



**STATE OF TENNESSEE
DEPARTMENT OF HEALTH**

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RALPH ALVARADO, MD, FACP
COMMISSIONER

February 8, 2024

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") proposal to modify the Health Research and Graduate Medical Education ("HR/GME") Plan to include funding for certain shortfalls in the revised Graduate Medical Education ("GME") formula for East Tennessee State University ("ETSU")

Mr. Levine,

This letter is in response to your request to the Tennessee Department of Health ("TDH") under Section 3.06(c) of the now Fourth Amended and Restated Terms of Certification, dated July 1, 2023 ("TOC") to modify the current HR/GME Plan.

Your request states that prior to fiscal year 2023, ETSU received approximately \$5.5 million each year in GME funding directly from the State of Tennessee, but beginning in fiscal year 2023, the funding is paid directly to Ballad hospitals. Routing this funding first through the hospitals exposes the funding to certain disproportionate share ("DSH") payback obligations based up DSH limits or caps. ETSU has already included the \$5.5 million in GME funding into its budget and relies on that money to cover various teaching costs related to the GME program.

Your proposal further states that due to Ballad being above the DSH caps at Johnson City Medical Center and Indian Path Medical Center, Ballad will have to repay to the State of Tennessee all but \$3.5 million of the funding for fiscal year 2023. This \$3.5 million will be remitted to ETSU to support the GME program at ETSU. However, the DSH payback obligation leaves ETSU with a \$2 million shortfall against its budget on this item. Ballad reports it has committed to make up 100% of the \$2 million shortfall, assuming that this amount is approved for Certificate of Public Advantage ("COPA") HR/GME plan spend.

TDH appreciates the support of the proposal provided in the September 2023 letter from Dr. William A. Block, Jr., Dean of the ETSU Quillen College of Medicine.

TDH recognizes the goal of the HR/GME Plan to provide effective training and workforce and

pipeline development into healthcare careers for the region. We believe the GME training programs at ETSU are essential to the development and retention of qualified providers in the Appalachian Highlands region. Those programs cannot be successful without proper funding. It is the responsibility of TDH to ensure good stewardship of COPA community investment dollars. The current HR/GME Plan has only been approved through the end of fiscal year 2025, and we are reluctant to approve expenditures beyond that date without further information, but we encourage Ballad to include HR/GME funding to ETSU in its next 3-year HR/GME Plan. We also note that final amounts credited towards the HR/GME monetary commitment should be limited to the amount of the annual DSH payback obligation, not to exceed \$2 million per year.

Therefore, **the modification request is approved, and the HR/GME Plan shall be amended as of the date of the letter to include the requested funding of up to \$2,000,000 annually in the amount equal to the amount disqualified or reduced to Ballad hospitals by its relevant DSH limit or cap, provided that Ballad remits all other GME funds from the State of Tennessee to ETSU Quillen College of Medicine.** The validation of actual expenditure and final cost creditable to the HR/GME Plan will be made by the COPA Monitor in the annual HR/GME Plan expenditure reconciliation.

Thank you for your continuing efforts to serve the needs of your community and patients. TDH is confident that granting this request will provide benefits to the community as contemplated in Section 3.03 of the TOC. We appreciate this important project as well as your efforts to comply with the plan modification process.

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

Karen Shelton, MD, Commissioner
Virginia Department of Health

Joe Hilbert, Deputy Commissioner for Governmental and regulatory Affairs
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