



STATE OF WASHINGTON
DEPARTMENT OF HEALTH

February 11, 2014

Theresa Rambosek, Counsel for
Franciscan Health System and Highline Medical Center
Franciscan Health System
1145 Broadway, #1200
Tacoma, Washington 98402

RE: DOR #14-18

Dear Mr. Rambosek:

The Department of Health (department) has completed review of the materials submitted on November 20, 2013, December 30, 2013, and January 15, 2014, regarding the proposed change in the corporate membership of Highline Medical Center (Highline). Under WAC 246-310-050, Highline and Franciscan Health Systems (Franciscan) request a determination on whether the proposed change is subject to Certificate of Need (CN) review under Revised Code of Washington 70.38.

Background Information

On December 28, 2012, the Certificate of Need Program provided a determination of non-reviewability related to the proposed affiliation between Franciscan and Highline. [DOR 13-18] The affiliation became effective on January 1, 2013. The affiliation agreement planned that Highline would remain secular. The agreement also noted that if Franciscan formed a structure for secular affiliation, Highline would become part of the new structure. A new secular structure was formed in the summer of 2013 in connection with a Franciscan affiliation with another hospital.¹ Franciscan Health Ventures (FHV) was created as a corporate parent to Franciscan.

DOR 14-18

In this request, Franciscan provided clarification that the Highline board of directors voted that FHV should also become the corporate parent to Highline. Since this entails an internal transfer, there is no transfer or affiliation agreement; instead the Franciscan and FHV boards voted to amend the articles of incorporation. A copy of the amended document was provided for this review.

¹ DOR #13-24 Franciscan Health System and Harrison Medical Center in Kitsap County.



Department's Review

The "sale or purchase" of a hospital is subject to CN review. Sale or purchase means "*any transaction in which the control, either directly or indirectly, of part or all of an existing hospital changes to a different person including, but not limited to, by contract, affiliation, corporate membership, restructuring, or other transaction.*" Washington Administrative Code (WAC) 246-310-010(54).

Highline and Franciscan propose to place Highline under a new corporate parent, FHV. This proposal does not result in a "change of control" of Highline, and therefore the proposal is not subject to CN review as a "sale or purchase" of a hospital.

Furthermore, WAC 246-310-050(5) states that a reviewability determination is "binding" on the department, provided the "nature, extent, or cost of the action does not significantly change. In DOR 13-18, the department found the Franciscan-Highline affiliation was not reviewable. That determination remains binding on the department because the proposed changes to the affiliation are not significant.

For these reasons, the department has concluded the internal corporate restructuring as described is not subject to prior Certificate of Need review and approval.

This determination of non-reviewability does not constitute approval under any other local, federal, or state statute, or implementing rules and regulations. Examples where additional approval may be necessary include, but are not limited to, construction plan approval through the Construction Review Section of the Department of Health, facility licensing/certification through the Department of Social and Health Services or Department of Health, and other federal or local jurisdiction permits.

This decision may be appealed. The two appeal options are listed below.

Appeal Option 1:

You or any interested or affected person may request a public hearing to reconsider this decision. The request must state the specific reasons for reconsideration in accordance with Washington Administrative Code 246-310-560. A reconsideration request must be received within 28 calendar days from the date of the decision at one of the following addresses:

Mailing Address:

Department of Health
Certificate of Need Program
Mail Stop 47852
Olympia, WA 98504-7852

Other Than By Mail

Department of Health
Certificate of Need Program
111 Israel Road SE
Tumwater, WA 98501

Appeal Option 2:

You or any affected person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

Mailing Address:

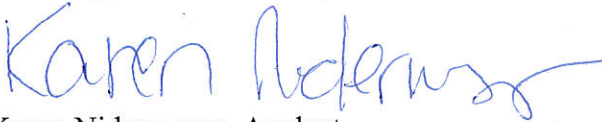
Adjudicative Service Unit
Mail Stop 47879
Olympia, WA 98504-7879

Other Than By Mail

Adjudicative Clerk Office
111 Israel Road SE
Tumwater, WA 98501

Please call me at (360) 236-2957 or e-mail me at karen.nidermayer@doh.wa.gov if you have any further questions.

Sincerely,



Karen Nidermayer, Analyst
Certificate of Need Program
Community Health Systems

cc: Richard McCartan,
Assistant Attorney General