



STATE OF TENNESSEE
DEPARTMENT OF HEALTH
ANDREW JOHNSON TOWER, 5TH FLOOR
710 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243

BILL LEE
GOVERNOR

LISA PIERCEY, MD, MBA, FAAP
COMMISSIONER

October 6, 2021

Mr. Alan Levine
Executive Chairman, President, and CEO
Ballad Health
303 Med Tech Parkway, Suite 300
Johnson City, TN 37604

RE: Proposal to Modify the HR/GME Plan (to include the family medicine residency relocation to Norton Community Hospital)

Mr. Levine,

I have received your request to modify Ballad Health's ("Ballad") Health Research and Graduate Medical Education Plan ("HR/GME Plan") required by Section 3.03 of the Second Amended and Restated Terms of Certification ("TOC") to include activities and spending related to the relocation of a family practice residency clinic in Wise County, Virginia to the Norton Community Hospital ("NCH") campus along with the recommendations of the Tennessee COPA Monitor related to the proposal, who has coordinated the analysis of your proposal with the Virginia COPA Monitor.

In the submitted proposal to modify the HR/GME Plan, Ballad asserts that moving the current residency clinic to the NCH campus will provide a better training experience for the Wise County family practice residents - chiefly because the residents would be trained in a higher volume clinic and would be in closer proximity to NCH. The spending proposed covers construction and renovation capital costs to a medical office building on the NCH campus.

I agree that an increase in volume could enhance Graduate Medical Education, but only to the extent that the ratio of patients per resident increases. It is not clear from the plan modification proposal that this move would result in an increase in the average number of patients per resident. In addition, it is unclear that the capital costs would primarily be incurred to enhance the residency program, that is to 'benefit the next generation of healthcare professionals that are needed to address the healthcare needs of the Geographic Service Area' consistent with Section 3.03(b) of the TOC.

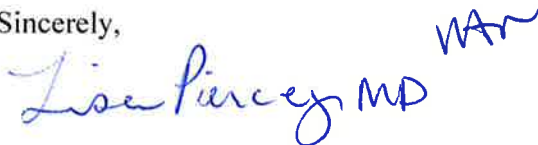
Further, I agree with the COPA Monitor's assessment that neither the physical move closer to the hospital campus nor the lack of additional patients promotes advancement of Graduate Medical Education or furthers the HR/GME goals described in the TOC.

Accordingly, based on the information received to date and in agreement with the COPA Monitor's recommendation, I respectfully deny Ballad's proposal to modify the HR/GME Plan to include Ballad's activities and spending (projected to be \$1,472,596) related to the relocation of the Wise County family practice residency clinic to the NCH campus. However, if Ballad provides the Department with data that exhibits a material improvement would occur in the volume of patients per resident seen in the new clinic as well as the benefit of the capital costs to the resident physicians, the Department would gladly reconsider this proposed plan modification.

Thank you for your continuing efforts to serve the needs of your patients. While TDH takes our supervision role under the COPA very seriously, we also see ourselves as partners with Ballad in working through the various issues that will invariably arise in this unprecedented process. Ballad's success is imperative to the residents of Northeast Tennessee and Southwest Virginia, and we want to do our part to help make that success possible.

Please let my staff or me know if you have any additional questions or need further clarification.

Sincerely,



Lisa Piercey, MD, MBA, FAAP
Commissioner

Cc: The Honorable Norman Oliver, State Health Commissioner
Virginia Department of Health

Tim Belisle, General Counsel
Ballad Health

Claire C. Haltom, Shareholder
Baker Donelson PC

Larry Fitzgerald
COPA Monitor

Janet M. Kleinfelter, Deputy Attorney General
State of Tennessee

Jim Mathis, COPA Director
Tennessee Department of Health

Judi Knecht, Population Health Program Manager
Tennessee Department of Health

Erik Bodin, Office of Licensure and Certification
Commonwealth of Virginia

Karen Guske, SVP Ballad Health
COPA Compliance Officer