



July 21, 2020

Dear Beaumont Health Governance Members and Partners, Beaumont Society Members, Leaders, Physicians, Employees and Community Members,

The Board of Directors for Beaumont Health has the critical responsibility to ensure the mission, vision and values of Beaumont are at the heart of every Board action we take and we also hold management accountable accordingly. An essential part of the Board's role is to closely examine the current and emerging state of health care, understand a rapidly changing competitive environment and determine which strategies will best position Beaumont to grow in Michigan to better serve patients and the broader community. An important aspect of this major responsibility includes being regularly involved in discussions with other health systems in and around Michigan regarding potential partnerships.

Since its formation in 2014, Beaumont Health has grown and thrived. The Board is proud our organization has received multiple accolades for delivering high-quality, safe and leading-edge health care. From 2014 to 2019, Beaumont Health grew from thirteen to nineteen national U.S. News and World Report specialty rankings. In fact, last year, Beaumont had more nationally ranked hospitals in Michigan than any other health system.

We are also proud of the quality and safety improvements that have taken place across Beaumont Health and are clearly demonstrated by national benchmark data we review regularly. Beaumont Health has also shown improvement in patient satisfaction scores. In 2019, all of Beaumont's hospitals were in the top quartile in terms of mortality rates, with six of the eight hospitals having lower mortality rates than 90% of American hospitals. Beaumont Health's commitment to top 10% quality performance will continue regardless of any potential partnerships. These accomplishments have been achieved, in part, by retaining and attracting top talent.

All of the above were critical goals set by the Board as part of the formation of Beaumont Health. The organization could not have achieved these goals as three separate systems. Beaumont has also faced other challenges, including the settlement of a pre-merger federal investigation, based primarily on issues related to physician compensation. As a result, Beaumont redesigned many processes and embedded them into a culture of compliance throughout the organization. Resolving matters such as this have been a major priority and a challenge for Beaumont's management and physicians.

One other major challenge is still with us—the dramatic effect of the COVID-19 pandemic. As the Board looks at the dedicated efforts Beaumont's physicians, nurses, staff and leadership made and continue to make to address the on-going pandemic, the

Board truly believes Beaumont Health responded to this crisis without hesitation, demonstrating Beaumont's mission and values by caring for more COVID-19 patients than any other organization in Michigan. Beaumont Health had a moral obligation to do so, and the brilliant Beaumont health care heroes rose to this unprecedented challenge in an exemplary way. Further, Beaumont continues to remain vigilant and ready to care for those affected by this terrible virus. We are in awe of the amazing, heroic efforts of Beaumont's clinical teams.

Although Beaumont has been quite successful these past five years under the leadership of John Fox and his management team, the Board must look to the future to ensure Beaumont Health will remain effective and competitive in a new and rapidly changing environment. Beaumont Health's recent accomplishments, while significant, are not enough to enable the system to be successful as health care is transformed. After much discussion and consideration of the facts, the Board firmly believes creating a new non-profit organization by merging Beaumont Health, Advocate and Aurora, is a strong opportunity for Beaumont's patients, physicians and staff.

External forces, including non-traditional competitors, business models, reimbursement pressures and the COVID-19 pandemic, have created the need for a new approach. And although the status quo might be comfortable for some, it is not sustainable. Beaumont cannot stand still, and the Board must rigorously evaluate this unique opportunity for Beaumont's future.

As the evaluation of a potential relationship with Advocate and Aurora continues to progress, let us be clear—the Board is not “selling” Beaumont. Beaumont Health will continue to be a Michigan corporation with its own Board of Directors, leadership team and regional headquarters. Stating anything other than this is simply factually wrong. Beaumont Health will remain strong and will grow in Michigan. What the Board is evaluating is the creation of a new non-profit parent organization that would bring these three strong non-profit health systems together.

By combining Beaumont Health, Advocate and Aurora, the entire organization can share best practices and make the critical systemwide investments in the digital consumer experience, chronic disease management, innovation and population health that are required to thrive in this rapidly evolving world. The greater scale and resources of this combined organization would allow Beaumont to lead the way in medical innovation and value-based, consumer-centric health care for years to come.

The proposed, new organization would invest up to \$1.125 billion in Beaumont's clinical programs, technology and facilities over the next three years in Michigan. This number is significantly more than Beaumont Health's historical annual capital budget. A 30% increase in funding will be provided to the Beaumont Research Institute as well. Also, the new not-for-profit organization would invest more in academic medicine by providing substantial funds for a new medical school building on the Beaumont Royal Oak campus. Further investments would be made for the development of new technology and innovation, resulting in growth and potentially more Michigan jobs. The proposed

organization would also allow Beaumont Health to maintain a small positive margin of around 4% to generate funds for essential clinical capital, debt repayment, and emergency needs.

The Beaumont Health Board is proud of Beaumont's leadership, physician partners and everyone on the Beaumont team. As members of the Board of Directors as well as of the Michigan communities served by Beaumont Health, we are confident we will have the critical facts and make the best decision for Beaumont Health and the community regarding whether to move forward with Advocate and Aurora. Furthermore, the Board has the utmost confidence that the experienced Beaumont leadership team will continue to protect Beaumont's interests and ensure that its mission, vision and values are preserved and enhanced.

Thank you for all you do for Beaumont Health.

A Communication from All Independent Members of the Beaumont Health Board:

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| Christopher Blake | John Lewis |
| Gerson Cooper | Harris Mainster, DO |
| Julie Fream | John Nemes |
| William Goldsmith | Timothy O'Brien |
| Ronald Hall | Martha Quay |
| Geoffrey Hockman | Thomas Saeli |
| Stephen Howard | Robert Williams, MD |