



Lifespan

Rhode Island Hospital/Hasbro Children's Hospital
The Miriam Hospital • Bradley Hospital • Newport Hospital

CARE NEW ENGLAND

BUTLER HOSPITAL • KENT HOSPITAL • WOMEN & INFANTS HOSPITAL
CARE NEW ENGLAND HOME HEALTH • CARE NEW ENGLAND WELLNESS CENTERS

Executive Summary of the Application for the Proposed Affiliation of Lifespan and Care New England

An affiliation of Lifespan and Care New England would create a system that serves as a hub for high quality medicine, a magnet for medical and scientific professionals, and a catalyst for economic development in the region. An affiliated system would make more and better health care options available to patients throughout southern New England; would have positive effects on Rhode Island's economy by developing a richer and more vibrant center for biomedical research and innovation; and would create a regionally competitive academic medical complex helping to generate new, high-paying health sector jobs.

Since the Affiliation Agreement was executed in July 2007, there has been a dramatic change in our environment. The national, regional and local economy plunged into a recession, with the financial, housing, automotive and practically every industrial sector free-falling into unprecedented depths. Rhode Island, in particular, has felt the brunt of these recessionary times, with record numbers of mortgage foreclosures and people out of work. Now more than ever, Rhode Island needs to challenge its old constructs and embrace a new vision for a strong future. We believe the proposed affiliation of the Lifespan and Care New England health care systems is a bright spot on the horizon. We need to seize the opportunity to forge a vibrant health system that is able to compete in a regional market, attract revenue to Rhode Island, provide new job opportunities in the knowledge economy, and, most importantly, make quality, accessible health care available to all Rhode Islanders at lower costs than such care provided in Boston or elsewhere in the United States.

THE NETWORK OF HOSPITALS

The proposed affiliation includes the following Lifespan partners:

- Rhode Island Hospital, the state's largest hospital with 719 licensed beds, is the region's only Level I trauma center.
- Hasbro Children's Hospital, the pediatric division of Rhode Island Hospital, has the state's only pediatric emergency department, imaging center and intensive care unit.
- The Miriam Hospital, licensed for 247 beds, has the state's only Women's Cardiac Center, a robotic surgery program and one of the state's accredited stroke programs.
- Bradley Hospital, licensed for 60 beds, was the nation's first psychiatric hospital exclusively for children and remains a premier medical institution devoted to the treatment of and research into childhood psychiatric illnesses.
- Newport Hospital, licensed for 129 beds, offers a broad range of medical services, including diagnostic imaging, a birthing center, and acute inpatient and outpatient rehabilitation.

Rhode Island, The Miriam and Bradley hospitals are teaching hospitals for The Warren Alpert Medical School of Brown University.

Care New England (CNE) partners include:

- Women & Infants, one of the nation's leading specialty hospitals for women and newborns, currently has 137 licensed adult beds which will expand to 167 with the opening of the new adult unit in September, 60 newborn bassinets and, with the opening of the new Neonatal Intensive Care Unit, 80 newborn intensive care beds.
- Butler Hospital, licensed for 117 beds, is Rhode Island's oldest hospital and one of the nation's premier hospitals for adults, adolescents and children with psychiatric and substance abuse issues.
- Kent Hospital, licensed for 359 beds, has the state's second busiest emergency department and is Rhode Island's largest community hospital.
- Care New England also includes VNA of Care New England and HealthTouch, Inc., a private duty nursing service.

Women & Infants and Butler hospitals are teaching hospitals of the Alpert Medical School. Kent is a teaching affiliate of the University of New England College of Osteopathic Medicine.

A COORDINATED APPROACH TO BEHAVIORAL HEALTH AND BRAIN SCIENCES

The affiliation would build on the strong and varied clinical and research activities of Butler Hospital, Rhode Island Hospital (RIH), Bradley Hospital and Women & Infants Hospital and would work in close collaboration with Brown's Alpert Medical School. Already, through the convergence of disciplines, the individual institutions are pioneering new approaches to brain disorders. Together the hospitals create the opportunity to lead the nation in advancing research and treatment for psychiatric and behavioral health.

The centerpiece of this potential is the formation of the Brain Science Institute under the leadership of Butler Hospital. The institute would not be a health care provider, but rather an entity that would support behavioral health research and care. It would allow the affiliated system to build on an already substantial critical mass of National Institutes of Health-funded mental health research occurring at the affiliated hospitals. Bringing all of the Lifespan and CNE hospitals together in the area of brain science research will create a concentration of expertise, leading to exciting overlaps among the separate but related fields of psychiatry, psychology, neurobiology and the neurosciences, among others. Additionally, concentration of these academic resources under one parent will allow Lifespan and the Alpert Medical School to bring forward state-of-the-art innovation in the behavioral health field and to address community need. The addition of brain sciences to the already robust adult and child behavioral health programs will result in an overall program of national, if not international, stature.

The institute would best be realized through close collaboration of the psychiatric resources of Butler with the neuroscience, molecular medicine and pharmacology to be contributed by RIH, and the expert pediatric psychiatry at Bradley. Butler brings to the collaboration a strong reputation and the expertise of a psychiatric hospital. RIH brings the added dimension of an

acute care hospital with a comprehensive psychiatric program and strength in neurosciences. Bradley brings its nationally recognized academic programs and its clinical excellence, including school-based and residential programs in psychiatry for children and adolescents. By combining the strengths of Butler, RIH and Bradley, and by concentrating the teaching hospital activities of the Alpert Medical School in the field of behavioral health, the institute would be better positioned to assist in advancing the innovative research that the affiliates of Lifespan and CNE have already pioneered on issues such as depression, Alzheimer's disease, smoking cessation, stress, obsessive-compulsive disorder and a wide range of studies in early childhood development.

While many changes have occurred since the affiliation was first announced, one that cannot be underestimated is the decline in the real estate market, which makes the sale of the Butler property not feasible at this time. The sale or development of the Butler campus will be re-examined as economic conditions in our state improve. However, we believe that the exciting potentials envisioned will still come to fruition in the new Lifespan.

Absent this affiliation and the needed corporate linkage, the departments at the various hospitals would undoubtedly make progress on a smaller scale. However, the individual hospitals, acting as competitors, lack the full range of expertise that the affiliation would bring together. This impediment, in turn, would lead to a diminished capacity to innovate and attract new talent. Creation of the Brain Science Institute under the merger and the centralization of these health care resources not only will give the people of southeastern New England access to state-of-the-art care in mental health and brain care; it will also draw patients from across the country and possibly the world.

BROADENING REGIONAL DISASTER PREPAREDNESS

In the area of disaster planning and emergency preparedness, the affiliation will offer increased security to Rhode Islanders by linking more hospitals and resources under Lifespan in order to provide a rapid and targeted response in the event of an emergency. Lifespan has created a Department of Emergency Preparedness that has enabled its affiliate hospitals to significantly benefit the state in the area of emergency planning.

The geographic location of Kent Hospital in the center of Rhode Island, at the junction of two major highways and near the airport, makes it an important facility for the region. It is also a logical site for the creation of advanced clinical trauma care capability, in the form of a Level II trauma center. This will create additional emergency capacity, bringing these essential health resources closer to major population centers outside Providence. It also ensures support in the event the state's Level I trauma center is not able to fully respond or does not have sufficient capacity.

The vision of Kent as an enhanced center of emergency medicine training and service delivery through the creation of a Level II trauma center requires significant resources and cooperation among provider institutions and physicians. Lifespan and RIH are able and willing to assist Kent in these endeavors in the context of this affiliation. By bringing the institutions together in this affiliation, they will be able to plan and effectuate a rational allocation of services that will be in the best interest of all Rhode Islanders and both hospitals. This type of collaboration is only possible within a single economic unit because it will involve unprecedented collaboration and

shared decision-making among physicians and hospitals, activities that are not allowed among competitors.

NATIONAL LEADERSHIP IN WOMEN'S HEALTH

Following the approval of the proposed affiliation, Women & Infants will have the exclusive leadership role in women's reproductive health services and neonatal intensive care in the Lifespan system. Both Lifespan and CNE have recognized the importance of Women & Infants' geographic reach beyond Rhode Island, and plan to implement a women's health program that will continue to expand the clinical excellence of Women & Infants. Again, the stature of Women & Infants as one of the top ten funded research institutions for women's and newborn health, combined with the strengths found within all of the partner institutions within the new Lifespan, will foster the pre-eminence of our local institutions as one of the nation's foremost research, teaching and clinical centers for women and children.

IMPROVED COHESION IN HEALTH INFORMATION TECHNOLOGY

While the CNE system has made substantial investments in information technology, it stands to benefit greatly from access to Lifespan's proven leadership and expertise in this area. Lifespan's nationally recognized information technology includes LifeLinks, a secure web browser that allows physicians to access patient records from any desktop or laptop computer logged into the system; an automated lab, which increases patient safety; a picture archive communication system, which provides immediate images for patients needing urgent diagnosis; and physician order entry, which helps to prevent medication errors.

The affiliation will enable the expansion of the Lifespan network to CNE hospitals through the creation of an integrated, user-friendly technology interface. The interface will allow physicians across the merged institutions to access their patients' electronic health records immediately, both in hospitals and physicians' offices. This integrated information technology will enable a more seamless delivery of care by reducing medical errors, duplicative tests and redundant costs; streamlining patient admissions; and providing quicker access to lab records for faster start times for treatments. Shared information technology also will allow clinical staff throughout the combined systems to work in close partnership.

These investments are congruous with Rhode Island's and the federal government's new policy priority of encouraging greater adoption of electronic health information exchange and electronic medical records. This will be a vehicle for improving the quality and safety of patient care and enabling data collection, which enhances our ability to comply with new national standards for outcomes measurement and evaluation.

COMPREHENSIVE WORKFORCE INVESTMENT INITIATIVE

We are mindful of the necessity to compete successfully against national health care organizations for the talent we need in order to operate our hospitals and meet our responsibilities to the people of southern New England. We are also mindful of our commitment to the community to help support the talent that exists in our own backyard. Our investments in recruitment, training and career advancement initiatives are directly related to developing – and keeping – the most talented employees in health care. Implicit in our approach to workforce

investment is our promise to the community that when they need the highest quality health care, we will be able to deliver it.

In the current economic climate, in which the endowments and revenues of the hospitals have been reduced, it is even less likely that these institutions individually will be able to make substantial investments in work force development. If this affiliation is permitted to proceed, Lifespan and CNE anticipate implementing a plan that could include some of the elements outlined below. These programs would complement and expand on our existing programs such as Lifespan's and CNE's *Stepping Up* program, CNE's partnership with CCRI; the Lifespan Learning Institute; Lifespan Youth Development program; the diagnostic imaging school; and internships.

The Lifespan and Care New England health systems plan to implement an annual workforce investment plan that would be launched after the proposed affiliation is approved.

The elements may include:

- Creating 10 nursing faculty appointments at Lifespan and academic institutions to address both faculty issues and hospital-based nursing professional development issues.
- Partnering with the Rhode Island Department of Higher Education and the state's public or private nursing colleges to develop a fast-track bachelor of science in nursing program on or near the Lifespan/RIH campus, serving 150 students and graduating 75 nurses per year.
- Creating a fast-track associate degree nursing program with the Community College of Rhode Island. This program will help community residents and Lifespan employees earn an associate nursing degree and would graduate 20 nurses per year.
- Establishing a fast-track master of science in nursing program. This program, a partnership of Lifespan and the University of Rhode Island, would accommodate 15 students annually.

These programs are designed to create a "pipeline" to identify individuals, particularly youth, who show interest and promise in health care careers, and to provide students and aspiring professionals with educational opportunities and scholarship support for nursing school or other professional training programs.

As unemployment in Rhode Island soared past 12 percent in May 2009, the need for such programs is greater than ever while the challenges of establishing and funding such initiatives are very difficult. If the affiliation is approved, this investment in the workforce of the future promises not only to allay the threat of shortages in the nursing field, but also to create needed jobs in our economy.

COMMITMENT TO PRIMARY CARE ACCESS AND INFRASTRUCTURE

A combined system will deepen Lifespan's and CNE's commitment to high quality primary care, which is a fundamental building block of any effective health care system. Our country and our

state face a growing shortage of primary care providers, while the uninsured and underinsured increasingly depend upon hospitals to provide primary care.

The resources of a post-affiliation Lifespan will allow us to expand and build existing programs such as the Women & Infants Primary Care Center, which currently sees 30,000 patient visits annually; Rhode Island Hospital's Medical Primary Care Center, which in FY2008 provided care in connection with 20,634 adult primary care visits, of which 69% were patients covered by Medicaid or RiteCare or who were uninsured; Hasbro Children's Hospital's Ambulatory Pediatrics program, which in FY2008 provided 35,842 pediatric visits, of which 80% were patients insured by Medicaid or RiteCare or who were uninsured; and Hasbro Children's Hospital's and Bradley Hospital's collaboration with Gateway Healthcare, which began in November 2006 and to date has cared for more than 1,300 children and adolescents in crisis. Kent Hospital is actively recruiting primary care physicians to its service area.

The combined system will actively explore options to provide better and increased primary care access with the Providence community health centers (opportunities may also be explored with other community health centers, such as Thundermist Health Center). These areas may include:

- Investing in a common IT platform.
- Creating tighter linkages between teaching programs at the academic medical complex and primary care delivered at contiguous or co-located community health centers.
- Creating and investing in capacity for after-hours care delivery by community health centers.

MEETING COMMUNITY NEEDS

Our respective systems and affiliate hospitals have a proud tradition of going beyond our basic missions of care to provide a full array of community benefit programs that enhance the health and well-being of the populations and communities we serve. At Lifespan, community benefit currently is administered through various corporate and hospital departments throughout the system, including community health services, diversity, and communications. CNE has a long history of primary care outreach and educational services through its hospitals and VNA services.

If the proposed affiliation is approved, we plan to reevaluate the structure through which we administer our community benefit activities and to develop a system-wide approach to community benefit that will allow us to better identify and meet the needs of all the communities we serve. Focusing and directing our resources will allow us to make a much greater impact on key issues affecting our state, such as access to primary care and disease management, access to good jobs, as well as more effectively coordinating our efforts with other providers and public health officials.

Following the affiliation approval, we will conduct, in concert with public health officials and community leaders, a community needs assessment. From this assessment, we will be better able to develop programming with measurable impacts on identified public health goals. We will standardize system-wide measurement and evaluation, and will coordinate with state initiatives to benchmark and track our progress in improving the health of our community.

Additionally, providing essential care to all individuals, regardless of their ability to pay, is an integral part of the affiliating institutions' missions. Lifespan and CNE charity care policies provide free care to individuals who earn 200% or less of the poverty level. Lifespan hospitals provide individuals with a reduced rate for care based on their income up to 400% of the poverty level. Currently CNE hospitals offer individuals a reduced rate up to 300% of the poverty level. CNE's charity care guidelines would be increased immediately following the approval of the proposed affiliation to provide reduced costs to individuals up to 400% of the poverty level.

In FY2008, Lifespan hospitals' uncompensated care at cost was just under \$72 million, a 16.2 percent increase over FY2007. CNE hospitals provided uncompensated care at cost of just under \$18 million, a 22.1 percent increase over FY2007.

As the recession in Rhode Island continues, with the unemployment rate now exceeding 12 percent, we expect our uncompensated care to continue to increase. In addition, cuts sustained on the state level and major cuts anticipated as a result of health care reform on the federal level, along with expanded reliance on high-deductible health plans, are expected to further increase the financial pressures on our hospital and the amount of uncompensated care the hospitals provide.

A BALANCED HEALTH CARE DELIVERY SYSTEM

Lifespan and CNE evolved from a group of independent, disconnected and varied specialty hospitals and geographically separate community hospitals into two systems that are very different from one another. Each system has critical service lines that the other lacks, making each a "must-have" for area health plans. For example, Lifespan is unique in its tertiary lines of care involving pediatrics, cardio-surgery, neurosurgery, burns, HIV, and the only Level I trauma center in southeastern New England. CNE is unique for obstetrics, neonatology, and gynecology. As a result, an economist who has studied the market believes this affiliation would not alter the market power of the combined system. Rather, this affiliation will generate the positive economic benefits that flow from the full integration of separate complementary components.

The affiliation has been evaluated by the Federal Trade Commission, under the aegis of the Hart-Scott-Rodino pre-merger review process, once in 2000 in connection with the prior agreement between Lifespan and CNE to affiliate, and twice (in 2007 and again in 2008) in connection with the current Affiliation Agreement. Each time, the parties filed for pre-merger clearance, and each time the affiliation was cleared following an intensive investigation that included analysis of competitive data.

The balance of market power that presently exists in Rhode Island with Lifespan and CNE separate will remain fundamentally unchanged after the affiliation – except to the extent that it is increasingly offset by aggressive and growing competition from the region (especially from Boston), as well as by the highly concentrated third-party payor market in Rhode Island which will remain more highly concentrated than the proposed affiliated system. Further, following the proposed merger, more than two-thirds of United States hospital markets will still be more concentrated than that of the new system.

Over the last two years, the competition from Boston institutions has intensified. With new outposts and aggressive outreach into Rhode Island by academic medical centers in Boston, western Massachusetts and Connecticut, there should be little doubt that we are operating in a regional marketplace. This further

reduces any potential anticompetitive effects of the proposed affiliation and underscores the need for a strong, unified system of care in Rhode Island in order to sustain the availability of critical health care services for the benefit of the people of Rhode Island.

Our state's population is insufficient to support high-end patient care programs, and we must attract patients into our state to sustain the viability of these services. In fact, already nearly 50 percent of Lifespan's revenue comes from sources outside of Rhode Island. This includes payments from federal programs, out-of-state private insurance companies and research dollars. If we see an incursion by out-of-state providers and an erosion of our patient volumes, the availability of tertiary services in Rhode Island will be compromised and most certainly threatened. Should this occur, Rhode Island will revert to a system of care whereby patients receive community hospital-level services locally and are forced to travel to Boston or other cities outside of Rhode Island for needed specialty services. Ultimately we will pay a higher cost in terms of price, convenience and the loss of a family-centered experience. This will also result in a significant loss of jobs in Rhode Island. We must be able to create a system of care that will be able to compete effectively against major regional competitors already attempting to gain a foothold in Rhode Island.

NEW INVESTMENTS AND OPPORTUNITIES IN MEDICAL RESEARCH

Bringing Lifespan and CNE together and positioning them to partner more effectively with the Alpert Medical School will create an academic medical complex that will foster innovation and draw research dollars and medical and biomedical brainpower to this region. Drawing top researchers and major grant funding to Rhode Island through member hospitals and the Alpert Medical School will improve the region's already high quality health care and reputation as an emerging research center. In fiscal year 2008, the hospitals of Lifespan and CNE collectively employed over 688 full-time employees devoted exclusively to research and conducted \$98.6 million dollars in externally-funded research, including more than \$60 million dollars of NIH-funded research.

The affiliation would help spur research at the new Lifespan system by creating new synergies through the sharing of ideas and resources, and by helping to attract new researchers into the state. The influx of researchers and funding would have positive effects on Rhode Island's economy as a whole. The biotech spin-offs and other businesses that arise from research discoveries will provide highly-skilled, well-compensated job opportunities for Rhode Islanders.

Under Butler's leadership, the Brain Science Institute will support research, education, and behavioral health treatment, and the affiliation will facilitate increased collaboration among Butler, Rhode Island Hospital and Bradley. Bringing all the Lifespan and CNE hospitals together in the area of brain science will create an unprecedented concentration of expertise. It is envisioned that the institute will be an important component of a brain science program of national, and perhaps international, significance. The vision of the Brain Science Institute would best be realized with collaboration of the psychiatric resources of Butler, the neuroscience, molecular medicine and pharmacology expertise of RIH, and the pediatric psychiatric capabilities of Bradley.

When Women & Infants was constructed on the RIH campus, the hope was for collaboration, for efficiency and for lack of duplication. In some respects, those objectives were realized. There presently exists a high degree of clinical collaboration, and yet substantial opportunities remain.

The hospitals have two information systems, which hampers interactions among physicians, nurses, and other professionals across institutional lines every day. The fact that these hospitals, which are physically connected, have been unable after 25 years to maximize possible areas of interdependence and achieve greater levels of cohesion, is evidence that institutions in separate systems can go only so far to collaborate. The separate management teams at the two hospitals are legally restricted in what they can share with each other and what they can do together.

The affiliated system will parlay Women & Infants' expertise, as complemented by the excellent services currently provided by Lifespan hospitals, to develop a range of outpatient and inpatient services that will address conditions disproportionately affecting women and diseases uniquely impacting women. The health concerns to be addressed will include women's digestive disorders, women's cardiac health, women's pulmonary disorders, women's endocrinology, women's sports medicine and orthopedics, women's cancer and geriatrics, among others. The affiliated system also plans to create a Women's Health Service Line to provide easily accessible, patient-friendly alternatives for women seeking care.

NEAR-TERM INTEGRATION, LONG-TERM BENEFIT

Should the affiliation application receive the necessary approvals from the Department of Health and the Attorney General, the affiliation will be finalized within 30 days of the final approval. In the affiliation agreement, Lifespan and CNE pledged to accomplish the major vision elements of the affiliation within six years. Butler's leadership role and opportunities manifest in psychiatric health will begin immediately. Substantial efforts at Kent Hospital will begin within the first year.

In the short term, Rhode Islanders can expect the affiliation of Lifespan and CNE will result in improved, more coordinated quality health care. The convergence of medical and mental health treatments in the care of patients with psychiatric disorders will be facilitated by the new partnership. Advances in the area of women's health will occur. Additionally, the closer coordination of emergency and trauma services between the Lifespan hospitals and Kent will improve the state's ability to respond to emergencies and disasters.

In the long term, the benefits will be even greater. The affiliation will help ensure the flow into Rhode Island of out-of-state research dollars that will lead to medical breakthroughs which, in turn, will lead to new jobs and business opportunities. It will allow for the continued success of a locally controlled, nonprofit network of hospitals and health care providers. This network of providers will work in partnership to deliver top-quality, state-of-the-art care on a local basis and create a system of care that will match or even outmatch that available in Boston or elsewhere in the country. Without this, we will be unable to compete effectively and perhaps we will see a regression in the level of care now available in Rhode Island.

In addition to the obvious short- and long-term benefits, there are more subtle benefits that grow out of an affiliation over time. For example, taking the system approach, Lifespan invested at The Miriam in the da Vinci robot and at RIH in a linear accelerator to pioneer leading-edge treatments; by avoiding unnecessary duplication, more investment was possible. A system approach also means that resources can be allocated when they are needed to fund particularly important and necessary projects at our affiliates, regardless of what the affiliate could afford on its own. For example, Newport Hospital has been recognized for having an IT system of exceptional sophistication, which was only made possible because it is part of the Lifespan

system. A community hospital standing on its own cannot invest at this level, but a system can. Similarly, Bradley recently built an entirely new replacement hospital in large part because of the support received from Lifespan.

Further, the system approach of the new Lifespan will enable us to look beyond the hospital walls and partner with public and community resources to improve the quality of life in Rhode Island and well beyond. Our traditional commitments to improving public health and access to care will be enhanced once we are able to assess community health needs, appropriately allocate and target resources, measure our effectiveness and truly make an impact on the health and well-being of our community.

Lifespan and CNE have already improved health care in the state, have created opportunities for our employees, and have reached out to the community, offering programs and services that go well beyond our basic missions of care. Imagine a strengthened system that will be able to go much farther. The affiliation of Lifespan and Care New England will ensure that the latest treatments are available to patients; will create a more robust research enterprise; will allow the system to develop programs to ease the shortage of primary care physicians, nurses and other health care professionals; will spur collaborative programs that address the state's increasing unemployment and will bring more jobs to the state. Bringing the CNE hospitals under the Lifespan umbrella is an answer to many of the vexing challenges facing our community. Now more than ever, we need to envision a strong future for our health care delivery system and for our state. It is the right time to do so.