MultiCare Health System
820 A Street, Tacoma, WA, 98402
PO Box 5299 Tacoma, WA 98415-0299 • multicare.org

July 3, 2024

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Road S.E.
Tumwater, WA 98501

RE: MEC Yakima, LLC Certificate of Need Request for a Three Room Endoscopy Center, Submitted Electronically July 3, 2024

Dear Mr. Hernandez:

I am pleased to submit this certificate of need application on behalf of MEC Yakima, LLC, a wholly owned subsidiary of MultiCare Health System for a three (3) operating room ambulatory surgical facility ("ASF") dedicated to outpatient endoscopy services to be located in Yakima County.

The health care system delivery model is migrating from traditional hospital-based care to lower-cost, outpatient settings such as freestanding non-hospital-based ASFs. Consumers increasingly demand high-quality care that is both convenient and cost-effective, driving the move towards freestanding ASFs. Supporting this effort, payers and regulatory entities seek to direct surgeries to ASFs, when feasible.

However, there currently are no ASFs in the Yakima County planning area that provide outpatient endoscopy procedures. Yakima Gastroenterology Associates historically operated a freestanding endoscopy center, but it closed in 2021. Residents within the Yakima Planning Area must either receive hospital-based endoscopy services if they wish to receive care in Yakima or must out-migrate to other counties that may require more than an hour of travel to receive freestanding non-hospital-based endoscopy services. Additional travel places a disproportionate burden on lower-income populations, such as those on Medicaid, and exacerbates barriers to care.

The motivation for this application is to fill this gap in care for endoscopy services in Yakima County.

Check number 89704 in the amount of $20,427 was mailed on March 8, 2024 for this application fee.

Please submit any notices, correspondence, communications, and documents to:

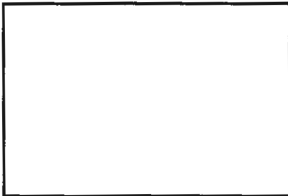
K. Erin Kobberstad, Vice President
Strategic Planning
MultiCare Health System
P.O. Box 5299, Mail Stop 820-4-SBD
ekobberstad@multicare.org
253.403.8771

Frank Fox, PhD
HealthTrends
206.914.8866
frankfox@comcast.net

Thank you for your assistance regarding this request. Please contact me if you have any questions.

Sincerely,

K. Erin Kobberstad, Vice President
Strategic Planning
MultiCare Health System



# Certificate of Need Application
# Ambulatory Surgical Facilities
# Ambulatory Surgery Centers

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code (WAC) 246-310-990.

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington (RCW) 70.38 and WAC 246-310, rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.

| **Name, Title, and Signature of Responsible Officer:**<br><br>K. Erin Kobberstad<br>Vice President, Strategic Planning<br><br>**Signature:** K Erin Kobberstad<br><br>**Dated:** 7/3/24 | **Phone Number:** 253-403-8771<br><br>**Email Address:** ekobberstad@multicare.org |
|---|---|
| **Legal Name of Applicant:**<br><br>MEC Yakima, LLC<br><br>**Address of Applicant:**<br><br>820 A Street<br>Tacoma, WA 98402 | **Number of Operating Rooms requested – include procedure rooms:**<br><br>3 operating rooms<br><br>**Estimated Capital Expenditure:**<br><br>$6,009,170 |

**Identify the Planning Area for this project as defined in WAC 246-310-270(3):**

Yakima County Secondary Health Services Planning Area ("Yakima Planning Area")

## Contents

Introduction and Rationale ... 4
Applicant Description ... 6
Project description ... 8
1. Certificate of Need Review Criteria ... 11
   A. Need (WAC 246-310-210) ... 11
   B. Financial Feasibility (WAC 246-310-220) ... 17
   C. Structure and Process of Care (WAC 246-310-230) ... 22
   D. Cost Containment (WAC 246-310-240) ... 28

## Table of Tables

Table 1: Yakima Surgical Facilities ... 11
Table 2: MEC Yakima Utilization Forecast, 2026 - 2029 ... 13
Table 3: Yakima Gastroenterology Associates Historical Utilization, 2010-2015 ... 14
Table 4: Central WA Regional and MultiCare Charity Care Statistics ... 15
Table 5: Capital Expenditures ... 18
Table 6: Projected Payer Mix by Gross Revenue and by Cases ... 20
Table 7: MultiCare Facility List ... 22
Table 8: FTE Projections by Type and Year ... 23
Table 9: Alternatives Analysis: Promoting Access to Healthcare Services ... 28
Table 10: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts ... 29
Table 11: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency ... 29
Table 12: Alternatives Analysis: Legal Restrictions. ... 30

## List of Exhibits

| Exhibit # | Exhibit Name |
|---|---|
| 1 | Organizational Chart |
| 2 | Letter of Intent |
| 3 | Single Line Drawings |
| 4 | Financial Assistance Policy |
| 5 | Admission Criteria |
| 6 | Patient Rights and Responsibilities |
| 7 | Pro Forma Forecast and Assumptions |
| 8 | Management Agreement |
| 9 | Centralized Services Agreement |
| 10A | Lease Agreement |
| 10B | Parcel Property Information |
| 10C | Parcel Map with Zoning Classification |
| 11 | Letter of Financial Commitment |
| 12 | Contractor's Estimate Letter |
| 13 | Equipment List |
| 14 | Medical Director Job Description |
| 15 | List of Physician Names, License Numbers, and Specialties |
| 16 | Transfer Agreement |
| 17A. | MultiCare Health System Audited Financial Statements – 2021-2022 |
| 17B | MultiCare Health System Audited Financial Statements – 2022-2023 |

## Introduction and Rationale

MultiCare Health System ("MultiCare") is a locally-governed, not-for-profit, integrated health system that owns and operates twelve hospitals and over 300 primary, specialty, and urgent care clinics throughout the Puget Sound, Central Washington, Inland Northwest, and greater Pacific Northwest. MultiCare submits this Certificate of Need ("CN") application for a three (3) operating room ambulatory surgical facility ("ASF") dedicated to outpatient endoscopy services to be located in Yakima County.

The health care system delivery model is migrating from traditional hospital-based care to lower-cost, outpatient settings such as freestanding non-hospital-based ASFs. Consumers increasingly demand high-quality care that is both convenient and cost-effective, driving the move towards freestanding ASFs. Supporting this effort, payers and regulatory entities seek to direct surgeries to ASFs, when feasible.

However, there currently are no ASFs in the Yakima County planning area that provide outpatient endoscopy procedures. Yakima Gastroenterology Associates ("YGA") historically operated a freestanding endoscopy center, but it closed in 2021. Residents within the Yakima Planning Area must either receive hospital-based endoscopy services if they wish to receive care in Yakima or must out-migrate to other counties that may require more than an hour of travel to receive freestanding non-hospital-based endoscopy services. Additional travel places a disproportionate burden on lower-income populations, such as those on Medicaid, and exacerbates barriers to care.

The Yakima community and greater health system was especially impacted by the COVID-19 pandemic. The pandemic placed unprecedented stress on healthcare organizations, causing severe financial strain and exacerbating workforce challenges. Concurrently, there were various organizational changes and a loss of several providers and services in the community, such as the closure of YGA's endoscopy center. This left the Yakima community, a planning area with over 250,000 residents, with no dedicated freestanding outpatient endoscopy center.

Yakima Valley Memorial Hospital and its associated clinics joined MultiCare in January of 2023. MultiCare has been diligently working to ensure that MultiCare Yakima Memorial Hospital ("MultiCare Yakima Memorial") has a sustainable future and to strengthen the hospital's role as a leading health care hub in Central Washington. This commitment is supported by MultiCare's investment in new programs, implementing an integrated electronic health record system, and focusing on returning services that left over the last decade.

MultiCare seeks to establish a new freestanding ambulatory endoscopy center, MultiCare Endoscopy Center – Yakima ("MEC Yakima"), to meet the growing trend from hospital-based to freestanding outpatient settings, to meet the consumer and payer demand, and with approval of the proposed project, expand access to timely and local care for endoscopy services. The diagnostic and preventative nature of endoscopy services is also crucial for value-based care and population health, enabling early detection and management of conditions, which ultimately reduces long-term healthcare costs and improves patient health.

Further, a dedicated endoscopy center such as the proposed MEC Yakima will offer a specialized environment that enhances procedural efficiency and improves patient access and satisfaction while strengthening MultiCare's ability to attract and recruit gastroenterologists. By transitioning appropriate endoscopy procedures currently performed at MultiCare Yakima Memorial which is experiencing high occupancy, MEC Yakima will also help alleviate existing

and future planning area capacity issues, freeing up capacity at the hospital main campus, allowing it to perform more complex cases.

MultiCare will be supported by Atlas Healthcare Partners ("Atlas"), which will serve as the managing entity for the proposed ambulatory endoscopy center. Atlas is an ambulatory surgery center management company that has significant experience working with non-profit health systems such as Banner Health in Arizona and Corewell Health (formerly the Spectrum Health and Beaumont Health systems) in Michigan in developing/operating ASFs throughout their respective service areas.

Concurrent MultiCare Ridgeview Project

Distinct from the current proposed MEC Yakima project, MultiCare plans to submit a separate CN application to expand the CN-approved specialties at its MultiCare Yakima Memorial Surgery Center at Ridgeview ("MultiCare Ridgeview") to include expanded CN-approved specialties in the areas of cardiology, vascular, and, relevant to this application, gastroenterology.

The proposed MEC Yakima endoscopy center will require development time to complete the necessary tenant improvements at the proposed site. Because the new endoscopy center requires CN-approval prior to commencement of construction, it is not anticipated to be operational until 2026.

Therefore, the MultiCare Ridgeview request regarding expansion of gastroenterology services is to serve as an interim solution to expanding gastroenterology capacity in the planning area while the new proposed MEC Yakima center is being developed. The MultiCare Ridgeview and MEC Yakima project requests are intended to complement one another and provide a glidepath to optimize and expand existing and future capacity, which will better meet current and future demand for endoscopy services in the Yakima County planning area. These actions will lower healthcare costs and improve patient access, keeping necessary medical care locally-based.

## Applicant Description

**Answers to the following questions will help the department fully understand the role of applicants. Your answers in this section will provide context for the reviews under Financial Feasibility (WAC 246-310-220) and Structure and Process of Care (WAC 246-310-230).**

1. **Provide the legal name(s) and address(es) of the applicant(s)**
   **Note: The term "applicant" for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity. WAC 246-310-010(6)**

   MEC Yakima, LLC is a wholly owned subsidiary of MultiCare Health System:

   MultiCare's address is:

   820 A Street
   Tacoma, WA 98402

2. **Identify the legal structure of the applicant (LLC, PLLC, etc.) and if known, provide the UBI number.**

   MEC Yakima, LLC is a limited liability company. The UBI Number of MEC Yakima, LLC is 605-402-779.

   MultiCare is a not-for-profit corporation. The UBI Number of MultiCare is 601-100-682.

3. **Provide the name, title, address, telephone number, and email address of the contact person for this application.**

   K. Erin Kobberstad
   Vice President, Strategic Planning
   253-403-8771
   MultiCare Health System
   820 A Street
   Tacoma, WA 98402
   ekobberstad@multicare.org

4. **Provide the name, title, address, telephone number, and email address of any other representatives authorized to speak on your behalf related to the screening of this application (if any).**

   Frank Fox, PhD.
   Health Trends
   511 NW 162nd St,
   Shoreline, WA 98177
   206.366.1550
   frankgfox@comcast.net

5. **Provide an organizational chart that clearly identifies the business structure of the applicant(s) and the role of the facility in this application.**

   Please see Exhibit 1 for an organization chart.

## Project description

**Answers to the following questions will help the department fully understand the type of facility you are proposing as well as the type of services to be provided. Your answers in this section will provide context for the reviews under Need (WAC 246-310-210) and Structure and Process of Care (WAC 246-310-230)**

1. **Provide the name and address of the existing facility.**

   This question is not applicable.

2. **Provide the name and address of the proposed facility. If an address is not yet assigned, provide the county parcel number and the approximate timeline for assignment of the address.**

   MultiCare Endoscopy Center – Yakima
   3909 Creekside Loop, Ste 125
   Yakima, WA 98902

3. **Provide a detailed description of proposed project.**

   Please see the *Introduction and Rationale* section at the beginning of this application for a detailed description of the proposed project. MultiCare requests CN-approval to develop and operate a new certificate of need approved ASF with three (3) operating rooms dedicated to endoscopy procedures in Yakima County.

4. **With the understanding that the review of a Certificate of Need application typically takes at least 6-9 months, provide an estimated timeline for project implementation, below:**

| Event | Anticipated Month/Year |
|---|---|
| CN Approval | Jan 2025 |
| Design Complete | Feb 2025 |
| Construction Commenced | May 2025 |
| Construction Completed | Nov 2025 |
| Facility Prepared for Survey | Jan 2026 |
| Project Completion | Feb 2026 |

5. **Identify the surgical specialties to be offered at this facility by checking the applicable boxes below. Also attach a list of typical procedures included within each category.**

| | | |
|---|---|---|
| ☐ Ear, Nose, & Throat | ☐ Maxillofacial | ☐ Pain Management |
| ☒ Gastroenterology | ☐ Ophthalmology | ☐ Plastic Surgery |
| ☐ General Surgery | ☐ Oral Surgery | ☐ Podiatry |
| ☐ Gynecology | ☐ Orthopedics | ☐ Urology |

☐Other? Describe in detail:

**6. If you checked gastroenterology, above, please clarify whether this includes the full spectrum of gastroenterological procedures, or if this represents a specific sub-specialty:**

☒ Endoscopy ☐ Bariatric Surgery ☐ Other:_______________

**7. For existing facilities, provide a discussion of existing specialties and how these would or would not change as a result of the project.**

This question is not applicable.

**8. Identify how many operating rooms will be at this facility at project completion. Note, for certificate of need and credentialing purposes, "operating rooms" and "procedure rooms" are one and the same.**

Given approval of the proposed project, MEC Yakima would have a total of three (3) operating rooms.

**9. Identify if any of the operating rooms at this facility would be exclusively dedicated to endoscopy, cystoscopy, or pain management services. WAC 246-310-270(9)**

All operating rooms at this facility would be exclusively dedicated to endoscopy services.

**10. Provide a general description of the types of patients to be served by the facility at project completion (e.g., age range, etc.).**

MEC Yakima will serve patients who require outpatient endoscopy services that can be provided appropriately in an outpatient setting.

**11. If you submitted more than one letter of intent for this project, provide a copy of the applicable letter of intent that was submitted according to WAC 246-310-080.**

Please see Exhibit 2 for a copy of the letter of intent.

**12. Provide single-line drawings (approximately to scale) of the facility, both before and after project completion.**

Please see Exhibit 3 for single-line drawings of the proposed facility.

**13. Confirm that the facility will be licensed and certified by Medicare and Medicaid, which is a requirement for CN approval. If this application proposes the expansion of an existing facility, provide the existing facility's identification numbers.**

Yes, MEC Yakima will be licensed and certified by Medicare and Medicaid.

14. **Identify whether this facility will seek accreditation. If yes, identify the accrediting body.**

    Yes, MEC Yakima will seek accreditation from Joint Commission.

15. **OPTIONAL – The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure (WAC 246-330-500, 246-330-505, and 246-330-510). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project.**

    We anticipate meeting with CRS in the second or third quarter of 2024. A CRS project number has not yet been assigned.

1. <u>Certificate of Need Review Criteria</u>

**A. Need (WAC 246-310-210)**

**WAC 246-310-210 provides general criteria for an applicant to demonstrate need for healthcare facilities or services in the planning area. WAC 246-310-270 provides specific criteria for ambulatory surgery applications. Documentation provided in this section must demonstrate that the proposed facility will be needed, available, and accessible to the community it proposes to serve. Some of the questions below only apply to existing facilities proposing to expand. For any questions that are not applicable to your project, explain why.**

**Some of the questions below require you to access facility data in the planning area. Please contact the Certificate of Need Program for any planning area definitions, facility lists, and applicable survey responses with utilization data.**

1. **List all surgical facilities operating in the planning area – to include hospitals, ASFs, and ASCs.**

   Please see Table 1 for a complete list of hospitals and ASFs in the Yakima Planning Area.

**Table 1: Yakima Surgical Facilities**

| Hospitals, CN-Approved | Mixed Use Operating Rooms | Outpatient Operating Rooms |
|---|---|---|
| Astria Sunnyside Hospital | 4 | |
| Astria Toppenish Hospital | 2 | |
| MultiCare Yakima Memorial Hospital | 10 | |
| **ASFs, CN-Approved** | **Mixed Use Operating Rooms** | **Outpatient Operating Rooms** |
| Astria Ambulatory Surgery Center | | 3 |
| MultiCare Yakima Memorial Surgery Center at Ridgeview | | 2 |
| Northwest Surgery Center | | 2 |
| **ASFs, CN-Exempt** | **Mixed Use Operating Rooms** | **Outpatient Operating Rooms** |
| Pacific Cataract & Laser Institute (Yakima) | | 1 |
| Direct Imaging ASC | | 2 |
| **Total, CN-Approved** | **16** | **7** |

Sources:
Department of Health OR Survey (2021, 2022, 2023)

2. **Identify which, if any, of the facilities listed above provide similar services to those proposed in this application.**

   There are five outpatient surgical centers in Yakima. These include Astria Ambulatory Surgery Center, MultiCare Ridgeview, Pacific Cataract and Laser Institute, and Direct Imaging ASC. Based on review of these facilities, none provide endoscopy services. As such, since Yakima Gastroenterology Associates closed its ASC, there is no dedicated outpatient endoscopy facility in Yakima County.

3. **Provide a detailed discussion outlining how the proposed project will not represent an unnecessary duplication of services.**

   Please see the *Introduction & Rationale* section for an overview of the recent history in the planning area and description of the proposed project. A summary of key points is presented below.

   Yakima County currently lacks any freestanding ASFs dedicated to outpatient endoscopy services. The closure of Yakima Gastroenterology Associates' endoscopy center in 2021 left the planning area of over 250,000 residents without a dedicated freestanding option, forcing residents to seek hospital-based endoscopy services or to travel to other counties.

   The proposed MEC Yakima request will address this gap in local healthcare services by developing what will be Yakima's only ambulatory endoscopy center. Therefore, MEC Yakima will not represent an unnecessary duplication of service, as it will expand access to local, freestanding endoscopy services which are currently unavailable in the planning area.

   Furthermore, the establishment of MEC Yakima aligns with the broader healthcare system's shift towards lower-cost, outpatient settings. This transition is supported by both consumer demand for convenient, affordable care and payer incentives to direct appropriate surgeries away from higher-cost hospital settings. MEC Yakima will enhance procedural efficiency, improve patient satisfaction, and help alleviate capacity constraints at Yakima Memorial, allowing the hospital to focus on more complex cases.

   In summary, the proposed MEC Yakima is a necessary and unique addition to the Yakima Planning Area. It will fill a current service void, enhance access to endoscopy procedures, and support the community's healthcare needs without duplicating existing services.

4. **Complete the methodology outlined in WAC 246-310-270, unless your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management. If your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management, so state. If you would like a copy of the methodology template used by the department, please contact the Certificate of Need Program.**

   The proposed facility will be exclusively dedicated to endoscopy; thus, this question is not applicable.

5. **If the methodology does not demonstrate numeric need for additional operating rooms, WAC 246-310-270(4) gives the department flexibility. WAC 246-310-270(4) states: "Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need."**

   **These circumstances could include but are not limited to: lack of CN approved operating rooms in a planning area, lack of providers performing widely utilized surgical types, or significant in-migration to the planning area. If there isn't sufficient numeric need for the approval of your project, please explain why the department should give consideration to this project under WAC 246-310-270(4). Provide all supporting data.**

   The proposed facility will be exclusively dedicated to endoscopy; thus, this question is not applicable.

6. **For existing facilities, provide the facility's historical utilization for the last three full calendar years.**

   This question is not applicable.

7. **Provide projected surgical volumes at the proposed facility for the first three full years of operation, separated by surgical type. For existing facilities, also provide the intervening years between historical and projected. Include the basis for all assumptions used as the basis for these projections.**

   In Table 2 below we present projected surgical volumes for the initial partial year of operation (February to December 2026, "Year 0") and the first three full years of operation given project approval (2027 through 2029, "Years 1-3").

**Table 2: MEC Yakima Utilization Forecast, 2026 - 2029**

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Yakima County Market Forecast – Endoscopy Procedures (Annualized) | 15,465 | 15,747 | 16,034 | 16,291 |
| Market Share | 15% | 30% | 40% | 50% |
| # of Months Operational | 11 | 12 | 12 | 12 |
| Total Procedure | 2,126 | 4,724 | 6,414 | 8,146 |
| Procedure Per Case | 1.3 | 1.3 | 1.3 | 1.3 |
| Total Cases | 1,636 | 3,634 | 4,934 | 6,266 |

Source: Applicant

The forecast model uses the following assumptions and methodologies:

1. Yakima County market forecast of procedures is based on annual forecast data from Sg2 for Yakima County for GI endoscopy procedures.
2. Market share assumptions are based on consideration of key factors including, but not limited to: anticipated transfer of existing volumes from MultiCare Yakima Memorial to the proposed MEC Yakima[1], recruitment of additional GI providers, and reduction in out-migration due to MEC Yakima providing access to freestanding, non-hospital-based endoscopy services.
3. Number of months operational are based on project timeline. Partial year 2026 represents a lower volume due to ramp required as MEC Yakima becomes CMS certified and contracted with commercial payers.
4. Total procedures are converted to total case count based on an assumed 1.3 procedures per case. This is based on experience from the managing entity, Atlas Healthcare Partners, and is consistent with historical Yakima Memorial utilization.

Historical Yakima Gastroenterology Associates' Utilization

An assessment of the historical GI volumes performed at YGA's former CN-approved, but no longer operational, endoscopy center also helped inform the forecast for MEC Yakima. As shown in Table 3, YGA performed over 8,500 procedures back in 2010. There was a reduction over the years due to physicians leaving the practice and transitioning from full time to part time at the practice, but YGA was still performed approximately 6,200 to 7,200 procedures per year.

**Table 3: Yakima Gastroenterology Associates Historical Utilization, 2010-2015**

**Table 4**
**Yakima Gastroenterology Associates**
**Six-Year Historical Utilization**

| Year | # of Procedures | % Increase / (Decrease) from Previous Year |
|---|---|---|
| 2010 | 8,516 | |
| 2011 | 6,198 | (27.2)% |
| 2012 | 6,768 | 9.2% |
| 2013 | 7,218 | 6.6% |
| 2014 | 6,269 | (13.1)% |
| 2015* | 6,606 | 5.4% |

* Annualized through August 2015.

While years 2012, 2013, and 2015 show an increase in procedures, years 2011 and 2014 show significant decreases in procedures. Within its application Memorial Physicians provided an explanation for the decreases. In late year 2010, two physicians left the practice which resulted in a decrease in procedures performed in year 2011. In 2014, three physicians went from full time to part time at the practice. This action resulted in the decrease in procedures performed in 2014. [source: Application, p6]

Source: Evaluation of CN16-13A, p. 11.

The overall demand volume for endoscopy services has only increased since YGA was operational due to population growth, the aging of the population and broader shift to outpatient settings for procedures, among many other factors. Although the local Yakima market for endoscopy services has been impacted over the years, particularly by the closure of YGA and fewer gastroenterologists practicing in Yakima County, the proposed

[1] There were approximately ~3,300 endoscopy-related outpatient cases in CY2023 performed at the MultiCare Yakima Memorial main campus.

MEC Yakima facility is part of MultiCare's revitalization of the broader health system serving the Yakima community, including returning services that left over the past decade. MultiCare has a long history of developing services and providing care throughout Washington State, and it will be supported by Atlas as the managing entity. Atlas has significant experience in developing/operating ASFs.

**8. Identify any factors in the planning area that could restrict patient access to outpatient surgical services. WAC 246-310-210(1) and (2)**

There are no other endoscopy centers in Yakima County. Yakima residents in need of endoscopy services must utilize hospital-based services or out-migrate to neighboring planning areas. However, there are few outpatient GI ASFs nearby, and none in Yakima County, necessitating significant patient travel time of an hour or more. As such, for those patients who out-migrate, geography and regional traffic patterns may also restrict access, especially during the winter months when the roads and passes may be closed or difficult to navigate. This situation also disproportionately affects lower-income populations, such as those on Medicaid, who face additional barriers to care due to the travel requirements and cost.

**9. In a CN-approved facility, WAC 246-310-210(2) requires that "all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services." Confirm your facility will meet this requirement.**

MEC Yakima is committed to meeting community and regional health needs and provide charity care. A copy of the financial assistance policy applicable to the proposed ambulatory endoscopy center is included as Exhibit 4.

Our financial pro forma forecast is provided in Exhibit 7 and models a charity care figure of 1.91% as a percentage of gross revenue, as provided in Table 4. This charity care figure is above the Planning Area Hospital (1.19%) and Central Washington Regional (1.41%) charity care averages for the 2020-2022 period. Furthermore, Table 4 below demonstrates that MultiCare's average charity care across its hospitals in the state is significantly above the planning area hospital and regional average.

| **Table 4: Central WA Regional and MultiCare Charity Care Statistics** |
| --- |

| Lic. No | Region/Hospital | % of Total Revenues 2020 | 2021 | 2022 | 3 Year Average, 2020-2022 |
|---|---|---|---|---|---|
| 198 | Astria/Sunnyside Community Hospital | 1.28% | 0.76% | 1.32% | 1.12% |
| 199 | Astria/Toppenish Community Hospital | 0.43% | 0.56% | 0.61% | 0.53% |
| 58 | MultiCare Yakima Memorial Hospital | 1.77% | 1.87% | 2.08% | 1.91% |
| | Planning Area Hospital Average | 1.16% | 1.06% | 1.33% | 1.19% |
| | CENTRAL WASH REGION TOTALS | 1.42% | 1.33% | 1.47% | 1.41% |
| | MultiCare Health System Average | 2.22% | 1.50% | 1.46% | 1.73% |

| Lic. No | Region/Hospital | % of Adjusted Revenues 2020 | 2021 | 2022 | 3 Year Average, 2020-2022 |
|---|---|---|---|---|---|
| 198 | Astria/Sunnyside Community Hospital | 4.59% | 2.95% | 4.89% | 4.14% |
| 199 | Astria/Toppenish Community Hospital | 1.27% | 1.65% | 1.97% | 1.63% |
| 58 | MultiCare Yakima Memorial Hospital | 6.19% | 6.74% | 8.15% | 7.03% |
| | Planning Area Hospital Average | 4.02% | 3.78% | 5.00% | 4.27% |
| | CENTRAL WASH REGION TOTALS | 4.02% | 3.92% | 4.42% | 4.12% |
| | MultiCare Health System Average | 6.07% | 4.17% | 4.54% | 4.93% |

*MultiCare Health System average excludes Capital Medical Center which did not join MultiCare until mid-2021 and Yakima Memorial Hospital which did not join MultiCare until early 2023.
Note: Yakima Planning Area Hospital and 3-Year averages are calculated based on unweighted average.
Source: DOH Charity Care Reports, 2020-2022

**10. Provide a copy of the following policies:**

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**
- **Any other policies directly related to patient access to care.**

Please see the following exhibits for copies of the relevant policies:

- Exhibit 4. Financial Assistance Policy.
- Exhibit 5. Admissions Criteria.
- Exhibit 6. Patient Rights and Responsibilities.

Given that Atlas will be the managing entity of MEC Yakima, its policies will be the effective policies in use at MEC Yakima.

Non-discrimination language is presented in Atlas' patient rights and responsibilities and financial assistance policies. MEC Yakima will provide quality healthcare to all patients regardless of age, sex, sexual orientation, gender preference, race, religion, disability, veteran status, national origin and/or ability to pay.

## B. Financial Feasibility (WAC 246-310-220)

**Financial feasibility of a project is based on the criteria in WAC 246-310-220.**

1. **Provide documentation that demonstrates that the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
    - **Utilization projections. These should be consistent with the projections provided under "Need" in section A. Include the basis for all assumptions.**
    - **Pro Forma revenue and expense projections for at least the first three full calendar years of operation. Include the basis for all assumptions.**
    - **Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. Include the basis for all assumptions.**
    - **For existing facilities, provide three years of historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

    Please see Exhibit 7 that includes the required pro forma projections and assumptions.

2. **Provide the following applicable agreements/contracts:**

    - **Management agreement**
    - **Operating agreement**
    - **Medical director agreement**
    - **Development agreement**
    - **Joint Venture agreement**

    **Note that all agreements above must be valid through at least the first three full years following completion of the project or have a clause with automatic renewals. <u>Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.</u>**

    Please see Exhibit 8 and Exhibit 9 for a management agreement and centralized services agreement with Atlas. The medical director will be employed by MultiCare. Therefore, a medical director agreement is not applicable.

3. **Certificate of Need approved ASFs must provide charity care at levels comparable to those at the hospitals in the ASF planning area. You can access charity care statistics from the Hospital Charity Care and Financial Data (HCCFD) website. Identify the amount of charity care projected to be provided at this facility, captured as a percentage of gross revenue, as well as charity care information for the planning area hospitals. The table below is for your convenience but is not required. WAC 246-310-270(7)**

    Please see Table 4 presented above in the *Need* section.

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion. The costs identified in these documents should be consistent with the Pro Forma provided in response to question 1.**

   Included in Exhibit 10A is a copy of the lease agreement between MEC Yakima, LLC (Tenant) and Wide Hollow Development, LLC (Landlord). Exhibit 10B contains property information from the Yakima County Assessor's Office indicating that the Landlord is the owner of the parcel where the proposed site is located.

   Pursuant to Lease sections 1.6 and 1.13(b), the initial term of the lease will be ten (10) years and Tenant will have two 5-year options to extend.

5. **For new facilities, confirm that the zoning for your site is consistent with the project.**

   See Exhibit 10C that shows the proposed site is zoned General Commercial District (GC). According to Yakima Municipal Code (YMC) 15.04.030, "Offices and Clinics" are a permitted use under GC zoning.[2]

6. **Complete the table below with the estimated capital expenditure associated with this project. Capital expenditure is defined under WAC 246-310-010(10). If you have other line items not listed below, please include the items with a definition of the line item. Include all assumptions used as the basis the capital expenditure estimate.**

**Table 5: Capital Expenditures**

| Item | Description | Total |
|---|---|---|
| a. | Land Purchase | |
| b. | Utilities to Lot Line | |
| c. | Land Improvements | |
| d. | Building Purchase | |
| e. | Residual Value of Replaced Facility | |
| f. | Building Construction | $2,937,642 |
| g. | Fixed Equipment (not already included in the construction contract) | |
| h. | Movable Equipment | $2,384,729 |

[2] YMC 15.04.030 can be found at https://www.codepublishing.com/WA/Yakima/html/Yakima15/Yakima1504.html#15.04.030

| | | | |
|---|---|---|---|
| i. | Architect and Engineering Fees | $321,516 | |
| j. | Consulting Fees | | |
| k. | Site Preparation | | |
| l. | Supervision and Inspection of Site | | |
| m. | Any Costs Associated with Securing the Sources of Financing (include interim interest during construction | | |
| n. | Washington Sales Tax | Included in line-items | |
| | Other: IS/Low Voltage/NC, IT, Permit/Fees | $365,283 | |
| | **Total Estimated Capital Expenditure** | **$6,009,170** | |

**7. Identify the entity or entities responsible for funding the capital expenditure identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for all.**

The project will be funded with MultiCare cash reserves. Please see Exhibit 11 for a letter of financial commitment.

**8. Please identify the amount of start-up costs expected for this project. Include any assumptions that went into determining the start-up costs. If no start-up costs are needed, explain why.**

Please see the pro forma projections presented in Exhibit 7 which includes start-up cost estimates and assumptions for the proposed project.

**9. Provide a non-binding contractor's estimate for the construction costs for the project.**

Please see Exhibit 12 for a non-binding contractor's estimate for the construction costs for the project.

**10. Explain how the proposed project would or would not impact costs and charges to patients for health services. WAC 246-310-220**

In general, the cost of the project would not be expected to affect costs and charges, as rates are based on fee schedules with CMS and negotiated rates with other payers not directly impacted by project-related costs.

**11. Provide documentation that the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges to patients for health services in the planning area. WAC 246-310-220**

Please our response to Question 10 above.

**12. Provide the projected payer mix by gross revenue and by patients using the example table below. If "other" is a category, define what is included in "other."**

Projected payer mix by based on the case by payer experience of MultiCare Yakima Memorial and revenue by payer experience of Atlas.

**Table 6: Projected Payer Mix by Gross Revenue and by Cases**

| Payer | % of Cases | % of Gross Revenues |
|---|---|---|
| Commercial | 42.39% | 38.62% |
| Medicare | 42.24% | 45.75% |
| Self-Pay | 2.09% | 2.32% |
| Medicaid | 11.64% | 11.76% |
| Other Govt | 1.64% | 1.55% |
| | | |
| Total | 100% | 100% |

Source: Case mix based on Yakima Memorial experience. Gross Revenue mix based on Atlas experience.

**13. If this project proposes CN approval of an existing facility, provide the historical payer mix by revenue and patients for the existing facility for the most recent year. The table format should be consistent with the table shown above.**

This question is not applicable.

**14. Provide a listing of new equipment proposed for this project. The list should include estimated costs for the equipment. If no new equipment is required, explain.**

Please see Exhibit 13 for a listing of new equipment for this project.

**15. Provide a letter of financial commitment or draft agreement for each source of financing (e.g., cash reserves, debt financing/loan, grant, philanthropy, etc.). WAC 246-310-220.**

See Exhibit 11 for a letter from MultiCare's Executive Vice President of Population Based Care & Chief Financial Officer, James Lee, committing corporate reserves to fully fund the estimated capital expenditures and any working capital requirements associated with the project.

**16. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized. WAC 246-310-220**

This question is not applicable. MultiCare will fund the project with cash reserves.

**17. Provide the applicant's audited financial statements covering the most recent three years. WAC 246-310-220**

Audited financial statements for MultiCare for the most recent three-year period available (CY2021-2023) are provided in Exhibit 17.

## C. Structure and Process of Care (WAC 246-310-230)

**Projects are evaluated based on the criteria in WAC 246-310-230 for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under WAC 246-310-220 and will be marked as such.**

1. **Identify all licensed healthcare facilities owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities and should identify the license/accreditation status of each facility.**

**Table 7: MultiCare Facility List**

| Facility/Agency Name | Address | License Number | Medicare Provider Number | Medicaid Provider Number |
|---|---|---|---|---|
| MultiCare Mary Bridge Children's Hospital | 311 Martin Luther King Jr. Way, Tacoma WA 98403 | HAC.FS.00000175 | 503301 | 3300340 |
| MultiCare Auburn Medical Center | 202 North Division St., Auburn WA 98001 | HAC.FS.60311052 | 500015 | 2022467 |
| MultiCare Behavioral Health - Auburn Medical Center | 202 North Division St., Auburn WA 98001 | BHA.FS.60872672 | 50-S015 | 3149101 |
| MultiCare Deaconess Hospital | 800 West 5th Ave Spokane, WA 99204 | HAC.FS.60769397 | 500044 | 2083493 |
| MultiCare Valley Hospital | 12606 East Mission Ave. Spokane Valley 99216 | HAC.FS.60769398 | 500119 | 2083494 |
| MultiCare Covington Medical Center | 17700 SE 272nd St, Covington, WA, 98042 | HAC.FS.60803817 | 500154 | 2102039 |
| MultiCare Tacoma General Hospital | 315 Martin Luther King Jr. Way, Tacoma WA 98405 | HAC.FS.00000176 | 500129 | 3300332 |
| MultiCare Tacoma General Behavioral Health Adolescent Inpatient Services | 315 Martin Luther King Jr Way, Tacoma, WA, 98405 | BHA.FS.60873367 | 50-0129 | 2071315 |
| MultiCare Allenmore Hospital (joint license with Tacoma General Hospital) | 1901 S. Union Avenue, Tacoma WA 98405 | HAC.FS.00000176 | 500129 | 3300332 |
| MultiCare Good Samaritan Hospital | 407 14th Ave. SE Puyallup, WA 98372 | HAC.FS.60221541 | 500079 | 3308707 |
| MultiCare Good Samaritan Hospital, Inpatient Rehabilitation | 401 15th Ave. SE, Puyallup, WA 98372 | BHA.FS.61030776 | 50T079 | 3200094 |
| NAVOS | 2600 Southwest Holden, Seattle, WA 98126 | HPSY.FS.00000019 | 504009 | 3500311 |
| Wellfound Behavioral Health Hospital* | 3402 S. 19th Street, Tacoma, WA 98405 | HPSY.FS.60919628 | 504016 | 150453 |

| | | | | |
|---|---|---|---|---|
| MultiCare Home Health, Hospice and Palliative Care | 1313 Broadway Ste 200, Tacoma, WA, 98402 | IHS.FS.60081744 | HH - 507046; Hospice-501508 | HH-1043537; Hospice-2012298 |
| MultiCare Surgery Center | 1519 3rd Street, Ste 240, Puyallup, WA 98372 | ASF.FS.60534460 | Pending | Pending |
| MultiCare Yakima Memorial Hospital | 2811 Tieton Dr, Yakima, WA, 98902-3761 | HAC.FS.00000058 | 500036 | 3307501 |
| PNW Hospice | 1313 Broadway Ste 500, Tacoma, WA 98402 | IHS.FS.61337353 | Pending | Pending |
| MultiCare Capital Medical Center | 3900 Capital Mall Drive SW, Olympia, WA 98502 | HAC.FS.60986502 | 500139 | 33065 |
| Memorial Home Care Services | 1208 S 48th Ave, Yakima, WA 98908 | IHS.FS.00000376 | 507028 | 2224511 |

Notes:
*Wellfound Behavioral Health Hospital is a facility owned in part by MultiCare through a joint venture.

2. **Provide a table that shows FTEs [full time equivalents] by classification (e.g., RN, LPN, Manager, Scheduler, etc.) for the proposed facility. If the facility is currently in operation, include at least the last three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff classifications should be defined.**

   Please see Table 8 below for the projected number of FTEs by occupation.

**Table 8: FTE Projections by Type and Year**

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Administrator/CEO | 1.00 | 1.00 | 1.00 | 1.00 |
| Business Office Manager | 0.50 | 1.00 | 1.00 | 1.00 |
| Scheduler | 0.50 | 1.00 | 1.00 | 1.50 |
| Receptionist/Patient Registration | 1.00 | 2.00 | 2.00 | 2.50 |
| Inventory Coordinator | 0.50 | 1.00 | 1.00 | 1.50 |
| RN | 3.00 | 6.00 | 6.00 | 9.00 |
| Techs | 1.50 | 3.00 | 3.00 | 4.50 |
| **TOTAL** | **8.00** | **15.00** | **15.00** | **21.00** |

Source: Applicant

Notes: FTE counts are assumed to be equivalent to 2,080 hours per year.

3. **Provide the basis for the assumptions used to project the number and types of FTEs identified for this project.**

   FTE projections are based on Atlas' experience developing and managing surgical facilities with a case mix and volumes as the proposed MEC Yakima, as well as MultiCare's review of publicly available staffing detail of other similarly sized endoscopy centers in Washington State.

   Hourly wages are based on MultiCare Yakima Memorial current rates. Benefits are 22.7% of salaries and wages based on 2023 MultiCare Yakima Memorial's actuals. The wage rates and benefits percentage are presented in the pro forma included in Exhibit 7.

4. **Provide the name and professional license number of the current or proposed medical director. If not already disclosed under WAC 246-310-220(1) above, identify if the medical director is an employee or under contract.**

   The medical director will be Nathaniel A. Davenport, MD (MD00043965). The proposed medical director is employed by MultiCare.

5. **If the medical director is/will be an employee rather than under contract, provide the medical director's job description.**

   The medical director will be employed by MultiCare. See Exhibit 14 for a copy of the proposed medical director's job description.

6. **Identify key staff by name, if known (e.g., nurse manager, clinical director, etc.)**

   Because MEC Yakima is not an existing facility, key staff are not known at this time.

7. **Provide a list of physicians who would use this surgery center, including their names, license numbers, and specialties. WAC 246-310-230(3) and (5).**

   Please see Exhibit 15 for a list of physician names, license numbers, and specialties that are anticipated to use the proposed surgery center.

8. **For existing facilities, provide names and professional license numbers for current credentialed staff. WAC 246-310-230(3) and (5).**

   This question is not applicable.

9. **Describe your methods for staff recruitment and retention. If any barriers to staff recruitment exist in the planning area, provide a detailed description of your plan to staff this project. WAC 246-310-230(1)**

**Overview**. MultiCare has an excellent track record in Washington State for recruiting and retaining qualified staff to meet the needs of their multiple hospitals and well over 100 outpatient medical parks, clinics, surgery centers, and other sites. It has done this by partnering with local universities and colleges, supporting employee career development, and utilizing a broad range of local, regional and national recruiting strategies.

**Extensive recruitment resources**. MultiCare's recruiting resources include a Talent Acquisition team and a Provider Services team, both led by recruitment professionals, each with more than twenty years of experience. The Talent Acquisition team includes full-time recruiters (including RNs), an Agency Staffing Specialist and Employment Coordinators. The Provider Services team includes full-time recruiters and support team members. Because MultiCare's recruiters are trained in state-of-the-art recruitment techniques, the need for outside search firms has been greatly reduced. Referrals from these firms account for less than one percent of total new hires. Other recruitment resources include contingent staffing agencies and employment branding consultants.

**Managing turnover and vacancy rates**. MultiCare consistently demonstrates how it values its employees and continually seeks ways to be a great place to work. Resources devoted to monitoring and controlling turnover include frequent employee surveys that identify employee concerns, coaching and training to help front-line managers become more effective leaders, and a total rewards strategy to continually offer highly competitive and relevant wages and benefits.

**Expanding and developing the healthcare workforce**. MultiCare devotes extensive resources to ensure a robust pipeline of new healthcare workers. Examples include partnering with local universities, community colleges, and trade schools to provide clinical experiences each year; high school outreach programs including job shadowing opportunities, Medical Explorers programs at two locations, and health careers camps; a Nurse Technician employment program; and strong residency and apprenticeship programs. MultiCare's workforce development efforts extend to current employees, who benefit from residency programs, fellowships, apprenticeships, tuition assistance, and targeted scholarship and training programs. MultiCare also boasts award-winning educational resources including state-of-the-art simulation labs, computer-based learning modules, classroom training and other educational opportunities.

**10. For existing facilities, provide a listing of ancillary and support services already in place. WAC 246-310-230(2)**

This question is not applicable.

**11. For new facilities, provide a listing of ancillary and support services that will be established. WAC 246-310-230(2)**

MultiCare and Atlas will use their experience operating ambulatory surgical facilities to ensure the appropriate ancillary and support services are established for the proposed facility. The following are examples of the ancillary and support services

expected to be established for MEC Yakima: medical records storage, pharmaceutical supplies, medical supplies, transcription, translation, medical gas, leased office equipment, linen/scrub rental, laboratory/pathology services, janitorial, maintenance, HVAC, etc.

12. **Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project. WAC 246-310-230(2)**

    This question is not applicable.

13. **If the ASF is currently operating, provide a listing of healthcare facilities with which the ASF has working relationships. WAC 246-310-230(4)**

    This question is not applicable.

14. **Identify whether any of the existing working relationships with healthcare facilities listed above would change as a result of this project. WAC 246-310-230(4)**

    This question is not applicable.

15. **For a new facility, provide a listing of healthcare facilities with which the ASF would establish working relationships. WAC 246-310-230(4)**

    MEC Yakima will be part of the MultiCare Health System and work with local inpatient health providers, including the planning area hospital MultiCare Yakima Memorial.

16. **Provide a copy of the existing or proposed transfer agreement with a local hospital. WAC 246-310-230(4)**

    Please see Exhibit 16 for a copy of a draft transfer agreement. MultiCare is willing to accept a condition with its CN approval to provide a transfer agreement between MEC Yakima and MultiCare, consistent with the agreement provided in Exhibit 16. Please note that MultiCare includes MultiCare Yakima Memorial.

17. **Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. WAC 246-310-230(4)**

    Yakima County currently has no freestanding ASFs providing outpatient endoscopy services. This forces residents to either seek hospital-based endoscopy services or travel to other counties. The proposed MEC Yakima will fill this critical gap by providing access to local, freestanding endoscopy services, and by being part of the MultiCare will be well integrated with the rest of MultiCare's operations in the

planning area. This initiative also aligns with the broader healthcare system's shift towards lower-cost, outpatient settings.

Without approval of the proposed project, patients in search of outpatient endoscopy procedures will need to commute outside the Yakima Planning Area, thereby creating unwarranted fragmentation of services.

**18. Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230(4).**

MEC Yakima will be part of the MultiCare. It will establish a patient transfer agreement with MultiCare which is includes the planning area hospital MultiCare Yakima Memorial.

**19. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. WAC 246-310-230(3) and (5)**

**a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or**
**b. A revocation of a license to operate a healthcare facility; or**
**c. A revocation of a license to practice as a health profession; or**
**d. Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

No facility or practitioner associated with this application has a history of any of the actions listed above.

## D. Cost Containment (WAC 246-310-240)

**Projects are evaluated based on the criteria in WAC 246-310-240 in order to identify the best available project for the planning area.**

**1. Identify all alternatives considered prior to submitting this project.**

MultiCare is requesting certificate of need approval to operate three (3) operating rooms in Yakima County dedicated to endoscopy services. In deciding to submit this application, MultiCare explored the following options:

- Option One: Develop a new freestanding ASF dedicated to endoscopy services (The Project).
- Option Two: No project---do nothing.

**2. Provide a comparison of the project with alternatives rejected by the applicant. Include the rationale for considering this project to be superior to the rejected alternatives. Factors to consider can include but are not limited to: patient access to healthcare services, capital cost, legal restrictions, staffing impacts, quality of care, and cost or operation efficiency.**

We evaluate the options above using the following decision criteria: improving access; improving quality of care; capital and operating costs (efficiency); and legal restrictions:

**Table 9: Alternatives Analysis: Promoting Access to Healthcare Services**

| Option: | Advantages/Disadvantages: |
|---|---|
| Develop a new freestanding ASF dedicated to endoscopy services (The Project). | • Provides non-hospital-based capacity in the planning area for endoscopy services that currently is not available, clearly improving access (Advantage, “A”) |
| No project---do nothing | • Without the project, the planning area will continue to not have endoscopy services available outside of a hospital-based setting. This option does nothing to improve access. (Disadvantage, “D”). |

| Table 10: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts | |
|---|---|
| **Option:** | **Advantages/Disadvantages:** |
| Develop a new freestanding ASF dedicated to endoscopy services (The Project). | • The requested project meets and promotes quality and continuity of care in the planning area, given it improves access, as identified above. (A)<br>• To the extent there is additional staffing required under this option, it is expected that any impacts would be offset by increased access to surgical services and higher quality of local care. (Neutral, “N”). |
| No project---do nothing | • This option would not have a local staffing impact. (A).<br>• However, without local access to a dedicated outpatient GI ASF, access is harmed, which harms patient quality of care, given patients consistently prefer outpatient services when feasible and available. (D) |

| Table 11: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency | |
|---|---|
| **Option:** | **Advantages/Disadvantages:** |
| Develop a new freestanding ASF dedicated to endoscopy services (The Project). | • This option requires capital expenditures. (D)<br>• However, more importantly, it directly promotes long-range cost savings and operating efficiency, given there are medical procedures that can be provided outside of the hospital-setting at a lower cost. This will result in lower-cost health care delivery. (A)<br>• There is also the anticipated benefit of reducing out-migration, which lowers costs to planning area residents who need ambulatory surgery. (A) |
| No project---do nothing | • No capital costs. (A)<br>• Higher cost/lower efficiency of care delivery, given there are services that can be provided at a lower cost outside of the hospital-setting; this reduces cost to patients and payers. (D) |

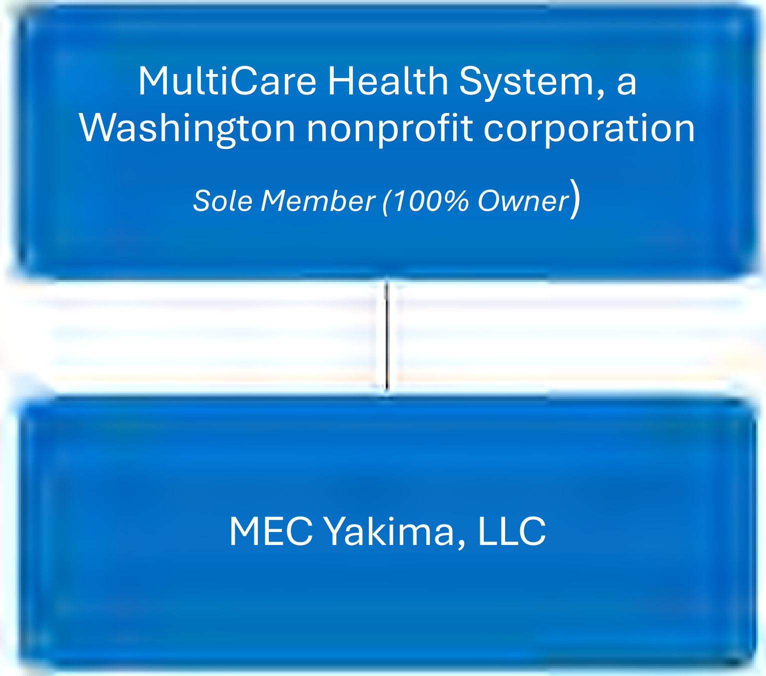
| Table 12: Alternatives Analysis: Legal Restrictions. | |
|---|---|
| **Option:** | **Advantages/Disadvantages:** |
| Develop a new freestanding ASF dedicated to endoscopy services (The Project). | • Requires certificate of need approval. This requires time and expense. (D) |
| No project---do nothing | • No legal restriction. (A) |

**3. Identify any aspects of the facility's design that lead to operational efficiency. This could include but is not limited to LEED building, water filtration, or the methods for construction, etc. WAC 246-310-240(2) and (3).**

The proposed project will meet MultiCare's internal standards which have been engineered and tested to ensure that they support our high quality, efficient and patient-focused standards. Our standards also meet and or exceed all applicable state and local codes.

# Exhibit 1.
# Organizational Chart

# MEC YAKIMA, LLC Organizational Chart



# Exhibit 2.
# Letter of Intent

MultiCare Health System
820 A Street, Tacoma, WA 98402
PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

March 4, 2024

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Rd. S.E.
Tumwater, WA 98501

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, MEC Yakima LLC, dba MultiCare Endoscopy Center – Yakima hereby submits this letter of intent to apply for a certificate of need to develop and operate a new certificate of need approved Ambulatory Surgery Facility (ASF) with three (3) rooms in Yakima County. In conformance with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:
   MEC Yakima LLC, dba MultiCare Endoscopy Center – Yakima proposes to develop and operate a new certificate of need approved ASF endoscopy center. Upon project completion, the endoscopy center will operate three (3) rooms.

2. Estimated Cost of the Proposed Project:
   The estimated capital cost of the project is $6,009,170.

3. Description of the Service Area:
   Per WAC 246-310-270, the primary service area is the Yakima Planning Area.

Please submit any notices, correspondence, communications and documents to:

Erin Kobberstad, Vice President
Strategic Planning
MultiCare Health System
PO Box 5299, Mailstop: 820-4-SBD
Tacoma, WA 98415
ekobberstad@multicare.org

Frank Fox, PhD
HealthTrends
206.366.1550
frankfox@comcast.net

Thank you for your support. Please contact me if there are any questions.

Sincerely,

Erin Kobberstad, Vice President, Strategic Planning
MultiCare Health System

# Exhibit 3.
# Single Line Drawings

SABA + BA
GROWING. TOGETHER.
2 Nickerson Street, Suite 200
Seattle, WA 98109
206 957 6400

ATLAS ASC FLOOR PLAN OPTION C

SCALE : 3/32" = 1'-0"

# Exhibit 4.
# Financial Assistance Policy

ATLAS HEALTHCARE PARTNERS

| Title: REV 101 FINANCIAL ASSISTANCE FOR ASC PATIENTS (WA) | |
|---|---|
| **Number: 338** | **Version: 1** |
| **Category: Revenue Optimization** | **Original Date: 02/15/2023** |
| **Approval Date: 02/15/2023** | **Next Review Date: 02/15/2024** |
| **Author: Business Office Operations** | **Approved By: Governing Board** |

## POLICY and PROCEDURE

### I. Purpose/Expected Outcome:

A. This policy and the Financial Assistance Program outlined herein are intended to ensure a non-discriminatory and consistent methodology for the provision of free or discounted Medically Necessary care at ASCs in which Atlas Healthcare Partners, LLC manages via a management agreement. This policy assumes that such ASCs are subject to a management agreement with an Atlas JV, LLC which is subcontracted to Atlas Healthcare Partners, LLC ("Atlas") (or wholly owned by a health system).

B. Upon adoption by the governing board of an ASC, this policy and the Financial Assistance Program set forth herein will constitute the official financial assistance policy for such ASC.

### II. Definitions:

A. CBO: Central Business Office - The operating unit of Atlas responsible for Billing and collecting Self-Pay accounts for ASC services, including co-payments and deductibles.

B. Balance After Insurance ("BAI"): Amounts due by the patient after insurance adjudication is complete (e.g. deductibles, co-payments, and co-insurance). BAI does not include the patient's share of cost for Medicaid/AHCCCS as determined by the state to be an amount the patient must pay in order for the patient to be eligible for Medicaid/AHCCCS, and Atlas is not authorized to provide financial assistance to fund or waive this amount.

C. Billing and Collections Policy: The ASC Policy entitled: "Business Office: Self-pay Patients," as the same may be amended from time to time.

D. Charges: The amount the ASC would charge the patient for Medically Necessary services provided in the absence of this Policy.

E. Charity Care: Covered Services provided to a patient for which the patient is not expected to pay any amount.

F. Covered Services: Those services provided by an ASC that are Medically Necessary care; provided, however, that the following are not Covered Services:

1. Cosmetic Procedures.

2. Other services as determined by the ASC Governing Board.

G. Discounted Care: Covered Services provided to a patient for which the patient is expected to pay a discounted amount.

H. Eligible Individual: An individual eligible for Financial Assistance under this Policy and the Financial Assistance Program hereunder without regard to whether the individual has applied for financial assistance.

I. Federal Poverty Level ("FPL"): The annual income level for varying household sizes set by the federal government to establish households living above or below the defined poverty level. Chart located at https://aspe.hhs.gov/poverty-guidelines.

J. Medicaid: All State and Federal Programs which include (but are not limited to) Medicaid, Medi-Cal, AHCCCS, CICP, and FES.

K. Medically Indigent Household: A household with medical expenses incurred during the previous 12 months for which the household is responsible which exceeds 50% of the household's total income for that year. For the purposes of determining whether a household is a Medically Indigent Household, all medical expenses are included, including non-ASC medical expenses.

L. Medically Necessary: Those services required to identify or treat an illness or injury that is either diagnosed or reasonably suspected; considering the most appropriate level of care. To be Medically Necessary, a service must:

1. Be required to treat an illness or injury;
2. Be consistent with the diagnosis and treatment of the patient's conditions;
3. Be in accordance with the standards of good medical practice;
4. Not be for the convenience of the patient or the patient's physician; and
5. Be that level of care most appropriate for the patient as determined by the patient's medical condition and not the patient's financial or family situation.

M. Third-Party Insurance: An entity (corporation, company health plan or trust, automobile medical pay benefit, workers' compensation, etc.) other than the patient (or guarantor) that will pay all or a portion of the patient's medical bills.

N. Underinsured Patient: A patient with Third-Party Insurance coverage, but with significant limitations or co-responsibility, including deductibles, co-payments, and co-insurance.

O. Uninsured Patient: A patient without Third-Party insurance and ineligible for government programs, in either case that may be billed for Covered Services provided to the patient.

## III. Policy:

The ASCs provide quality healthcare to all patients regardless of age, sex, sexual orientation, gender preference, race, religion, disability, veteran status, national origin and/or ability to pay. This Policy establishes Atlas Financial Assistance programs which, based on household income and the level of medical expenses, determine a patient's qualification for Charity Care or Discounted Covered Services. Eligibility for financial assistance will be provided for those individuals who are Uninsured or Underinsured and who meet the household income guidelines as outlined in this Policy or are members of a Medically Indigent Household. All financial assistance under this Policy will be treated as an expense of the relevant ASC.

## IV. Procedure/Interventions:

A. Financial Assistance for Uninsured Patients: Uninsured Patients will qualify for financial assistance if: (a) their household income is less than 400% of FPL, (b) they cannot qualify for Medicaid/AHCCCS or other government program, or are unable to reasonably complete the application process for such governmental programs, (c) they lack other assets to pay the applicable full charges and (d) they complete an application for financial assistance in accordance with the following table:

| **Financial Assistance-Uninsured Patients Charity and Discounted Care** | |
|---|---|
| Household Income | Amounts Charged |
| 200% of < FPL | Full Charity 100% Discount, write-off entire patient account |
| >200%-300% FPL | 75% discount off ASC Billed Charges (i.e., patient owes 25% of ASC Billed Charges) |
| >300%-400% FPL | 50% discount off ASC Billed Charges (i.e., patient owes 50% of ASC Billed Charges) |
| >400% FPL | Does not qualify for ASC Financial Assistance Policy; refer to "Self-Pay Rate for Uninsured Patients" below |

B. Financial Assistance for Underinsured Patients: Underinsured Patients will qualify for financial assistance if: (a) they have a minimum BAI of $2500 and a household income of less than 400% of FPL, and (b) they complete an application for financial assistance, in accordance with the following table:

| **Financial Assistance—Underinsured Patients with a Balance After Insurance in excess of $2500** | |
|---|---|
| Household Income | Balance after Insurance |
| <200% of FPL | 100% discount of BAI in excess of $2500 (i.e., write- off patient liability in excess of $2500) |
| >200%-300% FPL | 75% discount of BAI in excess of $2500 (i.e., patient owes 25% of the BAI in excess of $2500 and 100% of the BAI up to $2500) |
| >300%-400% FPL | 50% discount of BAI in excess of $2500 (i.e., patient owes 50% of the BAI in excess of $2500 and 100% of the BAI up to $2500) |
| >400% FPL | Does not qualify for ASC financial assistance unless a member of a Medically Indigent Household |

C. Financial Assistance for Members of Medically Indigent Households: Patients who are members of Medically Indigent Households will qualify for financial assistance, subject to application for financial assistance, as follows:

1. If an Uninsured Patient, the patient is responsible for 25% of the patient liability (including any adjustment of the patient liability amount pursuant to application of the Billing and Collections Policy).

2. If an Underinsured Patient, the patient is responsible for 25% of the BAI (without regard to the amount of the BAI).

D. Self-Pay Rate for Uninsured Patients: Uninsured Patients who do not qualify for financial assistance, whether due to failure to apply, having a household income in excess 400% of FPL, not being a member of a Medically Indigent Household or any other reason, will be charged for services received as set forth in the Billing and Collections Policy.

E. Exception: Balances resulting from the patient not following insurance guidelines; e.g., pre-certification requirement, referral requirement, are not covered.

F. Write-Offs and Adjustments:

1. Covered Services will be eligible for write-off, in whole or in part if:

   a. A patient qualifies for Medicaid/AHCCCS after service has been provided by the ASC (100% write-off). This includes any bills for services that predate coverage;

   b. A patient qualifies for Medicaid/AHCCCS, but funding is not available to pay for services or Medicaid/AHCCCS denies coverage for Covered Services (100% write-off).

   c. A patient is approved for financial assistance based on the guidelines and requirements outlined above in this policy, upon approval, write-offs and adjustments will be processed promptly in accordance with this policy, applicable procedures, state statutes and regulations.

2. Signature Authority for Write-Offs: Financial Assistance Program write-offs will be granted subject to the following approval limits:

   a. Up to $5,000 – CBO Manager;

   b. Over $5,000 – CBO Director, unless delegated to CFO by the Director.

3. Notification of FAP-Eligibility: Upon determination of eligibility, an individual who is determined to be eligible for the Enhanced Financial Assistance Program shall be notified in writing of such determination.

G. Providers Not Covered: This policy does not apply to charges for services from physicians or their immediate family members.

H. Reservation of Right to Seek Reimbursement of Charges from Third Parties: If any first- or third-party payor is liable for any portion of a patient's bill, the ASC will seek full reimbursement of all charges incurred by the patient at the applicable contractual or governmental rate applicable to such payor or, if there is no applicable contractual or

governmental rate, as set forth in the Billing and Collections Policy, from such first- or third-party payors, including situations governed by the provisions of A.R.S. Section 33-931, et. seq. (or the analogous provisions of the laws of other states as applicable) despite any financial assistance granted pursuant to this policy.

I. Eligibility Period: If a patient qualifies for financial assistance under this policy (other than because of the patient's membership in a Medically Indigent Household), all outstanding balances for Covered Services 12 months prior to and 180 days post qualification will be eligible for the appropriate discount or write-off. Any account within the current fiscal year or the previous 12 months and that has been placed in bad debt will be returned from the vendor and written off based on ASC Financial Assistance guidelines.

J. Refunds: Payments received prior to qualifying for financial assistance under this policy will not be refunded.

K. Methods for Applying for Financial Assistance: Patients must apply for financial assistance. Patients may apply for financial assistance by any of the following methods:

1. Advising Patient Financial Clearance personnel at or prior to the time of registration that they are unable to pay some or all the actual or anticipated hospital charges.

2. Patient Financial Clearance personnel will offer all Uninsured Patients a financial assistance application form.

3. Patient Financial Clearance personnel and/or ASC-selected Medical Eligibility vendors will assist the patient in applying for Medicaid and for financial assistance under this policy.

4. Requesting an application from ASC's Central Business Office by phone: 480-292-8541, or by mail: 2355 E Camelback Road STE 700, Phoenix, AZ 85016 and returning a completed application to the above address.

5. Any of the methods specified in the Billing and Collections Policy.

## V. Procedural Documentation:

N/A

## VI. Additional Information:

N/A

## VII. References:

U.S. Department of Health and Human Services (ASPE) (Jan 17, 2024). HHS Poverty Guidelines for 2024. Retrieved 1/5/2024 from https://aspe.hhs.gov/topics/poverty-economic-mobility/poverty-guidelines

## VIII. Other Related Policies/Procedures:

A. Central Business Office: Self-pay Patients

B. REV # 102: Financial Assistance

## IX. Keywords/Keyword Phrases:

A. Financial Assistance Program

B. Patient Assistance Program

C. Uninsured Patients

D. Legal

E. Board

F. Finance

G. Charity Care

## X. Appendix:

N/A

# Exhibit 5.
# Admission Criteria

| Title: ADMIN 107 PATIENT ADMISSION CRITERIA | |
|---|---|
| Category: Administration | Original Date: 01/25/2019 |
| Publication Date: 11/01/2023 | Next Review Date: 11/01/2024 |
| Author Department: Clinical Operations | Approved By: Governing Board |

# POLICY and PROCEDURE

## I. Purpose/Expected Outcome:

To determine if the patient is an appropriate candidate for receiving the scheduled outpatient procedure and anesthesia.

## II. Definitions:

A. ASA: American Society of Anesthesiologists

B. ASA Physical Status is ranked as follows in determining pre-anesthesia risk:

1. Class I: Normal healthy patient.
2. Class II: Patient with mild systemic disease which is well controlled.
3. Class III: Patient with severe systemic disease (which causes impairment of function).
4. Class IV: Patient with severe systemic disease that is a constant threat to life.

## III. Policy:

A. Patients of all ages will receive care and safety measures appropriate to age and life cycle.

B. All patient medications, including instructions to hold/take medications prior to surgery, must be managed either by the provider, referring physician, or designated specialist.

C. Patients with the following conditions or requirements **will not be admitted** to the Surgery Centers:

1. Planned post-operative in-patient hospital care.
2. Surgical procedures that will exceed 23:59 hours combined procedure, recovery and discharge time. Note: Exclusion for facilities with recovery care (convalescent) capabilities.
3. Any surgical procedure scheduled longer than 6 hours.
4. Those that generally result in extensive blood loss.
5. Those that require major or prolonged invasion of body cavities.
6. Those that may directly involve major blood vessels or constitute an emergency or life- threatening procedure.

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7. Those that may require post-operative ventilation, either because of the procedure to be performed, or because of a pre-existing condition.

8. BMI>50 requiring MAC, Sedation, or General Anesthesia.

9. Patients with BMI >50 for local only anesthesia must have Medical Director review and approval.

10. BMI >45 requiring prone positioning during the procedure with the use of Propofol.

11. Patients with a current trach or history of a tracheostomy.

12. Tonsillectomies on patients under 3 years of age.

13. Adenoidectomies on patients under 1 year of age.

14. Pediatric patients under age 4 months.

15. Patients with active TB, known active and untreated MDRO (e.g. MRSA), an active communicable respiratory disease or any active infection not related to the procedure. IPM 108 CONTACT PRECAUTIONS AND ACTIVE INFECTIONS PROCESS.

16. Patient who is pregnant (any trimester).

17. Elective termination of pregnancy at any stage.

18. D & C for missed or incomplete abortion beyond 12 weeks gestation

19. D & C for molar pregnancy.

20. Patient with an ectopic pregnancy.

21. Patient who has had a heart transplant.

22. Patient with MRSA refer to policy IPM #108.

23. Patient with a systolic blood pressure reading over 200 mm Hg or a diastolic blood pressure reading over 100 mm Hg unless trending downward during the preoperative period (includes local anesthesia patients).

24. Patient with a blood sugar reading of >300 unless the value is trending down after being rechecked during a 1-hour period (for total joints, refer to Total Joint protocol). **May have different protocols for new service lines**.

25. Patient with new onset A-Fib or other potentially dangerous heart rhythm will be cancelled and upon provider discretion, either referred to PCP, Urgent Care, or transported to the ER for evaluation and treatment (utilize HST Clinical cancellation form).

26. Patient with Bare Metal cardiac stent placement(s) within the past 6 weeks; however, 12 weeks is preferable. Patients with Drug Eluting cardiac stent placement(s) within the past 6 months; however, 12 months is preferable see PRE-OP #112: "Intra-coronary stents and Intra-thoracic devices policy".

27. ACSs will not perform the following types of surgeries: major vascular, intrathoracic, craniotomies, mandibulectomies, bilateral neck revision.

28. History of Moderate-Severe Aortic Stenosis.

29. History of Moderate-Severe Pulmonary Hypertension.

30. Patients with history of PCI without stenting < 14 days prior to procedure.

31. Patients with known difficult airways.

32. Patients with balloon pumps/Left Ventricular assist devices.

33. Patients who are unable to assist with transfer (total lift).

34. Active congestive heart failure, EF<40%, except for local anesthesia only procedures.

## IV. Procedure/Interventions:

A. Prior to the scheduled procedure, the Surgery Center's Nursing staff will obtain the following information.

   1. Patient's health history.

   2. Patient's anesthesia history.

   3. Patient's family health and anesthesia history.

   4. Patient's calculated Body Mass Index (BMI).

B. The facility's Medical Director and/or the patient's attending Anesthesiologist will be notified if there are any concerns regarding the appropriateness of the patient for the scheduled procedure.

C. On the day of service and prior to the patient leaving the Pre-Op department, the attending anesthesiologist will perform a pre-anesthesia risk assessment of the patient.

D. The attending anesthesiologist, and/or surgeon, and/or Medical Director will determine if the patient

is an appropriate candidate to have the surgery/procedure performed in an outpatient surgery setting.

## V. Procedural Documentation:

All documentation will be placed on the appropriate records.

## VI. Additional Information:

N/A

## VII. References:

American Society of Anesthesiologists (Dec. 13, 2020). ASA physical classification system. Retrieved 11/1/2023 from https://www.asahq.org/standards-and-guidelines/asa-physical-status-classification-system

Centers for Medicare and Medicaid Services. (CMS). (2/21/2020). State Operations Manual, Appendix L – Guidance for surveyors: Ambulatory surgical centers. §416.52. Condition for coverage - Patient admission, assessment, and discharge.

Duggan, E.W., Carlson, K., Umpierrez, G.E. (2017). Perioperative Hyperglycemia Management: An Update. In Anesthesiology, Mar, 2017, Vol. 126, 547–560. Retrieved 11/1/23 from https://pubs.asahq.org/anesthesiology/article/126/3/547/19751/Perioperative-Hyperglycemia-ManagementAn-Update

The Joint Commission (TJC) (Jan 2021). Provision of care, treatment, and services.

## VIII. Other Related Policies/Procedures:

A. PRE 112 INTRA-CORONARY STENTS & INTRA-THORACIC DEVICES

B. PRE 114 MORBID OBESITY-OSA

C. IPM 108 CONTACT PRECAUTIONS AND ACTIVE INFECTIONS PROCESS

D. IPM 117 TUBERCULOSIS (TB) PREVENTION AND CONTROL PLAN

## IX. Keywords/Keyword Phrases:

Admission Criteria

## X. Appendix:

A. Appendix A: Patient Conditions requiring Medical Director Approval

B. Appendix B: Pre-op clearance conditions

C. Appendix C: Additional Testing/Physician Clearance

# Appendix A

**Patients with the following conditions may require Medical Director review and approval (work with Medical Director to develop process).**

- Patients with BMI > 40
- Patients with Obstructive Sleep Apnea – patients with home CPAP should be strongly encouraged to bring their CPAP machine with them on day of surgery
- Patients with history of CAD/chest pain/intra coronary stents/CHF/Valvular disease/abnormal EKG
- Patients on Dialysis – require labs within 24 hours of procedure. HD within 24 hours prior to procedure
- Patients with history of severe peripheral vascular disease/bypass procedures
- Patients with Pacemaker/AICD
- Patients with history of Anesthesia complications
- Patients with a history of CVA
- Patients with history of COPD/Lung Disease requiring home oxygen
- Patients with history of severe neurological disorders/Autoimmune disorders/neuromuscular diseases or chromosomal abnormalities
- Patients with cirrhosis
- Patients with severe reactive airway disease
- Patients who are transplant recipients
- Patients with history of paralysis (Paraplegia)
- Patient who uses illicit drugs; excluding recreational or prescribed cannabis.
- Patients with active seizure disorders
- Patients on blood thinners

# Appendix B

**Pre-op consultation with another medical service may be required in the following circumstances:**

- Patient has a new medical condition
- Patient that has existing medical condition that does not appear to be optimally managed
- Patient has rare or serious medical condition where the implications for anesthesia are not obvious

**Patients with the following conditions may require Clearance from either PCP or appropriate specialist (CV, Pulmonary, Endocrine or Neurology, etc.):**

- Patients with uncontrolled hypertension (190/100 mmHg)
- Patients with new onset or recently increased angina/unstable angina
- Patients with recent MI (within 90 days)
- Patients with AICD/Pacemaker
- Patients with history of intracoronary stents (request the nature (type) of stent and time of placement, advice on anticoagulation cessation and resumption)
- Patients with shortness of breath
- Patients that require home oxygen therapy
- Patients with new abnormality on EKG
- Patients with any new change in heart rhythm/recent diagnosis of arrythmia
- Patients with new abnormalities in neurologic function
- Patients on dialysis
- Patients with unexplained anemia/coagulopathy – not applicable to GI patients

# Appendix C (page 1 of 2)

## Additional Testing/Physician Clearance

**Recommendation for additional testing and physician clearance prior to surgery requiring MAC or general anesthesia. Testing and clearance completed within 6 months prior to the procedure.**

### Additional Testing

- Patient's age 50 years or older with the following conditions need a CXR:
  - Symptomatic CHF
  - Recent pulmonary infections
  - COPD
  - Home use of oxygen

### Physician Clearance

- **Medical Clearance**
  - Uncontrolled hypertension or patient taking more than 2 blood pressure medications
  - Poorly controlled diabetes mellitus, A1C >7
  - Hemophiliacs, Factor V Leiden Deficiency, other blood disorders
  - History of Myasthenia Gravis
  - Patients taking blood thinners (Plavix, Eliquis, Xarelto, Coumadin, etc.) need when to stop and start medication indicated on clearance.
- **Cardiac Clearance**
  - New onset chest pain/shortness of breath
  - Coronary stents placed within the last 12 months
  - Arrythmia without physician diagnosis or treatment
  - History of previous MI must have recent cardiac evaluation within 12 months
  - Pacemaker: clearance with device interrogation within the last 6 months.
- **Pulmonary Clearance or Medical Clearance**
  - Severe Asthma/COPD
  - Patient is on home oxygen
  - Severe scoliosis with restrictive function

### Medication Requirements

- **Psychiatric/Seizure Medications**
  - Continue routine morning dosing
  - Psychostimulants- hold dose morning of surgery (example: Amphetamines, Cocaine, Methylphenidate, Oxybate )
  - MAO inhibitors- contact anesthesia prior to scheduling, often stopped 2 weeks prior (example: selegiline, isocarboxazid, phenelzine, tranylcypromine)

- **Respiratory Medications**
  - Asthma/COPD
    - Take morning oral dosing and bring inhalers on day of surgery

| Title: ADMIN 107 PATIENT ADMISSION CRITERIA | |
|---|---|
| Category: Administration | Original Date: 01/25/2019 |
| Publication Date: 11/01/2023 | Next Review Date: 11/01/2024 |
| Author Department: Clinical Operations | Approved By: Governing Board |

## Appendix C (page 2 of 2)

- **Cardiac Medications**
  - Hypertension/Blood Pressure/Cardiac
    - Take Morning Dose
      - Beta-Blockers (end in -lol, example: Metoprolol)
      - Calcium Channel Blockers (example: Cardizem, Nifedipine)
      - Antiarrhythmics (any medication for irregular heartbeat)
    - Hold Morning Dose
      - Ace inhibitors (end in -pril, example: Lisinopril)
      - Angiotensin Receptor Blocker (end in -sartan, example: Losartan)
      - Diuretics (example: Lasix, HCTZ)
- **Diabetes Medication**
  - Insulin
    - Ideally dosing recommendation for fasting by Endocrinologist or Primary
      - ½ normal basal dose night before surgery, hold morning dose
    - Insulin Pumps
      - Continue basal rate if pump can be safely in place for procedure
  - Oral Medication/traditional
    - Hold morning dose (example: Metformin, Glyburide)
  - New Medication
    - Glucagon-like Peptide (GLP-1, end in -glutide, example: Wegovy, Semaglutide, Ozempic, Rybelsus, Trulicity, Victoza)
      - Discontinue 7 days prior to surgery
    - Glucose-Dependent Insulinotropic Polypeptide (GIP, example: Tripeptide)
      - Discontinue 7 days prior to surgery
    - Sodium-Glucose Contransporter 2 Inhibitors (SGLT2, end in -liflozin)
      - Discontinued 3-4 days prior to surgery
- **Erectile Dysfunction Medications**
  - Viagra (Sildenafil) hold for 24 hours
  - Levitra (Vardenafil) hold for 24 hours
  - Cialis (Tadenafil) hold for 3 days prior to surgery

- **Anticoagulants**
  - Cardiac Stents Dual Anti-Platelet Therapy
    - Drug-eluting Stents: minimum 6 months for elective cases (12 months preferable) - Cardiac Clearance needed.
    - Bare Metal Stents: minimum 6 weeks (preferable 12 weeks) for elective cases-Cardiac Clearance needed.

- **Miscellaneous- Suggested, but won't necessarily result in case being cancelled**
  - Phentermine: hold 5 days
  - Thyroid Medications: take morning dose
  - Steroids: Take morning dose
  - Gastric Reflux (GERD): take morning dose, NO particulates (TUMS, Maalox)
  - Opiates: chronic use then take morning dose
- Opiate Agonist: Antagonists (Suboxone, Naltrexone, Buprenorphine)/Methadone-recommendations from prescribing pain/addiction doctor for continuation/discontinuation

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# Exhibit 6.
# Patient Rights and Responsibilities

| Title: ADMIN 110 PATIENT RIGHTS AND RESPONSIBILITIES (WA) | |
|---|---|
| Number: 390 - WA | Version: 3 (updated 3/14/24) |
| Category: Administration | Original Date: 08/22/2023 |
| Approval Date: 9/18/2023 | Next Review Date: 9/18/2023 |
| Author: Clinical Services | Approved By: Governing Board |

# POLICY and PROCEDURE

## I. Purpose/Expected Outcome:

To ensure that patients are informed of their rights and responsibilities.

## II. Definitions:

N/A

## III. Policy:

A. The Surgery Centers shall ensure that patients are informed of and receive a written copy of their Rights and Responsibilities prior to their surgery/procedure.

B. Patient Rights include, (but are not limited to):

1. To be provided a written statement of my Patient Rights and Responsibilities.

2. To be admitted to the facility for treatment without regard to age, race, color, religion, sex or origin.

3. To be treated and cared for with respect, consideration, and dignity.

4. To have spiritual care as needed and/or requested.

5. To not be restricted from communication with others.

6. To be communicated with in a language that is understandable and be informed if communication restrictions are necessary for patient care and safety. The facility shall document and explain any communication restrictions to the patient and family.

7. To expect quality care and service in a safe setting from this facility.

8. To know, in advance, the estimated amount for services.

9. To receive an explanation of the final bill, regardless of source of payment.

10. To full consideration of personal privacy concerning medical care.

11. To information concerning diagnosis, treatment, and prognosis, to the degree known, in terms that are easy to understand. To have family input in care decisions in compliance with the patient's legal directives. If concern for the patient's health makes it inadvisable to give such information to

the patient, such information shall be made available to an individual designated by the patient as per existing legal directives or court-issued legal orders, or to a legally authorized individual (guardian, Power of Attorney, or Medical Power of Attorney).

12. To be informed and receive from the physician sufficient information to be able to understand the procedure or treatment being received in order to agree with care and sign the operative consent.

13. To know that the facility shall comply with rules for privacy and security of health information (HIPAA or Health Insurance Portability and Accountability Act)

14. To confidential treatment and security of medical records and to know that the patient has been given the opportunity to approve or refuse their release to outside parties except when otherwise required by law.

15. To refuse care and treatment and to be informed of the consequences of this action.

16. To receive prompt pain assessment, treatment, and information concerning pain prevention/relief measures.

17. To be involved in all aspects of care and to resolve problems with care decisions.

18. To be given the opportunity to participate in decisions involving health care, including changing physicians, without being subject to discrimination or retaliation. An exception would be when such participation is medically contraindicated.

19. To be informed of any persons other than routine personnel that would be observing or participating in the treatment.

20. To know if any research will be done during treatment and the right to refuse. A refusal to participate in any research, investigation or clinical trial will not hinder access to patient care.

21. To be informed of continuing health care needed following discharge.

22. To be informed of any unanticipated outcomes by my surgeon prior to facility discharge.

23. To know methods for expressing grievances and suggestions and the right to voice them.

24. To complain about care and treatment without fear of retribution or denial of care. (Washington Department of Health, Complaint Intake @ 1-800-633-6828)

25. To be free from any act of discrimination or reprisal.

26. To expect timely complaint resolution (within 14 days or less).

27. To be protected and free from all forms of abuse (such as chemical, physical, and psychological), neglect and harassment and have the ability to access protective services.

28. To know that substantiated allegations of abuse and/or neglect must be reported to the state authority or the local authority or both.

29. To associate privately with a person of the patient's choice.

30. To be free of physical restraints with the exception of an emergency when restraint is necessary to protect the patient from injury to self or others and is authorized by the attending physician.

31. To be made aware, prior to the procedure, that the physician(s) may have ownership or investment interest in the facility.

32. To have access to a public telephone.

33. To receive written discharge instructions prior to leaving the facility.

34. To understand that the facility's policy on ADVANCE DIRECTIVES is to always resuscitate a patient and transfer that patient to a hospital in the event of deterioration for further evaluation and care. State-specific advance directive forms if applicable are available upon request.

C. Patient Responsibilities include, but are not limited to:

1. To read and understand all permits and/or consents to be signed. If the patient does not understand, it is their responsibility to ask the nurse or physician for clarification.

2. To read and reach individual decisions regarding Advance Directives.

3. To provide accurate and complete information regarding the patient's health, medications and past treatments.

4. To follow any pre-operative written or oral instructions from the physician or surgery center.

5. To notify the physician and/or surgery center if these instructions have not been followed.

6. To provide an adult to transport the patient home after surgery following receipt of narcotic/sedative medications and/or anesthesia.

7. To provide for someone to be responsible for the patient's care for the first 24 hours after the procedure.

8. To follow carefully any written and/or verbal post-op instructions from the physician(s) and/or nurse(s).

9. To contact the physician regarding any post-operative question or problem.

10. To assure all financial obligations for services are fulfilled as promptly as possible, and to assume ultimate responsibility for payment regardless of insurance coverage.

11. To notify the surgery center if any Patient Rights have been violated, or if you have a complaint or a suggestion for improvement by returning your patient survey.

12. To cooperate with the health team in developing a pain management plan which includes assisting the physician(s) and nurse(s) to assess the patient's pain, requesting pain relief when pain first begins, and informing the (physician(s) and/or nurse(s) when pain is not relieved.

D. The Surgery Centers expect responsible behavior from the patient, family, and friends.

E. *Patient Rights & Responsibilities* are posted at the admission area of the facility and through the facility's website.

## IV. Procedure/Interventions:

A. Patients are provided the Rights and Responsibilities during the online registration process and/or given a copy at the time of registration. If the patient is unable to receive the information, it will be provided to the patient's Legally Authorized Representative.

B. Staff is educated regarding patient Rights and Responsibilities at new employee orientation. Questions about patient Rights may be directed to the Registration personnel, DON or CEO.

## V. Procedural Documentation:

Receipt of the Patient Rights & Responsibilities is documented on the Surgery Centers' Medical Treatment Agreement.

## VI. Additional Information:

N/A

## VII. References:

Centers for Medicare and Medicaid Services (CMS). (2024). State Operations Manual, Appendix L – Guidance for surveyors: Ambulatory surgical centers. Q-0219, §416.50 Condition for coverage - Patient rights.

The Joint Commission (TJC) (Jan 2024). Joint Commission standards and survey readiness guide. Chapter: Rights and responsibilities of the individual.

U.S. Department of Health & Human Services (July 26, 2013). Summary of the HIPAA privacy rule. Retrieved 3/14/2024 from https://www.hhs.gov/hipaa/for-professionals/privacy/laws-regulations/index.html

Washington Administrative Code (WAC), 246-330-125 – Patient Rights and Organizational Ethics. Retrieved 3/14/2024 from https://apps.leg.wa.gov/wac/default.aspx?cite=246-330-125

## VIII. Other Related Policies/Procedures:

A. ADMIN 108 PATIENT COMPLAINT, DISCRIMINATION, & GRIEVANCE

B. PRI 110 NOTICE OF PRIVACY PRACTICES (NPP) STANDARD

## IX. Keywords/Keyword Phrases:

N/A

## X. Appendix:

N/A

# Exhibit 7.
# Pro Forma Forecast and Assumptions

**MultiCare Endoscopy Center - Yakima**
**Income Statement**

| | Pre Opening | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| # of Months | | 11 | 12 | 12 | 12 |
| Total Cases | | 1,636 | 3,634 | 4,934 | 6,266 |
| Total Procedures | | 2,126 | 4,724 | 6,414 | 8,146 |
| | | | | | |
| Gross Revenue | | $ 6,018,965 | $ 13,371,752 | $ 18,153,949 | $ 23,056,160 |
| Charity Care | | 114,962 | 255,400 | 346,740 | 440,373 |
| Contractual Allowances | | 4,419,328 | 9,817,992 | 13,329,242 | 16,928,612 |
| Outpatient Net Revenue Before Bad Debt | | $ 1,484,675 | $ 3,298,359 | $ 4,477,966 | $ 5,687,176 |
| Bad Debt | | 44,540 | 98,951 | 134,339 | 170,615 |
| | | | | | |
| Total Net Revenue | | 1,440,135 | 3,199,409 | 4,343,627 | 5,516,560 |
| | | | | | |
| Personnel Costs | $165,306 | 909,181 | 1,788,784 | 1,788,784 | 2,501,845 |
| Supply Costs | | 130,858 | 290,714 | 394,683 | 501,262 |
| Management Fee | | 440,000 | 480,000 | 480,000 | 480,000 |
| Medical Director Allocation | | 30,000 | 30,000 | 30,000 | 30,000 |
| Facility Costs | 16,818 | 185,003 | 205,416 | 209,513 | 215,643 |
| Contract Services | | 137,500 | 150,000 | 150,000 | 150,000 |
| IT Expense | | 123,750 | 135,000 | 135,000 | 135,000 |
| Repair and Maintenance | | 20,167 | 22,000 | 22,000 | 22,000 |
| Maintenance Expense | | 25,667 | 28,000 | 28,000 | 28,000 |
| Equipment Expense | | 4,583 | 5,000 | 5,000 | 5,000 |
| Travel, Meals & Entertainment | | 6,417 | 7,000 | 7,000 | 7,000 |
| Insurance | | 9,809 | 21,791 | 29,585 | 37,574 |
| Legal and Professional | | 2,750 | 3,000 | 3,000 | 3,000 |
| Bank Fees | | 7,201 | 15,997 | 21,718 | 27,583 |
| Centralized Support Services | | 72,007 | 159,970 | 217,181 | 275,828 |
| Tax and License | | 9,167 | 10,000 | 10,000 | 10,000 |
| Mileage | | 2,750 | 3,000 | 3,000 | 3,000 |
| Office Expense Supplies and Postage | | 21,083 | 23,000 | 23,000 | 23,000 |
| Other G&A Expense | 325,000 | 6,417 | 7,000 | 7,000 | 7,000 |
| | | | | | |
| Total Operating Expenses | 507,124 | 2,144,308 | 3,385,673 | 3,564,464 | 4,462,734 |
| | | | | | |
| EBITDA | (507,124) | (704,172) | (186,264) | 779,162 | 1,053,827 |
| | | | | | |
| Depreciation and Amortization | | 478,406 | 521,898 | 521,898 | 521,898 |
| Interest Expense | | 0 | 0 | 0 | 0 |
| | | | | | |
| Net Income Before Taxes | $ (507,124) | $ (1,182,579) | $ (708,162) | $ 257,265 | $ 531,929 |

**MultiCare Endoscopy Center - Yakima**
**FTE Schedule, Salaries, and Benefits**

## FTEs (Productive & Non-Productive)

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Administrator/CEO | 1.00 | 1.00 | 1.00 | 1.00 |
| Business Office Manager | 0.50 | 1.00 | 1.00 | 1.00 |
| Scheduler | 0.50 | 1.00 | 1.00 | 1.50 |
| Receptionist/Patient Registration | 1.00 | 2.00 | 2.00 | 2.50 |
| Inventory Coordinator | 0.50 | 1.00 | 1.00 | 1.50 |
| RN | 3.00 | 6.00 | 6.00 | 9.00 |
| Techs | 1.50 | 3.00 | 3.00 | 4.50 |
| **TOTAL** | **8.00** | **15.00** | **15.00** | **21.00** |

## Hourly Wage and Benefits % Assumptions

| | Hourly Wage | # of Hours | Benefits % | |
|---|---|---|---|---|
| Administrator/CEO | $ 76.36 | 2,080 | 22.7% | |
| Business Office Manager | $ 44.00 | 2,080 | 22.7% | |
| Scheduler | $ 21.96 | 2,081 | 22.7% | |
| Receptionist/Patient Registration | $ 21.74 | 2,080 | 22.7% | |
| Inventory Coordinator | $ 36.10 | 2,080 | 22.7% | |
| RN | $ 62.25 | 2,081 | 22.7% | |
| Techs | $ 35.10 | 2,080 | 22.7% | |
| | **Feb - Dec 2026** | **2027** | **2028** | **2029** |
| Number of Months | 11 | 12 | 12 | 12 |

## Salaries

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Administrator/CEO | $ 145,593 | $ 158,829 | $ 158,829 | $ 158,829 |
| Business Office Manager | $ 41,947 | $ 91,520 | $ 91,520 | $ 91,520 |
| Scheduler | $ 20,945 | $ 45,699 | $ 45,699 | $ 68,548 |
| Receptionist/Patient Registration | $ 41,451 | $ 90,438 | $ 90,438 | $ 113,048 |
| Inventory Coordinator | $ 34,415 | $ 75,088 | $ 75,088 | $ 112,632 |
| RN | $ 356,241 | $ 777,254 | $ 777,254 | $ 1,165,880 |
| Techs | $ 100,386 | $ 219,024 | $ 219,024 | $ 328,536 |
| **TOTAL** | **$ 740,978** | **$ 1,457,851** | **$ 1,457,851** | **$ 2,038,993** |

**MultiCare Endoscopy Center - Yakima**
**FTE Schedule, Salaries, and Benefits**

## Benefits

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Administrator/CEO | $ 33,050 | $ 36,054 | $ 36,054 | $ 36,054 |
| Business Office Manager | $ 9,522 | $ 20,775 | $ 20,775 | $ 20,775 |
| Scheduler | $ 4,755 | $ 10,374 | $ 10,374 | $ 15,560 |
| Receptionist/Patient Registration | $ 9,409 | $ 20,530 | $ 20,530 | $ 25,662 |
| Inventory Coordinator | $ 7,812 | $ 17,045 | $ 17,045 | $ 25,567 |
| RN | $ 80,867 | $ 176,437 | $ 176,437 | $ 264,655 |
| Techs | $ 22,788 | $ 49,718 | $ 49,718 | $ 74,578 |
| **TOTAL** | **$ 168,202** | **$ 330,932** | **$ 330,932** | **$ 462,851** |

## Salaries and Benefits

| | Feb - Dec 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|
| Administrator/CEO | $ 178,643 | $ 194,883 | $ 194,883 | $ 194,883 |
| Business Office Manager | $ 51,469 | $ 112,295 | $ 112,295 | $ 112,295 |
| Scheduler | $ 25,700 | $ 56,072 | $ 56,072 | $ 84,109 |
| Receptionist/Patient Registration | $ 50,860 | $ 110,968 | $ 110,968 | $ 138,710 |
| Inventory Coordinator | $ 42,228 | $ 92,133 | $ 92,133 | $ 138,199 |
| RN | $ 437,108 | $ 953,690 | $ 953,690 | $ 1,430,535 |
| Techs | $ 123,174 | $ 268,742 | $ 268,742 | $ 403,114 |
| **TOTAL** | **$ 909,181** | **$ 1,788,784** | **$ 1,788,784** | **$ 2,501,845** |

## MultiCare Endoscopy Center - Yakima

**Depreciation Schedule**

| | Initial Investment | Useful Life Assumption | Forecast: Feb - Dec 2026 Year 0 | 2027 Year 1 | 2028 Year 2 | 2029 Year 3 |
|---|---|---|---|---|---|---|
| # of Months | | | 11 | 12 | 12 | 12 |
| ASC OR Buildout | $ 3,624,441 | 20 | $ 166,120 | $ 181,222 | $ 181,222 | $ 181,222 |
| Equipment | $ 2,384,729 | 7 | $ 312,286 | $ 340,676 | $ 340,676 | $ 340,676 |
| **Total Depreciation (Project Related)** | **$ 6,009,170** | | **$ 478,406** | **$ 521,898** | **$ 521,898** | **$ 521,898** |

## MultiCare Endoscopy Center - Yakima

**Cash Flow Statement**

| | | -------------------Forecast------------------- | | | |
|---|---|---|---|---|---|
| | | **Year 0** | **Year 1** | **Year 2** | **Year 3** |
| | **Pre Opening** | **Feb - Dec 2026** | **2027** | **2028** | **2029** |
| **OPERATING ACTIVITIES** | | | | | |
| Startup Costs | $ (507,124) | | | | |
| Net income | | $ (1,182,579) | $ (708,162) | $ 257,265 | $ 531,929 |
| Depreciation | | $ 478,406 | $ 521,898 | $ 521,898 | $ 521,898 |
| Less Change in Net Working Capital | | $ (151,966) | $ (270,590) | $ (201,790) | $ (171,751) |
| **Cash Flow from Operating Activities** | **$ (507,124)** | **$ (856,139)** | **$ (456,854)** | **$ 577,373** | **$ 882,076** |
| | | | | | |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of PP&E | $ (6,009,170) | | | | |
| **Cash Flow from Investing Activities** | **$ (6,009,170)** | **$ -** | **$ -** | **$ -** | **$ -** |
| | | | | | |
| **FINANCING ACTIVITIES** | | | | | |
| Equity (Project Capital) | $ 6,009,170 | | | | |
| Equity (Startup Cash Funding) | $ 2,000,000 | | | | |
| **Cash Flow from Financing Activities** | **$ 8,009,170** | **$ -** | **$ -** | **$ -** | **$ -** |
| | | | | | |
| **Annual Increase (Decrease)** | $ 1,492,876 | $ (856,139) | $ (456,854) | $ 577,373 | $ 882,076 |
| **Ending Balance** | $ 1,492,876 | $ 636,737 | $ 179,883 | $ 757,256 | $ 1,639,333 |

## MultiCare Endoscopy Center - Yakima
**Balance Sheet**

| | Pre-Operational | Feb - Dec 2026 | Forecast Year 1 2027 | Forecast Year 2 2028 | Forecast Year 3 2029 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current Assets | | | | | |
| Cash and Equivalents | $ 1,492,876 | $ 636,737 | $ 179,883 | $ 757,256 | $ 1,639,333 |
| Accounts Receivable | | $ 166,372 | $ 403,213 | $ 547,416 | $ 695,238 |
| Other Current Asset/Inventories | | $ 83,528 | $ 185,566 | $ 251,930 | $ 319,961 |
| **Total Current Assets** | **$ 1,492,876** | **$ 886,637** | **$ 768,662** | **$ 1,556,603** | **$ 2,654,531** |
| Fixed Assets | | | | | |
| Property, Plant, & Equipment | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 |
| Accumulated Depreciation & Amortization | | $ (478,406) | $ (1,000,304) | $ (1,522,201) | $ (2,044,099) |
| **Total Fixed Assets** | **$ 6,009,170** | **$ 5,530,764** | **$ 5,008,866** | **$ 4,486,969** | **$ 3,965,071** |
| **Total Assets** | **$ 7,502,046** | **$ 6,417,401** | **$ 5,777,528** | **$ 6,043,571** | **$ 6,619,602** |
| **LIABILITIES AND OWNER EQUITY** | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | | $ 80,779 | $ 139,137 | $ 146,485 | $ 183,400 |
| Other Current Liabilities | | $ 17,154 | $ 27,085 | $ 28,516 | $ 35,702 |
| **Total Current Liabilities** | **$ -** | **$ 97,933** | **$ 166,223** | **$ 175,001** | **$ 219,102** |
| Long Term Liabilities | | | | | |
| Long Term Debt | $ - | $ - | $ - | $ - | $ - |
| Working Capital Loan | $ - | $ - | $ - | $ - | $ - |
| **Total Long Term Liabilities** | **$ -** | **$ -** | **$ -** | **$ -** | **$ -** |
| **Total Liabilities** | **$ -** | **$ 97,933** | **$ 166,223** | **$ 175,001** | **$ 219,102** |
| System Contributed Capital | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 | $ 6,009,170 |
| System Startup Funding | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 | $ 2,000,000 |
| Retained Earnings | $ (507,124) | $ (1,689,703) | $ (2,397,864) | $ (2,140,599) | $ (1,608,670) |
| **Net Assets (Equity)** | **$ 7,502,046** | **$ 6,319,467** | **$ 5,611,306** | **$ 5,868,571** | **$ 6,400,500** |
| **Total Liabilities and Equity** | **$ 7,502,046** | **$ 6,417,401** | **$ 5,777,528** | **$ 6,043,571** | **$ 6,619,602** |

## MultiCare Endoscopy Center - Yakima

**Financial Model Key Assumptions**

Certificate of Need Application

**Revenue and Expense Statement**

*Volume Assumptions*

1. See the Need section of the application for discussion regarding utilization projections and associated assumptions.

*Capital Expenditures*

2. See the Financial Feasibility section of the application for capital expenditure estimates associated with the proposed project.

*Revenues*

3. Models do not include any charge inflation.
4. Gross revenue is projected at $3,679.70 per case. This is based on the MultiCare Yakima Memorial Hospital case mix experience and average gross revenues by payer based on calendar year 2023 data of Atlas operated surgical facilities with similar case mix and volumes as the proposed MEC Yakima ("Atlas Actuals").
5. Charity care is projected at 1.91% of gross revenues based on MultiCare Yakima Memorial Hospital's historical charity care average for the most recent three years available in the DOH Charity Care Reports (2020-2022).
6. Other deductions are projected at 73.42% of gross revenues based on Atlas Actuals.
7. Bad debt is projected to be 3% of outpatient net revenue before bad debt based on Atlas Actuals.

*Expenses*

8. Models do not include any expense inflation.
9. See the Structure & Process of Care section of the application for discussion related to assumptions underlying salaries & benefits.
10. Supplies are projected to be $80 per case based on Atlas Actuals.
11. Management fees are calculated pursuant to Section 4(a) of the Management Agreement. For the first $8,000,000 in annual net revenue, management fees are calculated at 6% of net revenue or $40,000 per month, whichever is greater. Because the net revenue calculations specified in the agreement never exceeds the $40,000 per month minimum, it is set at $40,000 per month.
12. The proposed Medical Director is employed by MultiCare, so there are no applicable contracted fees. $30,000 has been allocated to be equivalent to the estimated cost for medical director services by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.
13. Facility costs are calculated pursuant to the terms of the lease agreement. Rent commencement is assumed to be February 2026, as Lease Section 1.6 specifies rent commencement upon "DOH

Surgery Center" License which is equivalent to project completion. Annual base rent is calculated per square foot in accordance with Lease Section 1.12(a). Other property expense is calculated per square foot in accordance with Lease Section 1.12(b). Other property expense is $4.60 per square foot through month 36 (January 2029) and then increased by 5% which is the maximum allowable under Lease Section 1.12(b).

14. Contract services are projected to be $150,000 per year throughout the forecast based on Atlas Actuals.
15. IT expenses are projected to be $135,000 per year throughout the forecast based on Atlas Actuals.
16. Repair and maintenance expenses are projected to be $22,000 per year throughout the forecast based on Atlas Actuals.
17. Maintenance expenses are projected to be $28,000 per year throughout the forecast based on Atlas Actuals.
18. Equipment expenses are projected to be $5,000 per year throughout the forecast based on Atlas Actuals.
19. Travel, meal, and entertainment expenses are projected to be $7,000 per year throughout the forecast based on Atlas Actuals.
20. Insurance is projected to be $6 per case based on insurance policies and applied risk factors based on payroll for workers comp and revenue for cybersecurity, employment practices liablility, property, environmental and professional coverages.
21. Legal and professional expenses are projected to be $3,000 per year throughout the forecast based on Atlas Actuals.
22. Bank fees are projected to be 0.5% of net revenue based on historical banking and transaction fees.
23. Centralized support fees for Atlas servicesare projected to be the equivalent of 5.0% of net revenue.
24. Tax and license expenses are projected to be $10,000 per year throughout the forecast based on Atlas Actuals.
25. Mileage expenses are projected to be $3,000 per year throughout the forecast based on Atlas Actuals.
26. Office expense, supplies, and postage expenses are projected to be $23,000 per year throughout the forecast based on Atlas Actuals.
27. Other G&A expenses are projected to be $7,000 per year throughout the forecast based on Atlas Actuals.
28. Depreciation is calculated using the straight-line method assuming a 20-year useful life for build-out-related expenditures and a 7-year useful life for equipment-related expenditures.
29. Pre-opening costs include:
    a. Pre-opening personnel cost is assumed to be equivalent to approximately two months of Year 0 personnel costs.
    b. Pre-opening facility costs is assumed to be equivalent to one month of rent.
    c. $325,000 in Other G&A expenses represents administrative and development expenses estimated by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.

## Cash Flow Statement

30. Startup costs are based on pre-opening costs described above.
31. Net income based on estimates from Revenue and Expense Statement Summary.
32. Depreciation based on estimates from Depreciation and Interest Schedule.
33. Change in net working capital is based on the change in accounts receivable, other current assets / inventories, accounts payable, and other current liabilities presented in the balance sheet.
34. Purchase of PP&E and equity contributions are based on capital expenditures for proposed project.
35. Equity (Project Capital) is equity contributions from MultiCare Health System for capital expenditures of proposed project.
36. Equity (Startup Cash Funding) is equity contributions from MultiCare Health System for pre-opening costs and to provide financial support during the ramp-up period for the proposed project.

## Balance Sheet

37. Cash and cash equivalents are based on estimates of cumulative net cash flow (i.e. ending balance) from cash flow statement.
38. Days in accounts receivable are projected to be the equivalent of approximately 46 days of net revenue based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.
39. Other current assets / inventories are projected to be the equivalent of approximately 5.8% of net revenue based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.
40. PP&E based on capital expenditures for proposed project.
41. Accumulated depreciation calculated as depreciation for current forecast period plus cumulative depreciation from prior periods.
42. Days in accounts payable are projected to be the equivalent of approximately 15 days of operating expenses based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.
43. Other current liabilities are projected to be the equivalent of approximately 0.8% of operating expenses based on estimates by Atlas for an endoscopy center similar in size and scope to the proposed MEC Yakima project.
44. System contributed capital is equity contributions from MultiCare Health System for capital expenditures of proposed project.
45. System contributed startup funding is equity contributions from MultiCare Health System for startup costs and financial support during the ramp-up period for the proposed project.
46. Retained earnings for Year 0 to Year 3 is calculated as retained earnings from prior period plus net income of current period. Retained earnings for pre-operational period is consistent with startup costs estimates identified in cash flow statement.

# Exhibit 8.
# Management Agreement

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# MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is made and entered into as of April 1, 2024 (the "Effective Date") by and between **Atlas Healthcare Partners, LLC**, an Arizona limited liability company ("Manager"), and **MEC Yakima LLC**, a Washington limited liability company (the "Company"). Manager and the Company are sometimes referred to individually herein as a "Party" and collectively as the "Parties."

## RECITALS

A. The Company owns and operates an ambulatory surgery center located at 3909 Creekside Loop, Yakima, WA 98902 (the "Surgery Center"). MultiCare Health System ("MultiCare") is the sole member of the Company.

B. Manager is engaged in the business of developing and managing ambulatory surgery centers.

C. Manager and the Company wish to enter into this Agreement in order to set forth the terms under which Manager will manage the operations of the Surgery Center on behalf of the Company.

THEREFORE, in consideration of the mutual promises and obligations of the Parties set forth herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

## AGREEMENT

**1. Management Services**.

(a) The Company hereby engages Manager, and Manager hereby accepts such engagement to provide management services to and for the Surgery Center as more fully described in Schedule 1. The Company hereby authorizes Manager to immediately open and maintain its bank accounts. In carrying out its duties, Manager will have the general authority to negotiate and consummate agreements and contracts for and on behalf of the Company in the usual course of business subject to any limitations on the Manager's authority identified in this Agreement or the Company's operating agreement, as applicable.

(b) The services provided by Manager to the Company pursuant to this Section 1 do not include financial clearance, medical records management, billing, coding and collection services, medical staff credentialing services or accounts payable services which will be provided by Manager to the Company pursuant to a separate Centralized Services Agreement.

(c) Subject to the provisions of Section 2 hereof, the exclusive authority and responsibility for the day-to-day operation of the Surgery Center shall, during the term of

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this Agreement, be and remain in Manager, and the Company shall have no rights or duties in derogation of the rights and duties of Manager hereunder.

**2. Limitations on Manager's Authority**. Notwithstanding Section 1 or any other provision of this Agreement to the contrary, Manager's services and authority shall be subject to the following limitations:

(a) Manager expressly acknowledges and agrees that the Management Board of Company ("Management Board") retains final authority to control and direct the assets and operations of the Surgery Center, and that the operation of the Surgery Center shall be carried out by Manager within the budgets adopted by the Management Board from time to time and any reasonable parameters, policies, and procedures adopted by the Management Board and communicated in writing to Manager. Notwithstanding the foregoing, the Manager shall be authorized to make expenditures of Company funds in excess of an approved budget if such expenditures are reasonably determined by the Manager to be necessary to maintain patient safety or the Company's licensure or accreditation or to comply with a legal requirement or which would not otherwise be reasonably expected to result more than a 5% cumulative increase in aggregate expenses over the then approved operating budget. Manager shall provide the Management Board with notice of the nature and amount of any such excess expenditure along an explanation of the basis for Manager's determination to make the expenditure. Such notice shall be in writing and provided in advance of Manager making such expenditure unless such expenditure is needed on an emergency basis, in which case, Manager will provide such notice as soon as reasonably practical thereafter.

(b) Manager acknowledges and agrees that so long as MultiCare or any of its affiliates is a direct or indirect owner of the Company, the Surgery Center is required to be managed and operated in a manner that furthers and is consistent with the charitable healthcare purposes of MultiCare and its affiliates as specifically set forth in the Company's Operating Agreement. The Parties acknowledge and agree such purposes may override any duty that Manager may have to operate the Surgery Center solely for the financial benefits of its owners.

(c) Manager further acknowledges and agrees that the Surgery Center shall: (i) be operated and managed by Manager in good faith using commercially reasonable efforts, and in a manner that complies with all applicable legal and regulatory operating requirements and industry standards; (ii) in consultation with the medical executive committee of the Company, adopt standards for the quality of patient care that are commensurate with the standards applicable to the other surgical facilities operated by MultiCare; (iii) adopt ethical policies, including, without limitation, a conflict of interest policy and marketing guidelines, acceptable to MultiCare; (iv) adopt and make known to the public charity care policies consistent with MultiCare policies; (v) in consultation with the medical executive committee of the Company, have physician credentialing standards that meet or exceed NCQA requirements; and (vi) in consultation with the medical executive committee of the Company have all necessary licenses and maintain

accreditation with the Joint Commission, AAAHC or comparable accrediting organizations acceptable to MultiCare.

(d) Manager's rights and obligations are subject to the Operating Agreement (as such may be amended from time to time), which is incorporated by this reference and made part of this Agreement. In the event of a conflict between the terms of this Agreement and the terms of the Operating Agreement, the Operating Agreement's terms will control.

(e) Manager will not be responsible for any medical or professional matters relating to the Surgery Center. Manager may consult with the Company and make recommendations concerning such matters from time to time; however, the Company will be solely responsible for all decisions and actions taken with respect to medical and professional matters.

(f) The Company does not delegate to Manager any of the powers, duties, and responsibilities vested in the Company by law. Company expressly retains authority: (i) to request removal of key officers and management employees, including the Surgery Center's Administrator (provided, the Company cannot unreasonably withhold consent to an administrator candidate or a change therein); (ii) over maintenance and control of the books and records of the Company; (iii) over the disposition of assets and the incurring of non-ordinary course liabilities on behalf of the Company; and (iv) over the adoption and enforcement of policies regarding the operation of the Company.

(g) The Company will retain the ultimate authority regarding all services provided at the Surgery Center. Physicians on staff at the Surgery Center will at all times be free, in their sole discretion, to exercise their professional/medical judgment on behalf of their patients. No provision of this Agreement is intended, nor will it be construed, to permit Manager to affect or influence the professional/medical judgment of any of such physicians. To the extent that any act or service required of or permitted to be taken by Manager by any provision of this Agreement may be construed or deemed to constitute the practice of medicine, the ownership or control of a medical practice, or the operation of a medical or health care facility, said provision of this Agreement will be void ab initio and the performance of said act or service by Manager will be deemed waived by the Company.

## 3. **Term of Agreement**.

(a) The term of this Agreement shall commence on the first day of the month of accreditation of the Surgery Center and, unless sooner terminated as provided in the following subsections of this Section 3, shall continue in effect for a term of ten (10) years. Thereafter, unless written notice of nonrenewal is delivered to a Party by the other Party not less than 90 days prior to the end of the then current term of this Agreement, this Agreement shall be automatically renewed for successive five (5) year terms.

(b) This Agreement may be terminated by the non-defaulting Party by giving written notice thereof to the defaulting Party at any time after the occurrence of an event of Default described in Section 7 hereof with respect to the defaulting Party.

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(c) No termination of this Agreement shall relieve either Party of any liability arising from any breach of this Agreement by such Party prior to such termination.

**4. Management Fee**.

(a) As Manager's fee for performing the services described in Schedule 1 hereto, Manager shall receive a monthly management fee (the "Management Fee") equal to a percentage of the net revenues of the Company during the applicable month (or the portion thereof during which this Agreement is in effect) as follows: six percent (6%) of the first Eight Million Dollars ($8,000.000.00) of net revenue; five percent (5%) of net revenue in excess of Eight Million Dollars ($8,000,000.00) up to Thirteen Million Dollars ($13,000,00.00); and four percent (4%) of net revenues in excess of Thirteen Million Dollars ($13,000.000.00); provided, however, the Management Fee shall not be less than Forty Thousand Dollars ($40,000) per month. For this purpose, "net revenues" shall be the Company's gross revenues, less adjustments for special contractual rates, charity work and an allowance for uncollectible accounts, all determined on an accrual basis in accordance with United States generally accepted accounting principles as applied consistently with past practice to the financial statements of the Company, including a monthly adjustment to the allowance for uncollectible accounts based on an aging of accounts receivable. The Management Fee shall commence as of the date of deployment of necessary IT for the Surgery Center by Manager, which date shall be mutually agreed to by the parties.

(b) In addition to the above monthly Management Fee, Manager (or its members) shall be reimbursed without markup for direct and allocable expenses incurred by Manager (or its members) in connection with the Company's operations. Reimbursable expenses include, but are not limited to, all of Manager's (or its members') direct and allocable indirect costs of providing Facility staff pursuant to Schedule 1, "Operations Management", subsection (d) hereof (including, but not limited to, all compensation and employee benefit costs), an allocable portion of premiums and other cost of providing the insurance coverage for the Company and an allocable portion of the direct cost of a third party company retained by Manager to manage leases of the ambulatory surgery center companies managed by Manager. Manager shall also be reimbursed for allocable salary, bonus and benefits expense of business development employees providing services on behalf of the Company, in each case as provided in Section 2 b. iii of Schedule 1 hereto. In addition, Manager (or its members) shall be reimbursed for reasonable travel expenses of management personnel of Atlas and its affiliates who make periodic business trips to the Surgery Center, including travel expenses for representatives of the Manager to attend in person meetings of the Company's Management Board, and other reasonable expenses subject to an annual cap thereon of $50,000.00; provided, such cap shall not apply to reimbursable expenses described in Schedule 1 hereto. Expenses incurred by Manager in excess of $50,000.00 per year (other than reimbursable expenses described in Schedule 1) shall be subject to the prior written approval of Company's Management Board, such approval to not be unreasonable withheld. Except as included in the above or as described in Schedule 1 hereto, Manager shall not be reimbursed by the Company for any indirect or overhead expenses of Manager or its affiliates, including charges and allocations for

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internal personnel or outside consultants who have not be retained by the Company directly or approved in advance for charge to the Company by a vote of the Board of Managers including at least one member thereof not appointed by the Manager. Manager shall provide the Company's Management Board with a comparison of expenses reimbursed under this Section 4(b) with the amounts included in the Company's operating budget at each regular meeting of the Management Board.

(b) Except as otherwise provided in this Agreement, all of the costs and expenses of maintaining and operating the Surgery Center and its facilities shall be expenses of the Surgery Center, for the account of the Company, and shall not be expenses of Manager.

(c) If Manager is engaged by the Company to perform any services on behalf of the Company that are not included in the services described in Schedule 1 hereto, such engagement shall be through a separate written agreement that will provide separate compensation for such services from the Company.

**5. Representations of the Parties**. Each Party hereby represents and warrants to the other Party that:

(a) It has been duly organized and is validly existing under the laws of the state of its formation and has full power to own its properties and to conduct its business under the laws of said state;

(b) The execution and delivery of this Agreement by such Party, and the performance of such Party's duties and obligations hereunder, have been duly authorized by such Party and do not violate or result in a breach of such Party's governing documents or any other agreement, order, decree or legal requirement to which such Party is a party or is otherwise bound;

(c) This Agreement has been duly executed by and on behalf of such Party and is a valid and binding obligation of such Party enforceable against such Party in accordance with the terms hereof; and

(d) Neither it, nor, to its knowledge, any of its stockholders, members, directors, managers, officers, employees or agents, have been convicted of a criminal offense related to, and have not been excluded or debarred from participation in, any government program, including but not limited to, the federal Medicare program and any state Medicaid program.

**6. Limitation of Liability; Indemnification**.

(a) Manager does not hereby assume any of the obligations, liabilities or debts of the Company, except as otherwise expressly provided herein, and shall not, by virtue of its performance hereunder, assume or become liable for any of such obligations, debts or liabilities of the Company.

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(b) Manager's maximum liability for any claim by the Company arising under this Agreement or under the Business Associate Addendum attached hereto as Exhibit A (the "BAA"), regardless of the form of such claim, whether in tort or contract, shall be limited to (i) if capable of cure, re-performing the non-conforming service and (ii) to the extent not covered and paid by Manager's insurance, an amount equal three (3) times the total amount of all Management Fees paid to Manager pursuant to this Agreement during the immediately preceding twelve month period; provided, such limitation shall not apply to claims based on fraud or intentional misconduct by Manager. The liability of Manager hereunder for damages arising out of a breach of its obligations or warranties in this Agreement shall be limited to direct damages incurred by the Company entitled to recovery under the terms hereof. For purposes hereof, (A) amounts paid to affected third parties as damages or settlements arising from such breach; and (B) fines and penalties imposed by governmental authority arising from such breach shall be considered direct damages. Other than the foregoing, in no event shall Manager have any liability to the Company for any indirect, special, incidental, punitive, or consequential damages, however caused, or for any lost profits, loss of data or use, cost or procurement of substitute goods or services, whether in contract, tort or otherwise, arising out of, or in any way connected with a breach of any other parties obligations or warranties in this agreement, even if Manager has been previously advised of the possibility of such loss or damages.

(c) Manager shall indemnify, defend and hold harmless Company and its equity holders (other than Manager), officers, directors, employees, agents and permitted assigns (each, a "Company Indemnified Party") from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses (including, without limitation, reasonable attorneys' fees and fees of expert consultants and witnesses) arising from a claim brought by any person or entity other than Company or a Company Indemnified Party to the extent resulting from or relating to (i) a breach by Manager of the warranties stated in Section 5 hereof; (ii) any claim that the services provided by Manager hereunder or any related intellectual property used by Manager in connection therewith infringe on, constitute a misappropriation of the subject matter of, or otherwise violate any patent, copyright, trade secret, trademark or other proprietary right of any person or breaches any person's contractual rights; or (iii) Manager's willful misconduct, gross negligence, fraud, illegal activity or breach of this Agreement.

(d) The Company hereby agrees to indemnify and hold harmless and its officers, directors, managers, members, partners, employees, agents, successors and assigns (each, a "Manager Indemnified Party"), from and against any and all claims, actions, liabilities, losses, costs and expenses of any nature whatsoever, including reasonable attorneys' fees and other costs of investigating and defending any such claim or action, asserted against any such Manager Indemnified Party (collectively, "Damages") to the extent arising from: (i) any of the obligations, liabilities or debts of the Company or the Surgery Center; or (ii) the performance of this Agreement as long as the actions of such Manager Indemnified Party in the performance of this Agreement were taken in good faith and such Manager Indemnified Party reasonably believed such actions to be within the scope of its, his or her authority under this Agreement or the BAA and except to the extent

arising in connection with or resulting from the willful misconduct, gross negligence, fraud, illegal activity or breach of any such agreement by the Manager Indemnified Party seeking indemnification. If the Company does not believe a Manager Indemnified Party's actions were taken in good faith and/or the Manager Indemnified Party did not reasonably believe the actions were within its, his or her authority under any of the aforementioned agreements, then the matter shall be submitted to the dispute resolution procedures set forth in Section 21 and the Company shall have no obligations under this Section 6(d) unless or until it agrees or it is determined the actions were taken in good faith and/or such belief was reasonable.

(e) The indemnity obligation of any party providing indemnity hereunder to any party seeking indemnification shall be reduced by any insurance recovery received by the indemnified party with respect to the claim for which it is seeking indemnity and, if such recovery is received after a claim for indemnity has been paid by the indemnifying party, the indemnified party shall remit such insurance recovery to the indemnifying party to the extent it had previously paid such indemnity.

(f) The provisions of this Section 6 will survive the termination or nonrenewal of this Agreement for any reason.

**7. Default**. The following events with respect to a Party shall each constitute a "Default" by such Party under this Agreement:

(a) any failure by such Party to perform any of its covenants or obligations under this Agreement in any material respect, provided, however, in the case of Manager, if Manager diligently seeks to remedy such failure as soon as practicable, then a Default shall not occur unless Manager fails to remedy such failure within 60 days after delivery to Manager by the Company of a written notice specifying such failure;

(b) such Party: (i) commences any case, proceeding or other action under any Bankruptcy Laws seeking (A) to have an order for relief entered with respect to such Person, (B) to adjudicate such Party as bankrupt or insolvent, (C) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to such Party or its debts, or (D) appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of such Party's assets; or (ii) makes a general assignment for the benefit of its creditors. For purposes hereof, "Bankruptcy Laws" means Title 11 of the United States Code, as amended from time to time, or any similar federal or state law for the relief of debtors, and all other liquidation, bankruptcy, assignment for the benefit of creditors, conservatorship, moratorium, receivership, insolvency, rearrangement, reorganization or similar debtor relief laws of the United States or other applicable jurisdiction in effect from time to time;

(c) there is commenced against such Party in an court of competent jurisdiction any case, proceeding or other action of a nature referred to in the foregoing Section 8(b) which (i) results in the entry of an order for any such relief or any such adjudication or

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appointment or (ii) remains undismissed, undischarged, unstayed or unbonded for 60 days from and after the date of entry thereof;

(d) there is commenced against such Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of such Party's assets which results in the entry of an order for any such relief which has not been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof;

(e) such Party generally does not, or is unable to, or admits in writing its ability to, pay its debts as they become due;

(f) such Party or any of its affiliates or its or their representatives takes any action in furtherance of, or indicating such Party's consent to, approval of, or acquiescence in, any of the acts set forth in the foregoing Sections 7(b), (c) and (d);

(g) the exclusion of such Party from participation in any federal health care program;

(h) such Party is found by a judgment of a court of competent jurisdiction to have violated the Federal False Claims Act, the Stark Law or the Anti-Kickback statute or becomes subject to a Corporate Integrity Agreement by CMS;

(i) such Party is convicted of, or pleads guilty (or nolo contendere) to, a felony; or

(j) an indictment or other formal charge is brought against such Party alleging commission by such Party of a felony in connection with the performance of its obligations under this Agreement.

**8. Competitive Services**. It is hereby acknowledged that Manager and its affiliates are currently in the business of owning, developing, managing and operating ambulatory surgery centers and other health facilities, and providing ambulatory surgery center management services apart from the services that Manager will provide to the Company under this Agreement. It is further acknowledged that MultiCare and Manager are members of MultiCare Atlas JV LLC ("JVCO"), an entity formed to jointly own and operate ambulatory surgery centers. Except as otherwise restricted by the JVCO operating agreement, nothing in this Agreement shall prohibit Manager or any of its affiliates from owning, developing, managing and operating other ambulatory surgery centers, surgical hospitals or other health facilities or from providing such management services.

**9. Assignment**. Manager shall not have the right to assign its rights or delegate its duties hereunder to any organization unless it first obtains the written consent of the Company. All of the terms, provisions, covenants, conditions and obligations of this Agreement shall be binding on and inure to the benefit of the successors and assigns of the Parties hereto (including

for purposes hereof, the Manager Indemnified Parties, each of which may enforce the provisions of Section 6(c) hereof in its, his or her own name and right).

**10. Notices**. Except as otherwise expressly permitted herein, all notices required or permitted to be given hereunder shall be in writing and shall be deemed effective upon receipt by the person or entity to which such notice is sent. Notices must be delivered personally, by commercial carrier, by fax with a machine generated confirmation sheet or by registered or certified mail, postage prepaid, addressed to a party as stated below, unless changed by written notice given by either Party to the other pursuant hereto.

Notices shall be given to the Company at the following address:

MEC Yakima, LLC
3909 Creekside Loop
Yakima, WA 98902
Attention: Chairman

and shall be given to Manager at the following address:

Atlas Healthcare Partners, LLC
2355 East Camelback Road, Suite 700
Phoenix, AZ 85016
Attention: President

**11. Books and Records**.

(a) The Manager shall make books and records maintained by it on behalf of the Company available during normal business hours to managers, officers and other authorized persons acting on behalf of the Company who may examine and make copies of such books and records at the expense of the Company.

(b) The Parties will retain all records relating to this Agreement for any period as is necessary to comply with all laws and the rules of any governmental agency. If this Agreement is determined at any time during its term to be subject to the provisions of 42 Code of Federal Regulations, or any successor regulation which governs access to books and records of subcontractors of services to Medicare providers with a value or cost of $10,000 or more during a 12-month period, then Manager and its subcontractors shall make available, upon the request of the Secretary of Health and Human Services or the Comptroller General, the contracts, books, documents, and records necessary to verify the nature and extent of the cost of providing Medicare services under this Agreement, if any; provided, however, that any applicable attorney-client, accountant-client or other legal privilege shall not be deemed waived by virtue of this Section 12(b). Such inspection shall be available up to four years after the rendering of such services.

**12. Status of the Parties**. Manager shall be an independent contractor and shall not be subject to any right of control, or any control in fact, by the Company over the methods by which

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it carries out its duties in accordance with the provisions of this Agreement. Neither this Agreement nor the exercise of any of the duties of the Company or Manager hereunder shall be deemed to create any type of partnership, joint venture, association or other relationship between the Parties hereto other than that of independent contractors each as to the other.

**13. Attorneys' Fees**. If any action at law or in equity is brought to enforce any of the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys', fees and costs in addition to any other relief. The prevailing Party shall be determined in accordance with the totality of the circumstances standard.

**14. Entire Agreement; Amendment.**

(a) This Agreement, along with the BAA, constitutes the entire agreement among the Parties with respect to the management of the Surgery Center and supersedes any and all prior agreements, either oral or written, between the Parties with respect thereto. No amendment to this Agreement shall be effective unless in a writing executed on behalf of each Party.

(b) Notwithstanding the foregoing, if the Company expects to provide services to enrollees of Medicare Advantage, the Parties agree to enter into a Medicare Advantage Contract Amendment in the form attached hereto as Exhibit B.

**15. Governing Law; Venue**. This Agreement shall be governed by and construed in accordance with Washington law, without regard to its conflicts of law principles.

**16. Enforceability**. If any provision of this Agreement or the application thereof to any Person or circumstance is held or agreed to be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to other Persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law, so long as the essential benefits expected from this Agreement remain enforceable.

**17. Waiver**. No consent or waiver, express or implied, by either Party to or of any breach or default by the other Party in the performance of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Party of the same or any other obligations of such Party hereunder. Failure on the part of either Party to complain of any act or failure to act of the other Party or to declare the other Party in default, irrespective of how long such failure continues, shall not constitute a waiver by a Party of its rights hereunder.

**18. Interpretation of Agreement**. The Parties acknowledge and agree that this Agreement has been negotiated at arm's length and between parties equally sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law or legal decision that would require interpretation of any ambiguities in this Agreement against the Party that drafted it is not applicable and is hereby waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intent of the Parties as set forth in this Agreement.

**19. Counterparts**. This Agreement may be executed in multiple counterparts which, when taken together, shall constitute one instrument. Signatures transmitted by e-mail (.pdf) or facsimile shall be accepted as original signatures.

**20. Compliance**.

(a) The Parties agree that, in order to comply with the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (HIPAA) and regulations promulgated thereunder by the U.S. Department of Health and Human Services, Manager and its affiliates shall meet all requirements and obligations of the "Business Associate" contained in the BAA, which is incorporated herein by this reference.

(b) The Parties agree to conduct their relationship and in providing the services in full compliance with all applicable state, federal and local laws and regulations, including, but not limited to, the federal Anti-Kickback Statute. The Parties agree that no part of this Agreement shall be construed to induce or encourage the referral of patients or the purchase of health care services or supplies. The Parties acknowledge that there is no requirement under this Agreement or any other agreement between Manager or any affiliate thereof and the Company or the Surgery Center that any party refer any patients to any health care provider or purchase any health care goods or services from any source. Additionally, no payment under this Agreement is in return for the referral of patients.

(c) Manager shall, in accordance with the requirements of applicable state law, preserve the confidentiality of the medical records of all patients served by the Surgical Center and shall use the information in such records solely for the limited purposes necessary to perform its obligations hereunder.

(d) Neither Manager nor the Company will discriminate on the basis of race, color, sex, age, religion, national origin, or handicap in providing services under this Agreement or in the selection, hiring, placement, or management of employees or independent contractors as proscribed by any applicable local, state or federal law.

**21. Dispute Resolution**. Except with respect to a Party seeking injunctive or other equitable relief, the Parties shall first attempt to resolve any dispute arising under or relating to this Agreement (a "Dispute") through good faith and reasonably continuous negotiations escalating through their respective management teams. In the event a Dispute is not resolved by the Parties within thirty (30) days of the commencement of such negotiations, then the Dispute will be submitted to JAMS ("JAMS") for binding arbitration and prompt resolution pursuant to the Federal Arbitration Act (Title 9 of the United States Code) and the JAMS's published Comprehensive Arbitration Rules & Procedures (the "JAMS Rules") in effect on the date of this Agreement. Arbitration shall be before a single arbitrator. The Parties shall attempt to mutually select the arbitrator. In the event they are unable to mutually agree, the arbitrator shall be selected according to the JAMS Rules. Each Party undertakes to carry out the award of the arbitrator without delay. Each Party agrees that the provisions of this Section 21 provide the exclusive remedy with respect to any Dispute, and such Party shall be bound by the results of arbitration pursuant to this Section 22. EACH PARTY EXPRESSLY ACKNOWLEDGES AND AGREES THAT BY THIS

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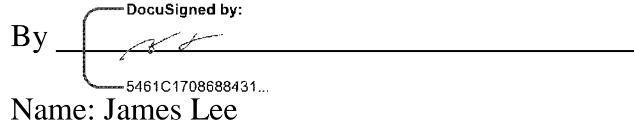
PROVISION SUCH PARTY IS WAIVING AND RELINGQUISHING ITS RIGHT TO A JURY TRIAL IN ANY AND ALL DISPUTES BETWEEN THE PARTIES RELATING TO THIS AGREEMENT. Each arbitration hearing will be held in Washington. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the foregoing, each Party shall be entitled to seek injunctive or other equitable relief from any court of competent jurisdiction, without the need to resort to arbitration.

*[Signatures on following page]*

IN WITNESS WHEREOF, each Party hereto has caused this Management Agreement to be duly executed on its behalf as of the day and year first above written.

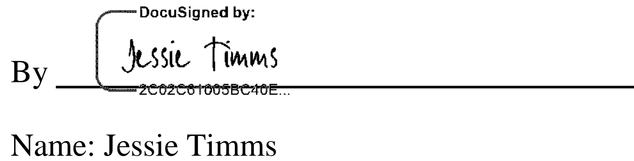
**MEC YAKIMA, LLC**

By 

Name: James Lee

Title: EVP, Population-Based Care and CFO, MultiCare Health System, sole member of MEC Yakima, LLC

**ATLAS HEALTHCARE PARTNERS, LLC**

By 

Name: Jessie Timms

Title: Market President

[Signature Page to Management Agreement]

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# EXHIBIT A

# BUSINESS ASSOCIATE ADDENDUM

This Business Associate Addendum (this "Addendum") is entered into as of the signature dates set forth below, to be effective on a date even with the effective date ("Effective Date") of that certain Agreement (the "Agreement") between Atlas Healthcare Partners, LLC ("Business Associate") and MEC Yakima, LLC (the "Company"). This Addendum shall supersede and replace any existing business associate agreements or addendum(s) by and between the parties to this Addendum, relating to the subject matter of the Agreement.

The Company and Business Associate mutually agree to modify the Agreement to incorporate the terms of this Addendum to comply with the requirements of the implementing regulations at 45 Code of Federal Regulations ("C.F.R.") Parts 160-64 for the Administrative Simplification provisions of Title II, Subtitle F of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA").

The parties further agree that Business Associate will function as a "business associate" of the Company and the Company will function as a "covered entity" as those terms are defined in 45 C.F.R. § 160.103.

**1.** **Definitions.** The terms "Electronic Protected Health Information" and "Protected Health Information" have the meanings set out in 45 C.F.R. § 160.103. The term "Unsecured Protected Health Information" has the meaning set forth at 45 C.F.R. § 164.402. The term "Required by Law" has the meaning set out in 45 C.F.R. § 164.103. The term "Treatment" has the meaning set out in 45 C.F.R. § 164.501. The term "Authorization" has the meaning set out in 45 C.F.R. § 164.508. Designated Record Set will have the meaning set out at 45 C.F.R. § 164.501. The term "Subcontractor" has the meaning set out in 45 C.F.R. § 160.103. The term "Breach" will have the meaning set out at 45 C.F.R. § 164.402.

**2.** **Privacy of Protected Health Information.**

**a)** **Permitted Uses and Disclosures.** Business Associate is only permitted to use and disclose Protected Health Information, whether in paper form or in electronic form, that it creates or receives on the Company's behalf or receives from the Company (or another business associate of the Company) and to request Protected Health Information on the Company's behalf (collectively, "the Company's Protected Health Information") as follows:

**i.** **Functions and Activities on the Company's Behalf.** To perform functions, activities, services, and operations on behalf of the Company as specified in the Agreement.

**ii.** **Business Associate's Operations.** For Business Associate's proper management and administration or to carry out Business Associate's legal responsibilities, provided that, with respect to disclosure of the Company's Protected Health Information, either:

**A)** The disclosure is Required by Law; or

**B)** Business Associate obtains reasonable assurance, evidenced by written contract, from any third party person or entity to which Business Associate will disclose the Company's Protected Health Information that the person or entity will:

**1)** Hold the Company's Protected Health Information in confidence and use or further disclose the Company's Protected Health Information only for the purpose for which Business Associate disclosed the Company's Protected Health Information to the person or entity or as Required by Law; and

**2)** Promptly notify Business Associate (who will in turn notify the Company in accordance with Sections 4(a) and 4(b) (Privacy/Security Breach Investigation and Reporting) of this Addendum) of any instance of which the person or entity becomes aware in which the confidentiality of the Company's Protected Health Information was breached.

**iii.** **Data Aggregation**. In accordance with 45 CFR 164.504(e)(2)(i)(B), Business Associate may use PHI to provide data aggregation services if and only to the extent such data aggregation is necessary for Business Associate to carry out the functions, activities, services, and operations on behalf of the Company as specified in the Agreement.

**b)** **Minimum Necessary.** Business Associate will, in its performance of the functions, activities, services, and operations specified in Section 2(a) (Permitted Uses and Disclosures) above, make reasonable efforts to use, to disclose, and to request of the Company only the minimum amount of the Company's Protected Health Information reasonably necessary to accomplish the intended purpose of the use, disclosure or request, except that Business Associate will not be obligated to comply with this minimum necessary limitation with respect to:

**i.** Disclosure to or request by a health care provider for Treatment;

**ii.** Use for or disclosure to an individual who is the subject of the Company's Protected Health Information, or that individual's personal representative;

**iii.** Use or disclosure made pursuant to an Authorization that is signed by an individual who is the subject of the Company's Protected Health Information to be used or disclosed, or by that individual's personal representative;

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**iv.** Disclosure to the United States Department of Health and Human Services ("DHHS") in accordance with Section 7(a) (Inspection of Internal Books, Practices and Records) of this Addendum;

**v.** Use or disclosure that is Required by Law; or

**vi.** Any other use or disclosure that is excepted from the minimum necessary limitation as specified in the Privacy Rule (as hereinafter defined).

**c)** **Prohibition on Unauthorized Use or Disclosure.** Business Associate will neither use nor disclose the Company's Protected Health Information, except as permitted or required by this Addendum or in writing by the Company or as Required by Law. This Addendum does not authorize Business Associate to use or disclose the Company's Protected Health Information in a manner that would violate 45 C.F.R. Part 164, Subpart E "Privacy of Individually Identifiable Health Information" ("Privacy Rule") if done by the Company, except as set forth in Section 2(a)(ii) (Business Associates Operations) of this Addendum.

**d)** **Information Safeguards.**

**i.** **Privacy of the Company's Protected Health Information**. Business Associate will develop, implement, maintain, and use appropriate administrative, technical, and physical safeguards to protect the privacy of the Company's Protected Health Information. The safeguards must reasonably protect the Company's Protected Health Information from any intentional or unintentional use or disclosure in violation of the Privacy Rule and limit incidental uses or disclosures made pursuant to a use or disclosure otherwise permitted by this Addendum**.**

**ii.** **Security of the Company's Protected Health Information**. Business Associate will use reasonable and appropriate safeguards, and comply with Subpart C of 45 CFR Part 164 with respect to the Company's Electronic Health Information, to prevent use or disclosure of that Electronic Protected Health Information other than as provided for by the Agreement.

**e)** **Subcontractors.** Business Associate will require any of its Subcontractors, to which Business Associate is permitted by this Addendum or in writing by the Company to disclose the Company's Protected Health Information, to agree, as evidenced by written contract, that such Subcontractor will comply with the same privacy and security safeguard obligations with respect to the Company's Protected Health Information that are applicable to Business Associate under this Addendum.

**3.** **Individual Rights.**

**a)** **Access.** Business Associate will, within five (5) days following the Company's request, make available to the Company or, at the Company's direction, to an individual (or the individual's personal representative) for inspection and obtaining

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copies, the Company's Protected Health Information, in a Designated Record Set, about the individual that is in Business Associate's custody or control.

b) **Amendment.** Business Associate will, upon receipt of written notice from the Company, promptly amend, or permit the Company access to amend, any portion of the Company's Protected Health Information.

c) **Disclosure Accounting.** So that the Company may meet its disclosure accounting obligations under the Privacy Rule:

i. **Disclosures Subject to Accounting.** Business Associate will record the information specified in Section 3(c)(iii) (Disclosure Information) below ("Disclosure Information") for each disclosure of the Company's Protected Health Information, not excepted from disclosure accounting as specified in Section 3(c)(ii) (Disclosures Not Subject to Accounting) below, that Business Associate makes to the Company or to a third party.

ii. **Disclosures Not Subject to Accounting.** Business Associate will not be obligated to record Disclosure Information or otherwise account for disclosures of the Company's Protected Health Information that are expressly excluded from such disclosure accounting requirement as set forth at 45 C.F.R. § 164.528(a)(1).

iii. **Disclosure Information.** With respect to any disclosure by Business Associate of the Company's Protected Health Information that is not excepted from disclosure accounting by Section 3(c)(ii) (Disclosures Not Subject to Accounting) above, Business Associate will record the following Disclosure Information as applicable to the type of accountable disclosure made:

A) **Disclosure Information Generally.** Except for repetitive disclosures of the Company's Protected Health Information as specified in Section 3(c)(iii)(B) (Disclosure Information for Repetitive Disclosures) below, the Disclosure Information that Business Associate must record for each accountable disclosure is (1) the disclosure date, (2) the name and (if known) address of the entity to which Business Associate made the disclosure, (3) a brief description of the Company's Protected Health Information disclosed, and (4) a brief statement of the purpose of the disclosure.

B) **Disclosure Information for Repetitive Disclosures.** For repetitive disclosures of the Company's Protected Health Information that Business Associate makes for a single purpose to the same person or entity (including the Company), the Disclosure Information that Business Associate must record is either (1) the Disclosure Information specified in Section 3(c)(iii)(A) (Disclosure Information Generally) above for each accountable disclosure; or

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(2) the Disclosure Information specified in Section 3(c)(iii)(A) (Disclosure Information Generally) above for the first of the repetitive accountable disclosures, the frequency, periodicity, or number of the repetitive accountable disclosures, and the date of the last of the repetitive accountable disclosures.

**iv.** **Availability of Disclosure Information.** Business Associate will maintain the Disclosure Information for at least six (6) years following the date of the accountable disclosure to which the Disclosure Information relates. Business Associate will make the Disclosure Information available to the Company within thirty (30) days following the Company's request for such Disclosure Information to comply with an individual's request for disclosure accounting.

**d)** **Restriction Agreements and Confidential Communications.** Business Associate will comply with any reasonable agreement that the Company makes that either (i) restricts use or disclosure of the Company's Protected Health Information, or (ii) requires confidential or alternate methods of communication about the Company's Protected Health Information, provided that the Company notifies Business Associate in writing of the restriction or confidential or alternate communication obligations that Business Associate must follow. The Company will promptly notify Business Associate in writing of the termination of any such restriction agreement or confidential or alternate communication requirement and, with respect to termination of any such restriction agreement, instruct Business Associate whether any of the Company's Protected Health Information will remain subject to the terms of the restriction agreement.

**4.** **Privacy/Security Breach Investigations and Reporting**.

**a)** Business Associate will promptly and thoroughly investigate any suspected Breach of the Company's Unsecured Protected Health Information not permitted by this Addendum, or applicable state and/or federal law.

**b)** Business Associate will notify the Company's HIPAA Privacy Office at the address provided below regarding a Breach of the Company's Unsecured Protected Health Information (a "Privacy Event") without unreasonable delay, but in no event later than three (3) calendar days of discovering that a Breach occurred, regardless if such Privacy Event is discovered by Business Associate or by any Subcontractor of Business Associate. Additionally, Business Associate will use its best efforts to assist with the Company's breach investigation by making a timely written report to the Company's HIPAA Privacy Office on any substantiated investigation of the Privacy Event. Business Associate will include as much of the information described in Sections 4(c)(i) through 4(c)(viii) (Privacy/Security Breach Investigations) below as is available at the time the report is written, and will supplement the report with additional information once that information is known. For purposes of this paragraph, a Breach shall be treated as discovered as of the

first day on which the Breach is known or should reasonably have been known to Business Associate.

**c)** Business Associate's initial written report concerning a Privacy Event will, at a minimum:

(i) a description of what happened, including the date of the Breach and the date of the discovery and who committed the Breach,

(ii) the types of unsecured PHI involved in the Breach,

(iii) any steps individuals should take to protect themselves from potential harm from the HIPAA Breach, and

(iv) what Business Associate is doing to investigate the Breach, to mitigate harm to individuals, and to protect against any further Breaches.

(v) Provide any other information to the Company as the Company may request to fulfill its reporting obligations to an affected individual as required under 45 C.F.R. § 164.410.

**5. Other Business Associate Obligation.** To the extent Business Associate is to carry out the Company's obligation under the Privacy Rule, Business Associate will comply with the requirements applicable to the obligation.

**6. Termination of Agreement.**

**a) Right to Terminate for Breach.** The Company may terminate the Agreement if it determines, in its sole discretion that Business Associate has breached any provision of this Addendum and if, upon written notice to Business Associate of the breach, Business Associate fails to cure the breach within thirty (30) days after receipt of the notice. The Company may exercise this right to terminate the Agreement by providing Business Associate written notice of termination, stating the failure to cure the breach of this Addendum that provides the basis for the termination. Any such termination will be effective immediately or at such other date specified in the Company's notice of termination.

**b) Termination of Addendum on Conclusion of Agreement.** This Addendum will terminate upon termination or other conclusion of the Agreement.

**i. Obligations on Termination.**

**A) Return or Destruction of the Company's Protected Health Information as Feasible.** Upon termination or other conclusion of the Agreement, Business Associate will, if feasible, return to the Company or destroy all of the Company's Protected Health Information in whatever form or medium, including all copies

thereof and all data, compilations, and other works derived therefrom that allow identification of any individual who is a subject of the Company's Protected Health Information. Business Associate will require any Subcontractor, to which Business Associate has disclosed the Company's Protected Health Information as permitted by Section 2(e) (Subcontractors) of this Addendum, to, if feasible, return to Business Associate (so that Business Associate may return it to the Company) or destroy all of the Company's Protected Health Information in whatever form or medium received from Business Associate, including all copies thereof and all data, compilations, and other works derived therefrom that allow identification of any individual who is a subject of the Company's Protected Health Information, and certify on oath to Business Associate that all such information has been returned or destroyed. Business Associate will complete these obligations as promptly as reasonably possible, but not later than thirty (30) days following the effective date of the termination or other conclusion of the Agreement.

**B)** **Procedure When Return or Destruction Is Not Feasible.** Business Associate will identify any of the Company's Protected Health Information, including any that Business Associate has disclosed to Subcontractors as permitted by Section 2(e) (Subcontractors) of this Addendum, that cannot feasibly be returned to the Company or destroyed and explain to the Company's satisfaction why return or destruction is infeasible. Business Associate will limit its further use or disclosure of such information to those purposes that make return or destruction of such information infeasible. Business Associate will, by its written contract with any Subcontractor to which Business Associate discloses the Company's Protected Health Information as permitted by Section 2(e) (Subcontractors) of this Addendum, require such Subcontractor to limit its further use or disclosure of the Company's Protected Health Information that such Subcontractor cannot feasibly return or destroy to those purposes that make the return or destruction of such information infeasible. Business Associate will complete these obligations as promptly as reasonably possible, but not later than thirty (30) days following the effective date of the termination or other conclusion of the Agreement.

**C)** **Continuing Privacy and Security Obligation.** Business Associate's obligation to protect the privacy and safeguard the security of the Company's Protected Health Information as specified in this Addendum will be continuous and survive termination, assignment of, or other conclusion of the Agreement and this Addendum.

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**7. General Provisions.**

**a) Inspection of Internal Practices, Books, and Records.** Business Associate will make its internal practices, books, and records relating to its use and disclosure of the Company's Protected Health Information available to the Company and to DHHS to determine the Company and Business Associate's compliance with the Privacy Rule.

**b) Amendment**. The parties agree to take such action as is necessary to amend this Addendum from time to time as is necessary for compliance with the requirements of HIPAA and any other applicable law.

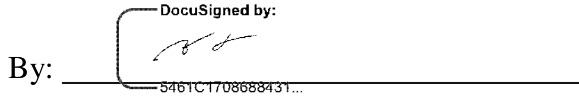
**c) Conflicts.** The terms and conditions of this Addendum will override and control any conflicting term or condition of the Agreement. All non-conflicting terms and conditions of the Agreement remain in full force and effect.

[Signature Page to Follow.]

IN WITNESS WHEREOF, as of the Effective Date the Company and Business Associate have executed this Addendum individually or by signature of each party's duly authorized representative.

**The Company:**

**MEC Yakima, LLC**

By: 

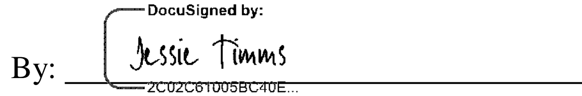
Name: James Lee

Its: EVP, Population-Based Care and CFO, MultiCare Health System, sole member of MEC Yakima, LLC

Date: 4/25/2024

**Business Associate:**

**Atlas Healthcare Partners, LLC**

By: 

Name: Jessie Timms

Its: Market President

Date: 5/16/2024

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# EXHIBIT B

## MEDICARE ADVANTAGE REQUIREMENTS

Definitions:

"Centers for Medicare and Medicaid Services" or "CMS": the agency within the Department of Health and Human Services that administers the Medicare program.

"Completion of Audit": completion of audit by the Department of Health and Human Services, the Government Accountability Office, or their designees of a Medicare Advantage Organization, Medicare Advantage Organization contractor or related entity.

"Downstream Entity": any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the MA benefit, below the level of the arrangement between an MA organization (or applicant) and a first-tier entity. These written arrangements continue down to the level of the ultimate provider of both health and administrative services.

"Final Contract Period": the final term of the contract between CMS and the Medicare Advantage Organization.

"First Tier Entity": any party that enters into a written arrangement, acceptable to CMS, with an MA organization or applicant to provide administrative services or health care services for a Medicare eligible individual under the MA program.

"Medicare Advantage" or "MA": an alternative to the traditional Medicare program in which private plans run by health insurance companies provide health care benefits that eligible beneficiaries would otherwise receive directly from the Medicare program.

"Medicare Advantage Organization" or "MA organization") a public or private entity organized and licensed by a State as a risk-bearing entity (with the exception of provider-sponsored organizations receiving waivers) that is certified by CMS as meeting the MA contract requirements.

"Member" or "Enrollee": a Medicare Advantage eligible individual who has enrolled in or elected coverage through a Medicare Advantage Organization.

"Provider": (1) any individual who is engaged in the delivery of health care services in a State and is licensed or certified by the State to engage in that activity in the State; and (2) any entity that is engaged in the delivery of health care services in a State and is licensed or certified to deliver those services if such licensing or certification is required by State law or regulation.

"Related entity": any entity that is related to the MA organization by common ownership or control and (1) performs some of the MA organization's management functions under contract or delegation; (2) furnishes services to Medicare enrollees under an oral or written agreement; or (3) leases real property or sells materials to the MA organization at a cost of more than $2,500 during a contract period.

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Required Provisions

First Tier, Downstream, and Related Entities agree:

1. HHS, the Comptroller General, or their designees have the right to audit, evaluate, and inspect any pertinent information for any particular contract period, including, but not limited to, any books, contracts, computer or other electronic systems (including medical records and documentation of the first tier, downstream, and entities related to CMS' contract with Company through 10 years from the final date of the final contract period of the contract entered into between CMS and the MA organization or from the date of completion of any audit, whichever is later. [42 C.F.R. §§ 422.504(i)(2)(i) and (ii)]

2. To comply with the confidentiality and enrollee record accuracy requirements, including: (1) abiding by all Federal and State laws regarding confidentiality and disclosure of medical records, or other health and enrollment information, (2) ensuring that medical information is released only in accordance with applicable Federal or State law, or pursuant to court orders or subpoenas, (3) maintaining the records and information in an accurate and timely manner, and (4) ensuring timely access by enrollees to the records and information that pertain to them. [42 C.F.R. §§ 422.504(a)(13) and 422.118]

3. Enrollees will not be held liable for payment of any fees that are the legal obligation of the MA organization. [42 C.F.R. §§ 422.504(i)(3)(i) and 422.504(g)(1)(i)]

4. Any services or other activity performed in accordance with a contract or written agreement by a First Tier, Downstream, or Related Entity shall be consistent and comply with the MA organization's contractual obligations. [42 C.F.R. § 422.504(i)(3)(iii)]

5. First Tier, Downstream, and any Related Entities, including contractors or subcontractors will comply with all applicable Medicare laws, regulations, and CMS instructions. [42 C.F.R. §§ 422.504(i)(4)(v)]

6. If any of the MA organization's activities or responsibilities under its contract with CMS are delegated to any First Tier, Downstream, and Related Entity:

    a. CMS and the MA organization reserve the right to revoke the delegation activities and reporting requirements or to specify other remedies in instances where CMS or the MA organization determine that such parties have not performed satisfactorily.

    b. The MA organization will monitor the performance of the parties on an ongoing basis.

    c. If the MA organization delegates the selection of providers, contractors, or subcontractor, the MA organization retains the right to approve, suspend, or terminate any such arrangement. [42 C.F.R. §§ 422.504(i)(4) and (5)]

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# SCHEDULE 1

# SCOPE OF SERVICES

1. **Operations Management:** The Manager will implement and use the Atlas ASC operating model to manage and oversee the day-to-day operations of the ASC. Such operating model consists of four separate but related areas of operations that build upon each other to create an ASC with a culture that is focused on service to physicians and patients, executing on growth strategies and achieving profitability.

    a. **CULTURE:** Culture is the foundation of the Atlas operating model. Manager will provide services to promote leadership effectiveness and employee engagement to drive a continuous focus on optimizing the culture at the ASC.

        i. **Leadership:** Manager will provide direction to the ASC CEO and oversee the day-to-day operations of the ASC.

            1. Manager shall be responsible for managing an ASC chief executive officer as the administrative lead for the ASC (the "ASC CEO") and the ASC CEO will report directly to a Manager Regional Vice President. If the ASC CEO needs to be selected or replaced, Manager will identify candidates and make recommendations with respect thereto to the ASC Management Board. The ASC Management Board must approve a candidate before the Manager hires such candidate as the ASC CEO.

            2. Working through the ASC CEO, Manager, Manager will be responsible for hiring and managing the ASC management team, including the Director of Nursing ("DON"), the Business Office Manager ("BOM"), the Materials Manager ("MM") and the Scheduler. The ASC Management Team will report directly to the ASC CEO.

            3. Working through the ASC Management Team, Manager will be responsible for hiring and managing employees in their respective areas; Clinical Operations, Business Officer, Supply Chain and Scheduling. Manager's employees will be eligible to provide services in a licensed ambulatory surgery center under the laws and regulations applicable to the jurisdiction in which Company does business.

            4. Manager will identify Medical Director candidates and make recommendations with respect thereto to the ASC Management Board. The ASC Management Board must approve candidate before Manager engages such candidate as the ASC Medical Director. The Manager will oversee the performance of the ASC Medical Director on an ongoing basis.

ii. **Employee Engagement:** Manager will oversee and promote employee engagement by monitoring and managing leadership effectiveness and culture.

1. Manager will administer an employee engagement survey to assess leadership effectiveness and overall ASC culture.

2. The results of the survey will be analyzed and used to create an annual employee engagement plan aimed at improving the leadership effectiveness and culture in all areas needing improvement. The ASC CEO will be responsible for managing the annual plan.

b. **SERVICE:** The ASC provides an important service to physicians and their patients.

i. **Physician Customer Service:** The Manager will oversee the customer service provided to physicians utilizing the ASC including reporting on service metrics to the ASC Management Board and providing training and development to ASC non-physician staff.

1. The Manager will measure and track efficiency metrics including on-time starts, turnover time, block utilization, scheduling and other metrics as directed by the ASC Management Board. The Manager, will provide reports on same to the ASC Management Board including a plan to address areas needing improvement.

2. The Manager will also provide customer service training and development to all non-physician staff of the ASC.

ii. **Quality:** The Manager shall be responsible for implementing and monitoring ASC policies and procedures, providing regulatory support and reporting on the overall quality of care at the ASC to the ASC Management Board.

1. The Manager will develop, implement and update policies and procedures for the operation of the ASC.

2. The Manager will oversee the work necessary to obtain the appropriate licensure, Medicare certification and accreditation of the ASC in order for the ASC to do business and be reimbursed for services provided at the ASC. Specifically, Manager will assist the ASC to obtain and maintain all required permits, licenses, certifications and accreditations. Additionally, the Manager will provide subject matter expertise and leadership to prepare the ASC for surveys, interact with the surveyors and to respond to all survey reports.

3. The Manager will develop and implement regular quality reporting, provide industry benchmarks and oversee ongoing quality improvement plans.

4. **MEDICAL STAFF CREDENTIALING SERVICES ARE NOT INCLUDED AS MANAGEMENT SERVICES**: All personnel and direct expenses required for ASC medical staff credentialing are not included in the Management Agreement. Credentialing services are provided through a separate Centralized Services Agreement between the Manager and the ASC**.**

iii. **Patient Safety:** The Manager will assist the ASC in providing and implementing best practice processes, policies and procedures, provide training to employees and implementing monthly reporting to monitor patient safety.

1. The Manager will develop, implement and monitor patient safety specific processes, policies and procedures.

2. The Manager will provide patient safety training to all non-physician staff of the ASC.

3. The Manager will develop and implement regular patient safety reporting, provide industry benchmarks and oversee ongoing patient safety improvement plans.

iv. **Patient Experience:** The Manager will provide and implement processes, providing training to employees and implement monthly reporting to monitor patient experience at the ASC More specifically, Manager shall:

1. Manager will develop, implement and monitor patient experience processes, policies and procedures.

2. Manager will provide patient experience training to all employees of the ASC.

3. Manager will develop and implement regular patient experience reporting, provide industry benchmarks and oversee ongoing patient experience improvement plans.

v. **Peer Review:** The Manager will assist the Management Board and the Medical Executive Committee in developing and implementing best practices for handling of physician peer review and reporting.

c. **GROWTH:** Volume growth, revenue growth and executing on strategic planning creates strong and sustainable partnership returns. The Manager will provide

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strategic leadership and management of business development resources to assist in driving strong volume and revenue growth at the ASC.

i. **Business Development:** The Manager will assist in business development efforts and resources focused on retaining business and earning new business from physicians already on the medical staff and recruiting new physicians to join the medical staff.

1. Manager will, through part-time business development employee(s) of the ASC, manage business development resources, on behalf of the ASC, responsible for maintaining relationships with physicians on staff at the ASC including the physician's office staff. The business development resources will market the service, efficiencies, quality, patient experience, OR time and partnership opportunities at the ASC in an effort to retain and earn business from the physicians on the medical staff. In addition, such business development resources will recruit the physicians to the ASC by marketing the service, efficiencies, quality, patient experience, OR time and partnership opportunities at the ASC.

2. The Manager will provide business development training and technical support to the business development resources.

3. The ASC will reimburse Manager for the direct costs of business development personnel directly providing services on behalf of the ASC and as reasonably allocated between the ASC and other ambulatory surgery centers managed by Manager as described in 2. (b) iii below; provided, that, in no event, shall the Company be responsible for the costs of Manager's Senior Vice President of Strategy and Growth who heads the business development team.

ii. **Partnership Strategy:** Manager will provide advice, recommendations, support and implementation of ASC growth initiatives including service line expansion, evaluation of new service lines and other business development strategies.

1. The Manager will develop growth initiatives and make recommendations to the ASC Management Board including plans, evaluations and other supporting analysis. Once approved by the ASC Management Board as required, the Manager will manage the execution of the growth initiatives and provide reports analyzing the returns and outcomes of the strategies.

iii. **Network Alignment:** The Manager will provide advice, recommendations, support and implementation of strategies to align the ASC with MultiCare and its health care delivery network.

1. Manager will provide network alignment strategies and recommendations to the ASC Management Board including planning, evaluations and other supporting analysis. Once approved by the ASC Management Board as required, Manager will coordinate with MultiCare's health care delivery network to implement the alignment strategies.

d. **PROFITABILITY:** The Manager will provide technical support to optimize ASC financial performance and margins through development and execution of a managed care strategy with cost containment through efficient supply chain management and staffing productivity.

i. **Managed Care Strategy and Support:** Manager, working in conjunction with MultiCare (subject to applicable legal requirements), will assist in developing and implementing a managed care strategy on behalf of the ASC.

1. Manager, working in conjunction and as an equal partner with MultiCare (subject to applicable legal requirements), shall be responsible for the development of the ASC's managed care strategy including review and analysis of commercial contracts (including commercial Medicare and Medicaid products), and providing direction, advice, supervision and assistance to create and implement a sustainable managed care strategy focused on maintaining in-network status with all relevant commercial insurance products in the market at competitive ASC rates. Manager acknowledges MultiCare shall be solely responsible for interacting with payers on behalf of the ASC. The ASC shall compensate MultiCare for such services at commercially reasonable rates.

2. Manager, working in conjunction with MultiCare (subject to applicable legal requirements) shall provide technical managed care support to the ASC including regular managed care reports to the ASC Management Board and supporting analytics.

3. Manager, working in conjunction with MultiCare (subject to applicable legal requirements), will prepare and submit any reports (including cost reports) required by commercial contracts or any authority having jurisdiction over the ASC.

ii. **Supply Chain Management, Procurement and Capital Purchasing:** The Manager will provide capital purchasing and supply chain management oversight and technical support including reporting on supply chain performance and implementation of cost containment opportunities.

DocuSign Envelope ID: 81D8D7AA-9B62-428A-9912-FE218BEAF215

1. The Manager will oversee and monitor the supply chain function at the ASC by providing subject matter expertise and support to the ASC CEO and materials manager ("MM") including development, implementation and oversight of procurement and supply chain policies and procedures, best practice processes, performance reporting and capture of cost containment opportunities.

2. The Manager will assist with the development and implementation of procurement strategies for medical supplies, medications, implants and purchased services including pricing strategies, vendor negotiation support, access to distributor agreement and group purchasing organizations ("GPO") and Manager's master services agreements. Manager shall work cooperatively with MultiCare to identify whether MultiCare's existing supply chain function might be utilized to procure supplies and products at rates that are beneficial to the ASC.

3. The Manager will assist with capital budgeting and purchasing including price and contract term negotiations support and investment analysis.

4. The Manager will provide training, ongoing development and oversight of all materials management employees located at the ASC including the MM.

5. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** The ASC will reimburse Manager for any expenses incurred by Manager on behalf of the ASC including distributor fees, GPO fees, procurement and inventory management information system expenses and other similar expenses directly related to the ASC's supply chain, procurement or capital purchasing. The costs will not be marked up and will be reviewed and reconciled at least annually.

iii. **Staffing Productivity:** The Manager will provide staffing productivity oversight and technical support including reporting on staffing productivity and cost containment. The Manager may also provide contingency staffing services to improve staffing productivity and customer service to physicians and patients while reducing staffing costs.

1. The Manager will oversee and monitor staffing productivity at the ASC by providing subject matter leadership and support to the ASC Facility CEO and DON including oversight of clinical staffing plans, best practice staffing practices and processes, productivity reporting and implementation of cost containment opportunities.

2. As necessary, the Manager will develop and implement a contingency staffing service ("ASC Float Pool") to provide contingency clinical staffing for the ASC. Implementation of the ASC Float Pool will assist the ASC with matching staffing to volume, which increases staffing productivity, improves service to physicians and patients and reduces staffing costs.

3. If applicable, the Manager will provide training, ongoing development and oversight of all float pool employees located at the ASC.

4. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** The ASC will reimburse Manager for the direct costs of providing bonuses, payroll costs, benefits, employment insurance and other costs associated with employment of the contingency staff. The ASC will also reimburse Manager for overhead costs associated with managing and administering the ASC Float Pool (if applicable) including leadership and management personnel costs. Additionally, the ASC will either reimburse Manager or pay a vendor directly for staffing systems and IT costs including implementation costs, license costs, interface costs, training costs and related expenses incurred to manage the ASC Float Pool (if applicable). The costs will not be marked up and will be reviewed and reconciled at least annually.

2. **Support Services:** The Manager will provide services to support efficient and effective ASC operations including information technology support, human resources support and employee staffing, accounting and financial reporting services, risk management services, legal services support, and branding support.

   a. **Information Technology Support:** The Manager will provide exclusive information technology ("IT") oversight and technical support including selecting, implementing, managing and coordinating services related to the IT infrastructure, applications and systems, desktop services and support required for ASC operations.

      i. **ASC Infrastructure Support:** The Manager will design, implement and manage the ASC infrastructure.

         1. The Manager will design, implement and manage the ASC voice and data services and the ASC infrastructure including routers, switches, wireless access points, backup power including UPS systems, employee badge access systems, security systems and similar infrastructure.

         2. The Manager will also provide subject matter expertise and infrastructure support to the ASC in support of ongoing operations.

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ii. **ASC Application and System Support:** The Manager will design, implement and manage the ASC applications and systems.

1. The Manager will design, implement and manage the ASC applications and systems including the patient accounting system ("PAS"), patient registration systems, ASC supply chain management and procurement systems, ASC billing and revenue cycle support systems, ASC Float Pool management systems (if applicable), patient experience and survey systems, human resource information systems ("HRIS"), enterprise resource planning systems ("ERP"), expense report systems, conferencing and internet presentation systems, medical staff credentialing systems, risk management and event reporting systems, contract management systems and other applications and systems required to operate and support the ASC.

2. The Manager will also provide subject matter expertise and application support to the ASC including vendor support coordination.

iii. **ASC Desktop and Hardware Support:** The Manager will design, implement and manage ASC desktop support and hardware.

1. The Manager will design, implement and manage ASC desktop support and hardware including operating system licensing, desktop hardware placement and support, desktop security, desktop management services, printer management and endpoint data security and encryption.

2. The Manager will also provide subject matter expertise and desktop support to the ASC including vendor support coordination in support of ongoing operations.

iv. **DIRECT CAPITAL AND EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** The ASC will reimburse Manager for capital and expenses incurred by Manager on behalf of the ASC including the IT infrastructure, applications and systems, desktop hardware and systems and support costs outlined below. Manager may also extend licenses to the ASC for use of the applications and systems below through a separate agreement requiring the ASC to reimburse Manager for all direct expenses or pay the respective vendors directly for all expenses including interface costs, lease costs, license costs and related expenses. IT development costs related to the expansion of service lines, business process changes and/or ASC construction will also be reimbursed to the Manager at cost. The costs reimbursed to Manager will not be marked up and will be reviewed and reconciled with the ASC Management Board at

least annually. In addition to the foregoing, such costs will include but not be limited to:

1. ASC telecom services including voice and data service, lease costs, license costs and related expenses.

2. ASC infrastructure capital and expenses including routers, switch gear, wireless access points, backup power including UPS systems, employee badge access systems, security systems and similar infrastructure.

3. Accounting systems.

4. ASC Patient Account Systems including implementation costs, license costs, interface costs and related expenses.

5. ASC Patient Registration and Status Systems including implementation costs, license costs, interface costs and related expenses.

6. ASC Supply Chain Management Systems including implementation costs, license costs, interface costs and related expenses.

7. ASC Billing and Revenue Cycle Systems including implementation costs, license costs, interface costs and related expenses.

8. If applicable, ASC Float Pool Management Systems including implementation costs, license costs, interface costs and related expenses.

9. ASC Patient Experience and Survey Systems including implementation costs, license costs, interface costs and related expenses.

10. ASC Human Resources Information Systems including implementation costs, license costs, interface costs and related expenses.

11. ASC Expense Report Systems including implementation costs, license costs, interface costs and related expenses.

12. ASC Conferencing and Internet Presentation Systems including costs, license costs, interface costs and related expenses.

13. ASC Medical Staff Credentialing Systems including implementation costs, license costs, interface costs and related expenses.

14. ASC Desktop Operating Systems including implementation costs, license costs, interface costs and related expenses.

15. ASC Desktop Hardware including capital costs, installation costs, lease costs, license costs and related expenses.

16. ASC Desktop Security including implementation costs, license costs and related expenses.

17. ASC Desktop Management and Desktop Support Services including implementation costs, license costs and related expenses.

18. ASC Printer Management Services including implementation costs, support, consumables costs, lease costs, license costs and related expenses.

19. ASC Endpoint Data Security and Encryption including implementation costs, license costs and related expenses.

20. ASC Risk Management Systems including implementation costs, license costs and related expenses.

21. ASC Contract Management Systems including implementation costs, license costs and related expenses.

b. **Human Resources Support and Employee Staffing Services:** Manager will provide human resources ("HR") oversight and support. Manager will also provide employee staffing services including direct employment and management of all ASC employees, dedicated staff recruiting services, benefit design and administration services, access to and use of a HR information system "HRIS") and employment practices liability and worker's compensation insurance coverage.

i. **HR Oversight and Support:** The Manager will oversee and support human resources at the ASC by providing HR subject matter expertise and technical support to the ASC CEO and management team.

1. The Manager will provide HR leadership and subject matter expertise related to policies and procedures, employee handbooks, job descriptions, compensation structures, performance management processes and systems, leadership development and succession and regulatory and legal support and coordination.

2. The Manager will develop, implement and manage HR policies and procedures, handbooks, job descriptions, compensation structures and performance management.

ii. **Employee Staffing Services:** The Manager will provide Employee Staffing Services including direct employment and management of all ASC

employees, dedicated staff recruiting services, benefit design and administration services, access to and use of a HRIS and staffing and scheduling tools, employment practices liability and worker's compensation liability insurance coverage.

1. Manager will employ all ASC staff including the ASC CEO and Management Team. Except as otherwise provided in the Company operating agreement, Manager will have the authority and responsibility to hire and discharge all non-physician personnel working at the ASC.

2. Manager will provide dedicated recruiting services to the ASC to source and fill staff openings at all levels including the ASC management team, clinical staff, business office staff and supply chain staff.

3. Manager will design and administer employee benefits including health insurance, dental insurance, disability insurance, life insurance, 401K accounts and other competitive fringe benefits.

4. Manager will provide access to and use of a HRIS to assist with employee communication, access to payroll information, access and management of benefits, access and management of training, access and management of performance reviews and other supporting HR functions.

5. Manager will provide employment practices liability and worker's compensation liability insurance for all ASC employees.

iii. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** The ASC will reimburse Manager for all employee expenses and related employment services costs incurred by Manager on behalf of the ASC including the costs outlined below. The costs reimbursed to Manager will not be marked up and will be reviewed and reconciled with the ASC Management Board at least annually. Such costs will include:

1. Direct and indirect personnel costs including salaries, wages, payroll taxes, unemployment taxes, paid time off, leave and all benefit costs of staff utilized by the ASC including contingency and ASC Float Pool staff (if applicable).

2. All bonuses paid to ASC staff according to the Manager's approved bonus plan.

3. Recruiting service costs including personnel costs, payroll costs, occupancy costs, IT costs and external marketing costs allocated based on total FTEs or costs directly incurred by the ASC.

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4. Direct cost of employment practices liability and worker's compensation liability insurance allocated based on total FTEs.

5. Direct costs of salary, bonus, payroll taxes, and unemployment taxes and all benefit costs of business development staff providing services on behalf of the ASC as reasonably allocated between the ASC and other ambulatory surgery centers managed by Manager.

c. **Accounting and Financial Reporting Services:** The Manager will provide accounting and financial reporting services. The Manager will also provide budgeting, monthly operating reviews and analysis, cash management and tax reporting coordination.

i. **Accounting and Financial Reporting Services:** The Manager will provide accounting and financial reporting services including technical supervision and support, maintenance of the ASC general ledger and preparation of financial reports, including monthly and annual financial statements and analysis.

1. Monthly financial statements shall be provided within five business days after the end of each calendar month and annual financial statements shall be provided by February 21 of the following fiscal year.

2. If elected by the Company, annual financial statements will be reviewed or audited by an independent certified public accountant selected by the Manager subject to the approval of the ASC Management Board (which shall not be unreasonably withheld) at the expense of the Company.

ii. **Budgeting Services:** Manager will prepare and present the annual ASC operating and capital budgets for each fiscal year.

1. Manager will complete and present annual operating and capital budgets to the Manager.

2. After approval by the Manager, such budgets will be presented to the ASC Management Board for its approval.

iii. **Monthly Operating Reviews ("MOR") and Analysis:** Manager will hold MORs to measure and optimize the ASC's culture, service, growth and profitability.

1. The Manager will use the MOR to oversee the development and implementation of operational initiatives and priorities including leadership effectiveness, employee engagement, customer service to physicians, quality, patient safety, patient experience, marketing

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strategies, partnership strategy, network alignment strategy, managed care strategy, revenue cycle performance, supply chain performance and staffing productivity.

2. Manager will present the operational initiatives, priorities and analysis to the ASC Management Board for review and implementation.

iv. **Cash Management:** Manager will open and maintain bank accounts on behalf of the ASC and provide cash management support.

1. The Manager will maintain one or more bank accounts for the ASC in which it shall deposit the receipts from the business of the Company. The Manager shall be authorized to make withdrawals from such account to pay any and all ASC and other Company expenses and for distribution to members of the Company in accordance with instructions from the ASC Management Board. Manager may invest ASC funds in connection with its cash management system, as approved and monitored by the ASC Management Board.

v. **Tax Reporting:** Manager shall oversee the engagement of outside tax preparation services and timely tax reporting.

1. Manager will coordinate external tax preparation services on behalf of the ASC and ensure all tax reporting is done in accordance with respective deadlines and requirements.

vi. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** The ASC will reimburse Manager for all expenses related to the use of outside firms and services for financial reviews, audits and tax reporting.

vii. **ACCOUNTS PAYABLE PROCESSING SERVICES ARE NOT INCLUDED AS MANAGEMENT SERVICES**: All personnel and direct expenses required for ASC Accounts Payable Processing Services are not included in the Management Agreement. Accounts payable processing Services are provided through a separate Centralized Services Agreement between the Manager and the ASC.

d. **Risk Management Services:** The Manager will provide risk management support including coordination of insurance coverage and development with MultiCare, implementation and management of risk mitigation strategies, risk event reporting and claims management.

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i. **Insurance Coverage Procurement and Management:** The Manager will negotiate, procure and manage insurance coverage for the ASC in coordination with MultiCare.

ii. **Manager will develop, implement, manage and advise the ASC on risk mitigation strategies, reporting and management of claims.**

1. Manager will develop, implement and manage risk mitigation related policies, procedures and best practice processes.

2. Manager will provide risk mitigation strategies, provide risk event reporting and management of claims on behalf of the ASC.

iii. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR VENDOR(S):** All premiums and other costs of ASC insurance coverage shall be an expense of the Company. The ASC will reimburse Manager will reimburse Manager for all insurance coverage expenses or pay MultiCare or outside vendors directly for the cost of insurance coverage.

e. **Legal Services Support:** Manager will secure and coordinate legal advice and services from outside counsel on behalf of the ASC.

i. **Legal Services Coordination:** Manager will coordinate advice, documentation and other legal services on behalf of the ASC.

1. Manager will coordinate legal advice, documentation and other legal services on behalf of the ASC including physician arrangements and transactions, medical staff issues, vendor contracts, leases, loan documents, regulatory reviews and submittals, litigation, employment law and claims and other legal support as required or requested by the ASC Management Board.

ii. **DIRECT EXPENSE REIMBURSEMENT TO MANAGER OR LEGAL COUNSEL:** All direct ASC legal costs will be the responsibility of the Company. The ASC will reimburse Manager for all legal expenses incurred on its behalf or pay outside legal counsel directly for the cost of legal services and expenses. The Company acknowledges and agrees that outside counsel retained by Manager to provide legal services to the ASC may also provide outside counsel services to Manager.

**f. Branding Support.** Manager, working in conjunction with MultiCare, will develop and deliver brand standards, nomenclature and architecture, and a brand style guide (including color and font guidelines) for the Company.

# Exhibit 9.
# Centralized Services Agreement

# CENTRALIZED SERVICES AGREEMENT

## MEC YAKIMA LLC

THIS CENTRALIZED SERVICES AGREEMENT (this "Agreement") is made and entered into and is effective as of April 1, 2024 by and between ATLAS HEALTHCARE PARTNERS, an Arizona limited liability company ("Atlas"), and MEC YAKIMA LLC, a Washington limited liability company (the "Company"). Atlas and the Company are sometimes referred to individually herein as a "Party" and collectively as the "Parties."

## RECITALS

A. The Company owns and operates an ambulatory surgery center located at 3909 Creekside Loop, Yakima, WA 98902 (the "Surgery Center"). MultiCare Health System ("MultiCare") is the sole member of the Company.

B. Atlas is engaged in the business of developing, and managing ambulatory surgery centers.

C.

D. Company and Atlas are entering into a Management Services Agreement (the "Management Agreement") concurrent with this Agreement

E. Company and Atlas desire to enter into this Agreement in order for Atlas to provide services to the Company relating to (i) coding, billing, collections, medical records management and financial clearance services, (ii) medical staff credentialing, and (iii) accounts payable processing (collectively, the "Services") on the terms and conditions set forth herein and in separate Statements of Work (each a "SOW") attached hereto.

## AGREEMENT

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree to the following terms and conditions:

**1. Services.**

**1.1 Exclusive Engagement of Atlas.** The Company hereby engages Atlas, and Atlas hereby accepts such engagement, to provide services to the Company described in Section 1.2 below (the "Services").

**1.2 Services.** The Services to be provided by Atlas to the Company are described in separate Statements of Work (each a "SOW") which shall identify (a) the specific Services to be provided by Atlas to the Company under such SOW, (b) the deliverables, if any, to be provided by Atlas to Company in connection with such Services, and (c) the compensation to be paid by the Company to Atlas for the Services described in such SOW. The initial SOWs attached hereto describe Services pertaining to (i) revenue cycle management, financial clearance services and accounts payable processing and

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(ii) medical staff credentialing. If the Parties mutually agree that Atlas shall provide additional Services, additional SOWs will be prepared with respect thereto and added as attachments to this Agreement. Each SOW is hereby incorporated into this Agreement.

**1.3 Appointment of Atlas as Company's Attorney-In-Fact**. In connection with the Services to be performed by Atlas on behalf of the Company hereunder, and as described in the SOWs, Company hereby grants to Atlas an exclusive, special power of attorney and appoints Atlas as Company's true and lawful agent and attorney-in-fact, and Atlas hereby accepts such special power of attorney and appointment, solely for the purposes of carrying out its duties and obligations hereunder, including:

(a) To execute and deliver on behalf of the Company all contracts between the Company and any third-party payor that were negotiated consistent with the rights granted in the Management Services Agreement ("MSA");

(b) To bill Company's patients and third-party payors, in Company's name and on Company's behalf, for all claims for payment for all billable goods sold and services provided or arranged by the Surgery Center to patients;

(c) To collect and receive, in Company's name and on Company's behalf, all accounts receivable generated by such billings, and to administer such accounts at its reasonable discretion on Company's behalf, which administration shall include:

(i) extending the time of payment of any such accounts for cash, credit or otherwise;

(ii) discharging or releasing the obligors of any such accounts;

(iii) suing, assigning or selling at a discount such accounts to collection agencies; or

(iv) taking other measures to require the payment of any such accounts.

(d) To deposit all amounts collected into a depository account in the name of Company; and

(e) To take possession of, and to endorse in the name of Company, solely for deposit into Company's bank depository account, any notes, checks, money orders, insurance payments and other instruments received as payment for services provided to patients by the Company.

**2. <u>Compensation of Atlas</u>**.

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**2.1** As compensation for the performance of the Services, Company shall pay Atlas at the rates and upon the terms set forth in each SOW (collectively, the "Service Fees").

**2.2** In addition to the Service Fees, Atlas shall be reimbursed for direct allocable expenses reasonably incurred by Atlas on behalf of the Company without markup. Except as included in the above, Atlas shall not be reimbursed by the Company for any indirect or overhead expenses of Atlas or its affiliates.

**2.3** Company authorizes electronic funds transfers (whether through the Automated Clearing House (ACH) network or otherwise) for the payment of Service Fees from Company's primary checking account to an account designated by Atlas. From the account chosen by Company in Exhibit A, the Service Fees shall be payable via electronic funds transfer from Company's primary checking account, and/or debit card, and/or credit card that is listed in Exhibit A. Funds shall be transferred into an account designated by Atlas. Company is responsible for notifying Atlas in writing at least fourteen (14) days prior to changing form or source of electronic payment.

**3. Company's Responsibilities**. Company shall be responsible for and shall provide the following, and Atlas shall not be responsible for delays in or denials of payment resulting from failure of Company to do so:

**3.1 Information**. Company shall provide Atlas with the information reasonably requested by Atlas from time to time and in possession of Company in connection with Atlas's performance of the Services hereunder, including all payor information, all credentialing files, and all accounts payable history and/or vendor information as may be reasonably required to obtain payment for the services rendered at the Surgery Center.

**3.2 Client Contacts**. Company shall identify one administrative representative, one clinical representative, and one accounting representative to whom Atlas may address all matters related to the Services. Company may change any or all of such representatives by providing written notice of same to Atlas. Each Company representative will provide responses to Atlas inquiries in a reasonably timely manner.

**3.3 Billing, Credentialing and Payables Information**.

(a) Company shall be responsible for securing the access to, and/or obtaining copies of, all information and/or systems needed by Atlas in order for Atlas to perform the Services under this Agreement, including, but not limited to, electronic or paper medical records of patients, credentialing files, payables invoices with relevant backup documentation and related payment and/or transactions or vendor history, or any other information or systems. Company represents and warrants that all information provided by Company to Atlas in relation to the Services being performed by Atlas hereunder, is and will be true and correct in all material respects.

(b) With respect to revenue cycle management and financial clearance Services, the information and/or systems shall include the following:

(i) Patient name, address, telephone number, social security number, date of birth, sex, employer, and insurance information (if any);

(ii) If another party is responsible for or guarantees the patient's charges, as to such responsible party or guarantor, his/her/its name, address, telephone number, social security number, sex, employer, and insurance information (if any);

(iii) Date of service, performing physician(s) and applicable NPIs for the Surgery Center and the performing physician(s), CPT and/or HCPCS codes, and other appropriate diagnostic information, including unique modifiers, if available, relating to the procedures provided at the Surgery Center;

(iv) Workers' compensation information (if applicable to the services provided at the Surgery Center), including date of injury, claim number, MCO's name, copy of worker's compensation report;

(v) Any and all documentation and other information, including among other things, all records requiring physician and/or clinical staff verification and signature, for Atlas to perform CPT and HCPCS, as applicable, coding with required specificity; and

(vi) Any and all other information required by Atlas or third- party payors to process the claim or claims for the services rendered at the Surgery Center.

(c) Company (i) agrees that it shall obtain express written consent of patients, and take such other steps as are necessary to comply with all applicable state and federal laws, in order for Atlas to make phone calls to and/or send text messages or written communications to patients, (ii) agrees that Atlas may rely on such express written consent and (iii) agrees to provide Atlas with prompt written notice of any change in such patient contact information or communication preferences or instructions of which it becomes aware.

**3.4 Signatures**. Company represents and warrants that Atlas may rely on physician signatures on charts and other medical documents, all as required for submission of claims on behalf of Company.

**3.5 Medical Service Reports**. Company will, to the extent possible, require its providers to appropriately document all services provided to patients, including signs and symptoms the patient is experiencing, patient diagnosis or medical condition and reason for treatment, with Company intending for such documentation to be sufficient for Atlas to be able to perform CPT and/or HCPCS coding with required specificity with respect to services rendered by the Surgery Center.

**3.6 Access to and Copies of Records**. Company maintains its business records for a period consistent with all applicable legal requirements and with standard industry

practice. Company will provide Atlas with reasonable assistance in obtaining access to and copies of all records necessary for Atlas to provide its services under this Agreement and/or in connection with any review or audit by any third-party payor, both during and after the term of this Agreement.

**3.7 Lockbox and Bank Accounts**. A lockbox account will be maintained for Company that has a unique tax identification number and all non-electronic remittances will be deposited daily into such lockbox account. A bank account for Company will be maintained at a bank for receipt of electronic remittances. Atlas will have no signatory or ownership rights in such bank accounts and will have no right to negotiate or assert ownership rights in deposited funds or to checks made payable to Company; provided, however, that Company shall provide Atlas with view access to and bank statements for such account in order to assist Atlas in the performance of the billing, coding and collection Services. Company shall be responsible for all bank charges, including any lockbox fees.

**3.8 Deposits**. Company shall deposit all patient payments received directly by Company into its deposit account or lockbox account, as applicable, on a daily basis. Company shall promptly provide Atlas with copies of all deposit slips, cash sheets and Explanation of Benefits forms and/or patient account information no less frequently than daily.

**3.9 Refunds and Escheat**. Refunds to patients and third-party payors will be made by Atlas from the Company's established bank account. Atlas shall make such refunds as are required by contract or as requested by Company. Atlas will only issue refunds if there are available funds to do so from Company's bank account. Atlas will perform all state-required escheat reporting according to the state guidelines due to unclaimed funds.

**3.10 Payor Contracts**. Company shall have responsibility for maintaining and complying with the terms of all contracts with third party payors, including, without limitation, all quality assurance requirements, utilization authorization and review requirements, and any other requirements, as may be necessary to obtain payment under such payor contracts for the services rendered at the Surgery Center.

**3.11 Taxes**. Company shall be responsible for any applicable sales, use, value added or similar taxes payable with respect to the Services, or arising out of or in connection with this Agreement, other than taxes levied or imposed based upon Atlas's income. Atlas may pay such taxes on behalf of Company provided Atlas provides prior written notice to Company of its intention to make such payment on behalf of Company, providing Company a reasonable opportunity to challenge the assessment of any such taxes and the Company has notified Atlas in writing that it will not challenge the assessment of such taxes or pay such taxes directly. In the event that Atlas pays any such taxes on behalf of Company in accordance with this Section 3.11, Atlas shall invoice Company for such taxes and Company agrees to pay such taxes in accordance with this Agreement.

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**3.12 Limit on Responsibility**. Atlas shall not be responsible for delays or losses in billing or payment resulting from any acts or omission of the Company or of any third-party payor, including but not limited to Medicare or Medicaid.

## 4. Mutual Compliance Obligations.

**4.1 Compliance Obligations**. Each Party acknowledges the importance of compliance with applicable laws and regulations, including those requirements imposed by the applicable credentialing agency. At all times during the term of this Agreement, each Party shall comply with all laws, regulations, and credentialing requirements applicable to its respective business operations.

**4.2 HIPAA Compliance**. The Parties acknowledge their respective obligations for security and privacy of protected health information under the Health Insurance Portability and Accountability Act of 1996, as amended, and its implementing regulations (collectively "HIPAA Obligations"). In order to comply with their HIPAA Obligations, the Parties have, among other things, entered into a Business Associate Agreement dated as of the date hereof (the "BAA"), and incorporated by reference, and agree to comply with their respective obligations thereunder.

## 5. Term.

**5.1 Term**. The term of this Agreement shall commence on first day of the month of accreditation of the Surgery Center (the "Commencement Date") and, unless sooner terminated as provided in the following subsections of this Section 5, shall continue in effect for a term of ten (10) years or until each SOW has been terminated as provided below. Thereafter, unless written notice of nonrenewal is delivered to a Party by the other Party not less than ninety (90) days prior to the end of the then current term of this Agreement, this Agreement shall be automatically renewed for successive five (5) year terms.

**5.2 Termination due to Default**. This Agreement may be terminated by the non-defaulting Party by giving written notice thereof to the defaulting Party at any time after the occurrence of an event of Default described in Section 9 hereof with respect to the defaulting Party.

**5.3 Termination of Management Agreement**. Upon the termination or expiration of the Management Agreement, either Party may terminate this Agreement upon at least sixty (60) days' prior written notice to the other Party.

**5.4 Effect of Termination**. No termination of this Agreement shall relieve either Party of any liability arising from any breach of this Agreement by such Party prior to such termination.

## 6. Confidentiality.

**6.1** "Confidential Information" of a Party shall mean the terms and conditions of this Agreement, and any information or materials disclosed by such Party ("Disclosing

Party") to the other Party ("Recipient"), including: (a) in written, graphic, electronic or any other tangible form that is marked in writing as confidential or proprietary; or (b) in oral or other intangible form that is (i) identified as confidential at the time of the initial disclosure in oral or other intangible form and (ii) documented in a writing that is so marked and transmitted to the Recipient within thirty (30) days after such initial disclosure.

**6.2** Notwithstanding the foregoing, "Confidential Information" does not include any information or material which: (a) now is or hereafter becomes available to the public other than as the result of a disclosure by the Recipient in breach hereof; (b) is developed by the Recipient independently of any Confidential Information provided hereunder by the Disclosing Party; (c) was known by the Recipient prior to any disclosure made by the Disclosing Party to the Recipient; (d) becomes rightfully known to the Recipient from a source, other than the Disclosing Party, that does not owe a duty of confidentiality to the Disclosing Party with respect to such information or material; or (e) is an aggregation created by Recipient provided the underlying Confidential Information is not readily identifiable in such aggregation.

**6.3** Each Party shall safeguard and protect the Confidential Information from disclosure, theft, piracy or unauthorized access in a manner at least consistent with the protections such Party uses to protect its own most confidential information, provided that a Party may disclose Confidential Information to a third party in connection with performance of its obligations or exercise of its rights hereunder, if such third party is required to treat the Confidential Information in the same manner as the comparable information of the Party disclosing such Confidential Information to such third party.

**6.4** In addition, the Recipient will have the right to disclose Confidential Information: (a) to the extent required by order of a court, administrative agency or governmental body, or by any law, rule or regulation, or by subpoena, or any other administrative or legal process, provided that the Recipient shall give the Disclosing Party, to the extent reasonable, prompt notice of the pending disclosure so that the Disclosing Party may seek a protective order or other appropriate protection; (b) in confidence, to lawyers and accountants and to banks, underwriters, investors and other financing sources (and their advisors) ("Representatives"); and (c) in connection with the enforcement of this Agreement or any rights hereunder. The Parties shall inform their respective employees and Representatives of their obligations under this Agreement, and shall take such steps as may be reasonable in the circumstances, or as may be reasonably requested by the other Party, to prevent any unauthorized disclosure, copying or use of the Confidential Information.

**6.5** Each Party acknowledges the confidential and proprietary nature of the Confidential Information and agrees that it shall not reveal or disclose any Confidential Information for any purpose to any other person, firm, corporation or other entity, other than such Party's employees and Representatives with a need to know such Confidential Information to perform the employee's or Representative's responsibilities consistent with such Party's rights under this Agreement.

**6.6** Each Party acknowledges and agrees that, in the event of the other Party's breach of this Agreement, such Party will suffer irreparable injuries not compensated by money damages and therefore shall not have an adequate remedy at law. Accordingly, such Party shall be entitled to a preliminary and final injunction without the necessity of posting any bond or undertaking in connection therewith to prevent any further breach of these confidentiality obligations or further unauthorized use of Confidential Information. This remedy is separate and apart from any other remedy the Parties may have. A Party shall notify the other Party immediately upon discovery of any prohibited use or disclosure of the Confidential Information, or any other breach of these confidentiality obligations, and shall fully cooperate with the other Party to help the other Party regain possession of the Confidential Information and prevent the further prohibited use or disclosure of the Confidential Information.

**7. Warranty**. Atlas warrants that (a) the Services will be performed in a commercially reasonable manner and (b) upon notification by Company of any error, issue or concern in connection with the Services or this Agreement (provided that such error, issue or concern is not a result of Company's failure to perform), Atlas's sole liability and Company's sole remedy will be (x) Atlas's use of a commercially reasonable manner to correct such error, issue or concern at no additional cost to Company, or (y) indemnification by Atlas in accordance with Section 8 hereof. THE WARRANTY SET FORTH IN THIS SECTION 7 IS A LIMITED WARRANTY AND IT IS THE ONLY WARRANTY MADE BY ATLAS, EXCEPT FOR THOSE WARRANTIES SET FORTH IN SECTION 10 OF THIS AGREEMENT. ATLAS EXPRESSLY DISCLAIMS, AND COMPANY HEREBY EXPRESSLY WAIVES, ALL OTHER WARRANTIES EXPRESS OR IMPLIED.

**8. Limitation of Liability; Indemnification**.

**8.1 No Assumption of Liabilities**. Atlas does not hereby assume any of the obligations, liabilities or debts of the Company, except as otherwise expressly provided herein, and shall not, by virtue of its performance hereunder, assume or become liable for any of such obligations, debts or liabilities of the Company. Company shall not hold Atlas responsible for any delay or loss of funds due to incorrect or incomplete information supplied by Company or by Company's financial institution or due to an error on the part of Company's financial institution in depositing funds to Company's account.

**8.2 Limitation on Liability**. Atlas's maximum liability for any claim by the Company arising under this Agreement, regardless of the form of such claim, whether in tort or contract, shall be limited to (i) if capable of cure, re-performing the non-conforming service and (ii) to the extent not covered and paid by Atlas's insurance, an amount equal three (3) times the total amount of all Service Fees paid to Atlas pursuant to this Agreement during the immediately preceding twelve month period; provided, such limitation shall not apply to any claims covered by the insurance policies of Atlas as required hereunder (to the extent paid out) or to claims based on fraud or intentional misconduct by Atlas. The liability of Atlas hereunder for damages arising out of a breach of its obligations or warranties in this Agreement shall be limited to direct damages incurred by the Company entitled to recovery under the terms hereof. For purposes

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hereof, (A) amounts paid to affected third parties as damages or settlements arising from such breach; and (B) fines and penalties imposed by governmental authority arising from such breach shall be considered direct damages. Other than the foregoing, in no event shall Atlas have any liability to the Company for any indirect, special, incidental, punitive, or consequential damages, however caused, or for any lost profits, loss of data or use, cost or procurement of substitute goods or services, whether in contract, tort or otherwise, arising out of, or in any way connected with a breach of any other parties obligations or warranties in this Agreement, even if Atlas has been previously advised of the possibility of such loss or damages.

**8.3 Indemnity**. The Company hereby agrees to indemnify and hold harmless Atlas and its subcontractors hereunder and their respective officers, directors, managers, members, partners, employees, agents, successors and assigns (each, an "Atlas Indemnified Party"), from and against any and all claims, actions, liabilities, losses, costs and expenses of any nature whatsoever, including reasonable attorneys' fees and other costs of investigating and defending any such claim or action, asserted against any such Atlas Indemnified Party (collectively, "Damages") to the extent arising from: (a) any of the obligations, liabilities or debts of the Company or the Surgery Center; or (b) the performance of this Agreement or any SOW hereunder, as the case may be, as long as the actions of such Atlas Indemnified Party in the performance of this Agreement or such SOW, as the case may be, were taken in good faith and such Atlas Indemnified Party reasonably believed such actions to be within the scope of its, his or her authority under this Agreement or such SOW, as the case may be, and except to the extent arising in connection with or resulting from the willful misconduct, gross negligence, fraud, illegal activity or breach of this Agreement or any such SOW by the Atlas Indemnified Party seeking indemnification. If the Company does not believe a Atlas Indemnified Party's actions were taken in good faith and/or the Atlas Indemnified Party did not reasonably believe the actions were within its, his or her authority under any of the aforementioned agreements, then the matter shall be submitted to the dispute resolution procedures set forth in Section 11.9 and the Company shall have no obligations under this Section 8.3 unless or until it agrees or it is determined the actions were taken in good faith and/or such belief was reasonable. Atlas shall indemnify, defend and hold harmless Company and its equity holders (other than Atlas), officers, directors, employees, agents and permitted assigns (each, a "Company Indemnified Party") from and against any and all losses, liabilities, damages, costs (including, without limitation, court costs and costs of appeal) and expenses (including, without limitation, reasonable attorneys' fees and fees of expert consultants and witnesses) arising from a claim brought by any person or entity other than Company or a Company Indemnified Party to the extent resulting from or relating to any claim that the services provided by Atlas hereunder or any related intellectual property used by Atlas in connection therewith infringe on, constitute a misappropriation of the subject matter of, or otherwise violate any patent, copyright, trade secret, trademark or other proprietary right of any person or breaches any person's contractual rights; or (iii) Atlas's willful misconduct, gross negligence, fraud, illegal activity or breach of this Agreement.

**8.4 Effect of Insurance**. The indemnity obligation of any party providing indemnity hereunder to any party seeking indemnification shall be reduced by any insurance recovery received by the indemnified party with respect to the claim for which it is seeking indemnity and, if such recovery is received after a claim for indemnity has been paid by the indemnifying party, the indemnified party shall remit such insurance recovery to the indemnifying party to the extent it had previously paid such indemnity.

**8.5 Survival**. The provisions of this Section 8 will survive the termination or nonrenewal of this Agreement for any reason.

**9. Default**. The following events with respect to a Party shall each constitute a "Default" by such Party under this Agreement:

**9.1** any failure by such Party to perform any of its covenants or obligations under this Agreement in any material respect, provided, however, in the case of Atlas, if Atlas diligently seeks to remedy such failure as soon as practicable, then a Default shall not occur unless Atlas fails to remedy such failure within ninety (90) days after delivery to Atlas by the Company of a written notice specifying such failure;

**9.2** Such Party: (a) commences any case, proceeding or other action under any Bankruptcy Laws seeking (i) to have an order for relief entered with respect to such Person, (ii) to adjudicate such Party as bankrupt or insolvent, (iii) reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to such Party or its debts, or (iv) appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of such Party's assets; or (b) makes a general assignment for the benefit of its creditors. For purposes hereof, "Bankruptcy Laws" means Title 11 of the United States Code, as amended from time to time, or any similar federal or state law for the relief of debtors, and all other liquidation, bankruptcy, assignment for the benefit of creditors, conservatorship, moratorium, receivership, insolvency, rearrangement, reorganization or similar debtor relief laws of the United States or other applicable jurisdiction in effect from time to time;

**9.3** There is commenced against such Party in a court of competent jurisdiction any case, proceeding or other action of a nature referred to in the foregoing Section 9.2 which (a) results in the entry of an order for any such relief or any such adjudication or appointment or (b) remains undismissed, undischarged, unstayed or unbonded for 60 days from and after the date of entry thereof;

**9.4** There is commenced against such Party any case, proceeding or other action seeking issuance of a warrant of attachment, execution or similar process against all or any substantial part of such Party's assets which results in the entry of an order for any such relief which has not been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof;

**9.5** Such Party generally does not, or is unable to, or admits in writing its inability to, pay its debts as they become due; or

**9.6** Such Party or any of its affiliates or its or their representatives takes any action in furtherance of, or indicating such Party's consent to, approval of, or acquiescence in, any of the acts set forth in the foregoing Sections 9.2, 9.3 and 9.4;

**9.7** The exclusion of such Party from participation in any federal health care program;

**9.8** Such Party is found by a judgment of a court of competent jurisdiction to have violated the Federal False Claims Act, the Stark Law or the Anti-Kickback statute or enters into a Corporate Integrity Agreement with CMS;

**9.9** Such Party is convicted of, or pleads guilty (or nolo contendere) to, a felony; or

**9.10** An indictment or other formal charge is brought against such Party alleging commission by such Party of a felony in connection with the performance of its obligations under this Agreement.

**10. Representation of the Parties**. Each Party hereby represents and warrants to the other Party that:

**10.1** It has been duly organized and is validly existing under the laws of the state of its formation and has full power to own its properties and to conduct its business under the laws of said state;

**10.2** The execution and delivery of this Agreement by such Party, and the performance of such Party's duties and obligations hereunder, have been duly authorized by such Party and do not violate or result in a breach of such Party's governing documents or any other agreement, order, decree or legal requirement to which such Party is a party or is otherwise bound;

**10.3** This Agreement has been duly executed by and on behalf of such Party and is a valid and binding obligation of such Party enforceable against such Party in accordance with the terms hereof; and

**10.4** Neither it, nor, to its knowledge, any of its stockholders, members, directors, managers, officers, employees or agents, have been convicted of a criminal offense related to, and have not been excluded or debarred from participation in, any government program, including but not limited to, the federal Medicare program and the Arizona Health Care Cost Containment System.

**11. General**.

**11.1 Relationship of Parties**. Atlas, in furnishing Services to Company under this Agreement, is acting only as an independent contractor. Except as set forth in this Agreement, Atlas does not and shall not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or assume any responsibility for Company's business or operations. Atlas has the sole and exclusive right and obligation to supervise, manage, contract, direct, procure, perform or cause to

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be performed, all work to be performed by Atlas under this Agreement, unless otherwise provided herein.

**11.2 Assignment**. Atlas shall not have the right to assign its rights or delegate its duties hereunder to any person unless it first obtains the written consent of the Company.

**11.3 Excusable Nonperformance**. Except for obligations to make payments hereunder when due, if either Party is delayed or prevented from performing its obligations under this Agreement as a result of any cause beyond its reasonable control, including but not limited to payer performance, fire, explosion, earthquake, floods, unavailability of necessary software, utilities or components, outages in third party transmission systems, war, terrorism, insurrection, acts of God, labor disputes, strikes, governmental regulations, governmental actions or judgment or decree of a court of competent jurisdiction (not arising out of breach by such Party of this Agreement) or , the delay shall be excused during the continuance of, and to the extent of, such cause, and the period of performance shall be extended to the extent necessary to allow performance after the cause of delay has been removed. Atlas agrees to work with Company, at Company's request, to develop mutually agreeable alternatives in order to minimize the negative impact of any such delay.

**11.4 Attorneys' Fees**. If any action at law or in equity is brought to enforce any of the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees and costs, in addition to any other relief. The prevailing party shall be determined in accordance with the totality of the circumstances standard.

**11.5 Entire Agreement; Amendment**. This Agreement, including the BAA, the SOWs and all other attachments and addenda included or enclosed herein, constitutes the entire agreement between the Parties with respect to the services described herein, and supersedes any and all prior agreements, either oral or written, between the Parties with respect thereto, including the Prior Agreement. No other agreements, covenants, representations, or warranties, express or implied, oral or written, have been made by either Party with respect to the subject matter of this Agreement. No amendment to this Agreement shall be effective unless in a writing, executed on behalf of each Party.

**11.6 Severability**. In the event that any covenant, condition or other provision herein is held to be invalid, void or illegal by any court of competent jurisdiction, all remaining provisions of this Agreement shall continue to be deemed valid and enforceable to the extent permitted by law.

**11.7 Waiver**. The failure by either Party to enforce at any time, any of the provisions of this Agreement or to require at any time, performance by the other Party of any of the obligations hereunder, shall in no way be construed to be a waiver of said provision or to affect either the validity of this Agreement, or any part hereof, or the right of either Party thereafter, to enforce any and all provisions in accordance with this Agreement.

**11.8 Choice of Law**. This Agreement shall be governed by and construed in accordance with Washington law, without regard to its conflicts of law principles.

**11.9 Dispute Resolution**. Except with respect to a Party seeking injunctive or other equitable relief, the Parties shall first attempt to resolve any dispute arising under or relating to this Agreement (a "Dispute") through good faith and reasonably continuous negotiations escalating through their respective management teams. In the event a Dispute is not resolved by the Parties within thirty (30) days of the commencement of such negotiations, unless otherwise mutually agreed upon by the Parties, then the Dispute will be submitted to JAMS ("JAMS") for binding arbitration and prompt resolution pursuant to the Federal Arbitration Act (Title 9 of the United States Code) and the JAMS's published Comprehensive Arbitration Rules & Procedures (the "JAMS Rules") in effect on the date of this Agreement. Arbitration shall be before a single arbitrator. The Parties shall attempt to mutually select the arbitrator. In the event they are unable to mutually agree, the arbitrator shall be selected according to the JAMS Rules. Each Party undertakes to carry out the award of the arbitrator without delay. Each Party agrees that the provisions of this Section 11.9 provide the exclusive remedy with respect to any Dispute, and such Party shall be bound by the results of arbitration pursuant to this Section 11.9. EACH PARTY EXPRESSLY ACKNOWLEDGES AND AGREES THAT BY THIS PROVISION SUCH PARTY IS WAIVING AND RELINQUISHING ITS RIGHT TO A JURY TRIAL IN ANY AND ALL DISPUTES BETWEEN THE PARTIES RELATING TO THIS AGREEMENT. Each arbitration hearing will be held in Washington. Judgment may be entered on the arbitrator's award in any court having jurisdiction. Notwithstanding the foregoing, each Party shall be entitled to seek injunctive or other equitable relief from any court of competent jurisdiction, without the need to resort to arbitration.

**11.10 Notices**. Except as otherwise expressly permitted herein, all notices required or permitted to be given hereunder shall be in writing and shall be deemed effective upon receipt by the person or entity to which such notice is sent. Notices must be delivered personally, by commercial carrier, by fax with a machine generated confirmation sheet or by registered or certified mail, postage prepaid, addressed to a party as stated below, unless changed by written notice given by either Party to the other pursuant hereto:

If to Atlas:

Atlas Healthcare Partners, LLC
2355 East Camelback Road, Suite 700
Phoenix, AZ 85016
Attention: President

If to Company:

MEC Yakima, LLC
3909 Creekside Loop
Yakima, WA 98902
Attention: Chairman

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**11.11 Access to Books and Records**. To the extent that the services provided under this Agreement are subject to the provisions of Section 1861(v)(1)(i) of the Social Security Act and 42 C.F.R., Part 420, Subpart D, entitled "Access to Books, Documents and Records of Subcontractors", upon the written request of the Secretary of the Department of Health and Human Services or the Comptroller General or any of their duly authorized representatives, to the extent applicable under law and regulation, Atlas will make available those contracts, books, documents and records necessary to verify the nature and extent of the costs of providing services to the Company under this Agreement. Such inspection shall be available up to four (4) years after the rendering of such services. If Atlas carries out any of the duties of this Agreement through a subcontract with a value of $10,000 or more over a twelve (12) month period with a related individual or organization, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization upon written request shall make available, to the Secretary, the Comptroller General, or any of their duly authorized representatives the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs. No attorney-client, accountant-client or other legal privilege will be deemed to have been waived by the Company or Atlas by virtue of this Agreement.

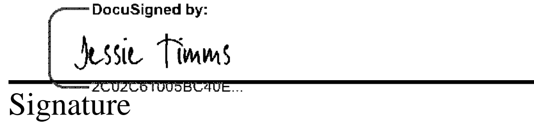
**11.12 Medicare Advantage Requirements**. Atlas will comply with the Centers for Medicare and Medicaid Services ("CMS") requirements set forth on Exhibit B, attached hereto and incorporated by reference.

**11.13 Counterparts; Signatures**. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. Signatures transmitted by e-mail (.pdf) or facsimile shall be accepted as original signatures.

[Remainder of Page Intentionally Blank; Signature Page Follows]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be signed and delivered by its duly authorized officer as of the date first written above.

**Atlas Healthcare Partners, LLC**

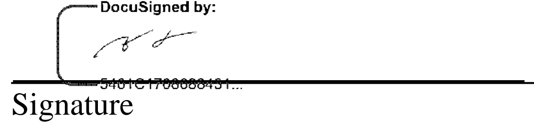



Signature

Name: Jessie Timms

Title: Market President

**MEC Yakima LLC**




Signature

Name: ~~Ryan Fix~~ James Lee

Title: ~~Manager~~ EVP Population Based Care & CFO

EXHIBIT A - Form of Electronic Payment

Choose either Primary Checking Account or Credit Card

☐ Primary Checking Account for electronic funds transfer
(attach a voided check with this signed Agreement)

Name of Financial Institution: ______________________________________

Routing Number: ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___

Account Number: ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___

☐ MasterCard ☐ Visa ◻ American Express

Account Number: ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___

Expiration Date: _____ / _____
Mo Yr

My signature authorizes Electronic Payment of any and all fees due to Atlas and refunds due from Atlas to the above account(s).

Corporation/Limited Liability Company Name: **[ ] LLC**

Authorized Signature (Primary): __________________________ Date: ___ / ___ / ___
Mo Day Yr

Authorized Signature (Primary): __________________________ Date: ___ / ___ / ___
Mo Day Yr

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EXHIBIT B – Medicare Advantage Requirements

Definitions:

"Centers for Medicare and Medicaid Services" or "CMS": the agency within the Department of Health and Human Services that administers the Medicare program.

"Completion of Audit": completion of audit by the Department of Health and Human Services, the Government Accountability Office, or their designees of a Medicare Advantage Organization, Medicare Advantage Organization contractor or related entity.

"Downstream Entity": any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the MA benefit, below the level of the arrangement between an MA organization (or applicant) and a first-tier entity. These written arrangements continue down to the level of the ultimate provider of both health and administrative services.

"Final Contract Period": the final term of the contract between CMS and the Medicare Advantage Organization.

"First Tier Entity": any party that enters into a written arrangement, acceptable to CMS, with an MA organization or applicant to provide administrative services or health care services for a Medicare eligible individual under the MA program.

"Medicare Advantage" or "MA": an alternative to the traditional Medicare program in which private plans run by health insurance companies provide health care benefits that eligible beneficiaries would otherwise receive directly from the Medicare program.

"Medicare Advantage Organization" or "MA organization") a public or private entity organized and licensed by a State as a risk-bearing entity (with the exception of provider-sponsored organizations receiving waivers) that is certified by CMS as meeting the MA contract requirements.

"Member" or "Enrollee": a Medicare Advantage eligible individual who has enrolled in or elected coverage through a Medicare Advantage Organization.

"Provider": (1) any individual who is engaged in the delivery of health care services in a State and is licensed or certified by the State to engage in that activity in the State; and (2) any entity that is engaged in the delivery of health care services in a State and is licensed or certified to deliver those services if such licensing or certification is required by State law or regulation.

"Related entity": any entity that is related to the MA organization by common ownership or control and (1) performs some of the MA organization's management functions under contract or delegation; (2) furnishes services to Medicare enrollees under an oral or written agreement; or (3) leases real property or sells materials to the MA organization at a cost of more than $2,500 during a contract period.

Required Provisions

First Tier, Downstream, and Related Entities agree:

1. HHS, the Comptroller General, or their designees have the right to audit, evaluate, and inspect any pertinent information for any particular contract period, including, but not limited to, any books, contracts, computer or other electronic systems (including medical records and documentation of the first tier, downstream, and entities related to CMS' contract with Company through 10 years from the final date of the final contract period of the contract entered into between CMS and the MA organization or from the date of completion of any audit, whichever is later. [42 C.F.R. §§ 422.504(i)(2)(i) and (ii)]

2. To comply with the confidentiality and enrollee record accuracy requirements, including: (1) abiding by all Federal and State laws regarding confidentiality and disclosure of medical records, or other health and enrollment information, (2) ensuring that medical information is released only in accordance with applicable Federal or State law, or pursuant to court orders or subpoenas, (3) maintaining the records and information in an accurate and timely manner, and (4) ensuring timely access by enrollees to the records and information that pertain to them. [42 C.F.R. §§ 422.504(a)(13) and 422.118]

3. Enrollees will not be held liable for payment of any fees that are the legal obligation of the MA organization. [42 C.F.R. §§ 422.504(i)(3)(i) and 422.504(g)(1)(i)]

4. Any services or other activity performed in accordance with a contract or written agreement by a First Tier, Downstream, or Related Entity shall be consistent and comply with the MA organization's contractual obligations. [42 C.F.R. § 422.504(i)(3)(iii)]

5. First Tier, Downstream, and any Related Entities, including contractors or subcontractors will comply with all applicable Medicare laws, regulations, and CMS instructions. [42 C.F.R. §§ 422.504(i)(4)(v)]

6. If any of the MA organization's activities or responsibilities under its contract with CMS are delegated to any First Tier, Downstream, and Related Entity:

   a. CMS and the MA organization reserve the right to revoke the delegation activities and reporting requirements or to specify other remedies in instances where CMS or the MA organization determine that such parties have not performed satisfactorily.

   b. The MA organization will monitor the performance of the parties on an ongoing basis.

   c. If the MA organization delegates the selection of providers, contractors, or subcontractor, the MA organization retains the right to approve, suspend, or terminate any such arrangement. [42 C.F.R. §§ 422.504(i)(4) and (5)]

**SOW #1 TO CENTRALIZED SERVICES AGREEMENT**

**REVENUE CYCLE MANAGEMENT AND FINANCIAL CLEARANCE SERVICES**

This Statement of Work ("SOW") is effective as of April 1, 2024 and pertains to that certain Centralized Services Agreement, dated April 1, 2024, by and between **MEC Yakima LLC**, a Washington limited liability company ("Company"), and **Atlas Healthcare Partners, LLC**, an Arizona limited liability company ("Atlas"). Company and Atlas will be referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms not otherwise defined in this SOW shall have the meanings set forth in the Agreement.

Pursuant to this SOW and commencing on the Commencement Date, Atlas shall, provide or arrange for the provision of health care coding, billing, collections, accounts receivable management and financial clearance services to and the handling of medical records requests for Company as are consistent with standards and practices which are generally accepted by, and deemed to be reasonable within, the ambulatory surgery center sector of the health care industry, as more fully described below. The Services described in this SOW shall be conducted in accordance with applicable laws, rules and regulations including, but not limited to, those applicable to Medicare and Medicaid.

**1. Financial Clearance Services.** Financial Clearance Services shall include the following:

(a) Verifying a patient's insurance eligibility for the visit to the Surgery Center; review all scanned orders and scanned insurance card to ensure patient is registered correctly;

(b) Use various online tools, and contact payers directly where necessary, to verify insurance eligibility, obtain authorizations, and prepare patient liability estimations;

(c) Complete contact with patient to review patient benefits and patient liability estimate; collect all funds due from patient or arrange appropriate payment arrangements; and

(d) Review accounts with Company to resolve complex financial issues and/or inquiries prior to the performance of services at the Surgery Center.

**2. Billing and Collection Services**. Billing and collections services consist of the following:

(a) Bill Company's claims to patients and/or their employers, insurance companies and other third-party payors in Company's name and on Company's behalf for services rendered at the Surgery Center.

(b) Collect and receive in Company's name and on Company's behalf, all accounts receivable generated through the Surgery Center, including without limitation, any fee-for-service and capitation payments and any co-insurance, co-payments or

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deductibles, including retaining collection agencies as necessary, provided the cost of such collection agencies shall be passed through to the Company as described below;

(c) Take possession of and endorse in the name of Company, any notes, checks, money orders, insurance payments and any other instruments received as payment of such accounts receivable, and deposit such payments and reimbursements to the bank accounts and/or lockboxes of Company, as set forth in Section 3.7 of the Agreement; and

(d) Write off bad debt and contractual allowances of Company in Company's name and on its behalf, and other accounts receivable management.

Company acknowledges that Atlas is not a collection agency for the collection of delinquent accounts and is not serving as such under this SOW or the Agreement. Atlas will refer patient balances after date of service, including delinquent accounts, as defined by Company, to a collection agency selected by Atlas and at Company's cost. The costs of such collection agency shall be passed through to Company by Atlas when incurred. In addition, collection services with respect to accounts receivable existing as of the date of Atlas's engagement are not included under the above scope; the cost of such collection shall be handled by either a separate vendor or by Atlas as determined by Atlas and treated as a pass-through expense.

**3. Coding Services**. Coding services shall consist of the following:

(a) Prepare coding for services rendered at the Surgery Center from access to electronic medical record or other source documents as obtained by mutually agreed upon processes, as required by and in compliance with the requirements or guidelines of third-party payors, including: CPT coding, HCPCS' coding and others; and

(b) Notify Company reasonably and promptly of any material deficiencies or questions noted or discovered during the coding process and and/or with respect to the use or application of modifiers where appropriate to resolve any deficiencies or questions with respect to such coding process or modifier usage.

**4. Revenue Cycle Billing Performance Metrics Effective as of the Commencement Date**. Beginning as of the Commencement Date, the parties agree upon the performance metrics set forth below:

(a) Financial Clearance Benchmark: 95% of Scheduled Cases Financially Cleared five (5) days prior; review with Company representative five (5) days prior to scheduled procedure for any cases that cannot be cleared (contingent upon orders received and procedures scheduled no less than 7 business days prior to date of service).

(b) Revenue Cycle Benchmarks:

1. Net Collection Ratio 95% or greater (defined as Collections/Net Revenue);

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2. Days Sales Outstanding (DSO): less than 45 Days (contingent upon payer/procedure mix); and

3. Bad Debt: Less than 4% of Net Revenue (actual realized expense for period with closed claims)

(c) Quality Standards:

(1) Coding:

- Goal is 95% baseline accuracy rate
- Contingent upon historical experience of Surgery Center
- Retraining/PIP for underperforming coders determined as 60 days of sub-standard results, measured and confirmed by internal and external auditing policies and procedures.
- Coding audits will be conducted on no less than an annual basis.

2. Claim Creation and Submission (Billing) contingent on Surgery Center Deliverables as set forth in (d) below:

- 96% clean claim submission as measured by clearinghouse payer acceptance reporting;
- Billing lag of 5 days or less (contingent upon receipt of operative report and other supporting documentation such as labs and implant invoice).

(d) Surgery Center Deliverables:

(1) Authenticated Operative Reports: received by CBO within 2 days from date of service.

(2) Data entry: 98% accuracy with patient demographics and insurance information.

(3) Schedule integrity:

- Procedures are scheduled within 1 business day of order receipt from physician practice and a minimum of 7 business days prior to scheduled date of service;
- Procedures scheduled are the procedures authorized and performed to ensure collectability.

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(e) Medical Records: All medical records will be scanned to designated file or system within five (5) business days of date of service, including chart audit completion.

**5. Service Fee**. For the Services described in this SOW, the Company shall pay Atlas a fee ("Service Fee") equal to [ ]% of the net revenues of the Company during the applicable month (or the portion thereof during which this Agreement is in effect) (the "Service Fee Percentage") subject to adjustment as described below. For this purpose, "net revenues" shall be the Company's gross revenues, less adjustments for special contractual rates, charity work and an allowance for uncollectible accounts, all determined on an accrual basis in accordance with United States generally accepted accounting principles as applied consistently with past practice to the financial statements of the Company, including a monthly adjustment to the allowance for uncollectible accounts based on an aging of accounts receivable. Atlas will invoice Company for the Service Fee five (5) business days following the month that Services under this SOW are provided. The Company shall pay each invoice within ten (10) days of the invoice date.

The Service Fee Percentage will adjust prospectively on each anniversary of the Effective Date (each, an "Adjustment Date") to reflect a change, if any, in the weighted average net revenue per case for the Surgery Center ("NRPC") for the preceding twelve (12) months. Such NRPC as calculated shall be assigned to an NRPC Band in the following chart and the Service Fee Percentage for the succeeding twelve (12) months shall, subject to further adjustment as set forth in the next paragraph, be set at the particular NRPC Band as assigned:

| NRPC | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| < $1,500 | ≥$1,500 to < $2,000 | ≥$2,000 to < $2,500 | ≥$2,500 to < $3,000 | ≥$3,000 to < $3,500 | ≥$3,500 to < $4,000 | ≥$4,000 to < $4,500 | ≥$4,500 to < $5,000 | ≥$5,000 to < $5,500 | ≥$5,500 to < $6,000 | ≥$6,000 to < $6,500 | ≥$6,500 to < $7,000 | ≥$7,000 |
| *5.00%* | *4.95%* | *4.90%* | *4.85%* | *4.80%* | *4.75%* | *4.70%* | *4.65%* | *4.60%* | *4.55%* | *4.50%* | *4.45%* | *4.25%* |

The Service Fee Percentage as determined pursuant to the previous paragraph shall be subject to further adjustment by multiplying such Service Fee Percentage by a multiplier equal to the lesser of (i) 1.02 or (ii) 1.00 plus any positive percentage change in the Medical Care Services Component of the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items, Index Base Period 1982-84 = 100 during the trailing twelve-month period ending the applicable Adjustment Date. The resulting Service Fee Percentage shall be the Service Fee Percentage for the next twelve (12) months.

**6. Termination**. Each Party shall have the right to terminate this SOW upon at least sixty (60) days' prior written notice to the other Party.

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## SOW #2 TO CENTRALIZED SERVICES AGREEMENT

## MEDICAL STAFF PROVIDER CREDENTIALING AND PRIVILEGING SERVICES

This Statement of Work ("SOW") is effective as of April 1, 2024 and pertains to that certain Centralized Services Agreement, dated April 1, 2024, by and between **MEC Yakima LLC**, a Washington limited liability company ("Company"), and **Atlas Healthcare Partners, LLC**, an Arizona limited liability company ("Atlas"). Company and Atlas will be referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms not otherwise defined in this SOW shall have the meanings set forth in the Agreement.

Pursuant to this SOW, Atlas shall, commencing on the Commencement Date, conduct the credentialing and privileging of all persons to be admitted to the Medical Staff of the Surgery Center as more fully described below. In connection therewith, Atlas will provide and/or arrange for the provision of all personnel and credentialing software systems and subscriptions required for the Services provided under this SOW.

**1. Credentialing and Privileging Services**. Credentialing and Privileging services shall consist of the following services:

(a) Validate and assess the qualifications of physicians and other providers to be appointed or reappointed to the Medical Staff of the Surgery Center pursuant to the criteria established from time to time by the Medical Executive Committee established by the Company for the Surgery Center;

(b) Determine whether a medical staff applicant meets minimum eligibility requirements, provide the applicant with the application, and ensure that the application is complete;

(c) Confirm and/or verify all applicants' background credentials, to include, among other items, board certification, criminal background screenings, National Practitioner Data Bank clearance, DEA licensure, education and/or training completed, history of actions against the applicant, hospital affiliations, medical licensure, peer references, professional liability insurance certificates and any sanctions against the provider;

(d) Ensure that all information obtained shall be verified in the manner prescribed by the most recent State, federal and accrediting body guidelines as they pertain to primary source verification.

(e) Continue to monitor each staff member's credentials, including sanctions or corrective action monitoring and ensure that such credentials do not expire prior to the time that the reappointment cycle begins, and assign dedicated customer service representatives to troubleshoot application issues;

(f) Confirm that applicants and medical staff members are compliant with all Company policies and procedures pertaining to, among other things, fire safety, the requirements of the Health Insurance Portability and Accountability Act of 1996

(HIPAA), infection prevention, relevant certificates of training, and sponsoring physician forms, and identify any discrepancies or missing components in any medical staff member's file;

(g) Prepare medical staff applicant's application packet and supporting materials for distribution to the Company's Medical Executive Committee for review and support of its recommendation to the Company's Management Board of whether or not to grant privileges to the applicant at the Surgery Center, provide administrative support to Company's Medical Executive Committee and Management Board regarding credentialing and privileging issues, and provide notification to the applicant of the Management Board's credentialing determination; and

(h) Ensure that privileged medical providers are reappointed to the Company Medical Staff every two (2) years. The Reappointment process shall include the processes enumerated above. In addition, with respect to Reappointment, applicant performance data, including but not limited to, compliance with Company policies and procedures, complication and/or infection rates, and patient complaints, will be compiled in order to be reported to the Medical Executive Committee for consideration in determining whether to grant a reappointment to the Medical Staff of Company.

**2.** **Service Fee**. For the Services described in this SOW, the Company shall pay Atlas a Service Fee equal to $ 575.00 ("RATE") per Company provider credentialed during the applicable year ("VOLUME") pursuant to the services outlined in this SOW.

**3.** **Terms**. Atlas will invoice Company for the fees ("Service Fee") thirty (30) days following the month that services are provided. Company shall pay each invoice within thirty (30) days of the invoice date. The Service Fee will be calculated as follows: At the end of each month, Atlas will run a separate Active Staff Privileges Report for the Company to determine the number of physicians who were credentialed to be on the Active Medical Staff of the Center (VOLUME) which shall be multiplied by the RATE of $575.00 per provider to determine the amount due for credentialing services.

**4.** **Termination**. Each Party shall have the right to terminate this SOW upon at least sixty (60) days' prior written notice to the other Party.

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# SOW #3 TO CENTRALIZED SERVICES AGREEMENT

## ACCOUNTS PAYABLE SERVICES

This Statement of Work ("SOW") is effective as of April 1, 2024 and pertains to that certain Centralized Services Agreement, dated April 1, 2024, by and between **MEC Yakima LLC**, a Washington limited liability company ("Company") and **Atlas Healthcare Partners, LLC,** an Arizona limited liability company ("Atlas"). Company and Atlas will be referred to herein individually as a "Party" and collectively as the "Parties." Capitalized terms not otherwise defined in this SOW shall have the meanings set forth in the Agreement.

Pursuant to this SOW, Atlas shall, commencing on the Commencement Date, process the Company's accounts payable as more fully described herein. In connection herewith, Atlas will provide and/or arrange for the provision of all personnel and accounting software systems and subscriptions necessary to perform the Services described in this SOW.

**1. Services**. The accounts payables processing services shall consist of the following services:

(a) Invoice Processing. Review and verify invoices and check requests, flag and clarify any unusual or questionable invoice items or prices, sort, code and match invoices, set invoices up for payment, enter and upload invoices into the accounting system, and identify and notify the business office of the Company regarding any invoice discrepancies and issues;

(b) Financial Activities Related to Payables Processing. Administer expense reimbursements, post transactions to ledgers, monitor accounts to ensure payments are up to date via vendor statements review, provide monthly KPI reports, assist with month end closing, and maintain accurate historical records; and

(c) Other Functions Related to Payables Processing. Prepare and process electronic transfers and payments, prepare and perform check runs, maintain vendor files, correspond with vendors and respond to inquiries, provide supporting documentation for audits, if any, and maintain confidentiality of organizational information.

**2. Service Fee**. For the Services described in this SOW, the Company shall pay Atlas a Service Fee equal to $12.50 ("RATE") per each processed payables invoice ("VOLUME").

**3. Performance Metrics Effective as the Commencement Date**. The parties agree that the performance goal starting on the Commencement Date is that timely received, undisputed payables invoices for the Company, where the vendor invoices that are within Atlas HP standard payment terms, will be processed at least 95% on time. In addition, an associated performance goal is to minimize the payment of any late fees or interest charges associated with past due processing of invoice payments.

**4. Terms**. Fees for the Services under this SOW are due on the first of the month that services are provided. Atlas will invoice Company for the estimated fees ("Service Fee") thirty (30) days in advance of the month that services are to be provided. Company shall pay

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each invoice within thirty (30) days of the invoice date. This estimated Service Fee will be a calculation of the RATE of $12.50 per processed payables invoice multiplied by the VOLUME of payables invoices anticipated to be processed on behalf of Company. To calculate the anticipated VOLUME, Atlas will forecast the Company payables invoices based on, among other things, operational knowledge, vendor data and the monthly average number of Company payables invoices actually processed in the twelve (12) consecutive months immediately prior to the Service Fees invoice date. The total Service Fees paid pursuant to this SOW in a calendar year will be trued-up on an annual basis. To maintain pass-through costing, Atlas reserves the right to adjust the RATE as necessary due to inflationary cost increases in order to ensure that Atlas does not incur losses for the services provided hereunder.

# Exhibit 10A.
# Lease Agreement

**CREEKSIDE BUSINESS PARK**

LEASE

Between

WIDE HOLLOW DEVELOPMENT LLC
As Landlord

And

MEC YAKIMA, LLC
As Tenant

**CREEKSIDE BUSINESS PARK**
**COMMERCIAL NET LEASE**

**ARTICLE I.**
**BASIC TERMS**

This ARTICLE I contains the Basic Terms of this Commercial Net Lease (this "Lease") between the Landlord and Tenant named below. Other Articles, Sections and Paragraphs of the Lease referred to in this ARTICLE I explain and define the Basic Terms and are to be read in conjunction with the Basic Terms.

**1.1. Date of Lease:** June 28, 2024

**1.2. Landlord:** **Wide Hollow Development, LLC,** a Washington limited liability company.

(a) **Landlord's Notice address at the time of execution of the Lease**:

3801 West Washington Avenue
Yakima WA 98902
(509) 966-4300

**1.3. Tenant**: **MEC Yakima, LLC**, a Washington limited liability company

(a) **Tenant's Notice address at time of execution of Lease**:

Tenant:

MultiCare Health System
Attn: CBRE, Inc.-Real Estate Services
315 Martin Luther King Jr. Way
PO Box 5299
MS: 1313-5-CON
Tacoma, WA 98415-0299
E: MultiCareFinance@cbre.com

With Mandatory Copies To:

MultiCare Health System
Attn: General Counsel
315 Martin Luther King Jr. Way
PO Box 5299
MS: 820-4-LEG
Tacoma, WA 98415-0299
Legal.Services@multicare.org
Contractsupport@multicare.org

(b) **Address of Property to be Leased by Tenant**: Creekside Business Park; 3909 Creekside Loop, Suite 125, Yakima, WA 98902.

**1.4. Property Legal Description**: The object of this Lease is part of Landlord's multi-tenant real property development known as **Creekside Business Park** and is depicted in **EXHIBIT "A"** attached hereto and incorporated herein by this reference as if fully set forth (the "Project"). The Project includes the land, the buildings and all other improvements located on the land, and the common areas described in Section 4.7. The Property being leased to Tenant is legally described as described in **EXHIBIT "B"**. The leased property is sometimes referred to herein as the "Property" and sometimes as the "Leased Premises" or "Premises".

**1.5.** **<u>Characterization of Property; Tenant's Floor Area</u>**: The Premises is approximately 9,565 usable square feet ("Tenant's Floor Area") as depicted in **EXHIBIT "B"** and incorporated herein by this reference as is fully set forth herein.

(a) "**Building**" or "**Tenant's Building**", as used herein, shall mean the building designated by Landlord as Building 1A and assessed by the Yakima County Assessor's Office under tax parcel number 181327-43007.

(b) The parties acknowledge that a portion of the Premises (Designated as a Janitor Closet – Room 347) is located within Suite 120, adjacent to the Premises. If Tenant does not exercise its RFR (as defined herein) to lease Suite 120 and Landlord enters into an agreement to allow any third party to lease or otherwise occupy said suite, Landlord agrees that prior to any such occupancy it will demise the Janitor Closet from Suite 120 as depicted in **EXHIBIT "B-1"** at Landlord's sole cost and expense.

**1.6.** **<u>Lease Term</u>**: The term of this Lease shall be ***one hundred twenty (120) months*** plus the partial month, if any, from the Commencement Date ("Term"). The "Commencement Date" shall be the date on the date that both of the following occur: (i) the date which Tenant receives issuance and obtains all approvals and licenses necessary to operate a surgical center at the Premises from the Washington Department of Health ("DOH") and/or any other applicable governmental authority (or its functional equivalent) (collectively, the "DOH Surgery Center License"); and (ii) the earlier of (a) six (6) months from the Delivery Date, as defined in Section 1.6(b); or (b) Tenant or Landlord obtains the certificate of occupancy (the "Certificate of Occupancy") by the applicable governmental authorities following Tenant's Work. Landlord and Tenant shall memorialize the Lease Commencement Date, rentable square footage of the Premises, and all other material matters in a form attached as **EXHIBIT "C"** annexed hereto.

Following the Commencement Date of the Lease, Tenant shall have the one-time right to terminate the Lease following completion of the sixtieth (60th) month of the initial Lease Term by providing not less than one hundred eighty (180) days' prior written notice to Landlord prior to completion of the sixtieth (60th) month of the Initial Term. Upon such termination, in addition to a penalty equal to three (3) months of the then-current Base Rent, Tenant shall pay to Landlord a termination fee equal to the unamortized portion of (i) the tenant improvement allowance (if applicable), and (ii) the real estate commissions paid by Landlord with respect to the Lease. Amortization shall be calculated on a straight-line basis.

(a) <u>Condition to Lease – Certificate of Need Approval</u>.

(1) Tenant shall have up to ninety (90) days after mutual execution of the Lease to apply for a Certificate of Need ("CON"), which is part of Tenant's acquisition of the DOH Surgery Center License. No modifications to the Premises (including Landlord's requirement to demise the Premises from the Building) will be made until Tenant receives confirmation of the issuance of its CON. Tenant shall make good faith efforts to obtain the CON and reasonably keep Landlord informed of its progress and shall promptly notify Landlord upon DOH's approval of Tenant's application of the DOH Surgery Center License for the Premises.

(2) For the avoidance of doubt, the parties' obligations under the Lease will be conditioned upon Tenant's acquisition of the DOH Surgery Center License. Tenant will have the right to terminate the Lease at any time if the DOH or applicable governmental authority rejects, denies, or revokes the DOH Surgery Center License or takes a similar or related regulatory action that places unreasonable conditions upon or otherwise prevents Tenant's intended use of the Premises. Tenant's right to terminate the Lease described in this paragraph will expire on the Commencement Date.

(b) Delivery of Premises by Landlord. After Tenant notifies Landlord of Tenant's receipt of the DOH Surgery Center License, Landlord shall, at Landlord's expense:

(1) Demise the Premises from the other tenant-occupied spaces and Common Areas within the Building as mutually agreed between Landlord and Tenant;

(2) Remove all existing unaffixed furniture, fixtures, and equipment from the Premises; and

(3) Following a walkthrough with Tenant or its designee, remove all affixed furniture, fixtures, and equipment from the Premises (excluding equipment related to medical gas) as designated by Tenant, which may include partitions, containers (e.g., sharps), dispensers, and internal signage and branding.

(4) Warrant that all mechanical, HVAC, plumbing, sewer and electrical lines and facilities servicing the Building and Premises are operational and in good working order sufficient for Tenant's operation of a surgery center in the Premises, and otherwise have not exceeded their useful lives; provided that Landlord will not warrant any equipment or systems installed by Tenant using the Tenant Improvement Allowance (as defined herein).

Items (b)(1) – (4), above, are collectively known as "Landlord's Work". On the date that Landlord notifies Tenant that Landlord's Work has been completed, this shall be the "Delivery Date".

(c) Tenant's Work; Tenant's Work Period. Following the Delivery Date, Tenant's contractors or agents, etc. shall be allowed to occupy the Premises for a period of the later of: (i) six (6) months from the Delivery Date in order to complete Tenant's Work, as defined herein, and install furniture, fixtures, equipment, and personal property and otherwise to move in and prepare the Premises for its occupation and use; or (ii) the Commencement Date ("Tenant Work Period"). No Rent shall be required during the Tenant Work Period. On the Delivery Date, Landlord, at Landlord's expense, will deliver and warrant that Landlord will allow Tenant to make improvements to the Premises ("Tenant's Work") required by Tenant for its permitted use as described herein, at Tenant's sole cost except as provided herein. The scope of Tenant's Work will be provided through a "Work Letter Agreement" mutually agreed upon by the parties prior to Tenant's performance of any work in the Premises and which shall be incorporated herein by this reference. Tenant shall oversee, coordinate and manage the construction of Tenant's Work (including permitting, scheduling, construction

and integration with building systems) in accordance with mutually agreed upon Tenant design specifications and Landlord's reasonable construction standards for the Building. Tenant shall oversee, coordinate and manage the construction of any fixed medical equipment in accordance with the same terms. Landlord will not charge any construction management, review, or oversight fees regarding Tenant's Work, nor shall there be any fees charged by Landlord or Landlord's architect, payable by Tenant, for review of Tenant's architectural plans.

(d) Tenant Improvement Allowance. Landlord will, at Tenant's election, provide Tenant a "Tenant Improvement Allowance" up to the amount of $75,000 for the use toward the installation of a new generator or HVAC equipment to exclusively serve the Premises. Tenant must provide written notice to Landlord of its intent to use such Tenant Improvement Allowance prior to the conclusion of Tenant's Work. The Tenant Improvement Allowance shall be paid by Landlord as a cash reimbursement to Tenant within thirty (30) days of Tenant's delivery to Landlord of the invoice for qualifying expenses and proof of payment thereof. Notwithstanding the foregoing, Tenant will submit for reimbursement within one hundred and eighty (180) days of the earlier of: (i) its final payment for the qualifying expenses if less than $75,000; or (ii) Tenant's payment of $75,000 in qualifying expenses.

If Tenant elects to utilize all or a portion of the Tenant Improvement Allowance, Tenant will pay the amount necessary to fully amortize the Tenant Improvement Allowance reimbursed by Landlord to Tenant in equal monthly payments with interest at a rate of four percent (4%) per annum over the initial Lease Term (i.e., not including any extended Term(s)), beginning on the Commencement Date.

**1.7. Permitted Uses (see ARTICLE V)**: Tenant's "Permitted Use" of the Property is defined as follows:

(a) The conduct of medical or related health care practices and the provision of services that are generally ancillary or related to, or are associated with Tenant's medical or related health care practices, including the use of any imaging modalities, the provision of laboratory services or pharmacy services and operation of a surgical center; and

(b) The conduct of administrative office activities in support of Tenant's medical or related health care practices described above.

Tenant shall not use the Property for any other use except as permitted by this Section without Landlord's prior written consent which shall not be unreasonably withheld, conditioned, or delayed.

**1.8. Tenant's Guarantor**: Not Applicable.

**1.9. Brokers**: Landlord's Broker: Almon Commercial Real Estate. Tenant's Broker: Kidder Mathews and CBRE. Landlord shall pay a commission equal to ***five percent (5%) of the total gross Base Rent over the initial Term of the Lease***, which is to be paid 2.5% to Tenant's Broker and 2.5% to Landlord's Broker. To Tenant's Broker, Landlord will pay 25% of the Tenant Broker Commission to Kidder Matthews and 75% of the Tenant Broker Commission to CBRE. Landlord's payment of commission as described herein shall not be due until the condition stated in Section

1.6(a) has been satisfied or waived. Tenant shall indemnify, defend and hold Landlord harmless from and against any claim for brokerage or other commissions asserted by any broker, agent or finder employed or contracted by Tenant or with whom Tenant has dealt, other than Tenant's Broker. Landlord shall indemnify, defend and hold Tenant harmless from and against any claim for brokerage or other commissions asserted by any broker, agent or finder employed or contracted by Landlord or with whom Landlord has dealt, other than Landlord's Broker Each party hereto acknowledges receipt of the pamphlet "The Law of Real Estate Agency".

**1.10. Security Deposit**: None.

**1.11. Vehicle Parking Spaces for Tenant Use:** Tenant and Tenant's customers, invitees and guests shall be entitled to utilize common-area parking spaces within the development at no additional cost, whether or not adjacent to the Leased Property. Notwithstanding the foregoing, at no additional cost to Tenant, Landlord shall designate an area of no less than two (2) reserved parking spaces located within the common area parking and immediately adjacent to the Property for Tenant's patient drop-off and discharge. Tenant may install signage to designate such parking areas, the design and installation of which will be subject to Landlord's approval, which will not be unreasonably conditioned, withheld, or delayed.

**1.12. Rent and Other Charges Payable by Tenant:**

(a) **Base Rent:** Tenant shall pay Landlord monthly Base Rent as follows:

| Period | Annual Base Rent (per square foot/per year) |
|---|---|
| Month 0 (partial month) | $16.50 |
| Month 1 through 12 | $16.50 |
| Month 13 through 24 | $16.91 |
| Month 25 through 36 | $17.34 |
| Month 37 through 48 | $17.77 |
| Month 49 through 60 | $18.21 |
| Month 61 through 72 | $18.67 |
| Month 73 through 84 | $19.13 |
| Month 85 through 96 | $19.61 |
| Month 97 through 108 | $20.10 |
| Month 109 through 120 | $20.61 |

(b) **Reserves for Operating Expenses and Common Area Maintenance Charges:** The initial Tenant's Reserve for Operating Expenses (see Section 4.2) and Common Area Charges (Section 4.7) shall be ***$4.60 per year per square foot of Tenant's Floor Area***, not including non-useable space. From Month 1 through Month 36, Tenant's Operating Expenses and Common Area Maintenance Charges shall not be greater than ***$4.60 per year per square foot of Tenant's Floor Area.*** The Controllable Operating Expenses beginning in the 4th Lease year and for any given calendar year thereafter during the Term will not exceed the Controllable Operating Expenses for the preceding year by more than 5% on a non-cumulative basis. "Controllable Operating Expenses" means all Operating Expenses

except snow and ice removal, insurance, and utilities. Snow and ice removal, insurance and utilities shall be considered "Non-Controllable Operating Expenses."

**1.13. Potential Modifications to Rent Calculations**:

(a) **Modification of Total Tenant Floor Area**: Landlord and Tenant have agreed that the Base Rent as described in Section 1.12(a) above is determined by multiplying the Tenant's Floor Area in usable square feet, estimated at 9,565 square feet, by a Base Rent factor of ***Sixteen and 50/100 Dollars ($16.50) per year per square foot*** divided by twelve months (i.e., (9,565 SF x $16.50) ÷ 12). The estimated monthly amount for Reserve for Operating Expenses and Common Area Maintenance Charges is also calculated by multiplying Tenant's Floor Area by the rate specified in Section 1.12(b), above. Therefore, Landlord and Tenant agree that upon calculation of the square footage of Tenant's Floor Area the Leased Premises as set out on the Exhibits hereto, the amounts for Base Rent, and the amounts for the Reserves for Operating Expenses and Common Area Maintenance Costs shall be adjusted to reflect the actual amounts based on the actual computed square footage of Tenant's Floor Area of the Leased Premises.

(b) **Option to Extend**: So long as Tenant is not in default at time of giving notice therefore, Tenant shall have the following Option(s) to Extend this Lease upon the following conditions:

Two (2) five (5)-year extensions upon the same terms and conditions, except for Base Rent. The option shall be exercised by Tenant's written notice thereof to Landlord not less than two hundred seventy (270) days prior to the last day of the expiring term. If exercised, the term of this Lease will be extended for the period of the subject option upon the same terms, conditions, and covenants set forth herein, except that: (i) Base Rent for each year of the renewal terms (including the first year of each renewal term) shall be an amount equal to ninety-five percent (95%) of the then fair market value (including, if appropriate, adjustments for tenant improvement allowances, free rental periods, and leasing commissions) of the Premises, as determined in the manner described below; and (ii) after exercise of Tenant's final extension term option, there will be no further extension or renewal options.

If Landlord and Tenant are unable to agree on the fair market rental value for the Premises during the applicable extension term, then, within 30 days after the date Tenant exercises the applicable extension term option, Landlord and Tenant shall agree within 10 days thereafter on one real estate appraiser (who shall be a member of the American Institute of Real Estate Appraisers ("M.A.I.") or equivalent) who will determine the fair market rental value of the Premises.

The appraisers appointed shall proceed to determine the fair market rental value within 20 days following such appointment. The conclusion shall be final, conclusive and binding upon both Landlord and Tenant. If said appraisers should fail to agree, but the difference in their conclusions as to fair market value is 10% or less of the lower of the two appraisals, then the fair market rental value shall be deemed the average of the two. If the two appraisers should fail to agree on the fair market rental

value and the difference between the two appraisals exceeds 10% of the lower of the two appraisals, then the two appraisers thus appointed shall appoint a third M.A.I.-qualified appraiser, and in case of their failure to agree on a third appraiser within 10 days after their individual determination of the fair market rental value, either party may apply to the Presiding Judge of the Superior Court of the Yakima County Superior Court, requesting such Judge to appoint the third M.A.I.-qualified appraiser.

The third appraiser so appointed shall promptly determine the fair market rental value of the Premises and the average of the appraisals of the two closest appraisers shall be final, conclusive, and binding upon both parties. The fees and expenses of said third appraiser or the one appraiser Landlord and Tenant agree upon, shall be borne equally between Landlord and Tenant. Landlord and Tenant shall pay the fees and expenses of their respective appraiser if the parties fail to agree on a single appraiser. All M.A.I. appraisers appointed or selected pursuant to this subsection shall have at least 10 years' experience appraising commercial properties in the commercial leasing market in which the Premises are located. If the extension term commences without an agreement or determination of fair market rental value, the extension term shall commence at the expiration of the current term and the rental amount due to Landlord or credit due to Tenant shall be reconciled upon that determination with the next monthly rental payment due.

**1.14. Landlord's Share of Profit on Assignment or Sublease (see Section 9.5)**: Fifty Percent (50%) of the Profit (the "Landlord's Share").

**1.15. Right of First Refusal To Lease**. Tenant shall have an ongoing and continuing right of first refusal ("RFR") to lease: (i) all or any adjacent space in the Building before Landlord leases it to any third party; and (ii) any adjacent space in the Building that may become available effective upon expiration of such third-party lease, subject to any renewal or extension with respect to such space by such third party. If any such space is currently available or so becomes available, Landlord shall notify Tenant in writing of the availability of such space (the "RFR Notice"). The RFR Notice shall identify specifically the available space location and net rentable area, and Landlord's estimation of Fair Market Value rent. Tenant shall have the right to lease the space covered by the RFR Notice by providing Landlord written notice within 20 business days after Tenant's receipt of the RFR Notice. If Tenant exercises such right, the rentable area of the space covered by the RFR Notice shall be added to the rentable area of the Premises and leased to Tenant on the same terms and conditions of this Lease, excluding those terms and conditions relating to base rent, free rent, term and tenant improvement allowance, all of which terms and conditions shall be based on a then-current fair market value analysis, and the parties shall execute and deliver a suite addendum that memorializes such space. Notwithstanding anything to the contrary in this Section, Tenant shall not have the right to exercise the RFR at any time during which an uncured event of default exists under this Lease.

**1.16. Building Exclusivity**. Landlord shall not permit any party or business entity, other than Tenant, to operate a gastroenterology clinic or ambulatory surgical facility within the Building or Project. This provision shall not be applicable to:

(a) Existing tenants of the Project as of the mutual execution of this Lease; and

(b) Any future tenant within the Project that does not operate a gastroenterology clinic and whose operations include outpatient surgical procedures (but excluding any Department of Health licensed surgical facility), performed in such tenant's offices if the privilege of using such tenant's premises is not extended to providers outside of the tenant's individual or group practice.

**1.17. <u>Exhibits and Other Attachments, which are Part of the Lease:</u>**

Exhibit "A": Depiction Project and Project Site Plan

Exhibit "B": Legal Description of Leased Premises.

Exhibit "B-1": Janitor Closet Demising Plan

Exhibit "C": Commencement Date Memorandum and Confirmation of Lease Terms

Exhibit "D": (Reserved)

Exhibit "E": Rules and Regulations

Exhibit "F": Responsibility Matrix

## ARTICLE II.
## LEASE TERM

**2.1. <u>Lease of Property for Lease Term</u>**: Landlord leases the Property to Tenant and Tenant leases the Property from Landlord for the Lease Term. The Lease Term is for the period stated in Section 1.6 above and shall begin and end on the dates specified in Section 1.6 above, unless the beginning or end of the Lease Term is changed under any provision of this Lease. The "Commencement Date" shall be the date specified in Section 1.6 above for the beginning of the Lease Term unless advanced or delayed under any provision of this Lease.

**2.2. <u>Delay in Delivery</u>**: Landlord shall not be liable to Tenant if Landlord does not deliver possession of the Property to Tenant on the Delivery Date. Notwithstanding the foregoing, if Landlord does not deliver the Premises to Tenant within sixty (60) days after Landlord's receipt of notice that Tenant has acquired the DOH Surgery Center License: (i) two (2) days of Rent shall abate for each day after such sixty-day period; and (ii) Tenant will have the right, in its discretion, to terminate this Lease without penalty or cost effective upon delivery of such notice of termination, and neither party shall have any further obligations to the other under this Lease except to the extent that certain items specifically survive termination.

**2.3. <u>Early Occupancy</u>**: If Tenant occupies and commences business operations in the Property prior to the Commencement Date, Tenant's occupancy of the Property shall be subject to all of the provisions of this Lease, provided, however, that if the Landlord's Work is substantially completed prior to the Commencement Date, then upon reasonable notice from Tenant to Landlord, Tenant shall be entitled to enter the Property for fixturing and move-in purposes and the mere moving

of furniture and equipment into the Property shall not be deemed commencement of business operations or other beneficial occupancy for purposes of this Section 2.3. Early occupancy of the Property shall not advance the expiration date of this Lease.

**2.4. Holding Over:** Tenant shall vacate the Property upon the expiration or earlier termination of this Lease. Tenant shall reimburse Landlord for and indemnify Landlord against all damages, which Landlord incurs from Tenant's delay in vacating the Property except to the extent that the Landlord permits Tenant's holdover occupancy of the Premises. If Tenant does not vacate the Property upon the expiration or earlier termination of the Lease and Landlord thereafter accepts Rent from Tenant, Tenant's occupancy of the Property shall be a "month-to-month" tenancy, subject to all of the terms of this Lease applicable to a month-to-month tenancy, except that the Base Rent then in effect shall be increased by twenty-five percent (25%).

## ARTICLE III.
## BASE RENT AND RESERVES FOR OPERATING EXPENSES

**3.1. Time and Manner of Payment**: Upon execution of this Lease, Tenant shall pay Landlord the Base Rent and the amount for the Reserves for Operating Expenses in the amounts stated in Section 1.12(a) and (b) in this Lease for the first month of the Term. On the first day of the second month of the Term and each month thereafter, Tenant shall pay Landlord the Base Rent and the then applicable amount for the Reserves for Operating Expenses, in advance, without offset, deduction or prior demand. Said amounts shall be payable at Landlord's address or at such other place as Landlord may designate in writing or, at Tenant's option, via electronic payments or automated transfers.

**3.2. Security Deposit**: ***Intentionally Reserved***

**3.3. Termination; Advance Payments**: Upon termination of this Lease under ARTICLE VII (Damage or Destruction), ARTICLE VIII (Condemnation), or any other termination not resulting from Tenant's default, and after Tenant has vacated the Property in the manner required by this Lease, Landlord shall refund or credit to Tenant (or Tenant's successor), within 30 days of the lease termination date, any advance Rent or other advance payments made by Tenant to Landlord, and any amounts paid for real property taxes and other reserves which apply to any time periods after termination of the Lease.

## ARTICLE IV.
## OTHER CHARGES PAYABLE BY TENANT

**4.1. Additional Rent**: All charges payable by Tenant other than Base Rent is called "Additional Rent". Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due with the next monthly installment of Base Rent. The term "rent" or "Rent" shall mean Base Rent and Additional Rent.

**4.2. Definitions**: The terms identified below shall have the following meanings:

(a) **"Operating Expense"** shall mean the aggregate of Real Property Taxes and Cost of Operation and Maintenance as those terms are defined and applied in (b) and (e) of this section.

(b) **"Real Property Tax"** means: (i) any fee, license fee, license tax, business license fee, commercial rental tax, levy, charge, assessment, penalty or tax imposed by any taxing authority against the Property; (ii) any tax on the Landlord's right to receive, or the receipt of, rent or income from the Property or against Landlord's business of leasing the Property; (iii) any tax or charge for fire protection, streets, sidewalks, road maintenance, or use of other services provided to the Property by any governmental agency; (iv) any tax imposed upon this transaction; and (v) any charge or fee replacing any tax previously included within the definition of real property tax. "Real Property Tax" does not, however, include Landlord's federal or state income, excise or transfer fees, franchise, inheritance or estate taxes (collectively, "Landlord's Taxes").

(c) **"Joint Assessment"** means, if the Property is not separately assessed, Landlord's reasonable determination of Tenant's share of the Real Property Tax payable by Tenant from the Assessor's worksheets or other reasonably available information. Tenant shall pay such share to Landlord within thirty (30) days after receipt of Landlord's written statement.

(d) **"Personal Property Taxes"** means all taxes charged against trade fixtures, furnishings, equipment or any other personal property belonging to Tenant. Tenant will be obligated to pay its Personal Property Taxes and, where possible, will shall try to have its personal property taxed separately from the Property. If any of Tenant's personal property is taxed with the Property, Tenant shall pay Landlord the Personal Property Taxes within thirty (30) days after Tenant receives a written statement from Landlord for such personal property taxes.

(e) **"Cost of Operation and Maintenance"** shall mean the sum of all expenses paid or incurred by Landlord during any calendar year of the Term hereof in connection with the operation, maintenance, insurance, management and repair of the Building and Project, including interior and adjacent landscaped areas and parking areas, and capital costs incurred for replacements that would be considered capital expenses under generally accepted accounting principles, the actual costs of which (without interest) will be amortized over its useful life (but not less than fifteen years). The term "Cost of Operation and Maintenance" shall not include Landlord's Taxes as that term is defined in Section 4.2(b) above, the cost of special services rendered to tenants (including Tenant) for which a special charge is made hereunder, any costs of preparation or leasing of space for new tenants in the Building or any costs borne directly by Tenant under this Lease or any other tenant per a separate agreement. Cost of Operation and Maintenance shall also not include: repairs to the structural components of the Building, Project, and Property, including the roof (including the support columns, walls, joists, and decking) and roof membrane, floors, load bearing walls and foundations; expenses paid directly by Tenant or other tenants in the Building or otherwise reimbursed to Landlord; legal fees, financing costs, depreciation on the Building, Property and equipment; compensation for any of Landlord's employees above the grade of building or property manager; overhead, taxes on Landlord's business, and other expenses not

attributable to operating and management of the Building or Project; income taxes; excise and transfer taxes; marketing costs (including advertising and promotional expenses) and leasing/broker commissions; cost incurred by Landlord for the repair or damage to the Building, Property, and/or Project to the extent that Landlord is reimbursed by insurance or condemnation proceeds or by tenants, warrantors, or other third parties; costs associated with removal or remediation of asbestos or other Hazardous Materials or other toxic materials and associated claims; capital reserves (including any portion of any condominium or other community association assessment for capital reserves), and costs to correct the initial construction of, or latent defects in the Building. **EXHIBIT "F"** is a responsibility matrix summary only as to which party is responsible for carrying out the work described therein. Notwithstanding anything to the contrary between **EXHIBIT "F"** and the body of this Lease, the body of this Lease supersedes and controls conflicts to those stated within **EXHIBIT "F"**.

Notwithstanding anything to the contrary contained herein, Landlord shall maintain and test all sprinkler systems and fire alarms (the "Safety Systems") in the Building in accordance with all applicable laws and regulations, and Landlord shall make regular inspection and testing reports on all Safety Systems serving the Building and Premises available to Tenant upon Tenant's request or as required by the Washington State Department of Health ("DOH") or the Joint Commission on Accreditation of Healthcare Organizations ("JC"). If Tenant's current or future Permitted Use is subject to compliance with JC regulations, Landlord shall perform the testing of Safety Systems as outlined in **EXHIBIT "F"** and Landlord shall provide such test results to Tenant therein, subject to Tenant's reimbursement of costs as an Operating Expense. To the extent Landlord incurs any cost associated with such testing, said cost will be paid by Tenant as an Operating Expense regardless of any limitations on such costs contained herein.

(f) **"Calendar Year"** shall mean a period ending December 31.

(g) **"Tenant's Share of Operating Expenses"** shall mean a fraction, the numerator of which is Tenant's Floor Area and the denominator of which is the total usable square footage of the Project. Tenant acknowledges Landlord's rights to make changes or additions to the Project from time to time, in which event the total usable square footage of the Project may be adjusted. If the occupancy level of the Project for a given Calendar Year is less then eighty-five percent (85%), Landlord will have the right to adjust (i.e., gross up) the Operating Expenses for such year proportionately to reflect those variable Operating Expenses which would have been incurred if the project had been fully occupied during such Calendar Year.

(h) **"Tenant's Reserve for Operating Expenses"** shall mean the monthly per square foot amount, determined by Landlord as soon as practical after the commencement of each Calendar Year during the term hereof, that will be necessary to pay for Tenant's Share of the Operating Expenses. For the Calendar Year, or portion thereof, during which the Term of this Lease commences, said share shall be pro-rated to Commencement Date of the Lease. As soon as practical after the commencement of each Calendar Year, Landlord shall notify Tenant, in writing, of the new Tenant's Reserve for Operating Expenses, and the new amount so established shall be paid with the next month's rent falling due in accordance with Section 3.2 hereof.

**4.3. Additional Rent - Tenant's Reserve for Operating Expenses**: In addition to the monthly Base Rent, as provided in Section 1.12, Tenant shall also pay, at the same time the monthly Base Rent is due, an amount equal to the "Tenant's Reserve for Operating Expenses", as defined in Section 1.12 hereof.

**4.4. Final Annual Adjustment for Operating Expenses - Verification**: As soon as practical following the end of each Calendar Year, Landlord shall cause there to be calculated the annual Operating Expenses, as defined in ARTICLE IV hereof, for the subject Calendar Year, and thereafter, the final computation of the annual Operating Expenses shall be furnished to Tenant, the same to set forth Tenant's Share of Operating Expenses. Tenant, or its agent, shall have the right to review and examine Landlord's books and records with respect to Operating Expenses, and to reasonably verify all expenditures claimed as constituting a part of Operating Expenses. If Tenant's Share of Operating Expenses exceeds the total amount paid by Tenant for its reserve for such expenses for the subject Calendar Year, the excess shall be paid to Landlord within thirty (30) business days after Landlord has furnished the statements to Tenant as provided above. If the reserve amount paid by Tenant exceeds Tenant's Share of Operating Expenses, the excess amount of reserve shall be credited against the reserve payments next falling due (additional rent) pursuant to the provisions of Article 4 herein.

**4.5. Utilities**: Landlord shall be responsible for providing any utilities to the Property at its sole cost, and represents and warrants to Tenant that as of the Commencement Date electricity, water, sewer, and telephone utilities are available to the Property. Tenant acknowledges that the current capacity of such utilities will meet Tenant's needs. Tenant shall pay for all water, sewer, gas, janitorial, electricity, garbage removal, heat, telephone, and other utilities and services used by Tenant on the Property during the Term, whether or not such services are billed directly to Tenant. If any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services and Tenant shall pay such share to Landlord within thirty (30) days after receipt of Landlord's written statement. If Landlord elects to install any submeter for any utility, such installation and all maintenance and repair thereof will be at the Landlord's sole cost.

**4.6. Insurance Policies**:

(a) **Liability Insurance.** During the Lease Term, Tenant shall maintain a policy of commercial general liability insurance (sometimes known as broad form comprehensive general liability insurance) insuring Tenant against liability for bodily injury, property damage (including loss of use of property) and personal injury or death arising out of the operation, use or occupancy of the Property. Tenant shall name Landlord as an additional insured under such policy. The initial amount of such insurance shall be One Million Dollars ($1,000,000) per occurrence and shall be subject to periodic increase based upon inflation, increased liability awards, recommendation of Landlord's professional insurance advisors and other relevant factors. The liability insurance obtained by Tenant under this Section 4.6 shall (i) be primary and non-contributing except to the extent of the negligence of Landlord or its agents; (ii) contain cross-liability endorsements; and (iii) insure Landlord against Tenant's performance under Section 5.4, if the matters giving rise to the indemnity under Section 5.4 result from the negligence of Tenant. The amount and coverage of such insurance shall not limit Tenant's liability nor relieve Tenant of any other obligation under this Lease.

Landlord may also obtain comprehensive public liability insurance in an amount and with coverage determined by Landlord insuring Landlord against liability arising out of ownership, operation, use or occupancy of the Property and such expense will be included in Operating Expenses. The policy obtained by Landlord shall not be contributory and shall not provide primary insurance.

(b) **Property and Rental Income Insurance.** During the Lease Term, Landlord shall maintain policies of insurance covering loss of or damage to the Property in the full amount of its replacement value. Such policy shall contain an inflation guard Endorsement and shall provide protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, special extended perils (all risk), sprinkler leakage and any other perils which Landlord deems reasonably necessary. Landlord shall have the right to obtain flood and earthquake insurance if required by any lender holding a security interest in the Property. Landlord shall not obtain insurance for Tenant's fixtures or equipment or building improvements installed by Tenant on the Property. During the Lease Term, Landlord shall also maintain a rental income insurance policy, with loss payable to Landlord, in an amount equal to one year's Base Rent, plus estimated real property taxes and insurance premiums. All insurance obtained by Landlord under this Section 4.6(b) will be included in Operating Expenses. Except to the extent of Tenant's Permitted Uses, Tenant shall not do nor permit anything to be done which invalidates any such insurance policies or coverage thereunder.

(c) **General Insurance Provisions**.

(1) Any insurance which Tenant is required to maintain under this Lease shall include a provision which requires the insurance carrier to give Landlord not less than thirty (30) days' written notice prior to any cancellation or modification of such coverage.

(2) If Tenant fails to deliver any policy, certificate or renewal to Landlord required under this Lease within the prescribed time period or if any such policy is canceled or modified during the Lease Term without Landlord's consent, Landlord may obtain such insurance, in which case Tenant shall reimburse Landlord for the cost of such insurance within thirty (30) days after receipt of a statement that indicates the cost of such insurance.

(3) Tenant shall maintain all insurance required under this Lease with companies authorized to transact business in the State of Washington. If at any time during the Lease Term, Tenant is unable to maintain the insurance required under the Lease, Tenant shall nevertheless maintain insurance coverage which is customary and commercially reasonable in the insurance industry for Tenant's type of business, as that coverage may change from time to time. Landlord makes no representation as to the adequacy of such insurance to protect Landlord or Tenant's interest. Therefore, Tenant shall obtain any such additional property or liability insurance which Tenant deems necessary to protect Landlord and Tenant. Notwithstanding the above, Tenant shall have the right to satisfy its insurance obligations under this Lease by means of self-insurance to the extent of all or part of the insurance required hereunder but only

so long as such self-insurance is permitted under all laws applicable to Tenant at the time in question. If Tenant elects to self-insure, Landlord shall have the same benefits and protections as if Tenant carried insurance with a third-party insurance company satisfying the requirements of this Lease.

(4) Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by insurance required to be carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible or self-insured amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

**4.7. Common Areas; Use, Maintenance and Costs**:

(a) **Common Areas.** As used in this Lease, "Common Areas" shall mean all areas within the Project which are available for the common use of tenants of the Project and which are not leased or held for the exclusive use of Tenant or other tenants, including, but not limited to, parking areas, driveways, sidewalks, loading areas, access roads, corridors, landscaping and planted areas. Landlord, from time to time, may change the size, location, nature and use of any of the Common Areas, convert Common Areas into leasable areas, construct additional parking facilities (including parking structures) in the Common Areas, and increase or decrease Common Area land and/or facilities. Tenant acknowledges that such activities may result in inconvenience to Tenant. Such activities and changes are permitted if they do not materially affect Tenant's use of the Property or otherwise materially increase the cost of Tenant's operations therein.

(b) **Use of Common Areas.** Tenant shall have the nonexclusive right (in common with other tenants and all others to whom Landlord has granted or may grant such rights) to use the Common Areas for the purposes intended, subject to such reasonable rules and regulations as Landlord may establish from time to time. Tenant shall abide by such rules and regulations and shall use its best effort to cause others who use the Common Areas with Tenant's express or implied permission to abide by Landlord's rules and regulations. At any time, Landlord may close any Common Areas to perform any acts in the Common Areas as, in Landlord's judgment, are desirable to improve or maintain the Project, provided that such activities may not materially impair the ability of Tenant, its agents, or invitees from accessing the Premises. Tenant shall not interfere with the rights of Landlord, other tenants or any other person entitled to use the Common Areas.

(c) **Maintenance of Common Areas.** Landlord shall maintain the Common Areas in good order, condition and repair and shall operate the Project, in Landlord's sole discretion, as a first-class industrial/commercial/office real property development. Tenants' pro rata share of all costs incurred by Landlord for the operation and maintenance of the Common Areas shall be included as a part of the Tenant's Reserve for Operating Expenses and Common Area Costs as stated in Section 1.12(b). Common Area costs include, but are not limited to, costs and expenses for the following: gardening and landscaping; utilities,

water and sewage charges; maintenance of signs (other than tenants' signs); premiums for liability, property damage, fire and other types of casualty insurance on the Common Areas and workers' compensation insurance; all property taxes and assessments levied on or attributable to the Common Areas and all Common Area improvements; all personal property taxes levied on or attributable to personal property used in connection with the Common Areas; straight-line depreciation on personal property owned by Landlord which is consumed in the operation or maintenance of the Common Areas; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Common Areas; fees for required licenses and permits; repairing, resurfacing, repaving, maintaining, painting, lighting, cleaning, refuse removal, snow removal, security and similar items; and other appropriate reserves; and a reasonable allowance to Landlord for Landlord's supervision of the Common Areas (not to exceed five percent (5%) of the gross rents of the Project for the calendar year). Landlord may cause any or all of such services to be provided by third parties and the cost of such services shall be included in Common Area costs. Common Area costs shall not include depreciation of real property which forms part of the Common Area, nor shall it include real property taxes and/or assessments on any parcel within the Project before said parcel becomes improved with one or more structures, to ensure that Landlord bears the burden of such taxes and/or assessments upon unimproved land not subject to lease and participation in allocation of CAM charges.

(d) **Specific Provision re: Vehicle Parking.** Tenant shall be entitled to use the vehicle parking spaces within the Project designated on **EXHIBITS "A" AND "B**" to this Lease without paying any additional Rent. Tenant's parking shall not be reserved and shall be limited to vehicles no larger than standard size automobiles or pickup utility vehicles. Tenant shall not cause nor permit large trucks or other large vehicles to be parked within the Project or on the adjacent public streets. Temporary parking of large delivery vehicles in the Project may be permitted by the rules and regulations established by Landlord, or within exclusive portions of a tenant's Leased Premises. Vehicles shall be parked only in striped parking spaces and not in driveways, loading areas or other locations not specifically designated for parking. Handicapped-accessible spaces shall only be used by those legally permitted to use them. If Tenant parks more vehicles in the parking areas than the number permitted herein, such conduct shall be a material breach of this Lease. In addition to Landlord's other remedies under the Lease, Tenant shall pay a daily charge determined by Landlord for each such additional vehicle occupying a non-permitted space.

**4.8. Late Charges**: Tenant's failure to pay rent promptly may cause Landlord to incur unanticipated costs. The exact amounts of such costs are impractical or difficult to ascertain. Such costs may include, but are not limited to, processing and accounting charges and late charges, which may be imposed, on Landlord by any ground lease, mortgage or other encumbrance on the Property. Consequently, if Landlord does not receive any Rent payment within thirty (30) days after it becomes due; Tenant shall pay Landlord a late charge equal to five percent (5%) of the overdue amount for each month that it is overdue. The parties agree that such late charge represents a fair and reasonable estimate of the costs Landlord will incur by reason of such late payment.

**4.9. Interest on Past Due Obligations**: Any amount owed by Tenant to Landlord which is not paid when due shall bear interest at the rate of twelve percent (12%) per annum from the due date of such amount, however, interest shall not be payable on late charges to be paid by Tenant

under this Lease. The payment of interest on such amounts shall not excuse or cure any default by Tenant under this Lease. If the interest rate specified in this Lease is higher than the rate then permitted by law, the interest rate shall be decreased to the maximum legal interest rate then permitted by law.

**4.10. Compliance with Laws**:

(a) Compliance Generally. Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that the Premises comply with all applicable laws, rules, regulations, or orders, including without limitation, the Americans With Disabilities Act ("ADA") and its enabling regulations, and Landlord shall be responsible to promptly cure at its sole cost, and not as an Operating Expense, any noncompliance which existed on the Lease Commencement Date. If the enactment or enforcement of any law, ordinance, regulation, or code during the Lease Term requires any changes to the Premises during the Lease Term not directly attributable to Tenant's Permitted Use of the Premises, the Landlord shall perform all such changes at its expense and not as an Operating Expense.

(b) Patient Referral; Independent Medical Judgment/Compliance. Landlord shall complete and execute the Referral Source Questionnaire supplied by Tenant concurrently with the execution of this Lease. In addition, each party agrees that no party to this Lease has a duty or obligation to refer patients to one another and patient referral is not an obligation of this Lease. Nothing contained herein or in the relationship of Landlord and Tenant is intended to interfere with the exercise of independent medical judgment of either party. The parties further agree:

(i) The payments called for in this Lease represent fair market value;

(ii) The Lease terms are commercially reasonable and not determined in a manner that takes into account the volume or value of referrals or other business generated between the parties;

(iii) The aggregate space and/or equipment rented does not exceed that which is necessary to accomplish the commercially reasonable business purpose of the rental; and

(iv) At Tenant's election, Landlord and Tenant shall document this Lease and all other arrangements between them (or between Tenant and a physician member of the other party or his or her family member) in a master contract list and/or repository that is maintained and updated centrally and available for review upon request by such party or any governmental agency with authority to request the information. Tenant shall maintain the master policy/repository in a manner that preserves the historical record of the past arrangements between Landlord and Tenant.

In addition, Landlord and its employees, agents, and contractors shall comply with Tenant's reasonable access rules and regulations related to Tenant's sensitive healthcare use, including,

without limitation, any rules and regulations Tenant implements to comply with executive orders or other regulations promulgated by any government authority.

## ARTICLE V.
## USE OF PROPERTY

**5.1.** **Permitted Uses**: Tenant may use the Property only for the Permitted Uses set forth in Section 1.7 above.

**5.2.** **Manner of Use**: Tenant shall not cause or permit the Property to be used in any way which constitutes a violation of any law, ordinance, or governmental regulation or order, which annoys or interferes with the rights of tenants of the Project, or which constitutes a nuisance or waste. Tenant shall obtain and pay for all permits, including a Certificate of Occupancy (unless acquired by Landlord as provided herein), required for Tenant's occupancy of the Property and shall promptly take all actions necessary to comply with all applicable statutes, ordinances, rules, regulations, orders and requirements regulating the use by Tenant of the Property, including the Occupational Safety and Health Administration.

**5.3.** **Signs and Auctions**: Tenant shall not place any signs on the Property without Landlord's prior written consent, which consent will not be unreasonably withheld, conditioned, or delayed. Tenant shall not conduct or permit any auctions or sheriff's sales at the Property.

**5.4.** **Indemnity**:

(a) Tenant shall indemnify, defend and save Landlord harmless from and against any and all costs, claims or liability arising from: (a) Tenant's use of the Premises; (b) the conduct of Tenant's business or the negligence of Tenant in or about the Premises, including any contamination of the Property or any other property resulting from the presence or use of Hazardous Material caused or permitted by Tenant; (c) any breach of default in the performance of Tenant's obligations under this Lease; (d) any misrepresentation or breach of warranty by Tenant under this Lease; or (e) other negligent acts or omissions of Tenant. Tenant shall defend Landlord against any such cost, claim or liability at Tenant's expense with counsel reasonably acceptable to Landlord. As a material part of the consideration to Landlord, Tenant assumes all risk of damage to property or injury to persons in or about the Property arising from any cause, and Tenant hereby waives all claims in respect thereof against Landlord, except for any claim arising out of Landlord's negligence or misconduct. As used in this Section 5.4, the term "Tenant" shall include Tenant's employees, agents, contractors and invitees, if applicable.

(b) Landlord shall indemnify and defend Tenant and its directors, officers, agents, employees, sublessees, and licensees from any claim, liability, damage or loss arising from or relating to the negligence or willful misconduct of Landlord or its agents, or resulting from Landlord's failure to comply with any term of this Lease, except to the extent arising from or relating to the negligence, willful misconduct, or breach of this Lease of Tenant or its directors, officers, agents, employees, sublessees, and licensees.

**5.5. Landlord's Access**: Tenant shall permit Landlord and its agents, employees, and contractors to enter the Premises to make repairs, inspections, alterations, or improvements, provided however that any repairs, alterations, or improvements are made on a schedule mutually agreed upon by Landlord and Tenant and further provided that such work does not materially limit Tenant's access to the Premises nor deny Tenant its beneficial use of the Premises as provided herein. If Landlord makes repairs, alterations, or improvements, Landlord shall ensure that such repairs are made in a safe and workmanlike manner, keeping in mind Tenant's employees and invitees and their health and safety. At times mutually agreed upon, Landlord shall have the right to enter the Premises for the purpose of showing the Premises to prospective purchasers or lenders, and to prospective tenants within 90 days prior to the expiration or sooner termination of the Lease term. Landlord acknowledges that, in connection with any entry into the Premises, Landlord and its trustees, members, principals, beneficiaries, partners, officers, directors, employees, mortgagees and agents (collectively, "Landlord Related Parties") may come into contact with protected health information ("PHI") within the meaning of the Health Insurance Portability and Accountability Act of 1996, Public Law 104-91, and regulations promulgated thereunder ("HIPAA"). Landlord (i) shall not disclose, and shall cause Landlord Related Parties not to disclose, any such PHI, (ii) shall implement such appropriate safeguards as may be necessary to protect the confidentiality of any such PHI against unauthorized access and use in connection with such entries into the Premises, and (iii) shall report to Tenant in writing any unauthorized use or disclosure of any such PHI by Landlord or Landlord Related Parties in connection with any such entry into the Premises within five (5) business days of becoming aware of such unauthorized use or disclosure. In the event HIPAA or any similar or related law or regulation requires a written contract with respect to the obligations of Tenant, Landlord, or Landlord Related Parties in connection with the privacy and security of PHI, then Tenant and Landlord shall execute, and Landlord shall cause Landlord Parties to execute, such written contract on such terms as are required by law. Landlord further acknowledges that, for Tenant to comply with HIPAA, Tenant may need to restrict access to the portions of the Premises where PHI is kept or stored. Except in cases of emergency, Landlord agrees that, notwithstanding the rights granted to Landlord under this Lease, except when accompanied by an authorized representative of Tenant, neither Landlord nor any agent of Landlord shall be permitted to enter those areas of the Premises, if any, designated by Tenant as locations where patients are treated (when a patient is present) and where PHI and medical records are kept or stored.

**5.6. Quiet Possession**: If Tenant pays the Rent and complies with all other terms of this Lease, Tenant may occupy and enjoy the Property for the full Lease Term, subject to the provisions of this Lease. Tenant shall not be required to continuously operate within the Premises. Tenant at its sole discretion shall be allowed to set its own hours of operation during the Lease term. Landlord will not have the right to relocate Tenant.

**5.7. Hazardous Material**: Landlord represents and warrants to Tenant that, to the best of Landlord's knowledge, there is no "Hazardous Material" (as defined below) on, in, or under the Premises, Building, or Project as of the Commencement Date except as otherwise disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises, Building, or Project as of the Commencement Date, which has been or thereafter becomes unlawfully released through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees

and expert fees, incurred or suffered by Tenant either during or after the Lease term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its agents, employees, contractors or invitees, except in strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere, damages arising from any adverse impact on marketing of space at the Premises, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Lease term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, results in any unlawful release of Hazardous Material on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property, to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion.

As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government due to its potential harm to the health, safety or welfare of humans or the environment.

## ARTICLE VI.
## CONDITION OF PROPERTY; MAINTENANCE, REPAIRS AND ALTERATIONS

**6.1. Existing Conditions**: Tenant accepts the Property in its condition as of the execution of the Lease, subject to all recorded matters, laws, ordinances, and governmental regulations and orders. Except as provided herein (such as by commitment of Landlord to furnish building and/or tenant improvements pursuant to Exhibits), Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation as to the condition of the Property nor the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection of and inquiry regarding the condition of the Property and is not relying on any representations of Landlord or any Broker with respect thereto. If Landlord or Landlord's Broker has provided a Property Information Sheet or other Disclosure Statement regarding the Property, a copy is attached as an exhibit to the Lease and initialed by both parties. Notwithstanding the foregoing, Landlord warrants that the Premises will be delivered to Tenant (a) water tight and free from mold,

(b) free from any structural or latent defects, (c) free from Hazardous Materials, including asbestos, (d) with all mechanical, electrical, and other systems serving the Premises in good working order and condition, and (e) in compliance with all law, ordinances, rules, regulations, and legal requirements, including the ADA. Landlord warrants to Tenant that, to Landlord's knowledge, Tenant's Permitted Uses do not violate any other exclusivity agreement or covenant with any third party, including any other tenant, nor do they violate any instrument recorded against the Property. If asbestos is found within the Premises or Building, Landlord will be responsible for all abatement, remediation, and certification costs associated therewith. Tenant is not responsible for any latent defects within the Premises.

**6.2.** **Repairs and Maintenance**. Subject to Landlord's obligations under this Lease, Tenant shall, at its sole expense, maintain the Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition. For the avoidance of doubt, Tenant will be responsible for the routine maintenance (but not replacement, except to the extent of the Tenant Improvement Allowance) of components of the mechanical, HVAC, generator, plumbing, sewer, and electrical lines and facilities, exterior doors, interior glass, and all interior improvements to the extent that the same solely serve Tenant's Premises and are accessible from Tenant's Premises. If Tenant utilizes the Tenant Improvement Allowance to replace any generator or HVAC equipment serving the Premises, Tenant will become responsible for repairs to the HVAC and generator equipment serving the Premises. Notwithstanding anything in this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its agents, employees, contractors, or invitees therein.

**6.3.** **Exemption of Landlord from Liability**: Landlord shall not be liable for any damage or death or injury to the person, business (or in any loss of income therefrom), goods, wares, merchandise or other property of Tenant, Tenant's employees, invitees, customers or any other person in or about the Property, whether such damages or injury is caused by or results from: (a) fire, steam, electricity, water, gas, snow, rain, or volcanic activity; (b) the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air condition or lighting fixtures or any other cause; (c) conditions arising in or about the Property or upon other portions of the Project, or from other sources or places; or (d) any act or omission of any other tenant of the Project. Landlord shall not be liable for any such damage or injury even though the cause of or the means of repairing such damage, death or injury are not accessible to Tenant. The provisions of this Section 6.2 shall not, however, exempt Landlord from liability for Landlord's negligence or misconduct.

**6.4.** **Alterations, Additions, and Improvements**:

(a) After completion of Tenant's Work, Tenant shall not make any non-structural alterations, additions, or improvements to the Property costing One Hundred Thousand Dollars ($100,000.00) or more without Landlord's prior written consent, which shall not be unreasonably withheld, conditioned, or delayed. The term "Alterations" shall not include the installation of shelves, movable partitions, Tenant's equipment, and trade fixtures which may be performed without damaging existing improvements or the structural integrity of the Property, and Landlord's consent shall not be required for Tenant's installation of those items. Tenant shall promptly remove any alterations, additions, or improvements constructed in violation of this Section 6.3 upon Landlord's written request. All alterations, additions, and

improvements shall be done in a good and workmanlike manner, in conformity with all-applicable laws and regulations, and by a "qualified contractor". Tenant shall install in the Premises only such equipment as is customary for Tenant's Permitted Use and shall not overload the floors or electrical circuits of the Premises or Building or alter the plumbing or wiring of the electrical, heat generating, climate sensitive or communication equipment or exceptionally heavy articles. All telecommunications equipment, conduit, cables and wiring, additional dedicated circuits and any additional air conditioning required because of heat generating equipment or special lighting installed by Tenant shall be installed and operated at Tenant's expense. Landlord shall have no obligation to permit the installation of equipment by any telecommunications provider whose equipment is not then servicing the Building. Tenant shall have no right to install any equipment on or through the roof of the Building without Landlord's prior written consent, or use or store any equipment or other items outside of the interior boundary of the Premises. The minimum requirements of a "qualified contractor" shall include that the contractor be (i) duly licensed and registered by the Washington State Department of Labor and Industries; (ii) supply a certificate of general liability insurance policy naming Landlord as an additional insured of no less than Two Million Dollars ($2,000,000.00) combined single limit; and (iii) when the contractor provides services in conjunction with Wide Hollow Development, LLC, contractor will execute such indemnity agreements in a form acceptable with Landlord, in Landlord's sole discretion. Upon completion of any such work, whether required to be approved in advance by Landlord or not, Tenant shall provide Landlord with "as built" plans, copies of all construction contracts, and proof of payment for all labor and materials.

(b) Tenant shall pay when due all claims for labor and material furnished to the Property. Tenant shall not permit any mechanics or materialman liens to be levied against the Leased Premises for any labor or material furnished to Tenant or claimed to have been furnished to Tenant or Tenant agents or contractors in connection with work of any character performed or claimed to have been performed on the Leased Premises by or at the direction of Tenant; provided, Tenant may in good faith contest any claim of lien so long as it prevents foreclosure and, in such event, Tenant shall defend and hold Landlord harmless from any consequences of such action, including costs and reasonable attorney's fees incurred. Tenant shall give Landlord at least twenty (20) days' prior written notice of the commencement of any work on the Property, regardless of whether Landlord's consent to such work is required. Landlord may elect to record and post notices of non-responsibility on the Property.

**6.5.** **<u>Condition Upon Termination of Lease</u>**: Upon the termination of the Lease, Tenant shall surrender the Property to Landlord, broom clean and in the same condition as received except as provided herein and except for ordinary wear and tear which Tenant was not otherwise obligated to remedy under any provision of this Lease. However, Tenant shall not be obligated to repair any damage, which Landlord is required to repair under ARTICLE VII (Damage or Destruction). Tenant will not be required to restore the Premises or remove cabling or conduit at the expiration or any termination of the Lease. All alterations, additions and improvements shall become Landlord's property and shall be surrendered to Landlord upon the expiration or earlier termination of the Lease, except that Tenant may remove any of Tenant's machinery or equipment which can be removed without material damage to the Property. Tenant shall repair, at Tenant's expense, any damage to the Property caused by the removal of any such machinery, specialty cabinets installed by Tenant,

computer, telephone or other communication or electronic equipment, or other equipment. In no event, however, shall Tenant remove any of the following materials or equipment (which shall be deemed Landlord's property) without Landlord's prior written consent: any power wiring or power panels; lighting or lighting fixtures, wall coverings; drapes, blinds or other window coverings; carpets or other floor coverings; heaters, air conditioners or any other heating or air conditioning equipment; fencing or security gates or security systems; or other similar building operating equipment and decorations.

## ARTICLE VII.
## DAMAGE OR DESTRUCTION

### 7.1. Partial Damage to Property

(a) Tenant shall notify Landlord in writing immediately upon the occurrence of any damage to the Property. If the Property is only partially damaged, (i.e., less than fifty percent (50%) of the Property is untenantable as a result of such damage or less than fifty percent (50%) of Tenant's operations are materially impaired), and if the proceeds received by Landlord from the insurance policies described in Section 4.6(b) are sufficient to pay for the necessary repairs, this Lease shall remain in effect and Landlord shall repair the damage as soon as reasonably possible. Landlord may elect (but is not required) to repair any damage to Tenant's fixtures, equipment, or improvements. If Landlord fails or is unable to restore the Premises within sixty (60) days of the occurrence of such partial damage, Tenant shall have the option to undertake such repair and, at Tenant's option (a) offset the cost of such repair against Rent due Landlord or (b) invoice Landlord for the cost of such repairs and Landlord shall pay such invoice within 30 days of receipt of such invoice.

(b) If the insurance proceeds received by Landlord are not sufficient to pay the entire cost of repair, or if the cause of the damage is not covered by the insurance policies which Landlord maintains under Section 4.6, Landlord may elect either to (i) repair the damage as soon as reasonably possible, in which case this Lease shall remain in full force and effect, or (ii) terminate this Lease as of the date the damage occurred. Landlord shall notify Tenant within thirty (30) days after receipt of notice of the occurrence of the damage whether Landlord elects to repair the damage or terminate the Lease. If Landlord elects to repair the damage, Landlord shall pay the "deductible amount" (if any) under Landlord's insurance policies and, if the damage was due to an act or omission of Tenant, or Tenant's employees, agents, contractors or invitees, Tenant shall pay the deductible amount of Landlord's insurance policies. If Landlord elects to terminate the Lease, Tenant may elect to continue this Lease in full force and effect, in which case Tenant shall repair any damage to the Property and any building in which the Property is located. Tenant shall pay the cost of such repairs, except that upon satisfactory completion of such repairs, Landlord shall deliver to Tenant any insurance proceeds received by Landlord for the damage repaired by Tenant. Tenant shall give Landlord written notice of such election within ten (10) days after receiving Landlord's termination notice.

(c) If the damage to the Property occurs during the last six (6) months of the Lease Term and such damage will require more than thirty (30) days to repair, either Landlord or Tenant may elect to terminate this Lease as of the date the damage occurred, regardless of the

sufficiency of any insurance proceeds. The party electing to terminate this Lease shall give written notification to the other party of such election within thirty (30) days after Tenant's notice to Landlord of the occurrence of the damage.

(d) Notwithstanding anything to the contrary in this section, if the Premises are damaged in such a manner that materially impacts Tenant's ability to utilize the Premises for a period of 90 days following the damage or casualty event, irrespective of Landlord's election to repair the Premises, Tenant may elect to terminate this Lease as of the date of such damage by providing Landlord with written notice of such election.

**7.2.** **Substantial or Total Destruction:** If the Property is substantially or totally destroyed by any cause whatsoever (i.e., the damage to the Property is greater than partial damage as described in Section 7.1), and regardless of whether Landlord receives any insurance proceeds, this Lease shall terminate as of the date the destruction occurred. Notwithstanding the preceding sentence, if the Property can be rebuilt within 180 days after the date of destruction, Landlord may elect to rebuild the Property at Landlord's own expense, in which case this Lease shall remain in full force and effect. Landlord shall notify Tenant of such election within thirty (30) days after Landlord's notice of the occurrence of total or substantial destruction. If Landlord so elects, Landlord shall rebuild the Property at Landlord's sole expense, except that if the destruction was caused by an act or omission of Tenant, Tenant shall pay Landlord the difference between the actual cost of rebuilding and any insurance proceeds received by Landlord.

**7.3.** **Temporary Reduction of Rent:** If the Property is partially or totally destroyed or damaged and Landlord or Tenant repairs or restores the Property pursuant to the provisions of this ARTICLE VII, any Rent payable during the period of such damage repair and/or restoration shall be reduced according to the degree, if any, to which Tenant's use of the Property is impaired. Except for such possible reduction in Base Rent, insurance premiums and real property taxes, Tenant shall not be entitled to any compensation, reduction, or reimbursement from Landlord as a result of any damage, destruction, repair, or restoration of or to the Property, except to the extent caused by the negligence or misconduct of Landlord or its agents.

**7.4.** **Waiver:** Tenant waives the protection of any statute, code or judicial decision, which grants a tenant the right to terminate a lease in the event of the substantial or total destruction of the leased property. Tenant agrees that the provision of Section 7.2 above shall govern the rights and obligations of Landlord and Tenant in the event of any substantial or total destruction to the Property.

## ARTICLE VIII.
## CONDEMNATION

**8.1.** If all or any portion of the Property is taken under the power of eminent domain or sold under the threat of that power (all of which are called "Condemnation"), this Lease shall terminate as to the part taken or sold on the date the condemning authority takes title or possession, whichever occurs first. If more than twenty percent (20%) of the floor area of the Building, is taken, either Landlord or Tenant may terminate this Lease as of the date the condemning authority takes title or possession, by delivering written notice to the other within thirty (30) days after receipt of written notice of such taking (or in the absence of such notice, within thirty (30) days after the condemning authority takes title or possession). If neither Landlord nor Tenant terminates this Lease,

this Lease shall remain in effect as to the portion of the Property not taken, except that the Base Rent and Additional Rent shall be reduced in proportion to the reduction in the floor area of the Property. Any Condemnation Award or payment shall be distributed in the following order: (a) first, to any mortgagee or beneficiary under a deed of trust encumbering the Property, the amount of its interest in the Property; (b) second, to Tenant, only the amount of any award specifically designated for loss of or damage to Tenant's trade fixtures or removable personal property; and (c) third, to Landlord, the remainder of such award, whether as compensation for reduction in the value of the leasehold, the taking of the fee, or otherwise. Tenant shall have the right to claim and recover from the condemning authority such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all damage, cost, or loss which Tenant might sustain as a result of such condemnation to Tenant's activities, business, or leasehold improvements. If this Lease is not terminated, Landlord shall repair any damage to the Property caused by the Condemnation, except that Landlord shall not be obligated to repair any damage for which Tenant has been reimbursed by the condemning authority. If the severance damages received by Landlord are not sufficient to pay for such repair, Landlord shall have the right to either terminate this Lease or make such repair at Landlord's expense.

## ARTICLE IX.
## ASSIGNMENT AND SUBLETTING

**9.1.** **Landlord's Consent Required**: No portion of the Property or of Tenant's interest in this Lease may be acquired by any other person or entity, whether by sale, assignment, mortgage, sublease, transfer, operation of law, or act of Tenant, without Landlord's prior written consent, which such consent will not be unreasonably withheld, conditioned, or delayed, except as provided in Section 9.2 below. Landlord has the right to grant or withhold its consent as provided in Section 9.5 below. Any attempted transfer, without consent shall be void and shall constitute a non-curable breach of this Lease. If Tenant is a partnership or limited liability company, any cumulative transfer of more than fifty percent (50%) of the entity's interests shall require Landlord's consent; for the avoidance of any doubt, Tenant or the sole member of Tenant, MultiCare Health System ("MHS") may, without Landlord's consent, transfer, pledge, assign, or contribute its interest in the Tenant to a separate joint venture or other entity (e.g., MultiCare Atlas JV LLC), provided that Tenant or MHS will remain the ultimate beneficial owner of at least 50.1 percent of such joint venture or other entity. If Tenant is a corporation, any change in the ownership of a controlling interest of the voting stock of the corporation, cumulatively over the life of the Lease, shall require Landlord's consent.

**9.2.** **Tenant Affiliate:** Tenant may assign this Lease or sublease the Property, without Landlord's consent, to any entity, which controls, is controlled by or is under common control with Tenant, or to any entity resulting from the merger of or consolidation with Tenant ("Tenant's Affiliate"). In such case, any Tenant's Affiliate shall assume in writing all of Tenant's obligations under this Lease, subject to the provisions of this ARTICLE IX.

**9.3.** **No Release of Tenant:** No transfer permitted by this ARTICLE IX, whether with or without Landlord's consent, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Landlord's acceptance of rent from any other person is not a waiver of any provision of this ARTICLE IX. Consent to one transfer is not consent to any subsequent transfer. If Tenant's transferee defaults under this Lease, Landlord may proceed directly against Tenant without pursuing remedies against the transferee. Landlord may

consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant's liability under this Lease.

**9.4.** **Offer to Terminate**: If Tenant desires to assign the Lease or sublease the Property, Tenant shall have the right to offer, in writing, to terminate the Lease as of a date specified in the offer. If Landlord elects in writing to accept the offer to terminate within twenty (20) days after notice of the offer, the Lease shall terminate as of the date specified and all the terms and provisions of the Lease governing termination shall apply. If Landlord does not so elect, the Lease shall continue in effect until otherwise terminated and the provisions of Section 9.5 with respect to any proposed transfer shall continue to apply.

**9.5.** **Landlord's Consent**:

(a) Tenant's request for consent to any transfer described in Section 9.1 shall set forth in writing the details of the proposed transfer, including the name, business and financial condition of the prospective transferee, financial details of the proposed transfer (e.g., the term of and the rent and security deposit payable under any proposed assignment or sublease), and any other information Landlord deems relevant. Landlord shall have the right to withhold consent, if reasonable, or to grant consent, based on the following factors: (i) the business of the proposed assignee or subtenant and the proposed use of the Property; (ii) the net worth and financial reputation of the proposed assignee or subtenant; (iii) Tenant's compliance with all of its obligations under the Lease; and (iv) such other factors as Landlord may reasonably deem relevant. If Landlord objects to a proposed assignment solely because of the net worth and/or financial reputation of the proposed assignee, Tenant may nonetheless sublease (but not assign), all or a portion of the Property to the proposed transferee, but only on the other terms of the proposed transfer.

(b) If Tenant assigns or subleases, the following shall apply:

(1) Tenant shall pay to Landlord as Additional Rent under the Lease the Landlord's Share (stated in Section 1.14) of the Profit (defined below) on such transaction as and when received by Tenant, unless Landlord gives written notice to Tenant and the assignee or subtenant that Landlord's Share shall be paid by the assignee or subtenant to Landlord directly.

The "Profit" means (a) all amounts paid to Tenant for such assignment or sublease, including "key" money, monthly rent in excess of the monthly rent payable under the Lease, and all fees and other consideration paid for the assignment or sublease, including fees under any collateral agreements, less (b) costs and expenses directly incurred by Tenant in connection with the execution and performance of such assignment or sublease for real estate broker's commissions and costs of renovation or construction of tenant improvements required under such assignment or sublease. Tenant is entitled to recover such costs and expenses before Tenant is obligated to pay the Landlord's Share to Landlord. The Profit in the case of a sublease of less than all the Property is the rent allocable to the subleased space as a percentage on a square footage basis.

(2) Tenant shall provide Landlord a written statement certifying all amounts to be paid from any assignment or sublease of the Property within thirty (30) days after the transaction documentation is signed. On written request, Tenant shall promptly furnish to Landlord copies of all the transaction documentation, all of which shall be certified by Tenant to be complete, true and correct. Landlord's receipt of Landlord's Share shall not be consent to any further assignment or subletting. The breach of Tenant's obligation under this Section 9.5(b) shall be a material default of the Lease.

**9.6. No Merger**: No merger shall result from Tenant's sublease of the Property under this ARTICLE IX, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord under any or all subtenancies.

## ARTICLE X.
## DEFAULTS; REMEDIES

**10.1. Covenants and Conditions**: Tenant's performance of each of Tenant's obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Property is conditioned upon such performance. Time is of the essence in the performance of all covenants and conditions.

**10.2. Defaults:** Tenant shall be in material default under this Lease:

(a) If Tenant abandons the Property or if Tenant's vacation of the Property results in the cancellation of any insurance described herein; provided however, as long as Tenant is paying Rent and maintaining the Premises as provided herein, such vacation or abandonment shall not be considered an Event of Default.

(b) If Tenant fails to pay any sum, including Rent, due under the timelines detailed in this Lease following five (5) days written notice from Landlord of the failure to pay, provided, nonetheless, that Tenant shall, in addition to payment within said cure period of all sums past due, pay a late charge pursuant to Section 4.8, in addition to any interest, fees, or other charges which might accrue hereunder;

(c) If Tenant fails to perform any of Tenant's non-monetary obligations under this Lease for a period of thirty (30) days after written notice from Landlord; provided that if more than thirty (30) days are required to complete such performance, Tenant shall not be in default if Tenant commences such performance within the thirty (30) - day period and thereafter diligently pursues its completion. The notice required by this Section is intended to satisfy any and all notice requirements imposed by law on Landlord and is not in addition to any such requirement.

(d) (i) If Tenant makes a general assignment or general arrangement for the benefit of creditors; (ii) if a petition for adjudication of bankruptcy or for reorganization or rearrangement is filed by or against Tenant and is not dismissed within thirty (30) days; (iii) if a trustee or receiver is appointed to take possession of substantially all of Tenant's assets

located at the Property or of Tenant's interest in this Lease and possession is not restored to Tenant within thirty (30) days; or (iv) if substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease is subjected to attachment, execution or other judicial seizure which is not discharged within thirty (30) days. If a court of competent jurisdiction determines that any of the acts described in this subsection (d) is not a default under this Lease, and a trustee is appointed to take possession (or if Tenant remains a debtor in possession) and such trustee or Tenant transfers Tenant's interest hereunder, then Landlord shall receive, as Additional Rent, the excess, if any, of the rent (or any other consideration) paid in connection with such assignment or sublease over the rent payable by Tenant under this Lease.

(e) If any guarantor of the Lease revokes or otherwise terminates, or purports to revoke or otherwise terminate, any guaranty of all or any portion of Tenant's obligations under the Lease. Unless otherwise expressly provided in writing, no guaranty of the Lease is revocable.

**10.3. Remedies**: On the occurrence of any material default by Tenant, Landlord may, at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy, which Landlord may have:

(a) Terminate Tenant's right to possession of the Property by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Property to Landlord. In such event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default, including (i) the worth at the time of the award of the unpaid Base Rent, Additional Rent and other charges which Landlord had earned at the time of the termination; (ii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Landlord would have earned after termination until the time of the award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; (iii) the worth at the time of the award of the amount by which the unpaid Base Rent, Additional Rent and other charges which Tenant would have paid for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves Landlord could have reasonably avoided; and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, any costs or expenses Landlord incurs in maintaining or preserving the Property after such default, the cost of recovering possession of the Property, expenses of reletting, including necessary renovation or alteration of the Property, Landlord's reasonable attorneys' fees incurred in connection therewith, and any real estate commission paid or payable. As used in subparts (i) and (ii) above, the "worth at the time of the award" is computed by allowing interest on unpaid amounts at the rate of twelve percent (12%) per annum, or such lesser amount as may then be the maximum lawful rate. As used in subpart (iii) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus one percent (1%). If Tenant has abandoned the Property (but subject to the provisions related to Tenant's vacation and abandonment contained herein), Landlord shall have the option of (i) retaking possession

of the Property and recovering from Tenant the amount specified in this Section 10.3(a), or (ii) proceeding under Section 10.3(b);

(b) Maintain Tenant's right to possession, in which case this Lease shall continue in effect whether or not Tenant has abandoned the Property. In such event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due;

(c) Pursue any other remedy now or hereafter available to Landlord under the laws or judicial decisions of the State of Washington.

If Tenant fails to remove any of its property from the Property at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law to foreclose Landlord's lien for unpaid rent.

**10.4. Repayment of "Free" Rent**: If this Lease provides for a postponement of any monthly rental payments, a period of "free" rent or other rent concession (but excluding any "free" rent period prior to the Commencement Date or during any the performance of Tenant's Work), such postponed rent or "free" rent is called the "Abated Rent". Tenant shall be credited with having paid all of the Abated Rent on the expiration of the Lease Term only if Tenant has fully, faithfully, and punctually performed all of Tenant's obligations hereunder, including the payment of all rent (other than the Abated Rent) and all other monetary obligations and the surrender of the Property in the physical condition required by this Lease. Tenant acknowledges that its right to receive credit for the Abated Rent is absolutely conditioned upon Tenant's full, faithful and punctual performance of its obligations under this Lease. If Tenant defaults and does not cure within any applicable grace period, the Abated Rent shall immediately become due and payable in full and this Lease shall be enforced as if there were no such rent abatement or other rent concession. In such case Abated Rent shall be calculated based on the full initial rent payable under this Lease.

**10.5. Automatic Termination:** On any termination of the Lease by Landlord, Landlord's damages for default shall include all costs and fees, including reasonable attorneys' fees that Landlord incurs in connection with the filing, commencement, pursuing and/or defending of any action in any bankruptcy court or other court with respect to the Lease; the obtaining of relief from any stay in bankruptcy restraining any action to evict Tenant; or the pursuing of any action with respect to Landlord's right to possession of the Property. All such damages suffered (apart from Base Rent and other rent payable hereunder) shall constitute pecuniary damages which must be reimbursed to Landlord prior to assumption of the Lease by Tenant or any successor to Tenant in any bankruptcy or other proceeding.

**10.6. Landlord Default.** Landlord defaults in the performance of any covenant required to be performed by Landlord and Tenant has given Landlord 30 days' written notice of such default, specifying the nature of such default. If Landlord does not remedy the default within 30 days following receipt of Tenant's notice, or in the case of default which reasonably requires more than 30 days to cure, if Landlord has not commenced to remedy the same within 30 days following receipt of Tenant's notice or Landlord is not diligently prosecuting such cure to completion, then Tenant may notwithstanding anything to the contrary contained in this Lease, (i) pay any sums necessary to perform any obligation of Landlord in default hereunder and deduct the cost thereof from Rent then and thereafter becoming due to Landlord hereunder, or require Landlord to reimburse such sum to Tenant immediately upon Landlord's receipt of Tenant's written demand therefor; or (ii) pursue any other available legal or equitable remedy. If Tenant incurs any expenses because of Landlord's failure to fulfill its obligations set forth in this Lease, Landlord agrees to reimburse Tenant for such expense upon demand by Tenant. If Landlord fails to so reimburse Tenant, Tenant, in addition to any other remedies it may have, may deduct such expense from any Rent then or thereafter becoming due to Landlord hereunder. If Landlord fails to cure any such default within the allotted cure period, Tenant shall have the right to seek monetary damages for loss arising from Landlord's failure to discharge its obligations under this Lease. In addition to all other rights and remedies provided by law or above, if Landlord defaults beyond an applicable cure period, Tenant may also elect to terminate the Lease by providing Landlord notice of its election to terminate the Lease. Nothing herein contained shall relieve Landlord from its duty to perform any of its obligations to the standard prescribed in this Lease.

**10.7. <u>Tenant Remedies</u>**: Tenant shall have the following remedies upon a Landlord's default under this Lease after the expiration of all applicable notice and cure periods without Landlord's cure.

(a) **Termination**. Tenant may terminate this Lease. Provided Tenant is not in default past any applicable cure period at the time of Tenant's notice of termination, Tenant shall not be liable to Landlord for any sum owed or any other obligation under the Lease after the termination date. Where Tenant has elected to terminate the Lease, Tenant shall (a) provide Landlord written notice of termination stating a specific termination date, (b) remain current on all sums owed Landlord under this Lease until such termination date, and (c) remove all of Tenant's property from the Premises in accordance with the Lease not later than the termination date.

(b) **Other Remedies**. Tenant's rights and remedies under this Lease shall be cumulative and none shall exclude any other right or remedy allowed Tenant by law.

**10.8. <u>Cumulative Remedies</u>:** Landlord's or Tenant's exercise of any right or remedy shall not prevent it from exercising any other right or remedy.

## ARTICLE XI.
## <u>PROTECTION OF LENDERS</u>

**11.1. <u>Subordination</u>**: Landlord shall have the right to subordinate this Lease to any ground lease, deed of trust or mortgage encumbering the Property, any advances made on the security thereof and any renewals, modifications, consolidations, replacements or extensions thereof, whenever made

or recorded. Tenant shall reasonably cooperate with Landlord and any lender, which is acquiring a security interest in the Property or the Lease. Tenant shall execute such reasonable documents and assurances as such lender may require, subject to Tenant's approval, provided that Tenant's obligations under this Lease shall not be increased (excluding the performance of ministerial acts), and Tenant shall not be deprived of its rights under this Lease. Tenant's right to quiet possession of the Property during the Lease Term shall not be disturbed if Tenant pays the Rent and performs all of Tenant's obligations under this Lease and is not otherwise in default. If any ground Landlord, beneficiary or mortgagee elects to have this Lease prior to the lien of its ground lease, deed of trust or mortgage and gives written notice thereof to Tenant, this Lease shall be deemed prior to such ground lease, deed of trust or mortgage whether this Lease is dated prior or subsequent to the date of said ground lease, deed of trust or mortgage or the date of recording thereof.

**11.2. Attornment:** If Landlord's interest in the Property is acquired by any ground Landlord, beneficiary under a deed of trust, mortgagee, or purchaser at a foreclosure sale, Tenant shall attorn to the transferee of or successor to Landlord's interest in the Property and recognize such transferee or successor as Landlord under this Lease. Tenant waives the protection of any statute or rule of law, which gives or purports to give Tenant any right to terminate this Lease or surrender possession of the Property upon the transfer of Landlord's interest.

**11.3. Signing of Documents:** Tenant shall sign and deliver any instrument or documents approved by Tenant that are reasonably necessary or appropriate to evidence any such attornment or subordination or agreement to do so in no event later than 20 business days after Tenant's receipt of the request execute, acknowledge, and deliver commercially reasonable documents of such request

**11.4. Estoppel Certificates:** Upon Landlord's written request, Tenant shall execute, acknowledge and deliver to Landlord a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how they have been changed); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of the Base Rent and other charges and the time period covered by such payment; (iv) that Landlord is not in default under this Lease (or, if Landlord is claimed to be in default, stating why); and (v) such other representations or information with respect to Tenant or the Lease as Landlord may reasonably request or which any prospective purchaser or encumbrancer of the Property may require, all subject to Tenant's review and approval. Tenant shall deliver such statement to Landlord within twenty (20) business days after Landlord's request. Landlord may give any such statement by Tenant to any prospective purchaser or encumbrancer of the Property. Such purchaser or encumbrancer may rely conclusively upon such statement as true and correct.

**11.5. Tenant's Financial Condition:** Within twenty (20) business days after written request from Landlord and execution of Tenant's non-disclosure and confidentiality agreement by Landlord and all third parties that are necessary to review and receive such financials, Tenant shall deliver to Landlord the latest annual report (or equivalent) reasonably verifying the net worth of Tenant. Tenant represents and warrants to Landlord that each such financial statement is a true and accurate statement as of the date of such statement. All financial statements shall be confidential and shall be used only for the purposes set forth in this Lease.

## ARTICLE XII.
## LEGAL COSTS

**12.1. Legal Proceedings**: If Tenant or Landlord shall be in breach or default under this Lease, such party (the "Defaulting Party") shall reimburse the other party (the "Nondefaulting Party") upon demand for any costs or expenses that the Nondefaulting Party incurs in connection with any breach or default of the Defaulting Party under this Lease, whether or not suit is commenced or judgment entered. Such costs shall include legal fees and costs incurred for the negotiation of a settlement, enforcement of rights or otherwise. Furthermore, if any action for breach of or to enforce the provisions of this Lease is commenced, the court in such action shall award to the party in whose favor a judgment is entered, a reasonable sum as attorneys' fees and costs. The losing party in such action shall pay such attorneys' fees and costs. Tenant shall also indemnify Landlord against and hold Landlord harmless from all costs, expenses, demands and liability Landlord may incur if Landlord becomes or is made a party to any claim or action (a) instituted by Tenant against any third party, or by any third party against Tenant, or by or against any person holding any interest under or using the Property by license of or agreement with Tenant; (b) for foreclosure of any lien for labor or material furnished to or for Tenant or such other person; (c) otherwise arising out of or resulting from any act or transaction of Tenant or such other person; or (d) necessary to protect Landlords' interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. Tenant shall defend Landlord against any such claim or action at Tenant's expense with counsel reasonably acceptable to Landlord or, at Landlord's election, Tenant shall reimburse Landlord for any legal fees or costs Landlord incurs in any such claim or action.

**12.2. Landlord's Consent:** Tenant shall pay Landlord's reasonable attorneys' fees incurred in connection with Tenant's request for Landlord's consent under ARTICLE IX (Assignment and Subletting), but not to exceed $1,500.

## ARTICLE XIII.
## MISCELLANEOUS PROVISIONS

**13.1. Non-Discrimination**: Tenant promises, and it is a condition to the continuance of this Lease, that there will be no discrimination against, or segregation of, any person or group of persons on the basis of race, color, sex, creed, national origin or ancestry in the leasing, subleasing, transferring, occupancy, tenure or use of the Property or any portion thereof.

**13.2. Landlord's Liability; Certain Duties:**

(a) As used in this Lease, the term "Landlord" means only the current owner or owners of the fee title to the Property or Project or the leasehold estate under a ground lease of the Property or Project at the time in question. Each Landlord is obligated to perform the obligations of Landlord under this Lease only during the time such Landlord owns such interest or title. Any Landlord who transfers its title or interest is relieved of all liability with respect to the obligations of Landlord under this Lease to be performed on or after the date of

transfer. However, each Landlord shall deliver to its transferee all funds that Tenant previously paid if such funds have not yet been applied under the terms of this Lease.

(b) Tenant shall give written notice of any failure by Landlord to perform any of its obligations under this Lease to Landlord and to any ground Landlord, mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been furnished to Tenant in writing. Landlord shall not be in default under this Lease unless Landlord (or such ground Landlord, mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance reasonably requires more than thirty (30) days to cure, Landlord shall not be in default if such cure is commenced within such thirty (30) day period and thereafter is diligently pursued to completion.

**13.3. Severability**: A determination by a court of competent jurisdiction that any provision of this Lease or any part thereof is illegal or unenforceable shall not cancel or invalidate the remainder of such provision of this Lease, which shall remain in full force and effect.

**13.4. Interpretation:** The captions of the Articles or Sections of this Lease are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Property with Tenant's expressed or implied permission.

**13.5. Incorporation of Prior Agreements; Modifications:** This Lease is the only agreement between the parties pertaining to the lease of the Property and no other agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

**13.6. Notices:** All notices required or permitted under this Lease shall be in writing and shall be personally delivered or sent by certified mail, return receipt requested, postage prepaid. Notices to Tenant shall be delivered to the address specified in Section 1.3(a) above, except that upon Tenant's taking possession of the Property, the Property shall be Tenant's address for notice purposes. Notices to Landlord shall be delivered to the address specified in Section 1.3(b) above. All notices shall be effective upon delivery. Either party may change its notice address upon written notice to the other party.

**13.7. Waivers:** All waivers must be in writing and signed by the waiving party. Landlord's failure to enforce any provision of this Lease or its acceptance of rent shall not be a waiver and shall not prevent Landlord from enforcing that provision or any other provision of this Lease in the future. No statement on a payment check from Tenant or in a letter accompanying a payment check shall be binding on Landlord. Landlord may, with or without notice to Tenant, negotiate such check without being bound to the conditions of such statement.

**13.8. No Recordation:** Tenant shall not record this Lease without prior written consent from Landlord. However, either Landlord or Tenant may require that a "Short Form" memorandum

of this Lease executed by both parties be recorded. The party requiring such recording shall pay all transfer taxes and recording fees required to accomplish recordation.

**13.9. Binding Effect; Choice of Law:** This Lease binds any party who legally acquires any rights or interest in this Lease from Landlord or Tenant. However, Landlord shall have no obligation to Tenant's successor unless the rights or interest of Tenant's successor are acquired in accordance with the terms of this Lease. The laws of the State of Washington shall govern this Lease.

**13.10. Entity Authority**: If Tenant is an entity other than an individual or partnership, each person signing this Lease on behalf of Tenant represents and warrants that he has full authority to do so and that his Lease binds the entity. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a certified copy of a resolution of Tenant's Board of Directors or other governing body authorizing the execution of this Lease or other evidence of such authority reasonably acceptable to Landlord. If Tenant is a partnership, each person or entity signing this Lease for Tenant represents and warrants that he or it is a general partner of the partnership, that he or it has full authority to sign for the partnership and that this Lease binds the partnership and all general partners of the partnership. Tenant shall give written notice to Landlord of any general partner's withdrawal or addition. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a copy of Tenant's recorded statement of partnership or certificate of limited partnership.

**13.11. Joint and Several Liability:** All parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

**13.12. Force Majeure:** If Landlord cannot perform any of its obligations due to events beyond Landlord's control, the time provided for performing such obligations shall be extended by a period of time equal to the duration of such events beyond Landlord's control. Such events include, but are not limited to, acts of God, war, civil commotion, labor disputes, strikes, fire, flood or other casualty, shortages of labor or material, government regulation or restriction, volcanic eruption, and weather conditions.

**13.13. Execution of Lease:** This Lease may be executed in counterparts and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument. Landlord's delivery of this Lease to Tenant shall not be deemed to be an offer to lease and shall not be binding upon either party until executed and delivered by both parties. The parties hereto agree that an electronic signature shall constitute an original signature hereunder.

**13.14. Survival:** All representations and warranties of Landlord and Tenant shall survive the termination of this Lease.

**13.15. Space Leased AS IS**: Unless otherwise stated in this Lease, the Premises are Leased AS IS in the condition now existing with no alterations or other work to be performed by Landlord except as per the scope of work in Exhibit D.

**13.16. Captions**: The titles to the paragraphs of this Lease are descriptive only and are not intended to change or influence the meaning of any paragraph or to be part of this Lease.

**13.17. Successors**: This Lease shall bind and inure to the benefit of the parties, their respective heirs, successors, and permitted assigns.

## ARTICLE XIV.
## ACKNOWLEDGMENTS

**14.1.** Landlord and Tenant have signed this Lease on the dates specified adjacent to their signatures below and have initialed all Exhibits and/or Riders which are attached to or incorporated by reference into this Lease.

**LANDLORD:**
**Wide Hollow Development, LLC**,
a Washington limited liability company

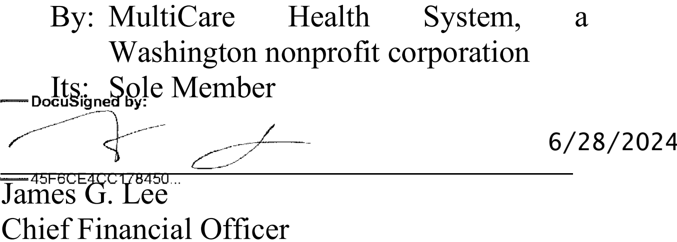
By:

6/28/2024

Trent Marquis, Manager

**TENANT:**
**MEC Yakima, LLC**, a Washington limited liability company

By: MultiCare Health System, a Washington nonprofit corporation
Its: Sole Member



6/28/2024

James G. Lee
Chief Financial Officer

**EXHIBIT A**
**DEPICTION OF PROJECT**
**AND**
**PROJECT SITE**

(Attached on Following Page)

# Exhibit A - MEC Yakima Project Site Plan

4003 W Creeksdie Loop
- MultiCare Yakima Memorial Cornerstone Medicine
- Yakima Gastroenterology Associates

4000 W Creekside Loop
- WaterFire Restaurant & Bar

Active Tenant

Commercial Lot Available

## CONTACTS:


TRENT MARQUIS
Phone: 509.728.3190
e-mail: tmarquis@marq.net

SHEILA R. BLACK
Phone: 509.728.1039
e-mail: sblack@marq.net


**Building 7B – 3902**

| | |
|---|---|
| Wink Eyelash Studio | Suite 100 |
| Pacific Vascular | Suite 105 |
| Community Vascular of Washington | Suite 110 |

**Building 8A – 1703**

| | |
|---|---|
| My Hearing Center | Suite 100 |
| SurgiMark, Inc. | Suite 110 |
| WA ST Liquor and Cannabis Board | Suite 120 |
| D&G Cleaning | Suite 130 |

**Building 8B – 3901**

| | |
|---|---|
| Available Space – 2,125 SQFT | Suite 100 |
| Melody Lane Dance Academy | Suite 102 |

**Building 9A – 1705**

| | |
|---|---|
| Burkhart Dental Supply | Suite 100 |
| SurgiMark Warehouse | Suite 102 |

**Building 19A – 1501**

Creekside Dental

**Creekside West**

4000 –WaterFire Restaurant & Bar
4003 – MultiCare Memorial Cornerstone Medicine
4003 – Yakima Gastroenterology Associates

**Building 1A – 3909**

| | |
|---|---|
| LabCorp | Suite 100 |
| Apex Denture Studio | Suite 110 |
| **MEC Yakima LLC** | **Suite 120** |
| Yakima Pediatric Dentistry | Suite 140 |
| Available Space – 1,827 SQFT | Suite 150 |

**Building 3B – 3913**

| | |
|---|---|
| Larson Gross P.L.L.C. | Suite A |
| Edward Jones | Suite B |

**Building 4B – 3919**

| | |
|---|---|
| CrossCounty Mortgage | Suite 100 |
| Christopher Orthodontics | Suite 110 |

**Building 4A – 1601**

| | |
|---|---|
| MultiCare Memorial Early Learning Ctr. | Suite 100 |
| Yakima Ear, Nose & Throat Assoc. | Suite 110 |

**Building 5A – 1607**

| | |
|---|---|
| MultiCare Memorial Hospital | Suite 100 |
| MultiCare Memorial Hospital | Suite 140 |

**Building 5B – 3907**

| | |
|---|---|
| Covington Clinic | Suite 100 |
| Believe in Recovery | Suite 110 |
| Scizzors O'Hair | Suite 120 |
| Astria Plastic Surgery Center | Suite 130 |
| CMG Home Loans | Suite 140 |
| Maison Family Chiropractic | Suite 150 |

**Building 6B – 3908**

| | |
|---|---|
| Leonard Rickey Investment Advisors | Suite 100 |
| Muscle Release Medical Massage | Suite 110 |
| John L Scott Real Estate | Suite 120 |
| Sunny Family Medicine | Suite 125 |
| Lai Thai Café . | Suite 130 |
| Cascade Cosmetics-Make-Up Boutique | Suite 135 |

**Building 7A – 1701**

| | |
|---|---|
| Health Alliance Medicare | Suite 100 |
| Pearson Professional Center | Suite 110 |
| Walmart Inc. | Suite 120 |
| Baron Homes | Suite 130 |

**EXHIBIT B**
**LEGAL DESCRIPTION**

Lots 1 and 2 of Survey recorded under Auditor's File Number 7409242, records of Yakima County, Washington.

Yakima County Parcel Number 181327-43007

**EXHIBIT B-1**

**JANITOR CLOSET DEMISING PLAN**

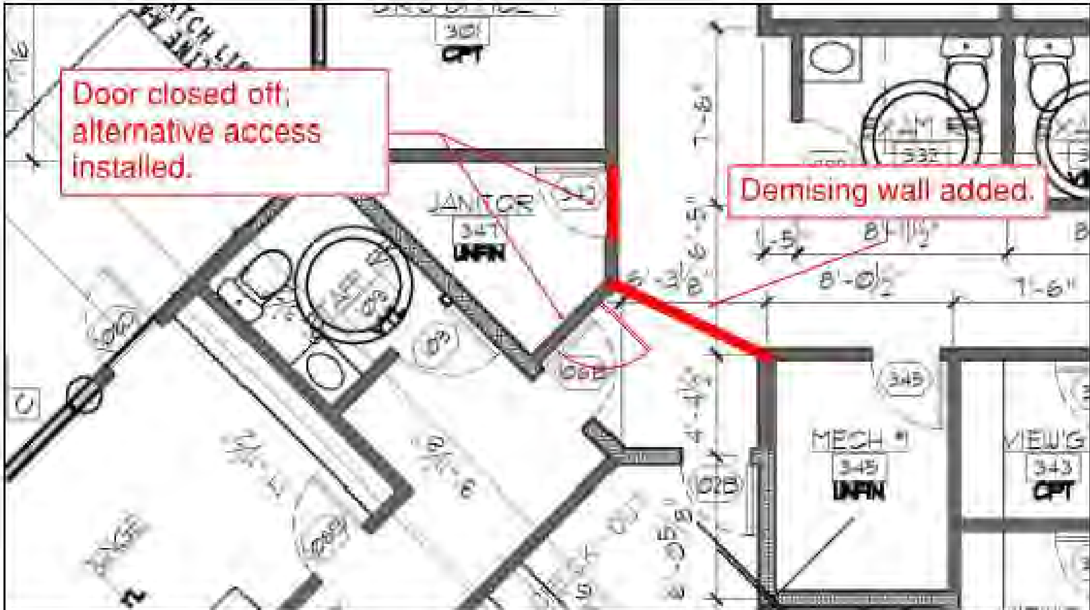


**EXHIBIT C**
**COMMENCEMENT DATE MEMORANDUM**
**AND**
**CONFIRMATION OF LEASE TERMS**

Reference is made to that certain Lease Agreement ("Lease") dated __________________ between MultiCare Health System ("Tenant") and ____________________ ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at ______________________________, Washington and commonly known as _______________________________ ("Building").

Landlord and Tenant hereby acknowledge as follows:

(1) The parties agree that the correct address of the premises is _____________________________________ ("Premises");

(2) Landlord delivered possession of the Premises to Tenant in a substantially complete condition on ______________________;

(3) Tenant has accepted possession of the Premises and now occupies the same;

(4) The initial term of the Lease commenced on _________________ and will expire on ______________; Tenant opened for business on _________________;

(5) Tenant's Floor Area contains approximately _________ rentable square feet of space; and

(6) Tenant's obligation to pay rent commenced on ___________; provided however, Base Rent shall be abated for the period _____________ through ____________; and

(7) Tenant has two (2) successive options to extend the Lease for five (5) years each and the last date for Tenant to exercise the first extension option is ____________; and the last date for Tenant to exercise the second extension option is___________; and

(8) Tenant has a one-time right to terminate the Lease effective _____________, by written notice to Landlord no later than ____________; and

(9) Tenant has a right of first refusal to lease any space which comes available on the second floor in the Building during the Term, including any extensions thereof, subject to the provisions of Section 1.15 of the Lease; and

(signatures on next page)

IN WITNESS WHEREOF, this Commencement Date Memorandum and Confirmation of Lease Terms is dated as of this ___ day of __________, 20__.

TENANT: MEC Yakima, LLC

By:________________________________
Name:______________________________
Its: _______________________________

LANDLORD Wide Hollow Development, LLC,
a Washington limited liability company

By: ________________________
Name: ________________________
Its: ________________________________

## EXHIBIT D

## RESERVED

**EXHIBIT E**
**RULES AND REGULATIONS**

1. The entrances, halls, corridors, stairways, and exits shall not be obstructed by any of the tenants or used for any purpose other than for ingress from their respective premises. The entrances, halls, corridors, stairways, and exits are not intended for use by the general public but for the tenant and its employees, licensees and invitees. Landlord reserves the right to control and operate the public portions of the Buildings and the public facilities as well as facilities furnished for the common use of the tenants, in such manner as it in its reasonable judgment deems best for the benefit of the tenants generally. No tenant shall invite to the tenant's premises, or permit the visit of, persons in such numbers or under such conditions as to interfere with the use and enjoyment of any of the plazas, entrances, corridors, and other facilities of the Buildings by any other tenants. Fire exits and stairways are for emergency use only, and they shall not be used for any other purpose.

2. Landlord may refuse admission to the Buildings outside of the business hours of the Buildings to any person not producing identification satisfactory to Landlord. If Landlord issues identification passes, Tenant shall be responsible for all persons for whom it issues any such pass and shall be liable to landlord for all acts or omissions of such persons.

3. No awnings or other projections shall be attached to the outside walls of the Buildings. No curtains, blinds, shades or screens, if any, which are different from the standards adopted by Landlord for the Buildings shall be attached to or hung in any exterior window or door of the premises of any tenant without the prior written consent of Landlord.

4. Except as otherwise provided for in the Lease, no sign, placard, picture, name lettering, advertisement, notice or object visible from the exterior of any tenant's premises shall be displayed in or on the exterior windows or doors, or on the outside of any tenant's premises, or at any point inside any tenant's premises where the same might be visible outside of such premises, without the prior written consent of Landlord. Landlord may adopt and furnish to tenants general guidelines relating to signs inside the Buildings and Tenant shall conform to such guidelines. All approved signs or lettering shall be prepared, printed, affixed or inscribed at the expense of the tenant and shall be of a size, color and style acceptable to Landlord.

5. The windows that reflect or admit light and air into the halls, passageways or other public places in the Buildings shall not be covered or obstructed by any tenant, nor shall any bottles, parcels or other articles be placed on the window sills.

6. No showcases or other articles shall be put in front of or affixed to any part of the exterior of the Buildings, nor placed in the halls, corridors or vestibules.

7. No bicycles, vehicles, animals or birds of any kind shall be brought into or kept in the premises of any tenant or the Buildings.

8. No noise, including but not limited to, music or the playing of musical instruments, recordings, radio or television, which, in the reasonable judgment of Landlord, might disturb other tenants in the Buildings, shall be made or permitted by any tenant.

9. No tenant, nor any tenant's contractors, employees, agents, visitors, invitees or licensees, shall at any time bring into or keep upon the premises or the Buildings any inflammable, combustible, explosive, environmentally hazardous or otherwise dangerous fluid, chemical or substance, except in conjunction with Tenant's Permitted Use and all applicable laws, rules, and regulations.

10. All movement of freight, furniture, packages, boxes, crates or any other object or matter of any description must take place during such hours, and in such manner as Landlord or its agent may determine from time to time. Any labor and engineering costs incurred by Landlord in connection with any moving herein specified, shall be paid by Tenant to Landlord, on demand. Landlord will not be responsible for loss of or damage to any such safe or property from any cause and all damage done to the Building be moving or maintaining any such safe or other property shall be repaired at the expense of the Tenant.

11. No tenant shall use its premises, or permit any part thereof to be used, for manufacturing or the sale at retail or auction of merchandise, goods or property of any kind unless said use is consistent with the use provisions of the Lease.

12. Landlord shall have the right to prescribe the weight and position of safes and other objects of excessive weight, and no safe or other object whose weight exceeds the lawful load for the area upon which it would stand shall be brought into or kept upon any tenant's premises. If, in the judgment of Landlord, it is necessary to distribute the concentrated weight of any heavy object, the work involved in such distribution shall be done at the expense of the tenant and in such manner, as Landlord shall determine.

13. Landlord, its contractors, and their respective employees, shall have the right to reasonably use, without charge therefore, all light, power and water in the premises of any tenant while cleaning or making repairs or alterations in the premises of such tenant.

14. No premises of any tenant shall be used for lodging or sleeping or for any illegal purpose.

15. The requirements of tenants for any services by Landlord will be attended to only upon prior application to the Landlord. Employees of Landlord shall not perform any work or do anything outside of their regular duties, unless under special instructions from Landlord.

16. Canvassing, soliciting and peddling in the Buildings are prohibited and each tenant shall cooperate to prevent the same.

17. Each tenant shall store its trash and garbage within its premises. No material shall be placed in the trash boxes or receptacles if such material is of such nature that it may not be disposed of in the ordinary and customary manner of removing and disposing of office building trash and garbage in the area of the Buildings without being in violation of any law or ordinance governing such disposal. All garbage and refuse disposal shall be made only through entryways provided for such

purposes and at such times as Landlord shall designate. No tenant shall cause or permit any unusual or objectionable odors to emanate from its premises, which would annoy other tenants or create a public or private nuisance.

18. No coin vending machine, video game, coin or token operated amusement device or similar machine shall be used or installed in any tenant's premises without Landlord's prior written consent.

19. No bankruptcy, going out of business, liquidation or other form of distress sale shall be held on any of tenant's premises. No advertisement shall be done by loudspeaker, barkers, flashing lights or displays or other methods not consistent with the character of an office building.

20. Nothing shall be done or permitted in any tenant's premises, and nothing shall be brought into or kept in any tenant's premises, which would impair or interfere with the economic heating, cleaning or other servicing of the Buildings or the premises, or the use or enjoyment by any other tenant of any other premises, nor shall there be installed by any tenant any ventilating, air conditioning, electrical or other equipment of any kind which, in the reasonable judgment of landlord, might cause any such impairment or interference.

21. No acids, vapors or other similar caustic materials shall be discharged or permitted to be discharged into the waste lines, vents or flues of the Buildings. The water and wash closets and other plumbing fixtures in or serving any tenant's premises shall not be used for any purpose other than the purposes for which they were designed or constructed, and no sweepings, rubbish, rags, acids or other foreign substances shall be deposited therein. All damages resulting from any misuse of the fixtures shall be borne by the tenant who, or whose servants, employees, agents, invitees, visitors or licensees shall have caused the same.

22. All entrance doors in each tenant's premises shall be left locked and all windows shall be left closed by the tenant when the tenant's premises are not in use. Entrance doors to the tenant's premises shall not be left open at any time. Each tenant, before closing and leaving its premises at any time, shall turn out all lights. Hand trucks not equipped with rubber tires and side guards shall not be used within the Buildings.

23. Landlord reserves the right to rescind, modify, alter or waive any rule or regulation at any time prescribed for the Buildings when, in its reasonable judgment, it deems it necessary, desirable or proper for its best interest and for the best interests of the tenants generally, and no alteration or waiver of any rule or regulation in favor of any other tenant. Landlord shall not be responsible to any tenant for the non-observance or violation by any other tenant of any of the rules and regulations at any time prescribed for the Buildings.

24. Landlord reserves the right to reasonably add to, modify or otherwise change these Rules and Regulations, provided that such changes do not materially alter Tenant's rights or materially increase Tenant's costs under its Lease. Such changes shall become effective when written notice thereof is provided to tenants of the Buildings.

## EXHIBIT F
## RESPONSIBILITY MATRIX

| Item / Description | Tenant or Landlord Responsibility | Comment | Reimbursable as Operating Expense |
|---|---|---|---|
| **Building Exterior** | | | |
| Window coverings (e.g., awnings) | Landlord | N/A | Yes |
| Building Backflow Testing | Landlord | N/A | Yes |
| Building Exterior Lights | Landlord | | Yes |
| Exterior Utility Lines | Landlord | | Yes |
| Gutters/Downspout | Landlord | | Yes |
| Internet Cabling Into Building | Landlord | | Yes |
| Loading Dock / Loading Dock Equipment | Landlord | N/A | Yes |
| Painting | Landlord | | Yes |
| Railings / Fences / Gates | Landlord | N/A | Yes |
| Roof Membrane | Landlord | | No |
| Roof Structure | Landlord | | No |
| Storefront (Doors & Windows) | Tenant | | N/A |
| Structural / Foundation | Landlord | | No |
| Tenant Building Signage | Tenant | | N/A |
| Trash, Recycle Area / Bins | Landlord | | Yes |
| Walls/Windows | Landlord | | Yes |
| Window Washing | Landlord | | Yes |
| **Building Systems - Interior** | | | |
| Electrical Systems (Common Area) | Landlord | | Yes |
| Elevators (Repair/Maintenance/ Testing) | Landlord | N/A | N/A |
| Safety Systems | Landlord | If subject to Joint Commission, see requirements below. | Yes |
| **Grounds** | | | |
| Landscaping | Landlord | | Yes |

| | | | |
|---|---|---|---|
| Monument Sign | Landlord | Tenant is responsible for costs of creating and installing signage within the existing monument sign. Landlord shall maintain the monument sign. | Yes |
| Parking Lot/ Hardscape/Sweeping | Landlord | | Yes |
| Parking Lot Lights | Landlord | | Yes |
| Parking Lot Striping | Landlord | | Yes |
| Sidewalks | Landlord | | Yes |
| Snow Removal/Deicing | Landlord | | Yes |
| **Premises** | | | |
| Backflow Testing | Landlord | | Yes |
| Ceiling Tiles | Tenant | | N/A |
| Doors/Windows | Tenant | | N/A |
| Electrical Systems | Tenant | | N/A |
| Fire Extinguisher Testing | Landlord | | Yes |
| Flooring | Tenant | | N/A |
| HVAC Maintenance | Tenant | | N/A |
| HVAC Repairs | Landlord | Tenant will become responsible for HVAC repairs if Tenant elects to use the Tenant Improvement Allowance to replace any HVAC equipment serving the Premises. | Yes |
| HVAC Replacement | Landlord | | Yes |
| HVAC Building Automation System (BAS) | Landlord | Tenant will have access to the BAS to be able to view the temperature, pressure, and humidity conditions of the Premises and to be able to print historical reports, on demand, from the BAS, if reasonably possible, noting the controls are not currently in the Premises. | Yes |
| HVAC Quarterly Maintenance | Tenant | | N/A |
| Generator (serving the Premises) maintenance | Tenant | | N/A |
| Generator (serving the Premises) repair | Landlord | Tenant will become responsible for generator repairs if Tenant elects to use the Tenant Improvement Allowance to replace any generator equipment serving the Premises. | Yes |
| Janitorial | Tenant | | N/A |
| Keys/Locks | Tenant | | N/A |
| Lighting Fixtures/Lamps | Tenant | | N/A |

| Plumbing | Tenant | | N/A |
|---|---|---|---|

**Joint Commission Maintenance:**

| System | Weekly | Monthly | Quarterly | Semi-Annual | Annual | Other (Specifics) |
|---|---|---|---|---|---|---|
| ATS Transfer | | | | | | N/A (does not currently exist) |
| Backflows | | | | | | Reimbursed by Tenant within Tenant's Reserve for Operating Expenses and Common Area Maintenance Charges (occurring once/year). |
| Battery Powered Lights | | | | | | Reimbursed by Tenant within Tenant's Reserve for Operating Expenses and Common Area Maintenance Charges. |
| Electrical Outlets | | | | | | Reimbursed by Tenant within Tenant's Reserve for Operating Expenses and Common Area Maintenance Charges. |
| Elevator Recall | | | | | | N/A |
| HVAC Shutdown | | | | | | N/A |
| Emergency Power Supply System | | | | | | Tenant responsibility and expense for existing system within the Premises. |
| Fire Alarm | | | | | | Tenant responsibility and expense. |
| Fire Dampers | | | | | | N/A (does not currently exist) |
| Fire Doors | | | | | | N/A (does not currently exist) |
| Fire Extinguisher | | | | | | Reimbursed by Tenant within Tenant's Reserve for Operating Expenses and Common Area Maintenance Charges (occurring twice/year). |
| Fire Pump | | | | | | N/A (does not currently exist) |
| Fire Sprinkler | | | | | | N/A (does not currently exist) |
| Generator | | | | | | Tenant responsibility and expense for the existing generator within the Premises. |
| IR Inspections of Electrical Equipment Distribution | | | | | | N/A |
| Kitchen Hood | N/A | N/A | N/A | N/A | N/A | N/A |
| Smoke Detector | | | | | | Tenant responsibility and expense. |

Joint Commission Report Requirements:

- The Code Reference of the test must be on the page (i.e. The paragraph number).
- The Code Reference Paragraph must be on the page (i.e. The paragraph text).
- The date of test must be listed on the test.
- A summary of testing showing total devices in the building (separated by type), number of devices tested, and number of devices failed must be included.
- Each device must have a unique identifier.
- Each device must be separately listed (table format is acceptable).

- Each device must be marked Pass or Fail.
- Specific data as required by the Code Reference Paragraph must be listed.
- Each test must include the testing technician's name (printed), signature, company, and license number (if required for that test).
- A deficiency page with all deficiencies found during testing must be included.
- For multiple page reports, the page number and the total number of pages is required on all pages.
- For maintenance actions with more than one Code Reference, each unique test must have its own page meeting the above requirement, but it may all be collated into a single report with only one summary and one deficiency page.

# Exhibit 10B.
# Parcel Property Information

**Parcel Number:** 181327-43007 View Map | Property Tax | View Web Version | Print Page
**Situs Address:** 3909 Creekside Lp Yakima
**Property Use:** 65 Service - Professional
**Tax Code Area:** 331
**Property Size:** 2.98
**Neighborhood:** C303
**Owners:** Wide Hollow Development LLC
**Abbreviated Legal Description:**
Section 27 Township 13 Range 18 Quarter SE: BEG S1/4 COR, TH S 0^14'10"W 104.63 FT, TH S 89^45'50"E 50 FT, TH N 0^08'06"E 304 FT M/L TO CEN LN OF WIDE HOLLOW CREEK & TRUE POB, TH S 0^08'06"W 304 FT, TH S 89^45'50"E 207.09 FT, TH CURVE TO TR RAD-100 FT DELTA 45^00'00" LENGH 78.54 FT, TH S 44^45'50"E 131.86 FT, TH CURVE TO LT RAD-100 FT DELTA 30^04'47" LENGH 52.5 FT, TH N 0^04'E 421 FT M/L TO CEN LN OF WIDE HOLLOW CREEK, TH NW'LY AL SD CREEK CEN LN TO TRUE POB (AKA LOTS 1 & 2 OF ROS AF# 7409242) ( FINANCIAL SEGREGATION ONLY NOT TO BE TRANSFERED SEPERATELY)

## Utility Information: *(indicates utility is available at parcel boundary)*

**Gas:** Yes
**Electricity:** Yes
**Water:** Public
**Sewer/Septic:** Public

## Site Information:

**Property Type:** Commercial
**Zoning:** Com
**Street Type:** Two-Way
**Street Finish:** Paved/Asphlt
**Traffic:** Heavy
**Side Walk:** Yes
**Curbs:** Yes
**Location:** Corner

## Details for Land Record #1

**Land Flag:** C
**Soil Class:**
**Calc CU:** No
**Water Source:** Public
**Sewer Source:** Public
**Flood Plain:** Floodway
**Lot Shape:** Irregular
**Topography:** Level
**Land View:** No View
**Landscaping:** None
**Value Method:** Sq-Feet
**Lots:** 0
**SquareFeet:**
**Acre(s):** 2.980

## Details for Commercial Section #101

**Building Type:** Medical Office
**Quality:** Good
**Condition:** Good
**Ext. Wall Type:** Frame
**Year Built:** 2007
**Ground Floor:** 30,854
**Stories:** 1
**Foundation:** Yes
**Construction:** Wood-Frame
**Heat/Cool Type:** Package-A/C

## Segregations or Mergers on Parcel Number 181327-43007

| Seg/Merge # | Seg/Merge Type | Status Date | Status | Parcel Involvement |
|---|---|---|---|---|
| SM060427 | Merge | May 25, 2006 | Completed | Child |

***Tax Breakdown Information****

## Details for Tax Year 2024

| District | Regular Rate | Regular Value | Regular Tax | Excess Rate | Excess Value | Excess Tax |
|---|---|---|---|---|---|---|
| County Ems | 0.25000000 | $6,442,500 | $1,610.62 | 0.00000000 | $6,442,500 | $0.00 |
| County Flood Control | 0.05513605 | $6,442,500 | $355.21 | 0.00000000 | $6,442,500 | $0.00 |
| State School Levy | 1.43728318 | $6,442,500 | $9,259.70 | 0.00000000 | $6,442,500 | $0.00 |
| State School Levy Part 2 | 0.77100703 | $6,442,500 | $4,967.21 | 0.00000000 | $6,442,500 | $0.00 |
| Yakima City | 1.85527217 | $6,442,500 | $11,952.59 | 0.00000000 | $6,442,500 | $0.00 |
| Yakima County | 0.97798949 | $6,442,500 | $6,300.70 | 0.00000000 | $6,442,500 | $0.00 |
| Yakima School | 0.00000000 | $6,442,500 | $0.00 | 1.89223098 | $6,442,500 | $12,190.70 |
| Yakima School Bonds | 0.00000000 | $6,442,500 | $0.00 | 0.90158815 | $6,442,500 | $5,808.48 |
| Yakima Valley Regional Library | 0.29320895 | $6,442,500 | $1,889.00 | 0.00000000 | $6,442,500 | $0.00 |
| **Total** | **5.63989687** | **$6,442,500** | **$36,335.03** | **2.79381913** | **$6,442,500** | **$17,999.18** |

**Please Note: These are not guaranteed tax amounts and are only provided for convenience. Tax amounts above may have rounding errors and are only provided as an indication of what taxes would be if the parcel were taxed at 100% Assessed values for the full tax year. In addition, no assessments are included in these lists and may be included in the property tax bill. If you want exact current tax amounts please view this property on the County Treasurer Tax Portal.*

## Value Breakdown Information

| Value Type | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Taxable Value Regular | $6,442,500 | $5,849,000 | $3,730,736 | $2,147,848 | $2,096,030 | $2,199,756 | $2,078,749 |
| Taxable Value Excess | $6,442,500 | $5,849,000 | $3,730,736 | $2,147,848 | $2,096,030 | $2,199,756 | $2,078,749 |
| Market Land | $777,800 | $777,800 | $777,800 | $777,800 | $777,800 | $777,800 | $777,800 |
| Market Improvement | $5,664,700 | $5,071,200 | $4,785,000 | $4,776,500 | $4,642,500 | $4,663,100 | $4,363,800 |

3909 CREEKSIDE LP  YAKIMA, WA 98902

3909 CREEKSIDE LP  YAKIMA, WA 98902

181327-43007 NC 08 NEW MED OFFICE #76

181327-43007 NC 08 NEW MED OFFICE #76

181327-43007 NC 08 NEW MED OFFICE #76

181327-43007 NC 08 NEW MED OFFICE #76

**3909 CREEKSIDE LP YAKIMA, WA 98902**

**3909 CREEKSIDE LP YAKIMA, WA 98902**

# Exhibit 10C.
# Parcel Map with Zoning Classification

# 181327-43007
## 3909 CREEKSIDE LP

S 40TH AVE

CREEKSIDE LP

LOREN PL

1:2,000

Owner Information:

**WIDE HOLLOW DEVELOPMENT LLC**
**PO BOX 1432**
**YAKIMA, WA 98907**

Acres: **2.98000002**
Land Value: **$777,800.00**
Impr Value: **$5,664,700.00**

TCA: **331** Tax Year: **2024**

Use Code: **65 Service - Professional**

**Zoning: GC**

**Future Land Use: Commercial Mixed Use**

**In Floodplain? Y**

**Census Tract:001100**

Legal Description:

Section 27 Township 13 Range 18 Quarter SE: BEG S1/4 COR, TH S 0^14'10""W 104.63 FT, TH S 89^45'50""E 50 FT, TH N 0^08'06""E 304 FT M/L TO CEN LN OF WIDE HOLLOW CREEK & TRUE POFT, TH S 89^45'50""E 207.09 FT, TH CURVE TO TR RAD-100 FT DELTA 45^00'00"" LENGH 78.54 FT, TH S 44^45'50""E 131.86 FT, TH CURVE TO LT RAD-100 FT DELTA 30^04'47"" LENGH 52.5 FT, THCEN LN OF WIDE HOLLOW CREEK, TH NW'LY AL SD

**Legend**

# 2019 Aerial Photo Map

Monday - 04/08/2024 - 08:49:23

City of Yakima - Geographic Information Services

Map Disclaimer: Information shown on this map is for planning and illustration purposes only. The City of Yakima assumes no liability for any errors, omissions, or inaccuracies in the information provided or for any action taken, or action not taken by the user in reliance upon any maps or information provided herein.

# Exhibit 11.
# Letter of Financial Commitment

MultiCare Health System
820 A Street, Tacoma, WA, 98402
PO Box 5299 Tacoma, WA 98415-0299 • multicare.org

April 10, 2024

Eric Hernandez, Manager
Certificate of Need Program
Washington Department of Health
111 Israel Road SE
Tumwater WA 98501

**Re: Certificate of Need Application for MultiCare Yakima Endoscopy Center**

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for MultiCare Health System's certificate of need application request to create a new CN-approved endoscopy ASF in Yakima County.

MultiCare is pleased to commit from its corporate reserves, full funding for the estimated capital expenditures and any working capital requirements associated with the project. MultiCare has sufficient cash reserves to fully fund the project.

Please contact me if there are any questions regarding this letter of financial commitment. I can be reached at James.g.lee@multicare.org or at 253-459-8081. Thank you for your time and assistance in this important matter.

Sincerely,

James Lee, Executive Vice President
Population Based Care & CFO
MultiCare Health System

# Exhibit 12.
# Contractor's Estimate Letter

April 24, 2024

Eric Hernandez, Manager
Certificate of Need Program
WASHINGTON DEPARTMENT OF HEALTH
111 Israel Road SE
Tumwater, WA 98501

RE: CERTIFICATE OF NEED APPLICATION
MultiCare Endoscopy Center - Yakima

Dear Mr. Hernandez:

I am writing regarding MultiCare Health System's Certificate of Need Application proposing to establish a new ambulatory endoscopy center in Yakima, WA. Based on our experience with similar construction projects, we have developed the following construction cost estimate:

- Construction Costs: $2,937,642

These costs include projected inflation, contractor's contingency, and Washington State sales tax. This price excludes architect and engineering fees, FF&E costs, medical equipment, permits and fees, and information systems, low voltage/NC.

Based on our experience, we believe the costs are a reasonable estimate of the expected cost for construction. Please contact us if you have any questions or require any additional information.

Sincerely,

BOUTEN CONSTRUCTION COMPANY

Jake L. Closson, Vice President

JLC:djj
J:\2023-062 (MCHS Yakima GI Suite ROM)\224.04.24_Yakima.docx

# Exhibit 13.
# Equipment List

## MultiCare Endoscopy Center - Yakima
**Equipment List**

| Item | Cost |
|---|---|
| Stationary Computer | $ 10,800 |
| WOW's | $ 70,000 |
| Office Chairs | $ 3,750 |
| Cushy Butt Stools | $ 2,100 |
| Wheelchairs | $ 7,221 |
| Strecthers | $ 277,750 |
| Patient Refridgerator | $ 400 |
| Phillips Monitor | $ 144,855 |
| GI Towers | $ 333,000 |
| Boom | $ 75,000 |
| Desktop Computer | $ 5,400 |
| DSD Machine | $ 156,975 |
| Scope Hanging Closet | $ 12,000 |
| Dilator Hanging Cabinet | $ 600 |
| Wheeled Carts | $ 375 |
| Scope Trays | $ 3,465 |
| Leak Tester | $ 34,611 |
| EPOC | $ 6,500 |
| Istat | $ 9,200 |
| Refridgerator | $ 500 |
| Omnicell | $ 31,000 |
| Thermometer | $ 320 |
| IV Carts | $ 1,200 |
| Dilators | $ 12,000 |
| Scopes - Peds Lower | $ 442,809 |
| Scopes - Adult Lower | $ 485,277 |
| Misc FF&E: Furniture, artwork, androom identification and way finding signage | $ 74,858 |
| Subtotal | $ 2,201,966 |
| Sales Tax | $ 182,763 |
| Subtotal with Tax | $ 2,384,729 |

# Exhibit 14.
# Medical Director Job Description

**MultiCare Yakima Valley Memorial**

**Job Description**

**Title of Position:** Medical Director, ASC
**Department:** Yakima Ambulatory Endoscopy Center
**Supervisor's Title:** Medical Group Specialty Medical Director, MultiCare Yakima Valley Memorial
**Exemption Status:** Exempt
**Last Revised:** May 2024

**ROLE SUMMARY**
The Medical Director, ASC provides supervision and oversight for ASC Medical Providers with clinical and administrative leadership/management to achieve the patient care, strategic and business objectives of MultiCare Yakima Valley Memorial ("MultiCare Yakima").

**ESSENTIAL RESPONSIBILITIES (not limited to)**

1. Providing medical direction with respect to all clinical activities performed in connection with or related to all medical procedures performed at Yakima Ambulatory Endoscopy Center ("ASC") and all administrative activities related thereto and ensuring that such activities are performed in conformity with MultiCare Yakima policies and procedures and the bylaws of the ASC, as amended from time to time by MultiCare Yakima, and all applicable laws, rules, regulations, standards and guidelines promulgated by all applicable regulatory authorities.

2. Consulting with and rendering advice to MultiCare Yakima, the Medical Group Specialty Medical Director, the medical staff of the ASC (the "Medical Staff'), and all other personnel at the ASC regarding the timely and complete documentation of all clinical records and other data and, where appropriate, reviewing such records.

3. Perform the Services in accordance with all applicable laws, rules, regulations, standards, guidelines, policies, procedures and bylaws of all applicable regulatory authorities and all applicable policies and procedures of MultiCare Yakima and the ASC.

4. Perform the Services faithfully, diligently and to the best of the Medical Director's ability, and in such a manner as is customarily performed by providers of similar services as the services in ambulatory surgical facilities located in the market area in the immediate vicinity of the ASC; and

5. Perform such continuing education requirements as may be required by all applicable regulatory authorities and as may reasonably be required by MultiCare Yakima and the Medical Group Specialty Medical Director.

6. Coordinating the orientation of new medical staff members and active participation in the review of medical staff membership applications and requests for privileges.

7. Maintaining communications with the medical staff regarding service and ASC initiatives including, but not limited to, attendance at the ASC's growth planning sessions, development and implementation of initiatives to ensure delivery of on-time starts, efficient turnover times, minimization of cancellation rates, utilization of block time, and optimal staffing and supply usage.

8. Consulting with and rendering advice to MultiCare Yakima, the Medical Group Specialty Medical Director, the Medical Staff, and all clinical and nursing personnel at the ASC regarding and participating in, the ASC's quality assurance and risk management programs.

9. Consulting with and rendering advice to MultiCare Yakima and the Medical Group Specialty Medical Director regarding, and supervising compliance by the Medical Staff and all clinical and nursing personnel of the ASC with, MultiCare Yakima's policies and procedures and the bylaws of the ASC, as amended from time to time by MultiCare Yakima and the ASC, and all applicable laws, rules, regulations, standards, guidelines, policies, procedures and bylaws promulgated by all applicable regulatory authorities.

10. Consulting with and rendering advice to MultiCare Yakima, the Medical Staff, the Medical Group Specialty Medical Director, and all clinical and nursing personnel at the ASC and assisting in the development and coordination of and participating in, all continuing in-service education and training programs for the Medical Staff and all clinical and nursing personnel at the ASC with respect to the performance of all medical procedures at the ASC.

11. Assessing the overall patient experience at the ASC by reviewing patient satisfaction surveys, patient and physician feedback and providing recommendations to MultiCare Yakima, the Medical Staff and/or the Medical Group Specialty Medical Director.

12. Consulting with and rendering advice to MultiCare Yakima and the Medical Group Specialty Medical Director regarding the qualifications and performance of the clinical and nursing personnel at the ASC.

13. Conducting periodic evaluations of the adequacy and appropriateness of the medical procedures performed at the ASC and consulting with and rendering advice to MultiCare Yakima and the CMO with respect to selection and acquisition of equipment, outside vendors, supplies and support services with respect to the performance of such procedures.

14. Serving as a member of the Medical Executive Committee and acting as a liaison between the Medical Group Specialty Medical Director and the Governing Body of the ASC and the medical staff.

15. Cooperating with MultiCare Yakima, Medical Executive Committee, Medical Group Specialty Medical Director, and other medical staff performing services at the ASC to support and improve the operational performance of the ASC.

16. Attending administrative meetings and accepting appointments to ad-hoc and standing committees of the ASC and of the Medical Staff, including without limitation, attendance at one regional and one national leadership meeting per year.

17. Performing such other duties as may from time to time be agreed to by the Medical Director and MultiCare Yakima.

**QUALIFICATIONS AND REQUIREMENTS**
**Education:** Doctor of Medicine or Osteopathic Medicine (MD or DO) required.

**Experience:**
- Provider in good standing with MultiCare Yakima Valley Memorial required.
- Experience in management skills, quality improvement, and managed care program
- Demonstrated skills in staff management, supervision, teaching and instruction skills, and organizational development.
- Clear and professional verbal and written communication and meeting facilitation skills.
- Experience working with targeted population and knowledge of related issues.
- Strong organizational skills and demonstrated ability to handle multiple contracts, projects and tasks.
- Ability to work with minimum supervision and also function as a team member.
- Ability to work with people of diverse cultural, educational, socio-economic, and linguistic backgrounds.
- Proficiency in Microsoft Office applications and Electronic Medical Records

**Licenses/Certificates/Registration:**
- Maintain all applicable licenses, permits, accreditations and authorizations required by any applicable Regulatory Authority or as may reasonably be required by MultiCare Yakima for the Contractor to provide the Services under this Agreement, including, but not limited to,
    - License to practice medicine issued by the Washington State required; current state medical license in good standing with medical board required.
    - Drug Enforcement Agency Number issued to the Director at the ASC's address.
- Board certified (or eligible) or equivalent experience required.
- Successful credential by the medical staff office of MultiCare Yakima Valley Memorial required.

## MultiCare Yakima Valley Memorial

*"MultiCare Yakima Valley Memorial provides reasonable accommodations to assist qualified individuals in order to perform the essential duties/requirements their job requires. The description is intended to provide only basic guidelines for meeting job requirements and serves as merely a summary rather than a complete listing of duties. Responsibilities, knowledge, skills, abilities, and working conditions may change as needs evolve. This job description does not constitute a contract as employment is at will."*

**Incumbent's Signature:**______________________________ **Date:**__________________

**Print Name:**________________________________________________

# Exhibit 15.
# List of Physician Names, License Numbers, and Specialties

**MEC Yakima**
**List of Physician Names, License Numbers, and Specialties**

| Name | Specialty | License # |
|---|---|---|
| Tejas Kirtane, MD | Gastroenterology | MD60688672 |
| Supannee Rassameehiran, MD | Gastroenterology | MD61008485 |

# Exhibit 16.
# Transfer Agreement

**MULTICARE HEALTH SYSTEM**
**PATIENT TRANSFER AGREEMENT**

This Patient Transfer Agreement ("Agreement") is made by and between **MultiCare Health System ("MHS")**, a nonprofit corporation formed under the laws of the State of Washington and **[INSERT FULL NAME] ("Facility")**, a ______________________________ formed under the laws of the State of ___________________________, to establish a coordinated program for the use of the respective skills, resources and physical plant of each Party to provide improved and continuous patient care. MHS and Facility are sometimes referred to in this Agreement individually as a "Party" or, collectively, as the "Parties."

**NOW, THEREFORE,** MHS and Facility agree as follows:

**1. Term of Agreement.** This Agreement shall be effective [**INSERT DATE**] and shall continue for a term of three (3) years unless terminated earlier as set forth below. Thereafter, unless terminated pursuant to paragraph 18 or 19 below, this Agreement shall automatically renew for additional terms of three (3) years.

**2. Purpose of Agreement.** In order to provide continuous patient care to meet the needs of patients, each Party agrees to accept appropriate transfers from one Party to the other Party of patients in need of the specialized services of the type provided by the receiving Party. In the event of a transfer, the transferred patient will qualify for admission to the receiving Party on an emergency basis. If a transferred patient does not have an attending provider able to continue care at the receiving Party, the receiving Party may refer the patient to an appropriate attending provider.

**3. Independent Contractor Status.** Each Party is an independent contractor with respect to the other Party. Neither Party is authorized or permitted to act or to claim to be acting as an agent or employee of the other Party. Nothing in this Agreement alters in any way control of the management, assets or affairs of either Party. Neither Party by virtue of this Agreement assumes any liability for any debts or obligations of any kind incurred by the other Party to this Agreement. Nothing in this Agreement shall be construed as limiting the rights of either Party to contract with any other facility on a limited or general basis.

**4. Coordination of Transfer of Patient.**

a. The need to transfer a patient from one Party to the other shall be determined by the patient's attending physician. When such a determination has been made, the transferring Party shall immediately notify the appropriate physician in the receiving Party's unit of the proposed transfer. The transferring physician and the receiving physician shall confer and jointly determine the patient's appropriateness for transfer. A patient with emergency medical condition within the meaning of the Emergency Medical Treatment and Active Labor Act (EMTALA) (codified at §1867 of the Social Security Act, ("Act") the accompanying regulations in 42 CFR §489.24 and the related requirements at 42 CFR 489.20(l), ) may be transferred only if the receiving Party has agreed to accept the transfer and to provide appropriate medical treatment and has available space and qualified personnel to treat the patient. Prior to moving the patient, the transferring Party must receive confirmation from the receiving Party that it will accept the patient. To the extent applicable, the EMTALA guidelines and its implementing regulations shall supersede any contrary provision of this Agreement.

b. Transfers to MHS from other facilities must be facilitated through MultiCare Mission Coordination Center (MC2). MC2 will coordinate with the Facility to ensure any additional information or documentation required to facilitate transfer(s) is completed. In the event transfer(s) involve any of the specialties listed below the corresponding Exhibit applies:

1. Patients transferred for cardiac surgery back-up must meet the requirements set forth on Exhibit A;
2. Patients transferred to neuro interventional radiology must meet the requirements set forth on Exhibit B;
3. Patients transferred for obstetrics must meet the requirements set forth on Exhibit C;
4. Neonate patient transfers must meet the requirements set forth on Exhibit D; and
5. Pediatric patients transferred to Mary Bridge Children's Hospital and Medical Center must meet the requirements set forth on Exhibit E.

1. **Patient Transfer Back.** Once the patient's MHS attending physician determines that the patient no longer requires MHS's specialized services and can continue treatment at the transferring Facility, the transferring Facility and referring physician shall accept the return of the patient so long as the original transferring Facility is capable of providing care for the patient's current condition, has the capacity to accept the patient back, and the patient has consented to the transfer back. If the transferring Facility fails to accept the patient back upon reasonable notice (1-2 days), MHS will bill the transferring Facility $3000 per day for each day after notification. Whether or not the patient still meets inpatient criteria, the transferring Facility will accept the patient for transfer back to their Facility for the purpose of ongoing acute care and/or post-acute care discharge planning. Under no circumstances will MHS assume financial responsibility for the cost of transferring or transporting any patient to MHS or back to the transferring Facility. Transferring Facility agrees to be responsible for the transportation cost to MHS not covered by the patient's insurance.

**7**. **Patient Medical Records.** The transferring Party shall send with each transferred patient copies of pertinent medical and other information necessary to continue the patient's treatment without interruption including, without limitation, a discharge summary and essential identifying and administrative information. The information shall include, when appropriate, the following:

a. Initial diagnostic impression.
b. Patient's name, address, hospital number and age, and name, address and phone number of next of kin.
c. History of injury or illness.
d. Condition at admission.
e. Vital signs (including Glasgow coma score).
f. Pre-hospital condition and treatment.
g. Condition and treatment during stay in emergency department and at time of transfer.
h. Treatment rendered to patient including medications given and route of administration.
i. Laboratory and x-ray findings, appropriate laboratory specimens (when appropriate or indicated) and all x-ray films.

j. Fluids given by type and volume.
k. Name, address and phone number of physician referring the patient.
l. Name of physician at receiving Party who has been contacted about the patient.
m. Name, address and phone number of patient's designee who is patient's attorney-in-fact under patient's healthcare power of attorney.
n. The original or a copy of patient's healthcare power of attorney, living will and/or healthcare directives.

Additional information may be required as set forth on the applicable Exhibit.

**8. Transportation of Patient.** Unless otherwise agreed, the transferring Party shall arrange transportation of the patient to the receiving Party including selection of the mode of transportation and providing qualified personnel and transportation equipment as required including the use of necessary and medically appropriate life support measures during the transfer. The receiving Party's responsibility for the patient's care shall begin when the patient is either admitted as an inpatient or accepted as an outpatient to the receiving Party's facility.

**9. Transfer of Patient's Personal Property.** The transferring Party is responsible for the transfer or the appropriate disposition of the patient's personal effects including money and valuables and information related to these items. The receiving Party's responsibility for the Patient's personal effects and belongings shall begin at such time as the receiving Party has inventoried and documented receipt of such items.

**10. Patient's Consent to Transfer.** The transferring Party is responsible for obtaining the patient's consent (or properly substituted or implied consent) for the transfer. The transferring Party must document such consent in the patient's medical record and send to the receiving Party.

**11. Patient Transfer Coordinators.** Each Party shall provide the other Party with the name and title of persons authorized to initiate, confirm and accept the transfer of a patient on behalf of such Party. Each receiving Party shall inform the transferring Party of the location to which to bring patients in the facility. The Parties agree to provide each other information about the patient care services offered by such Party. The Parties agree to cooperate and jointly review cases in which either Party has questions about appropriateness of transfer.

**12. Transfers Arising from Mass Casualties or Natural Disasters: Mutual Aid Pact.** In the event of any cause or circumstance arising from a natural disaster or mass casualty, the Parties shall communicate with one another as soon thereafter as is practicable, in order to ascertain the relative impacts of such disaster or casualty upon one another and their respective capabilities for sending and/or receiving patients under the Agreement. In such situations:

a. Whenever circumstances allow, each Party, as the receiving Party, further agrees to accept "block transfers" of as many patients sent from the transferring Party as may be practicable, in order to free up beds in the facility of the Party most directly impacted by the event, including patients with lower acuity levels or non-emergent needs.
b. The Parties will, in addition to their obligations under the Agreement, establish communications protocols to be triggered in the event of a natural disaster or mass casualty, including the appointment of designated patient transfer coordinators at

MHS and Facility who shall act as the primary point(s) of contact during any such event or circumstance.

c. At such time as the long-term needs of the transferring Party are better understood in the context of the event, the transferring Party will advise the receiving Party of its capacity to retrieve patients sent in contemplation of the need for bed space, at which time the Parties will evaluate the plan of care for each such patient and determine whether the patient's needs will best be met by returning to the transferring Party or remaining at the receiving Party.

**13. Nondiscrimination.** Neither Party may refuse to receive a patient by reason of such patient's race, religion, gender, age, national origin, sexual orientation, marital status, handicap, disability or medical diagnosis in providing services under this Agreement.

**14. Patient Infectious Disease Status.** Transferring Party will share all known infectious diseases, to include whether the patient is a carrier of multidrug resistant organisms, to receiving Party at time of transfer discussion and within the patient's medical records.

**15. Confidentiality.** The Parties agree that the confidentiality of each patient's medical records must be maintained. To achieve that goal, the Parties agree to transport medical records in a manner designed to maintain the confidentiality of the medical record as required by applicable law, including applicable provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA), as amended. The Parties agree to amend or modify this Agreement at such times as may be required by the terms of HIPAA with respect to the exchange of protected health information for purposes of each Party's treatment, payment or operations associated with any transfers conducted under this Agreement.

**16. Financial Arrangement.** Charges for services performed by either of the Parties for patients transferred pursuant to this Agreement shall be collected by the Party rendering such services and shall be collected directly from the patient, third-party payors or other sources of payment. Neither Party shall have any liability to the other for the billing, collection or payment of charges for services performed by such other Party, except as otherwise provided in this Agreement or to the extent that such liability would exist separate and apart from this Agreement.

**17. Compliance with Laws and Regulations.** Each Party is deemed an instrumentality of the Federal Government [Medicare/Medicaid Providers] and terms of this agreement will be construed in accordance with applicable Federal and State statutes.

**18. Notice.** Any notice given with respect to this Agreement must be in writing and shall be delivered either by hand to the Party or by certified mail, return receipt requested to the Party at the Party's address stated herein. Any Party may change its address herein by giving notice of the change in the manner described in this section.

**19. Termination Without Cause.** Either Party may terminate this Agreement without cause, upon thirty (30) days' advance written notice, in which event the terminating Party must complete its duties under the Agreement with respect to any patient who is being transferred at the time of termination.

**20. Automatic Termination.** This Agreement shall be terminated immediately upon the occurrence of any of the following:

a. Either Party fails to maintain its licensure, certification or accreditation under local, state or federal law or is otherwise legally prohibited from providing the services described herein.
b. Either Party is in material default under any of the terms of this Agreement.

**21. Advertising and Publicity.** Neither Party shall use the name of the other or the existence of this Agreement in any promotional or advertising material, unless prior written approval of the material to be used and the intended use is first obtained from the other Party.

**22. Liability.** Each Party shall be responsible for its own acts and omissions and shall not be responsible for the acts and omissions of the other Party.

**23. Claims.** The Parties shall promptly notify one another in writing of any claim or demand to indemnify arising out of performance of transfer pursuant to this Agreement and shall cooperate with one another in a reasonable manner to facilitate the defense of such claim.

**24. Non-waiver.** The failure of either Party to exercise any of its rights under this Agreement is not a waiver of such rights or a waiver of any rights for subsequent breach.

**25. Assignment.** This Agreement may not be assigned by either Party without the prior written consent of the other Party.

**26. Severability.** If any part of this Agreement is held to be unenforceable, the remainder of this Agreement that is determined to not be part of the Agreement held unenforceable will remain in full force and effect.

**27. Amendments.** This Agreement may be supplemented, amended, or revised only in writing by agreement of both Parties.

**28. Headings.** The heading to the various sections of this Agreement have been inserted for convenience only and shall not modify, define, limit or expand express provisions of this Agreement.

**29. Authorization for Agreement.** The execution and performance of this Agreement by each Party have been duly authorized by all necessary laws, resolutions or corporate actions and this Agreement constitutes the valid and enforceable obligation of each Party in accordance with its terms.

**30. Entire Agreement.** This Agreement sets forth the Parties' final and entire agreement and supersedes all prior and contemporaneous oral or written communications between the Parties, their agents and representatives related to this matter. There are no representations, promises, terms, conditions or obligations other than those contained herein.

*[Signature page to follow]*

**IN WITNESS WHEREOF,** the Parties have caused this Agreement to be executed to be effective the day and year set forth above.

| | **MultiCare Health System:** | | **Facility:** |
|---|---|---|---|
| | | | ______________________ |
| | | | *(print Facility's name above)* |
| By: | ______________________ | By: | ______________________ |
| Print Name: | ______________________ | Print Name: | ______________________ |
| Title: | ______________________ | Title: | ______________________ |
| Date: | ______________________ | Date: | ______________________ |
| | MultiCare's Contact Information: | | Facility's Contact Information: |
| Designated Representative: | ______________________ | Designated Representative: | ______________________ |
| Designated Representative Title: | ______________________ | Designated Representative Title: | ______________________ |
| Address: | PO Box 5299 | Address: | ______________________ |
| | Tacoma, WA 98415 | | ______________________ |
| Telephone: | ______________________ | Telephone: | ______________________ |
| Email Address: | ______________________ | E-mail address: | ______________________ |
| Copy to Email: | ContractSupport@multicare.org | Facility's EIN No.: | ______________________ |

## Exhibit A

## Requirements for Elective PCI Patients

**Purpose**: This Exhibit A to the Patient Transfer Agreement (the "Agreement") between **MultiCare Health System ("MHS")** and **INSERT FULL NAME ("Facility"),** applies to patients transferred to MHS' Tacoma General Hospital in order to obtain cardiac surgery back-up and support due to undergoing elective percutaneous coronary interventions without on-site cardiac surgery ("PCI Patients"). MHS and Facility are sometimes referred to in this Exhibit A individually as "Party" or, collectively, as the "Parties."

1. **Consent**. In addition to the requirements set forth in the Agreement, the Party performing the intervention or PCI shall obtain consent from PCI Patients which explicitly communicates to such patients that the percutaneous coronary intervention ("PCI") is being performed without on-site surgery back-up and addresses risks related to transfer, the risk of urgent surgery which would require a transfer to MHS' Tacoma General Hospital for on-site surgery back-up, and refer to this Agreement.

2. **Coordination**. The Parties shall coordinate, to the extent possible, the availability of surgical teams and operating rooms at MHS so that for all hours that elective PCIs are being performed at Facility, there is a reasonable likelihood that MHS has the capacity to immediately accept a referral. The Parties acknowledge and agree that nothing in this Agreement imposes an obligation on MHS to maintain an available cardiac surgical suite twenty-four hours a day, seven days a week and that the only MHS Hospital that has on-site surgery back-up is MHS' Tacoma General Hospital.

3. **Periods of High Occupancy**. During times of high census where MHS' ability to accept a patient referral is impacted by lack of bed availability or a closed emergency department ("ED"), MHS will notify Facility and Facility's elective procedures will be rescheduled subject to the attending physician's assessment that such delay does not compromise the patient's care and condition.

4. **Transportation of PCI Patients**. In addition to the requirements set forth in Section 6 of the Agreement, Facility shall:

   a. Maintain a signed transportation agreement with a qualified vendor that provides for expeditious transport for any patient experiencing complications during an elective PCI that requires transfer to MHS. A qualified vendor is one whose transport staff is ACLS certified, critical care transport is preferred;
   b. Document and confirm that emergency transportation begins for each patient within twenty (20) minutes of the initial identification of a complication by the attending physician;
   c. Document transportation times from the decision to transfer the patient with an elective PCI complication to arrival in the operating room of MHS and confirm transportation time is less than one hundred twenty minutes (120); and
   d. Participate annually in two (2) timed emergency transportation drills with outcomes communicated to both Parties' quality assurance programs. The staff and cost of internal resources used for such drills will be the responsibility of the Party employing such staff or owning that resource. The cost of any external resources required for such drills will be the responsibility of Facility.

MHS shall not have any financial obligation or liability whatsoever under this Section 4.

5. **PCI Patient Medical Records**. In addition to the information required in Section 6 of the Agreement, Facility shall send to MHS all records (or copies thereof) related to the emergency condition which the patient has presented available at the time of the transfer, along with all diagnostic imaging and videos.

6. **Physician Communication**. Facility will monitor all transfers to assure that the physician performing the elective PCI communicates immediately and directly with MHS' cardiac surgeon(s) about the clinical reasons for the urgent transfer and the PCI Patient's clinical condition.

7. **Quality Assurance**. The Parties shall schedule cardiac patient care quality assurance conferences at least twice per year that involve case reviews of a significant number of pre-operative and post-operative PCI cases at Facility including a one hundred percent (100%) review of all transport cases.

**Exhibit B**

**Requirements for Stroke Patients**

**Purpose**: This Exhibit B to the Patient Transfer Agreement between **MultiCare Health System ("MHS")** and **INSERT FULL NAME ("Facility")**, applies to stroke patients transferred to a MHS neuro-interventional radiology program ("Stroke Program"). MHS and Facility are sometimes referred to in this Exhibit B individually as "Party" or, collectively, as the "Parties."

1. **Coordination**. The Parties shall coordinate, to the extent possible, transfer process and communication through the MultiCare Health System Transfer and Triage Center. There is a reasonable likelihood that MHS has the capacity to immediately accept a transfer.

2. **Periods of High Occupancy**. During times of high census where MHS' ability to accept a patient referral is impacted by lack of bed availability or a closed emergency department ("ED"), MHS will notify Facility and Facility's elective procedures will be rescheduled subject to the attending physician's assessment that such delay does not compromise the patient's care and condition.

3. **Transportation of Stroke Patients**. In addition to the requirements set forth in Section 6 of the Agreement, Facility shall:

    a. Maintain a signed transportation agreement with a qualified vendor that provides for expeditious transport for any stroke patient that requires transfer to MHS. A qualified vendor is one whose transport staff is ACLS certified; critical care transport is preferred.
    b. The patient's medical condition and the ability of the transferring hospital to provide necessary stabilizing treatment and the clinical judgment of the transferring and receiving physicians is the determining factor as to when the patient should be transferred.
    c. Provide the following patient care including:
        i. IV access (Preference is RAC and left arm 18 gauge if possible)
        ii. Use normal saline for all fluids
        iii. NPO unless patient passed a document RN swallow screen (consider gastric tube for medications)

4. **Stroke Patient Medical Records**. In addition to the information required in Section 6 of the Agreement, Facility shall send to MHS all records (or copies thereof) related to the emergency condition which the patient has presented available at the time of the transfer, along with all diagnostic imaging and videos.

5. **Physician Communication**. Facility will monitor all transfers to assure that the receiving physician immediately is available to address the clinical reasons for the urgent transfer and patient's clinical condition.

6. **Quality Assurance**. The receiving facility shall provide hospital summary after discharge. This is handled by the MHS Transfer and Triage Center. The receiving facility reviews one hundred percent (100%) of transfers, coordinated by the Director of Stroke Quality Management. Summary reports are provided on a quarterly basis to the sending facilities.

## Exhibit C

## Requirements for Obstetric Patients

**Purpose**: This Exhibit C to the Patient Transfer Agreement between **MultiCare Health System ("MHS")** and **INSERT FULL NAME ("Facility")**, applies to obstetric patients transferred to a MHS location. MHS and Facility are sometimes referred to in this Exhibit C individually as "Party" or, collectively, as the "Parties."

1. **Contact Numbers:**
   a. Transfers to TG: (253-403-1032)
   b. Transfers to GSH: (253-697-5900)
   c. Transfers to AMC: (232-545-2522)
   d. Transfers to DH: (509-473-7241) L & D (509-473-8484

2. **Tacoma General Hospital**. Each Facility shall use the following checklist when transferring obstetric patients to Tacoma General Hospital.
   a. Contact the Birth Center Charge Nurse (253-403-1032) to coordinate transfer, to include confirmation of available obstetric bed space, confirmation of available NICU bed space (if applicable), and identification of an accepting provider.
   b. If transferring to Maternal Fetal Medicine service, the Birth Center Charge Nurse will contact the MFM Provider on call and arrange a return call to the transferring provider.
   c. If transferring a low-risk patient due to unavailable obstetric services and the patient has no Obstetric provider at Tacoma General Hospital, the Birth Center Charge Nurse will facilitate contact with the MultiCare OB/GYN Associate on call to receive the patient as an obstetric "NO DOC" patient.
   d. If transferring a low-risk patient requiring the level of services available at Tacoma General Hospital, but transferring provider is retaining status as attending provider, coordinate transfer with the Birth Center Charge Nurse.
   e. Proceed to Section 4 below, All MHS Obstetrics Transfers.

3. **Good Samaritan Hospital and Auburn Medical Center**. Each Facility shall use the following checklist when transferring obstetric patients to Good Samaritan Hospital or Auburn Medical Center.
   a. Patients must be thirty-four (34) weeks or greater and deemed low risk prior to transfer. All pt less than thirty-four (34) weeks or deemed high risk will be transferred to TG.
   b. Contact the Labor and Delivery Charge Nurse at Good Samaritan (253-697-4383) or Auburn Medical Center (232-545-2522) to coordinate transfer, to include confirmation of available obstetric bed space, confirmation of available SCN bed space (if applicable), and identification of an accepting provider.
   c. OBHG will be contacted to assess and accept appropriate transfers. This will be a provider to provider call.
   d. Proceed to Section 4 below, All MHS Obstetrics Transfers.

4. **All MHS Obstetrics Transfers.** After consultation, if the patient is accepted for transfer, follow sending Party's policies for transferring a patient to another facility. For patients whose prenatal course is not documented in EPIC, include copy of the prenatal chart with transport documents.

a. For patients with diagnosis of preterm labor or active term labor, reassess cervical dilatation prior to transporting the patient, if last exam has been greater than 1 hour (documentation of which shall be provided under Section 4(d) below), to assure that advanced labor has not increased the risk of in transit delivery.
b. For patients with preterm labor or active labor with fetal concerns, where risk for delivery in transit is high, contact the NICU to coordinate attendance of the Neonatal Transport Team to stabilize and transport the neonate.
c. Prior to the patient's departure from the transferring Party, a hand off report to the Birth Center Charge Nurse will occur.
d. In addition to the requirement s of this Agreement, provide the following, if such records are not directly available at the receiving Party through EPIC or other systems maintained by MHS at the receiving Party:
    i. Copy of the patient's hospital chart including:
        1. Prenatal record
        2. Allergies
        3. Past medical history, home medications
        4. Medications and treatment at the transferring Party
        5. Summary of current complaint to include onset, signs and symptoms
        6. Demographic face sheet
        7. Documentation of the (1) labor assessment, (2) last exam, (3) fetal heart rate and (4) vital signs.

## Exhibit D

## Requirements for Neonates

**Purpose**: This Exhibit D to the Patient Transfer Agreement between **MultiCare Health System ("MHS")** and **INSERT FULL NAME ("Facility")**, applies to neonate patients transferred to a MHS location. MHS and Facility are sometimes referred to in this Exhibit D individually as "Party" or, collectively, as the "Parties."

1. **Contact Numbers:**
   a. Transfers to TG: (253-403-1024)
   b. Transfers to GSH: (253-697-5900)
   c. Transfers to AMC: (253-545-2522 and request the NICU dept)
   d. Transfers to DH: (509-473-7277)

2. **Tacoma General**. Facility shall adhere to the following when requesting a transfer to the Tacoma General NICU:
   a. Consult with the Neonatologist on call in the MHS NICU (253-403-1024).
   b. After consultation, if the patient is accepted for transfer by the neonatologist, the TG NICU Transport Team will be dispatched to transport the infant.
   c. The Transport Team will provide the following documents and request they be completed (the transport team may assist in completing the forms or the physician at the referring hospital may do so):
      i. Signed, dated and timed "Neonatal Transport Consent"
      ii. Signed, dated and timed "Notice of Privacy Practices Acknowledgement Form"
      iii. Signed, dated and timed "Authorization for MultiCare to use or disclose My Health Care Information"
      iv. Provide copies of the patient/maternal chart:
         1. All maternal documentation (i.e. Maternal History/physical; lab values; delivery notes; nurses/physician notes; etc.)
         2. All infant documentation: (i.e. Admission physical, lab values, radiology studies, nursing notes, physician notes, etc.)

3. **Good Samaritan Hospital and Auburn Medical Center.** Facility shall use the following checklist when transferring neonatal patients to Good Samaritan Hospital or Auburn Medical Center.
   a. Patients must be thirty-four (34) weeks or greater and deemed low risk prior to transfer. Any patient less than thirty-four (34) weeks or deemed high risk must be transferred to the TG NICU.
   b. Contact the Labor and Delivery Charge Nurse at Good Samaritan (253-697-4383) or Auburn Medical Center (232-545-2522) to coordinate transfer, to include confirmation of available SCN bed space and identification of an accepting provider.
   c. IPS (253-597-4626) will be contacted to assess and accept appropriate transfers. This will be a provider to provider call.
   d. After consultation, if the patient is accepted for transfer, follow sending Party's policies for transferring a patient to another facility.
   e. Prior to the patient's departure from the transferring Party, a hand off report to the Special Care Nursery Nurse must occur.

f. In addition to the requirements of this Agreement, provide the following, if such records are not directly available at the receiving Party through EPIC or other systems maintained by MHS at the receiving location:

   i. Copy of the patient's hospital chart including:
      1. Birth record
      2. Medications and treatment at the transferring Party
      3. Nursing notes
      4. Summary of current complaint to include onset, signs and symptoms (H&P and progress notes)
      5. Physician orders
      6. Demographic face sheet

**4. Deaconess Hospital.** Facility shall adhere to the following when requesting a transfer to the Deaconess NICU:

a. Consult with the Neonatologist on call in the MHS NICU (509-473-7277).
b. After consultation, if the patient is accepted for transfer by the neonatologist, the transporting physician will contact LifeFlight (1-800-232-0911) to arrange transport for the infant.
c. The Transport Team will provide the following document and request they be completed (the transport team may assist in completing the forms or the physician at the referring hospital may do so):
   i. LifeFlight Consent to Transfer-Consent for Medical Necessity form
   ii. Provide copies of the patient/maternal chart:
      1. All maternal documentation (i.e. Maternal History/physical; lab values; delivery notes; nurses/physician notes; etc.)
      2. All infant documentation: (i.e. Admission physical, lab values, radiology studies, nursing notes, physician notes, etc.)
d. Transporting hospital will call MHS NICU to give updated report upon baby's departure

## Exhibit E

### Requirements for Pediatric Patients

(Applies to the MHS Puget Sound Region Only)

**Purpose**: This Exhibit E to the Patient Transfer Agreement between **MultiCare Health System ("MHS")** and **[INSERT FULL NAME] ("Facility"),** applies to pediatric patients transferred to Mary Bridge Children's Hospital. MHS and Facility are sometimes referred to in this Exhibit E individually as "Party" or, collectively, as the "Parties."

1. **Contact Numbers:**
   a. Transfer to Mary Bridge Children's Hospital:
      a. Contact the Transfer Center (855-647-1010)

2. **Transfers to Mary Bridge:** Facility shall adhere to the following when requesting a transfer to Mary Bridge Children's Hospital:
   i. Contact the transfer center to get in touch with any of the following Inpatient Physician Services (IPS), Emergency Department physician or Pediatric Intensivist. (855-647-1010).
   ii. The transfer center will connect the referring physician to the correct MB physician to consult and accept transfer.
   iii. If the patient is accepted for transfer by the MB designated physician, the MB physician will offer the pediatric transport team (TT) to come and retrieve the patient.
   iv. In the event that the TT is not available, the referral physician and the MB physician will discuss the safest alternative mode of transportation for the patient.
   v. The Transport Team will provide the following documents and request they be completed (the transport team may assist in completing the forms or the physician at the referring hospital may do so):
      1. Signed, dated and timed "Transport Consent"
      2. Signed, dated and timed "Notice of Privacy Practices Acknowledgement Form"
      3. Signed, dated and timed "Authorization for MultiCare to use or disclose My Health Care Information"
      4. Provide copies of the patient's chart:
         a. All pediatric documentation: (i.e. Admission physical, lab values, radiology studies, nursing notes, physician notes, transfer summary, etc.)
      5. Signed, dated and timed "Passenger Release of Liability"
         a. It will be at the TT discretion to allow one (1) family member to accompany the patient in the ambulance. So long as the patient's status is stable and the family member will not be a hindrance to the safe transport of the patient.

# Exhibit 17A.
# MultiCare Health System Audited Financial Statements
# 2021-2022

**MULTICARE HEALTH SYSTEM**

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

**Independent Auditors' Report**

The Board of Directors
MultiCare Health System:

*Opinion*

We have audited the consolidated financial statements of MultiCare Health System, (the Company)(a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Seattle, Washington
March 21, 2023

**MULTICARE HEALTH SYSTEM**

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

| Assets | | 2022 | 2021 |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 542,067 | 308,732 |
| Accounts receivable | | 511,727 | 460,569 |
| Supplies inventory | | 60,070 | 60,056 |
| Other current assets, net | | 165,586 | 96,361 |
| Total current assets | | 1,279,450 | 925,718 |
| Donor restricted assets held for long-term purposes | | 119,526 | 96,775 |
| Investments | | 1,968,205 | 2,610,531 |
| Property, plant, and equipment, net | | 2,109,253 | 2,010,134 |
| Right-of-use operating lease asset, net | | 169,823 | 140,718 |
| Right-of-use financing lease asset, net | | 16,798 | 20,458 |
| Goodwill and intangible assets, net | | 253,274 | 172,063 |
| Other assets, net | | 329,808 | 382,562 |
| Total assets | $ | 6,246,137 | 6,358,959 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ | 326,664 | 283,004 |
| Accrued compensation and related liabilities | | 329,672 | 340,029 |
| Accrued interest payable | | 23,643 | 18,059 |
| Current portion of right-of-use operating lease liability | | 29,908 | 26,376 |
| Current portion of right-of-use financing lease liability | | 4,965 | 4,283 |
| Current portion of long-term debt | | 18,496 | 43,609 |
| Total current liabilities | | 733,348 | 715,360 |
| Interest rate swap liabilities | | 9,470 | 119,100 |
| Right-of-use operating lease liability, net of current portion | | 147,116 | 120,273 |
| Right-of-use financing lease liability, net of current portion | | 12,491 | 16,933 |
| Long-term debt, net of current portion | | 1,972,137 | 1,572,235 |
| Other liabilities, net | | 231,045 | 208,307 |
| Total liabilities | | 3,105,607 | 2,752,208 |
| Commitments and contingencies (note 15) | | | |
| Net assets: | | | |
| Controlling interest | | 2,930,546 | 3,430,009 |
| Noncontrolling interest | | 34,471 | — |
| Without donor restrictions | | 2,965,017 | 3,430,009 |
| With donor restrictions | | 175,513 | 176,742 |
| Total net assets | | 3,140,530 | 3,606,751 |
| Total liabilities and net assets | $ | 6,246,137 | 6,358,959 |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Operations

Years ended December 31, 2022 and 2021

(In thousands)

| | | 2022 | 2021 |
|---|---|---|---|
| Revenues, gains, and other support without donor restrictions: | | | |
| Patient service revenue | $ | 3,765,888 | 3,504,691 |
| Other operating revenue | | 231,429 | 314,323 |
| Net assets released from restrictions for operations | | 6,382 | 5,170 |
| Total revenues, gains, and other support without donor restrictions | | 4,003,699 | 3,824,184 |
| Expenses: | | | |
| Salaries and wages | | 2,199,265 | 1,870,645 |
| Employee benefits | | 297,613 | 278,185 |
| Supplies | | 658,470 | 600,757 |
| Purchased services | | 396,747 | 349,159 |
| Depreciation and amortization | | 140,892 | 126,307 |
| Interest | | 56,842 | 47,670 |
| Other | | 541,246 | 486,005 |
| Total expenses | | 4,291,075 | 3,758,728 |
| (Deficit) Excess of revenues over expenses from operations | | (287,376) | 65,456 |
| Other income (loss): | | | |
| Investment (loss) income | | (344,301) | 213,993 |
| Gain on interest rate swaps, net | | 127,688 | 25,873 |
| Other loss, net | | (11,047) | (13,729) |
| Total other (loss) income, net | | (227,660) | 226,137 |
| (Deficit) Excess of revenues over expenses | $ | (515,036) | 291,593 |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

| | Without donor restrictions | | | |
|---|---|---|---|---|
| | Controlling interests | Noncontrolling interests | With donor restrictions | Total net assets |
| Balance, December 31, 2020 | $ 3,111,401 | — | 142,761 | 3,254,162 |
| Excess of revenues over expenses | 291,593 | — | — | 291,593 |
| Changes in pension assets | 24,810 | — | — | 24,810 |
| Contributions and other | 490 | — | 35,697 | 36,187 |
| Net assets released from restriction for capital acquisitions | 1,715 | — | (1,715) | — |
| Net assets released from restriction for operations and other | — | — | (5,170) | (5,170) |
| Income on investments | — | — | 1,816 | 1,816 |
| Increase in assets held in trust by others | — | — | 3,353 | 3,353 |
| Change in net assets | 318,608 | — | 33,981 | 352,589 |
| Balance, December 31, 2021 | 3,430,009 | — | 176,742 | 3,606,751 |
| Deficit of revenues over expenses | (515,036) | — | — | (515,036) |
| Changes in pension assets | (15,508) | — | — | (15,508) |
| Changes from noncontrolling interest | — | 34,471 | — | 34,471 |
| Contributions and other | 26,539 | — | 14,875 | 41,414 |
| Net assets released from restriction for capital acquisitions | 4,542 | — | (4,542) | — |
| Net assets released from restriction for operations | — | — | (6,382) | (6,382) |
| Loss on investments | — | — | (611) | (611) |
| Decrease in assets held in trust by others | — | — | (4,569) | (4,569) |
| Change in net assets | (499,463) | 34,471 | (1,229) | (466,221) |
| Balance, December 31, 2022 | $ 2,930,546 | 34,471 | 175,513 | 3,140,530 |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

| | | 2022 | 2021 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| (Decrease) increase in net assets | $ | (466,221) | 352,589 |
| Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities: | | | |
| Depreciation and amortization | | 140,892 | 126,307 |
| Amortization of bond premiums, discounts, and issuance costs | | (2,163) | (2,433) |
| Net realized and unrealized losses (gains) on investments | | 378,740 | (188,615) |
| Change in fair value of interest rate swap | | (133,126) | (35,247) |
| (Loss) gain on disposal of assets, net | | (3,009) | 2,373 |
| Loss (gain) on joint ventures, net | | 7,032 | (513) |
| Restricted contributions for long-term purposes | | (4,968) | (16,952) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | (51,158) | (73,590) |
| Supplies inventory and other current assets | | (43,673) | (17,586) |
| Right-of-use lease asset | | 35,690 | 40,614 |
| Other assets, net | | 80,665 | (38,219) |
| Accounts payable and accrued expenses and accrued interest payable | | 27,421 | 67,751 |
| Accrued compensation and related liabilities | | (14,765) | 38,053 |
| Right-of-use lease liability | | (30,021) | (30,721) |
| Other liabilities, net | | 21,842 | (8,287) |
| Net cash (used in) provided by operating activities | | (56,822) | 215,524 |
| Cash flows from investing activities: | | | |
| Purchase of property, plant, and equipment | | (237,295) | (216,973) |
| Proceeds from disposal of property, plant, and equipment | | 6,360 | 7,629 |
| Purchase of additional ownership in PSW and OSS, net of cash received | | (86,915) | — |
| Purchase of Capital Medical Center and related real estate, net of cash received | | — | (179,662) |
| Investments in joint ventures, net | | (11,445) | (10,373) |
| Purchases of investments | | (8,827,993) | (5,634,748) |
| Sales of investments | | 9,072,857 | 5,175,627 |
| Change in donor trusts | | (2,833) | 5,700 |
| Net cash used in investing activities | | (87,264) | (852,800) |
| Cash flows from financing activities: | | | |
| Repayment of long-term debt | | (415,646) | (8,522) |
| Proceeds from bond issuance | | 798,300 | — |
| Payment of debt issue expenses | | (5,702) | — |
| Principal payments on finance lease obligations | | (4,499) | (8,645) |
| Restricted contributions for long-term purposes | | 4,968 | 16,952 |
| Net cash provided by (used in) financing activities | | 377,421 | (215) |
| Net change in cash and cash equivalents | | 233,335 | (637,491) |
| Cash and cash equivalents, beginning of year | | 308,732 | 946,223 |
| Cash and cash equivalents, end of year | $ | 542,067 | 308,732 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for interest, net of amount capitalized | $ | 52,258 | 48,260 |
| Noncash activities: | | | |
| (Decrease) increase in deferred compensation plans | | (11,750) | 13,471 |
| Increase in accounts payable for purchases of property, plant, and equipment | | 9,301 | 1,266 |

See accompanying notes to consolidated financial statements.

## (1) Nature of Organization and Summary of Significant Accounting Policies

### *(a) Organization Description*

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane and Thurston Counties and, with respect to pediatric care, much of the southwest Washington region. As of December 31, 2022, MHS was licensed to operate 2099 inpatient hospital beds, including 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington. MHS operates nine acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children’s Hospital, Auburn Medical Center, Covington Hospital, Deaconess Hospital, Valley Hospital and Capital Medical Center) and one behavioral health hospital (Navos). MHS also operates eight outpatient surgical sites, five free-standing emergency departments, home health, hospice, and multiple urgent care, primary care and multispecialty clinics located throughout the MHS service areas.

The consolidated financial statements include the operations of these facilities and services as well as those of four wholly owned subsidiaries (Greater Lakes Mental Healthcare, Medis, Inc., MultiCare Rehabilitation Specialists, P.C., and PNW PACE Partners, LLC), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned accountable care organization (MultiCare Connected Care), a leading population health company (Physicians of Southwest Washington), a physical therapy provider (Olympic Sports & Spine) and two fundraising foundations (Mary Bridge Children’s Foundation and MultiCare Foundations, which is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation and MultiCare Inland Northwest Foundation).

On May 1, 2022, MHS completed the purchase of additional units of Physicians of Southwest Washington, LLC (PSW). Total consideration of this transaction was $49,956 and increased MHS’ ownership to 75%. As part of the consideration of this business combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in PSW, a gain of $9,105 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. PSW is a leading population health company that provides management of risk contracts and manages a leading national accountable care organization (ACO) among other population health service offerings.



(Continued)

The following table summarizes the total consideration and the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

| | | |
|---|---|---|
| Consideration: | | |
| Cash consideration transferred | $ | 17,358 |
| Fair value of MHS's equity interest before business combination | | 32,598 |
| Total | $ | 49,956 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Cash | $ | 24,649 |
| Other current assets | | 21,640 |
| Land, buildings and equipment | | 647 |
| Intangibles and other assets | | 1,799 |
| Accounts payable, accrued compensation and other current liabilities | | (24,454) |
| Total identifiable net assets assumed | | 24,281 |
| Noncontrolling interest recognized | | (23,731) |
| Goodwill | | 49,406 |
| Total | $ | 49,956 |

The following are the results of PSW in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31. 2022:

| | | 2022 |
|---|---|---|
| Total operating revenues | $ | 36,305 |
| Excess of revenue over expenses | | 1,394 |

The following unaudited information presents MultiCare's results for the years ended December 31, 2022 and 2021, had the acquisition date been January 1, 2021 for the PSW acquisition:

| | 2022 (Unaudited) | 2021 (Unaudited) |
|---|---|---|
| Total operating revenues | 4,010,866 | 3,896,190 |
| (Deficit) Excess of revenues over expenses | (513,848) | 300,750 |

On September 22, 2022, MultiCare Rehabilitation Specialists, P.C. completed the purchase of additional units of Olympic Sports & Spine, PLLC (OSS). Total consideration of this transaction was $36,959 and increased MHS's ownership to 80.16%. As part of the consideration of this business

combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in OSS, a loss of $8,191 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. OSS provides physical, occupational, and massage therapy services in the south Puget Sound area. The following table summarizes the total consideration and the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

| | | |
|---|---|---|
| Consideration: | | |
| Cash consideration transferred | $ | 7,377 |
| Fair value of MHS's equity interest before business combination | | 29,582 |
| Total | $ | 36,959 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Cash | $ | 5,988 |
| Other current assets | | 6,167 |
| Land, buildings and equipment | | 5,156 |
| Intangibles and other assets | | 1,453 |
| Accounts payable, accrued compensation and other current liabilities | | (2,409) |
| Total identifiable net assets assumed | | 16,355 |
| Noncontrolling interest recognized | | (9,148) |
| Goodwill | | 29,752 |
| Total | $ | 36,959 |

The following are the results of OSS in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31. 2022:

| | | 2022 |
|---|---|---|
| Total operating revenues | $ | 15,176 |
| Excess of revenue over expenses | | 1,146 |

The following unaudited information presents MultiCare's results for the years ended December 31, 2022 and 2021, had the acquisition date been January 1, 2021 for the OSS acquisition:

| | | 2022 (Unaudited) | 2021 (Unaudited) |
|---|---|---|---|
| Total operating revenues | $ | 3,994,219 | 3,862,945 |
| (Deficit) Excess of revenues over expenses | | (512,468) | 294,959 |

On April 1, 2021, MHS completed the purchase of Capital Medical Center in Olympia, Washington from an affiliate of LifePoint Health and physician owners to acquire a 100% ownership interest. Capital Medical Center is licensed to operate 107 inpatient hospital beds as well as operates multiple primary care and multispecialty clinics within Thurston County. The acquisition of Capital Medical Center was valued at $44,662. Assets and liabilities purchased included land, buildings, equipment, accounts receivable, intangibles and other assets offset by accounts payable, accrued compensation, other current liabilities and other liabilities and were recorded at their estimated fair values as determined based on standard asset appraisal techniques. MHS hired substantially all of the employees previously employed by Capital Medical Center. The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

| | | |
|---|---|---|
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Patient accounts receivable | $ | 13,500 |
| Other current assets | | 3,628 |
| Land, buildings and equipment | | 30,551 |
| Intangibles and other assets | | 8,915 |
| Accounts payable, accrued compensation and other current liabilities | | (8,695) |
| Other liabilities | | (3,295) |
| Total identifiable net assets assumed | | 44,604 |
| Recognized amount of goodwill assumed: | | |
| Goodwill | | 58 |
| Total | $ | 44,662 |
| Total cash consideration transferred | $ | 39,173 |

On December 20, 2021, MHS completed a separate purchase of land and buildings associated with the Capital Medical Center hospital campus and several surrounding clinic offices from an affiliate of Medical Properties Trust (MPT). The acquisition was valued at $135,000 of land, buildings and other related assets acquired.

| | | |
|---|---|---|
| Recognized amounts of identifiable assets acquired: | | |
| Land | $ | 20,053 |
| Buildings | | 114,069 |
| Leasehold improvements | | 163 |
| Intangible assets | | 715 |
| Total | | 135,000 |
| Transaction expenses | | 3,148 |
| Total cash consideration transferred | $ | 138,148 |

### *(b) Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of MHS after elimination of all significant intercompany accounts and transactions.

### *(c) Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### *(d) Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid instruments with maturities of three months or less at the date of purchase. Cash equivalents and investments that are held by outside investment managers or restricted per contractual or regulatory requirements are classified as investments on the consolidated balance sheets.

### *(e) Accounts Receivable*

Accounts receivable are primarily comprised of amounts due for healthcare services from patients and third-party payors and are recorded net of amounts for contractual adjustments and implicit price concessions.

### *(f) Supplies Inventory*

Supplies inventory consists of pharmaceutical, medical-surgical, and other supplies generally used in the operations of MHS. Supplies inventory is stated at lower of cost or net realizable value using the

average cost method, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

### *(g) Donor Restricted Assets*

The majority of the donor restricted assets are invested in MHS' investments and are stated at fair value or estimated fair value. Donor restricted assets that are held separately from MHS' investments include perpetual trusts and charitable remainder unitrusts, where MHS is the beneficiary but not the trustee, that are invested in mutual funds, fixed income securities, and equity securities. Those with readily determinable fair values are stated at fair value. Those investments for which quoted market prices are not readily determinable are carried at values provided by the respective investment managers or trustees, which management believes approximates fair value.

Charitable gift annuities, which are included in donor restricted assets, totaled $1,749 and $2,308 at December 31, 2022 and 2021, respectively. MHS has recorded a corresponding payable of $1,301 and $775 at December 31, 2022 and 2021, respectively, to pay for estimated future obligations to beneficiaries. The current portion of these obligations is included in accounts payable and accrued expenses and the long-term portions are included in other liabilities, net in the accompanying consolidated balance sheets. According to Washington State law, MHS, as a distinct legal entity holding charitable gift annuities, is required to maintain unrestricted net assets of at least $500, which MHS has done for each of the periods presented.

### *(h) Investments*

MHS accounts for its investment portfolio as a trading portfolio, therefore, investments in fixed income securities, equity securities, and commingled trusts with a readily determinable fair value are recorded at fair value, which are determined based on quoted market prices or prices with observable inputs obtained from national securities exchanges or similar sources. Other investments, including limited partnerships, commingled real estate trust funds, limited liability partnerships, and hedge funds are carried at net asset value (NAV) provided by the respective investment managers, which management believes approximates fair value. Valuations provided by investment managers consider variables such as valuation and financial performance of underlying investments, quoted market prices for similar securities, recent sale prices of underlying investments, and other pertinent information. Management reviews the valuations provided by investment managers and believes that the carrying values of these financial instruments are reasonable estimates of fair value.

Realized gains and losses are recorded using the average cost method. Investment income or loss (including realized gains and losses on investments, change in unrealized gains or losses, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

### *(i) Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 5–80 years |
| Land improvements | 8–20 years |
| Equipment | 3–30 years |

MHS capitalizes all software implementation costs that meet the criteria for capitalization, including those that relate to a service contract (e.g., hosting arrangement). The capitalized software implementation costs are reflected within property, plant and equipment in the consolidated balance sheets. These costs are amortized together with the costs of the related software license; however, the implementation costs related to a service arrangement are amortized over the term of the arrangement. The amortization period for all capitalized implementation costs is generally 10 years.

Maintenance and repairs are charged to operations as they occur. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Gains upon sale or retirement of property, plant, and equipment are included in other operating revenue whereas losses are included in other expenses. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

MHS assesses potential impairments to its long-lived assets as well as its intangible assets, as described below, when there is evidence that events or changes in circumstances indicate that an impairment has been incurred. These changes can include a deterioration in operating performance, a reduction in reimbursement rates from government or third-party payors or a change in business strategy. An impairment charge is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2022 and 2021, there were no impairment charges.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

### *(j) Leases*

Management reviews contracts in order to identify leases and properly classify leases as either operating or financing. MHS is a lessee of various equipment and facilities under noncancelable operating and financing leases. Operating and financing right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease and are reduced by payments made on each lease on the straight-line basis. Since most of

the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Generally, MHS cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, MHS generally uses its incremental borrowing rate as the discount rate for the lease. MHS’ incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

If a lease contains a renewal option at the commencement date and it is considered reasonably certain that the renewal option will be exercised by management to renew the lease, the renewal option payments are included in MHS’ net minimum lease payments used to determine the right-of-use lease liabilities and related lease assets. All other renewal options are included in right-of-use lease liabilities and related lease assets when they are reasonably certain to be exercised.

All lease agreements generally require MHS to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation.

Variable lease payments associated with MHS’ leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in other expenses in the consolidated statement of operations and changes in net assets.

MHS has elected the practical expedient to not separate lease components from non-lease components related to its real estate leases.

### *(k) Goodwill and Intangible Assets*

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them.

If it is more likely than not that goodwill is impaired, MHS records the amount that the carrying value exceeds the fair value as an impairment charge. Goodwill is not amortized and along with indefinite-lived intangible assets is evaluated at least annually for impairment. There were no impairment charges recognized during the years ended December 31, 2022 or 2021.

The following table summarizes the balances of goodwill and intangible assets at December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Goodwill | $ | 232,085 | 152,927 |
| Intangible assets, net of accumulated amortization of $7,035 and $10,343, respectively | | 21,189 | 19,136 |
| Total | $ | 253,274 | 172,063 |

The balance sheet as of December 31, 2022 includes goodwill recognized as part of the PSW and OSS transactions in the amounts of $49,406 and $29,752, respectively, and intangible assets recognized of $1,719 and $1,421, respectively.

Amortizing intangible assets are comprised of certificates of need, license agreements, trade names and lease arrangements, which all have finite useful lives. Amortization expense is recorded on a straight-line basis over the estimated useful life of the assets, which ranges from three to thirty years, associated with the nature of the intangible asset. Amortization expense was $1,474 and $3,544 for the years ended December 31, 2022 and 2021, respectively.

***(l) Investment in Joint Ventures***

MHS maintains ownership in certain joint ventures related to imaging, office buildings, behavioral health and other healthcare focused activities and accounts for these joint ventures under the equity method of accounting. As of December 31, 2022 and 2021, MHS held ownership interests in 26 and 21 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. Loss on joint ventures for the year ended December 31, 2022 was $7,032 associated with several joint ventures. Gain on joint ventures for the year ended December 31, 2021 was $513. Gains and losses are included in other operating revenue on the consolidated statements of operations and changes in net assets.

***(m) Estimated Third-Party Payor Settlements***

Medicare cost reports are filed annually by MHS with the Medicare intermediary and are subject to audit and adjustment prior to settlement. Estimates of net settlements due to Medicare were $4,781 and $4,634 as of December 31, 2022 and 2021, respectively, and have been recorded within accounts payable and accrued expenses in the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, based upon the amount of the final settlements. Patient service revenue decreased by $148 and $1,178 in 2022 and 2021, respectively to reflect changes in the estimated Medicare settlements for prior years.

***(n) Interest Rate Swaps***

MHS maintains several interest rate swap agreements as a means of hedging its exposure to variable-based interest rates and fluctuations in cash flows as part of its overall interest rate risk

management strategy. All MHS interest rate swaps are recorded at fair value. The accounting for changes in the fair value of these swaps depends on whether those had been designated as cash flow hedges. As of December 31, 2022 and 2021, none of MHS' interest rate swaps were designated as cash flow hedges and therefore, the changes in fair value are recognized and included in other income (loss) on the consolidated statements of operations and changes in net assets. These swaps have notional amounts totaling approximately $709,000 and expire starting in August 2027 through August 2049. The majority of the swaps have the economic effect of fixing the LIBOR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

Under master netting provisions of the International Swap Dealers Association (ISDA) agreement with each of the counterparties, MHS is permitted to settle with the counterparties on a net basis. However, due to the nature of the specific swap arrangements in MHS' interest rate swap portfolio, the fair value of interest rate swap assets and swap liabilities are presented on a gross basis on the consolidated balance sheets.

### *(o) Net Assets with Donor Restrictions*

Gifts are reported as support with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets to a specific time or purpose or have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are expended for their restricted purposes or by the occurrence of the passage of time, these amounts are released from restrictions for operations and are classified as revenues, gains, and other support without donor restrictions. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2022 and 2021, MHS has recorded $21,265 and $20,305, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2022, $12,683 of pledges are due in one year or less and $8,582 in two to eight years.

### *(p) Patient Service Revenue*

Patient service revenue is reported at the amount that reflects the consideration to which MHS expects to receive in exchange for providing patient services. These amounts are due from patients, third-party payors, and others and include the variable consideration for retroactive adjustments to revenue due to final settlement of audits, reviews, and investigations. MHS bills the patient and third-party payors

several days after the services are performed or when the patient is discharged from the facility, whichever is later.

### *(q) Hospital Safety Net Assessment*

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, MHS recorded increases in patient service revenue of $89,946 and $89,738 for 2022 and 2021, respectively, and incurred assessments of $63,961 and $64,570 for 2022 and 2021, respectively, which were recorded in other operating expenses in the accompanying consolidated statements of operations and changes in net assets. MHS has outstanding receivables of $17,287 and $16,737 associated with this program as of December 31, 2022 and 2021, respectively, which are included with accounts receivable on the consolidated balance sheets.

### *(r) Uncompensated and Undercompensated Care*

MHS provides a variety of uncompensated and undercompensated healthcare services to the communities it serves within the purview of its mission. Because MHS does not pursue collection of amounts determined to qualify as uncompensated care, MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its historical collections from these patients. Patients who meet the criteria of MHS' uncompensated care policy are eligible to receive these services without charge or at an amount less than MHS' established rates. Such amounts determined to qualify as charity care are not reported as revenue. The State provides guidelines for charity care provided by hospitals in the state. Hospitals are recommended to provide full charity care to patients who meet 100% of the federal poverty guidelines and a lesser amount to patients who meet up to 200% of the federal poverty guidelines. MHS provides full charity care to patients who meet 300% of the federal poverty guidelines and also provides uncompensated care on a sliding scale for patients whose income is between 301% and 500% of the federal poverty guidelines for true self-pay patients and patients with deductibles and coinsurance amounts. The estimated cost of charity care provided was approximately $52,000 and $48,000 in 2022 and 2021, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately $424,000 and $300,406 in 2022 and 2021, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

### *(s) Other Operating Revenue*

Other operating revenue includes revenue from cafeteria sales, retail pharmacy, laboratory revenue from community providers, medical office rental income, contributions without donor restrictions, grant revenue, contracted behavioral healthcare revenue, capitated revenue, and other miscellaneous revenue.

### *(t) Excess of Revenues over Expenses*

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension asset, net assets released from restrictions for capital expenditures, and capital assets received.

### *(u) Federal Income Taxes*

ASC Subtopic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements. This topic also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, this topic provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Other than Medis, Inc., Physicians of Southwest Washington, LLC and Olympic Sports & Spine, PLLC, which are all taxable entities, all of the other entities have obtained determination letters from the Internal Revenue Service that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income.

### *(v) Self-Insurance Reserves*

MHS is self-insured with respect to professional and general liability, workers compensation and medical and other health benefits with excess insurance coverage over self-insured retention limits. MHS records insurance liabilities for these specific items by using third party actuarial calculations and certain assumptions and inputs such as MHS historical claims experience and the estimated amount of future claims that will be incurred.

### *(w) New and Pending Accounting Standards*

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13 and in November 2019, issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments in this update require that financial assets are measured at amortized cost basis and presented at the net amount expected to be collected. This eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an entity's current estimate of all expected credit losses and broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2023. MHS does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In April 2019, FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* The amendments in this update are divided into four separate topics that discuss the details of the improvement areas and the amendments made to the Codification for these improvement areas. Topics 1, 2 and 5 in this ASU relate specifically to ASU 2016-13, which is effective for MHS for the year beginning January 1, 2023. Topics 3 and 4 in this ASU have been evaluated and are not


(Continued)

applicable to MHS. MHS does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In March 2020, FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the effects of Reference Rate Reform on Financial Reporting.* The amendments in this update provide practical expedients to contract modifications when it is being modified due to the replacement of a reference rate within the contract. The provisions of this ASU are effective immediately and will be available through December 31, 2022. Modifications completed after December 31, 2022 must use current guidance instead of the provisions in this ASU. MHS made all necessary contract modifications in 2022 and the adoption of this ASU did not have a material effect on its consolidated financial statements.

## (2) Coronavirus (COVID-19) Impact

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and on March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. Both the CARES Act and ARPA were aimed to direct economic assistance for American workers, families, and small businesses, and preserve jobs for American industries. The COVID-19 pandemic impacted all hospitals and physician offices throughout the health system.

The CARES Act and ARPA require the amount of funding received to be validated, which requires management to quantify lost revenues and increased expenses associated with the pandemic. The CARES Act authorized funding to be distributed under the Provider Relief Fund (PRF) and the Coronavirus Relief Fund (CRF). MHS has recognized revenue associated with the PRF, CRF and ARPA funding according to the terms and conditions of the CARES Act and ARPA, and as contribution revenue under FASB ASC 958-605. Refunding of amounts received may be required by the CARES Act if a receiving entity is unable to quantify the financial losses intended to be covered by funding. MHS has determined that it is able to justify retaining all funding received and has not recorded any liabilities as of December 31, 2022 and 2021 for potential repayment of funds received.

MHS has filed applications and obtained reimbursement of additional expenses from the Federal Emergency Management Agency (FEMA) based on criteria due to the national emergency declaration made due to COVID-19. MHS has submitted funding applications with FEMA that covers costs incurred in order to respond to the COVID-19 pandemic and will apply for additional funding until the national disaster declaration is no longer in effect.

The following table shows the funding that has been received to prepare and respond to COVID-19 and recognized as other operating revenue for the years ended December 31, 2022 and 2021:

| Sources of external relief funding | 2022 | 2021 | Total |
|---|---|---|---|
| CARES Act Provider Relief Fund | $ — | 176,448 | 176,448 |
| American Rescue Plan Rural Funds | — | 5,284 | 5,284 |
| FEMA | 14,578 | 1,405 | 15,983 |
| Total | $ 14,578 | 183,137 | 197,715 |

## (3) Revenue from Contracts with Customers

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by MHS and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. MHS believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals or clinics receiving inpatient or outpatient services. MHS measures an inpatient performance obligation from time of admission to time of discharge and an outpatient performance obligation from the start of the outpatient service to the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided to patients and customers.

MHS has elected to apply the optional exemption in ASC 606-10-50-14a as all of MHS' performance obligations related to contracts with a duration of less than one year. Under this exemption, MHS was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations are completed within days or weeks of the end of the year.

MHS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with MHS policy, and implicit price concessions provided to uninsured patients. MHS determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. MHS determines its estimate of implicit price concessions based on its historical collection experience with each class of patients.

Contractual agreements with third-party payors provide for payments at amounts less than MHS' established charges. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare Severity Diagnosis-Related Groups (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services is reimbursed under a prospective payment methodology, the Ambulatory Payment Classification System (APCs), or fee schedules.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare; however, Medicaid utilizes All Payor Refined Diagnosis-Related Groups (APR-DRGs) as opposed to Medicare's MS-DRGs. The majority of Medicaid outpatient services is reimbursed under a prospective payment methodology, the Enhanced Ambulatory Patient Groups (EAPG), or fee schedules.
- Other – MHS has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and fee schedules.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements with the government. Compliance with such laws and regulations may also be subject to future government exclusion from the related programs. There can be no assurance that regulatory or governmental authorities will not challenge MHS' compliance with these laws and regulations, and it is not possible to determine the impact, if any, that such claims or penalties would have upon MHS. In addition, the contracts with commercial payors also provide for retroactive audit and review of claims that can reduce the amount of revenue ultimately received.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the current estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled and no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2022 or 2021.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. MHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. MHS estimates the transaction price for patients with deductibles and co-insurance from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for prior years were not significant for 2022 or 2021. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay and deemed uncollectable are recorded as bad debt expense.

Consistent with MHS' mission, care is provided to patients regardless of their ability to pay. MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its collection experience with those patients. Patients who meet the criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as uncompensated care are not reported as revenue.



(Continued)

MHS has determined that the best depiction of its revenue is by its mix of payors as this shows the amount of revenue recognized from each portfolio. Patient service revenue disaggregated by payor for the years ended December 31, 2022 and 2021 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Payors: | | |
| Medicare | $ 1,068,131 | 947,979 |
| Medicaid | 623,026 | 554,039 |
| Premera | 521,521 | 501,370 |
| Regence | 392,750 | 334,844 |
| Aetna | 192,352 | 202,379 |
| Kaiser Permanente | 134,237 | 128,538 |
| United Healthcare | 133,716 | 132,535 |
| First Choice | 117,366 | 119,596 |
| Self-pay | 23,149 | 25,450 |
| Other | 559,640 | 557,961 |
| | $ 3,765,888 | 3,504,691 |

MHS has elected to apply the practical expedient under ASC 340-40-25-4 and therefore, all incremental customer contract acquisition costs are expensed as incurred, as the amortization period of the asset that MHS would have otherwise recognized is one year or less in duration.

## (4) Concentration of Credit Risk

MHS grants credit without collateral to its patients, most of whom are residents of the communities it serves and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2022 and 2021 was as follows:

| | 2022 | 2021 |
|---|---|---|
| Medicare | 35 % | 33 % |
| Medicaid | 25 | 21 |
| Premera | 7 | 10 |
| Regence | 6 | 7 |
| Self-pay | 5 | 7 |
| First Choice | 1 | 1 |
| Health Care Exchange | 1 | 1 |
| Other commercial insurance | 20 | 20 |
| | 100 % | 100 % |

## (5) Fair Value Measurements

### *(a) Fair Value Hierarchy*

In accordance with ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for similar assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical or similar assets or liabilities that MHS could access at the measurement date. Level 1 securities generally include investments in equity securities, mutual funds and certain fixed income securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are based upon observable market inputs for the asset or liability, either directly or indirectly. Level 2 securities generally include investments in fixed income securities (composed primarily of government, agency and corporate bonds), and interest rate swaps.
- Level 3 inputs are unobservable market inputs for the asset or liability. Level 3 securities include donor trusts where MHS is not the trustee.

The level in the fair value hierarchy within which a fair value measurement, in its entirety, falls is based on the lowest level input that is significant to the fair value measurement.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHS is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by investment managers consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the redemption price. MHS reviews valuations and assumptions provided by investment managers for reasonableness and believes that the carrying amounts of these financial instruments approximate the estimated of fair value of the instrument. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

The following tables present the placement in the fair value hierarchy of investment assets and liabilities that are measured at fair value on a recurring basis and investments valued at NAV at December 31, 2022 and 2021:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Trading securities: | | | | |
| Mutual funds | $ 927,945 | 927,945 | — | — |
| Equity securities | 8,204 | 8,204 | — | — |
| Fixed income bond funds | 327,965 | 327,965 | — | — |
| Fixed income governmental obligations | 152,312 | 114,851 | 37,461 | — |
| Fixed income other | 178,595 | — | 178,595 | — |
| Commingled trust fund – international equity | 14,376 | — | 14,376 | — |
| Donor trusts | 29,431 | — | — | 29,431 |
| Interest rate swaps | 23,496 | — | 23,496 | — |
| Total assets at fair value | 1,662,324 | $ 1,378,965 | 253,928 | 29,431 |
| Investment assets valued at NAV | 403,251 | | | |
| Total assets at fair value or NAV | $ 2,065,575 | | | |
| Liabilities: | | | | |
| Interest rate swaps | $ 9,470 | — | 9,470 | — |

| | December 31, 2021 | Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Assets: | | | | |
| Trading securities: | | | | |
| Mutual funds | $ 825,254 | 825,254 | — | — |
| Equity securities | 304,915 | 304,915 | — | — |
| Fixed income bond funds | 403,280 | 403,280 | — | — |
| Fixed income governmental obligations | 210,812 | 141,941 | 68,871 | — |
| Fixed income other | 376,108 | — | 376,108 | — |
| Commingled trust fund – international equity | 172,069 | — | 172,069 | — |
| Donor trusts | 22,455 | — | — | 22,455 |
| Total assets at fair value | 2,314,893 | $ 1,675,390 | 617,048 | 22,455 |
| Investment assets valued at NAV | 343,651 | | | |
| Total assets at fair value or NAV | $ 2,658,544 | | | |
| Liabilities: | | | | |
| Interest rate swaps | $ 119,100 | — | 119,100 | — |

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2022 and 2021:

| | NAV December 31, 2022 | NAV December 31, 2021 | Unfunded commitments | Redemption frequency | Redemption notice period |
|---|---|---|---|---|---|
| Hedge funds | $ 125,067 | 132,637 | N/A | Quarterly | 60 or 95 business days prior to valuation date |
| Common trust funds | 269,628 | 199,212 | N/A | Daily | 1 or more business days prior to valuation date |
| Limited partnerships | 8,556 | 11,802 | 1,800 | N/A | N/A |
| Total investments valued at NAV | $ 403,251 | 343,651 | 1,800 | | |

Hedge funds include investments in hedge fund-of-funds products with certain investment managers. The fair values of the investments in this category have been estimated using the NAV per share of the investment.

Common trust funds include investments in a collective or common trust account that invests funds in an underlying fund or set of funds. The trust account seeks an investment return that approximates the performance of an index as defined by each common trust fund. The fair value of the investments in this category are estimated using the NAV per share of the fund that is derived from the underlying investments in the trust fund.

Limited partnerships include investments in private equity and venture capital funds in both developed and emerging markets with approximately 35% invested in private equity in developed markets, 20% in venture capital in developed markets, and 45% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

***(b) Interest Rate Swaps***

The interest rate swaps are recorded at estimated fair value by using certain observable market inputs that participants would use from closing prices for similar assets. In addition, other valuation techniques and market inputs are used that help determine the fair values of these swaps, which include certain valuation models, current interest rates, forward yield curves, implied volatility and credit default swap pricing.

The fair value of the interest rate swaps liability is included in interest rate swap liabilities on the consolidated balance sheets, and the fair value of the interest rate swap asset is included in other assets, net on the consolidated balance sheets. The fair value gains of these interest rate swaps for the years ended December 31, 2022 and 2021 were $133,126 and $35,246, respectively, and are included in gain on interest rate swaps in other (loss) income, net in the consolidated statements of operations and changes in net assets. Also included in the gain (loss) on interest rate swaps is the loss on net cash settlement amounts associated with the swaps of $5,439 and $9,373 for the years ended December 31, 2022 and 2021, respectively.



(Continued)

The following table represents both the fair value and settlement value for the interest rate swap assets and liabilities as of December 31, 2022 and 2021:

| | Asset derivatives | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Balance sheet location | Fair value | Settlement value | Balance sheet location | Fair value | Settlement value |
| Derivative instruments: | | | | | | |
| Interest rate swaps | Other assets, net | $ 23,496 | 26,079 | Other assets, net | $ — | — |

| | Liability derivatives | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Balance sheet location | Fair value | Settlement value | Balance sheet location | Fair value | Settlement value |
| Derivative instruments: | | | | | | |
| Interest rate swaps | Interest rates swap liabilities | $ 9,470 | 11,317 | Interest rates swap liabilities | $ 119,100 | 124,921 |

## (6) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2022 and 2021 is as follows:

| | December 31, 2022 | | |
|---|---|---|---|
| | Donor restricted assets | Investments | Total |
| Mutual funds | $ 20,491 | 907,454 | 927,945 |
| Equity securities | 181 | 8,023 | 8,204 |
| Fixed income securities | 14,548 | 644,324 | 658,872 |
| Commingled trust fund – international equity | 317 | 14,059 | 14,376 |
| Hedge funds | 2,762 | 122,305 | 125,067 |
| Common trust funds | 5,954 | 263,674 | 269,628 |
| Limited partnerships | 190 | 8,366 | 8,556 |
| Donor trusts | 29,431 | — | 29,431 |
| Pledge receivables, net and other | 45,652 | — | 45,652 |
| Total | $ 119,526 | 1,968,205 | 2,087,731 |

| | December 31, 2021 | | |
|---|---|---|---|
| | Donor restricted assets | Investments | Total |
| Mutual funds | $ 8,002 | 817,252 | 825,254 |
| Equity securities | 2,956 | 301,959 | 304,915 |
| Fixed income securities | 9,600 | 980,600 | 990,200 |
| Commingled trust fund – international equity | 1,668 | 170,401 | 172,069 |
| Hedge funds | 1,286 | 131,351 | 132,637 |
| Common trust funds | 1,931 | 197,281 | 199,212 |
| Limited partnerships | 115 | 11,687 | 11,802 |
| Donor trusts | 22,455 | — | 22,455 |
| Pledge receivables, net and other | 48,762 | — | 48,762 |
| Total | $ 96,775 | 2,610,531 | 2,707,306 |

Fixed income securities include mutual funds, corporate bonds, mortgage-backed securities, asset-backed securities, U.S. government obligations, and state government obligations.

## (7) Liquidity and Availability of Financial Assets

MHS actively monitors the availability of resources required to meet its operating obligations and other contractual commitments, while also striving to maximize investment returns of its available funds. To help meet its general obligations, MHS can also access the credit markets as a means of producing liquidity, if needed. MHS draws income, appreciation and distributions from its endowment fund up to 5% of the endowment average account value annually, as applicable donor restrictions are met, as another way of providing liquidity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MHS considers all expenditures related to its ongoing activities to provide integrated healthcare delivery as well as the conduct of services undertaken to support these activities to be general expenditures.

At December 31, 2022 and 2021, MHS' financial resources are as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Cash and cash equivalents | $ | 542,067 | 308,732 |
| Accounts receivable | | 511,727 | 460,569 |
| Other current assets, net | | 165,586 | 96,361 |
| Donor restricted assets | | 119,526 | 96,775 |
| Investments | | 1,968,205 | 2,610,531 |
| | | 3,307,111 | 3,572,968 |
| Less prepaid assets included in other current assets, net | | (58,353) | (37,444) |
| Less donor restricted assets | | (119,526) | (96,775) |
| Less investments with redemption limitations of greater than one year | | (8,556) | (11,802) |
| Total financial assets available for general expenditures | $ | 3,120,676 | 3,426,947 |

In addition to financial assets available to meet general expenditures over the next 12 months, MHS operates mostly using revenues, gains and other support without donor restrictions and anticipates collecting sufficient revenues to cover general expenditures. MHS also has a $200,000 line of credit available for general expenditures, if needed (note 15).

## (8) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Land and land improvements | $ | 164,041 | 138,910 |
| Buildings | | 2,360,383 | 2,313,543 |
| Equipment | | 1,051,005 | 940,116 |
| | | 3,575,429 | 3,392,569 |
| Less accumulated depreciation | | (1,640,005) | (1,500,929) |
| | | 1,935,424 | 1,891,640 |
| Construction in progress | | 173,829 | 118,494 |
| Property, plant, and equipment, net | $ | 2,109,253 | 2,010,134 |

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021 was $140,892 and $126,307, respectively. Depreciation expense charged to operations for the years ended

December 31, 2022 and 2021 amounted to $139,145 and $122,293, respectively. Depreciation expense charged to operations for the year ended December 31, 2021 is net of a $48,094 reduction in expense as part of the change in estimated useful lives.

## (9) Other Assets, Net

Other assets are as follows at December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Investment in joint ventures | $ | 58,977 | 77,951 |
| Deferred compensation plan assets held in trust (note 12) | | 87,039 | 98,789 |
| Accrued pension asset (note 12) | | 36,428 | 60,951 |
| Self-insured retention receivables, net of current portion (notes 13 and 14) | | 17,462 | 22,558 |
| Net investment in lease (note 17(b)) | | 22,655 | 23,172 |
| Notes receivable (note 10) | | 75,284 | 75,546 |
| Interest rate swaps (note 5(b)) | | 23,496 | — |
| Other | | 8,467 | 23,595 |
| Other assets, net | $ | 329,808 | 382,562 |

Deferred compensation plan assets held in trust are participant-managed investments consisting of equity and fixed income mutual funds with prices quoted in active markets.

## (10) Notes Receivable

In December 2020, MHS executed a promissory note with Astria Health for a $75,000 loan. The loan bears a fixed interest rate of 9.5% with payments due June 30 and December 31 of each year. In December 2022, the credit agreement was amended to extend the maturity date. The loan matures in December 2025.

## (11) Other Liabilities, Net

Other liabilities are as follows at December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Professional liability, net of current portion (note 13) | $ | 103,813 | 89,628 |
| Deferred compensation liability (note 12) | | 87,039 | 98,789 |
| Workers' compensation liability, net of current portion (note 14) | | 15,444 | 15,454 |
| Other | | 24,749 | 4,436 |
| Other liabilities, net | $ | 231,045 | 208,307 |

## (12) Retirement Plans

### *(a) Defined Benefit Pension Plan*

MHS operates one qualified defined benefit pension plan (the Plan) covering eligible employees. The Plan was closed to new employees effective after July 31, 2002. The benefits are based on years of service and the employee's highest five consecutive years of compensation. MHS contributions to the Plan vary from year to year, but the minimum contribution required by law has been provided in each year. Effective December 31, 2016, participants no longer accrue pension benefits under the Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the Plan, which has measurement dates of December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Change in projected benefit obligation: | | | |
| Projected benefit obligations at beginning of year | $ | 663,039 | 715,286 |
| Service cost | | 650 | 650 |
| Interest cost | | 19,329 | 18,786 |
| Actuarial gain | | (142,861) | (23,106) |
| Expected administrative expenses | | (650) | (650) |
| Benefits paid | | (85,170) | (47,927) |
| Projected benefit obligations at end of year | $ | 454,337 | 663,039 |
| Change in fair value of plan assets: | | | |
| Fair value of plan assets at beginning of year | $ | 723,990 | 760,876 |
| Actual (loss) gain on plan assets | | (147,327) | 11,700 |
| Actual administrative expenses | | (728) | (659) |
| Benefits paid | | (85,170) | (47,927) |
| Fair value of plan assets at end of year | $ | 490,765 | 723,990 |
| Funded status recognized in consolidated balance sheets consist of: | | | |
| Asset for pension benefits | $ | 36,428 | 60,951 |
| Amount recognized in net assets without donor restrictions: | | | |
| Net loss | | 106,367 | 90,859 |

| | 2022 | 2021 |
|---|---|---|
| Weighted average assumptions used to determine benefit obligations as of December 31: | | |
| Discount rate | 5.50 % | 3.00 % |

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at MHS' determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost are as follows during the years ended December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Components of net periodic benefit cost: | | | |
| Service cost | $ | 650 | 650 |
| Interest cost | | 19,329 | 18,786 |
| Expected return on plan assets | | (30,858) | (29,726) |
| Amortization of net actuarial loss | | 5,335 | 16,205 |
| Settlement cost | | 14,559 | 3,534 |
| | $ | 9,015 | 9,449 |

| | 2022 | 2021 |
|---|---|---|
| Weighted average assumptions used to determine benefit obligation as of December 31: | | |
| Discount rate | 3.00 % | 2.70 % |
| Expected return on plan assets | 4.50 | 4.50 |

During the years ended December 31, 2022 and 2021, the Plan made lump-sum cash payments (settlements) to plan participants and in exchange the Plan was relieved of all remaining liabilities of future payments to those plan participants. These settlements are included in benefits paid within the change in projected benefit obligation. The total amount of these settlements exceeded the total service costs and interest costs for the years ended December 31, 2022 and 2021 and the pro-rata portion of the remaining balance in net assets without donor restrictions was recognized as part of net periodic benefit costs.

The accumulated benefit obligation for the Plan was $454,337 and $663,039 at December 31, 2022 and 2021, respectively.



(Continued)

*(i) Estimated Future Benefit Payments*

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| | Pension benefits |
|---|---|
| 2023 | $ 33,692 |
| 2024 | 33,463 |
| 2025 | 34,284 |
| 2026 | 33,643 |
| 2027 | 34,680 |
| 2028–2032 | 165,364 |

*(ii) Plan Assets*

The following tables set forth by level, within the fair value hierarchy, the Plans' investments at fair value:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | $ 8,926 | 8,926 | — | — |
| Trading securities: | | | | |
| Mutual funds | 91,812 | 91,812 | — | — |
| Fixed income bond funds | 5,100 | 4,921 | 179 | — |
| Fixed income governmental obligations | 187,978 | 140,834 | 47,144 | — |
| Fixed income other | 162,979 | 13,368 | 149,611 | — |
| Commingled trust fund – international equity | 12,729 | — | 12,729 | — |
| | 469,524 | $ 259,861 | 209,663 | — |

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Broker receivables | $ 38,910 | | | |
| Broker payables | (85,854) | | | |
| Total assets at fair value | 422,580 | | | |
| Investments valued at NAV | 68,185 | | | |
| Total assets at fair value or NAV | $ 490,765 | | | |

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2021 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | $ 11,324 | 11,324 | — | — |
| Trading securities: | | | | |
| Mutual funds | 124,670 | 124,670 | — | — |
| Fixed income bond funds | 97,505 | 97,505 | — | — |
| Fixed income governmental obligations | 209,474 | 177,503 | 31,971 | — |
| Fixed income other | 202,017 | — | 202,017 | — |
| Commingled trust fund – international equity | 16,625 | — | 16,625 | — |
| | 661,615 | $ 411,002 | 250,613 | — |



(Continued)

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2021 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Broker receivables | $ 5,983 | | | |
| Broker payables | (34,584) | | | |
| Total assets at fair value | 633,014 | | | |
| Investments valued at NAV | 90,976 | | | |
| Total assets at fair value or NAV | $ 723,990 | | | |

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2022 and 2021.

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2022 and 2021:

| | NAV December 31, 2022 | NAV December 31, 2021 | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|---|---|---|---|---|---|
| Absolute return funds | $ 63,783 | 84,911 | N/A | Monthly | 5 business days prior to valuation date |
| Limited partnerships | 4,402 | 6,065 | 850 | N/A | N/A |
| Total investments valued at NAV | $ 68,185 | 90,976 | 850 | | |

Absolute return fund investments consist primarily of listed equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles. These investments use derivatives or other instruments for both investment and hedging purposes and may take long and/or short positions, and the derivative investments may include but are not restricted to futures, options, swaps, and forward currency contracts.

Limited partnerships include investments in private equity and venture capital in both developed and emerging markets with approximately 35% invested in private equity in developed markets,

20% in venture capital in developed markets, and 45% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

The defined benefit plan weighted average asset allocations at December 31, 2022 and 2021 by asset category are as follows:

| | 2022 | 2021 |
|---|---|---|
| Asset category: | | |
| Domestic equities | 13 % | 12 % |
| International equities | 9 | 7 |
| Fixed income securities | 77 | 80 |
| Alternative investments | 1 | 1 |
| | 100 % | 100 % |

*(iii) Investment Objectives*

The target asset allocations for each asset class are set based on the achieved funding levels for the Plan and are summarized below:

| | 2022 | 2021 |
|---|---|---|
| Asset category: | | |
| Domestic equities | 12 % | 12 % |
| International equities | 8 | 8 |
| Fixed income securities | 80 | 80 |
| | 100 % | 100 % |

*(iv) Investment Categories*

*Equities*

The strategic role of domestic equities is to provide higher expected market returns (along with international equities) of the major asset classes; maintain a diversified exposure within the U.S. stock market using multimanager portfolio strategies; and achieve returns in excess of passive indices using active investment managers and strategies.

The strategic role of international equities is to provide higher expected market return premiums (along with domestic equities) of the major asset classes and diversify the Plans' overall equity exposure by investing in non-U.S. stocks that are less than fully correlated to domestic equities with similar return expectations; to maintain a diversified exposure within the international stock

market through the use of multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies.

The strategic role of emerging markets is to diversify the portfolio relative to domestic equities and fixed income investments and to specifically include equity investment in selected global markets and may also include currency hedging for defensive purposes.

*Fixed Income*

The strategic role of fixed income securities is to diversify the Plan's equity exposure by investing in fixed income securities that exhibit a low correlation to equities and lower volatility; maintain a diversified exposure within the U.S. fixed income market using multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow.

*Alternative Investments*

The strategic role of alternative investments is for diversification relative to equities and fixed income investments, to add absolute return using hedging strategies, and to achieve expected return premiums over longer holding periods. Alternative investments include investments in equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles, hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

### *(b) Defined Contribution Plans*

MHS currently maintains three defined contribution plans including the MHS 401(a) Retirement Account Plan (RAP), the MHS 403(b) Employee Savings Plan, and the MHS 401(k) Plan. Most employees assigned to work at Deaconess Hospital, Valley Hospital, Rockwood Clinic and Capital Medical Center are eligible for participation in the MHS 401(k) Plan, which is funded by both MHS and employee contributions. The MHS 403(b) Employee Savings Plan is 100% funded by employee contributions, and the RAP is 100% funded by MHS contributions.

MHS' funding for the defined contribution plans is based on certain percentages of the employees' base pay and/or a percentage of their deferred contributions. Employer contributions to the defined-contribution plans for 2022 and 2021 were approximately $58,000 and $54,545, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

### *(c) Other*

In addition to the defined benefit and defined contribution plans as described above, MHS also maintains several deferred compensation arrangements for the benefit of eligible employees.

Substantially all amounts that are deferred under these arrangements are held in trust until such time as these funds become payable to the participating employees.

## (13) Professional Liability

MHS maintains a self-insurance program for professional liability with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability as of December 31, 2022 and 2021, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

During 2022, MHS began operations of a wholly owned insurance captive, Commencement Re (the Captive). On September 15, 2022, the Captive took on the risk to self-insure and reinsure certain layers of professional and general liability from MHS.

At December 31, 2022 and 2021, the estimated gross professional liability (including current and long-term portions) was $128,101 and $119,073, respectively. The current portion is included in accounts payable and accrued expenses, and the remainder is included in other liabilities, net in the accompanying consolidated balance sheets. MHS has recorded a receivable for amounts to be received from the excess insurance carriers for their portion of the claims (including current and long-term portions) of $22,754 and $33,191 as of December 31, 2022 and 2021, respectively. The current amount is included in other current assets, net, and the remainder is included in other assets, net in the accompanying consolidated balance sheets.

## (14) Workers' Compensation and Employee Health Benefit Programs

MHS maintains a self-insurance program for workers' compensation with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability based on an actuarial estimate of future claims payments. At December 31, 2022 and 2021, the estimated net liability based on future claims cost totaled $21,470 and $21,133, respectively. The gross liabilities (including both current and long-term portions) total $24,836 and $24,341 as of December 31, 2022 and 2021, respectively. The long-term amounts are included in other liabilities, net, and the current portions are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These liabilities are secured by a letter of credit with the State of Washington. MHS has recorded a receivable for amounts to be received from excess insurance carriers of $3,366 and $3,207 as of December 31, 2022 and 2021, respectively, which is included with other current assets, net and other assets, net for the respective estimated current and long-term portions.

MHS maintains a self-insurance program for employee medical and dental insurance. Employees can elect to be included in the self-insurance plan as a part of their fringe benefit package. Premiums deducted from employees' wages are used in paying a portion of members' medical claims. The estimated liability for claims in 2022 and 2021 was $12,984 and $9,632, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.



(Continued)

## (15) Long-Term Debt

Long-term debt consists of the following at December 31, 2022 and 2021:

| | 2022 | 2021 |
|---|---|---|
| WHCFA Revenue bonds, 2022A | $ 49,985 | — |
| WHCFA Revenue bonds, 2022B | 108,145 | — |
| WHCFA Revenue bonds, 2022C | 80,000 | — |
| WHCFA Revenue bonds, 2022D | 130,170 | — |
| WHCFA Revenue bonds, 2022 Taxable Private Placement | 430,000 | — |
| 2020 Taxable bonds | 300,000 | 300,000 |
| 2020 OCED financing | 57,249 | 59,289 |
| 2019 Term loan | — | 35,255 |
| WHCFA Revenue bonds, 2017 Series A and B | 314,550 | 318,220 |
| WHCFA Revenue bonds, 2017 Series C, D, and E | 111,010 | 191,010 |

| | 2022 | 2021 |
|---|---|---|
| 2017 Term loans | $ — | 130,170 |
| WHCFA Revenue bonds, 2015 Series A and B | 343,675 | 348,085 |
| WHCFA Revenue bonds, 2012 Series A | — | 60,000 |
| WHCFA Revenue bonds, 2009 Series A and B | — | 98,130 |
| Other | 19,085 | 23,106 |
| | 1,943,869 | 1,563,265 |
| Adjusted for: | | |
| Current portion | (18,496) | (43,609) |
| Bond premiums, discounts, and debt issuance costs | 46,764 | 52,579 |
| Long-term debt, net of current portion | $ 1,972,137 | 1,572,235 |

### *(a) WHCFA Revenue Bonds, 2022A*

In August 2022, MHS issued $49,985 of 2022 Series A bonds. These bonds were issued as variable rate tax exempt private placement debt with Royal Bank of Canada, with principal payments ranging from $1,845 in 2040 to final payment of $20,365 in 2044. The interest rates, which were between 2.43% and 4.45% at December 31, 2022, reset monthly and are based on SIFMA plus a spread.

### *(b) WHCFA Revenue Bonds, 2022B*

In August 2022, MHS issued $108,145 of 2022 Series B bonds. These bonds were issued as variable rate tax exempt private placement debt with PNC Bank, NA. Principal payments range from $7,035 in 2040 to $22,085 in 2045, with a final payment of $19,715 in 2046 with interest payable semi-annually in February and August, based on SOFR plus a spread.

***(c) WHCFA Revenue Bonds, 2022C***

In December 2022, MHS issued $80,000 of 2022 Series C bonds. These bonds were issued as variable rate tax exempt private placement debt with Banc of America Preferred Funding Corp. The principal is due in full in 2047 with monthly interest payments starting in January 2023, based on SIFMA plus a spread.

***(d) WHCFA Revenue Bonds, 2022D***

In December 2022, MHS issued $130,170 of 2022 Series D bonds. These bonds were issued as variable rate tax exempt private placement debt with Bank of America, NA. The principal is due in full in 2047 with monthly interest payments starting in January 2023, based on SOFR plus a spread.

***(e) WHCFA Revenue Bonds, 2022 Taxable Private Placement***

In August 2022, MHS issued $430,000 of Series 2022 taxable private placement bonds. The bonds were acquired by various private investors. Included in the issuance are $130,000 in bonds bearing 4.48% fixed rate interest with principal due in full in 2037, and $300,000 in bonds bearing 4.75% fixed rate interest with principal due in full in 2052.

***(f) 2020 Taxable Bonds***

In July 2020, MHS issued $300,000 of taxable 2020 series bonds. These bonds were issued as fixed rate bonds that bear interest of 2.803%. The principal of $300,000 is due in 2050, with interest only payments made semiannually in February and August of each year.

***(g) 2020 OCED Financing***

In June 2020, MHS finalized a sale-leaseback transaction for four off-campus emergency departments (OCED) with total cash proceeds received of $61,794. Due to the specific terms of the agreement, the lease qualified as a financing type lease. The agreement did not meet the criteria for sale-leaseback accounting treatment and instead is considered a financing liability. The agreement bears an implicit interest rate of 4.64%. Annual principal payments range from $2,136 in 2023 to $4,482 in 2039 with a final principal payment of $390 in 2041.

***(h) 2019 Term Loan***

In August 2019, MHS entered into a fixed rate term loan agreement with JPMorgan Chase Bank, N.A., with an interest rate of 1.89%. The principal balance of $35,255 was paid in full in 2022.

***(i) Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2017 Series A and B***

In November 2017, MHS issued $333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from $4,135 in 2023 to $62,410 in 2047.

***(j) WHCFA Revenue Bonds 2017 Series C, D, and E***

In November 2017, MHS entered into a $111,010 variable rate private placement agreement (Series C and D) with JPMorgan Chase Bank, National Association. The first annual principal payment of

$55,505 is due in 2048, with a final principal payment of $55,505 in 2049. The interest rates, which were between 0.44% and 3.58% at December 31, 2022, reset monthly and are based on 70% of SOFR.

In November 2017, MHS entered into an $80,000 variable rate private placement agreement (Series E) with Wells Fargo Municipal Capital Strategies, LLC. In December 2022, MHS refunded the 2017 Series E bonds and replaced them with 2022 Series C.

***(k) 2017 Term Loans***

In November 2017, MHS entered into two $65,085 variable rate term loan agreements with Wells Fargo Bank, N.A. In December 2022, MHS refunded the 2017 Term Loans and replaced them with 2022 Series D.

***(l) WHCFA Revenue Bonds 2015 Series A and B***

In April 2015, MHS issued $373,390 of 2015 Series A and B bonds. Series A and B bonds were issued as fixed rate bonds that bear interest ranging from 2.0% to 5.0%. Annual principal payments range from $4,295 in 2040 to $24,085 in 2034 with a final payment of $8,860 due in 2045.

***(m) WHCFA Revenue Bonds 2012 Series A***

In November 2012, MHS issued $60,000 of 2012 Series A bonds. In August 2022, MHS refunded the 2012 Series A bonds and replaced them with 2022 Series B.

***(n) WHCFA Revenue Bonds 2009 Series A and B***

In May 2009, MHS issued the 2009 Series A and B bonds as variable rate demand bonds for $50,000 each. The bonds were backed by an irrecoverable letter of credit equal to the aggregate principal and interest of the bonds. In July 2012, the 2009 Series A and B bonds were converted to $98,130 of fixed rate bonds. In August 2022, MHS refunded the 2009 Series A and B bonds and replaced them with 2022 Series A and 2022 Series B.

***(o) Other***

The other debt listed is primarily made up of debt held by Navos. Of the outstanding debt at December 31, 2022, $16,531 is associated with certain buildings and other capital assets operated by Navos and is subject to provisions whereby the debt will be forgiven upon compliance with those provisions. These provisions state that Navos maintains the assets that were built or purchased with these notes and maintains their usage when the promissory note was signed for the length specified. If these provisions are not met, the note must be repaid based on the terms of the agreement. The forgivable debt is subject to a forgiveness provision in years 2028 through 2068.

***(p) 2022 Line of Credit***

In October 2022, MHS entered into a $200,000 revolving credit agreement with JPMorgan Chase Bank, NA. The term of the line of credit is for 12 months and bears interest at a variable rate based upon SOFR. The line on credit has no draws as of December 31, 2022.

Revenue bonds issued by MHS through WHCFA are subject to applicable bond indenture agreements, which require that MHS satisfy certain measures of financial performance as long as the bonds are outstanding. These measures include a minimum debt service coverage ratio and a condition that the bonds are secured by a gross receivables pledge. Based on management's assessment of these requirements, MHS is in compliance with these covenants at December 31, 2022 and 2021.

Each fixed-rate revenue bond requires semiannual interest payments on February 15 and August 15 of each year until maturity. These bonds are subject to early redemption by MHS on or after certain specific dates and at certain specific redemption prices as outlined in each bond agreement.

Principal maturities on long-term debt are as follows:

| Year ending December 31: | | |
|---|---|---|
| 2023 | $ | 18,496 |
| 2024 | | 21,627 |
| 2025 | | 22,704 |
| 2026 | | 23,825 |
| 2027 | | 46,202 |
| Thereafter | | 1,811,015 |
| | $ | 1,943,869 |

A summary of interest costs is as follows during the years ended December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest cost: | | | |
| Charged to operations | $ | 59,006 | 50,103 |
| Amortization of bond premiums, discounts, and issuance costs | | (2,163) | (2,433) |
| Capitalized | | 555 | 382 |
| | $ | 57,398 | 48,052 |

## (16) Commitments and Contingencies

Approximately 43% of MHS employees were covered under collective bargaining agreements as of December 31, 2022. These employees provide nursing, nursing support, pharmacy, imaging, lab, inpatient and outpatient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through December 2025.



(Continued)

## (17) Leases

### *(a) Lessee*

MHS leases various equipment and facilities under noncancelable operating and finance leases. Lease terms for noncancelable operating leases range from 1 to 18 years, and existing leases have expiration dates through 2037. Lease terms for finance leases range from 1 to 21 years, and existing leases have expiration dates through 2040.

The components of lease cost for the years ended December 31, 2022 and 2021 were as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Operating lease cost | $ | 36,768 | 37,283 |
| Finance lease cost: | | | |
| Amortization of right-of-use assets | | 4,745 | 9,031 |
| Interest on lease liabilities | | 802 | 3,402 |
| Total finance lease cost | | 5,547 | 12,433 |
| Short term lease cost | | 1,503 | 1,578 |
| Variable lease cost | | 9,138 | 9,233 |
| Sublease income | | (1,727) | (1,662) |
| Total lease cost | $ | 51,229 | 58,865 |

Other information related to leases as of December 31, 2022 and 2021 was as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Weighted average remaining lease term (years): | | | |
| Operating leases | | 7.2 | 6.5 |
| Finance leases | | 6.0 | 6.6 |
| Weighted average discount rate: | | | |
| Operating leases | | 4.0 % | 4.0 % |
| Finance leases | | 4.4 | 4.4 |
| Operating cash flows from operating leases | $ | (35,805) | (36,688) |
| Operating cash flows from finance leases | | (802) | (3,402) |
| Financing cash flows from finance leases | | (4,499) | (8,645) |
| Right-of-use assets obtained in exchange for new operating lease liabilities | | 56,322 | 36,385 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | | 3,528 | 11,948 |



(Continued)

Maturities of lease liabilities under noncancelable leases as of December 31, 2022 are as follows:

| | | Operating leases | Finance leases | Total |
|---|---|---|---|---|
| For year ended December 31: | | | | |
| 2023 | $ | 35,782 | 5,623 | 41,405 |
| 2024 | | 31,596 | 5,400 | 36,996 |
| 2025 | | 28,447 | 3,351 | 31,798 |
| 2026 | | 26,272 | 873 | 27,145 |
| 2027 | | 20,794 | 597 | 21,391 |
| Thereafter | | 61,729 | 4,031 | 65,760 |
| Total undiscounted lease payments | | 204,620 | 19,875 | 224,495 |
| Less present value discount | | (27,596) | (2,419) | (30,015) |
| Total lease liabilities | $ | 177,024 | 17,456 | 194,480 |

### *(b) Lessor*

MHS leases a building to the Alliance for South Sound Health, which does business under the name Wellfound Behavioral Health Hospital (Wellfound). Wellfound is a related party owned 50 percent by MHS. The leased building is owned solely by MHS and is the only asset that MHS leases out as a lessor. The lease has a 20-year initial lease term, with four 5-year extension options. Due to the related party nature of the lease, MHS considers it reasonably certain that Wellfound will exercise its four lease renewal options, and as such, treats the lease as a 40-year lease. There is no purchase option stated in the lease contract. MHS has determined that the lease is a sales-type financing lease, since the expected lease term spans a major portion of the useful life of the building. At December 31, 2022, MHS' other assets, net include a net investment in lease of $22,655.

Revenue from leases for the years ended December 31, 2022 and 2021 is as follows:

| | | 2022 | 2021 |
|---|---|---|---|
| Interest income on net investment in finance leases | $ | 1,032 | 1,048 |
| Variable lease income | | 28 | 28 |
| Total lease income | $ | 1,060 | 1,076 |

Future lease payments receivable as of December 31, 2022 are as follows:

| | | |
|---|---|---|
| Year ended December 31: | | |
| 2023 | $ | 1,227 |
| 2024 | | 1,227 |
| 2025 | | 1,227 |
| 2026 | | 1,227 |
| 2027 | | 1,227 |
| Thereafter | | 40,565 |
| Total lease payments to be received | | 46,700 |
| Less unearned interest income | | (24,045) |
| Net investment in lease | $ | 22,655 |

## (18) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2022 and 2021:

| | | 2022 | 2021 |
|---|---|---|---|
| Healthcare services | $ | 51,816 | 57,511 |
| Endowment funds, perpetual trusts and related receivables | | 78,231 | 76,079 |
| Purchase of property, plant and equipment | | 42,001 | 39,721 |
| Indigent care | | 2,459 | 2,167 |
| Health education | | 1,006 | 1,264 |
| Total net assets with donor restrictions | $ | 175,513 | 176,742 |

## (19) Endowment Funds

MHS' endowments consist of over 100 individual funds established for a variety of purposes. They include both endowment funds with donor restrictions and funds designated without donor restrictions by the board of directors of its foundations to function as endowments (board-designated endowments). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions and nature of restrictions, if any.

The following tables present MHS' endowment net asset composition as well as associated changes therein:

| | | Board designated without donor restrictions | Funds with donor restrictions | Total |
|---|---|---|---|---|
| Endowment net assets, December 31, 2020 | $ | 2,825 | 42,424 | 45,249 |
| Investment return: | | | | |
| Investment income | | 18 | 527 | 545 |
| Net appreciation – realized and unrealized | | 65 | 1,289 | 1,354 |
| Total investment return | | 83 | 1,816 | 1,899 |
| Contributions | | — | 2,271 | 2,271 |
| Appropriation of endowment assets for expenditure | | (47) | (2,499) | (2,546) |
| Endowment net assets, December 31, 2021 | | 2,861 | 44,012 | 46,873 |
| Investment return: | | | | |
| Investment income | | 16 | 376 | 392 |
| Net depreciation – realized and unrealized | | (85) | (987) | (1,072) |
| Total investment return | | (69) | (611) | (680) |
| Contributions | | — | 3,499 | 3,499 |
| Appropriation of endowment assets for expenditure | | (28) | (581) | (609) |
| Endowment net assets, December 31, 2022 | $ | 2,764 | 46,319 | 49,083 |

Perpetual trusts that are held and managed by third party trustees are recorded as net assets with donor restrictions on the consolidated balance sheets; however, they are not included as endowment net assets with donor restrictions in the above presentation. Those perpetual trusts totaled $27,650 and $31,008, respectively, as of December 31, 2022 and 2021. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling $4,262 and $1,059, respectively, as of December 31, 2022 and 2021.

### *(a) Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations accumulated at the funds. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies in 2022 or 2021.

### *(b) Investment Policy – Including Return Objectives and Strategies to Achieve Objectives*

The endowment assets are invested in an investment portfolio, which include those assets of donor restricted funds that MHS must hold in perpetuity as well as all other foundation-related investment assets. MHS has adopted an investment policy for the foundation investments that intends to provide income to support the spending policy while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate of return objectives, MHS relies on a total return strategy in which investment returns are achieved through both capital appreciation and interest and dividend income. MHS uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. There are some donor restricted funds that are held separately from MHS' pooled investments. These endowments are invested by donors in manners to provide funding for specific purposes as determined by donors.

### *(c) Spending Policy*

In order to provide a stable and consistent level of funding for programs and services supported by the endowments, the foundations have determined that an annual spending rate of 5% of the endowment's average account value is prudent. In establishing the spending policies, the MHS foundations considered among other things, the expected total return on its endowments, effect of inflation, duration of the endowments to achieve its objective of maintaining the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts and investment returns.



(Continued)

## (20) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fundraising activities. Certain categories of expenses are attributable to programs and support services. These included salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2022 and 2021:

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Program services | | | Support services | |
| | Hospitals and related services | Clinics and urgent care centers | Retail and other services | Corporate and support services | Total |
| Salaries and wages | $ 1,357,838 | 464,219 | 93,787 | 283,421 | 2,199,265 |
| Employee benefits | 133,164 | 75,536 | 20,705 | 68,208 | 297,613 |
| Supplies | 535,376 | 48,220 | 70,994 | 3,880 | 658,470 |
| Purchased services | 135,500 | 68,800 | 32,771 | 159,676 | 396,747 |
| Depreciation and amortization | 87,289 | 14,878 | 7,580 | 31,145 | 140,892 |
| Interest | 40,631 | 3,715 | 70 | 12,426 | 56,842 |
| Other | 281,895 | 48,356 | 121,797 | 89,198 | 541,246 |
| | $ 2,571,693 | 723,724 | 347,704 | 647,954 | 4,291,075 |

| | 2021 | | | | |
|---|---|---|---|---|---|
| | Program services | | | Support services | |
| | Hospitals and related services | Clinics and urgent care centers | Retail and other services | Corporate and support services | Total |
| Salaries and wages | $ 1,130,560 | 432,037 | 65,231 | 242,817 | 1,870,645 |
| Employee benefits | 128,295 | 72,692 | 15,595 | 61,603 | 278,185 |
| Supplies | 482,058 | 43,267 | 66,679 | 8,753 | 600,757 |
| Purchased services | 132,808 | 44,695 | 25,750 | 145,906 | 349,159 |
| Depreciation and amortization | 70,583 | 18,057 | 3,626 | 34,041 | 126,307 |
| Interest | 40,788 | 3,936 | — | 2,946 | 47,670 |
| Other | 293,968 | 57,179 | 20,779 | 114,079 | 486,005 |
| | $ 2,279,060 | 671,863 | 197,660 | 610,145 | 3,758,728 |

## (21) Litigation and Regulatory Environment

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in the imposition of significant fines and penalties, significant repayments for patient services previously billed, and/or expulsion from government healthcare programs. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MHS is also involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to MHS' financial position.

## (22) Subsequent Events

On January 17, 2023, Yakima Valley Memorial Hospital (Yakima) in Yakima, Washington affiliated with MHS. Yakima is a 238 bed hospital as well as operates primary and specialty care clinics in the Yakima Valley region. No consideration was exchanged and MHS became the sole corporate member of Yakima. The unaudited results of operations for the year ended December 31, 2022 is total operating revenue of $521,288 and total deficit of revenue over expenses from operations of $33,211. These unaudited results are not included within the results of operations of MHS for the year ended December 31, 2022 nor are these results indicative of future financial results. MHS is still completing the accounting for the affiliation pending the determination of the fair value of the inherent contribution made.

MHS has evaluated the subsequent events through March 21, 2023, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.

# Exhibit 17B.
# MultiCare Health System Audited Financial Statements
# 2022 - 2023

# MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

## Independent Auditors' Report

The Board of Directors
MultiCare Health System:

### Report on the Audit of the Consolidated Financial Statements

*Opinion*

We have audited the consolidated financial statements of MultiCare Health System (the Company)(a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

KPMG LLP, a Delaware limited liability partnership and a member firm of
the KPMG global organization of independent member firms affiliated with
KPMG International Limited, a private English company limited by guarantee.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Seattle, Washington
March 20, 2024

**MULTICARE HEALTH SYSTEM**

Consolidated Balance Sheets

December 31, 2023 and 2022

(In thousands)

| **Assets** | | **2023** | **2022** |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ | 512,076 | 542,067 |
| Accounts receivable | | 659,925 | 511,727 |
| Supplies inventory | | 70,636 | 60,070 |
| Other current assets, net | | 244,617 | 165,586 |
| Total current assets | | 1,487,254 | 1,279,450 |
| Donor restricted assets held for long-term purposes | | 151,563 | 119,526 |
| Investments | | 1,996,970 | 1,968,205 |
| Property, plant, and equipment, net | | 2,469,467 | 2,109,253 |
| Right-of-use operating lease asset, net | | 235,679 | 169,823 |
| Right-of-use financing lease asset, net | | 18,003 | 16,798 |
| Goodwill and intangible assets, net | | 259,830 | 253,274 |
| Other assets, net | | 401,519 | 329,808 |
| Total assets | $ | 7,020,285 | 6,246,137 |
| **Liabilities and Net Assets** | | | |
| Current liabilities: | | | |
| Accounts payable and accrued expenses | $ | 409,309 | 326,664 |
| Accrued compensation and related liabilities | | 420,730 | 329,672 |
| Accrued interest payable | | 27,333 | 23,643 |
| Line of credit | | 62,935 | — |
| Current portion of right-of-use operating lease liability | | 37,412 | 29,908 |
| Current portion of right-of-use financing lease liability | | 6,443 | 4,965 |
| Current portion of long-term debt | | 22,411 | 18,496 |
| Total current liabilities | | 986,573 | 733,348 |
| Interest rate swap liabilities | | 6,425 | 9,470 |
| Right-of-use operating lease liability, net of current portion | | 208,545 | 147,116 |
| Right-of-use financing lease liability, net of current portion | | 12,504 | 12,491 |
| Long-term debt, net of current portion | | 1,961,949 | 1,972,137 |
| Other liabilities, net | | 247,573 | 231,045 |
| Total liabilities | | 3,423,569 | 3,105,607 |
| Commitments and contingencies (note 15) | | | |
| Net assets: | | | |
| Controlling interest | | 3,301,130 | 2,930,546 |
| Noncontrolling interest | | 34,925 | 34,471 |
| Without donor restrictions | | 3,336,055 | 2,965,017 |
| With donor restrictions | | 260,661 | 175,513 |
| Total net assets | | 3,596,716 | 3,140,530 |
| Total liabilities and net assets | $ | 7,020,285 | 6,246,137 |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Operations

Years ended December 31, 2023 and 2022

(In thousands)

| | | 2023 | 2022 |
|---|---|---|---|
| Revenues, gains, and other support without donor restrictions: | | | |
| Patient service revenue | $ | 4,521,328 | 3,765,888 |
| Other operating revenue | | 417,619 | 231,429 |
| Net assets released from restrictions for operations | | 10,068 | 6,382 |
| Total revenues, gains, and other support without donor restrictions | | 4,949,015 | 4,003,699 |
| Expenses: | | | |
| Salaries and wages | | 2,518,778 | 2,199,265 |
| Employee benefits | | 381,067 | 297,613 |
| Supplies | | 807,705 | 658,470 |
| Purchased services | | 486,031 | 396,747 |
| Depreciation and amortization | | 163,267 | 140,892 |
| Interest | | 81,941 | 56,842 |
| Other | | 698,697 | 541,246 |
| Total expenses | | 5,137,486 | 4,291,075 |
| Deficit of revenues over expenses from operations | | (188,471) | (287,376) |
| Other income (loss): | | | |
| Investment income (loss) | | 282,866 | (344,301) |
| Gain on interest rate swaps, net | | 14,410 | 127,688 |
| Inherent contribution | | 293,012 | — |
| Other income (loss), net | | 9,382 | (11,047) |
| Total other income (loss), net | | 599,670 | (227,660) |
| Excess (deficit) of revenues over expenses | $ | 411,199 | (515,036) |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2023 and 2022

(In thousands)

| | Without donor restrictions | | | |
|---|---|---|---|---|
| | Controlling interests | Noncontrolling interests | With donor restrictions | Total net assets |
| Balance, December 31, 2021 | $ 3,430,009 | — | 176,742 | 3,606,751 |
| Deficit of revenues over expenses | (515,036) | — | — | (515,036) |
| Changes in pension assets | (15,508) | — | — | (15,508) |
| Changes from noncontrolling interest | — | 34,471 | — | 34,471 |
| Contributions and other | 26,539 | — | 14,875 | 41,414 |
| Net assets released from restriction for capital acquisitions | 4,542 | — | (4,542) | — |
| Net assets released from restriction for operations | — | — | (6,382) | (6,382) |
| Loss on investments | — | — | (611) | (611) |
| Decrease in assets held in trust by others | — | — | (4,569) | (4,569) |
| Change in net assets | (499,463) | 34,471 | (1,229) | (466,221) |
| Balance, December 31, 2022 | 2,930,546 | 34,471 | 175,513 | 3,140,530 |
| Excess of revenues over expenses | 349,718 | 61,481 | — | 411,199 |
| Changes in pension assets | (158) | — | — | (158) |
| Changes from noncontrolling interest | — | (61,027) | — | (61,027) |
| Contributions and other | 20,582 | — | 65,863 | 86,445 |
| Net assets assumed in affiliation | — | — | 19,657 | 19,657 |
| Net assets released from restriction for capital acquisitions | 442 | — | (442) | — |
| Net assets released from restriction for operations | — | — | (10,068) | (10,068) |
| Gain on investments | — | — | 12,095 | 12,095 |
| Decrease in assets held in trust by others | — | — | (1,957) | (1,957) |
| Change in net assets | 370,584 | 454 | 85,148 | 456,186 |
| Balance, December 31, 2023 | $ 3,301,130 | 34,925 | 260,661 | 3,596,716 |

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Cash Flows

Years ended December 31, 2023 and 2022

(In thousands)

| | | 2023 | 2022 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Increase (decrease) in net assets | $ | 456,186 | (466,221) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | | 163,267 | 140,892 |
| Amortization of bond premiums, discounts, and issuance costs | | (4,120) | (2,163) |
| Net realized and unrealized gains on investments | | (222,484) | 378,740 |
| Change in fair value of interest rate swap | | (5,970) | (133,126) |
| Gain on disposal of assets, net | | (34,027) | (3,009) |
| Loss on joint ventures, net | | 4,371 | 7,032 |
| Net assets assumed from affiliation | | (312,669) | — |
| Restricted contributions for long-term purposes | | (24,336) | (4,968) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | (78,278) | (51,158) |
| Supplies inventory and other current assets | | (72,922) | (43,673) |
| Right-of-use lease asset | | 57,252 | 35,690 |
| Other assets, net | | 40,427 | 80,665 |
| Accounts payable and accrued expenses and accrued interest payable | | 41,947 | 27,421 |
| Accrued compensation and related liabilities | | 60,582 | (14,765) |
| Right-of-use lease liability | | (34,518) | (30,021) |
| Other liabilities, net | | 14,918 | 21,842 |
| Net cash provided by (used in) operating activities | | 49,626 | (56,822) |
| Cash flows from investing activities: | | | |
| Purchase of property, plant, and equipment | | (294,860) | (237,295) |
| Proceeds from disposal of property, plant, and equipment | | 57,640 | 6,360 |
| Cash obtained from affiliation | | 29,814 | — |
| Purchase of additional ownership in PSW and OSS, net of cash received | | — | (86,915) |
| Investments in joint ventures, net | | (38,393) | (11,445) |
| Purchases of investments | | (6,831,712) | (8,827,993) |
| Sales of investments | | 7,021,038 | 9,072,857 |
| Change in donor trusts | | (22,232) | (2,833) |
| Net cash used in investing activities | | (78,705) | (87,264) |
| Cash flows from financing activities: | | | |
| Repayment of long-term debt | | (82,401) | (415,646) |
| Proceeds from line of credit, net | | 62,935 | — |
| Proceeds from bond issuance | | — | 798,300 |
| Payment of debt issue expenses | | — | (5,702) |
| Principal payments on finance lease obligations | | (5,782) | (4,499) |
| Restricted contributions for long-term purposes | | 24,336 | 4,968 |
| Net cash (used in) provided by financing activities | | (912) | 377,421 |
| Net change in cash and cash equivalents | | (29,991) | 233,335 |
| Cash and cash equivalents, beginning of year | | 542,067 | 308,732 |
| Cash and cash equivalents, end of year | $ | 512,076 | 542,067 |
| Supplemental disclosures of cash flow information: | | | |
| Cash paid during the year for interest, net of amount capitalized | $ | 77,251 | 52,258 |
| Noncash activities: | | | |
| Increase (decrease) in deferred compensation plans | | 17,628 | (11,750) |
| (Decrease) increase in accounts payable for purchases of property, plant, and equipment | | (7,492) | 9,301 |

See accompanying notes to consolidated financial statements.

## (1) Nature of Organization and Summary of Significant Accounting Policies

### *(a) Organization Description*

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane, Thurston and Yakima Counties and, with respect to pediatric care, much of the southwest Washington region. As of December 31, 2023, MHS was licensed to operate 2,577 inpatient hospital beds, including 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington. MHS operates nine acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Hospital, Deaconess Hospital, Valley Hospital, Capital Medical Center and Yakima Memorial Hospital) and one behavioral health hospital (Navos). MHS also operates eight outpatient surgical sites, six free-standing emergency departments, home health, hospice, and multiple urgent care, primary care and multispecialty clinics located throughout the MHS service areas.

The consolidated financial statements include the operations of these facilities and services as well as those of four wholly owned subsidiaries (Greater Lakes Mental Healthcare, Medis, Inc., MultiCare Rehabilitation Specialists, P.C., and PNW PACE Partners, LLC), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned professional services organization that employes providers for Yakima Memorial Hospital (Memorial Physicians, LLC), a wholly owned accountable care organization (MultiCare Connected Care), a wholly owned clinically integrated healthcare network (Central Washington Healthcare Partners, LLC dba SignalHealth), a leading population health company (Physicians of Southwest Washington), a physical therapy provider (Olympic Sports & Spine) and three fundraising foundations (Yakima Valley Memorial Hospital Charitable Foundation, Mary Bridge Children's Foundation and MultiCare Foundations, which is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation and MultiCare Inland Northwest Foundation).

On January 17, 2023, MHS completed its affiliation with Yakima Valley Memorial Hospital (Yakima) and became the sole corporate member. No consideration was exchanged as part of this transaction. Yakima operates an acute care facility, clinics and other services to the greater Yakima Valley region. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. The net assets assumed resulted in an inherent contribution of $293,012 in the consolidated statements of operations. The remaining contribution of $19,657 was restricted and is included in net assets assumed in affiliation with donor restrictions in the consolidated statements of changes in net assets. The following table summarizes the estimated fair values of assets acquired and liabilities assumed as of the acquisition date.

| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
|---|---|---|
| Cash | $ | 29,814 |
| Accounts receivable | | 69,920 |
| Other current assets | | 16,675 |
| Land, buildings and equipment | | 252,096 |

| | | |
|---|---|---|
| Intangible asset and other assets | $ | 105,830 |
| Accounts payable, accrued compensation and other current liabilities | | (112,076) |
| Long-term debt and other non-current liabilities | | (49,590) |
| Total identifiable net assets assumed | $ | 312,669 |

The following are the results of Yakima in 2023 that have been included in the consolidated statements of operations and consolidated statements of changes in net assets from the acquisition date for the year ended December 31, 2023:

| | | |
|---|---|---|
| Total operating revenues | $ | 544,287 |
| Change in net assets without restrictions | | 151,121 |
| Change in net assets with restrictions | | 4,693 |

The following unaudited information presents MultiCare's results for the years ended December 31, 2023 and 2022, had the acquisition date been January 1, 2022 for the Yakima affiliation:

| | | 2023 | 2022 |
|---|---|---|---|
| | | (Unaudited) | |
| Total operating revenues | $ | 4,949,015 | 4,524,987 |
| Changes in net assets without donor restrictions | | 463,044 | (504,189) |
| Changes in net assets with donor restrictions | | 85,148 | 5,394 |

On May 1, 2022, MHS completed the purchase of additional units of Physicians of Southwest Washington, LLC (PSW). Total consideration of this transaction was $49,956 and increased MHS' ownership to 75%. As part of the consideration of this business combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in PSW, a gain of $9,105 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. PSW is a leading population health company that provides management of risk contracts and manages a leading national accountable care organization (ACO) among other population health service offerings. The following table summarizes the total consideration and the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

| | | |
|---|---|---|
| Consideration: | | |
| Cash consideration transferred | $ | 17,358 |
| Fair value of MHS's equity interest before business combination | | 32,598 |
| Total | $ | 49,956 |



(Continued)

| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
|---|---|---|
| Cash | $ | 24,649 |
| Other current assets | | 21,640 |
| Land, buildings and equipment | | 647 |
| Intangibles and other assets | | 1,799 |
| Accounts payable, accrued compensation and other current liabilities | | (24,454) |
| Total identifiable net assets assumed | | 24,281 |
| Noncontrolling interest recognized | | (23,731) |
| Goodwill | | 49,406 |
| Total | $ | 49,956 |

The following are the results of PSW in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31, 2022:

| | | |
|---|---|---|
| Total operating revenues | $ | 36,305 |
| Excess of revenue over expenses | | 1,394 |

The following unaudited information presents MHS's results for the year ended December 31, 2022, had the acquisition date been January 1, 2022 for the PSW acquisition:

| | | 2022 (Unaudited) |
|---|---|---|
| Total operating revenues | $ | 4,010,866 |
| Deficit of revenues over expenses | | (513,848) |

On September 22, 2022, MultiCare Rehabilitation Specialists, P.C. completed the purchase of additional units of Olympic Sports & Spine, PLLC (OSS). Total consideration of this transaction was $36,959 and increased MHS's ownership to 80.16%. As part of the consideration of this business combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in OSS, a loss of $8,191 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. OSS provides physical, occupational, and massage therapy services in the south Puget Sound area. The following table summarizes the total consideration and the

estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

| | | |
|---|---|---|
| Consideration: | | |
| Cash consideration transferred | $ | 7,377 |
| Fair value of MHS's equity interest before business combination | | 29,582 |
| Total | $ | 36,959 |
| Recognized amounts of identifiable assets acquired and liabilities assumed: | | |
| Cash | $ | 5,988 |
| Other current assets | | 6,167 |
| Land, buildings and equipment | | 5,156 |
| Intangibles and other assets | | 1,453 |
| Accounts payable, accrued compensation and other current liabilities | | (2,409) |
| Total identifiable net assets assumed | | 16,355 |
| Noncontrolling interest recognized | | (9,148) |
| Goodwill | | 29,752 |
| Total | $ | 36,959 |

The following are the results of OSS in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31, 2022:

| | | |
|---|---|---|
| Total operating revenues | $ | 15,176 |
| Excess of revenue over expenses | | 1,146 |

The following unaudited information presents MHS's results for the year ended December 31, 2022, had the acquisition date been January 1, 2021 for the OSS acquisition:

| | | 2022 (Unaudited) |
|---|---|---|
| Total operating revenues | $ | 3,994,219 |
| Deficit of revenues over expenses | | (512,468) |

***(b) Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of MHS after elimination of all significant intercompany accounts and transactions.

### *(c) Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

### *(d) Cash and Cash Equivalents*

Cash and cash equivalents include certain investments in highly liquid instruments with maturities of three months or less at the date of purchase. Cash equivalents and investments that are held by outside investment managers or restricted per contractual or regulatory requirements are classified as investments on the consolidated balance sheets.

### *(e) Accounts Receivable*

Accounts receivable are primarily comprised of amounts due for healthcare services from patients and third-party payors and are recorded net of amounts for contractual adjustments and implicit price concessions.

### *(f) Supplies Inventory*

Supplies inventory consists of pharmaceutical, medical-surgical, and other supplies generally used in the operations of MHS. Supplies inventory is stated at lower of cost or net realizable value using the average cost method, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

### *(g) Donor Restricted Assets*

The majority of the donor restricted assets are invested in MHS' investments and are stated at fair value or estimated fair value. Donor restricted assets that are held separately from MHS' investments include perpetual trusts and charitable remainder unitrusts, where MHS is the beneficiary but not the trustee, that are invested in mutual funds, fixed income securities, and equity securities. Those with readily determinable fair values are stated at fair value. Those investments for which quoted market prices are not readily determinable are carried at values provided by the respective investment managers or trustees, which management believes approximates fair value.

Charitable gift annuities, which are included in donor restricted assets, totaled $1,947 and $1,749 at December 31, 2023 and 2022, respectively. MHS has recorded a corresponding payable of $1,406 and $1,301 at December 31, 2023 and 2022, respectively, to pay for estimated future obligations to beneficiaries. The current portion of these obligations is included in accounts payable and accrued expenses and the long-term portions are included in other liabilities, net in the accompanying consolidated balance sheets. According to Washington State law, MHS, as a distinct legal entity holding charitable gift annuities, is required to maintain unrestricted net assets of at least $500, which MHS has done for each of the periods presented.


(Continued)

### *(h) Investments*

MHS accounts for its investment portfolio as a trading portfolio, therefore, investments in fixed income securities, equity securities, and commingled trusts with a readily determinable fair value are recorded at fair value, which are determined based on quoted market prices or prices with observable inputs obtained from national securities exchanges or similar sources. Other investments, including limited partnerships, commingled real estate trust funds, limited liability partnerships, and hedge funds are carried at net asset value (NAV) provided by the respective investment managers, which management believes approximates fair value. Valuations provided by investment managers consider variables such as valuation and financial performance of underlying investments, quoted market prices for similar securities, recent sale prices of underlying investments, and other pertinent information. Management reviews the valuations provided by investment managers and believes that the carrying values of these financial instruments are reasonable estimates of fair value.

Realized gains and losses are recorded using the average cost method. Investment income or loss (including realized gains and losses on investments, change in unrealized gains or losses, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

### *(i) Property, Plant, and Equipment*

Property, plant, and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives of the assets:

| | |
|---|---|
| Buildings | 5–80 years |
| Land improvements | 8–20 years |
| Equipment | 3–30 years |

MHS capitalizes all software implementation costs that meet the criteria for capitalization, including those that relate to a service contract (e.g., hosting arrangement). The capitalized software implementation costs are reflected within property, plant and equipment in the consolidated balance sheets. These costs are amortized together with the costs of the related software license; however, the implementation costs related to a service arrangement are amortized over the term of the arrangement. The amortization period for all capitalized implementation costs is generally 10 years.

Maintenance and repairs are charged to operations as they occur. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Gains upon sale or retirement of property, plant, and equipment are included in other operating revenue whereas losses are included in other expenses. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

MHS assesses potential impairments to its long-lived assets as well as its intangible assets, as described below, when there is evidence that events or changes in circumstances indicate that an impairment has been incurred. These changes can include a deterioration in operating performance, a reduction in reimbursement rates from government or third-party payors or a change in business strategy. An impairment charge is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2023 and 2022, there were no impairment charges.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

***(j) Leases***

Management reviews contracts in order to identify leases and properly classify leases as either operating or financing. MHS is a lessee of various equipment and facilities under noncancelable operating and financing leases. Operating and financing right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Generally, MHS cannot determine the interest rate implicit in the lease because it does not have access to the lessor’s estimated residual value or the amount of the lessor’s deferred initial direct costs. Therefore, MHS generally uses its incremental borrowing rate as the discount rate for the lease. MHS’ incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

If a lease contains a renewal option at the commencement date and it is considered reasonably certain that the renewal option will be exercised by management to renew the lease, the renewal option payments are included in MHS’ net minimum lease payments used to determine the right-of-use lease liabilities and related lease assets. All other renewal options are included in right-of-use lease liabilities and related lease assets when they are reasonably certain to be exercised.

All lease agreements generally require MHS to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation.



(Continued)

Variable lease payments associated with MHS' leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in other expenses in the consolidated statement of operations and changes in net assets.

MHS has elected the practical expedient to not separate lease components from non-lease components related to its real estate leases.

### *(k) Goodwill and Intangible Assets*

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them.

If it is more likely than not that goodwill is impaired, MHS records the amount that the carrying value exceeds the fair value as an impairment charge. Goodwill is not amortized and along with indefinite-lived intangible assets is evaluated at least annually for impairment. There were no impairment charges recognized during the years ended December 31, 2023 or 2022.

The following table summarizes the balances of goodwill and intangible assets at December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Goodwill | $ | 232,085 | 232,085 |
| Intangible assets, net of accumulated amortization of $7,712 and $7,035, respectively | | 27,745 | 21,189 |
| Total | $ | 259,830 | 253,274 |

The balance sheet as of December 31, 2023 includes intangible assets recognized as part of the Yakima affiliation in the amount of $7,696. The balance sheet as of December 31, 2022 includes goodwill recognized as part of the PSW and OSS transactions in the amounts of $49,406 and $29,752, respectively, and intangible assets recognized of $1,719 and $1,421, respectively.

Amortizing intangible assets are comprised of certificates of need, license agreements, trade names and lease arrangements, which all have finite useful lives. Amortization expense is recorded on a straight-line basis over the estimated useful life of the assets, which ranges from three to thirty years, associated with the nature of the intangible asset. Amortization expense was $677 and $1,474 for the years ended December 31, 2023 and 2022, respectively.



(Continued)

***(l) Investment in Joint Ventures***

MHS maintains ownership in certain joint ventures related to imaging, office buildings, behavioral health and other healthcare focused activities and accounts for these joint ventures under the equity method of accounting. As of December 31, 2023 and 2022, MHS held ownership interests in 27 and 26 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. Loss on joint ventures for the years ended December 31, 2023 and 2022 were $4,371 and $7,032, respectively, associated with several joint ventures. Gains and losses are included in other operating revenue on the consolidated statements of operations.

***(m) Estimated Third-Party Payor Settlements***

Medicare cost reports are filed annually by MHS with the Medicare intermediary and are subject to audit and adjustment prior to settlement. Estimates of net settlements due to Medicare were $7,646 and $4,781 as of December 31, 2023 and 2022, respectively, and have been recorded within accounts payable and accrued expenses in the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, based upon the amount of the final settlements. Patient service revenue increased by $2,865 in 2023 and decreased by $148 in 2022 to reflect changes in the estimated Medicare settlements for prior years.

***(n) Interest Rate Swaps***

MHS maintains several interest rate swap agreements as a means of hedging its exposure to variable-based interest rates and fluctuations in cash flows as part of its overall interest rate risk management strategy. All MHS interest rate swaps are recorded at fair value. The accounting for changes in the fair value of these swaps depends on whether those had been designated as cash flow hedges. As of December 31, 2023 and 2022, none of MHS' interest rate swaps were designated as cash flow hedges and therefore, the changes in fair value are recognized and included in other income (loss) on the consolidated statements of operations. These swaps have notional amounts totaling approximately $559,000 and expire starting in August 2027 through August 2049. During 2023, the interest rate swap agreements were amended to change the variable rate basis from LIBOR to SOFR due to the discontinuation of LIBOR. The majority of the swaps have the economic effect of fixing the SOFR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

Under master netting provisions of the International Swap Dealers Association (ISDA) agreement with each of the counterparties, MHS is permitted to settle with the counterparties on a net basis. However, due to the nature of the specific swap arrangements in MHS' interest rate swap portfolio, the fair value of interest rate swap assets and swap liabilities are presented on a gross basis on the consolidated balance sheets.

***(o) Net Assets with Donor Restrictions***

Gifts are reported as support with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets to a specific time or purpose or have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are expended for their restricted purposes or by the occurrence of the passage of time, these amounts are released from restrictions for operations and are classified as revenues, gains, and other support without donor restrictions. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2023 and 2022, MHS has recorded $26,678 and $21,265, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2023, $15,886 of pledges are due in one year or less and $10,792 in two to eight years.

***(p) Patient Service Revenue***

Patient service revenue is reported at the amount that reflects the consideration to which MHS expects to receive in exchange for providing patient services. These amounts are due from patients, third-party payors, and others and include the variable consideration for retroactive adjustments to revenue due to final settlement of audits, reviews, and investigations. MHS bills the patient and third-party payors several days after the services are performed or when the patient is discharged from the facility, whichever is later.

***(q) Hospital Safety Net Assessment***

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, MHS recorded increases in patient service revenue of $99,048 and $89,946 for 2023 and 2022, respectively, and incurred assessments of $68,134 and $63,961 for 2023 and 2022, respectively, which were recorded in other operating expenses in the accompanying consolidated statements of operations. MHS has outstanding receivables of $13,666 and $17,287 associated with this program as of December 31, 2023 and 2022, respectively, which are included with accounts receivable on the consolidated balance sheets.



(Continued)

***(r) Uncompensated and Undercompensated Care***

MHS provides a variety of uncompensated and undercompensated healthcare services to the communities it serves within the purview of its mission. Because MHS does not pursue collection of amounts determined to qualify as uncompensated care, MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its historical collections from these patients. Patients who meet the criteria of MHS' uncompensated care policy are eligible to receive these services without charge or at an amount less than MHS' established rates. Such amounts determined to qualify as charity care are not reported as revenue. The State provides guidelines for charity care provided by hospitals in the state. Hospitals are recommended to provide full charity care to patients who meet 100% of the federal poverty guidelines and a lesser amount to patients who meet up to 200% of the federal poverty guidelines. MHS provides full charity care to patients who meet 300% of the federal poverty guidelines and also provides uncompensated care on a sliding scale for patients whose income is between 301% and 500% of the federal poverty guidelines for true self-pay patients and patients with deductibles and coinsurance amounts. The estimated cost of charity care provided was approximately $67,000 and $52,000 in 2023 and 2022, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately $496,000 and $424,000 in 2023 and 2022, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

***(s) Other Operating Revenue***

Other operating revenue includes revenue from cafeteria sales, retail pharmacy, laboratory revenue from community providers, medical office rental income, contributions without donor restrictions, grant revenue, contracted behavioral healthcare revenue, capitated revenue, and other miscellaneous revenue.

***(t) Excess of Revenues over Expenses***

The consolidated statements of operations include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension asset, net assets assumed in affiliation, net assets released from restrictions for capital expenditures, and capital assets received.

***(u) Federal Income Taxes***

ASC Subtopic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements. This topic also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, this topic provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Other than Medis, Inc., Physicians of Southwest Washington, LLC and Olympic Sports & Spine, PLLC, which are all taxable

entities, all of the other entities have obtained determination letters from the Internal Revenue Service that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income.

***(v) Self-Insurance Reserves***

MHS is self-insured with respect to professional and general liability, workers' compensation and medical and other health benefits with excess insurance coverage over self-insured retention limits. MHS records insurance liabilities for these specific items by using third party actuarial calculations and certain assumptions and inputs such as MHS historical claims experience and the estimated amount of future claims that will be incurred.

***(w) New and Pending Accounting Standards***

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13 and in November 2019, issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The amendments in this update require that financial assets are measured at amortized cost basis and presented at the net amount expected to be collected. This eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an entity's current estimate of all expected credit losses and broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2023. The adoption of this ASU did not have a material impact on our financial statements.

In April 2019, FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* The amendments in this update are divided into four separate topics that discuss the details of the improvement areas and the amendments made to the Codification for these improvement areas. Topics 1, 2 and 5 in this ASU relate specifically to ASU 2016-13, which is effective for MHS for the year beginning January 1, 2023. Topics 3 and 4 in this ASU have been evaluated and are not applicable to MHS. The adoption of this ASU did not have a material impact on our financial statements.

## (2) Coronavirus (COVID-19) Impact

MHS has filed applications and obtained reimbursement of additional expenses from the Federal Emergency Management Agency (FEMA) based on criteria due to the national emergency declaration made due to COVID-19. MHS has submitted funding applications with FEMA that covers costs incurred in order to respond to the COVID-19 pandemic. MHS recognizes FEMA reimbursements as they are obligated by the agency. MHS recognized $111,226 and $14,578 of FEMA reimbursements for the years ended December 31, 2023 and 2022, respectively, within other operating revenue in the statements of operations.

### (3) Revenue from Contracts with Customers

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by MHS and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. MHS believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals or clinics receiving inpatient or outpatient services. MHS measures an inpatient performance obligation from time of admission to time of discharge and an outpatient performance obligation from the start of the outpatient service to the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided to patients and customers.

MHS has elected to apply the optional exemption in ASC 606-10-50-14a as all of MHS' performance obligations related to contracts with a duration of less than one year. Under this exemption, MHS was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations are completed within days or weeks of the end of the year.

MHS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with MHS policy, and implicit price concessions provided to uninsured patients. MHS determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. MHS determines its estimate of implicit price concessions based on its historical collection experience with each class of patients.

Contractual agreements with third-party payors provide for payments at amounts less than MHS' established charges. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare Severity Diagnosis-Related Groups (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services is reimbursed under a prospective payment methodology, the Ambulatory Payment Classifications (APCs), or fee schedules.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare; however, Medicaid utilizes All Payor Refined Diagnosis-Related Groups (APR-DRGs) as opposed to Medicare's MS-DRGs. The majority of Medicaid outpatient services is reimbursed under a prospective payment methodology, the Enhanced Ambulatory Patient Groups (EAPG), or fee schedules.
- Other – MHS has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and fee schedules.


(Continued)

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements with the government. Compliance with such laws and regulations may also be subject to future government exclusion from the related programs. There can be no assurance that regulatory or governmental authorities will not challenge MHS' compliance with these laws and regulations, and it is not possible to determine the impact, if any, that such claims or penalties would have upon MHS. In addition, the contracts with commercial payors also provide for retroactive audit and review of claims that can reduce the amount of revenue ultimately received.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the current estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled and no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. MHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. MHS estimates the transaction price for patients with deductibles and co-insurance from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for prior years were not significant for 2023 or 2022. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay and deemed uncollectable are recorded as bad debt expense.

Consistent with MHS' mission, care is provided to patients regardless of their ability to pay. MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its collection experience with those patients. Patients who meet the criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as uncompensated care are not reported as revenue.



(Continued)

MHS has determined that the best depiction of its revenue is by its mix of payors as this shows the amount of revenue recognized from each portfolio. Patient service revenue disaggregated by payor for the years ended December 31, 2023 and 2022 are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Payors: | | | |
| Medicare | $ | 1,392,360 | 1,068,131 |
| Medicaid | | 697,273 | 623,026 |
| Premera | | 568,520 | 521,521 |
| Regence | | 408,562 | 392,750 |
| Aetna | | 191,124 | 192,352 |
| United Healthcare | | 150,687 | 133,716 |
| First Choice | | 131,606 | 117,366 |
| Kaiser Permanente | | 112,527 | 134,237 |
| Self-pay | | 20,654 | 23,149 |
| Other | | 848,015 | 559,640 |
| | $ | 4,521,328 | 3,765,888 |

MHS has elected to apply the practical expedient under ASC 340-40-25-4 and therefore, all incremental customer contract acquisition costs are expensed as incurred, as the amortization period of the asset that MHS would have otherwise recognized is one year or less in duration.

## (4) Concentration of Credit Risk

MHS grants credit without collateral to its patients, most of whom are residents of the communities it serves and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Medicare | 35 % | 35 % |
| Medicaid | 22 | 25 |
| Premera | 8 | 7 |
| Regence | 7 | 6 |
| Self-pay | 5 | 5 |
| First Choice | 2 | 1 |
| Health Care Exchange | 1 | 1 |
| Other commercial insurance | 20 | 20 |
| | 100 % | 100 % |



(Continued)

## (5) Fair Value Measurements

### *(a) Fair Value Hierarchy*

In accordance with ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for similar assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical or similar assets or liabilities that MHS could access at the measurement date. Level 1 securities generally include investments in equity securities, mutual funds and certain fixed income securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are based upon observable market inputs for the asset or liability, either directly or indirectly. Level 2 securities generally include investments in fixed income securities (composed primarily of government, agency and corporate bonds) and interest rate swaps.
- Level 3 inputs are unobservable market inputs for the asset or liability. Level 3 securities include donor trusts where MHS is not the trustee.

The level in the fair value hierarchy within which a fair value measurement, in its entirety, falls is based on the lowest level input that is significant to the fair value measurement.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHS is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Valuations provided by investment managers consider variables such as the financial performance of underlying investments, recent sales prices of underlying investments and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the redemption price. MHS reviews valuations and assumptions provided by investment managers for reasonableness and believes that the carrying amounts of these financial instruments approximate the estimated of fair value of the instrument. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

The following tables present the placement in the fair value hierarchy of investment assets and liabilities that are measured at fair value on a recurring basis and investments valued at NAV at December 31, 2023 and 2022:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2023 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Trading securities: | | | | |
| Mutual funds | $ 1,069,171 | 1,069,171 | — | — |
| Fixed income bond funds | 363,707 | 363,707 | — | — |
| Fixed income governmental obligations | 160,305 | 124,321 | 35,984 | — |
| Fixed income other | 163,597 | — | 163,597 | — |
| Donor trusts | 36,427 | — | — | 36,427 |
| Interest rate swaps | 26,421 | — | 26,421 | — |
| Total assets at fair value | 1,819,628 | $ 1,557,199 | 226,002 | 36,427 |
| Investment assets valued at NAV | 289,026 | | | |
| Total assets at fair value or NAV | $ 2,108,654 | | | |
| Liabilities: | | | | |
| Interest rate swaps | $ 6,425 | — | 6,425 | — |

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Trading securities: | | | | |
| Mutual funds | $ 927,945 | 927,945 | — | — |
| Equity securities | 8,204 | 8,204 | — | — |
| Fixed income bond funds | 327,965 | 327,965 | — | — |
| Fixed income governmental obligations | 152,312 | 114,851 | 37,461 | — |
| Fixed income other | 178,595 | — | 178,595 | — |
| Commingled trust fund – international equity | 14,376 | — | 14,376 | — |
| Donor trusts | 29,431 | — | — | 29,431 |
| Interest rate swaps | 23,496 | — | 23,496 | — |
| Total assets at fair value | 1,662,324 | $ 1,378,965 | 253,928 | 29,431 |
| Investment assets valued at NAV | 403,251 | | | |
| Total assets at fair value or NAV | $ 2,065,575 | | | |
| Liabilities: | | | | |
| Interest rate swaps | $ 9,470 | — | 9,470 | — |



(Continued)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2023 and 2022:

| | NAV December 31, 2023 | NAV December 31, 2022 | Unfunded commitments | Redemption frequency | Redemption notice period |
|---|---|---|---|---|---|
| Hedge funds | $ 1,472 | 125,067 | 60 | Quarterly | 60 or 95 business days prior to valuation date |
| Common trust funds | 280,800 | 269,628 | N/A | Daily | 1 or more business days prior to valuation date |
| Limited partnerships | 6,754 | 8,556 | 1,800 | N/A | N/A |
| Total investments valued at NAV | $ 289,026 | 403,251 | 1,860 | | |

Hedge funds include investments in hedge fund-of-funds products with certain investment managers. The fair values of the investments in this category have been estimated using the NAV per share of the investment.

Common trust funds include investments in a collective or common trust account that invests funds in an underlying fund or set of funds. The trust account seeks an investment return that approximates the performance of an index as defined by each common trust fund. The fair value of the investments in this category are estimated using the NAV per share of the fund that is derived from the underlying investments in the trust fund.

Limited partnerships include investments in private equity and venture capital funds in both developed and emerging markets with approximately 35% invested in private equity in developed markets, 20% in venture capital in developed markets, and 45% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS’ ownership interest in partners’ capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

### *(b) Interest Rate Swaps*

The interest rate swaps are recorded at estimated fair value by using certain observable market inputs that participants would use from closing prices for similar assets. In addition, other valuation techniques and market inputs are used that help determine the fair values of these swaps, which include certain valuation models, current interest rates, forward yield curves, implied volatility and credit default swap pricing.

The fair value of the interest rate swaps liability is included in interest rate swap liabilities on the consolidated balance sheets, and the fair value of the interest rate swap asset is included in other assets, net on the consolidated balance sheets. The fair value gains of these interest rate swaps for the years ended December 31, 2023 and 2022 were $5,969 and $133,126, respectively, and are included in gain on interest rate swaps in other income (loss), net in the consolidated statements of operations. Also included in the gain on interest rate swaps is the gain (loss) on net cash settlement amounts associated with the swaps of $8,441 and ($5,439) for the years ended December 31, 2023 and 2022, respectively.

The following table represents both the fair value and settlement value for the interest rate swap assets and liabilities as of December 31, 2023 and 2022:

| | Asset derivatives | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Balance sheet location | Fair value | Settlement value | Balance sheet location | Fair value | Settlement value |
| Derivative instruments: | | | | | | |
| Interest rate swaps | Other assets, net | $ 26,421 | 29,351 | Other assets, net | $ 23,496 | 26,079 |

| | Liability derivatives | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Balance sheet location | Fair value | Settlement value | Balance sheet location | Fair value | Settlement value |
| Derivative instruments: | | | | | | |
| Interest rate swaps | Interest rates swap liabilities | $ 6,425 | 7,143 | Interest rates swap liabilities | $ 9,470 | 11,317 |

## (6) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2023 and 2022 is as follows:

| | December 31, 2023 | | |
|---|---|---|---|
| | Donor restricted assets | Investments | Total |
| Mutual funds | $ 25,522 | 1,043,649 | 1,069,171 |
| Fixed income securities | 16,414 | 671,195 | 687,609 |
| Hedge funds | 35 | 1,437 | 1,472 |

| | December 31, 2023 | | |
|---|---|---|---|
| | Donor restricted assets | Investments | Total |
| Common trust funds | $ 6,703 | 274,097 | 280,800 |
| Limited partnerships | 162 | 6,592 | 6,754 |
| Donor trusts | 36,427 | — | 36,427 |
| Pledge receivables, net and other | 66,300 | — | 66,300 |
| Total | $ 151,563 | 1,996,970 | 2,148,533 |

| | December 31, 2022 | | |
|---|---|---|---|
| | Donor restricted assets | Investments | Total |
| Mutual funds | $ 20,491 | 907,454 | 927,945 |
| Equity securities | 181 | 8,023 | 8,204 |
| Fixed income securities | 14,548 | 644,324 | 658,872 |
| Commingled trust fund – international equity | 317 | 14,059 | 14,376 |
| Hedge funds | 2,762 | 122,305 | 125,067 |
| Common trust funds | 5,954 | 263,674 | 269,628 |
| Limited partnerships | 190 | 8,366 | 8,556 |
| Donor trusts | 29,431 | — | 29,431 |
| Pledge receivables, net and other | 45,652 | — | 45,652 |
| Total | $ 119,526 | 1,968,205 | 2,087,731 |

Fixed income securities include mutual funds, corporate bonds, mortgage-backed securities, asset-backed securities, U.S. government obligations, and state government obligations.

## (7) Liquidity and Availability of Financial Assets

MHS actively monitors the availability of resources required to meet its operating obligations and other contractual commitments, while also striving to maximize investment returns of its available funds. To help meet its general obligations, MHS can also access the credit markets as a means of producing liquidity, if needed. MHS draws income, appreciation and distributions from its endowment fund up to 5% of the endowment average account value annually, as applicable donor restrictions are met, as another way of providing liquidity. For purposes of analyzing resources available to meet general expenditures over a 12-month period, MHS considers all expenditures related to its ongoing activities to provide integrated healthcare delivery as well as the conduct of services undertaken to support these activities to be general expenditures.

At December 31, 2023 and 2022, MHS' financial resources are as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Cash and cash equivalents | $ | 512,076 | 542,067 |
| Accounts receivable | | 659,925 | 511,727 |
| Other current assets, net | | 244,617 | 165,586 |
| Donor restricted assets | | 151,563 | 119,526 |
| Investments | | 1,996,970 | 1,968,205 |
| | | 3,565,151 | 3,307,111 |
| Less prepaid assets included in other current assets, net | | (68,927) | (58,353) |
| Less donor restricted assets | | (151,563) | (119,526) |
| Less investments with redemption limitations of greater than one year | | (6,754) | (8,556) |
| Total financial assets available for general expenditures | $ | 3,337,907 | 3,120,676 |

In addition to financial assets available to meet general expenditures over the next 12 months, MHS operates mostly using revenues, gains and other support without donor restrictions and anticipates collecting sufficient revenues to cover general expenditures. MHS also has a $200,000 line of credit available for general expenditures, if needed (note 15).

## (8) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2023 and 2022 is as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Land and land improvements | $ | 218,551 | 164,041 |
| Buildings | | 2,596,458 | 2,360,383 |
| Equipment | | 1,236,255 | 1,051,005 |
| | | 4,051,264 | 3,575,429 |
| Less accumulated depreciation | | (1,806,178) | (1,640,005) |
| | | 2,245,086 | 1,935,424 |
| Construction in progress | | 224,381 | 173,829 |
| Property, plant, and equipment, net | $ | 2,469,467 | 2,109,253 |

Total depreciation and amortization expense for the years ended December 31, 2023 and 2022 was $163,267 and $140,892, respectively. Depreciation expense charged to operations for the years ended December 31, 2023 and 2022 amounted to $162,991 and $139,145, respectively.

## (9) Other Assets, Net

Other assets are as follows at December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Investment in joint ventures | $ | 92,953 | 58,977 |
| Deferred compensation plan assets held in trust (note 12) | | 104,668 | 87,039 |
| Accrued pension asset (note 12) | | 49,236 | 36,428 |
| Self-insured retention receivables, net of current portion (notes 13 and 14) | | 18,128 | 17,462 |
| Net investment in lease (note 17(b)) | | 22,459 | 22,655 |
| Notes receivable (note 10) | | 75,138 | 75,284 |
| Interest rate swaps (note 5(b)) | | 26,421 | 23,496 |
| Other | | 12,516 | 8,467 |
| Other assets, net | $ | 401,519 | 329,808 |

Deferred compensation plan assets held in trust are participant-managed investments consisting of equity and fixed income mutual funds with prices quoted in active markets.

## (10) Notes Receivable

In December 2020, MHS executed a promissory note with Astria Health for a $75,000 loan. The loan bears a fixed interest rate of 9.5% with payments due June 30 and December 31 of each year. In December 2022, the credit agreement was amended to extend the maturity date. The loan matures in December 2025.

## (11) Other Liabilities, Net

Other liabilities are as follows at December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Professional liability, net of current portion (note 13) | $ | 121,130 | 103,813 |
| Deferred compensation liability (note 12) | | 104,668 | 87,039 |
| Workers' compensation liability, net of current portion (note 14) | | 15,651 | 15,444 |
| Other | | 6,124 | 24,749 |
| Other liabilities, net | $ | 247,573 | 231,045 |



(Continued)

## (12) Retirement Plans

### *(a) MHS Defined Benefit Pension Plan*

MHS operates one qualified defined benefit pension plan (the MHS Plan) covering eligible employees. The MHS Plan was closed to new employees effective after July 31, 2002. The benefits are based on years of service and the employee's highest five consecutive years of compensation. MHS contributions to the MHS Plan vary from year to year, but the minimum contribution required by law has been provided in each year. Effective December 31, 2016, participants no longer accrue pension benefits under the Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the MHS Plan, which has measurement dates of December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Change in projected benefit obligation: | | | |
| Projected benefit obligations at beginning of year | $ | 454,337 | 663,039 |
| Service cost | | 780 | 650 |
| Interest cost | | 24,026 | 19,329 |
| Actuarial loss (gain) | | 10,060 | (142,861) |
| Expected administrative expenses | | (780) | (650) |
| Benefits paid | | (32,492) | (85,170) |
| Projected benefit obligations at end of year | $ | 455,931 | 454,337 |
| Change in fair value of plan assets: | | | |
| Fair value of plan assets at beginning of year | $ | 490,765 | 723,990 |
| Actual gain (loss) on plan assets | | 47,597 | (147,327) |
| Actual administrative expenses | | (703) | (728) |
| Benefits paid | | (32,492) | (85,170) |
| Fair value of plan assets at end of year | $ | 505,167 | 490,765 |
| Funded status recognized in consolidated balance sheets consist of: | | | |
| Asset for pension benefits | $ | 49,236 | 36,428 |
| Amount recognized in net assets without donor restrictions: | | | |
| Net loss | | 106,209 | 106,367 |

| | 2023 | 2022 |
|---|---|---|
| Weighted average assumptions used to determine benefit obligations as of December 31: | | |
| Discount rate | 5.30 % | 5.50 % |

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at MHS' determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost are as follows during the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Service cost | $ 780 | 650 |
| Interest cost | 24,026 | 19,329 |
| Expected return on plan assets | (37,568) | (30,858) |
| Amortization of net actuarial loss | 112 | 5,335 |
| Settlement cost | — | 14,559 |
| | $ (12,650) | 9,015 |

| | 2023 | 2022 |
|---|---|---|
| Weighted average assumptions used to determine benefit obligation as of December 31: | | |
| Discount rate | 5.50 % | 3.00 % |
| Expected return on plan assets | 6.30 | 4.50 |

During the year ended December 31, 2022, the MHS Plan made lump-sum cash payments (settlements) to plan participants and in exchange the MHS Plan was relieved of all remaining liabilities of future payments to those plan participants. These settlements are included in benefits paid within the change in projected benefit obligation. The total amount of these settlements exceeded the total service costs and interest costs for the year ended December 31, 2022 and the pro-rata portion of the remaining balance in net assets without donor restrictions was recognized as part of net periodic benefit costs.

The accumulated benefit obligation for the MHS Plan was $455,931 and $454,337 at December 31, 2023 and 2022, respectively.

*(i) Estimated Future Benefit Payments*

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| | Pension benefits |
|---|---|
| 2024 | $ 36,424 |
| 2025 | 35,716 |
| 2026 | 36,681 |
| 2027 | 36,443 |
| 2028 | 36,330 |
| 2029–33 | 170,058 |

*(ii) Plan Assets*

The following tables set forth by level, within the fair value hierarchy, the MHS Plan's investments at fair value:

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2023 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | $ 2,586 | 2,586 | — | — |
| Trading securities: | | | | |
| Mutual funds | 47,061 | 47,061 | — | — |
| Fixed income bond funds | 38,421 | 38,227 | 194 | — |
| Fixed income governmental obligations | 199,689 | 159,733 | 39,956 | — |
| Fixed income other | 166,770 | 6,764 | 160,006 | — |
| Commingled trust fund – international equity | 10,724 | — | 10,724 | — |
| | 465,251 | $ 254,371 | 210,880 | — |

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2023 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Broker receivables | $ 20,343 | | | |
| Broker payables | (54,381) | | | |
| Total assets at fair value | 431,213 | | | |
| Investments valued at NAV | 73,954 | | | |
| Total assets at fair value or NAV | $ 505,167 | | | |

| | | Fair value measurements at reporting date using | | |
|---|---|---|---|---|
| | December 31, 2022 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | $ 8,926 | 8,926 | — | — |
| Trading securities: | | | | |
| Mutual funds | 91,812 | 91,812 | — | — |
| Fixed income bond funds | 5,100 | 4,921 | 179 | — |
| Fixed income governmental obligations | 187,978 | 140,834 | 47,144 | — |
| Fixed income other | 162,979 | 13,368 | 149,611 | — |
| Commingled trust fund – international equity | 12,729 | — | 12,729 | — |
| | 469,524 | $ 259,861 | 209,663 | — |



(Continued)

| | December 31, 2022 | Fair value measurements at reporting date using: Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Broker receivables | $ 38,910 | | | |
| Broker payables | (85,854) | | | |
| Total assets at fair value | 422,580 | | | |
| Investments valued at NAV | 68,185 | | | |
| Total assets at fair value or NAV | $ 490,765 | | | |

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2023 and 2022.

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2023 and 2022:

| | NAV December 31, 2023 | NAV December 31, 2022 | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|---|---|---|---|---|---|
| Absolute return funds | $ 70,377 | 63,783 | N/A | Monthly | 5 business days prior to valuation date |
| Limited partnerships | 3,577 | 4,402 | 850 | N/A | N/A |
| Total investments valued at NAV | $ 73,954 | 68,185 | 850 | | |

Absolute return fund investments consist primarily of listed equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles. These investments use derivatives or other instruments for both investment and hedging purposes and may take long and/or short positions, and the derivative investments may include but are not restricted to futures, options, swaps, and forward currency contracts.

Limited partnerships include investments in private equity and venture capital in both developed and emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

The defined benefit plan weighted average asset allocations at December 31, 2023 and 2022 by asset category are as follows:

| | 2023 | 2022 |
|---|---|---|
| Asset category: | | |
| Domestic equities | 6 % | 13 % |
| International equities | 5 | 9 |
| Fixed income securities | 88 | 77 |
| Alternative investments | 1 | 1 |
| | 100 % | 100 % |

*(iii) Investment Objectives*

The target asset allocations for each asset class are set based on the achieved funding levels for the Plan and are summarized below:

| | 2023 | 2022 |
|---|---|---|
| Asset category: | | |
| Domestic equities | 5 % | 12 % |
| International equities | 5 | 8 |
| Fixed income securities | 90 | 80 |
| | 100 % | 100 % |

*(iv) Investment Categories*

*Equities*

The strategic role of domestic equities is to provide higher expected market returns (along with international equities) of the major asset classes; maintain a diversified exposure within the U.S. stock market using multimanager portfolio strategies; and achieve returns in excess of passive indices using active investment managers and strategies.

The strategic role of international equities is to provide higher expected market return premiums (along with domestic equities) of the major asset classes and diversify the Plan's overall equity exposure by investing in non-U.S. stocks that are less than fully correlated to domestic equities with similar return expectations; to maintain a diversified exposure within the international stock market through the use of multimanager portfolio strategies; and to achieve returns in excess of passive indices through the use of active investment managers and strategies.

The strategic role of emerging markets is to diversify the portfolio relative to domestic equities and fixed income investments and to specifically include equity investment in selected global markets and may also include currency hedging for defensive purposes.

*Fixed Income*

The strategic role of fixed income securities is to diversify the Plan’s equity exposure by investing in fixed income securities that exhibit a low correlation to equities and lower volatility; maintain a diversified exposure within the U.S. fixed income market using multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow.

*Alternative Investments*

The strategic role of alternative investments is for diversification relative to equities and fixed income investments, to add absolute return using hedging strategies, and to achieve expected return premiums over longer holding periods. Alternative investments include investments in equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles, hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

***(b) Yakima Defined Benefit Pension Plan***

Yakima operates one qualified defined benefit pension plan (the Yakima Plan) covering eligible employees. The Yakima Plan was closed to new employees effective after May 31, 2008. The benefits are based on years of service and the employee’s highest five consecutive years of compensation. Contributions to the Yakima Plan vary from year to year, but the minimum contribution required by law has been provided in each year. Effective December 31, 2010 for nonunion participants and December 31, 2011 for union participants, participants no longer accrue pension benefits under the Yakima Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the Yakima Plan, which has measurement dates of December 31, 2023:

| | | |
|---|---|---|
| Change in projected benefit obligation: | | |
| Projected benefit obligations at beginning of year | $ | 111,906 |
| Interest cost | | 5,899 |
| Actuarial loss | | 2,107 |
| Benefits paid | | (8,168) |
| Projected benefit obligations at end of year | $ | 111,744 |
| Change in fair value of plan assets: | | |
| Fair value of plan assets at beginning of year | $ | 111,962 |
| Actual gain on plan assets | | 9,534 |
| Benefits paid | | (8,168) |
| Fair value of plan assets at end of year | $ | 113,328 |
| Funded status recognized in consolidated balance sheets consist of: | | |
| Asset for pension benefits | $ | 1,584 |
| Amount recognized in net assets without donor restrictions: | | |
| Net loss | | (5,190) |

| | |
|---|---|
| Weighted average assumptions used to determine benefit obligations as of December 31: | |
| Discount rate | 5.25 % |

The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at Yakima's determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost are as follows during the year ended December 31, 2023:

| | | |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Interest cost | $ | 5,899 |
| Expected return on plan assets | | (6,191) |
| | $ | (292) |

| | |
|---|---|
| Weighted average assumptions used to determine benefit obligation as of December 31: | |
| Discount rate | 5.25 % |
| Expected return on plan assets | 5.75 |

The accumulated benefit obligation for the Yakima Plan was $111,744 at December 31, 2023.

*(i) Estimated Future Benefit Payments*

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

| | Pension benefits |
|---|---|
| 2024 | $ 8,737 |
| 2025 | 8,842 |
| 2026 | 8,840 |
| 2027 | 8,831 |
| 2028 | 8,784 |
| 2029–2033 | 42,065 |

*(ii) Plan Assets*

The following tables set forth by level, within the fair value hierarchy, the Yakima Plans' investments at fair value:

| | Fair value measurements at reporting date using | | | |
|---|---|---|---|---|
| | December 31, 2023 | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| Assets: | | | | |
| Cash and cash equivalents | $ 16,006 | 16,006 | — | — |
| Trading securities: | | | | |
| Equity securities | 97,322 | 97,322 | — | — |
| Total assets at fair value | $ 113,328 | 113,328 | — | — |

*(iii) Investment Categories*

*Equity securities*

The strategic role of equity securities (domestic and international) is to provide higher expected market returns of the major asset classes within the applicable markets and maintain a diversified exposure within the portfolio.

***(c) Defined Contribution Plans***

MHS currently maintains three defined contribution plans including the MHS 401(a) Retirement Account Plan (RAP), the MHS 403(b) Employee Savings Plan, and the MHS 401(k) Plan. Most employees assigned to work at Deaconess Hospital, Valley Hospital, Rockwood Clinic and Capital Medical Center are eligible for participation in the MHS 401(k) Plan, which is funded by both MHS and employee contributions. The MHS 403(b) Employee Savings Plan is 100% funded by employee contributions, and the RAP is 100% funded by MHS contributions.

Yakima currently maintains two defined contribution plans including a 403(b) tax-deferred annuity plan and a 401(k) plan, which is a safe harbor plan. The 403(b) plan was frozen to contributions as of January 1, 2020. The 401(k) plan is funded by both Yakima and employee contributions.

MHS' and Yakima's funding for the defined contribution plans is based on certain percentages of the employees' base pay and/or a percentage of their deferred contributions. Employer contributions to the defined-contribution plans for 2023 and 2022 were approximately $65,000 and $58,000, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

***(d) Other***

In addition to the defined benefit and defined contribution plans as described above, MHS and Yakima also maintain several deferred compensation arrangements for the benefit of eligible employees. Substantially all amounts that are deferred under these arrangements are held in trust until such time as these funds become payable to the participating employees.

## (13) Professional Liability

MHS maintains a self-insurance program for professional liability with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability as of December 31, 2023 and 2022, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

During 2022, MHS began operations of a wholly owned insurance captive, Commencement Re (the Captive). On September 15, 2022, the Captive took on the risk to self-insure and reinsure certain layers of professional and general liability risk from MHS.



(Continued)

At December 31, 2023 and 2022, the estimated gross professional liability (including current and long-term portions) was $156,125 and $128,101, respectively. The current portion is included in accounts payable and accrued expenses, and the remainder is included in other liabilities, net in the accompanying consolidated balance sheets. MHS has recorded a receivable for amounts to be received from the excess insurance carriers for their portion of the claims (including current and long-term portions) of $15,100 and $22,754 as of December 31, 2023 and 2022, respectively. The current amount is included in other current assets, net, and the remainder is included in other assets, net in the accompanying consolidated balance sheets.

## (14) Workers' Compensation and Employee Health Benefit Programs

MHS maintains a self-insurance program for workers' compensation with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability based on an actuarial estimate of future claims payments. At December 31, 2023 and 2022, the estimated net liability based on future claims cost totaled $21,711 and $21,470, respectively. The gross liabilities (including both current and long-term portions) total $24,738 and $24,836 as of December 31, 2023 and 2022, respectively. The long-term amounts are included in other liabilities, net, and the current portions are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These liabilities are secured by a letter of credit with the State of Washington. MHS has recorded a receivable for amounts to be received from excess insurance carriers of $3,028 and $3,366 as of December 31, 2023 and 2022, respectively, which is included with other current assets, net and other assets, net for the respective estimated current and long-term portions.

MHS maintains a self-insurance program for employee medical and dental insurance. Employees can elect to be included in the self-insurance plan as a part of their fringe benefit package. Yakima maintained a separate self-insurance program for employee medical and dental insurance during 2023. Yakima employees were moved into the MHS program as of January 1, 2024. Premiums deducted from employees' wages are used in paying a portion of members' medical claims. The estimated liability for claims in 2023 and 2022 was $25,346 and $12,984, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

## (15) Long-Term Debt

Long-term debt consists of the following at December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| WHCFA Revenue bonds, 2022A | $ | 49,985 | 49,985 |
| WHCFA Revenue bonds, 2022B | | 108,145 | 108,145 |
| WHCFA Revenue bonds, 2022C | | 80,000 | 80,000 |
| WHCFA Revenue bonds, 2022D | | 130,170 | 130,170 |
| WHCFA Revenue bonds, 2022 Taxable Private Placement | | 430,000 | 430,000 |
| 2020 Taxable bonds | | 300,000 | 300,000 |

| | | 2023 | 2022 |
|---|---|---|---|
| OCED financing | $ | 75,642 | 57,249 |
| WHCFA Revenue bonds, 2017 Series A and B | | 310,415 | 314,550 |
| WHCFA Revenue bonds, 2017 Series C and D | | 111,010 | 111,010 |
| WHCFA Revenue bonds, 2015 Series A and B | | 329,345 | 343,675 |
| Other | | 17,005 | 19,085 |
| | | 1,941,717 | 1,943,869 |
| Adjusted for: | | | |
| Current portion | | (22,411) | (18,496) |
| Bond premiums, discounts, and debt issuance costs | | 42,643 | 46,764 |
| Long-term debt, net of current portion | $ | 1,961,949 | 1,972,137 |

***(a) Washington Health Care Facility Authority (WHCFA) Revenue Bonds, 2022A***

In August 2022, MHS issued $49,985 of 2022 Series A bonds. These bonds were issued as variable rate tax exempt private placement debt with Royal Bank of Canada, with principal payments ranging from $1,845 in 2040 to final payment of $20,365 in 2044. The interest rates reset monthly and are based on SIFMA plus a spread.

***(b) WHCFA Revenue Bonds, 2022B***

In August 2022, MHS issued $108,145 of 2022 Series B bonds. These bonds were issued as variable rate tax exempt private placement debt with PNC Bank, NA. Principal payments range from $7,035 in 2040 to $22,085 in 2045, with a final payment of $19,715 in 2046 with interest payable semi-annually in February and August, based on SOFR plus a spread.

***(c) WHCFA Revenue Bonds, 2022C***

In December 2022, MHS issued $80,000 of 2022 Series C bonds. These bonds were issued as variable rate tax exempt private placement debt with Banc of America Preferred Funding Corp. The principal is due in full in 2047 with monthly interest payments based on SIFMA plus a spread.

***(d) WHCFA Revenue Bonds, 2022D***

In December 2022, MHS issued $130,170 of 2022 Series D bonds. These bonds were issued as variable rate taxable private placement debt with Bank of America, NA. The principal is due in full in 2047 with monthly interest payments based on SOFR plus a spread.

***(e) WHCFA Revenue Bonds, 2022 Taxable Private Placement***

In August 2022, MHS issued $430,000 of Series 2022 taxable private placement bonds. The bonds were acquired by various private investors. Included in the issuance are $130,000 in bonds bearing 4.48% fixed rate interest with principal due in full in 2037, and $300,000 in bonds bearing 4.75% fixed rate interest with principal due in full in 2052.



(Continued)

***(f) 2020 Taxable Bonds***

In July 2020, MHS issued $300,000 of taxable 2020 series bonds. These bonds were issued as fixed rate bonds that bear interest of 2.803%. The principal of $300,000 is due in 2050, with interest only payments made semiannually in February and August of each year.

***(g) OCED Financing***

In June 2020, MHS finalized a sale-leaseback transaction for four off-campus emergency departments (OCED) with total cash proceeds received of $61,794. In October 2022, MHS finalized a sale-leaseback for three additional OCEDs. Due to the specific terms of the agreements, the leases qualified as financing type leases. The agreements did not meet the criteria for sale-leaseback accounting treatment and instead are considered a financing liability. For the agreement finalized in 2022, cash proceeds are not received until construction commences and repayment of the financing liabilities do not start until construction is completed. Construction of the first OCED was completed in December 2023. The 2020 agreement bears an implicit interest rate of 4.64% while the 2022 agreement bears an implicit interest rate of 5.90%. Total annual principal payments range from $1,856 in 2043 to $6,431 in 2039.

***(h) WHCFA Revenue Bonds 2017 Series A and B***

In November 2017, MHS issued $333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from $4,310 in 2024 to $62,410 in 2047.

***(i) WHCFA Revenue Bonds 2017 Series C, D, and E***

In November 2017, MHS entered into a $111,010 variable rate private placement agreement (Series C and D) with JPMorgan Chase Bank, National Association. The first annual principal payment of $55,505 is due in 2048, with a final principal payment of $55,505 in 2049. The interest rates reset monthly and are based on SOFR plus a spread.

***(j) WHCFA Revenue Bonds 2015 Series A and B***

In April 2015, MHS issued $373,390 of 2015 Series A and B bonds. Series A and B bonds were issued as fixed rate bonds that bear interest ranging from 2.0% to 5.0%. Annual principal payments range from $4,295 in 2040 to $24,085 in 2034 with a final payment of $8,860 due in 2045.

***(k) Other***

The other debt listed is primarily made up of debt held by Navos. Of the outstanding debt at December 31, 2023, $16,350 is associated with certain buildings and other capital assets operated by Navos and is subject to provisions whereby the debt will be forgiven upon compliance with those provisions. These provisions state that Navos maintains the assets that were built or purchased with these notes and maintains their usage when the promissory note was signed for the length specified. If these provisions are not met, the note must be repaid based on the terms of the agreement. The forgivable debt is subject to a forgiveness provision in years 2028 through 2068.

### *(l) Line of Credit*

In October 2022, MHS entered into a $200,000 revolving credit agreement with JPMorgan Chase Bank, NA. In October 2023, the agreement was amended to $100,000. The line of credit matures October 2024 and bears interest at a variable rate based upon SOFR. The balance outstanding was $62,935 as of December 31, 2023. The line on credit had no draws as of December 31, 2022.

Revenue bonds issued by MHS through WHCFA are subject to applicable bond indenture agreements, which require that MHS satisfy certain measures of financial performance as long as the bonds are outstanding. These measures include a minimum debt service coverage ratio and a condition that the bonds are secured by a gross receivables pledge. Based on management's assessment of these requirements, MHS is in compliance with these covenants at December 31, 2023 and 2022.

Each fixed-rate revenue bond requires semiannual interest payments on February 15 and August 15 of each year until maturity. These bonds are subject to early redemption by MHS on or after certain specific dates and at certain specific redemption prices as outlined in each bond agreement.

Principal maturities on long-term debt are as follows:

| Year ending December 31: | |
|---|---|
| 2024 | $ 22,456 |
| 2025 | 23,581 |
| 2026 | 24,753 |
| 2027 | 25,993 |
| 2028 | 27,298 |
| Thereafter | 1,817,636 |
| | $ 1,941,717 |

A summary of interest costs is as follows during the years ended December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Interest cost: | | |
| Charged to operations | $ 81,941 | 59,006 |
| Amortization of bond premiums, discounts, and issuance costs | (2,226) | (2,163) |
| Capitalized | 2,486 | 555 |
| | $ 82,201 | 57,398 |

## (16) Commitments and Contingencies

Approximately 42% of MHS employees were covered under collective bargaining agreements as of December 31, 2023. These employees provide nursing, nursing support, pharmacy, imaging, lab, inpatient and outpatient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through March 2026.

## (17) Leases

### *(a) Lessee*

MHS leases various equipment and facilities under noncancelable operating and finance leases. Lease terms for noncancelable operating leases range from 1 to 20 years, and existing leases have expiration dates through 2042. Lease terms for finance leases range from 1 to 21 years, and existing leases have expiration dates through 2040.

The components of lease cost for the years ended December 31, 2023 and 2022 were as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Operating lease cost | $ | 42,050 | 36,768 |
| Finance lease cost: | | | |
| Amortization of right-of-use assets | | 5,922 | 4,745 |
| Interest on lease liabilities | | 819 | 802 |
| Total finance lease cost | | 6,741 | 5,547 |
| Short term lease cost | | 751 | 1,503 |
| Variable lease cost | | — | 9,138 |
| Sublease income | | (595) | (1,727) |
| Total lease cost | $ | 48,947 | 51,229 |

Other information related to leases as of December 31, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Weighted average remaining lease term (years): | | |
| Operating leases | 8.6 | 7.2 |
| Finance leases | 5.5 | 6.0 |
| Weighted average discount rate: | | |
| Operating leases | 4.0 % | 4.0 % |
| Finance leases | 4.4 | 4.4 |

| | | 2023 | 2022 |
|---|---|---|---|
| Operating cash flows from operating leases | $ | (39,882) | (35,805) |
| Operating cash flows from finance leases | | (819) | (802) |
| Financing cash flows from finance leases | | (5,782) | (4,499) |
| Right-of-use assets obtained in exchange for new operating lease liabilities | | 62,205 | 56,322 |
| Right-of-use assets obtained in exchange for new finance lease liabilities | | 7,676 | 3,528 |

Maturities of lease liabilities under noncancelable leases as of December 31, 2023 are as follows:

| | | Operating leases | Finance leases | Total |
|---|---|---|---|---|
| For year ended December 31: | | | | |
| 2024 | $ | 45,337 | 7,278 | 52,615 |
| 2025 | | 41,668 | 5,215 | 46,883 |
| 2026 | | 37,006 | 2,420 | 39,426 |
| 2027 | | 30,844 | 2,154 | 32,998 |
| 2028 | | 27,300 | 1,305 | 28,605 |
| Thereafter | | 106,550 | 3,045 | 109,595 |
| Total undiscounted lease payments | | 288,705 | 21,417 | 310,122 |
| Less present value discount | | (42,748) | (2,470) | (45,218) |
| Total lease liabilities | $ | 245,957 | 18,947 | 264,904 |

***(b) Lessor***

MHS leases a building to the Alliance for South Sound Health, which does business under the name Wellfound Behavioral Health Hospital (Wellfound). Wellfound is a related party owned 50 percent by MHS. The leased building is owned solely by MHS and is the only asset that MHS leases out as a lessor. The lease has a 20-year initial lease term, with four 5-year extension options. Due to the related party nature of the lease, MHS considers it reasonably certain that Wellfound will exercise its four lease renewal options, and as such, treats the lease as a 40-year lease. There is no purchase option stated in the lease contract. MHS has determined that the lease is a sales-type financing lease, since the expected lease term spans a major portion of the useful life of the building. The net investment in this lease was $22,459 and $22,655 at December 31, 2023 and 2022, respectively, and is included in other assets, net on the consolidated balance sheets.



(Continued)

Revenue from leases for the years ended December 31, 2023 and 2022 is as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Interest income on net investment in finance leases | $ | 1,022 | 1,032 |
| Variable lease income | | 28 | 28 |
| Total lease income | $ | 1,050 | 1,060 |

Future lease payments receivable as of December 31, 2023 are as follows:

| | | |
|---|---|---|
| Year ended December 31: | | |
| 2024 | $ | 1,227 |
| 2025 | | 1,227 |
| 2026 | | 1,227 |
| 2027 | | 1,227 |
| 2028 | | 1,227 |
| Thereafter | | 39,346 |
| Total lease payments to be received | | 45,481 |
| Less unearned interest income | | (23,022) |
| Net investment in lease | $ | 22,459 |

## (18) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2023 and 2022:

| | | 2023 | 2022 |
|---|---|---|---|
| Healthcare services | $ | 105,652 | 51,816 |
| Endowment funds, perpetual trusts and related receivables | | 71,548 | 78,231 |
| Purchase of property, plant and equipment | | 79,602 | 42,001 |
| Indigent care | | 2,499 | 2,459 |
| Health education | | 1,360 | 1,006 |
| Total net assets with donor restrictions | $ | 260,661 | 175,513 |

## (19) Endowment Funds

MHS' endowments consist of over 100 individual funds established for a variety of purposes. They include both endowment funds with donor restrictions and funds designated without donor restrictions by the board of directors of its foundations to function as endowments (board-designated endowments). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions and nature of restrictions, if any.

The following tables present MHS' endowment net asset composition as well as associated changes therein:

| | Board designated without donor restrictions | Funds with donor restrictions | Total |
|---|---|---|---|
| Endowment net assets, December 31, 2021 | $ 2,861 | 44,012 | 46,873 |
| Investment return: | | | |
| Investment income | 16 | 376 | 392 |
| Net depreciation – realized and unrealized | (85) | (987) | (1,072) |
| Total investment return | (69) | (611) | (680) |
| Contributions | — | 3,499 | 3,499 |
| Appropriation of endowment assets for expenditure | (28) | (581) | (609) |
| Endowment net assets, December 31, 2022 | 2,764 | 46,319 | 49,083 |
| Investment return: | | | |
| Investment income | 72 | 933 | 1,005 |
| Net depreciation – realized and unrealized | 334 | 5,850 | 6,184 |
| Total investment return | 406 | 6,783 | 7,189 |
| Contributions | — | 18,188 | 18,188 |
| Appropriation of endowment assets for expenditure | (1,198) | (29,455) | (30,653) |
| Endowment net assets, December 31, 2023 | $ 1,972 | 41,835 | 43,807 |

Perpetual trusts that are held and managed by third party trustees are recorded as net assets with donor restrictions on the consolidated balance sheets; however, they are not included as endowment net assets with donor restrictions in the above presentation. Those perpetual trusts totaled $18,698 and $27,650, respectively, as of December 31, 2023 and 2022. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling $4,020 and $4,262, respectively, as of December 31, 2023 and 2022.

***(a) Funds with Deficiencies***

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations accumulated at the funds. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies in 2023 or 2022.

***(b) Investment Policy – Including Return Objectives and Strategies to Achieve Objectives***

The endowment assets are invested in an investment portfolio, which include those assets of donor restricted funds that MHS must hold in perpetuity as well as all other foundation-related investment assets. MHS has adopted an investment policy for the foundation investments that intends to provide income to support the spending policy while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate of return objectives, MHS relies on a total return strategy in which investment returns are achieved through both capital appreciation and interest and dividend income. MHS uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. There are some donor restricted funds that are held separately from MHS' pooled investments. These endowments are invested by donors in manners to provide funding for specific purposes as determined by donors.

***(c) Spending Policy***

In order to provide a stable and consistent level of funding for programs and services supported by the endowments, the foundations have determined that an annual spending rate of 5% of the endowment's average account value is prudent. In establishing the spending policies, the MHS foundations considered among other things, the expected total return on its endowments, effect of inflation, duration of the endowments to achieve its objective of maintaining the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts and investment returns.



(Continued)

## (20) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fundraising activities. Certain categories of expenses are attributable to programs and support services. These included salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2023 and 2022:

| | 2023 | | | | |
|---|---|---|---|---|---|
| | Program services | | | Support services | |
| | Hospitals and related services | Clinics and urgent care centers | Retail and other services | Corporate and support services | Total |
| Salaries and wages | $ 1,566,478 | 510,975 | 162,278 | 279,047 | 2,518,778 |
| Employee benefits | 159,185 | 78,846 | 40,516 | 102,520 | 381,067 |
| Supplies | 630,578 | 47,346 | 124,610 | 5,171 | 807,705 |
| Purchased services | 184,355 | 69,179 | 51,253 | 181,244 | 486,031 |
| Depreciation and amortization | 110,864 | 13,849 | 12,005 | 26,549 | 163,267 |
| Interest | 69,347 | 818 | 77 | 11,699 | 81,941 |
| Other | 378,173 | 54,197 | 155,055 | 111,272 | 698,697 |
| | $ 3,098,980 | 775,210 | 545,794 | 717,502 | 5,137,486 |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | Program services | | | Support services | |
| | Hospitals and related services | Clinics and urgent care centers | Retail and other services | Corporate and support services | Total |
| Salaries and wages | $ 1,357,838 | 464,219 | 93,787 | 283,421 | 2,199,265 |
| Employee benefits | 133,164 | 75,536 | 20,705 | 68,208 | 297,613 |
| Supplies | 535,376 | 48,220 | 70,994 | 3,880 | 658,470 |
| Purchased services | 135,500 | 68,800 | 32,771 | 159,676 | 396,747 |
| Depreciation and amortization | 87,289 | 14,878 | 7,580 | 31,145 | 140,892 |
| Interest | 40,631 | 3,715 | 70 | 12,426 | 56,842 |
| Other | 281,895 | 48,356 | 121,797 | 89,198 | 541,246 |
| | $ 2,571,693 | 723,724 | 347,704 | 647,954 | 4,291,075 |



(Continued)

## (21) Litigation and Regulatory Environment

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in the imposition of significant fines and penalties, significant repayments for patient services previously billed, and/or expulsion from government healthcare programs. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MHS is also involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to MHS' financial position.

## (22) Subsequent Events

MHS has evaluated the subsequent events through March 20, 2024, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.