



STATE OF TENNESSEE
DEPARTMENT OF HEALTH

JOHN J. DREYZEHNER, MD, MPH
COMMISSIONER

BILL HASLAM
GOVERNOR

January 15, 2016

Bart Hove
President & CEO, Wellmont Health System
1905 American Way
Kingsport, TN 37660

Alan Levine
President & CEO, Mountain States Health Alliance
303 Med. Tech Parkway, Suite 300
Johnson City, TN 37604

Dear Mr. Hove and Mr. Levine:

Thank you for submitting a copy of the "Community & Stakeholder Certificate of Public Advantage/Cooperative Agreement Pre-Submission Report" (report) prepared by Wellmont Health System (WHS) and Mountain States Health Alliance (MSHA) for public information and education, pursuant to Tennessee Department of Health Rule 1200-38-01-.02. The Department of Health (department) acknowledges and appreciates the effort of the two organizations to provide information to the public regarding the proposed merger.

The intent of the initial observations below is to provide guidance regarding information the department will need to evaluate the application and/or to clearly note the department's position regarding certain facts. To the extent this information is or will be provided in the actual application to the department or through means established to submit proprietary and confidential information to the office of the Attorney General, you may disregard our observations.

Observation #1 - Geographic Service Area

The report does not include counties in Kentucky and North Carolina in the geographic service area while the Letter of Intent, submitted September 16, 2015, does include these counties.

Department Position:

Consistent with department rule, "[i]f the proposed geographic service area differs from the service areas where the parties have conducted business over the five (5) years preceding the application, a description of how and why the proposed geographic area differs and why changes are proposed" is required.¹

¹ Tennessee Department of Health Rule 1200-38-01-.02(2)(a)7



STATE OF TENNESSEE
DEPARTMENT OF HEALTH

JOHN J. DREYZEHNER, MD, MPH
COMMISSIONER

BILL HASLAM
GOVERNOR

The department notes the Kentucky and North Carolina counties are regularly included in business documents detailing the service area of Mountain States Health Alliance.² Unless the application, when it is submitted, includes a reasonable justification to exclude the Kentucky and North Carolina counties, the department will consider these counties, which are contiguous to counties with facilities of the New Health System, to be included in the service area.³

Observation #2 - Prevention Services for all Categories of Payers

The description in the report of prevention services for all categories of payers lacks detail. For example, substance abuse prevention is the only specific example provided.

Department Position:

It is the department's position that, for the application to be deemed complete, prevention services will need to be more specifically enumerated. Consistent with department rule, the Cooperative Agreement must detail the "[p]roposed use of cost savings to fund low or no-cost services such as immunizations, mammograms, chronic disease management and drug and alcohol abuse services designed to achieve long-term population health improvements..."⁴

Observation #3 - Equity

The explanation of how the New Health System will provide equitable health services with respect to maintaining quality and competition within the service area needs further explanation.⁵ The department acknowledges the report includes a discussion of access to services in rural areas.

Still, the document primarily focuses on contracts with health plans and does not discuss the impact of the proposed merger on other payers and their respective populations, including Medicaid and Medicare populations and people without insurance.

Department Position

Consistent with department rules, the application should include policies that specifically address Medicaid and Medicare populations and people without insurance.⁶ Moreover, the population health improvement plan detailed in the application should cover all residents in the geographic service area.

² For example: Mountain States Health Alliance. (2013). Form 990: Return of Organization Exempt from Income Tax. (OMB No 1545-0047). Part III, Line 1: Statement of Program Service Accomplishments. Retrieved January 13, 2016, from <http://990finder.foundationcenter.org/>. [See PDF pg. 177.]

³ These counties include the following: Harlan, KY; Letcher, KY; Ashe, NC; Avery, NC; Madison, NC; Mitchell, NC; Watauga, NC; Yancey, NC.

⁴ Tennessee Department of Health Rule 1200-38-01-.02(2)(a)13(ix)(II)

⁵ Tennessee Department of Health Rule 1200-38-01-.02(2)(a)12(iii)

⁶ Tennessee Department of Health Rule 1200-38-01-.02(2)(a)13(vii)(III)III[A-D]



STATE OF TENNESSEE
DEPARTMENT OF HEALTH

JOHN J. DREYZEHNER, MD, MPH
COMMISSIONER

BILL HASLAM
GOVERNOR

Observation #4 – Health of the Region and Population Health Disparities

The identification and discussion of population health disparities is limited. While the report briefly highlights differences in health behaviors and outcomes among geographic entities, the report does not discuss other groups that often experience health disparities, *e.g.*, racial/ethnic minority, rural and urban, age and gender disparities. The department also notes the report does not address physical activity, one of the Tennessee State Health Plan “Big Three + 1” health issues (physical inactivity, obesity, tobacco use and substance abuse). As you know, evidence indicates physical activity, independent of its effect on weight, has substantial benefits for health.

Department Position

For an application to be deemed complete, granular detail is needed regarding factors that influence the health and health disparities of counties, communities, and groups within them, particularly as it relates to the applicants’ current assessment of existing trends and long-term population health outcomes.

The department also notes that, should a COPA be issued, the New Health System will be responsible for population health in the region for an indefinite period of time. The department is interested in additional longitudinal plans and New Health System expectations for regional population health improvement after the initially-proposed ten year period.

Observation #5 – Duplication of Services.

As noted in the report, MSHA and WHS currently have “expensive duplications of costs” and plan to reduce duplications post-merger through delivery model integration and “job displacement.”⁷ Limited detail of these plans is provided.

The department also notes that most other hospital mergers (including the merger of St. Joseph’s Hospital and Memorial Mission Hospital in 1995 supervised by the State of North Carolina through a COPA) result in the reduction of the number of full-time equivalent positions.

Department Position:

Pursuant to department rule, the application must include “economic metrics that detail anticipated efficiencies in operating costs and shared services to be gained through the Cooperative Agreement.”⁸

To ascertain how efficiencies in operating costs and shared services could potentially impact population health and health care, the department needs additional detail to evaluate the potential

⁷ Wellmont Health System and Mountain States Health Alliance. Community & Stakeholder Certificate of Public Advantage/Cooperative Agreement Pre-Submission Report. January 2016. p. 8-9.

⁸ Tennessee Department of Health Rule 1200-38-01-.02(2)(a)13(ix)



STATE OF TENNESSEE
DEPARTMENT OF HEALTH

JOHN J. DREYZEHNER, MD, MPH
COMMISSIONER

BILL HASLAM
GOVERNOR

benefits and disadvantages of these plans to achieve these cost savings. Specifically, the department will require a good faith estimate of the number of full-time equivalent positions estimated to be eliminated each year, or if none, other plans to achieve stated efficiencies.

Observation #6 – Reinvestment of Cost Savings

The report does not state whether the estimated \$450 million re-investment of cost-savings is a conservative or optimistic projection. The report also does not allow the reader to discern the estimate of the intervals and amounts of savings and subsequent reinvestments planned over the proposed ten year period.

Department Position

To allow the department to evaluate this aspect of public benefit, the application should include a good faith estimate of the expected annual expenditures in each reinvestment category that will be realized each year.

The department understands the document you submitted is a pre-submission report and that you may already be planning to include these further details in the actual application. The department wishes to alert you to these observations in the event you had not anticipated and addressed them in the application. In the event they are not included, the department will be amenable to the applicants' submitting an addendum after filing the application.

Further questions about the application process can be directed to me at allison.thigpen@tn.gov and/or 615-253-9979.

Sincerely,

Allison Thigpen, MPH | Health System Improvement Coordinator
Division of Health Planning