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Shannon Health

Anniversary Report 2020–2021

Reporting Period: 9/1/2020–6/30/2021

Submission Date: October 4, 2021

Re-submission Date: December 1, 2021

Certificate of Public Advantage (“COPA”)

Anniversary Report for 2020–2021

This Anniversary Report for 2020–2021 (“COPA Anniversary Report”) is submitted pursuant to the revised Terms and Conditions of Compliance (dated August 3, 2021) governing the Certificate of Public Advantage (“COPA”) issued to Shannon Health System on October 2, 2020 (“COPA Approval Date”) with respect to the asset purchase agreement dated April 20, 2020, by and among Shannon Medical Center (“SMC”) and Community Health System Professional Services Corporation, Inc. (“CHSPSC” or “CHS”) for substantially all of the assets used in the operation of San Angelo Community Medical Center (“SACMC,” subsequently to be known as “SMC South”) (collectively, the “Merger”), and the underlying transaction that closed on October 24, 2020 (the “Transaction Closing Date”). Information related to each of the Shannon Health System hospitals (SMC and SMC South, collectively, “Shannon Health”), is included in this Report where appropriate. The revised Terms and Conditions of Compliance require Shannon Health to submit an annual report “on or near the anniversary of the date the COPA was issued.”

This COPA Anniversary Report reflects the performance of SMC and SMC South (formerly SACMC) for the first through third quarters of fiscal year 2021, the period of October 1, 2020 to June 30, 2021. This COPA Anniversary Report does not include data from the fourth quarter of fiscal year 2021 (“Quarter 4 FY2021”), as Quarter 4 FY2021 data has not yet been finalized and will be reported in the Quarter 4 submission (due December 31, 2021). Where applicable, this Report includes information or refers to information provided in the Baseline Performance Report that was submitted to HHSC on January 15, 2021, and reflects the pre-Merger baseline period of FY2018–FY2020 (the “Baseline Performance Report”).

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I. Abbreviation Key

Abbreviation	Full Name/Definition
CDM	Charge Description Master
CMS	Center for Medicare & Medicaid Services
COPA	Certificate of Public Advantage
HHSC	Texas Health and Human Services Commission
SACMC	San Angelo Community Medical Center
Shannon Health	SMC and SMC South Combined
SMC	Shannon Medical Center
SMC South	Shannon Medical Center South (formerly SACMC)

II. COPA Anniversary Report for 2020–2021

A. *Summary of Requirements*

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

This Report and the associated attachments are based directly on the requirements listed in the guidance documents published by HHSC: “DRAFT COPA Reporting Instructions and Checklist Shannon 12.11.2020.docx” and “Revised COPA Terms and Conditions - Shannon Health - 2nd Revision 8.3.21.pdf.”

B. *Description of Process*

Shannon 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.

Shannon Health Leadership

Name	Position
Shane Plymell	President & Chief Executive Officer
Pamela Bradshaw, RN, DNP, MSN, MBA	Chief Nursing Officer & Chief Operations Officer
Allan S. Graves	General Counsel & Chief Legal Officer
Julian Beseril	Chief Financial Officer, Shannon Clinic
Anna Pittman, MSN, RN	Chief Nursing Officer & Chief Operations Officer, Shannon Clinic
Doug Shultz, MD	Chief Medical Officer, Shannon Clinic
Chris Barnett, MD	Chief Medical Officer, Shannon Medical Center
Ricky Villarreal	Chief Administrative Officer, Shannon Clinic
Joseph Wooldridge	Chief Financial Officer, Shannon Medical Center
Priscilla Halamicek	Director of Human Resources
Holly Lopez	Director of Health and Wellness
Leslie Hines	Manager of Health and Wellness

III. Terms and Conditions for COPA-Approved Health System

A. *Mandatory Annual Reporting Terms*

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

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

- Since the Transaction Closing Date, Shannon Health has improved health care quality and increased access to care while utilizing efficiencies to minimize costs, despite tremendous challenges brought on by the COVID-19 pandemic and the Texas winter storms in February 2021. The Merger has allowed Shannon Health to work collaboratively across SMC and SMC South to enhance quality at all of Shannon Health’s hospitals, and in turn, improve patient outcomes. Additionally, the Merger allows Shannon Health to continue focusing on impacting the predominant health needs in the community, including increasing access to care by expanding service delivery. Shannon Health has been able to achieve these improvements to health care quality and access while keeping costs down by thoughtfully combining the resources of SMC and legacy SACMC through increased efficiencies, the coordination of services, and the reduction in duplication of resources. The Merger has allowed for the better coordination of resources and decision-making, resulting in improved efficiency, elimination of waste, and the achievement of cost savings. Shannon Health is committed to reinvesting these savings in its operations and community, with the goal of improving the overall patient experience and patient care.
- Specifically, Shannon Health has achieved these benefits through the following actions in Quarter 1 through Quarter 3 of FY2021:
 - Improved health care quality and patient outcomes:
 - Institution of quality improvement measures through system-wide goals for the following three specific quality measures: (1) Hospital-Acquired Condition reduction for five key conditions (CLABSI, CAUTI, SSI, MRSA, and CDI); (2) Mortality Rate reduction; and (3) Readmission Rate reduction. In addition, Shannon is in the implementation process of integrating Vizient, a clinical data base solution, to enhance performance improvement by analyzing data and providing benchmarks to like-size hospitals, which will support Shannon Health going forward in quality improvement measures and goals.
 - Maintenance of 4-star rating on the Hospital Consumer Assessment of Healthcare Providers and Systems (“HCAHPS”) survey of patient satisfaction.
 - Shannon Care Coordination Program: The Shannon Care Coordination Program is designed to improve patient outcomes by utilizing a team to focus on population health efforts as it relates to chronic disease. Since the Transaction Closing Date, the Shannon Care Coordination Program team has focused efforts to serve patients discharging from the hospital with Congestive Heart Failure (CHF), Chronic Obstructive Pulmonary Disease (COPD), and COVID-19, as well as patients at high-risk for readmission. Key areas of the program include:

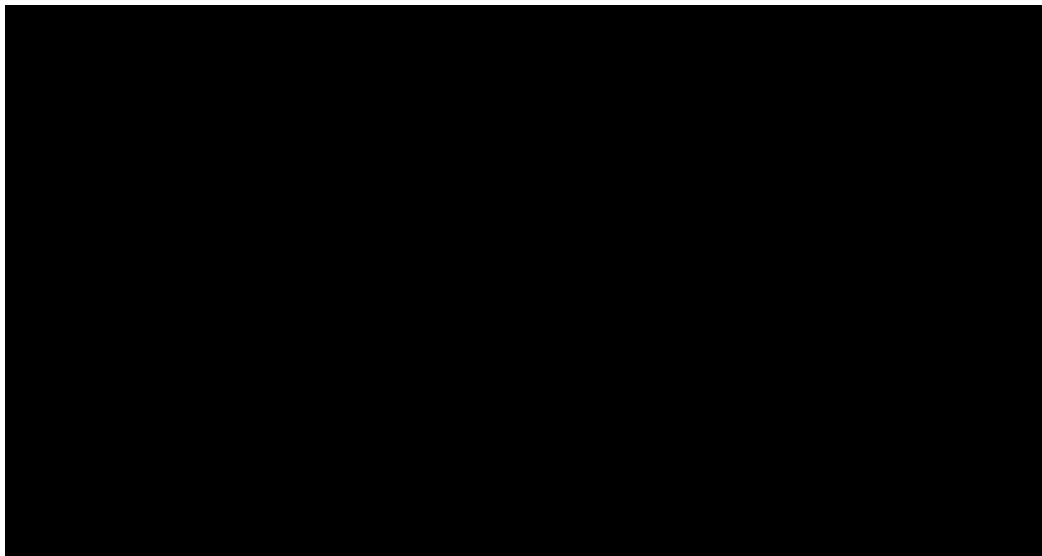
- medication management, addressing social barriers, and helping the patient manage their chronic condition at home.
- Opened Shannon Rehabilitation Hospital: Shannon Health, through a joint venture with Encompass Health, opened a 40-bed standalone rehabilitation hospital, which provides patients with 24-hour access to state of the art technology and treatment. Care is provided by a multidisciplinary team of providers including physicians trained in physical medicine and rehabilitation, physical therapists, occupational therapists, speech-language pathologists, nurses specialized in rehabilitation care, pharmacists, dietitians/nutritionists, case managers and more.
 - New Outpatient Shannon Neuro Rehabilitation clinic: Opened during Quarter 3 FY2021, the new Outpatient Shannon Neuro Rehabilitation clinic will allow therapists to provide an enhanced level of care for patients in a more comfortable setting.
 - Between the First and Third Quarters FY2021, Shannon Health invested a total of approximately \$27.9 million in capital expenditures across both SMC and SMC South. These capital expenditures included infrastructure improvements; replacement of a system-wide nurse call system; remodeling the South Medical Office Building and adding IT infrastructure and equipment; purchasing medical devices and instruments; improvements in the Oncology and Pharmacy Office Building; and general improvements for SMC South.
 - Evaluation of the SMC South security infrastructure, which identified, among other things, potential areas for security improvements, including card readers and cameras. Shannon Health has also purchased security vests for officers. These improvements will better ensure the safety of patients, visitors, and Shannon Health employees.
 - Facility and equipment upgrades at the Shannon Health club.
 - Improved coordination of care and patient experience through the migration to a single electronic medical record (EMR) system for all Shannon Health locations, such that shared patient medical records are now available at every facility, which improves patient care coordination among providers. For example, aspects of patient care such as medication tracking, known allergies, and test results will be stored in the single EMR system, reducing the potential for complications or duplicative testing.
- Increased access to care by expanding service delivery:
 - Opened Shannon Rehabilitation Hospital: On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a joint venture with Encompass Health. The new hospital increased capacity from 14 to 40 dedicated inpatient rehabilitation beds, and also increased access to high quality rehabilitation care for patients in the area.
 - New Outpatient Shannon Neuro Rehabilitation clinic: The new Outpatient Shannon Neuro Rehabilitation clinic includes an expanded floor plan with more

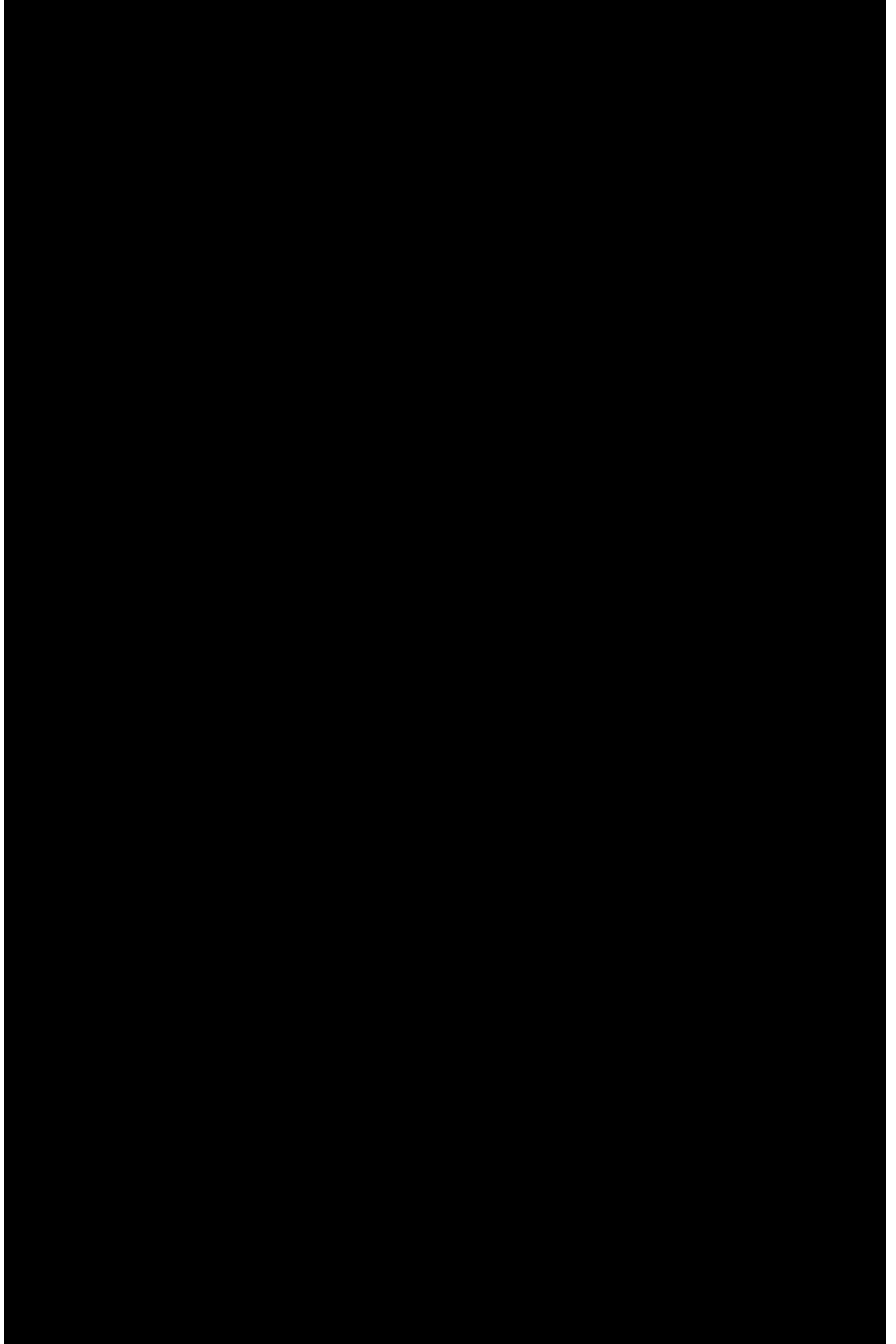
space for patients and therapists, as well as expanded services, including state-of-the-art physical therapy equipment.

- Expanded inpatient capacity at SMC South: Shannon Health opened the area's only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.
- Inpatient Medical-Surgical unit expansion at SMC South: Shannon Health increased inpatient medical-surgical capacity at SMC South by combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), which were both underutilized units with a very low average daily census. This shift of higher acuity patients to SMC centralizes the accessibility of higher levels of care and intervention provided for patients.
- Extension of Diabetes Education at SMC South: Post-Merger, Shannon Health has extended its Diabetes Education services to SMC South, [REDACTED]
- Extension of Sleep Lab to SMC South: [REDACTED]
[REDACTED] As a result of the Merger, SMC South patients once again have access to Sleep Lab services at the Shannon Sleep Center.
- Expansion of Mammography services to SMC South: Post-Merger, mammography exams are now performed at the Shannon Imaging Center on S. Bryant. At this location, Shannon Health offers three (3) 3D Mammography units along with Breast MRI, Breast Ultrasound, and Breast Biopsy/Needle localization capabilities. [REDACTED]
- Dedication of resources for telehealth to expand virtual care options throughout the service area, including through Shannon Health's new Director of Virtual Care, who has identified telemedicine solutions in conjunction with Shannon Health providers, allowing Shannon Health to treat a larger, more dispersed population in its community. Additionally, Shannon Health deployed TytoCare units to school districts throughout Concho Valley.
- Additional clinical staffing at SMC South: Through the sharing of resources at SMC and SMC South post-Merger, including sharing of both staffing and capital resources, Shannon Health has been able to better coordinate care and manage the COVID-19 pandemic. In addition, through its affiliation with Shannon Health, SMC South now has access to increased Texas STAR nurses, which equipped SMC South to better handle the surge of COVID-19 patients.
- Expanded capacity for COVID-19 response: In January 2021, Shannon Health opened a temporary, standalone COVID-19 vaccine clinic to ensure adequate space and parking was available to accommodate a high volume of patients. Additionally, Shannon Health has offered "drive-thru sites" to conduct COVID-19 testing and has provided vaccines to healthcare workers and first responders throughout the broader rural community. In Quarters 2 and 3 FY2021, Shannon

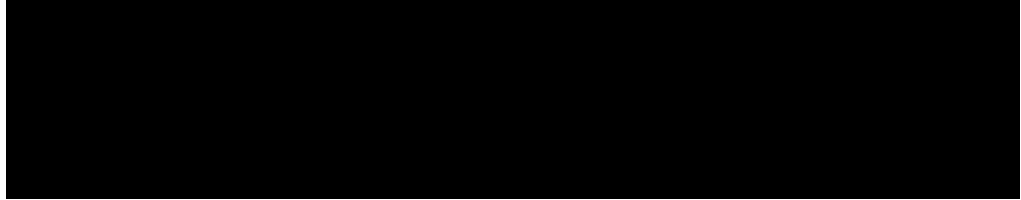
Health administered over 72,000 doses to community members. Shannon Health also maintained the area's only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.

- Cost savings through coordination of resources and decision-making, resulting in improved efficiency and elimination of waste:
 - Since the Transaction Closing Date, Shannon Health has worked to minimize the cost of health care by reducing the duplication of resources, coordinating services, and increasing efficiencies, by (among other activities) identifying, tracking, and reporting on opportunities and initiatives that are likely to generate efficiencies and reduce unnecessary costs, including ongoing/recurring opportunities, such as clinical optimization. Examples of clinical optimization across Shannon Health include pharmacy night coverage, anesthesia services, and emergency medical services, and inpatient Medical-Surgical unit expansion at SMC South.
 - Inpatient Medical-Surgical unit expansion at SMC South: By combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), Shannon Health not only increased inpatient medical-surgical capacity at SMC South but also created lower cost units with more appropriate staff-patient ratios to reduce overall costs while ensuring patients are receiving the best care possible.
 - Utilization of SMC South to optimize COVID-19 care: Shannon Health operated the area's only COVID-19 Infusion Therapy Clinic at SMC South, which provided monoclonal antibody outpatient infusion therapy to identified high-risk patients with a goal of decreasing the need for hospitalization in these patients.
 - Additional clinical staffing at SMC South: Through the sharing of resources at SMC and SMC South post-Merger, including sharing of both staffing and capital resources, Shannon Health has been able to better coordinate care and manage the COVID-19 pandemic.





- Implementation of a single EMR across Shannon Health facilities, including migrating from SMC’s MedHost platform to Shannon Health’s Epic EMR platform.



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

- Shannon Health has remained committed to reinvesting cost savings from the merger in its operations and community, which it has accomplished through the following actions in Quarter 1 through Quarter 3 of FY2021:
 - Capital expenditures: From Quarter 1 through Quarter 3 FY2021, Shannon Health spent a total of \$27.9 million in capital expenditures across both SMC and SMC South, including remediating deficiencies that existed before the merger. These capital expenditures included infrastructure improvements; replacement of a system-wide nurse call system; remodeling the South Medical Office Building and adding IT infrastructure and equipment; purchasing medical devices and instruments; improvements in the Oncology and Pharmacy Office Building; and general improvements for SMC South.
 - Shannon Rehabilitation Hospital: Shannon Health, through a joint venture with Encompass Health, opened a 40-bed standalone rehabilitation hospital that provides patients with 24-hour access to state of the art technology and treatment.
 - Outpatient Shannon Neuro Rehabilitation clinic: Opened during Quarter 3 FY2021, the new Outpatient Shannon Neuro Rehabilitation clinic includes an expanded floor plan with more space for patients and therapists, as well as expanded services, including state-of-the-art physical therapy equipment. The new clinic will allow therapists to provide an enhanced level of care for patients in a more comfortable setting.
 - Enhanced security at SMC South: Shannon Health has invested in SMC South security infrastructure in order to better ensure the safety of patients, visitors, and Shannon Health employees. For example, Shannon Health installed 10 badge readers and 4 security doors at the entrances of SMC South and upgraded the uniforms and tactical vests used by all hospital security officers.
 - Shannon Health Club equipment upgrades: Shannon Health invested in equipment and facility upgrades at the Shannon Health Club location, which provides health and wellness services to the local community.
 - Expanded inpatient capacity at SMC South: Shannon Health opened the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.

- COVID-19 clinics and vaccine distribution: In coordination with the local community and state and local representatives and authorities, Shannon Health organized the Shannon Vaccine Clinic to support COVID-19 vaccine distribution. The Shannon Vaccine Clinic initially utilized a formerly vacant department store at the Sunset Mall in San Angelo to set up a clinic that could offer adequate space and parking for patients seeking the vaccine, before moving to the Shannon South Campus (first floor of hospital facility). The clinic was open five days a week, with extended hours one day per week, and walk-ins and appointments were accepted. In addition, Shannon Health continued operating the Shannon COVID-19 hotline, through which individuals could call and speak to a clinical provider about inquiries regarding COVID-19 testing or the COVID-19 vaccine. In the Second and Third Quarters FY2021, Shannon Health pharmacy and staff administered 72,081 vaccine doses.
- COVID-19 education programs: In order to keep the local community informed with the latest information related to the COVID-19 pandemic and vaccine distribution status, Shannon Health invested in a number of community education programs related to COVID-19, including: three (3) COVID-19 information community update videos shared through social media; thirteen (13) local media interviews and stories answering questions about the pandemic and vaccines, including regarding COVID-19 vaccine availability to ages 12+; a virtual chat bot on the Shannon Health website to answer direct vaccine questions regarding access and eligibility; walk-in availability of vaccines; three (3) stories regarding additional vaccine clinic through Ministerial Alliance to reach additional populations; creation and distribution of a COVID-19 vaccine TV commercial for community that aired on local TV and cable networks; creation and distribution of a COVID-19 vaccine radio commercial in Spanish to local Spanish radio stations; and creation of educational videos for social media channels and website regarding vaccine education in English and Spanish and ongoing messaging campaigns on multiple platforms informing the community about COVID-19 guidelines and vaccine eligibility.
- Furthermore, since the Transaction closed in October 2020, as required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance, Shannon Health has submitted one Baseline report and two quarterly reports regarding the merger. This Report includes the annual reporting terms required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance.
- Shannon Health has also complied with annual meeting requirement through its Annual Public Meeting Regarding its Certificate of Public Advantage (COPA), held Thursday, September 16, 2021, at 10:00 a.m. at the Brooks and Bates Theater in San Angelo. Written comments were also accepted through September 16, 2021.

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

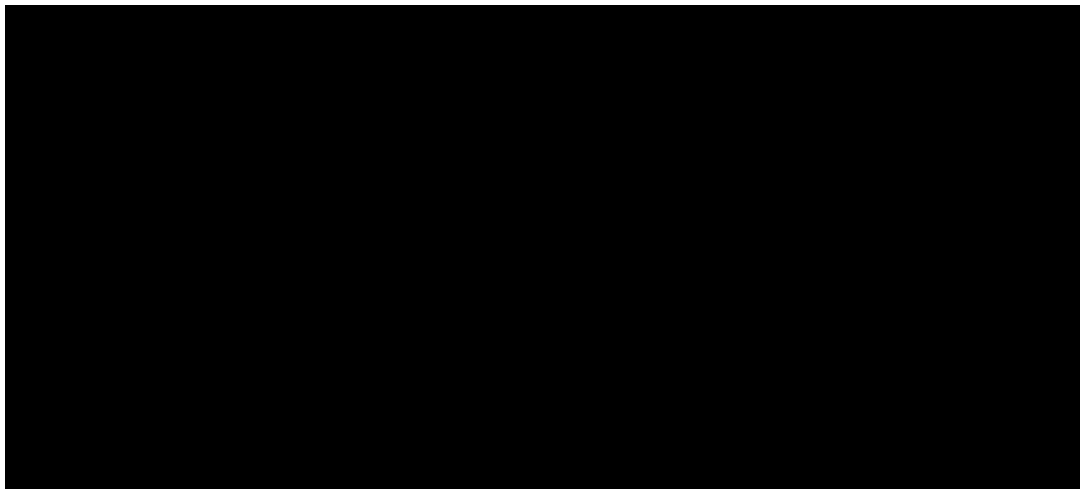
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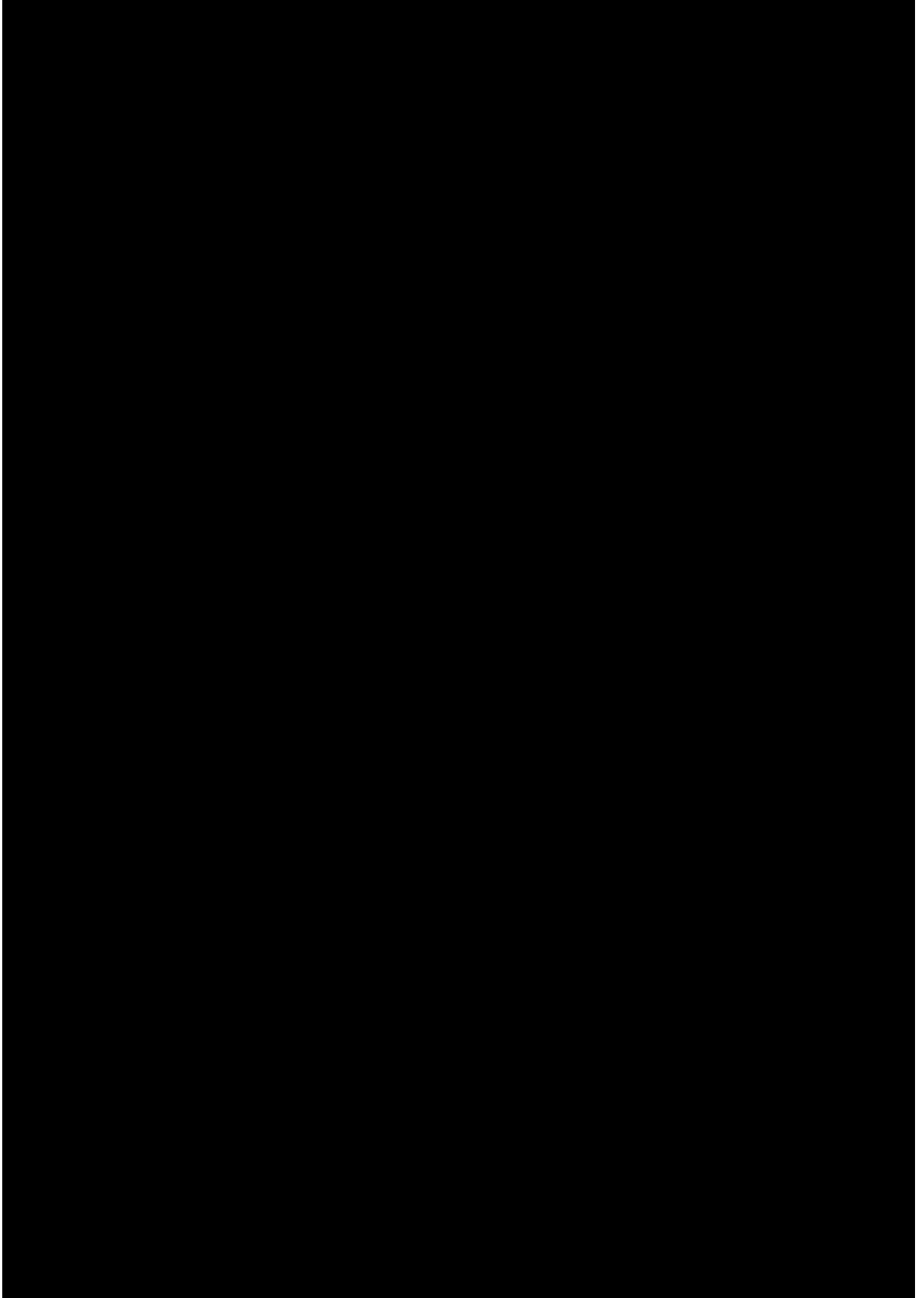
- Shannon Health has conducted a number of activities since the Transaction Closing Date to advance the goals of improving health care quality, access, and cost, as summarized below.

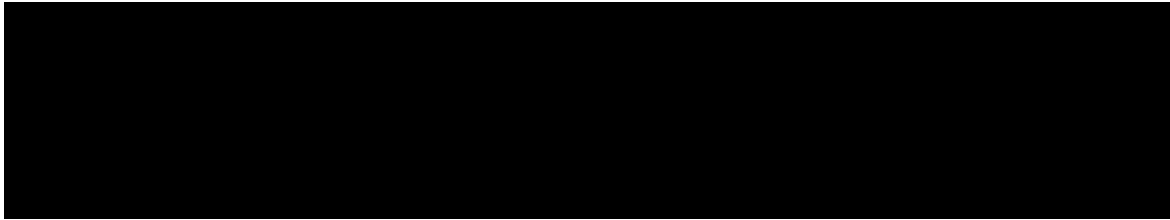
- **Quality.** Since the Transaction Closing Date, Shannon Health has worked to improve health care quality and optimize patient services to improve patient care through the following activities, including remediating deficiencies that existed before the merger:
 - Institution of quality improvement measures through system-wide goals for the following three specific quality measures: (1) Hospital-Acquired Condition reduction for five key conditions (CLABSI, CAUTI, SSI, MRSA, and CDI); (2) Mortality Rate reduction; and (3) Readmission Rate reduction. In addition, Shannon is in the implementation process of integrating Vizient, a clinical data base solution, to enhance performance improvement by analyzing data and providing benchmarks to like-size hospitals, which will support Shannon Health going forward in quality improvement measures and goals.
 - Expansion of Shannon Care Coordination Program: Since the Transaction Closing Date, the Shannon Care Coordination Program team has expanded efforts to serve patients discharging from the hospital with Congestive Heart Failure (CHF), Chronic Obstructive Pulmonary Disease (COPD), and COVID-19, as well as patients at high-risk for readmission. Key areas of the program include: medication management, addressing social barriers, and helping the patient manage their chronic condition at home.
 - Opened Shannon Rehabilitation Hospital: Shannon Health, through a joint venture with Encompass Health, opened a 40-bed standalone rehabilitation hospital, which provides patients with 24-hour access to state of the art technology and treatment. Care is provided by a multidisciplinary team of providers including physicians trained in physical medicine and rehabilitation, physical therapists, occupational therapists, speech-language pathologists, nurses specialized in rehabilitation care, pharmacists, dietitians/nutritionists, case managers and more.
 - New Outpatient Shannon Neuro Rehabilitation clinic: Opened during Quarter 3 FY2021, the new Outpatient Shannon Neuro Rehabilitation clinic will allow therapists to provide an enhanced level of care for patients in a more comfortable setting.
 - Evaluation of the SMC South security infrastructure, which identified, among other things, potential areas for security improvements, including card readers and cameras. Shannon Health has also purchased security vests for officers. These improvements will better ensure the safety of patients, visitors, and Shannon Health employees.
 - Improved coordination of care and patient experience through the migration to a single electronic medical record (EMR) system for all Shannon Health locations, such that shared patient medical records are now available at every facility, which improves patient care coordination among providers. For example, aspects of patient care such as medication tracking, known allergies, and test results will be stored in the single EMR system, reducing the potential for complications or duplicative testing.
- **Access.** Since the Transaction Closing Date, Shannon Health has worked to improve access to care through the following activities:

- Opened Shannon Rehabilitation Hospital: On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a joint venture with Encompass Health. The new hospital increased capacity from 14 to 40 dedicated inpatient rehabilitation beds, and also increased access to high quality rehabilitation care for patients in the area.
- New Outpatient Shannon Neuro Rehabilitation clinic: The new Outpatient Shannon Neuro Rehabilitation clinic includes an expanded floor plan with more space for patients and therapists, as well as expanded services, including state-of-the-art physical therapy equipment.
- Expanded inpatient capacity at SMC South: Shannon Health opened the area's only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.
- Inpatient Medical-Surgical unit expansion at SMC South: Shannon Health increased inpatient medical-surgical capacity at SMC South by combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), which were both underutilized units with a very low average daily census. This shift of higher acuity patients to SMC centralizes the accessibility of higher levels of care and intervention provided for patients.
- Extension of Diabetes Education at SMC South: Post-Merger, Shannon Health has extended its Diabetes Education services to SMC South, [REDACTED]
- Extension of Sleep Lab to SMC South: [REDACTED]
[REDACTED] As a result of the Merger, SMC South patients once again have access to Sleep Lab services at the Shannon Sleep Center.
- Expansion of Mammography services to SMC South: Post-Merger, mammography exams are now performed at the Shannon Imaging Center on S. Bryant. At this location, Shannon Health offers three (3) 3D Mammography units along with Breast MRI, Breast Ultrasound, and Breast Biopsy/Needle localization capabilities.
[REDACTED]
- Dedication of resources for telehealth to expand virtual care options throughout the service area, including through Shannon Health's new Director of Virtual Care, who has identified telemedicine solutions in conjunction with Shannon Health providers, allowing Shannon Health to treat a larger, more dispersed population in its community. Additionally, Shannon Health deployed TytoCare units to school districts throughout Concho Valley.
- Additional clinical staffing at SMC South: Through the sharing of resources at SMC and SMC South post-Merger, including sharing of both staffing and capital resources, Shannon Health has been able to better coordinate care and manage the COVID-19 pandemic. In addition, through its affiliation with Shannon Health,

- SMC South now has access to increased Texas STAR nurses, which equipped SMC South to better handle the surge of COVID-19 patients.
- Expanded capacity for COVID-19 response: In January 2021, Shannon Health opened a temporary, standalone COVID-19 vaccine clinic to ensure adequate space and parking was available to accommodate a high volume of patients. Additionally, Shannon Health has offered “drive-thru sites” to conduct COVID-19 testing and has provided vaccines to healthcare workers and first responders throughout the broader rural community. In Quarters 2 and 3 FY2021, Shannon Health administered over 72,000 doses to community members. Shannon Health also maintained the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.
- **Cost.** Since the Transaction Closing Date, Shannon Health has worked to minimize the cost of health care by reducing the duplication of resources, coordinating services, and increasing efficiencies, through the following activities:
- Identifying, tracking, and reporting on opportunities and initiatives that are likely to generate efficiencies and reduce unnecessary costs, including ongoing/recurring opportunities, such as clinical optimization.
 - Inpatient Medical-Surgical unit expansion at SMC South: By combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), Shannon Health not only increased inpatient medical-surgical capacity at SMC South but also created lower cost units with more appropriate staff-patient ratios to reduce overall costs while ensuring patients are receiving the best care possible.
 - Utilization of SMC South to optimize COVID-19 care: Shannon Health operated the area’s only COVID-19 Infusion Therapy Clinic at SMC South, which provided monoclonal antibody outpatient infusion therapy to identified high-risk patients with a goal of decreasing the need for hospitalization in these patients.
 - Additional clinical staffing at SMC South: Through the sharing of resources at SMC and SMC South post-Merger, including sharing of both staffing and capital resources, Shannon Health has been able to better coordinate care and manage the COVID-19 pandemic.







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

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

- **Pricing/Cost:** Since the Transaction Closing Date, Shannon Health has worked to minimize the cost of health care by reducing the duplication of resources, coordinating services, and increasing efficiencies while also increasing the number of patients enrolled in charity care and financial assistance programs. Additionally, since the Transaction Closing Date, Shannon Health has contracted with 30 health plans, which has remained unchanged from Quarter 1 through Quarter 3 FY2021. However, only approximately [REDACTED] of Shannon Health’s patients are insured by commercial payors. The majority of Shannon Health patients are insured by government payors, which set the reimbursement rates for those patients without negotiations. Since the Transaction Closing Date, Shannon Health has taken on the following cost-saving initiatives:
 - Shannon Health conducted weekly, joint executive leadership meetings, which oversees SMC and SMC South and discusses post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.
 - [REDACTED]
 - Post-Merger, the Charity Care policy for Shannon Health was extended to encompass both SMC and SMC South. During the First through Third Quarters FY2021, Shannon Health enrolled a total of 5,729 patients in charity care and financial assistance programs. Combined, SMC and SMC South incurred a total of \$28.9 million in charity care during Quarters 1 through 3 FY2021. Shannon Health believes that applying Shannon Health’s Charity Care Policy to SMC South post-merger will allow for additional access for patients in need of financial assistance (e.g., Shannon Health patients become eligible at 10% of annual gross income (“AGI”), whereas legacy SACMC patients became eligible at 50% of AGI).
- **Quality:** Since the Transaction Closing Date, the quality of health care provided by Shannon Health, as measured by the various quality metrics cited in the quarterly reports, has remained relatively stable despite the unprecedented challenges caused by the COVID-19 pandemic, among other

outside forces (such as the February 2021 winter storms in Texas). Specifically, both SMC and SMC South maintained consistent Patient Satisfaction Ratings of four (4) and Leapfrog Safety Grades of “C” from Fall/Quarter 4 of FY2020 (pre-merger) through Quarter 3 of FY2021. Additionally, though the CMS Star Ratings for SMC and SMC South decreased slightly from five (5) to four (4), and from four (4) to three (3), respectively, from the fall of FY2020 to the spring of FY2021, the April 2021 rating was calculated using the measure data from the October 2020 update of Care Compare data. As such, it does not reflect data from the post-merger period.

- **Access:** Since the Transaction Closing Date, inpatient admissions for Shannon Health increased by approximately 3.9% from Quarter 4 FY2020 to Quarter 3 FY2021, from 4,943 to 5,136. Shannon Health’s outpatient volume increased by 13.3% between Quarter 4 FY2020 and Quarter 3 FY2021, from 259,770 to 294,431. The increase in outpatient volume was due in part to Shannon Health’s successful, community-wide efforts related to COVID-19 vaccine distribution. During Quarters 2 and 3 FY2021, over 49,000 patients visited Shannon Health’s COVID-19 vaccine clinics for vaccines to be administered. Despite the challenges caused by the COVID-19 pandemic, Shannon Health increased access to health care services for patients in its communities, including rural communities, through the following initiatives to expand service delivery:
 - Opened Shannon Rehabilitation Hospital;
 - Opened Outpatient Neuro Rehabilitation Clinic;
 - Expanded inpatient capacity at SMC South for COVID-19 patients;
 - Inpatient Medical-Surgical unit expansion at SMC South;
 - Shannon Care Coordination Program expanded to SMC South patients;
 - Extension of Diabetes Education at SMC South;
 - Extension of Sleep Lab to SMC South;
 - Expansion of Mammography services;
 - Dedication of resources for telehealth to expand virtual care options throughout the service area; and
 - Expanded capacity for COVID-19 response, including local “drive-thru sites” to conduct COVID-19 testing, community-wide COVID-19 vaccine distribution, standalone vaccine clinic operations, and the area’s only COVID-19 Infusion Therapy Clinic to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients.

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

- The merger has not reduced competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals. Shannon Health faces competition from a number of hospitals and health systems in its primary and secondary service areas. Post-Merger, Shannon Health continues to compete with large and significant health systems throughout the region that are gaining strength and rapidly expanding. Shannon Health considers these health systems, among others, to be competitors for high-end or

tertiary inpatient and outpatient services. Additionally, the robust competition for inpatient acute facility services continues from many other hospitals located in surrounding counties. Likewise, Shannon Health also faces competition from freestanding emergency departments, urgent cares, ambulatory surgery centers, rural health clinics, and other healthcare providers located in Tom Green County and the surrounding counties.

- Shannon Health has made significant efforts to bring additional jobs to the area. During Quarters 1 through 3 FY2021, Shannon Health created 85 new positions, covering both clinical and non-clinical positions across the organization and indicating significant demand for talent within the combined Shannon Health system following the Transaction Closing. In addition, during Quarters 1 through 3 FY2021, Shannon Health hired a total of 673 new employees.
- Patient choice is being preserved through the patient choice policy for Shannon Health, which was extended post-Merger to encompass both SMC and SMC South. The policy continues to conform with CMS mandated patient choice requirements.

B. *Additional Annual Reporting Requirements*

6. An explanation of the incorporation and integration of the medical record systems of each hospital.
 - Prior to the Merger, SMC and SMC South utilized completely separate Electronic Medical Record (“EMR”) and Enterprise Resource Planning (“ERP”) systems, from different vendors. As of Quarter 3 FY2021, Shannon Health’s EMR platform has disconnected from the CHS network completely. In Quarter 2 FY2021, Shannon Health completed their migrations for both SMC South and its clinic locations from their current MedHost and Athena platforms to Shannon Health’s Epic EMR platform. All clinic offices were transitioned from Athena to Epic on October 24, 2020, including the Shannon Urgent Care – Bryant location. Additionally, all 350 workstations across the clinic facilities were replaced with Shannon Health terminals, including installing new label printers at any location that might need labels, migrating M-Modal provider profiles to Shannon Health’s account, and migrating many other smaller systems to the applicable Shannon Health system. SMC South went live on Epic on February 5, 2021. Now, shared patient medical records are available at every facility, improving patient care coordination among providers. For example, aspects of patient care such as medication tracking, known allergies, and test results will be stored in the single EMR system, reducing the potential for complications or duplicative testing.
 - Additionally, Shannon Health has worked directly with MedHost to ensure SMC South’s historical data is maintained and available for future needs. Athena data is available upon request.

7. Findings from service area assessments that describe maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public.
 - Shannon Health did not create any service area assessment responsive to this item. Any updates or findings from responsive service area assessments will be reported on in future submissions.

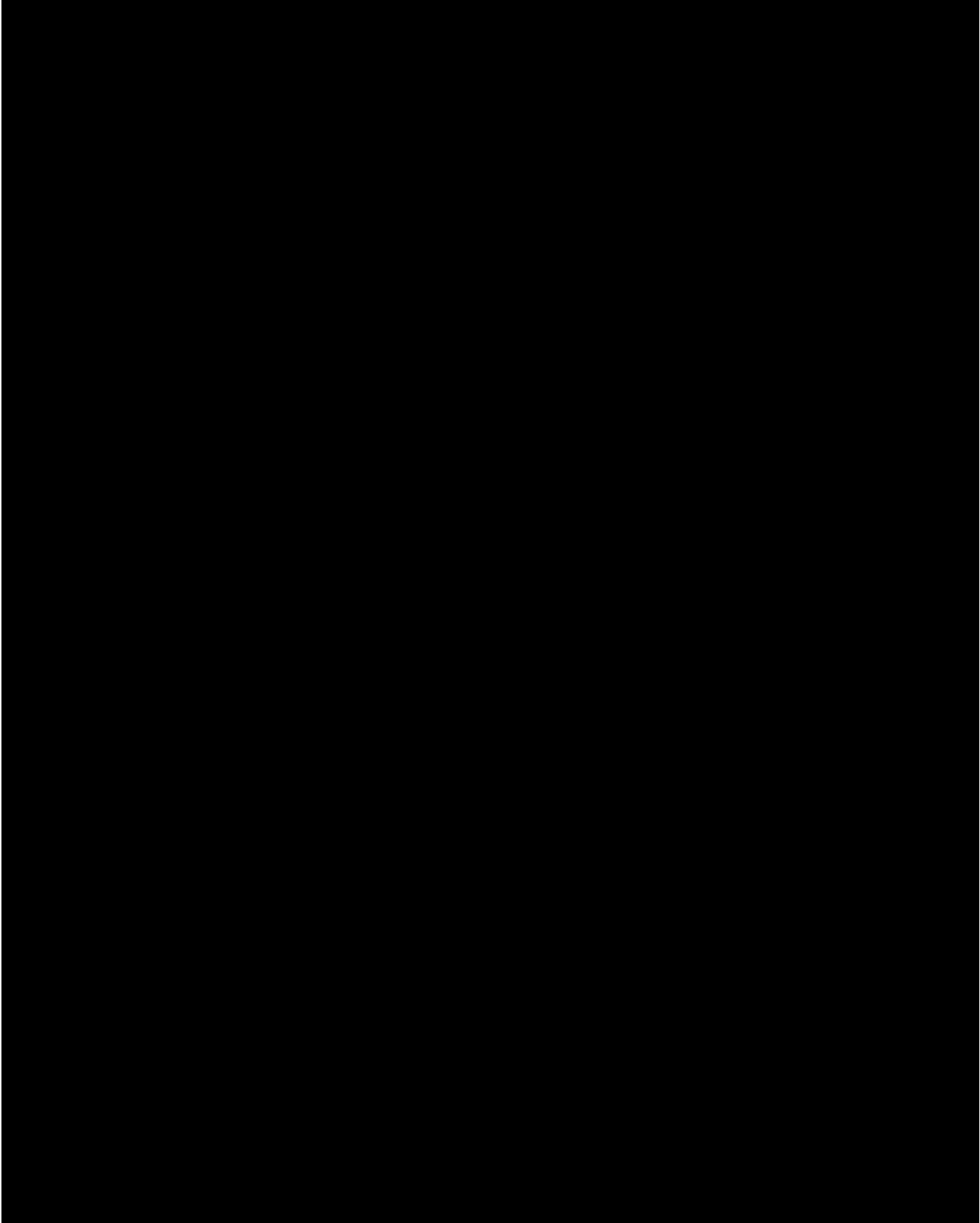
8. A report on any cost savings from allowing both hospitals to reduce costs and eliminate duplicate functions have led to lower prices for health care services or investments to improve the quality of health care services.
 - Shannon Health does not expect to start seeing data outlining savings until at least one year post-Merger. As such, cost savings will be reported on in future submissions.

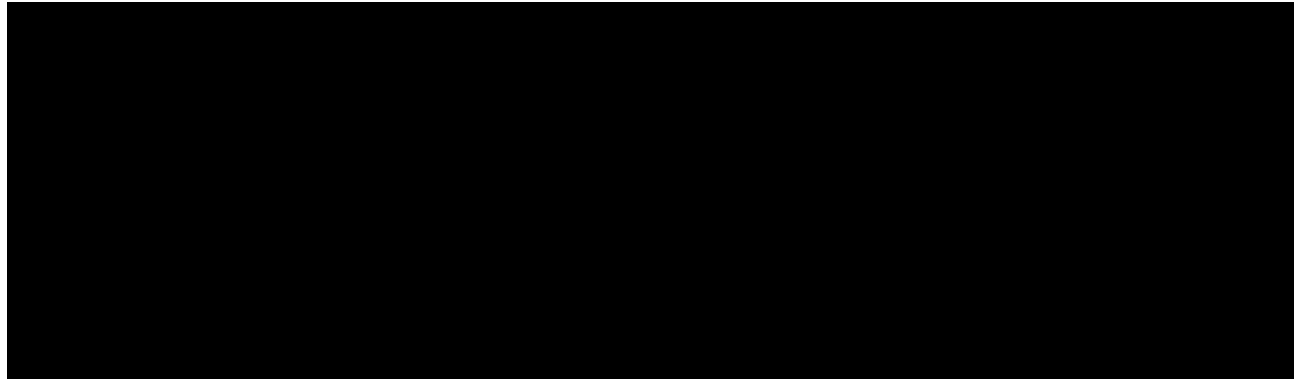
IV. Annual Public Hearing

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

Shannon Health held its first Annual Public Hearing on Thursday, September 16, 2021 at 10:00 am at the Brooks and Bates Theater in San Angelo, Texas. This hearing was open to the public, and participants had the opportunity to share oral and written comments prior to the hearing. Written comments were also accepted online through 11:59 pm on September 16, 2021. Approximately 40 attendees were in attendance. Shannon Health provided an overview of the many positive changes and new services since the integration of the South Campus. A total of 40 individuals offered oral or written comments, summarized below:

- Jill Eddy, a retired nurse, discussed concerns related to the vaccine adverse event reporting system, including lack of awareness of the system, as well as concerns about Remdesivir and the consequences of vaccines, including in children aged 12 to 17.
- Anna Bartosh raised questions about the use of Remdesivir for the treatment of COVID-19.
- Coco Simpson discussed concerns related to patient choice for unvaccinated children and treatment options at Shannon Health, including holistic and preventative care.
- Dr. Jeanne Woodman, a former neonatologist at SACMC, raised concerns related to Board requirements and hospital privileges for physicians, as well as access and the standard of care for neonatology.
- Nelda Nawlin discussed grievances related to the treatment her son received in May 2021.
- Jana Ritter with San Angelo ISD discussed effects Shannon Health has made to provide support for health services in the community, particularly for the school district and children.
- Jeanne Bryan raised concerns related to procedures for individuals who are not vaccinated against COVID-19, as well as policies for the treatment of patients with COVID-19.
- Richard Jumper voiced concerns about treatment options, including access to Ivermectin and Budesonide at local pharmacies.
- Janet Charlesworth, director at Shannon Health Club, shared positive results of the merger, including classes offered at the club focusing on fitness and lifestyle modifications, as well as over 500 employees joining the health club and using the facility to exercise and release stress throughout the pandemic.
- Lyleann McClellan-Thee discussed concerns about preventative measures and the policies and protocols for the treatment of patients with COVID-19.
- Joe Hyde discussed options for the treatment of patients with COVID-19, including monoclonal antibodies offered by Shannon Health.
- Ethan West noted positive results of the merger as well as general concerns, including regarding staffing and neonatology coverage.





Copies of the written comments received are included in **Attachment 1a** to this Report and the PowerPoint presentation presented by Shane Plymell, President and CEO, is included as **Attachment 1b**. Shannon Health has addressed the items presented in the public comments in a response that will be shared on www.CareforSanAngelo.com. Shannon Health's responses to the public comments are included as **Attachment 1c**. All attendees that submitted oral and/or written comments and provided an email address will also receive a copy of the response by email.

V. Attachments