



**STATE OF TENNESSEE
DEPARTMENT OF HEALTH**

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BILL LEE
GOVERNOR

RALPH ALVARADO, MD, FACP
COMMISSIONER

May 4, 2023

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

RE: Ballad Health's ("Ballad") Request to amend the Rural Health Spending Plan to incorporate the reopening of Lee County Hospital

Mr. Levine,

This letter is in response to your request under Section 3.06(c) of the Third Amended and Restated Terms of Certification, dated July 1, 2022 ("TOC") to incorporate the reopening of Lee County Hospital and the operation of an urgent care center while the hospital was being reopened. I have reviewed your request along with the recommendation of the Tennessee Certificate of Public Advantage ("COPA") Monitor, who has coordinated the analysis of your proposal with the monitor from the Virginia Department of Health. I have also reviewed the January 12, 2023, Ballad Health Request to Amend the Rural Health Plan along with the Lee County Community Hospital letter from the Virginia Department of Health ("VDH Award Letter") approving a total of \$12, 787,739 amendments to the Rural Health Spending Plan.

Generally, TOC Section 3.01 requires that only new and incremental capital expenditures and operating expenses pursuant to approved spending plans count towards satisfaction of the spending commitments, and TOC Section 3.02(c) addresses the requirements of Rural Health Services specifically.

The history of the closing of the community hospital in Lee County, Virginia, and efforts by multiple parties to maintain essential health care services and to reopen the hospital began prior to the issuance of the COPA. Despite many developments, we recognize that a newly constructed hospital opened in July 2021 under the shadow of the COVID-19 public health emergency. Ballad originally requested amendment to the Rural Health Spending Plan in January 2021, but complex factual patterns, legal interpretations and requests and responses for additional information have resulted in multiple submissions to the Tennessee COPA Monitor and the Tennessee Department of Health ("TDH"). The final request to amend the Rural Health Spending Plan was submitted to both Virginia and TDH in July 2022.

TDH acknowledges that rural hospitals across the state of Tennessee and throughout the country are facing financial hardships and many have been forced to close. We celebrate the opening of this new facility within the Ballad geographic service area and applaud Ballad's efforts on behalf of rural patients, who frequently face barriers to access of quality health care while also burdened by economic and social factors that make positive health and wellness outcomes more difficult.

Therefore, in recognition of the unique needs of the rural citizens and the unprecedented factors surrounding the modification request, I approve Ballad's request to amend the Rural Health Spending Plan to incorporate the reopening of Lee County Hospital and the operation of an urgent

care center while the hospital was being reopened in the amount of \$12,787,739, which shall be credited in the 2022 fiscal year. The amount of this award also retains alignment for Ballad spending plan calculations with the VDH Award Letter.

Thank you for your efforts to serve the needs of your rural 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 know if you have any additional questions or need further clarification.

Sincerely,



Ralph Alvarado, MD, FACP
Commissioner

cc: Julie Bennett, Chief Legal Officer
Ballad Health

Marvin Eichorn, EVP, Chief Administrative Officer
Ballad Health

Karen Seiden, COPA Compliance Officer
Ballad Health

Joe Hilbert, Deputy Commissioner for Governmental and regulatory Affairs
Virginia Department of Health

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