Southwest Virginia Health Authority
Minutes of Meeting
May 25, 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 3:05 PM.

II. Roll Call.

Ms. McFadden called roll. Ms. Copeland, Mr. Mosley, Dr. Cantrell, Ms. Welch, Mr. Leonard, Ms. O'Dell, Mr. Kilgore, Mr. Perdue, Dr. Tooke-Rawlins, Ms. Ward, Mr. Vanover, Dr. Counts, Mr. Clark, Dr. Means, Mr. Neese, Mr. Mulkey were present. A quorum was confirmed after Mr. Chaffin arrived at 3:40 p.m.

Dr. Henry, Dr. Rheuban, Mr. Morefield and Dr. Sarrett were present by phone. Note: Had some issues with calling into the meeting and worked through these technical issues with the IT folks from the Higher Education Center. Also, the call was dropped and had to be reconnected at one point. An email was sent to Board members and interested parties notifying them of the technical issues. Meeting was delayed for approximately 20 minutes.

Mr. Carrico, Mr. Givens, Ms. Murray, Dr. Mayhew, Mr. Horn, Dr. Wieting, Ms. Baker, Mr. Prewitt, Ms. Crowder and Mr. Mulkey were absent.

III. Declaration of Quorum.

Chairman Kilgore declared that a quorum did not exist and no business could be 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. Chaffin arrived at 3:40 p.m. A quorum was established and voting and business matters were conducted once the quorum was confirmed by Chairman, Delegate Kilgore.

IV. Approval of the Minutes of the April 13, 2016 Meeting.

Mr. Neece called for a motion to approve the minutes of the April 13, 2016 meeting as distributed.

Mr. Chaffin seconded the motion and the motion was unanimously approved.

Presentation from Lee County – Mr. Ronnie Montgomery

Mr. Montgomery shared a powerpoint presentation to the group.

Slide 1 - Reminds the audience of the day when Lee County Hospital closed. They announced that they would be closing the hospital on 9/18/13 and the hospital was closed on 10/1/13. There was an eight to ten day notice.

Slide 2 – Hospital closing and the reasons cited as to why they closed the hospital. First, reimbursement costs associated with the Affordable Care Act; second, extremely low community usage of the hospital and third, lack of consistent physician coverage.

Slide 3 – Shows that it is 21 miles distance from Pennington Gap to Big Stone Gap and that is a little deceiving because half of the population in Lee County is west of Pennington Gap, Jonesville is another 10 miles and down in Rose Hill where I grew up is another 15 miles. So we have 45 miles from Rose Hill to Big Stone Gap. The residents of Lee County seeking ancillary services now must travel outside the county and must drive an hour to an hour and a half or so. Lee County is 70 miles east to west from Big Stone Gap to Cumberland Gap and it is a very usually large geographic county.

Slide 4 - The big problem and Sheriff Parson will speak more to this is that EMS and 911 response agencies rely on volunteers in the county and the turnaround time can now exceed 2 hours but can be up to 4 hours and that has really put a crimp in their budget instead of traveling 10 miles to Pennington Gap, they are now having to travel to Big Stone Gap or Kingsport transporting patients. This has really stretched their budget in added transport costs. Of course a loss of jobs was a big blow to Pennington Gap.

Slide 5 – With the closing of the hospital in Lee County, residents had to find other places to receive care. Patient out-migration is pulmonary, general medicine, cardiology, orthopedics and gastroenterology.

Slide 6 – There have been 57 hospitals closed since 2010 and only one in Virginia and that has been the one in Pennington Gap. The Lee County formed a hospital authority and thanks to Delegate Kilgore, they passed a law where counties could have a hospital authority and since 2014, we have been working diligently and tirelessly to get this facility reopened. We had a certificate of need hearing and the slide shows you the timeline. At the certificate of need hearing, the facility (Slemp Auditorum Lee High School) that we met at holds 760 people and there were only about 50 seats available. It was a packed crowd and a very responsive crowd to make a case for the officer that came down from Richmond area.

Slide 9 – The impact of the potential merger through the merger process, Lee County does not want to get loss in the process. The county has put forth a great effort thus far and will continue doing so until the facility in Lee County is reopened.

Slide 10 – Refers to the Virginia Code. I won't this, but it shows that we can be an integral part of this and we want to be so in some way. We are requesting a commitment to maintain a health care facility in Lee County and a commitment to what services will be provided at that facility. The county purchased the facility from Wellmont and we have been talking to Wellmont and also Mountain States and some other people to. We think that the potential merger will be a great thing and it will be even greater with us participating in it.

We have **Ms. Melanie Jorgerson, a retired lawyer and Judge, from Lee County** and she is going to make a presentation to the group. Members of the SW Health Authority, I am Melanie Jorgerson, a Lee County resident, a retired attorney and a wife to a husband whose life was saved at Lee Hospital ten

years ago when he had a heart attack. First, I want to thank all of you for serving on the Authority and for your concern that rural communities have access to health care. Second, I am going to state that I have read the entire 150 page Cooperative Application Agreement submitted to you for your recommendation by the Commissioner. I want to speak to you about the agreement before giving your approval, and ask that you require the opening of Lee County Hospital as part of the approval.

The Cooperative Agreement is asking by giving your approval that you find the merger of Mountain States and Wellmont with benefits the people of Lee County by "enhancing the quality of hospital care and our regional health goals." The Agreement says this merger would among other objectives improve access to health care. On page 9 of the Agreement, a benefit listed for the merger is to "keep hospitals in geographical proximity to patients." It states as a significant priority a driving force for the agreement access to appropriate hospital-based services. How can that be without the reopening of our Lee County Hospital?

The Cooperative Agreement includes Lee County in its geographical and service area. It consistently says through the 150 pages that hospital facilities are important; yet there is no mention in this agreement of opening a hospital in Lee County. Without opening our hospital, our health will not be improved, nor will our access in Lee County. As a matter of fact in several places in the Cooperative Agreement, promises are made to only keep hospitals open for five years that are in operation at the effective date of the merger. As you have been told and will continue to hear, the closing of our hospital nearly three years ago has had a devastating effect on our county. Interesting, this agreement cites a study that 73 world hospital closings from 2010 to the present day and has only mentioned in Lee County one and that was the Lee County Hospital.

Do not let the Cooperative Agreement use our demographics and geographical area but not offer a hospital. As a member of our Lee County Hospital Board recently said, "Do not let them have their cake and eat it too." Finally, I noticed on your website that you are, "grounded and healed by the heart and spirit of the people of the region." Well hear they are. We ask that you give your approval to the Cooperative Agreement only upon the condition that the Lee County Hospital be opened. Thank you.

Ms. Jill Carson addressed the Board next. She is with the Virginia Organizing group and a Town Council Member. Good afternoon. I am Jill Carson. I am a resident of Pennington Gap, VA and I am also a member of the Town Council for Pennington Gap. I want to thank you all for allowing us to come before you today to talk about our community and what our needs are. I just want you to imagine for a moment receiving a call from one of your children crying out in excoriating pain for help and then having to travel 21 miles to get to your nearest hospital just to find out what is going on with your child. For a parent like myself and I would suspect a lot of you sitting here, those 21 miles expanded to an eternity traveling those 21 miles.

Or try to imagine receiving a phone call in the middle of the night from an elderly family member who lives by himself who says, "Help. Call 911. I am having chest pains." Then waiting 45 minutes for an ambulance to come from a nearby community because the local ambulances were all out on other calls working with other people in the community. Then after that facing 45 minutes to a hospital that has a trauma center. Thank God the outcome in this particular situation was favorable.

Now, I want you to imagine your spouse coming home one day after working a long hard day and choosing to lay down for a little bit to get a little bit of rest, but within a few minutes gets up and says to you, "I am not feeling real well. Can you call 911?" But before the ambulance arrives, he is on the floor.

The responders get there and they work on him tirelessly all the way to the hospital but in this case, the outcome was not as successful as the last. Unfortunately, this man did not survive. Reminding us that distance and time can conceivably mean the difference between life and death. My family, like many families in Lee County and our local communities, and probably like many of you sitting here, enjoy school sports. We attend those sports. We love hosting local schools in our community from throughout the region, but you know what, we haven't really been enjoying those sports like we did in the past and that is because we are so afraid if something were to happen to one of those athletes on the football field or basketball court, we just constantly pray that no one gets hurt because we have no ER and we have no hospital. I just wanted to share with you all a few situations that Lee county residents have been experiencing over the past three years. I personally don't know of anyone in our community that has not been impacted by the closure of our hospital. We are an aging, evolving community that is geographically located closer to seven other state Capitols than our own. Regardless of how remote we are, our health care needs in Lee County are no less nor any different than those of the people of Fairfax. Our lives matter as well. While we have been designated a distressed area, I feel strongly that a commitment on your part to specify a hospital in Lee County in the Cooperative Agreement for this proposed merger will not only serve to save lives, but will also play an integral role in the potential economic growth and development in our community. Thank you for your time.

Lee County Hospital Authority - Howard Elliott addressed the Board. Mr. Elliott stated that he just wanted to add a few comments to what has already been said and to point out a few things. Losing a hospital goes well beyond losing just the healthcare aspects for the county. Some other things that need to be understood that happened to our county as a result and in some cases a direct result of losing a hospital and some of it was a trickle-down effect. One of the first things that happened when Lee County Hospital closed was that Lee County immediately lost 150 jobs and that is a big hit to a rural county of our size. The biggest employers were the hospital and the school systems. Now, we have the school system as our largest employer. It has taken a huge economic impact on our county.

Another issue is housing. In my day job, I am well aware of the housing trends and the building trends that go on within our county. We have seen it come to a screeching halt. New construction is almost nonexistent and the resale market is practically dead. It had a detrimental effect as far as the county was concerned. Another issue is the economic and commercial development in the county. I personally feel like we can never attract any commercial or economic businesses in our county without a hospital. When our IDA director goes out to recruit an industrial prospect, one of the first things they ask is about the school systems and the health care. No hospital that is never a good answer and I don't think you will ever attract any further development without a viable hospital in Lee County.

Lee County is home to a federal penitentiary (USP Lee), and houses about 1,200 of our not so welcomed clientele or residents are housed there. I live along the route that prior to closing the hospital, served as the primary route they would take to get a prisoner or one of the staff that might have been injured or attacked in some way; it was the primary route to get them to the hospital and it was four miles from the prison to the hospital. Personally, I feel like for every mile they are on the road with the prisoner, puts Lee County citizens in jeopardy. If you could ever witness the procedure that goes on when there is a prison fight that requires transport to the emergency room, it is a very elaborate procedure. Transporting a prisoner leaves the crew transporting every mile they have to transport, they are in jeopardy and now they have to transport them 20 some miles outside the county just to get basic health services and that is a concern for the county.

Another thing that I think is important to bring up at this point is just a couple of days ago, Mountain States announced the construction plans to move forward with the hospital in Unicoi County. Unicoi County is a rural county much like Lee County with a population of about 15,400 residents. It also located about 15-20 minutes from Johnson City Medical Center. Lee County which is a county with 26,000 plus residents with no hospital and we ask that as Melanie stated that you make it a condition of your approval for the Cooperative Agreement that you include reopening the hospital in Lee County. Thank you.

Last speaker from Lee County is Sheriff Gary Parsons. Ladies and Gentlemen, I am Gary Parsons, Sheriff of Lee County and I am basically here to rein iterate some of the things that have already been said. Closing of the hospital has put a tremendous strain on the EMS in Lee County. We have six rescue squad organizations in Lee County which may seem like a lot, but there is tremendous strain on EMS agencies. I am in dispatch all the time and they are trying to get a rescue squad from one area to come and cover another area. As Jill mentioned, it is usually a 45 minute wait on a neighboring squad. That is a conservative estimate. You may sometimes have another squad close, but many, many times the turnaround time is 3-4 hours to go to Kingsport.

You may have a call in Keokee which is 60-70 miles from Cumberland Gap and an ambulance has to go there because they are so overwhelmed. Big Stone is a lot closer, but it is not uncommon for us to get a call in Big Stone have to transport to the hospital in Kingsport, TN because BSG ER is overwhelmed. So the closure of the Lee County Hospital causes the BSG hospital to become overwhelmed. Also, the budget costs for the rescue squads have caused a burden. The fuel costs have increased tremendously and they are all volunteer organizations and they raise money through donations and that type of funding.

But the fact of the matter is that the "golden hour" is lost. I can't tell you, only doctors gave give you an opinion that if someone had gotten there quicker they may have lived or they may not have lived, but we have people begging for help. I feel sorry for my 911 dispatchers trying to get help to them. People are on the phone crying for help and we are doing all we can do to help them. It is an incredible liability, but we have actually loaded people in a cruiser to meet the rescue squad because you can't just sit there waiting. We are willing to assume that liability on occasion if it is serious enough and we can do something to help. It is very serious and not to be over dramatic, but people are dying without a hospital in Lee County. Thank you very much.

Per Mr. Montgomery, Lee County is a medically underserved County and I think we are the only one in southwest Virginia. We need some sort of health care facility at our present site. It has a lot of potential and we ask for your consideration. Thank you very much.

Chairman Kilgore stated that there are a lot of people from Lee County in attendance and asked that all the people representing Lee County to please stand. Also, there are a lot of elected Board members and one is on the Health Authority Board. Chairman Kilgore appreciated all of the citizens taking time out of their busy schedule to attend the Board meeting and understands opening of the hospital is an important issue to Lee County.

PRESENTATION FROM VIRGINIA ASSOCIATION OF HEALTH PLANS – Mr. Doug Gray, Executive Director for the Virginia Association for Health Plans

I want to have a conversation about who we are, what we do and why we care about the proposal that you all are considering. The bottom line is that I represent a group of payers and those group of payers are who you rely on provide services, and those payers come from a range of different directions and do a lot of different jobs for a lot of different people at different levels of government. We work for the federal government. We work on behalf of the state government; Medicaid and the state health plan and we work on behalf of the federal government in a federal exchange. We also work on behalf of the private sector as well.

So when you look at the source of your discharges, you have 70.3% of your discharges from Medicare and Medicaid; that is a lot of discharges. So a large amount of business comes solely from the government. It may not be the most profitable business, as the commercial plans pay more and they are about 17.5% of your discharges. Now, if you put together a different chart that shows where the revenue comes from, it would be slightly different in terms of the percentages.

So, I want to kind of help you understand three themes and these are themes you should be considering when looking at the application because these are themes that are happening across the country and here in healthcare and you can't avoid them and they are the future of healthcare, and whether you like it or not, you have to build them into whatever you do and that is why I am wanting to talk to you about themes.

One theme that has been growing over time is that the government has been expanding access to care through their programs and this is not about Obama Care. This happened well before Obama Care, and as they started to grow it at both the state and local level and at the federal level and what they started to do was to turn to health plans to administer the health benefits for them and so our role has changed. We used to be predominantly commercial now we are not. One significant thing that happened with one of my largest members was that this year for the first time, half of their income comes from the government. Sounds a little bit like a hospital doesn't it. We are all heading in the same direction the government is becoming the principle payer and we are already there. More than half of the money is coming from them and when you add in state and local health plans, and all the little school districts and everyone else who uses the public's money to buy their benefits, we are more like 65-68%. So don't fool yourself, we are headed in one direction. As we head that direction as the government turns to us, they turn to us in specific areas.

About 19 years ago, they started a program for Women and Children accessing Medicaid which has been very effective. Women and Children that are poor below 200% poverty level do not go uninsured in this country. They really don't, unless someone doesn't help them sign up. The truth is the help is there and has been there for a long time. We have been administering this program for the Commonwealth for 19 years and there are about 700,000 people enrolled in that program today. So it is a big deal and it is growing every day. When we deal with the hospitals, it is not a set rate as described in the documents. It is a negotiable rate because we as insurers are operating on their behalf as a contractor with the government to provide the service; we take the risk.

So we have six health plans that contract with the two hospitals in this region and they are all members of mine. So that is one of the reasons that we care. We have been involved for a long time, but that is just one piece of it. In Richmond as part of reformed Medicaid, the long term support services which are two thirds of the money (8 billion dollars) every two years; that is a lot of money are now being moved into a RFP to manage care the RFPs are not out yet but will be decided by the end of the year. They will

reprocure the first contract I described at the end of the year. So, eight billion dollars is going to be reprocured to health plans over a short period of time.

In the proposals, there is no primary guarantee to include those health plans as customers. The proposal only says that it might have one or two. Well, that is not going to work very well for our clients. It is not going to work very well for your citizens. So that is something you have got to take into account. It will not work for the major client and the major client in this case is Medicaid. Now, along the way in Washington, they decided they would take the same approach and they created the Medicare Advantage Plan and they turned to Health Plans to do that and they have grown that program. That program is growing. Then Obama Care did come along and we have substancies for the exchanges below 400 poverty level, you can get a substancy health plan. Below 250 you get cautionary assistance in addition to health plans. This has helped a lot of people get insurance. So, who is providing that? The same thing, they have turned to health plans. Why are they doing this? The theme is they want to see some competition among the health plans and they wanted us to get that competition out of you, the providers; that is what they want. Our concern is that it is pretty hard to do when there is only one provider, and when you have a plan that includes only two of us and no guarantees, we are going to be a lot like Lee County sitting out in the dark. That is not going to work for the three big clients that I just mentioned which just happens to be 70% of your discharges. That is a big problem and that is something you guys have got to work on. It is one of the reasons that we are not a big fan of merging the two health systems together because we need competition. Competition is how we can fulfill what is being demanded of us by the people that hire us. It is just our function. It is just our job and that is what we are here to do.

Medicaid expansion is another piece that hasn't happened in Virginia and it hasn't happened in many southern states and that is not a surprise. Many states have said that they do not want to do it until after this administration is over so it is not going to happen right away, but it is going to happen eventually because the record is that it always happens and the states where it hasn't happened have taken massive federal funds through other programs like Dishrel which are funds to fund improvements to cost of care. So you can't make your plan about having one system without looking at what the world looks like. What do you want from that world as a health authority and as a group of providers.

The second big theme is that over time, the care is moved from in-patient to out-patient. This is not a surprise and this is not new. It has been going on for 25 years. What does that mean for a hospital system? It makes it really hard for a hospital because more and more things get pulled out and when they get pulled out into the community, there is competition and when there is competition, the price goes down, but the quality goes up. It makes it more difficult when someone has been relying on that income to support their bigger institution. That is a game changer. It is not going away. How do you solve something in Lee County? Well, one of the ways you do that is have a smaller facility (hospital) there than you did before. That is what's going to happen whether you like it or not, that is reality and that is what is happening all across the country. That is what is happening with Telemedicine. Telemedicine is becoming an extender so we can have a nurse practitioner some place rural talking with the doctor providing the care. That is going to transform health care. What does that mean? That means more competition; that means more providers are needed; not less; more locations are need, not less, and different types of people are needed, not less. That doesn't quite match with having just one entity running the show. So, you have to figure out how are you going to provide those things? The natural answer for rural areas is to have someone who can work under that scenario. So that theme is there so whether you want to recognize these things or not, they are there and they are going to continue to press forward.

So the three themes are they are turning to health plans and why they are doing business. We need competition and moving the care to out-patient and at the same time, more providers are needed of different types and more technicians.

So why am I here? It is no secret, I am a paid advocate. I run the Association. I help the health plans figure out how to talk to the people and it is not easy. I have eight members who are touched by and are major payers out here. Five of them are in the top ten list for both Wellmont and Mountain States (Aetna, Anthem, Cigna, Humana and United) are all in that category. I also have three more that are Medicaid health plans that are more Virginia oriented (Virginia Premier, Total Health and Optima). So when you look at all of these plans, they are all participating in these different contracts that I have tried to explain whether it is a Medicare or a Medicaid PTO plan or whether it is an exchange plan or whether it is a small business plan that is off of an exchange and whether they are providing self-insured services on behalf of employers largest enough to pay their own cost out of their own pocket. So why does that self-insured entity care? Because they pay every bill out of their own pocket; so they want a negotiated rate that is fair and it gets them access for their customers. So, that is really why I am here, those are my members and they are interested in all of the people that I contract for and as I said before that includes both public and private sectors.

The application does not deem Medicaid as principal payers; only commercial payers that pays more than two percent of the new health systems total revenue. Well, that pretty much cuts out the very people that you are talking about. If 70% of your discharges come from Medicare and Medicaid and you are designating a commercial payer that is part of 17 percent of your discharges as your principal payer. That doesn't quite add up. What business are you in? Only the business where you get paid at the better rate? I don't think so. I think you are in the business across the board of serving the entire population. So who the principal payer is, is an important topic and I don't see how you can't think of Medicare and Medicaid as principal payers given your discharge rates. You know, I worry about the prices on behalf of my customers.

Senator Chaffin put in a bill this year because local governments are having trouble getting access to health plans and the reason is they are having trouble affording the fully insured policies today. So what he suggested and passed by the way is that they have the ability to join the state health plan and to join a different pool. Well, whether they join that pool or not, they have to pay the cost and the cost and most of the costs are borne by the hospital systems and those are the big charges that go up and drugs too, but definitely that. We worry about the oversight when you have a discussion like you just had regarding Lee County, who on a day to day basis is going to provide oversight to this agreement? I don't think there is any plan for day to day oversight. There is a plan for end of the year oversight. We will go back and look at things and it might be a couple of people. This is an enormous entity with huge amounts of revenue and lots of people that are depending upon it.

I don't think you are going to pass a review of the FTC if there is one. If you don't have a real plan for supervision and that supervision is not going to be inexpensive and it has to be paid for, and that supervision has to say, you said you would do X; are you doing X? There is only one entity to talk to at this point, and so that is a challenge. One of the challenges that we have going forward is health information. There was a big article in a DC magazine today that talked about hospitals being shut down from places that sold their information. They are basically forcing patients to move from one facility to another. They are forcing extortion from the hospital systems. When you have one hospital system and one data center, you better have a plan for how you are going to protect the data. If you haven't asked as an Authority whether there has been a breach, then you don't know if there has been one. You need

to find out and you need to know their plan because you are about to put all of your eggs into one basket according to this plan. Everybody is subject to that not just health plans. Health plans are having the same problems. The industry is so far behind and rushed by the administration in Washington to move towards electronic health records that what has happened is they are rushing trying to get ready and they haven't done a great job and there are a lot of holes and so that is a challenge.

If we were in the provider competition in our case, it decreases cost and one of the things that we are worked about with the COPA is that we won't have that reduction. We really think that more consumer options are what we need in the health care market given the themes and that is why I really wanted to talk to you about the themes. I really don't want to come to you as we are a natural opponent to the proposal, but I don't want to come to you that way but as someone that comes to you and says why we are here and those three things are why we are here. Those three themes are not imagination, they are reality and we are all dealing with them and you all are dealing with them. So, if you don't build them into your proposal, then your proposal doesn't make a lot of sense.

The last thing that I want to leave you with is a couple of what ifs and what ifs are a big challenge. We have three big what ifs going on in Richmond right now. One of those is Medicaid expansion. If you have it, you have payers for almost everyone, because that is what the plan is. Meaning everyone could be a paid customer. When you are in that environment, do you want to have one provider? Or do you want to have the ability to bring new providers to the table when you see a place where you can provide a solution like a nurse run practice with a telemedicine hook up to a physician which could serve a rural area? You want that to happen. Is that going to be able to happen under this arrangement? You have to be able to answer that question because this is going to happen eventually.

The same thing with Certificate of Need reform; it is not a minor issue. I didn't participate, but this year there was a big discussion and it went a long way and there is no question that the House of Delegates leadership would like to reform certificate of need and take away the monopoly status that some hospitals have in the region. If that happens, where do you sit in the future? That is a real challenge. One way to solve the challenge is to consider a proposal like yours and double down on a few people making the decisions and hope they make the right ones. Another is to deregulate and let the market make those choices and other people will jump in. The problem is the market can't jump in they are not enough paying customers and that is part of the challenge and that is the scenario that everyone faces at this point and time. I wanted to give you some background as to where we are coming from and I hope you will take them into account as you consider the proposal. Chairman Kilgore asked that he provide written comments to be included in the minutes to be shared with the Board members and the general public. The written comments are below:

VAHP Comments to SWVA Health Authority
Re: Proposed Certificate of Public Advantage for Wellmont and Mountain States Health Systems
VAHP continues to have serious concerns with the proposed Certificate of Public Advantage for Wellmont and Mountain States, and its potential to increase costs on our customers.

Edith Ramirez, chair of the Federal Trade Commission gave a speech recently to health industry professionals here in Virginia. In her presentation, Ms. Ramirez stated that areas of the country that have experienced a hospital merger saw health care prices increase 15 percent. The average hospital stay in those places alone were $2,000 higher than those with 4 or more competitors in a region. America's Health Insurance Plans (AHIP), who are also submitting comments, has stated that provider

consolidation is a major factor in the rise of 2017 premiums. These price increases are due to the decreased competition that will occur in the region.

Health care payers benefit from competition, whether government or private. There were six different bidders for Wellmont, health care payers wonder why is a Certificate of Public Advantage the answer for Southwest Virginians?

The payer marketplace provides a wide range of offerings here in Southwest Virginia of behalf of public and private consumers. Medicare, Medicaid and Medicaid Managed Care Organizations (MCOs) payers make up 70.3%, according Exhibit 15.1 of the application, of the discharges for the two health systems. The amount of government business is likely to increase under the Affordable Care Act. The commercial market makes up 17.5% of the discharges. There are 3 health insurers offering individual products filed with the Virginia Federal Health Exchange totaling 28 commercial plans in the Southwest Region of Virginia, 6 insurers with over 300 plans both on and off the exchange in the small and large group markets and 3 plans offering Medicare Advantage Plans. Our payers have concern with the ramifications of granting a COPA on our customers.

VAHP is also very concerned with the effect the COPA will have on Medicaid MCOs. There are currently five Medicaid MCOs participating in Southwest Virginia representing the Commonwealth's Medicaid Managed Care Program. All five contract with both health systems. The cooperative agreement application makes a commitment to not be an exclusive provider to only one Medicaid MCO and there is a requirement that Medicaid beneficiaries have choice between at least two Medicaid MCOs. This gives the combined entity the ability to not contract with the remaining three.

In the cooperative application, the systems state that Medicaid and Medicare payments are non-negotiable. That would be correct under the Virginia Medicaid and Medicare Fee for Service fee schedules. But, currently, the vast majority of Medicaid and Medicare beneficiaries are managed by Medicaid managed care organizations as well as Medicare Advantage plans, and those rates are absolutely negotiable. The two systems negotiate with health plans to serve this population today, and have not yet made commitments to protect the Commonwealth's Medicaid enrollees.
By Virginia statute, impact to the Medicaid program should be considered when weighing the advantages and disadvantages of the cooperative agreement. And since Virginia is in the midst of transitioning the full Medicaid program under a managed care system, in essence, any impact to the Medicaid Managed Care Program is what needs to be considered in the evaluation of granting a Certificate of Public Advantage.

The application does not deem Medicaid MCOs as "principal payers", only commercial payers who provide more than 2 percent of the New Health System's total net revenue are defined as principal payers. All rate commitments and rate caps are pledged to the principal payers, and not MCOs. Certainly, Medicare and Medicaid should be counted as principal payers.
Increased prices will hurt local and state employee health plans that are already struggling with affordability in the region. Senator Chafin passed a bill this past session to create a new alternative for these local insurance pools. This merger will likely increase the cost pressure on these new local government plans.
The health care payers also remain concerned that this agreement provides too little oversight and monitoring leaving decisions to one entity for the entire region. The New System will decide on which facilities stay open and which are closed, instead of the market. The application does not specify where secondary facilities will remain open in the region. We should not forget, one of the applicants closed a

facility in Lee County a few years ago specifically to limit competition. With no active day to day supervision, this COPA would allow a new private entity to make business decisions without regard for patient access.

The New System may now be the largest keeper for health information in the region. A recent article by The Washington Post states that health care companies are now major targets for cyber-attacks, and this New System will be a major target. The application does not adequately address resources needed to keep their patients' information protected.

Provider competition reduces cost and the Certificate of Public Advantage would diminish this competition in Southwest Virginia. Leading research, including a study published in the Journal of the American Medical Association, shows that the resulting higher prices associated with these mergers often do not translate to more access to care or better quality care for patients. An analysis performed recently by Competition Economics LLC found that the merger is "anti-competitive" across the board.
The health care industry is changing rapidly. The government is investing in more and more managed care payers to deliver Medicare, Medicaid and government insurance programs, which are a vast majority of your market. We should be encouraging more consumer options in the health care provider market, not less. For our customers, an ever growing majority of the applicants' business, it is not clear that the advantages clearly outweigh the disadvantages to granting a Certificate of Public Advantage. Why should Southwest Virginians and their payers not be granted the same benefits of competition as all other Virginians?

Question by Wendy Welch was could committee members have a copy of the handout. Delegate Kilgore said that it would be sent out via email.

Dr. Rawlins had a question for Lee County folks. How many physicians stayed in Lee County after the closure of the hospital. The administrator for the nursing facility located beside the hospital responded that Dr. Litton and two other doctors and Dr. Vanzee in Jonesville plus one other doctor in Jonesville, plus two that are semi-retired. Previously, they were a lot of specialty doctors rotating doctors in the county. Three physicians retired about the same time the hospital closed.

COOPERATIVE AGREEMENT
No update.

NEW BUSINESS:

We have divided the working groups into five working groups and they have been meeting quite a bit. Chairman Kilgore said that he was in Abingdon twice a week now for working groups. Does anyone have a report on how your work is going? I know we are continuing to meet and work and continuing to compile questions to send back on the Cooperative Agreement. Does anybody have a report that they would like to give today? A lot of this is intertwined so much on the other so some of the same questions are of concern to other groups. We ask that people submit questions. We currently have over 68 questions to review and we are trying to lump those together as some of those may be addressing the same issues whether it is access for Lee County or Scott or Russell Counties.

A. Work Group Updates
   1. Healthcare Access Working Group – Ms. O'Dell
   2. Healthcare Cost Working Group – Dr. Henry

3. **Population Health Working Group –** Senator Carrico
   How are we going to measure it? How we are going to measure outcomes and how we are going to look at outcomes and things like that.

4. **Healthcare Quality Working Group -** Dr. Tooke-Rawlins
   Dr. Rawlins stated that they had submitted a list of questions. A lot of that was about what their measurements were going to be and things like that and some of it lead back to access because access of quality because they are times that we can't separate those two. We have asked which institutions would be open with acute care beds because I think that is a question that has not been addressed. We focused also on what type of healthcare would be in the community if it was repurposed. So those are our biggest questions. Also, the last question was as you know the state of Virginia just agreed to fund residency positions since we don't have enough so which medical residency programs would they keep.

5. **Competition Working Group –** Mr. Neese
   Mr. Neese stated that he would just like to reiterate what you said, we are still meeting and forming additional questions that we will be meeting again and will be asking for additional things. There has been a lot of meetings going on, but we want to get the right information.

B. Review of Questions – the questions will be handed emailed to the group.

C. Additional Appropriation for Employee Costs – Delegate Kilgore
At the Executive Committee meeting, we had discussion about additional appropriation for employee costs. We need approval for an additional $2,271.51. Mr. Neece and Senator Carrico made a motion to approve those additional charges. Senator Chaffin made the motion and Mr. Neese seconded the motion. Motion carried.

Dr. Cantrell stated that there is another employee cost issue that we need to discuss (when we talk about employees we are referring to research employees that we have contracted with at UVA), we have appropriated an amount up to $10,000 for their time when they first started and they have put a lot of time in with requested review of the application and preparation of the questions, and before we meet again, we will have surpassed that amount of money in terms of their time and reimbursement. So I would like to ask for an appropriation for up to another $10,000 although it may not be that much. They have been very good with their time and they have donated a lot of their time. Senator Chaffin made a motion that we approve up to $10,000 for additional appropriation for employee costs. Dr. Rawlins seconded the motion. The motion carried.

Next Meeting of Authority and Authority Work Groups

So we have compiled the questions and we are sending them out when we get the answers back, we will get our work groups back together. Per Mr. Mitchell, the questions are ready and should go to the Chairman tomorrow and out by the end of the week. If there are any comments get them to the Chairman. The Access Working Group may meet just to discuss what was heard today but that will be scheduled. Dr. Cantrell suggested submitting the questions we have and get the ball rolling if we have additional question, we can submit them later. Delegate Kilgore said it is a Board decision for our region and he is glad to see everyone attend today because it is going to have an impact on what this authority decides will have an impact on a lot of folks.

We will wait to get our questions answered before scheduling our next board meeting and then we will just have to meet as soon as we can get a quorum together. I know we are running into summer and people going on vacation.

PUBLIC COMMENT:
Stacy Ely from Mountain States Health Alliance thanked everyone from Lee County for making this journey and sharing their concerns, comments and thoughts about the merger. We appreciate the comments that have been shared. We would like to ask, Mr. Chairman, that we be given the opportunity to address these concerns at the next meeting. Chairman Kilgore stated sure, we were expecting that.

One of Lee County residents thanked Doug for broadening their understanding and for his presentation.

ADJOURN:
Meeting adjourned at 4:17 pm.

_____, Chairman
Terry Kilgore