

NOTICE OF MATERIAL CHANGE

Date of Notice: November 19, 2014

1.	Name:	Partners HealthCare System, Inc.
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2.	Federal TAX ID #	MA DPH Facility ID #	NPI #
	04-3230035	N/A	N/A

Contact Information						
3.	Business Address 1:	800 Boylston Street				
4.	Business Address 2:	Suite 1150				
5.	City:	Boston	State:	MA	Zip Code:	02199
5.	Business Website:	www.partners.org				
7.	Contact First Name:	Brent	Contact Last Name:	Henry		
8.	Title:	Vice President and General Counsel				
9.	Contact Phone:	617-278-1065	Extension:			
10.	Contact Email:	Bhenry1@partners.org				

Description of Organization	
11.	<i>Briefly</i> describe your organization.
	Partners HealthCare System, Inc. ("PHS") is the parent organization of an integrated health system ("Partners HealthCare") founded by Brigham and Women's Hospital and Massachusetts General Hospital. In addition to its two academic medical centers, Partners HealthCare includes community and specialty hospitals, a managed care organization, community health centers, a physician network, home health and long-term care services, and other health-related entities. Partners HealthCare is one of the nation's leading biomedical research organizations and its hospitals are principal teaching affiliates of Harvard Medical School. PHS and substantially all of the organizations that comprise Partners HealthCare are non-profit organizations.

Type of Material Change	
12.	Check the box that most accurately describes the proposed material change:

	<input type="checkbox"/> Merger or affiliation with a carrier <input type="checkbox"/> Acquisition of or acquisition by a carrier <input type="checkbox"/> Merger with or acquisition of or by a hospital or a hospital system <input checked="" type="checkbox"/> Any other acquisition, merger, or affiliation between a provider organization and another provider organization where such acquisition, merger, or affiliation would result in an increase in annual net patient service revenue of the provider or provider organization of more than \$10,000,000 <input type="checkbox"/> Any clinical affiliation between a provider or provider organization with another provider or provider organization which itself has an annual net patient service revenue of more than \$25,000,000 <input type="checkbox"/> Formation of a partnership, joint venture, common entity, accountable care organization, or parent corporation created for the purpose of contracting on behalf of more than one provider or provider organizations	<p><u>Note:</u> although PHS has checked the "other ... affiliation" box above, it is our position that the change in employment status of the PMA physicians described below does not fit into any of the categories listed above.</p>
13.	What is the proposed effective date of the proposed material change?	The effective date for the transition was scheduled for 7/1/2014. However, by mutual agreement between PHS and Commission staff, PHS put the completion of the transition on hold, except for certain provider payroll and benefit-related aspects that could not reasonably be reversed at the time such hold was put in place.
Material Change Narrative		
14.	<i>Briefly</i> describe the nature and objectives of the proposed material change:	
<p>Partners Community HealthCare, Inc. ("PCHI"), a corporate affiliate of PHS, acquired the Pentucket Medical Associates ("PMA") physician practice in 1999 by purchasing one hundred percent (100%) of the stock of Pentucket Medical Associates, Inc. ("PMA Inc."). Rather than continuing to operate the PMA practice through PMA Inc., PCHI converted the practice to PCHI's then current practice operating model by (1) assuming all of PMA Inc.'s facility and equipment leases and (2) becoming the employer of all of PMA Inc.'s management, administrative and non-provider clinical staff. Over the years since the acquisition, PCHI has acquired and/or leased all new PMA facilities and equipment and has hired all new management, administrative and non-provider clinical personnel for the PMA practice. Thus, as a result of the acquisition and continuing to the present day, all PMA practice facilities are PCHI sites, and PCHI employees conduct all day-to-day management and administrative duties for the PMA practice, including finance, billing, human resources, compliance and information systems services. However, in order to enable the PMA physicians and advanced practitioners (collectively, the "PMA Providers") to have more direct control over individual provider compensation and benefits and other provider-specific practice issues, the PMA Providers did not become employees of PCHI at the time of the acquisition, but instead became employees of a newly formed Massachusetts limited liability company named Pentucket Medical Associates, LLC ("PMA LLC"). Further, as an integral part of the acquisition, PHS and PCHI took on the responsibility for payer contracting for the PMA practice, and since 1999 all of the PMA Providers have participated in the Partners HealthCare Network and in Network payer contracts negotiated by PHS and PCHI. (After all of the post acquisition transition matters had been resolved, PMA Inc. was merged into PCHI in 2002 and ceased to exist.)</p> <p>In view of the increasing emphasis on controlling the growth of total medical expenditures through population health management, bundled pricing, risk contracting and other methods, it is becoming important for provider networks to assure that financial incentives are aligned across all network providers. In this regard, many networks, including the Partners HealthCare Network, are exploring the direct employment of providers to enable the network organization more effectively to focus providers' efforts on the network's population health management programs and goals (for example through more control over how individual provider compensation is structured). After extensive discussions with PCHI, the PMA Providers agreed earlier this year to terminate their employment with PMA LLC and to become direct employees of PCHI. Other than this change in employment status and the related shift to the use of PCHI's provider number rather than PMA LLC's for billing purposes, PCHI will continue to operate the PMA practice in the same way as it was being operated prior to this Provider employment change. (As part of this employment transition, PMA LLC and PCHI agreed to a process for winding down the financial arrangements that had been in place between PCHI and PMA LLC since 1999. Although the employment status of the PMA Providers did change as of July 1, 2014, the rest of this transition process was put on hold in accordance with the agreement with the Commission staff described in item number 13 above.)</p> <p>The arrangements described above, therefore, involve simply a change in the employment status of the PMA Providers</p>		

	<p>and related transitional arrangements, none of which involves anything that could be characterized as a merger, acquisition or affiliation as described in M.G.L. c. 6D § 13 or in the Commission’s Bulletin 2013-1. The “acquisition” of this practice clearly occurred in 1999.</p>
15.	<p><i>Briefly</i> describe the anticipated impact of the proposed material change:</p>
	<p>The change in the employment status of the PMA Providers described above will enable the Partners HealthCare Network to better align compensation incentives with the implementation of its population health management programs that are designed to control the growth of total medical expenditures and improve the quality of healthcare services provided to patients of the Network. As a result, the Network as a whole, and the PMA Providers in particular, will be better positioned to achieve higher quality care and at lower overall cost, thus benefiting both their patients and the Massachusetts health care system as a whole.</p> <p>Furthermore, this change in employment status will have no material negative impact on the health care market or health care costs. In its Cost and Market Impact Reports regarding the proposed acquisitions by PHS (or its affiliates) of South Shore Hospital, Hallmark Health System and Harbor Medical Associates, the Commission has expressed concern about the potential for these provider consolidations to have an adverse effect on the health care market and to increase health care costs as a result of changes to unit price, utilization, provider mix and service mix. For the reasons described below, the change in the employment status of the PMA Providers described above will have no such adverse effect on the health care market or health care costs.</p> <p>First, the Commission has asserted that the proposed acquisitions of other providers by PHS would increase the alleged market “leverage” of Partners HealthCare, thereby enabling PHS to extract higher rates from health plans. The PMA Providers have participated in the Partners HealthCare Network and in Network payer contracts for fifteen years. Therefore, the transition of the PMA Providers to PCHI employment will result in no changes in provider market concentration or share or in Partners’ alleged bargaining “leverage” with payers.</p> <p>Second, the Commission has expressed concern that the acquisition of additional providers by PHS would result in such newly acquired providers realizing payer rate increases (and, according to the Commission, sometimes substantial increases) as their payer rates are brought up to the level of the so-called Partners “integrated” rates. However, as employees of PMA LLC the PMA Providers have been, and now as PCHI employees they will continue to be, reimbursed at the Partners “integrated” rates, and thus there will be no increase in health care costs because of this change in employment status of the PMA Providers.</p> <p>Third, the Commission has alleged that upon the acquisition of providers by PHS, these providers will shift their patient referral patterns and send more of their patients to allegedly more expensive Partners Healthcare hospitals. Throughout the fifteen year period since the PMA practice was acquired by PCHI, the PMA Providers have maintained their well established referral relationships with local community hospitals and physicians, none of whom are part of the Partners HealthCare Network. These relationships were established over a long period of time and are based on the high levels of clinical quality of these local community providers, geographic convenience for PMA’s patients and patient preference. Accordingly, there is no reason to believe that the change in the employment status of the PMA Providers would alter these longstanding referral relationships with non-Partners providers.</p>

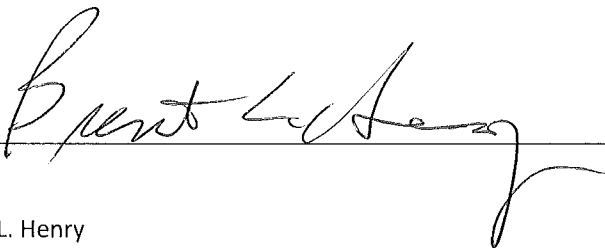
Development of the Material Change	
16.	Describe any other material changes you anticipate making in the next 12 months:
	<p>Based on executed agreements that are in place on the date hereof, PHS anticipates that it will complete the following "material changes" (as defined in the Commission's Bulletin 2013-1) in the next twelve months:</p> <ol style="list-style-type: none"> 1) the acquisition of South Shore Health and Educational Corporation and its affiliated organizations, including South Shore Hospital; 2) the acquisition of Hallmark Health Corporation and its affiliated organizations, including Hallmark Health System; and 3) the acquisition of Harbor Medical Associates, P.C.
17.	Indicate the date and nature of any applications, forms, notices or other materials you have submitted regarding the proposed material change to any other state or federal agency:
	As of the date hereof, PHS has not made any formal filings with, and has not given any written notices to, any state or federal agencies other than this Notice of Material Change to the Health Policy Commission.

Affidavit of Truthfulness and Proper Submission

I, the undersigned, certify that:

1. I have read the Health Policy Commission Bulletin 2013-1, **Interim Guidance for Providers and Provider Organizations Relative to Notice of Material Change to the Health Policy Commission.**
2. I have read this Notice of Material Change and the information contained therein is accurate and true.
3. I have submitted the required copies of this Notice to the Health Policy Commission and to all relevant agencies (see below*) as required.

Signed on the 19th day of November, 2014, under the pains and penalties of perjury.

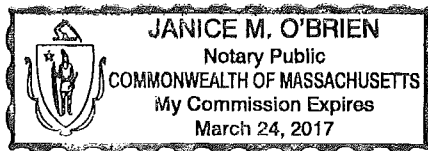
Signature: 

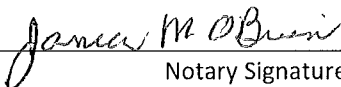
Name: Brent L. Henry

Title: Vice President and General Counsel

Partners HealthCare System, Inc.

FORM MUST BE NOTARIZED IN THE SPACE PROVIDED BELOW:




Notary Signature

Copies of this application have been submitted electronically as follows:

Office of the Attorney General (1)

Center for Health Information and Analysis (1)