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Shannon Health

Quarterly Report for Quarter 1 of Fiscal Year 2021

Reporting Period: 10/1/2020-12/31/2020

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Certificate of Public Advantage ("COPA")

Quarterly Performance Report for Quarter 1 of Fiscal Year 2021

This Quarterly Performance Report (the “Report”) is submitted pursuant to the Terms and Conditions of Compliance governing the Certificate of Public Advantage (“COPA”) issued to 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.

This Report reflects the performance of SMC and SMC South (formerly SACMC) for the first quarter of fiscal year 2021 (“Quarter 1 FY2021” or “First Quarter FY2021”), the period of October 1, 2020 to December 31, 2020.¹ As the transaction closed on October 24, 2020, this Report reflects approximately one month of pre-Merger, and two months of post-Merger, information. Where applicable, this Report includes information or refers to information provided in the Baseline Performance Report that was submitted to HHSC on January 15, 2021, and reflects the pre-Merger baseline period of FY2018 – FY2020 (the “Baseline Performance Report”).

¹ Shannon Health expects to submit its future quarterly reports within 90 days of the previous fiscal quarter end date. For example, the report covering the quarter ended March 31, 2020 will be submitted by June 30, 2021.

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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. Quarterly Performance Report - Quarter 1 FY2021

A. *Summary of Requirements*

As required by Texas Health and Safety Code § 314A.103, Texas Admin. Code § 567.32, and the COPA Terms and Conditions of Compliance, 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”, “DRAFT Shannon COPA Quarterly Data Reporting Template 12.1.2020.xlsx”, and “DRAFT Shannon COPA Annual Data Reporting Template 12.1.2020.xlsx.”

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. Quality

- Evidence demonstrating how health care quality has improved. COPA holders should also note in the narrative any areas in which health care quality has declined from the previous reporting period.
 - CMS Star Ratings:** During the last rating period before the Merger, SMC earned an overall quality rating of five (5) stars, while SACMC earned four (4) stars (see **Table 1a** below). Due to changes to the CMS Star Rating methodology and reporting schedule, CMS last updated hospital quality star ratings in January 2020, and those ratings were carried forward for August 2020, as reflected in the Hospital Data archive files provided by CMS.² In November 2020, CMS announced that it also would not update the overall star ratings in January 2021; instead, the next update is expected in April 2021. As such, updates to the CMS Star Rating will be reflected accordingly in future quarterly reports.

Table 1a: Overall CMS Star Ratings³

| Location | Pre-Merger Period | | | | | |
|--------------------------------|-------------------|------|--------|------|---------|--------|
| | FY2018 | | FY2019 | | FY2020 | |
| | January | July | March | July | January | August |
| SMC | 4 | 4 | 4 | 4 | 5 | 5 |
| SACMC (SMC South) ⁴ | 4 | 4 | 4 | 4 | 4 | 4 |

- Leapfrog Hospital Safety Grades:** SMC and SACMC each individually earned a “C” overall in the most recent Leapfrog Hospital Safety Grade release (from Fall of 2020), as reported in the Baseline Performance Report (see **Table 1b** below). The grades have not been updated by Leapfrog since the Baseline Period and the next update is expected in Spring 2021. As such, updates to the Leapfrog Hospital Safety Grades will be reflected accordingly in future quarterly reports.

Table 1b: Leapfrog Safety Grades⁵

| Location | Pre-Merger Period | | | | | |
|-------------------|-------------------|------|--------|------|--------|------|
| | 2018 | | 2019 | | 2020 | |
| | Spring | Fall | Spring | Fall | Spring | Fall |
| SMC | C ⁶ | C | C | C | C | C |
| SACMC (SMC South) | A | A | A | A | B | C |

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

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

⁴ Please note that the CMS Star Ratings for SACMC have been revised. According to CMS’s archived data files for FY2018—FY2020, SACMC received a “4” overall in January 2020 (not a “3,” as was previously reported), and a “4” overall in January and July 2018 (not a 5, as was previously reported).

⁵ Source: Leapfrog Research Group: <https://ratings.leapfroggroup.org/>.

⁶ Please note that the Leapfrog Safety Grade for SMC for Spring 2018 has been revised. According to Leapfrog’s “Recent Past Grades,” SMC received a “C” overall in Spring 2018 (not a “B,” as was previously reported).

- Patient Admissions & Medicare Cost Report Data: Inpatient admissions and outpatient volumes are provided in **Item 2** of this Report. **Attachment 1** includes the 2019 Medicare Cost Report packages for SMC and SACMC. The information contained in **Attachment 1** for both organizations, including patient admissions and outpatient volumes data on pages A-017 through A-019 for SMC and pages A-294 through A-296 for legacy SACMC, is related to the 2019 Medicare Cost Reporting Year.
- Patient Satisfaction Ratings: During Quarter 1 FY2021, both SMC and SMC South earned four (4) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (“HCAHPS”) survey of patient satisfaction, as was reported by CMS in October 2020 (see **Table 1c** below).

Table 1c: Patient Satisfaction Rating Results⁷

| Location | Pre-Merger Period | | | | | | | | | | | | Post-Merger Period |
|-------------------|-------------------|----|----|----|--------|----|----|----|--------|----|----|----|--------------------|
| | FY2018 | | | | FY2019 | | | | FY2020 | | | | FY2021 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| SMC | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| SACMC (SMC South) | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 3 | 4 | 4 | 4 |

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

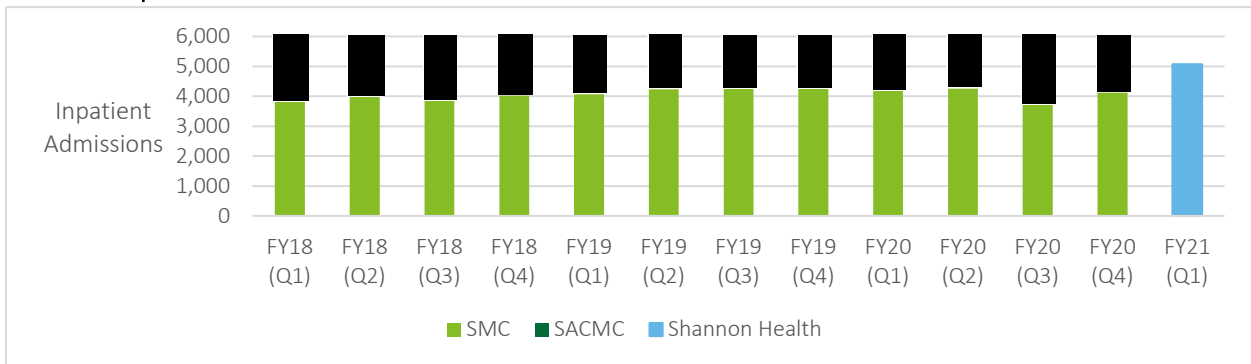
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- Inpatient Volumes⁸: Overall, inpatient admissions for Shannon Health increased by approximately 2.6% from Quarter 4 FY2020 to Quarter 1 FY2021, from 4,943 to 5,071.

[REDACTED]

Table 2a shows the quarterly change in inpatient admissions for SMC and SACMC during the Baseline Period, as well as Shannon Health (includes both SMC and SMC South) for Quarter 1 FY2021. Please note that volume numbers will be shown on a combined basis for Shannon Health going forward as both hospitals will be reported under a single National Provider Identifier (“NPI”).

Table 2a: Inpatient Admissions



⁷ Source: HCAHPS Patient Satisfaction Survey: [HCAHPS Survey Results](#).

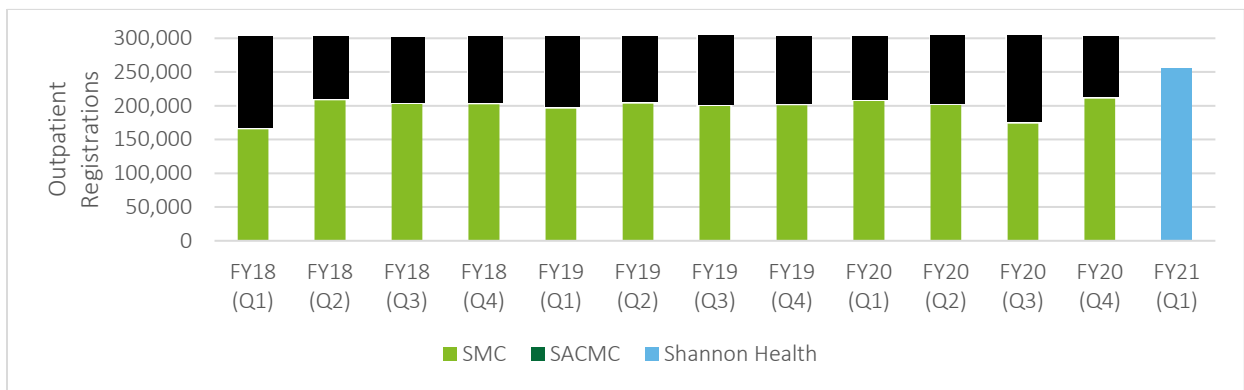
⁸ [REDACTED]

- Outpatient Volumes*⁹: Shannon Health’s outpatient volume decreased by 1.9% between Quarter 4 FY2020 and Quarter 1 FY2021, from 259,770 to 254,924. The slight decrease in outpatient volume from FY2020 Quarter 4 and FY2021 Quarter 1 was attributed to closures due to holidays and other ordinary variances. Certain variances (1% to 5%) are expected quarter-over-quarter in the ordinary course of business.

[REDACTED]

[REDACTED] **Table 2b** below displays the quarterly change in outpatient volumes for SMC and SACMC during the Baseline Period, as well as Shannon Health, (includes both SMC and SMC South) for Quarter 1 FY2021. Please note that volume numbers will be shown on a combined basis as Shannon Health going forward as both hospitals will be reported under a single NPI.

Table 2b: Outpatient Volumes



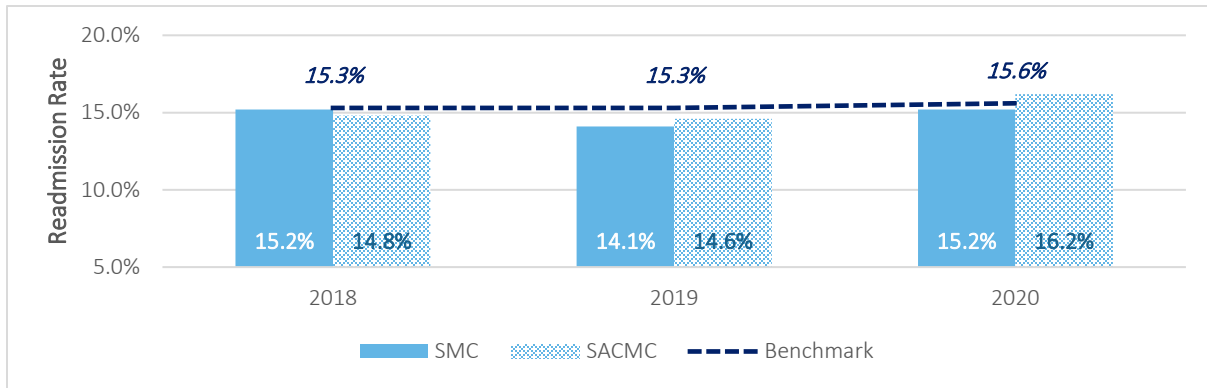
3. Patient readmission numbers before the merger and the current quarter.

- Patient Readmission Numbers*: As described in the Baseline Performance Report, the reported readmission rates during the Baseline Period included all unplanned readmissions¹⁰ 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 on readmission data annually, around July/August every year. As a result, the most recently released readmission numbers are reported in **Table 3** under year 2020. As such, updates to the readmission rates will be reflected accordingly in future quarterly reports.

⁹ [REDACTED]

¹⁰ 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.

Table 3: Patient Readmissions¹¹



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

- As this Report only reflects a two-month period immediately following the Transaction Closing Date, there is not yet enough information to report on the association between increased patient volumes and better patient outcomes. As post-Merger changes continue to occur and new information becomes available, Shannon Health will measure and report on this association in future submissions.

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

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

- After the Merger transaction closed in October 2020, Shannon 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. In the first two months post-Merger, Shannon Health implemented the following initiatives:
 - Increasing the Medical/Surgical bed capacity across Shannon Health, which allowed for increased patient access, particularly during the height of the COVID-19 pandemic. [REDACTED] the Merger allowed for the sharing of resources across SMC and SMC South, which resulted in the addition of 14 staffed beds to support COVID-19 hospitalized patients at SMC South.
 - [REDACTED]
 - [REDACTED]

¹¹ Source: CMS Care Compare “Unplanned Hospital Visit” benchmark (Medicare.gov).

Subsequent reports will provide additional detail regarding these potential improvements once they are approved and finalized.

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

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

- During the First Quarter FY2021, Shannon Health instituted a number of quality improvement measures, which are intended to further enhance quality at all of Shannon Health’s hospitals. For example, for FY2021, the post-Merger organization established system-wide quality 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 establishing and working toward the goals in these key areas, Shannon Health intends to work collaboratively across SMC and SMC South to drive quality improvement performance for the system.
- The quality measures included in this Report are summarized below in **Table 6**. Please refer to the narratives in **Item 1** and **Item 7** for more information about the status of quality measures as of this Report, and why Shannon Health will likely experience challenges reporting on certain quality measures going forward.

Table 6: Shannon Health Summary of Quality Measure Performance

| Quality Metrics | Page Ref. | FY2018 | | | | FY2019 | | | | FY2020 | | | | Q1 FY2021 |
|-------------------------------------|-----------|------------|---|---|---|--------|---|---|---|--------|---|---|---|---|
| | | | | | | | | | | | | | | |
| CMS Star Rating – SMC | Pg. 8 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | Not Applicable (rating provided biannually) |
| CMS Star Rating – SMC South | Pg. 8 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | Not Applicable (rating provided biannually) |
| Leapfrog Safety Grades – SMC | Pg. 8 | C | C | C | C | C | C | C | C | C | C | C | C | Not Applicable (grade provided biannually) |
| Leapfrog Safety Grades – SMC South | Pg. 8 | A | A | A | A | A | A | A | A | B | C | C | C | Not Applicable (grade provided biannually) |
| Pt. Satisfaction Rating – SMC | Pg. 9 | 4 | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 |
| Pt. Satisfaction Rating – SMC South | Pg. 9 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 3 | 4 | 3 | 4 | 4 | 4 |
| Patient Readmissions – SMC | Pg. 11 | 15.2% | | | | 14.1% | | | | 15.2% | | | | Not Applicable (figure provided annually) |
| Patient Readmissions – SMC South | Pg. 11 | 14.8% | | | | 14.6% | | | | 16.2% | | | | Not Applicable (figure provided annually) |
| Inpatient Volumes – Combined | Pg. 9 | [REDACTED] | | | | | | | | | | | | 5k |
| Outpatient Volumes – Combined | Pg. 10 | [REDACTED] | | | | | | | | | | | | 255k |

7. An explanation of how SMC South will utilize providers, nurses and other medical staff to strengthen the Shannon Care Coordination Program.
- Shannon Health’s Care Coordination Program manages high-risk patients with multiple disease processes, addresses social and health care barriers, and supports patients’ goals of independence in their health care management.
 - During Quarter 1 FY2021, the Shannon Care Coordination Program team was primarily, and appropriately, focused on post-discharge follow-up for patients hospitalized with COVID-19. The home monitoring equipment and ongoing interaction between the program staff and identified patients shifted completely to the care of COVID-19 patients. The key areas for monitoring patients discharged from the hospital with COVID-19 include pulse oximetry and blood pressure. As a result of the Merger and the addition of COVID-19 beds to SMC South, SMC South patients are now offered this service following discharge, and it is coordinated through SMC South providers and staff.
 - The structure of the Shannon Care Coordination Program, and the ability to utilize a team to focus on population health efforts as it relates to chronic disease, has provided the opportunity to identify areas for growth and the expansion of efforts to serve patients in the community. As mentioned above, the Merger immediately increased the accessibility of this program to COVID-19 patients discharged from SMC South.
8. An explanation of challenges or related conditions affecting the system’s ability to maintain and/or improve quality.
- Challenges Related to Ability to Maintain and/or Improve Quality: During the First Quarter FY2021 and specifically as the post-Merger integration process began, Shannon Health identified multiple challenges potentially impacting its ability to maintain and/or improve quality. Some challenges faced by the combined organization include:
 - **CMS Changes to Star Rating System**: Shannon Health, through no fault of its own, may encounter challenges related to quality reporting due to CMS altering its public reporting and grading schedule. In November 2020, CMS announced that it would not update overall CMS Hospital Star Ratings in January 2021, as it normally would. Instead, CMS intends to report Hospital Star Ratings in April 2021, which will be calculated using the measure data from the October 2020 update of Care Compare data, as well as the revised star rating methodology. Moreover, in response to the COVID-19 pandemic, the agency issued an interim final rule stating it will not publicly report data collected during the first and second quarter 2020 (that is, data collected January 1, 2020 through June 30, 2020); as a result, quality measures that are normally refreshed quarterly will not be refreshed for the first and second refresh after the affected quarters.¹² This means Shannon Health’s reporting of its CMS Star Quality Rating, Leapfrog Group Safety Grade (which partially relies on CMS

¹² Source: CMS, Medicare and Medicaid Programs, Clinical Laboratory Improvement Amendments (CLIA), and Patient Protection and Affordable Care Act; Additional Policy and Regulatory Revisions in Response to the COVID-19 Public Health Emergency (Aug. 24, 2020), <https://www.cms.gov/files/document/covid-ifc-3-8-25-20.pdf>.

quality data), Patient Satisfaction Rating, and underlying quality measures likely will be affected. Additionally, recently finalized changes and proposed rules related to the Star Rating system show that CMS intends to continue adjusting or overhauling the Star Rating system and its methodology. Such changes could impact Shannon Health's reporting on CMS quality data in future submissions.

- **The COVID-19 Pandemic:** Active, continued community spread of the COVID-19 virus has significantly increased hospitalization rates and placed significant strain on the critical care unit, emergency department, and telehealth services. The pandemic has also strained staffing resources, with many caregivers and frontline staff on quarantine due to exposure, and others working long hours and multiple successive shifts to care for the influx of patients and lack of available staff.

B. Efficiencies

9. Data regarding emergency department closures since the merger.

- Current Emergency Department Locations: During Quarter 1 FY2021, there were no changes in the number of Emergency Departments that Shannon Health operated. As such, Shannon Health still operates one Emergency Department at SMC and one Emergency Department at SMC South, as reported in the Baseline Performance Report. Each location is listed in **Table 9a** and **9b** below.

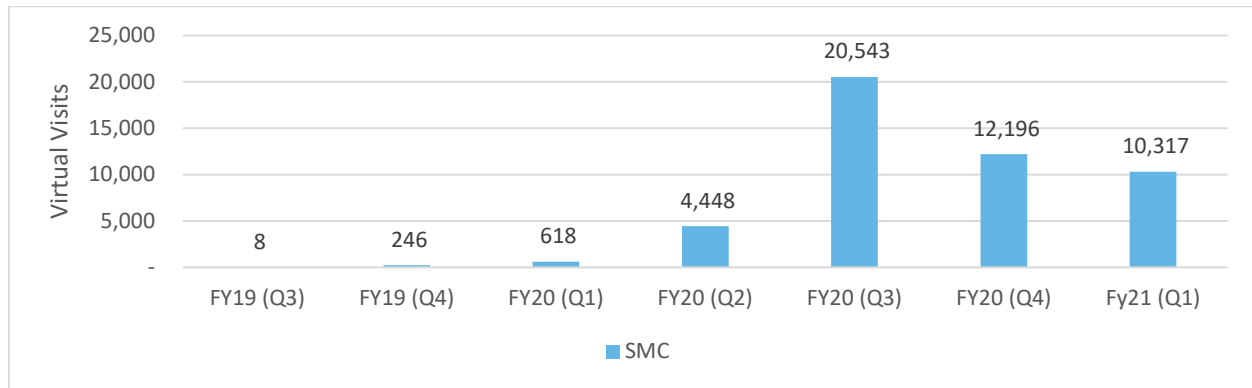
Table 9a: SMC Emergency Department

| Emergency Department Location | Address | Status |
|-------------------------------|---|--------|
| Shannon Medical Center (SMC) | 120 E Harris Ave., San Angelo, TX 76903 | Open |

Table 9b: SMC South Emergency Department

| Emergency Department Location | Address | Status |
|--|--|--------|
| Shannon Medical Center South (SMC South) | 3502 Knickerbocker Rd., San Angelo, TX 76904 | Open |

- Emergency Department Closures: Shannon Health has no plans to close any Emergency Departments as of the date of this Report.
10. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by: (1) Providing data demonstrating the expansion of telehealth and technology; and (2) Explaining how the expansion of telehealth and technology improved the hospitals' ability to treat a larger patient population.
- Telehealth: During Quarter 1 FY2021, SMC provided telehealth services, including primary and other non-emergency care services, to 10,317 patients through its virtual care platforms. While the number of telehealth patients decreased in both Quarter 4 FY2020 and Quarter 1 FY2021 (as shown in **Table 10**), the decrease is offset by the overall increase in in-person visits during these quarters, which is likely the result of patients feeling increasingly more comfortable to return to in-person care following a decline in COVID-19 rates. In order to further expand virtual care options throughout the service area, Shannon Health has dedicated additional resources to this area. For example, a Director of Virtual Care was hired in November 2020 to develop and lead strategies for telemedicine and virtual care. In addition, in early 2020, Shannon Health deployed 30 TytoCare units in school districts throughout the Concho Valley, expanding access to students attending in-person school. Due to the current COVID-19 pandemic, this access has not been utilized as anticipated but there continues to be focus on increasing utilization. As evidenced by Shannon hiring a Director of Virtual Care, Shannon Health remains focused on and committed to identifying stable, robust telemedicine solutions to increase adoption with the Shannon Health providers, which will allow Shannon Health to treat a larger, more dispersed population through expanded virtual visit access for Shannon Health patients.

Table 10: Number of Patients Treated via Telehealth¹³

11. A description of any workforce reduction since the issuance of the COPA based on occupation, i.e. doctors, nurses, support staff, etc. Include the numbers and job titles of any position eliminated, the total number of employees before and after the reduction and explain any impact the reduction has on patient service delivery.
- Workforce:** As of the Transaction Closing Date through the end of the First Quarter FY2021, there were no reductions in workforce other than what is expected through the ordinary course of business (e.g., attrition). Post-Merger, Shannon Health has offered employees of SMC and legacy SACMC comparable positions in the combined system. Furthermore, Shannon Health continues to hire additional staff as needed to provide necessary services at SMC South that had been provided previously by out-of-state or third-party contracted workers before the Merger. As noted in the Baseline Performance Report, neither SMC nor SMC South reduced its workforce as a result of the pandemic. Both facilities have experienced increased demand for staff, as further detailed in **Item 48** of this Report, for example, post-Merger, Shannon Health added 54 new positions, hiring some external resources but also providing new roles for SMC and legacy SACMC employees. In addition, Shannon Health hired 135 new employees during the first two months post-Merger, which filled current vacancies at both hospitals, as well as identified staffing needs at the legacy SACMC campus. As of December 31, 2020, Shannon Health employed 3,694 employees, as compared to 3,709 as of the Transaction Closing Date (see **Table 11** below).

Table 11: Workforce as of Quarter 1 FY2021¹⁴

| Location | Employees as of Transaction Closing Date ¹⁵ | Employees as of Q1 FY2021 |
|--------------|--|---------------------------|
| SMC | 3,085 | 3,107 |
| SMC South | 624 | 587 |
| Total | 3,709 | 3,694 |

¹³ Volume includes telehealth visits tracked through Epic; additional telehealth visits may occur but are not included in the table if they are not recorded in Epic.

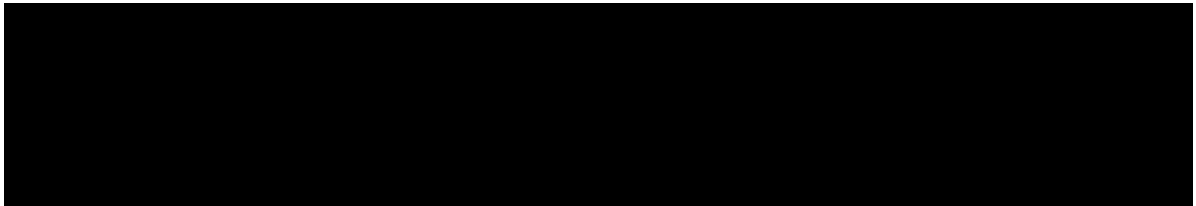
¹⁴ Note employee headcount includes employed physicians and advanced practice clinicians.

¹⁵ Employee count as of the Transaction Closing Date was slightly adjusted from the Baseline Performance Report in order to correct for data errors.

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.]

- Shannon Health has identified several potential opportunities and initiatives that it believes will generate efficiencies and reduce unnecessary costs. The list of such opportunities and initiatives is provided in **Item 15**. That said, for quick reference, the following opportunities are specifically related to the reduction in the duplication of resources:



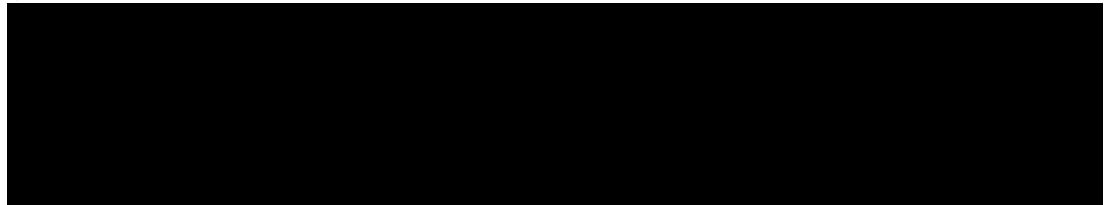
Shannon Health intends to continue thoughtfully evaluating opportunities through the post-Merger integration process, and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

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 SMC and legacy SACMC, Shannon Health intends to be able to better coordinate services, increase efficiencies, and optimize patient care. As of the end of Quarter 1 FY2021 (reflecting approximately two months of time post-Merger), Shannon Health began enhancing the coordination of services through the following:

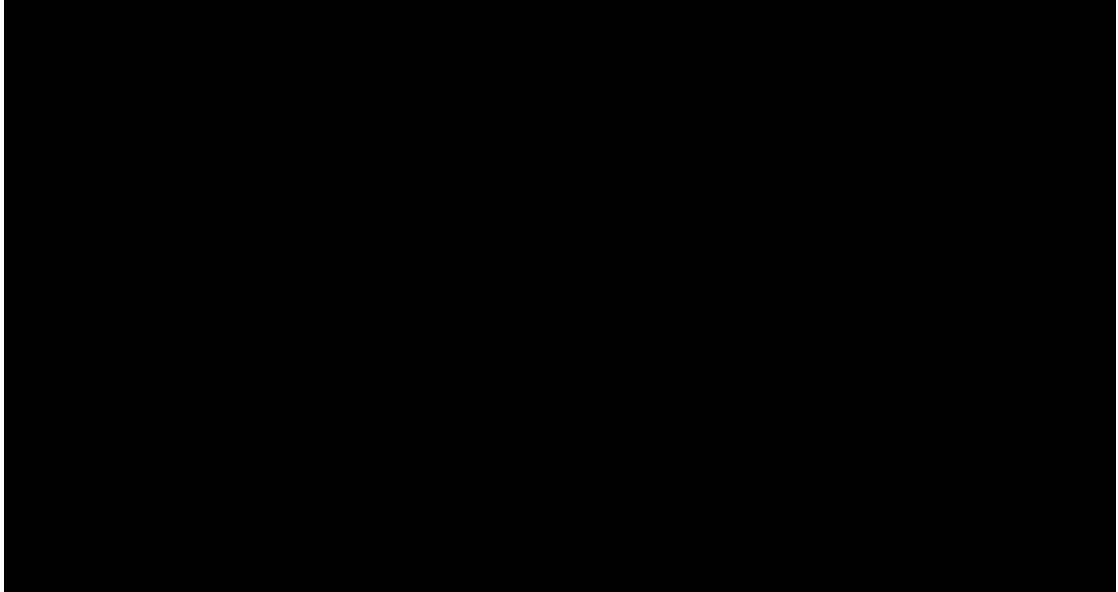
○



- **Utilization of SMC South to optimize COVID-19 care**: Post-Merger, Shannon Health utilized SMC South facilities and staff in order to expand COVID-19 hospital care capacity by 14 beds. Furthermore, in November 2020, 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 positive patients. The goal of this treatment is to decrease 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, as further detailed in **Item 14**. In addition, through its affiliation with Shannon Health, SMC

South now has access to increased Texas STAR¹⁶ nurses, which equipped SMC South to better handle the surge of COVID-19 patients in Quarter 1 FY2021. Shannon Health anticipates additional opportunities to enhance clinical staffing at SMC South in order to optimize patient services.

○



○

- Cost Savings Reinvestment Evidence: Please see **Item 14** below for an explanation of how cost savings will be reinvested locally.

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. 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. The following are examples of how Shannon Health began reinvesting in the combined healthcare system in the first two months post-Merger during Quarter 1 FY2021:
 - **Expanded inpatient capacity at SMC South**: Post-Merger, Shannon Health expanded COVID-19 hospital care capacity by 14 staffed beds in order to support the surge of COVID-19 patients. Furthermore, in November 2020, 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 positive patients. See **Item 13** for additional details related to the positive impact to care coordination.
 - **Added Security at SMC South**: [REDACTED]
[REDACTED]
[REDACTED]

¹⁶ STAR is a Texas Medicaid managed care program.

These improvement areas will be documented in subsequent reports once they are approved.

- **Capital expenditures:** Please see **Item 29** for details regarding additional capital expenditures incurred by Shannon Health to improve its facilities or grow its operations, totaling approximately \$9.0 million across both SMC and SMC South.

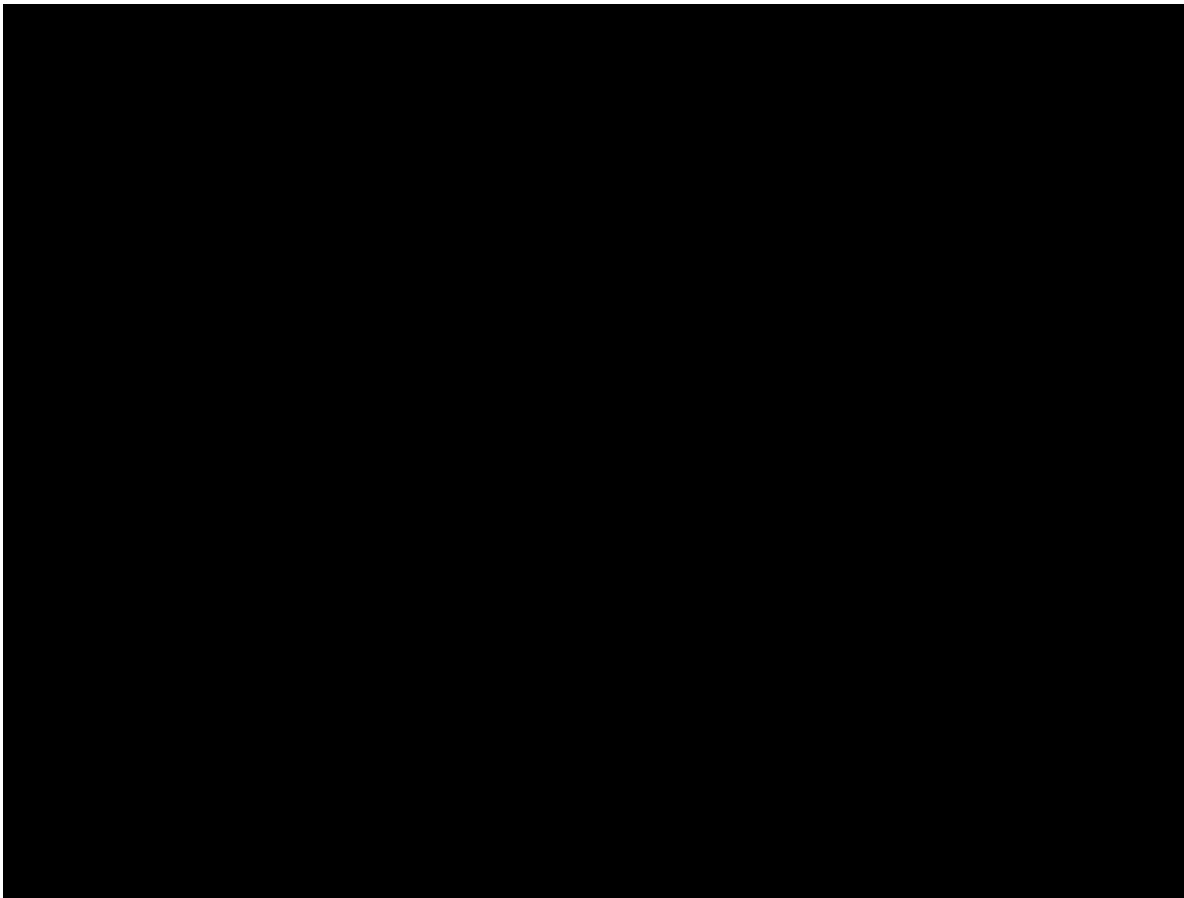
15. Data and financial reports reflecting the savings in each area referenced in the Efficiency Section of the COPA Terms and Conditions.

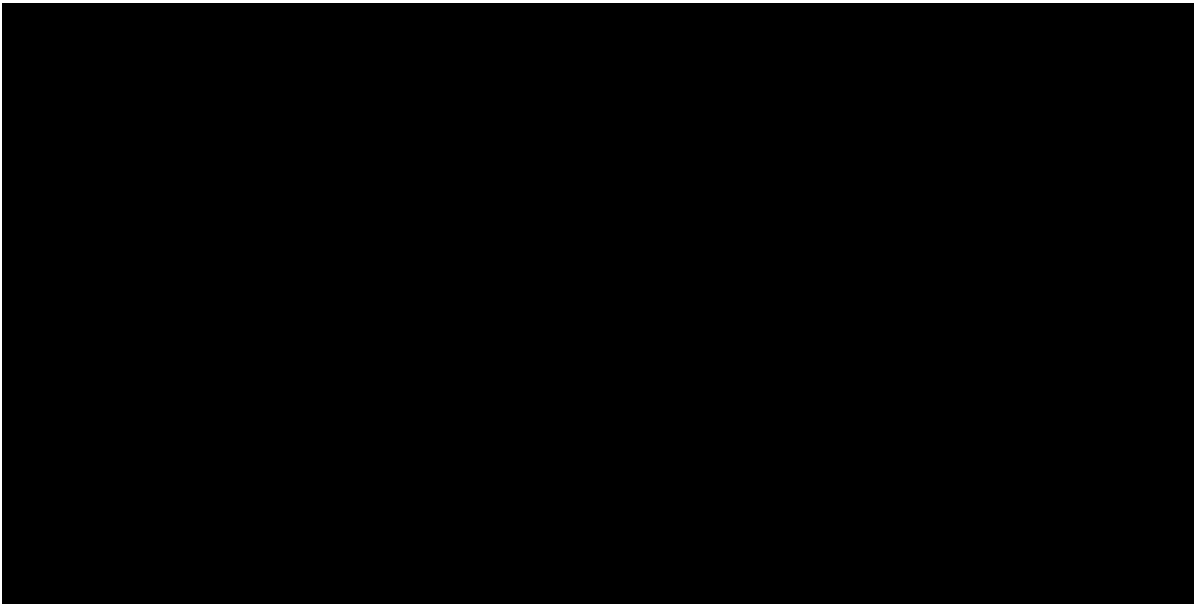
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- Post-Merger Operating Efficiencies: After the Merger closed during Quarter 1 FY2021, Shannon Health developed a process (as discussed in **Item 20**) to identify, track, and report data and financial reports reflecting efficiencies achieved in the areas identified previously, as appropriate, and additional areas as opportunities arise. Although only two months passed since the Merger closed in Quarter 1 FY2021, Shannon Health identified several potential opportunities or initiatives that are likely to generate efficiencies and reduce unnecessary costs, as summarized below. Shannon Health will continue to thoughtfully evaluate potential opportunities throughout the post-Merger integration process and will provide updates and estimated cost savings in subsequent reports once more information becomes available.

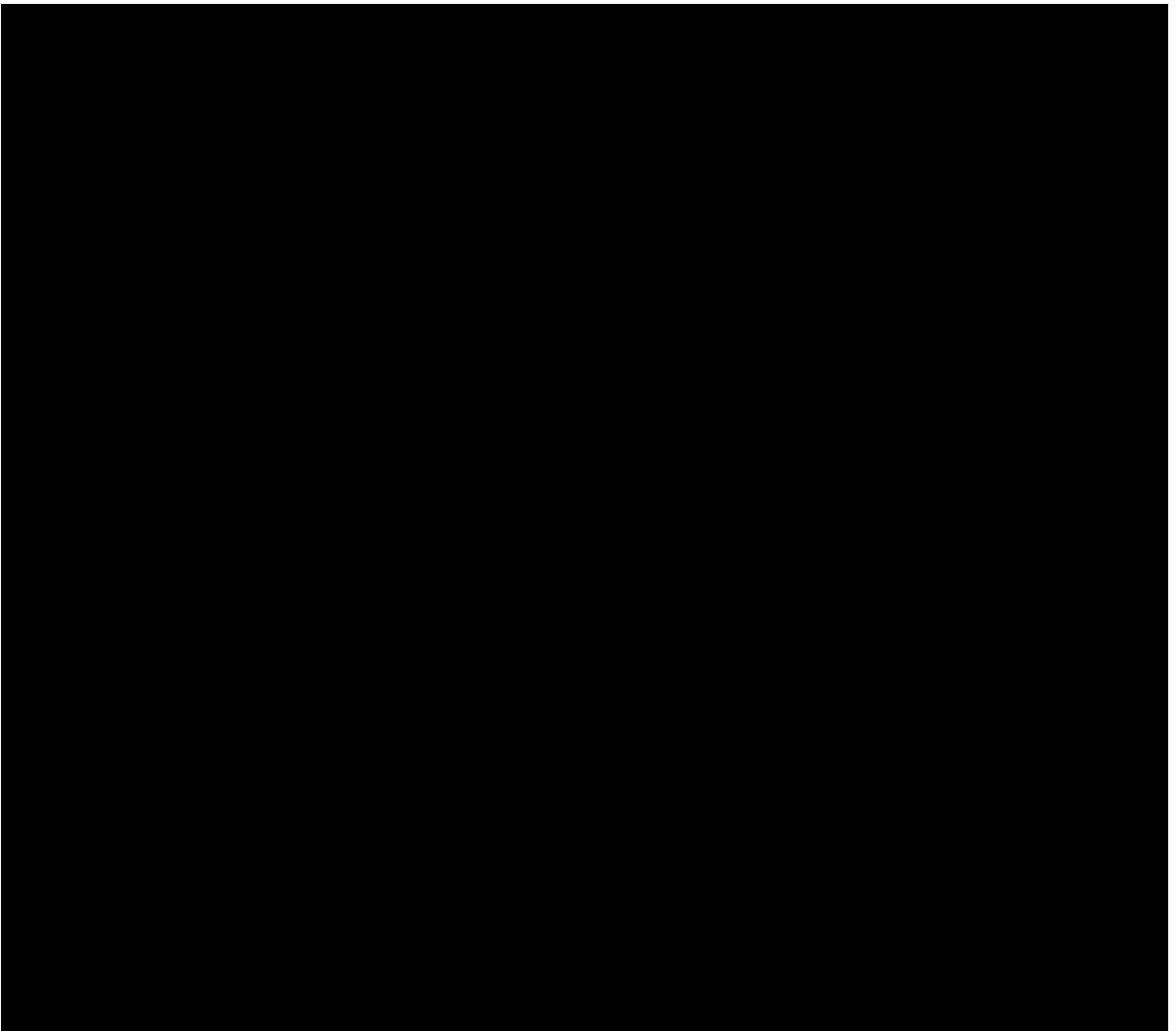
Annual, Recurring Operating Savings

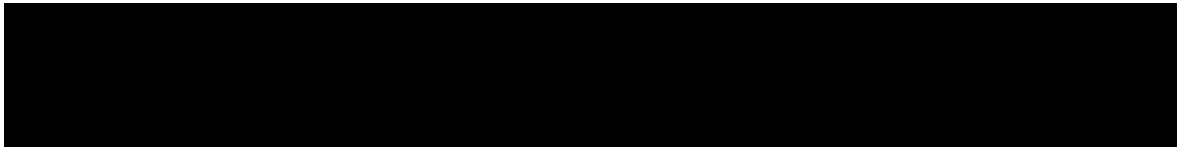
- Clinical Optimization





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





Shannon 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.

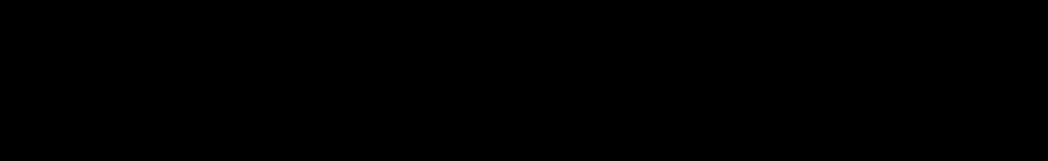
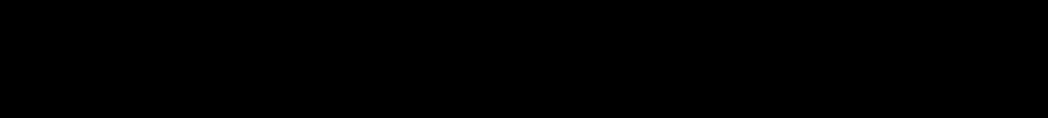
16. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger. Please note in the narrative any currently remaining deficiencies and explain the strategy for remedying these deficiencies.

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

- Pre-Merger Operating Deficiencies: 






- 
- 

- Post-Merger Operating Efficiencies: Shannon Health is in the process of remediating the deficiencies that were identified in the Baseline Performance Report and those listed herein. Due to Shannon Health’s focus on COVID-19 needs during Quarter 1 FY2021, remediation of these deficiencies is still in the beginning stages. Future submissions will include available information regarding further progress to address pre-Merger operating deficiencies.

17. Data on the pricing, quality, and availability of ancillary health care services.

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

- Ancillary Health Services Pricing and Availability: The gross charges¹⁷ for SMC’s ancillary health services are set forth in the SMC Charge Description Master (“CDM”). SMC 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, only approximately  of SMC’s patients are insured by commercial payors. The majority of SMC patients are insured by government payors which set the reimbursement rates for those patients without negotiations. **Table 17a** below identifies Quarter 1 FY2021 volumes and CDM charges for select tests, treatments, or procedures for the following categories of ancillary health services: Laboratory, Imaging, and Pharmacy. The pricing increases shown in

¹⁷ Gross charges are charges prior to any contractual discount allowance for various payor classes.

Table 17a below incorporate Shannon Health’s annual chargemaster increase in September 2020. Shannon Health is unable to provide the volume and pricing data for legacy SACMC for the two months post-Merger in Quarter 1 FY2021 because the Electronic Medical Records transition was delayed, and Shannon Health did not have access to that data.

Table 17a: SMC Ancillary Health Services

| Ancillary Service | Volume | | Gross CDM Charges | |
|---|-----------|-----------|-------------------|-----------|
| | FY2020 | Q1 FY2021 | FY2020 | Q1 FY2021 |
| Laboratory Services¹⁸ | | | | |
| CMP | 118,571 | 33,842 | | |
| CBC w/auto diff | 93,389 | 35,310 | | |
| LIPID panel | 46,683 | 13,049 | | |
| BMP | 30,922 | 7,088 | | |
| Magnesium | 25,357 | 6,232 | | |
| Imaging Services | | | | |
| 71045 X-Ray Chest 1V | 19,002 | 6,887 | | |
| 77067 Scr Mammo with Tomo Bilateral | 11,388 | 3,758 | | |
| 70450 CT Head w/o | 7,625 | 1,773 | | |
| 71046 X-Ray Chest 2V | 3,998 | 555 | | |
| 74177 CT Abd/Pel with IV | 5,204 | 1,250 | | |
| Pharmacy Services | | | | |
| Daptomycin 350 mg 1 each | 1,026,680 | 225,160 | | |
| Acetaminophen 1,000 mg/100 ml IV per 1 ml | 1,086,366 | 280,897 | | |
| Propofol 10 mg/ml IV Emulsion per 1 ml | 856,673 | 229,122 | | |
| Ferric Carboxymaltose 50 mg Iron/ml IV per 1 ml | 457,085 | 111,660 | | |
| Bupivacaine Liposome 1.3% (13.3 mg/ml) | 475,669 | 114,822 | | |

- *Ancillary Health Services Quality*: **Table 17b** below shows the quality scores for certain CMS Care Compare and Leapfrog Safety Group quality measures specifically related to ancillary health services. The Use of Medical Imaging measures were last refreshed by CMS in October 2020 (shown below as Quarter 1 FY2021). The Medication Safety measure (Safe Medication Ordering) is refreshed by Leapfrog in the Spring and Fall, and as such, the score of 100 for SMC and 45 for legacy SACMC reported in Fall 2020 in **Table 17b** reflect the most recently available scores. Shannon Health will report updated information as it becomes available. Additionally, **Item 1** of this Report includes quality measures that consider all hospital operations for SMC and legacy SACMC, including ancillary health services.

¹⁸ The clinic and hospital laboratories were consolidated during the Baseline Period, resulting in the appearance of significant changes in certain laboratory service volumes.

Table 17b: SMC Ancillary Health Services Quality Scores¹⁹

| Experience | Baseline Period | | | | | | | | | | | | Post-Merger Period |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|-------|---|
| | FY2018 | | | | FY2019 | | | | FY2020 | | | | FY2021 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Use of Medical Imaging ²⁰ | | | | | | | | | | | | | |
| OP-8. MRI Lumbar Spine for Low Back Pain | 44.2% | 44.2% | 44.2% | 39.4% | 39.4% | 39.4% | 39.4% | 38.6% | 38.6% | 38.6% | 38.6% | 46.9% | 46.9% |
| OP-10. Abdomen CT - Use of Contrast Material | 3.6% | 3.6% | 3.6% | 2.8% | 2.8% | 2.8% | 2.8% | 7.1% | 7.1% | 7.1% | 7.1% | 11.8% | 11.8% |
| Medication Safety | | | | | | | | | | | | | |
| Safe Medication Ordering ²¹ | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | 100 ²² | | Not Applicable (figure released biannually) |

Table 17c: Legacy SACMC Ancillary Health Services Quality Scores²³

| Experience | Baseline Period | | | | | | | | | | | | Post-Merger Period |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------|---------------|---|
| | FY2018 | | | | FY2019 | | | | FY2020 | | | | FY2021 |
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 |
| Use of Medical Imaging ²⁴ | | | | | | | | | | | | | |
| OP-8. MRI Lumbar Spine for Low Back Pain ²⁵ | 43.6% | 43.6% | 43.6% | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available | Not Available |
| OP-10. Abdomen CT - Use of Contrast Material | 3.5% | 3.5% | 3.5% | 1.9% | 1.9% | 1.9% | 1.9% | 1.7% | 1.7% | 1.7% | 1.7% | 4.8% | 4.8% |
| Medication Safety | | | | | | | | | | | | | |
| Safe Medication Ordering ²⁶ | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | <i>Not Available</i> | 45 | | Not Applicable (figure released biannually) |

¹⁹ Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.cms.gov) and [Leapfrog Group](https://www.leapfroggroup.com)).

²⁰ 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.”

²¹ 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.

²² Please note that SMC’s “Safe Medication Ordering” score has been revised. According to the “Hospital’s Score” as reported by Leapfrog in its Hospital Safety Grade report for Fall 2020, SMC received a score of 100 for “Safe Medication Ordering” (not “>85%” as was previously reported), when the average performing hospital score was 83.56 during the same time period.

²³ See supra note 19.

²⁴ See supra note 20 for more information.

²⁵ Please note that beginning in Quarter 4 FY2018, CMS archived data indicates that legacy SACMC scores for “OP-8 MRI Lumbar Spine for Low Back Pain” are “Not Available” because “[t]he number of cases/patients [was] too few to report.” According to CMS’s Data Dictionary, this means that either: (1) “the number of cases/patients [did] not meet the required minimum amount for public reporting”; (2) “the number of cases/patients [was] too small to reliably tell how well a hospital [was] performing”; and/or (3) CMS needed to “protect personal health information.”

²⁶ Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as “Safe Medication Ordering,” are not available for FY2018, FY2019, or Spring of FY2020.

18. Data on the pricing, quality, and availability of physician services.

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

- Physician Services Pricing and Availability:* The gross charges for Shannon Health’s physician services are set forth in the Shannon Health Physician Fee Schedule. Shannon Health contracts with various commercial health plans, which generally reimburse physician services based on a negotiated fee schedule or percentage discount of gross charges. 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. **Table 18** below identifies Quarter 1 FY2021 volumes and the actual CPT charge for the select CPT codes for clinic visits or evaluation and management office visits. Please note that legacy SACMC (or SMC South) data is not included in the pre-Merger period (FY2020 through the first month of Quarter 1 FY2021) in **Table 18**, as legacy SACMC data was not available to Shannon Health pre-Merger.

Table 18: Physician Services

| CPT | Description | Volume ²⁷ | | | | CDM Price ²⁸ | | | |
|--------------------------------|--|----------------------|---------|---------|-----------|-------------------------|----------|----------|-----------|
| | | FY2018 | FY2019 | FY2020 | Q1 FY2021 | FY2018 | FY2019 | FY2020 | Q1 FY2021 |
| <i>Physician Office Visits</i> | | | | | | | | | |
| 99214 | PR OFFICE/OUTPATIENT ESTAB MOD 30-39 Min | 156,343 | 174,097 | 163,947 | 43,750 | \$207.00 | \$207.00 | \$207.00 | \$207.00 |
| 99213 | PR OFFICE/OUTPATIENT ESTAB LOW 20-29 Min | 137,596 | 149,700 | 143,742 | 40,139 | \$140.00 | \$140.00 | \$140.00 | \$140.00 |
| 99212 | PR OFFICE/OUTPATIENT ESTAB SF 10-19 Min | 21,495 | 19,035 | 28,159 | 7,243 | \$83.00 | \$83.00 | \$83.00 | \$83.00 |
| 99204 | PR OFFICE/OUTPATIENT NEW MOD 45-59 Min | 15,995 | 17,351 | 16,312 | 4,067 | \$318.00 | \$318.00 | \$318.00 | \$318.00 |
| 99203 | PR OFFICE/OUTPATIENT NEW LOW 30-44 Min | 13,720 | 16,439 | 13,651 | 4,419 | \$207.00 | \$207.00 | \$207.00 | \$207.00 |
| <i>Hospital Clinic Visits</i> | | | | | | | | | |
| 99232 | PR SBSQ HOSPITAL CARE/DAY 25 Min | 45,349 | 47,048 | 44,966 | 10,758 | \$141.00 | \$141.00 | \$141.00 | \$141.00 |
| 99233 | PR SBSQ HOSPITAL CARE/DAY 35 Min | 14,957 | 20,174 | 24,660 | 9,593 | \$204.00 | \$204.00 | \$204.00 | \$204.00 |
| 99239 | PR HOSPITAL DISCHARGE DAY >30 Min | 9,170 | 10,108 | 9,744 | 2,634 | \$209.00 | \$209.00 | \$209.00 | \$209.00 |
| 99231 | PR SBSQ HOSPITAL CARE/DAY 15 Min | 8,768 | 8,203 | 8,896 | 2,937 | \$77.00 | \$77.00 | \$77.00 | \$77.00 |
| 99223 | PR INITIAL HOSPITAL CARE/DAY 70 Min | 8,420 | 10,098 | 10,088 | 2,912 | \$396.00 | \$396.00 | \$396.00 | \$396.00 |

²⁷ Volume amounts exclude SACMC (or SMC South) for FY2018 through FY2020 as this data as not available to Shannon Health pre-Merger. Volume amounts for Q1 FY2021 include three months of data for SMC and two months of data (November and December 2020) for SMC South, as volume amounts from legacy SACMC were not available to Shannon Health pre-Merger.

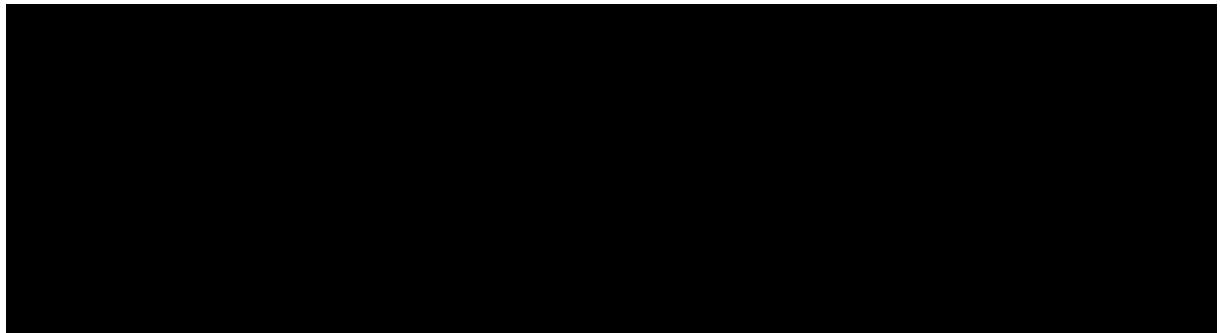
²⁸ Please note that Shannon Health has revised the numbers in the Baseline Performance Report from “Average CPT Charge” to actual CDM Price to more accurately reflect pricing of services.

- Physician Services Quality: The composite Merit-Based Incentive Program (“MIPS”) score serves as an indicator of the quality and cost of physician services. SMC received a composite MIPS score of 99.5, out of 100 possible points for FY2018 services. For services provided in FY2019, SMC received a composite MIPS score of 90, out of 100 possible points. The 2020 MIPS score has not yet been finalized, as the CMS filing date is in March 2021, with the expected 2020 MIPS score to be released in August 2021. The FY2019 MIPS score is based on four categories, each representing a specific weight of the final composite score: (i) Quality (45%); (ii) Promoting Interoperability (25%); (iii) Improvement Activities (15%); and (iv) Cost (15%).²⁹ When reporting on the composite score, CMS does not report MIPS scores broken down by category. Additionally, Shannon Health does not have access to historical MIPS scores for legacy SACMC.

19. Data on the consolidation of clinic services, identifying the types of services per county in the geographic service area and how the consolidation of these services improved patient outcomes.

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

- Consolidation of Services: As of the end of Quarter 1 FY2021, Shannon Health consolidated certain clinical services detailed below. The consolidation of these services to a single site allows Shannon Health to eliminate clinical inefficiencies and reduce costs while also improving care delivery. By combining volumes and enhancing patient access to high quality care, the consolidation of these services is expected to improve patient experiences and outcomes.



In addition to the patient benefits explained above, the consolidation of these service lines also allows for the increased coordination of care across Shannon Health (see **Item 12**), as well as the realization of annual, recurring cost savings (see **Item 15**). **Attachment 2** outlines, by County, the clinical service lines that are physically located in Shannon Health locations as of Quarter 1 FY2021. Note that Shannon Clinic Brownwood, which is not included in Attachment 2, is only utilized for traveling providers and does not have a provider that is physically located at that clinic.

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

- Steps Taken to Reduce Costs: Post-Merger, Shannon Health’s weekly, joint executive leadership meeting, which oversees SMC and SMC South, discusses post-Merger integration priorities and

²⁹ Centers for Medicare Services, Quality Payment Program (<https://app.cms.gov/mips/overview>).

initiatives, including how to reduce costs and improve efficiency. As mentioned previously in this Report, in the first two months post-Merger, Shannon Health identified and executed on a series of initiatives to reduce costs and improve efficiencies – see **Item 15** for further detail.

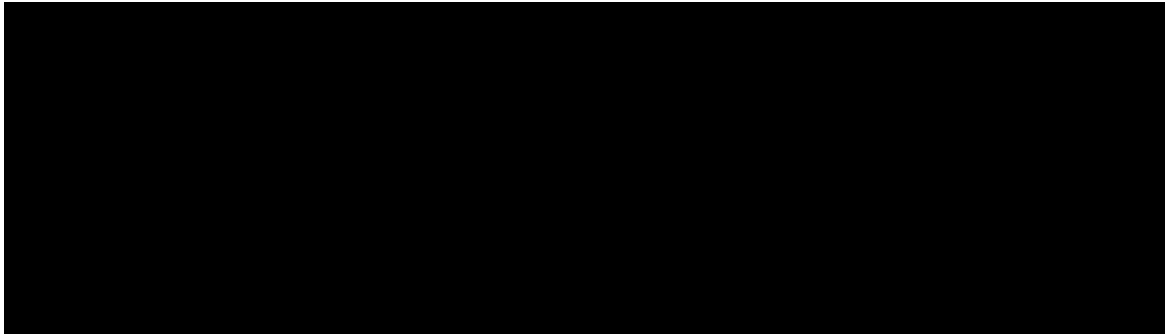
21. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.

- Please see **Item 13**, **Item 14**, and **Item 15** for a list of the current operating efficiencies and additional information on the impact to healthcare service delivery, patient care, staff, the local community, and counties served.

22. 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 the First Quarter FY2021, Shannon Health identified alignment opportunities related to the following contracted services, which would enable the combined organization to operate more efficiently and achieve cost savings:

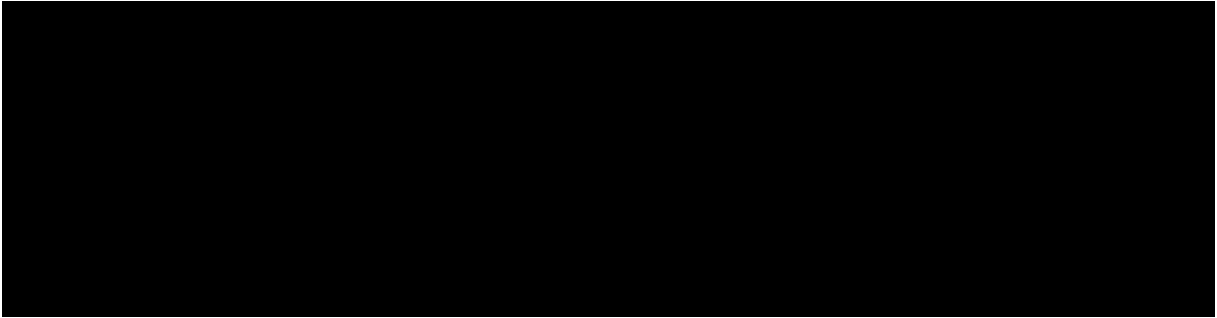


Shannon Health will continue to evaluate potential contract alignment opportunities throughout the post-Merger integration process, and will provide updates in subsequent reports once more information becomes available.

23. 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, SMC and legacy SACMC maintained agreements with a variety of third-party service providers to support their operations. Following the Merger, Shannon Health began the process of evaluating such services in order to identify potential alignment opportunities across the legacy organizations. As of the end of the First Quarter FY2021, Shannon Health terminated certain contracts with third-party service providers at legacy SACMC, as Shannon Health is able to perform these services in-house with their existing providers, which will enable the combined organization to operate more efficiently and achieve cost savings:



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

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

- IT Platform: Prior to the Merger, SMC and SMC South utilized completely separate Electronic Medical Record (“EMR”) and Enterprise Resource Planning (“ERP”) systems, from different vendors. In Quarter 1 FY2021, Shannon Health began migrating both SMC South and its clinic locations from their current MedHost and Athena platforms to Shannon Health’s Epic EMR platform. Additionally, in Quarter 1 FY2021, Shannon Health began transitioning SMC South’s Picture Archiving and Communication Systems (“PACS”), and the historical patient information they contain, to Shannon Health’s platform. The following progress was made in Quarter 1 FY2021:
 - All clinic offices were transitioned from Athena to Epic on October 24, 2020, including the Shannon Urgent Care – Bryant location.
 - 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.
 - After Shannon Clinic South was brought online to the Epic EMR platform, Shannon Health began working on the same procedures to replace all workstations at the SMC South hospital facility, and this process is ongoing. The SMC South hospital EMR conversion will likely be completed in early 2021.

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

- Challenges Related to Ability to Realize Efficiencies: During the First Quarter FY2021 as the post-Merger integration process began, Shannon Health identified multiple challenges impacting its ability to immediately activate plans to integrate and begin the work of realizing efficiency objectives. As with any large-scale integration, there is an inherent period of time between the effective date of the Merger and impactful implementation of the integration plan. In addition, the COVID-19 pandemic has presented additional, unique challenges to integration, impacting the timing and ability to achieve immediate efficiencies. Specifically, Shannon Health’s focus on curbing the COVID-19 pandemic and providing COVID-19 vaccines has required the system to expend considerable resources, time, and staff in furtherance of that effort. As a result, Shannon Health’s

ability to focus on certain efficiencies may be limited, particularly through the duration of the COVID-19 pandemic.

C. Accessibility

26. 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 FY2021 (as reported by CMS in October 2020) for SMC and SMC South are provided below in **Table 26a** and **Table 26b**, 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. SMC was considered a “High” volume hospital for the CMS data released in Quarter 1 FY2021 because its ED patient volume was between 40,000 and 59,999 annually. The data released in Quarter 1 FY2021 indicates that SMC’s ED wait times slightly exceeded the national median time for “High” volume hospitals. For the CMS data released during Quarter 1 FY2021, SACMC was considered a “Medium” volume hospital because its ED patient volume was between 20,000 and 39,999 patients annually. The data released in Quarter 1 FY2021 indicates that SACMC operated below the national median for “Medium” volume hospitals.

Table 26a: SMC Average ED Wait Times

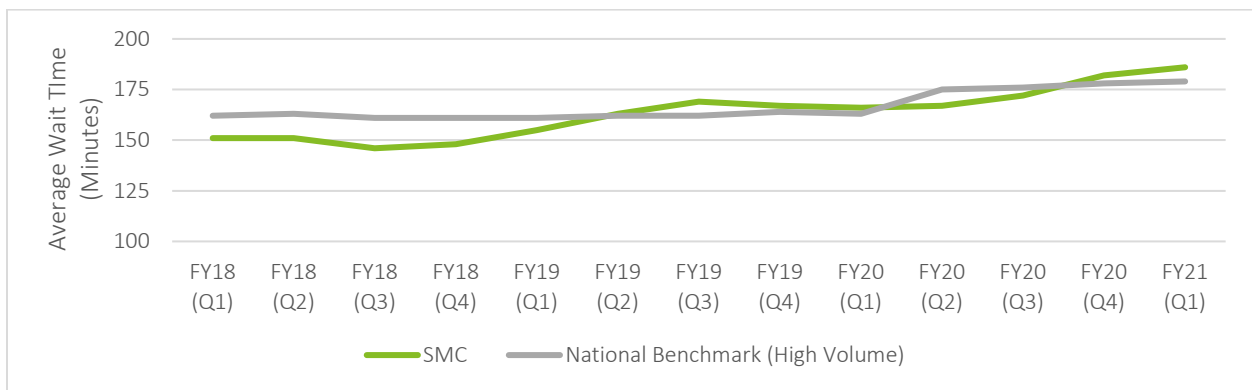
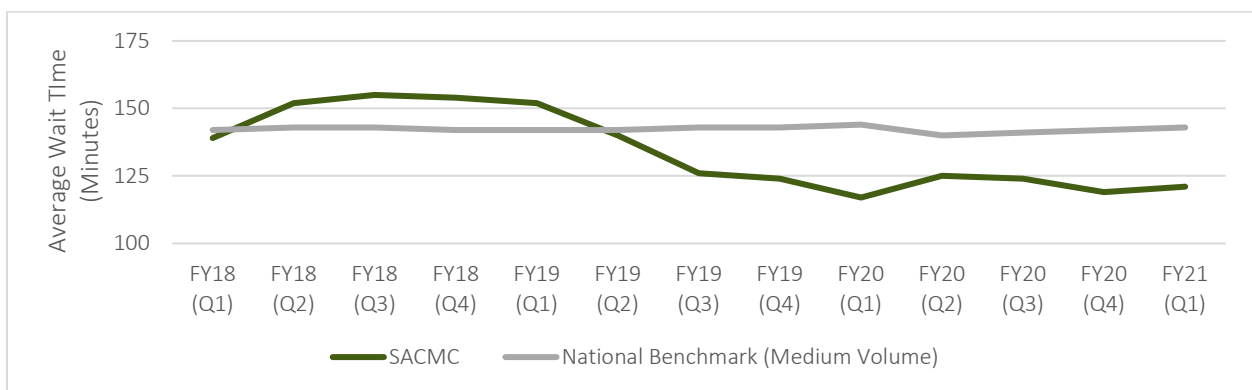


Table 26b: SMC South Average ED Wait Times



27. 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 FY2021, Shannon Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery:
 - **Expanded capacity for COVID-19 response:** [REDACTED]
[REDACTED]
[REDACTED] Post-Merger, through the sharing of resources across SMC and SMC South, and the acquisition of additional STAR nurses, Shannon Health expanded COVID-19 hospital care capacity by 14 beds at SMC South in order to support the surge of COVID-19 patients. Additionally, at SMC, up to 75 beds were converted to a “COVID floor,” and 19 ICU beds were converted for COVID-specific patients. Furthermore, in November 2020, 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 positive patients. See **Item 13** for additional detail related to the positive impact to care coordination.
 - **Shannon Care Coordination Program expanded to SMC South patients:** The Merger allowed for the expansion of the Shannon Care Coordination to patients at SMC South, increasing access to these critical services to a larger patient base. See **Item 7** and **Item 33** for additional detail related to the Care Coordination Program.
 - **Shannon Health COVID-19 testing locations:** During the First Quarter FY2021, in response to the pandemic, Shannon Health expanded its service delivery by operating two drive-through COVID-19 testing locations. These convenient and safe testing locations increased access to COVID-19 testing in the community.

Additional detail related to the expansion of clinical services is included in **Item 30**.

28. Data demonstrating rehabilitation room capacity before and after the merger.

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

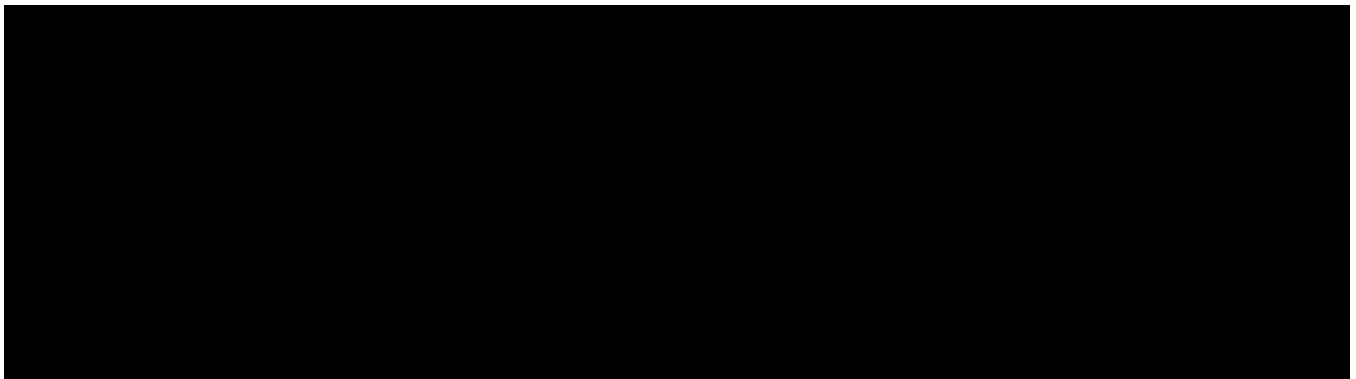
- Pre-Merger Rehabilitation Room Capacity: Please refer to the Baseline Performance Report.
- Post-Merger Rehabilitation Room Capacity: The Shannon Rehabilitation Center is an inpatient program providing rehabilitation nursing, physical therapy, occupational therapy, case management, and other services to patients. The service maintains 14 dedicated beds for rehabilitative services. In Quarter 1 FY2021, the Shannon Rehabilitation Center was temporarily closed due to low inpatient census as a result of the COVID-19 pandemic, and the unit was repurposed to support COVID-19 patients as needed, as part of Shannon Health’s pandemic contingency plan. During this period, inpatient rehabilitation patients were either seen in SMC’s Skilled Nursing Facility (“SNF”) unit or referred to a third-party rehabilitation provider in the area³⁰. The quality of care provided to patients needing rehabilitation services was comparable to services prior to the closure of the Shannon Rehabilitation Center. When a rehabilitation patient was identified, staff worked with rehabilitation facilities in the area to

³⁰ Estimates of how many patients were treated via the SMC skilled nursing facility (SNF) versus how many were referred to a third-party provider are not readily available to Shannon Health.

accommodate that patient; alternatively, some patients chose to use the Shannon SNF as a local option. Shannon Health notes the COVID-19 pandemic provided unique situations for patients seeking care. Shannon Health reacted swiftly and flexibly, prioritizing working across facilities to meet patient needs based on capacity and beds available.

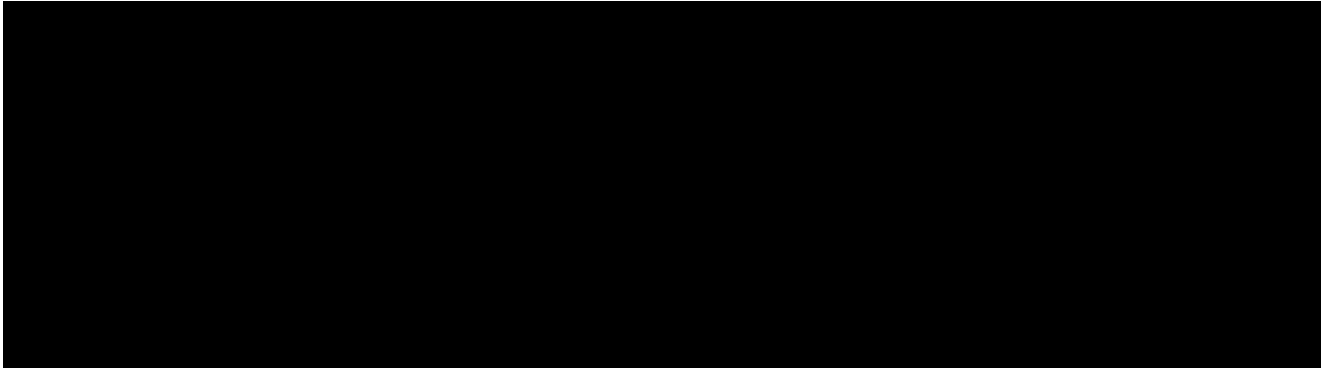
- As a result of the above, Shannon Health is unable to appropriately calculate rehabilitation inpatient census data for Quarter 1 FY2021. [REDACTED]
[REDACTED]
[REDACTED]³¹ Similar to the inpatient and outpatient patient volumes data described previously in **Item 2** of this Report, patient volumes declined in FY2020 due to COVID-19, with only 30% of beds occupied on average. Rehabilitation room occupancy and available capacity during the Baseline Period is provided below in **Table 28a**, with the annual average beds available during the Baseline Period provided in **Table 28b**. Additional information about the rehabilitation services provided can be found in **Item 42** below.
- Shannon Health plans to open the Shannon Rehabilitation Hospital through a joint venture with Encompass Health, a national leader in healthcare and rehabilitation services, in March 2021. The Shannon Rehabilitation Hospital, which is currently under construction, will include 40 private, inpatient rehabilitation rooms. Shannon Health’s Quarter 2 FY2021 Performance Report will provide a detailed description of the Shannon Rehabilitation Hospital and the inpatient rehabilitation services it provides.

Table 28a: SMC Average Inpatient Rehabilitation Capacity (Baseline Period Only)



³¹ Occupancy defined as the average daily census (“ADC”) divided by the total available beds for patient care.

Table 28b: SMC Available Rehabilitation Beds (Baseline Period Only)



29. Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger.

- Infrastructure Investment and Capital Expenditures: As of the end of Quarter 1 FY2021, Shannon Health invested approximately \$9.0 million in capital expenditures. See **Table 29** for a summary of capital, infrastructure and operating expenditures for Shannon Health (SMC and SMC South combined) for the First Quarter FY2021. Shannon Health’s \$5,802,203 in infrastructure costs in Quarter 1 FY2021 included \$4.4 million related to the opening of the Shannon Rehabilitation Hospital, a joint venture with Encompass Health, which will be fully opened in Quarter 2 FY2021. Please note that this data will be shown on a combined basis going forward as expenditures and investments for both facilities will be tracked together.

Table 29: Shannon Health Capital, Infrastructure and Operating Expenditures for Quarter 1 FY2021

| | Q1 FY2021 |
|--------------------------------------|---------------|
| <i>Shannon Health</i> | |
| Capital Expenditures ³² | \$8,964,071 |
| Infrastructure Expenditures | \$5,802,203 |
| Operating Expenditures ³³ | \$145,326,793 |

30. Evidence of any expansion of clinical services.

- Shannon Health is in the process of thoughtfully evaluating clinical services across SMC and SMC South for clinical optimization and/or expansion opportunities. Immediately post-Merger, certain services that were not available at legacy SACMC became available to these patients through the Merger with SMC, including, for example:
 - **Extension of Diabetes Education at SMC South**: Post-Merger, Shannon Health has extended its Diabetes Education services to SMC South, a service that was previously not available to patients at legacy SACMC.

³² “Infrastructure Expenditures” are included within the “Capital Expenditures” Line in **Table 29**.

³³ The expenditure amounts reported in this **Table 29** reflect the unaudited financial figures as recorded by Shannon Health.

- **Extension of Sleep Lab to SMC South:** Pre-Merger, the Sleep Lab at legacy SACMC was closed in April 2020 as a result of the financial pressures created by the COVID-19 pandemic. As a result of the Merger, SMC South patients will again have access to Sleep Lab services at the Shannon Sleep Center.

Additional detail related to the expansion of service delivery is included in **Item 27**.

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

- Post-Merger during the First Quarter FY2021, Shannon Health did not discontinue any patient services. As further detailed in **Item 27** and **Item 30**, Shannon Health expanded patient services in the following ways:
 - Expanded inpatient capacity at SMC South for COVID-19 patients;
 - Shannon Care Coordination Program expanded to SMC South patients;
 - Extension of Diabetes Education at SMC South; and
 - Extension of Sleep Lab to SMC South.
- As discussed previously, during the First Quarter FY2021, the Shannon Rehabilitation Center was temporarily closed and repurposed to support COVID-19 patients as needed, resulting in inpatient rehabilitation patients either being seen at SMC’s SNF unit or referred to a third-party rehabilitation provider in the area. The quality of care provided to patients needing rehabilitation services was comparable. When a rehabilitation patient was identified, staff worked with rehabilitation facilities in the area to accommodate that patient; alternatively, some patients chose to use the Shannon SNF as a local option. Shannon Health notes the COVID-19 pandemic provided unique situations for patients seeking care. Shannon Health reacted swiftly and flexibly, prioritizing working across facilities to meet patient needs based on capacity and beds available.

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

- During the First Quarter FY2021, Shannon Health enrolled a total of 1,724 patients in charity care and financial assistance programs. This amount does not include the enrollment volume of patients in charity care and financial assistance at legacy SACMC prior to the Merger, as Shannon Health was unable to obtain this information. Post-Merger, Shannon Health’s Charity Care Policy applies to SMC South, which Shannon Health believes 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).

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

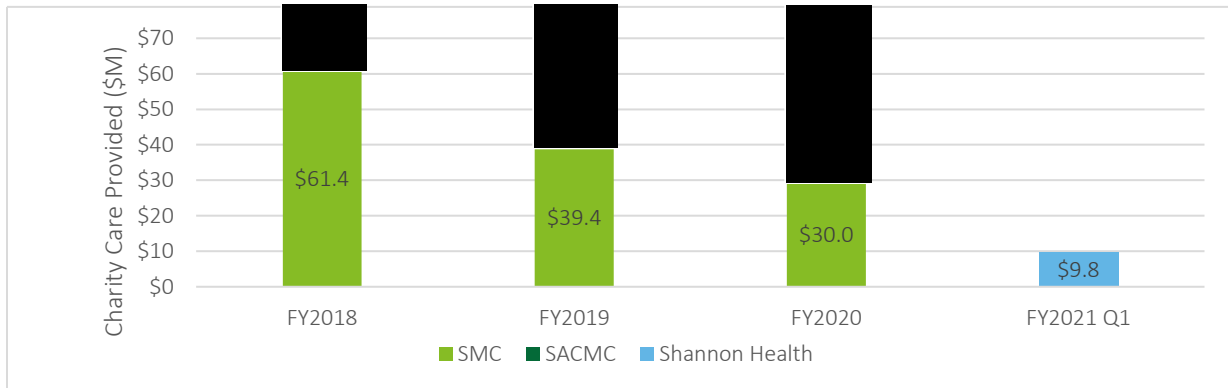
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- The financial investment in charity care for Shannon Health for Quarter 1 FY2021 is shown below in **Table 33**. Shannon Health incurred \$9.8 million in charity care during Quarter 1 FY2021. [REDACTED]

[REDACTED]

[REDACTED] Please note that this data will be shown on a combined basis going forward as charity care for both facilities will be tracked together.

Table 33: Charity Care



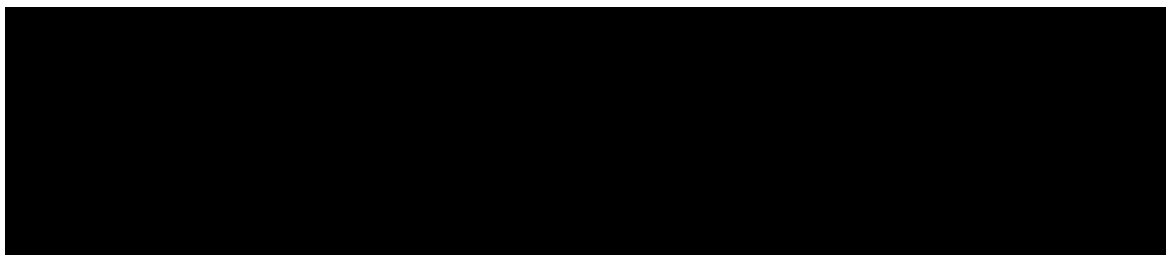
34. Data demonstrating expansion efforts for the Shannon Care Coordination Program.

- As further detailed in **Item 7**, the Merger allowed for the expansion of the Shannon Care Coordination Program to SMC South patients, allowing SMC South providers to refer patients to this program. For example, through the Merger and the addition of COVID-19 beds at SMC South, SMC South patients are offered COVID-19 follow-up services after discharge and services (including pulse oximetry and blood pressure) are coordinated through SMC South providers and staff.

35. 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, Shannon Health is in the process of evaluating opportunities for clinical integration. As of the end of Quarter 1 FY2021, Shannon Health implemented the following initiatives, which are intended to increase clinical integration between the facilities and providers:



- Expansion of inpatient capacity at SMC South:** Through the clinical integration and sharing of resources between SMC and SMC South post-Merger, Shannon Health was able to expand inpatient capacity at SMC South by 14 staffed beds and open a COVID-19 Infusion Therapy Clinic at SMC South in order to better provide care for the surge of COVID-19 patients. See **Item 27** of this Report for additional detail.

- **Shannon Care Coordination Program Extended to SMC South patients:** The Merger allowed for the expansion of the Shannon Care Coordination program to patients at SMC South, increasing clinical integration between SMC and SMC South. See **Item 30** of this Report for additional detail.
- **Extension of clinical services to SMC South:** Immediately post-Merger, certain services that were not available at legacy SACMC became available to patients as a result of clinical integration with SMC, including, for example, Diabetes Education and Sleep Lab. See **Item 30** of this Report for additional detail.

The areas noted above have increased clinical integration between SMC and SMC South, and have generated cost savings for the combined organization as noted in **Item 15** of this Report. As this Report is based on two months of post-Merger information, data is not yet available to comment on the longer-term impact to medical errors, but this data will be provided when available.

36. 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 36** includes the pre- and post-Merger service levels for both SMC and SMC South (legacy SACMC) for the Emergency department (“ED”), Neonatal, and Maternal. In terms of pre-Merger service levels, only the service levels as of FY2020 are provided in order to establish a baseline for comparison of any changes post-Merger. As of Quarter 1 FY2021, service levels at SMC have been maintained post-Merger, and the ED level at SMC South remained constant as well. Notably, however, as a result of the change of ownership of SACMC due to the Merger, Neonatal was temporarily moved from a Level 2 to a Level 1 designation (which does not require an on-site survey) in order to continue to receive reimbursement for services immediately post-Merger. Shannon Health plans to re-establish the Level 2 Neonatal designation at SMC South in the future through an on-site survey. For Maternal care, Shannon Health intends to apply for a new Level 1 designation at SMC South in the near future (legacy SACMC did not have a Maternal designation pre-Merger), and then continue to build the Maternal program in order to eventually pursue a Level 2 designation through an on-site survey. For Trauma, Shannon Health has begun assessing the appropriate future Trauma level designation that they intend to pursue for SMC South (legacy SACMC held a Level 3 Trauma designation prior to the Merger). Additional information will be reported in future quarterly reports as available.

Table 36: Pre- and Post-Merger Key Service Levels

| Location | Pre-Merger Service Level (FY2020) | | | | Q1 FY2021 Service Level | | | |
|-----------|-----------------------------------|-----------------|-----------------|---------------|-------------------------|-----------------|-----------------|----------------|
| | <i>ED</i> | <i>Neonatal</i> | <i>Maternal</i> | <i>Trauma</i> | <i>ED</i> | <i>Neonatal</i> | <i>Maternal</i> | <i>Trauma</i> |
| SMC | 3 | 2 | 2 | 3 | 3 | 2 | 2 | 3 |
| SMC South | 3 | 2 | Not Applicable | 3 | 3 | 1 | <i>Pending</i> | <i>Pending</i> |

37. A list of the severe risks described in the application facing Tom Green County and an explanation of how the merger led to the mitigation of these risks.
- The COPA application described the severe risks facing Tom Green County in the context of Shannon 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 Tom Green County. Typically, Shannon Health utilizes a CHNA to identify prevalent, unmet health needs in order to allocate resources to the areas of greatest need. Accordingly, Shannon Health’s CHNA identified five predominant health needs in the community to be prioritized, as of 2019: (1) adult obesity; (2) lack of health knowledge/education; (3) lack of mental health providers; (4) shortage of primary care physicians; and (5) healthy behaviors/lifestyle.
 - Importantly, however, the year-long study for the CHNA, and the resulting 2019 CHNA report, were completed long before the unprecedented COVID-19 pandemic, as well as before the Merger. As a result, Shannon Health has also identified and prioritized responding to the COVID-19 pandemic and increasing access to care as a predominant health need in the community.
 - The Merger allows Shannon Health to continue focusing on impacting the predominant health needs in the community. In particular, during the First Quarter FY2021, the following post-Merger initiatives show efforts in furtherance of mitigating the predominant community health needs:
 - Lack of Health Knowledge/Education: Shannon Health has developed health education around the COVID-19 pandemic and has prioritized providing such education to the community. Specifically, Shannon Health developed 24 informational videos that have been shared on local news channels and media outlets, YouTube, and social media throughout the pandemic. Two live interviews—one educating on general COVID-19 information, another educating on COVID vaccine information—have been shared publicly. Both interviews were aired on the local City of San Angelo TV channel (COSA TV), and were also shared on YouTube and social media. Additionally, Shannon Health implemented communication channels to provide and maintain up-to-date COVID-19 information for the public to access.
 - Lack of Mental Health Providers: Shannon Health partnered with a local mental health counseling provider as part of a recent grant the partner received to support a Zero Suicide initiative. The Zero Suicide initiative coordinates care planning and utilization of resources and streamlines referrals between Shannon Health and the mental health counseling partner, along with other community partners. The grant was received in Fall 2020, and the program is set to officially began in April 2021, once staff are in place and the referral process between the entities has been developed.
 - COVID-19 Pandemic and Access to Care: The COVID-19 pandemic has necessitated increasing access to care for patients. In furtherance of this need, Shannon Health established local “drive-thru sites” to conduct COVID-19 testing and has also provided vaccines to healthcare workers and first responders in rural areas throughout their service area. See **Item 38** for additional detail on COVID-19 vaccine administration. Moreover, as a result of the Merger, Shannon Health was able to increase COVID-19 bed capacity at both SMC South and SMC. See **Item 27** for additional detail on expanded COVID-19 bed capacity.

38. A description of how the merger has impacted rural healthcare in the hospitals' 25-county service area during the previous quarter, including any reduction in services.
- Shannon Health partnered with rural healthcare entities in December 2020 to provide COVID-19 vaccines to rural healthcare workers who were interested in receiving the COVID-19 vaccine. Shannon Health staff traveled to 11 locations in the region to offer vaccine clinics for identified healthcare workers. Moreover, the increased COVID-19 bed capacity at SMC South and SMC, as discussed in **Item 27** and **Item 37**, facilitated the ability for Shannon Health to receive additional COVID-19 patient transfers from throughout the surrounding region. Post-Merger, there were no reductions in Shannon Health services within the service area.
39. Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.
- **Table 39** lists the specialty and county location for the 212 physicians Shannon Health employed as of the end of the First Quarter FY2021. Shannon Health physicians are based in or travel to eight counties and offer services in a wide variety of practice areas. The region is also served by a number of community physicians not employed by Shannon Health. While Shannon Health does not maintain a comprehensive directory of these community physicians beyond those with medical staff privileges at Shannon Health (covered subsequently in **Item 51** in this Report), public sources that identify community physicians including the Texas Medical Board Healthcare Provider Search and health plan provider directories are available.

Table 39: Employed Physicians by County Location

| Specialty | Facility | | County Service Locations | | | | | | | |
|-----------------------|------------|-----------|--------------------------|----------|-----------|----------|----------|----------|-----------|----------|
| | SMC | SMC South | Tom Green | Howard | McCulloch | Sutton | Crockett | Mitchell | Val Verde | Brown |
| Access Clinic | 2 | | ✓ | | | | | | | |
| Allergy | 1 | | ✓ | | | | | | | |
| Anesthesiology | 17 | | ✓ | | | | | | | |
| Cardiology | 4 | 1 | ✓ | ✓ | ✓ | | ✓ | | | |
| CV Surgery | 2 | | ✓ | | | | | | | |
| Dermatology | 3 | | ✓ | ✓ | | | | | | |
| Electrophysiology | 1 | 1 | ✓ | | | | | | | |
| Emergency | 12 | | ✓ | | | | | | | |
| Endocrinology | 1 | | ✓ | | | | | | | |
| Family Practice | 16 | 8 | ✓ | ✓ | ✓ | | | | | |
| Gastroenterology | 4 | 1 | ✓ | | | | | | | |
| Hematology Oncology | 2 | | ✓ | ✓ | | | | | | |
| Hospitalist | 21 | 7 | ✓ | | | | | | | |
| Internal Medicine | 12 | 2 | ✓ | | | | | | | |
| Laboratory | 1 | | ✓ | | | | | | | |
| Nephrology | 4 | | ✓ | | ✓ | | | | | |
| Neurology | 3 | 1 | ✓ | | | | | | | |
| Neurosurgery | 3 | | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| OB/GYN | 8 | 3 | ✓ | ✓ | ✓ | | | | | |
| Ophthalmology | 3 | | ✓ | | | | | | | |
| Orthopedics | 4 | | ✓ | | | | | | | |
| Otolaryngology | 3 | | ✓ | | | | | | | |
| Pain Management | 1 | | ✓ | | | | | | | |
| Palliative Care | 1 | | ✓ | | | | | | | |
| Pathology | 3 | | ✓ | | | | | | | |
| Pediatrics | 9 | 4 | ✓ | | | | | | | |
| Phys & Rehab Medicine | 1 | | ✓ | | | | | | | |
| Physician Recruitment | 2 | | ✓ | | | | | | | |
| Podiatry | 2 | | ✓ | | | | | | | |
| Psychiatry | 1 | | ✓ | | | | | | | |
| Pulmonology | 2 | | ✓ | | | | | | | |
| Radiation Oncology | 1 | | ✓ | | | | | | | |
| Radiology Services | 9 | | ✓ | | | | | | | |
| Rheumatology | 1 | | ✓ | | | | | | | |
| Senior Clinic | 1 | | ✓ | | | | | | | |
| Surgery | 6 | 1 | ✓ | | | | | | | |
| Urgent Care | 11 | | ✓ | | | | | | | |
| Urology | 4 | | ✓ | | | ✓ | | | | |
| Wound Care | | 1 | ✓ | | | | | | | |
| TOTAL | 182 | 30 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

40. A copy of each hospital’s charity care policy, identifying any changes to the policy in the previous quarter when changes occur.
- Post-Merger, the Charity Care policy for Shannon Health was extended to encompass both SMC and SMC South. Shannon Health’s policy is revised annually (but was not revised during Quarter 1 FY2021), and any approved and implemented revised policy will be provided in future submissions as applicable.
41. A list of health plans each hospital contracted with during fiscal year 2019, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.
- Table 40 of the Baseline Performance Report shows a list of the health plans each hospital contracted with pre-Merger. **Table 41** of this Report lists the health plans³⁴ that Shannon Health contracted with as of the end of the First Quarter FY2021. The health plans listed in **Table 41** are estimated to represent approximately 90% of patient volumes from commercial payors for both hospitals. No health plan contracts have been added or terminated since the Merger.

Table 41: Health Plans Accepted by Shannon Health as of Quarter 1 FY2021

| Organization |
|------------------------------------|
| Aetna |
| Ambetter Superior Health |
| Amerigroup Medicaid |
| Blue Choice |
| Blue Cross Advantage HMO |
| Blue Cross HMO Blue Essentials |
| Blue Cross Traditional |
| Caprock Healthplans |
| CIGNA |
| First Health |
| FirstCare Medicaid |
| Galaxy Health Network |
| HealthSmart Preferred Care |
| HealthSmart Preferred Care (Accel) |
| Humana |
| Humana Medicare Advantage |
| Humana TriCare |
| Independent Medical Systems, Ltd. |
| MultiPlan |
| Omni Networks |
| PHCS |
| Prime Health Services, Inc |
| Provider Network of America |

³⁴ This list does not include direct employer agreements, workers’ compensation, or other arrangements for discrete services (e.g., school services, behavioral health).

| |
|-------------------------------|
| Scott & White |
| Select Plus Network |
| Superior Health Plan Medicaid |
| Texas True Choice |
| United Healthcare |
| United Healthcare - Medicare |

42. A list of rehabilitative services accessible to patients and a schedule of services demonstrating the referenced service delivery hours.

- Inpatient Rehabilitation: As noted in **Item 28**, the Shannon Rehabilitation Center was temporarily closed in Quarter 1 FY2021 due to COVID-19. During this period, inpatient rehabilitation patients were either seen in the SNF unit or referred to a third-party rehabilitation provider in the area. Once the Shannon Rehabilitation Center is reopened, it will continue to offer inpatient rehabilitation nursing, physical therapy, occupational therapy, speech therapy, case management, social work and psychology support 24 hours a day, seven days a week.
- Outpatient Rehabilitation: SMC has three locations providing outpatient rehabilitation services; all three locations have service delivery hours of Monday through Friday, 8:00 AM to 5:00 PM:
 - Shannon Clinic – Southwest: providing outpatient orthopedic rehabilitation;
 - Shannon Clinic – Jackson: providing outpatient sports medicine; and
 - Shannon St. John’s Campus: providing outpatient neuro therapy and rehabilitation.

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

- The effects of the COVID-19 pandemic were similar at Shannon Health as they were for most providers. COVID-19 has increased hospitalization rates, which, in turn, has burdened inpatient, emergency room, and ICU capacity. Moreover, the pandemic limited patient access for non-COVID related issues due to patient concerns surrounding in-person care, capacity constraints, and reductions in scheduling non-emergency procedures.

D. Competition**44. Data illustrating the organizations' payment models.**

- Shannon Health currently participates in the payment models listed in **Table 44** below, which have remained unchanged from the Baseline Performance Report.

Table 44: Shannon Health Payment Models as of Quarter 1 FY2021³⁵

| Payment Models |
|-----------------------------------|
| APR-DRG/MS-DRG |
| Case Rate |
| Medicare Fee Schedules |
| Percent of Billed Charges |
| Per Diem |
| Quality Metric-Based Compensation |
| Texas Medicaid Fee Schedules |

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

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

46. 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.

- SMC and SMC South face competition from a number of hospitals and health systems in their primary and secondary service areas. Post-Merger, Shannon 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 21 other hospitals, listed below, all 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 will continue to compete with the large health systems in the region. These health systems are located throughout the Texas region and are rapidly expanding. Shannon Health considers these health systems, among others, to be competitors for high-end or tertiary inpatient and outpatient services. These health systems include, but are not limited to:

1. Lubbock University Medical Center
2. Midland Memorial Hospital
3. University Health System in San Antonio
4. Houston Methodist – The Woodlands

³⁵ Excludes workers compensation payment models.

5. Parkland Health & Hospital System
6. Texas Health Harris Methodist Hospital Alliance
7. Texas Health Resources

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

- Ballinger Memorial Hospital District; 608 Ave. B, Ballinger, TX 76821; Runnels County
- Big Spring State Hospital; 1901 N Hwy. 87, Big Spring, TX 79720; Howard County
- Hendrick Medical Center Brownwood; 1501 Burnett Rd., Brownwood, TX 76801; Brown County
- Concho County Hospital; 614 Eaker St., Eden, TX 76837; Concho County
- Coleman County Medical Center; 310 S Pecos St., Coleman, TX 76834; Coleman County
- Heart of Texas Healthcare System; 2008 Nine Rd., Brady, TX 76825; McCulloch County
- Iraan General Hospital; 600 TX-349, Iraan, TX 79744; Pecos County
- Lillian M. Hudspeth Memorial Hospital; 308 Hudspeth St., Sonora, TX 76950; Sutton County
- McCamey County Hospital District; 2500 S Hwy. 305, McCamey, TX 79752; Upton County
- Mitchell County Hospital; 997 W I-20, Colorado City, TX 79512; Mitchell County
- North Runnels Hospital; 7821 E TX-153, Winters, TX 79567; Runnels County
- Pecos County Memorial Hospital; 387 W I-10, Fort Stockton, TX 79735; Pecos County
- Rankin County Hospital District; 1611 TX-Spur 576, Rankin, TX 79778; Upton County
- Reeves County Hospital District; 2323 Texas St., Pecos, TX 79772; Pecos County
- River Crest Hospital; 1636 Hunters Glen Rd., San Angelo, TX 76901; Tom Green County
- Reagan Memorial Hospital; 1300 N Main Ave., Big Lake, TX 76932; Reagan County
- Rolling Plains Memorial Hospital; 200 E Arizona Ave., Sweetwater, TX 79556; Nolan County
- Scenic Mountain Medical Center; 1601 W 11th Pl., Big Spring, TX 79720; Howard County
- Schleicher County Medical Center; 102 N US-277, Eldorado, TX 76936; Schleicher County
- Val Verde Regional Medical Center; 801 N Bedell Ave., Del Rio, TX 78840; Val Verde County
- West Texas VA Health Care System; 2400 S Gregg St., Big Spring, TX 79720; Howard County

Additionally, the following is a non-exhaustive list of “freestanding healthcare facilities” in the primary and secondary service area, sorted by county, that Shannon Health will continue to compete with:

Primary 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. #B, Brownwood, TX 76801
- Fresenius Medical Care Brownwood; 110 S Park Dr., Brownwood, TX 76801
- Hendrick Surgery Center Brownwood; 2401 Crockett 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

Coke County

- Not Applicable

Concho County

- Concho Medical Clinic; 814 W Broadway St., Eden, TX 76837
- Eden Medical Clinic PA; 506 Eaker St, Eden, TX 76837
- Frontera Healthcare Network – Eden Clinic; 551 Eaker St, Eden, TX 76837

Crockett County

- Not Applicable

Howard County

- Howard County Community Health Clinic; 1300 S Gregg St., Big Spring, TX 79720
- Stewart Medical Group – Scenic Mountain Medical Group – Main Street; 910 S Main Street, Big Spring, TX 79720
- West Texas Dialysis Center; 501 Birdwell Ln., Suite 10, Big Spring, TX 79905

Irion County

- Not Applicable

Kimble County

- Frontera Healthcare Network – Junction Clinic; 509 College St., Junction, TX 76849
- Junction Medical Clinic; 109 Reid Rd., Junction, TX 76849

McCulloch County

- Brady Medical Clinic; 2010 Nine Rd., Brady, TX 76825
- Fresenius Kidney Care Brady; 2008 Nine Rd., Brady, TX 76825

Menard County

- Frontera Healthcare Network – Menard Clinic; 119 Ellis St., Menard, TX 76859

Mitchell County

- Family Medical Associates; 997 I-20, Colorado City, TX 79512

Reagan County

- Hickman Rural Health Clinic; 1300 N Main Ave, Big Lake, TX 76932

Runnels County

- Ballinger Hospital Clinic; 2001 Hutchins Ave, Ste C, Ballinger, TX 76821
- NRH Clinic; 7571 TX-153, Winters, TX 79567

Schleicher County

- Schleicher County Family Clinic; 100 N US-277, Eldorado, TX 76936

Sterling County

- Family Clinic; 304 4th St, Sterling City, TX 76951

Sutton County

- Sonora Medical Clinic; 301 Hudspeth St., Suite B, Sonora, TX 76950

Tom Green County

- Angelo Kidney Connection Home Therapies LLC; 3626 50th Street, Lubbock, TX 79413
- Angelo Kidney Connection, PLLC; 2901 Sherwood Way, Suite 100, San Angelo, TX 76901
- Angelo MRI; 4114 S Jackson St., San Angelo, TX 76903
- Concho Valley ER; 5709 Sherwood Way, San Angelo, TX 76901
- Fresenius Kidney Care San Angelo; 2018 Pulliam St., San Angelo, TX 76905
- Goodfellow AFB Clinic; 271 Ft. Richardson Ave., San Angelo, TX 76908
- La Esperanza Clinic; 1610 S Chadbourne St., San Angelo, TX 76903
- La Esperanza Clinic; 2033 W Beauregard Ave., San Angelo, TX 76901
- La Esperanza Health & Dental Clinic; 35 E 31st St., San Angelo, TX, 76901
- San Angelo Dialysis; 3518 Knickerbocker Rd., San Angelo, TX 76904
- VA San Angelo Clinic; 2018 Pulliam St., San Angelo, TX 76905

Secondary Service Area

Mason County

- Frontera Healthcare Network – Mason Clinic; 216 E College Ave., Mason, TX 76856

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

Nolan County

- Family Medical Associates; 997 I-20, Colorado City, TX 79512
- Fresenius Kidney Care Rolling Plains; 100 E Arizona Ave., Sweetwater, TX 79556
- Rolling Plains Rural Health Clinic; 201 E Arizona Ave., Sweetwater, TX 79556

Pecos County

- Family Care Center Walk In Clinic; 511 N Main, Fort Stockton, TX 79735
- Fort Stockton Dialysis; 387 W Interstate 10, Suite C, Fort Stockton, TX 79735
- Iraan General Hospital District Rural Health Clinic; 600 Hwy. 349 N, Iraan, TX, 79744

San Saba County

- Baylor Scott & White Clinic – San Saba; 2005 W Wallace St., San Saba, TX 76877
- One Source Health Center – San Saba; 403 W Wallace St., San Saba, TX 76877

Terrell County

- Sanderson Rural Health Center; 213 Persimmon Ave., Sanderson, TX 79848

Upton

- McCamey Hospital Rural Health Clinic; 2500 Hwy. 305 S, McCamey, TX 79752

Val Verde County

- Del Rio Med & Surgical Clinic; 1200 N Bedell Ave., Del Rio, TX 78840
- Family Care Clinic; 119 E Academy St., Del Rio, TX 78840
- Fresenius Kidney Care Val Verde; 608 No Bedell Ave., Del Rio, TX 78840
- Fresenius Medical Care of Del Rio; 2201 N Bedell Ave., Suite D, Del Rio, TX 78840
- South TX Urgent Care-Del Rio; 612 N Bedell Ave. A, Del Rio, TX 78840
- VVRMC Walk-In Clinic/VVRMC Rural Health Clinic; 1801 N Bedell Ave., Del Rio, TX 78840

Shannon Health may continue to compete with other health care facilities located in Tom Green County, including without limitation:

Home Health Agencies

1. Angels Care Home Health of San Angelo; 2412 College Hills Blvd., Suite 220, San Angelo, TX 76904
2. Caprock Home Health Services Inc.; 215 S Irving, San Angelo, TX 76903
3. Comfort Keepers #767; 3121 Executive Drive; San Angelo, TX 76904
4. Concho Valley Home Health Care; 430 W Beauregard Ave., Suite B, San Angelo, TX 76903
5. Encompass Health Home Health; 334 W Highland Blvd., San Angelo, TX 76903
6. Home Preferred Senior Care; 3180 Executive Dr., Suite 109, San Angelo, TX 76904
7. Intrepid USA Healthcare Services; 3310 West Loop 306, San Angelo, TX 76904
8. Kindred At Home; 1518 W Beauregard, San Angelo, TX 76901
9. Outreach Home Care; 17 S. Chardbourne Street, Suite 500, San Angelo, TX 76903
10. San Angelo Home Health; 423 S Irving Street, San Angelo, TX 76903
11. Texas Home Health of America; 4202 Sherwood Way, Suite A, San Angelo, TX 76904
12. TLC In Home Care Inc.; 1932 Sherwood Way, San Angelo, TX 76901

Hospice Agencies

1. Concho Hearts Hospice, LLC; 2007 W Beauregard Ave., San Angelo, TX 76901
2. Hospice of San Angelo Inc.; 36 E Twohig, Suite 1100, San Angelo, TX 76903
3. Interim Hospice of West Texas; 3280 Sherwood Way, San Angelo, TX 76901
4. Kindred Hospice; 116 W Concho Ave., San Angelo, TX 76903
5. Oxyatlantic Hospice, LLC; 4001 Sul Ross St., Suite 261, San Angelo, TX 76904
6. Solaris Hospice; 5301 Knickerbocker Road, Suite 100, San Angelo, TX 76904
7. St. Gabriel's Hospice and Palliative Care; 2412 College Hills Blvd., San Angelo, TX 76904

Skilled Nursing Facilities

1. Arbor Terrace Healthcare Center; 609 Rio Concho Dr., San Angelo, TX 76903
2. Cedar Manor Nursing and Rehabilitation; 1915 Greenwood St., San Angelo, TX 76901
3. Elsie Gayer Health Care Center; 902 N Main St., San Angelo, TX 76903
4. Park Plaza Ltc Partners Inc.; 2210 Howard St., San Angelo, TX 76901
5. Regency House; 3745 Summer Crest Dr., San Angelo, TX 76901
6. Sagecrest Alzheimer's Care Center; 438 Houston-Harte, San Angelo, TX 76903
7. Meadow Creek Nursing and Rehabilitation; 4343 Oak Grove Blvd., San Angelo, TX 76904
8. San Angelo Nursing and Rehab; 5455 Knickerbocker Rd., San Angelo, TX 79604

Select Other Health Care Facilities

1. Baptist Retirement Community; 902 N Main St., San Angelo, TX 76903
2. Cook Children's Pediatric Specialties San Angelo; 1002 S Abe St. #B, San Angelo, TX 76903
3. Trisun Care Center Regency House; 3745 Summer Crest Dr., San Angelo, TX 76901
4. West Texas Ltc Partners Inc.; 1915 Greenwood St., San Angelo, TX 76901
5. West Texas Medical Associates; 3605 Executive Dr., San Angelo, TX 76904

47. Evidence of how patient choice is being preserved.

- The patient choice policy for Shannon Health was extended post-Merger to encompass both SMC and SMC South. 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.

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

- Open Positions: As of the end of Quarter 1 FY2021, Shannon Health had 348 open positions. These roles cover both clinical and non-clinical positions across the organization and indicate significant demand for talent within the combined Shannon Health system following the Transaction Closing Date. A list of open positions as of the end of the Quarter 1 FY2021 is provided in **Attachment 3**.
- New Positions:
 - During Quarter 1 FY2021, Shannon Health created 54 new positions in order to support identified needs for the new combined system, including both administrative and clinical roles. For example, Shannon Health added the following positions:
 - 1 Human Resources position, to assist with employee engagement;
 - A Director of Virtual Care (as noted previously in this Report);
 - A Director of Guest Experience, to assist with system-wide initiatives focusing on the needs of patients and customer service;
 - A Director of Professional Outreach;
 - 10 new Home Caregiver positions, to support Shannon Care at Home³⁶;
 - 1 Inpatient Pharmacy position, to locally replace a position that was previously outsourced to CHS-corporate; and
 - Various clinical roles, to support an increased inpatient census at SMC South.
 - In addition, Shannon Health onboarded 198 temporary STAR staff between October 24, 2020 and December 31, 2020, including 43 CNAs, 124 RNs, 23 Respiratory Therapists, and 8 Doctors in order to accommodate additional capacity at both hospitals, largely due to the COVID-19 pandemic.
- New Hires: Between the Transaction Closing Date and the end of Quarter 1 FY2021, Shannon Health hired 135 new employees. Please see **Item 10** for additional detail.

³⁶ Shannon Care at Home is a new service line that Shannon Health was actively in the process of developing during the First Quarter FY2021, but was not opened during this period. This service line will provide care for patients who require home treatment but do not meet payor requirements to obtain home health care services. Shannon Care at Home is expected to open in the near future and will reported on in greater detail in future submissions as applicable.

49. Provide the evidence of the onboarding SACMC's system and provide training evidence for personnel.

- Shannon Health's new hire orientation process (for all employees except Physicians and Advanced Practice Professionals) was completed in two parts during Quarter 1 FY2021:
 - New Hire Orientation Part 1 sessions provided an introduction to Shannon Health and focused on Shannon Health policies and procedures. Shannon Health held group meetings at the West Texas Training Center for 508 new employees, consisting of four 2-hour sessions each day, allowing employees to attend at their convenience. Shannon Health also offered additional New Hire Orientation sessions to complete the onboarding for employees unable to attend a previous session, consisting of the remaining 118 new employees (excluding Physicians and Advanced Practice Professionals).
 - New Hire Orientation Part 2 sessions were held to provide an overview of Employee Benefits with instruction on how to enroll. Shannon Health again offered group meetings over several different dates in the SMC South conference rooms. Shannon Health also offered one-on-one meetings for employees needing additional information or assistance enrolling in Employee Benefits.
- Physicians and Advanced Practice Professionals were onboarded separately. Shannon Health offered several sessions in the evenings and afternoons so as to not interrupt patient care. Thirty-five (35) providers were onboarded during those sessions.
- Shannon Health trained SMC South clinic staff on Epic, Shannon Health's EMR, by offering several sessions on different days of the week, including Saturdays.
- Shannon Health conducted "New Leader" onboarding, designed for staff in management roles, for 52 leaders at Bentwood Country Club.

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

- The ongoing COVID-19 pandemic has caused, and will likely continue to result in, numerous challenges to health care providers. Throughout the pandemic, many health care providers have collaborated with other providers in their area to ensure patient and personnel needs are being met, particularly as it relates to the availability of PPE and necessary equipment, and care coordination. Such collaboration, which may continue through the end of the pandemic, can adversely impact competition amongst local providers. Moreover, the COVID-19 pandemic has resulted in financial hardships for many types of health care providers. The impact of these financial hardships is not yet known, but ultimately, financial hardships could result in a reduction in competing providers due to bankruptcy, consolidation, or termination of services due to financial hardship.

E. Other Requirements

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

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

- *Privileged Providers:* A complete list of physicians, allied professionals and other health care providers with privileges at Shannon Health is provided in **Attachment 4** to this Report. As of Quarter 1 FY2021, Shannon Health provided privileges to 371 health care providers at SMC and 204 health care providers at SMC South, as detailed in **Table 51** below.
- Please note that since the Baseline Performance Report, Shannon Health has adjusted its classification of “privileged providers” to now only include providers that have inpatient privileges.³⁷ Therefore, the following types of providers that were previously included as a “privileged provider” in the Baseline Performance Report are now excluded in this Report: (1) providers that are credentialed but not privileged; and (2) providers that do not have inpatient privileges (but do have certain outpatient privileges). [REDACTED]
[REDACTED]
[REDACTED] Beginning in Quarter 1 FY2021, the provider privileging and credentialing policies at SMC South were adjusted to align with SMC’s policies, which will allow for a more streamlined, uniform process.
- During Quarter 1 FY2021, an additional 40 providers from SMC were granted privileges at SMC South, providing SMC South with more resources and expanding access for patients.

Table 51: Shannon Health Privileged Providers as of Quarter 1 FY2021

| Privileged Provider Category | SMC | SMC South |
|------------------------------|------------|------------|
| Physicians | 248 | 132 |
| AHPs | 51 | 33 |
| Telemedicine Physicians | 72 | 39 |
| Total | 371 | 204 |

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

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

- *Meeting Minutes:* SMC Board meeting minutes and notes from pre-Merger and during Quarter 1 FY2021 do not specifically address the COPA and are not responsive, and thus have not been provided. [REDACTED]
[REDACTED]
[REDACTED] Shannon Health anticipates that future Board committee meeting minutes will specifically address updates and information related to the COPA, and those will be provided in

³⁷ Under the revised classification system, privileged providers at SMC as of the Transaction Closing Date (as included in the Baseline Performance Report) would have been 350 providers in total (or 238 Physicians, 51 AHP’s, and 61 Telemedicine Physicians).
[REDACTED]

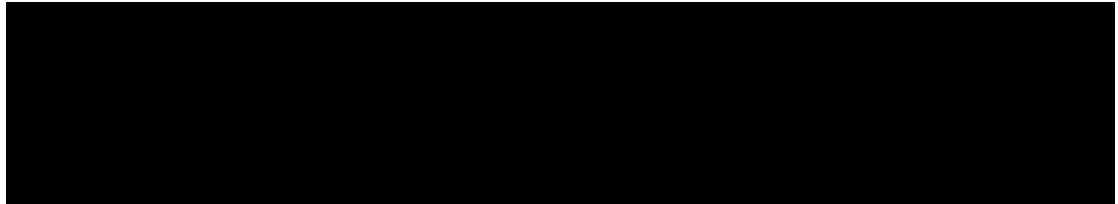
future quarterly reports, as applicable. Shannon Health also does not record formal minutes for joint leadership meetings, and as such, there are no relevant meeting minutes to be provided.

53. 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.]

- By thoughtfully combining the resources of SMC and legacy SACMC, Shannon Health intends to be able to better coordinate services, increase efficiencies, and optimize patient care. As of the end of Quarter 1 FY2021 (reflecting approximately two months of time post-Merger), Shannon Health began enhancing the coordination of services through the following:

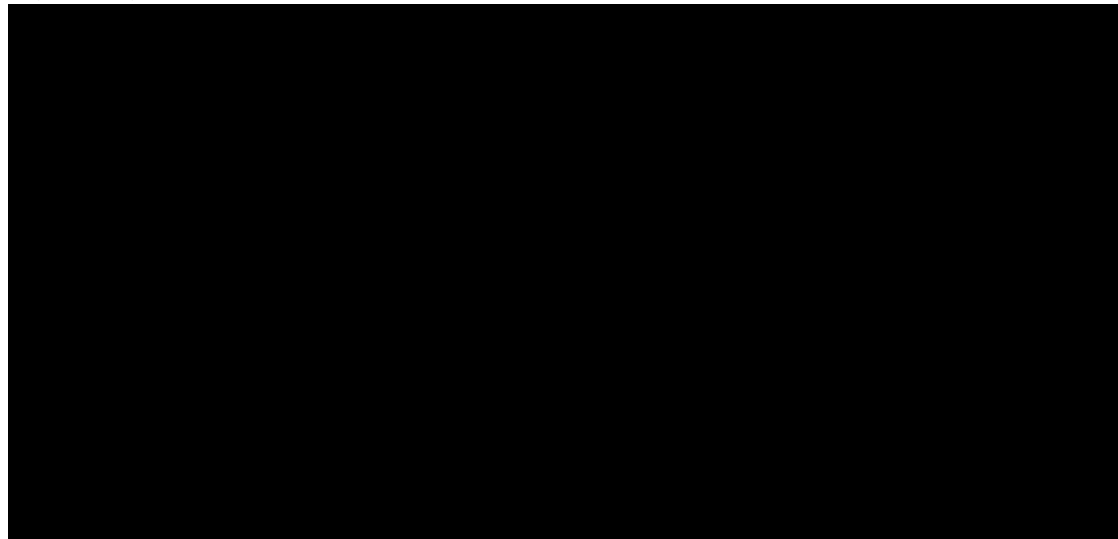
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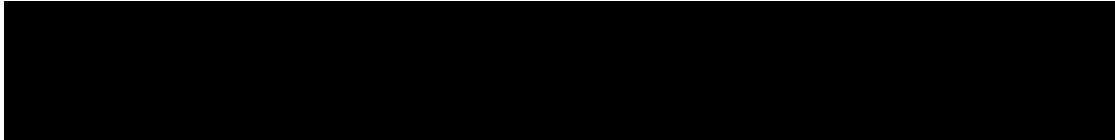
- **Utilization of SMC South to optimize COVID-19 care:** Post- Merger, Shannon Health utilized SMC South facilities and staff in order to expand COVID-19 hospital care capacity by 14 beds. Furthermore, in November 2020, Shannon Health opened the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high- risk COVID positive patients. The goal of this treatment is to decrease 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, as further detailed in Item 14. 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 in Quarter 1 FY2021. Shannon Health anticipates additional opportunities to enhance clinical staffing at SMC South in order to optimize patient services.


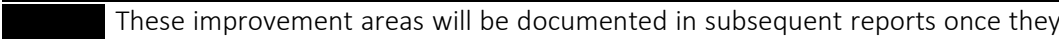
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- The Merger allows for the better coordination of resources and decision- making, resulting in improved efficiency, elimination of waste, and the achievement of cost savings. Shannon Health is committed to reinvesting these savings in its operations and community, with the goal of improving the overall patient experience and patient care. The following are examples of how Shannon Health began reinvesting in the combined healthcare system in the first two months post- Merger during Quarter 1 FY2021:
 - **Expanded inpatient capacity at SMC South:** Post-Merger, Shannon Health expanded COVID-19 hospital care capacity by 14 staffed beds in order to support the surge of COVID-19 patients. Furthermore, in November 2020, 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 positive patients.
 - **Added Security at SMC South:** 




 These improvement areas will be documented in subsequent reports once they are approved.
 - **Capital expenditures:** Capital expenditures incurred by Shannon Health to improve its facilities or grow its operations totaled approximately \$9.0 million across both SMC and SMC South.
- As for infrastructure investment and capital expenditures as of the end of Quarter 1 FY2021, Shannon Health invested approximately the following:
 - **Capital Expenditures:** \$8,964,071
 - **Infrastructure Expenditures:** \$5,802,203
 - **Operating Expenditures:** \$145,326,793

IV. Attachments