

SUPPLEMENT TO RESPONSES TO QUESTIONS
SUBMITTED MAY 27, 2016
BY
SOUTHWEST VIRGINIA HEALTH AUTHORITY
IN CONNECTION WITH
APPLICATION FOR LETTER AUTHORIZING COOPERATIVE AGREEMENT

Pursuant to Virginia Code § 15.2-5384.1
and the regulations promulgated thereunder at 12VAC5-221-10 *et seq.*

Submitted by: Mountain States Health Alliance
Wellmont Health System

Date: July 25, 2016

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July 25, 2016 – Responses to 5/27/16 Southwest Virginia Health Authority Questions**

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ACCESS

14. What are the current number of licensed healthcare professionals by county and facility in Southwest Virginia employed by the Applicants and what is your projection on what that number will be following the adoption of the Cooperative Agreement?

RESPONSE: Exhibit 14 to these Responses shows the number of licensed physicians employed by the Applicants, along with their county of location, and reflects the most current information available to the Applicants.¹ The Applicants did not have accurate facility-specific information, and note that facility data is difficult to calculate because physicians may be affiliated with or practice at multiple facilities. The New Health System will employ approximately 3,800 total Virginia residents upon closing. Of these 3,800 Virginia residents, nearly 40% will work in Tennessee.

Regardless of the merger, it is not possible to project the number of employees in any specific region as those numbers vary based on volumes, and the full-time equivalent employee numbers adjust frequently—especially in the clinical environment. The number of employees of the New Health System in the Geographic Service Area will depend on the following factors: patient demand (the number of patients that the New Health System serves in both inpatient and outpatient settings); the population size; and the age mix of the population. Beyond these factors, which affect both Applicants currently, the merged organization will create demand for certain jobs based on the New Health System’s commitments in the Application.² The future job needs of the New Health System will be affected by the expansion of certain new services based on regional need and the expansion of population health management staffing, such as case managers, health coaches, chronic disease management personnel, nurse navigators, community health workers, mental health and substance abuse professionals, and others to be identified based on service demand in the region’s communities.

COMPETITION

47. What is the share of hospital services furnished by any other hospital (not an applicant) in the primary service area and the secondary service area of the proposed New Health System? What is the share of physician and attending care furnished by independent physician practitioners, not employed by either applicant or affiliated systems, in the primary service area and the secondary service area?

RESPONSE: The 75%/90% area data is provided at the Authority’s request and is consistent with the Authority’s guidance defining these areas based on zip codes. However, the Parties believe that the Geographic Service Area defined in the Application more accurately represents the current competitive service area of the Parties and the expected future competitive service area of the New Health System. As more fully discussed in Response #10, the Geographic Service Area (i) is where the Applicants propose to conduct business as the New Health System and includes the Virginia and Tennessee counties in which the Applicants have locations and

¹ Physician data include physicians and licensed mid-level healthcare professionals such as Physician Assistants and Nurse Practitioners; the Parties have made every effort to provide data and information on these latter licensed health care professionals in responding to this question. See Response #47 for a description of the limitations on calculating county and geographic physician data.

² See Application Section 17, pages 129-134.

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facilities and serve residents; (ii) contains all locations and providers that will be under the control of the Applicants and subject to any regulation under the Cooperative Agreement in Virginia and the COPA in Tennessee; (iii) includes the vast majority of the population served by the Applicants, whether commercial, Medicare, Medicaid, or uninsured; (iv) is the source of meaningful outmigration by its residents to Wythe, Hamblen and Cocke Counties for health care services; (v) is a destination for health care of patients residing in Wythe, Hamblen and Cocke Counties; (vi) accurately reflects the little relevance of county or state lines for health care treatment in this region; and (viii) represents a patient population with aligned health care needs.

Hospital Services. The Applicants have calculated the share of inpatient hospital services furnished by other hospitals in the primary (75%) and the secondary (90%) areas of the New Health System, and they are shown on **Exhibits 12A and 12B** to these Responses³. The shares of hospital services furnished by other hospitals within the 75% and 90% service areas were calculated by examining the shares of total area discharges.

Physician Services. **Exhibit 47** to these Responses shows counts of independent physicians in the 75% and 90% service areas. The Applicants reiterate the difficulty calculating data for independent physicians:

- There is little publicly reported, and therefore available, data for outpatient services. Inpatient volumes are reported to the Virginia Hospital and Healthcare Association and to the Tennessee Hospital Discharge Data System and are available for estimated service area and share calculation, but the calculation of comparable market share measures for physician practice volumes is not possible because those volumes are not uniformly reported to an independent source.
- The geographic scope of service for many physician specialties goes well beyond counties and prescribed geographic areas. For example, some advanced specialties may serve very broad service areas, and patients may travel out of the area to see specialists for services that could be obtained in locations near the Parties' three tertiary facilities. As a result, shares at the county level or even at the service area level may overstate concentration and competitive concerns.

As a result, share data in **Exhibit 47** are provided based on counts of physicians, and allocating physicians to independent groups (and their corresponding locations), which account for a large proportion of physicians in the Geographic Service Area. The Applicants have made their best efforts to calculate independent physician services based on the limited publicly available data and their general industry knowledge of the region's health care.

Since the time the Application was submitted in February to today, a number of Wellmont employed and Mountain States employed and affiliated physicians have been hired, have left employment, and have retired. The information included in **Exhibit 47** reflects the most current information available to the Applicants. Accordingly, to reflect the changes in employment and affiliation that have occurred since February, the Applicants have included in these Responses an updated **Exhibit 14.1 (Section E)** to the original Application for reference (see below). **Application Exhibit 14.1 (Section E)** (as revised in these Responses) includes counts of physicians by specialty for both Wellmont and for Mountain States (employed and affiliated)

³ Calculations based on data from the Virginia Hospital and Healthcare Association and discharge data from the Tennessee Hospital Discharge Data System.

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and for independent physicians. Regardless of how one attempts to calculate data for physician services, the data reveal that there are numerous alternatives in the region for physician services.

**REPLACEMENT OF EXHIBIT 14.1 (SECTION E) TO ORIGINAL APPLICATION DATED
FEBRUARY 16, 2016**

The Applicants submit attached **Application Exhibit 14.1 (Section E)** as a replacement for **Application Exhibit 14.1 (Section E)** submitted with the original Application on February 16, 2016. The updates reflect the changes in employment and affiliation of physicians with Wellmont and Mountain States since February 2016 and the Applicants' ongoing effort to calculate physician data as accurately as possible.

LIST OF EXHIBITS

Exhibit Number	Description
14	Applicants' Licensed Physicians
47	Independent Physicians
Replacement Application Exhibit 14.1 (Section E)	E. Physician Services

Exhibit 14. Counts of Employed Physicians by County in Virginia¹

County	WHS Employed	MSHA Employed	MSHA Affiliated	Independent
VIRGINIA TOTAL	100	104	54	539
BRISTOL CITY	15	0	0	0
BUCHANAN	0	0	0	24
DICKENSON	0	0	4	17
GRAYSON	0	0	0	4
LEE	2	0	0	16
NORTON CITY	37	0	0	0
RUSSELL	8	8	0	33
SCOTT	0	0	0	19
SMYTH	0	3	0	39
TAZEWELL	0	0	0	96
WASHINGTON, VA	23	67	28	130
WISE	12	7	17	86
WYTHE	3	19	5	75
ALL OTHER COUNTIES	240	195	44	1,637
TOTAL	340	299	98	2,176

¹ Physician data include physicians and licensed mid-level healthcare professionals such as Physician Assistants and Nurse Practitioners.

Exhibit 47. Counts of Employed Physicians by System and the 75% and 90% Service Areas

Service Area	WHS Employed	MSHA Employed	MSHA Affiliated	Independent	NewCo %
75% SA Counties	336	280	93	1,805	28.2%
90% SA Counties	337	280	93	1,930	26.9%
Other Counties in GSA	3	19	5	246	9.9%

Notes: ZIP codes were not available for many physicians; we used county approximations of the 75% (PSA) and 90% (SSA) service areas. 90% Service Area excludes Hamblen, Wythe, and Cocke Counties; 75% Service Area additionally excludes Buchanan, Tazewell, and Hancock Counties. Physician data include physicians and licensed mid-level healthcare professionals such as Physician Assistants and Nurse Practitioners.

Replacement Application Exhibit 14.1 (Section E). Physician Status by Specialty/Employment¹

Specialty	Overlap Flag	Total	Independent	Wellmont	Mountain States	Mountain States Affiliated
Grand Total (Overlap/Non-Overlap)		2,913	74.7%	11.7%	10.3%	3.4%
ORTHOPEDICS	X	135	85.9%	1.5%	11.1%	1.5%
OTHER SPECIALTIES	X	269	85.1%	6.7%	6.7%	1.5%
PEDIATRICS & NEONATOLOGY	X	177	84.7%	3.4%	4.0%	7.9%
OBSTETRICS & GYNECOLOGY	X	116	80.2%	5.2%	11.2%	3.4%
PRIMARY CARE	X	794	77.3%	15.9%	4.4%	2.4%
NEUROSCIENCES	X	73	76.7%	6.8%	12.3%	4.1%
GENERAL SURGERY	X	115	70.4%	3.5%	12.2%	13.9%
ENDOCRINOLOGY, DIABETES & METABOLISM	X	13	69.2%	23.1%	7.7%	0.0%
PSYCHIATRY, PSYCHOLOGY & SOCIAL SERVICES	X	80	66.3%	8.7%	22.5%	2.5%
HOSPITALIST	X	275	53.1%	17.1%	25.5%	4.4%
ONCOLOGY & HEMATOLOGY	X	76	51.3%	27.6%	10.5%	10.5%
PULMONOLOGY	X	44	43.2%	38.6%	11.4%	6.8%
URGENT CARE	X	104	36.5%	6.7%	49.0%	7.7%
CARDIOVASCULAR	X	146	34.2%	47.3%	17.8%	0.7%
RADIOLOGY		74	100.0%	0.0%	0.0%	0.0%
RHEUMATOLOGY		16	100.0%	0.0%	0.0%	0.0%
PATHOLOGY & LABORATORY MEDICINE		31	100.0%	0.0%	0.0%	0.0%
EMERGENCY MEDICINE		236	98.3%	0.0%	0.8%	0.8%
ENT		25	96.0%	4.0%	0.0%	0.0%
GASTROENTEROLOGY		55	94.5%	0.0%	5.5%	0.0%
NEPHROLOGY		16	93.8%	0.0%	6.3%	0.0%
PHYSICAL MEDICINE & REHABILITATION		14	92.9%	7.1%	0.0%	0.0%
UROLOGY		29	89.7%	0.0%	10.3%	0.0%

¹ Data were developed by specialty to identify physicians employed by Wellmont, employed by Mountain States (or affiliated with Mountain States) and independent physicians. Data on independent physicians were developed using names and specialties for physicians with admitting privileges at Wellmont and/or Mountain States hospitals. The Overlap Flag identifies specialties in which both systems employed physicians. The Specialty categories included in this table may differ slightly from those included in the original Application Exhibit 14.1 (Section E). The information available to the Parties on employed, affiliated and independent physicians in the area utilizes different categories of specialties (e.g. Family Medicine may be a specialty category in one list and Primary Care may be a specialty category in another list). The individual categories were aggregated to ensure specialties from various data sources could be combined to provide shares. Physician data include physicians and licensed mid-level healthcare professionals such as Physician Assistants and Nurse Practitioners.