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Hendrick Health

Quarterly Report for Quarter 3 of Fiscal Year 2021

Reporting Period: 3/1/2021—5/31/2021

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Certificate of Public Advantage ("COPA")

Quarterly Performance Report for Quarter 3 of Fiscal Year 2021

This Quarterly Performance Report (the “Report”) is submitted pursuant to the revised Terms and Conditions of Compliance (dated August 3, 2021) governing the Certificate of Public Advantage (“COPA”) issued to Hendrick Health System on October 2, 2020 (“COPA Approval Date”) with respect to the 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 third quarter of fiscal year 2021 (“Quarter 3 FY2021” or “Third Quarter FY2021”), the period of March 1, 2021 to May 31, 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.

Report Contents

| | | |
|------|---|----|
| I. | Abbreviation Key | 6 |
| II. | Quarterly Performance Report - Quarter 3 FY2021 | 7 |
| | A. <i>Summary of Requirements</i> | 7 |
| | B. <i>Description of Process</i> | 7 |
| III. | Terms and Conditions for COPA-Approved Health System | 8 |
| | A. <i>Quality</i> | 8 |
| | 1. Evidence demonstrating how health care quality has improved. | 8 |
| | 2. Inpatient and outpatient numbers before the merger and the current quarter. | 9 |
| | 3. Patient readmission numbers before and after the merger. | 11 |
| | 4. Any association between increased patient volumes and better patient outcomes. | 11 |
| | 5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care. | 13 |
| | 6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards. | 15 |
| | B. <i>Efficiencies</i> | 17 |
| | 7. A description of steps taken to reduce costs and improve efficiency. | 17 |
| | 8. Data regarding emergency department closures since the merger. | 17 |
| | 9. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals' ability to treat a larger patient population. | 18 |
| | 10. Progress reports regarding the adoption of the new IT Platform. | 19 |
| | 11. 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 any impact the reduction has on patient service delivery. | 19 |
| | 12. Data and financial reports demonstrating savings from the reduction in duplication of resources. | 20 |
| | 13. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally. | 21 |
| | 14. Data demonstrating reinvestment in the combined healthcare system. | 24 |
| | 15. Data and financial reports reflecting the savings in each area referenced above. | 26 |
| | 16. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger. | 27 |
| | 17. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served. | 27 |
| | 18. Data on the pricing, quality, and availability of ancillary health care services. | 29 |
| | 19. Data on the pricing, quality, and availability of physician services. | 31 |

| | | |
|-----------|---|-----------|
| 20. | Data on the consolidation of clinic services, identifying the types of services per county. | 33 |
| 21. | Data indicating how the consolidation of these services improved patient outcomes. | 33 |
| <i>C.</i> | <i>Accessibility</i> | <i>34</i> |
| 22. | A list of the severe risks described in the application facing Taylor County and an explanation of how the merger led to the mitigation of these risks. | 34 |
| 23. | A description of each patient service that changed or has been discontinued since the merger and an explanation of the impact to patient care. | 35 |
| 24. | Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger. | 35 |
| 25. | Data demonstrating any expansion in service delivery since the merger. | 37 |
| 26. | Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger. | 39 |
| 27. | Evidence of any expansion of clinical services. | 40 |
| 28. | A copy of each hospital's charity care policy, identifying any changes to the policy in the previous quarter. | 42 |
| 29. | The number of patients enrolled in each hospital's charity care program in the past quarter. | 42 |
| 30. | Data and financial reports for charity care services provided by each hospital in the previous quarter. | 43 |
| 31. | Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors. | 43 |
| 32. | A description of how the merger has impacted rural healthcare in the hospitals' 24-county service area during the previous quarter, including any reduction in services. | 46 |
| 33. | A list of health plans each hospital contracted with before the merger, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger. | 47 |
| 34. | 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. | 47 |
| 35. | Data illustrating the organizations' payment models. | 48 |
| 36. | Data demonstrating the payment models established since the merger in comparison to payment models before the merger. | 48 |
| <i>D.</i> | <i>Competition</i> | <i>49</i> |
| 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. | 49 |
| 38. | Evidence of how patient choice is being preserved. | 55 |
| 39. | Evidence reflecting efforts to bring additional jobs to the area. | 55 |
| 40. | Any contracted services that have changed since the last report, with an explanation for each change. | 56 |
| 41. | Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract. | 56 |

| | |
|---|----|
| <i>E. Other Requirements</i> | 58 |
| 42. Any minutes or notes of meetings regarding the COPA and the portion of each hospital’s governing body meeting minutes that discuss the COPA. | 58 |
| 43. Any healthcare-related service contract changes in the previous quarter and the explanation for the change. | 58 |
| 44. The number of physicians, allied professionals, and other health care providers providing medical services that have privileges to practice at the hospital. | 59 |
| 45. Information on additional investments regarding infrastructure, capital expenditures, and operating costs and how this affected patient care outcomes, population access to health care, and prevention services. | 60 |
| IV. Attachments | 61 |

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 3 FY2021

A. Summary of Requirements

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

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

B. Description of Process

Hendrick Health’s senior management team, assisted by outside consultants and counsel, worked closely with relevant department heads to collect, analyze, and prepare for submission the information and data detailed in the HHSC guidance documents. Leaders of each department gathered the required information and validated the summaries and responses included in this Report to ensure accuracy and completeness to the fullest extent possible.

Hendrick Health Leadership

| Name | Position |
|---------------------------------|--|
| Brad D. Holland, FACHE | President and Chief Executive Officer |
| Joe Pearson, FACHE | System Vice President & Chief Operating Officer |
| Jeremy Walker | System Vice President & Chief Financial Officer |
| Norm Archibald | System Vice President, Foundation |
| Susie Cassle, MSN, RN, NEA-BC | System Vice President & Chief Nursing Officer |
| R. David Evans, Esq. | System Vice President, General Counsel |
| America Farrell, FACHE | System Vice President, Strategic Integration |
| Susan Greenwood, BSN, RN, FACHE | System Vice President, Quality |
| David Stephenson, FACHE | System Vice President, Hendrick Clinic & Hendrick Anesthesia Network |
| Susan Wade, FACHE | System Vice President, Infrastructure & Support |
| Kirk Canada | System Assistant Vice President, Business Dev. & Post-Acute Services |
| Mike Hart, BSN, MS, RN-BC | System Assistant Vice President, Information Technology |
| Courtney Head | System Assistant Vice President, Human Resources |
| Mark Huffington | System Assistant Vice President, Analytics |
| Tave Kelly | System Assistant Vice President, Revenue Cycle |
| Adam Wood | System Assistant Vice President, Supply Chain |
| Tim Riley | System Integration Consultant |

III. Terms and Conditions for COPA-Approved Health System

A. Quality

1. Evidence demonstrating how health care quality has improved.

- CMS Star Ratings:*** In April 2021, HMC earned an overall rating of four (4) stars, while legacy ARMC (now HMC-S) also earned four (4) 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 April 2021, rather than January 2021, as reflected in the Hospital Data archive files provided by CMS.² Under an interim final rule released in August 2020, CMS used pre-Merger data from October 2020 to calculate April 2021 ratings. Hendrick Health notes that CMS made significant changes to its methodology between the 2020 and April 2021 ratings, including changes to weighting measures within a measure group; reducing the number of measure groups by combining Timeliness of Care, Effectiveness of Care, and Efficient Use of Medical Imaging into one measure group; changes to the methodology for calculating the scoring of the Patient Experience measure group; and introducing the use of peer grouping for the assignment of star ratings, which affected the star rating of approximately fifty percent (50%) of hospitals. Because different measures are now weighted differently, these changes in methodology make it difficult to compare the April 2021 star rating to historical ratings.

Table 1a: Overall CMS Star Ratings³

| Location | Pre-Merger Period | | | | | | Post-Merger Period |
|--------------|-------------------|------|--------|------|---------|--------|--------------------|
| | FY2018 | | FY2019 | | FY2020 | | FY2021 |
| | January | July | March | July | January | August | April |
| HMC | 4 | 4 | 3 | 3 | 5 | 5 | 4 |
| ARMC (HMC-S) | 3 | 3 | 2 | 2 | 2 | 2 | 4 |

- Leapfrog Hospital Safety Grades:*** HMC earned a “B” overall in the most recent Leapfrog Hospital Safety Grade release (from Spring of 2021) and ARMC earned a “C” (see **Table 1b** below). The ratings are consistent with ratings from the previous release (from Fall 2020).

Table 1b: Leapfrog Safety Grades⁴

| Location | Pre-Merger Period | | | | | | Post-Merger Period |
|--------------|-------------------|------|--------|------|--------|------|--------------------|
| | FY2018 | | FY2019 | | FY2020 | | FY2021 |
| | Spring | Fall | Spring | Fall | Spring | Fall | Spring |
| HMC | A | A | A | A | A | B | B |
| ARMC (HMC-S) | C | C | C | B | C | C | C |

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

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

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

- Patient Admissions & Medicare Cost Report Data: Inpatient admissions and outpatient volumes are provided in **Item 2** of this Report. Hendrick Health is in the process of finalizing its 2019 Cost Report for HMC, pending CMS' completion of their audit procedures, and will provide the cost report once finalized, likely in 2022. Similarly, Hendrick Health will also provide 2020 cost reports once finalized.
- Patient Satisfaction Ratings: During Quarter 3 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 3 FY2021 ratings (see **Table 1c** below) were awarded during Quarter 1 FY2021 and carried forward for Quarters 2 and 3 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 | Q3 |
| HMC | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 3 | 4 | 3 | 5 | 3 | 3 | 3 | 3 |
| ARMC (HMC-S) | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 3 | 3 | 3 |

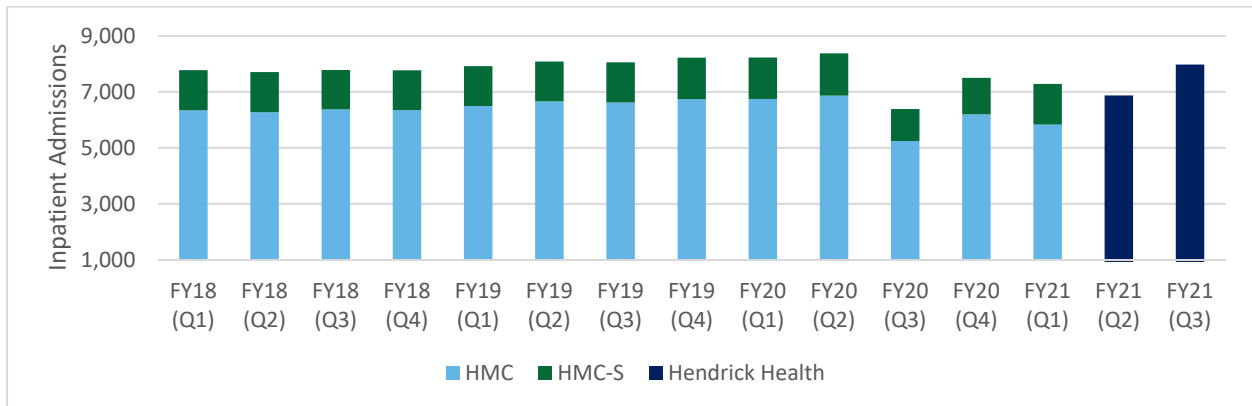
2. Inpatient and outpatient numbers before the merger and the current quarter.

- Inpatient Volumes⁶: Overall, inpatient admissions for Hendrick Health increased by 16.1% from Quarter 2 FY2021 to Quarter 3 FY2021, from 6,870 to 7,977. 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 are shown on a combined basis for Hendrick Health post-Merger (Quarter 2 FY2021 and beyond) as both hospitals will be reported under a single National Provider Identifier ("NPI"). Hendrick Health saw increased patient volumes due to improved bed capacity with temporary drop in COVID admissions.

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

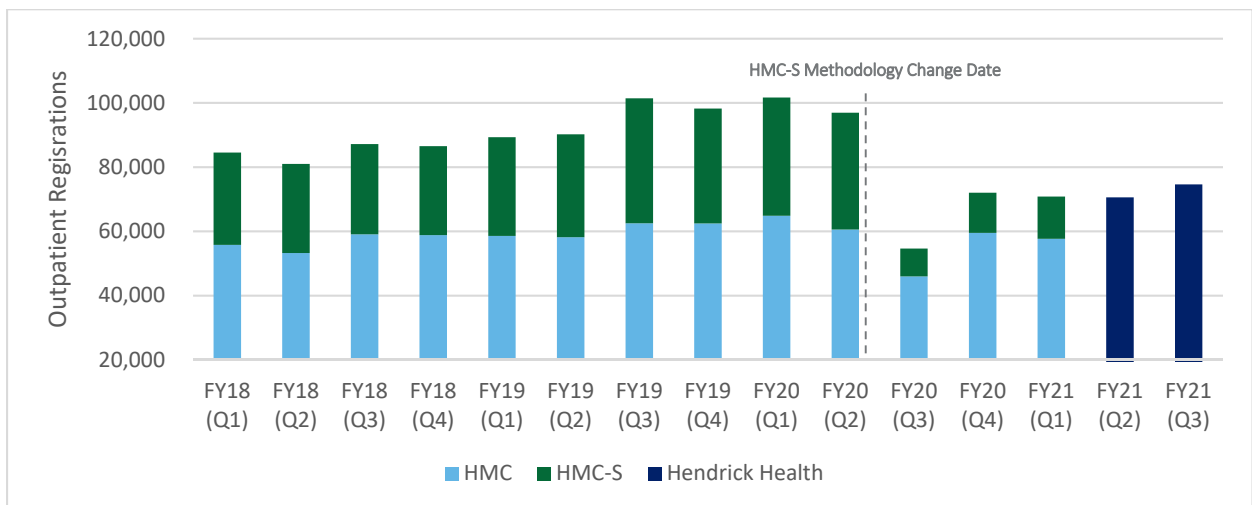
⁶ Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, ARMC's fiscal year was adjusted to reflect Hendrick Health's fiscal year of September 1 – August 31. As such, ARMC's historical volume information has been adjusted to reflect a fiscal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

Table 2a: Inpatient Admissions



- Outpatient Volumes⁷:** Overall, outpatient registrations for Hendrick Health increased by 5.7% from Quarter 2 FY2021 to Quarter 3 FY2021, from 70,588 to 74,601. Similar to inpatient volumes, HMC and HMC-S experienced increases in outpatient visits due to signs of decreasing COVID-19 cases. **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 are shown on a combined basis for Hendrick Health post-Merger (Quarter 2 FY2021 and beyond) as both hospitals will be reported under a single National Provider Identifier (“NPI”).

Table 2b: Outpatient Registrations⁸



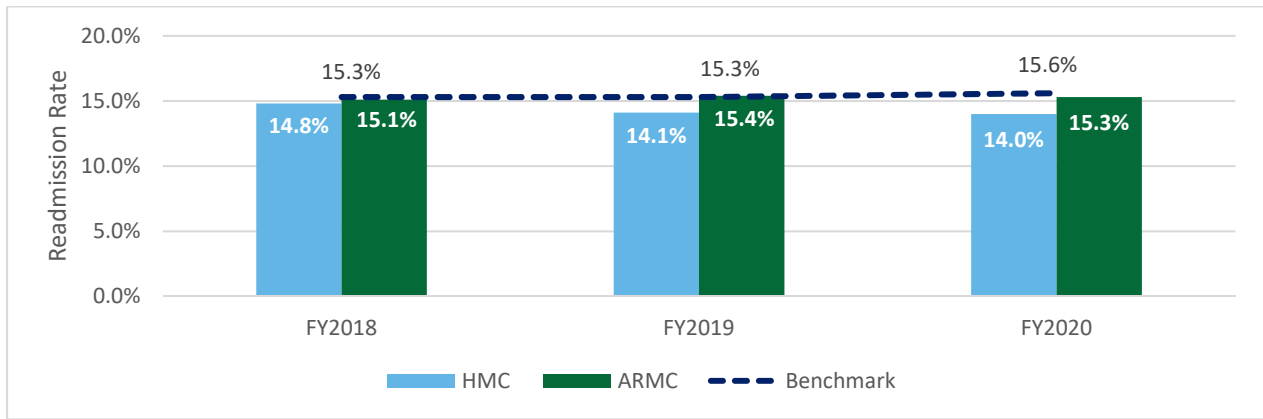
⁷ Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, HMC-S’s (legacy ARMC) fiscal year will be adjusted to reflect Hendrick Health’s fiscal year of September 1 – August 31. As such, HMC-S’s historical volume information has been adjusted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

- Patient Readmission Numbers:** As described in the Baseline Performance Report and the Quarter 1 and Quarter 2 FY2021 Performance Reports, 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.

- 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 3 FY2021, Hendrick Health has continued to standardize care between HMC-S and HMC-N through policies and protocols that take into consideration the increased patient volume. For example, the Clinical Policy Committee contains staff from each campus, which allows for sharing of best practices, consideration of barriers to standardization, and teamwork for implementation of like processes. As Hendrick Health dealt with an increase in COVID numbers at

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)). Please note that FY2018, FY2019, and FY2020 patient readmissions have been restated from the Baseline Performance Report; previously, readmission data for readmissions outside of Hendrick Health were excluded. Restated numbers now include all patient readmissions as reported by CMS.

both campuses during Quarter 3 FY2021, the system utilized opportunities to work across campuses to solve capacity issues, including sharing patient loads and staff to ensure quality care to this population. Patients have been moved from one campus to another as needed to utilize available rooms and staff for various populations. Likewise, the COVID Medicine Committee contains medical staff and support staff from both campuses to consider best practice medical treatment for hospitalized COVID patients, researching and discussing treatment options and medical alternatives together. Additional information will be reported in future submissions as post-Merger changes continue to occur and new information becomes available.

- **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 3 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 COVID Medicine Committee, comprised of staff from both HMC and HMC-S, met weekly to discuss COVID-19 protocols and standardized care for patients at both campuses, research, and treatment options for patients.
 - The Evidence-Based Medicine Committee continued its review of current order sets and protocols, such as Acute Stroke Order Set and Pediatrics Order Set, at HMC and HMC-S.
 - The Patient Safety Committee, continued to meet monthly to discuss risk management, patient safety, and medical equipment issues. This Committee is now led by the Hendrick Patient Safety Officer and Director of Patient Safety.
 - The combined Performance Improvement Committee and Physician Review Committee continued 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 continued to meet and discuss general quality of care concerns, performance improvement projects, and high-impact monitoring across HMC and HMC-S.
 - Inpatient Diabetes education for new-onset diabetics expanded to include HMC-S, to provide in-house comprehensive education from a navigator or pharmacist at the bedside prior to discharge. In Quarter 3 FY2021, Hendrick established a task force comprised of Diabetes Education, Pharmacy, Director and VP of Pharmacy, Director of Quality, Quality Manager, and Case Management to discuss various processes for the North Campus Diabetes Education Navigator. The Committee sought to ensure that newly diagnosed Diabetics at the HMC-S could receive one-on-one teaching by a Certified Diabetic Educator. Once a process was identified, the Committee met with various HMC-S leadership, hospitalists, case management, and directors of nursing to improve how to identify these patients and notify the Diabetic Education Department.
 - Hendrick Health's BMI > 50 Committee has reconvened to update the processes at North and are planning to rollout the same process at the South in the coming months. The purpose of this initiative is to identify patients with high BMI and ensure the needs for this population are being met early in their inpatient stay. The project includes specialty beds as needed and consults for Physical Therapy, Nutrition, and Case Management/Social

Work. The Health System Director of Patient Safety and the Director of Hendrick Health Club are also involved in the committee which is rolling out education to the primary care physicians with apps that can be used to encourage mobility and movement. This will be integrated across both campuses in the coming months.

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 Third Quarter FY2021, Hendrick Health implemented the following initiatives:
 - The Hendrick Anesthesia Network began servicing Hendrick Ambulatory Surgery Center South in Quarter 3 FY2021 and is expected to enhance patient experience by increasing standardization of these services across Hendrick Health’s campuses, provide central staffing wherever there is need, and increasing the level of physician (MD/DO) oversight. The goal is to provide a single Anesthesia provider, Hendrick Anesthesia Services, to all Hendrick locations in order to increase clinical integration, standardization, and quality.
 - Radiology Associates of Abilene began serving HMC-S, increasing the service levels available to HMC-S by offering 24/7 coverage by on-site providers (previously night coverage was supported through telehealth consultations) and by increasing the number of providers and specialties available to HMC-S. In addition, Hendrick Health now has a single Radiology provider, which will increase the standardization of these services across Hendrick Health.
 - Extensive preparation was completed in order to prepare for the migration of Hendrick Health hospital services to Allscripts EMR (with a go-live date of June 1, 2021), in order to create “single inpatient medical record” system for Hendrick Health to provide greater connected care between facilities and enhance overall patient experience. In addition, the migration for outpatient therapy services to Allscripts was completed during Quarter 3 FY2021.
 - Hendrick Health began development of the Joint Pharmacy and Therapeutics (P&T) Oversight Committee, including representatives from both HMC and HMC-S, which aims to progress to one drug formulary to reduce costs and variation in care.
 - Hendrick Health added a Hendrick Hospice Liaison at HMC-S to provide an on-site presence and educational opportunities for end of life care. The Hospice Liaison also helps facilitate a more seamless and efficient transfer of patients from the hospital setting to a hospice setting. [REDACTED]
 - 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 improvement of patient care through upgrading technology and replacing older equipment. For example, Hendrick Health successfully implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system on March 30, 2021, allowing providers to view images on one system regardless of their location on the two campuses. This also supports proper alignment of care and proper diagnosis of cardiac and radiology patients, and will enhance the quality of Radiology and Cardiology imaging across both campuses, allowing for greater connected care across Hendrick Health. For example:
 - The EIS breaks down the barriers between technologies and teams across the organization to allow for real time collaboration.
 - The migration of Radiology and Cardiology PACS reports and images allows for a full patient view for radiologists and cardiologists.
 - The migration across all Hendrick Health locations means that patient studies done at any location can be pulled and compared within seconds from the Vendor Neutral Archive (VNA).
 - The standardizations of the workflows across the organization will increase productivity while decreasing the time needed to support multiple workflows across the departments.
- Hendrick Health opened the new Non-Invasive Cardiology Suite at HMC-S in Quarter 3 FY2021, which has allowed HMC-S to enhance its inpatient and outpatient Cardiology diagnostic testing department. The development of the new suite enabled HMC-S to do the following:
 - Create a positive patient environment by moving the prior waiting space for patients from a chair in the hallway to a beautifully decorated and designed waiting room, making it more comfortable and spacious for patients and families;
 - Add a designated registrar that has allowed patients to be moved through the system much quicker;
 - Increase the outpatient imaging rooms from two to three, which generated an increase in outpatient capacity by approximately 100 studies per month;
 - Add new individual workstations for Cardiovascular techs that have increased their overall efficiency for inpatient and outpatient cardiology studies; and
 - Develop a hospital-based Device Clinic that has improved access for patients to have their pacemakers, implantable cardioverter defibrillators (ICD), and other cardiac devices checked in person and remotely, which in turn increased capacity to more than 100 patients per month for in-person checks and 40 patients per month using remote capabilities.

- 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.
- Conducted strategic planning for a nursing organizational chart with a more intuitive structure for integration and cultural development; educational structure and resources to address standardized on-boarding, orientation, education strategies, resources, and quality of care growth opportunities. Hendrick Health hosted its first nursing executive group planning session.
- Continued recruitment for critical staff underway (permanent and temporarily) to provide the needed care for our community. Working as a team with our other campuses, HMC-S received many State personnel during the initial peak/surge of COVID, and is currently tapping into all available resources during this current COVID surge.

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

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

- During the Third 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. In establishing the system-wide quality measures, Hendrick Health set specific quality goals or benchmarks for each measure:
 - Overall Care of Sepsis¹¹: 60.0% or greater.
 - Inpatient 30-Day Readmission Reduction¹²: 15.50% or greater.
 - HAC Reduction Domain 1 PSI-90 Composite¹³: 1.00 or less.
 - HAC Reduction Domain 2 HAI SIRs¹⁴: Achieve 1.00 or less for each of the five (5) underlying measures, which are:

¹¹ Definition: Compliance to the Sepsis Bundle Measure, which includes all elements of the measure being met within the specified timeframes (Higher is better).

¹² Definition: Inpatient all cause 30-day readmission (Lower is better).

¹³ 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).

¹⁴ Definition: CMS defined performance thresholds for five specific Hospital Acquired Infections (HAIs) and their associated Standardized Infection Ratio (SIR).

- 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 Bathermia (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. Hendrick Health tracks these quality measures internally to develop strategies and understand current performance. This is a proactive approach to understand and potentially impact the data that will be later publicly reported; Hendrick Health anticipates needing more than a year of post-Merger data before it has usable data to report. Hendrick Health will provide updates in future reports as additional information becomes available.
- The quality measures referenced in this Report are summarized below in **Table 6**.

Table 6: Hendrick Health Summary of Quality Measure Performance

| Quality Metrics | Page Ref. | Pre-Merger | | | | | | Post-Merger | | | | | | | | |
|--|-----------|------------|----|--------|----|--------|----|--|----|----|-----|-----|---|---|---|---|
| | | FY2018 | | FY2019 | | FY2020 | | FY2021 | | | | | | | | |
| | | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | Q1 | Q2 | Q3 | | | | | | |
| CMS Star Rating - HMC | Pg. 8 | 4 | 4 | 3 | 3 | 5 | 5 | Not Applicable (rating to be released in Q3) | | | 4 | | | | | |
| CMS Star Rating - HMC-S | Pg. 8 | 3 | 3 | 2 | 2 | 2 | 2 | Not Applicable (rating to be released in Q3) | | | 4 | | | | | |
| Leapfrog Safety Grades - HMC | Pg. 8 | A | A | A | A | A | B | Not Applicable (rating to be released in Q3) | | | B | | | | | |
| Leapfrog Safety Grades - HMC-S | Pg. 8 | C | C | C | B | C | C | Not Applicable (rating to be released in Q3) | | | C | | | | | |
| Pt. Satisfaction Rating - HMC | Pg. 9 | 3 | 3 | 3 | 4 | 3 | 3 | 3 | 3 | 4 | 3 | 5 | 3 | 3 | 3 | 3 |
| Pt. Satisfaction Rating - HMC-S | Pg. 9 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2 | 3 | 3 | 3 | 3 |
| Inpatient Volumes - HMC | Pg. 10 | 25k | | 27k | | 25k | | 6k | | | 7k | 8k | | | | |
| Inpatient Volumes - HMC-S | Pg. 10 | [REDACTED] | | | | | | 1k | | | | | | | | |
| Outpatient Volumes - HMC | Pg. 10 | 227k | | 242k | | 231k | | 59k | | | 71k | 75k | | | | |
| Outpatient Volumes - HMC-S ¹⁵ | Pg. 10 | [REDACTED] | | | | | | 13k | | | | | | | | |
| Patient Readmissions - HMC | Pg. 11 | 14.8% | | 14.1% | | 14.0% | | Not Applicable (figure provided annually) | | | | | | | | |
| Patient Readmissions - HMC-S | Pg. 11 | 15.1% | | 15.4% | | 15.3% | | Not Applicable (figure provided annually) | | | | | | | | |

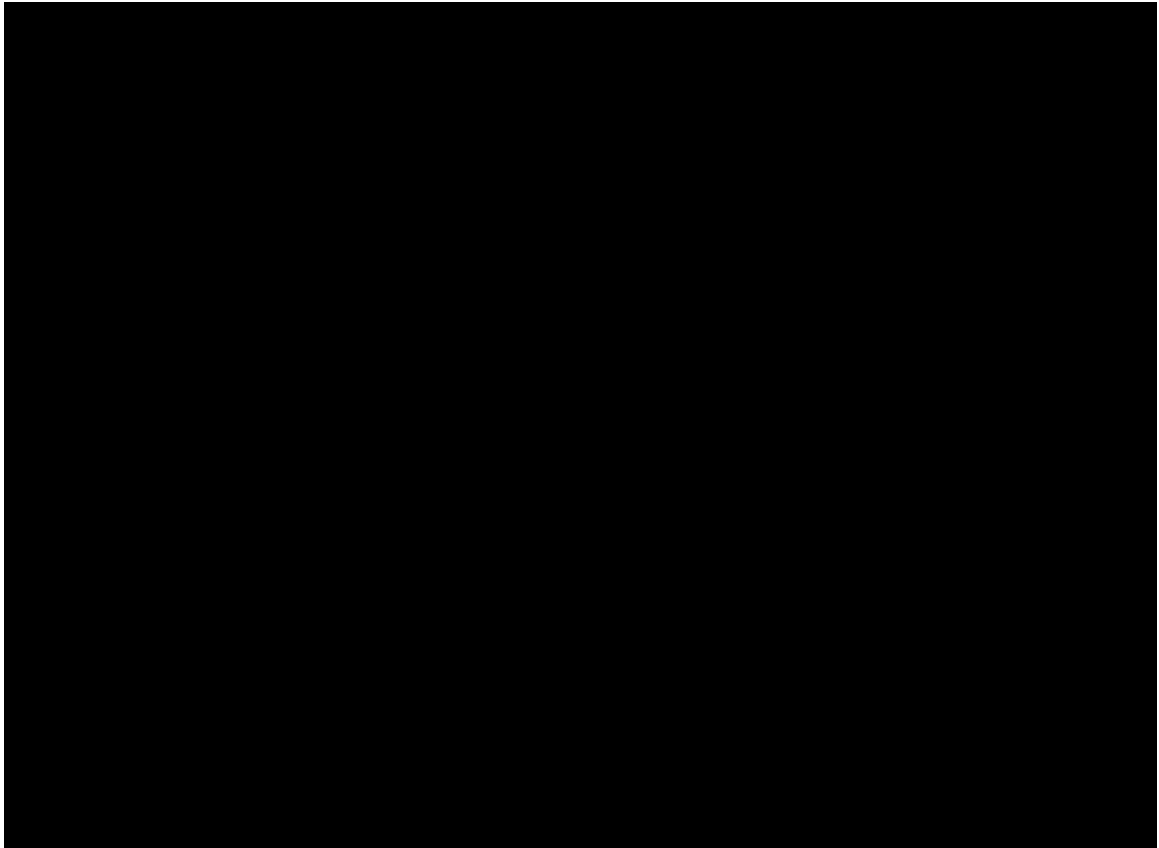
¹⁵ [REDACTED]

B. Efficiencies

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

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

- Steps Taken to Reduce Costs: Hendrick Health continues to adhere to the structured process, as outlined in the Quarter 1 and Quarter 2 FY2021 Performance Reports, to reduce costs and improve efficiency. In Quarter 3 FY2021, Hendrick Health undertook the additional steps to reduce costs and improve efficiency:



8. Data regarding emergency department closures since the merger.

- Current Emergency Department Locations: During Quarter 3 FY2021, there were no changes in the number of Emergency Departments that Hendrick Health operated. As such, Hendrick Health still operates two Emergency Departments at HMC and one Emergency Department at HMC-S, as reported in the Baseline Performance Report. Each location is listed in **Table 8a** and **Table 8b** below.

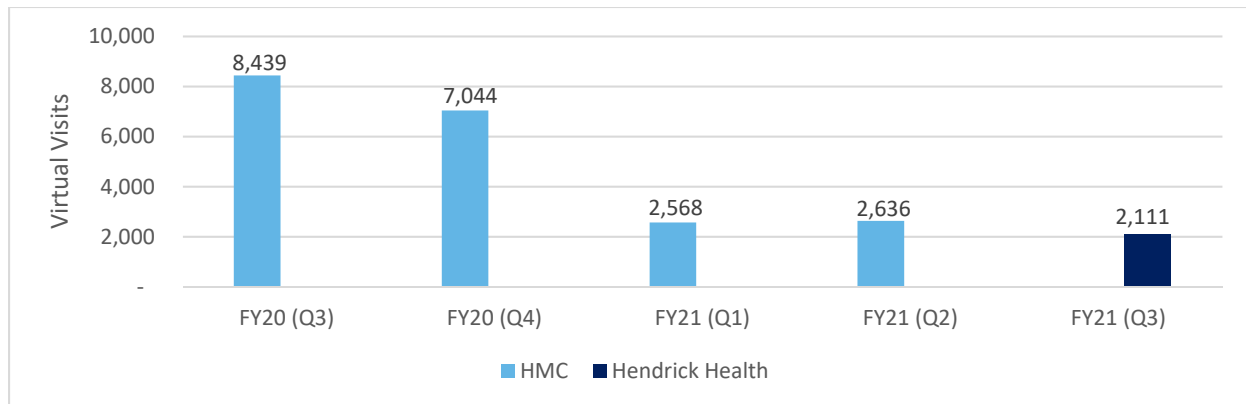
Table 8a: HMC Emergency Departments

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

Table 8b: HMC-S Emergency Department

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

- Emergency Department Closures: Hendrick Health has no plans to close any Emergency Departments as of the date of this Report.
9. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals’ ability to treat a larger patient population.
- Telehealth: During Quarter 3 FY2021, Hendrick Health (including HMC and HMC-S) provided telehealth services, including primary and other non-emergency care services, to 2,111 patients through its virtual care platforms. For comparison, the volume of in-patient physician clinic visits was 60,761 in Quarter 3 2021. The number of telehealth patients decreased as compared to Quarter 2 FY2021 (as shown in **Table 9**), as additional patients continued to visit clinics in-person due to improving signs of COVID-19 cases. Hendrick Health is keenly aware of the effects of the Delta variant of COVID-19 and is closely monitoring resurgence of COVID-19 cases, which could possibly ramp-up need for telehealth services in the foreseeable future. Telehealth capabilities remain available and are utilized by patients choosing that method of care.
 - Effective May 2021, Telehealth Maternal Fetal Medicine (MFM) services were added to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor and Delivery department.
 - Hendrick Health will continue to 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 9: Number of Patients Treated via Telehealth¹⁶

10. Progress reports 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 to reduce the potential for clinical disruption and overall risk to the migration process.
- For hospital services, Hendrick Health is in the process of upgrading HMC, and migrating HMC-S to the Allscripts Sunrise EMR and Financials platform. HMC-S previously used the MedHost EMR platform. This migration will establish a “single inpatient medical record” system for Hendrick Health and provide greater connected care between facilities. The targeted Allscripts “go-live” date for HMC and HMC-S is June 2021. In addition, the migration for outpatient therapy services to Allscripts was completed during Quarter 3 FY2021.
- For physician clinical services, Hendrick Health is preparing to convert the Hendrick Clinic (in the Hendrick Provider Network) and HMC to Athena, which is already in use at HMC-S. The targeted Athena “go-live” date for Hendrick Clinic and HMC is end of calendar year 2021, subject to change.

11. 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 any impact the reduction has on patient service delivery.

- ***Workforce:*** As of the Transaction Closing Date through the end of the Third 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 previous quarterly reports, neither HMC nor HMC-S reduced its

¹⁶ Hendrick Health does not have access to legacy ARMC historical (FY2020 – Quarter 1 FY2021) telehealth data.

workforce as a result of the pandemic. Rather, both facilities have experienced increased demand for staff.

- Additionally, Hendrick Health has been named as one of the “Best Places to Work in Healthcare” for 2021 by *Modern Healthcare*, resulting in the third year in a row that Hendrick has been named to this list. The “Best Places to Work” awards program was created to recognize companies that continuously strive to improve their work environment and increase employee engagement, satisfaction, and retention through innovative changes in the workplace.
- As of May 31, 2021, Hendrick Health employed 4,172 employees, as compared to 4,154 employees as of February 28, 2021 (end of Quarter 2 FY2021) (see **Table 11** below). Hendrick Health continued to hire additional local staff within the region, as needed to provide necessary services at HMC-S that had been provided previously by out-of-state or third-party contracted workers before the Merger. For example, in Quarter 3 FY2021, Hendrick Health hired 303 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 3 FY2021, Hendrick Health contracted 204 travel healthcare professionals.
- Please note from Quarter 3 FY2021 forward, employee counts for Hendrick Health (HMC and HMC-S) will be reported on a consolidated basis as both hospitals will be reported under a single NPI.

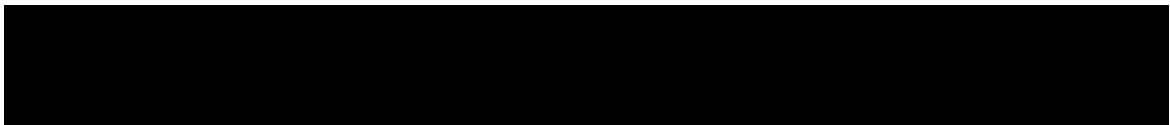
Table 11: Workforce as of Quarter 3 FY2021¹⁷

| Location | Employees as of Transaction Closing Date ¹⁸ | Employees as of Q1 FY2021 | Employees as of Q2 FY2021 | Employees as of Q3 FY2021 |
|--------------|--|---------------------------|---------------------------|---------------------------|
| HMC | 3,493 | 3,461 | 3,547 | 4,172 |
| HMC-S | 667 | 621 | 607 | |
| Total | 4,160 | 4,082 | 4,154 | 4,172 |

12. 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 following opportunities are specifically related to the reduction in the duplication of resources:



¹⁷ Please note that employee headcount includes employed physicians and advanced practice clinicians.

¹⁸ 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.

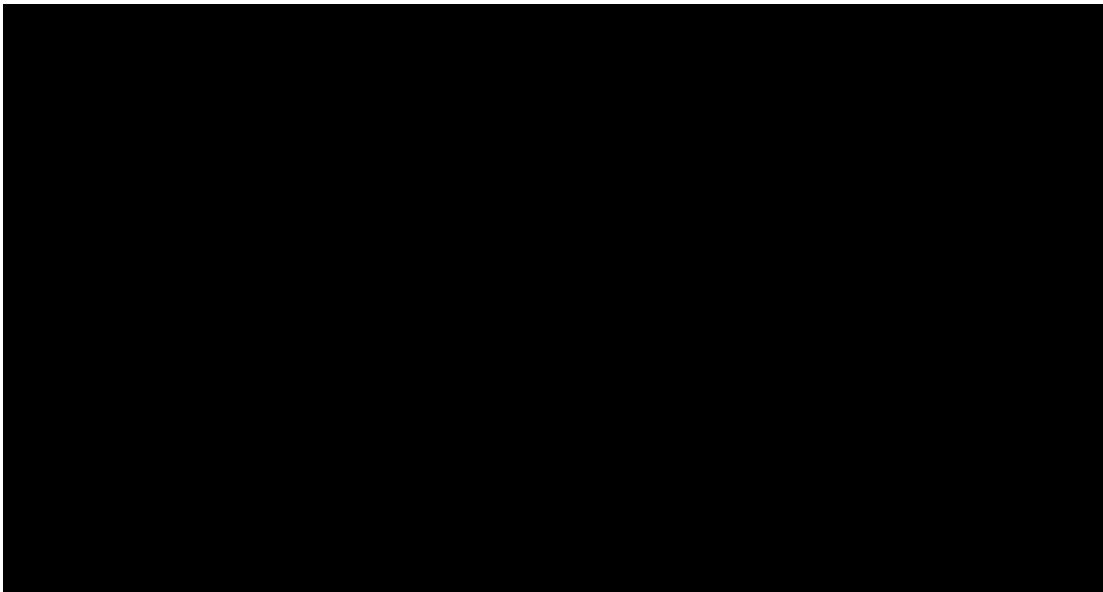


Hendrick Health intends to continue thoughtfully evaluating opportunities through the post-Merger integration process, and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

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

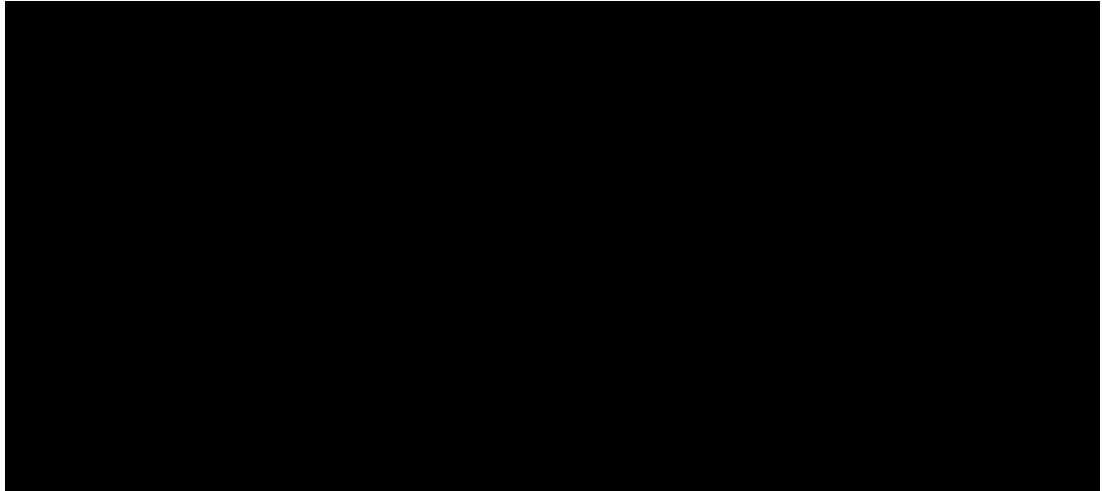
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- 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 patient care. As of the end of Quarter 3 FY2021, Hendrick Health continued to enhance the coordination of services through the following:
 - **Joint Commission Tracer Activities**¹⁹: Hendrick Health continued ongoing tracer activities within clinical departments to ensure readiness for the Joint Commission extension survey, which is expected to occur in August 2021 at HMC-S.²⁰ 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.



¹⁹ 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.

²⁰ 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.



- **Nursing Organizational Chart Alignment and Optimization:** Hendrick Health conducted strategic planning for nursing organizational chart with intuitive structure for integration and cultural development, as well as educational structure and resources to address standardized on-boarding, orientation, education strategies, resources, and quality of care growth opportunities. This initiative is expected to be implemented in September 2021 and updates will be provided in future quarterly reports.
- **Implementation of Organization-Wide Imaging System:** Hendrick Health implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system in Quarter 3 FY2021, which will enhance the quality of Radiology and Cardiology imaging across both campuses and also allow for greater connected care across Hendrick Health. For example:
 - The EIS breaks down the barriers between technologies and teams across the organization to allow for real time collaboration.
 - The migration of Radiology and Cardiology PACS reports and images allows for a full patient view for radiologists and cardiologists.
 - The migration across all Hendrick Health locations means that patient studies done at any location can be pulled and compared within seconds from the Vendor Neutral Archive (VNA).
 - The standardizations of the workflows across the organization will increase productivity while decreasing the time needed to support multiple workflows across the departments.
- **Combined Pharmacy and Therapeutics Oversight:** Hendrick Health began developing the Joint Pharmacy and Therapeutics (P&T) Oversight Committee, which includes representatives from both HMC and HMC-S. The Committee aims to progress to one drug formulary to reduce costs and variation in care.
- **Expansion to the EKG Tech Program to HMC-S:** Hendrick Health added three (3) full-time positions to its EKG Technician Program (approved May 2021) in order to support these services at HMC-S. Previously, electrocardiograms (EKGs) were performed by the

Cardiopulmonary department at HMC-S. The expansion of the EKG program to HMC-S has allowed Hendrick Health to increase standardization of these services across HMC and HMC-S and free up valuable resources within the Cardiopulmonary department when there is a great need to care for patients with COVID-19.

- **Cardiac Rehab equipment upgrade at HMC-S:** Hendrick Health is in the planning process to upgrade the current patient charting and monitoring device in the Cardiac Rehab department to an electronic system that will connect to Hendrick Health's EMR platform and allow medical directors to login and sign reports, hence moving away from paper, handwritten charts. The upgrade is expected to be implemented in Fall 2021.
- **Expanded Dialysis services:** As discussed in the Quarter 2 FY2021 Performance Report, Hendrick Health is in the process preparing 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. During Quarter 3 FY2021, Hendrick Health:
 - Hired additional dialysis nurses and conducted training/orientation
 - Purchased additional dialysis equipment
 - Scheduled planning for a shared team approach across both HMC and HMC-S
- **Planned opening of Hendrick Service Center:** During Third Quarter FY2021, Hendrick Health announced its plans to open a new shared service center in the former Sears building, located at the Mall of Abilene in Abilene, Texas. Hendrick Service Center was purchased to provide a centralized accessible hub for patient services. By relocating existing administrative and retail services currently housed in and around the campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients. Additionally, Hendrick Health will be able to relocate Hendrick Medical Supply, which specializes in durable medical equipment and supplies, from North 8th Street to the north entrance of the new Hendrick Service Center. Hendrick HouseCalls will also move its main office from Ambler Avenue to the Hendrick Service Center. These combined relocations will help reduce inefficiency and fragmentation. Future plans for the 158,000-square-foot building will include the following services and departments:
 - Billing/Business Services
 - Medical Records/Release Information and Health Information Management
 - Hendrick Clinic Access Center, including physician scheduling and insurance verification
 - Supply Chain
 - Print Shop
 - Warehouse/Distribution Center
 - Human Resources

- Professional Education and Development
 - IT Business Application
- **Coordination of additional clinical staffing at HMC-S:** Through the affiliation with Hendrick Health, HMC-S now has access to increased Texas STAR²¹ 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 Third Quarter FY2021, Hendrick Health contracted with 204 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 additional opportunities to enhance clinical staffing at HMC-S in order to optimize patient services.
- **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.
- **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. Below is the count of transfers from the region for Quarter 3 FY2021:
 - March 2021: Accepted [REDACTED] transfers
 - April 2021: Accepted [REDACTED] transfers
 - May 2021: Accepted [REDACTED] transfers
- Cost Savings Reinvestment Evidence: Hendrick Health plans to and has reinvested cost savings to various local initiatives, such as the Hendrick Service Center, urgent care clinics, outpatient retail pharmacy, non-invasive cardiology suite, organization-wide imaging system, and other capital expenditures.

14. 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 3 FY2021:

²¹ STAR is a Texas Medicaid managed care program.

- **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 6,235 doses.
- **Planned opening of Hendrick Service Center:** In Quarter 3 FY2021, Hendrick Health announced its plans to open a new shared service center in the former Sears building, located in the Mall of Abilene in Abilene, Texas. Hendrick Service Center was purchased to provide a centralized accessible hub for patient services. By relocating existing administrative and retail services currently housed in and around the campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients.
- **Opening of Two New Hendrick Urgent Care Clinics in Abilene:** In Quarter 3 FY2021, Hendrick Health opened two Hendrick Urgent Care clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients.
- **Opening of New Outpatient Retail Pharmacy:** Hendrick Pharmacy on Ambler, a new outpatient retail pharmacy, opened in Quarter 3 FY2021 in a location with increased visibility and access for customers. Its hours mirror those of the Hendrick Urgent Care clinics, to better serve patients who need prescriptions filled. Unlike a traditional retail pharmacy, the Hendrick Pharmacy team works closely with physicians and the hospital to provide connected care for patients.
- **Development of Non-Invasive Cardiology Suite at HMC-S:** The development of the new Non-Invasive Cardiology Suite at HMC-S, which opened in Quarter 3 FY2021, has allowed HMC-S to enhance the inpatient and outpatient cardiology diagnostic testing.
- **Implementation of Organization-Wide Imaging System:** Hendrick Health implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system in Quarter 3 FY2021, which will enhance the quality of Radiology and Cardiology imaging across both campuses and also allow for greater connected care across Hendrick Health.
- **Capital expenditures:** In Quarter 3 FY2021, Hendrick Health spent \$10.3M in capital expenditures across both HMC and HMC-S. [REDACTED] To the extent this information is available, as further shown in Table 26b, the Quarter 3 FY2021 capital expenditure breakout includes:
[REDACTED]

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

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

- Post-Merger Operating Efficiencies: After the Merger closed during Quarter 3 FY2021, Hendrick Health developed a process to identify, track, and report data and financial reports reflecting efficiencies achieved post-Merger. In Quarter 3 FY2021, Hendrick Health identified several potential opportunities or initiatives that are likely to generate efficiencies and reduce unnecessary costs, as summarized below.
- **Selling, General, and Administrative (SG&A)**

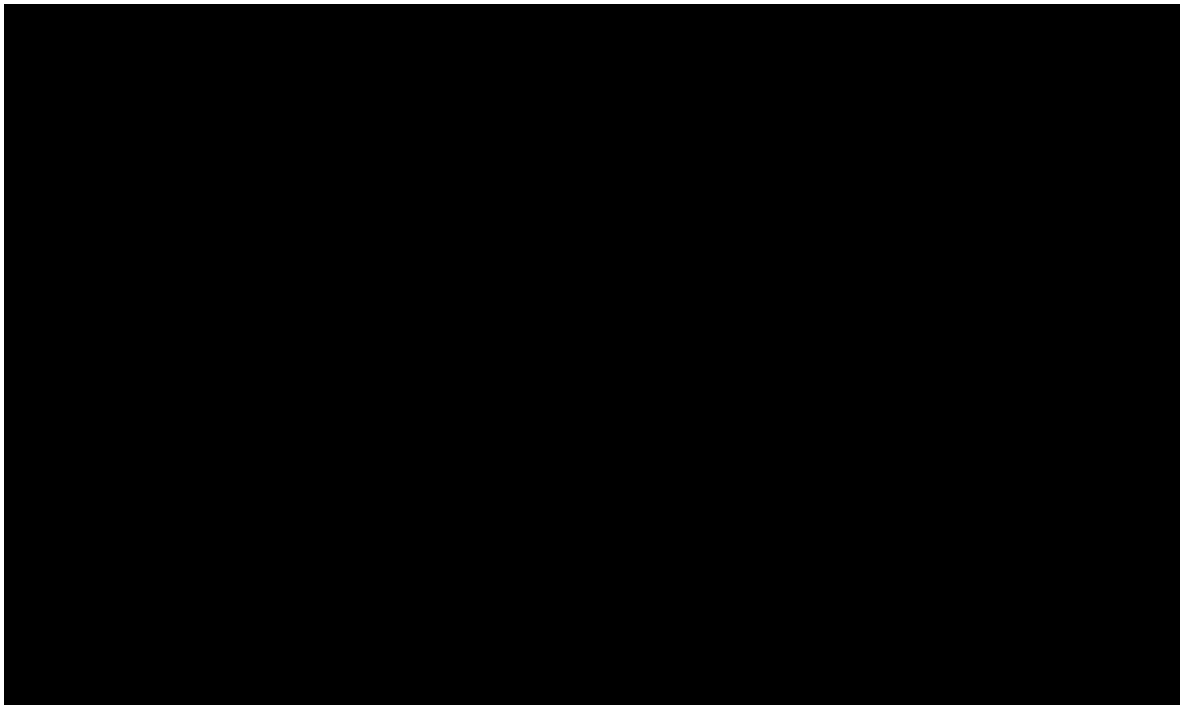


Table 15: Hendrick Health Purchased Services and Supply Contract Savings

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- 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.

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

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

- *Pre-Merger Operating Deficiencies:* [REDACTED]

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

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

- Hendrick Health has used current operating efficiencies, including clinical and SG&A efficiencies, to positively impact healthcare service delivery, patient care, staff, the local community, and counties served.
- 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 Third Quarter FY2021, Hendrick Health implemented the following initiatives:
 - The Hendrick Anesthesia Network began servicing Hendrick Ambulatory Surgery Center South in Quarter 3 FY2021 and is expected to enhance patient experience by increasing standardization of these services across Hendrick Health’s campuses, provide central staffing wherever there is need, and increasing the level of physician (MD/DO) oversight. The goal is to provide a single Anesthesia provider, Hendrick Anesthesia Services, to all Hendrick locations in order to increase clinical integration, standardization, and quality.
 - Radiology Associates of Abilene began serving HMC-S, increasing the service levels available to HMC-S by offering 24/7 coverage by on-site providers (previously night coverage was supported through telehealth consultations) and by increasing the number of providers and specialties available to HMC-S. In addition, Hendrick Health now has a single Radiology provider, which will increase the standardization of these services across Hendrick Health.
 - Extensive preparation was completed in order to prepare for the migration of Hendrick Health hospital services to Allscripts EMR (with a go-live date of June 1, 2021), in order to create “single inpatient medical record” system for Hendrick Health to provide greater connected care between facilities and enhance overall patient experience. In addition, the migration for outpatient therapy services to Allscripts was completed during Quarter 3 FY2021.

- Hendrick Health began development of the Joint Pharmacy and Therapeutics (P&T) Oversight Committee, including representatives from both HMC and HMC-S, which aims to progress to one drug formulary to reduce costs and variation in care.
- Hendrick Health added a Hendrick Hospice Liaison at HMC-S to provide an on-site presence and educational opportunities for end of life care. The Hospice Liaison also helps facilitate a more seamless and efficient transfer of patients from the hospital setting to a hospice setting. [REDACTED]
- 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 improvement of patient care through upgrading technology and replacing older equipment. For example, Hendrick Health successfully implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system on March 30, 2021, allowing providers to view images on one system regardless of their location on the two campuses. This also supports proper alignment of care and proper diagnosis of cardiac and radiology patients, and will enhance the quality of Radiology and Cardiology imaging across both campuses, allowing for greater connected care across Hendrick Health. For example:
 - The EIS breaks down the barriers between technologies and teams across the organization to allow for real time collaboration.
 - The migration of Radiology and Cardiology PACS reports and images allows for a full patient view for radiologists and cardiologists.
 - The migration across all Hendrick Health locations means that patient studies done at any location can be pulled and compared within seconds from the Vendor Neutral Archive (VNA).
 - The standardizations of the workflows across the organization will increase productivity while decreasing the time needed to support multiple workflows across the departments.
- Hendrick Health opened the new Non-Invasive Cardiology Suite at HMC-S in Quarter 3 FY2021, which has allowed HMC-S to enhance its inpatient and outpatient Cardiology diagnostic testing department. The development of the new suite enabled HMC-S to do the following:
 - Create a positive patient environment by moving the prior waiting space for patients from a chair in the hallway to a beautifully decorated and designed waiting room, making it more comfortable and spacious for patients and families;
 - Add a designated registrar that has allowed patients to be moved through the system much quicker;
 - Increase the outpatient imaging rooms from two to three, which generated an increase in outpatient capacity by approximately 100 studies per month;

- Add new individual workstations for Cardiovascular techs that have increased their overall efficiency for inpatient and outpatient cardiology studies; and
- Develop a hospital-based Device Clinic that has improved access for patients to have their pacemakers, implantable cardioverter defibrillators (ICD), and other cardiac devices checked in person and remotely, which in turn increased capacity to more than 100 patients per month for in-person checks and 40 patients per month using remote capabilities.
- 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.
- Conducted strategic planning for a nursing organizational chart with a more intuitive structure for integration and cultural development; educational structure and resources to address standardized on-boarding, orientation, education strategies, resources, and quality of care growth opportunities. Hendrick Health hosted its first nursing executive group planning session.
- Continued recruitment for critical staff underway (permanent and temporarily) to provide the needed care for our community. Working as a team with our other campuses, HMC-S received many State personnel during the initial peak/surge of COVID, and is currently tapping into all available resources during this current COVID surge.

18. 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 charges²² 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 patients without negotiations. **Table 18a** below identifies Quarter 3 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. Beginning in Quarter 2 FY2021 (the first full quarter post-Merger) and going forward, the ancillary health services data include both HMC and HMC-S combined.

²² Gross charges are charges prior to any contractual discount allowance for various payor classes.

Table 18a: HMC Ancillary Health Services

| Ancillary Service | Volume | | | | Gross CDM Charges | | | |
|---|----------------------|-------------------------|-----------|-----------|-------------------|------------|------------|------------|
| | FY2020 ²³ | Q1 FY2021 ²⁴ | Q2 FY2021 | Q3 FY2021 | FY2020 | Q1 FY2021 | Q2 FY2021 | Q3 FY2021 |
| Laboratory Services²⁵ | | | | | | | | |
| <i>Routine Venipuncture</i> | 277,465 | 71,721 | 82,199 | 83,165 | | \$19.54 | \$19.54 | \$19.54 |
| <i>Blood Glucose Monitor</i> | 176,460 | 53,369 | 71,606 | 59,016 | | \$32.70 | \$32.70 | \$32.70 |
| <i>CBC With Diff</i> | 144,129 | 37,576 | 43,715 | 46,185 | | \$173.65 | \$173.65 | \$173.65 |
| <i>Comp. Metabolic Panel</i> | 106,789 | 29,060 | 35,295 | 37,175 | | \$491.19 | \$491.19 | \$491.19 |
| <i>Basic Metabolic Panel</i> | 38,365 | 9,322 | 10,666 | 11,947 | | \$360.70 | \$360.70 | \$360.70 |
| Imaging Services | | | | | | | | |
| <i>SCR Mammography</i> | 11,064 | 3,138 | 3,649 | 3,695 | | \$499.71 | \$499.71 | \$499.71 |
| <i>Breast Tomo Screening</i> | 10,503 | 3,026 | 3,601 | 4,036 | | \$109.66 | \$109.66 | \$109.66 |
| <i>Vascular Ultrasound</i> | 2,958 | 869 | 881 | 916 | | \$6,723.27 | \$6,723.27 | \$6,723.27 |
| <i>Renal Ultrasound</i> | 2,370 | 567 | 654 | 678 | | \$1,149.48 | \$1,149.48 | \$1,149.48 |
| <i>Gallbladder Ultrasound</i> | 2,287 | 473 | 491 | 671 | | \$1,159.20 | \$1,159.20 | \$1,159.20 |
| Pharmacy | | | | | | | | |
| <i>Sodium Chloride 0.9%</i> | 507,539 | 127,525 | 134,331 | 125,793 | | \$1.43 | \$1.43 | \$1.44 |
| <i>Insulin Injection (1 Unit)</i> | 448,408 | 145,870 | 210,552 | 148,083 | | \$3.51 | \$3.51 | \$3.51 |
| <i>Iodine Contrast (LOCM)</i> | 401,327 | 159,108 | 216,805 | 192,696 | | \$4.44 | \$4.44 | \$4.44 |
| <i>Iodine Contrast (Visipaque)</i> | 280,579 | 69,301 | 70,546 | 99,250 | | \$2.24 | \$2.24 | \$2.24 |
| <i>Insulin Injection (5 Units)</i> | 110,294 | 44,387 | 60,211 | 44,424 | | \$5.29 | \$5.29 | \$5.29 |
| Respiratory Therapy | | | | | | | | |
| <i>SVN-MDI Airway Treatment</i> | 74,606 | 27,075 | 46,666 | 26,859 | | \$699.43 | \$699.43 | \$699.43 |
| <i>Arterial Puncture</i> | 6,653 | 1,939 | 2,621 | 1,859 | | \$423.53 | \$423.53 | \$423.53 |
| <i>Full Body Chamber (30 min)</i> | 5,785 | 1,606 | 2,134 | 2,394 | | \$640.07 | \$640.07 | \$640.07 |
| <i>Ventilation Assist²⁶</i> | 4,552 | 1,621 | 3,304 | 1,619 | | \$5,878.87 | \$5,878.87 | \$5,878.87 |
| <i>CPAP</i> | 4,254 | 1,582 | 2,808 | 1,870 | | \$2,467.57 | \$2,467.57 | \$2,467.57 |

- **Ancillary Health Services Quality:** Table 18b and Table 18c 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 using October 2020 data to calculate April 2021 (shown below in Quarter 3 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 Spring 2021, shown in Table 18b and Table 18c respectively, reflect the most recently available scores. Hendrick Health will report updated information as it becomes available.

²³ Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

²⁴ 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.

²⁵ 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.

²⁶ Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% between FY2019 and FY2020.

Table 18b: HMC Ancillary Health Services Quality Scores²⁷

| Experience | Baseline Period | | | | | | | | | | | | Post-Merger Period | | |
|--|-----------------|-------|-------|-------|--------|-------|-------|-------|--------|-------|-------|-------|--------------------|-------|-------|
| | FY2018 | | | | FY2019 | | | | FY2020 | | | | FY2021 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Use of Medical Imaging ²⁸ | | | | | | | | | | | | | | | |
| 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% | 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% | 6.9% |
| Medication Safety | | | | | | | | | | | | | | | |
| Safe Medication Ordering ²⁹ | N/A | | | | N/A | | | | N/A | | | | 100 | | |

Table 18c: Legacy ARMC Ancillary Health Services Quality Scores³⁰

| Experience | Baseline Period | | | | | | | | | | | | Post-Merger Period | | |
|--|-----------------|-------|-------|-------|--------|-------|-------|-------|--------|-------|-------|-------|--------------------|-------|-------|
| | FY2018 | | | | FY2019 | | | | FY2020 | | | | FY2021 | | |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| Use of Medical Imaging ³¹ | | | | | | | | | | | | | | | |
| 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% | 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% | 5.4% |
| Medication Safety | | | | | | | | | | | | | | | |
| Safe Medication Ordering ³² | N/A | | | | N/A | | | | N/A | | | | 45 | | |

19. 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 19a** below identifies Quarter 3 FY2021 volumes and the average CPT charges for select CPT codes for hospital-based emergency

²⁷ Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.cms.gov) and [Leapfrog Group](https://www.leapfroggroup.org)).

²⁸ 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.”

²⁹ 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.

³⁰ See *supra* note 23.

³¹ See *supra* note 24 for more information.

³² 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.

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 19a** as pre-Merger data for legacy ARMC was not available to Hendrick Health. Beginning with the Second Quarter FY2021 (the first full quarter post-Merger) and going forward, the physician services data in **Table 19a** includes both HMC and HMC-S combined.

Table 19a: HMC Physician Services

| CPT | Description | Volume | | | | Average CPT Charge | | | |
|-------|-----------------------------------|----------------------|-------------------------|-----------|-----------|--------------------|-----------------------|-----------|-----------|
| | | FY2020 ³³ | Q1 FY2021 ³⁴ | Q2 FY2021 | Q3 FY2021 | FY2020 | Q1 FY2021 | Q2 FY2021 | Q3 FY2021 |
| 99281 | ED Visit and Evaluation – Level 1 | 2,430 | 617 | 631 | 662 | \$428 | \$480 | \$480 | \$480 |
| 99282 | ED Visit and Evaluation – Level 2 | 7,614 | 2,018 | 1,531 | 1,613 | \$807 | \$901 | \$901 | \$901 |
| 99283 | ED Visit and Evaluation – Level 3 | 22,120 | 4,690 | 4,872 | 5,409 | \$1,185 | \$1,327 | \$1,327 | \$1,327 |
| 99284 | ED Visit and Evaluation – Level 4 | 17,905 | 5,077 | 6,081 | 5,727 | \$2,391 | \$2,667 | \$2,667 | \$2,667 |
| 99285 | ED Visit and Evaluation – Level 5 | 11,406 | 5,706 | 6,382 | 5,091 | \$5,210 | \$5,836 ³⁵ | \$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 94.4 as a composite MIPS score out of 100 possible points for FY2020 services. See below **Table 19b** for historical MIPS scores. In FY2020, due to IT systems issues resulting from the transition, Hendrick Health was not able to fully capture all available data thus reflecting the slight decline in score from FY2019.

Table 19b: MIPS Score

| | FY2018 | FY2019 | FY2020 |
|------------------------------|---------|--------|--------|
| Historical MIPS Score | | | |
| Hendrick Provider Network | 100/100 | 97/100 | 94/100 |

- The FY2020 MIPS score was based on four categories, each representing a specific weight of the final composite score: (i) Quality (55%); (ii) Promoting Interoperability (30%); (iii) Improvement Activities (15%); and (iv) Cost (0%).³⁶ 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.

³³ Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

³⁴ 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.

³⁵ FY2021 Q1 figure updated to reflect corrected amount.

³⁶ Centers for Medicare Services, Quality Payment Program (<https://qpp.cms.gov/mips/overview>).

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

- Consolidation of Services: As of the end of Quarter 3 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 3 FY2021 by Hendrick Health are outlined in **Attachment 1**.

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

- Impact on patient outcomes: As of the end of Quarter 3 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.

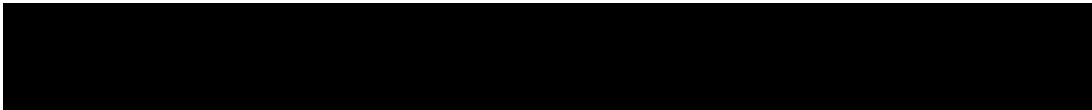
C. *Accessibility*

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

[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 Third 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 over 6,000 doses to community members. Hendrick Health’s improved patient transfer process allowed for over 600 inbound transfers during Quarter 3 FY2021 from surrounding cities. Additionally, in Quarter 3 FY2021, Hendrick Health opened two Urgent Care clinics in Abilene. These clinics created additional access points where patients can receive medical care.
 - Establishing Crisis Services, e.g., for Substance Abuse: Hendrick Health is currently working with sending referrals to local agencies for inpatient and outpatient treatment, and will work to maintain a list of resources and counseling services to provide for this patient population.
 - Coordination of Patient Care: Hendrick Health continued developing a new, centralized patient transfer process to streamline patient transfers. Hendrick Health has continued CNO/ACNO strategic planning for nursing organizational chart to address standardized on-boarding, orientation, education strategies, resources, and quality of care growth opportunities

○





- 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.

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

- Post-Merger during the Third Quarter FY2021, Hendrick Health did not discontinue any patient services
- Hendrick Health expanded patient services in the following ways during the Third Quarter FY2021:
 - Addition of telehealth Maternal Fetal Medicine (MFM) services;
 - Addition of a full-time Patient Relations Representative at HMC-S in March 2021 providing services to patients, families and physicians and establishing effective patient rounding;
 - Addition of a Hendrick Hospice Liaison at HMC-S, providing on-site presence and educational opportunities for end of life care;
 - Addition of two new Urgent Care clinics
 - Addition of new outpatient retail pharmacy
 - Addition of non-invasive Cardiology suite at HMC-S
 - Expansion to the EKG Tech Program to HMC-S
 - Cardiac Rehab upgrade at HMC-S; and
 - Continued of a centralized Patient Transfer Center allowing for the acceptance of more patient transfers to Hendrick Health.

24. 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 Third Quarter FY2021 (as reported by CMS in April 2021) for HMC and HMC-S are provided below in **Table 24a** and **Table 24b**, 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 3 FY2021 because its ED patient volume is estimated to be over 60,000 annually. During Quarter 3 FY2021, HMC’s ED wait times remained below the national median time for “Very High” volume hospitals. 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 3 FY2021.

- Hendrick Health does not track any other patient wait times in the ordinary course of business.

Table 24a: HMC Average ED Wait Times

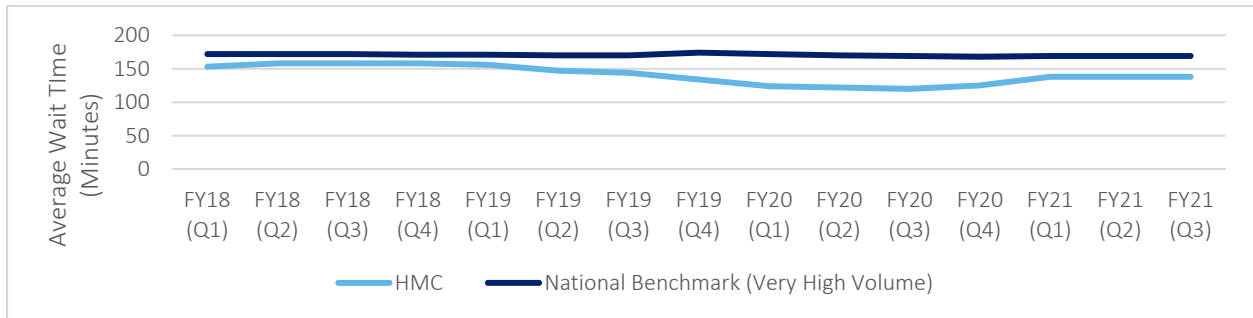


Table 24a-2: HMC Average ED Wait Times

| Average Wait Time (Minutes) | FY18 (Q1) | FY18 (Q2) | FY18 (Q3) | FY18 (Q4) | FY19 (Q1) | FY19 (Q2) | FY19 (Q3) | FY19 (Q4) | FY20 (Q1) | FY20 (Q2) | FY20 (Q3) | FY20 (Q4) | FY21 (Q1) | FY21 (Q2) | FY21 (Q3) |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| HMC | 153 | 158 | 158 | 158 | 156 | 147 | 144 | 134 | 124 | 122 | 120 | 125 | 138 | 138 | 138 |
| National Benchmark | 172 | 172 | 172 | 171 | 171 | 170 | 170 | 174 | 172 | 170 | 169 | 168 | 169 | 169 | 169 |

Table 24a-3: HMC Average ED Wait Times

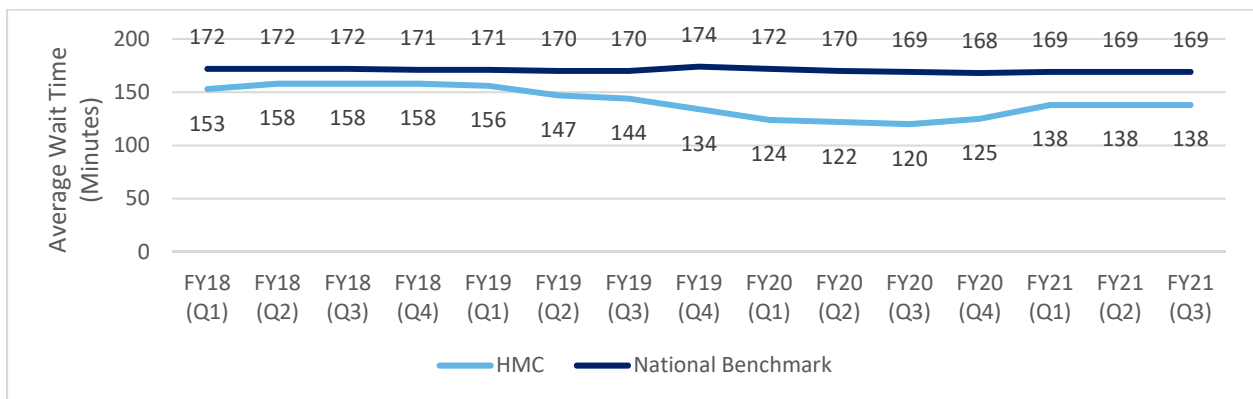


Table 24b: HMC-S Average ED Wait Times

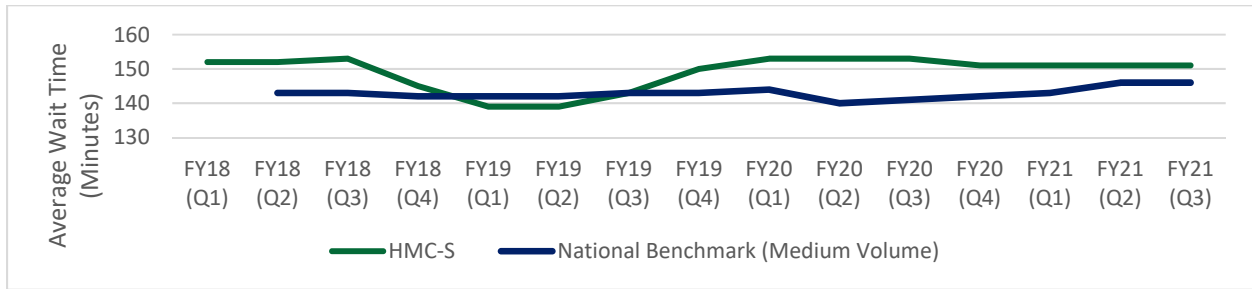
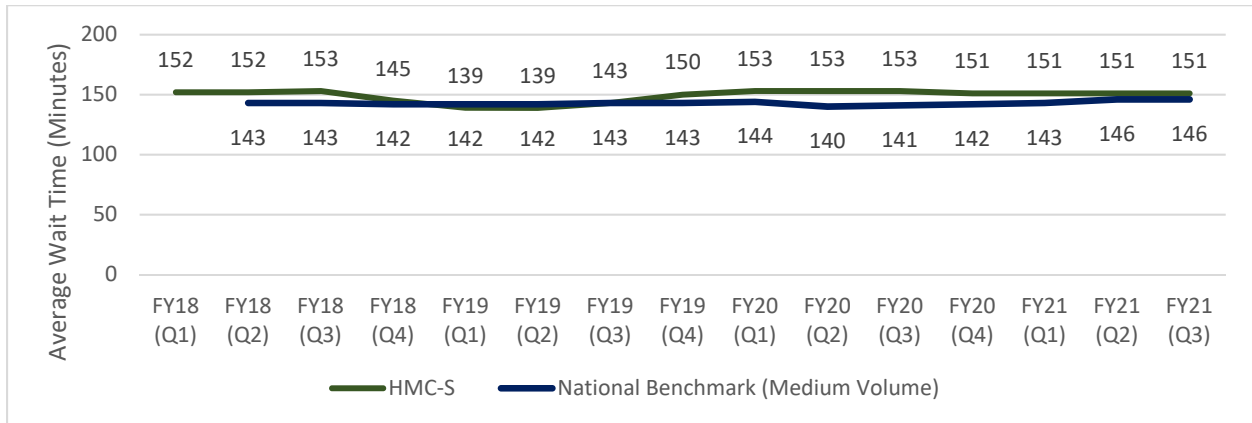


Table 24b-2: HMC-S Average ED Wait Times

| Average Wait Time (Minutes) | FY18 (Q1) | FY18 (Q2) | FY18 (Q3) | FY18 (Q4) | FY19 (Q1) | FY19 (Q2) | FY19 (Q3) | FY19 (Q4) | FY20 (Q1) | FY20 (Q2) | FY20 (Q3) | FY20 (Q4) | FY21 (Q1) | FY21 (Q2) | FY21 (Q3) |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| HMC-S | 152 | 152 | 153 | 145 | 139 | 139 | 143 | 150 | 153 | 153 | 153 | 151 | 151 | 151 | 151 |
| National Benchmark (Medium Volume) | | 143 | 143 | 142 | 142 | 142 | 143 | 143 | 144 | 140 | 141 | 142 | 143 | 146 | 146 |

Table 24b-3: HMC-S Average ED Wait Times



25. 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 Third Quarter FY2021, Hendrick Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery:
 - **Addition of Hendrick Hospice Liaison at HMC-S:** [REDACTED] Hendrick Health added a Hendrick Hospice Liaison at HMC-S to provide an on-site presence and educational opportunities for end of life care. The Hospice Liaison also helps facilitate a more seamless and efficient transfer of patients from the hospital setting to a hospice setting.

- **Addition of Patient Relations Services at HMC-S:** [REDACTED]
[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 in Quarter 2 FY2021, and this representative started on Quarter 3 FY2021.
- **Addition of Telehealth Maternal Fetal Medicine (MFM) Services:** Effective May 2021, Telehealth MFM services were added to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor & Delivery department.
- **Planned opening of Hendrick Service Center:** In May 2020, Hendrick Health announced its plans to open a new shared service center in the former Sears building, located in the Mall of Abilene. Hendrick Service Center was purchased to provide a centralized accessible hub for patient services. By relocating existing administrative and retail services currently housed in and around the campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients. Additionally, Hendrick Health will be able to relocate Hendrick Medical Supply which specializes in durable medical equipment and supplies from North 8th St. to the north entrance of the new Hendrick Service Center. Hendrick HouseCalls will also move its main office from Ambler Avenue. These combined relocations will help reduce inefficiency and fragmentation. Future plans for the 158,000-square-foot building (renovations are scheduled to begin October 2021 with projected completion in November 2022) will include the following services and departments:
 - Billing/Business Services
 - Medical Records/Release Information and Health Information Management
 - Hendrick Clinic Access Center, including physician scheduling and insurance verification
 - Supply Chain
 - Print Shop
 - Warehouse/Distribution Center
 - Human Resources
 - Professional Education and Development
 - IT Business Application
- **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.

26. 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 Third Quarter FY2021, Hendrick Health invested approximately \$10.3 million in capital and infrastructure expenditures as a combined health system. **Table 26a** shows a summary of capital, infrastructure, and operating expenditures for the Third Quarter FY2021. **Table 26a-2** shows a summary of capital expenditures broken out for HMC and HMC-S. **Table 26b** shows a detailed breakout of capital expenditures for Third Quarter FY2021.

Table 26a: Capital, Infrastructure and Operating Expenditures

| | Q1 FY2021 | Q2 FY2021 | Q3 FY2021 |
|---|-----------------------------|-----------------------------|---------------|
| <i>Hendrick Health</i> | | | |
| Capital Expenditures | \$6,040,340 | \$7,659,424 ³⁷ | \$10,295,638 |
| Infrastructure Expenditures ³⁸ | \$1,986,273 | \$770,391 | \$349,032 |
| Operating Expenditures | \$123,982,728 ³⁹ | \$129,478,930 ⁴⁰ | \$138,592,951 |

Table 26a-2: Q3 FY2021 Capital Expenditures Breakout between HMC and HMC-S

| | North | South | Total |
|--|--------------|--------------|---------------|
| | | | |
| | 7,407,124.60 | 2,888,513.40 | 10,295,638.00 |

³⁷ “Capital Expenditures” for Q2 FY2021 have been restated to exclude capital expenditures for Hendrick Medical Center Brownwood, which were included erroneously (\$2,056,825 had been included in the Q2 FY2021 report).

³⁸ “Infrastructure Expenditures” are included within “Capital Expenditures” line in Table 26a.

³⁹ Operating Expenditures for Q1 FY2021 have been restated in this Report, from \$129,341,404 to \$123,982,728, to exclude depreciation expense that was incorrectly included.

⁴⁰ Operating Expenditures for Q2 FY2021 have been restated in this Report, from \$136,377,520 to \$129,478,930, to exclude depreciation expense that was incorrectly included.

Table 26b: Q3 FY2021 Capital Expenditure Breakout

| | Q3 FY2021 |
|----------------------------|--------------|
| <i>Hendrick Health</i> | |
| | |
| Total Capital Expenditures | \$10,295,638 |

27. 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 3 FY2021, Hendrick has identified the following potential opportunities:
 - **Opening of Two New Hendrick Urgent Care Clinics:** In Quarter 3 FY2021, Hendrick Health opened two Hendrick Urgent Care clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients. Each Urgent Care clinic includes:
 - 3,500 square-foot facility
 - Five exam rooms
 - One large procedure room
 - On-site X-ray services
 - On-site laboratory services
 - Occupational Health (DOT exams, mask fittings, drug screens, EtOH breath tests, etc.)
 - Spacious waiting area
 - Designated children's waiting area
 - Online appointment check-in and registration
 - Electronic medical record system connected to Hendrick Health care sites.
 - **Opening of New Outpatient Retail Pharmacy:** Hendrick Pharmacy on Ambler, a new outpatient retail pharmacy, opened in Quarter 3 FY2021, in a physical location with increased visibility and access for customers. Its hours mirror those of the Hendrick Urgent Care clinics to better serve patients who need prescriptions filled. Unlike a traditional retail pharmacy, the Hendrick Pharmacy team works closely with physicians and the hospital to provide connected care for patients, including the following initiatives.

- Transition of Care Team – focuses on discharge medications for patients going home from the ED or hospital
 - Specialized Cardiac Program – focuses on post-coronary interventional and heart failure clinic patients in an effort to help eliminate barriers for prescription drugs for these high-risk patients
 - Chronic Disease Management Program – helps provide drug assistance beyond the first month after hospital discharge
 - Medication Management Clinic – currently partners with a group of select Hendrick Clinic physicians through collaborative practice agreements, allowing Hendrick Health to further assist in patient compliance and education.
- **Development of Non-Invasive Cardiology Suite at HMC-S:** The development of the new Non-Invasive Cardiology Suite at HMC-S, which opened during Quarter 3 FY2021, allowed HMC-S to enhance the inpatient and outpatient cardiology diagnostic testing department. The development of the new suite enabled HMC-S to do the following:
 - Create a positive patient environment by moving the prior waiting space for patients from a chair in the hallway to a beautifully decorated and designed waiting room making it more comfortable and spacious for patients and families
 - Add a designated registrar that has allowed patients to be moved through the system much quicker
 - Increase the outpatient imaging rooms from 2 to 3, which generated an increase in outpatient capacity by approximately 100 studies per month
 - Add new individual workstations for CV techs that has increased their overall efficiency for inpatient and outpatient cardiology studies
 - Develop a hospital-based Device Clinic that has improved access for patients to have their pacemakers, ICD's, and other cardiac devices checked in person and remotely, which then increased capacity to more than 100 patients per month for in person checks and 40 patients per month using remote capabilities
 - **Expansion to the EKG Tech Program to HMC-S:** Hendrick Health added three (3) full-time positions to its EKG Technician Program (approved May 2021) in order to support these services at HMC-S. Previously, electrocardiograms (EKGs) were performed by the Cardiopulmonary department at HMC-S. The expansion of the EKG program to HMC-S has allowed Hendrick Health to increase standardization of these services across HMC and HMC-S, and free up valuable resources within the Cardiopulmonary department when there is a great need to care for patients with COVID-19.
 - **Cardiac Rehab equipment upgrade at HMC-S:** Hendrick Health is in the planning process to upgrade the current patient charting and monitoring device in the Cardiac Rehab department to an electronic system that will connect to Hendrick Health's EMR platform and allow medical directors to electronically access reports, moving away from paper and handwritten charts. The upgrade is expected to be implemented in the future.

- **Addition of Telehealth Maternal Fetal Medicine (MFM) Services:** Effective Quarter 3 FY2021, Telehealth MFM services were added to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor & Delivery department.
- **Expansion of Pastoral Care Services at HMC-S:** During Quarter 2 FY2021, Hendrick Health added Pastoral Care Services (including a dedicated chaplain) to HMC-S, [REDACTED]. In Quarter 3 FY2021, the chaplain conducted over 544 patient visits and 92 employee need visits, including responses to patient codes or deaths.
- **Expansion of Palliative Care Services at HMC-S:** During Quarter 2 FY2021, Hendrick Health expanded palliative care and social work services to HMC-S, [REDACTED]. In Quarter 3 FY2021, HMC-S responded to 20 palliative care referrals.

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

- 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.

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

- During the Third Quarter FY2021, Hendrick Health enrolled 3,771 patients in charity care and financial assistance programs (see **Table 29**). 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.

Table 29: Count of Patients Enrolled in Charity Care

| | FY2020 | Q1 FY2021 ⁴¹ | Q2 FY2021 ⁴² | Q3 FY2021 |
|------------------------------|--------|-------------------------|-------------------------|-----------|
| Charity Care Patients | | | | |
| HMC | 5,382 | 2,729 | 3,103 | 3,771 |
| HMC-S (legacy ARMC) | 38 | 842 | | |

- 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%).

⁴¹ Q1 FY2021 charity care patients at HMC have been restated from 2,593 (per Q1 FY2021 Performance Report) to 2,729 due to retroactive reclassifications of charity patients.

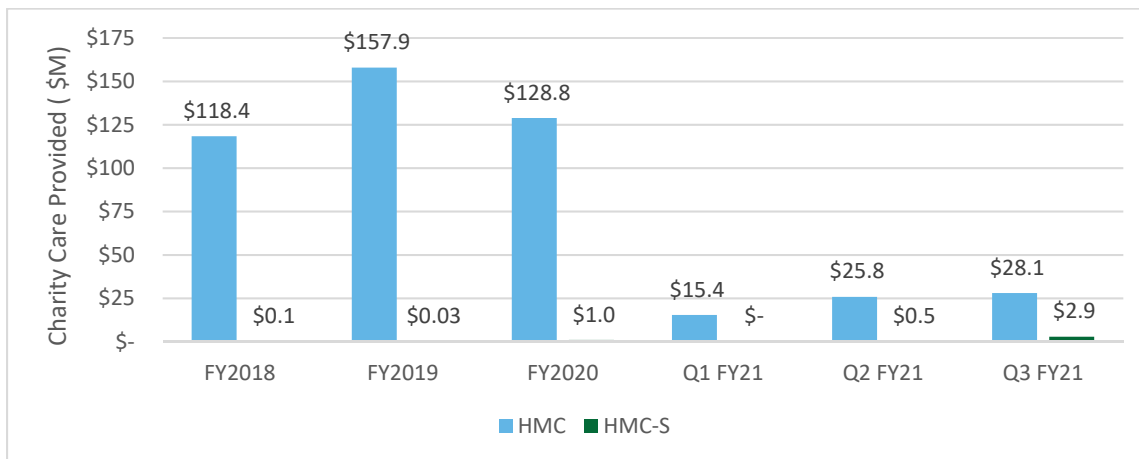
⁴² Q2 FY2021 charity care patients have been restated from 2,938 (per Q2 FY2021 Performance Report) to 3,103 due to retroactive reclassifications of charity patients.

- 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.

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

- The combined financial investment in charity care of \$31.0 million for both HMC and HMC-S for Quarter 3 FY2021 is shown below in **Table 30**. Notably, most of the charity care assigned occurs after care has already been provided, which means charity is typically approved 90 to 120 days post-discharge. The amount of charity care provided in Quarter 3 FY2021 increased as compared to Quarter 2 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.

Table 30: Charity Care⁴³



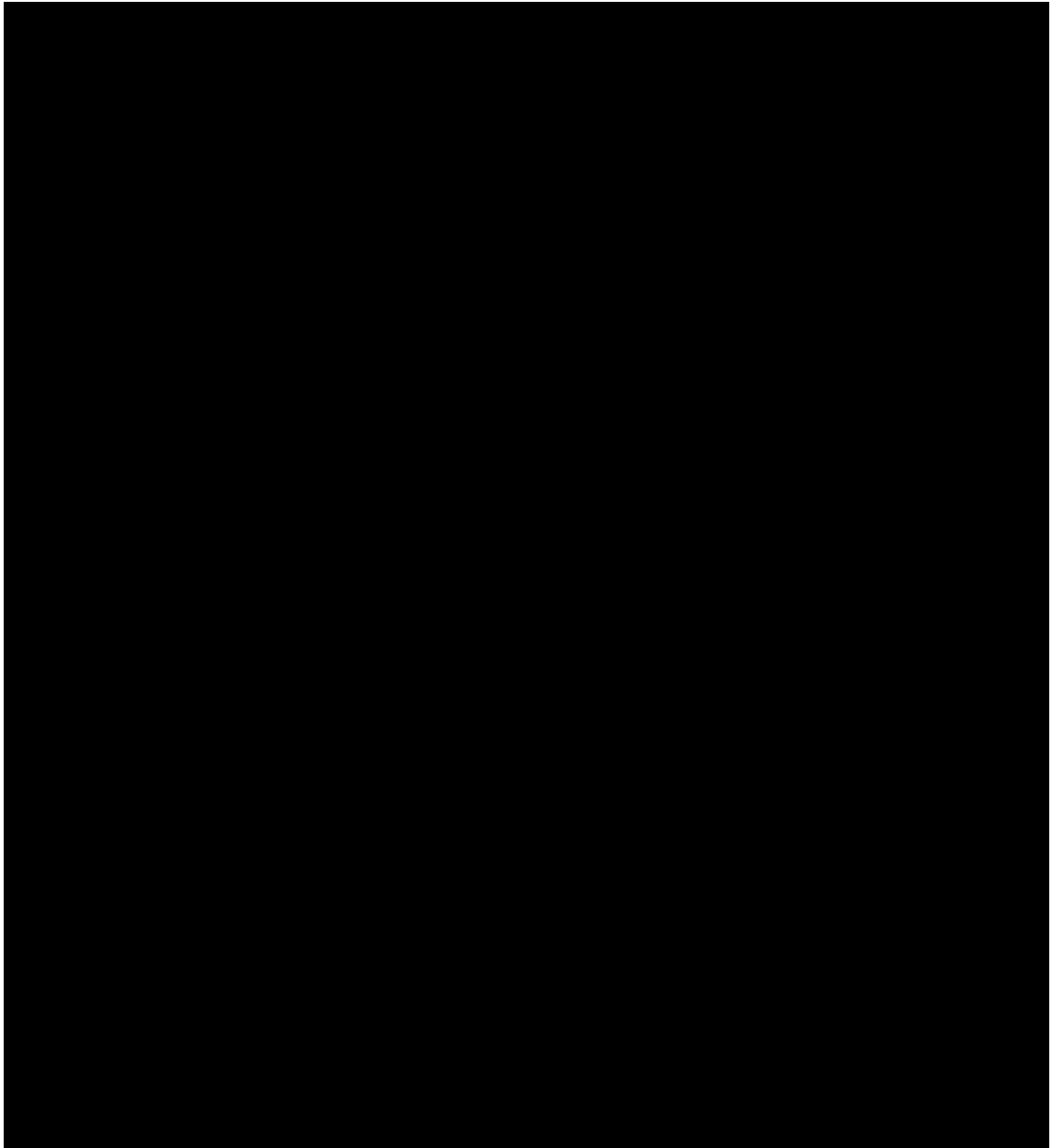
31. Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.

[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 3 FY2021, Hendrick Health has implemented the following initiatives that will increase clinical integration between the facilities and providers:



⁴³ For legacy ARMC, Hendrick Health does not have access to the pre-Merger charity care data for September and October 2020.



- **Implementation of Organization-Wide Imaging System:** Hendrick Health implemented Fujifilm’s Enterprise Imaging System (EIS), Vendor Neutral Archive (VNA), and Pictures Archiving and Communication System (PACS) encompassing Radiology/Cardiology for the entire system on March 30, 2021, which will enhance the quality of Radiology and Cardiology imaging across both campuses and also allow for greater connected care across Hendrick Health. For example:
 - The EIS breaks down the barriers between technologies and teams across the organization to allow for real time collaboration.
 - The migration of Radiology and Cardiology PACS reports and images allows for a full patient view for radiologists and cardiologists.

- The migration across all Hendrick Health locations means that patient studies done at any location can be pulled and compared within seconds from the Vendor Neutral Archive (VNA).
 - The standardizations of the workflows across the organization will increase productivity while decreasing the time needed to support multiple workflows across the departments.
- **Combined Pharmacy and Therapeutics Oversight:** Hendrick Health began development of the Joint Pharmacy and Therapeutics (P&T) Oversight Committee, including representatives from both HMC and HMC-S, which aims to progress to one drug formulary to reduce costs and variation in care.
- **Expansion to the EKG Tech Program to HMC-S:** Hendrick Health added three (3) full-time positions to its EKG Technician Program (approved May 2021) in order to support these services at HMC-S. Previously, EKGs were performed by the Cardiopulmonary department at HMC-S. The expansion of the EKG program to HMC-S has allowed Hendrick Health to increase standardization of these services across HMC and HMC-S and free up valuable resources within the Cardiopulmonary department when there is a great need to care for patients with COVID-19.
- **Cardiac Rehab equipment upgrade at HMC-S:** Hendrick Health is in the planning process to upgrade the current patient charting and monitoring device in the Cardiac Rehab department to an electronic system that will connect to Hendrick Health’s EMR platform and allow medical directors to login and sign reports, hence moving away from paper, handwritten charts.
- **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.
- **Joint Commission Tracer Activities⁴⁴:** Hendrick Health continued ongoing tracer activities within clinical departments to validate readiness for extension survey. 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.

The areas noted above have increased clinical integration between HMC and HMC-S and have generated cost savings for the combined organization. As this report is based on seven 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.

⁴⁴ 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.

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

- As a result of the Merger, during Quarter 3 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 continued improving its 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 3 FY2021, Hendrick accepted 943 in-bound transfer patients.
 - Hendrick Health opened new Hendrick Urgent Care Clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients.
 - Hendrick Health has developed advanced options for remote care. The development of the new Non-Invasive Cardiology Suite at HMC-S, which opened during Quarter 3 FY2021, has allowed HMC-S to enhance the inpatient and outpatient cardiology diagnostic testing department. Among the initiatives, Hendrick Health has developed a hospital-based Device Clinic that has improved access for patients to have their pacemakers, ICD's, and other cardiac devices checked remotely, which then increased capacity to more than 40 patients per month using remote capabilities. Also, effective Quarter 3 FY2021, Telehealth Maternal Fetal Medicine (MFM) services were added to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor & Delivery department.
 - 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 Abilene. In Quarter 3 FY2021, through the combined entity, Hendrick Health distributed 6,235 COVID vaccine doses.
 - 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.

33. A list of health plans each hospital contracted with before the merger, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.
- Table 33 of the Baseline Performance Report shows a list of the health plans each hospital contracted with during fiscal year 2019. **Table 33** of this Report lists the health plans Hendrick Health contracted with as of the Third Quarter FY2021, which have remained unchanged from the previous report (the Quarter 2 FY2021 Performance Report).

Table 33: Health Plans Accepted by Hendrick Health as of Quarter 3 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) |

34. 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 34** 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 3 FY2021, service levels at HMC have been maintained post-Merger. As of Quarter 3 FY2021, service levels at HMC-S are as follows:
 - ED:** The post-Merger change of ownership process required HMC-S to re-apply for Level 4 ED status (which requires an on-site survey), and the status was in pursuit for the past Q1 FY2021 and Q2 FY2021 Performance Reports. Due to scheduled EMR conversion, Hendrick Health was advised to hold and have a minimum of six months of consistent EMR data for surveyors’ review. Pending re-survey, HMC-S may maintain its Level 4 designation and receive reimbursement.
 - NICU:** As a result of the change in ownership through the Merger, the NICU at HMC-S 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 continues to evaluate options for re-establishing the Level 2 NICU designation at HMC-S.

- **MFM:** Hendrick Health had pursued a Level 1 MFM designation for HMC-S, as described in the Quarter 2 FY2021 Performance Report, and successfully received the designation in Quarter 3 FY2021. This change has been updated in the table below. Achievement of Level 1 MFM designation allows Hendrick Health to be a better steward of ensuring all relevant policies and procedures are consistent with current standards of maternal practice, enabling early identification and diagnoses of at-risk populations, and providing treatments to reduce morbidity and mortality.

Table 34: Pre- and Post-Merger Key Service Levels

| Location | Pre-Merger Service Level (FY2020) | | | Q1 FY2021 Service Level | | | Q2 FY2021 Service Level | | | Q3 FY2021 Service Level | | |
|----------|-----------------------------------|------|-----|-------------------------|------|-----|-------------------------|------|-----------------|-------------------------|------|-----|
| | ED | NICU | MFM | ED | NICU | MFM | ED | NICU | MFM | ED | NICU | MFM |
| HMC | 3 | 3 | 3 | 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) | 4 (pursuing) | 1 | 1 |

35. Data illustrating the organizations’ payment models.

- Hendrick Health currently participates in the payment models listed in **Table 35** below, which have remained unchanged from the Baseline Performance Report.

Table 35: Hendrick Health Payment Models as of Quarter 3 FY2021⁴⁵

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

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

- As of Quarter 3 FY2021, no new payment models have been established since the Merger.

⁴⁵ Excludes workers compensation payment models.

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.

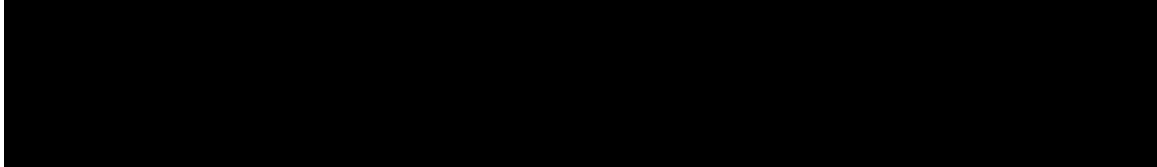
39. Evidence reflecting efforts to bring additional jobs to the area.

- Open positions: During Quarter 3 FY2021, Hendrick Health posted an additional 445 new job openings. These roles cover both clinical and non-clinical positions across the organization and indicate significant demand for talent within the combined Hendrick Health system. The list of open positions as of the end of the Third Quarter FY2021 is provided in **Attachment 2**, which includes a mix of vacant positions and new positions created by the merger.
- Recruitment efforts: Hendrick Health continues to use various resources to recruit medical providers to the community. In Quarter 3 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.
- In Quarter 3 FY2021, the Medical Staff Development Committees of Hendrick Health evaluated the physician to population ratios, ER call coverage, and appointment wait times to determine gaps in coverage and needs for the service area. Hendrick Health has set a goal to recruit 66 additional physicians within the next three years. These physicians will include additional primary care and subspecialties to allow better access to care within our communities. Hendrick Health has also hired a recruiter dedicated to hiring Registered Nurses.
- New hires: In addition, during Quarter 3 FY2021, Hendrick Health hired 303 new employees, 11 of which were new positions in order to support identified needs for the new combined system, including both administrative and clinical roles. For example, Hendrick Health added the following positions:
 - 3 Customer Service Representatives
 - 3 Payment Posters
 - 2 Billers
 - 1 Certified Coder I-HPN
 - 1 Coder
 - 1 Reimbursement Representative.

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 3 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 108 physicians Hendrick Health employed during Quarter 3 FY2021. The region is also served by a number of community physicians not employed by Hendrick Health. While Hendrick Health does not maintain a comprehensive directory of these community physicians beyond those with medical staff privileges at Hendrick Health (discussed in **Item 44** of this Report), public sources that identify community physicians including the Texas Medical Board Healthcare Provider Search and health plan provider directories are available.
- During Quarter 3 FY2021, Hendrick Health expanded coverage for the following services: added three Anesthesia providers to expand coverage at HMC-S, added one Endocrinology provider, and added two Urology providers.

Table 41: Employed Physicians by County Location

| Specialty | Facility | | County Service Locations | | |
|------------------------|-----------|-----------|--------------------------|-------|-------|
| | HMC | HMC-S | Taylor | Brown | Nolan |
| Anesthesia | 12 | 3 | ✓ | | |
| Cardiology | 11 | 3 | ✓ | ✓ | |
| Cardiovascular Surgery | 4 | - | ✓ | | |
| Endocrinology | 3 | - | ✓ | ✓ | |
| Family Medicine | 6 | 4 | ✓ | | ✓ |
| Gastroenterology | - | 3 | ✓ | | |
| General Surgery | 4 | 2 | ✓ | | |
| Hospice | 1 | - | ✓ | | |
| Infectious Disease | 2 | - | ✓ | | |
| Internal Medicine | 8 | 4 | ✓ | | |
| Nephrology | 2 | - | ✓ | ✓ | |
| Neurology | 2 | - | ✓ | | |
| Neurosurgery | 1 | - | ✓ | | |
| OB/GYN | 7 | 1 | ✓ | | |
| Oncology | 4 | - | ✓ | ✓ | |
| Ophthalmology | 1 | - | ✓ | | |
| Orthopedic Surgery | 1 | 1 | ✓ | | |
| Pain Medicine | 2 | - | ✓ | ✓ | |
| Palliative Care | 3 | - | ✓ | | |
| Plastic Surgery | 1 | - | ✓ | ✓ | |
| Radiation/Oncology | 3 | - | ✓ | | |
| Rehab | 1 | - | ✓ | | |
| Rheumatology | 3 | - | ✓ | | |
| Urology | 3 | - | ✓ | | |
| Wound Care | 2 | - | ✓ | | |
| Grand Total | 87 | 21 | ✓ | ✓ | ✓ |

E. Other Requirements

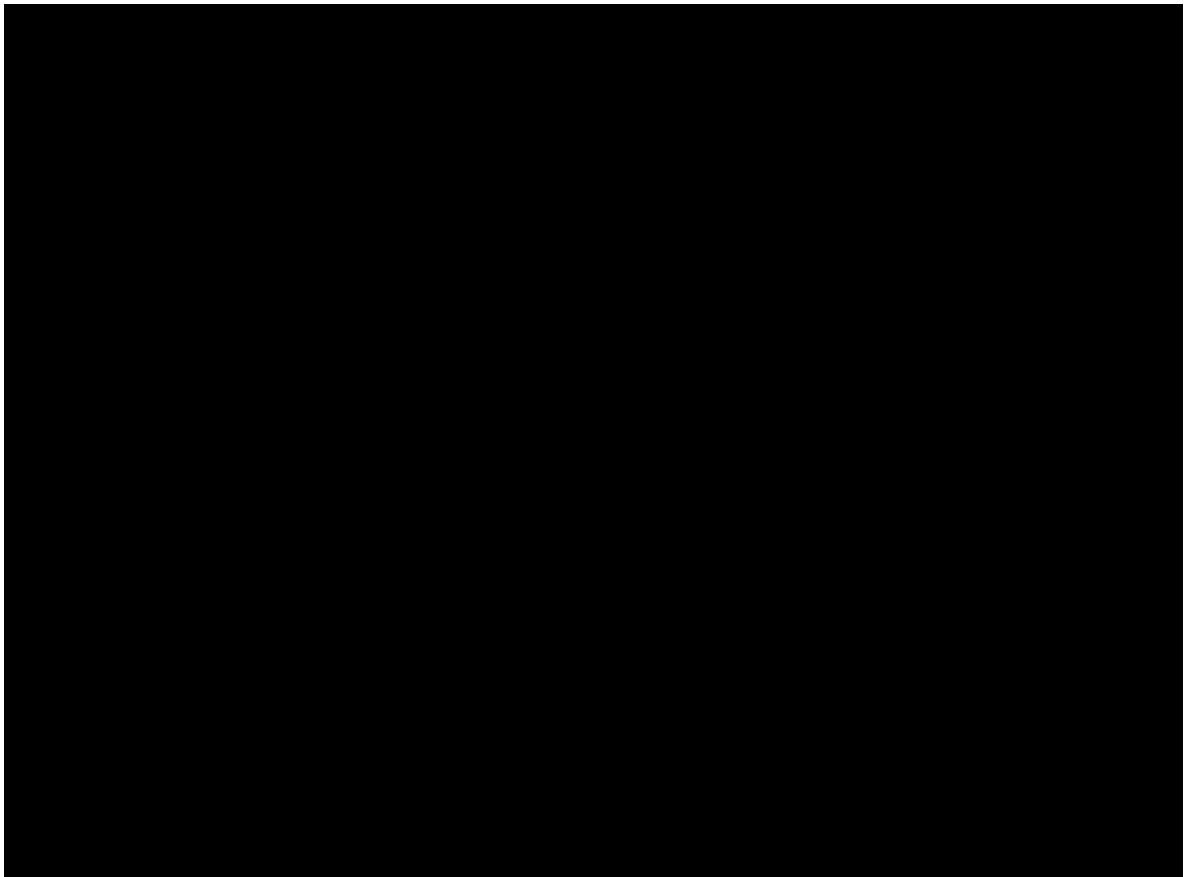
42. Any minutes or notes of meetings regarding the COPA and the portion of each hospital's governing body meeting minutes that discuss the COPA.

- 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 3**.

43. 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 3 FY2021, Hendrick Health identified potential opportunities to consolidate each of the following services to a single contracted provider, which will enable the combined organization to operate more efficiently and achieve cost savings:



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

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

- Privileged Providers: A complete list of physicians, allied professionals, and other health care providers with privileges at Hendrick Health is provided in **Attachment 4** to this Report. As of the end of Quarter 3 FY2021, Hendrick Health provided privileges to 564 health care providers at HMC and 309 health care providers at HMC-S, as detailed in **Table 44** below.
- The number of providers with privileges at HMC decreased in Quarter 3 FY2021 (as compared to the previous quarter) due to Teleradiology providers that are no longer being utilized in Abilene. Radiology Associates of Abilene now have their own employed remote readers to help on nights and weekends, and therefore there is no longer a need to contract with vRAD to provide these services. All reductions were voluntary through resignation, non-renewal of credentials, relocation, or retirement.
- HMC-S provided privileges to 25 additional providers in Quarter 3 FY2021.

Table 44: Hendrick Health Privileged Providers as of Quarter 3 FY2021

| Privileged Provider Category | HMC | HMC-S |
|--|------------|------------|
| Physicians | 397 | 237 |
| Physician Assistants | 34 | 20 |
| Nurse Practitioners | 66 | 22 |
| Certified Registered Nurse Anesthetist | 32 | 29 |
| Other APC | 35 | 1 |
| Total | 564 | 309 |

45. Information on additional investments regarding infrastructure, capital expenditures, and operating costs and how this affected patient care outcomes, population access to health care, and prevention services.
- As discussed in this Report, Hendrick Health continues to invest in the combined health system, thereby improving patient care and access, as illustrated by the following infrastructure, capital, and operating investments: .
 - Infrastructure Investment and Capital Expenditures: As of the end of the Third Quarter FY2021, Hendrick Health invested approximately \$10.3 million in capital and infrastructure expenditures as a combined health system, including critical repairs at the HMC-S campus, as well as the purchase of a building for Hendrick Service Center, equipment, routine maintenance (equipment and IT), software, infrastructure, completion of two Abilene Urgent Cares, completion of a Retail Pharmacy, and miscellaneous other projects.
 - Cost Savings Reinvestment: During Quarter 3 FY2021, Hendrick Health began reinvesting in the combined healthcare system, with the goal of improving the overall patient experience and patient care, through the following activities: COVID-19 clinics and vaccine distribution; purchasing the Hendrick Service Center to provide a centralized accessible hub for patient services and reallocate valuable space to expand clinical services for patients; opening two Hendrick Urgent Care clinics in Abilene to help mitigate some of the emergency patient volume, increase access to care, and create even more cost-effective locations for care for patients; opening a new outpatient retail pharmacy in a location with increased visibility and access for customers;
 - Coordination of Services: Throughout the Third Quarter FY2021, Hendrick Health continued to enhance the coordination of services to increase clinical integration, standardization, and quality of care across both campuses through the following: ongoing Joint Commission tracer activities conducted to improve integration efforts and ensure alignment of policies, procedures, staff training and preparedness across both HMC and HMC-S campuses; coordination of anesthesia, radiology, and neonatology services; strategic planning for nursing organizational chart; implementation of an organization-wide imaging system; beginning development of Joint Pharmacy and Therapeutics (P&T) Oversight Committee; adding three (3) full-time positions to its EKG Technician Program; planning to upgrade the current patient charting and monitoring device in the Cardiac Rehab department to an electronic system; preparing to bring all Dialysis services in-house for both HMC and HMC-S; plans to open a new shared service center; coordination of additional clinical staffing at HMC-S; and development of the new Non-Invasive Cardiology Suite at HMC-S to enhance inpatient and outpatient cardiology diagnostic testing.

IV. Attachments