

## AGREEMENT

This agreement (the "Agreement") is entered into as of the \_\_\_ day of August, 1997, by and among the Attorney General of the State of New York ("Attorney General"); North Shore Health System, a New York not-for-profit corporation ("NSHS"); and Long Island Jewish Medical Center, a New York not-for-profit corporation ("LIJ").

WHEREAS, NSHS and LIJ intend to combine their health systems to create a new integrated health delivery system ("Newco System") which will serve, among others, the communities of New York City and Nassau and Suffolk Counties (the "Community"); and

WHEREAS, the creation of Newco System is intended to continue to improve the quality of health care services provided to the Community; and

WHEREAS, the creation of Newco System is intended to result in cost savings and efficiencies and reduce the cost of delivering health care services that could not otherwise be accomplished by NSHS and LIJ if they were to remain as independent health systems; and

WHEREAS, the rapidly changing health care environment, including reductions in reimbursement levels for Medicare and Medicaid and reduced funding for graduate medical education ("GME") may impair the ability of Newco System to maintain and fulfill the mission of providing high quality care, medical education, research and charity care (the "Mission") and may result in diminished programs and services to the Community; and

WHEREAS, the Boards of Trustees of NSHS and LIJ are comprised of community leaders and consumers of hospital services whose common interest and commitment is to maintain high quality health care for the Community at as reasonable a price as possible; and

WHEREAS the Attorney General is responsible for the enforcement of state and federal antitrust laws and is authorized to bring suit on behalf of the State of New York to protect its general economy and the interest of its citizens; and

WHEREAS, the Attorney General has reviewed the proposed transaction between NSHS and LIJ, including whether the creation of Newco System would violate the state or federal antitrust laws; and

WHEREAS, the Attorney General has concluded that with the commitments made by NSHS and LIJ in this agreement, the proposed transaction will not impair competition, is in the best interest of the State and its citizens and will permit Newco System to maintain and fulfill the Mission while providing consumers with the benefit of cost efficiencies as a result of the transaction; and

WHEREAS, the Attorney General desires to enter into this Agreement to assure to the public the benefits of such costs savings and efficiencies as well as the fulfillment of the Mission in the face of reduced public funding; and

WHEREAS, NSHS and LIJ desire to assure the Attorney General and the Community that Newco System will be operated in accordance with the Mission and to fulfill the commitment of providing affordable, high quality health care.

NOW, THEREFORE, the parties hereto agree as follows:

1. Newco System will pass on to the Community cost savings that will be achieved by the formation and operation of Newco System. The cost savings to be passed on to the Community will equal \$100 million during the five-year period commencing January 1, 1998. Up to \$50 million of the cost savings may be used to allow Newco System to fulfill its mission to provide high quality healthcare to economically disadvantaged and elderly members of the community and to provide quality medical education as an offset against any commensurate revenue reductions resulting from reduced Medicare and Medicaid rates of payment for inpatient and outpatient services in effect on December 31, 1997. Notwithstanding the amount of any such revenue reductions, Newco System will pass on to the Community a guaranteed minimum amount of cost savings during each of the five years commencing January 1, 1998 in the form of new and incremental programs and services as described below.

2. The timetable, amount of cost savings to be passed on to the Community and the guaranteed minimum amount of such pass-ons, is set forth below:

<u>Year</u>	<u>Amount of Community Benefit</u>	<u>Guaranteed Minimum For New and Incremental Programs and Services</u>
1	\$10 Million	\$ 5.0 Million
2	\$15 Million	\$ 7.5 Million
3	\$25 Million	\$12.5 Million
4	\$25 Million	\$12.5 Million
5	\$25 Million	\$12.5 Million

3. If Medicare and/or Medicaid revenue reductions from 1997 levels are greater in a single year than the amount of community benefit conferred in that year, the excess will be carried forward to the following year(s) in calculating the amount of money to be expended for new and incremental programs and services in excess of the guaranteed minimums to be conferred for such year(s).

4. The cost savings in at least the guaranteed minimum amount, shall be passed on to the Community in the form of new and incremental programs and services as measured by the nature or scope of current programs and services being provided by LIJ and NSHS. Among the goals and objectives of such programs and services are to reduce the incidence of avoidable illness through education, early detection and screening and risk reduction/intervention programs; to increase the ability of underserved populations to access quality medical care; to foster the development of community-based health programs and to improve the overall delivery of health care to the patient population to be served by Newco System. Examples of programs and services which would satisfy the foregoing commitment include, without limitation, community education programs;

preventive health services, including opening new primary care centers, immunization and lead screening programs for children, mammogram programs, prostate cancer detection programs and school based health programs; ambulatory surgery centers; creating a community based sub-specialty center for children and adults; women's health center for pre-natal and antepartum care; health care outreach for the frail elderly; mental health programs to support geriatric day programs and supervised living; drug and alcohol rehabilitation programs; vocational assessment training; sheltered workshop and supported employment programs; aid to those suffering from child and spouse abuse; providing access to mental health services for the mentally retarded and mentally disabled population; expansion of research into medical treatment and medical outcomes; and development of new clinical programs.

5. Prior to implementing new or incremental services or programs, Newco System shall notify the Attorney General in writing of its plans to do so, which will be deemed automatically approved unless the Attorney General objects in writing to any specific plan within ten (10) business days following receipt of such notification. If the Attorney General makes an objection, the parties shall meet and confer in an effort to resolve the objection prior to the implementation of any such plan.

6. In addition to passing on cost savings to the Community, Newco System shall freeze all hospital list prices and prices to commercial payers (inpatient and outpatient) at rates in effect on August 1, 1997 for a period of two years from the date the transaction is consummated, subject to increases no greater than the rate of inflation as measured by the

Medical Care Consumer Price Index as calculated by the Bureau of Labor Statistics and reported in the annual Economic Report of the President.

7. Newco System will submit annual reports to the Attorney General demonstrating compliance with this Agreement. To verify compliance, the Attorney General shall be permitted, upon reasonable notice and during normal business hours, to examine non-privileged books and records of Newco System and to interview Newco System personnel regarding the obligations of Newco System under this Agreement. Newco System shall reimburse the Attorney General for reasonable costs associated with verification of compliance, including the reasonable costs of a third-party expert. The Attorney General is free to select a qualified expert of his choice, including among others, NSHS LIJ independent auditors.

8. If the Attorney General believes that there has been non-compliance with this Agreement, he shall promptly notify Newco System thereof in writing describing, in reasonable detail, the nature of the alleged non-compliance. The Attorney General shall thereafter provide Newco System with a 120-day period to cure the alleged non-compliance prior to commencing any legal action. During such 120-day period, the parties shall meet to discuss the nature of the alleged non-compliance and shall attempt to agree upon the method or action required to effectuate a cure thereof.

9. This Agreement is a binding contract that shall be interpreted in accordance with the laws of New York State. Any dispute arising hereunder shall be referred to mediation.

If the mediator is unable to resolve the dispute within twenty (20) business days of his or her initial meeting with the parties, either party may request that it be referred to binding arbitration before a single arbitrator. The arbitrator shall render a decision within forty-five (45) business days of the submission of the dispute for decision. If the parties are unable to agree promptly on a person to serve as mediator or arbitrator, appointment shall be made pursuant to the rules of the American Arbitration Association at either party's request.

10. All notices required to be sent under this Agreement shall be sent certified mail, return receipt requested or by personal delivery, to the following:

If to the Attorney General:

Stephen D. Houck  
Chief, Antitrust Bureau  
New York State Attorney General's Office  
120 Broadway, Suite 2601  
New York, NY 10271

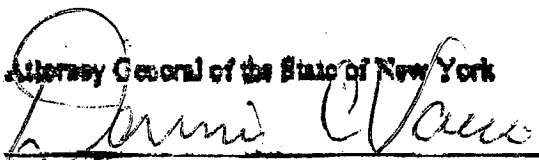
If to Newco System:

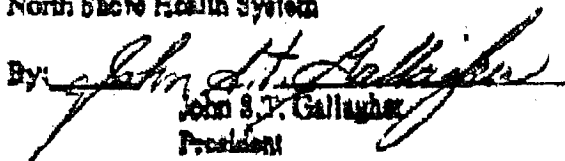
Mr. John S.T. Gallagher  
North Shore Health System  
150 Community Drive  
Great Neck, New York 11021

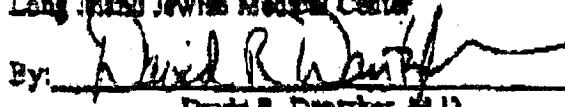
David Dantzker, M.D.  
Long Island Jewish Medical Center  
New Hyde Park, New York 11042

11. This Agreement contains the entire understanding and agreement by, between and among the parties hereto with respect to the subject matter hereof. This Agreement shall not be modified or amended unless in a writing subscribed to by all parties.

12. This Agreement may be executed in counterparts, which, taken together, shall constitute the agreement.

Attorney General of the State of New York  
  
Dennis C. Vance

North Shore Health System  
By:   
John S. T. Gallagher  
President

Long Island Jewish Medical Center  
By:   
David R. Dantzer, M.D.  
President