



**STATE OF TENNESSEE
DEPARTMENT OF HEALTH**
ANDREW JOHNSON TOWER, 5TH FLOOR
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

BILL LEE
GOVERNOR

LISA PIERCEY, MD, MBA, FAAP
COMMISSIONER

August 26, 2021

Mr. Alan Levine
Executive Chairman, President, and CEO
Ballad Health
303 Med Tech Parkway, Suite 300
Johnson City, TN 37604

Re: Ballad Health's Fiscal Year 2020 Monetary Commitment

Dear Mr. Levine,

I am responding to your letter dated July 1, 2021, notifying the State of the amount that Ballad Health's (Ballad's) spending in FY20 was short of its commitment for the eight month-period in which Ballad's spending requirements were not temporarily suspended. While Ballad had previously reported to the State the likelihood of a shortfall in its FY20 spending commitments, which constitutes an event of noncompliance with the Terms of Certification, the amount of such shortfall was not previously known.

Ballad's monetary commitment was temporarily suspended as of March 1, 2020 in response to the COVID-19 pandemic, which constituted a Force Majeure Event. However, the monetary commitment for the first eight months of FY20 were not suspended, and, therefore, the spending commitments for the fiscal year have been prorated.

The above-baseline spending amounts for the prorated portion of FY20, as reported by Ballad and reviewed and approved by the COPA Monitor, confirm that spending in four of the six required spend categories experienced a shortfall. These shortfall amounts are:

Behavior Health Plan – (\$1,232,065)
Children's Services Plan – (\$587,296)
Rural Health Plan – (\$669,776)
Health Information Exchange (HIE) Plan– (\$641,237).

To remedy these shortfalls and to cure the noncompliance, Ballad has proposed to:

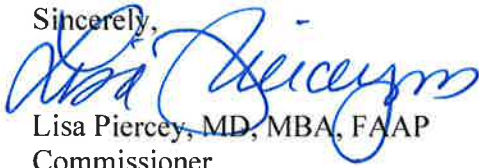
- 1) increase the board-designated fund by the total amount of the shortfall, \$3,130,374.00;
- 2) provide a proposal to the Department on the accounting of Ballad's spending according to approved plans during the COVID-19 emergency suspension period; and
- 3) provide a second proposal for the modification of the timing of the spending commitments.

Ballad's proposal to address the deficiency in its spending commitment is acceptable. This proposed remedy requires Ballad's balance sheet to reflect its unmet contractual obligations and provide a level of accountability and transparency that is necessary for the State to actively supervise and enforce the COPA.

We acknowledge Ballad's commendable response to the COVID-19 pandemic, and though challenges remain, we appreciate Ballad's effort to pivot back to fulfilling its monetary commitments under the Terms of Certification. We look forward to receiving notice that the board-designated fund has been increased and to receiving the two proposals mentioned above. The Department would like to have these steps completed by September 30, 2021.

Please let us know if you have any questions or need further clarification.

Sincerely,



Lisa Pierceny, MD, MBA, FAAP
Commissioner



Herbert H. Slatery
Attorney General and Reporter

cc: The Honorable Norman Oliver, State Health Commissioner
Virginia Department of Health

Tim Belisle, General Counsel
Ballad Health

Claire C. Haltom
Baker Donelson PC

Karen Guske, COPA Compliance Officer
Ballad Health

Erik Bodin, Office of Licensure and Certification
Virginia Department of Health

Allyson Tysinger
Virginia Senior Assistant Attorney General

Dennis Barry
Southwest Virginia Health Authority

Kevin Meyer
COPA Analyst, Virginia Department of Health

Larry Fitzgerald
COPA Monitor

Janet M. Kleinfelter, Deputy Attorney General
State of Tennessee

Jim Mathis, COPA Director
Tennessee Department of Health

Judi Knecht, Population Health Program Manager
Tennessee Department of Health