



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
PO Box 47852 • Olympia, Washington 98504-7852

August 2, 2018

CERTIFIED MAIL # 7016 3010 0001 0575 1133

Howard Wall, Secretary
Capella Healthcare, Inc.
103 Continental Place, #200
Brentwood, Tennessee 37027

Dear Mr. Wall:

RE: CN Application #18-64 – RCCH Trios Health, LLC

Enclosed is Certificate of Need #1740 issued to RCCH Trios Health, LLC approving the purchase of Kennewick Public Hospital District #1 dba Trios Health, located in Kennewick within Benton County.

The certificate is not an approval for any other local, federal, or state statutes, rules, or regulations. Such a project may also need Department of Health approval for a construction plan and facility licensing or certification, as well as other federal or local jurisdiction permits.

The Certificate of Need is valid for two years. The project must begin during this time. If there is substantial and continuing progress, we may extend the certificate for one six month period. For an extension, you must submit an extension request at least 120 days before the expiration. You cannot begin a project after the expiration date.

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

Appeal Option 1:

Any person with standing 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

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

Howard Wall, Secretary
Capella Healthcare, Inc.
Certificate of Need App #18-64
August 2, 2018
Page 2 of 2

Appeal Option 2:

Any 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:

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

Physical Address

Department of Health
Adjudicative Service Unit
111 Israel Road SE
Tumwater, WA 98501

We monitor projects until completed or the expiration date, whichever occurs last. We do this with quarterly progress reports. At least 30 days before the report's due date, you will receive a form to complete and return.

If you have any questions, please contact Janis Sigman, Manager of the Certificate of Need Program at (360) 236-2955.

Sincerely,



Nancy Tyson, Executive Director
Health Facilities and Certificate of Need
Community Health Systems

Enclosure



This Certificate is granted under the authority of RCW 70.38. Issuance of this Certificate does not constitute approval under any other local, federal or state statute, implementing rules and regulations. Examples where additional approval may be necessary include, but are not limited to, construction plan approval through the Construction Review Unit 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.

Certificate of Need #1740 is issued to:

Legal Name of Applicant: RCCH Trios Health, LLC
Address of Applicant: 103 Continental Place, #200, Brentwood Tennessee 37027
Type of Service: Purchase of an Acute Care Hospital
Facility Name: Kennewick Public Hospital District #1 dba Trios Health
The acute care hospital is located on two separate campuses.
Trios Southridge Hospital
3810 Plaza Way
Kennewick Washington 98338
Facility Address: Trios Women's & Children's Hospital
900 South Auburn Street
Kennewick, Washington 98336

ISSUANCE OF THIS CERTIFICATE OF NEED IS BASED ON THE DEPARTMENT'S RECORD AND EVALUATION DATED JULY 27, 2018 (CN App #18-64)

Project Description

This certificate approves the purchase of the Trios Hospital by RCCH Trios Health, LLC. Trios Hospital is currently licensed for 111 beds located at two separate campuses in Kennewick, within Benton County. There is no change in the number of approved beds. A breakdown of beds by campus and type is shown below:

Table with 2 columns: Trios Southridge Hospital Number of Licensed Beds and Trios Women's & Children's Hospital Number of Licensed Beds. Rows include General Medical/Surgical, Level II Special Care Nursery, and Total Licensed Beds.

Service Area

Benton County and surrounding communities

Conditions

The conditions are identified on pages 2 and 3 of this certificate.

This Certificate authorizes commencement of the project from August 2, 2018 to August 2, 2020 unless extended, withdrawn, suspended, or revoked in accordance with applicable sections of the Certificate of Need law and regulations.

Date Certificate Issued: August 2, 2018

Nancy Tyson, Executive Director
Health Facilities and Certificate of Need
Washington State Department of Health

This Certificate is not transferable

Certificate of Need #1740

Page Two

Conditions

1. Approval of the project description as stated above. RCCH Trios Health, LLC further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. RCCH Trios Health, LLC shall finance the project as described in the application.
3. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the department for review and approval the executed copy of the Master Asset Purchase Agreement. The executed copy must be consistent with the draft agreement provided in the application.
4. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the department for review and approval the executed copy of the Community Care Agreement. The executed copy must be consistent with the draft agreement provided in the application.
5. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the department for review and approval the executed copy of the Hospital Facility Lease. The executed copy must be consistent with the draft lease provided in the application.
6. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the department for review and approval the executed copy of the MOB (Medical Office Building) Lease. The executed copy must be consistent with the draft lease provided in the application.
7. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the department for review and approval the adopted copies of its admissions policy, non-discrimination policy, end-of-life policy, and reproductive health policy. Each of these policies must be consistent with the drafts provided in the application.
8. Within 30 days of the acquisition, RCCH Trios Health, LLC will submit to the Certificate of Need Program a copy of the charity care policy that has been reviewed and approved by the Charity Care Program within the Department of Health.
9. Trios Health will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Trios Health will use reasonable efforts to provide charity care in an amount identified in the application or comparable to the average amount of charity care provided by hospitals in the Central Region – whichever is greater. The amount identified in the application was 0.86% of gross revenue and 3.26% of adjusted revenue. Currently, the regional average is 1.05% gross revenue and 3.34% of adjusted revenue. Trios Health will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.
10. Trios Health will maintain its participation in the Medicare and Medicaid program at a rate that is consistent with the payer mix in the Benton and Franklin County planning area. The reporting requirement for this condition will be captured in the quarterly financial statements required to be submitted to the Department of Health by Trios Health.

Certificate of Need #1740

Page Three

Conditions

11. Trios Hospital will continue providing the essential services identified in the application for a minimum of ten years. These services are restated below:

- Perinatal/Obstetrical Services, including C-Section and LDRP
- Level 2 Special Care Nursery
- Critical Care
- Pediatric Care
- 24-hour Emergency Care
- Acute Dialysis Services
- Diagnostic Services including cardiac catheterization lab
- Endoscopy
- Imaging
- Laboratory
- Pulmonary Function Services
- Nuclear Medicine
- Physical, Occupational, and Speech therapies
- Respiratory Therapy
- Sports Medicine
- Stress Testing
- Gastro-intestinal Laboratory
- Electrocardiography
- Electroencephalography
- Radioactive implants
- Inpatient and Outpatient Surgical Services
- Outpatient Imaging Services

Approved Costs

The approved capital expenditure for the purchase of Trios Health and the healthcare clinics and offices identified in the application is \$78,000,000. A breakdown of the costs, with the funding sources is below.

Item	Amount	Percentage of Total
Capital for Equipment	\$15,000,000	19.2%
Capital for MOB and Hospital Leases	\$63,000,000	80.8%
Total Project Cost	\$78,000,000	100.0%