



This document and any attachments contain information that is proprietary, confidential, commercially sensitive, and/or competitive, and is protected from public disclosure pursuant to Tex. Gov't Code Ann. §§ 552.101, 552.104, 552.110(a)-(b), and any other applicable exception listed in Subchapter C of Chapter 552 of the Texas Government Code, Tex. Bus. & Com. Code Ann. § 15.10(i), and all other applicable statutes, rules, and regulations.

Hendrick Health

Quarterly Report for Quarter 1 of Fiscal Year 2021

Reporting Period: 9/1/2020-11/30/2020

Submission Date: February 26, 2021

Re-submission Date: April 27, 2021 (revised October 7, 2021)

Certificate of Public Advantage ("COPA")

Quarterly Performance Report for Quarter 1 of Fiscal Year 2021

This Quarterly Performance Report (the “Report”) is submitted pursuant to the Terms and Conditions of Compliance governing the Certificate of Public Advantage (“COPA”) issued to Hendrick Health System on October 2, 2020 (“COPA Approval Date”) with respect to the asset purchase agreement dated April 27, 2020, by and among Hendrick Medical Center (“HMC”) and Community Health System Professional Services Corporation, Inc. (“CHSPSC” or “CHS”) for substantially all of the assets used in the operation of Abilene Regional Medical Center (“ARMC”, subsequently to be known as “HMC-S”) among others (collectively, the “Merger”), and the underlying transaction that closed on October 26, 2020 (the “Transaction Closing Date”). Information related to each of the Hendrick Health System hospitals (collectively, “Hendrick Health” or “HH”), is included in this Report where appropriate.

This Report reflects the performance of HMC and HMC-S (formerly ARMC) for the first quarter of fiscal year 2021 (“Quarter 1 FY2021” or “First Quarter FY2021”), the period of September 1, 2020 to November 30, 2020.¹ As the transaction closed on October 26, 2020, this report reflects approximately two months of pre-Merger, and one month of post-Merger, information. 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”).

¹ Hendrick Health expects to submit its future quarterly reports within 90 days of the previous fiscal quarter end date. For example, the report covering the quarter ended February 28, 2020 will be submitted by May 31, 2021.

Report Contents

I.	Abbreviation Key	6
II.	Quarterly Performance Report - Quarter 1 FY2021	7
	A. <i>Summary of Requirements</i>	7
	B. <i>Description of Process</i>	7
III.	Terms and Conditions for COPA-Approved Health System	8
	A. <i>Quality</i>	8
	1. Evidence demonstrating how health care quality has improved. COPA holders should also note in the narrative any areas in which health care quality has declined from the previous reporting period.	8
	2. Data for inpatient and outpatient numbers before the merger and the current quarter.	9
	3. Patient readmission numbers before the merger and the current quarter.	11
	4. Any association between increased patient volumes and better patient outcomes.	11
	5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care.	11
	6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards.	12
	7. An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve quality.	13
	B. <i>Efficiencies</i>	15
	8. Data regarding emergency department closures since the merger.	15
	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: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals’ ability to treat a larger patient population.	15
	10. 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 explain any impact the reduction has on patient service delivery.	16
	11. Data and financial reports demonstrating savings from the reduction in duplication of resources.	17
	12. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.	17
	13. Data demonstrating reinvestment in the combined healthcare system.	18
	14. Data and financial reports reflecting the savings in each area referenced in the Efficiency Section of the COPA Terms and Conditions.	19
	15. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger. Please note in the narrative any currently remaining deficiencies and explain the strategy for remedying these deficiencies.	21
	16. Data on the pricing, quality, and availability of ancillary health care services.	21
	17. Data on the pricing, quality, and availability of physician services.	24

18.	Data on the consolidation of clinic services, identifying the types of services per county in the geographic service area and how the consolidation of these services improved patient outcomes.	24
19.	A description of steps taken to reduce costs and improve efficiency.	25
20.	An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.	25
21.	Any contracted services that have changed since the last report, with an explanation for each change.	25
22.	Any healthcare-related service contract changes in the previous quarter and the explanation for the change.	26
23.	Progress report regarding the adoption of the new IT Platform.	26
24.	An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve efficiencies.	26
C.	<i>Accessibility</i>	28
25.	Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger.	28
26.	Data demonstrating any expansion in service delivery since the merger.	29
27.	Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger.	29
28.	Evidence of any expansion of clinical services.	30
29.	A description of each patient service that changed or has been discontinued since the merger and an explanation of why the service was discontinued and the impact to patient care.	31
30.	The number of patients enrolled in each hospital’s charity care program.	31
31.	Data and financial reports for charity care services provided by each hospital.	31
32.	Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.	32
33.	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.	33
34.	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.	33
35.	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.	34
36.	Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.	35
37.	A copy of each hospital’s charity care policy, identifying any changes to the policy in the previous quarter when changes occur.	36
38.	A list of health plans each hospital contracted with during fiscal year 2019, 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.	37
39.	An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve accessibility.	38

<i>D. Competition</i>	39
40. Data illustrating the organizations' payment models.	39
41. Data demonstrating the payment models established since the merger in comparison to payment models before the merger.	39
42. Data demonstrating the merger did not reduce competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals.	39
43. Evidence of how patient choice is being preserved.	45
44. Evidence reflecting efforts to bring additional jobs to the area.	45
45. An explanation of challenges or related conditions affecting competition.	45
<i>E. Other Requirements</i>	46
46. The number of physicians, allied professionals and other health care providers providing medical services that have privileges to practice at the hospital.	46
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.	46
48. 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.	46
IV. Attachments	47

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. Quarterly Performance Report - Quarter 1 FY2021

A. *Summary of Requirements*

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 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: “DRAFT COPA Reporting Instructions and Checklist Hendrick 12.11.2020.docx”, “DRAFT Hendrick COPA Quarterly Data Reporting Template 12.1.2020.xlsx”, and “DRAFT Hendrick COPA Annual Data Reporting Template 12.1.2020.xlsx.”

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. Quality

- Evidence demonstrating how health care quality has improved. COPA holders should also note in the narrative any areas in which health care quality has declined from the previous reporting period.
 - CMS Star Ratings: During the last rating period before the Merger, HMC earned an overall rating of five (5) stars, while legacy ARMC (now HMC-S) earned two (2) stars (see **Table 1a** below). Due to changes to the CMS Star Rating methodology and reporting schedule, CMS last updated hospital quality star ratings in January 2020, and those ratings were carried forward for August 2020, as reflected in the Hospital Data archive files provided by CMS.² In November 2020, CMS announced that it also would not update the overall star ratings in January 2021; instead, the next update is expected in April 2021. As such, updates to the CMS Star Rating will be reflected accordingly in future quarterly reports.

Table 1a: Overall CMS Star Ratings³

Location	Pre-Merger Period					
	FY2018		FY2019		FY2020	
	January	July	March	July	January	August
HMC	4	4	3	3	5	5
ARMC (HMC-S)	3	3	2	2	2	2

- Leapfrog Hospital Safety Grades: HMC earned a “B” overall in the most recent Leapfrog Hospital Safety Grade release (from Fall of 2020) and ARMC earned a “C” (see **Table 1b** below), as reported in the Baseline Performance Report. The grades have not been updated by Leapfrog since the Baseline Period and the next update is expected in Spring 2021. As such, updates to the Leapfrog Hospital Safety Grades will be reflected accordingly in future quarterly reports.

Table 1b: Leapfrog Safety Grades⁴

Location	Pre-Merger Period					
	FY2018		FY2019		FY2020	
	Spring	Fall	Spring	Fall	Spring	Fall
HMC	A	A	A	A	A	B
ARMC (HMC-S)	C	C	C	B	C	C

- Patient Admissions & Medicare Cost Report Data: Inpatient admissions and outpatient volumes are provided in **Item 2** of this Report. Hendrick Health is finalizing its FY2019 Cost Report after some recently completed internal audits and will provide the cost reports once finalized. Hendrick Health will also provide FY2020 cost reports once they are submitted (March 31, 2021 CMS deadline) and

² Source: Hospitals data archive, CMS.gov, <https://data.cms.gov/provider-data/archived-data/hospitals>.

³ Source: Care Compare: <https://www.medicare.gov/care-compare/#search>.

⁴ Source: Leapfrog Research Group: <https://ratings.leapfroggroup.org/>

any internal audits are completed. For reference, the FY2018 Medicare Cost Reports were attached to the Baseline Performance Report.

- **Patient Satisfaction Ratings:** During Quarter 1 FY2021, both HMC and HMC-S earned three (3) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey of patient satisfaction, as was reported by CMS in October 2020 (see **Table 1c** below).

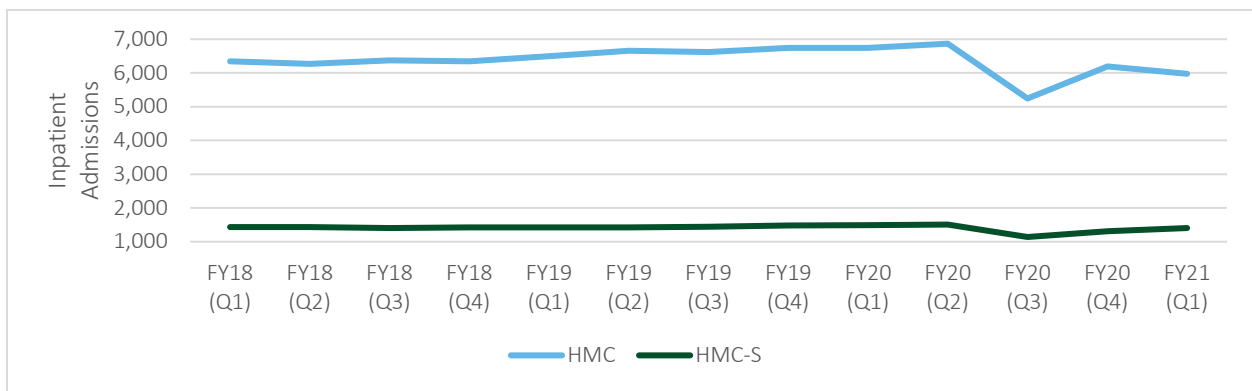
Table 1c: Patient Satisfaction Rating Results⁵

Location	Pre-Merger Period												Post-Merger Period
	FY2018				FY2019				FY2020				FY2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
HMC	3	3	3	4	3	3	3	3	4	3	5	3	3
ARMC (HMC-S)	3	3	3	3	3	3	3	3	3	3	2	3	3

2. Data for inpatient and outpatient numbers before the merger and the current quarter.

- **Inpatient Volumes⁶:** Overall, inpatient admissions for HMC and HMC-S remained relatively stable with a small decrease of 1.6% from FY2020 Q4 to FY2021 Q1. HMC admissions decreased by approximately 3.5%, from 6,194 to 5,975, while HMC-S admissions increased approximately 7.7%, from 1,307 to 1,407. The change in inpatient volumes is primarily related to a shift in patients from HMC to HMC-S post-Merger. The Merger has increased patient convenience by allowing patients the opportunity to receive care closer to home, as well as providing physicians with increased options when directing admissions from their clinics. As mentioned in the Baseline Performance Report, HMC and HMC-S experienced significant declines in outpatient volume between March and May of 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. **Table 2a** shows quarterly change in inpatient admissions for HMC and HMC-S.

Table 2a: Inpatient Admissions

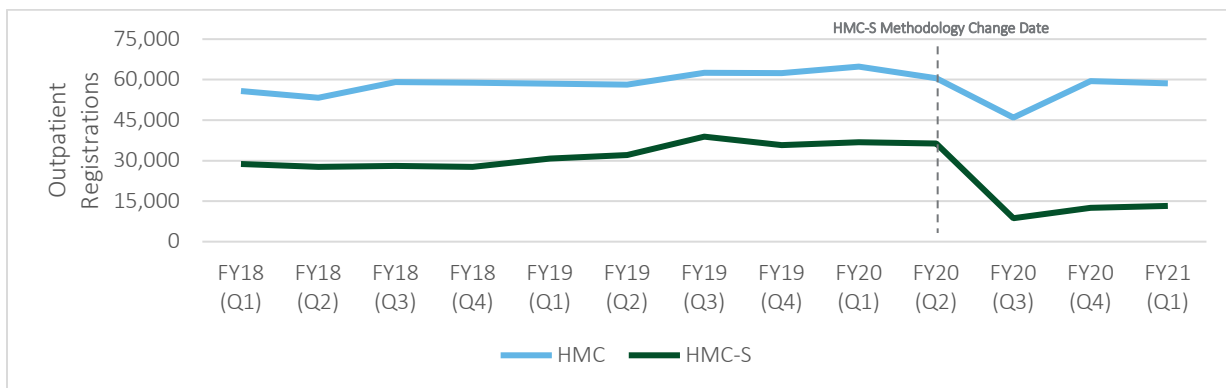


⁵ Source: HCAHPS Patient Satisfaction Survey: [HCAHPS Survey Results](#).

⁶ Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, ARMC’s fiscal year was adjusted to reflect Hendrick Health’s fiscal year of September 1 – August 31. As such, ARMC’s historical volume information has been adjusted to reflect a fiscal year of September 1 – August 31 for the purposes of this Report.

- Outpatient Volumes**⁷: Overall, outpatient registrations for HMC and HMC-S remained relatively stable with a slight decrease of 0.2% from FY2020 Q4 to FY2021 Q1. HMC outpatient registrations decreased by approximately 1.4%, from 59,493, to 58,671, while HMC-S outpatient registrations increased approximately 5.4%, from 12,516, to 13,193. Similar to inpatient volumes, there was a post-Merger shift in outpatient volumes from HMC to HMC-S as patients were able to travel to outpatient locations most convenient to their homes. Similar to inpatient volumes, HMC and HMC-S experienced significant declines in outpatient volume between March and May of 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. **Table 2b** below displays the quarterly change in outpatient volumes for HMC and HMC-S. Please note that clinic and ED visits are excluded from outpatient registrations. Clinic visits are not integrated with hospital billing data; they are billed through the provider network corporation of Hedrick Health. Combining volume would be misleading since clinic data is not recorded in terms of visits, but rather tickets, and therefore would not always meet the same standardized criteria as a hospital visit. Emergency department (ED) volume is tracked separately from outpatient volume because it is primarily an indicator of how the patient presented to the hospital. A patient could come in through the ED and be upgraded to an inpatient or sent to another outpatient department. Recording ED visits and admissions/outpatient registrations combined would lead to double counting patient visits.

Table 2b: Outpatient Registrations⁸



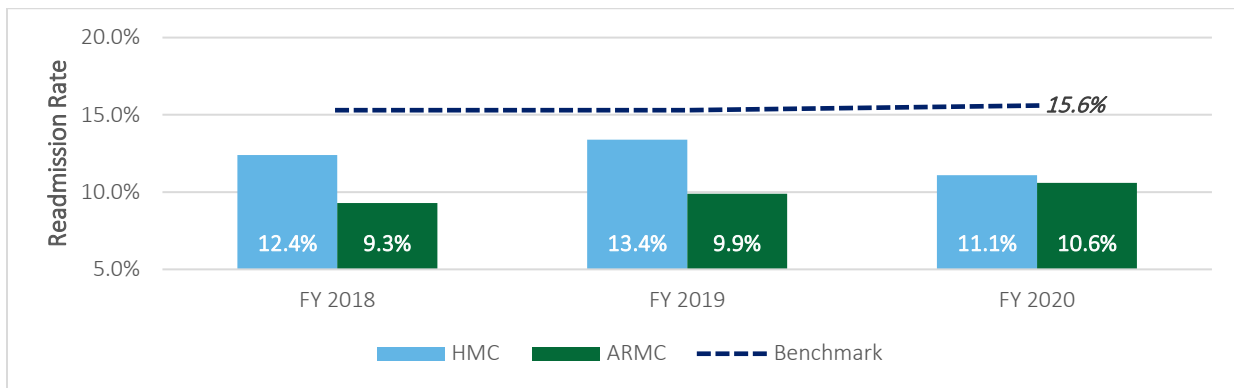
⁷ Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, HMC-S’s (legacy ARMC) fiscal year will be adjusted to reflect Hendrick Health’s fiscal year of September 1 – August 31. As such, HMC-S’s historical volume information has been adjusted to reflect a fiscal year of September 1 – August 31 for the purposes of this Report.

⁸ The calculation of outpatient registrations at HMC-S has been slightly revised from the Baseline Performance Report to be more consistent with the calculation of outpatient registrations at HMC starting in Quarter 3 FY2020 (see green line on **Table 2b** delineating the time the methodology was changed). Post-Merger, Hendrick Health aligned the calculation of outpatient registrations at HMC-S (legacy ARMC) to the HMC methodology, which excludes clinic and ED visits.

3. Patient readmission numbers before the merger and the current quarter.

- Patient Readmission Numbers:** As described in the Baseline Performance Report, the reported readmission rates during the Baseline Period included all unplanned readmissions⁹ within 30-days of a hospital stay or inpatient procedure and are not adjusted to reflect underlying differences in acuity or co-morbidities. CMS typically reports on readmission data annually, around July/August 2020. As a result, the most recently released readmission numbers were reported in **Table 3** under year 2020. As such, updates to the readmission rates will be reflected accordingly in future quarterly reports.

Table 3: Patient Readmissions¹⁰



4. Any association between increased patient volumes and better patient outcomes.

- After the Transaction Closing Date, Hendrick Health began efforts to standardize 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. Hendrick Health also intends to continue to expand capacity of the HMC-S Emergency Department, transfer fewer patients out of the region, and allow patients to receive complex specialty care locally through Hendrick Health’s surgeons and proceduralists. However, because this Quarter 1 FY2021 Report only reflects a one-month period immediately following the Transaction Closing Date, additional information will be reported in future submissions as post-Merger changes continue to occur and new information becomes available.

5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care.

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

⁹ Per CMS, the overall rate of unplanned readmission after discharge from the hospital (also called “hospital-wide readmission”) focuses on whether patients who were discharged from a hospital stay were hospitalized again within 30 days. All medical, surgical and gynecological, neurological, cardiovascular, and cardiorespiratory hospital patients are included in this measure. Patients may have returned to the same hospital or to a different hospital. They may have been readmitted for a condition that is related to their recent hospital stay, or for an entirely different reason.

¹⁰ Source: Care Compare “Unplanned Hospital Visit” benchmark ([Medicare.gov](https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Safety-Focus/1-2/Unplanned-Hospital-Visits)).

- After the Merger transaction closed in October 2020, Hendrick Health immediately began the process of evaluating opportunities across the combined system with the goal of optimizing patient services and enhancing the overall patient experience. In the first month post-Merger, Hendrick Health implemented the following initiatives:
 - Immediate 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.
 - The addition of 24-hour security services to HMC-S in order to ensure the safety of patients, visitors, and employees. Prior to the Merger, there was no security at this campus.
 - Implementation of a new, centralized patient transfer process, which has streamlined patient transfers and increased access to care. This program allowed for [REDACTED] inbound transfers in November 2020 from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. Further details on this program can be found under **Item 35**.
 - Standardization of certain protocols and treatment plans across the combined organization to implement evidence-based care. Further details can be found under **Item 4** above.

6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards.

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

- During the First Quarter FY2021, Hendrick Health instituted a number of quality improvement measures, which are intended to further enhance quality at all of Hendrick Health’s hospitals. For example, for FY2021, the post-Merger organization established system-wide quality goals for the following five specific quality measures: (1) Overall Care for Sepsis; (2) Inpatient 30-Day Readmission Reduction; (3) HAC Reduction Domain 1 PSI-90 Composite; (4) HAC Reduction Domain 2 HAI SIR; and (5) Achieving Patient Satisfaction HCAHPS VBP Domains. In establishing and working toward the goals in these key areas, Hendrick Health intends to work collaboratively across HMC and HMC-S to drive quality improvement performance for the system.
- Furthermore, HMC was recently named one of the Top 250 Hospitals by Healthgrades¹¹, based on a number of quality metrics and data provided by CMS. Hendrick Health is in the beginning phases of implementing its high-quality standards and processes at HMC-S as a part of the post-Merger integration plan. As such, Hendrick Health will report on these initiatives in subsequent reports.
- A summary of the quality measures referenced in this Report are summarized below in **Table 6a** and **Table 6b**. Please refer to the narratives in **Item 1** and **Item 7** for more information about the status of quality measures as of this Report, and why Hendrick Health will likely experience challenges reporting on certain quality measures going forward.

¹¹ Source: Advisory Board, [“The 250 ‘Best Hospitals’ in America, according to Healthgrades.”](#)

Table 6a: HMC Summary of Quality Measure Performance

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020				Q1 FY2021
CMS Star Rating	Pg. 8	4	4	3	3	5	5	Not Applicable (rating provided biannually)						
Leapfrog Safety Grades	Pg. 8	A	A	A	A	A	B	Not Applicable (grade provided biannually)						
Pt. Satisfaction Rating	Pg. 9	3	3	3	4	3	3	3	3	4	3	5	3	3
Inpatient Volumes	Pg. 9	25k				27k				25k				6k
Outpatient Volumes	Pg. 10	227k				242k				231k				59k
Patient Readmissions	Pg. 10	12.4%				13.4%				11.1%				Not Applicable (figure provided annually)

Table 6b: HMC-S Summary of Quality Measure Performance

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020				Q1 FY2021
CMS Star Rating	Pg. 8	3	3	2	2	2	2	Not Applicable (rating provided biannually)						
Leapfrog Safety Grades	Pg. 8	C	C	C	B	C	C	Not Applicable (grade provided biannually)						
Pt. Satisfaction Rating	Pg. 9	3	3	3	3	3	3	3	3	3	3	2	3	3
Inpatient Volumes	Pg. 9	[REDACTED]										1k		
Outpatient Volumes ¹²	Pg. 10	[REDACTED]										13k		
Patient Readmissions	Pg. 10	9.3%				9.9%				10.6%				Not Applicable (figure provided annually)

7. An explanation of challenges or related conditions affecting the system's ability to maintain and/or improve quality.

- Challenges Related to Ability to Maintain and/or Improve Quality:** During the First Quarter FY2021 and as the post-Merger integration process began, Hendrick Health identified multiple challenges potentially impacting its ability to maintain and or improve quality. Some challenges faced by the combined organization include:
 - CMS Changes to Star Rating System:** Hendrick Health, through no fault of its own, may encounter challenges related to quality reporting due to CMS altering its public reporting and grading schedule. In November 2020, CMS announced that it would not update overall CMS Hospital Star Ratings in January 2021, as it normally would. Instead, CMS intends to report Hospital Star Ratings in April 2021, which will be calculated using the measure data from the October 2020 update of Care Compare data, as well as the revised star rating methodology. Moreover, in response to the COVID-19 pandemic, the agency issued an interim final rule stating it will not publicly report data collected during the first and second

¹² [REDACTED]

quarter 2020 (that is, data collected January 1, 2020 through June 30, 2020); as a result, quality measures that are normally refreshed quarterly will not be refreshed for the first and second refresh after the affected quarters.¹³ This means Hendrick Health's reporting of its CMS Star Quality Rating, Leapfrog Group Safety Grade (which partially relies on CMS quality data), Patient Satisfaction Rating, and underlying quality measures likely will be affected. Additionally, recently finalized changes and proposed rules related to the Star Rating system show that CMS intends to continue adjusting or overhauling the Star Rating system and its methodology. Such changes could impact Hendrick Health's reporting on CMS quality data in future submissions.

- **The COVID-19 Pandemic:** Active, continued community spread of the COVID-19 virus has significantly increased hospitalization rates and placed significant strain on the critical care unit, emergency department, and telehealth services. The pandemic has also strained staffing resources, with many caregivers and frontline staff on quarantine due to exposure, and others working long hours and multiple successive shifts to care for the influx of patients and lack of available staff.
- **Network Security Threat:** Hendrick Health experienced a significant network security threat incident in November during the First Quarter FY2021. The organization was unable to access basic electronic systems and applications for more than one week. It impacted the entire organization, with some areas operating with paper charting for more than two weeks in some instances, which significantly slowed the operating efficiency of the organization. The incident also impacted many administrative functions, limiting access to email and some telephony services, forcing staff to remain offline while the issue was resolved. Many staff continue to have lingering effects of this attack when utilizing remote work applications and other basic functions. As a result, there is currently a backlog with respect to coding and billing. This backlog is creating a delay in data submission to registries and databases that provide benchmarking and comparative analysis to track quality metrics. Thus, certain benchmarking for quality metrics is delayed due to the effects of the network security incident. However, Hendrick Health's staff is working diligently on the coding and billing backlog, and should be caught up within a quarter, which will minimize the quality data submission and benchmarking delays.

¹³ Source: CMS, Medicare and Medicaid Programs, Clinical Laboratory Improvement Amendments (CLIA), and Patient Protection and Affordable Care Act; Additional Policy and Regulatory Revisions in Response to the COVID-19 Public Health Emergency (Aug. 24, 2020), <https://www.cms.gov/files/document/covid-ifc-3-8-25-20.pdf>.

B. Efficiencies

8. Data regarding emergency department closures since the merger.

- Current Emergency Department Locations: During Quarter 1 FY2021, there were no changes in the number of Emergency Departments that Hendrick Health operated. As such, Hendrick Health still operates two Emergency Departments at HMC and one Emergency Department at HMC-S, as reported in the Baseline Performance Report. Each location is listed in **Table 8a** and **Table 8b** below.

Table 8a: HMC Emergency Departments

Emergency Department Location	Address	Status
Waters Emergency Care Center (HMC)	1900 Pine Street, Abilene, TX 79601	Open
Hendrick Emergency Care Center Plaza	5302 Buffalo Gap Road, Abilene, TX 79606	Open

Table 8b: HMC-S Emergency Department

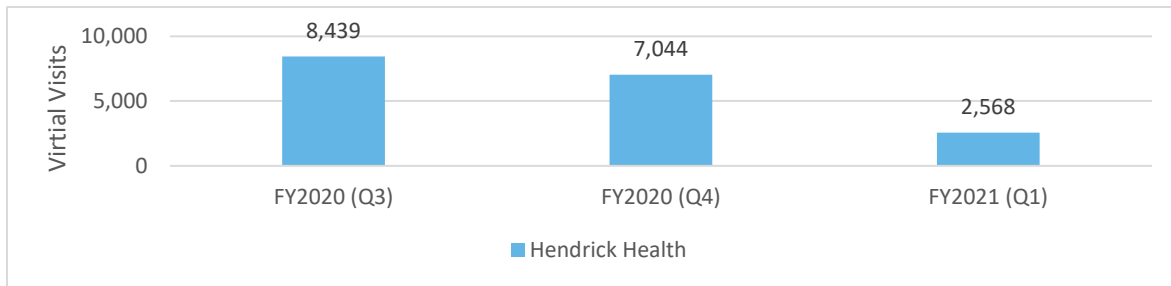
Emergency Department Location	Address	Status
Hendrick Emergency Care Center South (HMC-S)	6250 US-83, Abilene, TX 79606	Open

- Emergency Department Closures: Hendrick Health has no plans to close any Emergency Departments as of the date of this Report.
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: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals' ability to treat a larger patient population.
- Telehealth: During Quarter 1 FY2021, HMC provided telehealth services, including primary and other non-emergency care services, to 2,568 patients through its virtual care platforms. While the number of telehealth patients decreased from the previous quarters (as shown in **Table 9**, which describes the combined total for both HMC and HMC-S), the decrease is offset by the increase in in-person visits during Quarter 1 FY2021, which is likely the result of patients feeling increasingly more comfortable to return to in-person care following a decline in COVID-19 rates. The primary cause of lower telehealth usage was due to a significant network security threat that Hendrick Health experienced during Quarter 1 FY2021, as described in **Item 7**. The network security threat had a major impact on Hendrick Health's daily operations; many non-emergent procedures were cancelled or delayed. In addition to a COVID-19 spike and staffing issues, the network security threat prevented Hendrick Health from offering telehealth services during that time. HMC-S also provides certain telehealth services (specifically in the clinic setting, including telestroke); however, Hendrick Health does not have access to legacy ARMC telehealth data at this time.¹⁴ HMC-S provided telehealth services through the Hendrick Health Telehealth program in Quarter 1 FY2021. The data for these services were standardized with HMC data and could not be broken out by

¹⁴ Legacy ARMC did provide Teleneurology services, but Hendrick Health does not have access to and has not received access to the legacy ARMC Teleneurology data.

hospital location. Note that while telehealth services at Hendrick Health did not expanded in Q1, there are plans for future expansion. Hendrick Health is in the process of establishing reporting interfaces with the legacy CHS IT systems and will provide relevant data in future submissions, as any such data becomes available. Hendrick Health will address how the expansion of telehealth and technology improved the hospitals’ ability to treat a larger patient population in future quarterly reports, as applicable.

Table 9: Number of Patients Treated via Telehealth



10. 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 explain any impact the reduction has on patient service delivery.

- Workforce:** As of the Transaction Closing Date through the end of the First Quarter FY2021, there were no reductions in workforce other than what is expected through the ordinary course of business (e.g., attrition). Any decrease in workforce during Quarter 1 FY2021 was not due to staff reductions or layoffs. As noted in the Baseline Performance Report, neither HMC nor HMC-S reduced its workforce as a result of the pandemic. Rather, both facilities have experienced increased demand for staff, as noted in **Item 44** within this Report. As of November 30, 2020, Hendrick Health employed 4,082 employees, as compared to 4,160 as of the Transaction Closing Date (see **Table 10** below). Post-Merger, Hendrick Health has offered employees of HMC and legacy ARMC comparable positions in the combined system. Furthermore, Hendrick Health continues to hire additional staff as needed to provide necessary services at HMC-S that had been provided previously by out-of-state or third-party contracted workers before the Merger. For example, in November 2020, Hendrick Health hired 79 new employees, 12 of which were new positions to replace previously provided CHS corporate services and filled in Q1.

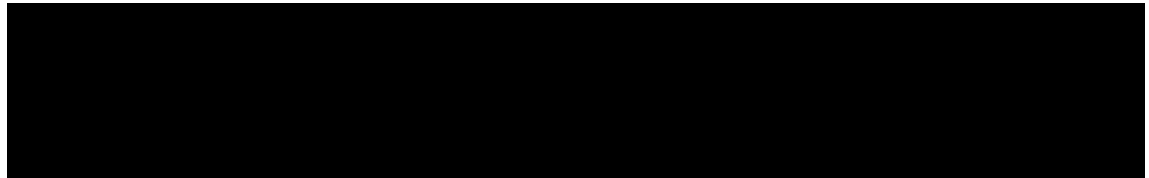
Table 10: Workforce as of Quarter 1 FY2021¹⁵

Location	Employees as of Transaction Closing Date ¹⁶	Employees as of Q1 FY2021
HMC	3,493	3,461
HMC-S	667	621
Total	4,160	4,082

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

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

- Hendrick Health has identified several potential opportunities and initiatives that it believes will generate efficiencies and reduce unnecessary costs. The list of such opportunities and initiatives is provided in **Item 14**. That said, for quick reference, the following opportunities are specifically related to the reduction in the duplication of resources:

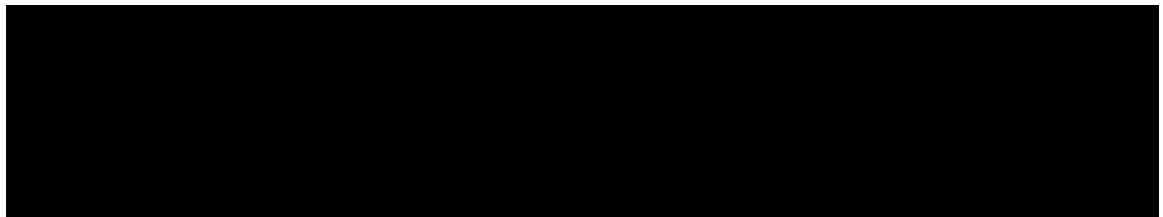


Hendrick Health intends to continue thoughtfully evaluating opportunities through the post-Merger integration process, and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

12. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.

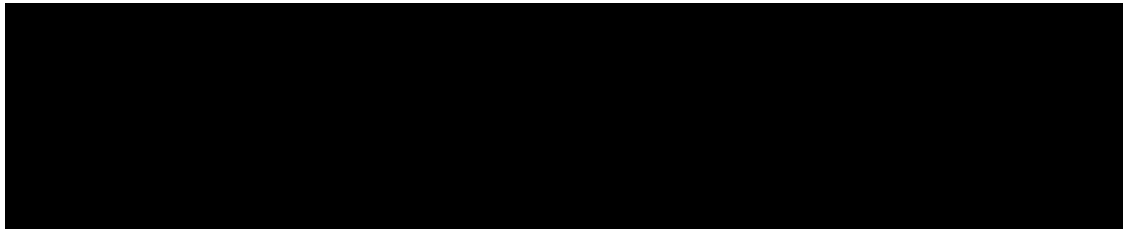
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- Pre-Merger Coordination of Services: Please refer to the Baseline Performance Report.
- Post-Merger Coordination of Services: By thoughtfully combining the resources of HMC and legacy ARMC, Hendrick Health intends to be able to better coordinate services, increase efficiencies, and optimize patient care. As of the end of Quarter 1 FY2021 (reflecting approximately one month of time post-Merger), Hendrick Health began enhancing the coordination of services through the following:



¹⁵ Please note that employee headcount includes employed physicians and advanced practice clinicians.

¹⁶ Please note that employee count as of Transaction Closing Date was slightly inflated, as there were 30 CHS employees included in Hendrick Health's personnel tracking system that were not part of the Merger. As these employees remained with CHS, they were removed from the Hendrick Health personnel tracking system on October 27, 2020.



- **Clinical labor float pool:** Hendrick Health is in the process of developing a pool of shared clinical employees across HMC and HMC-S, i.e., float pool, allowing employees to float between both campuses in order to better address the staffing needs of each campus. This will ensure the availability of needed resources across both campuses and improve continuity across departments. The initiative will include additional clinical hiring, primarily in physical therapy and respiratory therapy.
 - **Additional clinical staffing at HMC-S:** Through the sharing of resources at HMC and HMC-S post-Merger, including both staffing and capital resources, Hendrick Health has significantly increased the inpatient census at HMC-S (as further detailed in **Item 13** and **Item 26**). In addition, through its affiliation with Hendrick Health, HMC-S now has access to increased Texas STAR¹⁷ nurses, which equipped HMC-S to better handle the surge of COVID-19 patients throughout the system in November 2020. HMC-S would not have been able to access these resources without Hendrick Health. Hendrick Health anticipates additional opportunities to enhance clinical staffing at HMC-S in order to optimize patient services.
 - **Centralized Transfer Center:** Hendrick Health developed a centralized Transfer Center to better coordinate patient transfer requests from surrounding hospitals. The centralized process allows Hendrick Health to better coordinate services and access across its campuses as well as increase patient transfers into the system. See **Item 35** for additional detail.
 - **Post-acute service offerings at HMC-S:** [REDACTED] As a result of the Merger, Hendrick Health’s post-acute service offerings are now available for HMC-S patients, which allows for better coordination of services and a more seamless patient experience.
- Cost Savings Reinvestment Evidence: Please see **Item 13** below for an explanation of how cost savings will be reinvested locally.

13. Data demonstrating reinvestment in the combined healthcare system.

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

- Reinvestment: As discussed in this Report, the Merger allows for the better coordination of resources and decision-making, resulting in improved efficiency, elimination of waste, and the achievement of cost savings. Hendrick Health is committed to reinvesting these savings in its operations and community, with the goal of improving the overall patient experience and patient

¹⁷ STAR is a Texas Medicaid managed care program.

care. The following are examples of how Hendrick Health began reinvesting in the combined healthcare system in the first month post-Merger during Quarter 1 FY2021:

- **Additional clinical staffing at HMC-S:** As further detailed in **Item 12**, Hendrick Health is in the process of increasing 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. Hendrick Health will provide additional data regarding these initiatives as it becomes available.
- **Expanded inpatient capacity at HMC-S:** Post-Merger, Hendrick Health added 58 additional beds to HMC-S, including 30 new or reactivated multipurpose beds, 20 new ICU beds, and 8 new labor and delivery beds. 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 with the additional clinical staffing above, allowed Hendrick Health to increase the inpatient census at HMC-S by 16.9%, as further explained in **Item 26**.
- **Added security services at HMC-S:** [REDACTED] Post-Merger, Hendrick Health invested in 24-hour security services at the campus in order to ensure the safety of patients, visitors, and employees.
- **Capital expenditures:** Please see **Item 27** for detail regarding additional capital expenditures incurred by Hendrick Health to improve its facilities or grow its operations, totaling \$6.0M across both HMC and HMC-S. [REDACTED]
[REDACTED]
[REDACTED]

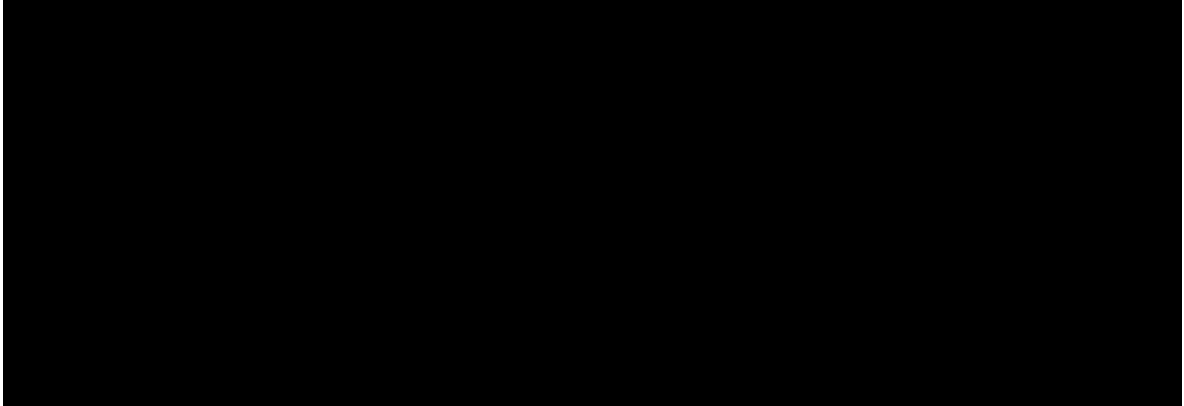
14. Data and financial reports reflecting the savings in each area referenced in the Efficiency Section of the COPA Terms and Conditions.

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

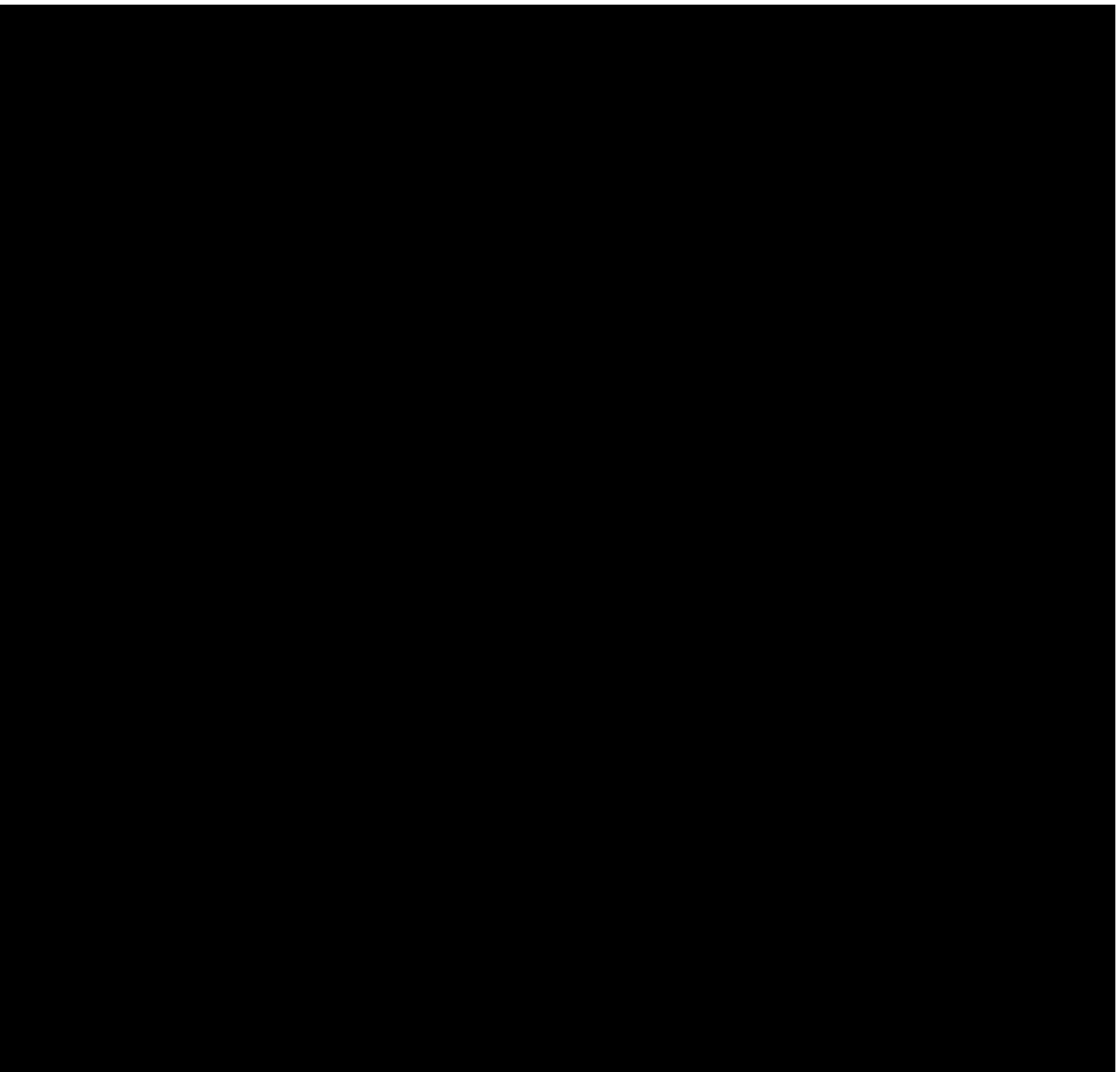
- **Post-Merger Operating Efficiencies:** After the Merger closed during Quarter 1 FY2021, Hendrick Health developed a process (as discussed in **Item 19**) to identify, track, and report data and financial reports reflecting efficiencies achieved in the areas identified previously, as appropriate, and additional areas as opportunities arise. Although only one month passed since the Merger closed in Quarter 1 FY2021, Hendrick Health identified several potential opportunities or initiatives that are likely to generate efficiencies and reduce unnecessary costs, as summarized below. [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] Hendrick Health will continue to thoughtfully evaluate potential opportunities through the post-Merger integration process and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

Annual, Recurring Operating Savings

- Clinical Optimization



- Selling, General, and Administrative (SG&A)



One-Time Cost Savings

• **One-Time Capital Avoidance**

- **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. Estimated savings will be provided in future reports as data becomes available.

Hendrick Health intends to continue thoughtfully evaluating ongoing opportunities through the post-Merger integration process and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

15. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger. Please note in the narrative any currently remaining deficiencies and explain the strategy for remedying these deficiencies.

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

• Pre-Merger Operating Deficiencies:

[REDACTED]

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

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

- Ancillary Health Services Pricing and Availability: The gross charges¹⁸ for HMC’s ancillary health services are set forth in the HMC Charge Description Master (“CDM”). HMC contracts with various commercial health plans, which generally reimburse ancillary health services based on a negotiated fee schedule or percentage discount of gross charges. However, less than [REDACTED] of HMC’s patients are insured by commercial payors. The majority of HMC patients are insured by government payors which set the reimbursement rates for those patients without negotiations. **Table 16a** below, which shows standardized post-merger data for Quarter 1 FY2021 and applies to both HMC and HMC-S, identifies Quarter 1 FY2021 volumes and CDM charges for select tests, treatments, or procedures for the following categories of ancillary health services: Laboratory, Imaging, Pharmacy, and Respiratory Therapy. The pricing increases in CDM charges in **Table 16a** is related to overall CDM price increase for the new fiscal year.

¹⁸ Gross charges are charges prior to any contractual discount allowance for various payor classes.

Table 16a: HMC Ancillary Health Services

Ancillary Service	Volume		Gross CDM Charges	
	FY2020	Q1 FY2021	FY2020	Q1 FY2021
Laboratory Services¹⁹				
<i>Routine Venipuncture</i>	277,465	66,403		\$19.54
<i>Blood Glucose Monitor</i>	176,460	48,678		\$32.70
<i>CBC With Diff</i>	144,129	34,141		\$173.65
<i>Comp. Metabolic Panel</i>	106,789	25,876		\$491.19
<i>Basic Metabolic Panel</i>	38,365	8,308		\$360.70
Imaging Services				
<i>SCR Mammography</i>	11,064	2,726		\$499.71
<i>Breast Tomo Screening</i>	10,503	2,618		\$109.66
<i>Vascular Ultrasound</i>	2,958	887		\$6,723.27
<i>Renal Ultrasound</i>	2,370	538		\$1,149.48
<i>Gallbladder Ultrasound</i>	2,287	472		\$1,159.20
Pharmacy				
<i>Sodium Chloride 0.9%</i>	507,539	126,432		\$1.43
<i>Insulin Injection (1 Unit)</i>	448,408	136,834		\$3.51
<i>Iodine Contrast (LOCM)</i>	401,327	100,868		\$4.44
<i>Iodine Contrast (Visipaque)</i>	280,579	69,451		\$2.24
<i>Insulin Injection (5 Units)</i>	110,294	37,029		\$5.29
Respiratory Therapy				
<i>SVN-MDI Airway Treatment</i>	74,606	23,954		\$699.43
<i>Arterial Puncture</i>	6,653	1,925		423.53
<i>Full Body Chamber (30 min)</i>	5,785	1,429		\$640.07
<i>Ventilation Assist²⁰</i>	4,552	1,485		\$5,878.87
<i>CPAP</i>	4,254	1,344		\$2,467.57

- *Ancillary Health Services Quality*: **Table 16b** and **Table 16c** below show the CMS Care Compare and Leapfrog Safety Group quality measures specifically related to ancillary health services for HMC and legacy ARMC, respectively. The Use of Medical Imaging measures were last refreshed by CMS in October 2020 (shown below as Quarter 1 FY2021). The Medication Safety measure (Safe Medication Ordering) is refreshed by Leapfrog in the Spring and Fall, and as such, the 100 for HMC and the 45 for legacy ARMC reported in FY2020, as shown in **Table 16b** and **Table 16c**, reflect the most recently available scores. Hendrick Health will report updated information as it becomes available. Additionally, **Item 1** of this Report includes quality measures that consider all hospital operations for HMC and legacy ARMC, including ancillary health services.

¹⁹ Volumes for Lab and Imaging Services may appear lower than in the Baseline Performance Report because data related to Hendrick-owned locations in Brownwood were previously reported under HMC, but are now reported separately under Hendrick Medical Center Brownwood.

²⁰ Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% between FY2019 and FY2020.

Table 16b: HMC Ancillary Health Services Quality Scores²¹

Experience	Baseline Period												Post-Merger Period
	FY2018				FY2019				FY2020				FY2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Use of Medical Imaging ²²													
OP-8. MRI Lumbar Spine - Low Back Pain	44.8%	44.8%	44.8%	36.4%	36.4%	36.4%	36.4%	35.1%	35.1%	35.1%	35.1%	31.8%	31.8%
OP-10. Abdomen CT - Use of Contrast Material	9.0%	9.0%	9.0%	6.8%	6.8%	6.8%	6.8%	7.8%	7.8%	7.8%	7.8%	6.9%	6.9%
Medication Safety													
Safe Medication Ordering ²³	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	100 ²⁴	Not Applicable (figure released biannually)

Table 16c: Legacy ARMC Ancillary Health Services Quality Scores²⁵

Experience	Baseline Period												Post-Merger Period
	FY2018				FY2019				FY2020				FY2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Use of Medical Imaging ²⁶													
OP-8. MRI Lumbar Spine - Low Back Pain	46.0%	46.0%	46.0%	44.8%	44.8%	44.8%	44.8%	43.7%	43.7%	43.7%	43.7%	34.2%	34.2%
OP-10. Abdomen CT - Use of Contrast Material	7.5%	7.5%	7.5%	11.1%	11.1%	11.1%	11.1%	5.9%	5.9%	5.9%	5.9%	5.4%	5.4%
Medication Safety													
Safe Medication Ordering ²⁷	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	<i>Not Available</i>	45	Not Applicable (figure released biannually)

²¹ Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.medicare.gov) and [Leapfrog Group](https://www.leapfroggroup.org)).

²² Please note that lower values are more favorable for measures OP-8 and OP-10 that are included within Table 17b. OP-8 measures the “[p]ercentage of outpatients with low-back pain who had an MRI without trying recommended treatments (like physical therapy) first.” As CMS explains, “[h]ospitals that are rated well on [OP-8] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary MRIs for low-back pain.” As for OP-10, it measures the “[p]ercentage of outpatient CT scans of the abdomen that were ‘combination’ (double) scans.” CMS explains that “[h]ospitals that are rated well on [OP-10] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary double/combo scans.”

²³ Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as “Safe Medication Ordering,” are not available for FY2018, FY2019, or Spring of FY2020.

²⁴ Please note that HMC’s “Safe Medication Ordering” score has been revised since the initial Baseline Performance Report submitted on January 15, 2021. According to the “Hospital’s Score” as reported by Leapfrog in its Hospital Safety Grade report for Fall 2020, HMC received a score of 100 for “Safe Medication Ordering” (not “95%” for “Barcode Medication Scans” as was previously reported).

²⁵ See *supra* note 20.

²⁶ See *supra* note 21 for more information.

²⁷ Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as “Safe Medication Ordering,” are not available for FY2018, FY2019, or Spring of FY2020.

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

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

- Physician Services Pricing and Availability:* The gross charges for HMC’s hospital-based physician services are set forth in the HMC CDM. HMC contracts with various commercial health plans, which generally reimburse physician services based on a negotiated fee schedule or percentage discount of gross charges. However, less than [REDACTED] of HMC’s patients are insured by commercial payors. The majority of HMC patients are insured by government payors which set the reimbursement rates for those patients without negotiations. **Table 17** below, which shows charges that were standardized post-merger and applies to both HMC and HMC-S, identifies Quarter 1 FY2021 volumes and the actual CPT charges for select CPT codes for hospital-based emergency department physician services. The increases in CPT code changes in **Table 17** is related to overall CDM price increase for the new fiscal year.

Table 17: HMC Physician Services

CPT	Description	Volume		Actual CPT Charge	
		FY2020	Q1 FY2021	FY2020	Q1 FY2021
99283	ED Visit and Evaluation – Level 3	22,120	4,199	\$1,185	\$1,326
99282	ED Visit and Evaluation – Level 2	7,614	1,803	\$807	\$901
99284	ED Visit and Evaluation – Level 4	17,905	4,180	\$2,391	\$2,667
99281	ED Visit and Evaluation – Level 1	2,430	85	\$428	\$480
99285	ED Visit and Evaluation – Level 5	11,406	3,196	\$5,210	\$5,832

- HMC Physician Services Quality:* The composite Merit-Based Incentive Program (MIPS) score serves as an indicator of the quality and cost of physician services. HMC received a composite MIPS score of 100, out of 100 possible points for FY2018 services. For services provided in FY2019, HMC scored a composite MIPS score of 97, out of 100 possible points. The 2020 MIPS score has not yet been finalized, as the CMS filing date is in March 2021, with expected 2020 MIPS score to be released in August 2021. The FY2019 MIPS score was based on four categories, each representing a specific weight of the final composite score: (i) Quality (45%); (ii) Promoting Interoperability (25%); (iii) Improvement Activities (15%); and (iv) Cost (15%).²⁸ When reporting on the composite score, CMS does not report MIPS scores broken down by category. Additionally, Hendrick Health does not have access to historical MIPS scores for legacy ARMC.

18. Data on the consolidation of clinic services, identifying the types of services per county in the geographic service area and how the consolidation of these services improved patient outcomes.

- Consolidation of Services:* As of the end of Quarter 1 FY2021, there has not yet been any consolidation of clinic services due to the short time period covered in Quarter 1 FY2021 (late October through November 2020). Hendrick Health is still in the process of evaluating opportunities for service line optimization or consolidation and will note any changes in subsequent reports. Services offered as of Quarter 1 FY2021 by Hendrick Health are outlined in

²⁸ Centers for Medicare Services, Quality Payment Program (<https://app.cms.gov/mips/overview>).

Attachment 1. No services were eliminated or reduced. Hendrick Health continues to offer services to its 24-county service area.

19. A description of steps taken to reduce costs and improve efficiency.

- Steps Taken to Reduce Costs: As of the end of Quarter 1 FY2021, Hendrick Health undertook the following steps to develop a structured process to identify, track, and ultimately report initiatives to reduce costs and improve efficiency:
 - Creation of a joint Leadership Council to manage and oversee integration activities, including ensuring costs are minimized and efficiencies are realized. This group meets on a weekly basis.
 - Routine meetings of department directors with their counterparts to understand priorities and integration challenges, followed by meetings with their legacy teams to ensure alignment on integration matters.
 - Monthly executive leadership meetings to discuss post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.
 - Organizational leaders have been prioritizing spending time at both campuses to promote process standardization and teambuilding to improve efficiency.
 - At Board of Directors meetings, the integration will be regularly discussed to ensure that COPA requirements are being met.

See **Item 14** for detail related to the current initiatives underway to reduce costs and improve efficiency.

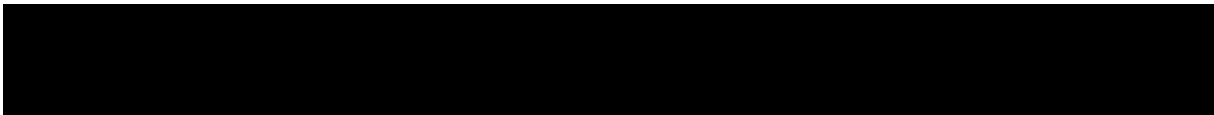
20. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.

- Please see **Item 12**, **Item 13**, and **Item 14** for a list of the current operating efficiencies and additional information on the impact to healthcare service delivery, patient care, staff, the local community, and counties served.

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

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

- Changes to Contracted Services: As of the end of the First Quarter FY2021, Hendrick Health is in the process of evaluating potential alignment opportunities related to the following contracted services, which would enable the combined organization to operate more efficiently and achieve cost savings:

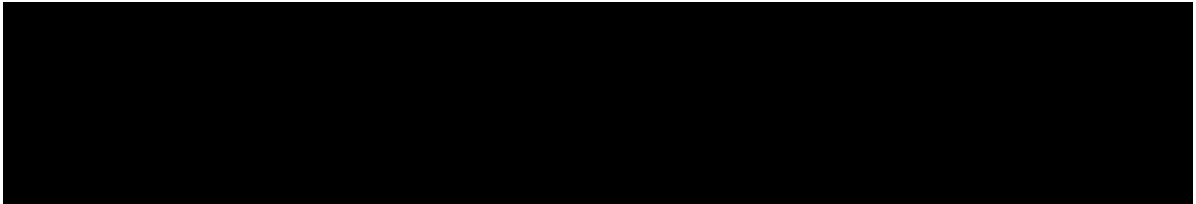


Hendrick Health will continue to evaluate potential contract alignment opportunities through the post-Merger integration process and will provide updates in subsequent reports once more information becomes available.

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

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

- Changes to Contracted Health Care Services: As noted in the Baseline Performance Report, HMC and legacy ARMC maintained agreements with a variety of third-party service providers to support their operations. Following the Merger, Hendrick Health began the process of evaluating such services in order to identify potential alignment opportunities across the legacy organizations. As of the end of the First Quarter FY2021, Hendrick Health identified potential opportunities to consolidate each of the following services to a single contracted provider, which will enable the combined organization to operate more efficiently and achieve cost savings:



Hendrick Health will continue to evaluate potential healthcare-related service contract alignment opportunities through the post-Merger integration process and will provide updates in subsequent reports once more information becomes available.

23. Progress report regarding the adoption of the new IT Platform.

- IT Platform: HMC and HMC-S (legacy ARMC) currently operate on separate EMR and ERP systems, from different vendors. Hendrick Health is in the process of upgrading HMC to Allscripts Sunrise EMR and Financials platform and migrating HMC-S to the same platform, from its legacy MedHost EMR platform. EMR integration planning began in November 2020 and the go-live date is tentatively planned for May 2021.²⁹ Following that transition, Hendrick Health plans to migrate the other HMC locations from their current MedHost platform to Allscripts.

24. An explanation of challenges or related conditions affecting the system's ability to maintain and/or improve efficiencies.

- Challenges Related to Ability to Realize Efficiencies: During the First Quarter FY2021 and as the post-Merger integration process began, Hendrick Health identified multiple challenges impacting its ability to immediately activate plans to integrate and begin the work of realizing efficiency objectives. As with any large-scale integration, there is a period of time between the effective date of the Merger and impactful implementation of the integration plan. In addition, the COVID-19 pandemic and the security threat that Hendrick experienced in November 2020, both of which are described in detail in **Item 17**, have presented additional, unique challenges to integration, impacting the timing and ability to achieve immediate efficiencies. Specifically, Hendrick Health's focus on curbing the COVID-19 pandemic and providing COVID-19 vaccines has required the system to expend considerable resources, time, and staff in furtherance of that effort. As a result, Hendrick

²⁹ The tentative timeline is subject to change based on availability of resources during the COVID-19 pandemic.

Health's ability to focus on certain efficiencies may be limited, particularly through the duration of the pandemic. Moreover, during the security threat in November 2020, all staff resources were focused on caring for patients under the difficult circumstances, including handling care for COVID patients. As such, dealing with the security threat and its aftermath temporarily diverted considerable time and focus away from Hendrick Health's initial integration efforts after the Merger.

C. Accessibility

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

- Emergency Department Wait Times:** Average Emergency department (ED) wait times for the First Quarter FY2021 (as reported by CMS in October 2020) for HMC and HMC-S are provided below in **Table 25a** and **Table 25b**, respectively. For the purposes of this Report, average ED wait times is defined as the median time from arrival at the ED until time of discharge for outpatient ED patients. HMC was considered a “Very High” volume hospital in Quarter 1 FY2021 because its ED patient volume is estimated to be over 60,000 annually. During Quarter 1 FY2021, HMC’s ED wait times remained below the national median time for “Very High” volume hospitals. During Quarter 1 FY2021, HMC-S was considered a “Medium” volume hospital because its ED patient volume is between 20,000 and 39,999 patients annually. HMC-S operated above the national median for “Medium” volume hospitals during Quarter 1 FY2021, though average wait times remained stable as compared to the previous quarter while the average wait time for peer hospitals slightly increased during this time period. Hendrick Health does not track any other patient wait times in the ordinary course of business.

Table 25a: HMC Average ED Wait Times

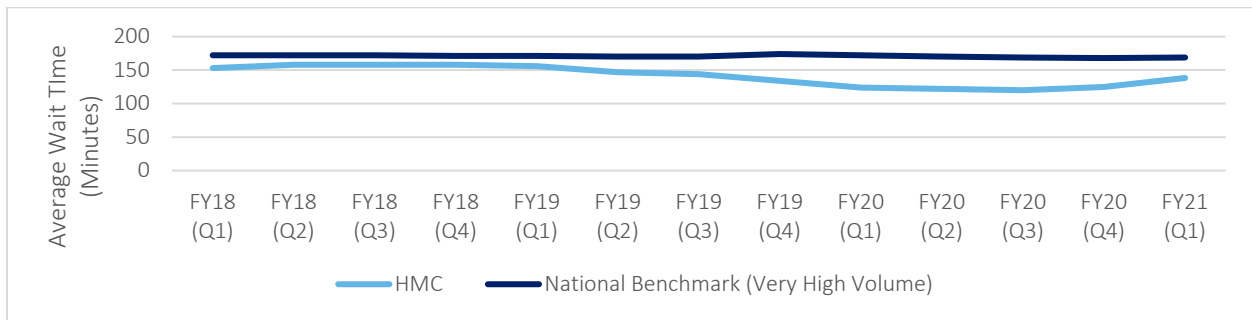
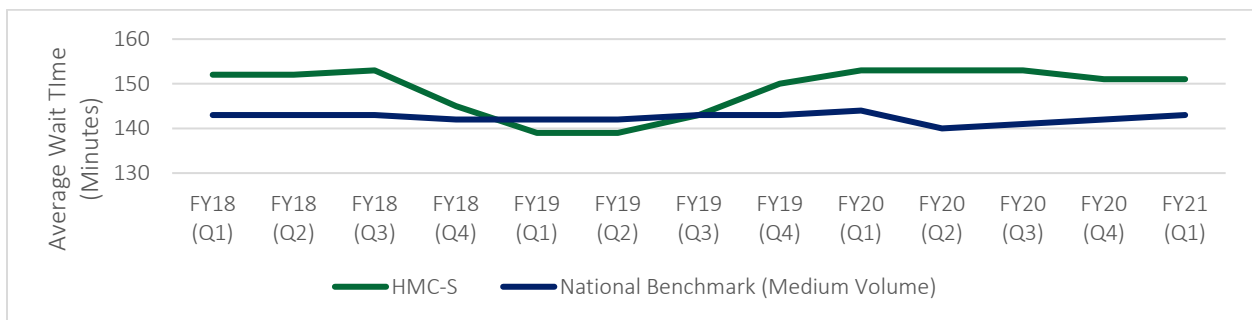


Table 25b: HMC-S Average ED Wait Times



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

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

- As of the end of the First Quarter FY2021, Hendrick Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery:
 - **Increased inpatient capacity at HMC-S:** [REDACTED]
[REDACTED]
[REDACTED] In the first month post-Merger during First Quarter FY2021, Hendrick Health immediately increased the staffing and resources available to HMC-S (as further described in **Item 13**) and grew the inpatient census [REDACTED] to 68.5, [REDACTED] and is anticipating continued increases in the coming months.
 - **Post-acute care service offerings at HMC-S:** The Merger allowed for the expansion of post-acute service lines (e.g., home health, hospice, etc.) at HMC-S— [REDACTED]
[REDACTED] See **Item 12** for additional detail.
 - **Patient transfers to Hendrick Health:** Through the creation of a centralized Patient Transfer Center (as further detailed in **Item 35**), Hendrick Health now has the ability to accept more patient transfers to both HMC and HMC-S than was possible prior to the Merger. See **Item 12** and **Item 35** for additional detail.

Additional detail related to the expansion of clinical services is included in **Item 28**.

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

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

- *Infrastructure Investment and Capital Expenditures:* As of the end of the First Quarter FY2021, Hendrick Health invested approximately \$5.0 million in capital and infrastructure expenditures at HMC and \$1.1 million at HMC-S (legacy ARMC). [REDACTED]
[REDACTED]
[REDACTED] See **Table 27** for a summary of capital, infrastructure and operating expenditures for the First Quarter FY2021. The majority of capital expenditures were technology-related. Technology expenditures include software and licensure changes to bring HMC-S onto the same systems as HMC. Examples of licensure and software expenditures include:
 - Lab Software
 - Kronos (timekeeping) licensure and hardware
 - Allscripts software and licensure
 - Core IT network installation
 - Requisition and Supply Informatics License

Table 27: Capital, Infrastructure and Operating Expenditures

	FY2018	FY2019	FY2020	Q1 FY2021
HMC				
Capital Expenditures	\$25,875,503	\$36,417,921	\$36,952,809	\$4,961,846
Infrastructure Expenditures ³⁰	\$3,724,662	\$6,094,904	\$3,527,362	\$1,365,537
Operating Expenditures	\$427,184,003	\$464,643,877	\$508,700,000 ³¹	\$105,353,971
HMC-S				
Capital Expenditures				\$1,078,494
Infrastructure Expenditures ³²				\$620,736
Operating Expenditures ³³				\$23,987,433

28. Evidence of any expansion of clinical services.

- Hendrick Health is in the process of thoughtfully evaluating clinical services across HMC and HMC-S for clinical optimization and/or expansion opportunities. As of the end of Quarter 1 FY2021, Hendrick has identified the following potential opportunities:
 - **Expansion of Pharmacy Services at HMC-S:** Hendrick Health has increased pharmacy resources at HMC-S, including technical and clinical oversight from HMC, in order to ensure that services are provided around the clock at HMC-S. These expansion of pharmacy services were not related to hours of operation but rather an expansion of quality of care. HMC-S is now receiving 24/7 Clinical Pharm D coverage.
 - **Expansion of Respiratory Services at HMC-S:** Post-Merger, Hendrick Health has extended HMC's Director of Pulmonary and Respiratory Care oversight to HMC-S. During First Quarter FY2021 when COVID-19 spikes were occurring in the community, this joint oversight prompted ventilators to be shifted from HMC to HMC-S when HMC-S was at full capacity, allowing for the care of more patients.

Additional detail related to the expansion of service delivery is included in **Item 26**.

³⁰ HMC "Infrastructure Expenditures" are included within HMC "Capital Expenditures" line in **Table 27**.

³¹ HMC FY2020 audited financials were not released at the time of this Report; as such, the amount utilized is based on information presented by HMC in its Fourth Quarter FY2020 bond disclosure, which is publicly available at: <https://emma.msrb.org/IssuerHomePage/Issuer?id=39D05960D5B6A3DC20615CC7E1759CBE>.

³²

³³

³⁴ 2019 FY2019 Operating Expenditures for legacy ARMC (now HMC-S) have been revised since the Baseline Performance Report to reflect the mostly recently provided financial results.

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

- Post-Merger during the First Quarter FY2021, Hendrick Health did not discontinue any patient services. As further detailed in **Item 26** and **Item 28**, Hendrick Health expanded patient services in the following ways:
 - Increased inpatient capacity at HMC-S;
 - Expansion of post-acute care service offerings at HMC-S;
 - Creation of a centralized Patient Transfer Center allowing for the acceptance of more patient transfers to Hendrick Health;
 - Expansion of Pharmacy Services at HMC-S; and
 - Expansion of Respiratory Services at HMC-S.

30. The number of patients enrolled in each hospital's charity care program.

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

- During the First Quarter FY2021, HMC enrolled 2,593 patients in charity care and financial assistance programs. Pre-Merger, legacy ARMC (now HMC-S) enrolled [REDACTED] patients in charity care and financial assistance during September and October 2020, as defined by CHS's charity care guidelines. Post-Merger, Hendrick Health's Charity Care Policy applies to HMC-S. Hendrick Health processed the first charity care application at HMC-S for post-Merger services provided post-Merger, on November 9, 2020, upon implementation of the Hendrick Health Charity Care Policy guidelines at the HMC-S campus. Because charity applications and payments are retroactive, certain patients will be re-classified as charity patients upon and after this transition, and will be recorded and reported on in future submissions. This increase of patients enrolled in charity care from FY2020 to Q1 FY2021 is all attributed to applying HMC's more inclusive charity policy and HMC's presumptive charity policy that allows individuals to qualify for charity at an earlier date. Hendrick Health does not have access to the legacy ARMC charity data. Hendrick Health has made the assumption that legacy ARMC wrote off patient accounts prior to the acquisition. The Hendrick Health Charity Care Policy is more inclusive than the legacy ARMC policy due in part to the following reasons:
 - The Federal Poverty Level threshold of Hendrick Health's Charity Care Policy is higher (400%) than legacy ARMC's Charity Care Policy (300%).
 - Hendrick Health patients become eligible at 20% of annual gross income ("AGI"), whereas legacy ARMC patients became eligible at 50% of AGI.
 - Legacy ARMC's Charity Care Policy only applied to uninsured patients, whereas Hendrick Health's Charity Care Policy applies to uninsured and certain insured patients.

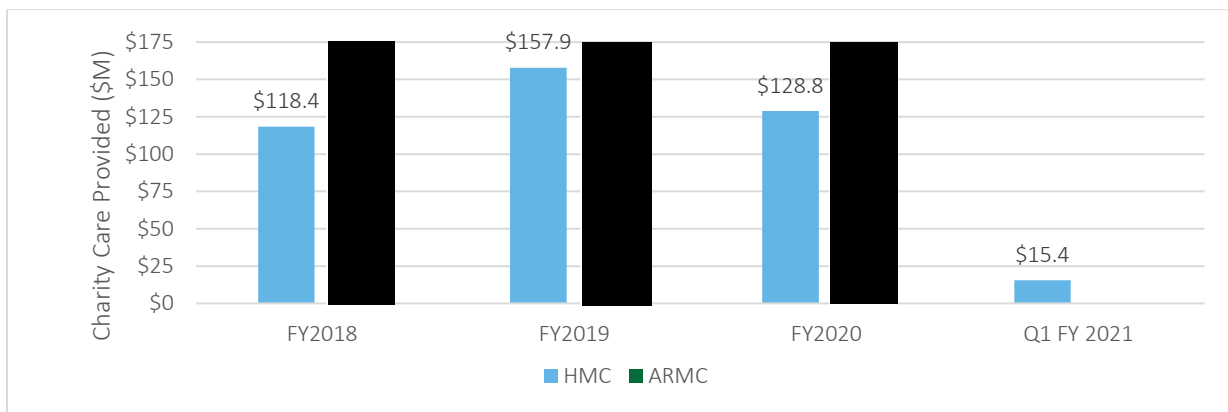
31. Data and financial reports for charity care services provided by each hospital.

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

- The combined financial investment in charity care for both HMC and HMC-S for Quarter 1 FY2021 is shown below in **Table 31**. HMC incurred \$15.4 million in charity care during Quarter 1 FY2021.

Excerpts of HMC’s 990s for FY2018 and FY2019 are provided as **Attachment 2** to support the charity care amounts. Notably, the majority of charity care assigned occurs after care has already been provided, which means charity is typically approved 90-120 days post-discharge. The amount of charity care provided in Quarter 1 FY2021 was lower than historical figures due to the impact of COVID-19, which placed restrictions on patients coming to the Hendrick Health campus, and limited non-care patient interactions. Moreover, due to overall volumes being lower as a result of COVID-19, it is expected that charity care dollars may be less. As for legacy ARMC, Hendrick Health does not have access to the pre-Merger charity care data for September and October 2020. There were no charity expenditures for HMC-S in November 2020. Because charity applications and payments are retroactive, certain patients will be re-classified as charity patients upon and after this transition, and will be recorded and reported on in future submissions.

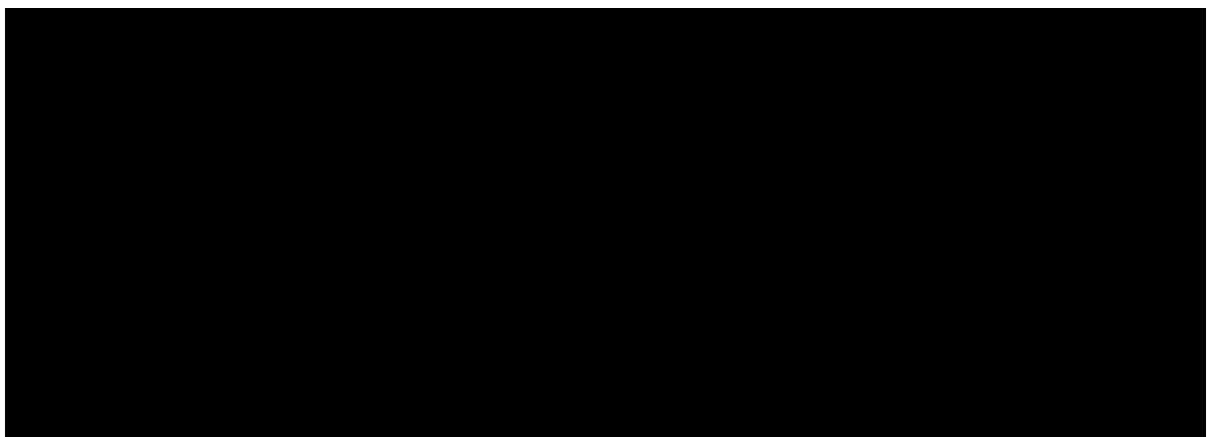
Table 31: Charity Care



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

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

- As discussed in this Report, Hendrick Health is in the process of evaluating opportunities for clinical integration. As of the end of Quarter 1 FY2021, Hendrick Health has implemented the following initiatives that will increase clinical integration between the facilities and providers:



- **Post-acute service offerings at HMC-S:** As a result of the Merger, Hendrick Health’s post-acute service offerings (e.g., home health, hospice, etc.) are now available to patients at HMC-S. [REDACTED] See **Item 12** for additional detail.

The areas noted above have increased clinical integration between HMC and HMC-S and have generated cost savings for the combined organization as noted in **Item 14** of this report. As this report is based on one-month of post-Merger information, data is not yet available to comment on the longer-term impact to medical errors, but this data will be provided when available.

33. 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.

- **Table 33** includes the pre- and post-Merger service levels for both HMC and HMC-S (legacy ARMC) for the Emergency Department (ED), Neonatal Intensive Care Unit (NICU), and Maternal Fetal Medicine (MFM) care. As of Quarter 1 FY201, service levels at HMC have been maintained post-Merger. Notably, however, as a result of the change in ownership through the Merger, the NICU at HMC-S has temporarily moved from a Level 2 to a Level 1 designation (which does not require survey) in order to continue to receive reimbursement immediately post-Merger. Hendrick Health is in the process of re-establishing the Level 2 NICU designation at HMC-S through an on-site survey. The post-Merger change of ownership process also required HMC-S to re-apply for Level 4 ED status (which requires an on-site survey), however HMC-S is permitted to maintain that Level 4 designation and receive reimbursement pending re-survey. Additionally, legacy ARMC did not have an MFM designation prior to the Merger; but Hendrick Health intends to pursue Level 2 MFM status for HMC-S as well. Pursuing higher designations requires on-site state surveys, which typically take a few months to schedule and complete.

Table 33: Pre- and Post-Merger Key Service Levels

Location	Pre-Merger Service Level (FY2020)			Q1 FY2021 Service Level		
	ED	NICU	MFM	ED	NICU	MFM
HMC	3	3	3	3	3	3
HMC-S	4	2	N/A	4 (pursuing)	1	2 (pursuing)

34. 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.

- The COPA application described the severe risks facing Taylor County in the context of Hendrick Health’s Community Health Needs Assessment (“CHNA”) from 2019. The CHNA report involved a year-long study to identify the more prevalent, unmet health needs of residents within Taylor County. Typically, Hendrick Health utilizes a CHNA to identify prevalent, unmet health needs in order to allocate resources to the areas of greatest need. Accordingly, Hendrick Health’s CHNA identified three predominant health needs in the community to be prioritized, as of 2019: (1) improving access to care (including mental health care, substance abuse support, primary care services, and affordable health care services); (2) establishing crisis services, such as crisis or emergency care programs, and early intervention programs for substance abuse; and (3)

promoting awareness, prevention, and screening services for health care needs, as well as specifically for those recovering from substance abuse.

- The Merger allows Hendrick Health to continue focusing on impacting the predominant health needs in the community. In particular, during the First Quarter FY2021, the following post-Merger initiatives show efforts in furtherance of mitigating the prioritized community health needs identified in the 2019 CHNA:
 - Increasing Access to Care: Hendrick Health increased telehealth services to provide increased access to patients in the region, especially for those fearful to seek in-person treatment or physically attend a medical setting for care. Additionally, Hendrick Health’s Urgent Care clinics, which are scheduled to open in Spring 2021, will create additional access points where the community can receive medical care.
 - Patient Navigation: Hendrick Health expanded patient navigation services, particularly for patients that are high-utilizers of the emergency department, to HMC-S. Additionally, Hendrick Health’s NAPBC-accredited breast center program services, including breast cancer nurse navigation and genetic navigation for hereditary cancers, have been expanded to HMC-S. The expansion of these services to HMC-S shows the allocation of resources for two CHNA prioritized community needs—establishing crisis services, and promoting awareness, prevention, and screening services.
 - Medication: Hendrick Health expanded pharmacy-related services and savings to patients with chronic disease conditions through the Merger. Specifically, the outpatient pharmacy and chronic disease management services were expanded to inpatient and emergency department discharges at HMC-S, to ensure patient medication needs are met. Through the Med Assist program, these patients can receive assistance paying for medications related to chronic disease states like hypertension, diabetes, COPD, and heart failure. These patients are also eligible for home visits through certain home health services. Specifically, through a partnership with Texas Tech University School of Pharmacy where a pharmacist will be dedicated to Hendrick Health’s home health program, these patients will be able to receive increased levels of medication management in the home, which is not a typical service line offered in home health. The expansion of these services also shows the allocation of resources related to expanding crisis services, and promoting awareness, prevention, and screening services.
- Importantly, however, the year-long study for the CHNA, and the resulting 2019 CHNA report, were completed long before the unprecedented COVID-19 pandemic, as well as before the Merger. As a result, Hendrick Health intends to conduct a CHNA refresh in order to account for and identify the evolving health needs in the community.

35. 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.

- As a result of the Merger, during Quarter 1 FY2021, Hendrick Health was able to further enhance and increase the services offered to the hospitals’ rural communities, including the following:
 - As discussed in this Report, Hendrick Health developed a Centralized Transfer Center to coordinate transfer requests from surrounding rural hospitals to any of the three Hendrick

Health campuses. This unified process and single transfer line has improved access to more local care for patients and hospitals in Hendrick Health's service area. The Centralized Transfer Center allows Hendrick Health to accept more patient transfers, which enables patients to receive care more quickly and closer to home than they would have previously received.

- Combining staff and physical resources has allowed Hendrick Health to serve more patients throughout the entire region than would have been served otherwise during the COVID-19 pandemic. Hendrick Health has been able to shift resources to each campus in response to variable demand which has allowed more patients to receive the healthcare they need when they need it. For example, the Merger allowed currently unused beds located at HMC and certain ventilators to be transitioned for use at HMC-S to treat COVID-19 patients in HMC-S's ICU and Progressive Care Unit.
- Combining resources has allowed Hendrick Health to develop a more efficient COVID-19 vaccine distribution process that has directly resulted in an increased number of residents in the 24-county region who have been able to receive the vaccine. Additionally, a centralized Hendrick Health team implemented a vaccine distribution strategy for Hendrick Health staff to efficiently receive COVID-19 vaccinations.

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

- **Table 36** lists the specialty and county location for the 117 physicians Hendrick Health employed as of the end of the First Quarter FY2021. The region is also served by a number of community physicians not employed by Hendrick Health. While Hendrick Health does not maintain a comprehensive directory of these community physicians beyond those with medical staff privileges at Hendrick Health (covered subsequently in **Item 46** of this Report), public sources that identify community physicians including the Texas Medical Board Healthcare Provider Search and health plan provider directories are available.

Table 36: Employed Physicians by County Location

Specialty	Facility		County Service Locations		
	HMC ³⁵	HMC-S	Taylor	Brown	Nolan
Anesthesia	12	-	✓		
Cardiology	14	2	✓	✓	
Cardiovascular Surgery	4	-	✓		
Endocrinology	2	-	✓	✓	
Family Medicine	5	6	✓		✓
Gastroenterology	2	2	✓		
General Surgery	4	3	✓		
Hospice	1	-	✓		
Infectious Disease	2	-	✓		
Internal Medicine	9	4	✓		
Internist	3	-	✓		
Nephrology	2	-	✓	✓	
Neurology	2	-	✓		
Neurosurgery	1	-	✓		
OB/GYN	7	1	✓		
Oncology	4	-	✓	✓	
Ophthalmology	1	1	✓		
Orthopedic Surgery	2	2	✓		
Pain Medicine	2	-	✓	✓	
Palliative Care	3	-	✓		
Plastic Surgery	1	-	✓	✓	
Radiation/Oncology	3	-	✓		
Rehab	1	-	✓		
Rheumatology	3	-	✓		
Urology	4	-	✓		
Wound Care	2	-	✓		
Grand Total	96	21	✓	✓	✓

37. A copy of each hospital's charity care policy, identifying any changes to the policy in the previous quarter when changes occur.
- The Charity Care policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. The policy is in the process of being revised, and any approved and implemented revised policy will be provided in future submissions as applicable.

³⁵ Please note that certain physicians previously categorized under HMC have been updated based on practice locations.

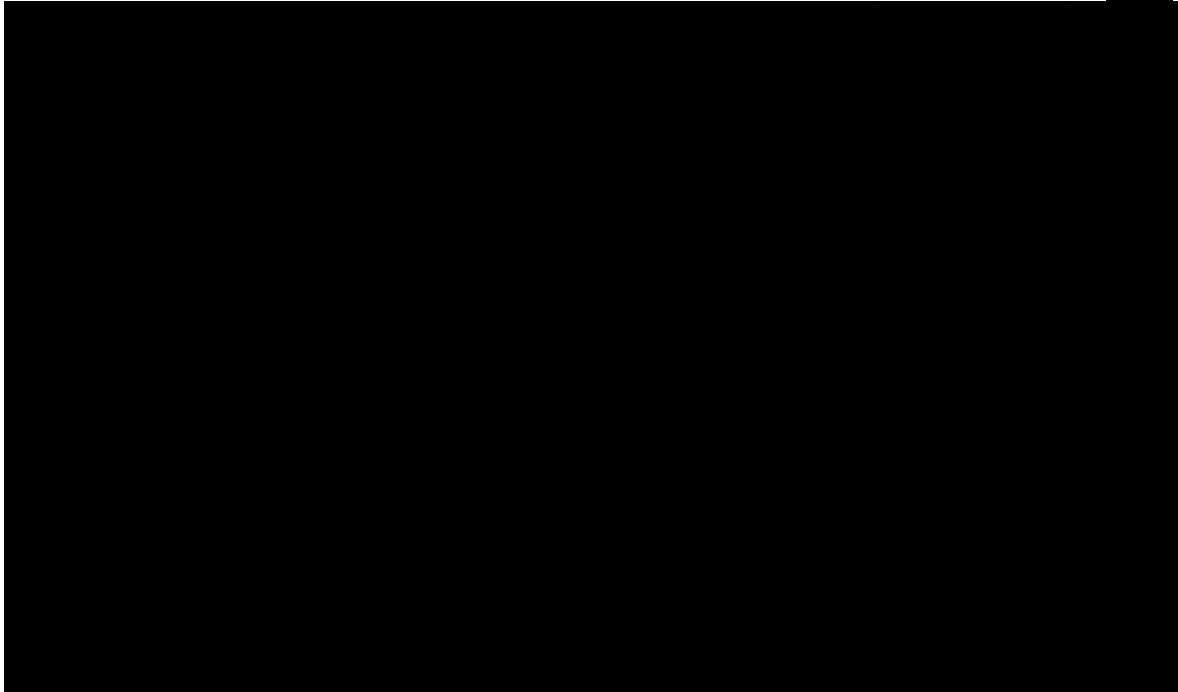
38. A list of health plans each hospital contracted with during fiscal year 2019, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.


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

- Table 37 of the Baseline Performance Report shows a list of the health plans each hospital contracted with during fiscal year 2019. **Table 38** of this Report lists the health plans Hendrick Health contracted with as of the First Quarter FY2021.
- **Table 38: Health Plans Accepted by Hendrick Health as of Quarter 1 FY2021**

Organization
Aetna
Amerigroup
Blue Cross Blue Shield of Texas
Cigna
First Health PPO
Firstcare Health Plans
HealthSmart Preferred Care
Humana Choicecare
Molina CHIP (via Texas True Choice)
MultiPlan
Omni Network
Private Healthcare Systems
Scott and White Health Plan
Superior Health Plan
Tricare (via Humana Military)
United Healthcare
Veterans Administration (via TriWest)

- HMC continues to contract with all of the health plans it contracted with prior to the Merger. 



- 
39. An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve accessibility.
- Challenges Related to Ability to Maintain and/or Improve Accessibility: There were two primary challenges to maintaining or improving patient accessibility post-Merger during Quarter 1 FY2021:
 - The effects of the COVID-19 pandemic were similar at Hendrick Health as they were for most providers. COVID-19 has increased hospitalization rates, which, in turn, has burdened inpatient, emergency room, and ICU capacity, impacting Hendrick Health's ability to accept patient transfer requests from facilities outside of Abilene. Moreover, the pandemic limited patient access for non-COVID related issues due to patient concerns surrounding in-person care, capacity constraints, and reductions in scheduling non-emergency procedures.
 - The network security threat that Hendrick Health experienced in November 2020 produced a week-plus-long disruption in a number of critical patient access functions, including without limitation, patient registration, appointment scheduling, imaging, and admissions.

D. Competition

40. Data illustrating the organizations’ payment models.

- Hendrick Health currently participates in the payment models listed in **Table 40** below, which have remained unchanged from the Baseline Performance Report.

Table 40: Hendrick Health Payment Models as of Quarter 1 FY2021³⁶

Payment Models
APR-DRG/MS-DRG
Case Rate
Medicare Fee Schedules
Percent of Billed Charge
Per Diem
Texas Medicaid Fee Schedules

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

- As of Quarter 1 FY2021, no new payment models have been established since the Merger.

42. Data demonstrating the merger did not reduce 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, listed below, 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 will continue to compete with the large health systems in the region, including without limitation:

1. University Health System in San Antonio
2. Houston Methodist – The Woodlands
3. Parkland Health & Hospital System
4. Texas Health Harris Methodist Hospital Alliance
5. Texas Health Resources
6. Baylor Scott & White Health System
7. St. David’s Healthcare
8. UMC Health System

³⁶ Excludes workers compensation payment models.

9. Covenant Health System
10. United Regional Healthcare System
11. Cook Children’s Health Care System

Hendrick Health competes in a service area made up of 24 counties. While not all of these 11 hospitals listed above are located within the defined service area, they are hospitals that Hendrick Health sees outmigration taking place. Hendrick Health competes with inpatient acute facilities within the primary and secondary service area, including without limitation:

1. Anson General Hospital; 101 Ave. J, Anson, TX 79501; Jones County
2. Ballinger Memorial Hospital; District 608 Ave. B, Ballinger, TX 76821; Runnels County
3. Cogdell Memorial Hospital; 1700 Cogdell, Blvd., Snyder, TX 79549; Scurry County
4. Coleman County Medical Center; 310 S Pecos St., Coleman, TX 76834; Coleman County
5. Comanche County Medical Center; 10201 TX-16, Comanche, TX 76442; Comanche County
6. Eastland Memorial Hospital; 304 S Daugherty Ave., Eastland, TX 76448; Eastland County
7. Encompass Health Rehabilitation Hospital of Abilene; 6401 Directors Pkwy., Abilene, TX 79606; Taylor County
8. Fisher County Hospital District; 774 TX-70, Rotan, TX 79546; Fisher County
9. Hamilton General Hospital; 400 N Brown St., Hamilton, TX 76531; Hamilton County
10. Haskell Memorial Hospital; 1 Avenue N, Haskell, TX 79521; Haskell County
11. Heart of Texas Healthcare System; 2008 Nine Rd., Brady, TX 76825; McCulloch County
12. Knox County Hospital District; 701 S E 5th St., Knox City, TX 79529; Knox County
13. Mitchell County Hospital; 997 W I-20, Colorado City, TX 79512; Mitchell County
14. North Runnels Hospital 7821 TX-153, Winters, TX 79567; Runnels County
15. Rolling Plains Memorial Hospital; 200 E Arizona Ave., Sweetwater, TX 79556; Nolan County
16. AdventHealth Rollins Brook Community Hospital; 608 N Key Ave., Lampasas, TX 76550; Lampasas County
17. Stephens Memorial Hospital; 200 S Geneva St., Breckenridge, TX 76424; Stephens County
18. Stonewall Memorial Hospital; 821 N Broadway St., Aspermont, TX 79502; Stonewall County
19. Throckmorton County Memorial Hospital; 802 N Minter Ave., Throckmorton, TX 76483; Throckmorton County

Additionally, the following is a non-exhaustive list of “freestanding healthcare facilities” in the primary and secondary service area, sorted by county, that Hendrick Health will continue to compete with:

Primary Service Area

Callahan County

- Baird Community Health Center; 128 W 4th St., Baird, TX 79504

Jones County

- Anson Family Wellness Clinic; 215 N Ave. J, Anson, TX 79501
- Hamlin Medical Clinic; 350 NW Ave. F, Hamlin, TX 79520
- Stamford Family Health Clinic; 1303 Mabee St., Stamford, TX 79553

Taylor County

- Abilene Cataract & Refractive Surgery Center; 2120 Antilley Rd., Abilene, TX 79606
- Abilene Center for Orthopedic and Multispecialty Surgery, LLC; 6449 Central Park Blvd., Abilene, TX 79606
- Abilene Community Health Center; 1749 Pine St., Abilene, TX 79601
- Abilene Diagnostic Clinic; 1665 Antilley Rd. 314, Suite 200, Abilene, TX 79606
- Abilene Endoscopy Center; 1249 Ambler Ave., Suite 100, Abilene, TX 79601
- Abilene Surgery Center LLC; 5601 Health Center Dr., Abilene, TX 79606
- Abilene Taylor County Public Health District; 850 N 6th St., Abilene, TX 79601
- Abilene White Rock Surgery Center, LLC; 2401 N Treadaway Blvd., Abilene, TX 79604
- Affordacare Urgent Care Clinic; 4009 Ridgemont Dr., Abilene, TX 79606
- Affordacare Urgent Care Clinic; 3101 S 27th, Abilene, TX 79605
- ELM Place Ambulatory Surgical Center; 2217 S Danville Dr., Abilene, TX 79605
- Express ER; 4157 Buffalo Gap Rd., Abilene, TX 79605
- FMC Dialysis Services of Abilene South; 2009 Hospital Pl., Abilene, TX 79606
- Fresenius Medical Care – Abilene Lone Star; 349 S Danville Dr., Abilene, TX 79605
- Fresenius Medical Care Abilene; 1802 Pine St., Abilene, TX 79601
- Medical Diagnosing Imaging of Abilene; 4349 S Treadaway Blvd., Abilene, TX 79602
- My Emergency Room 24/7; 4438 S Clack St., Suite 100, Abilene, TX 79606
- Texas Midwest Endoscopy Center LLC; 14 Hospital Dr., Suite B, Abilene, TX 79606
- Texas Midwest Surgery Center; 751 N 18th St., Abilene, TX 79601
- Walk-In Care Clinic; 1665 Antilley Rd., Suite 120, Abilene, TX 79606

Secondary Service Area

Brown County

- Accel Health Clinic Brownwood; 3804 US-377, Brownwood, TX 76801
- Brownwood Women’s Clinic; 98 S Park Dr., Brownwood, TX 76801
- Central TX Women’s Clinic PA; 2201 Coggin Ave, Suite B, Brownwood, TX 76801
- Fresenius Medical Care Brownwood; 110 South Park Dr., Brownwood, TX 76801
- One Source Health Center - Early; 2005 Hwy. 183 N, Early, TX 76802

Coleman County

- Coleman WIC Clinic; 303 E College Ave., Coleman, TX 76834
- Coleman Medical Associates; 310 S Pecos St., Coleman, TX 76834
- Hensely Family Health Clinic; 105 N 2nd St., Santa Anna, TX 79606

Comanche County

- Doctors Medical Center; 10201 Hwy. 16, Comanche, TX 76442

Eastland County

- Eastland Dialysis Center; 2300 W Commerce St., Eastland, TX 76448

Fisher County

- Clearfork Health Center; 774 TX-70, Rotan, TX 79546
- Roby Rural Health Clinic; 117 E North 1st St., Roby, TX 79543

Hamilton County

- Hamiton Family Practice Rural Health Clinic; 303 N Brown St., Hamilton, TX 76531
- Hico Clinic; 104 Walnut St., Hico, TX 76457

Haskell County

- Haskell Rural Health Clinic; 1417 N 1st St., Suite A, Haskell, TX 79521

Kent County

- Kent County Rural Health; 1447 N Main St., Jayton, TX 79528

Knox County

- Knox County Clinic; 712 SE 5th St., Knox City, TX 79529
- Munday Clinic; 120 E D St., Munday, TX 76371

Lampasas County

- AdventHealth Family Medicine Clinic - Lampasas; 187 Private Rd. 3060, Lampasas, TX 76550
- Fresenius Medical Care Lampasas; 1202 Central Texas Expressway, Lampasas, TX 76550
- Seton Lampasas Healthcare Clinic; 1205 Central Texas Expressway, Lampasas, TX 76550

McCulloch County

- Brady Medical Clinic; 2010 Nine Rd., Brady, TX 76825
- Fresenius Kidney Care Brady; 2008 Nine Rd., Brady, TX 76825

Mills County

- Coryell Health Medical Clinic – Mills County; 1510 Hannah Valley Rd., Goldthwaite, TX 76844
- Family Practice Clinic of Mills County; 1501 W Front St., Goldthwaite, TX 76844

Mitchell County

- Family Medical Associates; 997 I-20, Colorado City, TX 79512

Nolan County

- Fresenius Kidney Care Rolling Plains; 100 E Arizona Ave., Sweetwater, TX 79556
- Rolling Plains Rural Health Clinic; 201 E Arizona Ave., Sweetwater, TX 79556

Runnels County

- Ballinger Hospital Clinic; 2001 Hutchins Ave., Suite C, Ballinger, TX 76821
- NRH Clinic; 7571 TX-153, Winters, TX 79567

San Saba County

- Baylor Scott & White Clinic – San Saba; 2005 W Wallace St., San Saba, TX 76877
- One Source Health Center – San Saba; 403 W Wallace St., San Saba, TX 76877

Scurry County

- Cogdell Family Clinic; 1700 Cogdell Blvd., Snyder, TX 79549

Shackelford County

- Shackelford County Health Clinic; 450 Kenshalo St., Albany, TX 76430

Stephens County

- Breckenridge Medical Center; 101 S Hartford St., Breckenridge, TX 76424

Stonewall County

- Stonewall Rural Health Clinic; 821 N Broadway St., Aspermont, TX 79502

Throckmorton County

- Throckmorton Rural Health Clinic; 802 N Minter Ave., Suite B, Throckmorton, TX 76483

Hendrick Health may continue to compete with other health care facilities located in Taylor County, including without limitation:

Home Health Agencies

1. Angels Care Home Health of San Angelo; 1961 Industrial Blvd., Abilene, TX 79602
2. Angels of Care Pediatric Home Health; 2585 S Danville Dr., Abilene, TX 79605
3. Big Country Healthcare Services; 749 Gateway St., Building F, Suite 702, Abilene, TX 79602
4. Caprock Home Health Services Inc.; 749 Gateway St., Suite 101, Abilene, TX 79602
5. Elara Caring; 749 Gateway St., Suite E-502A, Abilene, TX 79602
6. Encompass Health Home Health; 1 Village Dr., Suite 200, Abilene, TX 79606
7. Generations Home Health; 1290 S Willis St., Suite 209, Abilene, TX 79605
8. Home Instead Senior Care; 441 Lone Star Dr., Abilene, TX 79602
9. Kinder Hearts Home Health; 842 N Mockingbird Ln., Abilene, TX 79603
10. Kindred At Home; 100 Chesnut St., Abilene, TX 79602
11. Kindred At Home; 4400 Buffalo Gap Rd., Suite 2400, Abilene, TX 79606
12. Lifecare Home Care; 1290 S Willis St., Suite 107, Abilene, TX 79605
13. Outreach Home Care; 409 N Willis St., Abilene, TX 79603
14. Renew Home Health; 6382 Buffalo Gap Rd., Suite C, Abilene, TX 79606
15. Texas Home Health of America; 3303 N 3rd St., Suite A, Abilene, TX 79603
16. Theracare Services, LLC; 209 S Danville Dr., Suite B107, Abilene, TX 79605
17. Touching Hearts At Home; 3926 S. Treadway Blvd., Suite A-1, Abilene, TX 79602
18. Visiting Angels; 4090 S Danville Dr., Suite A, Abilene, TX 79605

Hospice Agencies

1. Kindred Hospice; 4400 Buffalo Gap Rd., Suite 1200, Abilene, TX 79606
2. Hospice of the Big Country; 4601 Hartford, Abilene, TX 79605
3. Kinder Hearts Hospice; 842 N Mockingbird Ln., Abilene, TX 79603
4. Encompass Health Hospice; 1 Village Dr., Suite 200a, Abilene, TX 79606

Skilled Nursing Facilities

1. The Oaks at Radford Hills; 725 Medical Drive, Abilene, TX 79601
2. Brightpointe at Lytle Lake; 1201 Clarks Dr., Abilene, TX 79602
3. Coronado Nursing Center; 1751 N 15th St., Abilene, TX 79603
4. Merkel Nursing Center; 1704 N 1st, Merkel, TX 79536
5. Mesa Springs Healthcare Center; 7171 Buffalo Gap Rd., Abilene, TX 79606
6. Northern Oaks Living & Rehabilitation Center; 2722 Old Anson Rd., Abilene, TX 79603
7. Silver Spring; 1690 N Treadway Blvd., Abilene, TX 79601
8. Wesley Court Health Center; 2617 Antilley Rd., Abilene, TX 79606
9. Willow Springs Health & Rehabilitation Center; 4934 S 7th St., Abilene, TX 79605
10. Windcrest Health & Rehabilitation; 6050 Hospital Rd., Abilene, TX 79606
11. Wisteria Place; 3202 S Willis St., Abilene, TX 79605

Select Other Health Care Facilities

1. Abilene Community Health Center; 1749 Pine St., Abilene, TX 79601
2. Cook Children's Pediatric Specialties Abilene; 410 Lone Star Dr., Abilene, TX 79602
3. Texas Oncology – Abilene; 1957 Antilley Rd., Abilene, TX 79606
4. Tim Martin M.D. (Independent Physician Office); 2110 N Willis St., Suite B, Abilene, TX 79603

43. Evidence of how patient choice is being preserved.

- The patient choice policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. The policy continues to conform with CMS mandated patient choice requirements. To the extent any revisions are made to this policy in the future, any approved and implemented revised policy will be provided in future submissions as applicable.

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

- Between the Transaction Closing Date and the end of Quarter 1 FY2021, Hendrick Health posted an additional 270 new job openings. These openings were a combination of both new positions and vacancies to existing positions. These roles cover both clinical and non-clinical positions across the organization and indicate significant demand for talent within the combined Hendrick Health system following the Transaction Closing Date. The list of open positions as of the end of the First Quarter FY2021 is provided in **Attachment 3**. This open position listing includes 8 new open positions to replace previously provided CHS corporate services.
- Hendrick Health also works with a number of agencies that recruit new talent to its area. The agencies primarily source nursing candidates, but will also source Lab, Radiology, Therapists, and other allied health positions. In addition to these agencies, Hendrick Health has engaged two firms to do high-volume Registered Nurse (RN) recruitment. Finally, Hendrick Health advertises its job openings with various schools and posts on national job boards such as Indeed and Glassdoor, as well as specialty specific niche career boards.
- Between the Transaction Closing Date and the end of Quarter 1 FY2021, Hendrick Health hired 79 new employees. Please see **Item 10** for additional detail.

45. An explanation of challenges or related conditions affecting competition.

- Challenges Affecting Competition: The ongoing COVID-19 pandemic has caused, and will likely continue to result in, numerous challenges to health care providers. Throughout the pandemic, many health care providers have collaborated with other providers in their area to ensure patient and personnel needs are being met, particularly as it relates to the availability of PPE and necessary equipment, and care coordination. Such collaboration, which may continue through the end of the pandemic, can adversely impact competition amongst local providers. Moreover, the COVID-19 pandemic has resulted in financial hardships for many types of health care providers. The impact of these financial hardships is not yet known, but ultimately, financial hardships could result in a reduction in competing providers due to bankruptcy, consolidation, or termination of services due to financial hardship.

E. Other Requirements

46. The number of physicians, allied professionals and other health care providers providing medical services that have privileges to practice at the hospital.
- *Privileged Providers*: A complete list of physicians, allied professionals and other health care providers with privileges at Hendrick Health is provided in **Attachment 4** to this Report. As of the end of Quarter 1 FY2021, Hendrick Health credentialed 931 health care providers, as detailed in **Table 46** below.

Table 46: Hendrick Health Credentialed Providers as of Quarter 1 FY2021

Privileged Provider Category	HMC	HMC-S
Physicians	468	236
Physician Assistants	37	18
Nurse Practitioners	54	22
Certified Registered Nurse Anesthetist	29	20
Other APC	45	2
Total	633	298

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.
- *Meeting Minutes*: To the extent meeting minutes or notes regarding the COPA, including portions of governing body meeting minutes that discuss the COPA, are kept in the ordinary course of business, and to the extent no applicable privileges exist, such documentation has been provided in **Attachment 5**.
48. 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.
- As of the end of the Quarter 1 FY2021, Hendrick Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery: Increased inpatient capacity at HMC-S, post-acute case service offerings at HMC-S, and patient transfers to Hendrick Health. Expenditures that made these initiatives possible were related to information and technology investments that brought HMC-S onto the same technology platforms as HMC, therefore allowing coordination of care to be more efficient.

IV. Attachments