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## **Shannon Health**

Quarterly Report for Quarter 2 of Fiscal Year 2021

Reporting Period: 1/31/2021-3/31/2021

Submission Date: June 30, 2021

Re-submission Date: October 22, 2021

Certificate of Public Advantage ("COPA")

## Quarterly Performance Report for Quarter 2 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 second quarter of fiscal year 2021 (“Quarter 2 FY2021” or “Second Quarter FY2021”), the period of January 1, 2021 to March 31, 2021.<sup>1</sup> Where applicable, this Report includes information or refers to information provided in the Baseline Performance Report that was submitted to HHSC on January 15, 2021, and reflects the pre-Merger baseline period of FY2018 – FY2020 (the “Baseline Performance Report”).

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<sup>1</sup> 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 ending June 30, 2021 will be submitted by October 4, 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 2 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

1. 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.<sup>2</sup> Updated ratings were not released by CMS during the reporting period covered by this Report. Shannon Health’s Quarter 2 FY2021 Performance Report covers the time period of Shannon Health’s Fiscal Year Second Quarter, which is from January 1, 2021 through March 31, 2021. The next CMS Star Rating update is expected in April 2021 and will be included in Shannon Health’s Quarter 3 FY2021 Performance Report. Additionally, Shannon Health anticipates that SMC and SMC South will have one combined CMS Star Rating post-Merger because SMC and SMC South operate under the same national provider number and are therefore considered one hospital by CMS. Shannon Health notes that two separate CMS Star Ratings will likely be reflected in future reports in FY2022 because CMS’ data collection period for calculating star ratings predates the star rating.<sup>3</sup>

**Table 1a: Overall CMS Star Ratings<sup>4</sup>**

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

- 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 latest Leapfrog grades were not released during the reporting period covered by this Report. Leapfrog updated its hospital safety grades in April 2021, after the timeframe for Shannon Health’s Quarter 2 FY2021 Report (January 1, 2021 through March 31, 2021). The Spring 2021 ratings will be included in Shannon Health’s FY2021 Quarter 3 Performance Report.<sup>5</sup>

**Table 1b: Leapfrog Safety Grades<sup>6</sup>**

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

<sup>3</sup> See <https://data.cms.gov/provider-data/topics/hospitals/overall-hospital-quality-star-rating/>.

<sup>4</sup> Source: CMS Care Compare: <https://www.medicare.gov/care-compare/#search>.

<sup>5</sup> See <https://www.hospitalsafetygrade.org/your-hospitals-safety-grade/about-the-grade>.

<sup>6</sup> Source: Leapfrog Research Group: <https://ratings.leapfroggroup.org/>.



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

- Patient Admissions & Medicare Cost Report Data:** Inpatient admissions and outpatient volumes are provided in **Item 2** of this Report. **Attachment 1** of this report includes the ‘as-filed’ 2020 SMC Medicare Cost Report package, which includes patient admissions and outpatient volumes data on pages A-017 through A-019. Shannon Health does not currently have access to the 2020 Cost Report for legacy SACMC, as this report was based on the pre-Merger time period. Shannon Health has requested said report and will include it in future performance reports if it becomes available.
- Patient Satisfaction Ratings:** During Quarter 2 FY2021, both SMC and SMC South maintained its rating of four (4) stars on the Hospital Consumer Assessment of Healthcare Providers and Systems (“HCAHPS”) survey of patient satisfaction. On November 10, 2020, CMS announced that due to the COVID-19 public health emergency, it would not update the HCAHPS survey for the January or April 2021 public reports, and instead, the previously reported data would carry forward. As such, the Quarter 2 FY2021 ratings (see **Table 1c** below) were awarded during Quarter 1 FY2021 and carried forward for Quarter 2 FY2021. Updates to the patient satisfaction ratings will be reflected accordingly in future quarterly reports, once released by CMS.

**Table 1c: Patient Satisfaction Rating Results<sup>7</sup>**

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

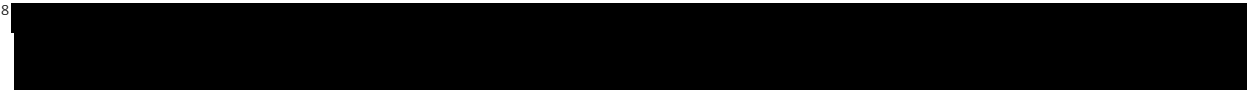
**2. Data for inpatient and outpatient numbers before the merger and the current quarter.**

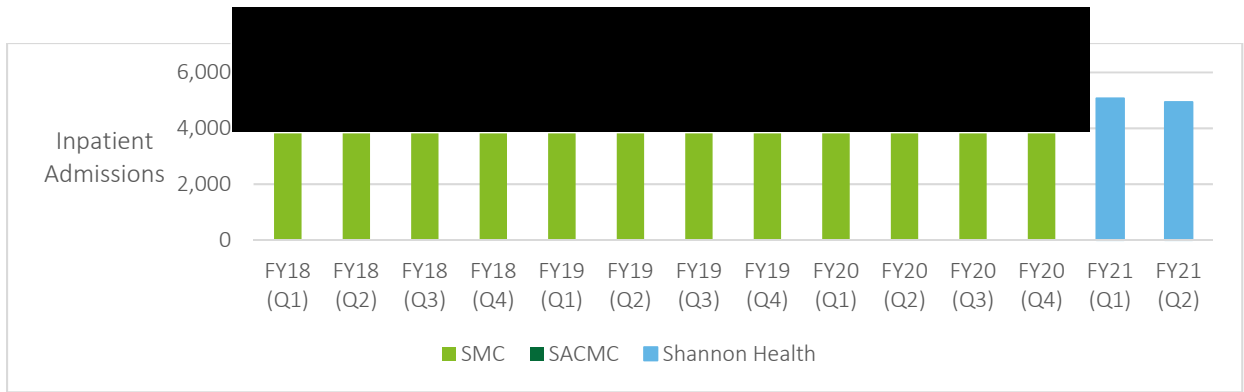
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- Inpatient Volumes<sup>8</sup>:** Overall, inpatient admissions for Shannon Health decreased by approximately 2.7% from Quarter 1 FY2021 to Quarter 2 FY2021, from 5,071 to 4,936. The slight decrease is primarily related to delays caused by the Texas winter storm in February 2021, including delayed or cancelled procedures. **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 FY2021. As stated in the Quarter 1 FY2021 Performance Report, volume numbers are shown on a combined basis for Shannon Health from Quarter 1 FY2021 forward as both hospitals will be reported under a single National Provider Identifier (“NPI”).

**Table 2a: Inpatient Admissions**

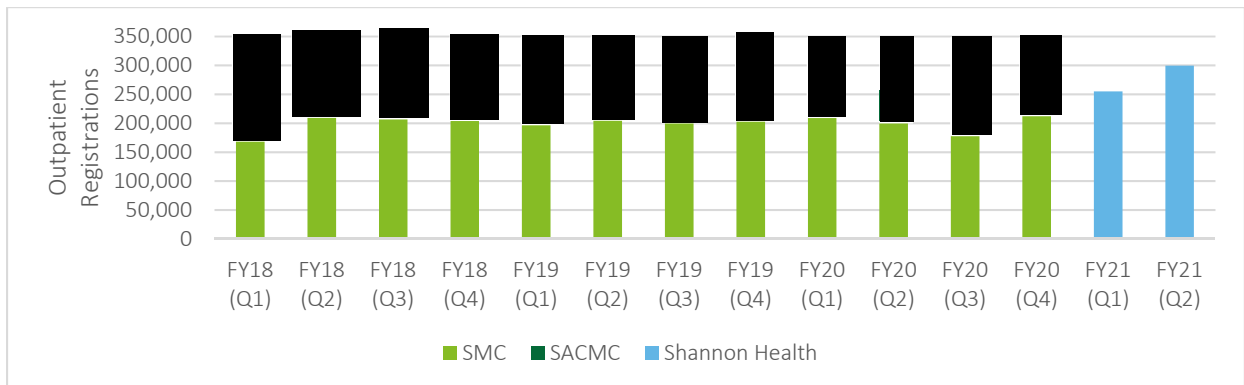
<sup>7</sup> Source: HCAHPS Patient Satisfaction Survey: [HCAHPS Survey Results](#).





- Outpatient Volumes<sup>9</sup>:** Shannon Health’s outpatient volume increased by 17.4% between Quarter 1 FY2021 and Quarter 2 FY2021, from 254,924 to 299,401. This increase in outpatient volume is primarily related to Shannon Health’s successful, community-wide efforts related to COVID-19 vaccine distribution. During Quarter 2 FY2021, over 28,000 patients visited Shannon Health’s COVID-19 vaccine clinics for vaccines to be administered. **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 FY2021. As stated in the Quarter 1 FY2021 Performance Report, 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.**

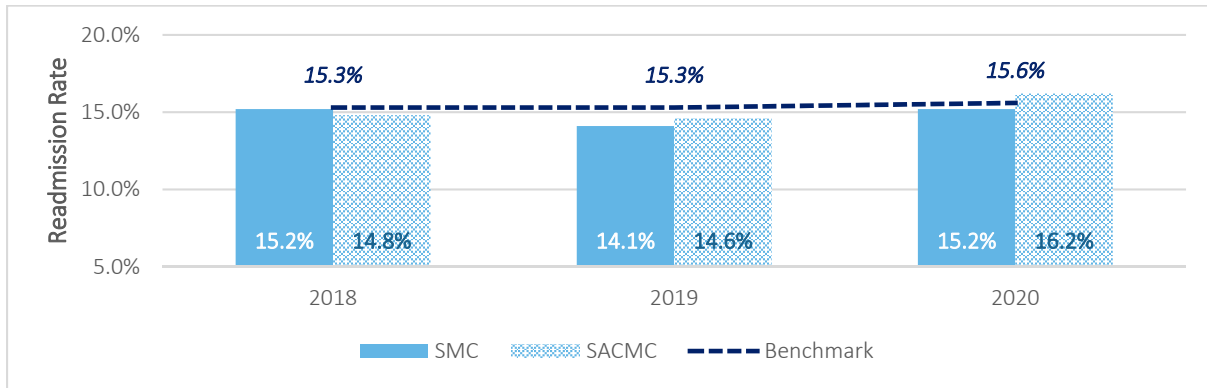
- Patient Readmission Numbers:** As described in the Baseline Performance Report and the Quarter 1 FY2021 Performance Report, the reported readmission rates during the Baseline Period included all unplanned readmissions<sup>10</sup> within 30-days of a hospital stay or inpatient procedure and are not

<sup>9</sup> [Redacted]

<sup>10</sup> Per CMS, the overall rate of unplanned readmission after discharge from the hospital (also called “hospital-wide readmission”) focuses on whether patients who were discharged from a hospital stay were hospitalized again within 30 days. All medical, surgical and gynecological, neurological, cardiovascular, and cardiorespiratory hospital patients are included in this measure.

adjusted to reflect underlying differences in acuity or co-morbidities. CMS typically reports on readmission data on an annual basis, in July or August. The most recently released readmission numbers are reported in **Table 3** under year 2020. Updates to the readmission rates will be reflected accordingly in future quarterly reports.

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



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

- Quality improvement measures.** During Quarter 2 FY2021, Shannon Health continued working toward its quality improvement measures, which were instituted in the First Quarter FY2021 to further enhance quality at all of Shannon Health’s hospitals, and in turn, improve patient outcomes. For FY2021, Shannon Health 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.
- Shannon Care Coordination Program.** The Shannon Care Coordination Program is designed to improve patient outcomes by utilizing a team to focus on population health efforts as it relates to chronic disease. The Program’s structure and ability to utilize a team to focus on population health efforts as it relates to chronic disease has provided Shannon Health the opportunity to identify possible areas for patient care—all in service of providing care to patients in the community. During Quarter 2 FY2021, the Shannon Care Coordination Program team expanded efforts to serve patients discharging from the hospital with chronic disease— including Congestive Heart Failure (CHF) and Chronic Obstructive Pulmonary Disease (COPD) patients, as well as patients at high-risk for readmission. Key areas of the program include: medication management, addressing social barriers, and helping the patient manage their chronic condition at home.

Patients may have returned to the same hospital or to a different hospital. They may have been readmitted for a condition that is related to their recent hospital stay, or for an entirely different reason.

<sup>11</sup> Source: CMS Care Compare “Unplanned Hospital Visit” benchmark ([Medicare.gov/care-compare/](https://www.medicare.gov/care-compare/)).

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.]

- Post-Merger, during Quarter 1 FY2021, Shannon Health began evaluating opportunities across the combined system with the goal of optimizing patient services and enhancing the overall patient experience. During Quarter 2 FY2021, Shannon Health implemented the following initiatives:
  - Increased the Medical/Surgical bed capacity at SMC South through the combination of the underutilized Step-Down Unit (SDU) and Intensive Care Unit (ICU), [REDACTED]
  - [REDACTED]
  - Improved coordination of care and patient experience through the migration to a single electronic medical record (EMR) system for all Shannon Health locations. Now, shared patient medical records are available at every facility, improving patient care coordination among providers. For example, aspects of patient care such as medication tracking, known allergies, and test results will be stored in the single EMR system, reducing the potential for complications or duplicative testing.

6. 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 Quarter 2 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 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.<sup>12</sup> This means Shannon Health’s reporting of its CMS Star Quality Rating, Leapfrog Group Safety Grade (which partially relies on CMS 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.
- **February Winter Storm:** In February 2021, Shannon Health responded to the immense challenges and disruptions caused by the Texas winter storms. Due to hazardous weather conditions, and in order to prioritize the safety of Shannon Health’s patients and staff, many of Shannon Health’s departments and services closed, though inpatient services at the hospitals remained open. Shannon Health rescheduled non-emergent surgeries and outpatient ancillary appointments. By Tuesday, February 16, Shannon Health facilities were under a boil notice due to several water main breaks around San Angelo. Then, because of unstable electricity, Shannon Health relocated all patient services provided at the St. John’s campus to other facilities—Skilled Nursing was moved to the 3rd floor of the SMC South campus, and the inpatient Behavioral Health unit was moved to River Crest Hospital (a behavioral health center located in San Angelo). Similarly, Outpatient Infusion was moved to the SMC South campus in the “Same Day Surgery” area, while Wound Care was moved to the Shannon West Clinic near the orthopedics area. Throughout the week, the SMC and SMC campuses organized teams to deal with burst pipes, water damage, and lack of electricity. Shannon Health also used water kept in storage to maintain the heating system and flush toilets at SMC. Shannon Health also transported water to SMC South to restore its heating system and toilets. To preserve water available, Shannon Health closed its laundry department at both campuses and worked to acquire additional linens from outside sources. In addition, due to dangerous road conditions, Shannon Health staff created waiting areas for patients who did not have a ride home. Shannon Health staff also worked to find accommodations for patients who could be discharged but did not have water and/or electricity in their homes required to maintain their care. Though the winter storms created enormous logistical challenges, Shannon Health employees worked many hours to provide care for patients throughout the region. Shannon Health continued offering inpatient dialysis services at SMC by setting up an area in the Pediatric unit of the Women’s & Children’s hospital to treat two patients at a time. Shannon Health reached out to Fresenius, a kidney dialysis service, to offer support to Fresenius’ outpatient dialysis

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<sup>12</sup> 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>.

services. Both SMC and SMC South provided food services for patients and staff, supplying bottled water for drinking and patient care needs.

## B. Efficiencies

### 7. Data regarding emergency department closures since the merger.

- Current Emergency Department Locations: During Quarter 2 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 7a** and **7b** below.

**Table 7a: SMC Emergency Department**

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

**Table 7b: SMC South Emergency Department**

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

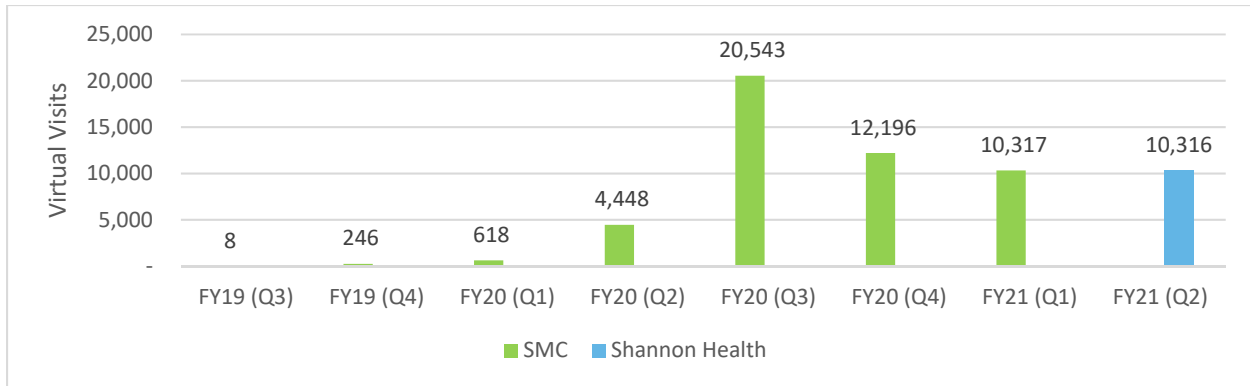
- Emergency Department Closures: Shannon Health has no plans to close any Emergency Departments as of the date of this Report.
8. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by: (1) Providing 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 2 FY2021, Shannon Health provided telehealth services, including primary and other non-emergency care services, to 10,316 patients through its virtual care platforms. Telehealth volumes remained stable from Quarter 1 to Quarter 2 FY2021 (as shown in Table 10). As noted in the First Quarter FY2021 Performance Report, Shannon Health has dedicated additional resources to this area in order to further expand virtual care options throughout the service area. Shannon Health's new Director of Virtual Care has continued to identify telemedicine solutions in conjunction with Shannon Health providers, allowing Shannon Health to treat a larger, more dispersed population in its community. Schools continue to use the TytoCare units that Shannon Health deployed to school districts throughout Concho Valley. 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 8: Number of Patients Treated via Telehealth<sup>13</sup>**

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<sup>13</sup> 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.



9. 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 2 FY2021, Shannon Health completed their migrations for both SMC South and its clinic locations from their current MedHost and Athena platforms to Shannon Health’s Epic EMR platform. SMC South went live on Epic on February 5, 2021. Additionally, in Quarter 2 FY2021, Shannon Health began working directly with MedHost to ensure SMC South’s historical data is maintained and available for future needs.

10. Provide the evidence of the onboarding SACMC’s system and provide training evidence for personnel.

- Post-Merger, all legacy SACMC employees were trained, onboarded, and integrated to Shannon Health.
- All new employees hired post-Merger (except for Physicians and Advance Practice Professionals) attend a system-wide new hire orientation process, regardless of what campus they are hired to. These system-wide New Hire Orientation sessions are held at least once per month.
  - The 239 newly-hired employees attended the New Hire Orientation sessions which provided an overview of Shannon Health, the Shannon Health policies and procedures, and the Employee Benefits offerings, with instructions on how to enroll in the offered Employee Benefits. Where applicable, new hires are also trained on Epic, the new EMR for Shannon Health.
- Physicians and Advanced Practice Professionals are onboarded separately, with specific consideration for their individual onboarding timetable, specialty, and job requirements.

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 Quarter 2 FY2021, there were no reductions in workforce other than what is expected through the ordinary course of business (e.g.,



attrition). Shannon Health continues to experience increased demand for staff. For example, in Quarter 2 FY2021, Shannon Health added 9 new positions to their workforce. In addition, Shannon Health hired 239 new employees during Quarter 2 FY2021, which filled current vacancies at both hospitals, as well as identified staffing needs at SMC South. As of March 31, 2021, Shannon Health employed 3,718 employees, as compared to 3,694 as of the end of the First Quarter FY2021 (see **Table 11** below). From Quarter 2 FY2021 forward, employee counts for Shannon Health (SMC and SMC South) will be reported on a consolidated basis as both hospitals will be reported under a single NPI. Workforce data is contingent on staffing needs and services offered by each location and facility. As Shannon Health continues to work through clinical optimization, accessibility, and efficiencies, there could be changes to staffing needs by location. In addition, many service lines are offered at more than one location but are consolidated under one department and/or cost center.

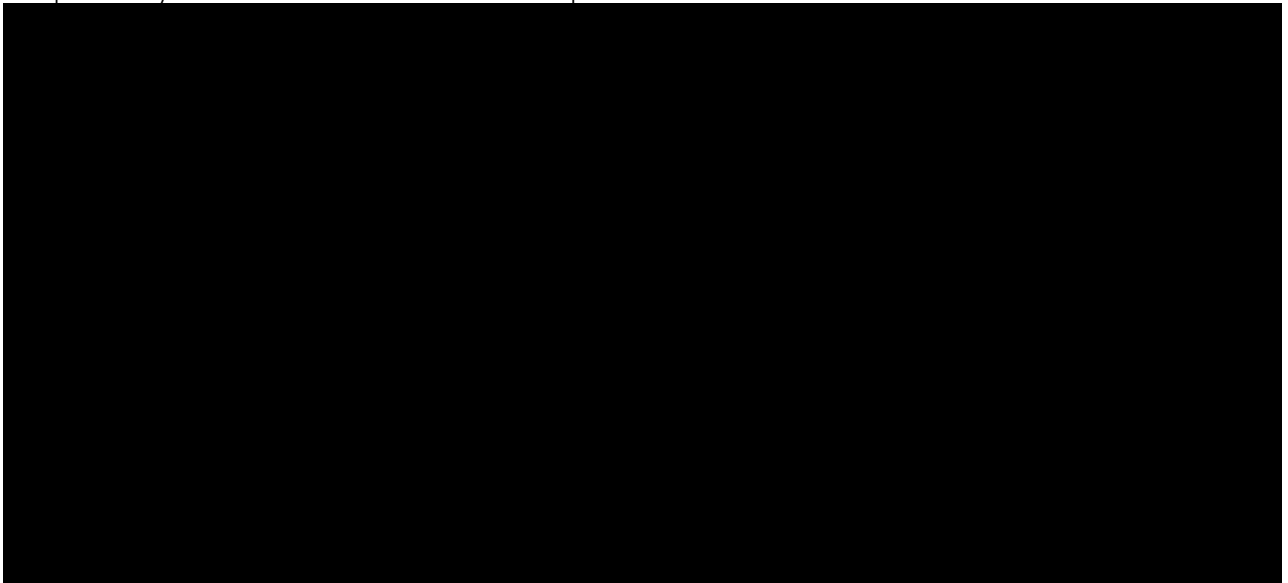
**Table 11: Workforce as of Quarter 2 FY2021<sup>14</sup>**

Location	Employees as of Transaction Closing Date <sup>15</sup>	Employees as of Q1 FY2021	Employees as of Q2 FY2021
Shannon Health	3,709	3,694	3,718

12. Data and financial reports demonstrating savings from the reduction in duplication of resources.

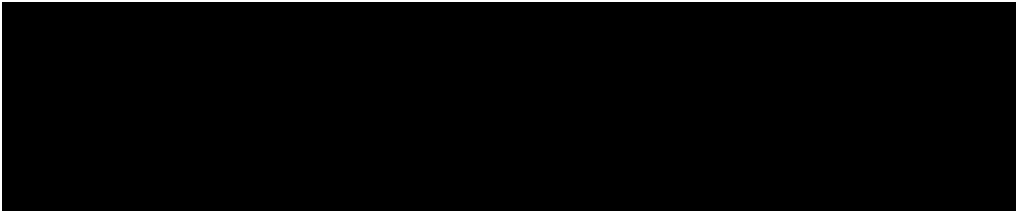
[This Item contains proprietary, competitively sensitive information redacted from the public version.]

- Shannon Health has identified several potential opportunities and initiatives that it believes will generate efficiencies and reduce unnecessary costs. For reference, the following opportunities are specifically related to the reduction in the duplication of resources:



<sup>14</sup> Note employee headcount includes employed physicians and advanced practice clinicians.

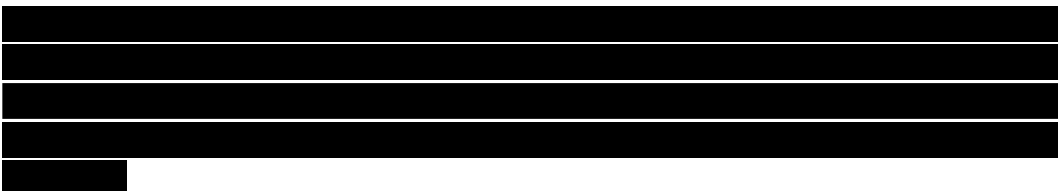
<sup>15</sup> Employee count as of the Transaction Closing Date was slightly adjusted from the Baseline Performance Report in order to correct for data errors.



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. There is no further quantitative data available at this time.

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 2 FY2021, Shannon Health has continued enhancing the coordination of services through the following:
  - **Utilization of SMC South to optimize COVID-19 care**: Shannon Health continued operating the area’s only COVID-19 Infusion Therapy Clinic at SMC South during Quarter 2 FY2021 in order to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID-19 positive patients. The goal of this treatment is to decrease the need for hospitalization in these patients.
  - **Unplanned skilled nursing unit relocation**: During Quarter 2 FY2021, San Angelo experienced extended periods of water and electricity outages due to the record low temperatures across the state of Texas. As a result of these water and electricity outages, Shannon Health coordinated resources across the system and temporarily relocated the skilled nursing unit to SMC South (from the Shannon Health St. John’s campus) to minimize disruption to patient care.
  - 
- 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 continued reinvesting in the combined healthcare system during Quarter 2 FY2021:

- **Opened Shannon Rehabilitation Hospital:** Shannon Health, through a partnership with Encompass Health, opened a 40-bed standalone rehabilitation hospital. As further detailed in **Item 28** of this report, this facility provides patients with 24-hour access to state-of-the-art technology and treatment. Shannon Health’s initial capital contribution to the Shannon Rehabilitation Hospital, LLC totaled \$3,164,490, representing an ownership percentage of 49% in Shannon Rehabilitation Hospital, LLC. Shannon Health has voting rights proportionate to its ownership percentage in Shannon Rehabilitation, LLC, and does not have any supermajority powers for any aspects of the joint venture. Shannon Health, as a Member of Shannon Rehabilitation, LLC, does not take any part in the setting of prices and negotiations of managed care contracts for Shannon Rehabilitation Hospital, LLC. Encompass Health Corporation is involved in the setting of prices and negotiations of managed care contracts as the Manager of Shannon Rehabilitation Hospital, LLC. Shannon Health and Encompass Health Corporation do not have any agreements for transfers and purchased services. Shannon Health and Encompass Health Corporation do not have any relationship in the provision of home health services or other outpatient therapies. Shannon Health does not have any clauses in its managed care contracts that would allow Shannon Health to force the inclusion of the Shannon Rehabilitation Hospital, LLC in the provider network of a third party payer. Shannon Health is not aware of any limitations on Encompass Health Corporation expanding services beyond inpatient rehabilitation.
- **Further enhanced security at SMC South:** [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- **Health Club equipment upgrades:** Shannon Health invested \$110,000 in the Shannon Health Club, providing upgrades to the exercise equipment and facility as a whole.
- **COVID-19 clinics and vaccine distribution:** In coordination with the local community, state and local representatives and authorities, Shannon Health organized the Shannon Vaccine Clinic to support COVID vaccine distribution. The Shannon Vaccine Clinic utilized a formerly vacant department store at the Sunset Mall in San Angelo to set up a clinic that could offer adequate space and parking for patients seeking the vaccine. The clinic was open five days a week, by appointment. In addition, Shannon Health continued operating the Shannon COVID-19 hotline. Individuals could call and speak to a clinical provider about inquiries regarding COVID testing or the COVID vaccine. In Quarter 2 FY2021, Shannon Health pharmacy and staff administered 50,525 vaccine doses.
- **Community COVID-19 education programs:** In order to keep the local community informed with the latest information related to the COVID-19 pandemic and vaccine distribution status, Shannon Health invested in a number of community education programs. These

programs include: Three (3) COVID-19 information community update videos shared through social media, eight (8) local media interviews answering questions about the pandemic and vaccines, a virtual chat bot on the Shannon Health website to answer direct vaccine questions regarding access and eligibility, and ongoing messaging campaigns on multiple platforms informing the community about COVID-19 guidelines and vaccine eligibility.

- **Capital expenditures:** Shannon Health incurred additional capital expenditures to improve its facilities or grow its operations, totaling approximately \$8.9 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: During Quarter 2 FY2021, Shannon Health continued the process 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. In Quarter 2 FY2021, Shannon Health identified additional 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

- [Redacted content]

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: [REDACTED]
- Post-Merger Operating Efficiencies: Shannon Health is in the process of remediating the deficiencies that were identified in the Baseline and First Quarter FY2021 Performance Reports. During Quarter 2 FY2021, Shannon Health invested \$560,000 to install 10 badge readers and 4 security doors at the entrances of SMC South. Additionally, Shannon Health invested \$110,000 in equipment and facility upgrades at the Shannon Health Club location, which provides health and wellness services to the local community.

17. 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.

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

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

- Ancillary Health Services Pricing and Availability: The gross charges<sup>16</sup> for Shannon Health’s ancillary health services are set forth in the Shannon Health Charge Description Master (“CDM”). Shannon Health contracts with various commercial health plans, which generally reimburse ancillary health services based on a negotiated fee schedule or percentage discount of gross charges. However, 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 18a** below identifies Quarter 2 FY2021 volumes and CDM charges for select tests, treatments, or procedures for the following categories of ancillary health services: Laboratory, Imaging, and Pharmacy. [REDACTED]  
[REDACTED]  
[REDACTED] The shipping methods during this time were adjusted to ensure adequate supply of these medications was available.

<sup>16</sup> Gross charges are charges prior to any contractual discount allowance for various payor classes.

**Table 18a: Ancillary Health Services**

Ancillary Service	Volume <sup>17</sup>			Gross CDM Charges		
	FY2020	Q1 FY2021	Q2 FY2021	FY2020	Q1 FY2021	Q2 FY2021
<b>Laboratory Services<sup>18</sup></b>						
CMP	118,571	33,842	37,416			
CBC w/auto diff	93,389	35,310	38,799			
LIPID panel	46,683	13,049	16,837			
BMP	30,922	7,088	7,976			
Magnesium	25,357	6,232	6,649			
<b>Imaging Services</b>						
71045 X-Ray Chest 1V	19,002	6,887	7,462			
77067 Scr Mammo with Tomo Bilateral	11,388	3,758	3,800			
70450 CT Head w/o	7,625	1,773	2,485			
71046 X-Ray Chest 2V	3,998	555	916			
74177 CT Abd/Pel with IV	5,204	1,250	1,806			
<b>Pharmacy Services</b>						
Daptomycin 350 mg 1 each	1,026,680	225,160	247,675			
Acetaminophen 1,000 mg/100 ml IV per 1 ml	1,086,366	280,897	281,023			
Propofol 10 mg/ml IV Emulsion per 1 ml	856,673	229,122	231,722			
Ferric Carboxymaltose 50 mg Iron/ml IV per 1 ml	457,085	111,660	121,805			
Bupivacaine Liposome 1.3% (13.3 mg/ml)	475,669	114,822	133,346			

- Ancillary Health Services Quality:** Table 18b 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 reported by CMS in March 2021 (shown below as Quarter 2 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 18b reflects the most recently available scores. Shannon Health will report updated information as it becomes available.

**Table 18b: SMC Ancillary Health Services Quality Scores<sup>19</sup>**

Experience	Baseline Period												Post-Merger Period	
	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Use of Medical Imaging <sup>20</sup>														
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%	46.9%

<sup>17</sup> Beginning in Quarter 2 FY2021, the first full quarter post-Merger, and going forward, volume amounts for pharmacy and radiology include both SMC and SMC South data.

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

<sup>19</sup> Information reported by CMS Care Compare, and Leapfrog Safety Group agencies ([Medicare.gov](https://www.medicare.gov) and [Leapfrog Group](https://www.leapfroggroup.org)).

<sup>20</sup> Please note that lower values are more favorable for measures OP-8 and OP-10 that are included within Table 18b. OP-8 measures the “[p]ercentage of outpatients with low-back pain who had an MRI without trying recommended treatments (like physical therapy) first.” As CMS explains, “[h]ospitals that are rated well on [OP-8] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary MRIs for low-back pain.” As for OP-10, it measures the “[p]ercentage of outpatient CT scans of the abdomen that were ‘combination’ (double) scans.” CMS explains that “[h]ospitals that are rated well on [OP-10] will have lower percentages. If a percentage is high, it may mean that the facility is doing unnecessary double/combo scans.”

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%	11.8%
Medication Safety														
Safe Medication Ordering <sup>21</sup>	Not Available		Not Available		Not Available		Not Available		Not Available		100		Not Applicable (figure to be released in Q3)	

**Table 18c: Legacy SACMC Ancillary Health Services Quality Scores<sup>22</sup>**

Experience	Baseline Period												Post-Merger Period	
	FY2018				FY2019				FY2020				FY2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Use of Medical Imaging <sup>23</sup>														
OP-8. MRI Lumbar Spine for Low Back Pain <sup>24</sup>	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	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%	4.8%
Medication Safety														
Safe Medication Ordering <sup>25</sup>	Not Available		Not Available		Not Available		Not Available		Not Available		45		Not Applicable (figure to be released in Q3)	

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

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

- Physician Services Pricing and Availability:* The gross charges for 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 █████ 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 19** below identifies Quarter 2 FY2021 volumes and the average 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 19**, as legacy SACMC data was not available to Shannon Health pre-Merger. Beginning with Quarter 2 FY2021 (the first full quarter post-Merger) and going forward, the physician services data includes both SMC and SMC South combined.

<sup>21</sup> Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as “Safe Medication Ordering,” are not available for FY2018, FY2019, or Spring of FY2020.

<sup>22</sup> See supra note 17.

<sup>23</sup> See supra note 18 for more information.

<sup>24</sup> 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.”

<sup>25</sup> Please note that Leapfrog does not publicly provide past or historical Hospital Safety Grade reports on its website. As such, hospital scores on the underlying measures, such as “Safe Medication Ordering,” are not available for FY2018, FY2019, or Spring of FY2020.

**Table 19: Physician Services**

CPT	Description	Volume			CDM Price		
		FY2020 <sup>26</sup>	Q1 FY2021 <sup>27</sup>	Q2 FY2021	FY2020	Q1 FY2021	Q2 FY2021
<i>Physician Office Visits</i>							
99214	PR OFFICE/OUTPATIENT ESTAB MOD 30-39 Min	163,947	43,750	48,642	\$207.00	\$207.00	\$207.00
99213	PR OFFICE/OUTPATIENT ESTAB LOW 20-29 Min	143,742	40,139	41,292	\$140.00	\$140.00	\$140.00
99212	PR OFFICE/OUTPATIENT ESTAB SF 10-19 Min	28,159	7,243	5,357	\$83.00	\$83.00	\$83.00
99204	PR OFFICE/OUTPATIENT NEW MOD 45-59 Min	16,312	4,067	5,050	\$318.00	\$318.00	\$318.00
99203	PR OFFICE/OUTPATIENT NEW LOW 30-44 Min	13,651	4,419	4,270	\$207.00	\$207.00	\$207.00
<i>Hospital Clinic Visits</i>							
99232	PR SBSQ HOSPITAL CARE/DAY 25 Min	44,966	10,758	12,543	\$141.00	\$141.00	\$141.00
99233	PR SBSQ HOSPITAL CARE/DAY 35 Min	24,660	9,593	8,100	\$204.00	\$204.00	\$204.00
99239	PR HOSPITAL DISCHARGE DAY >30 Min	9,744	2,634	2,664	\$209.00	\$209.00	\$209.00
99231	PR SBSQ HOSPITAL CARE/DAY 15 Min	8,896	2,937	1,964	\$77.00	\$77.00	\$77.00
99223	PR INITIAL HOSPITAL CARE/DAY 70 Min	10,088	2,912	2,695	\$396.00	\$396.00	\$396.00

- 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%).<sup>28</sup> 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.

20. 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.

<sup>26</sup> Excludes legacy SACMC (or SMC South) as this data was not available to Shannon Health pre-Merger

<sup>27</sup> Volume amounts include three months of data for SMC and two months of data (November and December 2020) for SMC South, as volume from legacy SACMC was not available to Shannon Health pre-Merger

<sup>28</sup> Centers for Medicare Services, Quality Payment Program (<https://app.cms.gov/mips/overview>).



- Consolidation of Services: During Quarter 2 FY2021, Shannon Health did not consolidate any clinic services. Shannon Health continues to evaluate opportunities for service line optimization or consolidation and will note any changes in subsequent reports. Services offered as of Quarter 2 FY2021 by Shannon Health are outlined in **Attachment 2**.<sup>29</sup>

21. 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 Quarter 2 FY2021 and as the post-Merger integration process continued, Shannon Health identified multiple challenges impacting its ability to integrate and begin the work of realizing efficiency objectives. The Texas winter storms Shannon Health experienced have presented additional, unique challenges to integration, impacting the timing and ability to achieve immediate efficiencies. Additionally, Shannon Health's continued 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

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<sup>29</sup> 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.

## C. *Accessibility*

22. 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 Quarter 2 FY2021, the following 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. Shannon has developed: Three (3) COVID-19 information community update videos shared through social media; eight (8) local media interviews answering questions about the pandemic and vaccines; a virtual chat bot on the Shannon Health website to answer direct vaccine questions regarding access and eligibility; and ongoing messaging campaigns on multiple platforms informing the community about COVID-19 guidelines and vaccine eligibility.
    - Increasing Access to Care: Shannon Health has continued to offer local “drive-thru sites” to conduct COVID-19 testing, and has provided vaccines to healthcare workers and first responders throughout the broader rural community. Additionally, in Quarter 2 FY2021, Shannon Health team implemented a community-wide COVID-19 vaccine distribution strategy, administering over 50,000 doses to community members. As part of these efforts, Shannon Health established standalone vaccine clinic operations. This clinic utilized a formerly vacant department store to host adequate space and parking, and accommodated a high volume of patients that sought the COVID-19 vaccine.

23. 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 Quarter 2 FY2021, Shannon Health did not discontinue any patient services. Shannon Health expanded patient services in the following ways:
  - **Opened Shannon Rehabilitation Hospital:** On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a partnership with Encompass Health. The new hospital increased capacity from 14 to 40 dedicated inpatient rehabilitation beds, and also increased access to high quality rehabilitation care for patients in the area.
  - **Expanded capacity for COVID-19 response:** In January 2021, Shannon Health opened a temporary, standalone COVID-19 vaccine clinic to accommodate a high volume of patients. Also, in Quarter 2 FY2021, Shannon Health maintained the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID positive patients.

24. Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger.

- Emergency Department Wait Times: Average Emergency department (“ED”) wait times for the Second Quarter FY2021 (as reported by CMS in March 2021) for SMC and SMC South are provided below in **Table 24a** and **Table 24b**, respectively. For the purposes of this Report, average ED wait times is defined as the median time from arrival at the ED until time of discharge for outpatient ED patients. SMC was considered a “High” volume hospital for the CMS data released in Quarter 2 FY2021 because its ED patient volume was between 40,000 and 59,999 annually. The data released in Quarter 2 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 2 FY2021, SMC South 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 2 FY2021 indicates that SACMC operated below the national median for “Medium” volume hospitals.

**Table 24a: SMC Average ED Wait Times**

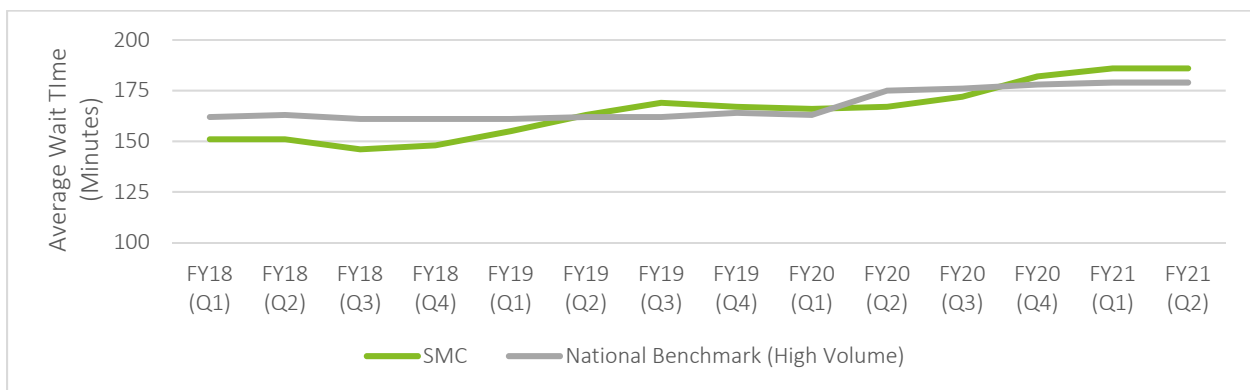
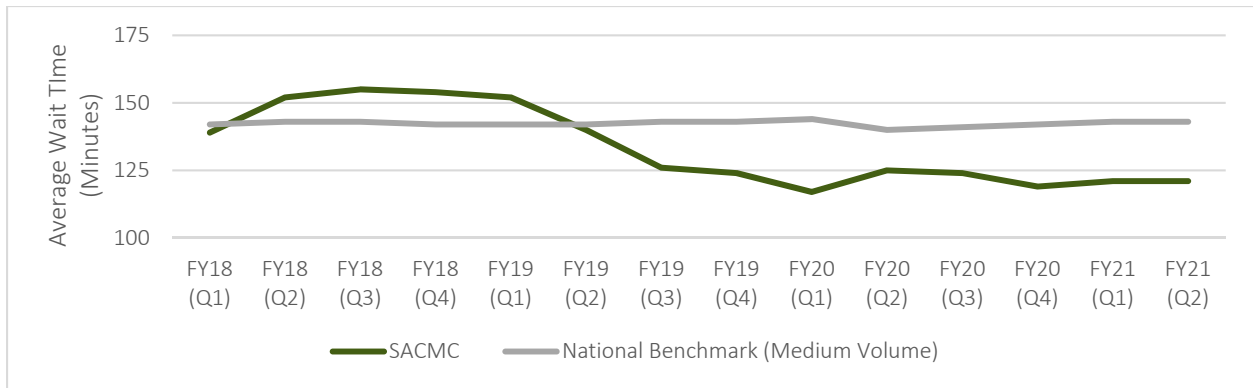


Table 24b: SMC South Average ED Wait Times



25. Data demonstrating any expansion in service delivery since the merger.

- During Quarter 2 FY2021, Shannon Health increased access to health care services for patients in its communities through the following initiatives to expand service delivery:
  - **Opened Shannon Rehabilitation Hospital:** On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a partnership with Encompass Health. The new hospital increased capacity from 14 to 40 dedicated inpatient rehabilitation beds, and also increased access to high quality rehabilitation care for patients in the area.
  - **Expanded capacity for COVID-19 response:** In January 2021, Shannon Health opened a temporary, standalone COVID-19 vaccine clinic to ensure adequate space and parking was available to accommodate a high volume of patients. Also, in Quarter 2 FY2021, Shannon Health maintained the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID positive patients.
  - **Inpatient Medical-Surgical unit expansion at SMC South:** Shannon Health increased inpatient medical-surgical capacity at SMC South by combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), which were both underutilized units with a very low average daily census. This further integration and optimization of the two Shannon campuses creates lower cost units with more appropriate staff-patient ratios to reduce overall costs while ensuring patients are receiving the best care possible. This shift of higher acuity patients to SMC centralizes the accessibility of higher levels of care and intervention provided for patients.

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

- Pre-Merger Rehabilitation Room Capacity: Please refer to the Baseline Performance Report.
- Post-Merger Rehabilitation Room Capacity: On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a joint venture with Encompass Health, a national leader in healthcare and rehabilitation services. The Shannon Rehabilitation Hospital includes 40 private inpatient rehabilitation rooms, an expansive therapy gym featuring the latest technologies and equipment, an on-site cafeteria, in-house pharmacy and a four-chair dialysis suite. The Shannon Rehabilitation Hospital provides inpatient rehabilitation services to treat conditions such as amputations; brain injuries; burns, cardiac and pulmonary conditions; complex orthopedic conditions; hip fractures; multiple trauma; neurological conditions (e.g., Parkinson's disease, Guillain-Barré, Multiple Sclerosis); orthopedic conditions such as joint replacements or lower extremity fractures; spinal cord injuries; and strokes. A multidisciplinary team of providers provide care for patients at Shannon Rehabilitation Hospital, including physicians trained in physical medicine and rehabilitation, physical therapists, occupational therapists, speech-language pathologists, nurses specialized in rehabilitation care, pharmacists, dietitians/nutritionists, case managers and more. The hospital has 40 private, inpatient rooms, an expansive therapy gym featuring the latest technologies and equipment, an onsite cafeteria, an in-house pharmacy and a four-chair dialysis suite. Opening the Shannon Rehabilitation Hospital expanded rehabilitation capacity from 14 to 40 dedicated patient beds and enhanced patient care available to the community with significant investments in the latest equipment and technology.

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

- Inpatient Rehabilitation: The Shannon Rehabilitation Hospital, a 40-bed inpatient rehabilitation hospital, opened in Quarter 2 FY2021 through a partnership with Encompass Health. The Shannon Rehabilitation Hospital is opened 24 hours a day, 7 days a week. Care is provided by a multidisciplinary team of providers including physicians trained in physical medicine and rehabilitation, physical therapists, occupational therapists, speech-language pathologists, nurses specialized in rehabilitation care, pharmacists, dietitians/nutritionists, case managers and more. The conditions treated include:
  - Amputations
  - Brain injuries
  - Burns, Cardiac and pulmonary conditions
  - Complex orthopedic conditions
  - Hip fractures, Multiple trauma
  - Neurological conditions (e.g. Parkinson's disease, Guillain-Barré, multiple sclerosis)
  - Orthopedic conditions such as joint replacements or lower extremity fractures
  - Spinal cord injuries
  - Strokes
- Outpatient Rehabilitation: SMC has three locations providing outpatient rehabilitation services:
  - 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.

All three locations had service delivery hours of Monday through Friday, 8:00 AM to 5:00 PM.

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

- ***Infrastructure Investment and Capital Expenditures:*** During Quarter 2 FY2021, Shannon Health invested approximately \$8.9 million in capital expenditures. See **Table 28** for a summary of capital, infrastructure and operating expenditures for Shannon Health (SMC and SMC South combined) for the First and Second Quarter FY2021. Please note that Shannon Health does not have the capability of reporting SMC South’s expenditures separately as the entity departments have been combined into already existing cost centers.
- The \$8.9 million in capital expenditures was primarily made up of the following:
  - \$4.2 million of infrastructure expenditures, of which \$3.0 million was related to the opening of the Shannon Rehabilitation Hospital, a joint venture with Encompass Health Corporation, which fully opened in Quarter 2 FY2021;
  - \$435,000 for the Oncology and Pharmacy Office Building;
  - \$385,000 for the replacement of the system-wide nurse call system, which includes both hospital campuses;
  - \$3.1 million for the South Medical Office Building (MOB) remodel, IT infrastructure and equipment for SMC South; and
  - The remaining \$1.6 million of capital expenditures were for equipment at other locations across the Shannon Health system.

**Table 28: Shannon Health Capital, Infrastructure and Operating Expenditures for FY2021**

	Q1 FY2021	Q2 FY2021
<b><i>Shannon Health</i></b>		
Capital Expenditures <sup>30</sup>	\$8,964,071	\$8,936,130
Infrastructure Expenditures	\$5,802,203	\$4,218,960
Operating Expenditures <sup>31</sup>	\$145,326,793	\$151,336,064

**29. Evidence of any expansion of clinical services.**

- Shannon Health is continuing to thoughtfully evaluate clinical services across SMC and SMC South for additional clinical optimization and/or expansion opportunities.
  - **Opened Shannon Rehabilitation Hospital:** On March 29, 2021, Shannon Health opened the Shannon Rehabilitation Hospital through a partnership with Encompass Health. The new

<sup>30</sup> “Infrastructure Expenditures” are included within the “Capital Expenditures” Line in **Table 28**.

<sup>31</sup> The expenditure amounts reported in this **Table 28** reflect the unaudited financial figures as recorded by Shannon Health.

hospital increased capacity from 14 to 40 dedicated inpatient rehabilitation beds, and also increased access to high quality rehabilitation care for patients in the area.

- **Expanded capacity for COVID-19 response:** In January 2021, Shannon Health opened a temporary, standalone COVID-19 vaccine clinic to ensure adequate space and parking was available to accommodate a high volume of patients. Also, in Quarter 2 FY2021, Shannon Health maintained the area’s only COVID-19 Infusion Therapy Clinic at SMC South to provide the monoclonal antibody outpatient infusion therapy to identified high-risk COVID positive patients.
- **Inpatient Medical-Surgical unit expansion at SMC South:** Shannon Health increased inpatient medical-surgical capacity at SMC South by combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), [REDACTED] [REDACTED]. This further integration and optimization of the two Shannon campuses creates lower cost units with more appropriate staff-patient ratios to reduce overall costs while ensuring patients are receiving the best care possible. This shift of higher acuity patients to SMC centralizes the accessibility of higher levels of care and intervention provided for patients.

30. 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 2 FY2021), and any approved and implemented revised policy will be provided in future submissions as applicable.

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

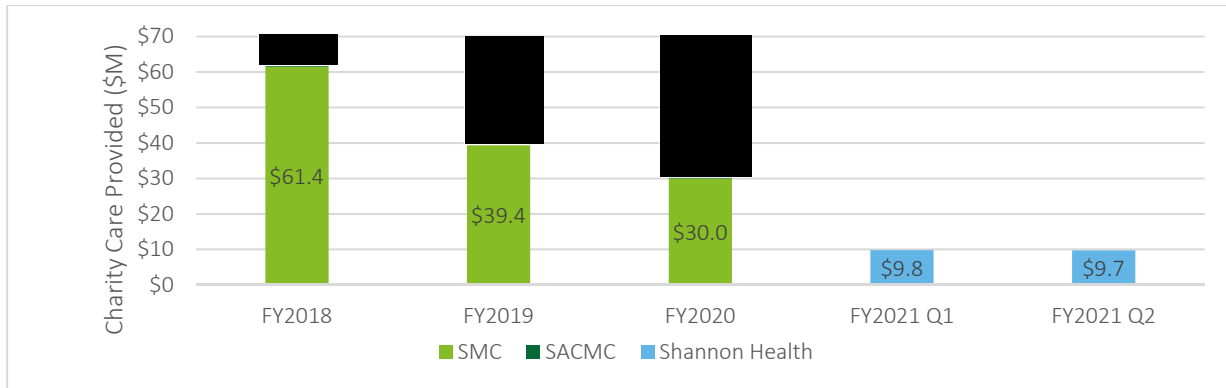
- During Quarter 2 FY2021, Shannon Health enrolled a total of 2,067 patients in charity care and financial assistance programs. This represents a 20% increase in the number of patients enrolled in charity care and financial assistance programs from the first quarter. Post-Merger, Shannon Health’s Charity 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).

32. 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 2 FY2021 is shown below in **Table 32**. Shannon Health incurred \$9.7 million in charity care during Quarter 2 FY2021.

Table 32: Charity Care



**33. Data demonstrating expansion efforts for the Shannon Care Coordination Program.**

- During Quarter 2 FY2021, the Shannon Care Coordination Program team expanded efforts to serve patients discharging from the hospital with chronic disease— including Congestive Heart Failure (CHF) and Chronic Obstructive Pulmonary Disease (COPD) patients, as well as patients at high-risk for readmission. Key areas of the program include: medication management, addressing social barriers, and helping the patient manage their chronic condition at home.

**34. 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. The Shannon Care Coordination program was developed as a patient-centric strategy to impact patient care beyond the four walls of the hospital.
- The Shannon Care Coordination Program is designed to improve patient outcomes by utilizing a team to focus on population health efforts as it relates to chronic disease. The Program’s structure and ability to utilize a team to focus on population health efforts as it relates to chronic disease has provided Shannon Health the opportunity to identify possible areas for patient care—all in service of providing care to patients in the community. Key areas of the program include: medication management, addressing social barriers, and helping the patient manage their chronic condition at home.
- During Quarter 2 FY2021, the Shannon Care Coordination Program team expanded efforts to serve patients discharging from the hospital with chronic disease— including Congestive Heart Failure (CHF) and Chronic Obstructive Pulmonary Disease (COPD) patients, as well as patients at high-risk for readmission. Key areas of the program include: medication management, addressing social barriers, and helping the patient manage their chronic condition at home.

**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 2 FY2021, Shannon Health implemented the following initiatives, which are intended to increase clinical integration between the facilities and providers:
  - **Clinical contract alignment:** [REDACTED]
  - **Implementation of single EMR across Shannon Health facilities:** Shannon Health completed its EMR migration for SMC South—migrating it from its current MedHost platform to Shannon Health’s Epic EMR platform. On February 5, 2021, SMC South went live on Epic. Additionally, in Quarter 2 FY2021, Shannon Health began working directly with MedHost to ensure SMC South’s historical data is maintained and available for future needs.
  - **Inpatient Medical-Surgical unit expansion at SMC South:** Shannon Health increased inpatient medical-surgical capacity at SMC South by combining the inpatient Step-down Unit (SDU) with the Intensive Care Unit (ICU), [REDACTED]. This further integration and optimization of the two Shannon campuses creates lower cost units with more appropriate staff-patient ratios to reduce overall costs while ensuring patients are receiving the best care possible. This shift of higher acuity patients to SMC centralizes the accessibility of higher levels of care and intervention provided for patients.

The areas noted above have increased clinical integration between SMC and SMC South, and have generated cost savings for the combined organization. As this Report is based on five 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. 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.

- As a result of the Merger, during Quarter 2 FY2021, Shannon Health was able to further enhance or increase the services offered to the hospitals’ rural communities, including the following:
  - **Community COVID-19 education programs:** In order to keep the local community informed with the latest information related to the COVID-19 pandemic and vaccine distribution status, Shannon Health invested in a number of community education programs. These programs include: Three (3) COVID-19 information community update videos shared through social media, eight (8) local media interviews answering questions about the pandemic and vaccines, a virtual chat bot on the Shannon Health website to answer direct vaccine questions regarding access and eligibility, and ongoing messaging campaigns on multiple platforms informing the community about COVID-19 guidelines and vaccine eligibility.
  - **COVID-19 vaccine distribution:** Combining resources has allowed Shannon Health to develop a more efficient COVID-19 vaccine distribution process that directly resulted in an increased number of outpatient admissions, as well as an increased number of patients in the region who have been able to receive the vaccine. A centralized Shannon Health team

implemented a comprehensive vaccine roll-out, concentrating on offering doses to the local and wider rural community. Shannon Health organized, set up, and began operating the Shannon Vaccine Clinic, utilizing a formerly vacant department store at the Sunset Mall in San Angelo. The clinic was open five days a week, by appointment. In addition, Shannon Health established and operated the Shannon COVID-19 hotline. Individuals could call and speak to a clinical provider about inquiries regarding COVID testing or the COVID vaccine. Shannon Health’s local presence and leadership provided direct COVID vaccine access to the local community. Shannon Health’s locally-owned infrastructure yields the opportunity to adapt more timely and make informed decisions as COVID guidance became available or changed. This allowed Shannon Health to increase strategies in response to COVID and adapt processes as CDC guidelines for the distribution of COVID vaccine continued to change, which resulted in great benefit to the community to access the COVID vaccine. In Quarter 2 FY2021, through the combined entity, Shannon Health distributed the following number of COVID vaccine doses:

- Pfizer doses: 44,271
- Moderna doses: 6,254
- Post-Merger, there were no reductions in Shannon Health services within the service area.

37. 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 37** of this Report lists the health plans<sup>32</sup> that Shannon Health contracted with as of the end of Quarter 2 FY2021. As of the end of Quarter 2 FY2021, Shannon Health accepts American Health Plan, an institutional special needs plan for Medicare Advantage members. No other health plan contracts have been added or terminated since the Merger.

**Table 37: Health Plans Accepted by Shannon Health**

Organization
Aetna
Ambetter Superior Health
American Health Plan
Amerigroup Medicaid
Blue Choice
Blue Cross Advantage HMO
Blue Cross HMO Blue Essentials
Blue Cross Traditional
Caprock Healthplans
CIGNA
First Health
FirstCare Medicaid

<sup>32</sup> This list does not include direct employer agreements, workers’ compensation, or other arrangements for discrete services (e.g., school services, behavioral health).

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

38. 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 38** 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 2 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 has applied for a new Level 1 designation at SMC South (legacy SACMC did not have a Maternal designation pre-Merger), and plans to continue to build the Maternal program in order to eventually pursue a Level 2 designation through an on-site survey. The Trauma service level for SMC South is in pending status based on the name change and change in CMS number at the time of acquisition (legacy SACMC held a Level 3 Trauma designation prior to the Merger). The SMC South Trauma facility is scheduled to predesignate as a Level 4 in February 2022. Additional information will be reported in future quarterly reports as available.

**Table 38: Pre- and Post-Merger Key Service Levels**

Location	Pre-Merger Service Level (FY2020)				Q1 FY2021 Service Level				Q2 FY2021 Service Level			
	ED	Neonatal	Maternal	Trauma	ED	Neonatal	Maternal	Trauma	ED	Neonatal	Maternal	Trauma
SMC	3	2	2	3	3	2	2	3	3	2	2	3
SMC South	3	2	Not Applicable	3	3	1	Pending	Pending	3	1	Pending	Pending

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

- *Challenges Related to Ability to Maintain Accessibility:* There were two primary challenges to maintaining or improving patient accessibility post-Merger during Quarter 2 FY2021:
  - **COVID-19 pandemic.** 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.
  - **February Winter Storm.** In February 2021, Shannon Health responded to the immense challenges and disruptions caused by the Texas winter storms. During this time, Shannon Health rescheduled non-emergent surgeries and outpatient ancillary appointments.

## D. Competition

40. 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.

- Shannon Health faces competition from a number of hospitals and health systems in its primary and secondary service areas. Post-Merger, Shannon Health continues to compete with large and significant health systems throughout the region, most of which are gaining strength. The robust competition for inpatient acute facility services will continue from many 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, including without limitation:

1. Lubbock University Medical Center
2. Midland Memorial Hospital
3. University Health System in San Antonio
4. Houston Methodist – The Woodlands
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 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., Suite B, Brownwood, TX 76801
- Fresenius Kidney 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
- Hensley 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
- Fresenius Kidney Care West Texas; 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

#### 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, Suite C, Ballinger, TX 76821
- North Runnels Hospital District 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 Ross 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
- DaVita 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
- DaVita 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
- Hendrick Clinic – San Saba; 403 W Wallace St., San Saba, TX 76877

### Terrell County

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

### Upton County



- 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 N Bedell Ave., Del Rio, TX 78840
- Fresenius Kidney Care 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. Carter Healthcare; 2725 Sherwood Way, Suite 700, San Angelo, TX 76904
3. Caprock Home Health Services Inc.; 215 S Irving, San Angelo, TX 76903
4. Comfort Keepers San Angelo; 3121 Executive Drive; San Angelo, TX 76904
5. Concho Valley Home Health Care; 430 W Beaugard Ave., Suite B, San Angelo, TX 76903
6. Encompass Health Home Health; 334 W Highland Blvd., San Angelo, TX 76903
7. Home Preferred Senior Care; 3180 Executive Dr., Suite 109, San Angelo, TX 76904
8. Intrepid USA Healthcare Services; 3310 W Loop 306, San Angelo, TX 76904
9. Kindred At Home; 1518 W Beaugard, San Angelo, TX 76901
10. Outreach Home Care; 17 S. Chardbourne Street, Suite 500, San Angelo, TX 76903
11. San Angelo Home Health; 423 S Irving Street, San Angelo, TX 76903
12. Texas Home Health of America; 4202 Sherwood Way, Suite A, San Angelo, TX 76904
13. TLC In Home Care Inc.; 1932 Sherwood Way, San Angelo, TX 76901
14. Visiting Angels; 3290 Sherwood Way, San Angelo, TX 76901

**Hospice Agencies**

1. Concho Hearts Hospice, LLC; 2007 W Beaugard 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. Meadow Creek Nursing and Rehabilitation; 4343 Oak Grove Blvd., San Angelo, TX 76904
5. Park Plaza Ltc Partners Inc.; 2210 Howard St., San Angelo, TX 76901
6. Regency House; 3745 Summer Crest Dr., San Angelo, TX 76901
7. Sagecrest Alzheimer's Care Center; 438 Houston-Harte, San Angelo, TX 76903
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

#### 41. 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.

#### 42. Evidence reflecting efforts to bring additional jobs to the area.

- Open Positions: As of the end of Quarter 2 FY2021, Shannon Health had 243 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. A list of open positions as of the end of the Quarter 2 FY2021 is provided in **Attachment 3**.
- New Positions: During Quarter 2 FY2021, Shannon Health created 9 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 Patient Access Coordinator
  - 3 Patient Experience Reps for the New COVID-19 Vaccine Clinic
  - 1 RN for the Joint Center at SMC South
  - 1 RN/Case Manager position
  - 1 Maintenance Mechanic II for SMC South
  - 1 Mental Health Tech for Behavioral Health Unit
  - 1 Maintenance Mechanic for SMC
- New Hires: During Quarter 2 FY2021, Shannon Health hired 239 new employees.

43. Data illustrating the organizations’ payment models.

- Shannon Health currently participates in the payment models listed in **Table 43** below, which have remained unchanged from the Baseline Performance Report.

**Table 43: Shannon Health Payment Models<sup>33</sup>**

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

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

- As of the end of Quarter 2 FY2021, no new payment models have been established.

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

- Changes to Contracted Services: During Quarter 2 FY2021, Shannon Health did not identify any additional contracted service alignment opportunities. 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.

46. Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.

- **Table 46a** lists the practice areas and counties served by providers employed by Shannon Health as of the end of Quarter 2 FY2021. Care in the various specialties outlined in **Table 46a** is being provided by Shannon Health providers in those counties. The region is also served by a number of community physicians not employed by Shannon Health. **Table 46b** lists the number of practicing physicians along with their practice area. Practicing physicians include employed physicians, locum tenens physicians, and contracted physicians related to Shannon Health-offered specialties. While Shannon Health does not maintain a comprehensive directory of these community physicians beyond those with medical staff privileges at Shannon Health, public sources that identify community physicians including the Texas Medical Board Healthcare Provider Search and health plan provider directories are available.

<sup>33</sup> Excludes workers compensation payment models.

Table 46a: Practice Area Service Arrangements by County

Practice Area	Service Arrangements by County								
	Tom Green	Howard	McCulloch	Runnels	Sutton	Crockett	Mitchell	Val Verde	Brown
Access Clinic	✓								
Allergy	✓								
Anesthesiology	✓								
Cardiology	✓	✓	✓	✓	✓	✓			
CV Surgery	✓								
Dermatology	✓	✓							
Electrophysiology	✓								
Emergency	✓								
Endocrinology	✓								
Family Practice	✓	✓				✓			✓
Gastroenterology	✓								
Hematology Oncology	✓	✓							
Hospitalist	✓								
Internal Medicine	✓								
Laboratory	✓								
Nephrology	✓		✓						
Neurology	✓								
Neurosurgery	✓	✓	✓		✓		✓	✓	✓
OB/GYN	✓ *	✓	✓						
Ophthalmology	✓								
Orthopedics	✓	✓	✓		✓				
Otolaryngology	✓								
Pain Management	✓								
Palliative Care	✓								
Pathology	✓								
Pediatrics	✓ *								
Phys & Rehab Medicine	✓								
Physician Recruitment	✓								
Podiatry	✓								
Psychiatry	✓								
Pulmonology	✓								
Radiation Oncology	✓								
Radiology Services	✓								
Rheumatology	✓								
Senior Clinic	✓								
Surgery	✓								
Urgent Care	✓								
Urology	✓		✓		✓				
Wound Care	✓								

\* In addition to providing services at Shannon these specialties also provide routine clinics at the FQHC located in Tom Green County.

**Table 46b: Employed Physicians by Practice Area**

Practice Area	Practicing Physicians
Allergy	1
Anesthesiology	21
Cardiology	6
CV Surgery	2
Dermatology	5
Electrophysiology	10
Emergency	22
Endocrinology	1
Family Practice	20
Gastroenterology	6
Hematology Oncology	2
Hospitalist	35
Infectious Disease	1
Internal Medicine	10
Nephrology	7
Neurology	4
Neurosurgery	4
OB/GYN	13
Ophthalmology	5
Orthopedics	6
Otolaryngology	3
Pain Management	1
Palliative Care	2
Pathology	4
Pediatrics	16
Phys & Rehab Medicine	1
Podiatry	3
Psychiatry	2
Pulmonology	12
Radiation Oncology	1
Radiology Services	13
Rheumatology	1
Surgery	11
Urology	4
Wound Care	3
<b>TOTAL</b>	<b>258</b>

47. 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

48. A description of steps taken to reduce costs and improve efficiency.
- Steps Taken to Reduce Costs: Shannon Health has continued to conduct weekly, joint executive leadership meetings during Quarter 2 FY2021, which oversees SMC and SMC South, discusses post-Merger integration priorities and initiatives, including how to reduce costs and improve efficiency.
49. 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: Shannon Health Board meeting minutes and notes created during Quarter 2 FY2021 do not specifically address the COPA and are not responsive, and thus have not been provided. [REDACTED] Health anticipates that future Board committee meeting minutes will specifically address updates and information related to the COPA, and those will be provided in future quarterly reports, as applicable.

50. 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.]

- For FY2021, Shannon Health continued working toward its quality improvement measures, which were instituted in the First Quarter FY2021 to further enhance quality at all of Shannon Health's hospitals. For FY2021, Shannon Health 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. Shannon Health tracks various quality measures internally to develop strategies and understand current performance. This is a proactive approach to understand and potentially impact the data that will be later publicly reported; Shannon Health anticipates needing more than a year of post-Merger data before it has usable data to report.
- The quality measures included in this Report are summarized below in **Table 50**. Please refer to the narratives in **Item 1** and **Item 34** 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 50: Shannon Health Summary of Quality Measure Performance

Quality Metrics	Page Ref.	FY2018				FY2019				FY2020				FY2021	
		Q1		Q2		Q1		Q2		Q1		Q2		Q1	Q2
CMS Star Rating – SMC	Pg. 8	4	4	4	4	4	4	4	4	5	5	5	5	Not Applicable (rating to be released in Q3)	
CMS Star Rating – SMC South	Pg. 8	4	4	4	4	4	4	4	4	4	4	4	4	Not Applicable (rating to be released in Q3)	
Leapfrog Safety Grades – SMC	Pg. 8	C	C	C	C	C	C	C	C	C	C	C	C	Not Applicable (rating to be released in Q3)	
Leapfrog Safety Grades – SMC South	Pg. 8	A	A	A	A	A	A	A	A	B	C	B	C	Not Applicable (rating to be released in Q3)	
Pt. Satisfaction Rating – SMC	Pg. 9	4	4	4	4	3	3	3	3	4	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	4
Patient Readmissions – SMC	Pg. 10	15.2%				14.1%				15.2%				Not Applicable (rating to be released in Q3)	
Patient Readmissions – SMC South	Pg. 10	14.8%				14.6%				16.2%				Not Applicable (rating to be released in Q3)	
Inpatient Volumes – Combined	Pg. 9	[REDACTED]												5k	5k
Outpatient Volumes – Combined	Pg. 10	[REDACTED]												255k	299k

51. 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. During Quarter 2 FY2021, Shannon Health identified additional opportunities to either consolidate certain contracted services to a single contracted provider or to terminate certain contracts at legacy SACMC as Shannon Health is able to perform these services in-house with their existing providers. These opportunities will enable the combined organization to operate more efficiently and achieve cost savings and include:

- [REDACTED]
- [REDACTED]



- [Redacted]
- [Redacted]

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.

52. The number of physicians, allied professionals and other health care providers providing medical services that have privileges to practice at the hospital.
- *Privileged Providers:* As of Quarter 2 FY2021, Shannon Health provided privileges to 392 health care providers at SMC and 234 health care providers at SMC South, as detailed in **Table 52** below.
  - As noted in the Quarter 1 FY2021 Performance Report, 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 2 FY2021, an additional 21 providers were granted privileges at SMC and an additional 30 providers were granted privileges and SMC South, including Emergency Medicine and Anesthesiology providers.

**Table 52: Shannon Health Privileged Providers**

Privileged Provider Category	SMC	SMC South
Physicians	259	158
AHPs	63	38
Telemedicine Physicians	70	38
<b>Total</b>	<b>392</b>	<b>234</b>

53. Information on additional investments regarding infrastructure, capital expenditures, and operating costs and how this affected patient care outcomes, population access to healthcare, and prevention services.
- Shannon Health continues to invest in the combined health system. Details of these infrastructure, capital, and operating investments and the link to improved patient care and access can be found in **Item 13**, **Item 14**, and **Item 28** of this Report.

#### IV. Attachments