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February 8, 2017

BY EMAIL (erik.bodin@vdh.virginia.gov) ONLY
Mr. Erik O. Bodin, Director
Office of Licensure and Certification
9960 Mayland Drive, Suite 401
Henrico, VA 23233-1485

Re: Request for Additional Information – Response # 9

Dear Mr. Bodin,

Response # 9 to the questions received from your office on December 22, 2016, has been uploaded to the Citrix ShareFile platform.

Please contact me if you have any difficulty or questions in accessing the Citrix ShareFile platform. As permitted under Virginia Code § 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D), the material that the parties believe to be proprietary is clearly marked and submitted in separate electronic files for confidential treatment.

Responses to the following questions are submitted as part of Response # 9:

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Additional responses will be provided as soon as possible. Please let me know if you or your staff has any questions related to the enclosed documents.

Sincerely,

Jennifer Light McGrath

cc: Peter Boswell
Allyson K. Tysinger

3693721

RESPONSE #9

TO QUESTIONS

SUBMITTED DECEMBER 22, 2016

BY

VIRGINIA DEPARTMENT OF HEALTH

IN CONNECTION WITH

APPLICATION FOR LETTER AUTHORIZING COOPERATIVE AGREEMENT

Pursuant to Virginia Code § 15.2-5384.1

and the regulations promulgated thereunder at 12VAC5-221-10 *et seq.*

Submitted by: Mountain States Health Alliance

Wellmont Health System

Date: February 8, 2017

V.D.5.

5. Provide a detailed description of how NHS tertiary programs will be consolidated and improved. Provide a two (2) year historical baseline information for current state, YTD changes and the expected condition for the end of the five (5) year forecast period. Be specific.

JOINT RESPONSE: Three of the hospitals operated by MSHA and WHS are currently considered tertiary facilities based on the levels of service provided and the acuity of patients served. These are Johnson City Medical Center (Johnson City, TN), Bristol Regional Medical Center (Bristol, TN), and Holston Valley Medical Center (Kingsport, TN). The Bristol and Kingsport facilities are each located very near the state line of Virginia, and Johnson City is approximately thirty minutes from the state line. Air ambulance transport services are readily available from all areas of Southwest Virginia to these tertiary facilities. In order to ensure preservation of hospital facilities and tertiary services in geographical proximity to the communities traditionally served by those facilities, the New Health System will maintain, for the Virginia and Tennessee service areas, a minimum of these three full-service tertiary referral hospitals, to ensure higher-level services are available in close proximity to where the population lives. Certain tertiary level services such as cardiac catheterization may also be available at other non-tertiary locations based on future evaluation. In addition, the Parties have committed to continue to provide helicopter or high acuity transport to tertiary care centers from any of its other hospitals that may be repurposed, thereby ensuring the availability of this "essential service" in the affected community.[1] This model will facilitate and effective hub and spoke approach from Southwest Virginia points of treatment or stabilization to the appropriate tertiary referral center that can accommodate patient needs. This will be supported by a single transfer center operated by Ballad Health, which will utilize medical staff protocols to ensure effective patient placement.

There are certain high level services that are performed at only one or two of these facilities presently—based on the availability of technology and physician expertise. It will not be possible or advisable for the NHS to perfectly replicate the mix of tertiary service offerings at each of the tertiary facilities. As is currently the case, certain facilities may develop "centers of excellence" for advanced programs in highly specialized areas where services are unique to the region or require significant physician training and experience and where the consolidation of procedures will help to provide case variety and volumes sufficient to ensure high levels of quality and better outcomes for patients. Rather than limiting access for patients, by spreading program fixed costs over larger regional patient populations, this approach will encourage the development of new tertiary services not currently justifiable in our market. Certain highly specialized cardiac, cancer, and neuroscience procedures would fall into this category, for example. The availability of high-quality local options for these services will benefit the people of Southwest Virginia.

Patients from Southwest Virginia will not only benefit from the retention and development of tertiary services in the NHS but will also benefit from a more convenient regional referral system.

[1] See Exhibit G-1A – New Health System Revised Commitments, Revised Commitment 20.

Currently, patients originating in emergency departments or as inpatients at the rural hospitals are transferred to the tertiary facility operated by each respective system as needed. In some cases, this results in transfer and transport to facilities that are farther away from patients homes and families. The model within the NHS will allow patients to be transferred to facilities that are closer to their homes. Additionally, in some cases insurance networks or physician privileges preclude the use of certain facilities even though they are closer to patients and are just as capable of treating them. Provisions within the NHS will help to address this issue.

Finally, any service consolidations will be guided by the Alignment Policy provided in the application. This policy is extremely important because it ensures that decisions are made based on strong rationale, sound planning, essential physician and stakeholder input, and board oversight. As has been noted in earlier responses, there are certain assumptions made in the financial modeling for the NHS regarding service alignment and certain services are set forth as examples of duplication. However, specific decisions about which facilities will be affected have not yet been made and are not planned prior to approval and legal formation of the NHS. Because of antitrust concerns, the respective health systems are not able to disclose or discuss proprietary operational or financial information necessary to make such decisions at this time. Hypothesizing about these decisions pre-maturely would be disruptive to staffing and unnecessarily concerning to communities, when final decisions may vary from what is projected once more detailed information is readily available. Please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for NHS forecast information.

V.K.1.

K. Questions Specific to Virginia Medicaid

1. **The Application for a Cooperative Agreement excludes Medicaid fee-for-service and Medicaid managed care from the definition of "Principal Payers." *See e.g.* Application, page 10 (n.3). However, the revised Commitments Chart includes "Medicaid plans" as a primary payer.**

   a. **Describe the New Health System's current status, future plans, and commitments for contracts with Virginia Medicaid, Virginia Medicaid (Medallion) managed care plans, and managed long-term services and supports ("MLTSS" or "CCC Plus") plans. For each, describe the existing contractual agreements for fee increases and explain how they will be changed under the commitments in the Cooperative Agreement. Also include whether the New Health System will commit to contracts with all of these plans for a specific period of time (include the specific health plan and the commitment for each). Will the New Health System commit to have concurrent contracts with a bare minimum number of Medicaid managed care plans, such as three, for both Medallion and MLTSS/CCC Plus?**

   MSHA RESPONSE: **Exhibit K-1A** contains information about MSHA's contracts with these plans.

   MSHA believes that **Exhibit K-1A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

   INDEX OF DOCUMENTS:

   - Exhibit K-1A MSHA Information About VA Medicaid and Other Plans– PROPRIETARY

   JOINT RESPONSE: Separately, both WHS and MSHA currently have contracts with all of the Virginia managed Medicaid plans. Ballad Health commits to execute a contract with all of the Virginia managed Medicaid plans no later than the latest expiration date of either WHS's or MSHA's contract. The Virginia managed Medicaid plans would include Medallion and MLTSS/CCC Plus. That negotiation would fall under Revised Commitment #3 made in consultation with the Authority and set forth below.

   Commitment #3: In order to minimize any adverse impact on the ability of insurance companies to contract with the hospitals, and while this Cooperative Agreement ensures open access and choice for all consumers to choose any hospital in the region, it also remains the intent of the Cooperative Agreement that consumers and businesses enjoy a competitive market for insurance. As such, the New Health System will negotiate in good faith with Principal Payers to include the New Health System in health plans offered in the

Geographic Service Area on commercially reasonable terms and rates (subject to the limitations herein). The New Health System will not unreasonably refuse to negotiate with potential new entrants to the market or with insurers that do not meet the definition of "Principal Payer", as long as the payer has demonstrable experience, a reputation for fair-dealing and timely payment, and negotiates in good faith. New Health System will resolve through mediation any disputes as to whether this commitment applies to the proposed terms of a health plan contract. The New Health System shall timely notify the Commissioner of any mediation occurring pursuant to this commitment if the payer has insureds (or members) in the Commonwealth of Virginia, and shall offer to the Commissioner updates on the progress of such mediation.

Timing: Immediately upon closing of the merger and then upon expiration of existing contracts or with contracts with any new payers coming into area, and ongoing.

Amount: No cost.

Metric: Complaints from payers and credible report by the New Health System.

b. Will the New Health System commit to include Medicaid fee-for-service and Medicaid managed care plans (Medallion and CCC Plus) for the value-based models and other innovations?

JOINT RESPONSE: The New Health System has made a commitment to include provisions for improved quality and other value-based incentives based on priorities agreed upon by each payer and the New Health System. We note that Medicaid MCOs are also all considered "Principal Payers" as that term is defined the revised Commitments (see Revised Commitment 1 – **Exhibit G-1A**). In addition, in Tennessee, both MSHA and WHS participate in mandatory TennCare bundles. Through its Integrated Health Solutions Network subsidiary, MSHA operates the AnewCare Collaborative ACO, which manages approximately 14,000 MSSP lives in Virginia and Tennessee. Of these 14,000 lives, more than 60% (approximately 8,700) reside in Southwest Virginia. About 4,000 of the AnewCare MSSP lives are seen by independent physicians. AnewCare also manages approximately 17,000 TennCare lives under contract with Amerigroup. AnewCare is one of the few MSSP programs that have received shared savings during each year of its existence and received high quality scores in excess of 2015.

The Ballad Health Alignment Overview[15] provides more information on the New Health System's proposed approach to value- and risk-based models. It describes in detail Ballad Health's plan to transition to a value-based approach to health care delivery that includes enhanced pay-for-value and risk-based models of population health medicine. The essential pathways include greater alignment of both incentives and operations under a single physician-led council and overall leadership to use the resources available in the most effective way to address needs, improve outcomes, provide for greater financial stability and sustainability of care, and lead the

[15] **Exhibit T-32A**.

way to greater ability for enhanced risk-based approaches. This may also include the development of a clinically integrated network in partnership with the independent physician community. Under these risk-based, value-based payment models and other initiatives, Ballad Health will be incentivized for achieving cost and outcomes of care, and have incentives to keep the population well. This commitment includes Virginia Medicaid fee-for-service and Medicaid managed care plans (Medallion and CCC Plus). MSHA and Wellmont have each partnered well with the Commonwealth of Virginia and Virginia Medicaid in the past, and we fully expect that close relationship to continue under the New Health System.

V.L.3.

L. Mental Health, Addiction Recovery And Substance Abuse

- **Please provide the number of FTE's by position for these programs at each Virginia facility for the two (2) year historical baseline period, YTD and for the five (5) year forecast period.**

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-3A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit L-3A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit L-3A MSHA FTE's by Job Code -Virginia – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit L-3B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit L-3B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit L-3B WHS Number of FTE's at each Virginia facility– **PROPRIETARY**

V.L.4.

4. **Please provide the utilization statistics for these programs by service type and by patient age at each Virginia facility for the two (2) year historical baseline period, YTD and for the five (5) year forecast period.**

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-4A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit L-4A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit L-4A MSHA Utilization Stats by Service Type-Virginia – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit L-4B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit L-4B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit L-4B WHS Utilization Statistics for each Virginia facility– **PROPRIETARY**

V.L.5.

5. Please provide a revenue and expense forecast for each of these programs at each Virginia facility for the two (2) year historical baseline period, YTD and the five (5) year forecast period.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-5A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit L-5A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit L-5A MSHA Revenues and Expenses and Utilization Stats by Facility -Virginia and Tennessee – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit L-4B** and **Exhibit L-5B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit L-5B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit L-5B WHS Revenue and Expense Information for Wellmont Medical Associates' programs – **PROPRIETARY**

V.L.7.

7. Please provide the number of FTEs in these programs by position for the aggregate of all Virginia facilities, for the aggregate of all Tennessee facilities, and for the aggregate of all NHS activity for the two (2) year historical baseline period, YTD, and the five (5) year forecast period. Describe key assumptions of the forecast period.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-7A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit L-7A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

6. Exhibit L-7A MSHA FTE's by Job Code_Virginia and Tennessee – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit L-7B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit L-7B WHS Number of FTE's by Position– **PROPRIETARY**

V.L.8.

8. Please provide the utilization statistics by detailed service type for all Virginia facilities, for all Tennessee facilities, and for all NHS activity for the two (2) year historical baseline period, YTD, and the five (5) year forecast period. Describe key assumptions of the forecast period.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-5A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit L-5B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

V.L.9.

9. **For each of these programs please provide the revenue and expense detail for all Virginia facilities, for all Tennessee facilities, and for all NHS activity for the two (2) year historical baseline period, YTD, and the five (5) year forecast period. Describe key assumptions of the forecast period.**

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit L-5A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit L-5B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

V.M.1.

M. Pricing

1. **For each WHS and MSHA Virginia facility provide a listing of each and every third party payer, total revenues and total net revenue from each for the two (2) year historical baseline period, YTD, and the five (5) year forecast period. If the forecast is not retained at the Plan level have the model updated.**

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit M-1A**. As modified and agreed by the Commissioner,[26] please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information.

MSHA believes that **Exhibit M-1A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit M-1A MSHA Total Revenues for Third-Party Payers-VA Facilities – PROPRIETARY

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit M-1B**. As modified and agreed by the Commissioner,[27] please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information.

WHS believes that **Exhibit M-1B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit M-1B WHS Third Party Payer Information– PROPRIETARY

[26] In letter dated January 30, 2017 from Ms. Allyson Tysinger, Senior Assistant Attorney General, to the Applicants in response to the Applicants' letter dated January 13, 2017 with proposal to respond to this request.
[27] In letter dated January 30, 2017 from Ms. Allyson Tysinger, Senior Assistant Attorney General, to the Applicants in response to the Applicants' letter dated January 13, 2017 with proposal to respond to this request.

V.M.2.

2. For the aggregate of MSHA facilities, the aggregate of WHS facilities, NHS facilities in Virginia, NHS facilities in Tennessee and all NHS facilities provide a listing of total revenue and net revenue for each and every third party payer, for the two (2) year historical baseline period, YTD and the five (5) year forecast period. If the forecast is not retained at the Plan level have the model updated. Reconcile this detailed data to the NHS Baseline Financial Model (p. 3639-3651) presented in the Appendices previously submitted.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit M-2A**. As modified and agreed by the Commissioner,[28] please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information.

MSHA believes that **Exhibit M-2A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit M-2A MSHA Total Revenues for Third-Party Payers-All Facilities – PROPRIETARY

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit M-2B**. As modified and agreed by the Commissioner,[29] please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information.

WHS believes that **Exhibit M-2B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit M-2B WHS Total Revenue and Net Revenue–PROPRIETARY

[28] In letter dated January 30, 2017 from Ms. Allyson Tysinger, Senior Assistant Attorney General, to the Applicants in response to the Applicants' letter dated January 13, 2017 with proposal to respond to this request.
[29] In letter dated January 30, 2017 from Ms. Allyson Tysinger, Senior Assistant Attorney General, to the Applicants in response to the Applicants' letter dated January 13, 2017 with proposal to respond to this request.

V.M.9.

9. From the charge master for all hospitals, facilities and services (including outpatient and physician services) currently in force at MSHA and WHS create a new unified "baseline least price" charge master. This analysis should compare individual item charges at each system, and show the percent difference between systems (Excel or Access format only).

JOINT RESPONSE: As modified and agreed by the Commissioner,[30] the Parties have not provided a "new unified 'baseline least price' charge master" due to antitrust considerations. Please see each Party's two year historical charge masters (**Exhibit M-7A for MSHA and Exhibit M-7B for WHS**) and current charge master (**Exhibit M-8A for MSHA and Exhibit M-8B for WHS**).

[30] In letter dated January 30, 2017 from Ms. Allyson Tysinger, Senior Assistant Attorney General, to the Applicants in response to the Applicants' letter dated January 13, 2017 with proposal to respond to this request.

V.M.21.

21. For each Virginia hospital or service use the two (2) year historical baseline period data to demonstrate quantifiably the impact of applying the proposed pricing mechanisms. Specifically, use the two (2) years of data to model which payors and patients would benefit and which would not. Provide a quantitative analysis of the benefits. Show that the proposed approach is equitable to all Virginia patients.

MSHA RESPONSE: Attached as Exhibit M-21A is MSHA's analysis quantifying the impact of the proposed limit on pricing rate cap mechanisms (Revised Commitment 1; see Exhibit G-1A). We note that the pricing mechanisms would apply to all Principal Payers.[33]

MSHA believes that **Exhibit M-21A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit M-21A MSHA Analysis of Pricing Rate Cap Mechanism Impact – **PROPRIETARY**

WHS RESPONSE: Attached as Exhibit M-21B is WHS's analysis quantifying historical hospital contract fixed rate adjustments compared to the increases that would have been allowable under the proposed limit on pricing rate cap mechanisms (Revised Commitment 1; see Exhibit G-1A). As evidenced by the fact that the rate increases were generally lower than what would have been

[33] For purposes of this Application, "Principal Payers" are defined as those commercial payers and governmental payers with negotiated rates who provide more than two percent (2%) of the New Health System's total net revenue. (All of a payer's revenue shall be considered in calculating the revenue percentage even if the payer has more than one contract with the New Health System.) The proposed commitments would not apply to traditional Medicare or any other payers that provide two percent (2%) or less of the New Health System's net revenue. In addition to the aforementioned Principal Payers, all Medicare Advantage plans, Medicaid managed care plans, and TriCare plans will be considered as Principal Payers for purposes of the rate cap and pricing commitments. Notwithstanding any provision to the contrary, the limitation on rate increases applicable to insurers providing coverage on behalf of governmental payers (i.e., Medicare Advantage Plans or Medicaid Plans) does not apply if the adjustments are tied to actions made by government entities, including but not limited to, market basket adjustments, adjustments tied to area wage index, or other governmentally imposed rate adjustments. The limitations on pricing committed to by the parties are intended to ensure price increases beyond the limits imposed by the Cooperative Agreement (COPA) do not occur as a result of increased market concentration resulting from the merger transaction. The price limits imposed by the Cooperative Agreement (COPA) are not intended to interfere with government-imposed pricing which would occur with or without the creation of the New Health System. To the degree pricing for insurers providing coverage on behalf of governmental payers is tied contractually to Medicare rates (i.e., a percent of Medicare), the Cooperative Agreement (COPA) is not intended to interfere with such pricing relationships. The intent is to ensure future pricing is not increased as a result of the merger transaction.

allowed under the proposed pricing mechanisms, the rate caps are not intended to keep prices lower than they would be without the merger. Rather, the proposed pricing mechanisms are intended to ensure that, if the merger is consummated, the parties will not behave in a monopolistic manner by raising their prices. Note that the data in the attached exhibit is not isolated to Virginia hospitals because WHS does not contract with payers on a hospital-by-hospital basis, but rather as a unified system.

WHS believes that **Exhibit M-21B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit M-21B WHS Analysis of Pricing Rate Cap Mechanism Impact – **PROPRIETARY**

V.O.11.

11. Please provide detailed capital expense statistics for each NHS Virginia facility for the five (5) year historical baseline period, YTD and the five (5) year forecast period.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit O-11A**. MSHA does not forecast capital expenses statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit O-11A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit O-11A MSHA Capital Expenses Statistics– **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit O-11B**. WHS does not forecast capital expenses for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit O-11B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit O-11B WHS Capital Expenses Statistics– **PROPRIETARY**

V.Q.8.

Q. Regional Exchange Of Health Information and Information Systems

8. By position list the five (5) year historical period, YTD and five (5) year projected information system FTEs for the NHS, MSHA, WHS, the Virginia facilities, the MSHA facilities in Virginia and the WHS Virginia facilities.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit Q-8A**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibit Q-8A** is proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit Q-8A MSHA IT System FTE's – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit Q-8B**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit Q-8B** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit Q-8B WHS IT System FTE's – **PROPRIETARY**

V.Q.9.

9. By operating budget, list the five (5) year historical period, YTD and five (5) year projected information systems for the NHS, MSHA, WHS, the Virginia facilities, the MSHA facilities in Virginia and the WHS Virginia facilities.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information on behalf of NHS for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibit Q-9A** and **Exhibit Q-9B**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibits Q-9A and 9B** are proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit these Exhibits separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit Q-9A MSHA Operating Budget IT FY14-FY16 by Corp – **PROPRIETARY**
- Exhibit Q-9B MSHA Five Year Plan VA Facilities (FY16) – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit Q-9C**. Wellmont Health System has many functions which are centralized, including Information Systems. The net costs of all of these functions are allocated to the hospitals based upon their gross revenue. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit Q-9C** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit Q-9C WHS Operating Budget IT – **PROPRIETARY**

V.Q.10.

10. By capital budget list the historical, YTD and five (5) year projected information systems for the NHS, MSHA, WHS, each of the Virginia facilities, the MSHA facilities in Virginia and the WHS Virginia facilities.

JOINT RESPONSE: In order to provide the requested information for the New Health System for the five (5) year forecast period, the Parties would be required to share competitively sensitive information that may not be shared between competitors due to antitrust concerns. To date, the Parties have not shared this highly sensitive information with each other because of these concerns. Each Party risks violating federal antitrust laws if it shares this information with the other Party, other competitors or other insurers as a public document. We regret that we are unable to provide the requested information on behalf of NHS for the five (5) year forecast period at this time due to these concerns.

MSHA RESPONSE: The requested historical and YTD information is provided in **Exhibits Q-10A, 10B, 10C and 10D**. MSHA does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

MSHA believes that **Exhibits Q-10A, 10B, 10C and 10D** are proprietary, confidential and competitively sensitive under federal antitrust laws. MSHA will submit these Exhibits separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

INDEX OF DOCUMENTS:

- Exhibit Q-10A MSHA FY14 IT Capital Summary – **PROPRIETARY**
- Exhibit Q-10B MSHA FY15 IT Capital Summary – **PROPRIETARY**
- Exhibit Q-10C MSHA FY16 IT Capital Summary – **PROPRIETARY**
- Exhibit Q-10D MSHA FY17 IT Capital Summary – **PROPRIETARY**

WHS RESPONSE: The requested historical and YTD information is provided in **Exhibit Q-10E**. WHS does not forecast revenue and expense statistics for individual facilities, however please see the FTI Report and the New Health System 5-year projected budget (Excel format) in **Exhibit M-3C** for forecast information**.**

WHS believes that **Exhibit Q-10E** is proprietary, confidential and competitively sensitive under federal antitrust laws. WHS will submit this Exhibit separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information that is required to remain confidential under Virginia Code Section 15.2-5384.1.C.1 and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).

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- Exhibit Q-10E WHS IT Capital Summary – **PROPRIETARY**

LIST OF EXHIBITS FOR RESPONSE #9

SECTION V

Exhibit Number	Description
K-1A	MSHA Information About VA Medicaid and Other Plans*
L-3A	MSHA FTE's by Job Code –Virginia*
L-4A	MSHA Utilization Stats by Service Type-Virginia*
L-5A	MSHA Revenues and Expenses and Utilization Stats by Facility -Virginia and Tennessee*
L-7A	MSHA FTE's by Job Code Virginia and Tennessee*
M-1A	MSHA Total Revenues for Third-Party Payers-VA Facilities*
M-2A	MSHA Total Revenues for Third-Party Payers-All Facilities*
M-21A	MSHA Analysis of Pricing Rate Cap Mechanism Impact*
O-11A	MSHA Capital Expenses Statistics*
Q-8A	MSHA IT System FTE's*
Q-9A	MSHA Operating Budget IT FY14-FY16 by Corp*
Q-9B	MSHA Five Year Plan VA Facilities (FY16)*
Q-10A	MSHA FY14 IT Capital Summary*
Q-10B	MSHA FY15 IT Capital Summary*
Q-10C	MSHA FY16 IT Capital Summary*
Q-10D	MSHA FY17 IT Capital Summary*

***This information will be submitted separately to the Virginia State Health Commissioner and the Attorney General for the Commonwealth of Virginia as proprietary information required to remain confidential under Virginia Code Section 15.2-5384.1.C.1, and Virginia's Rules and Regulations Governing Cooperative Agreements (12VAC5-221-40.D).**