STATE OF TENNESSEE
DEPARTMENT OF HEALTH
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NASHVILLE, TENNESSEE 37243

BILL LEE
GOVERNOR

LISA PIERCEY, MD, MBA, FAAP
COMMISSIONER

October 27, 2021

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

RE: Scoring under Certificate of Public Advantage ("COPA") for FY21 and FY22

Dear Mr. Levine,

This purpose of this letter is to outline the scoring methodology that the Tennessee Department of Health ("TDH") will use to determine ongoing public advantage under the COPA for annual reports covering FY21 and FY22, years that have been impacted by the COVID-19 pandemic and the ongoing declared public health emergency.

Under the March 31, 2020 letter from Attorney General and Reporter Herbert H. Slatery III and me, Ballad Health's ("Ballad") compliance with certain sections of the Second Amended and Restated Terms of Certification ("TOC"), including monetary obligations, non-monetary obligations and active supervision requirements, were temporarily suspended for the period of the public health emergency and a reasonable recovery period thereafter. That letter stated that Ballad's score for purposes of determining ongoing public advantage for FY20 would be based upon its performance through March 1, 2020. The letter did not address how scoring under Section 7.02 of the TOC would be handled during the remainder of the period of the public health emergency.

Consistent with the March 31, 2020 letter, TDH published its FY20 COPA Department Annual Report on April 23, 2021 for the entire fiscal year, based solely upon data submitted by Ballad for the period July 1, 2019 to February 29, 2020 and calculating a final score for that shortened period.

As previously discussed with Ballad, TDH intends to publish its FY21 COPA Department Annual Report utilizing information available to it at the time of publication by determining a

pass/fail Economic Sub-Index Score but only publishing a narrative on Ballad's performance for the remaining sub-indices. A final score will not be calculated nor published.

Further, because FY22 has already been impacted by the pandemic and the public health emergency declaration continues in Tennessee, TDH intends to publish its FY22 COPA Department Annual Report also utilizing information available to it at the time of publication by determining a pass/fail Economic Sub-Index Score but only publishing a narrative for Ballad's performance for the remaining sub-indices. A final score will not be calculated nor published. If the public health emergency ends prior to the end of FY22, the scoring for the FY22 Annual Report will not alter, but the period from the end of the public health emergency until the end of FY22 shall constitute the 'reasonable recovery period' contemplated in the March 31, 2020 letter. We believe this will permit Ballad a predictable time to prepare for the resumption of scoring.

Regulatory reporting obligations and scoring requirements under the TOC shall resume as of July 1, 2022, unless the public health emergency should extend beyond that date, in which case TDH will correspond further with Ballad. We do note, however, that any preparation materials required prior to that July date, such as the Replacement Plans required under TOC Section 3.06(b), should still be timely submitted. Consistent with the condition in my letter of July 27, 2021 granting Ballad an extension on the existing plans, Ballad shall develop and submit to TDH on or before April 1, 2022 for its approval a new plan for the next three full fiscal years to replace each existing plan.

We acknowledge that, notwithstanding the provisions of the March 31, 2020 letter granting a temporary suspension of Section 6.04(b) Annual Reports, Ballad did submit an Annual Report (dated November 25, 2020; revised May 19, 2021) covering the truncated timeframe from July 1,2019 to February 29, 2020.

Because TDH appreciates the information contained in Ballad's FY20 Annual Report and the effort it took to gather information to draft and submit the report, in order to complete its annual reporting requirements for the period of suspension TDH will grant Ballad the option of either:

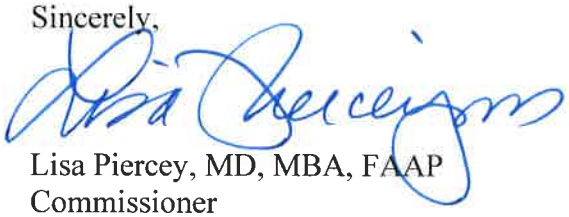
- updating its FY20 Annual Report and submitting separate FY21 and FY22 Annual Reports; or
- submitting a single Annual Report covering the period of March 1, 2020 to June 30, 2022 (or thereafter, if the public health emergency as declared by the Governor of Tennessee should extend beyond the end of FY22) provided that data for each reporting FY should be set forth separately in the Annual Report or reports.

We recognize the crucial role that Ballad has played over the last months in responding to and mitigating the effects of COVID-19 in the region and are grateful for Ballad's leadership through

this challenging time. 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

Marvin Eichorn, EVP, Chief Administrative Officer
Ballad Health

Karen Guske, SVP Ballad Health
COPA Compliance Officer

Janet M. Kleinfelter, Deputy Attorney General
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Larry Fitzgerald
COPA Monitor

Erik Bodin, Office of Licensure and Certification
Commonwealth of Virginia

Jim Mathis, COPA Director
Tennessee Department of Health

Judi Knecht, Population Health Program Manager
Tennessee Department of Health