Better Together

Wellmont Health System | Mountain States Health Alliance

# Community & Stakeholder Certificate of Public Advantage/Cooperative Agreement Pre-Submission Report

PREPARED BY

## Wellmont Health System & Mountain States Health Alliance

*JANUARY 2016*

### About Our Systems

**Wellmont Health System**

Wellmont Health System operates six hospitals and numerous outpatient care sites, serving communities in Northeast Tennessee and Southwest Virginia. Wellmont's mission is to deliver superior healthcare with compassion, and we consistently rank among the nation's best for high-quality outcomes and processes of care.

**Mountain States Health Alliance**

Mountain States Health Alliance operates 13 hospitals and numerous outpatient care sites across a 29-county, four-state region. Mountain States is committed to its mission of bringing loving care to healthcare – and we passionately pursue healing of the mind, body and spirit to meet the needs of the individuals and communities in our region.

# A Letter to the Community from Our Boards

In April 2015, we jointly announced our desire to create a new approach to healthcare in our region by bringing our two organizations together to form a new, integrated and locally governed health system. We have been working diligently since then, meeting with both internal and external stakeholders and engaging in a meticulous process to be sure that we're taking the right path as we prepare to seek approval to come together.

Most importantly, we've had countless conversations with individuals throughout the community who are eager to see the health status of our region improve, and they're excited about what the future holds for these counties we call home.

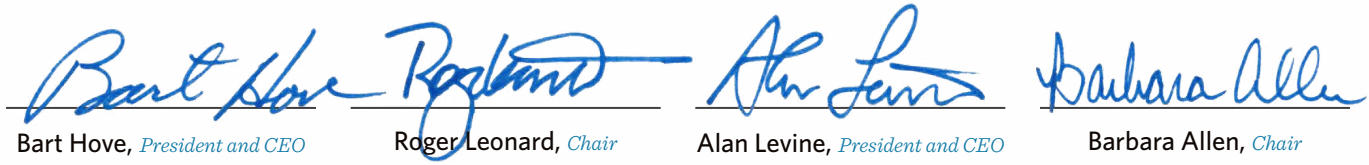
The document you now hold is an important step in the final approval process, and we could not be more excited about the possibilities it represents. This report and the applications that will follow it are part of what sets our vision apart from the traditional mergers that are so common in the healthcare industry today. An important difference is that we're involving you, the public, and making enforceable commitments to create an organization that has a measurable, positive impact on our region.

We've put a lot of careful thought into the commitments in this document, because we know that the decisions we make together today are going to impact our children, our grandchildren and even our great-grandchildren for many generations to come. That's another reason we believe that joining together is the right thing to do, because it allows us to keep governance of our local healthcare here at home. There will always be difficult decisions to make as we continue to navigate the changing and challenging world of health care, and we would rather those decisions be made by people who live here and have a personal stake in the outcomes. A great many of you have told us that this is your wish, as well.

We are your neighbors, and we hear your voice. We will be accountable not only to the states that will supervise us, but also to you, our friends and family. We take seriously our responsibility to act in the best interest of the communities we serve.

As you read through the commitments outlined in this report, we hope you will feel – and share – our enthusiasm for the great things we can do together to help our region thrive. Thank you for your continued support, and know that we value your thoughts and opinions. Our process is not complete without your input, so please let us know your thoughts on this report or any other subject by communicating with us at **www.BecomingBetterTogether.org**. We hope that the more we share about our vision, the more we will all agree that we truly are better together.

Sincerely,



**Bart Hove,** *President and CEO*
Wellmont Health System

**Roger Leonard,** *Chair*
Wellmont Health System
Board of Directors

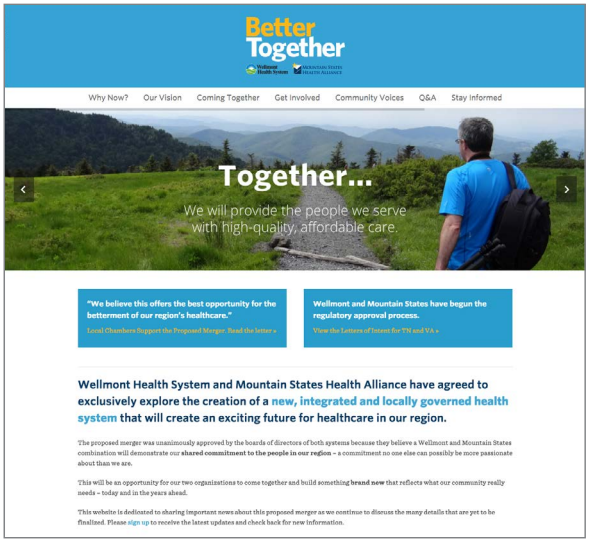
**Alan Levine,** *President and CEO*
Mountain States Health Alliance

**Barbara Allen,** *Chair*
Mountain States Health Alliance
Board of Directors

# Purpose of the Report: Community Engagement and Feedback

This Pre-Submission Report provides the context for the proposed merger of Wellmont Health System and Mountain States Health Alliance to form a new health system (the "New Health System"), which was announced publicly in April 2015. Both systems have continuously sought to educate the public on the reasons for the merger, while also providing public opportunities for members of the community to provide input and ask questions. This transparency is not only the choice of the two organizations, it is also a requirement of the State of Tennessee and the Commonwealth of Virginia.

Wellmont and Mountain States have developed a formal process to collect community feedback. Immediately upon announcing the proposed merger, an informational website, **www.BecomingBetterTogether.org**, was created. This website provides information about the proposed merger, upcoming public events, frequently asked questions and a means to sign up for regular email updates and to submit questions. Frequently asked questions were answered on the website. The website link has been provided on collateral materials, and the public has been encouraged to ask questions. Questions may continue to be asked, and comments provided, by using the following link: **www.BecomingBetterTogether.org**




To date, Wellmont and Mountain States have participated in almost 40 scheduled community and media events that provided the public a chance to learn more and ask questions about the future of healthcare in the region. A record of the engagement to-date is included in this report as Attachment I. In addition, dozens of employee meetings and communications have been conducted throughout both organizations over the course of the last nine months, allowing substantive opportunities to ask questions and make comments.

Physician input has also been sought through medical staff and independent physician group meetings. In addition, both independent community physicians and physicians employed by each system have prominent leadership roles on the Integration Council and the Joint Board Task Force responsible for merger planning. Further venues for physician input are engrained in the original agreement between the two systems, which stipulates there will be a Clinical Council led by physicians, which reports through the Quality Committee of the new Board of Directors. It is the vision of the New Health System that physician input will be crucial to clinical and service-related issues after the completion of the merger. For more information on the Certificate of Public Advantage and Virginia Cooperative Agreement statutes and regulations, please see the following links:

**TENNESSEE COPA STATUTE (TCA §68-11-1301 et seq.)**
**TENNESSEE COPA REGULATIONS**
**VIRGINIA COOPERATIVE AGREEMENT STATUTE**
**VIRGINIA COOPERATIVE AGREEMENT REGULATIONS**

# The Certificate of Public Advantage and Cooperative Agreement Process

This merger is contingent on the granting of a Certificate of Public Advantage by the State of Tennessee and a Cooperative Agreement with the Commonwealth of Virginia ("State Agreements"). Once granted, the State Agreements authorize Wellmont and Mountain States to merge and provide the framework for ensuring active supervision of the New Health System's compliance with these agreements and the mutually agreed enforceable commitments that benefit the community. Active supervision ensures that the benefits of the merger continue to outweigh any potential disadvantages and that the Tennessee and Virginia policies underlying the issuance of the State Agreements are fulfilled. The states require that the New Health System maintain a Plan of Separation so that if the benefits of the merger no longer outweigh the disadvantages, the plan can be operationally implemented without undue disruption to essential health services.

**Each state separately evaluates the potential benefits of its State Agreement, considers whether one or more of the following benefits might result from the State Agreement, and assesses whether the benefits outweigh possible disadvantages. These benefits generally include:**

- Enhancement of the quality of health and healthcare in the region
- Preservation of healthcare facilities in geographical proximity to the communities traditionally served by those facilities
- Gains in the cost-efficiency of services provided by the hospitals involved and prices paid by consumers
- Improvements in the utilization of hospital resources and equipment
- Avoidance of duplication of hospital resources

# Background & Vision for the New Health System

Wellmont and Mountain States have served the health needs of residents in Northeast Tennessee and Southwest Virginia for decades. Both have invested in creating locally governed not-for-profit health systems to meet the unique needs of the region by providing a comprehensive array of services regardless of an individual's means of payment or ability to pay.

To move forward, the two systems have developed a comprehensive process to guide the design of the New Health System based on a shared vision, thoughtful analysis of current and future community health needs, significant feedback from the community, and oversight by both the State of Tennessee and Commonwealth of Virginia.

**The vision of the proposed merger, which has been adopted by both Boards of Directors, sets forth that the New Health System will:**

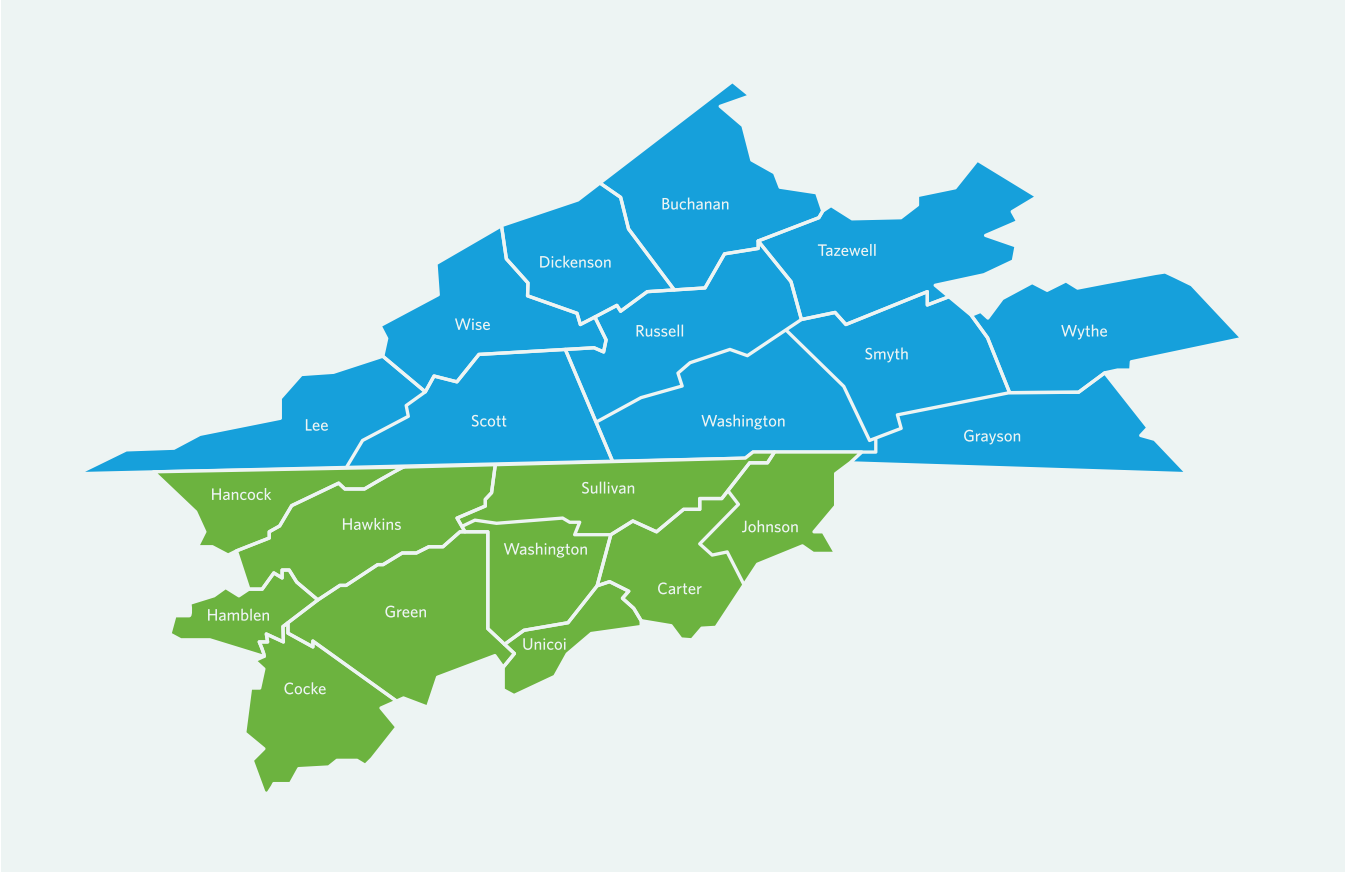
- Establish new unifying mission, vision, and values statements that honor our heritage and charter our future;
- Be one of the strongest health systems in the country, known for outstanding clinical outcomes and superior patient experiences;
- Be one of the best health system employers in the country and one of the most attractive health systems for physicians and employee team members;
- Create new models of joint physician and administrative leadership to shape the future of healthcare in our region through substantial physician influence and direction;
- Partner with physicians to achieve better quality at lower cost for patients, businesses, and payers;
- Achieve long-term financial stability and sustainability through wise stewardship of resources, avoidance of waste, and sound fiscal management;
- Advance high-level services so that more people can receive the care they need close to home;
- Be a national model for rural healthcare delivery and rural access to care;
- Work with regional educational and allied health partners to identify health gaps and disparities and effectively meet community health needs;
- Create an efficient, high-quality healthcare system that attracts employers to our region and creates long-term economic opportunity;
- Build new population health models and leverage electronic health records and community engagement programs to reduce unhealthy behaviors and improve the health status of our region;
- Work with academic partners, in particular East Tennessee State University, in new ways to bolster medical school and allied health programs and attract research investments; and
- Establish innovative philanthropic partnerships for healthcare advancement

The New Health System will have a new name and be governed by a new sixteen-member Board of Directors. This new Board initially includes: six (6) members appointed by Wellmont, six (6) members appointed by Mountain States, the Executive Chairman/President, the Chief Executive Officer, two (2) jointly appointed members not currently associated with the governance of either system, and the President of East Tennessee State University as an ex-officio nonvoting member. The New Health System will be managed by a senior executive team with representatives initially selected from each organization: Executive Chairman/President Alan Levine from Mountain States, Chief Executive Officer Bart Hove from Wellmont, Chief Operating Officer Marvin Eichorn from Mountain States and Chief Financial Officer Alice Pope from Wellmont.

## Service Area and Facilities

The New Health System will primarily serve the following counties: Carter, Cocke, Greene, Hamblen, Hancock, Hawkins, Johnson, Sullivan, Unicoi, and Washington in Tennessee and Buchanan, Dickenson, Grayson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise and Wythe in Virginia.

All Wellmont and Mountain States inpatient, outpatient, clinic, and support facilities will be included in the Tennessee COPA and Virginia Cooperative Agreement with the exception of those where the health systems do not own a controlling interest. For a more detailed listing, please see Attachment II.



# Rationale for the Merger

For more than a year, the Boards of Directors of Wellmont and Mountain States each deliberated on how to best navigate a challenging environment for hospitals. This environment has resulted in the closure of more than 60 rural hospitals in the nation since 2010.[1] In addition, hundreds of local hospitals have been acquired by large multistate health systems or for-profit healthcare companies that lack deep-rooted understanding of local community health needs and have fiduciary obligations unaligned with the health of the local economy.

The challenges faced by our local systems contribute uniquely to the rationale for the proposed merger. There is a high concentration of services in our region with the third lowest Medicare Wage Index in the nation – leading to substantially lower reimbursement than peer hospitals in other states and in Tennessee for the same services. These challenges are intensified by a high proportion of Medicare, Medicaid, and uninsured patients. The two health systems have expensive, unnecessary duplicative healthcare resources that are allocated inefficiently; a merger would enable elimination of unnecessary duplication to capture large cost savings and realign resources to improve access and quality. In addition, there is projected downward pressure on reimbursement by government payers as costs for labor and supplies continue to grow. Collectively, we serve a region with one of the highest inpatient use rates; moreover these rates are projected to decline, while our fixed infrastructure costs remain. Further, there are increasing challenges with recruitment and retention of physicians as physicians retire and the newly trained physician supply does not support the demand. All of these challenges undermine the long-term sustainability of both systems and their ability to continue as independent, locally governed organizations.

Both systems are committed to maintaining the viability and vitality of regional assets in order to ensure access, manage the future costs of healthcare for local employers, and address the serious health issues affecting the communities in which we live and serve. Given the multitude of challenges faced by the two systems, combined with the consolidation that is occurring throughout the industry among hospitals, physician groups, insurance companies and even health information technology companies, it is clear that neither Wellmont Health System nor Mountain States Health Alliance will be able to remain independent moving forward. Given this reality, two options exist: merge locally to capture large merger-specific efficiencies and quality-enhancement opportunities through an integrated, locally governed regional health system or independently merge with large healthcare systems, located and controlled from outside our region – a step that would not come close to achieving the merger-specific benefits of a Wellmont-Mountain States integration. The proposed transaction, by far, positions the region to achieve the greatest level of public advantage and cost containment.

Outside hospital systems entering the region by acquisition most likely would not be subject to substantial antitrust scrutiny and, therefore, would have little or no reason to seek a COPA or Cooperative Agreement.

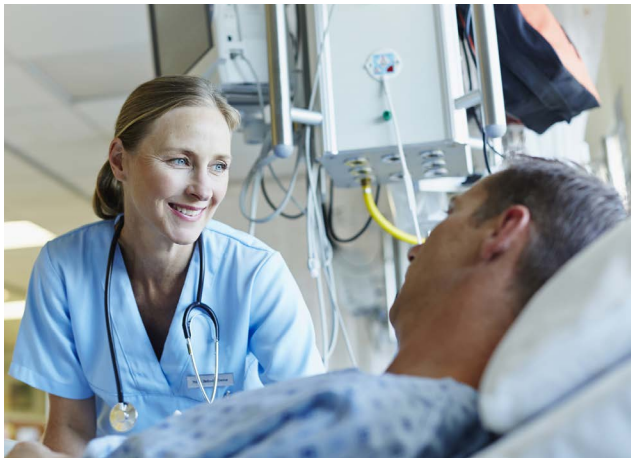
[1] University of North Carolina Sheps Center for Health Services Research, NC Rural Health Research Program. https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/

As such, they are free to acquire our local hospitals and take merger-related savings and jobs out of our communities without facing a requirement or local accountability to make the investments in community health that our region desperately needs. In fact, to the extent an outside system achieves any savings, most would inure to the benefit of the outside system and the dollars would most likely leave the region. Even if a system commits to spending a certain amount of capital locally, the capital is typically derived from the cash flow of the local hospital.

The boards of Wellmont and Mountain States believe the purchase of our local health systems by larger systems from outside our region is more likely to increase costs, reduce access, and negatively impact jobs.

**We believe our proposed alternative is better. It is the only model that maintains local governance, provides a unique opportunity to sustain and integrate healthcare delivery for our residents into a high-quality and cost-effective system, provides an enforceable commitment to limit pricing growth, keeps hundreds of millions of dollars in our region, and invests those dollars in the improved health of our region while also preserving local jobs.**

The process of obtaining the State Agreements, as outlined in state laws that follow a legal doctrine upheld by the Supreme Court of the United States, respects state autonomy in the regulation of its healthcare delivery system. The State Agreements permit hospitals that meet statutory requirements to consolidate in accordance with the state's policy, as long as the elements of the State Agreement are supervised by the states and provide clear public benefit. The standard acquisition by hospitals entering from "out of market" does not generally include these types of enforcement mechanisms to protect consumers or ensure enhanced community benefit.



We believe a locally governed merger by far provides the best opportunity for the local communities to retain control of the health delivery system. Our board members are local business owners and leaders, retirees and parents, all deeply affected by the decisions related to the future of the delivery system. This model provides tangible benefits for the community. When decisions are made, they are being made by people who must live with the consequence or benefit of the decision. This is the bedrock of the not-for-profit hospital model, which both systems believe is in the best interest of our region.

A major factor in the accumulation of nearly $1.5 billion of debt, and the redundant costs borne by the marketplace, has been the duplication of services and programming by Wellmont and Mountain States as separate systems. Combining the region's two major health systems in an integrated delivery model is the best way to avoid the most expensive duplications of cost, and importantly, take advantage of opportunities to collaborate to reduce cost while sustaining or enhancing the delivery of high-quality services moving forward. These efforts will produce savings that may be invested in higher-value activities in the region to help expand currently absent but necessary high-level services at the optimal locations of care, improve access for mental health and addiction-related services, expand services for children and those in need,

improve community health and diversify the economy into research. These new levels of development and job creation will not be possible as long as the two health systems duplicate one another in an environment of increasingly scarce resources. While consolidation will result in changes in the structure of the two organizations and displacement of some jobs, new development promises to create new job opportunities and advance the local economy. Enhancing the coordination, integration, sustainability and development of new models of care delivery across the community enhances health as well as economic well-being of the local economy, benefiting all. The benefit accrued to the community and resulting stimulus to the local economy will far outweigh any possible negative impact.

Through the State Agreements, the states of Tennessee and Virginia will be able to supervise the commitments the New Health System is making, which are described more fully herein. Further, the reinvested savings associated with the proposed merger provide compelling evidence that the resulting community benefit and public advantage will be substantial. These investments are described in more detail throughout the report. As examples, the New Health System will:

**Invest not less than $75 million** over ten years in population health improvements, committed through a regional ten-year plan

**Invest not less than $140 million** over ten years to expand mental health, addiction recovery, and substance abuse prevention programs; develop both healthcare- and community-based resources for children's health across the region; meet regional physician needs and address service gaps and preserve and expand rural services and access points

**Invest not less than $85 million** over ten years to develop and grow academic and research opportunities, support post-graduate healthcare training, and strengthen the pipeline and preparation of nurses and allied health professionals

**Invest approximately $150 million** over ten years to facilitate the regional exchange of health information among participating providers and to establish an electronic health record system within the New Health System that ensures a common platform and interoperability among its hospitals, physicians, and related services

# Major Health Issues and Trends

According to the 2015 America's Health Rankings, Tennessee ranked 43rd and Virginia 21st in the U.S. for overall public health.[2] The county-level data in Table I, however, demonstrate that Northeast Tennessee and Southwest Virginia counties — the areas we serve — perform far worse than their state averages and are in fact among the unhealthiest counties in the United States. Based on County Health Rankings data published by the Robert Wood Johnson Foundation and the University of Wisconsin Population Health Institute, the counties served by Wellmont and Mountain States rank among the worst in Virginia and Tennessee in several categories, notably in tobacco use, death due to drug poisoning and obesity.

## Table I: Select Measures from County Health Rankings

| **Service Area Health Rankings By State, County or City** | Overall State or County Health Rank | Percentage of Adults Reporting Fair or Poor Health | Percentage Of Adults That Are Obese | Percentage of Adults Who Are Currently Smokers | Percentage of Children In Poverty | Drug Poisoning Mortality Rate per 100,000 Population |
|---|---|---|---|---|---|---|
| **Tennessee** | **43rd** | **19%** | **32%** | **23%** | **27%** | **16** |
| Carter | 48/95 | 23% | 29% | 31% | 34% | 20 |
| Cocke | 88/95 | 27% | 31% | 21% | 41% | 21 |
| Greene | 59/95 | 21% | 32% | 29% | 30% | 22 |
| Hamblen | 54/95 | 26% | 30% | 23% | 29% | 27 |
| Hancock | 93/95 | 29% | 30% | 40% | 45% | 42 |
| Hawkins | 64/95 | 26% | 35% | 26% | 31% | 26 |
| Johnson | 44/95 | 26% | 31% | 28% | 38% | 11 |
| Sullivan | 36/95 | 22% | 33% | 26% | 28% | 17 |
| Unicoi | 68/95 | 26% | 30% | 23% | 29% | 24 |
| Washington | 19/95 | 19% | 31% | 24% | 24% | 17 |
| **Virginia** | **21st** | **14%** | **28%** | **18%** | **16%** | **9** |
| Buchanan | 132/133 | 29% | 29% | 30% | 33% | 37 |
| Dickenson | 130/133 | 31% | 29% | 32% | 28% | 53 |
| Grayson | 74/133 | 20% | 32% | 22% | 29% | Not reported |
| Lee | 116/133 | 29% | 29% | 25% | 39% | 14 |
| Russell | 122/133 | 29% | 35% | 25% | 26% | 32 |
| Scott | 114/133 | 23% | 34% | 28% | 27% | 14 |
| Smyth | 123/133 | 29% | 31% | 22% | 26% | 15 |
| Tazewell | 133/133 | 29% | 30% | 21% | 23% | 37 |
| Washington | 82/133 | 19% | 32% | 24% | 21% | 13 |
| Wise | 129/133 | 24% | 32% | 33% | 28% | 38 |
| Wythe | 85/133 | 27% | 30% | 24% | 22% | 18 |

University of Wisconsin Population Health Institute. County Health Rankings 2015. Accessible at www.countyhealthrankings.org

[2] America's Health Rankings 2015 Annual Report. http://www.americashealthrankings.org/VA and http://www.americashealthrankings.org/TN

# Commitment to Improve Community Health

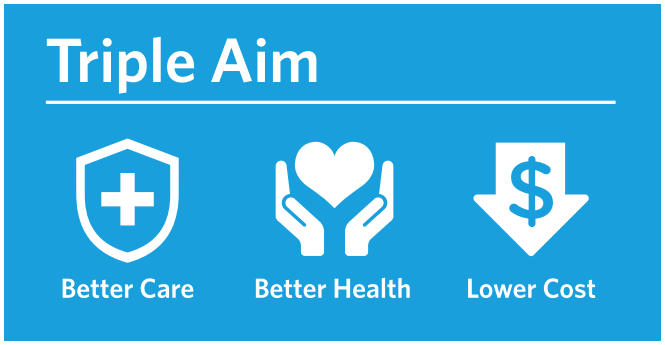
Wellmont and Mountain States are committed to creating a new health system designed to improve community health. To accomplish this, the New Health System will commit to pursuing health improvements aligned with goals contained within the current Tennessee State Health Plan, the Virginia Health Innovation Plan (including the Lieutenant Governor's Quality, Payment Reform, and HIT Roundtable and Virginia's Plan for Well Being) and with regional collaborative health improvement goals such as those set forth in Healthier Tennessee and the Blueprint for Healthy Appalachia. Additional local stakeholder input is being compiled by four Community Health Work Groups (mental health and addiction, healthy children and families, population health and healthy communities, and research and academics) organized by Wellmont and Mountain States.

All of these efforts recognize that income, education, family and community support, personal choices, genetics and the environment are key drivers of individual and community health and well-being. As the 2014 Tennessee Health Plan states, "We know that healthcare alone cannot make major improvements in population health. To make significant improvements, we need to understand what 'being healthy' and 'staying healthy' mean, and how to encourage our entire society to value health. In other words, we need to build a culture of health."

Yet each year, more of each employee paycheck, employer payroll and government budget is consumed by healthcare services, and less is invested in education, wage and job growth, public safety and other important investments. This is despite the fact the Institute of Medicine estimates that 30% of all healthcare service spending is wasted due to factors such as unnecessary and duplicative services, administrative burden, inefficient services, high prices, fraud and missed prevention opportunities.[3]

Hospitals and doctors have traditionally been paid to treat sick and injured patients. But Mountain States and Wellmont believe that redirecting savings identified from the merger into best-practice interventions aimed at the underlying causes of poor health in vulnerable populations will offer our best opportunity to improve the health of the overall population we serve. This requires a new approach that goes beyond the four walls of the health system and requires community collaboration and focus on a limited number of key problems and associated interventions. This necessitates both leadership and investment by the New Health System in partnership with many community stakeholders.

Fortunately, the region is primed for collaborative action to improve health in the form of a Regional (Northeast Tennessee-Southwest Virginia) Accountable Care Community (ACC). Successful ACC development requires multiple public and private stakeholders to commit to working collaboratively to advance the Triple Aim (better care, better health, and lower cost) in this region and to share the responsibility for the health of the community.




[3] IOM (Institute of Medicine). 2010. The Healthcare Imperative: Lowering Costs and Improving Outcomes: Workshop Series Summary. Washington, DC: The National Academies Press. At Preface xvi and p.50

Several local, state and national analyses have identified the key health issues in our region, and there is considerable overlap in their findings. Groups such as the Southwest Virginia Health Authority, Healthier Tennessee, and Healthy Kingsport have organized to collectively address these findings, and important relationships have been formed. Consistent with federal objectives to better engage communities, in the Commonwealth of Virginia, the creation of Accountable Care Communities (ACCs) is an important strategy of Virginia's State Innovation Model Design awarded by the federal government.

To develop a comprehensive plan for the region which the New Health System can provide financial and other support, we propose adopting a community-driven strategic planning process between the New Health System, the state, and local Department of Health and an organized community of stakeholders, which will prioritize program strategies to meet defined community health improvement goals. This process would be guided by the National Association of County and City Health Officials' (NACCHO) Mobilizing for Action through Planning and Partnerships (MAPP) framework displayed to the right.


Analyzing the most current output of the Tennessee State Health Plan, the Virginia Health Innovation Plan, Healthier Tennessee and the Blueprint for Healthy Appalachia, and the four Community Workgroups, Mountain States and Wellmont have identified as a starting point four key strategic issues in which we believe the New Health System may make regional investments using redirected savings from the merger or whereby the merger itself aids in the achievement of these goals.

**The New Health System is committed to creating a new integrated delivery system designed to improve community health through investment of not less than $75 million over ten years in population health improvement.**

The New Health System would commence the population health improvement process with the preparation of a comprehensive community health improvement plan, identifying the key strategic health issues for improvement over the next decade. The health improvement plan would be prepared in conjunction with the public health resources at East Tennessee State University. The funding may be committed to the following initiatives, as well as others as determined based upon the 10-year action plan for the region.

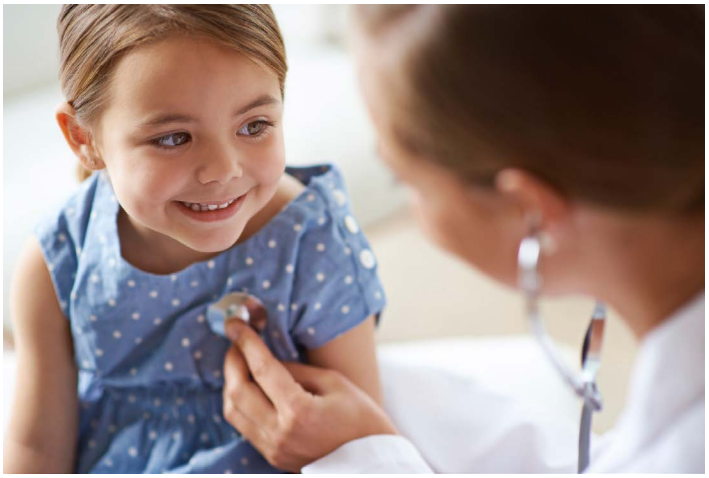
- **Ensure strong starts for children** by investing in programs to reduce the incidence of low-birth weight babies and neonatal abstinence syndrome in the region, decrease the prevalence of childhood obesity and Type 2 diabetes, while improving the management of childhood diabetes and increasing the percentage of children in third grade reading at grade level.
- **Help adults live well in the community** by investing in programs that decrease premature mortality from diabetes, cardiovascular disease, and breast, cervical, colorectal and lung cancer.
- **Promote a drug-free community** by investing in programs that prevent the use of controlled substances in youth and teens (including tobacco), reduce the overprescription of painkillers, and provide crisis management and residential treatment with community-based support for individuals addicted to drugs.
- **Decrease avoidable hospital admission and ER use** by connecting high need - high cost uninsured individuals in the community to the care and services needed by investing in intensive case management support and primary care, and leveraging additional investments in behavioral health crisis management, residential addiction treatment and intensive outpatient treatment services.

The New Health System will also provide financial support to develop and sustain an Accountable Care Community effort across state lines for our region that will help address these and other issues identified through the community health improvement plan.

A Community Health Work Group
held in the fall of 2015

# Enhanced Healthcare Services

Some residents in Northeast Tennessee and Southwest Virginia have acceptable access to many services, but other areas are substantially underdeveloped or lacking services altogether. This is especially true for mental health, substance abuse and specialty pediatric services. These services have not been developed for two primary reasons: first, because patient volumes are disaggregated between the two health systems and neither system has the critical mass necessary to support the service and second, because the size of the serviced population is not sufficient to fully support full-time specialists.



Northeast Tennessee and Southwest Virginia are also victims of a flawed and antiquated federal funding program for Medicare, which depresses the reimbursement for our region relative to peer hospitals in other regions of the nation. The Medicare Wage Index adversely affects hospitals and doctors in our region, causing significant impediments to recruiting and retaining doctors, particularly specialists. For example, our hospitals are compensated at approximately 73 percent[4] of the average wage index for treating the same patient, with the same condition, for which a treating hospital in San Jose, California, would be compensated at 178 percent of the average wage index.[5] In the aggregate, this difference costs our region tens of millions of dollars annually in lower reimbursements, and has a substantial impact on physicians as well.

Providing these services is important and expensive. Why should rural families be required to expect less when it comes to access? Niswonger Children's Hospital, for example, continues to work to attract and support many subspecialties, but many families still travel significant distances to receive care. It is all too common that a child's illness forces families to split apart long-term or creates job loss as one parent must work while the other travels as a full-time caregiver. We don't believe these disparities should prevail and are prepared to make investments to ensure the most vulnerable have improved access.

Families and individuals suffering from the prescription drug addiction epidemic and other substance abuse disorders face even more difficult challenges. Funding has not kept up with needs and our local systems are overwhelmed. Families again face the difficult choice of splitting apart as loved ones must travel long distances to receive services, or even worse, can't find services at all or face long waits.

The proposed merger will produce savings which will be used to support specialty services such as behavioral health and pediatric subspecialties that otherwise couldn't be supported in a region of our size, geography and population density. In addition, the proposed merger will provide a unique opportunity for the New

[4] This figure represents the average across Johnson City, TN and the Kingsport-Bristol-Bristol, TN-VA MSAs.

[5] CMS Fiscal Year 2015 Wage Index Table, available here: https://www.cms.gov/medicare/medicare-fee-for-service-payment/snfpps/wageindex.html

Health System to work with academic institutions in the region to increase training and recruitment of physicians and allied health professionals. Developing our own workforce connected with the region and likely to stay here long-term provides a strong supplement to recruitment efforts for other top-tier doctors, nurses and allied health professionals from other parts of the country.

**The New Health System commits to spending at least $140 million over ten years pursuing specialty services, outlined as follows, which otherwise could not be sustainable in the region without the financial support. Partnerships with academic institutions will enable research-based and academic approaches to the provision of these services.**

- Create new capacity for residential addiction recovery services connected to expanded outpatient treatment services located in communities throughout the region.
- Develop community-based mental health resources, such as mobile health crisis management teams and intensive outpatient treatment and addiction resources for adults, children, and adolescents designed to minimize inpatient psychiatric admissions, incarceration and other out-of-home placements.
- Ensure recruitment and retention of pediatric subspecialists in accordance with the Niswonger Children's Hospital physician needs assessment.
- Development of pediatric specialty centers and emergency rooms in Kingsport and Bristol with further deployment of pediatric telemedicine and rotating specialty clinics in rural hospitals to ensure quick diagnosis and treatment in the right setting as close to patients' homes as possible.
- Development of a comprehensive physician needs assessment and recruitment plan every three years in each community served by the New Health System. Both organizations know the backbone of a successful physician community is a thriving and diverse choice of practicing physicians aligned in practice groups of their own choosing and preference. We expect the combined system to facilitate this goal by employing physicians primarily in underserved areas and locations where needs are not being met, and where independent physician groups are not interested in, or capable of, adding such specialties or expanding.

# Expanding Access and Choice

Investing in the development of new and expanded services is one way to improve access and choice in the region. Preserving services currently at risk and breaking down barriers for physicians to practice and patients to receive services where they choose is another. The New Health System is committed to both.

In the U.S., rural hospitals and healthcare providers are at increasing risk. According to the University of North Carolina Sheps Center, 61 rural hospitals have closed since 2010, including six in Tennessee and one in Virginia.[6] Wellmont and Mountain States each make substantial investments in order to maintain access to health care services in their rural communities.

Last year alone, Mountain States and Wellmont collectively invested over $19.5 million to ensure that inpatient services continued to remain available in these smaller communities. This does not include significant additional capital investments.

**Mountain States Rural Hospitals:**

- Smyth County Community Hospital
- Russell County Medical Center
- Unicoi County Memorial Hospital
- Johnson County Community Hospital
- Dickenson Community Hospital
- Norton Community Hospital
- Johnston Memorial Hospital

**Wellmont Rural Hospitals:**

- Hawkins County Memorial Hospital
- Hancock County Hospital
- Lonesome Pine Hospital
- Mountain View Regional Medical Center

For the reasons discussed above, it will be increasingly difficult to continue sustaining these facilities over the long-term without the savings the proposed merger would create. Protecting and increasing patient choice is important to Mountain States and Wellmont. By integrating our two systems, we will help ensure that our communities continue to have access to the care they need close to home and that care options are expanded rather than reduced. Currently, more than one-quarter of inpatient admissions in the region occur at hospitals other than those owned by the two systems. Most outpatient medical services are actually delivered outside the two systems by independent physicians and other independent providers such as home health, lab, imaging, occupational medicine, hospice, long-term care services, skilled nursing, physical therapy, occupational therapy, pharmacy, counseling, and surgery centers. Wellmont and Mountain States are required to ensure patient choice when selecting these services and will continue these policies as a merged organization.

[6] University of North Carolina Sheps Center for Health Services Research, NC Rural Health Research Program. https://www.shepscenter.unc.edu/programs-projects/rural-health/rural-hospital-closures/

After the merger, patient choice of hospitals will increase. Currently, some patients are limited to either Wellmont or Mountain States hospitals because of constraints in insurance networks. Similarly, many doctors are limited to practice in certain hospitals by contract. In each of these examples, patient choice is limited in the current environment. As another example, in some areas of the region, patients are often referred to hospitals farther away than more local hospitals, because the closer hospitals are part of the competing system. This inconvenience exists because of the continuum of care and physician relationships that arise between the facilities and because of transfer patterns from community hospitals to tertiary centers within the same system. Through the proposed merger, a more comprehensive and fully integrated regional network will improve patient choice and convenience, as these barriers would be removed.

Both Wellmont and Mountain States continue to value a robust and successful independent physician community. The New Health System intends to collaborate with the independent physician community where possible to build an array of service offerings which will also be accessible throughout the region.

**The New Health System will invest in the development of expanded services while preserving services currently at risk through the following commitments.**

- All hospitals in operation at the effective date of the merger will remain operational as clinical and healthcare institutions for at least five (5) years. After this time, the New Health System will continue to provide access to healthcare services in the community, which may include continued operation of the hospital, new services as defined by the New Health System, and continued investment in healthcare and preventive services based on the demonstrated need of the community. The New Health System may adjust scope of services or repurpose hospital facilities. No such commitment currently exists to keep rural institutions open.
- Maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher level services are available as closely as possible to where the population lives.
- Maintain open medical staffs at all facilities, subject to the rules and conditions of the organized medical staff of each facility. Exceptions may be made for certain hospital-based physicians, as determined by the Board of Directors.
- Commitment to not engage in exclusive contracting for physician services, except for certain hospital-based physicians as determined by the Board of Directors.
- Independent physicians will not be required to practice exclusively at the New Health System's hospitals and other facilities.
- The New Health System will not take steps to prohibit independent physicians from participating in health plans and health networks of their choice.

# Improving Healthcare Value: Managing Quality, Cost and Service

In addition to achieving reduced costs through improved efficiency and avoidance of waste and unnecessary duplication, the merger will also specifically enable the New Health System to reduce overutilization of inpatient services and stem the pace of healthcare cost growth for patients, employers and insurers. Currently, 126 patients for every 1,000 people in Tennessee are admitted to the hospital annually, compared to a national average of 106 admissions/1,000 population.[7] We believe a regionally integrated health system, with a comprehensive regional health information exchange, will help reduce unnecessary utilization.

The proposed merger will also result in a common platform for electronic medical records among the merging systems' combined nineteen hospitals, many employed physicians and related services and will facilitate a community health information exchange between participating community providers in the region. This will help ensure that providers have the information they need to make high-quality treatment decisions, reduce unnecessary duplication of services, enhance documentation and improve the adoption of standardized best practices. Patient information will be more portable, removing barriers to patient choice and improving patient access to their own health information. A more integrated medical information system will allow for better coordinated care between patients and their doctors, hospitals, post-acute care and outpatient services, resulting in a better patient experience and more effective and efficient care.

The merger will also allow for better clinical integration as the combined system reduces unnecessary variation in standards of care created by the simple fact that the two systems operate separately in silos and from the independent physician community. Given the significant pressure on health systems and independent physicians to deliver higher-quality care and service from Medicare and commercial payers, a unified merged system working with the independent physician community will be able to more rapidly adopt and disseminate best practices.

[7] Kaiser Family Foundation, Hospital Admissions per 1,000 Population by Ownership Type. (2013) http://kff.org/other/state-indicator/admissions-by-ownership/

**The New Health System will reduce cost through improved efficiency and avoidance of waste and duplication, as well as reduce the pace of healthcare cost growth for patients, employers and insurers through the following commitments:**

- For all Principal Payers,* the New Health System will reduce existing commercial-contracted fixed-rate increases by 50% for the first full contract year following the first contract year after the formation of the New Health System.
- For subsequent contract years, the New Health System will commit to not increase hospital negotiated rates by more than the hospital Consumer Price Index for the previous year minus 0.25%, while New Health System negotiated rates for physician and non-hospital outpatient services will not increase by more than the medical care Consumer Price Index minus 0.25%.
- The United States Government has stated that its goal is to have 85% of all Medicare fee-for-service payments tied to quality or value by 2016, thus providing incentive for improved quality and service. For all non government Principal Payers,* the New Health System will endeavor to include provisions for improved quality and other value-based incentives based on priorities agreed upon by each payer and the system.
- Collaborate with Independent Physician Groups to develop a local, region wide, clinical services network to share data, best practices and efforts to improve outcomes for patients and the overall health of the region.
- Adopt a common clinical information technology platform as soon as reasonably practical after the formation of the New Health System.
- Participate meaningfully in a health information exchange open to community providers.
- Establish annual priorities related to quality improvement and publicly report these quality measures in an easy-to-understand manner for use by the patients, employers and insurers.
- Negotiate in good faith with Principal Payers* to include the New Health System in health plans offered in the service area, on commercially reasonable terms and rates (subject to certain limitations). The New Health System would agree to resolve through mediation any disputes in health plan contracting.
- Not agree to be the exclusive network provider to any commercial, Medicare Advantage or managed Medicaid insurer.
- Not engage in "most-favored-nation" pricing with any health plans.

* "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue

# Investment in Health Research and Graduate Medical Education

A cornerstone of the proposed merger is the expansion of the health related research and academic capabilities of the region through additional funding and closer working relationships with East Tennessee State University and other academic partners in Tennessee and Virginia. The region is fortunate that Quillen College of Medicine, Lincoln Memorial University DeBusk College of Osteopathic Medicine, the Virginia College of Osteopathic Medicine, and Virginia Tech excel at educating physicians who choose to practice primary care and in rural areas.

Yet, due to financial constraints, Wellmont and Mountain States have reduced the number of residency slots in their respective systems to train these graduate physicians. Multiple studies have shown that physicians tend to locate their practice close to where they train in residency. And increasingly important to the primary care workforce are nurse practitioners and physicians assistants trained at schools such as Emory & Henry, Milligan College and the ETSU School of Nursing. Unlike physician programs, historically little funding has been available for these programs from the federal and state governments.

By investing funds generated through merger efficiencies, the New Health System will increase residency and training slots, create new specialty fellowship training opportunities, build research infrastructure, and add faculty - all critical to sustaining an active and competitive training program. New local investment in this research and training infrastructure will attract additional outside investments. State and federal government research dollars often require local matching funds, and grant-making organizations such as the National Institutes of Health and private organizations such as pharmaceutical companies want to know that their research dollars are being appropriated to the highest-quality and resourced labs and scientists.

**The New Health System will work with its academic partners to commit not less than $85 million over 10 years to build and sustain research infrastructure, increase residency and training slots, create new specialty fellowship training opportunities, and add faculty as outlined below – all critical to sustaining an active and competitive training program.**

- With academic partners in Tennessee and Virginia, the New Health System will develop and implement a 10-year plan for post graduate training of physicians, nurse practitioners, and physician assistants and other allied health professionals in the region.
- Work closely with East Tennessee State University (ETSU) and other academic institutions in Tennessee and Virginia to develop and implement a 10-year plan for investment in research and growth in the research enterprise within the region.

# Attracting and Retaining a Strong Workforce

Our workforce is mobile, and there are many opportunities both within the region and in nearby metropolitan areas for our team members. Thus, competitiveness of our pay and benefits is critical to our success. We believe certain federal policies, which have adversely affected the region's wage index, have also contributed to relocation out of market as being a primary cause of turnover. As such, the New Health System's biggest competitor for labor will continue to be regional systems located out of the immediate market. Additionally, with the Veteran's Administration hospital and services located in-region, as well as the multitude of outpatient services offered by local competition, there will be incentives for the new system to remain locally competitive for talent.

In addition, staffing is generally driven by volume. As such, if the demand for nurses, technicians and other clinical staff diminishes in the future, it will not be due to the merger but rather to the ongoing transformation of the healthcare industry. As outlined in this document, new programs to improve community health will be added and funded, all of which will need exceptional talent.

In addition to being competitive for labor, and mitigating the local impact on jobs, we are also committed to our existing workforce – our neighbors and friends who are the strength of our two organizations. We recognize that our workforce is mobile, and there are many opportunities both within the region and in nearby metropolitan areas for our team members. Thus, competiveness of pay and benefits is critical to the New Health System's success.

**Therefore, when the New Health System is formed:**

- The New Health System will honor prior service credit for eligibility and vesting under the employee benefit plans maintained by Wellmont and Mountain States and will provide all employees credit for accrued vacation and sick leave.
- The New Health System will work as quickly as practicable after completion of the merger to address any differences in salary/pay rates and employee benefit structures. The New Health System will offer competitive compensation and benefits for its employees to support our vision to be one of the strongest health systems in the country and one of the best health system employers in the country.
- The New Health System will combine the best of both organizations' career development programs in order to ensure maximum opportunity for career enhancement and training.

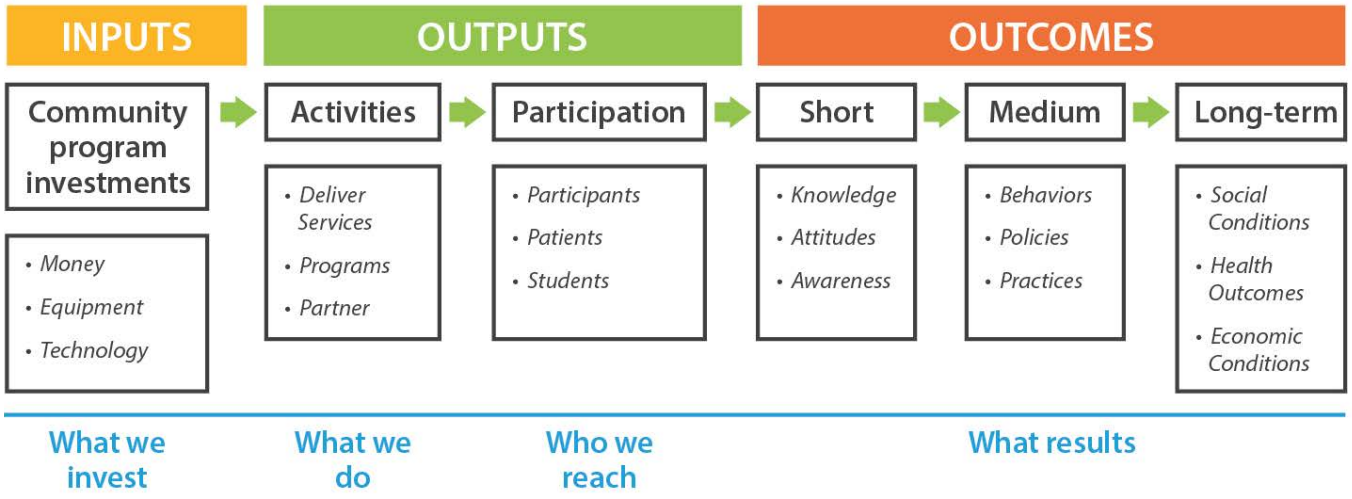
# Measuring Progress

It is ultimately the goal of the New Health System to achieve the Institute of Health Improvement's Triple Aim, commonly considered the national standard for evaluation of healthcare effectiveness. As part of our applications for a COPA in Tennessee and Cooperative Agreement in Virginia, we propose that ongoing evaluation of the public advantage resulting from the merger be based on the New Health System's pursuit of the Triple Aim objectives to improve population health, improve patient experience of care (quality and access), and manage the per capita cost of healthcare in the region.

Before the Tennessee COPA and Virginia Cooperative Agreement is granted, each State and the New Health System should agree on key health concerns as well as a limited number of long-term health outcomes for tracking within four strategic area of focus: strong starts for children, living well in the community, promoting a drug-free community and decreasing avoidable inpatient and ER use by high need-high cost uninsured individuals. As an important component of the evaluation of each application, each State will separately establish advisory groups made up of stakeholders from the area to recommend measures for consideration to objectively track the ongoing public advantage of the Tennessee COPA and Virginia Cooperative Agreement. Agreement on these specific tracking measures should serve as the guide for long-term programmatic investment by the New Health System to improve community health.

Monitoring and evaluating the continued Public Advantage produced under the Tennessee COPA and the Virginia Cooperative Agreement are essential. We are committed to close coordination with the states to establish clear processes for both monitoring and evaluation. Because evaluation of commitments regarding population health are more complex and involve many factors, both shorter-term and longer-term, we propose to use the Kellogg Foundation's Logic Model to inform the evaluation of these commitments.

**Kellogg Foundation Logic Model for Evaluation**



Under this model, effective measures by which we can evaluate progress towards long-term outcomes would reflect incremental investment in programs (inputs), measurements of activities and participation related to these programs (outputs), and outcomes, both short-term and medium-term. The short-term outcomes could include measurable changes in learning, such as awareness, knowledge, attitudes, skills, opinions, aspirations, and motivations. The medium-term outcomes could include measurable changes to actions such as behaviors, practices, decision making, polices, and social norms.

We believe close collaboration with the community, investment by the New Health System, and commitment to continuous and ongoing evaluation and improvement will result in positive short- and long-term outcomes that are only possible through the State Agreements.

## Conclusion: Becoming Better Together

Our region has a once in a lifetime opportunity to create a long-lasting legacy of improved health by pursuing a merger between Wellmont and Mountain States. With the approvals of the states under the State Agreements, savings realized by reducing duplication and improving coordination will stay within the region and be reinvested in ways that benefit the community substantially through new services and capabilities, improved choice and access, managed costs and investment in both the region's economic development and its most challenging health problems.

Once the annually recurring merger related synergies have been fully realized, this merger will produce a level of annual spending to improve the health of the region equivalent to at least the spending capability of a new three-quarters of a billion dollar foundation. All of this investment will be in Northeast Tennessee and Southwest Virginia, and it will focus on improving the health, well-being, and economy of the communities we serve. Importantly, we can do all of this while maintaining local control of our healthcare system and improving the quality and cost of care.

Again, you may submit questions or make comments regarding this Pre-Submission Report using the link below:

**www.BecomingBetterTogether.org**

Better Together

Wellmont Health System

Mountain States Health Alliance

# Appendix

## ATTACHMENT I: COMMUNITY EVENTS, CORRESPONDENCE AND MEDIA INTERVIEWS

| COMMUNITY EVENTS & PRESENTATIONS | |
|---|---|
| April 2, 2015 | Proposed merger announcement public event |
| April 24, 2015 | Kingsport Chamber breakfast |
| May 1, 2015 | Bristol Tennessee/Virginia Chamber breakfast |
| May 6, 2015 | Washington County Virginia Rotary |
| May 19, 2015 | Johnson City Chamber Board |
| June 8, 2015 | Kingsport Chamber Board |
| June 10, 2015 | Southwest Virginia Health Authority |
| June 24, 2015 | Bristol Tennessee/Virginia Chamber Board |
| July 7, 2015 | Bristol Tennessee/Virginia Noon Rotary |
| July 23, 2015 | Washington County Virginia Chamber Board |
| August 13, 2015 | Elizabethton Community Round Table |
| August 20, 2015 | Mental Health & Addiction Steering Committee |
| August 20, 2015 | Abingdon Community Round Table |
| August 24, 2015 | Population Health & Healthy Communities Steering Committee |
| August 28, 2015 | Kingsport Chamber Breakfast |
| September 3, 2015 | Virginia Department of Health Public Hearing |
| September 8, 2015 | Healthy Children & Families Steering Committee |
| September 9, 2015 | Mountain States Foundation Women's Luncheon |
| September 15, 2015 | Marion Community Round Table |
| September 16, 2015 | Johnson City Press Public Forum |
| September 17, 2015 | Mental Health & Addiction Steering Committee |
| September 19, 2015 | Sorensen Institute presentation |
| September 19, 2015 | Lead Virginia |
| September 24, 2015 | Research & Academics Steering Committee |
| September 24, 2015 | Erwin Community Round Table |
| September 28, 2015 | Population Health & Healthy Communities Steering Committee |
| September 29, 2015 | Lebanon, Virginia, Community Round Table |
| September 30, 2015 | Johnson City Rotary |
| October 1, 2015 | Kingsport Community Round Table |
| October 6, 2015 | Duffield Community Round Table |
| October 13, 2015 | Healthy Children & Families Steering Committee |
| October 15, 2015 | Bristol Community Round Table |
| October 16, 2015 | Regional Health Care Symposium |
| October 20, 2015 | Wise Community Round Table |
| October 21, 2015 | Mental Health & Addiction Steering Committee |

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| October 22, 2015 | Johnson City Community Round Table |
| October 22, 2015 | United Way of Southwest Virginia Summit |
| October 26, 2015 | Population Health & Healthy Communities Steering Committee |
| October 28, 2015 | Research & Academics Steering Committee |
| November 10, 2015 | Healthy Children & Families Steering Committee |
| November 12, 2015 | Johnson City Rotary |
| November 16, 2015 | All Work Groups Meeting – Accountable Care Communities |
| November 16, 2015 | Population Health Steering Committee |
| November 19, 2015 | Mental Health & Addiction Steering Committee |
| December 2, 2015 | Research & Academics Steering Committee |
| December 8, 2015 | Healthy Children & Families Steering Committee |
| December 18, 2015 | Mental Health & Addiction Steering Committee |
| December 18, 2015 | All Work Groups Meeting – Impact of Opioids in Appalachia |
| See **www.BecomingBetterTogether.org** for additional upcoming events. | |

| COMMUNITY CORRESPONDENCE & ANNOUNCEMENTS | |
|---|---|
| April 2, 2015 | Proposed merger announcement news release |
| April 2, 2015 | Launch of www.BecomingBetterTogether.org |
| April 7, 2015 | Integration Council announcement news release |
| April 16, 2015 | Better Together newsletter |
| May 6, 2015 | Better Together newsletter |
| May 7, 2015 | Joint Board Task Force announcement news release |
| June 2, 2015 | Better Together newsletter |
| June 10, 2015 | Better Together newsletter |
| June 10, 2015 | Community Health Work Groups announcement news release |
| August 5, 2015 | Better Together newsletter |
| August 5, 2015 | Community Health Work Groups chairs & meeting dates announcement news release |
| August 24, 2015 | Better Together newsletter |
| September 16, 2015 | Letter of Intent announcement news release |
| September 16, 2015 | Better Together newsletter |

| MEDIA INTERVIEWS | |
|---|---|
| April 2, 2015 | Proposed merger announcement interviews |
| April 22, 2015 | Kingsport Times-News editorial board |
| April 22, 2015 | WJHL editorial board |
| April 23, 2015 | WCYB editorial board |
| April 23, 2015 | Johnson City Press editorial board |
| May 7, 2015 | WKPT editorial board |
| June 8, 2015 | HealthLeaders Media |
| June 10, 2015 | Community Health Work Groups announcement & interviews |
| June 11, 2015 | Modern Healthcare interview |
| August 24, 2015 | WJHL interview |

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| September 16, 2015 | Letter of Intent announcement interviews |
| September 16, 2015 | Johnson City Press Forum and follow-up interviews |
| October 6, 2015 | Interview with WCYB |
| October 12, 2015 | Interview with the Johnson City Press |
| October 16, 2015 | Interview with the Bristol Herald Courier |
| October 19, 2015 | Interview with The Business Journal |
| November 11, 2015 | Interviews with The Tennessean and WJHL |
| November 12, 2015 | Interview with The Tennessean |
| November 13, 2015 | Statement provided to the Johnson City Press, Roanoke Times and WKPT |
| November 16, 2015 | Statement provided to WJHL |
| November 20, 2015 | Statement provided to WJHL |
| December 1, 2015 | Statement provided to WCYB |
| December 9, 2015 | Statement provided to the Johnson City Press |
| December 15, 2015 | Statement provided to The Business Journal and the Johnson City News & Neighbor |
| December 17, 2015 | Statement provided to WJHL |
| December 23, 2015 | Statement provided to The Post |
| December 28, 2015 | Statement provided to the Johnson City Press |
| December 30, 2015 | Statement provided to WXBQ and the Kingsport Times-News |

# Appendix

## ATTACHMENT II: INCLUDED FACILITIES AND SERVICES

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|---|---|
| **Wellmont Hospitals**<br>Wellmont's hospital operations consist of two tertiary referral medical centers: Holston Valley Medical Center in Kingsport, Tennessee, and Bristol Regional Medical Center in Bristol, Tennessee, and four wholly owned community hospitals: (1) Mountain View Regional Medical Center in Norton, Virginia, (2) Lonesome Pine Hospital in Big Stone Gap, Virginia, (3) Hawkins County Memorial Hospital in Rogersville, Tennessee, and (4) Hancock County Hospital, a critical access hospital, in Sneedville, Tennessee. | |
| **Holston Valley Medical Center** (Kingsport, TN) | Holston Valley Medical Center has been serving the Kingsport community for 80 years since opening in 1935. The 505-bed facility is staffed by more than 450 board- certified or board-eligible physicians and over 1,700 employees. Holston Valley Medical Center is a regional tertiary referral center offering a comprehensive array of inpatient and outpatient services, including advanced services and trauma services. The hospital serves as a teaching facility in partnership with schools such as East Tennessee State University and Lincoln Memorial University. It is an affiliate of Children's Miracle Network Hospitals. |
| **Bristol Regional Medical Center** (Bristol, TN) | Bristol Regional Medical Center, founded in 1925, operates in a state-of-the-art facility that opened in 1994. The 348-bed facility is staffed by more than 336 board-certified or board-eligible physicians and over 1,600 employees. Bristol Regional Medical Center is a regional tertiary referral center offering a comprehensive array of inpatient and outpatient services, including advanced services and trauma services. The hospital serves as a teaching facility in partnership with schools such as East Tennessee State University and Lincoln Memorial University. It is an affiliate of Children's Miracle Network Hospitals. |

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| **Wellmont Community Division Hospitals**<br>Wellmont community division hospitals include Lonesome Pine Hospital, Mountain View Regional Medical Center, Hawkins County Memorial Hospital, and Hancock County Hospital. | |
| **Lonesome Pine Hospital** (Big Stone Gap, VA) | A 60-licensed bed facility that has served the community since 1973. Lonesome Pine is a community hospital offering a full array of services, including emergency services and a variety of inpatient and outpatient services. The hospital serves as a teaching facility in partnership with schools such as Lincoln Memorial University. The Southwest Virginia Cancer Center, serving medical and radiation oncology patients, is part of Lonesome Pine Hospital operations. Lonesome Pine is staffed with 167 physicians, of whom 80% are board certified, and nearly 400 employees. |
| **Mountain View Regional Medical Center** (Norton, VA) | Mountain View is a 118-licensed bed full-service hospital and offers a full array of services, including emergency services and a variety of inpatient and outpatient services.. Mountain View joined Wellmont in 2007 and it is operated as a facility of Lonesome Pine Hospital under one Medicare provider number. Mountain View Regional Medical Center houses the system's only hospital-based long-term care unit. For financial reporting purposes, Mountain View is consolidated with Lonesome Pine. |

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| **Mountain View Regional Medical Center** (Norton, VA) | Mountain View is a 118-licensed bed full-service hospital and offers a full array of services, including emergency services and a variety of inpatient and outpatient services.. Mountain View joined Wellmont in 2007 and it is operated as a facility of Lonesome Pine Hospital under one Medicare provider number. Mountain View Regional Medical Center houses the system's only hospital-based long-term care unit. The hospital serves as a teaching facility in partnership with schools such as Lincoln Memorial University. For financial reporting purposes, Mountain View is consolidated with Lonesome Pine. It is an affiliate of Children's Miracle Network Hospitals. |
| **Hawkins County Memorial Hospital** (Rogersville, TN) | Established in 1961, the 50- bed hospital provides care in a rural setting. Hawkins County is staffed by more than 121 board-certified or board-eligible physicians and nearly 150 employees. Hawkins County Memorial is a community hospital offering a full array of services, including emergency services and a variety of inpatient and outpatient services. The hospital is a teaching facility in partnership with East Tennessee State University. |
| **Hancock County Hospital** (Sneedville, TN) | This 10-bed facility has been designated by the state as a critical-access hospital that provides care to a medically underserved region. Hancock County was built through a partnership between the system and the Hancock County Commission. Hancock County offers emergency services and a variety of inpatient and outpatient services. Additionally, air and ground medical transportation to a larger tertiary-care facility is available should a patient require further specialization. Hancock County is staffed with 40 physicians, of whom 68% are board certified. It is an affiliate of Children's Miracle Network Hospitals. |

| **Wellmont Corporate Entities: Ambulatory and Post-Acute Services**<br>Wellmont has been proactive in developing its capabilities across the care continuum through a variety of platforms, including medical groups, assisted living and skilled nursing care facilities, ambulatory surgery centers, urgent care facilities and other ancillary service offerings. | |
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| **Wellmont Medical Associates** | A multispecialty practice group, Wellmont Medical Associates includes 135 physicians and 67 mid-levels and nurse practitioners, who deliver care in a number of fields. |
| **Wellmont Cardiology Services** | The Wellmont CVA Heart Institute offers an integrated approach with leading cardiovascular physicians and cutting-edge cardiovascular technologies and treatments. The institute includes 45 cardiovascular physicians, 23 physician assistants and nurse practitioners, and 575 cardiovascular service line employees. |
| **Wellmont Madison House** | The region's only healthcare-affiliated assisted living residence, adult day care center and short-term overnight care program. The facility provides accommodations for 29 residents with staff supervision and access to 24-hour personal assistance. Services available to assisted living residents are also available to those in the short-term overnight care program. |
| **Wexford House** (Kingsport, TN) | A 174-bed skilled and long-term care facility, Wexford House provides comprehensive skilled and rehabilitative nursing care, including: physical therapy, speech therapy, and occupational therapy; residential custodial care; respite and hospice care. |

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| **Wellmont/Health South IRF, LLC** (Bristol, VA) | Joint venture between Wellmont and HealthSouth Corp., a national healthcare provider specializing in rehabilitation, to operate the Rehabilitation Hospital of Southwest Virginia in Bristol, Virginia. (25% Ownership) |
| **Bristol Surgery Center** (Bristol, TN) | Ambulatory surgery center located in Bristol, Tennessee. |
| **Sapling Grove Ambulatory Surgery Center** (Bristol, TN) | Ambulatory surgery center located in Bristol, Tennessee. The remaining ownership interest is held by various physicians. (65% Ownership) |
| **Holston Valley Ambulatory Surgery Center** (Kingsport, TN) | Ambulatory surgery center located in Kingsport, Tennessee. The remaining ownership interest is held by various physicians. (52% Ownership) |
| **Marsh Regional Blood Center** | Marsh Regional Blood Center is a wholly owned subsidiary of Wellmont that provides whole blood and other blood products to 16 hospitals and multiple cancer facilities in Northeast Tennessee and Southwest Virginia. Marsh Regional operates donor centers in Kingsport, Tennessee, and Bristol, Tennessee, and conducts mobile blood drives throughout the region. |

| **Wellmont Corporate Entities: Integrated Support**<br>In addition to Wellmont entities that involve direct patient care and service, Wellmont has also developed strong financial and operational support capabilities through the creation of a captive insurance company, a physician hospital organization, and a philanthropic foundation, which all support the system. | |
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| **Wellmont Insurance Company SPC, LTD** | Cayman captive insurance company which has been established for the purpose of insuring Wellmont's self-insured initial layer of professional liability coverage. |
| **Highlands Wellmont Health Network** | A physician hospital organization jointly owned by Wellmont Health System and Highlands Physicians, Inc. The organization includes around 1,000 physicians across the region along with Wellmont's inpatient and outpatient resources, providing a regional option for direct employer contracts and a platform for focused networks. (50% Ownership) |
| **Wellmont Foundation, Inc.** | A Tennessee nonprofit corporation and a 501(c)(3) organization, supports the mission, vision and values of Wellmont through the use of community involvement and philanthropic support. As the fundraising arm of Wellmont, Wellmont Foundation serves all of its hospitals and service lines throughout the region. |

| **Mountain States Health Alliance Hospitals**<br>All Mountain States wholly owned hospitals operate under the tax identification number of the Mountain States Health Alliance Corporation. The wholly-owned Mountain States acute care hospitals are described below. | |
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| **Johnson City Medical Center (JCMC)** (Johnson City, TN) | JCMC is a 445- bed regional tertiary referral center which also serves as a teaching hospital affiliated with East Tennessee State University. Founded in 1911, JCMC has transformed to provide a comprehensive array of inpatient and outpatient services, including advanced services and trauma services. Also located at JCMC are 34 skilled nursing beds, separately licensed as Franklin Transitional Care. |
| **Niswonger Children's Hospital** (Johnson City, TN) | Niswonger Children's Hospital is the region's only children's hospital. The 69-bed facility is staffed by pediatric experts to serve more than 200,000 children in a four-state, 29-county region. Niswonger provides a comprehensive array of inpatient and outpatient services for children. Niswonger houses one of only seven St. Jude Affiliate Clinics across the country. |
| **Woodridge Psychiatric Hospital** (Johnson City, TN) | Woodridge Psychiatric Hospital is an 84-bed inpatient provider of mental health and chemical dependency services for adults, adolescents, and children ages six and older. Woodridge is a psychiatrist-led facility that includes a team of mental health therapists, discharge planners, expressive therapists, and psychiatric nurses to assist the patient with finding the most beneficial level of treatment. |
| **Indian Path Medical Center** (Kingsport, TN) | Indian Path Medical Center (IPMC) is a 239-bed community hospital with roots dating back 40 years. Indian Path provides a full array of services, including emergency services and a variety of inpatient and outpatient services. |
| **Sycamore Shoals Hospital** (Elizabethton, TN) | Sycamore Shoals Hospital is a 121-bed acute care facility serving the residents of Carter and Johnson Counties. Sycamore Shoals offers a full array of services, including emergency services and a variety of inpatient and outpatient services. In addition, wellness services are provided through the Franklin Health and Fitness Center, located on the campus of Sycamore Shoals. |
| **Franklin Woods Community Hospital** (Johnson City, TN) | Franklin Woods Community Hospital is an 80-bed, LEED-certified* "green" facility. Opened in 2010, Franklin Woods provides a full array of services, including emergency medicine and a variety of inpatient and outpatient services.<br>*Leadership in Energy and Environmental Design |
| **Unicoi County Memorial Hospital** (Erwin, TN) | Unicoi County Memorial Hospital, is a 48-bed acute care facility with an adjacent 46-bed skilled nursing facility. The hospital was founded in 1953 in Erwin, TN, and serves the residents of Unicoi County and the surrounding areas with a full array of services, including emergency services and a variety of inpatient and outpatient services. |
| **Russell County Medical Center** (Lebanon, VA) | Russell County Medical Center is a 78-bed, acute care and behavioral health hospital. The hospital serves the residents of Russell County, VA, and provides behavioral health services, emergency services, and a variety of inpatient and outpatient services. |

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| **Johnson County Community Hospital** (Mountain City, TN) | Johnson County Community Hospital is a two-bed critical access hospital opened in 1998 by Mountain States Health Alliance, offering emergency services and a variety of inpatient and outpatient services to the residents of Johnson County. |

| **Mountain States' Joint Venture Facilities**<br>Mountain States' integrated healthcare delivery system also includes joint ventured facilities. The following summaries describe the joint venture entities. | |
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| **James H. and Cecile Quillen Rehabilitation Hospital** (Johnson City, TN) | Quillen Rehabilitation Hospital houses 26 inpatient rehabilitation beds. The hospital is accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF) and also provides a CARF-accredited stroke program. QRH offers pediatric and adolescent therapy for a wide range of diagnoses, such as stroke, brain injury, amputation, spinal cord injury, orthopedic injury, rheumatologic impairments, neurological and neuromuscular problems and major multiple trauma. The Mountain States partnership with HealthSouth consists of a stand-alone rehabilitation hospital joint venture of at least 36 rehab beds, with Mountain States maintaining a minority interest, and 50/50 board presence. The partnership with Signature HealthCARE will result in a skilled nursing facility with 47 beds and an assisted living facility with 60 beds. |
| **Smyth County Community Hospital** (Marion, VA) | Smyth County Community Hospital is a 44-bed, acute care facility located in Marion, VA. Smyth County's services also include a 109-bed skilled nursing care facility, branded as Francis Marion Manor Health & Rehabilitation. The hospital has served the residents of Smyth County, VA, for more than 45 years through a full array of services, including emergency services and a variety of inpatient and outpatient services. Smyth County Community Hospital also owns 100% of Southwest Community Health Services, Inc., described below. |
| **Southwest Community Health Services, Inc.** | Southwest Community Health Services is a for-profit entity, owned by Smyth County Community Hospital, which operates a pharmacy and provides other health services to the residents of Smyth County, VA. |
| **Norton Community Hospital** (Norton, VA) | Norton Community Hospital has served Southwest Virginia and Southeastern Kentucky since 1949. The 129-bed, acute care facility provides a full array of services, including emergency services and a variety of inpatient and outpatient services. Norton Community was the first American Osteopathic Association-accredited teaching facility in the commonwealth of Virginia and hosts residents in internal medicine. |
| **Norton Community Physician Services, LLC** | Norton Community Physician Services is a for-profit entity consisting of physician practices and pharmacy. NCPS employs 16 physicians and 4 mid-levels to serve the residents of Wise County and surrounding area. |
| **Dickenson Community Hospital** (Clintwood, VA) | Dickenson Community Hospital is one of two critical access hospitals operated by Mountain States Health Alliance. The hospital is licensed for 25 beds and provides emergency services and a variety of inpatient and outpatient services to the residents of Dickenson County. |

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| **Community Home Care, Inc.** | Community Home Care is a home health agency located in Norton City, VA, that provides comprehensive quality care to patients within the comfort of their home. |
| **Johnston Memorial Hospital** (Abingdon, VA) | Johnston Memorial Hospital (JMH) is a 116-bed community hospital which was relocated to a new, state of the art facility in 2011. At that time, JMH was recognized as the first Gold Leadership in Energy and Environmental Design (LEED)-certified hospital in Southwest Virginia providing a full array of services, including emergency services and a variety of inpatient and outpatient services. |
| **Abingdon Physician Partners** | Abingdon Physician Partners is a physician practice owned and managed by Johnston Memorial Hospital consisting of 16 physicians and 5 mid-levels. JMH is 100% owner of Abingdon Physician Partners. |
| **JMH Emergency Physicians, LLC** | Johnston Memorial Hospital Emergency Physicians are fully employed ER physicians providing 24-hour emergency department coverage. JMH is 100% owner of JMH Emergency Physicians, LLC. |

| **Other Mountain States' Entities**<br>Mountain States' integrated healthcare delivery system also includes other entities providing a variety of patient care and population health services. The following summaries describe other Mountain States corporate entities and their affiliates/subsidiaries. | |
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| **Integrated Solutions Health Network** | Mountain States offers advanced population health management services through its subsidiary, Integrated Solutions Health Network (ISHN). ISHN is the corporate parent of AnewCare Collaborative and CrestPoint Health. AnewCare Collaborative is Mountain States' Accountable Care Organization,<br>which operates a 14,000-member Medicare Shared Savings Program. CrestPoint Health operates TPA services for Mountain States team members and a Medicare Advantage Product with more than 5,000 covered lives at the end of 2015. |
| **Mountain States Health Alliance Auxiliary, Inc.** | The Mountain States Auxiliary was established in 1979 to provide financial support for various projects, particularly ones involving extra benefits for Mountain States team members, patients, and guests. The Auxiliary operates the Gift Shops and conducts sales of such items as uniforms, jewelry and books. |
| **Blue Ridge Medical Management Corporation** | Blue Ridge Medical Management Corporation (BRMMC) is a wholly owned, for-profit subsidiary of Mountain States Health Alliance. BRMMC owns and manages physician practices throughout the service area through its integrated physician organization, Mountain States Medical Group. Mountain States Medical Group includes more than 250 providers in over 90 locations representing 25 specialties, including eight urgent care sites. In addition to Mountain States Medical Group, other business units of BRMMC include Mountain States Properties, a real estate division which owns and manages almost one million square feet of medical office space; HealthPro Staffing, a staffing agency formed to provide staffing solutions to the Mountain States Health Alliance facilities and other healthcare organizations in the region; Medi-Serve Medical Equipment Company, a durable medical equipment and respiratory services company with three locations in Northeast Tennessee and Southwest Virginia; Mountain States Pharmacy, a retail pharmacy with five locations in Northeast Tennessee and Southwest Virginia; The Wellness Center, a health and fitness center; and ownership and investment in a number of joint ventures such as ambulatory surgery centers and urgent care facilities. |

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| **Mountain States Foundation** | Mountain States Foundation is a not-for-profit entity providing philanthropic support to Mountain States Health Alliance through the coordination of fundraising and development activities. The Mountain States Foundation assisted with fundraising for the Niswonger Children's Hospital, Johnson City Medical Center radiation oncology expansion, and various fundraising opportunities at local facilities throughout the system. |