

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

for the Period of July 1, 2023 – June 30, 2024

Virginia Department of Health

September 29, 2025



VDH VIRGINIA
DEPARTMENT
OF HEALTH

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

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Commissioner's Annual Decision

This 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 sixth annual report and decision, intended to satisfy the requirement for the Ballad Health (Ballad) Cooperative Agreement (Cooperative Agreement) covering the period July 1, 2023, through June 30, 2024, which is Ballad's fiscal year 2024 (FY 2024). The five 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 2024. Information available to the Commissioner about Ballad's activities subsequent to June 30, 2024, will be considered in the appropriate future annual report and assessment.

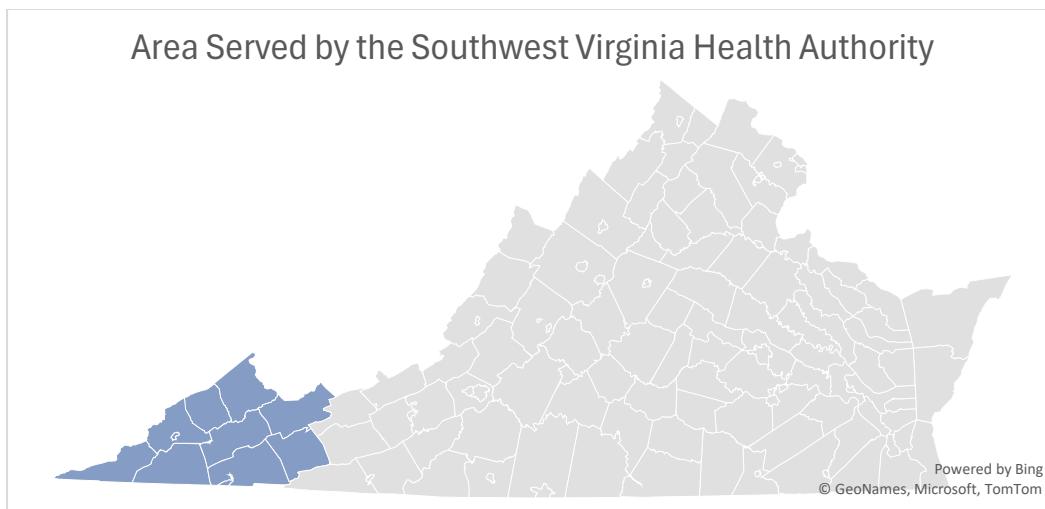
This report contains the following major components:

- 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 goals 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 sixth Commissioner's annual assessment, with previous versions covering the completed fiscal years FY 2019 through FY 2023. 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, with one located in southwest Virginia. These positions are supported directly at OLC by the Director of the Division of Certificate of Public Need, Managed Care Health Insurance Plans, and the Cooperative Agreement, 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.

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 the supervision efforts by providing additional qualitative and quantitative information pertaining to the Cooperative Agreement. The Department is reactivating the Council following a period of inactivity due to the response 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.
- 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 Health Economist within the Department's Office of Health Equity.
- 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 2024 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. Due to the Material Adverse Event resulting from Hurricane Helene, the Department issued an extension to the deadline for the Annual Report on October 17, 2024, extending the deadline from October 28th to November 27, 2024, at Ballad's request. Ballad submitted the FY 2024 Annual Report and FY 2024 COPA Compliance Office Annual Report on November 25, 2024.

Ballad's 2024 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 2024 Baseline and Plan spending data to the Department at the same time as 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, three-year plans (the Required Plans) listed in Table 1 and delineated in Conditions 8, 24, 33, 34, 35, and 36; and 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. Those also must 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 the effects on Ballad from the COVID pandemic, making FY 2024 the second 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 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 in order 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. Additionally, a major source of funds for Plan spending 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 2024 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 2024 resulted in a shortfall in one of the six areas: Health Information Exchange (\$292,749 short). The amount of the shortage is required to be added to Ballad's required Plan spending level in the same category for the year. The FY 2024 HIE Baseline shortfall is a result of Ballad's system-wide adoption of the Epic electronic health record system (Epic). The expenses associated with development, implementation, and ongoing use of the Epic system are not allowable as either Baseline or Plan expenses. However, Ballad was able to significantly reduce its HIE Baseline expenses because it was able to eliminate several

legacy information technology contracts and systems, resulting in significantly reduced Baseline expenses.

Table 1. Ballad's Baseline Spending Levels, FY 2024

Plan Title	FY 2024 Baseline Requirement	FY 2024 Actual Baseline Spend	FY 2024 Baseline Variance
Children's Health Services, required by Condition 35	\$7,831,371	\$9,867,612	\$2,036,241
Rural Health Services, required by Condition 33	74,374,082	75,995,237	1,621,155
Behavioral Health Services, required by Condition 34	6,890,510	9,055,835	2,165,325
Population Health Improvement, required by Condition 36	2,994,045	3,155,148	161,103
Health Research & Graduate Medical Education, required by Condition 24	8,757,817	10,537,592	1,779,775
Region-Wide Health Information Exchange, required by Condition 8	452,359	159,610	(292,749)
Total	\$101,300,184	\$108,771,034	

Table 2 displays the calculation of Ballad's Plan Spending variances for FY 2024, not adjusted for prior year balances. Actual Plan spending for each of the six plans required by Conditions 8, 23, 33, 34, 35, and 36 of the Virginia Order is subtracted from the combination of Ballad's Baseline spending shortfalls from Chart 1 and the required FY 2024 Plan spending amounts.

Table 2: Ballad Health Plan Spending Commitments vs Actual - FY 2024

Plan	Ten-Year Commitment	FY 2024* Baseline Excess (Shortfall)	Fiscal Year 2024 - Fiscal Year Four			
			FY 2024 Actual Spending	FY 2024 Virginia Plan Commitment	FY 2024 Plan Excess (Shortfall)	FY 2024 Excess (Shortfall)
Children's Services	\$27,000,000	\$2,036,241	11,913,596	\$4,000,000	\$7,913,596	\$7,913,596
Rural Health Services	28,000,000	1,621,155	9,083,152	4,000,000	5,083,152	\$5,083,152
Behavioral Health Services	85,000,000	2,165,325	13,923,279	12,000,000	1,923,279	\$1,923,279
Population Health Improvement	75,000,000	161,103	18,007,547	11,000,000	7,007,547	\$7,007,547
Health Research & Graduate Medical Education	85,000,000	1,779,775	13,178,302	11,000,000	2,178,302	\$2,178,302
Region-wide Health Information Exchange	8,000,000	(292,749)	1,043,032	1,000,000	43,032	(249,717)
Totals¹	\$308,000,000		\$67,148,909	\$43,000,000		(\$249,717)

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

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

Table 3 displays the FY 2024 Plan spending results adjusted for prior years' spending variances. The result from Chart 2 is adjusted by the amount of the prior year's Plan spending excess or shortfall. For the year, Ballad met the required Plan spending level for four plans: Children's Health, Rural Health, Population Health, and Health Research & Graduate Medical Education. Plan spending fell short for Behavioral Health and the Health Information Exchange. The sum of the two shortfalls is \$8,231,851, down \$1,673,562 from the FY 2023 result.

Table 3: Ballad Health Final Plan Spending Variances - FY 2024

Plan	FY 2024 Excess (Shortfall)	Prior Year Excess (Shortfall)	Final Excess (Shortfall)
Children's Services	\$7,913,596	\$2,092,036	\$10,005,632
Rural Health Services	\$5,083,152	\$8,517,949	\$13,601,101
Behavioral Health Services	\$1,923,279	(\$7,175,833)	(\$5,252,554)
Population Health Improvement	\$7,007,547	\$7,752,903	\$14,760,450
Health Research & Graduate Medical Education	\$2,178,302	\$4,136,993	\$6,315,294
Region-wide Health Information Exchange	(\$249,717)	(\$2,729,580)	(\$2,979,297)
Totals			Shortfalls Sum (\$8,231,851)

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 amendment requests carried over from FY 2023 and are listed in Table 4. During FY 2024, Ballad submitted five Plan modification (amendment) requests that also are included in Table 4. The Commissioner approved seven Plan amendment requests, and one carried over into FY 2025.

Waiver Requests

Six requests to waive requirements of the Virginia Order that Ballad submitted during FY 2023 carried over to FY 2024 and are listed in Table 4. Ballad did not submit any new waiver requests during FY 2024. The Commissioner accepted or approved the six waiver requests submitted in FY 2023 during FY 2024. No waiver requests remained under consideration at the end of FY 2024.

Table 4: Commissioner Decisions on Ballad Plan Amendment Requests – Fiscal Year 2024

Amendment Requests	Plan	Submission Date	Decision Date	Decision
Request to add expenses for support of existing childcare centers and the creation of additional centers in Virginia and Tennessee.	Children's Health Plan	04/24/2023	07/25/2023	Approval
Request to add expenses for creation and support of the Appalachian Highlands Healthcare academy (Ballad Academy).	Health Research & Graduate Medical Education	05/08/2023	07/25/2023	Approval
Request to add expenses to support the construction and operation of a simulation laboratory at Milligan College in Elizabethton, Tennessee.	Health Research & Graduate Medical Education	06/06/2023	07/25/2023	Approval
Request to add expenses to support the East Tennessee State University (ETSU) Graduate Medical Education program.	Health Research & Graduate Medical Education	8/31/2023	04/19/2024	Approval
Request to add expenses associated with adding ETSU Clinics and nursing program to Community Connect	Health Information Exchange	8/31/2023	05/20/2024	Approval
Request to add funding for purchase of an ambulance in Carter County, Tennessee	Rural Health Plan	9/29/2023	03/19/2024	Approval
Request to add expenses to support the construction and operation of a clinical simulation laboratory at the Southwest Virginia Higher Education Center in Abingdon.	Health Research & Graduate Medical Education	01/19/2024	04/19/2024	Approval
Request to add expenses related to the relocation of the Strong Futures Living Center in Greeneville, Tennessee.	Behavioral Health	05/01/2024	In process as of 06/30/2024	--
Waiver Requests	Applicable Requirements	Submission Date	Decision Date	Decision
Close outpatient rehabilitation services at Russell County Hospital	Condition 27	02/23/2023	7/25/2023	Approved
Close surgical services at Russell County Hospital	Condition 27	02/23/2023	7/25/2023	Approved
FY 2022 Charity Care Waiver	Condition 14	1/12/2023	7/25/2023	Approved
Waiver of Baseline Spending Requirements for FY 2021 & 2022	Conditions 3, 8, 23, 33, 3, 36	---	7/25/2023	Partially Approved
FY 2023 Charity Care Waiver	Condition 14	1/9/2024	5/20/2024	Approved
Waiver for 9-month notice requirement for closure of Mountain View Regional Hospital in Wise County	Condition 27	8/24/2022	7/25/2023	Accepted Previous Notification

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, Tennessee’s COPA Monitor, and the Health Authority’s 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 2024.

The COPA Monitor’s 2024 annual report can be found in the Tennessee Department of Health COPA website:

<https://www.tn.gov/content/dam/tn/health/documents/copa/2024MonitorsAnnualReportFinal.pdf>

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 updated the Department regularly on the status of payer negotiations. There were no reports or other indications that Ballad failed to negotiate in good faith with any payer. Ballad has affirmed that a copy of the applicable Conditions is provided to managed care payers prior to negotiations. No 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 2024 was \$1,000,000. Ballad spent \$1,043,032 in new incremental costs (spending above the required Baseline) in support of the plan during the period, resulting in an excess of \$43,032. However, a shortfall in Baseline HIE

spending of \$292,74 resulted in an overall HIE Plan shortfall of \$249,717. Factoring in the carryover balance from FY 2023, HIE has a shortfall of \$2,979,297 to carry over to FY 2025.

In Ballad's FY 2024 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:

- Strategy 3: Identify Optimal Portfolio of Interoperability and Assemble Deployment Strategies.
 - Continued to expand EpicCare Link to Community Provider.
 - Continued to provide a data feed to OnePartner.
 - Provided access to Healthy Planet Link, a population health management module from Epic.
- Strategy 4: Develop an HIE Recruitment and Support Plan.
 - Continued ongoing efforts with recruiting new Community Connect clients.
- Strategy 5: Participate in Connect Virginia's HIE and Other TN/VA Regulatory Programs.
 - Continued to participate in these programs.
 - Collective Medical Technologies/Emergency Department Information Exchange, known as EDIE, access. Ballad defines EDIE as a system designed to facilitate communication and collaboration between hospitals and healthcare providers, ultimately improving patient care and reducing costs.

The Monitors agree that Ballad has met the intent of the HIE requirements but needs to address a significant shortfall in the required \$8,000,000 in HIE Plan spending. If no additional opportunities arise to improve access to Ballad's data for area providers, the lack of spending on Baseline and Plan activities 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 who 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 converted its Medicare Shared Savings Program contract into a downside risk contract, thus meeting the requirement for a fourth new risk contract with a Large Network Payer prior to the June 1, 2024, deadline.

As of June 30, 2022, Ballad met the requirement for at least 30% of total patient revenue coming from risk-based models.

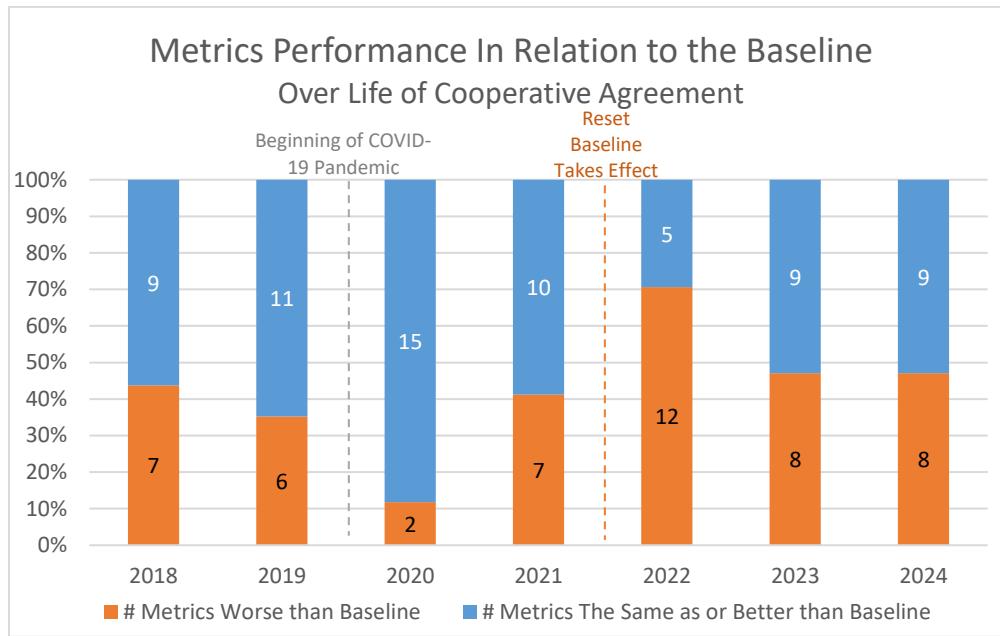
The Monitors have found Ballad's efforts to negotiate risk-based contracts satisfactory. This Condition has been met for FY 2024.

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 2024, 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 66 of Ballad's FY 2024 Annual report. During FY 2024, Ballad met or exceeded the 2017 baseline for 9 of the 17 (53%) Quality Metrics while 8 (47%) of the metrics performed worse than baseline. Ten metrics improved between FY 2023 and 2024.



Since 2018, consistent improvements have been made in Clostridium difficile (CDIFF) and Pressure Ulcer rates. This year was the first year that PSI 3 Pressure Ulcer Rate increased over the previous year but remains below the baseline.

Infection rates increased for Catheter Acquired Urinary Tract Infections (CAUTI) and Colon and Hysterectomy Surgical Site Infections (SSIs). Central Line-Associated Bloodstream Infections and Methicillin-resistant Staphylococcus Aureus (MRSA) decreased but remained worse than baseline. PSI 13 Postoperative Sepsis Rate increased and is now performing worse than baseline, where it was performing better in FY 2023.

Of interest among the monitoring measures, ED1: *Median Time from emergency department (ED) Arrival to Transport for Admitted Patients* decreased from 644.6 minutes in FY 2023 to 423 minutes in FY 2024. The *Appropriate Emergency Department Wait Times* access measure also improved, from 44.9% in FY 2023 to 50.5% in 2024.

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 2024 reporting period. The Department received no notifications of potential or actual non-compliance or deficiencies.

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.

Table 5. Ballad Health Self-Reported Charity and Reduced Price Care - FY 2024

Base Charity	FY17 Baseline	FY17 Baseline Adjusted by FY18 HIA	FY17 Baseline Adjusted by FY19 HIA	FY17 Baseline Adjusted by FY20 HIA	FY17 Baseline Adjusted by FY21 HIA	FY17 Baseline Adjusted by FY22 HIA	FY17 Baseline Adjusted by FY23 HIA	FY2017 Baseline Adjusted by FY24 HIA*	FY24 Actual as of 6/30/2024**
Charity Care	\$ 35,034,403	\$ 36,067,918	\$ 37,204,057	\$38,413,189	\$ 39,431,139	\$ 40,594,357	\$ 42,360,212	\$ 43,863,999	\$ 60,363,255
Unreimbursed TennCare & Medicaid	\$ 61,605,896	\$ 63,423,270	\$ 65,421,103	\$ 67,547,289	\$ 69,337,292	\$ 71,382,742	\$ 74,487,891	\$ 77,132,211	\$ 46,248,158
Total	\$ 96,640,299	\$ 99,491,188	\$ 102,625,160	\$ 105,960,478	\$ 108,768,431	\$ 111,977,099	\$ 116,848,103	\$ 120,996,211	\$ 106,611,797
Variance from Baseline									\$ (14,384,797)

*Hospital Inflation Adjustment (HIA) 2.95% 3.15% 3.25% 2.65% 2.95% 4.35% 3.55%

**FY2024 actual results are based on preliminary data and are subject to change with the 990 filing.

Table 5 is taken directly from page 50 of Ballad Health's FY 2024 Annual Report.

Ballad's charity care total of \$106,611,797 is equal to 4.23% of Ballad's operating revenue for the period and represents an increase of more than \$32 million from the previous year. 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.

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.

Ballad acknowledges that the dollar value of the Charity Care provided falls short of the baseline and requested a waiver of the required amount from the Commissioner. The request is similar to those submitted each year under the Virginia Order, all of which have been approved for similar reasons as those given for FY 2024. In the request, Ballad provided four main reasons for failing to meet the minimum level of charity care, each centered around efforts to expand coverage and payments under Medicaid in Virginia and Tennessee.

The two states have enhanced their Medicaid programs significantly since 2017, which was used as the base year. The Medicaid programs in both Virginia and Tennessee have expanded the number of patients who qualify for Medicaid as well as the payment amounts of for Medicaid services rendered. During FY 2024, a significant number of patients qualified for Medicaid who would have been classified as charity patients in 2017, reducing the number of patients for which Ballad did not receive payment for services provided.

Medicaid payment rates also were significantly higher in 2024 compared to 2017. The resulting loss from treating Medicaid patients was thereby materially reduced. The impact of changes to the Medicaid program in each state accounts for the reduction in Total Charity Care provided by Ballad in 2024 as compared to 2017.

During FY 2024, 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. Ballad's FY 2024 Annual Report notes that Ballad “seeks to connect eligible patients to 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.

Ballad reported in its Annual Report that Plan spending likely will remain behind schedule for the Health Information Exchange and Behavioral Health plans. During the fiscal year, Ballad regularly updated the Monitors and the Department on the status of actual spending on each Plan; therefore, these two shortfalls were expected.

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 2024.

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.

Despite the suspension of this requirement during the initial COVID-19 response, Ballad continued to work toward meeting these requirements. Ballad claimed to have met the \$70 million minimum required by this condition prior to FY 2024. During fiscal years 2020 through 2022, Ballad applied more than \$73 million to market adjustments and/or raises for Ballad team members. According to Ballad's report, “this does not include any overtime, premium pay, or incentives.” The referenced expenses are ongoing, permanent increases. Ballad plans to continue to annually compare its positions to market data, identify priority jobs, and give adjustments where “operationally feasible.”

The monitors continued the analysis of Ballad's salary equalization efforts throughout FY 2023 and into FY 2024. The Monitors first considered salaries and benefits across the entire system, then evaluated salary equalization across similarly sized Ballad hospitals and those within each state. The results are summarized below.

Ballad was successful in equalizing salaries between the legacy systems, aligning the salary and benefits across the new system. Ballad's equalization efforts included differences in starting and average pay based on level of care (tertiary vs. general) and whether the hospital is in an urban or rural area. The tertiary hospitals pay higher starting salaries than the other facilities. The differences

appear to roughly correlate with the comparative average case mix index (severity of illness) of the facilities. Due to some minor variation in salaries between like facilities, the Monitors further evaluated pay levels separately for the facilities in each state. The Virginia and Tennessee facilities were then compared against each other. The results indicate that in the aggregate the employees of the Virginia hospitals are being paid equitably.

Ballad was judged by the Monitors to have effectively equalized salaries and benefits across the system. However, some of the salary and benefit changes are not appropriately categorized as equalization efforts, such as the across the board raises and benefit increases for nurses and other specific groups that were implemented. These are normal business responses to market forces and represent efforts to compete for and retain new and existing talent in the marketplace. As of the end of FY 2024, the Commonwealth has not yet issued a final determination as to whether Ballad has met all the requirements of Condition 19.

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 2024.

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; and 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, including:

- Ballad Onboarded 8,513 total hires in 2024, a number which has increased each year since FY 2019.
- Continued the Aspiring Leader Program, Onboarding leader Program, Healthcare Advisory Board Fellowship Program, Physician Leadership Development, and other career development programming.
- A new Nurse Fellowship Program was developed during FY 2024 for roll out in FY 2025.
- The Certified Nurse Assistant (CNA) Program saw 322 CNAs complete the program in FY 2024, a 15% increase over FY 2023. Online options have increased access and contribute to the increased CNA Certification numbers. Ballad collaborates with regional high schools, colleges and universities, and public recruitment fairs to increase engagement and enrollment.
- During FY 2024, scholarships available to both community and team members were added for behavioral health therapists and polysomnography technologists due to demand. Students on scholarships increased to 61 program participants, with enrollment opportunities ongoing.

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 2024 was \$11,000,000. Ballad spent \$13,178,302 in new incremental costs in support of the plan during the period, resulting in an excess of \$2,178,302. Factoring in the carryover balance from FY 2023, HR/GME has an excess of \$6,315,294 to carry over to FY 2025.

The Ballad FY 2024 Annual Report details progress made on this plan on page 59:

- Expand Ballad Academic Infrastructure to Support Regional Academic Programs.
 - Increased clinical rotation for advanced practice providers (APPs), Allied Health, High School, and Observation students without decreasing medical student rotations.
 - Participated in over 300 recruiting events.
- Expand Ballad Research Infrastructure to Support Regional Research Programs.
 - Expanded Strong LINK enrollment to over 380 persons.
 - Increased number of research subjects by 13%.
- Develop and Support Regional Research and Academic Programs.
 - Continued to support regional research such as ETSU Center of Rural Health Research and Harvard University Economic Impact Study.
 - Funded new simulation labs at Virginia Highland Community College and Milligan University.

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 on page 38 of their FY 2024 Annual Report

In Virginia during FY 2024, Ballad had five residency programs. There are two family medicine programs located in 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 98 total residency positions, with 36 in family medicine, 48 in internal medicine, and 14 in dental. During the year, six 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 270 approved residency positions. 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.

Ballad notes that during FY 2024, “there have been no publications based on research directly related to an approved HR/GME plan.” However, pages 96-98 of Ballad’s FY 2024 annual report detail 28 published studies where “Ballad resources were integral.” Additionally, page 42 lists new and ongoing clinical studies, totaling 57, with focuses on Oncology, Cardiology, and multidisciplinary Biospecimen Collection. New and ongoing research projects totaled 135 and covered a range of areas including OB/GYN, Oncology, Cardiology, Trauma and more. Additionally, a list of grants funded during 2024 is available on page 46.

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

Ballad chose the 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 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. However, TDH and Ballad negotiated changes to the Tennessee TOC that include an extension of this requirement for a sixth year. The TOC applies to all Ballad facilities, including those in Virginia.

Ballad closed Mountain View in Norton in FY 2023 as part of a consolidation plan in Wise County and the City of Norton. Ballad had kept the Department informed of plans to relocate/consolidate services in Wise County since at least November 2018. Therefore, the eventual facility closure was not unexpected. Ballad submitted a request to waive the 90-day period for changes to services or service lines on August 22, 2022. The review of that request led to Commissioner Greene’s formal determination that since Mountain View was no longer providing any acute or long-term care services, the facility’s license would not be renewed, and it would expire on December 31, 2022. In keeping with licensure and certificate of public need (COPN) rules and regulations, Mountain View’s licensed beds were removed from the inventory.

All other Ballad Virginia hospitals remained operational as health care institutions throughout FY 2024.

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 2022. The report was shared with the Department on September 9, 2023. Ballad shared with VDH that its recruitment plan has specific recruiting targets supported by the needs assessment. The report notes a deficit in providers within the service area in 2022 that is projected to get larger through 2027. The next physician/physician extender needs assessment will be conducted during FY 2025.

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 2024 was \$4,000,000. Ballad spent \$9,083,152 in new incremental costs in support of the plan during the period, resulting

in an excess of \$5,083,152. Factoring in the carryover balance from FY 2023, the RHP has an excess of \$13,601,101 to carry over to FY 2025.

Ballad provided an update on its rural health plan initiatives on pages 62 and 63 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

- All Virginia Recruitment targets under the initiative for FY 2024 were accomplished.
 - Retained two replacement primary care providers: one primary care Nurse Practitioner left Ballad Health in FY 2024, and Ballad brought on a Nurse Practitioner and a Physician in their Virginia service area. 56% increase in encounters from FY 2023.
- Tennessee recruitment ongoing with a focus on Hawkins and Cocke County.
 - Dr. Herrell was hired in Morristown, Tennessee.

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

- Hired second pulmonary APP for Abingdon in Wise County, Virginia.
 - Hired 2 pulmonologists in Abingdon, Virginia (starting in FY 2025).
 - Expanded Greeneville, Tennessee cardiology presence resulting in 46% increase in visit volume.

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

- Launched a remote patient monitoring pilot and then extended it from 50 to 135 kits available. Expanded from patients with congestive heart failure and chronic obstructive pulmonary disease to include those with diabetes and hypertension.

Strategy 4: Develop and Deploy Virtual Care Services.

- Launched a consolidated tele-neurology platform averaging 250 consults per month.
- Launched tele-cardiology across all facilities to reduce transfers.
- Continued growth of tele-ICU services in Greenville Community Hospital.

Strategy 5: Coordinate Preventive Health Care Services.

- Held 18 Health Fairs across the service area, reaching 341 patients.
 - Diabetic eye exams, colorectal screening education, and mammography.

Fiscal Year	Number of Health Fairs	Patients Reached*
2021	6	-
2022	21	-
2023	20	450
2024	18	341

*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 2024 was \$12,000,000. Ballad spent \$13,923,279 in new incremental costs in support of the plan during the period, resulting in an excess of \$1,923,279. Factoring in the carryover balance from FY 2023, the BHP has a shortfall of \$5,252,554 to carry over to FY 2025.

Over the course of FY 2024, Ballad Health made the following progress on the BHP (on pages 50-53 of the Ballad Annual Report):

Strategy 1: Develop the Ballad Health Behavioral Services Infrastructure.

- Engaged with a reimbursement consultant to help build sustainability of service delivery.
- Hired marketing, data analyst and outreach manager positions.
- Completed their internal confidential annual needs evaluation of infrastructure to develop the FY 2025 plan.
- Child and Adolescent Psychiatry Fellowship in development with progress made in FY 2024.
- Expanded Addiction Medicine Fellowship program.
 - Moved to a new office location and added:
 - 2 nurses.
 - 1 therapist.
 - 1 front office staff.
 - 1 additional faculty member.
- Successfully executed five academic scholarships for mental health therapy students.
- Implemented Schwartz Rounds pilot program at Johnson City Medical Center.
 - As defined by The Schartz Center for Compassionate Healthcare, Schwartz Rounds "bring doctors, nurses and other caregivers together to discuss the social and emotional side of caring for patients and families".

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

- Hired New Team Members.
 - LPN for Lebanon, Virginia.

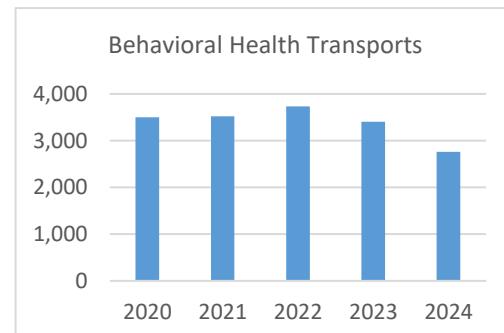
- Psychiatric Nurse Practitioner for Abingdon and Lebanon, Virginia.
- Fellowship trained child/adolescent psychiatrist rotating between Abingdon and Lebanon, Virginia sites.
- Opened an integrated site in Elizabethton, Tennessee in February 2024.
 - There are five total integrated sites. Four of those are located in Virginia, in Abingdon, Rural Retreat, St. Paul and Lebanon.
 - Completed 7,716 visits at the above-listed integrated sites in FY 2024.

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

- The “Respond” helpline services managed 39,012 calls and provided 4,449 assessments.
 - During FY 2023, there were 51,434 calls and 3,750 assessments.
- Crisis Walk-In Center served 1,769 patients.
 - Door to admission time of 5 hours.
- Continued Ballad Health Transport: purchased a new van and hired 2 new full-time equivalent team members during FY 2024. Two vans were previously added in FY 2020.

Fiscal Year	Behavioral Health Transports
2020	<3,500*
2021	3,520
2022	3,733
2023	3,408
2024	2,761

*From Ballad's FY 2020 Annual Report:
“completed nearly 3,500 transfers”.



- Increased Screening, Brief Intervention, and Referral to Treatment services 41% over FY 2023.
- Critical Incident Stress Management response team (created in FY 2023) completed 93 responses (internal and external).
- Implemented Relief Lounges at 2 middle schools and 1 high school in Tennessee.
 - Signed a contract with Russell County Schools in Virginia to launch services at the beginning of the 2024-2025 school year.
 - Trained 421 students and volunteers on coping and resilience (184 in FY 2023).
- Sexual Assault Nurse Examiner program continued to service both Tennessee and Virginia.
 - A total of 276 consultations were provided, including 70 in Virginia.

- Partnered with Frontier Health to provide Intensive Treatment Team services for people who frequently present to the ED and inpatient mental health services.
 - Served 16 patients.
 - Decreased ED visits by enrollees by 20% and inpatient psychiatric hospitalizations by 18%.
- Opened the first dedicated Child/Adolescent Outpatient Behavioral Health Clinic in Johnson City, Tennessee in February 2024.
 - Completed 1,112 visits.
- Reopened the Adult Outpatient Behavioral Health Clinic in Johnson City, Tennessee in February 2024 after expansion.
 - Clinic experienced 40% increased volumes over FY 2022.

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

- Strong Futures program in Greeneville, Tennessee served 513 unduplicated families, including 30 mothers and 12 children who utilized the center.
 - The Living Center will be relocated; Ballad purchased a house and began renovations with an anticipated opening in FY 2025.
- Overmountain Recovery hired a second Addiction Medicine physician and grew clinic volumes by 26% over FY 2023. FY 2023 saw an 18% growth over FY 2022, showing sustained growth.
- Initiated Medical Assisted Treatment pilot in the ED at Johnson City Medical Center, then scaled to other EDs including Johnston memorial Hospital in Abingdon, Virginia.
- 22 patients were discharged from EDs with a bridge order for suboxone, and 15 Naloxone kits were distributed.

Strategy # 5: Behavioral Health Telehealth Implementation.

- Maintained Psychiatric Consult Liaison Services at all Ballad Health hospitals.
- Telehealth is implemented in all behavioral health outpatient clinics.
 - 6,086 visits completed.
- A part-time staff member maintained at Unicoi County Schools served 28 students onsite and 10 students via telehealth.

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 FY2024 was \$4,000,000. Ballad spent \$11,913,596 in new incremental costs in support of the plan during the period, resulting in an excess of \$7,913,596. Factoring in the carryover balance from FY 2023, the CHP has an excess of \$10,005,632 to carry over to FY 2025.

Over the course of FY 2024, Ballad Health made the following progress on the Children's Health Services plan (on pages 53 and 54 of the Annual Report):

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

- Progress on Centers for Early Learning Development included three new centers opened in FY 2024 (in Lebanon, Virginia, and Greeneville and Johnson City, Tennessee), and one opened July 1, 2024 (FY 2025) in Norton, Virginia. Two more centers are expected to open in FY 2025 (Abingdon, Virginia and Kingsport, Tennessee).
 - More than 400 children are enrolled, and that number is expected to double in the next year.
 - With the center that opened July 1, 2024, the total is now seven centers, two of which are in Virginia (Lebanon and Norton). A third in Abingdon is planned to open in FY 2025, and two other locations are under evaluation (in Marion and Pennington Gap, Virginia).
 - At the end of FY 2024, there were approximately 122 childcare slots.
- The Niswonger Network provided 315 education sessions and 132 community outreach events including skill fairs, leadership collaboration, and pediatric simulation education.

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 currently serves 216 patients, totaling 237 since starting in FY 2023. This is an increase over FY 2023, where 115 patients were enrolled.

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

- During FY 2024, Ballad expanded their school-based telehealth to three school systems in Virginia (Russell County, Scott County, and Washington County), for a total of five school systems.
- Conducted 1,500 subspecialty visits via telehealth, 354 or 23.6% of which occurred in Virginia across Pediatric Endocrinology, Gastroenterology, and Neurology.

Strategy #4: Recruit and Retain Subspecialists.

The following specialists are located in Johnson City, which is the location of the Niswonger Children's Hospital and Johnson City Medical Center, a tertiary referral center:

- Recruited during FY 2024.
 - Pediatric Neurologist.
 - Pediatric Pulmonologist.

- Pediatric Intensivist.
- Pediatric recruitment still underway in FY 2024.
 - Anesthesiology.
 - Radiology.
 - APP support.

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

- Provided educational resources for trauma prevention, with focus on car seat and motor vehicle collision injury prevention and bicycle and ATV safety initiatives.
- Improved care for non-accidental trauma patients.

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 FY2024 was \$11,000,000. Ballad spent \$18,007,547 in new incremental costs in support of the plan during the period, resulting in an excess of \$7,007,547. Factoring in the carryover balance from FY 2023, the PHP has an excess of \$14,760,450 to carry over to FY 2025.

Over the course of FY 2024, Ballad Health made the following progress on the Population Health Improvement plan (on pages 56 to 59 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 261 organizations, including 531 programs and 2,400 users.

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

- 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.
 - Launched a hub to connect patients with community-based resources.

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 2024 Ballad:
 - Added seven new Strong Starts sites.
 - Conducted 15,468 Strong Pregnancies social needs/family needs screenings.
 - Enrolled 6,496 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 increased to 8,528, from 5,698 in FY 2023, and 3,544 patients were enrolled into complex care management. In FY 2024, there were 263 new enrollees who obtained insurance coverage as a result of AHCN's efforts.
 - active enrollees.

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

- 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.
 - Added five new enrollment sites.
 - Enrolled 428 participants since inception as of the end of FY 2024.

- Tobacco cessation services added three new cessation counselors and has enrolled 1,616 participants since launched in FY 2022.

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

- Ballad conducted site evaluations with all 33 sites funded to support aligned efforts, including many elements of the PHP. Supporting these community partners helps reach populations that Ballad would have trouble reaching on its own and allows Ballad to support their work.
 - Ballad provided \$3.9 million in support to partnering organizations.
- Ballad uses mobile services to conduct outreach including mammography services, primary care, women's health, and social care. During FY 2024, Ballad focused on expansion to at-risk women and disparate groups.
- 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 launched three campaigns during FY 2024:
 - Expand naloxone distribution.
 - Increase [use of] low-dose CT [scans].
 - Provide fecal blood testing kits through AHCN partners.

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. SWVHA and Ballad representatives have assured the Department that Ballad is up to date on its payments, which have been made directly to the SWVHA.

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 was closed during FY 2023, and Ballad remained in compliance with its Alignment Policy. No additional permanent closures occurred during FY 2024.

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 2024 Annual Report (page 64): “There was no direct project with Virginia DMAS ARTS Program during the Reporting Period. Ballad met with DMAS and ARTS representatives to provide update on our participation with the Virginia Hospital and Healthcare Association grant rolling out Medication Assisted Treatment in the Emergency Department (Johnston Memorial Hospital is the pilot site), and the intent to open a Strong Futures program with expanded services, residential and outpatient, in 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 30 physicians, 12 of whom are independent with 2 open seats as of the end of FY 2024. Ballad’s FY 2024 Annual Report contains an extensive collection of efforts of the Council and its eight (8) sub-committees, beginning on page 18.

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 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 2024 Annual Report (page 64): “Ballad executives frequently engage with various DMAS programs consistent with those outlined in Condition 47. The frequency of initial teleconferences was reduced to allow for broader executive engagement with subject matter experts in DMAS and Ballad Health to ensure strong alignment with DMAS programs.”

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 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 2024, 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 2024. Ballad did not formally seek to amend any of the 49 Conditions during FY 2024.

As described under Condition 4, Ballad submitted five new requests to modify (amend) the approved Required Plans; four of those were 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 2023 received approval during FY 2024.

Plan Modification Requests submitted during FY 2023 and approved during FY 2024.

- Expansion of Existing and Addition of New Childcare Centers.
- Financial support for the Appalachian Highlands Healthcare Academy (Ballad Academy).
- Financial support for the construction and operation of a clinical simulation laboratory at Milligan College in Elizabethton, Tennessee.

Plan Modification Requests submitted during FY 2024.

- Approved financial support for the ETSU Graduate Medical Education program.
- Approved financial support for adding ETSU Clinics and nursing program to Community Connect.
- Approved financial support for the purchase of an ambulance in Carter County, Tennessee
- Approved financial support for the construction and operation of a clinical simulation laboratory at the Southwest Virginia Higher Education Center in Abingdon, Virginia.

- Add expenses related to the relocation of the Strong Futures Living Center in Greeneville, Tennessee (still under review at the end of FY 2024).

Waiver Requests submitted during FY 2023 and approved during FY 2024.

- Waiver for 9-month notice requirement for closure of Mountain View in Wise County.
- Close outpatient rehabilitation services at Russell County Hospital.
- Close surgical services at Russell County Hospital.
- FY 2022 Charity Care Waiver.
- Waiver of Baseline Spending Requirements for FY 2021 & 2022.

Waiver Requests submitted during and approved during FY 2024.

- FY 2023 Charity Care Waiver.

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 2024 review period, VDH received no complaints requiring investigation.

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

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

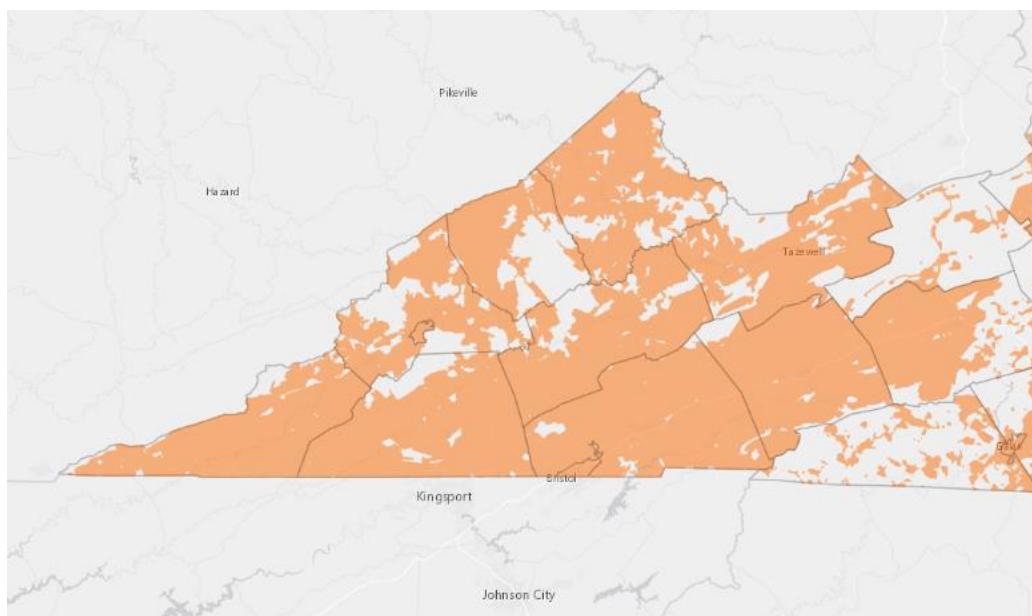
Although it is impossible to determine what would have resulted if the merger of Wellmont and Mountain States had not occurred, the environment that existed prior to the Cooperative Agreement that resulted in the formation of Ballad included the previous closure of Lee County's sole hospital that Ballad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

Quality and Access

Overall access to care has not suffered, and changes remain within what is allowed by Condition 5. Ballad continues to operate the reopened Lee County Community Hospital, offering area residents access to emergency, inpatient, and outpatient care that would likely not have returned without the merger of Wellmont and Mountain States and the Cooperative Agreement. Ballad ceased two services at Russell County Hospital (RCH) that required approval from the Commissioner: general surgery and outpatient physical therapy. In the case of general surgery, a provider was traveling occasionally from Abingdon, Virginia to perform minor procedures. This was determined to be neither efficient nor in the best interest of the patients and staff due to the low number of cases, and the Commissioner approved the closure of the service. Outpatient therapy was competing with an independent provider who has an office in an adjacent retail property. The independent provider was treating more than 90% of the available patients, and Ballad did not have enough volume to recruit or retain a full-time therapist. The Commissioner approved the closure of that service, noting that the independent provider benefitted from the closure and also provides services to inpatients at RCH. Neither service closure had a significant impact on access to or availability of services.

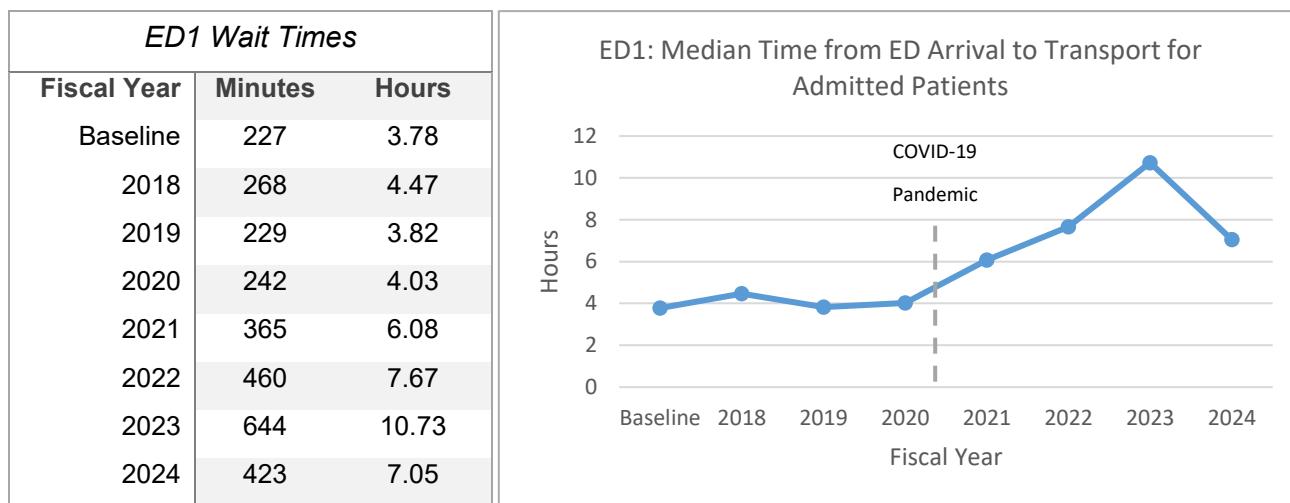
The Cooperative Agreement allowed for the consolidation of duplicative executive and management services, creating opportunities for short-term financial improvements for Ballad and residents of the region. During FY 2024, Ballad Health increased capacity for behavioral health services including Child and Adolescent Outpatient Services, adult outpatient services, and extending telehealth options for behavioral health.

Ballad has increased telehealth offerings and reports that “anyone with access to a smart phone or the internet can now access Ballad Health’s Urgent Care from anywhere in the region or world” (Ballad Health FY 2024 Annual Report). However, broadband access is limited or non-existent in some portions of the service area.



Map of broadband coverage where at least 80% of Residents have access to 25mbps download and 3mbps upload speeds according to commonwealth-connection.com

The measure *Satisfaction with Access to Care in Emergency Services* remains below baseline, despite improving from FY 2023. Emergency room wait times continue to be elevated significantly above baseline times. Ballad cites staffing shortages as a primary cause. The access measure ED1: Median Time from ED Arrival to Transport for Admitted Patients has seen improvement over FY 2023, which had been the longest wait times Ballad Health reported after a steep increase following the COVID-19 pandemic. The below figures chart ED1 as reported by Ballad in their Annual Reports including a baseline from before the merger (2017).



The ED1 measure was retired by CMS and therefore cannot be compared to state or national averages. The CMS site does however have another metric which we can look at, the average (median) time patients spent in the emergency department before leaving from the visit, available on Medicare.Gov.

Medicare.gov Care Compare Quality Data					
Average (Median) Time Patients Spent in the Emergency Department Before Leaving from the Visit					
Virginia Ballad Health Hospitals	Volume	Minutes	Hours	Compared to State Avg	Compared to National Avg
Dickenson Community Hospital	Low	110	1.83	-20%	-10%
Lonesome Pine Hospital	Low	142	2.37	3%	16%
Lee County Hospital	Low	113	1.88	-18%	-7%
Russell County Hospital	Low	120	2.00	-13%	-2%
Smyth County Community Hospital	Low	152	2.53	10%	25%
Johnston Memorial Hospital	Medium	201	3.35	22%	15%

Data from Medicare.gov/care-compare. Retrieved 9/2/2025, covering periods within CYs 2023 and 2024. Comparisons made to State and National Averages from CMS based on ED Volume. A negative (black) number reflects the time is lower (better) than the comparison, and a positive (red) number means the time is higher (worse) than the comparison average.

From the above we can see that most of Ballad's low volume hospitals are performing similar to or better than the state average, except for Smyth County which shows a deviation from the national average of about half an hour. Johnston Memorial Hospital (the only medium volume hospital in Virginia) struggles most compared to the state average. Ballad made efforts to manage patient expectations and improve ED

wait times in FY 2024, including streamlining throughput processes and implementing discharge units. Ballad reports that all facilities “achieved a reduction in throughput times... with significant improvement in the larger facilities” (page 35 of Ballad’s FY 2024 Annual Report).

Ballad continued its efforts to ensure access to care through its policies and operational practices, including its generous policy for reduced or free care and presumptive eligibility program. Overall, the burden of proof for low-income patients has been significantly lessened through Ballad’s efforts. Ballad expanded support of programs to provide healthcare to low-income and uninsured individuals.

The Appalachian Highlands Care Network (AHCN) reached enrollment of 8,528. Ballad describes the AHCN as a program that “provides free ongoing prevention, primary care, diagnostics, emergency and inpatient services to enrolled members who are identified by care navigators embedded in community clinics, emergency departments and other care sites throughout the region.” Ballad also connects patients with legal resources through its expanded medical-legal partnership with the Appalachian School of Law and Virginia Tech.

Recruitment and Retention

Condition 19 requires Ballad to create and implement a plan to spend at least \$70 million over 10 years to equalize salary and benefits across the legacy hospitals and across the states. Ballad claims to have met the \$70 million minimum required by this condition, with most of the increased expenses continuing annually. As discussed in the response to Condition 19, the monitors reviewed Ballad’s efforts in this area during FY 2023 and FY 2024. They determined that some of the claimed salary increase expenses are improperly being counted by Ballad as salary equalization actions. Unless Ballad’s salaries were to become unequal in the future, there is no further opportunity for Ballad to equalize salaries and benefits. Therefore, other actions taken by Ballad should be considered as possible substitutes for additional equalization measures. To wit, Ballad increased salaries and benefits for identified categories of employees to enable Ballad to better retain and compete for new talent. While not properly categorized as equalization measures, these moves appear to be reasonable responses to market pressure on finite human resources.

Recruitment and retention rates of rural primary and specialty physicians, as well as nurses and ancillary providers, has failed to meet the expectations of many in the region. Ballad continues to recruit providers according to its recruitment plan. Ballad reports improvement in nursing turnover, with a rate of 13.8% for FY 2024. Average nursing hours per patient increased from 8.529 hours in FY 2023 to 9.364 hours in FY 2024.

VDH periodically reviews Ballad’s inventory of providers in each locale and monitors Ballad’s recruitment and retention efforts to ensure that identified needs for primary and specialty care providers are being prioritized. VDH will continue to closely monitor future changes within the provider needs assessment and recruitment efforts to ensure Ballad’s compliance with established requirements.

The Six Required Plans and Spending Commitments

Ballad has continued its implementation of its six comprehensive plans related to improving population health, health research and graduate medical education, health information exchange, access to clinical services for adults and children, and access to behavioral health services. The original three-year Plans were extended for one year due to the effects of the COVID pandemic, the declared emergency for which

ended June 30, 2022. Ballad provided updated Plans and one-year budgets (minimum) for each of the six plans during the last quarter of FY 2022 which cover FY 2024. Overall progress on the spending varies greatly between plans. As the minimum spending level is met for each Plan area, and the end of the spending schedule (FY 2028) contained in the revised Exhibit B grows closer, the Monitors and states must decide the fate of the six Plans – whether they will continue to be required, and if so, what form they will take. VDH maintains its position that the Virginia Order requires the continuation of the Plans in order to meet the requirements of the applicable Conditions of the Virginia Order.

Ballad did not meet spending commitments on two of the six required categories during FY 2024. For the year, Ballad met the required combined baseline and Plan spending commitment for four plans: Children's Health, Rural Health, Population Health, and Health Research & Graduate Medical Education. Spending fell short for Behavioral Health and the Health Information Exchange. The sum of the shortfalls is \$8,231,851, for which Ballad must either place this amount in a board designated fund or submit an alternate plan to correct the shortfall.

The monitors review Ballad's Baseline spending quarterly, along with the new and incremental Plan spending, to stay abreast of trends that affect Ballad's annual compliance with the overall spending requirements. Annually, the monitors retroactively review Ballad spending for appropriateness prior to applying expenditures against the Baseline and Plan spending requirements found in Exhibit B of the Virginia Order.

Ballad remains the lead backbone organization of the area-wide STRONG Accountable Care Community (ACC). The ACC boasts more than 250 member organizations and has chosen to focus on Strong Children and Families, with the overarching goal to improve population health across the region. It's stated mission is summarized as, "Through collective impact, STRONG ACC partners are building a region where every child – regardless of zip code, race/ethnicity, or circumstance – has the opportunity and support to become, thriving, and economically independent young adults." Ballad further leverages the "Strong" moniker by utilizing it in the names of related programs that support similar goals.

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 as of FY 2024. Additionally, the fourteen reasons given for the original approval of the Cooperative Agreement remain valid. 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.