Virginia State Health Commissioner's Annual Decision Regarding the Ballad Health Cooperative Agreement

for the Period of July 1, 2018 – June 30, 2019

Virginia Department of Health

June 24, 2020

VDH VIRGINIA DEPARTMENT OF HEALTH

To protect the health and promote the well-being of all people in Virginia.

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Commissioner's Annual Decision

This report and decision are made pursuant to 12VAC5-221-110(F), which requires the State Health Commissioner (Commissioner) to issue an annual written decision, and a basis for that decision, as to whether the benefits of a cooperative agreement continue to outweigh the disadvantages attributable to a reduction in competition. This report and decision are intended to satisfy this requirement for the Ballad Health Cooperative Agreement (Cooperative Agreement) covering the period July 1, 2018, through June 30, 2019, which corresponds to Ballad Health's (Ballad) Fiscal Year (FY) 2019. Information available to the Commissioner about Ballad's activities after June 30, 2019 will be considered in the development of the next annual report and decision.

This report contains the following major components:

- An introduction and background to the Cooperative Agreement;
- An overview of VDH's Cooperative Agreement active supervision efforts;
- Assessment of Ballad's compliance with the Conditions of the Cooperative Agreement;
- An overview of additional Cooperative Agreement/ Certificate of Public Advantage (COPA) Reports;
- An overview of Cooperative Agreement complaints and feedback from the public;
- VDH's annual determination as to whether or not the benefits of the Cooperative Agreement continue to outweigh the disadvantages;
- Recommendations to Ballad; and
- An overview of VDH's active supervision efforts moving forward.

Introduction and Background

Virginia Code § 15.2-5384.1

In 2015, the General Assembly enacted Virginia Code § 15.2-5384.1 to permit cooperative agreements that are beneficial to the citizens served by the Southwest Virginia Health Authority (Health Authority).[1] The localities in the geographic area served by the Health Authority include all counties or cities in the LENOWISCO (Lee County, Scott County, Wise County, and the City of Norton) and Cumberland Plateau (Buchanan County, Dickenson County, Russell County, and Tazewell County) Planning District Commissions, Smyth County, Washington County, and the City of Bristol.[2] A cooperative agreement is defined as "an agreement among two or more hospitals for the sharing, allocation, consolidation by merger or other combination of assets, or referral of patients, personnel, instructional programs, support services, and facilities or medical, diagnostic, or laboratory facilities or procedures or other services traditionally offered by hospitals."[3]

[1] Va. Code § 15.2-5384.1(A)
[2] Va. Code § 15.2-5369
[3] Va. Code § 15.2-5369

Conditional Approval of the Cooperative Agreement

On October 30, 2017, the Virginia Order and Letter Authorizing a Cooperative Agreement (Virginia Order) was issued, approving with conditions the application for a cooperative agreement filed by Mountain States Health Alliance (Mountain States) and Wellmont Health System (Wellmont). The Virginia Order and Conditions govern the Cooperative Agreement in conjunction with Virginia Code § 15.2-5384.1 and Virginia's *Regulations Governing Cooperative Agreements* (12VAC5-221-10 *et seq.*). Similar to Ballad's COPA in Tennessee, the Virginia Order provides Ballad with state action immunity from state and federal antitrust laws by replacing competition with state regulation and active supervision.

The Commissioner approved the application for a cooperative agreement subject to Ballad's compliance with the Conditions. The Commissioner found that if Ballad complied with the Conditions, the benefits from the Cooperative Agreement would be likely to outweigh the disadvantages resulting from the reduction in competition. The Virginia Order can be found at http://www.vdh.virginia.gov/content/uploads/sites/96/2017/10/Order-and-letter-authorizing-a-cooperative-agreement.pdf.

Active Supervision of the Cooperative Agreement

Active Supervision Staff

Pursuant to Virginia Code § 15.2-5384.1(G), the cooperative agreement is entrusted to the Commissioner for active and continuing supervision to ensure compliance with the terms of the cooperative agreement.[4] To support the Commissioner's active and continuing supervision of the Cooperative Agreement, VDH developed a core staff team that works in concert with COPA staff in Tennessee. The following individuals are members of this core staff team:

- A Full-Time Cooperative Agreement Analyst within VDH's Office of Licensure and Certification;
- A Full-Time Cooperative Agreement Analyst (based in southwest Virginia) within VDH's Office of Licensure and Certification;
- The Director of the Division of Certificate of Public Need, Managed Care Health Insurance Plans, and the Cooperative Agreement within VDH's Office of Licensure and Certification;
- The Deputy Commissioner for Governmental and Regulatory Affairs within VDH's Office of the Commissioner;
- A Health Economist within VDH's Office of Health Equity;
- A Rural Health Manager within VDH's Office of Health Equity;
- The Senior Policy Advisor within VDH's Office of the Commissioner; and
- The Senior Policy Analyst within VDH's Office of the Commissioner.

[4] Va. Code § 15.2-5384.1(G)

Cooperative Agreement Active Supervision Committee

In addition to the core staff team, VDH's active supervision efforts are supported by the Cooperative Agreement Active Supervision Committee. The following individuals are members of the Cooperative Agreement Active Supervision Committee:

- VDH's Deputy Commissioner for Population Health;
- VDH's District Directors from Mount Rogers, LENOWISCO, and Cumberland Plateau Health Districts;
- VDH's Directors of Family Health Services, Population Health Data, Primary Care and Rural Health, and Social Epidemiology; and
- Leadership from VDH's partner agencies including the Department of Medical Assistance Services (DMAS), the Department of Behavioral Health and Developmental Services (DBHDS), and the Department of Social Services (DSS).

The Cooperative Agreement Active Supervision Committee convenes at least quarterly to provide the core staff team with guidance and recommendations on plans, reports, and requests submitted by Ballad, and to provide additional qualitative and quantitative information pertaining to the Cooperative Agreement.

Annual Review of the Cooperative Agreement

Ballad's FY 2019 Annual Report and COPA Compliance Office Report

Pursuant to Virginia Code §15.2-5384.1 and Virginia's *Regulations Governing Cooperative Agreements* (12VAC5-221-10 *et seq.*), Ballad is required to annually report to the Commissioner on the extent of the benefits realized and compliance with any terms and conditions contained in the Virginia Order. Ballad submitted its FY 2019 Annual Report and FY 2019 COPA Compliance Office Annual Report on October 25, 2019. The reporting period for Ballad's FY 2019 Annual Reports covers the timeframe of July 1, 2018, through June 30, 2019.

Ballad's 2019 Annual Reports and Executive Summary are available on VDH's Cooperative Agreement website at the following direct links:

Link to Ballad's Annual Report Executive Summary:
http://www.vdh.virginia.gov/content/uploads/sites/96/2020/02/Executive-Summary-of-Annual-Report-FY19-Ballad-Health.pdf

Link to Ballad Health's FY 2019 Annual Report:
http://www.vdh.virginia.gov/content/uploads/sites/96/2020/02/Ballad-Health_FY19_Annual_Report.pdf

Link to Ballad Health's FY 2019 COPA Compliance Office Report:
http://www.vdh.virginia.gov/content/uploads/sites/96/2020/02/Ballad-Health-2019-CCO-Report.pdf

Assessment of Ballad's Compliance with the Conditions

During the Commissioner's review of the application for a cooperative agreement, it was apparent that making improvements in the following areas is important to the residents of southwest Virginia:

1. Ballad's Virginia Geographic Service Area (GSA) is mostly rural and its residents face complex barriers to accessing health care services;
2. Ballad's Virginia GSA has long-standing population health challenges;
3. Substance misuse rates and barriers to treatment in Ballad's Virginia GSA surpass those of other regions in Virginia and nationwide;
4. Challenges to sustained and widespread economic and workforce development place financial constraints on residents and local businesses in Ballad's Virginia GSA;
5. There is an identified need for collaboration across all health care providers to ensure continuity of care for the region and its residents;
6. Innovative payment and delivery models are necessary requisites to providing affordable, timely, and equitable access to care.

These six areas form the basis of many of the Conditions imposed on the approval of the Cooperative Agreement, and remain a focus in the continuous review of the Cooperative Agreement. In effect, the 49 Conditions placed on the Cooperative Agreement are also an attempt to create positive change in the areas listed above. Ultimately, if Ballad continues to comply with the 49 Conditions, the Commissioner may determine that the benefits from the cooperative agreement continue to outweigh the disadvantages resulting from the reduction in competition. Therefore, this report will often refer to the Conditions that are applicable to a particular section of the report.

Conditions not covered elsewhere in this annual review are assessed below:

- Condition 1 applies to the timeframe prior to the merger of Wellmont and Mountain States. The merger is complete; therefore, the requirements set forth in Condition 1 are no longer applicable.
- Conditions 2 and 49 do not contain any reviewable requirements applicable to FY 2019.
- Condition 16 requires notice of material default on loan obligations. Ballad did not default on any loans during FY 2019.
- Condition 17 requires Ballad to report material adverse events to the Commissioner. Ballad reported multiple events, with none resulting in a significant adverse effect.
- Condition 38 places requirements on the minimum representation of Virginia residents on Ballad's Board of Directors and numerous committees. VDH staff have reviewed and verified the residency of each member of the Ballad Board and listed committees. Ballad complied with the requirements of this condition during FY 2019.
- Condition 40 requires Ballad to provide certain financial information quarterly. Ballad has provided the information, as required.
- Condition 41 requires Ballad to adhere to its Alignment Policy if a facility must close. This Condition to-date has been not applicable.
- Condition 45 requires that Ballad establish a system-wide, physician-led "Clinical Council." The Clinical Council was established prior to, and remained active throughout, FY 2019.

The following Conditions relate to activities that Ballad completed prior to the beginning of FY 2019:

- Condition 18 requires Ballad to honor employees' prior service and vesting.
- Condition 20 requires that Ballad submit a severance policy within two months of the closing date of the merger covering at least the first five years of operation. Ballad submitted a severance policy to the Commissioner on March 30, 2018.
- Condition 22 placed requirements on Ballad's combined career development program. The programs were combined shortly after the merger and remain in place.
- Condition 25 requires Ballad to develop, and submit to the Commissioner for review, a plan for investment in its research enterprise in Virginia. The plan was submitted for review under the terms of Condition 4.

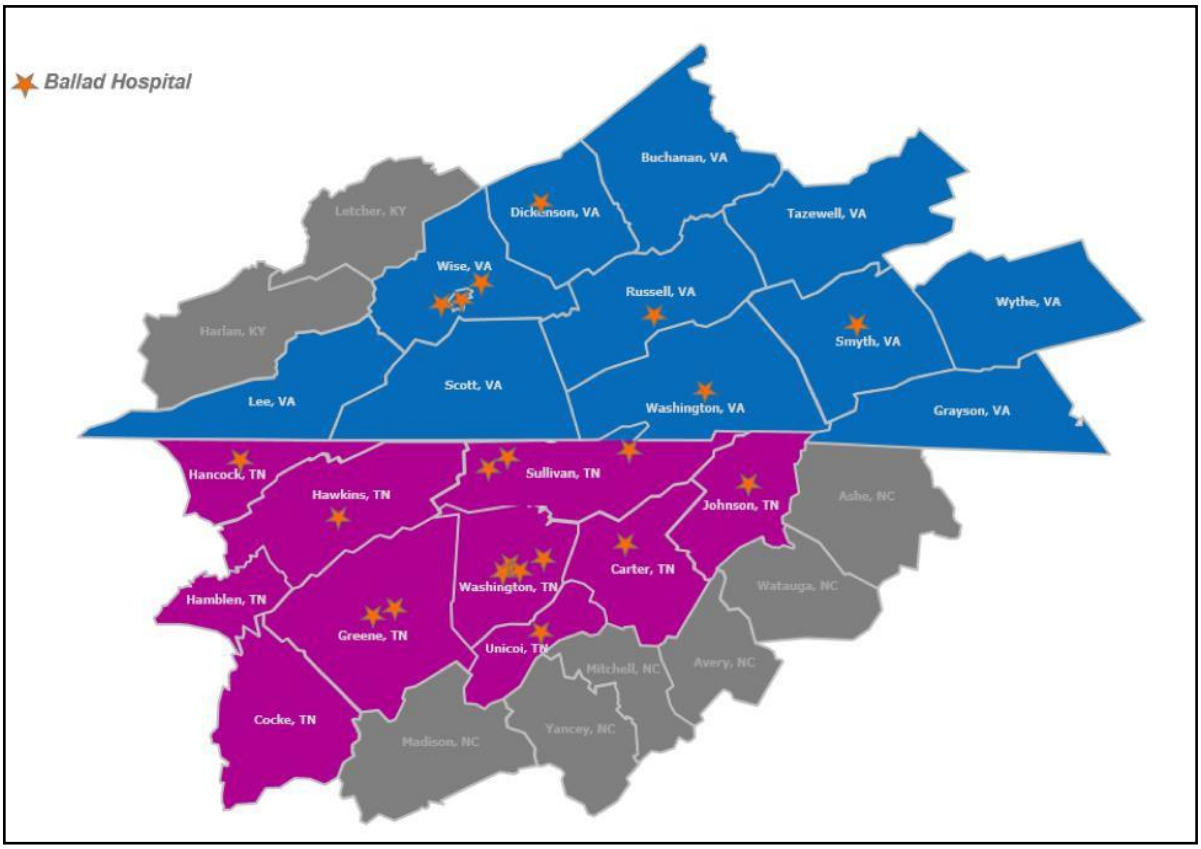
For the following conditions, Ballad has maintained compliance for FY 2019:

- Condition 13 requires all Ballad hospitals to maintain accreditation acceptable to the Centers for Medicare and Medicaid Services (CMS), as well as report to VDH and correct any deficiencies promptly.
- Condition 21 consists of two sections related to employee terminations. The first section prohibits termination of hospital employees, except for cause, for the first 24 months following the merger. The second section applies after the first 24 months, and requires notice to the Commissioner of any terminations made without cause; additionally, for reductions of 50 or more employees, advance notice of at least 60-days is required prior to implementing the reduction action.
- Condition 29 requires Ballad to maintain open medical staffs at all facilities.
- Condition 30 prohibits Ballad from requiring independent physicians to practice exclusively at its facilities.
- Condition 39 requires that the Ballad CEO or Board Chair provide a signed verification of the accuracy and completeness of submissions to the Commissioner.
- Condition 43 prohibits Ballad from entering into exclusive physician service contracts, with exceptions including hospital-based staff.

Ballad's Virginia Geographic Service Area (GSA) is mostly rural and its residents face complex barriers to accessing health care services.

Ballad's GSA covers 21 counties in southwest Virginia and Northeast Tennessee. Figure 1 depicts Virginia localities in Ballad's GSA in blue and Tennessee localities in Ballad's GSA in purple. Approximate locations of Ballad's licensed acute care hospitals are labeled with orange stars.

Figure 1. Ballad's Geographic Service Area and Acute Care Hospitals



Source: Ballad Health
Note: The Lee County Hospital, anticipated to open in October 2020, is not included in this graphic.

Ballad's Virginia GSA contains some of the most rural and mountainous geography in the Commonwealth. VDH staff have identified the following examples of barriers to access in Ballad's Virginia GSA:

- Insufficient numbers of physicians and advanced practice providers (primary care and specialists);
- Difficulty recruiting and retaining all levels of providers;
- Insufficient mental and behavioral health services (inpatient and outpatient) and stigma towards individuals with mental and behavioral health needs;
- Insufficient substance abuse treatment services (inpatient and outpatient) and stigma towards individuals with addiction;
- Transportation challenges including lack of options (e.g. public transportation, Uber, and Lyft), road quality, long driving distance to access care, mountainous terrain, and weather conditions; and
- Socioeconomic factors including poverty, unemployment, education level, food insecurity, and inequitable access to health insurance.

Ballad has engaged in multiple efforts to improve access to health care services in its Virginia GSA since the merger. To date, Ballad's efforts to maintain and improve the availability and provision of healthcare services in its Virginia GSA include the following:

Reopening a hospital in Lee County

On October 1, 2013, Wellmont closed Lee Regional Medical Center. Wellmont officials cited three main reasons for closing the hospital: low community use, a lack of consistent physician coverage, and reimbursement cuts associated with both the Affordable Care Act and the non-expansion of Medicaid in Virginia.

Condition 27 of the Virginia Order requires Ballad to provide "essential services" in Lee County, including emergency room stabilization for patients. As part of its commitment to provide needed services in Lee County, Ballad provided $2.1 million in financing that allowed the Lee County Hospital Authority (LCHA) to re-acquire the hospital property in February 2019. Ballad and the LCHA continued negotiations throughout the remainder of FY 2019 on an agreement to reopen the hospital. The hospital building will require extensive renovations. In order to begin offering many of the required essential services during the renovation period, Ballad will open an urgent care center in the physician office building adjacent to the hospital in the fall of 2019The center will provide urgent care and primary care services to the residents of Lee County while development of the hospital continues next door. Ballad plans to open Lee County Hospital as a Critical Access Hospital (CAH) with a full emergency department, an adjacent observation bed area, acuity-adjustable inpatient beds, and necessary ancillary and support services.

Ballad will be required to file the necessary paperwork with VDH's State Office of Rural Health and CMS to re-open the facility as a CAH in the fall of 2020. The CAH designation was created by CMS in order to reduce the financial vulnerability of rural hospitals and improve access to healthcare by keeping essential services in rural communities. To accomplish these goals, CAHs receive certain benefits, such as cost-based reimbursement for Medicare services.[5]

Consolidation of Services in Wise County and the City of Norton

Condition 27 requires in part that, "in the event the New Health System repurposes any hospital or adjusts scope of services or service lines, it shall continue to provide essential services in the city or county where the hospital is located and in any contiguous city or county." Ballad notified VDH of the following changes in service lines and scope of services affecting Mountain View Regional Hospital (Mountain View), Lonesome Pine Hospital (Lonesome Pine), and Norton Community Hospital (Norton Community), including the consolidation of certain historically underutilized services in Wise County and the City of Norton:

- At the close of FY 2019, the Commissioner was awaiting submission of Ballad's Phase I plan for Wise County. Throughout FY 2019, Ballad kept VDH informed of its progress on the plan, invited VDH staff to attend its Wise County Advisory Committee meetings, and engaged staff in discussions about the content and implications of the Phase I plan.

[5]Rural Health Information Hub. (n.d.). Critical Access Hospitals (CAHs) Introduction. Retrieved April 15, 2020, from https://www.ruralhealthinfo.org/topics/critical-access-hospitals

As of June 30, 2019, Ballad was expected to include the following changes at Lonesome Pine, Mountain View, and Norton Community in the Phase I plan:

1. Relocate medical/surgical and Intensive Care Unit (ICU) services currently offered at Mountain View and consolidate them with the same services currently offered at Lonesome Pine.
2. Close the Mountain View emergency department.
3. Transition Mountain View laboratory services to a contracted service provided by Norton Community.
4. Transition Mountain View radiology services to a contracted service provided by Norton Community.
5. Transition Mountain View pharmacy services to a contracted service provided by Norton Community.
6. Delicense 59 licensed Mountain View hospital beds, resulting in a total Mountain View licensed bed count of 59, including 44 beds certified for long-term/skilled care and 15 medical/surgical beds.

- As required by Condition 27, Ballad continues to provide essential services in Wise County and the City of Norton.
- Although medical/surgical and ICU services previously offered at Mountain View have since been consolidated with the same services provided at Lonesome Pine, Mountain View remains a licensed acute care hospital. Furthermore, Ballad applied for a COPN to relocate inpatient rehabilitation services from Norton Community to Mountain View. VDH's Division of Certificate of Public Need recommended approval of the request, and the Commissioner approved Ballad's application on March 16, 2020.
- Ballad is currently planning further changes within the Wise/Norton market, and VDH is anticipating that a Phase II plan will be submitted by Ballad sometime in 2020. It is anticipated that this plan will include a mental health component.

As a result of service line investments in Wise County and the City of Norton since the merger, Ballad reports successful recruitment of a full-time cardiologist and orthopedic specialist to support expanded service lines in Wise County and the City of Norton. Ballad also reports retention and treatment of 700 patients during FY 2019 that previously would have been transferred elsewhere, likely to Holston Valley Medical Center (Holston Valley) or Johnson City Medical Center (Johnson City MC). In addition, Ballad reports that the overall combined surgical volume at the three facilities increased 16% over FY 2018.[6]

Consolidation of Senior Leadership

To improve coordination of management, patient care, and support services, Ballad has consolidated senior leadership and management of its inpatient facilities in its western service area. For example, Ballad has implemented the following changes to senior leadership:

[6]Page 42 of Ballad Health's Fiscal Year 2019 Annual Report: http://www.vdh.virginia.gov/content/uploads/sites/96/2020/02/Ballad-Health_FY19_Annual_Report.pdf

- Ballad's Vice President and Chief Executive Officer for Wise and Dickenson counties is now responsible for four inpatient facilities (Lonesome Pine, Norton Community, Mountain View, and Dickenson Community) in Wise County, the City of Norton, and Dickenson County. This individual will also be responsible for Lee County Hospital upon its opening.
- Holston Valley's Chief Executive Officer assumed the role of President of the Ballad Northwest Market.
- Holston Valley's Medical Director assumed the role of Medical Director for the Ballad Northwest Market.

These changes were affected in order to unify the Northwest market under one leader and set of strategies to ensure shared goals and operational initiatives.

Provider Needs Assessment

Pursuant to Condition 32, Ballad completed a comprehensive Provider Needs Assessment (PNA) and a physician recruitment plan. These were submitted to the Commissioner in a single document.

- Ballad hired the healthcare consulting company PYA, P.C. (PYA) to complete the required PNA.
- The PNA was submitted to VDH along with a summary of Ballad's physician recruitment plan for FY 2020.
- Utilizing industry-standard methodologies, PYA calculated physician and advanced practice provider needs for each Ballad hospital, based on its service area as defined under the federal Stark Law. The need was broken down by primary care providers, medical specialists, and surgical specialists.
- Due to significant overlap in hospital service areas resulting in double counting, aggregating the hospital figures results in a significantly exaggerated system total. Therefore, while the PNA results were used in the development of Ballad's recruitment plan, they were balanced with other factors, including access deficiencies, facility-identified needs, expected retirements, and budget considerations.[7]

Recruitment and Retention of Providers

Ballad has streamlined and consolidated recruitment efforts with the creation of a single team dedicated to the recruitment of providers for both primary and specialty care. Ballad's recruitment team consists of four full-time recruiters, with support from other team members, who utilize numerous recruitment strategies and incentive programs including, but not limited to, the following:

- Financial incentives (in compliance with federal Stark Laws)
- Recruitment programs to attract and assist employed providers
- Use of outside recruiting companies
- Assistance provided to independent physicians and groups in Ballad's service area
- Income guarantees (if allowed)
- Student loan repayment

[7] Discussion with Ballad Health provider recruitment staff.

- Onboarding assistance to non-employed physician groups
- Paying for recruitment expenses such as advertising and contract recruiter fees[8]

VDH understands that provider recruitment presents unique challenges, especially in rural areas, and expects that substantive recruitment and retention will take ample time to execute and demonstrate. Overall, Ballad is actively recruiting 129 targeted providers, including 106 physicians and 23 mid-level practitioners. Of the total, 82 are being recruited as employed positions, and 47 are being recruited into private practices.

Ballad's Northeast Region includes Virginia hospitals Johnston Memorial Hospital (Johnston Memorial), Russell County Hospital, and Smyth County Community Hospital (Smyth Community). Ballad is currently recruiting 17 employed providers and two private practice providers to serve these hospitals.

Ballad's Northwest Region includes Virginia hospitals Dickenson Community, Lonesome Pine, Mountain View, and Norton Community. Ballad is currently recruiting 10 employed providers and one private practice provider to serve these hospitals.

Expansion of Residency Programs in Southwest Virginia

Condition 24 requires the creation of a plan for graduate and medical education, as well as increased residency opportunities, and opportunities for development of other healthcare professionals. The plan was submitted to the Commissioner and reviewed according to the requirements of Condition 4. Ballad continues to work closely with its higher education partners, including programs within its services area in Virginia. To support recruitment and training efforts in the region, Ballad has expanded the availability of residency programs in southwest Virginia:

According to Attachment 16 of Ballad's FY 2019 Annual Report, there are three Ballad rural primary care residency programs in Virginia representing 24 residency sites. The programs are sponsored by Johnston Memorial, Lonesome Pine, and Norton Community. The report lists a total of 59 filled residency positions. The total number of available slots is undetermined, as the Lonesome Pine family medicine cap has not been determined. Ballad has indicated its intent to add slots to its existing residency programs when possible, and to possibly add new programs. These additions will be predicated on identifying adequate physician oversight and training opportunities in the area.

Consolidation of Pediatric Services at Niswonger Children's Hospital

Ballad consolidated the highest acuity pediatric services at Niswonger Children's Hospital (Niswonger) in Johnson City, Tennessee. Ballad's service area struggled to support two pediatric services due to a lack of sufficient patient volume. By combining the services in one location, Ballad will be better able to provide appropriate, high level services with volumes to support the necessary providers and numbers of cases to ensure staff skills are maintained. The reallocation of scarce resources should improve efficiencies and sustainability of the service long-term for citizens of both states. Ballad is actively recruiting for more pediatric specialists and developing new pediatric emergency rooms in Kingsport and Bristol. The use of telemedicine is being

[8] *Id.*

expanded to connect all Ballad facilities to specialists at Niswonger. Ballad also announced plans to expand its school-based telemedicine program, discussed in more detail later in this report, to include the schools in Lee County, Virginia. VDH agrees that expansion of the school-based telemedicine program should increase access to care in the region, a key benefit of the Cooperative Agreement.

Consolidation of NICU and Trauma Services

In an attempt to better allocate resources for high acuity services, Ballad's plans to make multiple changes to facility trauma designations were finalized during FY 2019, with implementation scheduled for early FY 2020:[9]

- Level I trauma services and Level III neonatal intensive care unit (NICU) services will be consolidated at Johnson City MC;
- Trauma services designation at Holston Valley will be changed from Level I to Level III; and
- Bristol Regional Medical Center (Bristol Regional) will change from Level II to Level III in 2020.

As with pediatric services, Ballad's service area does not have the volume of cases necessary to require two Level I trauma centers or Level III NICU services, and the services cannot support themselves financially. Staff members require adequate numbers of cases to maintain necessary skills, which will be attained more easily with the combined service. Overall quality of care should improve, while ensuring continued availability of critical care and other high level services for citizens throughout southwest Virginia and northeast Tennessee. Ballad is currently in the process of developing new pediatric emergency rooms in Bristol and Kingsport, for which funding has been approved by the Ballad Board of Directors.

Ballad's Health Services Plans and Access Measures

Pursuant to Conditions 25, 33, 34, and 35, Ballad has submitted the following plans, which were reviewed under the terms of Condition 4, to improve health research and graduate medical education and access to health services in the region:

- The Rural Health Services Plan, which addresses access to primary care services, same day access, and access to essential services;
- The Behavioral Health Services Plan, which addresses shortages in behavioral health services and providers;
- The Children's Health Services Plan, which address shortages in pediatric services and providers; and
- The Health Research & Graduate Medical Education Plan, which addresses the need for health research and graduate medical education programs to address workforce shortages and improve provider requirement and retention.

[9]These changes were approved by the Tennessee Commissioner of Health prior to approval of the Cooperative Agreement. According to Ballad's FY19 Annual Report, these changes are based on "evidence-based best practices, which indicate the highest-acuity services are best provided in a higher-volume setting where staff and physician coverage is consistent, and quality is improved." In conjunction with these changes, Ballad is increasing its use of telemedicine to link all of its facilities to the highest level centers at JCMC.

Attachment 1 includes a table with Ballad's access measures for Year 1 (FY 2019) compared to pre-merger baselines. VDH notes that statistically significant trends cannot be established based on only one year's worth of data. However, VDH will analyze changes in access to care over time as more data are collected through the active supervision process.

Ballad's Required Plans and Spending Commitments

The development of the six plans listed in Table 1 is required by Conditions 8, 24, 33, 34, 35, and 36. Pursuant to Condition 4, these six plans were submitted to the Commissioner for his review under the requirements of Condition 4.

To ensure that cost-savings achieved through the merger of Mountain States and Wellmont are reinvested in the region, Ballad has made spending commitments directly related to each of the six plans required by the Virginia Order. Ballad's plans are available on VDH's Cooperative Agreement Webpage at https://www.vdh.virginia.gov/licensure-and-certification/cooperative-agreement/reports-from-ballad-health/.

Condition 3 of the Virginia Order requires that the financial investments committed by Ballad pursuant to Conditions 8, 23, 33, 34, 35, and 36 be "incremental, monetary obligations that constitute additions to the Applicants' [Mountain States and Wellmont] annual baseline spending levels as of the Approval Date [of the Cooperative Agreement] in the applicable categories." Ballad's baseline spending levels for each of the six required plans are included in Table 1.

Table 1. Ballad's Baseline Spending Levels

Plan Title	**Baseline**
Behavioral Health Services, required by Condition 34	$6,631,379
Children's Health Services, required by Condition 35	$4,139,890
Rural Health Services, required by Condition 33	$62,781,535
Health Research & Graduate Medical Education, required by Condition 24	$8,615,303
Population Health Improvement, required by Condition 36	$3,058,977
Region-Wide Health Information Exchange, required by Condition 8	$443,133
Total	**$85,670,217**

Table 2 compares Ballad's spending commitments to actual spending amounts for FY 2019 for all six plans required by Conditions 8, 23, 33, 34, 35, and 36 of the Virginia Order. VDH notes that Ballad only met the required spending level for the Population Health Improvement Plan. Per Condition 17, Ballad must submit a plan to correct its noncompliance with the spending requirements for the remaining five plans. Ballad's leadership team kept VDH informed of its actual and projected spending levels throughout the year, and self-initiated an internal evaluation of options for correcting the noncompliance. For FY 2019, TDH formally accepted changes to the annual spending schedule, allowing Ballad to delay spending on two of the plans into subsequent years. Ballad informed both VDH and TDH of its intent to submit a proposed revised spending schedule that ensures the total spending commitment of $308 million is met over time. However, that plan will likely include extending the spending schedule beyond 10

years. The final plan of correction, including any modifications to the spending schedule, will require approval by the Commissioner.

Table 2. Ballad Health Actual Spending vs. Spending Commitments - FY 2019

Plan Title	FY 19 Spending Commitment	FY 19 Actual Spending	Spending Excess (Shortfall)
Behavioral Health Services	$1,000,000	$960,000	($40,000)
Children's Services	$1,000,000	$33,000	($967,000)
Rural Health Services	$1,000,000	$412,000	($588,000)
Population Health Improvement	$1,000,000	$1,650,000	$650,000
Health Research & Graduate Medical Education	$3,000,000	$0	($3,000,000)
Region-Wide Health Information Exchange	$1,000,000	$0	($1,000,000)
Total	**$8,000,000**	**$3,055,000**	**($4,945,000)**

Access to Tertiary Hospitals

Pursuant to Condition 28, Ballad continues to operate the following three full-service tertiary referral hospitals (Bristol Regional in Bristol, Tennessee; Holston Valley in Kingsport, Tennessee; and Johnson City MC in Johnson City, Tennessee). Although these hospitals are located in Tennessee, VDH believes it is critical to maintain these three facilities as all of Ballad's Virginia service area population relies on these hospitals for tertiary care services, with many Virginians utilizing these facilities as their primary hospitals.

Ballad's Virginia GSA has long-standing population health challenges.

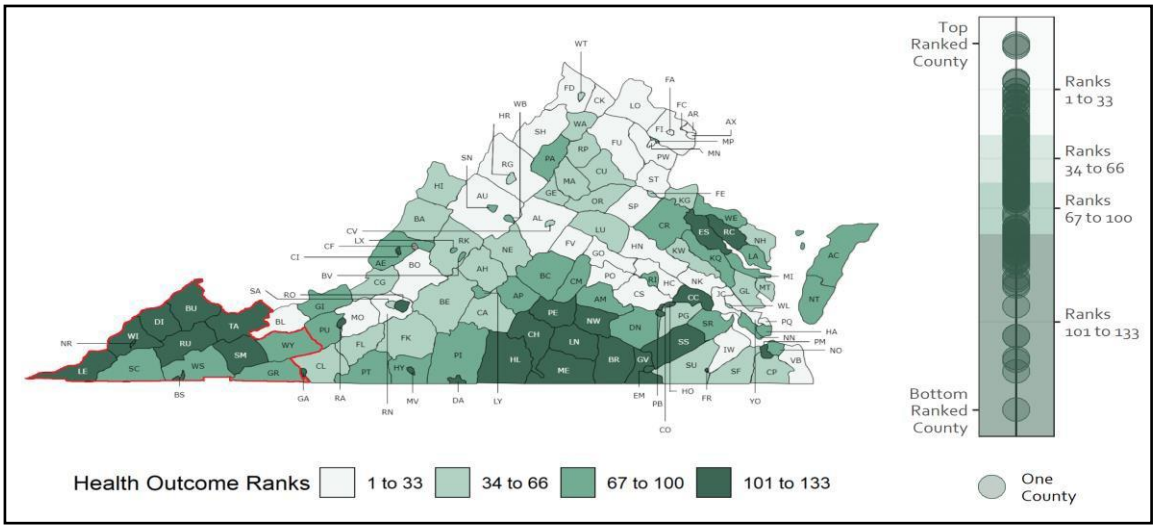
VDH and the Virginia Hospital and Healthcare Association's *Partnering for a Healthy Virginia* define population health as:

- The study of the distribution and mal-distribution of health outcomes of a group of individuals;
- The identification of the root causes that influence the inequitable distribution of those health outcomes; and,
- The development and implementation of policies, strategies, and interventions that influence those health factors.

In evaluating current and historical population health outcomes in Ballad's service area, it was clear to the Commissioner that Conditions of the cooperative agreement that required Ballad to develop a population health plan and a corresponding spending commitment to improve population health constituted benefits that would result from the Cooperative Agreement. According to the Robert Wood Johnson Foundation's 2020 County Health Rankings Report for Virginia, Ballad's service area is a hot-spot for poor health outcomes and health factors.[10]

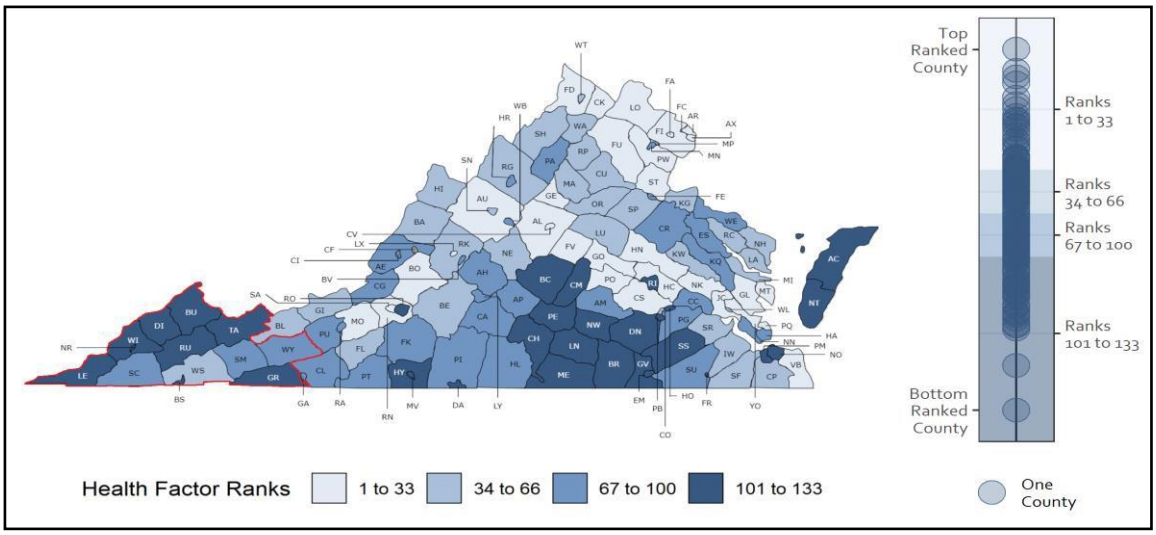
[10] University of Wisconsin Population Health Institute. County Health Rankings Virginia Report 2020 https://www.countyhealthrankings.org/sites/default/files/media/document/CHR2020_VA_0.pdf.

Figure 2. Health Outcome ranks displayed using quartiles (map) and underlying health outcomes scores (chart)[11]



Source: Robert Wood Johnson Foundation's 2020 County Health Rankings Virginia Report

Figure 3. Health Factor ranks displayed using quartiles (map) and underlying health factor scores (chart)[12]



Source: Robert Wood Johnson Foundation's 2020 County Health Rankings Virginia Report

As shown in Figure 2 and Figure 3, respectively, Ballad's service area in Virginia ranks poorly on the following health outcomes and health factors:

Health Outcomes

- Premature death
- Health status (self-reported)
- Low birthweight

[11] *Id.*
[12] *Id.*

Health Factors

- Health Behaviors (diet and exercise, alcohol and drug use, and sexual activity);
- Clinical Care (access to care and quality of care)
- Social and Economic Factors (education, employment and income, family and social support, community safety); and
- Physical Environment (air and water quality, housing, transportation)

These challenges and poor outcomes result from a complex relationship between many historical trends, such as challenges in concerted and sustained collaboration between community-based organizations, schools, health care providers, and policy makers. In addition, economic trends in technology and manufacturing have contributed to the decline of the region's flagship industry, coal mining, and the associated jobs. This decline has placed financial constraints on families and the region as a whole, exacerbating population health challenges.

To reverse the trends in poor population health factors, behaviors, and outcomes, collaboration and alignment across sectors is critical. "Collective Impact" describes the commitment of different sectors to a common agenda for solving a specific social problem, using a structured form of collaboration, shared measurement, mutually reinforcing activities, continuous communication, and backbone support.[13]

To catalyze Collective Impact across the region, the STRONG (Striving Toward Resilience & Opportunity for the Next Generation) Accountable Care Community (ACC) was created, pursuant to Condition 36 of the Virginia Order. The STRONG ACC seeks to improve economic, educational, and health outcomes of individuals living in Ballad's Virginia GSA.[14] Ballad, alongside the United Way of Southwest Virginia, provides leadership and backbone support for the STRONG ACC, which is now one of the largest regional ACCs in the country. The STRONG ACC will leverage the Collective Impact model to develop strategies for cross-sector collaboration to address childhood trauma and resilience, obesity, substance use, and tobacco use.

Currently, the STRONG ACC has over 300 partners representing community and faith-based organizations, educational institutions, health care organizations, and regional businesses. The STRONG ACC Leadership Council is composed of 26 diverse community leaders and provides guidance for the STRONG ACC. As the STRONG ACC has now defined its goals, the group will begin defining metrics of success, engaging more community members and organizations, and coordinating approaches to each priority area. Ballad has played a key leadership role for the STRONG ACC by providing staff support, technical assistance, and resources to fund consultants, who help provide technical assistance on aligning community resources to support the collective impact model. Ballad has begun implementing projects with STRONG ACC partners, with one key program in collaboration with the regional United Way programs and elementary schools to increase third grade reading levels.[15]

To evaluate the development, growth, and activities of the STRONG ACC, Ballad is developing a longitudinal study with Eastern Tennessee State University and other research partners in

[13] https://ssir.org/articles/entry/collective_impact
[14] https://www.strongacc.org/about/
[15] https://www.balladhealth.org/news/childrens-reading-skills

conjunction with the development of the National Center for Rural Research, for which Ballad has committed to providing a $15 million match to Tennessee's state funding over the next ten years. Both the Tennessee Department of Health (TDH) and VDH expect to be heavily involved in the development and evaluation of the longitudinal study.

Substance misuse rates and barriers to treatment in Ballad's Virginia GSA surpass those of other regions in Virginia and nationwide.

Despite the many efforts that have been made over the past decade to identify individuals suffering or at risk of suffering from addiction in far southwest Virginia, and to mitigate the harmful effects of addiction, fatal overdoses disproportionately affect the southwestern part of the state, with methamphetamine misuse and deaths a particular and growing concern.[16]

Addiction is a complex but treatable disease that affects both brain function and behavior.[17] Accessing treatment in southwest Virginia is made more difficult by the barriers of geography, inadequate or inaccessible transportation, cultural factors, stigma, and lack of sufficient inpatient treatment facilities particularly for pregnant and parenting women. To address the cultural and systemic challenges that enable substance misuse across the region and create barriers to treatment, Ballad has engaged in multiple initiatives to curb the region's addiction crisis:

- Smyth Community is the project lead on a collaborative that was awarded a $737,000 three-year grant from the Rural Health Opioid program to combat opioid addiction. Project partners include local police, county sheriff departments, the local health department, members of the faith-based community, and other health care providers. The grant is being used to form a multi-disciplinary opioid consortium with the goals of:
    - Educating the community on overcoming the stigma of opioid addiction;
    - Educating people battling addiction on available services in the community and helping to guide them into treatment;
    - Providing enhanced counseling for hands-on opioid addiction treatment;
    - Providing expanded peer support opportunities; and
    - Providing care coordination to support people battling opioid addiction to help them get treatment, make appointments, and remove barriers to treatment (i.e. transportation issues, etc.).[18]
- Ballad has created a new Behavioral Health Services Division to oversee all Ballad inpatient and outpatient behavioral health services in collaboration with other community partners. Ballad is required to invest $85 million over ten years on addressing this critical need for services in the region. Condition 48 requires an equitable allocation of these resources be spent in Virginia.
- Greenville Community Hospital West in Greenville, Tennessee, is developing a new residential treatment facility for pregnant women who experience homelessness or

[16] http://www.vdh.virginia.gov/content/uploads/sites/18/2020/01/Quarterly-Drug-Death-Report-FINAL-Q3-2019.pdf
[17] https://www.drugabuse.gov/sites/default/files/podat_1.pdf
[18] https://www.balladhealth.org/news/smyth-county-address-national-opioid-crisis

misuse substances. As a regional provider, Ballad will likely refer Virginia residents for care at the Greenville facility. The design of the Greenville facility and services likely will be utilized in development of the behavioral health service line in Virginia.

- Ballad's Population Health Improvement Plan and Behavioral Health Services Plan, submitted pursuant to Conditions 36 and 34, respectively, include the following strategies to identify and treat individuals suffering from addiction:
    - Expanding the distribution and utilization of Naloxone across the region;
    - Expanding best practice recovery programs;
    - Expanding the utilization of behavioral health and peer navigators;
    - Integrating behavioral health counseling services into primary care practices;
    - Expanding the number of clinicians with Medication Assisted Treatment (MAT) education;
    - Implementing and expanding Screening, Brief Intervention, and Referral to Treatment (SBIRT) practices in Ballad's emergency departments and outpatient practices as well as those of partner providers.

Challenges to sustained and widespread economic and workforce development place financial constraints on residents and local businesses.

According to a study conducted by the United Way of Southwest Virginia, roughly a quarter of the region's residents live in poverty and 35 percent of the region's population earns more than the poverty level but less than the basic cost of living. As such, almost 60 percent of the region cannot afford the basic cost of living, to include the costs of healthcare.[19] Despite the expansion of Medicaid in Virginia, many of the region's residents remain uninsured or underinsured and employers who provide health insurance coverage for their employees are faced with the same trends as others nationwide: increasing costs of healthcare which translates into higher premiums for employers and their employees, yielding less income to pay for other living expenses.[20]

To ensure residents and employers in the region are not subject to cost increases as a result of lack of competition further than those realized in national and state trends, multiple conditions were included in the Virginia Order:

- Condition 5 requires compliance with Article V and Addendum 1 of the Tennessee TOC
    - Addendum 1 of the Tennessee TOC sets pricing limitations for Ballad's managed care contracts and describes the methodology for testing for compliance with contracting terms and excess payments from payors. Testing is performed by Ballad each year and submitted to the Tennessee COPA Monitor for review.
    - Part "I" of Addendum 1 provides definitions and general information, including the method for determining the allowable price increase each year. It also describes the types of payors and contracts for which testing must be performed.

[19] https://unitedwayswva.org/new-study-reveals-nearly-half-of-southwest-virginia-families-struggle-to-afford-basics/
[20] https://www.kff.org/report-section/ehbs-2019-section-1-cost-of-health-insurance/

  - Parts "II" through "VI" discuss the various types of payors and contracts subject to testing under Addendum 1, as well as payors who are exempt from testing.
  - Part "VII" covers new managed care contracts following the merger that created Ballad.
  - Part "VIII" sets forth Ballad's reporting requirements, including normal timing of submissions as well as submission on demand.
  - Section "IX" includes a few limited exceptions to the pricing limitations.
  - Section "X" sets a periodic review schedule.
  - There are five appendices to Addendum 1. The appendices include the calculation methodologies for testing the various types of contracts.
  - VDH's Cooperative Agreement Analysts worked with the Tennessee COPA Monitor and the Health Authority's Merger Monitor to review Ballad's testing of its compliance with these provisions. This team determined that Ballad was in compliance with Article V and Addendum 1 for FY 2019.
- Condition 6 requires that Ballad negotiate in good faith with all payers.
- Condition 7 prohibits Ballad from requiring as a condition of a contract that it shall be the exclusive network provider to any health plan.
- Condition 10 requires Ballad seek to establish risk-based model contracts, meaning contracts that contain elements of reimbursement tied to incentives for quality, value-based care, shared savings or alignment of financial incentives between payers, Ballad, employers, and patients.
- Condition 11 requires Ballad to work with the Virginia Department of Medical Assistance Services to develop and implement value-based payment programs
- Condition 14 requires Ballad to adopt a new charity care policy for its hospitals containing certain provisions and limitations.
- Condition 15 requires Ballad to adopt a policy providing a discount for uninsured and underinsured individuals who do not qualify under the charity care policy.
- Condition 31 prohibits Ballad from taking action to prevent individual physicians from participating with any insurance plan.
- Condition 42 prohibits Ballad from engaging in "most favored nation" pricing with any health plan.
- Condition 46 requires Ballad to participate in multiple specific Medicaid programs and places limits on rates negotiated under Medicaid contracts.
- Condition 47 requires Ballad to participate in the Addition and Recovery Treatment Services (ARTS) program through DMAS, and participate in quarterly teleconferences with DMAS.

To meet these conditions and address financial barriers to health care services, Ballad has instituted the following policies and initiatives:

- Ballad adopted a single updated policy covering its charity care and financial assistance programs required by Conditions 14 and 15. The policy was submitted to VDH and TDH for approval on April 15, 2019. It was revised on May 9, 2019 and adopted by Ballad on May 15, 2019. The uninsured discount from charges at Ballad hospitals is currently a minimum of 77 percent, meaning the most any patient will be expected to pay out of pocket is 23 percent of charges. Once the maximum out of

pocket amount is determined, Ballad determines if the patient qualifies for free care, which is available to patients whose income is up to 225 percent of the federal poverty level; additionally, reduced pricing is available on a sliding scale for those between 225 percent and 400 percent of the federal poverty level.

- During 2019, Ballad reduced average employed physician clinic charges by 17 percent and increased its uninsured discount to 77 percent. In a multi-year effort, Ballad also is working toward system-wide, uniform pricing.
- According to Ballad's FY 2019 Annual Report, Ballad has negotiated one finalized contract renewal, and continues to negotiate in good faith with all payers. The finalized contract saw lower charges to the insurer; therefore, that contract is compliant with Conditions 6, 7, and 42, as well as Addendum 1 of the TOC.
- FY 2020 will see several existing contracts up for renewal. The aggregate results of those negotiations will more fully demonstrate how well Ballad is meeting their commitments under Addendum 1, as well as complying with the Conditions of the Virginia Order related to insurance plans, pricing, and payor negotiations (Conditions 5, 6, 7, 10, 11, 31, 42, 46, and 47).

There is an identified need for collaboration across all health care providers to ensure continuity of care for the region and its residents.

While Ballad maintains an overwhelming majority of the hospital beds in the region, a significant proportion of the region's primary care, behavioral health services, obstetrics care, and other ambulatory services are provided in facilities not owned or operated by Ballad. Pursuant to Condition 9, collaboration with independent physician groups and other clinical providers, community-based organizations, and sectors is critical to coordinating care, improving population health outcomes, increasing access to services, and providing an equitable system of care for each patient and resident of the region. In addition to Ballad's efforts with the STRONG ACC, engaging in meaningful partnerships with other healthcare providers will ensure that patients receive timely access to appropriate services.

Prior to the approval of the Cooperative Agreement and the formation of Ballad, there was unnecessary duplication of hospital-based and freestanding facilities, services, and programs in an effort to obtain and maintain market share. In Ballad's service area, this led to having two Level I Trauma Centers and a third, Level II Trauma Center, within an approximately 30-mile radius; and two specialty level NICUs within 20 miles of each other. As previously discussed, Ballad's planned consolidation of these services should benefit the citizens of both states.

In southwest Virginia, Johnston Memorial and Smyth Community competed daily with each other and the three larger tertiary hospitals in Tennessee. Further west in Virginia, there once were four acute care hospitals within the borders of Wise County (Wise County and the City of Norton), all within 20 miles of each other. The healthcare environment has changed substantially over the last several decades, resulting in two facility closures in what is now Ballad's Virginia market (Wise Appalachian Regional Hospital closed in 1998 and Lee County Hospital closed in 2013). The merger has allowed Ballad to improve its financial position by reducing costs through elimination of unnecessary duplication and consolidation of certain services. As previously mentioned, Ballad is also committed to reopening the Lee County Hospital, which

likely would not have happened without the merger. Ballad also is prohibited from closing any hospital as a medical care facility for at least five years from the date of the merger.

Ballad Health does not employ or contract with all providers in the region. To ensure that all patients residing in Ballad's service area maintain continuity of care regardless of whether or not they are in a Ballad facility, patient-centered care coordination services and availability of timely, accurate data are critical for all patients and providers. Ballad is well into the adoption of Epic as its common information technology platform, in compliance with condition 26. Additionally, pursuant to condition 8, in order to ensure that all providers have access to patient data to enable the timely delivery of appropriate care, Ballad has committed to exploring tools provided by their electronic health record (EHR) vendor, Epic, that will allow all providers in the region, regardless of which EHR vendor they utilize, to share data with Ballad. These plans are still being explored as Ballad completes the system-wide integration to the Epic platform.

Innovative payment and delivery models are necessary requisites to providing affordable, timely, and equitable access to care.

One expected benefit of the Cooperative Agreement is Ballad's commitment to implementing the following innovative payment, delivery, and quality improvement models:

Risk-Based Contracting

Condition 10 requires that Ballad work to establish payment models designed to incentivize quality, value, and shared financial alignment in contracts with Large Network Payers. Pursuant to Condition 10, Ballad's FY 2019 Report included the following:

- All risk-based model components for Wellmont and Mountain States contracts that existed at the time of the merger continue today and were expanded in Ballad's FY 2019.
- Ballad is actively negotiating with "four major managed care payers for various products" as directed by Condition 10 of the Virginia Order, related to adding at least one new risk-based contract annually between 2020 and 2022.
- Ballad reported that one payer contract was executed during FY 2019 involving a Medicare Advantage product. Under that contract, Ballad agreed to a reduction in charges.
- Ballad 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.

Health Information Exchange

- Ballad selected Epic as its common IT platform, pursuant to Condition 26. In order to implement Epic, all computers and necessary software used in clinical areas need to be replaced. This must be done while facilities remain operational.
- Legacy Wellmont facilities already utilize Epic, creating a clearer path to implementation for legacy Wellmont systems. The remaining hospitals, clinics, physician offices, and other locations needing access to the system require a completely new installation. All users will require training on the new systems and software.

- Ballad's projected "go-live" date for system-wide use of Epic is October 1, 2020. This implementation is a major factor in the timing of the projected opening date of the new Lee County Hospital. Planning and construction schedules for Lee County Hospital have been developed around the Epic implementation schedule.

Quality Improvement Measures

Condition 12 requires that Ballad "develop a robust quality improvement program, to include outcomes and measures, consistent with the aim of improving the health and well-being of the residents of southwest Virginia. Pursuant to the requirements of Condition 12, Ballad has worked closely with VDH and TDH on the development of revised quality metrics that will be reported quarterly and annually to the states. According to page 44 of Ballad's FY 2019 Annual Report, Ballad improved on 12 of the 17 existing Quality Target Measures compared to the established pre-merger baselines. Ballad's performance on Quality Target Measures for FY 2019 compared to pre-merger baselines can be found in Attachment 2.

Collaboration with DMAS

Condition 47 requires Ballad to participate in quarterly teleconferences with DMAS to address Ballad's progress in meeting DMAS goals related to participation in several programs to improve access to care and implement value-based payment. These calls did not occur during Ballad's FY 2019 as a result of scheduling challenges and challenges in identifying clear points of contact. VDH will be actively engaged in facilitating these discussions moving forward and ensuring they take place pursuant to Condition 47. Ballad's FY 2019 Annual Report contains little mention of its efforts to work directly with, or partner with DMAS, but emphasizes Ballad's participation in the Medicaid Transformation Project (MTP). The MTP "project is a national effort to transform healthcare and address social determinants of health for the nearly 75 million Americans who rely on Medicaid. The work focused on four keys areas of opportunity: Behavioral health, child and maternal health, substance use disorder and avoidable emergency department visits."

Additional Cooperative Agreement Reports

Southwest Virginia Health Authority Report

Condition 37 requires Ballad to reimburse the Health Authority up to $75,000 annually, adjusted for inflation. While the Health Authority did not have a current, signed memorandum of agreement (MOA) with VDH during FY 2019, Ballad has continued to honor Condition 37 and is up-to-date on its payments to the Health Authority. Ballad has also allowed the uninterrupted continuation of the Health Authority's oversight activities as though a MOA were in place.

The Health Authority's Board held a meeting on January 3, 2020 during which time the Board received a report on Ballad Health from the Health Authority's chief counsel and staff. The report was submitted to the Commissioner for his consideration in determining whether the benefits of the Cooperative Agreement continue to outweigh the disadvantages. The report summarized the Health Authority staff's findings and recommendations based on Ballad's 2019 Annual Report and operations for the year. The Health Authority staff determination is summarized on page iii as follows:

> *...the ultimate issue is whether the residents in this region are better off with the Ballad merger compared to what would have occurred without the merger. The harms that can be realized by less competition are: reduced access; reduced quality; and higher costs to payors, employers and patients. This report addresses each of these issues and concludes that access has not been adversely affected; quality has overall improved; and costs to payors and patients have been compliant with "Addendum 1" that both states use to bar the abuse of market power. In addition, Ballad is making investments in behavioral health, population health, rural health, and children's health that it would likely have been unable to fund without the savings realized from the merger.*

A copy of the report from the Health Authority can be found at: https://www.vdh.virginia.gov/content/uploads/sites/96/2020/05/Merger-Monitor-Staff-Report-1.pdf

Tennessee Department of Health Annual Review

TDH is required to prepare an Annual Report that incorporates findings from (i) Ballad Health's Periodic Reports, (ii) The COPA Compliance Office Annual Report, (iii) the Local Advisory Council Annual Report, (iv) The COPA Monitor Annual Report, (v) The Healthcare Access Report, and (vi) The Population Health Report. TDH's Annual Report must also include determinations of compliance, the Index Scores, the Final Score, the Pass/Fail Grade, and trends relevant to the Active Supervision of the COPA and continued public advantage for each fiscal year when this information is available. A copy of TDH's report will be made available on TDH's COPA Announcements webpage once it is published.

Tennessee COPA Monitor Annual Review

Tennessee's COPA Monitor is responsible for evaluating the continued public advantage of the COPA by monitoring Ballad's compliance with the Tennessee TOC, and by collaborating with TDH staff to evaluate Ballad's performance against Tennessee's COPA Scoring Index. Tennessee's COPA Monitor conducts audits, reviews reports from the Ballad and Tennessee's Local Advisory Council, and makes recommendations to Tennessee's Commissioner of Health and Attorney General. Pursuant to the Tennessee TOC, the COPA Monitor's Report includes the following: Tennessee's COPA Index score, updates on Ballad's compliance with the COPA and the Tennessee TOC, status of existing corrective actions, any recommended enforcement mechanisms, any additional findings, and any other information requested by Tennessee's Health Commissioner, TDH staff, or Tennessee's Attorney General. This year and last year's COPA Monitor reports are available on TDH's COPA Announcements webpage.

Review of Complaints and Need for Additional Public Input

Review of Cooperative Agreement Complaints

One role of VDH's Cooperative Agreement Analysts is to receive and review Cooperative Agreement-related complaints. Cooperative Agreement complaints include claims that Ballad has violated the Conditions of the Virginia Order. VDH's Cooperative Agreement Analysts received fifteen complaints in 2019.

Cooperative Agreement Analysts review complaints to determine if Ballad's actions are in violation of the Conditions of the Virginia Order. In Fiscal Year 2019, no complaints containing violations of the Conditions of the Virginia Order were substantiated. Cooperative Agreement Analysts value the information and insights gained from conversations with complainants, many of whom are Ballad patients.

Need for Additional Public Input

Public input is vital to VDH's active supervision efforts. In an effort to obtain more public input, VDH staff are developing an online comment/complaint form which will be made available on VDH's Cooperative Agreement Website. Information gathered from the public will better inform VDH's evaluation of the perceived and actual benefits and disadvantages of the Cooperative Agreement as well as highlight opportunities for VDH to improve active supervision efforts.

The Benefits of the Cooperative Agreement Continue to Outweigh the Disadvantages Attributable to a Reduction in Competition Resulting from the Cooperative Agreement

Pursuant to Virginia Code § 15.2-5384.1 and Virginia's *Regulations Governing Cooperative Agreements* (12VAC5-221-10 *et seq*.), the Commissioner is required to make an annual decision whether the benefits of the Cooperative Agreement continue to outweigh the disadvantages attributable to a reduction in competition resulting from the Cooperative Agreement. Based on the information set forth in this report, the Commissioner makes the following findings:

Although it is impossible to determine what would have resulted if the merger of Wellmont and Mountain States had not occurred, the environment that existed prior to the Cooperative Agreement that resulted in the formation of Ballad included hospitals in jeopardy of closure, service lines with small volumes, declining inpatient census, and duplicative services that were unsustainable long-term. It is unlikely that the financial conditions of either system or the quality of services provided would have improved.

The Cooperative Agreement allowed for the consolidation of duplicative executive and management services, creating opportunities for short-term financial improvements for Ballad and residents of the region. The highest levels of NICU and trauma services were recently consolidated, increasing volume for the program with the goal of increasing quality and profitability. In the Wise County/City of Norton market, Ballad has been able to consolidate certain duplicative inpatient, ancillary, and support services. Further planning for the next phase of consolidation, reallocation, and new service development is ongoing. The process has involved the community-based Wise County Visioning Committee, which has allowed Ballad to ensure that Ballad's priorities align with those of the community.

Based on information gleaned from the active supervision process since the merger on January 31, 2018, the majority of quality measures reported to the states have shown improvement, overall access to care has not suffered, and charges remain within what is allowed by Condition 5. Ballad has opened an urgent care center in Pennington Gap adjacent to the shuttered Lee County Hospital, which is scheduled to be reopened by Ballad in October 2020 at a cost of

approximately $15 million. It is not likely that either Wellmont or Mountain States would have independently chosen to re-open this hospital due to resource constraints that were alleviated by the Cooperative Agreement.

As cited in Ballad's 2019 Annual Report and confirmed by the TN COPA Monitor, Ballad increased nursing salaries by $10 million per year. Condition 19 requires Ballad to create and begin work on a plan to spend at least $70 million over 10 years on salary and wage increases. Since this increase represents an ongoing annual commitment, Ballad should meet this commitment during FY 2025. In addition, Ballad has developed comprehensive plans to improve population health, health research and graduate medical education, health information exchange, access to clinical services for adults and children, and access to behavioral health services. Ballad will be updating these plans with input from both TDH and VDH. Ballad is a driving force in the area-wide ACC that currently has over 250 member organizations and has chosen to focus on STRONG Children and Families in order to improve population health across the region. Ballad has created a behavioral health services division, and announced plans for a residential center in Tennessee for pregnant women experiencing homelessness and/or substance abuse.

Lastly, Ballad has implemented multiple billing and charging policies to reduce the burden of health care costs to the regions residents and engaged in value-based contracts, as required by the Virginia Order, to further incentivize lower costs and higher quality.

Despite these positive efforts, recruitment of rural and pediatric providers has failed to meet expectations. Additionally, Ballad did not meet spending commitments on five of six required categories during FY 2019.

Based on these findings, the Commissioner determines that the benefits of the Cooperative Agreement to-date, and likely to result in the future, continue to outweigh the disadvantages attributable to a reduction in competition that have resulted from the Cooperative Agreement.

Recommendations to Ballad

To support the continued benefits of the Cooperative Agreement and mitigate disadvantages experienced to-date, VDH recommends the following to Ballad:

- Ballad must persist in efforts to actively engage with Virginia's Department of Medical Assistance Services, seeking involvement from VDH if obstacles are encountered, to catalyze participation in Medicaid programs, improve access to care, and implement value-based payment. Proactive, intentional, and culturally empathic communication from Ballad is critical to developing a more successful relationship with members of the public, employees, and community organizations. Ballad should include detailed communications plans and community outreach strategies in future proposals and requests submitted to VDH.
- Ballad should continue to engage VDH as a resource in its drafting of the next iteration of their Population Health, Behavioral Health, Rural Health, Children's Health, Health Research & Graduate Medical Education, and Health Information Exchange plans as well as their longitudinal study with Eastern Tennessee State University.

- Ballad must remain focused on adding a value-based component during contracting negotiations to improve its ability to maintain quality of care across its facilities, and maintain or increase access to care across its GSA. This is imperative as population health, quality, and access investments will become increasingly challenging in a region with a declining birth rate and an aging population.
- Despite leveraging innovative recruitment strategies, Ballad should further invest in provider recruitment, particularly in its effort to secure children's health specialists.
- In developing the next iteration of plans, Ballad must ensure budgets are realistic and flexible to prevent spending shortfalls from occurring.

Active Supervision Moving Forward

In response to findings resulting from VDH's active supervision, suggestions and other feedback provided by the public, and assessments provided by the Southwest Virginia Health Authority, Tennessee Department of Health, and other monitors, VDH will be engaging in the following activities in the coming year to support active supervision efforts:

- In late spring/early summer 2020, VDH plans to publish an interactive dashboard on its Cooperative Agreement website highlighting Ballad's performance on quality metrics.
- Within 90 days following the expiration or termination of Virginia's Executive Order 51, declaring a state of emergency in response to the COVID-19 pandemic, Ballad will begin submitting revised metrics to VDH, which will in turn be published in a dashboard to be developed and published on the Cooperative Agreement website.
    - To view these revised metrics, please view the Technical Advisory Panel (TAP) Report and Staff Recommendations.
- Hosting periodic town halls for residents of Ballad's service area to tell their stories and provide updates, feedback, and recommendations on their experiences with Ballad Health and opportunities for the state to improve active supervision updates.
- Conducting geospatial analysis of population health outcomes and access to healthcare services in Ballad's service area.
- Tracking economic indicators and generating economic impact analyses of Ballad's activities to assess the impact on patients, residents, and businesses in Ballad's service area.

Attachment 1

Ballad Health Access Measures Year 1 (FY 2019) Compared to Baseline

#	Measure	Baseline	Year 1
1	Population within 10 miles of an urgent care center	80.5%	80.1%
2	Population within 10 miles of an urgent care center open nights & weekends	70.3%	70.3%
3	Population within 10 miles of Urgent Care Facility or Emergency Department	98.9%	98.8%
4	Population within 15 miles of an Emergency Department	97.3%	97.3%
5	Population within 15 miles of an acute care hospital	97.3%	97.3%
6	Pediatric Readiness of Emergency Department	67.0%	68.2%
7	Appropriate Emergency Department Wait Times	40.7%	42.1%
8	Specialist Recruitment and Retention[1]	--	--
9	Personal Care Provider	80.5%	78.6%
10	Preventable Hospitalizations – Older Adults (discharges per 1,000 people 65+)	72.2[2]	63.8
11	Preventable Hospitalizations-Adults (discharges per 1,000 people 18+)	25.6[2]	22.9
12	Screening - Breast Cancer	74.1%[2]	76.0%
13	Screening - Cervical Cancer	63.8%[2]	64.3%
14	Screening - Colorectal Cancer	46.4%[2]	47.2%
15	Screening - Diabetes	71.2%	71.3%
16	Screening - Hypertension	97.6%	98.9%
17	Asthma Emergency Department Visits Per 10,000 (Age 0-4)[2]	60.4[2]	49.0
18	Asthma Emergency Department Visits Per 10,000 (Age 5-14)[2]	41.5[2]	37.1
19	Prenatal care in the first trimester	66.8	70.5%
20	Follow-up After Hospitalization for Mental Illness (% Within 7 Days Post-Discharge)	33.3%	24.1%
21	Follow-Up After Hospitalization for Mental Illness (% Within 30 Days Post-Discharge)	58.6%	48.0%
22	Effective Acute Phase Treatment (84 days)	75.5%	76.8%
23	Effective Continuation Phase Treatment (180 days)	65.3%	62.1%
24	Engagement of AOD (Alcohol or Drug) Treatment	1.9%	6.6%
25	Rate of SBIRT administration - hospital admissions	0.0%	0.1%
26	Rate of SBIRT administration - ED visits	0.0%	2.8%
27	Patient Satisfaction and Access Surveys	0.0%	100%
28	Patient Satisfaction and Access Survey - Response Report	0.0%	100%

Data Source: Ballad Health

[1]Ballad and VDH have not agreed upon a definition for Measure # 8, Specialist Recruitment and Retention

[2]Revised baseline data submitted by Ballad was approved by TDH on February 14, 2020

[3]Virginia hospital discharge database does not currently provide emergency department data. Thus, only Tennessee patients are included in values reported for Measures 17 & 18.

Attachment 2

Ballad Health Quality Target Measures FY 2018 & FY 2019 Compared to Baseline

	Ballad Health in TN & VA			Ballad Health in VA		
Quality Target Measures	**Baseline**	**FY18**	**FY19**	**Baseline**	**FY18**	**FY19**
PSI 3 Pressure Ulcer Rate	0.29	1.10	0.53	0.60	0.00	0.13
PSI 6 Iatrogenic Pneumothorax Rate	0.38	0.23	0.13	0.37	0.15	0.23
PSI 7 Central Venous Catheter-Related Blood Stream Infection Rate	0.15	0.05	0.05	0.15	0.00	0.12
PSI 8 In Hospital Fall with Hip Fracture Rate	0.10	0.07	0.08	0.10	0.09	0.26
PSI 9 Perioperative Hemorrhage or Hematoma Rate	4.20	1.76	1.41	4.50	0.63	0.00
PSI 10 Postoperative Acute Kidney Injury Requiring Dialysis	1.02	1.06	1.28	1.22	1.69	1.45
PSI 11 Postoperative Respiratory Failure Rate	14.40	8.34	7.56	15.16	9.75	3.05
PSI 12 Perioperative Pulmonary Embolism or Deep Vein Thrombosis Rate	5.35	3.51	3.16	4.84	4.62	3.28
PSI 13 Postoperative Sepsis Rate	6.16	3.88	4.03	6.27	1.86	3.03
PSI 14 Postoperative Wound Dehiscence Rate	2.20	0.99	1.48	2.15	0.00	0.00
PSI 15 Unrecognized Abdominopelvic Accidental Puncture/Laceration Rate	0.90	0.98	0.27	0.85	0.00	0.00
CLABSI	0.774	0.652	0.616	0.000	0.220	0.219
CAUTI	0.613	0.640	0.895	0.000	0.089	0.690
SSI COLON Surgical Site Infection	1.166	1.900	2.285	2.000	0.000	0.000
SSI HYST Surgical Site Infection	0.996	0.610	0.000	2.500	0.000	0.000
MRSA	0.040	0.054	0.090	0.000	0.019	0.040
CDIFF	0.585	0.623	0.352	0.490	0.470	0.193

Data Source: Ballad Health