PUBLIC REDACTED VERSION

Hendrick Health

Anniversary Report Fiscal Year 2025
Reporting Period: 9/1/2024 – 8/31/2025
Submission Date: December 15, 2025

Certificate of Public Advantage ("COPA")

Anniversary Report for Fiscal Year 2025

This Anniversary Report for FY2025 ("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 to herein as "Hendrick Health". The revised Terms and Conditions of Compliance require Hendrick Health to submit an annual report each year by December 31. The Office of Public Insurance Counsel ("OPIC") is now the state agency supervising the activities under the COPA.

This COPA Anniversary Report reflects the performance of HMC and HMC-S (formerly ARMC) for fiscal year 2025, the period of September 1, 2024 to August 31, 2025. 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").

Report Contents

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
OPIC	Texas Office of Public Insurance Counsel

II. COPA Anniversary Report for FY2025

A. Summary of Requirements

As required by Texas Health and Safety Code § 314A.103, 28 Texas Admin. Code § 280.34, and the revised COPA Terms and Conditions of Compliance, Hendrick Health must submit an annual report 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
Christie Eckhardt, JD	Hendrick Health Vice President, General Counsel
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
Heater Ray, DNP, RN, CNRN	Hendrick Health Vice President, Quality
Judy LaFrance, MSN, RN, NE-BC	Chief Administrative Officer, Hendrick Medical Center South
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.

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

- 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 achieved these benefits through the following actions in FY2025:

    - Improved healthcare quality and patient outcomes:

        - Institution of quality improvement measures through system-wide goals for the following five specific quality measures: (1) inpatient 30-day readmission reduction: observed rate <= peer in 4 of 6 measures[1]; (2) HAC reduction domain 2 HAI SIRs – Achieve <=1.00 in each of 4 of 5 underlying measures[2]; (3) HCAHPS Care Transition – understood purpose of medications >= 64% (CMS 85th percentile); (4) Falls with serious injury (AHRQ: IP/OBS per 1,000 occupied beds) <= 0.0744; and (5) PSI-10: Postoperative acute kidney injury requiring dialysis (per 1,000 eligible discharges) <= 1.57.

          Each fiscal year, Hendrick Health selects quality goals that represent top priorities for the organization based on physician feedback and opportunities to improve. Other metrics are still monitored for continuous improvement through Hendrick Health's Quality Council and Physician Performance Improvement Committee under the traditional QAPI model.

          Note, these internal performance improvement results may vary from similar publicly reported data.

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[1] Underlying measures include: Acute Myocardial Infarction ("AMI"); Chronic Obstructive Pulmonary Disease ("COPD"); Heart Failure ("HF"); Pneumonia; Coronary Artery Bypass Graft ("CABG") Surgery; and Elective Primary Total Hip Arthroplasty and/or Total Knee Arthroplasty ("THA"/"TKA").

[2] 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 Batheremia ("MRSA"), 1.00 or less; and Clostridium Difficile Infection ("CDI"), 1.00 or less.

[redacted]

- 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. [redacted]

- 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 FY2025. 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. A single governing body focuses on 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.

- Upgraded technology and replaced older equipment. For example, Hendrick Health:

    - Continued updates to its EMR platform for improved regulatory compliance and clinical workflow efficiency.

    - Implemented a new surgery to schedule functionality for locations requesting surgical/procedure time, which allows for greater staff efficiency.

    [redacted]

    - Commenced a project to replace the overhead paging system and phone system at HMC-S.

    - Continued with updates to the wireless network infrastructure in the HMC-S medical office building.

    - Upgraded one of the two cath labs at HMC-S with new and advanced X-ray equipment, monitor screens, and patient tables. New flooring and paint were also added.

- 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.

- Hendrick Health centralized its inpatient pediatric services. Beginning in November 2024, children requiring inpatient care in Abilene are admitted to Hendrick Children's Hospital. Hendrick Children's Hospital is the only children's hospital between Fort Worth and El Paso. The multidisciplinary team of physicians, nurses, therapists, and other clinical providers are trained and experienced in the nuances of care for children and their families. From nurses' stations and patient rooms, to treatment rooms and playrooms, the 23-bed Hendrick Children's Hospital was designed, equipped, and decorated specifically for children.

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- Hendrick Health's lung nodule program has a goal of increasing early detection of lung cancer and to increase the number of overall diagnoses, both of which increases a patient's survival rate. Hendrick Health has seen a significant increase in the diagnosis of potentially curable lung cancers since 2021. Staging of cancer has improved with fewer patients being classified as unstaged in the tumor registry and screening continues to increase. In this regard, Hendrick Health went from fewer than 250 screening exams in 2021 to 833 in 2024.

[redacted]

[redacted]

- Increased access to care by expanding service delivery:

  - Hendrick Health continued improving its centralized transfer center to coordinate transfer requests from surrounding rural hospitals. This unified process and single transfer line has improved access to more local care for patients and hospitals in Hendrick Health's service area. The centralized transfer center allows Hendrick Health to accept more patient transfers, which enables patients to receive care quicker and closer to home than they would have previously received [redacted]

  - 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 opened a new outpatient pharmacy at HMC-S. Located on the first floor of HMC-S, the pharmacy offers patients being discharged the convenience of having their prescriptions filled before going home, as well as providing outpatient pharmacy services for individuals living or working in South Abilene.

  - Hendrick Health's structural heart team completed the first minimally invasive tricuspid edge-to-edge repair ("TEER") procedure at HMC and in the region. The Abbott system is the first-of-its-kind device to treat patients with severe tricuspid regurgitation ("TR"), a disorder in which the valve between the two right heart chambers does not close properly. TR is often debilitating, causing symptoms such as shortness of breath and fatigue, and when left untreated, may progress into conditions such as atrial fibrillation and heart failure. Traditionally, the only treatment option for TR has been surgery.

  - Hendrick Health began offering Pritikin Intensive Cardiac Rehab ("ICR"). This program provides evidence-based cardiovascular care. It involves intensive risk modifications inclusive of exercise, nutrition, and healthy mindset education. Patients have access to dietitians with cooking classes, meal planners, interactive workshops, and individualized patient education. Prior to Pritikin ICR, Hendrick Health offered traditional cardiac rehab. Pritikin ICR offers a more comprehensive approach, particularly in nutrition and stress management.

- Dr. Thomas Nelius and the Hendrick Health urology team performed its first HYDROS Robotic System Aquablation Therapy procedure to treat benign prostate hyperplasia (BPH) with lower urinary tract symptoms. The innovative robotically-assisted procedure uses a heat-free waterjet to quickly and precisely remove excess obstructive prostate tissue without damaging vital anatomy controlling sexual and urinary function. Dr. Katherine Rinard and Dr. Trey Durdin will also begin to offer this procedure to their patients.

- Hendrick Health began offering deep brain stimulation, a groundbreaking surgery to improve movement for patients with Parkinson' disease and essential tremor. When medications are no longer effective, deep brain stimulation is a treatment option for eligible patients.

- Hendrick Health opened a second Heart Failure Clinic location at HMC-S. The clinic's goal is to improve patients' symptoms, reduce emergency department visits, and prevent hospital admissions.

- Hendrick Health is in the pilot phase of a remote patient monitoring project. This program monitors targeted patient populations with chronic diseases. The goal of this program is to reduce patient readmissions to the hospital.

- Hendrick Health enrolled approximately 553 patients in 22 different clinical trials in the areas of cardiology, oncology, and radiology.

- In FY2025, Hendrick health increased patient access to care from the surrounding rural service area. Accepted patient transfers from rural facilities to HMC and HMC-S increased by three percent. Continued efforts to increase access at HMC-S resulted in a 21% increase in accepted patient transfers to that campus. This growth was facilitated, in part, by ensuring beds were staffed at full capacity.

o 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 evaluated purchased services contracts to identify potential alignment opportunities, which would enable the combined organization to operate more efficiently and achieve cost savings. Hendrick Health recognized cost savings from bulk discounts, contract conversions, and contract alignment.

[redacted]

[redacted]

- Hendrick Health also undertook the following additional steps to reduce costs and improve efficiency:
    - Regular joint Leadership Council meetings to manage and oversee integration activities, including minimizing costs and realizing efficiencies.
    - Routine meetings of department directors with their counterparts to understand priorities and integration challenges, followed by meetings with their legacy teams to ensure alignment on integration matters.
    - Regular executive leadership meetings to discuss post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.
    - Prioritization of organizational leaders spending time at both campuses to promote process standardization and teambuilding to improve efficiency.
    - Routine meetings of the Joint Pharmacy and Therapeutics ("P&T") Oversight Committee, including representatives from both HMC and HMC-S.
    - Regular Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings began in order to streamline leadership reporting, communication, and responsibilities across both campuses.
    - Regular meetings of the OR/Surgical Committee at HMC-S to evaluate metrics and efficiencies related to surgical services.
    - Engagement of a firm to provide a new Policy and Procedure Coordinator to streamline all written policies across the market and to develop a newly revised joint Policy Review Committee.
    - Regular operating reviews for all departments in the Abilene market. Department leadership analyzes efficiencies, expenses compared to budget, and adjusts when necessary to ensure good stewardship of financial and operational resources.
    - The 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.
    - These items are meant to outline continued efforts to integrate and

streamline operations and quality assurance across the health system. Hendrick Health is unable to quantify dollar amounts or quantities associated with these items.

[redacted]

- Other community impact:
    - Hendrick Health continued its support to rural hospitals through affiliation agreements, including assistance with physician recruitment, continuing education opportunities, leadership training and mentoring, staff training opportunities, and program development assistance and advice.
    - Hendrick Health continued to provide ambulatory telehealth services, including primary and other non-emergency care services, to patients in the surrounding area. Telehealth capabilities remain available and are utilized by patients choosing that method of care.
    - Hendrick Health continued with its Patient and Family Advisory Council ("PFAC") to collaborate with the community to improve each patient's and family's experience of Hendrick Health's services consistent with the organizational mission. PFAC utilizes the experience and skills of patients, families, and caregivers to improve care for all patients. PFAC assists Hendrick Health by identifying strategies to support patients and families, evaluating quality improvement projects, and establishing patient and family-centered care priorities.
    - Hendrick Health consistently puts on health-related programming for its community. For example:
        - In Fall 2024, Hendrick Hospice Care offered several bereavement events to help adults, children, and families cope with grief.
        - Hendrick Health had a free influenza vaccine clinic for the neighbors served by City Light Community Ministries of First Baptist Church of Abilene and donated cold weather personal hygiene packets to the nonprofit.
        - Hendrick Health hosted several free support groups, including Better Breathers Club and Surviving and Thriving After Stroke.

- Hendrick Health professionals have participated in trade shows and health fairs.
- Hendrick Cancer Center and the ATEMS High School Student Council put on programming to encourage students to avoid electronic cigarettes and other tobacco-related productions.
- Hendrick Health sent card mailers to patients and engaged in other marketing efforts to notify them of open enrollment and resource assistance in this regard. Hendrick Health offered free education and enrollment assistance for Affordable Care Act health insurance plans during open enrollment for 2025 coverage. Certified application counselors were available by appointment to answer questions and assist individuals in applying for insurance plans through the health insurance marketplace.
- In May 2025, Hendrick Health hosted a Wellness Fair in Abilene.
- Hendrick Health's leadership participates in a number of community-wide initiatives and groups.

- 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 2025, Hendrick Health invested a total of approximately $49.8 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.

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

- 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 FY2025:
    - Capital expenditures: Hendrick Health invested approximately $49.8 million in capital expenditures across both HMC and HMC-S. [redacted]
    - Additional clinical staffing at HMC-S and investment in staff across the organization: Hendrick Health has worked to increase the clinical staffing available at HMC-S through the

continuation of a clinical labor float pool and hiring of additional clinical employees. Hendrick Health promotes career advancement within the organization by providing information about career paths and education routes for different fields, and opportunities for growth.

- To help employees reach their full potential, Hendrick Health offers multiple tuition-based programs to help with the cost of continuing education. In addition, Hendrick Health's workforce development team develops partnerships with local community members, academic institutions, students, and current employees to advance careers at Hendrick Health. Hendrick Health offers career incentives for students not employed at Hendrick Health, including scholarships, career journey programs, and a healthcare academy for high school students to gain hands-on experience. Specifically, in its second year of operation, the workforce Development team made significant progress in promoting rewarding careers in healthcare. The team developed a pipeline of 331 students since the program's inception (266 in FY25) who are committed future Hendrick employees, including 194 nursing students, 12 pharmacists, and 11 therapists. Enrollment in the Healthcare Academy, offered to high school students in conjunction with Cisco College, increased from 64 in the inaugural year, to 222 the second year, and to 413 the third year. The team also facilitated high school student internships in departments for Nursing, Therapies, Pharmacy, Lab, Cardiology, Surgical Services, and Facilities Management. In total, workforce development had more than 13,000 contacts with students, schools, and universities to get the word out about career opportunities at Hendrick Health.
- Additional examples of reinvestment in the health system include upgrades to equipment/facilities, addition of new technologies, and expansion of service offerings.

- Furthermore, since the Transaction closed in October 2020, as required by Texas Health and Safety Code § 314A.103, 28 Texas Admin. Code § 280 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 is responsive to the required annual reporting terms.
- Hendrick Health also complied with the annual hearing requirement through its COPA public hearing held Friday, September 26, 2025 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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- 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 achieved these benefits through the following actions in FY2025:
  - Improved healthcare quality and patient outcomes:
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[4] Underlying measures include: Acute Myocardial Infarction ("AMI"); Chronic Obstructive Pulmonary Disease ("COPD"); Heart Failure ("HF"); Pneumonia; Coronary Artery Bypass Graft ("CABG") Surgery; and Elective Primary Total Hip Arthroplasty and/or Total Knee Arthroplasty ("THA"/"TKA").

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  - Continued with updates to the wireless network infrastructure in the HMC-S medical office building.
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When medications are no longer effective, deep brain stimulation is a treatment option for eligible patients.

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- Hendrick Health is in the pilot phase of a remote patient monitoring project. This program monitors targeted patient populations with chronic diseases. The goal of this program is to reduce patient readmissions to the hospital.
- Hendrick Health enrolled approximately 553 patients in 22 different clinical trials in the areas of cardiology, oncology, and radiology.
- In FY2025, Hendrick health increased patient access to care from the surrounding rural service area. Accepted patient transfers from rural facilities to HMC and HMC-S increased by three percent. Continued efforts to increase access at HMC-S resulted in a 21% increase in accepted patient transfers to that campus. This growth was facilitated, in part, by ensuring beds were staffed at full capacity.

o 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 evaluated purchased services contracts to identify potential alignment opportunities, which would enable the combined organization to operate more efficiently and achieve cost savings. Hendrick Health recognized cost savings from bulk discounts, contract conversions, and contract alignment.

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- Hendrick Health also undertook the following additional steps to reduce costs and improve efficiency:
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    - Routine meetings of department directors with their counterparts to understand priorities and integration challenges, followed by meetings with their legacy teams to ensure alignment on integration matters.

- Regular executive leadership meetings to discuss post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.
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- Regular meetings of the OR/Surgical Committee at HMC-S to evaluate metrics and efficiencies related to surgical services.
- Engagement of a firm to provide a new Policy and Procedure Coordinator to streamline all written policies across the market and to develop a newly revised joint Policy Review Committee.
- Regular operating reviews for all departments in the Abilene market. Department leadership analyzes efficiencies, expenses compared to budget, and adjusts when necessary to ensure good stewardship of financial and operational resources.
- The 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.
- These items are meant to outline continued efforts to integrate and streamline operations and quality assurance across the health system. Hendrick Health is unable to quantify dollar amounts or quantities associated with these items.

[redacted]

- Other community impact:
  - Hendrick Health continued its support to rural hospitals through affiliation agreements, including assistance with physician recruitment, continuing education opportunities, leadership training and mentoring, staff training opportunities, and program development assistance and advice.
  - Hendrick Health continued to provide ambulatory telehealth services, including primary and other non-emergency care services, to patients in the surrounding area. Telehealth capabilities remain available and are utilized by patients choosing that method of care.
  - Hendrick Health continued with its Patient and Family Advisory Council ("PFAC") to collaborate with the community to improve each patient's and family's experience of Hendrick Health's services consistent with the organizational mission. PFAC utilizes the experience and skills of patients, families, and caregivers to improve care for all patients. PFAC assists Hendrick Health by identifying strategies to support patients and families, evaluating quality improvement projects, and establishing patient and family-centered care priorities.
  - Hendrick Health consistently puts on health-related programming for its community. For example:
    - In Fall 2024, Hendrick Hospice Care offered several bereavement events to help adults, children, and families cope with grief.
    - Hendrick Health had a free influenza vaccine clinic for the neighbors served by City Light Community Ministries of First Baptist Church of Abilene and donated cold weather personal hygiene packets to the nonprofit.
    - Hendrick Health hosted several free support groups, including Better Breathers Club and Surviving and Thriving After Stroke.
    - Hendrick Health professionals have participated in trade shows and health fairs.
    - Hendrick Cancer Center and the ATEMS High School Student Council put on programming to encourage students to avoid electronic cigarettes and other tobacco-related productions.
    - Hendrick Health sent card mailers to patients and engaged in other marketing efforts to notify them of open enrollment and resource assistance in this regard. Hendrick Health offered free education and enrollment assistance for Affordable Care Act health insurance plans during open enrollment for 2025 coverage. Certified application counselors were available by appointment to answer questions and

assist individuals in applying for insurance plans through the health insurance marketplace.

- In May 2025, Hendrick Health hosted a Wellness Fair in Abilene.

- Hendrick Health's leadership participates in a number of community-wide initiatives and groups.

- 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 2025, Hendrick Health invested a total of approximately $49.8 million in capital and infrastructure expenditures at the two campuses.

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: As of Q4 FY2025, Hendrick Health was contracted with 16 healthcare payers. [redacted] Additionally, the Charity Care policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. During FY2025, Hendrick Health enrolled a total of 15,138 patients in charity care. Combined, HMC and HMC-S incurred approximately $102.7 million in charity care during this period. In addition to charity care, Hendrick Health provided approximately $117.1 million in uninsured patient discounts during FY2025.

- Quality: Since the Transaction Closing Date, Hendrick Health has dealt with a number of challenges, including the COVID-19 pandemic, inflationary pressures, etc. 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. For the Spring and Fall 2025 releases, HMC's Leapfrog Safety Grade has ranged from "A" to "B", while HMC-S remained consistent with "B". The grade for HMC-S was an improvement from FY2024. In addition, Hendrick Health's emergency department average (median) wait time was below the national benchmark for each quarterly CMS data release in FY2025.

- 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 FY2025 were fairly consistent with FY2024 volumes. 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.

[redacted]

- Opened a new outpatient pharmacy at HMC-S.
- Performed the first minimally invasive tricuspid edge-to-edge repair (“TEER”) procedure at HMC and in the region.
- Began offering Pritikin Intensive Cardiac Rehab (“ICR”), a more comprehensive program when compared to traditional cardiac rehab.
- Dr. Thomas Nelius and the Hendrick Health urology team performed its first HYDROS Robotic System Aquablation Therapy procedure to treat benign prostate hyperplasia (BPH) with lower urinary tract symptoms.
- Hendrick Health is now offering deep brain stimulation, a groundbreaking surgery to improve movement for patients with Parkinson’ disease and essential tremor.
- Hendrick Health opened a second Heart Failure Clinic location at HMC-S.
- Hendrick Health is in the pilot phase of a remote patient monitoring project to monitor targeted patient populations with chronic diseases and prevent readmissions.

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.

- 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 with recruitment firms and

circulated open job positions through email blasts to current employees. In addition, Hendrick Health hired more than 1,200 new employees in FY2025. Other workforce-related investments include:

- Hendrick Health previously launched its service excellence training program to provide employees with tools to continuously deliver high quality healthcare and patient experience. Hendrick Health later rolled out the next phase with commitments to excellence highlighted each week in the daily safety huddle and other meetings. In FY25, nearly 2,000 employees completed this next phase.

- To help employees reach their full potential, Hendrick Health offers multiple tuition-based programs to help with the cost of continuing education. In addition, Hendrick Health's workforce development team develops partnerships with local community members, academic institutions, students, and current employees to advance careers at Hendrick Health. Hendrick Health offers career incentives for students not employed at Hendrick Health, including scholarships, career journey programs, and a healthcare academy for high school students to gain hands-on experience. Specifically, in its second year of operation, the workforce Development team made significant progress in promoting rewarding careers in healthcare. The team developed a pipeline of 331 students since the program's inception (266 in FY25) who are committed future Hendrick employees, including 194 nursing students, 12 pharmacists, and 11 therapists. Enrollment in the Healthcare Academy, offered to high school students in conjunction with Cisco College, increased from 64 in the inaugural year, to 222 the second year, and to 413 the third year. The team also facilitated high school student internships in the departments for Nursing, Therapies, Pharmacy, Lab, Cardiology, Surgical Services, and the Facilities Management. In total, workforce development had more than 13,000 contacts with students, schools, and universities to get the word out about career opportunities at Hendrick Health.

- In May 2025, Hendrick Health held three employee town hall meetings in the Abilene area. Key initiatives and plans for the system are discussed during town hall meetings. Hendrick teamed up with a third-party vendor to offer a free concierge service that helps employees discover and sign up for quality childcare programs nearby.

- In August 2025, Hendrick Health held employee town hall meetings. Key initiatives and plans for the system are discussed during town hall meetings. Also in August 2025, Hendrick Health invited employees to attend a webinar titled, "Building on Excellence: Habits of Effective People".

- Hendrick Health earned the 2025 Gallup Exceptional Workplace Award for the 19th year in a row, making it the only healthcare organization to achieve this honor. In addition, Hendrick Health is only one of two companies worldwide to be recognized as one of the most engaged workplace cultures for all 19 years of the award. This award is designed to identify excellence and celebrate organizations who incorporate employee engagement into their culture.

  - 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 FY25, Hendrick Health granted over 1,000 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. The 2022 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.
- In August 2025, Hendrick Health finalized its 2025 CHNA and an implementation plan will follow. In the Q1 FY26 Performance Report, Hendrick Health will include findings from the 2025 CHNA and initial efforts to address predominant health needs identified by such CHNA.

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.]

- In recent years, 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.

[redacted]

- Other previously reported examples of Hendrick Health efforts to reduce costs include:
  - Regular joint Leadership Council meetings to manage and oversee integration activities, including minimizing costs and realizing efficiencies.
  - Routine meetings of department directors with their counterparts to understand priorities and integration challenges, followed by meetings with their legacy teams to ensure alignment on integration matters.
  - Regular executive leadership meetings to discuss post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.

- Organizational leaders have been prioritizing spending time at both campuses to promote process standardization and teambuilding to improve efficiency.
- Routine meetings of the Joint Pharmacy and Therapeutics ("P&T") Oversight Committee continued with representatives from both HMC and HMC-S.
- Regular Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings continued to streamline leadership reporting, communication, and responsibilities across both campuses.
- An OR/Surgical Committee was created at HMC-S. The committee established a process for evaluating metrics and efficiencies related to surgical services. This committee rolls up to the Medical Advisory Committee at HMC-S, which reports to the Medical Executive Committee for the Abilene community, increasing communication and streamlining processes across both campuses under the same medical model.
- Engaged a firm to provide a new Policy and Procedure Coordinator to streamline all written policies across the market and to develop a newly revised joint Policy Review Committee.
- Hendrick Health implemented regular operating reviews for all departments in the Abilene market. Department leadership analyzes efficiencies, expenses compared to budget, and adjusts when necessary to ensure good stewardship of financial and operational resources.
- 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]

- Examples of Hendrick Health investments in FY2025 include:
  - Capital Expenditures: Hendrick Health invested $49.8 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.

  [redacted]

  - HMC-S Outpatient Pharmacy: Hendrick Health opened a new outpatient pharmacy at HMC-S. Located on the first floor of HMC-S, the pharmacy offers patients being discharged the convenience of having their prescriptions filled before going home, as well as providing outpatient pharmacy services for individuals living or working in South Abilene. [redacted]

- HMC-S Cath Lab Upgrades: Hendrick Health recently upgraded one of the two cath labs at HMC-S with new and advanced X-ray equipment, monitor screens, and patient tables. New flooring and paint were also added. This update will improve the patient experience and provide quality diagnostic procedures and interventions. [redacted]

IV. Annual Public Hearing

Hendrick Health held its annual public hearing on Friday, September 26, 2025 at Hendrick Medical Center's Auxiliary Conference Center from 9:30 to 10:30 a.m. Notifications were sent to area news media and 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 correspondence 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. Note, a recording of the hearing was provided to the Office of Public Insurance Counsel in accordance with 28 Texas Admin. Code § 280.33.

Brad Benham, Vice President, Hendrick Medical Center Foundation, presided over the hearing, which had 65 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 explained the decision-making process underlying the Merger and the commitment of Hendrick Health's local Board of Trustees to securing the future of healthcare in Abilene and the region. Following Mr. Holland, a total of 14 individuals offered oral comments. Below is a brief summary of the oral comments.

- Dr. Rob Wiley, Chief Medical Officer of Hendrick Health, highlighted the areas of physician recruitment, advances in medical technology, and progress on designations. Physician recruiting has increased the ability for patients to stay in the area for their medical care. Medical technology, such as the robotic program, deep brain stimulation, and the lung nodule program, has drastically improved the quality of care in the region. Dr. Wiley also spoke about Hendrick Health's plans to work toward a level two trauma designation at HMC, allowing for the provision of quality local care to patients instead of transferring them to larger cities.

- Dr. Brad Barham is a local pediatrician in a practice that has served the community for over 60 years. Dr. Barham's practice has worked alongside Hendrick Health with hospital privileges at both HMC and HMC-S. Dr. Barham observed that the advanced NICU and current move to consolidate care for pregnant women, their newborns, and pediatric patients allow Hendrick Health to pool its resources and provide more efficient healthcare to the community.

- Leigh Black, a member of the Hendrick Health Board of Trustees, is proud to be part of a board that looks at opportunities and strategically plans how Hendrick Health can better service patients and physicians, and that continually strives to improve patient experience.

- Tanner McDaniel, an administrative resident, read a letter on behalf of John Hawkins and Jim Kendrick of the Texas Hospital Association. The letter expressed full support of Hendrick Health's continued operation. This region includes patients who experience a higher-than-average reliance on Medicaid, underinsured patients, and others who struggle with access to care in the region. The letter also praised Mr. Holland and the Hendrick Health leadership team for advocating for adequate Medicaid funding and coverage. Hendrick Health was praised for its proven track record of leadership and advocacy for adequate access to healthcare services for all residents in its service area.

- Diana Head, a community member, detailed an inability for her husband to see a specialist at one of Hendrick's hospitals despite being established with providers there. This required a transfer to another facility within the same system. The centralized scheduling system was criticized for being impersonal, not recognizing established doctor/patient relationships, and leading to longer appointment wait times.

- Shea Hall, a community member, shared a personal story of how local Hendrick Health physicians coordinated effectively with specialists in Houston, allowing more local care. Ms. Hall was extremely thankful and impressed with Hendrick Health's leadership, willingness to listen, and make improvements related to supply access and training.

- Dr. Robert Lawson, a Hendrick emergency room physician for 39 years, believes the Merger has been the best thing for Abilene. Over time, consistency of care in all service lines has improved and healthcare has been able to stay local more often. The number of transfers in from rural communities has increased. Emergency medicine has improved and the ability to transfer from one hospital to another has greatly improved.

- Blair Schroeder is the Chief Strategy Officer at Abilene Christian University. In this role, Mr. Schroeder partners with local programs that expose students to medical careers. Mr. Schroeder stated that the collaboration Hendrick Health has provided innovative solutions to the community's needs over the years. Mr. Schroeder believes the COPA has provided a quality focus for Hendrick Health to make Abilene better.

- Danielle Delhomme, a community member, stated that she has heard negative rumors at Hendrick Health and feels that being "the only game in town" is not a good thing. Ms. Delhomme acknowledged that some of the changes have been good, but she wanted it known that not everyone in the community thinks they have been a positive change.

- Joy Ellinger, Executive Director of Dignity Health Management Center, expressed deep gratitude for the unofficial partnership with Hendrick Health, describing it as a "lifeline of hope" for patients with HIV. The collaboration has greatly improved patient access to care.

- Judy Lafrance, Chief Administrative Officer at HMC-S, a nurse of 28 years who has lived in Abilene for nearly 40 years, noted her family's reliance on Hendrick Health for all levels of care. Ms. Lafrance contrasted the current state of HMC-S with its condition prior to the Merger, when may units were closed. Since the Merger, Hendrick Health has made significant investments in the facility, including improvements, new equipment, new patient furniture, and additional service lines, which has enhanced patient care and student learning opportunities.

- Eric Bruntmeyer, President of Hardin-Simmons University, thanked Hendrick Health for the excellent care it provides to retirees and for the training opportunities it provides for Hardin-Simmons University's nursing students. Mr. Bruntmeyer shared a personal story about care received by a family member.

- Pearl Merritt, a community member, shared a positive story of care received at Hendrick Health.

- Jessica Fry, an employee at Hendrick Health, described her journey from a non-clinical administrative role to becoming a licensed nurse on the pediatric unit. Hendrick Health supported Ms. Frey by paying for her nursing education at Cisco, providing a flexible evening and weekend work schedule, and offering consistent encouragement. Ms. Frey noted that her daughter is also a Hendrick employee and full-time student, and she is proud to be the first nurse in her family.

V. Attachments