



Alan Levine
Chairman,
President and Chief Executive Officer

303 Med Tech Parkway
Suite 300
Johnson City, TN 37604
tel 423.302.3423
fax 423.302.3447

balladhealth.org

October 14, 2020

The Honorable Lisa Piercey, MD, MBA, FAAP
Commissioner
Tennessee Department of Health
710 James Robertson Parkway
Nashville, TN 37243

The Honorable Herbert H. Slatery
Attorney General and Reporter
State of Tennessee
P.O. Box 20207
Nashville, TN 37202-0207

RE: Response to September 29, 2020 communication

Dear Commissioner Piercey and General Slatery,

I am responding to your letter dated September 29, 2020 to Ballad Health ("Ballad"), related to Section 6.05(a) of the Terms of Certification (TOC).

Thank you for recognizing that Ballad has been transparent with respect to the trajectory throughout fiscal year 2019 as communicated during the course of the year to the COPA monitor as well as the Tennessee Department of Health (TDH) staff. Given that the trajectory of spending was based on assumptions, Ballad felt it important to keep the COPA Monitor and the TDH staff apprised of what our team was projecting. Regardless of everyone's best intentions with respect to assumptions that are made in a marketplace where the trajectory of spending is influenced by many factors, some of which are outside the control of Ballad and the State, ongoing transparency is something we are committed to. Even as we continued to provide updates to the COPA Monitor and TDH staff on our projections, as you've articulated, we did not take the additional step of formally notifying TDH of a gap in spending on one (1) of the six (6) Plans, the Children's Health Plan, under Section 6.05(a) of the TOC. Simply stated, we missed this, and agree that we should have formally sent a notification. We understand that you have made a proposal to cure this issue on the Children's Health Plan.

- Ballad will place \$239,000 into a Board-designated fund to be spent on new and incremental capital expenditures and operating expenses pursuant to a revised Children's Health Plan. Funds will be released by approval of Ballad Health Chief Financial Officer.
- In addition, Ballad is currently working on revisions to the Children's Health Plan that shall account for the spending of the board designated funds and will submit that by November 30, 2020.

While we are under the continuing COVID-19 emergency and the temporary suspension of several provisions of the TOC, including spending in accordance with the plans, Ballad would like to notify TDH of a gap related to fiscal year 2020. Numbers are not final as they have not been audited, but in aggregate for the 8 months of fiscal year 2020 (prior to the suspension of the TOC provisions), the gap is

forecast in three (3) of the six (6) plans. We will provide TDH staff with final numbers as soon as they are available, and will propose solutions that address the structural issues we believe are relevant to solving this.

Ballad remains committed to ensuring we fulfill the vision of the COPA, and to ensuring the full value of Ballad's investments are properly deployed and recognized.

Sincerely,



Alan Levine
Chairman & CEO

cc: Janet M. Kleinfelter
Tennessee Deputy Attorney General

Judi Knecht, Interim COPA Director
Tennessee Department of Health

Jeff Ockerman
Tennessee Department of Health

Larry Fitzgerald
Tennessee COPA Monitor

The Honorable Norman Oliver, MD, MA,
Commissioner, Virginia Department of Health

Allyson Tysinger
Virginia Senior Assistant Attorney General

Erik Bodin, Director, Office of Licensure and Certification
Virginia Department of Health

Kevin Meyer
COPA Analyst, Virginia Department of Health

Dennis Barry
Southwest Virginia Health Authority

Lynn Krutak
EVP & Chief Financial Officer, Ballad Health

Tim Belisle
EVP & General Counsel, Ballad Health

Karen Guske
SVP Ballad Health, COPA Compliance Officer