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March 14, 2022

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

Re: Ballad Health partnership lease agreement with Care Centers Management Consulting, Inc. for the continuation of post-acute services at the Laughlin Healthcare Center location

Dear Commissioner Piercey:

The Laughlin Healthcare Center (LHC) is a 90-bed long-term care and skilled nursing facility owned by Ballad Health (Ballad) and located in Greeneville, Tennessee. LHC is a four-star facility located in a community where there are several skilled nursing and long-term care facility options, with multiple competitive choices for care. The provision of post-acute nursing home and long-term care, an important component of Ballad Health's services, is provided in multiple ways within Ballad. In some instances, Ballad has taken a minority position in the ownership of the facility while allowing long-term care operators to run the day-to-day services as an operating partner. Another approach is the direct ownership and operation of the facility by Ballad. It has been our experience that both approaches have served our patients well, depending upon the unique circumstances of the market and population being served. In each case, Ballad has structured the ownership and operation of the facility based on what we feel is best for our patients. In the current environment, Ballad feels LHC would benefit from being operated by Care Centers Management Consulting, Inc. (Christian Care), given the focus this highly respected organization can provide to LHC during a time when recruitment and retention of talent for inpatient acute care, and long-term care, require significant focus. Currently, LHC operates at a loss, with the 2022 anticipated operational EBITDA loss attributed to LHC of several million dollars. This is obviously unsustainable and could impair the facility's ability to continue offering high quality care which is accessible to the broadest number of people.

Ballad is writing to notify the Department that it intends to enter into a partnership with Christian Care to provide post-acute services at the current LHC location. Ballad intends to maintain the position of lessor of the building while Christian Care will assume the role of lessee and operator of the 90-bed facility. As a part of this partnership, the license to operate the facility would transfer to Christian Care for the term of the lease (a minimum of three years). While it is unclear whether Section 4.03(c)(i) of the Tennessee Second Amended and Restated Terms of Certification (the TOC) applies since this facility is not being repurposed and no services are being discontinued, Ballad is nevertheless providing the Department with notice. Ballad respectfully requests that the Department waive the 90-day notice period under Section 4.03(c)(i) so that Ballad may move forward with this lease arrangement. The parties desire to sign the lease and effectuate the changes as soon as May 1<sup>st</sup>.

To improve financial performance while not impacting overall availability of services for Greene County, Ballad sought out a logical partner for the LHC location and the services it provides. Most long-term care and skilled nursing facilities have experienced the same challenges that the LHC location has experienced; however, in some circumstances, they have been able to overcome operational hurdles because of their scale, focus on the service, and footprint. In this case, Ballad believes Christian Care has the scale and track record within our region to ensure the services provided to the community would continue to be available. As you may know, Ballad is currently partnered with Christian Care in Unicoi County, and Christian Care currently operates another facility in the Greeneville community – Durham-Hensley Health and Rehabilitation Services. Their reputation is positive.

The terms of the agreement at a high-level are defined below:

- The lease agreement will be for 10 years, with a minimum of 3 years with a 365 day with/without cause notice.
- The LHC employees will have an option to continue to be employed by Ballad at an alternative location in a similar job capacity or become employees of Christian Care at the time of the execution of the lease agreement.

We are happy to answer any questions, and to provide this notice.

Sincerely,



Alan Levine  
Chairman and Chief Executive Officer

cc: Herbert H. Slatery III  
Tennessee Attorney General and Reporter

The Honorable Colin Greene, MD, MA, State Health Commissioner  
Virginia Department of Health

Janet M. Kleinfelter  
Tennessee Deputy Attorney General

Allyson Tysinger  
Virginia Senior Assistant Attorney General

Jim Mathis, COPA Director  
Tennessee Department of Health

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