Certificate of Public Advantage (COPA)  
Terms and Conditions of Compliance for Shannon 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 Shannon 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
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
Shannon Health shall submit quarterly reports that include the 50 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 allow for coordination and optimization of key service lines; the development of new services, such as enhanced post-acute care services, quaternary care, and mental health services; the creation of centers of excellence, which would increase the volumes and quality of those services; treatment of a larger combined patient base, thereby enhancing population health efforts. The applicant stated staff and other health care providers at both hospitals will collaboratively share knowledge; learn from each other; implement and disseminate best practices, protocols, and programs to improving quality at SACMC.

In order to measure quality, HHSC will require each hospital 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 scale; patients will receive faster care with shorter wait times; a common IT platform utilizing a unified electronic medical records system will foster improved population health initiatives by allowing for more robust data analytics; increased coordination of resources and decisions; improved efficiency; elimination of waste; and achievement of cost savings that would be reinvested locally to improve healthcare and maintain jobs in San Angelo.

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:
   - Providing data demonstrating the expansion of telehealth and technology.
   - 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. Provide the evidence of the onboarding SACMC’s system and provide training evidence for personnel.

12. 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.

13. Data and financial reports demonstrating savings from the reduction in duplication of resources.

14. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.
15. Data demonstrating reinvestment in the combined healthcare system.

16. Data and financial reports reflecting the savings in each area referenced above.

17. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger.

18. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.

19. Data on the pricing, quality, and availability of ancillary health care services.

20. Data on the pricing, quality, and availability of physician services.

21. Data on the consolidation of clinic services, identifying the types of services per county.

22. Data indicating how the consolidation of these services improved patient outcomes.

**Health Care Accessibility**

The applicant stated the merger could mitigate the severe risks threatening access to care across Tom Green County and enables improved access to care by increasing points of access; ensuring ready access to higher-acuity care; and utilizing capacity at SACMC and outpatient clinics. The applicant stated physicians and specialists can render services at any of the three collective campuses, which will expand access to a variety of specialties in different locations and leverage professional expertise to benefit a wider community of patients.

The applicant stated Shannon Health will offer comprehensive rehabilitative services to patients overcoming a variety of debilitating illnesses and injuries, such as stroke and other neurological disorders, brain injuries, spinal cord injuries, amputations and complex orthopedic conditions, and will use the extra capacity created by the merger to improve the ability to meet the level of demand for inpatient rehabilitation services. The applicant stated patients will receive at least three hours of intensive therapy for five days each week, frequent face-to-face visits with a physician, and 24-hour nursing care during their stays.

The applicant stated Shannon Health will make improvements in the area of telehealth to increase health care access of rural patients who do not have immediate or convenient access to health care facilities; expand clinical services to meet the needs of its community; recruit internal medicine, hospitalists, nurses, family practice practitioners, and other skilled clinical caregivers, which will decrease gaps in physician coverage and lead to lower
operating costs at SACMC as the hospital can decreasingly rely on locums and other contract provider support; expand the availability of the Shannon Access Clinic to SACMC patients as well as other partnerships; and expand its Shannon Care Coordination program, utilizing SACMC’s providers, nurses, and other medical staff to strengthen the program.

The applicant stated increased coordination of care (clinical integration) between facilities and providers will lead to a reduction of medical errors and cost savings, have greater reach and overall success across the service area, and free up resources of the combined entities to invest in new services and technologies. The applicant stated the transaction would make it possible to incorporate and utilize SACMC’s resources to tackle the predominant health challenges identified in Shannon’s Community Needs Assessment.

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 COPA to report the following:

23. A list of the severe risks described in the application facing Tom Green County and explain how the merger led to the mitigation of these risks.

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

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

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

27. Data demonstrating rehabilitation room capacity before and after the merger.

28. A list of rehabilitative services accessible to patients and a schedule of services demonstrating the referenced service delivery hours.

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

30. Evidence of any expansion of clinical services.

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

32. The number of patients enrolled in each hospital’s charity
33. Data and financial reports for charity care services provided by each hospital in the previous quarter.

34. Data demonstrating expansion efforts for the Shannon Care Coordination Program.

35. An explanation of how SACMC will utilize providers, nurses, and other medical staff to strengthen the Shannon Care Coordination program.

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

37. A description of how the merger has impacted rural healthcare in the hospitals’ 25-county service area during the previous quarter, including any reduction in services.

38. 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.

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

40. Data illustrating the organizations’ payment models.

41. 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, harm competition, or result in a 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 system will continue to operate fully and compete with hospitals and health systems including independent general acute care hospitals, outpatient facilities, post-acute care facilities, and physicians. They also face the threat of new providers moving into the geographic service area, and independent physicians in the community will maintain the ability to refer patients to any health care facility and will not be required to refer to the combined entity.

The applicant stated the combined entity intends to offer all current employees of Shannon and SACMC comparable positions; reduce duplication, temporary staffing needs, and other premium labor costs over
time; move employees into new or expanded roles to optimize existing expertise and competencies; and bring jobs to the area by hiring corporate and administrative staff to replace certain functions that are currently supported by CHSPSC in Tennessee, including additional marketing staff and medical records coders.

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

42. 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.

43. Evidence of how patient choice is being preserved.

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

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

46. 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:

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

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

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

50. 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, Shannon 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 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.

**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.