



## **Executive Summary**

While many nonurban and rural health systems around the nation struggle to survive in a volatile healthcare environment, Ballad Health has sought a different path, one where local healthcare governance is willing to face those challenges by making the difficult decisions that come with the fiduciary responsibility of sustaining these important assets. Although some health systems that have undergone a merger have found difficulty in achieving benefits—with one such system recently announcing nearly \$600 million in operating losses during its first year of operation—Ballad Health has conversely turned pre-merger losses into improved financial stability that supports the programs, services and access needed in this large region.

Pursuant to Section 6.04(b) of the Tennessee Terms of Certification issued on January 31, 2018 (“TOC”), and to the Virginia Order and Letter Authorizing a Cooperative Agreement dated October 30, 2017 (“CA”), Ballad Health submits its Fiscal Year 2019 Annual Report (“FY19 Annual Report”) and the COPA Compliance Office Fiscal Year 2019 Annual Report (“COPA Annual Report”). Together, these two annual reports (“Annual Reports”) cover the timeframe of July 1, 2018 through June 30, 2019 (“Reporting Period”). The following is a summary of the information contained in those Annual Reports.

### **The Process.**

In compiling the information and materials for the Annual Reports, the Ballad Health COPA Compliance Office (“CCO”) re-evaluated the departments responsible for gathering and preparing these materials. Leaders of the departments were identified and given responsibility to submit the required materials and information (“Responsible Parties”). The CCO revised the spreadsheets as necessary, assigning sections of the TOC and the conditions of the CA to the appropriate Responsible Parties. The CCO resubmitted the spreadsheets to all Responsible Parties to allow them to certify, to their knowledge and belief after due inquiry, that Ballad Health is in compliance with the requirements of the TOC and the CA. In instances where Responsible Parties had questions about the interpretation of the requirements or whether there might be concerns regarding compliance, they could make notes or provide qualifications.

### **Virginia-Specific Reporting Requirements.**

While Tennessee and Virginia require Ballad Health to report much of the same information in their FY19 Annual Report, the Commonwealth of Virginia does have additional unique reporting requirements. These additional requirements cover topics such as employee beneficiary data, the number of validated and unresolved complaints from payers, and a report on risk-based model contracting. Ballad Health fulfilled all of its reporting requirements for the Commonwealth of Virginia, and a detailed summary of each requirement is provided in [Section 4](#) of the FY19 Annual Report.

Notable items from the Virginia-specific report are listed below.

- Ballad Health’s partnership with Washington County, Tenn., resulted in a 10% reduction in county employee insurance premiums.
- In October 2018, Ballad Health opened Unicoi County Hospital, one of America’s newest rural hospitals.

- A uniform pricing system was announced, resulting in a 17% overall average decrease in professional fees for Ballad Health physicians and other caregivers. The change also significantly discounted professional fees by 77% for patients without insurance.
- Ballad Health improved 12 out of the 17 key quality measures pre-selected by the states when compared to the 2017 baseline.
- Ballad Health has not received any complaints, either validated or unresolved, from payers.
- The overall participation rate for Ballad Health’s voluntary employee wellness program was approximately 95%.
- Ballad Health has been in several active and ongoing discussions with commercial, Medicare Advantage and Medicaid payers designed to incentivize cost reduction and high quality over this Reporting Period with the end goal of moving at least 30% of its contracts, in aggregate, to risk-based/value-based models according to the directives stated in the CA: Condition 10.

### **Combined TOC and CA Reporting Requirements.**

The remaining reporting requirements included in the FY19 Annual Report are required pursuant to both the TOC and the CA. These requirements cover topics such as the patient satisfaction survey, career development plan and a progress report on the accountable care community. Ballad Health fulfilled all of its reporting requirements of the TOC and CA, and a detailed summary of each requirement is provided in [Section 5](#) of the FY19 Annual Report.

Notable items from these combined TOC and CA reports are listed below.

- Ballad Health updated the curriculum for the highly successful Ballad Health Physician Leadership Academy, which has graduated more than 140 physician leaders throughout the region.
- Ballad Health has experienced a 44% reduction in hospital-acquired C. diff from FY18 to FY19 as a result of a focused initiative created by Ballad Health’s Clinical Council.
- Patient Satisfaction Survey Results:
  - 93.3% of patients were satisfied with access to care in owned medical practices.
  - 77.3% of patients were satisfied with access to care in emergency services.
  - 89.7% of patients were satisfied with access to care in outpatient services.
- A Critical Access Hospital application was approved by the VA Department of Health and CMS in support of Ballad Health’s plan to operate Lee County Community Hospital by the fall of 2020.
- During this Reporting Period, there has been a decrease of full-time equivalent positions from 13,970 in June 2018 to 13,414 in June 2019. This is attributable to approximately 5,000 fewer annualized discharges. There have been no changes to variable staffing plans, which link to patient volumes.
- FY19 Inpatient nursing ratios:
  - 9.817                      Average nursing hours per patient
  - 13.8:1                     RN to LPN
  - 2.58:1                     RN to unlicensed



- The board of directors of Ballad Health approved a major investment in the system’s nursing positions, with an increase of more than \$100 million over 10 years in direct patient care nursing and supporting staff wages.
- The orthopedic and neurosurgical service lines at Indian Path Community Hospital were moved to Holston Valley Medical Center.
- Takoma Regional Hospital and Laughlin Memorial Hospital were combined into one hospital with two campuses on April 1, 2019. The hospital was renamed Greeneville Community Hospital, with east and west campuses.
- Ballad Health achieved \$11,700,000 in cost savings through supply chain standardization and \$10,000,000 in cost savings through corporate overhead consolidation.
- Four urgent care locations were consolidated in Kingsport, Johnson City, Abingdon and Greeneville resulting in a \$2.4 million reduction in operating costs. In each case where urgent care centers were consolidated, they were consolidated to the urgent care that had lower pricing, thus saving consumers significant dollars. Access to care was not impacted, since all consolidated locations were within 10 miles of another center, with some less than one mile apart.
- Ballad Health continued to experience a decline in overall inpatient volumes, with discharges in the Reporting Period declining 4.9% from the prior year. The discharge decline was driven primarily by a reduction in lower acuity admissions, a result of focused efforts by Ballad Health and primary care physician groups to reduce the total cost of care through value-based approaches.
- There were no material changes in the availability of inpatient or outpatient services during the Reporting Period. To provide sustainability and enhancement of services, Ballad Health did realign duplicative services in Greene County, Sullivan County and Washington County TN and VA, none of which affected access to care.
- Ballad Health sponsored 264 residents for FY19, including 59 residents in rural Virginia.
- There have been no changes to the Ballad Health board of directors.
- 98.8% of the Ballad Health’s patient population is within 15 miles of an urgent care facility or emergency department.
- 80.1% of the Ballad Health’s patient population is within 10 miles of an urgent care center. The recent opening of the Ballad Health urgent care center in Lee County improves this metric to 81.9%.
- 63 of the 65 process measures identified in the FY19 Population Health Implementation Roadmap were completed by Ballad Health.

### **COPA Reporting Requirements**

The final reporting requirements are part of the COPA Annual Report and were certified by Ballad Health’s CCO. This report covers topics such as the COPA Compliance Complaints Report, a forecast of expenses and a work plan. Ballad Health fulfilled all of the reporting requirements of the COPA Annual Report.



Notable items from this year’s COPA Annual Report are listed below.

- Ballad Health maintains a system-wide code of ethics, which requires mandatory compliance by all associates, including compliance with the section referencing the TOC and the CA. All associates are required to report any non-compliance and are provided the means and mechanism by which to do so, including anonymously.
  - During the Reporting Period covered by this report, there were 24 COPA complaints filed with the CCO. Details of each of these complaints were previously reported via the CCO Quarterly Complaints Report.
- COPA compliance education was developed for Ballad Health team member orientation. A computer-based learning module regarding COPA compliance was developed and deployed for the annual employee education requirements.
- The following department-specific educational presentations have been finalized, and the COPA compliance department held meetings with the departmental leaders as indicated below to review those department-specific educational presentations:

<b>Department Specific Education</b>	<b>Meeting Date</b>
Residency and Academics	March 11, 2019
Graduate Medical Education	March 20, 2019
Health Research	March 25, 2019
Information Technology	April 24, 2019
Finance <ul style="list-style-type: none"> <li>• Finance – General</li> <li>• Payor Contracting</li> <li>• Vendor Contracting</li> </ul>	May 10, 2019
Physician Contracting	July 12, 2019
Quality (Pending Review)	TBD
Human Resources (Pending Review)	August 29, 2019

- During the Reporting Period, three waiver requests were submitted and approved. Three requests for modifications/extensions are still in discussions regarding the final decision.
- Four issues of non-compliance or potential non-compliance that occurred during FY19 have been identified. Three of the four issues of noncompliance have been corrected. The fourth issue is in the process of being resolved, and all collection efforts of the patient’s accounts involved have been suspended. The Internal Audit Department of the Office of Corporate Compliance is currently conducting a review of the system’s spending as measured against the spending commitments required by the TOC. The COPA monitor will address any findings from this review in his report.
- The state/commonwealth were notified of a material adverse event on December 18, 2018. A jury returned a verdict against Wellmont in the lawsuit filed by Highlands Physicians, Inc. That verdict is currently under appeal.



- All Ballad Health hospitals have been surveyed and are deemed eligible for participation in Medicare and Medicaid.

### **Summary.**

Serving a largely rural region with no population growth, declining hospitalization rates and stagnant economic output, Ballad Health has efficiently realigned its resources to enhance quality of care and better serve the needs of its service population, which has extremely high rates of diabetes, obesity, addiction and other preventable illnesses and disease.

That repositioning of resources gave Ballad Health the leverage to lower costs for patients and employers while simultaneously investing in needed specialties, rural health services, academics and research, children's services and nursing wages.

For the fiscal year, Ballad Health saw its financial position improve through exceptional management of expenses, improved productivity, reduced reliance on temporary contract labor and focused supply cost management. Sound management of cost has not come at the expense of quality. To the contrary, objective quality measures have improved, more than 150 new providers have been recruited, and services have been restored to communities that had previously lost them. The Ballad Health board of directors has established a primary goal to become a nationally-recognized, zero-harm health system performing at the top decile among American health systems.

Ballad Health does not merely seek to survive in this environment. No longer just a healthcare service provider, Ballad Health has instituted steps to become a proactive community health improvement partner with initiatives to improve educational attainment, workforce participation and healthy behaviors.