Strategy & Business Development
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206-987-4012

Hope. Care. Cure.™

February 10, 2025

Mr. Eric Hernandez, Acting Executive Director
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Mr. Hernandez:

Enclosed, please find a copy of Seattle Children's certificate of need application proposing to establish a three operating room ambulatory surgery center in the Secondary Health Services Planning Area.

The required fee of $20,427 was sent separately and receipt of delivery by USPS was confirmed on January 16.

Should you have any questions, please do not hesitate to contact me. Seattle Children's looks forward to working with you and your staff in the coming months.

Sincerely,

Mark Salierno
Chief Strategy & Business Development Officer
Seattle Children's

Date Stamp Here

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: **Mark Salierno, Chief Strategy & Business Development Officer**	Phone Number: **(206) 987-4012**
Dated: **February 10, 2025**	Email Address: **mark.salierno@seattlechildrens.org**
Legal Name of Applicant: **Seattle Children's Hospital**	Number of Operating Rooms requested – include procedure rooms: **3**
Address of Applicant: **4800 Sand Point Way NE Seattle, WA 98105**	Estimated Capital Expenditure: **$32,111,233**

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

Secondary Health Services Planning Area

Seattle Children's®

HOSPITAL · RESEARCH · FOUNDATION

CERTIFICATE OF NEED APPLICATION FOR ESTABLISHMENT OF AN AMBULATORY SURGERY CENTER IN FEDERAL WAY, SOUTHEAST KING SECONDARY HEALTH SERVICES PLANNING AREA

February 2025

SECTION 1
Applicant Description

1. Provie the legal name(s) and address(es) of applicant(s).

The legal name of the applicant is Seattle Children's Hospital (Seattle Children's).

The address is:

4800 Sand Point Way NE
Seattle, WA 98105

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

Seattle Children's is a Washington nonprofit corporation that is exempt from federal income taxation under IRC Section 501(c)(3). It is controlled by its sole corporate member, Seattle Children's Healthcare System.

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

Questions regarding this application should be addressed to:

Mark Salierno, Chief Strategy & Business Development Officer
Seattle Children's Hospital
4800 Sand Point Way NE
Seattle, WA 98105-0371
(206) 987-4012
Mark.Salierno@seattlechildrens.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).

Jody Carona
Health Facilities Planning & Development
120 1st Avenue West, Suite 100
Seattle, WA 98119
(206) 441-0971
healthfac@healthfacilitiesplanning.com

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

Exhibit 1 contains an organizational chart for Seattle Children's. The Federal Way ASC will be operated as a hospital-based outpatient department.

SECTION 2
Project Description

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

This application is for a new facility, so this question is not applicable.

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

Seattle Children's has a multi-specialty outpatient clinic in Federal Way. The ambulatory surgery center will be built next to it and share the same address:

34920 Enchanted Parkway S
Federal Way, WA 98003

3. Provide a detailed description of the proposed project.

For almost a decade, Seattle Children's (SC) has operated its pediatric multi-specialty outpatient clinic in Federal Way, which is in the SE Secondary Health Services Planning Area. It is staffed by SC clinical teams, offers over 25 subspecialty clinics, urgent care, infusion services, ultrasound, X-ray, and laboratory medicine. Both surgical subspecialties (e.g., General Surgery, Urology, and Orthopedics and Sports Medicine) and Gastroenterology (GI) hold multiple clinics throughout the week, yet patients who need ambulatory surgery or GI procedures must travel to SC Bellevue Clinic and Surgery Center[1] or SC main hospital campus in the Laurelhurst neighborhood of Seattle for care.

Since 2010, SC has operated an ASC in Bellevue, which is adjacent to its pediatric outpatient specialty clinic. When the ASC opened, it had two operating rooms and shelled space for two additional operating rooms or procedure suites. Though SC originally planned to open the Bellevue ASC with two operating rooms and one GI procedure suite, the decision was made to expand procedural capacity at its Laurelhurst campus, and the GI procedure suite at the Bellevue ASC was not opened. Case volumes quickly surpassed the capacity of the two operating rooms, and in February 2015, SC built out one of the shelled spaces as an operating room to support the increasing demand. From FY2011-2018, cases performed at the Bellevue ASC grew at a rate of nearly 9% per year, and when SC submitted its CN application for the fourth operating room, the Bellevue ASC was operating at 93% capacity of DOH defined OR capacity. Since the opening of the fourth operating room in December 2020, day surgery cases have increased by 9% and as of the end of CY24, the Bellevue ASC was operating at 92% of DOH defined OR occupancy.

[1] GI procedures are not offered at Seattle Children's Bellevue Clinic and Surgery Center

We have had great success with our Bellevue ASC and expect the same in Federal Way. The Bellevue ASC's success has been driven by multiple factors, three of which include:

- Only outpatient surgical and procedural cases are performed. As a result, there is no rescheduling to accommodate emergent, urgent, or other unscheduled cases, reducing operational inefficiencies.

- For a portion of our patient population, the Bellevue ASC is more accessible than the Laurelhurst campus. For example, patients residing in Eastern Washington (traveling via I-90), and north of Seattle, including Snohomish County, can access the Bellevue ASC without needing to manage the traffic and parking challenges many patients and families experience when traveling through Seattle to the Laurelhurst campus for care. Families have enjoyed this improved, easier access.

- The Bellevue ASC was specifically designed with children and adolescents in mind, focusing on creating a calming environment through visual distractions, such as the twinkling lights on the ceiling, and the use of natural daylight. The design also prioritized allowing parents to stay with their child as long as possible before the surgery or procedure and supported them being reunited immediately afterward.

Additionally, our FY24 family experience survey scores at the Bellevue ASC for day surgery patients are quite strong with 92% of families ranking us 5/5 (the highest ranking possible) and 97.5% of families ranking us either a 4/5 or a 5/5.

Over the past several years, we've seen a shift in where our patients and families are choosing to live. Throughout this application, we will refer to the area South of Seattle as the "South Sound." It includes zip codes from the Olympic Peninsula, Kitsap, Olympia, SE Pierce, SE King, Tacoma, and Vancouver. As of February 2024, 41% (690K) of all children in WA reside in the South Sound, with the pediatric population in the area forecasted to grow at 0.6% annually[2]. In FY24, SC had approximately 101,000 ambulatory visits from South Sound patients, but only 26,000 (26%) were seen at our Federal Way clinic. Additionally, in FY24, 3,100 South Sound patients had day surgery or a GI procedure, which accounts for 24% of our day surgery and procedural volume. Although we provide a wide range of outpatient pediatric subspecialist services at our Federal Way clinic, we do not provide the same range of services that we offer at our Bellevue clinic and surgery center, resulting in families having to travel far distances for care. We have found that patients and families generally prefer to stay closer to home if offered a trusted option for a pediatric specialty ASC, yet currently we do not provide ambulatory surgical services outside of Seattle and Bellevue. To reduce the hardship on families and meet the needs of the community, it is essential we provide expanded surgical services closer to their homes and give our patients who live in the South Sound greater access to what they need.

In addition to a shift in where our patients are living, we are also seeing expansion in the number of surgeries and procedures that can be provided in an outpatient setting. Since 2020 in the South Sound, overall demand for hospital-based outpatient pediatric surgeries and procedures has

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[2] Source: Sg2 Market Demographics Forecast. "South Sound" is defined as the geography including zip codes from the Olympic Peninsula, Kitsap, Olympia, SE Pierce, SE King, Tacoma, and Vancouver

grown 4.8%[3]. Internally, we have seen 16% growth in day surgeries (FY20-24) with 25% of the patients originating from the South Sound. We anticipate this number continuing to grow and need to expand our services to both meet the current and future need. We need to expand our surgical and procedural service offerings to provide care closer to home for South Sound patients, so they don't have to travel to Seattle or Bellevue.

To better serve our Southern pediatric community, we are submitting a certificate of need application for approval of a new ASC in the SE King Secondary Health Services Planning Area. Seattle Children's Federal Way ASC is being designed to maximize the operational productivity of our outpatient surgery services and provide the highest level of efficiency for our workforce. Most importantly, it is designed to provide the best accommodations for our patients and families, by providing them with a dedicated pediatric facility that delivers high quality care, convenience, and comfort. At opening, our ASC will include three operating rooms that can be used interchangeably for surgical and procedural cases (most notably GI procedures). In addition to wrap-around perioperative services, SC plans to expand our pharmacy, lab services, and imaging services to provide sedated and non-sedated MRIs, expanded ultrasound, X-ray, and Fluoroscopy. The ASC will be physically connected to our existing Federal Way clinic allowing for a seamless experience for patients and families. SC intends to operate the ASC under its current hospital license and as part of our existing surgical department. The intent is to provide a similar level of access and variety of services that are available today at our Bellevue ASC and enhance overall pediatric care for our families who live in the South Sound.

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
Design Complete	June 2025
Construction Commenced	October 2025
Construction Completed	July 2027
Facility Prepared for Survey	September 2027
Project Completion	October 2027

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: 1) Our ENT service line includes audiology procedures. 2) Our Craniofacial service line includes Oral Surgery, Maxillofacial, and Plastic Surgery.

[3] Source: WSHA PNWPop database.

3) Our Oral Surgery service line includes Dental. 4) Urology is inclusive of Gynecology. 5) We defined "Others" as Dermatology, Neurology, Rheumatology, and Rehab procedures.

The list of typical procedures within each category is in Exhibit 2.

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

   ☒ Endoscopy ☐ Bariatric Surgery ☐ Other:

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

This is a new facility, so this question is not applicable.

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

There will be three operating rooms at this facility at project completion.

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)**

While the operating rooms at this facility will be used for GI, none of the rooms will be exclusively dedicated to endoscopy, cystoscopy, or pain management services.

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

The Federal Way ASC is designed for children and adolescents who need outpatient surgery but are otherwise healthy. Predictors of anesthetic and surgical risk include the patient's age, the type of surgery, the nature of the surgery, and the preoperative physical status of the patient as defined by the American Society of Anesthesiologists (ASA) classification[4]. Patients who meet the criteria of ASA class I (a normal, healthy patient), class II (a patient with mild systemic disease), or class III (a patient with a severe systemic disease that is not life-threatening) or are planned to be discharged home after the surgery, and in need of the following specialty care, may have their surgery and/or procedure performed at the Federal Way ASC for the following specialties:

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[4] Doyle DJ, Hendrix JM, Garmon EH. American Society of Anesthesiologists Classification. [Updated 2023 Aug 17]. In: StatPearls [Internet]. Treasure Island (FL): StatPearls Publishing; 2025 Jan-. Available from: https://www.ncbi.nlm.nih.gov/books/NBK441940/

- Craniofacial, inclusive of Oral, Maxillofacial, and Plastic surgery
- Dermatology
- ENT, inclusive of Audiology procedures
- Gastroenterology
- General Surgery
- Neurology
- Ophthalmology
- Oral Surgery, inclusive of Dental surgery
- Orthopedics & Sports Medicine
- Rehabilitation Medicine
- Rheumatology
- Urology, inclusive of Gynecology surgery

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.

We did not submit more than one letter of intent for this project, so this question is not applicable.

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

Exhibit 3 contains the single-line drawings of conceptual design for the facility after project completion. The before project completion single-line drawings of the facility are N/A.

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.

The facility will be licensed and certified by Medicare and Medicaid.

The Medicare number is: 50-3300
The Medicaid number is: 1011158

This is not an expansion of an existing facility, so there is not a separate identification number.

14. Identify whether this facility will seek accreditation. If yes, identify the accrediting body. Facility licensure/accreditation status.

SC is accredited by DNV GL, and this facility will also seek accreditation by this accrediting body. The effective date of our current accreditation is July 22, 2022, and the expiration date is July 22, 2025.

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.

We have not consulted with CRS yet but will be filing with CRS as part of our standard process. Our Facilities team has been closely involved in planning and has extensive expertise in code compliance and cost estimation. We are planning to meet with CRS in the first half of 2025.

SECTION 3
Certificate of Need Review Criteria

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

Per the definitions contained in WAC 246-310-270(3), the proposed ASC will be in the Southeast King Secondary Health Services Planning Area (SE King). SC expects that approximately 53% of the surgeries in the proposed facility will be performed on infants, children, and adolescents residing within SE King. The other 47% of surgeries will be performed on SC patients whose families reside in adjacent planning areas, including other areas of the South Sound where travel to Federal Way is more convenient than to SC main Laurelhurst campus in the North King Secondary Health Services Planning Area or to SC Bellevue outpatient surgery center. The Bellevue outpatient surgery center is located close to the intersection of I-90 and I-405 in the East King Secondary Health Services Planning Area (East King).

Consistent with WAC, SC calculated numeric need for Planning Area ORs based solely on SE King. The data for the numeric need projection comes from the CN Program's annual survey of surgical service providers (Hospitals and ASCs). The CN Program released its CY2024 survey responses (2023 volumes) in November 2024.

The CN Program's annual survey requests facilities submit data about the number of ORs, cases, and minutes for the previous calendar year. The survey also requests information about the age range of patients eligible for care. The survey is not mandatory and typically the CN Program does not receive returned surveys from 100% of the facilities operating in a service area. It has been the CN Program's practice to include the data from CN-exempt group practice/provider facilities in the calculation of the use rate, but to exclude the number of rooms for these facilities in the count of supply. This is because by virtue of the exemption, the use of the ASC is limited to members of the

practice, and not open or accessible to the general public. Additionally, the CN Program excludes dedicated pain management and endoscopy rooms due to their specialized, limited use.

SC identified seventeen providers of OR services in the SE King Secondary Health Services Planning Area. Of the sixteen unique providers, **eleven or 65% did not return a survey**. The lack of responses generally impacts the use rate and the count of supply, and likely results in an underestimate of current use and future OR need.

Following the release of the 2024 surveys, our consultants at Health Facilities Planning & Development (HFPD) reached out to the CN Program to confirm which providers were surveyed and whether, given the low response rate and resultant lacking data, the CN Program intended to re-survey. The CN Program confirmed all facilities that hold an ASC/ASF or hospital license were sent a request to complete the survey. It also advised, that given its current limited resources, it does not have the resources to reopen the survey and solicit additional responses and hopes to address the lack of responses in future rulemaking or other engagement efforts with the broader community.

Given the high non-response rate, SC supplemented 2024 data by using available survey results for any provider with missing data from the last time the provider responded to the survey. The facility summary is included in Table 1

Table 1
SE King County Secondary Health Services Planning Area Supply:
Existing Facilities Including Year of Survey and Reported Age Range of Patients Served

Name	Facility Type	License #	# of Mixed Use ORs	# of Dedicated Outpatient ORs	Age Range Per Survey	Year of Most Recent Survey
MultiCare Auburn Regional Medical Center	Hospital	HAC.FS.60311052	6	0	12 months+	2024
MultiCare Covington Medical Center		HAC.FS.60803817	6	0	12 months+	2024
VMFH St. Francis		HAC.FS.00000201	8	0	5 years+	2023
VMFH St. Elizabeth		HAC.FS.00000035	3	0	4 years+	2023
Valley Medical Center		HAC.FS.00000155	17	3	6 months+	2021; Valley did not submit OP data in this survey
Subtotal Hospital Supply			**40**	**3**		
Valley Day Surgery (MAC)	CN Approved ASF	*ASF.FS.60101083*	*0*	*0*	*18 years+*	*DOH website says it is expired*
Evergreen Eye Center		ASF.FS.60099942	0	2	18 years+	2021

MultiCare Cascade Surgical Center - Auburn		ASF.FS.60604663	0	3	2 years+	2024
WA Valley Eye & Laser Center		ASF.FS.60977747	0	2	12 years+	2017
Proliance Surgery Center at Valley		ASF.FS.61084629	0	6	6 years +	2024
Subtotal ASF CN Approved Supply			**0**	**13**		
Auburn Surgery Center	CN Exempt ASF	ASF.FS.60220028	0	2	16 years+	2022
ENT Facial Plastic Surgery & Allergy		ASF.FS.60360678	0	1	2 years+	2024
Fogel Endoscopy		ASF.FS.60100197	0	2	17 years+	NA – Endoscopy Only
Plastic & Reconstructive Surgeons ASC (Proliance)		ASF.FS.60572737	0	2	16 years+	2024
Rainier Surgical Center		ASF.FS.60099146	0	3	NA	2018
Pacific Cataract and Laser Institute			0	0	NA	Exemption granted; not open yet
Washington Retina, PLLC			0	NA	NA	Pending opening in 2026
Subtotal CN Exempt ASF Supply			**0**	**10**		
Total ASF (CN Approved + Exempt)			**0**	**26**		
Total Capacity			**40**	**26**		
Total Capacity for Purposes of CN Supply (excludes CN Exempt per methodology)			**40**	**16**		

Source: CN program surveys

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

SC defines provider of "similar services" as one that has a dedicated program with ORs, equipment, staff, and procedures for the surgical management of infants, children, and adolescents. As shown in Table 1, there are currently ten CN approved providers of mixed use or ambulatory surgery physically located within SE King[5]. Five of the ten are hospital providers, and combined, those providers have a total of 40 mixed use ORs. In an ASC survey completed sometime between 2021-2024, each hospital indicated they serve pediatric patients. As a proxy to understand the extent of pediatric operative services that may be offered by these hospital providers, SC used CHARS data (excluding newborn DRGs[6]) to ascertain the percentage of each hospital's

[5] SC 'counted' Valley Medical Center and Valley Day Surgery (MAC) as two separately approved CN providers as Valley Day Surgery (MAC) was CN approved in 2019.

[6] The excluded newborn DRGs are 789-795.

inpatient discharges that are pediatric, for which SC defined as 0-17 for purposes of this analysis.[7] This information is included in Table 2.

Table 2
SE King County Secondary Health Services Planning Area Hospitals
Inpatient Pediatric Discharges as a Percentage of Total Discharges

Hospital	Total Inpatient Discharges	Total Inpatient Discharges Age 0-17	Total Inpatient Discharges Age 0-5	Total Inpatient Discharges Age 6-11	Total Inpatient Discharges Age 12-17	Total Inpatient Discharges (Age 0-17) as % of Total Inpatient Discharges
MultiCare: Auburn Medical Center	7,318	15	0	0	15	0.2%
MultiCare: Covington Medical Center	2,345	0	0	0	0	0.0%
VMFH St. Francis	8,840	19	0		19	0.2%
VMFH St. Elizabeth	1,436	9	0	2	7	0.6%
Valley Medical Center	14,336	117	39	20	58	0.8%
Sum of All SE King Providers	**34,275**	**160**	**39**	**22**	**99**	**0.5%**

Source: 2023 CHARS Data, excludes all newborn DRGs

While each hospital has pediatric volumes, and while the use of inpatient data is not an exact proxy, the available data suggest that only a small percentage of hospital volume is non-newborn pediatric, and no hospital has more than 0.8% of their total inpatient discharges, excluding newborn DRGs, from the 0-17 age cohort.

In addition to the five hospitals, there are five CN approved ASCs. Two of the five providers indicate that they do not serve patients under the age of 18. The other three have various age limitations, with: (1) one being a dedicated eye and laser center serving patients age 12+; (2) one serving children age 2+; and (3) one serving children age 6+. However, there is no detailed data for SC to confirm their volumes or dedicated pediatric programming. A review of their websites did not identify any dedicated programs, ORs, equipment, staff, or procedures specifically designed or operated for the surgical management of infants, children, and adolescents.

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[7] Although SC utilized 0-17 as the age range for the analysis in Table 2, SC regularly sees patients that are age 0-21, and on occasion, even patients that are older than 21 years. Like our Bellevue ASC, we plan to serve patients of similar ages at this ASC.

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

For the reasons detailed in response to the previous question, SC concludes there are no similar providers in the SE King Secondary Health Services Planning Area. The project outlined in this CN is not unnecessarily duplicating any existing services.

There are currently no dedicated pediatric ASCs in the planning area, despite the previously noted concentrated population growth of pediatric residents in the region. While most providers can accommodate low volumes of select pediatric patients, there is no facility within SE King County with the staff, equipment, or specialized resources to care for the volume of pediatric cases and range of pediatric specialties we are proposing. SC is the only provider that will meet the American Academy of Pediatrics (AAP) guidelines for a pediatric perioperative anesthesia environment.

Nationally, there has been a healthcare trend of hospitals shifting day surgeries and procedures from inpatient to outpatient setting, for a variety of reasons. This trend is expected to continue, therefore increasing the demand for ASC facilities so that patients are cared for in the most appropriate setting.[8] Establishing an ASC in Federal Way will facilitate SC ability to provide day surgery and procedures for ASC eligible patients who currently live in the South Sound, while minimizing the need for them to travel to SC other locations in Seattle or Bellevue. By shifting these cases and expanding access, SC will reduce some of the capacity challenges at Laurelhurst, which is currently operating at 92% of DOH defined OR occupancy and free up capacity for the inpatient and complex patients that can only be cared for at the Laurelhurst campus. It is critical SC establish an ASC to better support the patients and families in the growing Southern geographies and for the larger Washington, Alaska, Montana, and Idaho region that SC serves.

Need exists today, and SC is committed to establishing a presence to align our clinical offerings with patient and family need.

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.**

WAC 246-310-270(9) details the methodology for determining outpatient surgery need. In summary, the methodology calculates a service area's specific use rate, and separately calculates current mixed use and dedicated CN approved outpatient operating rooms. WAC indicates that the use rate may be adjusted for surgery trends.

The methodology projects the number of inpatient and outpatient surgeries performed within the planning area in the applicant's third year of operation. In the case of this project, the third year is 2030. The methodology then determines if there is need for additional mixed-use rooms and dedicated outpatient rooms. Dedicated outpatient rooms are given preference.

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[8] Sg2 Children's Hospitals Service Line Outlook 2024; full report in Exhibit 4.

The last CN decisions for an ASC in SE King were issued in 2019. These decisions included approval for a three-room ASC at Valley Medical Center ASC and for Evergreen Eye Surgery Center. In the Valley decision, the CN Program identified a surplus of mixed use rooms but a need for 1.6 additional outpatient rooms and approved the project. It also approved the Evergreen Eye Surgery Center after the Valley decision.

SC inputs into the methodology, which is included as Exhibit 5, are summarized in Table 3.

Table 3
WAC 246-310-270 Inputs

Target Year	2030	Source
Use Rate	62.93 **Note:** The "proxy" use rate that is calculated with the actual 2024 survey data adjusted for data available for any other survey year is 62.93 surgeries per 1,000 residents. For comparison, when the CN Program last performed a CN analysis for a SE King CN application, it calculated a use rate of 85.43 per 1000, or more than 30% higher[9].	Any available survey
Population Year	2030	Claritas
Mixed Use Capacity. Minutes per OR per WAC	94,250	OR annual minutes from CN methodology
Dedicated Outpatient Capacity Minutes per OR per WAC	68,850	OR annual minutes from CN methodology
Current Mixed Use OR Capacity	40	Any available survey (2021-2024)
Current Dedicated Outpatient OR Capacity	16	2018-2024 survey or CN application
2030 Total Population	663,969	Claritas
Total 2030 Cases	41,783	(Use rate x 2030 population)/1,000
% Inpatient Cases	54.93%	Sum of available surveys
% Outpatient Cases	45.07%	Sum of available surveys
Future 2030 Mixed Use Cases	22,951	Projected cases x 54.93% that are Mixed Use
Future 2030 Outpatient Cases	18,832	Projected cases x 45.07% that are Outpatient
Future 2030 Mixed Use Minutes	2,349,380	Cases x default minutes per WAC

[9] CN#18-18, February 2019

Future 2030 Outpatient Minutes	1,419,262	Average minutes per case from most recent survey data (75.36)
Net Need Mixed-Use Rooms	11.7 OR surplus	Current Supply - Less 2030 Need
Net Need Outpatient Rooms	4.61 Outpatient OR need	Current Supply - Less 2030 Need

Source: Applicant and CN Program Surveys

The complete methodology is included in Exhibit 5.

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.

As noted in Table 3, application of the WAC methodology, and using the 2024 survey (2023 CY data) plus other, older survey data where available to increase the response rate, shows a relatively small surplus of mixed use ORs, and **a need for additional dedicated outpatient rooms in 2030, SC third year of operation**.

As contemplated in WAC, there are several considerations that support approval of SC proposal, including:

1. **This is a unique, first of its kind project in the SE King planning area – a dedicated pediatric outpatient surgical center.** It will improve access and simultaneously reduce pressure on SC highly utilized main hospital and Bellevue outpatient ORs. While some of the facilities noted in Table 1 can accommodate varying amounts of select pediatric patients, there is no facility within SE King with the staff, equipment, or specialized resources to care for the total volume of pediatric cases and the range of pediatric specialties we are proposing. Specific factors that will distinguish the proposed services from what is currently available in this planning area include:
   a. Pediatric cases require specialized equipment. These include laparoscopic instruments, intra-operative equipment sets, beds, wheelchairs, and equipment for airway management. There are numerous variations in size to accommodate a broad range of ages. This breadth of supplies is not readily available in most adult facilities.
   b. There will be staff dedicated and trained specifically to care for pediatric patients.
   c. A child-oriented environment, including education materials at age-appropriate levels,

and infrastructure access will be designed, built, and operated. This includes appropriately sized chairs, tables, drinking fountains, distractions for waiting, etc.

d. The ASC will have private recovery rooms, which contributes to greater patient/family satisfaction and better patient care.

2. The proposed dedicated outpatient ORs will be **the only in SE King that meet American Academy of Pediatrics (AAP) guidelines**[10] for a pediatric perioperative anesthesia environment. These include:
   a. Minimal number of cases for competency of management of smaller airways and IV access.
   b. Pediatric fellowship or equivalent providers for patients at increased risk (less than age 2).
   c. Age and size appropriate equipment and preparation space in a separate preoperative unit or area within general preoperative unit.
   d. Pediatric anesthesiologist responsible for organization of anesthesia services.
   e. Nursing and technical personnel trained in routine and emergency pediatric care.
   f. Resuscitation equipment of appropriate size and appropriate dosing for drugs.
   g. Post anesthesia recovery room personnel with knowledge of intraoperative pediatric anesthesia management.

3. **Pediatric ASC OR times (surgery minutes) are often longer** than for adults. This creates greater need for capacity for pediatric populations as compared to adults. In addition, the total surgery time (anesthesia start to anesthesia stop) and total time in the facility (arrival to departure) can also vary significantly for pediatric patients. The reasons for this include:

   a. Induction times are longer for children.
   b. Regional anesthesia is not typically used without an accompanying general anesthetic as it's psychologically more challenging for children to be awake for procedures.
   c. IV starts for many children occur after they are asleep to avoid distress. This is not necessary for adults.
   d. Similarly, blocks (when used), are performed after the child is asleep. These prolong the case time relative to adult ASCs.
   e. Recovery time is longer for children. For example, even patients with a short procedure time (20 minutes) can require up to 1.75 hours for recovery time due to the use of general anesthesia and required postoperative observation.

4. The use rate used to calculate numeric need is artificially deflated because of the lack of survey responses and our reliance on some data that occurred during the COVID timeframe. For example, SC used 2021-2023 survey responses for five providers. This data reflects 2020-2022 surgeries. **The 2023 use rate used in this application is nearly one third lower than the use rate calculated by the CN Program and used in the 2019 Valley ASC decision.** In the early months of 2022, the State was still impacted by COVID. On January 13, 2022, the Governor

[10] Hackel A, Badgwell JM, Binding RR, Dahm LS, Dunbar BS, Fischer CG, Geiduschek JM, Gunter JB, Gutierrez-Mazzora JF, Kain Z, Liu L, Means L, Myer P, Morray JP, Polaner DM, Striker TW. Guidelines for the pediatric perioperative anesthesia environment. American Academy of Pediatrics. Section on Anesthesiology. Pediatrics. 1999 Feb;103(2):512-5. doi: 10.1542/peds.103.2.512. PMID: 9925855.

issued an Emergency Proclamation Amending Proclamations 20-05 and 20-24, et seq. 20-24.*3 Restrictions on Non-Urgent Medical Procedures.* Proclamation 20-05 was first issued in February of 2020 at the outset of COVID, and Proclamation 20-24 was issued in March of 2020. These proclamations prohibited hospitals, ambulatory surgical facilities, dental, orthodontic, and endodontic offices in Washington State from providing most non-urgent medical and dental procedures. The emergence of the "Delta" variant and then the "Omicron" variant, resulted in the Governor finding that a State of Emergency continued to exist in all counties of Washington State and that an amended Proclamation 20-05 was necessary to help preserve and maintain life, health, property or the public peace. The amendment prohibited all hospitals from performing non-urgent health care services, procedures, and surgeries. This proclamation was lifted in February of 2022, but volumes did not return to pre-COVID levels until many months thereafter.

5. Without the additional ORs in SE King, SC will need to evaluate options to expand Bellevue or Laurelhurst. **Either option is more costly, more disruptive to existing operations, and won't address the challenges South families face when traveling far distances for care.** Despite recently opening eight additional ORs at the main hospital, it is already operating at 92% of DOH defined OR occupancy. Similarly, Bellevue, which is fully built out with no opportunity to expand within the existing facility is also operating at 92% of DOH defined OR occupancy.

6. **This project will be a significant satisfier for families**, as they can minimize travel on I-5 through King County and I-405 travel through Renton/Factoria. Parents and families have expressed a strong preference to have day surgery provided closer to home and avoid travelling on I-5, I-405 and I-90 through King County, if not necessary.

7. Of the CN approved ambulatory surgical facilities in SE King, two provide no pediatric access and the third provides only eye cases for patients aged 12+. These three ASCs account for 31% (4 of 13) of the CN approved ASC rooms in the Planning Area. Although the other two CN approved facilities stated in their surveys they can care for children, there is nothing on their websites to indicate they have unique pediatric capabilities. **These sites are either not accessible by the infants, children and adolescents who will be served in our proposed facility or provide a much more limited scope of care than we are proposing**.

8. While all three of SC SE King rooms will be used for GI/endoscopy type cases, in terms of surgical cases and minutes, **the equivalent of at least one of the three rooms will be for GI; and the requested CN reviewable room count equates to two**.

9. **SC provides the majority of Medicaid and uncompensated care to pediatric patients in Washington**. SC estimates that 54% of the cases in our new Federal Way Surgery Center will be for Medicaid or charity care patients. This rate is significantly higher than that of other recently approved ASC CNs. In other words, by expanding our geographic footprint, our facilities will be more easily available and accessible to lower-income populations. They may have greater transportation costs and more limited transportation options and would benefit from having dedicated pediatric surgical care close to their homes.

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

This is a new facility, so this question is not applicable.

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

SC projected surgical and procedural cases for the Federal Way ASC, are detailed in Table 4. Specifically, SC assumed the following:

- Patients would be "SC ASC eligible," meaning they are day surgery patients who are ASA Level 1-3, with the exclusion of any emergent cases and add-ons.
- 57% of existing Southern geography day surgery cases (FY24) within the below specialties who would have received care at our Bellevue ASC or Laurelhurst.
- To be conservative, SC applied a 6.4% annual growth rate to our FY24 volumes, which is lower than the state-wide growth rate of 8.5% (CAGR 2020-2024).[11]

Table 4
Projected Surgical Volumes

Service Line	FY28	FY29	FY30
Craniofacial	224	238	254
Dental/Oral	-	-	-
ENT, Inclusive of Audiology	501	533	568
Gastroenterology	600	638	679
General Surgery	128	137	145
Ophthalmology	64	68	72
Orthopedics & Sports Medicine	273	291	309
Urology	439	468	498
All Others	31	33	35
Grand Total	**2,260**	**2,406**	**2,560**

Source: Applicant

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

Social determinants of health (SDOH) are non-medical factors that influence health outcomes. They are the conditions in which people are born, grow, work, live, and age. They represent the wider set of forces and systems shaping the conditions of daily life. SDOH also greatly influence

[11] Source for DOH's state-wide growth rate is WSHA for hospital-based day surgeries.

health equity. Research shows that access to food, housing, transportation, and other social and environmental factors have a direct impact on a person's health and well-being.

Families in SE King are more diverse than most other areas of King County, and include greater populations of Black, Hispanic, Native Hawaiian, and Pacific Islanders. Both the uninsured rate and the percentage of adults reporting not seeing a doctor due to cost, is highest in the South and SE portions of King County. SE King County, in general, has a higher prevalence of chronic disease impacts, including diabetes, asthma, and stroke. Individuals disproportionately face disadvantages that may impact their physical, mental, and social health, in other words, their SDOH.

SC is committed to helping every child live their healthiest and most fulfilling life possible. Since November 2021, SC has been administering an optional social needs screening questionnaire prior to a patient's initial appointment at ambulatory sites of care. These questions are the same for all families who have clinic appointments, none are specific to one patient or family. The questionnaire is available in eight different languages and all responses are securely stored within the patient's medical record. The data that is collected is utilized in different ways:

- On an individual level, SDOH data provides care teams the context to adapt and improve patient care. For example, knowing whether a family is food insecure can help guide a provider's recommendation on taking medicine with food. It enables SC to better support our patients and families by connecting them to the resources and services they may need to improve their overall health, safety, and well-being.
- On an institutional level, SDOH data builds an understanding of community needs within service lines and zip codes and helps us to inform future patient care. We utilize it to help guide our community engagement and partnership efforts, so that patient family needs can be met as needed in different geographical areas. Both the data collection and resource referrals support SC commitment to health equity and anti-racism.

We intentionally chose to locate our ASC next to our South pediatric multi-specialty outpatient clinic in Federal Way, so we could maximize the support we could provide to families in the SE King planning area. Our clinic has free parking, is located near two major highways (I-5, WA-18), and is accessible by public transportation. Our clinic also has the following resources that would be available to our day surgery/procedural patients and their families:

- The Bridges Program: The Bridges Program helps connect patients and families to care coordination and community resources to support them as they care for their child's healthcare needs. This includes scheduling help, care coordination, technology support, transportation, financial resources, individualized support and more.
- Playroom: The playroom is open to patients and their siblings, ages 3 to 11 years old, who are toilet trained. Siblings are welcome to stay in the playroom while patients and caregivers go to their appointment. The playroom is available on a first-come, first-served basis. Play is guided by playroom staff.

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.**

Admission to all SC facilities and programs is based upon clinical need. SC prohibits discrimination based on race, color, creed, national origin, religion, sex, gender identity, sexual orientation, or disability consistent with requirements defined by the US Department of Health and Human Services Office for Civil Rights and the Washington State Department of Social and Health Services. All patients who enter the SC system are carefully assessed at the time of entry and appropriately placed in a patient care area that most meets their assessed needs. A copy of SC nondiscrimination policy, titled "Patient Rights and Responsibilities," is included in Exhibit 6.

Dismantling systemic racism is an integral part of how SC provides care and promotes health equity. SC has been addressing health disparities and systemic racism for many years, and our work has evolved over time. The Health Equity and Anti-Racism (HEAR) Action Plan was initially released in 2021 as a roadmap to guide us in transforming organizational culture and making changes that prioritize racial equity and eliminate disparities. Looking to the HEAR Action Plan, SC prioritized the issues that workforce and community members shared as being most important to them. SC recently kicked off Phase Three of this work and releases HEAR Action Plan progress reports on an annual basis. The 2024 HEAR Annual Report highlights the progress we've made and measured through our annual outcome measures.

SC bases its services on the patient's clinical needs and provides services to patients regardless of their family's financial resources. For hospital charity care reporting purposes, the Department of Health (DOH) divides Washington State into five regions. SC is in the King County region. According to 2020-2022 charity care data (the latest data available) produced by DOH, the three-year charity care average for King County, excluding Harborview Medical Center, was 1.02% of gross revenue and 2.30% of adjusted revenue. SC provided charity care at 0.76% of gross revenue and 1.49% of adjusted revenue during this period. For the ASC proforma financials, SC has assumed charity care to be 1.02% of gross revenue.

In addition to traditional charity care and serving as the region's "safety net" provider for pediatric care, SC reaches beyond its hospital walls every day to provide programs and services to make children, adolescents, and their families safer and healthier where they live. In 2023, SC provided more than $500M in community benefit activities, which are classified as uncompensated care, health professional education, research, and community health improvement:

- $354,702,000 in uncompensated care
- $39,184,000 in health professions education
- $87,280,000 in research
- $20,328,000 in community programs and services

SC commitment to caring for the community is its passion, duty, and privilege. The most recent 2022 Community Health Assessment is available online. There is extensive detail about the methods, analysis, and key findings that resulted in our four priority health goals, twelve key strategies, and 63 tactics. The goals and strategies are listed below, but more detail and additional background are available through the linked report.

- Primary: Mental and Behavioral Health
  - Partner with our community to identify and implement innovative solutions for pediatric mental and behavioral health. Improve access for every child.
    - Expand the capacity and continuum of mental and behavioral health services offered by SC and by the community.
    - Educate and raise awareness of mental and behavioral health to increase child wellness, family skills, and to eliminate stigma.
    - Expand efforts to integrate mental and behavioral health care and wellness with physical health care and wellness.
    - Develop and support a diverse mental and behavioral health workforce at SC and in the community that reflects the communities they serve.
- Suicide and Injury Prevention
  - Reduce preventable childhood injury and death, and help every child live the healthiest and most fulfilling life possible through equitable community and hospital-wide approaches.
    - Increase access to and proper use of safety devices to diverse, under-resourced, and high-risk populations across the Washington, Alaska, Montana, Idaho (WAMI) Region.
    - Expand suicide and injury prevention awareness education to families, caregivers, community organizations, schools, community pediatricians and other providers.
    - Collaborate with diverse, under-resourced, and high-risk populations to foster equity in suicide and injury prevention education.
    - Support evidence-based pediatric suicide and injury prevention efforts through community partnerships.
- Healthy Lifestyles (Healthy Eating, Safe Active Living, and Food Security)
  - We will develop and support programs, partnerships, and policies to prevent, assess and treat children that help them achieve healthy growth, focusing on addressing inequities and disparities.
    - Expand community environmental supports for healthy eating, physical activity, and food security through community partnerships and programs.
    - Advocate for policy, system and environmental changes that increase healthy eating, nutrition education and safe and healthy recreation.
- Economic Security
  - In partnership with our community, SC will leverage our assets to address upstream determinants of health.
    - Honor our role as an anchor institution through place-based work and investments locally and regionally.
    - Address upstream social and environmental determinants of health.

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.**

Copies of SC policies are included in Exhibit 6. Also linked here is a copy of our 2024-2025 Joint Community Health Needs Assessment. Together with the King County Hospitals for a Healthier Community (KCHHC), SC published a Community Health Needs Assessment (CHNA). In this CHNA, ten hospitals and health systems in King County collaborated to identify important health needs and assets in the communities we serve. The report contains data on the description of community, life expectancy and leading causes of death and chronic illness. To supplement this, our assessment is accompanied by our resulting Community Health Implementation Strategies that lays out the concrete steps we are taking to respond to the needs identified and how to amplify all the wonderful community-based factors already in place.

SECTION 4
Financial Feasibility

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.**

Utilization projections for the first three years of the Federal Way ASC are:

FY28: 2,260
FY29: 2,406
FY30: 2,560

These are the same as what was listed in Table 4 and align with the previously outlined assumptions.

The pro forma revenue, expense projections, balance sheet and financial assumptions are included in Exhibit 7.

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.

Details about site development will be included in the lease agreement. There is not a separate development agreement. The rest of these agreements are N/A.

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)

Planning Area Hospital 3-year Average Charity Care as a Percentage of Total Revenue	1.02%
Projected Facility Charity Care as a Percentage of Total Revenue	1.02%

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.

We have a non-binding lease Memorandum of Understanding (MOU). We are negotiating the final lease to align with the terms described in the MOU. We will share the fully executed lease once it has been signed by both parties.

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

In February 2024, SC external land use counsel received confirmation from Jonathan Thole, Planning Manager for the City of Federal Way, that use of the land for outpatient day surgery would comply with zoning regulations, on the basis that such use aligns more closely with the definition of a medical office use than that of a hospital. On Mr. Thole's recommendation, SC is

in the process of applying for a Zoning Verification Letter and will provide the final zoning letter once received.

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

Table 5
Estimated Capital Expenditures

Item	Total Project Cost	CN Reviewable Project Costs	Allocation of all costs	
			Landlord	Seattle Children's
a. Land Purchase	$0	$0	$0	$0
b. Utilities to Lot Line	$826,500	$0	$0	$826,500
c. Land Improvements	$0	$0	$0	$0
d. Building Purchase	$0	$0	$0	$0
e. Residual Value of Replaced Facility	$0	$0	$0	$0
f. Building Construction	$57,693,505	$14,934,000	$14,982,294	$42,711,212
g. Fixed Equipment (not already included in the construction contract)	$6,767,500	$2,150,919	$0	$6,767,500
h. Movable Equipment	$13,642,380	$6,944,250	$0	$13,642,380
i. Architect and Engineering Fees	$6,395,400	$3,197,700	$0	$6,395,400
j. Consulting Fees	$5,888,100	$2,944,050	$0	$5,888,100
k. Site Preparation	$4,629,155	$0	$0	$4,629,155
l. Supervision and Inspection of Site	$855,000	$427,500	$0	$855,000
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	$0	$0	$0	$0
n. Washington Sales Tax	$6,313,285	$1,512,814	$1,517,706	$4,795,579
Total Estimated Capital Expenditure	**$103,010,826**	**$32,111,233**	**$16,500,000**	**$86,510,826**

Source: Applicant

The capital assumptions are in Exhibit 8.

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.

SC will be funding the capital expenditure identified above.

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.

The start-up costs in this project are $4,104,742. These start-up costs are based on the following assumptions: three months of cost associated with hiring, onboarding, and training of staff and purchasing of supplies.

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

SC worked with a third-party cost estimator to generate this and it is included in Exhibit 9.

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

WAC 246-310-220 states, the determination of financial feasibility of a project shall be based on the following criteria:

(1) The immediate and long-range capital and operating costs of the project can be met.
(2) The costs of the project, including any construction costs, will probably not result in an unreasonable impact on the costs and charges for health services.
(3) The project can be appropriately financed.

SC fulfills the three criteria listed above. In 2024, Fitch Ratings affirmed SC issuer default rating and revenue bond ratings as AA and provided a rating outlook of stable. Additionally, as mentioned in other sections of this application, SC will be funding this project from existing reserves, and it will not be debt financed.

Importantly, SC charges are not tied to or set by capital expenditures. For the above reasons, this project will not have an impact on the costs and charges of health care services.

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

SC charges are not tied to or set by capital expenditures. Therefore, this project is not expected to have an impact on the costs and charges of health care services.

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."

Table 6
Projected Payer Mix

Payer	Percentage by Revenue	Percentage by Patient
Medicare	0%	0%
Medicaid	51%	51%
Other Payers - Commercial	46%	46%
Other Payers – Self-pay & other Government	3%	3%
Total	100%	100%

Source: Applicant

The payer mix reflected above is for the ASC project.

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

This is a new facility, so this question is not applicable.

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

The preliminary equipment list is included in Exhibit 10. It will continue to be refined through the design process.

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.

This proposed project will be financed from existing reserves. Included in Exhibit 11 is a letter from Suzanne Beitel, SC Chief Financial Officer, confirming this.

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 project will not be debt financed.

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

Financial statements from the most recent three years are included in Exhibit 12.

SECTION 5
Structure and Process of Care

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.**

   SC is the only hospital licensed and accredited as part of our acute care hospital license and accreditation by WA DOH. It is also accredited as part of the SC DNV Accreditation.

   For the healthcare facilities SC operates, it has the following Medicare and Medicaid provider numbers:

Table 7
Medicare and Medicaid Licensing Information

Facility	Medicare	Medicaid
SC Hospital	50-3300	1011158
Home Care	7541630001	1005937
Inpatient Dialysis Unit	502306	1019477

Source: Applicant

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.**

Table 8
Proposed Staffing for Project

	FY28	FY29	FY30
PreOp RN	4.0	4.0	4.0
PACU RN	10.0	10.0	10.0
PreOp/PACU Charge RN	3.0	3.0	3.0
Admit RN OR Coordinators	2.0	2.0	2.0
Charge OR RN	3.0	3.0	3.0
OR RN	12.0	12.0	12.0
Surgical Tech	5.0	5.0	5.0
Anesthesia Tech	4.0	4.0	4.0
Certified Nursing Assistant	3.0	3.0	3.0
OR Manager	1.0	1.0	1.0
Material/Sterile Processing	4.0	4.0	4.0

RN (Pre-Anesthesia testing)	1.5	1.8	2.3
Social Work	0.5	0.5	0.5
Child Life	1.0	1.0	1.0
Playroom Coordinator	0.3	0.3	0.3
EVS	6.0	6.0	6.0
Security	2.8	2.8	2.8
Registration	3.8	3.8	3.8
IT Support	1.0	1.0	1.0
Facilities Management	1.4	1.4	1.4

Source: Applicant

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

Our proposed staffing is designed to cover projected volume in a combination of 8, 10, & 12-hr shifts. It may change over time to adjust with the volumes. Additionally, it:

- Is compliant with current WA state laws regarding meal breaks and rest periods for all hourly staff.
- Provides relief staff for breaks and lunches.
- Is sufficient to cover vacation, paid time off, and leaves of absence.

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.**

Table 9
Medical Directors

Medical Director Position	Medical Director Name	Professional License Number
Surgical Services	Burt Yaszay, MD	MD61140852
Anesthesia Services	Sean Flack, MD, MBChB	TR00043838

Source: Applicant

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

The employed Medical Directors are listed in Table 9. A copy of their job descriptions is included in Exhibit 13.

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

Table 10
Key Staff

Title	Name
Nurse Manager	Corrie Casey, BSN, MSN
Surgeon-in-Chief	Andre Dick, MD, MPH, FACS
Chief Medical Officer	Jeff Ojemann, MD

Source: Applicant

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).

See Exhibit 14 for the list of physicians who are expected to use this surgery center.

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

This is a new facility, so this question is not applicable.

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

Over the years, SC has enjoyed success in both recruitment and retention of staff. We believe, in large part, this is attributable to SC reputation as one of the nation's leading pediatric hospitals and research institutions, our commitment to provide family-centered care, and our dedication to serve as a resource for training and education.

SC recognizes that meeting the needs of patients and families who need our care can be demanding. Accordingly, we have worked to engage, support, and develop our workforce so that our patients and families can receive the best care. This includes maintaining patient to staff ratios that facilitate a supportive work environment.

Underlying our work in employee engagement and recognition, is our mission that has defined us for over 100 years. As a result of our efforts, SC has received several awards that recognize the quality of care we give our patients and families and the supportive work environment we provide for our nurses and other healthcare professionals. These awards, which are also attractive recruitment tools, include:

- In 2024, *U.S. News & World Report* once again recognized SC as one of the top 10 best children's hospitals in the U.S. and the best in the Pacific Northwest. Out of nearly 200 pediatric hospitals evaluated in 2024, SC ranked #1 in Washington and the Pacific Northwest and additionally tied with Rady Children's Hospital and Children's Hospital Los Angeles for first place in the Pacific Region, which includes Alaska, California, Hawaii, Oregon, and

Washington. Furthermore, SC ranked in all 11 clinical specialties, including the new category of Pediatric Adolescent Mental and Behavioral Health.

- In 2024, SC achieved its fourth consecutive Magnet recognition from the American Nurses Credentialing Center, sponsor of the Magnet Recognition Program. SC is the only pediatric hospital in Washington to receive Magnet recognition. Organizations that achieve Magnet recognition must have empirical outcomes that support the overarching theme of "global issues in nursing and health care" and demonstrate success within the four conceptual areas of (a) transformational leadership, (b) structural empowerment, (c) exemplary nursing practice, and (d) innovations and improvements.
- In 2023, SC was re-verified as a Level I Children's Surgery Center by the American College of Surgeons (ACS). SC is the only Level I children's surgery center in Washington, and one of only 55 pediatric hospitals in the country to receive this designation. To become a Level I verified center, SC met essential and rigorous criteria for staffing, training and protocols for care ensuring our ability to appropriately care for our surgical patients.
- The Human Rights Campaign Foundation has designated SC as an LGBTQ+ Healthcare Equality Leader. The Healthcare Equality Index (HEI) is the national LGBTQ+ benchmarking tools that evaluates healthcare facilities' policies and practices.
- In 2022, SC received the Gold Extracorporeal Life Support Organization (ELSO) Award for Excellence in Life Support. The ELSO Excellence in Life Support Award recognizes Extracorporeal Life Support programs worldwide that distinguish themselves by having processes, procedures and system in place that promote exceptional care.
- SC achieved Stage 7 status on the Healthcare Information and Management Systems Society (HIMSS) Adoption Model for Analytics Maturity. This is the highest level of recognition for an organization's dedication to digital transformation in healthcare. We also received Stage 7 status on the HIMSS Electronic Medical Record (EMR) Adoption Model, the highest distinction for adoption and use of our EMR.

Since employee recruitment and retention of the best staff is critical to SC success, we offer competitive salaries, a generous paid time off program, benefit packages, tuition assistance, and a variety of programs dedicated to caring for our employees' well-being. As an example of SC recruitment and retention strategies include:

- SC Tuition Assistance Program provides financial assistance to help staff members pursue education to advance toward, or develop in, a career within the organization.
- We support both internal and external learning opportunities, including participation in professional associations, continuing education, community activities, and pursuit of advance degrees. Our goal is to help SC staff exceed in their roles and provide opportunities for leadership development and employee advancement.
- SC offers sign on bonuses and relocation assistance for hard to fill positions.
- SC has a Talent Acquisition department that supports our management team in the recruitment and hiring process. Our Talent Acquisition department includes dedicated nurse recruiters who work largely to hire for hard-to-fill positions. These individuals conduct national searches and attend national conferences for pediatric nursing and sub-specialty nursing. In addition, they attend job fairs and reach out to local colleges and universities.

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

This is a new facility, so this question is not applicable.

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

Table 11 provides a listing of the key support services and a listing of the vendor (in-house or contracted).

Table 11
Ancillary and Support Services

Services Provided	Vendor
Biomedical waste	Seattle Children's
Clinical Engineering	Seattle Children's
Child life	Seattle Children's
Environmental services	Seattle Children's
Labs including pathology	Seattle Children's
Linen service	Hospital Central Services Inc
Pharmacy	Seattle Children's
Radiology	Seattle Children's
Social Work / Therapy	Seattle Children's
SPD / GI Processing	Seattle Children's
Supply Chain	Seattle Children's
Transport	Seattle Children's

Source: Applicant

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

This ASC would be added as a new site to the Hospital Central Services Inc. contract to provide coverage at the new location. Otherwise, none of the ancillary and support services are expected to change because of this 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)

This is an application for a new ASC, so this question is not applicable.

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

This is an application for a new ASC, so this question is not applicable.

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

Like our Bellevue ASC, any patient who requires medical transport or needs additional clinical care would receive it at SC. We have well established protocols for transferring patients from Bellevue to our main hospital campus if need arises and we will develop similar ones for Federal Way.

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

SC has its own critical care transport team that coordinates and provides ground transport services for neonatal and pediatric patients who require critical care or specialty care at SC, or any other facility in the Western Washington region. Our core team consists of critical care transport nurses, respiratory therapists, and EMTs. Additional team members may include neonatologists, pediatric critical care physicians, cardiac intensivists, emergency medicine physicians, pediatric hospitalists, and advanced practice providers based on the clinical needs of the patients. If a patient at the Federal Way ASC required a higher level of care, we would utilize our critical care transport team to transfer them to our main campus hospital, as we have an ambulance parked at our existing Federal Way clinic. If, for some reason, the ambulance was not available, we would call 911 for assistance. We do not have a separate transfer agreement to cover this since we would be sending the patients from a SC site of care to our main hospital campus, and both are in our overall health system,

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)

WAC 246-310-230(4) states, "*The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.*" As previously mentioned, the addition of this ASC will promote and enhance continuity of health care services within SE King and other southern geographies. Patients will have a seamless experience for surgical and procedural services. They will have the opportunity to be scheduled for pre and post-op clinic visits and have their surgeries and/or procedures at the same location. They will receive care closer to home. In addition to the clinic visits, surgeries, and procedures, patients will have access to expanded wrap-around services including sedated MRIs, X-rays, and lab. All clinical services will be provided by SC staff. Every patient encounter will be documented in the same medical record and data systems as the rest of our organization, to allow for integrated and cohesive management of all care-related information.

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).

WAC 246-310-230(4) states, "*The proposed project will promote continuity in the provision of health care, not result in an unwarranted fragmentation of services, and have an appropriate relationship to the service area's existing health care system.*" This proposed project fulfills this requirement by filling a gap in the SE King health care system and enhancing continuity of care for pediatric patients. Currently, there is no dedicated pediatric ASC and adding one will provide enhanced local care for pediatric patients and families who live in and around the South Sound area.

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.**

SC has no history with respect to the actions described in the Certificate of Need criterion WAC 246-310-230(3) and (5).

SECTION 6
Cost Containment

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

SC considered the following options prior to undertaking the project contained in this application. The options considered were:

a. Do nothing
b. Expand outpatient OR capacity at our existing sites
c. Build a smaller facility where only procedures could be performed
d. Build the Federal Way ASC

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.**

   The first option, do nothing, was quickly ruled out because it wouldn't help us achieve our goals of providing care closer to home for South Sound patients. Patients would continue to need to travel further for surgeries and procedures and would not receive the seamless care we aim to provide. Maintaining the status quo is not in the best interest of patient care or experience.

   The second option, expansion of OR capacity at our existing sites in Laurelhurst and Bellevue was determined to be too costly, time consuming and disruptive to current operations. As noted earlier in our application, all of SC ORs are already well above DOH's recommended levels of occupancy and do not have capacity to keep growing; Bellevue is fully built out. Specific to the Laurelhurst ORs, any additional OR capacity added should focus on inpatient services, not outpatient. Additionally, increasing the amount of OR capacity at either of these sites does not address the primary consideration of the current distances patients and families are traveling for care. These families would still be inconvenienced, as they are today, and would not receive care closer to home, which is where we want to provide it.

   Establishing only a procedure suite has several limitations and operational challenges. It would be too costly of an investment to build a new facility where only procedural cases, and no surgical cases, could be performed. Only a limited number of cases can be performed in a procedure suite, and it requires accommodations to scheduling and provider deployment to ensure that only cases appropriate for a procedure suite are properly scheduled. Only building one procedure room would not give us redundancies for facility management. Although we would be able to improve care for some patients who live in the South Sound, there would still be a significant number of patients and families who need to travel to SC facilities in Bellevue or Laurelhurst for care.

   Ultimately, the establishment of an ASC in Federal Way was determined to be the best option for serving patients and families closer to home and expanding SC outpatient surgical capacity. As we have mentioned several times in earlier sections of this CN application, the establishment of the Bellevue ASC was successful in terms of utilization, as demand for the Bellevue ASC quickly outpaced our initial projections. By decanting activity from SC Bellevue and Laurelhurst ORs, we will free up space in those locations, increase the overall number of surgeries and procedures that can be performed, and decrease wait times for surgery. Opening this new site will allow us to increase patient and family satisfaction by providing care closer to home.

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).**

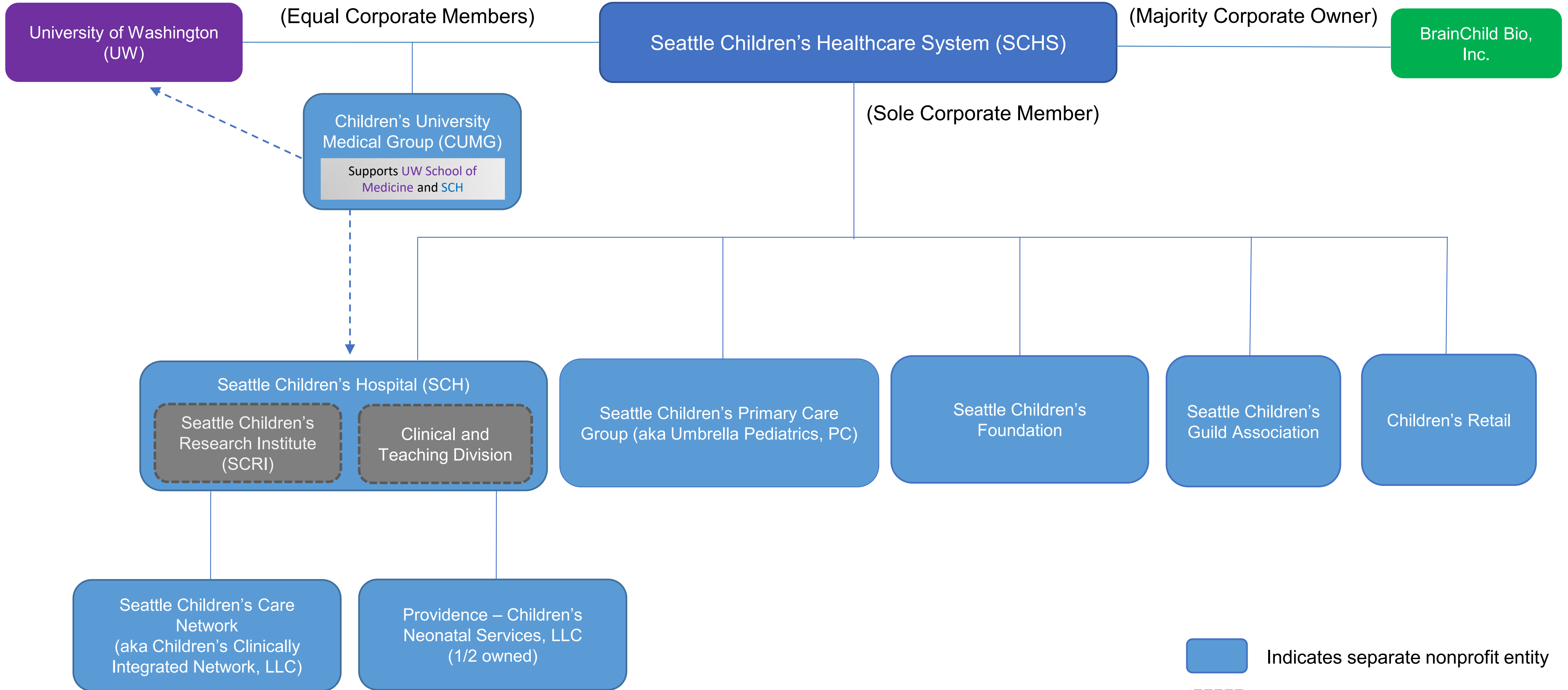
   SC has long been a leader and a believer in sustainability and is committed to green building. Green building is the practice of creating healthier and more resource-efficient models of design, construction, renovation, operation, maintenance, and demolition. Elements of green building include, but are not limited to: designing and operating buildings to use energy efficiently and to use renewable sources of energy, including solar and wind; use water efficiently; use building materials that, in comparison to competing brands, have a reduced effect on the environment throughout their life cycle (e.g. recycled content, low toxicity, energy efficiency, biodegradability, and/or durability); reducing the waste from construction, remodeling, and demolition; designing and operating buildings that are healthy for their occupants. We will incorporate green building into our design of the Federal Way ASC. We have an Environmental Preferred Procurement (EPP) policy that is applied to all major procurement decisions. Per our policy, SC will evaluate the environmental impacts (e.g., waste, toxicity) of products and services to select healthy and safe products and services that are also environmentally sound.

   We are dedicated to reducing our greenhouse gas emissions to limit the impact of climate change and provide better health outcomes for our patients, families, staff and communities we serve. In June 2022, we signed the Health and Human Services Health Care Climate Pledge to reduce organizational emissions in half by 2030 and all emissions to net-zero by 2050. SC has been recognized by external organizations focused on measuring environmental stewardship and commitment to sustainability. This includes being awarded the Top 25 Environmental Excellence Award by Practice Greenhealth (2015-2020) and being named one of the 50 Greenest Hospitals in America by Becker Hospital Review. Additionally, SC was the first hospital in the U.S. to receive Salmon Safe certification for its campus in northeast Seattle in 2017.

EXHIBIT 1

Organizational Chart

Seattle Children's Corporate Organizational Chart



Last revised 11/1/2024

EXHIBIT 2

Typical Procedure List

Service Line	Specialty	Procedure Name
Craniofacial	Oral Surgery	EXTRACTION DENTAL
Craniofacial	Oral Surgery	EXCISION LESION
Craniofacial	Oral Surgery	EXCISION MASS
Craniofacial	Oral Surgery	EXCISION NEVUS
Craniofacial	Oral Surgery	INJECTION STEROID
Craniofacial	Oral Surgery	EXCISION CYST DERMOID
Craniofacial	Oral Surgery	EXCISION CYST
Craniofacial	Oral Surgery	REPAIR SOFT TISSUE FACE MINOR
Craniofacial	Oral Surgery	ASPIRATION JOINT
Craniofacial	Oral Surgery	ORBITOTOMY
Craniofacial	Oral Surgery	RELEASE FRENULUM
Craniofacial	Oral Surgery	REVISION SCAR
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE FACE MINOR
Craniofacial	Plastic Surgery	EXCISION LESION
Craniofacial	Plastic Surgery	EXTRACTION DENTAL
Craniofacial	Plastic Surgery	EXCISION NEVUS
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE SCALP MINOR
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE BREAST MAJOR
Craniofacial	Plastic Surgery	EXCISION CYST DERMOID
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE TRUNK MINOR
Craniofacial	Plastic Surgery	EXCISION CYST
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE EXTREMITY MINOR
Craniofacial	Plastic Surgery	EXCISION MASS
Craniofacial	Plastic Surgery	RELEASE TRIGGER FINGER/THUMB
Craniofacial	Plastic Surgery	EXCISION LESION FACIAL
Craniofacial	Plastic Surgery	REVISION SCAR
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE HAND MINOR - MODERATE
Craniofacial	Plastic Surgery	REPAIR ALVEOLUS INTRAORAL APPROACH W/ BONE GRAFT
Craniofacial	Plastic Surgery	ORBITOTOMY
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE POLYDACTYLY
Craniofacial	Plastic Surgery	EXCISION PILOMATRIXOMA
Craniofacial	Plastic Surgery	OTOPLASTY
Craniofacial	Plastic Surgery	TRANSPOSITION FLAP
Craniofacial	Plastic Surgery	EXCISION CYST BRANCHIAL
Craniofacial	Plastic Surgery	INJECTION FAT
Craniofacial	Plastic Surgery	EXCISION SOFT TISSUE MASS SIMPLE
Craniofacial	Plastic Surgery	INJECTION BOTOX
Craniofacial	Plastic Surgery	APPLICATION OR CHANGE SPICA CAST
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE/BONE SYNDACTYLY
Craniofacial	Plastic Surgery	TRANSFER TENDON SHOULDER
Craniofacial	Plastic Surgery	RHINOPLASTY
Craniofacial	Plastic Surgery	EXPOSE & BOND IMPACTED TOOTH
Craniofacial	Plastic Surgery	EXCISION LESION SKIN
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE INTRAORAL MINOR
Craniofacial	Plastic Surgery	CRPP HAND/FINGER(S)

Craniofacial	Plastic Surgery	SEPTORHINOPLASTY
Craniofacial	Plastic Surgery	REPAIR TENDON
Craniofacial	Plastic Surgery	REPAIR LIP MAJOR
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE SYNDACTYLY
Craniofacial	Plastic Surgery	EXCISION FINGER NAIL
Craniofacial	Plastic Surgery	REPAIR ALVEOLUS INTRAORAL APPROACH W/O BONE GRAFT
Craniofacial	Plastic Surgery	INJECTION CUTANEOUS
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE INTRAORAL MAJOR
Craniofacial	Plastic Surgery	REPAIR ALVEOLUS INTRAORAL APPROACH W/ BO
Craniofacial	Plastic Surgery	EXCISION GANGLION
Craniofacial	Plastic Surgery	CLOSED REDUCTION NASAL FRACTURE
Craniofacial	Plastic Surgery	RHINOPLASTY MAJOR
Craniofacial	Plastic Surgery	INJECTION OR ASPIRATION JOINT
Craniofacial	Plastic Surgery	EXCISION MASS NECK
Craniofacial	Plastic Surgery	REPAIR LIP MINOR
Craniofacial	Plastic Surgery	REPAIR SOFT TISSUE/BONE POLYDACTYLY
Craniofacial	Plastic Surgery	RECONSTRUCTION NERVE TRANSFER
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MYRINGOTOMY W/ TYMPANOSTOMY TUBES
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TONSILLECTOMY & ADENOIDECTOMY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	ADENOIDECTOMY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TONSILLECTOMY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOPLASTY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXAM UNDER ANESTHESIA EAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REMOVAL TYMPANOSTOMY TUBE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOPLASTY COMPLEX
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION PREAURICULAR APPENDAGE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	ENDOSCOPY SLEEP
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOMASTOIDECTOMY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	SEPTOPLASTY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	CLOSED REDUCTION NASAL FRACTURE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	PULSED DYE LASER SURGERY

ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TONSILLECTOMY & ADENOIDECTOMY INTRACAPSULAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION PREAURICULAR SINUS
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MYRINGOPLASTY W/ PATCH
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	RELEASE FRENULUM
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION HEMANGIOMA
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REDUCTION TURBINATE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION VASCULAR MALFORMATION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION MASS NECK
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REMOVAL FOREIGN BODY EAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION MASS
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MICROLARYNGOSCOPY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	RELEASE FRENULUM INTRAORAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOMASTOIDECTOMY SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MYRINGOPLASTY W/ CARTILAGE GRAFT
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION INTRAORAL SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION VAN SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	INSERTION COCHLEAR IMPLANT UNILATERAL SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION CYST BRANCHIAL CLEFT
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	BAER
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MICROLARYNGOSCOPY W/ INTERVENTION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REDUCTION NASAL TURBINATE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION MUCOCELE

ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION FACE COMPLEX
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION NECK SOFT TISSUE SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TRANSPOSITION FLAP
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	SINUS SURGERY W/ FUSION NAVIGATION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	OTOPLASTY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	SEPTORHINOPLASTY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TONSILLECTOMY INTRACAPSULAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION FACE SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION CYST DERMOID
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	PLACEMENT COCHLEAR IMPLANT
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION CYST BRANCHIAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOPLASTY SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TYMPANOTOMY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION FACIAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REMOVAL CERUMEN
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	ENDOSCOPY SINUS
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	SINUS SURGERY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	CAUTERIZATION NASAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REPAIR EAR ATRESIA W/ SPLIT THICKNESS SKIN GRAFT COMPLEX
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	ENDOSCOPY NASAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	CLOSURE FISTULA BRANCHIAL CLEFT
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	INJECTION BOTOX SALIVARY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION CYST NECK

ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION CYST
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	INJECTION BOTOX
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MYRINGOPLASTY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	BIOPSY SKIN
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION NECK MASS
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REVISION SCAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MEATOPLASTY EAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION/REVISION SCAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	CONTROL TONSILLAR HEMORRHAGE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	BIOPSY LYMPH NODE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	PLACEMENT COCHLEAR IMPLANT BILATERAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	INCISION & DRAINAGE NECK
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	OTOPLASTY SIMPLE
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	EXCISION LESION INTRAORAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	TONSILLECTOMY & ADENOIDECTOMY W/ COBLATION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	REMOVAL CERUMEN EAR
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	BIOPSY INTRAORAL
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	PROCEDURE ABORTED PRE-INDUCTION
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	MICROLARYNGOSCOPY/BRONCHOSCOPY
ENT, Inclusive of Audiology	ENT, Inclusive of Audiology	INSERTION COCHLEAR IMPLANT BILATERAL SIMPLE
Gastroenterology	Gastroenterology	EGD W/ BIOPSY
Gastroenterology	Gastroenterology	GI COMBO
Gastroenterology	Gastroenterology	COLONOSCOPY W/ BIOPSY
Gastroenterology	Gastroenterology	MOTILITY ANORECTAL
Gastroenterology	Gastroenterology	EGD W/ BALLOON DILATION
Gastroenterology	Gastroenterology	COLONOSCOPY
Gastroenterology	Gastroenterology	ANORECTAL MANOMETRY

Gastroenterology	Gastroenterology	PERCUTANEOUS LIVER BIOPSY
Gastroenterology	Gastroenterology	ESOPHAGEAL MANOMETRY
Gastroenterology	Gastroenterology	CAPSULE ENDOSCOPY
Gastroenterology	Gastroenterology	POUCHOSCOPY
Gastroenterology	Gastroenterology	COLONOSCOPY W/ BIOPSY AND POLYPECTOMY
Gastroenterology	Gastroenterology	COLONOSCOPY POLYPECTOMY
Gastroenterology	Gastroenterology	MOTILITY ESOPHAGEAL
Gastroenterology	Gastroenterology	SIGMOIDOSCOPY FLEXIBLE BIOPSY
Gastroenterology	Gastroenterology	EGD W/ PEG TO BUTTON CHANGE
Gastroenterology	Gastroenterology	FLEX SIG W/ BIOPSY
Gastroenterology	Gastroenterology	EGD FOREIGN BODY REMOVAL
Gastroenterology	Gastroenterology	MANOMETRY ESOPHAGEAL
Gastroenterology	Gastroenterology	ERCP
Gastroenterology	Gastroenterology	EGD PEG TO BUTTON
Gastroenterology	Gastroenterology	ILEOSCOPY
Gastroenterology	Gastroenterology	COLP
Gastroenterology	Gastroenterology	EGD W/PEG TO BUTTON CHANGE
Gastroenterology	Gastroenterology	POUCHOSCOPY W/ BIOPSY
Gastroenterology	Gastroenterology	SIGMOIDSCOPY FLEX BIOPSY
Gastroenterology	Gastroenterology	ENTEROSCOPY BALLOON
Gastroenterology	Gastroenterology	EGD W/ ENDOSCOPE CAPSULE PLACEMENT
Gastroenterology	Gastroenterology	PROCEDURE ABORTED PRE-INDUCTION
Gastroenterology	Gastroenterology	EGD CONTROL BLEEDING
Gastroenterology	Gastroenterology	ENDOFLIP
Gastroenterology	Gastroenterology	EGD
Gastroenterology	Gastroenterology	PH-IMPEDANCE PROBE PLACEMENT
Gastroenterology	Gastroenterology	EGD W/GASTRIC BANDING
Gastroenterology	Gastroenterology	EGD W/ BLEED CONTROL
Gastroenterology	Gastroenterology	EGD W/ BANDING
Gastroenterology	Gastroenterology	IR CENTRAL LINE HEMODIALYSIS/APHERESIS PLACEMENT
General Surgery	General Surgery	REPAIR HERNIA UMBILICAL
General Surgery	General Surgery	REPAIR HERNIA INGUINAL UNILATERAL
General Surgery	General Surgery	REMOVAL VENOUS ACCESS PORT
General Surgery	General Surgery	REPAIR HERNIA INGUINAL OPEN
General Surgery	General Surgery	EXCISION LESION
General Surgery	General Surgery	REPAIR HERNIA EPIGASTRIC
General Surgery	General Surgery	GIPS PROCEDURE FOR PILONIDAL CYST
General Surgery	General Surgery	EXCISION TOENAIL
General Surgery	General Surgery	EXCISION CYST
General Surgery	General Surgery	CLOSURE GASTROSTOMY
General Surgery	General Surgery	FISTULOTOMY ANAL
General Surgery	General Surgery	EXCISION LESION SKIN
General Surgery	General Surgery	BIOPSY SOFT TISSUE
General Surgery	General Surgery	EXCISION MASS
General Surgery	General Surgery	INSERTION HISTRELIN
General Surgery	General Surgery	EXCISION PILONIDAL CYST

General Surgery	General Surgery	GASTROSTOMY CLOSURE
General Surgery	General Surgery	HYDROCELECTOMY
General Surgery	General Surgery	REMOVAL HISTRELIN
General Surgery	General Surgery	REPAIR HERNIA VENTRAL
General Surgery	General Surgery	EXCISION CYST DERMOID
General Surgery	General Surgery	REMOVAL FOREIGN BODY SKIN
General Surgery	General Surgery	EXAM UNDER ANESTHESIA RECTUM
General Surgery	General Surgery	DIAGNOSTIC LAPAROSCOPY
General Surgery	General Surgery	HYDROCELECTOMY UNILATERAL
General Surgery	General Surgery	BIOPSY LYMPH NODE
General Surgery	General Surgery	REPAIR HERNIA INGUINAL BILATERAL
General Surgery	General Surgery	GIPS FOR PILONIDAL CYST
General Surgery	General Surgery	HYDROCELECTOMY/REPAIR HERNIA INGUINAL
General Surgery	General Surgery	EXCISION PILOMATRIXOMA
General Surgery	General Surgery	EXCISION CYST URACHAL OPEN
General Surgery	General Surgery	EXCISION VASCULAR MALFORMATION
General Surgery	General Surgery	BIOPSY RECTUM
General Surgery	General Surgery	ORCHIOPEXY
General Surgery	General Surgery	EXCISION VAN SIMPLE
General Surgery	General Surgery	REMOVAL FOREIGN BODY EXTREMITY
General Surgery	General Surgery	CYSTOSCOPY STENT REMOVAL
General Surgery	General Surgery	CLOSURE FISTULA GASTROCUTANEOUS
General Surgery	General Surgery	EXCISION MASS NECK
General Surgery	General Surgery	EXCISION HEMANGIOMA
General Surgery	General Surgery	CIRCUMCISION
Ophthalmology	Ophthalmology	REPAIR STRABISMUS
Ophthalmology	Ophthalmology	REPAIR STRABISMUS SIMPLE
Ophthalmology	Ophthalmology	REPAIR STRABISMUS COMPLEX
Ophthalmology	Ophthalmology	INSERTION LACRIMAL TUBE & PROBING UNILATERAL
Ophthalmology	Ophthalmology	EXCISION CHALAZION
Ophthalmology	Ophthalmology	ORBITOTOMY
Ophthalmology	Ophthalmology	INSERTION LACRIMAL TUBE & PROBING
Ophthalmology	Ophthalmology	PROBING LACRIMAL DUCT
Ophthalmology	Ophthalmology	REPAIR PTOSIS W/ SILICONE
Ophthalmology	Ophthalmology	PROBING LACRIMAL DUCT UNILATERAL
Ophthalmology	Ophthalmology	REPAIR EYELID
Ophthalmology	Ophthalmology	EXAM UNDER ANESTHESIA EYE
Ophthalmology	Ophthalmology	EXCISION CYST DERMOID
Ophthalmology	Ophthalmology	REMOVAL SUTURE
Ophthalmology	Ophthalmology	INSERTION LACRIMAL TUBE
Ophthalmology	Ophthalmology	INCISION & DRAINAGE CHALAZION
Ophthalmology	Ophthalmology	REPAIR PTOSIS W/ FASCIA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY KNEE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL HARDWARE LOWER EXTREMITY

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE TRIGGER THUMB
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE TRIGGER FINGER/THUMB
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY SHOULDER
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ELBOW
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION OSTEOCHONDROMA SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL HARDWARE UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR SOFT TISSUE/BONE POLYDACTYLY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CRPP HAND/FINGER(S)
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR SOFT TISSUE POLYDACTYLY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL HARDWARE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR MENISCUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	BIOPSY BONE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	HEMIEPIPHYSIODESIS W/ PLATE & SCREWS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CLOSED REDUCTION PERCUTANEOUS PINNING HAND/FINGER(S)
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION SOFT TISSUE MASS SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	LENGTHENING TENDON LOWER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EPIPHYSIODESIS W/ DRILL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION CYST UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION SOFT TISSUE MASS COMPLEX
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CRPP HUMERUS SUPRACONDYLAR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TRANSFER TENDON FOOT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TENOTOMY TENDON ACHILLES PERCUTANEOUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR SOFT TISSUE SYNDACTYLY

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF ANKLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EPIPHYSIODESIS W/ PLATE & SCREWS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CRPP HUMERUS LATERAL CONDYLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION ACL W/ QUAD GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY ULNA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	APPLICATION OR CHANGE SPICA CAST
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION NEUROMA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	BIOPSY SOFT TISSUE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION ACL W/ IT BAND GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY CALCANEUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION ACL W/ HAMSTRING GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROTOMY KNEE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CLOSED REDUCTION PERCUTANEOUS PINNING HUMERUS SUPRACONDYLAR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	LENGTHENING ACHILLES TENDON
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL FOREIGN BODY EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION MASS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RESECTION TALOCALCANEAL COALITION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	AMPUTATION HAND/FINGER(S)/THUMB
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF RADIUS &/OR ULNA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY KNEE ACL REPAIR W/ GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TENOTOMY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR TENDON
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE CONTRACTURE FINGER

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION ACCESSORY NAVICULAR BONE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION CYST
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROGRAM
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CURETTAGE BONE LESION SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL LOOSE BODY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REVISION HARDWARE LOWER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR POLYDACTYLY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION HAND &/OR FINGER(S)
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ACL W/ MENISCUS REPAIR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF HUMERUS LATERAL CONDYLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	FASCIOTOMY PLANTAR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION VASCULAR MALFORMATION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF TIBIA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE CLUBFOOT SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR SOFT TISSUE/BONE SYNDACTYLY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION MPFL W/ GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TIBIAL EMINENCE FIXATION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	AMPUTATION TOE(S)
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION FINGER NAIL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR TENDON UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REPAIR NERVE EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	PARTIAL MENISCECTOMY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE TRIGGER FINGER

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION FOOT CAVOVARUS SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION VASCULAR MALFORMATION EXTREMITY SMALL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF RADIUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ACL W/QUAD & MENISCUS REPA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF HUMERUS SHAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TRANSFER TENDON UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION ANKLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CHONDROPLASTY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TRANSFER TENDON LOWER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROTOMY ELBOW
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF HUMERUS MEDIAL EPICONDYLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TENOTOMY TOE PERCUTANEOUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY CUNEIFORM
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF HAND OR FINGER
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TIBIAL TUBERCLE TRANSFER
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RELEASE CONTRACTURE UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY METATARSAL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION RADIUS &/OR ULNA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EPIPHYSIODESIS PHEMISTER
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION GANGLION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECESSION GASTROCNEMIUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF PATELLA
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	POSSIBLE TIBIAL TUBERCLE TRANSFER

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY KNEE OCD FIXATION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REMOVAL SUTURE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY TIBIA DISTAL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION ACL WITH QUADRICEPS AUTOGRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ACL W/IT & MENISCUS REPAIR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ACL W/HS & MENISCUS REPAIR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OCD DRILLING
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY TOE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY RADIUS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ORIF FOOT OR TOE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RESECTION CALCANEONAVICULAR COALITION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CAPSULOTOMY FOOT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION HUMERUS LATERAL CONDYLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	HEMIEPIPHYSIODESIS W/ SCREWS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHRODESIS THUMB
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	REVISION AMPUTATION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPPONENSPLASTY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	LABRUM REPAIR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CHANGE CAST
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY KNEE HARDWARE REMOVAL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ARTHROSCOPY ANKLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	TRANSPOSITION FLAP
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CRPP FOOT/TOE(S)

Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	SYNOVECTOMY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	LENGTHENING TENDON UPPER EXTREMITY
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION BONE FOOT ACCESSORY NAVICULAR
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	BIOPSY BONE SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	ASPIRATION & INJECTION BONE CYST
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION CAVOVARUS FOOT SIMPLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION OSTEOCHONDROMA COMPLEX
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	PROCEDURE UNLISTED
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CRPP HUMERUS PROXIMAL
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RECONSTRUCTION ACL W/ BPB GRAFT
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	EXCISION LESION
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	RESECTION BRACKET EPIPHYSIS
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION HUMERUS MEDIAL EPICONDYLE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OPEN REDUCTION INTERNAL FIXATION FOOT &/OR TOE(S)
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	CAPSULOTOMY FOOT/TOE
Orthopedics & Sports Medicine	Orthopedics & Sports Medicine	OSTEOTOMY HAND
Orthopedics & Sports Medicine	Plastic Surgery	RELEASE TRIGGER THUMB
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION SOFT TISSUE MASS SIMPLE
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION CYST UPPER EXTREMITY
Orthopedics & Sports Medicine	Plastic Surgery	REPAIR SOFT TISSUE SYNDACTYLY
Orthopedics & Sports Medicine	Plastic Surgery	REPAIR SOFT TISSUE/BONE POLYDACTYLY
Orthopedics & Sports Medicine	Plastic Surgery	REPAIR TENDON UPPER EXTREMITY
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION VASCULAR MALFORMATION EXTREMITY SMALL

Orthopedics & Sports Medicine	Plastic Surgery	REMOVAL HARDWARE UPPER EXTREMITY
Orthopedics & Sports Medicine	Plastic Surgery	REPAIR SOFT TISSUE POLYDACTYLY
Orthopedics & Sports Medicine	Plastic Surgery	RELEASE TRIGGER FINGER
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION FINGER NAIL
Orthopedics & Sports Medicine	Plastic Surgery	OPEN REDUCTION INTERNAL FIXATION HAND &/OR FINGER(S)
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION/REVISION SCAR
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION VASCULAR MALFORMATION EXTREMITY LARGE
Orthopedics & Sports Medicine	Plastic Surgery	REPAIR POLYDACTYLY
Orthopedics & Sports Medicine	Plastic Surgery	EXCISION SOFT TISSUE MASS COMPLEX
Orthopedics & Sports Medicine	Plastic Surgery	CAPSULOTOMY HAND/FINGER
Orthopedics & Sports Medicine	Plastic Surgery	OSTEOTOMY RADIUS & ULNA
Orthopedics & Sports Medicine	Plastic Surgery	OSTEOTOMY HAND
Other	Dermatology	PULSED DYE LASER SURGERY
Other	Dermatology	EXCISION LESION
Other	Dermatology	EXCISION NEVUS
Other	Dermatology	EXCISION CYST
Other	Dermatology	BIOPSY SKIN
Other	Dermatology	EXCISION LESION FACIAL
Other	Neurology	EEG W/ ANESTHESIA
Other	Rehabilitation	INJECTION BOTOX
Other	Rheumatology	ASPIRATION JOINT
Urology	Gynecology	INSERTION INTRA UTERINE DEVICE
Urology	Gynecology	VAGINOSCOPY
Urology	Gynecology	INSERTION HISTRELIN
Urology	Gynecology	DIAGNOSTIC LAPAROSCOPY
Urology	Gynecology	EXAM UNDER ANESTHESIA VAGINA
Urology	Gynecology	REMOVAL HISTRELIN
Urology	Gynecology	HYMENOTOMY
Urology	Gynecology	HYMENECTOMY
Urology	Urology	CIRCUMCISION
Urology	Urology	CORRECTION PENILE TORSION/BURIED PENIS SIMPLE
Urology	Urology	ORCHIOPEXY UNILATERAL
Urology	Urology	REPAIR HYPOSPADIAS
Urology	Urology	ORCHIOPEXY
Urology	Urology	CORRECTION PENILE TORSION/BURIED PENIS

Urology	Urology	LYSIS ADHESIONS PENILE
Urology	Urology	RELEASE CHORDEE
Urology	Urology	REPAIR HERNIA INGUINAL UNILATERAL
Urology	Urology	SCROTOPLASTY SIMPLE
Urology	Urology	HYDROCELECTOMY UNILATERAL
Urology	Urology	CYSTOSCOPY
Urology	Urology	REPAIR HERNIA INGUINAL OPEN
Urology	Urology	ORCHIOPEXY/REPAIR HERNIA INGUINAL
Urology	Urology	MEATOTOMY
Urology	Urology	HYDROCELECTOMY
Urology	Urology	CYSTOSCOPY STENT REMOVAL
Urology	Urology	DIAGNOSTIC LAPAROSCOPY
Urology	Urology	MEATOTOMY URINARY
Urology	Urology	CYSTOSCOPY REMOVAL URETERAL STENT
Urology	Urology	DETORQUING PENILE/SCROTOPLASTY/CIRC
Urology	Urology	ORCHIECTOMY UNILATERAL
Urology	Urology	MEATOPLASTY
Urology	Urology	HYDROCELECTOMY/REPAIR HERNIA INGUINAL
Urology	Urology	SEPTOPEXY
Urology	Urology	DETORQUING PENILE/CIRCUMCISION
Urology	Urology	RELEASE BURIED PENIS/SCROTOPLASTY/CIRC
Urology	Urology	EXCISION LESION PENILE
Urology	Urology	ORCHIOPEXY LAPAROSCOPIC
Urology	Urology	ORCHIOPEXY BILATERAL
Urology	Urology	CYSTOSCOPY W/ DEFLUX INJECTION
Urology	Urology	ORCHIOPEXY LAPAROSCOPIC UNILATERAL
Urology	Urology	CYSTOSCOPY URODYNAMIC CATHETER INSERTION
Urology	Urology	CORRECTION PENILE TORSION/BURIED PENIS COMPLEX
Urology	Urology	RELEASE BURIED PENIS
Urology	Urology	CYSTOSCOPY REMOVAL URETERAL STENT FAST TRACK
Urology	Urology	REPAIR URETHRAL FISTULA
Urology	Urology	RELEASE BURIED PENIS/CIRCUMCISION
Urology	Urology	MEATOPLASTY URETHRA
Urology	Urology	LYSIS ADHESIONS PENILE FAST TRACK
Urology	Urology	LYSIS PENILE ADHESIONS/SKIN BRIDGE
Urology	Urology	CIRCUMCISION/SCROTOPLASTY
Urology	Urology	FRENULOTOMY PENILE
Urology	Urology	REPAIR FISTULA URETHRA
Urology	Urology	URETHROPLASTY
Urology	Urology	RELEASE CHORDEE/CIRCUMCISION
Urology	Urology	VARICOCELECTOMY SPERMATIC CORD
Urology	Urology	REPAIR HYPOSPADIAS/RELEASE CHORDEE
Urology	Urology	DETORQUING PENILE
Urology	Urology	PROCEDURE ABORTED PRE-INDUCTION
Urology	Urology	CYSTOSCOPY STENT REMOVAL FAST TRACK
Urology	Urology	CYSTOSCOPY W/ CYSTOGRAM

Urology	Urology	VAGINOSCOPY
Urology	Urology	CYSTOSCOPY W/ BOTOX INJECTION
Urology	Urology	REPAIR HYPOSPADIAS/DETORQUING PENILE
Urology	Urology	CYSTOSCOPY BIOPSY BLADDER &/OR URETHRA
Urology	Urology	REPAIR HERNIA INGUINAL BILATERAL
Urology	Urology	CIRCUMCISION/LYSIS PENILE ADHESIONS
Urology	Urology	PROCEDURE ABORTED POST-INDUCTION
Urology	Urology	RELEASE CHORDEE/DETORQUING PENILE
Urology	Urology	RELEASE BURIED PENIS/DETORQUE/CIRC
Urology	Urology	RELEASE BURIED PENIS/DETORQ/SCROTOPLAS
Urology	Urology	TRANSPOSITION FLAP
Urology	Urology	MEATOTOMY URINARY FAST TRACK
Urology	Urology	VARICOCELECTOMY OPEN
Urology	Urology	LYSIS OF LABIAL &/OR VAGINAL ADHESIONS
Urology	Urology	REIMPLANT URETER OPEN
Urology	Urology	ORCHIECTOMY UNILATERAL LAPAROSCOPIC

EXHIBIT 3

Single Line Drawings

FIRE LANE

FIRE LANE

EXISTING LOADING DOCK

Mattress Store

NEW ASC
44,250 GSF (NEW BUILD)

CAMPUS SQUARE SHOPPING MALL

HOBBY LOBBY

UTILITY YARD

BULK STORAGE | OFF (2) | OFF (2) | OFF (2) | ADMIN | PHARMACY 1,545 sf | IDF / EIDF

COPY/ WORK | SEC | CHECK IN | SUBWAIT | SUBWAIT | VEST. | SUBWAIT

CONF | LACT | STAFF BREAK 516 sf | PROVIDER WORK | ANESTH. | EQ | HUDDLE / EQ | STAFF

LOCKERS | LOCKERS | TLT | TLT | SH | SH | OFF | MRI EQ | MRI | IMAGING LINEN | IMAGING EQ | TLT | SAFETY ZONE | CONTROL

RAD / FLUORO | CONT. | CONT. | IMAGING | READ | IMAGING PREP | OFF (2) | TLT | TLT | R/F TLT

US | US | US TLT | CONS. | CONS. | POC | TLT | H/W | TLT | PROVIDER WORK

GI EQ | GI EVS | GI TLT | ST. | OR | OR | OR | CLEAN CORE | SCRUB | ST. | SCRUB | ST. | SCRUB | ORS (3)

All TLT | All PREP | PREP | PREP | PREP | PREP | PREP | PREP (6)

OPEN TEAM | OFF (2) | NOURISH | CLEAN | OPEN TEAM | MEDS | SOILED | SHARED SUPPORT | EQ | TLT | EVS | OPEN TEAM

RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | RECOV | REOVERY (12) | All RECOV | All TLT | TLT

SPD | ANTE | STERILE STORAGE | ANTE | SCOPE PROCESSING | PACKAGING | DECONTAM | DETERGENT | EQ | TLT | EVS | ELEC 2,396 sf | WATER

250-400kw | 600kw

Warm Shell 1,192 sf | FM Space | Client Suppt. | Team (4) | Lab Expansion | Staff Work | Infusion 140 sf | Infusion Team (3) | Infusion 140 sf | Existing Infusion 160 sf | Existing Infusion 160 sf

existing lower slab | sloped walkway 4.99% | existing higher slab | lower slab | sloped walkway 4.99% | higher slab

27 | 21 | 5 | 18 | 18 | 14 | 15 | 36 | 38 | 44

1 A3.E16 EAST ANGLED 3 OR
1/16" = 1'-0"

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Full Design Team Roster on Sheet A0.02

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EXHIBIT 4

Sg2 Children's Hospitals Service Line Outlook 2024

CHILDREN'S HOSPITALS

Service Line Outlook 2024

sg2
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CHILDREN'S HOSPITALS
Service Line Outlook 2024

With their clinical specialization and research capabilities, children's hospitals are well positioned to drive innovation and quality improvements in a changing pediatric landscape. A growing list of FDA-approved gene therapies has heightened focus on access, increasing the need for strong collaboration among administrators, clinicians, researchers, and patients and their families. New RSV preventives are set to drive inpatient declines, significantly impacting community hospital pediatric units. Novel clinical practices and care redesign are needed to more intensively address key pediatric health factors such as obesity and social determinants of health.

Simultaneously, inpatient operations face mounting pressure. Population decline persists, driven by a steadily decreasing birth rate. The accelerated closure of community hospital pediatric units continues to exacerbate bed shortages, while workforce shortages remain amid rising demand for complex critical care. These realities have increased urgency for children's hospitals to shore up community hospital partnerships, expand ambulatory offerings and boldly redesign care. As access gaps widen in rural markets and competition heats up in select urban and suburban markets, children's hospitals are building, buying and partnering outside of the hospital to reinforce the pediatric System of CARE.

Access remains a high priority. In the near term, consumer-centric touchpoints that expand ambulatory services must be top of mind, while, in the long term, equitable service distribution will be key to improving patient outcomes. Children's hospitals will prove instrumental in advancing adoption of digital health, developing robust programs that include artificial intelligence tools, remote patient monitoring and other solutions to drive connectivity throughout the patient journey. Prudently executed regionalization, operational excellence, careful channel management and integrated health care services will be critical to service line and enterprise success.

This report, *Children's Hospitals Outlook 2024*, is Sg2's guide to building high-performing services at these competitive institutions. It provides details from our most recent Impact of Change® national demand forecast, an overview of new and notable trends, and Sg2's guidance on how to grow and differentiate services to sustain success.

TABLE OF CONTENTS

Learn the Landscape....Page 2

Pinpoint Growth Opportunities and Gaps....Page 4

Maximize Channel Management....Page 5

Strategize for Success....Page 6

Appendix: Sg2 Resources....Page 7

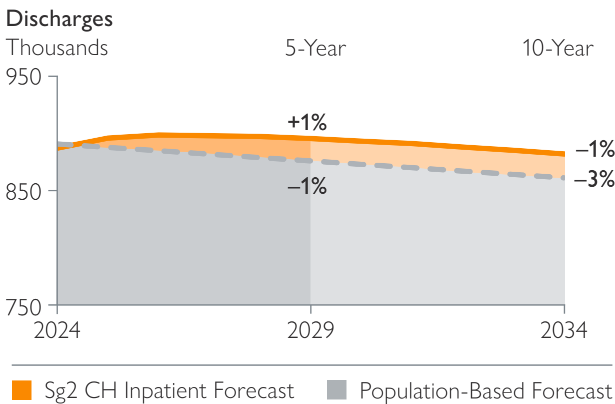
LEARN THE LANDSCAPE

Children's hospitals must enhance strategic planning amid today's tough dynamics. Breakthrough gene therapies, innovations in infectious disease vaccines and rising complexity are shifting the pendulum in demand, while the impacts of climate change signal a need for continuum-wide preparedness. Growth goals should account for new care models that boost efficiency and access as well as resource limitations and market share shifts resulting from community hospitals' continued divesture from pediatrics.

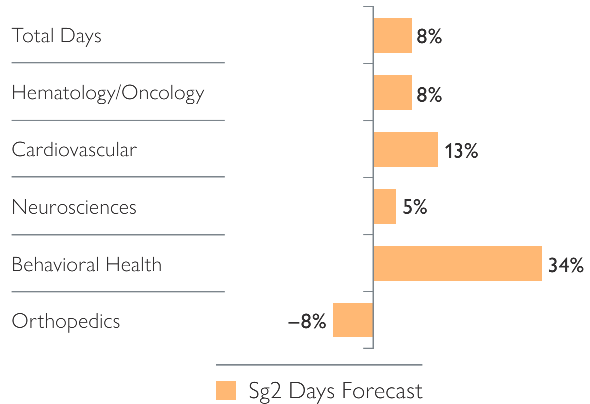
Children's Hospitals Inpatient and Outpatient Demand Overview

Inpatient discharges will be flat in the near term, as downward pressure from therapeutic advances and birth rate decline is mitigated by continued market share shifts to tertiary/quaternary sites and strong demand for behavioral health services. By the end of the decade, the forecast will modestly decrease, driven by the impacts of RSV preventives, gene therapy treatments, and quality improvements in complex medical cases and mental health diagnoses. However, ALOS and total days will grow due to rising patient complexity and outpatient-status shifts.

Inpatient Children's Hospitals Forecast
US Market, 2024–2034

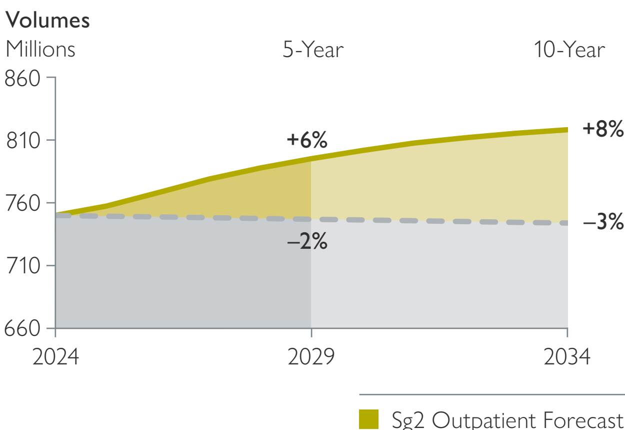


Children's Hospitals Days Forecast
US Market, 2024–2034

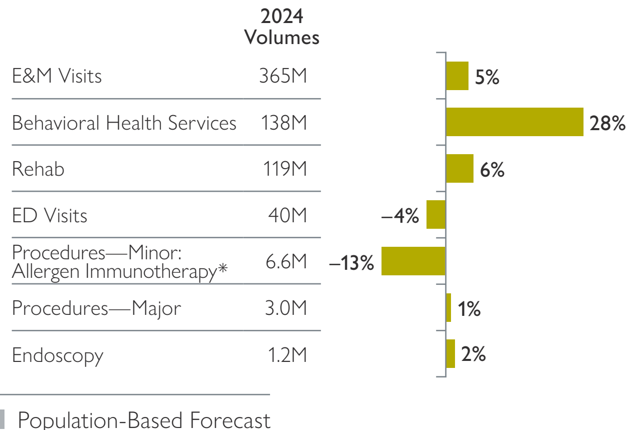


Overall **outpatient** growth will continue, due in part to increasing survivorship, care redesign efforts and advanced surgical approaches led by top children's hospitals. Quality and consumer initiatives will dampen growth for select OP services (eg, lower-severity ED visits, allergen immunotherapy, x-ray, CT), although growth in high-volume services (eg, outpatient rehab, psychotherapy) and niche offerings (eg, therapeutic endoscopy, bariatric surgery) will continue. Overall, outpatient shift, care coordination, and the rising impact of both SDOH and climate change on chronic care demand will drive strong growth throughout the decade.

Outpatient Pediatric Forecast
US Market, 2024–2034



Outpatient Pediatric Forecast, Select Procedure Groups, US Market, 2024–2034



Sg2 Outpatient Forecast · Population-Based Forecast

*Indicates procedure (not procedure group). **Note:** Analysis includes 0–17 age group only. *Inpatient chart*—Excludes live births. Hematology/oncology includes the cancer and hematology service lines. *Outpatient chart*—Forecasts include both children's hospital and non–children's hospital volumes. ED visits include visits—urgent and visits—emergent. **Sources:** See page 8.

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Children's hospital leaders must consider emerging trends, and the resulting potential for long-term impact, as they pursue success.

New and Notable in Children's Hospitals

- Pediatric providers across the care continuum are addressing the **pediatric mental health crisis** via investments in capacity expansion, advanced telehealth, collaborative care and school-based partnerships.
- Children's hospitals are expanding their **health equity efforts**, integrating DEI initiatives in their health systems and targeting specific geographies with high levels of social need for community outreach.
- Despite the slow initial uptake of **RSV preventive therapies** in the 2023–2024 respiratory season, a surge in demand is anticipated for 2024–2025. Children's hospitals will need to prepare for the subsequent impact on hospital capacity.
- In response to the closures of pediatric units, children's hospitals and large integrated delivery systems are reinvesting in partnerships with community hospitals and expanding ambulatory hubs.
- The AAP's updated clinical practice guidelines for the evaluation and treatment of **children and adolescents with obesity** shift guidance from watchful waiting to early and intensive treatment, including behavior modification, pharmacotherapy (eg, Wegovy) and bariatric surgery. These guidelines will drive strong growth in pediatric weight management programs that offer comprehensive lifestyle, medical and surgical options.
- Evolving federal and state regulations for **reproductive health** have created uncertainties about access to abortion, contraception and fertility services. Subsequent increases in local birth volume, maternal and neonatal acuity, and number of children born with chromosomal and congenital anomalies will require advanced levels of care.
- As fervor for **AI applications** in clinical care diagnosis, workforce and strategic planning increases, children's hospitals must weigh the benefits of first-mover advantage vs potential risks.
- Children's hospitals are investing in sustainability initiatives to help patients and communities prepare for the impacts of **climate change**, including weather changes, food chain disruption, and growing prevalence and severity of chronic conditions (eg, allergy, asthma, infectious disease).
- **Health care disrupters** like private equity and venture capital firms are ramping up investments in pediatric primary care, digital health and Medicaid-focused start-ups to meet the consumer-centric needs of pediatric patients and their families.
- Children's hospitals seek to bolster **primary care strategy** with continued investment in urgent care, particularly in markets with strong primary care competitors. Partnerships, financial relationships, joint ventures, CINs and cobranding opportunities are key alignment avenues.

Sources: Teegardin C. Children's hospitals elsewhere expanding mental health care. *Atlanta Journal-Constitution.* October 14, 2022; Cowden J and Van Roekel J. Health equity is everyone's job in a hospital. Children's Hospital Association. April 26, 2022; CDC. Updated guidance for healthcare providers on increased supply of Nirsevimab to protect young children from severe respiratory syncytial virus (RSV) during the 2023–2024 respiratory virus season. COCA Now. January 5, 2024; Baumgaertner E. As hospitals close children's units, where does that leave Lachlan? *New York Times.* October 11, 2022; Hampl SE et al. *Pediatrics.* 2023;151(2):e2022060640; KFF. State and federal reproductive rights and abortion litigation tracker. Accessed May 2024. *Sources continue on page 8.*

LANDSCAPE SPOTLIGHT

The Promise of Cell and Gene Therapies for Children

The pipeline for pediatric gene therapies continues to grow, with the potential to impact patients across all service lines. Children's hospitals are well positioned to drive development of novel therapies as well as to administer these therapies to children.

The potential impact on future pediatric health care, while significant, will be specific to the individual condition and therapy. The therapies will drive inpatient utilization in the short term; however, systems can expect declines in supportive treatments for conditions with curative gene therapies over time. Children's hospitals' strategy teams will need to make careful decisions about which treatments to provide based on eligible populations, manufacturer relationships and payer policies.

STRATEGIES FOR LONG-TERM SUCCESS

- Form collaborative teams that include strategy, operations, pharmacy, clinical, research, legal and regulatory, procurement, and finance experts as well as senior leaders and the community and family council.
- Plan for continuum-wide care, from screening to inpatient treatment to posttreatment care and support.
- Embrace a learning culture that enables care teams to quickly adapt to new therapeutic approaches, clinical practices and creative administrative problem-solving.
- Involve patients, families and the community in education, research and support planning. Earn community trust in novel therapeutics via collaboration and transparency initiatives.
- Anticipate financial pressures and evolving payer policies. Build compelling financial cases that emphasize patient quality of life and payer ROI.
- Ensure equitable access for patients. Anticipate social determinants of health and work to mitigate their impacts. Collaborate with ethics teams to prioritize access.

Sources: FDA. Approved cellular and gene therapy products. April 26, 2024; Sg2 Analysis, 2024.

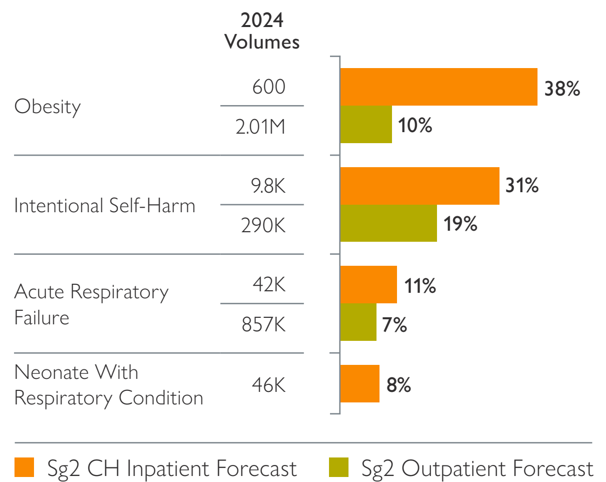
PINPOINT GROWTH OPPORTUNITIES AND GAPS

For children's hospitals, a more granular view into the procedures, services and/or visit types that offer growth potential is essential for strategic prioritization. Outpatient disease management will be imperative, as will be regional management of growing demand for critical care.

CHILDREN'S HOSPITAL HIGHLIGHTS

- **Behavioral health services** grow continuum-wide as new beds increase IP access and as rising prevalence and severity of behavioral health conditions drive downstream demand.
- **Obesity prevention and treatment programs** expand as rising childhood obesity rates and updated clinical practice guidelines for obesity treatment drive increases in obesity diagnoses.
- **Critical care services** increase due to rising acuity and growth in complex conditions, such as acute respiratory failure and septicemia, and as children's hospitals add ICU capacity.
- Demand for **neonatology services** continues to grow as gaps in access to maternal health increase complexity among both maternal and neonatal populations and as access to reproductive health services is disrupted in some markets.

Growth Opportunities, Select CARE Families
US Market, 2024–2029

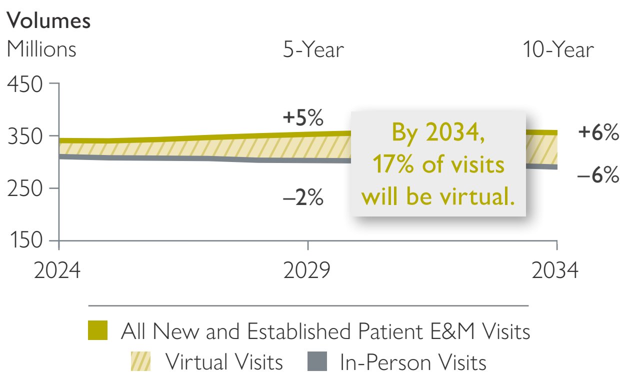


Forecast Feature: Virtual Visits Across Subspecialties

Though payer coverage and provider confidence are variable, forward-looking organizations continue to build their competency and capabilities in virtual visits—a foundational service in the pediatric System of CARE.

The 2024 Impact of Change forecast includes baseline virtual visit volumes and four E&M visit categories: 1) established patient visits—in person, 2) established patient visits—virtual, 3) new patient visits—in person and 4) new patient visits—virtual. Their inclusion enables children's hospitals to compare growth projections in a number of combinations, including established patients vs new patients and in-person visits vs virtual visits. This additional layer of data can be used to evaluate current virtual capabilities across services lines, anticipate demand for in-person and virtual access points, differentiate service offerings for new and established patients, and focus investment on areas of strong growth.

Pediatric New and Established Patient E&M Visits
US Market, 2024–2034



Service Line Group	New Patient Visits: 2024 Baseline % Virtual	New Patient Visits: 2034 % Virtual	Established Patient Visits: 2024 Baseline % Virtual	Established Patient Visits: 2034 % Virtual
Behavioral Health	19%	37%	35%	56%
Neurosciences	8%	15%	17%	35%
Medicine	3%	7%	7%	16%
Cardiovascular	2%	3%	6%	11%
Orthopedics	0%	1%	3%	9%
Cancer	12%	20%	4%	9%

Note: Analysis includes 0–17 age group only and includes four procedures within visits—evaluation and management procedure group: established patient visits—in person, established patient visits—virtual, new patient visits—in person, new patient visits—virtual. Outpatient forecast includes both children's hospital and non–children's hospital volumes. 0% indicates the forecast is flat (less than ±1%). **Sources:** Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

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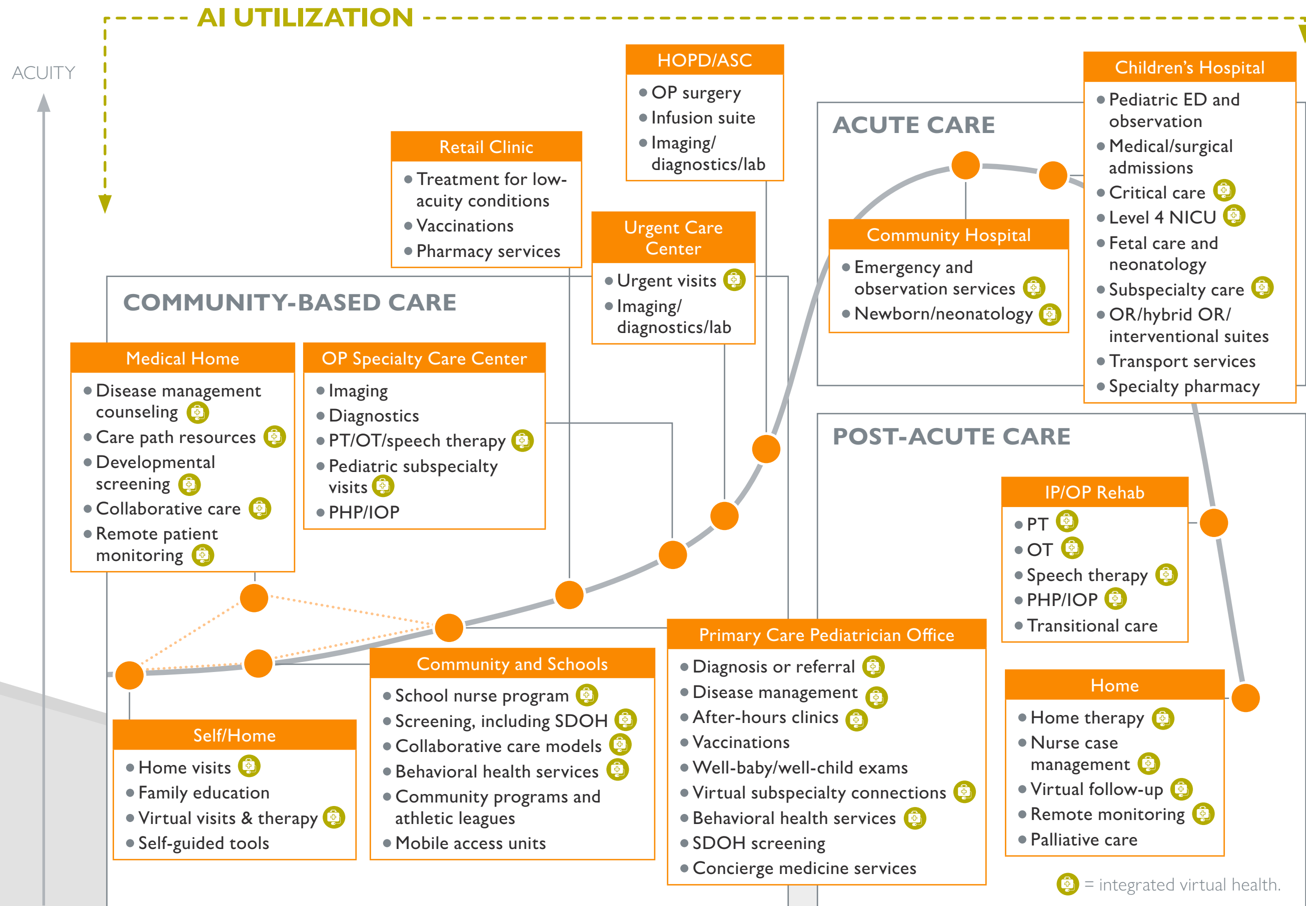
MAXIMIZE CHANNEL MANAGEMENT

Children's hospital leaders looking to enhance patient acquisition and retention must assess and address gaps in their System of CARE design. A comprehensive mapping of key services along the care continuum makes clear optimal access points and areas for coordination among community-based, acute and post-acute settings. While not shown in this graphic, AI and other data tools are critical to integrate across all sites.

Children's Hospital System of CARE



STRATEGIZE FOR SUCCESS

ACTION PLAN: GROW AND DIFFERENTIATE CHILDREN'S HOSPITAL SERVICES

Service Capabilities

- Differentiate your hospital regionally and capture destination volumes via innovative solutions (eg, second opinion clinic) that improve quality and outcomes. Leverage research infrastructure and consider nontraditional partners to gain national market share.
- Invest in a multifaceted digital health portfolio. Integrate existing telemedicine platforms with other digital offerings (eg, scheduling, education, digital therapeutics, remote monitoring) and prioritize access. Evaluate and prepare for the potential integration of AI solutions.
- Reassess ED strategy to meet the clinical and facility needs of a smaller-volume, higher-acuity patient population and of children with severe behavioral health diagnoses.
- Expand surgical capabilities beyond the hospital campus as procedures continue their ambulatory shift. Invest in procedure suites (eg, hybrid ORs) that promote efficiencies, and anticipate shifts to OP status.
- Maximize IP capacity for the highest-acuity patients and procedures using a portfolio approach. Prepare for the impact each population will have on team-based care models, equipment availability and bed-type needs (eg, specialized ICUs). Leverage interventions targeting SDOH to reduce preventable inpatient care.

Channel Management

- Grow niche clinical programs via technology adoption, strategic recruitment or consumer-friendly offerings tailored by segment. Develop an organizational identity that is consistent across all access points in the region.
- Expect to compete on price for ambulatory services (eg, urgent care, imaging) to remain relevant. Work to ensure transparent pricing and provide unified billing.
- Optimize referrals by creating standardized referral paths in collaboration with primary care pediatricians, community physicians and pediatric subspecialists.
- Define a fetal care strategy rooted in upstream OB/maternal-fetal medicine partnerships or in-house perinatology. Leverage a regional approach and telemedicine to expand access to fetal diagnostics, and support delivery planning for high-risk pregnancies.
- Enhance the digital front door (eg, call centers, second opinion clinics, specialist access) to optimize access and catchment. Proactively remove barriers to digital access that may perpetuate inequities for at-risk patients.
- Bolster patient satisfaction and loyalty by offering convenient virtual options for minor illness and enabling real-time access to specialty care.

Care Coordination

- Support community-based medical home models that keep children in the lowest-acuity clinically appropriate setting. Prioritize preventive care, disease management and virtual triage.
- Become the trusted leader and information source to combat vaccine hesitancy and other public health issues by building strategic partnerships with schools and other community organizations serving children, adolescents and families.
- Seek opportunities to develop and/or participate in pilots for alternative payment methods supporting reimbursement for care coordination.
- Augment care coordination with nurse navigators and digital tools to improve care for children with chronic conditions or medical complexities.
- Sustain health equity programming. Collect race, ethnicity, language and social needs data, and leverage dashboards or other reporting mechanisms to address disparities and monitor the impact of initiatives.
- Create transition programs for pediatric patients as they age into adulthood, facilitating the handoff to adult care providers and empowering patients with care documentation and a care plan.

Physician Alignment

- Deploy multidisciplinary care teams throughout the system. Identify physician champions and develop care models that support patient-centered, collaborative care, particularly within specialized programs.
- Extend pediatric subspecialty access through workforce solutions such as expanded training and career progression for advanced practitioners, collaborative care models and telemedicine.
- Create and deploy unique strategies to recruit and retain a leading workforce. Harness the innate passion pediatric clinicians bring to the organization while listening to specific work-life demands.
- Engage employed and independent pediatric providers throughout the ambulatory strategic planning process. Work to address their concerns and meet their preferences early on. Partner with independent subspecialists who may drive the shift of procedures to the ASC or office.
- Inventory adult providers and care sites offering pediatric services in the market. Use data to assess their competitive threat to pediatric volumes.

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Sg2 RESOURCES

Service Line Intelligence

This overview complements a robust set of forecast-related resources available in Sg2's Service Line Outlook 2024 online hub, including:

Children's Hospitals Subspecialty Guides

Two-page strategic deep dives into select subspecialty services:

- Pediatric Behavioral Health
- Pediatric Cardiovascular Services
- Pediatric Hematology/Oncology
- Pediatric Neurosciences
- Pediatric Orthopedics

Pediatrics Service Line Snapshot

An at-a-glance view of pediatric opportunity—one of a series of 12 similar snapshots

Pediatrics Landscape Webinar

An on-demand opportunity to hear Sg2's pediatrics experts discuss this year's latest trends and opportunities for growth

Impact of Change (IoC) Methodology—Pediatrics

A review of the IoC impact factors and a list of pediatrics-specific CARE Families

Basic to Comprehensive Pediatrics Program Offerings

A road map showing how services, technologies and staffing needs vary across programs

Children's Hospitals Slide Packet

Downloadable PowerPoint slides featuring forecasts and subspecialty System of CARE maps/program offerings

Pediatrics Resource Kit

A one-stop shop for relevant resources

Service Line Analytics

Sg2 Analytics enable you to drill down into data that are most relevant in your market and for your organization.

- Impact of Change hyperlocalization forecasting to home in on growth opportunities and gaps
- Patient Flow™ to unearth utilization patterns contributing to, or compromising, network integrity
- Vizient® Clinical Data Base benchmarking for understanding peer-to-peer performance

Service Line Consulting

Robust service line planning demands data-driven, multifaceted approaches across variable domains and time frames. Building upon your Sg2 membership, Sg2 Consulting is uniquely positioned to help your organization rapidly and strategically address challenges and unearth opportunities in the pediatrics landscape, such as program development, service line optimization (cost and quality opportunities), service distribution and specialist alignment.

For assistance accessing additional Sg2 service line insights, or to learn more about our broader solutions, contact membercenter@Sg2.com.

Sg2 Glossary

AAP	American Academy of Pediatrics	**DEI**	diversity, equity and inclusion	**NICU**	neonatal intensive care unit
ASC	ambulatory surgery center	**E&M**	evaluation and management	**OB**	obstetrics
CARE	Clinical Alignment and Resource Effectiveness	**HOPD**	hospital outpatient department	**PHP**	partial hospitalization program
CH	children's hospital	**IOP**	intensive outpatient program	**RSV**	respiratory syncytial virus
CIN	clinically integrated network			**SDOH**	social determinants of health

Learn the Landscape Sourcing

Page 2 Sources: Impact of Change®, 2024; HCUP National Inpatient Sample (NIS). Healthcare Cost and Utilization Project (HCUP) 2019. Agency for Healthcare Research and Quality, Rockville, MD; Proprietary Sg2 All-Payer Claims Data Set, 2022; The following 2022 CMS Limited Data Sets (LDS): Carrier, Denominator, Home Health Agency, Hospice, Outpatient, Skilled Nursing Facility; Claritas Pop-Facts®, 2024; Sg2 Analysis, 2024.

Page 3 Sources: Innovation District. AI: the "single greatest tool" for improving access to pediatric healthcare. Children's National. June 26, 2023; Children's Hospital Association. Generative AI in health care: what executives need to know (and do right now). February 1, 2024; DePeau-Wilson M. The dark side of AI in mental health. MedPage Today. April 11, 2024; Ahdoot S et al. *Pediatrics.* 2024;153(3):e2023065504; Roethler C. and Strilesky M. Disrupter downfall: do legacy providers prevail? [blog]. Sg2. May 7, 2024; Obregon R et al. Next gen innovation: opportunities in pediatric digital health. Rock Health. November 20, 2023; Sg2 You Asked: *Strategies for Pediatric Immediate Care.* 2020; Sg2 Analysis, 2024.

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PUB-0824-012-CH

Anticipate the Impact of Change

Sg2, a Vizient company, is the health care industry's trusted partner for accelerating growth and improving financial results. Our analytics and expertise help health care leaders achieve sustainable growth and maintain market relevance by optimizing System of CARE, payer and consumer strategies.

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Sg2 health care intelligence

EXHIBIT 5

Need Methodology

2030 663,969

Surgeries @62.93/1,000 41,783

Existing Capacity

a.i. 94,250 minutes/year/mixed-use OR

dedicated outpatient OR

a.ii. 68,850 minutes/year/mixed-use OR

a.iii.	16	dedicated outpatient OR's x 68,850 minutes	=	1,101,600	minutes dedicated OR capacity	14,617 Outpatient surgeries
		OR's x 94,850 minutes =				
a.iv.	40	mixed-use OR's		3,770,000	minutes mixed-use OR capacity	36,829 Mixed-use surgeries

Projected future need

b.i.	projected inpatient surgeries=	22,951 =	2,349,380	minutes inpatient surgeries
	projected outpatient surgeries=	18,832 =	1,419,262	minutes outpatient surgeries

b.ii. Forecast # of outpatient surgeries-capacity of dedicated outpatient OR's

18,832	14,617 =	4,215	outpatient surgeries

b.iii.	average time of inpatient surgeries	=	102.37	minutes
	average time of outpatient surgeries	=	75.36	minutes
b.iv.	inpatient surgeries average time	=	2,349,380	minutes
	remaining outpatient surgeries (b.ii.)* ave time	=	317,662	minutes
			2,667,042	minutes

Net Need

c.i. if b.iv. < a.iv., divide (a.iv.-b.iv.) by 94,250 to determine surplus of mixed-use OR's

	3,770,000				
	2,667,042				
-	1,102,958				
		/	94,250	11.70	surplus

c.ii. if b.iv. > a.iv., divide (inpatient part of b.iv.-a.iv.) by 94, 250 to determine shortage/surplus of inpatient OR's

2,349,380	/			
3,770,000				
-1,420,620	/	94,250	-15.07	(surplus)

divide outpatient part of b.iv. By 68,850 to determine shortage of dedicated outpatient OR's

317,662	/	68,850	=	4.61

SOUTHEAST KING COUNTY

Facility	Address	OP Minutes	Outpatient Cases	OP ORS	Mixed Use Cases	Mixed Use Minutes	Mixed Use ORS	Pain Mgmt Cases	Source/ Notes
FHS St. Francis Hospital- Federal Way	34515 Ninth Ave S, Federal Way, WA 98003				4,263	539,235	8		2023 ASC survey
FHS St. Elizabeth Hospital- Enumclaw	1455 Battersby Ave, Enumclaw, WA 98022				1,380	131,506	3		2023 ASC survey
MultiCare-Auburn Regional Medical Center- Auburn	202 N Division Street Auburn, WA 98001				3,194	340,531	6		2024 ASC survey data
MultiCare Covington Hospital (CN#1437)- Covington	17700 S. E 272nd St, Covnington, WA 98042				1,875	156,744	6		2024 ASC survey data
Valley Medical Center	400 S 43rd St, Renton, WA 98055			3	11,382	1,093,651	17		2021 ASC Survey
Evergreen Eye Center-	34719 6th Ave S, Federal Way, WA, 98003-8714	307,422	5,693	2					CN #1790, eye procedures only; 2021 survey
MHS Cascade Surgery Center/VP Surgery Center	1002 15th St SW Ste 215, Auburn, WA, 98001-6502	379,860	2,275	3					2024 ASC survey data
Proliance Surgery Center at Valley	4009 Talbot Rd S Ste 200, Ren	376,480	5,792	6					2024 ASC survey data
valley Eye and Laser Center	1412 SW 43rd St Ste 320, Renton, WA, 98057-4803	20,774	1,598	2					CN approved 2018 ; 2017 survey
Valley MAC	4033 Talbot Rd S Ste 270, Renton, WA, 98055-5767								DOH website says it is expired
Total – CN Approved		**1,084,536**	**15,358**	**16**	**22,094**	**2,261,667**	**40**	**-**	

Auburn Surgery Center	101 2nd St NE, Auburn, WA, 98002-4902	21,600	358	2	-	-	-	-	2022 ASC Survey
Rainier Surgical Center- Surgical Associates Northwest Federal Way	34612 6th Ave S Ste 100, Federal Way, WA, 98003-8723	176,900	698	3					2018 ASC Survey
Fogel Endoscopy	34503 9th Ave S Ste 240, Federal Way, WA, 98003-8726			2					Endo only
ENT, Facial Plastic Surgery and Allergy of Western WA	1427 Jefferson Ave Bsmt Ste, Enumclaw, WA, 98022-3649	26,832	708	1	-	-	-	-	2024 ASC survey data

Facility	Address	OP Minutes	Outpatient Cases	OP ORS	Mixed Use Cases	Mixed Use Minutes	Mixed Use ORS	Pain Mgmt Cases	Source/ Notes
Plastic and Reconstructive Surgeons ASC (Proliance)	17930 Talbot Rd S, Renton, WA, 98055-6230	56,406	357	2					2024 ASC survey data
Pacific Cataract and Laser Institute	13324 Southeast 302nd Place, Auburn, Washington 98092								Exemption granted (DOR #24-02), 9/2023; not open yet
Washington Retina, PLLC	125 3rd Street N.E., Auburn, WA 98002.		650						DOR #24-11, pending; opening in 2026
	Total	**1,366,274**	**18,129**	**16**	**22,094**	**2,261,667**	**40**	**-**	

2023 Population	639,180
Use Rate	62.93
Inpatient Minutes/Case	102.37
Outpatient Minutes/Case	75.36
% inpatient	54.93%
% outpatient	45.07%

EXHIBIT 6

Seattle Children's Policies

Status **Active** PolicyStat ID **13051312**

Originated	7/1/2005	Owner	Sara Fenstermacher: Clinical Nurse Specialist
Last Approved	1/31/2023	Document Area	Mission Control
Effective	1/31/2023	Applicability	Seattle Children's Hospital
Last Revised	1/31/2023	Document Types	P&P, Priority A, Priority B
Next Review	1/30/2026		

Admission Access to Seattle Children's, 10025

COPY

Policy/Procedure

PURPOSE:

To describe our commitment to serve all children in our region seeking our care.

POLICY:

A. Seattle Children's provides health care appropriate for the special needs of children up to 21 years of age who are residents of Washington, Alaska, Montana, or Idaho, regardless of their ability to pay. Children's **P&P:** Financial Assistance, 10226 provides further details about how this objective is effectively achieved for this patient population. Additionally, **P&P:** International Patients (Patients Living Outside of the United States), 10797, **P&P:** Financial Clearance of Out-of-Region Patients Living in the U.S., 10445, and **P&P:** Patients 21 Years or Older, 10796 detail Children's requirements for funding non-emergency care for other patient populations.

B. Children's complies with Emergency Medical Treatment and Active Labor Act (EMTALA) regulations which require all patients presenting for care in the Emergency Department (ED) to be medically screened and stabilized, regardless of patient age or residency.

C. Admission of patients needing medically necessary care occurs without discrimination on the basis of race, color, creed, national origin, religion, sex, gender identity, sexual orientation, or disability, consistent with requirements defined by the

US Department of Health and Human Services Office for Civil Rights and the Washington State Department of Social and Health Services.

D. All patients who enter the Children's system are carefully assessed at the time of entry, and appropriately placed in a patient care area that most meets their assessed needs.

REFERENCES:

Centers for Medicare & Medicaid Services (CMS). (1986). Emergency Medical Treatment & Labor Act. Retrieved February 5, 2014 from: http://www.cms.gov/Regulations-and-Guidance/Legislation/EMTALA/index.html?redirect=/EMTALA/

US Department of Health & Human Services (HHS). Office for Civil Rights. Retrieved February 5, 2014 from: http://www.hhs.gov/ocr/office/index.html

Washington Administrative Code (WAC). (2013, December 23). WAC 246-320-141, Patient rights and organizational ethics. Retrieved February 5, 2014 from: http://search.leg.wa.gov/search.aspx#results

Washington State Department of Social & Health Services (DSHS). (2010). Chapter 5, Affirmative Action and Nondiscrimination. Retrieved February 5, 2014 from: https://www.dshs.wa.gov/search/site/nondiscrimination

COPY

Approval Signatures

Step Description	Approver	Date
Release for Publication	Dale Landis: Director, Accreditation & Regulatory Compliance	1/31/2023
Executive Leadership	Russ Williams: Senior Vice President Strategy, Capital & Regional	1/31/2023
Regulatory	Dale Landis: Director, Accreditation & Regulatory Compliance	1/31/2023
Document Quality Control	Tim Klein: Program Coordinator III	1/31/2023
Document Owner	Sara Fenstermacher: Clinical Nurse Specialist	1/27/2023

Status Active PolicyStat ID 14890569

Originated	5/1/2000	Owner	Suzanne Vanderwerff: Vice President, Revenue Cycle & Health Information
Last Approved	2/23/2024	Document Area	Administrative
Effective	1/16/2024	Applicability	Seattle Children's Hospital
Last Revised	2/23/2024	Document Types	P&P, Priority A, Priority B
Next Review	2/22/2027		

Financial Assistance, 10226

COPY

Policy/Procedure

PURPOSE:

The purpose of this policy is to outline Seattle Children's Hospital's policy and procedures with respect to the provision of Financial Assistance (also known as "charity care") to eligible patients consistent with federal and state law.

POLICY:

In furtherance of its charitable mission of Hope, Care, Cure, Seattle Children's Hospital ("Seattle Children's") offers Financial Assistance to eligible patients and families in accordance with this Policy.

Financial Assistance is provided for emergency and Medically Necessary Care to patients based upon family need and the criteria set forth in this Policy. Seattle Children's has established criteria for providing Financial Assistance in accordance with applicable law, including the requirements of Chapter 246-453 of the Washington Administrative Code (WAC), Chapter 70.170.060 of the Revised Code of Washington (RCW), and § 501(r) of the Internal Revenue Code (IRC) and its implementing regulations.

Eligibility decisions for Financial Assistance are made without regard to race, color, religion (creed), sex, gender identity or expression, sexual orientation, national origin (ancestry),

disability, age, genetic information, marital status, citizenship, pregnancy or maternity, protected veteran status, or any other status protected by applicable national, federal, state, or local law.

Seattle Children's complies with the Emergency Medical Treatment and Active Labor Act (EMTALA) and its implementing regulations, providing appropriate medical screening examination and stabilizing treatment for emergency medical conditions, regardless of an individual's ability to pay.

DEFINITIONS:

Amounts Generally Billed (AGB): Patients who are eligible for Financial Assistance under this Policy will not be charged more for emergency or other Medically Necessary Care than the "amounts generally billed" (AGB) to patients who have health insurance covering such care by using the look-back method described in the IRC § 501(r) regulations. Seattle Children's determines AGB by multiplying the hospital's gross charges for any emergency or Medically Necessary Care by a percentage which is based on claims allowed under Medicare, Medicaid, and private health insurers during the last complete hospital fiscal year.

Information on Seattle Children's AGB percentage and how it is calculated can be obtained at https://www.seattlechildrens.org/clinics/paying-for-care/financial-assistance/.

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Medically Necessary Care: Medically necessary hospital or clinic health care services that are reasonably calculated to diagnosis, correct, cure, alleviate, or prevent the worsening of conditions that endanger life, or cause suffering or pain, or result in illness or infirmity, or threaten to cause or aggravate a handicap, or cause physical deformity or malfunction, and there is no equally effective more conservative or substantially less costly course of treatment available or suitable for the person requesting the service.

Financial Assistance (Charity Care): Emergency and Medically Necessary Care rendered to indigent persons for no fee or a discounted fee 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 deductibles or co-insurance amounts required by a third-party payer.

Partial Discount Schedule: A publicly available schedule of discounts to charges for patients/ families deemed eligible for Partial Financial Assistance under this Policy. **See** Section III.B.2. for detailed information on Seattle Children's Partial Financial Assistance discounts.

Third-Party Coverage: An obligation on the part of an insurance company, health care service contractor, health maintenance organization, group health plan, government program, tribal health benefits, or health care sharing ministry as defined in 26 U.S.C. Sec. 5000A to pay for the care of covered patients and services, and may include settlements, judgments, or awards actually received related to the negligent acts of others which have resulted in the medical condition for which the patient has received hospital health care service.

PROCEDURE:

I. **Access to Emergency Services:** Access to a medical screening examination and

appropriate stabilizing treatment will not be delayed or denied based on an individual's ability to pay for services or determination of an individual's insurance coverage or Financial Assistance eligibility.

II. **Scope of Financial Assistance:**

A. **Operations:** For purposes of this policy, Financial Assistance means Seattle Children's giving an eligible patient/family a full or partial write-off of any patient balance remaining after applicable Third-Party Coverage has been exhausted. As part of the Financial Assistance application process, Seattle Children's Financial Counselors work with patients/families who do not have applicable Third-Party Coverage to assess whether such patients/families may be eligible for Medicaid and/or health care coverage through Washington's Health Benefit Exchange (RCW 43.71). Financial Counselors will provide estimates to patients/families on request and in compliance with state and federal law, assistance with Medicaid and Qualified Health Plan (QHP)[1] applications (including but not limited to providing the patient/family with information about the application process, necessary forms that must be completed, and/or connecting the patient/family with other agencies or resources who can assist the patient/family in completing such applications), and assistance with creation of interest-free payment plans. Financial Counselors can be reached at (206) 987-3333 or by email at FinancialCounselor@seattlechildrens.org.

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B. **Charges Financial Assistance Covers and Does Not Cover:** Financial Assistance will be applied to patient balances for emergency and Medically Necessary Care.

1. Charges for services that are cosmetic, elective, or primarily for the convenience of the patient are not eligible for Financial Assistance. See https://www.seattlechildrens.org/clinics/paying-for-care/financial-assistance/ for a list of services that are not eligible for Financial Assistance.
2. Services that (a) can be provided by an alternate provider within a patient's insurance network; and (b) have not been approved by that insurance to be provided in network at Seattle Children's are not eligible for Financial Assistance.
3. Charges for services that are not reimbursable through a patient's Third-Party Coverage because Third-Party Coverage procedural or clinical requirements were not followed are not eligible for Financial Assistance.

C. **Which providers Financial Assistance Covers:**

1. **Covered Providers:**

a. Financial Assistance applies to inpatient and outpatient facility and professional charges, as applicable, for services provided at Seattle Children's Hospital, at its specialty clinics, or at other community hospitals and sites, by providers

employed by or under contract with Seattle Children's or Children's University Medical Group. This includes Odessa Brown Children's clinics.

b. All eligible services provided by Seattle Children's providers at Garfield High School Teen Clinic (based on the presumed income of minors consenting to their own care).

2. **Non-covered providers:**

   i. Seattle Children's Primary Care Group, which includes Richmond Pediatrics clinic, has a separate Financial Assistance policy and program.

   ii. Some community physicians or similarly credentialed medical providers who see patients at Seattle Children's bill separately for their professional charges. Those community providers may choose whether to grant financial assistance for their bills commensurate with Seattle Children's Financial Assistance Policy or may apply a different financial assistance policy. **See** Seattle Children's website at Paying for Care and Financial Assistance at Seattle Children's (seattlechildrens.org) or call (206) 987-3333 for a list of those community providers who do not follow Seattle Children's Financial Assistance Policy.

D. **Duration** – Financial assistance is typically granted in six-month increments. Financial Assistance granted for an emergency course of care, or resulting from an administrative or presumptive approval, will be approved only for that episode of care. Patients or responsible parties can reapply for Financial Assistance at any time.

III. **Eligibility Criteria for Financial Assistance:** Patients must meet **all** the following criteria in order to be eligible for Financial Assistance:

A. **Income –**

1. **Full Financial Assistance:** Patients may be eligible for full Financial Assistance if the patient or responsible party has a gross family income at or below 400% of the Federal Poverty Guidelines, as adjusted for family size.

2. **Partial Financial Assistance:** Patients may be eligible for Partial Financial Assistance if the patient or responsible party has a gross family income between 401% and 599% of the Federal Poverty Guidelines, as adjusted for family size. In this case, the patient or responsible party is responsible for the applicable portion of the outstanding amount owed, and Seattle Children's Financial Assistance covers the remaining account balance. Information on Seattle Children's Partial Financial Assistance

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discounts is available at https://www.seattlechildrens.org/clinics/paying-for-care/financial- assistance/ or by emailing FinancialCounselor@seattlechildrens.org or calling (206) 987-3333. In cases where a patient or responsible party would qualify for an uninsured discount and also qualifies for Partial Financial Assistance, the responsible party will receive only the Partial Financial Assistance discount, which is the most generous discount. Multiple discounts are not applied to the same account.

3. **Timing of Income Determination:** Income documented at the time clinical services were provided will be used for making Financial Assistance determinations. **Exception**: If income documented at the time of application would result in the family being approved rather than denied Financial Assistance, that lower income will be used.

4. **Adjustments to Income:** For purposes of determining income levels for Full and Partial Financial Assistance, if a patient or responsible party is self-employed, the net (take home) income information is used. Seattle Children's will deduct from the income calculation the amount that a family personally pays toward medical insurance premiums for coverage of their beneficiaries who are under the age 26 Income documentation to verify information indicated on the application form may be requested, including but not limited to pay stubs, accounting records and/or income tax returns.

5. **Family Size:** In Washington State, a family is defined by state law as two or more persons related by birth, marriage or adoption who live together (WAC 246-453-010(18)). However, Seattle Children's provides care to patients who are part of diverse family structures which do not always align with the strict WAC definition of family. Therefore, to create the opportunity for a more generous financial assistance discount, Seattle Children's may consider all adults and children physically living in the same home as the patient as part of one household for purposes of determining family size and income level for Financial Assistance eligibility.
   Dependents physically living outside of the home (e.g., students at college) can be included as a member of the household with verification that such dependent is claimed on the federal income tax return of another identified member of the household. Patients 18 years and older are considered a separate household for purposes of Financial Assistance eligibility when living independently (i.e., outside of the home of their caregiver or legal guardians) and no other person can claim the patient as a dependent on their federal income tax return.

6. **Assets.** Seattle Children's does not take into consideration the

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existence, availability, or value of a patient's or responsible party's assets for purposes of determining eligibility for Financial Assistance (although Seattle Children's may still consider assets and collect information related to such assets as required by the Centers for Medicare and Medicaid for Medicare cost reporting purposes).

B. **Alternate Sources of Funding –**

1. **Third-Party Sources:** Seattle Children's Financial Assistance is a secondary funding source after all other Third-Party Coverage (as defined above) and other funding sources have been exhausted, including but not limited to, group or individual health insurance, eligible government programs including Medicaid, third-party liability or workers' compensation programs, health care sharing ministry plans, designated grant or trust funds, or any other persons or entities with a responsibility to pay for medical services.
2. **Where Medicaid Application Required:** Patients with no Third-Party Coverage or other source of funding, including those who (a) are uninsured; (b) do not have insurance coverage for the services provided or to be provided; or (c) have insurance coverage with significantly limited benefits based on the assessment by Seattle Children's, will be required to apply for Medicaid before Financial Assistance is granted, subject to subsections a. and b. below. Patients who have enrolled in a health care sharing ministry for health care expenses are considered to be uninsured for purposes of this determination.
    a. A patient may choose to purchase a QHP through the Washington Health Benefit Exchange, if applicable, in lieu of enrolling in Medicaid. Seattle Children's Financial Counselors are available to assist families with the Medicaid application process or with a QHP application, as noted in Section II.A. above.
    b. Seattle Children's will not impose procedures on patients applying for Financial Assistance or Medicaid that place an unreasonable burden upon the patient or responsible party, taking into account any physical, mental, intellectual, or sensory deficiencies, or language barriers that may hinder the patient's or responsible party's capability of complying with such application procedures. No patient or responsible party will be required to apply for Medicaid or any state or federal program where the patient or responsible party is obviously or categorically ineligible, or has been deemed ineligible in the prior twelve (12) months (provided, in the latter case, that the patient/responsible party has not had a change in

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circumstances such that the patient/responsible party would now qualify for Medicaid or any state or federal program).

c. Subject to subsections a. and b. above, if a patient/family fails to make reasonable efforts to cooperate with Seattle Children's in applying for Medicaid, including those who refuse to apply for Medicaid on philosophical, religious, or other personal grounds, and is at 599% or less of the Federal Poverty Guidelines, the maximum Financial Assistance that will be granted is 55%.

C. **Application** –The patient or their responsible party must submit an application form for Financial Assistance by:

1. Completing the online form available at www.seattlechildrens.org/clinics/paying-for-care/financial-assistance/; or
2. Printing a paper form from this same website and mailing or faxing it as instructed on such form; or
3. Completing a paper application, which can be picked up from any Seattle Children's registration desk or obtained by mail from a financial counselor, and mailing or faxing it as instructed in such application packet.
Financial Assistance applications can be submitted prior to the provision of services, during the course of care, or after services have been provided.

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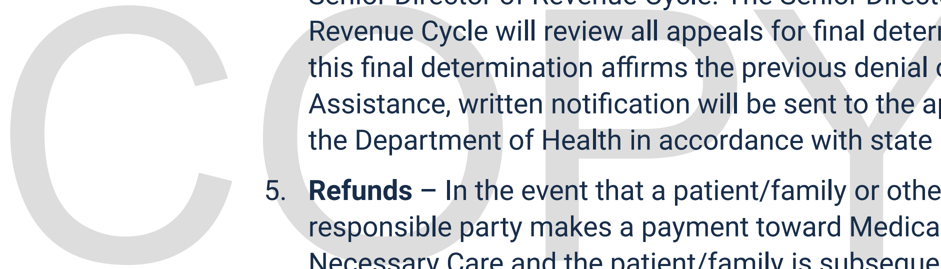
D. **Presumptive Eligibility -** In cases where a patient can be reasonably presumed to qualify for Financial Assistance, and the standard application processes are not likely to be completed due to socioeconomic or other factors such as homelessness, Seattle Children's Vice President or Senior Director of Revenue Cycle, or their designee, may administratively designate a patient as qualifying for Financial Assistance in the absence of receiving all required information. Seattle Children's may review relevant and publicly available information about a family's financial situation, other than their credit report, in cases when the family is unresponsive to a bill for an outstanding balance and may grant presumptive Financial Assistance for that outstanding balance eligibility based on this information. All presumptively granted Financial Assistance will only apply to balances already owed.

IV. **Financial Assistance Determination Process:**

A. **Documentation** – All information relating to a patient's Financial Assistance application will be kept confidential. Determination of eligibility will be made by Seattle Children's within fourteen (14) days of receipt of all required information. Seattle Children's will not initiate extraordinary collection efforts while in the process of reviewing the application.

1. **Approvals** – A letter communicating an approval of Financial Assistance and the applicable eligibility period will be sent to the applicant.
2. **Pending** – In the event incomplete information is received on the application, or a patient/family has not completed the Medicaid eligibility process when required, the application will be pended and a letter communicating why the application has been pended will be sent to the applicant. If responsive information is not received within fourteen (14) days of such notice, the application may be denied.
3. **Denials** – In the event Seattle Children's determines a patient is not eligible for Financial Assistance, a written denial will be provided to the applicant and will include the reason(s) for denial, the date of the decision, and the instructions for appeal or reconsideration.
4. **Appeals** – The applicant may appeal a denial of eligibility for Financial Assistance within thirty (30) days of the determination by providing additional information about the family's income, size, other financial liabilities, or other pertinent factors to the Senior Director of Revenue Cycle. The Senior Director of Revenue Cycle will review all appeals for final determination. If this final determination affirms the previous denial of Financial Assistance, written notification will be sent to the applicant and the Department of Health in accordance with state law.



5. **Refunds** – In the event that a patient/family or other responsible party makes a payment toward Medically Necessary Care and the patient/family is subsequently found eligible for Financial Assistance, patient payments applied to facility charges in the 90 days preceding the eligibility determination will first be applied to other outstanding balances, and any remaining funds will then be refunded within thirty (30) days.

B. **Uninsured/Self-Pay Discount.** In the event a patient/family is denied or otherwise determined to be ineligible for either Full or Partial Financial Assistance and has no Third-Party Coverage or other discount, a 25% discount will be applied to the patient's facility and professional charges.

V. **Staff Training:** Appropriate staff in roles most likely to engage in discussions with families about Financial Assistance, including all those in registration, admission or revenue cycle roles, must participate in an annual training module regarding Financial Assistance, including how to access language resources to be able to assist families with limited English proficiency or who are deaf or hard of hearing.

VI. **Communications to the Public:** Information about Seattle Children's Financial Assistance Policy is made publicly available as follows:

A. **Public Notice –** A notice is displayed in key public areas of the hospital, including primary public registration locations and the Emergency

Department, in languages spoken by more than 10% of the population of the hospital service area: English, Spanish, Vietnamese, Russian and Somali. Additionally, Seattle Children's Financial Assistance Policy, a plain language summary of the Financial Assistance Policy, and the Financial Assistance application form in these same languages is on Seattle Children's website at www.seattlechildrens.org/clinics/paying-for-care/financial-assistance/.

B. **MyChart notification –** Notification of the availability of Financial Assistance is included during the electronic patient portal MyChart check-in process.

C. **Individual Notification –** Seattle Children's will make reasonable effort to both determine the existence of any Third-Party Coverage for Medically Necessary Care in full or part, and to assess whether families checking in at Seattle Children's sites of care would like information about or screening for Financial Assistance. Paper copies of the Financial Assistance Policy, Plain Language Summary, and applications in English, Spanish, Vietnamese, Russian or Somali are available for pick up at registration desks at all Seattle Children's clinics.

D. **Translation Services –** Notices and written information concerning Financial Assistance may be translated into any other language spoken in the community by contacting Seattle Children's Financial Counselor's at FinancialCounselor@seattlechildrens.org or (206) 987-3333.

E. **Financial Counselors –** Financial Counselors, who have access to interpreter services for languages other than English, are available in person and by telephone (206-987-3333), to assist with questions concerning Financial Assistance or completion of the application.

F. **Patient Bills –** Patient bills will include a statement on the first page of the bill in both English and Spanish, or in Somali, Vietnamese, or Russian if that is the family's registered primary language, that communicates the availability of Financial Assistance, whether or not the patient or responsible party has insurance coverage, and the email or phone number to contact for further assistance.

Approved by Washington State Department of Health: January 16, 2024

^ A QHP is a standardized health plan a patient/family may purchase through the Washington Health Benefit Exchange during an open enrollment period or special enrollment period, pursuant to Washington Health Benefit Exchange rules and regulations.

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Attachments

FinancialAssistanceDOHApproval_2021.pdf

SeattleChildrensCCPolicyLetter6.7.2022.pdf

Approval Signatures

Step Description	Approver	Date
Release for Publication	Dale Landis: Sr. Director,Accreditation,Reg Compliance&Quality	2/23/2024
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Next Review	2/27/2026		

Patient Rights and Responsibilities, 10793

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Policy/Procedure

PURPOSE:

Outline the objectives of the Seattle Children's Rights and Responsibilities brochure ("the brochure") and the communication process for notifying patients and their families, caregivers, and/or representatives of their rights and responsibilities.

POLICY:

Seattle Children's notifies patients and their families/caregivers/representatives of their rights and responsibilities in the care delivery process and assists them in understanding and exercising their rights and responsibilities to enhance safe and equitable care.

PROCEDURE:

I. The brochure delineates rights and responsibilities for patients and their families/caregivers/representatives as provided by state and federal law, as well as any additional rights provided by, and responsibilities required by, Seattle Children's Hospital. Those rights and responsibilities are, by this reference, incorporated into this policy and procedure.

   Services and programs may provide additional rights and require additional responsibilities. These additional rights and responsibilities may derive from federal and/or state regulations and/or organizational and patient safety needs, as agreed upon by appropriate organizational leadership. Care teams should communicate these rights and responsibilities with patients and/or their families/caregivers/

representatives at the point of care.

II. Patient Access to Notice of Rights and Responsibilities

   A. Whenever possible, patients and their families/caregivers/representatives are provided notice of rights prior to the delivery or discontinuation of care.

   B. Patients and/or their family/caregiver/representative acknowledge being offered the brochure or the electronic link to the brochure during the consent process at the time of admission or check-in.

   C. Electronic and Hard Copies

      1. Hard copy brochures are displayed near patient registration areas and in the Family Resource Center.

      2. Electronic copy brochures can be found at seattlechildrens.org/rr (including a link to the electronic copy from MyChart menu)

      3. "Rights and Responsibilities" signs are displayed at main patient entrances.

      4. For staff who assist in maintaining the hard copy brochure supplies, the brochure is available to print or order from the Patient Education Database on CHILD. The brochure is available in languages other than English. For database access or ordering help, contact the Family Resource Center at 206-987-2201 patienteducation@seattlechildrens.org.

   D. Patient Understanding of Rights and Responsibilities

      1. The communication of rights and responsibilities is provided to patients and their families/caregivers/representatives in a manner that meets their needs for understanding.

      2. Languages Other Than English and Alternative Communication Needs:

         a. Hard copy and electronic brochures can be found in the most common languages for care other than English, in the same locations as English versions.

         b. If a patient or their family/caregiver/representative has alternative communication needs, interpretation and translation services are provided in accordance with the **P&P:** Interpreter and Translation Services, 10585.

      3. Care teams and staff assist in the communication and understanding of rights and responsibilities by:

         a. Offering the brochure when patients and/or families/caregivers/representatives have questions pertaining to their rights or responsibilities.

         b. Offering to answer questions about rights and responsibilities. When they are uncertain of how to

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answer, escalate questions to appropriate leaders and inform the patient and/or family/caregiver/representative of that action.

4. If staff need additional information about how to address questions, they can contact the Support and Engagement Team.

SEE ALSO:

- **P&P:** Partnership Plan, 11695
- **P&P:** Consent for Care and Treatment, 10288

REFERENCES:

CMS Hospital Conditions of Participation: Patient Rights, A-0115 – 0217, Rev. 200 (February 2020).

Condition of participation: Patient's rights, 42 CFR 482.13.

DNV Healthcare. (2020, September 21). NIAHO Accreditation, Interpretive Guidelines and Surveyor Guidance, Revision 20-1, PR.1-PR.9 Patient Rights

Nondiscrimination on the Basis of Race, Color, National Origin, Sex, Age, or Disability in Health Programs or Activities Receiving Federal Financial Assistance and Programs or Activities Administered by the Department of Health and Human Services Under Title I of the Patient Protection and Affordable Care Act or by Entities Established Under Such Title, 45 CFR 92 (2020).

Washington Administrative Code 246-320-141 (2013).

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Approval Signatures

Step Description	Approver	Date
Release for Publication	Dale Landis: Director, Accreditation & Regulatory Compliance	2/28/2023
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Document Quality Control	Tim Klein: Program Coordinator III	2/16/2023
Document Owner	Dale Landis: Director, Accreditation & Regulatory Compliance [EW]	2/16/2023

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EXHIBIT 7

Project Financials & Assumptions

Seattle Children's Healthcare System
Statement of Operations
System Without Project
($ in thousands)

	FY2028	FY2029	FY2030
Gross Patient Revenue			
Inpatient Revenue	2,830,857	2,873,320	2,873,320
Outpatient Revenue	2,153,595	2,218,924	2,267,330
Gross Patient Revenue	4,984,452	5,092,244	5,140,650
Deductions from Patient Revenue			
Provision for Bad Debt	4,735	4,838	4,884
Contractual Discounts	2,499,999	2,560,553	2,589,833
Provision for Charity	50,982	52,084	52,580
Total Deductions from Revenue	2,555,716	2,617,475	2,647,296
Other Operating Revenue	513,778	534,168	555,459
Total Operating Revenue	2,942,514	3,008,937	3,048,813
Operating Expenses			
Salaries and benefits	1,492,909	1,513,013	1,537,992
Supplies	297,438	300,180	302,953
Depreciation and amortization	171,081	170,219	169,838
Interest	26,315	25,593	24,806
Cost Allocation			
Rental and Leases	35,120	35,130	35,140
Other Expenses	756,658	783,533	798,521
Total Operating Expenses	2,779,521	2,827,669	2,869,250
Excess of Revenue over Expenses from Operations	162,993	181,268	179,564

Seattle Children's Healthcare System
Statement of Operations
System With Project
($ in thousands)

	FY2028	FY2029	FY2030
Gross Patient Revenue			
Inpatient Revenue	2,830,857	2,873,320	2,873,320
Outpatient Revenue	2,242,093	2,317,575	2,379,360
Gross Patient Revenue	5,072,950	5,190,895	5,252,680
Deductions from Patient Revenue			
Provision for Bad Debt	4,819	4,931	4,990
Contractual Discounts	2,548,244	2,614,299	2,650,789
Provision for Charity	51,887	53,093	53,725
Total Deductions from Revenue	2,604,950	2,672,324	2,709,504
Other Operating Revenue	513,778	534,168	555,459
Total Operating Revenue	2,981,778	3,052,739	3,098,634
Operating Expenses			
Salaries and benefits	1,506,460	1,527,730	1,553,793
Supplies	304,328	308,167	312,639
Depreciation and amortization	175,170	174,308	173,926
Interest	26,315	25,593	24,806
Cost Allocation	7,662	8,302	9,106
Rental and Leases	37,727	37,749	37,775
Other Expenses	758,698	785,934	801,355
Total Operating Expenses	2,816,359	2,867,782	2,913,398
Excess of Revenue over Expenses from Operations	165,419	184,957	185,236

Seattle Children's Healthcare System
Statement of Operations
Full Project only
($ in thousands)

	FY2028	FY2029	FY2030
Gross Patient Revenue			
Inpatient Revenue	-	-	-
Outpatient Revenue	88,497	98,651	112,030
Gross Patient Revenue	88,497	98,651	112,030
Deductions from Patient Revenue			
Provision for Bad Debt	84	94	106
Contractual Discounts	48,245	53,746	60,956
Provision for Charity	905	1,009	1,146
Total Deductions from Revenue	49,234	54,848	62,209
Other Operating Revenue	-	-	-
Total Operating Revenue	39,264	43,802	49,821
Operating Expenses			
Salaries and benefits	13,551	14,716	15,800
Supplies	6,891	7,986	9,685
Depreciation and amortization	4,089	4,089	4,089
Interest	-	-	-
Cost Allocation	7,662	8,302	9,106
Rental and Leases	2,606	2,619	2,635
Other Expenses	2,039	2,401	2,834
Total Operating Expenses	36,838	40,114	44,149
Excess of Revenue over Expenses from Operations	2,426	3,689	5,672

Seattle Children's Healthcare System
Statement of Operations
Federal Way Surgery Center (CN-reviewable) only
($ in thousands)

	FY2028	FY2029	FY2030
Gross Patient Revenue			
Inpatient Revenue	-	-	-
Outpatient Revenue	40,134	42,733	45,462
Gross Patient Revenue	40,134	42,733	45,462
Deductions from Patient Revenue			
Provision for Bad Debt	38	41	43
Contractual Discounts	22,198	23,636	25,143
Provision for Charity	410	437	465
Total Deductions from Revenue	22,646	24,114	25,651
Other Operating Revenue	-	-	-
Total Operating Revenue	17,488	18,619	19,811
Operating Expenses			
Salaries and benefits	9,565	9,619	9,710
Supplies	1,710	1,820	1,936
Depreciation and amortization	1,445	1,445	1,445
Interest	-	-	-
Cost Allocation	2,748	2,824	2,917
Rental and Leases	675	678	682
Other Expenses	2,397	2,538	2,702
Total Operating Expenses	18,539	18,924	19,391
Excess of Revenue over Expenses from Operations	(1,051)	(305)	419
Surgery Volume	**2,260**	**2,406**	**2,560**

Seattle Children's Healthcare System
Balance Sheet
System Without Project
($ in thousands)

	FY2028	FY2029	FY2030
ASSETS:			
CURRENT ASSETS			
Cash and Cash Equivalents	80,759	89,780	108,762
All other current assets	1,048,003	1,131,843	1,222,390
TOTL CURRENT ASSETS	1,128,761	1,221,623	1,331,152
BOARD DESIGNATED ASSETS			
Marketable Securities	4,155,863	4,479,997	4,903,293
TOTAL BOARD DESIGNATED ASSETS	4,155,863	4,479,997	4,903,293
PROPERTY, PLANT & EQUIPMENT			
Total PP&E	4,606,526	4,691,626	4,782,226
Less:			
Accumulated Depreciation	(2,426,111)	(2,596,331)	(2,766,168)
NET PROPERTY, PLANT & EQUIPMENT	2,180,415	2,095,295	2,016,058
OTHER ASSETS			
Other Assets, net	383,614	395,509	416,506
OTHER ASSETS	383,614	395,509	416,506
TOTAL ASSETS	7,848,653	8,192,424	8,667,009

LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current Maturities of Long Term Debt	141,146	38,776	39,436
All other current liabilities	641,891	723,320	811,051
TOTAL CURRENT LIABILITIES	783,037	762,096	850,487
LONG TERM LIABILITIES			
Long-term debt, net of current portion	872,502	847,493	821,904
Other long-term liabilities	89,218	95,841	111,208
TOTAL LONG TERM LIABILITIES	961,720	943,334	933,112
TOTAL EQUITY	6,103,895	6,486,993	6,883,410
TOTAL LIABILITIES AND EQUITY	7,848,652	8,192,423	8,667,008

Seattle Children's Healthcare System
Balance Sheet
System With Project
($ in thousands); figures may not add due to rounding

	FY2028	FY2029	FY2030
ASSETS:			
CURRENT ASSETS			
Cash and Cash Equivalents	76,311	85,643	105,043
All other current assets	1,048,003	1,131,843	1,222,390
TOTL CURRENT ASSETS	1,124,314	1,217,486	1,327,433
BOARD DESIGNATED ASSETS			
Marketable Securities	4,068,042	4,398,355	4,829,942
TOTAL BOARD DESIGNATED ASSETS	4,068,042	4,398,355	4,829,942
PROPERTY, PLANT & EQUIPMENT			
Total PP&E	4,693,037	4,778,137	4,868,737
Less:			
Accumulated Depreciation	(2,430,200)	(2,604,508)	(2,778,434)
NET PROPERTY, PLANT & EQUIPMENT	2,262,837	2,173,629	2,090,303
OTHER ASSETS			
Other Assets, net	414,733	425,713	445,795
OTHER ASSETS	414,733	425,713	445,795
TOTAL ASSETS	7,869,926	8,215,182	8,693,473

LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current Maturities of Long Term Debt	141,146	38,776	39,436
All other current liabilities	631,383	711,901	798,859
TOTAL CURRENT LIABILITIES	772,529	750,677	838,295
LONG TERM LIABILITIES			
Long-term debt, net of current portion	872,502	847,493	821,904
Other long-term liabilities	126,480	133,465	149,158
TOTAL LONG TERM LIABILITIES	998,982	980,958	971,062
TOTAL EQUITY	6,098,414	6,483,546	6,884,115
TOTAL LIABILITIES AND EQUITY	7,869,925	8,215,181	8,693,472

Seattle Children's Financial Assumptions:
Federal Way Surgery Center (CN reviewable)

Line Item	**Assumption**
Revenue:	
Revenue	Revenue is based on the payer mix and utilization projections detailed in earlier sections of this application. Charges and reimbursement calculations were based on operating experience. There is no revenue inflation assumed.
Deductions From Revenue:	
Provision for Bad Debt	Bad debt is not allocated at the cost center level. A hospital-level percentage is applied.
Charity Care	Charity care is not allocated at the cost center level. A hospital-level percentage is applied.
Contractual Allowances	Estimated at approximately 45% based on experience
Operating Expenses:	
Salaries and Wages/ Employee Benefits	Salaries are based on current Seattle Children's salaries. Benefits are assumed to be approx. 27% - 28% of salaries; slight variation as the benefits are not directly linked to pay or FTE (but are tied to utilization of services for such things as Workers Comp, health insurance, benefit design, and contractual negotiations.
Supplies	Supplies are based on current actual experience of outpatient surgeries at our Bellevue location. It is assumed to be approx. $756 per case.
Depreciation and Amortization	Depreciation expense for the Federal Way Surgical Center is $1,445,089 per year.
Rental and Leases	Lease expense based on lease terms is $674,681 per year
Other Expenses	Includes other miscellaneous expenses, such as purchased services, travel, training and tuition expenses.
Cost Allocation	Includes allocation of hospital overhead expenses such as general administrative expense, support services, and medical education.

Seattle Children's Total Hospital Assumptions
Total hospital with full project (CN reviewable and non CN- reviewable)

Line Item	**Assumption**
Revenue:	
Revenue	Revenue is based on the payer mix and utilization projections detailed in earlier sections of this application. Charges and reimbursement calculations were based on operating experience. There is no revenue inflation assumed.
Deductions From Revenue:	
Provision for Bad Debt	Bad Debt is projected at approx. 0.10% of total gross revenue based on current actual experience.
Charity Care	Charity Care is projected at approx. 1.02% of total gross revenue based on current actual experience.
Contractual Allowances	Based on current actual experience approximately 47 %, depending on the mix of inpatient to outpatient revenue.
Operating Expenses:	
Salaries and Wages/ Employee Benefits	Salaries are based on current Seattle Children's salaries. Benefits are assumed to be approx. 27% - 28% of salaries.
Supplies	Supply costs are expected to be $304.3 million with the project in year one of full operation of the project This item has both a variable and semi-variable component.
Purchased Services	Purchased services costs are expected to be $541.4 million. Includes outside reference labs, bone marrow and solid organ acquisition costs, residents and interns (medical education), physician fees, software maintenance, laundry, etc.
Utilities	Utility expenses are expected to be $20.6 million.
Rental and Leases	Rental and Leases expenses are expected to be $37.7 million.
Insurance	Insurance expenses are expected to be $17.5 million.
Depreciation and Amortization	Depreciation and amortization expenses are expected to be $175.2 million.
Interest	Interest expense for the hospital's debt is expected to be $26.3 million. The project will be funded by hospital reserves without issuing new debt.
Other Expenses	Includes licenses, taxes, assessments, maintenance, recruitment, travel, and other SG&A, etc. The expense is expected to be $163.7 million.

EXHIBIT 8

Capital Assumptions

a. Land Purchase	N/A. SC leases the land from the landlord. Proforma includes lease expenses.
b. Utilities to Lot Line	Power and miscellaneous utilities for the shell and core
c. Land Improvements	N/A
d. Building Purchase	N/A
e. Residual Value of Replaced Facility	N/A
f. Building Construction	• TBD Consulting completed a non-binding third party construction cost estimate based on historical averages and knowledge of the current construction environment • CN Reviewable spaces are: Net Square Footage Perioperative Services, Perioperative Services Support, Pre-Op / Recovery, Pharmacy, & Sterile Processing Department (SPD). Approximately 16,800SF.
g. Fixed Equipment (not already included in the construction contract)	CN reviewable project costs are limited to: • OR's $1.1M • SPD $450K • Pharmacy $570K Total project also includes: • Radiology $4.6M
h. Movable Equipment	See equipment list in Exhibit 10 for details of CN reviewable equipment. CN reviewable project costs • ORs $3.3M • SPD $400K • Pharmacy $100K • Information Systems $2.5M • Furniture and signage $625K Total project also includes: • Radiology $2.5M • Information Systems $6.1M (50% is in CN reviewable) • Furniture and signage $1.25M (50% is in CN reviewable)
i. Architect and Engineering Fees	Total design costs including shell, core, and TI. 50% of this cost is for the CN reviewable project costs.
j. Consulting Fees	Total consulting fees for shell, core, and TI, plus permitting. 50% of this cost is for the CN reviewable project costs.
k. Site Preparation	N/A
l. Supervision and Inspection of Site	Total project salaries. 50% of this cost is for the CN reviewable project costs.

EXHIBIT 9

Non-Binding Construction Estimate

February 7, 2025

Eric Hernandez, Acting Executive Director
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

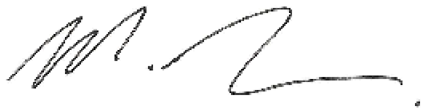
Dear Mr. Hernandez,

I am writing regarding the certificate of need application submitted by Seattle Children's Hospital proposing to add an outpatient surgery center adjacent to the existing Seattle Children's Federal Way Clinic, and the estimated building construction costs. TBD Consulting has completed a capital expenditures estimate, based on experience within the industry, and believe them to be reasonable.

The costs represent the estimated construction costs for the full building, which includes three (3) operating rooms (including Periop, PACU, Pharmacy, SPD and Periop Support), Imaging, Pharmacy, Registration, and Staff spaces, and connection to existing clinic.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,



Martin Connor
Senior Consultant
TBD Consultants Inc.
8538 173rd Ave NE
Redmond, WA 98052

EXHIBIT 10

Equipment List

Seattle Children's Federal Way

OUTPATIENT SURGERY CENTER MEDICAL EQUIPMENT CAPITAL FOR CERTIFICATE OF NEED APPLICATION

Outpatient Surgery Center Equipment Pricing Package (Multi-Specialty set-up)	Cost Assumptions Full Buildout 3ORs		
	Qty	Cost per Unit	Total Cost
Equipment and Furniture - Pre-OP			
Stretchers	3	$10,000	$30,000
Cribs	3	$7,500	$22,500
Playroom Equipment & Toys	1	$5,000	$5,000
Pre/Post room furnishings (recliners, side chairs)	16	$10,250	$164,000
Patient Transport Wagons	3	$500	$1,500
Monitoring Equipment, Low Acuity, Philips VM4*	9	$10,000	$90,000
Pre-OP Sub-Total			***$313,000***
Equipment and Furniture - Post-OP			
Stretchers, Techlem	11	$10,000	$110,000
Monitoring Equipment, Low Acuity, Philips VM4*	6	$10,000	$60,000
Monitoring Equipment Mobile on rollstand, Low Acuity, Philips VM4*	2	$10,000	$20,000
Post-OP Sub-Total			***$190,000***
Equipment and Furniture - Emergency Equipment			
Monitoring Equipment, Low Acuity, Philips VM4*	1	$10,000	$10,000
Defibrillation Equipment, Philips and HP (Pediatric)	2	$25,000	$50,000
Emergency Sub-Total			***$60,000***
Equipment and Furniture - Operating Rooms			
Surgical Lights, monitor ready, camera ready	9	$59,280	$533,520
Surgical Navigator Equipment "Boom"	6	$85,500	$513,000
Anesthesia Column, 3 Gas with N2 Panel, 10 Outlet	6	$13,680	$82,080
Four Channel Video Switching (MIS Suites)	3	$10,000	$30,000
Monitor Suspension Arm System	3	$7,500	$22,500
Philips E240HD 24" Medical Grade LCD Display	3	$7,500	$22,500
Anesthesia Machines, Penlon or Drager or Ohmeda	6	$85,000	$510,000
Monitoring Equipment, Anesthesia, 5 Agent ID, Philips MP5/G5 thru 12/31/07	6	$32,500	$195,000
Panasonic 42" Plasma for OR Suite Display, Panasonic	3	$10,000	$30,000
OR Surgical Table	3	$75,000	$225,000
Surgical Table Accessories	3	$50,000	$150,000
Video MFG Choice, Video Endoscopy Systems (Camera's Light Sources)	3	$25,000	$75,000
Video MFG Choice Insufflator	3	$15,000	$45,000
Arthroscopic Shaver System, Stryker, Linvatec, Smith Nephew	1	$25,000	$25,000
Large Bone Power Equipment, Stryker, Linvatec, Smith Nephew	2	$50,000	$100,000
Small Bone Power Equipment, Stryker, Linvatec, Smith Nephew	2	$50,000	$100,000
Surgical Instruments (sets for Gen, Ortho, Lap/Coli)	3	$100,000	$300,000
Rigid Scopes for OR, Karl Storz, Olympus, Stryker, Linvactec	3	$5,000	$15,000
Rigid Scopes Hardware for OR, (sames as Scopes)	3	$1,000	$3,000

Item	Qty	Unit Cost	Total
Flexible Scopes for OR, Karl Storz and Olympus	3	$15,000	$45,000
Bovie IDS-300 Electrosurgical Generator (with Cart and Footswitch)	3	$20,000	$60,000
Ethicon Harmonic Scalpel or other specialty ESU	2	$20,000	$40,000
Surgical Microscope (Gen, Eye, Neuro)	3	$100,000	$300,000
Surgical Microscope (ENT)	1	$75,000	$75,000
Instrumed/Zimmer Tourniquet	3	$20,000	$60,000
Luxtec/Sunoptics Surgical Head Lights	3	$20,000	$60,000
Baxter Infuse OR pumps	3	$5,000	$15,000
Scrub Sinks with IR, Mac Medical	3	$7,500	$22,500
Blanket Warmers (for OR and MedSurg) Mac Medical	3	$10,250	$30,750
Other instrumentation allowance	1	$200,000	$200,000
Equipment & Furniture - ORs	***99***		***$3,884,850***
Equipment and Furniture - Central Sterilization and Autoclaves			
AMSCO® WASHER DISINFECTOR 5052,	1	$103,368.36	$103,368
AMSCO 400 SERIES® MEDIUM REPLACEMENT STEAM STERILIZER	1	$167,158.01	$167,158
CCPS319635 DECON SINK	1	$14,635.10	$14,635
AMSCO 400 SERIES® MEDIUM STEAM STERILIZER	1	$167,158.01	$167,158
Steris System 1	1	$50,000	$50,000
Infuse Pumps, SCDs, general equipment	1	$200,000	$200,000
Other furniture and equipment	1	$150,000	$150,000
CS Department plus OR Autoclave and General Equipment (ie infusers, pumps, etc) Sub-Total	***7***		***$852,319***
Equipment and Furniture -Pharmacy			
Hoods	***3***		$570,000
Other equipment			$100,000
Equipment & Furniture - Pharmacy			***$670,000***
Information Systems equipment allowance			***$2,500,000***
Furniture and signage			***$625,000***
Totals - ASC Medical and Surgical Equipment			**$9,095,169**
FIXED MEDICAL EQUIPMENT			***$2,150,919***
MOVEABLE MEDICAL EQUIPMENT			***$6,944,250***

EXHIBIT 11

Financial Commitment Letter

4800 Sand Point Way NE
PO Box 5371
Seattle, WA 98105-0371

SeattleChildrens.org
Suzanne Beitel
Tel 206-987-4153

Hope. Care. Cure.™

February 4, 2025

Eric Hernandez, Acting Executive Director
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Re: Certificate of Need Application for Federal Way ASC

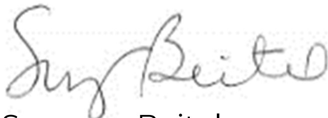
Dear Mr. Hernandez:

I am writing to confirm that Seattle Children's Hospital is using existing reserves to fund the capital cost associated with the Federal Way ASC, proposed in our certificate of need (CN) application. The capital cost of the project is estimated to be $32,111,233.

Our 2024 audited financial statements, included with the CN application, identified more than $1,800,000,000 in cash and investments as of September 30, 2024.

Please do not hesitate to contact me if you have any questions or require additional information.

Sincerely,



Suzanne Beitel,
Senior Vice President and Chief Financial Officer

EXHIBIT 12

Audited Financials: Most Recent 3 Years

SEATTLE CHILDREN’S HEALTHCARE SYSTEM

Consolidated Financial Statements

September 30, 2024 and 2023

(With Independent Auditors’ Report Thereon)

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4–5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–33
Supplementary Information	34–36

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Trustees
Seattle Children's Healthcare System:

Opinion

We have audited the consolidated financial statements of Seattle Children's Healthcare System and its affiliates (the Healthcare System), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of operations and 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 Healthcare System as of September 30, 2024 and 2023, 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 Healthcare System 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 Healthcare System's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be 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 Healthcare System'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 Healthcare System'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 34 through 36 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
December 19, 2024

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Balance Sheets

September 30, 2024 and 2023

(In thousands of dollars)

Assets	2024	2023
Current assets:		
Cash and cash equivalents	$ 101,461	48,927
Accounts receivable, net	482,680	434,841
Other current assets	226,709	177,016
Current portion of assets whose use is limited	26,720	26,367
Total current assets	837,570	687,151
Assets whose use is limited:		
Investments	2,637,886	2,336,621
Investments under bond indentures and other agreements, noncurrent portion	196,328	166,690
	2,834,214	2,503,311
Land, buildings, and equipment, at cost, net	2,255,770	2,222,732
Right-of-use operating lease assets, net	49,792	62,216
Right-of-use finance lease assets, net	175,727	75,404
Other assets, net	125,284	79,009
Total assets	$ 6,278,357	5,629,823
Liabilities and Net Assets		
Current liabilities:		
Current portion of long-term debt	$ 12,785	12,325
Interest payable	13,932	14,042
Accounts payable	143,249	140,107
Accrued salaries, wages, and benefits	184,369	163,815
Current portion of right-of-use operating lease liability	15,550	18,570
Current portion of right-of-use finance lease liability	8,651	7,794
Due to brokers for securities purchased	36,825	43,337
Other payables	37,803	24,274
Total current liabilities	453,164	424,264
Long-term debt, net of current portion	864,769	879,420
Right-of-use operating lease liability, net of current portion	39,376	54,362
Right-of-use finance lease liability, net of current portion	207,646	71,598
Other long-term liabilities	32,240	27,692
Total liabilities	1,597,195	1,457,336
Net assets:		
Net assets without donor restrictions	3,766,645	3,376,525
Net assets with donor restrictions	914,517	795,962
Total net assets	4,681,162	4,172,487
Total liabilities and net assets	$ 6,278,357	5,629,823

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2024 and 2023

(In thousands of dollars)

		2024	2023
Operating revenues:			
Net patient service revenues	$	2,111,461	1,907,462
Research revenues		176,342	179,970
Other operating revenues		95,025	102,145
COVID Relief Funding		17,815	1,052
Unrestricted contributions		23,405	15,693
Net assets released from restriction for operations		124,282	112,235
Total operating revenues		2,548,330	2,318,557
Operating expenses:			
Salaries, wages, and benefits		1,304,154	1,215,792
Purchased services		515,186	556,837
Supplies and other expenses		440,000	416,904
Depreciation		142,060	129,696
Interest and amortization		26,219	28,184
Total operating expenses		2,427,619	2,347,413
Operating income (loss)		120,711	(28,856)
Nonoperating income (expense):			
Interest and dividend income		42,097	39,067
Realized gains on investments, net		65,033	3,673
Unrealized gains on investments, net		166,436	158,595
Change in valuation of interest rate swap agreements		(1,275)	1,963
Other nonoperating (expenses) revenues, net		(7,119)	51
Net nonoperating income		265,172	203,349
Excess of revenues over expenses	$	385,883	174,493

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2024 and 2023

(In thousands of dollars)

		2024	2023
Excess of revenues over expenses	$	385,883	174,493
Other changes in net assets without donor restrictions:			
Net assets released from restriction for capital		4,237	32,168
Other		—	(7,931)
Increase in net assets without donor restriction		390,120	198,730
Changes in net assets with donor restrictions:			
Investment return, net		85,362	53,670
Restricted contributions		161,712	124,524
Net assets released from restriction		(128,519)	(144,403)
Increase in net assets with donor restrictions		118,555	33,791
Increase in net assets		508,675	232,521
Net assets, beginning of year		4,172,487	3,939,966
Net assets, end of year	$	4,681,162	4,172,487

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Cash Flows

Years ended September 30, 2024 and 2023

(In thousands of dollars)

		2024	2023
Cash flows from operating activities:			
Increase in net assets	$	508,675	232,521
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation		142,060	129,696
Realized gains on investments, net		(84,534)	(9,044)
Unrealized gains on investments, net		(229,461)	(204,514)
Restricted contributions		(22,854)	(20,099)
Equity losses (earnings) on investments in joint ventures, net of cash distributions		599	(867)
Change in valuation of interest rate swap agreements		1,275	(1,963)
Changes in assets and liabilities:			
Accounts receivable and other assets		(126,908)	(41,427)
Right-of-use assets and lease liabilities		26,749	(2,410)
Payables and other liabilities		25,239	7,568
Net cash provided by operating activities		240,840	89,461
Cash flows from investing activities:			
Capital expenditures		(148,952)	(276,126)
Sales of trading securities		544,989	735,778
Purchases of trading securities		(565,505)	(388,889)
Sales of alternative investments		267,992	128,280
Purchases of alternative investments		(288,747)	(292,646)
Sale of other assets		—	3,670
Net cash used in investing activities		(190,223)	(89,933)
Cash flows from financing activities:			
Restricted contributions		22,854	20,099
Repayment of financing lease		(8,612)	(6,897)
Repayment of long-term debt		(12,325)	(13,010)
Net cash provided by financing activities		1,917	192
Net increase (decrease) in cash and cash equivalents		52,534	(280)
Cash and cash equivalents, beginning of year		48,927	49,207
Cash and cash equivalents, end of year	$	101,461	48,927
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest (net of capitalized interest)	$	31,017	31,580
Construction in process included in accounts payable		15,467	7,332

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Seattle Children's Healthcare System (SCHS), a Washington nonprofit corporation, functions as the parent organization to the following controlled corporations. The consolidated financial statements include the financial position and results of operations of these entities, each of which is a Washington nonprofit corporation and a 501(c)(3) organization, with the exception of the Children's Clinically Integrated Network, which is structured as a Washington limited liability corporation (LLC):

Seattle Children's Hospital (the Hospital) – A regional pediatric medical center and research institute.

Seattle Children's Foundation – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising activities.

Seattle Children's Guild Association – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising events and memberships.

Children's Retail – A corporation established to support SCHS, through the operation of thrift stores.

Children's Clinically Integrated Network (doing business as Seattle Children's Care Network) – A LLC established to develop, coordinate, and administer a clinically integrated pediatric network to promote collaboration to enhance the quality and cost effectiveness of pediatric care.

Umbrella Pediatrics PC – A pediatric physician practice that provides primary care to patients in the Seattle area.

The consolidated financial statements of SCHS and its controlled affiliates are presented on a consolidated basis, and all intercompany balances have been eliminated.

See footnote 11 for additional disclosure on transactions with related parties and other controlled affiliates.

(b) Tax Exemption

The Internal Revenue Service has granted SCHS, and the controlled corporations listed above, exemption from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC formed to operate for charitable, educational, scientific, and medical purposes. During 2024 or 2023, SCHS did not record any liability for unrecognized tax benefits.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

(d) Cash and Cash Equivalents

Cash and cash equivalents, including highly liquid instruments, that are readily convertible to known amounts of cash are recorded at cost, which approximates fair value. This includes money market funds and deposits held by creditworthy, high-quality financial institutions with original maturities of three months or less. Cash equivalents that are held in investment accounts or that are restricted by contractual requirements are classified as investments on the consolidated balance sheets.

(e) Liquidity

Cash and cash equivalents and patient accounts receivable are the primary liquid resources used to meet expected expenditure needs within the next year. SCHS has investments, described in note 4, available to meet unanticipated liquidity needs. Financial assets include cash and cash equivalents, investments, accounts receivable, interest receivable and other receivables, which are reported in other current assets in the accompanying consolidated balance sheets. Management estimates that approximately 74% of financial assets, as stated at September 30, 2024 and 2023, could be utilized within the next year if needed.

(f) Assets Whose Use is Limited, Investments, and the Fair Value Option

Assets whose use is limited includes net assets without donor restrictions designated by the Board of Trustees (the Board) for future capital and various program purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited also includes net assets with donor restrictions and assets held by trustees under bond indentures and other agreements.

Investments under bond indentures and other agreements primarily include assets held by trustees under the terms of the revenue bonds, charitable trust agreements, retained life estates and annuities. Amounts required to meet current liabilities of SCHS have been classified as current assets in the accompanying consolidated balance sheets at September 30, 2024 and 2023.

Investments are stated at fair value. SCHS classifies its investment portfolio as a trading portfolio, excluding alternative investments, and as such, all unrestricted net investment income (which includes interest, dividends and realized and unrealized gains or losses) are recorded in nonoperating income in the accompanying consolidated statements of operations and changes in net assets in the period in which they occur.

Restricted investment income and changes in the fair value of irrevocable perpetual trusts are included in the changes in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably

(Continued)

possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

SCHS accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statements of cash flows. The cost of investments sold is determined in accordance with the specific-identification method, and realized gains and losses are included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2024 and 2023, SCHS recorded a payable of $36,825 and $43,337, respectively, for investments purchased but not settled within due to brokers for securities purchased in the accompanying consolidated balance sheets. As of September 30, 2024 and 2023, SCHS recorded a receivable of $20,587 and $2,736, respectively, for pending securities sold within other current assets in the accompanying consolidated balance sheets.

(g) Investments in Derivatives

SCHS allows certain investment managers to use derivative financial instruments (futures, forward currency contracts, options and swaps) to manage interest rate risk related to fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchases and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the consolidated balance sheets as of September 30:

		2024	2023
Derivative assets:			
Future contracts	$	75,144	73,426
Foreign currency forwards and other contracts		20,617	33,579
Total derivative assets		95,761	107,005
Derivative liabilities:			
Future contracts		(75,144)	(73,426)
Foreign currency forwards and other contracts		(20,294)	(32,616)
Total derivative liabilities		(95,438)	(106,042)
Net derivatives	$	323	963

(h) Charitable Trusts, Retained Life Estates and Gift Annuity Contracts

SCHS is a recipient of charitable gift annuities, charitable remainder trusts for which SCHS is the trustee and retained life estates. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions established by the Internal Revenue Service, which have ranged between

2% and 8%. The difference between the amount of the gift and the liability is recorded as a contribution and classified as an increase in net assets with donor restrictions based upon time and/or purpose restrictions indicated by the donor. The assets held related to annuity, life estates and trust assets are reported at fair value. SCHS maintains separate reserve funds adequate to meet the future payments under its charitable gift annuity contracts as required by governing state laws. The total amount held in the separate reserve funds as of September 30, 2024 and 2023 was $766 and $637, respectively. The recorded liability amounts for the gift annuity contracts as of September 30, 2024 and 2023 were $396 and $388, respectively. Any charitable gift annuities, retained life estates and charitable remainder trusts for which SCHS is the trustee, are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2024 and 2023 were $9,722 and $8,793, respectively.

SCHS is also the beneficiary of irrevocable perpetual trusts and charitable remainder trusts for which SCHS is not the trustee. These funds held in trust by others represent resources neither in the possession nor under the control of SCHS and are administered by outside trustees. SCHS recognizes its beneficial interest in the outside trusts at fair value as a contribution in the fiscal year it has reliable and verifiable information of the fair value of the trust. The contribution related to an irrevocable perpetual trust is classified as an increase in net assets with donor restrictions based on restrictions placed by the donor. Irrevocable perpetual trusts are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2024 and 2023 were $169,523 and $145,908, respectively. The changes in the fair value of the irrevocable perpetual trusts, as restricted by donors, are reflected as investment return, net, in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

(i) Pledges and Bequests Receivable

Pledges receivable consist of private gifts and grants promised from individuals, corporations, foundations, or other organizations and are reported at fair value at the date the promise is received. Restricted promises are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose.

Bequests consist of pledges made pursuant to the will and testament of donors who have passed away. Bequests are recorded at the time of the donor's death, when the amount bequeathed in the donor's will becomes probable and estimable.

The schedule of future pledge and bequest payments, which is included in other current assets and other assets, in the accompanying consolidated balance sheets was as follows at September 30:

		2024	2023
Payable in:			
Less than one year	$	21,798	9,276
One to five years		35,791	10,053
Over five years		415	790
		58,004	20,119
Less discount and allowance for uncollectible amounts		(4,246)	(1,014)
	$	53,758	19,105

(j) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Interest costs incurred during the time required to ready the asset for its intended use are capitalized. Interest costs of $2,932 and $3,719 were capitalized in 2024 and 2023, respectively. Depreciation is computed using the straight-line method, which allocates the cost of the asset ratably over its estimated useful life. An estimated life of up to 80 years is used for buildings and 10 to 35 years for building and land improvements. Various lives ranging from 3 to 25 years are used for furniture and equipment. Leasehold improvements are depreciated over the shorter of the remaining life of the lease or the useful life of the asset.

In 2023, SCHS re-evaluated the useful lives of land, buildings and equipment used to compute depreciation expense, which resulted in a prospective change in estimated useful lives of certain buildings and equipment. SCHS believes this change more accurately reflects the economic life of the assets and corresponding net book value in the accompanying consolidated balance sheets. This change in estimated useful lives resulted in a reduction of depreciation expense of $34,800 for the fiscal year ending September 30, 2023, with no impact on 2024.

(k) Other Current Assets

Other current assets primarily include prepaid expenses, the current portion of pledges receivable, safety net supplemental payment receivable, nonpatient accounts receivable, and inventories. Inventories are measured at the lower of cost or market value.

(l) Joint Ventures

The equity method of accounting is used for joint ventures in which SCHS has significant influence but does not have control. Significant influence is deemed to exist when the ownership interest in the investee is at least 20% and not more than 50% of net assets, although other factors may be considered in determining whether the equity method of accounting is appropriate.

(m) Deferred Financing Costs

Deferred financing costs are included as a direct deduction from the carrying amount of SCHS's long-term debt in the accompanying consolidated balance sheets and are amortized using the effective-interest method over the term of the related outstanding obligation.

(n) Net Assets

Net assets include contributions that are reported at fair value at the date of donation. Such amounts are reported as net assets without donor restrictions, or net assets with donor restrictions, based on donor stipulations (if any) that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction.

Endowment fund balances, including funds functioning as endowments, are classified and reported as net assets with donor restrictions, or net assets without donor restrictions in accordance with board or donor specifications. Funds functioning as endowments include board-designated named endowments and other board-designated funds.

(o) Net Patient Service Revenues

Net patient service revenues are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care.

(p) Research Revenues

SCHS receives grant and contract revenue from government and private sources. SCHS recognizes revenue associated with the direct and applicable indirect costs of sponsored programs, which are recognized at the earlier of when the research expenses are incurred, or when the contract period has ended. SCHS negotiates its federal indirect rate with its cognizant federal agency. Indirect costs are recovered on federally sponsored programs and are generally based on predetermined reimbursement rates, which are stated as a percentage and are distributed based on the modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

SCHS has elected as an accounting policy to report as without donor restrictions donor-restricted contributions whose restrictions are met in the same reporting period as the revenue is recognized. This accounting policy election applies to conditional contributions, for example restricted reimbursable government grants that require the recipient to incur qualifying expenses. In these cases, the condition is met and revenue is recognized at the same point in time.

(q) Other Operating Revenues

Other operating revenues primarily include revenues from a federal graduate medical education grant, amounts received from Children's University Medical Group (CUMG), regional services revenue, reference laboratory services, royalty income, rental income, and other revenues.

(Continued)

(r) COVID Relief Funding

SCHS received $17,815 and $1,052 for the years ended September 30, 2024 and 2023, respectively, in Federal Emergency Management Agency (FEMA) funds related to reimbursement of costs incurred in prior years to respond to the pandemic.

(s) Excess of Revenues over Expenses

The accompanying 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 excess of revenues over expenses, primarily includes net assets released from restriction for capital in 2024 and 2023.

(t) Subsequent Events

SCHS has performed an evaluation of subsequent events through December 19, 2024, which is the date these consolidated financial statements were available to be issued.

(2) Uncompensated and Undercompensated Care

SCHS is committed to caring for all children in its service area irrespective of ability to pay. The estimated costs of that care were as follows for the years ended September 30:

	2024	2023
Medicaid payment shortfall	$ 297,705	340,945
Charity care	12,949	13,757
Total uncompensated and undercompensated care	$ 310,654	354,702

Medicaid is a government-sponsored healthcare program for low-income individuals. The Medicaid payment shortfall represents the estimated cost of providing services to patients covered under Medicaid in excess of payments received. The estimated cost of services provided to Medicaid patients is estimated based on the ratio of Hospital patient care costs to Hospital patient care charges applied to charges related to services provided to Medicaid patients. Donations received to offset or subsidize Medicaid payment shortfalls and charity care were $22,664 and $20,789 for the years ended September 30, 2024 and 2023, respectively. In addition, as described in footnote 10 the organization received $102,003 and $46,613 in 2024 and 2023, respectively, of safety net funds that also offset the Medicaid payment shortfalls.

Charity care represents the estimated cost of care provided to patients who are uninsured or underinsured and whose families cannot afford to pay for their medical care. The Hospital provides charity care in accordance with its charity care policy based on family need and maintains records to identify the level of charity it provides. The determination of family need is evaluated during a patient's course of care and can be updated after care is complete. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The estimated cost of charity care provided is estimated based on the ratio of Hospital total patient care costs to Hospital total patient care charges applied to charges related to charity care services.

(Continued)

(3) Assets Whose Use is Limited

As of September 30, the fair value of assets whose use is limited was as follows:

		2024	2023
Board-designated investments	$	897,928	813,981
Board-designated endowments		1,061,004	901,395
Donor-restricted investments		678,954	621,245
Investments held under bond indenture and other		223,048	193,057
	$	2,860,934	2,529,678

(4) Investments and Fair Value Measurements

In determining the fair value of investments, SCHS utilizes valuation techniques to maximize the use of observable market data and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based upon market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect SCHS's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Assets and liabilities that are recorded at fair value are grouped into three levels based on the markets in which assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities; an active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies.

Level 3 – Significant unobservable inputs, including assets and liabilities that are traded infrequently.

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 in its entirety. The fair value hierarchy does not necessarily correspond to a financial instrument's relative liquidity in the market or to its level of risk.

Alternative investments are measured using net asset value (NAV) per share as a practical expedient and are excluded from categorization in the fair value hierarchy. Such investments measured using NAV primarily consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable.

Beneficial interests in trusts are primarily valued based on the value of the underlying assets, as provided by the trust administrators. The values of perpetual and charitable remainder trusts where SCHS is not the trustee are categorized as Level 3. Beneficial interests in trusts where SCHS serves as the trustee are recognized in the fair value hierarchy based on the underlying assets.

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable, and accrued salaries, wages, and benefits approximate the fair value because of their short-term nature.

(Continued)

The following tables present assets and liabilities that were measured at fair value on a recurring basis (including items that were required to be measured at fair value and items for which the fair value option was elected) at September 30:

		Total	Fair value measurements at reporting date using		
		2024	Level 1	Level 2	Level 3
Assets:					
Investments:					
Money market and other	$	28,976	17,728	11,248	—
Commercial paper		22,939		22,939	—
U.S. equity securities		2,429	2,429	—	—
U.S. corporate fixed-income securities		236,114	—	236,114	—
Foreign corporate fixed-income securities		98,599	—	98,599	—
Notes issued by the U.S. government and U.S. government agencies		146,810	121,307	25,503	—
Mutual funds:					
Global (U.S. and foreign) equity funds		81	81	—	—
U.S. corporate fixed income funds		334,368	334,368	—	—
Other		5,909	5,909	—	—
Trustee-held funds		26,720	26,720	—	—
Charitable gift annuities		766	561	205	—
Perpetual and charitable remainder trust agreements		189,653	—	8,956	180,697
Total		1,093,364	509,103	403,564	180,697
Alternative investments measured using NAV		1,767,570			
Total assets	$	2,860,934			
Liabilities:					
Interest rate swap agreements	$	2,735	—	2,735	—
Total liabilities	$	2,735	—	2,735	—

		Total 2023	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:					
Investments:					
Money market and other	$	46,217	38,705	7,512	—
Commercial paper		28,267	—	28,267	—
U.S. equity securities		5,276	5,276	—	—
U.S. corporate fixed-income securities		222,313	—	222,313	—
Foreign corporate fixed-income securities		101,518	—	101,518	—
Notes issued by the U.S. government and U.S. government agencies		151,499	109,390	42,109	—
Mutual funds:					
Global (U.S. and foreign) equity funds		13,354	13,354	—	—
U.S. corporate fixed income funds		303,415	303,415	—	—
Other		4,870	4,870	—	—
Trustee-held funds		26,367	26,367	—	—
Charitable gift annuities		637	637	—	—
Perpetual and charitable remainder trust agreements		161,190	—	8,156	153,034
Total		1,064,923	502,014	409,875	153,034
Alternative investments measured using NAV		1,464,755			
Total assets	$	2,529,678			
Liabilities:					
Interest rate swap agreements	$	1,460	—	1,460	—
Total liabilities	$	1,460	—	1,460	—

The following tables present SCHS's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820 for the years ended September 30, 2024 and 2023:

		Trusts and other
Balance at September 30, 2023	$	153,034
Total realized and unrealized gains, net included in income		24,833
Contributions, settlements and change in beneficial interest in trusts:		
Contributions		—
Settlements		(169)
Change in beneficial interest		2,999
Balance at September 30, 2024	$	180,697

		Trusts and other
Balance at September 30, 2022	$	142,733
Total realized and unrealized gains, net included in income		9,444
Contributions, settlements and change in beneficial interest in trusts:		
Contributions		2,358
Settlements		(54)
Change in beneficial interest		(1,447)
Balance at September 30, 2023	$	153,034

Alternative investments include limited partnerships, LLCs, investment trusts, institutional funds and other equity securities that are not publicly traded. Included in these funds are certain types of financial instruments, including, among others, futures and forward contracts, options, swaps, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of risk. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Alternative investments are less liquid than SCHS's other investments. Liquidity limitations on these alternative investments include, but are not limited to, lock-up provisions whereby SCHS is unable to redeem shares of an investment for a period of time (usually one year after the initial investment), private equity commitments, and funds, which do not provide monthly liquidity and/or require greater than 30 days' notice prior to the redemption date.

Alternative investments are investments in certain entities that report fair value using a calculated net NAV or its equivalent. The nature of such investments as of September 30, 2024 and 2023 and unfunded commitments as of September 30, 2024 is as follows:

	2024 Fair value	2023 Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investment strategy:					
U.S. and foreign equity funds (1)	$ 973,145	730,851	—	Daily, monthly, quarterly, annually (1–3 years)	0–60 days
Absolute return funds (2)	451,681	413,042	—	Quarterly, annually (1–5 years)	45–120 days
Private investments (3)	335,136	301,843	165,324	NA	NA
Other equity securities (4)	7,609	19,019	—	NA	NA
Total alternative investments	$ 1,767,571	1,464,755	165,324		

(1) This category includes investments in funds that pursue diversification of both domestic and foreign equity securities through multiple investment strategies. As of September 30, 2024, approximately $11,162 of the total U.S. and foreign equity funds are allocated to illiquid special investments.

(2) This category primarily includes investments in hedge funds that pursue strategies that aim to provide positive returns regardless of market environment. As of September 30, 2024, approximately $12,149 of the total absolute return investments are allocated to illiquid, special investments. Distributions will be received as the underlying investments are liquidated.

(3) This category includes investments in funds that encompass a wide array of strategies, including buyouts, venture capital, and real estate among others. These investments cannot be redeemed by SCHS; rather, SCHS has committed to investing a certain dollar amount into these private funds during a defined commitment period. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 1 to 15 years.

(4) As of September 30, 2024, SCHS held approximately $7,609 in other equity securities that are not publicly traded and are subject to redemption restrictions.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at September 30:

		2024	2023
Land and improvements	$	285,057	285,057
Buildings and improvements		2,220,085	2,143,598
Furniture and equipment		820,409	770,503
Construction in progress		145,890	122,046
		3,471,441	3,321,204
Less accumulated depreciation		(1,215,671)	(1,098,472)
	$	2,255,770	2,222,732

SCHS has commitments for construction projects totaling $351,257 as of September 30, 2024.

(6) Leases

SCHS enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, SCHS records the related right-of-use (ROU) asset and lease liability at the present value of the lease payments over the contract term using the U.S. Treasury's risk-free borrowing rate. Building lease agreements generally require SCHS to pay operating expenses such as maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease 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. Certain leases include one or more options to renew the lease after the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at SCHS's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term. SCHS has elected the practical expedient to not separate lease components from non-lease components for its financing and operating leases.

The components of lease cost for the years ended September 30:

		2024	2023
Operating lease cost:			
Fixed lease expense	$	17,654	18,578
Variable lease expense		7,816	7,500
Total operating lease cost	$	25,470	26,078
Finance lease cost:			
Amortization of ROU assets	$	12,805	8,690
Interest on finance lease liabilities		5,207	1,888
Total finance lease cost	$	18,012	10,578

Supplemental cash flow and other information related to operating and finance leases as of and for the years ended September 30 are as follows:

		2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities:			
Operating cash flows for operating leases	$	19,736	19,683
Operating cash flows for finance leases		1,653	1,284
Financing cash flows for finance leases		8,612	6,897
Additions to ROU assets obtained from operating leases		727	407
Additions to ROU assets obtained from finance leases		112,946	20,772
Weighted average remaining lease term (in years):			
Operating leases		6.37	6.43
Finance lease		19.06	17.50
Weighted average discount rate:			
Operating leases		1.64 %	1.63 %
Finance leases		4.14 %	2.80 %

(Continued)

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of September 30, 2024 are as follows:

	Operating	Finance
2025	$ 16,291	11,873
2026	11,584	17,815
2027	11,468	15,379
2028	7,239	14,327
2029	6,278	14,666
Thereafter	5,458	251,031
	58,318	325,091
Less imputed interest	3,392	108,794
Total lease liabilities	54,926	216,297
Less current portion	15,550	8,651
Long-term lease liabilities	$ 39,376	207,646

(7) Endowment Funds and Net Assets with Donor Restrictions

The endowment funds consist of numerous individual funds established for a variety of purposes. They include endowments with donor restrictions and funds functioning as endowments, which include board-designated named endowments and other board-designated endowments. Net assets associated with these funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SCHS has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, SCHS classifies within net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by SCHS in a manner consistent with the standards of prudence prescribed by WA-UPMIFA.

In making a determination to appropriate or accumulate endowment funds with donor restrictions, SCHS considers (a) the duration and preservation of the fund; (b) the purposes of SCHS and the endowment with donor restrictions; (c) general economic conditions; (d) the appreciation of endowment investments; (e) other resources of SCHS; and (f) the investment policy of SCHS.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or WA-UPMIFA requires SCHS to retain as a fund of perpetual duration. SCHS has adopted a policy that permits spending from underwater endowments in accordance with prudent measures required by law. As of September 30, 2024 and 2023, donor restricted funds with deficiencies were as follows:

		2024	2023
Fair value of underwater endowment funds	$	2,447	28,211
Original endowment gift amount		3,827	28,998
Deficiencies of underwater endowment funds	$	(1,380)	(787)

SCHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, SCHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCHS targets a diversified asset allocation intended to achieve its long-term return objectives within prudent risk constraints.

SCHS has a spending policy of appropriating 4.5% of its endowment funds' 12-quarter average market value of donor-restricted and board-designated named endowments. In establishing this policy, SCHS considered the long-term expected return on its endowment funds.

The endowment net assets composition by type as of September 30, 2024 and 2023 were as follows:

		Without donor restrictions	With donor restrictions	Total
September 30, 2024:				
Donor-restricted	$	—	410,694	410,694
Board-designated:				
Named endowment funds		170,885	—	170,885
Other endowment funds		890,119	—	890,119
Total funds	$	1,061,004	410,694	1,471,698
September 30, 2023:				
Donor-restricted	$	—	346,376	346,376
Board-designated:				
Named endowment funds		120,100	—	120,100
Other endowment funds		781,295	—	781,295
Total funds	$	901,395	346,376	1,247,771

The changes in endowment net assets for 2024 and 2023 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2023	$ 901,395	346,376	1,247,771
Investment return:			
Net interest and dividends	7,054	2,869	9,923
Net appreciation (realized and unrealized)	157,500	57,608	215,108
	164,554	60,477	225,031
Contributions and designations	32,713	19,219	51,932
Transfer to board-designated funds	(32,713)	—	(32,713)
Appropriation of endowment assets for expenditure:			
Donor-restricted	—	(15,378)	(15,378)
Board-designated named	(4,945)	—	(4,945)
	(4,945)	(15,378)	(20,323)
Endowment net assets, September 30, 2024	$ 1,061,004	410,694	1,471,698

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2022	$ 780,356	295,467	1,075,823
Investment return:			
Net interest and dividends	5,779	2,370	8,149
Net appreciation (realized and unrealized)	115,039	41,866	156,905
	120,818	44,236	165,054
Contributions and designations	11,083	22,536	33,619
Transfer to board-designated funds	(6,370)	—	(6,370)
Appropriation of endowment assets for expenditure:			
Donor-restricted	—	(15,863)	(15,863)
Board-designated named	(4,492)	—	(4,492)
	(4,492)	(15,863)	(20,355)
Endowment net assets, September 30, 2023	$ 901,395	346,376	1,247,771

Net assets subject to time or use donor restrictions were available for the following purposes at September 30:

		2024	2023
Healthcare services	$	110,680	112,978
Research		195,308	165,403
Capital projects		20,815	21,436
	$	326,803	299,817

Donor-restricted endowments and pledges subject to spending policy and appropriation (excluding unappropriated endowment earnings of $138,813 in 2024 and $93,714 in 2023) and perpetual trust are held to support the following:

		2024	2023
Healthcare services	$	264,857	241,616
Research		184,044	160,815
	$	448,901	402,431

(8) Long-Term Debt

Long-term debt obligation consisted of the following at September 30:

	Maturing through	Coupon rates	Unpaid principal 2024	Unpaid principal 2023
Revenue bonds:				
Fixed:				
Series 2015A	2046	4–5%	100,000	100,000
Series 2015B	2039	5 %	166,960	167,020
Series 2017A	2048	5 %	106,375	107,265
Series 2021	2051	1–3%	402,075	402,075
Total fixed			775,410	776,360

(Continued)

	Maturing through	Effective Interest rates	Unpaid principal 2024	Unpaid principal 2023
Variable:				
Series 2012C	2029	4.8-5.1%	41,580	49,020
Series 2012D	2032	4.9-5.0%	37,185	41,120
Total variable			78,765	90,140
Unpaid principal, long-term debt			854,175	866,500
Unamortized premiums, discounts and debt issuance costs, net			23,379	25,245
Total long-term debt			877,554	891,745
Less current portion			(12,785)	(12,325)
Long-term debt, net of current portion			$ 864,769	879,420

The Revenue Bonds are collateralized by a pledge of gross revenues and secured by interests in certain bond funds.

Scheduled principal repayments as of September 30, 2024 on the long-term debt are due as follows:

2025	$ 12,785
2026	13,310
2027	13,790
2028	116,385
2029	14,870
Thereafter	683,035
	854,175
Add unamortized premiums, discounts and debt issuance costs, net	23,379
	$ 877,554

The members of the Obligated Group are defined and established under the Master Indenture to include the Hospital and SCHS. As of September 30, 2024, total assets, total liabilities, and total net assets without donor restrictions of the Obligated Group constitute 100%, 100%, and 100% of the respective SCHS's consolidated totals. For fiscal year 2024, the total operating revenues, operating income, and excess of revenues over expenses, from all sources attributable to the Obligated Group were 99%,100%, and 100%, of the respective SCHS's consolidated totals.

(Continued)

Under the terms of the Revenue Bonds and related indenture agreements, the Obligated Group is required to comply with various covenants, including income available for debt service. As of September 30, 2024, the Obligated Group is in compliance with all bond covenants.

Accounting for Derivative Instruments

Interest rate swap contracts are used to manage the net exposure to interest rate changes in attempting to reduce the overall cost of borrowing over time. SCHS records these derivative instruments on the accompanying consolidated balance sheets as an asset or liability measured at its individual fair market value – the fair value of interest rate swap contracts is included in other long-term liabilities on the accompanying consolidated balance sheets. Changes in the derivative instrument's fair market value are recognized in earnings unless certain specific hedge accounting criteria are met. SCHS has not designated its interest rate swap agreements as cash flow hedges, and all changes in the valuation of the interest rate swaps are recognized in other nonoperating expenses, net, in the accompanying consolidated statements of operations and changes in net assets. Interest rate swaps not designated as hedges were valued at $(2,735) and $(1,460) as of September 30, 2024 and 2023, respectively.

SCHS has two swap agreements (Swap Agreements) with two separate counterparties. Under each Swap Agreement, SCHS is obligated to pay a fixed rate per annum (3.48% on the Series 2012C Bonds and 3.69% on the Series 2012D Bonds) on a notional amount equal to the outstanding principal amount of the applicable series of bonds and receives a variable payment computed as 68% of the 30-day average Secured Overnight Financing Rate (SOFR) plus a spread adjustment. The bonds' variable-rate coupons are based upon rates calculated as a percentage of one-month Term SOFR plus a credit spread, as defined in the respective financing agreements.

The two Credit Support Annexes for the interest rate swaps require either party to post collateral if the fair market value of the swap is negative to them and exceeds the minimum threshold as defined in each respective Credit Support Annex. The amount of collateral required to be posted is equal to the difference of the fair market value over the minimum threshold. As of September 30, 2024 and 2023, SCHS was not required to post collateral for either Swap Agreement.

(9) Net Patient Service Revenues and Patient Accounts Receivable

Net patient service revenues provided by the Hospital are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts, representing the transaction price, are due from third-party payers and patients, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the third-party payers and patients several days after the services are performed and/or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides an accurate depiction of the transfer 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 receiving inpatient services. The Hospital measures the performance obligation from admission into the

hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient revenue is recognized when goods or services are provided.

The Hospital determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments, discounts, and implicit price concessions. A significant portion of the Hospital's patient service revenues is derived from Medicaid programs, including Medicaid managed care (Medicaid). Payments from Medicaid for services provided to inpatients are based upon prospective diagnosis related groups and other payment programs, while Medicaid outpatient payments are based upon prospective enhanced ambulatory payment groups and other payment programs. Commercial insurer payments are based upon terms of contractual agreements.

The Hospital's performance obligations generally relate to contracts with a duration of less than one year. The Hospital has elected to apply the optional exemption to not 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. These unsatisfied or partially unsatisfied performance obligations primarily relate to services provided at the end of the reporting period.

Retroactive adjustments, under reimbursement agreements with third-party payers, are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated and accrued in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

The following table summarizes net patient service revenues disaggregated by payer and service type for the years ended September 30:

	Net inpatient service revenues		Net outpatient service revenues		Total net patient service revenues	
	2024	2023	2024	2023	2024	2023
Commercial insurers:						
Premera Blue Cross	$ 187,404	181,861	170,874	157,871	358,278	339,732
Regence Blue Shield	214,140	174,142	173,657	147,819	387,797	321,961
Other	424,022	395,092	274,111	237,539	698,133	632,631
Medicaid managed care organizations	362,493	295,061	136,140	98,039	498,633	393,100
Medicaid	100,784	142,116	25,502	26,175	126,286	168,291
Other	23,374	30,228	18,960	21,519	42,334	51,747
	$ 1,312,217	1,218,500	799,244	688,962	2,111,461	1,907,462

Inpatient revenue includes care requiring admission to the hospital, including medical and surgical, cancer care, neonatal intensive care, pediatric and intensive care, psychiatric, and rehabilitation services, and related ancillary services. Outpatient revenue includes a variety of services that do not require admission to the hospital, including day surgeries, emergency and urgent care services, clinic visits, home care services, and other ancillary services.

Patient Accounts Receivable

Patient accounts receivable are recorded on an accrual basis at established billing rates. The allowances for contractual allowances and discounts are recorded on an accrual basis, using established billing and contracted rates and historical experience. In evaluating the collectability of patient accounts receivable, The Hospital estimates implicit price concessions by major payer type based on historical experience for each payer type. Primary collection risks relate to uninsured patients and the portion of the bill which is the patients' responsibility, primarily copayments and deductibles. For uninsured patients who do not qualify for the Hospital's charity care, the Hospital provides a discount from its standard rates. The Hospital regularly reviews data about the major payer sources of revenues in evaluating the sufficiency of the allowance for contractual allowances and discounts.

The concentrations of credit risk by payer as measured by gross patient accounts receivable were as follows at September 30:

	2024	2023
Commercial insurers:		
Premera Blue Cross	9 %	9 %
Regence Blue Shield	11	14
Other	24	24
Medicaid managed care organizations	37	34
Medicaid	12	13
Other	7	6
	100 %	100 %

(10) Hospital Safety Net Assessment

The State of Washington provides for supplemental Medicaid payments to certain hospitals funded by assessments paid by those hospitals, as well as matching federal funds (the safety net program). The supplemental payments include fee-for-service payments received directly from Washington State, as well as payments processed through managed care organizations. In April 2023, the Washington State legislature approved a renewed safety net program and received final approval from the Centers for Medicare and Medicaid Services in June 2024.

The following revenues and expenses were recognized in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30:

	Revenues		Expenses	
	2024	2023	2024	2023
Fee-for-service segment of the program	$ 11,751	18,609	1,303	3,443
Managed care segment of the program	90,252	28,004	10,008	13,776
Total	$ 102,003	46,613	11,311	17,219

Supplemental payments are recorded in net patient service revenues and assessments are recorded in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

(11) Related-Party Transactions

(a) OBCC Othello QALICB

In August 2020, OBCC Othello QALICB was formed as a special-purpose non-profit organization to support the financing of the new OBCC at Othello Square. This entity is considered a Type III supporting organization providing sole support to the Hospital. OBCC Othello QALICB is not controlled by the Hospital, and thus the entity is not consolidated into SCHS's financial statements.

In October 2020, OBCC Othello QALICB entered into a New Market Tax Credit (NMTC) arrangement to facilitate the development and construction of the new OBCC in the Othello neighborhood of Seattle. As part of this structured financing, the Hospital made a loan to the Investment Fund of $24,561.

The Hospital also entered into agreements to guarantee the loan payments and completion obligations of OBCC Othello QALICB. This includes, in case of default during the seven-year compliance period, repayment of the $33,680 Qualified Low Income Community Investment loans. If OBCC Othello QALICB were unable to perform its obligations to complete the project, the Hospital is responsible for any obligations required to finish the project. Management has determined that the probability the Hospital will be required to repay the QLICI loans or be responsible for project completion is remote; thus, no liabilities have been recorded.

(b) BrainChild Bio, Inc.

In January 2024, BrainChild Bio, Inc. began operations as a for-profit corporation to accelerate the advancement of chimeric antigen receptor T-cell therapies in the central nervous system. BrainChild Bio, Inc. was funded by SCH with an initial capital infusion of $3,000 under a convertible note with a total aggregate drawable amount of $50,000 that has a balance of $25,365 as of September 30, 2024, recorded in other long-term assets. Seattle Children's Healthcare System was approximately a 94% owner of BrainChild Bio, Inc. as of September 30, 2024. BrainChild Bio, Inc. is fully consolidated into

the financial statements of SCHS as we exercise full control over the entity and related party transactions between our entities are eliminated upon consolidation.

(c) Other Related Parties

The Hospital participates in joint ventures with organizations that engage in the delivery of healthcare-related services. The Hospital and UW jointly control CUMG, which is a pediatric practice plan that manages the clinical practices of its members who are medical staff at both the Hospital and faculty at the UW. The Hospital participates in a joint venture with Providence Health & Services – Washington (PHSW), an affiliate of Providence Health & Services, which is owned by Providence St. Joseph Health (PSJH). PSJH owns and operates Providence Regional Medical Center Everett located in Everett, Washington. The Hospital and PHSW each own a 50% interest in Providence Children's Neonatal Services, LLC (PCNS).

During 2024 and 2023, healthcare services and administrative support provided, at cost, by the Hospital to these joint ventures totaled $24,279 and $23,303, respectively. The revenues from these services were included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets. The Hospital purchased healthcare services of $200,425 and $215,757 in 2024 and 2023, respectively, from its joint ventures. The expenses were included in purchased services in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2024 and 2023, the Hospital's investment in the PCNS joint venture totaled $5,825 and $6,425 respectively and is included in other assets in the accompanying consolidated balance sheets.

(12) Retirement Plan and Deferred Compensation

SCHS provides a defined-contribution plan to substantially all of its employees. SCHS's contribution to the plan is discretionary. For 2024 and 2023, the discretionary employer contribution based on participants' years of vested service was 4% of eligible compensation for less than five years and 6% of eligible compensation for more than five years of service. Retirement plan contribution expense during 2024 and 2023 totaled $61,839 and $52,635, respectively, and is included within salaries, wages, and benefits in the accompanying consolidated statement of operations and changes in net assets.

(13) Self-Insurance

SCHS has purchased professional and general liability insurance on a claims-made basis. SCHS is self-insured for the deductible portion of its insurance coverage, for unreported incidents, and for all claims excluded from insurance coverage and accrues an actuarial estimate for claims within its deductible portion and for unreported incidents. At September 30, 2024 and 2023, the estimated gross liability before insurance receivable for future costs of professional and general liability claims was $44,276 and $23,983, respectively. At September 30, 2024 and 2023, $15,727 and $13,530, respectively, of this liability was included as long-term within other long-term liabilities with the remainder within other payables in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

(a) Labor Organizations

Approximately 27% of SCHS's employees are represented by labor organizations. Two of the labor agreements representing approximately 26% of SCHS's employees are set to expire within the next year.

(b) Regulatory Environment and Litigation

SCHS operates in a highly regulated industry in which there is a potential for various lawsuits, demands, claims, qui tam suits, governmental investigations and audits (including, without limitation, investigations or other actions resulting from its obligation to self-report suspected violations of law) and other legal proceedings. SCHS records accruals for certain legal proceedings and regulatory matters to the extent that SCHS determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. While these accruals reflect SCHS's current best estimate of the probable loss related to these matters as of the dates of those accruals, the recorded amounts may differ materially from the actual amount of the losses for those matters, and any anticipated third-party recoveries for any such losses may not ultimately be recovered. Additionally, in some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal proceedings and regulatory matters, which also may be impacted by various factors, including, without limitation, that they may involve indeterminate claims for monetary damages or may involve fines, penalties or nonmonetary remedies; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; are in early stages of the proceedings; or may result in a change of business practices. Further, there may be various levels of judicial review available to the SCHS in connection with any such proceeding.

Between 2022 and 2024, four class action lawsuits related to wage and hour matters have been filed against the hospital. In 2024 one of the lawsuits has been settled and approved by the court. In a second case, the court has certified a class of "healthcare workers" seeking damages for missed or interrupted second meal periods. The other two lawsuits were filed in 2024, and no class has been certified yet in either case. These too involve alleged missed or interrupted meal periods or breaks. Additionally, the hospital is actively defending four aspergillus infection cases, none of which involve surgical site infections, that are scheduled for trial in 2025-2026. The hospital is also vigorously defending a lawsuit brought by a former senior medical director who alleges a hostile work environment and retaliation. It is not possible at this time to predict the outcome these matters may have on the financial condition of SCHS, although such outcomes could be material.

(15) Functional Expenses

General and administrative (G&A) costs include costs that are incurred or determined by SCHS management and are not directly controllable by the healthcare services, research, or fundraising divisions. Costs that are controllable by operational leadership are allocated to the respective program activities pro rata based on total program activity expenses.

Functional expenses were as follows for the years ended September 30:

2024	Program activities		Supporting activities		
	Healthcare services	Research	Fundraising	G&A	Total
Salaries, wages, and benefits	$ 1,097,687	161,329	12,368	32,770	1,304,154
Purchased services	376,473	126,956	2,835	8,922	515,186
Supplies and other expenses	366,286	66,246	2,303	5,165	440,000
Depreciation	115,679	23,882	112	2,387	142,060
Interest and amortization	25,724	—	—	495	26,219
Other nonoperating expenses	2,030	2,576	—	3,955	8,561
	$ 1,983,879	380,989	17,618	53,694	2,436,180

2023	Program activities		Supporting activities		
	Healthcare services	Research	Fundraising	G&A	Total
Salaries, wages, and benefits	$ 1,025,923	145,344	11,577	32,948	1,215,792
Purchased services	423,670	116,995	2,460	13,712	556,837
Supplies and other expenses	333,949	73,978	2,627	6,350	416,904
Depreciation	108,568	18,939	118	2,071	129,696
Interest and amortization	27,624	—	—	560	28,184
Other nonoperating expenses	1,607	—	—	3,714	5,321
	$ 1,921,341	355,256	16,782	59,355	2,352,734

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2024

(In thousands of dollars)

Assets	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Other	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ —	84,771	—	16,690	—	101,461
Accounts receivable, net	—	482,180	—	500	—	482,680
Receivables from affiliates, net	244,467	190,050	239	137	(434,893)	—
Other current assets	6,985	219,236	229	259	—	226,709
Current portion of assets whose use is limited	—	26,720	—	—	—	26,720
Total current assets	251,452	1,002,957	468	17,586	(434,893)	837,570
Assets whose use is limited:						
Investments	846,309	1,791,577	—	—	—	2,637,886
Investments under bond indenture and other agreements, noncurrent portion	193,593	2,735	—	—	—	196,328
	1,039,902	1,794,312	—	—	—	2,834,214
Beneficial interest in SCHS	—	194,945	—	—	(194,945)	—
Land, buildings, and equipment, at cost, net	3,720	2,247,692	1,364	2,994	—	2,255,770
Right-of-use operating lease assets, net	—	49,427	—	365	—	49,792
Right-of-use finance lease assets, net	—	174,728	—	999	—	175,727
Other assets, net	29,689	119,144	1,787	29	(25,365)	125,284
Total assets	$ 1,324,763	5,583,205	3,619	21,973	(655,203)	6,278,357

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2024

(In thousands of dollars)

Liabilities and Net Assets	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Other	Eliminations	Total
Current liabilities:						
Current portion of long-term debt	$ —	12,785	—	—	—	12,785
Interest payable	—	13,932	—	—	—	13,932
Accounts payable	262	141,996	208	783	—	143,249
Accrued salaries, wages, and benefits	1,530	181,422	1,353	64	—	184,369
Current portion of right-of-use operating lease liability	—	15,428	—	122	—	15,550
Current portion of right-of-use financing lease liability	—	8,540	—	111	—	8,651
Due to brokers for securities purchased	—	36,825	—	—	—	36,825
Other payables	—	34,869	—	2,934	—	37,803
Payables to affiliates, net	359	428,784	2,014	29,101	(460,258)	—
Total current liabilities	2,151	874,581	3,575	33,115	(460,258)	453,164
Long-term debt, net of current portion	—	864,769	—	—	—	864,769
Right-of use operating lease liability, net of current portion	—	38,926	—	450	—	39,376
Right-of-use financing lease liability, net of current portion	—	206,723	—	923	—	207,646
Other long-term liabilities	9,750	22,490	—	—	—	32,240
Total liabilities	11,901	2,007,489	3,575	34,488	(460,258)	1,597,195
Net assets:						
Net assets without donor restrictions	1,034,129	2,744,987	44	(12,515)	—	3,766,645
Net assets with donor restrictions	278,733	830,729	—	—	(194,945)	914,517
Total net assets	1,312,862	3,575,716	44	(12,515)	(194,945)	4,681,162
Total liabilities and net assets	$ 1,324,763	5,583,205	3,619	21,973	(655,203)	6,278,357

See accompanying independent auditors' report.

Exhibit II

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Statement of Operations

September 30, 2024

(In thousands of dollars)

	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Other	Eliminations	Total
Operating revenues:						
Net patient service revenues	$ —	2,108,312	—	3,149	—	2,111,461
Research revenues	—	178,310	—	—	(1,968)	176,342
Other operating revenues	—	96,450	15	2,693	(4,133)	95,025
COVID Relief Funding	—	17,815	—	—	—	17,815
Unrestricted contributions	2,403	—	23,400	—	(2,398)	23,405
Restricted donations and bequests	—	—	151,727	61	(151,788)	—
Net assets released from restriction for operations	3,889	120,393	—	—	—	124,282
Total operating revenues	6,292	2,521,280	175,142	5,903	(160,287)	2,548,330
Operating expenses:						
Salaries, wages, and benefits	10,529	1,270,569	14,871	8,185	—	1,304,154
Purchased services	3,705	504,992	3,866	6,879	(4,256)	515,186
Supplies and other expenses	996	435,383	2,367	3,099	(1,845)	440,000
Depreciation	61	141,473	74	452	—	142,060
Interest and amortization	—	26,219	—	—	—	26,219
Foundation, Guild Association and Retail program service expense	—	—	153,964	222	(154,186)	—
Total operating expenses	15,291	2,378,636	175,142	18,837	(160,287)	2,427,619
Operating (loss) income	(8,999)	142,644	—	(12,934)	—	120,711
Nonoperating income (expense):						
Interest and dividend income	5,898	36,185	—	14	—	42,097
Realized gains on investments, net	36,412	28,621	—	—	—	65,033
Unrealized gains on investments, net	75,673	90,763	—	—	—	166,436
Change in valuation of interest rate swap agreements	—	(1,275)	—	—	—	(1,275)
Other nonoperating revenues (expenses), net	—	(7,421)	—	302	—	(7,119)
Net nonoperating income	117,983	146,873	—	316	—	265,172
Excess (deficit) of revenues over expenses	$ 108,984	289,517	—	(12,618)	—	385,883

See accompanying independent auditors' report.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Financial Statements

September 30, 2023 and 2022

(With Independent Auditors' Report Thereon)

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4–5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–34
Supplementary Information	35–37

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Trustees
Seattle Children's Healthcare System:

Opinion

We have audited the consolidated financial statements of Seattle Children's Healthcare System and its affiliates (the Healthcare System), which comprise the consolidated balance sheets as of September 30, 2023 and 2022, and the related consolidated statements of operations and 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 Healthcare System as of September 30, 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 Healthcare System 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 Healthcare System's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be 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 Healthcare System'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 Healthcare System'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 35 through 37 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
December 15, 2023

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Balance Sheets

September 30, 2023 and 2022

(In thousands of dollars)

Assets		2023	2022
Current assets:			
Cash and cash equivalents	$	48,927	49,207
Accounts receivable, net		434,841	397,565
Other current assets		177,016	174,776
Current portion of assets whose use is limited		26,367	27,070
Total current assets		687,151	648,618
Assets whose use is limited:			
Investments		2,336,621	2,272,564
Investments under bond indentures and other agreements, noncurrent portion		166,690	158,189
		2,503,311	2,430,753
Land, buildings, and equipment, at cost, net		2,222,732	2,062,458
Right-of-use operating lease assets, net		62,216	77,739
Right-of-use finance lease assets, net		75,404	63,377
Other assets, net		79,009	77,584
Total assets	$	5,629,823	5,360,529
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	12,325	13,010
Interest payable		14,042	14,060
Accounts payable		140,107	127,777
Accrued salaries, wages, and benefits		163,815	161,023
Current portion of right-of-use operating lease liability		18,570	18,592
Current portion of right-of-use finance lease liability		7,794	6,459
Due to brokers for securities purchased		43,337	200
Other payables		24,274	22,762
Total current liabilities		424,264	363,883
Long-term debt, net of current portion		879,420	893,626
Right-of-use operating lease liability, net of current portion		54,362	72,734
Right-of-use finance lease liability, net of current portion		71,598	58,642
Other long-term liabilities		27,692	31,678
Total liabilities		1,457,336	1,420,563
Net assets:			
Net assets without donor restrictions		3,376,525	3,177,795
Net assets with donor restrictions		795,962	762,171
Total net assets		4,172,487	3,939,966
Total liabilities and net assets	$	5,629,823	5,360,529

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Operating revenues:			
Net patient service revenues	$	1,907,462	1,702,443
Research revenues		179,970	201,136
Other operating revenues		103,197	118,789
CARES Act revenue		—	17,052
Unrestricted contributions		15,693	18,371
Net assets released from restriction for operations		112,235	60,328
Total operating revenues		2,318,557	2,118,119
Operating expenses:			
Salaries, wages, and benefits		1,215,792	1,028,438
Purchased services		556,837	505,551
Supplies and other expenses		416,904	378,764
Depreciation		129,696	142,701
Interest and amortization		28,184	20,874
Total operating expenses		2,347,413	2,076,328
Operating (loss) income		(28,856)	41,791
Nonoperating income (expense):			
Interest and dividend income		39,067	29,903
Realized gains on investments, net		3,673	52,061
Unrealized gains (losses) on investments, net		158,595	(360,763)
Change in valuation of interest rate swap agreements		1,963	10,317
Other nonoperating revenues (expenses), net		51	(18,629)
Net nonoperating income (expense)		203,349	(287,111)
Excess (deficiency) of revenues over expenses	$	174,493	(245,320)

(Continued)

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Excess (deficiency) of revenues over expenses	$	174,493	(245,320)
Other changes in net assets without donor restrictions:			
Net assets released from restriction for capital		32,168	10,614
Other		(7,931)	—
Increase (decrease) in net assets without donor restriction		198,730	(234,706)
Changes in net assets with donor restrictions:			
Investment return (loss), net		53,670	(101,069)
Restricted contributions		124,524	102,388
Net assets released from restriction		(144,403)	(70,942)
Increase (decrease) in net assets with donor restrictions		33,791	(69,623)
Increase (decrease) in net assets		232,521	(304,329)
Net assets, beginning of year		3,939,966	4,244,295
Net assets, end of year	$	4,172,487	3,939,966

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Cash Flows

Years ended September 30, 2023 and 2022

(In thousands of dollars)

		2023	2022
Cash flows from operating activities:			
Increase (decrease) in net assets	$	232,521	(304,329)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:			
Depreciation		129,696	142,701
Realized gains on investments, net		(9,044)	(68,531)
Unrealized gains (losses) on investments, net		(204,514)	481,409
Restricted contributions		(20,099)	(15,294)
Equity earnings on investments in joint ventures, net of cash distributions		(867)	(26,786)
Change in valuation of interest rate swap agreements		(1,963)	(10,317)
Changes in assets and liabilities:			
Accounts receivable and other assets		(41,427)	(47,582)
Changes in right-of-use assets and lease liabilities		(2,410)	5,204
Payables and other liabilities		7,568	21,140
Net cash provided by operating activities		89,461	177,615
Cash flows from investing activities:			
Capital expenditures		(276,126)	(234,040)
Sales of trading securities		735,778	580,106
Purchases of trading securities		(388,889)	(685,816)
Sales of alternative investments		128,280	144,809
Purchases of alternative investments		(292,646)	(279,178)
Sale of other assets		3,670	285,884
Net cash used in investing activities		(89,933)	(188,235)
Cash flows from financing activities:			
Restricted contributions		20,099	15,294
Repayment of financing lease		(6,897)	(5,113)
Repayment of long-term debt		(13,010)	(12,465)
Net cash provided by (used in) by financing activities		192	(2,284)
Net decrease in cash and cash equivalents		(280)	(12,904)
Cash and cash equivalents, beginning of year		49,207	62,111
Cash and cash equivalents, end of year	$	48,927	49,207
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest (net of capitalized interest)	$	31,580	31,711
Construction in process included in accounts payable		7,332	9,494

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Seattle Children's Healthcare System (SCHS), a Washington nonprofit corporation, functions as the parent organization to the following controlled corporations. The consolidated financial statements include the financial position and results of operations of these entities, each of which is a Washington nonprofit corporation and a 501(c)(3) organization, with the exception of the Children's Clinically Integrated Network, which is structured as a Washington limited liability corporation (LLC):

Seattle Children's Hospital (the Hospital) – A regional pediatric medical center and research institute.

Seattle Children's Foundation – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising activities.

Seattle Children's Guild Association – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising events and memberships.

Children's Retail – A corporation established to support SCHS, through the operation of thrift stores.

Children's Clinically Integrated Network (doing business as Seattle Children's Care Network) – A LLC established to develop, coordinate, and administer a clinically integrated pediatric network to promote collaboration to enhance the quality and cost effectiveness of pediatric care.

The consolidated financial statements of SCHS and its controlled affiliates are presented on a consolidated basis, and all intercompany balances have been eliminated.

(b) Tax Exemption

The Internal Revenue Service has granted SCHS, and the controlled corporations listed above, exemption from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC formed to operate for charitable, educational, scientific, and medical purposes. During 2023 or 2022, SCHS did not record any liability for unrecognized tax benefits.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

(Continued)

(d) Cash and Cash Equivalents

Cash and cash equivalents, including highly liquid instruments, that are readily convertible to known amounts of cash are recorded at cost, which approximates fair value. This includes money market funds and deposits held by creditworthy, high-quality financial institutions with original maturities of three months or less. Cash equivalents that are held in investment accounts or that are restricted by contractual requirements are classified as investments on the consolidated balance sheets.

(e) Liquidity

Cash and cash equivalents and patient accounts receivable are the primary liquid resources used to meet expected expenditure needs within the next year. SCHS has investments, described in note 4, available to meet unanticipated liquidity needs. Financial assets include cash and cash equivalents, investments, accounts receivable, interest receivable and other receivables, which are reported in other current assets in the accompanying consolidated balance sheets. Management estimates that approximately 74% of financial assets, as stated at September 30, 2023 and 2022, could be utilized within the next year if needed.

(f) Assets Whose Use is Limited, Investments, and the Fair Value Option

Assets whose use is limited includes net assets without donor restrictions designated by the Board of Trustees (the Board) for future capital and various program purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited also includes net assets with donor restrictions and assets held by trustees under bond indentures and other agreements.

Investments under bond indentures and other agreements primarily include assets held by trustees under the terms of the revenue bonds, charitable trust agreements, retained life estates and annuities. Amounts required to meet current liabilities of SCHS have been classified as current assets in the accompanying consolidated balance sheets at September 30, 2023 and 2022.

Investments are stated at fair value. SCHS classifies its investment portfolio as a trading portfolio, excluding alternative investments, and as such, all unrestricted net investment income (which includes interest, dividends and realized and unrealized gains or losses) are recorded in nonoperating income in the accompanying consolidated statements of operations and changes in net assets in the period in which they occur.

Restricted investment income and changes in the fair value of irrevocable perpetual trusts are included in the changes in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

(Continued)

SCHS accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statements of cash flows. The cost of investments sold is determined in accordance with the specific-identification method, and realized gains and losses are included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2023 and 2022, SCHS recorded a payable of $43,337 and $200, respectively, for investments purchased but not settled within due to brokers for securities purchased in the accompanying consolidated balance sheets. As of September 30, 2023 and 2022, SCHS recorded a receivable of $2,736 and $1,122, respectively, for pending securities sold within other current assets in the accompanying consolidated balance sheets.

(g) Investments in Derivatives

SCHS allows certain investment managers to use derivative financial instruments (futures, forward currency contracts, options and swaps) to manage interest rate risk related to fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchases and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the consolidated balance sheets as of September 30:

		2023	2022
Derivative assets:			
Future contracts	$	73,426	113,419
Foreign currency forwards and other contracts		33,579	62,733
Total derivative assets		107,005	176,152
Derivative liabilities:			
Future contracts		(73,426)	(113,419)
Foreign currency forwards and other contracts		(32,616)	(61,932)
Total derivative liabilities		(106,042)	(175,351)
Net derivatives	$	963	801

(h) Charitable Trusts, Retained Life Estates and Gift Annuity Contracts

SCHS is a recipient of charitable gift annuities, charitable remainder trusts for which SCHS is the trustee and retained life estates. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions established by the Internal Revenue Service, which have ranged between 2% and 8%. The difference between the amount of the gift and the liability is recorded as a contribution and classified as an increase in net assets with donor restrictions based upon time and/or purpose restrictions indicated by the donor. The assets held related to annuity, life estates and trust assets are

reported at fair value. SCHS maintains separate reserve funds adequate to meet the future payments under its charitable gift annuity contracts as required by governing state laws. The total amount held in the separate reserve funds as of September 30, 2023 and 2022 was $637 and $1,821, respectively. The recorded liability amounts for the gift annuity contracts as of September 30, 2023 and 2022 were $388 and $918, respectively. Any charitable gift annuities, retained life estates and charitable remainder trusts for which SCHS is the trustee, are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2023 and 2022 were $8,793 and $11,137, respectively.

SCHS is also the beneficiary of irrevocable perpetual trusts and charitable remainder trusts for which SCHS is not the trustee. These funds held in trust by others represent resources neither in the possession nor under the control of SCHS and are administered by outside trustees. SCHS recognizes its beneficial interest in the outside trusts at fair value as a contribution in the fiscal year it has reliable and verifiable information of the fair value of the trust. The contribution related to an irrevocable perpetual trust is classified as an increase in net assets with donor restrictions based on restrictions placed by the donor. Irrevocable perpetual trusts are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2023 and 2022 were $145,908 and $136,999, respectively. The changes in the fair value of the irrevocable perpetual trusts, as restricted by donors, are reflected as investment return, net, in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

(i) Pledges and Bequests Receivable

Pledges receivable consist of private gifts and grants promised from individuals, corporations, foundations, or other organizations and are reported at fair value at the date the promise is received. Restricted promises are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose.

Bequests consist of pledges made pursuant to the will and testament of donors who have passed away. Bequests are recorded at the time of the donor's death, when the amount bequeathed in the donor's will becomes probable and estimable.

(Continued)

The schedule of future pledge and bequest payments, which is included in other current assets and other assets, in the accompanying consolidated balance sheets was as follows at September 30:

		2023	2022
Payable in:			
Less than one year	$	9,276	18,970
One to five years		10,053	17,448
Over five years		790	1,518
		20,119	37,936
Less discount and allowance for uncollectible amounts		(1,014)	(1,100)
	$	19,105	36,836

(j) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Interest costs incurred during the time required to ready the asset for its intended use are capitalized. Interest costs of $3,719 and $11,163 were capitalized in 2023 and 2022, respectively. Depreciation is computed using the straight-line method, which allocates the cost of the asset ratably over its estimated useful life. An estimated life of up to 80 years is used for buildings and 10 to 35 years for building and land improvements. Various lives ranging from 3 to 25 years are used for furniture and equipment. Leasehold improvements are depreciated over the shorter of the remaining life of the lease or the useful life of the asset.

In 2023, SCHS re-evaluated the useful lives of land, buildings and equipment used to compute depreciation expense, which resulted in a prospective change in estimated useful lives of certain buildings and equipment. SCHS believes this change more accurately reflects the economic life of the assets and corresponding net book value in the accompanying consolidated balance sheets. This change in estimated useful lives resulted in a reduction of depreciation expense of $34,800 for the fiscal year ending September 30, 2023

(k) Other Current Assets

Other current assets primarily include prepaid expenses, the current portion of pledges receivable, safety net supplemental payment receivable, nonpatient accounts receivable, and inventories. Inventories are measured at the lower of cost or market value.

(l) Joint Ventures

The equity method of accounting is used for joint ventures in which SCHS has significant influence but does not have control. Significant influence is deemed to exist when the ownership interest in the investee is at least 20% and not more than 50% of net assets, although other factors may be considered in determining whether the equity method of accounting is appropriate.

(m) Deferred Financing Costs

Deferred financing costs are included as a direct deduction from the carrying amount of SCHS's long-term debt in the accompanying consolidated balance sheets and are amortized using the effective-interest method over the term of the related outstanding obligation.

(n) Net Assets

Net assets include contributions that are reported at fair value at the date of donation. Such amounts are reported as net assets without donor restrictions, or net assets with donor restrictions, based on donor stipulations (if any) that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction.

Endowment fund balances, including funds functioning as endowments, are classified and reported as net assets with donor restrictions, or net assets without donor restrictions in accordance with board or donor specifications. Funds functioning as endowments include board-designated named endowments and other board-designated funds.

(o) Net Patient Service Revenues

Net patient service revenues are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care.

(p) Research Revenues

SCHS receives grant and contract revenue from government and private sources. SCHS recognizes revenue associated with the direct and applicable indirect costs of sponsored programs, which are recognized at the earlier of when the research expenses are incurred, or when the contract period has ended. SCHS negotiates its federal indirect rate with its cognizant federal agency. Indirect costs are recovered on federally sponsored programs and are generally based on predetermined reimbursement rates, which are stated as a percentage and are distributed based on the modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

SCHS has elected as an accounting policy to report as without donor restrictions donor-restricted contributions whose restrictions are met in the same reporting period as the revenue is recognized. This accounting policy election applies to conditional contributions, for example restricted reimbursable government grants that require the recipient to incur qualifying expenses. In these cases, the condition is met and revenue is recognized at the same point in time.

(q) Other Operating Revenues

Other operating revenues primarily include revenues from a federal graduate medical education grant, amounts received from Children's University Medical Group (CUMG), regional services revenue, reference laboratory services, royalty income, rental income, and other revenues.

(r) CARES Act Revenue

On March 27, 2020, the federal government passed the CARES Act (Coronavirus Aid, Relief, and Economic Stimulus Act), which allotted $175 billion dollars to healthcare providers and suppliers through Medicare reimbursements, grants, and other direct federal payments for which SCHS qualified. CARES Act proceeds received from the Department of Health and Human Services were $17,052 for the year ended September 30, 2022. No CARES Act funds were received for the year ended September 30, 2023. CARES Act funds includes funds received as Medicaid outlier adjustments and through other state and local agencies. SCHS recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at September 30, 2023.

(s) Excess (Deficiency) of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include excess (deficiency) of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess (deficiency) of revenues over expenses, primarily includes net assets released from restriction for capital in 2023 and 2022.

(t) Subsequent Events

SCHS has performed an evaluation of subsequent events through December 15, 2023, which is the date these consolidated financial statements were available to be issued.

(2) Uncompensated and Undercompensated Care

SCHS is committed to caring for all children in its service area irrespective of ability to pay. The estimated costs of that care were as follows for the years ended September 30:

	2023	2022
Medicaid payment shortfall	$ 340,945	249,468
Charity care	13,757	11,192
Total uncompensated and undercompensated care	$ 354,702	260,660

Medicaid is a government-sponsored healthcare program for low-income individuals. The Medicaid payment shortfall represents the estimated cost of providing services to patients covered under Medicaid in excess of payments received. The estimated cost of services provided to Medicaid patients is estimated based on the ratio of Hospital patient care costs to Hospital patient care charges applied to charges related to services provided to Medicaid patients. Donations received to offset or subsidize Medicaid payment shortfalls and charity care were $20,789 and $21,342 for the years ended September 30, 2023 and 2022, respectively.

Charity care represents the estimated cost of care provided to patients who are uninsured or underinsured and whose families cannot afford to pay for their medical care. The Hospital provides charity care in

(Continued)

accordance with its charity care policy based on family need and maintains records to identify the level of charity it provides. The determination of family need is evaluated during a patient's course of care and can be updated after care is complete. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The estimated cost of charity care provided is estimated based on the ratio of Hospital total patient care costs to Hospital total patient care charges applied to charges related to charity care services.

(3) Assets Whose Use is Limited

As of September 30, the fair value of assets whose use is limited was as follows:

	2023	2022
Board-designated investments	$ 813,981	904,119
Board-designated endowments	901,395	780,356
Donor-restricted investments	621,245	588,089
Investments held under bond indenture and other	193,057	185,259
	$ 2,529,678	2,457,823

(4) Investments and Fair Value Measurements

In determining the fair value of investments, SCHS utilizes valuation techniques to maximize the use of observable market data and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based upon market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect SCHS's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Assets and liabilities that are recorded at fair value are grouped into three levels based on the markets in which assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities; an active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies.

Level 3 – Significant unobservable inputs, including assets and liabilities that are traded infrequently.

(Continued)

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 in its entirety. The fair value hierarchy does not necessarily correspond to a financial instrument's relative liquidity in the market or to its level of risk.

Alternative investments are measured using net asset value (NAV) per share as a practical expedient and are excluded from categorization in the fair value hierarchy. Such investments measured using NAV primarily consist of shares or units in investment funds as opposed to direct interests in the funds underlying holdings, which may be marketable.

Beneficial interests in trusts are primarily valued based on the value of the underlying assets, as provided by the trust administrators. The values of perpetual and charitable remainder trusts where SCHS is not the trustee are categorized as Level 3. Beneficial interests in trusts where SCHS serves as the trustee are recognized in the fair value hierarchy based on the underlying assets.

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable, and accrued salaries, wages, and benefits approximate the fair value because of their short-term nature.

(Continued)

The following tables present assets and liabilities that were measured at fair value on a recurring basis (including items that were required to be measured at fair value and items for which the fair value option was elected) at September 30:

	Total	Fair value measurements at reporting date using		
	2023	Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market and other	$ 46,217	38,705	7,512	—
Commercial paper	28,267	—	28,267	—
U.S. equity securities	5,276	5,276	—	—
U.S. corporate fixed-income securities	222,313	—	222,313	—
Foreign corporate fixed-income securities	101,518	—	101,518	—
Notes issued by the U.S. government and U.S. government agencies	151,499	109,390	42,109	—
Mutual funds:				
Global (U.S. and foreign) equity funds	13,354	13,354	—	—
U.S. corporate fixed income funds	303,415	303,415	—	—
Other	4,870	4,870	—	—
Trustee-held funds	26,367	26,367	—	—
Charitable gift annuities	637	637	—	—
Perpetual and charitable remainder trust agreements	161,190	—	8,156	153,034
Total	1,064,923	502,014	409,875	153,034
Alternate investments measured using NAV	1,464,755			
Total assets	$ 2,529,678			
Liabilities:				
Interest rate swap agreements	$ 1,460	—	1,460	—
Total liabilities	$ 1,460	—	1,460	—

		Total	Fair value measurements at reporting date using		
		2022	Level 1	Level 2	Level 3
Assets:					
Investments:					
Money market and other	$	17,953	7,672	10,281	—
Commercial paper		38,123	—	38,123	—
U.S. equity securities		4,984	4,984	—	—
Foreign equity securities		44,871	—	44,871	—
U.S. corporate fixed-income securities		309,400	—	309,400	—
Foreign corporate fixed-income securities		154,495	—	154,495	—
Notes issued by the U.S. government and U.S. government agencies		130,481	126,422	4,059	—
Mutual funds:					
Global (U.S. and foreign) equity funds		119,096	119,096	—	—
U.S. corporate fixed income funds		313,935	313,935	—	—
Other		4,330	4,330	—	—
Trustee-held funds		27,070	27,070	—	—
Charitable gift annuities		1,821	1,821	—	—
Perpetual and charitable remainder trust agreements		152,048	—	9,315	142,733
Total		1,318,607	605,330	570,544	142,733
Alternate investments measured using NAV		1,139,216			
Total assets	$	2,457,823			
Liabilities:					
Interest rate swap agreements	$	3,423	—	3,423	—
Total liabilities	$	3,423	—	3,423	—

(Continued)

The following tables present SCHS's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820 for the years ended September 30, 2023 and 2022:

		Trusts and other
Balance at September 30, 2022	$	142,733
Total realized and unrealized gains (losses), net included in income		9,444
Contributions, purchases, sales, and settlements:		
Contributions		2,358
Purchases		—
Sales		—
Settlements, other		(1,501)
Balance at September 30, 2023	$	153,034

		Trusts and other
Balance at September 30, 2021	$	178,753
Total realized and unrealized gains (losses), net included in income		(38,122)
Contributions, purchases, sales, and settlements:		
Contributions		1,214
Purchases		—
Sales		—
Settlements, other		888
Balance at September 30, 2022	$	142,733

Alternative investments include limited partnerships, LLCs, investment trusts, institutional funds and other equity securities that are not publicly traded. Included in these funds are certain types of financial instruments, including, among others, futures and forward contracts, options, swaps, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of risk. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

(Continued)

Alternative investments are less liquid than SCHS's other investments. Liquidity limitations on these alternative investments include, but are not limited to, lock-up provisions whereby SCHS is unable to redeem shares of an investment for a period of time (usually one year after the initial investment), private equity commitments, and funds, which do not provide monthly liquidity and/or require greater than 30 days' notice prior to the redemption date.

Alternative investments are investments in certain entities that report fair value using a calculated net NAV or its equivalent. The nature of such investments as of September 30, 2023 and 2022 and unfunded commitments as of September 30, 2023 is as follows:

	2023 Fair value	2022 Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investment strategy:					
U.S. and foreign equity funds (1)	$ 730,851	517,520	—	Daily, monthly, quarterly, annually (1–3 years)	0–60 days
Absolute return funds (2)	413,042	400,006	—	Quarterly, annually (1–5 years)	45–120 days
Private investments (3)	301,843	204,087	153,531	NA	NA
Other equity securities (4)	19,019	17,603	—	NA	NA
Total alternative investments	$ 1,464,755	1,139,216	153,531		

(1) This category includes investments in funds that pursue diversification of both domestic and foreign equity securities through multiple investment strategies. As of September 30, 2023, approximately $10,080 of the total U.S. and foreign equity funds are allocated to illiquid special investments.

(2) This category primarily includes investments in hedge funds that pursue strategies that aim to provide positive returns regardless of market environment. As of September 30, 2023, approximately $17,741 of the total absolute return investments are allocated to illiquid, special investments. Distributions will be received as the underlying investments are liquidated.

(3) This category includes investments in funds that encompass a wide array of strategies, including buyouts, venture capital, and real estate among others. These investments cannot be redeemed by SCHS; rather, SCHS has committed to investing a certain dollar amount into these private funds during a defined commitment period. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 1 to 15 years.

(4) As of September 30, 2023, SCHS held approximately $19,019 in other equity securities that are not publicly traded and are subject to redemption restrictions.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at September 30:

		2023	2022
Land and improvements	$	285,057	239,517
Buildings and improvements		2,143,598	1,972,868
Furniture and equipment		770,503	781,700
Construction in progress		122,046	153,805
		3,321,204	3,147,890
Less accumulated depreciation		(1,098,472)	(1,085,432)
	$	2,222,732	2,062,458

SCHS has commitments for construction contracts totaling $109,461 as of September 30, 2023.

(6) Leases

SCHS enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, SCHS records the related right-of-use (ROU) asset and lease liability at the present value of the lease payments over the contract term using the U.S. Treasury's risk-free borrowing rate. Building lease agreements generally require SCHS to pay operating expenses such as maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease 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. Certain leases include one or more options to renew the lease after the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at SCHS's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term. SCHS has elected the practical expedient to not separate lease components from non-lease components for its financing and operating leases.

The components of lease cost for the years ended September 30:

		2023	2022
Operating lease cost:			
Fixed lease expense	$	18,578	19,849
Variable lease expense		7,500	7,280
Total operating lease cost	$	26,078	27,129
Finance lease cost:			
Amortization of ROU assets	$	8,690	6,087
Interest on finance lease liabilities		1,888	869
Total finance lease cost	$	10,578	6,956

Supplemental cash flow and other information related to operating and finance leases as of and for the years ended September 30 are as follows:

		2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities:			
Operating cash flows for operating leases	$	19,683	21,187
Operating cash flows for finance leases		1,284	336
Financing cash flows for finance leases		6,897	5,112
Additions to ROU assets obtained from operating leases		407	2,990
Additions to ROU assets obtained from finance leases		20,772	50,154
Weighted average remaining lease term (in years):			
Operating leases		6.43	6.79
Finance lease		17.50	19.46
Weighted average discount rate:			
Operating leases		1.63 %	1.59 %
Finance leases		2.80 %	2.25 %

(Continued)

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of September 30, 2023 are as follows:

		Operating	Finance
2024	$	19,566	9,360
2025		15,972	8,072
2026		11,394	7,132
2027		11,410	4,683
2028		7,239	3,811
Thereafter		11,735	70,022
		77,316	103,080
Less imputed interest		4,384	23,688
Total lease liabilities		72,932	79,392
Less current portion		18,570	7,794
Long-term lease liabilities	$	54,362	71,598

(7) Endowment Funds and Net Assets with Donor Restrictions

The endowment funds consist of numerous individual funds established for a variety of purposes. They include endowments with donor restrictions and funds functioning as endowments, which include board-designated named endowments and other board-designated endowments. Net assets associated with these funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SCHS has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, SCHS classifies within net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by SCHS in a manner consistent with the standards of prudence prescribed by WA-UPMIFA.

In making a determination to appropriate or accumulate endowment funds with donor restrictions, SCHS considers (a) the duration and preservation of the fund; (b) the purposes of SCHS and the endowment with donor restrictions; (c) general economic conditions; (d) the appreciation of endowment investments; (e) other resources of SCHS; and (f) the investment policy of SCHS.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or WA-UPMIFA requires SCHS to retain as a fund of perpetual duration. SCHS has adopted a policy that permits spending from underwater endowments in accordance with prudent measures required by law. As of September 30, 2023 and 2022, donor restricted-funds with deficiencies were as follows:

		2023	2022
Fair value of underwater endowment funds	$	28,211	18,908
Original endowment gift amount		28,998	21,738
Deficiencies of underwater endowment funds	$	(787)	(2,830)

SCHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, SCHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCHS targets a diversified asset allocation intended to achieve its long-term return objectives within prudent risk constraints.

SCHS has a spending policy of appropriating 5% of its endowment funds' 12-quarter average market value of donor-restricted and board-designated named endowments. In establishing this policy, SCHS considered the long-term expected return on its endowment funds.

The endowment net assets composition by type as of September 30, 2023 and 2022 were as follows:

		Without donor restrictions	With donor restrictions	Total
September 30, 2023:				
Donor-restricted	$	—	346,376	346,376
Board-designated:				
Named endowment funds		120,100	—	120,100
Other endowment funds		781,295	—	781,295
Total funds	$	901,395	346,376	1,247,771
September 30, 2022:				
Donor-restricted	$	—	295,467	295,467
Board-designated:				
Named endowment funds		97,845	—	97,845
Other endowment funds		682,511	—	682,511
Total funds	$	780,356	295,467	1,075,823

The changes in endowment net assets for 2023 and 2022 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2022	$ 780,356	295,467	1,075,823
Investment return:			
Net interest and dividends	5,779	2,370	8,149
Net appreciation (realized and unrealized)	115,039	41,866	156,905
	120,818	44,236	165,054
Contributions and designations	11,083	22,536	33,619
Transfer to board-designated funds	(6,370)	—	(6,370)
Appropriation of endowment assets for expenditure:			
Donor-restricted	—	(15,863)	(15,863)
Board-designated named	(4,492)	—	(4,492)
	(4,492)	(15,863)	(20,355)
Endowment net assets, September 30, 2023	$ 901,395	346,376	1,247,771

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2021	$ 950,643	359,499	1,310,142
Investment return:			
Net interest and dividends	7,668	3,101	10,769
Net depreciation (realized and unrealized)	(174,605)	(65,485)	(240,090)
	(166,937)	(62,384)	(229,321)
Contributions and designations	5,807	13,563	19,370
Transfer to board-designated funds	(5,807)	—	(5,807)
Appropriation of endowment assets for expenditure:			
Donor-restricted	—	(15,211)	(15,211)
Board-designated named	(3,350)	—	(3,350)
	(3,350)	(15,211)	(18,561)
Endowment net assets, September 30, 2022	$ 780,356	295,467	1,075,823

Net assets subject to time or use donor restrictions were available for the following purposes at September 30:

		2023	2022
Healthcare services	$	112,978	122,999
Research		165,403	167,109
Capital projects		21,436	33,299
	$	299,817	323,407

Donor-restricted endowments and pledges subject to spending policy and appropriation (excluding unappropriated endowment earnings of $93,714 in 2023 and $65,341 in 2022) and perpetual trust are held to support the following:

		2023	2022
Healthcare services	$	241,616	206,700
Research		160,815	166,723
	$	402,431	373,423

(8) Long-Term Debt

Long-term debt obligation consisted of the following at September 30:

	Maturing through	Interest rates		Unpaid principal	
				2023	2022
Revenue bonds:					
Fixed:					
Series 2010B	2023	5 %	$	—	4,330
Series 2012B	2023	5 %		—	1,290
Series 2015A	2046	4–5%		100,000	100,000
Series 2015B	2039	5 %		167,020	167,075
Series 2017A	2048	5 %		107,265	108,760
Series 2021	2051	1–3%		402,075	402,075
Total fixed				776,360	783,530

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	Maturing through	Interest rates	Unpaid principal 2023	Unpaid principal 2022
Variable:				
Series 2012C	2029	3–5%	$ 49,020	51,075
Series 2012D	2032	3–5%	41,120	44,905
Total variable			90,140	95,980
Unpaid principal, long-term debt			866,500	879,510
Unamortized premiums, discounts and debt issuance costs, net			25,245	27,126
Total long-term debt			891,745	906,636
Less current portion			(12,325)	(13,010)
Long-term debt, net of current portion			$ 879,420	893,626

The Revenue Bonds are collateralized by a pledge of gross revenues and secured by interests in certain bond funds.

Scheduled principal repayments as of September 30, 2023 on the long-term debt are due as follows:

2024	$ 12,325
2025	12,785
2026	13,310
2027	13,790
2028	116,385
Thereafter	697,905
	866,500
Add unamortized premiums, discounts and debt issuance costs, net	25,245
	$ 891,745

The members of the Obligated Group are defined and established under the Master Indenture to include the Hospital and SCHS. As of September 30, 2023, total assets, total liabilities, and total net assets without donor restrictions of the Obligated Group all constitute 100% of the respective SCHS's consolidated totals. For fiscal year 2023, the total operating revenues, operating income, and excess of revenues over expenses, from all sources attributable to the Obligated Group were 99%, 100%, and 100%, respectively, of the respective SCHS's consolidated totals.

On August 30, 2022 Seattle Children's amended the borrowing agreements for the WHCFA Series 2012C and 2012D bonds. The amendments were made to replace London Interbank Offered Rate (LIBOR) with

Secured Overnight Financing Rate (SOFR) as the index rate on the bonds and to extend the mandatory purchase date of the Series 2012D bonds.

Under the terms of the Revenue Bonds and related indenture agreements, the Obligated Group is required to comply with various covenants, including income available for debt service. As of September 30, 2023, the Obligated Group is in compliance with all bond covenants.

Accounting for Derivative Instruments

Interest rate swap contracts are used to manage the net exposure to interest rate changes in attempting to reduce the overall cost of borrowing over time. SCHS records these derivative instruments on the accompanying consolidated balance sheets as an asset or liability measured at its individual fair market value – the fair value of interest rate swap contracts is included in other long-term liabilities on the accompanying consolidated balance sheets. Changes in the derivative instrument's fair market value are recognized in earnings unless certain specific hedge accounting criteria are met. SCHS has not designated its interest rate swap agreements as cash flow hedges, and all changes in the valuation of the interest rate swaps are recognized in other nonoperating expenses, net, in the accompanying consolidated statements of operations and changes in net assets. Interest rate swaps not designated as hedges were valued at $(1,460) and $(3,423) as of September 30, 2023 and 2022, respectively.

SCHS has two swap agreements (Swap Agreements) with two separate counterparties. Under each Swap Agreement, SCHS is obligated to pay a fixed rate per annum (3.48% on the Series 2012C Bonds and 3.69% on the Series 2012D Bonds) on a notional amount equal to the outstanding principal amount of the applicable series of bonds and receives a variable payment computed as 68% of the 30-day average SOFR plus a spread adjustment. The bonds' variable-rate coupons are based upon rates calculated as a percentage of one-month Term SOFR plus a credit spread, as defined in the respective financing agreements.

The two Credit Support Annexes for the interest rate swaps require either party to post collateral if the fair market value of the swap is negative to them and exceeds the minimum threshold as defined in each respective Credit Support Annex. The amount of collateral required to be posted is equal to the difference of the fair market value over the minimum threshold. As of September 30, 2023 and 2022, SCHS was not required to post collateral for either Swap Agreement.

(9) Net Patient Service Revenues and Patient Accounts Receivable

Net patient service revenues provided by the Hospital are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts, representing the transaction price, are due from third-party payers and patients, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the third-party payers and patients several days after the services are performed and/or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides an accurate

depiction of the transfer 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 receiving inpatient services. The Hospital measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient revenue is recognized when goods or services are provided.

The Hospital determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments, discounts, and implicit price concessions. A significant portion of the Hospital's patient service revenues is derived from Medicaid programs, including Medicaid managed care (Medicaid). Payments from Medicaid for services provided to inpatients are based upon prospective diagnosis related groups and other payment programs, while Medicaid outpatient payments are based upon prospective enhanced ambulatory payment groups and other payment programs. Commercial insurer payments are based upon terms of contractual agreements.

The Hospital's performance obligations generally relate to contracts with a duration of less than one year. The Hospital has elected to apply the optional exemption to not 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. These unsatisfied or partially unsatisfied performance obligations primarily relate to services provided at the end of the reporting period.

Retroactive adjustments, under reimbursement agreements with third-party payers, are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated and accrued in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

The following table summarizes net patient service revenues disaggregated by payer and service type for the years ended September 30:

	Net inpatient service revenues		Net outpatient service revenues		Total net patient service revenues	
	2023	2022	2023	2022	2023	2022
Commercial insurers:						
Premera Blue Cross	$ 181,861	208,842	157,871	139,826	339,732	348,668
Regence Blue Shield	174,142	180,650	147,819	122,693	321,961	303,343
Other	395,092	302,134	237,539	201,577	632,631	503,711
Medicaid managed care organizations	295,061	291,793	98,039	81,691	393,100	373,484
Medicaid	142,116	95,943	26,175	26,140	168,291	122,083
Other	30,228	29,140	21,519	22,014	51,747	51,154
	$ 1,218,500	1,108,502	688,962	593,941	1,907,462	1,702,443

Inpatient revenue includes care requiring admission to the hospital, including medical and surgical, cancer care, neonatal intensive care, pediatric and intensive care, psychiatric, and rehabilitation services, and related ancillary services. Outpatient revenue includes a variety of services that do not require admission to

(Continued)

the hospital, including day surgeries, emergency and urgent care services, clinic visits, home care services, and other ancillary services.

Patient Accounts Receivable

Patient accounts receivable are recorded on an accrual basis at established billing rates. The allowances for contractual allowances and discounts are recorded on an accrual basis, using established billing and contracted rates and historical experience. In evaluating the collectability of patient accounts receivable, The Hospital estimates implicit price concessions by major payer type based on historical experience for each payer type. Primary collection risks relate to uninsured patients and the portion of the bill which is the patients' responsibility, primarily copayments and deductibles. For uninsured patients who do not qualify for the Hospital's charity care, the Hospital provides a discount from its standard rates. The Hospital regularly reviews data about the major payer sources of revenues in evaluating the sufficiency of the allowance for contractual allowances and discounts.

The concentrations of credit risk by payer as measured by gross patient accounts receivable were as follows at September 30:

	2023	2022
Commercial insurers:		
Premera Blue Cross	9 %	11 %
Regence Blue Shield	14	13
Other	24	26
Medicaid managed care organizations	34	33
Medicaid	13	11
Other	6	6
	100 %	100 %

(10) Hospital Safety Net Assessment

The State of Washington provides for supplemental Medicaid payments to certain hospitals funded by assessments paid by those hospitals, as well as matching federal funds (the safety net program). The supplemental payments include fee-for-service payments received directly from Washington State, as well as payments processed through managed care organizations.

The following revenues and expenses were recognized in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30:

		Revenues		Expenses	
		2023	2022	2023	2022
Fee-for-service segment of the program	$	18,609	21,344	3,443	4,982
Managed care segment of the program		28,004	21,172	13,776	14,978
Total	$	46,613	42,516	17,219	19,960

Supplemental payments are recorded in net patient service revenues and assessments are recorded in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

(11) Related-Party Transactions

(a) Seattle Cancer Care Alliance

On July 13, 2021, Seattle Cancer Care Alliance ("SCCA") and its founding members Fred Hutchinson Cancer Research Center ("Fred Hutch"), SCHS, and University of Washington (UW) Medicine announced plans to restructure their partnership. On April 1, 2022, the restructure and merger were completed. SCHS received an equity distribution equal to its one-third share of unrestricted net assets of the SCCA. This restructure, resulting in the formation of Fred Hutchinson Cancer Center ("FHCC"), established an adult-focused oncology program and, separately, a pediatric oncology program. These programs will be collaborative and integrated with innovative cancer research from FHCC, UW Medicine and SCHS. SCHS will be the central site for pediatric cancer care among the organizations. This transaction resulted in a reduction to other assets, net and an increase to cash and investments of $285,884.

To complete the restructure, in December 2022, SCHS received from FHCC the Bone Marrow Transplant Clinic previously operated by SCCA and recorded goodwill of $3,670.

(b) Odessa Brown Children's clinic

In 2019, the Hospital established a joint venture, 39th and Othello LLC, along with Spectrum Development Solutions and Laird Norton Company. The purpose of the joint venture is to construct a new Odessa Brown Children's clinic (OBCC) at Othello Square, which will provide expanded medical, dental, and mental healthcare services for under-served children and families in South Seattle. The Othello Square project will also consist of a charter school, childcare facility, an economic opportunity center, and five floors of residential space above the clinic space. In September 2019, the Hospital prepaid the construction costs of $20,254 through the joint venture, which represents SCHS's ownership interest in 39th and Othello LLC. This amount is recorded in other assets, net, in the accompanying consolidated balance sheets as of September 30, 2023 and 2022.

In fiscal year 2022, the construction of the OBCC at Othello Square was completed, and the amounts committed as a contribution to OBCC Othello QALICB were transferred from SCHS to OBCC Othello QALICB. This resulted in the recognition of $16,466 of other non-operating expenses, net.

Additionally, as part of the 39th and Othello LLC agreement, the Hospital made a $4,974 investment into to the project, with the goal of increasing the amount of work force affordable housing available to families in the residential floors above the clinic. This investment is recorded in other assets, net in the accompanying consolidated balance sheets as of September 30, 2023 and 2022.

(c) OBCC Othello QALICB

In August 2020, OBCC Othello QALICB was formed as a special-purpose non-profit organization to support the financing of the new OBCC at Othello Square. This entity is considered a Type III supporting organization providing sole support to the Hospital. OBCC Othello QALICB is not controlled by the Hospital, and thus the entity is not consolidated into SCHS's financial statements.

In October 2020, OBCC Othello QALICB entered into a New Market Tax Credit (NMTC) arrangement to facilitate the development and construction of the new OBCC in the Othello neighborhood of Seattle. The NMTC program provides for a credit against federal income tax under Internal Revenue Code Section 45D for taxpayers who hold a Qualified Equity Investment (QEI). This credit is claimed over a seven-year period. A QEI is any equity investment in a qualified Community Development Entity (CDE) if such investment is used by the CDE to make a Qualified Low-Income Community Investment (QLICI) in a Qualified Active Low-Income Community Business (QALICB). A QEI is made by an Investment Fund (IF). OBCC Othello QALICB is considered to be a QALICB Business.

A tiered ownership structure exists to combine the investor's loan and equity with other nonrecourse loans to make a QEI. This structure may be referred to as the NMTC leveraged investment model. The leveraged investment model includes loans made from the Hospital to the IF of $24,561, which, collectively with the equity investment, made QEI's totaling $34,250. The CDEs made QLICI loans totaling $33,680 to OBCC Othello QALICB. The repayment of the loans included in the NMTC financing are interest-only for the seven-year period. The Hospital does not control or have an economic interest in the assets of either the CDEs or the QEIs.

The Hospital entered into put/call options with the CDEs to take place at the end of the seven-year period. Under the respective agreements, the CDEs can exercise a put option to sell their interests in the respective QEIs for $1, plus reimbursement of certain costs after the end of the compliance period. If the parties do not exercise the put option within 90 days of the end of the seven-year period, the Hospital can exercise a call option to purchase the interests at appraised fair market values.

The Hospital also entered into agreements to guarantee the loan payments and completion obligations of OBCC Othello QALICB as stated under the QLICI loan agreements. This includes, in case of default during the seven-year compliance period, repayment of the $33,680 QLICI loans. If OBCC Othello QALICB were unable to perform its obligations to complete the project, the Hospital is responsible for any obligations required to finish the project. Management has determined that the probability the Hospital will be required to repay the QLICI loans or be responsible for project completion is remote; thus, no liabilities have been recorded.

Amounts paid by the Hospital on behalf of OBCC Othello QALICB are repaid monthly with the proceeds of the loan draws. The final construction draw was completed in December 2022.

(d) Other Related Parties

The Hospital participates in joint ventures with organizations that engage in the delivery of healthcare-related services. The Hospital and UW jointly control CUMG, which is a pediatric practice plan that manages the clinical practices of its members who are medical staff at both the Hospital and faculty at the UW. The Hospital participates in a joint venture with Providence Health & Services – Washington (PHSW), an affiliate of Providence Health & Services, which is owned by Providence St. Joseph Health (PSJH). PSJH owns and operates Providence Regional Medical Center Everett located in Everett, Washington. The Hospital and PHSW each own a 50% interest in Providence Children's Neonatal Services, LLC (PCNS).

During 2023 and 2022, healthcare services and administrative support provided, at cost, by the Hospital to these joint ventures totaled $23,303 and $17,044, respectively. The revenues from these services were included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets. The Hospital purchased healthcare services of $215,757 and $168,436 in 2023 and 2022, respectively, from its joint ventures. The expenses were included in purchased services in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2023 and 2022, the Hospital's investment in the PCNS joint venture totaled $6,425 and $5,826 respectively and is included in other assets in the accompanying consolidated balance sheets.

(12) Retirement Plan and Deferred Compensation

SCHS provides a defined-contribution plan to substantially all of its employees. SCHS's contribution to the plan is discretionary. For 2023 and 2022, the discretionary employer contribution based on participants' years of vested service was 4% of eligible compensation for less than five years and 6% of eligible compensation for more than five years of service. As of January 1, 2023, SCHS increased the match from 25% to 35% of the first 6% of employee compensation. Retirement plan contribution expense during 2023 and 2022 totaled $52,635 and $40,736, respectively, and is included within salaries, wages, and benefits in the accompanying consolidated statement of operations and changes in net assets.

(13) Self-Insurance

SCHS has purchased professional and general liability insurance on a claims-made basis. SCHS is self-insured for the deductible portion of its insurance coverage, for unreported incidents, and for all claims excluded from insurance coverage and accrues an actuarial estimate for claims within its deductible portion and for unreported incidents. At September 30, 2023 and 2022, the estimated gross liability before insurance receivable for future costs of professional and general liability claims was $23,983 and $20,064, respectively. At September 30, 2023 and 2022, $13,530 and $15,138, respectively, of this liability was included as long-term within other long-term liabilities with the remainder within other payables in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

(a) Labor Organizations

Approximately 26% of SCHS's employees are represented by labor organizations. There are no collective bargaining agreements expiring within the next fiscal year.

(b) Regulatory Environment and Litigation

SCHS operates in a highly regulated industry in which there is a potential for various lawsuits, demands, claims, qui tam suits, governmental investigations and audits (including, without limitation, investigations or other actions resulting from its obligation to self-report suspected violations of law) and other legal proceedings. SCHS records accruals for certain legal proceedings and regulatory matters to the extent that SCHS determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. As of September 30, 2023 and September 30, 2022, SCHS's total accruals with respect to these legal proceedings and regulatory matters, net of anticipated third-party recoveries, are included within the self-insurance liability as discussed in note 13. While these accruals reflect SCHS's best estimate of the probable loss related to these matters as of the dates of those accruals, the recorded amounts may differ materially from the actual amount of the losses for those matters, and any anticipated third-party recoveries for any such losses may not ultimately be recovered. Additionally, in some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal proceedings and regulatory matters, which also may be impacted by various factors, including, without limitation, that they may involve indeterminate claims for monetary damages or may involve fines, penalties or nonmonetary remedies; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; are in early stages of the proceedings; or may result in a change of business practices. Further, there may be various levels of judicial review available to the SCHS in connection with any such proceeding.

A putative class action lawsuit relating to the occurrence of Aspergillus has been filed against the hospital. Additionally, two class action lawsuits related to wage and hour matters have been filed against the hospital. The outcome of these lawsuits is uncertain. SCHS plans to vigorously defend against these matters. It is not possible at this time to predict the outcome these matters may have on the financial condition of SCHS, although such outcomes could be material.

(15) Functional Expenses

General and administrative (G&A) costs include costs that are incurred or determined by SCHS management and are not directly controllable by the healthcare services, research, or fundraising divisions. Costs that are controllable by operational leadership are allocated to the respective program activities pro rata based on total program activity expenses.

Functional expenses were as follows for the years ended September 30:

	Program activities		Supporting activities		
2023	**Healthcare services**	**Research**	**Fundraising**	**G&A**	**Total**
Salaries, wages, and benefits	$ 1,025,923	145,344	11,577	32,948	1,215,792
Purchased services	423,670	116,995	2,460	13,712	556,837
Supplies and other expenses	333,949	73,978	2,627	6,350	416,904
Depreciation	108,568	18,939	118	2,071	129,696
Interest and amortization	27,624	—	—	560	28,184
Other nonoperating expenses	1,607	—	—	3,714	5,321
	$ 1,921,341	355,256	16,782	59,355	2,352,734

	Program activities		Supporting activities		
2022	**Healthcare services**	**Research**	**Fundraising**	**G&A**	**Total**
Salaries, wages, and benefits	$ 856,984	123,773	9,855	37,826	1,028,438
Purchased services	376,817	108,877	1,782	18,075	505,551
Supplies and other expenses	305,962	60,445	2,499	9,858	378,764
Depreciation	109,763	27,278	69	5,591	142,701
Interest and amortization	20,196	—	—	678	20,874
Other nonoperating expenses	17,365	—	—	2,270	19,635
	$ 1,687,087	320,373	14,205	74,298	2,095,963

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2023

(In thousands of dollars)

Assets	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Children's Retail	Eliminations	Total
Current assets:						
Cash and cash equivalents	$ —	48,797	102	28	—	48,927
Accounts receivable, net	—	434,841	—	—	—	434,841
Receivables from affiliates, net	277,396	—	200	109	(277,705)	—
Other current assets	84	176,706	204	22	—	177,016
Current portion of assets whose use is limited	—	26,367	—	—	—	26,367
Total current assets	277,480	686,711	506	159	(277,705)	687,151
Assets whose use is limited:						
Investments	725,876	1,610,745	—	—	—	2,336,621
Investments under bond indenture and other agreements, noncurrent portion	163,756	2,934	—	—	—	166,690
	889,632	1,613,679	—	—	—	2,503,311
Beneficial interest in SCHS	—	167,051	—	—	(167,051)	—
Land, buildings, and equipment, at cost, net	3,782	2,216,616	2,063	271	—	2,222,732
Right-of-use operating lease assets, net	—	61,648	—	568	—	62,216
Right-of-use finance lease assets, net	—	75,404	—	—	—	75,404
Other assets, net	4,415	74,594	—	—	—	79,009
Total assets	$ 1,175,309	4,895,703	2,569	998	(444,756)	5,629,823

(Continued)

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2023

(In thousands of dollars)

Liabilities and Net Assets	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Children's Retail	Eliminations	Total
Current liabilities:						
Current portion of long-term debt	$ —	12,325	—	—	—	12,325
Interest payable	—	14,042	—	—	—	14,042
Accounts payable	271	139,684	146	6	—	140,107
Accrued salaries, wages, and benefits	1,247	161,609	892	67	—	163,815
Current portion of right-of-use operating lease liability	—	18,338	—	232	—	18,570
Current portion of right-of-use financing lease liability	—	7,794	—	—	—	7,794
Due to brokers for securities purchased	7,500	35,837	—	—	—	43,337
Other payables	—	24,253	—	21	—	24,274
Payables to affiliates, net	309	275,909	1,487	—	(277,705)	—
Total current liabilities	9,327	689,791	2,525	326	(277,705)	424,264
Long-term debt, net of current portion	—	879,420	—	—	—	879,420
Right-of use operating lease liability, net of current portion	—	53,791	—	571	—	54,362
Right-of-use financing lease liability, net of current portion	—	71,598	—	—	—	71,598
Other long-term liabilities	7,963	19,729	—	—	—	27,692
Total liabilities	17,290	1,714,329	2,525	897	(277,705)	1,457,336
Net assets:						
Net assets without donor restrictions	925,457	2,450,923	44	101	—	3,376,525
Net assets with donor restrictions	232,562	730,451	—	—	(167,051)	795,962
Total net assets	1,158,019	3,181,374	44	101	(167,051)	4,172,487
Total liabilities and net assets	$ 1,175,309	4,895,703	2,569	998	(444,756)	5,629,823

See accompanying independent auditors' report.

Exhibit II

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Statement of Operations

September 30, 2023

(In thousands of dollars)

		Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Foundation and Seattle Children's Guild Association	Children's Retail	Eliminations	Total
Operating revenues:							
Net patient service revenues	$	—	1,907,462	—	—	—	1,907,462
Research revenues		—	179,970	—	—	—	179,970
Other operating revenues		(1,584)	102,868	11	2,791	(889)	103,197
Unrestricted contributions		(3,058)	—	15,687	—	3,064	15,693
Restricted donations and bequests		—	—	123,031	130	(123,161)	—
Net assets released from restriction for operations		4,547	107,688	—	—	—	112,235
Total operating revenues		(95)	2,297,988	138,729	2,921	(120,986)	2,318,557
Operating expenses:							
Salaries, wages, and benefits		11,946	1,188,991	13,562	1,293	—	1,215,792
Purchased services		8,634	544,882	3,292	29	—	556,837
Supplies and other expenses		1,523	413,021	2,491	759	(890)	416,904
Depreciation		61	129,507	76	52	—	129,696
Interest and amortization		—	28,184	—	—	—	28,184
Total operating expenses		22,164	2,304,585	19,421	2,133	(890)	2,347,413
Operating (loss) income		(22,259)	(6,597)	119,308	788	(120,096)	(28,856)
Nonoperating income (expense):							
Interest and dividend income		5,006	34,061	—	—	—	39,067
Realized gains (losses) on investments, net		10,300	(6,627)	—	—	—	3,673
Unrealized gains on investments, net		71,430	87,165	—	—	—	158,595
Change in valuation of interest rate swap agreements		—	1,963	—	—	—	1,963
Other nonoperating revenues (expenses), net		3,697	(3,646)	—	—	—	51
Net nonoperating income		90,433	112,916	—	—	—	203,349
Excess of revenues over expenses	$	68,174	106,319	119,308	788	(120,096)	174,493

See accompanying independent auditors' report.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Table of Contents

	Page(s)
Independent Auditors' Report	1–2
Consolidated Balance Sheets	3
Consolidated Statements of Operations and Changes in Net Assets	4–5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7–35
Supplementary Information	36–38

KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Trustees
Seattle Children's Healthcare System:

Opinion

We have audited the consolidated financial statements of Seattle Children's Healthcare System and its affiliates (the Healthcare System), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of operations and 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 Healthcare System as of September 30, 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 Healthcare System 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 Healthcare System's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be 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 Healthcare System'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 Healthcare System'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 36 through 38 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Seattle, Washington
December 16, 2022

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Balance Sheets

September 30, 2022 and 2021

(In thousands of dollars)

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	49,207	62,111
Accounts receivable, net		397,565	333,604
Other current assets		174,776	165,304
Current portion of assets whose use is limited		27,070	26,529
Total current assets		648,618	587,548
Assets whose use is limited:			
Investments		2,272,564	2,411,860
Investments under bond indentures and other agreements, noncurrent portion		158,189	197,503
		2,430,753	2,609,363
Land, buildings, and equipment, at cost, net		2,062,458	1,963,932
Right-of-use operating lease assets, net		77,739	93,264
Right-of-use finance lease assets, net		63,377	19,705
Other assets, net		77,584	362,242
Total assets	$	5,360,529	5,636,054
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$	13,010	12,465
Interest payable		14,060	14,064
Accounts payable		127,777	93,769
Accrued salaries, wages, and benefits		161,023	135,358
Current portion of right-of-use operating lease liability		18,592	19,686
Current portion of right-of-use finance lease liability		6,459	4,292
Other payables		22,962	30,803
Total current liabilities		363,883	310,437
Long-term debt, net of current portion		893,626	908,654
Right-of-use operating lease liability, net of current portion		72,734	88,566
Right-of-use finance lease liability, net of current portion		58,642	15,644
Other long-term liabilities		31,678	68,458
Total liabilities		1,420,563	1,391,759
Net assets:			
Net assets without donor restrictions		3,177,795	3,412,501
Net assets with donor restrictions		762,171	831,794
Total net assets		3,939,966	4,244,295
Total liabilities and net assets	$	5,360,529	5,636,054

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Operating revenues:			
Net patient service revenues	$	1,702,443	1,514,322
Research revenues		201,136	177,224
Other operating revenues		118,789	136,577
CARES Act revenue		17,052	15,466
Unrestricted contributions		18,371	19,453
Net assets released from restriction for operations		60,328	71,932
Total operating revenues		2,118,119	1,934,974
Operating expenses:			
Salaries, wages, and benefits		1,028,438	899,259
Purchased services		505,551	410,766
Supplies and other expenses		378,764	396,732
Depreciation		142,701	126,959
Interest and amortization		20,874	18,422
Total operating expenses		2,076,328	1,852,138
Operating income		41,791	82,836
Nonoperating income (expense):			
Interest and dividend income		29,903	24,397
Realized gains on investments, net		52,061	100,404
Unrealized (losses) gains on investments, net		(360,763)	152,574
Change in valuation of interest rate swap agreements		10,317	5,488
Other nonoperating expenses, net		(18,629)	(5,113)
Loss on refinancing of debt		—	(1,584)
Net nonoperating (expense) income		(287,111)	276,166
(Deficiency) Excess of revenues over expenses	$	(245,320)	359,002

(Continued)

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended September 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
(Deficiency) excess of revenues over expenses	$	(245,320)	359,002
Other changes in net assets without donor restrictions:			
Net assets released from restriction for capital		10,614	11,637
(Decrease) increase in net assets without donor restriction		(234,706)	370,639
Changes in net assets with donor restrictions:			
Investment (loss) return, net		(101,069)	106,756
Restricted contributions		102,388	124,177
Net assets released from restriction		(70,942)	(83,569)
(Decrease) increase in net assets with donor restrictions		(69,623)	147,364
(Decrease) increase in net assets		(304,329)	518,003
Net assets, beginning of year		4,244,295	3,726,292
Net assets, end of year	$	3,939,966	4,244,295

See accompanying notes to consolidated financial statements.

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidated Statements of Cash Flows

Years ended September 30, 2022 and 2021

(In thousands of dollars)

		2022	2021
Cash flows from operating activities:			
(Decrease) Increase in net assets	$	(304,329)	518,003
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:			
Depreciation		142,701	126,959
Realized gains on investments, net		(68,531)	(129,408)
Unrealized gains (losses) on investments, net		481,409	(227,645)
Restricted contributions		(15,294)	(8,415)
Equity earnings on investments in joint ventures, net of cash distributions		(26,786)	(49,960)
Change in valuation of interest rate swap agreements		(10,317)	(5,488)
Loss on refinancing of debt		—	1,584
Changes in assets and liabilities:			
Accounts receivable and other assets		(47,582)	(75,837)
Changes in right-of-use assets and lease liabilities		5,204	3,740
Payables and other liabilities		21,140	9,916
Net cash provided by operating activities		177,615	163,449
Cash flows from investing activities:			
Capital expenditures		(234,040)	(296,440)
Sales of trading securities		580,106	675,508
Purchases of trading securities		(685,816)	(685,099)
Sales of alternative investments		144,809	107,805
Purchases of alternative investments		(279,178)	(209,564)
Sale of other assets		285,884	—
Net cash used in investing activities		(188,235)	(407,790)
Cash flows from financing activities:			
Restricted contributions		15,294	8,415
Repayment of financing lease		(5,113)	(3,510)
Repayment of long-term debt		(12,465)	(162,864)
Proceeds from long-term debt		—	402,075
Payment of deferred financing costs		—	(3,234)
Net cash (used in) provided by financing activities		(2,284)	240,882
Net decrease in cash and cash equivalents		(12,904)	(3,459)
Cash and cash equivalents, beginning of year		62,111	65,570
Cash and cash equivalents, end of year	$	49,207	62,111
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest (net of capitalized interest)	$	31,711	31,196
Construction in process included in accounts payable		9,494	9,449

See accompanying notes to consolidated financial statements.

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Seattle Children's Healthcare System (SCHS), a Washington nonprofit corporation, functions as the parent organization to the following controlled corporations. The consolidated financial statements include the financial position and results of operations of these entities, each of which is a Washington nonprofit corporation and a 501(c)(3) organization, with the exception of the Children's Clinically Integrated Network, which is structured as a Washington limited liability corporation (LLC):

Seattle Children's Hospital (the Hospital) – A regional pediatric medical center and research institute.

Seattle Children's Hospital Foundation – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising activities.

Seattle Children's Hospital Guild Association – A corporation established to support SCHS and its affiliates, primarily the Hospital, through fundraising events and memberships.

Children's Retail – A corporation established to support SCHS, through the operation of thrift stores.

Children's Clinically Integrated Network (doing business as Seattle Children's Care Network) – A LLC established to develop, coordinate, and administer a clinically integrated pediatric network to promote collaboration to enhance the quality and cost effectiveness of pediatric care.

The consolidated financial statements of SCHS and its controlled affiliates are presented on a consolidated basis, and all intercompany balances have been eliminated.

(b) Tax Exemption

The Internal Revenue Service has granted SCHS, and the controlled corporations listed above, exemption from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC formed to operate for charitable, educational, scientific, and medical purposes. During 2022 or 2021, SCHS did not record any liability for unrecognized tax benefits.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles 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.

(Continued)

(d) *Cash and Cash Equivalents*

Cash and cash equivalents, including highly liquid instruments, that are readily convertible to known amounts of cash are recorded at cost, which approximates fair value. This includes money market funds and deposits held by creditworthy, high-quality financial institutions with original maturities of three months or less. Cash equivalents that are held in investment accounts or that are restricted by contractual requirements are classified as investments on the consolidated balance sheets.

(e) *Liquidity*

Cash and cash equivalents and patient accounts receivable are the primary liquid resources used to meet expected expenditure needs within the next year. SCHS has investments, described in note 4, available to meet unanticipated liquidity needs. Financial assets include cash and cash equivalents, investments, accounts receivable, interest receivable and other receivables, which are reported in other current assets in the accompanying consolidated balance sheets. Management estimates that approximately 74% and 73% of financial assets, as stated at September 30, 2022 and 2021, respectively, could be utilized within the next year if needed.

(f) *Assets Whose Use is Limited, Investments, and the Fair Value Option*

Assets whose use is limited includes net assets without donor restrictions designated by the Board of Trustees (the Board) for future capital and various program purposes, over which the Board retains control and may, at its discretion, subsequently use for other purposes. Assets whose use is limited also includes net assets with donor restrictions and assets held by trustees under bond indentures and other agreements.

Investments under bond indentures and other agreements primarily include assets held by trustees under the terms of the revenue bonds, charitable trust agreements, retained life estates and annuities. Amounts required to meet current liabilities of SCHS have been classified as current assets in the accompanying consolidated balance sheets at September 30, 2022 and 2021.

Investments are stated at fair value. SCHS classifies its investment portfolio as a trading portfolio, excluding alternative investments, and as such, all unrestricted net investment income (which includes interest, dividends and realized and unrealized gains or losses) are recorded in nonoperating income in the accompanying consolidated statements of operations and changes in net assets in the period in which they occur.

Restricted investment income and changes in the fair value of irrevocable perpetual trusts are included in the changes in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risks associated with certain investment securities, it is reasonably possible that changes in the value of investments could occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated balance sheets.

SCHS accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statements of cash flows. The cost of investments sold is determined in accordance with the specific-identification method, and realized gains and losses are included in nonoperating income in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2022 and 2021, SCHS recorded a payable of $200 and $5,179, respectively, for investments purchased but not settled within other payables in the accompanying consolidated balance sheets. As of September 30, 2022 and 2021, SCHS recorded a receivable of $1,122 and $290, respectively, for pending securities sold within other current assets in the accompanying consolidated balance sheets.

(g) Investments in Derivatives

SCHS allows certain investment managers to use derivative financial instruments (futures, forward currency contracts, options and swaps) to manage interest rate risk related to fixed-income holdings. The investment managers have executed master netting arrangements with the counterparties of the futures and forward currency purchases and sale contracts whereby the financial instruments held by the same counterparty are legally offset as the instruments are settled. The following table presents gross investment derivative assets and liabilities reported on a net basis at fair value included in assets whose use is limited in the consolidated balance sheets as of September 30:

		2022	2021
Derivative assets:			
Future contracts	$	113,419	98,546
Foreign currency forwards and other contracts		62,733	90,119
Total derivative assets		176,152	188,665
Derivative liabilities:			
Future contracts		(113,419)	(98,546)
Foreign currency forwards and other contracts		(61,932)	(89,606)
Total derivative liabilities		(175,351)	(188,152)
Net derivatives	$	801	513

(h) Charitable Trusts, Retained Life Estates and Gift Annuity Contracts

SCHS is a recipient of charitable gift annuities, charitable remainder trusts for which SCHS is the trustee and retained life estates. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions established by the Internal Revenue Service, which have ranged between 1% and 8%. The difference between the amount of the gift and the liability is recorded as a contribution and classified as an increase in net assets with donor restrictions based upon time and/or purpose restrictions indicated by the donor. The assets held related to annuity, life estates and trust assets are

reported at fair value. SCHS maintains separate reserve funds adequate to meet the future payments under its charitable gift annuity contracts as required by governing state laws. The total amount held in the separate reserve funds as of September 30, 2022 and 2021 was $1,821 and $2,489, respectively. The recorded liability amounts for the gift annuity contracts as of September 30, 2022 and 2021 were $918 and $1,009, respectively. Any charitable gift annuities, retained life estates and charitable remainder trusts for which SCHS is the trustee, are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2022 and 2021 were $11,137 and $13,280, respectively.

SCHS is also the beneficiary of irrevocable perpetual trusts and charitable remainder trusts for which SCHS is not the trustee. These funds held in trust by others represent resources neither in the possession nor under the control of SCHS and are administered by outside trustees. SCHS recognizes its beneficial interest in the outside trusts at fair value as a contribution in the fiscal year it has reliable and verifiable information of the fair value of the trust. The contribution related to an irrevocable perpetual trust is classified as an increase in net assets with donor restrictions based on restrictions placed by the donor. Irrevocable perpetual trusts are reflected in investments under bond indenture and other agreements, noncurrent portion, under assets whose use is limited in the accompanying consolidated balance sheets. These amounts as of September 30, 2022 and 2021 were $136,999 and $172,082, respectively. The changes in the fair value of the irrevocable perpetual trusts, as restricted by donors, are reflected as investment return, net, in net assets with donor restrictions in the accompanying consolidated statements of operations and changes in net assets.

(i) Pledges and Bequests Receivable

Pledges receivable consist of private gifts and grants promised from individuals, corporations, foundations, or other organizations and are reported at fair value at the date the promise is received. Restricted promises are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets to a specific time period or purpose.

Bequests consist of pledges made pursuant to the will and testament of donors who have passed away. Bequests are recorded at the time of the donor's death, when the amount bequeathed in the donor's will becomes probable and estimable.

The schedule of future pledge and bequest payments, which is included in other current assets and other assets, in the accompanying consolidated balance sheets was as follows at September 30:

		2022	2021
Payable in:			
Less than one year	$	18,970	20,442
One to five years		17,448	27,789
Over five years		1,518	1,333
		37,936	49,564
Less discount and allowance for uncollectible amounts		(1,100)	(1,395)
	$	36,836	48,169

(j) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Interest costs incurred during the time required to ready the asset for its intended use, are capitalized. Interest costs of $11,163 and $13,107 were capitalized in 2022 and 2021, respectively. Depreciation is computed using the straight-line method, which allocates the cost of the asset ratably over its estimated useful life. An estimated life of up to 40 years is used for buildings and 8 to 15 years for building and land improvements. Various lives ranging from 3 to 20 years are used for furniture and equipment. Leasehold improvements are depreciated over the shorter of the remaining life of the lease or the useful life of the asset.

(k) Other Current Assets

Other current assets primarily include prepaid expenses, the current portion of pledges receivable, nonpatient accounts receivable, and inventories. Inventories are measured at the lower of cost or market value. At September 30, 2022 and 2021, SCHS had $25,855 and $22,983, respectively, in inventories.

(l) Joint Ventures

The equity method of accounting is used for joint ventures in which SCHS has significant influence but does not have control. Significant influence is deemed to exist when the ownership interest in the investee is at least 20% and not more than 50% of net assets, although other factors may be considered in determining whether the equity method of accounting is appropriate.

(m) Deferred Financing Costs

Deferred financing costs are included as a direct deduction from the carrying amount of SCHS's long-term debt in the accompanying consolidated balance sheets and are amortized using the effective-interest method over the term of the related outstanding obligation.

(Continued)

(n) *Net Assets*

Net assets include contributions that are reported at fair value at the date of donation. Such amounts are reported as net assets without donor restrictions, or net assets with donor restrictions, based on donor stipulations (if any) that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the accompanying consolidated statements of operations and changes in net assets as net assets released from restriction.

Endowment fund balances, including funds functioning as endowments, are classified and reported as net assets with donor restrictions, or net assets without donor restrictions in accordance with board or donor specifications. Funds functioning as endowments include board-designated named endowments and other board-designated funds.

(o) *Net Patient Service Revenues*

Net patient service revenues are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care.

(p) *Research Revenues*

SCHS receives grant and contract revenue from government and private sources. SCHS recognizes revenue associated with the direct and applicable indirect costs of sponsored programs, which are recognized at the earlier of when the research expenses are incurred, or when the contract period has ended. SCHS negotiates its federal indirect rate with its cognizant federal agency. Indirect costs are recovered on federally sponsored programs and are generally based on predetermined reimbursement rates, which are stated as a percentage and are distributed based on the modified total direct costs incurred. Indirect costs recovered on all other grants and contracts are based on rates negotiated with respective sponsors.

SCHS has elected as an accounting policy to report as without donor restrictions donor-restricted contributions whose restrictions are met in the same reporting period as the revenue is recognized. This accounting policy election applies to conditional contributions, for example restricted reimbursable government grants that require the recipient to incur qualifying expenses. In these cases, the condition is met and revenue is recognized at the same point in time.

(q) *Other Operating Revenues*

Other operating revenues primarily include revenues from a federal graduate medical education grant, SCHS's equity earnings from its participation in joint ventures, amounts received from Children's University Medical Group (CUMG), regional services revenue, reference laboratory services, royalty income, rental income, and other revenues.

(r) CARES Act Revenue

On March 27, 2020, the federal government passed the CARES Act (Coronavirus Aid, Relief, and Economic Stimulus Act), which allotted $175 billion dollars to healthcare providers and suppliers through Medicare reimbursements, grants, and other direct federal payments for which SCHS qualified. CARES Act proceeds received from the Department of Health and Human Services were $17,052 and $15,466, for the years ended September 30, 2022 and 2021, respectively. This includes CARES Act funds received as Medicaid outlier adjustments and through other state and local agencies. SCHS recognized revenue related to the CARES Act provider relief funding based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (HHS), governing the funding that was publicly available at September 30, 2022.

(s) (Deficiency) Excess of Revenues over Expenses

The accompanying consolidated statements of operations and changes in net assets include (deficiency) excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from (deficiency) excess of revenues over expenses, primarily includes net assets released from restriction for capital in 2022 and 2021.

(t) Reclassifications

Prior-period financial statement amounts have been reclassified to conform to current-period presentation.

(u) Subsequent Events

SCHS has performed an evaluation of subsequent events through December 16, 2022, which is the date these consolidated financial statements were issued.

(v) New and Pending Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*, to address stakeholders concerns regarding lack of transparency about how certain gifts-in-kind are valued and used in a not-for-profit's programs and activities. ASU No. 2020-07 will require additional qualitative and quantitative disclosures regarding nonfinancial asset contributions received by not-for-profit entities. The guidance is effective for fiscal years beginning after June 15, 2021. The implementation of ASU No, 2020-07 did not have a significant impact on the consolidated financial statements.

(Continued)

(2) Uncompensated and Undercompensated Care

SCHS is committed to caring for all children in its service area irrespective of ability to pay. The estimated costs of that care were as follows for the years ended September 30:

		2022	2021
Medicaid payment shortfall	$	249,468	238,065
Charity care		11,192	8,036
Total uncompensated and undercompensated care	$	260,660	246,101

Medicaid is a government-sponsored healthcare program for low-income-individuals. The Medicaid payment shortfall represents the estimated cost of providing services to patients covered under Medicaid in excess of payments received. The estimated cost of services provided to Medicaid patients is estimated based on the ratio of Hospital patient care costs to Hospital patient care charges applied to charges related to services provided to Medicaid patients. Donations received to offset or subsidize Medicaid payment shortfalls and charity care were $21,342 and $29,938 for the years ended September 30, 2022 and 2021, respectively.

Charity care represents the estimated cost of care provided to patients who are uninsured or underinsured and whose families cannot afford to pay for their medical care. The Hospital provides charity care in accordance with its charity care policy based on family need and maintains records to identify the level of charity it provides. The determination of family need is evaluated during a patient's course of care and can be updated after care is complete. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as revenue. The estimated cost of charity care provided is estimated based on the ratio of Hospital total patient care costs to Hospital total patient care charges applied to charges related to charity care services.

(3) Assets Whose Use is Limited

As of September 30, the fair value of assets whose use is limited was as follows:

		2022	2021
Board-designated investments	$	904,119	853,896
Board-designated endowments		780,356	950,643
Donor-restricted investments		588,089	607,321
Investments held under bond indenture and other		185,259	224,032
	$	2,457,823	2,635,892

(Continued)

(4) Investments and Fair Value Measurements

In determining the fair value of investments, SCHS utilizes valuation techniques to maximize the use of observable market data and minimize the use of unobservable inputs. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based upon market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect SCHS's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

Assets and liabilities that are recorded at fair value are grouped into three levels based on the markets in which assets and liabilities are traded and the observability of the inputs used to determine fair value. The three levels are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities; an active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Pricing inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, and the fair value is determined through the use of models or other valuation methodologies.

Level 3 – Significant unobservable inputs, including assets and liabilities that are traded infrequently.

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 in its entirety. The fair value hierarchy does not necessarily correspond to a financial instrument's relative liquidity in the market or to its level of risk.

Alternative investments are measured using net asset value (NAV) per share as a practical expedient and are excluded from categorization in the fair value hierarchy. Such investments measured using NAV primarily consist of shares or units in investment funds as opposed to direct interests in the funds underlying holdings, which may be marketable.

Beneficial interests in trusts are primarily valued based on the value of the underlying assets, as provided by the trust administrators. The values of perpetual and charitable remainder trusts where SCHS is not the trustee are categorized as Level 3. Beneficial interests in trusts where SCHS serves as the trustee are recognized in the fair value hierarchy based on the underlying assets.

The carrying amounts reported on the accompanying consolidated balance sheets for cash and cash equivalents, accounts receivable, other current assets, accounts payable, and accrued salaries, wages, and benefits approximate the fair value because of their short-term nature.

(Continued)

The following tables present assets and liabilities that were measured at fair value on a recurring basis (including items that were required to be measured at fair value and items for which the fair value option was elected) at September 30:

	2022	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Investments:				
Money market and other	$ 17,953	7,672	10,281	—
Commercial paper	38,123	—	38,123	—
U.S. equity securities	4,984	4,984	—	—
Foreign equity securities	44,871	—	44,871	—
U.S. corporate fixed-income securities	309,400	—	309,400	—
Foreign corporate fixed-income securities	154,495	—	154,495	—
Notes issued by the U.S. government and U.S. government agencies	130,481	126,422	4,059	—
Mutual funds:				
Global (U.S. and foreign) equity funds	119,096	119,096	—	—
U.S. corporate fixed income funds	313,935	313,935	—	—
Other	4,330	4,330	—	—
Trustee-held funds	27,070	27,070	—	—
Charitable gift annuities	1,821	1,821	—	—
Perpetual and charitable remainder trust agreements	152,048	—	9,315	142,733
Total	1,318,607	605,330	570,544	142,733
Alternate investments measured using NAV	1,139,216			
Total assets	$ 2,457,823			

	2022	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap agreements	$ 3,423	—	3,423	—
Total liabilities	$ 3,423	—	3,423	—

		2021	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:					
Investments:					
Money market and other	$	43,913	14,478	29,435	—
Commercial paper		7,291	—	7,291	—
U.S. equity securities		4,928	4,928	—	—
Foreign equity securities		56,319	—	56,319	—
U.S. corporate fixed-income securities		262,588	—	262,588	—
Foreign corporate fixed-income securities		135,830	—	135,830	—
Notes issued by the U.S. government and U.S. government agencies		95,521	92,973	2,548	—
Mutual funds:					
Global (U.S. and foreign) equity funds		182,418	182,418	—	—
U.S. corporate fixed income funds		401,409	401,409	—	—
Other		5,477	5,477	—	—
Trustee-held funds		26,529	26,529	—	—
Charitable gift annuities		2,489	2,489	—	—
Perpetual and charitable remainder trust agreements		186,620	—	7,867	178,753
Total		1,411,332	730,701	501,878	178,753
Alternate investments measured using NAV		1,224,560			
Total assets	$	2,635,892			

		2021	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Liabilities:					
Interest rate swap agreements	$	13,740	—	13,740	—
Total liabilities	$	13,740	—	13,740	—

(Continued)

The following tables present SCHS's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in Topic 820 for the years ended September 30, 2022 and 2021:

		Trusts and other
Balance at September 30, 2021	$	178,753
Total realized and unrealized gains (losses), net included in income		(38,122)
Contributions, purchases, sales, and settlements:		
Contributions		1,214
Purchases		—
Sales		—
Settlements, other		888
Balance at September 30, 2022	$	142,733

		Trusts and other
Balance at September 30, 2020	$	151,481
Total realized and unrealized gains (losses), net included in income		30,420
Contributions, purchases, sales, and settlements:		
Contributions		—
Purchases		—
Sales		—
Settlements, other		(3,148)
Balance at September 30, 2021	$	178,753

Alternative investments include limited partnerships, LLCs, investment trusts, institutional funds and other equity securities that are not publicly traded. Included in these funds are certain types of financial instruments, including, among others, futures and forward contracts, options, swaps, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments involve varying degrees of risk. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

Alternative investments are less liquid than SCHS's other investments. Liquidity limitations on these alternative investments include, but are not limited to, lock-up provisions whereby SCHS is unable to redeem shares of an investment for a period of time (usually one year after the initial investment), private equity commitments, and funds, which do not provide monthly liquidity and/or require greater than 30 days' notice prior to the redemption date.

Alternative investments are investments in certain entities that report fair value using a calculated net NAV or its equivalent. The nature of such investments as of September 30, 2022 and 2021 is as follows:

	2022 Fair value	2021 Fair value	Unfunded commitments	Redemption frequency	Redemption notice period
Alternative investment strategy:					
U.S. and foreign equity funds (1)	$ 517,520	649,895	—	Daily, monthly, quarterly, annually (1–3 years)	0–60 days
Absolute return funds (2)	400,006	397,277	—	Quarterly, annually (1–5 years)	45–120 days
Private investments (3)	204,087	172,388	141,249	NA	NA
Other equity securities (4)	17,603	5,000	—	NA	NA
Total alternative investments	$ 1,139,216	1,224,560	141,249		

(1) This category includes investments in funds that pursue diversification of both domestic and foreign equity securities through multiple investment strategies. As of September 30, 2022, approximately $14,512 of the total U.S. and foreign equity funds are allocated to illiquid special investments.

(2) This category primarily includes investments in hedge funds that pursue strategies that aim to provide positive returns regardless of market environment. As of September 30, 2022, approximately $53,432 of the total absolute return investments are allocated to illiquid, special investments. Distributions will be received as the underlying investments are liquidated.

(3) This category includes investments in funds that encompass a wide array of strategies, including buyouts, venture capital, and real estate among others. These investments cannot be redeemed by SCHS; rather, SCHS has committed to invest a certain dollar amount into these private funds during a defined commitment period. After the commitment period has ended, distributions are received through the liquidation of the underlying assets in the private fund. Based on the expiration dates of the funds, it is estimated that the underlying assets will be liquidated over the next 1 to 15 years.

(4) As of September 30, 2022, SCHS held approximately $17,603 in other equity securities that are not publicly traded and are subject to redemption restrictions.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment consist of the following at September 30:

	2022	2021
Land and improvements	$ 239,517	239,384
Buildings and improvements	1,972,868	1,488,165
Furniture and equipment	781,700	736,084
Construction in progress	153,805	502,681
	3,147,890	2,966,314
Less accumulated depreciation	(1,085,432)	(1,002,382)
	$ 2,062,458	1,963,932

SCHS has commitments for construction contracts totaling $155,622 as of September 30, 2022.

(6) Leases

SCHS enters into operating and finance leases primarily for buildings and equipment. For leases with terms greater than 12 months, SCHS records the related right-of-use (ROU) asset and lease liability at the present value of the lease payments over the contract term using the U.S. Treasury's risk-free borrowing rate. Building lease agreements generally require SCHS to pay operating expenses such as maintenance, repairs, and property taxes, which are variable based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU asset or lease liability. Variable lease costs also include escalating rent payments that are not fixed at lease 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. Certain leases include one or more options to renew the lease after the initial term, with renewal terms that generally extend the lease at the then market rate of rental payment. Certain leases also include an option to buy the underlying asset at or a short time prior to the termination of the lease. All such options are at SCHS's discretion and are evaluated at the lease commencement, with only those that are reasonably certain of exercise included in determining the appropriate lease term. SCHS has elected the practical expedient to not separate lease components from non-lease components for its financing and operating leases.

The components of lease cost for the years ended September 30:

		2022	2021
Operating lease cost:			
Fixed lease expense	$	19,849	21,696
Variable lease expense		7,280	7,842
Total operating lease cost	$	27,129	29,538
Finance lease cost:			
Amortization of ROU assets	$	6,087	3,768
Interest on finance lease liabilities		869	279
Total finance lease cost	$	6,956	4,047

Supplemental cash flow and other information related to operating and finance leases as of and for the years ended September 30 are as follows:

		2022	2021
Cash paid for amounts included in the measurement of operating lease liabilities:			
Operating cash flows for operating leases	$	21,187	21,939
Operating cash flows for finance leases		336	279
Financing cash flows for finance leases		5,112	3,510
Additions to ROU assets obtained from operating leases		2,990	4,139
Additions to ROU assets obtained from finance leases		50,154	4,040
Weighted average remaining lease term (in years):			
Operating leases		6.79	7.31
Finance lease		19.46	4.96
Weighted average discount rate:			
Operating leases		1.59 %	1.53 %
Finance leases		2.25 %	1.39 %

Commitments related to noncancelable operating and finance leases for each of the next five years and thereafter as of September 30, 2022 are as follows:

		Operating	Finance
2023	$	19,567	7,345
2024		19,718	6,933
2025		15,954	5,631
2026		11,374	4,919
2027		11,395	2,861
Thereafter		18,974	54,901
		96,982	82,590
Less imputed interest		5,656	17,489
Total lease liabilities		91,326	65,101
Less current portion		18,592	6,459
Long-term lease liabilities	$	72,734	58,642

(7) Endowment Funds and Net Assets with Donor Restrictions

The endowment funds consist of numerous individual funds established for a variety of purposes. They include endowments with donor restrictions and funds functioning as endowments, which include board-designated named endowments and other board-designated endowments. Net assets associated with these funds are classified and reported based on the existence or absence of donor-imposed restrictions.

SCHS has interpreted the Washington State Uniform Prudent Management of Institutional Funds Act (WA-UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result of this interpretation, SCHS classifies within net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts donated to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment funds is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by SCHS in a manner consistent with the standards of prudence prescribed by WA-UPMIFA.

In making a determination to appropriate or accumulate endowment funds with donor restrictions, SCHS considers (a) the duration and preservation of the fund; (b) the purposes of SCHS and the endowment with donor restrictions; (c) general economic conditions; (d) the appreciation of endowment investments; (e) other resources of SCHS; and (f) the investment policy of SCHS.

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or WA-UPMIFA requires SCHS to retain as a fund of perpetual duration. SCHS has adopted a policy that permits spending from underwater endowments in accordance with prudent measures required by law. Due to negative investment returns in fiscal 2022 there was a significant increase in underwater endowment funds. As of September 30, 2022 and 2021, donor-restricted funds with deficiencies were as follows:

		2022	2021
Fair value of underwater endowment funds	$	18,908	629
Original endowment gift amount		21,738	638
Deficiencies of underwater endowment funds	$	(2,830)	(9)

SCHS has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate-of-return objectives, SCHS relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SCHS targets a diversified asset allocation intended to achieve its long-term return objectives within prudent risk constraints.

SCHS has a spending policy of appropriating 5% of its endowment funds' 12-quarter average market value of donor-restricted and board-designated named endowments. In establishing this policy, SCHS considered the long-term expected return on its endowment funds.

The endowment net assets composition by type as of September 30, 2022 and 2021 were as follows:

		Without donor restrictions	With donor restrictions	Total
September 30, 2022:				
Donor-restricted	$	—	295,467	295,467
Board-designated:				
Named endowment funds		97,845	—	97,845
Other endowment funds		682,511	—	682,511
Total funds	$	780,356	295,467	1,075,823
September 30, 2021:				
Donor-restricted	$	—	359,499	359,499
Board-designated:				
Named endowment funds		116,358	—	116,358
Other endowment funds		834,285	—	834,285
Total funds	$	950,643	359,499	1,310,142

(Continued)

The changes in endowment net assets for 2022 and 2021 were as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2021	$	950,643	359,499	1,310,142
Investment return:				
Net interest and dividends		7,668	3,101	10,769
Net depreciation (realized and unrealized)		(174,605)	(65,485)	(240,090)
		(166,937)	(62,384)	(229,321)
Contributions and designations		5,807	13,563	19,370
Transfer to board-designated funds		(5,807)	—	(5,807)
Appropriation of endowment assets for expenditure:				
Donor-restricted		—	(15,211)	(15,211)
Board-designated named		(3,350)	—	(3,350)
		(3,350)	(15,211)	(18,561)
Endowment net assets, September 30, 2022	$	780,356	295,467	1,075,823

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, September 30, 2020	$	729,413	287,906	1,017,319
Investment return:				
Net interest and dividends		6,310	2,684	8,994
Net appreciation (realized and unrealized)		189,313	73,368	262,681
		195,623	76,052	271,675
Contributions and designations		28,020	9,469	37,489
Appropriation of endowment assets for expenditure:				
Donor-restricted		—	(13,928)	(13,928)
Board-designated named		(2,413)	—	(2,413)
		(2,413)	(13,928)	(16,341)
Endowment net assets, September 30, 2021	$	950,643	359,499	1,310,142

(Continued)

Net assets subject to time or use donor restrictions were available for the following purposes at September 30:

		2022	2021
Healthcare services	$	122,999	121,905
Research		167,109	144,991
Capital projects		33,299	28,750
	$	323,407	295,646

Donor-restricted endowments and pledges subject to spending policy and appropriation (excluding unappropriated endowment earnings of $65,341 in 2022 and $142,936 in 2021) and perpetual trust are held to support the following:

		2022	2021
Healthcare services	$	206,700	212,855
Research		166,723	180,357
	$	373,423	393,212

(Continued)

(8) Long-Term Debt

Long-term debt obligation consisted of the following at September 30:

	Maturing through	Interest rates	Unpaid principal 2022	Unpaid principal 2021
Revenue bonds:				
Fixed:				
Series 2010B	2023	5 %	$ 4,330	8,455
Series 2012B	2023	5 %	1,290	2,505
Series 2015A	2046	4–5%	100,000	100,000
Series 2015B	2039	5 %	167,075	167,130
Series 2017A	2048	5 %	108,760	110,170
Series 2021	2051	1–3%	402,075	402,075
Total fixed			783,530	790,335
Variable:				
Series 2012C	2029	0.63%–2.66%	51,075	53,080
Series 2012D	2032	0.59%–2.71%	44,905	48,560
Total variable			95,980	101,640
Unpaid principal, long-term debt			879,510	891,975
Unamortized premiums discounts and debt issuance costs, net			27,126	29,144
Long-term debt, including premiums and discounts			906,636	921,119
Less current portion			(13,010)	(12,465)
Long-term debt, net of current portion			$ 893,626	908,654

The Revenue Bonds are collateralized by a pledge of gross revenues and secured by interests in certain bond funds.

(Continued)

Scheduled principal repayments as of September 30, 2022 on the long-term debt are due as follows:

2023	$	13,010
2024		12,325
2025		12,785
2026		13,310
2027		13,790
Thereafter		814,290
		879,510
Add unamortized premiums, discounts and debt issuance costs, net		27,126
	$	906,636

The members of the Obligated Group are defined and established under the Master Indenture to include the Hospital and SCHS. As of September 30, 2022, total assets, total liabilities, and total net assets without donor restrictions of the Obligated Group all constitute 100% of the respective SCHS's consolidated totals. For fiscal year 2022, the total operating revenues, operating income, and excess of revenues over expenses, from all sources attributable to the Obligated Group were 99%, 100%, and 100%, respectively, of the respective SCHS's consolidated totals.

On August 30, 2022 Seattle Children's amended the borrowing agreements for the WHCFA Series 2012C and 2012D bonds. The amendments were made to replace London Interbank Offered Rate (LIBOR) with Secured Overnight Financing Rate (SOFR) as the index rate on the bonds and to extend the mandatory purchase date of the Series 2012D bonds.

On February 11, 2021, Seattle Children's issued the Seattle Children's Hospital Taxable Bonds, Series 2021 (Green Bonds) in the amount of $402,075. The bonds were issued to finance or reimburse certain capital costs related to the construction and equipping of an addition to the Hospital's main campus facility known as "Building Care," the redemption of all of the outstanding Series 2010A bonds, the defeasance and redemption of all of the Series 2012A bonds and a portion of the Series 2012B bonds. The bonds were designated as Green Bonds to reflect the green nature of the initiatives that have been or will be funded with the proceeds of the bonds. The 2021 Bonds consist of $102,075 term bonds due in 2027 and bear interest at 1.208% and $300,000 term bonds due in 2050 that bear interest at 2.719%. Interest payments are due semiannually. The redemption and defeasance of the 2010A, 2012A and 2012B bonds generated a $1,584 loss on refinancing of debt that was recorded in nonoperating income (expense) in the accompanying consolidated statements of operations and changes in net assets in fiscal 2021.

Under the terms of the Revenue Bonds and related indenture agreements, the Obligated Group is required to comply with various covenants, including income available for debt service. As of September 30, 2022, the Obligated Group is in compliance with all bond covenants.

Accounting for Derivative Instruments

Interest rate swap contracts are used to manage the net exposure to interest rate changes in attempting to reduce the overall cost of borrowing over time. SCHS records these derivative instruments on the accompanying consolidated balance sheets as an asset or liability measured at its individual fair market value – the fair value of interest rate swap contracts is included in other long-term liabilities on the accompanying consolidated balance sheets. Changes in the derivative instrument's fair market value are recognized in earnings unless certain specific hedge accounting criteria are met. SCHS has not designated its interest rate swap agreements as cash flow hedges, and all changes in the valuation of the interest rate swaps are recognized in other nonoperating expenses, net, in the accompanying consolidated statements of operations and changes in net assets. Interest rate swaps not designated as hedges were valued at $(3,423) and $(13,740) as of September 30, 2022 and 2021, respectively.

SCHS has two swap agreements (Swap Agreements) with two separate counterparties. Under each Swap Agreement, SCHS is obligated to pay a fixed rate per annum (3.48% on the Series 2012C Bonds and 3.69% on the Series 2012D Bonds) on a notional amount equal to the outstanding principal amount of the applicable series of bonds and receives a variable payment computed as 68% of the one-month LIBOR. The bonds' variable-rate coupons are based upon rates calculated as a percentage of one-month Term SOFR plus a credit spread, as defined in the respective financing agreements.

The two Credit Support Annexes for the interest rate swaps require either party to post collateral if the fair market value of the swap is negative to them and exceeds the minimum threshold as defined in each respective Credit Support Annex. The amount of collateral required to be posted is equal to the difference of the fair market value over the minimum threshold. As of September 30, 2022 and 2021, SCHS was not required to post collateral for either Swap Agreement.

(9) Net Patient Service Revenues and Patient Accounts Receivable

Net patient service revenues provided by the Hospital are reported at the amount that reflects the consideration to which the Hospital expects to be entitled in exchange for providing patient care. These amounts, representing the transaction price, are due from third-party payers and patients, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Hospital bills the third-party payers and patients several days after the services are performed and/or the patient is discharged. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Hospital. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Hospital believes that this method provides an accurate depiction of the transfer 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 receiving inpatient services. The Hospital measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Outpatient revenue is recognized when goods or services are provided.

The Hospital determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments, discounts, and implicit price concessions. A significant portion of the Hospital's patient service revenues is derived from Medicaid programs, including Medicaid managed care (Medicaid). Payments from Medicaid for services provided to inpatients are based upon prospective diagnosis related groups and other payment programs, while Medicaid outpatient payments are based upon prospective enhanced ambulatory payment groups and other payment programs. Commercial insurer payments are based upon terms of contractual agreements.

The Hospital's performance obligations generally relate to contracts with a duration of less than one year. The Hospital has elected to apply the optional exemption to not 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. These unsatisfied or partially unsatisfied performance obligations primarily relate to services provided at the end of the reporting period.

Retroactive adjustments, under reimbursement agreements with third-party payers, are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated and accrued in the period in which the related services are rendered and adjusted in future periods as final settlements are determined.

The following table summarizes net patient service revenues disaggregated by payer and service type for the years ended September 30:

	Net inpatient service revenues		Net outpatient service revenues		Total net patient service revenues	
	2022	2021	2022	2021	2022	2021
Commercial insurers:						
Premera Blue Cross	$ 208,842	159,660	139,826	126,747	348,668	286,407
Regence Blue Shield	180,650	163,502	122,693	114,754	303,343	278,256
Other	302,134	310,041	201,577	189,034	503,711	499,075
Medicaid managed care organizations	291,793	241,171	81,691	71,578	373,484	312,749
Medicaid	95,943	80,944	26,140	18,057	122,083	99,001
Other	29,140	22,397	22,014	16,437	51,154	38,834
	$ 1,108,502	977,715	593,941	536,607	1,702,443	1,514,322

Inpatient revenue includes care requiring admission to the hospital, including medical and surgical, cancer care, neonatal intensive care, pediatric and intensive care, psychiatric, and rehabilitation services, and related ancillary services. Outpatient revenue includes a variety of services that do not require admission to the hospital, including day surgeries, emergency and urgent care services, clinic visits, home care services, and other ancillary services.

(Continued)

Patient Accounts Receivable

Patient accounts receivable are recorded on an accrual basis at established billing rates. The allowances for contractual allowances and discounts are recorded on an accrual basis, using established billing and contracted rates and historical experience. In evaluating the collectability of patient accounts receivable, The Hospital estimates implicit price concessions by major payer type based on historical experience for each payer type. Primary collection risks relate to uninsured patients and the portion of the bill which is the patients' responsibility, primarily copayments and deductibles. For uninsured patients who do not qualify for the Hospital's charity care, the Hospital provides a discount from its standard rates. The Hospital regularly reviews data about the major payer sources of revenues in evaluating the sufficiency of the allowance for contractual allowances and discounts.

The concentrations of credit risk by payer as measured by gross patient accounts receivable were as follows at September 30:

	2022	2021
Commercial insurers:		
Premera Blue Cross	11 %	9 %
Regence Blue Shield	13	13
Other	26	27
Medicaid managed care organizations	33	32
Medicaid	11	11
Other	6	8
	100 %	100 %

(10) Hospital Safety Net Assessment

The State of Washington provides for supplemental Medicaid payments to certain hospitals funded by assessments paid by those hospitals, as well as matching federal funds (the safety net program). The supplemental payments include fee-for-service payments received directly from Washington State, as well as payments processed through managed care organizations.

The following revenues and expenses were recognized in the accompanying consolidated statements of operations and changes in net assets for the years ended September 30:

	Revenues		Expenses	
	2022	2021	2022	2021
Fee-for-service segment of the program	$ 21,344	21,723	4,982	6,192
Managed care segment of the program	21,172	24,251	14,978	14,534
Total	$ 42,516	45,974	19,960	20,726

Supplemental payments are recorded in net patient service revenues and assessments are recorded in supplies and other expenses in the accompanying consolidated statements of operations and changes in net assets.

(11) Related-Party Transactions

(a) Seattle Cancer Care Alliance

On July 13, 2021, Seattle Cancer Care Alliance ("SCCA") and its founding members Fred Hutchinson Cancer Research Center ("Fred Hutch"), SCHS, and University of Washington (UW) Medicine announced plans to restructure their partnership. On April 1, 2022, the restructure and merger were completed. SCHS received an equity distribution equal to its one-third share of unrestricted net assets of the SCCA. This restructure, resulting in the formation of Fred Hutchinson Cancer Center ("FHCC"), established an adult-focused oncology program and, separately, a pediatric oncology program. These programs will be collaborative and integrated with innovative cancer research from FHCC, UW Medicine and SCHS. SCHS will be the central site for pediatric cancer care among the organizations. This transaction resulted in a reduction to other assets, net and an increase to cash and investments of $285,884.

(b) Odessa Brown Children's clinic

In 2019, the Hospital established a joint venture, 39th and Othello LLC, along with Spectrum Development Solutions and Laird Norton Company. The purpose of the joint venture is to construct a new Odessa Brown Children's clinic (OBCC) at Othello Square, which will provide expanded medical, dental, and mental healthcare services for under-served children and families in South Seattle. The Othello Square project will also consist of a charter school, childcare facility, an economic opportunity center, and five floors of residential space above the clinic space. In September 2019, the Hospital prepaid the construction costs of $20,254 through the joint venture, which represents SCHS's ownership interest in 39th and Othello LLC. This amount is recorded in other assets, net, in the accompanying consolidated balance sheets as of September 30, 2022 and 2021.

In fiscal year 2022 the construction of the OBCC at Othello Square was completed, and the amounts committed as a contribution to OBCC Othello QALICB were transferred from SCHS to OBCC Othello QALICB. This resulted in the recognition of $16,466 of other non-operating expenses, net.

Additionally, as part of the 39th and Othello LLC agreement, the Hospital made a $4,974 investment into to the project, with the goal of increasing the amount of work force affordable housing available to families in the residential floors above the clinic. This investment is recorded in other assets, net in the accompanying consolidated balance sheets as of September 30, 2022 and 2021.

(c) OBCC Othello QALICB

In August 2020, OBCC Othello QALICB was formed as a special-purpose non-profit organization to support the financing of the new OBCC at Othello Square. This entity is considered a Type III supporting organization providing sole support to the Hospital. OBCC Othello QALICB is not controlled by the Hospital, and thus the entity is not consolidated into SCHS's financial statements.

In October 2020, OBCC Othello QALICB entered into a New Market Tax Credit (NMTC) arrangement to facilitate the development and construction of the new OBCC in the Othello neighborhood of Seattle. The NMTC program provides for a credit against federal income tax under Internal Revenue Code Section 45D for taxpayers who hold a Qualified Equity Investment (QEI). This credit is claimed over a seven-year period. A QEI is any equity investment in a qualified Community Development Entity (CDE) if such investment is used by the CDE to make a Qualified Low-Income Community Investment (QLICI) in a Qualified Active Low-Income Community Business (QALICB). A QEI is made by an Investment Fund (IF). OBCC Othello QALICB is considered to be a QALICB Business.

A tiered ownership structure exists to combine the investor's loan and equity with other nonrecourse loans to make a QEI. This structure may be referred to as the NMTC leveraged investment model. The leveraged investment model includes loans made from the Hospital to the IF of $24,561, which, collectively with the equity investment, made QEI's totaling $34,250. The CDEs made QLICI loans totaling $33,680 to OBCC Othello QALICB. The repayment of the loans included in the NMTC financing are interest-only for the seven-year period. The Hospital does not control or have an economic interest in the assets of either the CDEs or the QEIs.

The Hospital entered into put/call options with the CDEs to take place at the end of the seven-year period. Under the respective agreements, the CDEs can exercise a put option to sell their interests in the respective QEIs for $1, plus reimbursement of certain costs after the end of the compliance period. If the parties do not exercise the put option within 90 days of the end of the seven-year period, the Hospital can exercise a call option to purchase the interests at appraised fair market values.

The Hospital also entered into agreements to guarantee the loan payments and completion obligations of OBCC Othello QALICB as stated under the QLICI loan agreements. This includes, in case of default during the seven-year compliance period, repayment of the $33,680 QLICI loans. If OBCC Othello QALICB were unable to perform its obligations to complete the project, the Hospital is responsible for any obligations required to finish the project. Management has determined that the probability the Hospital will be required to repay the QLICI loans or be responsible for project completion is remote; thus, no liabilities have been recorded.

Amounts paid by the Hospital on behalf of OBCC Othello QALICB are repaid monthly with the proceeds of the loan draws. As of September 30, 2022, $5,955 was due to the Hospital from OBCC Othello QALICB.

(d) Other Related Parties

The Hospital participate in joint ventures with organizations that engage in the delivery of healthcare-related services. The Hospital and UW jointly control CUMG, which is a pediatric practice plan that manages the clinical practices of its members who are medical staff at both the Hospital and faculty at the UW. The Hospital participates in a joint venture with Providence Health & Services – Washington (PHSW), an affiliate of Providence Health & Services, which is owned by Providence St. Joseph Health (PSJH). PSJH owns and operates Providence Regional Medical Center Everett located in Everett, Washington. The Hospital and PHSW each own a 50% interest in Providence Children's Neonatal Services, LLC (PCNS).

During 2022 and 2021, healthcare services and administrative support provided, at cost, by the Hospital to these joint ventures totaled $17,044 and $17,506, respectively. The revenues from these services were included in other operating revenues in the accompanying consolidated statements of operations and changes in net assets. The Hospital purchased healthcare services of $168,436 and $142,478 in 2022 and 2021, respectively, from its joint ventures. The expenses were included in purchased services in the accompanying consolidated statements of operations and changes in net assets. As of September 30, 2022 and 2021, the Hospital's investment in the PCNS joint venture totaled $5,826 and is included in other assets in the accompanying consolidated balance sheets.

(12) Retirement Plan and Deferred Compensation

SCHS provides a defined-contribution plan to substantially all of its employees. SCHS's contribution to the plan is discretionary. For 2022 and 2021, the discretionary employer contribution based on participants' years of vested service was 4% of eligible compensation for less than five years and 6% of eligible compensation for more than five years of service. SCHS also offers a match of up to 25% of the first 4% of employee compensation. Effective January 1, 2022, the match increased to 25% of the first 6% of employee compensation. Retirement plan contribution expense during 2022 and 2021 totaled $40,736 and $28,673, respectively.

(13) Self-Insurance

SCHS has purchased professional and general liability insurance on a claims-made basis. SCHS is self-insured for the deductible portion of its insurance coverage, for unreported incidents, and for all claims excluded from insurance coverage and accrues an actuarial estimate for claims within its deductible portion and for unreported incidents. At September 30, 2022 and 2021, the estimated gross liability before insurance receivable for future costs of professional and general liability claims was $20,064 and $21,015, respectively. At September 30, 2022 and 2021, $15,138 and $15,781, respectively, of this liability was included as long-term within other long-term liabilities with the remainder within other payables in the accompanying consolidated balance sheets.

(14) Commitments and Contingencies

(a) Labor Organizations

Approximately 24% of SCHS's employees are represented by labor organizations. SCHS's collective bargaining agreements with two unions are currently under negotiation. Management does not expect a significant impact to the consolidated financial statements as a result of these negotiations.

(b) Regulatory Environment and Litigation

SCHS operates in a highly regulated industry in which there is a potential for various lawsuits, demands, claims, qui tam suits, governmental investigations and audits (including, without limitation, investigations or other actions resulting from its obligation to self-report suspected violations of law) and other legal proceedings. SCHS records accruals for certain legal proceedings and regulatory matters to the extent that SCHS determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. As of September 30, 2022 and 2021, SCHS's total accruals with respect to these legal proceedings and regulatory matters, net of anticipated third-party recoveries, are included within the self-insurance liability as discussed in note 13. While these accruals reflect SCHS's

best estimate of the probable loss related to these matters as of the dates of those accruals, the recorded amounts may differ materially from the actual amount of the losses for those matters, and any anticipated third-party recoveries for any such losses may not ultimately be recovered. Additionally, in some cases, no estimate of the possible loss or range of loss in excess of amounts accrued, if any, can be made because of the inherently unpredictable nature of legal proceedings and regulatory matters, which also may be impacted by various factors, including, without limitation, that they may involve indeterminate claims for monetary damages or fines, penalties or nonmonetary remedies; present novel legal theories or legal uncertainties; involve disputed facts; represent a shift in regulatory policy; be in early stages of the proceedings; or result in a change of business practices. Further, there may be various levels of judicial review available to SCHS in connection with any such proceeding.

A putative class action lawsuit relating to the occurrence of Aspergillus has been filed against the Hospital. Additionally, two class action lawsuits related to wage and hour matters have been filed against the Hospital. The outcome of these lawsuits are uncertain, and no estimate of the possible losses or range of losses can be made at this time. SCHS plans to vigorously defend against these matters. As such, no liabilities have been recorded related to these matters. It is also not possible at this time to predict the outcome may have on the financial condition of SCHS as a whole, although such outcome could be material.

(15) Functional Expenses

General and administrative (G&A) costs include costs that are incurred or determined by SCHS management and are not directly controllable by the healthcare services, research, or fundraising divisions. Costs that are controllable by operational leadership are allocated to the respective program activities pro rata based on total program activity expenses.

Functional expenses were as follows for the years ended September 30:

	Program activities		Supporting activities		
2022	Healthcare services	Research	Fundraising	G&A	Total
Salaries, wages, and benefits	$ 856,984	123,773	9,855	37,826	1,028,438
Purchased services	376,817	108,877	1,782	18,075	505,551
Supplies and other expenses	305,962	60,445	2,499	9,858	378,764
Depreciation	109,763	27,278	69	5,591	142,701
Interest and amortization	20,196	—	—	678	20,874
Other nonoperating expenses	17,365	—	—	2,270	19,635
	$ 1,687,087	320,373	14,205	74,298	2,095,963

2021	Program activities		Supporting activities		
	Healthcare services	Research	Fundraising	G&A	Total
Salaries, wages, and benefits	$ 753,928	105,102	9,985	30,244	899,259
Purchased services	293,760	96,183	1,933	18,890	410,766
Supplies and other expenses	325,752	59,504	2,283	9,193	396,732
Depreciation	96,864	26,268	54	3,773	126,959
Interest and amortization	17,755	—	—	667	18,422
Other nonoperating expenses	6,201	—	—	1,264	7,465
	$ 1,494,260	287,057	14,255	64,031	1,859,603

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2022

(In thousands of dollars)

Assets		Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Hospital Foundation and Seattle Children's Hospital Guild Association	Children's Retail	Eliminations	Total
Current assets:							
Cash and cash equivalents	$	—	49,119	70	18	—	49,207
Accounts receivable, net		—	397,565	—	—	—	397,565
Receivables from affiliates, net		293,401	—	187	127	(293,715)	—
Other current assets		104	174,571	79	22	—	174,776
Current portion of assets whose use is limited		—	27,070	—	—	—	27,070
Total current assets		293,505	648,325	336	167	(293,715)	648,618
Assets whose use is limited:							
Investments		621,985	1,650,579	—	—	—	2,272,564
Investments under bond indenture and other agreements, noncurrent portion		155,556	2,633	—	—	—	158,189
		777,541	1,653,212	—	—	—	2,430,753
Beneficial interest in SCHS		—	155,749	—	—	(155,749)	—
Land, buildings, and equipment, at cost, net		3,843	2,057,121	1,167	327	—	2,062,458
Right-of-use operating lease assets, net		—	76,947	—	792	—	77,739
Right-of-use finance lease assets, net		—	63,377	—	—	—	63,377
Other assets, net		4,208	73,376	—	—	—	77,584
Total assets	$	1,079,097	4,728,107	1,503	1,286	(449,464)	5,360,529

(Continued)

Exhibit I

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Balance sheets

September 30, 2022

(In thousands of dollars)

Liabilities and Net Assets	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Hospital Foundation and Seattle Children's Hospital Guild Association	Children's Retail	Eliminations	Total
Current liabilities:						
Current portion of long-term debt	$ —	13,010	—	—	—	13,010
Interest payable	—	14,060	—	—	—	14,060
Accounts payable	179	127,416	176	6	—	127,777
Accrued salaries, wages, and benefits	330	159,463	1,137	93	—	161,023
Current portion of right-of-use operating lease liability	—	18,245	—	347	—	18,592
Current portion of right-of-use financing lease liability	—	6,459	—	—	—	6,459
Other payables	—	22,936	—	26	—	22,962
Payables to affiliates	314	293,255	146	—	(293,715)	—
Total current liabilities	823	654,844	1,459	472	(293,715)	363,883
Long-term debt, net of current portion	—	893,626	—	—	—	893,626
Right-of use operating lease liability, net of current portion	—	72,021	—	713	—	72,734
Right-of-use financing lease liability, net of current portion	—	58,642	—	—	—	58,642
Other long-term liabilities	9,275	22,403	—	—	—	31,678
Total liabilities	10,098	1,701,536	1,459	1,185	(293,715)	1,420,563
Net assets:						
Net assets without donor restrictions	857,282	2,320,368	44	101	—	3,177,795
Net assets with donor restrictions	211,717	706,203	—	—	(155,749)	762,171
Total net assets	1,068,999	3,026,571	44	101	(155,749)	3,939,966
Total liabilities and net assets	$ 1,079,097	4,728,107	1,503	1,286	(449,464)	5,360,529

See accompanying independent auditors' report.

Exhibit II

SEATTLE CHILDREN'S HEALTHCARE SYSTEM

Consolidating Information – Operations

September 30, 2022

(In thousands of dollars)

	Seattle Children's Healthcare System	Seattle Children's Hospital	Seattle Children's Hospital Foundation and Seattle Children's Hospital Guild Association	Children's Retail	Eliminations	Total
Operating revenues:						
Net patient service revenues	$ —	1,702,443	—	—	—	1,702,443
Research revenues	—	201,136	—	—	—	201,136
Other operating revenues	24,368	92,569	(18)	2,738	(868)	118,789
CARES Act revenues	—	17,052	—	—	—	17,052
Unrestricted contributions	3,027	—	18,368	—	(3,024)	18,371
Restricted donations and bequests	—	—	118,950	143	(119,093)	—
Net assets released from restriction for operations	5,583	54,745	—	—	—	60,328
Total operating revenues	32,978	2,067,945	137,300	2,881	(122,985)	2,118,119
Operating expenses:						
Salaries, wages, and benefits	4,374	1,011,593	11,121	1,350	—	1,028,438
Purchased services	7,720	495,193	2,616	22	—	505,551
Supplies and other expenses	1,580	375,187	2,104	761	(868)	378,764
Depreciation	61	142,550	38	52	—	142,701
Interest and amortization	—	20,874	—	—	—	20,874
Total operating expenses	13,735	2,045,397	15,879	2,185	(868)	2,076,328
Operating income	19,243	22,548	121,421	696	(122,117)	41,791
Nonoperating income (expense):						
Interest and dividend income	6,362	23,541	—	—	—	29,903
Realized gains on investments, net	31,885	20,176	—	—	—	52,061
Unrealized (losses) on investments, net	(155,235)	(205,528)	—	—	—	(360,763)
Change in valuation of interest rate swap agreements	—	10,317	—	—	—	10,317
Other nonoperating expenses, net	94	(18,723)	—	—	—	(18,629)
Net nonoperating (loss)	(116,894)	(170,217)	—	—	—	(287,111)
(Deficiency) excess of revenues over expenses	$ (97,651)	(147,669)	121,421	696	(122,117)	(245,320)

See accompanying independent auditors' report.

EXHIBIT 13

Medical Directors Job Description

Seattle Children's®
HOSPITAL • RESEARCH • FOUNDATION

MEDICAL DIRECTORS JOB DESCRIPTION - DRAFT

Job Code 2270 **Job Title:** MEDICAL DIRECTORS, FEDERAL WAY SURGERY CENTER

Department:	Perioperative Services
Reports to Job Title:	Perioperative Executive Committee (SVP, Surgeon-in-Chief; Division Chief, Anesthesia; VP, Perioperative Services;)
Supervises:	None
Duration of Role:	3-5 years with opportunity to renew

Approvals	**Effective Date:**	9/1/2027	**Next Review Date:**	9/1/2030	
SIGNATURES:					
Supervisor:	____________		**Next Level Approval:**	____________	
Human Resources:	____________				

SECTION I: Job Information	**Job Family:**	MDD	**ASC Code:**	3
	FLSA Status:	Exempt	**ADA Profile:**	MD 3

JOB SUMMARY:

The Medical Directors for the Federal Way Surgery Center provide medical leadership, including planning, directing and supervising the administrative and clinical activities of the Federal Way Surgery Center in a collaborative partnership with their Administrative partner and other hospital and medical/surgical leadership and staff.

The Medical Directors for the Federal Way Surgery Center have the general responsibility for overseeing the clinical practice of surgical patient care at the Federal Way Surgery Center, which encompasses pre-operative, intra-operative and post-operative care. Works in cooperation with the Medical Director of Federal Way Clinic, the Vice President of Perioperative Services, and nursing administration to support clinical needs of children with surgical problems, develop ambulatory surgery treatment protocols along with the surgical teams, and help coordinate the performance improvement for the ambulatory patient. Maintains alignment with clinical practice between Federal Way Surgery Center and Seattle Children's main campus.

The Medical Directors provide input and leadership on one or more of the following: strategy and business development, clinical operations, quality and safety, academic affairs, graduate medical education. The Medical Directors have a focus on providing effective physician leadership to ensure that patients receive, safe, effective, timely, efficient, equitable, patient-centered care. The Medical Directors engags providers in system planning and improvement activities in partnership with staff and leadership. The Medical Directors evaluate the quality and appropriateness of patient care to ensure it meets applicable regulatory requirements and assures the quality of care and service targets are in keeping with Seattle Children's goals, vision and values.

Job Code 2270 **Job Title:** MEDICAL DIRECTORS, FEDERAL WAY SURGERY CENTER

Key functions of the Medical Director role include:

1. Medical Director FTE is non-clinical time. The time spent will be reflected by the Medical Director's standard work schedule of rounding time, huddles, meetings in coordination with on-site presence and their paired dyad administrative partner.
2. Responsible for aligining with Seattle Children's strategic objectives related to one more of the following: quality, safety and operational excellence across the designated clinical area.
3. Works closely with Administrative partner and hospital leadership to ensure effective and efficient utilization of all departmental resources including staff, facilities, equipment, space, budgets and supplies where appropriate.
4. Actively contributes and participates in initiatives that advance the organization's goals and objectives at the local, hospital and system level. This includes but is not limited to: financial stewardship; improving the patient, family and workforce experience; promoting diversity and inclusion and addressing issues of health equity.
5. Participate in the recruitment, orientation, development and retention of highly competent, qualified and high-performing staff.

SECTION II: QUALIFICATIONS

*The **minimum** qualifications listed below (along with education/experience) are representative of the knowledge, skills and abilities needed to perform this job successfully. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential duties and responsibilities of this position.*

Minimum Education and Experience: *(Identify only education requirements that are legally defensible – e.g., an attorney needs a Juris Doctor)*

Required:

- Degree of doctor of medicine (MD) or osteopathy (DO)
- Licensed as a physician in the State of Washington
- Board eligibility or certification in -certification by the American Board of Anesthesiology (or equivalent) or American Board of Surgeons
- Federal DEA Registration
- Active Medical Staff or Allied Health membership and appropriate clinical privileges at Seattle Children's
- Minimum of three (3) years managerial experience in Pediatrics, Pediatric Subspecialty, or Pediatric Surgical Subspecialty
- UW SOM faculty appointment
- Active clinical anesthesiologist or surgeon

Preferred:

- Continuous performance improvement (CPI/Lean) or System for Daily Improvement (SDI) training and experience
- Pediatric anesthesiology or surgery board certification or equivalent experience
- Membership and active participation in national and/or regional children's anesthesiology or surgery organizations
- Prior leadership experience in Anesthesiology or Surgery

Knowledge, Skills, and Abilities:

- Demonstrated leadership competencies
- Skill in supervising, evaluating and guiding other care providers
- Demonstrated ability to lead and manage change
- Ability to understand and interface with broad spectrum of clinical services and hospital staff
- Ability to work effectively in a team environment, balancing advocacy for one's own specialty/priorities and support of the greater goals for the organization(s)
- Ability to adapt to changes in the work environment and to shifts in organizational philosophy and expectations
- Ability to gain consensus among multiple constituencies using effective negotiation and persuasive skills
- Facile with Children's and other information systems (e.g. EPIC) as required to perform the duties of the role
- Comittment to learning the System for Daily Improvement (SDI)
- Familiarity with Children's continuous improvment processes and continuous performance improvement systems

- Knowledge of basic computer applications and ability to learn and apply new technologies and skills; proficiency with MS Office (Outlook, Word, Excel, etc.) or similar tools for database creation and data tracking
- Excellent interpersonal and verbal communication skills
- Excellent written communication skills
- Excellent problem-solving skills
- Excellent customer service skills
- Demonstrated creativity and innovation skills
- Possess good listening skills, taking other viewpoints into consideration and encouraging feedback, especially from those who might not otherwise participate
- Demonstrated commitment to supporting equity, diversity, and inclusion

SECTION III: PRIMARY JOB RESPONSIBILITIES AND ACCOUNTABILITIES: *The primary job responsibilities and accountabilities listed below represent work performed by this position and are not all-inclusive. The omission of a specific accountability will not preclude it from the position if the work is similar, related, or a logical extension of the position.*

Strategic & Business Development
- Develop annual goals that are aligned with the organizations strategic plan and ensure the team is involved.
- Provide input and support during the strategic planning process for the Federal Way Surgery Center
- Plan, develop and implement strategies for program growth
- Create KPIs and oversee the performance of the Federal Way Surgery Center as it relates to outlined goals for the department
- Collaborate with hospital leadership to ensure resources are in place to achieve success in the Federal Way Surgery Center
- Partner with members of the clinical operation teams to operationalize set strategies for the Federal Way Surgery Center
- Collaborate with the administrative partner to support the budget planning process for the Federal Way Surgery Center

Clinical Operations
- Provide leadership to develop, implement and evaluate the efficacy of safety and medical standards of clinical care activities for the Federal Way Surgery Center
- Define appropriate scope and services to meet current and anticipated needs of patients and families and to ensure appropriate coordination and integration with other services. This includes planning, directing, and supervising Federal Way Surgery Center related activities throughout the hospital.
- Operate the Federal Way Surgery Center in compliance with the policies of the Seattle Children's, and the bylaws, rules and regulations of Children's Medical Staff
- Develop, implement, and regularly review policies and procedures to guide the provision of safe and high-quality clinical services related to the Federal Way Surgery Center
- Provide oversight for the development, implementation and compliance with appropriate program policies, procedures, and standards of care including clinical standard work.
- Evaluate the quality and appropriateness of care interventions by implementing consistent performance management practices in the Federal Way Surgery Center
- Review and report the progress of site-specific access and service goals in keeping with hospital annual goals and key performance metrics.

Quality
- Provide leadership to develop, implement and evaluate the efficacy of safety and medical standards of clinical care activities in the Federal Way Surgery Center
- Provide mentorship and coaching to Federal Way Surgery Center to advance engagement and support of clinial quality improvement efforts.
- Employ quality improvement methodologies to identify and implement continual improvement in the safety, delivery and quality of care.
- Collaborate on the development, implementation and regular review of policies and procedures to guide the provision of safe and high-quality clinical services in the Federal Way Surgery Center
- Work closely with administrative counterpart to develop and implement Quality Assessment and Performance Improvement (QAPI) plan encompassing metrics, trended data, and data-driven improvements to ensure the annual hospital and Medical Staff goals are attained.

- Actively participate in assigned committees, initiatives meetings to provide input and support. This includes but is not limited to: morbidity & mortality reviews, peer reviews, microsystem teams, RCAAs and other hospital quality and safety committees and initiatives

Education

- Provide oversight for all educational activities and the clinical learning environment. Promote and ensure patient safety, resident well-being, integration of trainees in clinical quality improvement and patient safety programs and ensuring a culture of professionalism.
- Provide leadership for all program management including program evaluation and improvement, recruitment, communications, accreditation, program resources.
- Responsible for the development of and continuous improvement of curriculum and evaluation to ensure trainees are meeting the requirements for training in the specialty, including the specialty-specific competencies and Milestones.
- Oversee faculty as teachers, coaches, mentors, advisors, and role models.
- Appoint and collaborate with the Program Evaluation Committee and the Clinical Competency Committee to achieve excellence in the training program.

EXHIBIT 14

Physician List

Name	Specialty	License #
Adams, Trevor	Anesthesia	MD60370441
ANDERSON, CORRIE	Anesthesia	MD00039989
BASTIEN, JOHN	Anesthesia	MD00041128
BERNARDO-OCAMPO, CARMEN	Anesthesia	MD00047364
BRANDFORD, ELENA	Anesthesia	MD61425890
BROWN, SARAH	Anesthesia	MD60950445
BUDAC, STEFAN	Anesthesia	MD60001034
CHANG, CHRISTINE	Anesthesia	MD61306807
CHEN, CATHERINE (CATHY)	Anesthesia	MD61332148
CHENG, TIMOTHY	Anesthesia	MD60741857
CHIEM, JENNIFER	Anesthesia	MD60523062
COLLETTI, ASHLEY	Anesthesia	MD60843167
COLLINS, MICHAEL	Anesthesia	TR60139914
DOUGALL, WESLEY (WES)	Anesthesia	MD61407162
EISSES, MICHAEL	Anesthesia	MD00037274
FLACK, SEAN	Anesthesia	TR00043838
FRANZ, AMBER	Anesthesia	MD60647495
GEIDUSCHEK, JEREMY	Anesthesia	MD00021726
GENTRY, KATE	Anesthesia	MD60147460
GOODMANSON, MATTHEW	Anesthesia	MD61069714
GRIGG, ELIOT	Anesthesia	MD60094896
HANSEN, ELIZABETH	Anesthesia	MD60485611
HENRY, MARIA	Anesthesia	MD61442277
HOLLAND, ERICA	Anesthesia	MD60750176
HSIEH, VINCE	Anesthesia	MD60152821
HUNYADY, AGNES	Anesthesia	MD60082594
IVANOVA, ISKRA	Anesthesia	MD60057958
JIMENEZ, NATHALIA	Anesthesia	MD00041634
JOFFE, DENISE	Anesthesia	MD00046217
KAMATH, ARUNA	Anesthesia	MD60576035
KANMANTHREDDY, SIRI	Anesthesia	MD60573971
LANDSEM, LEAH	Anesthesia	MD60871484
LATHAM, GREG	Anesthesia	MD60076907
LI, LI	Anesthesia	MD60766831
LISTON, DAVID	Anesthesia	MD60035791
LORD, TIMOTHY	Anesthesia	MD00032827
LOW, AARON	Anesthesia	MD60763662
LOW, DANIEL	Anesthesia	TR00047907
MARTIN, LIZ	Anesthesia	MD60149033
MEHTER, NAJMA	Anesthesia	MD60443584
MITCHELL, KELSEY	Anesthesia	MD61075018
MOK, VALERIE	Anesthesia	MD61062648
NG, ANN	Anesthesia	MD61507018

OJO, BUKOLA	Anesthesia	MD60643955
O'REILLY-SHAH, VIKAS	Anesthesia	MD60915991
PATEL, PRIYA	Anesthesia	MD61174440
PATRAO, FIONA	Anesthesia	MD60595223
PINTEA, ANDREW	Anesthesia	MD61149354
PITTAWAY, ANDREW	Anesthesia	TR00041481
POLANER, DAVID	Anesthesia	MD00020999
QUINLAN, CASEY	Anesthesia	MD61012112
RAMPERSAD, SALLY	Anesthesia	MD00042780
RICHARDS, MICHAEL	Anesthesia	TR00042839
ROSS, FAITH	Anesthesia	MD60455643
SARAH, GABRIEL	Anesthesia	MD61384702
SEGAL, GRAEME	Anesthesia	MD61064478
SNYDER, HOLLY	Anesthesia	MD61041172
SOFIA, JOSEPH	Anesthesia	MD61170736
SUNDER, RANI	Anesthesia	TR60506517
THAM, SEE WAN	Anesthesia	MD60084842
VERMA, SHILPA	Anesthesia	MD60097762
WONG, KAREN	Anesthesia	TR00042891
YAO, PHIL	Anesthesia	MD61430432
ZHA, YUANTING	Anesthesia	MD61173747
Boos, Markus Daniel	Dermatology	MD60558381
Brandling-Bennett, Heather A	Dermatology	MD60076854
Gupta, Deepti	Dermatology	MD60509703
Sidbury, Robert	Dermatology	MD00039165
Ambartsumyan, Lusine	Gastroenterology and Hepatology	MD60340693
Blondet, Niviann Marie	Gastroenterology and Hepatology	MD60736528
Francis, Kendra Leigh	Gastroenterology and Hepatology	MD60958984
Green, Nicole F	Gastroenterology and Hepatology	MD60643780
Hsu, Evelyn Kanyu	Gastroenterology and Hepatology	MD00046262
Krasaelap, Amornluck	Gastroenterology and Hepatology	MD61510895
Lee, Dale Young	Gastroenterology and Hepatology	MD60463063
Len, Mary K	Gastroenterology and Hepatology	MD00033856
Panopoulos, Marina	Gastroenterology and Hepatology	MD60911110
Pattamanuch, Nicole Sawangpont	Gastroenterology and Hepatology	MD60706294
Person, Hannibal	Gastroenterology and Hepatology	MD61164598
Pickens, Michael Keith	Gastroenterology and Hepatology	OP60086591
Piester, Travis	Gastroenterology and Hepatology	MD61401139
Saarela, Katelyn Michelle	Gastroenterology and Hepatology	OP61155912
Scarlett, Jarrad Matthew	Gastroenterology and Hepatology	MD60281759
Suskind, David L	Gastroenterology and Hepatology	MD00042395
Valentino, Pamela	Gastroenterology and Hepatology	MD61237984
Wahbeh, Ghassan T	Gastroenterology and Hepatology	MD00043311
Wendel, Danielle Ruppert	Gastroenterology and Hepatology	MD60542936

Zheng, Hengqi	Gastroenterology and Hepatology	MD60337067
Debiec, Katherine E	Gynecology	MD60077687
Hernandez, Angela Marie	Gynecology	MD61093333
Yu, Lissa Xiaozhou	Gynecology	MD61300230
Novotny, Edward J Jr	Neurology	MD60078540
Baran, Francine M	Ophthalmology	MD00047342
Cabrera, Michelle Trager	Ophthalmology	MD60469095
Chambers, Christopher Bayard	Ophthalmology	MD60573268
Herlihy, Erin P	Ophthalmology	MD00046416
Huang, Laura C	Ophthalmology	MD60936514
Tarczy-Hornoch, Kristina	Ophthalmology	MD60310357
Egbert, Mark A	Oral Surgery	DE00005560
Blumberg, Todd	Orthopedics	MD60577172
Lindberg, Antoinette W	Orthopedics	MD60127897
Roberts, Jesse Lorin	Orthopedics	MD61071143
Saper, Michael Garrett	Orthopedics	OP60709060
Schmale, Gregory A	Orthopedics	MD00038448
Schroeder, Katherine Marie	Orthopedics	MD61067343
Steinman, Suzanne E	Orthopedics	MD60110118
Tretiakov, Mikhail	Orthopedics	MD61315341
Yandow, Suzanne Marie	Orthopedics	MD60512185
Yang, Scott S	Orthopedics	MD60644720
Yaszay, Burt	Orthopedics	MD61140852
Bhrany, Amit D	Otolaryngology	MD00048531
Bly, Randall August	Otolaryngology	MD60671186
Bonilla-Velez, Juliana	Otolaryngology	MD60947191
Horn, David Louis	Otolaryngology	MD60143669
Johnson, Kaalan E	Otolaryngology	MD60340296
Kashiwazaki, Ryota	Otolaryngology	MD61067878
Manning, Scott C	Otolaryngology	MD00032980
Ou, Henry C	Otolaryngology	MD00043898
Parikh, Sanjay R	Otolaryngology	MD60184145
Perkins, Jonathan A	Otolaryngology	OP00001440
Rubinstein, Jay T	Otolaryngology	MD00044088
Sie, Kathleen C Y	Otolaryngology	MD00023324
Birgfeld, Craig Brendon	Plastic Surgery	MD00046247
Ettinger, Russell Edward	Plastic Surgery	MD60838615
Friedrich, Jeffrey B	Plastic Surgery	MD00042335
Morrison, Shane Douglas	Plastic Surgery	MD60654407
Susarla, Srinivas Murthy	Plastic Surgery	MD60628000
Tse, Raymond W	Plastic Surgery	MD60107020
Whelan, Michael F	Plastic Surgery	MD00036275
Chambliss, Amy Vickery	Rehabilitation	MD61285517
Fuentes, Molly M	Rehabilitation	MD60161505

Levin, Jared Ruben	Rehabilitation	MD61415566
Osorio, Marisa Belem	Rehabilitation	OP60286324
Roge, Desiree L	Rehabilitation	MD60933424
Zhao, Yongdong	Rheumatology	MD60329823
Avansino, Jeffrey R	Surgery	MD00041662
Dellinger, Matthew Blair	Surgery	MD60661651
Goldin, Adam B	Surgery	MD00040335
Greenberg, Sarah Louise Mather	Surgery	MD60749746
Healey, Patrick J	Surgery	MD00031312
Javid, Patrick J	Surgery	MD60026908
Lee, Steven Leung	Surgery	MD00041351
Meehan, John J	Surgery	MD00048944
Rice-Townsend, Samuel Emlen	Surgery	MD60455633
Riehle, Kimberly J	Surgery	MD00042569
Rothstein, David H	Surgery	MD61090045
Smith, Caitlin Annette	Surgery	MD60566005
Stark, Rebecca Anne	Surgery	MD60346222
Ahn, Jennifer Jihyun	Urology	MD60550682
Fernandez, Jose Nicolas	Urology	MD60989886
Joyner, Byron D	Urology	MD00036343
Kieran, Kathleen	Urology	MD60542619
Merguerian, Paul A	Urology	MD60238195
Shnorhavorian, Margarett	Urology	MD00045698