



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
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BILL LEE
GOVERNOR

LISA PIERCEY, MD, MBA, FAAP
COMMISSIONER

June 2, 2022

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

RE: Proposal to Modify the Rural Health Plan to include capital funding costs for the development of a Greeneville Outpatient Diagnostic Center

Dear Mr. Levine,

This letter is in response to your request under Section 3.06(c) of the Second Amended and Restated Terms of Certification, dated April 27, 2021 ("TOC"), to modify Ballad Health's ("Ballad") Rural Health Plan, previously approved through June 30, 2022 ("Rural Health Plan") to add construction, building, furniture and computer expenses to complete the Outpatient Diagnostic Center ("ODC"), which began construction October 2021 in Greeneville, TN. I have reviewed your request along with the recommendations of the Tennessee Certificate of Public Advantage ("COPA") Monitor, who has coordinated the analysis of your proposal with the monitor from the Virginia Department of Health.

Generally, TOC section 3.01 requires that only new and incremental capital expenditures and operating expenses pursuant to approved spending plans count towards satisfaction of the spending commitments. Specific to this request, TOC section 3.02(c) addresses the goals and objectives of the Rural Health Plan, which shall be employing physicians primarily in underserved areas and other locations where quantity and/or specialty needs are not being met and where Independent Physician groups are not interested in, or capable of, adding such specialties or expanding.

TDH recognizes the importance of quality and accessible outpatient diagnostic services and appreciates Ballad's commitment to offer outpatient rates vs. facility-based rates for services offered at the ODC, thus reducing the cost of healthcare delivered to patients in Ballad's region.

However, TDH is committed to following the provisions and process set forth in the TOC so that we may appropriately fulfill our statutory duties. This proposal impacts only the final few months of the approved Rural Health Plan.

The COPA Monitor has reviewed your proposal and certain additional information provided in response to his request. Nevertheless, the proposal as written does not establish that the services reflect new and incremental expenses nor that the ODC would employ physicians primarily in underserved areas and other locations where quantity and/or specialty needs are not being met or where Independent Physician groups are not interested in, or capable of, adding such specialties or expanding. Further the proposal does not provide specificity of detail to permit the monitors to recommend approval to the states, which could include a complete project description, financial proformas and key performance indicators. Additionally, the proposal does not incorporate any milestones nor metrics by which expenditures could be verified. Finally, the Rural Health Plan appears to contain projects generally adequate to permit Ballad to meet its spending obligations for this fiscal year.

For these reasons, I concur with the COPA Monitor's recommendation that the proposed modification should not be approved. Accordingly, I respectfully deny Ballad's proposal to modify the Rural Health Plan to include construction, building, furniture and computer expenses for the ODC at this time.

This determination in no way reflects upon the important work of the ODC. Further, if Ballad determined to introduce or describe in sufficient detail new and incremental services or programs to be provided at the ODC within the goals of the new Rural Health Plan or in a future modification request, TDH would welcome the opportunity to consider those services or programs on their own merits.

Thank you for your continuing efforts to serve the needs of your patients. While TDH takes our supervision role under the COPA very seriously, we also see ourselves as partners with Ballad in working through the various issues that will invariably continue to arise in this unprecedented process. Ballad's success is imperative to the residents of Northeast Tennessee and Southwest Virginia, and we want to do our part to help make that success possible.

I have enjoyed working with you during my tenure as Commissioner of Health to protect, promote and improve the health of the citizens of Northeast Tennessee. Please let my staff know if you have any additional questions or need further clarification.

Sincerely,



Lisa Piercey, MD, MBA, FAAP
Commissioner

cc:

The Honorable Colin M. Greene, MD, MPH
State Health Commissioner
Virginia Department of Health

Tim Belisle, General Counsel
Ballad Health

Marvin Eichorn, EVP, Chief Administrative Officer
Ballad Health

Karen Guske, COPA Compliance Officer
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