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## **Hendrick Health**

Quarterly Report for Quarter 1 of Fiscal Year 2022

Reporting Period: 9/1/2021 – 11/30/2021

Submission Date: February 28, 2022

Certificate of Public Advantage ("COPA")

## **Quarterly Performance Report for Quarter 1 of Fiscal Year 2022**

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 purchase 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 to herein as “Hendrick Health” or “HH”).

This Report reflects the performance of HMC and HMC-S (formerly ARMC) for the first quarter of fiscal year 2022 (“Quarter 1 FY2022” or “First Quarter FY2022”), the period of September 1, 2021 to November 30, 2021.<sup>1</sup> 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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<sup>1</sup> Hendrick Health expects to submit its future quarterly reports within 90 days of the previous fiscal quarter end date.

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I. Abbreviation Key

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

## II. Quarterly Performance Report - Quarter 1 FY2022

### C. 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.”

### D. 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	Interim 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
America Farrell, FACHE	System Vice President, Strategic Integration
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	Interim Chief Administrative Officer, Hendrick Medical Center South
Chris Ford	System Assistant Vice President, Support 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 July 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). As noted in the Quarter 3 and 4 FY2021 Performance Reports, CMS made significant changes to its CMS Star Rating methodology and reporting schedule 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 various measures are now weighted differently, these changes in methodology make it difficult to compare the April and July 2021 star rating to historical ratings.

Publicly available data on CMS Star Ratings has not been updated since the submission of the Quarter 4 FY2021 Performance Report. The next update is anticipated to be published in April 2022. Updates to the Star Ratings will be reflected accordingly in future quarterly reports, once released by CMS.

**Table 1a: Overall CMS Star Ratings<sup>2</sup>**

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

- Leapfrog Hospital Safety Grades:** HMC earned a “B” overall in the most recent Leapfrog Hospital Safety Grade release (from Fall of 2021) (see **Table 1b** below), which is consistent with ratings from previous releases. Legacy ARMC received an overall designation of “Not Graded” as there was no data available for Leapfrog to use to complete a Safety Grade because ARMC/CHS chose not to report CMS data during the COVID waiver period in 2020. The timeframe used for data reporting on the survey was January through December 2020 (per survey instructions).

A new Leapfrog Safety Grade is anticipated to be released in April 2022 for HMC. This will be reflected in future quarterly reports, when available. HMC-S will resume submitting Leapfrog data

<sup>2</sup> Source: Care Compare: <https://www.medicare.gov/care-compare/#search>.



in 2022. When a new Safety Grade is released for HMC-S, it will be reflected in a future quarterly report.

**Table 1b: Leapfrog Safety Grades<sup>3</sup>**

Location	Pre-Merger Period						Post-Merger Period	
	FY2018		FY2019		FY2020		FY2021	
	Spring	Fall	Spring	Fall	Spring	Fall	Spring	Fall
HMC	A	A	A	A	A	B	B	B
ARMC (HMC-S)	C	C	C	B	C	C	C	Not Graded <sup>4</sup>

- Patient Admissions & Medicare Cost Report Data: Inpatient admissions and outpatient volumes are provided below in **Item 2** of this Report. Hendrick Health is in the process of finalizing its 2019 Cost Report for HMC, 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 Q1 FY2022, both HMC and HMC-S maintained a rating of three (3) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) survey of patient satisfaction (see **Table 1c** below).

**Table 1c: Patient Satisfaction Rating Results<sup>5</sup>**

Location	Pre-Merger Period												Post-Merger Period				
	FY2018				FY2019				FY2020				FY2021				FY2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
HMC	3	3	3	4	3	3	3	3	4	3	5	3	3	3	3	3	3
ARMC (HMC-S)	3	3	3	3	3	3	3	3	3	3	2	3	3	3	3	3	3

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

- Inpatient Volumes<sup>6</sup>: Overall, inpatient admissions for Hendrick Health decreased by 6.2% from Quarter 4 FY2021 to Quarter 1 FY2022, from 8,156 to 7,652. 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. Volume numbers are shown on a

<sup>3</sup> Source: Leapfrog Research Group: <https://ratings.leapfroggroup.org/>.

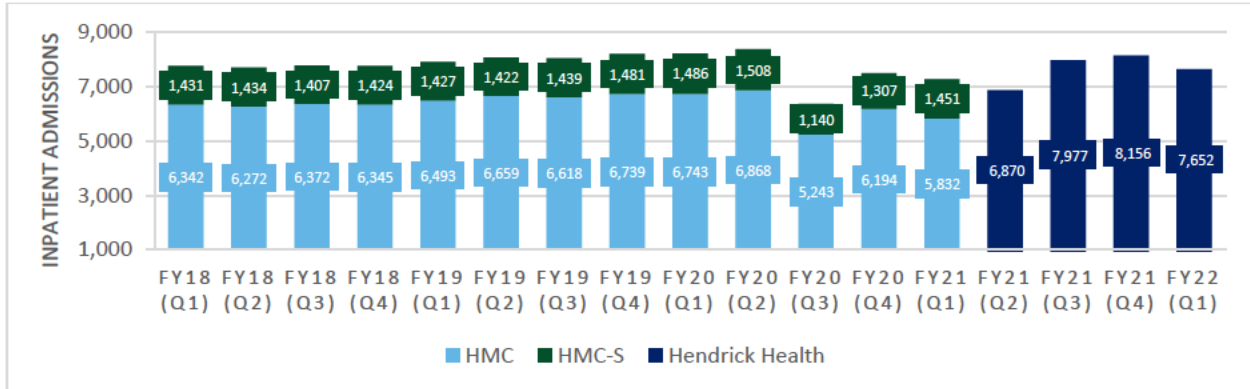
<sup>4</sup> Legacy ARMC received an overall designation of "Not Graded" as there was no data available for Leapfrog to use to complete a Safety Grade because ARMC/CHS chose not to report CMS data during the COVID waiver period in 2020. The timeframe used for data reporting on the survey was January through December 2020 (per survey instructions).

<sup>5</sup> Source: HCAHPS Patient Satisfaction Survey: [HCAHPS Survey Results](#).

<sup>6</sup> 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.

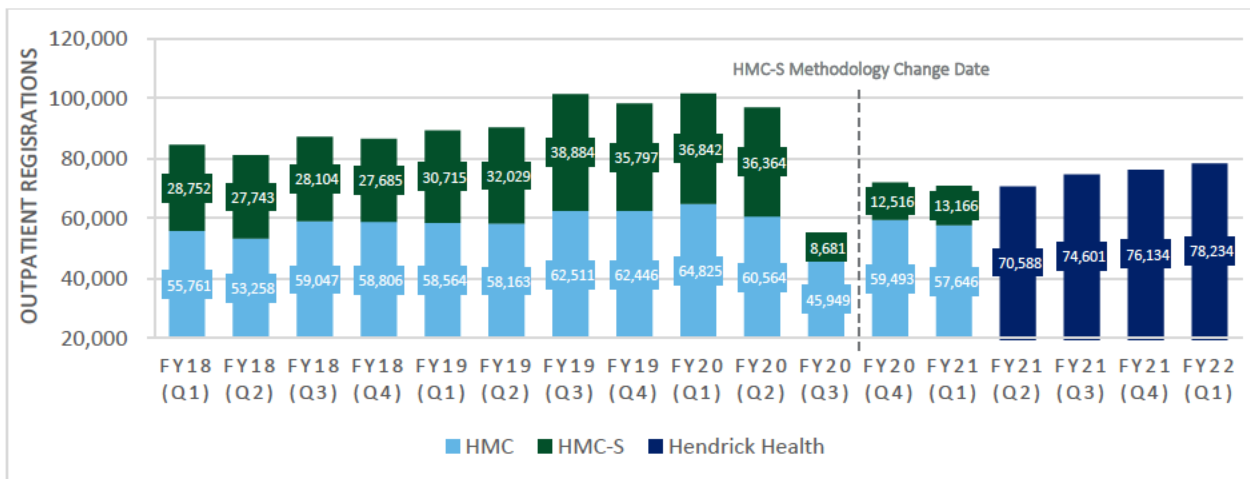
combined basis for Hendrick Health post-Merger (Quarter 2 FY2021 and beyond) as both hospitals will be reported under a single National Provider Identifier (“NPI”).

**Table 2a: Inpatient Admissions**



- Outpatient Volumes<sup>7</sup>:** Overall, outpatient registrations for Hendrick Health increased by 2.8% from Quarter 4 FY2021 to Quarter 1 FY2022, from 76,134 to 78,234. **Table 2b** below displays the quarterly outpatient volumes for 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 NPI.

**Table 2b: Outpatient Registrations<sup>8</sup>**



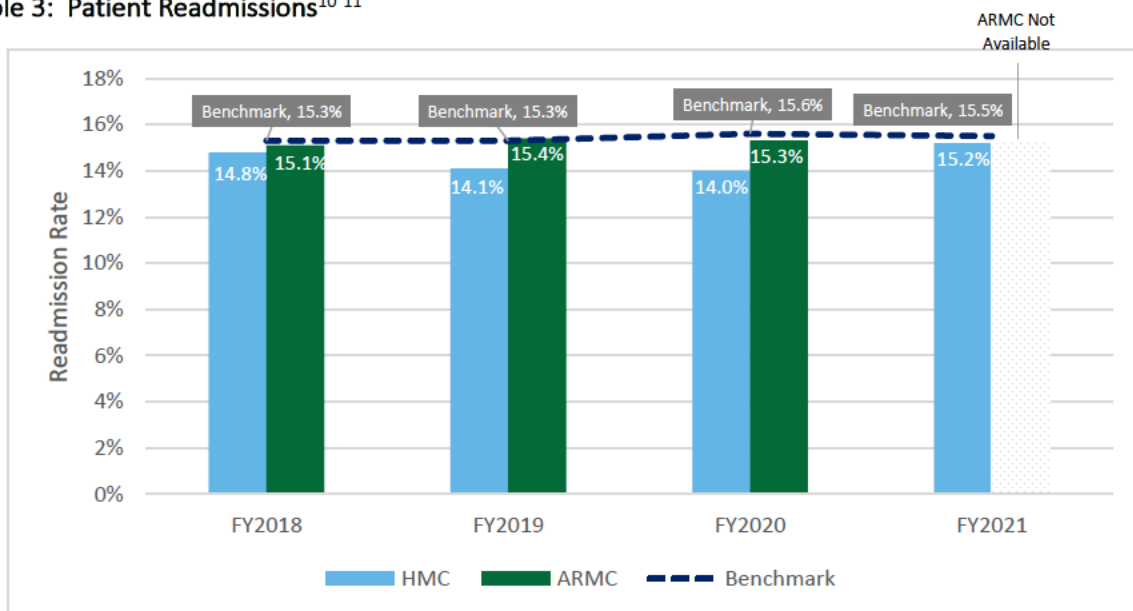
<sup>7</sup> Prior to the Transaction Closing Date, ARMC operated on a calendar fiscal year of January 1 – December 31. Post-Merger, HMC S’s (legacy ARMC) fiscal year will be adjusted to reflect Hendrick Health’s fiscal year of September 1 – August 31. As such, HMC-S’s historical volume information has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

<sup>8</sup> 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 previous Performance Reports, the reported readmission rates during the Baseline Period included all unplanned readmissions<sup>9</sup> 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 2021. Updates to the readmission rates will be reflected accordingly in future quarterly reports. As a result of the Merger in October 2020, legacy ARMC’s (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS’s database to report for legacy ARMC. Going forward, all data on CMS’s website for Hendrick Medical Center (1900 Pine Street) will be combined performance for both HMC and HMC-S.

Table 3: Patient Readmissions<sup>10 11</sup>



<sup>9</sup> 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.

<sup>10</sup> Source: Care Compare “Unplanned Hospital Visit” benchmark ([Medicare.gov](https://www.medicare.gov)). The following represents the reporting periods by fiscal year: 7/1/2016 to 6/30/2017 for FY2018, 7/1/2017 to 6/30/2018 for FY2019, 7/1/2018 to 6/30/2019 for FY2020, and a partial year 7/1/2019 to 12/1/2019 for FY2021.

<sup>11</sup> As a result of the Merger in October 2020, legacy ARMC’s (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS’s database to report for legacy ARMC. Going forward, all data on CMS’s website for Hendrick Medical Center (1900 Pine Street) will be combined performance for both HMC and HMC-S.

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

- **Protocols and treatments.** In continuation of actions reported for Quarter 4 FY 2021, Hendrick Health strives towards keeping patients in their local community with evidence-based, high-quality care. During Quarter 1 FY2022, Hendrick Health continued to face capacity limits and regional transfer challenges at both campuses. Despite this, capacity was relieved at either campus by transferring patients to the other. Having two campuses under one operation has alleviated the need to transfer patients out of the region. If there is an issue at one campus (e.g., equipment being repaired), there are resources available at the other campus. Uniform oversight of both campuses has led to efficient staffing, directing patients to the correct care venue, and an overall benefit to patient care and services for the community.
- **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 1 FY2022, Hendrick Health continued to utilize its combined medical staff, nursing workforce, and ancillary staff to establish and execute various committees, described below, which are tasked with reviewing and improving quality of care procedures. The integration of these quality of care committees supports quality of care initiatives across the system. While integration of these committees has occurred, integrating processes and procedures is an ongoing endeavor.
  - The COVID Medicine Committee, comprised of staff from both HMC and HMC-S, have met intermittently during the waxing and waning of the pandemic to discuss COVID-19 protocols and standardized care for our COVID-19 patients. Additionally, the Medical Staff committee members stay current on the research and treatment options for the variants of COVID-19.
  - The Evidence-Based Medicine Committee continued its review of current order sets and protocols, such as Mobility Protocol, Physician Protocol for Newborns, Kaiser early onset Sepsis calculator, Anesthesia -PACU Order Set, Anesthesia Testing Preoperative Orders, Ventilator Weaning Protocol and Albumin Usage.
  - The Patient Safety Committee continued to meet monthly to discuss risk management, patient safety, and medical equipment issues. Patient Safety discussion included analysis of Sentinel Event Alerts and Root Cause data, Smart Pump Library updates, Restraints, Falls, and patients requiring Emergency Detention Orders. Additionally, quarterly reports were reviewed and actions taken when needed.
  - The consolidated members of the Performance Improvement Committee and the Physician Review Committee continued reviewing and addressing various system-wide quality of care concerns related to procedural and provider issues and initiatives. With combined medical staff membership, perspectives on processes and standards of care allow for insightful discussions with increased involvement in decision-making for the organization.
  - 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 1 FY2022, the Diabetes Education group experienced an uptick in the number of cases from HMC-S. Hendrick Health expects this to increase more as staff recognize the benefit of the program and the load it takes off nursing staff.

- Hendrick Health’s BMI > 50 Committee reconvened to update the processes at HMC and is planning to roll out the same process at HMC-S 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. This will be integrated across both campuses in the coming months. The Committee determined to test a pilot program using a “MyZone” monitor, which patients can use at home to track movement, connect with others through an app, and earn “badges.” A small set of patients will be identified for the trial before the program is rolled out more broadly to patients with high BMI at either facility. The program has not yet been launched, so there are no changes to the committee’s news. While COVID-19 cases decreased in Quarter 1 FY2022, staffing has continued to be a challenge and efforts were focused in addressing the same.
- The Quality Council includes leaders from across the system and focuses on quality of care concerns, Performance Improvement projects, and data from regulatory-required and high-impact monitoring. In Quarter 4 FY2021, this Committee began receiving and sharing data from various departments at HMC-S as it continues to integrate processes across the two campuses. In Quarter 1 FY2022, this process has continued, and templates have been provided for continuity and clarity of reported data. The focus of this committee revolves around the Quality Goals, which includes Cross-Matched to Transfused ratio, Readmission rates, Hospital-Acquired Infections, and Patient Perception of Care. A sub-committee was formed to work on matters related to readmission rates. This sub-committee started small but will grow in the next quarter, as ideas are utilized to take a closer look at causes and possible process changes to ensure the system’s optimal performance in this category.

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

[This items 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 First Quarter FY2022, Hendrick Health implemented the following initiatives:
  - Continued improvement of patient care through upgrading technology and replacing older equipment. For example, Hendrick Health began an upgrade of Alaris smart pumps at HMC-S (started in November 2021).
  - During Quarter 1 FY2022, Hendrick faced capacity limits, particularly emergency room and intensive care unit (ICU) capacity, at both HMC and HMC-S, and relieved capacity by transferring patients to the other campus for care. The community had increased access to care when they may otherwise have been waiting at one of the campuses.

- Continued development of the new, centralized patient transfer process, which has streamlined patient transfers and increased access to care. This program continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. 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 (mentioned above). A single EMR across the system has also helped facilitate these transitions more efficiently.
- 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. A new general surgeon was recruited for HMC-S. [REDACTED]  
[REDACTED] The new general surgeon will start in February 2022. A new pulmonologist was recruited to HMC-S specifically and will begin in February 2022. [REDACTED]  
[REDACTED]  
[REDACTED]
- Continued implementation of a nursing organizational chart with a more intuitive structure for integration and cultural development. During Quarter 4 FY2021, the Emergency Departments were unified under a single Director position with a manager at HMC-S and a supervisor at the plaza site. This change was made in this service line to integrate emergency services in the Abilene market and make a seamless approach to patient transfers. In addition, the organizational chart was finalized placing the existing nursing Directors at HMC in a Director of Abilene Market role. In this role, they will be leading the service line shared governance council and will be responsible for integrating policies, protocols, order sets, and evidence-based care for their patient populations.
- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] During Quarter 4 FY2021, 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. During Quarter 1 FY2022, Hendrick Health continued with standardization of pharmacy services/processes, and cross-training and flexing staff between campuses. Efforts continued with standardization of Pyxis equipment, processes, users, and inventory. To work towards continued optimization of care, Hendrick Health also: standardized its medication waste process and disposal units were installed at HMC-S in September 2021; installed a unit dose packager at HMC to service both HMC and HMC-S (completed in October 2021); began an upgrade of Alaris smart pumps at HMC-S (started in November 2021); and expanded clinical pharmacy services to support the ICU. Additional process improvements and optimization efforts have continued through the end of Q1 FY2022.

- Continued discussions with Global Medical Response d/b/a MetroCare, the ground and air transportation company in Taylor County, Texas, regarding ongoing process improvements.
- HMC is certified by The Joint Commission as a Primary Stroke Center. HMC was surveyed in October 2021 and awarded certification for another two-year period. Offered in collaboration with the American Heart Association/American Stroke Association, this program is designed for hospitals providing critical elements to achieve long-term success in improving outcomes for stroke patients.
- Due to COVID-19 surges, the Abilene joint Emergency Operations Center was stood up and combined resources for staffing, bed capacity, and regional transfer needs. This, on top of continued development of a new, centralized patient transfer process, has streamlined patient transfers and increased access to care. These efforts ensure quicker and smoother transfers between HMC and HMC-S to alleviate capacity restraints, in general, and in response to COVID-19.
- Joint market perception of care and joint patient safety meetings continued. These meetings involve efforts between HMC and HMC-S to identify best processes, root cause analyses, and potential patient safety issues. Calls are conducted twice daily between HMC and HMC-S to prevent holds in the emergency departments and to address staff sharing to improve capacity across the system.
- Clinical integration and physician integration team meetings began to ensure all areas of the Abilene market (HMC and HMC-S) are continuously reviewed for best practices, coordinated efforts, and streamlined processes, policies, procedures, etc. These meetings occur on at least a quarterly basis.
- A new Risk/Safety “on call team” was mobilized to field calls 24/7 regarding patient safety and risk management issues.

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.]

- In Quarter 1 FY2022, Hendrick Health, with recommendations of the Quality Council, made recommendations for 2022 goals. Using input from committee members across the system including HMC and HMC-S, the committee recommended the following Quality Goals: Cross-Matched to Transfused ratio; Readmission rates; Hospital-Acquired Infections; and Patient Perception of Care. As noted above, a sub-committee was formed to work on matters related to readmission rates. This sub-committee started small but will grow in the next quarter, as ideas are utilized to take a closer look at causes and possible process changes to ensure the system’s optimal performance in this category.
  - Reduce Cross-Matched to Transfused Blood: 1:1.4

- Inpatient 30-Day Readmission Reduction<sup>12</sup>: O/E < 1.0 in 5 of 6 conditions.
- Culture of Safety Survey
  - 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 90%
- HAC Reduction Domain 2 HAI SIRs : Achieve 1.00 or less for each in four (4) of the five (5) underlying measures, which are:
  - Central Line Associated Bloodstream Infection (CLABSI): 1.00 or less.
  - Catheter-Associated Urinary Tract Infection (CAUTI): 1.00 or less.
  - Surgical Site Infection (SSI): 1.00 or less.
  - Methicillin-Resistant Staphylococcus Aureus Bacteremia (MRSA): 1.00 or less.
  - Clostridium Difficile Infection (CDI): 1.00 or less.
- Patient Experience: “More than 64% of Hendrick Medical Center patients are likely to recommend the hospital to friends or family with a ranking of 9 or 10 out of 10.”
- 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.
- The quality measures referenced in this Report are summarized below in **Table 6a**. In **Table 6b**, Hendrick Health includes its FY2021 quality goal performance results. Each fiscal year, new goals are chosen, or old ones revised, depending on data trends, hot topics, or initiatives for other quality purposes. Once data is available and shared for the entire fiscal year, the previous goals are no longer part of organizational goal sharing, although the data may continue to be tracked for other requirements or specific purposes.

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



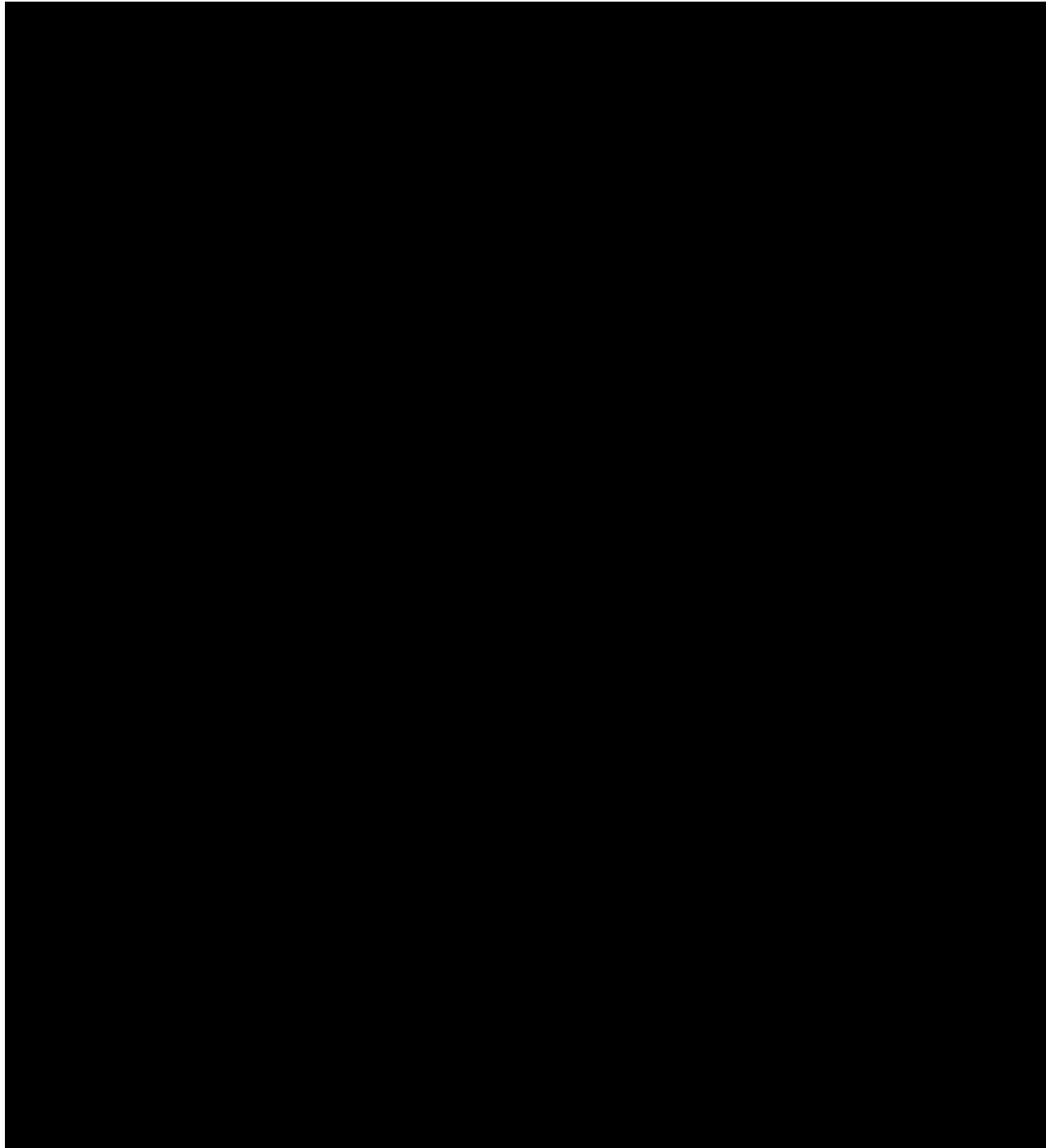
Table 6a: Hendrick Health Summary of Quality Measure Performance

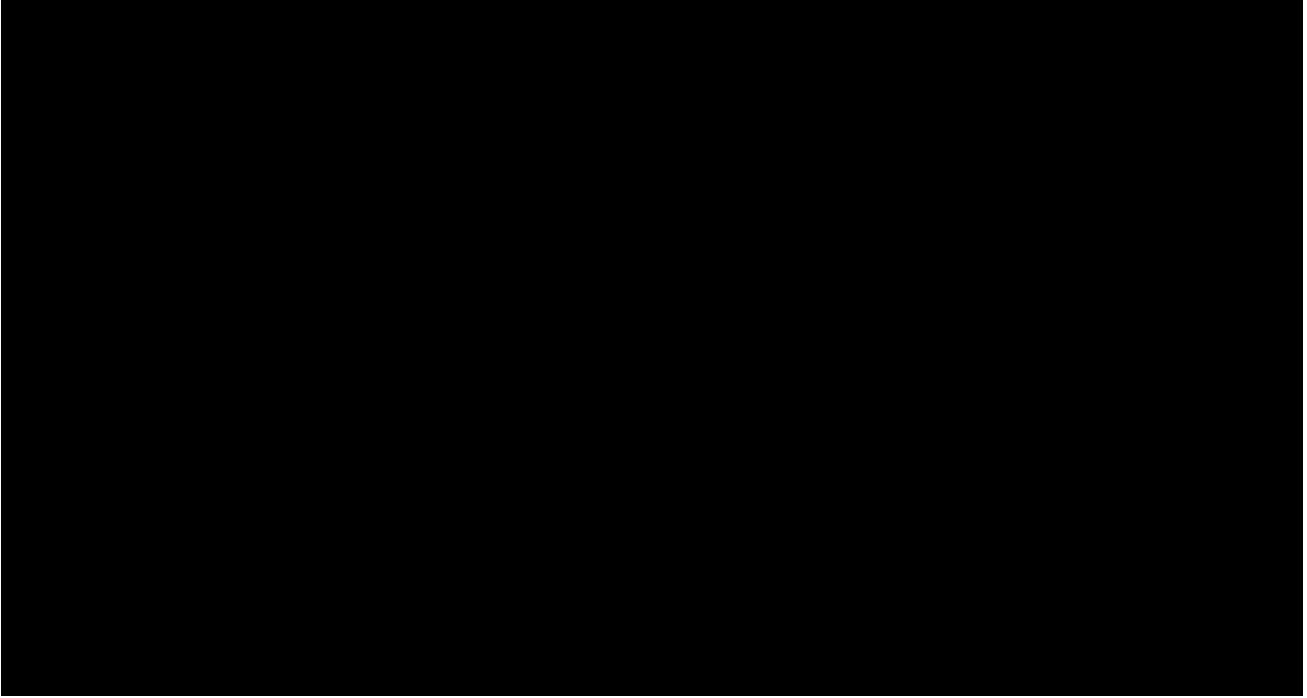
Quality Metrics	Page Ref.	Pre-Merger						Post-Merger									
		FY2018		FY2019		FY2020		FY2021				FY2022					
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1							
CMS Star Rating - HMC	Pg. 8	4	4	3	3	5	5	Not Applicable (rating to be released in Q3)		4	4	Projected update in April 2022					
CMS Star Rating - HMC-S	Pg. 8	3	3	2	2	2	2	Not Applicable (rating to be released in Q3)		4	4	Projected update in April 2022					
Leapfrog Safety Grades - HMC	Pg. 8	A	A	A	A	A	B	Not Applicable (rating to be released in Q3)		B	B	Projected update in April 2022					
Leapfrog Safety Grades - HMC-S	Pg. 8	C	C	C	B	C	C	Not Applicable (rating to be released in Q3)		C	Not Graded	Not Graded <sup>13</sup>					
Pt. Satisfaction Rating - HMC	Pg. 9	3	3	3	4	3	3	3	3	4	3	5	3	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	3
Inpatient Volumes - HMC	Pg. 10	25k		27k		25k		6k	7k	8k	8k	8k					
Inpatient Volumes - HMC-S	Pg. 10							1k									
Outpatient Volumes - HMC	Pg. 10	227k		242k		231k		59k	71k	75k	76k	78k					
Outpatient Volumes - HMC-S <sup>14</sup>	Pg. 10							13k									
Patient Readmissions - HMC	Pg. 11	14.8%		14.1%		14.0%		15.2%				Projected update in July/August 2022					
Patient Readmissions - HMC-S	Pg. 11	15.1%		15.4%		15.3%		Not Available <sup>15</sup>				Projected update in July/August 2022					

<sup>13</sup> HMC-S will resume Leapfrog data in 2022. When a new Safety Grade is released for HMC-S, it will be reflected in a future quarterly report.

<sup>15</sup> As a result of the Merger in October 2020, legacy ARMC's (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS's database to report for legacy ARMC. Going forward, all data on CMS's website for Hendrick Medical Center (1900 Pine Street) will be combined performance for both HMC and HMC-S.

Table 6b: Hendrick Health FY 21 Quality Goal Performance



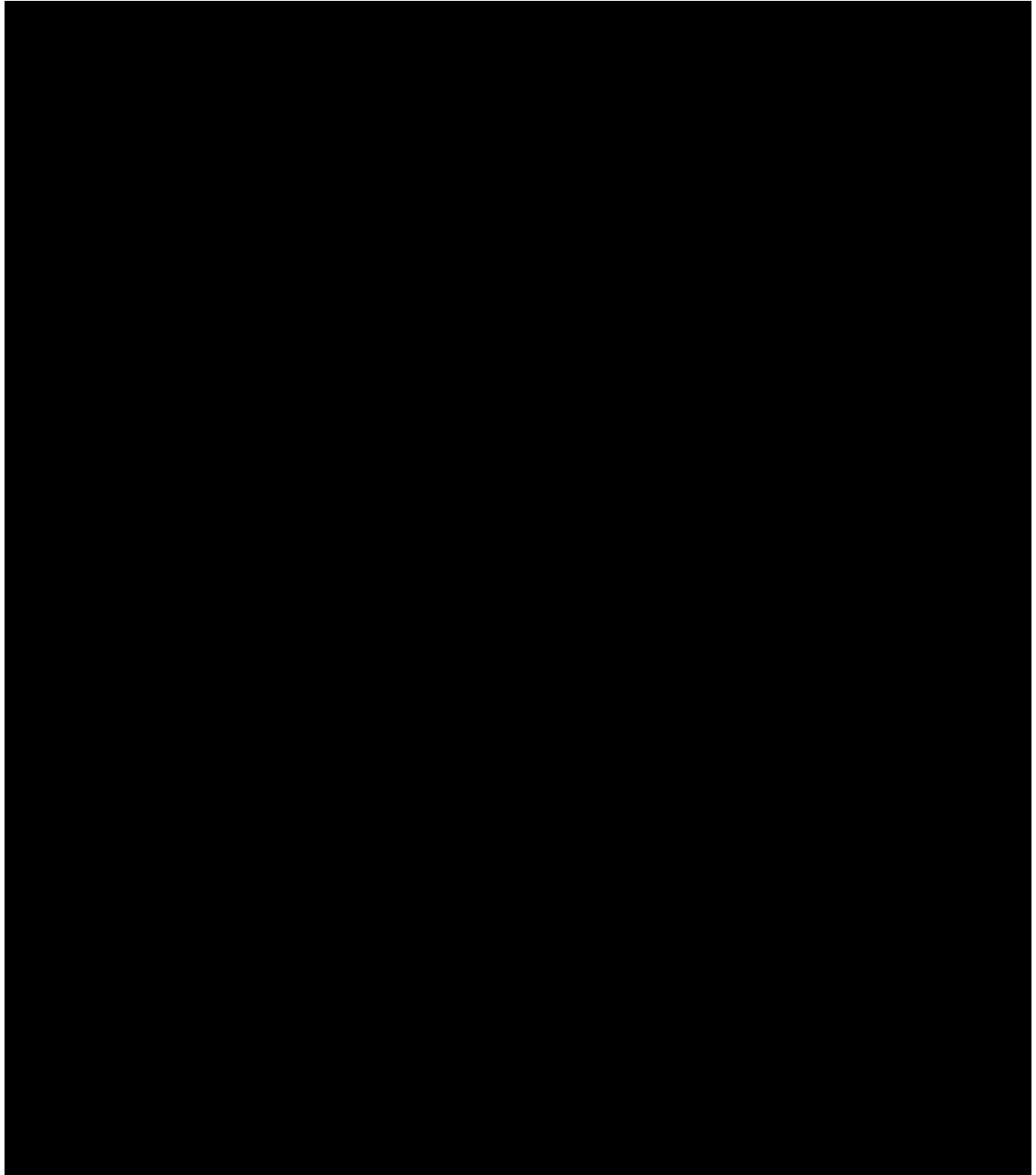


**B. Efficiencies**

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 previous Performance Reports, to reduce costs and improve efficiency. In Quarter 1 FY2022, 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 1 FY2022, 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.

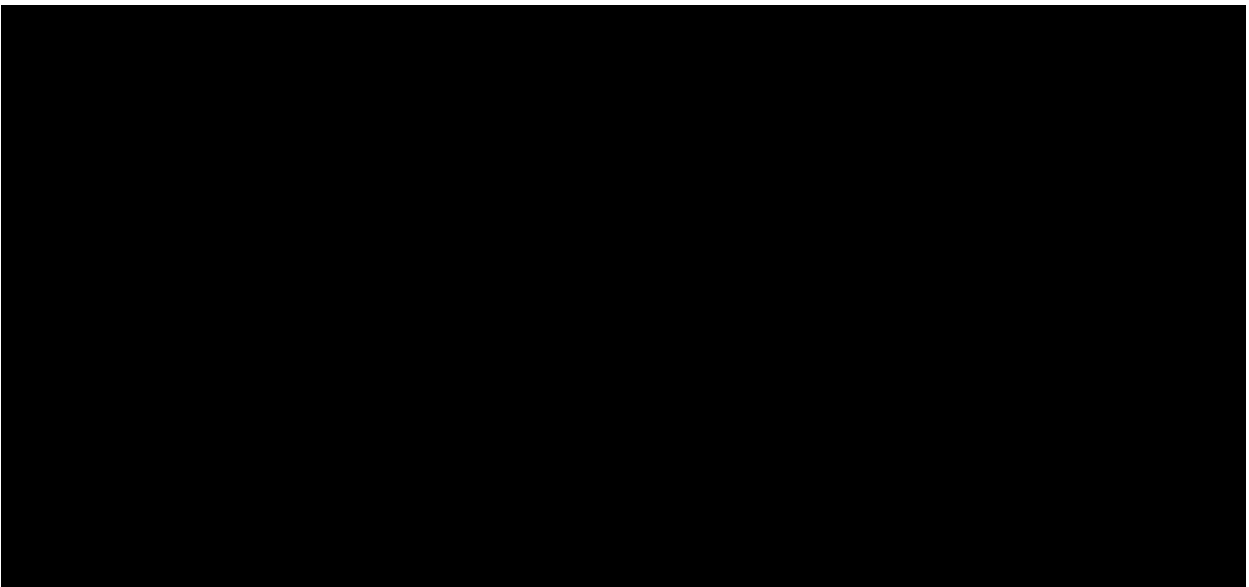
[This item contains proprietary, competitively sensitive information redacted from the public version.]

- Telehealth: During Quarter 1 FY2022, Hendrick Health provided ambulatory telehealth services, including primary and other non-emergency care services, to 1,867 patients through its virtual care platforms. The number of ambulatory telehealth patients increased as compared to Quarter 4 FY2021 (as shown in **Table 9**). For comparison, the volume of in-person physician clinic visits was 58,691 in Quarter 1 FY2022, and the following represents historical data on in-person physician clinic visits:
  - Q3 FY2020: 37,244
  - Q4 FY2020: 50,905

- Q1 FY2021: 47,971
- Q2 FY2021: 66,398
- Q3 FY2021: 60,761
- Q4 FY2021: 57,581
- Q1 FY2022: 58,691

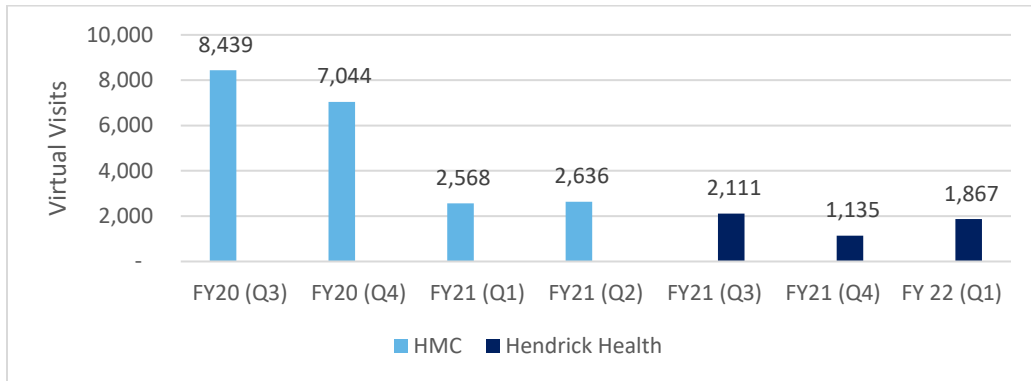
Telehealth capabilities remain available and are utilized by patients choosing that method of care.

- As reported in the Quarter 4 FY2021 Performance Report, Hendrick Health implemented a Tele-Sitter program at HMC-S in August 2021. This program was extended to HMC-S to improve patient care and safety for confused patients in order to prevent falls, prevent treatment lines from being pulled out, and to improve nurses' ability to effectively manage patient loads. This is a portable camera system, already in place and well-established at HMC, which is centrally monitored, allows for verbal cues and reminders at the bedside to reorient patients and provide gentle reminders of safe, compliant behaviors. Additionally, those monitoring the cameras have lines of direct communication to assigned nursing personnel to escalate the need for physical bedside presence and/or intervention. This program provides safe, evidence-based staffing supplementation for identified patient populations in a world of extreme nursing and unlicensed staffing shortages.
- As discussed in the Quarter 3 FY2021 report, 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 NPI.

Table 9: Ambulatory Telehealth Visits – Number of Patients Treated via Telehealth<sup>16</sup>



10. Progress reports regarding the adoption of the new IT Platform.

- IT Platform: As reported in the Quarter 4 FY2021 Performance Report, 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 EMR system across both campuses. This migration has provided greater connected care between facilities.

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 First Quarter FY2022, the only workforce reduction activity was related to the following:
  - Closure of Hendrick Hearing Healthcare in June 2021, which occurred due to lack of demand for hearing services at Hendrick Health. The preparation for the closure of Hendrick Hearing Healthcare occurred prior to the Merger with legacy ARMC and was not related to the Merger. This closure resulted in the elimination of three positions: Clinical Coordinator (Audiologist), Supervisor - Business Services, and Audiology Specialist. Among the three positions, one of the impacted employees was able to secure a comparable position in another Hendrick Health department, one employee retired, and one employee found a comparable position at a local physician office. The reduction is not expected to have any impact on patient service delivery and hearing healthcare services continue to be available to patients through a number of other providers in the area.

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

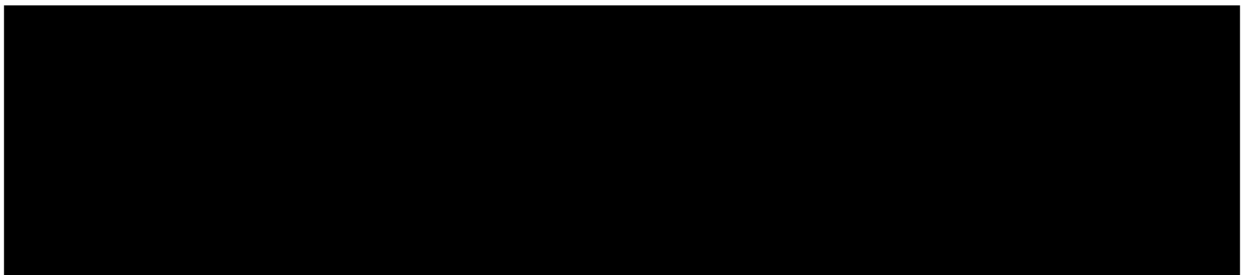
- As noted in previous quarterly reports, neither HMC nor HMC-S reduced its workforce as a result of the pandemic. Rather, both facilities have experienced increased demand for staff.
- Additionally, Hendrick Health was named as one of the “Best Places to Work in Healthcare” for 2021 by *Modern Healthcare*, 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 November 30, 2021, Hendrick Health employed 4,356 employees, as compared to 4,220 employees as of August 31, 2021 (end of Quarter 4 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 1 FY2022, Hendrick Health hired 479 new employees.
- To support staffing needs from the increased COVID-19 cases in Quarter 1 FY2022, Hendrick Health contracted 233 travel healthcare professionals.
- Additionally, 15 employees were brought on when the HMC-S Environmental Services department was brought in-house.
- 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 1 FY2022<sup>17</sup>**

Location	Employees as of Transaction Closing Date <sup>18</sup>	Employees as of Q1 FY2021	Employees as of Q2 FY2021	Employees as of Q3 FY2021	Employees as of Q4 FY2021	Employees as of Q1 FY2022
HMC	3,493	3,461	3,547	4,172	4,220	4,356
HMC-S	667	621	607			
<b>Total</b>	<b>4,160</b>	<b>4,082</b>	<b>4,154</b>	<b>4,172</b>	<b>4,220</b>	<b>4,356</b>

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.]



<sup>17</sup> Please note that employee headcount includes employed physicians and advanced practice clinicians.

<sup>18</sup> 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.



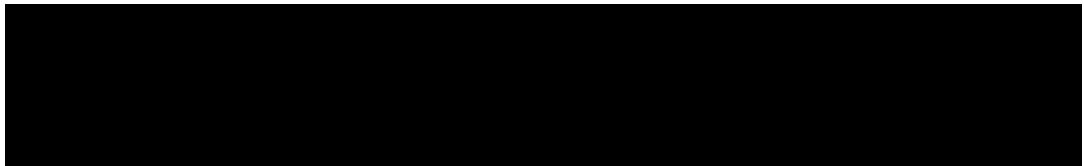


- Hendrick Health intends to continue thoughtfully evaluating opportunities through the post-Merger integration process and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

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 1 FY2022, Hendrick Health continued to enhance the coordination of services through the following:



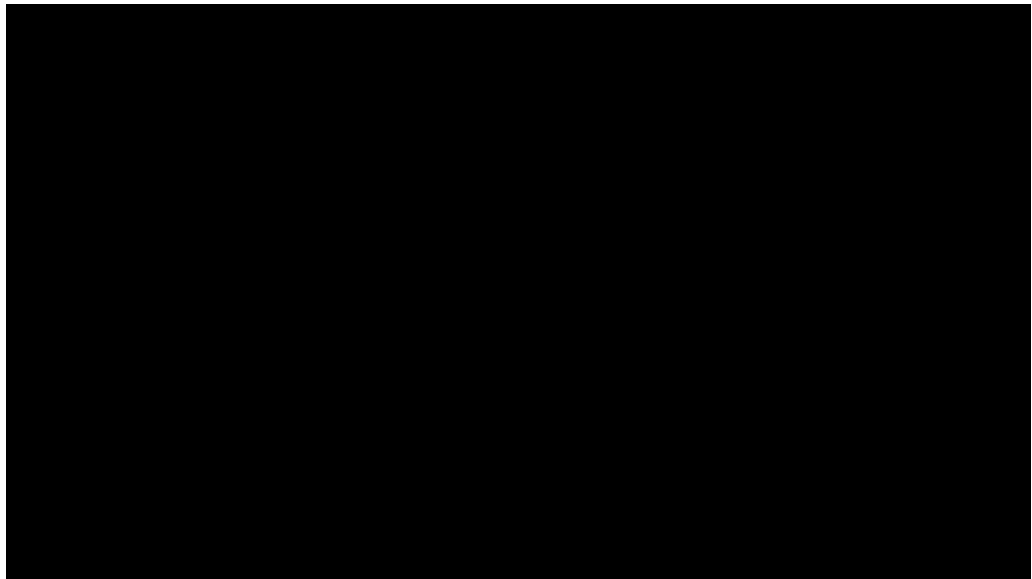
- **Expansion of Tele-Sitter Program to HMC-S**: As reported in Q4 FY 2021, Hendrick Health implemented a Tele-Sitter program, a portable camera system, at HMC South in August 2021. This program was extended to HMC-S to improve patient care and safety for confused patients in order to prevent falls, prevent treatment lines from being pulled out, and to improve nurses' ability to effectively manage patient loads. This system was already in place and well-established at HMC. The camera is centrally monitored, allows for verbal cues and reminders at the bedside to reorient patients and provide gentle reminders of safe, compliant behaviors. Additionally, those monitoring the cameras have lines of direct communication to assigned nursing personnel to escalate the need for physical bedside presence and/or intervention. This program provides safe, evidence-based staffing supplementation for identified patient populations in a world of extreme nursing and unlicensed staffing shortages.
- **Coordination of Inpatient Capacity**: During Quarter 1 FY2022, Hendrick Health faced capacity limits, particularly emergency room and intensive care unit (ICU) capacity, at

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<sup>19</sup> See chart for Element 15, which shows the majority of savings through capital avoidance.

both HMC and HMC-S, and relieved capacity by transferring patients to the other campus for care. The community had increased access to care when they may otherwise have been waiting at one of the campuses.

- **Combined Operations and Executive Staff Meetings:** Weekly Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings continued in an effort to streamline leadership reporting, communication, and responsibilities across both campuses.
- **Unified Organizational Structure:** 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:



- **House Supervisor Integration across HMC and HMC-S:** House Supervisor integration continued between both Abilene campuses to provide ability to float/flex staff and increase vital communication between two facilities and the centralized transfer center.
- **Quality of Care Committees:** In Quarter 1 FY2022, Hendrick Health continued to utilize its combined medical staff to establish and execute various committees. The committees are responsible with reviewing and improving quality of care procedures. The integration of these quality-of-care committees support quality of care initiatives across the system.
- **Operating Room (OR)/Surgical Committee:** As previously reported OR/Surgical Committee was created at HMC-S and established a process for evaluating metrics and efficiencies related to surgical services. This committee rolls up to the Medical Advisory Committee at HMC-S, which rolls to the Medical Executive Committee for the Abilene market, increasing communication and streamlining processes across both

campuses under the same medical model. Recurring meetings are held by the OR/Surgical Committee.

- **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. In addition, as noted above, calls are conducted twice daily between HMC and HMC-S to prevent holds in the emergency departments and to address staff sharing to improve capacity across the system.
- **Centralized Transfer Center:** Hendrick Health continued use of its centralized Transfer Center, developed post-Merger, 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 1 FY2022:
  - September 2021: Accepted [REDACTED] transfers
  - October 2021: Accepted [REDACTED] transfers
  - November 2021: Accepted [REDACTED] transfers
- **Nursing Organizational Chart Alignment and Optimization:** Continued implementation of a nursing organizational chart with a more intuitive structure for integration and cultural development. As reported in Quarter 4 FY2021, the Emergency Departments were unified under a single Director position with a manager at HMC-S and a supervisor at the plaza site. This change was made in this service line to integrate emergency services in the Abilene market and make a seamless approach to patient transfers. In addition, the organizational chart was finalized placing the existing nursing Directors at HMC in a Director of Abilene Market role. In this role, they will be leading the service line shared governance council and will be responsible for integrating policies, protocols, order sets, and evidence-based care for their patient populations.
- **Coordination of additional clinical staffing at HMC-S:** Through the affiliation with Hendrick Health, HMC-S now has access to increased Texas STAR<sup>20</sup> nurses, and other traveling providers which equipped both HMC and HMC-S to better handle the surge of COVID-19 patients throughout the system. Like in prior quarters, during First Quarter FY2022, Hendrick Health contracted with 233 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.

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<sup>20</sup> STAR is a Texas Medicaid managed care program.

- Cost Savings Reinvestment Evidence: Hendrick Health plans to and has reinvested cost savings to various local initiatives, such as the Hendrick Service Center, pharmacy upgrades at HMC-S, renovation of space at HMC-S for a bereavement area, 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 reinvested in the combined healthcare system during Quarter 1 FY2022:
  - **COVID-19 vaccine distribution**: Combining and coordinating 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 continued to implement 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 1 FY2022, through the combined entity, Hendrick Health distributed 4,086 vaccine 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. During Quarter 4 FY2021, Hendrick Health began the planning process for the development of the facility. Hendrick Health anticipates this project to be completed in approximately 15 months. Capital spend during Quarter 1 FY2022 was approximately \$27,000.
  - **Pharmacy investments**:
    - Hendrick Health standardized its medication waste process and disposal units were installed in September 2021. The cost to standardize the process was approximately \$2,400.
    - In October 2021, a unit dose packager was installed at HMC to service both HMC and HMC-S. The total cost for this project was approximately \$25,000.
    - In November 2021, Hendrick Health also began upgrades of Alaris smart pumps at HMC-S and expanded clinical pharmacy services to support the ICU.

The total project cost for the Alaris smart pump upgrades is approximately \$225,000.

- **New bereavement space at HMC-S.** In Q1 FY2022, at a cost of approximately \$6,500, Hendrick Health transitioned a former storage area at HMC-S to a bereavement space for patients and/or families who have suffered a loss, an unexpected outcome, or who simply experience stress of any kind. Staff affected by patient situations are also encouraged to take time in this space for their mental wellness. The room, called Juniper’s Corner, is a softly lit and decorated room with comfortable seating. Counseling and resource brochures are available in this area.
- **Capital expenditures:** In Quarter 1 FY2022, Hendrick Health spent \$6.8 million in capital expenditures across both HMC and HMC-S. [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, Hendrick Health developed a process to identify, track, and report data and financial reports reflecting efficiencies achieved post-Merger. In Quarter 1 FY2022, Hendrick Health identified several potential opportunities or initiatives that are likely to generate efficiencies and reduce unnecessary costs, as summarized below.

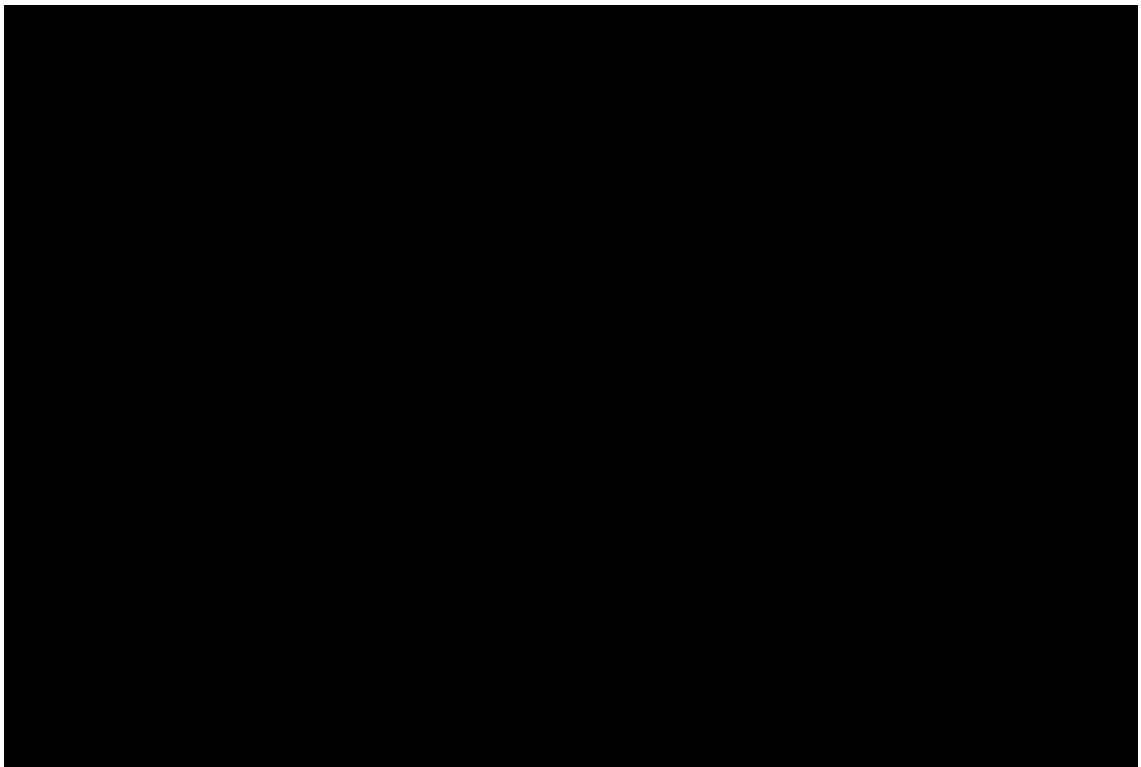




Table 15: Hendrick Health Purchased Services and Supply Contract Savings

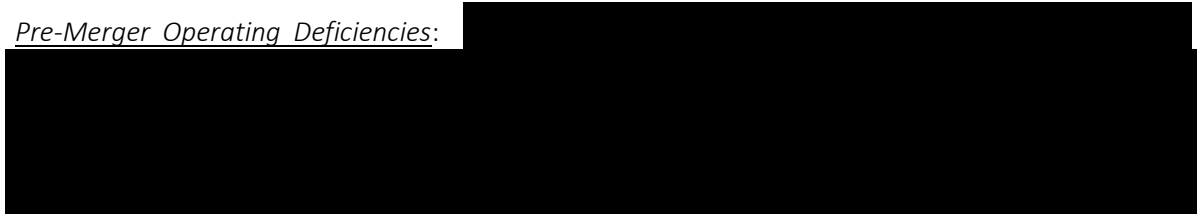
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Hendrick Health intends to continue thoughtfully evaluating ongoing opportunities through the post-Merger integration process and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

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:*



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. For example, as reported herein:
  - **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 1 FY2022, Hendrick Health continued to utilize its combined medical staff, nursing workforce, and ancillary staff to establish and execute various committees, described below, which are tasked with reviewing and improving quality of care procedures. The integration of these quality of care committees supports quality of care initiatives across the system. While integration of these committees has occurred, integrating processes and procedures is an ongoing endeavor.
    - The COVID Medicine Committee, comprised of staff from both HMC and HMC-S, have met intermittently during the waxing and waning of the pandemic to

<sup>21</sup> Estimated savings for one of the contracts in this category is for a three-year period.

discuss COVID-19 protocols and standardized care for our COVID-19 patients. Additionally, the Medical Staff committee members stay current on the research and treatment options for the variants of COVID-19.

- The Evidence-Based Medicine Committee continued its review of current order sets and protocols, such as Mobility Protocol, Physician Protocol for Newborns, Kaiser early onset Sepsis calculator, Anesthesia -PACU Order Set, Anesthesia Testing Preoperative Orders, Ventilator Weaning Protocol and Albumin Usage.
- The Patient Safety Committee continued to meet monthly to discuss risk management, patient safety, and medical equipment issues. Patient Safety discussion included analysis of Sentinel Event Alerts and Root Cause data, Smart Pump Library updates, Restraints, Falls, and patients requiring Emergency Detention Orders. Additionally, quarterly reports were reviewed and actions taken when needed.
- The consolidated members of the Performance Improvement Committee and the Physician Review Committee continued reviewing and addressing various system-wide quality of care concerns related to procedural and provider issues and initiatives. With combined medical staff membership, perspectives on processes and standards of care allow for insightful discussions with increased involvement in decision-making for the organization.
- 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 1 FY2022, the Diabetes Education group experienced an uptick in the number of cases from HMC-S. Hendrick Health expects this to increase more as staff recognize the benefit of the program and the load it takes off nursing staff.
- Hendrick Health's BMI > 50 Committee reconvened to update the processes at HMC and is planning to roll out the same process at HMC-S 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. This will be integrated across both campuses in the coming months. The Committee determined to test a pilot program using a "MyZone" monitor, which patients can use at home to track movement, connect with others through an app, and earn "badges." A small set of patients will be identified for the trial before the program is rolled out more broadly to patients with high BMI at either facility. The program has not yet been launched, so there are no changes to the committee's news. While COVID-19 cases decreased in Q1 FY2022, staffing has continued to be a challenge and efforts were focused in addressing the same.
- The Quality Council includes leaders from across the system and focuses on quality of care concerns, Performance Improvement projects, and data from regulatory-required and high-impact monitoring. In Quarter 4 FY2021, this Committee began receiving and sharing data from various departments at HMC-

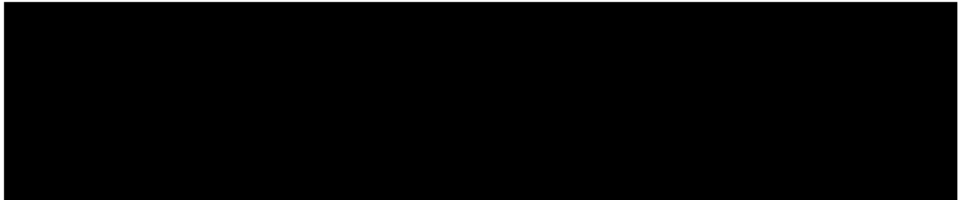
S as it continues to integrate processes across the two campuses. In Quarter 1 FY2022, this process has continued, and templates have been provided for continuity and clarity of reported data. The focus of this committee revolves around the Quality Goals, which includes Cross-Matched to Transfused ratio, Readmission rates, Hospital-Acquired Infections, and Patient Perception of Care. A sub-committee was formed to work on matters related to readmission rates. This sub-committee started small but will grow in the next quarter, as ideas are utilized to take a closer look at causes and possible process changes to ensure the system's optimal performance in this category.

- **Optimization of patient services.** 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 First Quarter FY2022, Hendrick Health implemented the following initiatives:
  - Continued improvement of patient care through upgrading technology and replacing older equipment. For example, Hendrick Health began an upgrade of Alaris smart pumps at HMC-S (started in November 2021).
  - During Quarter 1 FY2022, Hendrick faced capacity limits, particularly emergency room and intensive care unit (ICU) capacity, at both HMC and HMC-S, and relieved capacity by transferring patients to the other campus for care. The community had increased access to care when they may otherwise have been waiting at one of the campuses.
  - Continued development of the new, centralized patient transfer process, which has streamlined patient transfers and increased access to care. This program continues to allow for smoother in-bound transfers from surrounding cities such as Brownwood, Eastland, Anson, Rotan, Comanche, and Winters. 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 (mentioned above). A single EMR across the system has also helped facilitate these transitions more efficiently.
  - 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.
  - Continued implementation of a nursing organizational chart with a more intuitive structure for integration and cultural development. During Quarter 4 FY2021, the Emergency Departments were unified under a single Director position with a manager at HMC-S and a supervisor at the plaza site. This change was made in this service line to integrate emergency services in the Abilene market and make a seamless approach to patient transfers. In addition, the



organizational chart was finalized placing the existing nursing Directors at HMC in a Director of Abilene Market role. In this role, they will be leading the service line shared governance council and will be responsible for integrating policies, protocols, order sets, and evidence-based care for their patient populations.

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- During Quarter 4 FY2021, 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. During Quarter 1 FY2022, Hendrick Health continued with standardization of pharmacy services/processes, and cross-training and flexing staff between campuses. Efforts continued with standardization of Pyxis equipment, processes, users, and inventory. To work towards continued optimization of care, Hendrick Health also: standardized its medication waste process and disposal units were installed in September 2021; installed a unit dose packager at HMC to service both HMC and HMC-S (completed in October 2021); began an upgrade of Alaris smart pumps at HMC-S (started in November 2021); and expanded clinical pharmacy services to support the ICU. Additional process improvements and optimization efforts have continued through the end of Q1 FY2022.
- Continued discussions with Global Medical Response d/b/a MetroCare, the ground and air transportation company in Taylor County, Texas, regarding ongoing process improvements.
- HMC is certified by The Joint Commission as a Primary Stroke Center. HMC was surveyed in October 2021 and awarded certification for another two-year period. Offered in collaboration with the American Heart Association/American Stroke Association, this program is designed for hospitals providing critical elements to achieve long-term success in improving outcomes for stroke patients.
- Due to COVID-19 surges, the Abilene joint Emergency Operations Center was stood up and combined resources for staffing, bed capacity, and regional transfer needs. This, on top of continued development of a new, centralized patient transfer process, has streamlined patient transfers and increased access to care. These efforts ensure quicker and smoother transfers between HMC and HMC-S to alleviate capacity restraints, in general, and in response to COVID-19.
- Joint market perception of care and joint patient safety meetings continued. These meetings involve efforts between HMC and HMC-S to identify best processes, root cause analyses, and potential patient safety issues. Calls are

conducted twice daily between HMC and HMC-S to prevent holds in the emergency departments and to address staff sharing to improve capacity across the system.

- Clinical integration and physician integration team meetings began to ensure all areas of the Abilene market (HMC and HMC-S) are continuously reviewed for best practices, coordinated efforts, and streamlined processes, policies, procedures, etc. These meetings occur on at least a quarterly basis.
- HMC continued recruitment for critical staff (permanent and temporary) to provide needed care for the community. A new general surgeon was recruited for HMC-S. [REDACTED]

[REDACTED] The new general surgeon will start in February 2022. A new pulmonologist was recruited to HMC-S specifically and will begin in February 2022. [REDACTED]

○ **Staffing/organizational impact.**



- **Combined Operations and Executive Staff Meetings:** Weekly Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings continued in an effort to streamline leadership reporting, communication, and responsibilities across both campuses.
- **Unified Organizational Structure:** 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.
- **Clinical labor float pool:** Hendrick Health 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. In addition, as noted above, calls are conducted twice daily between HMC and HMC-S to prevent holds in the emergency departments and to address staff sharing to improve capacity across the system.
- **Nursing Organizational Chart Alignment and Optimization:** Continued implementation of a nursing organizational chart with a more intuitive structure for integration and cultural development.
- **Coordination of additional clinical staffing at HMC-S:** Through the affiliation with Hendrick Health, HMC-S now has access to increased 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. Like in prior quarters, during First Quarter FY2022, Hendrick Health contracted with 233 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.

○ **Other community impact.**

- Hendrick Health continued its support to rural hospitals through affiliation agreements, including assistance with physician recruitment, continuing education opportunities, leadership training and mentoring, staff training opportunities, and program development assistance and advice.
- 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 continued to implement 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 1 FY2022, through the combined entity, Hendrick Health distributed 4,086 vaccine doses.
- Hendrick Health continued to provide ambulatory telehealth services, including primary and other non-emergency care services, to patients in the surrounding area. Telehealth capabilities remain available and are utilized by patients choosing that method of care. [REDACTED]

**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 charges<sup>22</sup> 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 1 FY2022 volumes and **Table 18b** CDM charges for select tests, treatments, or procedures for the following categories of ancillary health services: Laboratory, Imaging, Pharmacy, and Respiratory Therapy. The charges show an average increase of eight percent, which was approved by HHSC in January 2022. As noted

<sup>22</sup> Gross charges are charges prior to any contractual discount allowance for various payor classes.

in Hendrick Health's rate increase request, current market conditions have resulted in substantial increases in the cost of healthcare service delivery. The increase in rates will allow Hendrick Health to obtain and retain direct care staff services, and maintain quality, efficiency, and accessibility of healthcare services within the market. Hendrick Health posts online its listing of charges for each service it provides.<sup>23</sup>

- 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.

**Table 18a: HMC Ancillary Health Services - Volume**

Ancillary Service	Volume					
	FY20 <sup>24</sup>	Q1 FY21 <sup>25</sup>	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
<b>Laboratory Services<sup>26</sup></b>						
<i>Routine Venipuncture</i>	277,465	71,721	82,199	83,165	93,264	92,967
<i>Blood Glucose Monitor</i>	176,460	53,369	71,606	59,016	58,756	65,856
<i>CBC With Diff</i>	144,129	37,576	43,715	46,185	49,135	48,728
<i>Comp. Metabolic Panel</i>	106,789	29,060	35,295	37,175	39,146	38,355
<i>Basic Metabolic Panel</i>	38,365	9,322	10,666	11,947	11,519	11,421
<b>Imaging Services</b>						
<i>SCR Mammography</i>	11,064	3,138	3,649	3,695	4,151	4,266
<i>Breast Tomo Screening</i>	10,503	3,026	3,608	3,674	4,112	4,231
<i>Vascular Ultrasound</i>	2,958	869	881	916	1,174	1,559
<i>Renal Ultrasound</i>	2,370	567	654	678	759	660
<i>Gallbladder Ultrasound</i>	2,287	473	491	671	741	661
<b>Pharmacy</b>						
<i>Sodium Chloride 0.9%</i>	507,539	127,525	134,331	125,793	126,249	130,970
<i>Insulin Injection (1 Unit)</i>	448,408	145,870	210,552	148,083	162,183	175,331
<i>Iodine Contrast (LOCM)</i>	401,327	159,108	216,805	192,696	109,747	109,611
<i>Iodine Contrast (Visipaque)</i>	280,579	69,301	70,546	99,250	108,902	103,271
<i>Insulin Injection (5 Units)</i>	110,294	44,387	60,211	44,424	34,427	44,997
<b>Respiratory Therapy</b>						
<i>SVN-MDI Airway Treatment</i>	74,606	27,075	46,666	26,859	31,038	42,741
<i>Arterial Puncture</i>	6,653	1,939	2,621	1,859	2,997	3,851
<i>Full Body Chamber (30 min)</i>	5,785	1,606	2,134	2,394	2,953	1,957
<i>Ventilation Assist<sup>27</sup></i>	4,552	1,621	3,304	1,619	1,796	2,701
<i>CPAP</i>	4,254	1,582	2,808	1,870	2,058	2,584

<sup>23</sup> See <https://www.hendrickhealth.org/patients-visitors/price-transparency/>

<sup>24</sup> Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

<sup>25</sup> 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.

<sup>26</sup> 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.

<sup>27</sup> Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% between FY2019 and FY2020.

Table 18b: HMC Ancillary Health Services – Charges

Ancillary Service	Gross CDM Charges					
	FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
<b>Laboratory Services<sup>28</sup></b>						
<i>Routine Venipuncture</i>		\$19.54	\$19.54	\$19.54	\$19.54	\$21.10
<i>Blood Glucose Monitor</i>		\$32.70	\$32.70	\$32.70	\$32.70	\$35.32
<i>CBC With Diff</i>		\$173.65	\$173.65	\$173.65	\$173.65	\$187.54
<i>Comp. Metabolic Panel</i>		\$491.19	\$491.19	\$491.19	\$491.19	\$530.49
<i>Basic Metabolic Panel</i>		\$360.70	\$360.70	\$360.70	\$360.70	\$389.56
<b>Imaging Services</b>						
<i>SCR Mammography</i>		\$499.71	\$499.71	\$499.71	\$499.71	\$539.69
<i>Breast Tomo Screening</i>		\$123.68	\$123.68	\$123.68	\$123.68	\$133.57
<i>Vascular Ultrasound</i>		\$6,723.27	\$6,723.27	\$6,723.27	\$6,723.27	\$7,261.13
<i>Renal Ultrasound</i>		\$1,149.48	\$1,149.48	\$1,149.48	\$1,149.48	\$1,241.44
<i>Gallbladder Ultrasound</i>		\$1,159.20	\$1,159.20	\$1,159.20	\$1,159.20	\$1,251.94
<b>Pharmacy</b>						
<i>Sodium Chloride 0.9%</i>		\$1.43	\$1.43	\$1.44	\$1.44	\$1.56
<i>Insulin Injection (1 Unit)</i>		\$3.51	\$3.51	\$3.51	\$3.51	\$3.79
<i>Iodine Contrast (LOCM)</i>		\$4.44	\$4.44	\$4.44	\$4.44	\$4.80
<i>Iodine Contrast (Visipaque)</i>		\$2.24	\$2.24	\$2.24	\$2.24	\$2.42
<i>Insulin Injection (5 Units)</i>		\$5.29	\$5.29	\$5.29	\$5.29	\$5.71
<b>Respiratory Therapy</b>						
<i>SVN-MDI Airway Treatment</i>		\$699.43	\$699.43	\$699.43	\$699.43	\$755.38
<i>Arterial Puncture</i>		423.53	\$423.53	\$423.53	\$423.53	\$457.41
<i>Full Body Chamber (30 min)</i>		\$640.07	\$640.07	\$640.07	\$640.07	\$691.28
<i>Ventilation Assist<sup>29</sup></i>		\$5,878.87	\$5,878.87	\$5,878.87	\$5,878.87	\$6,349.18
<i>CPAP</i>		\$2,467.57	\$2,467.57	\$2,467.57	\$2,467.57	\$2,664.98

- **Ancillary Health Services Quality:** Table 18c and Table 18d below show the CMS Care Compare and Leapfrog Safety Group quality measures specifically related to ancillary health services for HMC and legacy ARMC (now HMC-S), respectively. The Use of Medical Imaging measures have not been updated since the Quarter 4 FY2021 Performance Report. As noted in previous Performance Reports, performance for HMC-S is combined with HMC for these measures. 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 reflect the most recently available scores. Hendrick Health will report updated information as it becomes available.

<sup>28</sup> 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.

<sup>29</sup> Due to the COVID-19 pandemic, Ventilation Assist treatments increased by approximately 17% between FY2019 and FY2020.

Table 18c: HMC Ancillary Health Services Quality Scores<sup>30</sup>

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	Q4
Use of Medical Imaging <sup>31</sup>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
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%	N/A <sup>32</sup>
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%	4.5%
Medication Safety																
Safe Medication Ordering <sup>33</sup>	N/A				N/A				N/A				100			

Table 18d: Legacy ARMC (now HMC-S) Ancillary Health Services Quality Scores<sup>34</sup>

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	Q4 <sup>36</sup>
Use of Medical Imaging <sup>35</sup>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 <sup>36</sup>
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%	N/A
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%	N/A
Medication Safety																
Safe Medication Ordering <sup>37</sup>	N/A				N/A				N/A				45			

<sup>30</sup> Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.cms.gov) and [Leapfrog Group](https://www.leapfroggroup.com)).

<sup>31</sup> Please note that lower values are more favorable for measures OP-8 and OP-10 that are included within Table 18b. 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.”

<sup>32</sup> [OP-8] Measure not reported for FY2021 Q4 data set as CMS noted this measure as “Not Available”.

<sup>33</sup> 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.

<sup>34</sup> Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.cms.gov) and [Leapfrog Group](https://www.leapfroggroup.com)).

<sup>35</sup> 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.”

<sup>36</sup> As a result of the Merger in October 2020, legacy ARMC’s (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS’s database to report for legacy ARMC. Going forward, all data on CMS’s website for Hendrick Medical Center (1900 Pine Street) will be combined performance for both HMC and HMC-S.

<sup>37</sup> 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.

## 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 █████ 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 1 FY2022 volumes and the CPT charges for select CPT codes for hospital-based emergency department physician services. There was a slight decrease in emergency department visits in Quarter 1 FY2022 compared to Q4 2021. As noted above, the charges show an average increase in eight percent, which was approved by HHSC in January 2022. As noted in Hendrick Health’s rate increase request, current market conditions have resulted in substantial increases in the cost of healthcare service delivery. The increase in rates will allow Hendrick Health to obtain and retain direct care staff services, and maintain quality, efficiency, and accessibility of healthcare services within the market.
- 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					
		FY20 <sup>38</sup>	Q1 FY21 <sup>39</sup>	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	FY20	Q1 FY21	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22
99281	ED Visit and Evaluation – Level 1	2,430	617	631	662	1,433	653	\$428	\$480	\$480	\$480	\$480	\$519
99282	ED Visit and Evaluation – Level 2	7,614	2,018	1,531	1,613	2,705	1,956	\$807	\$901	\$901	\$901	\$901	\$973
99283	ED Visit and Evaluation – Level 3 <sup>40</sup>	22,120	4,690	4,872	5,409	7,467	7,547	\$1,185	\$1,327	\$1,327	\$1,329	\$1,329	\$1,438
99284	ED Visit and Evaluation – Level 4	17,905	5,077	6,081	5,727	7,190	7,026	\$2,391	\$2,667	\$2,667	\$2,667	\$2,667	\$2,881
99285	ED Visit and Evaluation – Level 5	11,406	5,706	6,382	5,091	7,116	6,840	\$5,210	\$5,836 <sup>41</sup>	\$5,836	\$5,836	\$5,836	\$6,303

<sup>38</sup> Excludes legacy ARMC (or HMC-S) as this data was not available to Hendrick Health pre-Merger.

<sup>39</sup> 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.

<sup>40</sup> CPT 99283 includes SANE (Sexual Assault Nurse Examiner) department charge which are set by the Texas Attorney General. The charge for ED Visit and Evaluation Level 3 is currently set at \$1,340 but due to volume fluctuations in the SANE charge mix, the resulting weighted average can fluctuate nominally from quarter to quarter.

<sup>41</sup> FY2021 Q1 figure updated to reflect corrected amount.

- 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. MIPS scores for FY2021 are expected to be released in August 2022 and will be reported on when available.

Table 19b: MIPS Score

	FY2018	FY2019	FY2020
<i>Historical MIPS Score</i>			
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%).<sup>42</sup> 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.
20. Data on the consolidation of clinic services, identifying the types of services per county.
- Consolidation of Services: As of the end of Quarter 1 FY2022, Hendrick Health has not consolidated any 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 1 FY2022 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 1 FY2022, 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.

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<sup>42</sup> Centers for Medicare Services, Quality Payment Program (<https://qpp.cms.gov/mips/overview>).



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 has allowed Hendrick Health to continue focusing on impacting the predominant health needs in the community. In particular, during the First Quarter FY2022, 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: As noted in the Fourth Quarter FY2021 Performance Report, Hendrick Health implemented a Tele-Sitter program at HMC-S to provide safe, evidence-based staffing supplementation for identified patient populations in a world of extreme nursing and unlicensed staffing shortages. This program improves nurses’ ability to effectively manage patient loads and provides lines of direct communication to assigned nursing personnel to escalate the need for physical bedside presence and/or intervention. In the First Quarter FY2022, Hendrick continued implementation of the Tele-Sitter program. Hendrick continued providing ambulatory telehealth services, including for primary and other non-emergency care services. [REDACTED]  
[REDACTED]  
[REDACTED] Additionally, a centralized Hendrick Health team continued with its community-wide COVID-19 vaccine distribution strategy, administering over 4,000 doses. Hendrick Health also continued operation of its new Cardiology Outreach Clinic in Ballinger to increase access to care in the region. Hendrick continued various other efforts, as noted in previous Performance Reports, including expansion of Peripherally Inserted Central Catheter (PICC) services and PAD rehab at HMC-S.
  - Coordination of Patient Care: Hendrick Health continued use of its new, centralized patient transfer process to streamline patient transfers, which allowed for over [REDACTED] inbound transfers during Quarter 1 FY2022 from surrounding cities. Hendrick Health has continued

CNO/ACNO strategic planning for nursing organizational chart to address standardized onboarding, orientation, education strategies, resources, and quality of care growth opportunities. As noted in the Quarter 4 FY2021 Performance Report, the organizational chart was finalized placing the existing nursing Directors at HMC in a Director of Abilene Market role. In this role, they will be leading the service line shared governance council and will be responsible for integrating policies, protocols, order sets, and evidence-based care for their patient populations.

- Promoting awareness, prevention, and education for health care needs: Hendrick Health previously expanded its 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. Since Quarter 4 FY2021, newly diagnosed Diabetics at HMC-S receive one-on-one teaching by a Certified Diabetic Educator. Additionally, during Quarter 1 FY2022, Hendrick Health's BMI > 50 Committee reconvened to update processes aimed at targeting patients with high BMI and ensure the needs for this population are being met early in their inpatient stay. Processes at HMC have been updated, with the same updates to follow at HMC-S in the coming months. In addition to 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, have continued 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.
- As previously reported, Hendrick Health continued its expedited process for obtaining emergency detention orders from local Justice of the Peace in order to appropriately treat inpatients who, because of mental illness, are a substantial risk of serious harm to themselves or to others.
- 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 recently started the new CHNA survey process and intends for it to be completed in 2022. Results of the 2022 CHNA and efforts to mitigate risks identified therein will be provided in future quarterly reports.

### 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.

- During the Fourth Quarter FY2021, Hendrick Health closed Hendrick Hearing Healthcare due to lack of patient demand for these services. This closure had been planned prior to the Merger. The reduction is not expected to have any impact on patient care and hearing healthcare services continue to be available to patients through a number of other providers in the area.
- Aside from that the above, Hendrick Health did not discontinue any patient services.
- Rather, as noted in prior Performance Reports, Hendrick Health has expanded patient services. For example:

- o Addition of Hendrick Anesthesia Services to HMC-S;
- o Expansion of dialysis services at Hendrick Health through the transition from a third-party provider to an in-house model;
- o Expansion of Peripheral Artery Disease (PAD) Rehab to HMC-S;
- o Addition of Cardiology Outreach Clinic in Ballinger to increase access to care in the region;
- o Expansion of Peripherally Inserted Central Catheter (PICC) Services at HMC-S;
- o Expansion of Clinical Pharmacy Services at HMC-S through the addition of an onsite Clinical Pharmacist;
- o Expansion of Tele-Sitter Program to HMC-S;
- o Expansion of inpatient diabetes education to HMC-S; and
- o Continued use 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 First Quarter FY2022 (as reported by CMS in October 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 1 FY2022 because its ED patient volume is estimated to be over 60,000 annually. During Quarter 1 FY2022, HMC’s ED wait times remained below the national median time for “Very High” volume hospitals. As a result of the Merger in October 2020, legacy ARMC’s (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS’s database to report for legacy ARMC. Going forward, all data on CMS’s website for Hendrick Medical Center (1900 Pine Street) will now be combined performance for both HMC and HMC-S.
- Hendrick Health does not track any other patient wait times in the ordinary course of business.

Table 24a: HMC Average ED Wait Times

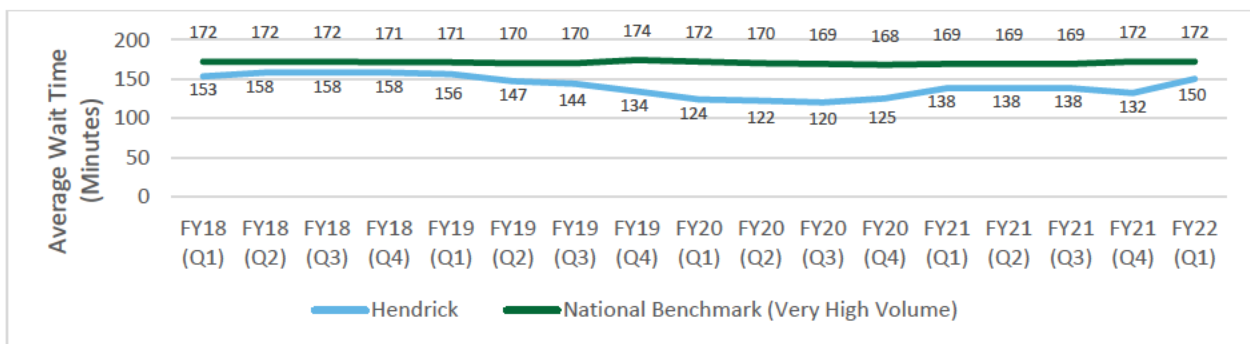
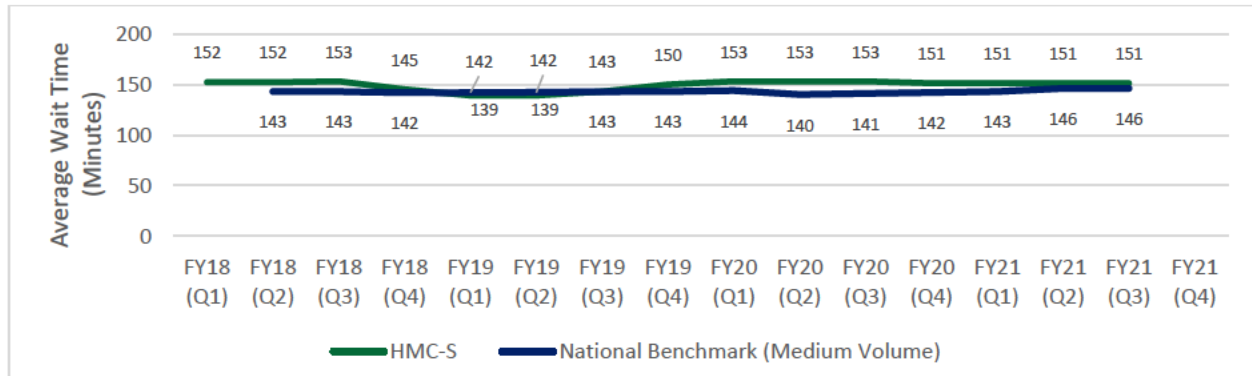


Table 24b: HMC-S Average ED Wait Times<sup>43</sup>



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 First Quarter FY2022, Hendrick Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery:

- Expansion of Clinical Pharmacy Services at HMC-S: [REDACTED]

During Quarter 4, an additional Clinical Pharmacist with ICU training was hired to support the HMC-S campus in order to further the goals to provide more in-person, onsite coverage in the ICU. During Quarter 1 FY2022, Hendrick Health continued with standardization of pharmacy services/processes, and cross-training and flexing staff between campuses. Hendrick Health also: standardized its medication waste process and disposal units were installed in September 2021; installed a unit dose packager at HMC to service both HMC and HMC-S (completed in October 2021); began an upgrade of Alaris smart pumps at HMC-S (started in November 2021); and expanded clinical pharmacy services to support the ICU. Additional process improvements and optimization efforts have continued through the end of Q1 FY2022.

- 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

<sup>43</sup> As a result of the Merger in October 2020, legacy ARMC's (now HMC-S) CMS Certification Number (CCN) was retired, therefore, no data would be in CMS's database to report for legacy ARMC. Going forward, all data on CMS's website for Hendrick Medical Center (1900 Pine Street) will be combined performance for both HMC and HMC-S.

Health will be able to reallocate valuable space to expand clinical services for patients. During Quarter 4 FY2021, Hendrick Health began the planning process for the development of the facility. Planning continued in Quarter 1 FY2022. Hendrick anticipates Hendrick Service Center will open in approximately 15 months.

- **Patient transfers to Hendrick Health:** Through the continued use 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.
- **General surgeon and pulmonologist for HMC-S:** Hendrick recruited a new general surgeon for HMC-S. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] A new pulmonologist was recruited to HMC-S specifically and will begin in February 2022. [REDACTED]  
[REDACTED]  
[REDACTED]
- **Physician recruiting:** Hendrick Health has a goal to recruit 75 physicians within the next three years. As of this Report, Hendrick Health has filled 30 (25 for fiscal year 2022 and five for fiscal year 2023) of the 75 positions.

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 First Quarter FY2022, Hendrick Health invested approximately \$6.8 million in capital and infrastructure expenditures as a combined health system. **Table 26a** shows a combined summary of quarterly capital, infrastructure, and operating expenditures for FY2021 compared to the First Quarter FY2022 for Hendrick Health. **Table 26b** shows the expenditures by facility. **Table 26c** shows a detailed breakout of capital expenditures for First Quarter FY2022, by facility.

Table 26a: Capital, Infrastructure and Operating Expenditures (Hendrick Health)

	Q1 FY2021	Q2 FY2021	Q3 FY2021	Q4 FY2021	Q1 FY2022
<i>Hendrick Health</i>					
Capital Expenditures	\$6,040,340	\$7,659,424 <sup>44</sup>	\$10,295,638	\$7,100,841	\$6,752,296
Infrastructure Expenditures <sup>45</sup>	\$1,986,273	\$770,391	\$349,032	\$1,193,002	\$755,318
Operating Expenditures	\$123,982,728 <sup>46</sup>	\$129,478,930 <sup>47</sup>	\$138,592,951	\$153,563,078	\$153,482,593

Table 26b: Capital, Infrastructure and Operating Expenditures (By Facility)

<sup>44</sup> "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).

<sup>45</sup> "Infrastructure Expenditures" are included within "Capital Expenditures" line in Table 26a.

<sup>46</sup> 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.

<sup>47</sup> 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 26c: Q1 FY2022 Capital Expenditure Breakout

Total Capital Expenditures	\$6,752,296.11

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 1 FY2022, Hendrick has identified the following potential opportunities:

- **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. During Quarter 4 FY2021, Hendrick Health began the planning process for the development of the facility. Planning continued in Quarter 1 FY2022. Hendrick anticipates the Hendrick Service Center will open in approximately 15 months.
- **Expansion of Clinical Pharmacy Services at HMC-S:** [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

During Quarter 4, an additional Clinical Pharmacist with ICU training was hired to support the HMC-S campus in order to further the goals to provide more in-person, onsite coverage in the ICU. During Quarter 1 FY2022, Hendrick Health continued with standardization of pharmacy services/processes, and cross-training and flexing staff between campuses. Hendrick Health also: standardized its medication waste process and disposal units were installed in September 2021; installed a unit dose packager at HMC to service both HMC and HMC-S (completed in October 2021); began an upgrade of Alaris smart pumps at HMC-S (started in November 2021); and expanded clinical pharmacy services to support the ICU. Additional process improvements and optimization efforts have continued through the end of Q1 FY2022.

- **General surgeon and pulmonologist for HMC-S:** Hendrick recruited a new general surgeon for HMC-S. [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] A new pulmonologist was recruited to HMC-S specifically and will begin in February 2022. [REDACTED]  
[REDACTED]  
[REDACTED]

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 was revised, effective November 23, 2021 and is included as **Attachment 2**.
29. The number of patients enrolled in each hospital’s charity care program in the past quarter.
- During the First Quarter FY2022, Hendrick Health enrolled 3,208 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 <sup>48</sup>	Q2 FY2021 <sup>49</sup>	Q3 FY2021 <sup>50</sup>	Q4 FY2021	Q1 FY2022
<i>Charity Care Patients</i>						
HMC	5,382	2,729	3,103	3,773	3,542	3,208
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%).

<sup>48</sup> 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.

<sup>49</sup> 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.

<sup>50</sup> Q3 FY2021 charity care patients have been restated from 3,771 (per Q3 FY2021 Performance Report) to 3,773 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.

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

- The combined financial investment in charity care of \$23.2 million for both HMC and HMC-S for Quarter 1 FY2022 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. As previously reported, recent numbers remain 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.
- As a result of the Merger, Hendrick is now maintaining charity care amounts as a combined total for HMC and HMC-S. Therefore, going forward, this data will be combined performance.

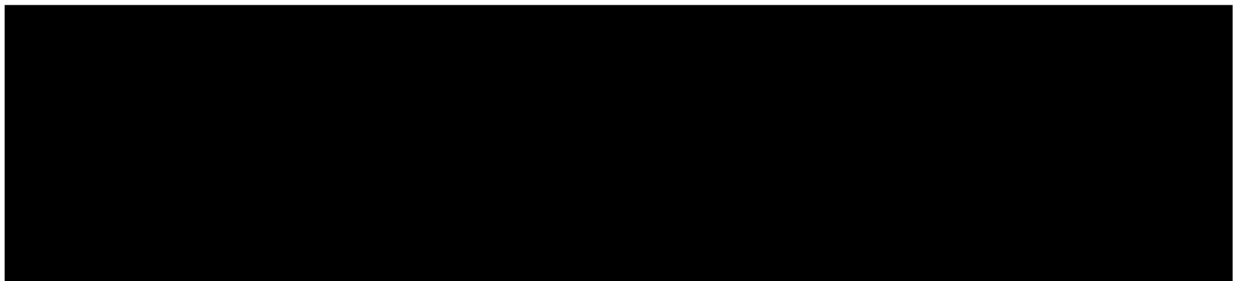
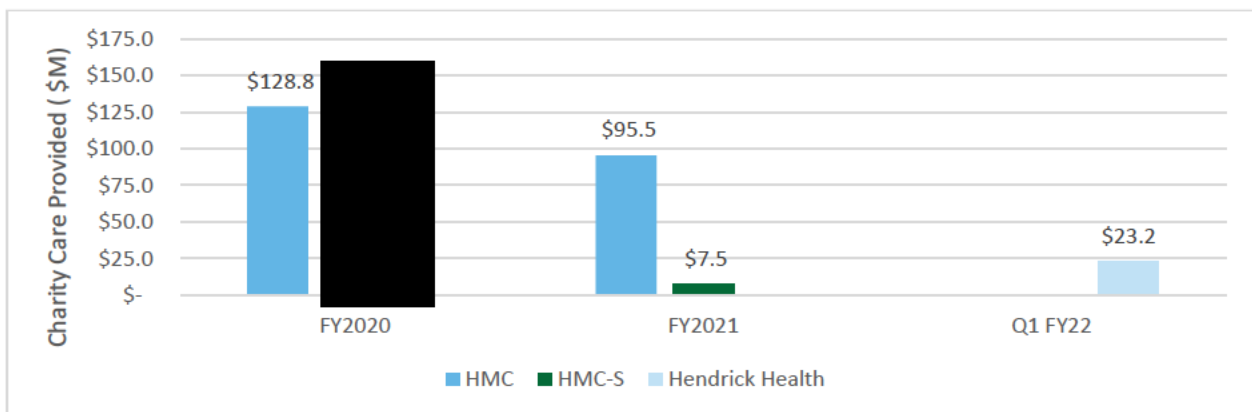


Table 30: Charity Care<sup>51</sup>

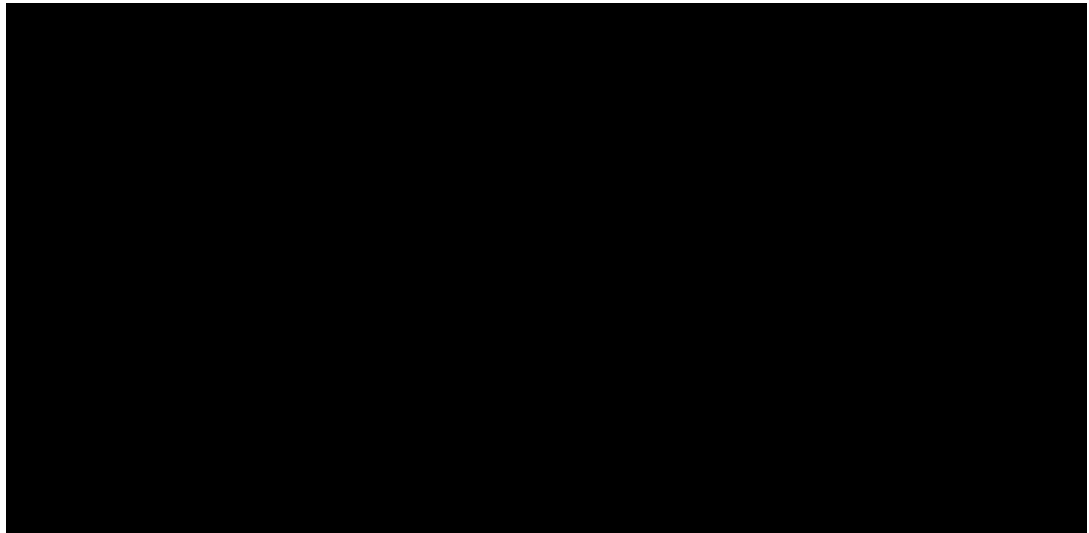


<sup>51</sup> For legacy ARMC, Hendrick Health does not have access to the pre-Merger charity care data for September and October 2020.

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

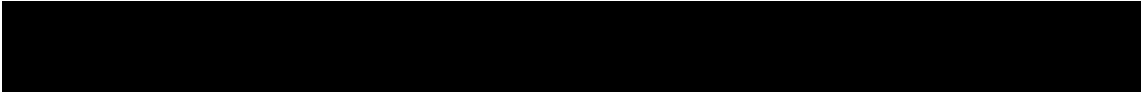
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- As discussed in this Report, Hendrick Health is in the process of evaluating opportunities for clinical integration. As of the end of Quarter 1 FY2022, Hendrick Health has implemented the following initiatives that will increase clinical integration between the facilities and providers:
  - **Coordination of Inpatient Capacity:** During Quarter 1 FY2022, Hendrick faced capacity limits, particularly emergency room and intensive care unit (ICU) capacity, at both HMC and HMC-S, and relieved capacity by transferring patients to the other campus for care. The community had increased access to care when they may otherwise have been waiting at one of the campuses.
  - **Combined Operations and Executive Staff Meetings:** Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings continued in an effort to streamline leadership reporting, communication, and responsibilities across both campuses.
  - **Unified Organizational Structure:** 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:

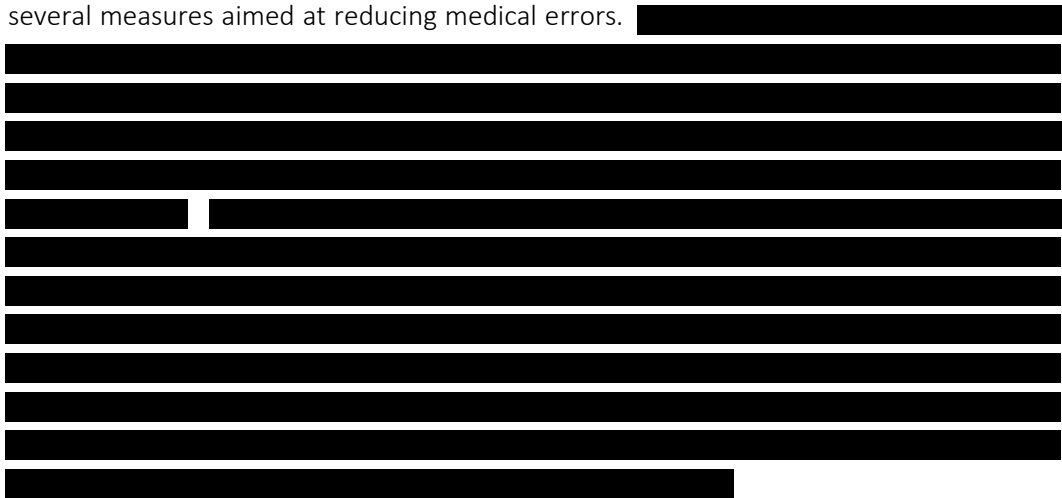


- **House Supervisor Integration across HMC and HMC-S:** House Supervisor integration continued between both Abilene campuses to provide ability to float/flex staff and increase vital communication between two facilities and the centralized transfer center.
- **Quality of Care Committees:** In Quarter 1 FY2022, Hendrick Health has continued to utilize its combined medical staff to establish and execute various committees, 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.

- **Operating Room (OR)/Surgical Committee:** As previously reported, an OR/Surgical Committee was created at HMC-S and met to establish a process for evaluating metrics and efficiencies related to surgical services. This committee rolls up to the Medical Advisory Committee at HMC-S which rolls to the Medical Executive Committee for the Abilene market, increasing communication and streamlining processes across both campuses under the same medical model. Recurring meetings are held by the OR/Surgical Committee.
- **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. In addition, as noted above, calls are conducted twice daily between HMC and HMC-S to prevent holds in the emergency departments and to address staff sharing to improve capacity across the system.
- **Nursing Organizational Chart Alignment and Optimization:** Hendrick Health continued implementation of a nursing organizational chart with a more intuitive structure for integration and cultural development. During Quarter 4 FY2021, the Emergency Departments were unified under a single Director position with a manager at HMC-S and a supervisor at the plaza site. This change was made in this service line to integrate emergency services in the Abilene market and enable a seamless approach to patient transfers. In addition, the organizational chart was finalized placing the existing nursing Directors at HMC in a Director of Abilene Market role. In this role, they will be leading the service line shared governance council and will be responsible for integrating policies, protocols, order sets, and evidence-based care for their patient populations.



- **Efforts to Reduce Medication Errors:** The areas noted above have increased clinical integration between HMC and HMC-S and have generated cost savings for the combined organization. Since there is limited post-merger data available, it is premature to comment on longer term impact to medical errors. However, Hendrick Health has implemented several measures aimed at reducing medical errors.



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.

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

- As a result of the Merger, during Quarter 1 FY2022, 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 1 FY2022, Hendrick accepted [REDACTED] in-bound transfer patients.
  - Hendrick Health continued its support to rural hospitals through affiliation agreements, including assistance with physician recruitment, continuing education opportunities, leadership training and mentoring, staff training opportunities, and program development assistance and advice. In Q1 FY2022, Hendrick provided the following continuing education to surrounding facilities/providers:
    - Physician CME Symposium (September 2021)
    - Charge Nurse Course (October 2021)
    - Approach to Narrow Complex Tachycardia (October 2021)
  - 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 continued to implement 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 1 FY2022, through the combined entity, Hendrick Health distributed 4,086 vaccine doses.
  - Hendrick Health continued to provide ambulatory telehealth services, including primary and other non-emergency care services, to patients in the surrounding area. In Quarter 1 FY2022, Hendrick Health provided care to 1,867 patients through its virtual care platforms, which was an increase from Quarter 4 FY2021. Telehealth capabilities remain available and are utilized by patients choosing that method of care. [REDACTED]

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 38 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 Quarter 1 FY2022, which have remained unchanged from the previous report (the Quarter 4 FY2021 Performance Report).

**Table 33: Health Plans Accepted by Hendrick Health as of Quarter 1 FY2022**

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 1 FY2022, service levels at HMC have been maintained post-Merger. As of Quarter 1 FY2022, 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). The on-site survey is scheduled for July 24, 2022 and July 25, 2022. Due to scheduled EMR conversion (reported on in Quarter 4 FY2021), 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. 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 level has been maintained in Quarter 1 FY2022. 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)			Q2 FY2021 Service Level			Q3 FY2021 Service Level			Q4 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	1 (pursuing)	4 (pursuing)	1	1	4 (pursuing)	1	1
Location	Q1 (FY2022)											
	ED	NICU	MFM									
HMC	3	3	3									
HMC-S	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 1 FY2022<sup>52</sup>**

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

<sup>52</sup> Excludes workers compensation payment models.

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

- As of Quarter 1 FY2022, no new payment models have been established since the Merger.

## 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.

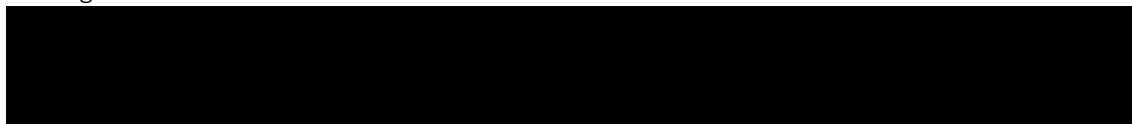
39. Evidence reflecting efforts to bring additional jobs to the area.

- Open positions: During Quarter 1 FY2022, Hendrick Health posted an additional 514 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 First Quarter FY2022 is provided in **Attachment 3**, 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 1 FY2022, Hendrick Health continued to use 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 1 FY2022, the Medical Staff Development Committees of Hendrick Health continued to evaluate 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 75 additional physicians within the next three years, of which, as of the end of Quarter 1 FY2022, 30 positions have been filled (25 for fiscal year 2022 and five for fiscal year 2023). 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 1 FY2022, Hendrick Health hired 479 new employees.

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

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

- Changes to Contracted Services: As of the end of Quarter 1 FY2022, 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 117 physicians Hendrick Health employed during Quarter 1 FY2022. 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.

**Table 41: Employed Physicians by County Location**

Specialty	Facility		County Service Locations		
	HMC	HMC-S	Taylor	Brown	Nolan
Anesthesia <sup>53</sup>	10	5	✓		
Cardiology	10	3	✓	✓	
Cardiovascular Surgery	3	-	✓		
Electrophysiology	1	-	✓		
Endocrinology	3	-	✓		
Family Medicine	5	3	✓	✓	
Gastroenterology	1	3	✓	✓	
General Surgery	5	2	✓	✓	
Hospice	1	-	✓		
Infectious Disease	2	-	✓		
Internal Medicine	10	3	✓	✓	
Nephrology	3	-	✓	✓	
Neurology	2	-	✓		
Neurosurgery	1	-	✓		
OB/GYN	6	1	✓		
Oncology	3	-	✓	✓	
Ophthalmology	1	-	✓		
Orthopedic Surgery	7	1	✓	✓	
Pain Medicine	3	-	✓	✓	
Palliative Care	4	-	✓		
Plastic Surgery	1	-	✓		
Radiation/Oncology	3	-	✓	✓	
Rehab	1	-	✓		

<sup>53</sup> A central pool of anesthesiologists covers both HMC and HMC-S. Assignment to a particular facility in Table 41 represents where a majority of time is spent for a particular anesthesiologist.

Rheumatology	3	-	✓		
Urology	5	-	✓	✓	
Wound Care	2	-	✓		
Grand Total	96	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 4**.

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 to identify potential alignment opportunities across the legacy organizations. [REDACTED]

[REDACTED]

[REDACTED]

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

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 5** to this Report. As of the end of Quarter 1 FY2022, Hendrick Health provided privileges to 588 health care providers at HMC and 375 health care providers at HMC-S, as detailed in **Table 44** below.

Table 44: Hendrick Health Privileged Providers as of Quarter 1 FY2022

Privileged Provider Category	HMC	HMC-S
Physicians	410	284
Physician Assistants	32	22
Nurse Practitioners	71	34
Certified Registered Nurse Anesthetist	36	34
Other APC	39	1
<b>Total</b>	<b>588</b>	<b>375</b>

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.

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

- 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 First Quarter FY2022, Hendrick Health invested approximately \$6.8 million in capital and infrastructure expenditures as a combined health system, including various infrastructure updates, integration efforts (equipment and software), and the purchase of a medical office building adjacent to the HMC-S campus.
  - Cost Savings Reinvestment: During Quarter 1 FY2022, Hendrick Health continued reinvesting in the combined healthcare system, with the goal of improving the overall patient experience and patient care, including: COVID-19 clinics and vaccine distribution; continuing development of the new Hendrick Service Center to provide a centralized, accessible hub for patient services and reallocate valuable space to expand clinical services for patients; ongoing, targeted recruiting efforts across the system, including HMC-S, which resulted in a new general surgeon and pulmonologist for HMC-S; conversion of former storage area at HMC-S into a comfortable space for patients, families, and staff who have suffered a loss, an unexpected outcome, etc.; [REDACTED] and strategic investments at HMC-S in order to increase service levels available to patients.
  - Coordination of Services: Throughout the First Quarter FY2022, Hendrick Health continued to enhance the coordination of services to increase clinical integration, standardization, and quality of care across both campuses through the following: coordination of inpatient capacity across HMC and HMC-S to increase access to care and decrease patient wait times; final integration of the Facility Management and Environmental Services departments to increase standardization and operating efficiencies across both campuses; continued implementation of expanded Tele-Sitter program at HMC-S to enhance patient care and safety; strategic planning and reorganization for a unified organizational chart; installation of disposal units and beginning or upgrades to Alaris smart pumps at HMC-S,

and installation of a unit dose packager at HMC to service HMC and HMC-S; continued implementation of Joint Abilene Operations Meetings and Joint Abilene Executive Staff Meetings; coordination of additional clinical staffing at HMC-S; continued development of clinical care committees; and continued development of a centralized transfer center.

#### IV. Attachments