BalladHealth™
It's your story. We're listening.

Alan Levine
Executive Chairman,
President and Chief Executive Officer

303 Med Tech Parkway
Suite 300
Johnson City, TN 37604
tel 423.302.3423
fax 423.302.3447

balladhealth.org

January 29, 2019

Lisa Piercey, MD
Commissioner, Tennessee Department of Health
5th Floor Andrew Johnson Tower
710 James Robertson Parkway
Nashville, Tennessee 37243

Re: Greene County

Dear Commissioner Piercey,

We are writing to formally notify your office that Ballad Health ("Ballad") intends to move forward with consolidating certain services that were pre-approved by the Department under Section 4.03(b)(iii) of the Terms of Certification ("TOC"). One of the primary goals of the Certificate of Public Advantage was to identify inefficiencies in our region's health care system and address those inefficiencies in a way that would improve the health of our community. We believe the consolidation of certain healthcare services in Greene County, Tennessee, is an important step towards achieving this goal.

As noted in the TOC, Greene County has significant duplication of services with two acute care hospitals operating in the same county. Laughlin Memorial Hospital ("Laughlin"), is a 250-bed acute care hospital located in Greeneville, Tennessee. Takoma Regional Hospital ("Takoma"), is a 100-bed acute care hospital also located in Greeneville, Tennessee. Prior to the merger that created Ballad, Wellmont Health System operated Takoma and Mountain States Health Alliance operated Laughlin. Today, Ballad operates both hospitals.

Despite being only four (4) miles apart, Takoma and Laughlin both offer a medical/surgical unit, ICU, Emergency Services, Surgical Services, Orthopedic Services, Obstetrics and various other duplicative services. Operating two full-service hospitals in a community with fewer than 69,000 people results in a dilution in the volume of patients each hospital treats. Currently, neither hospital reaches 30% capacity on any given day; Laughlin averages 17.7% capacity and Takoma averages 21.3% capacity. The majority of the physicians who practice at these two hospitals travel between the two facilities to see patients. Many physicians have locations near both locations to adequately serve patients. The operation of two hospitals in this community creates operational inefficiencies and wasted professional time that could be redirected towards patient care.

Over the last several months, Ballad undertook an assessment of the Greeneville, Tennessee, market to address the misalignment of resources. The assessment group was charged with

identifying which hospital could become the primary inpatient services hospital with the least amount of disruptions to the patients, team members, and physicians and which hospital was best situated to offer outpatient services, inpatient rehabilitation services, gero-psychiatric services, and surgical services. The group was also asked to identify duplicative services in the county as well as services that were not currently being offered in the market that could be added with the proper resource alignment.

Ultimately, the assessment group concluded that the most efficient use of resources in Greene County was to consolidate all of the inpatient and surgical services at one location and to consolidate all of the outpatient, inpatient rehabilitation, and gero-psychiatric services at the other location.

To implement the group's recommendations, Ballad plans to adopt a single hospital name across the two Greene County hospital campuses. The former Takoma campus will become "Greeneville Community Hospital West" and this location will offer outpatient, occupation and emergency medicine, inpatient rehabilitation, wound care, sleep lab, and gero-psychiatric services. The former Laughlin campus will become "Greeneville Community Hospital East." This location will offer inpatient, ICU, medical/surgical, surgery, obstetrics, surgery, and emergency medicine services. Once the ICU is transitioned to the Greeneville Community Hospital East Campus, Ballad plans to open a Progressive Care Unit ("PCU") at the same campus- a service not currently provided in the community, but which studies show benefits patient healing through a gradual, stepped-down level of care.

We believe this one hospital/two campus approach will lead to improved efficiency of physician and team member staffing, improved quality, and reduced costs. In addition to aligning the hospital services in a way that maximizes resources, we will also work to align physician practice locations with patient service locations. For example, the obstetric physicians will be repositioned at Greenville Community Hospital East (the former Laughlin campus) so that they are in closer proximity to patients in labor. Outpatient surgeons will be repositioned to be closer to the outpatient surgery rooms at Greenville Community Hospital West (the former Takoma campus). Team members may be reassigned to a different Greeneville Community Hospital campus based on service needs, but we do not anticipate any reduction in force as a result of this plan and any reassignments will have a minimal impact since the two campuses are only four miles apart.

Section 4.03(b)(iii) of the TOC permits Ballad to consolidate services in Greene County without prior approval from the Department so long as:

(A) the New Health System maintains at least one Rural Hospital in Greene County;

(B) such repurposing is consistent with the applicable plans set forth in Article III and with the goal of providing access to affordable healthcare services in the Geographic Service Area, including Hospital services and other healthcare and preventive services based on the demonstrated need of the applicable Population;

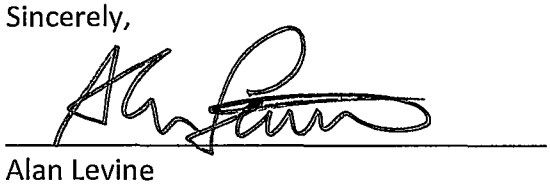
(C) the New Health System thereafter maintains and/or provides the Essential Services set forth in Exhibit E in Greene County; and

(D) no employee classified as clinical personnel may be terminated thereby, except for cause. In addition, the New Health System shall not require any such employee described in (D) above to transfer his or her principal place of employment to a location more than thirty (30) miles from the location of such employee's principal place of employment as a condition to his or her continued employment.

We believe operating a single hospital across two campuses will better align the resources in Greene County and satisfy all of the requirements of Section 4.03(b)(iii). Ballad will continue to provide the Essential Services currently offered in the community as well as higher-acuity services. In fact, no services are scheduled to be eliminated in the county, the duplicative services are simply being consolidated at one of the two existing campuses to improve quality and efficiency of patient care.

We appreciate the State's pre-approval of this consolidation and we look forward to serving the citizens of Greene County under this new model.

Sincerely,



Alan Levine

cc: M. Norman Oliver, MD, MA
Commissioner
Virginia Department of Health

Herbert H. Slatery III
Tennessee Attorney General

Janet M. Kleinfelter
Deputy Attorney General

Jeff Ockerman, Director, Division of Health Planning
Tennessee Department of Health

Larry Fitzgerald
Tennessee COPA Monitor

Erik Bodin, Director, Office of Licensure and Certification
Virginia Department of Health