



**Certificate of Public  
Advantage  
Terms and Conditions  
of Compliance for  
Hendrick Health System**

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**Texas Health and Human  
Services Commission**

**October 2023**



**TEXAS**  
Health and Human  
Services

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# 1. Introduction

House Bill 3301, 86th Legislature, 2019, Regular Session, added Chapter 314A to the Texas Health and Safety Code (HSC). In House Bill 3301, the legislature found that a hospital merger may benefit the public by maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public. These benefits resulting from the merger may outweigh any anticompetitive effects of joining together competitors to address unique challenges in providing health care services in rural areas.

HSC Chapter 314A requires the Health and Human Services Commission (HHSC), as the agency designated by the governor, to review and approve or deny applications for a Certificate of Public Advantage (COPA) and supervise the activities of hospitals granted a COPA.

Furthermore, HSC §314A.056 and Texas Administrative Code Title 26 (26 TAC), §567.31 authorize HHSC to include additional terms or conditions to ensure the proposed merger likely benefits the public. This document outlines the terms and conditions HHSC requires as a condition of approving Hendrick Health System's COPA.

The terms and conditions for Hendrick Health System include 45 standards for quarterly reporting and 8 standards for annual reporting, as well as instructions for performance report submissions. These terms and conditions are effective for the COPA's duration.

HHSC may alter these terms and conditions as it deems necessary to ensure that the merger benefits the public and for consistency with all applicable laws and rules. HHSC posts these terms and conditions and other relevant information to the HHSC website.

## 2. Background

In accordance with HSC Chapter 314A and 26 TAC Chapter 567, HHSC approved Hendrick Health System's application for a COPA on October 2, 2020.

HHSC determined that the proposed merger between Hendrick Medical Center and Abilene Regional Medical Center would likely benefit the public, and the likely benefits outweighed any disadvantages from a reduction in competition. The COPA immunized from antitrust laws Hendrick Health System's acquisition of Abilene Regional Medical Center and required the merged entity to comply with HHSC oversight, which includes ongoing supervision of the merged entity, reviews of all proposed rate changes for hospital services, submission of annual performance reports, payment of annual supervision fees to HHSC, and other requirements outlined in statute.

HHSC originally issued these terms and conditions on October 2, 2020 with the initial COPA approval. HHSC revised the terms and conditions, effective August 3, 2021, to clarify reporting standards, modify the instructions for performance report submissions, and make other minor revisions. This document is the third version of the terms and conditions for Hendrick Health System, effective October 1, 2023. This version brings the terms and conditions into compliance with 26 TAC Chapter 567, which was amended effective January 1, 2023.

### 3. Annual Public Hearing

As required by 26 TAC §567.33, the COPA holder shall conduct a live, annual public hearing, either in person or by virtual methods, to obtain input from the public regarding the COPA. A public hearing must take place no sooner than one month before and no later than the anniversary of the date HHSC issued the COPA. If the hearing is in person, it shall take place within the hospital's geographic service area, and the location shall be open to the public.

At least 14 days before the hearing, the COPA holder shall publicly advertise the hearing's date, time, location, and method of participation on each hospital's website and social media account and notify local news media of the public hearing.

During the hearing, the COPA holder shall take oral and written comments from any member of the public who wishes to comment about the COPA. The COPA holder shall make an audio and video recording of the hearing and maintain the recording for one year from the hearing date. The COPA holder shall provide HHSC with information about the hearing in their annual report, including:

- an unedited copy of the hearing recording;
- a summary of all oral and written comments received at the hearing;
- a copy of any written comments received;
- any responses or actions the hospitals plan in response to comments received;
- the number of persons who attended the hearing;
- the date and time of the hearing;
- the duration of the hearing; and
- the names and titles of all individuals representing the hospital at the hearing.

## 4. Performance Reports

HSC Chapter 314A and 26 TAC Chapter 567 require hospitals operating under a COPA to submit an annual report to HHSC and to comply with any terms and conditions set by HHSC. For Hendrick Health System, these terms and conditions include an additional requirement to submit quarterly performance reports.

### Quarterly Reports

Hendrick Health System shall submit performance reports each fiscal quarter that include the 45 standards categorized across 5 areas (health care quality, efficiency, accessibility, competition, and other topics).

### Quarterly Report Due Dates

All quarterly reports are due to HHSC on the last day of the fiscal quarter following the reporting period.

Reporting Period	Report Due Date
Quarter 1 (September 1 – November 30)	February 28/29
Quarter 2 (December 1 – February 28/29)	May 31
Quarter 3 (March 1 – May 31)	August 31
Quarter 4 (June 1 – August 31)	November 30

## Standards

### Health Care Quality

The applicant stated the merger will improve patient care throughout the region by continuing Hendrick’s high level of quality while improving the standards of care at Abilene Regional. The applicant stated robust quality assurance and quality improvement programs and activities will strengthen facility best practices, reduce

medical errors, and create cost savings. The applicant stated Hendrick will also invest significant capital in new medical equipment and facility improvements at Abilene Regional, benefitting patients, staff, and the public health of the region. The applicant stated an integrated, uniform electronic medical records system will be deployed across the merged facilities, facilitating better patient care and coordination of treatments, as well as providing a larger pool of consistent data for use in quality control analytics. The applicant stated combining the resources of Hendrick and Abilene Regional will allow the combined entity to reach a larger combined patient base, enhancing regional public health efforts. The applicant stated this increased volume of patients will allow for new services in the community, physician recruitment to the area, more streamlined scheduling of services, greater patient satisfaction, and improved access to care, including investment in rural transportation services.

In order to measure quality, HHSC requires the hospitals operating under the COPA to report the following:

1. Evidence demonstrating how health care quality has improved.
2. Inpatient and outpatient numbers before and after the merger.
3. Patient readmission numbers before and after the merger.
4. Any association between increased patient volumes and better patient outcomes.
5. Explanation of how patient services were optimized since the merger and how service optimization impacted patient care.
6. A summary of quality improvement measures for each hospital to address performance in meeting quality performance standards.

## **Health Care Efficiency**

The applicant stated the merger will lead to greater efficiency and cost savings, and patients will receive more consistent care with improved patient outcomes.

The applicant stated the combined entity will improve efficiencies by eliminating significant duplication of costs and redundancies, avoiding additional expenditures, and optimizing care. The applicant stated Hendrick has committed to utilizing the parties' existing workforces and intends to offer all current employees comparable positions, while reducing duplication, temporary staffing needs, and other labor

costs. The applicant stated these savings can be reinvested in programs such as indigent care, behavioral health services, community health improvement initiatives, and academic or educational outreach.

The applicant stated the merger will allow for more efficient capital spending by utilizing shared clinical and administrative resources and avoiding unnecessary expenditures. The applicant stated Hendrick will be able to save money on construction costs by utilizing Abilene Regional's existing facilities and medical technology. The applicant stated the efficiencies and cost savings created by this transaction will fund infrastructure improvements, a new shared IT platform, greater access to care, enhanced health services, and other community-oriented commitments.

In order to measure efficiency, HHSC requires the hospitals operating under the COPA to report the following:

7. A description of steps taken to reduce costs and improve efficiency.
8. Data regarding emergency department closures since the merger.
9. A description of how the hospitals have expanded telehealth and an explanation of how the expansion has improved access to healthcare for the rural community by:
  - Providing data demonstrating the expansion of telehealth and technology.
  - Explaining how the expansion of telehealth and technology improved the hospitals' ability to treat a larger patient population.
10. Progress reports regarding the adoption of the new IT Platform.
11. A description of any workforce reduction since the issuance of the COPA based on occupation, i.e., doctors, nurses, support staff, etc. Include the numbers and job titles of any position eliminated, the total number of employees before and after the reduction, and any impact the reduction has on patient service delivery.
12. Data and financial reports demonstrating savings from the reduction in duplication of resources.

13. Data showing the coordination of services before and after the merger and evidence demonstrating how cost savings will be reinvested locally.
14. Data demonstrating reinvestment in the combined healthcare system.
15. Data and financial reports reflecting the savings in each area referenced above.
16. Operating deficiencies that existed before the merger and how any operating efficiencies have been achieved since the merger.
17. An explanation of how any operating efficiencies achieved have impacted healthcare service delivery, patient care, staff, the local community, and counties served.
18. Data on the pricing, quality, and availability of ancillary health care services.
19. Data on the pricing, quality, and availability of physician services.
20. Data on the consolidation of clinic services, identifying the types of services per county.
21. Data indicating how the consolidation of these services improved patient outcomes.

## **Health Care Accessibility**

The applicant stated that together, the combined entity can treat a rural population that is older and poorer, while maintaining and promoting services in the community. The applicant stated the hospitals serve a 24-county area.

The applicant stated combining Hendrick's higher acuity service offerings and Abilene Regional's physician coverage capabilities will allow for better use of those facilities and alleviate capacity concerns. The applicant stated the merger will offer more high-quality care to underserved patient populations, and Hendrick plans to expand access by adding urgent care centers in Taylor County.

The applicant stated the combined entity will also be able to recruit and retain quality staff members, including cardiovascular surgeons, cardiologists, nurses, family practice practitioners, and other skilled clinical caregivers. The applicant stated improved outreach and recruitment programs, including visits at medical residencies and programs at targeted businesses and groups around the state, will

create greater appeal and brand recognition to recruit new physicians for all facilities.

The applicant stated that, due to the constraints of the COPA statute, the combined entity cannot gain revenue by merely increasing prices; this may lead to implementation of new value-based payment models. The applicant noted that value-based payment models are linked to increased access focusing on convenience to patients and accessibility, among other benefits.

In order to measure accessibility, HHSC requires the hospitals operating under the COPA to report the following:

22. A list of the severe risks described in the application facing Taylor County and an explanation of how the merger led to the mitigation of these risks.
23. A description of each patient service that changed or has been discontinued since the merger and an explanation of the impact to patient care.
24. Data illustrating the impact to patient wait times, including emergency department wait times, before and after the merger.
25. Data demonstrating any expansion in service delivery since the merger.
26. Data and financial reports regarding infrastructure investment, capital expenditures, and operating costs since the merger.
27. Evidence of any expansion of clinical services.
28. A copy of each hospital's charity care policy, identifying any changes to the policy in the previous quarter.
29. The number of patients enrolled in each hospital's charity care program in the past quarter.
30. Data and financial reports for charity care services provided by each hospital in the previous quarter.
31. Data demonstrating clinical integration between facilities and providers and whether such integration led to cost savings and a reduction in medical errors.

32. A description of how the merger has impacted rural healthcare in the hospitals' 24-county service area during the previous quarter, including any reduction in services.
33. A list of health plans each hospital contracted with before the merger, an explanation of any change to the accepted health care plans after the merger, and a list of health plan contracts terminated since the merger.
34. Data identifying changes to service levels at the hospitals and at other facilities, including service levels available to the public and any reduction in service levels available to the public.
35. Data illustrating the organizations' payment models.
36. Data demonstrating the payment models established since the merger in comparison to payment models before the merger.

## **Competition**

The applicant stated the transaction will not give rise to market power or otherwise harm competition or result in a meaningful reduction in competition among physicians, allied health professionals, other health providers, or any other persons providing goods or services in competition with the hospitals. The applicant stated the combined entity will continue to operate fully and compete with hospitals and health systems, including several independent general acute care hospitals, outpatient facilities, post- acute care facilities and physicians. The applicant stated the combined entity faces the threat of new providers moving into the geographic service area. The applicant stated independent physicians in the community will maintain the ability to refer patients to any health care facility and will not be required to refer patients to Hendrick or Abilene Regional.

The applicant stated the transaction's net effect will be to promote, not lessen, the traditional benefits of competition in the parties' geographic areas. The applicant stated Hendrick and Abilene Regional will increase the number of health care providers in the community by recruiting physicians, nurses, and other providers, which will naturally spur competition among other inpatient and outpatient facilities in the region. The applicant stated a health care-related strategic combination can create more specialty positions and increase brand recognition that can improve rural recruiting.

In order to measure competition, HHSC requires the hospitals operating under the COPA to report the following:

37. Data demonstrating the merger did not reduce competition among physicians, allied health professionals, other health providers, or any other persons providing goods and services with the hospitals.
38. Evidence of how patient choice is being preserved.
39. Evidence reflecting efforts to bring additional jobs to the area.
40. Any contracted services that have changed since the last report, with an explanation for each change.
41. Data illustrating physician contracts for each county in the region specifying the physician specialty or practice area for each contract.

## **Additional Requirements**

In addition to the information required above, HHSC requires the hospitals operating under the COPA to report the following:

42. Any minutes or notes of meetings regarding the COPA and the portion of each hospital's governing body meeting minutes that discuss the COPA.
43. Any healthcare-related service contract changes in the previous quarter and the explanation for the change.
44. The number of physicians, allied professionals, and other health care providers providing medical services that have privileges to practice at the hospital.
45. Information on additional investments regarding infrastructure, capital expenditures, and operating costs and how this affected patient care outcomes, population access to health care, and prevention services.

## **Annual Reports**

In addition to the quarterly reports, Hendrick Health System must submit an annual report to HHSC as required by HSC §314A.103 and 26 TAC §567.34.

## Annual Report Due Date

The annual report is due 90 days after the anniversary of the date HHSC approved the COPA. For Hendrick Health System, the annual report is due each year by December 31, following the October 2 COPA approval anniversary.

## Statutorily Required Information

Per HSC §314A.103, the annual report must include:

1. information about the extent of the benefits attributable to the issuance of the COPA;
2. if applicable, information about the hospital's actions taken:
  - in furtherance of any commitments made by the parties to the merger; and
  - to comply with terms imposed by HHSC as a condition for approval of the merger agreement;
3. a description of the activities conducted by the hospital under the merger agreement;
4. information relating to the price, cost, quality of, and access to health care for the population served by the hospital; and
5. any other information required by HHSC to ensure compliance with HSC Chapter 314A and 26 TAC Chapter 567, including information relating to compliance with these terms and conditions.

## Additional Requirements

In addition to the information required above, each annual report shall include:

6. An explanation of the incorporation and integration of the medical record systems of each hospital.
7. Findings from service area assessments that describe maintaining or improving the quality, efficiency, and accessibility of health care services offered to the public.

8. A report on how any cost savings from allowing both hospitals to reduce costs and eliminate duplicate functions have led to lower prices for health care services or investments to improve the quality of health care services.

## Performance Report Submission Instructions

HHSC provided initial reporting instructions at the time of Hendrick Health System's COPA approval on October 2, 2020. HHSC provided the revised reporting instructions below on August 3, 2021.

For annual and quarterly reporting, Hendrick Health System must present and submit data in the following format:

- Create a document to report all qualitative data, quantitative data (including charts and tables, if applicable), and any other contextual information for each standard in the COPA Terms and Conditions. Include attachments or exhibits as needed.
- The standards in each quarterly and annual report should match the wording, numbered order, and category of the standards in the COPA Terms and Conditions.
- Each response should thoroughly and completely answer the standard, without depending on references to other standards. Even if duplicative, responses should repeat information as appropriate to fully answer each standard independently.
- Submit reports and any attachments to the HHSC COPA mailbox (COPA@hhs.texas.gov) by the due dates outlined in these COPA Terms and Conditions for quarterly reports and annual reports.

**Notice:** HHSC will post final, approved reports to its website for public access. If a report contains proprietary information, submit two versions:

- an unredacted version for HHSC use with proprietary information clearly identified, and
- a redacted version for posting on the HHSC website.

The reports are governmental records. Knowingly making a false entry in, or false alteration of, a governmental record is a criminal offense under Texas Penal Code §37.10.

## 5. Conclusion

The terms and conditions mandated in this document are necessary to ensure that the merger benefits the public and to ensure HHSC meets the expectation of the legislature that the COPA will protect community healthcare systems, expand and improve patient care in rural areas, and help hospitals more effectively generate efficiencies that can be passed on to consumers. These terms and conditions may change as the need is determined by HHSC and may include increased reporting requirements. Any changes HHSC makes to the terms and conditions will comply with 26 TAC §567.31(c).

Pursuant to Health and Safety Code Sec. 314A.056(c), HHSC includes the above Terms and Conditions of Compliance in connection with Hendrick Health System's Certificate of Public Advantage.

**Kristi Jordan** Digitally signed by Kristi Jordan  
Date: 2023.08.28 18:30:34  
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Kristi Jordan

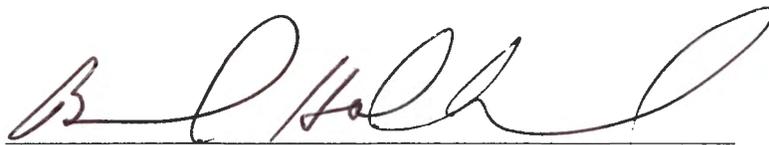
Associate Commissioner for Health Care Regulation

Texas Health and Human Services Commission

701 W. 51<sup>st</sup> Street

Austin, TX 78751

On behalf of Hendrick Health System, I acknowledge receipt of the above Terms and Conditions of Compliance regarding the Certificate of Public Advantage.



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Brad D. Holland

President & Chief Executive Officer

Hendrick Health System

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