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Hendrick Health

Anniversary Report Fiscal Year 2023

Reporting Period: 9/1/2022—8/31/2023

Submission Date: December 22, 2023

Certificate of Public Advantage ("COPA")

Anniversary Report for Fiscal Year 2023

This Anniversary Report for FY2023 (“COPA Anniversary Report”) is submitted pursuant to the revised Terms and Conditions of Compliance (effective October 1, 2023) governing the Certificate of Public Advantage (“COPA”) issued to Hendrick Medical Center *d/b/a* Hendrick Health on October 2, 2020 (“COPA Approval Date”) with respect to the purchase agreement of substantially all of the assets used in the operation of Abilene Regional Medical Center (“ARMC”, subsequently to be known as “HMC-S”) (collectively, the “Merger”). The underlying transaction closed on October 26, 2020 (the “Transaction Closing Date”). Information related to Hendrick Medical Center and Hendrick Medical Center South are collectively referred herein as “Hendrick Health” or “HH”. The revised Terms and Conditions of Compliance require Hendrick Health to submit an annual report each year by December 31.

This COPA Anniversary Report reflects the performance of HMC and HMC-S (formerly ARMC) for fiscal year 2023, the period of September 1, 2022 to August 31, 2023. Where applicable, this Report includes information or refers to information provided in the Baseline Performance Report that was submitted to HHSC on January 15, 2021, and reflects the pre-Merger baseline period of FY2018 – FY2020 (the “Baseline Performance Report”).

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I. Abbreviation Key

Abbreviation	Full Name
ARMC	Abilene Regional Medical Center
CDM	Charge Description Master
CMS	Centers 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. COPA Anniversary Report for FY2023

A. *Summary of Requirements*

As required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.34, and the revised 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: “Certificate of Public Advantage Terms and Conditions of Compliance for Hendrick Health System” effective October 1, 2023.

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
Robert Wiley, M.D.	Hendrick Health Vice President, Chief Medical Officer and Chief Quality Officer
Jeremy Walker	Hendrick Health Vice President, Chief Financial Officer
Bradley Benham, Esq.	Hendrick Health Vice President, Foundation
Susan Greenwood, BSN, RN, FACHE	Hendrick Health Vice President, Chief Nursing Officer
David Stephenson, FACHE	Hendrick Health Vice President, Hendrick Clinic
Susan Wade, FACHE	Hendrick Health Vice President, Abilene Market Chief Operating Officer
Kirk Canada, PT, ScD, DPT	Hendrick Health Vice President, Chief Operating Officer
Courtney Head	Hendrick Health Vice President, Human Resources
Brian Bessent, FACHE	Hendrick Health Vice President, Chief Strategy and Experience Officer
Judy LaFrance, MSN, RN, NE-BC	Chief Administrative Officer, Hendrick Medical Center South
Heater Ray, DNP, RN, CNRN	Hendrick Health Assistant Vice President, Abilene Market Chief Nursing Officer
Jesiree Driskell	Hendrick Health Assistant Vice President, Strategic Communication and Digital Experience
Chris Ford, FACHE	Hendrick Health Assistant Vice President, Support Services
Tave Kelly	Hendrick Health Assistant Vice President, Revenue Cycle
Adam Wood	Hendrick Health Assistant Vice President, Material Management
Mark Edwards	Hendrick Health Assistant Vice President, Information Technology
Mark Huffington	Hendrick Health Assistance Vice President, Analytics
Treva Broderick	Hendrick Health Assistant Vice President, Clinical Services
Tim Riley	System Integration Consultant

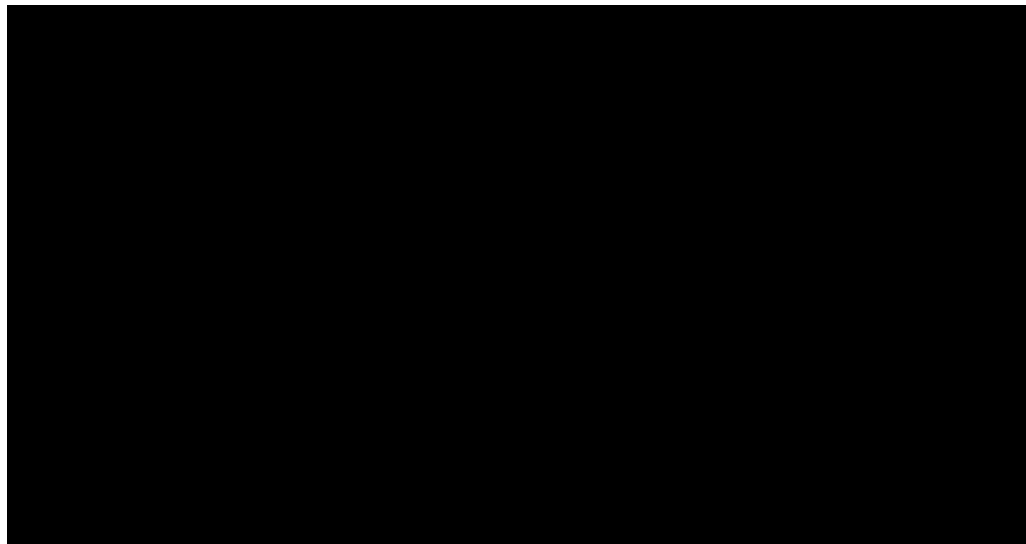
III. Terms and Conditions for COPA-Approved Health System

A. Mandatory Annual Reporting Terms

1. Information about the extent of the benefits attributable to the issuance of the COPA.

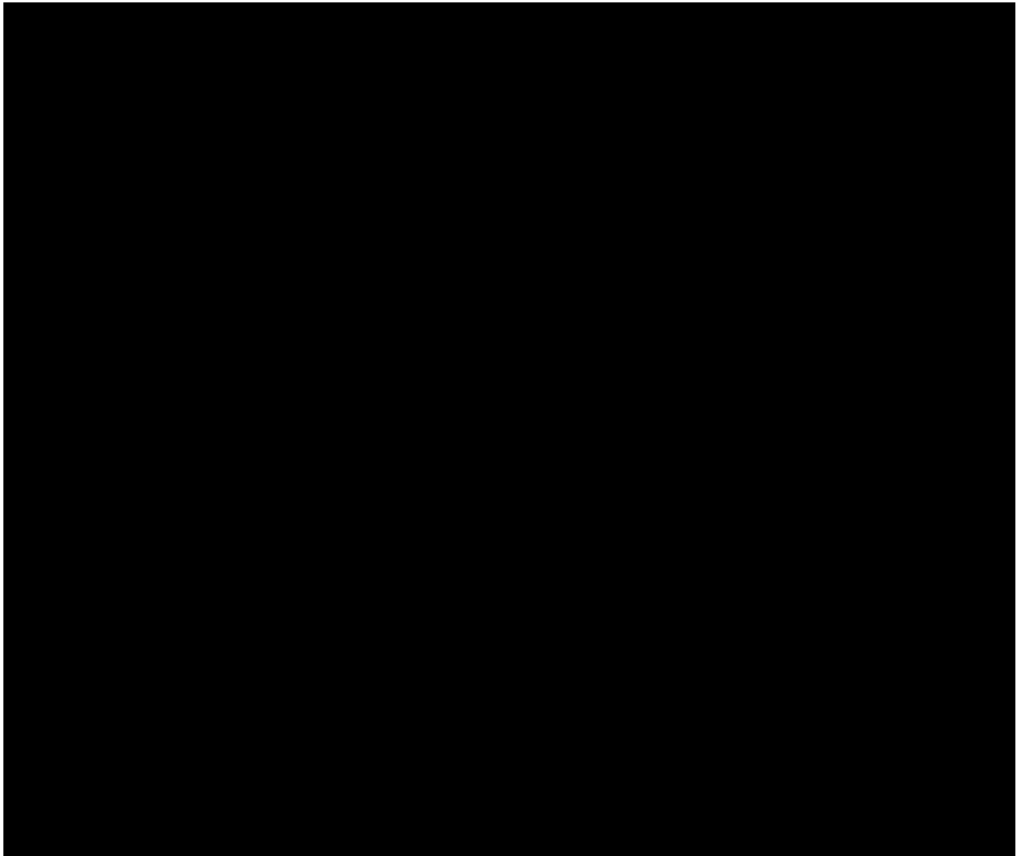
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- Since the Transaction closed in October 2020, Hendrick Health has improved healthcare quality and access while utilizing efficiencies to keep healthcare costs down, despite tremendous challenges caused by the COVID-19 pandemic, inflationary pressures, and other matters. Hendrick Health believes its larger, post-Merger combined medical staff has led to better planning and improvement in system-wide mechanisms for quality of care. Additionally, the consolidation of services has increased the availability of and patient access to such services, and Hendrick Health has thoughtfully evaluated clinical services across HMC and HMC-S for clinical optimization and/or expansion opportunities.
- Specifically, Hendrick Health has achieved these benefits through the following actions in FY2023:
 - Improved healthcare quality and patient outcomes:
 - Institution of quality improvement measures through system-wide goals for the following five specific quality measures: (1) reduce inpatient falls per 1,000 patient days to ≤ 3.40 ; (2) inpatient 30-day readmission reduction: observed rate \leq peer in 5 of 6 measures; (3) HAC reduction domain 2 HAI SIRs – Achieve ≤ 1.00 in each of 4 of 5 underlying measures¹; (4) reduce pressure ulcer ratio to ≤ 1.1 ; and (5) patient experience.²

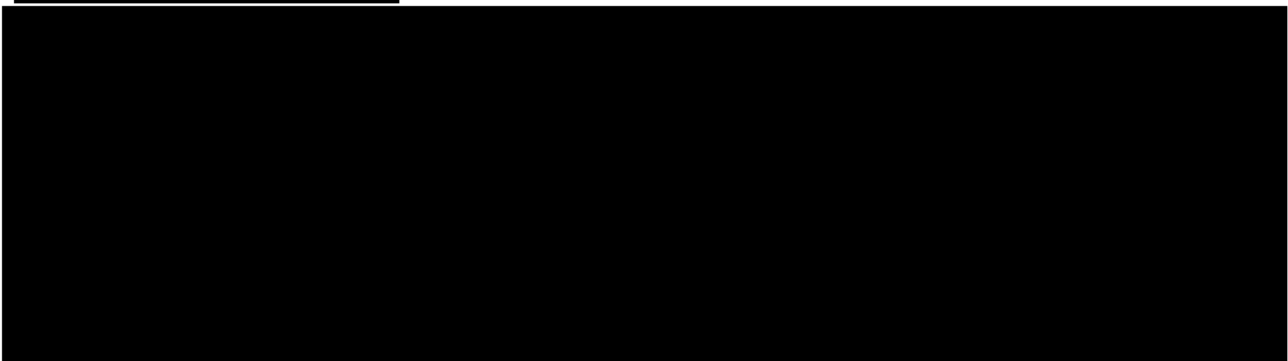
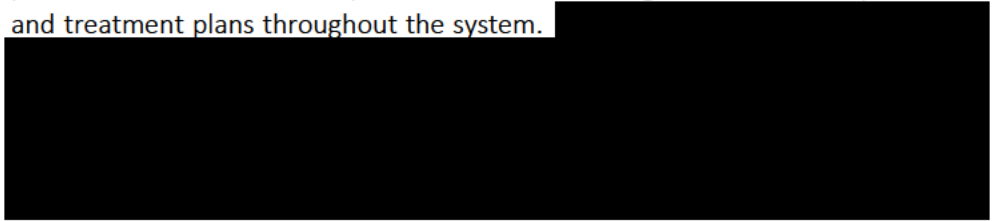


¹ Underlying measures include: Central Line Associated Bloodstream Infection (“CLABSI”), 1.00 or less; Catheter-Associated Urinary Tract Infection (“CAUTI”), 1.00 or less; Surgical Site Infection (SSI), 1.00 or less; Methicillin-Resistant Staphylococcus Aureus Bacteremia (“MRSA”), 1.00 or less; and Clostridium Difficile Infection (“CDI”), 1.00 or less.

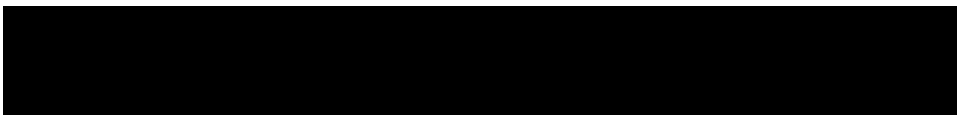
² Patient experience – Patient’s likelihood of recommending the hospital: Above 66% ranking 9 or 10 out of 10.

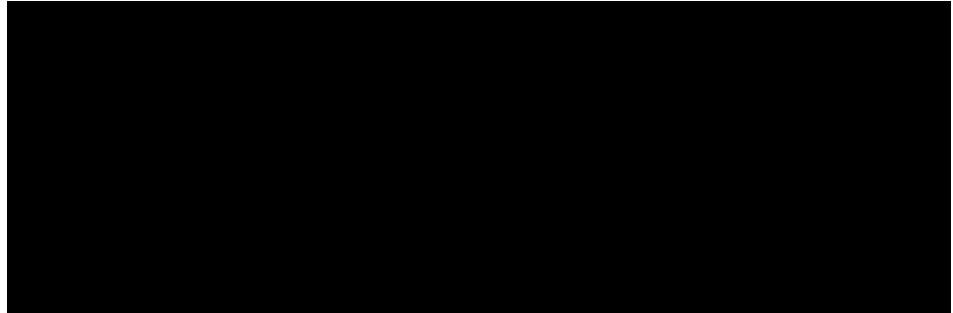


- In establishing and working toward the goals in these key areas, Hendrick Health continues to work collaboratively across HMC and HMC-S to drive quality improvement performance for the system. Hendrick Health tracks these quality measures internally to develop strategies and understand current performance.
- Continued standardization of care between HMC and HMC-S, through policies and protocols for the increased patient volume, including evidence-based protocols and treatment plans throughout the system.



- Continued operation of various system-wide committees, including the Evidence-Based Medicine Committee, Patient Safety Committee, Performance Improvement Committee and Physician Review Committee, Readmission Committee, and Executive Patient Experience Committee, which are tasked with reviewing and improving quality of care procedures. The system-wide Quality Council focused on quality of care concerns, performance improvement projects, and data from regulatory-required and high-impact monitoring.
- Hendrick Health continued to face capacity limits at various times during FY2023. Regional transfer challenges have improved at both campuses as capacity can be relieved by transferring patients from one campus to the other, as needed. Having two campuses allows Hendrick Health to meet community need for access to high-quality healthcare and decreases the need to transfer patients out of the region. If there is an issue at one campus, there are resources available at the other campus. Uniform oversight of both campuses has led to efficient staffing, directing patients to the correct venue of care, and an overall benefit to patients in the community.
- Continued operation of the combined Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. Hendrick Health also continued operation of the unified Medical Executive Committees (“MEC”) and Medical Advisory Committee (“MAC”) across the system. The creation of a single governing body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff.
- Continued efforts to streamline and enhance the physician credentialing/reappointment process with the Ongoing Professional Practice Evaluation (“OPPE”)/Focused Professional Practice Evaluation (“FPPE”) process, a detailed evaluation of practitioners’ professional performance, which has led to a better assessment of physician quality metrics and monitoring of care. Additional focus was placed on comments received from patients about a provider’s practice and behavior during the re-credentialing process.
- Upgraded technology and replaced older equipment. For example, Hendrick Health:
 - Implemented a dedicated virtual server environment for HMC-S, which was necessary to support the Hillrom Nurse Call and GE Fetal Monitoring systems that are locally hosted. This is part of the ongoing nurse call system upgrade.
 - Installed SoftId printers in all emergency department patient rooms across the Abilene market for laboratory services to allow for more efficient label printing.

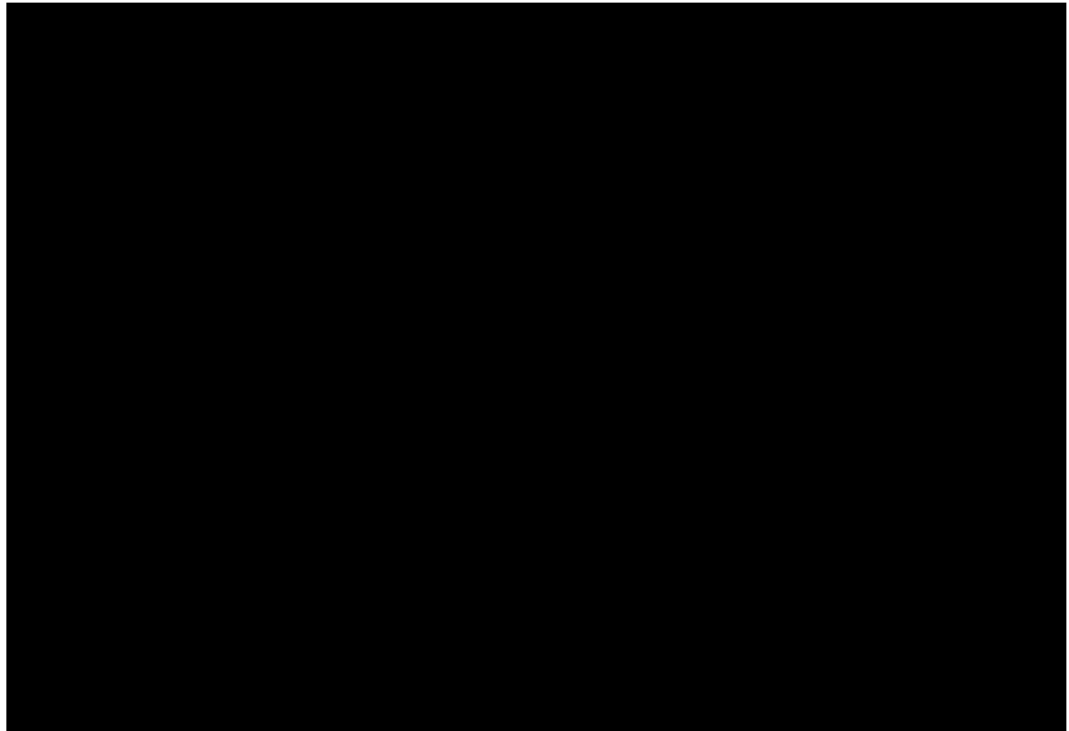




- Added a second linear accelerator at the Hendrick Cancer Center. The Edge radiosurgery system targets tumors and other abnormalities without an incision or the need for recovery in a hospital setting. The machine rotates around the patient to deliver the treatment beams from nearly any angle. The system can be used to treat tumors of the brain, spine, lung, esophagus, prostate, and other areas that are typically difficult to treat surgically. The direct benefit for patients includes shorter treatment times with more precision and ease.
 - Added the new SIGMA Architect 3.0T MRI to the radiology department's service line. This unit became fully operational around the beginning of Q1 FY2023. The 3 Tesla magnet technology offers superior imaging quality, patient comfort, and shorter scan times, improving the overall patient experience. This diagnostic tool ensures patients are receiving the highest quality of MRI imaging available in the region.
 - Began performing robotic-assisted lung biopsies with ION technology by Intuitive at HMC. This minimally invasive biopsy can help diagnose suspicious nodules on the lung, reaching small nodules in even the most difficult to reach locations.
 - Implemented live video streaming system in the neonatal intensive care units ("NICU") at HMC and HMC-S. Parents/guardians who are unable to be in the NICU 24/7 are now able to monitor their infant via a high-definition camera that transmits a live, web-based feed. Access is password protected, and the secure feed can be viewed on a smartphone or tablet. In addition to reducing stress and anxiety of being separated from the newborn, this service allows parents to learn their child's routine, which is beneficial in the transition to home life after discharge.
 - Purchased two jet ventilators for the NICU at HMC. This is an additional option and best practice to provide jet ventilation to the 25-28 week gestation premature babies. Addition of the jet ventilators will help decrease transfers to other facilities, keeping high-level care within the community.
- The Risk/Safety "on call team" continued efforts to field calls 24/7 regarding patient safety and risk management issues with a view toward standardizing the organizational approach to safety matters between HMC and HMC-S. This includes

standardizing the system's approach to end of life decision-making consistent with Texas law, rules, and regulations.

- Continued efforts towards clinical and administrative leadership consolidation, allowing for enhanced coordination of services, including the sharing of best practices, standardization of protocols, and centralized decision making.
- During FY2023, Hendrick Health was re-accredited by The Joint Commission for the next three-year cycle.

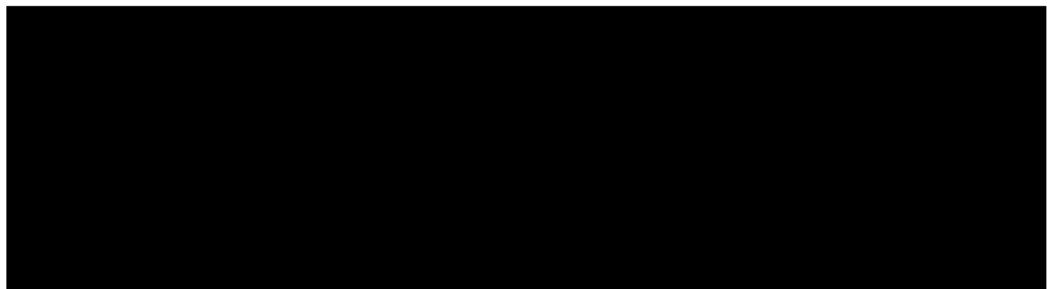


- Increased access to care by expanding service delivery:
 - Hendrick Health opened a new shared service center in the former Sears building, located in the Mall of Abilene in Abilene, Texas. Hendrick Service Center provides a centralized accessible hub for patient services and to obtain medical equipment and supplies. By relocating existing administrative and retail services previously housed in and around the hospital campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients. In addition to the efficiencies to be gained by Hendrick Health, the Hendrick Service Center is an investment in the community, revitalizing a vacant anchor store at the Mall of Abilene and increasing employee and visitor traffic to other retail spaces. A local architect, contractor, and subcontractors were used for the project. Hendrick Service Center allows for movement of employees into a state-of-the-art facility



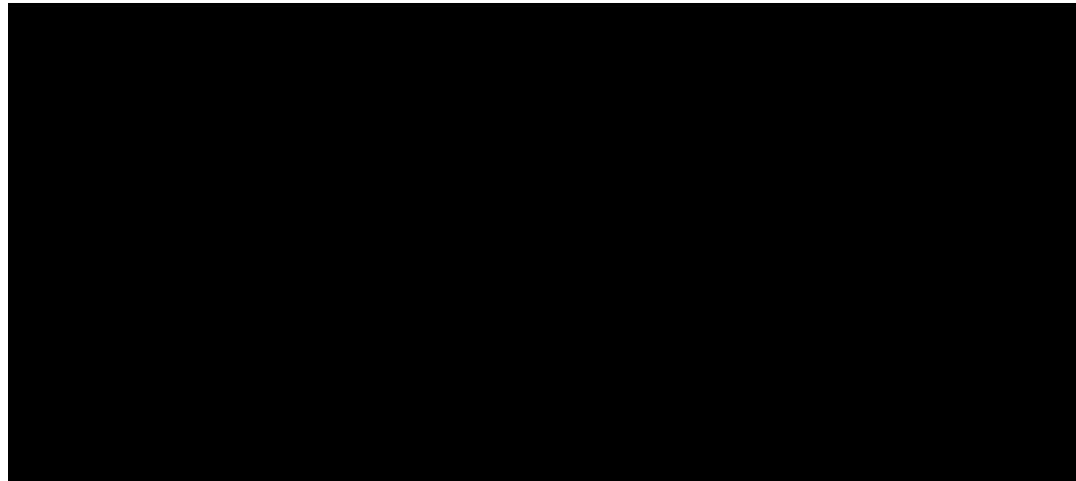
designed for future growth and flexibility. The facility houses over 450 employees, many of which would be outsourced to other states under a for-profit system. As of the end of FY2023, Hendrick Service Center is fully operational.

- The centralized patient transfer process, which has streamlined patient transfers and increased access to care, continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. In addition, the centralized patient transfer process allowed for quicker and smoother transitions between HMC and HMC-S, as needed, to help alleviate capacity constraints. A single EMR across the system has also helped facilitate these transitions more efficiently. Providers can easily access the patient's record in its entirety so that safe, quality care can be provided without delay. [REDACTED]
- Hendrick Health has a goal to recruit 58 physicians within the next three years. As of the end of FY2023, Hendrick Health has filled 22 (14 filled for FY2023, seven for FY2024, and one for FY2026) of the 58 positions.
- Prior to the Merger, legacy ARMC's inpatient census had significantly declined in recent years due to lack of available resources, both in capital and staffing. Hendrick Health has increased staffing and resources available to HMC-S.



- Hendrick Health previously established transportation services through the Lyft ride share program to ensure patients have access to the hospital, physician visits, or other medical appointments after leaving the hospital. Hendrick Health is increasing the use of ride share options, when needed.
- Hendrick Health added surgical and robotic procedures. Dr. Preston Pate performed the first robotic-assisted lung biopsy. Hendrick Health began performing holmium laser enucleation of the prostate ("HoLEP") procedures and Jelmyto kidney chemo infusion. Additionally, Hendrick Health added numerous procedures to HMC-S, including: robotic hiatal hernia repair with LINX placement, robotic abdominal wall reconstruction for complex hernias, robotic liver resection for liver cancer, robotic stomach resection for gastric cancer, robotic pancreas resection for pancreatic cancer, robotic spleen resection for cancer or ITP, robotic pancreatic pseudocyst treatment, and robotic treatment of achalasia.

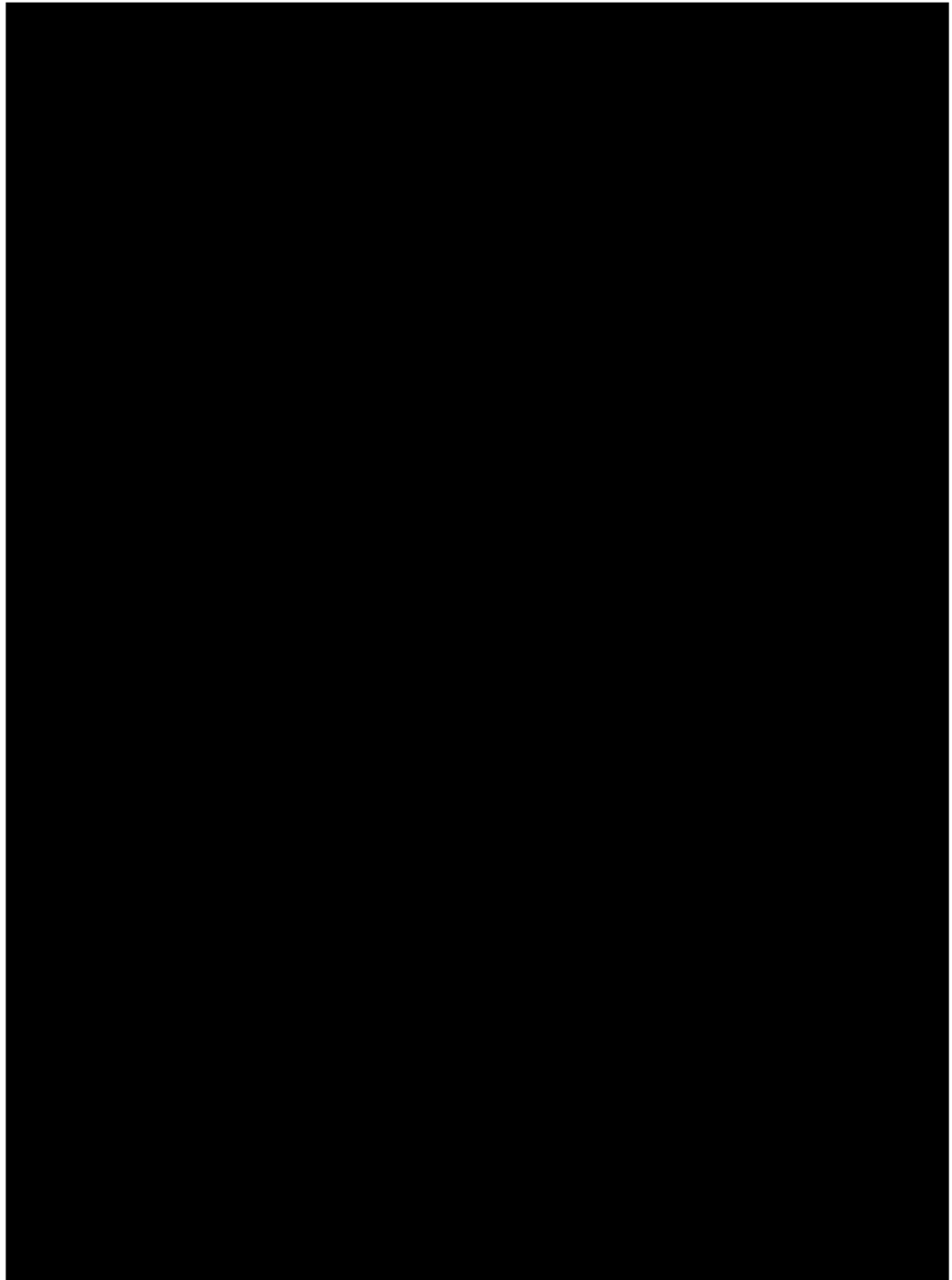


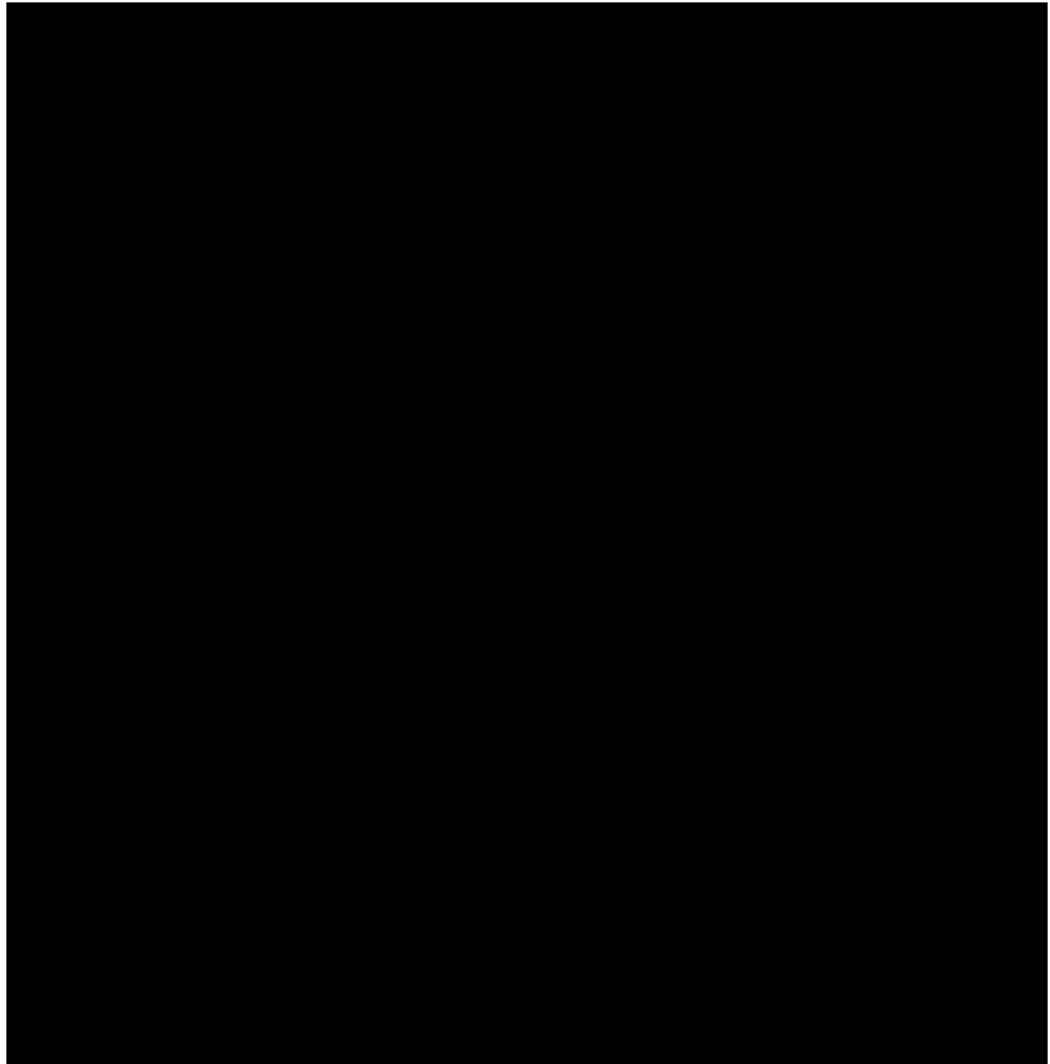


- Hendrick Health became the first study site in the country to be initiated for a global clinical trial to evaluate safety and efficacy of Alleviant’s No-Implant Interatrial Shunt Creation. The study targets patients suffering from heart failure with preserved or mildly reduced ejection fraction who have heart failure symptoms despite appropriate medical therapy.
- HMC-S continues to have access to Hendrick Health’s post-acute service offerings, which allows for better coordination of services and a more seamless patient experience. Prior to the Merger, legacy ARMC did not have post-acute service offerings (e.g., home health, hospice, etc.). For example, Hendrick Health continued with placement of a Hendrick Hospice Liaison and augmented palliative care at HMC-S to provide an on-site presence and educational opportunities for end-of-life care. Prior to the Merger, HMC-S did not have a dedicated hospice liaison.
- Hendrick Health implemented a Stroke Thrombectomy program, providing 24 hour / 365 day coverage. Additional interventional radiology services include: Y-90 mapping and radio embolization, Transjugular intrahepatic portosystemic shunt (“TIPS”), atherectomy and thrombectomy of peripherals, radiofrequency ablation in conjunction with kyphoplasty, and placement of nephroureteral catheters.
- Hendrick Health expanded its north sleep lab with the addition of two rooms for in lab polysomnography (“PSG”). This increased Hendrick Health’s capacity for sleep studies.
- Hendrick Health added specialty coverage at HMC-S.
- Hendrick Health increased rural access. For example, each month, over 50 members of the Hendrick Health medical staff regularly travel to operate specialty clinics in rural communities. In this regard, Hendrick Health established 13 new outreach clinics in the service area. As part of its rural outreach efforts, Hendrick Health increased education and training resources, including a Practice Management Institute course, which reached nearly 400 attendees, and

facilitation of fall and spring regional nurse leadership luncheons.

- Cost savings through coordination of resources and decision-making, resulting in improved efficiency and elimination of waste:
 - Hendrick Health’s Value Analysis Teams (“VATs”), which include clinical representatives from both HMC and HMC-S, continue to identify supply chain opportunities across the organization in order to streamline any duplicative, inefficient, and/or inconsistent purchases.

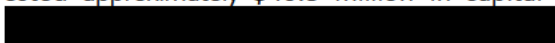


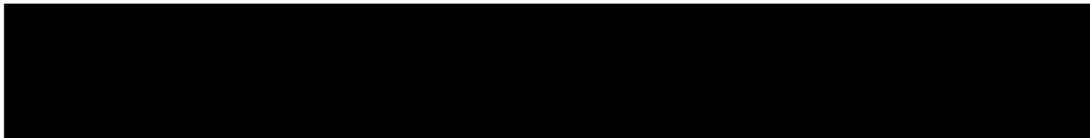


- Hendrick Health has been able to achieve these improvements to healthcare quality and access while minimizing costs through increased efficiencies, the coordination of services, and the reduction in duplication of resources. Hendrick Health is committed to reinvesting these savings in its operations and community, with the goal of improving the overall patient experience and patient care. During fiscal year 2023, Hendrick Health invested a total of approximately \$40.8 million in capital and infrastructure expenditures at the two campuses.

2. If applicable, information about the hospital’s actions taken: (A) in furtherance of any commitments made by the parties to the merger; and (B) to comply with terms imposed by HHSC as a condition for approval of the merger agreement.

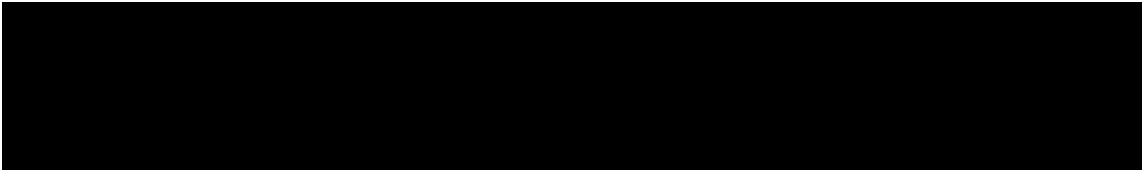
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- Hendrick Health has remained committed to reinvesting cost savings from the Merger in its operations and community, which it has accomplished through the following actions in FY2023:
 - Capital expenditures: Hendrick Health invested approximately \$40.8 million in capital expenditures across both HMC and HMC-S. 



Hendrick Health also invested in other projects at HMC-S, including: remodeling its ICU patient rooms, radiology patient rooms, fourth floor patient rooms, and first floor public area, along with operating room HVAC upgrades.

- Additional clinical staffing at HMC-S: Hendrick Health has worked to increase the clinical staffing available at HMC-S through the development of a clinical labor float pool and hiring of additional clinical employees.
- Hendrick Service Center: The new Hendrick Service Center at the Mall of Abilene allows for the relocation of valuable space to expand clinical services for patients. Hendrick Service Center also enables consolidation of departments for improved operations and efficiencies.
- Linear Accelerator: Hendrick Health added a second linear accelerator at the Hendrick Cancer Center. The Edge radiosurgery system targets tumors and other abnormalities without an incision or the need for recovery in a hospital setting. The machine rotates around the patient to deliver the treatment beams from nearly any angle. The system can be used to treat tumors of the brain, spine, lung, esophagus, prostate, and other areas that are typically difficult to treat surgically. The direct benefit for patients includes shorter treatment times with more precision and ease. This second linear accelerator will lead to greater patient access, shorter treatment times, and provide temporary support to the Brownwood market.
- Lung Nodule Program and New Procedures: Hendrick Health recently launched the Hendrick Lung Nodule Program. This program provides timely screenings for early detection of potential lung malignancies, a streamlined process of diagnosis and treatment, as well as access to oncology services and to thoracic robotic-assisted surgery. Dr. Preston Pate performed the first robotic-assisted lung biopsy with ION technology by Intuitive at HMC. This minimally invasive biopsy can help diagnose suspicious nodules on the lung, reaching small nodules in even the most difficult to reach locations. Recently, Dr. Steven Smith performed the first single balloon enteroscopy at Hendrick Health. This procedure allows physicians to safely reach the deepest parts of the small intestine not reachable through standard endoscopy or colonoscopy. By inflating a tiny balloon through the gastrointestinal tract, physicians can examine, evaluate, and treat any abnormalities of the small intestine.
- NICU Live Video: Hendrick Health invested grant proceeds to install a new live video streaming system in the neonatal intensive care units (“NICU”) at HMC and HMC-S. Parents/guardians who are unable to be in the NICU 24/7 are now able to monitor their infant via a high-definition camera that transmits a live, web-based feed. Access is password protected, and the secure feed can be viewed on a smartphone or tablet. In addition to reducing stress and anxiety of being separated from the newborn, this service allows parents to learn their child’s routine, which is beneficial in the transition to home life after discharge.

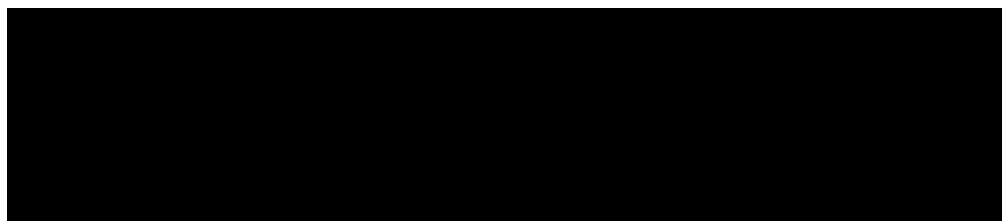


- Pulmonary Services: During Q4 FY2023, Hendrick Health purchased two jet ventilators for the NICU at HMC. This is an additional option and best practice to provide jet ventilation to the 25-28 week gestation premature babies. Addition of the jet ventilators will help decrease transfers to other facilities, keeping high-level care within the community.
- Furthermore, since the Transaction closed in October 2020, as required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567 et seq., and the COPA Terms and Conditions of Compliance, Hendrick Health submitted the Baseline report, annual reports, and quarterly reports regarding the Merger. This Report includes the required annual reporting terms.
- Hendrick Health also complied with the annual meeting requirement through its annual COPA public hearing held Friday, September 22, 2023 from 9:30 to 10:30 a.m. at Hendrick Medical Center’s Auxiliary Conference Center. Written testimonials were accepted online at hendrickexpandsaccess.com or by mail to Hendrick Medical Center.

3. A description of the activities conducted by the hospital under the merger agreement.

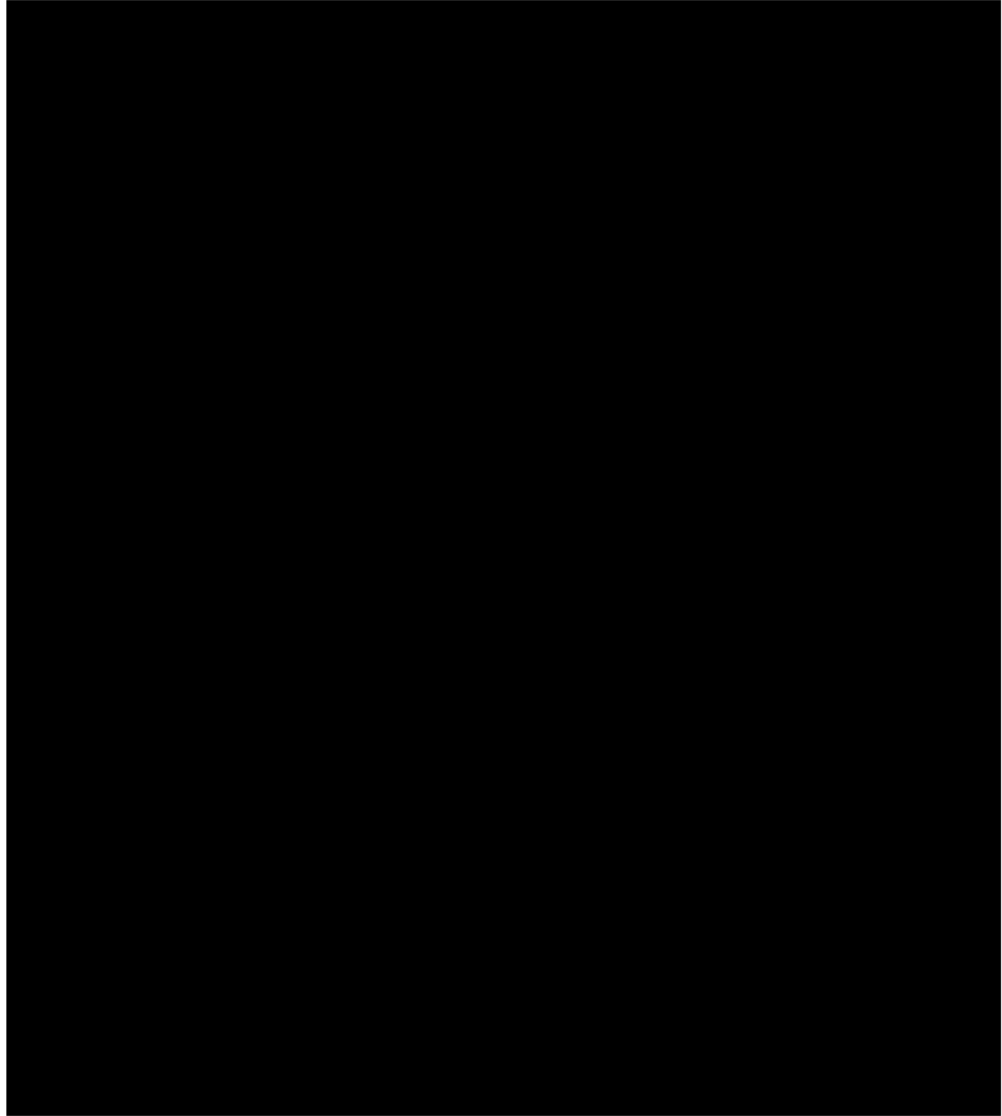
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- Hendrick Health has conducted a number of activities since the Transaction Closing Date to advance the goals of improving healthcare quality, access, and cost, as summarized below.
 - Quality. Since the Transaction Closing Date, Hendrick Health has worked to improve healthcare quality and optimize patient services to improve patient care through the following activities:
 - Institution of quality improvement measures through system-wide goals for the following five specific quality measures: (1) reduce inpatient falls per 1,000 patient days to ≤ 3.40 ; (2) inpatient 30-day readmission reduction: observed rate \leq peer in 5 of 6 measures; (3) HAC reduction domain 2 HAI SIRs – Achieve ≤ 1.00 in each of 4 of 5 underlying measures⁶; (4) reduce pressure ulcer ration to ≤ 1.1 ; and (5) patient experience.⁷

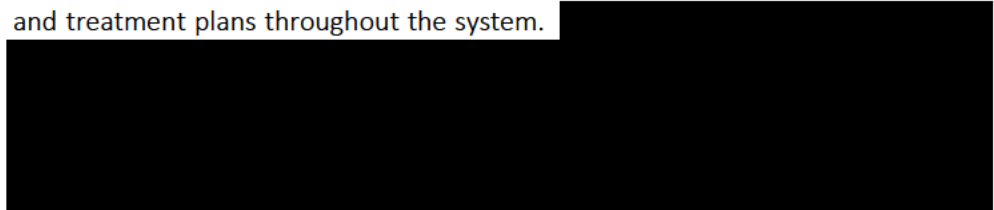


⁶ See Footnote 1.

⁷ See Footnote 2.

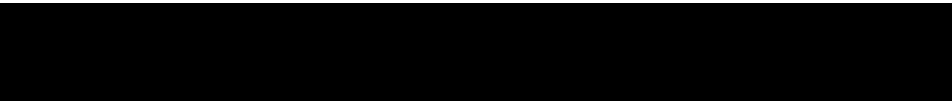


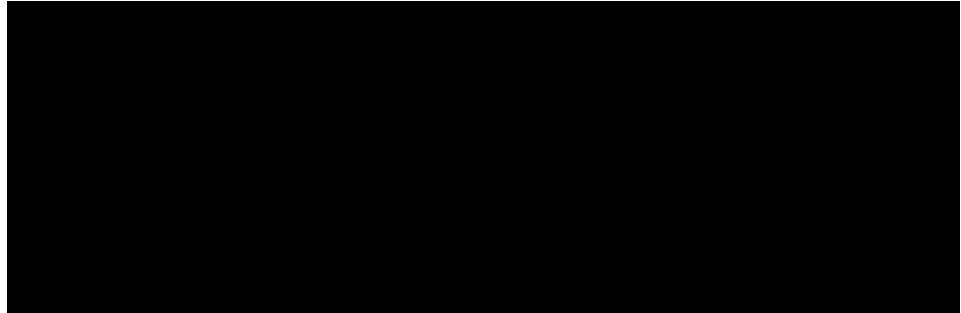
- In establishing and working toward the goals in these key areas, Hendrick Health continues to work collaboratively across HMC and HMC-S to drive quality improvement performance for the system. Hendrick Health tracks these quality measures internally to develop strategies and understand current performance.
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⁸ See Footnote 3.

- Continued operation of various system-wide committees, including the Evidence-Based Medicine Committee, Patient Safety Committee, Performance Improvement Committee and Physician Review Committee, Readmission Committee, and Executive Patient Experience Committee, which are tasked with reviewing and improving quality of care procedures. The system-wide Quality Council focused on quality of care concerns, performance improvement projects, and data from regulatory-required and high-impact monitoring.
- Hendrick Health continued to face capacity limits at various times during FY2023. Regional transfer challenges have improved at both campuses as capacity can be relieved by transferring patients from one campus to the other, as needed. Having two campuses allows Hendrick Health to meet community need for access to high-quality healthcare and decreases the need to transfer patients out of the region. If there is an issue at one campus, there are resources available at the other campus. Uniform oversight of both campuses has led to efficient staffing, directing patients to the correct venue of care, and an overall benefit to patients in the community.
- Continued operation of the combined Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. Hendrick Health also continued operation of the unified Medical Executive Committees (“MEC”) and Medical Advisory Committee (“MAC”) across the system. The creation of a single governing body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff.
- Continued efforts to streamline and enhance the physician credentialing/reappointment process with the Ongoing Professional Practice Evaluation (“OPPE”)/Focused Professional Practice Evaluation (“FPPE”) process, a detailed evaluation of practitioners’ professional performance, which has led to a better assessment of physician quality metrics and monitoring of care. Additional focus was placed on comments received from patients about a provider’s practice and behavior during the re-credentialing process.
- Upgraded technology and replaced older equipment. For example, Hendrick Health:
 - Implemented a dedicated virtual server environment for HMC-S, which was necessary to support the Hillrom Nurse Call and GE Fetal Monitoring systems that are locally hosted. This is part of the ongoing nurse call system upgrade.
 - Installed SoftId printers in all ED patient rooms across the Abilene market for laboratory services to allow for more efficient label printing.

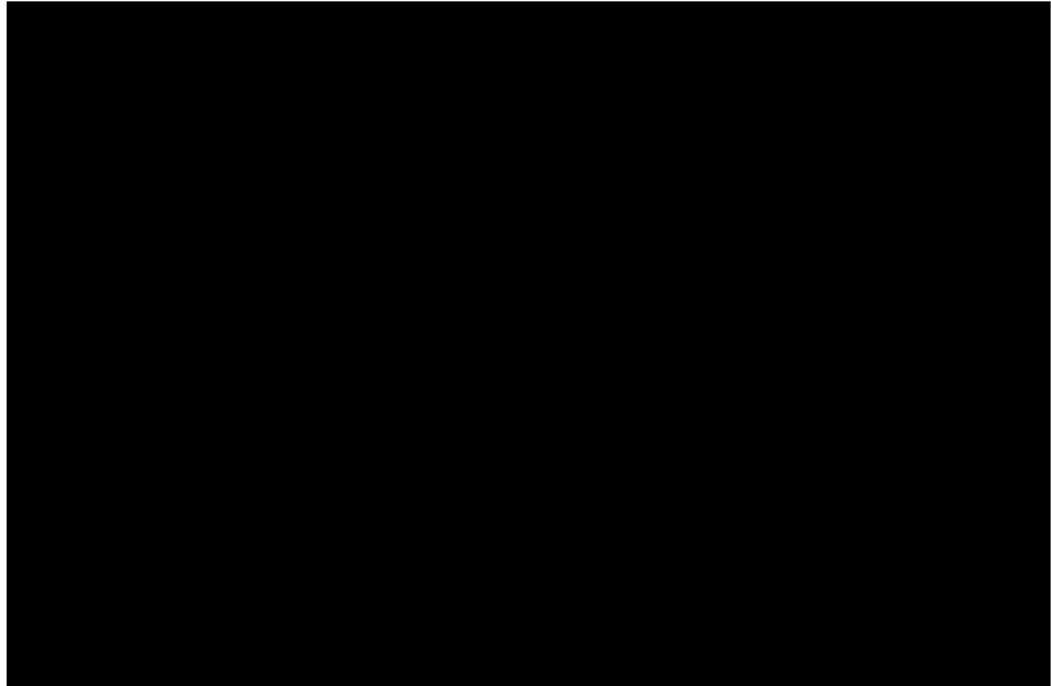




- Added a second linear accelerator at the Hendrick Cancer Center. The Edge radiosurgery system targets tumors and other abnormalities without an incision or the need for recovery in a hospital setting. The machine rotates around the patient to deliver the treatment beams from nearly any angle. The system can be used to treat tumors of the brain, spine, lung, esophagus, prostate, and other areas that are typically difficult to treat surgically. The direct benefit for patients includes shorter treatment times with more precision and ease.
 - Added the new SIGMA Architect 3.0T MRI to the radiology department's service line. This unit became fully operational around the beginning of Q1 FY2023. The 3 Tesla magnet technology offers superior imaging quality, patient comfort, and shorter scan times, improving the overall patient experience. This diagnostic tool ensures patients are receiving the highest quality of MRI imaging available in the region.
 - Began performing robotic-assisted lung biopsies with ION technology by Intuitive at HMC. This minimally invasive biopsy can help diagnose suspicious nodules on the lung, reaching small nodules in even the most difficult to reach locations.
 - Implemented live video streaming system in the neonatal intensive care units ("NICU") at HMC and HMC-S. Parents/guardians who are unable to be in the NICU 24/7 are now able to monitor their infant via a high-definition camera that transmits a live, web-based feed. Access is password protected, and the secure feed can be viewed on a smartphone or tablet. In addition to reducing stress and anxiety of being separated from the newborn, this service allows parents to learn their child's routine, which is beneficial in the transition to home life after discharge.
 - Purchased two jet ventilators for the NICU at HMC. This is an additional option and best practice to provide jet ventilation to the 25-28 week gestation premature babies. Addition of the jet ventilators will help decrease transfers to other facilities, keeping high-level care within the community.
- The Risk/Safety "on call team" continued efforts to field calls 24/7 regarding patient safety and risk management issues with a view toward standardizing the organizational approach to safety matters between HMC and HMC-S. This includes

standardizing the system's approach to end of life decision-making consistent with Texas law, rules, and regulations.

- Continued efforts towards clinical and administrative leadership consolidation, allowing for enhanced coordination of services, including the sharing of best practices, standardization of protocols, and centralized decision making.
- During FY2023, Hendrick Health was re-accredited by The Joint Commission for the next three-year cycle.



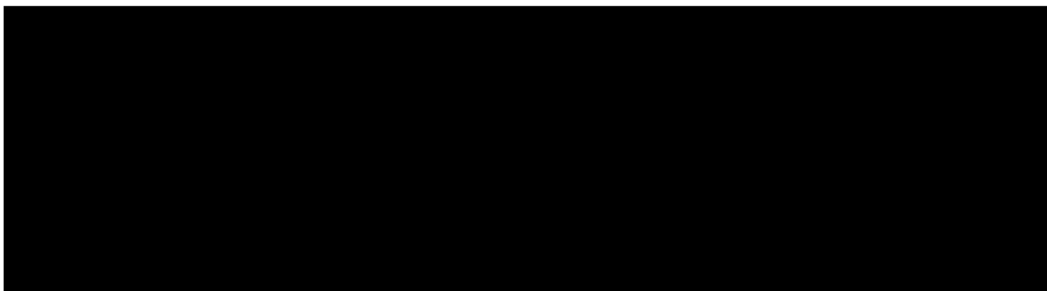
- Access. Since the Transaction Closing Date, Hendrick Health has worked to improve access to care through the following activities:
 - Hendrick Health opened a new shared service center in the former Sears building, located in the Mall of Abilene in Abilene, Texas. Hendrick Service Center provides a centralized accessible hub for patient services and to obtain medical equipment and supplies. By relocating existing administrative and retail services previously housed in and around the hospital campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients. In addition to the efficiencies to be gained by Hendrick Health, the Hendrick Service Center is an investment in the community, revitalizing a vacant anchor store at the Mall of Abilene and increasing employee and visitor traffic to other retail spaces. A local architect, contractor, and subcontractors were used for the project. Hendrick Service Center allows for movement of employees into a state-of-the-art facility designed for future growth and flexibility. The facility houses over 450 employees,

⁹ See Footnote 4.

¹⁰ See Footnote 5.

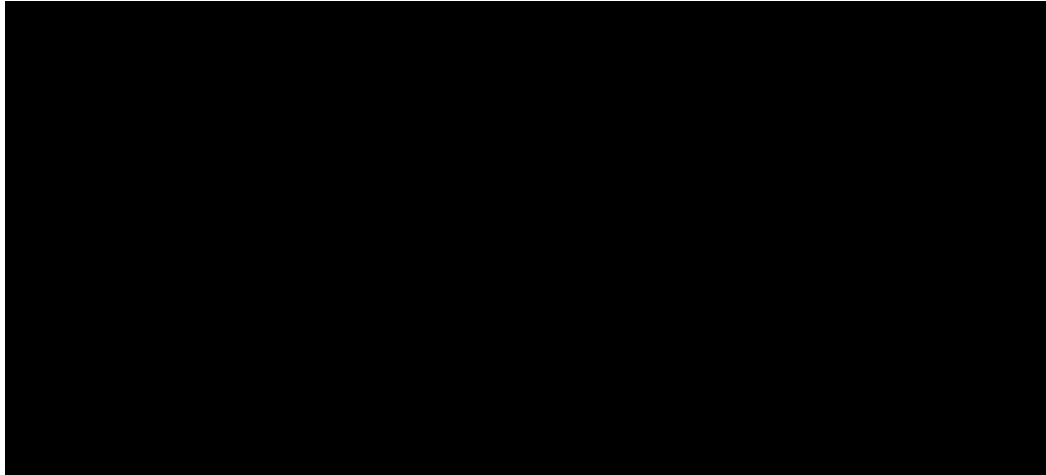
many of which would be outsourced to other states under a for-profit system. As of the end of FY2023, Hendrick Service Center is fully operational.

- The centralized patient transfer process, which has streamlined patient transfers and increased access to care, continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. In addition, the centralized patient transfer process allowed for quicker and smoother transitions between HMC and HMC-S, as needed, to help alleviate capacity constraints. A single EMR across the system has also helped facilitate these transitions more efficiently. Providers can easily access the patient's record in its entirety so that safe, quality care can be provided without delay. [REDACTED]
- Hendrick Health has a goal to recruit 58 physicians within the next three years. As of the end of FY2023, Hendrick Health has filled 22 (14 filled for FY2023, seven for FY2024, and one for FY2026) of the 58 positions.
- Prior to the Merger, legacy ARMC's inpatient census had significantly declined in recent years due to lack of available resources, both in capital and staffing. Hendrick Health has increased staffing and resources available to HMC-S.



- Hendrick Health previously established transportation services through the Lyft ride share program to ensure patients have access to the hospital, physician visits, or other medical appointments after leaving the hospital. Hendrick Health is increasing the use of ride share options, when needed.
- Hendrick Health added surgical and robotic procedures. Dr. Preston Pate performed the first robotic-assisted lung biopsy (as noted above). Hendrick Health began performing holmium laser enucleation of the prostate ("HoLEP") procedures and Jelmyto kidney chemo infusion. Additionally, Hendrick Health added numerous procedures to HMC-S, including: robotic hiatal hernia repair with LINX placement, robotic abdominal wall reconstruction for complex hernias, robotic liver resection for liver cancer, robotic stomach resection for gastric cancer, robotic pancreas resection for pancreatic cancer, robotic spleen resection for cancer or ITP, robotic pancreatic pseudocyst treatment, and robotic treatment of achalasia.

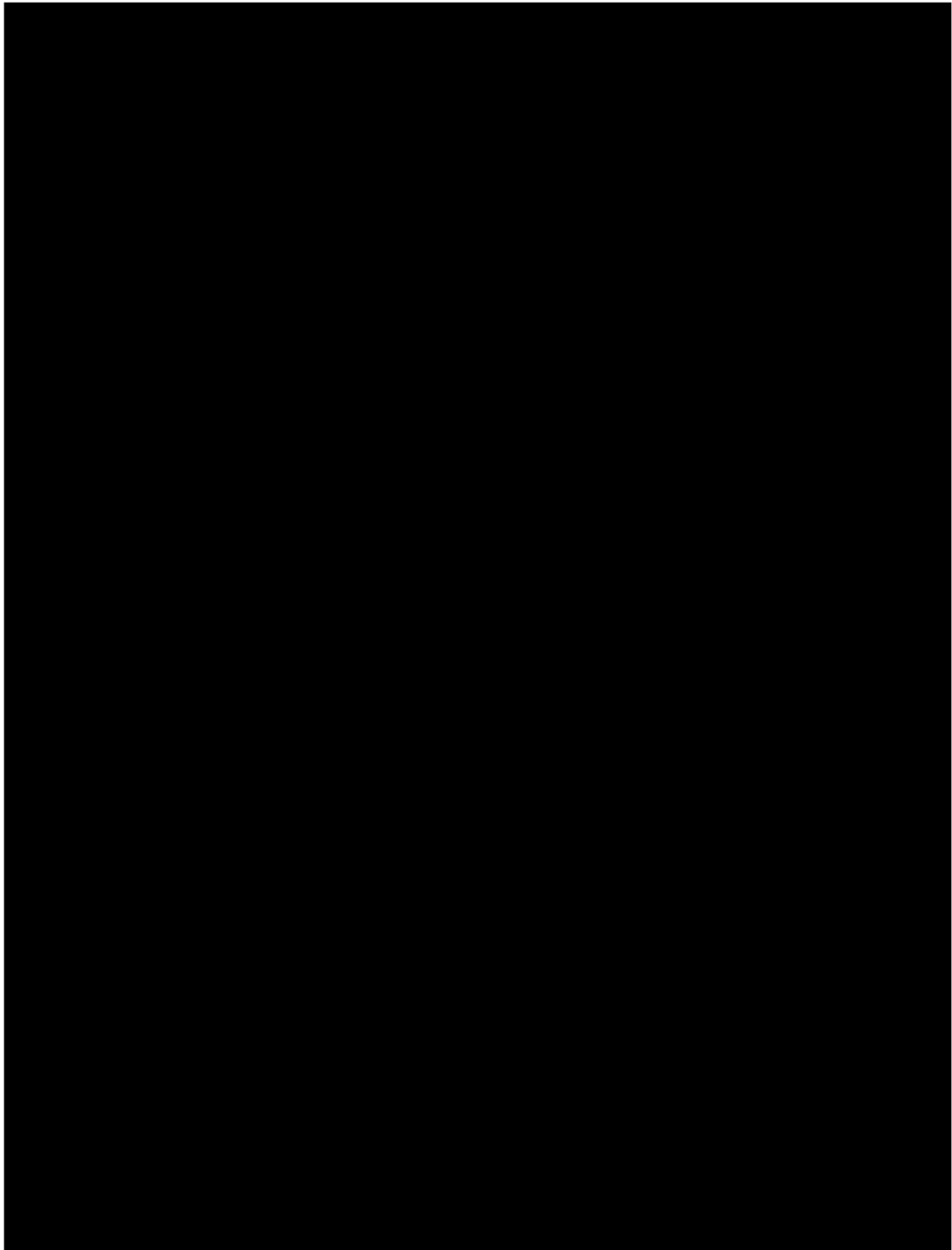


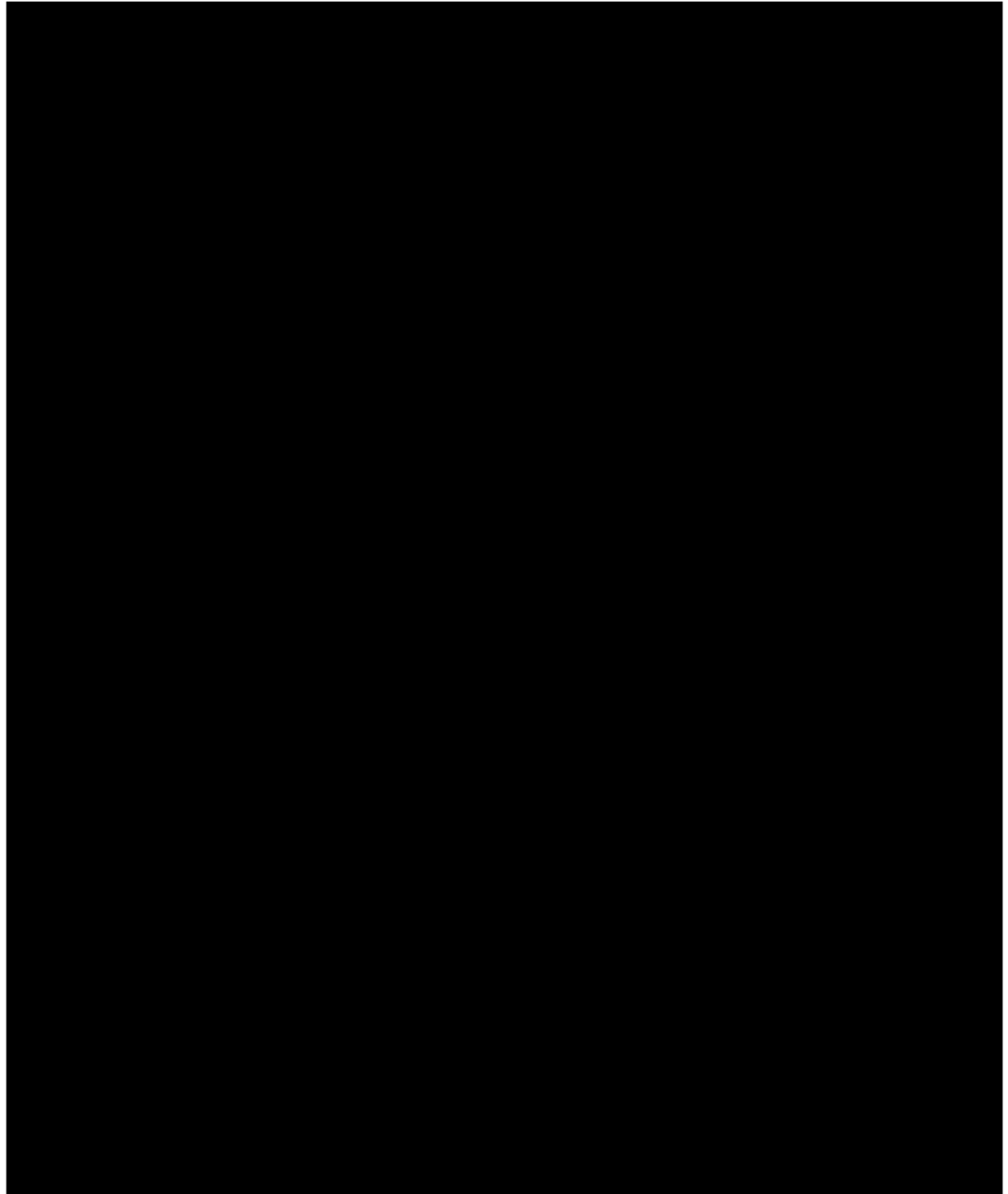


- Hendrick Health became the first study site in the country to be initiated for a global clinical trial to evaluate safety and efficacy of Alleviant’s No-Implant Interatrial Shunt Creation. The study targets patients suffering from heart failure with preserved or mildly reduced ejection fraction who have heart failure symptoms despite appropriate medical therapy.
- HMC-S continues to have access to Hendrick Health’s post-acute service offerings, which allows for better coordination of services and a more seamless patient experience. Prior to the Merger, legacy ARMC did not have post-acute service offerings (e.g., home health, hospice, etc.). For example, Hendrick Health continued with placement of a Hendrick Hospice Liaison and augmented palliative care at HMC-S to provide an on-site presence and educational opportunities for end-of-life care. Prior to the Merger, HMC-S did not have a dedicated hospice liaison.
- Hendrick Health implemented a Stroke Thrombectomy program, providing 24 hour / 365 day coverage. Additional interventional radiology services include: Y-90 mapping and radio embolization, Transjugular intrahepatic portosystemic shunt (“TIPS”), atherectomy and thrombectomy of peripherals, radiofrequency ablation in conjunction with kyphoplasty, and placement of nephroureteral catheters.
- Hendrick Health expanded its north sleep lab with the addition of two rooms for in lab polysomnography (“PSG”). This increased Hendrick Health’s capacity for sleep studies.
- Hendrick Health added specialty coverage at HMC-S.
- Hendrick Health increased rural access. For example, each month, over 50 members of the Hendrick Health medical staff regularly travel to operate specialty clinics in rural communities. In this regard, Hendrick Health established 13 new outreach clinics in the service area. As part of its rural outreach efforts, Hendrick Health increased education and training resources, including a Practice Management Institute course, which reached nearly 400 attendees, and

facilitation of fall and spring regional nurse leadership luncheons.

- o Cost. Since the Transaction Closing Date, Hendrick Health has worked to minimize the cost of healthcare by reducing the duplication of resources, coordinating services, and increasing efficiencies, through the following activities:
 - Hendrick Health’s Value Analysis Teams (“VATs”), which include clinical representatives from both HMC and HMC-S, continue to identify supply chain opportunities across the organization in order to streamline any duplicative, inefficient, and/or inconsistent purchases.





4. Information relating to the price, cost, quality of, and access to health care for the population served by the hospital.

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

- Pricing/Cost: During FY2023, Hendrick Health contracted with 17 healthcare payers. [REDACTED] of Hendrick Health's patients are insured by commercial payors. [REDACTED] government payers, which set the reimbursement rates for those patients without negotiations. Additionally, the Charity Care policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. The policy was revised, effective November 23, 2021 and included as an attachment to the Q1 FY2022 report. During FY2023, Hendrick Health enrolled

a total of 14,271¹¹ patients in charity care. Combined, HMC and HMC-S incurred approximately \$136.4 million¹² in charity care during this period.

- **Quality:** Despite being faced with unprecedented challenges relating to the COVID-19 pandemic, among other challenges, since the Transaction Closing Date, Hendrick Health has been able to improve the quality of healthcare as evidenced by the various quality metrics cited in the quarterly reports, which have either remained constant or, taken holistically, have improved. Specifically, both HMC and HMC-S maintained consistent patient satisfaction ratings. HMC's Leapfrog Safety Grade temporarily dropped but rebounded to a "B" in the Fall 2023 release, while HMC-S remained consistent with a "C". As noted in prior reports, a portion of data used for the Leapfrog Safety Grades pre-dates the Merger. In addition, Hendrick Health's emergency department average (median) wait time was below the national benchmark for each quarterly CMS data release in FY2023.
- **Access:** As previously reported in quarterly reports, HMC and legacy ARMC (HMC-S) experienced significant declines in both inpatient and outpatient patient volumes in 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. Total inpatient admissions and outpatient registrations for FY2023 were up in comparison to FY2022. Despite the continuing challenges of the COVID-19 pandemic, Hendrick Health increased access to healthcare services for patients in its communities, including rural communities, through the following initiatives to expand service delivery:
 - Continued use of a centralized patient transfer center allowing for the acceptance of more patient transfers to Hendrick Health.
 - Continued physician recruiting efforts, with a goal to recruit 58 physicians within the next four years (14 filled for FY2023, seven for FY2024, and one for FY2026).
 - Continued Camp Courage through Hendrick Hospice Care for children and teens entering third through 12th grade who have experienced the death of a loved one.
 - Attained laboratory accreditation through the College of American Pathologists ("CAP") at HMC-S.
 - Added a second linear accelerator at the Hendrick Cancer Center.
 - Expanded access to various surgical, robotic, and other procedures.
 - Added the new SIGMA Architect 3.0T MRI to its service line at HMC, which offers superior imaging quality, patient comfort, and shorter scan times, improving the overall patient experience.

¹¹ Due to a reporting error, Hendrick Health restated the count of patients previously reported in FY2023 quarterly Performance Reports.

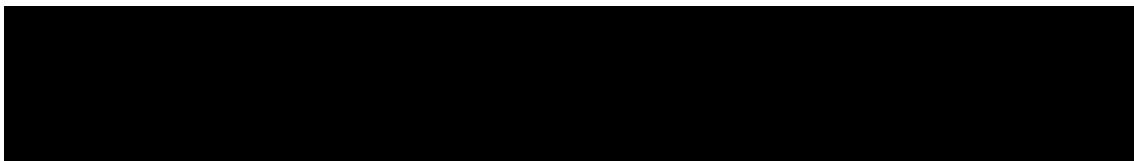
¹² Due to a reporting error, Hendrick Health restated charity care investment previously reported in FY2023 quarterly Performance Reports.

- Established transportation services through the Lyft ride share program to ensure patient access to various venues of care.
- Invested in facility updates at HMC-S, including renovations in the ICU.
- Initiated a global clinical trial to evaluate safety and efficacy of Alleviant’s No-Implant Interatrial Shunt Creation.
- Launched the Hendrick Lung Nodule Program to provide timely screenings for early detection of potential lung malignancies, a streamlined process of diagnosis and treatment, as well as access to oncology services and to thoracic robotic-assisted surgery.
- Added interventional radiology services, including: Y-90 mapping and radio embolization, Transjugular intrahepatic portosystemic shunt (“TIPS”), atherectomy and thrombectomy of peripherals, radiofrequency ablation in conjunction with kyphoplasty, and placement of nephroureteral catheters.
- Increased capacity for sleep studies.
- Increased rural access with outreach clinics and education/training resources.

5. Any other information required by HHSC to ensure compliance with Health and Safety Code Chapter 314A and 26 TAC Chapter 567, including information relating to compliance with these terms and conditions.

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

- The Merger has not reduced competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals. HMC and HMC-S face competition from a number of hospitals and health systems in their primary and secondary service areas. Post-Merger, Hendrick Health continues 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 24 other hospitals. Likewise, Hendrick Health also faces competition from freestanding emergency departments, urgent care centers, ambulatory surgery centers, rural health clinics, and other healthcare providers located in Taylor County and the surrounding counties.
- Hendrick Health has made significant efforts to bring additional jobs to the area. Post-Merger, Hendrick Health posted job openings for roles covering both clinical and non-clinical positions across the organization, which indicates significant demand for talent within the combined Hendrick Health system. Hendrick Health has used various resources to recruit medical providers to the community, including multiple online recruitment platforms to disseminate job postings for physician and nursing positions. Hendrick Health also partnered recruitment firms and circulated open job positions through email blasts to current employees. In addition, Hendrick Health hired more than 1,400 new employees in FY2023. Other workforce-related investments include:





- Hendrick Health’s Human Resources team added a workforce development function. To meet the demand for nursing professionals and other critical-need healthcare roles, a Director of Workforce Development and Student Liaison position works with local residents, students, and employees to grow healthcare professionals within the community.
- Hendrick Health previously launched its service excellence training program to provide employees with tools to continuously deliver high quality healthcare and patient experience. On May 1, 2023, Hendrick Health rolled out the next phase with commitments to excellence highlighted each week in the daily safety huddle and other meetings.
- To emphasize employee wellness, Hendrick Health is now offering Tava Health as a benefit to its employees. As part of this benefit, Nomi Health will completely cover the cost of 12 counseling sessions per year for full- and part-time Hendrick Health employees.
- In an effort to combat the nursing shortage, Hendrick Health continued working with Texas Tech University Health Sciences Center (“TTUHSC”) Abilene School of Nursing to develop the Academic Practice Partnership. The pilot program provides nursing students clinical credit for work at Hendrick hospitals. In addition to the TTUHSC Academic Practice Partnership, Hendrick employs nursing students as nurse techs to enhance their clinical education and supplement clinical staff.
- Hendrick Health launched its Healthcare Academy in partnership with Cisco College. There are 66 students from area high schools enrolled in the first cohort. The Healthcare Academy is for students in grades nine through 12. Participants attend a healthcare expo featuring various demonstrations of jobs in the medical field. They also participate in an open lab at Cisco College to experience a day in the life of a healthcare student and job shadow healthcare professions at Hendrick Health. Students who intend to pursue a healthcare career will have the opportunity to apply for scholarships for dual-credit classes (103 students are currently receiving scholarship support). Tuition assistance for several post-high school healthcare academic programs is also available.
- Hendrick Health has a dual credit scholarship program to support high school students to accelerate their college completion and offers healthcare internships for high school students.
- Hendrick Health’s Racial & Ethnic Diversity Committee continued working toward its goals of ensuring promotion of diversity, equity, and inclusion amongst employees and for leadership to be representative of the overall employee population. The committee raised money for a scholarship to advance diversity in healthcare, development of a mentorship program, and continued research and education on diversity best practices, etc.

- In support of the community and other areas in service-related endeavors, Hendrick Health supports employee mission trips through paid time off. During calendar year 2022, Hendrick Health granted over 600 hours in paid time off for employees on mission trips, including locally in Texas and internationally. Hendrick Health also supports other medical missions conducted by local organizations.
- Patient choice is being preserved through the patient choice policy for Hendrick Health, which was extended post-Merger to encompass both HMC and HMC-S. The policy continues to conform with CMS mandated patient choice requirements.

B. Additional Annual Reporting Requirements

6. An explanation of the incorporation and integration of the medical record systems of each hospital.

- Before the Transaction, HMC and HMC-S (legacy ARMC) operated on separate EMR and ERP systems, from different vendors. As reported in prior Performance Reports, HMC and HMC-S completed the planned migration to Allscripts Acute EMR platform (now Altera Digital Health) with a go-live date of June 1, 2021, providing the organization with a single hospital EMR system across both campuses. The single EMR has allowed for physicians to document and see results in one system and for patients to access one portal, providing greater connected care between facilities.

7. Findings from service area assessments that describe maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public.

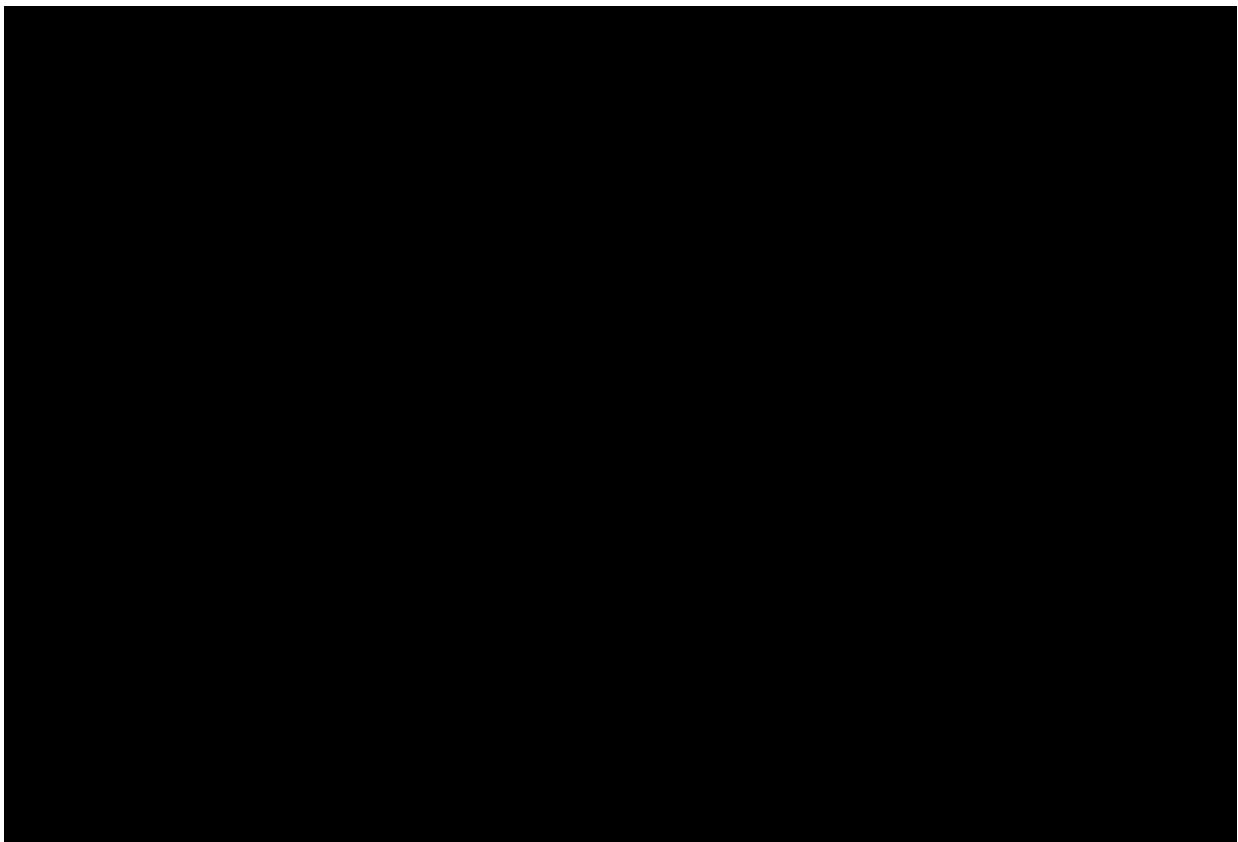
- Hendrick Health did not create any service area assessment responsive to this item. Any updates or findings from responsive service area assessments will be reported on in future submissions. Hendrick Health uses its Community Health Needs Assessment (“CHNA”) to better understand the needs of the community and address the same through community-based services/programs. The CHNA includes a combination of quantitative and qualitative research designed to evaluate the perspective and opinions of community stakeholders and healthcare consumers. In 2022, Hendrick Health completed a new CHNA. The CHNA identified top community health-related needs or service gaps and categorized them into three priorities:
 - Priority 1 – Access to appropriate care. Community needs addressed include:
 - Affordable prescription drugs
 - Hospital and healthcare staff shortages
 - Coordination of patient care between the hospital and other clinics, doctors, or other health service providers
 - Transportation services for people needing to go to doctor’s appointments or the hospital
 - Education and referrals for financial support and community affordable healthcare services and programs
 - Primary care services such as family doctor or other provider of routine care
 - Priority 2 – Awareness, prevention, and screening. Community needs addressed include:
 - Community awareness of available services and programs
 - Women’s health services
 - Chronic disease case management or “navigators”
 - Chronic disease screenings (e.g., heart disease, stroke, high blood pressure)
 - Programs for diabetes prevention, awareness, and care
 - Affordable prescription drugs

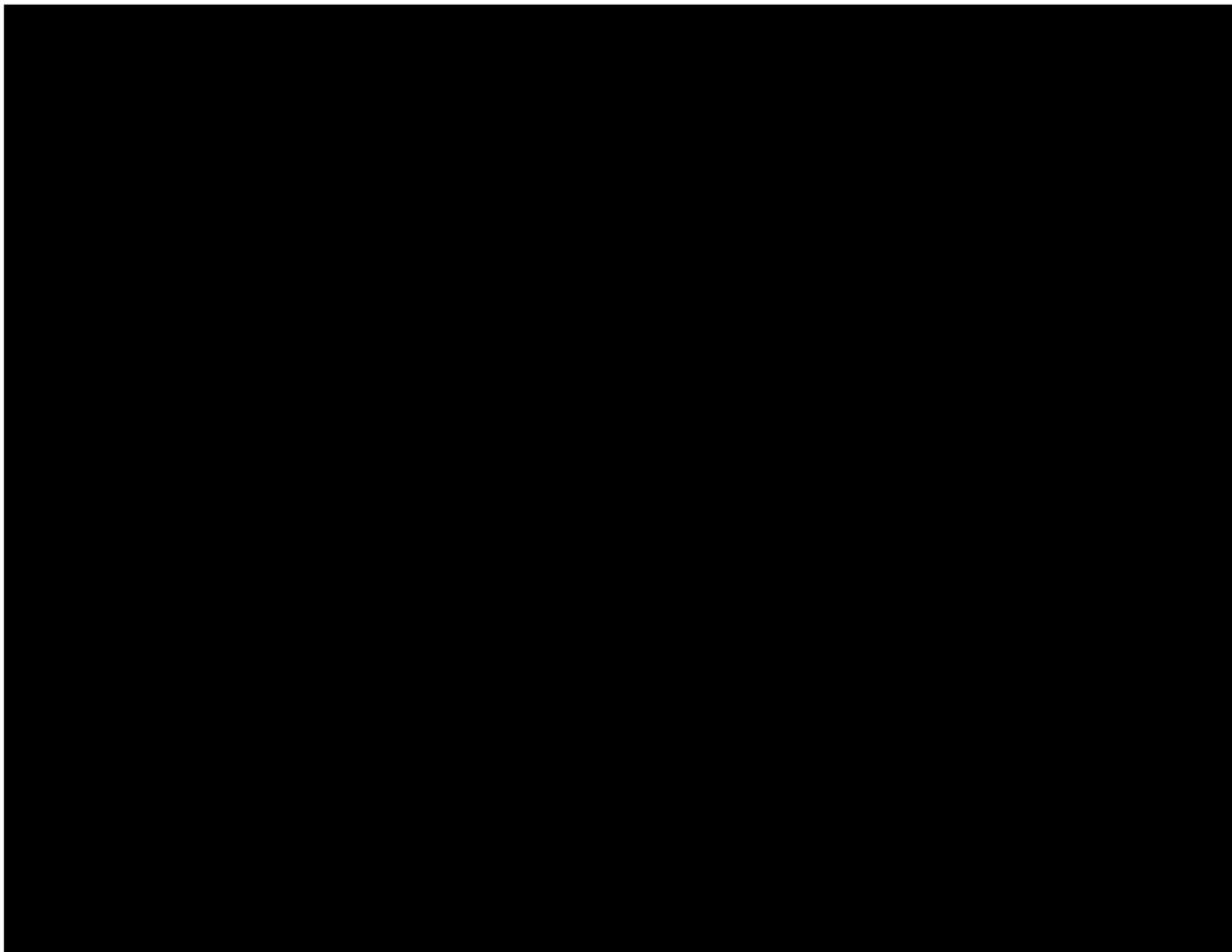
- Programs for obesity prevention, awareness, and care
- Priority 3 – Crisis, emergency, and behavioral services (through partnership and collaboration). Community needs addressed include:
 - Mental health services for adults and children
 - Domestic violence and sexual assault prevention, intervention, and care services
 - Healthcare and social services for people experiencing homelessness
 - Emergency care and trauma services, including critical care beds
- The Merger has allowed Hendrick Health to continue its focus on impacting the predominant health needs in the community. Hendrick Health is in the process of implementing strategies to address the 2022 CHNA-identified needs.

8. A report on how any cost savings from allowing both hospitals to reduce costs and eliminate duplicate functions have led to lower prices for health care services or investments to improve the quality of health care services.

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

- During FY2023, Hendrick Health has experienced increased costs due to inflationary pressures consistent with general economic conditions. In addition to the significant increase in expenses due to the COVID-19 pandemic, Hendrick Health has seen costs continue to rise from materials and supplies to capital investment. Despite these financial pressures, Hendrick Health continues to reinvest cost savings, where possible, in various local initiatives and other matters.





- Examples of Hendrick Health investments in FY2023 include:
 - Capital Expenditures: During FY2023, Hendrick Health invested \$40.8 million in capital expenditures across both HMC and HMC-S. Included in this amount are various infrastructure updates, equipment, software, and other property purchases/building renovations.
 - Hendrick Service Center: The new Hendrick Service Center at the Mall of Abilene allows for the relocation of valuable space to expand clinical services for patients. Hendrick Service Center also enables consolidation of departments for improved operations and efficiencies. [REDACTED]
 - Linear Accelerator: Hendrick Health added a second linear accelerator at the Hendrick Cancer Center. The Edge radiosurgery system targets tumors and other abnormalities without an incision or the need for recovery in a hospital setting. The machine rotates around the patient to deliver the treatment beams from nearly any angle. The system can be used to treat tumors of the brain, spine, lung, esophagus, prostate, and other areas that are typically difficult to treat surgically. The direct benefit for patients includes shorter treatment times with more precision and ease. This second linear accelerator will lead to greater patient access, shorter treatment times, and provide temporary support to the

Brownwood market. [REDACTED]

- o Lung Nodule Program and New Procedures: Hendrick Health recently launched the Hendrick Lung Nodule Program. This program provides timely screenings for early detection of potential lung malignancies, a streamlined process of diagnosis and treatment, as well as access to oncology services and to thoracic robotic-assisted surgery. Dr. Preston Pate performed the first robotic-assisted lung biopsy with ION technology by Intuitive at HMC. This minimally invasive biopsy can help diagnose suspicious nodules on the lung, reaching small nodules in even the most difficult to reach locations. [REDACTED]

[REDACTED] Recently, Dr. Steven Smith performed the first single balloon enteroscopy at Hendrick Health. This procedure allows physicians to safely reach the deepest parts of the small intestine not reachable through standard endoscopy or colonoscopy. By inflating a tiny balloon through the gastrointestinal tract, physicians can examine, evaluate, and treat any abnormalities of the small intestine. [REDACTED]

- o NICU Live Video: Hendrick Health invested grant proceeds [REDACTED] to install a new live video streaming system in the neonatal intensive care units (“NICU”) at HMC and HMC-S. Parents/guardians who are unable to be in the NICU 24/7 are now able to monitor their infant via a high-definition camera that transmits a live, web-based feed. Access is password protected, and the secure feed can be viewed on a smartphone or tablet. In addition to reducing stress and anxiety of being separated from the newborn, this service allows parents to learn their child’s routine, which is beneficial in the transition to home life after discharge.

- o Pulmonary Services: During Q4 FY2023, Hendrick Health purchased two jet ventilators for the NICU at HMC. This is an additional option and best practice to provide jet ventilation to the 25-28 week gestation premature babies. Addition of the jet ventilators will help decrease transfers to other facilities, keeping high-level care within the community. [REDACTED]

IV. Annual Public Hearing

Hendrick Health held its third annual public hearing on Friday, September 22, 2023 at Hendrick Medical Center's Auxiliary Conference Center from 9:30 to 10:30 a.m. Notification was sent to area news media and was posted on Hendrick Health's website and social media profiles. A public notice was published in the Abilene Reporter-News. Written testimonials were accepted online at hendrickexpandsaccess.com, by email, or by regular mail to Hendrick Medical Center. Copies of written comments received are included in **Attachment 1** to this Report. Hendrick Health responds to all patient concerns in a patient-centered way and is in the process of reviewing these comments to determine appropriate responses, as needed.

Norm Archibald, Hendrick Health Director, Legislative and Public Policy, presided over the hearing, which had 42 individuals in attendance. Brad Holland, President and CEO of Hendrick Health, presented opening remarks on the history of Hendrick Health and the Merger. Mr. Holland highlighted efforts to deliver high quality care and coordinate resources, expand access to care, increase capacity, invest locally, and extend Hendrick Health's mission in the Abilene and surrounding communities. A total of 10 individuals offered oral comments, summarized below:

- Dr. Rob Wiley, CMO of Hendrick Health, stated that the Merger has led to significant improvement in access and quality of care throughout the community. Dr. Wiley advised that over 50 physicians have been recruited in the last two years, service lines have been integrated, and specialty coverage has substantially increased.
- Dr. Gary Binkley, Medical Director, Wound Care, Hendrick Health, who has worked at Hendrick Health for nearly 15 years, spoke about the addition of medical specialists, allowing for the expansion of various services. Dr. Binkley highlighted Hendrick Health's Uro-oncologist, more CV staff, an expanded neurosurgery program, all of which has created additional access. According to Dr. Binkley, the addition of specialists has helped in recruiting more physicians. Dr. Binkley also noted that Hendrick Health's faith-based approach makes Hendrick a great place to practice medicine.
- Susie Cassle, former Chief Nursing Officer, Hendrick Health, worked at Hendrick Health until retiring in April 2021. Now, as a community member, Ms. Cassle serves on the Patient and Family Advisory Council, which provides insight and feedback to the leadership of Hendrick Health. Ms. Cassle explained that she is fortunate to see the benefits of two united hospitals in Abilene and is grateful for the excellent care she and her family have received over the years.
- Elisha Riggins, Emergency Departments and Trauma Services Director, Hendrick Health, who has worked at Hendrick Health for nearly 16 years, described the integrated care between both HMC and HMC-S, specifically as it relates to emergency services. Ms. Riggins spoke about standardization of orientation and evidence-based education for staff and the productive results this has yielded. Ms. Riggins advised that Hendrick Health can mobilize emergency room staff to the location of most need. In addition, Hendrick Health collectively trained and prepared for disaster management as a team to ensure readiness to respond. Hendrick Health invested in new stretchers, monitors, and other equipment to provide the most updated patient care available.
- Dr. Andy Russell, Emergency Medicine, System Medical Director, Hendrick Health, who has worked at Hendrick for 10 years, spoke about consistency of care between HMC and HMC-S due, in part,

to the common EMR system. Dr. Russell explained that Hendrick Health accepted more regional transfers and described the increase in primary care and specialty care.

- Judy LaFrance, Chief Administrative Officer, HMC-S, who has worked at Hendrick Health for 26 years, summarized Hendrick Health's focus in the areas of integration and consistency in care/culture. Ms. LaFrance noted several areas of growth and improvement in the last three years. Ms. LaFrance discussed the leased ambulance model implemented for patients needing transport from one Abilene campus or facility to another. Ms. LaFrance also identified new equipment purchases and advancements made in the past year, including: new robotic procedures, extended hours of operation for the GI lab and operating room, tele-psych consultation access, and improvements in the NICU. Ms. LaFrance and her family have lived in the Abilene area for almost 30 years and appreciates the level of access and care in the community.
- Cheryl Walzer, Abilene Market Director for Med-Tele, spoke about the enhanced quality of patient care. Ms. Walzer is a former ARMC employee and has worked at HMC-S for 24 years. Ms. Walzer explained that patients in the community now have access to a broader range of specialized medical services and a more extensive network of providers. The Merger facilitated improvements to HMC-S, such as upgrades in medical and telemetry equipment and needed infrastructure repairs. Ms. Walzer also spoke about Hendrick Health's commitment to promoting talent within its ranks, which has allowed individuals to thrive in their careers.
- Doug Peters, President & CEO, Abilene Chamber of Commerce, stated that he has received zero negative comments or complaints on the Merger from any of the more than 1,300 local companies the Abilene Chamber of Commerce represents. Mr. Peters explained that Abilene is seeing benefits from access to capital and resources, reduced costs, standardization of clinical protocols, better access to care, and improved efficiency. Mr. Peters noted the local leadership and governance of Hendrick Health as a positive attribute for the community.
- Cynthia Pearson, President of the Day Nursery of Abilene, spoke positively about the relationship between Hendrick health, Hardin-Simmons University, and Day Nursey of Abilene. These organizations came together to convert the building of the College Heights Elementary School into the location for a childcare program for children ages birth to 10 years. Ms. Pearson also shared a personal story of her excellent care at Hendrick Health.
- J.V. Martin, former Hendrick Board of Trustees member and former Texas Hospital Association and American Hospital Association board member, described his belief that the quality of care at Hendrick Health has become stronger since the Merger. Mr. Martin relayed personal stories of those who had been in the hospital or received exceptional hospice care.

V. Attachments