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Hendrick Health

Quarterly Report for Quarter 2 of Fiscal Year 2021

Reporting Period: 12/1/2020—2/28/2021

Submission Date: May 31, 2021

Re-submission Date: November 5, 2021

Certificate of Public Advantage ("COPA")

Quarterly Performance Report for Quarter 2 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 second quarter of fiscal year 2021 (“Quarter 2 FY2021” or “Second Quarter FY2021”), the period of December 1, 2020 to February 28, 2021.¹ 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 May 31, 2021 will be submitted by August 31, 2021.

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I. Abbreviation Key

Abbreviation	Full Name
ARMC	Abilene Regional Medical Center
CDM	Charge Description Master
CMS	Center for Medicare & Medicaid Services
COPA	Certificate of Public Advantage
HH	Hendrick Health
HMC	Hendrick Medical Center
HMC-S	Hendrick Medical Center South (formerly ARMC)
HHSC	Texas Health and Human Services Commission

II. Quarterly Performance Report - Quarter 2 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

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.

- 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 Updated ratings were not released by CMS during the reporting period covered by this Report. The Second Quarter FY2021 encompassed the time period of Hendrick Health’s Fiscal Year Second Quarter FY2021 (December 1, 2020 through February 28, 2021). The CMS Star Rating was updated April 28, 2021, after the time period included in the Second Quarter report. Updates to the CMS Star Rating will be reflected accordingly in the Quarter 3 FY2021 Performance Report. Hendrick Health will have combined CMS Star Ratings post-merger since Hendrick Health is considered one hospital by CMS and operates under the same national provider identification number and CMS Certification number (“CCN”).

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 latest Leapfrog grades were not released during the reporting period covered by this Report, as the Leapfrog spring update 2021 was after the Second Quarter report time (December 1, 2020 through February 28, 2021). As such, updates to the Leapfrog Hospital Safety Grades will be reflected accordingly in the Quarter 3 FY2021 Performance Report. The Leapfrog Safety Grades will eventually be consolidated for Hendrick Health. Data for Leapfrog is normally approximately one year old.

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>.

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. **Attachment 1** includes the 2019 Medicare Cost Report package for legacy ARMC. Hendrick Health is finalizing its 2019 Cost Report for HMC after completing internal audits and will provide the cost report once finalized. Hendrick Health will also provide 2020 cost reports once internal audits are completed. The information contained in **Attachment 1**, including patient admissions and outpatient volumes data on pages A-015 through A-016 for ARMC, is related to the 2019 Medicare Cost Reporting Year.
- Patient Satisfaction Ratings:** During Quarter 2 FY2021, both HMC and HMC-S maintained its rating of three (3) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey of patient satisfaction. On November 10, 2020, CMS announced that due to the COVID-19 public health emergency, it would not update the HCAHPS survey for the January or April 2021 public reports, and instead, the previously reported data would carry forward. As such, the Quarter 2 FY2021 ratings (see **Table 1c** below) were awarded during Quarter 1 FY2021 and carried forward for Quarter 2 FY2021. Updates to the patient satisfaction ratings will be reflected accordingly in future quarterly reports, once released by CMS.

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	Q2
HMC	3	3	3	4	3	3	3	3	4	3	5	3	3	3
ARMC (HMC-S)	3	3	3	3	3	3	3	3	3	3	2	3	3	3

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

- Inpatient Volumes⁶:** Overall, inpatient admissions for Hendrick Health decreased by 5.7% from Quarter 1 FY2021 to Quarter 2 FY2021. During Quarter 2, the Abilene region experienced a significant spike in COVID-19 cases, resulting in a reduction of overall inpatient volumes. As mentioned in previous reports, HMC and legacy ARMC (HMC-S) experienced significant declines in patient volumes in 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. **Table 2a** shows quarterly inpatient admissions for HMC and HMC-S, as well as Hendrick Health (includes both HMC and HMC-S). Volume numbers will be shown on a combined

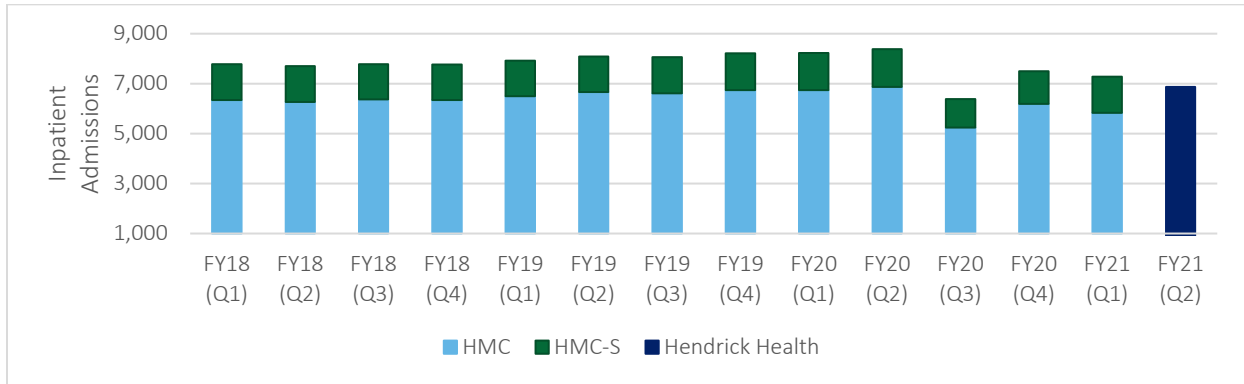
⁴ Source: Leapfrog Research Group: <https://ratings.leapfroggroup.org/>

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.

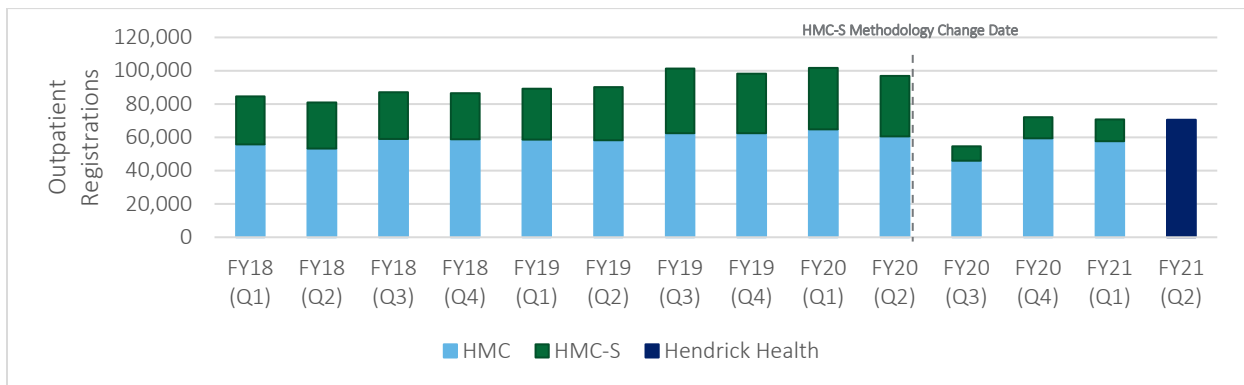
basis for Hendrick Health in future reports as both hospitals will be reported under a single National Provider Identifier (“NPI”).

Table 2a: Inpatient Admissions



- Outpatient Volumes⁷:** Overall, outpatient registrations for Hendrick Health remained relatively stable with a slight decrease of 0.3% from Quarter 1 FY2021 to Quarter 2 FY2021. Similar to inpatient volumes, HMC and HMC-S experienced significant declines in outpatient volume in 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. **Table 2b** below displays the quarterly outpatient volumes for HMC and HMC-S as well as Hendrick Health (includes both HMC and HMC-S). Volume numbers will be shown on a combined basis for Hendrick Health in future reports as both hospitals will be reported under a single NPI.

Table 2b: Outpatient Registrations⁸



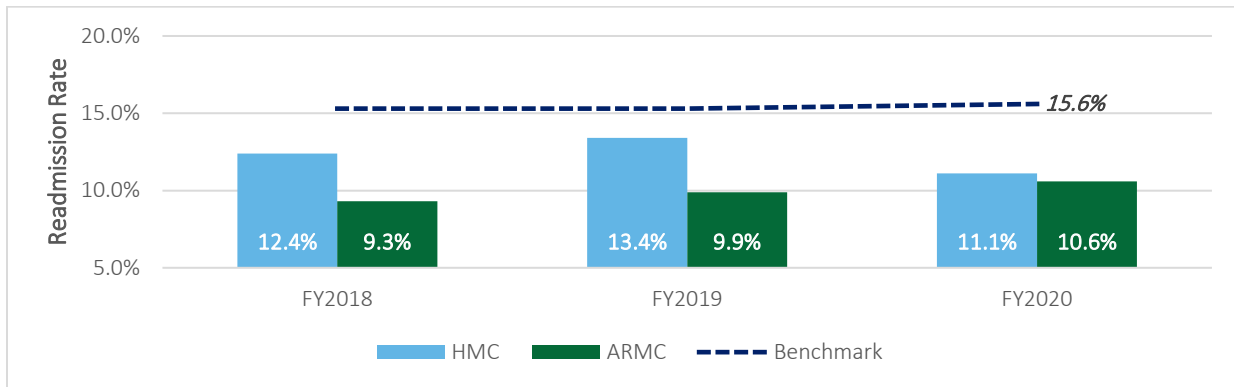
⁷ Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, HMC-S’s (legacy ARMC) fiscal year will be adjusted to reflect Hendrick Health’s fiscal year of September 1 – August 31. As such, HMC-S’s historical volume information has been adjusted 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 and the Quarter 1 FY2021 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 readmission data on an annual basis, in July or August. The most recently released readmission numbers were reported in **Table 3** under year 2020. 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.

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

- Protocols and treatments.** After the Transaction Closing Date, Hendrick Health started 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. For example, during Quarter 2 FY2021, Hendrick Health started streamlining treatment protocols and orders to improve Emergency Department wait times and OPED stay and treatment times. Hendrick Health has used increased patient volumes to study the most efficient transfer protocols (for example, determining whether to send an orthopedic transfer to HMC or HMC-S). Additional information will be reported in future submissions as post-Merger changes continue to occur and new information becomes available.

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.medicare.gov)).


- **Combined Quality of Care committees.** Hendrick Health believes its larger, post-merger combined medical staff has led to better planning and improvement in system-wide mechanisms for quality of care. In Quarter 2 FY2021, Hendrick Health utilized its combined medical staff to establish and execute various committees, described below, tasked with reviewing and improving quality of care procedures. The integration of these quality of care committees support quality of care initiatives across the system.
 - The Evidence-Based Medicine Committee began its review of current order sets and protocols, such as Acute Stroke Order Set and Pediatrics Order Set, at HMC and HMC-S. This Committee, which meets once a monthly, comprises physicians from both campuses, pharmacy staff, and Patient Safety staff. The Committee intends to use its findings to universalize order sets and protocols across the health system. Hendrick Health also established a monthly combined Patient Safety Committee, which meets to discuss risk management, patient safety, and medical equipment issues. [REDACTED]
 - The combined Performance Improvement Committee and Physician Review Committee began reviewing and addressing system-wide quality of care concerns, and addressing various system-wide quality of care concerns.
 - The combined Joint Quality Committee of the Board of Trustees discusses general quality issues and improvements across HMC and HMC-S. This Committee comprises Board of Trustee members, medical staff leaders, and other administrative staff.

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.]

- After the 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. During the Second Quarter FY2021, Hendrick Health implemented the following initiatives:
 - Addition of secure building access controls to HMC-S in order to ensure the safety of patients, visitors, and employees. [REDACTED]
 - [REDACTED]
 - Ongoing preparation and implementation of quality and safety of clinical care improvements, following completion of a full mock survey at the HMC-S campus and a follow-up survey completed in Quarter 2 FY2021. In response to the survey, Hendrick has instituted action plans, correction of findings, and other areas of improvement. **Attachment 2** contains findings from the survey, which was completed in November 2020 and revealed multiple processes needing improvement related to high-level disinfection (“HLD”). Hendrick Health formed teams to initiate actions on the findings.

- The following improvements related to HLD were initiated to improve safety, quality care of patients, and staff workflow, which increases and improves throughput as well:
 1. Trophons were implemented in all areas that perform transvaginal sonography.
 2. Process improvements were implemented in the Sterilization Processing Department, which improved sterilization processes immensely.
 3. The blue wrap system used for instruments was discontinued and replaced, improving workflow, infection control processes, and patient safety.
 4. The process of replacing the facility's thermometers with aeroscout central monitoring has begun. This improves the ability to monitor thermometers measuring temperatures in medication and food and nutrition refrigerators and other areas, which increases patient safety.
- Additionally, multiple documentation issues were found during the Mock Survey. Though actions were discussed, the majority of these were expected to be resolved with the conversion of HMC-S to Allscripts from the previous Electronic Medical Record.
- For some of the leadership roll-up items, leadership optimization has occurred throughout the system to improve the structure and accountability of processes. Employees have been given avenues to report safety events, process issues, equipment needs, and any other quality or safety issue or process they encounter. They are encouraged to speak up regarding any concerns they may have.
- The purchase and integration of an electronic tissue tracking system has greatly improved the workflow and safety of tissue in the facility.
- Facility Management has worked diligently to improve the status of the structure, including multiple initiatives that improve infection control processes (replacing ceiling tiles, wall penetrations, pipe integrity, etc.).
- Monthly emails to the Manager of Quality and Regulatory Performance about the integration and process changes.
- The Mock Survey at HMC-S brought to light that many of the Joint Commission action plans were already normal processes at HMC. Since the Mock Survey, Hendrick Health has duplicated these processes at HMC-S, too.
- The full implementation of the survey at HMC-S is pending, due to scheduling issues with the Joint Commission. No formal survey was conducted by Premier after the initial mock survey was conducted. Premier returned to HMC-S on February 26, 2021, but not for a formal survey. Rather, the February 26th meeting was a collaborative visit during which Premier reviewed previous findings and discussed the above-mentioned actions. The consultant was very impressed with the actions taken to correct survey findings. There was no written report.

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- Physician credentialing/reappointment process. Hendrick Health has streamlined and enhanced this process with the Ongoing Professional Practice Evaluation (OPPE)/Focused Professional Practice Evaluation (FPPE) process, a detailed evaluation of practitioners' professional performance. This has led to a better assessment of physician quality metrics and monitoring of care.
- Improvement of patient care through upgrading technology and replacing older equipment. For example, Hendrick Health identified and replaced older equipment at HMC-S, such as a Trophon®2 machine, a solution for high-level disinfection of ultrasound probes through an automated, closed system. Hendrick Health has also upgraded technology for picture archiving and communication (PACS) imaging at HMC-S, allowing for streamlining, alignment of care, and proper diagnosis of cardiac and radiology patients.
- Joint Commission Tracer Activities. Hendrick Health continued ongoing tracer activities within clinical departments to validate readiness for extension survey. Tracer activities are designed to "trace" the care experienced by a patient and/or observe staff work through specific systems and processes. These activities are conducted to improve integration efforts and ensure alignment of policies, procedures, staff training and preparedness across both HMC and HMC-S campuses.
- Continued development of the new, centralized patient transfer process, which has streamlined patient transfers and increased access to care. This program continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. Further details on this program can be found under **Item 12** of this Report and in the Quarter 1 FY2021 Performance Report.
- Standardization of certain protocols and treatment plans across the combined organization to implement evidence-based care, led by the Evidence-Based Medicine Committee. For example, Hendrick established an Infection Preventionist to ensure best practices and processes are followed, and best treatment is offered, for COVID-19 patients.
- "Daily Safety Huddles." Hendrick Health expanded daily safety updates from five days to seven days a week and across the system. Every morning, over 120 employees, including executive staff, department managers, nurse managers, and others dial-in to a conference line. Patient Safety Officers for HMC and HMC-S discuss any patient safety or medical equipment issues.

6. 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 Second Quarter FY2021 and as the post-Merger integration process continued, 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 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 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.¹¹ 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 management of the community spread of the COVID-19 virus led to strained staffing resources and, even as cases improve, concern about staff burnout. This has also exacerbated staff returning to pre-COVID quality initiatives. For example, compliance with sepsis bundle has been associated with reduced mortality in severe sepsis and septic shock patients. During Quarter 2 FY2021, Hendrick Health conducted a case study of sepsis patients to prompt a quicker call response and implement an order set to beat CMS’ recommended compliance rate.
- **February Winter Storm.** In February 2021, Hendrick Health responded to the immense challenges and disruptions caused by the Texas winter storms. In anticipation of temperatures dropping to freezing levels and below, Hendrick Health activated its Emergency Operations Center at HMC and HMC-S, and the Food Services department began prepping non-heated meals and disposable food wares. By Tuesday, February 16, 2021, after unsuccessful attempt to switch to diesel power, HMC lost heating in many parts of the hospital. Though most patient rooms ran on individual fan coil units, other parts of the hospital operated completely without heat. Because of icy roads and other poor traveling conditions, Hendrick Health encouraged employees whose roles did not directly impact patient care to stay at home. Hendrick Health physicians and staff reorganized response teams, which worked many hours throughout the week to ensure patient safety and continued facility operations. The Environmental Services team and Facility Management team worked to clean and transport water, remediate water damage, and repair sprinklers and burst pipes. Other teams organized to continue caring for patients at the hospital and around the community. Many Hendrick Health HouseCalls patients’ houses suffered from burst pipes or frozen pumps at their homes. For these patients, who

¹¹ 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>.

regularly receive in-home nursing care, specialized therapy, and other personal care, Hendrick Health staff made home water supply deliveries. The Hendrick Medical Supply team also worked to deliver and refill spare oxygen cylinders to patients who lost electricity in their homes. During this week, HMC also ran its campus without a full staff or full supplies, as vendors were unable to deliver supplies, food, water and pharmaceuticals during the week. HMC and HMC-S cancelled elective procedures, and both campuses went into trauma transfer diversion until running water was restored.

B. Efficiencies

7. Data regarding emergency department closures since the merger.

- Current Emergency Department Locations: During Quarter 2 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 7a** and **Table 7b** below.

Table 7a: 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 7b: 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.

8. 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.

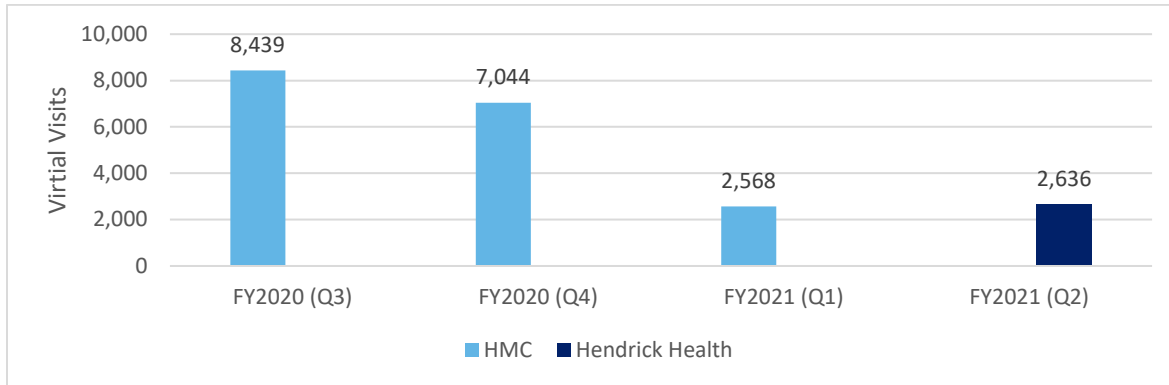
- Telehealth: During Quarter 2 FY2021, Hendrick Health (including HMC and HMC-S) provided telehealth services, including primary and other non-emergency care services, to 2,636 patients through its virtual care platforms. The number of telehealth patients increased slightly from Quarter 1 FY2021 (as shown in **Table 8**), but the number of patients treated via Telehealth remains below FY2020, which is the result of patients feeling increasingly more comfortable and demonstrative of patient preference to return to in-person care following a decline in COVID-19 cases. While reported outpatient volumes are related to Hospital services, reported telehealth data is related to physician telehealth visits in clinics only. Thus, telehealth enrollment data only applies to clinic services. Additionally, these numbers only represent reported visits from patients to those physicians that are employed by Hendrick Clinic (employed physicians only). For comparison, the volume of in-person physician clinic visits was 46,577 in Quarter 2 FY2021, and the following represents historical data on in-person physician clinic visits:

- FY2020 Q3: 37,244
- FY2020 Q4: 50,905
- FY2021 Q1: 47,971

Telehealth capabilities remain available and are utilized by patients choosing that method of care. 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.

Volume numbers will be shown on a combined basis as both hospitals will be reported under a single National Provider Identifier (“NPI”).

Table 8: Number of Patients Treated via Telehealth¹²



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

- IT Platform:** HMC and HMC-S (legacy ARMC) have continued their migrations of EMR and ERP systems. HMC and HMC-S currently operate on separate EMR and ERP systems. The system for the hospital services and the system for the physician clinical services are undergoing migrations. During Quarter 2 FY2021, Hendrick Health decided to separate the migrations for hospital services and physician clinical services in order to reduce the potential for clinical disruption and overall risk to the migration process. For hospital services, Hendrick Health is in the process of upgrading HMC, and migrating HMC-S to the Allscripts Sunrise EMR and Financials platform. HMC-S previously used the MedHost EMR platform. This migration will establish a “single inpatient medical record” system for Hendrick Health and provide greater connected care between facilities. For physician clinical services, Hendrick Health is preparing to convert the Hendrick Clinic (in the Hendrick Provider Network) and HMC to Athena, which is already in use at HMC-S.

10. A description of any reduction in workforce 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 Second 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 2 FY2021 was not due to staff reductions or layoffs. As noted in the Quarter 1 FY2021 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 of February 28, 2021, Hendrick Health employed 4,154 employees, as compared to 4,082 employees as of November 20, 2020 (end of Quarter 1 FY2021) (see **Table 10** below). Hendrick Health continues to hire additional local staff within the region, as needed to

¹² Hendrick Health does not have access to legacy ARMC historical (FY2020 – Quarter 1 FY2021) telehealth data.

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 Quarter 2 FY2021, Hendrick Health hired 300 new employees, including 11 new positions that were added to replace positions previously held by CHS corporate services. Additionally, to support staffing needs from the increased COVID-19 cases in Quarter 2 FY2021, Hendrick Health contracted 415 travel healthcare professionals.

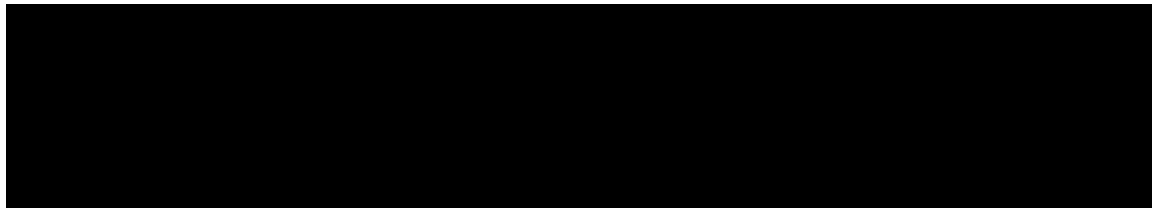
Table 10: Workforce as of Quarter 2 FY2021¹³

Location	Employees as of Transaction Closing Date ¹⁴	Employees as of Q1 FY2021	Employees as of Q2 FY2021
HMC	3,493	3,461	3,547
HMC-S	667	621	607
Total	4,160	4,082	4,154

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**. For 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. Hendrick Health does not expect to start seeing data outlining savings until at least one year post-merger.

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 better coordinate services, increase efficiencies, and optimize

¹³ Please note that employee headcount includes employed physicians and advanced practice clinicians.

¹⁴ 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.

patient care. As of the end of Quarter 2 FY2021, Hendrick Health began enhancing the coordination of services through the following:

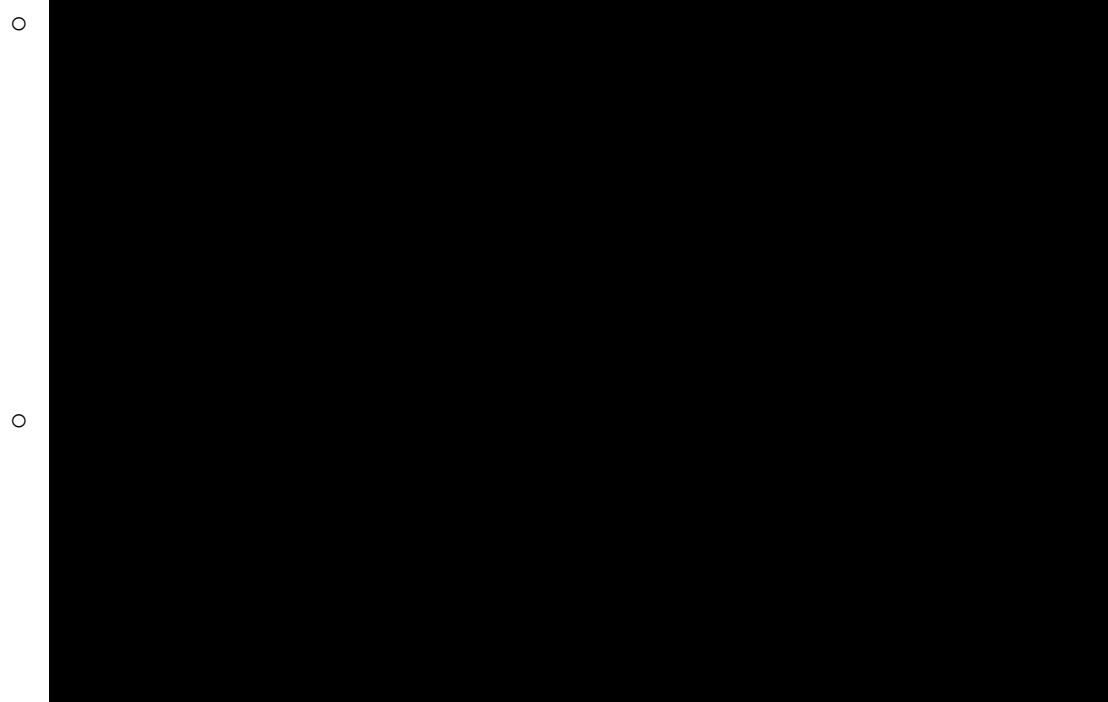
- **Joint Commission Tracer Activities¹⁵:** Hendrick Health continued ongoing tracer activities within clinical departments to ensure readiness for the Joint Commission extension survey¹⁶. Tracer activities are designed to “trace” the care experienced by a patient and/or observe staff work through specific systems and processes. These activities are conducted to improve integration efforts and ensure alignment of policies, procedures, staff training and preparedness across both HMC and HMC-S campuses.
- **Creation of Clinical Councils:** Hendrick Health established clinical council groups comprising executive staff, directors, and frontline managers from both HMC and HMC-S campuses for the majority of clinical service lines (e.g., Lab Council, Rehab Council, Radiology Council, and Nursing Council.). Council groups meet monthly and focus discussions on identifying efficiencies, aligning policies and procedures, and streamlining the integration process.
- **Combined Emergency Management Services:** [REDACTED]
[REDACTED]
[REDACTED] As a result, both campuses now follow a single coordinated approach for incident response and response planning. This coordinated approach allowed both campuses to work in tandem during the severe weather event in February, allowing for coordinated communication in the community and streamlined patient transfers based on availability and need.
- **Centralized Patient Safety Committee:** Hendrick Health extended their safety practices to HMC-S through a combined Patient Safety Committee. The committee, which comprises representatives from both HMC and HMC-S, meets monthly to analyze trends in patient safety events and establish findings for the system. The Committee has renewed participation in Hendrick Health’s overall safety program. In addition, Hendrick Health has extended their daily Patient Safety Huddle to HMC-S. The committee meets daily with over 120 participants, ranging from executives to clinical staff, to discuss real-time patient safety events and best practices.
- **Combined Joint Quality Committee of the Board of Trustees (BOT):** Hendrick Health combined the Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. The creation of a single governing body will foster better coordination of services through the alignment of culture, protocols, and oversight of quality objectives.
- **Unified Medical Executive Committee (MEC):** Hendrick Health established a unified Medical Executive Committees across the system. The creation of a single governing

¹⁵ According to the Joint Commission, the Tracer Methodology is a key part of the Joint Commission’s on-site survey process and uses information from an organization to follow the experience of care, treatment or services for a number of patients through the organization’s entire health care delivery process.

¹⁶ According to the Joint Commissions, an extension survey is a survey of limited scope conducted to assure that a previously demonstrated level of compliance is being maintained under changed circumstances.

body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff. Hendrick Health also created a Medical Advisory Committee (MAC) at HMC-S. The MAC is a subgroup of the MEC. Two members of the MAC serve on the MEC.

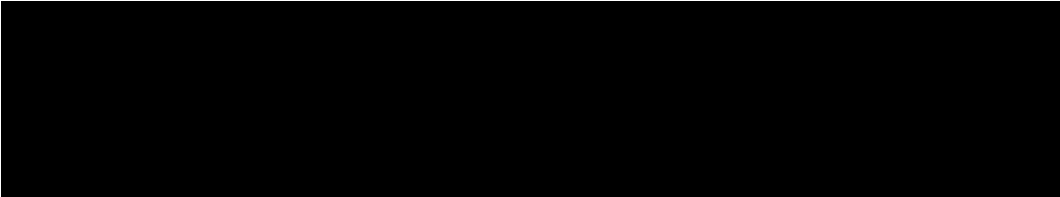
- **Cardiology Governance Committee:** The Hendrick Health Cardiology Governance Committee has expanded to include HMC-S cardiologists and leadership. This Committee creates and implements a shared strategic vision for the service line (including quality, efficiencies, and growth/access) and invites broad physician engagement, collaboration, and ownership for cardiology services.



- **Expanded Dialysis services:** Hendrick Health is in the process of recruiting, hiring, and training employees in preparation to bring all Dialysis services in-house for both HMC and HMC-S. This investment will help enhance the level and reliability of dialysis services available at both campuses and will eliminate the reliance on more expensive third-party providers.
- **Coordination of additional clinical staffing at HMC-S:** Through the affiliation with Hendrick Health, HMC-S now has access to increased Texas STAR¹⁷ nurses, and other traveling providers which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system. For example, during the Second Quarter FY2021, Hendrick Health contracted with 415 travel healthcare professionals. HMC and HMC-S engaged in significant coordination to ensure traveling nurses and providers were evenly staffed between both campuses. Hendrick Health anticipates



¹⁷ STAR is a Texas Medicaid managed care program.

additional opportunities to enhance clinical staffing at HMC-S in order to optimize patient services.

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- **Clinical labor float pool:** Hendrick Health has continued to develop a pool of shared clinical employees across HMC and HMC-S, i.e., a float pool, to address the staffing needs of each campus. The float pool will ensure the resources are available across both campuses. As part of this initiative, Hendrick Health plans to hire additional clinical staff, primarily in physical therapy and respiratory therapy.
- **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.
- 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 care. The following are examples of how Hendrick Health began reinvesting in the combined healthcare system during Quarter 2 FY2021:
 - **Increased inpatient capacity for COVID-19 patients at HMC-S:** Hendrick Health has invested in negative air exchangers and exhaust equipment to better manage COVID patients in the ICU at HMC-S. This investment increased COVID patient capacity in the ICU from 6 to 18 patients, and opened an additional 12 progressive care rooms, which were previously unusable.
 - **COVID-19 clinics and vaccine distribution:** In coordination with the local community, state and local representatives and authorities, Hendrick Health organized clinics at both HMC and HMC-S campuses, and at schools within the community, to support COVID vaccine distribution. Many Hendrick Health pharmacy and nursing staff volunteered to administer 14,205 doses.
 - **Added security and access controls at HMC-S:** 
 In addition to the security investments described in the Quarter 1 FY2021 Performance Report, Hendrick Health invested an additional \$0.2M

in security systems (e.g., purchasing badge readers and securing building access controls) at HMC-S to ensure the safety of patients, visitors, and employees.

- **Capital expenditures:** In Quarter 2 FY2021, Hendrick Health spent \$9.7M in capital expenditures across both HMC and HMC-S. [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 2 FY2021, Hendrick Health developed a process (as discussed in **Item 43**) 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. In Quarter 2 FY2021, Hendrick Health identified several potential opportunities or initiatives that are likely to generate efficiencies and reduce unnecessary costs, as summarized below. 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. Hendrick Health does not expect to start seeing data outlining savings until at least one year post-merger.

Annual, Recurring Operating Savings

- **Clinical Optimization**

- [REDACTED]

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

- [REDACTED]

- [REDACTED]



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. 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.

17. 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 Hendrick Health’s ancillary health services are set forth in the HMC Charge Description Master (“CDM”). Hendrick Health 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 Hendrick Health’s patients are insured by commercial payors. The majority of Hendrick Health’s patients are insured by government payors which set the reimbursement rates for those

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

patients without negotiations. **Table 17a** below identifies Quarter 2 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. Please note that legacy ARMC (or HMC-S) data is not included in the table below for FY2020 or for the first two months of Quarter 1 FY2021 as legacy ARMC data was not available to Hendrick Health pre-Merger. Now, in Quarter 2 FY2021, the ancillary health services data include both HMC and HMC-S combined.

Table 17a: HMC Ancillary Health Services

Ancillary Service	Volume			Gross CDM Charges		
	FY2020 ¹⁹	Q1 FY2021 ²⁰	Q2 FY2021	FY2020	Q1 FY2021	Q2 FY2021
Laboratory Services²¹						
<i>Routine Venipuncture</i>	277,465	71,721	82,199		\$19.54	\$19.54
<i>Blood Glucose Monitor</i>	176,460	53,369	71,606		\$32.70	\$32.70
<i>CBC With Diff</i>	144,129	37,576	43,715		\$173.65	\$173.65
<i>Comp. Metabolic Panel</i>	106,789	29,060	35,295		\$491.19	\$491.19
<i>Basic Metabolic Panel</i>	38,365	9,322	10,666		\$360.70	\$360.70
Imaging Services						
<i>SCR Mammography</i>	11,064	3,138	3,649		\$499.71	\$499.71
<i>Breast Tomo Screening</i>	10,503	3,026	3,601		\$109.66	\$109.66
<i>Vascular Ultrasound</i>	2,958	869	881		\$6,723.27	\$6,723.27
<i>Renal Ultrasound</i>	2,370	567	654		\$1,149.48	\$1,149.48
<i>Gallbladder Ultrasound</i>	2,287	473	491		\$1,159.20	\$1,159.20
Pharmacy						
<i>Sodium Chloride 0.9%</i>	507,539	127,525	134,331		\$1.43	\$1.43
<i>Insulin Injection (1 Unit)</i>	448,408	145,870	210,552		\$3.51	\$3.51
<i>Iodine Contrast (LOCM)</i>	401,327	159,108	216,805		\$4.44	\$4.44
<i>Iodine Contrast (Visipaque)</i>	280,579	69,301	70,546		\$2.24	\$2.24
<i>Insulin Injection (5 Units)</i>	110,294	44,387	60,211		\$5.29	\$5.29
Respiratory Therapy						
<i>SVN-MDI Airway Treatment</i>	74,606	27,075	46,666		\$699.43	\$699.43
<i>Arterial Puncture</i>	6,653	1,939	2,621		\$423.53	\$423.53
<i>Full Body Chamber (30 min)</i>	5,785	1,606	2,134		\$640.07	\$640.07
<i>Ventilation Assist²²</i>	4,552	1,621	3,304		\$5,878.87	\$5,878.87
<i>CPAP</i>	4,254	1,582	2,808		\$2,467.57	\$2,467.57

- **Ancillary Health Services Quality:** **Table 17b** and **Table 17c** 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 in 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, shown in **Table 17b** and **Table 17c** respectively,

¹⁹ Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

²⁰ Volume amounts include three months of data for HMC and one month of data (November) for HMC-S as volume data from legacy ARMC was not available to Hendrick Health pre-Merger.

²¹ 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.

²² Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% between FY2019 and FY2020.

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.

Table 17b: HMC Ancillary Health Services Quality Scores²³

Experience	Baseline Period												Post-Merger Period	
	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Use of Medical Imaging ²⁴														
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%	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%	6.9%
Medication Safety														
Safe Medication Ordering ²⁵	Not Available		Not Available		Not Available		Not Available		Not Available		100		Not Applicable (figure to be released in Q3)	

Table 17c: Legacy ARMC Ancillary Health Services Quality Scores²⁶

Experience	Baseline Period												Post-Merger Period	
	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Use of Medical Imaging ²⁷														
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%	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%	5.4%
Medication Safety														
Safe Medication Ordering ²⁸	Not Available		Not Available		Not Available		Not Available		Not Available		45		Not Applicable (figure to be released in Q3)	

²³ Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.medicare.gov) and [Leapfrog Group](https://www.leapfroggroup.org)).

²⁴ 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.”

²⁵ 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.

²⁶ See *supra* note 23.

²⁷ See *supra* note 24 for more information.

²⁸ 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.

18. 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 18** below identifies Quarter 2 FY2021 volumes and the average CPT charges for select CPT codes for hospital-based emergency department physician services. Please note that legacy ARMC (HMC-S) data is not included in the pre-Merger period (FY2020 through the first two months of Quarter 1 FY2021) in **Table 18** as pre-Merger data for legacy ARMC was not available to Hendrick Health. Beginning with this Second Quarter FY2021 (the first full quarter post-Merger) and going forward, the physician services data in **Table 18** includes both HMC and HMC-S combined.

Table 18: HMC Physician Services

CPT	Description	Volume			Average CPT Charge		
		FY2020 ²⁹	Q1 FY2021 ³⁰	Q2 FY2021	FY2020	Q1 FY2021 ³¹	Q2 FY2021
99281	ED Visit and Evaluation – Level 1	2,430	617	631	\$428	\$480	\$480
99282	ED Visit and Evaluation – Level 2	7,614	2,018	1,531	\$807	\$901	\$901
99283	ED Visit and Evaluation – Level 3	22,120	4,690	4,872	\$1,185	\$1,327	\$1,327
99284	ED Visit and Evaluation – Level 4	17,905	5,077	6,081	\$2,391	\$2,667	\$2,667
99285	ED Visit and Evaluation – Level 5	11,406	5,706	6,382	\$5,210	\$5,836	\$5,836

- 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%).³² 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.

²⁹ Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

³⁰ Volume amounts include three months of data for HMC and one month of data (November 2020) for HMC-S, as volume data from legacy ARMC was not available to Hendrick Health pre-Merger.

³¹ Q1 FY2021 contained a few visits that were charged a Level 5 add-on of \$233. This add-on erroneously rounded down the charge amount to \$5,834, as reflected in the Q1 FY2021 Performance Report. Both Q1 and Q2 FY2021 pricing for Level 5 was \$5,836; this Report has been corrected to reflect this amount, which will also be correctly stated in future reports.

³² Centers for Medicare Services, Quality Payment Program (<https://qpp.cms.gov/mips/overview>).

19. 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 2 FY2021, Hendrick Health has not consolidated any clinic services. Hendrick Health continues to evaluate opportunities for service line optimization or consolidation and will note any changes in subsequent reports. Services offered as of Quarter 2 FY2021 by Hendrick Health are outlined in **Attachment 3**.

20. Data illustrating the organizations’ payment models.

- Hendrick Health currently participates in the payment models listed in **Table 20** below, which have remained unchanged from the Baseline Performance Report.

Table 20: Hendrick Health Payment Models as of Quarter 2 FY2021³³

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

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

- As of Quarter 2 FY2021, no new payment models have been established since the Merger.

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

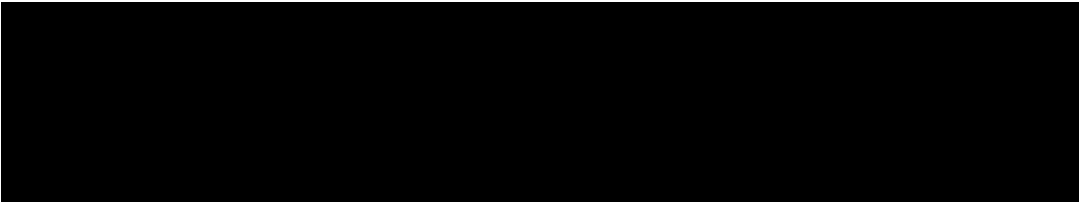
- *Challenges Related to Ability to Realize Efficiencies:* During Quarter 2 FY2021 and as the post-Merger integration process continued, Hendrick Health identified multiple challenges impacting its ability to integrate and begin the work of realizing efficiency objectives. The Texas winter storms Hendrick experienced have presented additional, unique challenges to integration, impacting the timing and ability to achieve immediate efficiencies. Also, Hendrick Health’s continued 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 Health’s ability to focus on certain efficiencies may be limited.

³³ Excludes workers compensation payment models.

C. Accessibility

23. 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.

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

- 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 Second 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 hired a dedicated patient relations representative for HMC-S to streamline communication with patients, provide advocacy and efficiently handle complaints/grievances. Additionally, a centralized Hendrick Health team implemented a community-wide COVID-19 vaccine distribution strategy, administering 14,205 doses to community members. Hendrick’s improved patient transfer process allowed for over 600 inbound transfers during Quarter 2 FY2021 from surrounding cities. Additionally, in Quarter 2 FY2021, Hendrick Health continued to construct and plan operations for the new Urgent Care clinics, which are scheduled to open in Spring 2021. These clinics will create additional access points where patients can receive medical care.
 - Coordination of Patient Care: Hendrick Health expanded patient navigation services, particularly for patients that are high-utilizers of the emergency department, to HMC-S. Hendrick Health aligned emergency management services at HMC-S with those at HMC, aligning incident command planning, consolidation of policies and procedures, and implementation of one, shared emergency operations manual to handle emergency services consistently between HMC and HMC-S.
 - 
- Hendrick Health completed the year-long study for the CHNA, and the resulting 2019 CHNA report, before the unprecedented COVID-19 pandemic and Merger. Hendrick Health has not yet, but

intends to, conduct a CHNA refresh in FY2021 to identify the evolving health needs in the community.

24. 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.

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

- Post-Merger during the Second Quarter FY2021, Hendrick Health did not discontinue any patient services. Hendrick Health expanded patient services in the following ways:
 - Increased inpatient capacity of COVID-19 patients;
 - Addition of Pastoral Care Services at HMC-S;³⁴
 - Addition of Palliative Care Services at HMC-S;
 - Expansion of Clinical Pharmacy Services at HMC-S;
 - Extension of Electrophysiology Lab to HMC-S;
 - Addition of COVID-19 Clinics to HMC and HMC-S; and
 - Continuation of a centralized Patient Transfer Center allowing for the acceptance of more patient transfers to Hendrick Health.³⁵

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 Second Quarter FY2021 (as reported by CMS in January 2021) 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 2 FY2021 because its ED patient volume is estimated to be over 60,000 annually. During Quarter 2 FY2021, HMC’s ED wait times remained below the national median time for “Very High” volume hospitals. During Quarter 2 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 five (5) minutes above the national median for “Medium” volume hospitals during Quarter 2 FY2021, and its average wait times remained stable 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.

³⁴ Because the Merger occurred in late October 2020, the First Quarter FY2021 period covered only a few days in late October 2020 and the month of November 2020. During this period of time, Hendrick Health had very limited chaplain services. During the Second Quarter FY2021, Hendrick Health had a full-time chaplain hired and in place at HMC-S.

³⁵ [REDACTED] Post-Merger, in the Second Quarter FY2021, Hendrick Health was able to transfer patients to HMC, which offers full urologic services.

Table 25a: HMC Average ED Wait Times

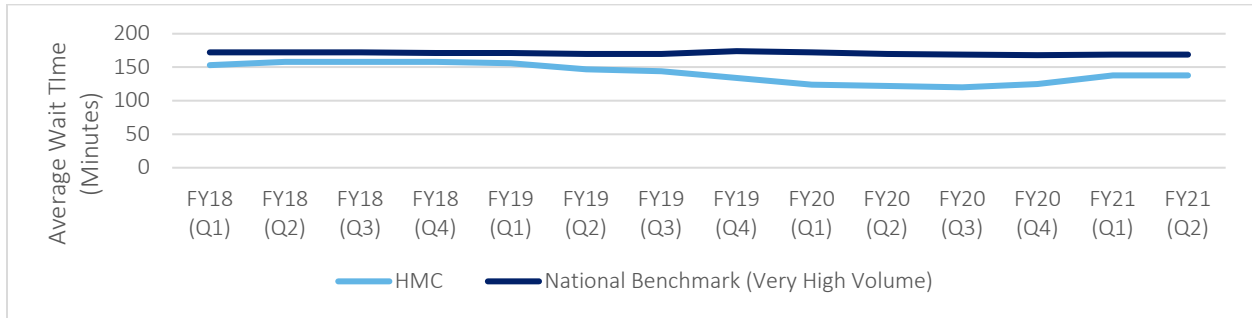
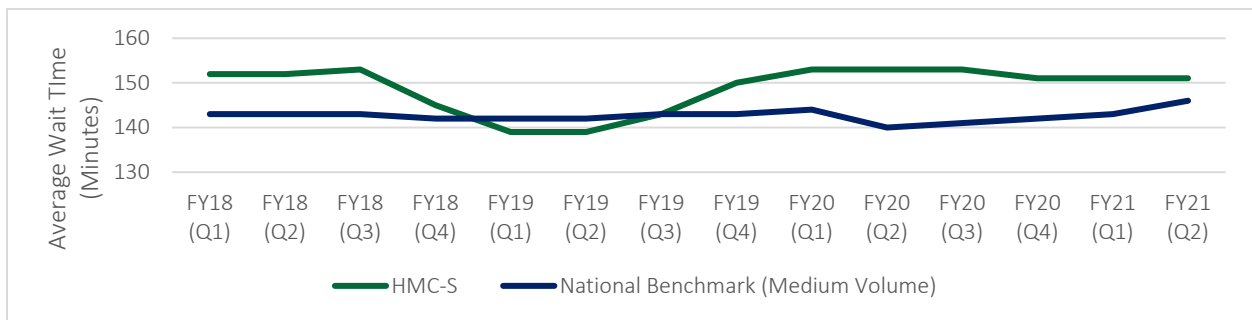


Table 25b: HMC-S Average ED Wait Times



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 Second 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 for COVID-19 patients at HMC-S:** In order to support the increasing demands for intensive and progressive care during the COVID-19 pandemic, Hendrick Health invested in additional ventilation equipment in order to increase capacity of negative pressure rooms within the Telemetry Unit. Hendrick Health has invested in negative air exchangers and exhaust equipment to better manage COVID patients in the ICU. This investment increased capacity by an additional 24 beds for COVID patients in negative pressure rooms. In addition, by shifting patients from the ICU to the Telemetry Unit, much-needed ICU beds became available for patients with severe conditions.
 - **Addition of Patient Relations Services at HMC-S:** [REDACTED] To ensure consistency of communication with patients, enhance patient advocacy, and handle complaints/grievances in a streamlined and efficient manner, Hendrick Health hired a dedicated patient relations representative for HMC-S.
 - **Addition of Pastoral Care Services at HMC-S:** [REDACTED] To expand these services, Hendrick Health provided a dedicated [REDACTED]

chaplain at HMC-S. In Quarter 2 FY2021, the chaplain conducted over 600 Pastoral Care visits, including to both patients and employees, at HMC-S.

- **Patient transfers to Hendrick Health:** Through the creation of a centralized Patient Transfer Center, Hendrick Health now has the ability to accept more patient transfers to both HMC and HMC-S than was possible prior to the Merger.

Additional detail related to the expansion of clinical services is described 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 Second Quarter FY2021, Hendrick Health invested approximately \$7.2 million in capital and infrastructure expenditures at HMC and \$2.5 million at HMC-S (legacy ARMC). [REDACTED]
[REDACTED]
[REDACTED] See **Table 27a** for a summary of capital, infrastructure, and operating expenditures for the Second Quarter FY2021. Detailed breakouts of the \$7.2 million in capital and infrastructure expenditures at HMC and \$2.5 million at HMC-S for the Second Quarter FY2021 are shown in **Table 27b** and **Table 27c**, respectively.

Table 27a: Capital, Infrastructure and Operating Expenditures

	FY2018	FY2019	FY2020	Q1 FY2021	Q2 FY2021
HMC					
Capital Expenditures	\$25,875,503	\$36,417,921	\$36,952,809	\$4,961,846	\$7,214,156
Infrastructure Expenditures ³⁶	\$3,724,662	\$6,094,904	\$3,527,362	\$1,365,537	\$493,599
Operating Expenditures	\$427,184,003	\$464,643,877	\$508,700,000 ³⁷	\$105,353,971	\$110,913,879
HMC-S					
Capital Expenditures	[REDACTED]	[REDACTED]	[REDACTED]	\$1,078,494	\$2,502,093
Infrastructure Expenditures ³⁸	[REDACTED]	[REDACTED]	[REDACTED]	\$620,736	\$279,853
Operating Expenditures ³⁹	[REDACTED]	[REDACTED]	[REDACTED]	\$23,987,433	\$25,463,641

³⁶ HMC "Infrastructure Expenditures" are included within HMC "Capital Expenditures" line in **Table 27a**.

³⁷ 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>.

³⁸ [REDACTED]

³⁹ [REDACTED]

⁴⁰ 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.

Table 27b: Q2 FY2021 Capital Expenditure Breakout at HMC

HMC	Q2 FY2021
[REDACTED]	
Total Capital Expenditures	\$ 7.2M

Table 27c: Q2 FY2021 Capital Expenditure Breakout at HMC-S

HMC-S	Q2 FY2021
[REDACTED]	
Total Capital Expenditures	\$ 2.5M

28. Evidence of any expansion of clinical services.

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

- 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 2 FY2021, Hendrick has identified the following potential opportunities:
 - **Palliative Care Services at HMC-S:** The merger allowed for the expansion of palliative care and social work services to HMC-S. [REDACTED]

- **Expansion of Clinical Pharmacy Services at HMC-S.** Hendrick Health began the process of enhancing clinical pharmacy services offered at HMC-S. These new services increase the internal competency and provide a streamlined process for physician support.

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

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

29. 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.

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

- During the Second Quarter FY2021, Hendrick Health enrolled 2,938 patients in charity care and financial assistance programs. Post-Merger, Hendrick Health’s Charity Care Policy now applies to HMC-S. 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 (Hendrick Health will update with each COPA submission). 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.

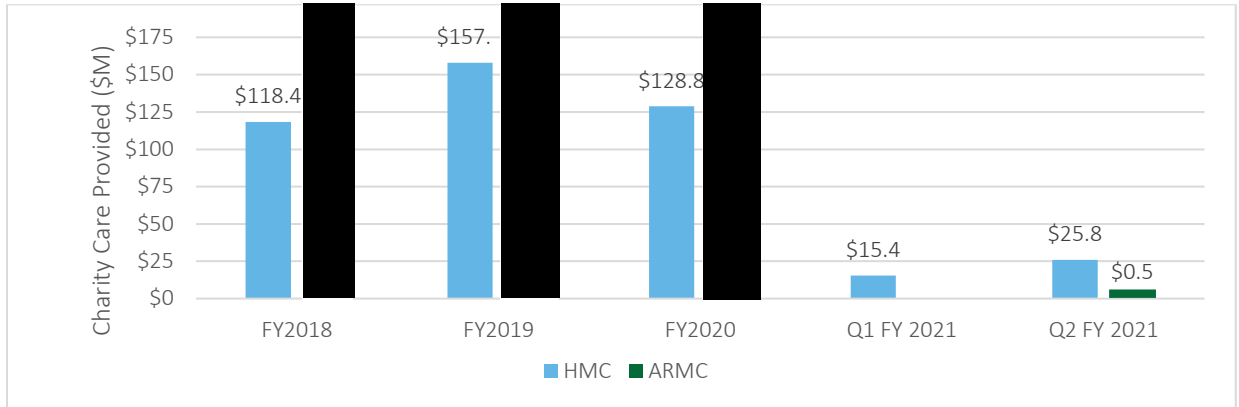
31. Data and financial reports for charity care services provided by each hospital.

[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 2 FY2021 is shown below in **Table 31**. Combined HMC and HMC-S incurred \$26.3 million in charity care during Quarter 2 FY2021. Excerpts of HMC’s 990s for FY2018 and FY2019 were provided as an attachment in the Quarter 1 FY2021 Performance Report 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 2 FY2021 was greater than Quarter 1 FY2021, but still remains 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.

Table 31: Charity Care⁴¹



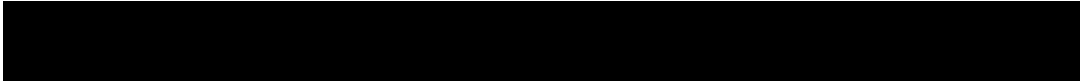
32. Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.

[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 2 FY2021, Hendrick Health has implemented the following initiatives that will increase clinical integration between the facilities and providers:
 - [REDACTED]
 - **Clinical labor float pool:** Hendrick Health continued developing a shared labor float pool to improve flexibility for employees, better address staffing needs of each campus, and improve continuity of care provided between campuses.
 - [REDACTED]
 - **Joint Commission Tracer Activities⁴²:** The tracer activities performed by Hendrick Health allowed for increased post-Merger clinical integration between HMC and HMC-S. These activities are conducted to prove integration efforts and ensure alignment of policies, procedures, staff training and preparedness between both HMC and HMC-S campuses. A

⁴¹ For legacy ARMC, Hendrick Health does not have access to the pre-Merger charity care data for September and October 2020.
⁴² According to the Joint Commission, the Tracer Methodology is a key part of the Joint Commission’s on-site survey process and uses information from an organization to follow the experience of care, treatment or services for a number of patients through the organization’s entire health care delivery process.

“Mock Joint Commission Survey” was administered by outside consultants in November 2020 to determine alignment and identify deficiencies. Then, in February, the outside consultants returned for tracer activities, focusing on deficiencies identified in the report from the Mock Joint Commission Survey.

- **Creation of Clinical Councils:** The clinical councils, which are composed of members across both HMC and HMC-S, have increased clinical integration across major clinical service lines at Hendrick Health. In addition to focusing on standardizing and enhancing quality across the combined organization, the efforts of these clinical councils will lead to increased efficiencies and cost savings.
- **Emergency management services at HMC-S:** Hendrick Health aligned emergency management services at HMC-S with those at HMC. Now, both campuses have a single coordinated approach to incident response, response planning, and shared emergency operations.
- **Combined Patient Safety Practices:** Hendrick Health extended their safety practices to HMC-S by creating a Combined Patient Safety Committee and a daily Patient Safety Huddle. These groups, including representatives from both HMC and HMC-S, meet regularly to discuss a coordinated and standardized approach to patient safety, leading to increased clinical integration and patient safety improvements across the combined system. See **Item 12** of this report for additional detail.
- 
- **Combined Joint Quality Committee of the Board of Trustees:** Hendrick Health created a combined Joint Quality Committee of the Board of Trustees, which combined HMC and HMC-S personnel for participation on the committee.
- **Unified Medical Executive Committee:** Hendrick Health established a unified Medical Executive Committee across the system and also created a Medical Advisory Committee at HMC-S. The MAC at HMC-S is now a sub-group of the Medical Executive Committee.

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 four-months of post-Merger information, sufficient data is not yet available to comment on the longer-term impact to medical errors, but this data will be provided when available.

33. 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.

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

- There were no reductions in services in Quarter 2 FY2021. Rather, as a result of the Merger, during Quarter 2 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 has established 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. In Quarter 2 FY2021, Hendrick accepted [REDACTED] in-bound transfer patients.
- 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. A centralized Hendrick Health team implemented a comprehensive vaccine roll-out plan, concentrating on expanding access to doses the local and wider rural community. Hendrick Health's nursing, pharmacy, and other medical staff set up and distributed vaccines in clinics across the two campuses and at local schools (including setting up one clinic in a low-income area). In addition, Hendrick Health also established COVID infusion services at HMC to serve patients more efficiently. Without the combined entity, HMC-S would have been forced to duplicate several efforts, such as negotiating against HMC for the supply of vaccines from the state, setting up a duplicate clinic at HMC-S for infusion services, and establishing duplicate procedures for providing vaccines for the larger rural area. In Quarter 2 FY2021, through the combined entity, Hendrick Health distributed the following number of COVID vaccine doses, tests, and HPS infusions:
 - COVID Vaccine Doses Distributed: 14,205
 - COVID Tests: 7,550
 - HPS Infusion: 199
- Hendrick Health expanded palliative care services at HMC-S. These services will assist patients with chronic conditions, along with their families and physicians, in managing their conditions, transitions to other levels of care (such as Hospice), and end-of-life discussions.
- Hendrick Health created and instituted a dedicated patient relations representative at the HMC-S campus. This role will ensure consistency of communication with patients, provide advocacy, and handle patient complaints or grievances in a more streamlined, efficient manner.

34. 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.

- Table 38 of the Baseline Performance Report shows a list of the health plans each hospital contracted with during fiscal year 2019. **Table 34** of this Report lists the health plans Hendrick Health contracted with as of the Second Quarter FY2021, which have remained unchanged from the previous report (the Quarter 1 FY2021 Performance Report).

Table 34: Health Plans Accepted by Hendrick Health as of Quarter 2 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)

35. 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 35** 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 2 FY2021, service levels at HMC have been maintained post-Merger. 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 an on-site 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). Pending re-survey, HMC-S may maintain its Level 4 designation and receive reimbursement. Additionally, Hendrick Health intends to pursue Level 1 MFM status for HMC-S, whereas legacy ARMC did not have an MFM designation prior to the Merger. Hendrick Health previously planned to pursue a level 2 MFM designation for HMC-S, as described in the Quarter 1 FY2021 Performance Report, but now plans to pursue a Level 1 MFM designation in Quarter 2 FY2021 and will pursue Level 2 designation at a later date. Hendrick Health notes this was a new designation to tackle. Pursuing higher designations requires on-site state surveys, which typically take a few months to schedule and complete. Hendrick Health is still searching for a nurse leader in that area. It was determined that Hendrick Health needed to learn the designation from the ground up and get the Level 1 accomplishment first to better utilize the resources Hendrick Health had. Hendrick Health does not currently have a known timeline for pursuing Level 2. This change has been updated in the table below.

Table 35: Pre- and Post-Merger Key Service Levels

Location	Pre-Merger Service Level (FY2020)			Q1 FY2021 Service Level			Q2 FY2021 Service Level		
	ED	NICU	MFM	ED	NICU	MFM	ED	NICU	MFM
HMC	3	3	3	3	3	3	3	3	3
HMC-S	4	2	N/A	4 (pursuing)	1	N/A	4 (pursuing)	1	1 (pursuing)

36. An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve accessibility.

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

- 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 2 FY2021:
 - **COVID-19 pandemic.** 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.
 - **February Winter Storm.** In February 2021, Hendrick Health responded to the immense challenges and disruptions caused by the Texas winter storms. [REDACTED]

D. Competition

37. 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
9. Covenant Health System
10. United Regional HealthCare System
11. Cook Children’s Health Care System

Hendrick Health competes with inpatient acute facilities within the primary and secondary service area, including without limitation:

1. AdventHealth Rollins Brook Community Hospital; 608 N Key Ave., Lampasas, TX 76550; Lampasas County
2. Anson General Hospital; 101 Ave. J, Anson, TX 79501; Jones County
3. Ballinger Memorial Hospital; District 608 Ave. B, Ballinger, TX 76821; Runnels County
4. Cogdell Memorial Hospital; 1700 Cogdell, Blvd., Snyder, TX 79549; Scurry County
5. Coleman County Medical Center; 310 S Pecos St., Coleman, TX 76834; Coleman County
6. Comanche County Medical Center; 10201 TX-16, Comanche, TX 76442; Comanche County
7. Eastland Memorial Hospital; 304 S Daugherty Ave., Eastland, TX 76448; Eastland County
8. Encompass Health Rehabilitation Hospital of Abilene; 6401 Directors Pkwy., Abilene, TX 79606; Taylor County
9. Fisher County Hospital District; 774 TX-70, Rotan, TX 79546; Fisher County
10. Hamilton General Hospital; 400 N Brown Ave., Hamilton, TX 76531; Hamilton County
11. Haskell Memorial Hospital; 1 Avenue N, Haskell, TX 79521; Haskell County

12. Heart of Texas Healthcare System; 2008 Nine Rd., Brady, TX 76825; McCulloch County
13. Knox County Hospital District; 701 S E 5th St., Knox City, TX 79529; Knox County
14. Mitchell County Hospital; 997 W I-20, Colorado City, TX 79512; Mitchell County
15. North Runnels Hospital 7821 TX-153, Winters, TX 79567; Runnels County
16. Rolling Plains Memorial Hospital; 200 E Arizona Ave., Sweetwater, TX 79556; Nolan 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

- Fresenius Kidney Care – Abilene South; 2009 Hospital Pl., Abilene, TX 79606
- Fresenius Kidney Care – Abilene Lone Star; 349 S Danville Dr., Abilene, TX 79605
- Fresenius Kidney 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
- NextCare/Dr. J’s Urgent Care: Catclaw; 3802 Catclaw Dr., Abilene, TX 79606
- NextCare/Dr. J’s Urgent Care: Highway 351; 1634 TX-351, Abilene, TX 79601
- 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 Kidney Care – Brownwood Renal Care Center; 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

- Hamilton 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 Kidney 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

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

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. Abilene Home Health Professional Care Inc.; 265 S Leggett Dr., Suite 1 Abilene, TX 79605
2. Angels Care Home Health of San Angelo; 1961 Industrial Blvd., Abilene, TX 79602
3. Angels of Care Pediatric Home Health; 2585 S Danville Dr., Abilene, TX 79605
4. Beyond Faith Homecare & Rehab LLC; 1290 S Willis St., Suite 100, Abilene, TX 79605
5. Big Country Healthcare Services; 749 Gateway St., Suite 702, Abilene, TX 79602
6. Caprock Home Health Services Inc.; 749 Gateway St., Suite 101, Abilene, TX 79602
7. Educare Community Living Corporation; 749 Gateway St., Suite B-202, Abilene, TX 79602
8. Elara Caring; 749 Gateway St., Suite E-502A, Abilene, TX 79602
9. Encompass Health Home Health; 1 Village Dr., Suite 200, Abilene, TX 79606
10. Generations Home Health; 1290 S Willis St., Suite 209, Abilene, TX 79605
11. Home Instead Senior Care; 441 Lone Star Dr., Abilene, TX 79602
12. Kinder Hearts Home Health; 842 N Mockingbird Ln., Abilene, TX 79603
13. Kindred At Home; 100 Chestnut St., Abilene, TX 79602
14. Kindred At Home; 4400 Buffalo Gap Rd., Suite 2400, Abilene, TX 79606
15. Lifecare Home Care; 1290 S Willis St., Suite 107, Abilene, TX 79605
16. Outreach Home Care; 409 N Willis St., Abilene, TX 79603
17. Renew Home Health; 6382 Buffalo Gap Rd., Suite C, Abilene, TX 79606

18. Texas Home Health of America; 3303 N 3rd St., Suite A, Abilene, TX 79603
19. Theracare Services, LLC; 209 S Danville Dr., Suite B107, Abilene, TX 79605
20. Touching Hearts At Home; 3926 S. Treadway Blvd., Suite A-1, Abilene, TX 79602
21. Visiting Angels; 4090 S Danville Dr., Suite A, Abilene, TX 79605

Hospice Agencies

1. Encompass Health Hospice; 1 Village Dr., Suite 200a, Abilene, TX 79606
2. Hospice of the Big Country; 4601 Hartford, Abilene, TX 79605
3. Interim Healthcare; 4400 Buffalo Gap Rd., Suite 2500, Abilene, TX 79606
4. Kinder Hearts Hospice; 842 N Mockingbird Ln., Abilene, TX 79603
5. Kindred Hospice; 4400 Buffalo Gap Rd., Suite 1200, Abilene, TX 79606
6. Texas Home Health Personal Care Services; 3303 N 3rd St., Suite A, Abilene, TX 79603

Skilled Nursing Facilities

1. BeeHive Homes of Abilene; 5301 Memorial Dr., Abilene, TX 79606
2. Brightpointe at Lytle Lake; 1201 Clarks Dr., Abilene, TX 79602
3. Coronado Nursing Center; 1751 N 15th St., Abilene, TX 79603
4. Highland Assisted Living LLC; 2310 S 7th St., Abilene, TX 79605
5. Lyndale Abilene Senior Living; 6565 Central Park Blvd., Abilene, TX 79606
6. Merkel Nursing Center; 1704 N 1st, Merkel, TX 79536
7. Mesa Springs Healthcare Center; 7171 Buffalo Gap Rd., Abilene, TX 79606
8. Morada Abilene; 3234 Buffalo Gap Rd., Abilene, TX 79605
9. Northern Oaks Living & Rehabilitation Center; 2722 Old Anson Rd., Abilene, TX 79603
10. The Oaks at Radford Hills; 725 Medical Drive, Abilene, TX 79601
11. Silver Spring; 1690 N Treadway Blvd., Abilene, TX 79601
12. Wesley Court Health Center; 2617 Antilley Rd., Abilene, TX 79606
13. Willow Springs Health & Rehabilitation Center; 4934 S 7th St., Abilene, TX 79605
14. Windcrest Health & Rehabilitation; 6050 Hospital Rd., Abilene, TX 79606
15. 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

38. 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.

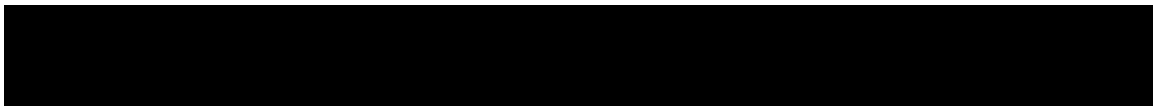
39. Evidence reflecting efforts to bring additional jobs to the area.

- During Quarter 2 FY2021, Hendrick Health posted an additional 410 new job openings, which included a mix of vacant previous positions and new positions created by the Merger. These roles cover both clinical and non-clinical positions across the organization and indicate significant demand for talent within the combined Hendrick Health system. Hendrick Health continues to use various resources to recruit medical providers to the community. In Quarter 2 FY2021, Hendrick Health used multiple online recruitment platforms (Indeed, GasWorks, Ethesia, Doximity, PracticeLink, Practice Match, CareerMD, the Hendrick Health website, and other association websites) to disseminate job postings for physician and nursing positions. Hendrick Health also partnered with over 160 recruitment firms and circulated open job positions through email blasts to current employees. The list of open positions as of the end of the Second Quarter FY2021 is provided in **Attachment 4**. This open position listing includes 4 new positions to replace previously provided CHS corporate services.
- In addition, during Quarter 2 FY2021, Hendrick Health hired 300 new employees.

40. 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 Quarter 2 FY2021, Hendrick Health is continuing 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.

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

- **Table 41** lists the specialty and county location for the 104 physicians Hendrick Health employed during Quarter 2 FY2021.⁴³ The region is also served by a number of community physicians not employed by Hendrick Health. While Hendrick Health does not maintain a comprehensive

⁴³ All 104 employed physicians represented in **Table 41** are HMC or HMC-S employed physicians, as Brownwood is not included in the COPA supervision. The check marks in **Table 41** for Brown County are indicative of which HMC or HMC-S employed doctors have outreach clinics in Brownwood. The Nolan County clinic is an outreach of Brownwood and is staffed by a nurse practitioner employed by Brownwood.

directory of these community physicians beyond those with medical staff privileges at Hendrick Health (discussed in **Item 47** 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 41: Employed Physicians by County Location

Specialty	Facility ⁴⁴		County Services Locations ⁴⁵		
	HMC	HMC-S	Taylor	Brown	Nolan
Anesthesia	12	-	✓		
Cardiology	12	3	✓	✓	
Cardiovascular Surgery	4	-	✓		
Endocrinology	2	-	✓	✓	
Family Medicine	4	4	✓		✓
Gastroenterology	0	3	✓		
General Surgery	4	2	✓		
Hospice	1	-	✓		
Infectious Disease	2	-	✓		
Internal Medicine	8	4	✓		
Internist (Internal Medicine)	0	-	✓		
Nephrology	2	-	✓	✓	
Neurology	2	-	✓		
Neurosurgery	1	-	✓		
OB/GYN	7	1	✓		
Oncology	4	-	✓	✓	
Ophthalmology	1	0	✓		
Orthopedic Surgery	1	1	✓		
Pain Medicine	2	-	✓	✓	
Palliative Care ⁴⁶	3	-	✓		
Plastic Surgery	1	-	✓	✓	
Radiation/Oncology	3	-	✓		
Rehab	1	-	✓		
Rheumatology	3	-	✓		
Urology	4	-	✓		
Wound Care	2	-	✓		
Grand Total	86	18	✓	✓	✓

⁴⁴ The employed physician counts have been updated slightly since the Baseline Performance Report and Quarter 1 FY2021 Performance Report to exclude certain non-physician providers that were included erroneously. In addition, certain physicians previously categorized under HMC and HMC-S have been updated based on practice locations. The revised count of employed physicians is 107 for the Baseline Performance Report and 106 for the Quarter 1 FY2021 Performance Report.

⁴⁵ Cardiology, oncology, full-time employed physicians only work at Brownwood. Endocrinology, Nephrology, Pain Management, and Plastic surgery physicians mainly work at HMC-Abilene but provide outreach clinics to Brownwood. Nolan County physicians only work in Nolan County.

⁴⁶ The palliative care program was only limited consults from HMC. Hendrick Health is working to implement a full-time program.

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

- Challenges Affecting Competition: The COVID-19 pandemic has caused 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*

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

- Steps Taken to Reduce Costs: Hendrick Health continues to adhere to the structured process, as outlined in the Quarter 1 FY2021 Performance Report, to reduce costs and improve efficiency. In Quarter 2 FY2021, Hendrick Health undertook the additional steps to reduce costs and improve efficiency:
 - Establishment of clinical council groups comprising executive staff, directors and frontline managers for the majority of clinical service lines (e.g., Lab Council, Rehab Council, Radiology Council, Nursing Council). Council groups meet monthly to identify additional efficiencies, align policies and procedures, and streamline integration.
 - Ongoing process (as outlined in the Quarter 1 FY2021 Performance Report):
 - Weekly joint Leadership Council meetings to manage and oversee integration activities, including minimizing costs and realizing efficiencies.
 - 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.

44. 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**.

45. 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 Second Quarter FY2021, Hendrick Health continued implementing a number of quality improvement measures, which are intended to further enhance quality at all of Hendrick Health’s hospitals. For example, for FY2021, as discussed in the Quarter 1 FY2021 Performance Report, 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) Hospital-Acquired Condition (“HAC”) Reduction Domain 1 PSI-90 Composite; (4) HAC Reduction Domain 2 HAI SIR (which consists of five (5) underlying quality metrics); and (5) Achieving Patient Satisfaction HCAHPS VBP Domains. Information about how data is collected on the achievement of these goals and/or how progress is measured internally follows.
 - Sepsis data is gleaned by abstraction of data into Hendrick Health’s Quality Measures platform and reports run from the same platform monthly. The monthly data is shared at the Quality Council and the Performance Improvement Committee. Both of these committees are comprised of representatives from both North and South campuses. Data is discussed, and missed opportunities, trends, and process changes are considered and implemented as needed. Additionally, nursing missed opportunities are sent to Nurse Managers to discuss with staff, and provider missed opportunities go to the Medical Director of the section and/or the supervising physician and the Chief Medical Officer. Data is tracked and trended month to month.
 - Inpatient 30-Day Readmission and HAC Reduction Domain 1 data are received through internal reports and ultimately from the consultant Healthcare Improvement Company database. These cases are reviewed by the Quality department and trends are identified. Adverse events are thoroughly investigated and analyzed for contributing factors that can be mitigated. HAC Reduction Domain 2 data is found through surveillance data reports by the Infection Prevention arm of the Quality Department, and occurrences are reconciled against standards and regulations to determine causes and trends and to implement changes in processes or safety measures as appropriate.

Progress on these goals has been somewhat hampered by a separate EMR. This has been a challenge to integration due to different order set builds, documentation triggers and alerts, and EMR tools. Progress is expected to improve greatly and be easier to track after the implementation of the same EMR in June 2022. This will also improve the ability to internally track progress of Quality outcomes through the use of EMR reporting capabilities. Even so, it may be a full year post-merger before Hendrick Health has usable statistical data to trend and analyze.

- In establishing the system-wide quality measures, Hendrick Health set specific quality goals or benchmarks for each measure:
 - Overall Care of Sepsis⁴⁷: 60.0% or greater.

⁴⁷ Definition: Compliance to the Sepsis Bundle Measure, which includes all elements of the measure being met within the specified timeframes (Higher is better).

- Inpatient 30-Day Readmission Reduction⁴⁸: 15.50% or greater.
- HAC Reduction Domain 1 PSI-90 Composite⁴⁹: 1.00 or less.
- HAC Reduction Domain 2 HAI SIRs⁵⁰: Achieve 1.00 or less for each of the five (5) underlying measures, which are:
 - Central Line Associated Bloodstream Infection (CLABSI): 1.00 or less.
 - Catheter-Associated Urinary Tract Infection (CAUTI): 1.00 or less.
 - Surgical Site Infection (SSI): 1.00 or less.
 - Methicillin-Resistant Staphylococcus Aureus Bacteremia (MRSA): 1.00 or less.
 - Clostridium Difficile Infection (CDI): 1.00 or less.
- Achieving Patient Satisfaction HCAHPS VBP Domains.

In establishing and working toward the goals in these key areas, Hendrick Health continues to work collaboratively across HMC and HMC-S to drive quality improvement performance for the system.

- A summary of the quality measures referenced in this Report are summarized below in **Table 45**. Please refer to **Item 1** and **Item 6** 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.

⁴⁸ Definition: Inpatient all cause 30-day readmission (Lower is better).

⁴⁹ Definition: CMS-defined Patient Safety Indicators composite of PSI-03 Pressure Ulcer, PSI-06 Iatrogenic Pneumothorax, PSI-08 In Hospital Fall with Hip Fracture, PSI-09 Perioperative Hemorrhage or Hematoma, PSI-10 Postoperative Acute Kidney Injury Requiring Dialysis, PSI-11 Postop Respiratory Failure, PSI-12 Perioperative PE or DVT, PSI-13 Postop Sepsis, PSI-14 Postop Wound Dehiscence, PSI-15 Unrecognized Abdominopelvic Accidental Puncture or Laceration. The calculation for this rate is the number of events occurring within the total population for the measures included in the composite (Lower is better).

⁵⁰ Definition: CMS defined performance thresholds for five specific Hospital Acquired Infections (HAIs) and their associated Standardized Infection Ratio (SIR).

Table 45: Hendrick Health Summary of Quality Measure Performance

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020				FY2021	
		Q1/Q2		Q3/Q4		Q1/Q2		Q3/Q4		Q1/Q2		Q3/Q4		Q1/Q2	
CMS Star Rating – HMC	Pg. 8	4	4	3	3	5	5	Not Applicable (rating to be released in Q3)							
CMS Star Rating – HMC-S	Pg. 8	3	3	2	2	2	2	Not Applicable (rating to be released in Q3)							
Leapfrog Safety Grades – HMC	Pg. 8	A	A	A	A	A	B	Not Applicable (grade to be released in Q3)							
Leapfrog Safety Grades – HMC-S	Pg. 8	C	C	C	B	C	C	Not Applicable (grade to be released in Q3)							
Pt. Satisfaction Rating – HMC	Pg. 9	3	3	3	4	3	3	3	3	4	3	5	3	3	3
Pt. Satisfaction Rating – HMC-S	Pg. 9	3	3	3	3	3	3	3	3	3	3	2	3	3	3
Inpatient Volumes – HMC	Pg. 9	25k				27k				25k				6k	
Inpatient Volumes – HMC-S	Pg. 9	[REDACTED]				[REDACTED]				[REDACTED]				1k	
Outpatient Volumes – HMC	Pg. 10	227k				242k				231k				59k	
Outpatient Volumes – HMC-S ⁵¹	Pg. 10	[REDACTED]				[REDACTED]				[REDACTED]				13k	
Patient Readmissions – HMC	Pg. 10	12.4%				13.4%				11.1%				Not Applicable (figure provided annually)	
Patient Readmissions – HMC-S	Pg. 10	9.3%				9.9%				10.6%				Not Applicable (figure provided annually)	

46. 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 Quarter 2 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:

[REDACTED]

51 [REDACTED]

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.

47. 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 6** to this Report. As of the end of Quarter 2 FY2021, Hendrick Health provided privileges to 642 health care providers at HMC and 284 health care providers at HMC-S, as detailed in **Table 47** below. HMC provided credentials to 9 additional providers in Quarter 2 FY2021. The number of providers with privileges at HMC-S reduced by 14 in Quarter 2 FY2021. All reductions were voluntary through resignation, non-renewal of credentials, relocation, or retirement.

Table 47: Hendrick Health Privileged Providers as of Quarter 2 FY2021

Privileged Provider Category	HMC	HMC-S
Physicians	477	230
Physician Assistants	33	19
Nurse Practitioners	68	14
Certified Registered Nurse Anesthetist	29	19
Other APC	35	2
Total	642	284

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.

- Hendrick Health continues to invest in the combined health system. Details of these infrastructure, capital and operating investments and the link to improved patient care and access can be found in **Item 12**, **Item 13** and **Item 27** of this Report.

IV. Attachments