



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH

June 7, 2012

Adam G. Snyder, Attorney  
Inslee, Best, Doezie, and Ryder PS  
Post Office Box 90016  
Bellevue, Washington 98009-9016

RE: Highline Medical Center/Request for Exemption Determination  
Under Conversion Statute and Regulation

Dear Mr. Snyder:

The department has completed its review of the exemption under the provisions of Revised Code of Washington 70.45 and Washington Administrative Code 246-312-Acquisition of Nonprofit Hospitals request related to Highline Medical Center. Below are the facts the department relied on in reaching its decision.

**FACTS**

- Highline Medical Center is a non-profit hospital, licensed for 239 acute care beds.<sup>1</sup>
- Highline Medical Center is preparing to sell a portion of its assets to a for-profit entity.
- The assets proposed to be sold are related to Highline Medical Center's behavioral health and substance abuse services located at Highline Medical Center's Specialty Campus.
- Total fixed assets of Highline Medical Center are reported at cost to be \$235,809,251.
- Total fixed assets of Highline Medical Center are reported at book value to be \$112,111,089.
- The assets subject to the sale are reported at cost to be \$21,173,882.
- The assets subject to the sale are reported at book value to be \$2,697,402.
- The assets subject to the sale as a percent of total assets based on cost value is 8.97%
- The assets subject to the sale as a percent of total assets based on cost value is 2.41%

**ANALYSIS**

Revised Code of Washington (RCW) 70.45.020(3) defines acquisition to mean:

*"...an acquisition by a person of an interest in a nonprofit hospital, whether by purchase, merger, lease, gift, joint venture, or otherwise, that results in a change of ownership or control of twenty percent or more of the assets of the hospital, or that results in the acquiring person holding or controlling fifty percent or more of the assets of the hospital, but acquisition does not include an acquisition if the acquiring person..." [emphasis added]*

<sup>1</sup> This number is the result of the department's June 1, 2012, approval to bank 30 nursing home beds under the full facility closure provisions of RCW 70.38.115(13)(b) and WAC 246-310-396.



Washington Administrative Code (WAC) 246-312-020 also defines acquisition to mean:

*“...an acquisition by a person of an interest in a nonprofit hospital, whether by a purchase, merger, lease, gift, joint venture, or otherwise, that results in a change of ownership or control of twenty percent or more of the assets of the hospital, or that results in the acquiring person holding or controlling fifty percent or more of the assets of the hospital...”*

[emphasis added]

### **CONCLUSION**

Based on the reported value, whether at cost or at book value, of Highline Medical Center's total fixed assets and those subject to the sale, the percent of assets being purchased is less than the twenty percent which is the review threshold for this transaction. As a result, the department concludes the value of Highline Medical Center's fixed assets related to behavioral health and substance abuse services identified to be sold to a for-profit entity does not meet the hospital conversion review threshold. As a result, the sale of those assets is not subject to prior department review and approval.

This decision may be appealed. WAC 246-312-090 states:

*“The acquiring person or nonprofit hospital may appeal a decision made by the department of health under the Administrative Procedure Act (chapter 34.05 RCW).”*

A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses

Mailing Address:

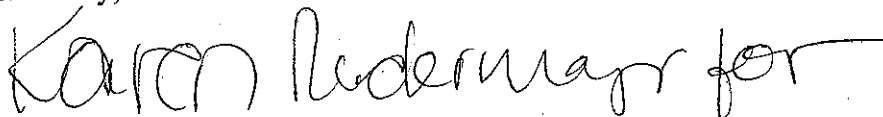
Department of Health  
Adjudicative Service Unit  
Mail Stop 47879  
Olympia, WA 98504-7879

Other Than By Mail

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

If you have any further questions, please contact me at (360) 236-2955.

Sincerely,



Janis R. Sigman, Manager  
Facility Certification Program  
Health Professions and Facilities

cc: Bud Musselman, COO, Highline Medical Center