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Hendrick Health

Anniversary Report 2020–2021

Reporting Period: 9/1/2020—5/31/2021

Submission Date: October 4, 2021

Re-submission Date: December 3, 2021

Certificate of Public Advantage ("COPA")

Anniversary Report for 2020-2021

This Anniversary Report for 2020–2021 (“COPA Anniversary Report”) is submitted pursuant to the revised Terms and Conditions of Compliance (dated August 3, 2021) governing the Certificate of Public Advantage (“COPA”) issued to Hendrick Health System 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 herein as “Hendrick Health” or “HH”. The revised Terms and Conditions of Compliance require Hendrick Health to submit an annual report “on or near the anniversary of the date the COPA was issued.”

This COPA Anniversary Report reflects the performance of HMC and HMC-S (formerly ARMC) through the third quarter of fiscal year 2021, the period of September 1, 2021 to May 31, 2021. This COPA Anniversary Report does not include data from the fourth quarter of fiscal year 2021 (“Quarter 4 FY2021”), as Quarter 4 FY2021 data has not yet been finalized and will be reported in the Quarter 4 submission (due December 31, 2021). 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”).

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I. Abbreviation Key

Abbreviation	Full Name
ARMC	Abilene Regional Medical Center
CDM	Charge Description Master
CMS	Center 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

II. COPA Anniversary Report for 2020-2021

A. Summary of Requirements

As required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the revised COPA Terms and Conditions of Compliance, Hendrick Health must submit quarterly and annual reports regarding the Merger.

This Report and the associated attachments are based directly on the requirements listed in the guidance documents published by HHSC: “Revised COPA Terms and Conditions - Hendrick Health - 2nd Revision 8.3.21.pdf.”

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
Joe Pearson, FACHE	System Vice President & Chief Operating Officer
Jeremy Walker	System Vice President & Chief Financial Officer
Norm Archibald	System Vice President, Foundation
Susie Cassle, MSN, RN, NEA-BC	System Vice President & Chief Nursing Officer
R. David Evans, Esq.	System Vice President, General Counsel
America Farrell, FACHE	System Vice President, Strategic Integration
Susan Greenwood, BSN, RN, FACHE	System Vice President, Quality
David Stephenson, FACHE	System Vice President, Hendrick Clinic & Hendrick Anesthesia Network
Susan Wade, FACHE	System Vice President, Infrastructure & Support
Kirk Canada	System Assistant Vice President, Business Dev. & Post-Acute Services
Mike Hart, BSN, MS, RN-BC	System Assistant Vice President, Information Technology
Courtney Head	System Assistant Vice President, Human Resources
Mark Huffington	System Assistant Vice President, Analytics
Tave Kelly	System Assistant Vice President, Revenue Cycle
Adam Wood	System Assistant Vice President, Supply Chain
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 health care quality and access while utilizing efficiencies to keep health care costs down, despite tremendous challenges caused by the COVID-19 pandemic and the Texas winter storms in February 2021. 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 has achieved these benefits through the following actions in Quarter 1 through Quarter 3 of FY2021:
 - Improved health care quality and patient outcomes:
 - Institution of quality improvement measures through system-wide goals for the following five specific quality measures: (1) Overall Care for Sepsis; (2) Inpatient 30-Day Readmission Reduction; (3) Hospital-Acquired Condition (HAC) Reduction Domain 1 PSI-90 Composite; (4) HAC Reduction Domain 2 HAI SIR (which consists of five (5) underlying quality metrics); and (5) Achieving Patient Satisfaction HCAHPS VBP Domains.
 - Standardization of care between the North and South campuses, through policies and protocols for the increased patient volume, including evidence-based protocols and treatment plans throughout the system for various conditions, such as COVID-19 Inpatient and ICU Management, Sepsis, Stroke, and Massive Transfusion Protocol. For example, during Quarter 2 FY2021, Hendrick Health started streamlining treatment protocols and orders to improve Emergency Department wait times and OPED stay and treatment times.
 - Establishment of various system-wide committees, including the Evidence-Based Medicine Committee, the Performance Improvement Committee and Physician Review Committee, the COVID Medicine Committee, the Clinical Policy Committee, the BMI > 50 Committee, and the Joint Quality Committee of the Board of Trustees, which are tasked with reviewing and improving quality of care procedures.

- Combination of the Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. The creation of a single governing body fosters better coordination of services through the alignment of culture, protocols, and oversight of quality objectives.
 - Unification of the Medical Executive Committees across the system. The creation of a single governing body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff. Hendrick Health also created a Medical Advisory Committee (MAC) at HMC-S. The MAC is a subgroup of the MEC.
 - Expansion of the Cardiology Governance Committee to include HMC-S cardiologists and leadership. This Committee creates and implements a shared strategic vision for the service line (including quality, efficiencies, and growth/access) and invites broad physician engagement, collaboration, and ownership for cardiology services.
 - Completion of a full mock survey, including a Life Safety/Environmental Review, at the HMC-S campus, which resulted in response teams formed across the system to bring the quality and safety of clinical care and the environment up to system and regulatory standard before March 1, 2021.
 - Addition of 24-hour security services and secure building access controls to HMC-S in order to ensure the safety of patients, visitors, and employees. [REDACTED]
 - Streamlining and enhancement of 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.
 - Upgrading technology and replacing older equipment. For example, Hendrick Health identified and replaced older equipment at HMC-S, such as a Trophon®2 machine, a solution for high-level disinfection of ultrasound probes through an automated, closed system. Hendrick Health has also successfully implemented Fujifilm's Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) at HMC-S, allowing for streamlining, alignment of care, and proper diagnosis of cardiac and radiology patients.
 - Expansion of the daily safety updates from five days to seven days a week and across the system and to over 120 employees. Patient Safety Officers for HMC and HMC-S discuss any patient safety or medical equipment issues.
- [REDACTED]

- Hendrick Anesthesia Network began servicing Hendrick Ambulatory Surgery Center South to increase standardization of these services across Hendrick Health’s campuses, provide central staffing wherever there is need, and increasing the level of physician (MD/DO) oversight.
 - Radiology Associates of Abilene began serving HMC-S, increasing the service levels available to HMC-S by offering 24/7 coverage by on-site providers (previously night coverage was supported through telehealth consultations) and by increasing the number of providers and specialties available to HMC-S. In addition, Hendrick Health now has a single Radiology provider, which will increase the standardization of these services across Hendrick Health.
 - Extensive preparation was completed in order to prepare for the migration of Hendrick Health hospital services to Allscripts EMR (with a go-live date of June 1, 2021), in order to create “single inpatient medical record” system for Hendrick Health to provide greater connected care between facilities and enhance overall patient experience.
 - Addition of a dedicated patient services relationship representative at HMC-S to ensure consistency of communication with patients, enhance patient advocacy, and handle complaints/grievances in a streamlined and efficient manner. [REDACTED]
 - Telehealth Maternal Fetal Medicine (MFM) services were added to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor and Delivery department.
 - Addition of three (3) full-time positions to its EKG Technician Program in order to support these services at HMC-S. Previously, electrocardiograms (EKGs) were performed by the Cardiopulmonary department at HMC-S. The expansion of the EKG program to HMC-S has allowed Hendrick Health to increase standardization of these services across HMC and HMC-S and free up valuable resources within the Cardiopulmonary department when there is a great need to care for patients with COVID-19.
- Increased access to care by expanding service delivery:
 - Implementation of a new, centralized patient transfer center, which has streamlined patient transfers and increased access to care. This program allows for inbound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters.
 - [REDACTED] In the first month post-Merger, Hendrick Health immediately increased the staffing and resources available to HMC-S and significantly grew the inpatient census.
 - Extension of Hendrick Health’s post-acute service offerings to HMC-S patients, which allows for better coordination of services and a more seamless patient

experience. [REDACTED]

- [REDACTED]
- [REDACTED]
- Extension of Emergency Management services to the HMC-S, [REDACTED]. As a result, both campuses now follow a single coordinated approach for incident response and response planning. This coordinated approach allowed both campuses to work in tandem during the severe weather event in February, allowing for coordinated communication in the community and streamlined patient transfers based on availability and need.
- Opening of two new Hendrick Urgent Care clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients.
- Opening of a new outpatient retail pharmacy, Hendrick Pharmacy on Ambler, in a location with increased visibility and access for customers. Its hours mirror those of the Hendrick Urgent Care clinics, to better serve patients who need prescriptions filled.
- Through the affiliation with Hendrick Health, HMC-S now has access to increased Texas STAR17 nurses, and other traveling providers which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system.
- Investment in additional ventilation equipment in order to increase capacity of negative pressure rooms within the Telemetry Unit to support the increasing demands for intensive and progressive care during the COVID-19 pandemic. This investment increased capacity by an additional 24 beds for COVID patients in negative pressure rooms.
- Addition of a dedicated chaplain at HMC-S to support both patients and employees. [REDACTED]
- Expansion of palliative care and social work services to HMC-S [REDACTED] to assist patients, families and physicians with chronic conditions, end of life discussions and transitions to other levels of care.
- Addition of a Hendrick Hospice Liaison at HMC-S to provide an on-site presence and educational opportunities for end of life care. The Hospice Liaison also helps facilitate a more seamless and efficient transfer of patients from the hospital

setting to a hospice setting. [REDACTED]

[REDACTED]

- Extension of Electrophysiology Lab for HMC-S: [REDACTED]

[REDACTED] HMC-S patients [REDACTED]

[REDACTED] can now

access this service at HMC.

- Cost savings through coordination of resources and decision-making, resulting in improved efficiency and elimination of waste:

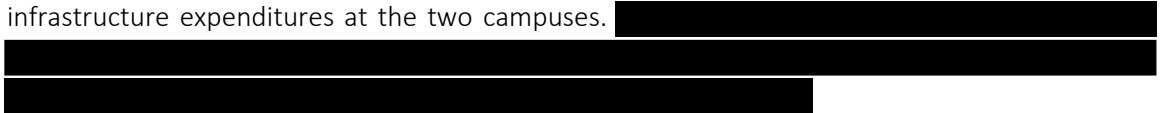
[REDACTED]

- Hendrick Health's Value Analysis Teams (VATs), which include clinical representatives from both HMC and HMC-S, have identified supply chain opportunities across the organization in order to streamline any duplicative, inefficient, and/or inconsistent purchases

[REDACTED]

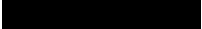
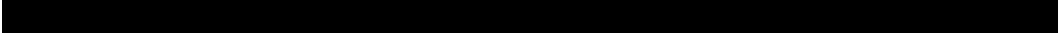


- Pharmacy construction costs at HMC-S: Hendrick Health anticipates that investments already made to the HMC pharmacy to adhere to USP797/USP800 regulations around pharmaceutical sterile compounding preparations and handling hazardous drugs will allow Hendrick Health to avoid making similar, duplicative investments to the HMC-S pharmacy.
- Hendrick Health has been able to achieve these improvements to health care quality and access while minimizing costs by thoughtfully combining the resources of HMC and legacy ARMC 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. Between the First and Third Quarters FY2021, Hendrick Health invested a total of approximately \$24 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 Q1 through Q3 of FY2021:
 - Capital expenditures: From Q1 through Q3 FY2021, Hendrick Health spent \$24M in capital expenditures across both HMC and HMC-S. Included in this amount are 

technology expenditures, including software and licensure changes, to bring HMC-S onto the same systems as HMC. The repaired deficiencies include grounds and landscaping, access control, Infant Abduction system, Chiller and AHU (Air Handling Unit) Controls, filter replacement, fire-stopping safety door replacement, glass replacement, electrical upgrade, roof repair, cast iron plumbing pipe repair, window treatment, exhaust grills replacement, floor replacement, painting, ceiling tile replacement, BioMed door replacement, D/A Tank replacement in Central Plant, central plant plumbing repair, MOB (Medical Office Building) A/C replacement, AHU coil replacement, Surgery Center return

air fan on VFD (Variable Frequency Drive) replacement, and signage. Technology expenditures included lab software, timekeeping licensure and hardware, Allscripts software and licensure, Core IT network installation, Requisition and Supply Informatics License. Hendrick Health's capital expenditures also included, among others, purchase of a building for the Hendrick Service Center, completion of two Abilene Urgent Cares, completion of Retail Pharmacy, and other equipment, software, and infrastructure expenditures.

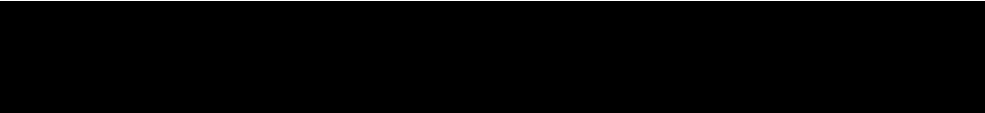
- Additional clinical staffing at HMC-S: Hendrick Health has worked to increase the clinical staffing available at HMC-S through the development of a clinical labor float pool, increased nursing resources through the Texas STAR program, and hiring of additional clinical employees.
- Expanded inpatient capacity at HMC-S: Post-Merger, Hendrick Health added 58 additional beds to HMC-S. Additionally, Hendrick Health added 16 vital sign monitors, 16 feeding pumps, 10 IV infusion pumps, 30 pulse oximetry monitors, and 8 ventilators. These investments, paired in part with the additional clinical staffing above, allowed Hendrick Health to increase the inpatient census at HMC-S by 16.9%.
- Increased inpatient capacity for COVID-19 patients at HMC-S: Hendrick Health invested in negative air exchangers and exhaust equipment to better manage COVID patients in the ICU at HMC-S. This investment increased COVID patient capacity in the ICU from 6 to 18 patients, and opened an additional 12 progressive care rooms, which were previously unusable.
- COVID-19 clinics and vaccine distribution: In coordination with the local community, state and local representatives and authorities, Hendrick Health organized clinics at both HMC and HMC-S campuses, and at schools within the community, to support COVID vaccine distribution. Between Quarter 1 FY2021 and Quarter 3 FY2021, Hendrick Health pharmacy and nursing staff volunteered to administer more than 20,000 doses to members of the community.
- Added security and access controls at HMC-S: [REDACTED] Hendrick Health invested in security systems (e.g., purchasing badge readers and securing building access controls) at HMC-S to ensure the safety of patients, visitors, and employees.
- Planned opening of Hendrick Service Center: Hendrick Health has announced its plans to open a new shared service center in the former Sears building, located in the Mall of Abilene in Abilene, Texas. Hendrick Service Center was purchased to provide a centralized accessible hub for patient services. By relocating existing administrative and retail services currently housed in and around the campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients.
- Opening of Two New Hendrick Urgent Care Clinics in Abilene: Hendrick Health opened two Hendrick Urgent Care clinics in Abilene, to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients.

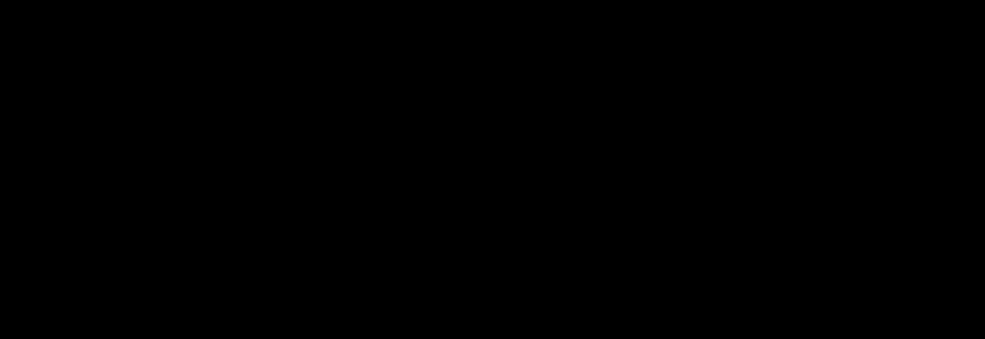
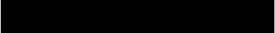
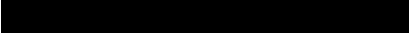

- Opening of New Outpatient Retail Pharmacy: Hendrick Pharmacy on Ambler, a new outpatient retail pharmacy, opened in a location with increased visibility and access for customers. Its hours mirror those of the Hendrick Urgent Care clinics, to better serve patients who need prescriptions filled. Unlike a traditional retail pharmacy, the Hendrick Pharmacy team works closely with physicians and the hospital to provide connected care for patients.
- Development of Non-Invasive Cardiology Suite at HMC-S: The development of the new Non-Invasive Cardiology Suite at HMC-S, and has allowed HMC-S to enhance the inpatient and outpatient cardiology diagnostic testing.
- Implementation of Organization-Wide Imaging System: Hendrick Health implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system in Quarter 3 FY2021, which will enhance the quality of Radiology and Cardiology imaging across both campuses and also allow for greater connected care across Hendrick Health.
- Furthermore, since the Transaction closed in October 2020, as required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance, Hendrick Health has submitted one Baseline report and two quarterly reports regarding the Merger. This Report includes the annual reporting terms required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance.
- Hendrick Health has also complied with annual meeting requirement through its annual Certificate of Public Advantage (COPA) Public Hearing held Tuesday, September 14, 2021, from 9:30 to 11:30 a.m. at Hendrick Medical Center’s Auxiliary Conference Center. Written testimonies were accepted via mail and online submission.

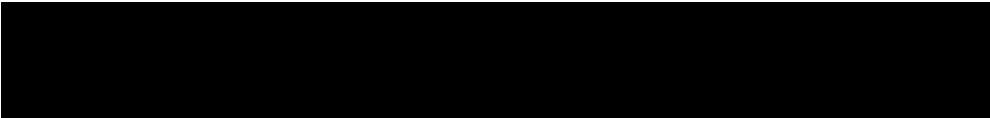

3. A description of the activities conducted by the hospital under the merger agreement.

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

- Hendrick Health has conducted a number of activities since the Transaction Closing Date to advance the goals of improving health care quality, access, and cost, as summarized below.
 - **Quality.** Since the Transaction Closing Date, Hendrick Health has worked to improve health care quality and optimize patient services to improve patient care through the following activities:
 - Standardizing care between the North and South campuses, through policies and protocols for the increased patient volume, including evidence-based protocols and treatment plans throughout the system for various conditions, such as COVID-19 Inpatient and ICU Management, Sepsis, Stroke, and Massive Transfusion Protocol. For example, during Quarter 2 FY2021, Hendrick Health started streamlining treatment protocols and orders to improve Emergency Department wait times and OPED stay and treatment times.

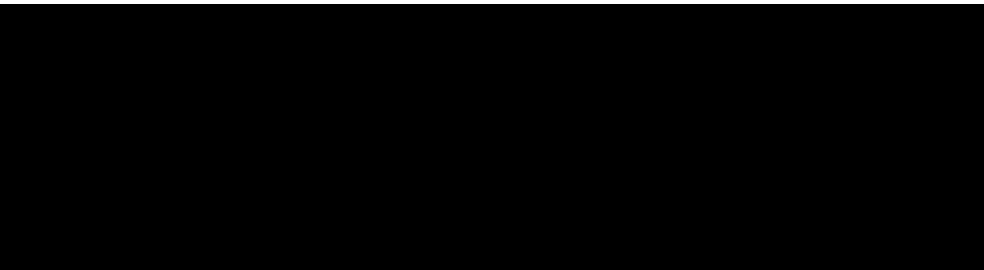
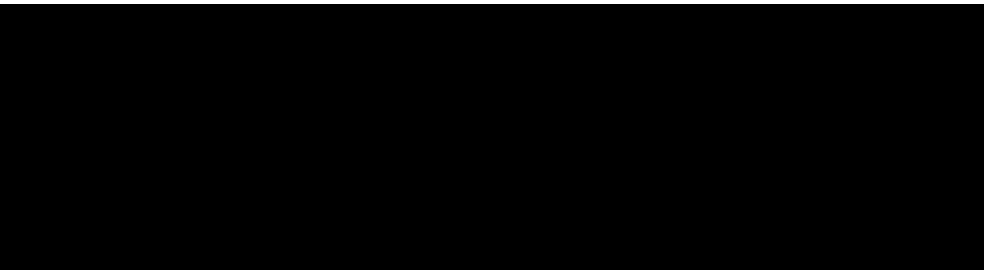
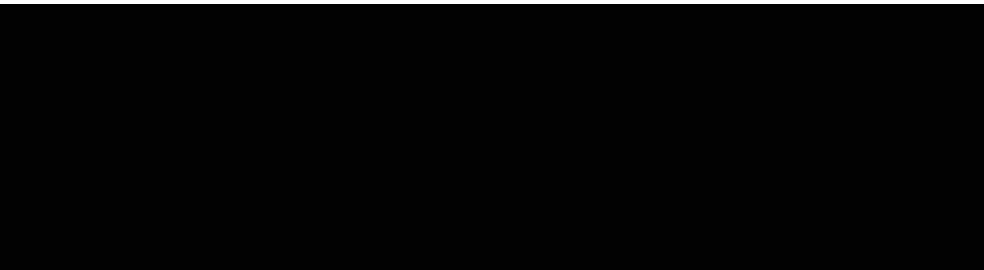
- Establishing various committees, including the Evidence-Based Medicine Committee, the Performance Improvement Committee and Physician Review Committee, the COVID Medicine Committee, the Clinical Policy Committee, the BMI > 50 Committee, and the Joint Quality Committee of the Board of Trustees, which are tasked with reviewing and improving quality of care procedures. Completion of a full mock survey, including a Life Safety/Environmental Review, at the HMC-S campus, which resulted in response teams formed across the system to bring the quality and safety of clinical care and the environment up to system and regulatory standard before March 1, 2021.
- Using increased patient volumes to study the most efficient transfer protocols (for example, determining whether to send an orthopedic transfer to HMC or HMC-S).
- Adding secure building access controls to HMC-S in order to ensure the safety of patients, visitors, and employees.
- Streamlining and enhancing 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.
- Upgrading technology and replacing older equipment. For example, Hendrick Health identified and replaced older equipment at HMC-S, such as a Trophon®2 machine, a solution for high-level disinfection of ultrasound probes through an automated, closed system. Hendrick Health has also successfully implemented Fujifilm's Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) at HMC-S, allowing for streamlining, alignment of care, and proper diagnosis of cardiac and radiology patients.
- Expanding daily safety updates from five days to seven days a week and across the system and to over 120 employees. Patient Safety Officers for HMC and HMC-S discuss any patient safety or medical equipment issues.
- 
- Hendrick Anesthesia Network servicing Hendrick Ambulatory Surgery Center South, which is expected to enhance patient experience by increasing standardization of these services across Hendrick Health's campuses, providing central staffing wherever there is need, and increasing the level of physician (MD/DO) oversight.
- Radiology Associates of Abilene are now serving HMC-S, increasing the service levels available to HMC-S by offering 24/7 coverage by on-site providers (previously night coverage was supported through telehealth consultations) and by increasing the number of providers and specialties available to HMC-S. In

- addition, Hendrick Health now has a single Radiology provider, which will increase the standardization of these services across Hendrick Health.
- Adding a Hendrick Hospice Liaison at HMC-S to provide an on-site presence and educational opportunities for end of life care and help facilitate a more seamless and efficient transfer of patients from the hospital setting to a hospice setting.
 - Opening a new Non-Invasive Cardiology Suite at HMC-S in Quarter 3 FY2021, which has allowed HMC-S to enhance its inpatient and outpatient Cardiology diagnostic testing department.
- **Access.** Since the Transaction Closing Date, Hendrick Health has worked to improve access to care through the following activities:
- Increasing inpatient capacity at HMC-S through additional beds and equipment, including vital sign monitors, feeding pumps, IV infusion pumps, pulse oximetry monitors, and ventilators.
 - Hiring a dedicated patient relations representative for HMC-S to streamline communication with patients, provide advocacy, and efficiently handle complaints/grievances.
 - 
 - Making Hendrick Health’s post-acute service offerings (e.g., home health, hospice, etc.) available to patients at HMC-S. Legacy ARMC previously did not provide post-acute services.
 - Extending Emergency Management services to HMC-S, 

 - Continuing to make telehealth capabilities available to patients choosing that method of care.
 - Development of the new, centralized patient transfer process, which has streamlined patient transfers and increased access to care. This program has allowed for over  inbound transfers from surrounding cities in the greater community.
 - Implementation of a community-wide COVID-19 vaccine distribution strategy, which has administered more than 20,000 doses to community members.
 - Expanding Inpatient Diabetes education for new-onset diabetics to include HMC-S, to provide in-house comprehensive education from a navigator or pharmacist at the bedside prior to discharge.

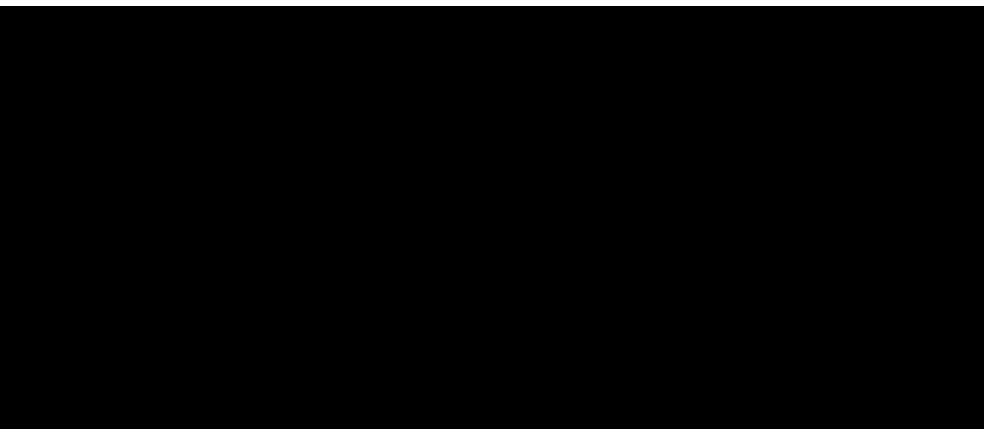
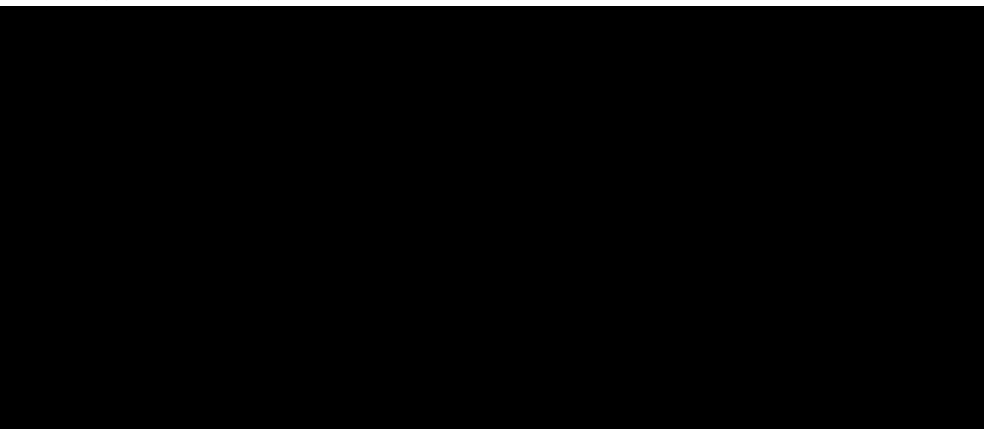
- Adding Telehealth Maternal Fetal Medicine (MFM) Services to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor & Delivery department.
- Planned opening of Hendrick Service Center to reallocate valuable space to expand clinical services for patients and reduce inefficiency and fragmentation.
- Opening two new Hendrick Urgent Care Clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients.
- Opening new outpatient retail pharmacy to better serve patients who need prescriptions filled. Unlike a traditional retail pharmacy, the Hendrick Pharmacy team works closely with physicians and the hospital to provide connected care for patients.
- Development of a new Non-Invasive Cardiology Suite at HMC-S, which increased the outpatient imaging rooms from 2 to 3 and generated an increase in outpatient capacity by approximately 100 studies per month.
- **Cost.** Since the Transaction Closing Date, Hendrick Health has worked to minimize the cost of health care by reducing the duplication of resources, coordinating services, and increasing efficiencies, through the following activities:
 - 
 - Development of a process to identify, track, and report data and financial reports reflecting efficiencies achieved in the areas identified previously, as appropriate, and additional areas as opportunities arise.
 - 
 - Establishing clinical council groups comprised of executive staff, directors, and frontline managers from both HMC and HMC-S campuses for the majority of clinical service lines (e.g., Lab Council, Rehab Council, Radiology Council, and Nursing Council.). Council groups meet monthly and focus discussions on identifying efficiencies, aligning policies and procedures, and streamlining the integration process.
 - Combined Emergency Management Services, such that both campuses now follow a single coordinated approach for incident response and response planning. This coordinated approach allowed both campuses to work in tandem during the

severe weather event in February, allowing for coordinated communication in the community and streamlined patient transfers based on availability and need.

- Combined Patient Safety Practices through a Combined Patient Safety Committee and a daily Patient Safety Huddle. These groups, including representatives from both HMC and HMC-S, meet regularly to discuss a coordinated and standardized approach to patient safety, leading to increased clinical integration and patient safety improvements across the combined system.
- Combined Joint Quality Committee of the Board of Trustees (BOT), with members from both campuses to foster better coordination of services through the alignment of culture, protocols, and oversight of quality objectives.
- Unified Medical Executive Committee (MEC) that focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff.

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- Coordination of additional clinical staffing at HMC-S through the affiliation with Hendrick Health, which provides HMC-S with access to increased Texas STAR¹ nurses and other traveling providers, which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system. From Q1 to Q3 FY2021, Hendrick Health contracted with over 600 travel healthcare professionals. HMC and HMC-S engaged in significant coordination to ensure traveling nurses and providers were evenly staffed between both campuses.

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¹ STAR is a Texas Medicaid managed care program.

- Beginning development of the Joint Pharmacy and Therapeutics (P&T) Oversight Committee, including representatives from both HMC and HMC-S, which aims to progress to one drug formulary to reduce costs and variation in care.
- Strategic planning for nursing organizational chart with intuitive structure for integration and cultural development, as well as educational structure and resources to address standardized on-boarding, orientation, education strategies, resources, and quality of care growth opportunities.
- Expansion to the EKG Tech Program to HMC-S, allowing Hendrick Health to increase standardization of these services across HMC and HMC-S and free up valuable resources within the Cardiopulmonary department when there is a great need to care for patients with COVID-19.
- Creation of Clinical Councils composed of members across both HMC and HMC-S, which have increased clinical integration across major clinical service lines at Hendrick Health. In addition to focusing on standardizing and enhancing quality across the combined organization, the efforts of these clinical councils will lead to increased efficiencies and cost savings. Clinical labor float pool of shared clinical employees across HMC and HMC-S to address the staffing needs of each campus and ensure resources are available across both 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:** Since the Transaction Closing Date, Hendrick Health has contracted with 17 health plans, which has remained unchanged from Q1 through Q3 FY2021. Less than █████ of Hendrick Health's patients are insured by commercial payors. The majority of Hendrick Health's patients are insured by government payors which set the reimbursement rates for those patients without negotiations. Additionally, the Charity Care policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. During the First through Third Quarters FY2021, Hendrick Health enrolled a total of 10,445 patients in charity care and financial assistance programs. Combined, HMC and HMC-S incurred more than \$72 million in charity care during this period.
- **Quality:** Despite being faced with unprecedented challenges relating to the COVID-19 pandemic, among other challenges (such as the February 2021 winter storms in Texas), since the Transaction Closing Date, Hendrick Health has been able to improve the quality of health care 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 of three (3) and Leapfrog Safety Grades of "B" and "C," respectively, from Fall/Q4 of FY2020 (pre-merger) through Q3 of FY2021. Generally, such ratings reflect an improvement in quality for Hendrick Health since the Transaction closed in October 2020.
- **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. Throughout Q1 through Q3 of FY2021, the Abilene region experienced significant spikes in COVID-19 cases, resulting in a reduction of overall inpatient volumes. Outpatient registrations for Hendrick Health increased approximately 5% from Quarter 1 FY2021 to Quarter 3 FY2021. Despite the challenges caused by the COVID-19 pandemic, Hendrick Health increased access to health care services for patients in its communities, including rural communities, through the following initiatives to expand service delivery:

- Increased inpatient capacity at HMC-S;
- Increased inpatient capacity of COVID-19 patients;
- Expansion of post-acute service lines (e.g., home health, hospice, etc.) at HMC-S;
- Addition of Patient Relations Services at HMC-S;
- Addition of Pastoral Care Services at HMC-S;
- Addition of Palliative Care Services at HMC-S;
- Expansion of Clinical Pharmacy Services at HMC-S;
- Expansion of Respiratory Services at HMC-S;
- Extension of Electrophysiology Lab to HMC-S;
- Addition of Inpatient Diabetes Education at HMC-S;
- Addition of COVID-19 Clinics to HMC and HMC-S;
- Opening two new Hendrick Urgent Care Clinics;
- Opening new Outpatient Retail Pharmacy;
- Development of Non-Invasive Cardiology Suite at HMC-S;
- Expansion to the EKG Tech Program to HMC-S;
- Cardiac Rehab equipment upgrade at HMC-S;
- Addition of Telehealth Maternal Fetal Medicine (MFM) Services; and
- Creation of a centralized Patient Transfer Center allowing for the acceptance of more patient transfers to Hendrick Health.

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 19 other hospitals, all located in surrounding counties. Likewise, Hendrick Health also faces competition from freestanding emergency departments, urgent cares, 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 an additional 1,176 new job openings. These roles cover both clinical and

non-clinical positions across the organization and indicate 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 over 160 recruitment firms and circulated open job positions through email blasts to current employees. In addition, post-Merger, Hendrick Health hired more than 600 new employees.

- 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.

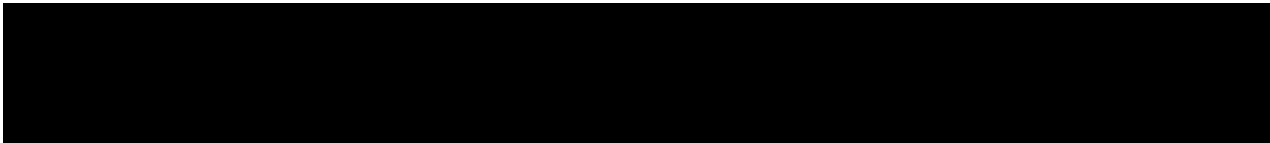
- Before the Transaction, HMC and HMC-S (legacy ARMC) operated on separate EMR and ERP systems, from different vendors. Over the course of Q1 to Q3 FY2021, Hendrick Health has worked to migrate their EMR and ERP systems by upgrading HMC to Allscripts Sunrise EMR and Financials platform and migrating HMC-S to the same platform, from its legacy MedHost EMR platform.
- Hendrick Health decided to separate the migrations for hospital services and physician clinical services in order to reduce the potential for clinical disruption and overall risk to the migration process. For hospital services, Hendrick Health is in the process of upgrading HMC, and migrating HMC-S to the Allscripts Sunrise EMR and Financials platform. HMC-S previously used the MedHost EMR platform. This migration will establish a “single inpatient medical record” system for Hendrick Health and provide greater connected care between facilities. The targeted Allscripts “go-live” date for HMC and HMC-S is June 2021. In addition, the migration for outpatient therapy services to Allscripts was completed during Quarter 3 FY2021. For physician clinical services, Hendrick Health is preparing to convert the Hendrick Clinic (in the Hendrick Provider Network) and HMC to Athena, which is already in use at HMC-S. The targeted Athena “go-live” date for Hendrick Clinic and HMC is end of calendar year 2021.

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.

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.

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



IV. Annual Public Hearing

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

Hendrick Health held its first Annual Public Hearing on Tuesday, September 14, 2021 at Hendrick Medical Center's Auxiliary Conference Center from 9:30 to 11:30 am. Notification was sent to area news media Friday, September 3 and was posted on Hendrick Health's website and social media profiles. A public notice was published in the print and online editions of the Abilene Reporter-News on Friday, September 4, 2021. Written testimonials were accepted online at hendrickexpandsaccess.com or by mail to Hendrick Medical Center. Because of increased COVID-19 transmission in the Abilene area, Hendrick Health required masking for attendees and social distancing was observed. Norm Archibald, vice president of Hendrick Medical Center Foundation, presided over the meeting. Forty-four (44) individuals were in attendance, including one member of the media.

Brad Holland, President and CEO of Hendrick Health, presented opening remarks summarizing operations after the acquisition of legacy ARMC, now HMC-S. A total of 10 individuals offered oral or written comments, summarized below:

- Mike Murphy, who spent 16 years working for ARMC, voiced strong support of the Merger, noting that ARMC was suffering and losing employees while the census declined prior to the Merger, but now can better serve the patients of Abilene and the surrounding area.
- Mayor Anthony Williams offered remarks of appreciation for Hendrick Health's investment in the community, including the jobs it has created and its commitment to its promises.
- Dr. Tom Headstream, an Internal Medicine doctor and the President of Abilene Diagnostic Clinic, voiced his support of Hendrick Health and stated that, as the head of an independent healthcare group, he has not seen any evidence of monopoly and is grateful for what Hendrick Health has done for the community since the acquisition.
- Dr. Rob Wiley, CMO of Hendrick Health, stated that the acquisition has been successful in terms of physician recruitment as well as improving patient care, satisfaction, and safety.
- Susan Greenwood, CNO of Hendrick Health, discussed nursing staff frustrations prior to the merger and the improvements in staffing since the merger to ensure high quality care is provided.
- Dr. Andy Russell, who has worked for Hendrick Health for 8 years, discussed positive benefits of the merger, including Hendrick Health's ability to streamline the processes since the merger by incorporating HMC's protocols at HMC-S and streamlining transfer protocols.
- Brian Bessent, interim CAO of HMC-S, discussed the equipment that new and updated equipment that has been provided at HMC-S since the merger, as well as positions and departments that have been added, improved security, and other positive benefits of the merger.
- Gary Binkley, Chief of Staff at Hendrick Health, spoke in support of the merger, noting that the streamlining of services and increased capacity has allowed Hendrick Health to push through the pandemic, with the additional capacity increasing the level of care in Abilene.

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Copies of the written comments 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.

V. Attachments