Certificate of Public Advantage (COPA)
Terms and Conditions of Compliance for Hendrick Health

The terms and conditions set forth in this document are required as a condition for approval of the COPA and are effective for the duration of the COPA. HHSC may alter these terms and conditions as it deems necessary to ensure that the merger benefits the public. HHSC will post these Terms and Conditions and other relevant information to the HHSC website.

**Rate Review**

HHSC will establish a rate review process and require approval prior to any change in rates for hospital services by a hospital operating under the COPA. The 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. The enabling legislation requires hospitals seeking a rate change to submit to HHSC the information listed in Health and Safety Code §314A.102(b), including any other information requested by HHSC.

HHSC acknowledges the FTC comment that the enabling legislation is vague, but HHSC’s Provider Finance Division strongly disagrees that the lack of further specificity in the statute implies that HHSC will not apply the full force of its resources to ensure that the benefits to Texans residing in communities where a COPA is in effect outweigh any disadvantages. HHSC will 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.

**Annual Public Hearing**

As a condition of granting the COPA, the COPA holder shall conduct a public hearing annually to obtain input from the members of the public regarding the COPA. A public hearing must take place no sooner than one month before the anniversary of the date the COPA was issued so that the COPA holder may include information about the hearing in its annual report.
At least 10 days before the hearing, the COPA holder shall post notice of the time and place of the public hearing on each hospital’s website and social media account and notify local news media of the public hearing.

At the hearing, the COPA holder shall take oral and written comments from any member of the public who wishes to comment about the COPA. The COPA holder will provide HHSC a summary of all oral and written comments received at the public hearing, a copy of any written comments received, any responses or actions the hospitals plan in response to those comments, and a count of persons who attended the hearing.

**Instructions for Annual and Quarterly Reporting Requirements:**

Hospitals operating under a COPA are required by Texas Health and Safety Code Chapter 314A and Texas Administrative Code Title 26, Chapter 567 to submit an annual report to HHSC and to comply with any terms and conditions set by HHSC.

HHSC will provide additional reporting instructions within 60 days of issuing the COPA. Note: The revised reporting instructions below were provided to Hendrick Health on August 3, 2021.

In order to establish baseline data in the first report, COPA holders must provide pre-merger information in all categories for a designated timeframe prior to the transaction date, which should include the 2018 Medicare Cost Reporting Year. First quarter post-merger data will be provided in the first quarterly report submission.

- For annual and quarterly reporting, present and submit data in the following format (*revised June 2021)*:
  - Create a document to report all qualitative data, quantitative data (including charts and tables, if applicable), and any other contextual information for each standard in the COPA Terms and Conditions.
  - The standards in this document should match the wording, numbered order, and category of the standards in the COPA Terms and Conditions.
  - Each response should thoroughly and completely answer the standard, without depending on references to other standards. Even if duplicative, responses should repeat information as appropriate to fully answer each standard independently.
  - Submit reports and any attachments to the HHSC COPA mailbox (COPA@hhs.texas.gov) by the agreed-upon due dates, which will vary with each COPA agreement. In general, quarterly reports are due on the last day of the third month following the end of each quarter. Annual reports are due on or near the anniversary of the
date the COPA was issued. Specific due dates will be agreed upon by HHSC and the hospital system.

**Notice:** The Health and Human Services Commission (HHSC) will post final, approved reports to its website for public access. If a report contains proprietary information, please submit two versions:

- an unredacted version for HHSC use with proprietary information clearly identified, and
- a redacted version for posting on the HHSC website.

The reports are a governmental record. Knowingly making a false entry in, or false alteration of, a governmental record is a criminal offense under Texas Penal Code §37.10.

**Quarterly Reporting Terms**

Hendrick Health shall submit quarterly reports that include the 45 standards described below. The first, second, and fourth quarter reports are due on the last day of the third month following the end of each quarter, and the third quarter report is due on October 4.

**Health Care Quality**

The applicant stated the merger will improve patient care throughout the region by continuing Hendrick’s high level of quality while improving the standards of care at Abilene Regional. The applicant stated robust quality assurance and quality improvement programs and activities will strengthen facility best practices, reduce medical errors, and create cost savings. The applicant stated Hendrick will also invest significant capital in new medical equipment and facility improvements at Abilene Regional, benefitting patients, staff, and the public health of the region. The applicant stated an integrated, uniform electronic medical records system will be deployed across the merged facilities, facilitating better patient care and coordination of treatments, as well as providing a larger pool of consistent data for use in quality control analytics. The applicant stated combining the resources of Hendrick and Abilene Regional will allow the combined entity to reach a larger combined patient base, enhancing regional public health efforts. The applicant stated this increased volume of patients will allow for new services in the community, physician recruitment to the area, more streamlined scheduling of services, greater patient satisfaction, and improved access to care, including investment in rural transportation services.

In order to measure quality, HHSC will require the hospitals operating under the COPA to report the following:
1. Evidence demonstrating how health care quality has improved.
2. Inpatient and outpatient numbers before and after the merger.
3. Patient readmission numbers before and after the merger.
4. Any association between increased patient volumes and better patient outcomes.
5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care.
6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards.

**Health Care Efficiency**

The applicant stated the merger will lead to greater efficiency and cost savings, and patients will receive more consistent care with improved patient outcomes.

The applicant stated the combined entity will improve efficiencies by eliminating significant duplication of costs and redundancies, avoiding additional expenditures, and optimizing care. The applicant stated Hendrick has committed to utilizing the parties’ existing workforces and intends to offer all current employees comparable positions, while reducing duplication, temporary staffing needs, and other labor costs. The applicant stated these savings can be reinvested in programs such as indigent care, behavioral health services, community health improvement initiatives, and academic or educational outreach.

The applicant stated the merger will allow for more efficient capital spending by utilizing shared clinical and administrative resources and avoiding unnecessary expenditures. The applicant stated Hendrick will be able to save money on construction costs by utilizing Abilene Regional’s existing facilities and medical technology. The applicant stated the efficiencies and cost savings created by this transaction will fund infrastructure improvements, a new shared IT platform, greater access to care, enhanced health services, and other community-oriented commitments.

In order to measure efficiency, HHSC will require the hospitals operating under the COPA to report the following:

7. A description of steps taken to reduce costs and improve efficiency.
8. Data regarding emergency department closures since the merger.
9. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to
healthcare for the rural community by:
  o Providing data demonstrating the expansion of telehealth and technology.
  o Explaining how the expansion of telehealth and technology improved the hospitals’ ability to treat a larger patient population.

10. Progress reports regarding the adoption of the new IT Platform.
11. A description of any workforce reduction since the issuance of the COPA based on occupation, i.e. doctors, nurses, support staff, etc. Include the numbers and job titles of any position eliminated, the total number of employees before and after the reduction, and any impact the reduction has on patient service delivery.
12. Data and financial reports demonstrating savings from the reduction in duplication of resources.
13. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.
14. Data demonstrating reinvestment in the combined healthcare system.
15. Data and financial reports reflecting the savings in each area referenced above.
16. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger.
17. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.
18. Data on the pricing, quality, and availability of ancillary health care services.
19. Data on the pricing, quality, and availability of physician services.
20. Data on the consolidation of clinic services, identifying the types of services per county.
21. Data indicating how the consolidation of these services improved patient outcomes.

**Health Care Accessibility**

The applicant stated that together, the combined entity can treat a rural population that is older and poorer, while maintaining and promoting services in the community. The applicant stated the hospitals serve a 24-county area.
The applicant stated combining Hendrick’s higher acuity service offerings and Abilene Regional’s physician coverage capabilities will allow for better use of those facilities and alleviate capacity concerns. The applicant stated the merger will offer more high-quality care to underserved patient populations, and Hendrick plans to expand access by adding urgent care centers in Taylor County.

The applicant stated the combined entity will also be able to recruit and retain quality staff members, including cardiovascular surgeons, cardiologists, nurses, family practice practitioners, and other skilled clinical caregivers. The applicant stated improved outreach and recruitment programs, including visits at medical residencies and programs at targeted businesses and groups around the state, will create greater appeal and brand recognition to recruit new physicians for all facilities.

The applicant stated that, due to the constraints of the COPA statute, the combined entity cannot gain revenue by merely increasing prices; this may lead to implementation of new value-based payment models. The applicant noted that value-based payment models are linked to increased access focusing on convenience to patients and accessibility, among other benefits.

In order to measure accessibility, HHSC will require the hospitals operating under the COPA to report the following:

22. A list of the severe risks described in the application facing Taylor County and an explanation of how the merger led to the mitigation of these risks.

23. A description of each patient service that changed or has been discontinued since the merger and an explanation of the impact to patient care.

24. Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger.

25. Data demonstrating any expansion in service delivery since the merger.

26. Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger.

27. Evidence of any expansion of clinical services.

28. A copy of each hospital’s charity care policy, identifying any changes to the policy in the previous quarter.

29. The number of patients enrolled in each hospital’s charity care program in the past quarter.

30. Data and financial reports for charity care services provided by each
hospital in the previous quarter.

31. Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.

32. A description of how the merger has impacted rural healthcare in the hospitals’ 24-county service area during the previous quarter, including any reduction in services.

33. A list of health plans each hospital contracted with before the merger, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.

34. Data identifying changes to service levels at the hospitals and at other facilities, including service levels are available to the public and any reduction in service levels available to the public.

35. Data illustrating the organizations’ payment models.

36. Data demonstrating the payment models established since the merger in comparison to payment models before the merger.

**Competition**

The applicant stated the transaction will not give rise to market power or otherwise harm competition or 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 the combined entity will continue to operate fully and compete with hospitals and health systems, including several independent general acute care hospitals, outpatient facilities, post-acute care facilities and physicians. The applicant stated the combined entity faces the threat of new providers moving into the geographic service area. The applicant stated independent physicians in the community will maintain the ability to refer patients to any health care facility and will not be required to refer patients to Hendrick or Abilene Regional.

The applicant stated the transaction’s net effect will be to promote, not lessen, the traditional benefits of competition in the parties’ geographic areas. The applicant stated Hendrick and Abilene Regional will increase the number of health care providers in the community by recruiting physicians, nurses, and other providers, which will naturally spur competition among other inpatient and outpatient facilities in the region. The applicant stated a health care-related strategic combination can create more specialty positions and increase brand recognition that can improve rural recruiting.

In order to measure competition, HHSC will require the hospitals operating
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under the COPA to report the following:

37. Data demonstrating the merger did not reduce competition among physicians, allied health professionals, other health providers, or any other persons providing good and services with the hospitals.

38. Evidence of how patient choice is being preserved.

39. Evidence reflecting efforts to bring additional jobs to the area.

40. Any contracted services that have changed since the last report, with an explanation for each change.

41. Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.

Additional Quarterly Reporting Requirements
In addition to the information required above, each quarterly report shall include:

42. Any minutes or notes of meetings regarding the COPA and the portion of each hospital’s governing body meeting minutes that discuss the COPA.

43. Any healthcare-related service contract changes in the previous quarter and the explanation for the change.

44. The number of physicians, allied professionals, and other health care providers providing medical services that have privileges to practice at the hospital.

45. Information on additional investments regarding infrastructure, capital expenditures, and operating costs and how this affected patient care outcomes, population access to health care, and prevention services.

Mandatory Annual Reporting Terms
In addition to the quarterly reports, Hendrick Health must submit an annual report to HHSC as required by Health and Safety Code §314A.103. The report is due October 4 and must include:

1. information about the extent of the benefits attributable to the issuance of the COPA;

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;

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

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

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.

Additional Annual Reporting Requirements

In addition to the information required above, each annual report shall include:

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

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

8. A report on 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.

Conclusion

The terms and conditions mandated in this document are necessary to ensure that the merger benefits the public and to ensure HHSC meets the expectation of the legislature that the COPA will protect community healthcare systems, expand and improve patient care in rural areas, and help hospitals more effectively generate efficiencies that can be passed on to consumers. These terms and conditions may change as the need is determined by HHSC and may include increased reporting requirements.

To keep the public informed about this COPA, HHSC will use the information obtained from these terms and conditions to produce a report on the COPA twice each year. These updates will be posted on HHSC’s website.