

Plan of Separation  
between  
Wellmont Health System  
and  
Mountain States Health Alliance

Pursuant to Grant of Letter Authorizing Cooperative Agreement  
By the Virginia Commissioner of Health

This Plan of Separation (“the Plan”) is prepared as part of the application for a Letter Authorizing Cooperative Agreement (“Cooperative Agreement”) submitted jointly by Wellmont Health System and Mountain States Health Alliance (collectively “the Parties”) to the Honorable Dr. Marissa J. Levine, Commissioner, Virginia Department of Health (“the Commissioner”). The Plan is intended to set out the process by which the Parties would effect an orderly separation of the new, integrated health system to be created under the Cooperative Agreement (the “New Health System”) in the event that the Commissioner determines that it is necessary to terminate the Cooperative Agreement previously granted to the Parties, as set forth in Code of Virginia section 15.2-5384.1.H.

Upon written notice of a determination by the Commissioner to terminate the Cooperative Agreement pursuant to Code of Virginia section 15.2-5384.1.H, and upon expiration of any period to appeal, or a final ruling adverse to the Parties on appeal, the Parties shall, within thirty (30) days, retain a consultant with expertise in provider operations and competition in the health care industry (“the Consultant”). The Consultant shall assist the Parties in complying with the termination order by analyzing competitive conditions in the markets subject to the Commissioner’s termination order and identifying the specific steps necessary to return the markets to their pre-consolidation competitive state. In undertaking this analysis, the Parties and Consultant shall take into account data submitted in the Cooperative Agreement Application showing the structure of the geographic service area at the time of consolidation, including the number, locations and relative shares of the parties and all other participants. The Parties and Consultant will cooperate with the Commissioner in these efforts. This cooperation shall include, upon the Commissioner’s request, sharing any non-privileged documents, data or other information that the Parties or Consultant may receive, generate or evaluate in the course of this process.

By agreeing that the Consultant will cooperate and share information with the Commissioner, the Parties hereby neither expressly nor implicitly waive any rights they may have with regard to maintaining protections for the privileged, confidential or proprietary content within said information. It is the Parties’ intent to properly manage competitively sensitive information, and thus, to maintain the privileged, confidential and/or proprietary nature of those items and not subject them to public disclosure.

With the assistance from the Consultant, within one hundred (100) days of the Consultant's retention date, the Parties will submit a plan to the Commissioner for divestiture of assets and operations and any other actions that would be appropriate under then-current market circumstances designed to restore, to the extent reasonably practicable, competitive conditions to their pre-consolidation competitive state or otherwise remedy the competitive concerns identified by the Commissioner ("Proposed Plan"). The Proposed Plan will be accompanied by a written report from the Consultant concerning the suitability of the proposed disposition of assets and operations in addressing the competitive deficiencies that resulted in the termination order. The Parties and Consultant will cooperate with the Commissioner in his or her examination and evaluation of the Proposed Plan.

Immediately upon the Commissioner's approval of the Proposed Plan (or of any plan that contains revisions thereto) ("Final Plan"), the Parties shall undertake to execute the Final Plan. Unless the Parties and the Commissioner agree it is not feasible to do so, the Parties will finalize execution of the Plan within two hundred forty (240) days from the date of receipt of written approval by the Commissioner of the Final Plan.

The Proposed Plan may include the following components, absent any then-existing circumstances that would likely negate the effectiveness of said components in restoring competition to its pre-consolidation state:

- Divestiture, into a separate and independent enterprise, of those facilities and other assets of the New Health System that are necessary to establish competition with said enterprise and restore, to the extent reasonably practicable, competitive conditions as they existed immediately prior to the merger in the markets subject to the termination order, along with all rights, title and interest in said assets, as well as applicable associated items including underlying real property, inventories, third-party contracts, names and trademarks, governmental consents, books and records and technologies that are essential to the operation of said assets as a going concern;
- Enablement of physician and non-physician employees of the Parties to be recruited to and employed by the owner of the divested assets, without regard to then-existing contractual restrictions on such recruitment or employment;
- Enablement of any physician to be recruited to, under contract with, and/or extended medical staff privileges by the owner of the divested assets, without regard to then-existing contractual restrictions on such recruitment, contractual relationships, or staff privileges;
- Assignment of any third-party contracts necessary to maintain ongoing, uninterrupted operation of the divested assets, along with cooperation and assistance in obtaining any third-party approvals that are required for such assignments;

- Provision, as needed, of transitional services for up to six months to the owner of the divested assets in the areas of administration, operations, information technology and clinical care, to ensure that the new competitive entity provides health care services with substantially the same level of quality and efficiency as the Parties;
- Maintenance of the same level of administrative, operational and clinical quality of all assets and operations that existed on the day before receipt of the Commissioner's termination order through the period until obligations under the Plan of Separation expire; and
- Establishment of firewalls and other protective procedures to the extent necessary to enable a separate and independent apparatus for payer contracting by the new competitive entity.

Should the Commissioner believe that it would be beneficial, the Parties will provide for the Commissioner's benefit an independent third-party health care expert to serve as a monitor ("the Monitor") for the Plan of Separation. The New Health System would provide the funding for the Monitor.

Through the Monitor, the Commissioner could engage with the Consultant and the Parties to ensure the Commonwealth's interests are served. The Monitor would be responsible for ensuring the orderly implementation of the Plan and for providing regular input to the Parties and feedback to the Commissioner.

Should the Parties not fully execute the Plan within the above stated two hundred forty (240) day period, then the Commissioner may require that a Trustee be installed to take over the process of implementing and finalizing the Plan. The Monitor could serve in this role, or another party experienced in the health care industry could be engaged to serve in the role. In either event, the New Health System will be responsible for the costs associated with engaging the Trustee, and the fees and expenses associated with the Trustee's work.