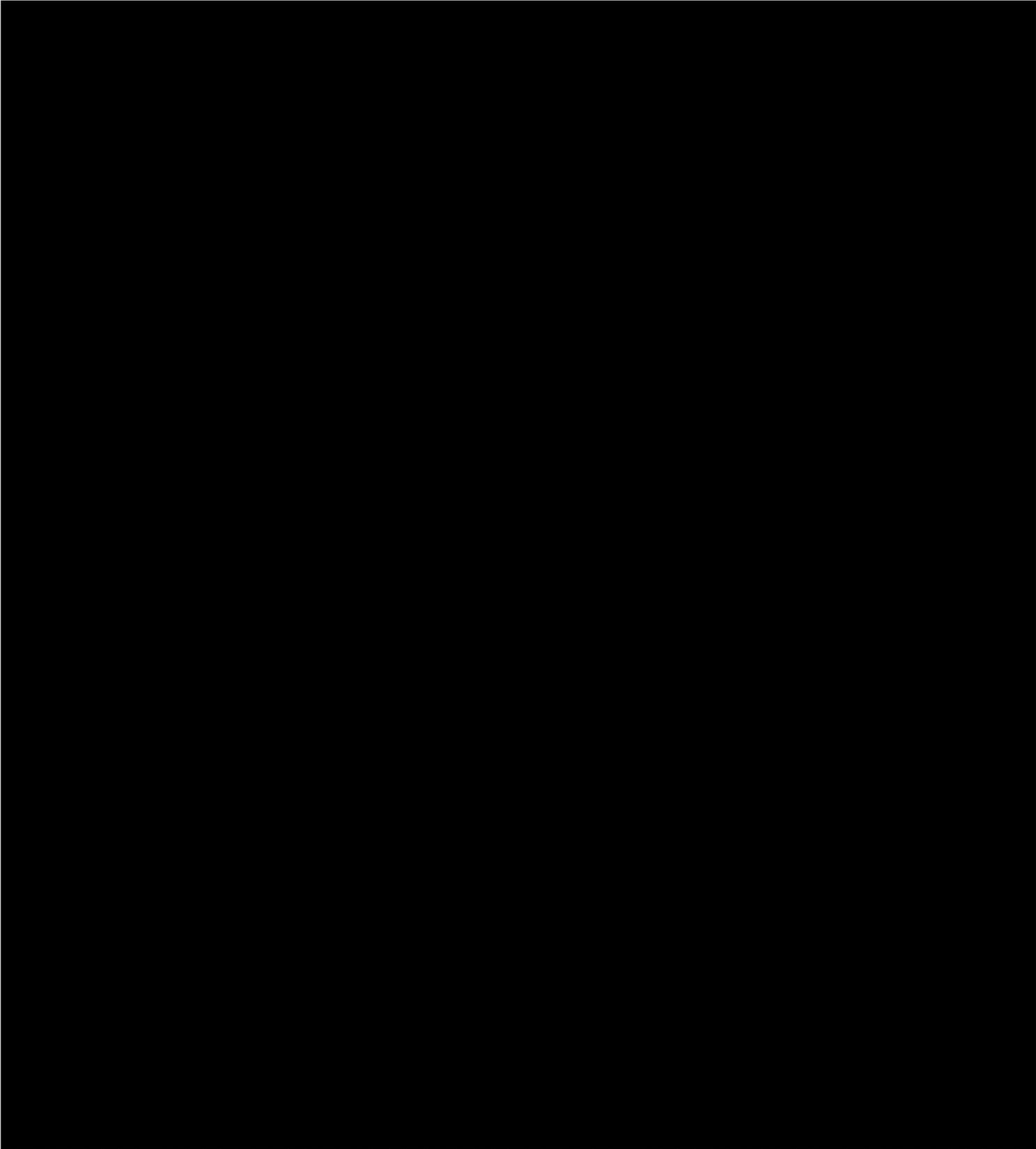
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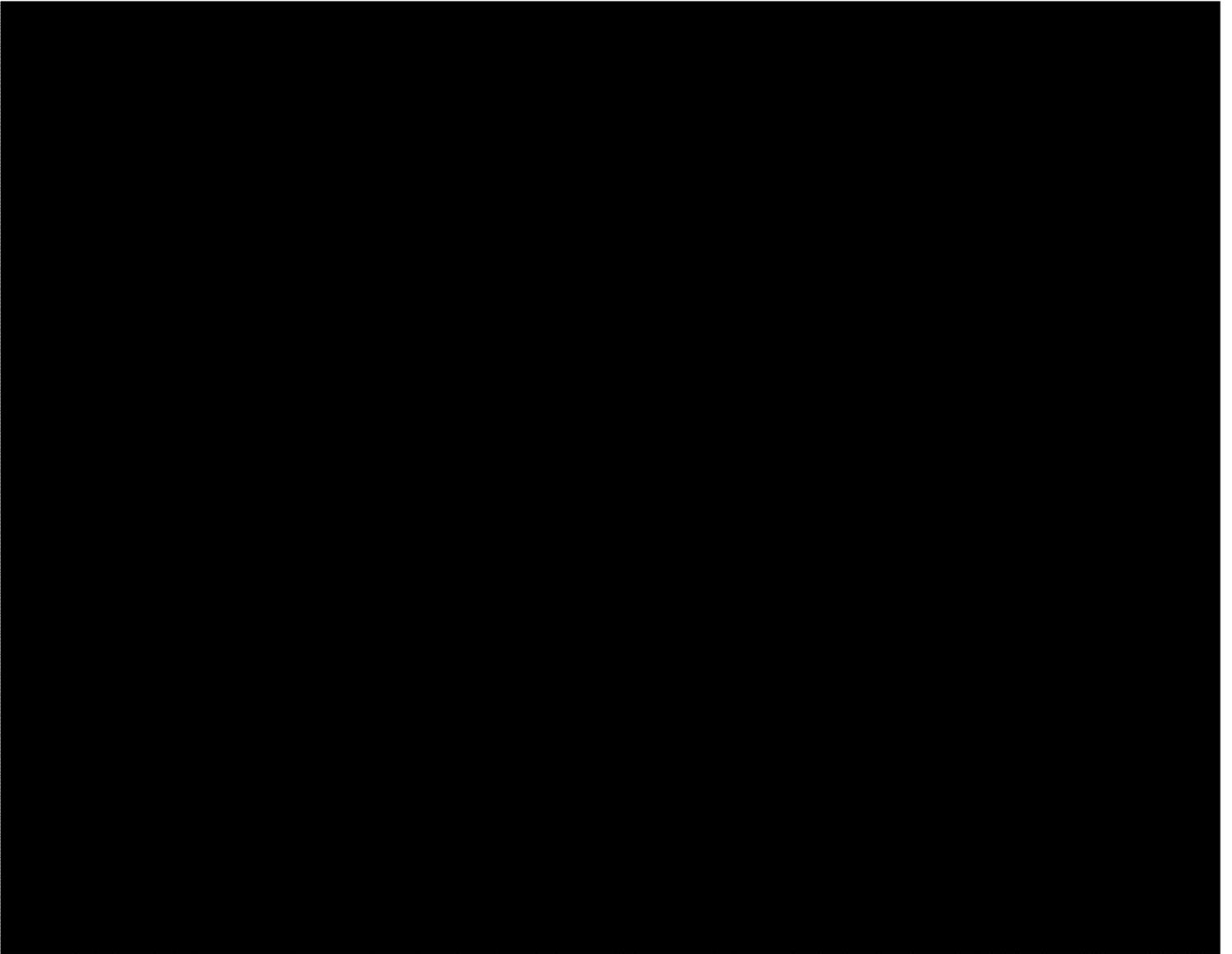




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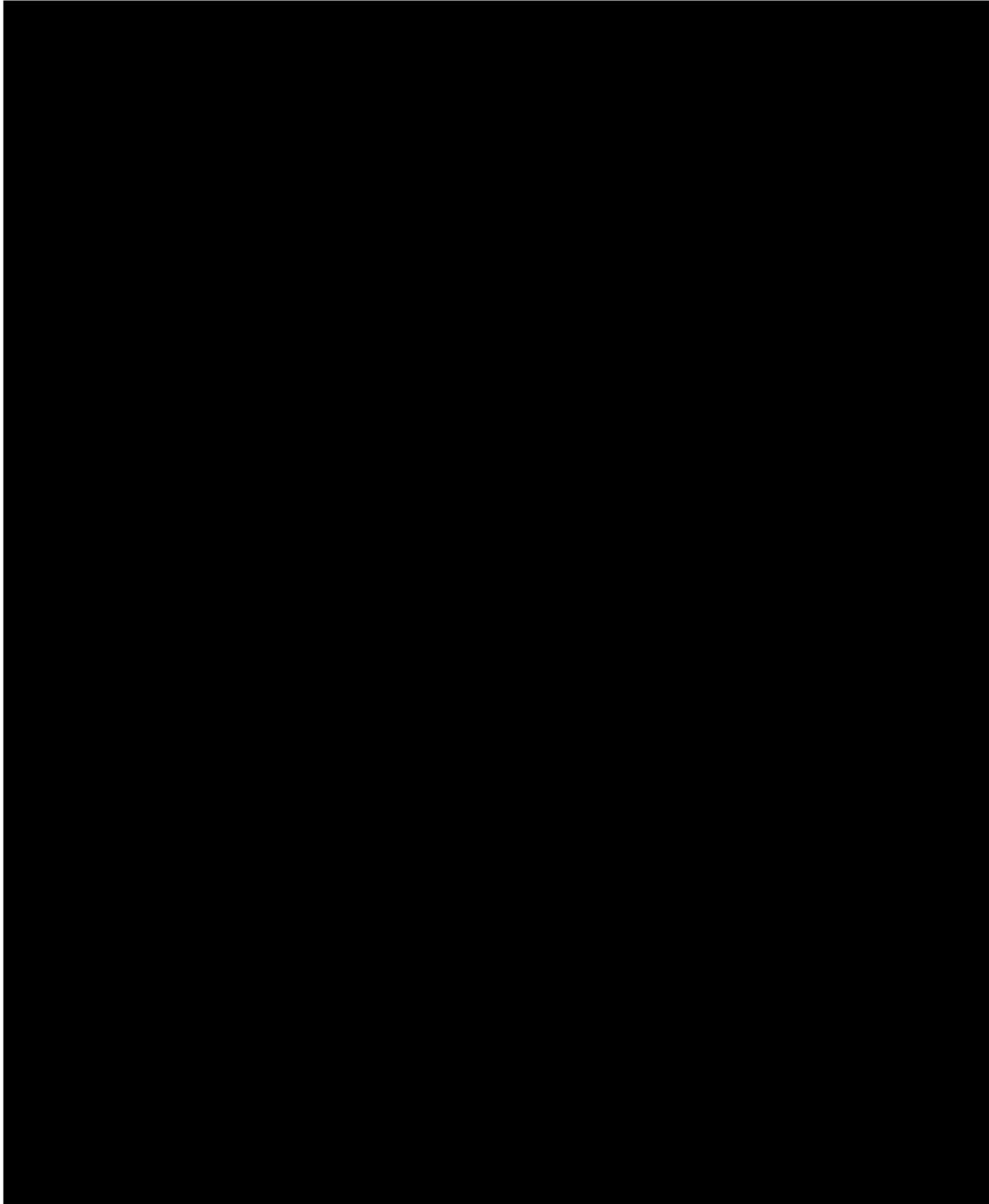


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Appendix E: Workstream One-Page Opportunities

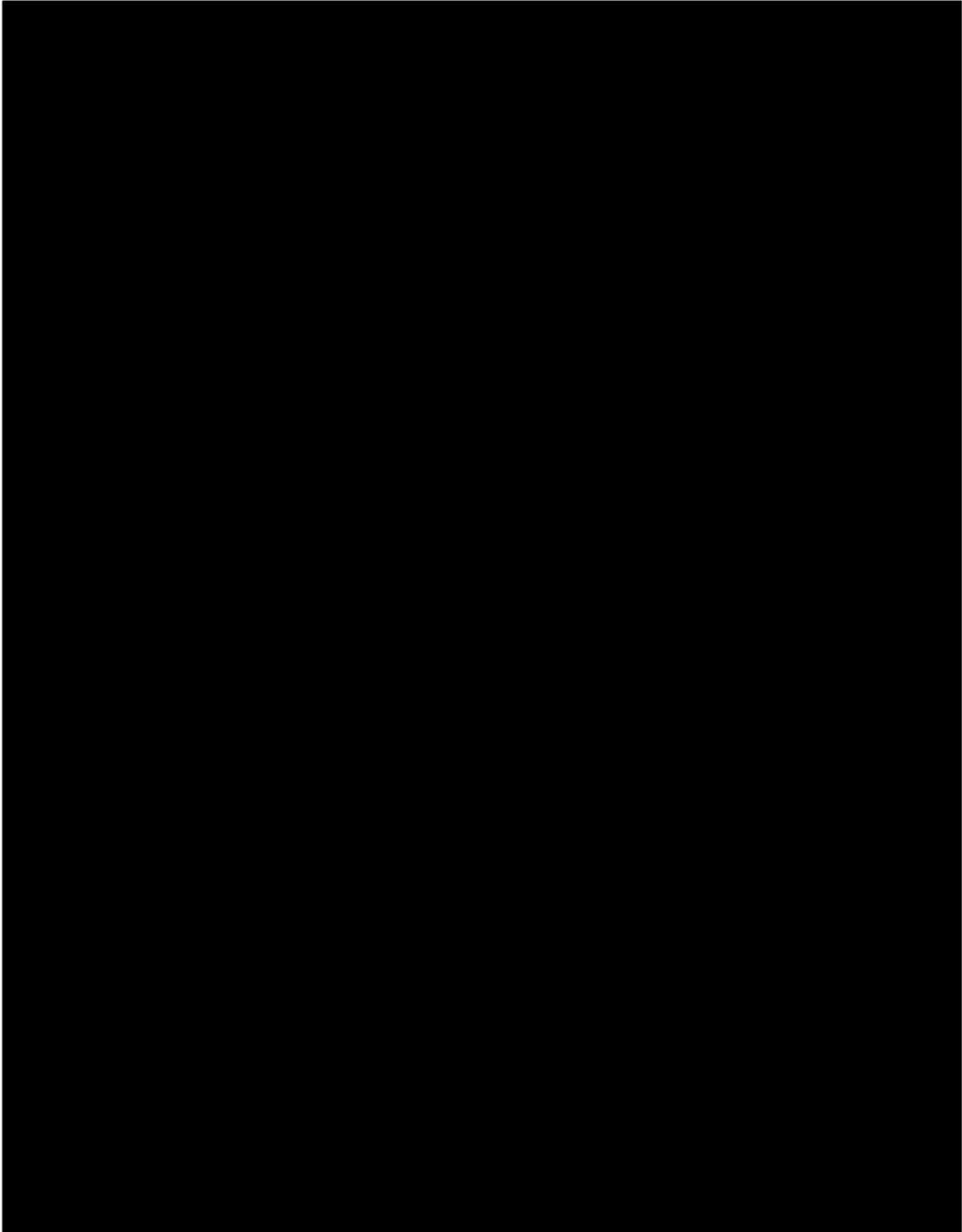


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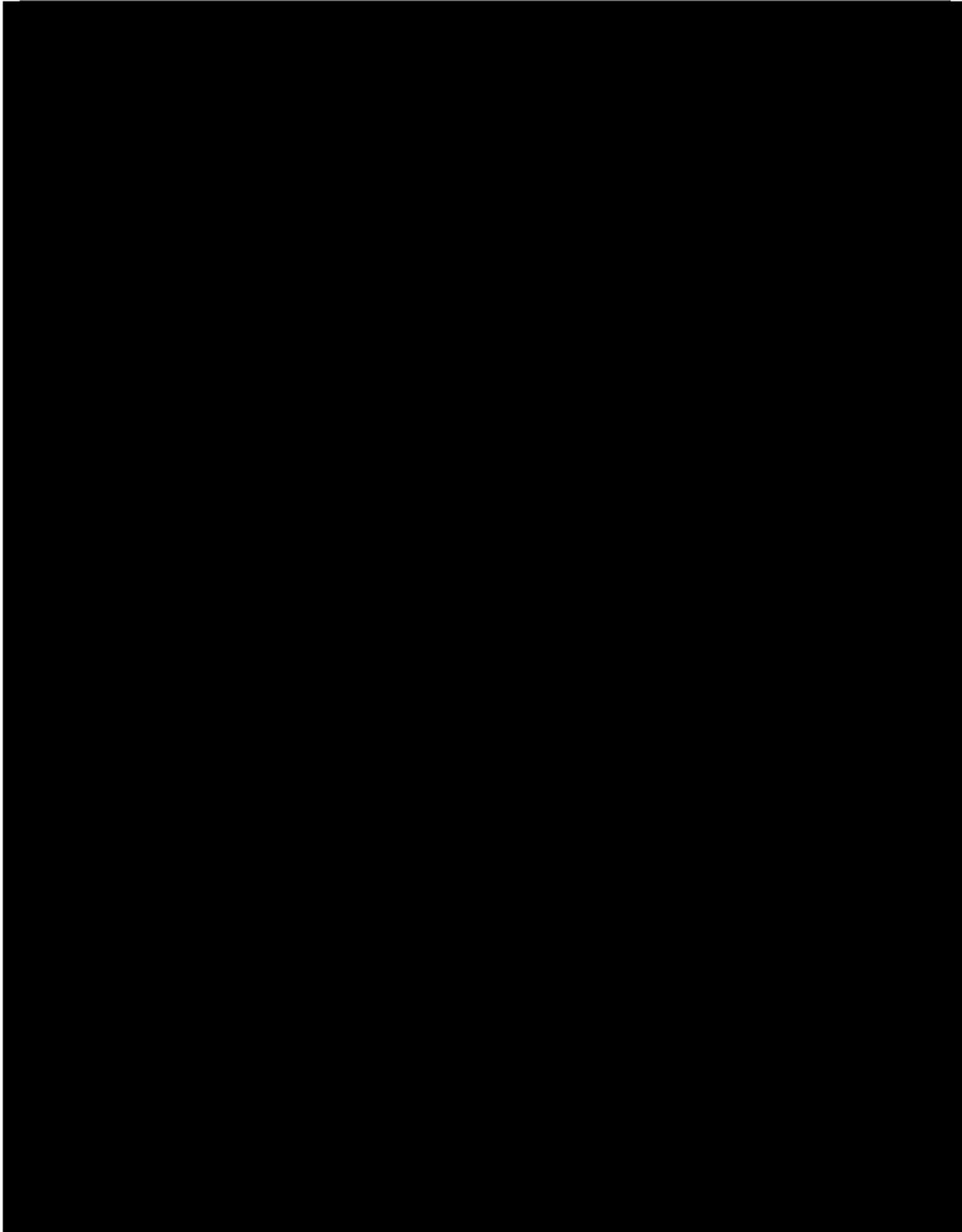




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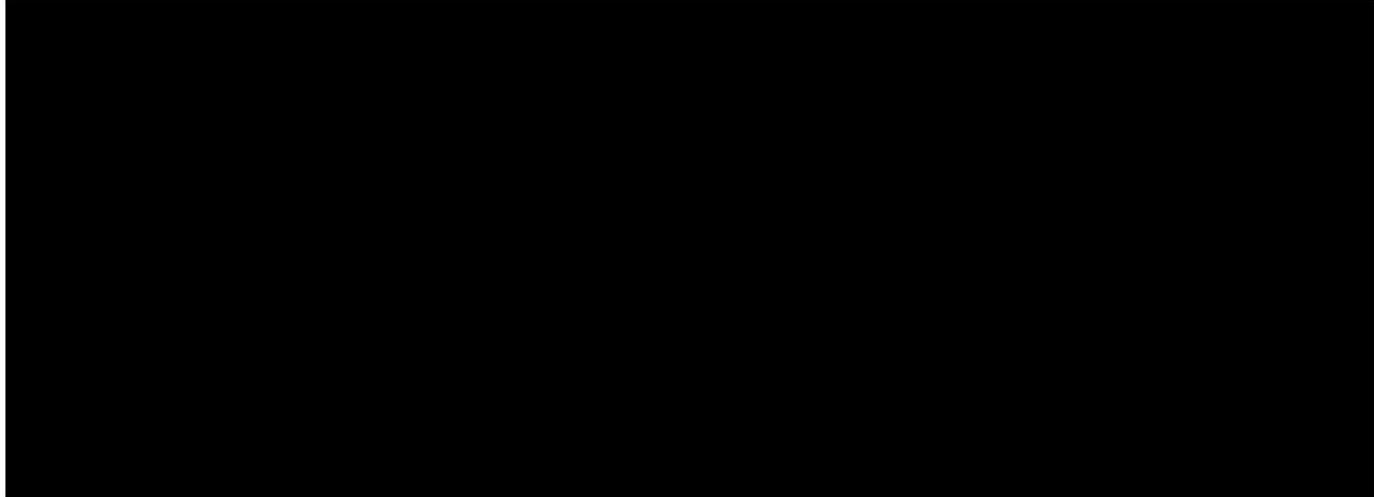




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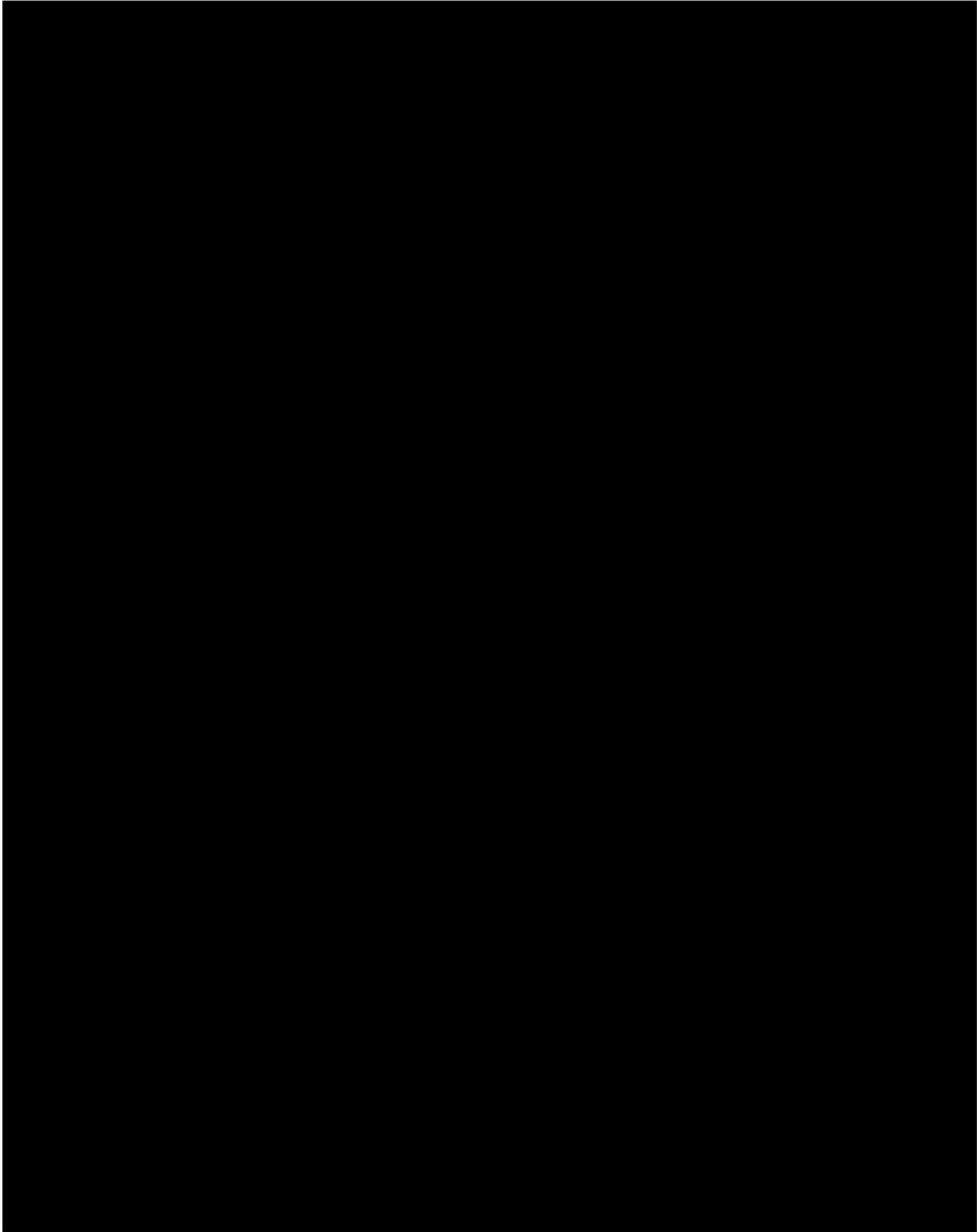




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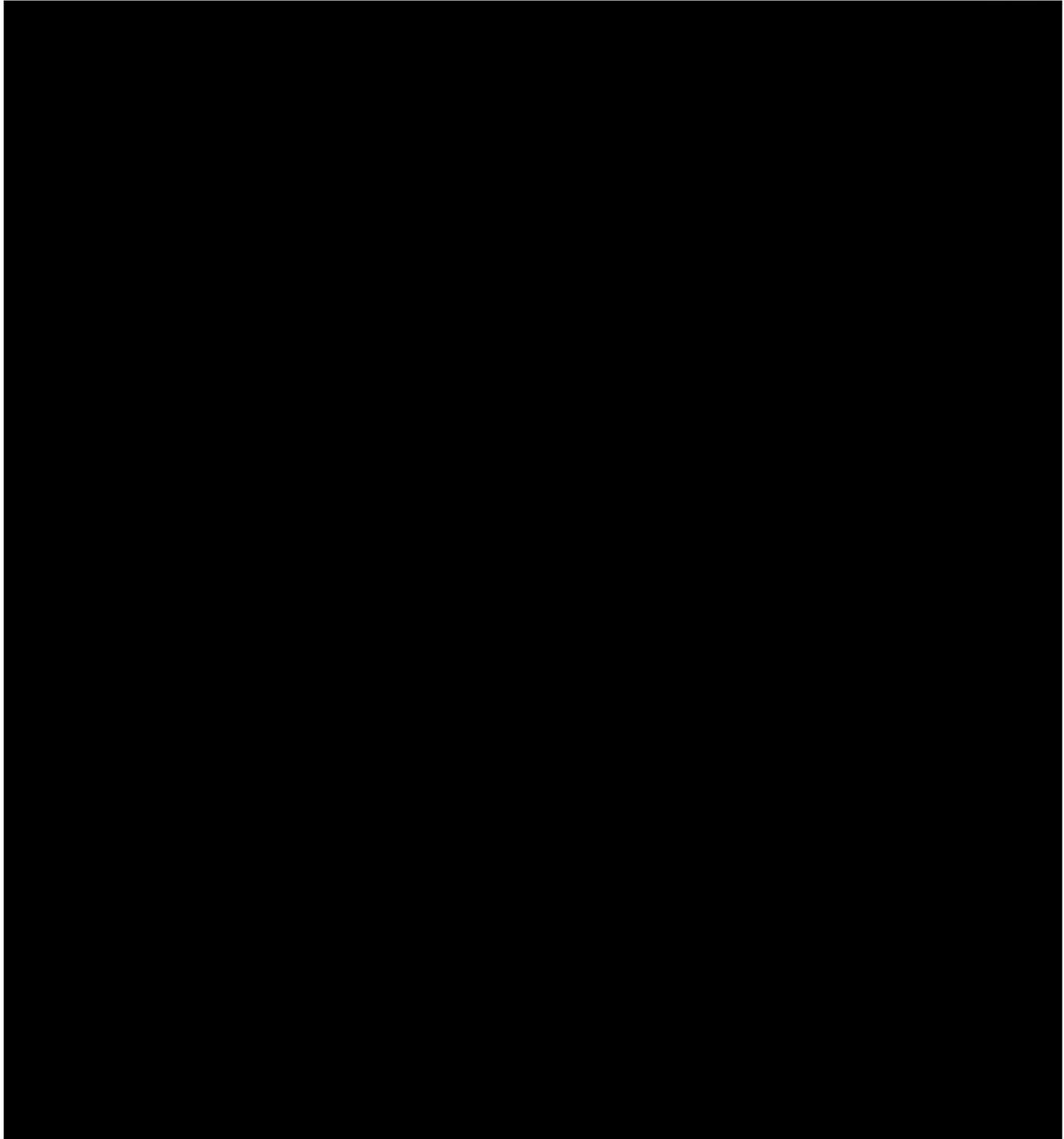




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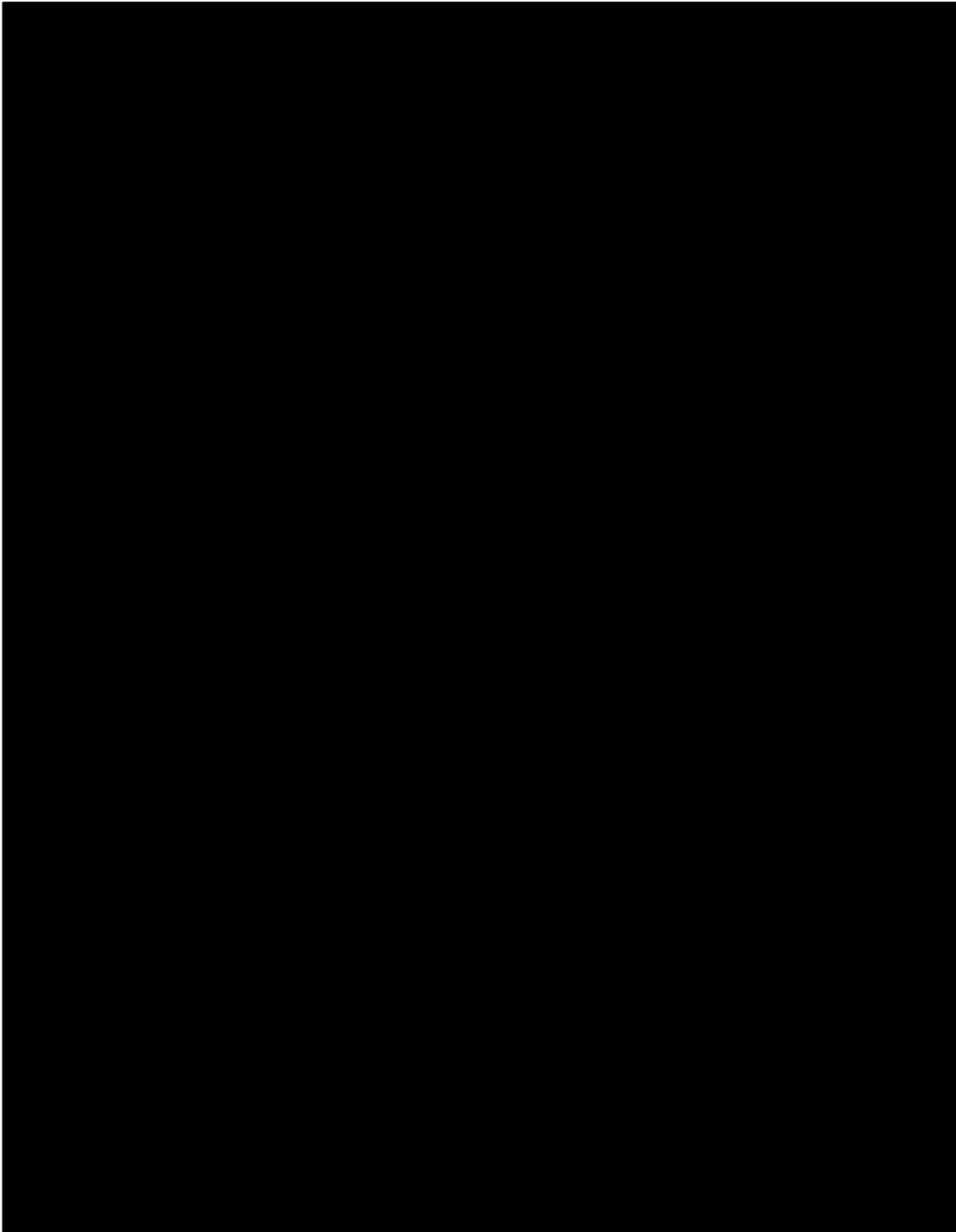




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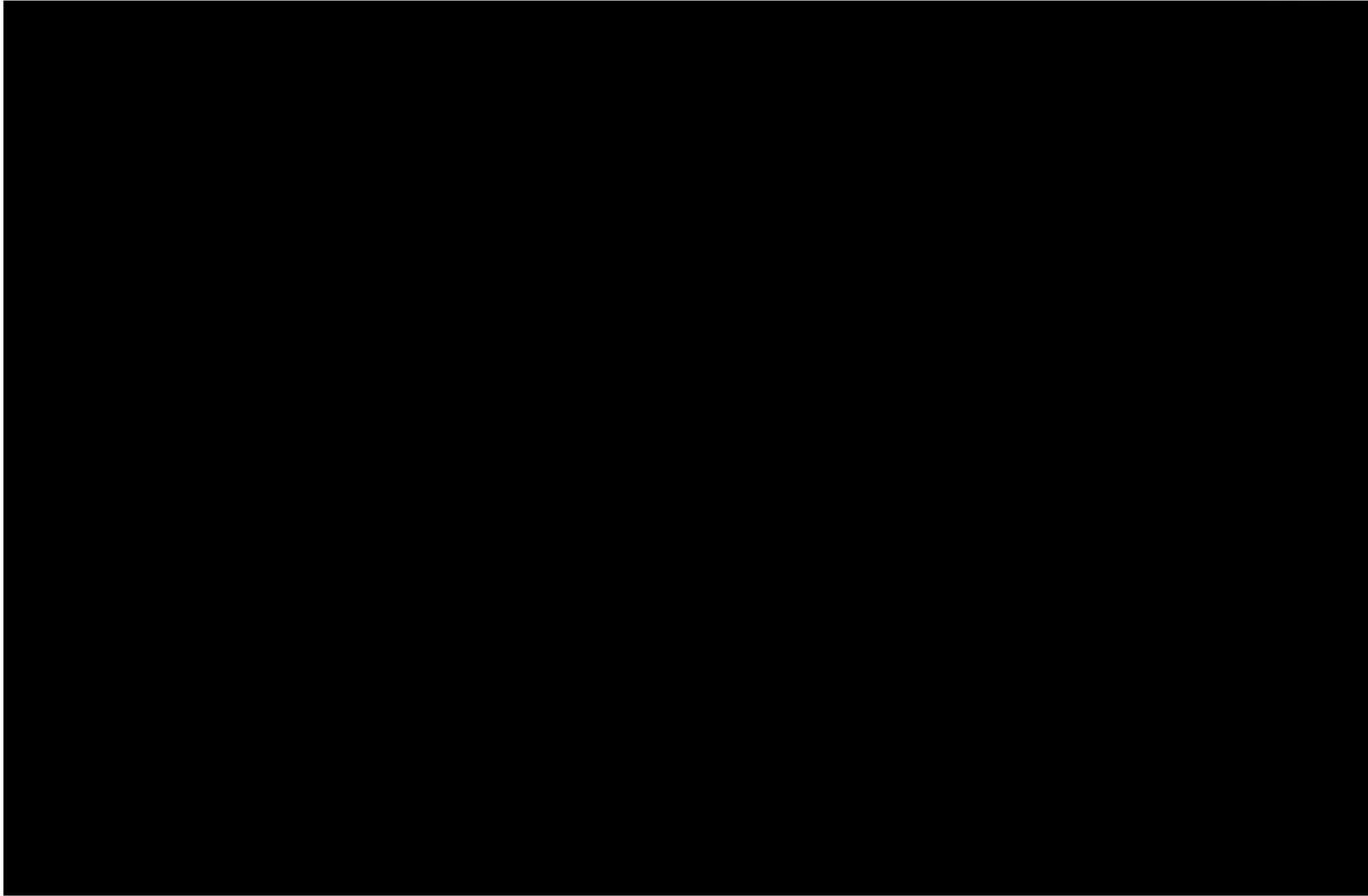
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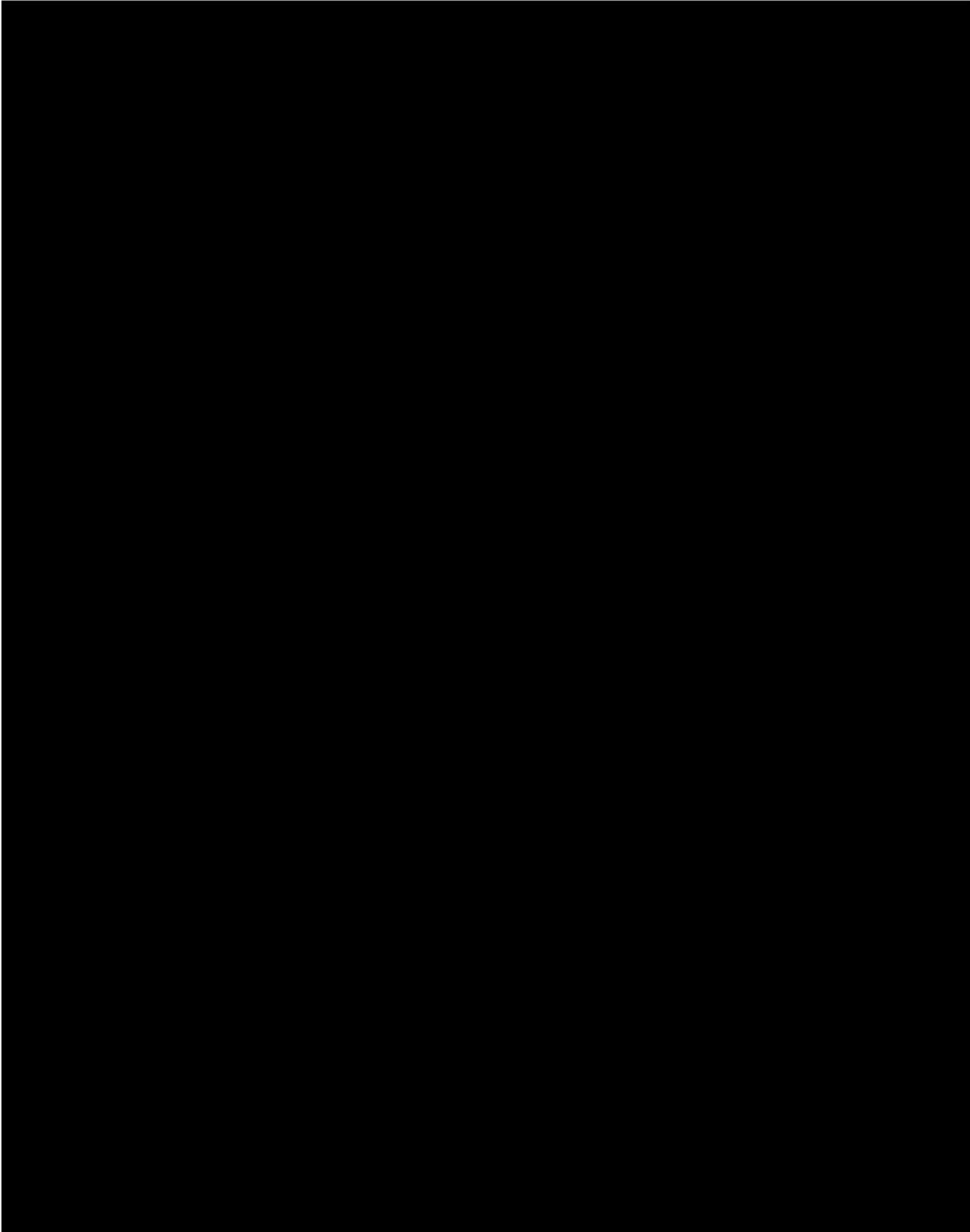


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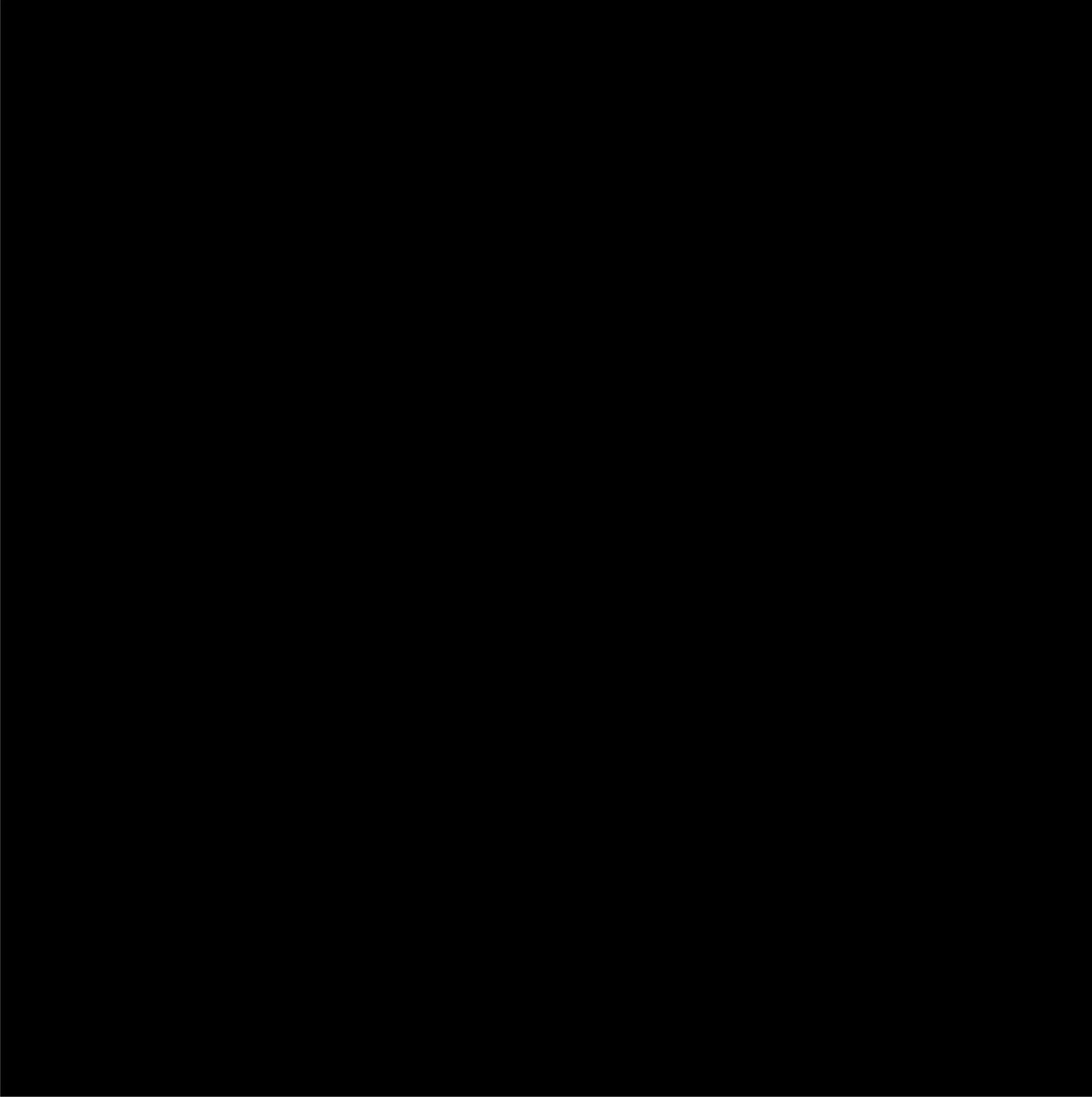


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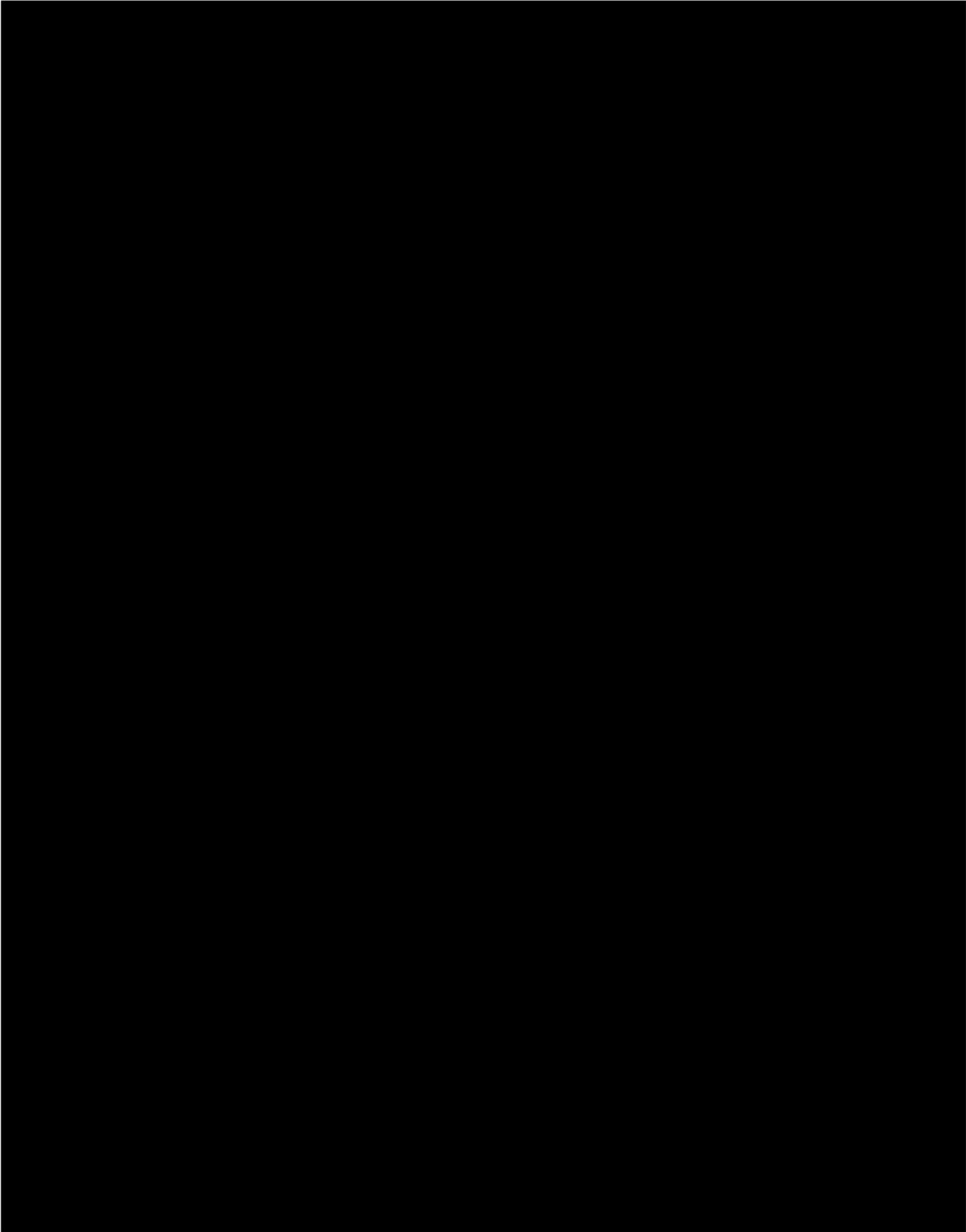


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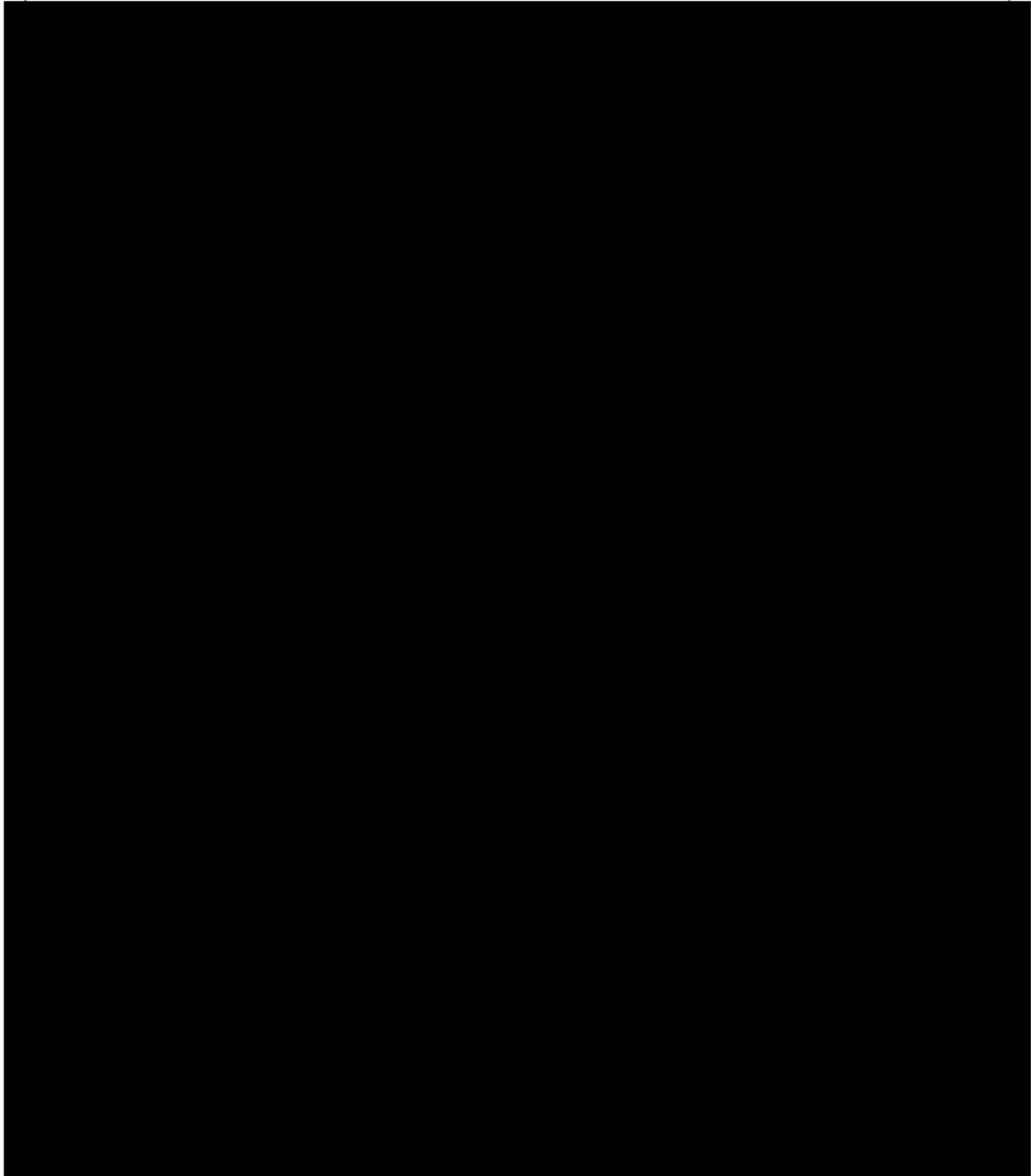


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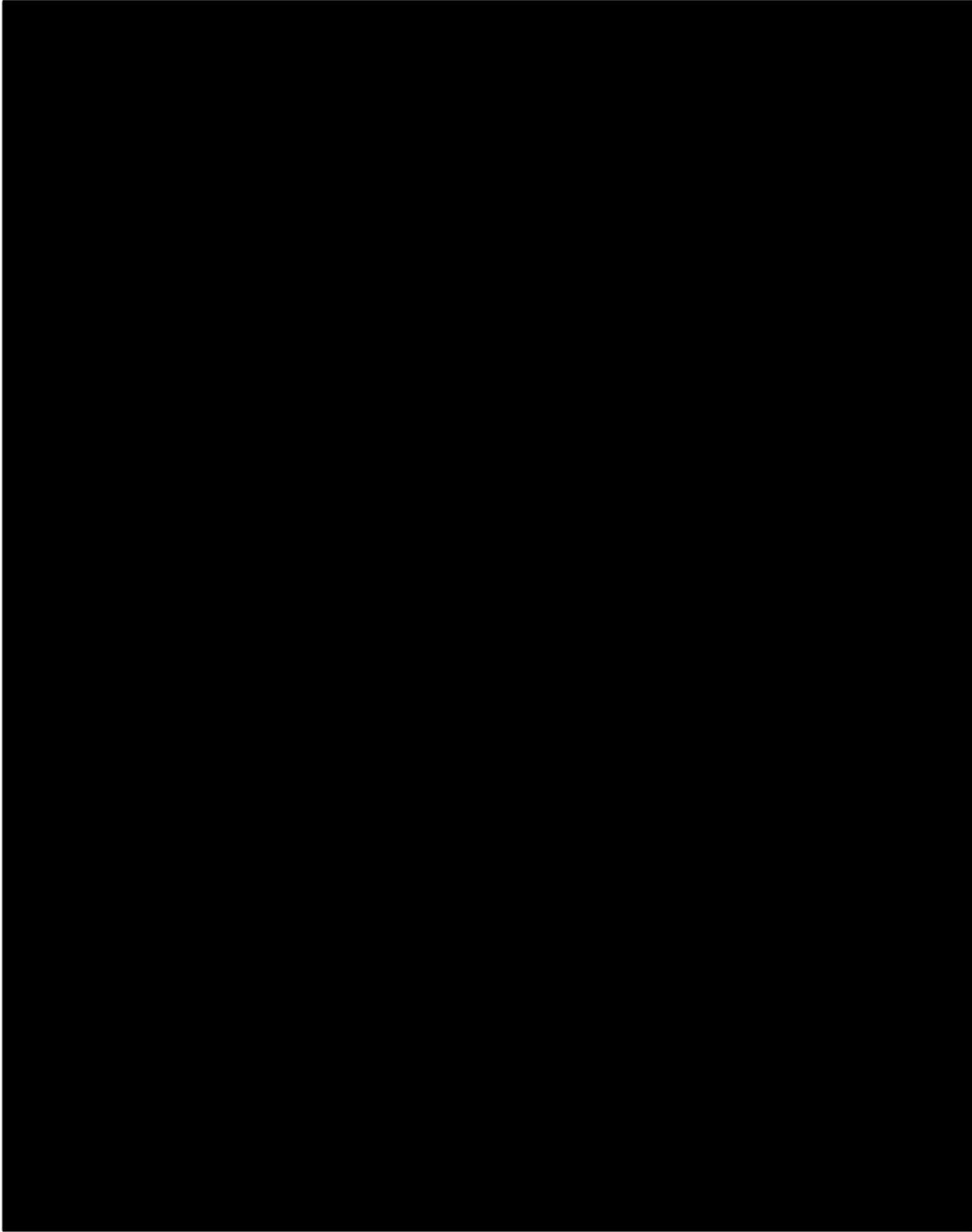


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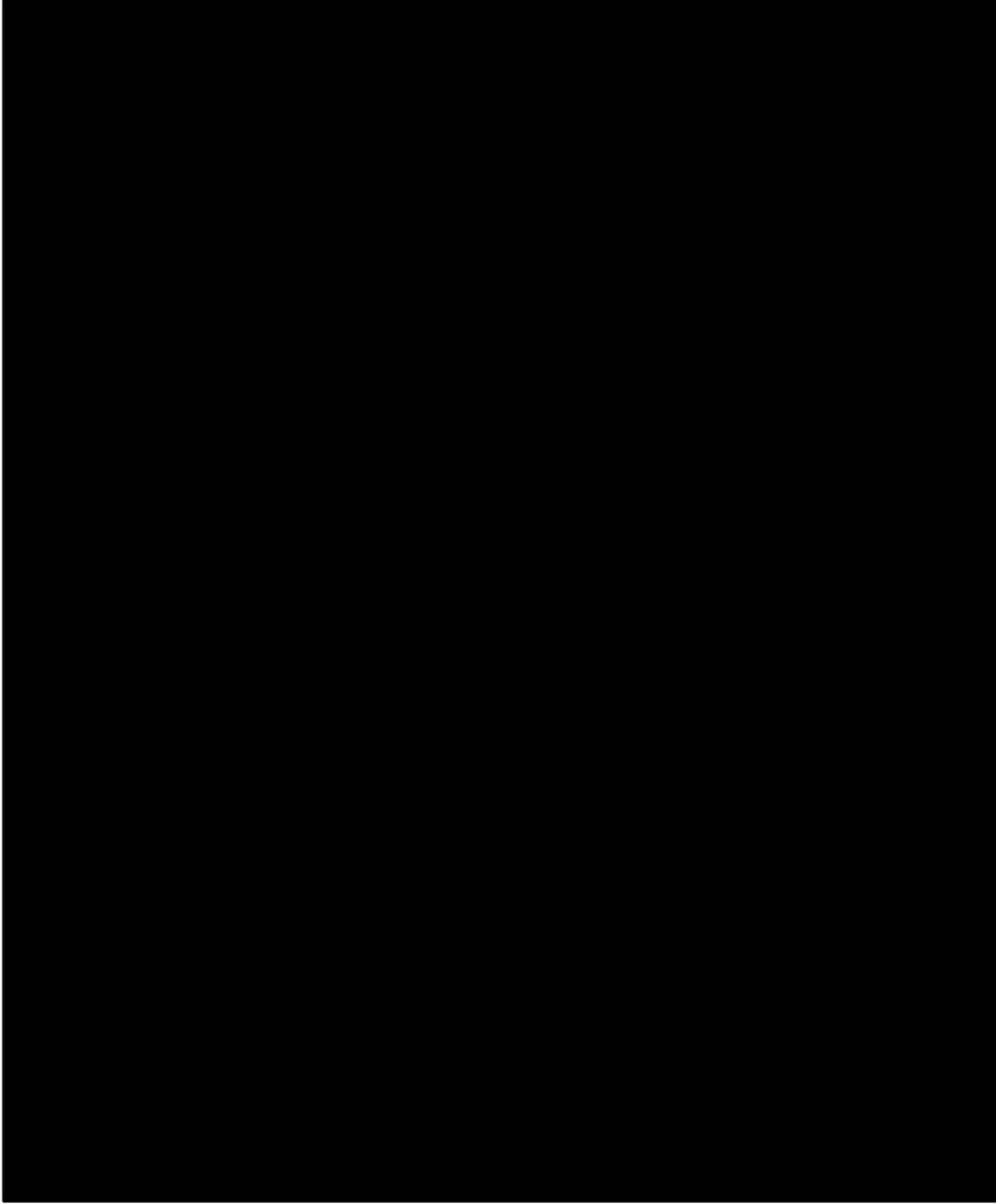




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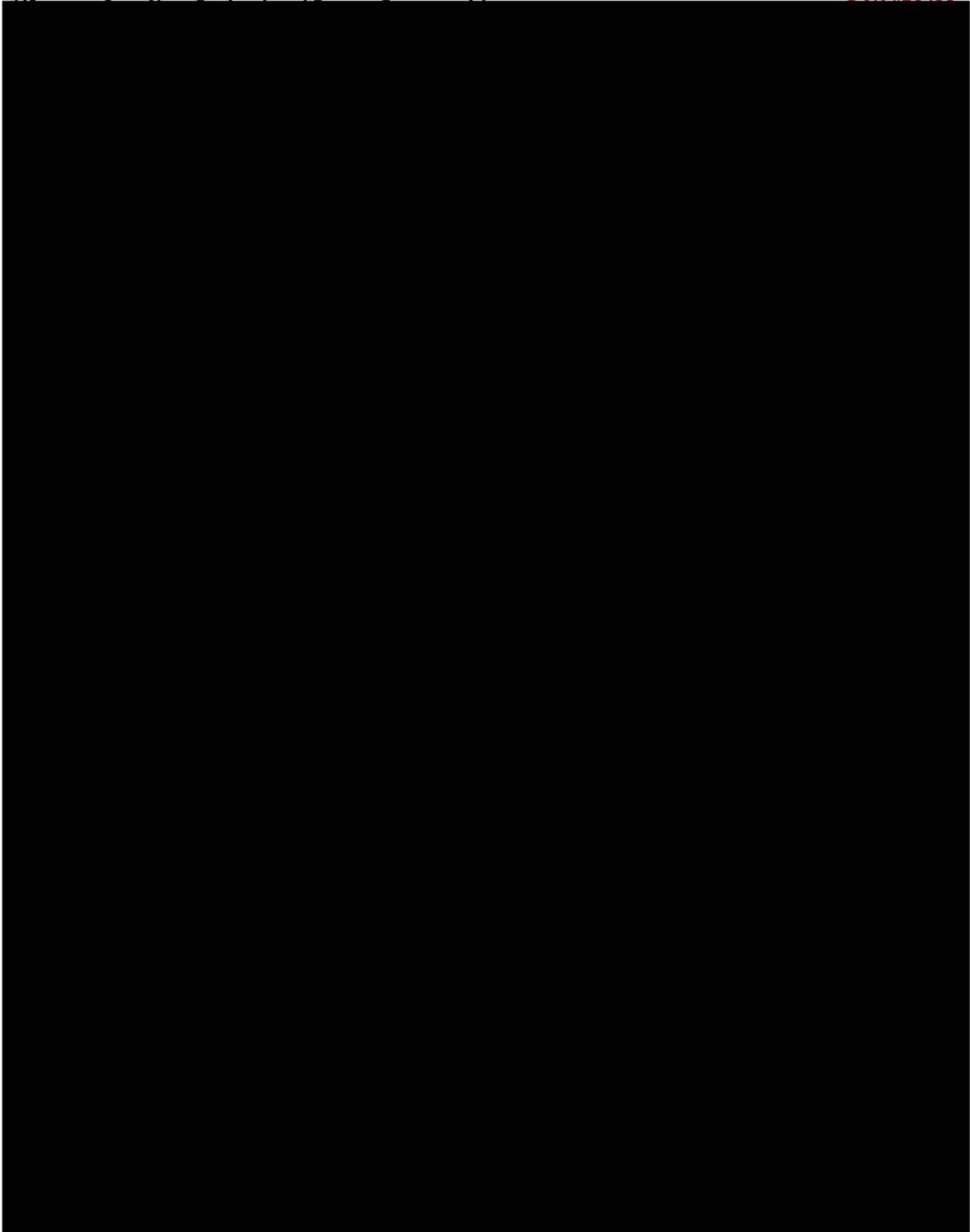




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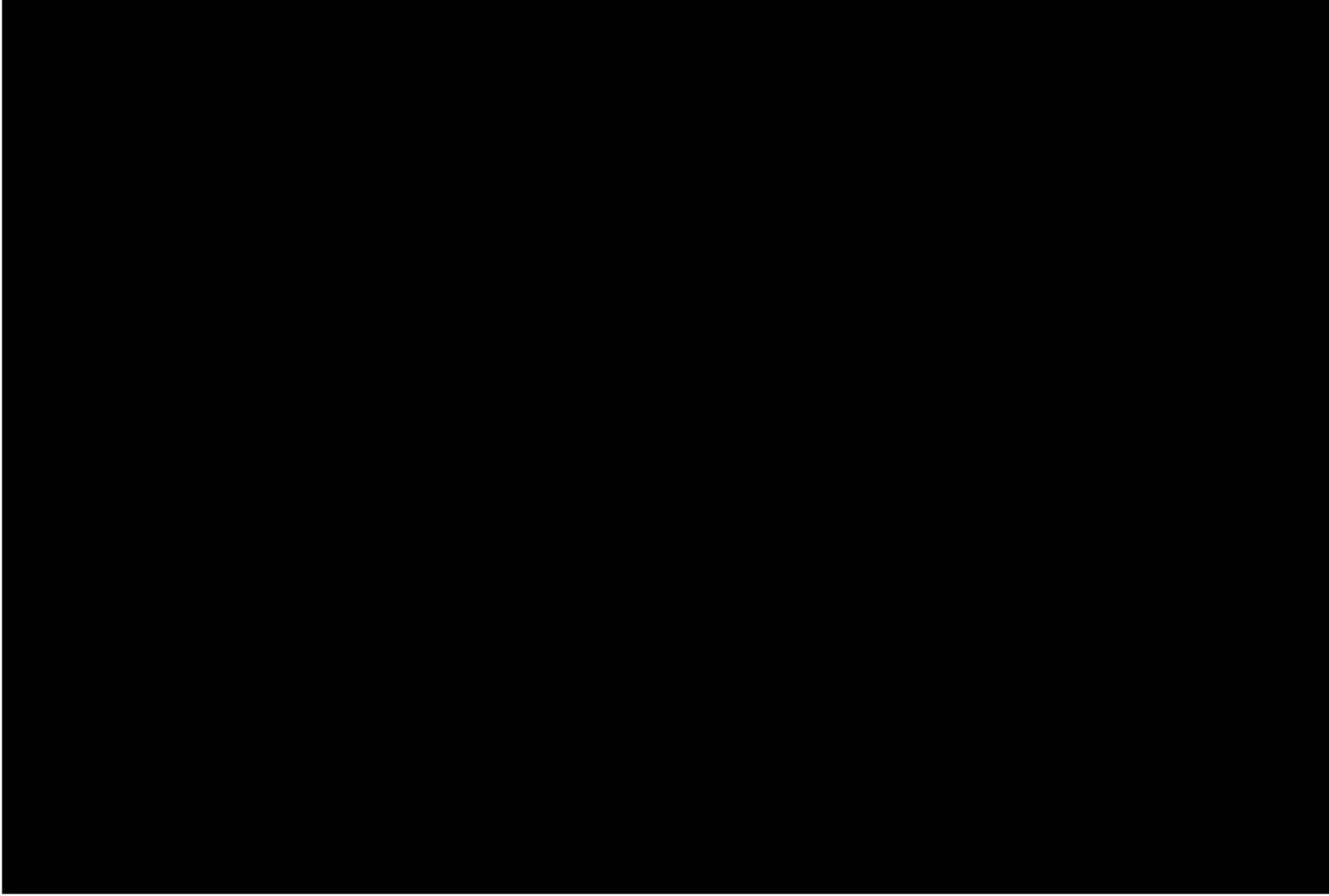
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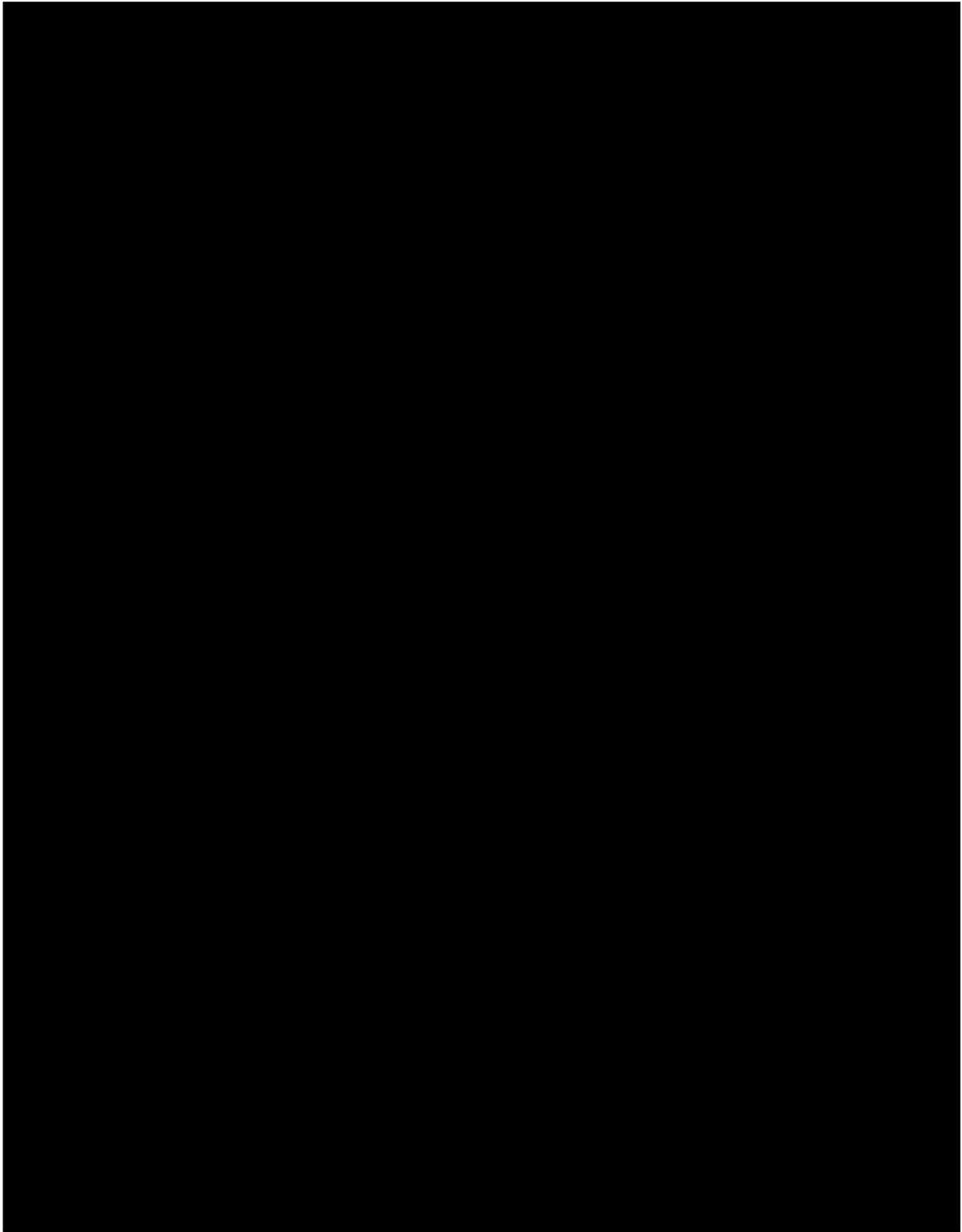


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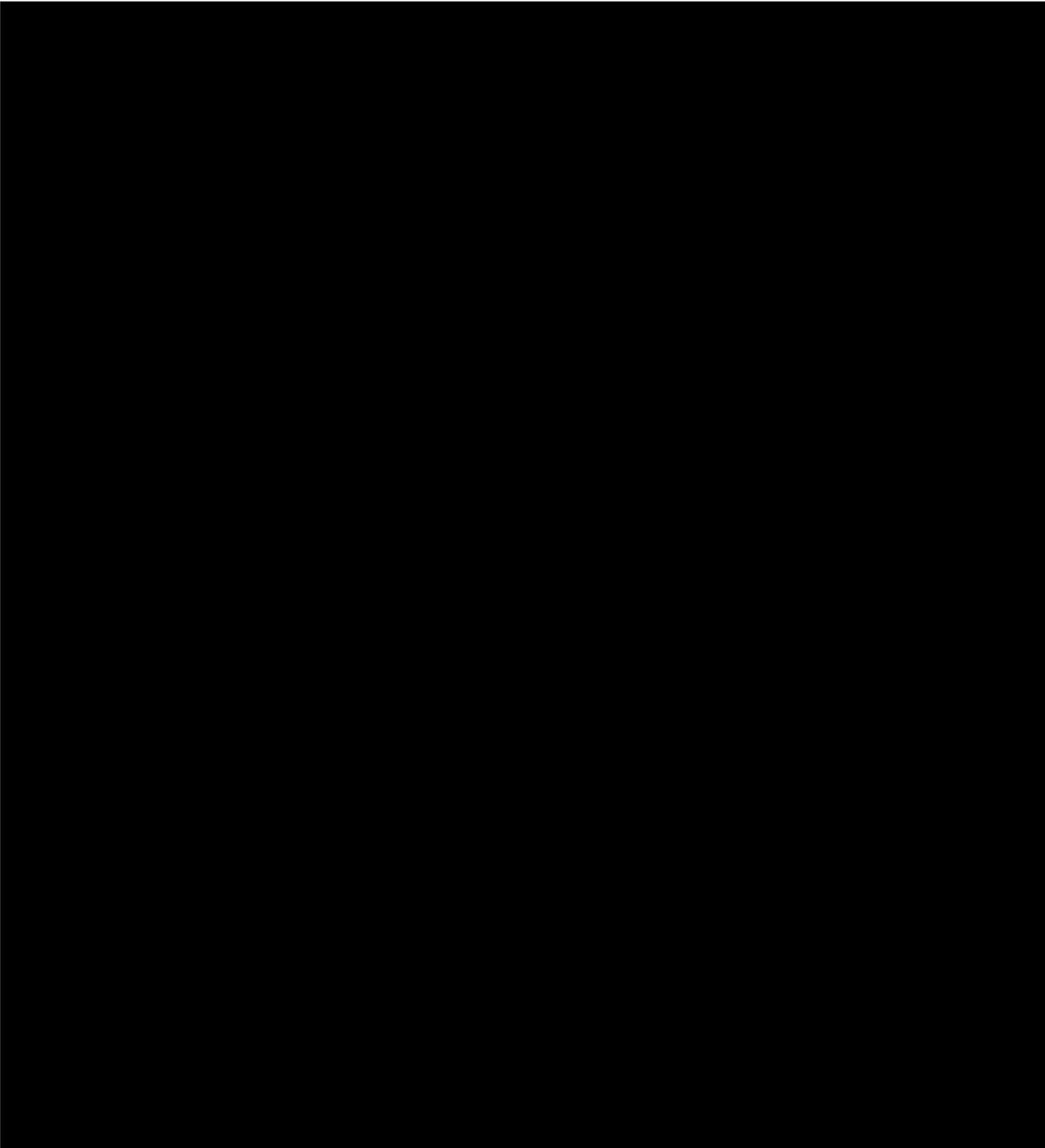


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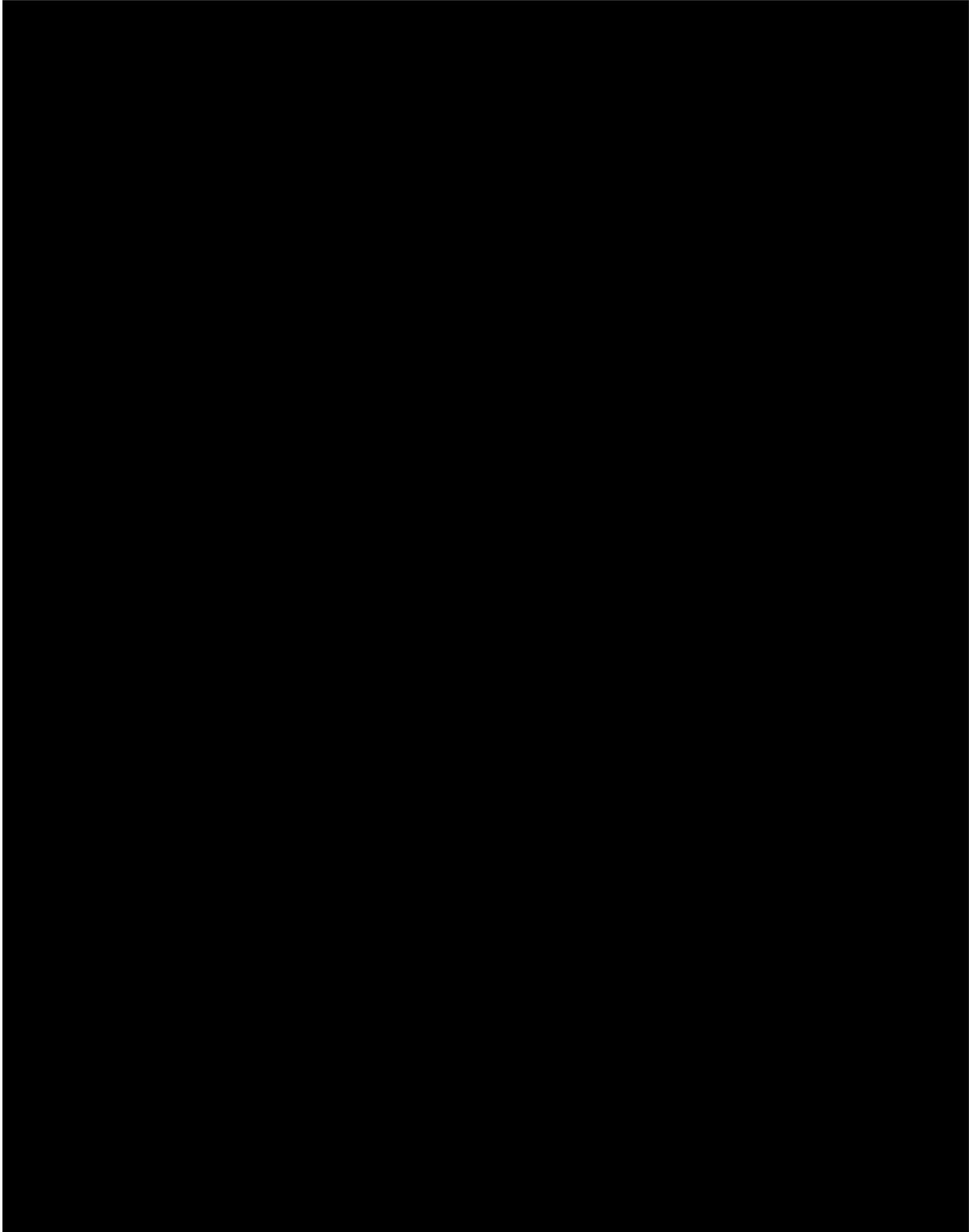


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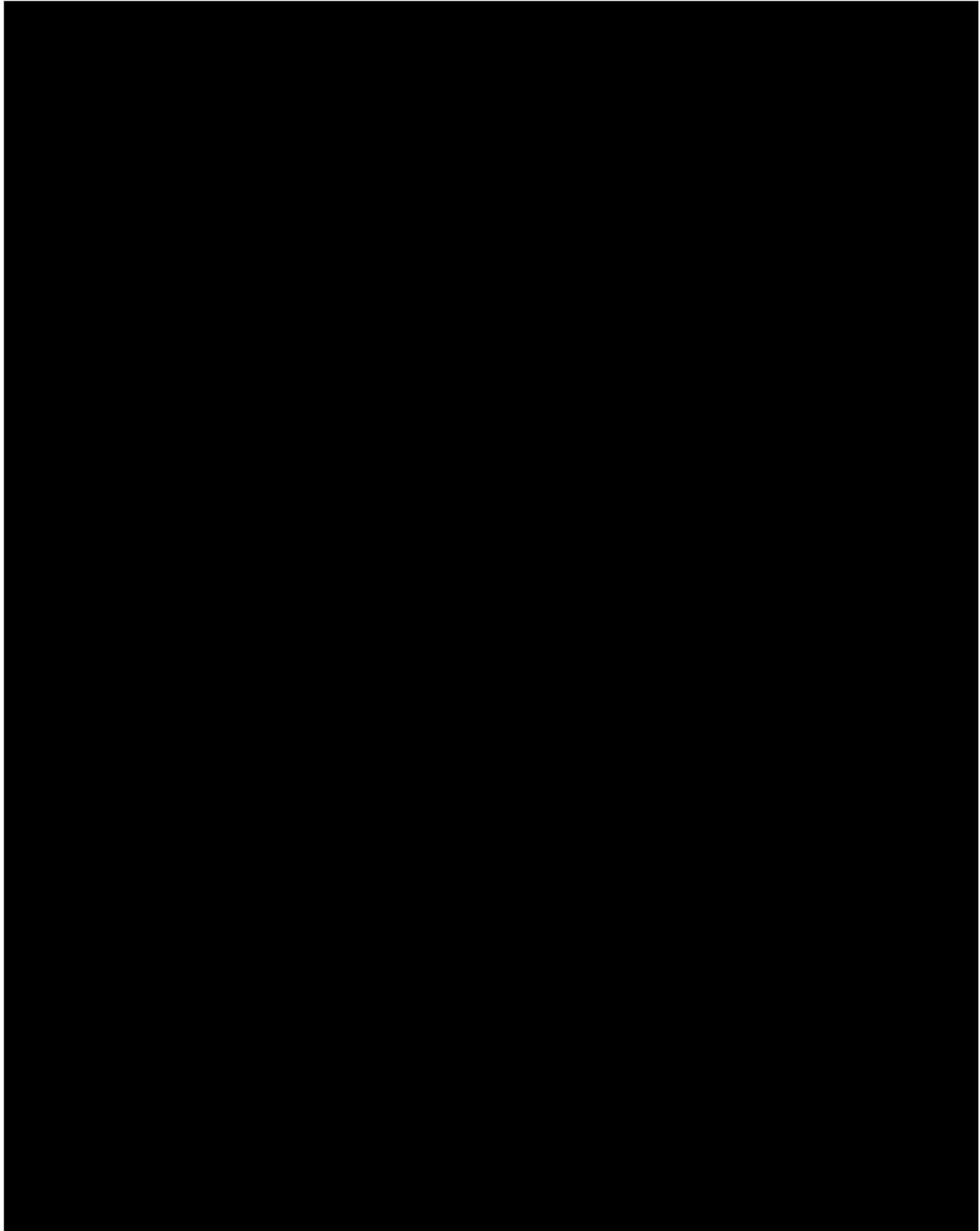


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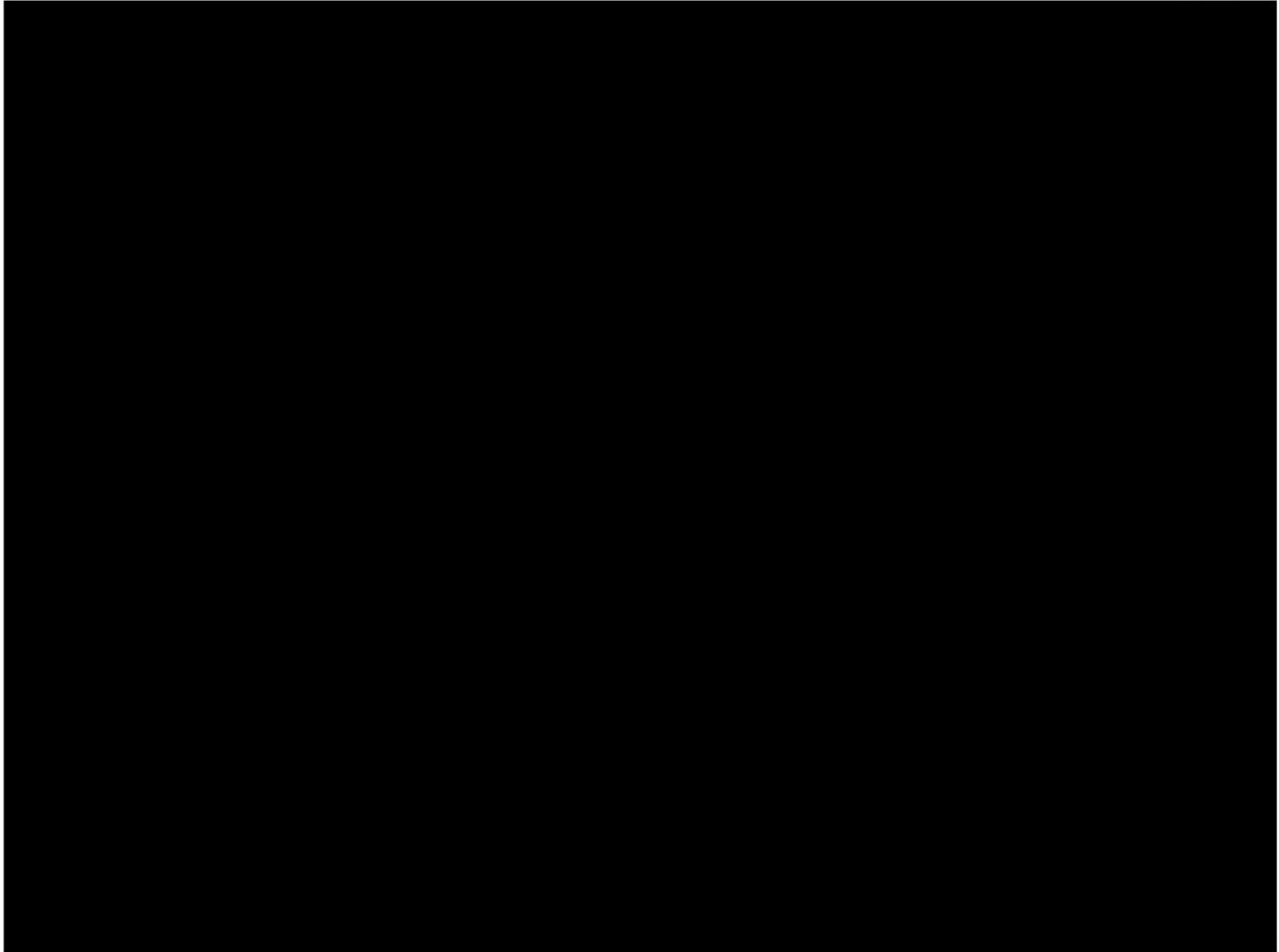


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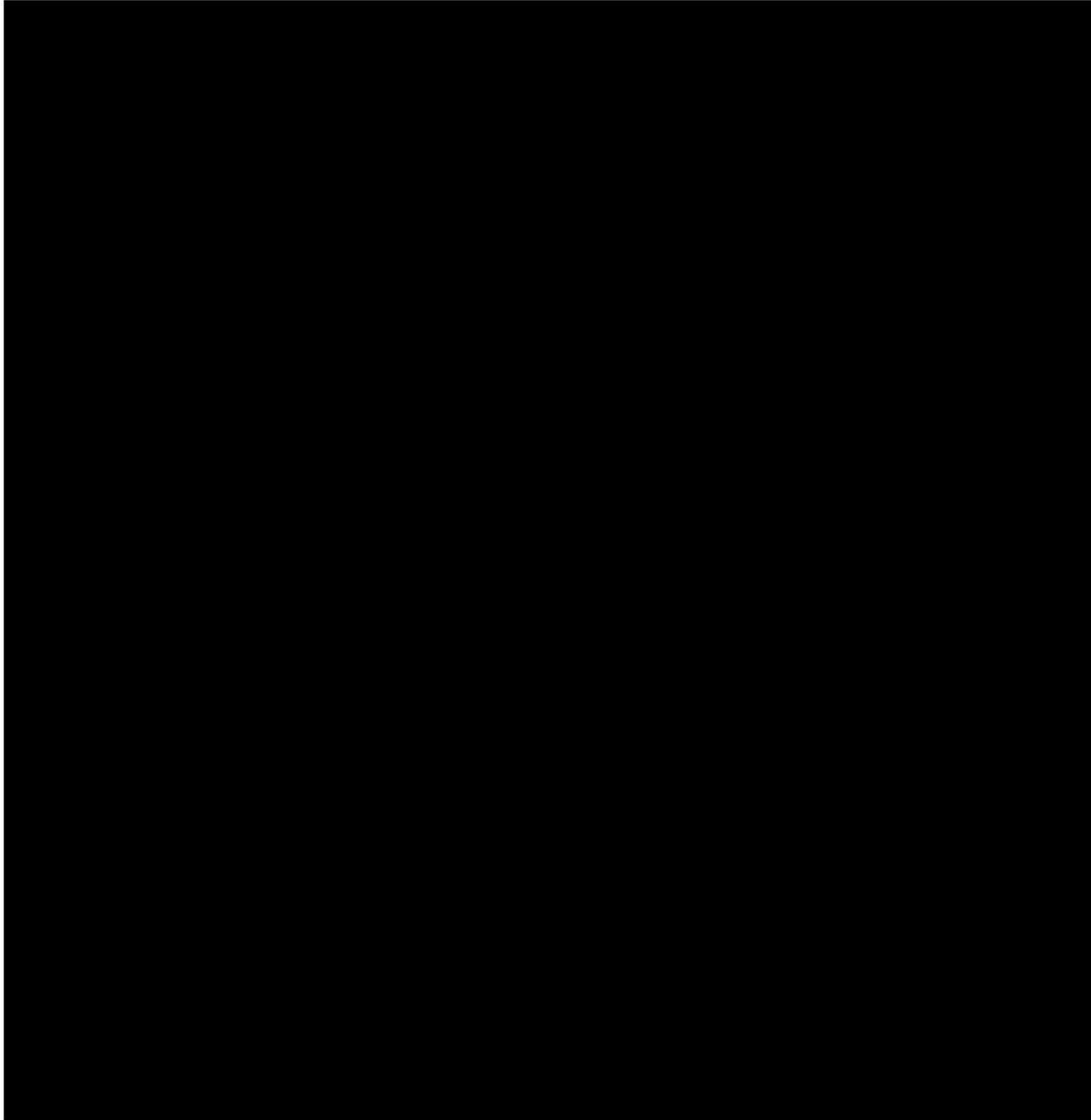




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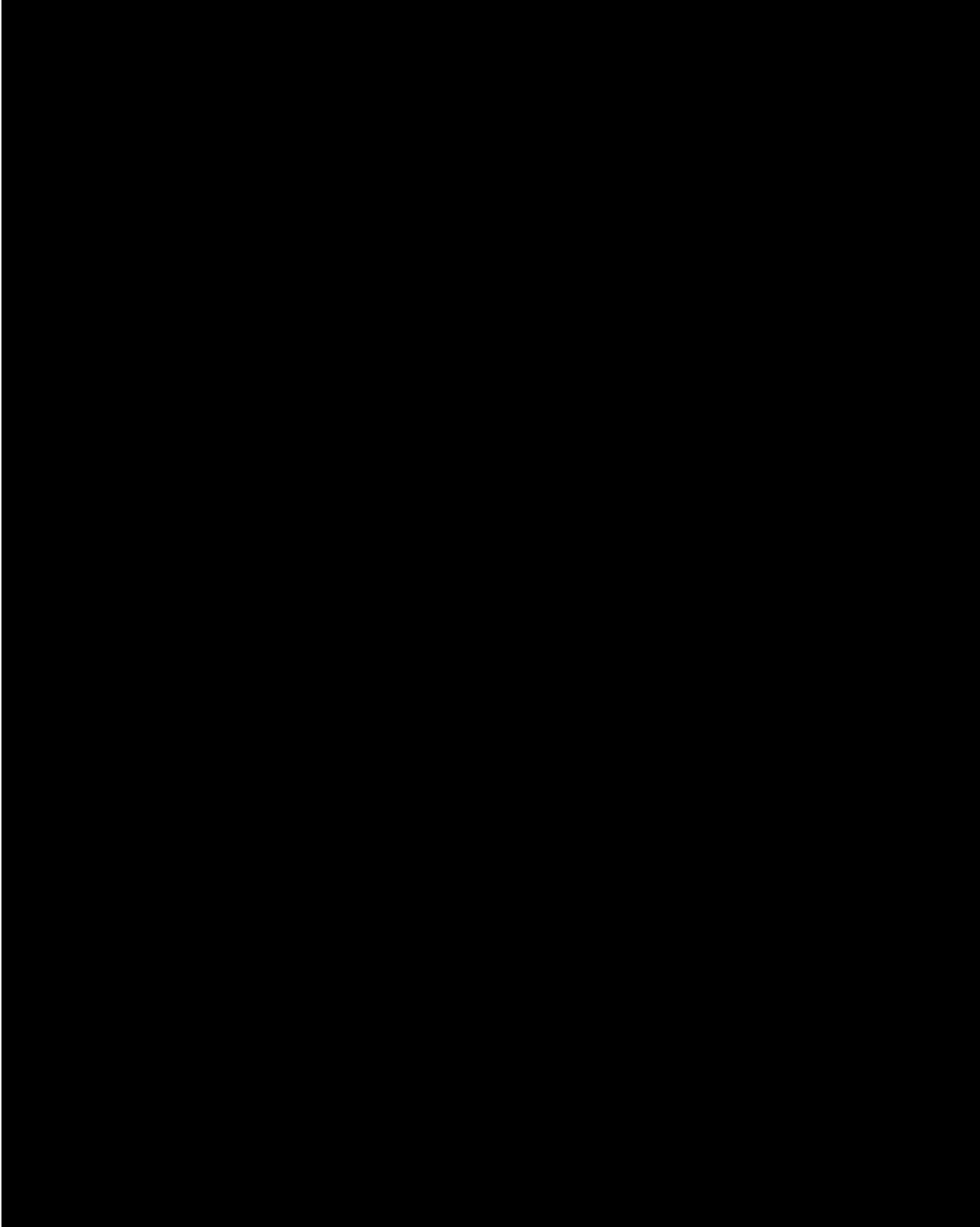




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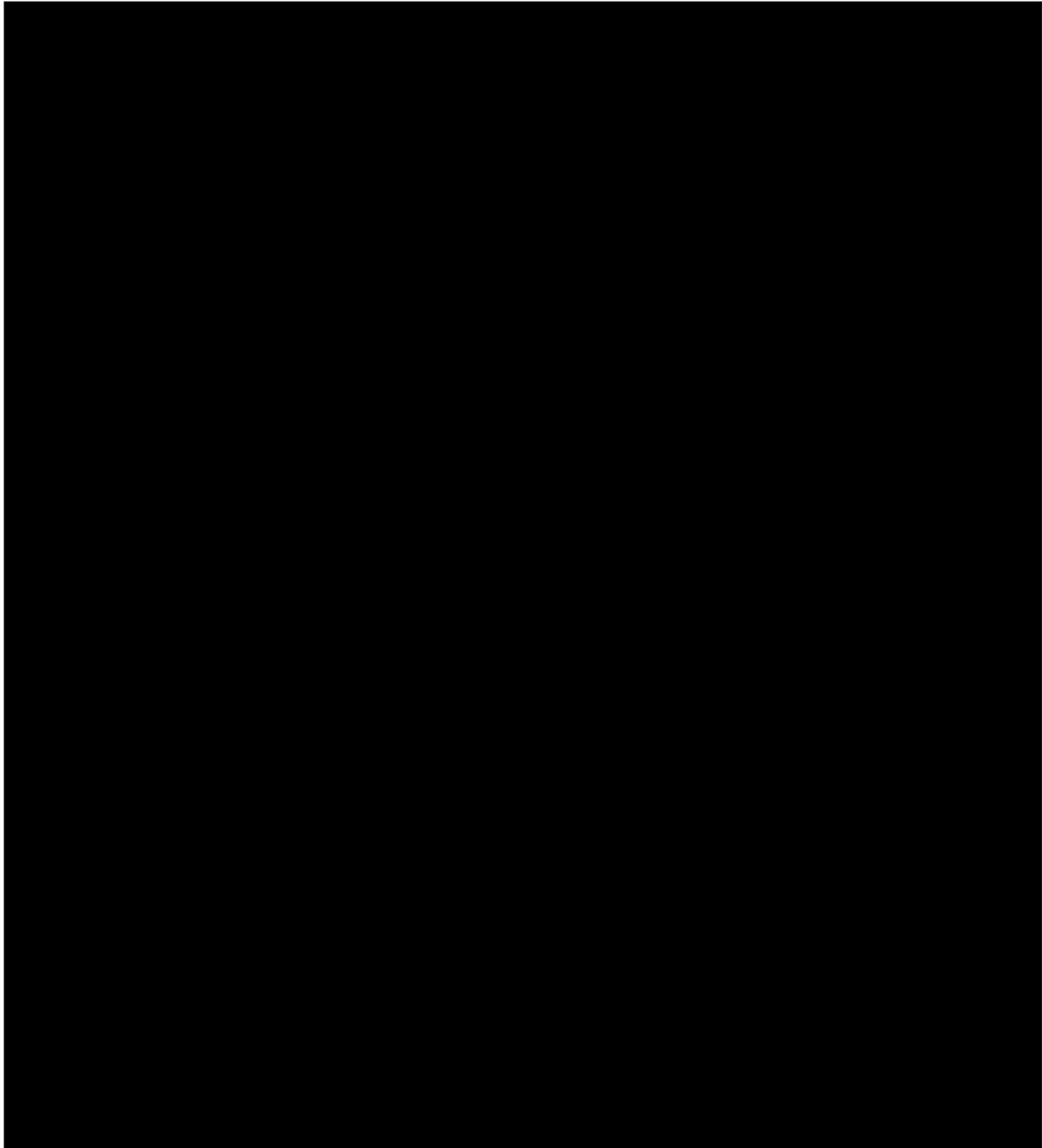
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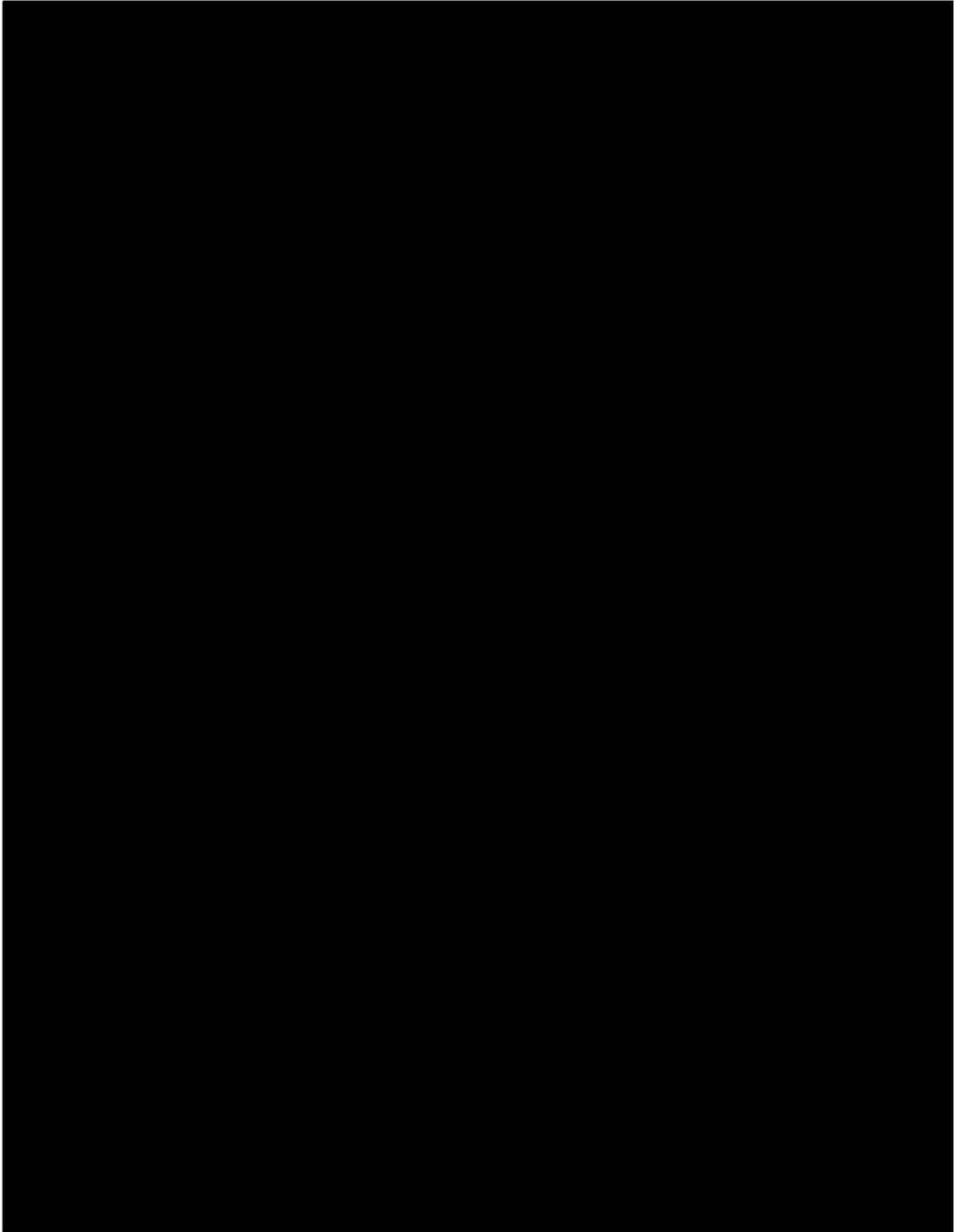


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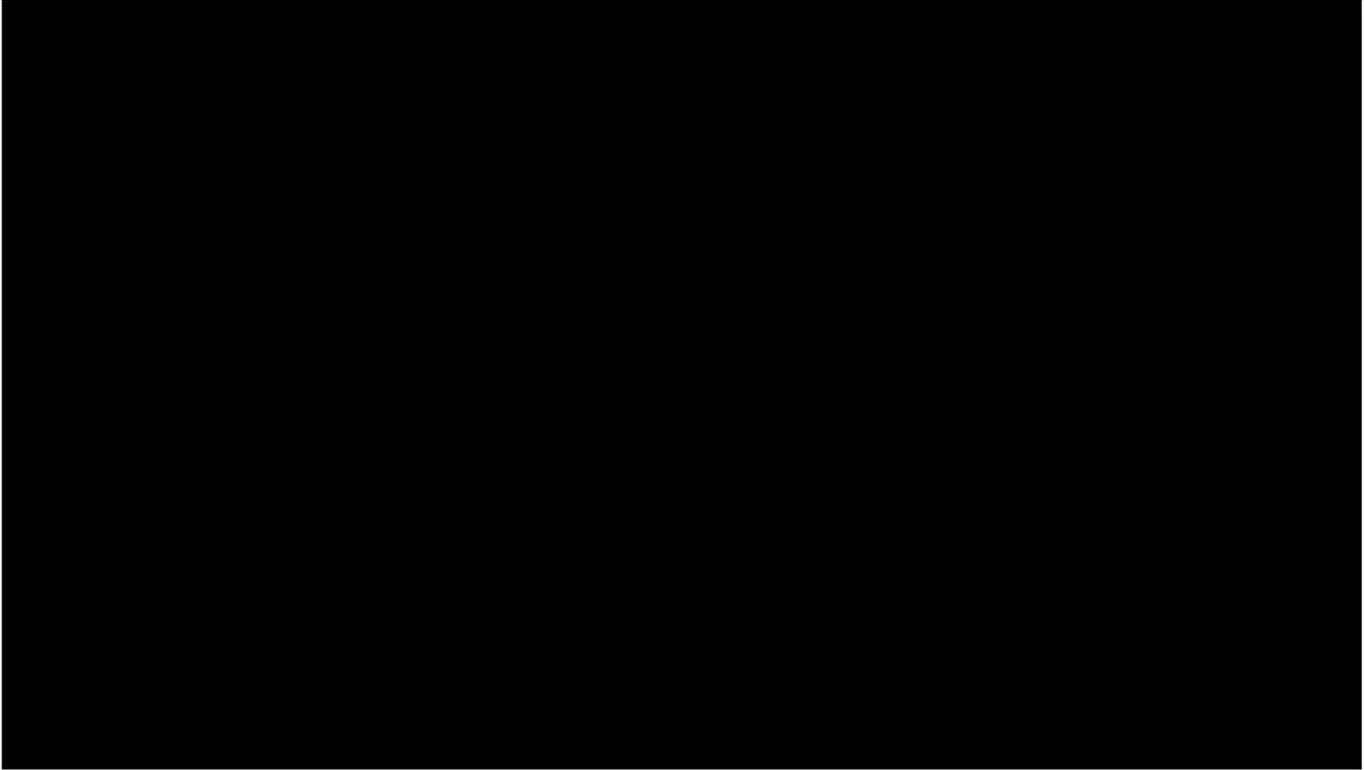


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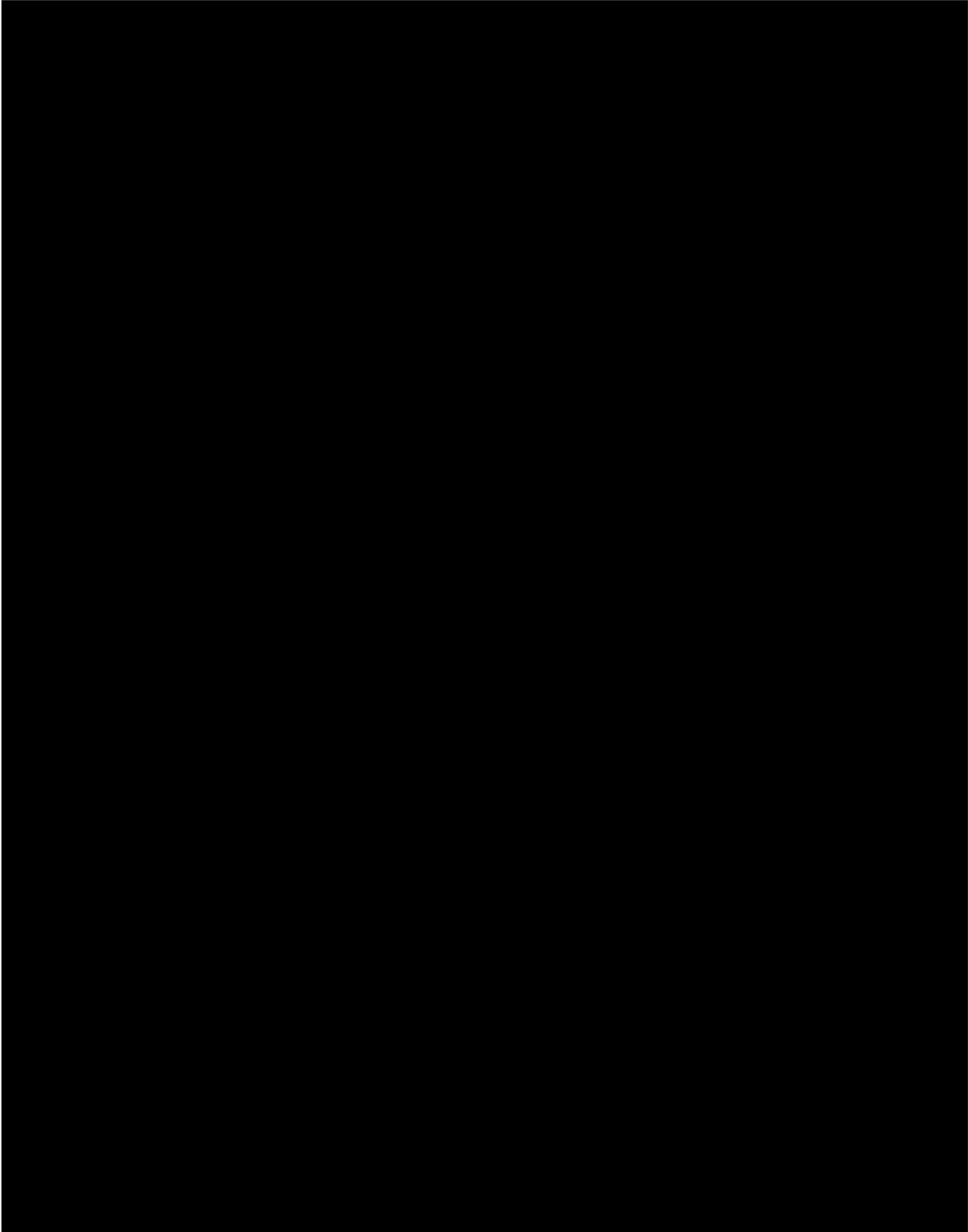




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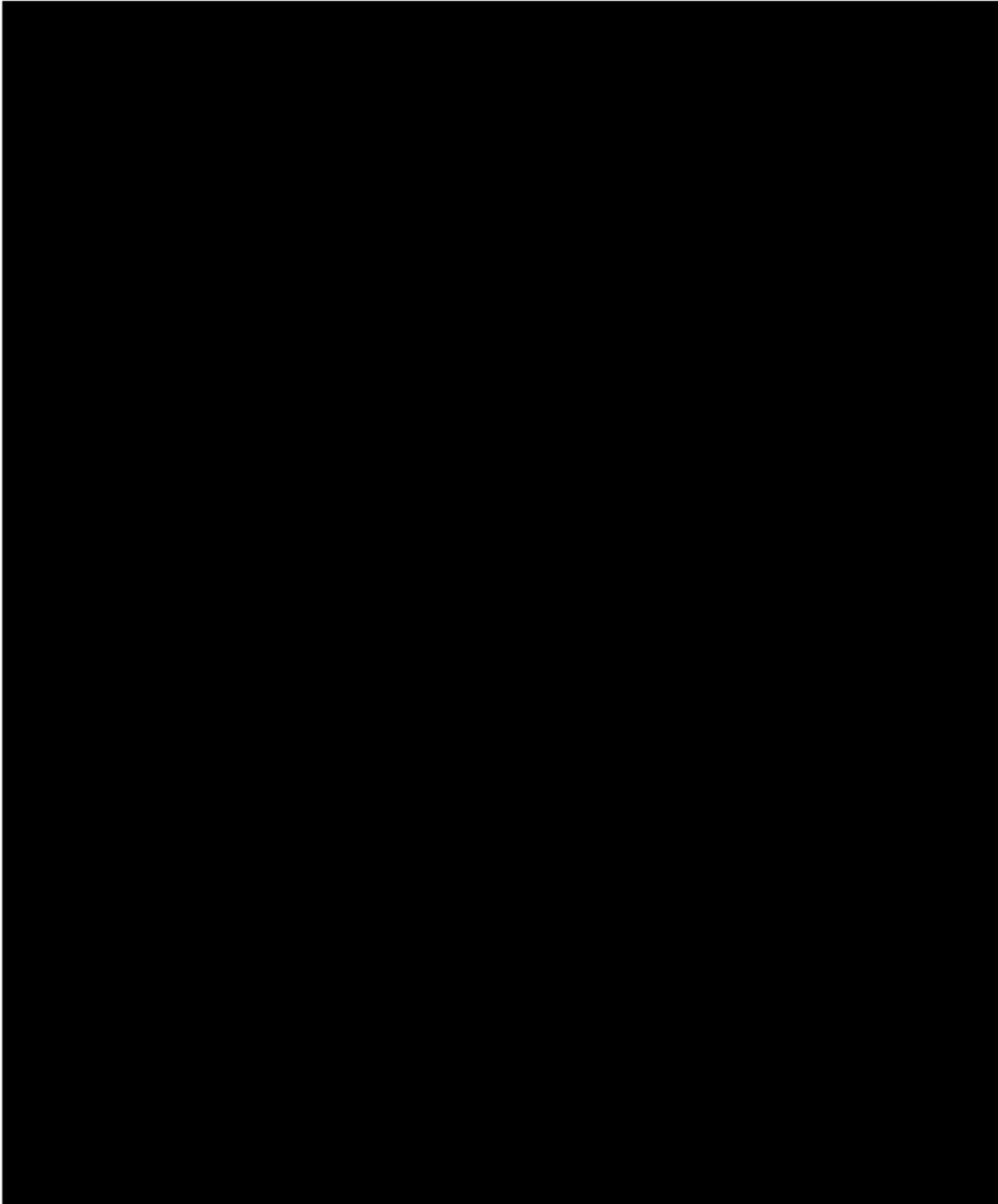
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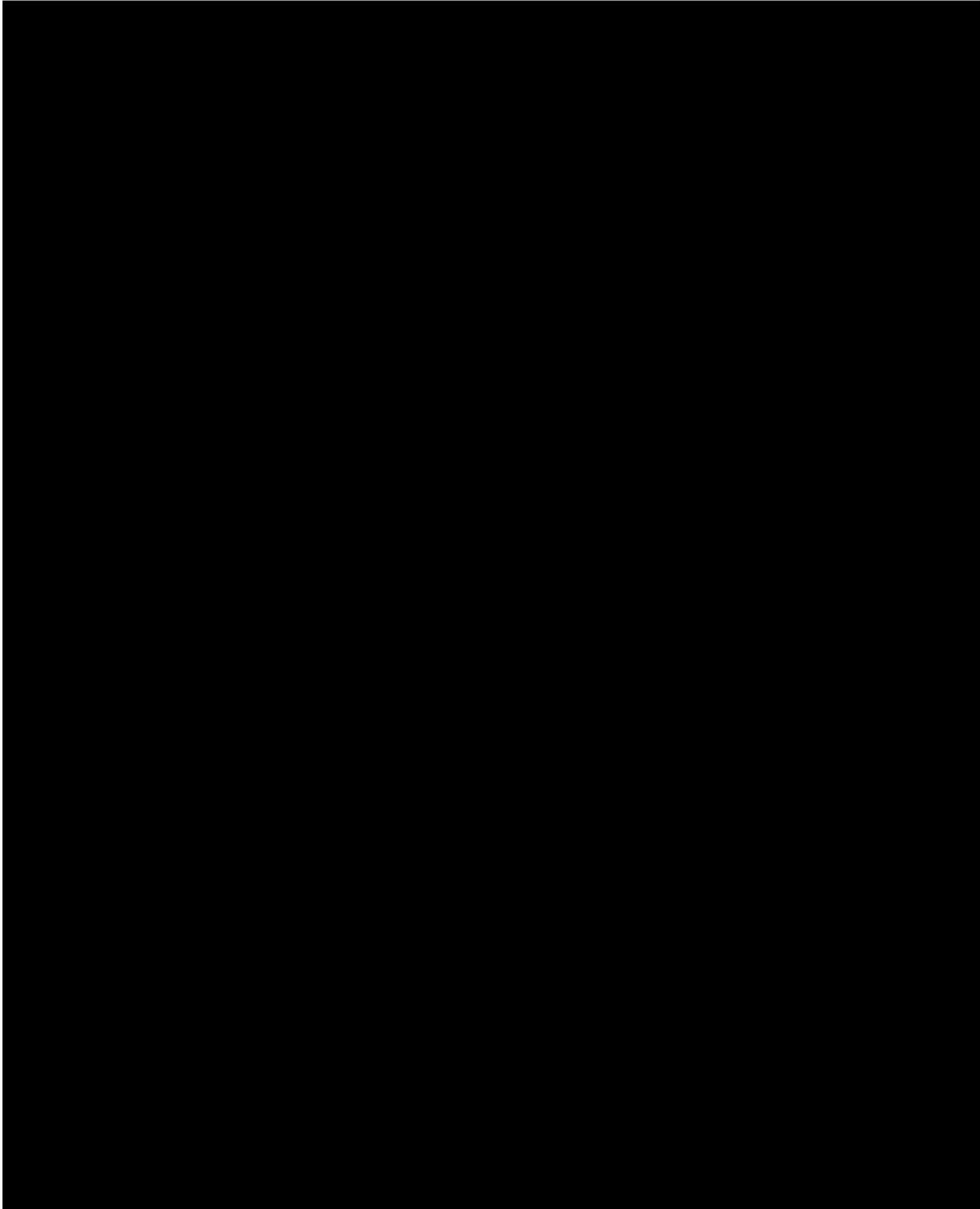




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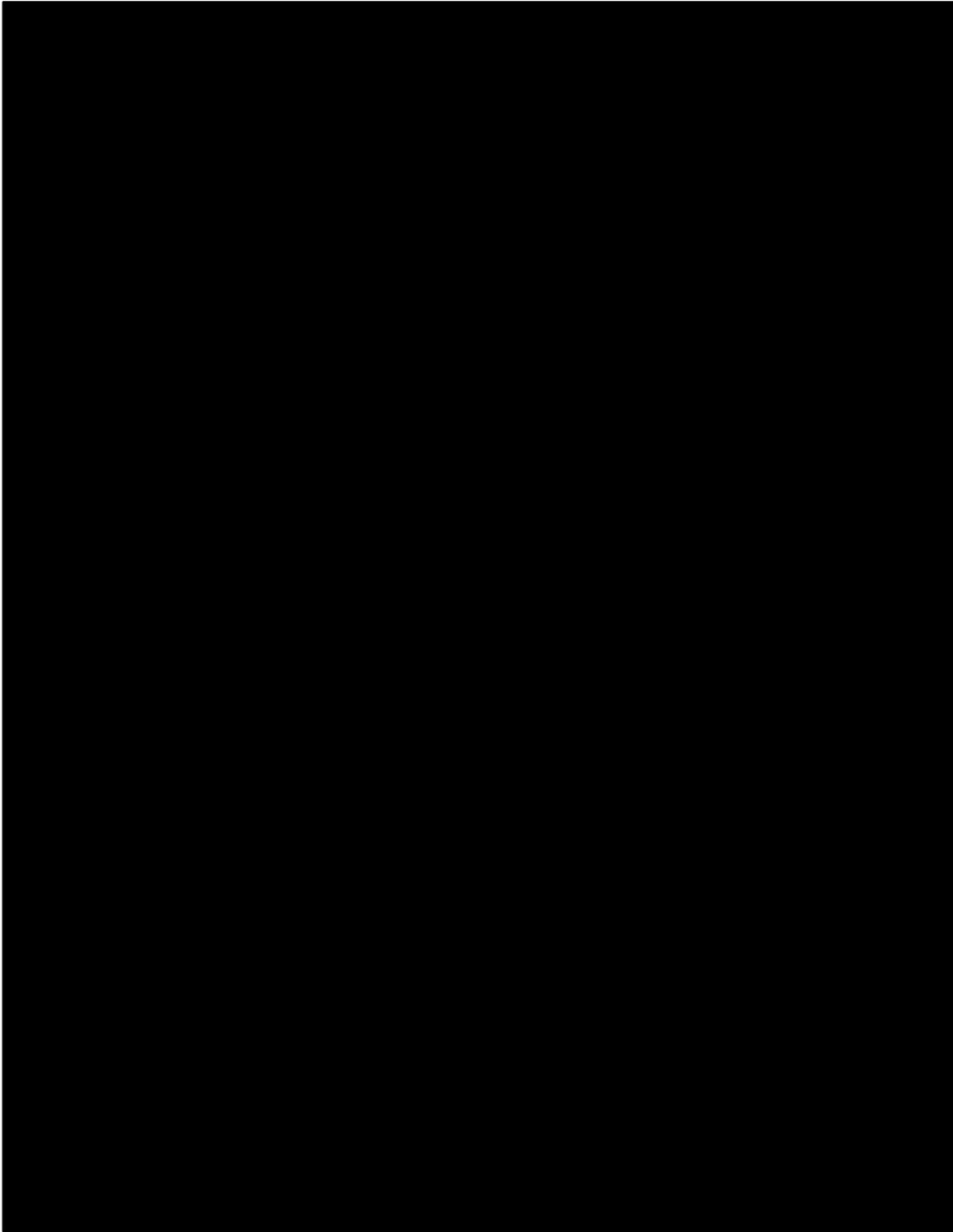




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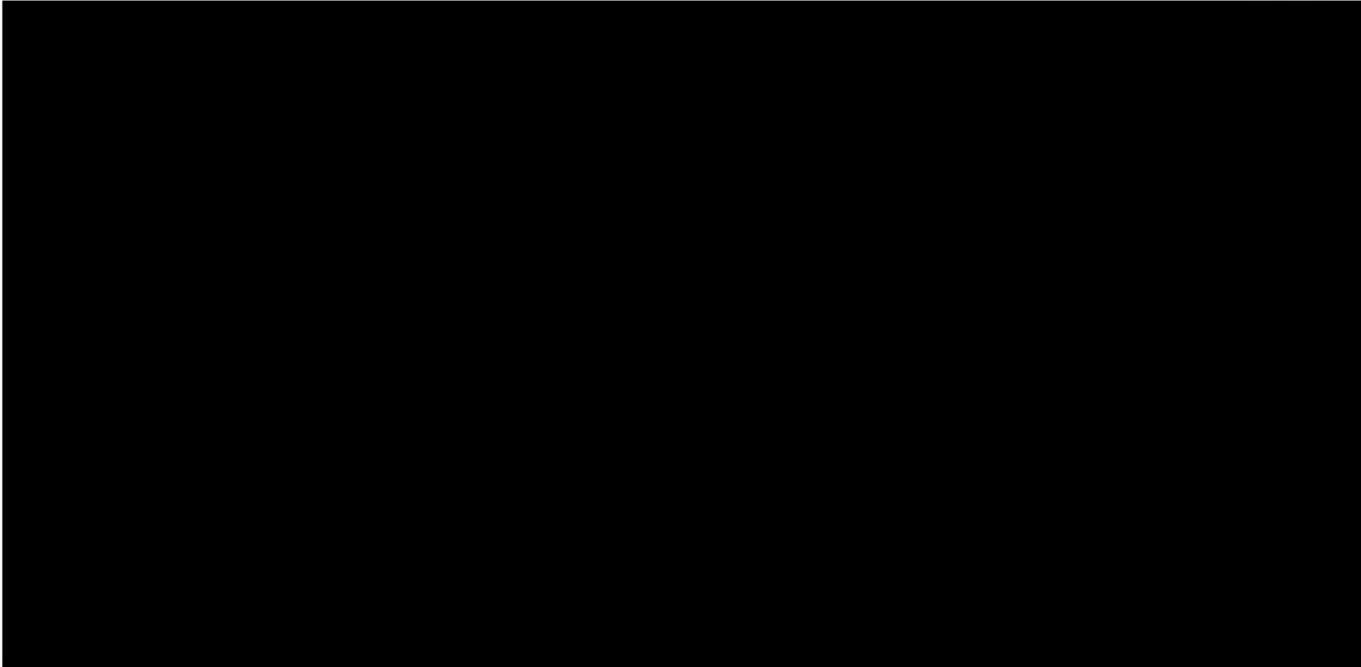




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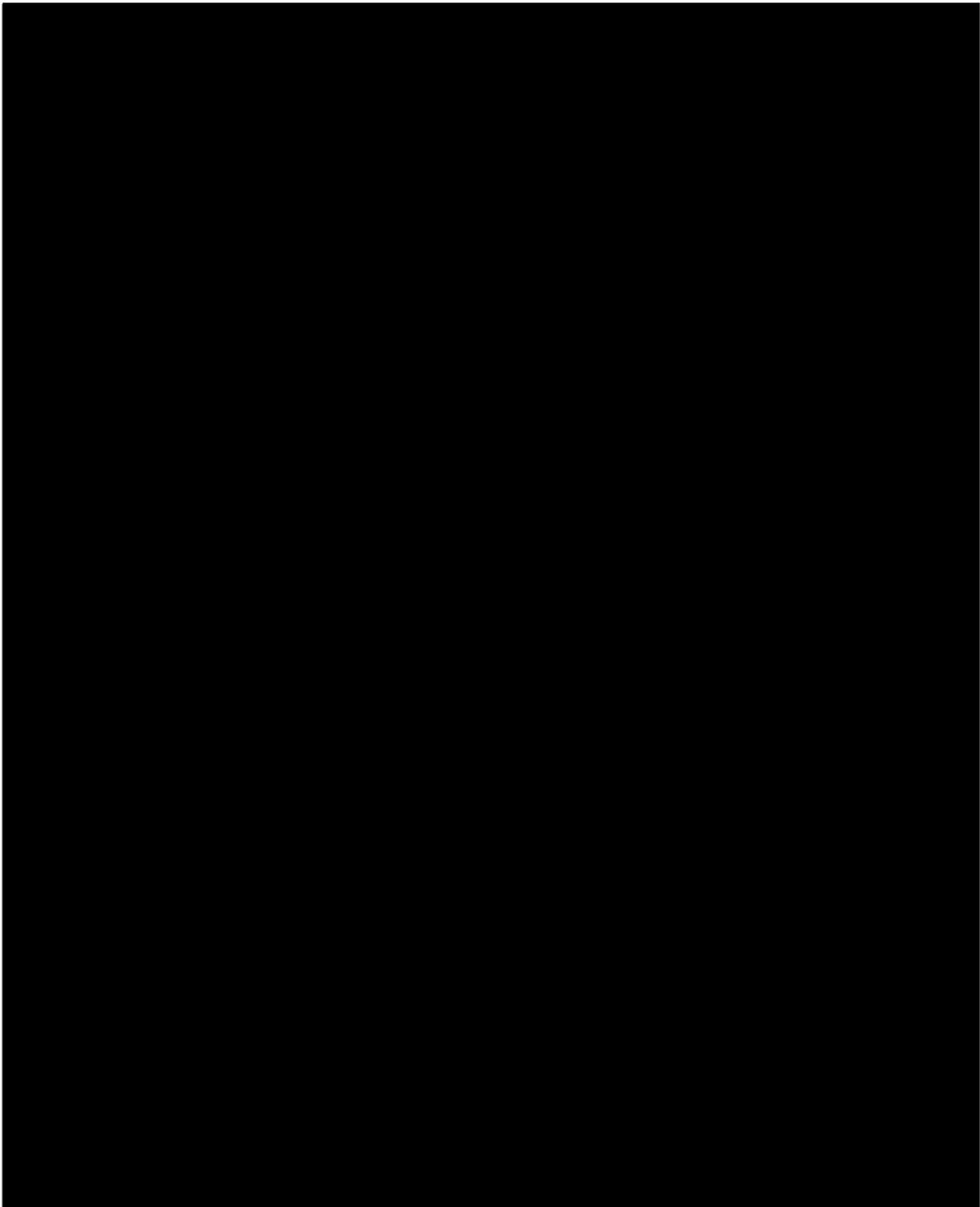
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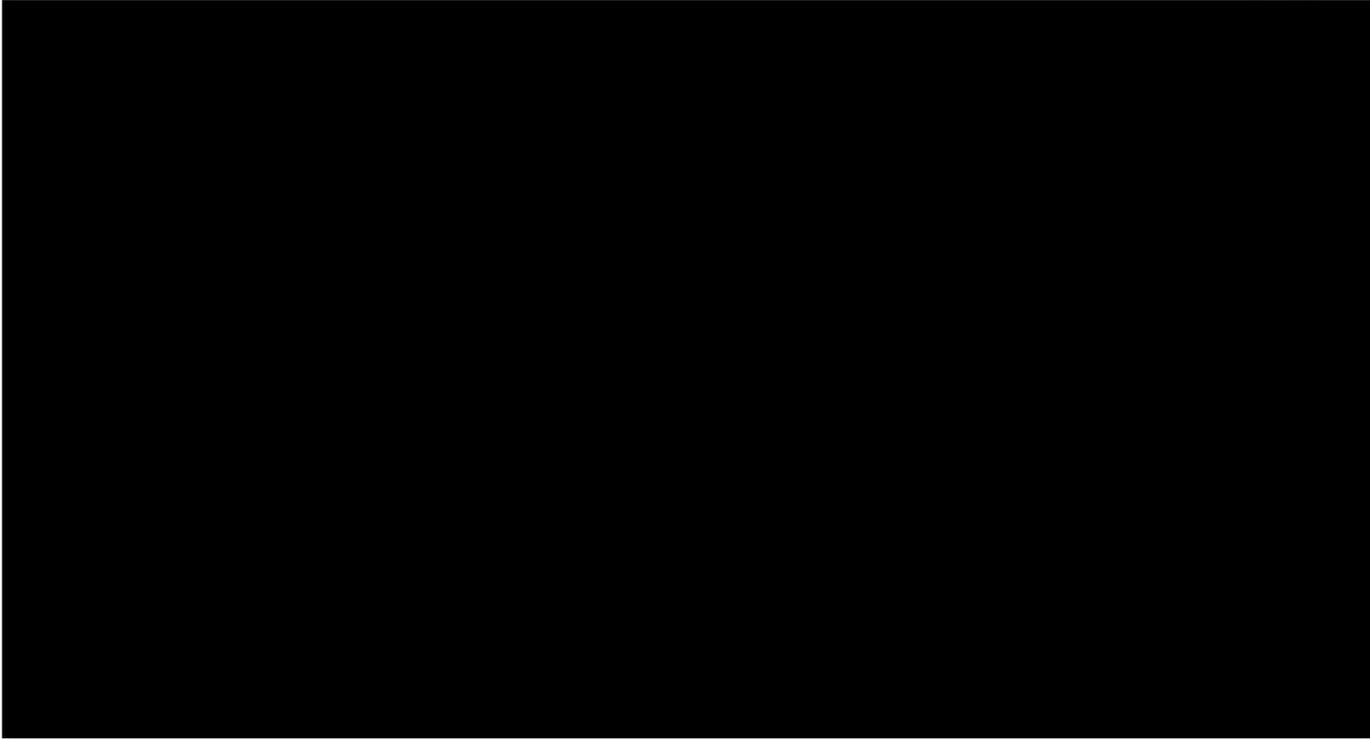


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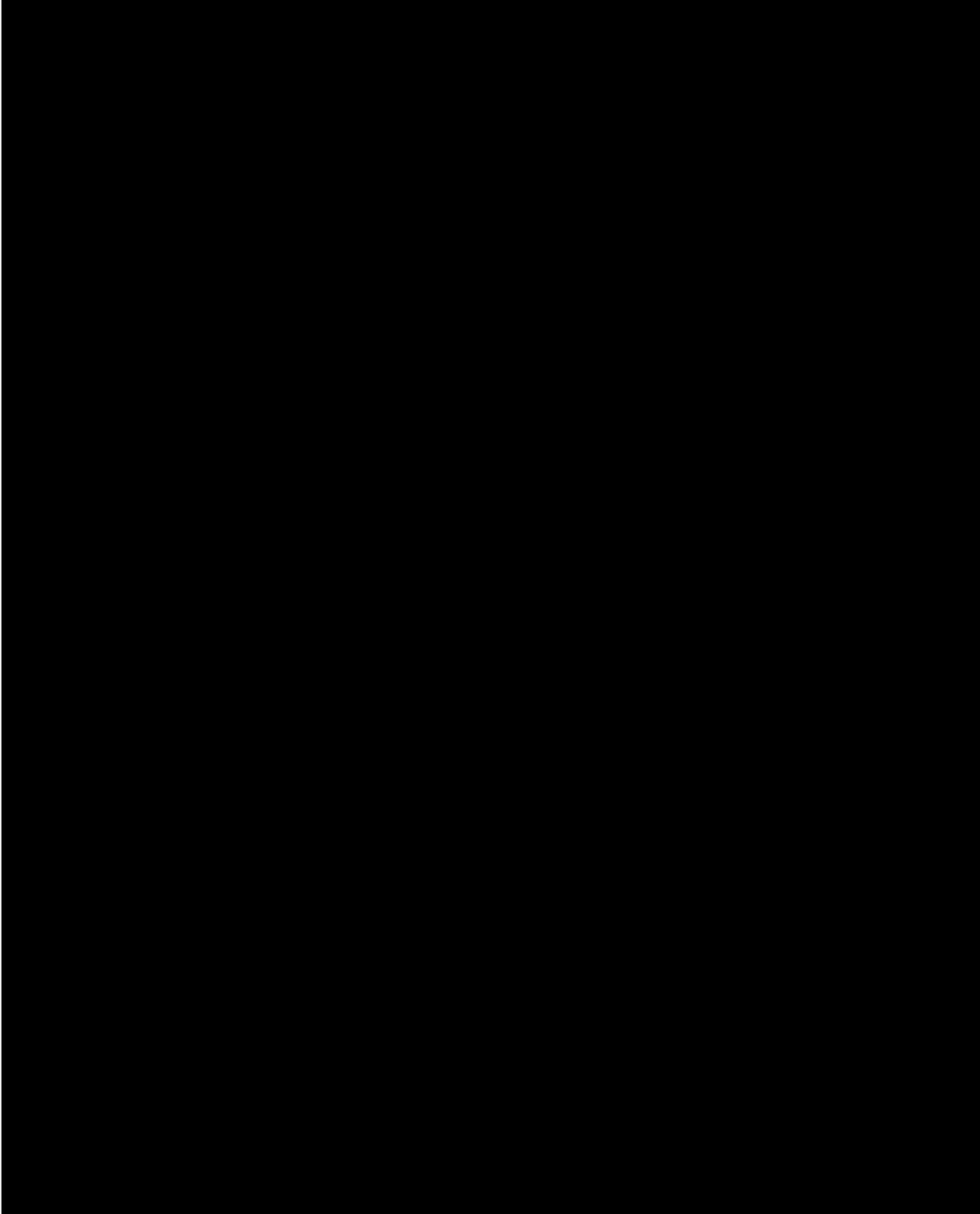




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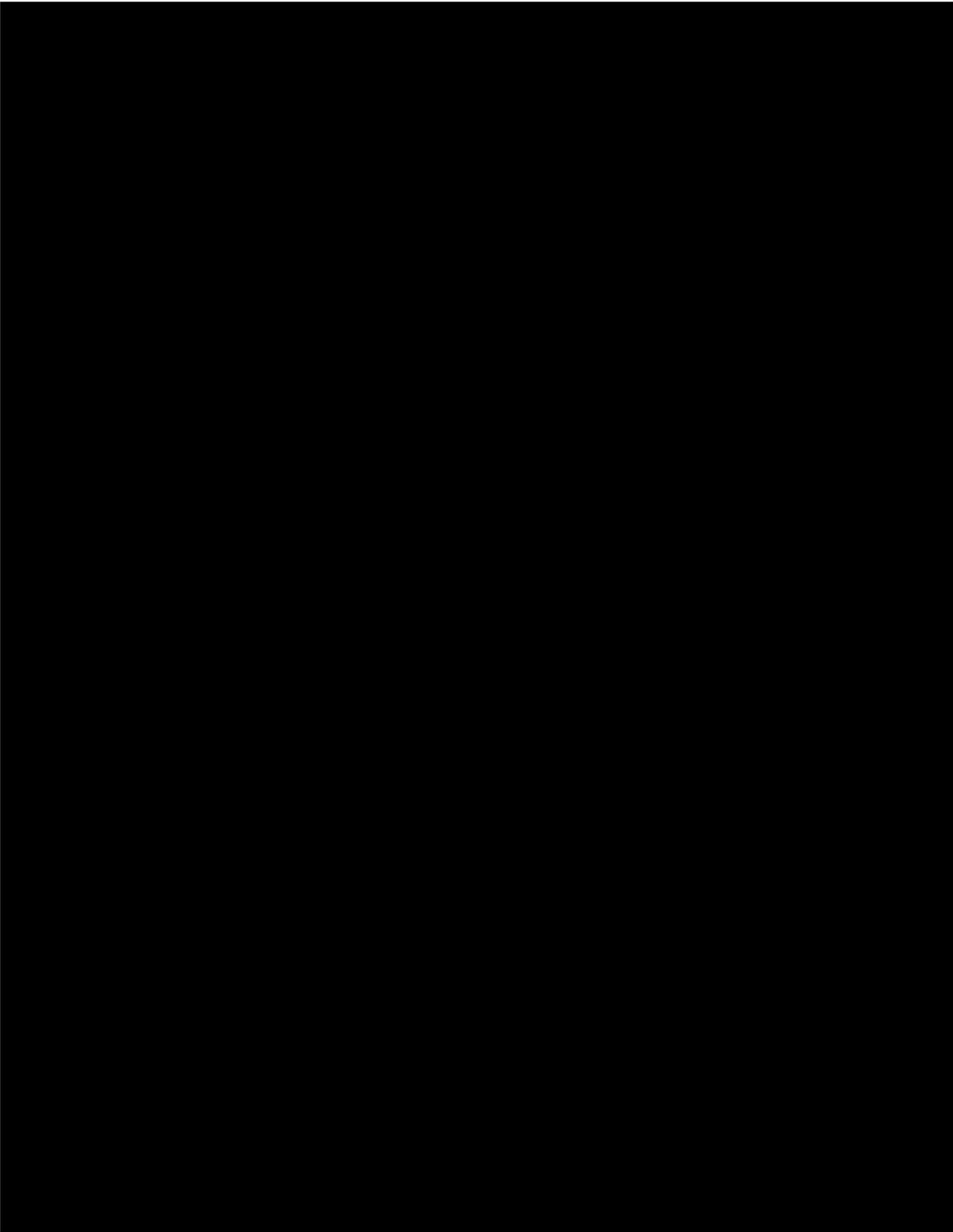


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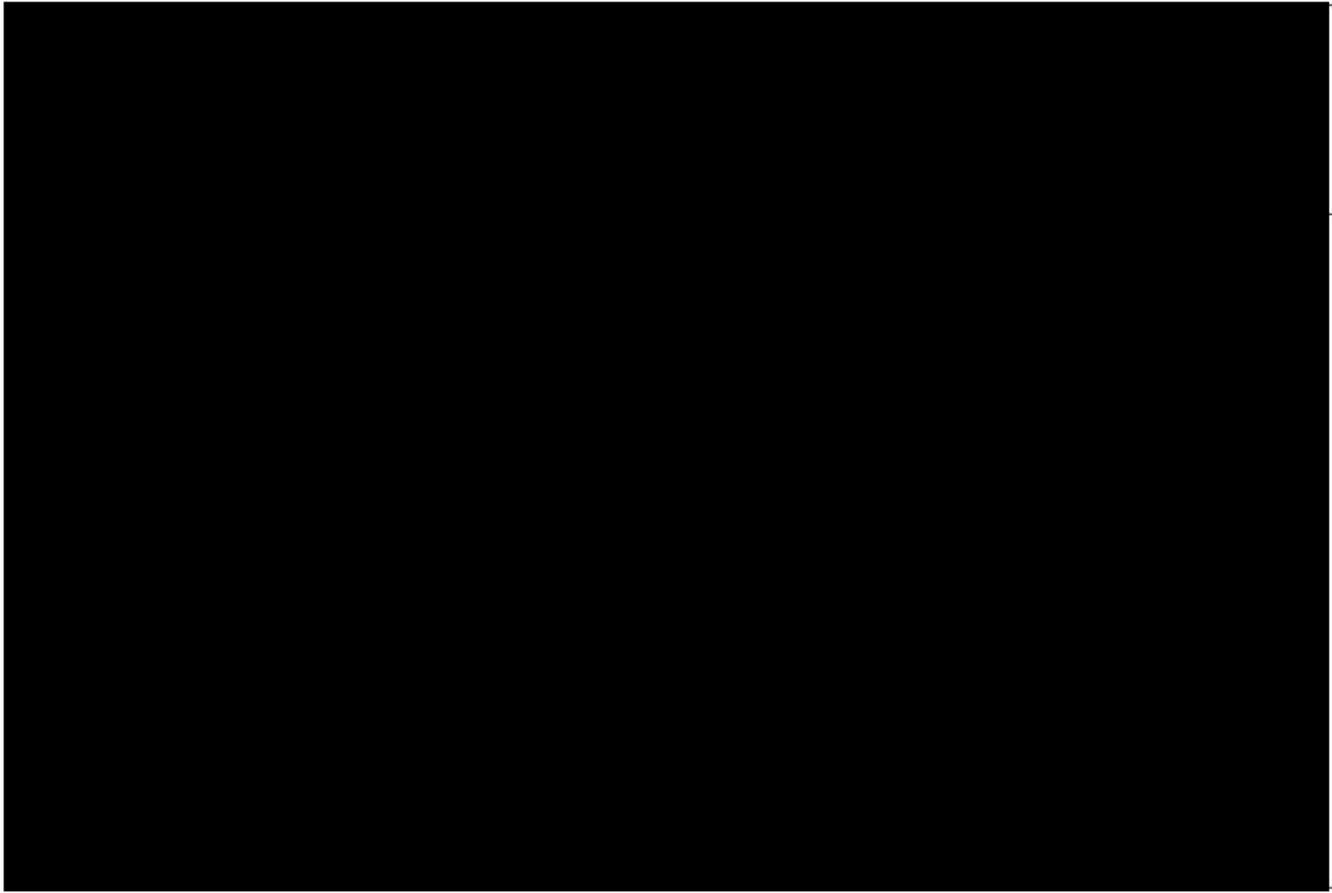


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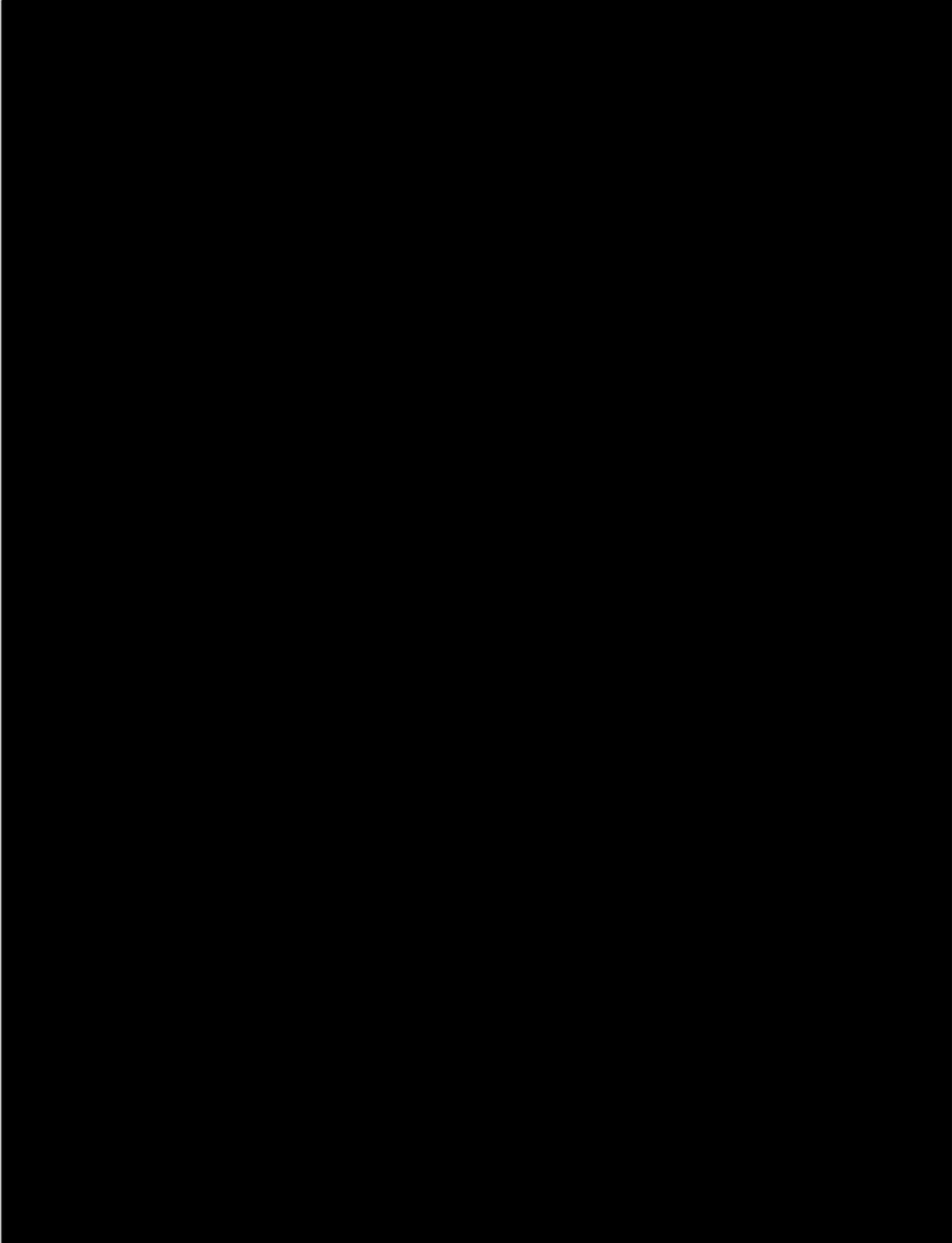


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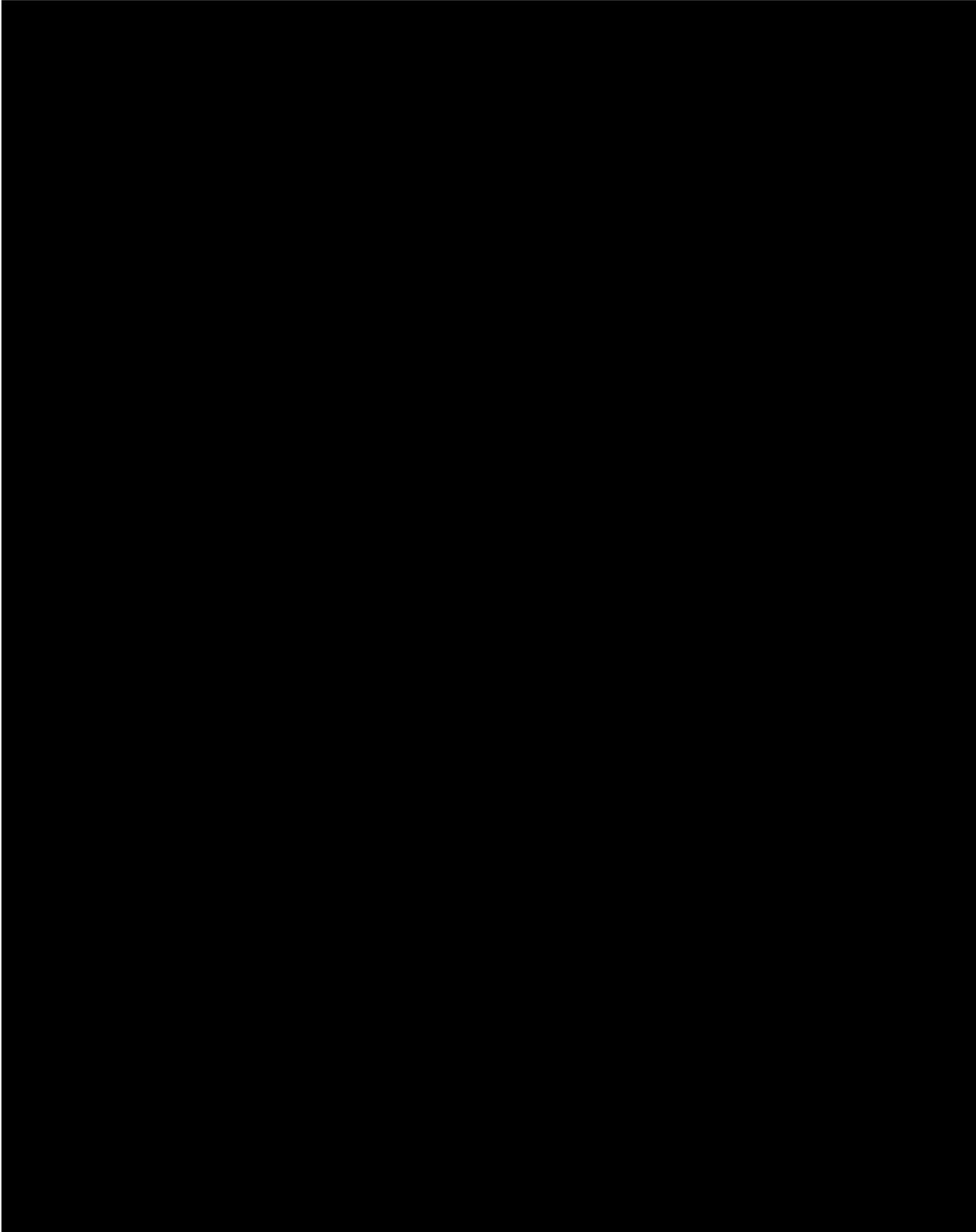


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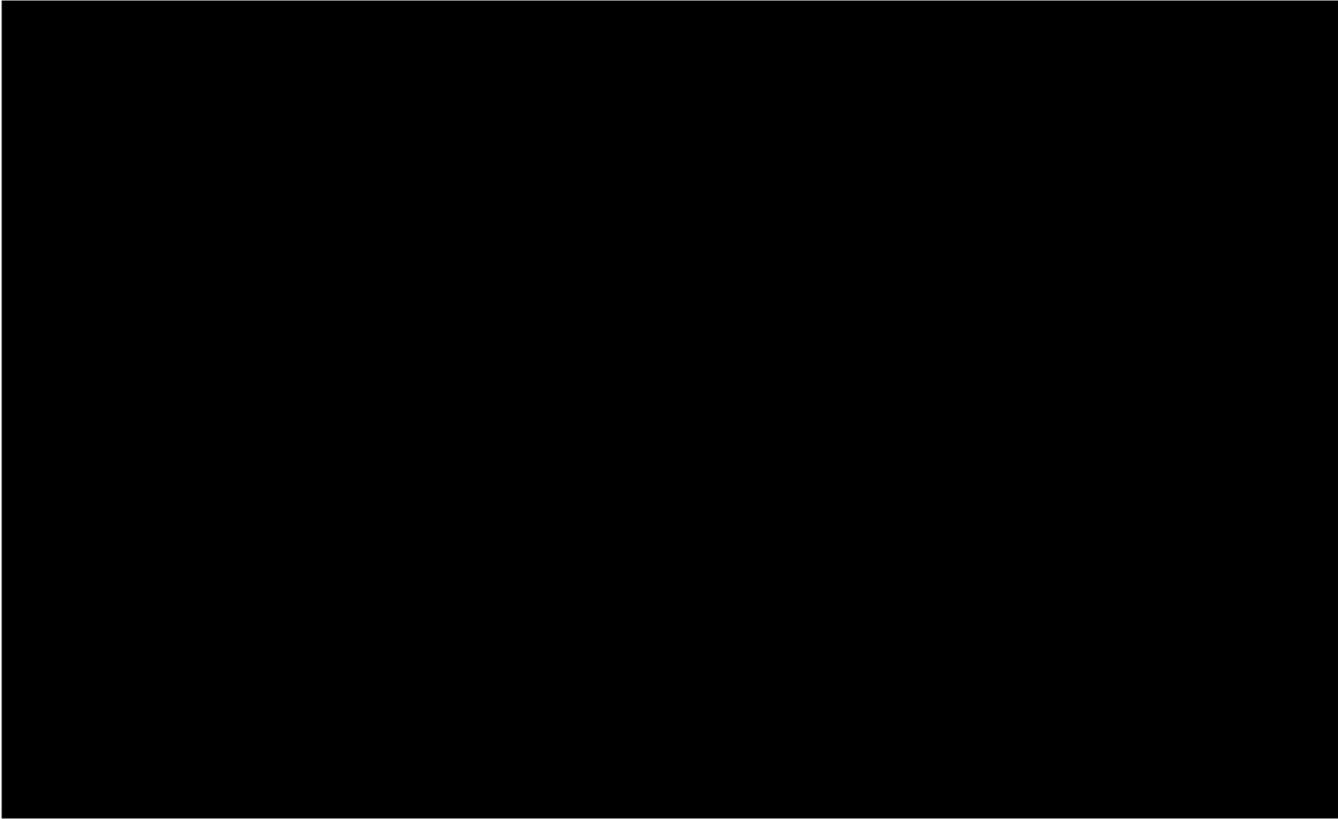


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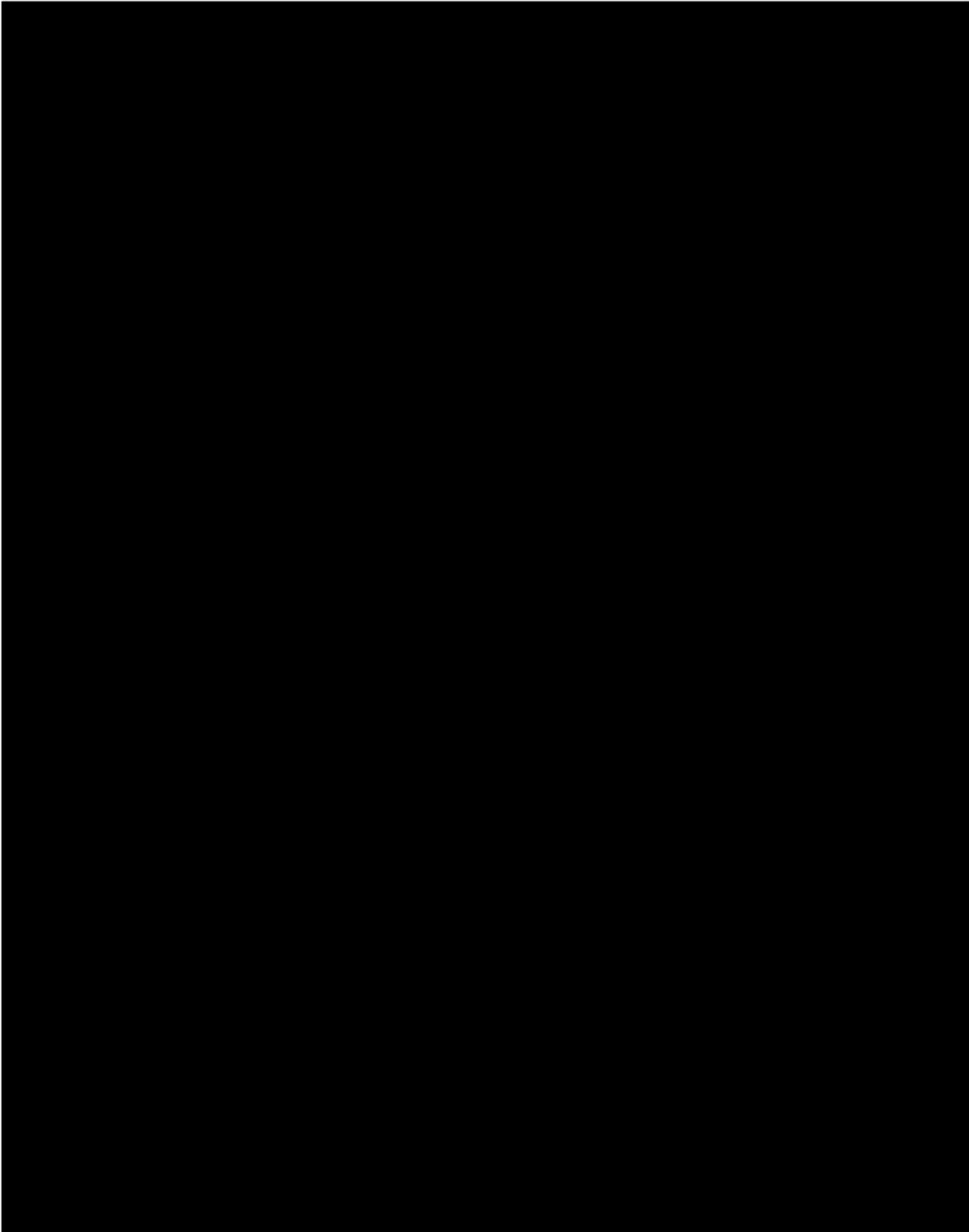


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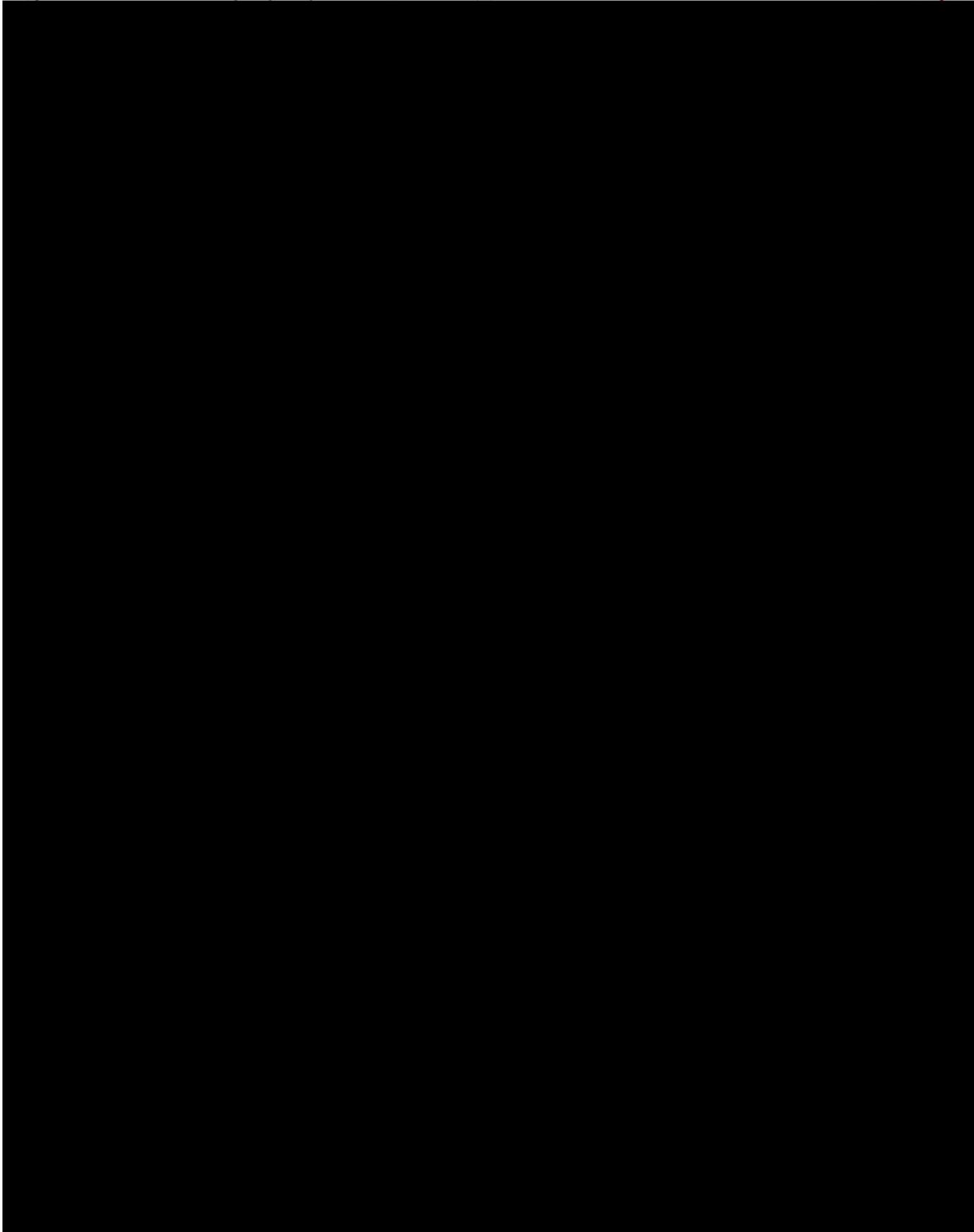
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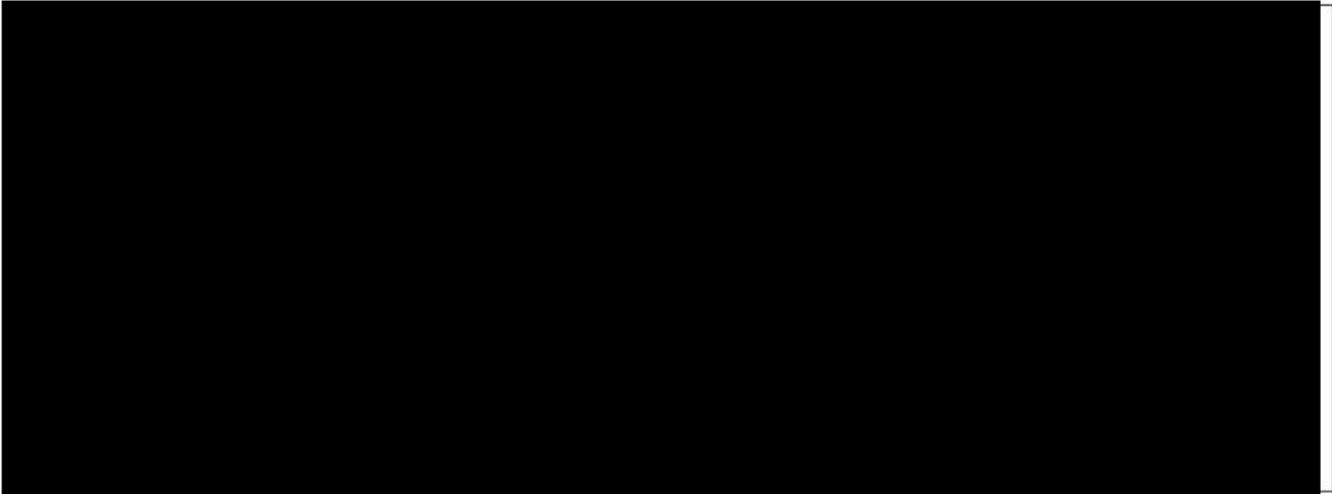


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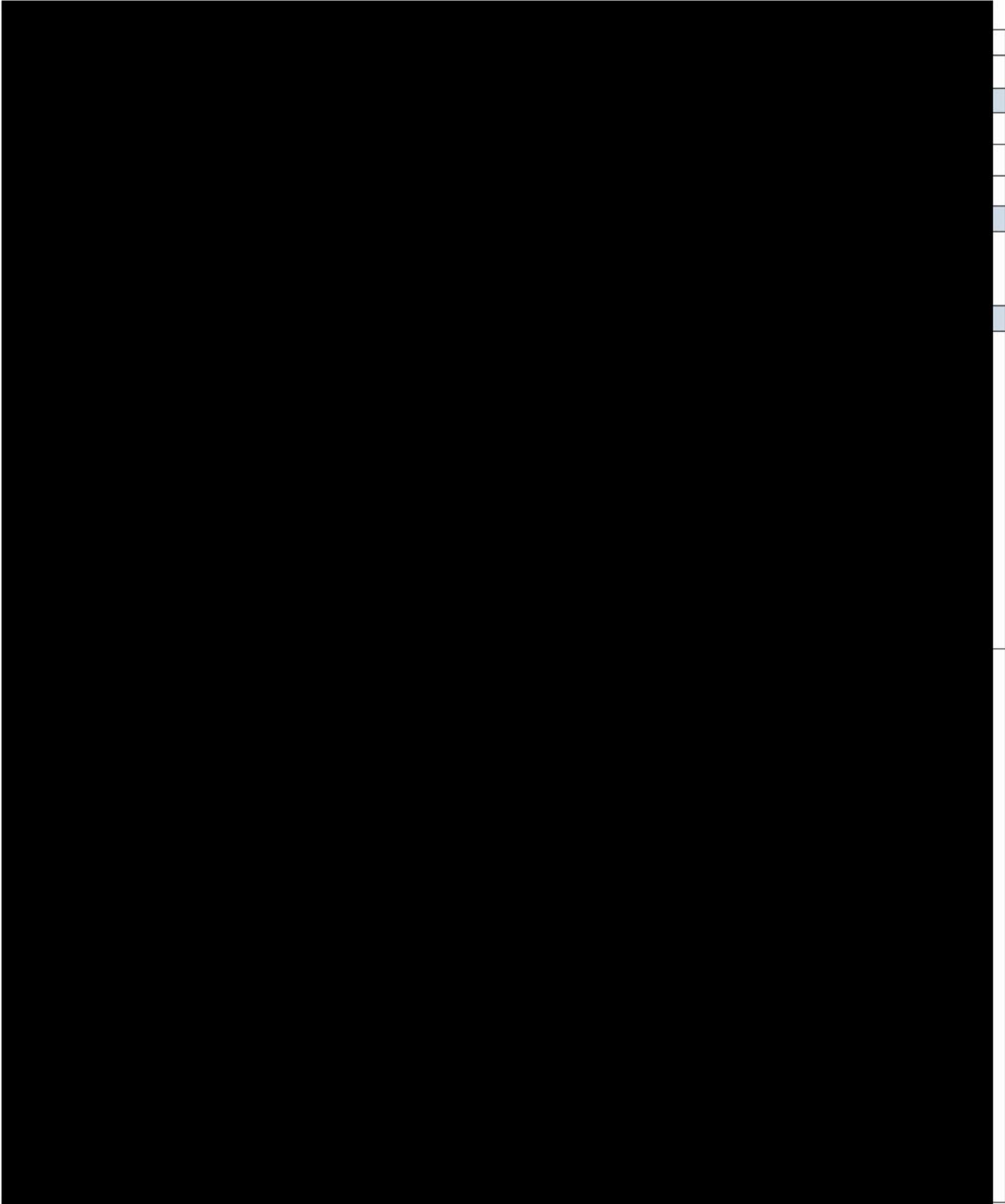


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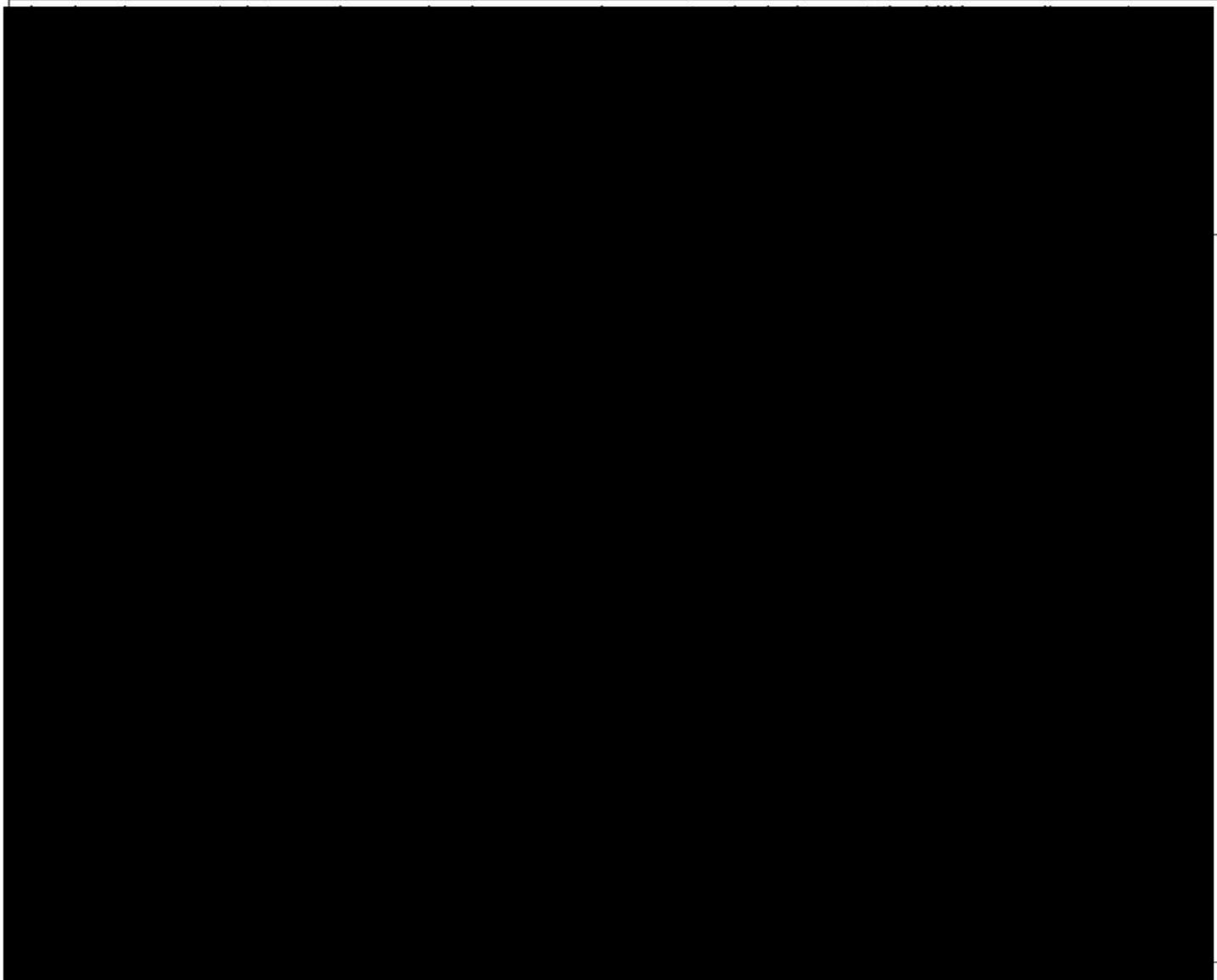


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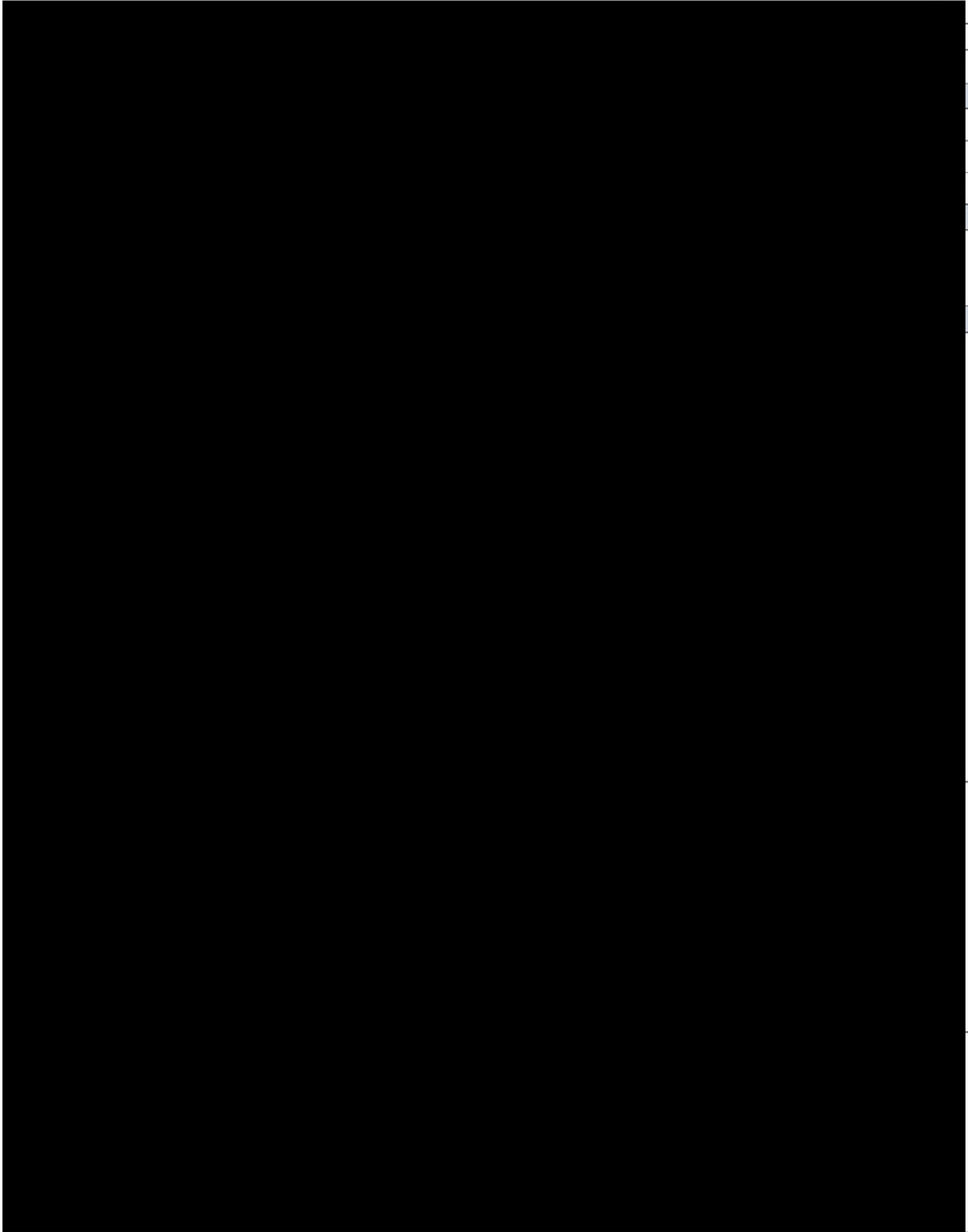




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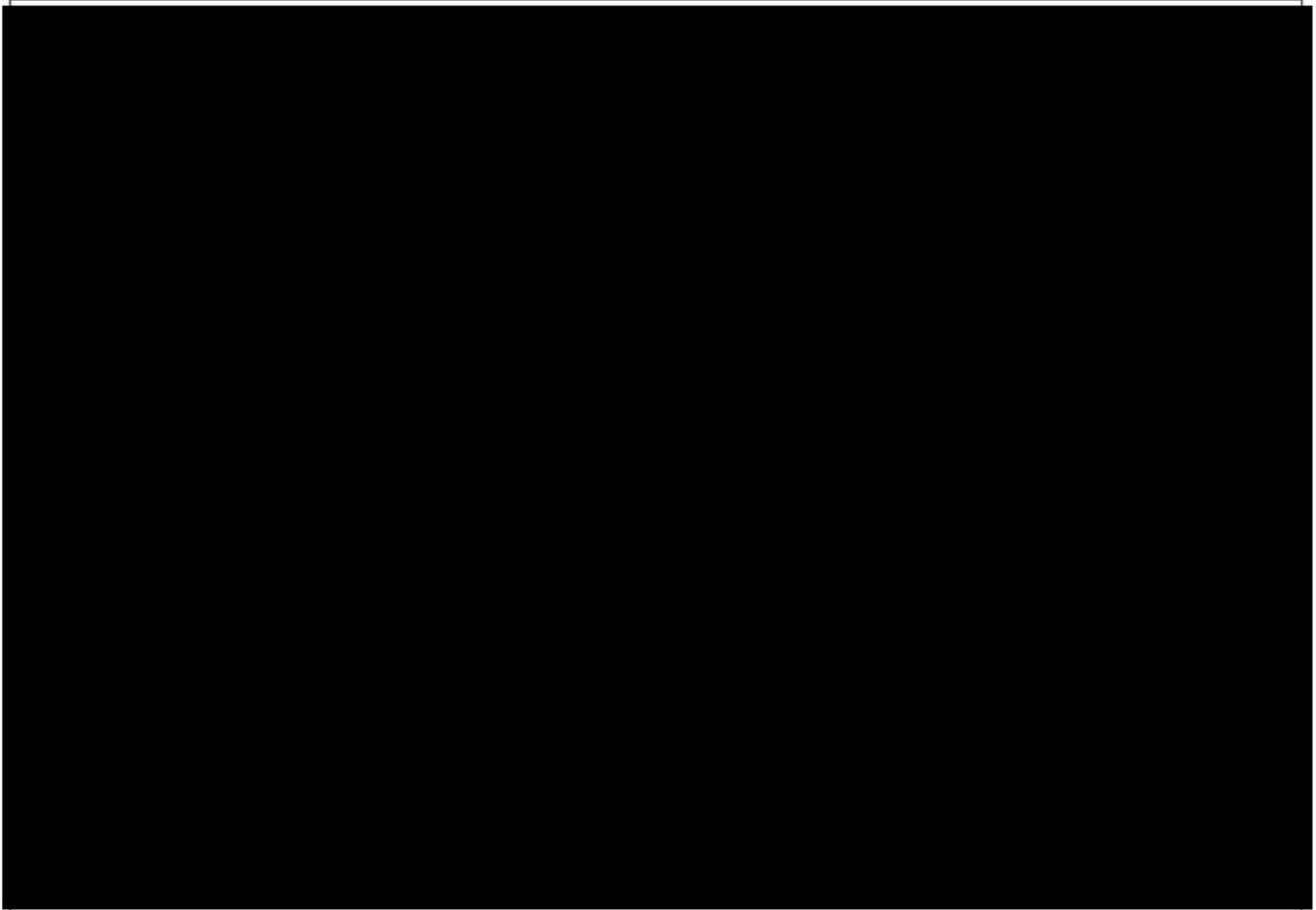
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