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September 14, 2020
The Honorable Lisa Piercey, MD, MBA, FAAP
Commissioner
Tennessee Department of Health
710 James Robertson Parkway
Nashville, TN 37243

The Honorable Herbert H. Slatery III
Attorney General and Reporter
State of Tennessee
P.O. Box 20207
Nashville, TN 37202

Re: Request for Extension of the Temporary Suspension of Inpatient Services at Certain Ballad Health Hospitals

Dear Commissioner Piercey and Attorney General Slatery:

On July 16, 2020, you granted Ballad Health ("Ballad") a temporary suspension of Section 4.03(a)(ii) of the Terms of Certification ("TOC"), which permitted Ballad to take certain temporary steps to provide flexibility to appropriately staff for an anticipated increase in the number of COVID-19 cases in our region. Utilizing this suspension, Ballad temporarily halted certain inpatient services at Hawkins County, Hancock County and Unicoi County hospitals. This provided Ballad the ability to shift staffing to the tertiary hospitals (Holston Valley, Johnson City and Bristol) which helped supplant other staff needed for caring for COVID-19 patients.

Thank you for your swift action in response to the July 16, 2020 request.

As you know, the COVID-Pandemic persists and is continuing to significantly impact Ballad. Our positive inpatient numbers for the COVID-19 units are persistently between 80 and 100. On September 11, 2020, we experienced a record number of single-day reported deaths for the region at 14. When Ballad submitted our original request for temporary suspension, we had 52 positive COVID-19 inpatients.

Given the continuing impact of the COVID-Pandemic, Ballad respectfully requests an extension of the temporary suspension of Section 4.03(a)(ii) for inpatient services at Hawkins County, Hancock County and Unicoi County hospitals through the end of October 2020, at which time, we will reevaluate the ongoing demands. If we determine the need for continuation of this plan, we will submit an additional request for extension. Alternatively, you may wish to consider an extension until the end of December 2020, which would come with a commitment from us that we will try to return services to normal prior to that time as soon as circumstances permit. All emergency departments remain open and operational.

Our biggest concern at the moment remains the availability of staffing – in particular *experienced* staffing¹. As we now approach the flu season, which always presents challenges with spikes of volume primarily affecting the elderly and children, managing our staffing while our clinical professionals are stretched to manage the COVID-19 patients adds to the stress of the environment for the nursing team². As you know, rural communities in Tennessee and Virginia faced a major shortage of nurses even prior to the pandemic³. Steps Ballad took last year, including a more than \$100 million increase in nursing wages (ten-year total cost) helped reverse what had been a multi-year trend of increased nursing turnover as the shortage became more acute⁴. In fact, our nursing turnover had decreased to below the national average in the months prior to the pandemic. However, with the pandemic, our nursing staff have endured the stress related to the need for materially increased PPE utilization and the emotional and physical strain on the workload associated with the care of these patients⁵. The coming flu season adds to the uncertainty and stress for these clinical professionals.

Ongoing challenges with availability of staff persist, and are intensified as other states have taken aggressive action to assist their hospitals in recruiting new nurses during the spike in COVID-19 cases^{6,7}. The combination of an existing shortage of experienced nurses, the burnout rate for nurses threatening to increase, states contributing resources for their hospitals to recruit or contract with staffing augmentation and anticipated spikes in volumes this fall are creating such an overwhelming demand that the cost of contract, or temporary labor – *if you can even access contract labor* – are now in excess of \$120 hourly, more than double the typical cost.

Given these factors, it is not difficult to predict a challenging Fall season of managing already stressed staffing. With this challenge will come the need for being flexible and adaptive to the circumstances we will face. Our confidence is limited with regard to our ability to provide the breadth of staffing necessary under these extraordinary circumstances – certainly not while the market is being distorted by aggressive actions in other states to compete for an already limited pool of clinicians. These market distortions are significantly increasing the cost and decreasing the availability of staffing – particularly for rural systems.

This month, I approved another round of pay increases for unlicensed nursing assistants. The purpose for this pay adjustment is to bolster those who support our frontline nurses, thus helping to relieve their workload. Our efforts to increase this staffing have begun, and will hopefully bear results. Again, this is a segment of the profession which is very difficult to recruit for, and retain, even under the best of circumstances.

¹ <http://mediahub.unc.edu/in-rural-areas-a-shortage-of-nurses-makes-the-fight-against-covid-19-even-harder/>

² <https://www.kob.com/albuquerque-news/health-officials-worry-about-covid-19-spike-amid-flu-season-5859530/>

³ <https://www.wjhl.com/news/nationwide-nursing-shortage-impacting-ballad-health-hospitals/>

⁴ <https://www.balladhealth.org/news/pay-increases-frontline-nursing-team>

⁵ https://www.johnsoncitypress.com/news/local-news/intense-ballad-icu-staff-detail-work-inside-johnson-city-medical-centers-covid-19-unit/article_9aa697c0-edfa-11ea-a499-b73e2fdcd31.html

⁶ <https://www.fox13news.com/news/state-of-florida-asking-federal-government-for-1500-nurses>

⁷ <https://www.tampabay.com/florida-politics/buzz/2020/07/28/frantic-to-hire-nurses-florida-spends-millions-on-recruits/>

We are pleased to share that recently, the State of Tennessee provided a grant to Ballad Health through the Tennessee Community CARES program. This grant program is highly flexible, and we have chosen to use these grant funds to bolster our efforts toward recruitment of staffing rather than merely offsetting the losses related to the pandemic.

Related, but not actionable at this time, we do also want to ensure the State has visibility on the potential financial impact of what we expect to see this Fall. Depending upon the type of flu and volume, we anticipate additional financial strain. As Moody's reported last year, medical related admissions (i.e., flu) associated with Medicare and Medicaid, as well as private insurers, tend to reimburse at rates lower than the cost of providing the care (as opposed to surgical admissions), and the losses tend to increase with longer lengths of stay⁸. The lower medical reimbursement is exacerbated in rural communities by the dysfunctional Medicare Area Wage Index, which forces a lower reimbursement onto rural and non-urban hospitals (the region served by Ballad is among the lowest in the nation)⁹. The lower Medicare Area Wage Index, when paired with a disproportionately high average mix of Medicare and Medicaid patients, combined with Ballad's privately insured payer mix of below 17 percent for inpatients (with an increasing number of people who cannot pay their deductibles), is presenting ongoing challenges that have been compounded by (a) ongoing reduced elective volumes which create a problematic revenue picture for Ballad and (b) the complexity and comorbidities associated with the general health of the population – meaning the medical patients which are presenting are sicker and more complex. The staffing strain could, therefore, add to the challenge of managing length of stay – thus increasing the losses associated with medical-related admissions (which Moody's notes in their report).

For all these reasons, Ballad is attempting to maximize its flexibility so we can adapt to the demands of the market. The continued support of the state is critical to us as we, together, work to ensure the public health and safety of our common constituents.

Please contact us if you have any questions regarding this matter.

Sincerely,



Alan Levine
Chief Executive Officer
Ballad Health

cc: Janet M. Kleinfelter
Deputy Attorney General

Jeff Ockerman
Tennessee Department of Health

⁸ <https://www.beckershospitalreview.com/finance/moody-s-severe-flu-season-will-pressure-nonprofit-hospital-margins.html>

⁹ https://www.alexander.senate.gov/public/index.cfm/pressreleases?ContentRecord_id=4D81C063-1BFE-4124-AC3D-DBE846054883

The Honorable Norman Oliver, MD, MA, State Health Commissioner
Virginia Department of Health

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

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