Southwest Virginia Health Authority
Minutes of Meeting
April 13, 2016 at 3:00 PM
Southwest Virginia Higher Education Center, Room 222
Abingdon, Virginia

I. Call to Order.

Chairman Kilgore called the meeting to order at 3:04 PM.

II. Roll Call.

Ms. McFadden called roll. Ms. Copeland, Mr. Mosley, Dr. Cantrell, Mr. Carrico, Ms. Welch, Mr. Leonard, Ms. O'Dell, Dr. Henry, Mr. Kilgore, Mr. Horn, Mr. Chafin, Dr. Tooke-Rawlins, Ms. Ward, Mr. Vanover, Dr. Counts, Mr. Prewitt, Mr. Neese, Mr. Mulkey and Ms. Crowder were present.

Dr. Rheuban and Dr. Sarrett were present by phone.

Mr. Givens, Mr. Perdue, Mr. Mosley, Dr. Mayhew, Dr. Wieting, Ms. Baker and Dr. Means were absent.

III. Declaration of Quorum.

Chairman Kilgore declared that a quorum did not exist at the beginning of the meeting and no business was conducted until a quorum was established. Mr. Chaffin was on his way and voting on business items were postponed until a quorum could be established. Mr. Chafin arrived at 3:10 p.m. Chairman Kilgore declared a quorum.

IV. Approval of the Minutes of the January 7, 2016 Meeting.

The Chairman noted that the minutes had been distributed.

Senator Carrico made a motion to approve the minutes of the March 15, 2016 meeting as distributed. Mr. Neese seconded the motion and the motion was unanimously approved.

V. Presentation of Application.

Chairman Kilgore introduced Mr. Tony Keck, the Senior Vice President and Chief Development Officer of Mountain States Health Alliance ("**MSHA**"), and Mr. Todd Norris, Senior Vice President for System Advancement of Wellmont Health Systems ("**Wellmont**"). Mr. Keck and Mr. Norris presented the application to the group. The PowerPoint presentation Mr. Keck and Mr. Norris used to guide the presentation is attached hereto as Exhibit A.

During the presentation, the Chairman declared a five minute recess.

Chairman Kilgore called the meeting back to order and asked that the presentation be interrupted so that several agenda items could be addressed while a quorum was present. Before continued the presentation, the Chairman moved to the agenda items following the presentation.

VI. <u>Cooperative Application</u>.

No discussion.

VII. <u>New Business</u>.

Chairman Kilgore called Mr. Mitchell to present to the Board on a confidentiality policy and resolution. Mr. Mitchell discussed the confidentiality policy and resolution in detail.

Chairman Kilgore presented the following resolution:

WHEREAS, Mountain States Health Alliance and Wellmont Health System (collectively, the **"Applicants**") on February 16, 2016 delivered to the Authority an Application for a Letter Authorizing Cooperative Agreement (the "**Application**"); and,

WHEREAS, pursuant to Section 15.2-5384.1.C.2 of the Code of Virginia, the Applicants delivered with, and as part of, the Application certain clearly identified materials that each believes to be proprietary information that are required to remain confidential (the "**Proprietary Information**"); and,

WHEREAS, the Authority by may be subject to the Freedom of Information Act of Virginia ("**FOIA**") unless an exemption to the FOIA is identified; and,

WHEREAS, under FOIA there are qualifying exceptions for the Authority (i) to hold information as confidential and (ii) to convene in closed session to discuss proprietary information received by the Authority from the Applicants; and,

WHEREAS, Section 2.2-3711(A)(40) of the Code states that public bodies may hold closed meetings only for certain purposes, which include, the "discussion or consideration of records excluded from this chapter pursuant to subdivision 3 of § 2.2-3705.6 of the Code";
and,

WHEREAS, Section 2.2-3711(A)(6) of the FOIA permits a closed session for the "discussion or consideration of the investment of public funds where competition or bargaining is involved, where, if made public initially, the financial interest of the governmental unit would be adversely affected" which would also be a valid exception for the Authority to use in relation to the proprietary records received; and,

WHEREAS, the Virginia Department of Health ("**VDH**") has noted in the VDH Final Virginia Rules and Regulations Governing Cooperative Agreements in Section

12VAC5-221-40(D) that it shall rely upon 2.2- 3706(3) of the Code as the FOIA exception regarding the treatment of the Proprietary Information; and,

WHEREAS, the Authority desires to adopt a confidential information policy to document the Authority's treatment of appropriately designated confidential information; and,

WHEREAS, the Authority received a request to confirm the confidential treatment of the Proprietary Information by the Authority;

NOW, THEREFORE, BE IT RESOLVED that, with respect to Proprietary Information provided to the Authority by the Applicants, the Authority shall rely upon all available applicable exemptions to FOIA, including Section 2.2-3711(A)(6) and Section 2.2-3711(40) of the Code; and, be it,

FURTHER RESOLVED, that the Board of Directors of the Authority hereby adopts the "*Policy for Confidential Information*", attached hereto as Exhibit A; and be it,

BE IT, FURTHER RESOLVED, that the Board of Directors confirms to the Applicants, as requested, that the Proprietary Information will be treated by the Authority as confidential information as contemplated by Section 2.2-3705.6(3) of the Code.

Additionally, Mr. Mitchell describe in detail the confidentiality policy. Chairman Kilgore stated that there is a confidentiality page that needs to be signed and returned.

Senator Carrico called for a motion to adopt the resolution.

A motion was made. Mr. Neese seconded the motion and the motion was unanimously approved.

Chairman Kilgore called Mr. Mitchell to discuss the conflict of interest memorandum distributed to members of the Board. Mr. Mitchell reviewed the document with the Board. Mr. Mitchell indicated there was a form that needed to be signed by all conflicted Board members.

The Application presentation by Mr. Keck and Mr. Norris continued after agenda items were discussed. Many Board members asked questions during the presentation.

VIII. ANNOUNCEMENTS:

The Chairman noted that meetings and minutes from the Tennessee cooperative application review are posted on the Tennessee Department of Health website.

Chairman Kilgore requested that the working groups have two meetings between the meeting and mid-May. The Chairman requested working group questions directed to the Applicants be submitted to him or Mr. Mitchell.

IX. NEXT MEETING OF THE AUTHORITY:

The next meeting will be May 25, 2016 at 3:00 p.m.

X. PUBLIC COMMENT:

No public comment.

XI. ADJOURNMENT:

Meeting adjourned at 5:35 pm. Senator Carrico made a motion to adjourn and Mr. Neese seconded the motion. Motion carried.

_____, Chairman
Terry Kilgore

Exhibit A

(attached hereto)

Better Together

Wellmont Health System

Mountain States Health Alliance

Southwest Virginia Health Authority
April 13, 2016

How did we get here?

- April, 2014 - Wellmont began a strategic options process to further consider alternatives to fulfill its long-term health care mission through potential alignment options
  - Issued 22 RFPs for strategic partners
  - Received 9 Proposals from strategic partners

- April, 2015 - Wellmont entered into a term sheet with Mountain States to exclusively explore the creation of a new, integrated and locally governed health system

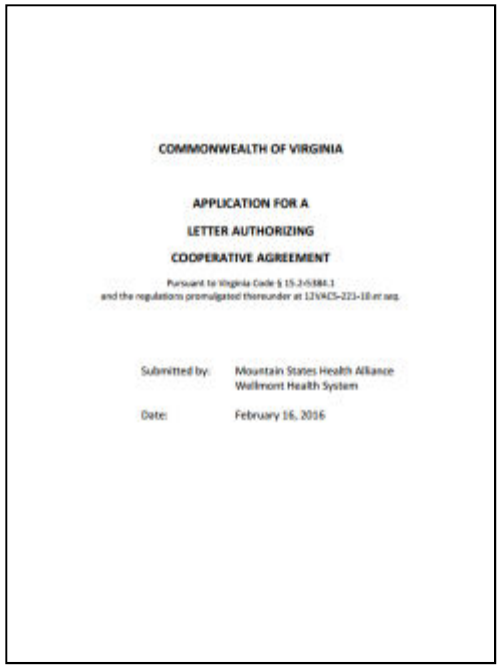
A Better Solution for Our Region

- Continued local governance
- Regional community focus
- Integrated health care delivery for our region in a high-quality and cost-effective system
- Enforceable commitments to limit pricing growth
- Keeping hundreds of millions of dollars in the region that will be invested in efforts to improve the health of the region and preserve local jobs
- Active, ongoing supervision by the Commonwealth of Virginia and the State of Tennessee

Antitrust Considerations

- The decision to form the New Health System is not based on a traditional merger approach.
- Wellmont and Mountain States have a history of competition dating back to the formation of the two health systems in the late 1990s.
- This merger is contingent on the granting of a Letter Authorizing a Cooperative Agreement by the Commonwealth of Virginia and a Certificate of Public Advantage by the State of Tennessee (collectively, the "State Agreements").
- Without the State Agreements, the proposed consolidation of Wellmont and Mountain States would likely be challenged under state and federal antitrust laws.

Application for a Letter Authorizing a Cooperative Agreement



COMMONWEALTH OF VIRGINIA

APPLICATION FOR A
LETTER AUTHORIZING
COOPERATIVE AGREEMENT

Pursuant to Virginia Code § 15.2-5384.1
and the regulations promulgated thereunder at 12VAC5-223-10 et seq.

Submitted by: Mountain States Health Alliance
Wellmont Health System

Date: February 16, 2016

- Wellmont and Mountain States filed their Application for a Letter Authorizing a Cooperative Agreement on February 16, 2016
- Application is 150 pages
- The Exhibits are 4,681 pages
- Wellmont and Mountain States filed applications simultaneously in Virginia and Tennessee for state approval and oversight of the merger.
  - The two applications are substantially the same
  - Virginia's application contains some specific information not requested by Tennessee which made it a longer document

Geographic Service Area

- Section 5 of the Application provides a detailed description of the proposed geographic service area.
- The "proposed geographic service area" is the twenty-one counties in Virginia and Tennessee where the Applicants propose to conduct business as the New Health System.
- This twenty-one county area is inclusive of the Virginia and Tennessee counties in which the Applicants have locations and facilities and serve residents, and all locations and providers that will be under the control of the Applicants and subject to any regulation under the Cooperative Agreement or the COPA.
- This 21-county area is inclusive of the vast majority of the population served by the Applicants, whether commercial, Medicare, Medicaid, or uninsured.

Overview of the Cooperative Agreement Goals

1. Reduce Cost Growth
2. Improve Quality of Health Care Services
3. Improve Access to Care
4. Improve Population Health
5. Benefits of the Proposed Cooperative Agreement are likely to Outweigh the Disadvantages from a Reduction in Competition

1. Reduce Cost Growth

- **SWVHA Assigned Working Group**: Health Care Cost Working Group
- **Charge**: This working group will focus its review of the Application on the issues directly related to health care cost, such as ensuring accountability of the cost of care, improving regional collaboration and integration, and reviewing cost efficiencies discussed in the Application.

1. Reduce Cost Growth

- **The Issue**: Lack of coordinated and integrated care increases costs and decreases overall effectiveness of care in this region thereby contributing to the overutilization of costly inpatient services.

- **The Approach**: The merger offers the New Health System the opportunity to use resources derived from efficiencies and a regionally integrated delivery model to reduce overutilization of inpatient services in the region and stem the pace of health care cost growth for patients, employers and insurers.

1. Reduce Cost Growth

- How do we plan to address it?
  1. Reduce Duplication – See Section 12 "Services Integration"
     - Invest in areas of health care need for currently absent but necessary services (page 86)
     - Integrate clinical programs to establish centers of excellence (page73)
     - Use the three tertiary hub hospitals as training sites for new physicians and health professionals (page 73)
     - Duplicative services for potential consolidation (pages 38-39)
     - Consolidated Leadership – See Section 12.d. "Services Integration" regarding alignment of cultural identities (pages 37-38)
     - Capital cost avoidance (page 87)

1. Reduce Cost Growth (cont.)

1. Reduce Duplication (cont.)
   - Alignment Policy – (Exhibit 12.1 and pages 35-36)
     - Rigorous, systematic method to evaluate the potential merits and adverse effects related to access, quality and service for patients and to make an affirmative determination that the benefits of the proposed consolidation outweigh any adverse effects
     - Applies to proposed consolidation of any clinical facilities and clinical services where the consolidation results in a discontinuation of a major service line or facility such that any such discontinuation would render the service unavailable in that community
     - Super-majority vote of New Health System board will be required for two years after formation in the event a service is consolidated in a way that results in discontinuation of that service in a community.

1. Reduce Cost Growth (cont.)

- How do we plan to address it?
  2. Reduced overutilization of inpatient services
     - Enhanced prevention services (page 50)
     - Enhanced outpatient services (pages 50-51)
  3. Better utilization of hospital resources and equipment
     - Increased prevention and outpatient services
     - Decreased duplication of services will allow opportunities for new services
     - Tertiary hubs will be training centers (page 73)
     - Academic partnerships
     - Physician needs assessment and recruitment plan (page 82)
  4. Enable move from volume-based health care to value-based health care (page 42)
     - Alignment of New Health System's hospitals and related entities into comprehensive provider network for total care of patients (pages 9-10)

1. Reduce Cost Growth (cont.)

- How do we plan to address it?
  5. Efficiencies (pages 44-53)
     - Non-Labor Efficiencies –"reasonable estimate" of approximately $70 million annually (pages 44-45)
       - E.g.: purchased services (blood, anesthesia, legal, marketing, executive recruitment), common IT system, durable medical equipment, and pharmaceuticals
     - Labor Efficiencies – "conservative" estimate of approximately $25 million annually (pages 45-46)
       - Savings could extend across a variety of departments and areas, including: Administration; Biomedical Engineering; Patient Access/Registration; Finance and Accounting; Health Information Management; Human Resources
     - Clinical Efficiencies – "conservative" estimate of approximately $26 million annually (pages 46-47)
       - The New Health System will adopt a comprehensive Alignment Policy (discussed in Section 12.b.) that will allow the New Health System to utilize a rigorous, systematic method to evaluate the potential merits and adverse effects related to access, quality and service for patients and make an affirmative determination that the benefits of the proposed consolidation outweigh any adverse effects

How will we be held accountable?

- In order to evaluate the benefits provided by the New Health System on a continuous basis, the Department will adopt a set of "Quantitative Measures" to be used to evaluate the proposed and continuing benefits of the Cooperative Agreement.

- Wellmont and Mountain States have proposed an accountability mechanism for each of the Commitments the New Health System has set forth in the Application.

- These proposed accountability mechanisms are identified as Quantitative Measures, grouped into several categories based on the goals the Commitments address.

1. Reduce Cost Growth (cont.)

- How will we be held accountable?
  - Commitments to Ensure Cost Containment
    - See Discussion and Table 15.10 on pages 114-116

Table 15.10 – Proposed Improving Health Care Value: Managing Quality, Cost and Service Measures

Quantitative Measures of Continuing Benefit **D. Improving Health Care Value: Managing Quality, Cost and Service Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	For all Principal Payers*, the New Health System will reduce existing commercial contracted fixed rate increases by fifty percent (50%) in the first contract year following the first full year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.	Report to Commissioner after first contract year attesting to compliance.

1. Reduce Cost Growth (cont.)

	Commitment	*Proposed Accountability Mechanism*
1.	For all Principal Payers*, the New Health System will reduce existing commercial contracted fixed rate increases by fifty percent (50%) in the first contract year following the first full year after the formation of the New Health System…	Report to Commissioner after first contract year attesting to compliance.
2.	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%....	Annual report to Commissioner attesting to compliance.
3.	…For all 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 New Health System.	Annual report to Commissioner attesting to compliance.

*For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers

1. Reduce Cost Growth (cont.)

	Commitment	*Proposed Accountability Mechanism*
4.	The New Health System will 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 the limitations herein). New Health System would agree to resolve through mediation any disputes in health plan contracting.	Annual report to Commissioner attesting to compliance.
5.	The New Health System will not agree to be the exclusive network provider to any commercial, Medicare Advantage or managed Medicaid insurer.	Annual report to Commissioner attesting to compliance.
6.	The New Health System will not engage in “most favored nation” pricing with any health plans.	Annual report to Commissioner attesting to compliance.

*For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers

2. Improve Health Care Quality

- **SWVHA Assigned Working Group**: Health Care Quality Working Group
- **Charge**: This working group will focus its review of the Application on the issues related to quality of health care issues set forth in the Application, including promoting collaboration and the utilization of technology, enhancement care, and improvement of utilization of resources.

2. Improve Health Care Quality

- **The Issue**: The region served by the Parties faces significant health care challenges. A key goal of the Cooperative Agreement is to enable the Parties to sustain and enhance services and improve the quality of health care and patient outcomes.

- **The Approach**: To enhance the quality of health care services provided in the region, the Parties are willing to commit to the investment and development of programs and initiatives that will improve the quality of health care and patient outcomes.

2. Improve Health Care Quality

- How do we plan to address it?
  1. Promote collaboration and the utilization of technology
     - Adopt a Common Clinical IT Platform (page 74)
  2. Establish a Physician-led Clinical Council (page 75)
     - Clinical Council will identify best practices that will be used to develop standardized clinical protocols and models for care across the New Health System
  3. Implement System-Wide Quality Reporting (pages 75-80)
     - Public reporting of extensive quality measures for New Health System's performance
     - Improve how quality is measured not only at New Health System hospitals, but throughout the region (page 93)

2. Improve Health Care Quality

- How will we be held accountable?
  - Commitments for Improving Health Care Value: Managing Quality, Cost and Service
    - See Discussion and Table 15.10 on pages 114-116

Table 15.10 – Proposed Improving Health Care Value: Managing Quality, Cost and Service Measures

Quantitative Measures of Continuing Benefit **D. Improving Health Care Value: Managing Quality, Cost and Service Measures**		
	Commitment	*Proposed Accountability Mechanism*
1.	For all Principal Payers*, the New Health System will reduce existing commercial contracted fixed rate increases by fifty percent (50%) in the first contract year following the first full year after the formation of the New Health System. Fixed rate increases are defined as provisions in commercial contracts that specify the rate of increase between one year and the next and which include annual inflators tied to external indices or contractually-specified rates of increase in reimbursement.	Report to Commissioner after first contract year attesting to compliance.

2. Improve Health Care Quality

Commitments for Improving Health Care Value: Managing Quality, Cost and Service

	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System will adopt a Common Clinical IT Platform as soon as reasonably practical after the formation of the New Health System.	Annual report to Commissioner attesting to progress towards compliance until the Common Clinical IT Platform is adopted.
2.	The New Health System will 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.	Annual report to Commissioner attesting to compliance.
3.	The New Health System will participate meaningfully in a health information exchange open to community providers.	Annual report to Commissioner attesting to compliance once health information exchange is fully established.
4.	The New Health System will establish annual priorities related to quality improvement and publicly report these quality measures in an easy to understand manner for use by patients, employers and insurers.	Annual report to Commissioner attesting to measurement of quality measures identified in Section 15.a.A(iv) of the Application.

3. Improve Access to Care

- **SWVHA Assigned Working Group**: Health Care Access Working Group
- **Charge**: This working group will focus its review of the Application on the issues related to access to health care, including, improving access to health care, enhancement of care, preservation of hospital facilities, improvement of utilization of resources, avoidance of duplication of hospital resources, and participation in the Commonwealth of Virginia Medicaid program.

3. Improve Access to Care

- **The Issue**: Some residents of the Geographic Service Area have acceptable access to services, but others reside in areas that are substantially underdeveloped or that lack services altogether. This is especially true for mental health, substance abuse and specialty pediatric services. Health care services offered by rural hospitals in the United States are at increasing risk of closure.

- **The Approach**: The integration and coordination of clinical services made possible by the merger will free up resources that can be directed to develop new health care services and to enhance existing services. The Cooperative Agreement will allow the hospitals the opportunity to continue to offer programs and services that are now unprofitable and otherwise may have to be reduced or cancelled due to lack of funding.

3. Improve Access to Care

- How do we plan to address it?
  1. Enhanced care
     - Commitment to spend at least $140 million over ten years pursuing specialty services, which otherwise could not be sustainable in the region (page 51)
       - New capacity for residential addiction recovery services (see page 51)
       - Develop community-based mental health resources
         - » Mobile health crisis management teams (see page 50)
         - » Intensive outpatient treatment and addiction resources for adults, children, and adolescents
       - Pursue specialty services (page 51)
       - Improved utilization of hospital resources and equipment (pages 83-86)
       - Increased prevention and outpatient services (pages 49-51)
       - Ensure recruitment and retention of pediatric sub-specialists (page 94)
       - Develop pediatric specialty centers and emergency rooms in Kingsport and Bristol (page 94)
       - Further deploy pediatric telemedicine and rotating specialty clinics in rural hospitals (page 94)

3. Improve Access to Care

- How do we plan to address it?
  2. Preserve hospital facilities in geographical proximity to the communities traditionally served (pages 52-53 and 80-82)
     - All hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five years. (page 81)
     - The New Health System will maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher-level services are available in close proximity to where the population lives. (page 82)
     - The New Health System will commit to the development of a comprehensive physician needs assessment and recruitment plan every three years in each community served by the New Health System. (page 82)
  3. New Health System will adopt charitable care and related policies substantially similar to their existing policies and consistent with IRS final 501(r) rules. (page 32)

3. Improve Access to Care

- How do we plan to address it?
  4. New Health System will continue to remain committed to the following populations in the following ways:
     - Medicare (page 32)
       - Pricing set by government, so no pricing impact
       - Improvement in access to and quality of services anticipated
       - Use rates may be favorably affected through care coordination models under value-based arrangements, resulting in savings to Medicare program
       - Integration strategies, such as Common Clinical IT Platform, are key factors in succeeding in value-based Medicare environment
     - Medicaid (pages 32-33)
       - Will benefit from many population health strategies, such as child maternal health
       - New Health System will seek innovative value-based models with commercial payers that are intermediaries to the state Medicaid programs
       - Large scale of patients managed by New Health System should create more opportunities for access

3. Improve Access to Care

- How do we plan to address it?
  4. New Health System will continue to remain committed to the following populations in the following ways:
     - Uninsured (page 33)
       - Organized delivery model for uninsured that relies upon medical home as key entry point
       - Encourage all uninsured to seek coverage from federal health marketplace
       - Work with charitable clinics to improve access to patient-centered medical homes, Federally Qualified Health Centers and other physician services.
     - All categories of patients (pages 33-34)
       - Strategies to reduce over-utilization and unnecessary utilization of services, especially high-cost services such as ED
       - Develop Key Focus Areas for population health investment and intervention
       - Account for geographic gaps and disparities by aiming resources or strategies at specific populations

3. Improve Access to Care

- How will we be held accountable?
  - Commitments for Enhanced Health Care Services
    - See Discussion and Table 15.8 on pages 111-112
  - Commitments for Expanding Access and Choice
    - See Discussion and Table 15.9 on pages 113-114

3. Improve Access to Care

Commitments for Enhanced Health Care Services

	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System commits to spending at least $140 million over ten years pursuing specialty services which otherwise could not be sustainable in the region without the financial support.	Annual report to Commissioner attesting to progress towards compliance until $140 million is invested.
2.	Create new capacity for residential addiction recovery services connected to expanded outpatient treatment services located in communities throughout the Geographic Service Area.	Annual progress reports and One-time report to Commissioner attesting to the creation of new capacity for residential addiction recovery services when complete.
3.	Ensure recruitment and retention of pediatric subspecialists in accordance with the Niswonger Children's Hospital physician needs assessment.	Report to Commissioner attesting to compliance after the third year after formation of the New Health System.

3. Improve Access to Care

Commitments for Enhanced Health Care Services

	Commitment	*Proposed Accountability Mechanism*
4.	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.	Annual report to Commissioner attesting to progress towards compliance until pediatric specialty centers and Emergency Rooms have been developed.
5.	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.	File the Comprehensive Physician Needs Assessment with the Commonwealth every three years.

3. Improve Access to Care

Commitments for Expanding Access and Choice

	Commitment	*Proposed Accountability Mechanism*
1.	All hospitals in operation at the effective date of the merger will remain operational as clinical and health care institutions for at least five years…	Annual report to Commissioner attesting to compliance for five years after formation of the New Health System.
2.	Maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher-level services are available in close proximity to where the population lives.	Annual report to Commissioner attesting to compliance.
3.	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.	Annual report to Commissioner attesting to compliance.

3. Improve Access to Care

Commitments for Expanding Access and Choice

	Commitment	*Proposed Accountability Mechanism*
4.	Commitment to not engage in exclusive contracting for physician services, except for certain hospital-based physicians as determined by the Board of Directors.	Annual report to Commissioner attesting to compliance.
5.	Independent physicians will not be required to practice exclusively at the New Health System's hospitals and other facilities.	Annual report to Commissioner attesting to compliance.
6.	The New Health System will not take steps to prohibit independent physicians from participating in health plans and health networks of their choice.	Annual report to Commissioner attesting to compliance.

4. Improve Population Health

- **SWVHA Assigned Working Group**: Population Health Working Group
- **Charge**: This working group will focus its review of the Application on the population health issues, such as the Authority's goals, regional health issues, academic engagement, and health related workforce issues.

4. Improve Population Health

- **The Issue**: The region served by the Parties to the Cooperative Agreement faces significant, wide-ranging health care challenges.

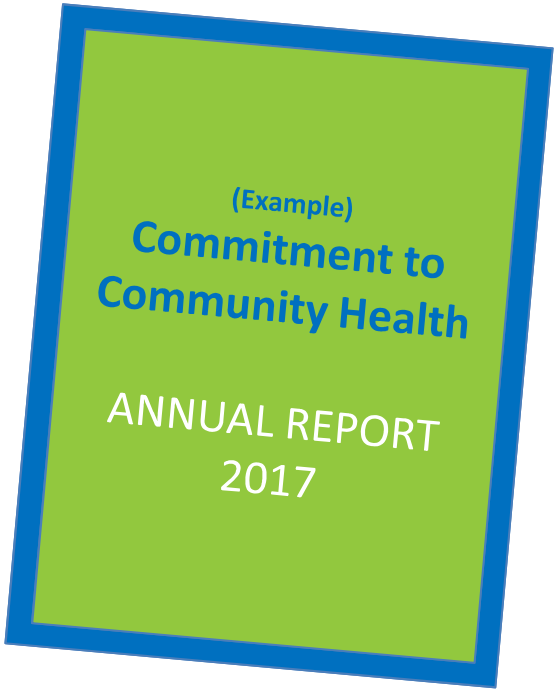
- **The Approach**: Wellmont and Mountain States are committed to creating a New Health System designed to improve community health. To accomplish this, the New Health System will commit to pursuing health improvements aligned with goals contained in the current Southwest Virginia Health Authority's Blueprint for Health Improvement and Health-Enabled Prosperity and the Virginia Health Innovation Plan.

Community Health Improvement Measures Process for Development

1) Define a common vision and goals
2) Conduct a comprehensive assessment of community health status
3) Prioritize health issues
4) Formulate goals and strategies
5) Evaluation and monitoring

Proposed Process – Phase 1

As part of the State's process to determine the Applications completeness, the Department of Health and the New Health System will agree on key Focus Areas of the commitment to improve community health.



Improve Community Health

Strong starts for children

- Childhood obesity
- Birth outcomes
- Type 1 and 2 diabetes
- Neonatal abstinence syndrome
- Third-grade reading proficiency

Living well in the community

- Diabetes
- Cardiovascular disease
- Breast, cervical, colorectal and lung cancer

Drug-free communities

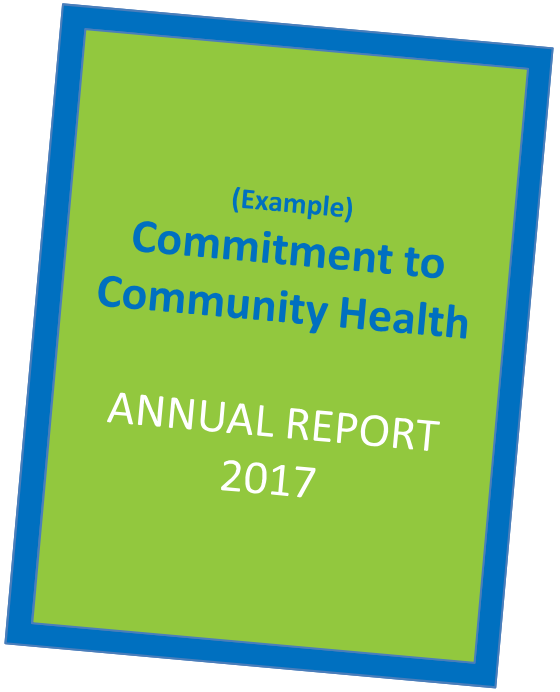
- Prevent substance abuse in youth
- Prevent tobacco use in youth
- Reduce overprescription of painkillers
- Combat drug addiction through:
  - Crisis management
  - Residential treatment
  - Community-based support

Connect high-need, high-cost uninsured individuals to care

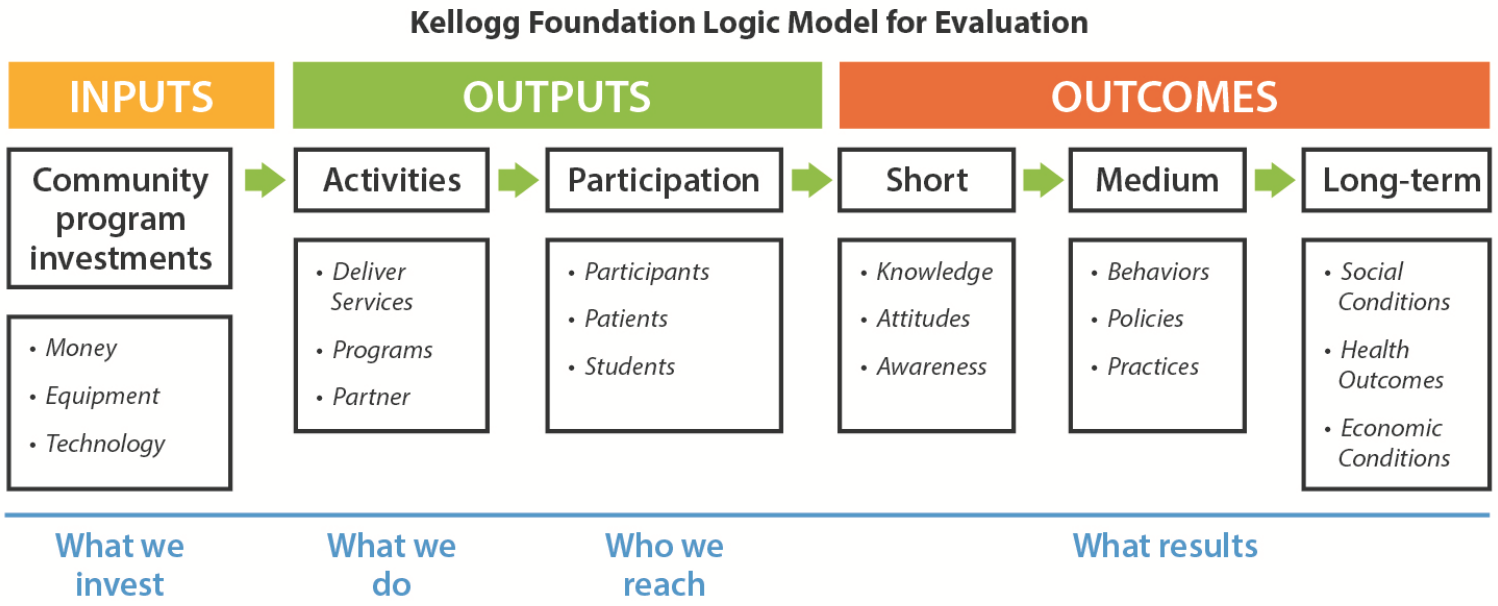
- Intensive case management and connection to community resources
- Primary care
- Behavioral health crisis management
- Residential addiction treatment
- Intensive outpatient treatment services

Proposed Process – Phase 2

The New Health System and Department of Health, with input from community stakeholders (including the Department's Advisory Groups) will agree on a limited number of health concerns, tracking measures and relevant baselines within each key focus area.



Community Health Improvement Measures Process for Development



Community Health Improvement Measures Example – Key Focus Area #1

Health Concern	*Health Concern **Tracking Measures** in the TN & VA Service Area*	*Representative Investment, Intervention, or Performance Improvement*	***Representative Accountability Measures***	*Representative Progress Measures*	*Lowest Ranking Tennessee Counties in Geographic Service Area*	*Lowest ranking Virginia counties in Geographic Service Area*
Ensure Strong Starts for Children						
Low Birth-Weight Babies	Low-birth weight rate per 100,000 population	Establish Centering Pregnancy Program in certain high-risk counties	Establish agreed upon number of Centering Pregnancy Programs in specific counties by set date	Number of women in high risk communities with 5+ visits to Centering Pregnancy Program	Johnson, Carter, Cocke	Tazewell, Buchanan, Smyth

4. Improve Population Health

- How do we plan to address it?
  1. Identify most pressing health issues of region for focus over next 10 years, aligned with:
     - SWVHA's goals in the Blueprint for Health Improvement and Health-Enabled Prosperity (page 87)
     - Virginia Health Innovation Plan (page 87)
     - Health Improvement Assessment (pages 89-91) which is jointly sponsored and funded by the Parties and ETSU to perform the region's most substantial community health improvement assessment to date – begun in fall 2015
     - Assessment will be used to develop a 10-year plan for addressing community health opportunities for improved care (pages 90-91) to include:
       - » Mental health and addiction services for adults and children
       - » Develop a comprehensive regional approach to child well-being
       - » Coordinated plan to align public and private sector resources to improve health
       - » Develop a research and academics partnering strategy

4. Improve Population Health

- How do we plan to address it?
  2. Address regional health issues to improve population health for identified Key Focus Areas (pages 101-102), such as:
     - Strong starts for children
     - Adult wellness
     - Drug-free communities
     - Decrease avoidable hospital admission and ER use
     - Improve Access to Behavioral Health Services
  3. Academic Engagement
     - Development of enhanced academic medical center (page 40)
     - Partnerships with academic institution to enable research-based and academic approaches to services offered (page 52)
     - Academic Engagement Commitments (page 133)

4. Improve Population Health

- How do we plan to address it?
  4. Health related workforce issues
     - Goal: Become one of best health system employers in the nation (pages 39-42)
     - Frequent employee and physician satisfaction assessments benchmarking with national organizations to achieve at least top quartile performance (page 39)
     - New partnerships with regional colleges and universities in VA and TN to train physicians, nurses and allied health professionals (page 39)
     - Honor prior service credit for eligibility and vesting under employee benefit plans and credit for accrued vacation and sick leave
       - Address any differences in salary/pay rates and employee benefits
       - Competitive compensation
       - Career development program for maximum career enhancement and training

4. Improve Population Health

- How do we plan to address it?
  4. Health related workforce issues (cont.)
     - New Health System intends to offer all current employees of Wellmont and Mountain States comparable positions within the New Health System (page 45)
       - Opportunities to move employees into new or expanded roles to optimize existing expertise, competencies and productivity
     - New Health System will achieve substantial efficiencies and reduce unnecessary duplication of services, but it is not anticipated that the overall clinical workforce in the region will decrease significantly. (page 40)
     - Attract medical professionals (pages 40-41)
       - Develop an enhanced academic medical center with new specialty fellowships, expanded research infrastructure, added medical and related faculty, added research funding (especially translational research)
       - Increased residency slots

4. Improve Population Health

- How will we be held accountable?
  - Commitments for Improving Community Health
    - See Discussion and Table 15.6 on page 102
  - Commitments for Investment in Health Education/Research and Commitment to Workforce
    - See Discussion and Table 15.11 on pages 116-118

4. Improve Population Health

Commitments for Improving Community Health

	Commitment	*Proposed Accountability Mechanism*
1.	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.	Annual report to Commissioner attesting to progress towards compliance until $75 million is invested.
2.	The New Health System is committed to investing in the improvement of community health for the Key Focus Areas agreed upon by the State and the New Health System in the Virginia State Agreement.	Commitment to Community Health Annual Report to Commissioner will attest to progress on the accountability mechanisms for each Key Focus Area as outlined in the Virginia State Agreement.
3.	The New Health System will commit to expanded quality reporting on a timely basis so the public can easily evaluate the performance of the New Health System as described more fully herein.	Annual report to Commissioner attesting to compliance with reporting obligations as outlined in the Virginia State Agreement.

4. Improve Population Health

Commitments for Investment in Health Education/Research and Commitment to Workforce

	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System will work with its academic partners in Virginia and Tennessee 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.	Annual report to Commissioner attesting compliance
2.	With its academic partners in Virginia and Tennessee, 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.	Annual report to Commissioner attesting to compliance until 10-year plan is complete. File 10- year plan with State once complete.
3.	The New Health System will work closely with ETSU and other academic institutions in Virginia and Tennessee to develop and implement a 10-year plan for investment in research and growth in the research enterprise within the region.	Annual report to Commissioner attesting to compliance until 10-year plan is complete. File 10- year plan with State once complete.

4. Improve Population Health

Commitments for Investment in Health Education/Research and Commitment to Workforce

	Commitment	*Proposed Accountability Mechanism*
4.	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.	Report to Commissioner attesting to compliance after the first year after formation of the New Health System.
5.	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.	Report to Commissioner attesting to compliance after the first year after formation of the New Health System.
6.	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.	Annual report to Commissioner attesting compliance.

5. Competition

- **SWVHA Assigned Working Group**: Competition Working Group
- **Charge**: This working group will focus its review of the Application on whether the "benefits likely to result from the proposed cooperative agreement outweigh the disadvantages likely to result from a reduction in competition from the proposed cooperative agreement" and will consider issues related to ensuring accountability of the cost of care, improving health entity collaboration and regional integration, gains in the cost efficiencies on services provided by the Application, and improvements in the utilization of resources and avoidance of the duplication of resources.

5. Competition

- **The Issue**: The benefits of the Cooperative Agreement outweigh any disadvantages attributable to any reduction in competition resulting from the Cooperative Agreement.

- **The Approach**: The New Health System will be actively supervised by Virginia and Tennessee officials. This supervision will ensure that the New Health System will act in furtherance of the public policies that underlie Virginia's Cooperative Agreement.

5. Competition

- How do we plan to address it?
  1. The Benefits outlined in the Application would not be possible without the Merger
     - Significant savings not attainable without Cooperative Agreement (pages 96-97)
     - Funding population health, access to care, enhanced services and the Commitments are impossible without the efficiencies and savings created by the merger (page 96)
     - Federal Antitrust laws prohibit coordination necessary to achieve significant savings without the merger under a Cooperative Agreement (page 86)
     - Clinical standardization would not be possible absent the merger (page 36)
     - Implementation of the Common Clinical IT Platform requires sharing of highly proprietary information and commitment of significant resources by both systems, which would not be accomplished in the absence of a merger (page 72)

5. Competition

- How do we plan to address it?
  2. Active, Ongoing State Oversight (pages 64-65)
     - The Parties and the Commissioner will agree on a limited number of Quantitative Measures of Continuing Benefit to measure annually.
     - The Quantitative Measures will serve as a scorecard to ensure that the New Health System is in substantial compliance with the terms of the Letter Authorizing Cooperative Agreement and that the benefits of the Cooperative Agreement outweigh any disadvantages attributable to any reduction in competition resulting from the Cooperative Agreement.

5. Competition

- How do we plan to address it?
  3. Continued Competition
     - There will be no gain in market power as a result of the Cooperative Agreement (page 64)
     - Approximately 70% of all physicians in the Geographic Service Area are (and are expected to remain) independent (pages 55-58; 63-64)
     - A majority of outpatient facilities will not be controlled by New Health System (pages 58-59)
     - Nine general acute care hospitals in the Geographic Service Area are not operated by Wellmont or Mountain States (page 54)

5. Competition

- How will we be held accountable?
  - Commitments to Ensure Cost Containment
    - See Discussion and Table 15.10 on pages 114-116
  - Commitments for Expanding Access and Choice
    - See Discussion and Table 15.9 on pages 113-114

5. Competition

Commitments to Ensure Cost Containment

	Commitment	*Proposed Accountability Mechanism*
1.	The New Health System will 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 the limitations herein). New Health System would agree to resolve through mediation any disputes in health plan contracting.	Annual report to Commissioner attesting to compliance.
2.	The New Health System will not agree to be the exclusive network provider to any commercial, Medicare Advantage or managed Medicaid insurer.	Annual report to Commissioner attesting to compliance.
3.	The New Health System will not engage in "most favored nation" pricing with any health plans.	Annual report to Commissioner attesting to compliance.

*For purposes of this Application, "Principal Payers" are defined as those commercial payers who provide more than two percent (2%) of the New Health System's total net revenue. The proposed commitments would not apply to Medicaid managed care, TRICARE, Medicare Advantage or any other governmental plans offered by Principal Payers

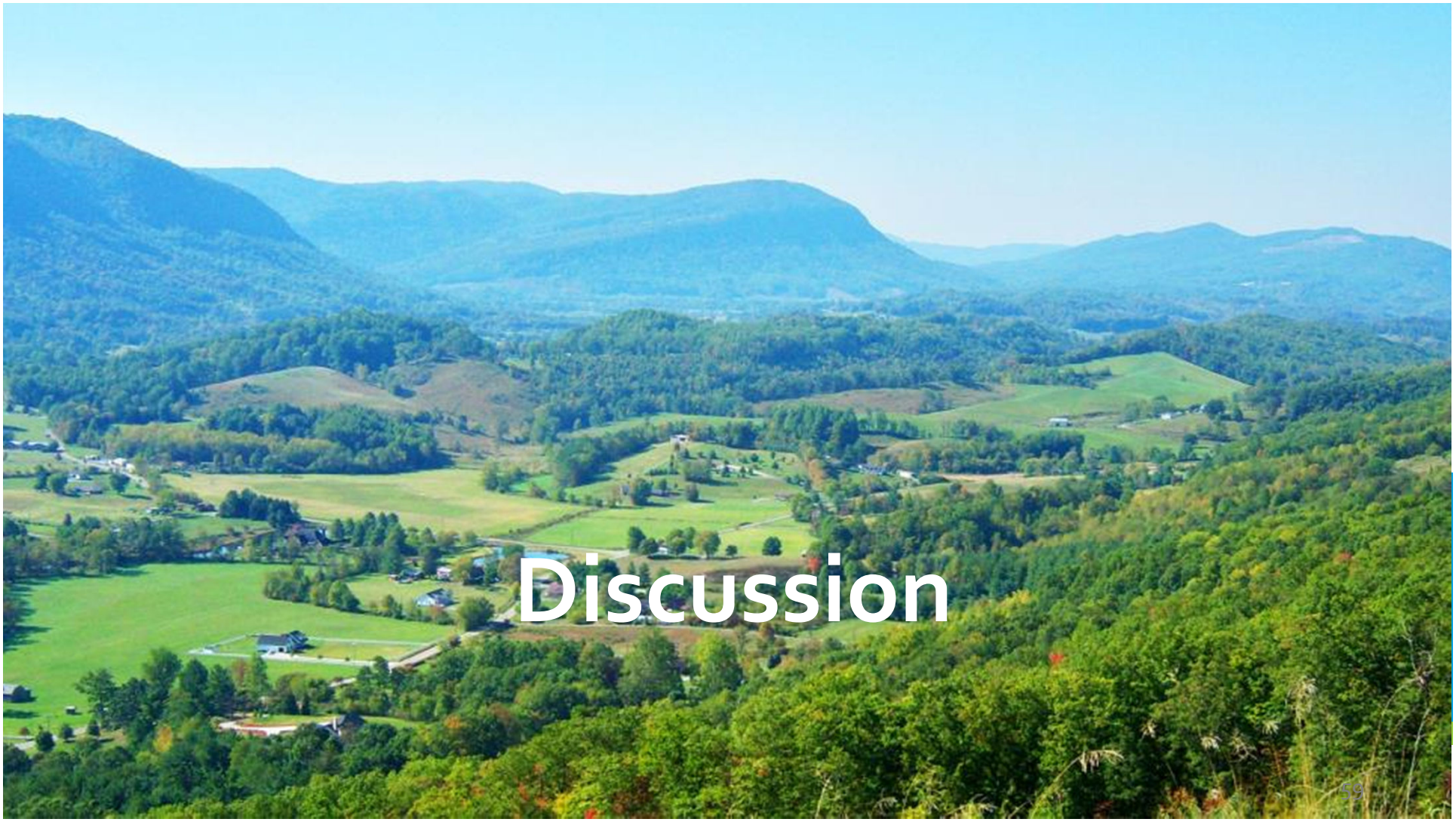
5. Competition

Commitments for Expanding Access and Choice

	Commitment	*Proposed Accountability Mechanism*
1.	Maintain three full-service tertiary referral hospitals in Johnson City, Kingsport, and Bristol to ensure higher-level services are available in close proximity to where the population lives.	Annual report to Commissioner attesting to compliance.
2.	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.	Annual report to Commissioner attesting to compliance.
3.	Commitment to not engage in exclusive contracting for physician services, except for certain hospital-based physicians as determined by the Board of Directors.	determined by the Board of Directors. Annual report to Commissioner attesting to compliance.
4.	Independent physicians will not be required to practice exclusively at the New Health System's hospitals and other facilities.	Annual report to Commissioner attesting to compliance.
5.	The New Health System will not take steps to prohibit independent physicians from participating in health plans and health networks of their choice.	Annual report to Commissioner attesting to compliance.

The Tennessee Process

- Advisory Group Listening Sessions
  - 5 Public Hearings on the Health Index Measures
    - Advisory Group Listening Session #1 — Tuesday, March 22, 5:30 p.m. – 7:30 p.m.
    - Advisory Group Listening Session #2 — Tuesday, March 29, 5:30 p.m. - 7:30 p.m.
    - Advisory Group Listening Session #3 — Tuesday, April 5, 5:30 p.m. – 7:30 p.m.
    - Advisory Group Listening Session #4 — Tuesday, April 19, 5:30 p.m. – 7:30 p.m.
    - Advisory Group Listening Session #5 — Tuesday, May 17, 5:30 p.m. – 7:30 p.m.
- Tennessee Department of Health Public Hearing
  - Tuesday, June 7, 5:30 p.m. – 7:30 p.m.
- Tennessee Department of Health Correspondence
  - March 3, 2016 – Wellmont and Mountain States provided the Tennessee DOH with a crosswalk comparing the Tennessee and Virginia application requirements and the corresponding sections in both applications.
  - March 3, 2016– The Tennessee DOH requested an addendum from Wellmont and Mountain States.
  - April 7, 2016 - The Tennessee DOH issued its first request for additional information regarding the application for the issuance of a Certificate of Public Advantage.


Discussion