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The Honorable Ralph Alvarado, MD, FACP
Commissioner
Tennessee Department of Health
710 James Robertson Parkway
Nashville, TN 37243

Re: Request for a Ninety-Day Extension on the Replacement Capital Plan Submission Requirement

Dear Commissioner Alvarado:

Under Section 3.07(b)(ii) of the Tennessee Terms of Certification (“TOC”), Ballad Health is required to submit a replacement capital plan at the end of each three-year period to replace the expiring capital plan. The Tennessee Department of Health (the “Department”) and the Tennessee COPA Monitor do not formally approve the replacement capital plans, but once a capital plan is submitted, there are serious consequences if Ballad Health fails to meet the capital plan it has submitted. As a result, it is very important that the replacement capital plan Ballad Health submits be as accurate and realistic as possible.

Section 3.07(b)(ii) requires that replacement capital plans be submitted no later than ninety days prior to the expiration of an existing plan (April 1 of the year in which the current capital plan is ending). This timeline does not align with Ballad Health’s internal budgeting process. Under Ballad Health’s internal budgeting process, Ballad Health’s capital plan and budget for the upcoming fiscal year are not finalized until June 30th and then must be presented to the Ballad Health Board of Directors at their next scheduled meeting for approval.

Ballad Health is in the process of preparing the replacement capital plan for FY2024 through FY2026 which is currently due April 1, 2023. As you are aware, this has been a very challenging year for health systems as we have faced serious workforce shortages, rapid inflation, and skyrocketing expenses. The next several weeks are critical for our organization as we process the organization’s financial performance through Q3 of FY2023 (which ends on March 31st) and determine the capital that will be available for the next three years. In order to allow Ballad Health adequate time to follow its internal budgeting process and develop a realistic capital plan for the next three years, Ballad Health is requesting a ninety-day extension on the TOC submission deadline, which would make the replacement capital plan due no later than July 1, 2023. To align the submission dates related to future replacement capital plans with Ballad Health’s internal budgeting process, Ballad Health intends to request a revision to the TOC to make future replacement capital plans due no later than July 1st of the year in which the current capital plan is ending.

The additional time we are requesting will allow our organization to follow our internal process for budget development and submit a more accurate and realistic replacement capital plan for the next

three-year period in furtherance of the goals of the COPA. We greatly appreciate your consideration of this request. If we can provide additional insight to assist with your review of this matter, please let us know.



Alan Levine
Chairman and Chief Executive Officer
Ballad Health

cc: Jonathan Skrmetti
Tennessee Attorney General and Reporter

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Virginia Senior Assistant Attorney General

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