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

for the Period of July 1, 2024 – June 30, 2025

Virginia Department of Health

May 15, 2026

VDH VIRGINIA DEPARTMENT OF HEALTH

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

Source of quote: Dr. Amy Doran, Ballad Health corporate director of early childhood care and education, October 28, 2024, "Ballad opens Abingdon Center for Early Learning", www.SWVASun.com.

Table of Contents

Commissioner's Annual Decision 3
Content of the Report 3
Cooperative Agreement - Introduction and Background 4
Virginia Code § 15.2-5384.1 4
Definition of a Cooperative Agreement 4
The Ballad Health Cooperative Agreement 4
Conditional Approval of the Cooperative Agreement 5
Active Supervision of the Cooperative Agreement 6
Active Supervision Staff 6
Technical Advisory Panel (TAP) 6
Cooperative Agreement Interagency Advisory Council 7
Annual Review of the Cooperative Agreement 7
Ballad's FY 2025 Annual Report and COPA Compliance Office Report 7
Assessment of Ballad's Compliance with the 49 Conditions of the Virginia Order 7
Review of Cooperative Agreement Complaints 33
The Benefits of the Cooperative Agreement Continue to Outweigh the Disadvantages Attributable to a Reduction in Competition Resulting from the Cooperative Agreement 34
Commissioner's Decision 35

Commissioner's Annual Decision

This decision and accompanying report are being issued by the Virginia State Health Commissioner (Commissioner) pursuant to Virginia Administrative Code section 12VAC5-221-110(F), which requires the 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 is the Commissioner's seventh annual report and decision, intended to satisfy the requirement for the Ballad Health (Ballad) Cooperative Agreement (Cooperative Agreement) covering the period July 1, 2024, through June 30, 2025, which is Ballad's fiscal year 2025 (FY 2025). The six previous Commissioners' Annual Decisions are available on the Virginia Department of Health (VDH or The Department) website at the link: https://www.vdh.virginia.gov/licensure-and-certification/active-supervision/.

Content of the Report

This report constitutes the Commissioner's annual assessment covering Ballad's FY 2025. Information available to the Commissioner about Ballad's activities subsequent to June 30, 2025, will be considered in the appropriate future annual report and assessment.

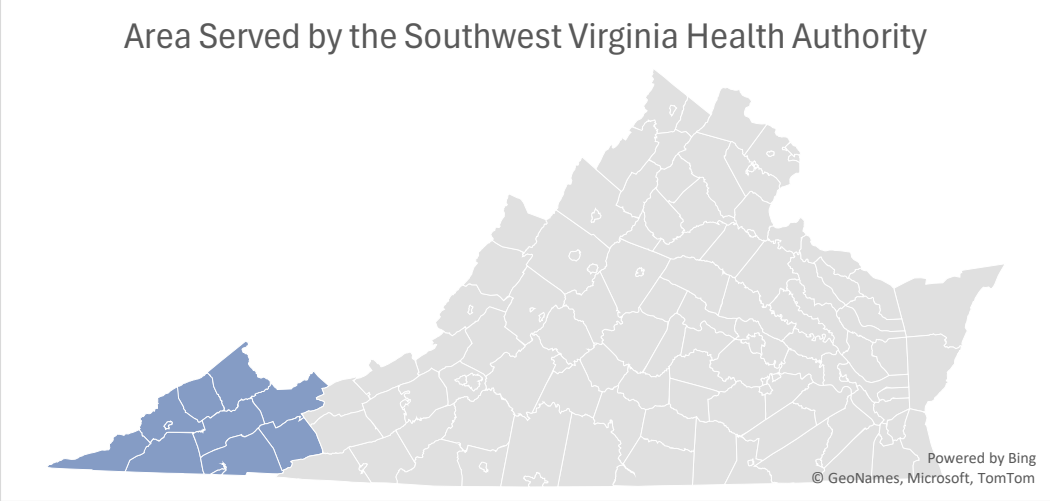
This report contains the following major components:

- An introduction and brief background on the Cooperative Agreement.
- An overview of VDH's Cooperative Agreement active supervision team.
- Assessment of Ballad's compliance with the Virginia Order's 49 Conditions.
- An overview of Cooperative Agreement complaints and feedback from the public.
- The Commissioner's annual determination as to whether or not the benefits of the Cooperative Agreement continue to outweigh the disadvantages.

Cooperative Agreement - 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, plus Smyth County, Washington County, and the City of Bristol.



Definition of a Cooperative Agreement

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."[2]

The Ballad Health Cooperative Agreement

Pursuant to §15.2-5384.1, a Cooperative Agreement was entered into by Mountain States Health Alliance (Mountain States) and Wellmont Health System (Wellmont), (also known as the legacy systems). The resulting formation of Ballad Health was allowed by the Commonwealth with certain heretofore elusive goals in mind related to population health. Improvement in the region's overall population health can only be realized through the combined improvements in several critical areas of focus. The following areas were identified as being critical to the residents of southwest Virginia:

1. Residents of Ballad's Virginia Geographic Service Area (GSA) face complex barriers to accessing health care services, including travel issues related to the rural nature of the region.

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

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 active supervision and periodic assessment of the benefits of the Cooperative Agreement. In effect, the 49 Conditions placed on the Cooperative Agreement are an attempt to create positive change in the areas listed above, especially as they relate to maintaining and improving medical access and accessibility.

Conditional Approval of the Cooperative Agreement

On October 30, 2017, the Virginia Order was issued, approving, with conditions, the application for a cooperative agreement filed by Mountain States and Wellmont. The Virginia Order and its Conditions (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 Certificate of Public Advantage (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 Virginia Order can be found online at: https://www.vdh.virginia.gov/licensure-and-certification/cooperative-agreement/.

The Commissioner approved the application for a cooperative agreement subject to Ballad's ongoing 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. This is the seventh Commissioner's annual assessment, with previous versions covering the completed fiscal years FY 2019 through FY 202y. Together, they encompass the period since the completion of the merger forming Ballad Health. Each previous assessment resulted in a determination that the benefits of the merger to the communities served by Ballad continued to outweigh the disadvantages resulting from the reduction in competition. The previous assessments can be found online at: https://www.vdh.virginia.gov/licensure-and-certification/cooperative-agreement/.

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. The Commissioner has assigned primary responsibility for the Commonwealth's ongoing active supervision efforts to the Cooperative Agreement unit of the Office of Licensure and Certification (OLC). Two full-time positions are dedicated solely to cooperative agreement functions: the Cooperative Agreement Monitor and the Cooperative Agreement Analyst. These positions report to the OLC Deputy Director, who reports to the OLC Director. The Department's Deputy Commissioner for Governmental and Regulatory Affairs is the Commissioner's point person for ensuring adequate active supervision of the Cooperative Agreement.

Technical Advisory Panel (TAP)

The TAP, established by Virginia Administrative Code 12VAC5-221-120, is required to meet on an annual basis at minimum and is charged with providing ongoing input to the Commissioner regarding the reporting of Ballad's performance on quality metrics, including measures in population health, patient safety, health outcomes, patient satisfaction, access to care, and other areas identified by the TAP. The TAP is comprised of:

1. A representative of the commissioner who shall serve as chair of the TAP;
2. The chief medical or quality officers of the parties;
3. A chief medical or quality officer of a hospital or health system from other state market areas with no affiliation with the parties;
4. A chief medical or quality officer of a health plan that has subscribers in the affected area;
5. Experts in the area of health quality measurement and performance;
6. A consumer and employer representative from the affected area;
7. A representative from the Bureau of Insurance of the State Corporation Commission;
8. The chief financial officers of the parties;
9. A chief financial officer of a hospital or health system from other state market areas with no affiliation with the parties; and
10. A chief financial officer of a health plan that has subscribers in the affected area.

The TAP met three times in FY 2025 and has one vacancy as of the end of FY 2025 (a chief financial officer of a hospital or health system from other state market areas with no affiliation with the parties).

Cooperative Agreement Interagency Advisory Council

The Cooperative Agreement Interagency Advisory Council, consisting of active supervision staff, select internal VDH leaders, and representatives from other agencies such as the Department of Medical Assistance Services and the Department of Behavioral Health and Developmental Services, was assembled by the Department to support active supervision efforts. Prior to the COVID-19 pandemic, the committee convened quarterly to provide guidance and recommendations on plans, reports, and requests submitted by Ballad. The members also support supervision efforts by providing additional qualitative and quantitative information pertaining to the Cooperative Agreement. The Department reactivated the Council during FY2025 with teleconferences held in December 2024, May 2025, and June 2025. The lengthy pause was caused by the demands of responding to the COVID-19 pandemic. The Council membership roster includes the active supervision staff members and the incumbents in the following positions:

- The Department's Deputy Commissioner for Population Health and Preparedness.
- The Department's Directors of the Mount Rogers, LENOWISCO, and Cumberland Plateau Health Districts.
- The Department's Directors of Family Health Services, Population Health Data, Primary Care and Rural Health, and Social Epidemiology.
- Leadership from the Department's partner agencies, which may include the Department of Medical Assistance Services (DMAS), the Department of Behavioral Health and Developmental Services (DBHDS), and the Department of Social Services (DSS).
- A Rural Health Manager within the Department's Office of Health Equity.
- The Chief Medical Officer at the Department of Medical Assistance Services.
- The Deputy Commissioner for Policy and Public Affairs at the Department of Behavioral Health and Developmental Services.

Annual Review of the Cooperative Agreement

Ballad's FY 2025 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 the FY 2025 Annual Report and FY 2025 COPA Compliance Office Annual Report on October 29, 2025. Supporting data was provided on November 5, 2025. Ballad submitted an Amended version of the Annual Report for FY 2025 on November 18, 2025.

Ballad's 2025 Amended Annual Report and Executive Summary are available on VDH's Cooperative Agreement website through the following link: https://www.vdh.virginia.gov/licensure-and-certification/cooperative-agreement/reports-from-ballad-health/.

Assessment of Ballad's Compliance with the 49 Conditions of the Virginia Order

The Commissioner's initial review of the application for a cooperative agreement included consideration of 41 Commitments made by the applicants. The Virginia Order includes 49 Conditions, largely

predicated on these Commitments, which are found in Attachment 2 of the Virginia Order. The Conditions and Commitments are tied to the 14 Reasons given by the Commissioner for granting initial conditional approval of the application for a Cooperative Agreement between Mountain States and Wellmont. The Commissioner found that if the "New Health System," now known as Ballad Health, complied with the Conditions, the benefits from the Cooperative Agreement would be likely to outweigh the disadvantages resulting from the reduction in competition. The Commissioner also declared that 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, it is necessary to review Ballad's compliance with the 49 Conditions for the year under review.

Condition 1 requires Ballad to maintain existing services and facilities until the effective date of the merger.

Condition 1 applies to the timeframe prior to the merger of Wellmont and Mountain States. The merger was completed prior to the year under review; therefore, the requirements set forth in Condition 1 are no longer reviewable.

Condition 2 declares that the 49 Conditions imposed in the Order are absolute.

Condition 2 does not contain any independent, reviewable requirements applicable to the review period.

Condition 3 provides that Ballad's required spending associated with the six required plans found in Conditions 8, 23, 33, 34, 35, and 36, must be new, incremental, and above Ballad's annual baseline spending levels. Ballad must provide annual baseline spending levels to the Commissioner and Tennessee at the same time.

Ballad provided its FY 2025 Baseline and Plan spending data to the Department at the same time it was provided to Tennessee. As in years past, the data was reviewed concurrently by the states' monitors to ensure only allowable expenses are appropriately counted against the Baseline and Plan spending commitments and requirements found in Exhibit B of the Virginia Order. Additionally, Plan spending during a given year can be counted only after the Baseline spending requirement for that area has been met.

The Virginia Order requires Ballad to create the six separate three-year plans (the Required Plans) listed in Table 1 and delineated in Conditions 8, 24, 33, 34, 35, and 36; which must be submitted for the Commissioner's review and approval. Subsequent versions of the plans must be submitted prior to the three-year expiration of each plan. The replacement plans must also be reviewed and approved by the Commissioner. Pursuant to the requirements of Condition 4, the original six Required Plans were submitted to the Commissioner for his review and approved through June 30, 2021; submission, review, and approval of replacement plans was due by June 30, 2021. The Commissioner granted Ballad's request to extend the original set of Plans for one year due to effects on Ballad from the COVID pandemic. FY 2025 is the third year under the current (second) set of replacement Plans.

Each Required Plan has a minimum level of required spending attached, which must be accomplished within 10 years of the merger date according to the annual schedule contained in Exhibit B of the Virginia Order. The Commissioner authorized Ballad to amend Exhibit B as of July 1, 2021, including reductions in prior year requirements and reallocation of those dollars to

future years. All calculations in this assessment utilize the amended Exhibit B and reflect the recalculation of spending variances prior to the Exhibit B amendment to fairly represent these changes. Ballad's plans are available on the Department's Cooperative Agreement Webpage at https://www.vdh.virginia.gov/licensure-and-certification/cooperative-agreement/reports-from-ballad-health/.

Additionally, annual Baseline spending requirements were established for each of the six Required Plan areas to ensure that annual Plan spending is limited to new investments and not accomplished through cutbacks or elimination of pre-existing programs or services. The anticipated primary source of funds for Plan activities is cost-savings achieved through efficiencies due to the merger of Mountain States and Wellmont. This approach is intended to ensure that the realized savings are reinvested in the region. The Baseline spending requirement levels are calculated as the average of the spending over the last three years prior to the merger that formed Ballad.

Ballad's FY 2025 actual Baseline spending for each of the six required areas, compared to its Baseline requirement, is shown in Table 1. Note that for Tables 1 and 2, each Plan area has annual Baseline and Plan spending requirements that are independent of the other Plan areas. The sum of the Baseline spending variances is not calculated or displayed, as the figure is contextually irrelevant.

Ballad's verified actual Baseline spending for FY 2025 exceeded the baseline requirement for all six areas. Therefore, there is no impact on required Plan spending in FY 2025 related to Baseline activities.

Table 1. Ballad's Baseline Spending Levels, FY 2025

Plan Title	**FY 2025 Baseline Requirement**	**FY 2025 Actual Baseline Spend**	**FY 2025 Baseline Variance**
Children's Health Services, required by Condition 35	$7,831,371	8,952,193	$1,120,822
Rural Health Services, required by Condition 33	74,374,082	76,384,500	2,010,418
Behavioral Health Services, required by Condition 34	6,890,510	9,473,199	2,582,689
Population Health Improvement, required by Condition 36	2,994,045	3,685,529	691,484
Health Research & Graduate Medical Education, required by Condition 24	8,757,817	10,776,862	2,019,045
Region-Wide Health Information Exchange, required by Condition 8	95,789	167,436	71,647
Total	**$100,943,614**	**$109,439,718**	

Table 2 displays the calculation of Ballad's Plan Spending variances for FY 2025, prior to adjustments for cumulative prior year balances. Spending excess or shortfall for each of the six plans required by Conditions 8, 23, 33, 34, 35, and 36 of the Virginia Order is determined by subtracting Actual Plan spending from the combination of the required FY 2025 Plan spending amounts and any Baseline spending shortfall from Table 1.

Table 2: Ballad Health Plan Spending Commitments vs Actual - FY 2025

			Fiscal Year 2025 - Fiscal Year Four			
Plan	Ten-Year Commitment	FY 2025* Baseline Excess (Shortfall)	FY 2025 Actual Plan Spending	FY 2025 Virginia Plan Commitment	FY 2025 Plan Excess (Shortfall)	FY 2025 Excess (Shortfall)
Children's Services	$27,000,000	$1,120,822	$9,935,602	$3,000,000	$6,935,602	$6,935,602
Rural Health Services	28,000,000	2,010,418	9,662,756	3,000,000	6,662,756	$6,662,756
Behavioral Health Services	85,000,000	2,582,689	12,982,213	12,000,000	982,213	$982,213
Population Health Improvement	75,000,000	691,484	15,231,461	11,000,000	4,231,461	$4,231,461
Health Research & Graduate Medical Education	85,000,000	2,019,045	13,584,721	12,000,000	1,584,721	$1,584,721
Region-wide Health Information Exchange	8,000,000	71,647	4,350,086	1,000,000	3,350,086	$3,350,086
Totals[1]	$308,000,000		$65,746,839	$42,000,000		Shortfalls Sum $0

* A negative Baseline variance indicates a shortfall compared to the requirement; this amount is added to the Plan required spending amount found in Exhibit B.

* A positive Baseline result means the requirement has been met and all appropriate, new Plan-related spending will count against the required amount for that Plan. For FY2025, all Baseline spending requirements were met.

Table 3 displays the FY 2025 Plan spending results adjusted for prior years' spending variances. The result from Table 2 is adjusted by the amount of the prior year's Plan spending excess or shortfall. For the year, Ballad exceeded the required Plan spending level for five plans: Children's Health, Rural Health, Population Health, Health Research & Graduate Medical Education, and Regionwide Health Information Exchange. Plan spending fell short for Behavioral Health. The overall shortfall is $4,270,342, an improvement of $3,961,510 from FY 2024.

Table 3: Ballad Health Final Plan Spending Variances - FY 2025

Plan	FY 2025 Excess (Shortfall)	Prior Year Excess (Shortfall)	Final Excess (Shortfall)
Children's Services	$6,935,602	$10,005,632	$16,941,234
Rural Health Services	6,662,756	13,601,101	20,263,857
Behavioral Health Services	982,213	(5,252,554)	(4,270,342)
Population Health Improvement	4,231,461	14,760,450	18,991,911
Health Research & Graduate Medical Education	1,584,721	6,315,294	7,900,015
Region-wide Health Information Exchange	3,350,086	(2,979,297)	370,789
Totals			**Shortfalls Sum ($4,270,342)**

Table 4 below displays the total cumulative Plan spending to-date compared to the minimum 10-year requirement for each Plan. These figures are presented to provide context. New and incremental spending in two of the Plan areas has now exceeded the minimum threshold for the area. These figures include only actual verified Plan spending through the end of FY 2025. They do **not** include spending that has been previously approved and expected in future years.

Table 4 Ballad Health Cumulative Plan Spending through FY 2025

Plan	Total Spend through FY 2025	10-Year Minimum Commitment	Commitment Balance
Children's Services	$34,941,233	$27,000,000	$(7,941,233)
Rural Health Services	52,539,932	28,000,000	(24,539,932)
Behavioral Health Services	44,729,659	85,000,000	40,270,341
Population Health Improvement	61,420,986	75,000,000	13,579,014
Health Research & Graduate Medical Education	57,207,831	85,000,000	27,792,169
Region-wide Health Information Exchange	6,321,398	8,000,000	1,678,602
Totals	**257,161,040**	**308,000,000**	

Condition 4 defines the process for review and approval by the Commissioner of all plans and reports required by conditions of the Cooperative Agreement (including the six required plans). It includes the requirements for submission of replacements for the required plans at least every three years, and provides a process for Ballad to request modifications to the approved plans.

Ballad submitted a draft version of the six replacement Plans on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the replacement Plans covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

At Ballad's request and due to Ballad's budgeting cycle and practices, the Commissioner agreed to allow Ballad to submit the budget portion of the Plans, and minor Plan alterations, annually for review and approval by the Commissioner. Any Plan budgets or alterations must be approved prior to the start of each fiscal year. New items can be added to the Plan later through the modification (amendment) process described in Condition 4 of the Virginia Order. More significant modifications to existing portions of the Plans, as determined by the Commissioner on a case-by-case basis, always

require Ballad to seek and gain approval of a Plan amendment from the Commissioner prior to inclusion in the Plan.

Plan Modification Requests

Three plan modification requests carried over from FY 2024 and are listed in Table 5. The first sought to add $1,100,000 in expenses for relocation and expansion of the Strong Futures program in Tennessee under the Behavioral Health Plan (BHP). It was approved on August 7, 2024. The second request would have added $260,000 in spending on school health programs; it was withdrawn by Ballad. The third request was to add $5,802,880 to the Behavioral Health Plan for the implementation of the Virginia Strong Futures program. It received approval on July 31, 2024, but was subsequently withdrawn by Ballad in lieu of a substitute request.

Ballad submitted four new modification requests during the year that are also listed in Table 5. The first was the replacement request for the implementation of the Virginia Strong Futures program. It sought to add $5,968,400 in expenses to the Behavioral Health Plan. It was approved on March 20, 2025. The second modification request sought to reduce the Baseline required HIE spending level due to changes in technology and applications being replaced by modules in Epic. It was approved on April 2, 2025. The third request sought to change the effective date of a previously approved HIE Plan modification that added expenses related to the ETSU clinics' conversion to Epic Connect. The request was partially approved on March 20, 2025. The fourth request seeks to add $2,200,000 to the budget for expanded outpatient crisis services under the BHP. It was still under review as of June 30, 2025.

Waiver Requests

One waiver request carried over from FY 2024, which sought approval under the "35% rule" for Ballad to employ one bariatric surgeon and one colorectal specialty surgeon, and to permit two trauma surgeons to perform general surgery duties in Sullivan County, Tennessee. The request did not require action by Virginia. It was approved by Tennessee on July 22, 2024.

One waiver request was received during FY 2025, seeking to waive the FY 2024 Charity Care shortfall. The waiver was approved on April 18, 2025.

Table 5: Commissioner Decisions on Ballad Plan Amendment Requests – Fiscal Year 2025

Amendment Requests	Plan	Submission Date	Decision Date	Decision
Request to add $1,100,000 in expenses for the relocation and expansion of the Strong Futures program in Tennessee.	Behavioral Health Plan	05/01/2024	08/07/2024	Approved
Request to add $260,000 in additional expenses to support school health programs.	Children's Health Plan	05/23/2024	N/A	Withdrawn by Ballad
Request to add $5,802,880 in expenses for the implementation of the Virginia Strong Futures program.	Behavioral Health Plan	05/31/2024	07/31/2024	Approval but Withdrawn by Ballad
Request to add $5,968,400 in expenses for the implementation of the Virginia Strong Futures program.	Behavioral Health Plan	10/01/2024	03/20/2025	Approval

Request to change the Baseline required spending for HIE	Health Information Exchange	11/05/2024	04/02/2025	Approved
Request to change the effective date of the ETSU conversion to Epic Connect and increase the budget.	Health Information Exchange	07/08/2024	03/20/2025	Partial Approval
Request to increase budget by $2,200,000 for expanded outpatient crisis services- Strategy 3.	Behavioral Health Plan	01/13/2025	--	--
Waiver Requests	**Applicable Requirements**	**Submission Date**	**Decision Date**	**Decision**
Sullivan County, TN: Employ one bariatric surgeon and one colorectal specialty surgeon. Permit trauma surgeons to perform general surgery duties.	Condition 5	03/13/2024	VDH: N/A TDH: 07/22/2024	No action required by VDH
FY 2024 Charity Care shortfall waiver	Condition 14	12/20/2024	04/18/2025	Approved

Condition 5 requires Ballad to comply with all provisions contained in Article V, and Addendum 1, of the "Terms of Certification" (TOC) related to the Tennessee COPA dated September 18, 2017. Article V deals with managed care contracts and pricing limitations. Also included is a requirement that limits Ballad's employment of physician specialists in non-rural areas (the "35% Rule"). Addendum 1 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.

For the review period, VDH's Cooperative Agreement Monitor and Tennessee's COPA Monitor reviewed 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 2025.

The COPA Monitor's 2025 annual report will be available on the Tennessee Department of Health COPA website: https://www.tn.gov/health/copa.html

Condition 6 requires Ballad to negotiate in good faith with all existing and potential payers; provide a copy of the Cooperative Agreement conditions to all managed care payers prior to negotiation; and possibly offer mediation and arbitration during contract negotiations.

For the review period, Ballad kept the Monitors informed of its payor negotiation activities and updates to existing contracts. All contract amendments and updates requiring Monitor review were forwarded for, and received, the necessary approvals. These activities are tracked by Ballad, a summary of which was reviewed with the Monitors in conjunction with the submission of the Ballad Annual Report. Additionally, Ballad provided full updates to the Department during the quarterly meetings. There were no reports or other indications that Ballad failed to negotiate in good faith with any payor.

During FY 2025, Ballad notably continued negotiations with Cigna that began during calendar year 2023. The parties reached agreements on several products during the review period, with only the commercial and Medicare Advantage plan negotiations continuing into FY 2026.

Ballad affirmed that a copy of the applicable Conditions is provided to managed care payers prior to negotiations. No new situations requiring mediation or arbitration occurred during the period.

Condition 7 prohibits Ballad from requiring a payor to contract with Ballad as the exclusive network provider for any health plan. It does not prohibit a payor from choosing to designate Ballad as an exclusive provider.

During the review period, Ballad did not require a payer to contract with Ballad as the exclusive network provider for any health plan.

Condition 8 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a regional health information exchange (HIE) plan and other specified health improvement programs; and requires Ballad to spend a minimum of $8,000,000 in new, incremental, plan-related costs over 10 years.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 HIE replacement plan along with the other replacement Plans on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the HIE Plan covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year HIE Plan was in effect. As reported under condition 3 above, Ballad's annual HIE spending commitment for FY 2025 was $1,000,000. Ballad spent $4,350,086 in new incremental costs (spending above the required Baseline) in support of the plan during the period, resulting in an excess of $3,350,086. Baseline HIE spending exceeded the requirement, resulting in an overall HIE Plan excess of $3,350,086. Factoring in the carryover balance from FY 2024, HIE now has an excess of $370,789 to carry over to FY 2026.

In Ballad's FY 2025 Annual Report, strategies 1 through 4 were marked as completed. Ballad noted several ongoing efforts for strategies 3, 4 and 5 on page 55, including the following from pages 65 and 66 of the FY 2025 Annual Report:

- Strategy 3: Identify Optimal Portfolio of Interoperability and Assemble Deployment Strategies.
  - Continued to expand EpicCare Link to community providers.
  - Continued to provide data feed to OnePartner.
  - Deployed Epic's Community Connect to ETSU Medical.
- Strategy 4: Develop an HIE Recruitment and Support Plan.
  - Continued efforts to recruit new Community Connect clients.
- Strategy 5: Participate in Connect Virginia's HIE and Other TN/VA Regulatory Programs.
  - Continued to participate in Emergency Department Information Exchange (EDIE).

The Monitors agree that Ballad has met the intent of the HIE requirements. However, there remains a significant gap between the required $8,000,000 and the to-date actual spending on the HIE Plan. If no additional opportunities arise to improve access to Ballad's data for area providers, the required total spending balance will require a solution.

Condition 9 requires Ballad to collaborate in good faith with independent physician groups to develop a regional health information network for sharing data and information to benefit patients of Ballad's service area.

While Ballad maintains an overwhelming majority of the inpatient hospital beds in the region, a significant proportion of the region's outpatient providers, including primary care, behavioral health services, obstetrics care, and other ambulatory services providers, are 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.

Ballad utilizes the Epic information technology system throughout the organization. Employed providers have real-time access to information on their patients in Epic. The resulting standardization and connectivity between the Ballad system and its affiliated physicians has been extended to numerous independent providers through EpicCare Link and other options, such as the OnePartner HIE and Epic Community Connect. The EpicCare Link and Epic Community Connect options allow Ballad to share patient data directly with other area providers not employed by Ballad.

OnePartner is a separate system owned and operated by Holston Medical Group, based in Kingsport, Tennessee. OnePartner HIE is designed and purposed to assist providers in practice optimization. One aspect is the provision of patient data through the HIE between area providers. Ballad provides its patient data to OnePartner HIE free of charge daily. Area providers subscribed to OnePartner thereby have access to their own patients' Ballad-related medical information, although the access is not available in real-time.

The discussion of the Monitors' analysis found in response to Condition 8 also applies here in relation to the adequacy of Ballad's efforts.

Condition 10 requires Ballad to enter into risk-based contracts with "Large Network Payors" so that each has at least one risk-based model component no later than January 1, 2022. At least 30% of Ballad's total health insurance contract revenue must be from risk-based model contracts by January 1, 2021.

As reported in Ballad's Annual Report, Ballad agreed to a new commercial, value-based arrangement with United Healthcare as part of its new three-year contract. Ballad previously met the requirement for a fourth new risk contract with a Large Network Payer prior to the June 1, 2024, deadline. Also, as of June 30, 2022, Ballad met the requirement for at least 30% of total patient revenue coming from risk-based models.

The Monitors have found Ballad's efforts to negotiate risk-based contracts satisfactory. This Condition has been met for FY 2025.

Condition 11 Requires Ballad to work with the Virginia Department of Medical Assistance Services to develop and implement value-based payment (VBP) programs in the region, and enter into certain Medicaid Managed Care Organizations (MMCOs) contracts.

For the period under review, the Department has not been notified by DMAS of any issues of non-compliance or failure to engage as required. DMAS has directed Ballad to work through the Virginia Medicaid Managed Care Organizations to implement risk-based models. During FY 2025, Ballad participated in risk-based models with all Virginia Medicaid plans that offer them.

Condition 12 sets forth requirements and standards for Ballad to develop a quality improvement program, including designation and monitoring of outcomes and measures, for the benefit of the

residents of southwest Virginia. Ballad must also periodically report data to the Commissioner and TAP for review, and make the data accessible to the public.

Quality Metrics are reported on page 81 of Ballad's FY 2025 Annual Report. Attachment 2 shows a breakdown of the quality metrics by year. 7 out of 17 metrics (41.2%) performed worse than the pre-merger baseline, however 5 of those saw improvement in FY 2025 compared to FY 2024. Most metrics performed similar or better to a peer group (see page 87 of Ballad's Annual Report), except for the Catheter-Associated Urinary Tract Infections (CAUTI), Colon Surgical Site Infection (SSI COLON), and Hysterectomy Surgical Site Infection (SSI HYST) rates which were elevated compared to the peer group and national average. The SIRS with Statistical Significance of hospital acquired infections showed only CLABSI performed significantly worse, using a 2022 baseline year.

Condition 13 requires all Ballad hospitals to maintain accreditation acceptable to the Centers for Medicare and Medicaid Services (CMS); and to report and correct any deficiencies promptly.

Ballad has maintained compliance during the FY 2025 reporting period. All Ballad hospitals maintained accreditation. Ballad notified the Department on September 27, 2024, of a formal notice of immediate jeopardy at Johnson City Medical Center (JCMC) in Tennessee issued on September 19, 2024. Ballad provided information to the Monitors about the nature of the violations, Ballad's response, and ongoing changes in status. On November 14, 2024, the Department received notification that the Tennessee survey revisit found JCMC to be in compliance with the Medicare Conditions of Participation. Ballad also shared the CMS clearance letter with the Monitors. During FY2025, the Department received no notifications of potential or actual non-compliance or deficiencies involving Ballad's Virginia hospitals.

Condition 14 sets forth the requirements for Ballad to adopt a new charity care policy that reduces or eliminates financial liability for patients with incomes up to 400% of the federal poverty level. The Condition also sets a charity care baseline amount.

Ballad adopted a single updated policy covering its charity care and financial assistance programs required by Conditions 14 and 15 less than one month following the merger. The policy was submitted to the Department and the Tennessee Department of Health (TDH) for approval on April 15, 2019. It was revised on May 9, 2019, and adopted by Ballad on May 15, 2019. The current version of the policy has an effective date of January 29, 2025. The uninsured discount from charges at Ballad hospitals equates to a minimum of 77 percent, meaning the most any qualifying 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, based on family size; additionally, reduced pricing is available on a sliding scale for those between 225 percent and 400 percent of the federal poverty level.

Beginning with FY 2025, the Department, TDH, and Ballad agreed to re-define the baseline required charity care level for cooperative agreement purposes as the dollar value of charity care reported on Line 7(a) of Ballad's annual IRS 990 filing. This definition matches the CMS definition of charity care. It also matches the existing Virginia definition of charity care under Certificate of Public Need regulations. This definition now excludes the value of unreimbursed Medicaid costs listed on line 7(b) of Form 990, which previously was included in the definition of charity care. This is the first year that Ballad has reported charity care to VDH under the new definition. Notably, under the previous definition, the Commissioner granted a waiver to Ballad each year for the charity care

requirement due to the impact of Medicaid payment changes negatively affecting Ballad's charity care figures. In effect, increases in Medicaid coverage and payments by Virginia and Tennessee created an environment in which Ballad could not meet the requirement as written.

Ballad reported charity care on page 53 of its Annual Report, as shown in Table 6. Additional information is provided in Attachment 1 displaying the minimum charity care requirement, adjusted for the included hospital inflation adjustment, for each year under the Cooperative Agreement. For each of the three years beginning with FY 2023, Ballad's actual charity care is compared to the requirement. The annual variances indicate that Ballad would have met the charity care requirement each of the three years, had the current definition been adopted at the time. For FY 2025, the required level of charity and reduced price care was $45,465,035. Ballad's reported FY 2025 total of $65,831,011 exceeded the required baseline by $20,365,976, or 44.8%.

Ballad states that the charity care provided during the year is the highest since Ballad's formation. To add perspective to the high percentage of area residents who qualify for charity care, Ballad submitted the following: "*the weighted average median household income in the region is approximately $51,000 with some communities falling below that level. Ballad Health's threshold for free charity care for a family of 2.5 people is approximately $54,000 based on 225% of the Federal Poverty Level.*"

Ballad's charity care and financial assistance policy complies with the requirements of the Virginia Order. The policy is generous compared to many non-profit hospitals and systems. Further, Ballad has gone beyond its policy by instituting a policy of presumptive eligibility based on available information, including a patient's address, credit score, and other factors. This results in Ballad offering charity care to patients that had not requested assistance. VDH has not received any complaints that Ballad is not providing appropriate levels of reduced or free care, or that Ballad is not following its policy.

Table 6. Ballad Health Self-Reported Charity and Reduced Price Care - FY 2025

Base Charity	FY2017 Baseline	FY2017 Baseline Adjusted by FY2023 HIA*	FY2017 Baseline Adjusted by FY2024 HIA*	FY2017 Baseline Adjusted by FY2025 HIA*	FY2025 Actual as of 6/30/2025**	FY2024 Final Per 990	FY2023 Final Per 990
7(a) Charity Care	$ 35,034,403	$ 42,360,212	$ 43,863,999	$ 45,465,035	$ 65,831,011	$ 58,004,831	$ 59,978,671
				Variance from Baseline	$ 20,365,976		
Inflation Adjustment (HIA)	-	4.35%	3.55%	3.65%			

Table 6 is copied directly from Ballad's FY 2025 Annual Report.
See Attachment 1 for additional information.

Ballad performs asset testing as part of its eligibility review for free or reduced cost care. Ballad has provided evidence to the Monitors and states that both its policy and practice comport with the CMS Provider Manual recommendations regarding asset testing.

During FY 2025, VDH received one complaint of a Ballad urgent care center billing the incorrect insurance in Virginia. This issue was determined to not violate the terms of the Virginia Order. However, the complaint was shared with Ballad for further action.

The Virginia and Tennessee Monitors did not receive any complaints from citizens suggesting care was not provided, or was delayed, because the patient was uninsured. There also were no claims that Ballad failed to meet the terms of its financial assistance policy. Ballad has continued working to implement value-based initiatives that will reduce the need for charity care through programs such as the Appalachian Highlands Care Network (AHCN), which "connects uninsured patients and their families with free or low-cost clinics, dental services, financial counseling, and preventative care services."

Condition 15 requires Ballad to develop a policy to provide reduced costs for uninsured and underinsured individuals who do not qualify under the charity care policy. Ballad also must seek to connect individuals to coverage, when possible.

Ballad's combined charity care and financial assistance policy is described in response to Condition 14. Additionally, Ballad Health deployed a presumptive eligibility program to identify qualified individuals prior to patients submitting a financial assistance application. Page 53 of Ballad's FY 2025 Annual Report notes that Ballad "seeks to connect eligible patients with insurance coverage when possible." The policy meets the requirements of Conditions 14 and 15.

Condition 16 requires notice of material default on loan obligations.

Ballad did not default on any loans during the review period.

Condition 17 requires Ballad to report material adverse events to the Commissioner.

During the review period, Ballad's service region suffered the effects of hurricane Helene, a force majeure and material adverse event. Between September 26 and 29, 2024, Helene caused extensive damage across the region. It destroyed Unicoi County Hospital and forced the temporary closure of four other facilities. Ballad provided official notification of a material adverse event on October 9, 2024. Page three of the Ballad Annual Report Executive Summary provides a brief description:

> *Hurricane Helene tragically struck on September 27, 2024, causing catastrophic flooding throughout the Appalachian Highlands. Floodwaters from Hurricane Helene permanently destroyed Unicoi County Hospital and caused significant disruption to several other facilities. At Greeneville Community Hospital, Sycamore Shoals Hospital, Johnson County Hospital and Laughlin Healthcare services had to be suspended and patients relocated due to flood-related damage and safety concerns. Thanks to Ballad Health's integrated system, coordinated emergency response, and the dedication of our team members, all patients were safely evacuated to other facilities.*
>
> *In response, Ballad Health quickly established a 24/7 advanced urgent care clinic in Erwin, Tennessee, to ensure continued access to critical healthcare services for the community.*

Condition 18 requires Ballad to honor employees' prior service and vesting with the legacy systems.

Ballad complied with the requirements of Condition 18 prior to FY 2025.

Condition 19 requires Ballad to spend a minimum of $70 million over 10 years to eliminate differences in salary/pay rates and employee benefit structures.

After considering Ballad's incremental pay and benefit actions, the Commissioner issued a decision acknowledging completion of Condition 19 and waived any associated remaining required spending

on September 3, 2025. While the decision was issued during FY 2026, Ballad had completed its actions prior to the end of FY 2025.

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, that remained in effect throughout FY 2025.

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.

During the reporting period, Ballad did not notify the Commissioner of any terminations made without cause. Ballad did not report any reductions of 50 or more employees.

Condition 22 places requirements on Ballad's combined career development program.

Ballad reports ongoing efforts to add and enhance programs for workforce development included on pages 7-17 of Ballad's FY 2025 Annual Report:

- Ballad onboarded 3,244 new team members in FY 2025, and team members rated onboarding process satisfaction 4.67 out of 5.
- Retirement of a key training leader resulted in a decrease in graduations from the Onboarding Leader Program, from 135 in FY 2024 to 80 in FY 2025.
- The Organizational Development department was able to certify its education series for Continuing Nurse Education credit.
- Registered Nurse turnover continued to decline, from 13.8% in FY 2024 to 12.6% in FY 2025.
- Ballad continued to develop an online learning management system, including 656 courses developed in FY 2025.
- Scholarships are available for the community and team members, and have increased annually since FY 2022, reaching 80 students in FY 2025. Students are enrolled in a variety of programs, including RN, LPN, Behavioral Health, and more (see page 14 of Ballad's FY 2025 Annual Report).

Condition 23 requires Ballad to incrementally spend at least $85 million over 10 years on Health Research and Graduate Medical Education benefiting its service area.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 Health Research & Graduate Medical Education (HR/GME) replacement plan, along with the other replacement Plans, on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the HR/GME Plan covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year HR/GME Plan was in effect. As reported under condition 3 above, Ballad's annual HR/GME spending commitment for FY 2025 was $12,000,000. Ballad spent $13,584,721 in new incremental costs in support of the plan during the period, resulting in an excess of $1,584,721. Factoring in the carryover balance from FY 2024, HR/GME has an excess of $7,900,015 to carry over to FY 2026.

The Ballad FY 2025 Annual Report details progress made on this plan on page 66-68:

- Expand Ballad Academic Infrastructure to Support Regional Academic Programs.
  - Growth of student observation program.
  - Recruited 19 new physician preceptors.
  - Almost 300 medical students completed over 1,200 rotations at Ballad Health Facilities and Hospitals in FY 2025.
  - Continuing Medical Education participation increased, from 1,988 in FY 2024 to 4,879 in FY 2025.
  - Students in Ballad's k-12 activities earned 207 certifications, including CNA, CMA, PTTC, Pharm Tech, and Dietary Aide.
- Expand Ballad Research Infrastructure to Support Regional Research Programs.
  - Increased Strong Link enrollment by 412 participants.
  - Increased clinical trials by 22%, and research projects by 24%.
  - Expanded Institutional Review Board membership.
  - Increased industry partners by 20, for a total of 50.
  - Improved integration between research operations and clinical data systems by improving efficiency and transparency of researcher access to Epic data.
  - Continued accreditation process with the Association for the Accreditation of Human Research Protection Programs (AAHRPP).
- Develop and Support Regional Research and Academic Programs.
  - Continued support of several regional research and academic programs listed on page 67 and 68 of the Ballad Health FY 2025 Annual Report, including programs with Eastern Tennessee State University (ETSU), Emory & Henry School of Nursing, Southwest Virginia Community College, and Appalachian Highlands Community Dental Clinic in Abingdon.
  - During the year, Ballad was instrumental in the creation of a new program to benefit caregivers. Ballad partnered with *"the Tennessee Center for Nursing Advancement, the ETSU Research Corporation, East Tennessee State University (ETSU) College of Nursing, and StoryCollab on the Nursing Narrative Initiative. This project highlights the voices and experiences of nurses across the region, aiming to inspire future professionals and support current staff through storytelling and reflection. Additionally, investing in Ballad Health team members by launching B Excellent to strengthen our culture through storytelling and reflection."*

Condition 24 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a three-year plan for post-graduate training of various provider categories in Virginia.

Ballad's FY 2023-2025 Health Research & Graduate Medical Education Plan was submitted for review under the terms of Condition 4 and approved by the Commissioner. Residency programs sponsored by Ballad are reported beginning on page 35 of the FY 2025 Annual Report.

In Virginia during FY 2025, Ballad had five residency programs. There are two family medicine programs located Abingdon and Norton, as are the two internal medicine programs. The dental program is in Abingdon. The five programs are approved by the Accreditation Council for Graduate Medical Education (ACGME) for a combined 100 total residency positions, with 36 in family medicine, 48 in internal medicine, and 16 in dental. Dental Residency approved positions increased by two from FY 2024 to FY 2025. During the year, 8 positions were unfilled.

Ballad also provides support for numerous ETSU-sponsored Graduate Medical Education programs, including 16 residency programs that are located in Bristol, Kingsport, and Johnson City, Tennessee. They represent 278 approved residency positions, showing an increase of 8 from FY 2024. Ballad states that the ETSU programs are "not subject to direct management or control by Ballad". Rather, Ballad is a partner who provides "the clinical environment, some preceptors, and funding to the ETSU programs."

Condition 25 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a plan for investment in its research enterprise in Virginia.

Research efforts related to Condition 25 are detailed beginning on Page 38 of Ballad's FY 2025 Annual Report. There were 32 new research projects and 100 ongoing projects in FY 2025, with a focus on Cardiology, Oncology, and Trauma. Ballad continued to improve infrastructure and resources to increase research capabilities. Ballad established 7 new industry partners, for a total of 50. Ballad grew the use of Epic EMR tools for research purposes.

Non-academic research in FY 2025 included:

- Health Resources and Services Administration (HRSA) Rural Communities Opioid Response Program: Focus on reducing opioid use and opioid related deaths.
- HRSA Rural Health Opioid Program: outreach to individuals at risk of overdose in Smyth County.
- CMS Accountable Health Communities: Screenings for Medicare/Medicaid patients in southwest Virginia.
- SAMHSA Drug Abuse Warning Network: A public health surveillance system which identifies public health crises for prescription and non-prescription trends.

Condition 26 requires Ballad to adopt a common clinical IT platform and make it reasonably available to area physicians.

Ballad chose Epic information technology system for use throughout the health system and made access for all providers free of charge available through EpicCare Link. The main disadvantage of Epic Care Link is that it does not allow real-time bi-directional communication. Epic was launched in Ballad hospitals in October 2020, and in Ballad practices in June 2020. Since then, Ballad has

offered EpicCare Link to providers not directly connected to Ballad's instance of Epic, including non-Ballad (independent) providers. Ballad states in its annual report that it has continued ongoing efforts to recruit new Epic Community Connect clients. This option will allow providers real-time access through Ballad's instance of Epic, but it is more expensive than EpicCare Link.

Condition 27 includes several requirements governing continued provision of services in the Virginia Ballad service area. All hospitals must remain operational as health care institutions for five years; allowances are provided for adjustments of services and service lines. Ballad also must provide access to healthcare services for the life of the cooperative agreement. Condition 27 defines the terms "service line" and "essential services" used in the Virginia Order. Finally, Condition 27 lists specific requirements for provision of services in Lee County.

This condition expired at the end of FY 2023.

Ballad closed Mountain View in Norton in FY 2023 as part of a consolidation plan in Wise County and the City of Norton. All other Ballad Virginia hospitals remained operational as health care institutions throughout FY 2025.

UNICOI County hospital in Erwin, Tennessee permanently closed in October 2024 as a result of extensive damage caused by Hurricane Helene. As of the end of FY 2025, Ballad plans to rebuild and sites are being evaluated for a new facility in the same area.

Condition 28 requires Ballad to maintain three full-service tertiary referral hospitals located in Johnson City, Kingsport, and Bristol.

Ballad continues to operate the following three full-service tertiary referral hospitals (Bristol Regional Medical Center in Bristol, Tennessee; Holston Valley Medical Center in Kingsport, Tennessee; and Johnson City Medical Center in Johnson City, Tennessee). Although these hospitals are located in Tennessee, VDH recognizes that it is critical to maintain access to these facilities. Citizens throughout Ballad's Virginia service area rely on these hospitals for tertiary care services, and these also are the primary hospitals for many Virginians due to geographic proximity.

Condition 29 requires Ballad to maintain open medical staffs at all facilities, with limited exceptions.

Ballad has maintained compliance with Condition 29 during the review period. All facilities have open medical staffs.

Condition 30 prohibits Ballad from requiring independent physicians to practice exclusively at its facilities.

Ballad has maintained compliance with Condition 30 during the review period. Ballad does not require any independent physicians to practice solely at its facilities.

Condition 31 prohibits Ballad from prohibiting independent physicians from participating in health plans and health networks.

Ballad has maintained compliance with Condition 31 during the review period. Ballad has not prohibited any independent physicians from participating in any health plans or health networks.

Condition 32 requires Ballad to complete a comprehensive physician/physician extender needs assessment and recruitment plan every three years, and includes some specific recruiting targets.

Ballad completed a comprehensive physician/physician extender needs assessment and recruitment plan during FY 2025. The report is to be shared with the Virginia Monitor during the first quarter of FY 2026. Ballad shared with VDH that its recruitment plan contains specific recruiting targets supported by the needs assessment.

Condition 33 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a rural health services plan; and requires Ballad to spend a minimum of $28,000,000 in new, incremental, plan-related costs over 10 years.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 replacement plan for the Rural Health Plan (RHP), along with the other replacement Plans, on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the RHP covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year RHP was in effect. As reported under condition 3 above, Ballad's annual RHP spending commitment for FY 2025 was $3,000,000. Ballad spent $9,662,756 in new incremental costs in support of the plan during the period, resulting in an excess of $6,662,756. Ballad previously reached the ten-year minimum required spending level. Therefore, factoring in the carryover balance from FY 2024, the RHP excess is now $20,263,857 and will carry over to FY 2026.

Ballad provided an update on its rural health plan initiatives on pages 75 and 76 of its Annual Report:

Strategy 1: Expand Access to Primary Care Practices Through Additions of Primary Care Physicians and Mid-Levels to Practices in Counties of Greatest Need.

- Virginia recruitment included 2 core faculty signed in Abingdon (1 family medicine and 1 internal medicine), acquisition of an existing Primary Care practice in Wytheville including 4 Advance Practice Providers (APP), and a new Primary Care provider in Wise. These new providers will start in FY 2026.
- Tennessee recruitment was ongoing in FY 2025, including a primary care float APP covering Virginia and Tennessee to address access during times of leave or vacancy.

Strategy 2: Recruitment of Physician Specialist to Meet Rural Access Needs.

- Hired Replacement General Surgeons in Norton and Abingdon.
- Neurology APPs hired in Greeneville and Johnson City, Tennessee.
- Neurosurgeon hired as replacement with expanded scope.

Strategy 3: Implement Team-Based Care Models to Support Primary Care Providers, Beginning with Pilots in High Need Counties.

- The remote patient monitoring pilot launched in FY 2024 expanded to 185 patients with Congestive Heart Failure, COPD, diabetes, and hypertension.
- 42 patients were supplied with devices to self-monitor chronic conditions.

Strategy 4: Develop and Deploy Virtual Care Services.

- Tele-neurology platform continued to average 250 consults per month.

- Continued growth of tele-ICU services in Greenville Community Hospital.
- Reported 18% growth in Virtual Urgent Care services.
- Advanced Urgent Care opened in Erwin, Tennessee in response to closure of UNICOI County Hospital following Hurricane Helene.

Strategy 5: Coordinate Preventive Health Care Services.

- Held health fairs across the service area, reaching 483 patients with a focus on diabetic eye exams and preventive counseling.
- Ballad did not comment on the colorectal screening education and mammography fairs that have been provided in previous years.

Fiscal Year	*Number of Health Fairs*	*Patients Reached**
2021	6	-
2022	21	-
2023	20	450
2024	18	341
2025	Not Reported	483

*The Fifth Strategy was first included in the FY 2021 report. Patients Reached was not reported until the FY 2023 report.

Condition 34 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a behavioral health services plan; and requires Ballad to spend a minimum of $85,000,000 in new, incremental, plan-related costs over 10 years.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 replacement plan for the Behavioral Health Services Plan (BHP), along with the other replacement Plans, on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the BHP covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year BHP was in effect. As reported under condition 3 above, Ballad's annual BHP spending commitment for FY 2025 was $12,000,000. Ballad spent $12,982,213 in new incremental costs in support of the plan during the period, resulting in an excess of $982,213. Factoring in the carryover balance from FY 2024, the BHP has a shortfall of $4,270,342 to carry over to FY 2026.

Over the course of FY 2025, Ballad Health made the following progress on the BHP (on pages 59-64 of the Ballad Annual Report):

Strategy 1: Develop the Ballad Health Behavioral Services Infrastructure.

- Maintained Addiction Medicine Fellowship program, leading to two Fellows graduating, one of which remained in the region.
- Expanded the Schwartz Rounds program to Holston Valley Medical Center, Bristol Regional Medical Center, and Johnston Memorial Hospital. Participant survey responses indicated improved feelings of connectedness to purpose and wellbeing.

Strategy 2: Develop a Comprehensive Approach to the Integration of Behavioral Health and Primary Care.

- Expanded Rogersville, Tennessee clinic from 1 to 4 days per week.
- 10,590 behavioral health visits occurred at integrated sites in FY 2025, showing 37% growth from FY 2024. Five of these sites are located in Virginia (Rural Retreat, Abingdon, St. Paul, and two in Lebanon), where 7,758 visits occurred.

Strategy 3: Supplement Existing Regional Crisis System – For Youth and Adults.

- Ballad Health completed 2,699 behavioral health patient transports in the region.
    - Behavioral Health transportation is only available in Virginia for patients who are voluntarily seeking inpatient psychiatric admission from Bristol Regional Hospital to Ridgeview Pavillion in Bristol, Virginia. Transportation for persons under a Temporary Detention Order in Virginia is restricted to law enforcement agencies.
- Continued to conduct Screening, Brief Intervention, and Referral to Treatment services. 16,851 screenings were conducted, of which 1,197 patients received brief intervention and referral. This program continues to show year-over-year growth.
- Stress Relief Lounges (Reset Rooms) were added at 15 sites, including 1 site in Virginia at a middle school, to promote coping and resilience. 1,002 Reset Room visits were completed by students.
- Sexual Assault Nurse Examiner (SANE) program continued to service both Tennessee and Virginia. Additionally, Ballad provided funding to the Highlands Community Services Board in Southwest Virginia to support a pediatric SANE program.
- Partnered with Frontier Health to provide Intensive Treatment Team services for people who frequently present to the emergency department (ED) and inpatient mental health services.
    - Team served 28 patients, and was able to decrease ED visits for the cohort by 61% and inpatient psychiatric hospitalization by 59%.
- Opened the first dedicated Child/Adolescent Outpatient Behavioral Health Clinic in Johnson City, Tennessee in February 2024. 6,384 visits were completed in FY 2025.
- The Adult Outpatient Behavioral Health Clinic in Johnson City, Tennessee completed 10,501 visits and added Transcranial Magnetic Stimulations treatment options.

Strategy #4: Develop Enhanced and Expanded Resources for Addiction Treatment.

- Strong Futures program in Greeneville, Tennessee served 120 unduplicated families, ad provided housing for an average of 8 mothers and 6 children monthly.
    - Plans to relocate the center are being evaluated.
- Overmountain Recovery had 842 active patients under treatment in FY 2025.The facility has a 70% patient retention rate.
    - Hired one APP and replaced one addiction medicine physician.

- Initiated Medical Assisted Treatment program which resulted in 77 patients being discharged with bridge order for suboxone and connection to an outpatient provider or ongoing substance use disorder treatment.
- 558 Naloxone kits were distributed to patients identified as high risk for overdose, including 292 kits in Virginia.

Strategy # 5: Behavioral Health Telehealth Implementation.

- Maintained Psychiatric Consult Liaison Services at all Ballad Health hospitals, including hire of a Board-Certified Child/Adolescent Psychiatrist.
- Telehealth implemented in all behavioral health outpatient clinics in FY 2024 continued, growing from 6,086 visits in FY 2024 to 7,402 in FY 2025.
- A part-time staff member maintained at Unicoi County Schools served 108 students via telehealth and 549 students onsite.

Condition 35 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a children's health services plan; and requires Ballad to spend a minimum of $27,000,000 in new, incremental, plan-related costs over 10 years.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 replacement plan for the Children's Health Services Plan (CHP), along with the other replacement Plans, on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the CHP covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year CHP was in effect. As reported under condition 3 above, Ballad's annual CHP spending commitment for FY2025 was $3,000,000. Ballad spent $9,935,602 in new incremental costs in support of the plan during the period, resulting in an excess of $6,935,602. Ballad previously reached the ten-year minimum required spending level. Therefore, factoring in the carryover balance from FY 2024, the CHP excess is now $16,941,234 and will carry over to FY 2026.

Over the course of FY 2025, Ballad Health made the following progress on the Children's Health Services plan (on pages 71-76 of the Annual Report):

Strategy #1: Develop Necessary Ballad Children's Health Services Infrastructure.

- Three out of nine Ballad Centers for Early Learning Development are located in Virginia (Lebanon, Norton, and Abingdon). These three locations have a total of 480 slots, which are 48.5% filled.

Ballad's Virginia Centers for Early Learning Development	*Childcare Slots Filled*	*Childcare Slots Available*
Lebanon	49	9
Norton	54	76
Abingdon	130	162
Total	**233**	**247**

- Ballad continues to increase enrollments and available slots. However, plans for new centers in Marion and Pennington Gap, Virginia have been paused due to "Virginia subsidy challenges" according to Ballad's Annual Report (page 71). The Virginia Department of Education oversees the Child Care Subsidy Program (CCSP), which provides financial assistance in the form of subsidies to eligible families for childcare. The Virginia Department of Social Services and local departments of social services administer the program. To participate, Ballad's Centers for Early Learning must qualify as subsidy vendors. "Slots" and funding are finite, and there is a large wait list for families. Unless additional funds are appropriated or demand declines, the current funding level will remain insufficient to fully meet the statewide need.
- The Niswonger Network provided 588 education sessions and 140 community outreach events covering topics such as Pediatric Needs Assessments and Pediatric Skills Education.
- Construction occurred in FY 2025 to expand the NICU at Niswonger Children's Hospital in Johnson City, TN, which is expected to be completed in December of 2025.
- Formalized a Child Life 16-week internship with ETSU where interns will complete 600 hours between Niswonger Children's Hospital and Mission Children's Hospital in Asheville, North Carolina.

Strategy #2: Create Care Environments for Children that Promote a Family Centered Approach to Delivery and that Help Alleviate Healthcare Burden.

- The Pediatric Complex Care Program serves patients requiring two or more pediatric subspecialists. The program's total active enrollment in FY 2025 was 379, with 161 Virginians enrolled since inception in 2024.

Strategy #3: Develop Telemedicine and Rotating Specialty Clinics in Rural Hospitals.

- During FY 2025, Ballad's school-based telehealth continued to serve 12 systems and 126 individual schools.
- Conducted 1,600 subspeciality visits via telehealth.

Strategy #4: Recruit and Retain Subspecialists.

- Ballad reported new providers in Pediatric Radiology, Anesthesia, Orthopedics, Surgery, Neonatology, and Clinical Psychology.

Strategy #5: Assess, Align and Continuously Develop Pediatric Trauma Needs Across the System.

- Provided community education on topics including swim and water, ATV, pedestrian, and back-to-school safety.
- 686 car seats provided.
- 10 Child Passenger Safety Technician (CPST) courses taught, resulting in over 100 new certified CPSTs since March 2024.

Condition 36 sets forth requirements for Ballad to develop, and submit to the Commissioner for review every three years, a population health improvement plan; and requires Ballad to spend a minimum of $75,000,000 in new, incremental, plan-related costs over 10 years. It also requires Ballad to take the lead in establishing a regional accountable care community.

In accordance with the approved one-year extension of the original Plans, Ballad submitted a draft version of the FY 2023-2025 replacement plan for the Population Health Plan (PHP), along with the other replacement Plans, on March 31, 2022. Following review by the states and updates from Ballad to incorporate suggestions from the states, the Commissioner approved the PHP covering fiscal years 2023 through 2025, effective July 1, 2022, through June 30, 2025.

For the period under review, Ballad's FY 2023-2025 three-year PHP was in effect. As reported under condition 3 above, Ballad's annual PHP spending commitment for FY2025 was $11,000,000. Ballad spent $18,231,461 in new incremental costs in support of the plan during the period, resulting in an excess of $4,231,461. Factoring in the carryover balance from FY 2024, the PHP has an excess of $18,991,911 to carry over to FY 2026.

Over the course of FY 2025, Ballad Health made the following progress on the Population Health Improvement plan (on pages 68 to 71 of the Annual Report):

Strategy #1: Develop Population Health Infrastructure within the Health System and the Community.

- Supported the UniteUs Network which screens patients for social needs.
  - Increased UniteUs referral platform users to 283 organizations, including 531 programs and 2,823 users.

Fiscal year	Organizations	Programs	Users
2021	43	-	-
2022	125	260	-
2023	187	432	1,025
2024	261	531	2,400
2025	**283**	**535**	**2,823**

- Integrated systems with Epic electronic medical records system to allow better and more integrated social needs screening and navigation and improve care management process and transitions of care. Integration included:
  - Universal Social Screening via the CMS Accountable Health Communities tool within Epic to assess client's health-related social needs.
  - Healthy Planet, a population health management module within Epic Electronic Health Record (EHR) platform utilized to identify gaps in care and improve overall health outcomes.
  - Compass Rose, an Epic EHR application that integrates social risk screenings and other information into a single patient profile to enhance care coordination across the health system.
- Maintained Maternity Practices in Infant Nutrition and Care (mPINC), including listening sessions with labor a delivery staff to identify improvement strategies.

- Continued to expand STONG Accountable Care Community (ACC) Backbone Services, including providing funding and resources such as marketing, data, finance, and information technology to support growth.

Strategy #2: Position Ballad Health as a Community Improvement Organization.

- Ballad's Strong Pregnancies and Strong Starts programs screen families and assign them to navigators and community health workers, who connect the families with community resources to support children's later success in life. In FY 2025 Ballad:
  - Reached a cumulative 32,044 Strong Pregnancies social needs/family needs screenings since screening began in FY 2021.
  - Cumulative enrollment of 9,986 families in Strong Starts.
- The Appalachian Highlands Care Network (AHCN) serves the region's low-income uninsured individuals by connecting them with community resources and free healthcare and care management services offered by Ballad Health and other community providers.
  - Enrollment was increased to 11,129, and 4,141 patients were enrolled into complex care management. 140 enrollees were connected to insurance in FY 2025 through AHCN.

Fiscal Year	Cumulative AHCN Enrollment	Cumulative Complex Care Management Enrollment
2021	1,700	250
2022	>3,400	>2,000
2023	5,698	2,889
2024	8,528	3,544
2025	**11,129**	**4,141**

- Strong LINK longitudinal study program aims to study and research the impacts of Ballad Health programs such as Strong Starts to understand the long-term impact on health, education, social and economic outcomes.
  - 791 participants enrolled since inception, as of the end of FY 2025.
- Tobacco cessation services added three new cessation counselors and has enrolled 2,360 participants and helped 630 clients stop smoking since launched in FY 2022.

Strategy #3: Enable Community Resources and Sound Healthy Policy.

- Ballad provided $3.5 million to support 49 partnering organizations which support efforts aligned with the Population Health Plan beyond what Ballad would be capable of alone.
- Ballad uses mobile services to conduct outreach including mammography services, primary care, women's health, and social care. During FY 2025, Ballad provided 1,470 services across their primary geographic service area.
- To support efforts aimed at reducing the leading causes of mortality and morbidity, Ballad worked with internal partners to increase access for uninsured individuals and improved accident-avoidance safety education.

- Ballad collaborated with Community Health Improvement sites and other partners to connect individuals with primary care, smoking cessation programs, and promote free or reduced screenings including low-dose CT for lung cancer risk, mammography, cervical and colon cancer screenings.

Condition 37 requires Ballad to reimburse the Southwest Virginia Health Authority up to $75,000 annually (with adjustments) for costs associated with its regional health planning efforts. Members of the Authority's Board or Directors cannot be paid from these funds.

There is not an active memorandum of understanding between the Department and the Southwest Virginia Health Authority (SWVHA). The Department has not been involved in any financial transactions between the SWVHA and Ballad. Ballad makes its required payments directly to the SWVHA. SWVHA active monitoring participation ceased in February 2025.

Condition 38 places requirements on the minimum representation of Virginia residents on Ballad's Board of Directors and numerous committees.

Ballad has confirmed that they are meeting the requirements in Condition 38. The Virginia Monitor independently verified that there are three Virginia residents on the Board (Martin L. Kent, Michael J. Quillen, and Keith Wilson), and that Committee membership requirements are being met.

Condition 39 requires that the Ballad CEO or Board Chair provide a signed verification of the accuracy and completeness of submissions to the Commissioner.

Ballad's CEO/Board Chairman provided the required signed verification of accuracy and completeness for Ballad's submissions to the Commissioner.

Condition 40 requires Ballad to provide certain financial information quarterly.

Ballad provided quarterly financial information as required for review by VDH.

Condition 41 requires Ballad to adhere to its Alignment Policy if a facility must close.

Mountain View in Norton closed during FY 2023. Ballad remained in compliance with its Alignment Policy. As previously mentioned, Hurricane Helene impacted the region on September 27, 2024, with extensive flooding that destroyed Unicoi County Hospital in Erwin, Tennessee. Ballad has tentative plans to replace the facility. Ballad quickly opened an urgent care center with 24-hour availability and advanced services on an interim basis. Four other Ballad facilities in Tennessee were forced to temporarily suspend services and transfer patients to other facilities due to the storm: Greeneville Community Hospital, Johnson County Hospital, Laughlin Healthcare Center (nursing home), and Sycamore Shoals Hospital.

Condition 42 prohibits Ballad from engaging in "most favored nation" pricing with any health plan.

There is no indication that Ballad has engaged in "most favored nation" pricing with any health plan.

Condition 43 prohibits Ballad from entering into exclusive physician service contracts, with exceptions including hospital-based staff.

There is no indication that Ballad has entered into exclusive physician service contracts outside of hospital-based staff.

Condition 44 requires that Ballad participate in the Virginia DMAS Addiction and Recovery Treatment Services (ARTS) Program.

According to Ballad's FY 2025 Annual Report (page 59): "Ballad Health provides services related to the ARTS programs such as PEER Help and the ED Bridge program for initiating medication and referral to treatment for opioid use disorder. There have been discussions with DBHDS and ARTS representatives regarding future plans for opening a STRONG Futures program in Norton, Virginia."

DMAS has been engaged to participate in the Commissioner's Interagency Advisory Council for the Cooperative Agreement to ensure a regular open line of communication and collect feedback.

Condition 45 requires that Ballad establish a system-wide, physician-led "Clinical Council." It sets forth member requirements and certain responsibilities of the Council.

Ballad established the Clinical Council prior to the reporting period. It remained active throughout the review period. The Clinical Council is comprised of up to 30 physicians independently selected by each facility's Medical Executive Committee for a five-year term.

According to Ballad's Amended FY 2025 Annual Report, at the end of FY 2025 the Clinical Council had twenty-seven members, 15 of whom are independent, with 3 open seats. The Clinical Council is largely an advisory body that focuses on "advancing patient safety, quality of care, and system-wide alignment."

Ballad's FY 2025 Annual Report contains an extensive collection of efforts of the Council and its eight (8) sub-committees, beginning on page 18. The Executive Summary provides a brief overview:

> *The Council continued to assist in establishing key quality and patient safety priorities with consideration to risk, volume, propensity for problems (including incidence, prevalence, and severity), impact on health outcomes, patient safety and quality across all areas of care. Key accomplishments in FY25 included:*
>
> - *enhancements in electronic health record workflows,*
> - *standardization of a variety of high-value care initiatives,*
> - *implementation of projects for provider wellbeing and workforce support,*
> - *updates to medication use processes, and*
> - *improvements to children's and women's care standards.*

Condition 46 requires that Ballad continue to participate in certain Virginia Medicaid programs with certain price limits and requirements, treat Virginia Medicaid beneficiaries in all of its facilities, and perform pre-admission screening to determine if an individual qualifies for Medicaid-funded long term services.

All Ballad facilities participate in the required Virginia Medicaid programs.

Condition 47 requires that Ballad participate in quarterly teleconferences with DMAS to address targets of certain Medicaid programs.

According to Ballad's FY 2025 Annual Report (page 59): "Quarterly Teleconferences with DMAS were previously paused, however the Ballad Health team… has had multiple individual and group meetings with DMAS representatives."

Condition 48 requires Ballad to adopt an allocation methodology for spending that takes into account the differences in compliance requirements between the State of Tennessee and the Commonwealth of Virginia.

Ballad has not provided to the Department a formal allocation methodology for spending between the states. However, there is no indication that Ballad favors one state to the detriment of the other in funding initiatives related to the Virginia Order or COPA.

The main example of spending being focused in one state relates to the three tertiary facilities, which are all located in Tennessee. All area citizens have access to these facilities and their services, with higher levels of care being generally unavailable at the smaller facilities or in the rural areas. These services are expensive to establish and maintain, often requiring financial outlays that skew total expenditures to Tennessee.

The re-opening of the hospital in Lee County represents a significant expense to Ballad that does not generally benefit Tennessee residents. Similarly, the Behavioral Health Women's Addiction Treatment Center in Greeneville, Tennessee is not readily or easily available to residents of Virginia. Initially, it was prohibited from taking non-Tennessee residents due to the terms of grant funding that expired prior to FY 2023. During FY 2025, each of these two facilities could have served residents of either state, but generally do not. Ballad generally appears to be investing as necessary across the region in services and facilities that will allow Ballad to provide care locally when appropriate. The Department continues to work closely with the TDH to minimize differences in required plan and spending requirements between the states.

Condition 49 states that the Virginia Order conditions are intended to remain effective for the life of the cooperative agreement. It contains a provision allowing Ballad to request that the Commissioner amend a condition for certain reasons.

There was no suspension of conditions in FY 2025. Ballad did not formally seek to amend any of the 49 Conditions during FY 2025.

As described under Condition 4, Ballad submitted three new requests to modify (amend) the approved Required Plans during the year. One was approved and one was partially approved during the year, with one still under review at the end of the fiscal year. Three additional requests that were under review at the end of FY 2024 reached a conclusion during FY 2025. Two waiver requests were decided during the year, with one approved and the other not requiring formal action.

<u>Plan Modification Request submitted during FY 2024 and approved during FY 2025.</u>

- Add expenses for relocation and expansion of the Strong Futures program in Tennessee.

<u>Plan Modification Requests submitted during FY 2025 and withdrawn by Ballad.</u>

- Add $260,000 in spending on school health programs.
- Add $5,802,880 for the implementation of the Virginia Strong Futures program.

<u>Plan Modification Requests submitted during FY 2025.</u>

- Approved replacement request for the implementation of the Virginia Strong Futures program.

- Partially approved request to change the effective date of a previously approved HIE Plan modification to add expenses related to the ETSU clinics' conversion to Epic Connect.
- Carried over to FY 2026 a request to add $2,200,000 to the budget for expanded outpatient crisis services.

Baseline Spending Modification Request submitted during FY 2025.

- Approved a reduction in the Baseline required HIE spending level due to changes in technology and applications being replaced by modules in Epic.

Waiver Requests

- A request carried over from FY 2024 seeking approval under the "35% rule" for Ballad to employ one bariatric surgeon and one colorectal specialty surgeon, and to permit two trauma surgeons to perform general surgery duties in Sullivan County, Tennessee. The request did not require action by VDH. It was approved by TDH.
- Approved request to waive the FY 2024 Charity Care shortfall.

Review of Cooperative Agreement Complaints

The Department receives Cooperative Agreement-related complaints by phone, email, or through the Department's online feedback form. The VDH Office of Licensure and Certification Complaint Unit (OLCCU) receives complaints related to the operation of certified or licensed facilities in Virginia. The OLCCU refers the complaint to the appropriate work unit for investigation and resolution. The OLCCU refers the complaint to Cooperative Agreement staff within OLC when there is an indication it is related to Ballad and/or the Cooperative Agreement. The OLC reviews all Cooperative Agreement complaints, whether received through the OLCCU or other channels, to determine if Ballad's actions are in violation of the Conditions of the Virginia Order, associated rules or regulations.

During the FY 2025 review period, VDH received one complaint that was determined to not relate to active supervision of the Cooperative Agreement.

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 note of the following:

- 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 the previous closure of Lee County's sole hospital that Ballad subsequently re-opened, several other hospitals in jeopardy of closure; hospitals facing small volumes overall and for specific service lines, declining inpatient census; and duplicative services competing for limited volumes, rendering them unsustainable long-term. It is unlikely that the financial conditions of either system or the quality of services provided would have improved.
- For FY 2025, Ballad exceeded the Baseline spending requirement for each of the six required areas. Plan spending also exceeded the base annual requirement for each area as listed in Exhibit B, prior to considering cumulative variances. For the seven years under the Cooperative Agreement, Ballad has reached the ten-year minimum required spending level for two of the six Plan areas (Rural Health and Children's Health). Of the remaining four areas, only Behavioral Health is behind schedule, though the amount decreased by $982,213. The overall spending shortfall for the six plans is now $4,270,342, an improvement of $3,961,510 in the last fiscal year.
- As of the end of FY 2025, Ballad appears to be moving forward with plans to expand its Strong Futures program in Tennessee while beginning development of a similar center in Norton, Virginia that will offer expanded services and redevelop the former Mountain View Hospital, which was closed only a couple years ago.
- Ballad reported improved general primary care adequacy from 2022 (62%) to 2025 (72%), crediting Ballad's recruitment of 100 primary care providers since 2018.
- Ballad's charity care and reduced care policy continues to exceed the requirements of the Cooperative Agreement. For FY 2025, the definition was refined to reflect charity care as defined by CMS and other Virginia regulatory programs. This is the first year Ballad has met the annual requirement. Ballad's $65,831,011 in charity and reduced-price care exceeded the required baseline by 44.8%. Ballad has continued to expand the AHCN to connect uninsured patients with needed services. Ballad's presumptive eligibility program connects eligible patients with insurance coverage when possible. These initiatives can reduce the demand for charity care.
- Ballad faced a force majeure and material adverse event when Hurricane Helene forced the permanent closure of one Ballad hospital and the temporary evacuation of four other facilities. The existence of Ballad's centralized command center enabled a coordinated response across the region that would not have been possible prior to the merger.
- Ballad joined forces with ETSU and other area organizations to create the Nursing Narrative Initiative to highlight experiences and reactions of nurses across the region. Ballad also introduced

the *B Excellent* program for Ballad employees to share experiences through storytelling and reflection. The goal of both is to support current staff and inspire future healthcare professionals.

- Ballad Health Academy, which is implemented within schools and creates a pathway for high school students to graduate as Licensed Practical Nurses (LPNs), enrolled 218 students across seven schools. Ballad has plans for expansion to more schools and additional career pathways.
- During FY 2025, Ballad's five residency programs in Virginia offered 100 positions, an increase of two over the prior year. There are two family medicine sites, two internal medicine sites, and one dental residency program.
- Ballad completed its required triennial comprehensive physician/physician extender needs assessment and recruitment plan during FY 2025.
- Ballad submitted, and received approval of, its FY 2026 – FY 2028 replacement Required Plans.
- As of the end of FY 2025, Ballad operates nine Centers for Early Learning Development, with three Virginia locations (Lebanon, Norton, and Abingdon) having 480 available slots that are 48.5% filled.
- Ballad's Clinical Council continued to actively seek opportunities for Ballad to improve patient care and outcomes, focusing on "patient safety, quality of care, and system-wide alignment."
- The quality metrics addressed by Condition 12 and provided in Attachment 2 show improvement between FY 2024 and FY 2025 for 5 of the 7 metrics performing worse than the 2017 baseline level. Additionally, most metrics performed similar to or better than the peer group (see page 87 of Ballad's FY 2025 Annual Report). Ballad's Clinical Council and Board Quality, Service, and Safety Committee have prioritized many of these metrics listed as priories within FY 2025.
- Ballad reported sustained improvement in nursing retention, reporting a 12.6% turnover rate for FY 2025.

Commissioner's Decision

The review of Ballad's efforts related to the 49 Conditions of the Virginia Order shows that Ballad has maintained satisfactory compliance with the Conditions through FY 2025. Second, the fourteen reasons given for the original approval of the Cooperative Agreement remain valid. Of note, Ballad has preserved access to care by keeping all Virginia hospitals open, expanded mental health and addition recovery services, and continued to adhere to pricing limitations. Additionally, the points above reflect additional benefits to the Virginia Service Area. The Department of Health remains vigilant in its active supervision efforts, tracking and analyzing Ballad's activities and spending in numerous areas critical to the residents of the service area and Ballad's long-term success as the region's sole provider of acute care and emergency services. The Department actively and openly communicates with Ballad to direct Ballad's efforts towards improving the health of the population they serve in Virginia.

Based on these findings, the Commissioner determines that the benefits of the Cooperative Agreement continue to outweigh the disadvantages attributable to a reduction in competition that have resulted from the Cooperative Agreement through FY 2025.

Attachment 1

Required Charity Care (Condition 14)

	FY 2017 (Baseline)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Charity Care Provided*	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	$ 59,978,671	$ 58,004,831	$ 65,831,011
Hospital Inflation Adjustment (HIA)	----	2.95%	3.15%	3.25%	2.65%	2.95%	4.35%	3.55%	3.65%
Required Charity Care (Adjusted**)	$ 35,034,403	$ 36,067,918	$ 37,204,057	$38,413,189	$ 39,431,139	$ 40,594,357	$ 42,360,212	$ 43,863,999	$ 45,465,035
Variance	Not reported	Not reported	Not reported	Not reported	Not reported	Not reported	$ 17,618,459	$ 14,140,832	$ 20,365,976

*Charity Care Provided is from line 7(a) of Ballad's IRS 990 filing.
**Required minimum charity care is adjusted by the Hospital Inflation Adjustment (HIA) for each year.
Data is from page 53 of Ballad's FY 2025 Annual Report.

Attachment 2

Historic Quality Target Measure Performance

Measure Title	2017 Baseline	FY 18	FY 19	FYTD 20	FY 21	FY 22	FY 23	FY 24	FY 25	Desired Direction of Change	Sparkline
CLABSI: Central Line-Associated Bloodstream Infections	0.711	0.65	0.616	0.651	1.058	1.336	1.037	0.782	0.990	↓	
CAUTI: Catheter-Associated Urinary Tract Infections	0.558	0.64	0.895	0.525	0.785	1.107	0.729	0.821	0.717	↓	
SSI COLON Surgical Site Infection	2.13	1.9	2.258	2.23	2.21	2.14	2.94	3.7	3.17	↓	
SSI HYST Surgical Site Infection	0.71	0.61	0.0	0.79	0.731	2.542	1.47	3.37	2.02	↓	
MRSA: Methicillin-resistant Staphylococcus aureus	0.047	0.054	0.09	0.056	0.096	0.141	0.08	0.051	0.059	↓	
CDIFF: C. difficile	0.671	0.623	0.352	0.319	0.182	0.181	0.182	0.11	0.179	↓	
SMB: Sepsis Management Bundle	56.90%		62.7%	63.1%	52.9%	53.8%	59.2%	62.9%	61.7%	↑	
PSI 3: Pressure Ulcer Rate	1.07	1.1	0.53	0.26	0.24	0.2	0.1	0.36	0.18	↓	
PSI 6: Iatrogenic Pneumothorax Rate	0.25	0.23	0.13	0.15	0.21	0.25	0.06	0.05	0.01	↓	
PSI 8a: In Hospital Fall with Hip Fracture Rate	0.06	0.01	0.08	0.05	0.08	0.03	0.09	0.05	0.04	↓	
PSI 9: Perioperative Hemorrhage or Hematoma Rate	1.59	1.76	1.41	1.45	2.24	1.86	1.46	1.43	0.49	↓	
PSI 10: Postoperative Acute Kidney Injury Requiring Dialysis	0.76	1.06	1.28	0.76	2.23	2.13	2.4	1.58	1.44	↓	
PSI 11: Postoperative Respiratory Failure Rate	9.24	8.34	7.56	6.74	7.86	12.88	5.3	4.14	4.24	↓	
PSI 12: Perioperative Pulmonary Embolism or Deep Vein Thrombosis Rate	3.31	3.51	3.16	3.5	4.18	4.86	2.51	3.06	1.62	↓	
PSI 13: Postoperative Sepsis Rate	3.58	3.88	4.03	4.45	6.57	5.06	3.17	3.99	2.82	↓	
PSI 14: Postoperative Wound Dehiscence Rate	0.83	0.99	1.48	1.34	1.14	0.88	2.14	1.29	0.92	↓	
PSI 15: Unrecognized Abdominopelvic Accidental Puncture/Laceration Rate	1.18	0.98	0.27	0.84	0.45	0.29	0.62	0.09	0.08	↓	