



**STATE OF TENNESSEE**  
**DEPARTMENT OF HEALTH**  
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**BILL LEE**  
GOVERNOR

**LISA PIERCEY, MD, MBA, FAAP**  
COMMISSIONER

June 2, 2022

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

RE: Proposal to Modify the Behavioral Health Plan to include capital funding costs for the development of a replacement facility for the Strong Futures Living Center

Dear Mr. Levine,

This letter is in response to your request under Section 3.06(c) of the Second Amended and Restated Terms of Certification, dated April 27, 2021 ("TOC"), to modify Ballad Health's ("Ballad") Behavioral Health Plan, previously approved through June 30, 2022 ("Behavioral Health Plan") to add costs for the planning and design phase of a replacement Strong Futures Living Center ("Living Center"). I have reviewed your request along with the recommendations of the Tennessee Certificate of Public Advantage ("COPA") Monitor, who has coordinated the analysis of your proposal with the monitor from the Virginia Department of Health.

Generally, TOC section 3.01 requires that only new and incremental capital expenditures and operating expenses pursuant to approved spending plans count towards satisfaction of the spending commitments, and TOC section 3.02(a) addresses the goals and objectives of the Behavioral Health Plan, which contains an explicit reference to the construction of a residential addiction recovery center.

However, your proposal states that the Greene County Government purchased from Ballad in November 2021 the former Takoma Hospital Building in which the Living Center is currently located but does not address how the proceeds of that sale impact the costs and expenses of the proposed relocation of the Living Center. Further, we are aware that a grant Ballad has received from the State of Tennessee further covers certain costs of the Living Center, and your proposal does not address if and/or how the proceeds of that grant offset any costs and expenses of the proposed relocation of the Living Center. Finally, this proposal impacts only the final few months of the approved Behavioral Health Plan.

TDH recognizes the importance of quality and accessible addiction treatment services, especially for pregnant and parenting women, throughout the geographic service area of Ballad. While we applaud Ballad for identifying and supporting the important work of the Living Center and its related initiatives, TDH is committed to following the provisions and process set forth in the TOC and approving expenses only after thorough and diligent review, so that we may appropriately fulfill our statutory duties.

The COPA Monitor has reviewed your proposal and certain additional information provided in response to his request. Nevertheless, the proposal as written does not establish that the services reflect new and incremental services not covered by other sources of revenue and does not provide specificity of detail to permit the monitors to recommend approval to the states. Adequate information should include a business plan, complete project description, financial proformas and key performance indicators. Finally, the proposal does not incorporate any milestones nor metrics by which expenditures could be verified.

For these reasons, I concur with the COPA Monitor's recommendation that the proposed modification should not be approved as written. Accordingly, I respectfully deny Ballad's proposal to modify the Behavioral Health Plan to include planning and design phase costs for a replacement for the Living Center at this time.

This determination in no way reflects upon the important work of the Living Center, which will continue as a favored project in the view of TDH. TDH would welcome the opportunity to consider the Living Center in the new spending plans or in a future modification request containing sufficient detail to be approved on its own merits.

Thank you for your continuing efforts to serve the needs of your patients. While TDH takes our supervision role under the COPA very seriously, we also see ourselves as partners with Ballad in working through the various issues that will invariably continue to arise in this unprecedented process. Ballad's success is imperative to the residents of Northeast Tennessee and Southwest Virginia, and we want to do our part to help make that success possible.

I have enjoyed working with you during my tenure as Commissioner of Health to protect, promote and improve the health of the citizens of Northeast Tennessee. Please let my staff know if you have any additional questions or need further clarification.

Sincerely,



Lisa Piercey, MD, MBA, FAAP  
Commissioner

cc:

The Honorable Colin M. Greene, MD, MPH  
State Health Commissioner  
Virginia Department of Health

Tim Belisle, General Counsel  
Ballad Health

Marvin Eichorn, EVP, Chief Administrative Officer  
Ballad Health

Karen Guske, COPA Compliance Officer  
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