MultiCare Health System
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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: MultiCare Yakima Memorial Surgery Center at Ridgeview Certificate of Need Request to Add Additional Specialties, Submitted Electronically July 3, 2024

Dear Mr. Hernandez:

I am pleased to submit this certificate of need ("CN") application request on behalf of MultiCare Health System ("MultiCare"). MultiCare owns and operates MultiCare Yakima Memorial Surgery Center at Ridgeview ("MultiCare Ridgeview") which operates under the hospital license of MultiCare Yakima Memorial Hospital ("MultiCare Yakima Memorial"). Our request is to expand the list of CN-approved specialties that can be performed at MultiCare Ridgeview.

MultiCare Ridgeview is currently CN-approved to operate two outpatient operating rooms, two cystoscopy rooms, and one ultrasound/cystoscopy room. Further, MultiCare Ridgeview is currently CN-approved for the following specialties:

> *Current list of specialties under original CN1496*: urology, orthopedics, podiatry, ophthalmology, gynecology, brachytherapy, pain management, and general surgery.

MultiCare is currently revitalizing the healthcare system in Yakima, thus requests the expansion of CN-approved specialties at MultiCare Ridgeview to include the following:

> *New specialties requested*: cardiology, vascular, and gastroenterology.

Check number 771182 in the amount of $20,427 was mailed on January 31, 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: K. Erin Kobberstad Vice President, Strategic Planning **Signature**: K. Erin Kobberstad **Dated**: July 3, 2024	**Phone Number:** 253-403-8771 **Email Address:** ekobberstad@multicare.org
Legal Name of Applicant: MultiCare Health System **Address of Applicant:** MultiCare Health System 820 A Street Tacoma, WA 98402	**Number of Operating Rooms requested – include procedure rooms:** No new operating rooms requested. Maintain existing two operating rooms, two cystoscopy rooms, and one cystoscopy/ultrasound room. Requesting to expand the list of certificate of approved specialties that can be performed at MultiCare Yakima Memorial Surgery Center at Ridgeview to include cardiology, vascular surgery, and gastroenterology. **Estimated Capital Expenditure**: $3,496,161
Identify the Planning Area for this project as defined in WAC 246-310-270(3): Yakima County Planning Area	

Contents

Introduction and Rationale 4
Applicant Description 8
Project description 10
Certificate of Need Review Criteria 14
A. Need (WAC 246-310-210) 14
B. Financial Feasibility (WAC 246-310-220) 21
C. Structure and Process of Care (WAC 246-310-230) 27
D. Cost Containment (WAC 246-310-240) 35

List of Tables

Table 1: MultiCare Yakima Memorial Hospital Operating Room Utilization 5
Table 2: MultiCare Ridgeview Historical Cases, 2021 - 2023 17
Table 3: MultiCare Ridgeview Historical Cases, Intervening Periods 17
Table 4: MultiCare Ridgeview Projected Case Count and Operating Room Utilization, 2025 to 2028 18
Table 5: Central WA Regional and MultiCare Charity Care Statistics 20
Table 6: Capital Expenditures 23
Table 7: Projected Payer Mix by Gross Revenue and by Cases 24
Table 8: Historical Payer Mix by Gross Revenue and by Cases 25
Table 9: MultiCare Facility List 27
Table 10: MultiCare Ridgeview Ambulatory Surgical Facility FTEs by Type by Year (Historical and Intervening) 29
Table 11: MultiCare Ridgeview Ambulatory Surgical Facility FTEs by Type by Year (Projected) 29
Table 12: MultiCare Ridgeview Credentialed Staff 30
Table 13: Ancillary and Support Services 32
Table 14: Alternatives Analysis: Promoting Access to Healthcare Services 35
Table 15: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts 36
Table 16: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency ... 36
Table 17: Alternatives Analysis: Legal Restrictions. 36

List of Exhibits

Exhibit #	Exhibit Name
1	MultiCare Organizational Chart
2	Letter of Intent
3	Single Line Drawings
4	Planning Area Supply with Sources
5	Numeric Need Methodology
6	Charity Care Policy
7A	Admission Policy
7B	Admission Criteria
8	Patient Rights and Responsibilities
9	Non-Discrimination Policy
10	Historical Financial Statements
11	Pro Forma Forecast
12	Management Agreement
13A	Sublease Agreement
13B	Master Lease Agreement
13C	Parcel Property Information
14	Contractor's Estimate Letter
15	Equipment List
16	Letter of Financial Commitment
17A.	MultiCare Health System Audited Financial Statements – 2021-2022
17B	MultiCare Health System Audited Financial Statements – 2022-2023
18	List of Physician Names, License Numbers, and Specialties
19	Transfer Policy

Introduction and Rationale

MultiCare Health System respectfully submits this application to request certificate of need ("CN") approval to expand the list of CN-approved specialties that can be performed at MultiCare Yakima Memorial Surgery Center at Ridgeview ("MultiCare Ridgeview").

MultiCare Ridgeview is an ambulatory surgical facility ("ASF") operating under the hospital license of MultiCare Yakima Memorial Hospital ("MultiCare Yakima Memorial"). MultiCare Ridgeview is currently CN-approved to operate two outpatient operating rooms, two cystoscopy rooms, and one ultrasound/cystoscopy room. Further, MultiCare Ridgeview is currently CN-approved for the following specialties:

> *Current list of specialties under original CN1496*[1]: urology, orthopedics, podiatry, ophthalmology, gynecology, brachytherapy, pain management, and general surgery.

MultiCare requests to expand the list of CN-approved specialties at MultiCare Ridgeview to include the following specialties:

> *New specialties requested*: cardiology, vascular, and gastroenterology.

The Yakima community and greater health system serving that population 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.

MultiCare Yakima Memorial (previously 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 has a sustainable future and 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 the area over the last decade.

Rationale for the proposed project

As part of this revitalization of the healthcare system in Yakima, MultiCare proposes to expand the list of CN-approved specialties at MultiCare Ridgeview.

There are important reasons that drive this CN request, including: (1) high operating room ("OR") utilization at MultiCare Yakima Memorial; (2) an aging population, which will increase demand for surgery capacity; (3) creating additional surgical capacity to reduce high out-migration of planning area residents; a situation which will be exacerbated by population growth and aging; (4) creating additional capacity for cardiology and vascular procedures and surgeries; and (5) creating additional capacity for gastroenterology procedures.

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[1] CN1496 - Originally issued to Yakima Urology Associates, PLLC in January 2013. As explained in DOR15-23, this ASF was purchased by Yakima Valley Memorial Hospital Association. This DOR confirmed no new certificate of need review was required for this change of ownership.

High OR Utilization at MultiCare Yakima Memorial

There will be no change to the number of ORs at MultiCare Ridgeview under the proposed project. However, the additional specialties will provide additional needed capacity to optimize the delivery of surgical services in the area and allow growth in surgeries at MultiCare Yakima Memorial. Under the proposed project, MultiCare Ridgeview's existing capacity will be more fully utilized by allowing additional specialties, helping to improve access to care by current and future residents in the planning area.

Table 1 below presents the historical utilization and occupancy of MultiCare Yakima Memorial's main campus ORs, based on its response to the most recent Department of Health ("DOH" or "Department") Operating Room Survey for CY2022 and internal data for CY2023.

Table 1: MultiCare Yakima Memorial Hospital Operating Room Utilization

	YMH Main Campus (CY2022)	YMH Main Campus (CY2023)
Total Minutes	938,040	957,810
Total Rooms	10	10
Average Minutes Per Room	93,804	95,781
Room Type	Mixed-Use	Mixed-use
Occupancy Standard (1)	94,250	94,250
Effective Occupancy %	99.5%	101.6%

(1) Occupancy standard under WAC 246-310-270
Sources: 2023 DOH Operating Room Survey (CY2022 Utilization), Internal data (CY2023 Utilization)

As demonstrated by Table 1, MultiCare Yakima Memorial's main campus is operating its ORs at a high occupancy under the mixed-use occupancy standard in the Department's numeric need methodology detailed in WAC 246-310-270.

Aging Population

Surgical utilization is expected to continue to grow as the planning area population becomes older, with population forecasts projecting average annual growth rates of 2.56% for persons aged 65+ in the Yakima planning area from 2022 to 2030 (compared to growth rates of 0.13% for persons under the age of 65).[2] Since older persons have a higher surgery use rate than younger persons, the surgery use rate will rise and there will be a resulting increase in demand for surgeries as the population in the planning area ages.

Table 1 shows that the ORs at MultiCare Yakima Memorial are already at high occupancy. An increasing surgery use rate and overall increase in planning area resident utilization of surgical services is expected to lead to further capacity pressures at the main campus. Expanding the

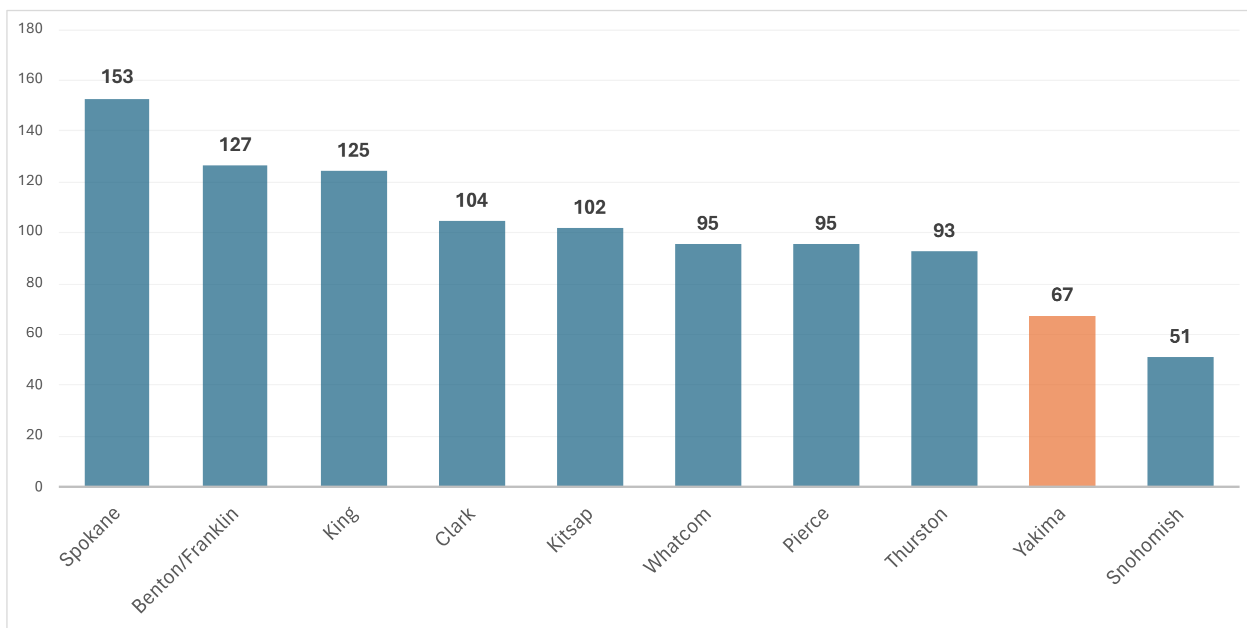
[2] OFM GMA Projections – Medium Series (2022 Release).

scope of specialties that can be provided at MultiCare Ridgeview will provide much needed flexibility to accommodate at least a portion of this future growth relative to the status quo.

Improving Planning Area Access to Reduce Resident Out-Migration for Surgical Services

Figure 1 presents a comparative review of surgical use rates by counties with populations greater than 200,000 in Washington State. The surgical use rates are calculated based on the DOH ASF Need methodology detailed in WAC 246-310-270. Therefore, the numerator is based on facility volumes[3] and the denominator is based on planning area population (CY2022 population estimates). This analysis reveals that Yakima has the second-lowest use rate among the comparison group at 67 surgeries per 1,000 residents. By comparison, the overall average use rate for this larger group included in Figure 1, weighted by population, is 105.9 surgeries per 1,000 residents. Thus, Yakima's use rate is only 63% of the overall average (i.e. 37% lower than the overall average). The most likely reason for this large difference is lack of local resident access to surgical capacity, in general, and additionally, lack of specialized access to specific types of surgeries and surgical expertise.

Figure 1: DOH ASF Need Calculated Surgical Use Rates Per 1,000 Residents by Counties with Over 200K Resident Population



Notes
+ Benton and Franklin counties combined.
+ Sub-county planning areas (e.g. zip code-based King, Pierce, and Snohomish) combined to whole county.
+ Clark data consistent with SWWA9 planning area definition.
+ Thurston data corresponds with SWWA10 planning area definition.
DOH ASF Need calculated surgical use rates based on methodology defined in WAC 246-310-270.

Sources
+ Methodology Source: Calculations defined in WAC 246-310-270.
+ Utilization Source: Review of historical DOH Operating Room Surveys, Department Evaluations, and other applicable utilization sources.

[3] Facility volume across a planning area utilize DOH survey figures, where the most recent survey data have been used for use rate calculations.

+ Population Source: Claritas 2023 and OFM GMA Projections – Medium Series (2022 Release).

As MultiCare develops the services available to planning area residents, this will enhance local access and relieve patients from having to out-migrate at such a degree as in the past. Although the proposed project will not be able to address the full gap presented in Figure 1, it will provide additional capacity to better accommodate current demand and future growth.

Creating Additional Capacity for Cardiology and Vascular Procedures and Surgeries

Leveraging the experience and knowledge of MultiCare's Pulse Heart Institute[4] ("Pulse"), MultiCare Yakima Memorial identified an opportunity to appropriately decant some of the existing cardiology volumes provided at the hospital main campus that would be able to be performed at MultiCare Ridgeview. This can alleviate existing and future capacity issues, freeing up capacity at the hospital main campus to perform more complex cases.

Further, Pulse presents an opportunity to develop a new vascular program in Yakima to expand the scope of vascular surgical services compared to what has previously been available in the community. As part of the development of this vascular program, MultiCare plans to utilize locum tenens vascular surgeons as it actively recruits for this specialty. Again, Pulse provides an opportunity to safely and effectively perform vascular surgery at MultiCare Ridgeview.

Creating Additional Capacity for Gastroenterology Procedures

Distinct from the current proposed MultiCare Ridgeview project, MultiCare anticipates submitting a separate CN application to develop a new freestanding ambulatory endoscopy center in the Yakima planning area. However, the new proposed MultiCare endoscopy center will require development time to complete the necessary tenant improvements to the proposed site. Because the new endoscopy center requires CN-approval prior to commencement of construction, the facility is not anticipated to be operational until the beginning of 2026.

MultiCare's proposal to include the provision of gastroenterology services at MultiCare Ridgeview will allow the facility to accommodate a portion of the existing and future endoscopy volumes during this interim period before the new endoscopy center, if approved, is operational. Additionally, with approval of this CN request, MultiCare Ridgeview will be capable of providing additional capacity for future demand as the need arises.

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[4] Pulse is one of the most comprehensive cardiac and vascular health programs in the Pacific Northwest, offering cardiovascular care across the full continuum of ambulatory to inpatient cardiology, cardiothoracic surgery, cardiac/pulmonary rehabilitation specialists, electrophysiologists, vascular surgeons and critical care nurses. Currently Pulse has approximately 150 providers in Washington, Oregon and Idaho. Additional information on Pulse can be found at https://www.pulseheartinstitute.org/

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)

   MultiCare Health System is the applicant. MultiCare owns and operates MultiCare Yakima Memorial Surgery Center at Ridgeview which operates under the hospital license of MultiCare Yakima Memorial Hospital.

   The applicant's address is:

   MultiCare Health System
   820 A Street
   Tacoma, WA 98402

   The address of MultiCare Ridgeview is:

   2500 Racquet Lane
   Yakima, WA 98902

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

   MultiCare Health System 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 of MultiCare.

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.**

   MultiCare Yakima Memorial Surgery Center at Ridgeview is an existing facility that operates under the MultiCare Yakima Memorial Hospital license.

   The address of MultiCare Ridgeview is:

   2500 Racquet Lane
   Yakima, WA 98902

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 Ridgeview is an existing facility. Therefore, this question is not applicable.

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 Ridgeview requests expanding its list of CN-approved specialties to add gastroenterology, cardiology, and vascular surgery.

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
Assumed CN Approval	January 1, 2025
Design Complete	January 22, 2025
Construction Commenced	May 23, 2025
Construction Completed	June 25, 2025
Facility Prepared for Survey	Not Applicable
Project Completion	August 1, 2025

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: Cardiology, Vascular, Brachytherapy

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: Colorectal Surgery

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

MultiCare Ridgeview is currently CN-approved for the following specialties: urology, orthopedics, podiatry, ophthalmology, gynecology, brachytherapy, pain management, and general surgery.

MultiCare Ridgeview requests expansion of the list of CN-approved specialties to include cardiology, vascular, and gastroenterology.

As discussed in the *Introduction & Rationale* section, the Yakima community and greater health system serving the population therein 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.

These circumstances led to a need to focus and concentrate organizational resources, resulting in surgical services largely being performed at the main campus with less emphasis on procedures being performed at freestanding surgical sites like MultiCare Ridgeview. Consequently, over the past few years, MultiCare Ridgeview primarily performed cystoscopy and other urology surgical procedures. Concurrent with the proposed project (i.e., expanding available services to include gastroenterology, cardiology, and vascular), MultiCare Ridgeview identified other currently approved specialties that have an opportunity to shift and decant some case volume from the main hospital campus to MultiCare Ridgeview. These include podiatry, pain management, and carpel tunnel (orthopedics). For the purposes of the utilization and financial projections,

we have included these additional specialties that MultiCare Ridgeview is already CN-approved to provide.

Although other existing CN-approved specialties such as ophthalmology, general surgery, gynecology, and brachytherapy are not included in the model projections, we request maintaining these specialties as CN-approved specialties to be able to timely respond to growth of community need for these services at MultiCare Ridgeview in the future. For example, MultiCare Ridgeview provided 147 ophthalmology cases in 2022 although it did not provide ophthalmology cases in either 2021 or 2023. We request that ophthalmology and all other existing CN-approved specialties be preserved.

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.

MultiCare Ridgeview currently is CN-approved for and operates two ORs, 2 cystoscopy rooms, and 1 ultrasound/cystoscopy room.

There are no proposed changes to the number of ORs as a result of this project.

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)

Two of the five rooms will continue to be dedicated exclusively to cystoscopy. One additional room will continue to be dedicated to ultrasound/cystoscopy.

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

The ASF will serve patients who require surgical procedures 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 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 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.**

    MultiCare Ridgeview is under the MultiCare Yakima Memorial license:
    - *Medicare*: 500036
    - *Medicaid*: 3307501

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

    Separate facility accreditation is not applicable, as MultiCare Ridgeview is under the MultiCare Yakima Memorial license and is accredited by the 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.**

    If your project includes construction, please indicate if you've consulted with CRS and provide your CRS project number.

    The proposed project involves minor tenant improvements to the existing facility. MultiCare has considerable experience developing and completing construction-related projects in Washington State and working with CRS. Due to the limited scope of work for the proposed project, we do not anticipate consulting with CRS at this time.

Certificate of Need Review Criteria

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 Exhibit 4 for a complete list of hospitals and ASFs in the Yakima Planning Area.

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

   There are only four (4) surgical facilities not located at a hospital main campus in the Yakima planning area. A brief description of the services offered at these facilities is presented below.

   - *Astria Ambulatory Surgery Center* (certificate of need approved) primarily performs orthopedics and pain management procedures.
   - *Northwest Surgery Center* performs spine surgery. Certificate of need approved for 2 ORs but reported only 9 outpatient procedures and 4,721 minutes in its most recent DOH Operating Room Survey (2022 Survey, CY2021 utilization). See Exhibit 5.
   - *Pacific Cataract & Laser Institute* performs ophthalmology procedures. Not certificate of need approved.
   - Limited information is available for *Direct Imaging ASC*. It appears at one time diagnostic, interventional pain management procedures, and colonoscopies were performed at the facility. However, it is unclear whether the facility is still operational. Not certificate of need approved.

   In sum, there are no providers providing the full range or mix of services MultiCare Ridgeview proposes to provide.

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

As stated in the *Introduction and Rationale,* the requested project is need-neutral; no additional ORs are being requested, thus there will not be duplication of ORs.

More importantly, the proposed project is part of MultiCare's initiatives to revitalize the healthcare system in Yakima County. There are at least five capacity "drivers" of this project, which we detailed in the *Introduction and Rationale.* They include: (1) high OR utilization at MultiCare Yakima Memorial; (2) an aging population, which will increase demand for surgery capacity; (3) creating additional surgical capacity to reduce high out-migration of planning area residents; a situation which will be exacerbated by population growth and aging; (4) creating additional capacity for cardiology and vascular procedures and surgeries; and (5) creating additional capacity for gastroenterology procedures. A summary of the rationale for the proposed project includes:

- **High OR Utilization**: MultiCare Yakima Memorial's main campus ORs are operating at a high occupancy rate of 101.6% in CY2023 compared to the Department's mixed-use minutes per room standard. The proposal aims to add cardiology, vascular, and gastroenterology to the list of CN-approved specialties at MultiCare Ridgeview. This will open up capacity at the ASF and in turn, decant OR use at MultiCare Yakima Memorial for these specialties. This provides capacity to provide future growth and enhance service delivery.
- **Aging Population and Increasing Surgical Needs**: with the population aged 65+ expected to grow at an average annual rate of 2.56% from 2022 to 2030 within the planning area, there is an anticipated increase in surgical utilization due to the higher surgery use rate among older individuals.
- **Improvement in Planning Area Access and Reduction in Out-Migration**: the Yakima Planning Area has a significantly lower surgical use rate compared to other regions, indicating a need for enhanced local access to surgical services to reduce the necessity for residents to seek care outside the area.
- **Addressing Cardiology and Vascular Service Demands**: by leveraging Pulse's expertise, MultiCare sees an opportunity to develop the cardiology and vascular services lines, including being able to perform these surgical services at MultiCare Ridgeview. As part of the development of this vascular program, MultiCare plans to utilize locum tenens vascular surgeons as it actively recruits for this specialty.
- **Addressing Gastroenterology Demands**: by adding gastroenterology to the list of CN-approved specialties, MultiCare Ridgeview will be able to provide gastroenterology services in the interim period while a new ambulatory endoscopy center is under development, as well as be capable to serve additional future demand as the need arises.

Therefore, the proposed project does not represent an unnecessary duplication of 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.**

   Please see Exhibit 5 for a copy of the numeric need methodology for the Yakima Planning Area. However, please note we are not requesting additional ORs above the currently CN-approved two ORs, two cystoscopy rooms, and one ultrasound/cystoscopy room now at MultiCare Ridgeview. WAC 246-310-270 outlines the methodology for requesting additional ORs for a planning area; in our opinion, it is not applicable to this request.

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 Department's ASF need methodology, presented in Exhibit 5, forecasts an overall surplus of 6.59 rooms and outpatient surplus of 3.26 rooms in the Yakima Planning Area. *However, as stated above, this request is need neutral; no additional ORs are requested. The request is to add three additional specialties to those already approved at this CN-approved ASF.*

   In addition, there are important qualitative arguments that support approval of the proposed project. Please see the *Introduction and Rationale* section at the beginning of this application for a detailed discussion of the proposed project, as well as a summary of the rationale for the proposed project presented in response to application question #3 in this section.

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

   Please see Table 2 below for MultiCare Ridgeview's historical utilization by specialty for the last three full calendar years.

Table 2: MultiCare Ridgeview Historical Cases, 2021 - 2023			
Cases	**2021**	**2022**	**2023**
Cystoscopy	2,759	2,193	2,929
Other Urology	406	364	408
Ophthalmology	0	147	0
Total Cases	**3,165**	**2,704**	**3,337**

Sources: Applicant

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.**

Intervening Years

Please see Table 3 below for MultiCare Ridgeview's projected utilization by specialty during the intervening periods (i.e., before project completion anticipated August 2025). The forecast by specialty holds cases constant at the historical CY2023 volumes at MultiCare Ridgeview.

Table 3: MultiCare Ridgeview Historical Cases, Intervening Periods		
Cases	**2024**	**Jan – Jul 2025**
Cystoscopy	2,929	1,709
Other Urology	408	238
Ophthalmology	0	0
Total Cases	**3,337**	**1,947**

Sources: Applicant

Forecast Years

In Table 4 below we present projected surgical volumes for the initial partial year of operation (August to December 2025, "Year 0") and the first three full years of operation given project approval (2026 through 2028, "Years 1-3").

As previously discussed, over the past few years, MultiCare Ridgeview has primarily performed cystoscopy and other urology surgical procedures. Concurrent with the proposed project (i.e., expand services to include gastroenterology, cardiology, and vascular), MultiCare Ridgeview has also identified other currently approved specialties that provide the opportunity to decant case volumes from the main hospital campus to MultiCare Ridgeview. These include podiatry, pain management, and carpel tunnel (orthopedics). For the purposes of the utilization and financial projections, we have included case volumes for these additional specialties that MultiCare Ridgeview is already CN-approved to provide in our model projections.

Although other existing CN-approved specialties such as ophthalmology, general surgery, gynecology, and brachytherapy are not included in the model projections, we request maintaining these specialties under the list of CN-approved specialties to be able to timely respond to community need for these services at MultiCare

Ridgeview in the future if needed. For example, MultiCare Ridgeview provided 147 ophthalmology cases in 2022 although it did provide ophthalmology cases in either 2021 or 2023. We request that ophthalmology and other existing CN-approved specialties be preserved.

Table 4: MultiCare Ridgeview Projected Case Count and Operating Room Utilization, 2025 to 2028

	Year 0	Year 1	Year 2	Year 3
	2025	2026	2027	2028
# of Months	5	12	12	12
Cystoscopy	1,220	2,929	2,929	2,929
Urology	170	408	408	408
Gastroenterology	292	719	0	0
Vascular	47	225	338	450
Cardiology	140	344	352	361
Carpel Tunnel	146	350	350	350
Podiatry	46	111	111	111
Pain Management	11	27	27	27
Total Cases	**2,072**	**5,112**	**4,515**	**4,636**
Estimated Min/Case	45.2	46.0	49.0	49.8
Total Minutes	93,751	235,221	221,431	231,106
Estimated Occupancy	3.27	3.42	3.22	3.36
Total Cases (Excl Cysto)	**852**	**2,183**	**1,586**	**1,707**
Estimated Min/Case	55.7	56.9	69.6	70.3
Total Minutes (Excl Cysto)	47,470	124,148	110,358	120,033
Estimated Occupancy (Excl Cysto)	1.65	1.80	1.60	1.74

Source: Applicant
Capacity Standard of 68,850 Minutes Per OR based on WAC 246-310-270 (9)

The forecast model uses the following assumptions and methodologies:

1. Cystoscopy and urology are held constant at the historical CY2023 volumes at MultiCare Ridgeview.
2. Gastroenterology is anticipated to only be performed on an interim basis during 2025 and 2026 while the new ambulatory endoscopy center is being developed and ramping up operations. Gastroenterology is forecasted based on assumed case transfer of 20% allocation of 2023 outpatient gastroenterology cases performed at MultiCare Yakima Memorial with modest growth consistent with Yakima 65+ population growth (2.53% annual growth).[5]

[5] Population source: Washington State Office of Financial Management's Growth Management Act county projections (Medium Series, 2022 Release).

3. Vascular surgical volume is based on anticipated recruitment of new vascular surgeons and experience of Pulse.
4. Cardiology based on case transfer of 319 eligible cases identified in 2023 at MultiCare Yakima Memorial with modest growth consistent with Yakima 65+ population growth (2.53% annual growth).[6]
5. Carpel tunnel, podiatry, and pain management based on case transfers (350, 111, and 27, respectively) identified in 2023 at MultiCare Yakima Memorial. Case transfers held constant thereafter.
6. Minutes per case is estimated on a case-weighted average basis using the specialties' respective 2023 actual minutes per case. Because there are not historical volumes available for vascular, vascular cases are assumed to be 80 minutes per case based on experience of Pulse Heart Institute.

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

MultiCare Yakima Memorial, the sole hospital in the city of Yakima, the main population hub of the Yakima Planning Area, is experiencing high occupancy of its existing surgical suites. As described in the *Introduction and Rationale* section, there is expected to be growing demand for surgical services in the planning area. When there is limited capacity, particularly with subspecialty surgical cases, patients in need of these surgical services must out-migrate to neighboring planning areas. The available statistics demonstrate, in fact, this out-migration is currently taking place. Out-migration is a reflection of lack of local access and harms patients and their providers. The proposed project seeks to correct this lack of access to surgical care.

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.

MultiCare Ridgeview is committed to meeting community and regional health needs and will provide charity care consistent with the MultiCare Charity Care Policy, included as Exhibit 6.

Our financial pro forma forecast provided in Exhibit 11 explicitly allocates 2.27% of total revenues to be provided for charity care, based on MultiCare Yakima Memorial's historical charity care average as a percent of gross revenue in CY2023. 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 5 below demonstrates that MultiCare's average charity care across its hospitals in the state is significantly above the planning area hospital and regional average.

[6] For example, cardiology's 2026 forecasted case count of 344 is calculated by 319 * (1 + 2.53%)^3 . 319 is the assumed case transfer with 2023 volumes. 2.53% is the annual growth based on Yakima 65+ population growth. And "^3" is for the applicable number of years of growth between 2023 and 2026.

Table 5: 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 6. Charity Care Policy.
- Exhibit 7A. Admissions Policy.
- Exhibit 7B. MultiCare Ridgeview Admissions Criteria.
- Exhibit 8. Patient Rights and Responsibilities.
- Exhibit 9. Non-discrimination Policy.

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.**

   Exhibit 10 includes the required historical financial statements. Exhibit 11 includes the required pro forma projections and assumptions.

   - Exhibit 10. Historical Financial Statements
   - Exhibit 11A. Pro Forma – Without the Project
   - Exhibit 11B. Pro Forma – With the Project
   - Exhibit 11C. Pro Forma – Difference between "With the Project" and "Without the Project"
   - Exhibit 11D. Pro Forma – 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. Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

   Please see Exhibit 12 for a copy of the management agreement between MultiCare Yakima Memorial and Yakima Urology Associates, P.L.L.C ("YUA").

   YUA, in its role as Manager of the ASC, and consistent with Medicare Provider Based Regulations (42 CFR 413.65) reports to MultiCare Yakima Memorial's Chief, Division of Surgery, with the same frequency, intensity, and level of accountability

that exists in the relationship between the medical director of a hospital department and the chief medical officer or other similar official of MultiCare Yakima Memorial, and is under the same type of supervision and accountability as any other medical director of MultiCare Yakima Memorial.

Exhibit 12 includes a second amendment to the management agreement that appoints Daniel A. Thorner, D.O. as the ASC Medical Director at MultiCare Ridgeview. The second amendment to the management agreement presents an updated Schedule 1.4.2 that describes "ASC Medical Director Roles and Responsibilities".

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 5 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 13A is a copy of the sublease agreement between Yakima Valley Memorial Hospital Association (Subtenant), Yakima Urology Associates, P.L.L.C (Sublandlord), and Urogroup, LLC (Landlord). Exhibit 13B is a copy of the master lease between the sublandlord and landlord. Exhibit 13C contains property information from the Yakima County Assessor's Office indicating that Landlord is the owner of the parcel where MultiCare Ridgeview is located.

   Pursuant to sections 4 and 5 of the first amendment to the sublease, the current term is through December 1, 2024 and automatically renews for additional one year periods.

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

   MultiCare Ridgeview is an existing, operational facility. Therefore, this question is not applicable.

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.

See Table 6 below. The estimated capital expenditures to expand the scope of available specialties at MultiCare Ridgeview to include gastroenterology, cardiology, and vascular is $2,440,915.

As stated in the discussion of the utilization forecast, our model projections also include volumes related to other currently CN-approved specialties (e.g., carpel tunnel (orthopedics), podiatry, pain management) includes a portion of existing volumes historically performed at the main hospital campus that could be performed at MultiCare Ridgeview. We have included the estimated cost of equipment needed for these other specialties to operate at MultiCare Ridgeview, as some volumes are included in the pro forma projections. However, these capital expenditures are not required for the expansion of new specialties. In the interest of conservatism, we have included all capital expenses, those for our CN request and those for CN-approved specialty expansion, labeled “Other Specialties” in Table 6. The combined capital expenditures for the expansion of new specialties and other specialties are $3,496,161.

Table 6: Capital Expenditures

Item	Expansion of Specialties (The Project)	Other Specialties	Total
a. Land Purchase			
b. Utilities to Lot Line			
c. Land Improvements			
d. Building Purchase			
e. Residual Value of Replaced Facility			
f. Building Construction	$125,917		$125,917
g. Fixed Equipment (not already included in the construction contract) h. Movable Equipment	$2,127,929	$974,373	$3,102,302
i. Architect and Engineering Fees			
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	$187,069	$80,873	$267,942
Total Estimated Capital Expenditure	**$2,440,915**	**$1,055,246**	**$3,496,161**

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 Health System cash reserves. Please see Exhibit 16 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.

See Exhibit 11 for a description of startup costs expected for this project.

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

Please see Exhibit 14 for a non-binding contractor's estimate for the project construction costs.

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 is anticipated to be a mix of MultiCare Ridgeview's CY2023 payer mix (i.e., cystoscopy and other urology) and MultiCare Yakima Memorial's CY2023 general outpatient surgery payer mix.

Table 7: Projected Payer Mix by Gross Revenue and by Cases

Payer	% of Cases	% of Gross Revenues
Medicare	58.17%	50.36%
Commercial	20.39%	24.69%
Medicaid	13.64%	17.93%

Other Governmental	5.98%	5.11%
Self Pay	1.84%	1.84%
Total	100%	100%

Source: Applicant

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.

Please see the table below for MultiCare Ridgeview's CY2023 payer mix.

Table 8: Historical Payer Mix by Gross Revenue and by Cases

Payer	% of Cases	% of Gross Revenues
Medicare	64.3%	65.8%
Commercial	17.1%	17.2%
Medicaid	10.5%	10.0%
Other Governmental	6.5%	5.7%
Self Pay	1.7%	1.4%
Total	100%	100%

Source: Applicant

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 15 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 16 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 9: 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 10 below for the historical yearly and intervening period for the number of FTEs, by classification for both productive and non-productive FTEs for MultiCare Ridgeview.

Table 10: MultiCare Ridgeview Ambulatory Surgical Facility FTEs by Type by Year (Historical and Intervening)

	2021	2022	2023	Intervening
Surgical Techs	2	2	2	2
RN	2.8	2.8	3.8	3.8
Sterile Processing	1	1	1	1
Scheduler	0.5	0.5	0.5	0.5
Reception	1	1	1	1
Management	0.5	0.5	0.5	0.5
Total	**7.8**	**7.8**	**8.8**	**8.8**

Source: Applicant
Notes: FTE counts include both productive and non-productive work hours, where non-productive work hours are those allocated to vacation time and sick leave.

Please see Table 11 below for the forecasted number of FTEs, by classification for both productive and non-productive FTEs for MultiCare Ridgeview.

Table 11: MultiCare Ridgeview Ambulatory Surgical Facility FTEs by Type by Year (Projected)

	Aug – Dec 2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3
Surgical Techs	4.25	4.25	4.25	4.25
RN	13.00	13.00	13.00	13.00
Sterile Processing	2.25	2.25	2.25	2.25
Scheduler	1.00	1.00	1.00	1.00
Reception	2.00	2.00	2.00	2.00
Management	1.00	1.00	1.00	1.00
Total	**23.5**	**23.5**	**23.5**	**23.5**

Source: Applicant
Notes: FTE counts include both productive and non-productive work hours, where non-productive work hours are those allocated to vacation time and sick leave.

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

   FTE[7] projections assume the addition of 2.25 surgical technicians (OR surgical technician and hall surgical technician), nine RNs (OR circulators, PACU RNs, coordinator RN, and hall RN), and 1.25 sterile processing (SPD closer/float). This is based on a review by MultiCare Ridgeview's clinical management of proposed scheduling and corresponding need for additional staff given expanded use of ORs. For non-clinical staff, there is effectively a doubling of historical FTEs given the approximate doubling of estimated occupancy in the forecast years.

   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.

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 is Daniel A. Thorner, D.O. (OP60268813).

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

   This question is not applicable.

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

   Nicole Robillard is the nurse manager and Kristi Conner is the executive director of perioperative services.

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 18 for a list of physician names, license numbers, and specialties that are anticipated to use the surgery center.

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

Table 12: MultiCare Ridgeview Credentialed Staff

Name	Position/Title	License #
Kristi Conner	RN	RN00152059
Nicole Robillard	RN	RN60127550
Bethanye McDonald	RN	RN60072474

[7] One FTE is assumed to work 2,080 hours per annum.

Rebecca Krueger	RN	RN00164433	
Karen Wolfkill	RN	RN00079542	
Renee Bauer	RN	RN00119400	
Barbara Froehlich	RN	RN60124602	
Jamie Halla	RN	RN60268450	
Jewel Cox	RN	RN00158181	
Wendy Martinez	RN	RN00171397	
Heather Yochum	RN	RN00173682	
Naomi Swift	Surgical Technologist	ST00002897	
Ruby Villasenor	Surgical Technologist	ST60341728	

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)

Table 13: Ancillary and Support Services

Vendor	Description
Bard	Medical Disposable supplies (ex, catheters)
Boston Scientific	Medical Supplies
Cintas	Linen/Scrub Rental
Cook	Medical Disposable supplies
ICU Medical	Medical Supplies
Medline	Medical Supplies
Olympus	Medical supplies, scopes, towers
Halyard	Sterile Processing Supplies
Oxarc	Medical Gases
Laborjie	Medical supplies
Teleflex	Medical Supplies
Linde	Nitrous supplies
Sloan Medical	Medical Supplies
Civco	Medical Supplies
D & G Cleaning	Cleaning Services
In Demand	Translation
York Exterminating	Pest Control Services
Stericycle	Shredding Services
Stericycle	Pharmaceutical Waste

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

MultiCare Ridgeview is not a new facility. Therefore, this question is not applicable.

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)

There are no changes expected as a result of the proposed project.

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)

Operating under MultiCare Yakima Memorial's license, MultiCare Ridgeview is integrated with the sole hospital in the city of Yakima – the main population hub within the Yakima Planning Area. MultiCare Yakima Memorial is a not-for-profit community hospital that has served Central Washington's Yakima Valley since 1950. MultiCare Yakima Memorial also includes a multi-specialty team of more than 300 practitioners and 20-plus primary care and specialty care locations. Specialty care services include cardiac care, cancer care, hospice care and advanced services for children with special health care needs.

By being part of MultiCare Health System, MultiCare Ridgeview is part of MultiCare's comprehensive system that includes more than 300 primary, urgent, pediatric and specialty care locations across Washington, Idaho and Oregon, as well as 12 hospitals.

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)

MultiCare's existing working relationships with healthcare facilities in the planning area are not expected to change as a result of the proposed project.

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

MultiCare Ridgeview is not a new facility. Therefore, this question is not applicable.

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

Because MultiCare Ridgeview operates under MultiCare Yakima Memorial's hospital license, a patient transfer agreement is not applicable. See Exhibit 19 for a MultiCare system-wide policy for patient transfers. As identified in the Scope and Applicability sections of Exhibit 19, this policy applies to MultiCare Yakima Memorial, of which MultiCare Ridgeview operates under.

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)

MultiCare Ridgeview will promote continuity of care and offer outpatient care across a wide range of specialties, including diagnoses, treatment and outpatient surgery, if needed. CN approval will allow MultiCare Ridgeview to meet the increased Planning Area demand for outpatient surgical procedures.

Further, the proposed project does not propose an increase in supply. Instead, it seeks to optimize existing capacity available, supporting continuity of care in the local market and preventing unwarranted fragmentation of services when planning area residents have to out-migrate to receive care.

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).

MultiCare Ridgeview operates under MultiCare Yakima Memorial's license. MultiCare Yakima Memorial is a not-for-profit community hospital that has served Central Washington's Yakima Valley since 1950. MultiCare Yakima Memorial also includes a multi-specialty team of more than 300 practitioners and 20-plus primary care and specialty care locations. Specialty care services include cardiac care, cancer care, hospice care and advanced services for children with special health care needs.

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.

MultiCare has no history with the actions described above. Therefore, this question is not applicable.

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 Ridgeview is requesting certificate of need approval to expand the list of CN-approved specialties. In deciding to submit this application, MultiCare Ridgeview explored the following options:

- Option One: expand list of certificate of need approved specialties (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 14: Alternatives Analysis: Promoting Access to Healthcare Services	
Option:	**Advantages/Disadvantages:**
Option One: expand list of certificate of need approved specialties (The Project).	• As part of the revitalization of healthcare system in Yakima, the proposed project optimizes available capacity in the planning area for a wide variety of surgical specialties either not currently available or with limited availability in the community. (Advantage, "A")
Option Two: no project---do nothing.	• Without the project, the planning area will have relatively less outpatient surgical capacity available for GI, cardiology, and vascular surgical services. (Disadvantage, "D").

Table 15: Alternatives Analysis: Promoting Quality of Care and Staffing Impacts	
Option:	**Advantages/Disadvantages:**
Option One: expand list of certificate of need approved specialties (The Project).	• The requested project meets and promotes quality and continuity of care in the planning area, given it improves access identified above. (A) • 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").
Option Two: no project---do nothing.	• This option would have relatively lower access to cardiology and vascular surgical care, which would reduce overall quality of care provided to the community. (D)

Table 16: Alternatives Analysis: Capital Costs and Promoting Cost and Operating Efficiency	
Option:	**Advantages/Disadvantages:**
Option One: expand list of certificate of need approved specialties (The Project).	• Although this option requires capital expenditures, it also promotes long-range cost and operating efficiency, as there are services that are feasible to provide outside of the main hospital campus which would result in greater efficiency of care delivery and optimization of existing resources. (A) • There is also the anticipated benefit of reducing out-migration, which lowers costs to planning area residents who need ambulatory surgery. (A)
Option Two: no project---do nothing.	• No capital costs. (A) • Lower efficiency of care delivery and unused capacity. (D)

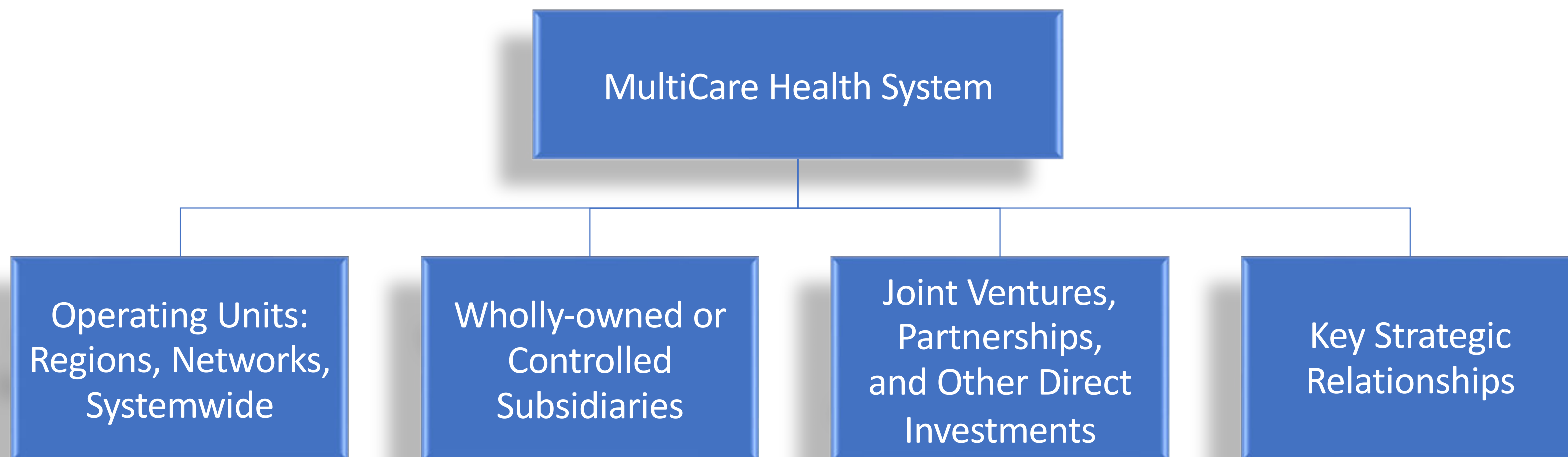
Table 17: Alternatives Analysis: Legal Restrictions.	
Option:	**Advantages/Disadvantages:**
Option One: expand list of certificate of need approved specialties (The Project).	• Requires certificate of need approval. This requires time and expense. (D)

Option Two: 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.
MultiCare Organizational Chart


MultiCare Health System
Operating Units: Regions, Networks, Systemwide
Wholly-owned or Controlled Subsidiaries
Joint Ventures, Partnerships, and Other Direct Investments
Key Strategic Relationships

Operating Units

Regions, Networks, Systemwide

Regions

South Puget Sound (East Pierce, West Pierce & Kitsap, South King, Capital Pacific Regions)

HOSPITALS

Auburn Medical Center

Covington Medical Center

Good Samaritan Hospital/Off Campus Emergency Depts (OCEDs)

Tacoma General/ Allenmore Hospitals/OCED

Capital Medical Center

CLINICS

Gig Harbor Multi-specialty Medical Center

Primary Care & Specialty Care

MultiCare Medical Partners

OTHER

New Adventures Daycare

Inland Northwest Region

Deaconess Hospital/North Deaconess OCED

Valley Hospital

Rockwood Clinic

Central Washington Region

Yakima Memorial Hospital (incl. Ridgeview surgery facility)

Primary Care & Specialty Care Clinics

Systemwide

MultiCare Institute for Research & Innovation (MIRI)
MultiCare Capital Partners

Networks

Retail Health

Indigo Urgent Care
Dispatch Health
Labs Northwest
Virtual Health
Occupational Health
Home Health & Hospice
Adult Day Health
System Pharmacy

Pulse Heart Institute*

MultiCare Cancer Institute

Mary Bridge

Mary Bridge Children's Hospital and Health Network
Mary Bridge Children's Pediatrics
Woodcreek Pediatrics by Mary Bridge
Treehouse

Behavioral Health

Good Samaritan Behavioral Health
Navos*
Greater Lakes Mental Healthcare*

Population Health

MultiCare Connected Care, LLC*
Physicians of Southwest Washington, LLC*
PNW CIN, LLC* d/b/a Embright
NW Momentum Health Partners ACO, LLC*

* Operates through separate legal entity

Exhibit 2.
Letter of Intent

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

January 26, 2024

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

RE: Letter of intent to expand the scope of certificate of need approved specialties at MultiCare Yakima Memorial Surgery Center at Ridgeview

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, MultiCare Health System hereby submits this letter of intent to apply for a certificate of need ("CN") to expand the scope of CN-approved specialties at its existing Ambulatory Surgery Facility (ASF), MultiCare Yakima Memorial Surgery Center at Ridgeview, in Yakima County. In conformance with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:
   MultiCare Health System proposes to expand the scope of certificate of need approved specialties at MultiCare Yakima Memorial Surgery Center at Ridgeview, an existing ASF that operates under MultiCare Yakima Memorial Hospital's license. Upon project completion, the ASF will be CN-approved to provide gastroenterology, cardiology, and vascular surgical services in addition to its existing scope of CN-approved specialties.

2. Estimated Cost of the Proposed Project:
   The estimated capital cost of the project is $3,654,018.

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

DSG ROOM 229
DSG ROOM 231
VESTIBULE 100
TOILET 228
SUB-WTG AREA 230
PRE-OP PATIENT CONSULTING ROOM 232
TOILET 233
WAITING AREA 238
PRE-OP AREA
CYSTO ROOM 234
RECEPTION / BUSINESS OFFICE AREA 239
NURSE STATION 221
RECOVERY AREA
TOILET 235
HALL WAY 237
PATIENT DSG / TOILET
PED. REC. AREA
DICTATION AREA 222
PATIENT CONSULTING ROOM 240
MEDICAL GASES ROOM
DRUG STG 224
STORAGE ROOM (STUB-IN FOR TOILET) 223
HALL WAY 227
CYSTO ROOM 236
VACUUM PUMP ROOM 212
O.R. 211
J.C. 241
FEC
HALL WAY 225
HALL WAY 226
EQUIPMENT AREA
MALE STAFF DRESSING ROOM 184
TOILET / SHOWER 185
O.R. 206
ada bench
ada bench
CYSTO / ULTRA SOUND ROOM 204
SURGICAL STAFF LOUNGE 203
DIRTY UTILITY ROOM 207
FEMALE STAFF DRESSING ROOM 186
SHIPPING/ RECEIVING ROOM
CLEAN UTILITY ROOM 208
TOILET 205
TOILET 202
TOILET / SHOWER 188
dn
dn
dn
up
HALL

YUA – RIDGEVIEW FLOOR PLAN 1/8"=1'-0"

Exhibit 4.
Planning Area Supply with Sources

Planning Area Supply
Yakima Planning Area

Facility Name	Exempt/ Approved	Nbr of ORs			Number of surgeries		Number of Minutes		Minutes/Case		Source
		IP	OP	Mixed	Op	Mixed	Op	Mixed	Op	Mixed	
Inpatient											
Astria Sunnyside Hospital	Approved			4		1,849		116,443		62.98	2021 OR Survey (CY2020)
Astria Toppenish Hospital	Approved			2	241	457	15,473	28,915		63.27	2022 OR Survey (CY2021)
MultiCare Yakima Memorial Hospital	Approved			10		10,826		938,040		86.65	2023 OR Survey (CY2022)
ASF - CN Approved											
Astria Ambulatory Surgery Center	Approved		3		1,537		99,279		64.6		Listed under Astria Toppenish's 2022 OR Survey (CY2021)
MultiCare Yakima Memorial Surgery Center at Ridgeview	Approved		2		511		32,813		64.2		Internal MultiCare Data (CY2022)
Northwest Surgery Center	Approved		2		9		4,721		524.56		2022 OR Survey (CY2021)
ASF - CN Exempt											
Pacific Cataract & Laser Institute (Yakima)	Exempt		1		1,967		98,350		50.0		2023 OR Survey (CY2022); Default minutes
Direct Imaging ASC	Exempt		2								

Exhibit 5.
Numeric Need Methodology

Ambulatory Surgery Operating Suite Need Methodology, All Ages
Yakima Planning Area

Service Area Population, 2027		266,734	OFM GMA 2022 Projections			
Surgeries per, 1,000 residents, 2027 @	66.92	17,851				
a.i.	94,250	minutes per year, mixed use OR				
a.ii.	68,850	minutes per year, outpatient OR				
a.iii.	7	dedicated OP ORs x 68,850 minutes =	481,950	minutes, dedicated OR capacity.	8,201	Outpatient surgeries
a.iv.	16	dedicated mixed use ORs x 94,250 minutes =	1,508,000	minutes, mixed use OR capacity.	18,279	Mixed use surgeries
b.i.	Projected inpatient surgeries =	13,475 =	1,111,672	minutes, mixed use surgeries		
	Projectedoutpatient surgeries =	4,376 =	(224,773)	minutes, outpatient surgeries		
b. ii.	Forecast # of OP surgeries - capacity,of dedicated OP ORs					
		4,376 minus	8,201 =	(3,825)		
b.iii.	Average time of mixed use surgeries	=	82.50	minutes		
	Average time of outpatient surgeries	=	58.77	minutes		
b.iv.	mixed use surgeries, 2027 * average minutes/case	=	1,111,672	minutes		
	remianing OP surgeries (b.ii.) * average minutes/case	=	(224,773)	minutes		
			886,899	minutes		
c.i.	if b.iv. < a.iv., divide by (a.iv. - b.iv.) 94,250 to determine surplus of mixed use ORs					
	1,508,000					
	(886,899)					
	621,101 divided by	94,250 =	6.59	**Surplus**		
c.ii.	if b.iv. > a.iv., divide (mixed use part of b.iv. - a.iv) by 94,350 to determine shortage of mixed use ORs					
	Not Applicable					
	1,111,672					
	(1,508,000)					
	(396,328) divided by	94,250 =	**(4.21)**	**Surplus**		
	Divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated OP ORs					
	(224,773) divided by	68,850 =	**(3.26)**	**Surplus**		

Exhibit 6.
Charity Care Policy

Status **Active** PolicyStat ID **15032598**

Origination	05/1997	Owner	Cassie Stokes: Dir Revenue Cycle Policy
Last Approved	01/2024	Area	Revenue Cycle
Effective	01/2024	Applicability	MultiCare Hospitals + Yakima +BHN
Last Revised	01/2024		
Next Review	01/2025		

Financial Assistance – Hospital Based Services

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Scope:

This policy applies to patients who qualify for Charity Care or Financial Assistance for the services received within the Hospital facilities of MultiCare Health System ("MHS") as provided by MHS.

Locations include Tacoma General/Allenmore Hospital, Mary Bridge Children's Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital, Valley Hospital, Home Health and Hospice, Navos Behavioral Health Center, Capital Medical Center, and Yakima Memorial Hospital.

Policy Statement:

MHS is guided by a mission to provide high quality, patient-centered care. We are committed to serving all patients, including those who lack health insurance coverage or who cannot pay for all or part of the essential care they receive. We are committed to treating all patients with compassion. We are committed to maintaining Financial Assistance policies that are consistent with our mission and values and that take into account an individual's ability to pay for medically necessary health care services.

Definitions:

1. **Collection Efforts** and **Extraordinary Collections Actions** (ECA) are defined by the MHS Collection Guidelines policy.
2. **Charity Care** and/or **Financial Assistance** means medically necessary hospital health care rendered to Eligible Persons when Third-Party Coverage, if any, has been exhausted, to the extent that the persons are unable to pay for the care or to pay deductible or coinsurance amounts required by a third-party payer based on the criteria in this policy. When communicating with patients, the phrase "Financial Assistance" will be used in lieu of "Charity

Care." Both terms are synonymous with one another for the purposes of this policy and MHS billing statements.

3. **Eligible Person(s)** is defined as those patients who have exhausted any third-party sources and whose income is equal to or below 400% the federal poverty standards adjusted for family size.
4. **Emergency Medical Conditions** (EMC) are defined by the MHS Emergency Medical Treatment and Active Labor Act (EMTALA), Compliance With policy, which is consistent with WAC 246-453-010.
5. **Family** is defined per WAC 246-453-010 (18) as a group of two or more persons related by birth, marriage or adoption that live together; all such related persons are considered as members of one family.
6. **Income** is defined per WAC 246-453-010(17) as total cash receipts before taxes derived from wages and salaries, welfare payments, Social Security payments, strike benefits, unemployment or disability benefits, child support, alimony and net earnings from business and investment activities.
7. **Medically Necessary** is defined per WAC 246-453-010 (7) as appropriate hospital-based medical services.
8. **Responsible Party** means that individual who is responsible for the payment of any hospital charges not otherwise covered by a funding source as described below.

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Policy Guidelines:

This policy provides a guideline for making consistent and objective decisions regarding eligibility for Financial Assistance. Financial Assistance is available for medically necessary hospital-based health care services (to include emergency care) provided by MultiCare Health System.

Emergency care will be provided to patients with Emergent Medical Conditions regardless of their ability to pay. MHS shall allocate resources to identify charity cases and provide uncompensated care per RCW 70.170 and WAC 246- 453. *See* MHS Policy: Emergency Medical Treatment and Active Labor (EMTALA), Compliance With.

MHS supports the state-wide voluntary pledge of hospitals to provide Financial Assistance to Eligible Persons in accordance with the methodology provided and updated annually by the Washington State Hospital Association.

Consideration for Financial Assistance will be given equally to all Eligible Persons, regardless of race, color, sex, religion, age, national origin, veteran's status, marital status, sexual orientation, immigration status or other legally protected status. *See* MHS Policy: Patient Nondiscrimination

All information relating to the Financial Assistance application is confidential and protected by HIPAA guidelines. *See* HIPAA Privacy Compliance – Administrative policy.

Lists of providers accepting and not accepting Financial Assistance are available at https://www.multicare.org/financial-assistance/ .

This policy describes the processes for evaluating applications and awarding Financial Assistance for

free and discounted care at the following levels based on the Federal Poverty Limit (FPL) adjusted for family size:

1. 100% Financial Assistance - Income levels at or below 300% of the (FPL); or
2. Sliding Scale Financial Assistance - Income levels between 300.5% and 400% of the FPL.

Procedure:

I. **Eligibility Criteria**

   In order for a Responsible Party to be considered eligible for Financial Assistance, the following criteria must be met:

   A. *Exhaustion of All Funding Sources*

      1. Any of the following sources must first be exhausted before a Responsible Party will be considered for Financial Assistance:

         a. Group or individual medical plans
         b. Workers compensation programs
         c. Medicaid programs
         d. Other state, federal or military programs
         e. Third party liability situations (e.g., auto accidents or personal injuries)
         f. Tribal health benefit programs
         g. Health care sharing ministry programs
         h. Any other persons or entities having a legal responsibility to pay
         i. Health saving account (HSA) funds. MHS may require a Responsible Party to fully utilize any available funds from HSA to satisfy outstanding balances.
         j. MHS will pursue payment from any available Funding Source. The remaining patient liability will be eligible for Financial Assistance based on the criteria in this policy.

   B. *Accurate Completion of Financial Assistance application*.

      1. Incomplete applications will be denied. Patients may appeal the denial and provide the missing information per the guidelines set forth below.
      2. If the application places an unreasonable burden, taking into account any physical, mental, intellectual, or sensory deficiencies or language barriers which may hinder the Responsible Party's capability of complying with the application procedures on the Responsible Party, then the application process will not be imposed.

   C. *Medicaid Eligibility Within 90 Days of Services in Lieu of Application*

      1. A determination of Medicaid eligibility within (90) days of date of services

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may replace the Financial Assistance application and may be used to qualify the Responsible Party for 100% Financial Assistance except for spend down amounts. Proof of eligibility will be the presence of Medicaid coverage during the applicable timeframe in the patient's coverage record in Epic.

D. *Presumptive determination or Extraordinary Circumstances*

1. The Responsible Party may qualify for Financial Assistance based on a presumptive determination or extraordinary life circumstances, as outlined below

E. *Medically Necessary Health Care Services Rendered*

1. The services provided to the patient must be medically necessary and not elective.
2. Scheduled services that appear to not be medically necessary will be reviewed by Utilization Management prior to the date of service to determine medical necessity

F. *International Patients*

1. Eligibility determinations for International Patients for non-medically necessary services will be considered on a case-by-case basis by a committee representing Physician Leadership, Revenue Cycle and Finance

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II. **Proof of Income:** Income will be evaluated based on the following criteria:

A. *Income Verification*

1. Any of the following types of documentation will be acceptable for purposes of verifying income:
   a. W2 withholding statements
   b. Payroll check stubs
   c. Most recent filed IRS tax returns
   d. Determination of Medicaid and/or state-funded medical assistance
   e. Determination of eligibility for unemployment compensation
   f. Written statements from employers or welfare agencies
2. For Social Security and Pension benefits, bank statements may be used to demonstrate the consistent monthly deposit.
3. In the event the Responsible Party is unable to provide the documentation described above, MHS must rely upon the written and signed statements from the Responsible Party for making a final determination of eligibility.
4. MHS may also use third party verification of ability to make a presumptive determination and apply a charity discount without receiving a financial assistance application.

B. *Calculation of Income*

1. MHS will use the following guidelines to calculate income:
    a. All Family income will be included in the calculation.
    b. Based on the type of documentation provided, the income will be calculated to represent a twelve (12) month period.

C. *Timing of Determination*

1. Income will be determined as of the time the services were provided.
2. Income at the time of application for Financial Assistance will be considered if the application is made within two years of the time the services were provided and the Responsible Party has been making good faith efforts towards payment for the services

III. **Process for Determination of Eligibility**

A. At the time of registration or as soon as possible following the initiation of services, MultiCare will make an initial determination of eligibility following the patient's review of the FPL grid. If a patient is determined to likely fall below 300% of the FPL, they will not be asked for payment and will be referred to a Patient Financial Navigator (PFN), who will provide additional information about Financial Assistance and other programs that may be available to the patient.

B. Collection activity will cease for 30 calendar days for patients believed to be under 300% of the FPL and the Responsible Party will be asked to complete a Financial Assistance application. If no application is received within 30 days, collection activity will resume.

C. When an application is received, a PFN will review the application to determine eligibility.

D. Incomplete applications will be denied. The Responsible Party will be provided a letter specifying missing information and may Appeal the decision per the requirements below.

E. A written notice of determination will be sent to the applicant within fourteen (14) calendar days from receipt of the complete application.

F. If approved, this notice will include the amount for which the Responsible Party is financially responsible, if any.

G. Approvals will be valid for 180 days and a new application will be required after such time. Awards to Eligible Persons on fixed incomes like Social Security shall be approved for one (1) year, at the discretion of the PFN reviewing the application.

IV. **Appeals**

A. The Responsible Party may appeal the determination by providing additional verification of income or family size within thirty (30) calendar days of receipt of the determination.

B. MultiCare will respond to the appeal within fourteen (14) calendar days from receipt of the appeal.

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C. All appeals will be reviewed and approved or denied by the Manager or Director, Patient Financial Navigation.

D. If an appeal is denied, it will be presented to the AVP, Financial Clearance, Vice President of Revenue Cycle or Chief Financial Officer (CFO) for final determination. If this determination affirms the previous denial of Financial Assistance, written notification will be sent to the Responsible Party and the Department of Health in accordance with state law.

E. Collection efforts will be suspended during the thirty (30) calendar day appeal period and the fourteen (14) calendar day appeal review period.

V. **Application of Financial Assistance Discount Levels**

A. Financial Assistance applies to combined balances for all open accounts for the Responsible Party at time of application submission. The amount owed by an Eligible Person qualifying under this Financial Assistance policy will not exceed amounts generally billed to a Responsible Party not receiving assistance. The method used to calculate the discount to an Eligible Person's balance will be based on an annual retrospective analysis. A rate will be determined for each hospital. This will be calculated using a Look-Back Method pulling a year of claims that have paid in full for Medicare and private/commercial health insurance Responsible Party to determine the "Amount Generally Billed". Patients may obtain information about the Amounts Generally Billed calculations free of charge by calling 800-919-1936.

1. Balances will be considered for Financial Assistance based on the FPL guidelines in Appendix A.
2. If an Eligible Person's residence is in Hawaii or Alaska, the associated FPL guidelines for those states will be utilized to make the determination of assistance.

B. Financial Assistance adjustments will be considered on an individual account balance basis. Approvals on adjustments will be authorized as follows:

1. Patient Financial Navigators: $0.01 - $4,999
2. Supervisor: $5,000 - $49,999
3. Manager/Director: $50,000 - $99,999
4. AVP: $100,000 - $499,999
5. Vice President: $500,000 - $999,999
6. SVP, CFO: $1,000,000 - $2,999,99

C. The volume of applications and adherence to this policy will be tracked and audited on a monthly basis. This report will be reviewed and signed by the Vice President of Revenue Cycle or AVP, Financial Clearance.

VI. **Presumptive Eligibility**

A. Eligibility may be determined presumptively.

1. MHS may utilize third party vendor software or software applications to determine an account's collectability. This is a "soft" credit check and will

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not impact the Responsible Party's credit standing.

2. If these reviews determine the patient may be at 300% or below of the FPL, an adjustment will be taken automatically assuming the account otherwise qualifies for Financial Assistance.

VII. **Extraordinary Life Circumstances**

A. Extraordinary Life Circumstances may also warrant Financial Assistance. Examples of such circumstances may include:

1. **Homeless Persons:** A Homeless person is an individual who has no home or place of residence and depends on charity or public assistance. Such individuals will be eligible for Financial Assistance, even if they are unable to provide the documentation required for the Financial Assistance application.

2. **Deceased Patients:** The charges incurred by a patient who expires may still be considered eligible for Financial Assistance. For the Financial Assistance application, the deceased patient will count as a family member. Accounts in an "Estate" status or situations where the estate has not been opened are not eligible for Financial Assistance until the Estate is settled.

3. **Inmates:** Responsible Party who is incarcerated may be considered eligible in the event the State or County has made a determination that the State or County is not responsible for charges and the inmate/patient is responsible for the bill. Charges incurred while in custody are usually paid through the Law Enforcement Agency and would not qualify for Financial Assistance.

4. **Catastrophic Determinations:** Responsible Party may qualify for a Catastrophic Discount. Only medically necessary services are eligible for a Catastrophic Discount. A Catastrophic event will be determined on a case-by- case basis. Catastrophic cases may include extraordinary medical expenses or hardship situations. All income and non-income resources are considered in the determination, to include the Responsible Party's future income earning potential, especially where his or her ability to work may be limited as a result of illness and/or their ability to make payments over an extended period of time. All of the debt or a portion of the debt may qualify for Financial Assistance. The Director or Manager of Patient Financial Navigation will assist in making a catastrophic event application determination.

B. Requests for Financial Assistance may originate from other sources including a physician, community or religious groups, social services, financial services personnel, and/or the Responsible Party.

VIII. **Individuals that Qualify for Medical Assistance Programs**

A. MHS takes the following steps to identify patients or guarantors that may qualify for medical assistance programs under RCW 74.09:

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1. Patient Financial Navigators review completed financial assistance applications and will follow up with patients or guarantors that appear to qualify for medical assistance programs.
2. Navigators are available on site at MHS hospital facilities, including our off-campus emergency departments, to identify and screen patients and their guarantors.
3. All self-pay patients admitted to an MHS hospital facility are screened to determine if they qualify for any medical assistance programs.
4. Patients may be referred for screening for coverage or medical assistance programs by Care Managers, Registration staff, and providers.
5. Certified Navigators are located throughout MHS and are available at no cost to help customers sign up for coverage through Washington Healthplanfinder. This service is available to anyone searching for a health plan—not only MHS patients.

B. Once a patient or guarantor is identified as potentially being eligible for a medical assistance program:
   1. The patient is screened by a Navigator, who helps determine eligibility for public health care coverage based on household size and income.
   2. If the patient's eligibility is confirmed, then a Navigator will partner with the patient and assist the patient in applying for the appropriate health plan.
   3. The patient account is flagged to ensure no billing occurs while the application is pending.

C. MHS is not obligated to provide financial assistance if a patient or their guarantor qualifies for retroactive health care coverage under RCW 74.09 and the patient or their guarantor fails to make reasonable efforts to cooperate with a Navigator's attempts to assist them in applying for such coverage. (RCW 70.170.060(5)).

COPY

IX. **Collection Efforts for Outstanding Patient Accounts**

A. MHS will not initiate collection efforts or requests for deposits, provided that the Responsible Party within a reasonable time is cooperative with the system's efforts to reach a determination of Financial Assistance eligibility status. ECA may only be initiated after the Notification Period, in accordance with the MHS Policy: Collection Guidelines, Patient Accounts.

B. The Responsible Party's financial obligation remaining after application of the sliding fee schedule will follow regular collection procedures to obtain payment, pursuant to Policy.

C. In the event that a Responsible Party pays a portion or all of the charges related to medically necessary health care services, and is subsequently found to have met the Financial Assistance criteria, any payments for services above the qualified amount will be refunded to the Responsible Party within 30 days of the eligibility determination.

X. **Staff Training**

A. All relevant and appropriate staff supporting Hospital based locations who perform registration, admission, billing, or other related functions shall participate in standardized training based on this Financial Assistance Policy and the use of interpreter services to assist persons with limited English proficiency and non-English-speaking persons in understanding information about the availability of Financial Assistance.

B. The training shall help ensure staff can answer Financial Assistance questions effectively, obtain any necessary interpreter services, and direct inquiries to the appropriate department in a timely manner.

XI. **Dissemination of MHS Financial Assistance Policy**

A. All patients are provided with information about the availability of Financial Assistance upon registration. Additional copies can be requested from the Hospital Financial Navigators or Patient Access Techs within the hospital facilities.

B. Notices in all languages spoken by more than 10 percent of the population advising patients of the availability of Financial Assistance will be posted in key public areas of the hospital, including Admissions and/or Registration, the Emergency Department, Billing and Financial Services.

C. This policy, the application, and a plain language summary are available to patients free of charge by contacting 800-919-1936.

D. Financial counselors are available to discuss Financial Assistance options in person at all hospital locations or over the phone for other areas of the health system.

E. Billing Statements sent to Responsible Parties will contain information regarding the availability of Financial Assistance in both English and Spanish.

F. Written materials are available in English, Spanish, Russian and Vietnamese. .

G. Wide-reaching community notifications will occur in the following ways:

1. Available at registration areas of all hospital facilities,
2. On MHS website www.multicare.org
3. Communications provided to our community partners for distribution, and
4. Upon request, by calling 800-919-1936

Related Forms:

Appendix A
Proof of Income for Financial Assistance Instruction Sheet
Financial Assistance Application
Financial Assistance Letter to Patients
Patient Brochure Containing Plain Language Summary

References:

RCW 70.170

COPY

WAC 246-453

Federal Register Vol 79, December 31, 2014 Final Rule

Notes:
3/1/22 - Added HHH to scope per Cassie Stokes

Attachments

Appendix A.pdf

Approval Signatures

Step Description	Approver	Date
Council / Committee Approvals	Michelle Bowers: QM System Project Analyst Sr [KL]	01/2024
Policy Coordinator	Michelle Bowers: QM System Project Analyst Sr [KL]	01/2024
	Cassie Stokes: Dir Revenue Cycle Policy	01/2024

Applicability

MultiCare Auburn Medical Center, MultiCare Behavioral Health Network, MultiCare Capital Medical Center, MultiCare Covington Medical Center, MultiCare Deaconess Hospital, MultiCare Good Samaritan Hospital, MultiCare Mary Bridge Childrens Hospital, MultiCare Tacoma Gen/Allenmore (System-wide), MultiCare Valley Hospital, MultiCare Yakima Memorial Hospital

Standards

No standards are associated with this document

Exhibit 7A.
Admission Policy

Status Active PolicyStat ID 14193909

Origination	10/2022	Owner	Danielle Lyzanchuk: Dir Revenue Cycle
Last Approved	12/2022	Area	Ethics, Rights and Responsibilities
Effective	12/2022	Applicability	MultiCare Yakima Memorial Hospital
Last Revised	12/2022	Tags	POLICY
Next Review	12/2025		

Admissions Policy

COPY

PURPOSE:

Yakima Memorial Hospital clearly defines it's organizational policy on Admission in the following policy.

SCOPE:

All Workforce

POLICY:

Yakima Valley Memorial Hospital will not deny admission to any patient due to race, color, ethnicity, religion, gender, gender identity or expression, sexual orientation, financial class, marital status, disability, veteran status, age, or national origin. Patients shall be admitted upon referral and placed under the care of a physician who shall be a member of the medical staff or who has temporary privileges according to the medical staff bylaws. Patients admitted to the hospital will go through the admission process coordinated by Clinical Resource Management. The Patient Access Services (PAS) department is staffed 24 hours a day, seven days a week. Admission takes place in the general Patient Access Services area, the outpatient area, the Emergency Department or at the patient's bedside.

REFERENCES:

Regulatory Source(s):

RCW 70.41.520; WAC 246-320-141

Regulatory Citation Number(s):

RCW 70.41.520; WAC 246-320-141

Citation Title:

RCW 70.41.520; WAC 246-320-141

KEYWORDS:

Admit, Admission, nondiscrimination non-discrimination

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COPY

Approval Signatures

Step Description	Approver	Date

Standards

No standards are associated with this document

Exhibit 7B.
Admission Criteria

SUBJECT: AMBULATORY SURGERY CENTER AND APPROPRIATE CASE SELECTION

DEPARTMENT: ANESTHESIA

PURPOSE:

- To define patient criteria for performing surgery at the Ambulatory Surgery Center (ASC)

POLICY:

- Patients with a BMI > 50 are not candidates to have surgery performed at the ASC.
- Patients with a BMI between 40-50 and with known OSA who are noncompliant with CPAP are not candidates for ASC.
- Patients with presumptive OSA but without a polysomnogram and requiring moderate to large amounts of perioperative narcotics are not suitable for ASC (STOP-BANG score> 5-8)
- Patients with severe COPD or recent pneumonia (within 2 months) are not candidates for the ASC.
- Patients with an ASA classification of IV are not candidates for the ASC.
- Patients with known difficult airways are not candidates for ASC.
- Patients undergoing modification or new tracheostomy are not candidates for the ASC.
- Patients with malignant hyperthermia or a first degree relative with the diagnosis of malignant hyperthermia, unless they have tested negative for MH, are not candidates for the ASC.
- Patients with new onset angina, angina at rest, increased frequency of angina, decompensated CHF, myocardial infarction within 3 months, severe valvular disease or severe pulmonary hypertension are not candidates for the ASC
- Patients with a history of CVA within 9 months are not candidate for the ASC

Exhibit 8.
Patient Rights and Responsibilities

YAKIMA VALLEY MEMORIAL

POLICY

Patient Rights & Responsibilities Policy

Category: Organizational
Sub-Category: Rights & Responsibilities **Other:** [Other Sub-Category]
Type: Policy
Status: Active
Last Reviewed: 07/29/2021
Regulatory Source(s): CMS **Other:** Washington Administrative Code
Regulatory Citation Number(s): 42 CFR §482.13; WAC 246-320-141
Citation Title: Condition of Participation: Patient's rights; Patient rights and organizational ethics.

PURPOSE: To assure all patients and their legal representative have been informed of their patient rights and responsibilities.

SCOPE: All Workforce

POLICY:
It is the policy of Yakima Valley Memorial (YVM) to recognize and respect the rights of all patients. Discrimination in any form is prohibited. Patients receiving health care services at YVM shall be informed of these patient rights and responsibilities.

Each patient shall be given their notice of patient rights prior to receiving treatment, either electronically or written, except in case of emergency, in which they will be given the notice as soon as possible. Documentation that the patient rights and responsibility receipt has either been received or declined will be recorded in the patient's medical record.

SIGNAGE REQUIRMENTS
Notice of Patient Rights/Responsibilities signs are posted conspicuously in the main entrance to the hospital, the emergency department entrance and at all the registration areas of the hospital or off campus service locations. The organization at their discretion may determine other locations the signs may be posted.

Access to Interpreter signs are also posted conspicuously in the main entrance to the hospital, the emergency department entrance and all registration areas of the organization.

PATIENT RIGHTS & RESPONSIBILITIES

Organizational Policy

While you are a patient at Yakima Valley Memorial Hospital (YVMH) and Memorial Physicians, PLLC, you have the right to expect:

- Nondiscrimination. We comply with applicable Federal civil rights laws and do not discriminate against any person on the basis of age, culture, employment, ethnicity, expression, gender identity, language, national origin, participation in programs, physical or mental disability, race, color, religion, services and activities, sex, sexual orientation, socioeconomic status or treatment. For further information about this policy, contact Patient Relations, at (509) 469-5411.
- Free aids and services are provided to people with disabilities to communicate effectively with us, such as:
    - Qualified sign language interpreters
    - Written information in other formats (large print, audio, accessible electronic formats, other
    - formats)

  Free language services are provided to people whose primary language is not English, such as:

- Qualified interpreters
- Information written in other languages

If you need these services, contact Patient Relations, at (509) 469-5411.

- Respect. You have the right to be treated and cared for with dignity and respect.

- Participation in Care. You have the right to relevant, current and understandable information concerning your diagnosis, various treatment options, prognosis and costs. One of our most important jobs is keeping you informed. You have the right to participate in decisions regarding your care, including refusing treatment and agreement to care.

- Advance Directives. You have the right to participate in ethical questions that arise in the course of your care, including conveying your wishes regarding end-of-life decisions, such as life-sustaining treatment. You have the right to expect that your health care providers will comply with your decisions.

- Privacy; Confidentiality. You have the right to every consideration of privacy, including personal needs. This also means that case discussion; consultation, examination and treatment should be conducted so as to protect your privacy. Similarly, you have the right to expect that all written communications and records about your treatment be treated as strictly confidential, except in cases permitted or required by law, such as suspected abuse or public health hazards. You have the right to be informed about how YVMH will use or share information about you. To facilitate communications between your health care providers, your name and room number will be posted on an electric board at the nursing station. If you have any concerns with your name being posted for this purpose, please discuss them with your nurse.

- Information Access. You have the right to review all records pertaining to your medical care and to have the information fully explained to you, except when such disclosure is restricted by law. You also have the right to request an amendment to your medical record.

- Appropriate Care. You have the right to expect that YVMH will make a reasonable response to your request for appropriate care and services and to be informed of unanticipated outcomes. Quality of care and premature discharge complaints should be addressed to the Patient Relations Department where they will be referred to a utilization and quality control peer review committee for resolution. We will provide evaluation, service and/or referral as indicated by the urgency of each case. Requests to be transferred will be honored based on medical, legal and payer requirements and only when it is medically appropriate and legally permissible will you be transferred to another facility.

- Pain Management. You have the right to expect information about pain and pain relief measures. We will provide knowledgeable staff members committed to pain prevention that will respond quickly to reports of pain.

- Knowledge of Staff Information and Relationships. You have the right to know the names of everyone involved in your care, their titles, education and relationship with the medical center. You have the right to know of business relationships between YVMH and educational institutions and other health care providers.

- Freedom to Participate in Research. You have the right to consent or decline to participate in proposed studies or human experimentation affecting care and treatment. You have the right to have studies explained to you prior to your consent. You have the right to be given a description of alternative services that might also prove advantageous to you. If you decide not to participate in research, you are still entitled to the most effective care YVMH can otherwise provide.

POLICY

- Continuity. You have the right to expect reasonable continuity of care and to be informed by physicians and care providers of available and realistic patient care options that YVMH may not be able to directly provide.

- Support. You have the right to spiritual care. You have the right to have your family or representative, and your personal physician promptly notified of your admission to the hospital. You have the right to communicate. If communication restrictions are necessary for patient care and safety, we must document and explain the restriction to you and your family.

- Information about Yakima Valley Memorial Hospital Policies. You have the right to be informed of all policies and practices that relate to your care and treatment. You have the right to be informed of available resources for resolving disputes, grievances and conflicts. Similarly, you have the right to be informed of the medical charges for services and available payment methods.

- No Restraints. You have the right to be free from restraints of any form that are not medically necessary or are used as a means of coercion, discipline, convenience, or retaliation by staff. A restraint may be either physical or a drug that is being used as a restraint.

- Safety. You have the right to access protective services and information regarding such services is available at all YVMH locations. You have the right to security and to receive care in a safe setting. You have the right to be protected from abuse, neglect and harassment.

- Who Makes Decisions When You Cannot. Under state law if you are determined incompetent to make medical decisions, then a legally authorized representative may exercise those rights on your behalf. Based on the order of priority set forth in state law, the legally authorized representative may be a court appointed representative, an individual to whom you previously delegated authority to exercise such rights or other individual as permitted by law.

Patient Relations – Compliments and Complaints/Grievances We strive to treat all patients with compassion and dignity and want to know of your concerns regarding patient safety, quality of care or other problems. We also would like to know if you have a positive interaction with our services, medical professionals and support staff. To share your experience, please contact the Patient Relations Department at the address below, if you have a complaint, concern or grievance:

Patient Relations, Yakima Valley Memorial Hospital
2811 Tieton Drive, Yakima WA 98902
Phone: (509) 469-5411 Email: patientrelations@yvmh.org

The Department will respond within 48 business hours. The usual expected timeframe for resolution is within 30 days. If a longer period is required, Patient Relations will timely communicate to the patient the anticipated timeframe. Please be assured that you may share your concerns, complaint or grievance without fear of retribution or denial of care. You have the right to work with us to resolve issues related to your care.

Each patient shall be given their notice of patient rights prior to receiving treatment, either electronically or written, except in case of emergency, in which they will be given the notice as soon as possible. Documentation that the patient rights and responsibility brochure has either been received or declined will be recorded in the patient's medical record.

YAKIMA VALLEY MEMORIAL

POLICY

If a problem is not resolved to your satisfaction, Yakima Valley Memorial Hospital has an Appeals Committee. To file an appeal, contact the Patient Relations Department. You also have the option to contact the following agencies in addition to, or instead of, YVMH's Appeals Committee:

Washington State Department of Health (DOH), Health Systems Quality Assurance, Complaint Intake
PO Box 47857, Olympia, WA 98504-7857
Phone: (1-800) 633-6828 (Toll Free) or (360) 236-4700 Fax: (360) 236-2626
Email: HSQAComplaintIntake@doh.wa.gov

Medicare: www.medicare.gov/claims-and-appeals/medicare-rights/get-help/ombudsman.html
Phone: (1-800)-MEDICARE (63342273)

Joint Commission: www.jointcommission.org

Billing Issues: Billing questions can be directed to the Yakima Valley Memorial Hospital Billing Department at (509) 575-8255.

Patient Responsibilities

To give you the best care possible, we need your help. By assuming the following responsibilities, you can contribute to your care in a positive way. We ask that you:

- Provide accurate and complete information about present complaints. Past illnesses, hospitalization, medications and other matters relating to your health.
- Report unexpected changes in your condition to the physician or other health care provider.
- Report symptoms of pain when they first begin and discuss pain relief options with your doctor or nurse. Work with your care provider to develop a pain management plan. Tell your care provider if your pain is not relieved.
- Follow the treatment plan recommended by our health care team, including following the instructions of your providers. Keeping appointments and notifying your provider's office if you are unable to do so.
- Take responsibility for your well- being.
- Follow hospital rules and regulations affecting patient care and conduct.
- Be considerate of the rights of other patients and hospital and clinic personnel.
- Refrain from behavior that is threatening or disruptive to the operations of YVMH or is abusive to the staff. Such behavior includes the bringing of weapons of any kind onto hospital or clinic property, which may result in steps to immediately terminate the patient relationship with your provider or the entire medical center.
- Regardless of the type of insurance coverage you have, pay your bill promptly or make arrangements with our financial services department before entering the hospital.

Tell us whether you truly understand your care plan and what your role in the plan is. If you have any questions about your rights and responsibilities as a patient at Yakima Valley Memorial Hospital, please feel free to ask any of the professionals who are caring for you.

YAKIMA VALLEY MEMORIAL

POLICY

DEFINITIONS:
Refer to **YVM Policy Development and Approval- Appendix A for standard workforce, roles and work product definitions.**

REFERENCES: (Note: Regulatory references should only be listed above)
Lippincott Link:

KEYWORD Indexes:
Policy on Policies, patient satisfaction

Effective Date:	**08/02/2021**	**Term Date:**	**08/02/2024**
Governing Department:	Patient & Family Experience		
Sponsor:	Susan Sauder, VP, CCO		
Authored By:	Vanessa Rousseau	**Date:**	7/29/2021
Revised By:	Leslie Ayhens	**Date:**	7/30/2021
Reviewed By:		**Date:**	
Reviewed By:	Policy Reliability Workgroup	**Date:**	7/30/2021
Approved By:	Policy Committee	**Date:**	8/2/2021
Approved By:		**Date:**	
Approved By:		**Date:**	
Next Review Date:	7/2024		

Paper copies of this document may not be current and should not be relied on for official purposes. The current version is on the organization intranet.

Exhibit 9.
Non-Discrimination Policy

Status **Active** PolicyStat ID **15128079**

Origination	06/2012
Last Approved	12/2023
Effective	01/2024
Last Revised	12/2023
Next Review	12/2024

Owner	Tracy Lightfoot: Dir Privacy Civil Rights
Area	Compliance, Privacy & Civil Rights
Applicability	MultiCare System Wide with Yakima
Tags	DOH, DOJ

Patient Nondiscrimination

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Scope:

This policy applies to all MultiCare Health System (MHS) workforce members, employees, medical staff members, residents, students, volunteers, and contractors.

Location Scope:

This policy applies to all wholly-owned and controlled entities of MultiCare Health System, including but not limited to the following locations: MultiCare Tacoma General Hospital/Allenmore Hospital, MultiCare Mary Bridge Children's Hospital, MultiCare Good Samaritan Hospital, MultiCare Auburn Medical Center, MultiCare Deaconess Hospital, MultiCare Valley Hospital, MultiCare Covington Medical Center, Capital Medical Center, Yakima Memorial Hospital,Home Health and Hospice Services, and all wholly-owned and controlled administrative, ambulatory, and retail sites of care to include primary care and specialty clinics, ancillary services, surgery centers, and urgent care centers.

As affiliated covered entities (ACEs), this policy also applies to the administrative and clinical areas and workforces of MultiCare Connected Care, MHS Employees, Greater Lakes Behavioral Health, Navos, PNW PACE Partners, PNW Hospice, Capital Medical Center Physicians, Capital Medical Center Specialty Physicians, and CHVI.

In instances where MHS does business outside the State of Washington, where the other state has substantially the same legal requirements for corporate compliance and privacy, MHS's compliance with the specific requirements of Washington State law will be acceptable.

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Policy Statement:

It is the policy of MHS to provide equal access to its facilities and services without discrimination on the basis of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law.

This policy applies to MHS workforce member's interactions with patients, companions, and visitors of MHS. For questions regarding employment discrimination, please see the MHS Policy and Procedure "*Equal Employment Opportunity and Employment Law*."

For questions you can contact the Integrity Line by phone at (866) 264-6121 or by email at compliance@multicare.org.

Special Instructions:

Any person who believes they or any specific class of individuals have been subjected to prohibited discrimination may file a complaint with the Privacy & Civil Rights Office through the Integrity Line.

All reports will receive a written response within fourteen (14) days.

A person may also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at https://ocrportal.hhs.gov/ocr/portal/lobby.jsf, or by mail or phone at:

U.S. Department of Health and Human Services

200 Independence Avenue, SW

Room 509F, HHH Building

Washington, D.C. 20201

1-800-368-1019, 800-537-7697 (TDD)

Complaint forms are available at http://www.hhs.gov/ocr/office/file/index.html

No person will suffer retaliation for reporting discrimination, filing a complaint, or cooperating in an investigation of a discrimination complaint.

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Procedure:

MHS Personnel will:

1. Nondiscrimination – MHS will treat all patients and visitors receiving or participating in services with equality and in a welcoming manner that is consistent with Multicare's nondiscrimination policy. Specifically, MultiCare does not discriminate or exclude people or

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treat them differently because of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law.

2. Notice – MHS will provide notices to patients regarding this policy and its commitment to providing access to and the provision of services in a nondiscriminatory manner pursuant to Section 1557 of the Affordable Care Act and Section 504 of the Rehabilitation Act.
3. Reasonable Accommodation/Effective Communication – MHS will inform patients, companions and visitors of the availability of and make reasonable accommodations for patients consistent with Federal and State requirements. This includes, for example, informing patients of their right to appropriate auxiliary aids and services such as qualified language interpreters for limited English-speaking patients and sign language interpreters for hearing-impaired patients and how to obtain these aids and services. Aids and services will be provided free of charge to the patient and the patient companion and in a timely manner when such aids and services are necessary to ensure an equal opportunity to participate to individuals with disabilities or to provide meaningful access to individuals with limited English proficiency.
4. Visitation Rights – MHS will afford visitation rights to patients free from discrimination and will ensure that visitors receive equal visitation privileges consistent with patient preferences.
5. Accessibility – MHS will ensure compliance with regulations established by the Americans with Disabilities Act of 1990 with respect to accessibility to MHS facilities. MHS will perform continual monitoring of facilities for location identification, and condition of signage, door operation, parking, ramps, and restrooms. Access features will include:
    - Convenient off-street parking designated specifically for disabled persons.
    - Curb cuts and ramps between parking areas and buildings.
    - Level access into first floor level with elevator access to all other floors.
    - Fully accessible offices, meeting rooms, restrooms, public waiting areas, cafeteria, patient treatment areas, including examining rooms and patient wards.
    - A full range of assistive and communication aids provided to persons who are deaf, hard of hearing, or blind, or with other sensory impairments. There is no additional charge for such aids.
6. Provision of Services – MHS workforce will determine eligibility for and provide services, financial aid, and other benefits to all patients in a similar manner, without subjecting any individual to separate or different treatment on the basis of age, race, color, creed, national origin, ethnicity, religion, marital status, sex, sexual orientation, gender identity or expression, disability, citizenship, medical condition, or any other basis prohibited by federal, state, or local law.

   If any MHS workforce member recognizes or has any reason to believe that a patient or a relative, close friend, or companion of a patient is deaf, deaf-blind, or hard-of-hearing, the workforce member must advise the person that appropriate auxiliary aids and services will be provided free of charge to the Patient or Companion. Examples of auxiliary aids and services include, but are not limited to, qualified sign language interpreters, notetakers, real-time computer-aided transcription services, written materials, exchange of written notes, assistive

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listening devices, assistive listening systems, closed caption decoders, voice, text, and video-based telecommunications products and systems, including text telephones (TTYs), videophones, and captioned telephones, or equally effective telecommunications devices, videotext displays; accessible electronic and information technology, Brailled materials and displays; and large print materials. The type of auxiliary aid or service necessary to ensure effective communication will vary in accordance with the method of communication used by the individual; the nature, length, and complexity of the communication involved; and the context in which the communication is taking place. If the MHS workforce member is the responsible health care provider, the provider must ensure that such aids and services are provided when appropriate. All other personnel should direct that person to the appropriate ADA Administrator(s) reachable at 1-888-210-3396 for Puget Sound Region, 1-855-593-0325 for Inland Northwest and 1-833-677-5786 for Yakima.

7. A person may also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office for Civil Rights Complaint Portal, available at https://ocrportal.hhs.gov/ocr/portal/lobby.jsf, or by mail or phone at:

   U.S. Department of Health and Human Services
   200 Independence Avenue, SW
   Room 509F, HHH Building
   Washington, D.C. 20201
   1-800-368-1019, 800-537-7697 (TDD)
   Complaint forms are available at http://www.hhs.gov/ocr/office/file/index.html

8. Compliance – MHS's Chief Compliance Officer, Privacy/Civil Rights Director or designee is responsible for coordinating compliance with this Policy. MHS has designated its Director, Privacy/Civil Rights to coordinate efforts under 1557 of the Affordable Care Act and Section 504 of the Americans with Disabilities Act.

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Related Policies:

Policy on Compliance with the Americans With Disabilities Act, Section 504 of the Rehabilitation Act of 1973 and Section 1557 of the Patient Protection and Affordable Care Act (Public Facing)

Compliance and Ethics Program, Reporting, and Investigating Concerns of Violations Patient Grievances

Patient Grievances

Equal Employment Opportunity and Employment Law

Emergency Medical Treatment and Active Labor (EMTALA), Compliance with Employee Complaint Grievance Procedure

References:

The Americans with Disabilities Act of 1990 (ADA), 42 USC §§ 12101 et seq.

Washington Law Against Discrimination, Ch. RCW 49.60.030

Washington State Human Rights Commission regulations, Ch. 16226 WAC

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ADA Title III regulations, 28 CFR §§36.301 et seq.

Section 1557 of the Patient Protection and Affordable Care Act (42 U.S.C. 18116)

Section 504 of the Rehabilitation Act of 1973

Title VI of the Civil Rights Act of 1964

Age Discrimination Act of 1975

45 C.F.R. § 80 (2012) – Nondiscrimination under programs receiving Federal assistance through the Department of Health and Human Services effectuation of Title VI of the Civil Rights Act of 1964.

45 C.F.R. § 84 (2012) – Enforcement of nondiscrimination on the basis of handicap in programs or activities conducted by the Department of Health and Human Services.

45 C.F.R. § 91 (2012) – Nondiscrimination on the basis of age in programs or activities receiving Federal financial assistance from HHS.

RCW 49.60 – Discrimination – Human Rights Commission

Idaho Title 67, Chapter 59 – Idaho Human Rights Act

29 U.S.C. § 794 – Nondiscrimination under Federal grants and programs.

RCW 49.60

I.C. § 67-5909

WAC 246-341-0420(4), WAC 246-341-0420(5), WAC 246-341-0420(6)

Notes:
Approved at SKRB 4/12/2018 and MHS QSSC e-vote 4/18/2018 to apply to Covington Medical Center
Approved at MHS QSSC September 2019 to apply to Home Health and Hospice
Update scope to include Protected Health Information (PHI) and Personally Identifiable Information (PII) as well as Community-based locations – November, 2020
Approved by MHS QSSC e-vote 8/15/2021 to apply to Capital Medical Center

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Approval Signatures

Step Description	Approver	Date
Privacy and Civil Rights Leadership	Michelle Bowers: QM System Project Analyst Sr	01/2024

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	Tracy Lightfoot: Dir Privacy Civil Rights [MB]	01/2024

Applicability

MultiCare All Policies Site-View Only, MultiCare Ambulatory, MultiCare Auburn Medical Center, MultiCare Behavioral Health Network, MultiCare Capital Medical Center, MultiCare Covington Medical Center, MultiCare Deaconess Hospital, MultiCare Good Samaritan Hospital, MultiCare Laboratories, MultiCare Mary Bridge Childrens Hospital, MultiCare Tacoma Gen/Allenmore (System-wide), MultiCare Valley Hospital, MultiCare Yakima Memorial Hospital

Standards

No standards are associated with this document

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Exhibit 10.
Historical Financial Statements

MultiCare Yakima Memorial Surgery Center at Ridgeview

Revenue and Expense Statement - Historical

	Historical Period			Comment #
	2021	2022	2023	
Total Cases (With Cystoscopy)	3,165	2,704	3,337	
Total Cases (Excluding Cystoscopy)	406	511	408	
REVENUES				
Gross Revenues	$12,121,954	$14,284,742	$14,255,762	
Charity Care	($223,318)	($289,149)	($323,372)	(1)
Other Deductions	($7,685,894)	($9,345,290)	($9,290,999)	
Net Revenue	$4,212,742	$4,650,303	$4,641,391	
EXPENSES				
Salaries & Benefits	$804,612	$998,644	$980,144	
Medical Supplies	$341,287	$416,480	$556,835	
Drugs/Other Supplies	$140,910	$131,544	$122,294	
Purchased Services	$108,987	$116,322	$133,139	
Rental and Occupancy	$375,749	$402,723	$413,238	
Depreciation (Existing)	$159,962	$186,123	$183,567	
Other Expenses	$1,350,810	$1,366,869	$1,365,997	
Total Expenses	$3,282,317	$3,618,705	$3,755,214	
Net Income	**$930,425**	**$1,031,598**	**$886,177**	

COMMENTS

(1) Charity care values are estimates based on Yakima Memorial Hospital's average charity care as a percent of gross revenue for the corresponding calendar year.

MultiCare Yakima Memorial Hospital

Revenue and Expense Statement - Historical

	Historical Period				
	2021	2022	2023	1Q2024	2024 Annualized
REVENUES					
Gross Revenues	$1,667,102,920	$1,713,174,431	$1,790,360,973	$506,604,749	$2,026,418,996
Charity Care	($30,712,372)	($34,677,791)	($40,611,847)	($11,275,412)	($45,101,649)
Other Deductions	($1,117,888,847)	($1,182,657,671)	($1,226,154,797)	($366,721,072)	($1,466,884,287)
Net Patient Service Revenue	$518,501,701	$495,838,969	$523,594,329	$128,608,265	$514,433,060
Other Operating Revenue	$36,768,188	$34,540,894	$27,240,112	$22,041,963	$88,167,852
Net Revenue	$555,269,889	$530,379,863	$550,834,441	$150,650,228	$602,600,912
EXPENSES					
Salaries & Benefits	$281,681,223	$294,286,307	$290,495,753	$80,824,848	$323,299,392
Medical Supplies	$44,561,584	$44,923,035	$45,394,176	$13,119,736	$52,478,943
Drugs/Other Supplies	$51,629,758	$52,616,219	$54,970,306	$16,100,995	$64,403,981
Purchased Services	$84,699,878	$81,331,587	$81,698,480	$24,886,487	$99,545,947
Rental and Occupancy	$40,118,287	$36,664,820	$41,508,013	$2,479,959	$9,919,836
Depreciation	$20,342,658	$19,514,992	$21,976,641	$5,110,655	$20,442,620
Other Expenses	$27,384,086	$26,130,575	$30,065,697	$4,759,252	$19,037,008
Total Expenses	$550,417,474	$555,467,535	$566,109,066	$147,281,932	$589,127,728
Operating Income	**$4,852,415**	**($25,087,672)**	**($15,274,625)**	**$3,368,296**	**$13,473,184**
Non-Operating Income	$24,049,161	($8,675,583)	$170,949,406	$0	$0
Net Income	**$28,901,576**	**($33,763,255)**	**$155,674,781**	**$3,368,296**	**$13,473,184**

MultiCare Yakima Memorial Hospital
Balance Sheet for Year End 2023

	Period Ending 12/31/2023
Assets	
Cash & Cash Equivalents	$ 79,966,057
Accounts Receivable	$ 64,535,294
Other Current Assets	$ 36,596,874
Total Current Assets	$181,098,225
Land, buildings, and equipment, net of accumulated depreciation	$241,748,175
Other assets	$160,787,061
Total Other Assets	$402,535,236
Total Assets	$583,633,461
Liabilities	
Accounts Payable	$ 39,687,928
Other Current Liabilities	$127,695,646
Total Current Liabilities	$167,383,574
Long-term debt, net of current portion	$ 506,041
Other Liabilities	$ 21,262,546
Total Other Liabilities	$ 21,768,587
Total Liabilities	$189,152,161
Net Assets	
Total Net Assets	$394,481,301
Total Liabilities and Equity	$583,633,462

Exhibit 11A.
Pro Forma – Without the Project

MultiCare Yakima Memorial Surgery Center at Ridgeview
Revenue and Expense Statement - Forecast (Without the Project)

	Intervening Periods		Forecast Period			
	2024	Jan - Jul 2025	2025	2026	2027	2028
			Year 0	Year 1	Year 2	Year 3
# of Months	12	7	5	12	12	12
Total Cases (With Cystoscopy)	3,337	1,947	1,390	3,337	3,337	3,337
Total Cases (Excluding Cystoscopy)	408	238	170	408	408	408
REVENUES						
Gross Revenues	$14,255,762	$8,315,861	$5,939,901	$14,255,762	$14,255,762	$14,255,762
Charity Care	($323,372)	($188,634)	($134,738)	($323,372)	($323,372)	($323,372)
Other Deductions	($9,290,999)	($5,419,749)	($3,871,250)	($9,290,999)	($9,290,999)	($9,290,999)
Net Revenue	$4,641,391	$2,707,478	$1,933,913	$4,641,391	$4,641,391	$4,641,391
EXPENSES						
Salaries & Benefits	$980,144	$571,751	$408,393	$980,144	$980,144	$980,144
Medical Supplies	$556,835	$324,820	$232,015	$556,835	$556,835	$556,835
Drugs/Other Supplies	$122,294	$71,338	$50,956	$122,294	$122,294	$122,294
Purchased Services	$133,139	$77,665	$55,475	$133,139	$133,139	$133,139
Rental and Occupancy	$420,470	$249,566	$178,262	$435,315	$442,933	$450,684
Depreciation (Existing)	$183,567	$107,081	$76,486	$183,567	$183,567	$183,567
Depreciation (Project-Related)						
Depreciation (Other Expansion)						
Other Expenses	$1,365,997	$796,831	$569,165	$1,365,997	$1,365,997	$1,365,997
Medical Director	$60,000	$35,000	$25,000	$60,000	$60,000	$60,000
Startup Expenses						
Total Expenses	$3,822,446	$2,234,052	$1,595,752	$3,837,291	$3,844,909	$3,852,660
Net Income	**$818,945**	**$473,426**	**$338,161**	**$804,100**	**$796,482**	**$788,731**

MultiCare Yakima Memorial Hospital
Revenue and Expense Statement - Forecast (Without the Project)

	Intervening Periods		Forecast Period			
	2024	Jan - Jul 2025	2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3
# of Months	12	7	5	12	12	12
REVENUES						
Gross Revenues	2,026,418,996	1,182,077,748	844,341,248	2,026,418,996	2,026,418,996	2,026,418,996
Charity Care	(45,101,649)	(26,309,295)	(18,792,354)	(45,101,649)	(45,101,649)	(45,101,649)
Other Deductions	(1,466,884,287)	(855,682,501)	(611,201,786)	(1,466,884,287)	(1,466,884,287)	(1,466,884,287)
Net Patient Service Revenue	514,433,060	300,085,952	214,347,108	514,433,060	514,433,060	514,433,060
Other Operating Revenue	88,167,852	51,431,247	36,736,605	88,167,852	88,167,852	88,167,852
Net Revenue	602,600,912	351,517,199	251,083,713	602,600,912	602,600,912	602,600,912
EXPENSES						
Salaries & Benefits	323,299,392	188,591,312	134,708,080	323,299,392	323,299,392	323,299,392
Medical Supplies	52,478,943	30,612,717	21,866,226	52,478,943	52,478,943	52,478,943
Drugs/Other Supplies	64,403,981	37,568,989	26,834,992	64,403,981	64,403,981	64,403,981
Purchased Services	99,545,947	58,068,469	41,477,478	99,545,947	99,545,947	99,545,947
Rental and Occupancy	9,919,836	5,786,571	4,133,265	9,919,836	9,919,836	9,919,836
Depreciation	20,442,620	11,924,862	8,517,758	20,442,620	20,442,620	20,442,620
Other Expenses	19,037,008	11,104,921	7,932,087	19,037,008	19,037,008	19,037,008
Startup Expenses						
Total Expenses	589,127,728	343,657,841	245,469,887	589,127,728	589,127,728	589,127,728
Operating Income	**13,473,184**	**7,859,357**	**5,613,827**	**13,473,184**	**13,473,184**	**13,473,184**
Non-Operating Income	0	0	0	0	0	0
Net Income	**13,473,184**	**7,859,357**	**5,613,827**	**13,473,184**	**13,473,184**	**13,473,184**

MultiCare Yakima Memorial Hospital
Cash Flow Statement (Without the Project)

	--------Intervening--------		--------Forecast--------			
			Year 0	Year 1	Year 2	Year 3
	2024	Jan - Jul 2025	2025	2026	2027	2028
Months	12	7	5	12	12	12
OPERATING ACTIVITIES						
Operating income	$ 13,473,184	$ 7,859,357	$ 5,613,827	$ 13,473,184	$ 13,473,184	$ 13,473,184
Depreciation	$ 20,442,620	$ 11,924,862	$ 8,517,758	$ 20,442,620	$ 20,442,620	$ 20,442,620
Accounts Receivable	$ (70,600,210)	$ (70,600,210)	$ (70,600,210)	$ (70,600,210)	$ (70,600,210)	$ (70,600,210)
A/R From Prior Year	$ 64,535,294	$ 70,600,210	$ 70,600,210	$ 70,600,210	$ 70,600,210	$ 70,600,210
Accounts Payable	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751
A/P From Prior Year	$ (39,687,928)	$ (41,478,751)	$ (41,478,751)	$ (41,478,751)	$ (41,478,751)	$ (41,478,751)
Cash Flow from Operating Activities	**$ 29,641,712**	**$ 19,784,219**	**$ 14,131,585**	**$ 33,915,804**	**$ 33,915,804**	**$ 33,915,804**
INVESTING ACTIVITIES						
Non-operating income	$ -	$ -	$ -	$ -	$ -	$ -
Purchase of PP&E						
Cash Flow from Investing Activities	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
FINANCING ACTIVITIES						
Capital Contributed From Reserves		$ -				
Cash Flow from Financing Activities	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Beginning Balance	$ 79,966,057	$ 109,607,769	$ 129,391,988	$ 143,523,573	$ 177,439,378	$ 211,355,182
Annual Increase (Decrease)	$ 29,641,712	$ 19,784,219	$ 14,131,585	$ 33,915,804	$ 33,915,804	$ 33,915,804
Ending Balance	$ 109,607,769	$ 129,391,988	$ 143,523,573	$ 177,439,378	$ 211,355,182	$ 245,270,986

MultiCare Yakima Memorial Hospital
Balance Sheet Projections (Without The Project)

	Intervening Dec 31, 2024	Intervening Jul 2025	Year 0 Dec 31, 2025	Year 1 Dec 31, 2026	Year 2 Dec 31, 2027	Year 3 Dec 31, 2028
Assets						
Cash & Cash Equivalents	$109,607,769	$ 129,391,988	$143,523,573	$177,439,378	$211,355,182	$245,270,986
Accounts Receivable	$ 70,600,210	$ 70,600,210	$ 70,600,210	$ 70,600,210	$ 70,600,210	$ 70,600,210
Other Current Assets	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874
Total Current Assets	$216,804,853	$ 236,589,072	$250,720,657	$284,636,461	$318,552,266	$352,468,070
Land, buildings, and equipment, net of accumulated depreciation	$221,305,555	$ 209,380,693	$200,862,934	$180,420,314	$159,977,694	$139,535,073
Other assets	$160,787,061	$ 160,787,061	$160,787,061	$160,787,061	$160,787,061	$160,787,061
Total Other Assets	$382,092,616	$ 370,167,754	$361,649,995	$341,207,375	$320,764,755	$300,322,134
Total Assets	$598,897,468	$ 606,756,826	$612,370,652	$625,843,836	$639,317,020	$652,790,204
Liabilities						
Accounts Payable	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751	$ 41,478,751
Other Current Liabilities	$127,695,646	$ 127,695,646	$127,695,646	$127,695,646	$127,695,646	$127,695,646
Total Current Liabilities	$169,174,397	$ 169,174,397	$169,174,397	$169,174,397	$169,174,397	$169,174,397
Long-term debt, net of current portion	$ 506,041	$ 506,041	$ 506,041	$ 506,041	$ 506,041	$ 506,041
Other Liabilities	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546
Total Other Liabilities	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587
Total Liabilities	$190,942,984	$ 190,942,984	$190,942,984	$190,942,984	$190,942,984	$190,942,984
Net Assets						
Total Net Assets	$407,954,485	$ 415,813,842	$421,427,669	$434,900,853	$448,374,037	$461,847,221
Total Liabilities and Equity	$598,897,469	$ 606,756,827	$612,370,653	$625,843,837	$639,317,021	$652,790,205

Exhibit 11B.
Pro Forma – With the Project

MultiCare Yakima Memorial Surgery Center at Ridgeview
Revenue and Expense Statement - Forecast (With the Project)

	Intervening Periods		Forecast Period			
	2024	Jan - Jul 2025	2025	2026	2027	2028
			Year 0	Year 1	Year 2	Year 3
# of Months	12	7	5	12	12	12
Total Cases (With Cystoscopy)	3,337	1,947	2,072	5,112	4,515	4,636
Total Cases (Excluding Cystoscopy)	408	238	852	2,183	1,586	1,707
REVENUES						
Gross Revenues	$14,255,762	$8,315,861	$19,155,691	$51,366,576	$52,771,684	$58,089,014
Charity Care	($323,372)	($188,634)	($434,520)	($1,165,179)	($1,197,052)	($1,317,668)
Other Deductions	($9,290,999)	($5,419,749)	($12,193,755)	($33,316,887)	($34,742,617)	($38,743,092)
Net Revenue	$4,641,391	$2,707,478	$6,527,415	$16,884,510	$16,832,016	$18,028,254
EXPENSES						
Salaries & Benefits	$980,144	$571,751	$1,256,395	$3,015,349	$3,015,349	$3,015,349
Medical Supplies	$556,835	$324,820	$1,514,638	$3,929,005	$3,948,018	$4,237,684
Drugs/Other Supplies	$122,294	$71,338	$77,076	$192,944	$188,508	$196,201
Purchased Services	$133,139	$77,665	$138,238	$339,099	$277,052	$282,782
Rental and Occupancy	$420,470	$249,566	$178,262	$435,315	$442,933	$450,684
Depreciation (Existing)	$183,567	$107,081	$76,486	$183,567	$183,567	$183,567
Depreciation (Project-Related)			$123,816	$297,160	$297,160	$297,160
Depreciation (Other Expansion)			$54,961	$131,906	$131,906	$131,906
Other Expenses	$1,365,997	$796,831	$1,725,293	$4,381,746	$4,182,840	$4,414,933
Medical Director	$60,000	$35,000	$25,000	$60,000	$60,000	$60,000
Startup Expenses		$574,622				
Total Expenses	$3,822,446	$2,808,674	$5,170,164	$12,966,090	$12,727,333	$13,270,266
Net Income	**$818,945**	**($101,196)**	**$1,357,251**	**$3,918,419**	**$4,104,682**	**$4,757,988**

MultiCare Yakima Memorial Hospital
Revenue and Expense Statement - Forecast (With the Project)

	Intervening Periods		Forecast Period			
	2024	Jan - Jul 2025	2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3
# of Months	12	7	5	12	12	12
REVENUES						
Gross Revenues	2,026,418,996	1,182,077,748	857,557,038	2,063,529,811	2,064,934,919	2,070,252,248
Charity Care	(45,101,649)	(26,309,295)	(19,092,136)	(45,943,457)	(45,975,329)	(46,095,946)
Other Deductions	(1,466,884,287)	(855,682,501)	(619,524,292)	(1,490,910,175)	(1,492,335,905)	(1,496,336,380)
Net Patient Service Revenue	514,433,060	300,085,952	218,940,611	526,676,179	526,623,685	527,819,923
Other Operating Revenue	88,167,852	51,431,247	36,736,605	88,167,852	88,167,852	88,167,852
Net Revenue	602,600,912	351,517,199	255,677,216	614,844,031	614,791,537	615,987,775
EXPENSES						
Salaries & Benefits	323,299,392	188,591,312	135,556,082	325,334,598	325,334,598	325,334,598
Medical Supplies	52,478,943	30,612,717	23,148,849	55,851,113	55,870,126	56,159,792
Drugs/Other Supplies	64,403,981	37,568,989	26,861,112	64,474,631	64,470,196	64,477,889
Purchased Services	99,545,947	58,068,469	41,560,241	99,751,906	99,689,859	99,695,589
Rental and Occupancy	9,919,836	5,786,571	4,133,265	9,919,836	9,919,836	9,919,836
Depreciation	20,442,620	11,924,862	8,696,536	20,871,686	20,871,686	20,871,686
Other Expenses	19,037,008	11,104,921	9,088,214	22,052,758	21,853,851	22,085,944
Startup Expenses	0	574,622	0	0	0	0
Total Expenses	589,127,728	344,232,463	249,044,299	598,256,527	598,010,152	598,545,334
Operating Income	**13,473,184**	**7,284,736**	**6,632,916**	**16,587,504**	**16,781,384**	**17,442,441**
Non-Operating Income	0	0	0	0	0	0
Net Income	**13,473,184**	**7,284,736**	**6,632,916**	**16,587,504**	**16,781,384**	**17,442,441**

MultiCare Yakima Memorial Hospital

Cash Flow Statement (With the Project)

	Intervening		Forecast			
			Year 0	Year 1	Year 2	Year 3
	2024	Jan - Jul 2025	2025	2026	2027	2028
Months	12	7	5	12	12	12
OPERATING ACTIVITIES						
Operating income	$ 13,473,184	$ 7,284,736	$ 6,632,916	$ 16,587,504	$ 16,781,384	$ 17,442,441
Depreciation	$ 20,442,620	$ 11,924,862	$ 8,696,536	$ 20,871,686	$ 20,871,686	$ 20,871,686
Accounts Receivable	$ (70,600,210)	$ (70,600,210)	$ (71,891,820)	$ (72,034,603)	$ (72,028,453)	$ (72,168,603)
A/R From Prior Year	$ 64,535,294	$ 70,600,210	$ 70,600,210	$ 71,891,820	$ 72,034,603	$ 72,028,453
Accounts Payable	$ 41,478,751	$ 41,550,600	$ 42,073,161	$ 42,113,293	$ 42,095,322	$ 42,134,358
A/P From Prior Year	$ (39,687,928)	$ (41,478,751)	$ (41,550,600)	$ (42,073,161)	$ (42,113,293)	$ (42,095,322)
Cash Flow from Operating Activities	**$ 29,641,712**	**$ 19,281,446**	**$ 14,560,403**	**$ 37,356,537**	**$ 37,641,250**	**$ 38,213,012**
INVESTING ACTIVITIES						
Non-operating income	$ -	$ -	$ -	$ -	$ -	$ -
Purchase of PP&E		$ (3,496,161)				
Cash Flow from Investing Activities	**$ -**	**$ (3,496,161)**	**$ -**	**$ -**	**$ -**	**$ -**
FINANCING ACTIVITIES						
Capital Contributed From Reserves		$ 3,496,161				
Cash Flow from Financing Activities	**$ -**	**$ 3,496,161**	**$ -**	**$ -**	**$ -**	**$ -**
Beginning Balance	$ 79,966,057	$ 109,607,769	$ 128,889,215	$ 143,449,618	$ 180,806,155	$ 218,447,405
Annual Increase (Decrease)	$ 29,641,712	$ 19,281,446	$ 14,560,403	$ 37,356,537	$ 37,641,250	$ 38,213,012
Ending Balance	$ 109,607,769	$ 128,889,215	$ 143,449,618	$ 180,806,155	$ 218,447,405	$ 256,660,417

MultiCare Yakima Memorial Hospital
Balance Sheet Projections (With The Project)

	Intervening Dec 31, 2024	Intervening Jul 2025	Year 0 Dec 31, 2025	Year 1 Dec 31, 2026	Year 2 Dec 31, 2027	Year 3 Dec 31, 2028
Assets						
Cash & Cash Equivalents	$109,607,769	$ 128,889,215	$143,449,618	$180,806,155	$218,447,405	$256,660,417
Accounts Receivable	$ 70,600,210	$ 70,600,210	$ 71,891,820	$ 72,034,603	$ 72,028,453	$ 72,168,603
Other Current Assets	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874	$ 36,596,874
Total Current Assets	$216,804,853	$ 236,086,299	$251,938,312	$289,437,632	$327,072,732	$365,425,895
Land, buildings, and equipment, net of accumulated depreciation	$221,305,555	$ 212,876,854	$204,180,318	$183,308,633	$162,436,947	$141,565,261
Other assets	$160,787,061	$ 160,787,061	$160,787,061	$160,787,061	$160,787,061	$160,787,061
Total Other Assets	$382,092,616	$ 373,663,915	$364,967,379	$344,095,694	$323,224,008	$302,352,322
Total Assets	$598,897,468	$ 609,750,214	$616,905,691	$633,533,326	$650,296,740	$667,778,217
Liabilities						
Accounts Payable	$ 41,478,751	$ 41,550,600	$ 42,073,161	$ 42,113,293	$ 42,095,322	$ 42,134,358
Other Current Liabilities	$127,695,646	$ 127,695,646	$127,695,646	$127,695,646	$127,695,646	$127,695,646
Total Current Liabilities	$169,174,397	$ 169,246,246	$169,768,807	$169,808,939	$169,790,968	$169,830,004
Long-term debt, net of current portion	$ 506,041	$ 506,041	$ 506,041	$ 506,041	$ 506,041	$ 506,041
Other Liabilities	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546	$ 21,262,546
Total Other Liabilities	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587	$ 21,768,587
Total Liabilities	$190,942,984	$ 191,014,833	$191,537,394	$191,577,526	$191,559,555	$191,598,591
Net Assets						
Total Net Assets	$407,954,485	$ 418,735,382	$425,368,298	$441,955,801	$458,737,186	$476,179,627
Total Liabilities and Equity	$598,897,469	$ 609,750,215	$616,905,692	$633,533,327	$650,296,741	$667,778,218

MultiCare Yakima Memorial Surgery Center at Ridgeview
FTE Schedule, Salaries, and Benefits

FTEs (Productive & Non-Productive)

	2025	2026	2027	2028
Surgical Techs	4.25	4.25	4.25	4.25
RN	13.00	13.00	13.00	13.00
Sterile Processing	2.25	2.25	2.25	2.25
Scheduler	1.00	1.00	1.00	1.00
Reception	2.00	2.00	2.00	2.00
Management	1.00	1.00	1.00	1.00
TOTAL	**23.50**	**23.50**	**23.50**	**23.50**

Hourly Wage and Benefits % Assumptions

	Hourly Wage	# of Hours	Benefits %	
Surgical Techs	$ 35.10	2,080	22.7%	
RN	$ 62.25	2,080	22.7%	
Sterile Processing	$ 36.10	2,081	22.7%	
Scheduler	$ 21.96	2,080	22.7%	
Reception	$ 21.74	2,080	22.7%	
Management	$ 76.36	2,080	22.7%	
	2025	**2026**	**2027**	**2028**
Number of Months	5	12	12	12

MultiCare Yakima Memorial Surgery Center at Ridgeview
FTE Schedule, Salaries, and Benefits

Salaries

	2025	2026	2027	2028
Surgical Techs	$ 129,285	$ 310,284	$ 310,284	$ 310,284
RN	$ 701,350	$ 1,683,240	$ 1,683,240	$ 1,683,240
Sterile Processing	$ 70,429	$ 169,029	$ 169,029	$ 169,029
Scheduler	$ 19,032	$ 45,677	$ 45,677	$ 45,677
Reception	$ 37,683	$ 90,438	$ 90,438	$ 90,438
Management	$ 66,179	$ 158,829	$ 158,829	$ 158,829
TOTAL	**$ 1,023,957**	**$ 2,457,497**	**$ 2,457,497**	**$ 2,457,497**

Benefits

	2025	2026	2027	2028
Surgical Techs	$ 29,348	$ 70,434	$ 70,434	$ 70,434
RN	$ 159,206	$ 382,095	$ 382,095	$ 382,095
Sterile Processing	$ 15,987	$ 38,370	$ 38,370	$ 38,370
Scheduler	$ 4,320	$ 10,369	$ 10,369	$ 10,369
Reception	$ 8,554	$ 20,530	$ 20,530	$ 20,530
Management	$ 15,023	$ 36,054	$ 36,054	$ 36,054
TOTAL	**$ 232,438**	**$ 557,852**	**$ 557,852**	**$ 557,852**

Salaries and Benefits

	2025	2026	2027	2028
Surgical Techs	$ 158,633	$ 380,718	$ 380,718	$ 380,718
RN	$ 860,556	$ 2,065,335	$ 2,065,335	$ 2,065,335
Sterile Processing	$ 86,416	$ 207,399	$ 207,399	$ 207,399
Scheduler	$ 23,352	$ 56,045	$ 56,045	$ 56,045
Reception	$ 46,237	$ 110,968	$ 110,968	$ 110,968
Management	$ 81,201	$ 194,883	$ 194,883	$ 194,883
TOTAL	**$ 1,256,395**	**$ 3,015,349**	**$ 3,015,349**	**$ 3,015,349**

MultiCare Yakima Memorial Surgery Center at Ridgeview
Depreciation Schedule

	Initial Investment	Useful Life Assumption	--------Forecast-------- 2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3
# of Months			5	12	12	12
ASC OR Buildout (Project Related)	$ 136,368	15	$ 3,788	$ 9,091	$ 9,091	$ 9,091
OR Equipment (Project Related)	$ 2,304,547	8	$ 120,028	$ 288,068	$ 288,068	$ 288,068
Total Depreciation (Project Related)	**$ 2,440,915**		**$ 123,816**	**$ 297,160**	**$ 297,160**	**$ 297,160**
OR Equipment (Other Expansion)	$ 1,055,246	8	$ 54,961	$ 131,906	$ 131,906	$ 131,906

MultiCare Yakima Memorial Surgery Center at Ridgeview
Startup Costs

	With the Project
Salaries & Benefits (1)	$251,279
Medical Supplies (1)	$302,928
Drugs/Other Supplies (1)	$15,415
Contractor Estimated Operating Costs (2)	$5,000
Total Startup	**$574,622**

(1) Calculated to be equal to one month equivalent of Year 0 projections for the respective line-items.

(2) Contractor cost estimate of non-capital operating costs

Exhibit 11C.
Pro Forma – Difference between “With the Project” and “Without the Project”

MultiCare Yakima Memorial Surgery Center at Ridgeview

Revenue and Expense Statement - Forecast (Difference between "With the Project" and "Without the Project")

	Intervening Periods		Forecast Period			
	2024	Jan - May 2025	2025 Year 0	2026 Year 1	2027 Year 2	2028 Year 3
# of Months	12	7	5	12	12	12
Total Cases (With Cystoscopy)	0	0	682	1,775	1,178	1,299
Total Cases (Excluding Cystoscopy)	0	0	682	1,775	1,178	1,299
REVENUES						
Gross Revenues	$0	$0	$13,215,790	$37,110,814	$38,515,922	$43,833,252
Charity Care	$0	$0	($299,782)	($841,807)	($873,680)	($994,296)
Other Deductions	$0	$0	($8,322,506)	($24,025,888)	($25,451,618)	($29,452,093)
Net Revenue	$0	$0	$4,593,502	$12,243,119	$12,190,625	$13,386,863
EXPENSES						
Salaries & Benefits	$0	$0	$848,002	$2,035,205	$2,035,205	$2,035,205
Medical Supplies	$0	$0	$1,282,623	$3,372,170	$3,391,183	$3,680,849
Drugs/Other Supplies	$0	$0	$26,120	$70,650	$66,215	$73,907
Purchased Services	$0	$0	$82,763	$205,959	$143,912	$149,642
Rental and Occupancy	$0	$0	$0	$0	$0	$0
Depreciation (Existing)	$0	$0	$0	$0	$0	$0
Depreciation (Project-Related)	$0	$0	$123,816	$297,160	$297,160	$297,160
Depreciation (Other Expansion)	$0	$0	$54,961	$131,906	$131,906	$131,906
Other Expenses	$0	$0	$1,156,127	$3,015,750	$2,816,844	$3,048,937
Medical Director	$0	$0	$0	$0	$0	$0
Startup Expenses		$574,622				
Total Expenses	$0	$574,622	$3,574,413	$9,128,799	$8,882,424	$9,417,606
Net Income	**$0**	**($574,622)**	**$1,019,090**	**$3,114,320**	**$3,308,201**	**$3,969,257**

MultiCare Yakima Memorial Hospital

Revenue and Expense Statement - Forecast (Difference between "With the Project" and "Without the Project")

	Intervening Periods		Forecast Period			
	2024	Jan - May 2025	2025	2026	2027	2028
			Year 0	Year 1	Year 2	Year 3
# of Months	12	7	5	12	12	12
REVENUES						
Gross Revenues	0	0	13,215,790	37,110,814	38,515,922	43,833,252
Charity Care	0	0	(299,782)	(841,807)	(873,680)	(994,296)
Other Deductions	0	0	(8,322,506)	(24,025,888)	(25,451,618)	(29,452,093)
Net Patient Service Revenue	0	0	4,593,502	12,243,119	12,190,625	13,386,863
Other Operating Revenue						
Net Revenue	0	0	4,593,502	12,243,119	12,190,625	13,386,863
EXPENSES						
Salaries & Benefits	0	0	848,002	2,035,205	2,035,205	2,035,205
Medical Supplies	0	0	1,282,623	3,372,170	3,391,183	3,680,849
Drugs/Other Supplies	0	0	26,120	70,650	66,215	73,907
Purchased Services	0	0	82,763	205,959	143,912	149,642
Rental and Occupancy	0	0	0	0	0	0
Depreciation, Interest, and	0	0	178,777	429,065	429,065	429,065
Other Expenses	0	0	1,156,127	3,015,750	2,816,844	3,048,937
Startup Expenses	0	574,622	0	0	0	0
Total Expenses	0	574,622	3,574,413	9,128,799	8,882,424	9,417,606
Operating Income	**0**	**(574,622)**	**1,019,090**	**3,114,320**	**3,308,201**	**3,969,257**
Non-Operating Income	0	0	0	0	0	0
Net Income	**0**	**(574,622)**	**1,019,090**	**3,114,320**	**3,308,201**	**3,969,257**

Exhibit 11D.
Pro Forma – Assumptions

MultiCare Yakima Memorial Surgery Center at Ridgeview

Financial Model Key Assumptions

Certificate of Need Application

ASSUMPTIONS | Without the Project

Revenue and Expense Statement – Ridgeview

Volume Assumptions

1. Held constant at 2023 actual volumes.

Capital Expenditures

2. Additional capital expenditures not applicable under 'Without the Project' scenario.

Revenues

3. Models do not include any charge inflation.
4. Gross revenues are based on 2023 Ridgeview actual per treatment estimates by specialty.
5. Deductions from revenues are based on 2023 Ridgeview actual per treatment estimates by specialty. The share of deductions allocated to charity care is based on Yakima Memorial Hospital's average charity care as a percent of gross revenue in CY2023 (2.27%).

Expenses

6. Models do not include any expense inflation.
7. Salaries & benefits are held constant at 2023 Ridgeview actuals.
8. Medical supplies are based on 2023 Ridgeview actual per treatment estimates by specialty.
9. Drugs/other supplies are based on 2023 Ridgeview actual per treatment estimates by specialty.
10. Purchased services are based on 2023 Ridgeview actual per treatment estimates by specialty.
11. Rental and occupancy are based on rent established in section 5 of the 1st amendment to the sublease. Per section 5, a 1.75% rent escalator is applied during option terms. The ASC is allocated 31.7% share of the rent based on its share of square footage---7,994 sf for ASC divided by 25,198 total square footage less storage space.
12. Depreciation (Existing) is held constant at 2023 Ridgeview actuals.
13. Depreciation (Project-Related) is not applicable under 'Without the Project' scenario.
14. Depreciation (Other Expansion) is not applicable under 'Without the Project' scenario.
15. Other expenses are based on 2023 Ridgeview actual per treatment estimates by specialty.
16. Medical Director not specifically reported in historical P&L. As described in the second amendment to the management agreement, medical director serves as 0.25 FTE. For projections, it is added as its own line item estimated to be $60,000.
17. Startup expenses are not applicable under 'Without the Project' scenario.

Revenue and Expense Statement – Yakima Memorial Hospital

18. All revenue and expenses are projected and held constant at Yakima Memorial Hospital ("YMH") 2024 annualized actuals. The 2024 annualized actuals more accurately reflects current and on-going operation compared to 2023 actuals.
19. One example of the limitations in 2023 actuals as the basis for projections is non-operating income. Non-operating income is typically net realized and unrealized investment. However, in 2023, non-operating income of $170,949,406 was added to also reflect revalued assets from the affiliation with MultiCare. It is not a representative for the purposes of on-going and corresponding projections. Over the forecast period, for purposes of conservatism, non-operating income has been excluded.
20. Further, the passage of the hospital safety net assessment[1] fund signifies a meaningful positive change for Yakima Memorial Hospital as YMH provides a high amount of Medicaid care. There has already been a significant increase in YMH's revenues in 2024 (shown in "Other Operating Revenue") that makes the 2024 annualized actuals more reliable than the 2023 estimates for projections.

Cash Flow Statement – Yakima Memorial Hospital

21. Operating income from YMH revenue and expense statement.
22. Depreciation from YMH revenue and expense statement.
23. Accounts receivable estimated to be equivalent to approximately 42.76 days of net revenue based on 2023 YMH actuals.
24. Accounts payable estimated to be equivalent to approximately 26.77 days of total expenses less depreciation.
25. Non-operating income from YMH revenue and expense statement.
26. Additional purchase of PP&E not applicable under "Without the Project" scenario.
27. Additional capital contributed from reserves not applicable under "Without the Project" scenario.
28. Beginning cash balance from 2023 historical YMH balance sheet.

Balance Sheet – Yakima Memorial Hospital

29. Cash and cash equivalents based on ending balance for period calculated in cash flow statement.
30. Accounts receivable based on estimates calculated in cash flow statement.
31. Other current assets held constant at 2023 YMH actuals.
32. 'Land, buildings, and equipment, net of accumulated depreciation' calculated by the previous period's value plus additional PP&E (not applicable under "Without the Project" scenario) minus depreciation.
33. Other assets held constant at 2023 YMH actuals.
34. Accounts payable based on estimates calculated in cash flow statement.
35. Other current liabilities held constant at 2023 YMH actuals.

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[1] https://app.leg.wa.gov/RCW/default.aspx?cite=74.60.005&pdf=true

36. Long-term debt, net of current portion held constant at 2023 YMH actuals.
37. Other liabilities held constant at 2023 YMH actuals.
38. Total net assets calculated by the previous period's value plus operating income plus non-operating income plus capital contributed from reserves.

ASSUMPTIONS | With the Project

Revenue and Expense Statement – Ridgeview

Per treatment statistics used in the "With the Project" projections are weighted averages based on the case mix by specialty case volume determined in the utilization forecast for the specific forecast period.

- Per treatment statistics for urology and cystoscopy are from 2023 Ridgeview actuals.
- The proposed vascular surgical services are new to Ridgeview and YMH. Therefore, 2023 YMH actuals were not available. Per treatment statistics for vascular are based on experience and input from MultiCare's Pulse Heart Institute.
- All other specialties' per treatment statistics are based on 2023 YMH actuals from the hospital main campus.

The underlying per treatment statistics and corresponding weighted average estimates are referred to as "2023 actuals" in this section.

Volume Assumptions

1. See application for volumes projections by specialty.

Capital Expenditures

2. See application for capital expenditure estimates for the project-related and other expansion capital investments.

Revenues

3. Models do not include any charge inflation.
4. Gross revenues are based on 2023 actual per treatment estimates by specialty.
5. Deductions from revenues are based on 2023 actual per treatment estimates by specialty. The share of deductions allocated to charity care is based on Yakima Memorial Hospital's average charity care as a percent of gross revenue in CY2023 (2.27%).

Expenses

6. Models do not include any expense inflation.
7. See the application for discussion related to assumptions underlying salaries & benefits.
8. Medical supplies are based on 2023 actual per treatment estimates by specialty.
9. Drugs/other supplies are based on 2023 actual per treatment estimates by specialty.
10. Purchased services are based on 2023 actual per treatment estimates by specialty.

11. Rental and occupancy are based on rent established in section 5 of the 1st amendment to the sublease. Per section 5, a 1.75% rent escalator is applied during option terms. The ASC is allocated 31.7% share of the rent based on its share of square footage---7,994 sf for ASC divided by 25,198 total square footage less storage space.
12. Depreciation (Existing) is held constant at 2023 Ridgeview actuals.
13. Depreciation (Project-Related) is calculated using the straight-line method assuming a 15-year useful life for construction-related expenditures and a 8-year useful life for equipment-related expenditures.
14. Depreciation (Other Expansion) is calculated using the straight-line method assuming a 15-year useful life for construction-related expenditures and a 8-year useful life for equipment-related expenditures.
15. Other expenses are based on 2023 actual per treatment estimates by specialty.
16. Medical Director not specifically reported in historical P&L. As described in the second amendment to the management agreement, medical director serves as 0.25 FTE. For projections, it is added as its own line item estimated to be $60,000.
17. See the provided startup cost worksheet for startup cost estimates.

Revenue and Expense Statement – Yakima Memorial Hospital

18. Yakima Memorial includes Ridgeview in all model forecasts. The YMH "With the Project" model is calculated at the line-item level, and is equal to YMH "Without the Project' plus the difference between Ridgeview "With the Project" and Ridgeview "Without the Project". Note: YMH "Depreciation" incorporates all depreciation expenses, including Ridgeview Depreciation (Existing), Ridgeview Depreciation (Project-Related), and Ridgeview Depreciation (Other Expansion).
19. The model assumes the case transfers from the main hospital campus to Ridgeview under "With the Project" will be backfilled with similar cases. As described in the application, the proposed project will allow more optimized utilization of existing capacity that can better accommodate current and future demand for surgical services in the planning area.

Cash Flow Statement – Yakima Memorial Hospital

20. Operating income from YMH revenue and expense statement.
21. Depreciation from YMH revenue and expense statement.
22. Accounts receivable estimated to be equivalent to approximately 42.76 days of net revenue based on 2023 YMH actuals.
23. Accounts payable estimated to be equivalent to approximately 26.77 days of total expenses less depreciation.
24. Non-operating income from YMH revenue and expense statement.
25. Additional purchase of PP&E based on capital expenditures as described in application.
26. Additional capital contributed from reserves based on MultiCare funding of capital expenditures as described in application.
27. Beginning cash balance from 2023 historical YMH balance sheet.

Balance Sheet – Yakima Memorial Hospital

28. Cash and cash equivalents based on ending balance for period calculated in cash flow statement.
29. Accounts receivable based on estimates calculated in cash flow statement.
30. Other current assets held constant at 2023 YMH actuals.
31. 'Land, buildings, and equipment, net of accumulated depreciation' calculated by the previous period's value plus additional PP&E minus depreciation.
32. Other assets held constant at 2023 YMH actuals.
33. Accounts payable based on estimates calculated in cash flow statement.
34. Other current liabilities held constant at 2023 YMH actuals.
35. Long-term debt, net of current portion held constant at 2023 YMH actuals.
36. Other liabilities held constant at 2023 YMH actuals.
37. Total net assets calculated by the previous period's value plus operating income plus non-operating income plus capital contributed from reserves.

ASSUMPTIONS | Difference between "With the Project" and "Without the Project"

Revenue and Expense Statement – Ridgeview

Calculated as the difference in values between Ridgeview "With the Project" minus Ridgeview "Without the Project".

Revenue and Expense Statement – Yakima Memorial Hospital

Calculated as the difference in values between YMH "With the Project" minus YMH "Without the Project".

Exhibit 12.
Management Agreement

MANAGEMENT SERVICES AGREEMENT

This Management Services Agreement (the "Agreement") is made and entered into this 6th day of July, 2015 (the "Execution Date") and shall be effective as of the "Effective Date" described below in Section 1.1, and is by and between Yakima Valley Memorial Hospital Association, a Washington non-profit corporation ("Memorial"), and Yakima Urology Associates, P.L.L.C., a Washington professional limited liability company ("YUA") (Memorial and YUA, collectively, the "parties" and each individually, a "party").

RECITALS

A. YUA is an independent physician group specializing in professional urology services that operates a clinic (the "Clinic") and a free standing, certificate of need holding, ambulatory surgery center (the "ASC"), all located in Yakima, Washington and serving the greater Yakima, Kittitas and Klickitat counties.

B. Memorial is an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, operating an acute care hospital providing tertiary services located at 2811 Tieton Drive, Yakima, Washington to the residents of Yakima county and the surrounding counties.

C. Pursuant to the certain Professional Services Agreement between Memorial and YUA dated July 6, 2015 (the "PSA"), Memorial and YUA will establish a separate sub-division of Memorial to be known as the "YUA Urology Division," which shall take over operation of the Clinic be staffed by YUA pursuant to the PSA, and governed by the Joint Operating Committee (the "JOC") subject to Memorial reserve powers, as further described in the PSA. Additionally, Memorial shall own and operate the ASC as a hospital outpatient department of Memorial, managed by Memorial, with certain management services related to the ASC purchased by Memorial from YUA pursuant to this Agreement. For purposes of this Agreement, the term "YUA Urology Division" does not include the ASC.

D. Related to entering the PSA and this Agreement, the parties have or shall enter into that certain "Asset Purchase and Sale Agreement," dated July 6, 2015, (the "APSA") pursuant to which YUA shall sell, and Memorial shall buy, all of YUA's assets related to the Clinic and ASC, as further described in the APSA. The PSA, APSA and this Agreement are collectively referred to herein as the "Transaction."

E. The parties acknowledge and agree that this Agreement is expressly conditioned upon (i) entering into the PSA, and (ii) the entering into and closing the APSA by July 31, 2015, and (iii) entering into that certain Sublease (the "Sublease") between the parties by July 6, 2015.

F. YUA has experience in the business of providing office management and administration of healthcare clinics, medical practices and ambulatory surgery centers; and

G. Memorial desires to contract with YUA, and YUA desires to contract with Memorial, for YUA to provide the management services for the YUA Urology Division and certain additional management services for the ASC, all as set forth herein on the terms and conditions more fully described below.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises contained throughout this Agreement, as well as other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, YUA and Memorial hereby agree as follows:

ARTICLE 1
ENGAGEMENT

1.1 Effective Date. It is the goal of the parties for the various transactions and agreements associated with this Agreement to close on July 31, 2015, and become effective as of August 1, 2015 (the "Target Effective Date"). However, the parties acknowledge that there may be a period of delay to the ability of the parties to actually effectuate the Transaction. The "Effective Date" for this Agreement shall be the date that the parties agree the APSA shall close and that this Agreement and the PSA shall become effective, which date shall be documented and acknowledged by the parties pursuant to the form attached to this Agreement as Schedule 1.1.

1.2 Appointment of YUA. Memorial expressly engages YUA to provide and perform the specific management services ("Management Services") for the YUA Urology Division set forth in Schedule 1.2(a) attached to this Agreement, and for the ASC set forth in Schedule 1.2(b) attached to this Agreement, and YUA expressly accepts such engagement. This Agreement does not authorize YUA to act as an agent of Memorial nor Memorial to act as an agent of YUA in any manner not expressly provided for herein. No action or representation of either party will bind the other party, unless specifically authorized in writing by the party to be bound.

1.3 Parties Authorized to Enter Agreement. Each party expressly represents and warrants to the other that it is currently, and shall at all times remain, authorized and empowered to enter into and perform pursuant to this Agreement without limitation and that executing and delivering this Agreement will not violate any other agreements to which it is a party or violate any order, writ, injunction, decree, judgment, ruling, law, rule, or regulation of any court or government authority applicable to such party. Each party's execution of this Agreement and all documents related hereto constitute a legal, valid, and binding obligation of that party, enforceable in accordance with its terms.

1.4 Manager of ASC.

1.4.1 YUA shall employ a qualified individual, subject to the approval of Memorial, to fill the position of Manager of the ASC ("Manager"). The Manager shall assist YUA in providing the YUA Urology Division with the Management Services described in Schedule 1.2(b).

1.4.2 Consistent with the Medicare Provider Based Regulations, located at 42 C.F.R. 413.65, the Manager shall maintain a reporting relationship with Memorial's Chief, Division of Surgery that has the same frequency, intensity, and level of accountability that exists in the relationship between the medical director of a department of Memorial and the chief medical officer or other similar official of Memorial, and is under the same type of supervision and accountability as any other director, medical or otherwise, of Memorial.

ARTICLE 2
RELATIONSHIP OF THE PARTIES

2.1 Independent Contractors. The relationship created by this Agreement is one of independent contractors. Nothing in this Agreement shall be construed to create an employer/employee relationship, a joint venture, a partnership, a general agency, or any relationship other than independent contractor. Neither party shall be liable for the debts or obligations of the other, neither shall have any right to make or undertake any promise or to execute any contract or assume any obligation in the name of or on behalf of the other, or be responsible for the fault, negligence, or wrongful acts of the other and its employees, contractors, agents or representatives.

YUA and its employees, agents, representatives, or contractors performing Management Services under this Agreement are not employees of Memorial and shall have no claim against Memorial for vacation pay, sick leave, retirement benefits, Social Security, worker's compensation, disability benefits, unemployment insurance benefits, or employee benefits of any kind.

2.2 Taxes.

2.2.1 YUA promises to timely pay all applicable federal, state, and local income taxes, employment, worker's compensation, Social Security, payroll, and business and occupation taxes, and any other taxes required by federal, state or local law related to YUA's business operations and fees paid to YUA by Memorial under this Agreement.

2.2.2 Memorial promises to timely pay all applicable federal, state, and local income taxes, employment, worker's compensation, Social Security, payroll, and business and occupation taxes, and any other taxes required by federal, state or local law related to Memorial's business operations, including in connection with its employed physicians and any other personnel employed directly by Memorial.

2.2.3 Each party promises to defend, indemnify, and hold harmless, the other party from any and all penalties, interest, claims, demands, judgments, awards, settlements, or other costs and expenses, including reasonable attorneys' fees, arising in connection with the timely payment of such taxes.

ARTICLE 3
CONFIDENTIALITY

The parties agree that each has developed certain information which is confidential information, including de-identified information concerning patients, information related to patient care services, business, financial and accounting records, educational materials, policies and procedures, training information, the terms and conditions of this Agreement, and information concerning the business methods, operations or long-range or strategic plans of either party or any affiliate of either party, including, without limitation, information contained in financial statements, audit reports, and planning documents (the "Confidential Information"). Each party agrees to keep and maintain as strictly confidential all such Confidential Information to which it may have access by virtue of this Agreement. Neither party shall disclose all or any part of such Confidential Information, orally or in writing, except as expressly required by law or

pursuant to a written authorization from the owning party, and neither party shall use all or any part of such Confidential Information for purposes other than the performance of its obligations under this Agreement. If either party receives a request for Confidential Information of the other party from a court or governmental authority, or accrediting agency ("Request"), the party receiving the Request may make the required disclosure, but shall give the other party prompt written notice (and, in any event, prior to the disclosure) in order to allow the other party the opportunity to seek the appropriate protective order to protect the Confidential Information. Each party will require that any employed or contracted persons provided access to Confidential Information in order to perform such party's obligations under this Agreement agree to be bound by the provisions of this Article. The provisions of this Article shall survive the expiration or termination of this Agreement. Each party agrees that upon expiration or termination of this Agreement for any reason, it shall promptly return to the other, the originals and all copies of any and all Confidential Information owned by the other party and then in its possession, including without limitation any such information stored on computer media.

ARTICLE 4
TERM AND TERMINATION

4.1 Term. Except as set forth below and subject to earlier termination as set forth below, the term of this Agreement shall commence as of the Effective Date and terminating on July 31, 2022 (the "Termination Date"). Unless terminated as provided herein, this Agreement shall automatically renew for additional one (1) year terms, unless either party provides the other with one hundred eighty (180) days' written notice of its intent not to renew.

4.2 Termination Without Cause. For a period of twenty four (24) months from the Effective Date, either party shall have the right to terminate this Agreement without cause by providing one hundred eighty (180) days' written notice to the other party. Notice of termination under this Section 4.2 must be delivered prior to the twenty four (24) month anniversary of the Effective Date.

4.3 Termination for Material Breach. Notwithstanding the foregoing, either party shall have the right to terminate this Agreement upon sixty (60) days' written notice to the other party in the event of a material breach of any representation or warranty by the other party or failure of the other party to perform any of its material obligations hereunder, but only if such material breach is not cured within such sixty (60) day period following the giving of written notice describing any such breach. Any such notice shall specify the cause upon which it is based. The violating party shall have sixty (60) days to rectify the cause specified in the notice of termination. If any such cause is not rectified within such sixty (60) day period, this Agreement shall thereupon automatically terminate.

4.4 Termination for Legal Necessity. If, as a result of changes in applicable federal or state laws, regulations, interpretations or enforcement policies, a party reasonably believes that this Agreement could jeopardize: (i) the licensure of either party; (ii) the participation of either party in, or payment or reimbursement from, Medicare, Medicaid or other reimbursement or payment programs; (iii) either party's full accreditation by any State or nationally recognized accrediting organization; or (iv) the tax exempt status of Memorial or the status of any financing obligation of Memorial that is exempt from taxation or interest income, as applicable, or Memorial's ability to seek or obtain tax exempt financing; such party may initiate the following

process to renegotiate or terminate the Agreement. First, the party believing that such change has occurred must provide written notice of the same to the other party. The written notice shall contain a written opinion by legal counsel experienced in the subject matter of the purported change concluding that the Agreement, more probably than not, jeopardizes one of the areas listed above unless it is amended or terminated (the "Legal Change Notice"). Following receipt of the Legal Change Notice, the parties will immediately initiate negotiations to resolve the matter through amendments to this Agreement. If the parties are unable to resolve the matter within forty five (45) days of the date of receipt of the Legal Change Notice, either party may, at its option, terminate this Agreement by providing written notice thereof to the other party, such termination to be effective immediately.

4.5 Automatic Termination. If the PSA between these same parties is terminated for any reason, this Agreement shall automatically terminate effective the same date as the termination of the PSA. If Memorial is in breach of Sublease, or the Promissory Note for the purchase price of the ASC assets pursuant to the APSA, and YUA elects to: (i) take possession of and/or sell the ASC assets, and (ii) take assignment of the Sublease, this Agreement shall automatically terminate effective the later of the date that YUA (i) takes possession of and/or sells the ASC assets, or (ii) takes assignment of the Sublease. Further, in the event that either party to this Agreement or its personnel is excluded from or is otherwise ineligible to participate in any federally-funded health care program during the term of this Agreement, this Agreement shall automatically terminate as of the date of exclusion or ineligibility.

4.6 Termination for Change of Control. For purposes of this Section 4.6, "Change of Control" shall mean the following: (i) a transaction or a series of related transactions that results in the transfer of control, responsibility or governance of a Memorial; (ii) a change in the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of Memorial, whether by entrance into a management services agreement or otherwise; or (iii) a reorganization or other event that results in Memorial merging or otherwise transferring, exchanging or leasing substantially all of its assets, except as an internal reorganization. Memorial shall provide YUA with not less than thirty (30) days of any Change of Control transaction involving Memorial. Included with such notice, Memorial shall use its reasonable best efforts to provide YUA a description of the intended resulting governance model of Memorial post Change of Control Transaction. If the Change of Control Transaction results in a for-profit entity indirectly owning, operating or managing Memorial, YUA shall have the right, on one hundred twenty (120) days written notice from the closing date of the Change of Control transaction, to terminate this Agreement, effective as of the end of the one hundred twenty (120) day notice period.

4.7 Termination Prior to First Anniversary. If this Agreement is terminated by either party prior to the first (1st) anniversary of the Effective Date, the parties shall not enter into the same or substantially the same arrangement until the first (1st) anniversary of this Agreement has passed.

ARTICLE 5
MANAGEMENT FEES AND COST REIMBURSEMENT

5.1 Management Fee. In consideration of the Management Services provided by YUA, Memorial shall pay to YUA an annual management fee ("Management Fee") equal to

YUA's actual costs, plus the applicable Washington State Business and Occupation Tax payable by YUA on such costs, which are consistent with the detailed YUA Urology Division annual budget jointly approved by representatives from Memorial and YUA, as described in Section 5.5 (the "Annual Budget"), and approved by the JOC in the manner described in the PSA subject to Memorial reserve powers, and the ASC budget and work plan submitted by Memorial to YUA ("ASC Management Services Budget"). The Annual Budget and the ASC Management Services Budget shall include the reasonable costs and expenses YUA expects to incur in rendering the Management Services to Memorial.

5.2 Payment of Management Fee.

5.2.1 Definitions. "Contract Year" shall mean that period from November 1st to October 31st. Each Contract Year (except the initial Contract Year) shall be divided into four (4) equal quarters (each, a "Quarter") ending January 31st, April 30th and July 31st of each year. The initial Contract Year shall be less than twelve (12) months, extending from the Effective Date through October 31, 2015.

5.2.2 Monthly. The monthly Management Fee payment will be a "draw" payment equal to one-twelfth (1/12th) of the budgeted Management Fee, prorated for the initial Contract Year. Memorial promises to pay each invoice in full within thirty (30) days after receipt of an invoice.

5.2.3 Quarterly. Within forty-five (45) days of the end of each Quarter, Memorial will reconcile the monthly draw and distribute any excess funds to YUA or give notice to YUA that funds must be repaid to Memorial with any such repayment to occur within thirty (30) days of such notice (a "true-up" to actual).

5.2.4 Annually. Within forty five (45) days of the end of each Contract Year, Memorial will reconcile the previous twelve (12) months for all Management Fee payments and "true-up" to actual.

5.3 Reporting. Memorial shall provide YUA with an IRS Form 1099 at the end of each calendar year indicating the total compensation paid to YUA for Management Services for the calendar year. YUA shall be solely responsible for all federal, state, and other income tax liabilities related to sums reported by Memorial to have been paid under this Agreement.

5.4 Fair Market Value. Each party to this Agreement agrees that the compensation agreed to in this Article 5 reflects the fair market value of the services to be provided hereunder, and does not take into account the volume or value of any referrals or business otherwise generated between the parties reimbursed under Medicare, Medicaid or any other state or federally funded program. The parties further acknowledge that the services under this Agreement do not involve the counseling or promotion of a business arrangement or other activity that violates 42 U.S.C. §1320a-7b.

5.5 Annual Budget – Urology Division. Appointed representatives from YUA and Memorial will develop the Annual Budget, for approval by the JOC and by Memorial pursuant to its reserve powers. The Annual Budget shall be prepared in accordance with the budgeting process of Memorial and on the timeline provide by Memorial each Contract Year. The Annual Budget shall be submitted for approval by JOC and Memorial no less than thirty (30) days prior

to the start of the new Contract Year. As part of the annual budget process, the JOC may evaluate the annual expense growth for Management Services considering the following:

5.5.1 Year-over-year Management Services expense trends (per physician clinical FTE) may be periodically evaluated;

5.5.2 As desired, the JOC may define more specific growth caps per specific expense items (*e.g.*, professional liability average cost per FTE); and

5.5.3 For fair market value purposes, the Management Services expenses (e.g., operating costs as a percentage of total revenues, operating costs per physician FTE) may be benchmarked with a mutually agreed upon industry survey(s) (e.g., MGMA Cost Survey for All Urology Practices).

5.6 Annual Budget – ASC. Memorial shall submit an annual ASC Budget for ASC Management Services Memorial desires to obtain from YUA at least sixty (60) days prior to the start of a new Contract Year. YUA and Memorial shall discuss and confirm that YUA has the ability to provide the requested ASC Management Services.

5.7 Severance Compensation. Memorial will reimburse YUA for YUA's costs in providing severance compensation ("Severance") to Richard Chang and Eric Rudd ("YUA Administrators") in the event that either YUA Administrator is terminated by YUA without cause within the first twelve (12) months of the Effective Date. The amount of Memorial's reimbursement for any Severance shall be equivalent to the lesser of (1) the remaining months until the first anniversary of the Effective Date, or (2) twelve (12) months, calculated using the appropriate YUA Administrator's base salary at the time of termination.

ARTICLE 6
PERFORMANCE STANDARDS AND OBLIGATIONS

YUA will perform and provide the Management Services consistent with the standards, degree of care, and business judgment used and demonstrated by an experienced manager of a medical practice of similar size, locale, character, and specialty as the YUA Urology Division and multi-specialty ambulatory surgery center. YUA will cooperate with Memorial to understand Memorial's specific needs, and YUA will solicit input from time-to-time from Memorial. YUA will develop and implement specific policies and procedures suited to Memorial's specific needs, and YUA will communicate and enforce such policies and procedures with respect to all YUA personnel.

ARTICLE 7
INDEMNIFICATION

Each party (the "Indemnifying Party") shall forever defend, indemnify and hold the other party and its directors, officers, members, employees, agents, and representatives (the "Indemnified Party") harmless from and against any and all liabilities, together with any and all costs, expenses, and damages, including reasonable attorneys' fees and costs (collectively, "Damages") arising from claims asserted by a third party or the Indemnifying Party's employees or agents as a result of the Indemnifying Party's, or its directors', officers', members', employees', agents' and representatives' negligent acts or omissions, intentional acts, or

wrongful acts relating to performance under this Agreement, or the Indemnifying Party's breach or failure of performance under this Agreement. Damages shall not include any amount resulting from the Indemnified Party's (i) negligent acts or omissions, intentional acts or wrongful acts or (ii) breach or failure of performance under this Agreement. The obligations of this Article 7 shall survive the termination or expiration of this Agreement. For the limited purposes of enforcement of the indemnification obligations set out in this Article 7, the parties waive any immunities available to them under Washington State's Workers Compensation Act, Title 51 RCW, or similar law. The parties acknowledge and agree that this limited waiver has been specifically negotiated and is mutually agreed to by both parties.

ARTICLE 8
INSURANCE

8.1 Insurance by Memorial. Memorial shall procure and maintain, at its sole cost and expense, comprehensive general liability and professional liability insurance coverage or self-insurance protecting both: (i) Memorial and its respective employees and agents, and (ii) YUA and its respective employees and agents providing services to Memorial under this Agreement, including YUA's Physicians and midlevel providers. Such insurance shall have minimum liability limits of One Million and No/100 Dollars ($1,000,000.00) per occurrence and Three Million and No/100 Dollars ($3,000,000.00) in the aggregate.

8.2 Insurance by YUA. YUA shall procure and maintain, during the term of this Agreement, worker's compensation insurance covering all YUA employees in the performance of services under this Agreement as is reasonably necessary to protect it and its employees and agents against liability arising from or incident to the performance of services related to this Agreement. Additionally, YUA shall procure and maintain, during the term of this Agreement Directors and Officers liability insurance with minimum liability limits of Five Hundred Thousand and No/100 Dollars ($500,000.00).

8.3 General. All such policies of insurance required by this Article 8 shall be issued by an insurance company admitted to do business in Washington or through an actuarially determined program of self-insurance. Each party promises to provide ten (10) days' prior written notice to the other party of any cancellation or material change of insurance coverage. In addition, each Party promises to immediately provide written notice to the other party of all liability claims asserted against the notifying party. Upon request, either party shall provide the other party with a certificate of insurance evidencing the insurance coverages required under this Article 8.

ARTICLE 9
COMPLIANCE

9.1 Compliance with Anti-kickback, Anti-Self-Referral and Anti-Rebate Laws. Neither party shall engage in any activity prohibited by federal or state anti-kickback, anti-self-referral or anti-rebate laws, or any other federal, state or local law or regulation, as those regulations now exist or as subsequently amended, renumbered or revised.

9.2 Compliance Program. Memorial is committed to high standards of business operations and ethical behavior, both organizationally and individually. In furtherance of this

objective, Memorial has adopted a Compliance Program for the purpose of complying with federal and state regulations. The parties shall exercise good faith efforts to ensure that all Management Services provided by YUA are provided in compliance with Memorial's Compliance Program and standards established by Medicare as now exist or as subsequently amended, renumbered, or revised.

9.3 Reporting. YUA shall immediately report any failure to comply with the principles here noted or with Memorial's Compliance Program or any possible violation of any federal, state or local laws or regulations to Memorial's Compliance Officer. Further, if YUA has any questions regarding principles here referenced, immediate inquiry will be made to Memorial's Compliance Officer or that person's designee.

9.4 Other. Both parties shall comply with all applicable local, state and federal laws and regulations now existing, or as hereafter enacted or amended, including but not limited to the Social Security Act, the False Claims Act, the Anti-Kickback Act, the Health Insurance Portability and Accountability Act, the Balance Budget Act of 1997, the regulations of the Department of Health and Human Services, all public health and safety provisions of Washington law, and any applicable regulations of the Washington State Department of Health Certificate of Need Program. Each party further agrees to comply with Washington's workers' compensation law and not to discriminate on the basis of race, color, sex, age, religion, national origin, sexual preference, disability, veteran status, or on the job injury in the provision of its respective services or in the terms and conditions of employment of its employees or associates, or in its contracts for professional services.

9.5 Representation. Each party represents and warrants that it and all personnel, in providing its respective services:

9.5.1 Are not currently and at no time have been sanctioned, excluded, proposed for exclusion from, or otherwise ineligible to participate in any federal or state funded health care program, including but not limited to the Medicare or Medicaid programs; and

9.5.2 Have not otherwise been excluded from doing business with the Federal government as provided in the list maintained by the United States General Services Administration (GSA) or the Department of Health and Human Services Office of Inspector General (OIG).

Each party agrees to immediately notify the other of any threatened, proposed, or actual exclusion from any federally-funded health care program, including Medicare and Medicaid. In the event that either party or any of its personnel is excluded from participation or is otherwise ineligible to participate in any federally-funded health care program during the term of this Agreement, this Agreement shall automatically terminate as of the date of such exclusion or ineligibility.

ARTICLE 10
DOCUMENTATION OF PROFESSIONAL MEDICAL SERVICES; RECORDS AND RECORD MAINTENANCE

10.1 Documentation of Professional Medical Services. YUA shall be responsible to complete all coding and associated documentation for all professional medical services rendered

by YUA's physicians and staff in a timely manner and in compliance with all applicable laws and regulations for billing and coding, and shall further prepare and maintain appropriate charts, files, and records of all professional services rendered by YUA.

10.2 Ownership. As between YUA and Memorial, all patient medical records will be, and shall at all times remain, the exclusive property of Memorial. Patient medical records will be maintained and kept at the respective sites at which Memorial provides medical services, or other locations as may be designated by Memorial. Upon termination or expiration of this Agreement, any patient medical records in possession of YUA will be delivered to Memorial. YUA shall have access to any and all patient medical records during and after the term of this Agreement as requested and as permitted by law. Upon termination or expiration of this Agreement, if YUA exercises its option or otherwise agrees with Memorial to purchase the Practice Assets (as that term is defined in the PSA), Memorial shall transfer the patient medical records to YUA on the same or similar terms that YUA initial transferred its patient medical records to Memorial as part of the APSA.

10.3 HIPAA. Each party shall maintain the confidentiality of all patient records, charts and other patient identifying information, and shall comply with all applicable state and federal laws governing the confidentiality of medical records and related information, including the Health Insurance Portability and Accountability Act of 1996 and regulations thereunder as amended from time to time (collectively, "HIPAA"). YUA will only use or disclose personal health information ("PHI") (as defined in HIPAA) which is received under this Agreement, as required (i) under this Agreement, (ii) by Memorial pursuant to the HIPAA rules, or (iii) by law. YUA shall use appropriate safeguards to prevent any misuse of PHI, take appropriate action to ensure that other persons appropriately safeguard and use PHI, report any known improper disclosure or use of PHI to Memorial, and return or destroy all PHI upon the termination of this Agreement for any reason. The Parties will enter into the Business Associate Agreement attached hereto as Exhibit B and incorporated herein by reference.

10.4 Business Records. As between YUA and Memorial, all business, financial and accounting records generated, created, and maintained by YUA in the course of providing and performing Management Services under this Agreement for Memorial, will be, and shall at all times remain, the exclusive property of Memorial. Memorial agrees to make all such records available to YUA as reasonably necessary for YUA's use in any audit, matter, dispute, or claim related to this Agreement or brought by any third party. All such records are Confidential Information within the meaning of Article 3 of this Agreement.

10.5 Audit of Records. Upon reasonable notice of not less than five (5) business days, Memorial shall have the continuing right, at Memorial's own expense, to audit the books and records generated, created and maintained by YUA related to Management Services rendered to Memorial. However, Memorial expressly acknowledges and agrees that any such audit shall be conducted by a professional accounting firm familiar with issues related to medical practice management.

ARTICLE 11
ACCESS TO RECORDS

Pursuant to Title 42 of the United States Code and applicable rules and regulations thereunder, until the expiration of four (4) years after termination of this Agreement, each party will make available, upon appropriate written request by the Secretary of the United States Department of Health and Human Services or the Comptroller General of the United States General Accounting Office, or any of their duly-authorized representatives, a copy of this Agreement and such books, documents and records as are necessary to certify the nature and extent of the costs of the Management Services provided under this Agreement. Further, in the event either party carries out any of its duties under this Agreement through a subcontract with a related organization and the value or cost of such subcontracted performance during any twelve month period is $10,000 or more, such subcontract shall contain a clause to the effect that until the expiration of four years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon appropriate written request by the Secretary of the United Sates Department of Health and Human Services or the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of such subcontract and such books, documents and records of such organization as are necessary to verify the nature and extent of such costs. Disclosure pursuant to this Article shall not be construed as a waiver of any other legal right to which either party may be entitled under law or regulations.

ARTICLE 12
DISPUTE RESOLUTION

In the event of any dispute arising out of or in connection with this Agreement, including any question regarding its existence, enforceability, interpretation, or validity, the parties will meet and confer in good faith for a period of thirty (30) days to attempt to resolve such dispute without an adversary proceeding (the “Good Faith Period”). If at the end of the Good Faith Period such attempt at resolution is unsuccessful, the parties shall try in good faith to settle the dispute through mediation under the Rules of Practice and Procedures (“Rules”) of the Judicial Arbitration and Mediation Services, Inc. (“JAMS”). A single disinterested third-party mediator shall be selected by Agreement of the parties. The parties to the dispute shall share the expenses of the mediator and the other costs of mediation on an equal basis. Any dispute which cannot be resolved by mediation within thirty (30) days following the end of the Good Faith Period shall be referred for arbitration as follows:

(i) The parties shall mutually agree to select a single arbitrator to conduct an arbitration through the arbitration service of the parties’ choice;

(ii) The arbitration shall be conducted in accordance with the rules of arbitration established by the arbitration service selected by the parties;

(iii) Should the parties fail to agree to use a particular arbitration service, or in the case an arbitration service selected does not use particular rules, the arbitration shall be conducted in accordance with the Commercial Arbitration Rules of JAMS;

(iv) The location of the arbitration shall be Yakima, Washington, or such other location mutually agreed upon by the parties;

(v) The arbitrator shall issue his decision in writing, setting forth both findings of fact and conclusions of law;

(vi) Each party shall be responsible for its own attorneys' fees, costs and expenses incurred in connection with the arbitration; provided, however, that the arbitrator may award reasonable attorneys' fees if the arbitrator finds that the party against whom the fees are assessed acted frivolously or in bad faith in its demand for or participation in the arbitration;

(vii) Each party shall share equally in payment of the costs and fees for the arbitrator; and

(viii) If a party (1) unsuccessfully resists an action to compel arbitration, (2) unsuccessfully challenges the arbitrator's award, or (3) fails to comply with an arbitrator's award, the other party is entitled to costs of suit including reasonable attorneys' fees for having to defend or enforce the award.

Notwithstanding anything in the Agreement or the applicable arbitration rules to the contrary, RCW ch. 4.16, Limitation on Actions, as amended, revised or replaced, shall apply to any arbitration brought under this Article 12. The judgment of the arbitrator shall be binding upon the parties and may be filed in and enforced by any court having proper jurisdiction. It is the express intention and understanding of the parties that each shall be entitled to enforce its respective rights under any provision hereof through specific performance in addition to recovering damages caused by a breach of any provision hereof and to obtain any and all other equitable remedies as may be awarded by the arbitrator. Notwithstanding the above, each party shall have the right to seek provisional remedies from a court of competent jurisdiction. This Article 12 shall survive the termination or expiration of this Agreement for any reason.

ARTICLE 13
AUTOMATIC AMENDMENTS

To the extent that any provisions of this Agreement are in conflict with the provisions of the Medicare statutes or regulations, this Agreement shall automatically, without any action by the parties, be deemed to have been amended, in order to bring it into conformity with the Medicare statutes or regulations. If the Medicare statutes or regulations are amended, and such amended statutes or regulations are in conflict with the provisions contained in this Agreement, this Agreement shall be automatically amended to conform to the new Medicare statutes or regulations. Memorial shall notify YUA in writing of all amendments to this Agreement which result from operation of this paragraph, to the extent they are known to Memorial. To the extent the operation of this Article 13 materially affects the respective rights of either party under this Agreement, the parties agree they shall make a reasonably good faith effort to negotiate a written amendment to this Agreement ameliorating any such adverse effects. If the parties are unable to reach agreement on an ameliorating amendment within forty five (45) days of either party's request to negotiate, either party may terminate this Agreement immediately upon delivery of written notice of termination to the other party.

ARTICLE 14
MISCELLANEOUS

14.1 Governing Law. This Agreement shall be interpreted, construed, and enforced exclusively in accordance with the laws of the State of Washington without regard to conflict of laws principles. Venue shall lie in Yakima County, Washington.

14.2 Waiver. No failure by either party to insist upon the strict performance of any provision of this Agreement shall be construed as depriving that party of the right to insist on strict performance of such provision or of any other provision in the future, and no waiver shall be deemed to have been made unless made expressly in writing and is signed by the other party.

14.3 Entire Agreement. This Agreement, including any Exhibits attached hereto, contains the entire agreement of the parties and supersedes any and all prior agreements between the parties, written or oral, express or implied, with respect to the transactions contemplated hereby. Any amendments to this Agreement must be in writing and signed by both parties.

14.4 Counterparts. This Agreement may be executed in two or more counterparts, and such counterparts shall, together, constitute and be one and the same instrument. Delivery by fax, email or other electronic means of a copy of a signature page of this Agreement showing a signature by or on behalf of any party to this Agreement will have the same effect as delivery of a manually-signed original of this entire Agreement executed by that party.

14.5 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal, or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

14.6 Captions and Construction. The captions or headings in this Agreement are for convenience and general reference only, and shall not be interpreted, construed, or enforced to describe, define or limit the scope or intent of the substantive provisions of this Agreement.

14.7 Successors and Survival. Each provision of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns.

14.8 Assignment. Neither party may assign its rights, duties or obligations under this Agreement (including by merger, consolidation, or acquisition) without the prior written consent of the other party, which shall not be unreasonably withheld. Nothing contained in this Section 14.8 shall be deemed to give the party proposing an assignment the affirmative right to terminate the Agreement, regardless of the other party's approving or denying the requested assignment. The party proposing an assignment of this Agreement must give the other party at least (60) days notice prior to the effective/closing date of the assignment. The notice of the proposed assignment shall include a description of the governance of assignee. The other party shall have thirty (30) days from the party proposing assignment to provide consent; and the other party's failure to provide timely consent shall be deemed their consent of the proposed assignment. Further, it shall be a reasonable basis of the other party to withhold its consent to the assignment based upon their disapproval of the governance of the proposed assignee. In the event other party's consent is withheld as described herein, then termination of this Agreement will occur.

14.9 Cooperation and Further Assurances. Each party expressly promises to cooperate and facilitate performance under this Agreement by the other party, including without limitation, performing and undertaking any acts, and executing and delivering any documents reasonably necessary or required by the other party for its performance under this Agreement.

14.10 Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be considered given and delivered when (a) personally delivered to the party, (b) sent by facsimile transmission or electronic mail (delivery of which is electronically confirmed) or (c) when delivered by a nationally recognized overnight courier service (such as FedEx) to the parties at the addresses set forth on the signature page below, or at such other address as such party shall have specified by notice given in accordance herewith.

14.11 Authority. Each of the individuals executing this Agreement on behalf of Memorial and YUA warrant that they are an authorized signatory of the entity for which they are signing, and have sufficient corporate authority to execute this Agreement.

14.12 Bank Approval. This Agreement is contingent upon the written approval ("Approval") of U.S. Bank ("Bank") of the Sublease between Memorial and YUA in connection with: (1) the Bank's outstanding loan ("Loan") to Urogroup, LLC ("Urogroup"), which is guaranteed by YUA, and (2) the interest rate swap that the Bank provided to Urogroup in connection with the Loan, which is also guaranteed by YUA. In the event that the Bank does not provide Approval on or before August 31, 2015, either party may terminate this Agreement at any time after the close of business on such date by delivering written notice to the other party hereto. No such notice shall relieve either party of any liability it may have incurred, or may incur, under this Agreement.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of the date last written below.

[Signature Page Follows]

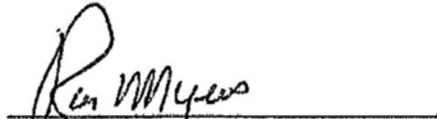
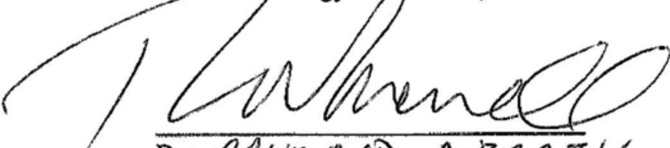
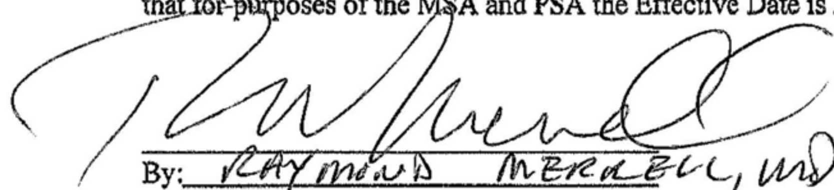
Memorial:	**YUA:**
Yakima Valley Memorial Hospital	Yakima Urology Associates, P.L.L.C.
	
By: Russ Myers	By: RAYMOND MERRELL, MD
Its: President and CEO	Its: PRESIDENT
Date: 7/7/15	Date: 7/10/15
Address: 2811 Tieton Drive Yakima, WA 98902 Attn: President	Address: 2500 Racquet Lane Yakima, WA 98902 Attn: President
Telephone: ______	Telephone: 509 249.3900
Fax: ______	Fax: 509 853-1531
Email: ______	Email: rmerrell@yua.com

Exhibit A
Business Associate Agreement

Schedule 1.1

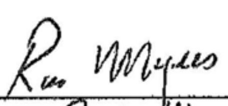
Acknowledgement of Effective Date

The parties to the Management Services Agreement ("MSA") acknowledge and agree that for purposes of the MSA and PSA the Effective Date is August 1, 2015.



By: RAYMOND MERRELL, MD
Member/Manager
Yakima Urology Associates, PLLC

Date: 7/10/15



By: Russ Myers
Title: President/CEO
Yakima Valley Memorial Hospital Association

Date: 7/7/15

SCHEDULE 1.2(a)
UROLOGY DIVISION
MANAGEMENT SERVICES

Employment of all clinical and nonclinical staff that participate in professional office care or support systems. Staff engaged in business office (e.g., billing/collections) and ancillary services will be employed by YUA and leased by Memorial.

Managing and monitoring urology clinic operations.

Overseeing the day-to-day delivery of urology clinic services at Memorial.

Reviewing the professional performance of pertinent employees and providers/clinicians.

Implementing strategic, financial, clinical, and operational plans for urology services as approved by the governing body, including accounting and oversight of the capital and operating budgets approved by the JOC.

Evaluating and implementing new programs, procedures, and technology as approved by the JOC.

Jointly developing and implementing urology program business plans (in collaboration with Memorial).

Facilitating the transition of information technology systems (when applicable).

Maintaining complete, accurate, and secure medical records.

Assisting Memorial with payor contracting and reimbursement strategies.

Management of human resources activities, including general employment policies and procedures, employment supervision and discipline, administration of employee benefits programs, determination of professional and staff personnel needs, including hiring and termination authority; orientation and training programs, determination of salary and benefits levels for staff employed by YUA and leased by Memorial as approved by the JOC.

Provision of benefits to all staff provided under the MSA and PSA, including professional liability insurance as required by the PSA. Specific benefits and levels of benefits shall be agreed upon and set forth in the Annual Budget approved by the JOC.

SCHEDULE 1.2(b)
ASC
MANAGEMENT SERVICES

Employment of ASC Administrative Manager and certain support staff such as radiology technicians and information technology support on an as needed basis. Staff engaged in support and ancillary services will be employed by YUA and leased by Memorial.

Provides management assistance to Memorial's Senior Director of Surgical Services and ASC Nurse Manager in providing efficient support, ancillary and clinical operations of the ASC.

Provides input to the review of the professional performance of pertinent employees.

Assists with the strategic, financial, clinical, and operational plans for the ASC as approved by Memorial, including accounting and oversight of the capital and operating budgets approved by Memorial.

Evaluating and implementing new programs, procedures, and technology as approved by Memorial.

Facilitating the transition of information technology systems (when applicable).

Provision of benefits to all ASC staff provided under the ASC MSA. Specific benefits and levels of benefits shall be agreed upon and set forth in the Annual Budget approved by Memorial.

Schedule 5.5 and 5.6

Initial Budget

Memorial Urology Division MSA Expense Budget

Initial 12-month period after effective date.

	Clinic	ASC
FTE's	[redacted]	1.5
Management/Staff Salaries	[redacted]	$136,700
Management/Staff Benefits*	[redacted]	$41,010
Physicians Expenses**	[redacted]	
Total Direct MSA Expenses	[redacted]	$177,712
Management Fee (1.8%)	[redacted]	$3,199
Total MSA Expenses	[redacted]	$180,910

*** Management/Staff Benefits**

Extender Malpractice
Employee Health Insurance
Payroll taxes
Pension Contribution
Pension Plan expense
Staff development/meetings

****Physician Expenses**

Health Insurance
CME and related expenses
Books and Subscriptions
Cell phone/pager
Licenses
Medical staff and professional dues
Disability and other insurance
Pension Contribution
Computer/electronic devices
Malpractice insurance

FIRST AMENDMENT TO
MANAGMENT SERVICES AGREEMENT

This First Amendment to the Management Services Agreement (the "First Amendment") is by and between Yakima Valley Memorial Hospital Association, a Washington non-profit corporation ("Memorial"), and Yakima Urology Associates, P.L.L.C., a Washington professional limited liability company ("YUA"), and amends that certain Professional Services Agreement between Memorial and YUA dated July 13, 2015 (the "MSA").

1. **Intent**. The parties desire to amend the MSA such that the expiration dates of the terms of the MSA, the Professional Services Agreement between Memorial and YUA dated July 13, 2015, and the Sublease Agreement between YUA, Memorial, and Urogroup, LLC dated July 13, 2015 are consistent with one another.

2. **Definitions; Referenced**. All capitalized terms used in this First Amendment not defined herein shall have the meanings given them in the MSA. References in this First Amendment and the MSA to "this Agreement," "herein," "hereto" and words of similar import shall mean the MSA as modified by this First Amendment. References to Sections in this First Amendment shall refer to Sections in the MSA.

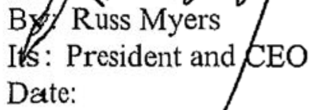
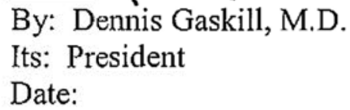
3. **Section 4.1 – Term**. Section 4.1 is deleted in its entirety and replaced with the following:

4.1 Term. Except as set forth below and subject to earlier termination as set forth below, the term of this Agreement shall commence as of the Effective Date and terminate on December 31, 2024 (the "Termination Date"). Unless terminated as provided herein, this Agreement shall automatically renew for additional one (1) year terms, unless either party provides the other with three hundred sixty-five (365) days' written notice of its intent not to renew."

4. Effective Date. The effective date of this First Amendment shall be October 1, 2019.

5. Effect of Amendment. This First Amendment modifies the MSA by adding additional rights, obligations and terms to the MSA. The MSA, as amended by this First Amendment, is in full force and effect, and the parties hereby ratify and affirm the same. In the event of any conflict between the provisions of the MSA and this First Amendment, the provisions of this First Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this First Amendment on the latest date set forth below.

Memorial:	**YUA:**
Yakima Valley Memorial Hospital	**Yakima Urology Associates, P.L.L.C.**
	
By: Russ Myers	By: Dennis Gaskill, M.D.
Its: President and CEO	Its: President
Date:	Date:

SECOND AMENDMENT TO
MANAGEMENT SERVICES AGREEMENT

THIS SECOND AMENDMENT ("Second Amendment") to the Management Services Agreement ("Agreement") is made and entered into by and between Yakima Valley Memorial Hospital Association ("MultiCare Yakima Memorial"), a nonprofit corporation formed under the laws of the State of Washington and Yakima Urology Associates, P.L.L.C., a Washington professional limited liability company ("YUA"). MHS and YUA are sometimes referred to in this Second Amendment individually as "Party" or, collectively, as the "Parties." All capitalized terms not otherwise defined within the Second Amendment shall have the same meaning as that given to each capitalized term in the Agreement.

WHEREAS, MultiCare Yakima Memorial owns and operates the ambulatory surgery center that YUA manages as a hospital outpatient department ("ASC").

WHEREAS, YUA, in its role as Manager of the ASC, and consistent with Medicare Provider Based Regulations, located at 42 CFR 413.65, reports to MultiCare Yakima Memorial's Chief, Division of Surgery, with the same frequency, intensity, and level of accountability that exists in the relationship between the medical director of a hospital department and the chief medical officer or other similar official of MultiCare Yakima Memorial, and is under the same type of supervision and accountability as any other medical director of MultiCare Yakima Memorial.

WHEREAS, the Parties wish to further revise the Agreement to appoint a licensed physician by name to function in the role described as in the nature of a medical director of the ASC.

Now, therefore, in consideration of the mutual benefits, promises, payments and undertakings of the Parties, it is hereby that:

1.1 Section 1.4.2 of the Agreement shall be revised as follows by adding the following text at the end of the paragraph:

> Daniel A. Thorner, D.O. shall be and is hereby appointed by the Parties as the Manager's delegate to report to MultiCare Yakima Memorial's Chief, Division of Surgery ("Chief of Surgery"), with the same frequency, intensity, and level of accountability of any other medical director at MultiCare Yakima Memorial and serve as the medical director of the ASC on a 0.25 FTE basis. In the event that Daniel A. Thorner, D.O. is unable, unwilling, is otherwise no longer qualified to serve, or is no longer mutually agreeable between the Parties to serve as the Manager's delegate to report to the Chief of Surgery, then YUA shall designate and employ another qualified individual to be appointed to the position subject to the approval of Memorial, not to be unreasonably withheld.

2.1 The Agreement shall be revised further to include a new Schedule 1.4.2, which is appended to this Second Amendment.

3.1 Except as set forth in this Second Amendment, all terms and conditions of the Agreement, as previously amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties hereto have executed this Second Amendment effective as of the last date shown below.

[signatures on following page]

	MULTICARE YAKIMA MEMORIAL:		YUA:
By:		By:	
Print Name:	Tammy Buyok	Print Name:	Dennis Gaskill, M.D.
Title:	Yakima Market Leader & President	Title:	President
Date:	May 13, 2024 12:26 PT	Date:	May 09, 2024 14:13 PT
	Contact Information:		Contact Information:
Designated Representative:	MultiCare Legal Services	Designated Representative:	Michael J. Thorner
Designated Representative Title:	General Counsel	Designated Representative Title:	Legal Counsel
Address:	PO Box 5299 Tacoma, Washington 98415	Address:	PO Box 1410 Yakima, Washington 98907
Telephone:		Telephone:	
Facsimile:		Facsimile:	
E-mail address:	LegalServices2@multicare.org	E-mail address:	mjt@tkglawfirm.com
Copy to Email:	ContractSupport@multicare.org	Contractor's EIN (or UBI) No.:	

Schedule 1.4.2
ASC Medical Director Roles and Responsibilities

1. Providing medical direction with respect to all clinical activities performed in connection with or related to all medical procedures performed at Ridgeview Ambulatory Surgery Center ("Facility") and all administrative activities related thereto and ensuring that such activities are performed in conformity with MultiCare Yakima Memorial Hospital's ("MultiCare Yakima") policies and procedures and the bylaws of the Facility, 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 staff of the Facility (the "Medical Staff'), the Chief - Division of Surgery of the Facility and all other personnel at the Facility 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 Facility.

4. Perform the Services faithfully, diligently and to the best of the Contractor'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 Facility; 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 Chief - Division of Surgery .

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 Facility initiatives including, but not limited to, attendance at the Facility'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 Staff, the Chief - Division of Surgery and all clinical and nursing personnel at the Facility regarding and participating in, the Facility's quality assurance and risk management programs.

9. Consulting with and rendering advice to MultiCare Yakima and the Chief - Division of Surgery regarding, and supervising compliance by the Medical Staff and all clinical and nursing personnel of the Facility with, MultiCare Yakima's policies and procedures and the bylaws of the Facility, as amended from time to time by MultiCare Yakima and the Facility, 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 Chief - Division of Surgery and all clinical and nursing personnel at the Facility 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 Facility with respect to the performance of all medical procedures at the Facility.

11. Assessing the overall patient experience at the Facility by reviewing patient satisfaction surveys, patient and physician feedback and providing recommendations to MultiCare Yakima, the Medical Staff and/or the Chief - Division of Surgery .

12. Consulting with and rendering advice to MultiCare Yakima and the Chief - Division of Surgery regarding the qualifications and performance of the clinical and nursing personnel at the Facility.

13. Conducting periodic evaluations of the adequacy and appropriateness of the medical procedures performed at the Facility and consulting with and rendering advice to MultiCare Yakima and the Chief - Division of Surgery 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 Chief - Division of Surgery and the Governing Body of the Facility and the medical staff.

15. Cooperating with MultiCare Yakima, Medical Executive Committee, Chief - Division of Surgery , and other medical contractors performing services at the Facility to support and improve the operational performance of the Facility.

16. Attending administrative meetings and accepting appointments to ad-hoc and standing committees of the Facility 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 Contractor 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 Facility's address.
- Board certified (or eligible) or equivalent experience required.
- Successful credential by the medical staff office of MultiCare Yakima Valley Memorial required.

Exhibit 13A.
Sublease Agreement

SUBLEASE AGREEMENT

THIS SUBLEASE AGREEMENT (the "Sublease") is made and entered into as of this 6th day of July, 2015 ("Effective Date") by and between YAKIMA UROLOGY ASSOCIATES, P.L.L.C., a Washington professional limited liability company ("Sublandlord"), and YAKIMA VALLEY MEMORIAL HOSPITAL ASSOCIATION, a Washington nonprofit corporation ("Subtenant"), with UROGROUP, LLC, a Washington limited liability company ("Landlord") joining in the execution of this Sublease for the purposes hereinafter set forth.

RECITALS

A. Sublandlord has entered into that certain lease with Landlord, dated July 1, 2009 (the "Master Lease"), attached hereto as Exhibit A and incorporated herein, pursuant to which Landlord has leased to Sublandlord, the Premises (defined in Section 1.1).

B. Sublandlord desires to sublease the Premises to Subtenant, and Subtenant desires to sublease the Premises from Sublandlord for the Permitted Use (defined in Section 4) in accordance with the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the following agreements, covenants, promises, representations and warranties, the parties agree as follows:

1. **Definitions.** Capitalized terms not otherwise defined in this Sublease shall the meanings set forth in the Master Lease.

1.1 "Premises" means that certain real property legally described as:

Lot 2 of Short Plat 7625173 records of Yakima County, Washington Yakima County Assessor's Tax Parcel No. 181335-24402

(the "Land"), together with the improvements, including the building located at 2500 Racquet Lane, Suite 1, Yakima, Washington 98902 (the "Building") (the Land and the Building are collectively referred to herein as the "Premises"). The Building includes clinic and administration areas totaling 17,204 sq. ft. ("Clinic Areas"), ambulatory surgical areas totaling 7.994 sq. ft., and unfinished shell storage areas totaling 5,686 sq. ft. ("Shell Storage Areas"). The total Premises square footage is 30,884 sq. ft.

1.2 "Permitted Use" is defined in Section 4.

1.3 "Rent" means the sum set forth in Section 9 below.

1.4 "Term" means the term of this Sublease as set forth in Section 5 below.

2. **Agreement to Sublease.** Subject to the terms and conditions hereof, Sublandlord agrees to lease the Premises to Subtenant, and Subtenant agrees to lease the Premises from Sublandlord.

michelle.fiala@multicare.org
April-21: 12/2022 17:29
CONFIDENTIAL

During the term of this Sublease, Subtenant will have sole and exclusive use of the Premises twenty-four (24) hours per day, seven (7) days per week. In addition to the Premises, Subtenant shall have non-exclusive use of the Common Areas in and around the Building, as described in the Master Lease.

3. **Purpose.** The Premises are to be used by Subtenant solely for the purpose of the Permitted Use. Subtenant shall not use the Premises for any other business or purpose without the prior written consent of Sublandlord and Landlord. Subtenant shall comply with all the terms, conditions, restrictive use clauses, and rules and regulations of the Master Lease, at all times.

4. **Use of Premises.** The Premises will be used by Subtenant for the purposes described in the Master Lease, which are the operation of a medical practice ("Clinic") and ambulatory surgery center ("ASC"). Subtenant shall not use the Premises for any other business or purpose without the prior written consent of Sublandlord and Landlord. Subtenant shall comply with all the terms, conditions, restrictive use clauses and rules and regulations of the Master Lease, at all times.

5. **Sublease Term and Termination.** The term of this Sublease shall commence on August 1, 2015 (the "Commencement Date"), and end on March 31, 2019 (the "Expiration Date"). If the Master Lease is terminated for any reason prior to the Expiration Date, this Sublease shall promptly be terminated as of the date of termination of the Master Lease. Any liability of Subtenant to make any payment under this Sublease, which shall have accrued prior to the termination of this Sublease, shall survive the termination of this Sublease.

6. **Option to Renew.** So long as Subtenant is not in default under the terms of this Sublease, and Sublandlord's right to renew the Master Lease remains in full force and effect, Subtenant shall have the right to renew this Sublease for one (1) additional term of five (5) years upon the same terms and conditions provided herein, except that the Rent for the renewal term shall be negotiated by the parties, but in no event shall Rent in the additional term be less than as adjusted in Section 9. Should Subtenant desire to exercise its option to renew this Sublease, Subtenant shall give Sublandlord written notice of Subtenant's intention to exercise the option at least two hundred and ten (210) days prior to the Expiration Date of the Sublease.

7. **Inability to Provide Premises**. If Subtenant is unable to use or occupy the Premises, or any portion thereof, during the Term due to damage to the Premises from fire or other casualty, or due to expiration or other full or partial termination of the Master Lease for whatever reason, Sublandlord shall repay to Subtenant the pro rata share of the Rent and Operating Expenses attributable to that portion of the Premises that is rendered untenable due to damage from fire or other casualty or to that portion of the Term for which Subtenant is unable to use or occupy the Premises due to termination of the Master Lease for whatever reason; provided that Sublandlord has been relieved of its duty to pay rent and any other sums to Landlord under the Master Lease due to the inability to use or occupy the Premises and/or termination of the Master Lease. Subtenant acknowledges that if Sublandlord has not been relieved of its duty to pay rent and any other sums to Landlord due to the Premises being untenable and/or termination of the Master Lease, Subtenant shall not be entitled to any repayment of Rent or Operating Expenses from Sublandlord, except in such instance where the Master Lease is terminated early due to

Sublandlord's failure to pay rent under the Master Lease to Landlord in which case Subtenant shall be entitled to a pro rata repayment of Rent and Operating Expenses from Sublandlord.

8. **Use of Common Areas.** While Subtenant is occupying the Premises in a manner consistent with the Permitted Use, and not otherwise in default hereunder, Subtenant has the right to nonexclusive use of all Common Areas in a manner consistent with, and reasonably required by, the Permitted Use.

9. **Rent.**

9.1 **Rent - Rental Adjustment**. Subtenant shall pay Sublandlord monthly rent in the amount of Fifty Thousand Five Hundred Fifty Four and 67/100 Dollars ($50,554.67) ("Rent"), payable in advance on or before the first (10th) day of each calendar month during the term of this Sublease; provided, however, that on each and every annual anniversary of the Commencement Date of this Sublease, the Rent shall be increased by an amount equal to 1.75% of monthly Rent stated above. The parties acknowledge and agree that the Rent amount for the Premises is within the fair market value ranges set forth in Exhibit B, which are based on the Broker's Estimate of Fair Market Rental Range Letter attached thereto.

9.2 **Late Charges**. Subtenant hereby acknowledges that late payment by Subtenant to the Sublandlord of Rent or any other sums due hereunder will cause the Sublandlord to incur costs not otherwise contemplated by this Sublease and affect Sublandlord's ability to meet certain commitments. Accordingly, if any installment of Rent or any other sum due from Subtenant shall not be received by the Sublandlord within ten (10) days after such amount shall be due, then, without any requirement for notice to Subtenant, Subtenant shall pay the Sublandlord a late charge equal one percent (1%) per month from the date due until paid. Payments shall be applied first to interest, then to late charges, then to overdue Rent (with allowance for Sublease hold excise tax), and then to current Rent (with allowance for Sublease hold excise tax.).

9.3 **Operating Expenses.** This is a triple net lease. Therefore, Subtenant agrees to pay Sublandlord the Additional Rent defined in Section 2.4 of the Master Lease to the extent that such Additional Rent meets the definition of Operating Expenses (as defined in Section 9.3.1).

9.3.1 **Definition of Operating Expenses.** As used herein, "Operating Expenses" shall mean, except as otherwise provided in this Sublease, all costs of operating, maintaining and repairing the Premises determined in accordance with generally accepted accounting principles "GAAP"), and including without limitation the following to the extent applicable to the Premises: all ad valorem taxes and assessments (including, but not limited to, real and personal property taxes and assessments, local improvement district assessments and other special purpose assessments, and taxes on rent or gross receipts); insurance premiums paid by Sublandlord and (to the extent used) deductibles for insurance applicable to the Premises; water, sewer, septic, and all other utility charges (other than utilities separately metered and paid directly by Subtenant); signage related to the ASC and Clinic, janitorial and all other cleaning services; emergency generator maintenance, refuse and trash removal; supplies, materials, tools, and equipment used in the operation, repair, and maintenance of the Premises; refurbishing and

repainting; carpet replacement; heating, ventilation and air conditioning service, repair and replacement when necessary (which replacement shall be amortized as a capital improvement); pest control; lighting systems, fire detection and security services; landscape and lawn maintenance; resurfacing and maintenance; snow and ice removal; and amortization of capital improvements as Sublandlord may in the future install to comply with governmental regulations and rules or undertaken in good faith with a reasonable expectation of reducing Operating Expenses (the useful life of which shall be determined according to GAAP). Operating Expenses shall not include Sublandlord's income or franchise tax or general corporate overhead, depreciation on the improvements to the Premises or equipment therein; loan payments; real estate broker's commissions; capital improvements to or major repairs of the building (i.e., the building structure, exterior walls, roof, and structural floors and foundations), except as described above; or any costs regarding the operation, maintenance and repair of the Premises paid directly by Subtenant or otherwise reimbursed to Sublandlord.

10. **Utilities and Taxes**

10.1 **Payment**. Subtenant shall pay all charges for utilities and services supplied to the Premises, including (without limitation) hook up and service charges for electricity, gas, telephone, water, sewer and garbage collection.

10.2 **Taxes and Assessments**. Subtenant shall pay, prior to delinquency, all real property taxes and assessments attributable to the Premises. Subtenant shall pay all personal property taxes.

11. **Conformance with Master Lease.** This Sublease and all of Subtenant's rights under it with respect to the Premises are and shall remain in all respects subject and subordinate to: (i) all of the terms and provisions of the Master Lease; and (ii) any and all matters to which the tenancy of Subtenant, as tenant under the Master Lease, is or may be subordinate. Subtenant shall in no event have any rights under this Sublease greater than Sublandlord's rights as tenant under the Master Lease. All of the terms, covenants, conditions and agreements that Sublandlord is required to observe or perform as a tenant under the Master Lease are incorporated in this Sublease by reference and are deemed to constitute terms, covenants, conditions and agreements that Subtenant is required to observe or perform under this Sublease as if set forth in it at length, except as otherwise provided herein. Sublandlord shall have such rights and remedies under this Sublease as are available to the Landlord under the Master Lease, except as otherwise provided in this Sublease. Notwithstanding the foregoing, Sublandlord shall be responsible for Sublandlord's obligation to pay rent, additional rent, applicable taxes, and net operating costs to Landlord as set forth in the Master Lease.

12. **Alterations, Improvements and Fixtures.** Subtenant may make non-structural, non-electrical, and non-electronic alterations and improvements to the Premises, at Subtenant's sole cost and expense, only with Sublandlord's and Landlord's prior written approval of plans and drawings, which consent shall not be unreasonably withheld. Upon expiration or earlier termination of this Sublease, Subtenant shall remove such fixtures and equipment and repair any damage to the Premises caused by removal thereof. Notwithstanding the foregoing, Sublandlord and Landlord agree to the Subtenant's Initial Improvement Project described at Exhibit C.

13. **Signs.** Subtenant may install signs on the Premises. At Sublandlord's or Landlord's request, all signs and symbols installed by Subtenant shall be removed by Subtenant at the termination of this Sublease. Should the removal of the signs cause damage to the Premises, Subtenant shall repair the damage at Subtenant's expense. Landlord consents to Subtenant's installation of signs pursuant to this Section 13.

14. **Parking.** Sublandlord and Landlord agree that Subtenant shall have the exclusive use (at no additional cost to Subtenant) of the parking spaces designated at Exhibit D.

15. **Repairs and Maintenance.** Sublandlord shall have no responsibility for any repairs or maintenance to the Premises under this Sublease. Instead, Subtenant shall be responsible for any and all repairs and maintenance to the Premises set forth as Sublandlord's responsibility under the Master Lease. Subtenant shall not be responsible for any repairs or maintenance to the Premises which are set forth as Landlord's responsibility under the Master Lease.

16. **Landlord and Sublandlord's Access.** Subtenant will permit Sublandlord or Landlord, or their agent(s), to enter the Premises at any reasonable time to determine Subtenant's compliance with this Sublease, and to make necessary repairs, or to show the Premises to prospective subtenants, tenants, or purchasers. Landlord and Sublandlord shall not unreasonably interfere with Subtenant's business operations when exercising the entry and inspection rights set forth in this Section 16.

17. **Damage and Destruction.** To the extent that the Master Lease gives Sublandlord any right to terminate the Master Lease in the event of the partial or total damage, destruction, or condemnation of the Master Premises or the building or project of which the Master Premises are a part, the exercise of such right by Sublandlord shall not constitute a default or breach hereunder. If Sublandlord is entitled to a rent abatement as a result of a fire or other casualty or as a result of a taking under the power of eminent domain, then Subtenant shall be entitled to an abatement of Rent and Operating Costs in proportion to the portion of the Premises rendered untenantable for the period that the Premises is untenantable or for the portion of the Premises taken under the power of eminent domain.

18. **Indemnification.**

18.1 **Indemnification by Subtenant.** Except to the extent any such claim is caused by the negligent or intentional act or omission or willful misconduct of Sublandlord, Subtenant agrees to indemnify and defend Sublandlord and Landlord and to save harmless Sublandlord and Landlord, and the officers, directors, partners, members, agents and employees of Sublandlord and Landlord, against and from claims, demands, actions, expenses (including attorneys' fees) or damages by or on behalf of any person, firm or corporation, arising from or to relating to Subtenant's breach of this Sublease or the use or occupancy of the Premises or the acts or omissions of Subtenant and its servants, agents, employees, contractors, suppliers, workers or invitees.

18.2 **Indemnification by Sublandlord.** Except to the extent any such claim is caused by the negligent or intentional act or omission or willful misconduct of Subtenant, Sublandlord agrees to indemnify and defend Subtenant and to save harmless Subtenant, and the officers,

directors, partners, members, agents and employees of Subtenant against and from claims, demands, actions, expenses (including attorneys' fees) or damages by or on behalf of any person, firm or corporation, arising from or relating to Sublandlord's breach of this Sublease or the acts or omissions of Sublandlord and its servants, agents, employees, contractors, suppliers, workers or invitees.

19. **Insurance.** Subtenant shall procure and maintain during the term of this Sublease such insurance as is required to be procured by Sublandlord (as Tenant) pursuant to Sections 5.1 and 5.2 of the Master Lease, naming Sublandlord and Landlord as additional insureds.

20. **Waiver of Subrogation.** Sublandlord and Subtenant release each other and their respective authorized representatives, from, and waive their claims for damage to the Premises, Building and Subtenant's personal property that are caused by any condition or peril in a broad form property insurance policy, notwithstanding the negligence of either the Subtenant or Sublandlord or their respective authorized representatives; provided, however, that such release shall apply and be effective if and only so long as any policy or policies of insurance covering the loss or damage in question shall contain a clause or endorsement substantially to the effect that the above release by the insured therein shall not adversely affect, impair or prejudice the right of the insured to recover from the insurer for such loss or damage. Sublandlord and Subtenant each hereby agree to use their best efforts to cause their respective policies to contain such clause or endorsement, and each party further agrees to notify the other in writing in the event such clause or endorsement is unobtainable; if either party is unable to obtain such clause or endorsement, then each party shall be relieved of any obligation hereunder. In the event that either Sublandlord or Subtenant elects to insure on a deductible basis, then notwithstanding the foregoing provisions, the respective releases herein provided for shall be operative to the same extent as if any loss from time to time required to be insured against by the terms hereof had, in fact, been covered by insurance in amounts at least sufficient to avoid the effects of co-insurance. Subtenant agrees to the waiver of subrogation provisions of Section 5.3 of the Master Lease.

21. **Hazardous Substances.** Subtenant shall comply with Section 12.1 of the Master Lease related to restrictions of Hazardous Substances on the Premises.

22. **Default; Remedies.**

22.1 **Defaults of Subtenant.** The occurrence of any of the following events shall constitute a default of Subtenant (each an "**Event of Default**"):

22.1.1 Failure to Perform. Subtenant fails to promptly and fully perform any covenant, condition or agreement arising under this Sublease, and such failure continues for thirty (30) days after written notice from Sublandlord, which notice shall specify in reasonable detail the nature of the failure concerned, or if such default cannot reasonably be cured within thirty (30) days, if Subtenant fails to commence with such curative action within that thirty (30) day period and to diligently prosecute to completion.

22.1.2 Insolvency. Subtenant becomes insolvent, voluntarily or involuntarily bankrupt, or a receiver, assignee or other liquidating officer is appointed for Subtenant's business, provided that in the event of any involuntary bankruptcy or other insolvency

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 6 of 28]

proceeding, the existence of such proceeding shall constitute a default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.

22.1.3 Levy or Execution. Subtenant's interest in this Sublease or the Subleased Premises, or any part thereof, is taken by execution or other process of law directed against Subtenant, or is taken upon or subjected to any attachment by any creditor of Subtenant, if such attachment is not discharged within fifteen (15) days after being levied.

22.1.4 General Assignment. Subtenant makes a general assignment for the benefit of creditors.

22.1.5 Default Under Master Lease. The occurrence of any of the events of default under Section 13.1 of the Master Lease.

22.2 **Sublandlord's Remedies.** Upon the occurrence of any default on the part of Subtenant, Sublandlord shall have all rights against Subtenant, but shall be subject to all notice and cure provisions, as would be available to under the Master Lease if such breach were by the Sublandlord thereunder and may, at its option, cure such default on Subtenant's behalf, with the right to set off and deduct the cost of doing so from any sums then or later becoming due from Sublandlord to Subtenant; or alternatively, in the event there remains an uncured default by Subtenant following Sublandlord's compliance with all required notice and cure provisions, Sublandlord may elect to terminate this Sublease by giving written notice of such election to Subtenant, which notice shall specify an effective date of such termination not earlier than thirty (30) days after such notice of termination shall have been given, during which time Subtenant shall continue to have the right to cure.

22.3 **Default by Sublandlord.** Sublandlord is not in default under this Sublease unless Sublandlord fails to perform its obligations within thirty (30) days after notice by Subtenant specifying therein in what way Sublandlord has failed to perform; provided that if the nature of Sublandlord's obligation is such that more than thirty (30) days are required for performance, Sublandlord is not in default if Sublandlord commences performance within thirty (30) days of Subtenant's notice and thereafter completes Sublandlord's performance within a reasonable time.

22.4 **Cure of Default**. Without prejudice to any other remedy for default, Sublandlord or Subtenant may perform any obligation or make any payment required to cure a default by the other. The cost of performance, including attorney's fees and all disbursements, shall immediately be repaid by the responsible party upon demand, together with interest from the date of expenditure until fully paid at the rate of twelve percent (12%) per annum, but not in any event at a rate greater than the maximum rate of interest permitted by law.

22.5 **Remedies Cumulative**. Any right or remedy that Sublandlord or Subtenant may have under this Sublease arising out of the other party's breach of any covenant of this Sublease shall be in addition to any other right or remedy for such breach provided by law.

23. **Assignment and Subletting.** Subtenant shall be entitled to assign its interest in this Sublease or sublease the Premises or any part thereof with the prior written consent of Sublandlord and Landlord, which consent shall not be unreasonably withheld or delayed. In the event that Subtenant defaults in its payments obligations under the Promissory Note for the

Sublandlord's Ambulatory Surgery Center assets ("ASC Assets") pursuant to the Asset Purchase and Sale Agreement between Subtenant and Sublandlord, and Sublandlord elects to foreclose on Subtenant, Sublandlord has the option of taking assignment of this Sublease.

24. **Automatic Termination**. In the event that:

24.1 The PSA between the parties is terminated and Sublandlord elects under the Security Agreement for the Promissory Note for the Ambulatory Surgery Center assets ("ASC Assets"), to take possession of and/or sell the ASC Assets; or

24.2 The MSA between the parties is terminated and Sublandlord elects under the Security Agreement for the Promissory Note for the ASC Assets, to take possession of and/or sell the ASC Assets; or

24.3 Subtenant is in default under the Promissory Note for the Sublandlord's ASC Assets pursuant to the APSA, and Sublandlord elects under the Security Agreement for the Promissory Note for the ASC Assets, to take possession of and/or sell the ASC Assets; or

24.4 Sublandlord exercises its rights under Section 10.7 of the PSA to purchase the physical assets of the Clinic and ASC;

Sublandlord may take assignment of this Sublease without penalty as of the date Sublandlord takes possession of and/or sells the applicable assets.

25. **Option and Right of First Refusal to Purchase.**

25.1 **Option to Purchase.**

25.1.1 **Grant of Option.** Landlord hereby grants Subtenant an option ("Option"), and Sublandlord acknowledges and consents to such Option, for Subtenant to purchase from Landlord all of Landlord's rights and interest in the Premises, now existing or hereafter acquired (including any interest of Landlord's successors or assigns), on the terms and conditions set forth herein. In addition to the Premises, the Option includes all of Landlord's rights in the following intangible property now or hereafter existing with respect to the Premises:

(i) All plans and specifications for the Premises, all building permits and other permits required in connection with the construction of the Building and any other improvements on the Land, and all warranties, guaranties and sureties at any time received in connection with the construction thereof, including, without limitation, all rights of Landlord under any plans, specifications, drawings and permits and all architectural, engineering or construction contracts with respect thereto;

(ii) All licenses, permits, approvals, certificates of occupancy and franchises relating to the zoning, land use, ownership, operation, occupancy, construction or maintenance of the Premises, and all deposits delivered to governmental authorities or utilities relating to the Premises; and

michelle.fiala@multicare.org April 12, 2022 12:29 CONFIDENTIAL

(iii) All service and maintenance contracts and equipment Sublease s, if any, in connection with or used by Landlord in connection with the Premises and which are accepted by Subtenant.

25.1.2 **Purchase Price.** In the event of exercise of its Option granted herein, and subject to the terms and conditions set forth herein, Subtenant shall pay Landlord the following (the "Purchase Price") on the Closing Date (as hereinafter defined) an amount, in cash or cash equivalents, equal to the Fair Market Value (as hereinafter defined) of the Premises.

"Fair Market Value" of the Premises shall be as agreed by Landlord and Subtenant within ten (10) days after Subtenant gives its notice of intent to exercise the Option granted herein (the "Initial Notice"). If Subtenant and Landlord cannot reach such agreement within the time herein provided, then each party shall select a qualified, MAI real estate appraiser within five (5) days thereafter. If one of the parties does not select a qualified appraiser within the required time period, the decision of the appraiser selected by the other party shall be binding upon both parties. If two appraisers are selected by the parties, those appraisers shall each conduct an appraisal of the Premises (with each party paying the expense of its own appraisal) which shall be completed no later than sixty (60) days after the Initial Notice. Landlord shall provide the appraisers with access to the Premises and access (and copies, as requested) to all Sublease s and other agreements, books and records related to the Premises which the appraisers may reasonably request during the conduct of their appraisals. The Fair Market Value will be the average of the two appraisal valuations; provided, however, that if the difference determined by subtracting the lower appraisal from the higher appraisal is greater than ten percent (10%) of the lower appraisal, the Fair Market Value shall be determined as follows:

The appraisers selected by each party shall agree on a third, qualified, MAI real estate appraiser. In absence of agreement on the third appraiser within sixty (60) days of the date of the Initial Notice, either party may make application to the Superior Court for Yakima County for appointment of a qualified MAI real estate appraiser by the Presiding Judge of such Court. The third appraiser selected, by either method provided herein, shall determine the Fair Market Value of the Premises, as of the date of the Initial Notice, within ninety (90) days of the date of the Initial Notice, which determination shall be binding upon both Subtenant and Landlord; provided, the Fair Market Value set by the third appraiser may be no higher or lower than the highest and lowest prices set by the first two appraisers. Each party shall bear the cost of its own appraiser and shall share equally in the cost of the third appraiser, plus the amount of any court costs and attorneys' fees if application to the Yakima County Superior Court is required, as set forth herein.

25.1.3 **Normal Exercise of Option.** Subtenant may exercise its Option at any time from January 1, 2019 to March 31, 2019 by notifying Landlord in writing that it intends to purchase Landlord's interest in the Premises pursuant to this Section 25.1. Subtenant shall have sixty (60) days after determination of the Purchase Price, as determined in accordance with Section 25.1.2 hereof, to close the purchase of the Premises in accordance with the terms hereof. Subtenant shall have the one-time right, without additional payment to Landlord, to extend the closing for an additional thirty (30) days upon written notice to Landlord at least five (5) days prior to expiration of the initial sixty (60) day period referenced in the first sentence of this Section 25.1.3. Notwithstanding the foregoing, if, after determination of the Purchase Price in accordance with Section 25.1.2 above, Subtenant decides, in its sole and absolute discretion, not

to complete the purchase of the Premises at that time and at that Purchase Price, then, by written notice to Landlord prior to the scheduled Closing Date, Subtenant may rescind its exercise of the Option, the purchase of the Premises will not close at that time and Subtenant's Option rights set forth in this Section 25.1 shall be reinstated, with the Subtenant having the right to exercise such Option at any time thereafter (with new Purchase Price to be determined at that time in accordance with the terms of Section 25.1.2). In the event that Subtenant decides to rescind its exercise of the Option, Subtenant shall reimburse Landlord's appraisal and other costs which may have been reasonably incurred by Landlord in order to meet the requirements of Section 25.1.2 hereof.

25.1.4 **Exercise of Option to Avoid Foreclosure.** Notwithstanding any terms to the contrary set forth in this Sublease, in the event of the commencement of foreclosure of any lien or encumbrance against the Premises, if Landlord does not cure the default which caused the foreclosure to be commenced or otherwise does not obtain termination (or stay pending litigation concerning such lien, encumbrance or foreclosure action) of the foreclosure process prior to sixty (60) days prior to the scheduled foreclosure sale, Subtenant shall have the option to purchase all of Landlord's interest in the Premises for the amount required to satisfy and obtain the release of the subject lien or encumbrance plus any other existing encumbrances on the Premises which, in the aggregate (with the encumbrance being foreclosed) comply with the requirements of Section 25.4.1 of this Sublease, with such amount to be paid directly to the holder(s) of such lien(s) or encumbrance(s). In the event Subtenant exercises this option to purchase, Subtenant shall be required to meet all other terms of this Section 25.1 applicable to close of sale pursuant to Subtenant's Option rights, including, at the time Subtenant pays the foregoing amount, meeting the title requirements of Section 25.3.1 hereof, and the execution and delivery by Landlord to Subtenant of all deeds, bills of sale, assignments or other documents in such form as Subtenant may reasonably require to transfer all of Landlord's rights, titles and interests in the Premises to Subtenant.

25.2 **Right of First Refusal**.

25.2.1 **Notice of Election to Sell the Premises.** During the term of this Sublease, Landlord shall provide Subtenant thirty (30) days written notice of its decision to offer the Premises for sale to a third-party, prior to beginning to actively market or list the Premises for sale.

25.2.2 **Offer to Purchase.** In the event that Landlord receives a bona fide offer from a third-party for purchase of the Premises ("Offer"), which Landlord determines it would otherwise accept, that offer must be put forth in writing, signed by the third party agreeing to be bound thereby, stating the price, terms and conditions upon which the purchase is to be made. The price and terms shall be stated in U.S. Dollars and shall not include any other property or in-kind items. Landlord shall give written notice ("Offer Notice") to Subtenant of the Offer, which shall have a copy of the Offer attached and include the name and address of the offeror.

25.2.3 **Subtenant's Right of First Refusal.** Upon receipt of the Offer Notice, Subtenant shall have the right, but not the obligation, to purchase the Premises at the price and in accordance with the payment terms set forth in the Offer ("Right of First Refusal").

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 10 of 28]

Subtenant shall exercise its right to purchase by giving notice (the "Exercise Notice") to Landlord within thirty (30) days following its receipt of the Offer Notice.

25.2.4 **Closing.** The purchase of the Premises pursuant to the exercise of the Subtenant's Right of First Refusal shall be closed within forty-five (45) days after Landlord's receipt of the Exercise Notice, unless additional time is provided in the Offer (in which case, the later time shall apply). The purchase shall be subject to and Subtenant shall have the benefit of all terms and conditions set out in the Offer and in this Section 25.2; provided, however, at a minimum, Landlord must deliver title to the Premises free of all liens and encumbrances, in accordance with Section 25.3 hereof, and Landlord shall make the representations to Subtenant as are set out in Section 25.5.1 hereof. Subtenant shall have the right, without additional payment to Landlord, to extend the closing date by thirty (30) days by written notice to Landlord issued at least five (5) days prior to expiration of the original 45 day period set forth in the first sentence of this Section 25.2.4 or the closing date set forth in the Offer.

25.2.5 **Sale Following Waiver of Right of First Refusal.** If, following receipt of an Offer Notice, Subtenant allows to expire, or waives in writing, its Right of First Refusal, Landlord may proceed with the proposed sale of the Premises or equity interests, at the price and on the terms specified in the Offer; provided, however, it shall be a condition precedent to the effectiveness of any such sale that the sale must be on the same terms and conditions set forth in the Offer Notice. If the proposed sale described in the Offer Notice has not been closed within one hundred eighty (180) days after the date when the Right of First Refusal was waived or expired or if the terms of the sale have changed in any respect, the proposed transaction may not be closed and the revised Offer, and any new offer to purchase the Premises or equity interests, will again be subject to Subtenant's Right of First Refusal as provided in this Section 25.2.

25.2.6 **Sale/Assignment in Violation is Void.** Any sale or assignment of any portion of Landlord's interest in the Premises in violation of the terms of this Section 25.2 shall be null and void.

25.3 **Landlord's Title to the Premises**.

25.3.1 **Title Report.** Within five (5) business days after the exercise of the Option or Right of First Refusal, Landlord shall order a preliminary title report for an ALTA owner's policy of title insurance insuring fee interest in the Premises in the amount of the Purchase Price (the "Title Report"). The Title Report shall be accompanied by legible copies of all special exceptions listed therein. Subtenant shall have fifteen (15) business days after the date of its receipt of the Title Report and such copies in which to notify Landlord in writing of Subtenant's disapproval of any exceptions; provided, whether or not Subtenant makes any objection, any monetary liens or encumbrances shall be satisfied by Landlord prior to or as of the Closing Date. In the event Subtenant notifies Landlord within such period that Landlord disapproves one or more exceptions to title, Landlord shall notify Subtenant in writing within five (5) business days after receipt of Subtenant's notification as to whether Landlord agrees to remove the exceptions so disapproved, and upon delivering such notice, Landlord shall have until the Closing Date to cause such exceptions to be removed of record.

25.3.2 **<u>Rescission of Exercise of Option or Right of First Refusal - Title Defects</u>.** If the Title Report referenced in Section 25.3.1 hereof reflects exceptions objected to by Subtenant, but Landlord elects not to or fails to eliminate such items, Subtenant may, at any time prior to Closing, elect to rescind Subtenant's exercise of its Option or Right of First Refusal. In such event, Subtenant's Option and/or Right of First Refusal rights shall be reinstated, subject to being exercised by Subtenant thereafter in accordance with the terms of this Section 24.

25.3.3 **<u>Alternative - Subtenant's Election to Close and Cure Title Defects</u>.** If Subtenant does not elect to rescind its exercise of its Option or Right of First Refusal for the reasons described in Section 25.3.2 hereof, Subtenant's objections to the Title Report exceptions which Landlord elects not to eliminate shall be deemed waived and the Premises shall be conveyed to Subtenant with such defects; <u>provided, however</u>, Subtenant may deduct the reasonable cost of curing such title defect(s) or an amount equal to the reasonable diminution in value of the Premises because of such defect(s) from the purchase price otherwise payable to Landlord on the Closing Date.

25.4 **<u>Landlord's Covenants</u>.** For so long as the Option and Right of First Refusal remain in effect, Landlord, and Landlord's successors and assigns, agrees and covenants to Subtenant that:

25.4.1 **<u>Encumbrances</u>.** Landlord shall not grant or permit any liens or encumbrances in the Premises of any kind to be placed of record or to otherwise encumber title to the Premises, except upon the prior written approval of Subtenant, which approval shall be subject to Subtenant's absolute discretion. Landlord may not encumber the Premises with one or more liens or encumbrances which, in the aggregate, exceed ninety percent (90%) of the Fair Market Value of the Premises. Landlord shall give written notice of any proposed borrowings and grant of lien or encumbrance, with copies of all loan and security documents and proof (to the reasonable satisfaction of Subtenant) of the then Fair Market Value of the Premises, at least thirty (30) days prior to the grant of any such lien or encumbrance, and prior to any material amendments, restatements, re-financings or other replacements of any previously approved liens, encumbrances or interests. In the event that, within fifteen (15) days after receipt of such notice and all required information, Subtenant delivers to Landlord a written objection setting out the terms of such loan or security documents which are contrary to the terms of this Section 25.4.1, or if Subtenant reasonably disagrees with the proof of Fair Market Value provided by Landlord, such lien or encumbrance shall not be granted in the Premises, nor amendment, restatement or refinancing become effective, unless or until Landlord gives Subtenant reasonable evidence that such terms have been changed or such Fair Market Value is accurate. (Unless Landlord delivers to Subtenant a copy of a recent MAI appraisal obtained for or by the proposed lender, Subtenant may require Landlord obtain an appraisal of the Premises, in accordance with Section 25.1.2 hereof, at Landlord's expense, in order to determine such Fair Market Value.) Any liens or encumbrances (or amendments or re-financings of the same) in the Premises granted or permitted by Landlord in violation of this provision shall be a material default of this Sublease and shall be void and of no effect. <u>Notwithstanding</u> the foregoing, Landlord shall not be in violation of this Section 25.4.1 for encumbrances entered into prior to the Commencement Date, and (ii) if involuntary workers' or materialmen's liens are filed against the Premises during

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 12 of 28]

permitted construction or remodeling, so long as such liens are cleared or satisfied by Landlord of record prior to foreclosure of any such liens.

25.4.2 **Subordination Only to Permitted Liens or Encumbrances.** Subtenant shall agree to subordinate its position under this Section 24 to any voluntary lien or encumbrance in the Premises obtained by Landlord which comply with all terms of Section 25.4.1 hereof or which predate the Commencement Date. Subtenant shall, upon request, execute and deliver to Landlord or its lender such documentation, to the reasonable satisfaction of Subtenant and its legal counsel, required to effect such subordination to such permitted lien or encumbrance. Other than as set forth in this Section 25.4.2, Subtenant's rights under this Section 25.4.2 shall be prior to any other lien, encumbrance or interest in the Premises.

25.5 **Representations.**

25.5.1 **Landlord's Representations.** Landlord represents to Subtenant as follows and shall restate the same as of the Closing Date of any purchase of the Premises by Subtenant in accordance with the terms of this Section 24:

(i) **No Litigation.** Except as disclosed in writing by Landlord to Subtenant, there is no pending or threatened litigation or administrative action with respect to the Premises or to Landlord's interest in the Premises.

(ii) **No Breach of Agreements.** The exercise of Subtenant's Option or Right of First Refusal in accordance with the terms of this Section 24 does not violate any agreement to which Landlord is a party, or any law, statute or ordinance which is binding upon the Premises or Landlord. Landlord is not in breach of any obligation arising under any Sublease of a portion of the Premises or of any other agreement affecting the ownership, use or occupancy of the Premises, or Landlord shall disclose the same to Subtenant and cure such breach prior to the Closing Date.

(iii) **Authority of Landlord.** The provisions of this Section 24 are a valid and binding obligation of Landlord, enforceable against Landlord in accordance with its terms. No authorizations or approvals, whether of governmental bodies or otherwise, will be necessary in order for Landlord to enter into the agreements set forth in this Section 24 and to perform its obligations as set forth herein. Neither the execution and delivery of this Sublease nor the consummation of the transactions contemplated under this Section 24 will conflict with or result in the breach of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Landlord or to the Premises.

(iv) **Non-foreign Status/At-Source Withholding.** Landlord warrants that it is not a "foreign person" as defined in Section 1445 of the Internal Revenue Code of 1954, as amended. Landlord shall deliver to Subtenant at closing a Certificate of Non-foreign Status setting forth Landlord's address and United States taxpayer identification number and certifying that it is not a foreign person as so defined.

(v) **Completeness of Statements.** To the best of Landlord's knowledge, no representation or warranty by Landlord herein or in any written material furnished by Landlord to Subtenant pursuant to or in connection with this Section 24, contains

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 13 of 28]

any untrue statement of a material fact or omits to state a material fact necessary to make any statement herein or therein not misleading.

(vi) **No Encumbrances or Interests.** Except as disclosed and permitted in accordance with Section 25.3 hereof, there are no liens, encumbrances, or interests in the Premises and none shall exist on or after Closing.

25.5.2 **Subtenant's Representations.** Subtenant represents to Landlord as follows and shall restate the same as of the Closing Date of any purchase of the Premises by Subtenant in accordance with the terms of this Section 24:

(i) **No Violation**. Except as otherwise contemplated by this Section 24, no authorizations or approvals, whether of governmental bodies or otherwise will be necessary in order for Subtenant to enter into the agreements set forth in this Section 24. Subject to the receipt of any required prior approval of the Subtenant's Board of Trustees, neither the execution and delivery of this Sublease nor the consummation of the transactions contemplated under this Section 24 will, to the best of Subtenant's knowledge, conflict with or result in the breach of any law, regulation, writ, injunction or decree of any court or governmental instrumentality applicable to Subtenant.

(ii) **Pending Actions.** To Subtenant's knowledge, there is no action, suit, arbitration, unsatisfied order or judgment, or proceeding pending against Subtenant which, if adversely determined, could individually or in the aggregate materially interfere with Subtenant's consummation of the transactions contemplated by this Section 24.

25.6 **Conditions to Closing.**

25.6.1 **Subtenant's Conditions.** Subtenant's obligation to close the purchase of the Premises in accordance with the terms of this Section 24 is subject to the satisfaction of all of the following conditions in all material respects (as determined by Subtenant, in its sole discretion):

(i) **Exercise of Option or Right of First Refusal.** Subtenant has exercised its Option or Right of First Refusal in accordance with the terms of this Section 24;

(ii) **Landlord's Compliance.** Landlord's fulfillment of each of its obligations under this Section 24 in all material respects;

(iii) **Landlord's Representations.** The continuing accuracy of all of Landlord's representations in this Section 24 in all material respects;

(iv) **Status of Title.** The absence of any monetary lien which will not be paid in full or otherwise eliminated from title by Landlord upon the close of sale, the absence of any other material defect in title to the Premises which was not permitted by this Section 24 or approved by Subtenant, and the Title Company is irrevocably committed to issue the Title Policy pursuant to Section 25.7.5 below; and

(v) **Condition of the Premises**.

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 14 of 28]

michelle@lamemulture.org April 22, 2029 CONFIDENTIAL

(1) **Right to Inspect.** At any time, and from time to time, during the term of this Sublease and prior to close of any purchase hereunder, Subtenant shall have the right to inspect (and Landlord shall provide reasonable access to) the Premises and all books and records, including copies of all Sublease s and agreements, related to the ownership, construction, financing or occupancy of the Premises. Subtenant will be responsible for the repair of any damage to the Premises caused by its employees or agents in conducting such inspection;

(2) **Subtenant's Satisfaction as to the Condition of the Premises.** As a condition to any obligation of Landlord to complete the purchase of the Premises pursuant to this Section 24, Subtenant must be satisfied, in its sole discretion, with the results of its inspection of the Premises and of all books and records related thereto; and

(3) **Landlord's Duty to Cure.** Prior to close of the sale of the Premises to Subtenant hereunder, Landlord shall correct any construction, structural or mechanical defects in the Premises which may have arisen during its ownership of the same, fair wear and tear excepted, and shall cure any defaults by Landlord of any Sublease or other agreement to be acquired or assumed by Subtenant as part of its purchase of the Premises. In the event that Landlord fails to correct any such defect or cure such default, Subtenant shall have the right, in the alternative, to: (a) rescind its decision to purchase the Premises at that time (with Subtenant's Option or Right of First Refusal to continue to be effective and enforceable); or (b) agree to complete the purchase of the Premises, but with the right to deduct from the purchase price otherwise payable hereunder an amount equal to Landlord's estimated cost to correct such defect or to cure such default.

25.6.2 **Landlord's Conditions.** Landlord's obligation to close the sale of the Premises pursuant to this Section 24 is subject to the satisfaction of all of the following conditions in all material respects:

(i) **Exercise of Option or Right of First Refusal.** Subtenant shall have exercised its Option or Right of First Refusal in accordance with the terms of this Section 24; and

(ii) **Payment of Purchase Price.** Prior to or on the Closing Date, Subtenant shall have deposited the total Purchase Price with escrow.

25.7 **Closing.**

25.7.1 **Closing Date.** In accordance with the terms of Section 24, purchase of the Premises pursuant to Subtenant's Option or Right of First Refusal will be closed within sixty (60) calendar days following the determination of the Purchase Price or a mutually agreed upon date. Subtenant shall have the one-time right to extend the closing for an additional thirty (30) days upon written notice to Landlord at least five (5) days prior to expiration of the initial sixty (60) day closing period. The date this transaction does so close, as evidenced by the recordation of Landlord's deed to Subtenant, is referred to as the "Closing Date."

25.7.2 **Manner and Place of Closing.** This transaction will be closed by an escrow officer that the parties mutually agree to in writing. Closing shall take place in the

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 15 of 28]

manner and in accordance with the provisions set forth in this Section 25.7. The parties agree to execute any escrow agreement customarily required by the escrow officer, so long as that agreement is consistent with the terms of this Section 25.7.

25.7.3 **Prorations; Adjustments.**

(i) All rents and expenses (including Operating Expenses, utilities and taxes) related to the use and occupancy of the Premises shall be allocated between Landlord and Subtenant as of the Closing Date. To the extent all necessary information is not available on the Closing Date, such allocations shall be based upon reasonable estimates, with the Parties adjusting such payments as soon as possible after actual income and expense statements become available.

(ii) Landlord shall pay any real estate excise, documentary and/or transfer taxes, and one-half of the escrow and other closing fees charged by the escrow agent.

(iii) Landlord shall pay the premium for ALTA standard owner's title insurance in the amount of the purchase price and Subtenant shall pay for any extended coverage and endorsements required by Subtenant or its lender.

(iv) Subtenant shall pay one-half of the escrow and closing fees charged by the escrow agent and all recording charges.

(v) Each party shall pay for its own attorneys and other professional fees incurred in assisting that party in meeting the terms of this Section 25.7.

25.7.4 **Events of Closing.** Provided the escrow agent has received the required documents and sums and is in a position to cause the title insurance policies to be issued as described below, this transaction will be closed on the Closing Date as follows:

(i) Landlord shall provide Subtenant with a Certificate of Nonforeign Status.

(ii) The escrow agent shall calculate the prorations described in Section 25.7.3 hereof and provide such calculations to Landlord and Subtenant for approval, and the parties shall be charged and credited accordingly.

(iii) Subtenant shall pay into escrow the purchase price due to Landlord as set forth in this Section 24, adjusted for the charges and credits set forth herein.

(iv) Landlord shall convey the Premises to Subtenant by Statutory Warranty Deed and Bill of Sale, each in form as is acceptable to Subtenant, in Subtenant's reasonable discretion, free of all liens and encumbrances.

(v) Landlord shall assign to Subtenant all Sublease s of the Premises, if any (and deliver or give Subtenant credit against the purchase rice for any security or other Subtenant deposits held by Landlord) and such other agreements related to the Premises

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 16 of 28]

as Subtenant shall elect, in its absolute discretion, to assume, and Subtenant will assume the same all in accordance with assignment and assumption agreements in such form as are reasonably acceptable to Subtenant.

(vi) The escrow agent shall record the deed to Subtenant and cause the Title Insurance Policy to be issued to Subtenant in accordance with Section 25.7.5 hereof.

25.7.5 **Title Insurance.** As a condition to Closing, the escrow agent shall confirm that a title company acceptable to Subtenant is irrevocably committed to issue to Subtenant an ALTA owner's policy of title insurance in the amount of the purchase price for the Premises, which policy shall be in the form, and subject to only those exceptions, agreed to by Subtenant pursuant to Section 25.3 hereof.

25.8 **Defaults and Failure to Close.**

25.8.1 **Landlord's Remedies.** Notwithstanding anything to the contrary in this Sublease, Subtenant shall not be deemed to be in default under this Section 24 until and unless Subtenant fails to remedy any failure to perform any obligation of Subtenant hereunder within five (5) business days (or to commence and diligently pursue cure of any default within that period) after written notice from Landlord notifying Subtenant of such failure. In the event such default is not cured, Landlord may, upon written notice, terminate Subtenant's then-pending exercise of the Option or Right of First Refusal (provided, such termination shall not terminate or extinguish Subtenant's right to exercise its Option or Right of First Refusal in the future). Except for such right of termination or action for specific performance, Landlord shall have no other right or remedy against Subtenant related to any default under this Option Agreement, and specifically waives any claims or causes of action related to such default, including any claim for consequential or other damages.

25.8.2 **Subtenant's Remedies.** Notwithstanding anything to the contrary in this Sublease, Landlord shall not be deemed to be in default under this Section 24 until and unless Landlord fails to close any sale required hereunder or fails to remedy any failure to perform any other obligation of Landlord hereunder within five (5) business days after written notice from Subtenant notifying Landlord of such failure. In the event of Landlord's default hereunder, Subtenant shall have the right to seek specific performance of Landlord's obligations under this Section 24 and/or to demand payment by Landlord of any claim for consequential or other damages and the right to pursue any other remedy allowed at law or in equity.

26. **Consent of Landlord.** Pursuant to the Master Lease, Landlord hereby consents to Sublandlord's Sublease of the Premises to Subtenant, subject to the terms and conditions herein.

27. **Miscellaneous.**

27.1 **Landlord's Services**. Sublandlord agrees to cooperate with Subtenant, and to use good faith efforts to enforce, for the benefit of Subtenant, the obligations of Landlord to Sublandlord under the Master Lease.

27.2 **Ability to Sublease.** Landlord warrants and represents to Subtenant that Landlord the owner of the Premises and has all necessary power and authority to consent to this Sublease. Sublandlord warrants and represents to Subtenant that Sublandlord has all necessary power and authority to Sublease the Premises to Subtenant.

27.3 **Notices.** Any notices, demands and other communications to be given or delivered under this Sublease will be given in writing and will be deemed to have been given when personally delivered, received via facsimile where the sending party receives confirmation of transmission, or courier service where acknowledgment of receipt is provided or three (3) days after being mailed by certified first class mail, return receipt requested. Notices, demands and communications will, unless notice is given specifying another address, be sent to the addresses indicated below. Any party may change the address to which notices are to be sent by notifying the others of such change in writing pursuant to this Section 27.3.

Addresses for notices:

Sublandlord:	Subtenant:
Yakima Valley Memorial Hosptial 2811 Tieton Drive Yakima, WA 98902 Attn: President Telephone: (509) 575 8001 Fax: (509) 574 5800	Yakima Urology Associates, PLLC 2500 Racquet Lane, Suite 100 Yakima, WA 98902 Attn: President Telephone: (509) 249-3900 Fax: (509) 573-9539

27.4 **Brokers' Fees.** Sublandlord and Subtenant each represent that they have not dealt with any brokers or agents who will be entitled to any commission or other fee with respect to the Sublease of the Premises. Each party agrees to indemnify, defend and hold the other harmless from and with respect to any liability for fees or commissions owing to or claimed to be owing to any brokers, agents or other party by reason of the actions or omissions of such indemnifying party.

27.5 **Governing Law.** This Sublease shall be governed by the laws of the State of Washington. The parties agree that venue for any action arising out of this Sublease shall be in Yakima County, Washington.

27.6 **Attorneys' Fees.** In any action at law or in equity or in any arbitration to enforce any of the provisions or rights under this Sublease, the unsuccessful party in such

[9.2.3.34] [46 - YUA-YVMH Signed Sublease.pdf] [Page 18 of 28]

litigation or arbitration, as determined by the court or arbitrator(s) in a final judgment or decree, shall pay the successful party's costs, expenses and attorneys' fees (including, without limitation, any such costs, expenses and attorneys' fees on any appeals or incurred in any bankruptcy or insolvency proceeding), and if such successful party shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included in, and as part of, such judgment.

27.7 **Authority to Execute.** Sublandlord represents and warrants that Sublandlord's members have authorized this Sublease and that each individual executing this Sublease on behalf of Sublandlord is duly authorized to execute and deliver this Sublease on behalf of Sublandlord, and that this Sublease shall be binding upon Sublandlord in accordance with its terms. Subtenant represents and warrants that its Board of Trustees has authorized this Sublease and that the individual executing this Sublease on behalf of Subtenant is duly authorized to execute and deliver this Sublease on behalf of Subtenant, and that this Sublease shall be binding upon Subtenant in accordance with its terms.

27.8 **Arbitration.** In the event of any dispute of rights or duties among the parties pertaining to this Agreement, the matter shall be submitted to binding arbitration. The arbitration shall be conducted in Yakima, Washington, by Judicial Arbitration and Mediation Service ("JAMS") (or if JAMS is no longer in existence, then such other similar organization that the parties agree upon), according to JAMS rules and procedures, which are deemed to be incorporated by reference into this Sublease. The parties to the arbitration shall be entitled to such discovery as would be available to them in a proceeding in the Yakima County, Washington Superior Court. The arbitrator shall have all of the authority of said court incidental to such discovery, including the authority to issue orders to provide documents or other materials and orders to appear and submit to deposition, and to impose appropriate sanctions, including entry of an award against a party, for failure to comply with any order. The arbitrator shall be the judge of the admissibility of the evidence offered and conformity to the legal rules of evidence shall not be necessary. Judgment on the arbitration award may be entered in any court of competent jurisdiction.

27.9 **Force Majeure.** In the event either party is delayed or prevented from performing any of its respective obligations under this Sublease by reason of acts of God, governmental requirement, fire, floods, strikes or due to any other cause beyond the reasonable control of such party, then the time period for performance of such obligations shall be extended for the period of such delay.

27.10 **Non-Waiver.** The failure of either Sublandlord or Subtenant to insist upon strict performance of any of the covenants and agreements of this Sublease shall not be construed as a waiver thereof. Waiver of a particular breach or default shall not be deemed to be a waiver of any subsequent breach or default.

27.11 **Entire Agreement.** The provisions of this Sublease constitute the entire agreement of the parties regarding the Premises. Any amendment or modification of this Sublease must be in writing and signed by both parties.

27.12 **Successors and Assigns.** This Sublease shall be binding upon and insure to the benefit of the legal representatives, successors, heirs and assigns of the parties.

27.13 **Counterparts.** This Sublease may be executed in counterparts and each counterpart constitutes an original document.

27.14 **Subtenant Financial Statements.** Subtenant acknowledges that the Landlord has financed the Premises through a loan with US Bank ("Lender"). To assist Landlord with maintaining loan compliance with Lender, Subtenant shall make available for reasonable review by Lender certain of Subtenant's financial statements as described below. Within one hundred twenty (120) days after the end of each of Subenant's fiscal years during the term, or any extension thereof, Subtenant will furnish to Landlord, upon Landlord's reasonable request, a copy of its audited consolidated financial statements for the preceding fiscal year. As used in the preceding sentence, the term "consolidated financial statements" shall mean for any fiscal year or other accounting period for Subtenant and its consolidated subsidiaries, if any, statements of earnings and retained earnings and of changes in financial position for such period and for the period from the beginning of the respective fiscal year to the end of such period and the related balance sheet as at the end of such period, together with the notes thereto, all in reasonable detail and setting forth in comparative form the corresponding figures for the corresponding period in the preceding fiscal year, and prepared in accordance with generally accepted accounting principles. Within forty-five (45) days after the end of each quarter of Subtenant's fiscal year during the term, or any extension thereof, Subtenant will furnish to Landlord, upon Landlord's reasonable request, copies of its balance sheet and income statement depicting in reasonable detail Subtenant's financial performance for such fiscal quarter.

27.15 Bank Approval. This Sublease is contingent upon the written approval ("Approval") of U.S. Bank ("Bank") of the Sublease in connection with: (1) the Bank's outstanding loan ("Loan") to Urogroup, LLC ("Urogroup"), which is guaranteed by YUA, and (2) the interest rate swap that the Bank provided to Urogroup in connection with the Loan, which is also guaranteed by YUA. In the event that the Bank does not provide Approval on or before August 31, 2015, either party may terminate this Sublease at any time after the close of business on such date by delivering written notice to the other party hereto. No such notice shall relieve either party of any liability it may have incurred, or may incur, under this Sublease

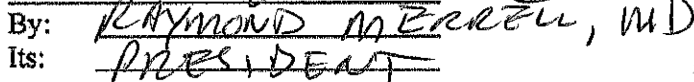
(Signature Page Follows)

michele@ansatiaja.org
Alpine/AZ/2021 NZ
CONFIDENTIAL

IN WITNESS WHEREOF, the parties have executed this Sublease as of the Effective Date.

SUBLANDLORD:

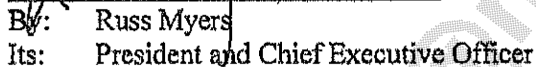
YAKIMA UROLOGY ASSOCIATES, P.L.L.C.



By: RAYMOND MERRELL, MD
Its: PRESIDENT

SUBTENANT:

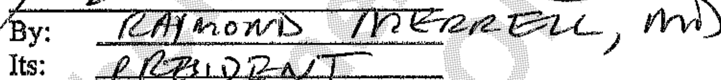
YAKIMA VALLEY MEMORIAL HOSPITAL ASSOCIATION



By: Russ Myers
Its: President and Chief Executive Officer

The Landlord joins in the execution of this Sublease solely for the purpose of agreeing to the provisions of Sections 12, 13, 23, 24, 26, and 27.2 hereof, and to acknowledge its approval of the terms and conditions of this Sublease from Sublandlord to Subtenant:

UROGROUP, L.L.C.



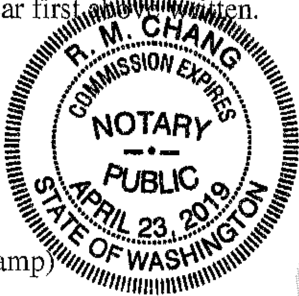
By: RAYMOND MERRELL, MD
Its: PRESIDENT

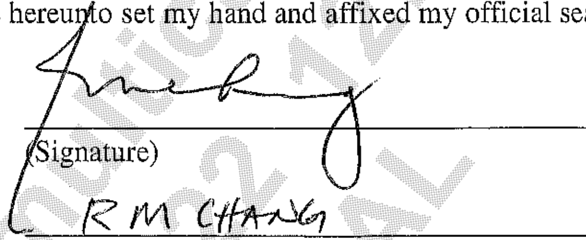
michelle.fiala@multicare.org
April 21. 10.2022 12:29
CONFIDENTIAL

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this 10th day of July, 2015, before me personally appeared Raymond W. Merrell, to me known to be the member of YAKIMA UROLOGY ASSOCIATES, P.L.L.C., the professional limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said professional limited liability company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.





(Signature)

R M CHANG
(Name legibly printed or stamped)
Notary Public in and for the State of Washington, residing at YAKIMA, WA.
My appointment expires 4.23.2019

(Seal or stamp)

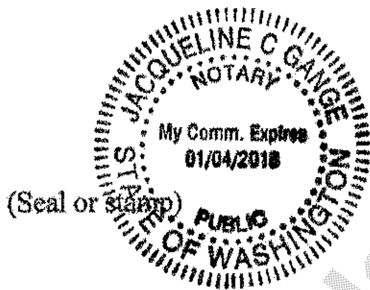
{CFM1288612.DOC;8/14497.000001/ }

michelle.fiala@multicare.org
Alpine/21:12:12/2...
CONFIDENTIAL

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this 7th day of July, 2015, before me personally appeared Russ Myers, to me known to be the President and Chief Executive Officer of YAKIMA VALLEY MEMORIAL HOSPITAL ASSOCIATION, the nonprofit corporation that that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said nonprofit corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



(Seal or stamp)

Jacqueline C. Gange
(Signature)

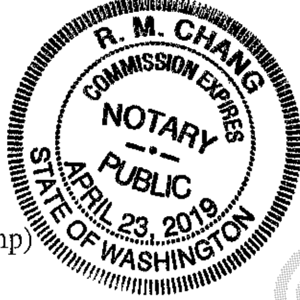
Jacqueline C Gange
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Yakima
My appointment expires 01/04/2018

michelle.fiala@multicare.org
Alpine/21:12/22-12-2
CONFIDENTIAL

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this 10th day of July, 2015, before me personally appeared Raymond W. Merrell, to me known to be the member of UROGROUP, L.L.C., the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.



(Seal or stamp)

(Signature)

R M CHANG
(Name legibly printed or stamped)
Notary Public in and for the State of Washington, residing at YAKIMA
My appointment expires 4.23.2019

michelle.fiala@multicare.org
Alpine/21:12:2022 12:29
CONFIDENTIAL

EXHIBIT A
MASTER LEASE

michelle.fiala@multicare.org
Alpine/21:12:2022 12:29
CONFIDENTIAL

EXHIBIT B

FAIR MARKET VALUE RANGES

Rent Per Sq. Ft.	Area
$18-$20	Clinic/Admin Areas totaling 17,204 sq. ft.
$26-$30	Ambulatory Surgical Areas totaling 7,994 sq. ft.
$8-$10	Unfinished Shell Storage Areas totaling 5,686 sq. ft.

Based on Broker's Estimate of Fair Market Rental Range Letter (attached)

michelle.fiala@multicare.org
Alpine/21:12:2022 12:29
CONFIDENTIAL

Exhibit C
Initial Improvement Project

This project is to renovate the Yakima Urology Associates, P.L.L.C. Surgery Center to meet the standards of Department of Health that are required for the Surgery Center to be part of Yakima Valley Memorial Hospital. The project work area comprises 7,790 SF and includes modifications as depicted on the renovated floor plan. The scope includes additional capacity for medical gases, medical vacuum and emergency power.

michelle.fiala@multicare.org
Alpine/21:12:2022 12:29
CONFIDENTIAL

Exhibit D
Designated Parking Spaces

michelle.fiala@multicare.org
Alpine/21:12:2022 12:29
CONFIDENTIAL

FIRST AMENDMENT TO SUBLEASE AGREEMENT

This First Amendment to the Sublease Agreement (the "First Amendment") is by and between Yakima Urology Associates, P.L.L.C., a Washington professional limited liability company ("Sublandlord"), Yakima Valley Memorial Hospital Association, a Washington non-profit corporation ("Subtenant"), with Urogroup, LLC, a Washington limited liability company ("Landlord") joining in execution of this First Amendment, and amends that certain Sublease Agreement between Sublandlord and Subtenant dated July 13, 2015 (the "Sublease").

1. **Intent**. The parties desire to amend the Sublease to memorialize Subtenant's exercise of its option to renew and such that the expiration dates of the terms of the Sublease, the Professional Services Agreement between Memorial and YUA dated July 13, 2015, and the Management Services Agreement between Memorial and YUA dated July 13, 2015 are consistent with one another.

2. **Definitions; Referenced**. All capitalized terms used in this First Amendment not defined herein shall have the meanings given them in the Sublease. References in this First Amendment and the Sublease to "this Agreement," "herein," "hereto" and words of similar import shall mean the Sublease as modified by this First Amendment. References to Sections in this First Amendment shall refer to Sections in the PSA.

3. **Section 5 – Sublease Term and Termination**. Section 5 is deleted in its entirety and replaced with the following:

"5 Sublease Term and Termination. The term of this Sublease shall commence on August 1, 2015 (the "Commencement Date"), and end on December 31, 2024 (the "Expiration Date"). If the Master Lease is terminated for any reason prior to the Expiration Date, this Sublease shall promptly be terminated as of the date of termination of the Master Lease. Any liability of Subtenant to make any payment under this Sublease, which shall have accrued prior to the termination of this Sublease, shall survive the termination of this Sublease."

4. **Section 6 – Option to Renew**. Section 6 is deleted in its entirety and replaced with the following:

"6. Option to Renew. Unless terminated as provided herein, this Agreement shall automatically renew for additional one (1) year terms, unless either party provides the other with three hundred sixty five (365) days' written notice of its intent not to renew. The term renewal terms shall be upon the same terms and conditions provided herein, except that Rent for the renewal term shall continue to be increased annually on the anniversary of the Commencement Date by an amount equal to 1.75% of the Rent for the immediately expiring term."

5. **Section 9.1 – Rent – Rental Adjustment**. Section 9.1 is deleted in its entirety and replaced with the following:

9.1 Rent – Rental Adjustment. Subtenant shall pay Sublandlord monthly rent ("Rent"), payable in advance on or before the tenth (10th) day of each calendar month during the term of this Sublease as follows:

For the Period from:	Rent
April 1, 2019 to July 31.2019	$53,255.51
August 1, 2019 to July 31, 2020	$54,187.48
August 1, 2020 to July 31, 2021	$55,135.76
August 1, 2021 to July 31, 2022	$56,100.64
August 1, 2022 to July 31, 2023	$57,082.40
August 1, 2023 to July 31, 2024	$58,081.34
August 1, 2024 to December 31, 2024	$59,097.76

Further, in the event that this Sublease renews pursuant to Section 6 above, then Rent during such option terms shall be increased every annual anniversary of the Commencement Date of this Sublease by an amount equal to 1.75% of the monthly Rent stated above.

6. Effective Date. The effective date of this First Amendment shall be April 1, 2019.

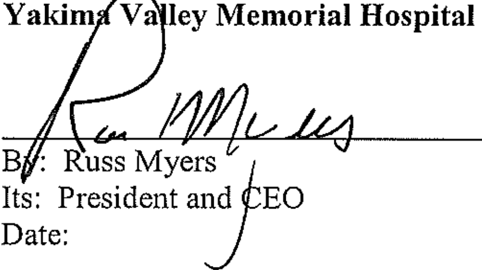
7. Effect of Amendment. This First Amendment modifies the PSA by adding additional rights, obligations and terms to the PSA. The PSA, as amended by this First Amendment, is in full force and effect, and the parties hereby ratify and affirm the same. In the event of any conflict between the provisions of the PSA and this First Amendment, the provisions of this First Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this First Amendment on the latest date set forth below.

SUBLANDLORD:
Yakima Urology Associates, P.L.L.C.

By: Dennis Gaskill, M.D.
Its: President
Date:

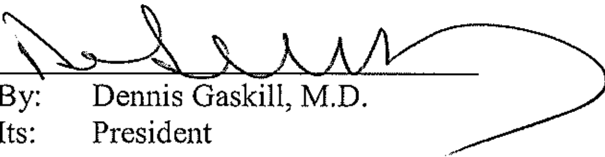
SUBTENANT:
Yakima Valley Memorial Hospital Association



By: Russ Myers
Its: President and CEO
Date:

The Landlord joins in the execution of this Sublease solely for the purpose of agreeing to the provisions of Sections **Error! Reference source not found.**, **Error! Reference source not found.**, **Error! Reference source not found.**, **Error! Reference source not found.**, **Error! Reference source not found.**, and **Error! Reference source not found.** hereof, and to acknowledge its approval of the terms and conditions of this Sublease from Sublandlord to Subtenant:

UROGROUP, L.L.C.



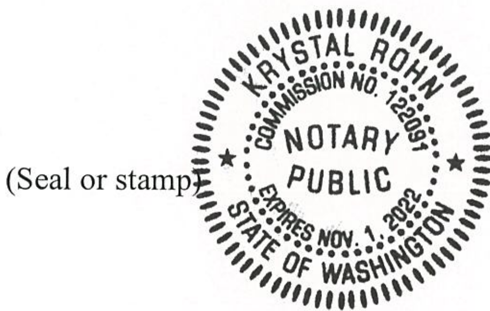
By: Dennis Gaskill, M.D.
Its: President

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this ______ day of ____________, 2019, before me personally appeared Dennis Gaskill, M.D., to me known to be the member of YAKIMA UROLOGY ASSOCIATES, P.L.L.C., the professional limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said professional limited liability company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Seal or stamp)



____
(Signature)

Krystal Rohn
____
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Yakima.
My appointment expires 11/01/2022

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this 18th day of October, 2019, before me personally appeared Russ Myers, to me known to be the President and Chief Executive Officer of YAKIMA VALLEY MEMORIAL HOSPITAL ASSOCIATION, the nonprofit corporation that that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said nonprofit corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

Jacqueline C Gange
(Signature)

Jacqueline C Gange
(Name legibly printed or stamped)

(Seal or stamp)

Notary Public in and for the State of Washington,
residing at Yakima.
My appointment expires January 04, 2022

STATE OF WASHINGTON)
) ss.
COUNTY OF YAKIMA)

On this ______ day of ____________, 2019, before me personally appeared Dennis Gaskill, M.D., to me known to be the member of UROGROUP, L.L.C., the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

(Signature)

Krystal Rohn
(Name legibly printed or stamped)
Notary Public in and for the State of Washington,
residing at Yakima.
My appointment expires 11/01/2022

(Seal or stamp)

Exhibit 13B.
Master Lease Agreement

COMMERCIAL LEASE

EFFECTIVE DATE: July 1, 2009

LANDLORD: UROGROUP, L.L.C.,
a Washington limited liability company
2500 Racquet Lane, Suite 1
Yakima, Washington 98902

TENANT: YAKIMA UROLOGY ASSOCIATES, P.L.L.C.,
a Washington professional limited liability company
2500 Racquet Lane, Suite 1
Yakima, Washington 98902

LOCATION OF LEASED PREMISES. The Leased Premises are Thirty Thousand Eight Hundred Eighty Four (30,884) square feet located at ***2500 Racquet Lane, Yakima, Washington***, on the Property legally described as follows:

Lot 2 of Short Plat 7625173 records of Yakima County, Washington

Yakima County Assessor's Tax Parcel No. 181335-24402

The Lease is subject to all easements, restrictions, agreements of record, mortgages and deeds of trust, and zoning and building laws.

AGREEMENT: LANDLORD HEREBY LEASES TO TENANT AND TENANT DOES HEREBY AGREE TO LEASE FROM LANDLORD THE ABOVE-DESCRIBED LEASED PREMISES UPON THE FOLLOWING TERMS AND CONDITIONS:

1. **TERM**. The term of this Lease shall commence on the Date of Commencement described below and continue for ten (10) years, plus the partial month, if any, in which the Lease commences, unless sooner terminated. "Date of Commencement" shall mean April 1, 2009. Unless either party gives written notice one hundred eight (180) days notice prior to the end of the then current least term, if Tenant is in full performance of this Lease, this Lease shall automatically be extended for an additional term of five (5) years, upon the same terms and conditions, except for rent, which shall be mutually agreed by the parties, but in no event shall rent in the additional term be less than as adjusted in paragraph 2.1.

2. **RENT**.

2.1 ***Base Rent - Rental Adjustment.*** Tenant shall pay Landlord monthly rent in the amount of ***fifty-eight thousand five hundred forty-two dollars ($58,542.00),*** payable in advance on or before the ***first (1st)*** day of each calendar month during the term of this Lease; provided, however, that on each and every anniversary of the Commencement Date of this Lease, rental shall be increased by an amount equal to the lesser of 1.5% of monthly rent stated above or percentage increase of the Consumer Price Index as of January 1 immediately prior to each anniversary of the Commencement Date of this Lease, as compared with ***one (1) year*** prior to that date. The "Consumer Price Index" shall mean the All-Urban Consumer's Index for All Cities, published by the Bureau of Labor Statistics of the United States Department of Labor (1982-84 = 100). In the event the Index is not published at the time when reference is called thereto under the terms of this document, the parties shall mutually agree upon a substituted Index which is comparable to the Index referred to herein. If the parties are unable to agree upon a substitute comparable Index, then the matter of the appropriate and proper substitute comparable Index to be used to implement the intent of this Lease shall be submitted to arbitration in accordance with the laws of the state of Washington, and each of the parties shall bear one-half (1/2) of the cost for said arbitration. The determination by arbitration of the appropriate Index to use shall be binding upon the parties hereto.

2.2 ***Common Area Maintenance Charges.*** Landlord has developed a professional office complex that consists of three (3) building pads and the leased premises that is the subject of this lease sits on one such building pad. It is anticipated that Landlord will be developing a common area maintenance agreement that will contain among other provisions, easements for the purpose of parking, circulation, ingress and egress in the common areas of the office complex. Additionally, such common area maintenance agreement will also allocate to the owners of each building pad, on a pro-rated basis, operating expenses of the common areas. To the extent that operating expenses are the allocated to the leased premises (Lot 2), Landlord shall bill Tenant and Tenant shall be obligated to pay the same as additional rent.

2.3 ***Place of Payment.*** All rent payments required by this Lease shall be made directly to Landlord at 2500 Racquet Lane, Suite 1, Yakima, Washington 98902.

2.4 ***Net Lease Provision.*** All payments required to be paid by Tenant under this Lease, other than Base Rent, will constitute Additional Rent. This is intended to be a net Lease, meaning that, unless otherwise expressly set forth, Tenant shall pay all expenses of every type relating to the Leased Premises after commencement of the Lease term, and all rent (*including base and additional rent*) shall be received by Landlord without set-off, offset, abatement, or deduction of any kind, except as otherwise expressly provided herein.

2.5 ***Rental Excise Tax.*** In the event any rental excise tax of any kind or nature is imposed or levied upon the rentals payable hereunder by applicable governmental authority, the amount of such excise tax shall be considered as additional rental to be paid by Tenant. The term "excise tax" shall not include federal, state or local income tax as the same is customarily

understood.

2.6 ***Late Fee Provision.*** Should Tenant fail to make any rental payment within ***ten (10) days*** of the due date, Tenant shall pay, in addition to any sums owed, a late fee equal to ***ten percent (10%)*** of the payment due.

3. **BUSINESS PURPOSE/USE/ALLOCATION**.

3.1 ***Permitted Use***. Tenant shall use the Premises only for the purpose of conducting a medical practice and ambulatory surgery center, and for no other purpose without the written consent of Landlord, which consent shall not be unreasonably withheld.

3.2 ***Allocation of Use, Rents and Costs***. The Premises is a 30,884 square foot building. Tenant has two divisions – clinic division and surgery center division. The clinic division is the east 22,890 square foot side of the building and the surgery center is the west 7,994 square foot side of the building. Therefore, it is Tenant's intent to allocate 65% of all Rents and Additional Rents described herein to the clinic division and 35% of all Rents and Additional Rents described herein to the surgery center division. If the surgery center division is later separated into a separate legal entity, then the allocation for the surgery center division shall be incorporated into a separate lease.

3.3 ***Compliance with Laws***. In connection with their use, Tenant shall comply, at their expense, with all applicable laws, regulations and requirements of any public authority, including those regarding maintenance, operation and use of the Premises and any appliances on the Premises (*including signs*). Without limiting the generality of the foregoing, after the Commencement Date of this Lease, Tenant, at their sole cost and expense, shall be responsible for complying with all applicable governmental rules and regulations required by Tenant's specific use of the Leased Premises or changes in applicable laws, including, but not limited to, repairs or alterations to the interior or exterior of the Leased Premises necessitated by changes in applicable building codes, handicapped access laws or similar regulations which occur after the Commencement Date of this Lease.

3.4 ***Insurance***. Tenant shall not conduct or permit any other activities on the Premises which will increase the fire insurance rate upon the Leased Premises, unless Tenant promptly pays for any increased premiums caused by their use. Tenant's activities shall not cause a cancellation of the fire insurance policy or create a nuisance.

3.5 ***Supervision***. Tenant shall keep the Premises clean and orderly and will cause their employees, agents or invitees to conduct themselves in a professional manner. Tenant will supervise their employees and cause Tenant's agents, independent contractors, employees, customers, suppliers and invitees to conduct their activities in such a manner as to comply with the requirements of this Lease and the rules and regulations described herein.

4. **UTILITIES AND TAXES**.

4.1 ***Payment.*** Tenant shall pay all charges for utilities and services supplied to the Premises, including (*without limitation*) hook up and service charges for electricity, gas, telephone, water, sewer and garbage collection.

4.2 ***Taxes and Assessments.*** Tenant shall pay, prior to delinquency, all real property taxes and assessments attributable to the Leased Premises. Tenant shall pay all personal property taxes.

5. **INSURANCE AND INDEMNITY PROVISIONS**.

5.1 ***Property Insurance.*** Tenant shall procure and maintain during the entire term of this Lease an all-risk property insurance policy covering loss or damage to the Leased Premises in an amount equal to the full replacement value thereof, and providing protection against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, and special extended perils. The property insurance required by this paragraph shall be for the sole benefit of Landlord. Tenant shall also be responsible for insuring all of their equipment, inventory, trade fixtures and contents located on or within the Leased Premises.

5.2 ***Public Liability Insurance.*** Tenant, at their expense, shall obtain and keep in force during the entire term of this Lease a policy of comprehensive public liability insurance insuring Landlord and Tenant against all liability arising out of the ownership, use, occupancy, or maintenance of the Leased Premises and all areas appurtenant thereto. Such policy or policies shall provide for liability coverage with minimum single limits for bodily injury and property damage in amounts not less than ***Two Million Dollars ($2,000,000)***. The limits of liability insurance required by this paragraph shall not, however, limit the liability of Tenant hereunder. All such insurance policies shall name Landlord as an additional insured and shall be with companies and with loss-payee clauses reasonably satisfactory to Landlord. Copies of all policies or certificates evidencing such insurance shall be delivered to Landlord by Tenant prior to Tenant's occupancy of the Premises. All policies shall bear endorsements requiring ***thirty (30) days*** written notice to Landlord prior to any change or cancellation.

5.3 ***Waiver of Subrogation.*** Neither party shall be liable to the other for any loss or damage caused by water damage or any of the risks covered by a standard fire insurance policy with extended coverage endorsements, and there shall be no subrogation claim by one party's insurance carrier against the other party arising out of any such loss.

5.4 ***Indemnity of Landlord.*** Tenant shall indemnify and hold Landlord harmless and defend Landlord from any and all claims or liability for any damage to any property or injury, illness or death of any person occurring in or on the Premises or occurring elsewhere in the Leased Premises when such damage, injury, illness or death shall be caused, in

whole or in part, by the negligent act or failure to act of Tenant, their agents, servants, employees, invitees or licensees.

5.5 ***Indemnity of Tenant.*** Landlord shall indemnify and hold Tenant harmless and defend Tenant from any and all claims or liability for any damage to any property or injury, illness or death to any person occurring in or on the Leased Premises when such damage, injury, illness or death shall be caused by the negligent act or failure to act of Landlord, their agents, servants, employees, invitees or licensees.

6. MAINTENANCE, REPAIRS AND ALTERATIONS.

6.1 ***Landlord's Obligations.*** Except for damage caused by any negligent or intentional act or omission of Tenant or Tenant's agents or employees, or invitees, and except for damage caused by acts of vandalism or other criminal acts directed against Tenant or Tenant's business, Landlord, at Landlord's expense shall keep in good order, condition, and repair the foundations, the structural portions of exterior walls, and the structural portions of the exterior roof of the Leased Premises. Landlord shall not be required to maintain the interior surface of exterior walls, floors, interior windows, doors, or interior plate glass. Landlord shall have no obligation to make repairs under this paragraph 6.1 until a reasonable time after receipt of written notice of the need for such repairs. If Landlord fails to commence repairs within such time, Tenant may, after ***ten (10) days'*** additional written notice to Landlord, or without prior notice if an emergency exists, put the Leased Premises in good order, condition and repair. The costs of such repairs, together with interest thereon at the rate of ***twelve percent (12%) per annum***, shall be due and payable from Landlord to Tenant.

6.2 ***Tenant's Obligations.*** Tenant, at Tenant's expense, shall keep in good order, condition, and repair the Leased Premises and every part or portion thereof not specifically required to be repaired and maintained by Landlord, including, without limitation, the maintenance of the roof and roof snow removal. Except for damage caused by Landlord or their employees or agents, Tenant shall be responsible to maintain and keep in a good working state of repair the Leased Premises, including, without limitation, the maintenance, replacement and repair of any store front, doors, window casings, glazing, heating, ventilating, air-conditioning systems, fire control systems, plumbing, electrical wiring and conduits, parking area and walkways (*including ice and snow removal*).

6.3 ***Surrender of Leased Premises.*** On the last day of the term of this Lease, or on any sooner termination, Tenant shall surrender the Leased Premises to Landlord in good condition, ordinary wear and tear excepted. Tenant shall repair any damage to the Leased Premises occasioned by Tenant's use thereof or by the removal of Tenant's trade fixtures, furnishings, and equipment, which repair shall include the patching and filling of holes and repair of any structural damage.

6.4 ***Landlords' Rights if Tenant Fails to Perform Tenant's Obligations***. Under this paragraph 6, Landlord may, at their option (*but shall not be required to*), enter upon the Leased Premises, after ***ten (10) days'*** prior written notice to Tenant or with no prior written notice if an emergency exists, and put the Leased Premises in good order, condition, and repair. The cost of such repairs, together with interest thereon at the rate of ***twelve percent (12%)*** per annum, shall become due and payable as additional rent to Landlord, together with Tenant's next rental installment.

6.5 ***Alterations and Additions***. Tenant shall not, without Landlord's prior written consent, which consent shall not be unreasonably withheld or delayed, make any exterior or interior alterations, improvements, or additions in, on, or about the Leased Premises. As a condition to giving any such consent, Landlord may require Tenant to remove any alterations, improvements, additions, or utility installations at the expiration of the lease term and to restore the Leased Premises to its prior condition. Before commencing any work relating to such alterations, additions, and improvements affecting the Leased Premises (*none of which are required or requested by the Landlord, nor are any alterations the obligation of Tenant under this Lease*), Tenant shall notify Landlord in writing of the expected date of commencement and completion thereof. Tenant shall pay, when due, all claims for labor, materials furnished for or to Tenant or for use in or on the Leased Premises. 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's 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. Unless Landlord requires their removal, all alterations, improvements, or additions that may be made on the Leased Premises shall become the property of Landlord and remain upon and be surrendered with the Leased Premises at the expiration of the Lease term. Notwithstanding the foregoing, Tenant's machinery, equipment, and trade fixtures shall remain the property of the Tenant and may be removed by Tenant, subject to the provisions of paragraph 6.3 above.

6.6 ***Entry and Inspection***. Landlord or their agents may enter the Premises at any reasonable time to determine Tenant's compliance with this Lease, to make necessary repairs, or to show the Premises to prospective Tenant or purchasers. Landlord shall not unreasonably interfere with Tenant's business operations when exercising the entry and inspection rights set forth in this paragraph.

7. **RECONSTRUCTION AND RESTORATION**.

7.1 ***Minor Damage***. If during the term hereof the Premises are destroyed or damaged by fire or other perils covered by Landlord's fire and extended coverage insurance and such damage is not "substantial," Landlord shall promptly repair such damage, at Landlord's expense, after the application of all insurance proceeds, including, but not limited to, those provided for in paragraph 5 hereof, and this Lease shall continue in full force and effect.

7.2 ***Substantial Damage***. If during the term hereof the Premises are destroyed or damaged by fire or other perils covered by Landlord's insurance in an amount exceeding ***twenty-five percent (25%)*** of its full construction-replacement cost, then Landlord may elect to terminate this Lease by giving Tenant written notice of such termination within ***sixty (60) days*** after the date of such damage. Otherwise, Landlord shall proceed with reasonable diligence to restore the Premises to a condition comparable to that existing prior to the damage. Tenant shall cooperate with Landlord during the period of repair and vacate all or any part of the Premises to the extent necessary for the performance of the required work.

7.3 ***Abatement of Rent***. The Base Rent and all additional rent shall be abated during the period of substantial damage to the extent the Premises are not reasonably usable for Tenant's use. If the damage does not cause any material interference with Tenant's use, there shall be no rent abatement. However, if Tenant continues to occupy the Leased Premises, Tenant shall continue to pay rent and additional rent in proportion to the amount of square footage used bears to the total square footage of the Leased Premises.

7.4 ***Repair of Tenant's Property***. Repair, replacement, or restoration of any fixtures, equipment and personal property owned by Tenant and Tenant's improvements shall be the responsibility of Tenant.

8. **ASSIGNMENT AND SUBLETTING**. Tenant shall not (*voluntarily or by operation of law*) assign, mortgage, pledge, hypothecate or encumber the Premises or Tenant's leasehold estate or sublet any portion of the Premises, or otherwise transfer any interest in the Premises without Landlord's prior written consent in each instance, which consent shall not be unreasonably withheld or delayed.

9. **CONDEMNATION**.

9.1 ***Entire or Substantial Taking***. If more than ***twenty-five percent (25%)*** of the Premises (*notwithstanding restoration by Landlord as herein provided*) shall be taken under the power of eminent domain, this Lease shall automatically terminate on the date the condemning authority takes possession.

9.2 ***Partial Taking***. In the event of any taking under the power of eminent domain which does not so result in a termination of this Lease, the Base Rent payable hereunder shall be reduced, effective on the date the condemning authority takes possession, in the same

proportion as the reduction in rentable floor area of the Premises. Landlord shall promptly, at their sole expense, restore the portion of the Premises not taken to as near its former condition as is reasonably possible, and this Lease shall continue in full force and effect.

9.3 ***Awards***. Any award for taking of all or any part of the Premises under the power of eminent domain shall be the property of Landlord, whether such award shall be made as compensation for diminution in value of the leasehold or for taking of the fee. Nothing herein, however, shall be deemed to preclude Tenant from obtaining, or to give Landlord an interest in, any award to Tenant for loss of, damage to, or cost of removal of Tenant's trade fixtures and removable personal property, or for damages for cessation or interruption of Tenant's business.

9.4 ***Sale Under Threat of Condemnation***. A sale by Landlord to any authority with power of eminent domain, either under threat of condemnation or while condemnation proceedings are pending, shall be deemed a taking under the power of eminent domain under this paragraph.

10. **SIGNS**. No signs or advertising shall be erected or placed on the exterior of the Leased Premises or anywhere else on the Leased Premises without the prior written approval of Landlord, which approval shall not be unreasonably withheld. Any and all signs approved by Landlord must be installed and maintained in compliance with any applicable requirements of any governmental authorities having jurisdiction and Tenant shall obtain and keep in force any licenses required for such signage. All such signage shall be at the sole cost and expense of Tenant. Landlord will fully cooperate with Tenant in filing any required signage application, permit and/or variance for Tenant's signage with respect to the Leased Premises. At Landlord's request, Tenant shall remove any and all signs prior to the expiration of the Lease term.

11. **OTHER RIGHTS AND OBLIGATIONS OF PARTIES**.

11.1 ***Liens***. Tenant shall pay as due all claims for work done on the Premises or for services rendered or materials furnished to the Premises and shall keep the Premises free from any liens other than liens created by Landlord. If Tenant fails to pay such claim or to discharge any lien, Landlord may do so and collect such amount as additional rent. Amounts paid by Landlord shall bear interest and be repaid by Tenant as provided in paragraph 13.3 below. Such payment by Landlord shall not constitute a waiver of any right or remedy Landlord may have because of Tenant's default.

11.2 ***Holding Over***. If Tenant does not vacate the Premises at the time required, Landlord shall have the option to treat Tenant as Tenant from month-to-month, subject to all of the provisions of this Lease (*except that the term will be month-to-month and the initial minimum month rent will be* ***one hundred fifty percent (150%)*** *of the minimum monthly rent then being paid by Tenant*), or to eject Tenant from the Premises and recover damages caused by wrongful holdover.

11.3 ***Nonmerger***. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of the Landlord, terminate any existing subtenancies, or may, at the option of Landlord, operate as an assignment to it of any and all such subtenancies.

11.4 ***Priority of Lease***. This Lease shall be subject and subordinate at all times to the lien of all mortgages and deeds of trust subsequently placed upon the Leased Premises, all without the necessity of having further instruments executed on the part of Tenant to effectuate such subordination. Provided, however, the subordination of Tenant's rights hereunder is conditioned upon the mortgagee or beneficiary under any deed of trust agreeing that Tenant's peaceable possession of the Leased Premises and their rights under this Lease will not be disturbed so long as Tenant are not in default under this Lease. If any party providing financing or funding to Landlord requires, as a condition of such financing or funding, that Tenant send such party written notice of any default by Landlord under this Lease, giving such party the right to cure such default until it has completed foreclosure and prevent Tenant from terminating this Lease unless such default remains uncured after foreclosure has been completed, Tenant will execute and deliver any agreement required by such party in order to accomplish this purpose. Landlord agrees to obtain a Nondisturbance Agreement from all superior priority lien holders, if any, and deliver same to Tenant within ***thirty (30) days*** from the date hereof, and from any future lender within ***thirty (30) days*** from the date of any such encumbrance.

12. **ENVIRONMENTAL PROVISIONS.**

12.1 ***Restrictions on Hazardous Substances***. Tenant shall not cause or permit any Hazardous Substance to be brought upon, used, stored, generated, or disposed of on or in the Leased Premises by Tenant, their agents, employees, contractors, or invitees, except for such Hazardous Substances as are necessary or useful to Tenant's authorized business. Any Hazardous Substances permitted on the premises, and all containers therefor, shall be used, kept, stored, and disposed of in a manner that complies with all federal, state, and local laws or regulations applicable to the particular Hazardous Substance. Tenant shall not release or permit to be released any Hazardous Substance in violation of federal, state or local environmental laws or regulations, or which may adversely affect (a) the health, welfare, or safety of persons, whether located on the Leased Premises or elsewhere, or (b) the condition, use, or enjoyment of the Leased Premises or any other real or personal property.

12.2 ***Indemnity***. Tenant hereby agree that they shall be responsible for all costs and expenses relating to the use, storage, and disposal of Hazardous Substances kept on the Leased Premises by Tenant, and Tenant shall give immediate notice to Landlord of any violation or potential violation of the provisions of this paragraph, or any other state, federal or local environmental law or regulation. Tenant shall defend, indemnify, and hold Landlord and their agents harmless from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses (*including without limitation, a decrease in value of the Leased Premises, damages caused by loss or restriction of rentable or useable space, or any damages caused by adverse impact on marketing of the Leased Premises and any and all sums paid for*

settlement of claims, attorney fees, consultant and expert fees), of whatever kind or nature, known, unknown, contingent or otherwise arising out of or in any related to (a) the presence, disposal, release, or threatened release of any such Hazardous Substance that is on, from, or affecting the soil, water, vegetation, buildings, personal property, persons, animals, or otherwise; (b) any personal injury (*including wrongful death*) or property damage (*real or personal*) arising out of or related to that Hazardous Substance; (c) any lawsuit brought or threatened, settlement reached or government order relating to that Hazardous Substance; or (d) any violation of any state, local or federal environmental laws applicable to such Hazardous Substance. The provisions of this paragraph shall be in addition to any other obligations and liabilities Tenant may have to Landlord at law or equity and shall survive the transactions contemplated within this Lease and shall survive the termination of this Lease.

12.3 ***Definition of Hazardous Substances***. For purposes of this paragraph, the term "Hazardous Substance" means any substance that is toxic, ignitable, reactive, or corrosive, or that is regulated by any local government, the state of Washington, or the United States government according to environmental laws or regulations now in effect, or which may hereafter be enacted. "Hazardous Substance" includes any and all materials or substances that are defined as "hazardous waste," "extremely hazardous waste," or "hazardous substance" pursuant to state, federal, or local environmental laws and regulations. The term "Hazardous Substance" includes but is not restricted to asbestos, polychlorobiphenyls (*"PCBs"*), and petroleum and petroleum products.

13. **DEFAULTS; REMEDIES**.

13.1 ***Default***. The following shall be events of default:

13.1.1 **Payment Default**. Failure of Tenant to make any Base or additional rent or other payment under this Lease within ***ten (10) days*** after such payment is past due.

13.1.2 **Unauthorized Transfer**. Tenant makes any transfer without Landlord's prior written consent as required under paragraph 9.

13.1.3 **Default In Other Covenant**. Failure of Tenant to comply with any other term or condition or fulfill any other obligation of this Lease within ***twenty (20) days*** after written notice by Landlord specifying the nature of the default with reasonable particularity. No notice and no opportunity to cure shall be required if Landlord has previously given Tenant notice of failure to comply with such term or condition or fulfill such other obligation of this Lease during the term hereof.

13.1.4 **Insolvency Defaults**. Dissolution, termination and existence, insolvency on a balance sheet basis or business failure of Tenant; the commencement by Tenant of a voluntary case under the federal bankruptcy laws or under any other federal or state law relating to insolvency or debtor's relief; the entry of a decree or order for relief against Tenant in

an involuntary case under the federal bankruptcy laws or under any other applicable federal or state law relating to insolvency or debtor's relief; the appointment of or the consent by Tenant to the appointment of a receiver, trustee or custodian of Tenant or of any of Tenant's property; an assignment for the benefit of creditors by Tenant; Tenant's failure generally to pay its debts as such debts become due; the making or suffering by Tenant of a fraudulent transfer under applicable federal or state law; concealment by Tenant of any of their property in fraud of creditors; the making or suffering by Tenant of a preference within the meaning of federal bankruptcy law; or the imposition of a lien through legal proceedings or distraint upon any of the property of Tenant that is not discharged or bonded. During any period in which there is a Guarantor(s) of this Lease, each reference to "Tenant" in this paragraph shall be deemed to refer to "Guarantor or Tenant", separately.

13.2 ***Remedies on Default.*** Upon default, Landlord may exercise any one or more of the following remedies, or any other remedy available under applicable law:

13.2.1 **Retake Possession**. To the extent permitted by law, Landlord may re-enter and retake possession of the Premises, on ***three (3) days*** advance notice, either by summary proceedings, force, any other applicable action or proceeding, or otherwise. Landlord may use the Premises for Landlord's own purposes or relet it upon any reasonable terms without prejudice to any other remedies that Landlord may have by reason of Tenant's default. None of these actions will be deemed an acceptance or surrender by Tenant.

13.2.2 **Relet the Premises**. Landlord, at their option, may relet the whole or any part of the Premises, from time to time, either in the name of Landlord or otherwise, to such Tenant, for such terms ending before, on or after the expiration date of the Lease term, at such rentals and upon such other conditions (*including concessions and free rent periods*) as Landlord, in their sole discretion, may reasonably determine to be appropriate. Landlord, at their option, may make such physical changes to the Premises as Landlord, in their sole discretion, considers advisable or necessary in connection with any such reletting or proposed reletting without relieving Tenant of any liability under this Lease or otherwise affecting Tenant's liability. If there is other comparable unleased space in the Leased Premises, Landlord shall have no obligation to attempt to relet the Premises prior to leasing other space in the Leased Premises.

13.2.3 **Damages for Default**. Whether or not Landlord retakes possession or relets the Premises, Landlord may recover all damages caused by the default (*including, but not limited to, unpaid rent, attorney's fees relating to the default, and costs of reletting*). Landlord may sue periodically to recover damages as they accrue during the remainder of the Lease term without barring a later action for further damages. Upon the occurrence of a payment default, Landlord may bring an action for accrued damages, plus damages for the remaining Lease term equal to the difference between the rent specified in this Lease and the reasonable rental value of the Premises for the remainder of the term, discounted to the time of judgment at the rate of ***eight percent (8%) per annum.***

13.2.4 **Waiver of Landlord's Lien**. Landlord hereby waives any contractual, statutory or other Landlord's lien on Tenant's furniture, supplies, equipment and inventory.

13.3 ***Cure of Default.*** Without prejudice to any other remedy for default, Landlord or Tenant may perform any obligation or make any payment required to cure a default by the other. The cost of performance, including attorney's fees and all disbursements, shall immediately be repaid by the responsible party upon demand, together with interest from the date of expenditure until fully paid at the rate of ***twelve percent (12%) per annum***, but not in any event at a rate greater than the maximum rate of interest permitted by law.

13.4 ***Remedies Cumulative.*** Any right or remedy Landlord may have under this Lease arising out of Tenant's breach of any covenant of this Lease shall be in addition to any other right or remedy for such breach provided by law.

14. **MISCELLANEOUS**.

14.1 ***Waivers.*** No waiver by Landlord of performance of any provision of this Lease shall be deemed to be a waiver of nor prejudice Landlord's right to otherwise require performance of the same provision or any other provision.

14.2 ***Recording.*** Tenant shall not record this Lease, nor any Memorandum or Summary thereof, without the prior written consent of Landlord, which consent Landlord may withhold in their sole discretion. Following the execution of this Lease, the parties may execute a Memorandum of Lease that may be recorded in the *Yakima County Auditor's Office by either party. Said Memorandum of Lease shall not disclose any of the financial or economic terms contained in this Lease.

14.3 ***Notices.*** All notices under this Lease shall be in writing effective when delivered in person, or if mailed, upon deposit in the United States mail, certified and postage prepaid and addressed to the address of Tenant or Landlord as shown above or at such other address as may be designated by either party by notice to the other.

14.4 ***Exhibits and Riders.*** Exhibits and riders, if any, initialed or signed by Landlord and Tenant, and attached or affixed to this Lease, are a part hereof as if set forth in full herein.

14.5 ***Construction.*** (a) This Lease shall be construed and governed by the laws of the state of Washington; (b) the invalidity or unenforceability of any provision hereof shall not affect or impair any other provision hereof; (c) this Lease constitutes the entire

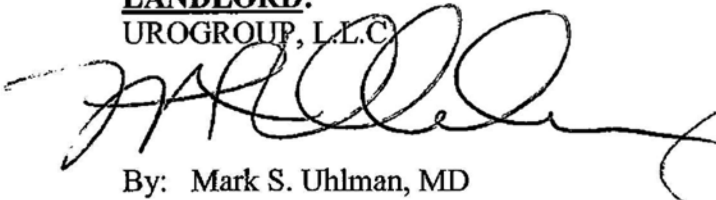
agreement of the parties and supersedes all prior agreements or understandings between the parties with respect to the subject matter hereof; (d) this Lease may not be modified or amended except by written agreement signed and acknowledged by both parties; (e) if there is more than one Tenant, the obligations hereunder imposed upon Tenant shall be joint and several; (f) time is of the essence of this Lease in each and every provision hereof; and (g) nothing contained herein shall create the relationship of principal and agent or of partnership or of joint venture between the parties hereto and no provisions contained herein shall be deemed to create any relationship other than that of Landlord and Tenant.

14.6 ***Successor***. Subject to any limitations on assignments herein, all of the provisions of this Lease shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

14.7 ***Attorney's Fees***. In the event of any dispute arising out of or relating to this Lease, whether or not suit or other proceedings is commenced, and whether in mediation, arbitration, at trial, on appeal, in administrative proceedings, or in bankruptcy (*including, without limitation, any adversary proceeding or contested matter in any bankruptcy case*), the prevailing party shall be entitled to its costs and expenses incurred, including reasonable attorney fees. Venue shall be in Yakima County, Washington.

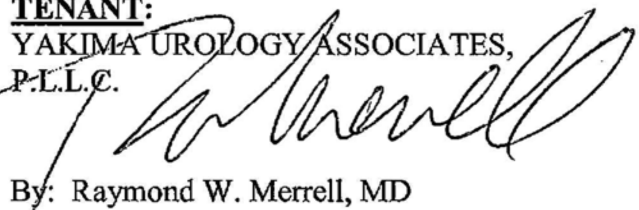
WHEREFORE, the parties have executed this Lease effective as of the date and year first above written.

LANDLORD:
UROGROUP, L.L.C.



By: Mark S. Uhlman, MD
Its: Vice President, UroGroup, LLC

TENANT:
YAKIMA UROLOGY ASSOCIATES, P.L.L.C.



By: Raymond W. Merrell, MD
Its: President Yakima Urology Associates, PLLC

STATE OF WASHINGTON)
) ss.
County of Yakima)

On this 20th day of December 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **Mark S. Uhlman, MD**, to me known to be the manager/member of UROGROUP, the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed is the corporate seal of said limited liability company.

WITNESS my hand and official seal hereto affixed the day and year first above written.

RICHARD M CHANG
COMMISSION EXPIRES
NOTARY PUBLIC
APRIL 23, 2015
STATE OF WASHINGTON

Signature

R M Chang
Notary Public in and for the State of Washington, residing at Yakima, WA
My appointment expires: 4-23-2015

STATE OF WASHINGTON)
) ss.
County of Yakima)

On this 20th day of December 2011, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared **Raymond W. Merrell, MD**, to me known to be the President of YAKIMA UROLOGY ASSOCIATES, P.L.L.C., the limited liability company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/they is authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Signature

RICHARD M CHANG
COMMISSION EXPIRES
NOTARY PUBLIC
APRIL 23, 2015
STATE OF WASHINGTON

R M Chang
Notary Public in and for the State of Washington, residing at Yakima, WA
My appointment expires: 4-23-2015

Exhibit 13C.
Parcel Property Information

Parcel Number: 181335-24402
Situs Address: 2500 Racquet Lane Yakima
Property Use: 65 Service - Professional
Tax Code Area: 333
Property Size: 3.42
Neighborhood: C303
Owners: Urogroup LLC
Abbreviated Legal Description:
Section 35 Township 13 Range 18 Quarter NW: SP 7625173 Lot 2

Utility Information: *(indicates utility is available at parcel boundary)*

Gas:	Yes	**Electricity:**	Yes	**Water:**	Public	**Sewer/Septic:**	Public

Site Information:

Property Type:	Commercial	**Zoning:**	M1	**Street Type:**	Dead-End	**Street Finish:**	Paved/Asphlt
Traffic:	Light	**Side Walk:**	Yes	**Curbs:**	Yes	**Location:**	Road-Frntage

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:**	Very Good	**Value Method:**	Sq-Feet	**Lots:**	0
SquareFeet:		**Acre(s):**	3.420				

Details for Commercial Section #101

Building Type:	Medical Office	**Quality:**	Good	**Condition:**	Good	**Ext. Wall Type:**	Brick
Year Built:	2008	**Ground Floor:**	23,912	**Stories:**	1	**Foundation:**	Yes
Construction:	Wood-Frame	**Heat/Cool Type:**	Package-A/C				

Segregations or Mergers on Parcel Number 181335-24402

Seg/Merge #	Seg/Merge Type	Status Date	Status	Parcel Involvement
SM080229	Short Plat	Sep 10, 2008	Completed	Child

Details for Segregation/Merger | View Seg Merge Documents | View Before and After Image

Document Number:
Seg/Merge Type:
Parent Year:
Child Year:
Status:
Status Date:

Expanded Details for Parcel involvement of Segregation

Parcel Number | Involvement | Final Status | Final Size |

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	$6,290,000	$1,572.50	0.00000000	$6,290,000	$0.00
County Flood Control	0.05513605	$6,290,000	$346.81	0.00000000	$6,290,000	$0.00
State School Levy	1.43728318	$6,290,000	$9,040.51	0.00000000	$6,290,000	$0.00
State School Levy Part 2	0.77100703	$6,290,000	$4,849.63	0.00000000	$6,290,000	$0.00
Yakima City	1.85527217	$6,290,000	$11,669.66	0.00000000	$6,290,000	$0.00
Yakima County	0.97798949	$6,290,000	$6,151.55	0.00000000	$6,290,000	$0.00
Yakima School	0.00000000	$6,290,000	$0.00	1.89223098	$6,290,000	$11,902.13
Yakima School Bonds	0.00000000	$6,290,000	$0.00	0.90158815	$6,290,000	$5,670.99
Yakima Valley Regional Library	0.29320895	$6,290,000	$1,844.28	0.00000000	$6,290,000	$0.00
Total	**5.63989687**	**$6,290,000**	**$35,474.94**	**2.79381913**	**$6,290,000**	**$17,573.12**

**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	$6,290,000	$5,892,300	$5,641,400	$5,621,400	$5,418,900	$5,449,200	$5,090,700
Taxable Value Excess	$6,290,000	$5,892,300	$5,641,400	$5,621,400	$5,418,900	$5,449,200	$5,090,700
Market Land	$401,100	$401,100	$401,100	$401,100	$401,100	$401,100	$401,100

Value Type	2024	2023	2022	2021	2020	2019	2018
Market Improvement	$5,888,900	$5,491,200	$5,240,300	$5,220,300	$5,017,800	$5,048,100	$4,689,600

2500 RACQUET LANE YAKIMA, WA 98902

2500 RACQUET LANE YAKIMA, WA 98902

2500 RAQUET LANE YAKIMA, WA 98902

2500 RAQUET LANE YAKIMA, WA 98902

2500 RAQUET LANE YAKIMA, WA 98902

2500 RAQUET LANE YAKIMA, WA 98902

Exhibit 14.
Contractor's Estimate Letter

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Stage 1 Project Estimate

Project Information

Project Title	Yakima ASC Lead Lined OR	**CBRE Project #**	TBD
Requested Location	Surgery Center at Ridgeview	**Project CERs**	
Project Address	2500 Racquet Lane		
Project City, Zip	Yakima, WA 98902		
Owned/Leased			
MHS Stakeholder	Scott Jones	**Total Square Footage - Hospital / MOB**	480
CBRE Project Manager	Elizabeth Hellier	**Estimated Project Duration**	5 months
Cost Center		**Space/Pricing Plan Date**	3/8/2024

Work Summary

Install lead lining in one OR room at the Ridgeview Surgery Center. Project includes radiation shielding report and design, permitting fees, and construction to remove existing sheetrock and replace with new lead lined sheetrock per the radiation shielding plan based on room use and imaging to be used in the room. Flooring around the perimeter of the room will be required due to the wall scope. Finishing the walls and painting required and/or wall protection installed. Infection control measures included in pricing. Construction duration 1 month. Project duration includes shielding report preparation and permitting timeline for DOH Radiation Shielding and DOH Construction Review Services.

Total Cost of Work

		Capital		Operating	
Construction	CAT Code	**Cost**	**$/SF**	**Cost**	**$/SF**
Construction	1000-CS	$ 97,950	$ 204.06	$ 2,770	$ 5.77
Sales Tax	1980-ST	$ 7,839	$ 16.33	$ 230	$ 0.48
		$ -	$ -	$ -	$ -
Sub-Total		$ 105,789	$ 220.39	$ 3,000	$ 6.25
Consultants		**Cost**	**$/SF**	**Cost**	**$/SF**
Consultants	2000-CN	$ 3,000	$ 6.25	$ 2,000	$ 4.17
PjM Labor	2011-PM	$ 15,050	$ 31.35	$ -	$ -
Sub-Total		$ 18,050	$ 37.60	$ 2,000	$ 4.17
Soft Costs		**Cost**	**$/SF**	**Cost**	**$/SF**
Soft Costs	3000-SC	$ 10,053	$ 20.94	$ -	$ -
Sub-Total		$ 10,053	$ 20.94	$ -	$ -
Furniture & Fixtures		**Cost**	**$/SF**	**Cost**	**$/SF**
Furniture & Fixtures	4000-FF	$ -	$ -	$ -	$ -
Major Medical Equipment	4150-FF	$ -	$ -	$ -	$ -
Minor Medical Equipment	4160-FF	$ -	$ -	$ -	$ -
Sub-Total		$ -	$ -	$ -	$ -
Information Technology		**Cost**	**$/SF**	**Cost**	**$/SF**
IT/IS Services and Equipment	5000-IT	$ 2,476	$ 5.16	$ -	$ -
Sub-Total		$ 2,476	$ 5.16	$ -	$ -
Miscellaneous		**Cost**	**$/SF**	**Cost**	**$/SF**
Decommissioning	7000-DC	$ -	$ -	$ -	$ -
Sub-Total		$ -	$ -	$ -	$ -
Land Development		**Cost**	**$/SF**	**Cost**	**$/SF**
Land Development	8000-LD	$ -	$ -	$ -	$ -
Sub-Total		$ -	$ -	$ -	$ -
Project Contingency		**Cost**	**$/SF**	**Cost**	**$/SF**
Contingency	9000-CT	$ 12,132	$ 25.27	$ -	$ -
Sub-Total		$ 12,132	$ 25.27	$ -	$ -
		Cost	**$/SF**	**Cost**	**$/SF**
Total Budget		$ 148,500	$ 309.38	$ 5,000	$ 10.42

	Cost	$/SF
Tenant Improvement Allowance	**$ -**	$ -
Total Capital Costs (use this number on the CJF)	**$ 148,500**	$ 309.38
Total Operating Costs	**$ 5,000**	$ 10.42
Total Project Cost	**$ 153,500**	$ 319.79

Approvals

This estimate is suitable for Capital Planning only, including years 2 through 5 of the 5-Year Capital Plan, and is not suitable for submission for Capital Approval unless as a submission for Initial Design Funding.

Estimate Date: 3/8/24

Estimate Expiration Date: 120 days

Project Manager's Signature: DocuSigned by: Elizabeth Hellier — 2FF9B0043A41D44E... — Date: Mar-08-2024

Director's Signature: DocuSigned by: Adam Knoll — 71D5969B76FE4C9... — Date: Mar-08-2024

Project Scope / Estimate Approved By (Committee or Individual): — Date:

Project Funding Approved By (Committee or Individual): — Date:

Exhibit 15.
Equipment List

MultiCare Yakima Memorial Surgery Center at Ridgeview
Equipment List

Cardiology / Vascular

Item	Cost
Portable c-arm	$ 1,000,000
Integrated IVUS	$ 100,000
Ultrasound	$ 65,000
Crash cart/defib	$ 35,000
Hemosystem	$ 125,000
Injector	$ 20,000
RFA generator	$ 25,000
Angiojet	$ 30,000
Miscellaneous storage carts/OR instrument sets/nurse pyxis	$ 50,000
Subtotal	$ 1,450,000
Sales Tax	$ 120,350
Subtotal with Tax	$ 1,570,350

Gastroenterology

Item	Cost
GI Tower	$ 111,000
DSD Machine	$ 52,325
Scope Hanging Closet	$ 4,000
Dilator Hanging Closet	$ 200
Scope Trays	$ 1,155
Wheeled Carts	$ 125
Leak Tester	$ 11,537
Stretchers	$ 61,722
Wheelchair	$ 3,610
WOWs	$ 21,000
EPOC	$ 6,500
iStat	$ 9,200
Dilators	$ 4,000
Upper EGD	$ 111,604
Peds Colon	$ 147,603
Adult Colon	$ 132,348
Subtotal	$ 677,929
Sales Tax	$ 56,268
Subtotal with Tax	$ 734,197

MultiCare Yakima Memorial Surgery Center at Ridgeview
Equipment List

Other Specialties (Podiatry, Pain Management, Carpel Tunnel)

Item	Cost
Neptune	$ 14,700
Tower	$ 30,000
Monitor	$ 1,200
Mini Carm	$ 95,000
Tourniquet Box	$ 1,500
Ultrasound machine for blocks	$ 44,850
CD4	$ 6,000
Burr Racks	$ 150
Beanbag	$ 670
Valley Lab	$ 5,000
Hand Table	$ 3,269
Rem-B	$ 6,000
Small Bone Set	$ 10,000
Camera & light Cords	$ 322,032
Lead Hands	$ 5,072
Hand modular set	$ 7,500
Locking hand mod. Set	$ 7,500
Bipolar cords	$ 300
Mini frag set	$ 3,850
Dental wire	$ 400
Suture passer	$ 290
Beaver blades	$ 42
Large gel bump	$ 280
Finger Traps	$ 134
Endoscopic Carpal Tunnel Release set	$ 200
Low Temp Sterilizer (upgrade)	$ 150,000
Acutrak 2	$ 75,434
Acutrak 2 - Micro Extension Set	$ 12,817
Steam Sterilizer	$ 134,279
Case Carts	$ 31,212
Surgical Supply Cart	$ 4,692
Subtotal	$ 974,373
Sales Tax	$ 80,873
Subtotal with Tax	$ 1,055,246

Exhibit 16.
Letter of Financial Commitment

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

March 21, 2024

Mr. 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 Memorial Surgery Center at Ridgeview

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for MultiCare Health System's certificate of need application request to expand the list of certificate of need approved specialties at MultiCare Yakima Memorial Surgery Center at Ridgeview 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 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.

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

(Continued)

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.

(Continued)

(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

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.

(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 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.

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

(Continued)

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 %

(Continued)

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.

(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)

	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)
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.

(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.

(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

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.

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.

(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.

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	—

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

(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	—

	December 31, 2023	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	$ 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			

	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)
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			

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.

(Continued)

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.

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

(Continued)

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.

(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

(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.

Exhibit 18.
List of Physician Names, License Numbers, and Specialties

MultiCare Yakima Memorial Surgery Center at Ridgeview
List of Physician Names, License Numbers, and Specialties

CURRENT

Name	Specialty	License #
Dennis Gaskill, MD	Urology	MD 00030418
Daniel Thorner, DO	Urology	OP 60268813
Brian Cox, MD	Urology	MD 60453233
Matthew Uhlman, MD	Urology	MD 60651600
Eric Lauer, MD	Urology	MD 60750057
Christopher Meier, MD	Urology	MD 61069313

FUTURE

Name	Specialty	License #
Mark Richards, MD	Electrophysiologist	MD61250765
Ralph Thomas McLaughlin, MD	Interventional Cardiologist	MD00031045
Saurabh Ranjan, MD	Interventional Cardiologist	MD61142514
Mark Berman, MD	Interventional Cardiologist	MD00032484
John Hwang, MD	Hand/Upper Extremity Surgery	MD00036067
Tejas Kirtane, MD	Gastroenterology	MD60688672
Supannee Rassameehiran, MD	Gastroenterology	MD61008485
Daniel Kwon, MD	Pain Management,Interventional Procedures	MD00049241
Joe Kim, MD	Pain Management,Interventional Procedures	MD60458807
Herny Kim, MD	Pain Management,Interventional Procedures	MD60057584
Thomas Gedulig, DO	Pain Management,Interventional Procedures	OP61451057

Exhibit 19.
Patient Transfer Policy

Status Active PolicyStat ID 15067926

Origination	01/2024	Owner	Eric Brown: Dir Sys Mission Coord Center
Last Approved	01/2024	Area	Administrative
Effective	01/2024	Applicability	All Hospitals + Yakima + Ambulatory
Last Revised	01/2024		
Next Review	01/2027		

MultiCare Health System Patient Transfer Policy

Scope:

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This applies to all MHS Hospitals, MHS Transfer Center(s), staff, physicians/Advanced Practice Providers(APPS), and any physician/APP On-Call for MHS at the following facilities Tacoma General Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center, Capital Medical Center, Deaconess Hospital, Valley Hospital, Yakima Memorial Hospital, OCEDs and FSED and all ambulatory areas.

Policy Statement:

To establish the system-wide care continuum policy for patient transfers.

Policy:

The MHS Transfer Center Acceptance process is a refined patient acceptance and transfer process that maximizes efficiency and reduces friction and delays during transfer process such that our patients receive their care at the right place, at the right time, minimizing the need for secondary transfers, and decreasing unnecessary call burden for our physicians and APPs. This document establishes best practices for MHS Transfer Center(s) by defining a clear process for transfers that promotes quick acceptance, clear communication pathways, and reduces unnecessary delays to avoid patient harm events.

- A transparent, codified clinical capability grid for each Clinical Business Unit (CBU) will be utilized in all transfers. When a patient transfer is requested from a MHS facility or from a facility outside of MHS, the Transfer Center will use the *MHS Clinical Capability Grid along with the current capacity state of MultiCare Health System to target the most appropriate hospital for admission. The tertiary centers will be preserved by targeting the lowest acuity

hospital that is best suited for a patient's medical needs.

- All Transfer Center Communications regarding cases will occur on a recorded line.
- Physicians, who are identified as covering call for one or more of our CBUs, will be available to the Transfer Center(s) and the Medical Control Officer (MCO) and/or the Chief Medical Officer (CMO) to collaborate and help problem solve for all patient transfers, and be available to talk with providers at the sending site regarding patient care.
- MHS physicians, APPs, staff, hospitals, and Transfer Centers are expected to follow MC2 approved Transfer Center Policies, Procedures and Processes
- If an MHS hospital has capability and capacity, the patient will be accepted and further need for communication will follow with the receiving physicians as outlined in MHS Clinical Capability Grid.
- The Medical Control Officer and/or the site Chief Medical Officer (or CMO delegated physician leader in their absence) does have the responsibility to arbitrate conflicts that arise during the transfer process. The MCO and or CMO will be alerted to any barrier/declination that delays a patient transfer, and will actively engage to remove barrier, problem solve, and communicate with the involved parties.
- Any proposed declination from a physician or APP regarding a patient transfer must be based on and supported by a lack of capability, capacity or clear patient safety care/quality issues at play and must be approved by the MCO and or CMO in advance of any declination.

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Transfer Conflict Resolution Process:

1. Adult Transfers: If after reviewing the conflict the MCO determines that there are no capability, capacity, or clear patient safety care/quality issues at play to prevent the transfer AND conflict remains the MCO will contact CMO or delegate to discuss case. The MCO, CMO and physician/APP disputing transfer will discuss the case on MC2 recorded line and will collaborate and work to resolve the conflict. The CMO or delegate will be responsible for final decision and if the CMO or delegate agrees with initial MCO determination the transfer will proceed. IF the CMO or delegate is unavailable or does not respond within 15 minutes of call from MCO it will be the responsibility of the MCO to make final determination if transfer should proceed.
2. The receiving facility, physicians and APPS are required to appropriately care for the patient as outlined in the hospital bylaws, rules, regulations and according to EMTALA policy.
3. For all other transfer disputes that do not involve physicians or APPs the MCO will be responsible for final determination.
4. Pediatric Transfers: The Mary Bridge CMO on call, or their physician leader delegate will be responsible for arbitration and final determination.
5. All cases where conflict remains after an MCO/CMO or delegate determination has been made will be escalated and retrospectively reviewed by a multidisciplinary team including Transfer Center Leadership, CMO(s) of site(s), and other leadership as appropriate within 2 business days or sooner of occurrence to determine opportunities to improve process.
6. CMO and or appropriate leadership involved in review will discuss findings with the provider(s) or staff involved

Related items: MHS Clinical Capability Grid

Approval Signatures

Step Description	Approver	Date
Council / Committee / Director or AVP level Approvals	Michelle Bowers: QM System Project Analyst Sr	01/2024
	Kimberly Lett: Quality Program Mgr RN	01/2024

Applicability

MultiCare Ambulatory, MultiCare Auburn Medical Center, MultiCare Capital Medical Center, MultiCare Covington Medical Center, MultiCare Deaconess Hospital, MultiCare Good Samaritan Hospital, MultiCare Mary Bridge Childrens Hospital, MultiCare Tacoma Gen/Allenmore (System-wide), MultiCare Valley Hospital, MultiCare Yakima Memorial Hospital

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Standards

No standards are associated with this document