

FOR RELEASE: Monday, March 11, 1996

**MOUNT AUBURN, BETH ISRAEL, AND PATHWAY
TO FORM A NEW REGIONAL HEALTH NETWORK**

Mount Auburn Hospital, Cambridge, Boston's Beth Israel Hospital, and Pathway Health Network announced today that they are entering "serious discussions" towards a merger that will join together their parent corporations. At Pathway, the parent corporation of Deaconess Hospital, merger discussions with Beth Israel are already underway. Each of the institutions is a teaching affiliate of Harvard Medical School. The system formed by the combined entities will work towards extending an innovative regional health network including physicians and physician-groups, and community hospitals from a wide area of Eastern Massachusetts.

"We are committed to creating a value-driven, price-competitive, regional integrated delivery network that will provide the full array of superior health care services to our patients and communities," the announcement said.

The system envisioned would result from merging the parent entities of the hospitals involved -- the yet-to-be-named HealthGroup of which a merged Beth Israel-Deaconess Medical Center would be a subsidiary, and the Mount Auburn Foundation, of which Mount Auburn Hospital is a subsidiary. The system would be structured under a single board derived from the merged parent entities, under which both Mount Auburn and Beth Israel-Deaconess would continue as two distinct hospitals and provider organizations. Mount Auburn will have "meaningful representation" on the merged parent board. As an outgrowth of this merger, the planned integrated health delivery network will feature shared

authority among teaching and community hospitals, physicians, and physician-groups. As a strong community hospital, Mount Auburn will have a prominent role in further development of the network, which will grow through future participation by other hospitals and physicians.

"With the new network -- unique in this region -- we will capitalize on the strengths of physicians, teaching hospitals, and community hospitals, recognizing that each brings unique value for providing appropriate and efficient care while ensuring success in the marketplace of today and tomorrow," said Dr. Mitchell T. Rabkin, president of Beth Israel and projected chief executive officer of the HealthGroup.

"Our intent is to retain at the local level appropriate authority and flexibility to allow each provider organization to fulfill its mission and meet the needs of its community effectively and efficiently," said Francis P. Lynch, president of Mount Auburn Hospital.

"The merger of Mount Auburn, Pathway and Beth Israel, coupled with the broadly participative integrated delivery network evolving from it, will blend the excellence of major Boston teaching and research institutions with the best of community hospital and neighborhood physician care," said Lynch. "It will position Mount Auburn, its physicians and Beth Israel-Deaconess to meet the health needs of their local communities, and serve other institutions and their physicians toward the same ends while working to enhance quality, service and fiscal efficiency in the highly competitive marketplace of managed care."

"We look forward to Mount Auburn joining our existing family of hospitals and physicians, all working together to serve best our patients, communities, students,

and science," said Dr. J. Richard Gaintner, president of Pathway and projected president of the HealthGroup.

"As a former resident of Cambridge, I know what a fine hospital Mount Auburn is. I feel along with other in the BI family that this is a marvelous opportunity for such first-class healthcare institutions to work together. It's a good move for patients, for physicians, and for the communities these hospitals and doctors serve," said Stephen B. Kay, chair of Beth Israel's board of directors.

"The trustees, physicians and management of Mount Auburn Hospital have undertaken a comprehensive process to determine the best partnership to assure continued and expanded access to high-quality health care for the residents of the communities we serve," said James Roosevelt, Jr., chairman of the board of trustees of the Mount Auburn Foundation. "We believe that we have developed with Beth Israel a model for collaboration of teaching and community hospitals which will serve our patients well, and be attractive to other hospitals and physicians throughout Eastern Massachusetts."

"The proposed network brings together three superb institutions where members of the Harvard Faculty of Medicine have for many years cared for patients and contributed to academic programs of research and education," said Dr. Daniel C. Tosteson, dean of Harvard Medical School. "this move will not only produce more responsive and cost-effective healthcare for the people of Greater Boston and New England, but also strengthen and foster greater coordination of academic programs. Faculty members in all three institutions have participated vigorously in the design of Harvard Medical School's new pathways for general medical education."

Beth Israel, Deaconess, and Mount Auburn are all affiliated with Harvard.

"The plans of Beth Israel Hospital, Deaconess Hospital, and Mount Auburn Hospital to create an integrated health network make eminent sense," said Dr. Patrick H. Mattingly, vice president of strategic planning and development at Harvard Pilgrim Health Care. "Harvard Pilgrim already has strong and longstanding relationships with all three organizations. such a merger will only strengthen our existing relationships and provide new opportunities to work together to provide high-quality, coordinated care to increasing numbers of Harvard Pilgrim members." Among "guiding principles" agreed to by the trustees, administrators, and physicians engaged in the discussions are:

-- Community hospitals will have significant and meaningful representation in the governance of the network, as will physicians, together creating with the teaching hospitals a tripartite structure that works to the benefit of the network overall.

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-- The ability to succeed in the managed care environment and under capitation will be a priority of the network. Focusing on provider care in the community and emphasizing health promotion and preventive care will be substantial building blocks of the network strategy. Such a focus, coupled with balanced network leadership and infrastructure, will enable physicians to provide cost-effective, high-quality care. Looking to add selected quality hospitals and physicians to the network, a pluralistic approach will be taken, emphasizing organizational flexibility, and allowing provider groups and institutions to join in a variety of ways, Mount

Auburn and its leadership will play a key role in building the community hospital component of the new network.

-- The network will position itself to be attractive to payers and employers, to facilitate optimal contracting from these sources.

-- If they so desire, community hospitals and physicians will be able to participate in academic activities, to which Beth Israel, Deaconess Hospital, and Mount Auburn are committed. Broad voluntary involvement in clinical teaching functions, outcome and quality studies, and other clinical research endeavors would both support academic purposes and encourage intellectual exchange among colleagues that will strengthen the quality of care from all participating providers.

MOUNT AUBURN HOSPITAL

Mount Auburn Foundation is a holding company with two subsidiaries, Mount Auburn Hospital, a 300-bed Harvard Medical Center community teaching hospital, and Mount Auburn Professional Services, a multi-disciplinary physician group practice. Mount Auburn Hospital, founded in 1871, maintains a market share in its primary service area, including the cities and towns of Cambridge, Arlington, Belmont, Lexington, Somerville, Waltham, and Watertown. The Hospital provides a broad range of inpatient and outpatient services to residents of its service area, as well as a number of tertiary services. Inpatient services include the major categories and subspecialties of medicine, surgery, obstetrics, and psychiatry. The Hospital has an extensive network of primary care satellite practices in Arlington, Cambridge, Lexington, Somerville, Watertown, and Waltham. Mount Auburn Hospital operates accredited residency programs in internal medicine and radiology,

with a strong focus on primary care training, and participates in accredited residency programs in surgery.

BETH ISRAEL HOSPITAL

Beth Israel Hospital, Boston, was established in 1916 and moved to its present Longwood site in 1928. It is the cornerstone of Beth Israel HealthCare, a regional system of care promoting lifelong wellbeing. Beth Israel HealthCare includes physicians and medical groups, nurses, and other health professionals associated with Beth Israel Hospital, a major clinical, teaching, and research affiliate of Harvard Medical School.



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M O U N T A U B U R N H O S P I T A L

March 11, 1996

Francis P. Lynch, President

Dear Member of the Mount Auburn Hospital Community:

I am delighted to announce that the Boards of Trustees of the Mount Auburn Hospital and the Mount Auburn Foundation, with the concurrence of the Mount Auburn Cambridge Independent Practice Association (MACIPA), have decided to enter into serious discussions towards a merger that will join together the parent companies of Mount Auburn Hospital, Beth Israel Hospital and Deaconess Hospital.

Ten months ago, representatives of the hospital's board of trustees, management and MACIPA came together to form an ad hoc task force to evaluate potential partnership options for Mount Auburn Hospital and to recommend a preferred alliance. The task force interviewed nine potential partners. Of these, three organizations were selected for a second phase of more detailed discussions which took place over the past two months. Last week, the findings of the task force were presented to the boards of Mount Auburn Hospital, Mount Auburn Foundation and MACIPA.

The new integrated system formed by the combined entities will work towards building an innovative regional health network featuring shared authority among teaching and community hospitals, physicians and physician-groups. The merger will blend the excellence of major Boston teaching and research institutions with the best of community hospital and neighborhood physician care. As a strong community hospital, Mount Auburn will have a prominent role in further development of the network, which will grow through future participation by other hospitals and physicians.

Please refer to the attached press release, which was issued today, for the details of the merger. This is an exciting undertaking for Mount Auburn Hospital and its physicians and a positive step toward preserving and strengthening our role in the continually changing healthcare environment.

Sincerely,

Francis P. Lynch
President



A Harvard
Medical Center
Community
Teaching Hospital

330 Mount Auburn Street
Cambridge, MA 02238
(617) 499-5100

Consent Communication #15

S-148

Communication was received from Francis P. Lynch, President of the Mount Auburn Hospital regarding the Mount Auburn, Beth Israel and Pathway's forming of a new Regional Health Network.

In City Council March 18, 1996

3/25/96

Placed on File