Certificate of Public Advantage
Determination of Findings
Shannon Health System

Chapter 314A of the Texas Health and Safety Code allows qualifying hospitals in certain counties to apply for a certificate of public advantage, which grants merging hospitals immunity from federal and state antitrust laws. This chapter requires the Health and Human Services Commission (HHSC), as the agency designated by the Governor under HSC § 314A.004, to review and approve or deny applications submitted under chapter 314A for certificates of public advantage and to supervise the activities for which a certificate of public advantage is issued.

Applicants and Proposed Transaction

Shannon Health System, Inc. (Shannon) filed an Application for a Certificate of Public Advantage to HHSC on June 4, 2020, pursuant to Health and Safety Code § 314A.052. Shannon is seeking a certificate of public advantage in connection with the April 20, 2020, asset purchase agreement between Shannon and CHSPSC, LLC, for, among other things, the sale of substantially all the assets used in the operation of San Angelo Community Medical Center (SACMC) (the Proposed Merger). Both hospitals are in Tom Green County.

Public Feedback Received

HHSC received 33 letters supporting the Proposed Merger that stated the merger would:

a. Result in a combined health system to consolidate resources, including staff and personal protective equipment and increase hospital bed capacity;
b. improve access to quality care;
c. improve health outcomes;
d. maintain virtual care;

e. maintain a broad range of healthcare services;
f. decrease hospital bed shortages;
g. improve availability of medical specialty providers;
h. decrease need for residents to travel outside of the area for health care; and
i. ensure health care is available for residents of San Angelo State Supported Living Center.

HHSC received a request for a public hearing and one comment in opposition of the Proposed Merger.

Office of the Attorney General Review

Health and Safety Code § 314A.055 requires the Office of the Attorney General (OAG) to review an application for a certificate of public advantage and to advise the designated agency whether the Proposed Merger agreement would likely benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public; and whether the likely benefits resulting from the Proposed Merger agreement outweigh any disadvantages attributable to a reduction in competition that may result from the Proposed Merger. The OAG provided that advice to HHSC in a letter dated September 25, 2020.

HHSC Review

HHSC reviewed the application pursuant to Texas Health and Safety Code § 314A.056. HHSC also considered the applicant's supplemental responses to the Commission's requests for additional information, the OAG's advice to HHSC as the designated agency, and comments from the Federal Trade Commission's (FTC) Staff of the FTC Bureau of Competition, Bureau of Economics, and Office of Policy Planning. HHSC also received comments from members of the public supporting and opposing the Proposed Merger.

1) **Health and Safety Code § 314A.056(a)(1)(A) requires the designated agency to determine under the totality of the circumstances that the Proposed Merger would likely benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public.**

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated the Proposed Merger "presents substantial risk of serious competitive and consumer harm in the form of higher healthcare costs, lower quality, reduced innovation, and reduced access to care."

The OAG advised that it "identified likely benefits from the Proposed Merger that would maintain or improve the quality, efficiency, and accessibility of health care services offered to the public. For example, the Proposed Merger Agreement would produce certain savings by allowing Shannon to reduce costs and eliminate duplicate functions. These savings could benefit the public in the form of lower prices for health care services or investments to improve the quality of health care services."

The applicant provided information explaining that the Proposed Merger would likely benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services:

a. The applicant described how the proposed transaction would increase services available to rural communities by combining hospitals with widely different footprints and focuses; creating substantial cost savings and other efficiencies; fostering the creation of jobs in the local communities; and improving health care access and outcomes for populations disproportionately composed of poor and elderly people.
b. The applicant explained how the hospitals will maintain the high level of quality at Shannon and strengthen quality at SACMC as Shannon and SACMC collaborate to implement the most effective practices, protocols, and programs currently in place at each hospital across the combined system.
c. The applicant described how the transaction would allow the hospitals to avoid duplication by combining resources and decision-making to achieve greater efficiency and scale, so it could invest in new technology that would improve the patient experience and provide greater access to all community residents.
d. The applicant described how accessibility to health care would be improved. The applicant stated the transaction would permit Shannon to better allocate services and unused capacity at SACMC and outpatient clinics, while ensuring ready access to higher-acuity care through Shannon or the Shannon St. John's campus. The applicant also described improving and expanding telehealth resources to expand healthcare access.

e. The applicant explained that health care providers at both merging hospitals would be able to share knowledge and learn from each other to improve quality and the level of services. The applicant stated physicians, particularly specialists, could render services at any of the three collective campuses, expanding access to a variety of specialties in different locations, and leveraging professional expertise to benefit a wider community of patients.
f. The applicant promised to keep both hospitals open and committed to improving care and expanding access and choice in San Angelo and all the communities it serves.
g. The applicant stated it will continue to offer competitive wages and benefits to attract and retain staff following the Proposed Merger. Shannon stated it will recruit aggressively and the cost savings it expects to realize from the Proposed Merger will allow it to further invest and attract the highest quality staff to serve patients throughout the region. Shannon stated that if the transaction is completed, it also plans to recruit physicians specializing in anesthesia, gastroenterology, hospitalist medicine, internal medicine, neurology, oncology, orthopedics, and pain management.
h. The applicant stated, “Shannon intends to contract with and care for patients covered by every health plan that currently contracts with SACMC or Shannon Medical Center.”

2) Health and Safety Code § 314A.056(a)(1)(B) requires the designated agency to determine under the totality of the circumstances that the likely benefits resulting from the Proposed Merger described by Health and Safety Code § 314A.056(a)(1)(A) outweigh any disadvantages attributable to a reduction in competition that may result from the Proposed Merger.

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the merger is “likely to result in significant disadvantages due to a reduction in competition.” The FTC stated that when there is competition between providers, the “results are lower premiums, copayments, deductibles, and other out-of-pocket expenses for employers who purchase health insurance for their employees, consumers who receive health insurance as an employee benefit, and consumers who purchase their own health insurance.” The FTC stated that the Proposed Merger “would eliminate competition and would likely lead to increased prices and reduced quality and availability of healthcare services.”

The OAG advised that it “also identified disadvantages attributable to a reduction in competition that may result from the Proposed Merger. Shannon Health and San Angelo Community Medical Center closely compete to provide health care services in the San Angelo area. Hospital competition generally leads to lower prices, higher quality care, improved access and enhanced hospital amenities. If Shannon Health and San Angelo Community Medical Center merge there is a possibility that the benefits of competition would be lost.”

The applicant responded to FTC comments that “local competition is not always necessary or sufficient to guarantee access to qualify healthcare in rural Texas. This is evidenced by the fact that 118 counties in Texas possess only a single hospital.”

The applicant provided information asserting that the likely benefits of the Proposed Merger outweigh any disadvantages attributable to a reduction in competition:

a. The applicant stated the likely benefits resulting from the Proposed Merger may outweigh any anticompetitive effects of joining together competitors to address unique challenges in providing health care services in rural areas. The applicant provided a consultant report from Deloitte Development detailing cost savings.
b. The applicant described how “the hospitals can share best practices to optimize existing expertise and competencies, create substantial savings and efficiencies by spreading or eliminating costs, foster the creation of jobs in local communities, and improve health care access and outcomes for rural populations disproportionately composed of poor and elderly citizens.”
c. The applicant explained how it will coordinate resources and decision-making, helping the hospitals achieve improved efficiency, eliminate waste, and save costs that would be reinvested locally to improve health care and maintain jobs in West Texas. The proposed transaction described how the hospitals will be able to utilize capital and administrative space across the two organizations and therefore avoid significant capital projects.
d. The applicant described how the Proposed Merger will allow for an integrated, uniform electronic medical records system to be deployed across the merged facilities. The applicant explained this will reduce fragmentation in the market between providers, allow physicians to access and view the entire patient experience as well as treatment/images in the unified medical record, and reduce unnecessary tests and improve care and coordination.

3) Health and Safety Code § 314A.056(a)(2)(A) requires the application to provide specific evidence showing that the Proposed Merger would likely benefit the public as described by Health and Safety Code § 314A.056(a)(1)(A).

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the merger would likely reduce public access. The FTC stated the Proposed Merger would eliminate competition, which would result in increased prices and reduced quality and availability of healthcare services. The FTC stated that "any cost-savings or quality benefits of the merger would need to be extraordinary in order to outweigh the significant competitive harm that is likely to result from the merger." "… It is doubtful that regulatory rate review would fully mitigate the likely price effects of this merger, and it could exacerbate reductions in the quality of care or access to care for consumers."

The OAG advised that it "identified likely benefits from the Proposed Merger that would maintain or improve the quality, efficiency, and accessibility of health care services offered to the public. For example, the Proposed Merger Agreement would produce certain savings by allowing Shannon to reduce costs and eliminate duplicate functions. These savings could benefit the public in the form of lower prices for health care services or investments to improve the quality of health care services."

The applicant provided information explaining how the Proposed Merger will benefit the public:

a. The applicant described how accessibility to health care would be improved. The applicant stated the transaction would permit Shannon to better allocate services and unused capacity at SACMC and outpatient clinics, while ensuring ready access to higher-acuity care through Shannon or the Shannon St. John's campus. The applicant also described improving and expanding telehealth resources to expand healthcare access.
b. The applicant described how the Proposed Merger would allow the hospitals to better integrate care across the facilities and the continuum of care. It stated clinical integration offers the potential to improve the quality of care between combined facilities.
c. The applicant described how the Proposed Merger will allow the hospitals to develop coordinated systems of patient care across facilities, settings, and conditions. It stated this will allow for an integrated, uniform electronic medical records system to be deployed

across the merged facilities. The applicant explained this will allow physicians to access and view the entire patient experience as well as treatment/images in the unified medical record and reduce unnecessary tests and improve care and coordination.

4) Health and Safety Code § 314A.056(a)(2)(B) requires the application to explain in detail how the likely benefits resulting from the Proposed Merger outweigh any disadvantages attributable to a reduction in competition as described by Health and Safety Code § 314A.056(a)(1)(B).

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the merger is “likely to result in significant disadvantages due to a reduction in competition.” The FTC stated that when there is competition between providers, the “results are lower premiums, copayments, deductibles, and other out-of-pocket expenses for employers who purchase health insurance for their employees, consumers who receive health insurance as an employee benefit, and consumers who purchase their own health insurance.” The Proposed Merger “would eliminate competition and would likely lead to increased prices and reduced quality and availability of healthcare services.”

The OAG advised that it “identified likely benefits from the Proposed Merger that would maintain or improve the quality, efficiency, and accessibility of health care services offered to the public. For example, the Proposed Merger Agreement would produce certain savings by allowing Shannon to reduce costs and eliminate duplicate functions. These savings could benefit the public in the form of lower prices for health care services or investments to improve the quality of health care services.”

The applicant provided information explaining how the benefits of the Proposed Merger outweigh any disadvantages due to reduced competition:

a. The applicant stated the likely benefits resulting from the Proposed Merger may outweigh any anticompetitive effects of joining together competitors to address unique challenges in providing health care services in rural areas. The applicant provided a consultant report from Deloitte Development detailing cost savings.
b. The applicant stated that the hospitals could share best practices to optimize existing expertise and competencies, create substantial savings and efficiencies by spreading or eliminating costs, foster the

creation of jobs in local communities, and improve health care access and outcomes for rural populations.

c. The applicant stated it will coordinate resources and decision-making, helping the hospitals achieve improved efficiency, eliminate waste, and save costs that would be reinvested locally to improve health care and maintain jobs in West Texas. It stated the proposed transaction illustrates how the hospitals will be able to utilize capital and administrative space across the two organizations and therefore avoid significant capital projects.
d. The applicant described how the Proposed Merger will allow for an integrated, uniform electronic medical records system to be deployed across the merged facilities. The applicant explained this will reduce fragmentation in the market between providers, allow physicians to access and view the entire patient experience as well as treatment/images in the unified medical record, and reduce unnecessary tests and improve care and coordination.

5) Health and Safety Code § 314A.056(a)(2)(C) requires the application to sufficiently address the factor listed in Health and Safety Code § 314A.056(b)(1), which requires the designated agency to consider the effect of the Proposed Merger on the quality and price of hospital and health care services provided to citizens of this state.

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated the “merger would likely have a substantial adverse impact on the quality and price of hospital and health care services for citizens of Texas.” The FTC also stated the elimination of competition between hospitals would “significantly diminish the hospitals’ incentives to maintain or improve current levels of quality, patient experience, and access to services and innovative technology,” because the hospital “would no longer risk losing patients to its pre-merger rival.” The FTC stated, “Reduction in quality of care can have an adverse effect on patient outcomes such as mortality, readmissions, and length of stay. Reduced availability of services may result in decreased patient access, increased travel time to receive services, increased emergency room wait times, and other negative consequences.”

The OAG advised that it “also identified disadvantages attributable to a reduction in competition that may result from the Proposed Merger. Shannon Health and San Angelo Community Medical Center closely compete to provide health care services in the San Angelo area. Hospital competition generally leads to lower prices, higher quality care, improved access and enhanced hospital amenities. If Shannon Health and San Angelo Community Medical Center merge there is a possibility that the benefits of competition would be lost."

The applicant provided information explaining how the proposed transaction would affect the quality and price of hospital and health care services provided to citizens of this state:

The applicant stated that the Proposed Merger would allow the parties to maintain the high level of quality at Shannon and strengthen quality at SACMC as Shannon and SACMC collaborate to implement the most effective practices, protocols, and programs currently in place at each hospital across the combined system.

a. The applicant also stated that the transaction would allow Shannon to disseminate to SACMC the best practices and protocols that have led to Shannon's 5-star rating with the Centers for Medicare & Medicaid Services, top cardiovascular program and multiple quality awards, ultimately improving quality at SACMC.
b. The applicant stated that health care providers at both merging hospitals would be able to share knowledge and learn from each other to improve quality and the level of services. The applicant stated that physicians, particularly specialists, could render services at any of the three collective campuses, expanding access to a variety of specialties in different locations, leveraging professional expertise to benefit a wider community of patients.
c. The applicant also asserted that increased coordination of care, clinical integration, between facilities and providers will likely lead to a reduction of medical errors and cost savings, such as those associated with treatments by different physicians who are not coordinating with each other.
d. The applicant provided a consultant report from Deloitte Development detailing cost savings that included potential opportunities (and related costs) were identified and represented in the following areas:
    i. Operating savings, including potential, recurring labor and non-labor savings related to back office and clinical consolidation.
    ii. Capital avoidance savings related to the elimination of certain identified capital needs as a result of the better utilization of the combined the Shannon/SACMC space.
    iii. One-time costs necessary to achieve the identified savings.

6) **Health and Safety Code § 314A.056(a)(2)(C) requires the application to sufficiently address the factor listed in Health and Safety Code § 314A.056(b)(2), which requires the designated agency to consider the effect of the Proposed Merger on the preservation of sufficient hospitals within a geographic area to ensure public access to acute care.**

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the "merger would likely reduce public access to acute care hospital services." The FTC also indicated that the applicant has not made any "commitments to keep open or maintain current service levels at hospitals and other facilities..." The FTC stated the applicant would likely need to consolidate facilities to achieve projected cost savings and efficiencies, which would likely lead to a reduction in access to healthcare services."

The OAG did not address this issue in its advice to HHSC.

The applicant stated, "the goal of the statute is to provide certain qualifying rural hospitals with tools to maintain the availability of quality health care in rural areas." It explained that "rural communities throughout the United States are losing access to high-quality health care as local hospitals struggle to contain costs while providing essential care. The crisis is particularly acute in Texas, which has witnessed more rural hospital closures than any other state."

The applicant listed the following factors as contributors to rural hospital financial decline: payor mix, hospital reimbursement cuts, service shifts from inpatient to outpatient settings, and higher operating costs for rural hospitals, and stated that rural populations suffer from more health problems than urban areas.

The applicant stated that the transaction will preserve sufficient hospitals within the area and will enable improved access to rural care by:

a. increasing services available to rural communities by combining hospitals with widely different focuses and footprints;
b. creating substantial cost savings and other efficiencies;
c. fostering the creation of jobs in local communities;
d. improving health care access and outcomes for populations disproportionately composed of poor and elderly people;
e. reinvesting cost savings into the community;

f. expanding access to a variety of specialties in different locations;
g. coordinating care in a way that improves efficiency and increases the quality of care provided to patients;
h. broadening telehealth services;
i. increasing physician recruitment to improve access to primary and specialty providers;
j. providing appropriate levels of care in the right acuity setting;
k. expanding indigent care programs;
l. combining electronic medical record systems which would foster improved population health initiatives; and
m. developing rural accountable care and clinically integrated collaborative networks or service delivery platforms.

7) Health and Safety Code § 314A.056(a)(2)(C) requires the application to sufficiently address the factor listed in Health and Safety Code § 314A.056(b)(3), which requires the designated agency to consider the effect of the Proposed Merger on the cost efficiency of services, resources, and equipment provided or used by the hospitals that are a party to the Proposed Merger.

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the applicant “claims that the merger will generate substantial cost savings and efficiencies through avoidance of capital expenditures, consolidation of clinical services, elimination of redundancies, reductions in labor expenses, and reductions in purchasing and other non-labor expenses.” The FTC also stated that “the purported gains in cost-savings may be overstated and may not outweigh the substantial loss in competition” as “experience and evidence demonstrates that hospital mergers often do not result in significant efficiencies, despite company projections that they will...”

The OAG advised that it “also identified disadvantages attributable to a reduction in competition that may result from the Proposed Merger. Shannon Health and San Angelo Community Medical Center closely compete to provide health care services in the San Angelo area. Hospital competition generally leads to lower prices, higher quality care, improved access and enhanced hospital amenities. If Shannon Health and San Angelo Community Medical Center merge there is a possibility that the benefits of competition would be lost.”

The applicant explained that the Proposed Merger would allow for:

a. expansion of inpatient rehabilitation services;
b. implementation of “a fully integrated, uniform electronic medical records system” which would allow:
    i. patient medical histories and treatment records to be readily available at all locations in real time;
    ii. providers to share information, which would facilitate better patient care and coordination of treatment services; and
    iii. improvement of population health initiatives, allowing for more robust data analytics;
c. the coordination of key service lines such as cardiovascular surgery or dialysis;
d. development of new services;
e. better addressing of predominant health needs in the community such as obesity; knowledge/education; mental health; primary care physicians; health behavioral and lifestyles; and
f. elimination of unnecessary and duplicative costs to free up resources which would enable investment in new services and technologies.

8) Health and Safety Code § 314A.056(a)(2)(C) requires the application to sufficiently address the factor listed in Health and Safety Code § 314A.056(b)(4), which requires the designated agency to consider the effect of the Proposed Merger on the ability of health care payors to negotiate payment and service arrangements with hospitals proposed to be merged under the agreement.

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the “merger presents substantial risk of serious competitive and consumer harm in the form of higher healthcare costs, lower quality, reduced innovation, and reduced access to care.” The FTC also indicated that regulatory rate review, would be unlikely to “effectively mitigate all the potential anticompetitive harms to consumers,”, as “health insurers, on behalf of their customers, use competition between hospitals as leverage to negotiate better reimbursement rates. … By eliminating this competition, the Proposed Merger would substantially increase the combined system’s ability to exercise its market power, enabling it to extract higher prices in negotiations with health insurers, which in turn would likely lead to higher healthcare costs for employers and consumers.”

The OAG did not address this issue in its advice to HHSC.

HHSC is required to establish a rate review process and to provide approval prior to the implementation of increased rates following the granting of a COPA. This rate review process will provide a mechanism to ensure that rates are negotiated at a level that is supported by economic, cost, or other growth trend indicators. Health and Safety Code § 314A.102 requires the hospital seeking a rate change to submit to HHSC information regarding "whether the proposed rates are less than the corresponding amounts in the producer price index published by the Bureau of Labor Statistics of the United States Department of Labor relating to the hospital services for which the rates are proposed or a comparable price index." In addition, the hospital must submit information to HHSC concerning costs, patient volume, acuity, payor mix, and other information requested by the designated agency.

HHSC acknowledges the FTC comment that the enabling legislation for rate review is vague, but HHSC's Provider Finance Division strongly disagrees that lack of further specificity in the statute implies that HHSC will not apply the full force of its resources to ensure that Texans residing in communities where a COPA is in effect are able to access services with pricing comparable to a rate that would be charged in a similar market. HHSC plans to design a tool to evaluate proposed rate increases by comparing the proposed rates to: (1) price indexes, (2) cost report data and trends, (3) governmental program rates, and (4) other information as deemed necessary by HHSC.

The applicant stated that Health and Safety Code Chapter 314A fully protects payors' ability to negotiate competitive payment and service arrangements by:

a. providing payors with increased leverage in negotiations by requiring the merged hospital to obtain HHSC approval before changing rates;
b. requiring justification which must include at a minimum, information concerning costs, patient volume, payor mix, and acuity for a proposed rate change for Medicare or Medicaid; and
c. requiring merged hospitals to submit annual reports to HHSC which include information related to the price, cost, and quality of and access to health care.

9) Health and Safety Code § 314A.056(a)(2)(C) requires the application to sufficiently address the factor listed in Health and Safety Code § 314A.056(b)(5), which requires the designated agency to consider the effect of the Proposed Merger on the

extent of any reduction in competition among physicians, allied health professionals, other health care providers, or other persons providing goods or services to, or in competition with, hospitals.

HHSC, as the designated agency, received the following information relating to this issue:

The FTC stated that the “merger would likely substantially reduce competition for physician services and ancillary healthcare services.” Additionally, the FTC stated that “the Proposed Merger would eliminate the competition between the systems for outpatient and physician services and would further consolidate those markets. Post-merger, the combined system’s negotiating leverage is likely to increase substantially, which is likely to lead to higher prices and reduced quality and availability of physician and outpatient services to the serious detriment of employers and area residents.”

The OAG advised that it “also identified disadvantages attributable to a reduction in competition that may result from the Proposed Merger. Shannon Health and San Angelo Community Medical Center closely compete to provide health care services in the San Angelo area. Hospital competition generally leads to lower prices, higher quality care, improved access and enhanced hospital amenities. If Shannon Health and San Angelo Community Medical Center merge there is a possibility that the benefits of competition would be lost.”

The applicant stated the merger would “not result in a meaningful reduction in competition among physicians, allied health professionals, other health providers, or any other persons providing goods or services in competition with the hospitals.” The applicant stated it intends to promote competition by:

a. collaborating with independent physicians in the community to work toward building an array of service offerings that will be accessible throughout the area;
b. continuing to allow independent physicians the ability to refer patients to any health care facility;
c. enabling physicians to have a more stable platform with enhanced quality and capabilities, allowing for delivery of better and more effective care to patients in the community;
d. allowing physicians working for the merged hospital to continue to be permitted to leave the entity and practice independently in the community;

e. continuing and promoting the recruitment of physicians, nurses and other health providers;
f. enhancing primary care in the area;
g. increasing the number of providers in the community which will spur competition in the region; and
h. continuing competition with health systems throughout the region.

Determination

After reviewing the application and consulting with the OAG, HHSC, as the designated agency, determines under the totality of the circumstances that:

(1) the Proposed Merger would likely benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public;

(2) the likely benefits resulting from the Proposed Merger described by Health and Safety Code § 314A.056(a)(1)(A) outweigh any disadvantages attributable to a reduction in competition that may result from the proposed merger; and

(3) the application:

(A) provides specific evidence showing that the Proposed Merger would likely benefit the public as described by Health and Safety Code § 314A.056(a)(1)(A);

(B) explains in detail how the likely benefits resulting from the Proposed Merger agreement outweigh any disadvantages attributable to a reduction in competition as described by Health and Safety Code § 314A.056(a)(1)(B); and

(C) sufficiently addresses the factors listed in Health and Safety Code § 314A.056(b).

For the reasons stated above, HHSC issues the requested certificate of public advantage under Health and Safety Code § 314A.056, subject to:

(1) annual review of the certificate of public advantage, as required by Health and Safety Code § 314A.059;

(2) supervision of merged hospitals, as required by Health and Safety Code § 314A.101, and as defined in the terms and conditions attached;

(3) rate review, as required by Health and Safety Code § 314A.102;

(4) annual reporting, as required by Health and Safety Code § 314A.103, and additional reporting required in the terms and conditions; and

(5) an annual supervision fee for each hospital operating under the certificate of public advantage, as authorized by Health and Safety Code § 314A.105.

Furthermore, Health and Safety Code § 314A.056(c) authorizes the designated agency to include terms or conditions of compliance in connection with a certificate of public advantage if necessary to ensure that the Proposed Merger likely benefits the public. The OAG advised that HHSC, as the designated agency, "may determine that a certificate of public advantage issued to Shannon Health should include terms or conditions to ensure the likely benefits of the Proposed Merger are provided to the public. Appropriate terms or conditions may also include measures that mitigate disadvantages attributable to a reduction in competition that could result from the Proposed Merger."

HHSC accordingly finds that the attached terms and conditions are necessary to ensure that the Proposed Merger likely benefits the public as specified by Health and Safety Code § 314A.056(a)(1)(A).