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FAX

To: Senator Blackburn

From: Rennova Health

Fax: 202 - 228 - 0566

Pages: 5 Pages (not including cover)

Phone: 561.855.1626

Date: 02/11/2020

Re: Rennova Health Response

cc: _____

- Urgent
 For Review
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May 16th 2019

Hulio R. Griffin
Linda D. Smith

Department of Health and Human Services
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW, Suite 4T20
Atlanta, Georgia 30303-8909

Reference; Jamestown Regional Medical Center CMS Certification Number 44-0083

Dear Sir/Madam

Following a conference call with representatives of State of Tennessee for State licensing and Federal certification this afternoon with regard to the above referenced matter I would like to make the following request of you.

I would request that you consider and grant a short extension to Jamestown Regional Medical Center to enable it to fully regain compliance with the requirements of Medicare Conditions of Participation for Hospitals by correcting the deficiencies highlighted as remaining at recent visits to the Hospital and per your Notice dated February 15th 2019.

I sincerely apologize and am disappointed that the required corrections were not completed within the timeline as defined in the notice dated February 15th 2019. I fully appreciate the serious nature of this situation and if granted even a short period of time will assume full responsibility to immediately rectify the matters raised in today's call. Correction will take but days to complete and I sincerely believe is a much better option than the options that exist with the deadline stated on the Feb 15th Notice

I was informed that there:

There remains a deficiency with regard to the governing board. This matter can and will be corrected in days if permitted

There remains a problem with our quality plan evidenced by not having the corrective action completed timely. We have and maintain a quality and safety plan that we believed was adequate. This recent lapse has highlighted a weakness that will be corrected by more stringent audit and oversight.

The majority of the weakness highlighted appears to be relating to financial matters and creditor balances. I would like to point out that while this is indeed an issue that needs and gets daily management the other side of the matter is that the value of receipts owed from payers to the hospital has outpaced the dollar value owed and cannot be ignored in considering the financial state of the hospital. I believe that specific details for creditors was provide and would offer that we can provide specific numbers for the payers to prove the statement made.

On a general level;

We are at final stage of interviewing a permanent CEO for the hospital with a shortlist of three very capable and experienced individuals being interviewed for their second time this week. Two happened yesterday, May 15th and the third is set for tomorrow May 17th. We have informed all that we will make a decision on Monday. It is our belief that this position is key to the success of all matters relating to the hospital and will



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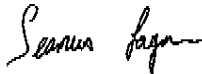
Improve the consistency of the past three months for which we have had an Interim CEO travelling in from out of state.

It is also the case that we are well progressed with completing a definitive agreement for \$30M in financing as laid out in a non-binding term sheet already received. There are specific rules and regulations governing a public company with regard to these matters and while we cannot make statements of fact until definitive agreements are completed we are confident that this transaction will close successfully in the immediate 4-8 weeks. This creates immediate financial support for our entire group and is a prelude to a \$54M equity financing that is already structured and in place and fully disclosed in our SEC filings. Any requirement for capital at Jamestown will be easily met from this level of financing and in the interim we will provide whatever short term capital is required to ensure patient safety at all times.

In closing, I firmly believe that the long term viability of Jamestown Regional Medical Center is secure subject to getting over the short term hurdles that exist. With your permission we will get over these hurdles. I believe that the best interests of the community and hospital employees will not be derided in any way with the granting of a short extension to rectify all matters raised. It is also the case that no one would take any action or risk the care and treatment of a patient and we are all completely satisfied that no action that risks patient safety and care would be taken.

I therefore repeat my request for a 10-14 day extension to your deadline by which time you will find complete and continued correction to the items raised

Sincerely



Seamus Lagan CEO

RennovaHealth

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February 11th 2020

Via Electronic Transmission

Senator. Marsha Blackburn
United States Senate
357 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Blackburn:

In response to your letter dated January 28th 2020 please find as follows;

I appreciate your concern for rural hospitals in Tennessee and as you point out the number of closures in recent years is validation that the concern is justified. I firmly believe that rural hospitals as a health care provider to an increasing aging population and a source of employment for a local community are indispensable. The alternative of having to travel to distant hospitals is an additional cost in money and wellbeing that at minimum creates additional burden and risk.

It is unfortunate that your attention is drawn to Rennova Health on the recent negative reports and while the recent well publicized difficulties cannot be denied I would point out that Rennova Health, Inc. has at this time provided approximately \$11M in cash to our Tennessee hospitals and their employees and continues to provide cash on a monthly basis. We firmly believe that the viability of rural hospitals is greatly improved by operating a small cluster of hospitals in the same geographic location and it is for that reason we acquired the current operations. I would also point out that we reopened Big South Medical Center in Oneida after it had been closed (for a second time in recent years) in Bankruptcy and we took ownership of the Hospital in Jellico at the point in early 2019 when the previous owner had confirmed to the State its intention to make all the employees redundant and close the hospital.

I personally believe that the closure of Jamestown hospital could have been avoided and am happy to attach for your perusal my request to the Department of Health and Human Services at the time of closure. We accept that there were mistakes made by management in the transition of certain services provided by the previous owner that led to disruption of cash flow and the financial struggles you refer to, but I continue to believe that my request to The Department of Health and Human Services was reasonable and if permitted could have resulted in the continued operation of the hospital for the community. My request (attached) was denied and as you point out as public record, the agreement the facility enjoyed with the Centers for Medicare and Medicaid Services (CMS) was terminated, resulting in the closure of the facility. The losses caused to Rennova and the other hospitals as a result are almost immeasurable as the ability to collect receivables and timely complete financial statements required to remain a compliant reporting public company diminished and created an inability to progress an anticipated financing at that time.



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We continue to believe in the viability of the hospitals we own and have made significant and determined progress throughout 2019 to regain compliance with our financial reporting requirements as a public Company so that we can restructure and secure additional capital to reopen the Jamestown facility and ensure the success of our other hospitals for the future.

We would welcome the opportunity to discuss the challenges that we perceive to be a longer term risk to rural hospitals than a short term cash flow difficulty being experienced by a determined health care operation, to see if there are solutions that create a better and more stable health care platform. These challenges range from high levels of patient responsibility and co-pay and deductible responsibilities that individuals find hard to undertake, to relationships with payers who by the nature of their business model capture premium payments from an individual with the ambition of passing as little as possible of that money onto health care providers for services that a doctor has deemed necessary. These payment related issues combined with the cumbersome process to add additional qualified medical and laboratory staff from a more available and adequately qualified workforce from out of State to fill positions required to meet the regulatory and facility needs, all create a risk that could be mitigated.

To address your specific questions;

- 1) Rennova has retained very capable expertise on the ground in Tennessee to run and oversee the hospitals. The qualifications and experience of all our hospital based CEOs and management bring many years' experience to our operations. We are happy to facilitate further information and resumes if required.
- 2) As mentioned above the closure of the Jamestown facility created a significant disruption to our financial position throughout 2019. Had this disruption not happened we believe we would have secured access to adequate capital and could be in a much different financial position today. That said, we cannot change the history and can only endeavor to finish up ongoing discussions that we believe will realize significant and adequate capital for Rennova in the near future. To be very clear, I cannot guarantee that we will succeed and I am not representing that we have any definitive agreement about to close but we are in discussions with a number of parties and remain hopeful that we can successfully close an adequate funding arrangement in the near future to secure the future success of these hospitals.
- 3) Jellico Medical Center and Big South Fork Medical Center continue to enjoy the benefits of their agreements with the Secretary of Health and Human Services without which the hospitals would not be viable. The CEOs at the facilities and I believe we are and will continue to remain compliant with the CMS conditions of participation

I hope this response provides you with the information you seek. I will finish by reconfirming the determination of the management and staff at our facilities to deliver a compliant and quality health care service for which we can receive a fair and timely reimbursement and continue in partnership



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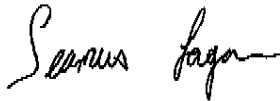
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with the community for future years. We remain committed to this sector and would welcome discussion, advice and engagement that results in longevity of the needed service the communities deserve.

If you have any further queries please do not hesitate to reach out again.

Sincerely



Seamus Lagan

CEO Rennova Health, Inc.



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