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Hendrick Health

Baseline Performance Report
Submission Date: January 15, 2021 (Revised September 3, 2021)
Reporting Period: Pre-COPA baseline

Certificate of Public Advantage ("COPA")

Baseline Performance Report

This Baseline Performance Report (the "Report") is submitted pursuant to the Terms and Conditions of Compliance governing the Certificate of Public Advantage ("COPA") issued to Hendrick Health System on October 2, 2020 ("COPA Approval Date") with respect to the asset purchase agreement dated April 27, 2020, by and among Hendrick Medical Center ("HMC") and Community Health System Professional Services Corporation, Inc. ("CHSPSC" or "CHS") for substantially all of the assets used in the operation of Abilene Regional Medical Center ("ARMC", subsequently to be known as "HMC S") among others (collectively, the "Merger"), and the underlying transaction that closed on October 26, 2020 (the "Transaction Closing Date"). Information related to each of the Hendrick Health System hospitals (collectively, "Hendrick Health", "Hendrick," or "HH"), is included in this Report where appropriate.

This Report is intended to reflect the pre-Merger baseline performance of HMC and HMC S (formerly ARMC) to which future quarterly and annual COPA Reports may be compared. [1] This Report is based on trended historical fiscal year data and information as of the COPA Approval Date and Transaction Closing Date, as applicable and available ("Baseline Period"). Hendrick Health operates with a 12-month Fiscal Year ("FY") of September 1 to August 31. Within this Report, information or data stated as occurring between "FY2018 – FY2020" reflects these monthly date ranges.

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[1] Hendrick Health expects to submit its future quarterly reports within 90 days of the previous fiscal quarter end date. For example, the report covering the quarter ended November 30, 2020 will be submitted by February 28, 2021.

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I. Abbreviation Key

Abbreviation	Full Name
ARMC	Abilene Regional Medical Center
BRMC	Brownwood Regional Medical Center
CDM	Charge Description Master
CMS	Center for Medicare & Medicaid Services
COPA	Certificate of Public Advantage
HH	Hendrick Health
HMC	Hendrick Medical Center
HMC S	Hendrick Medical Center South (formerly ARMC)
HHSC	Texas Health and Human Services Commission

II. Baseline Performance Report

A. Summary of Requirements

As required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance, Hendrick Health must submit quarterly and annual reports regarding the Merger.

This Report and the associated attachments are based directly on the requirements listed in the guidance documents published by HHSC: "DRAFT COPA Reporting Instructions and Checklist Hendrick 12.11.2020.docx", "DRAFT Hendrick COPA Quarterly Data Reporting Template 12.1.2020.xlsx", and "DRAFT Hendrick COPA Annual Data Reporting Template 12.1.2020.xlsx."

B. Description of Process

Hendrick Health's senior management team, assisted by outside consultants and counsel, worked closely with relevant department heads to collect, analyze, and prepare for submission the information and data detailed in the HHSC guidance documents. Leaders of each department gathered the required information and validated the summaries and responses included in this Report to ensure accuracy and completeness to the fullest extent possible.

Hendrick Health Leadership

Name	Position
Brad D. Holland, FACHE	President and Chief Executive Officer
Joe Pearson, FACHE	System Vice President & Chief Operating Officer
Jeremy Walker	System Vice President & Chief Financial Officer
Norm Archibald	System Vice President, Foundation
Susie Cassle, MSN, RN, NEA-BC	System Vice President & Chief Nursing Officer
R. David Evans, Esq.	System Vice President, General Counsel
America Farrell, FACHE	System Vice President, Strategic Integration
Susan Greenwood, BSN, RN, FACHE	System Vice President, Quality
David Stephenson, FACHE	System Vice President, Hendrick Clinic & Hendrick Anesthesia Network
Susan Wade, FACHE	System Vice President, Infrastructure & Support
Kirk Canada	System Assistant Vice President, Business Dev. & Post-Acute Services
Mike Hart, BSN, MS, RN-BC	System Assistant Vice President, Information Technology
Courtney Head	System Assistant Vice President, Human Resources
Mark Huffington	System Assistant Vice President, Analytics
Tave Kelly	System Assistant Vice President, Revenue Cycle
Adam Wood	System Assistant Vice President, Supply Chain
Tim Riley	System Integration Consultant

III. Terms and Conditions for COPA-Approved Health System

A. Quality

1. Evidence demonstrating how health care quality has improved. COPA holders should also note in the narrative any areas in which health care quality has declined from the previous reporting period.

- *CMS Star Ratings*: HMC earned an overall quality rating of five (5) stars in August 2020, while ARMC earned two (2) stars (see **Table 1a** below). CMS Star Ratings are generally released twice per year, and are based on underlying quality measures with data collection periods that vary by measure. The overall CMS Star Rating for hospitals "summarizes quality information on important topics, like readmissions and deaths after heart attacks or pneumonia. The overall rating, between one (1) and five (5) stars, summarizes a variety of measures across seven (7) areas of quality into a single star rating for each hospital."[2] The seven (7) underlying quality measure groups include: (i) Mortality; (ii) Safety of care; (iii) Readmission; (iv) Patient experience; (v) Effectiveness of care; (vi) Timeliness of care; and (vii) Efficient use of medical imaging.[3] Future reports will reflect changes to the Star Ratings as new ratings are released.

Table 1a: Baseline Period Overall CMS Star Ratings[4]

Location	Baseline Period					
	FY2018		FY2019		FY2020	
	Jan	*Jul*	*Mar*	*Jul*	*Jan*	*Aug*
HMC	4	4	3	3	5	5
ARMC	3	3	2	2	2	2

- *Leapfrog Hospital Safety Grades*: HMC earned a "B" overall in the most recent Leapfrog Hospital Safety Grade release and ARMC earned a "C" (see **Table 1b** below). "Leapfrog Hospital Safety Grades (formerly known as Hospital Safety Scores) are assigned to over 2,600 general acute-care hospitals across the nation twice annually. The Safety Grade is becoming the gold standard measure of patient safety, cited in MSNBC, The New York Times, and AARP The Magazine. The Leapfrog Hospital Safety Grade uses up to 27 national performance measures from the Centers for Medicare & Medicaid Services (CMS), the Leapfrog Hospital Survey and information from other supplemental data sources. Taken together, those performance measures produce a single letter

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[2] *Source*: Medicare Compare, "Overall star rating for hospitals": https://www.medicare.gov/care-compare/resources/hospital/overall-star-rating.

[3] CMS provides additional detailed information about the measures included in each of the measure groups at https://data.cms.gov/provider-data/topics/hospitals/overall-hospital-quality-star-rating/#measure-included-by-categories.

[4] *Source:* Medicare Compare: https://www.medicare.gov/care-compare/#search.

grade representing a hospital's overall performance in keeping patients safe from preventable harm and medical errors. The Leapfrog Hospital Safety Grade methodology has been peer reviewed and published in the Journal of Patient Safety." Moreover, "[t]he Leapfrog Hospital Safety Grade is a bi-annual grading assigning 'A,' 'B,' 'C,' 'D' and 'F' letter grades to general acute-care hospitals in the U.S. It is the nation's only rating focused entirely on patient safety—preventable errors, accidents, injuries and infections."[5] Thus, Leapfrog Hospital Safety Grades use data collected from the Leapfrog Hospital Survey and publicly available CMS data, as well as supplemental data from sources like the American Hospital Association, to produce a single letter grade representing a hospital's overall performance in keeping patients safe from preventable harm and medical errors. The Safety Grade measures are divided into two domains: (1) Outcome Measures, including infections, falls and trauma, and preventable complications from surgery; and (2) Process/Structural Measures, including nursing leadership and engagement, computerized physician order entry systems, safe medication administration, hand hygiene policies, and the right staffing for the ICU. Leapfrog Hospital Safety Grades are assigned twice annually. Because the data sources vary by measure, the reporting period for the underlying data also varies.

Table 1b: Baseline Period Leapfrog Safety Grades[6]

Location	Baseline Period					
	FY2018		FY2019		FY2020	
	Spring	*Fall*	*Spring*	*Fall*	*Spring*	*Fall*
HMC	A	A	A	A	A	B
ARMC	C	C	C	B	C	C

- *Patient Admissions & Medicare Cost Report Data*: Inpatient admissions and outpatient volumes for FY2018-FY2020 are provided in **Item 2** of this Report. **Attachment 1** includes the 2018 Medicare Cost report packages for HMC and ARMC. The information contained for both organizations is related to the 2018 CMS Cost Reporting Year. The Medicare Cost Reports contain patient admissions data. Hendrick Health will provide the 2019 Medicare Cost Reports when they become available.

- *Patient Satisfaction Ratings*: In the fourth quarter of FY2020, both HMC and ARMC earned three (3) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey of patient satisfaction (see **Table 1c** below). The survey measures hospital patients' experiences including: communication with doctors, communication with nurses, responsiveness of hospital staff, cleanliness of the hospital, quietness of the hospital, communication about

[5] *Sources*: Leapfrog Hospital Safety Grade, "About the Grade": https://www.hospitalsafetygrade.org/about-the-grade#%3A%7E%3Atext%3DThe%20Leapfrog%20Hospital%20Safety%20Grade%2Cfrom%20other%20supplemental%20data%20sources; "20 Years After "To Err is Human," Leapfrog Hospital Safety Grades Prove Transparency Can Save Lives": https://www.leapfroggroup.org/news-events/20-years-after-%E2%80%9C-err-human%E2%80%9D-leapfrog-hospital-safety-grades-prove-transparency-can-save.

[6] *Source:* Leapfrog Research Group: https://ratings.leapfroggroup.org/.

medicines, discharge information, care transition, and their overall ratings of the hospital and willingness to recommend the hospital. Results are reported four times each year based on the prior four quarters of data. During the Baseline Period, HMC and ARMC maintained overall consistency of its patient survey rating.

Table 1c: Baseline Period Patient Satisfaction Rating Results[7]

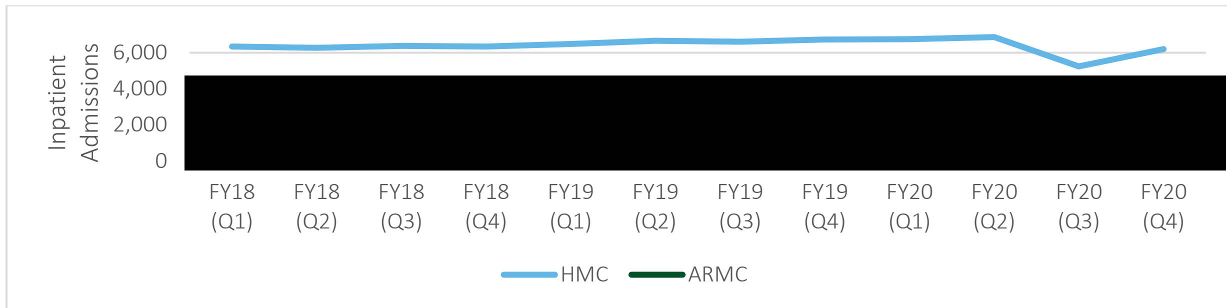
Location	Baseline Period											
	FY2018				FY2019				FY2020			
	Q1	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*	*Q1*	*Q2*	*Q3*	*Q4*
HMC	3	3	3	4	3	3	3	3	4	3	5	3
ARMC	3	3	3	3	3	3	3	3	3	3	2	3

2. Data for inpatient and outpatient numbers before the merger.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- *Inpatient Volumes*[8]*:* HMC inpatient admissions increased by approximately 4.7% between FY2018 and FY2019. However, following the onset of the COVID-19 pandemic in FY2020, admissions declined by approximately 5.5%. Admissions at ARMC [REDACTED] FY2018 and FY2019, [REDACTED] in FY2020. **Table 2a** shows quarterly inpatient admissions for FY2018 – FY2020. HMC [REDACTED] experienced significant declines in volume between March and May of 2020 as a result of the COVID-19 pandemic.

Table 2a: Baseline Period Inpatient Admissions

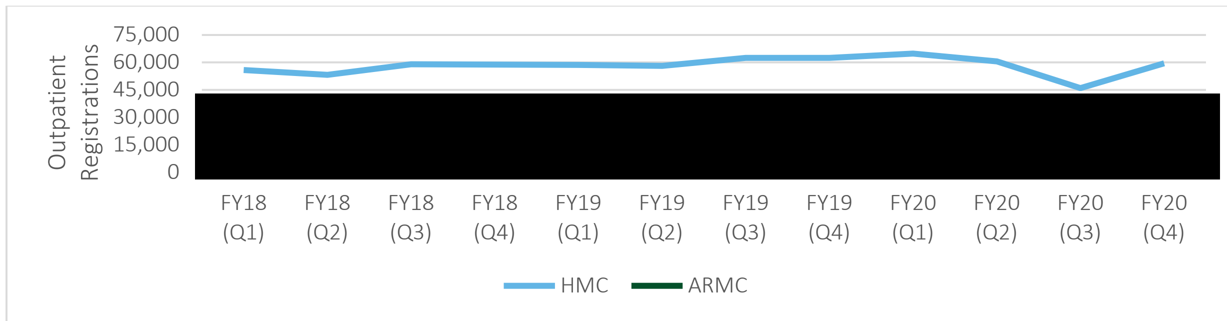


[7] *Source*: HCAHPS Patient Satisfaction Survey: HCAHPS Survey Results.

[8] [REDACTED]

- *Outpatient Volumes*[9]: Between FY2018 and FY2020, outpatient volumes at HMC increased overall by approximately 0.59% on a cumulative average quarterly basis. Similar to HMC's inpatient volumes, fluctuations during the Baseline Period show increases in outpatient volume of approximately 6.5% between FY2018 and FY2019 but decreases of approximately 4.5% between FY2019 and FY2020. ARMC's outpatient volumes between FY2018 and FY2019, and between FY2019 and FY2020. **Table 2b** below displays the quarterly change in outpatient volumes for HMC and ARMC. **Si**milar to inpatient volumes, HMC experienced significant declines in outpatient volume between March and May of 2020, largely as a result of the COVID-19 pandemic.

Table 2b: Baseline Period Outpatient Registrations

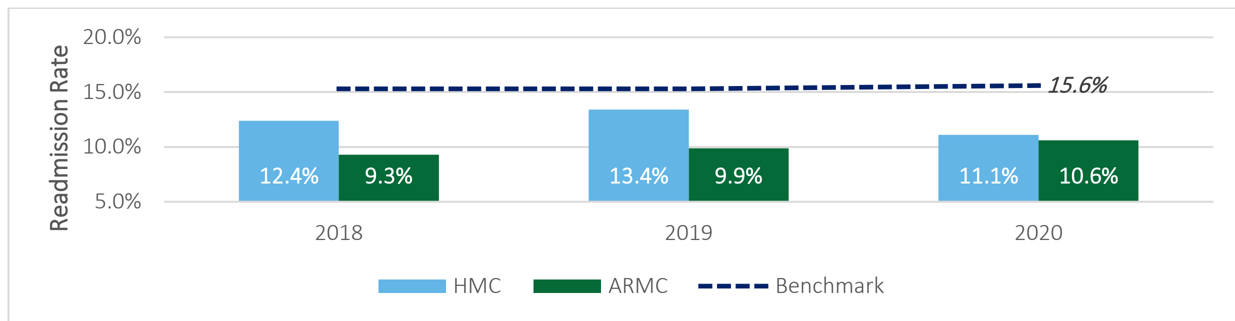


3. Patient readmission numbers before the merger.

- *Patient Readmission Numbers*: For the Baseline Period, HMC experienced an overall readmission rate between 11.1% and 13.4%. During the same time period, ARMC's overall readmission rate was between 9.3% and 10.6%. The "Patient Readmission" metric reported is the "Unplanned Hospital Visit" benchmark in the CMS Care Compare data, which is used in the CMS Star Ratings. Per CMS guidance: "The overall rate of unplanned readmission after discharge from the hospital (also called 'hospital-wide readmission') focuses on whether patients who were discharged from a hospital stay were hospitalized again within 30 days. All medical, surgical and gynecological, neurological, cardiovascular, and cardiorespiratory hospital patients are included in this measure. Patients may have returned to the same hospital or to a different hospital. They may have been readmitted for a condition that is related to their recent hospital stay, or for an entirely different reason." Nonetheless, both HMC and ARMC maintained on average a lower rate of unplanned patient readmissions compared to the national average. Additionally, Hendrick Health has put a number of process improvement measures in place to further reduce readmissions at all of its hospitals.

[9]

Table 3: Baseline Period Patient Readmissions[10]



4. Any association between increased patient volumes and better patient outcomes.

- Higher patient volumes are associated with better outcomes across a wide range of procedures and conditions. This proposition is supported by articles from members of the academic community and governing specialty organizations.[11] In terms of increased patient volumes data and patient outcomes, this Item 4 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care.

- Item 5 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- The quality measures included in this Report are summarized below in **Table 6a** and **6b**:

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[10] *Source*: Medicare Compare, "Unplanned Hospital Visit" benchmark (Medicare.gov).

[11] *See* Institute of Medicine, "Interpreting the Volume- Outcome Relationship in the Context of Health Care Quality: Workshop Summary," at p. 4-5 (2000), https://www.nap.edu/catalog/10005/interpreting-the-volumeoutcome-.

Table 6a: HMC Summary of Quality Measure Performance during Baseline Period

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020			
CMS Star Rating	Pg. 8	4		4		3		3		5		5	
Leapfrog Safety Grades	Pg. 8	A		A		A		A		A		B	
Pt. Satisfaction Rating	Pg. 9	3	3	3	4	3	3	3	3	4	3	5	3
Inpatient Volumes	Pg. 9	25k				27k				25k			
Outpatient Volumes	Pg. 10	227k				242k				231k			
Patient Readmissions	Pg. 10	12.4%				13.4%				11.1%			

Table 6b: ARMC Summary of Quality Measure Performance during Baseline Period

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020			
CMS Star Rating	Pg. 8	3		3		2		2		2		2	
Leapfrog Safety Grades	Pg. 8	C		C		C		B		C		C	
Pt. Satisfaction Rating	Pg. 9	3	3	3	3	3	3	3	3	3	3	2	3
Inpatient Volumes	Pg. 9												
Outpatient Volumes	Pg. 10												
Patient Readmissions	Pg. 10	9.3%				9.9%				10.6%			

7. An explanation of challenges or related conditions affecting the system's ability to maintain and/or improve quality.

- Item 7 calls for information regarding post-Merger challenges. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger challenges occur and the relevant information becomes available.

B. Efficiencies

8. Data regarding emergency department closures since the merger.

- *Current Emergency Department Locations*: As of the COPA Approval Date, HMC operated two Emergency Departments, and ARMC (now HMC S) operated one Emergency Department. No changes have occurred since the Transaction Closing Date in the number of Emergency Departments Hendrick Health operates. Each location is listed in **Table 8a** and **8b** below.

Table 8a: HMC Emergency Departments

Emergency Department Location	Address	Status
Waters Emergency Care Center (*HMC*)	1900 Pine Street, Abilene, TX 79601	Open
Hendrick Emergency Care Center Plaza	5302 Buffalo Gap Road, Abilene, TX 79606	Open

Table 8b: HMC S Emergency Department

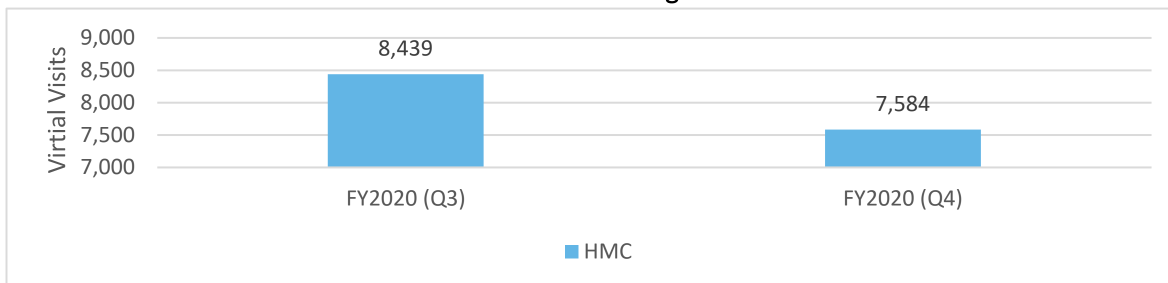
Emergency Department Location	Address	Status
Hendrick Emergency Care Center South (*HMC S*)	6250 US-83, Abilene, TX 79606	Open

- *Emergency Department Closures*: Hendrick Health has no plans to close any Emergency Departments as of the date of this Report.

9. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals' ability to treat a larger patient population.

- *Telehealth*: HMC began offering telehealth services in March 2020, which represented an accelerated start driven by the COVID-19 pandemic and the subsequent need for patients to receive care virtually. HMC provided telehealth services, including primary and other non-emergency care services, to 16,023 patients through its virtual care platforms from March through August 31, 2020. Hendrick Health uses a combination of platforms, including Doxy.me and Athena Health to provide these services to patients. ARMC did not provide telehealth services prior to the Merger. Post-Merger, Hendrick Health plans to expand services to HMC S in order to provide virtual care to additional patients. Any changes to the telehealth offerings post-Merger will be noted in future submissions.

Table 9: Number of Patients Treated via Telehealth During Baseline Period



10. A description of any workforce reduction since the issuance of the COPA based on occupation, i.e. doctors, nurses, support staff, etc. Include the numbers and job titles of any position eliminated, the total number of employees before and after the reduction and explain any impact the reduction has on patient service delivery.

- *Baseline Workforce:* As of the Transaction Closing Date, HMC and ARMC employed a combined 4,160 employees, as detailed in **Table 10** below. Any changes to the workforce post-Merger will be noted in future reports. Hendrick Health has committed to utilizing the existing workforces and offering employees of HMC and ARMC comparable positions in the combined system. Furthermore, Hendrick Health anticipates hiring additional staff to provide necessary services at legacy ARMC that had been provided previously by out-of-state or third-party contracted workers before the Merger.

- *Impact of COVID-19 on Workforce*: As noted in prior sections relating to volume fluctuations, COVID-19's impact on HMC and ARMC operations is easily observed. However, neither facility reduced its workforce due to the pandemic; rather, both facilities have experienced increased demand for staff as noted in **Item 43** within this Report.

Table 10: Workforce as of Transaction Closing Date[12]

Location	Employees
HMC	3,493
ARMC	667
Total	**4,160**

11. Data and financial reports demonstrating savings from the reduction in duplication of resources.

- Pre-Merger, as more fully explained in Hendrick Health's COPA application, Hendrick Health had preliminary plans to evaluate the following areas to improve efficiencies or cost savings: clinical and administrative leadership; medical staff functions; right-sizing of the labor force; patient transfer coordination; purchased services and vendor contracts; and medical staff recruiting. In terms of specific data and/or financial reports, this Item 11 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

[12] Note employee headcount includes employed physicians and advanced practice clinicans.

12. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- *Pre-Merger Coordination of Services*: Prior to the Merger, HMC entered into several strategic collaborations as part of its commitment to coordinate services and improve access to healthcare for the surrounding community.

- *Post-Merger Coordination of Services:* Item 12 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

13. Data demonstrating reinvestment in the combined healthcare system.

- Item 13 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

14. Data and financial reports reflecting the savings in each area referenced in the Efficiency Section of the COPA Terms and Conditions.

- Item 14 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

15. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger. Please note in the narrative any currently remaining deficiencies and explain the strategy for remedying these deficiencies.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- *Pre-Merger Operating Deficiencies*:

Table 15: Pre-Merger Facility Operating Deficiencies

- *Post-Merger Operating Efficiencies*: Item 15 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

16. Data on the pricing, quality, and availability of ancillary health care services.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- *Ancillary Health Services Pricing and Availability*: The gross charges[13] for HMC's ancillary health services are set forth in the HMC Charge Description Master ("CDM"). HMC contracts with various commercial health plans, which generally reimburse ancillary health services based on a negotiated fee schedule or percentage discount of gross charges. However, less than of HMC's patients are insured by commercial payors. The majority of HMC patients are insured by government payors which set the reimbursement rates for those patients without negotiations. **Table 16a** below identifies HMC's Baseline Period volumes and CDM charges for the top five tests, treatments, or procedures for the following categories of ancillary health services: Laboratory, Imaging, Pharmacy, and Respiratory Therapy. ARMC data related to the pricing and availability of ancillary health care services for the Baseline Period is not available because Hendrick Health does not have access to such historical information from Community Health Systems ("CHS"). CHS is a large, for-profit health system based in Franklin, Tennessee that operates hospitals across the country. It is Hendrick Health's understanding that CHS's corporate administration maintained certain historical hospital-related data only at the corporate level, not locally at the hospital level. After the Merger, CHS did not provide Hendrick Health with access to corporate level data. Thus, some historical ARMC data, including pricing and availability data for ancillary health services, is not available to Hendrick Health.

Table 16a: HMC Ancillary Health Services

	Volume			Gross CDM Charge		
Ancillary Service	*FY2018*	*FY2019*	*FY2020*	*FY2018*	*FY2019*	*FY2020*
Laboratory Services						
Routine Venipuncture	259,445	279,715	277,465			
Blood Glucose Monitor	163,701	179,620	176,460			
CBC With Diff	143,510	153,071	144,129			
Comp. Metabolic Panel	103,442	111,356	106,789			

[13] Gross charges are charges prior to any contractual discount allowance for various payor classes.

Basic Metabolic Panel	37,166	39,995	38,365	
Imaging Services				
SCR Mammography	11,265	11,851	11,064	
Breast Tomo Screening	10,129	11,265	10,503	
Vascular Ultrasound	2,952	3,210	2,958	
Renal Ultrasound	2,137	2,295	2,370	
Gallbladder Ultrasound	2,046	2,246	2,287	
Pharmacy				
Sodium Chloride 0.9%	501,084	534,077	507,539	
Insulin Injection (1 Unit)	431,715	487,873	448,408	
Iodine Contrast (LOCM)	458,090	426,266	401,327	
Iodine Contrast (Visipaque)	162,378	232,207	280,579	
Insulin Injection (5 Units)	119,401	104,044	110,294	
Respiratory Therapy				
SVN-MDI Airway Treatment	67,977	80,169	74,606	
Arterial Puncture	6,683	6,996	6,653	
Full Body Chamber (30 min)	7,264	6,746	5,785	
Ventilation Assist[14]	4,573	3,899	4,552	
CPAP	3,502	4,805	4,254	

- *Ancillary Health Services Quality*: **Table 16b** and **Table 16c** below show the HMC and ARMC quality scores for certain Medicare Compare and Leapfrog Safety Group quality measures specifically related to ancillary health services, for the Baseline Period. Additionally, **Item 1** of this Report includes quality measures that consider all hospital operations for HMC and ARMC, including ancillary health services.

[14] Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% as compared to FY2019.

Table 16b: HMC Ancillary Health Services Quality Scores[15]

	Baseline Period											
Experience	FY2018				FY2019				FY2020			
Use of Medical Imaging[16]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OP-8. MRI Lumbar Spine - Low Back Pain	44.8%	44.8%	44.8%	36.4%	36.4%	36.4%	36.4%	35.1%	35.1%	35.1%	35.1%	31.8%
OP-10. Abdomen CT - Use of Contrast Material	9.0%	9.0%	9.0%	6.8%	6.8%	6.8%	6.8%	7.8%	7.8%	7.8%	7.8%	6.9%
Medication Safety												
Safe Medication Ordering[17]	*Not Available*		*Not Available*		*Not Available*		*Not Available*		*Not Available*		100	

Table 16c: ARMC Ancillary Health Services Quality Scores

	Baseline Period											
Experience	FY2018				FY2019				FY2020			
Use of Medical Imaging[18]	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
OP-8. MRI Lumbar Spine - Low Back Pain	46.0%	46.0%	46.0%	44.8%	44.8%	44.8%	44.8%	43.7%	43.7%	43.7%	43.7%	34.2%
OP-10. Abdomen CT - Use of Contrast Material	7.5%	7.5%	7.5%	11.1%	11.1%	11.1%	11.1%	5.9%	5.9%	5.9%	5.9%	5.4%
Medication Safety												
Safe Medication Ordering[19]	*Not Available*		*Not Available*		*Not Available*		*Not Available*		*Not Available*		45	

17. Data on the pricing, quality, and availability of physician services.

- *Physician Services Pricing and Availability*: The gross charges for HMC's hospital-based physician services are set forth in the HMC CDM. HMC contracts with various commercial health plans, which generally reimburse physician services based on a negotiated fee schedule or percentage discount of gross charges. However, less than 30% of HMC's patients are insured by commercial payors. The majority of HMC patients are insured by government payors which set the reimbursement rates for those patients without negotiations. **Table**

[15] Information reported by Medicare Compare, and Leapfrog Safety Group agencies (Medicare.gov and Leapfrog Group). Based on subsequent instructions from HHSC, information regarding BRMC need not be separately reported. Please see above for information about data for the pricing and availability of ancillary health care services for ARMC. As for quality data for ARMC, relevant quality scores for the Baseline Period, available through publicly reported sources, are provided in Table 16c.

[16] In regards to the percentages provided for medical imaging (OP-8 and OP-10), lower values are more favorable. OP-8 measures the "[p]ercentage of outpatients with low-back pain who had an MRI without trying recommended treatments (like physical therapy) first." As CMS explains, "[h]ospitals that are rated well on [OP-8] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary MRIs for low-back pain." As for OP-10, it measures the "[p]ercentage of outpatient CT scans of the abdomen that were 'combination' (double) scans." CMS explains that "[h]ospitals that are rated well on [OP-10] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary double/combination scans."

[17] Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as "Safe Medication Ordering," are not available for FY2018, FY2019, or Spring of FY2020.

[18] *See supra* note 16.

[19] *See supra* note 17.

17 below identifies Baseline Period volumes and the average CPT charges for select CPT codes for hospital-based emergency department physician services. As shown in **Table 17**, there are five ED Visit and Evaluation levels. These levels refer to the Emergency Severity Index ("ESI") triage acuity rating. The urgency of patient care is classified according to these ESI levels. Nurses assign the level/classification given the severity and nature of the patient's condition that is known to the nurse. This information is obtained from the patient's account of their complaint and the nurse's observation and primary assessment of the patient.

- Level 1 means the patient's conditions present an imminent threat to life and/or limb.
- Level 2 means the patient's conditions are serious but not an immediate threat to life and/or limb.
- Level 3 means the patient is stable and requiring two or more resources to evaluate and treat.
- Level 4 means the patient is stable and requiring one resource to evaluate and treat.
- Level 5 means the patient is stable and requiring no resources to evaluate and treat.

ARMC data related to the pricing and availability of physician services for the Baseline Period is not available because Hendrick Health does not have access to such historical information from CHS. CHS is a large, for-profit health system based in Franklin, Tennessee that operates hospitals across the country. It is Hendrick Health's understanding that CHS's corporate administration maintains certain historical hospital-related data only at the corporate level, not locally at the hospital level. After the Merger, CHS did not provide Hendrick Health with access to corporate level data. Thus, some historical ARMC data, including pricing and availability data for physician services, is not available to Hendrick Health.

Table 17: Select Physician Services for Baseline Period

		Volume			Average CPT Charge		
CPT	Description	*FY2018*	*FY2019*	*FY2020*	*FY2018*	*FY2019*	*FY2020*
99283	ED Visit and Evaluation – Level 3	28,599	28,218	22,120	$1,020	$1,098	$1,185
99282	ED Visit and Evaluation – Level 2	18,014	12,106	7,614	$617	$745	$807
99284	ED Visit and Evaluation – Level 4	11,474	12,723	17,905	$2,041	$2,205	$2,391
99281	ED Visit and Evaluation – Level 1	4,172	5,151	2,430	$314	$396	$428
99285	ED Visit and Evaluation – Level 5	3,659	6,268	11,406	$4,459	$4,819	$5,210

- *Physician Services Quality*: The composite Merit-Based Incentive Program (MIPS) score serves as an indicator of the quality and cost of physician services. For FY2018, HMC received a MIPS score of 100. For services provided in FY2019, HMC scored a composite MIPS score of 97, out of 100 possible points. The 2019 MIPS score is based on four categories, each representing a specific weight of the final composite score: (i) Quality (45%); (ii) Promoting Interoperability

(25%); (iii) Improvement Activities (15%); and (iv) Cost (15%).[20] A breakdown of points awarded is not available because CMS does not report MIPS scores broken down by category. Additionally, the FY2020 MIPS score has not yet been finalized, and scores are not expected to be released by CMS until August 2021. Historical MIPS score for ARMC is not available because Hendrick Health does not have access to such historical information from CHS. CHS is a large, for-profit health system based in Franklin, Tennessee that operates hospitals across the country. It is Hendrick Health's understanding that CHS's corporate administration maintains certain historical hospital-related data only at the corporate level, not locally at the hospital level. After the Transaction, CHS did not provide Hendrick Health with access to corporate level data. Thus, some historical ARMC data, including historical MIPS scores, is Not Available to Hendrick Health.

18. Data on the consolidation of clinic services, identifying the types of services per county in the geographic service area and how the consolidation of these services improved patient outcomes.

- *Consolidation of Services:* Services offered as of the Transaction Closing Date by Hendrick Health are outlined in **Attachment 2**, and within the Accessibility Section of this Report, under **Item 26**. Item 18 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. As for post- merger consolidated clinic services, additional information will be reported in future quarterly submissions as post-Merger changes occur and the relevant information becomes available.

19. A description of steps taken to reduce costs and improve efficiency.

- Hendrick Health has developed plans for clinical optimization that will move or focus certain services or procedures to specific sites of care to eliminate current clinical inefficiencies and reduce costs, while minimizing any adverse impact on patients. Hendrick Health will identify services that can be moved, curtailed, or optimized to provide more efficient, higher quality care to all patients, while reducing costs. Hendrick Health will continue to evaluate such opportunities post-Merger, and will report on such steps taken in future quarterly reports, as applicable.

20. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.

- Item 20 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about

[20] Centers for Medicare Services, Quality Payment Program (https://qpp.cms.gov/mips/overview).

the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

21. Any contracted services that have changed since the last report, with an explanation for each change.

- *Changes to Contracted Services*: As of the COPA Approval Date, HMC and ARMC maintained agreements for various purchased services to support its operations. Pre-Merger, Hendrick Health had an arrangement to allow employed cardiovascular surgeons with Hendrick Physician Network to provide cardiovascular call coverage at ARMC. Prior to the Merger, ARMC had no employed cardiovascular surgeons.

22. Any healthcare-related service contract changes in the previous quarter and the explanation for the change.

- *Changes to Contracted Health Care Services*: As noted in the previous section, Hendrick Health maintains agreements with a variety of third-party service providers and plans to evaluate these agreements going forward and will report future changes as required. Occasionally, HMC has contracted with certain physician staffing agencies to provide select services where HMC has not been able to secure a local provider. One recent example of this, was an agreement with a locum tenens physician agency to provide Gastroenterology services. HMC was able to recruit and secure local Gastroenterology services and subsequently no longer needed the agreement.
- The following list includes examples of various types of HMC healthcare-related service contracts that existed during the Baseline Period:
  - Independent contractor physician agreements;
  - Independent contractor physician group agreements;
  - Locum Tenens agreements;
  - Medical director agreements;
  - Physician recruitment agreements;
  - Medical supply vendor agreements;
  - Pharmacy supplier agreements;
  - Consulting agreements;
  - Maintenance service agreements;
  - Biomed service agreements;
  - Information Technology contracts;
  - Human resources recruitment agreements; and
  - Purchased services agreements.
- Any significant changes occurring with HMC's healthcare-related service contracts will be addressed in future quarterly reports, as applicable.
- Moreover, a comprehensive list of legacy ARMC's third- party agreement providers was Not Available, and it is not known to Hendrick Health whether such list was kept in the ordinary course of business.

23. Progress report regarding the adoption of the new IT Platform.

- *IT Platform*: As of the COPA Approval Date, HMC and ARMC operated on separate Electronic Medical Record ("EMR") and Enterprise Resource Planning ("ERP") systems, from different vendors. Hendrick Health intends to migrate HMC to Allscripts Sunrise EMR and Financials platform in January of 2021. Following that transition, Hendrick Health plans to migrate the other HMC locations from their current MedHost platform to AllScripts.

24. An explanation of challenges or related conditions affecting the system's ability to maintain and/or improve efficiencies.

- Item 24 calls for information regarding post-Merger challenges. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger challenges occur and the relevant information becomes available.

C. Accessibility

25. Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger.

- *Emergency Department Wait Times*: Average Emergency department (ED) wait times during the Baseline Period for HMC and ARMC are provided below in **Table 25a** and **Table 25b** respectively. For the purposes of this Report, average ED wait times is defined as the median time from arrival at the ED until time of discharge for outpatient ED patients.[21] HMC was considered a "Very High" volume hospital in 2020 because its ED patient volume was over 60,000 annually. During the Baseline Period, HMC's ED wait times remained below the national median time for "Very High" volume hospitals. During the Baseline Period, ARMC was considered a "Medium" volume hospital because its ED patient volume was between 20,000 and 39,999 patients annually. ARMC operated above the national median for "Medium" volume hospitals during the Baseline Period.
- Hendrick Health does not track any other patient wait times in the ordinary course of business.

Table 25a: HMC Average ED Wait Times for Baseline Period

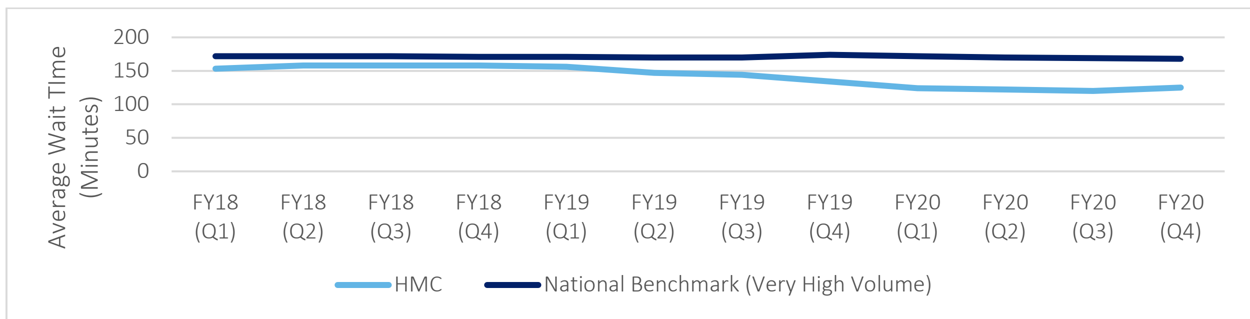
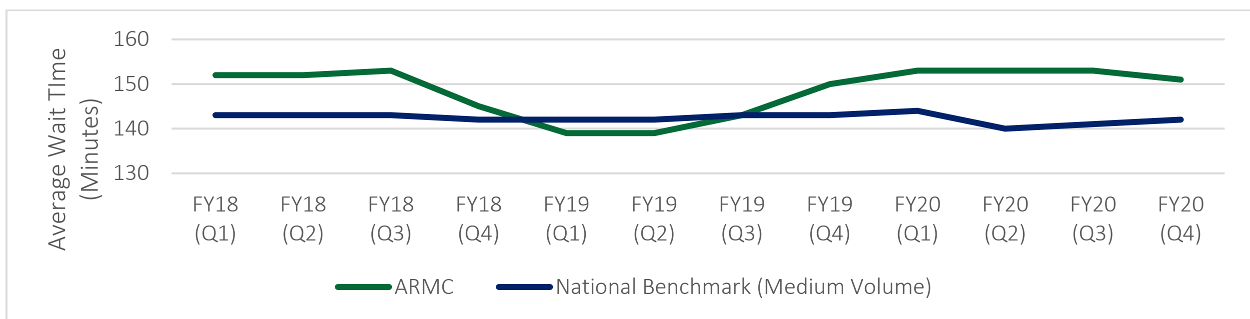


Table 25b: ARMC Average ED Wait Times for Baseline Period



[21] CMS has collected and reported various ED wait time measures at certain times. This particular ED wait time measure was selected for this Report because it has been consistently reported during the Baseline Period, and CMS has indicated that this measure will continue to be collected and reported in the future.

- Item 25 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

26. Data demonstrating any expansion in service delivery since the merger.

- *Service Line Expansion and Changes*: **Attachment 2** lists the clinical service lines offered at each hospital as of the Transaction Closing Date. Changes will be reported in future submissions as the relevant post-Merger information becomes available.

27. Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- *Infrastructure Investment and Capital Expenditures*: Within the Baseline Period, HMC invested approximately $99.2M in capital and infrastructure expenditures. During the same time period, ARMC invested more than [redacted] in capital expenditures. See **Table 27** for a summary of capital, infrastructure and operating expenditures within the Baseline Period.

Table 27: Capital, Infrastructure and Operating Expenditures During Baseline Period

	FY2018	FY2019	FY2020
HMC			
Capital Expenditures	$25,875,503	$36,417,921	$36,952,809
Infrastructure Expenditures[22]	$3,724,662	$6,094,904	$3,527,362
Operating Expenditures	$427,184,003	$464,643,877	$508,700,000[23]
ARMC			
Capital Expenditures	[redacted]	[redacted]	[redacted]
Infrastructure Expenditures[24]	[redacted]	[redacted]	[redacted]
Operating Expenditures[25]	[redacted]	[redacted]	[redacted]

[22] HMC "Infrastructure Expenditures" are included within HMC "Capital Expenditures" line in **Table 27**.

[23] HMC FY2020 audited financials were not released at the time of this Report; as such, the amount utilized is based on information presented by HMC in its Q4 FY2020 bond disclosure, which is publicably available at: https://emma.msrb.org/IssuerHomePage/Issuer?id=39D05960D5B6A3DC20615CC7E1759CBE.

[24] [redacted]

[25] [redacted]

28. Evidence of any expansion of clinical services.

- **Attachment 2** to this Report lists the services provided at each of the hospitals as of the Transaction Closing Date. Future submissions will report on changes to and the expansion of services as events occur and the relevant post-Merger information becomes available.

29. A description of each patient service that changed or has been discontinued since the merger and an explanation of why the service has discontinued and the impact to patient care.

- This standard requests information about changes or discontinuations of patient services that took place post-Merger. As such, this standard will be explicitly included and addressed in future quarterly reports, as applicable.

30. The number of patients enrolled in each hospital's charity care program.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

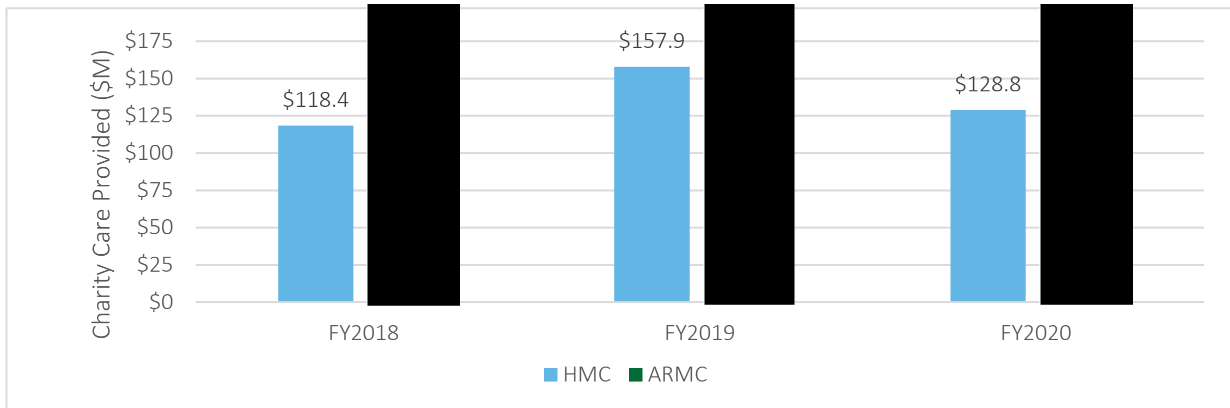
- During the most recent fiscal year (9/1/19 – 8/31/20), HMC enrolled 5,382 patients in charity care and financial assistance programs. During the same time period, ARMC provided charity care and financial assistance to ██ patients.

31. Data and financial reports for charity care services provided by each hospital.

[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- The annual financial investment in charity care for both HMC and ARMC for the Baseline Period is shown below in **Table 31**.
- Additionally, provided in **Attachment 7** are excerpts from Hendrick Health's available, historical 990s for FY2018 and FY2019, to support the charity care financial data provided by HMC.
- Hendrick Health does not have access to ARMC financial reports from CHS to support the financial data. CHS is a large, for-profit health system based in Franklin, Tennessee that operates hospitals across the country. It is Hendrick Health's understanding that CHS's corporate administration maintains certain historical hospital-related data only at the corporate level, not locally at the hospital level. After the Merger, CHS did not provide Hendrick Health with access to corporate level data. Thus, some historical ARMC data, including charity care services data and financial records, is not available to Hendrick Health.

Table 31: Charity Care During Baseline Period



32. **Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.**

- Item 32 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

33. **Data identifying changes to service levels at the hospitals and at other facilities, including service levels available to the public and any reduction in service levels available to the public.**

- As background, service level designations vary by the service being provided.
  - Trauma/ED: There are four recognized levels of trauma facility designation: Level 1 (Comprehensive), Level 2 (Major), Level 3 (General) and Level 4 (Basic).[26]
    - A Level 1 (Comprehensive) trauma facility is a tertiary care hospital that maintains a distinct leadership role in the trauma system development, optimal care delivery, evaluation, training and research. It is the regional resource trauma center in a system and has the capability to provide definitive care for every aspect of injury, prevention through rehabilitation.
    - A Level 2 (Major) facility is a hospital that can provide definitive care to victims of trauma. However, there are a few circumstances which may require the transfer of a patient to a more specialized hospital/physician. Again, it is important that each facility be proactive in formalizing a relationship with a tertiary care center in order to expedite the transfer of critically injured patients.

[26] *Source*: https://www.dshs.texas.gov/emstraumasystems/etrauma.shtm

- A Level 3 (General) trauma facility may provide tertiary care to most patients, but need to transfer of those needing more specialized care. Designation as a Level 3 trauma centers requires an outstanding commitment as this center provides prompt assessment, resuscitation and emergent intervention for severely injured trauma patients.
- A Level 4 (Basic) Trauma Centers provide the stabilization to critically injured patients despite having limited resources. These facilities provide the opportunity to develop entry points into the trauma system. A Level 4 facility may not be able to provide surgical intervention, but can provide access to an on-call trauma physician. For this reason, the development of treatment protocols for initial stabilization and the existence of transfer agreements are essential.

▪ <u>Neonatal/NICU</u>: There are four recognized levels for designated Neonatal facilities: Level 1 (Well nursery); Level 2 (Special care nursery); Level 3 (Intensive-care unit); Level 4 (Advanced intensive-care unit).[27]

- Level I facilities provide care for mothers and their infants generally of >=35 weeks gestational age who have routine, transient perinatal problems.
- Level II facilities provide care for mothers and their infants of generally >=32 weeks gestational age and birth weight >=1500 grams who have physiologic immaturity or who have problems that are expected to resolve rapidly and are not anticipated to require subspecialty services on an urgent basis; and either provide care, including assisted endotracheal ventilation for less than 24 hours or nasal continuous positive airway pressure (NCPAP) until the infant's condition improves, or arrange for appropriate transfer to a higher level designated facility. If the facility performs neonatal surgery, the facility shall provide the same level of care that the neonate would receive at a higher level designated facility and shall, through the Quality Assurance and Performance Improvement (QAPI) Program, complete an in depth critical review of the care provided.
- Level 3 facilities will provide care for mothers and comprehensive care of their infants of all gestational ages with mild to critical illnesses or requiring sustained life support; and provide for consultation to a full range of pediatric medical subspecialists and pediatric surgical specialists, and the capability to perform major pediatric surgery on-site or at another appropriate designated facility.
- Level 4 facilities will provide care for the mothers and comprehensive care of their infants of all gestational ages with the most complex and critically ill neonates/infants with any medical problems, and/or requiring sustained life support; and ensure that a comprehensive range of pediatric medical subspecialists and pediatric surgical subspecialists are available to arrive on-

[27] *Spurce*: https://www.dshs.texas.gov/emstraumasystems/neonatal.aspx

site for face to face consultation and care, and the capability to perform major pediatric surgery including the surgical repair of complex conditions.

- Maternal/MFM: There are four recognized levels for designated Maternal facilities: Level 1 (Basic Care); Level 2 (Specialty Care); Level 3 (Subspecialty Care); and Level 4 (Comprehensive Care).[28]
  - Level 1 facilities provide care for pregnant and postpartum patients who are generally healthy, and do not have medical, surgical, or obstetrical conditions that present a significant risk of maternal morbidity or mortality.
  - Level 2 facilities provide care for pregnant and postpartum patients with medical, surgical, and/or obstetrical conditions that present a low to moderate risk of maternal morbidity or mortality.
  - Level 3 facilities provide care for pregnant and postpartum patients with low risk conditions to significant complex medical, surgical and/or obstetrical conditions that present a high risk of maternal morbidity or mortality.
  - Level 4 facilities provide comprehensive care for pregnant and postpartum patients with low risk conditions to the most complex medical, surgical and/or obstetrical conditions and their fetuses, that present a high risk of maternal morbidity or mortality.

- The pre-Merger service levels are provided in **Table 33**.

Table 33: Pre-Merger Key Service Levels

Location	Pre-Merger Service Level (FY2020)		
	ED	*NICU*	*MFM*
HMC	3	3	3
ARMC	4	2	N/A

34. A list of the severe risks described in the application facing Taylor County and an explanation of how the merger led to the mitigation of these risks.

- The COPA application described the severe risks facing Taylor County in the context of Hendrick Health's Community Health Needs Assessment ("CHNA") from 2019. The CHNA report involved a year-long study to identify the more prevalent, unmet health needs of residents within Taylor County. Typically, Hendrick utilizes a CHNA to identify prevalent, unmet health needs in order to allocate resources to the areas of greatest need. Accordingly, Hendrick's CHNA identified three predominant health needs in the community to be prioritized, as of 2019:
  1) improving access to care (including mental health care, substance abuse support, primary care services, and affordable health care services);
  2) establishing crisis services, such as crisis or emergency care programs, and early intervention programs for substance abuse; and

[28] *Source*: https://www.dshs.texas.gov/emstraumasystems/maternal.aspx

3) promoting awareness, prevention, and screening services for health care needs, as well as specifically for those recovering from substance abuse.

- Importantly, however, please note that the year-long study for the CHNA, and the resulting 2019 CHNA report, were completed long before the unprecedented COVID-19 pandemic, as well as before the merger. As a result, Hendrick intends to conduct a CHNA refresh in order to account for and identify the evolving health needs in the community.

35. A description of how the merger has impacted rural healthcare in the hospitals' 24-county service area during the previous quarter, including any reduction in services.

- There is a rural health care crisis in Texas, and the crisis is exacerbated by fundamental health disparities between urban and rural populations. Many studies have shown that rural populations suffer a greater incidence of severe health problems than urban populations. One study noted that the rural health care crisis is exacerbated by the fact that rural populations have a greater rate of diabetes and suffer from a higher exposure to the opioid epidemic.[29] In Texas, rural populations face numerous health concerns, including adult obesity, lack of health knowledge or education, lack of access to mental health providers, shortage of primary care physicians, and unhealthy behaviors and lifestyles. As rural populations experience a disproportionately higher incidence of many serious health conditions and significant difficulty in accessing quality medical care, it is essential that people who choose to stay or are unable to move continue to have health care available in and around their local communities.

36. Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.

- **Table 36** lists the specialty and county location for the 113 physicians Hendrick Health employed as of the Transaction Closing Date. The region is also served by a number of community physicians not employed by Hendrick Health. While Hendrick Health does not maintain a comprehensive directory of these community physicians beyond those with medical staff privileges at Hendrick Health (covered subsequently in **Item 45** in this Report), public sources that identify community physicians including the Texas Medical Board Healthcare Provider Search and health plan provider directories are available.

[29] *Source*: Rural Relevance 2017: Assessing the State of Rural Healthcare in America, https://www.chartis.com/forum/wp-content/uploads/2017/05/The-Rural-Relevance-Study_2017.pdf.

Table 36: Employed Physicians by County Location

Specialty	Facility		County Service Locations		
	HMC	ARMC	Taylor	Brown	Nolan
Anesthesia	12	-	✓	✓	
Cardiology	14	2	✓		
Cardiovascular Surgery	4	-	✓		
Endocrinology	2	-	✓		
Family Medicine	5	6	✓	✓	✓
Gastroenterology	2	2	✓	✓	
General Surgery	4	3	✓		
Hospice	1	-	✓		
Infectious Disease	2	-	✓		
Internal Medicine	9	4	✓	✓	
Nephrology	2	-	✓		
Neurology	2	-	✓		
Neurosurgery	1	-	✓		
OB/GYN	7	1	✓		
Oncology	4	-	✓		
Ophthalmology	1	-	✓		
Orthopedic Surgery	2	2	✓		
Pain Medicine	2	-	✓		
Palliative Care	3	-	✓		
Plastic Surgery	1	-	✓		
Radiation Oncology	3	-	✓		
Rehab Medicine	1	-	✓		
Rheumatology	3	-	✓		
Urology	4	-	✓		
Wound Care	2	-	✓		
Total	93	20	✓	✓	✓

37. A copy of each hospital's charity care policy, identifying any changes to the policy in the previous quarter when changes occur.

- The Charity Care policies for HMC and ARMC as of the COPA Approval Date are included as **Attachment 3**. Any changes to the policy will be reported as required in future submissions.

38. A list of health plans each hospital contracted with during fiscal year 2019, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.

- Prior to the Merger, HMC and ARMC maintained agreements with the following health plans[30], as listed in **Table 38** below, which are estimated to represent approximately 90% or more of patient volumes from commercial payors for both hospitals. Hendrick Health will report on any post-

[30] List does not include direct employer agreements, workers' compensation, traditional Medicare and Medicaid, or other arrangements for discrete services (e.g., school services, occupational health).

Merger changes to the accepted health care plans and will provide a list of any health plan contracts terminated since the Merger in future submissions.

Table 38: Health Plans Accepted by HMC and ARMC Prior to the Merger

Organization
Aetna
Affiliated Healthcare
Alta Health Strategies
American Health Network
Amerigroup
Beech Street
Blue Cross Blue Shield of Texas
Cigna
Corporate Remedies
First Health PPO
Firstcare Health Plans
Health Headquarters LLC
HealthSmart Preferred Care
Healthspring
Humana Choicecare
Managed Care Inc.
Molina CHIP (via Texas True Choice)
MultiPlan
Omni Network
Prime Health Services
Private Healthcare Systems
Scott and White Health Plan
Superior Health Plan
Superior Health Plan Ambetter
Tricare (via Humana Military)
United Healthcare
Universal Healthcare Group
US Dept Veteran Affairs
USA MCO
Veterans Administration (via TriWest)
Veterans Evaluation Services

39. An explanation of challenges or related conditions affecting the system's ability to maintain and/or improve accessibility.

- Item 39 calls for information regarding post-Merger challenges. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger challenges occur and the relevant information becomes available.

D. Competition

40. Data illustrating the organizations' payment models.

- Prior to the Merger, HMC and ARMC participated in the following payment models listed in Table 40 below. Hendrick Health will report on any post-Merger changes to the payment models in future submissions.

Table 40: HMC and ARMC Pre-Merger Payment Models[31]

Payment Models
APR-DRG/MS-DRG
Case Rate
Medicare Fee Schedules
Percent of Billed Charge
Per Diem
Texas Medicaid Fee Schedules

41. Data demonstrating the payment models established since the merger in comparison to payment models before the merger.

- Item 41 calls for information regarding post-Merger changes. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger changes occur and the relevant information becomes available.

42. Data demonstrating the merger did not reduce competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals.

- Hendrick and ARMC face competition from a number of hospitals and health systems in their primary and secondary service areas. Post-Merger, Hendrick Health will continue to compete with large and significant health systems throughout the region, most of which are gaining strength. The robust competition for inpatient hospital services will continue from at least 19 other hospitals, listed below, all located in surrounding counties. Likewise, Hendrick Health also faces competition from freestanding emergency departments, urgent cares, ambulatory surgery centers, rural health clinics, and other healthcare providers located in Taylor County and the surrounding counties.

  Hendrick Health will continue to compete with the large health systems in the region, including without limitation:

  1. University Health System in San Antonio
  2. Houston Methodist – The Woodlands

[31] Excludes workers compensation payment models.

3. Parkland Health & Hospital System
4. Texas Health Harris Methodist Hospital Alliance
5. Texas Health Resources
6. Baylor Scott & White Health System
7. St. David's Healthcare
8. UMC Health System
9. Covenant Health System
10. United Regional Healthcare System
11. Cook Children's Health Care System

Hendrick Health competes with inpatient acute facilities within the primary and secondary service area, including without limitation:

1. Anson General Hospital; 101 Ave. J, Anson, TX 79501; Jones County
2. Ballinger Memorial Hospital; District 608 Ave. B, Ballinger, TX 76821; Runnels County
3. Cogdell Memorial Hospital; 1700 Cogdell, Blvd., Snyder, TX 79549; Scurry County
4. Coleman County Medical Center; 310 S Pecos St., Coleman, TX 76834; Coleman County
5. Comanche County Medical Center; 10201 TX-16, Comanche, TX 76442; Comanche County
6. Eastland Memorial Hospital; 304 S Daugherty Ave., Eastland, TX 76448; Eastland County
7. Encompass Health Rehabilitation Hospital of Abilene; 6401 Directors Pkwy., Abilene, TX 79606; Taylor County
8. Fisher County Hospital District; 774 TX-70, Rotan, TX 79546; Fisher County
9. Hamilton General Hospital; 400 N Brown St., Hamilton, TX 76531; Hamilton County
10. Haskell Memorial Hospital; 1 Avenue N, Haskell, TX 79521; Haskell County
11. Heart of Texas Healthcare System; 2008 Nine Rd., Brady, TX 76825; McCulloch County
12. Knox County Hospital District; 701 S E 5th St., Knox City, TX 79529; Knox County
13. Mitchell County Hospital; 997 W I-20, Colorado City, TX 79512; Mitchell County
14. North Runnels Hospital 7821 TX-153, Winters, TX 79567; Runnels County
15. Rolling Plains Memorial Hospital; 200 E Arizona Ave., Sweetwater, TX 79556; Nolan County
16. AdventHealth Rollins Brook Community Hospital; 608 N Key Ave., Lampasas, TX 76550; Lampasas County
17. Stephens Memorial Hospital; 200 S Geneva St., Breckenridge, TX 76424; Stephens County
18. Stonewall Memorial Hospital; 821 N Broadway St., Aspermont, TX 79502; Stonewall County
19. Throckmorton County Memorial Hospital; 802 N Minter Ave., Throckmorton, TX 76483; Throckmorton County

Additionally, the following is a non-exhaustive list of "freestanding healthcare facilities" in the primary and secondary service area, sorted by county, that Hendrick Health will continue to compete with:

Primary Service Area

Callahan County

- Baird Community Health Center; 128 W 4th St., Baird, TX 79504

Jones County

- Anson Family Wellness Clinic; 215 N Ave. J, Anson, TX 79501
- Hamlin Medical Clinic; 350 NW Ave. F, Hamlin, TX 79520
- Stamford Family Health Clinic; 1303 Mabee St., Stamford, TX 79553

Taylor County

- Abilene Cataract & Refractive Surgery Center; 2120 Antilley Rd., Abilene, TX 79606
- Abilene Center for Orthopedic and Multispecialty Surgery, LLC; 6449 Central Park Blvd., Abilene, TX 79606
- Abilene Community Health Center; 1749 Pine St., Abilene, TX 79601
- Abilene Diagnostic Clinic; 1665 Antilley Rd. 314, Suite 200, Abilene, TX 79606
- Abilene Endoscopy Center; 1249 Ambler Ave., Suite 100, Abilene, TX 79601
- Abilene Surgery Center LLC; 5601 Health Center Dr., Abilene, TX 79606
- Abilene Taylor County Public Health District; 850 N 6th St., Abilene, TX 79601
- Abilene White Rock Surgery Center, LLC; 2401 N Treadaway Blvd., Abilene, TX 79604
- Affordacare Urgent Care Clinic; 4009 Ridgemont Dr., Abilene, TX 79606
- Affordacare Urgent Care Clinic; 3101 S 27th, Abilene, TX 79605
- ELM Place Ambulatory Surgical Center; 2217 S Danville Dr., Abilene, TX 79605
- Express ER; 4157 Buffalo Gap Rd., Abilene, TX 79605
- FMC Dialysis Services of Abilene South; 2009 Hospital Pl., Abilene, TX 79606
- Fresenius Medical Care – Abilene Lone Star; 349 S Danville Dr., Abilene, TX 79605
- Fresenius Medical Care Abilene; 1802 Pine St., Abilene, TX 79601
- Medical Diagnosing Imaging of Abilene; 4349 S Treadaway Blvd., Abilene, TX 79602
- My Emergency Room 24/7; 4438 S Clack St., Suite 100, Abilene, TX 79606
- Texas Midwest Endoscopy Center LLC; 14 Hospital Dr., Suite B, Abilene, TX 79606
- Texas Midwest Surgery Center; 751 N 18th St., Abilene, TX 79601
- Walk-In Care Clinic; 1665 Antilley Rd., Suite 120, Abilene, TX 79606

Secondary Service Area

Brown County

- Accel Health Clinic Brownwood; 3804 US-377, Brownwood, TX 76801
- Brownwood Women’s Clinic; 98 S Park Dr., Brownwood, TX 76801

- Central TX Women's Clinic PA; 2201 Coggin Ave, Suite B, Brownwood, TX 76801
- Fresenius Medical Care Brownwood; 110 South Park Dr., Brownwood, TX 76801
- One Source Health Center - Early; 2005 Hwy. 183 N, Early, TX 76802

Coleman County
- Coleman WIC Clinic; 303 E College Ave., Coleman, TX 76834
- Coleman Medical Associates; 310 S Pecos St., Coleman, TX 76834
- Hensely Family Health Clinic; 105 N 2nd St., Santa Anna, TX 79606

Comanche County
- Doctors Medical Center; 10201 Hwy. 16, Comanche, TX 76442

Eastland County
- Eastland Dialysis Center; 2300 W Commerce St., Eastland, TX 76448

Fisher County
- Clearfork Health Center; 774 TX-70, Rotan, TX 79546
- Roby Rural Health Clinic; 117 E North 1st St., Roby, TX 79543

Hamilton County
- Hamiton Family Practice Rural Health Clinic; 303 N Brown St., Hamilton, TX 76531
- Hico Clinic; 104 Walnut St., Hico, TX 76457

Haskell County
- Haskell Rural Health Clinic; 1417 N 1st St., Suite A, Haskell, TX 79521

Kent County
- Kent County Rural Health; 1447 N Main St., Jayton, TX 79528

Knox County
- Knox County Clinic; 712 SE 5th St., Knox City, TX 79529
- Munday Clinic; 120 E D St., Munday, TX 76371

Lampasas County
- AdventHealth Family Medicine Clinic - Lampasas; 187 Private Rd. 3060, Lampasas, TX 76550
- Fresenius Medical Care Lampasas; 1202 Central Texas Expressway, Lampasas, TX 76550
- Seton Lampasas Healthcare Clinic; 1205 Central Texas Expressway, Lampasas, TX 76550

McCulloch County

- Brady Medical Clinic; 2010 Nine Rd., Brady, TX 76825
- Fresenius Kidney Care Brady; 2008 Nine Rd., Brady, TX 76825

Mills County

- Coryell Health Medical Clinic – Mills County; 1510 Hannah Valley Rd., Goldthwaite, TX 76844
- Family Practice Clinic of Mills County; 1501 W Front St., Goldthwaite, TX 76844

Mitchell County

- Family Medical Associates; 997 I-20, Colorado City, TX 79512

Nolan County

- Fresenius Kidney Care Rolling Plains; 100 E Arizona Ave., Sweetwater, TX 79556
- Rolling Plains Rural Health Clinic; 201 E Arizona Ave., Sweetwater, TX 79556

Runnels County

- Ballinger Hospital Clinic; 2001 Hutchins Ave., Suite C, Ballinger, TX 76821
- NRH Clinic; 7571 TX-153, Winters, TX 79567

San Saba County

- Baylor Scott & White Clinic – San Saba; 2005 W Wallace St., San Saba, TX 76877
- One Source Health Center – San Saba; 403 W Wallace St., San Saba, TX 76877

Scurry County

- Cogdell Family Clinic; 1700 Cogdell Blvd., Snyder, TX 79549

Shackelford County

- Shackelford County Health Clinic; 450 Kenshalo St., Albany, TX 76430

Stephens County

- Breckenridge Medical Center; 101 S Hartford St., Breckenridge, TX 76424

Stonewall County

- Stonewall Rural Health Clinic; 821 N Broadway St., Aspermont, TX 79502

Throckmorton County

- Throckmorton Rural Health Clinic; 802 N Minter Ave., Suite B, Throckmorton, TX 76483

Hendrick Health may continue to compete with other health care facilities located in Taylor County, including without limitation:

Home Health Agencies

1. Angels Care Home Health of San Angelo; 1961 Industrial Blvd., Abilene, TX 79602
2. Angels of Care Pediatric Home Health; 2585 S Danville Dr., Abilene, TX 79605
3. Big Country Healthcare Services; 749 Gateway St., Building F, Suite 702, Abilene, TX 79602
4. Caprock Home Health Services Inc.; 749 Gateway St., Suite 101, Abilene, TX 79602
5. Elara Caring; 749 Gateway St., Suite E-502A, Abilene, TX 79602
6. Encompass Health Home Health; 1 Village Dr., Suite 200, Abilene, TX 79606
7. Generations Home Health; 1290 S Willis St., Suite 209, Abilene, TX 79605
8. Home Instead Senior Care; 441 Lone Star Dr., Abilene, TX 79602
9. Kinder Hearts Home Health; 842 N Mockingbird Ln., Abilene, TX 79603
10. Kindred At Home; 100 Chesnut St., Abilene, TX 79602
11. Kindred At Home; 4400 Buffalo Gap Rd., Suite 2400, Abilene, TX 79606
12. Lifecare Home Care; 1290 S Willis St., Suite 107, Abilene, TX 79605
13. Outreach Home Care; 409 N Willis St., Abilene, TX 79603
14. Renew Home Health; 6382 Buffalo Gap Rd., Suite C, Abilene, TX 79606
15. Texas Home Health of America; 3303 N 3rd St., Suite A, Abilene, TX 79603
16. Theracare Services, LLC; 209 S Danville Dr., Suite B107, Abilene, TX 79605
17. Touching Hearts At Home; 3926 S. Treadway Blvd., Suite A-1, Abilene, TX 79602
18. Visiting Angels; 4090 S Danville Dr., Suite A, Abilene, TX 79605

Hospice Agencies

1. Kindred Hospice; 4400 Buffalo Gap Rd., Suite 1200, Abilene, TX 79606
2. Hospice of the Big Country; 4601 Hartford, Abilene, TX 79605
3. Kinder Hearts Hospice; 842 N Mockingbird Ln., Abilene, TX 79603
4. Encompass Health Hospice; 1 Village Dr., Suite 200a, Abilene, TX 79606

Skilled Nursing Facilities

1. The Oaks at Radford Hills; 725 Medical Drive, Abilene, TX 79601
2. Brightpointe at Lytle Lake; 1201 Clarks Dr., Abilene, TX 79602
3. Coronado Nursing Center; 1751 N 15th St., Abilene, TX 79603
4. Merkel Nursing Center; 1704 N 1st, Merkel, TX 79536
5. Mesa Springs Healthcare Center; 7171 Buffalo Gap Rd., Abilene, TX 79606
6. Northern Oaks Living & Rehabilitation Center; 2722 Old Anson Rd., Abilene, TX 79603
7. Silver Spring; 1690 N Treadway Blvd., Abilene, TX 79601
8. Wesley Court Health Center; 2617 Antilley Rd., Abilene, TX 79606
9. Willow Springs Health & Rehabilitation Center; 4934 S 7th St., Abilene, TX 79605
10. Windcrest Health & Rehabilitation; 6050 Hospital Rd., Abilene, TX 79606
11. Wisteria Place; 3202 S Willis St., Abilene, TX 79605

Select Other Health Care Facilities

1. Abilene Community Health Center; 1749 Pine St., Abilene, TX 79601
2. Cook Children's Pediatric Specialties Abilene; 410 Lone Star Dr., Abilene, TX 79602
3. Texas Oncology – Abilene; 1957 Antilley Rd., Abilene, TX 79606
4. Tim Martin M.D. (Independent Physician Office); 2110 N Willis St., Suite B, Abilene, TX 79603

43. Evidence of how patient choice is being preserved.

- HMC published its latest patient choice policy (**Attachment 4**[32]) on 10/13/2020 and there have been no changes to this policy, or the operational processes that support this policy, since that date. ARMC's pre-Merger patient choice policy is provided in **Attachment 4** as well. Additional information regarding post-Merger efforts to preserve and expand patient choice will be reported in future submissions covering the post-Merger period.

44. Evidence reflecting efforts to bring additional jobs to the area.

- As of the Transaction Closing Date, Hendrick Health had 163 open job listings posted. These roles cover both clinical and non-clinical positions across the organization. The list of open positions as of the Transaction Closing Date is provided in **Attachment 5**. By comparison, in 2019 HMC posted 24 job listings for the entire year, indicating significant demand for talent within the combined Hendrick Health system following the Transaction Closing Date.
- As further evidence, as of the COPA Approval Date, Hendrick Health has engaged a recruiting firm to enhance their ability to attract nursing talent, and has increased pay rates for patient care tech positions throughout the organization.
- Following the Transaction Closing Date, management positions that were previously held by out-of-state or third-party contracted workers will be filled with local on-site employees, as appropriate.

45. An explanation of challenges or related conditions affecting competition.

- Item 45 calls for information regarding post-Merger challenges. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger challenges occur and the relevant information becomes available.

[32] **Attachment 4** contains redactions on the portions of the attached HMC policy that are unrelated to patient choice.

E. Other Requirements

46. The number of physicians, allied professionals and other health care providers providing medical services that have privileges to practice at the hospital.

- *Privileged Providers*: A complete list of physicians, allied professionals and other health care providers with privileges at Hendrick Health is provided in **Attachment 6** to this Report. As of the Transaction Closing Date, Hendrick Health credentialed 1,147 health care providers, as detailed in **Table 46** below.

Table 46: Hendrick Health Credentialed Providers as of Transaction Closing Date

Privileged Provider Category	HMC	HMC S	HMC B
Physicians	468	236	196
Physician Assistants	37	18	2
Nurse Practitioners	54	22	7
Certified Registered Nurse Anesthetist	29	20	11
Other APC	45	2	--
Total	**633**	**298**	**216**

47. Any minutes or notes of meetings regarding the COPA and the portion of each hospital's governing body meeting minutes that discuss the COPA.

- To the extent meeting minutes or notes regarding the COPA, including portions of governing body meeting minutes that discuss the COPA, were kept pre-Merger and in the ordinary course of business, to the extent no applicable privileges exist, and to the extent such minutes or notes were available to Hendrick Health, Hendrick Health provides such documentation in **Attachment 8**.

48. Add Information on additional investments regarding infrastructure, capital expenditures and operating costs and how this affected patient care outcomes, population access to health care, and prevention services.

- Item 48 calls for information regarding post-Merger challenges. Because the Merger transaction closed in October 2020, less than a quarter ago, this Report provides information only about the pre-Merger period. Additional information will be reported in future submissions as post-Merger challenges occur and the relevant information becomes available.

IV. Attachments