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MONITORING REPORT

For Seventh Annual Compliance Review Cycle

To Assess the Compliance Activities of HCA Healthcare, Inc. operating under the *Asset Purchase Agreement* for Mission Health System During Calendar Year 2025

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EXECUTIVE SUMMARY

This Seventh Annual Monitoring Report (the annual report) assesses HCA Healthcare Inc.'s (HCA) compliance with the terms of the Asset Purchase Agreement (APA) through which it purchased Mission Health System (Mission Health) in 2019. Dogwood Health Trust (Dogwood) was formed out of the assets of the former Mission Health. Under the terms of the APA, an Independent Monitor (IM) prepares and submits an annual report to Dogwood.

The annual report covers activities occurring during 2025. It is our third annual report since being named IM in April 2024. [Note that pursuant to the APA, our reviews are conducted retrospectively, covering events occurring in the previous calendar year.] Over the past three years, we have learned much about the operations of HCA in Western North Carolina, including an understanding of the APA governing some of the operations of those hospitals and, most importantly, about the communities those hospitals serve. We have come to know and greatly respect the Western North Carolina community and particularly those who have so passionately expressed their feelings to us about not just the quality of healthcare in the region, but how healthcare impacts quality of life.

We are certainly mindful of the significant and highly publicized survey results that have resulted in findings of "Immediate Jeopardy" at Mission Hospital, located in Asheville. While we do not minimize the challenges facing Mission Hospital, it is important to realize that the overwhelming majority of those who staff the hospital remain singularly focused on providing the best medical care possible to those they encounter, sometimes under the most challenging of circumstances. While the issues facing Mission Hospital are well known, what is not mentioned as frequently is the superb care delivered by the dedicated staff at Mission Hospital McDowell, Blue Ridge Regional Hospital, Angel Medical Center, Highlands-Cashiers Hospital, Transylvania Regional Hospital and those who serve CarePartners, Mission Children's Hospital Reuters Outpatient Center (Mission Children's Hospital), and Sweeten Creek Mental Health and Wellness Center. As we visit those hospitals and health care facilities and speak with community members, we are continuously impressed by the dedication of the staff, the condition of the facilities, and the quality of care provided.

We will briefly review outstanding matters from our previous reports and then summarize our findings for this reporting period.[1]

Actions During 2023

In its first report covering activities occurring during 2023, the IM recommended that HCA be found potentially non-compliant with respect to three provisions of the APA, one of which remains in litigation and unresolved.

[1] The phrase "reporting period" refers to calendar year 2025.

APA Section 7.13 (a) – Continuation of Mission Hospital/Care Partners Services

This recommendation of potential non-compliance was based upon the allegation that the levels of emergency and oncology services at Mission Hospital were so reduced in 2023 that they had been functionally discontinued. This recommendation is consistent with the allegations made by then Attorney General Josh Stein in the case of *Stein ex rel. Dogwood Health Trust v. HCA Management Services, et al.*, filed by the Attorney General in the Buncombe County Superior Court on December 14, 2023.

In the IM's report for 2023, we stated, "We believe that the Superior Court – and not the IM - is the most appropriate forum to resolve this issue." Because this case remains pending in Superior Court, we once again have determined that HCA is potentially non-compliant with the terms of the APA.

Actions During 2024

During 2024, the litigation brought by the Attorney General remained pending and, therefore, the underlying issue remained unresolved. Thus, once again we recommended that HCA was potentially non-compliant with the terms of the APA, until the matter is resolved by the courts.

Actions During the Current Reporting Period 2025

During 2025, the litigation brought by the Attorney General remained pending, and therefore the underlying issue once again remained unresolved. As of the date of this report, potentially dispositive motions have been submitted and argued before the Superior Court. No decision has been made. Thus, once again, we recommended that HCA Healthcare is potentially non-compliant with the terms of the APA, until the matter is resolved by the courts.

In addition to our ongoing concerns regarding the reduction in certain services at Mission Hospital, which form the basis of the Attorney General's litigation, our review disclosed a reduction in the industrial rehabilitation services required at CarePartners, raising concern of a potential violation of Section 7.13(a) of the APA. Similarly, we noted a number of required services, particularly at Mission Hospital and CarePartners, with downward volume trends in 2025, raising concerns that the availability of those services has been significantly reduced. Concerns about declining volumes in certain specific practice areas were also noted in our review of activities occurring in 2024. Due to our concerns that these declines may represent a discontinuance of services, we met with and communicated our concerns to HCA. HCA indicated that it would provide further explanations for the declines; however, we continue to await HCA's response.

Mission Hospital continued to spend a portion of the year with the potential for Medicare/Medicaid program termination as the result of an Immediate Jeopardy survey finding. Though that potential was subsequently cured, we once again recommended that HCA was potentially non-compliant for violating Section 7.13(h) of the Asset Purchase Agreement.

In May 2025, a complaint investigation was conducted at Mission Hospital by the State of North Carolina on behalf of CMS, arising from issues related to the hospital's Emergency Department. The results of that survey stated: "It was determined that the hospital was previously out of

compliance, but currently in compliance at the time of the survey. The hospital had taken corrective actions prior to the start of the on-site EMTALA complaint survey investigation and no new identified non-compliance was found."

Surveyors returned to Mission Hospital in September 2025 for a complaint survey, and once again the hospital was found to be not in compliance with Medicare Conditions of Participation and that non-compliance posed an Immediate Jeopardy to residents' safety and health. On October 17, 2025 the hospital was given a "23 day notice of termination of its provider agreement." A Plan for Corrective Action was timely submitted in response to that notice. That plan was not accepted, and Mission Hospital was required to submit an "Enhanced Plan of Correction" which was ultimately approved. Due to what the agency has characterized as "systemic and repeated quality concerns," Mission Hospital was also required to submit and adhere to an "Enhanced Plan of Correction" by July 29, 2026. The approved plan includes the retention of Bryant Healthcare Consultants to work with Mission Hospital.

Although these corrective measures extend past the reporting year of 2025, the incidents addressed occurred in 2025 and resulted in what we consider to be an extended period of Mission Hospital not being "in good standing" as required by Section 7.13(h).

Also in 2024, the State of North Carolina enacted a new law regarding medical debt which resulted in significant changes to the company's Uninsured and Charity Care Policies effective January 1, 2025, and which addressed the concerns raised in the IM's 2023 report. We specifically find that during 2025, Mission Health's Uninsured and Charity Care Policy and the hospitals' practices were in compliance with the APA.

SECTION I: INTRODUCTION AND BACKGROUND

AMI continues to serve as the designated Independent Monitor on behalf of Dogwood to provide evaluation of the compliance activities of HCA, which operates the HCA North Carolina Division subject to the terms and conditions established in the 2019 Asset Purchase Agreement for the Mission Health System.

This Report covers activities for the timeframe under review, January 1 through December 31, 2025. The Report contains information about HCA's obligations under the APA, an overview of the process utilized, and key activities conducted by AMI to monitor annual compliance, an analysis of our findings, and conclusions.

The following additional terms and abbreviations are used, and references are furnished, as follows:

Buyer	HCA Healthcare (HCA), a for-profit organization
Local or Community Hospitals	Collectively, five affiliated acute care hospitals which are part of HCA's North Carolina Division*: Angel Medical Center, Blue Ridge Regional Hospital, Highlands-Cashiers Hospital, Mission Hospital McDowell, and Transylvania Regional Hospital
NC OAG	North Carolina Department of Justice, Office of Attorney General
Reporting Year	The calendar year in arrears, or calendar year 2025
Seller	Former Mission Health System, Inc., a non-profit organization

Overview of HCA's Purchase of Mission Health

When HCA purchased Mission Health System, Inc. in or about January 2019, the transaction consisted of the purchase of Mission Hospital, a Level II trauma center and related facilities, located in Asheville, and five affiliated acute care hospitals (Angel Medical Center, Blue Ridge Regional Hospital, Highlands-Cashiers Hospital, Mission Hospital McDowell, and Transylvania Regional Hospital) located in Western North Carolina.

About the Asset Purchase Agreement

To facilitate the purchase, the multiple sellers, buyers, and Dogwood entered into an *Asset Purchase Agreement (the APA), as amended,* which was approved by the NC OAG. The APA contained itemized requirements and continuing obligations, known as "the 15 Commitments," which were continuing in nature for the first ten (10) years following HCA's purchase of Mission Health. Certain obligations were satisfied by HCA during the first five (5) years of operation under the APA, while other commitments remain as ongoing obligations, as follows:

Retention of Services & Hospitals

1	Keep material facilities open for at least 10 years, or 2029	In Progress
2	Will not discontinue specific services for at least 10 years, or 2029, with relief available under limited circumstances after 5 years for the five local hospitals	In Progress
3	Local hospital advisory boards and Dogwood have right to bid if hospitals are closed or sold	_____
4	Continue Long Term Acute Care services at St. Joseph campus for 2 years, or 2021	Complete

Invest in Facilities

5	Complete the new Mission Hospital North Tower, which opened in late 2019	Complete
6	Build a new 120-bed behavioral health hospital in Asheville with 5 years	Complete
7	Build a new replacement hospital for Angel Medical Center within five years	Complete
8	Spend $232 million in general capital expenditure within five years	Complete

Invest in Community Health and Wellbeing

9	Provide $25 million over five years for an innovation/investment fund	In Progress
10	Spend $750,000 per year in Community Contributions in years 2 – 10	In Progress
11	Continue certain community activities, services, and programs for at least 12 months	In Progress
12	Maintain the Charity Financial Assistance Policy for Uninsured and Underinsured Patients for at least 10 years	In Progress

Other Commitments

13	Maintain private graduate medical education for at least 10 years at no less than 2018/2019 levels	In Progress
14	Participate in and maintain good standing with Medicare and Medicaid programs for at least 10 years	In Progress
15	Provide an Annual Report and Cap Ex Report that summarizes compliance. [Note: Cap Ex Reports are no longer required.]	In Progress

Understanding Designated Enforcement Roles

Dogwood Health Trust – The organization was created to receive and manage the proceeds resulting from the sale of Mission Health to HCA and to operate as a charitable non-profit organization.

Under the APA, Dogwood is referenced as "the Foundation" and listed as a party to the APA. Under Section 3.5(b), the Foundation was also designated as "Seller Representative" for the assignment of rights, including the authority to select an IM under 7.12(c), and was given certain obligations (e.g., enforcement) under Section 13.13.

North Carolina Department of Justice – In addition to the rights and responsibility for enforcement assigned to Dogwood, the NC OAG was granted AG-enforceable obligations under the APA, Section 13.13(b).

Understanding the Role & Responsibilities of the IM
The role of the IM is multi-faceted and derives authority from the APA, as set forth in the following sections:

- Advisory Activities – Specifically, the IM is to advise Dogwood (including the seller directors of the Advisory Board) and Local Advisory Boards regarding HCA's compliance activities, including those reflected in HCA's Annual Reports. APA, Section 7.12(c).
- Recipient of HCA Annual Reports – The IM receives Annual Reports (and Cap Ex Reports), which contain HCA's compliance activities related to the "Continuing Obligations" and other obligations of the APA covered in the reports. APA, Section 7.17.
- Consenting Obligations – Receive requests or notices from HCA regarding the discontinuation of any Mission Hospital, CarePartners service, Member Hospital Facility Services or LTAC Service, the sale or closure of any Material Facility or the occurrence of a contingency or MHF Quality or Safety Occurrence and participate in the consenting obligations held jointly with the Local Advisory Boards relative to the discontinuation of services and the sale or closure of any Material Facilities or local hospitals and uninsured and charity care policy revisions. APA, Sections 7.13 (b) and (c) and 7.15.

The APA contains additional obligations and terms. APA, Section 7.12(c).

Overview of the IM
AMI was selected by Dogwood as the IM in accordance with the APA, Section 7.12(c). HCA and the NC OAG were provided with the right to consent, in advance, to the selection of the IM.

The AMI Team consists of three core team members: Gerald Coyne, Project Lead; Denise Moran, Deputy Project Lead; and Jeffrey Brickman, serving as subject matter expert specific to health care systems. The core team members are supplemented by executive leaders, Jesse Caplan, Dionne Lomax, and Stephen Nemmers, and supported by an array of mid-level and administrative assistants.

SECTION II: MONITORING ACTIVITIES FOR CY 2025

About the Annual Reporting Period
Annual monitoring cycles are established by the APA at Section 7.17, which guides the timeframes for deliverables. The IM conducts its monitoring process and reviews compliance activities in arrears, or for calendar year, January 1 – December 31, 2025.

AMI's Monitoring Process & Activities

AMI's monitoring process incorporated four core tenets: audit, analyze, verify, and test. We exercised these tenets through a series of activities to obtain information which would inform our findings and serve as the basis of our conclusions and recommendations.

During our monitoring process, our activities included, but were not limited to the following:

- Request for Information – A *Request for Information* document (the RFI) was drafted by AMI and submitted to HCA/Mission Health on January 16, 2026. The RFI contained specific questions or requested confirmation related to elements under review for Section 7 of the APA, including those related to local and hospital advisory boards, service lines and volumes, community contributions, Medicare and Medicaid enrollment and standing with the Centers for Medicare and Medicaid Services (CMS), charity care, graduate medical education (GME), and charitable donations.

  HCA Response: HCA/Mission Health provided responses to AMI's RFI on May 8, 2026.

  Subsequently and as part of our verification process, AMI submitted requests for additional information specific to charity care and the industrial rehabilitation service line as a part of the monitoring process.

  HCA Response: HCA provided access to individuals for clarification of information provided with regard to charity care and allowed AMI to submit questions to obtain more information concerning provision of the industrial rehabilitation service line.

- Maintenance of Independent Monitor Website – The IM maintains an interactive website, https://independentmonitormhs.com, which serves as a method to communicate with the public through updates and announcements, postings of important documents and materials related to monitoring efforts, contacts for regulatory resources, and an interactive component for submitting email messages to the IM Team or for filing concerns within the IM complaint portal.

  The IM website remains updated with an invitation to community members to connect with the IM Team via the IM email address. (see Mission@AffliatedMonitors.com)

- Community Engagement Activities – AMI engaged in various types of community outreach using several methods and forums.

  - *Community Meetings*: In conjunction with Dogwood, the IM held two community meetings on March 9 and 10, 2026 in Brevard and Asheville. The purpose of the meetings was to gather information and insights from the community closer in time to the year under review and to provide an education component about the regulatory process governing healthcare facilities. In addition to Dogwood representatives and the IM Team, senior

members of NC DHHS presented an overview of the regulatory process in cooperation with CMS.

Following the presentations, attendees were invited to visit Resource Tables and share experiences, express concerns, and ask questions with representatives from the NC DHHS, NC OAG, HCA/Mission Health, and the IM. The community meeting in Asheville was live streamed, and copies of the video and slide deck presentations were made available via the IM's website. See https://independentmonitormhs.com

- *Meetings with Individuals & Small Groups*: During the March visit to Western North Carolina, the IM Team scheduled and met with four (4) groups and one (1) individual. The meetings were productive and allowed the IM to engage with individuals to exchange ideas and information. Subsequently, the IM Team was in communication with a number of individuals, both clinicians and area leaders, via email transmittals or virtual format meetings.
- *Meetings with Stakeholders*: The IM meets routinely with various stakeholders, including the following:
  - *Seller Representatives of Hospital Advisory Boards* – During 2025, the IM held virtual meetings with the Seller Representatives of the Hospital Advisory Boards for discussions and to gain insights.

    Elected Officials – Interactions with elected officials (i.e., representatives at the city and state levels) continued during the monitoring timeframe, including interactions via email, phone calls, and in-person meetings.
- *NC OAG*: In conjunction with Dogwood, the IM meets quarterly with representatives of the NC OAG. The purpose of the meeting is to provide quarterly updates to the NC AGO regarding the IM's tasks related to the compliance activities of HCA under the APA for Mission Health System. Meeting Summaries are generated and can be found on the IM's website under the Important Documents tab.

- Receipt and Review of the HCA Annual Report (the HCA Report) – Under Section 7.17 of the APA, HCA is required to provide an Annual Report to the IM and other designated entities (i.e., Seller Representatives, the NC OAG, the Advisory Boards) for as long as the "Continuing Obligations" of the APA remain in effect. The HCA Report must be submitted within one hundred twenty (120) days following the conclusion of Buyer's fiscal year, or April 30th, and summarize HCA's compliance with the "Continuing Obligations" as well as the obligations set forth in Sections 7.14(e)(ii), 7.14(e)(iii), 7.16 and 7.20.

  HCA Response: The HCA Healthcare Mission Health 2025 Annual Report was received timely on April 30, 2026.

No data presented in the report was identified as confidential.

As in the previous year, HCA requested that all information provided in response to the Monitor's *Requests for Information* be treated as "Highly Confidential" as it contains trade secrets and competitive healthcare information.

Preliminary Analysis: AMI reviewed the HCA Report in conjunction with the requirements of the APA to determine whether the reported information provided aligned with the remaining commitments made by HCA or whether additional information would be needed for review. Our detailed analysis and impressions are set forth in Section III below.

- Participation in Annual Tours of Healthcare Facilities – In accordance with APA, Section 7.17(a), Dogwood requested tours of the facilities (i.e., hospitals and affiliated centers) owned by HCA, and the IM Team accompanied Dogwood on the visits, which were made on the following dates:

Date Visited	Names of Facilities	Locations or Townships
June 01	Mission Hospital & Cancer Center CarePartners Mission Children's Hospital	Asheville
June 02	Mission Hospital McDowell Blue Ridge Regional Hospital	Marion Spruce Pine
June 03	Angel Medical Center Highlands-Cashiers Hospital Transylvania Regional Hospital	Franklin Highlands Brevard

HCA Response: Members of the executive staff from each HCA/Mission Healthcare facility hosted representatives of Dogwood and members of the AMI Team. An introductory presentation, specific to each hospital facility, was provided and discussions included information about various service lines, goals, upgrades and investments, partnerships within the community, and workforce development.

NOTE: HCA leadership shared information to support these topics and additional items during these tours which they considered to be proprietary and/or confidential, and AMI has honored their request not to share this information in a document designed for public distribution.

Verification Process

Verification activities were an ongoing function of the IM's monitoring process during CY 2025. After the IM Team reviewed submitted data, engaged with community members, individuals, and groups, elected officials, and HCA/Mission Health leadership, and visited HCA/Mission Health facilities, the IM requested additional data and documents. The Team also engaged in

conversations and meetings with a myriad of individuals (i.e., representatives of the NC DHHS) to clarify and verify information and data shared by HCA/Mission Health.

SECTION III: ANALYSIS OF BUYER'S COMPLIANCE WITH OBLIGATIONS MADE UNDER THE APA

Summary of Commitments Completed by HCA
The APA created several conditions related to the purchase of Mission Health, most of which related to the transaction itself, but fifteen of which have been informally identified as the "primary commitments" made by HCA, as noted above. Of those, approximately eight, related to specific projects or expenditures of funds, have been completed.

Overview of Continuing Obligations
The "Continuing Obligations" are defined in Section 7.12(a) as "Sections 7.10, 7.12, 7.13 and 7.15." The subject matters of these Continuing Obligation provisions are:

- 7.10 – Branding
- 7.12 - Hospital Advisory Board; IM
- 7.13 - Operations of the Hospitals
- 7.15 - Uninsured and Charity Care Policies

The APA also requires the IM to report on HCA's compliance with Section 7.16 regarding the "Innovation/Investment Fund."

Information Required to be Furnished in HCA's Annual Report
In addition, Section 7.17(a) requires that the Annual Report shall include information about the following in each case with respect to the applicable fiscal year:

- whether Buyer has discontinued any services at any Hospital; whether Buyer has sold or closed any Hospital;
- detail on Buyer's Community Contributions in satisfaction of Section 7.13(g);
- detail on continuation of programs pursuant to Section 7.13(i) (if applicable);
- detail on construction pursuant to, and compliance with, Sections 7.14(e)(ii) and 7.14(e)(iii);
- any changes to the Uninsured and Charity Care Policy implemented and maintained by Buyer at the Hospitals pursuant to Section 7.15; and
- Details on Buyer's support for graduate medical education at the Facilities pursuant to Section 7.18.

NOTE: For the sake of clarity, we note that although information on the following projects is required in the Annual Report, the projects have been completed, and no further progress reports are required.

- Section 7.14 – Construction of New Facilities
- Section 7.14(e) – Certain Committed Capital Projects[2]

Buyer's Compliance with Specific Obligations
AMI provides the following analysis and offers its observations and decisions related to HCA's compliance for calendar year 2025:

APA Section 7.10 – Branding – *In Compliance*
The APA states that: "Following the Closing, Buyer, in its and its Affiliates' operation of the Hospitals and the other Facilities, shall use the name "Mission Health" or "Mission Health System" in the naming, branding and marketing of such Hospitals and other Facilities in each case unless such name is required to be changed to comply with applicable Law. In addition, following the Closing, Buyer in its and its Affiliates' operation of the occupational, rehabilitation and home care operations and facilities shall use the name CarePartners in the naming and branding and marketing of such facilities in each case unless such name is required to be changed to comply with applicable Law. For the avoidance of doubt, Buyer and its affiliates may nonetheless incorporate "HCA" into any such naming, branding and marketing, in accordance with applicable Law."

HCA Annual Report: In its Annual Report, HCA stated:

- that, "During the Reporting Period, Buyer and its Affiliates continued to use the name "Mission Health" or "Mission Health System" in the naming, branding and marketing of the Hospitals and other Facilities."
- "During the Reporting Period, Buyer and its Affiliates continued to use the name "CarePartners" in the naming, branding and marketing of the occupational, rehabilitation and home care operations and facilities acquired pursuant to the Purchase Agreement."

In addition, HCA provided links to examples of branding for both Mission Health and CarePartners.

AMI Observations: During our visits to WNC, we viewed numerous examples of HCA's compliance with this requirement, including specific signage on the exterior and interiors of facility buildings. In addition, a member of the AMI team conducted a review of numerous

[2] The IM is also required to report on what are termed "Certain Committed Capital Projects" in Section 17.14(e). These projects were the Angel Medical Center (Section 7.14(e)(ii)) and the "Behavioral Health Hospital" which opened as the Sweeten Creek Mental Health and Wellness Center (Section 7.14 (e)(iii)). The IM toured Angel Medical Center in June 2026.

websites and other publicly available media and advertising sources to confirm compliance with this provision.

For the foregoing reasons, we believe that HCA is in compliance with this requirement.

APA Section 7.12 – Hospital Advisory Boards - *In Compliance*
The Hospital Advisory Boards, required by Section 7.12, are unique requirements of the APA and, as such, are distinct from a traditional hospital "Board of Directors." Each hospital continues to maintain its own Board of Directors that is often responsible, for example, for the recruitment and credentialing of physicians and the oversight of the hospital's general operations.

About the Hospital Advisory Board, Section 7.12(a)
The Hospital Advisory Board addresses matters related to Mission Hospital. The APA requires that the Parties shall establish an advisory board (the "Advisory Board") which shall continue in existence for the Advisory Board Designation Period. During the Advisory Board Designation Period, the Advisory Board shall be composed of eight (8) individuals appointed as follows: (i) four (4) of the Advisory Board members, and their replacements, as determined by the Seller Representative, shall be appointed by Seller Representative (the "Seller Directors") and (ii) four(4) of the Advisory Board members, and their replacements, as determined by Buyer, shall be appointed by Buyer, who may be employees of Buyer or any of its Affiliates (the "Buyer Directors").

The primary remaining purposes of the Advisory Board are: (I) approving any modifications to Buyer's obligations set forth in Section 7.10, Section 7.12, Section 7.13 and Section 7.15 (the "Continuing Obligations"); provided that the Advisory Board shall not have any rights or authority regarding the Continuing Obligations with respect to any Hospital owned by a Local Hospital as of the Execution Date and for which the Local Advisory Boards have authority pursuant to Section 7.12(b); (II) receiving reports prepared by Buyer pursuant to Sections 7.14(e) and 7.17; and (III) resolving disputes regarding the occurrence of a Contingency with respect to any Mission Hospital/ CarePartners Service or any Material Facility that is not a Local Hospital Facility.

In addition, the Advisory Board acts through block voting, meaning that affirmative action of the Advisory Board can only be taken where a majority of both the Seller Directors and the Buyer Directors, each, respectively, voting as a block at a meeting in which a quorum is present, vote in favor of the particular measure.

HCA Annual Report: The Buyer's Annual Report lists the members of the Hospital Advisory Board, and reports that during the Reporting Period, the Advisory Board met on July 9, 2025. We were also provided with minutes of that meeting, which showed that the Advisory Board met for the purpose of receiving and approving the Buyer's Annual Report.

For the foregoing reasons, AMI determined that HCA is in compliance with these requirements.

About the Local Advisory Boards, Section 7.12(b)
Section 7.12 (b) requires that for each "local hospital" an advisory board shall be established to serve the same function to each local hospital that the board established pursuant to Section 7.12(a) serves for Mission Hospital.

HCA Annual Report: T h e Buyer's Annual Report lists the members of each Local Advisory Board, as well as the date that each Local Advisory Board meets during the Reporting Period.

In addition, AMI received copies of the minutes of each Local Advisory Board meeting. According to the Minutes, each Board received and approved the Buyer's Annual Report. The dates of each meeting were:

- Angel Memorial Hospital – July 23, 2025
- Blue Ridge Regional Hospital – July 21, 2025
- Highlands-Cashiers Hospital – July 24, 2025
- Mission Hospital McDowell – July 22, 2025
- Transylvania Regional Hospital – July 11, 2025

For the foregoing reasons, AMI determined that HCA is in compliance with these requirements.

APA Section 7.13(a) – Continuation of Mission Hospital/Care Partners Services – *Potential Non-Compliance and Subject to Litigation by the NC AGO*
The APA states: "(a) Unless otherwise consented to in writing by the Advisory Board for a period of ten (10) years immediately following the Closing Date, Buyer shall not discontinue the provision of the services set forth on Schedule 7.13(a) (the "Mission Hospital / CarePartners Services") at the Mission Hospital Campus Facility, the Community CarePartners Facilities or the Mission Children's Hospital Reuter Outpatient Center, as applicable, subject to Force Majeure making the provision of such services impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period)."

HCA Annual Report: "During the Reporting Period, Buyer did not discontinue the provision of the services set forth on Schedule 7.13(a) of the Purchase Agreement at the Mission Hospital Campus Facility, the Community CarePartners Facilities or the Mission Children's Hospital Reuter Outpatient Center."

Pending Litigation Regarding Reduction in Services at Mission Hospital
In our Annual Report for Reporting Year 2024 we summarized the basis of litigation filed on December 14, 2023, by the Attorney General of North Carolina NC AGO alleging that service reductions in the areas of emergency medicine and oncology at Mission Hospital have so degraded the level of those services that the APA has been violated. That litigation remains pending in the Superior Court of North Carolina for Buncombe County (File No. 23-CV-5013). For a more

detailed discussion of that litigation, we refer the reader to AMI's Annual Report for Reporting Year 2024.

On October 28, 2025, both HCA and the Attorney General filed briefs in support of their previously filed Motions for Summary Judgment. To recap, the Attorney General has filed a motion for partial summary judgment, which means that even if the Court rules in the Attorney General's favor on all counts, the parties will still have to go to trial on some issues. HCA has filed a motion for summary judgment on all counts, which means that if the Court rules in favor of HCA's motion, the case will be dismissed.

Response briefs have been filed by both parties, and oral arguments have been heard. As of the date of this Report, the Court has not rendered a decision on either motion.

AMI Observations: We believe that because the issues forming the basis for the Attorney General's lawsuit remained unresolved during Reporting Year 2024, for the reasons expressed in our previous report, HCA remains in potential non-compliance with Section 7.13(a) of the APA with respect to the reduction of emergency and oncology services at Mission Hospital in 2025.

Since our engagement, we have continued to receive a number of concerns which question the continuation of protected services at both the critical care hospitals, as well as Mission Hospital. Although HCA has not petitioned to discontinue any protected services under the APA, concern has been raised that reductions in staffing have limited access to certain specific services so dramatically that those services should be considered constructively "discontinued." Because those reductions did not comply with the procedures outlined in the Asset Purchase Agreement, these actions, according to this argument, potentially violate the APA.

As previously noted in our Executive Summary, we noted significant reductions in volume in several other areas, beginning in 2024 and continuing into 2025. These included a number of pediatric subspecialties. For 2025, declining services also included service lines offered at CarePartners. Due to our concerns that these declines may represent a discontinuance of services, Dogwood and the IM met with and communicated our concerns to HCA in 2025. HCA indicated that it would provide further explanations for the declines; however, as of the date of this report, we have not received HCA's responses.

Industrial Rehabilitation at CarePartners
According to Schedule 7.13(a) of the Asset Purchase Agreement listing the services that must be maintained at Mission Hospital and CarePartners, the Outpatient Rehabilitation Services at Care Partners must include industrial rehabilitation.

In addition to the pending litigation, we noted this year that no patients were seen in the Industrial Rehabilitation program at CarePartners after April 1, 2025. Industrial rehabilitation is a service

that provides a structured and goal-oriented program designed to help people regain functional skills, identify work capacities, and return to work after injury.[3]

On June 8, 2026, we requested a meeting with HCA, indicating that "we want to make particularly sure that we report the basis for this reduction accurately, as well as any explanation that HCA wishes to provide."

In response to AMI's request for a meeting, HCA provided the following response on June 12th:

> "Please allow this to serve as our response to your email of June 8. CarePartners did not "discontinue" the provision of "industrial rehabilitation" services as those terms are used in Section 7.13(a) and Schedule 7.13(a) of the APA respectively. As discussed during the IM's visit to CarePartners, the demand for the service described in Schedule 7.13(a) as "industrial rehabilitation" did change in CY 2025 secondary to a unilateral decision by a local industrial manufacture to non-renew a service contract. The change in demand, however, did not result in those services being discontinued by CarePartners. As explained during the IM's visit, industrial rehabilitation was an active and staffed line of service in CY 2025."

Although our analysis of the caseload for Industrial Rehabilitation Services consistently reflects a relatively low volume, it is clear that the services were available in previous reporting years. Unfortunately, HCA's conclusory statement that services have not been discontinued does not satisfactorily explain the basis for the reduction experienced in 2025, and HCA has not provided further explanation.[4]

We further believe that because there have been no Industrial Rehabilitation Services provided by CarePartners since April 2025, there was sufficient cause to seek further information regarding the basis for the lack of activity. For the reasons expressed in this Report, and in light of HCA's declining to provide responsive answers to the IM's questions regarding this service line, the IM believes that HCA is in potential non-compliance with Section 7.13(a) of the APA with respect to the reduction of industrial rehabilitation services at CarePartners for CY 2025.

Section 7.13(b) – Member Hospital Facility Services Continuation – *In Compliance*
Section 7.13(b) requires that specified "protected services" be continued at member hospital facilities unless specific processes are followed to discontinue a service. According to the APA, "Unless otherwise consented to in writing by both the applicable Local Advisory Board and the

[3] Industrial Rehabilitation is not defined in the Asset Purchase Agreement. Although there are a number of definitions, this definition originates from the UNC Health Southeastern website, accessed on June 24, 2026.

[4] Because the specific caseload was identified as "Highly Confidential" in HCA's response to our Request for Information, we are not providing those figures.

IM, and subject to the right to discontinue if a MHF Quality or Safety Occurrence occurs between the fifth and tenth anniversaries of the Closing Date as described in this Section 7.13(b), for a period of ten (10) years immediately following the Closing Date, Buyer shall not discontinue the provision of the services set forth on Schedule 7.13(b) (the "Member Hospital Facility Services") at any Member Hospital Facility, subject to Force Majeure making the provision of such services impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period)."

HCA Annual Report: "During the Reporting Period, Buyer did not discontinue the provision of the services set forth on Schedule 7.13(b) of the Purchase Agreement at any Member Hospital Facility."

AMI Observations: To date, the Buyer has not sought to discontinue any protected services at the member hospital facilities. To the extent there have been varying levels of service at these facilities – Angel, Highlands-Cashiers, McDowell, Transylvania, and Blue Ridge – those gaps that have occurred appear to be primarily related to the departure of a physician providing that specific service coupled with the challenges of recruiting a replacement. We note that the hospitals continue to work cooperatively to provide coverage to each other. Although we will continue to monitor any reductions in the volume or availability of protected services at these hospitals, we observed no reductions in 2025 that appear to be related to a deliberate plan rather than personnel staffing.

Based on the foregoing observations, AMI determined that HCA is in compliance with these requirements.

APA Section 7.13(c) - Sale or Closure of Any Facility – *In Compliance*
The APA prohibits the sale or closure of any material facility by HCA, unless certain actions are taken pursuant to the APA.

HCA Annual Report: "During the Reporting Period, Buyer did not sell or close any of the Material Facilities."

AMI Observations: The Buyer has produced sufficient evidence, coupled with the onsite visits to each of the material facilities conducted by the AMI Team in June 2026, to ascertain that the Buyer is in compliance with this section.

APA Section 7.13(g) – Community Contributions – *In Compliance*
Section 7.13(g) requires that between the first (1st) anniversary and tenth (10th) anniversary of the Closing, Buyer and/or any of its Affiliates shall collectively make or incur Community Contributions of at least $750,000 per Annual Period.

HCA Annual Report: The Annual Report states that during 2025, the Buyer and its Affiliates made contributions in the amount of $792,587. Those contributions consisted of cash and

charitable donations to non-profit organizations and other charities of $700,237 and student scholarships in the amount of $92,350.

AMI Observations: AMI requested, and was provided, with the complete list of community contributions. This information was included in the response to the IM's *Request for Information*, which HCA advised was "Highly Confidential" and, thus, further detail regarding any specific recipient is not being released.[5]

Based on our review of the foregoing documentation, AMI determined that HCA is in compliance with the section.

APA, Section 7.13(h) – Medicare and Medicaid Enrollment – *Potential Non-Compliance*
Section 7.13(h) states in pertinent part: "(h) Unless otherwise consented to in writing by (i) with respect to any Material Facility other than the Local Hospital Facilities, the Advisory Board, or (ii) with respect to any Local Hospital Facility, its applicable Local Advisory Board, for a period of ten (10) years immediately following the Closing Date, subject to Force Majeure making doing so impossible or commercially unreasonable (but only for the period of Force Majeure and the applicable Remediation Period), Buyer shall cause the Material Facilities and the Local Hospital Facilities to remain enrolled **and in good standing** in Medicare, Medicaid or their successor program(s)." (emphasis added)

HCA Annual Report: "During the Reporting Period, the Material Facilities and the Local Hospital Facilities remained enrolled and in good standing in the Medicare and Medicaid programs."

AMI Observations: Last year, our analysis of this provision focused upon the phrase "in good standing."

As we stated then, "Clearly, by requiring both "enrollment" and "in good standing", the APA requires something more than just enrollment in the Medicare and Medicaid programs."

We once again consider the phrase "good standing" in this context to mean the ability to demonstrate compliance with all applicable regulatory requirements. We do not find the phrase "in good standing" to be ambiguous.

Our analysis of this issue is bolstered by statements made by the Seller and Buyer that the Asset Purchase Agreement was extensively negotiated by the parties. Therefore, we can conclude that each provision was approved by the parties, and the meaning is presumed to be clear. We note that the "Surplusage Canon" which is used by courts and attorneys to interpret statutory or constitutional text construction states that, "If possible, every word and every provision is to be given effect (*Verba*

[5] In addition to labeling the list of charitable contributions as "Highly Confidential," HCA's response stated: "We would expect the Annual Report document to be the only document released for public inspection."

cum effectu sunt accipienda). None should be ignored. None should needlessly be given an interpretation that causes it to duplicate another provision or to have no consequence."

The requirement of "good standing" is widely recognized in the medical field. To be accredited by the Joint Commission, for example, it is a requirement that the hospital "provides care, treatment, services, and an environment that pose no risk of an 'Immediate Threat to Health or Safety.'" (See, Joint Commission Requirements for Hospital Programs, APR.09.04.01, dated September 30, 2025).

HCA's definition of "in good standing" was expressed in a letter from HCA Healthcare's Senior Litigation Counsel to the General Counsel of Dogwood Health Trust on April 2, 2026, regarding "Immediate Jeopardy Findings and APA Compliance":

> "Mission has always and continues to be in "good standing" with Medicare as required under the APA. "Good standing" is not defined in the APA. It is Mission's position that "good standing" means that Mission Hospital must maintain the ability to continuously treat Medicare patients and bill the Medicare program for such services, and Mission has done so. The current process of receiving and resolving IJ's and implementing the Enhanced Plan of Correction (EPoC) is part of the regulatory framework and has not altered Mission's continued participation in Medicare or its ability to bill its services."

We disagree with this definition. If this definition were accepted, the phrase "in good standing" is rendered meaningless, since all that would be required is for the hospital to be able to treat patients and bill Medicare and Medicaid for those eligible. To suggest that the "process of receiving and resolving IJ's and implementing the Enhanced Plan of Correction (EPoC) is part of the regulatory framework" and has no independent significance overlooks the rarity of both of these occurrences.

To be clear, the five "Local Hospital Facilities" in the Mission Health network – Angel Medical Center, Highland-Cashiers Hospital, Blue Ridge Regional Hospital, Mission Hospital McDowell, and Transylvania Regional Hospital – did remain in good standing throughout the Reporting Period. No regulatory actions were taken against any of these hospitals. Moreover, the residents of those communities served by the hospitals with whom we have spoken are nearly universal in their praise of each hospital, its leadership, and the treatment and care received there.

CMS regulations define immediate jeopardy as noncompliance that "represents a situation in which entity noncompliance has placed the health and safety of recipients in its care at risk for serious injury, serious harm, serious impairment or death. These situations must be accurately identified by surveyors, thoroughly investigated, and resolved by the entity as quickly as possible. In addition, noncompliance cited at IJ is the most serious deficiency type, and carries the most serious sanctions for providers, suppliers, or laboratories (entities). An immediate jeopardy

situation is one that is clearly identifiable due to the severity of its harm or likelihood for serious harm and the immediate need for it to be corrected to avoid further or future serious harm." (See, *State Operations Manual*, Appendix Q, "Core Guidelines for Determining Immediate Jeopardy")

During this Reporting Period, covering calendar year 2025, enforcement actions against Mission Hospital were once again initiated by CMS and NC DHHS, and once again resulted in findings of "Immediate Jeopardy," placing the hospital's further participation in the Medicare program at risk of termination.

- The initial regulatory actions occurring in 2025 followed the death on February 10, 2025, of a 54-year-old man who died at Mission Hospital in an Emergency Department bathroom after activating a call light and waiting 29 minutes for a response. By the time assistance came, he was dead.

  Following that death a complaint investigation was conducted between May 13-16 to evaluate Mission Hospital's compliance with Medicare Conditions of Participation regarding the Federal Emergency Treatment and Labor Act (EMTALA). No deficiencies were cited in the survey report.

The CMS Survey stated: "It was determined that the hospital was previously out of compliance, but currently in compliance at the time of the survey. The hospital had taken corrective actions prior to the start of the on-site EMTALA complaint survey investigation, and no new identified non-compliance was found."

- As the result of additional incidents, including two deaths arising from Mission's Emergency Department, a complaint investigation was conducted at Mission Hospital between September 15-19 and 22-26, 2025. At the conclusion of the survey, the North Carolina State Survey Agency found that Mission Hospital was not in compliance with Medicare Conditions of Participation and made a finding of "Immediate Jeopardy." The Survey found Mission had failed to meet Conditions of Participation in two areas: Patient Rights and Nursing Services. Mission Hospital was given a "23-day Notice" by CMS of the possible termination of its provider agreement. The hospital was advised that Termination may be averted by submission of Plan of Correction addressing the survey's findings by October 22, 2025; otherwise, the hospital's Medicare participation would be terminated on November 9th.

Although Mission Hospital timely submitted a Plan of Correction, its initial submission was found to be unacceptable by CMS. A subsequent submission was approved, and a revisit survey resulted in the removal of the "Immediate Jeopardy" finding. Mission was directed to submit a revised Plan of Correction by December 1, 2025, which was done.

Based upon the failure of "Mission Hospital to maintain "good standing" during the Reporting Period, we find that HCA was in potential non-compliance with this Section 7.13(h) of the APA.

Section 7.15 – Uninsured and Charity Care Policies – *In Compliance*

In December 2024, HCA announced major changes to Mission Health's Charity Financial Assistance Policy for Uninsured and Underinsured, which would take effect on January 1, 2025. These changes resulted from implementation of North Carolina's Health Care Access and Stabilization Program, which is widely referred to as the "HASP Act." This Reporting Period was the first since implementation of the HASP Act and thus presents the first to examine the Act's impact. Because the HASP Act will be implemented over several years, assessment of its full impact is not yet possible.

On December 20, 2024, the President of Mission Health wrote to Dogwood and to AMI announcing changes to Mission Health and stated that because the changes taking effect on January 1, 2025 "provide no less access to necessary medical care regardless of ability to pay for services rendered," the APA "does not obligate [HCA] to provide this notice of changes to the Policy but we are doing so as a courtesy to you and the community." The changes were necessary to meet "Conditions of Participation" in the HASP Act.

HCA Annual Report: HCA stated that there were no revisions to the Uninsured and Charity Care Policy at the Hospitals during the Reporting Period.

The IM concludes that the changes implemented by HCA provide no less access to necessary medical care regardless of ability to pay for services rendered and thus, by the terms of the APA, did not require additional approval prior to adoption by HCA Healthcare.

AMI Analysis: In assessing the impact of changes to uninsured and charitable care policy beginning on January 1, 2025, AMI sought to understand the HASP Act and its impact on participating hospitals.

One key provision in the HASP Act provides a higher Medicaid reimbursement rate to hospitals participating in the program. Partially as a result of this and other incentives given to hospitals to encourage participation, every North Carolina hospital or hospital system that was eligible to participate in the HASP Act elected to do.

Hospitals that opt to participate are required to implement the following policies as a condition of eligibility for enhanced HASP payments:

- Relieve all medical debt deemed uncollectible dating back to Jan. 1, 2014, for any individuals not enrolled in Medicaid with incomes at or below at least 350% of the federal poverty level ($52,710 for an individual or $109,200 for a family of four) as well as for patients for whom the total medical debt exceeds 5% of annual income.

- Relieve all unpaid medical debt dating back to Jan. 1, 2014, for individuals who are enrolled in Medicaid.
- Provide discounts on medical bills of between 50-100% for patients with incomes at or below 300% FPL, with the amount of the discount varying based on the patient's income.
- Automatically enroll people into financial assistance, known as charity care, by implementing a policy for presumptively determining individuals eligible for financial assistance through a streamlined screening and income validation approach. This includes any patient who is homeless, mentally incapacitated with no one to act on their behalf, or enrolled in a public benefit program such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), or the Special Supplemental Nutrition Program for Women, Infants and Children (WIC).
- Not sell any medical debt for consumers with incomes at or below 300% FPL to debt collectors.
- Medical debt interest rate is capped at 3 percent.
- Not reporting a patient's debt covered by these policies to a credit reporting agency.

Among the key Conditions of Participation in the HASP Act is the hospital's agreement to participate in a medical debt mitigation program intended to address debt from past years which adversely impacted consumers. This historic debt was addressed through a "Retrospective Debt Relief" program that allowed debt incurred during specifically defined periods to be discharged, with the hospitals reporting the debt as charitable care. As a result of this change in reporting, the format and content of the amounts of charitable and uninsured care reported by HCA necessarily changed and made year-to-year comparisons more difficult.

To better understand the data that was reported for this Reporting Period by HCA, the AMI Team met with the Chief Financial Officer of Parallon, as well as the Chief Executive Officer of the Parallon National Shared Service Center. Parallon is the administrative support platform for HCA Healthcare. In addition, we met with staff from North Carolina Medicaid's Division of Health Benefits, Strategy and Planning. We are grateful for the time provided to help us understand the information reported.

Our attention to the reported statistics for this Reporting Period was prompted by the fact that although the number of reported charitable care incidents rose significantly across the Mission Health System, the value of the care provided showed just a slight increase. We learned that the increase in contacts was almost entirely due to the Retrospective Debt Relief program, which for this period allowed the write-off of consumer medical debt that remained outstanding after insurance and other sources of payment were exhausted.

Records provided by the North Carolina Department of Health and Human Services for calendar year 2025 disclosed that Mission Health hospitals discharged the medical debt of 26,517 persons, at a value of $22,008,269. The average amount discharged was $829, ranging from an average

of $445 at Mission Hospital McDowell to $1392 at Transylvania General Hospital. There were 14,735 debts discharged at Mission Hospital valued at $14,520,380, with an average write off of $985.

Particularly because of the potential impact of federal legislation, it is impossible to credibly forecast the long-term impact of the HASP Act. In the short term, however, the following changes to the policies in effect at Mission Health hospitals have already been implemented, each of which benefits consumers:

- The policy covers all "medically necessary" care, rather than just "emergent" care;
- The requirement that indigent patients pay the first $1500 for medical treatment has been eliminated; and
- The policy expands the categories of patients who are considered "presumptively eligible" for financial assistance without the requirement to produce extensive documentation of eligibility.

We were presented with a copy of the current "Charity Financial Assistance Policy for Uninsured and Underinsured North Carolina Hospitals (Medical Debt Mitigation Policy)" with an effective date of January 1, 2025. (The Policy has not been amended since its initial adoption.) We were also provided a copy of a "rack card" which is widely available in hospital admissions offices and waiting areas, which explains the new policy in plain, easy to understand language.

Perhaps most telling, we asked for a list of the complaints related to implementation of the policy that were received in 2025. There was a single formal complaint, which HCA resolved in favor of the consumer.

AMI Observations: By all we have observed, HCA has amended its Uninsured and Charitable Care Policy to comply with the HASP Act and is acting in good faith to publicize changes that benefit consumers.

Based on the foregoing, AMI determines that HCA is in compliance with this section.

Section 7.16 – Innovation Fund

Section 7.16 of the APA required the Buyer to create an innovation/investment fund to invest in businesses located in western North Carolina that provide innovations in the delivery of health care.

HCA Report: During the reporting year, HCA made capital contributions to the Innovation Fund in the aggregate amount of $3,075,440.

AMI Observations: Based on the foregoing, AMI considers HCA to be in compliance with this section.

Section 7.18 – Graduate Medical Education – *In Compliance*
Section 7.18 of the APA, entitled, "Graduate Medical Education," states in pertinent part, "The Parties recognize the tremendous skill and supportive legacy of the Mountain Area Health Education Center ("MAHEC") Family medicine, obstetrics-gynecology, general surgery, dentistry, and psychiatry residencies and Buyer intends to maintain a relationship with MAHEC as the sponsoring institution for the currently accredited graduate medical education programs. Buyer shall review the use of MAHEC as the sponsoring institution for such programs at the conclusion of Sellers' most recent graduate medical education agreement with MAHEC, and Buyer may, in its sole discretion, determine whether to continue the relationship with MAHEC. During the ten (10) year period following the Closing and after the termination of the current graduate medical education agreement with MAHEC, Buyer agrees to maintain substantially current levels of graduate medical education, subject to the availability at such time of graduate medical education funding at substantially the current level and on substantially the current terms thereof. For the avoidance of doubt, nothing in this Agreement shall restrict Buyer or any of its Affiliates from developing any new residency or fellowship programs under any sponsoring institution."

HCA Annual Report: "During the Reporting Period, Buyer has maintained a relationship with MAHEC as the sponsoring institution for the currently accredited graduate medical education programs. Buyer continues to collaborate with the University of North Carolina-Asheville for medical student and other educational rotations as needed."

AMI Observations: AMI evaluated information presented by the Buyer regarding the number of residencies and fellowships, by specialty, for the 2025-26 academic year. Subsequently, the AMI Team confirmed the information provided by HCA by speaking with the Chief Executive Officer (CEO) of the Mountain Area Health Education Center, known as MAHEC. The CEO noted that he remains pleased with the support received from Mission Health and HCA.

AMI considers HCA to be in compliance with this section.

Section 7.20 – Right to Bid – *In Compliance*
If Buyer or any of its Affiliates wish to sell or close a hospital following the Closing Date, and such transaction is otherwise permitted under this Agreement, the Buyer or any of its Affiliates is required to solicit requests for proposals for the purchase of such Hospital (a "Sale Process") and provide Seller Representative and the North Carolina AG written notice of such Sale Process (a "Sale Notice").

HCA Annual Report: In its Annual Report, HCA reported that "Buyer has not sold or closed any Hospital during the Reporting Period."

AMI Observations: We concur with that assessment and determine that HCA is in compliance with this provision.

SECTION IV: SUMMARY

The following section provides an overview of the history of continuing non-compliance findings, including those identified by AMI for CY 2025:

Potential Non-Compliance in 2023

On July 5, 2024, pursuant to the Asset Purchase Agreement (APA) governing the sale of Mission Health System, Affiliated Monitors, Inc. (the "IM") submitted its report to Dogwood regarding the compliance activities of HCA Healthcare, Inc. during reporting year 2023. That report identified three sections of potential non-compliance with the Asset Purchase Agreement by HCA Healthcare, Inc. Based upon those three sections of potential non-compliance, the IM recommended to Dogwood that HCA Healthcare be found in potential non-compliance with the Asset Purchase Agreement for Reporting Year 2023.

The first area, which we have extensively discussed, remains the subject of pending litigation.

HCA Healthcare presented documentation on two of the three sections of potential non-compliance. As a result of our review of that documentation, we recommended that no further enforcement action be taken with respect to APA Section 7.13(h) regarding Medicare and Medicaid Enrollment, and APA Section 7.15 regarding Uninsured and Charity Care Policies.

Pursuant to Section 10.7(b) of the APA, the "sole and exclusive remedy with respect to any breach, noncompliance, or non-fulfillment of any of the covenants or other agreements made by Buyer (i) in Sections 7.10, 7.12, 7.13, 7.14(e), 7.15, 7.16, 7.17, 7.18, 7.19, 7.23, 7.24 and 7.25 shall be specific performance and injunctive relief (including pursuant to Section 10.10) of such covenants or other agreements…" Thus, if HCA Healthcare has achieved substantial compliance with the Asset Purchase Agreement, regardless of whether it agrees or disagrees with the recommendation of the IM, those non-compliance issues may be considered to have been successfully addressed.

Potential Non-Compliance in 2024

During 2024, the litigation brought by the Attorney General remained pending, and therefore the underlying issue remained unresolved. Thus, for the reasons stated in our review of 2023, we once again recommended that HCA Healthcare is potentially non-compliant with the terms of the APA, pending resolution of this matter by the courts.

Similarly, Mission Hospital once again spent a portion of 2024 with the potential for Medicare/Medicaid program termination as the result of an Immediate Jeopardy survey finding. Though that potential was subsequently cured, we once again recommended that HCA be found potentially non-compliant for violating Section 7.13(h) of the Asset Purchase Agreement.

With respect to concerns expressed in our Report regarding HCA's compliance with Section 7.15 of the Asset Purchase Agreement regarding Uninsured and Charity Care Policies, our report expressed concern regarding the policy that was in effect during 2024, acknowledging that policy was replaced on January 1, 2025 by a new policy that we believe does comport with the

requirements of the Asset Purchase Agreement. That policy change was mandated by HCA's decision to participate in North Carolina's Health Care Access and Stabilization Program.

Potential Non-Compliance in 2025

Our assessment of HCA Healthcare's compliance with the Asset Purchase Agreement in 2025 must start with the reminder that the litigation brought to address potential non-compliance regarding the reduction in required services at Mission Hospital by the Attorney General in December 2023 – nearly two and a half years ago – remains pending and awaiting a ruling on pretrial motions in Buncombe County Superior Court. We have and will continue to defer to the Superior Court to rule on the very important questions of law posed by this litigation. Nevertheless, the factual issues at the heart of this litigation remain essentially unchanged.

Our review this year did lead us to question the decline in volume in the Industrial Rehabilitation program at CarePartners, which is a "Required Service" pursuant to the APA, notwithstanding the relatively low volume served by the program. We have attempted to develop further information about why this decrease in volume occurred, whether it is anticipated to be temporary in duration, and what steps, if any, have been taken to address the issue. In the absence of additional information, we must make a recommendation based upon available information, including but not limited to the reduced caseload in the program, that HCA is potentially non-compliant for violating Section 7.13(a) of the Asset Purchase Agreement.

Mission Hospital continued to be the recipient of a Notice of Immediate Jeopardy which included a potential prohibition from participation in the Medicare/Medicaid programs. Section 7.13(h) of the Asset Purchase Agreement, which we have discussed extensively, requires that for a period of ten years, Mission Hospital and the associated community hospitals "remain enrolled **and in good standing** in Medicare, Medicaid or their successor program(s)." (emphasis added). We acknowledge that after receiving a notice of "Immediate Jeopardy" and potential dismissal from the Medicare and Medicaid programs, a Plan of Correction was ultimately accepted by CMS, removing the threat of termination from the assistance programs. Nevertheless, based upon the failure to remain in continuous good standing throughout the year, we recommend that HCA is potentially non-compliant for violating Section 7.13(h) of the Asset Purchase Agreement.

Significantly, we note that although we have recommended that HCA be found potentially non-compliant with respect to the provision of uninsured and charity care as required by Section 7.15 of the Asset Purchase Agreement during each of the previous two years, we make no such recommendation this year. To the contrary, we note that HCA Healthcare has committed to participate in the HASP Act, and by doing so adopted modifications to its uninsured and charitable care policy which benefit those utilizing services under those provisions. We have found that HCA Healthcare is fully compliant with the terms of Section 7.15.

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SECTION V: CONCLUSIONS

Findings of Potential Non-Compliance
For the foregoing reasons, based upon the two sections of potential non-compliance detailed above, the IM recommends to Dogwood that HCA Healthcare be found to be in potential non-compliance with the Asset Purchase Agreement for Reporting Year 2025.

Recommendations Regarding Enforcement
The concerns expressed regarding Section 7.13(a) pertaining to Mission Hospital's Emergency Department and cancer services, and which are the subject of ongoing litigation in the matter of *Jackson ex rel. Dogwood v. HCA Management Services et al.*, remain unresolved pending resolution of that litigation. The IM recommends that no additional action be taken to seek specific performance of this provision until litigation is completed.

With respect to Industrial Rehabilitation services at CarePartners and other declining service lines and pediatric subspecialties, we remain hopeful that HCA Healthcare will engage in further dialogue to explain the issues leading to the service reduction noted. If such a dialogue does not resolve those concerns, or does not occur, we recommend that further action be taken to seek specific performance of the APA.

Mission Hospital has not yet returned to "good standing" with the Centers for Medicare and Medicaid Services, as it continues to operate under the Enhanced Plan of Correction approved by CMS. Assuming it returns to good standing in late July when that plan expires, we recommend that no further action be taken to seek specific performance with respect to the potential non-compliance with Section 7.13(h).

We appreciate the opportunity to assist Dogwood in this important task and would be happy to address any questions or concerns you may have.

Very truly yours,

Gerald J. Coyne
Managing Director State Monitoring Services