



**STATE OF TENNESSEE
DEPARTMENT OF HEALTH**

BILL LEE
Governor

Andrew Johnson Tower, 5th Floor
710 James Robertson Parkway
Nashville, Tennessee 37243

LISA PIERCEY, MD, MBA, FAAP
Commissioner

April 19, 2022

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

RE: Request to enter into partnership lease agreement with Care Centers Management Consulting, Inc. ("Christian Care") for Laughlin Healthcare Center ("LHC")

Mr. Levine,

This is in response to your letter dated March 14, 2022 giving the Tennessee Department of Health ("TDH") notice of your intention to enter into a partnership with Christian Care to provide post-acute services at LHC, currently operated by Ballad Health ("Ballad") as a long-term care and nursing facility located in Greenville, Tennessee. Your letter states that under the partnership, Ballad would retain the position of lessor of the building, and Christian Care will assume the role of lessee and operator of LHC. The lease will be for a ten (10) year term with rights of early termination, and you intend to transfer the license for LHC to Christian Care. Your letter further indicates that LHC is not being repurposed and that no services will be discontinued. It also states that all Ballad employees currently working at LHC 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. Finally, you state that Ballad currently partners with Christian Care in Unicoi County and that Christian Care currently operates another facility in the Greenville community. Therefore, you believe this changed operational structure is more likely to continue offering high quality care to the community and achieve financial success than the present, unsustainable structure.

Your letter references section 4.03(c)(i) of the Second Amended and Restated Terms of Certification, dated April 27, 2021 ("TOC"), which requires Ballad to give TDH ninety (90) days prior notice of "any proposed deletion or repurposing of ...any such facility [*sic*], including by means of ...creating a joint venture with respect to such Service Line, key component or procedure thereof, or any such facility [*sic*]...". Your letter states that Ballad desires to sign the lease and effectuate the changes as soon as May 1st and requests the waiver of the 90-day notice period.

Further, section 3.08 of the TOC governs Employee Retention/Termination/Severance generally and section 3.08(d)(ii) requires Ballad to give TDH sixty (60) days advance notice of any "material reduction in workforce during the COPA term...". Your letter does not reference section 3.08 of the TOC.

As a result, I find that the LHC partnership lease arrangement with Christian Care constitutes a material "Deletion or Repurposing of Other Service Lines or Non-Hospital Facilities" under section 4.03(c),

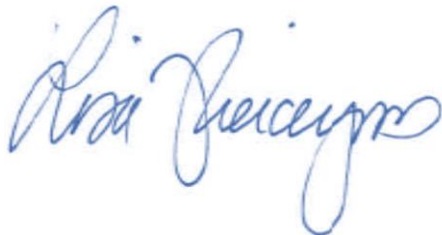
particularly considering Ballad's intent to transfer to Christian Care the LHC license to operate. In addition, I find that the potential termination of the Ballad staff at LHC constitutes a material reduction in workforce under section 3.08(d)(ii).

However, I believe the proposed arrangement is a positive business transaction that may retain or increase important services to the community, preserving quality and maintaining access to long-term care services in the region. **Therefore, I consent to your request to enter into the proposed arrangement with Christian Care for LHC as soon as May 1, 2022 and for good cause as demonstrated in your letter. I hereby waive the notice periods required under sections 3.08(d)(ii) and 4.08(c) of the TOC. Please note**, as a condition of this consent and waiver, I am requesting by copy of this letter that the COPA Monitor review the Ballad Severance Policy required by section 3.08(d)(ii) and the actual results of the plan to either place Ballad employees currently working at LHC at an alternative location in a similar job capacity or at LHC as Christian Care employees. This report should be included in the regular Annual Report of the COPA Monitor, which covers the time period for the transaction.

Thank you for proactively finding solutions to problems that threaten the continuation of quality care delivery. We are pleased to see Ballad partner with experienced and reputable organizations to serve the community. Maintaining access to these important health services is imperative to the residents of Northeast Tennessee and Southwest Virginia, and TDH wants to do our part to help make that possible.

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

Sincerely,



Lisa Piercey, MD, MBA, FAAP
Commissioner

Cc:

The Honorable Colin M. Greene, MD, MPH
Acting State Health Commissioner
Virginia Department of Health

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Ballad Health

Marvin Eichorn, EVP, Chief Administrative Officer
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