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Hendrick Health

Anniversary Report 2021-2022

Reporting Period: 9/1/2021—5/31/2022

Submission Date: October 4, 2022

Certificate of Public Advantage ("COPA")

Anniversary Report for 2021-2022

This Anniversary Report for 2021-2022 (“COPA Anniversary Report”) is submitted pursuant to the revised Terms and Conditions of Compliance (dated August 3, 2021) governing the Certificate of Public Advantage (“COPA”) issued to Hendrick Medical Center *d/b/a* Hendrick Health on October 2, 2020 (“COPA Approval Date”) with respect to the purchase agreement of substantially all of the assets used in the operation of Abilene Regional Medical Center (“ARMC”, subsequently to be known as “HMC-S”) (collectively, the “Merger”). The underlying transaction closed on October 26, 2020 (the “Transaction Closing Date”). Information related to Hendrick Medical Center and Hendrick Medical Center South are collectively referred herein as “Hendrick Health” or “HH”. The revised Terms and Conditions of Compliance require Hendrick Health to submit an annual report “on or near the anniversary of the date the COPA was issued.”

This COPA Anniversary Report reflects the performance of HMC and HMC-S (formerly ARMC) through the third quarter of fiscal year 2022, the period of September 1, 2021 to May 31, 2022. This COPA Anniversary Report does not include data from the fourth quarter of fiscal year 2022 (“Quarter 4 FY2022”), as Quarter 4 FY2022 data has not yet been finalized and will be reported in the Quarter 4 submission (due November 30, 2022). Where applicable, this Report includes information or refers to information provided in the Baseline Performance Report that was submitted to HHSC on January 15, 2021, and reflects the pre-Merger baseline period of FY2018 – FY2020 (the “Baseline Performance Report”).

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I. Abbreviation Key

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

II. COPA Anniversary Report for 2021-2022

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
Mike Murphy	System Vice President & Chief Operating Officer
Jeremy Walker	System Vice President & Chief Financial Officer
Bradley Benham	System Vice President, Foundation
Susan Greenwood, BSN, RN, FACHE	System Vice President & Chief Nursing Officer
R. David Evans, Esq.	System Vice President & General Counsel
David Stephenson, FACHE	System Vice President, Hendrick Clinic & Hendrick Anesthesia Network
Susan Wade, FACHE	System Vice President, Infrastructure & Support
Kirk Canada	System Vice President, Business Development, HMC Abilene Chief Operating Officer
Brian Bessent	Chief Administrative Officer, Hendrick Medical Center South
Judy LaFrance, MSN, RN, NE-BC	Assistant Chief Nursing Officer, Hendrick Medical Center South
Chris Ford	System Assistant Vice President, Support Services
Courtney Head	System Assistant Vice President, Human Resources
Mark Huffington	System Assistant Vice President, Analytics
Tave Kelly	System Assistant Vice President, Revenue Cycle
Adam Wood	System Assistant Vice President, Supply Chain
Tim Riley	System Integration Consultant

III. Terms and Conditions for COPA-Approved Health System

A. Mandatory Annual Reporting Terms

1. Information about the extent of the benefits attributable to the issuance of the COPA.

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

- Since the Transaction closed in October 2020, Hendrick Health has improved health care quality and access while utilizing efficiencies to keep health care costs down, despite tremendous challenges caused by the continuing COVID-19 pandemic, inflationary pressures, and other matters. Hendrick Health believes its larger, post-Merger combined medical staff has led to better planning and improvement in system-wide mechanisms for quality of care. Additionally, the consolidation of services has increased the availability of and patient access to such services, and Hendrick Health has thoughtfully evaluated clinical services across HMC and HMC-S for clinical optimization and/or expansion opportunities.
- Specifically, Hendrick Health has achieved these benefits through the following actions in Quarter 1 through Quarter 3 of FY2022:
 - Improved health care quality and patient outcomes:
 - Institution of quality improvement measures through system-wide goals for the following five specific quality measures: (1) reduce cross-matched to transfused blood: 1:1.4; (2) inpatient 30-day readmission reduction: O/E < 1.0 in 5 of 6 conditions; (3) culture of safety¹; (4) HAC reduction domain 2 HAI SIRs – Achieve 1.00 or less in 4 of 5 underlying measures²; and (5) patient experience.³
 - 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.
 - Continued standardization of care between HMC and HMC-S, through policies and protocols for the increased patient volume, including evidence-based protocols and treatment plans throughout the system for various conditions, such as therapeutic apheresis, hemodialysis, moderate sedation, transfusions,

¹ Q1 – “How comfortable would you feel stopping a process when you feel something is not being done correctly that might harm a patient?” to 4.7. Q2 – “Do you know how to report a safety concern to be addressed at the Huddle by going through the Patient Safety link on the Hendrick Hub?” to 80%.

² Underlying measures include: Central Line Associated Bloodstream Infection (“CLABSI”), 1.00 or less; Catheter-Associated Urinary Tract Infection (“CAUTI”), 1.00 or less; Surgical Site Infection (SSI), 1.00 or less; Methicillin-Resistant Staphylococcus Aureus Bacteremia (“MRSA”), 1.00 or less; and Clostridium Difficile Infection (“CDI”), 1.00 or less.

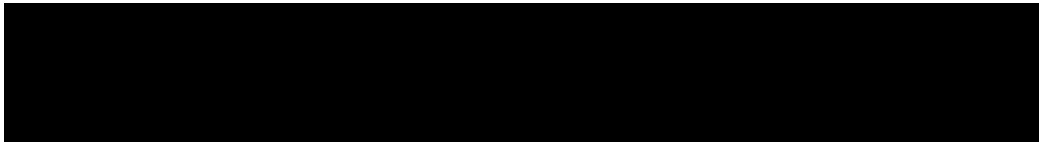
³ Patient experience – Patient’s likelihood of recommending the hospital: Above 64% ranking 9 or 10 out of 10.

anesthesia order set for PACU, IV orders, Albumin orders, emergency department orders, and Sepsis orders. During Quarter 3 FY2022, Hendrick Health began to standardize its approach to patients receiving Heparin therapy throughout the Abilene market.

- Continued operation of various system-wide committees, including the Evidence-Based Medicine Committee, the Performance Improvement Committee and Physician Review Committee, the COVID Medicine Committee, the Clinical Policy Committee, the BMI > 50 Committee, and the Joint Quality Committee of the Board of Trustees, which are tasked with reviewing and improving quality of care procedures. The system-wide Quality Council focused on quality of care concerns, performance improvement projects, and data from regulatory-required and high-impact monitoring. The Readmission Committee found barriers to a polished discharge process and began an overhaul of this procedure, utilizing ideas and best practices from each facility.
- Hendrick Health faced capacity limits at various times during Quarter 1 through Quarter 3 FY2022. Capacity was relieved at both campuses by transferring patients from one campus to the other, as needed. Having two campuses under one operations position allowed Hendrick Health to meet community need as it allowed for access to high-quality healthcare and decreased need to transfer patients out of the region. If there is an issue at one campus, there are resources available at the other campus. Uniform oversight of both campuses has led to efficient staffing, directing patients to the correct venue of care, and an overall benefit to patients in the community.
- Continued operation of the combined Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. Hendrick Health also continued operation of the unified Medical Executive Committees (“MEC”) and Medical Advisory Committee (“MAC”) across the system. The creation of a single governing body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff.
- Continued efforts to streamline and enhance the physician credentialing/reappointment process with the Ongoing Professional Practice Evaluation (“OPPE”)/Focused Professional Practice Evaluation (“FPPE”) process, a detailed evaluation of practitioners’ professional performance, which has led to a better assessment of physician quality metrics and monitoring of care. Additional focus was placed on comments received from patients about a provider’s practice and behavior during the re-credentialing process.
- Upgrading technology and replacing older equipment. For example, Hendrick Health: updated various equipment at HMC-S to allow for a standardized approach for patients receiving Heparin therapy, completed Alaris smart pump upgrades at HMC-S, and conducted a crash cart standardization process to purchase 31 adult and six pediatric crash carts. Hendrick Health also continued development of its

Hospital IQ throughput dashboard and end-user training for HMC-S. This service/tool is in place at HMC and extends to HMC-S. It provides a real-time display of unit-by-unit, as well as facility specific discharges, admissions, ED holds, and provides a one-stop look at facility capacity, demands, and bottlenecks for improved flow and patient management.

- A new Risk/Safety “on call team” was mobilized to field calls 24/7 regarding patient safety and risk management issues with a view toward standardizing the organizational approach to safety matters between HMC and HMC-S. In addition, a new severity score assessment system was established and standardized across both campuses to assess adverse patient safety events. Senior leaders across both campuses are simultaneously notified of each week’s adverse events using this scoring methodology.



o Increased access to care by expanding service delivery:

- Hendrick Health continued the extension of its Tele-Sitter program at HMC-S to provide safe, evidence-based staffing. This program helps nurses manage patient loads and provides lines of direct communication to assigned nursing personnel to escalate the need for physical bedside presence and/or intervention.
- The centralized patient transfer process, which has streamlined patient transfers and increased access to care, continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. In addition, the centralized patient transfer process allowed for quicker and smoother transitions between HMC and HMC-S, as needed, to help alleviate capacity constraints. A single EMR across the system has also helped facilitate these transitions more efficiently. Providers can easily access the patient’s record in its entirety so that safe, quality care can be provided without delay.



- [Redacted]

Hendrick Health has increased staffing and resources available to HMC-S.

- HMC-S continues to have access to Hendrick Health’s post-acute service offerings, which allows for better coordination of services and a more seamless patient experience.

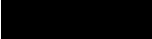



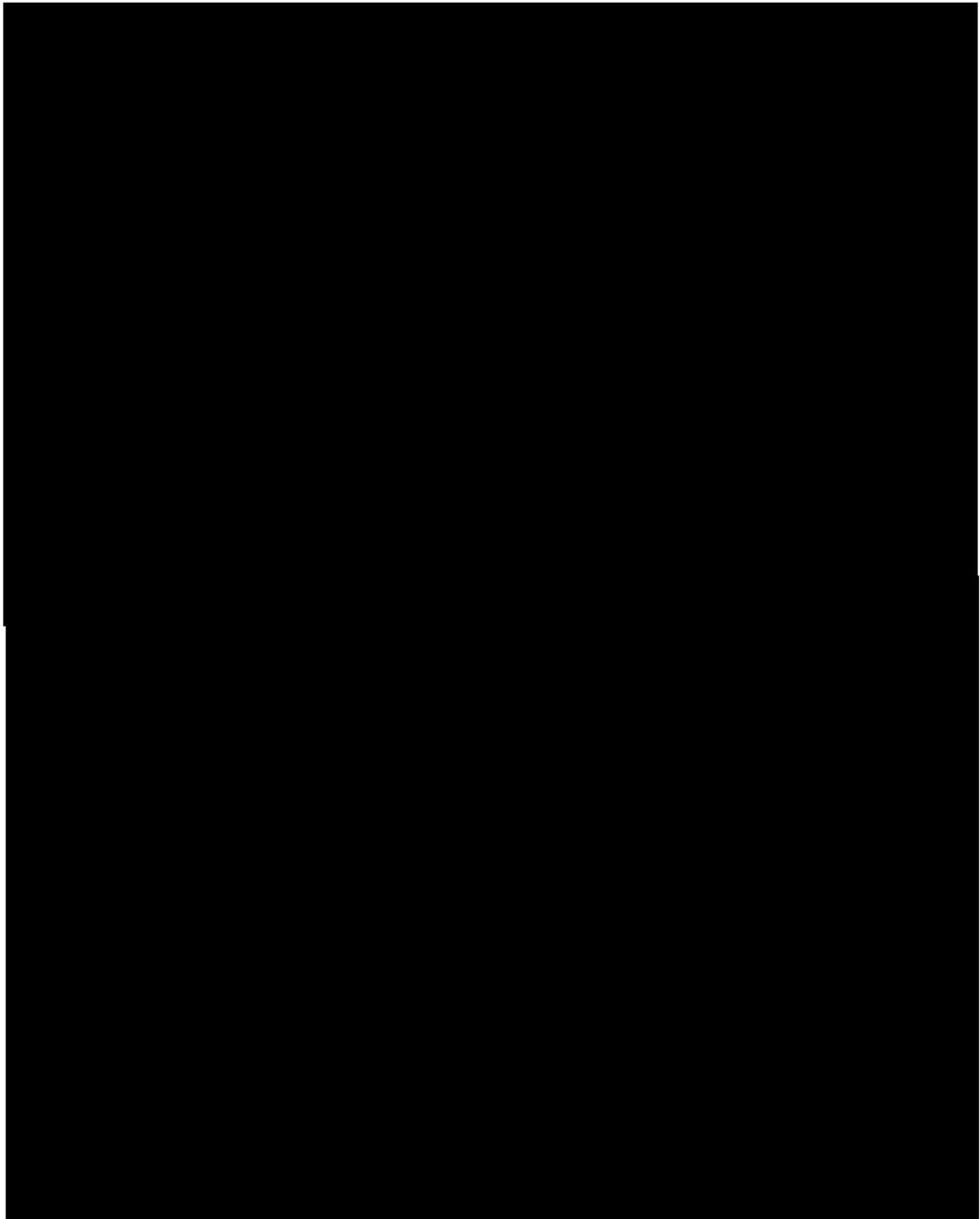
Hendrick Health continued with placement of a Hendrick Hospice Liaison and augmented palliative care at HMC-S to provide an on-site presence and educational opportunities for end-of-life care.



- [REDACTED]
[REDACTED] Hendrick Health hired an additional Clinical Pharmacist with ICU training to support the HMC-S campus and furthered its goals to provide more in-person, on-site coverage in the ICU. Hendrick Health also placed pharmacists in the HMC-S emergency department.
- Hendrick Health continued efforts to recruit critical staff. Namely, Hendrick Health recruited Dr. Benton Brown, a new general surgeon for HMC-S. Dr. Brown started February 1, 2022. [REDACTED]
[REDACTED] Dr. Preston Pate, a pulmonologist, was recruited to HMC-S specifically and started February 1, 2022. [REDACTED]
[REDACTED]
- Hendrick Health has a goal to recruit 85 physicians within the next three years. As of this Report, Hendrick Health has filled 37 (30 for FY2022, six for fiscal FY2023, and one for FY2024) of the 85 positions.
- Since the Merger, Hendrick Health extended its emergency management services to HMC-S. Both campuses now follow a single coordinated approach for incident response and response planning. During FY2022, a mass casualty exercise was conducted in the Abilene market, involving Dyess Air Force Base, Metro Care ambulance service, and Hendrick Health (including HMC, HMC-S, and Plaza ED). Working within the community as one health system, in response to a mass casualty event, allows for gap analysis, awareness of resource supplies and needs, and improved preparedness for future events to meet community need.
- Telehealth Maternal Fetal Medicine (“MFM”) services continued to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor and Delivery department.

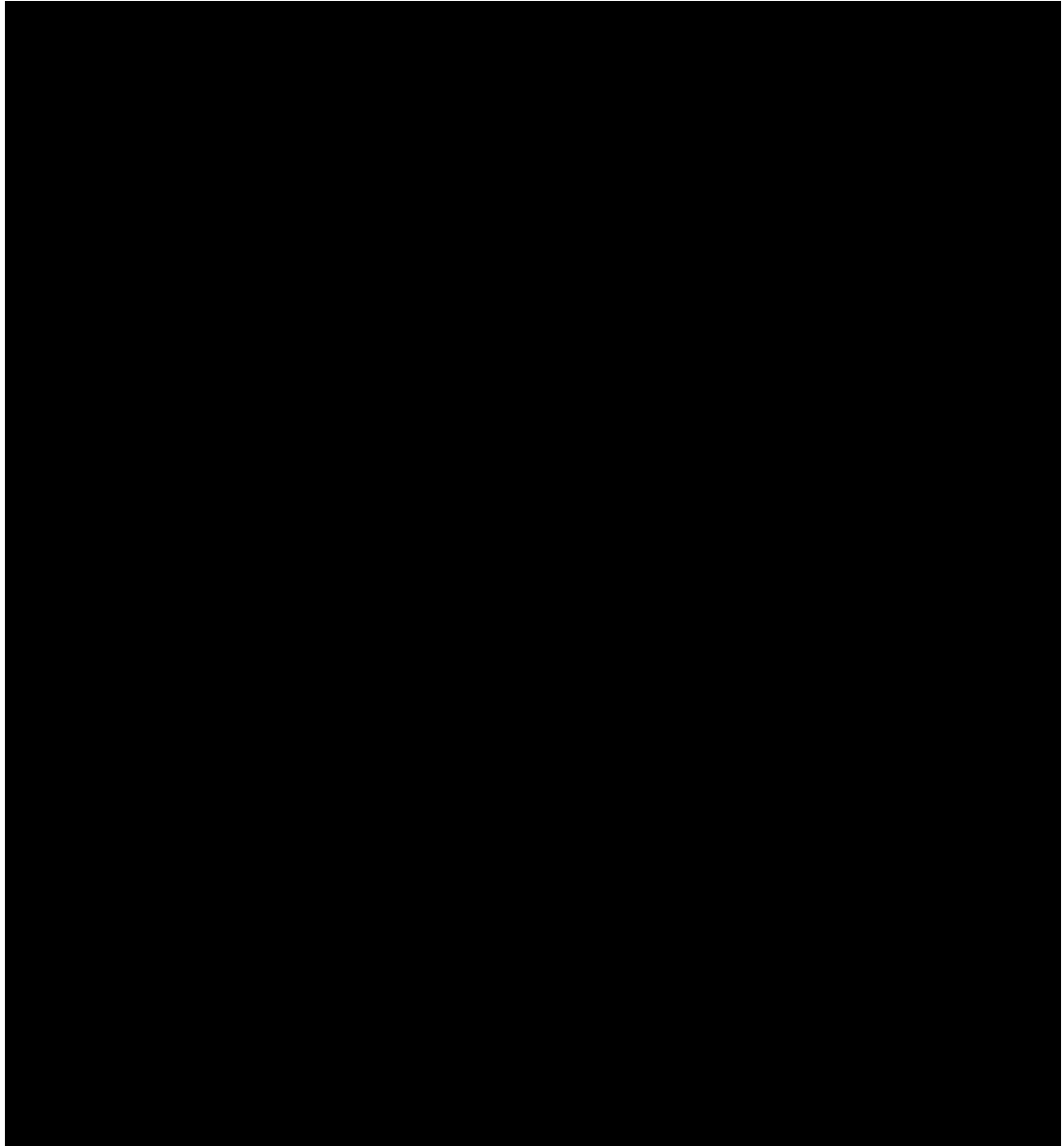
[REDACTED]

- Hendrick Health implemented a system-wide and streamlined process for staff at HMC and HMC-S to obtain a judicial emergency detention order for any individual needing involuntary medical services in conjunction with psychiatric crisis when certain criteria is met.
 - Through the affiliation with Hendrick Health, HMC-S may access Texas STAR nurses, and other traveling providers which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system. 

 - Combined and coordinated resources between HMC and HMC-S 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 continued to implement a comprehensive vaccine roll-out plan, concentrating on expanding access to doses for the local and wider rural community. Hendrick Health's nursing, pharmacy, and other medical staff set up and distributed vaccines in clinics across Abilene.
 - Hendrick Health expanded Inpatient Diabetes education for new-onset diabetics to include HMC- S, to provide in-house comprehensive education from a navigator or pharmacist at the bedside prior to discharge. This program is in full operation and Hendrick Health's Certified Diabetes Educators are seeing patients at both campuses. This includes consultation by physicians, nurses, case managers, and dietitians.
 - Hendrick Health announced 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. Hendrick Health anticipates this project to be completed in Spring 2023.
 - To increase access to care in the region, Hendrick Health initiated a neurosurgery outreach clinic in Colorado City and a nephrology outreach clinic in Haskell.
 - During Q3 FY2022, to promote early detection of colon cancer, Hendrick Cancer Center offered free assessments and decal immunochemical tests for screening (if criteria was met). In March and April 2022, 473 inquiries and test kits were sent to patients.
- Cost savings through coordination of resources and decision-making, resulting in improved efficiency and elimination of waste:



- 340B Drug Pricing Program: HMC has historically participated in the 340B Drug Pricing Program but legacy ARMC did not participate. After a brief interruption of participation in the 340B program, Hendrick Health re-entered the program in Q2 FY2022. HMC-S is now able to participate in the 340B program through HMC. The program allows eligible hospitals to stretch limited federal resources to reduce the price of outpatient pharmaceuticals for patients. It also provides for savings to be reinvested in the community, which includes care for uninsured patients, development of medication management/other community health programs, etc.





- Hendrick Health has been able to achieve these improvements to health care quality and access while minimizing costs by thoughtfully combining the resources of HMC and legacy ARMC through increased efficiencies, the coordination of services, and the reduction in duplication of resources. Hendrick Health is committed to reinvesting these savings in its operations and community, with the goal of improving the overall patient experience and patient care. Between the First and Third Quarters FY2022, Hendrick Health invested a total of approximately \$20 million in capital and infrastructure expenditures at the two campuses.

2. If applicable, information about the hospital's actions taken: (A) in furtherance of any commitments made by the parties to the merger; and (B) to comply with terms imposed by HHSC as a condition for approval of the merger agreement.

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

- Hendrick Health has remained committed to reinvesting cost savings from the Merger in its operations and community, which it has accomplished through the following actions in Q1 through Q3 of FY2022:

- Capital expenditures: From Q1 through Q3 FY2022, Hendrick Health invested approximately \$20 million in capital expenditures across both HMC and HMC-S.

[REDACTED]

- Additional clinical staffing at HMC-S: Hendrick Health has worked to increase the clinical staffing available at HMC-S through the development of a clinical labor float pool, increased nursing resources through the Texas STAR program, and hiring of additional clinical employees.

[REDACTED]

- 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-19 vaccine distribution. Between Quarter 1 FY2022 and Quarter 3 FY2022, Hendrick Health pharmacy and nursing staff volunteered to administer more than 5,000 doses to members of the community.

- Planned opening of Hendrick Service Center: Hendrick Health has announced its plans to open a new shared service center in the former Sears building, located in the Mall of Abilene in Abilene, Texas. Hendrick Service Center was purchased to provide a centralized accessible hub for patient services. By relocating existing administrative and retail services

currently housed in and around the campuses, Hendrick Health will be able to reallocate valuable space to expand clinical services for patients.

- Furthermore, since the Transaction closed in October 2020, as required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance, Hendrick Health has submitted one Baseline report and quarterly reports regarding the Merger. This Report includes the annual reporting terms required by Texas Health and Safety Code.
- Hendrick Health has also complied with the annual meeting requirement through its annual Certificate of Public Advantage Public Hearing held Thursday, September 15, 2022, from 9:30 to 10:30 a.m. at Hendrick Medical Center’s Auxiliary Conference Center. Written testimonials were accepted online at hendrickexpandsaccess.com or by mail to Hendrick Medical Center. Hendrick Health did not receive any written testimonials.

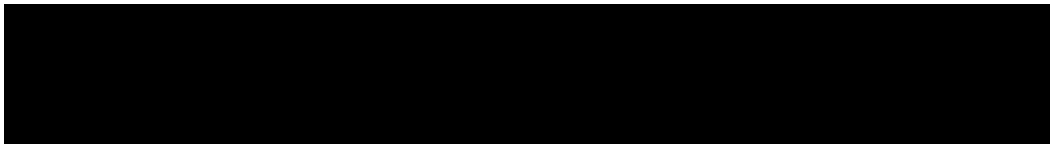
3. A description of the activities conducted by the hospital under the merger agreement.

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

- Hendrick Health has conducted a number of activities since the Transaction Closing Date to advance the goals of improving health care quality, access, and cost, as summarized below.
 - Quality. Since the Transaction Closing Date, Hendrick Health has worked to improve health care quality and optimize patient services to improve patient care through the following activities:
 - Standardizing care between the HMC and HMC-S, through policies and protocols for the increased patient volume, including evidence-based protocols and treatment plans throughout the system for various conditions, such as COVID-19 Inpatient, therapeutic apheresis, hemodialysis, moderate sedation, transfusions, anesthesia order set for PACU, IV orders, Albumin orders, emergency department orders, and Sepsis orders. During Quarter 3 FY2022, Hendrick Health began to standardize its approach to patients receiving Heparin therapy throughout the Abilene market.
 - Continued operation of various committees, including the Evidence-Based Medicine Committee, the Performance Improvement Committee and Physician Review Committee, the COVID Medicine Committee, the Clinical Policy Committee, the BMI > 50 Committee, and the Joint Quality Committee of the Board of Trustees, which are tasked with reviewing and improving quality of care procedures. The system-wide Quality Council focused on quality of care concerns, performance improvement projects, and data from regulatory-required and high-impact monitoring. The Readmission Committee found barriers to a polished discharge process and began an overhaul of this procedure, utilizing ideas and best practices from each facility.
 - Hendrick Health faced capacity limits at various times during Quarter 1 through Quarter 3 FY2022. Capacity was relieved at both campuses by transferring

patients from one campus to the other, as needed. Having two campuses under one operations position allowed Hendrick Health to meet community need as it allowed for access to high-quality healthcare and decreased need to transfer patients out of the region.

- Continued operation of the combined Quality Committee across HMC and HMC-S, with the resulting committee including members from both campuses. Continued operation of the unified Medical Executive Committees (“MEC”) and Medical Advisory Committee (“MAC”) across the system. The creation of a single governing body focuses on better coordination of services through the alignment of culture, protocols, and oversight of the medical staff.
- Continued efforts to Streamline and enhance the physician credentialing/reappointment process with the Ongoing Professional Practice Evaluation (“OPPE”)/Focused Professional Practice Evaluation (“FPPE”) process, a detailed evaluation of practitioners’ professional performance, which has led to a better assessment of physician quality metrics and monitoring of care. Additional focus was placed on comments received from patients about a provider’s practice and behavior during the re-credentialing process.
- Upgrading technology and replacing older equipment. For example, Hendrick Health: updated various equipment at HMC-S to allow for a standardized approach for patients receiving Heparin therapy; completed Alaris smart pump upgrades at HMC-S, and conducted a crash cart standardization process to purchase 31 adult and six pediatric crash carts. Hendrick Health also continued development of its Hospital IQ throughput dashboard and end-user training for HMC-S. This service/tool is in place at HMC and extends to HMC-S. It provides a real-time display of unit-by-unit, as well as facility specific discharges, admissions, ED holds, and provides a one-stop look at facility capacity, demands, and bottlenecks for improved flow and patient management.
- A new Risk/Safety “on call team” was mobilized to field calls 24/7 regarding patient safety and risk management issues with a view toward standardizing the organizational approach to safety matters between HMC and HMC-S. In addition, a new severity score assessment system was established and standardized across both campuses to assess adverse patient safety events. Senior leaders across both campuses are simultaneously notified of each week’s adverse events using this scoring methodology.



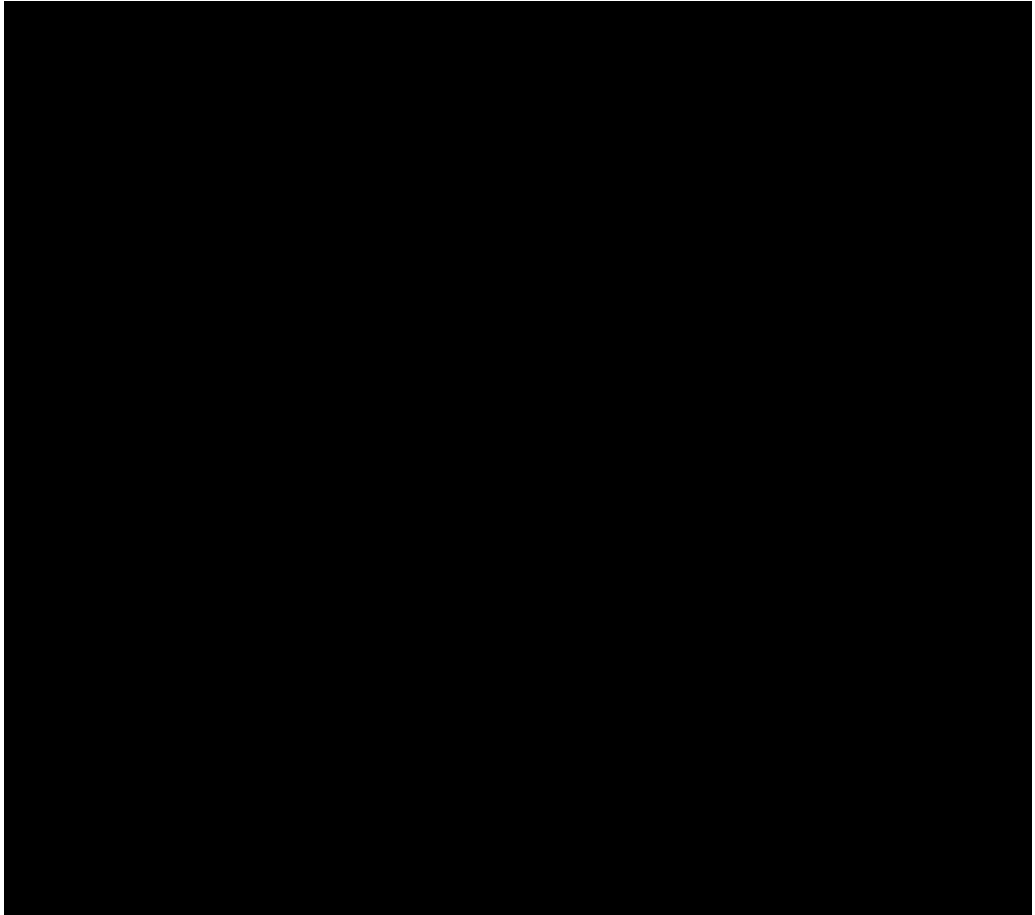
- Access. Since the Transaction Closing Date, Hendrick Health has worked to improve access to care through the following activities:
 - Hendrick Health continued the extension of its Tele-Sitter program at HMC-S to provide safe, evidence-based staffing. This program helps nurses manage patient

loads and provides lines of direct communication to assigned nursing personnel to escalate the need for physical bedside presence and/or intervention.

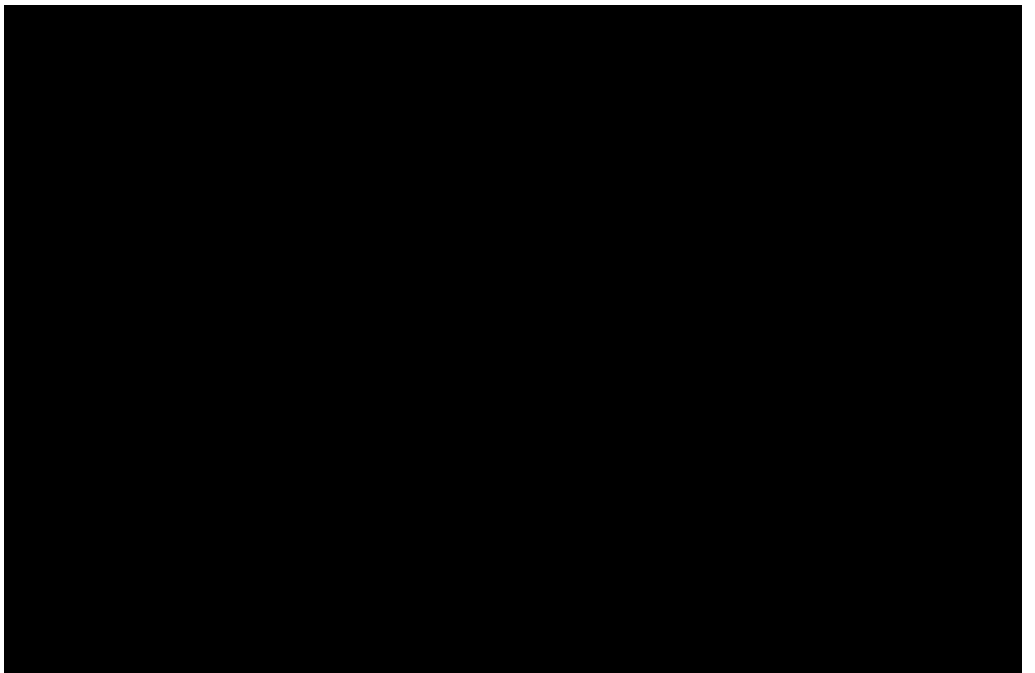
- The centralized patient transfer process, which has streamlined patient transfers and increased access to care, continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. In addition, the centralized patient transfer process allowed for quicker and smoother transitions between HMC and HMC-S as needed to help alleviate capacity constraints. A single EMR across the system has also helped facilitate these transitions more efficiently. Providers can easily access the patient's record in its entirety so that safe, quality care can be provided without delay. [REDACTED]
- Increased staffing and resources available to HMC-S.
- HMC-S patients continue to have access to Hendrick Health's post-acute service offerings (e.g., home health, hospice, etc.). [REDACTED] For example, Hendrick Health continued with placement of a Hendrick Hospice Liaison and augmented palliative care at HMC-S to provide an on-site presence and educational opportunities for end-of-life care and help facilitate a more seamless and efficient transfer of patients from the hospital setting to a hospice setting.
- [REDACTED] Hendrick Health hired an additional Clinical Pharmacist with ICU training to support the HMC-S campus and furthered its goals to provide more in-person, onsite coverage in the ICU. Hendrick Health also placed pharmacists in the HMC-S emergency department.
- Hendrick Health continued efforts to recruit critical staff. Namely, Hendrick Health recruited Dr. Benton Brown, a new general surgeon for HMC-S. Dr. Brown started February 1, 2022. [REDACTED] Dr. Preston Pate, a pulmonologist, was recruited to HMC-S specifically and started February 1, 2022. [REDACTED]
- Hendrick Health has a goal to recruit 85 physicians within the next three years. As of this Report, Hendrick Health has filled 37 (30 for FY2022, six for fiscal FY2023, and one for FY2024) of the 85 positions.

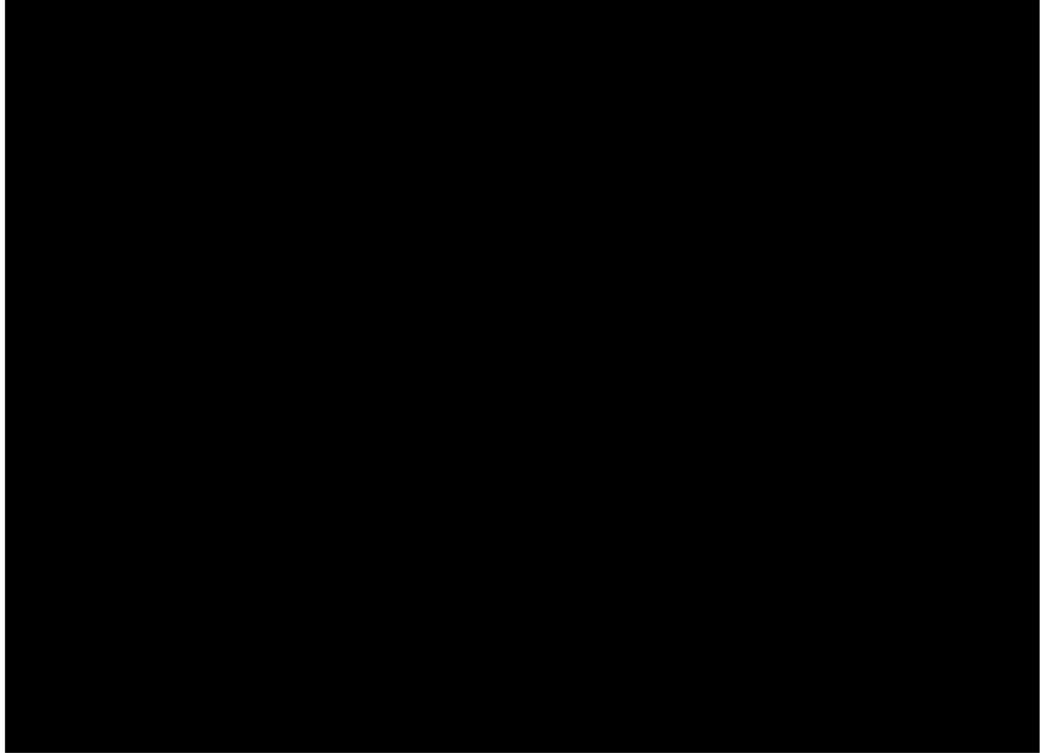


- Since the Merger, Hendrick Health extended emergency management services to HMC-S. Both campuses now follow a single coordinated approach for incident response and response planning.
 - Continuing to make telehealth capabilities available to patients choosing that method of care. For example, Telehealth Maternal Fetal Medicine (“MFM”) Services continue to provide remote MFM evaluation and treatment (including MFM ultrasound) in the Labor and Delivery department.
-
- Hendrick Health implemented a system-wide and streamlined process for staff at HMC and HMC-S to obtain a judicial emergency detention order for any individual needing involuntary medical services in conjunction with psychiatric crisis when certain criteria is met.
 - Implementation of a community-wide COVID-19 vaccine distribution strategy, which has administered more than 5,000 doses to community members.
 - Expanding Inpatient Diabetes education for new-onset diabetics to include HMC- S, to provide in-house comprehensive education from a navigator or pharmacist at the bedside prior to discharge. This program is in full operation and Hendrick Health’s Certified Diabetes Educators are seeing patients at both campuses. This includes consultation by physicians, nurses, case managers, and dietitians.
 - Continued construction and development of Hendrick Service Center to reallocate valuable space to expand clinical services for patients and reduce inefficiency and fragmentation (Spring 2023 completion date anticipated).
 - To increase access to care in the region, Hendrick Health initiated a neurosurgery outreach clinic in Colorado City and a nephrology outreach clinic in Haskell.
 - During Q3 FY2022, to promote early detection of colon cancer, Hendrick Cancer Center offered free assessments and decal immunochemical tests for screening (if criteria was met). In March and April 2022, 473 inquiries and test kits were sent to patients.
- Cost. Since the Transaction Closing Date, Hendrick Health has worked to minimize the cost of health care by reducing the duplication of resources, coordinating services, and increasing efficiencies, through the following activities:



- After a brief interruption of participation in the 340B program, Hendrick Health re-entered the program in Q2 FY2022, with HMC-S.






4. Information relating to the price, cost, quality of, and access to health care for the population served by the hospital.

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

- Pricing/Cost: From Q1 through Q3 FY2022, Hendrick Health has contracted with 17 health plans. 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. Additionally, the Charity Care policy for Hendrick Health was extended post-Merger to encompass both HMC and HMC-S. The policy was revised, effective November 23, 2021 and included as an attachment to the Q1 FY2022 report. During Q1 through Q3 FY2022, Hendrick Health enrolled a total of 10,227 patients in charity care and financial assistance programs. Combined, HMC and HMC-S incurred more than \$88 million in charity care during this period.
- Quality: Despite being faced with unprecedented challenges relating to the COVID-19 pandemic, among other challenges, since the Transaction Closing Date, Hendrick Health has been able to improve the quality of health care as evidenced by the various quality metrics cited in the quarterly reports, which have either remained constant or, taken holistically, have improved. Specifically, both HMC and HMC-S maintained consistent Patient Satisfaction Ratings of three. HMC improved in its Leapfrog Safety Grades, attaining an "A" in Spring 2022, while HMC-S, with a portion of data pre-dating the Merger, remained consistent with a "C". Generally, such ratings reflect an improvement in quality for Hendrick Health since the Transaction closed in October 2020.
- Access: As previously reported in quarterly reports, HMC and legacy ARMC (HMC-S) experienced significant declines in both inpatient and outpatient patient volumes in 2020, largely as a result of the COVID-19 pandemic, followed by gradual increases toward historical rates. Total inpatient

admissions and outpatient registrations for the first three quarters of FY2022 were up in comparison to the same period from FY2021. Despite the continuing challenges of the COVID-19 pandemic, Hendrick Health increased access to health care services for patients in its communities, including rural communities, through the following initiatives to expand service delivery:

- Continued extension of Tele-Sitter program at HMC-S;
- Continued improvement and streamlining of patient transfer process, allowing for acceptance of more patient transfers to Hendrick Health;
- Increased staffing and resources available to HMC-S;
- Access to post-acute service lines (e.g., home health, hospice, etc.) at HMC-S;
- Expanded physician recruiting efforts with a goal to recruit 85 physicians within the next three years;
- Further expansion of Clinical Pharmacy Services at HMC-S;
- Recruited a new general surgeon and pulmonologist for HMC-S, and additional physician recruiting efforts;
- Addition of telehealth Maternal Fetal Medicine (“MFM”) services;

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- Continued with comprehensive COVID-19 vaccine roll-out plan to local and wider rural community;
 - Continued development of Inpatient Diabetes Education at HMC-S, including consultation by physicians, nurses, case managers, and dietitians;
 - Plan to open Hendrick Service Center in Spring 2023, which will allow reallocation of space to expand clinical services;
 - Addition of neurosurgery outreach clinic in Colorado City and a nephrology outreach clinic in Haskell; and
 - Free colon screening assessments and decal immunochemical tests.

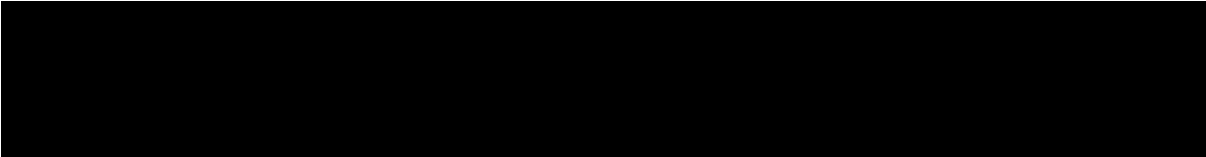
5. Any other information required by HHSC to ensure compliance with Health and Safety Code Chapter 314A and 26 TAC Chapter 567, including information relating to compliance with these terms and conditions.

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

- The Merger has not reduced competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals. HMC and

HMC-S face competition from a number of hospitals and health systems in their primary and secondary service areas. Post-Merger, Hendrick Health continues to compete with large and significant health systems throughout the region, most of which are gaining strength. The robust competition for inpatient hospital services will continue from at least 19 other hospitals, all located in surrounding counties. Likewise, Hendrick Health also faces competition from freestanding emergency departments, urgent cares, ambulatory surgery centers, rural health clinics, and other healthcare providers located in Taylor County and the surrounding counties.

- Hendrick Health has made significant efforts to bring additional jobs to the area. Post-Merger, Hendrick Health posted an additional 1,203 new job openings. These roles cover both clinical and non-clinical positions across the organization and indicate significant demand for talent within the combined Hendrick Health system. Hendrick Health has used various resources to recruit medical providers to the community, including multiple online recruitment platforms to disseminate job postings for physician and nursing positions. Hendrick Health also partnered with over 160 recruitment firms and circulated open job positions through email blasts to current employees. In addition, from Q1 to Q3 FY2022, Hendrick Health hired more than 1,000 new employees.

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- Hendrick Health earned the 2022 Gallup Exceptional Workplace Award for the 16th year in a row, making it one of only two organizations worldwide, and the only healthcare organization, to receive this honor every year since it was first awarded in 2007. This award is designed to identify excellence and celebrate organizations who incorporate employee engagement into their culture. Specifically, in 2021, HMC-S ranked in the 28th percentile of hospitals in the Gallup database. In the 2022 survey, HMC-S dramatically improved its rank to the 86th percentile of hospitals in the Gallup database. Similarly, HMC improved from the 89th percentile of hospitals in 2021 to the 94th percentile of hospitals in 2022.
 - Patient choice is being preserved through the patient choice policy for Hendrick Health, which was extended post-Merger to encompass both HMC and HMC-S. The policy continues to conform with CMS mandated patient choice requirements.

B. Additional Annual Reporting Requirements

6. An explanation of the incorporation and integration of the medical record systems of each hospital.

- Before the Transaction, HMC and HMC-S (legacy ARMC) operated on separate EMR and ERP systems, from different vendors. As reported in prior Performance Reports, HMC and HMC-S completed the planned migration to Allscripts Acute EMR platform with a go-live date of June 1, 2021, providing the organization with a single hospital EMR system across both campuses. The single EMR has allowed for physicians to document and see results in one system and for patients to access one portal, providing greater connected care between facilities.

7. Findings from service area assessments that describe maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public.

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

- Hendrick Health did not create any service area assessment responsive to this item. Any updates or findings from responsive service area assessments will be reported on in future submissions. Hendrick Health is in the process of implementing its 2022 Community Health Needs Assessment (“CHNA”). This project involved extensive study of the local community to identify, among other things, unmet healthcare needs. [REDACTED]

8. A report on any cost savings from allowing both hospitals to reduce costs and eliminate duplicate functions have led to lower prices for health care services or investments to improve the quality of health care services.

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

- During FY2022, Hendrick Health has experienced increased costs due to inflationary pressures consistent with general economic conditions. In addition to the significant increase in expenses due to the COVID-19 pandemic, Hendrick Health has seen costs continue to rise from materials and supplies to capital investment. [REDACTED]

- Other examples of Hendrick Health efforts to reduce costs include:

[REDACTED]

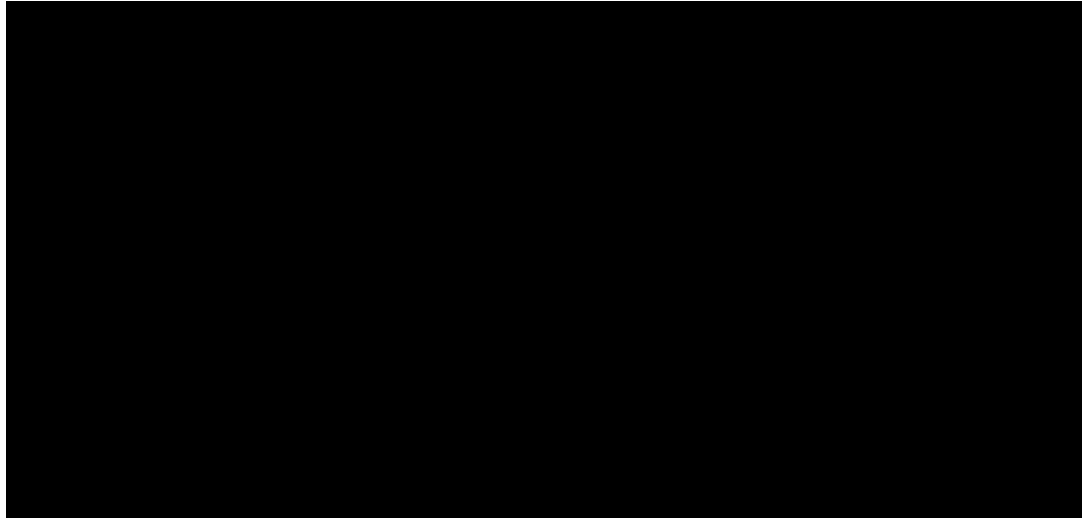
- Hendrick Health continued to integrate the organizational chart across HMC and HMC-S in order to provide increased integration of staffing, policy/procedures, and processes across both campuses. As previously reported:

[REDACTED]

- Through the affiliation with Hendrick Health, HMC-S may access Texas STAR nurses, and other traveling providers which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system. 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.

[REDACTED]

[REDACTED]



IV. Annual Public Hearing

Hendrick Health held its second Annual Public Hearing on Thursday, September 15, 2022 at Hendrick Medical Center's Auxiliary Conference Center from 9:30 to 10:30 a.m. Notification was sent to area news media and was posted on Hendrick Health's website and social media profiles. A public notice was published in the Abilene Reporter-News on Friday, September 2, 2022. Written testimonials were accepted online at hendrickexpandsaccess.com or by mail to Hendrick Medical Center. Hendrick Health did not receive any written testimonials. Norm Archibald, Hendrick Health Director, Legislative and Public Policy, presided over the hearing, which had 31 individuals in attendance.

Brad Holland, President and CEO of Hendrick Health, presented opening remarks summarizing efforts to expand access to medical care in the region and extend the mission of Hendrick Health to deliver high quality healthcare emphasizing excellence and compassion. A total of 10 individuals offered oral comments, summarized below:

- Dr. Rob Wiley, CMO of Hendrick Health, stated the Merger has been successful in terms of physician recruitment. The medical staff has worked diligently on integration, leading to improved access for the community.
- Dr. Andy Russell, who has worked for Hendrick health for nine years, discussed positive benefits of the Merger as it relates to quality and consistency of care. Dr. Russell also observed Hendrick Health has become a destination for physicians to practice.
- Susan Greenwood, CNO of Hendrick Health, discussed industry-wide nurse staffing challenges in the midst of the COVID-19 pandemic and Hendrick Health's collaborative approach to ensure maintenance of critical staffing, and improvements in quality and patient safety.
- Dr. Matthew Cope, Hospitalist Medical Director at HMC North for seven years and now the System Hospital Medical Director, spoke about the positive impact of physician integration, electronic medical record integration, and also echoed Dr. Russell's sentiment that Hendrick Health has provided an excellent destination for physicians, including specialists.
- Mike Murphy, Chief Operating Officer of Hendrick Health and an individual who spent 16 years working for ARMC, strongly supported the Merger, noting a lack of investment in ARMC and loss of employees prior to the Merger. Mr. Murphy summarized some of Hendrick Health's investments in HMC-S, both from a capital and employee standpoint.
- Courtney Head, Assistant Vice President of Human Resources at Hendrick Health, discussed Hendrick Health's commitment to hiring, training, and retaining a highly engaged workforce, in accordance with its mission. Ms. Head described efforts to ensure access to high demand healthcare services and to meet the needs of the community.
- Angie Wagner, Hendrick Health Director of Cardiology, summarized positive benefits of shared staffing and resources in relation to cardiac care across Hendrick Health.
- Brad Benham, Vice President for the Hendrick Medical Center Foundation, spoke about Hendrick Health's re-investment in the community and expansion of Hendrick Health's faith-based, nonprofit healthcare model.

- Pearl Merritt, Regional Dean of the Texas Tech University Health Sciences Center (“TTUHSC”) School of Nursing and Dean of Nursing at Cisco Community College, discussed greater access for clinical education for nursing and pharmacy programs, which has made a difference in the nurse labor shortage. Ms. Merritt also described the positive community impact of Hendrick Health’s support for the TTUHSC Pharmacy School.
- Patrick Murphy, Hendrick Clinic Director for Cardiovascular Service Line and an individual who was working as a registered nurse at ARMC at the time of the Merger, discussed Hendrick Health’s support for the medical profession and focus on quality, efficiency, and accessibility of healthcare services to the community and surrounding counties.