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March 3, 2023

Diane Murphy Quinlan
Director of Charitable Trusts
Attorney General
Department of Justice
33 Capital Street
Concord, NH 03301

Re: Proposed Transaction between Valley Regional Hospital and Dartmouth-Hitchcock Health

Dear Ms. Quinlan:

In response to your letter of January 19, 2023, we are providing the additional information you have requested regarding the proposed transaction between Valley Regional Hospital and Dartmouth-Hitchcock Health.

Board Due Diligence

1. Provide minutes of meetings of the VRHC and VRH boards of trustees or board committee meetings related to discussions about the possibility of entering into an affiliation, merger, acquisition, integration agreement, and/or combination transaction with DHH and/or other hospitals or health care systems (other than the minutes of meetings previously submitted).

Response: See VRH 000001 to VRH000074

2. Paragraph E of the Integration Agreement provides that "Representatives of the Parties worked collaboratively to analyze and negotiate the myriad issues involved in creating a more integrated health care delivery system." Who were the "representatives of the parties" to which paragraph E refers?

Response: A core group of individuals were assigned by their respective Boards of Trustees to work collaboratively to recommend proposed terms for the Integration Agreement and to analyze the benefits of a more integrated health care delivery system. These individuals were:

Jocelyn Caple MD, Interim President/CEO, VRH/VRHC
Jean Shaw, CFO, VRH/VRHC
Laurie Cohen, Nixon Peabody, Counsel to VRH/VRHC
Joseph Perras MD, President/CEO Mt Ascutney Hospital and Health Center
David Sanville, CFO Mt Ascutney Hospital and Health Center
Stephen LeBlanc, Chief Strategy Officer Dartmouth Health
John Kacavas, Chief Legal Officer Dartmouth Health
Joe Watt, BKD Advisors (consulting firm)

Throughout the negotiation process, these representatives met frequently with their respective Board Chairs, Executive Committees and full Boards to review progress, identify priorities, analyze opportunities and discuss key terms. The respective boards provided guidance on proposed terms to their representatives and ultimately approved the Integration Agreement.

3. If the proposed transaction with DHH is not completed, what are VRH's alternative plans or options?

Response: At this time, VRH's only option would be to remain a standalone critical access hospital which would not be conducive to the long term viability of the hospital.

4. Please provide copies of the minutes of Board meetings that are related to the transaction that have not previously been provided.

Response: See materials provided in response to Item 1 above.

5. Provide copies of any financial forecasts and consultant reports considered by the Board in connection with the consideration of an affiliation, merger, acquisition, and/or combination transaction with DHH and/or other hospitals or health care systems.

Response: See VRH000075 to VRH000101

6. Provide copies of the 2022 audited financial statements for VRH and DHH. If they are not available, provide them as soon as they are available.

Response: See VRH000102 to VRH000144

7. To the extent not previously provided, provide any and all documentation, including, but not limited to reports, presentations, and minutes of meetings, relating to the review of the Integration Agreement and its terms, its discussions, the negotiations, and the vote by the VRH board and board committees. Include any and all reports and presentations made by representatives of DHH to the VRH board.

Response: See VRH000145 to VRH000261

8. To the extent not previously provided, provide any and all documentation, including presentations, minutes of meetings, and reports made or prepared by representatives of DHH and shared with the Mt. Ascutney Hospital and Health Center ("MAHHC") board concerning the proposed transaction between VRH and DHH.

Response: DHH representatives met with the MAHHC Board on one or more occasions to discuss the proposed arrangement with VRH but the parties have not located any formal presentations.

9. Provide copies of any written comments, complaints, questions, and other input submitted to VRH management and/or the VRH board from physicians, employees, volunteers, management, and the public related to the transaction with DHH. Include any comments and questions submitted during the listening session held on September 8, 2022.

Response: See VRH000262-VRH000272. The public listening session can also be accessed at https://www.youtube.com/watch?v=4Yz0fCL9wF0

10. Describe any changes made to the Integration Agreement as a result of comments, questions, or concerns raised at the listening session held on September 8, 2022.

Response: There were no specific changes made to the Integration Agreement as a result of comments, questions, or concerns raised at the listening session.

11. Identify the names of the VRH board members who attended the listening session on September 8, 2022.

Response: The following Board members attended the listening session: Juliann Barrett, MD, James Borchert, Terri Decker, Katherine Lajoie, Patricia Putnam, Sam Shields and Alex Scott.

12. Other than the September 8, 2022, listening session, describe efforts undertaken by VRH to solicit input regarding the proposed transaction from the community it serves. What input did organizations and individuals from the community provide? How has that input affected the terms of the proposed transaction?

Response: Individual Board members have reported speaking to family, friends, colleagues and patients about the affiliation and further report that there was universal support for VRH's affiliation with D-HH.

Access, Quality, and Safety

13. The integration agreement states that the parties seek to "avoid the duplication of services." What services are considered "duplicative"? How and to what

extent do the parties intend to change or reduce services considered duplicative at each service location?

Response: Please see the proposed service line chart attached at VRH000293 to VRH000294.

14. Do the parties plan to reduce or eliminate services at VRH, Mt. Ascutney Hospital & Health Center ("MAHHC"), or any other service locations currently affiliated with DHH? If so, please specify the service(s) and describe the change(s) in services offered. How do the parties plan to notify patients of the change(s) in service(s)?

Response: See the proposed services line chart referenced in Item 13 above. As required by section 5.6 of the Parties' Integration Agreement, the Parties have convened a Joint Integration Committee ("JIC") to assess the clinical synergies and determine the most appropriate site of service for, among other services, hematology/oncology and urology. Overall, rural communities like those served by VRH have experienced a gradual loss of access to specialty services. As a result, patients are required to travel further for care, and local primary care physicians have limited access to specialists to assist in the care of their patients. The Parties goal is to expand service lines at VRH or MAHHC in order to offer more robust access 4-5 days per week as opposed to 1-2 days on both campuses. This will allow for better staffing for nursing and support staff on each campus. Patients receiving specialty care on either campus will continue to have access to specialists locally or at Mary Hitchcock Memorial Hospital ("MHMH").

15. Do the parties plan to offer new or additional specialty services at VRH's Claremont location? If so, which new or additional services will be offered?

Response: The parties aim to expand behavioral health, in particular substance use disorder treatment services, and build hematology/oncology, general surgery, orthopedics, inpatient medicine, and primary care services at VRH. They also plan to increase eye care services at VRH.

16. Do the parties plan to centralize any services or functions at one location? If so, please specify the service(s) or function(s) and describe the effect of the change. How do the parties plan to notify patients of the change(s) in service location?

Response: As described in response to #14 above, the Parties have convened the JIC to make determinations about the most appropriate site of clinical services that is convenient, accessible, and cost-effective for patients. Although the Parties anticipate that centralizing one or more clinical services at VRH or at MAHHC may be beneficial, no determinations have been made to date.

17. Do the parties plan to offer transportation between any hospitals or service locations for staff, for patients, or both? If so, please specify how transportation will be provided.

Response: At this time, there is no plan to offer transportation services between and among VRH, MAHHC and MHMH. However, accessibility is a priority for the JIC and transportation may depend upon the site of certain clinical services.

18. How will the parties assure access to inpatient and outpatient facilities for patients with low incomes who have Medicaid coverage or no insurance and have no alternative sources of needed health care?

Response: Attached at VRH000275 to VRH000313 are the current financial assistance policies of VRH, MAHHC and MHMH.

19. To what extent, if any, will individual clinicians offer services at multiple service locations (e.g., Mary Hitchcock Memorial Hospital and VRH)?

Response: There are no plans for current VRH providers to provide services at other locations. D-HH will continue to provide specialists in cardiology and GYN services at VRH.

20. Do the parties have a plan to improve or increase availability of primary care at any service locations? Specifically, do the parties have a strategy for reducing the high rate of preventable diabetes-related hospitalizations in Sullivan County?

Response: Over the past three years, the primary care practices of VRH have participated in a state-wide Integrated Delivery Network (IDN) demonstration project for New Hampshire Medicaid patients. VRH has enhanced within its primary care settings by:

- Hiring (2) Social Workers to provide immediate mental health triage care in the moments of medical appointments when providers deem it necessary.
- Hiring a Community Health Navigator to assist patients in the identification of needs, and the means to address those needs, which may impact the overall health of the patient and family, needs such as food and housing insecurity, lack of transportation, inability to pay for prescriptions, all of which are called “Social Determinants of Health.”
- Creating a 21-question patient assessment to address in real time the social needs of patients seeking medical care. Patients identifying needs are then referred to the new Community Health Navigator position for assistance.
- Collaborating with mental health professionals in the region to identify and eliminate barriers to care, as well as instituting the means to have both medical and mental health professionals at the table to address patient goals and care plans.

Through two grant opportunities and local financial partners, such as The Byrne Foundation and Satzow Family Fund, VRH primary care practices and emergency services have goals to integrate components of mental health and substance-use

treatment into the medical healthcare of their patients and families, as well as specific care for diabetes and heart health.

In the past several months, VRH and its primary care practices also have:

- Hired a Psych-APRN to float between the three primary care practices, assisting in care for patients with co-morbidity complex cases involving substance use, alcohol use and mental health disorders; providing consultations with providers on mental health medication reconciliations and suitable treatments; and provider-referred emergency mental health triage for patients. This position works in partnership with the two licensed Social Worker staff members previously hired through the IDN initiative.
- Hired a Social Worker/RN Case Manager for the Emergency Department & Urgent Care to provide substance use assessment screenings and referral services, triage mental health needs, screen for social determinants of health and providing connections to primary care and community resources where appropriate. This position also refers primary care patients seen in the ED with diabetes and heart health issues to our new position of Primary Care Pharmacist.
- Hired a Primary Care Pharmacist to float between all practices, assisting providers in the targeted care of diabetic and heart health patients, as well as conducting medical reconciliations and medication awareness in the primary care setting for all providers. This pharmacist works directly with patients on their diabetic health goals and healthy heart management by meeting one-to-one with patients.
- Launched a Healthy Re-Entry program for incarcerated individuals scheduled for release. Through a collaboration with our local corrections department, these men and women receive local bridge care planning prior to release from jail, with a goal to establish medical prevention measures early rather than intervention later. Patients are assessed and screened for any conditions that require management prior to release and establish care with the medical provider of their choosing.
- With integration efforts at the forefront of our planning in the months to come, VRH and its primary care practices will seek additional funding for:
    - A Pharmacy Technician for the Emergency Department & Urgent Care, serving during times of low pharmacy staffing for diabetes and heart health patient assessments and medication reconciliations, with referrals to primary care for any patients without a primary care home.
    - An additional Community Health Navigator, providing real-time referral and guidance to patients, following positive assessments for social determinants of health that may exacerbate health issues. This navigator will assist patients under care by the new positions and work collaboratively with the emergency department.

21. Do the parties foresee any immediate or intermediate-term changes to health care delivery at Mary Hitchcock Memorial Hospital and/or VRH that would affect the needs of the residents of the service area?

Response: As set forth in section 2.1 of the Integration Agreement, the health care needs of the communities served by VRH and the D-HH System are paramount, and the integration is being designed to best address the needs of the residents and communities throughout the service area. The JIC is actively discussing anticipated changes to care delivery at VRH that are intended to expand access to behavioral health care and improve the quality and cost-effectiveness of other specialty services at VRH. The integration is intended to foster a closer relationship between VRH and MHMH that will enable more seamless specialty care for VRH patients.

Cost & Pricing

22. Do the parties expect that the proposed integration will achieve greater efficiency that will contain cost growth? If so, what steps will the parties take to achieve this greater efficiency?

Response: The Parties are in the process of identifying potential efficiencies that will contain cost growth, including a common electronic medical record that will enable more efficient and seamless patient care between and among system members, reduce wait times, and prevent more acute illness from occurring. Other efficiency opportunities may be realized in areas like supply chain and group purchasing, leveraging human resources and staffing synergies, insurance, laboratory and ancillaries. The Parties expect to identify potential efficiencies as their integration planning efforts proceed.

23. Do the parties expect that the proposed integration will cause a significant change in the volume of health care services delivered at any of the parties' service locations? If so, please describe the services impacted, the volume changes expected, and the causes of the expected changes.

Response: The Parties presently do not anticipate “significant” volume changes that will reduce services at VRH. On the contrary, the goal of the integration is to expand access to services, especially in response to identified community needs like mental health services, substance use disorder treatment services, and the social determinants of health. Integration planning has not progressed to the point that the Parties are in position to quantify projected volume changes.

Community Benefits

24. Do the parties plan to amend or align their charity care policies? How will these changes be publicized to the community?

Response: At this time, there is no plan for VRH to change its financial assistance policies or align its policies with MAHHC and MHMH. As stated in section 2.5.4 of the Integration Agreement, the Parties are being guided by the principle of preserving universal access to appropriate health care for all in need, regardless of ability to pay. Although the Parties do not anticipate any changes to their charity care policies, any

changes will be communicated to patients online and at the site of service in compliance with applicable law.

25. What steps do the parties plan to take to address other unmet substance misuse and addiction needs in the community? Will the parties expand behavioral health service lines in the community served by VRH? Will the parties implement routine screening for substance use disorder? Will the parties require affiliated physicians to complete training in opioid prescribing?

Response: See the Response to Item #20 above. VRH providers also participate in substance use training including opioid prescribing.

D-HH pioneered the "Collaborative Care" model that embeds behavioral health care providers in primary care clinics to screen for substance use disorder, among other things. The Parties anticipate wider use of tele-psychiatry to support the provision of Collaborative Care at VRH primary care sites, which will improve access, patient outcomes, and lower the total cost of care. Identifying the most impactful programs and allocating resources accordingly is a top priority for the JIC.

D-HH has performed cutting-edge research on opioid prescribing following surgery and the Parties expect that physicians will continue to be trained using appropriate guidelines.

26. What steps do the parties plan to take to address the unmet mental health needs in the community?

Response: Inasmuch as the availability of mental health services has been identified as the top community need, it is a top priority of the JIC. In formulating its plan to address unmet mental health needs, the JIC will be guided by New Hampshire's 10-year mental health plan with a focus on "outward models" that emphasize strategic investments to increase care in the community, divert avoidable hospitalizations, and facilitate outflow from necessary inpatient hospitalizations. MHMH operates a 20-bed voluntary inpatient mental health unit and plans are underway to open a Designated Receiving Facility (DRF) with 4-5 involuntary beds. The integration will offer residents of the VRH service area greater access to a patient-centered mental health program that spans the primary care, outpatient, and hospital-based continuum of care.

27. What steps do the parties plan to take to address other health needs and concerns in the community, as described in VRH's most recent Community Health Needs Assessment (e.g., access to primary care, access to dental care, access to healthy foods/activities, and cost of health care services)?

Response: We have hired two new family practice NPs who will start in April 2023. As noted above, VRH is also recruiting for an internal medicine provider. In an effort to address the health and social needs of community members, the VRH Community

Health Navigator assists individuals with those needs identified during screening, including access to food and educational services. The Parties anticipate aligning their collective community health improvement plans and community benefits to address these identified needs within the structure of the D-HH population health program, which has as a main focus on the social/political determinants of health.

Corporate Structure

28. Do the parties anticipate reallocating a portion VRH's operating margin for use within the DHH system, as described in the integration agreement, paragraph 3.5.5.1? If so, what amount of VRH's margin will be reallocated, and for what purpose? Are operating margins of other DHH-affiliated hospitals similarly subject to reallocation? If so, what dollar amounts were reallocated in FY2020, FY2021 and FY2022?

Response: Although, as with other members of the D-HH System, the reallocation of a portion of VRH's operating margin may be used for System-wide strategies and initiatives that meet the health care needs of all communities served by the System, there is no present plan to reallocate any portion of the VRH operating margin. As set forth in the Integration Agreement, reallocation must be consistent with D-HH financial principles and subject to the restrictions and processes in section 3.5.5.1, including approval by the VRH Board of Trustees in the operating and capital budget process. Endowment funds and donor-restricted assets are never subject to reallocation and will remain held for their intended purposes.

Each member of the System has determined that participation in the System is the most appropriate way to further its charitable mission and steward its charitable assets. Any reallocated operating margin is intended to improve the viability of the System and benefit all its members and, by extension, its patients. It is VRH's understanding that no reallocation of D-HH-affiliated hospitals' operating margin occurred in FY2020, 2021, or 2022.

29. Please describe specifically what financial issues have prevented the construction of VRH's proposed Medical Office Building. What would need to change before construction of VRH's proposed Medical Office Building could begin?

Response: VRH has been engaged in planning and designing of the new medical office space for several years. Although the Board was getting closer to approving a final design, the project was deferred for a number of reasons including, but not limited to, the high cost of building materials, increased labor costs and higher interest rates. The Board determined it made more sense to defer the project until there was a more stable construction market so as not to strain or jeopardize the current operations of the hospital. The Board is also hopeful that it could borrow any necessary funds at a lower interest rate once it joins Dartmouth-Hitchcock Obligated Group.

30. If the VRH board identifies community needs and/or develops a strategic plan that conflicts with the priorities of the DHH strategic plan, how will the parties reach a resolution?

Response: Addressing community needs is both a goal and a responsibility of the D-HH System and its constituent hospital members. System member management and boards of directors/trustees are primarily responsible for developing and executing plans to meet the needs of their respective communities because they are best-positioned to identify those needs and local resources to develop a delivery strategy. D-HH has not experienced a conflict with the strategic plan of any System member, nor does it envision such a conflict with VRH.

There is a high degree of consistency between the identified health needs of the communities served by D-HH and VRH. Consequently, integration of VRH into the D-HH System will allow the Parties to pool resources in more focused ways, share learned and best practices, and distribute health and health care programs more effectively in the service areas.

In the highly unlikely event of a strategic conflict, D-HH trustees will exercise their limited fiduciary duty to VRH and develop a mutually acceptable resolution that does not impair or prevent VRH from fulfilling its legal obligation to address community health needs. The Parties are working cooperatively through the JIC to formulate an integration plan and identify a structure for the resolution of any issues.

31. How will the parties resolve a conflict if they cannot agree on issues such as how to best address community health needs, which strategies best improve patient experience, or whether a policy is materially inconsistent with one of the parties' charitable missions?

Response: Please see response to #30 above. Additionally, the Parties anticipate that the integration of their clinical, administrative, financial services and governance, will limit, if not altogether eliminate, the potential for conflict.

32. What would be the benefits to VRH and what would be the obligations of VRH if it became a member of the Dartmouth-Hitchcock Obligated Group (DHOG)? What administrative requirements must VRH satisfy in order to become a member of the DHOG?

Response: Membership in the DHOG offers VRH the opportunity to consolidate and refinance long-term debt obligations like the USDA loan at a higher obligated group rating, resulting in lower interest rates and significant net present value savings. A related benefit will be the lower cost of borrowing for the desired medical office building on the VRH campus.

Although DHOG member obligations to bond holders are joint and several, each member remains responsible for its own indebtedness and there is no subsidy for another member's indebtedness or additional cost for participating in the DHOG. The DHOG makes all debt payments to note and bond holders on a consolidated basis. Internally, each DHOG member issues a promissory note to the DHOG for its respective indebtedness. The DHOG collects payments under the promissory notes from the respective members and uses the funds to make payments to note and bond holders.

As set forth in section 3.6.4 of the Integration Agreement, criteria for membership in the DHOG include the agreement of the D-HH and VRH Chief Financial Officers, approval of the Master Trustee, and satisfaction of the terms and conditions of the Master Trust Indenture to ensure VRH's fitness to undertake these debt obligations.

33. What were the amounts of the DHOG assessment that MAHHC, New London Hospital, and Alice Peck Day Hospital paid in 2021 and 2022? Do the parties anticipate that VRH pay any other fees or assessments to DHH?

Response: VRH understands that there were no DHOG assessments against MAHHC, New London Hospital, or Alice Peck Day Hospital in FY 2021 or 2022. VRH does not anticipate any other fee or assessment for its membership in the DHOG.

34. Do the parties anticipate that VRH will incur significant refinancing costs related to the USDA loan agreement (original principle $19,400,000)? For example, if the USDA denies its consent/waiver, will DHH or a third-party lender charge VRH an interest rate that is higher than that originally charged under the USDA loan agreement? Do the parties anticipate any other costs related to the USDA loan agreement?

Response: Based upon recent discussions with the USDA, VRH anticipates that it will not be required to refinance its loan as a condition of closing. Given the current interest rate environment, the USDA has indicated that it is sensitive to the potential financial impact if VRH was forced to refinance at this time.

35. Provide copies of the proposed articles of amendment and bylaws for VRH following the transaction. If the articles of amendment and bylaws have not been finalized, provide the current draft and the status of the negotiations for the articles and bylaws.

Response: The parties have not yet prepared amendments to the articles or bylaws.

36. Provide copies of the proposed articles of agreement or incorporation and the bylaws for MAHHC following the transaction.

Response: The parties have not yet prepared amendments to the articles or bylaws.

37. What plans do the parties have to provide training to the "mirror boards" concerning their fiduciary duties to VRH and MAHHC?

Response: The Parties plan to provide an orientation session and continuing governance training to the members of the prospective mirror boards of VRH and MAHHC to ensure their understanding of, for example potential conflicts that may arise, and to the D-HH System board to ensure its understanding of its limited fiduciary duty to System members. The Parties anticipate inviting CTU leadership to present at the orientation session.

38. Provide copies of the conflicts of interest policy that will be implemented following the closing of the transaction and any procedures for resolving conflicts of interest.

Response: The parties have not yet prepared the conflicts of interest policy that would be implemented post-closing.

Employee Impacts

39. Do the parties anticipate a reduction in staffing at any service location?

Response: There are no anticipated staff reductions at this time.

40. Will VRH employee retirement plans/benefits change as a result of the integration?

Response: There is a D-HH effort to align retirement plans and benefits across the entire health system. D-HH retirement and benefits are more generous than those at MAHHC or VRH so this would improve the employee benefits at VRH. This change, however, would not be immediate.

41. Will any other benefits, terms, or conditions of employment at VRH change significantly as a result of the integration?

Response: VRH will continue to employ its staff directly and no other benefits, terms, or conditions of employment changes are anticipated.

42. Describe any plans developed by VRH, MAAHHC, and DHH for the integration of their workplace cultures, processes, staff, employment practices and policies, pay and benefits, and philosophies. If the plans include engaging an organizational consultant, provide the name of the consultant.

Response: As provided for in the Integration Agreement, a joint affiliation committee has been established and has begun work on all the issues mentioned above. There are no immediate plans to hire an organizational consultant to foster this work. VRH and MAHHC are far more similar than different so this work is expected to build on the respective strengths of each critical access hospital as they integrate their workplace cultures.

Donor Restricted Funds

43. With respect to each of VRH's donor restricted funds which comprise its donor restricted net assets (including temporary and permanent/perpetual restricted funds), provide the date of the origin of each fund or gift, the restrictions on the fund, the original value of the fund, and the most recent year end market value.

Response: See VRH000314 to VRH000315.

44. Following the closing, will VRH's donor restricted assets be transferred into the pooled investment accounts managed by DHH?

Response: As part of the affiliation, VRH's investments will be moved to the Master Investment Program (MIP) managed by D-HH. The MIP includes long term, intermediate term, and short term investments. This includes restricted and non-restricted investments. The value of these assets and the gains/losses of the VRH investments will be maintained and reflected on VRH's financial statements and financial reporting. The costs of the MIP are favorable and extremely favorable for a CAH hospital. Donor intent and other restrictions supporting the mission and operations of VRH will be maintained and honored. Gains and losses on VRH's assets held in this investment pool are VRH's gains and losses. VRH's investment in the MIP will be held in custody at BNY Mellon, who accounts for the investment under a unitized structure.

45. Provide a copy of the VRH investment policy applicable to donor restricted and board restricted assets as well as a copy of the spending policy for appropriation of donor restricted and board restricted assets for expenditure.

Response: See VRH000316 to VRH000319.

Should you have any questions or require additional information, please do not hesitate to contact me. We appreciate your attention to this matter.

Sincerely,

Laurie T. Cohen

Laurie T. Cohen

Enclosures
LTC/db