


Certificate of Need Application
Hospice Agency

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.

<p>Signature and Title of Responsible Officer</p>  <p>Treasurer</p> <p>Email Address</p> <p>Lee.Johnson@pennantservices.com</p>	<p>Date</p> <p>December 31, 2020</p> <p>Telephone Number</p> <p>208-401-1369</p>
<p>Legal Name of Applicant</p> <p>Cornerstone Healthcare Inc.</p> <p>Address of Applicant</p> <p>1675 E. Riverside Drive, Suite 150 Eagle, Idaho 83616</p>	<p>Provide a brief project description</p> <p><input type="checkbox"/> New Agency</p> <p><input checked="" type="checkbox"/> Expansion of Existing Agency</p> <p><input type="checkbox"/> Other: _____</p> <p>Estimated capital expenditure:</p> <p>\$ <u>5000</u> _____</p>

Identify the county proposed to be served for this project. Note: Each hospice application must be submitted for one county only. If an applicant intends to obtain a Certificate of Need to serve more than one county, then an application must be submitted for each county separately.

_____ Grays Harbor County



SYMBOL HEALTHCARE INC.,
d/b/a Puget Sound Hospice
Certificate of Need Application
Establish a Medicare/Medicaid Certified Hospice Agency
in
Grays Harbor County

December 2020

Contents

Introduction..... 7

Applicant Description 8

Project Description 9

A. Need (WAC 246-310-210)..... 15

B. Financial Feasibility (WAC 246-310-220).....21

C. Structure and Process (Quality) of Care (WAC 246-310-230)26

D. Cost Containment (WAC 246-310-240)36

Introduction

With this application, Symbol Healthcare, Inc., d/b/a Puget Sound Hospice, is seeking a service area expansion in Grays Harbor County. The service area expansion is from our state licensed Thurston County hospice, namely Puget Sound Hospice, which will soon be Medicare and Medicaid certified as well as ACHC accredited. In addition, Symbol¹ operates a home health agency, Puget Sound Home Health that has serviced Pierce County for over a decade.

Puget Sound Hospice will operate under the philosophy and model of all affiliates of its ultimate parent company, the Pennant Group (“Pennant”).² Specifically, that to provide the best outcomes to our patients’ health care must be a community-driven service—we must be able to adapt to the specific needs of the communities in which we operate, while simultaneously providing world-class care. This application sets forth in detail how Puget Sound Hospice’s unique operating structure sets it apart as the applicant best situated to meet the hospice care needs of the residents of Grays Harbor County. Three facets of our structure are worth noting at the outset.

First, Pennant’s organizational structure is a “flat leadership” structure. Pennant does not operate as a heavy-handed, top-down corporate structure wherein programs are mandated regardless of whether they’re applicable or needed in each community. Local leaders of Pennant-affiliated agencies such as Puget Sound Hospice are empowered to run their agency to meet the specific needs of their respective communities; in fact, not only are they empowered to do so, knowing and meeting the specific needs of their community is an expectation.

Second, all Pennant affiliates, such as Puget Sound Hospice, enjoy the support of a world class service center that includes experts in the field of hospice. The Pennant Service Center has contracted with Puget Sound Hospice, already providing it with exceptional services such as quality monitoring and improvement, revenue cycle management and protection, legal services, accounting services, HR support, accounts payable, information technology support, EMR software support, business intelligence and operational data monitoring, clinical resource support including education and quality assessment, HIPAA compliance monitoring, clinical and billing compliance support and monitoring, Medicare, Medicaid and state licensing, regional operations resources, and more. This Service Center is comprised of individuals who have designated themselves as “Resources,” as opposed to “Corporate Headquarters.” What this means is agencies such as Puget Sound Hospice have a team of hospice experts who view themselves as partners and peers, dedicating their professional lives to the agency’s success.

Lastly, as a long-standing home health provider within Pierce County, Symbol has become a trusted community partner that has provided diverse and unique care for

¹ Throughout this application, “Symbol” will refer to the corporate entity that owns and operates both Puget Sound Hospice and Puget Sound Home Health. References to “Puget Sound Hospice” will refer to only Symbol’s hospice operations, and may also be referred to as “Agency.”

² As referenced below, Cornerstone Healthcare, Inc. is a subsidiary of the Pennant Group, Inc., and wholly owns Symbol Healthcare, Inc.

thousands of patients that has resulted in clinical outcomes ranking among the best in the country. Our locally led care team know the home health needs of Pierce County and continue to make uncompromising strides to provide not only comprehensive patient care, but exceptional clinical quality outcomes. With a home health agency rating of 4.0 stars, our patients receive some of the best hands on care in the state.³ This rating is among the highest in Washington, as the state average home health star rating is 3.5 stars.

With the addition of providing hospice care in Grays Harbor County, Symbol will be able to provide more care along the spectrum of post-acute care. Symbol's Puget Sound Home Health has a history of partnering with upstream healthcare providers throughout Pierce County including hospital based narrowed networks. In addition, Puget Sound is a community member of the Northwest Healthcare Response Network whose purpose is through collaborative planning, exercises, trainings, and coordination of resources, to build a disaster resilient healthcare system. Symbol will bring this approach to healthcare and community partnership to the community in Grays Harbor County. In doing this, Symbol will be better able to provide patients with the right care, in the right place, at the right time. Symbol's proposal set out in this application will demonstrate that Puget Sound Hospice is uniquely situated to provide timely and exceptional hospice care in Grays Harbor County.

These three facets, along with the others set out in this application, uniquely position Puget Sound Hospice to provide a level of care that its competitors in Grays Harbor County simply can't match; the exact type of community-based care that Washington's Certificate of Need program is designed to produce. As you will see in this application, the basis for our proposal as we have set out illustrate why Puget Sound Hospice is the best choice to meet the hospice care needs of the residents of Grays Harbor County.

Applicant Description

Answers to the following questions will help the department fully understand the role of the applicant(s). Your answers in this section will provide context for the reviews under Financial Feasibility ([WAC 246-310-220](#)) and Structure and Process of Care ([WAC 246-310-230](#)).

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

Note: The term "applicant" for this purpose includes any person or individual with a ten percent or greater financial interest in the partnership or corporation or other comparable legal entity as defined in [WAC 246-310-010\(6\)](#).

Cornerstone Healthcare Inc. ("Cornerstone" or "Applicant")
1675 E. Riverside Drive, Suite 150
Eagle, Idaho 83616

³ Washington state average is 3.5 stars. <https://data.cms.gov/provider-data/topics/home-health-services>

2. Identify the legal structure of the applicant (LLC, PLLC, etc.) and provide the Unified Business Identifier (UBI).

Cornerstone Healthcare, Inc. is a Nevada Corporation, Symbol Healthcare, Inc.'s (the licensee) UBI number is 603 257 823.

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

Lee Johnson, Treasurer of Symbol Healthcare, Inc.
1675 E. Riverside Drive, Suite 150, Eagle, ID 83616
208-401-1369
Lee.Johnson@pennantservices.com

4. Provide the name, title, address, telephone number, and email address of the consultant authorized to speak on your behalf related to the screening of this application (if any).

No consultants are authorized to speak on our behalf.

5. Provide an organizational chart that clearly identifies the business structure of the applicant(s).

The organizational chart is shown at **Exhibit 1**.

6. Identify all healthcare facilities and agencies owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities. The following identifying information should be included:
 - Facility and Agency Name(s)
 - Facility and Agency Location(s)
 - Facility and Agency License Number(s)
 - Facility and Agency CMS Certification Number(s)
 - Facility and Agency Accreditation Status

The list of all healthcare facilities and agencies owned, operated by, or managed by the applicant are shown at **Exhibit 2**.

Project Description

1. Provide the name and address of the existing agency, if applicable.

Puget Sound Hospice
111 Tumwater Blvd. Suite A302
Tumwater Wa. 98502

2. If an existing Medicare and Medicaid certified hospice agency, explain if/how this proposed project will be operated in conjunction with the existing agency.

This application is proposing to expand an existing hospice agency, namely Puget Sound Hospice, which will soon serve Thurston County as a Medicare and Medicaid certified hospice. We were awarded the Thurston County CN in November of 2019. Puget Sound Hospice was given the state license in early 2020 as we moved toward ACHC accreditation and Medicare and Medicaid certification. We paused operations twice in 2020, for a combined total of 10 months, due to post-award proceedings, which were recently resolved. We have resumed start-up operations and expect to begin serving patients in February of 2021. We plan to be ACHC accredited in June, and to be Medicare and Medicaid certified no later than September 2021. If we are awarded the Grays Harbor certificate of need, we will expand our services into Grays Harbor County. If this project is approved, Puget Sound Hospice will be fully operational and easily able to integrate serving patients in Grays Harbor County into its operations. Numerous Cornerstone home health and hospice agencies have expanded their respective service areas successfully due to the experience and support of peer-agencies and Resources. Because of this, Cornerstone is confident Puget Sound Hospice will be able to successfully expand its service area into Grays Harbor County.

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

Puget Sound Hospice
111 Tumwater Blvd. Suite A302
Tumwater, Wa. 98502

4. Provide a detailed description of the proposed project.

Puget Sound Hospice will be a state licensed and Medicare/Medicaid certified hospice agency. Cornerstone's proposed project is essentially a service area expansion which would allow Puget Sound Hospice to provide care to patients in Grays Harbor County.

With this expansion of services, Puget Sound Hospice will provide to the residents of Grays Harbor County exceptional patient-specific care, allowing the patient to choose where they reside, whether it be in a home setting, long term care facility, assisted living, adult family home, homeless shelter, or in a temporary location such as an acute care hospital. The delivery of care will be provided by an interdisciplinary team of experienced and specially trained hospice professionals providing medical, physical, emotional, social, grief, and spiritual support to the patient and their family. Our interdisciplinary staff will work in coordination with the patient's physician(s), other applicable health care providers, and the patient and his/her family to establish personalized hospice care goals for pain and symptom management. We will provide each patient all necessary hospice services and supplies, including physician and nursing, chaplain, social worker, volunteer services, therapy, medical supplies, DME,

pharmacy services, and bereavement support for family and friends. Further, Puget Sound Hospice will provide all appropriate levels of care (i.e., routine, respite, continuous, and general in-patient) to meet the patient’s palliation needs and manage the their terminal illness and related conditions.

As with all Cornerstone-affiliated hospice agencies, Puget Sound Hospice approaches hospice care with the foundational belief that to produce the best patient outcomes, health care must be tailored to the specific needs of its community. All Cornerstone-affiliated agencies accomplish this by adopting a model where local leaders are provided the opportunity and challenge to operate a community-centered agency. There is no corporate headquarters dictating mandatory practices that may not address specific community needs. This project will operate no differently, and because of this, we’re confident that we will be able to provide the residents of Grays Harbor County with the best possible hospice care.

5. Confirm that this agency will be available and accessible to the entire geography of the county proposed to be served.

Puget Sound Hospice will be available and accessible to the entire geography of Grays Harbor County. We have positioned our agency to support the needs of the entire county. As mentioned above, Cornerstone has much experience in successfully providing hospice care to large geographic regions, many of which are much larger than the service area contemplated by this project.

6. With the understanding that the review of a Certificate of Need application typically takes at least six to nine months, provide an estimated timeline for project implementation, below:

Event	Anticipated Month/Year
CN Approval	September 2021
Design Complete (if applicable)	N/A
Construction Commenced (if applicable)	N/A
Construction Completed (if applicable)	N/A
Agency Prepared for Survey	June 2021 ⁴
Agency Providing Medicare and Medicaid hospice services in the proposed county.	January 2022 ⁵

7. Identify the hospice services to be provided by this agency by checking all applicable boxes below. For hospice agencies, at least two of the services identified below must be provided.

⁴ Puget Sound Hospice will be prepared for ACHC survey in June of 2021.

⁵ While Puget Sound Hospice will already be providing Medicare and Medicaid hospice services in Thurston County, as we anticipate being Medicare and Medicaid certified by September 2021, we anticipate three months of preparation time to be able to serve patients in Grays Harbor County.

✓ Skilled Nursing	✓ Durable Medical Equipment
✓ Home Health Aide	✓ IV Services
✓ Physical Therapy	✓ Nutritional Counseling
✓ Occupational Therapy	✓ Bereavement Counseling
✓ Speech Therapy	✓ Symptom and Pain Management
✓ Respiratory Therapy	✓ Pharmacy Services
✓ Medical Social Services	✓ Respite Care
✓ Palliative Care	✓ Spiritual Counseling
✓ Other (please describe) Massage, Pet Therapy, Music Therapy, We Honor Veterans Programs	

8. If this application proposes expanding an existing hospice agency, provide the county(ies) already served by the applicant and identify whether Medicare and Medicaid services are provided in the existing county(ies).

This application is proposing to expand an existing hospice agency, namely Puget Sound Hospice, which serves patients in Thurston County. We expect to begin serving patients in January of 2022 in Grays Harbor County. We plan to be ACHC accredited in June 2021, and to be Medicare and Medicaid certified by September 2021.

9. If this application proposes expanding the service area of an existing hospice agency, clarify if the proposed services identified above are consistent with the existing services provided by the agency in other planning areas.

This application proposes to expand the service area of Puget Sound Hospice. While we have not yet provided our services in Thurston County, the services we provide in Grays Harbor County will be consistent with those in Thurston County, namely, all services outlined in our response to number 7, above.

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

Puget Sound Hospice will serve patients of all ages and diagnosis and is committed to serving all patients regardless of race, color, religion (creed), gender, gender expression, age, national origin, disability, marital status, sexual orientation, English proficiency, or military status, and will ensure that all populations have access to services through its charity care policy. Furthermore, Puget Sound Hospice's admission, charity care, and non-discrimination policies reflect our commitment to caring for Medicare, Medicaid, and patients who have an inability to pay for care.

Grays Harbor has the second highest death rate (827.1 per 100,000) of any county in the state.⁶ The leading cause of death in Washington are cancer and heart disease with these rates being significantly higher in Grays Harbor than in the state of Washington generally. A recent prospective cohort study on cancer and non-cancer deaths, showed that hospice is significantly underutilized, particularly in those with a non-cancer diagnosis (heart disease and dementia).⁷ With heart disease being the second leading cause of death in Washington State, it is likely that the residents of Grays Harbor are underutilizing necessary hospice care.⁸ With our proposed project, Grays Harbor County residents would have access to timely and high-quality hospice services. The benefits of providing those services can provide the residents of Grays Harbor County the most appropriate level of care at their most vulnerable time of life. Research has shown that patients with Congestive Heart Failure (CHF) who chose hospice care lived for an average 29 days longer⁹ and may be associated with a modest cost savings.¹⁰ In recent conversations with a local Executive Director in Grays Harbor operating a skilled nursing facility, Congestive Heart Failure was reported as the most common diagnosis of patients needing hospice care followed by Congestive Obstructive Pulmonary Disease.

Additional patient populations Puget Sound Hospice expects to care for per the leading causes of death in Grays Harbor County include patients with a diagnosis of stroke, chronic lower respiratory disease, Alzheimer's Dementia, diabetes, chronic liver disease, and influenza/pneumonia.¹¹

The nature of hospice is to provide timely and high-quality care to the most vulnerable patients and their families as they experience perhaps the most fragile time in their life. Patients and family are more likely to report a favorable dying experience when hospice and palliative care is chosen as compared to hospitalization.¹² Accessibility to a timely hospice provider of the patient's choice is critical to providing the most appropriate type of individualized care to best meet the patient's and family needs. Puget Sound Hospice is confident it can provide this individualized, life-changing care to meet the continuously growing hospice needs of all patient populations in Grays Harbor County.

⁶ Grays Harbor 2020 Community Health Needs Assessment

⁷ Cagle JG, Lee J, Ornstein KA, Guralnik JM. Hospice Utilization in the United States: A Prospective Cohort Study Comparing Cancer and Noncancer Death. *JAGS* 2020;68:783-793.

⁸ Washington State Department of Health, Death Certificate Data

⁹ Connor S, Pyenson B, et al. 2007 Comparing hospice and non-hospice patient survival among patients who die within a three-year window. *J Pain Symptom Manage* 33:38-46.

¹⁰ Pyenson B, Connor S, et al. 2004 Medicare cost in matched hospice and non-hospice cohorts. *J Pain Symptom Manage*, 28:200-10. 2

¹¹ Grays Harbor 2020 Community Health Needs Assessment.

¹² Finestone AJ, Inderwies G. 2008 Death and dying in the US: the barriers to the benefits of palliative and hospice care. *Clinical Interventions in Aging*. 3(3):595-599.

The mortality table below identifies the leading causes of death in Washington State.

Table 1

Mortality Table C2. Leading Causes of Death for Residents, 2015				
Rank	Causes of Death and ICD-10 Codes	Number	Percent ¹	Cumulative Percent
	All Causes	54,514	100.0	
1	Malignant Neoplasms (C00-C97)	12,658	23.2	23.2
2	Diseases of the Heart (I00-I09,I11,I13,I20-I51)	10,987	20.2	43.4
3	Alzheimer's Disease (G30)	3,489	6.4	49.8
4	Unintentional Injury (Accident) (V01-X59,Y85-Y86)	3,188	5.8	55.6
5	Chronic Lower Respiratory Diseases (J40-J47)	3,151	5.8	61.4
6	Cerebrovascular Diseases (I60-I69)	2,693	4.9	66.3
7	Diabetes Mellitus (E10-E14)	1,805	3.3	69.7
8	Intentional Self-Harm (Suicide) (X60-X84,Y87.0)	1,136	2.1	71.7
9	Chronic Liver Disease & Cirrhosis (K70,K73-K74)	1,021	1.9	73.6
10	Influenza and Pneumonia (J10-J18)	851	1.6	75.2
	All Other Causes	13,535	24.8	100.0

Washington State Department of Health, Center for Health Statistics, death certificate data, 2015

11. Provide a copy of the letter of intent that was already submitted according to [WAC 246-310-080](#) and [WAC 246-310-290\(3\)](#).

The letter of intent is found at **Exhibit 5**.

12. Confirm that the agency will be licensed and certified by Medicare and Medicaid. If this application proposes the expansion of an existing agency, provide the existing agency's license number and Medicare and Medicaid numbers.

Puget Sound Hospice will be licensed and certified by Medicare and Medicaid by September 2021. This application does propose the expansion of an existing agency, namely, Puget Sound Hospice. Puget Sound Hospice does have the state license, but for the reasons stated in our response to *Project Description number 2*. above, we do not yet have the Medicare or Medicaid numbers. We are confident that we will be Medicare and Medicaid certified by September 2021 based in part on the hospice agency we started at the beginning of 2020 in Snohomish County, namely Alpha Hospice. During the COVID outbreak in March, we began operations, and the hospice agency was ACHC accredited September 11, 2020. Alpha Hospice was Medicare and Medicaid certified in November 2020, and the team is currently serving twelve hospice patients. We accomplished this despite the many setbacks that COVID caused. While COVID is still a challenge, we do not anticipate the level of setbacks in 2021 that we experienced in 2020.

IHS.FS._____61032138_____

Medicare #:___pending_____

Medicaid #: ___pending_____

13. Identify whether this agency will seek accreditation. If yes, identify the accrediting body.

Puget Sound Hospice will seek accreditation with Accreditation Commission for Health Care (ACHC).

Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

[WAC 246-310-210](#) provides general criteria for an applicant to demonstrate need for healthcare facilities or services in the planning area. [WAC 246-310-290](#) provides specific criteria for hospice agency applications. Documentation provided in this section must demonstrate that the proposed agency will be needed, available, and accessible to the community it proposes to serve. Some of the questions below only apply to existing agencies proposing to expand. For any questions that are not applicable to your project, explain why.

1. For existing agencies, using the table below, provide the hospice agency's historical utilization broken down by county for the last three full calendar years. Add additional tables as needed.

Puget Sound Hospice is an existing agency, however, it has yet to begin operations.

COUNTY-GRAYS HARBOR	Identify Year	Identify Year	Identify Year
Total number of admissions			
Total number of visits			
Average number of visits/patient			

2. Provide the projected utilization for the proposed agency for the first three full years of operation. For existing agencies, also provide the intervening years between historical and projected. Include all assumptions used to make these projections.

COUNTY-GRAYS HARBOR	2022	2023	2024
Total number of admissions	169	190	212
Total number of patient days	10610	11901	13264
Average daily census (ADC)	29	33	36

The Department directs applicants to provide certain financial projections for the first three years of the project. The timeframe in which the CN decisions are scheduled to be given for this cycle is mid-year of 2021, which means applicants are required to provide projections into the year 2024. However, official population forecasts that far into the future

are not readily available, although the methodology incorporates population trends in several steps.

To remain consistent with utilization of the methodology as the basis for this project rationale, population forecasts for 2023 and 2024 have been estimated using the same assumptions that are used in the eight step methodology contained in WAC 246-310-290. The calculation for the assumption of population growth within each age cohort for each projected year is: (year 2021 - year 2020) + year 2021 = year 2022

This same calculation is used for the unmet patient days in our pro forma financials projections for year 2023 and year 2024. Our 2022, 2023 and 2024 projections for unmet patient days, unmet patient days percent per year, patient days, annual admissions for unduplicated patients, monthly admissions for unduplicated patients, and average daily census are shown in Table 2 on page 20. This information and data are also shown in the pro forma at **Exhibit 11**.

3. Identify any factors in the planning area that could restrict patient access to hospice services.

In a recent discussion with a local skilled nursing Executive Director (ED) in Grays Harbor, he shared that hospice services are often underutilized. He believes that some prescribing health care providers may not fully understand hospice and palliative care services. The ED reported seeing an increase in patients admitted to the skilled nursing facility under comfort care with signed do not resuscitate orders. Rather, these patients might have been more appropriately suited and qualified for hospice services/support. We hope to break down the barriers that hospice often can have in a community by integrating ourselves with local physician groups, community centers, nursing homes and anyone who might benefit from understanding what the hospice benefit truly is.

4. Explain why this application is not considered an unnecessary duplication of services for the proposed planning area. Provide any documentation to support the response.

Our project seeks to address the unmet need for additional hospice services in Grays Harbor County. The need for additional hospice agencies, as determined by the eight step methodology contained in WAC 246-310-290, which is found below, indicates an unmet Average Daily Census (ADC) of **35** in 2020, **37** in 2021 and **39** in 2022. This unmet ADC translates into unmet patient days of **12,688** in 2020, **13,418** in 2021 and **14,147** in 2022.

The need for additional hospice agencies is determined by the same methodology referenced above. As applied to Grays Harbor County, it identifies the need for **one** additional hospice provider. Please see the Step 8 table below for a summary of the unmet ADC per year and the numeric need of three new hospice agencies.

The eight step methodology led us to the determination that this application is not an unnecessary duplication of services for Grays Harbor County, rather, there is significant unmet need, which requires **one** new hospice provider. The methodology is as follows, key numbers are highlighted for clarity:

WAC246-310-290(8)(a) **Step 1:**

Calculate the following two statewide predicted hospice use rates using department of health survey and vital statistics data:

WAC 246-310-290(8)(a)(i) The percentage of patients age sixty-five and over who will use hospice services. This percentage is calculated by dividing the average number of unduplicated admissions over the last three years for patients sixty five and over by the average number of past three years statewide total deaths age sixty-five and over.

WAC246-310-290(8)(a)(ii) The percentage of patients under sixty-five who will use hospice services. This percentage is calculated by dividing the average number of unduplicated admissions over the last three years for patients under sixty-five by the average number of past three years statewide total of deaths under sixty-five.

Use Rates	
0-64	27.41%
65+	60.52%

WAC246-310-290(8)(b) **Step 2:**

Calculate the average number of total resident deaths over the last three years for each planning area by age cohort.

0-64					65+				
County	2017	2018	2019	2017-2019 Average Deaths	County	2017	2018	2019	2017-2019 Average Deaths
Grays Harbor	238	227	251	239	Grays Harbor	622	647	659	643

WAC246-310-290(8)(c) **Step 3.**

Multiply each hospice use rate determined in Step 1 by the planning areas' average total resident deaths determined in Step 2, separated by age cohort.

0-64			65+		
County	2017-2019 Average Deaths	Projected Patients: 27.38% of Deaths	County	2017-2019 Average Deaths	Projected Patients: 61.04% of Deaths
Grays Harbor	239	65	Grays Harbor	643	389

WAC246-310-290(8)(d) **Step 4:**

Using the projected patients calculated in Step 3, calculate a use rate by dividing projected patients by the three-year historical average population by county. Use this rate to determine the potential volume of hospice use by the projected population by age cohort using Office of Financial Management (OFM) data.

0-64								
County	Projected Patients	2017-2019 Average Population	2020 projected population	2021 projected population	2022 projected population	2020 potential volume	2021 potential volume	2022 potential volume
Grays Harbor	65	57817	56958	56679	56401	64	64	64

65+								
County	Projected Patients	2017-2019 Average Population	2020 projected population	2021 projected population	2022 projected population	2020 potential volume	2021 potential volume	2022 potential volume
Grays Harbor	389	15594	16653	17133	17612	415	427	439

WAC246-310-290(8)(e) **Step 5:**

Combine the two age cohorts. Subtract the average of the most recent three years hospice capacity in each planning area from the projected volumes calculated in Step 4 to determine the number of projected admissions beyond the planning area capacity.

County	2020 potential volume	2021 potential volume	2022 potential volume	Current Supply of Hospice Providers	2020 Unmet Need Admissions*	2021 Unmet Need Admissions*	2022 Unmet Need Admissions*
Grays Harbor	480	491	503	277.33	202	214	226

WAC246-310-290(8)(f) **Step 6:**

Multiply the unmet need from Step 5 by the statewide average length of stay as determined by CMS to determine unmet need patient days in the projection years.

Step 6 (Admits * ALOS) = Unmet Patient Days							
County	2020 Unmet Need Admissions*	2021 Unmet Need Admissions*	2022 Unmet Need Admissions*	Statewide ALOS	2020 Unmet Need Patient Days*	2021 Unmet Need Patient Days*	2022 Unmet Need Patient Days*
Grays Harbor	202	214	226	62.66	12688	13418	14147

WAC246-310-290(8)(g) **Step 7:**

Divide the unmet patient days from Step 6 by 365 to determine the unmet need ADC.

County	Step 7 (Patient Days / 365) = Unmet ADC					
	2020 Unmet Need Patient Days*	2021 Unmet Need Patient Days*	2022 Unmet Need Patient Days*	2020 Unmet Need ADC*	2021 Unmet Need ADC*	2022 Unmet Need ADC*
Grays Harbor	12688	13418	14147	35	37	39

WAC246-310-290(8)(h) **Step 8:**

Determine the number of hospice agencies in the planning area that could support the unmet need with an ADC of thirty-five.

County	Step 7 (Patient Days / 365) = Unmet ADC			Step 8 - Numeric Need	
	2020 Unmet Need ADC*	2021 Unmet Need ADC*	2022 Unmet Need ADC*	Numeric Need?	Number of New Agencies
Grays Harbor	35	37	39	TRUE	1

As discussed in our response to number 2 above, and to summarize our utilization and other assumptions, The Department directs applicants to provide certain financial projections for the first three years of the project. The timeframe in which the CN decisions are scheduled to be given for this cycle is mid-year of 2021, which means applicants are required to provide projections into the year 2024. However, official population forecasts that far into the future are not readily available, although the methodology incorporates population trends in several steps.

To remain consistent with utilization of the methodology as the basis for this project rationale, population forecasts for 2023 and 2024 have been estimated using the same assumptions that are used in the eight step methodology contained in WAC 246-310-290. The calculation for the assumption of population growth within each age cohort for each projected year is: (year 2021 - year 2020) + year 2021 = year 2022

This same calculation is used for the unmet patient days in our pro forma financials projections for year 2023 and year 2024. Our 2022, 2023 and 2024 projections for unmet patient days, unmet patient days percent per year, patient days, annual admissions for unduplicated patients, monthly admissions for unduplicated patients, and average daily census are shown in Table 2 on the next page. This information and data are also shown in the pro forma at **Exhibit 11**.

Table 2

Projection Year	2022	2023	2024
unmet patient days	14147	14876	15605
unmet patient days % per year	75%	80%	85%
Patient Days	10610	11901	13264
Annual admissions - Unduplicated Patients with ALOS of 62.66	169	190	212
Monthly Unduplicated Patient admissions	14	16	18
Average Daily Census (ADC)	29	33	36

5. Confirm the proposed agency will be available and accessible to the entire planning area.

Puget Sound Hospice will be available and accessible to the entire planning area.

6. Identify how this project will be available and accessible to under-served groups.

Puget Sound Hospice will provide staff 24 hours a day, 7 days a week to meet patient and family needs. We are committed to providing our full range of services for all residents of Grays Harbor County. We recognize that Gray Harbors Community Hospital ranks 5th out of 100 in Washington State hospitals that rely on government payers and patients that require charity care.¹³ Cornestone is excited to provide additional hospice services and increasing access to end of life healthcare to those residents of Grays Harbor. As a long standing home health provider in Pierce County, Symbol has a history of leveraging our current and well established relationships and partnerships within communities and referral sources to meet the needs of those who are under-served.

¹³ Grays Harbor 2020 Community Health Needs Assessment.

7. Provide a copy of the following policies:
 - The Admissions policy is shown at **Exhibit 6**.
 - The Charity care or financial assistance policy is shown at **Exhibit 6**.
 - The Patient Rights and Responsibilities policy is shown at **Exhibit 6**.
 - The Non-discrimination policy is shown at **Exhibit 6**.
 - Any other policies directly related with patient access (example, involuntary discharge)

8. If there is not sufficient numeric need to support approval of this project, provide documentation supporting the project's applicability under WAC 246-310-290(12). This section allows the department to approve a hospice agency in a planning area absent numeric need if it meets the following review criteria:
 - All applicable review criteria and standards with the exception of numeric need have been met;
 - The applicant commits to serving Medicare and Medicaid patients; and
 - A specific population is underserved; or
 - The population of the county is low enough that the methodology has not projected need in five years, and the population of the county is not sufficient to meet an ADC of thirty-five.

Note: The department has sole discretion to grant or deny application(s) submitted under this subsection.

As shown in the Need section above, there is sufficient numeric need to support approval of this project.

B. [Financial Feasibility \(WAC 246-310-220\)](#)

Financial feasibility of a hospice project is based on the criteria in [WAC 246-310-220](#).

1. Provide documentation that demonstrates 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 the Need section. Include all assumptions.
 - Pro Forma revenue and expense projections for at least the first three full calendar years of operation. Include all assumptions.
 - Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. Include all assumptions.
 - For existing agencies proposing addition of another county, provide historical revenue and expense statements, including the current year. Ensure these are in the same format as the projections. For incomplete years, identify whether the data is annualized.

The documentation that demonstrates the immediate and long-range capital and operating costs of the project can be met is shown at **Exhibit 11**.

2. Provide the following agreements/contracts:
 - Management agreement
 - Operating agreement
 - Medical director agreement
 - Joint Venture agreement

Note, all agreements above must be valid through at least the first three full years following completion 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.

The medical director contract is shown at **Exhibit 3**. The Service Center agreement is shown at **Exhibit 9**. The other listed agreements/contracts do not apply.

3. Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site.

If this is an existing hospice agency and the proposed services would be provided from an existing main or branch office, provide a copy of the deed or lease agreement for the site. If a lease agreement is provided, the agreement must extend through at least the projection year. Provide any amendments, addendums, or substitute agreements to be created as a result of this project to demonstrate site control.

If this is a new hospice agency at a new site, documentation of site control includes one of the following:

- a. An executed purchase agreement or deed for the site.
- b. A draft purchase agreement for the site. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.
- c. An executed lease agreement for at least three years with options to renew for not less than a total of two years.
- d. A draft lease agreement. For Certificate of Need purposes, draft agreements are acceptable if the draft identifies all entities entering into the agreement, outlines all roles and responsibilities of the entities, identifies all costs associated with the agreement, includes all exhibits referenced in the agreement. The draft agreement must include a document signed by both entities committing to execute the agreement as submitted following CN approval.

The executed lease agreement is shown at **Exhibit 4**.

4. Complete the table on the following page 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 in the table, include the definition

of the line item. Include all assumptions used to create the capital expenditure estimate.

Item	Cost
a. Land Purchase	\$ N/A
b. Utilities to Lot Line	\$ N/A
c. Land Improvements	\$ N/A
d. Building Purchase	\$ N/A
e. Residual Value of Replaced Facility	\$ N/A
f. Building Construction	\$ N/A
g. Fixed Equipment (not already included in the construction contract)	\$ N/A
h. Movable Equipment	\$ N/A
i. Architect and Engineering Fees	\$ N/A
j. Consulting Fees	\$ N/A
k. Site Preparation	\$ N/A
l. Supervision and Inspection of Site	\$ N/A
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	N/A
1. Land	\$ N/A
2. Building	\$ N/A
3. Equipment	\$ 5000
4. Other	\$ N/A
n. Washington Sales Tax	\$ N/A
Total Estimated Capital Expenditure	\$ 5000

5. Identify the entity responsible for the estimated capital costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.

The Pennant Group Inc. is responsible for the estimated capital costs identified above. Pennant's 10Q is shown at **Exhibit 10**.

6. Identify the amount of start-up costs expected to be needed for this project. Include any assumptions that went into determining the start-up costs. Start-up costs should include any non-capital expenditure expenses incurred prior to the facility opening or initiating the proposed service. If no start-up costs are expected, explain why.

We expect the following start-up costs, totaling \$15,500.

Recruitment - \$5,000 estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area.

Includes external postings on job boards that include; LinkedIn, Indeed, Career Builder, and Glassdoor. We will also identify and attend any applicable and timely job fairs. We will also contact the local colleges and local healthcare professional associations.

Marketing/Advertising - \$4,000 estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area. Advertisements in local media including print, notifying of our grand opening, including holding a meet and greet for local healthcare administrators and other community partners. We will also develop marketing brochures and patient packets.

Travel - \$6,500 estimated based on Cornerstone's past experience with starting new hospice operations as well as agencies that are expanding their service area. This accounts for essential Resources traveling to and from the Pennant Service Center to provide necessary support including HR, IT, and Clinical Resources. This will continue for a period of 60-90 days.

7. Identify the entity responsible for the estimated start-up costs identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for each.

The Pennant Group Inc. is responsible for the estimated start-up costs identified above. Pennant's 10Q is shown at **Exhibit 10**.

8. Explain how the project would or would not impact costs and charges for healthcare services in the planning area.

This project will not have any negative impact on the costs and charges of health services in the planning area. Hospice care has been shown to be cost-effective and is documented to reduce end-of-life costs. This project proposes to address the hospice agency shortage in the county and will improve access to care. Over time, this will reduce the cost of end of life care and benefit patients and their families.

9. Explain how the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges for health services in the planning area.

The capital and start-up costs of this project are minimal, estimated at \$20,500. They will not have an unreasonable impact on the costs and charges of health services in the planning area. Hospice care has been shown to be cost-effective and is documented to reduce end-of-life costs. This project proposes to address the hospice agency shortage in the county and will improve access to care. Over time, this will reduce the cost of end of life care and benefit patients and their families.

10. Provide the projected payer mix by revenue and by patients by county as well as for the entire agency using the example table below. Medicare and Medicaid managed care plans should be included within the Medicare and Medicaid lines, respectively. If “other” is a category, define what is included in “other.”

The numbers in the payer mix table below are averages across all Cornerstone-affiliated hospice agencies.

Payer Mix	Percentage of Gross Revenue	Percentage by Patient
Medicare	94.6	95.2
Medicaid	4.0	3.73
Commercial	1.2	.87
Self pay	.2	.2
Total	100	100

Source: Applicant

11. If this project proposes the addition of a county for an existing agency, provide the historical payer mix by revenue and patients for the existing agency. The table format should be consistent with the table shown above.

While this project proposes the addition of Grays Harbor County for an existing agency, namely, PugetSound Hospice, we have not yet served patients. We do not have historical payer mix by revenue and patients numbers to share at this time.

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

**Table 3
Equipment List¹⁴**

Item	Cost
Phone System	\$2,000
Computer/IT equipment	\$3,000
Total	\$5,000

Source: Applicant

13. Identify the source(s) of financing (loan, grant, gifts, etc.) and provide supporting documentation from the source. Examples of supporting documentation include: a letter from the applicant’s CFO committing to pay for the project or draft terms from a financial institution.

¹⁴ All costs include sales tax.

The Pennant Group Inc. is the source of financing. The commitment of funds letter is shown at **Exhibit 13**.

14. 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.

This project will not be debt financed through a financial institution.

15. Provide the most recent audited financial statements for:
 - The applicant, and
 - Any parent entity responsible for financing the project.

The most recent audited financial statement for the applicant, Cornerstone Healthcare Inc., is shown at **Exhibit 11**. The 10Q of Cornerstone's parent, The Pennant Group Inc. is shown in **Exhibit 10**.

C. Structure and Process (Quality) of Care ([WAC 246-310-230](#))

Projects are evaluated based on the criteria in [WAC 246-310-230](#) for staffing availability, relationships with other healthcare entities, relationships with ancillary and support services, and compliance with federal and state requirements. Some of the questions within this section have implications on financial feasibility under [WAC 246-310-220](#).

1. Provide a table that shows FTEs [full time equivalents] by category for the county proposed in this application. All staff categories should be defined.

Table 4 shows all FTE's by category for the county.

Table 4

GRAYS HARBOR CO

Clinical Staff by FTE	2022	2023	2024
Registered Nurse	4.4	4.9	5.5
Certified Nursing Assistant	2.9	3.3	3.6
Licensed Clinical Social Worker	1.0	1.1	1.2
Spiritual Care Coordinator	1.0	1.1	1.2
Director of Clinical Services	0.7	0.8	0.9
Total	9.9	11.1	12.4
Compensation and Benefits			
Registered Nurse	331,389	371,696	414,281
Certified Nursing Assistant	90,696	101,727	113,382
Licensed Clinical Social Worker	68,797	77,165	86,006
Spiritual Care Coordinator	54,262	60,863	67,835
Director of Clinical Services	39,970	44,832	49,968
Payroll Taxes & Benefits	175,534	196,885	219,442
Total	760,648	853,168	950,913
Administrative Staff by FTE			
Administrator	0.3	0.3	0.3
Business Office Manager, Medical Records, Scheduling	1.0	1.1	1.2
Intake	1.0	1.0	1.0
Community Liaison	1.0	1.1	1.2
Total	3.2	3.4	3.7
Administrative Compensation and Benefits			
Administrator	25,000	25,000	25,000
Business Office Manager, Medical Records, Scheduling	48,449	54,342	60,567
Intake	52,000	52,000	52,000
Community Liaison	62,983	70,644	78,738
Payroll Taxes & Benefits	56,530	60,596	64,891
Total	244,961	262,581	281,196

2. If this application proposes the expansion of an **existing** agency into another county, provide an FTE table for the entire agency, including at least the most recent 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 categories should be defined.

While this project proposes the addition of Grays Harbor County for an existing agency, namely, Puget Sound Hospice, we do not yet have an FTE table for Puget Sound Hospice. However, we do expect to be fully operational in the Spring and if awarded the CON for Grays Harbor, we will gladly share our FTE table as a condition in the upcoming months.

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

The assumptions used to project the number and types of FTE's identified for this project are based upon the average numbers and types used across all Cornerstone-affiliated hospice agencies, which include two Washington state hospice agencies. The Washington state hospice numbers are consistent with these averages.

4. Provide a detailed explanation of why the staffing for the agency is adequate for the number of patients and visits projected.

Puget Sound Hospice is confident that our proposed staff to patient ratio is appropriate for several reasons. First, Cornerstone-affiliated hospice agencies have found that operating at these ratios is optimal to produce quality outcomes. Additionally, these ratios were in Symbol's 2018 hospice CN application for Thurston County, which the CN Department found to be appropriate. Further, we compared our proposed staff/patient ratios in this application with the approved 2018 hospice CN application for Snohomish County of another Cornerstone-affiliated hospice agency, Glacier Peak Healthcare, Inc., d/b/a Alpha Hospice, which had these same ratios. Table 5 below shows these ratios.

Table 5

Type of Staff	Staff to Patient Ratio
Registered Nurses	1:12 (day) and .8:12 (evenings and weekends)
Certified Nursing Assistant	1:10
Social Work	1:30
Spiritual Care Coordinator	1:30

5. Provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.

Dr. William Elledge is the contracted medical director, his professional license number is **MD00012053**.

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

Dr. Elledge is contracted. The medical director contract is at found at **Exhibit 3**.

7. Identify key staff by name and professional license number, if known. (nurse manager, clinical director, etc.)

Devin Rothwell is the Administrator, professional license numbers do not exist for this profession. Denise Carlock is the Director of Clinical Services (DCS), her professional license number is **RN00103370**.

8. For existing agencies, provide names and professional license numbers for current credentialed staff.

Denise Carlock is the DCS, her professional license number is **RN00103370**.

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.

In addition to Symbol operating a home health agency in Pierce County, its ultimate parent company, Pennant, owns 134 healthcare organizations across 14 states in the United States, including a senior living home in Redmond, Washington, as well as Cornerstone-owned home health agencies in King, Pierce, Snohomish, Skagit, San Juan, Aston, Garfield, Benton, and Franklin counties. Additionally, Cornerstone owns Washington-based hospice agencies that service the following counties: Snohomish, Aston, Garfield, and upcoming Thurston county in 2021. In the experience of Pennant's affiliated agencies and communities, health care employees are drawn to the Pacific Northwest Region for its outdoor experiences and its culture and vitality making recruiting generally easier than other parts of the country. Additionally, if Puget Sound Hospice has qualified and experienced staff in good standing that want to move to Grays Harbor County, or to transition from long-term care or home health to hospice, we are able and willing to support that relocation or transition.

Both Puget Sound Home Health and Hospice and its affiliates have strong and proven histories of recruiting and retaining quality staff. We offer a competitive wage scale, a generous benefit package, and a professionally rewarding work setting, as well as the potential for financial assistance in furthering training and education.

Cornerstone has access to and utilize a variety of recruitment resources, including the use of social media and internet recruitment platforms such as LinkedIn, Indeed, Monster and Glassdoor, among others, and due to our employees' high job satisfaction we have found great success in recruiting through our staff's network of other skilled healthcare professionals.

The following provides additional details as to Puget Sound Hospice's approach to recruiting and retention.

Recruiting

Puget Sound Hospice leaders will continually perform the following recruiting activities.

- Identify any opportunity to recruit at local job fairs and State and National associations websites and conferences.

- Maintain a liaison with career/placement staff at regional colleges, universities, and clinical certification organizations to actively recruit its students, including offering clinical shadowing and volunteer opportunities.
- Join applicable healthcare professional associations.
- Utilize national talent search companies.
- Meet community market wages, recruiting, and sign on bonuses.
- Provide leadership and advancement opportunities for staff to elevate within Symbol and Pennant.
- Post positions within Pennant multistate organizations.

Puget Sound Hospice's Administrator and DCS will continually identify open positions. Determination of open positions will be based necessary staff members needed based on hospice IDT caseloads and ADC growth. This will be continuously assessed to ensure staff to patient ratios remain appropriate to maintain consistent delivery of quality patient care and ensure the IDT team/staff are not overburdened.

Once an open position has been identified the agency's leaders will do the following.

- Email HR/Payroll Group with the standard subject line: Recruiting Need Discipline. The content of this email will set out the following information as to the open position:
 - FTE
 - Discipline
 - Territory
 - Rate Sets
 - Urgency of fill: Immediate, moderate, low
 - Potential Hire date
 - Bonus – Sign on – automatic for urgent need, hard to fill.
 - Post open position in Workday via human resource information system provided by Pennant Services.
 - Post open position on job boards on LinkedIn, Indeed, Career Builder, Glassdoor.
 - Share the job posting on agency social media.

Once a candidate has been identified the agency will follow its standard screening process:

Step 1. Perform phone interview of candidate, screening for relevant experience, positive attitude, and discuss compensation.

Step 2. DCS in-person or video conference interview with clinical candidate; Administrator or DCS in-person or video conference interview with administrative candidate.

Step 3. Ride-along with clinical staff (only clinical candidates with little or no hospice experience)

Step 4. Candidate interviewed by 2-4 agency staff.

Once agency leadership decide to extend the candidate an offer the agency will follow its standard process:

- Agency administrator or HR designee will:
- Provide candidate with offer letter setting out the duties of the position, rate of compensation, start date, and directions on how to accept the offer.
- Perform a background check compliant with state law, which will include primary source verification of licensure, if applicable.
- Instruct candidate as to how to perform drug screen.
- Perform reference checks for references identified by candidate.
- Notify candidate on necessary items to bring on start date for onboarding (e.g., identification documentation for I-9).
- Inform agency leaders and appropriate staff regarding the candidate's acceptance/rejection of offer, candidate's start date, and any additional pertinent information.

Retention

- With retention even more important than recruitment, all Pennant-affiliates are provided resources and support from the Pennant Service Center to provide rigorous department orientation, clinical and safety training, initial and ongoing competencies assessments, and performance evaluations.
- Staff will be trained on our core values: Celebration, Accountability, Passion for Learning, Love One Another, Customer Second, Ownership. These core values will guide all of our decisions and will form the basis for expectations of the staff.
- Agency will have weekly rounding/one-on-one sessions during first 90 days with director or designee. Quarterly thereafter.
- Staff will have 90-day and annual reviews, allowing open dialogue about the employee's performance, concerns, and feedback.
- We offer programs for CEU and tuition reimbursement.
- We offer competitive benefits, including health care, dental, vision, paid time off, and more.
- We perform an anonymous employee satisfaction survey annually to gauge employee satisfaction.
- We provide ongoing professional training based on needs identified in our QAPI program, annual compliance and profession-specific training, and regular in-service training.

10. Identify your intended hours of operation and explain how patients will have access to services outside the intended hours of operation.

Puget Sound Hospice's office hours of operation will be 8 am to 5 pm, Monday through Friday, however, we will provide hospice services 24 hours a day, 7 days a week. Puget Sound Hospice admissions documents will include instructions to the patient and family/caregiver as to how to reach the agency at all hours. During non-business hours, Puget Sound Hospice's main phone number will be rolled to an on-call phone. This phone will be assigned to an on-call nurse.

If the on-call nurse does not answer (extraneous circumstance), the outgoing message will instruct the client/caregiver to call the nurse administrator on-call if no return call occurs within 15 minutes.

11. For **existing** agencies, clarify whether the applicant currently has a method for assessing customer satisfaction and quality improvement for the hospice agency.

All Cornerstone hospice agencies (and home health agencies) have a method for assessing customer satisfaction and quality improvement for our existing hospice agencies. Each of these agencies has a robust process to ensure Federal, State and local guidelines for customer satisfaction and quality improvement are met.

Customer Satisfaction is a critical element for our quality program and reflects the patient and family experience. We partner with Strategic Healthcare Programs (SHP) for this process. SHP mails the Consumer Assessment of Healthcare Providers and System (CAHPS) survey to the appropriate designee identified by our electronic medical record (EMR) system vendor, Home Care Home Base (HCHB), and collects the data from the responses. Those responses are then summarized into useable data for use in interdisciplinary meetings (IDG) meetings and quality assurance/performance improvement (QAPI) programs to address customer perceptions and improve community relationships.

To help drive our quality improvement, we have partnered with SHP. Through SHP we are able to view our quality metrics in real time. We also utilize our partnership with our HCHB team to provide data and reporting based on direct patient contact and the patient record. These partners combined with our processes, related IDG meetings and QAPI programs drive patient satisfaction and quality improvement and help build a reputation within our communities of being a hospice provider of choice.

Accurate documentation is a critical necessity that is supported by our internal compliance department and agency leadership with regular review intervals. HCHB helps ensure we have all required documentation at the initiation of service and subsequent visits in areas such as Hospice Item Set (HIS) information, Symptom Management, and Service Intensity. HCHB is integrated with SHP to help us analyze trends related to Hospice Quality Reporting Program (HQR) elements and Hospice Compare STAR rating. HCHB also provides an avenue to document opportunities for improving on avoidable events in areas like infection control, patient complaints, falls, and medication errors. We can then use this information to help focus the discussion in our IDG meetings and to drive areas of improvement in our QAPI programs.

Quality improvement is largely driven by our IDG. The main purpose of our IDG meeting is to bring together key hospice professionals to review and discuss the hospice needs for each individual patient and their family. As we mentioned above, individualized care plans help drive the best patient outcomes. The IDG also establishes policies governing the day-to-day provision of services, which include agency programs to ensure our clinicians are skilled in providing hospice care.

Lastly, our QAPI program is designed to drive great patient outcomes. Our QAPI program will be regularly reviewed by our leadership team and our governing body. More frequency reviews of performance improvement projects (PIP) developed through our QAPI program occur in the IDG meeting. One of the main purposes of our QAPI program is to measure, analyze and track quality indicators to drive the best quality outcomes and patient satisfaction possible.

12. For **existing** agencies, provide a listing of ancillary and support service vendors already in place.

Strategic Healthcare Programs (SHP)¹⁵

Home Care Home Base (HCHB) -EMR

DME Vendor

Pharmacy Vendor

Supply Vendor

eSolutions – accounting interface

Workday – HR interface

Lippincott – Electronic educational/procedural tool for clinicians

Focura – Leading document management and HIPPA compliant communication for clinicians

Providor Link – for Community Physicians

Relias Learning – clinician focused learning tool

13. Identify whether any of the existing ancillary or support agreements are expected to change as a result of this project.

None of these contracts are expected to change as a result of this project.

14. For **new** agencies, provide a listing of ancillary and support services that will be established.

This is not applicable as this is not a new agency.

15. For **existing** agencies, provide a listing of healthcare facilities with which the hospice agency has working relationships.

¹⁵ Note, the Applicant has contracts with many of these vendors as part of Pennant- or Cornerstone-wide enterprise contracts, which helps with cost containment.

Since being awarded the CN for Thurston County, Puget Sound Hospice has been laying the groundwork and building relationships with local hospice referral sources, medical leaders, and the medical director of a long standing hospice provider in Grays Harbor County. Puget Sound Hospice has been in conversations with an Ensign-affiliated skilled nursing facility, Pacific Care and Rehabilitation in Grays Harbor. Pacific Care and Rehabilitation feels that hospice is underutilized and has experienced delays in getting patients admitted to hospice services with the current provider in Grays Harbor. Pacific Care and Rehabilitation expressed willingness to welcome and work with Puget Sound Hospice to increase timely hospice services to their residents. Pacific Care and Rehabilitation has a strong relationship with Summit Pacific Medical Center and would help facilitate working relationships with Puget Sound Hospice in identifying those patients that might be more appropriate for hospice services.

Puget Sound Hospice's medical director, Dr. William Elledge has practiced medicine for over 30 years, with most of his professional career being right here in Washington. Dr. Elledge has detailed knowledge of the healthcare systems and those medical providers who support hospice service within Thurston and Grays Harbor counties. Dr. Elledge has been collaborating with the Chief Medical Officer at Grays Harbor Community Hospital, Dr. Anne Marie Wong (who is board certified in hospice and palliative care) to help Puget Sound Hospice facilitate care coordination, identification of county-specific needs, and relationship building. Additionally, Dr. Elledge has talked with Dr. Juliette Erickson who is a board certified hospice and palliative care physician. Dr. Erickson works within the Grays Harbor community and in Thurston County at Providence St. Peter Hospital on its palliative care team.

We are confident that the groundwork we've laid in our working relationships will prove effective in our future care coordination and meeting the hospice needs of the residents of Grays Harbor County.

16. Clarify whether any of the existing working relationships would change as a result of this project.

We anticipate our working relationships would only grow stronger as a result of approval of this project.

17. For a **new** agency, provide a listing of healthcare facilities with which the hospice agency would establish with Grays Harbor relationships.

While this is not a new agency, we anticipate developing a stronger relationship with Grays Harbor Community Hospital as well as Summit Pacific Medical Center. Ensign's facility, Pacific Care and Rehab is looking forward to us being available to support their hospice care needs.

18. 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 hospice care agency; or
- b. A revocation of a license to operate a health care facility; or
- c. A revocation of a license to practice 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.

Neither Symbol, Cornerstone, nor Pennant have any history of criminal convictions, denial or revocation of license to operate a health care facility, revocation of license to practice a health profession, or decertification as a provider of services in the Medicare or Medicaid program. Further, they have never been adjudged insolvent or bankrupt in any state or federal court. And, none have been involved in a court proceeding to make judgment of insolvency or bankruptcy with respect to the applicants.

19. Provide a discussion explaining 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](#)

Much like the Grays Harbor 2020 Community Health Needs Assessment Priorities have outlined increased healthcare access for years 2020-2022, we are committed to aligning and seeking collaboration with hospitals/health systems and primary and secondary providers within the post-acute care community to improve access to care for Grays Harbor County residents. An example of this can be seen in Puget Sound Home Health. It is part of the 2020 MultiCare and CHI Franciscan hospitals narrowed networks in Pierce County designed to increase timely care and care coordination. Community contacts within Grays Harbor and Thurston County have already been identified and discussions have occurred around care coordination, county specific discrepancies, and unwarranted fragmentation of services.

Strong community and large hospital system referral relationships exist in all of Cornerstone Washington agencies. Ensign Group, Cornerstone's former parent company has partnered with the Pennant Group to improve the care continuum. Ensign provides skilled nursing and rehabilitative services in the post-acute sphere. Specific to this project, Ensign has a long standing skilled nursing facility within Grays Harbor County that we will partner with and address unwarranted fragmentation of healthcare upstream and downstream services.

With the above relationships, partnerships, and associations, we believe we can provide the continuity of care and prevent unwarranted fragmentation of services through quick and thoughtful bridging and referrals to hospice services.

20. Provide a discussion explaining 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](#).

As a long-established provider in Pierce County, Symbol has strong and ongoing relationships with existing healthcare systems and post acute care providers. Symbol works closely with community partners, local hospital systems, private duty providers, physicians, and in home care physician groups. In fact, as mentioned above, Cornerstone's operational model is for each agency to engage in and seek market-specific care and opportunities within each county where services are available. This is best accomplished through partnerships with other health care providers. This partnership takes many forms including sharing of coordination of care, assisting and coordinating appropriate admissions, mutually driving quality outcomes, preventing rehospitalizations, and patient satisfaction.

Puget Sound Hospice's medical director has a long standing relationship working as a primary care physician, hospitalist, and medical director at a skilled nursing facility in Thurston County. Dr. Elledge will be able to help facilitate relationship building with his extensive health care system knowledge.

Most recently, Puget Sound Home Health has been involved in ongoing community efforts in Pierce County to battle the COVID-19 pandemic. With the most recent COVID-19 pandemic surges, Puget Sound Home Health was able to utilize its narrowed network with Multicare and CHI Franciscan to provide overflow for their increased number of referrals and COVID-19 positive patients. In addition, Puget Sound Home Health is member of the Northwest Healthcare Response Network that helps assist with disaster preparedness, responses, and surge efforts.

21. The department will complete a quality of care analysis using publicly available information from CMS. If any facilities or agencies owned or operated by the applicant reflect a pattern of condition-level findings, provide applicable plans of correction identifying the facility's current compliance status.

We are proud to share that none of Cornerstone's 63 home health and hospice agencies have exhibited a pattern of conditional level findings.

22. If information provided in response to the question above shows a history of condition-level findings, provide clear, cogent and convincing evidence that the applicant can and will operate the proposed project in a manner that ensures safe and adequate care, and conforms to applicable federal and state requirements.

This question is inapplicable based on the answer to the question immediately preceding this one.

D. Cost Containment ([WAC 246-310-240](#))

Projects are evaluated based on the criteria in WAC 246-310-240 in order to identify the best available project for the planning area.

1. Identify all alternatives considered prior to submitting this project. At a minimum include a brief discussion of this project versus no project.

- Alternative A: Take no Action
- Alternative B: Apply for and Receive CN
- Alternative C: Purchase Existing Hospice

Please see our response to #2 below for the discussion.

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.

Table 6 provides the comparison of this project with alternatives that were rejected.

Table 6

Alternative A: Take no Action	
Criteria	Results
Access to Hospice Services	There is no advantage to taking no action in terms of improving access. The disadvantage is that taking no action does nothing to address the need for additional hospice agencies in Grays Harbor County. Therefore, this option does not address the access to care problem that exists.
Quality of Care	There is no advantage to taking no action regarding quality of care. The disadvantage with taking no action is driven by shortages in access to hospice services. With time, access would tighten and there would be adverse impacts on quality of care.
Cost and Operating Efficiency	With this option, there would be no impacts on costs. The disadvantage is that there would be no improvements to cost efficiencies.
Staffing Impacts	The advantage is not hiring/employing additional staff. There are no disadvantages from a staffing perspective.
Legal Considerations	No Legal considerations.
Decision	This alternative was not chosen; it does not improve access to health care services and it could have a negative impact on the quality of care.
Alternative B: Apply for and Receive CN	
Criteria	Results
Access to Health Care Services	This project meets current and future access issues identified in Grays Harbor County. It will increase access to care. With this project, there are no disadvantages to access to health care services.

Quality of Care	This project meets and promotes quality of care in Grays Harbor County. There are no disadvantages.
Cost and Operating Efficiency	Puget Sound Hospice will be able to leverage fixed costs, such as the lease, by spreading fixed costs over the hospice and home health services. Cost and operational efficiency will be affected by minimal operating expenses during the initial startup period before it achieves volume that covers fixed and variable costs.
Staffing Impacts	This project will create new jobs that benefit Grays Harbor County. These new jobs also provide paths for staff who are dedicated to efficient delivery of hospice services. There are no disadvantages; Cornerstone and Symbol have a proven track record of hiring and retaining quality staff.
Legal Considerations	The advantage: Puget Sound Hospice staff will be able to provide hospice services to Grays Harbor County residents. This will improve access, quality, and continuation of care. The disadvantage: CN approval is required; this requires time and expense.
Decision	This alternative was selected because it will improve access to health care services, it enhances quality and continuation of care, it leverages existing fixed costs and has no negative impacts on staffing. Finally, this project will quickly be executed and it does not require undue legal or regulatory requirements.
Alternative C: Purchase Existing Hospice	
Criteria	
Access to Health Care Services	The disadvantage is that an acquisition may not add additional capacity for hospice services in Grays Harbor County when compared to alternative A and alternative B. Also, at present, we do not know of a hospice agency for sale in Grays Harbor County.
Quality of Care	The advantage: This option could enhance quality and continuation of care in Grays Harbor County. There are no apparent disadvantages to this option.
Cost and Operating Efficiency	The disadvantage: The acquisition of an existing hospice requires considerable up front cost and time to purchase and complete due diligence.
Staffing Impacts	The advantage for staffing is that the staff from the existing agency already exists. This option potentially creates no new jobs, which does not benefit Grays Harbor County.
Legal Considerations	There are no advantages. The disadvantage is that an acquisition takes considerable time and resources to conduct due diligence.
Decision	This alternative was not chosen; it does not improve access to health care services, it may add additional costs and effort related to acquiring an existing agency, and it requires considerable time and resources related to legal and due diligence requirements.

	Finally, we are not aware of any hospice agencies in Grays Harbor County for sale.
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3. If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):
 - The costs, scope, and methods of construction and energy conservation are reasonable; and
 - The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

Our project does not involve construction.

4. Identify any aspects of the project that will involve appropriate improvements or innovations in the financing and delivery of health services which foster cost containment and which promote quality assurance and cost effectiveness.

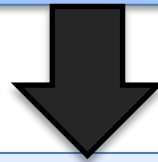
We believe we are a partner of choice to payors, providers, patients and employees in the healthcare communities we serve. As a partner, we focus on improving care outcomes and the quality of life of our patients in home or home-like settings. Our local leadership approach facilitates the development of strong professional relationships allowing us to better understand and meet the needs of our partners. We believe our emphasis on working closely with our providers, payors, and patients yields unique, customized solutions and programs that meet local market needs and improve clinical outcomes, which in turn accelerates revenue growth and profitability.

We are a trusted partner to, and work closely with payors and other acute and post acute providers to deliver innovative healthcare solutions in lower cost settings. In the markets we serve, we have developed formal and informal preferred provider relationships with key referral sources and transitional care programs that result in better coordination within the care continuum. These partnerships have resulted in significant benefits to payors, patients, and other providers including reduced hospital readmissions rates, appropriate transitions within the care continuum, overall cost savings, increased patient satisfaction and improved quality outcomes. Positive repeated interactions and data-sharing result in strong local relationships and encourage referrals from our acute and post-acute care partners. As we continue to strengthen these formal and informal relationships and expand our referral base, we believe we will continue to drive cost effectiveness and quality outcomes.

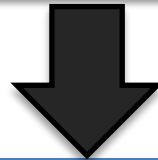
EXHIBIT 1

Organizational Chart

The Pennant Group, Inc. (Tax ID: 83-3349931)
100% owner of Cornerstone Healthcare, Inc.



Cornerstone Healthcare, Inc. (Tax ID: 27-1598308)
100% owner of Symbol Healthcare, Inc.



Symbol Healthcare, Inc.
***d/b/a* Puget Sound Hospice (Tax ID: 61-1698685)**

EXHIBIT 2

Subsidiaries of Applicant, Cornerstone Healthcare, Inc.

Agency/Facility Name	Street Address	City	State	ZIP Code	CCN	State Lic. No.	Accrediting Body
A Gentle Touch Home Care	1173 South 250 West, Suite 401B	St. George	UT	84770	N/A	2020-PCA-UT000269	Not Accredited
Agape Hospice & Palliative Care	4400 East Broadway Blvd., Suite 400	Tucson	AZ	85711	03-1614	HSPC9712	Joint Commission
All County Home Health	37131 Interstate 10 West, #400	Boerne	TX	78006	743120	019469	Not Accredited
All County Hospice	37131 Interstate 10 West, #400	Boerne	TX	78006	671756	019469	Not Accredited
Alpha Home Health	10530 19th Ave SE, Ste 201	Everett	WA	98208	507107	IHS.FS.60793191	Not Accredited
Alpha Hospice	10530 19th Ave SE, Ste 201	Everett	WA	98208	501546	IHS.FS.61032013	Not Accredited
Buena Vista Hospice	2545 West Hillcrest Drive, Ste 130	Thousand Oaks	CA	91320	051787	550000060	The Joint Commission
Buena Vista Palliative Care & Home	2545 West Hillcrest Drive, Ste 130A	Thousand Oaks	CA	91320-22297	55-7165	050000273	CHAP
Buena Vista Valley Hospice	16909 Parthenia Street, Ste. 102-B	Northridge	CA	91343	551620	550001417	The Joint Commission
Buena Vista Valley Palliative Care & Home Health	16909 Parthenia Street, Ste. 302-A	Northridge	CA	91343	057252	980000471	Not Accredited
Careage Home Care	203 E. Bow Drive	Cherokee	IA	51012-1214	167405	N/A	Not Accredited
Columbia River Home Health	7105 W. Hood Place, Suite B-201	Kennewick	WA	99336-3807	507061	IHS.FS.60875683	Not Accredited
Comfort Hospice	6655 West Sahara Ave, Ste A114	Las Vegas	NV	89146	291520	8955	The Joint Commission
Connected Home Health	7515 NE Ambassador Pl., Ste C	Portland	OR	97220-1379	387146	13-1509	Not Accredited
Connected Hospice	7515 NE Ambassador Pl., Ste C	Portland	OR	97220-1379	381563	16-1065	ACHC
Custom Care Home Health	4811 Merlot Avenue, Suite 110	Grapevine	TX	76051	679672	015646	Not Accredited
Custom Care Hospice	4811 Merlot Avenue, Suite 110	Grapevine	TX	76051	451635	013152	Not Accredited
Elevate Home Care	310 Lashley St., Ste 109	Longmont	CO	80504	N/A	04Z850	Not Accredited
Elevate Home Care	4891 Independence St., Suite 285	Wheat Ridge	CO	80033	N/A	10Z779	Not Accredited
Elite Home Health	1370 Bridge Street	Clarkston	WA	99403	507111	IHS.FS.60384078/HH-197	Not Accredited
Elite Hospice	1370 Bridge Street	Clarkston	WA	99403	501533	IHS.FS.60384078/HH-197	Not Accredited
Emblem Home Health	3205 W. Ray Road, Ste 2B	Chandler	AZ	85226	037253	HHA6969	Not Accredited
Emblem Hospice	3205 W. Ray Road, Ste 2A	Chandler	AZ	85226	031595	HSPC5656	Not Accredited
Emblem Hospice Tucson	7225 N. Oracle Rd., Ste 202	Tucson	AZ	85704	031624	HSPC7080	Not Accredited
Excell Home Care	1200 SW 104th St., Ste D	Oklahoma City	OK	73139	377534	HC7462	Not Accredited
Excell Hospice	1200 SW 104th St., Ste D	Oklahoma City	OK	73139	371610	HO4151	Not Accredited
Excell Private Care Services	4631 N. May Ave	Oklahoma City	OK	73112	N/A	HC7932	Not Accredited
Finding Home Medical Services	47 6th Avenue	Page	AZ	86040	Z244229	N/A	Not Accredited
Finding Home Medical Services	55 W. Willowbrook Dr., Suite 103	Meridian	ID	83646	20010640	N/A	Not Accredited
Finding Home Medical Services	1385 West 2200 South, Suite 201	West Valley City	UT	84119	U000098817	N/A	Not Accredited
Gateway Hospice	103 2nd Ave NE	Clarion	IA	50525	161556	N/A	Not Accredited
Horizon Home Health	63 W Willowbrook Drive	Meridian	ID	83646-1656	137065	HH-139	ACHC
Horizon Home Health East	1411 Falls Ave East, Suite 615	Twin Falls	ID	83301-3458	137114	HH-237	Not Accredited
Horizon Hospice	63 W Willowbrook Drive	Meridian	ID	83646-1656	131520	N/A	ACHC
Horizon Hospice East	1411 Falls Ave East, Suite 615	Twin Falls	ID	83301-3458	131516	N/A	Not Accredited
Hospice of Missoula	1900 S. Reserve St.	Missoula	MT	59801-6455	27-1525	13573	Not Accredited
Hospice of the Pines	13207 E. State Route 169, Ste. A	Dewey	AZ	86327	031559	HSPC8180	Not Accredited
Hospice of the South Plains	4413 82nd Street, Ste 135	Lubbock	TX	79424	671667	016805	Not Accredited
Kinder Hearts Home Health	842 N. Mockingbird Lane	Abilene	TX	79603-5729	679193	017913	Not Accredited
Kinder Hearts Hospice	842 N. Mockingbird Lane	Abilene	TX	79603-5729	671790	017766	CHAP
Lake Powell Physical Therapy	43rd Sixth Avenue	Page	AZ	86040-7500	Z198792	OTC7784	Not Accredited
Namaste Home Health	6000 E. Evans Ave., Suite 2-400	Denver	CO	80222-5411	067471	04K559	Not Accredited
Namaste Hospice	6000 E. Evans Ave., Suite 2-400	Denver	CO	80222-5411	061545	1704DM	Not Accredited
Physician Home Care	1385 W. 2200 South, Suite 202	West Valley City	UT	84119	U000102236	N/A	Not Accredited
Preceptor Home Health	W175N11117 Stonewood Dr., Ste 100	Germantown	WI	53022	52-7313	1171	CHAP
Preceptor Hospice	W175N11117 Stonewood Dr., Ste 100	Germantown	WI	53022	52-1593	2033	CHAP
Preceptor Therapy	W175N11117 Stonewood Dr., Ste 100	Germantown	WI	53022	K100579730	N/A	Not Accredited
Emblem Hospice Central	4225 West Glendale Ave. Suite A200	Phoenix	AZ	85051	03-1579	HSPC10253	Not Accredited
Puget Sound Home Health	4002 Tacoma Mall Blvd Ste 204	Tacoma	WA	98409-7702	507101	IHS.FS.60332035	Not Accredited
Puget Sound Home Health of King	4002 Tacoma Mall Blvd Ste 204A	Tacoma	WA	98409	507122	IHS.FS.60751653	Not Accredited
Puget Sound Hospice	4002 Tacoma Mall Blvd Ste 204	Tacoma	WA	98409-7702	TBD	IHS.FS.61032138	ACHC
Resolutions Hospice Austin	1101 Arrow Point Drive Ste 301	Cedar Park	TX	78613	67-1631	019485	Not Accredited
Resolutions Hospice Houston	12600 N Featherwood Dr Ste 108	Houston	TX	77034	67-1722	019607	CHAP
River Valley Home Health	149350 Ukiah Trail, Ste 102	Big River	CA	92242	059373	550001658	Not Accredited
River Valley Home Health	1990 N McCulloch Blvd, Ste. 109	Lake Havasu	AZ	86403-3606	037402	HHA7444	Not Accredited
River Valley Home Health	1317 S. Joshua Ave, Ste Q	Parker	AZ	85344	037297	HHA7419	Not Accredited
River Valley Hospice	149350 Ukiah Trail, Ste 103	Big River	CA	92242	751698	550003021	Not Accredited
River Valley Hospice	2649 Hwy 95, Unit H	Bullhead City	AZ	86442	031636	HSPC7364	Not Accredited
River Valley Hospice	1740 East Beverly Ave. Suite B	Kingman	AZ	86409	03-1661	HSPC10256	ACHC
River Valley Hospice	1317 S. Joshua Ave., Ste P	Parker	AZ	85344	031639	HSPC7545	Not Accredited
Safe Harbor Home Care	5473 Kearny Villa Road, Suite 110B	San Diego	CA	92123-1160	N/A	374700005	Not Accredited
Seaport Home Health	5473 Kearny Villa Road, Suite 100	San Diego	CA	92123	059303	550001427	Not Accredited
Seaport Hospice	5473 Kearny Villa Road, Suite 110A	San Diego	CA	92123	551745	550002260	Not Accredited
Sequoia Home Health	830 Hillview Ct., Suite 225	Milpitas	CA	95035-4550	058496	550000575	The Joint Commission
Sequoia Hospice	830 Hillview Ct., Suite 180	Milpitas	CA	95035-4563	921794	550003611	ACHC
Stonebridge Home Care North	1385 West 2200 South, Suite 203	West Valley City	UT	84119	N/A	PCA-UT000903	Not Accredited
Stonebridge Home Care Solutions	1664 S Dixie Drive, Ste C105	St. George	UT	84770	N/A	N/A	Not Accredited
Stonebridge Home Care Solutions	55 W. Willowbrook Drive, Suite 101	Meridian	ID	83646	N/A	N/A	Not Accredited
Stonebridge Home Care Solutions	1385 West 2200 South, Suite 201	West Valley City	UT	84119	N/A	2019-PCA-UT000767	Not Accredited
Stonebridge Home Care South	961 W Center Street	Orem	UT	84057	N/A	PCA-UT000904	Not Accredited

Subsidiaries of Applicant, Cornerstone Healthcare, Inc.

Agency/Facility Name	Street Address	City	State	ZIP Code	CCN	State Lic. No.	Accrediting Body
Symbii Home Health	1916 N 700 W, Suite 110	Layton	UT	84041	467231	HHA-77779	Not Accredited
Symbii Home Health	240 W Burnside Ave, Ste B	Chubbuck	ID	83202	13-7110	HH-233	Not Accredited
Symbii Home Health	625 S Washington St, Ste B	Afton	WY	83110	537073	15291	Not Accredited
Symbii Home Health South	1385 W. 2200 South, Suite 202	West Valley City	UT	84119	46-7342	HHA-UT00618	Not Accredited
Symbii Hospice	1916 N 700 W, Suite 110	Layton	UT	84041	461567	HOSPICE-102378	Not Accredited
Symbii Hospice	240 W Burnside Ave, Ste B	Chubbuck	ID	83202	13-1552	N/A	Not Accredited
Symbii Hospice	625 S Washington St, Ste B	Afton	WY	83110	531525	15290	Not Accredited
Symbii Hospice South	1385 W. 2200 South, Suite 202	West Valley City	UT	84119	46-1606	HOSPICE-UT00619	Not Accredited
Zion's Way Home Health	47 6th Avenue	Page	AZ	86040-1015	037290	HHA5463	Not Accredited
Zion's Way Home Health	1173 South 250 West, Suite 401	St. George	UT	84770	467243	HHA-106473	Not Accredited
Zion's Way Hospice	47 6th Avenue	Page	AZ	86040-1015	031594	HSPC5462	Not Accredited
Zion's Way Hospice	1173 South 250 West, Suite 401	St George	UT	84770	461559	Hospice-106446	Not Accredited

EXHIBIT 3

**HOSPICE
MEDICAL DIRECTOR SERVICE AGREEMENT**

AGREEMENT EFFECTIVE DATE:	_____ 12/21/20 _____
AGENCY:	SYMBOL HEALTHCARE, INC. Address: 4002 Tacoma Mall Blvd., Suite 204A, Tacoma, WA 98409
MEDICAL DIRECTOR:	WILLIAM ELLEDGE, M.D. Address: 1916 Berry Street N.E., Olympia, WA 98506

THIS HOSPICE MEDICAL DIRECTOR SERVICE AGREEMENT (“Agreement”) is made and entered into as of the above-listed Agreement Effective Date (“Effective Date”) by and between the above-listed Agency and Medical Director, (each a “Party” and collectively the “Parties”).

RECITALS

WHEREAS, Agency is engaged in the provision of a comprehensive set of services, identified and coordinated by an interdisciplinary group, for the palliation and management of the terminal illness and related conditions of its patients;

WHEREAS, Medical Director is a doctor of medicine or osteopathy legally authorized to practice medicine and surgery by the state in which he or she performs that function or action; and

WHEREAS, Agency desires to engage the services of Medical Director to serve as Medical Director for its Hospice Agency services.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby mutually acknowledge, the parties agree:

TERMS AND CONDITIONS

Section 1. Medical Director’s Duties

The Medical Director agrees to serve as the Medical Director for the Agency during the term of this Agreement, and to perform the duties set forth in **Exhibit A** in a good, professional and workmanlike manner.

Section 2. Agency’s Duties

Agency shall:

- 2.1 Organize, manage, and administer its resources to provide the hospice care and services to patients, caregivers and families necessary for the palliation and management of the terminal illness and related condition. Agency shall provide hospice care that (a) optimizes comfort and dignity; and (b) is consistent with patient and family needs and goals, with patient needs and goals as priority.

- 2.2 Assume and maintain full legal authority and responsibility for the management of the Agency, the provision of all hospice services, its fiscal operations, and continuous quality assessment and performance improvement. Agency shall be responsible for the day-to-day operation of the Agency.
- 2.3 Not restrict or limit the Medical Director's right to exercise his or her independent professional judgment, including his or her right to recommend services to be rendered and the manner to be used in performing those services.
- 2.4 Furnish the Medical Director with such supplies and materials as might ordinarily be expected for the preparation of reports, remarks and consultations.
- 2.5 Indemnify and hold harmless Medical Director from any claims arising out of the acts or omissions of Agency or its employees; provided, however, that Agency shall have no obligation to indemnify or hold harmless Medical Director for any claims alleging medical malpractice.

Section 3. Compensation

For and in consideration for all Services to be provided under this Agreement, Agency shall compensate Medical Director as follows:

- 3.1 Agency shall pay Medical Director an all-inclusive hourly rate of **One Hundred Ninety Dollars (\$190.00)**, which the Parties agree will apply to and cover all administrative and operational functions required by Agency, all face-to-face services, and all travel time necessary to perform Medical Director's required duties ("Administrative Services").
- 3.2 For each month during the Term of this Agreement, Medical Director shall keep an accurate record of all time spent performing Administrative Services for Agency by completing a copy of **Exhibit B** ("Physician Services Log/Invoice"), attached hereto. Medical Director shall submit a completed copy of **Exhibit B** to the Agency by the fifth (5th) day of the month following the month of service. All amounts due under this contract for Administrative Services will be due and payable by the fifteenth (15th) day of the month following the month of service by the Medical Director.
- 3.3 *Direct Patient Care Services.* In the event Medical Director renders direct patient care services ("Direct Patient Care Services") in his or her capacity as an Agency Patient's attending physician, Medical Director shall keep accurate record of all time spent performing Direct Patient Care Services and shall complete the "Direct Patient Care Services Worksheet" or other form provided by the Agency Administrator to receive reimbursement according to the terms of this Agreement. Agency shall reimburse Medical Director at a rate equal to ninety-two percent 92% of the Medicare or Medicaid rate received by the Agency for all Direct Patient Care Services. Medical Director shall submit a completed copy of Direct Patient Care Services Worksheet to the Agency by the fifth (5th) day of the month following the month of service. All amounts due under this contract for Direct Patient Care Services will be due and payable by the fifteenth (15th) day of the month following the month of service by the Medical Director.

Section 4. Insurance

- 4.1 Agency agrees that during the term of this Agreement, Physician, while acting within the scope of his duties as outlined herein, is covered under the Agency's general and professional liability (errors and omissions) insurance, which includes tail coverage for two years.
- 4.2 Agency agrees to maintain general and professional liability insurance or a plan of self-insurance in an amount not less than one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate.

Section 5. Term and Termination

- 5.1 The Term of this Agreement shall commence on the date referenced in the first paragraph of this Agreement and continue thereafter for a period of one (1) year (the "Initial Term"). Upon expiration of the Initial Term and each extension term thereafter, this Agreement shall automatically extend for an additional term of one (1) year unless, not less than thirty (30) days prior to the end of the term, either party gives written notice of termination to the other, in which case this Agreement shall terminate as of the end of the term.
- 5.2 Notwithstanding anything herein to the contrary, either party may cancel this Agreement for any reason or no reason, and without penalty, upon thirty (30) days written notice to the other party.
- 5.3 The Agency shall have the right to summarily and immediately terminate this Agreement for cause upon Medical Director's receipt of written notice documenting the breach and decision. For purposes of this Section, "for cause" shall include the following: (i) Medical Director's breach of any material term or condition of this Agreement; (ii) limitation, suspension or revocation of Medical Director's license to practice medicine or to prescribe controlled substances; (iii) Medical Director's violation of the eligibility requirements for reimbursement under any government program; (iv) the occurrence or existence of any condition, practice, procedure, action, inaction or omission of, by, or involving, Medical Director which, in the reasonable opinion of Agency constitutes a threat to the health, safety and welfare of any patient, Agency, or Agency employee; or (v) violation of any law, regulation, requirement, license, eligibility or material agreement governing Agency's operation or Medical Director's ability to practice medicine.
- 5.4 The Medical Director shall have the right to summarily and immediately terminate this Agreement for cause upon Agency's receipt of written notice documenting the breach and decision. Termination by the Medical Director shall be considered "for cause" under either of the following circumstances: (i) breach of any material term or condition of this Agreement by the Agency; or (ii) loss of the Agency's licensure to operate as a Home Health and Hospice Agency.

Section 6. Regulatory Changes

Agency and Medical Director mutually agree that in the event local, state or federal government agencies promulgate regulations which materially affect the terms of this Agreement, this Agreement shall be immediately subject to renegotiation upon the initiative of either Party.

Section 7. Licensure, Eligibility and Compliance

- 7.1 Medical Director and any employee of Medical Director rendering services hereunder shall at all times during the term of this Agreement be duly licensed to practice medicine in the state in which the Medical Director will perform the services contemplated herein, and shall provide satisfactory evidence of continuing licensure to the Agency upon the execution of this Agreement and thereafter upon request by Agency from time to time.
- 7.2 Medical Director acknowledges that its activities under this Agreement are governed by, *inter alia*, the United States Department of Health and Human Services' Office of the Inspector General's Compliance Program Guidelines for Home Health and Hospice Agencies. Upon request, Medical Director shall provide documentation that Medical Director is not and at no time has been an excluded party on the Office of Inspector General's List of Excluded Individuals/Entities or otherwise excluded from participating in any federally funded healthcare program including Medicare and Medicaid, with printed search results to be maintained on file and conducted annually. Medical Director represents and warrants that neither Medical Director nor any individual or entity with a direct or indirect ownership or control interest of five percent (5%) or more in Medical Director, nor any director, officer, agent or employee of such party, is debarred, suspended or excluded under any state or federal healthcare program it is currently eligible to participate in

Medicare, Medicaid, and all other federally funded health care programs and is not subject to any sanction or exclusion by any of those programs.

- 7.3 Medical Director agrees to immediately disclose to Agency any actual or threatened federal, state or local investigations or imposed sanctions of any kind, in progress or initiated subsequent to the date of entering into this Agreement. Medical Director further represents and warrants that it is not currently sanctioned under any applicable state or federal fraud and abuse statutes, including exclusion from any state or federal health care program.
- 7.4 If, during the term of this Agreement, Medical Director, its parent, or any officer, director or owner receives such a sanction, or notice of proposed sanction, Medical Director shall provide notice of and a full explanation of such sanction or proposed sanction and the period of its duration within ten (10) days of receipt. Agency reserves the right to terminate the Agreement immediately upon receipt of notice that Medical Director has been sanctioned under fraud and abuse statutes and/or any other federal, state or local regulation.
- 7.5 Medical Director acknowledges that it has received and reviewed a copy of Agency's Code of Conduct, available online at www.ensigngroup.net or upon request to Agency, and agrees to abide by the provisions thereof.
- 7.6 Medical Director shall participate in PennantU/compliance training and activities as required by Agency or Agency's compliance partners.

Section 8. Medical Director's Schedule and Availability

- 8.1 Nothing in this Agreement shall be construed as limiting or restricting in any manner Medical Director's right to render the same or similar services to other individuals or entities, including but not limited to, nursing homes and acute care facilities or home health and hospice agencies during or subsequent to the Term of this Agreement.
- 8.2 The Agency recognizes that Medical Director is a licensed and actively practicing physician who will continue the active practice of medicine. Nothing in the Agreement shall be construed to prevent or limit that practice.
- 8.3 Medical Director is entitled to be reasonably absent for annual vacations, sick leave, continuing education, and personal reasons; provided that in the event of any absence Medical Director shall make reasonable efforts to first consult with the Agency concerning the impending absence and cooperate with the Agency in providing a qualified physician acceptable to Agency to temporarily serve as acting Medical Director of the Agency during the period of absence.

Section 9. Contractual Relationship

- 9.1 *Independent Contractor.* It is expressly acknowledged by both parties that Medical Director is an independent contractor. Nothing herein is intended to be construed to create an employer-employee, partnership, joint-venture or other relationship between Medical Director and the Agency. No provision of this Agreement shall create any right in Agency to exercise control or direction over the manner or method by which Medical Director performs its duties, renders services or practices medicine in the Agency as the Medical Director hereunder; provided always, that those services shall be provided in a manner consistent with all applicable laws, rules and regulations of all governmental authorities, and Agency's Corporate Compliance Program. Agency will not withhold from compensation payable to Medical Director hereunder, or be in any way responsible for, any sums for income tax, employment insurance, Social Security, or any other agency, and Medical Director agrees that the payment of all such amounts as may be required by law are and shall be the sole responsibility of Medical Director.

- 9.2 *Fair Market Value.* The amounts to be paid to Medical Director hereunder have been determined by the parties through good faith and arms-length bargaining to be the fair market value of the services to be rendered hereunder. No amount paid or to be paid hereunder is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of patients by Medical Director to Agency, or by Agency to Medical Director, or for the recommending or arranging of the purchase, lease or order of any item or service or any other business generated between the parties. The services contracted for in this Agreement do not exceed what is reasonable and necessary to carry out the legitimate business purpose of the Agency. For purposes of this section, Medical Director and Agency will include each such person or entity and any affiliate thereof. No referrals are required under this Agreement.

Section 10. Indemnification.

- 10.1 Except as set forth in Subsection 2.5 above with regard to Medical Director's acts and omissions, Agency agrees to defend, indemnify, and hold Medical Director, its corporate parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees) liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with the performance of this Agreement to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Agency.
- 10.2 Medical Director agrees to defend, indemnify, and hold Agency, its corporate parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees), liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with the performance of this Agreement, to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Medical Director.
- 10.3 A party receiving notice of a claim or potential claim shall send written notice to the other within ten (10) business days, and shall fully cooperate in the defense thereof by counsel mutually acceptable to the parties. The parties' rights to indemnification set forth in this Article are non-exclusive and are not intended to affect in any way any other rights of the parties to indemnification under applicable federal, state or local laws and regulations.

Section 11. Access to Books and Records

Pursuant to 42 U.S.C. 1395x(V)(1)(I), during the four (4) year period after completion of services hereunder, Agency and Medical Director will, upon written request, make available to the Secretary of Health and Human Services or to the Comptroller General, or their duly authorized representatives, this Agreement and any books, documents, and records that are necessary to certify the nature and extent of costs incurred by the Agency under the provisions of this Agreement. This provision shall be in force for any twelve (12) month period during which the total value of services provided or goods delivered hereunder is ten thousand dollars (\$10,000) or more. This paragraph shall have no effect unless Medical Director is deemed a "subcontractor" under any regulation adopted under the provision of the United States Code cited above.

Section 12. Privacy

- 12.1 *HIPAA Applicability and Compliance.* Agency may be a "Covered Entity" under, and may be required to comply with, the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 as amended ("HIPAA") and the regulations and guidelines pertaining thereto (collectively with HIPAA the "HIPAA Rules"), and to obtain sufficient assurances that its contracting parties will appropriately safeguard patients' Protected Health Information ("PHI") as defined in the HIPAA Rules. Medical Director acknowledges that in the course of performing Medical Director's services, duties and obligations herein, Medical Director may receive, create or obtain access to PHI. Medical Director agrees to maintain the security and confidentiality of all PHI, as required of Agency under the HIPAA Rules and other applicable laws and regulations.

- 12.2 *Additional Documentation and Assurances.* Medical Director agrees that, upon Agency's request from time to time as deemed necessary by Agency in order to ensure Agency's full and continuing compliance with HIPAA Rules and other legal and contractual requirements, Medical Director will execute and deliver to Agency information, documentation or agreements as may be necessary to maintain compliance with the HIPAA Rules and all laws, statutes, ordinances, regulations and orders now or hereafter applicable to Agency or Medical Director.
- 12.3 *Correlation of Record Handling Requirements.* In the event of any conflict between the requirements of this Article 12 and/or between the various laws, statutes, ordinances and regulations relating to or otherwise affecting the subject matter thereof, the requirement or applicable law that that presents the most stringent standard for compliance, as reasonably determined by Agency, shall be followed, such that compliance is achieved or maximized in all cases.
- 12.4 *Confidential Information.* Medical Director shall preserve the confidentiality of all private, confidential and/or proprietary information disclosed to or discovered by Medical Director in connection with this Agreement, including, without limitation, nonpublic financial information, manuals, protocols, policies, procedures, marketing, and strategic information, Agency lists, computer software, training materials, resident/patient health information, resident/patient records, and resident/patient care and outcomes data ("Confidential Information") as required by law. Medical Director shall not use for its own benefit or disclose or otherwise disseminate to third parties, directly or indirectly, any Confidential Information without prior written consent from Agency. Upon termination of this Agreement, all Confidential Information and copies thereof shall be returned to Agency. Medical Director and Agency shall comply with applicable federal, state and local laws and regulations with respect to all Confidential Information, including, but not limited to, any disclosures thereof pursuant to this paragraph.

Section 13. Notices

All notices required or which may be given pursuant to this Agreement shall be in writing and shall be sufficient in all respects, if given in writing and delivered personally or by registered or certified United States mail, or by a comparable commercial delivery system, return receipt requested, and notice shall be deemed given on the date hand-delivered or on the date which is three (3) business days after the date deposited in the United States mail, or with a comparable commercial delivery system, with postage or other delivery charges thereon prepaid, at the addresses first set forth hereinabove or such other address as the Agency or Medical Director may designate by written notice to the other pursuant to this Section. For a notice from the Medical Director to the Agency to be effective, a true and complete copy of such notice shall be simultaneously delivered by the Medical Director to Cornerstone Service Center, Inc., Attn: General Counsel, 1675 E. Riverside Drive, Suite 200, Eagle, ID 83616.

Section 14. Dispute Resolution/Arbitration

- 14.1 The Parties agree to meet and confer in good faith to resolve any dispute(s) that may arise out of and/or relate to this Agreement. If such dispute(s) remain unresolved, the Parties mutually agree that such disputes shall be resolved exclusively by arbitration in accordance with the provisions of this Section.
- 14.1.1 Either Party may commence arbitration by sending a written demand for arbitration to the other Party, setting forth the nature of the controversy, the dollar amount involved, if any, the remedies sought, and attaching to such demand a copy of this fully executed Agreement.
- 14.1.2 The Parties agree to utilize a single mutually agreed upon arbitrator and/or arbitration service sitting in the county and state where Agency's principle office is located. If the Parties fail to select a mutually acceptable arbitrator within thirty (30) days after the demand for arbitration is mailed, then the parties stipulate to confidential arbitration in accordance with the then current American Health Lawyers Association dispute resolution

rules ("AHLA"), by a sole arbitrator selected from among the AHLA panel of certified arbitrators; provided, however, that if AHLA (or any successor organization thereto) no longer exists, then such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with its then-existing Commercial Arbitration Rules, and the sole arbitrator shall be selected in accordance with such AAA rules.

- 14.1.3 The Parties shall share all costs of arbitration evenly. The prevailing Party shall be entitled to reimbursement by the other Party of such Party's attorneys' fees and reasonable costs and any arbitration fees and expenses incurred in connection with the arbitration hereunder.
- 14.1.4 The substantive, evidentiary, and procedural law of the State where Agency's principal office is located shall be applied by the arbitrator. Arbitration shall take place in city where Agency's principle office is located, unless the Parties otherwise agree in writing. As soon as reasonably practicable, a hearing with respect to the dispute or matter to be resolved shall be conducted by the arbitrator. As soon as reasonably practicable thereafter, the arbitrator shall arrive at a final decision, which shall be reduced to writing, signed by the arbitrator and mailed to each of the Parties and their legal counsel. All decisions of the arbitrator shall be final, binding and conclusive on the Parties and shall constitute the only method of resolving disputes or matters subject to arbitration pursuant to this Agreement. The arbitrator or any court of competent jurisdiction may issue a writ of execution to enforce the arbitrator's judgment. Judgment may be entered upon such a decision in accordance with applicable law in any court having jurisdiction thereof.
- 14.1.5 Notwithstanding the foregoing, because time is of the essence in this Agreement, (i) the Parties specifically reserve the right to seek a judicial temporary restraining order, preliminary injunction, or other similar short term equitable relief, and grant the arbitrator the right to make a final determination of the Parties' rights, including whether to make permanent or dissolve such court order; (ii) any and all arbitration proceedings are conditional upon such proceedings being covered within the Parties' respective risk insurance policies; and (iii) the Parties shall not be required to arbitrate malpractice or any third party claims.

Section 15. Miscellaneous

- 15.1 This Agreement has been negotiated by and between Medical Director and Agency in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provision hereto, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Headings are used herein for convenience only, and shall play no part in the construction of any provision of this Agreement.
- 15.2 Medical Director and Agency hereby covenant that in performing their respective obligations under this Agreement, they will comply in all material respects with all applicable statutes, regulations, rules, orders, ordinances and other laws of any governmental entity to which this Agreement and the parties' obligations under this Agreement, are subject with respect to healthcare regulatory matters (including, without limitation, The Social Security Act, as amended, Sections 1128, 1128A and 1128B, 42 U.S.C. Sections 1320a-7, 7(a) and 7(b) including criminal penalties involving Medicare or state health care programs, commonly referred to as the "Federal Anti-Kickback Statute," and if applicable, the statute commonly referred to as the "Federal False Claims Act" and all statutes and regulations related to the possession, distribution, maintenance and documentation of controlled substances) ("Healthcare Laws"). Medical Director and Agency hereby represent and warrant that, to their best knowledge, no circumstances currently exist which can reasonably be

expected to result in material violations of any Healthcare Laws by Medical Director or Agency in connection with, or which can reasonably be expected to affect, their respective performance under this Agreement.

- 15.3 Time is of the essence of this Agreement and every term and condition hereof.
- 15.4 The waiver by any party hereto of breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach by any party.
- 15.5 This Agreement shall binding upon the parties hereto, their heirs, successors and assigns. Notwithstanding the foregoing, Medical Director acknowledges that a material and substantial consideration in Agency's execution of this Agreement is the identity and reputation of Medical Director, and Agency's subjective perception of Medical Director's value to and compatibility with Agency and its officers, employees, facilities and patients. As such, notwithstanding anything contained herein to the contrary, this Agreement and the rights of Medical Director hereunder are personal to Medical Director and may not be assigned or subcontracted to, nor shall the duties and responsibilities of Medical Director hereunder be delegated to or rendered by, any other person or entity without the express prior written consent of Agency, which consent may be granted or denied, conditionally or unconditionally, by Agency in its sole, absolute and unfettered discretion.
- 15.6 *Notice Regarding the Elder Justice Act.* All individuals who are agents or contractors of the Agency are required to report suspicion of a crime against any individual who is a resident of, or is receiving care from, the Agency to the Secretary of the U.S. Department of Health and Human Services and one or more law enforcement entities for the political subdivision in which the Agency is located. If the events that cause the suspicion result in serious bodily injury, the report shall be made no later than two hours after forming the suspicion. If the events that cause the suspicion do not result in serious bodily injury, the report shall be made no later than twenty-four (24) hours after forming the suspicions.
- 15.7 This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and negates any previous contracts between Agency and Medical Director. Agency and Medical Director mutually agree that this Agreement may not be modified unless such modification is in writing and signed by both parties.

[Signature Page to follow]

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

MEDICAL DIRECTOR SIGNATURE

Name: _____

Date: _____

AGENCY SIGNATURE

By: _____
Administrator/Authorized Agent

Date: _____

EXHIBIT A

MEDICAL DIRECTOR RESPONSIBILITIES:

ADMINISTRATIVE

- a. Meets regularly with the Executive Director, Administrator, the Director of Nursing Services, and other decision makers in the Agency and provides leadership and direction in an effort to continuously improve the care delivered by the team to Agency patients.
- b. Participates in, and helps respond to, regulatory surveys and interacts with outside regulatory bodies.
- c. Participates in disciplinary actions of Agency employees and facilitates performance review of practitioners performing services for Agency, when appropriate.

PROFESSIONAL SERVICES

- a. Reviews the clinical information for each hospice patient and provides written Certification of Terminal Illness, considering all facts and circumstances of the patient's condition, including: (a) diagnosis of the terminal condition of the patient; (b) other health conditions, whether related or unrelated to the terminal condition; and (c) current clinically relevant information supporting all diagnoses.
- b. Ensures the adequacy and appropriateness of the medical services provided to Agency patients, including being responsible for (in conjunction with patient's attending physician) the palliation and management of Agency patients' terminal illness and conditions related to the terminal illness.
- c. Works in concert with attending physician and interdisciplinary team (IDT) to establish and periodically review a plan of care for each patient to address the physical, medical, psychosocial, emotional, and spiritual needs of the hospice patients and families facing terminal illness and bereavement.
- d. Regularly attends and helps lead IDT meetings, enters reports into Agency's electronic medical records system (if applicable), prepares orders for patient care, and reviews recertification and admission reports.
- e. Performs and documents face-to-face evaluations, in accordance with hospice conditions of participation and other Federal and state requirements.
- f. Serves as consulting physician on patient care issues and questions, including: (a) being on-call to field telephone calls from Agency nursing staff, as agreed upon with Agency and (b) responding to facsimile transmissions, telephone calls, and other communication relating to Agency patient care. Takes responsibility for the medical component of the Agency's patient care program and oversees the planning and rendering of care, including supervising all work conducted on behalf of the Agency by other Agency physicians (either contracted or employee).
- g. Acts as liaison with attending physicians to oversee the rendition, and ensure the quality, of the collective professional services rendered within the Agency.
- h. Ensures that proper orders are written and submitted promptly.
- i. Helps develop, review, and updates, as necessary, written policies and procedures to guide Agency physicians in admitting and caring for their patients (including delineation of responsibility) at the Agency.
- j. Evaluates and ensures the medical services rendered from or within the Agency are compliant with the Agency's current policies and procedures, including without limitation, the Agency's Code of Conduct and applicable state and Federal law.
- k. Renders necessary medical care to Agency patients when the attending physician is not immediately available.
- l. Assists Agency staff in addressing medical emergencies within the Agency.
- m. Participates in the periodic evaluation of the adequacy and appropriateness of Agency professional and support staff services.
- n. Assures medical coverage during emergencies, and helps develop policies and procedures relating thereto.
- o. Organizes, coordinates, and monitors the activities of the physicians delivering care at the Agency, and ensures that the quality and appropriateness of services meets community and regulatory standards.

QUALITY ASSURANCE

- a. Participates in the monitoring of care within the Agency, serves as a member of the Agency's Quality Assurance Committee, and attends and participates in Quality Assurance Committee meetings.
- b. Maintains knowledge of state and national standards for and regulations applicable to the rendering of hospice services, and ensures that the Agency meets the existing standards of care and conditions of participation.
- c. Attends in QAPI meetings and participates in developing and reviewing Agency's QAPI Program in an effort to ensure Agency's policies, procedures, and practices regarding patient care comply with all applicable federal and state requirements.

EDUCATION

- a. Participates in the education and training activities of hospice staff members, and identifies and suggests topics for in-service training through observation and evaluation of patient care.
- b. Participates in the development, organization, and delivery of education programs for staff, patients, patient families, board members, and the community at large.
- c. At the direction of Administrator, completes any required Agency education and training courses within the timeframe established by the Administrator.

COMMUNITY

- a. Acts as an advocate for the Agency, encourages and facilitates community involvement in the activities of the Agency, and assists the community in understanding the Agency's capabilities and services.
- b. Serves as a liaison on behalf of the Agency in the community, including, helping to create positive relationships between the Agency and other health care providers in the community.

SOCIAL, REGULATORY, AND FINANCIAL

- a. Understands the mechanisms for hospice care reimbursement, and establishes relationship with other organizations involved in hospice care to assure that patients' needs are met across the continuum of care.

**EXHIBIT B
PHYSICIAN SERVICES LOG/INVOICE**

Physician Name: _____

Instructions:

1. Complete Service Log/Invoice, accounting for all time spent providing services pursuant to the terms of your Hospice Physician Services Agreement and Exhibit A.
2. Do not submit Service Log/Invoice for payment for direct patient care services rendered in your capacity as an Agency patient’s attending physician. In the event you perform such services, you will complete the “Direct Patient Care Services Worksheet” provided by the Agency Administrator and receive reimbursement according to the terms of your Medical Director Services Agreement.
3. Submit the completed, signed and dated Service Log/Invoice to the Agency Administrator for their approval and payment pursuant to the terms and conditions of your Hospice Physician Services Agreement.

Please fill out the table below, filling in the month and year of the services performed. Then, mark an “X” next to those services performed, enter the date those services were performed, and the hours worked.

MONTH & YEAR:			
MARK X	Specific Activities Performed	Date	Hours
	<i>Attendance at IDT.</i> Including, facilitating the establishment/review of patient plans of care with other members of the IDT.		
	<i>Providing on-call consultation.</i> Including providing on-call consultation to Agency, caregiver, and/or facility staff regarding questions about patient care services for Agency’s patient(s).		
	<i>Face-to-face.</i> Performed face-to-face evaluations of patients, in accordance with the hospice conditions of participation and other applicable State or Federal requirements.		
	<i>Attendance at Management Meetings.</i> Including meeting with Agency’s Administrator, Director of Nursing, Operations Manager, and/or other Agency personnel at the direction of Administrator.		
	<i>Reviewing reports.</i> Including reviewing admission and/or recertification reports, prepping for IDT, and/or entering information into Homecare Homebase (HCHB).		
	<i>On-call services.</i> Including the time spent being available for on-call consultative support on weekends, nighttime, and/or holidays.		
	<i>Other. (please provide a detailed description of the Medical Directorship duties performed)</i>		

ATTESTATION

HOSPICE PHYSICIAN

I affirm this service log reflects accurate and complete services and hours performed in accordance with the requirements of my Medical Director Service Agreement. I affirm these activities do not constitute the provision of professional services to individuals that have been billed to the patient or any third party payor. I confirm that no compensation has been solicited, offered, or received for the referral of any patient or the ordering of any goods or services in connection with these activities. I affirm this service log does not include any activities excluded from compensation under my Medical Director Service Agreement.

Physician Signature

Date

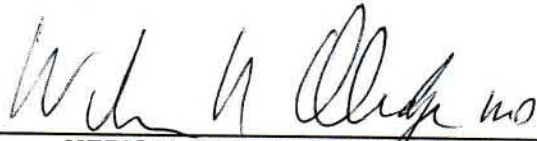
ADMINISTRATOR

I have reviewed this service log and attest to its completeness, accuracy and adherence to the documentation and verification standards. I confirm the activities as listed above were reasonable and necessary for legitimate and commercially reasonable purposes of the Program. I confirm that no compensation has been solicited, offered, or received for the referral of any patient or the ordering of any goods or services in connection with these activities. I affirm this service log does not include any activities excluded from compensation under the Medical Director Service Agreement.

Administrator Signature

Date

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.



MEDICAL DIRECTOR SIGNATURE




AGENCY SIGNATURE

Name: William N. FELLEGRINO BMD Devin Rothwell
Administrator/Authorized Agent

Date: 12/19/2020 Date: 12/21/2020

EXHIBIT 4

 **Kidder Mathews**
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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ALL RIGHTS RESERVED



Form: MT_NNN
Multi-Tenant NNN Lease
Rev. 9/2020
Page 1 of 27

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

THIS LEASE AGREEMENT (the "Lease") is entered into and effective as of this 21st day of December, 2020 between New Vision Investments, a(n) Washington Limited Liability Company ("Landlord"), and Symbol Healthcare Inc., a(n) Nevada Corporation ("Tenant"). Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

- a. **Leased Premises.** The leased commercial real estate (the "Premises") i) consists of an agreed area of 1492 rentable square feet and is outlined on the floor plan attached as Exhibit A; ii) is located on the land legally described on attached Exhibit B; and iii) is commonly known as A302, 111 Tumwater Blvd, Tumwater, WA 98502 (suite number and address). The Premises do not include, and Landlord reserves, the exterior walls and roof of the building in which the Premises are located (the "Building"), the land beneath the Building, the pipes and ducts, conduits, wires, fixtures, and equipment above the suspended ceiling; and the structural elements of the Building. The Building, the land upon which it is situated, all other improvements located on such land, and all Common Areas appurtenant to the Building are referred to as the "Property." The Building and all other buildings on the Property as of the date of this Lease contain an agreed total area of 68,423 rentable square feet.
- b. **Lease Commencement Date.** The term of this Lease shall commence upon (check one):
 - Substantial completion of (choose one) Landlord's Work, or Tenant's Work as further described in the attached Exhibit C ("Work Letter"), but in no event later than _____, 20__
 - July 1, 2021
 (the "Commencement Date").
- c. **Lease Termination Date.** The term of this Lease shall terminate at midnight on the last day of the 36th full month following the Commencement Date or such earlier or later date as otherwise provided in this Lease (the "Termination Date"). Tenant shall have no right or option to extend this Lease, unless otherwise set forth in a rider attached to this Lease (e.g., Option to Extend Rider, CBA Form OR).
- d. **Base Rent.** The monthly base rent shall be (check one): \$ _____, or according to the Rent Rider attached hereto ("Base Rent"). Rent shall be payable by wire transfer or at Landlord's address shown in Section 1(h) below, or such other place designated in writing by Landlord.
- e. **Prepaid Rent.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2850 as prepaid Rent, to be applied to Base Rent due for months July 1, 2021 through July 30, 2021 of the Lease.
- f. **Security Deposit.** Upon execution of this Lease, Tenant shall deliver to Landlord the sum of \$ 2500 to be held as a security deposit pursuant to Section 5 below. The security deposit shall be in the form of (check one): cash, check or wire transfer, or letter of credit according to the Letter of Credit Rider (CBA Form LCR) attached hereto.
- g. **Permitted Use.** The Premises shall be used only for Hospice related office activity and administration services, subject to applicable zoning and other laws, and for no other purpose without the prior written consent of Landlord (the "Permitted Use").

h. Notice and Payment Addresses:

Landlord: New Vision Investments LLC
8270 28th Court NE #201
Lacey, Wa 98516
Email: Prime Locations Management - 360-943-9922

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

Tenant: Symbol Healthcare
4002 Tacoma Mall Blvd Ste 204
Tacoma, WA 98409

Email: _____

- i. **Tenant's Pro Rata Share.** Landlord and Tenant agree that Tenant's "Pro Rata Share" is 2.18 %, based on the ratio of the rentable area of the Premises stated in Section 1.a to the rentable area of all buildings on the Property stated in Section 1.a. Tenant's Base Rent and Pro Rata Share shall be proportionally adjusted in the event of any adjustment to the Premises', Building's or Property's rentable floor area either by remeasurement, which measurement standard shall be selected by Landlord in its reasonable discretion, or by physical change thereto.
2. **PREMISES.**
- a. **Lease of Premises.** Landlord leases to Tenant, and Tenant leases from Landlord, the Premises upon the terms specified in this Lease.
- b. **Acceptance of Premises.** Except as specified elsewhere in this Lease, Landlord makes no representations or warranties to Tenant regarding the Premises, including the structural condition of the Premises or the condition of all mechanical, electrical, and other systems on the Premises. Except for any tenant improvements to be completed by Landlord as described in the Work Letter attached as Exhibit C ("Landlord's Work"), Tenant shall accept the Premises and its improvements in their respective AS-IS, WHERE-IS condition, and shall further be responsible for performing any work necessary to bring the Premises into a condition satisfactory to Tenant. By signing this Lease, Tenant acknowledges that it has had adequate opportunity to investigate the Premises; acknowledges responsibility for making any corrections, alterations and repairs to the Premises (other than Landlord's Work); and acknowledges that the time needed to complete any such items shall not delay the Commencement Date.
- c. **Tenant Improvements.** The Work Letter attached as Exhibit C sets forth all Landlord's Work, if any, and all tenant improvements to be completed by Tenant ("Tenant's Work"), if any, that will be performed on the Premises. Responsibility for design, payment and performance of all such work shall be as set forth in the Work Letter.
3. **TERM.** The term of this Lease shall commence on the Commencement Date, and shall end on the Termination Date, subject to any option to extend the term of this Lease set forth in a rider attached hereto (the "Term").
- a. **Early Possession.** Tenant shall have reasonable access to the Premises during the _____ days ((0) days if not filled in) preceding the Commencement Date for the sole purpose of installing Tenant's furniture, telecommunications, fixtures, telephone systems and computer cabling and the performance of Tenant's Work, if any. Such access shall be fully coordinated with Landlord in advance and Tenant shall not interfere with Landlord's Work. All of the terms and conditions of this Lease, including Tenant's insurance and indemnification obligations, shall apply during such time, except for payment of Base Rent. If Landlord permits Tenant to possess or occupy the Premises prior to the Commencement Date specified in Section 1, then such early occupancy shall not advance the Commencement Date or the Termination Date set forth in Section 1.
- b. **Delayed Possession.** Landlord shall act diligently to make the Premises available to Tenant; provided, however, neither Landlord nor any agent or employee of Landlord shall be liable for any damage or loss due to Landlord's inability or failure to deliver possession of the Premises to Tenant as provided in this Lease. If possession is delayed, the Commencement Date set forth in Section 1 shall also be delayed. If Landlord does not deliver possession of the Premises to Tenant within _____ days ((60) days if not filled in) after the Commencement Date specified in Section 1 (check one): Tenant may elect to cancel this

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

Lease by giving written notice to Landlord no later than _____ days ((10) days if not filled in) after such time period ends, or then all Base Rent and Additional Rent shall be abated for each one (1) day after the Commencement Date during which possession of the Premises has not been delivered to Tenant. If Tenant gives such notice of cancellation, as Tenant's sole and exclusive remedy, the Lease shall be cancelled, all prepaid Rent and security deposits shall be refunded to Tenant, and neither Landlord nor Tenant shall have any further obligations to the other.

Notwithstanding anything in this Section 3(b) to the contrary, to the extent that any portions of the Landlord's Work or Tenant's Work have not been sufficiently completed in time for the Tenant to occupy or take possession of the Premises on the Commencement Date due to the failure of Tenant to fulfill any of its obligations under this Lease ("Tenant Delays"), the Term and Tenant's obligation to pay Base Rent and Additional Rent shall nevertheless commence on the Commencement Date set forth in Section 1, or upon the date that the Commencement Date would have occurred but for the Tenant Delays. The first "Lease Year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease Year during the Term shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year.

4. RENT.

- a. **Payment of Rent.** Tenant shall pay Landlord without notice, demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the first day of each month during the Term beginning on (check one): the Commencement Date, or August 1, 2021 (if no date specified, then on the Commencement Date), and shall also pay any other additional payments, including Operating Costs, due to Landlord ("Additional Rent" and together with Base Rent, "Rent") when required under this Lease. Payments for any partial month during the Term shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall also constitute Additional Rent, and upon Tenant's failure to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay Rent.
- b. **Triple Net Lease.** This Lease is what is commonly called a "Net, Net, Net" or "triple-net" Lease, which means that Landlord shall receive all Base Rent free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to Base Rent, Tenant shall pay to the parties respectively entitled thereto, or satisfy directly, all Additional Rent and other impositions, insurance premiums, repair and maintenance charges, and any other charges, costs, obligations, liabilities, requirements, and expenses, including without limitation the Operating Costs described in Section 8, which arise with regard to the Premises or may be contemplated under any other provision of the Lease during its term, except for costs and expenses expressly made the obligation of Landlord in this Lease.
- c. **Late Charges; Default Interest.** If any sums payable by Tenant to Landlord under this Lease are not received within five (5) business days after their due date, Tenant shall pay Landlord an amount equal to the greater of \$100 or 5% of the delinquent amount for the cost of collecting and handling such late payment in addition to the amount due and as Additional Rent. All delinquent sums payable by Tenant to Landlord and not paid within five (5) business days after their due date shall, at Landlord's option, bear interest at the rate of 15% per annum, or the highest rate of interest allowable by law, whichever is less (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.
- d. **Less Than Full Payment.** Landlord's acceptance of less than the full amount of any payment due from Tenant shall not be deemed an accord and satisfaction or compromise of such payment unless Landlord specifically consents in writing to payment of such lesser sum as an accord and satisfaction or compromise of the amount which Landlord claims. Any portion that remains to be paid by Tenant shall be

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

subject to the late charges and default interest provisions of this Section 4.

5. **SECURITY DEPOSIT.** Upon execution of this Lease, Tenant shall deliver to Landlord the security deposit specified in Section 1 above. Landlord's obligations with respect to the security deposit are those of a debtor and not of a trustee, and Landlord may commingle the security deposit with its other funds. If Tenant defaults in the performance of any covenant or condition of this Lease, Landlord shall have the right, but not the obligation, to use or retain all or any portion of the security deposit for the payment of: (i) Base Rent, Additional Rent, or any other sum as to which Tenant is in default; or (ii) the amount Landlord spends or may become obligated to spend, or to compensate Landlord for any losses incurred by reason of Tenant's default. Tenant acknowledges, however, that the security deposit shall not be considered as a measure of Tenant's damages in case of default by Tenant, and any payment to Landlord from the security deposit shall not be construed as a payment of liquidated damages for Tenant's default. If at any time during the Term of the Lease the security deposit delivered by Tenant becomes insufficient to cover the amounts required under this Section 5, whether or not due to Landlord's application of all or a portion of the security deposit as contemplated by this Section, Tenant shall, within five (5) days after written demand therefor by Landlord, deposit with Landlord an amount sufficient to replenish the security deposit to the amount required in Section 1 above. If Tenant is not in default of any covenant or condition of this Lease at the end of the Term, Landlord shall return any unused portion of the security deposit without interest within 30 days after the surrender of the Premises by Tenant in the condition required by Section 13 of this Lease.
6. **USES.** The Premises shall be used only for the Permitted Use, and for no other business or purpose without the prior written consent of Landlord. Tenant shall not do or permit any act to be done on or around the Premises that violates any law, ordinance, governmental regulation or order or that will increase the existing rate of insurance on the Premises, the Building, or the Property, or cause the cancellation of any insurance on the Premises, the Building, or the Property. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done on the Premises, the Building, or the Property which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees or to injure or annoy such persons.
7. **COMPLIANCE WITH LAWS.** Landlord represents to Tenant that, as of the Commencement Date, to Landlord's actual knowledge, but without duty of investigation, and with the exception of any Tenant's Work, the Premises comply with all applicable laws, rules, regulations, and orders, including without limitation, the Americans With Disabilities Act, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. Tenant shall be responsible for complying with all laws applicable to the Premises as a result of the Permitted Use, and Tenant shall be responsible for making any changes or alterations as may be required by law, rule, regulation, or order for the Permitted Use at its sole cost and expense. Otherwise, if changes or alterations are required by law, rule, regulation, or order unrelated to the Permitted Use, Landlord shall make such changes and alterations at its expense.
8. **OPERATING COSTS.**
 - a. **Definition.** As used herein, "Operating Costs" shall mean all costs of operating, maintaining and repairing the Premises, the Building, and the Property, determined in accordance with generally accepted accounting principles, and including without limitation the following: all taxes and assessments (including, but not limited to, real and personal property taxes and assessments, local improvement district assessments and other special purpose assessments, and taxes on rent or gross receipts); insurance premiums paid by Landlord and (to the extent used) deductibles for insurance applicable to the Property; water, sewer and all other utility charges (other than utilities separately metered and paid directly by Tenant or other tenants); janitorial and all other cleaning services; refuse and trash removal; supplies, materials, tools, and equipment used in the operation, repair, and maintenance of the Property; refurbishing and repainting; carpet replacement; to the extent serving areas other than just the Premises, heating, ventilation and air conditioning ("HVAC") service, repair and replacement when necessary; elevator service and repair and replacement of elevators when necessary; pest control; lighting systems,

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

fire detection and security services; landscape maintenance; management (fees and/or personnel costs); parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal; repair, maintenance, and, where reasonably required, replacement of signage; amortization of capital improvements as Landlord may in the future install to comply with governmental regulations and rules or undertaken in good faith with a reasonable expectation of reducing Operating Costs (the useful life of which shall be a reasonable period of time as determined by Landlord); costs of legal services (except those incurred directly relating to a particular occupant of the Building); and accounting services, labor, supplies, materials and tools. Landlord and Tenant agree that if the Building is not 90% occupied during any calendar year (including the Base Year, if applicable), on a monthly average, then those portions of the Operating Costs that are driven by occupancy rates, as reasonably determined by Landlord, shall be increased to reflect the Operating Costs of the Building as though it were 90% occupied and Tenant's Pro Rata Share of Operating Costs shall be based upon Operating Costs as so adjusted. Operating Costs shall not include: Landlord's income tax or general corporate overhead; depreciation or amortization on the Building or equipment therein; loan or ground lease payments; real estate broker's commissions; capital improvements to or major repairs of the Building shell (i.e., the Building structure, exterior walls, roof, and structural floors and foundations), except to the extent expressly permitted above; any costs regarding the operation, maintenance and repair of the Premises, the Building, or the Property paid directly by Tenant or other tenants in the Building or otherwise reimbursed to Landlord, or other cost for which another party is required to pay Landlord (except as part of operating cost recoveries under other tenant leases) so that Landlord shall not recover any item of cost more than once. If Tenant is renting a pad separate from any other structures on the Property for which Landlord separately furnishes the services described in this paragraph, then the term "Operating Costs" shall not include those costs of operating, repairing, and maintaining the enclosed mall which can be separately allocated to the tenants of the other structures. Operating Costs which cannot be separately allocated to the tenants of other structures may include but are not limited to: insurance premiums; taxes and assessments; management (fees and/or personnel costs); exterior lighting; parking lot, road, sidewalk and driveway patching, resurfacing and maintenance; snow and ice removal; and costs of legal services and accounting services.

- b. **Type of Payment.** As Additional Rent, Tenant shall pay to Landlord on the first day of each month with payment of Base Rent one-twelfth of Tenant's Pro Rata Share of Operating Costs, which amount is determined in the manner set forth in Section 8(c) below.
- c. **Method of Payment.** Tenant shall pay to Landlord Operating Costs pursuant to the following procedure:
 - i. Landlord shall provide to Tenant, on or before the Commencement Date, a good faith estimate of annual Operating Costs for the calendar year in which the Commencement Date occurs. Landlord shall also provide to Tenant, as soon as possible following the first day of each succeeding calendar year, a good faith estimate of Tenant's annual Pro Rata Share of Operating Costs for the then-current year.
 - ii. Each estimate of Tenant's annual Pro Rata Share of Operating Costs determined by Landlord, as described above, shall be divided into 12 equal monthly installments. Tenant shall pay to Landlord such monthly installment of Operating Costs with each monthly payment of Base Rent. In the event the estimated amount of Tenant's Pro Rata Share of Operating Costs has not yet been determined for any calendar year, Tenant shall pay the monthly installment in the estimated amount determined for the preceding calendar year until the estimate for the current calendar year has been provided to Tenant. When the estimate for the current calendar year is received, Tenant shall then pay any shortfall or receive a credit for any surplus for the preceding months of the current calendar year and shall, thereafter, make the monthly installment payments in accordance with the current estimate.
 - iii. As soon as reasonably possible following the end of each calendar year during the Term, Landlord shall provide to Tenant a statement (the "Operating Costs Statement") setting forth the amount of Operating Costs actually incurred and the amount of Tenant's Pro Rata Share of Operating Costs actually payable by Tenant with respect to such calendar year. In the event the amount of Tenant's Pro Rata Share of Operating Costs exceeds the sum of the monthly installments actually paid by

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

Tenant for such calendar year, Tenant shall pay to Landlord the difference within 30 days following receipt of the Operating Costs Statement. In the event the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's Pro Rata Share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future Pro Rata Share of Operating Costs payable by Tenant pursuant to this Section, or if the Term has expired, the excess shall be refunded to Tenant within 30 days after delivery of such Operating Costs Statement.

- iv. Should Tenant dispute any amount shown on the Operating Costs Statement, Tenant may audit Landlord's books and records for the calendar year covered by such Operating Costs Statement upon written notice to Landlord given within 90 days after Tenant's receipt of such Operating Costs Statement. If Tenant fails to provide notice of dispute within such 90- day period, the Operating Costs Statement shall be final and conclusive. Any audit conducted by Tenant shall be completed within 60 days after Tenant's request therefor. If Landlord concurs with the audit results, and (x) if the audit reveals that Tenant's Pro Rata Share of Operating Costs exceeds the sum of the monthly installments actually paid by Tenant for such calendar year, Tenant shall pay to Landlord the difference within 30 days following completion of the audit; or (y) if the audit reveals that the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's Pro Rata Share of Operating Costs actually due and owing, the difference shall be applied as a credit to Tenant's future Pro Rata Share of Operating Costs payable by Tenant pursuant to this Section, or if the term has expired, the excess shall be refunded to Tenant within 30 days after completion of the audit. If Landlord does not concur with the results of Tenant's audit, the parties shall within twenty (20) days thereafter agree on a neutral auditor who shall complete an audit within thirty (30) days after selection, and the decision of the neutral auditor shall be binding on the parties. The parties shall share evenly in the costs of any such neutral auditor. Landlord and Tenant shall cooperate as may be reasonably necessary in order to facilitate the timely completion of any audit. Nothing in this Section shall in any manner modify Tenant's obligations to make payments as and when provided under this Lease.
9. **UTILITIES AND SERVICES.** Landlord shall provide the following services for the Premises (7) days per week, (24) hours per day, the cost of which shall be included in the Operating Costs to the extent not separately metered to and exclusively serving the Premises (with the costs of such separately metered services to be directly billed to and paid by Tenant): (check all that apply) water; electricity; sewer; trash and/or recycling removal; and HVAC from 7 a.m. to 7 p.m. Monday through Friday; 8 a.m. to 6 p.m. on Saturday; and 8 a.m. to 6 p.m. on Sunday; janitorial service in the Premises and Building _____ nights ((5) nights if not filled in) each week, exclusive of holidays. HVAC services will also be provided by Landlord to the Premises during additional hours on reasonable notice to Landlord, at Tenant's sole cost and expense, at an hourly rate reasonably established by Landlord from time to time and payable by Tenant, as and when billed, as Additional Rent. Notwithstanding the foregoing, if Tenant's use of the Premises incurs utility service charges which are above those usual and customary for the Permitted Use, Landlord reserves the right to require Tenant to pay a reasonable additional charge for such usage.

Tenant shall furnish all other utilities (including, but not limited to, telephone, internet, and cable service if available) and other services which Tenant requires with respect to the Premises, and shall pay, at Tenant's sole expense, the cost of all utilities separately metered to the Premises, and of all other utilities and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord and included in Operating Expenses as described above. Landlord shall not be liable for any loss, injury or damage to person or property caused by or resulting from any variation, interruption, or failure of utilities due to any cause whatsoever, and Rent shall not abate as a result thereof.

10. **TAXES AND ASSESSMENTS.** Tenant shall pay all taxes, assessments, liens and license fees ("Taxes") levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, related to or required by Tenant's use of the Premises as well as all Taxes on Tenant's personal property located on the Premises. Landlord shall pay all taxes and assessments with respect to the Property, all of which shall be included in Operating Costs and subject to partial reimbursement by Tenant as set forth

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

in Section 8.

11. COMMON AREAS.

- a. **Definition.** The term "Common Areas" means all areas, facilities and building systems that are provided and designated from time to time by Landlord for the general non-exclusive use and convenience of Tenant and other tenants of the Property and which are not leased or held for the exclusive use of a particular tenant. To the extent that such areas and facilities exist within the Property, Common Areas include hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, trash facilities, parking areas and garages, roadways, pedestrian sidewalks, landscaped areas, security areas, lobby or mall areas, common HVAC systems, common electrical service, equipment and facilities, and common mechanical systems, equipment and facilities. Tenant shall comply with, and shall use commercially reasonable efforts to cause its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees to comply with, reasonable rules and regulations concerning the use of the Common Areas adopted by Landlord from time to time, and shall not interfere with the use of Common Areas by others. Without advance notice to Tenant and without any liability to Tenant, Landlord may change the size, use, or nature of any Common Areas, erect improvements on the Common Areas or convert any portion of the Common Areas to the exclusive use of Landlord or selected tenants, so long as Tenant is not thereby deprived of the substantial benefit of the Premises. Landlord reserves the use of exterior walls and the roof of the Building and other improvements at the Property, and the right to install, maintain, use, repair and replace pipes, ducts, conduits, and wires leading through the Premises in areas which will not materially interfere with Tenant's use thereof.
- b. **Use of the Common Areas.** Tenant shall have the non-exclusive right, in common with such other tenants of the Property to whom Landlord has granted or may grant such rights, to use the Common Areas.
- c. **Maintenance of Common Areas.** Landlord shall maintain the Common Areas in good order, condition and repair. This maintenance cost shall be includable in Operating Costs pursuant to Section 8. In performing such maintenance, Landlord shall use commercially reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises.

12. **ALTERATIONS.** Tenant may make alterations, additions or improvements to the Premises (the "Alterations"), only with the prior written consent of Landlord, which consent, with respect to Alterations not affecting the structural components of the Premises or utility systems therein or for which the aggregate cost and expense does not exceed \$10,000, shall not be unreasonably withheld, conditioned, or delayed. Landlord shall have 30 days following Tenant's request for Landlord's consent to any Alterations to respond to such request, provided that Tenant's request includes the names of Tenant's contractors and reasonably detailed plans and specifications therefor. The term "Alterations" shall not include: (i) any of Tenant's Work approved by Landlord pursuant to Exhibit C, (ii) Tenant's Signage (as further provided in Section 15), or (iii) the installation of shelves, movable partitions, Tenant's equipment and trade fixtures that may be installed and removed without damaging existing improvements or the structural integrity of the Premises, the Building, or the Property. Tenant shall perform all work at Tenant's expense and in compliance with all applicable laws and shall complete all Alterations in accordance with plans and specifications approved by Landlord, using contractors approved by Landlord, and in a manner so as not to unreasonably interfere with other tenants. Tenant shall pay when due, or furnish a bond for payment of (as set forth in Section 20), all claims for labor or materials furnished to or for Tenant at, or for use in, the Premises, which claims are or may be secured by any mechanics' or materialmen's liens against the Premises or the Property or any interest therein. Except as otherwise provided in the Work Letter attached as Exhibit C with respect to Tenant's Work, any improvements installed as part of Tenant Work's or Alterations performed or caused to be performed by Tenant (check one): shall become the property of Landlord, or shall be removed by Tenant at its sole cost and expense upon the expiration or earlier termination of the Lease Term (unless Landlord conditioned its consent in writing upon Tenant leaving a specified Alteration at the Premises, in which case Tenant shall not remove such Alteration, and it shall become Landlord's property). Tenant shall immediately repair any

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

damage to the Premises caused by removal of improvements performed as part of Tenant's Work and/or Alterations.

13. **REPAIRS AND MAINTENANCE; SURRENDER.** Tenant shall, at its sole cost and expense, maintain the entire Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition, including all HVAC components and other utilities and systems to the extent exclusively serving the Premises. Landlord shall maintain and repair the Building structure, foundation, subfloor, exterior walls, roof structure and surface, and HVAC components and other utilities and systems to the extent serving more than just the Premises, and the Common Areas, the costs of which shall be included as Operating Costs unless otherwise expressly excluded pursuant to Section 8(a). Tenant shall not damage any demising wall or disturb the structural integrity of the Premises, the Building, or the Property and shall promptly repair any damage or injury done to any such demising walls or structural elements caused by Tenant or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. Notwithstanding anything in this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees therein. If Tenant fails to perform Tenant's obligations under this Section, Landlord may at Landlord's option enter upon the Premises after 10 days' prior notice to Tenant and put the same in good order, condition and repair and the cost thereof, together with interest thereon at the Default Rate set forth in Section 4, shall be due and payable as Additional Rent to Landlord together with Tenant's next installment of Base Rent. Upon expiration or earlier termination of the Term, Tenant shall promptly and peacefully surrender the Premises to Landlord, together with all keys, in materially as good condition as when received by Tenant from Landlord or as thereafter improved (but subject to any obligations to remove any Tenant's Work and Alterations and/or restore the same as further provided in this Lease), reasonable wear and tear and insured casualty excepted.
14. **ACCESS AND RIGHT OF ENTRY.** After 24 hours' notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises at all reasonable times to make repairs, inspections, alterations or improvements, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. This Section shall not impose any repair or other obligation upon Landlord not expressly stated elsewhere in this Lease. After reasonable notice to Tenant, Landlord shall have the right to enter the Premises for the purpose of (a) showing the Premises to prospective purchasers or lenders at any time, and to prospective tenants within 180 days prior to the expiration or sooner termination of the Term; and (b) posting "for lease" signs within 180 days prior to the expiration or sooner termination of the Term.
15. **SIGNAGE.** Tenant shall obtain Landlord's written consent as to size, location, materials, method of attachment, and appearance, before installing any signs upon the Premises. Tenant shall install and maintain any approved signage ("Signage") at Tenant's sole expense and in compliance with all applicable laws. Unless as otherwise provided in Exhibit C with respect to any of Tenant's Work, any Signage installed by Tenant shall be removed from the Premises, Building and Property at Tenant's expense upon the expiration or earlier termination of the Term. Tenant shall not damage or deface the Premises in installing or removing Signage and shall repair any injury or damage to the Premises caused by such installation or removal.
16. **DESTRUCTION OR CONDEMNATION.**
- a. **Damage and Repair.** If the Premises or the portion of the Building or the Property necessary for Tenant's occupancy are partially damaged by fire or other insured casualty but not rendered untenable, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate. Tenant may, however, terminate the Lease if Landlord is unable to restore the Premises within six (6) months of the casualty event by giving 20 days' written notice of termination.

The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

deemed untenantable if 25% or less of each of those areas are damaged. If insurance proceeds are not available or are not sufficient to pay the entire cost of restoring the Premises, or if Landlord's lender does not permit all or any part of the insurance proceeds to be applied toward restoration, then Landlord may elect to terminate this Lease and keep the insurance proceeds, by notifying Tenant within 60 days of the date of such casualty.

If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are entirely destroyed, or partially damaged and rendered untenantable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within 60 days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenantable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within six (6) months of the date of the casualty event, then Tenant may elect to terminate the Lease upon 20 days' notice to Landlord unless Landlord, within such 20 day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and Base Rent shall be abated in the same proportion as the untenantable portion of the Premises bears to the whole Premises, provided that there shall be a Base Rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees. No damages, compensation or claim shall be payable by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property. Landlord shall have no obligation to carry insurance of any kind for the protection of Tenant; any Alterations or improvements paid for by Tenant; any of Tenant's Work identified in Exhibit C (regardless of who may have completed them); Signage; Tenant's furniture; or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same.

- b. **Condemnation.** If the Premises, the portion of the Building or the Property necessary for Tenant's occupancy, or 50% or more of the rentable area of the Property are made untenantable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning authority or the condemning authority first has possession of the Premises or the portion of the Property taken by the condemning authority. All Rents and other payments shall be paid to that date.

If the condemning authority takes a portion of the Premises or of the Building or the Property necessary for Tenant's occupancy that does not render them untenantable, then this Lease shall continue in full force and effect and Rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced. The reduction in Rent shall be effective on the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Premises or the portion of the Building or the Property necessary for Tenant's occupancy shall not be deemed untenantable if 25% or less of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Building or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award.

17. INSURANCE.

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

- a. **Tenant's Liability Insurance.** During the Term, Tenant shall pay for and maintain commercial general liability insurance with broad form property damage and contractual liability endorsements. This policy shall (i) contain an endorsement identifying Landlord, its property manager (if any), and other parties designated by Landlord, as additional insureds using an endorsement form acceptable to Landlord, (ii) insure Tenant's activities and those of Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees with respect to the Premises against loss, damage or liability for personal injury or bodily injury (including death) or loss or damage to property with a combined single limit of not less than ~~\$2~~\$1,000,000 per occurrence, and a deductible of not more than ~~\$40~~150,000, and (iii) contain a provision requiring the insurer to deliver or mail written notice of cancellation to the named insureds at least (45) days before the effective date of the cancellation. Tenant's insurance will be primary and noncontributory with any liability insurance carried by Landlord. Landlord may also require Tenant to obtain and maintain at Tenant's sole cost business income coverage for at least six (6) months, business auto liability coverage, and, if applicable to Tenant's Permitted Use, liquor liability insurance and/or warehouseman's coverage.
- b. **Tenant's Property Insurance.** During the Term, Tenant shall pay for and maintain special form clauses of loss coverage property insurance (with coverage for earthquake if required by Landlord's lender and, if the Premises are situated in a flood plain, flood damage) for all of Tenant's personal property, fixtures and equipment, Tenant's Work, and Alterations, in the amount of their full replacement value, with a deductible of not more than ~~\$40~~100,000.
- c. **Miscellaneous.** Tenant's insurance required under this Section shall be with companies rated A-/VII or better in Best's Insurance Guide, and which are admitted in the State of Washington. No insurance policy shall be cancelled or reduced in coverage and each such policy shall provide that it is not subject to cancellation or a reduction in coverage except after 30 days prior written notice to Landlord. Tenant shall deliver to Landlord, prior to Tenant's first taking possession of or occupying the Premises, and from time to time thereafter, copies of the insurance policies or evidence of insurance and copies of endorsements required by this Section. In no event shall the limits of such policies be considered as limiting the liability of Tenant under this Lease. If Tenant fails to acquire or maintain any insurance or provide any policy or evidence of insurance required by this Section, and such failure continues for three (3) days after notice from Landlord, Landlord may, but shall not be required to, obtain such insurance for Landlord's benefit and Tenant shall reimburse Landlord for the costs of such insurance upon demand. Such amounts shall be Additional Rent payable by Tenant hereunder and in the event of non-payment thereof, Landlord shall have the same rights and remedies with respect to such non-payment as it has with respect to any other non-payment of Rent hereunder.
- d. **Landlord's Insurance.** Landlord shall carry special form clauses of loss coverage property insurance of the Building shell and core in the amount of their full replacement value, liability insurance with respect to the Common Areas, and such other insurance of such types and amounts as Landlord, in its discretion, shall deem reasonably appropriate. The cost of any such insurance shall be included in Operating Costs, and if such insurance is provided by a "blanket policy" insuring other parties or locations in addition to the Building, then only the portion of the premiums allocable to the Building and Property shall be included in Operating Costs.
- e. **Waiver of Subrogation.** Notwithstanding any other provision of this Lease to the contrary, Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim of recovery for any loss or damage arising from any cause covered by insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

18. INDEMNIFICATION.

- a. **Indemnification by Tenant.** Tenant shall defend, indemnify, and hold Landlord and its property manager (if any) harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Tenant or Tenant's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Tenant. Tenant shall use legal counsel reasonably acceptable to Landlord in defense of any action within Tenant's defense obligation.
- b. **Indemnification by Landlord.** Landlord shall defend, indemnify and hold Tenant harmless against all liabilities, damages, costs, and expenses, including attorneys' fees, for personal injury, bodily injury (including death) or property damage arising from any negligent or wrongful act or omission of Landlord or Landlord's employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees on or around the Premises or the Property, or arising from any breach of this Lease by Landlord. Landlord shall use legal counsel reasonably acceptable to Tenant in defense of any action within Landlord's defense obligation.
- c. **Waiver of Immunity.** Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.
- d. **Exemption of Landlord from Liability.** Except to the extent of claims arising out of Landlord's gross negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, or any other person in or about the Premises or the Property.
- e. **Survival.** The provisions of this Section 18 shall survive expiration or termination of this Lease.

19. **ASSIGNMENT AND SUBLETTING.** Tenant shall not assign, sublet, mortgage, encumber or otherwise transfer any interest in this Lease (collectively referred to as a "Transfer") or any part of the Premises, without first obtaining Landlord's written consent, which shall not be unreasonably withheld, conditioned, or delayed. No Transfer shall relieve Tenant of any liability under this Lease notwithstanding Landlord's consent to such Transfer. Consent to any Transfer shall not operate as a waiver of the necessity for Landlord's consent to any subsequent Transfer. In connection with each request for consent to a Transfer, Tenant shall pay the reasonable cost of processing the same, including attorneys' fees, upon demand of Landlord, up to a maximum of \$1,250.

Any transfer of this Lease by merger, consolidation, redemption or liquidation of Tenant, or any change in the ownership of, or power to vote, which singularly or collectively represents a majority of the beneficial interest in Tenant, shall constitute a Transfer under this Section.

As a condition to Landlord's approval, if given, any potential assignee or sublessee otherwise approved by Landlord shall assume all obligations of Tenant under this Lease and shall be jointly and severally liable with Tenant and any guarantor for the payment of Rent and performance of all obligations of Tenant under this Lease. In connection with any Transfer, Tenant shall provide Landlord with copies of all assignments, subleases and assumption agreements and related documents.

20. **LIENS.** Tenant is not authorized to subject the Landlord's assets to any liens or claims of lien. Tenant shall keep the Property and Premises free from any liens created by or through Tenant. Tenant shall indemnify, defend, and hold Landlord and the Property and Premises harmless from liability for any such liens including,

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

without limitation, liens arising from any of Tenant's Work or Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall have the right to contest the correctness or validity of the lien, provided, however, within 10 days after Landlord's demand, at Tenant's expense, Tenant shall either remove the lien, or shall procure and record a lien release bond issued by a surety satisfactory to Landlord in form and amount sufficient to satisfy statutory requirements for satisfaction and release of the subject lien(s) from the Premises and Property. Tenant shall indemnify Landlord, the Premises, and the Property from and against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien.

21. **DEFAULT.** Each of the following events shall be an "Event of Default" by Tenant under this Lease:
- a. **Failure To Pay.** Failure by Tenant to pay any sum, including Rent, due under this Lease following five (5) days' notice from Landlord of the failure to pay.
 - b. **Vacation/Abandonment.** Vacation by Tenant of the Premises (defined as an absence for at least 15 consecutive days without prior notice to Landlord), or abandonment by Tenant of the Premises (defined as an absence of five (5) days or more while Tenant is in breach of some other term of this Lease). Tenant's vacation or abandonment of the Premises shall not be subject to any notice or right to cure.
 - c. **Insolvency.** Tenant's insolvency or bankruptcy (whether voluntary or involuntary); or appointment of a receiver, assignee or other liquidating officer for Tenant's business; provided, however, that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within 60 days after its institution or commencement.
 - d. **Levy or Execution.** The taking of Tenant's interest in this Lease or the Premises, or any part thereof, by execution or other process of law directed against Tenant, or attachment of Tenant's interest in this Lease by any creditor of Tenant, if such attachment is not discharged within 15 days after being levied.
 - e. **Other Non-Monetary Defaults.** The breach by Tenant of any agreement, term or covenant of this Lease other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, which breach continues for a period of 30 days after notice by Landlord to Tenant of the breach, provided that, if the nature of such default is such that it cannot be cured within such 30 day period, no Event of Default shall occur so long as Tenant commences such cure within 30 days of notice by Landlord and diligently pursues such cure to completion, but in no event longer than 60 days from the date of Landlord's notice.
 - f. **Failure to Take Possession.** Failure by Tenant to take possession of the Premises on the Commencement Date following five (5) days' notice from Landlord of Tenant's failure to take possession.

Landlord shall not be in default unless Landlord fails to perform obligations required of Landlord within 30 days after notice by Tenant to Landlord, provided that, if the nature of such default is such that it cannot be cured within such 30 day period, Landlord shall not be in default if Landlord commences such cure within 30 days of notice by Tenant and diligently pursues such cure to completion. If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform any of its obligations to the standard prescribed in this Lease.

Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

22. **REMEDIES.** Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative and not exclusive.

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

- a. **Termination of Lease.** Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to Rent and other sums that would have been owing by Tenant under this Lease for the balance of the Term, less the net proceeds, if any, of any reletting of the Premises by Landlord subsequent to the termination, after deducting all of Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.
- b. **Re-Entry and Reletting.** Landlord may continue this Lease in full force and effect, and without demand or notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all Reletting Expenses (defined below); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord Rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises and after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions and costs for securing new tenants, attorneys' fees, remodeling and repair costs, costs for removing persons or property, costs for storing Tenant's property and equipment, and costs of tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.
- c. **Waiver of Redemption Rights.** Tenant, for itself, and on behalf of any and all persons claiming through or under Tenant, including creditors of all kinds, hereby waives and surrenders all rights and privileges which they may have under any present or future law, to redeem the Premises or to have a continuance of this Lease for the Term, or any extension thereof.
- d. **Nonpayment of Additional Rent.** All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have the same rights it has with respect to nonpayment of Rent.
- e. **Failure to Remove Property.** If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within five (5) days of Landlord's

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, without notice to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent, if any.

23. **MORTGAGE SUBORDINATION AND ATTORNMENT.** This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any party acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided the acquiring party assumes the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than 15 days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each party acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy and other rights under this Lease, so long as no uncured Event of Default by Tenant exists.
24. **NON-WAIVER.** Landlord's waiver of any breach of any provision contained in this Lease shall not be deemed to be a waiver of the same provision for subsequent acts of Tenant. The acceptance by Landlord of Rent or other amounts due by Tenant hereunder shall not be deemed to be a waiver of any previous breach by Tenant.
25. **HOLDOVER.** If Tenant shall, without the written consent of Landlord, remain in possession of the Premises and fail to return them to Landlord after the expiration or termination of this Lease, the tenancy shall be a holdover tenancy at sufferance, which may be terminated according to Washington law. During such tenancy, Tenant agrees to pay to Landlord 150% of the rate of rental last payable under this Lease, unless a different rate is agreed upon by Landlord. All other terms of the Lease shall remain in effect other than any options to extend the Term. Tenant acknowledges and agrees that this Section does not grant any right to Tenant to holdover, and that Tenant may also be liable to Landlord for any and all damages or expenses which Landlord may have to incur as a result of Tenant's holdover.
26. **NOTICES.** All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier to the other party, or (ii) three (3) days after being sent by registered or certified mail to the other party at the address set forth in Section 1. The addresses for notices and payment of rent set forth in Section 1 may be modified by either party only by written notice delivered in conformance with this Section.
27. **COSTS AND ATTORNEYS' FEES.** If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such action, whether in mediation or arbitration, at trial, on appeal, or in any bankruptcy proceeding.
28. **ESTOPPEL CERTIFICATES.** Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the total rentable square footage of the Premises; (ii) the date the Term commenced and the date it expires; (iii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iv) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (v) that this Lease represents the entire agreement between the parties; (vi) that all obligations under this Lease to be performed by either

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

party have been satisfied; (vii) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (viii) the amount of Rent, if any, that Tenant paid in advance; (ix) the amount of security that Tenant deposited with Landlord; (x) if Tenant has sublet all or a portion of the Premises or assigned its interest in the Lease and to whom; (xi) if Tenant has any option to extend the Term of the Lease or option to purchase the Premises; and (xii) such other factual matters concerning the Lease or the Premises as Landlord may reasonably request. Tenant acknowledges and agrees that any statement delivered pursuant to this Section may be relied upon by a prospective purchaser of Landlord's interest or assignee of any mortgage or new mortgagee of Landlord's interest in the Premises. If Tenant shall fail to respond within 10 days to Landlord's request for the statement required by this Section, Landlord may provide the statement and Tenant shall be deemed to have admitted the accuracy of the information provided by Landlord.

29. **TRANSFER OF LANDLORD'S INTEREST.** This Lease shall be assignable by Landlord without the consent of Tenant. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for collateral purposes only, upon the assumption of this Lease by the transferee, Landlord shall be automatically relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall be liable, and Tenant shall attorn to the transferee.
30. **LANDLORD'S LIABILITY.** Notwithstanding anything in this Lease to the contrary, covenants, undertakings and agreements herein made on the part of Landlord are made and intended not as personal covenants, undertakings and agreements for the purpose of binding Landlord personally or the assets of Landlord but are made and intended for the purpose of binding only the Landlord's interest in the Premises, as the same may from time to time be encumbered. In no event shall Landlord or its partners, shareholders, or members, as the case may be, ever be personally liable hereunder.
31. **RIGHT TO PERFORM.** If Tenant shall fail to timely pay any sum or perform any other act on its part to be performed hereunder, Landlord may make any such payment or perform any such other act on Tenant's behalf. Tenant shall, within 10 days of demand, reimburse Landlord for its expenses incurred in making such payment or performance. Landlord shall (in addition to any other right or remedy of Landlord provided by law) have the same rights and remedies in the event of the nonpayment of sums due under this Section as in the case of default by Tenant in the payment of Rent.
32. **HAZARDOUS MATERIAL.** As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. Landlord represents and warrants to Tenant that, to Landlord's actual knowledge without duty of investigation, there is no Hazardous Material on, in, or under the Premises as of the Commencement Date in excess of reportable quantities except as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released in excess of reportable quantities through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Term as the result of such contamination.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, except with Landlord's prior consent (except in de minimis quantities typical of the Permitted Use, such as in office supplies and household cleansers) and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes, ordinances, and product labels. If Tenant breaches the obligations stated in the preceding sentence, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments,

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises or the Property; damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises or the Property, or elsewhere; damages arising from any adverse impact on marketing of space at the Premises or the Property; and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Term. These indemnifications by Landlord and Tenant include, without limitation, costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, whether or not required by any federal, state or local governmental agency or political subdivision, because of Hazardous Material present in the Premises, or in soil or ground water on or under the Premises. Tenant shall immediately notify Landlord of any inquiry, investigation or notice that Tenant may receive from any third party regarding the actual or suspected presence of Hazardous Material on the Premises.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises or the Property by Tenant, its employees, officers, agents, servants, contractors, customers, clients, visitors, guests, or other licensees or invitees, results in any unlawful release of any Hazardous Material on the Premises or the Property or any adjacent property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or the Property or such adjacent property to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion. The provisions of this Section shall survive expiration or earlier termination of this Lease.

33. **QUIET ENJOYMENT.** Provided Tenant pays Rent and performs all of its obligations in this Lease, Tenant's possession of the Premises will not be disturbed by Landlord or anyone claiming by, through or under Landlord.
34. **MERGER.** The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.
35. **GENERAL.**
- a. **Heirs and Assigns.** This Lease shall apply to and be binding upon Landlord and Tenant and their respective heirs, executors, administrators, successors and assigns.
 - b. **Brokers' Fees.** Tenant represents and warrants to Landlord that except for Tenant's Broker, if any, described or disclosed in Section 37 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant. Landlord represents and warrants to Tenant that except for Landlord's Broker, if any, described or disclosed in Section 37 of this Lease, it has not engaged any broker, finder or other person who would be entitled to any commission or fees for the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Tenant against any loss, cost, liability or expense incurred by Tenant as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Landlord.
 - c. **Entire Agreement.** This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises. No prior or contemporaneous agreements or understandings pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or amended except in writing, signed by Landlord and Tenant.
 - d. **Severability.** Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease.

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

- e. **Force Majeure.** Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife; provided in no event shall any of the foregoing events operate to extend the Term of this Lease.
- f. **Governing Law.** This Lease shall be governed by and construed in accordance with the laws of the State of Washington.
- g. **Memorandum of Lease.** Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord's prior consent.
- h. **Submission of Lease Form Not an Offer.** One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully executed by both parties.
- i. **No Light, Air or View Easement.** Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way affect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.
- j. **Authority of Parties.** Each party to this Lease represents and warrants to the other that the person executing this Lease on behalf of such party has the authority to enter into this Lease on behalf of such party, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery, this Lease shall be binding upon and enforceable against such party.
- k. **Time.** "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.
36. **EXHIBITS AND RIDERS.** The following exhibits and riders are made a part of this Lease, and the terms thereof shall control over any inconsistent provision in the sections of this Lease:

Exhibit A: Floor Plan Outline of the Premises
Exhibit B: Legal Description of the Property
Exhibit C: Work Letter

CHECK THE BOX FOR ANY OF THE FOLLOWING THAT WILL APPLY. CAPITALIZED TERMS USED IN THE RIDERS SHALL HAVE THE MEANING GIVEN TO THEM IN THE LEASE.

- Rent Rider
 Arbitration Rider
 Letter of Credit Rider
 Guaranty of Tenant's Lease Obligations Rider
 Parking Rider
 Option to Extend Rider
 Rules and Regulations

37. **AGENCY DISCLOSURE.** At the signing of this Lease, Landlord is represented by Ryan Haddock of Kidder Mathews (insert both the name of the Broker and the Firm as licensed) (the "Landlord's Broker"), and Tenant is represented by Ryan Haddock of Kidder Mathews (insert both the name of the Broker and the Firm as licensed) (the "Tenant's Broker").



LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

This Agency Disclosure creates an agency relationship between Landlord, Landlord's Broker (if any such person is disclosed), and any managing brokers who supervise Landlord's Broker's performance (collectively the "Supervising Brokers"). In addition, this Agency Disclosure creates an agency relationship between Tenant, Tenant's Broker (if any such person is disclosed), and any managing brokers who supervise Tenant's Broker's performance (also collectively the "Supervising Brokers"). If Tenant's Broker and Landlord's Broker are different real estate licensees affiliated with the same Firm, then both Tenant and Landlord confirm their consent to that Firm and both Tenant's and Landlord's Supervising Brokers acting as dual agents. If Tenant's Broker and Landlord's Broker are the same real estate licensee who represents both parties, then both Landlord and Tenant acknowledge that the Broker, his or her Supervising Brokers, and his or her Firm are acting as dual agents and hereby consent to such dual agency. If Tenant's Broker, Landlord's Broker, their Supervising Brokers, or their Firm are dual agents, Landlord and Tenant consent to Tenant's Broker, Landlord's Broker and their Firm being compensated based on a percentage of the rent or as otherwise disclosed on the attached addendum. Neither Tenant's Broker, Landlord's Broker nor either of their Firms are receiving compensation from more than one party to this transaction unless otherwise disclosed on an attached addendum, in which case Landlord and Tenant consent to such compensation. Landlord and Tenant confirm receipt of the pamphlet entitled "The Law of Real Estate Agency."

38. **COMMISSION AGREEMENT.** If Landlord has not entered into a listing agreement (or other compensation agreement with Landlord's Broker), Landlord agrees to pay a commission to Landlord's Broker (as identified in the Agency Disclosure paragraph above) as follows:

- \$ _____
- _____ % of the gross rent payable pursuant to the Lease
- \$ _____ per square foot of the Premises
- Other per separate agreement

Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon the extension by Tenant of the Term pursuant to any right reserved to Tenant under the Lease calculated as provided above or as follows _____ (if no box is checked, as provided above). Landlord's Broker shall shall not (shall not if not filled in) be entitled to a commission upon any expansion of Premises pursuant to any right reserved to Tenant under the Lease, calculated as provided above or as follows _____ (if no box is checked, as provided above).

With respect to any commission earned upon execution of this Lease or pursuant to any expansion of the Premises, Landlord shall pay one-half upon execution of the Lease or any amendment/addenda thereto expanding the Premises, and one-half upon occupancy of the Premises by Tenant. With respect to any commission earned upon extension of the Term of this Lease, Landlord shall pay one-half upon execution of any amendment/addenda to the Lease extending the Term and one-half upon the commencement date of such extended term. Landlord's Broker shall pay to Tenant's Broker (as identified in the Agency Disclosure paragraph above) the amount stated in a separate agreement between them or, if there is no agreement, \$ _____ or _____ % (complete only one) of any commission paid to Landlord's Broker, within 5 days after receipt by Landlord's Broker.

If any other lease or sale is entered into between Landlord and Tenant pursuant to a right reserved to Tenant under the Lease, Landlord shall shall not (shall not if not filled in) pay an additional commission according to any commission agreement or, in the absence of one, according to the commission schedule of Landlord's Broker in effect as of the execution of this Lease. Landlord's successor shall be obligated to pay any unpaid commissions upon any transfer of this Lease and any such transfer shall not release the transferor from liability to pay such commissions.

39. **BROKER PROVISIONS.**

LANDLORD'S BROKER, TENANT'S BROKER AND THEIR FIRMS HAVE MADE NO REPRESENTATIONS



Kidder Mathews
Kidder Mathews
 1201 Pacific Ave, Ste. 1400
 Tacoma, WA 98402
 Phone: 253-722-1400
 Fax: 253-722-1409




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 Page 19 of 27


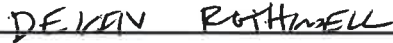


LEASE AGREEMENT
 (Multi-Tenant - Triple Net (NNN) Lease)

OR WARRANTIES CONCERNING THE PREMISES; THE MEANING OF THE TERMS AND CONDITIONS OF THIS LEASE; LANDLORD'S OR TENANT'S FINANCIAL STANDING; ZONING; COMPLIANCE OF THE PREMISES WITH APPLICABLE LAWS; SERVICE OR CAPACITY OF UTILITIES; OPERATING COSTS; OR HAZARDOUS MATERIALS. LANDLORD AND TENANT ARE EACH ADVISED TO SEEK INDEPENDENT LEGAL ADVICE ON THESE AND OTHER MATTERS ARISING UNDER THIS LEASE.

IN WITNESS WHEREOF this Lease has been executed the date and year first above written.

LANDLORD: _____

 LANDLORD: _____

 BY: _____

 ITS: _____
 MANAGING MEMBER

TENANT: _____

 TENANT: _____
 BY: _____

 ITS: _____

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

STATE OF WASHINGTON

COUNTY OF Pierce

This record was acknowledged before me on Dec 23rd, 2020, by Dorvin Rothwell as Tenant of Property



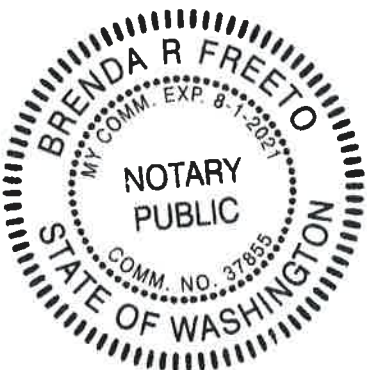
[Signature]
Notary Public for the State of Washington

My commission expires: Nov. 28th, 2024

STATE OF WASHINGTON


COUNTY OF Thurston

This record was acknowledged before me on December 29, 2020, by Greg Bailey as member of New Vision Investments.



[Signature]
Notary Public for the State of Washington

My commission expires: 8-01-2021

 **Kidder Mathews**
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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Form: MT_NNN
Multi-Tenant NNN Lease
Rev. 9/2020
Page 21 of 27

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20 __, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____

STATE OF WASHINGTON

COUNTY OF _____

This record was acknowledged before me on _____, 20 __, by _____ as
_____ of _____.

Notary Public for the State of Washington

My commission expires: _____



**Kidder
Mathews**

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Tacoma, WA 98402
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Fax: 253-722-1409

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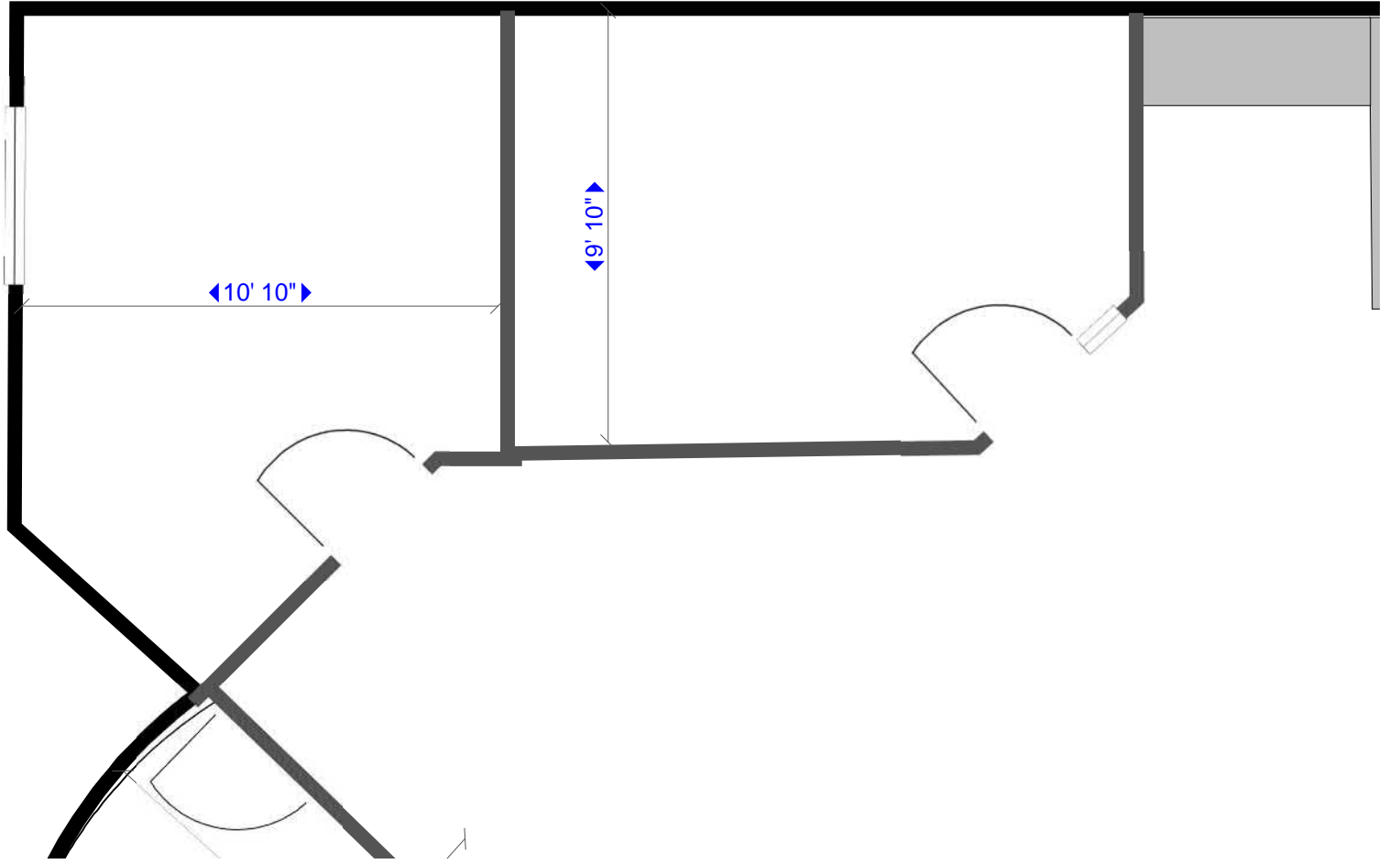
Form: MT_NNN
Multi-Tenant NNN Lease
Rev. 9/2020
Page 22 of 27

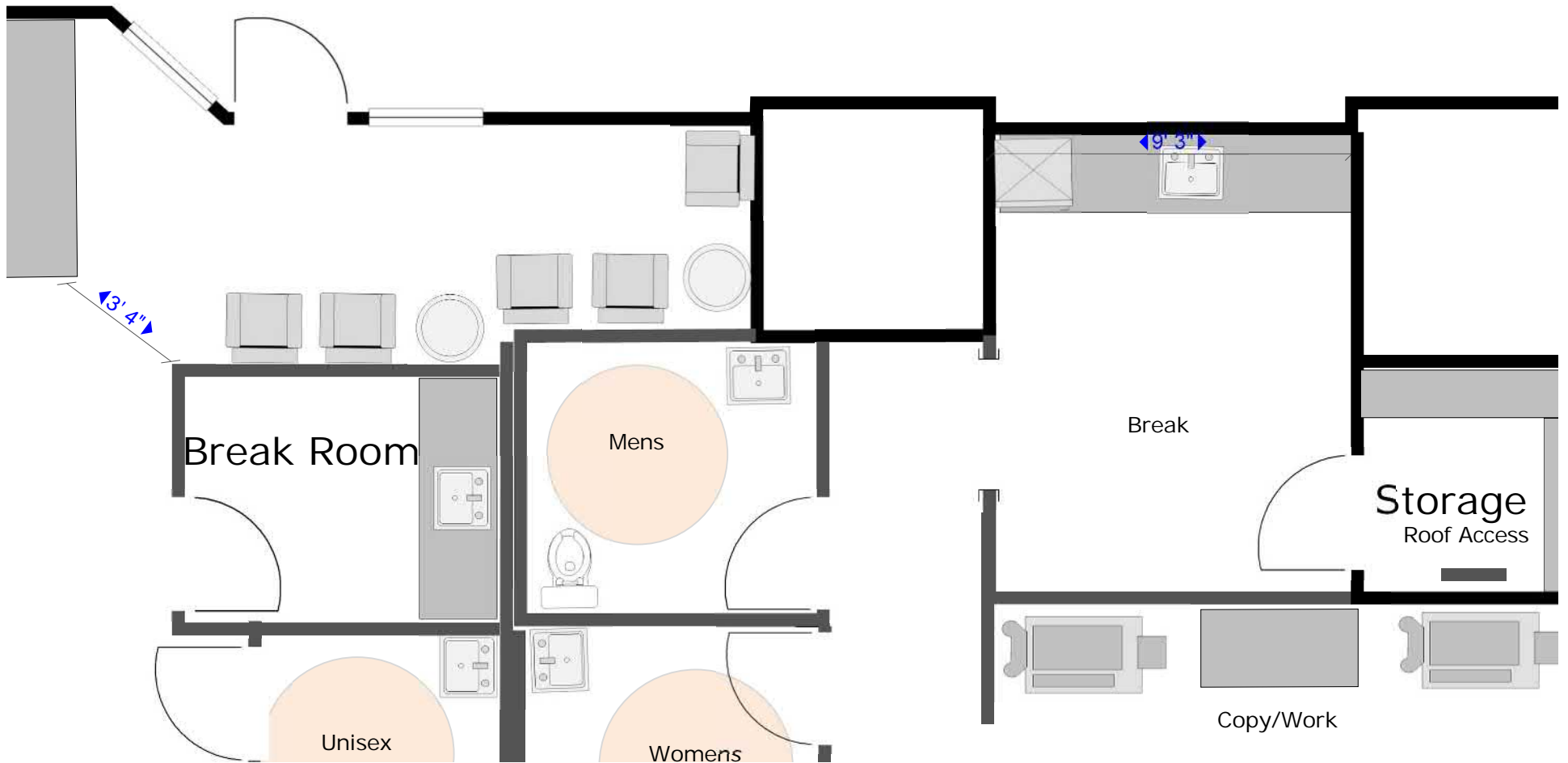
LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

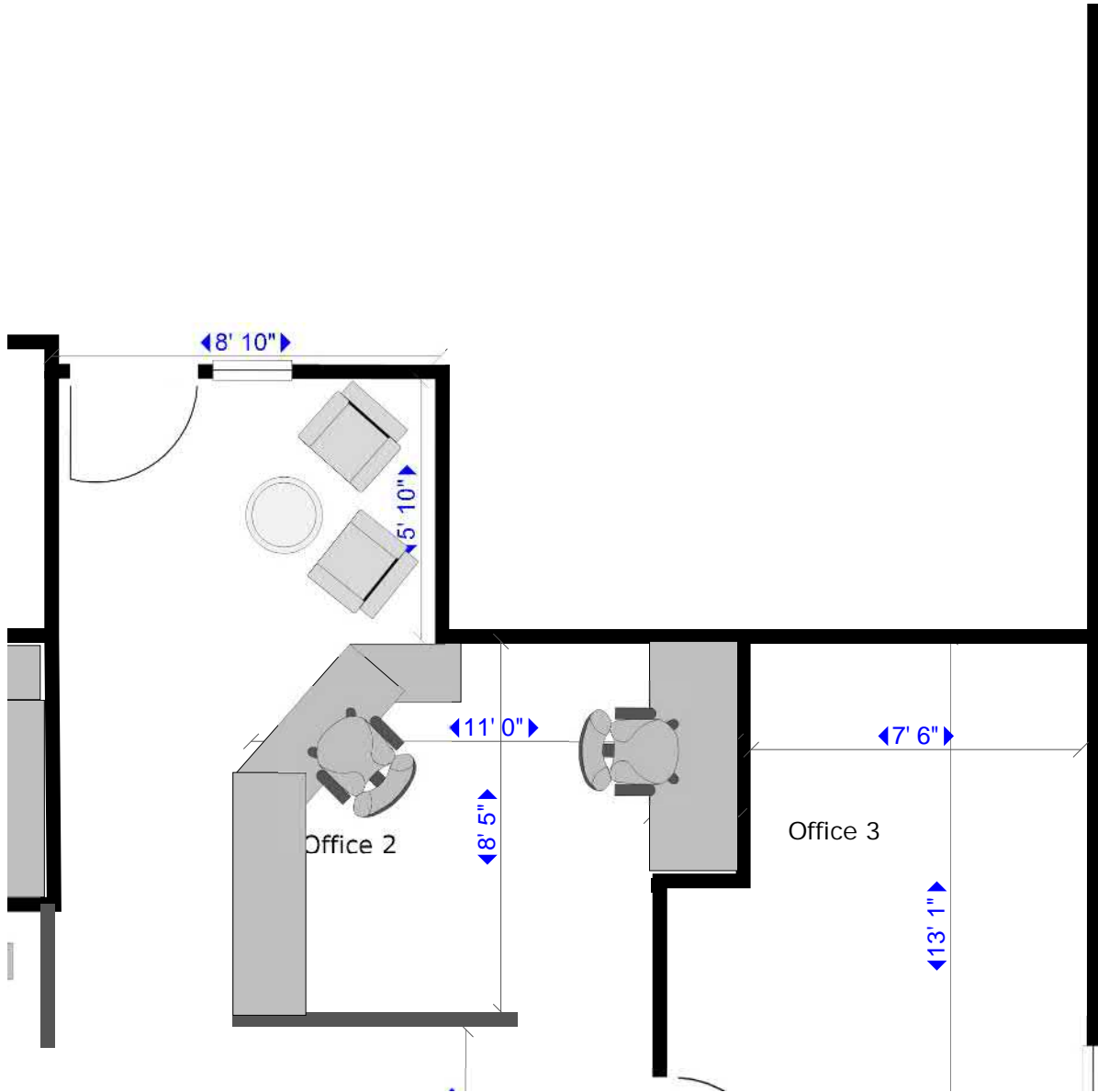
EXHIBIT A

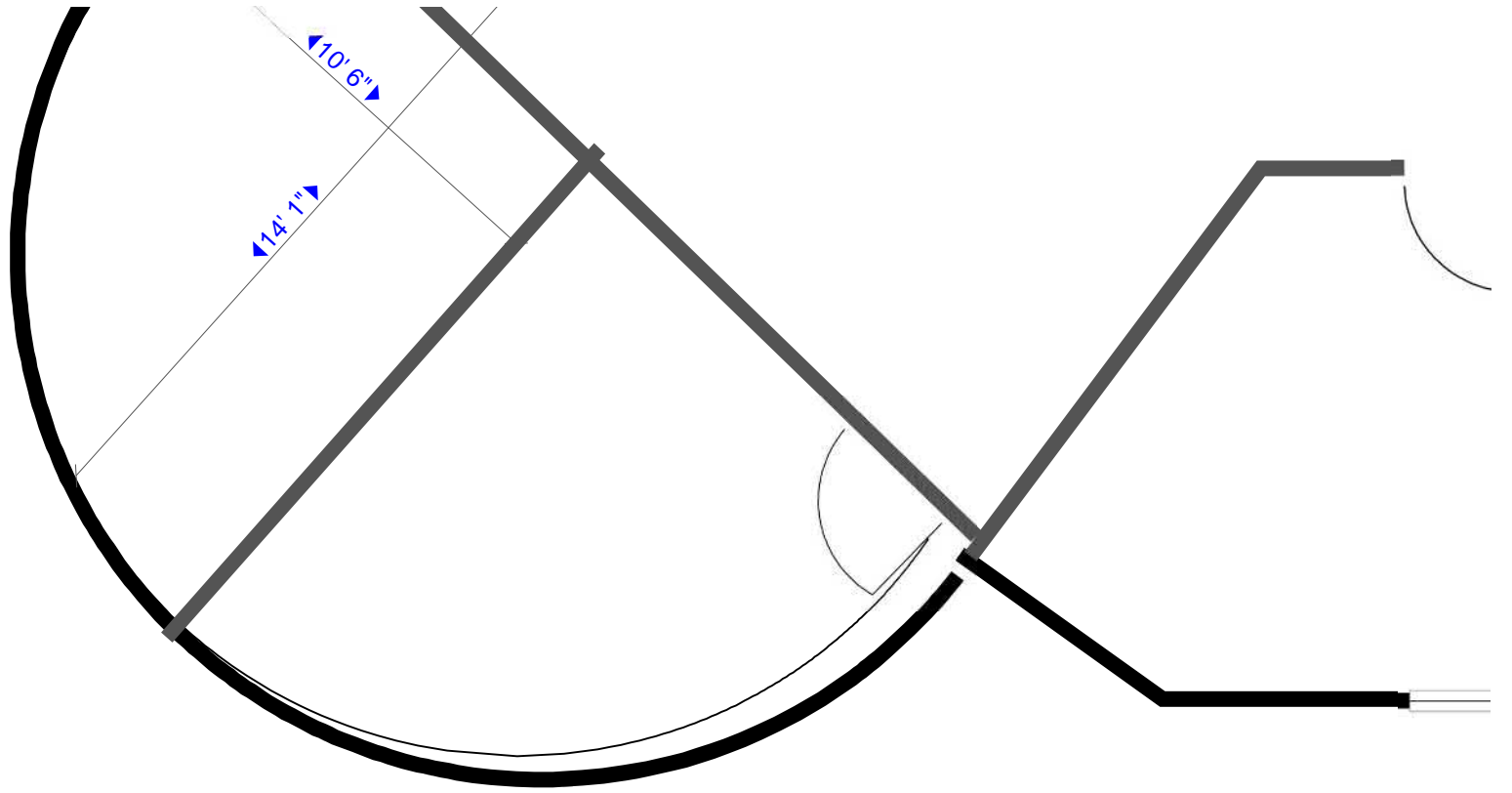
[Outline of the Premises]

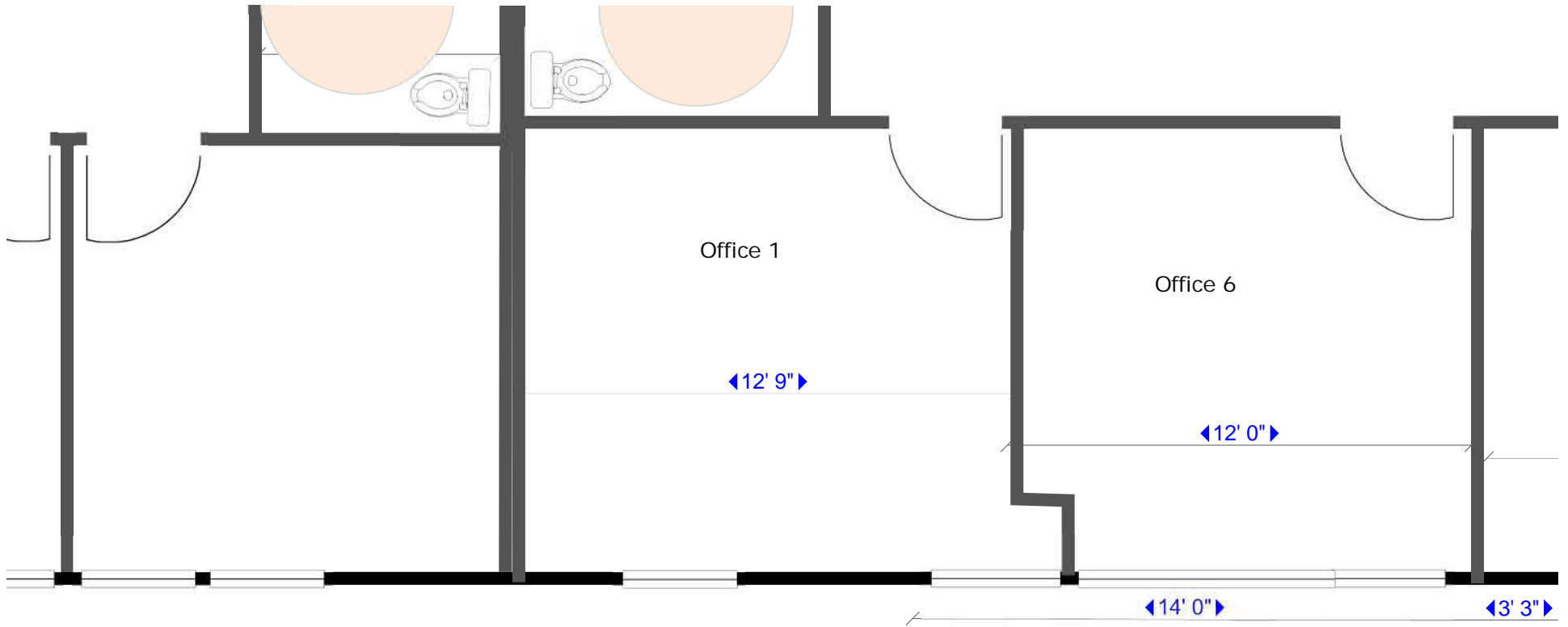
To be inserted upon final space plan design.

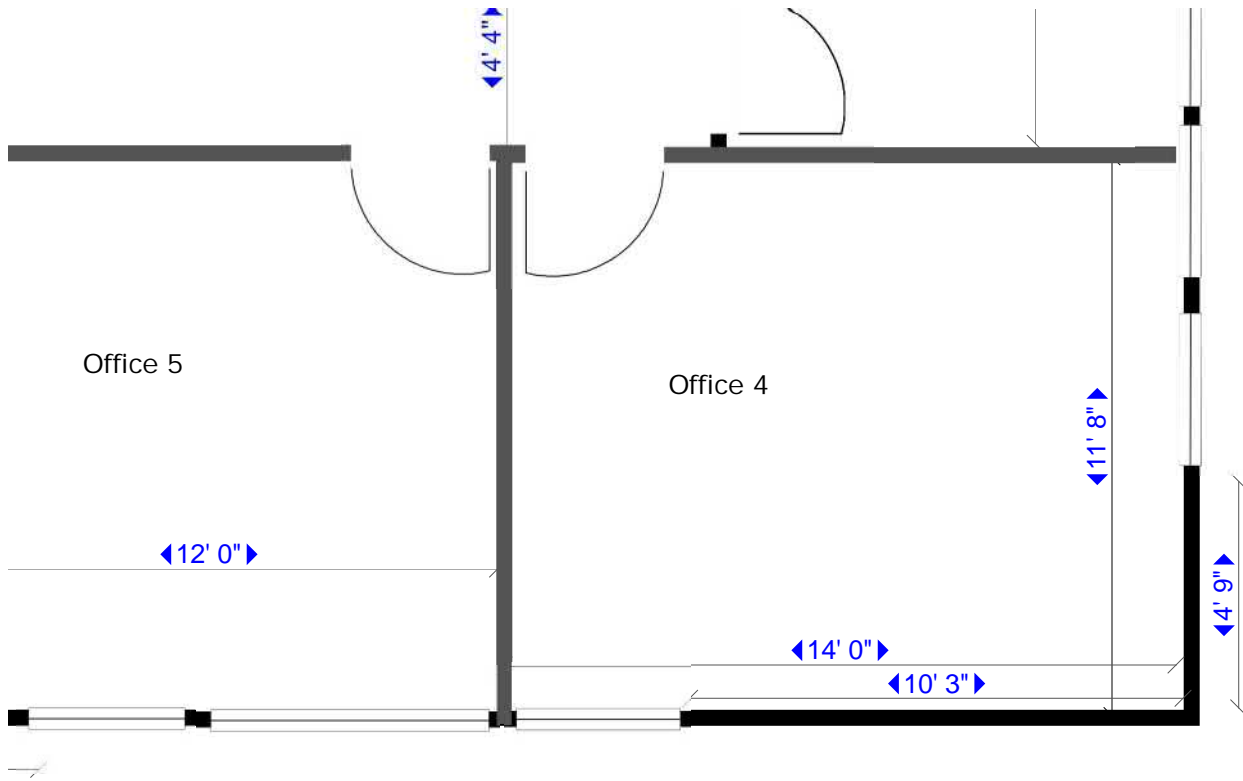














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Mathews**

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Form: MT_NNN
Multi-Tenant NNN Lease
Rev. 9/2020
Page 23 of 27

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

EXHIBIT B

[Legal Description of the Property]

To be inserted.

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

EXHIBIT C

[Work Letter]

CHECK IF APPLICABLE:

1. **Improvements to be Completed by Landlord**

A. Performance of Improvements. Subject to the terms and conditions of this Lease and any Improvement Allowance provided herein, Landlord's obligations to improve the Premises shall be limited to the work ("Landlord's Work") described below. All other work shall be performed by Tenant at its sole expense or, if performed by Landlord, shall be promptly reimbursed by Tenant. Landlord's Work shall be deemed to be "substantially complete" on the date that Landlord notifies Tenant that Landlord's Work is complete, except for punch list items that do not impair the use or operations thereof, would not prevent Tenant from occupancy and/or performing Tenant's Work, and except for that portion of Landlord's Work, if any, which cannot be feasibly performed before Tenant completes Tenant's Work, fixturing, or decorating.

The work to be done by Landlord in satisfying its obligation to complete Landlord's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within 45 days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the improvements to be performed by Landlord ("Preliminary Landlord Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Landlord Plan.
- b. Upon Landlord's approval of the Preliminary Landlord Plan, Landlord shall promptly prepare (or cause to be prepared) construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for Landlord's Work, if any) for Tenant's review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. The construction documents, once approved, shall then constitute "Landlord's Improvement Plans."
- c. Landlord shall submit the Landlord's Improvement Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals, as applicable. Landlord and Tenant shall cooperate and use commercially reasonable efforts to cause to be made any changes in the Landlord's Improvement Plans necessary to obtain such permits and approvals; provided, however, any costs and expenses resulting from the foregoing changes to Landlord's Work that exceed the Improvement Allowance shall be borne at Tenant's sole cost and expense.

B. Defects in Landlord's Work. If Tenant fails to notify Landlord of any defects in the Landlord's Work within

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

30 days of delivery of possession of the Premises to Tenant, Tenant shall be deemed to have accepted the Premises in their then-existing condition. If Tenant discovers any major defects in the Landlord's Work during this 30-day period that would prevent Tenant from using the Premises for the Permitted Use, Tenant shall notify Landlord and the Commencement Date shall be delayed until after Landlord has notified Tenant that Landlord has corrected the major defects and Tenant has had five (5) days to inspect and approve the Premises. The Commencement Date shall not be delayed if Tenant's inspection reveals minor defects in the Landlord's Work that will not prevent Tenant from using the Premises for the Permitted Use. Tenant shall prepare a punch list of all minor defects in Landlord's Work and provide the punch list to Landlord, which Landlord shall promptly correct.

2. Improvements to be Completed by Tenant

- A. **Performance of Improvements.** Subject to the terms and conditions of the Lease and any Improvement Allowance provided herein, Tenant shall complete, at its sole cost and expense, the work identified in the Tenant Improvement Plans (as such term is defined below) adopted by Landlord and Tenant in accordance with the provisions below ("Tenant's Work"). Tenant's Work shall be performed lien free and in a workmanlike manner, without interference with other work, if any, being done in the Premises or Property, including any of Landlord's Work, and in compliance with all laws and reasonable rules promulgated from time to time by Landlord, its property manager, architect, and contractors.

The work to be done by Tenant in satisfying its obligation to complete Tenant's Work under the Lease shall be limited to the following (check one):

As identified below (check and describe all that apply);

- FLOOR: _____
- WALLS: _____
- CEILING: _____
- LIGHTING: _____
- WASHROOM(S): _____
- ELECTRICAL: _____
- HVAC: _____
- OTHER: _____

As mutually agreed upon between Landlord and Tenant as follows:

- a. Within 45 days ((10) days if not filled in) after mutual acceptance of the Lease, Tenant shall prepare and submit for Landlord's review a preliminary sketch of the Tenant Improvements ("Preliminary Tenant Plan"). Landlord and Tenant shall cooperate in good faith to adopt a mutually acceptable Preliminary Plan.
- b. Upon approval of the Preliminary Tenant Plan by Landlord, Tenant shall promptly prepare construction documents (i.e., those plans used for submittal to the appropriate governmental bodies for all necessary permits and approvals for the Tenant's Work, if any) for Landlord's review and approval. The construction documents, once approved, shall then constitute the "Tenant Improvements Plans."
- c. Upon approval by Landlord, Tenant shall submit the Tenant Improvements Plans to the appropriate governmental body for plan checking and issuance of necessary permits and approvals. Tenant, with Landlord's approval, shall cause to be made any changes in the Tenant Improvements Plans necessary to obtain such permits and approvals.
- d. Landlord makes no warranty or representation of any type or nature with respect to the adequacy or sufficiency of the Tenant Improvements Plans for any purpose. Landlord makes no warranty or

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)

representation of any type or nature with respect to the quality, suitability, or ability of contractor or the quality of the work or materials supplied or performed with respect to the Tenant Improvements by contractor, the subcontractors, Tenant's agents, or any other person or entity.

- B. General Requirements. Tenant shall submit to Landlord, prior to the commencement of the construction of Tenant's Work, the following information for Landlord's review and approval (check all that apply):

The names, contact names, addresses, and license numbers of all general contractors and subcontractors Tenant intends to use in the construction of Tenant's Work.

A reasonably detailed schedule for Tenant's performance of Tenant's Work (including, without limitation, the date on which Tenant's Work will commence, the estimated date of completion of Tenant's Work, and the date on which Tenant expects to open for business in the Premises).

Evidence of insurance as required in the Lease and any other insurance usual and customary for performance of Tenant's Work and requested by Landlord.

Copies of all required governmental permits.

- C. Contractor Qualifications. All contractors and subcontractors to perform Tenant's Work shall be licensed contractors, capable of performing quality workmanship and working in harmony with Landlord's general contractor in the Building, if any. Upon notice from Landlord, Tenant shall stop using (or cause contractor or any subcontractor to stop using) any person or entity disturbing labor harmony with any work force or trade engaged in performing Tenant's Work or other work, labor, or services in or about the Building. All work shall be coordinated with any on-going construction work on the Building. Landlord shall have the right to disapprove, in Landlord's reasonable discretion, any contractor or subcontractor which Tenant desires to engage for Tenant's Work.

3. Improvement Allowance

Provided there is no uncured Event of Default by Tenant under the Lease, upon completion of Landlord's Work or Tenant's Work, as applicable, Landlord shall provide an allowance ("Improvement Allowance") toward the costs and expenses associated with improvements to the Premises in accordance with the following (check one):

\$ _____ per rentable square foot of the Premises. The Improvement Allowance shall be used only for (choose one): Landlord's Work, or Tenant's Work, excepting _____. If costs associated with completing Tenant's Work exceed the Improvement Allowance, or if any costs of Tenant's Work are not to be paid out of the Improvement Allowance, then the excess or excluded amount shall be paid directly by Tenant.

None; Tenant shall be obligated to pay all costs, expenses and fees associated with completing the Tenant's Work in accordance with the Tenant Improvement Plans.

None; Landlord shall be obligated to pay all costs, expenses and fees associated with completing the Landlord's Work in accordance with the Landlord Improvement Plans, however, excepting any costs related to Tenants' furniture, cabling, fixtures and equipment, Signage, design services, and _____, and in no event in an amount exceeding \$ _____.

4. **Removal of Improvements/Surrender**. The following scope of Tenant's Work (check one):

- shall become the property of Landlord
 shall be removed by Tenant at its sole cost and expense

upon the expiration or earlier termination of the Lease Term: _____.



Kidder Mathews
1201 Pacific Ave, Ste. 1400
Tacoma, WA 98402
Phone: 253-722-1400
Fax: 253-722-1409

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Multi-Tenant NNN Lease
Rev. 9/2020
Page 27 of 27

LEASE AGREEMENT
(Multi-Tenant - Triple Net (NNN) Lease)



RENT RIDER

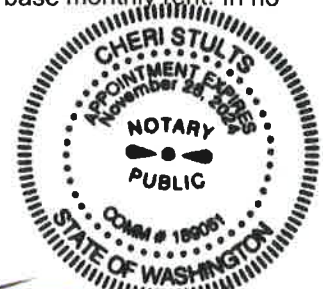
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This Rent Rider ("Rider") is a part of and incorporated by this reference into that certain Lease Agreement dated December 21, 2020 ("Lease") between New Vision Investments, a(n) Washington Limited Liability Company ("Landlord") and Symbol Healthcare Inc., a(n) Washington Corporation ("Tenant"), as the same may be amended, concerning the commercial space commonly known as Suite A302 ("Premises"), which Premises are part of the real property located at 111 Tumwater Blvd, A302, Tumwater, WA 98502 and commonly known as Old Towne Plaza Suite A302 ("Property").

- 1. **BASE MONTHLY RENT SCHEDULE.** Tenant shall pay to Landlord base monthly rent during the initial Lease Term according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
<u>July 1, 2021- June 30, 2022</u>	<u>\$ 18.27 psf + NNN</u>
<u>July 1, 2022 - June 30, 2023</u>	<u>\$ 18.81 psf + NNN</u>
<u>July 1, 2023 - June 30, 2024</u>	<u>\$ 19.37 psf + NNN</u>
<u>_____</u>	<u>\$ _____</u>
<u>Tenant has Two (2) Three (3) year options.</u>	<u>\$ _____</u>
<u>If exercised annual rent shall be increased 3% over previous year's annual minimum rents.</u>	<u>\$ _____</u>

- 2. **CONSUMER PRICE INDEX ADJUSTMENT ON BASE MONTHLY RENT.** The base monthly rent shall be increased on the first day of the second year of the Term, which shall occur on the first day of the calendar month after the calendar month in which the Commencement Date occurs and on the first day of each year of the Term thereafter (each, an "Adjustment Date") (but not during any extended or renewal term(s) unless specifically set forth elsewhere in the Lease or set forth in this Rent Rider below). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Revised Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100)(the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date, or if the Index is discontinued during the Lease term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent be decreased pursuant to this paragraph.



INITIALS: LANDLORD _____ DATE 12/29/20 TENANT gust DATE 12/23/26
 LANDLORD _____ DATE _____ TENANT _____ DATE _____



RENT RIDER

CBA Text Disclaimer: Text deleted by licensee indicated by strike.
 New text inserted by licensee indicated by small capital letters.

3. EXTENDED TERM BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease commencing upon (check one): the date that is _____ months following the Commencement Date of the initial Term, or _____, 20 __, as follows (choose one):

As set forth in the Option to Extend Rider attached to the Lease

BASE MONTHLY RENT SCHEDULE. Tenant shall pay to Landlord base monthly rent during the Extended Term of the Lease according to the following schedule:

Lease Year (Stated in Years or Months)	Base Monthly Rent Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

CONSUMER PRICE INDEX ADJUSTMENT ON EXTENDED TERM BASE MONTHLY RENT. The base monthly rent shall be increased on the first day of the first year of the Extended Term of the Lease and on the first day of each year of the Extended Term of the Lease thereafter (each, an "Adjustment Date"). The increase shall be determined in accordance with the increase in the United States Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U): U.S. Cities Average, all items index (Reference Base 1982-84 equal 100) (the "Index"). The base monthly rent payable immediately prior to the applicable Adjustment Date shall be increased by the percentage that the Index published for the date nearest preceding the applicable Adjustment Date has increased over the Index published for the date nearest preceding the first day of the Lease Year from which the adjustment is being measured. Upon the calculation of each increase, Landlord shall notify Tenant of the new base monthly rent payable hereunder. Within twenty (20) days of the date of Landlord's notice, Tenant shall pay to Landlord the amount of any deficiency in base rent paid by Tenant for the period following the subject Adjustment Date, and shall thereafter pay the increased base rent until receiving the next notice of increase from Landlord. If the components of the Index are materially changed after the Commencement Date of the Extended Term, or if the Index is discontinued during the Extended Term, Landlord shall notify Tenant of a substitute published index which, in Landlord's reasonable discretion, approximates the Index, and shall use the substitute index to make subsequent adjustments in base monthly rent. In no event shall base monthly rent for the Extended Term be decreased pursuant to this paragraph.

INITIALS: LANDLORD: [Signature] DATE: 12/29/20 TENANT: [Signature] DATE: 12/23/20
 LANDLORD: _____ DATE: _____ TENANT: _____ DATE: _____

EXHIBIT 5

LEE L. JOHNSON
TREASURER
SYMBOL HEALTHCARE, INC.

direct line (208) 401-1369
direct fax (208) 576-6909
leejohnson@pennantservices.com

November 24, 2020

Via Email to FSLCON@doh.wa.gov

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

Dear Ms. Sigman:

In accordance with WAC 246-310-080, Symbol Healthcare, Inc., hereby submits a letter of intent proposing to establish a Medicare certified/Medicaid eligible hospice agency. In conformance with the requirements of WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

Symbol Healthcare, Inc., is proposing to establish a Medicare certified/Medicaid eligible hospice agency to needed palliative care to the terminally ill and bereavement care to families of Grays Harbor County. As necessary, other services will include health and medical services, personal care, respite and homemaker services.

2. Estimated Cost of the Proposed Project:

The capital expenditure associated with this project is estimated at \$15,000.

3. Description of the Service Area:

The primary service area for the hospice agency will be Grays Harbor County.

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

Sincerely,

Symbol Healthcare, Inc.
By:



Lee L. Johnson, Treasurer
Direct office line: (208) 401-1369

Pennant Group Affiliate
LANGUAGE ACCESS PLAN AND POLICY
2019

TABLE OF CONTENTS

Summary of Nondiscrimination in Health Programs and Activities

Language Access Policy

Grievance Policy

Discrimination Grievance Form

Notice of Nondiscrimination

Access Plan Elements and Procedures

ELEMENT 1: Assessment: Needs and Capacity

ELEMENT 2: Oral Language Assistance Services

ELEMENT 3: Written Translations

ELEMENT 4: Policies and Procedures

ELEMENT 5: Notification of the Availability of Language Assistance at No Cost

ELEMENT 6: Staff Training

ELEMENT 7: Assessment: Access and Quality

ELEMENT 8: Procurement of Language Assistance Services

Appendix A: Definitions

Appendix B: Language Access Related Resources

Summary of Nondiscrimination in Health Programs and Activities

The Department of Health and Human Services (HHS) issued the Final Rule implementing the prohibition of discrimination under Section 1557 of the Affordable Care Act (ACA) of 2010. The Final Rule, Nondiscrimination in Health Programs and Activities, was issued to advance equity and reduce health disparities by protecting some of the populations that have been most vulnerable to discrimination in the health care context. The final rule provides consumers' rights under the law and provides covered entities important guidance about their obligations.

Section 1557 builds on long-standing and familiar Federal civil rights laws: Title VI of the Civil Rights Act of 1964 (Title VI), Title IX of the Education Amendments of 1972 (Title IX), Section 504 of the Rehabilitation Act of 1973 (Section 504), and the Age Discrimination Act of 1975 (Age Act). Most notably, Section 1557 is the first Federal civil rights law to prohibit discrimination on the basis of sex in all health programs and activities receiving Federal financial assistance.

The rule covers:

- Any health program or activity, any part of which receives funding from HHS (such as hospitals that accept Medicare or doctors who accept Medicaid);
- Any health program that HHS itself administers;
- Health Insurance Marketplaces and all plans offered by issuers that participate in those Marketplaces

Protections under the rule

Section 1557 builds on prior Federal civil rights laws to prohibit sex discrimination in health care. The final rule requires that women be treated equally with men in the health care they receive and also prohibits the denial of health care or health coverage based on an individual's sex, including discrimination based on pregnancy, gender identity, and sex stereotyping. The final rule also requires covered health programs and activities to treat individuals consistent with their gender identity.

For individuals with disabilities, the final rule requires covered entities to make all programs and activities provided through electronic and information technology accessible; to ensure the physical accessibility of newly constructed or altered facilities; and to provide appropriate auxiliary aids and services for individuals with disabilities. Covered entities are also prohibited from using marketing practices or benefit designs that discriminate on the basis of disability and other prohibited bases.

Covered entities must take reasonable steps to provide meaningful access to each individual with limited English proficiency eligible to be served or likely to be encountered in their health programs and activities.

Enforcement

The existing enforcement mechanisms under Title VI, Title IX, Section 504 and the Age Act apply for redress of violations of Section 1557. These mechanisms include: requiring covered entities to keep records and submit compliance reports to OCR, conducting compliance reviews and complaint investigations, and providing technical assistance and guidance.

The U.S. Department of Health and Human Services (HHS), Office for Civil Rights (OCR) enforces Section 1557. When OCR finds violations, a health care provider will need to take corrective actions, which may include revising policies and procedures, and/or implementing training and monitoring programs. Health care providers may also be required to pay monetary damages. Section 1557 also allows individuals to sue health care providers in court for discrimination.

Where noncompliance be corrected by informal means, available enforcement mechanisms include suspension of, termination of, or refusal to grant or continue Federal financial assistance; referral to the Department of Justice with a recommendation to bring proceedings to enforce any rights of the United States; and any other means authorized by law.

While Section 1557 pertains to operations receiving state or federal funds, it is recommended that 100% private pay communities initiate this plan as well.

LANGUAGE ACCESS POLICY

Purpose

The purpose of this policy is to describe and outline how Pennant-affiliated facilities and entities will provide individuals with meaningful access to healthcare and prohibit discrimination on the basis of race, color, national origin, sex, or disability.

The use of the term individual within this policy shall denote patient or resident.

Scope

The scope of this policy applies to all Pennant-affiliated facilities and entities (herein "operation") receiving funding from HHS.

Policy Statement

As recipients of Federal financial assistance, operations do not exclude, deny benefits to, or otherwise discriminate against any individual on the basis of race, color, national origin, sex, age, or disability. Operation will provide individuals with limited English proficiency (herein "LEP") and disabilities meaningful and equal access to health programs and activities in accordance with Section 1557 of The Patient Protection and Affordable Care Act.

Policy

Operation will;

1. Not deny or delay services based on an individual's race, color, national origin, disability, age, or sex.
2. Not aid or assist others in such discriminatory practices.
3. Develop a grievance procedure whereby individuals may file a complaint with regard to perceived discrimination.
4. Take reasonable steps to provide meaningful access to individuals with LEP and/or disabilities in a timely manner and at no cost.
5. Protect the privacy and independence of individuals with limited English proficiency
6. In conspicuous public spaces and on the operation's website home page post Notice of Nondiscrimination, in the two languages most widely used in the entity's state (likely English and Spanish).
7. In conspicuous public spaces and on the operation's website home page post taglines in the top 15 languages spoken in the State in which the operation is located.
8. Translate vital documents in the top 2 languages spoken in the State in which the operation is located.
 - a. These documents may include; admission agreements, consents and complaint/grievance forms, intake forms with the potential for important

consequences, and written notices of eligibility criteria, rights, denial, loss, or decreases in benefits or services.

9. Provide, in a timely manner and free of charge, auxiliary aids and services (which may include video remote interpreting services) to individuals with impaired sensory, manual, or speaking skills.
10. Use only qualified interpreters for language access services (definition of qualified interpreter may be found in appendix A).
 - a. Excludes bilingual/multilingual staff members with the exception of those taking and passing an assessment
11. Adopt practices to qualify staff as interpreters by meeting the qualifications of “qualified bilingual/multilingual staff,” i.e., workforce who is designated by the operation to provide oral language assistance as part of the individual's current, assigned job responsibilities and who has demonstrated that he or she:
 - a. Is proficient in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and
 - b. Is able to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.
12. Report all grievances to Pennant Service’s Section 1557 Coordinator; Erin Peterson.
13. Not require individuals to provide their own interpreters.
14. Not rely on minor children accompanying LEP patients/residents as interpreters except in the event of an emergency.
15. Not rely on adults accompanying LEP patients/residents as interpreters except in the event of an emergency, or if LEP patient/resident specifically requests that the accompanying adult interpret or facilitate communication, the accompanying adult agrees to provide such assistance, and reliance on that adult for such assistance is appropriate under the circumstances.
16. Not rely on accompanying adults to interpret and relay medical information.
17. Document the accompanying adult’s agreement to provide language assistance services and the circumstances
18. Document language needs and services provided in the patient’s/resident’s care plan.
19. No operate a health program that is limited to one gender unless there is an exceedingly persuasive justification to limit that program to one gender.

GRIEVANCE POLICY AND PROCEDURE

Purpose

The purpose is to outline Pennant-affiliated facilities and entities' internal grievance policy and procedures providing for prompt and equitable resolution of complaints alleging any discriminatory action prohibited by law.

The use of the term individual within this policy shall denote patient or resident.

Scope

The scope of this policy applies to all Pennant-affiliated facilities and entities (herein "operation") receiving funding from HHS.

Policy Statement

Any individual who believes he or she, or a third party, has been subject to discrimination on the basis of race, color, national origin, sex, age or disability may file a grievance with the operation.

Policy

Operation will;

1. Afford an individual the right to submit a discrimination complaint
2. Refrain from retaliating against any individual filing a discrimination complaint
3. Submit grievances to the compliance department within 2 business days for investigation
4. Compliance will conduct an investigation into the complaint, maintaining documentation related to all grievances, and will take appropriate steps to preserve the confidentiality of files and records relating to grievances and will share them only with those who have a need to know.
5. Compliance will issue a written decision no later than 30 days of receipt of grievance. Written notice will include a notice to the individual of their right to pursue further administrative or legal remedies.

Procedure

Operation shall;

1. Implement a process for receiving complaints regarding perceived discrimination
2. Designate a point of contact to receive discrimination complaints
3. Document discrimination complaints using the *Discrimination Grievance Form*

Discrimination Grievance Form

Name	
Address	
City, State, ZIP	
Telephone Number	
Email address	

Information about the person, agency, or organization you believe discriminated against you

Name	
Address	
City, State, ZIP	
Telephone number	

Description of how, why, and when you believe your civil rights were violated

--

Description of the action you would like to see taken

--

Signature	
Date of Complaint	

The availability and use of this grievance procedure does not prevent you from pursuing other legal or administrative remedies, including filing a complaint of discrimination on the basis of race, color, national origin, sex, age or disability in court or with the U.S. Department of Health and Human Services, Office for Civil Rights. Complaints must be filed within 180 days of the date of the alleged discrimination.

A person may file a complaint of discrimination electronically through the Office for Civil Rights Complaint Portal, which is available at: <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>, or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F, HHH Building, Washington, D.C. 20201

Information you may also include:

Any special accommodations needed for us to communicate with you regarding your complaint
Whether you filed your complaint somewhere else and when you filed.

Notice of Non-discrimination

Pennant affiliates are committed to providing a surprising level of attention and service which includes delivery of care without discrimination based on race, color, national origin, sex, age or disability.

We take reasonable steps to provide meaningful access to each individual with limited English proficiency and/or disabilities. These steps include the provision of language assistance services such as oral language assistance, written information in alternate formats, or oral or written translation through a qualified interpreter and to provide appropriate auxiliary aids and services for persons with disabilities.

For access to these free services, please contact the staff of the agency or company from which you are receiving care.

If you believe we have discriminated against you or failed to provide these free services in a timely manner you may report your concern to:

Erin Peterson, Compliance Officer
Pennant Services, Inc.
1675 E. Riverside Dr. Suite #120, Eagle, Idaho 83616
Phone: 208-506-6063
Fax: 208-401-1401
Email: sec1557@pennantservices.com

You may also file a complaint with the U.S. Department of Health and Human Services, Office for Civil Rights at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf> or by mail, email or phone:

Centralized Case Management Operations
U.S. Department of Health and Human Services/Office for Civil Rights
200 Independence Avenue SW
Room 509F, HHH Building
Washington, DC 20201

Phone: 800-868-1019
TTD: 800-537-7697
Email: OCRcomplaint@hhs.gov

ELEMENTS AND PROCEDURES

Pennant Services' language access plan is defined in elements that are essential for any language access plan. The Language Access Plan identifies steps that Pennant-affiliated operations (herein "operation") should take to implement the policy and plan at the operation level. Operations have flexibility in how they apply the action steps to their programs and activities, and should provide increasing service levels as the importance of the relevant health care services increases.

ELEMENT 1: Assessment: Needs and Capacity

ELEMENT 2: Oral Language Assistance Services

ELEMENT 3: Written Translations

ELEMENT 4: Policies and Procedures

ELEMENT 5: Notification of the Availability of Language Assistance at No Cost

ELEMENT 6: Staff Training

ELEMENT 7: Assessment: Access and Quality

ELEMENT 8: Procurement of Language Assistance Services

ELEMENT 1: Assessment of Needs and Capacity

Operation shall have processes to regularly identify and assess the language assistance needs of its current and potential patients/residents, as well as processes to assess the capacity to meet these needs according to the elements of this plan.

Description

Operation shall assess the language assistance needs of their current and potential patients/residents in order to drive processes necessary to implement language assistance services that increase access to their respective programs and services for all populations. This assessment may include identifying the non-English languages spoken by the population likely to be accessing the operation's services, and whether barriers – including literacy barriers – exist that hinder effective oral and written communication with individuals with LEP and/or disabilities.

Operation shall also assess its capacity to meet the needs of its current and potential patients/residents in order to fulfill its commitment to provide competent language assistance at no cost and in a timely manner to individuals with LEP and/or disabilities.

Operation shall perform self-assessments to provide meaningful access to and an equal opportunity to participate fully in their services, activities, programs or other benefits. This includes effective communication between individuals with LEP and/or disabilities and staff members and contractors.

The following steps illustrate the actions operation shall take to implement Element 1. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Consult internal experts, advocacy organizations, individuals with LEP and/or disabilities, subject matter experts, and applicable research to determine effective practices for assessing and implementing language assistance needs of current and projected patients/residents with respect to all public interface mechanisms, including but not limited to: marketing and outreach; technical assistance; face-to-face and over-the-phone customer service; ombudsman activities; websites; and multilingual survey and other patient/resident assessment instruments.
- b. On admission or initiation of care, inquire as to the primary language of the individual and identify need for language assistance services.

- c. Identify existing capacity to provide language assistance services, such as Qualified Bilingual/Multilingual Staff to serve as qualified interpreters/translators and the need and availability of contract interpreter and translation services.
- d. Identify gaps where language assistance services are inadequate to meet needs of patients/residents and identify and take specific steps to enhance language assistance services.
- e. Evaluate the extent of need for language assistance services in particular languages or dialects.
- f. Modify existing satisfaction and other surveys of patients/residents and other means of obtaining feedback on services delivered, to include collection of data, including at point of entry, on preferred language, English proficiency.
- g. Append language need assessments based on LEP/disability data from patient/resident satisfaction surveys and program reviews.
- h. Determine specific circumstances in which an accompanying adult may provide language assistance services, which circumstances are typically limited to emergencies involving an imminent threat to the safety or welfare of an individual or the public where there is no qualified interpreter for the individual with LEP immediately available; or where the individual with LEP specifically requests that accompanying adult to interpret/facilitate communication, the accompanying adult agrees to do so and reliance on that adult for such assistance is appropriate under the circumstances.

ELEMENT 2: Oral Language Assistance Services

Operation shall provide oral language assistance (such as Qualified Interpreters or Qualified Bilingual/Multilingual Staff), in both face-to-face and telephone encounters, that addresses the needs of each patient/resident. Operation shall establish a point of contact for individuals with LEP and/or disabilities, such as a specific staff member.

Description

Operation shall provide oral language assistance services to provide meaningful access to and an equal opportunity to participate fully in the services, activities, programs or other benefits provided by the operation. Language assistance may be provided through a variety of means, including qualified bilingual and multilingual staff, staff or contract interpreters (including telephonic interpretation), and interpreters from community organizations or volunteer interpreter programs. Operation shall use qualified interpreters to provide the service and understand interpreter ethics and patient/resident confidentiality needs.

A single point of contact, such as a specific staff member should coordinate oral language assistance services at operation so that staff can refer any and all patients/residents to a designated person trained to obtain qualified interpreter services in a timely manner.

The following steps illustrate the actions operation shall take to implement Element 2. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Develop a program that provides individuals with LEP and/or disabilities participating or attempting to participate in operation programs or activities oral language assistance services in accordance with this plan.
- b. Provide points of contact to provide individuals with LEP and/or disabilities an interpreter at no cost.
- c. Devise criteria for assessing bilingual staff to determine ability to provide services in languages other than English and to provide competent interpreter services.
- d. Maintain a list of Qualified Bilingual/Multilingual Staff capable of providing competent interpreter services in languages other than English.
- e. Establish and post notice of a list of all contacts and other resources available to the operation in providing direct, telephonic, or video oral language assistance to individuals with LEP and/or disabilities seeking information on or access to operation programs and activities.

f. Identify positions appropriate for making bilingual skill a selection criterion for employment, include such criterion in the position description and job announcement, and determine applicants' language skills before making hiring decisions.

ELEMENT 3: Written Translations

Operation will identify, translate (or use a qualified translator) and make accessible in various formats, including print and electronic media, vital documents in languages other than English in accordance with assessments of need and capacity of patients/residents.

Description

Operation shall provide written translations to provide meaningful access to and an equal opportunity to participate fully in the services, activities, programs or other benefits provided by the operation. All vital documents, regardless of language, should be easy to understand by target audiences. Matters of plain language and literacy should be considered for all documents, including vital documents before and after the translation process.

The following steps illustrate the actions operation shall take to implement Element 3. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Provide points of contact to ensure staff and managers can arrange for document translation when necessary to improve access to operation's programs and activities.
- b. Identify documents where the operation regularly encounters languages other than English in serving its patients/residents and take steps to provide translation in those non-English languages.
- c. Use the services of qualified, professional translators.

ELEMENT 4: Policies and Procedures

Operation shall implement written policies and procedures that ensure individuals with LEP and/or disabilities have meaningful access to operation programs and activities.

Description

Operation shall implement and improve language assistance services within the operation. The results of the assessment from Element 1 should be used to in the development of procedures appropriate for the operation and the current and potential individuals with LEP and/or disabilities they serve.

The following steps illustrate the actions operation shall take to implement Element 4. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Implement this Language Access Plan and policy.
- b. Regularly monitor the efficacy of services provided.
- c. Implement a procedure for receiving language assistance concerns or complaints from patients/customers with LEP and/or disabilities and establish procedures to improve services.
- d. Direct concerns or complaints to Pennant Service's Section 1557 Coordinator; Erin Peterson, or the compliance hotline at 866-987-3715.

ELEMENT 5: Notification of the Availability of Language Assistance at No Cost

Operation, in accordance with its needs and capacity and in plain language, will proactively inform and post notices of nondiscrimination and taglines that alert individuals with limited English proficiency to the timely availability of language assistance services at no cost.

Description

Operations shall take steps to provide meaningful access to their programs, including notifying current and potential patients/residents with LEP and/or disabilities about the availability of language assistance in a timely manner and at no cost. Notification methods shall include multilingual posters, signs and brochures, as well as statements on application forms and informational material distributed to the public, including electronic forms such as websites, taglines in English and the top 15 non-English languages spoken in the State, written documents, etc.

The results from the Element 1 assessment should be used to inform the operation on the languages in which the notifications should be translated.

The following steps illustrate the actions operation shall take to implement Element 5. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Implement a strategy for notifying individuals with LEP and/or disabilities who contact the operation or are being contacted by the operation, that language assistance is available to them in a timely manner and at no cost.
- b. Distribute and make available resources.
- c. Provide technical assistance necessary to assist those in need of language assistance services.
- d. Prominently display Notice of Nondiscrimination, appropriate language taglines (translated into top 2 languages for small publications and top 15 languages for publications with larger surface areas), web pages currently available in English only, notifying that language assistance is available at no cost and how it can be obtained.

ELEMENT 6: Staff Training

Operation shall provide staff training so they may understand and can implement the policies and procedures of this plan. Training will help all employees understand the importance of and be capable of providing effective communication to individuals with LEP and/or disabilities in all their programs and activities.

Description

Operation shall determine which staff members should receive training in the related policies, procedures, and provision of language assistance services. All staff should be notified that the operation provides language assistance.

The following steps illustrate the actions operation shall take to implement Element 6. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Develop, make available, and disseminate training materials that will assist management and staff in procuring and providing effective communication for individuals with limited English proficiency and/or disabilities.
- b. Train management and staff on the policies and procedures of the operation-specific language assistance program to provide language assistance to persons with LEP and/or disabilities in a timely manner.
- c. Train appropriate staff on when and how to access and utilize oral and written language assistance services, how to work with interpreters and translators, how to convey complex information using plain language, and how to communicate effectively and respectfully with individuals with limited English proficiency and/or disabilities
- d. Train staff to competently identify LEP and/or disability contact situations and take the necessary steps to provide meaningful access.
- e. When considering hiring criteria, assess the extent to which non-English language proficiency would be necessary for particular positions.
- f. Provide ongoing training as needed.
- g. Track existing and new staff by non-English languages spoken and level of oral and written proficiency.
- h. Identify need for qualifying staff, assessing workload and productivity by taking into account time staff will spend on providing language assistance services.

ELEMENT 7: Assessment of Access and Quality

Operation shall regularly assess the accessibility and quality of language assistance activities for individuals with limited English proficiency and/or disabilities, maintain an accurate record of language assistance services, and implement or improve LEP/disability outreach programs and activities in accordance with patient/resident need and operation capacity.

Description

Operation shall assess and evaluate the language assistance services on an ongoing basis. Areas of evaluation should include patient/resident satisfaction, utilization of appropriate communication channels, and the accessibility and quality of language assistance services provided.

The following steps illustrate the actions operation shall take to implement Element 7. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Regularly assess and take necessary steps to improve and ensure the quality and accuracy of language assistance services provided to individuals with LEP and/or disabilities.
- b. Review and address complaints received from individuals with LEP and/or disabilities with respect to language assistance services and products or other services provided by the operation, in a timely manner.
- c. Identify best practices for continuous quality improvement regarding operation language assistance activities.
- d. Assess qualified staff for proficiency in and ability to communicate information accurately in both English and the other language.
- e. Assess qualified staff's understanding and following of confidentiality, impartiality, and ethical rules.
- f. Assess qualified staff's understanding and adherence to their roles as interpreters.
- g. Document discussions surrounding language assistance services quality and improvement.

ELEMENT 8: Procurement of Language Assistance Services

When an operation elects to procure language assistance services, operation shall take reasonable efforts to ensure that any Request for Proposals or contract for language assistance services will specify responsibilities, assign liability, set pay rates, and provide for dispute resolution.

The following steps illustrate the actions operation shall take to implement Element 8. Operations have flexibility in how these steps are implemented.

PROCEDURE

Operation shall;

- a. Review contract with Legal Department
- b. Review contract for confidentiality and conflicts of interest
- c. Verify vendor can meet the operation's demand for interpreters
- d. Require qualified and competent interpreters with timely service delivery and emergency response plan
- e. Identify with vendor effective complaint resolution when interpretation errors occur
- f. Identify with vendor adequate quality control processes

Appendix A: Definitions

Auxiliary Aids and Services

Aids used to accommodate for a disability and may include, among other things; Qualified Interpreters, amplifiers, alternative formats, white boards, large print materials, closed captioning, video translation or video text displays, or equally effective telecommunications devices.

Disability

Physical or mental impairment that substantially limits on or more major life activities. Includes, without limitation, visual, speech, hearing impairments, mental health, diabetes, cancer, heart disease, HIV disease, drug addiction and alcoholism.

Effective Communication

Communication sufficient in providing individuals with LEP and/or disabilities with substantially the same level of access to services received by individuals without LEP and/or disabilities.

Qualified Bilingual/Multilingual Staff

A members of your staff designated by you who is (1) is proficient in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and (2) is able to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.

Qualified Interpreter

A Qualified Interpreter for an individual with a disability is an individual who has been assessed for relevant translation skills, is able to interpret effectively, accurately, and impartially, both receptively and expressively, using any necessary specialized vocabulary, terminology and phraseology and who abides by a code of professional ethics (Code of Ethics for Interpreters in Health Care)

A Qualified Interpreter for an individual with a limited English is an individual who has been assessed for relevant translation skills, who demonstrates a high level of proficiency in at least two languages, and has the appropriate training and experience to render a message spoken or signed in one language into a second language and who abides by a code of professional ethics (Code of Ethics for Interpreters in Health Care).

Qualified Translator

A translator who: (1) Adheres to generally accepted translator ethics principles, including client confidentiality; (2) has demonstrated proficiency in writing and understanding both written English and at least one other written non-English language; and (3) is able to translate

effectively, accurately, and impartially to and from such language(s) and English, using any necessary specialized vocabulary, terminology and phraseology.

Language Access

Achieved when individuals with LEP and/or disabilities can communicate effectively with staff and contractors while participating in operation programs and activities.

Language Assistance Services

All oral and written language services needed to assist individuals with LEP and/or disabilities to communicate effectively with staff and contractors and gain meaningful access and an equal opportunity to participate in the services, activities, programs, or other benefits provided by operation.

Limited English Proficiency (LEP)

Individuals who do not speak English as their primary language and who have limited ability to read, write, speak, or understand English.

Meaningful Access

Language assistance that results in accurate, timely, and effective communication at no cost to an individual with LEP and/or disability. Denotes access that is not significantly restricted, delayed or inferior as compared to access provided to individuals without LEP and/or disability.

Plain Language

Plain language as defined as writing that is clear, concise and well organized.

Preferred Language

The language that an LEP individual identifies as the preferred language that he or she uses to communicate effectively.

Taglines

Brief messages that may be included in or attached to a document. Taglines in languages other than English can be used on documents written in English that describe how individuals with LEP can obtain translation of the document or an interpreter to read or explain the document.

Translation

Conveying meaning from written text in one language to written text in another language.

Translator

An individual who has been assessed for professional skills, demonstrates a high level of proficiency in at least two languages, and has the appropriate training and experience to render a written message into a second language and who abides by a code of professional ethics.

Vital Document

Paper or electronic written material that contains information critical for accessing healthcare services or is required by law. These documents may include, but are not limited to: critical records and notices as part of emergency preparedness and risk communications; online and paper applications; consent forms; complaint forms; waivers; letters or notices pertaining to eligibility for benefits; notices of individual rights; and letters or notices pertaining to the reduction, denial, or termination of services or benefits that require a response from an individual with LEP and/or disability.

Appendix B: Language Access Related Resources

LEP.gov

For more information about Section 1557, including factsheets on key provisions and frequently asked questions, visit <http://www.hhs.gov/civil-rights/for-individuals/section-1557>

<https://www.hhs.gov/sites/default/files/2016-06-07-section-1557-final-rule-summary-508.pdf>

<https://www.hhs.gov/ocr/index.html>

<https://www.federalregister.gov/documents/2016/05/18/2016-11458/nondiscrimination-in-health-programs-and-activities>

For translated materials, visit www.hhs.gov/civil-rights/for-individuals/section-1557/translated-resources/index.html.

The OCR website has materials on training for the final nondiscrimination rule at <http://www.hhs.gov/civil-rights/for-individuals/section-1557/trainingmaterials/index.html>.

YOUTUBE VIDEOS

Working with an interpreter: <https://www.youtube.com/watch?v=pVm27HLLiQ>

Working with Interpreters in the Healthcare Setting:
<https://www.youtube.com/watch?v=D2fEgvQmx3s>

How to use interpreters effectively: <https://www.youtube.com/watch?v=f1B3DLEOsmg>

Understanding Section 1557's Final Rule: <https://www.youtube.com/watch?v=65W7qvYlrGc>

Serving Healthcare Patients with Limited-English Proficiency:
<https://www.youtube.com/watch?v=wxxD1uDugCg>

ADMISSION CRITERIA AND PROCESS**Policy No. 4-021.1****PURPOSE**

To establish standards and a process by which a patient can be evaluated and accepted for admission.

POLICY

Puget Sound Hospice will admit any patient with a life-limiting illness that meets the admission criteria.

Patients will be accepted for care without discrimination on the basis of race, color, religion, age, gender, sexual orientation, disability (mental or physical), communicable disease, or place of national origin.

Patients will be accepted for care based on need for hospice services. Consideration will be given to the adequacy and suitability of hospice personnel, resources to provide the required services, and a reasonable expectation that the patient's hospice care needs can be adequately met in the patient's place of residence. (See "[Scope of Services](#)" Policy No. 1-024.)

While patients are accepted for services based on their hospice care needs, the patient's ability to pay for such services, whether through state or federal assistance programs, private insurance, or personal assets is a factor that will be considered.

The patient's life-limiting illness and prognosis of six (6) months or less will be determined by utilizing standard clinical prognosis criteria developed by the fiscal intermediary's Local Coverage Determinations (LCDs).

Puget Sound Hospice reserves the right not to accept any patient who does not meet the admission criteria.

A patient will be referred to other resources if Puget Sound Hospice cannot meet his/her needs.

Once a patient is admitted to service, the organization will be responsible for providing care and services within its financial and service capabilities, mission, and applicable law and regulations.

Admission Criteria

1. The patient must be under the care of a physician. The patient's physician (or other authorized independent practitioner) must order and approve the provision of hospice care, be willing to sign or have a representative who is willing to sign the death certificate, and be willing to discuss the patient's resuscitation status with the patient and family/caregiver.

2. The patient must identify a family member/caregiver or legal representative who agrees to be a primary support care person if and when needed. Persons without such an identified individual and who are independent in their activities of daily living (ADLs) will require a specific plan to be developed at time of admission with the social worker.
3. The patient must have a life-limiting illness with a life expectancy of six (6) months or less, as determined by the attending physician and hospice Medical Director, utilizing standard clinical prognosis criteria developed by LCD.
4. The patient must desire hospice services, and be aware of the diagnosis and prognosis.
5. The focus of care desired must be palliative versus curative.
6. The patient and family/caregiver desire hospice care, agree to participate in the plan of care, and sign the consent form for hospice care.
7. The patient and family/caregiver agree that patient care will be provided primarily in the patient's residence, which could be his/her private home, a family member's home, a skilled nursing facility, or other living arrangements.
8. The physical facilities and equipment in the patient's home must be adequate for safe and effective care.
9. The patient must reside within the geographical area that the Puget Sound Hospice services.
10. Eligibility for participation will not be based on the patient's race, color, religion, age, gender, sexual orientation, disability (mental or physical), communicable disease, or place of national origin.
11. If applicable, the patient must meet the eligibility criteria for Medicare, Medicaid, or private insurance hospice benefit reimbursement.
12. Eligibility criteria will be continually reviewed on an ongoing basis by the interdisciplinary team to assure appropriateness of hospice care.

PROCEDURE

1. The organization will utilize referral information provided by family/caregiver, health care clinicians from acute care facilities, skilled or intermediate nursing facilities, other agencies, and physician offices in the determination of eligibility for admission to the program. If the request for service is not made by the patient's physician, he/she will be consulted prior to the evaluation visit/initiation of services.

2. The Clinical Supervisor will assign hospice personnel to conduct initial assessments of eligibility for services within the time frame requested by the referral source, or based on the information regarding the patient's condition or as ordered by the physician (or other authorized independent practitioner).
3. Assignment of appropriate hospice personnel to conduct the initial assessments of patient's eligibility for admission will be based on:
 - A. Patient's geographical location
 - B. Complexity of patient's hospice care needs/level of care required
 - C. Hospice personnel's education and experience
 - D. Hospice personnel's special training and/or competence to meet patient's needs
 - E. Urgency of identified need for assessment
4. In the event that the time frame for assessment cannot be met, the patient's physician and the referral source, as well as the patient, will be notified for approval of the delay.
 - A. Such notification and approval will be documented.
 - B. If approval is not obtained for the delay, the patient will be referred to another hospice for services.
5. A hospice registered nurse will make an initial contact prior to the patient's hospital discharge, if possible or appropriate. The initial home visit will be made within the time frame requested by the referral source and according to organization policy, or as ordered by the physician (or other authorized independent practitioner). The purpose of the initial visit will be to:
 - A. Explain the hospice philosophy of palliative care with the patient and family/caregiver as unit of care.
 - B. Provide a written copy and explain (verbally) the patient's rights and responsibilities and grievance procedure. (See "[Patient Bill of Rights](#)" Policy No. 2-002.)
 - C. Provide the patient with a copy of Puget Sound Hospice notice of privacy practices.
 - D. Assess the family/caregiver's ability to provide care.
 - E. Evaluate physical facilities and equipment in the patient's home to determine if they are safe and effective for care in the home.
 - F. Allow the patient and family/caregiver to ask questions and facilitate a decision for hospice services especially provided under the Medicare/Medicaid hospice benefit.

- G. Review appropriate forms and subsequently sign forms by patient and family/caregiver once agreement for the hospice program has been decided.
 - H. Provide services as needed and ordered by physician (or other authorized independent practitioner), and incorporate additional needs into the hospice plan of care.
 - I. Give patient information about durable power of attorney for health care, if the patient has not already done so.
6. During the initial assessment visit, the admitting clinician will assess the patient's eligibility for hospice services according to the admission criteria and standard prognosis criteria to determine/confirm further:
- A. Level of services required and frequency criteria
 - B. Eligibility (according to organization admission criteria)
 - C. Source of payment
7. If eligibility criteria is met the patient and family/caregiver will be provided with a hospice brochure and various educational materials providing sufficient information on:
- A. Nature and goals of care and/or service
 - B. Hours during which care or service are available (physician, nursing, drugs and biological are available 24 hours/day. All other services are available to meet individual patient care needs)
 - C. Access to care after hours
 - D. Costs/charges to the patient, if any, for care, treatment or services
 - E. Hospice mission, objectives, and scope of care provided directly and those provided through contractual agreement
 - F. Safety information
 - G. Infection control information
 - H. Emergency preparedness plans
 - I. Available community resources
 - J. Complaint/grievance process

- K. Advance Directives
 - L. Availability of spiritual counseling in accordance with religious preference
 - M. Hospice personnel to be involved in care
 - N. Mechanism for notifying the patient and family/caregiver of changes in care and any related liability for payment as a result of those changes
8. The hospice registered nurse will document that the above information has been furnished to the patient and family/caregiver and any information not understood by the patient and family/caregiver.
 9. The patient and family/caregiver, after review, will be given the opportunity to either accept or refuse services.
 10. The patient or his/her representative will sign the required forms indicating election of hospice care and receipt of patient rights and privacy information.
 11. Refusal of services will be documented in the clinical record. Notification of the Clinical Supervisor, attending physician, and referral source will be completed and documented in the clinical record.
 12. The hospice registered nurse will assist the family in understanding changes in the patient's status related to the progression of an end-stage disease.
 13. The hospice registered nurse will educate the family in techniques for providing care.
 14. The hospice registered nurse will contact the physician for clinical information in writing to certify patient for hospice care.
 15. The hospice registered nurse will complete an initial assessment during this visit within 48 hours after the election of the hospice care (unless the physician, patient or representative requests that the initial assessment be completed in less than 48 hours.) (See "[Initial Assessment](#)" Policy No. 4-041.)
 16. The hospice registered nurse will contact at least one (1) other member of the interdisciplinary group for input into the plan of care, prior to the delivery of care. The two (2) remaining core services must be contacted and provide input into the plan of care within two (2) days of start of care; this may be in person or by phone.
 17. If the patient is accepted for hospice care, a comprehensive assessment of the patient will be performed no later than 5 calendar days after the election of hospice care. A plan of care will be developed by the attending hospice physician, the Medical Director or physician designee, and the hospice team. It will then be submitted to the attending physician for signature. The patient's wishes/desires will be considered and respected in the development of the plan of care. (See "[Comprehensive Assessment](#)" Policy No. 4-042.)

18. The time frames will apply for weekends and holidays, as well as weekday admissions.
19. A clinical record will be initiated for each patient admitted for hospice services.
20. If a patient does not meet the admission criteria or cannot be cared for by Puget Sound Hospice, the Clinical Supervisor should be notified and appropriate referrals to other sources of care made on behalf of the patient.
21. The following individuals should be notified of non-admits:
 - A. Patient
 - B. Physician
 - C. Referral source (if not physician)
22. A record of non-admits will be kept for statistical purposes, with date of referral, date of assessment, patient name, services required, physician, reason for non-admit, referral to other hospice care facilities, etc.
23. In instances where patient does not meet the stated criteria for admission to the program, exceptions will be decided upon by the Executive Director/Administrator in consultation with the Medical Director, upon request of the referring party and/or the patient.
24. In instances where continued care to a patient contradicts the recommendations of an external or internal entity performing a utilization review, the Executive Director/Administrator will be notified. All care, service, and discharge decisions must be made in response to the care required by the patient, regardless of the external or internal organization's recommendation. The patient and family/caregiver, as appropriate, and physician will be involved in deliberations about the denial of care or conflict about care decisions.
25. A record of conflict of care issues and outcomes will be kept for statistical purposes, referencing the date of the conflict of care issue, the patient name, the external or internal organization recommendations and reasons, and complete documentation of organization decision and patient care needs.

PURPOSE

To detail the process utilized for patients in need of hospice services under the charity care policy as required by the Washington State Department of Health.

POLICY

Patients without third-party payer coverage and who are unable to pay for medically necessary hospice care will be accepted for charity care admission, per established criteria set forth by Federal and Washington State Department of Health.

Alpha Hospice will establish objective criteria and financial screening procedures for determining eligibility for charity care.

Once Federal and State hospice clinical admission guidance, all patients in need of hospice will receive Alpha Hospice services expeditiously regardless of ability to pay, race, color, gender, gender identity, religion, age, or citizenship.

The organization will consistently apply the charity care policy.

PROCEDURE

1. When it is identified that the patient has no source for payment of services and requires medically necessary care/service, **a request will be made for the patient to provide** personal financial information upon which the determination of charity care will be made.
 - **A in person, or virtually, interview with the patient/family will take place to determine hospice eligibility and need, financial hardship, and charity care needs.**
 - **The patient will be admitted as soon as reasonably possible, the determination of qualifying for charity care will not delay the start of hospice care and services.**
2. **The hospice social worker will meet in person or virtually, the patient and or patient representative to determine financial assistance or charity care eligibility for Federal and or state funding, insurance programs, and community financial assistance programs.**
 - **If the patient or family is able, the hospice social worker will the assist patient in completing a financial declaration.**
 - **The hospice social worker will assist the patient and family as needed in navigating available community resources and or financial aid.**

Any patient without the ability to pay, who meets all established admission criteria will be admitted to Alpha Hospice services without charge.

3. The Executive Director/Administrator, with the appropriate program director, will review all applicable patient information, including financial declarations, physician (or other authorized licensed independent practitioner) orders, initial assessment information, and social work notes to determine acceptance for charity care.
 - **If it is determined the patient has a limited or any ability to pay for hospice services, a payment sliding scale based on income will be used.**
4. All documentation utilized in the determination for acceptance for charity care will be maintained in the patient's billing record.
5. **If at any time the financial declarations (or the patient) reveal the patient is able to make partial payment for services, the Executive Director/Administrator, with the appropriate program director, will determine the sliding scale payment amount (if any) to be paid.**
6. **A revised sliding-fee schedule will be reviewed with the patient or patient representative, a payment plan will be agreed upon based on patient ability to pay and the Federal Poverty Level Guidelines updated 8/23/2020.**
7. **The patient's ability to pay will be reassessed every 120 days (after first hospice certification period.**
8. **If at any time Alpha Hospice is unable to admit the patient to hospice or to continue hospice charity care, every effort will be made to refer and guide the patient to the appropriate care/service with an alternate provider. The patient will not be discharged from the hospice service until adequate arrangements for continued hospice care have been secured.**
9. The referral source will be advised of acceptance, non-acceptance, continuation, or discharge from charity care.

NONDISCRIMINATION STATION

Section 1557 of the Affordable Care Act

Does Section 1557 and other nondiscrimination laws apply to my facility?

YES!

- ✓ These laws apply to any provider that receives federal financial assistance which includes Medicare and Medicaid

What should I know??

- ✓ You may not discriminate against an individual if they are appropriate for admission
- ✓ You may not delay or deny services to those with Limited English Proficiency (LEP) or disabilities including deafness
- ✓ You may not discriminate against any individual based on race, color, national origin, sex, age or disability
- ✓ You are required to provide every individual with equal access to their healthcare
- ✓ You are required to provide language assistance services FREE and in a TIMELY manner. You may NOT require an individual to provide their own language assistance services

What could happen if we are not in compliance?

- ❖ State survey citations
- ❖ Litigation with the potential for significant jury verdict awards
- ❖ Fines
- ❖ Office for Civil Rights (OCR) investigation
- ❖ Corrective Action Plan dictated by OCR
- ❖ Suspension or termination from participating in Medicare or Medicaid
- ❖ Reputational harm

WATCH YOUR
EMAIL FOR
MORE
INFORMATION
AND
RESOURCES

Where do I go for more information?

Visit the Non-Discrimination section on Pennant University:

<http://learning.pennantservices.com/moodle/course/view.php?id=43§ion=4>

Who do I contact with questions?

COMPLIANCE CONTACTS

Jennifer Bertino – (949) 426-4309

Erin Peterson – (208) 401-6063

NONDISCRIMINATION POLICY AND GRIEVANCE PROCESS**Policy No. 2-037.1****PURPOSE**

To prevent organization personnel from discriminating against other personnel, patients, or other organizations on the basis of race, color, religion, age, sex (an individual's sex, gender identity, sex stereotyping, pregnancy, childbirth and related conditions), sexual orientation, disability (mental or physical), communicable disease, or national origin.

POLICY

In accordance with Title VI of the Civil Rights Act of 1964, Section 1557 of the Affordable Care Act (ACA) of 2010 and its implementing regulation, Puget Sound Hospice will, directly or through contractual or other arrangement, admit and treat all persons without regard to race, color, or place of national origin in its provision of services and benefits, including assignments or transfers within facilities.

In accordance with Section 504 of the Rehabilitation Act of 1973, Section 1557 of the Affordable Care Act (ACA) of 2010 and its implementing regulations, Puget Sound Hospice will not, directly or through contractual or other arrangements, discriminate on the basis of disability (mental or physical) in admissions, access, treatment or employment.

In accordance with the Age Discrimination Act of 1975, Section 1557 of the Affordable Care Act (ACA) of 2010 and its implementing regulation, Puget Sound Hospice will not, directly or through contractual or other arrangements, discriminate on the basis of age in the provision of services unless age is a factor necessary to the normal operation or the achievement of any statutory objective.

In accordance with Title II of the Americans with Disabilities Act of 1990, Puget Sound Hospice will not, on the basis of disability, exclude or deny a qualified individual with a disability from participation in, or benefits of, the services, programs or activities of the organization.

In accordance with other regulations the organization will not discriminate in admissions, access, treatment, or employment on the basis of gender, sexual orientation, religion, or communicable disease.

PROCEDURE

1. The Section 504/ADA Compliance Coordinator and Section 1557 Civil Rights Coordinator (can be same person) designated to coordinate the efforts of Puget Sound Hospice to comply with the regulations will be the Executive Director/Administrator. Contact the Executive Director/Administrator at _____ (insert telephone number.)
2. Puget Sound Hospice will identify an organization or person in their service area who can interpret or translate for persons with limited English proficiency and who can disseminate information to and communicate with sensory impaired persons. These contacts will be listed and kept in the policy manual. (See "[Facilitating Communication](#)" Policy No. 2-038.)

3. A copy of this policy will be posted in the reception area of Puget Sound Hospice, given to each organization staff member, and sent to each referral source.
4. A nondiscrimination statement (See #5) will be posted in a conspicuous place, such as the reception area of the organization and will be printed on brochures, other printed public materials and in a conspicuous location on the organization's web site accessible from the home page, in English and at least the top 15 non-English languages spoken in the state.
5. The nondiscrimination statement will read: *"Puget Sound Hospice complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability, or sex. Puget Sound Hospice does not exclude people or treat them differently because of race, color, national origin, age, disability, or sex. Puget Sound Hospice provides free aids and services to people with disabilities to communicate effectively with us, such as qualified sign language interpreters and written materials in other formats (e.g. large print, audio, accessible electronic formats). Puget Sound Hospice provides free language services to people whose primary language is not English such as qualified interpreters and information written in other languages. If you need these services, contact the Section 504/ADA Coordinator/Section 1557 Civil Rights Coordinator at _____ (insert phone number). If you believe that Puget Sound Hospice has failed to provide these services or discriminated in another way on the basis of race, color, national origin, age, disability, or sex you can file a grievance with _____ (insert name and title of ADA/Civil Rights Coordinator) _____ (insert mailing address) _____ (insert telephone number and TTY number if available) _____ (insert fax) _____ (insert email). You can file a grievance in person or by mail, fax, or email. If you need help filing a grievance, _____ (insert name and title of ADA/Civil Rights Coordinator) is available to help you. You can also file a civil rights complaint with the U.S. Department of Health and Human Services, Office for Civil Rights, electronically through the Office of Civil Rights Compliant Portal, available at <https://ocrportal.hhs.gov/ocr/portal/lobby.jsf>, or by mail or phone at: U.S. Department of Health and Human Services, 200 Independence Avenue SW, Room 509F, HHH Building, Washington, DC 2020; 1-800-368-1019, 800-537-7697(TDD)"*
6. Any person who believes she or he has been subjected to discrimination or who believes he or she has witnessed discrimination, in contradiction of the policy stated above, may file a grievance under this procedure. It is against the law for Puget Sound Hospice to retaliate against anyone who files a grievance or cooperates in the investigation of a grievance.
7. Grievances must be submitted to the Section 504/ADA Compliance Coordinator/ Section 1557 Civil Rights Coordinator within 60 days of the date the person filing the grievance becomes aware of the alleged discriminatory action.
8. A complaint may be filed in writing, or verbally, containing the name and address of the person filing it ("the grievant"). The complaint must state the problem or action alleged to be discriminatory and the remedy or relief sought by the grievant.
9. The Section 504 Coordinator/Section 1557 Civil Rights Coordinator (or her/his representative) will conduct an investigation of the complaint to determine its validity. This investigation may be informal, but it must be thorough, affording all interested persons an opportunity to submit evidence relevant to the complaint.

10. The Section 504/ADA Compliance Coordinator/ Section 1557 Civil Rights Coordinator will issue a written decision on the grievance no later than 30 days after its filing.
11. The grievant may appeal the decision of the Section 504/ADA Compliance Coordinator/Section 1557 Civil Rights Coordinator by filing an appeal in writing to Puget Sound Hospice within 15 days of receiving the Section 504/ADA Compliance Coordinator/Section 1557 Civil Rights Coordinator's decision.
12. Puget Sound Hospice will issue a written decision in response to the appeal no later than 30 days after its filing.
13. The Section 504/ADA Compliance Coordinator/Section 1557 Civil Rights Coordinator will maintain the files and records of Puget Sound Hospice relating to such grievances.
14. The availability and use of this grievance procedure does not preclude a person from filing a complaint of discrimination on the basis of handicap with the regional office for Civil Rights of the U.S. Department of Health and Human Services.
15. All organization personnel will be informed of this process during their orientation process.
16. Puget Sound Hospice will make appropriate arrangements to assure that persons with disabilities can participate in or make use of this grievance process on the same basis as the nondisabled. Such arrangements may include, but will not be limited to, the providing interpreters for the deaf, providing taped cassettes of material for the blind, or assuring a barrier-free location for the proceedings. The Section 504 Coordinator will be responsible for providing such arrangements.

Section 1557 Checklist

BASICS

- ❖ The patient's/resident's access to their healthcare must be equal, meaningful and effective
- ❖ Services may not be denied or delayed on the basis of race, color, national origin, disability, age, or sex
- ❖ Language and auxiliary services must be provided in a timely manner and FREE of charge
- ❖ We may not rely on family members or others to interpret with the exception of emergency situations
- ❖ We may not rely on bilingual/multilingual staff to interpret with the exception of those assessed and deemed qualified

CHECKLIST

POLICY

- Review Language Access Plan and Policy
- Make Language Access Plan and Policy available to all staff
- Host an in-service to educate staff on process for interpretation and ancillary services

NOTICE OF NONDISCRIMINATION AND TAGLINES

- Post in common areas, accessible to patients and residents, and link on website, with taglines in top 15 languages spoken in the state
- Make available on request

TRANSLATED DOCUMENTS

- Include translated admission agreement, arbitration agreement, and Notice of Privacy Practices in admission packet, in top 2 languages spoken in the state
- Interpret verbally using an interpreter service or a qualified staff member for all other admission documents (admission packet/financial information)

VENDORS

- Review vendor and resource list. Select a vendor to provide on demand telephonic interpretive services and auxiliary services as needed
- Send contract to Ensign Services' Legal department for review
- Complete the Bilingual Resources and Sign Language Interpreters documents to include with your Language Access Plan and Policy

PRE-ADMIT PROCESS

- Implement a process for identifying language access and/or ancillary service needs prior to admission

ADMISSION PROCESS

- Provide Notice of nondiscrimination (in top 2 languages) along with taglines (in top 15 languages) to all LEP patients/residents to determine primary language and need for interpretation services during admission process
- Provide interpretation and/or auxiliary services during the admission process
- Provide translated admission documents

- Designate a point of contact to coordinate oral language assistance services so that staff can refer any and all patients/residents to a designated person trained to obtain qualified interpreter services in a timely manner and arrange for document translation when necessary

STAFF QUALIFICATION

Type of qualification dependent on type of interpreting; clinical vs. non-clinical

A qualified staff member is one who has passed an assessment demonstrating;

- a. Proficiency in speaking and understanding both spoken English and at least one other spoken language, including any necessary specialized vocabulary, terminology and phraseology, and
- b. Ability to effectively, accurately, and impartially communicate directly with individuals with limited English proficiency in their primary languages.

A qualified staff member is one who has had;

- a. Relevant training
- b. Proficiency testing to interpret
- c. And who follows the Code of Ethics for Interpreters in Health Care

- Identify existing capacity to provide language assistance services, such as bilingual and multilingual staff to serve as qualified interpreters and the need and availability of contract interpreter and translation services
- Contact CyraCom to arrange for testing
 - o assessmentsteam@cyracom.com
 - o Approximately \$150-\$175 per assessment
- Include interpretation as a job responsibility as part of the staff member's job description

CARE DELIVERY

- Offer/provide interpretation and/or auxiliary services during care
- Identify emergency circumstances warranting interpretation by an adult family member

DOCUMENTATION

- Identify and document specific language and/or auxiliary aid needs during the preadmission process
- Add language assistance and auxiliary aid needs to the admission care plan
- Discuss and document ongoing needs during care plan meetings and make modifications where needed
- As part of the QAPI process, assess services offered and provided. Document patient/resident satisfaction, accessibility of language assistance and auxiliary aids, modifications to program based on areas of deficiency, quality of vendor services, etc.
- Document emergency situations resulting in the need to rely on a family member or friend to interpret initially when there is a threat to the patient/resident and no other interpreter is available
- Document in the care plan and nurse's note when a patient/resident requests a specific interpreter and refuses an external interpreter
- Document any concerns with competency or confidentiality of the preferred interpreter and make arrangements for a qualified interpreter

- Document patient/resident refusals to use auxiliary aids
- Document language and/or disabilities as barriers and how barriers are managed

GRIEVANCES

- Implement a process for receiving complaints regarding perceived discrimination
- Use the ***Discrimination Grievance Form*** to document all complaints of discrimination
- Forward all ***Discrimination Grievance Forms*** to compliance within 2 business days

QUALITY IMPROVEMENT

- Assess and evaluate the language assistance services on an ongoing basis. Areas of evaluation should include patient/resident satisfaction, utilization of appropriate communication channels, and the accessibility and quality of language assistance services provided

RESOURCES

Resource Materials: Compliance section on Pennant U

<http://learning.pennantservices.com/moodle/course/view.php?id=43§ion=4>

Office for Civil Rights: <https://www.hhs.gov/civil-rights/for-individuals/section-1557/index.html>

CONTACTS

Erin Peterson, Chief Compliance Officer/Section 1557 Coordinator
208-506-6063

Email: sec1557@pennantservices.net

*Complaints

*Order additional posters

*Notice of Privacy Practices

*General questions

REFERRAL DISCLOSURE AND CARE DECISIONS**Policy No. 1-004.1****PURPOSE**

To ensure that all patients are informed about the relationship between the use of services and financial incentives between the organization and other service providers. To ensure that the integrity of clinical decision-making is not compromised by financial incentives offered to leaders, managers, clinical personnel, or physicians.

POLICY

When a patient is referred to another service organization, the patient will be informed of any financial benefit to Puget Sound Hospice. To promote efficient quality patient care, clinical care decisions will be based on identified patient health care needs.

[Cross-reference "[Admission Criteria and Process](#)" Policy No. 4-021, "[Initial Assessment](#)" Policy No. 4-041, "[Comprehensive Assessment](#)" Policy No. 4-042, "[Ongoing Assessments](#)" Policy No. 4-043, "[The Plan of Care](#)" Policy No. 4-027, "[Interdisciplinary Group Plan of Care](#)" Policy No. 4-031, "[Change of Designated Hospice](#)" Policy No. 4-073, and "[Verification of Physician Orders](#)" Policy No. 4-028]

PROCEDURE

1. The Program Director will be responsible to inform the patient or family/caregiver of any affiliation or financial incentives between Puget Sound Hospice and other service providers.
2. The patient may choose referral of services to other organizations.
3. All referrals will be documented and include name, date, time, and reason for referral.
4. The referrals will be monitored, reviewed, and reported each month by the Program Director. Any areas of concern identified, will be reviewed by the Program Director and Executive Director/Administrator as part of the organization's QAPI process.
5. All clinical decisions will be based on identified patient health care needs. Decisions will not be based on organizational compensation or financial risk shared with leaders, managers, clinical personnel, or physicians. All personnel are educated and understand this.
6. The organization will accept only those patients whose needs can be met by the services it provides and who meet admission criteria.
7. Initial and ongoing patient assessment data will identify patient health care needs.

8. In compliance with standard medical practice, all services will be delivered under physician's (or other authorized licensed independent practitioner's) orders and in compliance with state law and ethical policies.
9. Any areas of concern identified will be reviewed by the Program Director and Administrator as part of the organization's performance improvement process.
10. Information regarding financial incentives to leaders, managers, clinical personnel, or physicians will be available upon written request.

ORIENTATION
Policy No. 1-022.1**PURPOSE**

To provide guidelines for the orientation process.

POLICY

All personnel will be required to attend an orientation program upon employment and at the time of reassignment. The goal of orientation will be to inform and instruct new personnel regarding Puget Sound Hospice's mission, policies and procedures, benefits (if applicable), the performance appraisal process, competency testing, as well as individual responsibilities and relationships to other personnel.

All personnel will demonstrate knowledge and proficiency in skills appropriate to their assigned responsibilities during the orientation period.

All clinical personnel prior to being assigned to care must present documentation of current CPR certification. CPR certification must be renewed per American Heart Association guidelines.

(See "[Competency Based Orientation](#)" Policy No. 3-002.)

PROCEDURE

1. The orientation content for all personnel will include the following as applicable and appropriate to the care and service provided:
 - A. General company orientation including the organization's mission/philosophy, policy and procedures, environmental safety program, etc.
 - B. Review of organizational chart and lines of authority and responsibility
 - C. Hours of work
 - D. Job related responsibilities (job description), including orientation to equipment, if applicable
 - E. Care and services provided by the organization; diseases and medication conditions common to hospice
 - F. Baseline skills assessments as applicable to job classification
 - G. Infection prevention and control within the organization and the home care setting
 - H. Performance standards

- I. Confidentiality of organization and patient information/HIPAA regulations
- J. Documentation requirements (record keeping and requirements)
- K. OSHA compliance
- L. Medical Device Reporting/Incident Reporting
- M. Equal Employment Opportunity Act
- N. Ethical issue identification and resolution including conflict of interest, professional boundaries, etc.
- O. Sexual Harassment Act
- P. Compensation and benefits information (salary/wages, benefits, etc.)
- Q. Unemployment and workers' compensation
- R. Malpractice coverage, as applicable
- S. Collective bargaining information, as applicable
- T. Drug testing
- U. Family/State Medical Leave Act
- V. Cultural Diversity and communication barriers
- W. Client/Patient Rights including Advance Directives
- X. Standards of Conduct and Ethical Issues
- Y. QAPI and activities
- Z. Concept of death, dying, hospice philosophy, bereavement, caregiver as unit of service, etc.
- AA. Pain and symptom management
- BB. Emotional support of staff and client/patient (stress management)
- CC. Compliance Plan and employee compliance responsibilities
- DD. Emergency Management Plan for the organization and the employee's family emergency response plan
- EE. Handling of patient complaints/grievances

- FF. If applicable, converging of charges for care/services
2. The orientation process, for all personnel will consist of both didactic and field supervision. Observation visits will be made by an appropriate supervisor to assess the skills demonstrated by new or reassigned personnel as well as reinforce the information presented during classroom time.
 3. The orientation process for contract personnel will consist of the following:
 - A. For contract personnel, the contracted organization will have one (1) member of the organization that has been oriented to Puget Sound Hospice policies, procedures, and information presented during orientation. That individual will be responsible for orienting other contract personnel from that organization to Puget Sound Hospice.
 - B. For personnel the organization individually contracts with, a preceptor will be assigned during the orientation process.
 4. During the orientation process, the supervisor will be responsible for evaluating the knowledge and skills of the personnel being oriented. Any areas of concern will be brought to the immediate attention of the new personnel. Appropriate guidance/monitoring will be provided or additional training recommended, if needed.
 5. Assigned personnel will orient newly assigned personnel or volunteers to their responsibilities and to the patient needs when changes in patient assignment occur. The following will be included as appropriate:
 - A. Patient needs including physical, psychosocial, and environmental aspects of care and service
 - B. Personnel responsibilities
 - C. Specific care and services to be provided
 6. Orientation of new and reassigned personnel may include verbal or written instructions. Orientation may be provided in the patient's home.
 7. Orientation of current employees assigned to new job classifications will include.
 - A. Lines of authority and responsibility
 - B. Hours of work
 - C. Job responsibilities
 - D. Skills assessment as applicable to the specific job classification
 - E. Documentation responsibilities

8. A Personnel Orientation Checklist (See "[Personnel Orientation Checklist](#)" Addendum 1-022.A.) will be completed for all new personnel. New personnel will sign and date when their orientation has been completed.
9. The supervisor will sign and date the checklist when new personnel have completed all the required activities.
10. The probationary period will be 90 days, during which time the orientation process may be extended if the supervisor, or employee feels it is warranted.

ADDENDUM 1-022.A
PERSONNEL ORIENTATION CHECKLIST

PERSONNEL ORIENTATION CHECKLIST

Name: _____ Date: _____

CHECKLIST	DATE COMPLETED	ORIENTATION BY WHOM	PERSONNEL INITIALS
1. Tour of office/Introduction of organization personnel			
2. Introduction to work stations			
3. Completion of all employment forms			
4. Personnel file A. Application B. Sign job description (copy to personnel) C. Professional license, certification, registration, CPR documentation, as appropriate D. Driver's license, as appropriate E. Proof of auto insurance, as appropriate F. Physical exam, drug test, as appropriate G. TB Screening, as appropriate H. Hep B vaccination, as appropriate I. Standard precautions orientation J. Criminal background check/National Sex Offender Registry check K. OIG Exclusion List check verification			
5. Name and Photo Identification			
6. The orientation content for all personnel will include the following as applicable and appropriate to the care and service provided: A. General orientation to organization, including philosophy, mission, and purpose, policies and procedures, environmental safety program B. Review of organizational chart and lines of authority and responsibility C. Hours of work D. Job related responsibilities E. Care and services provided by the organization F. Baseline skills assessments as applicable to job classification G. Infection prevention and control within the organization and home care setting H. Performance standards I. Confidentiality of organization and patient information/HIPAA J. Documentation requirements (Record keeping and reporting) K. OSHA compliance L. Medical Device Reporting M. Equal Employment Opportunity Act N. Ethical issue identification, resolution and boundaries/Standards of Conduct O. Sexual Harassment Act P. Compensation and benefits Q. Unemployment and workers compensation R. Malpractice coverage, as applicable S. Collective bargaining information, as applicable T. Drug testing U. Family/State Medical Leave Act			

CHECKLIST	DATE COMPLETED	ORIENTATION BY WHOM	PERSONNEL INITIALS
V. Cultural Diversity/Communication barriers W. Patient/Client Rights and Handling of patient complaints X. Concepts of death, dying and bereavement Y. Pain and symptom management Z. Emotional support of staff and patient (Stress management) AA. Advance Directives BB. Conflict of Interest CC. QAPI Plan DD. Incident/Variance Reporting EE. Compliance Program/Employee Responsibilities FF. Emergency Management Plan GG. Intro to hospice/hospice philosophy, unit of service, emotional support, psychosocial and spiritual issues HH. Diseases/Conditions common to hospice II. Job specific: medical equipment, special populations			
7. Orientation to job description and job responsibilities (list or cross-reference)			
8. Skills/Competency Assessment (list or cross-reference)			

PERSONNEL DEVELOPMENT**Policy No. 1-023.1****PURPOSE**

To ensure ongoing training and development for all personnel to maintain competence in assigned duties.

POLICY

Puget Sound Hospice will provide for personnel development including, but not limited to, continuing education, inservices, training sessions, one-on-one mentoring, and continuing education. Documentation of attendance will be requested and filed in the personnel file.

PROCEDURE

1. The need for training and education is determined by:
 - A. Requests of personnel
 - B. Specific patient care/service needs
 - C. New assignments
 - D. New technology
 - E. New care/service
2. Needs assessment forms will be distributed to personnel as appropriate to determine their interest for inservice planning. (See "[Personnel Development/Inservice Needs Assessment](#)" Addendum 1-023.A.)
3. At the discretion of Puget Sound Hospice, internal and external continuing education will be sponsored.
4. Continuing education provided internally by the organization may take the form of:
 - A. Formal presentations
 - B. Documented "on the job specialty training"
 - C. Distance learning
5. Personnel will be encouraged to participate in self-development and learning through the following means, but not limited to:

- A. Membership in professional organization
 - B. Self-directed learning modules
 - C. Attendance at continuing education seminars
 - D. Satellite learning
 - E. Formal courses of study
 - F. Mentoring
6. An attendance record of all inservice/organization personnel development programs offered will be maintained by the organization. The organization will also validate continuing education units (CEUs) per applicable state licensure law for direct care, independent contractor, and subcontract personnel.
 7. Personnel will be requested to provide feedback using an inservice evaluation form regarding the content, value, and applicability of all inservice education offered by the organization. Personnel feedback will be used to evaluate the education provided by the organization and to assist in the development of future education programs.
 8. Puget Sound Hospice requires that each staff member complete a minimum of the following programs each year. Any employee that fails to attend the annual mandatory training is subject to disciplinary action up to and including termination. These mandatory inservices include:
 - A. Standard Precautions and Infection Control
 - B. Safety Program including OSHA (Safety Data Sheet Elements) and Medical Device Reporting Compliance
 - C. Body Mechanics
 - D. Emergency Management Plan/Disaster Training
 - E. Corporate Compliance and Standards of Conduct
 - F. HIPAA
 - G. Complaints and Grievances
 - H. Cultural diversity and communication barriers
 - I. Patient rights and responsibilities
 - J. Ethics training
 9. In addition, clinical personnel must attend a minimum of the following:

- A. CPR (when appropriate).
 - B. All clinical staff and hospice aides will attend 12 hours of inservice education annually.
10. Non-clinical personnel are required to attend a minimum of eight (8) hours of ongoing education annually, which includes all mandatory inservices listed above.
 11. When new information pertaining to discipline specific practice is received by the organization, it will be provided to personnel during the next regularly scheduled personnel meeting.

ADDENDUM 1-023.A

**PERSONNEL DEVELOPMENT/INSERVICE
NEEDS ASSESSMENT**

**PERSONNEL DEVELOPMENT/INSERVICE NEEDS ASSESSMENT
PERSONNEL SURVEY**

Date: _____

Your classification: _____

Year license/certification received (if applicable): _____

Approximately how many hours per week do you work? _____

Approximately how many continuing educational activities have you attended in the past 12 months?

Were they accredited programs? _____

What type of inservices or personnel development programs would you like to see offered?
Please list:

Additional comments: _____

Please return form to the Executive Director/Administrator.

RESOURCE INFORMATION**Policy No. 1-024.1****PURPOSE**

To establish guidelines for the maintenance of relevant literature and information.

POLICY

The organization will maintain clinical, scientific, and management literature and identify community resources for use in designing, managing, and improving patient-specific and organizational processes.

PROCEDURE

1. The Education Coordinator will be responsible for maintaining authoritative and up-to-date resource information for the organization.
2. Resource information will include, but will not be limited to:
 - A. Industry related journals (i.e., Home Health Line, Caring, etc.)
 - B. Home care manuals (i.e., Aspen's Manual of Policies and Procedures)
 - C. Clinical resources specific to discipline (i.e., Lippincott's Manual of Nursing Practice)
 - D. Performance improvement resources (i.e., QAPI, etc.)
 - E. Films/videos (i.e., OSHA Bloodborne Pathogens, etc.)
 - F. Listing of community resources available to patients and organization personnel
 - G. Pamphlets from national agencies, pharmaceutical companies, etc.
 - H. Current medical dictionary
 - I. Current statutes and rules related to clinical practice acts
 - J. Current billing resources: ICD-10-CM manuals, HCPCS and CPT coding manuals, other revenue code guides
3. All organization personnel will have access to the resource information. Each item will be checked out and returned within a reasonable period of time.
4. Requests for additional resource information will be made to the appropriate supervisor who will respond in a timely manner to the request.

5. Information that is needed but not accessible internally, such as practice guidelines, will be secured, if applicable and accessible, through a community resource such as a hospital library, medical center library, etc.

COMPETENCY PROGRAM**Policy No. 1-025.1****PURPOSE**

To ensure that the competence of clinical organization personnel is assessed, maintained, and improved on a continuing basis.

POLICY

Puget Sound Hospice will define and implement an objective, measurable assessment system to evaluate the competency of patient contact personnel.

Personnel will demonstrate knowledge and proficiency of skills appropriate to their assigned responsibilities, including an ability to perform specified duties determined by the organization. Skills will be maintained and improved through continuing education programs, based on the analysis of trends and outcomes identified through the competency program, on-site supervision, and established reviews.

Skill proficiency can be determined by: verbal or written examination; skill demonstration in a lab setting or patient's home; or by completion of a specialized training course specific to a clinical procedure (i.e., PICC Certification).

PROCEDURE

1. The organization will establish and annually re-evaluate its job specific "Competency Based Orientation Checklist" which reflects duties commonly required in the performance of patient contact positions. (See "Competency Based Orientation" Policy No. 3-002.)
2. The organization will establish and annually evaluate a group of specific skills related to patient care/service responsibilities and complexity of care/service provided by personnel. Competencies must be successfully demonstrated before organization personnel complete orientation.
3. The organization will clearly identify and define the skills, which are essential to observe for the determination of competence, for each job category. In the identification of core competence, the essential skills will be demonstrated upon hire and annually thereafter.
4. Specific competencies will be developed for high-risk, problem prone, and specialty service care areas. Personnel providing service in the defined target areas will receive specialty training and provide demonstrated competence prior to the provision of specialty service.
5. A preceptor will be assigned to each new staff member as part of the orientation process. The preceptor/supervisor will observe and deem proficient the indicated skills and core competencies. If necessary, additional training, or inservice education will be provided to the staff member. Organization personnel will not provide the care or service independently until satisfactory completion of required skills competency.

6. After the completion of orientation, competency will be monitored annually thereafter as part of the annual performance evaluation process. Competency will also be monitored when:
 - A. Personnel are performing a new procedure, or using a piece of equipment for the first time.
 - B. The Orientation Skills Checklist indicates a trend for retraining. The trend can be identified by a demonstrated knowledge deficit when the skill is an invasive procedure, or when the organization expects the skill to be performed routinely in the scope of patient care/service.
 - C. Care/service is provided in a specialized area for the first time.
 - D. Reporting systems indicate that organization personnel require additional training or supervision.
 - E. Requested by personnel.
7. Qualified evaluators will conduct the proficiency demonstration component of the clinical competency program.
8. Clinical competency of qualified evaluators (preceptors, supervisors, peers, clinical specialists) will also be defined and regularly evaluated.
9. Competency of supervisors and/or management personnel is assessed by the individual's immediate supervisor and may include peer evaluation as a component of the process.

COMPETENCY ASSESSMENT
Policy No. 1-026.1**PURPOSE**

To outline the process of assessing professional and paraprofessional competence.

POLICY

The competence of all organization clinical personnel (employed, contract, or volunteer) will be assessed during orientation, during the probationary period, periodically throughout the course of the year and during the annual performance evaluation. Educational activities will be based, in part, on the outcomes of the competency evaluation.

Competency of supervisors and/or management staff will be assessed by the individual's immediate supervisor and may include peer review as a component of the process.

PROCEDURE***Orientation and Probationary Period***

1. As part of the orientation process, a preceptor/Clinical Supervisor will be assigned to each new person.
2. Using a Competency Skills Performance Checklist, and the Orientation Checklist, the preceptor/Clinical Supervisor will observe the new personnel performing the required skills and activities.
3. Upon completion of the checklists, the new personnel will end orientation and probationary period.

Ongoing Assessments

1. Competency assessments will be completed at least one (1) time per year. Additional competencies may be required for performance issues, new technology, or other appropriate indications.
2. Using a Competency Skills Performance Checklist developed specifically for each clinical job category, the Clinical Supervisor will evaluate the competence in performing and rendering care according to organization policies and standards of practice.
3. Clinical personnel will make a joint visit with a Clinical Supervisor annually for direct observation assessment.

4. Based on the identified clinical needs during reviews, the inservice education plan will incorporate training on issues where trends and patterns are identified for all personnel.
5. Isolated episodes relating to individual performance will be addressed on an individual basis. Actions may include one-on-one counseling and/or mentoring, reviewing resource information, inservice training or continuing education.

Annual Performance Evaluation

1. During the annual performance evaluation, personnel's competence in performing specified activities will be evaluated.
2. Personnel will be asked to demonstrate their core competencies in specific areas relating to their job description and functions (i.e., hospice aides demonstrate skills for ADLs, bathing, toileting, etc.; nurses performing Infusion Therapy demonstrate skills for venipuncture, accessing ports; medical word processors demonstrate skill for word processing.)
3. Improving skills for competency will be part of the annual performance evaluation and performance plans for the next year, as well as establishing individual goals for personal/professional growth and development.

TRAINING/INSERVICE EDUCATION
Policy No. 1-028.1**PURPOSE**

To delineate organization policies for inservice education programs designed to increase competence in a specific area and improve overall organization performance of major functions and processes.

POLICY

1. Puget Sound Hospice will provide training and education to give personnel opportunities to learn new skills and improve/expand existing knowledge. Training topics may include information regarding the organization's professional standards of care/practice, performance improvement monitoring results, updates in patient care techniques/resources, and safety/infection control requirements.
2. Mandatory inservices will be attended by all disciplines.
3. Attendance at education programs will be required relative to job classification.
4. Professional personnel will receive at least the number of continuing education units to maintain their licenses. Professional staff (direct care staff) will receive at least twelve (12) hours of inservice training per calendar year.
5. Paraprofessional personnel will receive education as follows:
 - A. Aides (CNAs/HAs) must receive at least twelve (12) hours of inservice training per calendar year. This may be provided while the aide is furnishing care to patients.
Note: Any education offering must be supervised by a RN.
 - B. Personal care workers must receive at least twelve (12) hours of inservice training per calendar year. This may be provided while the worker is furnishing care to patients.
 - C. Chore workers must receive at least twelve (12) hours of inservice training per calendar year. This may be provided while the worker is furnishing care to patients.
6. NON DIRECT Care Staff must receive at least eight (8) hours of inservice training per calendar year

PROCEDURE:

1. The written plan for annual inservices will include, but not be limited to:
 - A. Safety; patient and personnel including emergency management plan
 - B. Infection control

- C. Psychosocial considerations, including methods for coping with work related issues of grief, loss and change
 - D. Skills updates
 - E. Issues related to patient populations served including cultural diversity and communication barriers
 - F. Ethical issues
 - G. Medical Device Act, Safety testing of equipment used in the work environment
 - H. Emergency/disaster training
 - I. Patient Bill of Rights including handling of complaints/grievances
 - J. Compliance Plan and HIPAA
 - K. OSHA
2. Personnel will receive notification of organization-sponsored programs at least one (1) week in advance.
 3. A record will be maintained for each session, including:
 - A. Program objectives
 - B. Content outline
 - C. Speaker (and his/her qualifications)
 - D. List of attendees
 4. An inservice log will be kept to track the number of inservice hours the aides (CNAs/HAs) and all staff have obtained on a cumulative basis.
 5. During ongoing supervision and competency reviews, the supervisors will evaluate if the training and education has improved the competence of the organization personnel.

EXHIBIT 9

**CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Clinical Services)**

Effective Date: October 1, 2019

CONSULTANT: Cornerstone Service Center, Inc., a Nevada corporation

Address: 1675 E. Riverside Drive, Ste. 200,
Eagle, ID 83616

Phone: (208) 401-1400

Fax: (208) 401-1401

FACILITY: Symbol Healthcare, Inc. d/b/a Puget Sound Home Health

Address: 4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409

Phone: 253-581-9410

Fax: 253-581-9207

FEIN: 61-1698685

THIS CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT ("Agreement") is made and entered into by and between the above-named Consultant and Agency as of the Effective Date, with respect to the following facts and intentions:

RECITALS

A. Agency is an independently operated, licensed and certified Home Health, Hospice and/or Home Care Agency operating from the address set forth above (the "Agency Primary Location");

B. Consultant is a provider of centralized consulting, professional, and operational support designed to aid the efficient, competitive, and sound operation of entities like Agency;

C. Agency desires to engage the services of Consultant to assist Agency personnel with aspects of Agency's operations and activities, in order to facilitate Agency personnel's focus on Agency's primary mission of rendering superior hospice services to the Agency's patients and clients.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby mutually acknowledge, the parties agree to the following:

TERMS AND CONDITIONS

1. Incorporation of Exhibits and Recitals. The Recitals set forth above, as well as the exhibits attached hereto, are incorporated herein by this reference as if fully set forth herein.

2. Consultant's Duties. The Consultant agrees to provide such of the following services ("Services") as Agency, at Agency's option and request from time to time, desires to obtain from Consultant during the term of this Agreement, and to perform its duties hereunder in a good, professional and workmanlike manner. Such duties shall include, without limitation (herein the "Services"):

2.1. General Consultant's Duties, Generally.

2.1.1. Consultant will provide Services in substantial conformance to applicable federal and state laws and the established policies of Consultant and Agency in effect from time to time, and Consultant will conduct periodic self-audit/compliance reviews in order to ensure that Consultant substantially complies with federal, state and local statutes and regulations applicable to the provision of the Services. Agency hereby grants to Consultant a limited power of attorney to act in Agency's name and stead for the convenience of Agency and/or Consultant, provided that this power shall not be used except in conjunction with the enumerated Services under this Agreement.

2.1.2. Consultant shall make clear to all parties with whom it deals in the course of rendering the Services that it is an independent contractor and not an employer, employee, partner, co-venturer, or management Agency of Agency. At all times while in the Agency and while with Agency's patients, Consultant's employees and representatives shall wear uniforms and/or badges clearly indicating their affiliation with Consultant.

2.2. Specific Duties of Consultant. During the term of this Agreement, Consultant shall provide to Agency the specific Services listed in Exhibit A at the request of the Agency. In the event of any conflict between the terms of Exhibit A and the terms contained in the main body of this Agreement, the terms of Exhibit A shall control. Consultant's duties shall specifically not include (i) the rendition of any direct care to patients or residents, (ii) maintenance or handling of patient trust property, or (iii) any other service not specifically enumerated herein as a part of the Services and requested by Agency, all of which shall be the sole duty and domain of Agency, its administrators, caregivers and other staff.

3. Agency's Duties. Agency shall:

3.1. Operate its business in and from the Agency in substantial compliance with applicable laws and regulations, and maintain all federal and state licenses and certifications required to operate the Agency and provide Services to patients (collectively the "Licenses"). Agency shall perform all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency. Within five (5) days of receipt, Agency shall deliver to Consultant notification of any actual revocation or suspension of its Licenses.

3.2. Not unreasonably restrict or limit the Consultant's right to exercise its independent professional judgment, including its right to recommend Services to be rendered

and to render such Services using such methods, technologies and procedures as Consultant deems appropriate.

3.3. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

3.4. As and to the extent that Consultant's employees and agents require access to the Agency to perform the Services, Agency shall provide adequate working space, equipment and access to Agency's staff for the provision of Services. Equipment and materials placed at the Agency by Consultant shall be used exclusively for the purposes of this Agreement. Upon termination or at Consultant's request, Agency shall return equipment and materials, in the same condition as when delivered to Agency, reasonable wear and tear excepted.

3.5. In addition to the foregoing, during the term of this Agreement, Agency shall cooperate with Consultant and Consultant's other client agencies and businesses as more fully set forth in Exhibit A.

4. Compensation.

4.1. For and in consideration of the Services to be provided under this Agreement, the Agency shall pay to the Consultant as the "Consultant Compensation" a monthly consulting fee equal to five percent (5.0%) of Agency's gross revenue from all sources. A reasonable estimate of anticipated monthly Consultant Compensation shall be paid on or before the first (1st) day of each month during the Term hereof, and shall be "trued up" at the beginning of the next following month with such following month's estimated payment. Payment for any partial month of the Term shall be prorated based on the number of days during the month that Consultant served under this Agreement. In the event Agency closes during any month during the Term, the Consultant Compensation for any such month or partial month shall be calculated, at Consultant's option, based on historical revenues and patient mix. At Consultant's option Consultant shall be entitled to deduct the Consultant Compensation from sums collected for Agency by Consultant, and shall provide Agency with invoices (or if paid by deduction accountings) for the monthly fee by the last day of the month following the month of service.

4.2. In addition to and not as part of the Consultant Compensation, Agency shall reimburse Consultant for all costs and expenses advanced, incurred, or paid by Consultant in the rendition of Services.

5. Insurance.

5.1. Both Consultant and Agency agree to maintain general and professional liability insurance during the term of this agreement in an amount not less than One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate.

5.2. Both parties agree to maintain such other and further insurance as may be required by law or the terms of any agreement to which they are parties, including without

limitation worker's compensation insurance (where required by law), crime insurance, directors and officers coverage, automobile and similar liability, and property and casualty insurance, and will list Agency as named insured on all obtained policies.

5.3. All insurance policies shall be issued by insurance companies with a policyholder rating of at least "B+" in the most recent version of Best's Key Rating Guide.

6. Term and Termination. The Term of this Agreement shall commence on the Effective Date and continue thereafter for a period of one (1) year. This Agreement shall automatically extend for additional periods of one (1) year each unless written notice of termination is given not less than sixty (60) days prior to the end of the then-current term. Notwithstanding anything contained herein to the contrary, either party may terminate this Agreement and the Term hereof at any time during the Term upon sixty (60) days written notice; further, in the event of (i) abandonment by a party of its duties hereunder, (ii) nonpayment of any Consultant Compensation within five (5) days after delivery of invoice or other written demand therefor; (iii) any breach or violation of this Agreement (other than non-payment of Consultant Compensation) which is not cured within thirty (30) days following delivery of written notice of such breach or violation, (iv) any material violation of law or regulations, or loss or failure of license or licensure, or violation of the eligibility requirements for reimbursement under any government program by a party, or (v) the occurrence or existence of any condition, practice, procedure, action, inaction or omission of, by or involving a party which, in the reasonable opinion of the other party constitutes either a threat to the health, safety, and welfare of any patient or client or a violation of any law, regulation, requirement, Licenses, eligibility or material agreement governing Agency's or Consultant's operation, then the other party shall have the right to summarily and immediately terminate this Agreement upon written notice to the first party.

7. Regulatory Changes. Agency and Consultant mutually agree that in the event local, state or federal government agencies promulgate regulations which materially affect the terms of this Agreement, including but not limited to changes affecting the cost of providing Services hereunder, this Agreement shall be immediately subject to renegotiation upon the initiative of either party.

8. Warranties.

8.1. Agency's Warranties. Agency hereby makes the following warranties and representations to Consultant in connection with Consultant's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.1.1. Agency is properly licensed by the State in which the Agency's operation(s) is located by the proper licensing and certification authorities for such State, and all permits and licenses required for the operation of Agency's business(es) have been received and are now currently effective.

8.1.2. As of the Effective Date, except as specifically disclosed on Schedule 1 attached hereto and incorporated herein, there is no litigation, administrative proceedings, event, or hold or similar lien on State or Federal payments to Agency, either underway or threatened, nor are there arbitration proceedings or governmental investigations relating to the Agency, or the business conducted thereon underway or threatened against Agency or brought by the Agency

8.1.3. To the best of Agency's knowledge, the business operations of the Agency at the Commencement Date comply with all local, State and Federal zoning, labor and other applicable laws, ordinances, rules and regulations applicable to the Agency.

8.1.4. Agency has been duly formed in the state of its domicile and remains in good standing in such state, and (if operating in a state other than its domicile) has been duly registered and authorized to do business in the state where its business operation(s) is located and is in good standing in that state as well.

8.1.5. Agency is authorized to consummate the transactions covered by this Agreement.

8.2. Consultant's Warranties. Consultant hereby makes the following warranties and representations to Agency in connection with Agency's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.2.1. Consultant is a Nevada corporation in good standing, and is registered to do business in, and is in good standing with, the State of Idaho.

8.2.2. Consultant is authorized to consummate the transactions covered by this Consulting Agreement.

9. Licensure, Eligibility and Compliance.

9.1. Consultant acknowledges that its activities under this Agreement may be governed by, *inter alia*, the United States Department of Health and Human Services' Office of the Inspector General's ("OIG") Compliance Program Guidance for Home Health Agencies and/or the OIG's Compliance Program Guidance for Hospices. Consultant represents and warrants that neither Consultant nor any individual or entity with a direct or indirect ownership or control interest of five percent (5%) or more in Consultant, nor any director, officer, agent or employee of such party, is debarred, suspended or excluded under any state or federal healthcare program it is currently eligible to participate in Medicare, Medicaid, and all other federally funded health care programs and is not subject to any sanction or exclusion by any of those programs. Consultant agrees to immediately disclose any actual or threatened federal, state or local investigations or imposed sanctions of any kind, in progress or initiated subsequent to the date of entering into this Agreement. Consultant further represents and warrants that it is not currently sanctioned under any applicable state or federal fraud and abuse statutes, including exclusion from any state or federal health care program. If, during the term of this Agreement, Consultant, its parent, or any officer, director or owner receives such a sanction, or notice of proposed sanction, Consultant shall provide notice of and a full explanation of such sanction or proposed sanction and the period of its duration within ten (10) days of receipt. Agency reserves the right to terminate the Agreement immediately upon receipt of notice that Consultant has been sanctioned under fraud and abuse statutes and/or any other federal, state or local regulation.

9.2. If the Agency Primary Location is located in the state of Texas, Consultant agrees to complete, execute and deliver to Agency upon request a Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Covered Contracts on Form 2046 as promulgated by the Texas Department of Protective & Regulatory Services.

9.3. Consultant acknowledges that it has received a copy of Agency's Code of Conduct, and agrees to abide by the provisions thereof governing Vendors and Vendor services.

10. Consultant's Schedule and Availability.

10.1. Consultant shall be reasonably available on an on-call basis to the Agency to fulfill Consultant's duties hereunder.

10.2. Nothing in this Agreement shall be construed as limiting or restricting in any manner Consultant's right to render the same or similar services to other individuals or entities, including but not limited to, other hospice and in-home care during or subsequent to the Term of this Agreement; similarly, nothing in this Agreement shall require Agency to exclusively use all of Consultant's services in the Agency during the Term of this Agreement.

10.3. Consultant's employees and representatives are entitled to be reasonably absent for annual vacations, sick leave, continuing education, and personal reasons; provided that in the event of any absence Consultant shall consult with the Agency concerning the impending absence and cooperate with the Agency in providing alternate resources to Agency to temporarily fulfill Consultant's duties during the period of absence.

11. Contractual Relationship.

11.1. Independent Contractor. It is expressly acknowledged by both parties that Consultant is an independent contractor. Nothing herein is intended to be construed to create an employer-employee, partnership, joint venturer or other relationship between Consultant and the Agency. Agency has and shall retain all statutory liability and responsibility for the continued operation of the Agency as the licensee under Agency's Licenses. No provision of this Agreement shall create any right in the Agency to exercise control or direction over the manner or method by which Consultant performs its duties or renders Services hereunder, nor shall Consultant exercise control or direction over the manner or method by which Agency operates or serves its patients and clients; provided always, that services shall be provided in a manner consistent with all applicable laws, rules and regulations of all governmental authorities, and Agency's Code of Conduct. Agency will not withhold from compensation payable to Consultant hereunder, or be in any way responsible for, any sums for income tax, employment insurance, Social Security, or any other agency and Consultant agrees that the payment of all such amounts as may be required by law are and shall be the sole responsibility of Consultant.

11.2. Fair Market Value. The amounts to be paid to Consultant hereunder have been determined by the parties through good faith and arms-length bargaining to be the fair market value of the services to be rendered hereunder. No amount paid or to be paid hereunder is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of patients by Consultant to Agency, or by Agency to Consultant, or for the recommending or arranging of the purchase, lease or order of any item or service. For purposes of this section, Consultant and Agency will include each such entity and any affiliate thereof. No referrals are required under this Agreement.

11.3. Work Product. The work product created in the course of Consultant's services under this agreement shall be the exclusive property of Consultant, and all manuals, forms, and documents (including without limitation, all writings, drawings, blueprints, pictures, recordings, computer or machine readable data, and all copies or reproductions thereof) which result from, describe or relate to the services performed or to be performed pursuant to this agreement or the results thereof, including without limitation all notes, data, reports or other information received or generated in the performance of this Agreement (excepting data incorporated in medical records required to be kept and maintained by Agency), shall be the exclusive property of Consultant and shall be delivered to Consultant upon request.

11.4. Non-Solicitation of Consultant's Employees. During the term of this Agreement, Agency shall not solicit the services of, or hire as an employee or independent contractor at the Agency, any Consultant employee, agent or representative who provided, managed or otherwise was involved in the provision of Services to Agency within the previous twelve (12) months (a "Restricted Employee"). Nothing herein shall preclude Agency from advertising available positions or opportunities by posting in the Agency or through newspaper ads or other generally accepted recruiting mediums. The parties acknowledge that the restrictions set forth in this Article are reasonable in scope and important to Consultant's business interests, and that the enforcement of this Article does not restrict Agency from engaging in Services for its own account. In the event that Agency hires a Restricted Employee, Agency shall pay a recruiting fee to Consultant in the amount of Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) per Restricted Employee hired.

12. Indemnification.

12.1. Agency agrees to defend, indemnify, and hold Consultant, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless from and against any and all costs (including reasonable attorney's fees) liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from the performance of this Agreement to the extent that such costs and liabilities result from the negligence or willful misconduct of Agency.

12.2. Consultant agrees to defend, indemnify, and hold Agency, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees), liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with Consultant's acts or omissions or the performance of this Agreement, to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Consultant.

12.3. A party receiving notice of a claim or potential claim shall send written notice to the other within ten (10) business days, and shall fully cooperate in the defense thereof by counsel mutually acceptable to the parties. The parties' rights to indemnification set forth in this Article are non-exclusive and are not intended to affect in any way any other rights of the parties to indemnification under applicable federal, state or local laws and regulations.

13. Access to Books and Records. Pursuant to 42 U.S.C. §1395x(V)(1)(I), during the four (4) year period after completion of services hereunder, the Agency will, upon written request, make available to the Secretary of Health and Human Services or to the Comptroller General, or their duly authorized representatives, this Agreement, books, documents, and

records that are necessary to certify the nature and extent of costs incurred by the Agency under the provisions of this Agreement. This provision shall be in force for any twelve (12) month period during which the total value of services provided or goods delivered hereunder is Ten Thousand Dollars (\$10,000) or more. This section shall have no effect unless Consultant is deemed a "subcontractor" under any regulation adopted under the provision of the United States Code cited above.

14. Privacy.

14.1. HIPAA Applicability and Compliance. Agency may be a "Covered Entity" under, and required to comply with, the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 as amended ("HIPAA") and the regulations and guidelines pertaining thereto (collectively with HIPAA the "HIPAA Rules"), and to obtain sufficient assurances that its contracting parties will appropriately safeguard patients' "Protected Health Information" ("PHI") as defined in the HIPAA Rules. In the course of performing Consultant's services, duties and obligations herein, Consultant may receive, create or obtain access to PHI. Consultant agrees to maintain the security and confidentiality of PHI, as required of Agency by applicable laws and regulations, including without limitation the HIPAA Rules, and to execute and deliver such additional documentation and assurances as Agency may reasonably request to comply with HIPAA and any amendments thereto and related laws and regulations, including, but not limited to, the Business Associate Agreement attached hereto as Exhibit B.

14.2. Correlation of Record Handling Requirements. In the event of any conflict between the requirements of this Article 14 and/or between the various laws, statutes, ordinances and regulations relating to or otherwise affecting the subject matter thereof, the requirement or applicable law that that presents the most stringent standard for compliance, as reasonably determined by Agency, shall be followed, such that compliance is achieved or maximized in all cases.

14.3. Confidential Information. Consultant shall preserve the confidentiality of all private, confidential and/or proprietary information disclosed to or discovered by Consultant in connection with this Agreement, including, without limitation, nonpublic financial information, manuals, protocols, policies, procedures, marketing, and strategic information, Agency lists, computer software, training materials, resident/patient health information, resident/patient records, and resident/patient care and outcomes data ("Confidential Information") as and to the extent required by law. Consultant shall not use for its own benefit or disclose or otherwise disseminate to third parties, directly or indirectly, any Confidential Information without prior written consent from Agency, provided however that if Consultant grants Agency access to, and Agency uses, Consultant's databases or information sharing mechanisms, Agency's information may be provided to similar agencies and Agency hereby grants Agency's consent to such information sharing as a condition to Agency's receipt of access to such mechanisms and the data they contain from time to time. Upon termination of this Agreement, all Confidential Information and copies thereof shall be returned to Agency. Consultant and Agency shall comply with applicable federal, state and local laws and regulations with respect to all Confidential Information, including, but not limited to, any disclosures thereof pursuant to this section.

15. Notices. All notices which are required or which may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally or by registered or certified mail, return receipt requested, or

by a comparable commercial delivery system, and notice shall be deemed to be given on the date hand-delivered or on the date which is three (3) business days after the date deposited in United States mail, or with a comparable commercial delivery system, with postage or other delivery charges thereon prepaid, at the addresses first set forth above or such other addresses as Agency and Consultant may designate by written notice to the other from time to time.

16. Arbitration.

16.1. Any controversy, dispute or claim arising in connection with the interpretation, performance or breach of this Lease, including any claim based on contract, tort or statute, shall be determined by final and binding, confidential arbitration with Judicial Mediation and Arbitration Service (“JAMS/Endispute”) in Ada County, Idaho, provided that if JAMS/Endispute (or any successor organization thereto) no longer exists, then such arbitration shall be administered by the American Arbitration Association (“AAA”) in accordance with its then-existing Commercial Arbitration Rules, and the sole arbitrator shall be selected in accordance with such AAA rules. Any arbitration hereunder shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16 (or any successor legislation thereto), and judgment upon the award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Neither Agency, Consultant, nor the arbitrator shall disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties; provided, however, that either party may disclose the existence, content or results of any such arbitration to its partners, officers, directors, employees, agents, attorneys and accountants and to any other Person to whom disclosure is required by applicable Legal Requirements, including pursuant to an order of a court of competent jurisdiction. Unless otherwise agreed by the parties, any arbitration hereunder shall be held at a neutral location selected by the arbitrator in Ada County, Idaho. The cost of the arbitrator and the expenses relating to the arbitration (exclusive of legal fees) shall be borne equally by Agency and Consultant unless otherwise specified in the award of the arbitrator, in which case such fees and costs paid or payable to the arbitrator shall be included in “reasonable costs and attorneys’ fees” for purposes of Section 17.2, and the arbitrator shall specifically have the power to award to the prevailing party pursuant to such Section 17.2 such party’s costs and expenses, including fees and costs paid to the arbitrator.

16.2. NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTES ARISING IN THIS “ARBITRATION OF DISPUTES” PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED HEREIN AND BY IDAHO LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE SUCH DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS “ARBITRATION OF DISPUTES” PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE IDAHO CODE OF CIVIL PROCEDURE. YOUR AGREEMENT OF THE PARTIES TO THIS ARBITRATION PROVISION IS VOLUNTARY.

BY INITIALLING BELOW YOU AFFIRM THAT YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.



CONSULTANT



AGENCY

17. Miscellaneous.

17.1. This Agreement has been negotiated by and between Consultant and Agency in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provision hereto, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Headings are used herein for convenience only, and shall play no part in the construction of any provision of this Agreement

17.2. In the event of any dispute between the parties arising under or in relation to this Agreement, the prevailing party in such dispute or litigation shall have the right to receive from the non-prevailing party all of the prevailing party's reasonable costs and attorneys' fees incurred in connection with any such dispute and/or litigation. As used herein, the term "prevailing party" shall refer to that party to this Agreement for whom the result ultimately obtained most closely approximates such party's position in such dispute or litigation.

17.3. This Agreement shall be governed by the laws of the State of Idaho. Notwithstanding anything contained herein to the contrary, venue for any action involving this Agreement shall lie solely in Ada County, Idaho.

17.4. Time is of the essence of this Agreement and every term and condition hereof.

17.5. The waiver by any party hereto of breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach by any party.

17.6. This Agreement shall binding upon the parties hereto, their heirs, successors and assigns. Notwithstanding the foregoing, the parties mutually acknowledge that a material and substantial consideration in the parties' mutual execution of this Agreement is the identity and reputation of the other party, and each party's subjective perception of the other's value to and compatibility with such party and its officers, employees, facilities and

patients. As such, notwithstanding anything contained herein to the contrary, this Agreement and the rights of the parties hereunder are personal to the parties and may not be assigned or subcontracted to, nor shall the duties and responsibilities of either hereunder be delegated to or rendered by, any other person or entity without the express prior written consent of the other party, which consent may be granted or denied, conditionally or unconditionally, by a party in its sole, absolute and unfettered discretion.

17.7. Notwithstanding the expiration or earlier termination of this Agreement, the obligations and/or liabilities of the parties hereunder, relating to events, occurring during the Term, to which the parties' indemnification obligations under Section 12 apply, shall continue in full force and effect after the Agreement terminates, subject to applicable statutes of limitation. Additionally, the covenants of the parties under Sections 11.4, 13, 14 and 16 shall survive the termination of this Agreement.


17.8. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Current Operator, or any entity or agency having jurisdiction of any of the Licenses, the Agency or the operation of the business therein.

17.9. This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and negates any previous contracts between Agency and Consultant. Agency and Consultant mutually agree that this Agreement may not be modified unless such modification is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

CONSULTANT:

CORNERSTONE SERVICE CENTER, INC.
a Nevada corporation

BY: 

Brent Guerisoli
Authorized Agent
Date: September 28, 2019

AGENCY:

SYMBOL HEALTHCARE, INC.,
a Nevada corporation

BY: 

Lee Johnson
Authorized Agent
Date: September 28, 2019

**EXHIBIT A
CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Clinical Services)**

THIS EXHIBIT A supplements the foregoing CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT (the “Agreement”) made and entered into by and between the therein-named Consultant and Agency and forms a part thereof. The specific duties and obligations described herein may or may not be performed by either party, depending upon the needs, preferences and requests of the other from time to time. The lists of duties and activities are not exhaustive, but where certain duties or activities are expressly limited, excluded or proscribed hereby, such activities shall not be requested or performed. Consultant’s services shall be rendered on a non-exclusive basis, and Consultant shall have no duty to limit its services solely to Agency. Any service to be rendered by Consultant hereunder may be, at Consultant’s sole option, rendered on a joint or “pooled” basis with or to Agency and other clients of Consultant. Consultant may provide any of its services hereunder through the use or assistance of subcontractors, but such subcontractors shall be subject to all of the terms and conditions of this Agreement. Although Consultant shall have discretion to make certain decisions regarding its Services for Agency in the day-to-day rendition of such services, Agency shall remain solely responsible for all decisions and actions made by, at, for or involving Agency and the operation of Agency’s business.

SPECIFIC SERVICES TO BE RENDERED BY CONSULTANT:

1. Technical & Compliance Resource.

A. Assists in the identification and, where requested by Agency the evaluation, of prospective candidates and contractors to serve in clinical and/or leadership roles in the Agency.

B. Assists in designing policies and procedures to periodically review the status of employees to ascertain continued compliance with local and state health regulations for the various specific categories of employees, and proper documentation of compliance.

C. Provides sample form clinical policy and procedure manuals, handbooks and forms; provided that all manuals, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

D. Provides a delegate to serve as a resource to and advisory member of the Agency’s Quality Assessment and Performance Improvement Committee, who attends and participates in both quarterly and special QAPI meetings; provided that such delegate shall be subject to the same obligations of confidentiality as any other member of the Committee, but shall not be allowed to vote or direct the work of the Committee or the Agency.

E. Assists Agency management in preparing for, reviewing and responding to the various official surveys and inspections of Agency’s premises and nursing practices.

F. Participates, solely as a resource and not as a director, in the development of patient care policies and systems for the Agency.

G. Assists in the identification and, where requested by Agency the evaluation, of prospective candidates and contractors to serve in nursing service, nursing, therapy service and other leadership and line staff roles in the Agency. In addition, and at Agency's request and at Agency's sole cost and expense, facilitates the sharing of nursing resource personnel, including specialists, among Agency and other clients of Consultant who wish to obtain such additional personnel and share the cost of hiring, training, and compensating such personnel.

H. Assists in designing policies and procedures to periodically review the health status of employees to ascertain freedom from infection, compliance with local and state health regulations for the various specific categories of employees, and proper documentation of compliance.

I. Participates, in an advisory capacity, with the utilization review committee to develop norms, standards and criteria for the design and conduct of the committee's medical care evaluation studies. However, Consultant shall not direct in any way the functions of the utilization review committee such as individual patient reviews.

J. Participates in the design and periodic evaluation of the Agency's staff development and nursing in-service programs, provided that all manuals, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

K. Provides periodic in-services and other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing, therapy or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with patient assessment, charting and similar activities when performed in connection with in-services, survey readiness reviews, mock surveys and other similar nursing consulting and training, in order to assist nursing leadership and staff in the lawful and efficient conduct of caregiving and therapy operations; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

L. Assists in the development, implementation and periodic valuation of certified nursing assistant training programs and other experience-based nursing training activities, whether conducted by Agency or by a third-party educator at Agency's site under a nursing affiliation agreement.

ADDITIONAL DUTIES TO BE PERFORMED BY AGENCY:

Without limiting any other duty or obligation of Agency at law or under the Agreement, Agency shall do all of the following:

2. Agency shall be solely responsible for (i) naming and managing its own Governing Body as required by applicable laws and regulations, (ii) hiring, supervising and evaluating its administrator and other employees, and (iii) overseeing the day-to-day conduct of its business and related activities.

3. Agency shall be solely responsible for providing a safe and sanitary environment for Agency personnel.

4. Agency shall be solely responsible for (i) operating its business in and from the Agency location(s) in substantial compliance with applicable laws and regulations, (ii) maintaining all federal and state licenses and certifications required to operate the Agency and provide Services to patients and clients, (iii) performing all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency, and (iv) notifying Consultant of any threatened, pending or actual revocation or suspension of its Licenses.

5. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

6. Agency shall not unreasonably restrict or limit Consultant's access to necessary information, and acknowledges Consultant's right to exercise its independent professional judgment, including recommending Services and rendering such Services using such methods, technologies and procedures as Consultant deems appropriate.

7. Consultant's corporate address: 1675 E. Riverside Drive, Suite 150, Eagle, ID 83616, shall serve Agency's mailing address and address for service of process.

8. If requested by Consultant, Agency shall send delegates to Consultant's customer service teams, operator forums, evaluation and other service teams, trainings, and other committees and events as reasonably requested and available. In addition, to the extent available Agency delegates shall from time to time participate, both as trainees and trainers, in training and leadership conferences and events for the benefit of Consultant and others.

9. With Agency's acquiescence, and at Consultant's expense to the extent the trainee does not provide value to Agency, Agency agrees to periodically serve as a training site for Consultant's employees, providing (where available) preceptorship and organized training for CITs and other trainees of Consultant. In the event that a compensated trainee does not provide full value to Agency during his/her training program, Consultant shall pay directly, or reimburse Agency for, the portion of the trainee's compensation and training expenses that exceed the reasonable value provided.

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

AGREEMENT EFFECTIVE DATE:	October 1, 2019
COVERED ENTITY:	SYMBOL HEALTHCARE, INC. ADDRESS: 4002 TACOMA MALL BLVD STE 204, TACOMA, WA 98409
BUSINESS ASSOCIATE:	CORNERSTONE SERVICE CENTER, INC. ADDRESS: 1675 E. RIVERSIDE DRIVE, SUITE 200, EAGLE, ID 83616

This Business Associate Agreement (“Agreement”) is made and entered into as of the Effective Date listed in this Exhibit B, and between the above-listed Covered Entity and Business Associate, with reference to the following facts:

RECITALS

WHEREAS, Business Associate has been engaged to provide staffing services to Covered Entity pursuant to a separate agreement (the “Services Agreement”), and, in connection with those services, Covered Entity may need to disclose to Business Associate, or Business Associate may need to create on Covered Entity’s behalf, certain Protected Health Information (as defined below) that is subject to protection under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (“HITECH Act”), and regulations promulgated thereunder by the U.S. Department of Health and Human Services to implement certain privacy and security provisions of HIPAA (the “HIPAA Regulations”), codified at 45 C.F.R. Parts 160 and 164; and

WHEREAS, pursuant to the HIPAA Regulations, all business associates of Covered Entity, as a condition of doing business with Covered Entity, must agree in writing to certain mandatory provisions regarding the privacy and security of PHI (as defined below).

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, and the mutual promises and covenants contained herein, Business Associate and Covered Entity agree as follows:

AGREEMENT

Definitions.

Unless otherwise specified in this Agreement, all terms not otherwise defined shall have the meanings established in Title 45, Parts 160 and 164, of the United States Code of Federal Regulations, as amended from time to time. Further, capitalized terms used, but not otherwise defined, in this Agreement shall have the meanings set forth in HIPAA, the HIPAA Regulations and the HITECH Act.

- 1.1 *Breach* shall have the meaning given to such term in 42 U.S.C. § 17921, and shall include the unauthorized acquisition, access, use, or disclosure of PHI which compromises the security or privacy of such information.
- 1.2 *Business Associate* shall have the meaning given to such phrase under the HIPAA Regulations and the HITECH Act, including, but not limited to, 45 C.F.R. § 160.103 and 42 U.S.C. § 17938, respectively. For purposes of this Agreement, “Business Associate” shall also refer specifically to the entity or individual set forth in the Preamble above.
- 1.3 *Covered Entity* shall have the meaning given to such phrase under the HIPAA Regulations including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, “Covered Entity” shall also refer specifically to the entity set forth in the Preamble above.
- 1.4 *Data Aggregation* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.5 *Designated Record Set* means a group of records maintained by or for Covered Entity that may include (i) medical records and billing records about Individuals maintained by or for a covered health care provider, (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan, or (iii) records used, in whole or in part, by or for Covered Entity to make decisions about Individuals.
- 1.6 *Electronic Health Record* shall have the meaning given to such phrase in the HITECH Act, including, but not limited to, 42 U.S.C. § 17921(5).
- 1.7 *Electronic Protected Health Information* (“ePHI”) means individually identifiable health information that is transmitted by, or maintained in, electronic media.
- 1.8 *Health Care Operations* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.9 *Individual* has the same meaning as the term *individual* in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).
- 1.10 *Privacy Rule* shall mean the Standards for Privacy of Individually Identifiable Health Information codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.11 *Protected Health Information* (“PHI”) means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an Individual; the provision of health care to an Individual; or the past, present or future payment for the provision of health care to an Individual; and (ii) that identifies the Individual or with respect to which there is a reasonable basis to believe the information can be used to identify that Individual; and (iii) shall include the definition as set forth in the Privacy Rule including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, PHI shall include ePHI.
- 1.12 *Required By Law* shall have the same meaning as the phrase *required by law* in 45 C.F.R. § 164.103.
- 1.13 *Secretary* means the Secretary of the U.S. Department of Health and Human Services or his/her designee.

- 1.14 *Security Incident* means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.
- 1.15 *Security Rule* shall mean the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.16 *Unsecured PHI* shall mean PHI that is not secured through the use of a technology or methodology specified by the Secretary in guidance or as otherwise defined in 42 U.S.C. § 17932(h).

Scope of Agreement.

This Agreement applies to the PHI of Covered Entity to which Business Associate may be exposed as a result of the services that Business Associate will provide to Covered Entity pursuant to the Services Agreement. Business Associate shall abide by HIPAA, the HIPAA Regulations and the HITECH Act with respect to PHI of Covered Entity, as outlined below.

Obligations and Activities of Business Associate.

- 3.1 *Permitted Uses.* Except as otherwise limited in this Agreement, Business Associate may use PHI (i) for the proper management and administration of Business Associate, (ii) to carry out the legal responsibilities of Business Associate, or (iii) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may use PHI to provide services to Covered Entity under the Services Agreement provided that Business Associate shall not use PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by Covered Entity.
- 3.2 *Permitted Disclosures.* Business Associate may disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate; (iii) as Required By Law; or (iv) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may disclose PHI to provide services to Covered Entity under the Services Agreement, provided that Business Associate shall not disclose PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by Covered Entity.
- 3.2.1 In addition, if Business Associate discloses PHI to a third party, for Business Associate's management and administration purposes as specified in Section 3.2, Business Associate must obtain, prior to making any such disclosure, (i) reasonable written assurances from such third party that the PHI will be held as confidential as provided pursuant to this Agreement and only disclosed as Required By Law or for the purposes for which it was disclosed to such third party; and (ii) a written agreement from such third party to immediately notify Business Associate of any breaches of confidentiality of the PHI, to the extent such third party has obtained knowledge of such breach.
- 3.3 *Prohibited Uses and Disclosures.* Business Associate shall not use or disclose PHI for fundraising or marketing purposes. In accordance with 42 U.S.C. § 17935(a), Business Associate shall not disclose PHI to a health plan for payment or Health Care Operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates. Business Associate shall not directly or indirectly receive remuneration in exchange for PHI, except with the prior written consent of Covered Entity and Individual and as permitted by 42 U.S.C. § 17935(d)(1) and (2); however, this prohibition shall not affect payment by Covered Entity to Business Associate for services provided pursuant to the Services Agreement.

- 3.4 *Other Business Associates.* As part of its providing functions, activities, and/or services to Covered Entity, Business Associate may disclose information, including PHI, to other business associates of Covered Entity, and Business Associate may use and disclose information, including PHI, received from other business associates of Covered Entity as if this information was received from, or originated with, Covered Entity.
- 3.5 *Safeguards for Protection of ePHI.* Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. In accordance with 42 U.S.C. § 17931 of the HITECH Act, Business Associate shall be directly responsible for full compliance with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. §§ 164.308, 164.310, 164.312, and 164.316. Business Associate shall implement and at all times use all appropriate safeguards to prevent any use or disclosure of PHI not authorized under this Agreement.
- 3.6 *Reporting of Unauthorized Uses or Disclosures and Security Incidents.* Business Associate agrees to report to Covered Entity in writing any access, use or disclosure of the PHI not provided for or permitted by this Agreement and, any Security Incidents of which Business Associate (or Business Associate's employee, officer or agent) becomes aware. Business Associate shall so notify Covered Entity pursuant to this Section within twenty-four (24) hours after Business Associate becomes aware of such unauthorized use, disclosure or Security Incident. The notice to be provided pursuant to this Section shall be substantially in the same form as **Exhibit 1**, which is attached hereto.
- 3.7 *Reporting of Breach of Unsecured PHI.* Business Associate agrees to report to Covered Entity any Breach of Unsecured PHI of which Business Associate (or Business Associate's employee, officer or agent) becomes aware without unreasonable delay and in no case later than the next business day after Business Associate learns of such Breach, except where a law enforcement official determines that a notification would impede a criminal investigation or cause damage to national security. Business Associate's notification to Covered Entity hereunder shall be substantially in the same form as **Exhibit 1**.
- 3.8 *Agents and Subcontractors.* Business Associate agrees to ensure that any agent, including a subcontractor, to whom Business Associate provides PHI, agrees in writing to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such PHI, and implement the safeguards required by Section 3.5 above with respect to ePHI.
- 3.9 *Mitigation of Unauthorized Uses or Disclosures.* Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate or one of its agents or subcontractors in violation of the requirements of this Agreement.
- 3.10 *Authorized Access to PHI.*
- 3.10.1 *Individual Requests for Access.* Business Associate shall cooperate with Covered Entity to fulfill all requests by Individuals for access to the Individual's PHI that are approved by Covered Entity. Business Associate shall cooperate with Covered Entity in all respects necessary for Covered Entity to comply with 45 C.F.R. §164.524 and applicable State law. If Business Associate receives a request from an Individual for access to PHI, Business Associate shall immediately forward such request to Covered Entity.
- 3.10.2 *Scope of Disclosure.* Covered Entity shall be solely responsible for determining the scope of PHI and/or Designated Record Set with respect to each request by an Individual for access to PHI. In the event that Covered Entity decides to charge a reasonable cost-based fee for the reproduction and delivery of PHI to an Individual, Covered Entity shall deliver a

portion of this fee to Business Associate in the event any such reproduction or delivery is made by Business Associate, and in proportion to the amount of work done by Business Associate in producing and delivering the PHI.

3.10.3 *Designated Record Set.* To the extent that Business Associate maintains PHI in a Designated Record Set and at the request of Covered Entity, Business Associate agrees to provide access to PHI in a Designated Record Set to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524 and applicable State law. If Business Associate maintains PHI in a Designated Record Set, and maintains an Electronic Health Record, then Business Associate shall provide such Designated Record Set in electronic format to enable Covered Entity to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. § 17935(e).

3.10.4 *Patient Right to Amend to PHI.* A patient has the right to have Covered Entity amend his/her PHI, or a record in a Designated Record Set for as long as the PHI is maintained in the Designated Record Set, in accordance with 42 C.F.R. §164.526. To the extent that Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to make any amendment(s) to PHI in a Designated Record Set at the request of Covered Entity in accordance with 45 C.F.R. § 164.526. Within fifteen (15) business days following Business Associate's amendment of PHI as directed by Covered Entity, Business Associate shall provide written notice to Covered Entity confirming that Business Associate has made the amendments or addenda to PHI as directed by Covered Entity and containing any other information as may be necessary for Covered Entity to provide adequate notice to the Individual in accordance with 45 C.F.R. §164.526.

3.11 *Accounting for Disclosures.*

3.11.1 *Disclosures.* In the event that Business Associate makes any disclosures of PHI that are subject to the accounting requirements of the Privacy Rule 45 C.F.R. §164.528 and/or the HITECH Act including, but not limited to, 42 U.S.C. § 17935(c))¹, Business Associate shall report such disclosures to Covered Entity within three (3) days of such disclosure. The notice by Business Associate to Covered Entity of the disclosure shall include the name of the Individual, the recipient, the reason for disclosure, and the date of the disclosure. Business Associate shall maintain a record of each such disclosure that shall include: (i) the date of the disclosure; (ii) the name and, if available, the address of the recipient of the PHI; (iii) a brief description of the PHI disclosed; and (iv) a brief description of the purpose of the disclosure. Business Associate shall maintain this record for a period of six (6) years and make it available to Covered Entity upon request in an electronic format so that Covered Entity may meet its disclosure accounting obligations under 45 C.F.R. §164.528. If Covered Entity provides a list of its business associates to an Individual in response to a request by an Individual for an accounting of disclosures, and the Individual thereafter specifically requests an accounting of disclosures from Business Associate, then Business Associate shall provide an accounting of disclosures to such Individual.

3.11.2 *Electronic Health Record.* Business Associate acknowledges that, to the extent Business Associate maintains an Electronic Health Record for Covered Entity, Business Associate is only required to provide an Individual with an accounting of disclosures related to treatment, payment or Health Care Operations for a period of three (3) years prior to such Individual's request. Therefore, upon request by an Individual to Covered Entity for an accounting of disclosures related to treatment, payment or Health Care Operations, Business Associate shall provide to Covered Entity, within three (3) days of Business

¹ The provisions of 42 U.S.C. § 17935(c) become effective on the following dates: (i) for users of electronic health records as of January 1, 2009, this section shall apply to disclosures made by the Covered Entity on and after January 1, 2014; (ii) for covered entities that acquire an electronic health record after January 1, 2009, this section shall apply to disclosures made by the Covered Entity after the later of January 1, 2011 or the date it acquires an electronic health record.

Associate's receipt of a written request from Covered Entity, an accounting of such disclosures for the three (3) year period prior to such request. Notwithstanding this Section, a record of disclosures pertaining to information disclosed by Business Associate for treatment, payment or Health Care Operations shall be maintained in accordance with Section 3.11.1, above.

- 3.12 *Secretary's Right to Audit.* Business Associate agrees to make its internal practices, books, and records relating to the use and disclosure of PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary for purposes of the Secretary determining Covered Entity's and/or Business Associate's compliance with HIPAA, the HIPAA Regulations and the HITECH Act. No attorney-client, or other legal privilege will be deemed to have been waived by Business Associate by virtue of this provision of the Agreement. Business Associate shall provide to Covered Entity a copy of any PHI and related documents that Business Associate provides to the Secretary concurrently with providing such documents to the Secretary.
- 3.13 *Data Ownership.* All PHI shall be deemed owned by Covered Entity unless otherwise agreed in writing.
- 3.14 *Compliance.* To the extent Business Associate is to carry out a Covered Entity's obligation under the HIPAA Privacy Regulations, Business Associate shall comply with the requirements of the Privacy Regulations that apply to Covered Entity in the performance of such obligation.

4 **Obligations of Covered Entity.**

- 4.1 *Notice of Privacy Practices.* Upon written request by Business Associate, Covered Entity shall provide Business Associate with Covered Entity's then current Notice of Privacy Practices.
- 4.2 *Revocation of Permitted Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by the patient to use or disclose PHI of Covered Entity, to the extent that such changes may affect Business Associate's use or disclosure of PHI of Covered Entity.
- 4.3 *Restrictions on Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.
- 4.4 *Requested Uses or Disclosures of PHI.* Except for Data Aggregation or management and administrative activities of Business Associate, Covered Entity shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the HIPAA Regulations if done by Covered Entity.

5 **Term and Termination.**

- 5.1 *Term.* The term of this Agreement shall be coterminous with the Services Agreement. However, Business Associate shall have a continuing obligation to safeguard the confidentiality of PHI received from Covered Entity after the termination of the Services Agreement.
- 5.2 *Termination Without Cause.* Either party may terminate this Agreement without cause or penalty by the delivery of a written notice from the terminating party to the other party. Such termination is effective thirty (30) calendar days from the date that the other party receives such notice.
- 5.3 *Termination for Cause.* A breach of any provision of this Agreement by Business Associate shall constitute a material breach of this Agreement and shall provide grounds for immediate termination

of this Agreement by Covered Entity, any provision in this Agreement to the contrary notwithstanding.

5.4 *Judicial or Administrative Proceedings.* Either party may terminate the Agreement, effective immediately, if (i) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA, the HIPAA Regulations, the HITECH Act, or other security or privacy laws or (ii) a finding or stipulation that the other party has violated any standard or requirement of HIPAA, the HIPAA Regulations, the HITECH Act or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

5.5 *Effect of Termination.*

5.5.1 Except as provided in Section 5.5.2, herein, upon termination of this Agreement for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, including PHI in possession of any Business Associate's subcontractors and retain no copies or backup records of such PHI in any form or medium. Business Associate shall certify in writing to Covered Entity that such PHI has been destroyed.

5.5.2 In the event that Business Associate determines that returning or destroying the PHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI unfeasible, for so long as Business Associate maintains such PHI.

6 **Breach Pattern or Practice.**

If either party (the "Non-Breaching Party") knows of a pattern of activity or practice of the other party (the "Breaching Party") that constitutes a material breach or violation of the Breaching Party's obligations under this Agreement, the Non-Breaching Party shall either (i) terminate this Agreement in accordance with Section 5 above, or (ii) take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the Non-Breaching Party must terminate the Agreement if feasible. The Non-Breaching Party shall provide written notice to the Breaching Party of any pattern of activity or practice of the Breaching Party that the Non-Breaching Party believes constitutes a material breach or violation of the Breaching Party's obligations under this Agreement within three (3) days of discovery and shall meet with the Breaching Party's Privacy Coordinator to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.

7 **Disclaimer.**

Covered Entity makes no warranty or representation that compliance by Business Associate with this Agreement, HIPAA, the HIPAA Regulations, or the HITECH Act will be adequate or satisfactory for Business Associate's own purposes. Business Associate is solely responsible for all decisions made by Business Associate regarding the safeguarding of PHI.

8 **Certification.**

To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligation pursuant to HIPAA, the HIPAA Regulations, and the HITECH Act, Covered Entity or its authorized agents or contractors may, at Covered Entity's expense, examine Business Associate's facilities, systems, procedures (including but not limited to review of training procedures for Business Associate's staff) and records as may be necessary for such agents or contractors to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Regulations, the HITECH Act, and this Agreement.

9 **Indemnification.**

Notwithstanding any contrary provision in the Services Agreement, Business Associate agrees to indemnify, defend and hold harmless Covered Entity, its shareholders, directors, officers, employees, affiliates, and agents ("Indemnified Party") against all actual and direct losses suffered by the Indemnified Party from any breach of this Agreement, negligence or wrongful acts or omissions, including, without limitation, failure to perform its obligations under this Agreement or Breach of Unsecured PHI, by Business Associate or its employees, directors, officers, subcontractors, agents or other members of its workforce. Accordingly, on demand, Business Associate shall reimburse the Indemnified Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) which may for any reason be incurred by Indemnified Party or imposed upon the Indemnified Party by reason of any suit, claim, action, proceeding or demand by any third party, as a result of the Business Associate's breach hereunder.

10 **Compliance With State Law.**

Business Associate acknowledges that Business Associate and Covered Entity may have confidentiality and privacy obligations under applicable State law. If any provisions of this Agreement or HIPAA/HIPAA Regulations/HITECH Act conflict with state law regarding the degree of protection provided for PHI and patient medical records, then Business Associate shall comply with the more restrictive requirements.

11 **Miscellaneous.**

- 11.1 *Amendment.* Business Associate and Covered Entity agree to take such action as is necessary to amend this Agreement from time to time to enable Covered Entity to comply with the requirements of HIPAA, the HIPAA Regulations and the HITECH Act. This Agreement may not be modified, nor shall any provision hereof be waived or amended, except in a writing duly signed and agreed to by Business Associate and Covered Entity.
- 11.2 *Interpretation.* The provisions of this Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule.
- 11.3 *No Third Party Beneficiaries.* Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than Business Associate and Covered Entity, and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 11.4 *Notices.* All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered (i) when delivered personally, against written receipt; (ii) if sent by registered or certified mail, return receipt requested, postage prepaid, when received; (iii) when received by facsimile transmission; or (iv) when delivered by a nationally recognized overnight courier service, prepaid, and shall be sent to the addresses set forth on the signature page of this Agreement or at such other address as each party may designate by written notice to the other by following this notice procedure.
- 11.5 *Regulatory References.* A reference in this Agreement to a section in the HIPAA Regulations or the HITECH Act means the section as in effect or as amended, and for which compliance is required.
- 11.6 *Assistance in Litigation or Administrative Proceedings.* Business Associate shall make itself, and any subcontractors, employees or agents, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being

commenced against Covered Entity, its directors, officers or employees based upon a claimed violation of HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where Business Associate or its subcontractor, employee or agent is a named adverse party.


- 11.7 *Subpoenas.* In the event that Business Associate receives a subpoena or similar notice or request from any judicial, administrative or other party arising out of or in connection with this Agreement, including, but not limited to, any unauthorized use or disclosure of PHI, Business Associate shall promptly forward a copy of such subpoena, notice or request to Covered Entity and afford Covered Entity the opportunity to exercise any rights it may have under law.
- 11.8 *Survival.* The respective rights and obligations of Business Associate under Section 3 et seq. of this Agreement shall survive the termination of this Agreement. In addition, Section 5.5 (Effect of Termination), Section 7 (Disclaimer), Section 9 (Indemnification), Section 10 (Compliance with State Law), Section 11.4 (Notices), Section 11.6 (Assistance in Litigation and Administrative Proceedings), Section 11.7 (Subpoenas), and Section 11.9 (Governing Law) shall survive the termination of this Agreement.
- 11.9 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state in which the covered entity is principally located to the extent that the provisions of HIPAA, the HIPAA Regulations or the HITECH Act do not preempt the laws of that state.
- 11.10 *Independent Contractors.* Covered Entity and Business Associate shall be independent contractors and nothing in this Agreement is intended nor shall be construed to create an agency, partnership, employer-employee, or joint venture relationship between them.

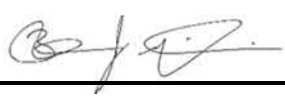
[Signature Page to follow]

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

COVERED ENTITY: Symbol Healthcare, Inc.

BUSINESS ASSOCIATE: PENNANT SERVICES, INC.

Sign:  _____

Sign:  _____

Name: Lee Johnson

Name: Brent Guerisoli

Title: Authorized Agent

Title: Authorized Agent

Date: September 28, 2019

Date: September 28, 2019

Exhibit 1

**Notification to Symbol Healthcare, Inc. of
Unauthorized Use or Disclosure of PHI/Breach of Unsecured PHI**

Attn: Privacy Officer
Symbol Healthcare, Inc.
4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409
Phone: 253-581-9410
Fax: 253-581-9207
Email: _____

This notification is made pursuant to Sections 3.6 and 3.7 of the Business Associate Agreement between Covered Entity and Business Associate.

Business Associate hereby notifies Covered Entity that there has been a breach of protected health information ("PHI") that Business Associate has used or has had access to under the terms of the Business Associate Agreement.

Description of the breach: _____

Date of the breach: _____

Date of the discovery of the breach: _____

Number of individuals affected by the breach: _____

The types of PHI that were involved in the breach (e.g., full name, Social Security number, date of birth, home address, account number): _____

Description of what Business Associate is doing to investigate the breach, mitigate losses, and protect against further breaches: _____

Business Associate contact information: _____

**CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Administrative Services)**

Effective Date: October 1, 2019

CONSULTANT: Pennant Services, Inc., a Nevada corporation

Address: 1675 E. Riverside Drive, Ste. 150,
Eagle, ID 83616

Phone: (208) 401-1400

Fax: (208) 401-1401

FACILITY: Symbol Healthcare, Inc. d/b/a Puget Sound Home Health

Address: 4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409

Phone: 253-581-9410

Fax: 253-581-9207

FEIN: 61-1698685

THIS CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT ("Agreement") is made and entered into by and between the above-named Consultant and Agency as of the Effective Date, with respect to the following facts and intentions:

RECITALS

- A. Agency is an independently operated, licensed and certified Home Health, Hospice and/or Home Care Agency operating from the address set forth above (the "Agency Primary Location");
- B. Consultant is a provider of centralized consulting, professional, and operational support designed to aid the efficient, competitive, and sound operation of entities like Agency;
- C. Agency desires to engage the services of Consultant to assist Agency personnel with aspects of Agency's operations and activities, in order to facilitate Agency personnel's focus on Agency's primary mission of rendering superior hospice services to the Agency's patients and clients.

NOW THEREFORE, IN CONSIDERATION OF THE PREMISES and for other good and valuable consideration, the receipt and sufficiency of which the parties hereby mutually acknowledge, the parties agree to the following:

TERMS AND CONDITIONS

1. Incorporation of Exhibits and Recitals. The Recitals set forth above, as well as the exhibits attached hereto, are incorporated herein by this reference as if fully set forth herein.

2. Consultant's Duties. The Consultant agrees to provide such of the following services ("Services") as Agency, at Agency's option and request from time to time, desires to obtain from Consultant during the term of this Agreement, and to perform its duties hereunder in a good, professional and workmanlike manner. Such duties shall include, without limitation (herein the "Services"):

2.1. General Consultant's Duties, Generally.

2.1.1. Consultant will provide Services in substantial conformance to applicable federal and state laws and the established policies of Consultant and Agency in effect from time to time, and Consultant will conduct periodic self-audit/compliance reviews in order to ensure that Consultant substantially complies with federal, state and local statutes and regulations applicable to the provision of the Services. Agency hereby grants to Consultant a limited power of attorney to act in Agency's name and stead for the convenience of Agency and/or Consultant, provided that this power shall not be used except in conjunction with the enumerated Services under this Agreement.

2.1.2. Consultant shall make clear to all parties with whom it deals in the course of rendering the Services that it is an independent contractor and not an employer, employee, partner, co-venturer, or management Agency of Agency. At all times while in the Agency and while with Agency's patients, Consultant's employees and representatives shall wear uniforms and/or badges clearly indicating their affiliation with Consultant.

2.2. Specific Duties of Consultant. During the term of this Agreement, Consultant shall provide to Agency the specific Services listed in Exhibit A at the request of the Agency. In the event of any conflict between the terms of Exhibit A and the terms contained in the main body of this Agreement, the terms of Exhibit A shall control. Consultant's duties shall specifically not include (i) the rendition of any direct care to patients or residents, (ii) maintenance or handling of patient trust property, or (iii) any other service not specifically enumerated herein as a part of the Services and requested by Agency, all of which shall be the sole duty and domain of Agency, its administrators, caregivers and other staff.

3. Agency's Duties. Agency shall:

3.1. Operate its business in and from the Agency in substantial compliance with applicable laws and regulations, and maintain all federal and state licenses and certifications required to operate the Agency and provide Services to patients (collectively the "Licenses"). Agency shall perform all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency. Within five (5) days of receipt, Agency shall deliver to Consultant notification of any actual revocation or suspension of its Licenses.

3.2. Not unreasonably restrict or limit the Consultant's right to exercise its independent professional judgment, including its right to recommend Services to be rendered

and to render such Services using such methods, technologies and procedures as Consultant deems appropriate.

3.3. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

3.4. As and to the extent that Consultant's employees and agents require access to the Agency to perform the Services, Agency shall provide adequate working space, equipment and access to Agency's staff for the provision of Services. Equipment and materials placed at the Agency by Consultant shall be used exclusively for the purposes of this Agreement. Upon termination or at Consultant's request, Agency shall return equipment and materials, in the same condition as when delivered to Agency, reasonable wear and tear excepted.

3.5. In addition to the foregoing, during the term of this Agreement, Agency shall cooperate with Consultant and Consultant's other client agencies and businesses as more fully set forth in Exhibit A.

4. Compensation.

4.1. For and in consideration of the Services to be provided under this Agreement, the Agency shall pay to the Consultant as the "Consultant Compensation" a monthly consulting fee equal to five percent (5.0%) of Agency's gross revenue from all sources. A reasonable estimate of anticipated monthly Consultant Compensation shall be paid on or before the first (1st) day of each month during the Term hereof, and shall be "trued up" at the beginning of the next following month with such following month's estimated payment. Payment for any partial month of the Term shall be prorated based on the number of days during the month that Consultant served under this Agreement. In the event Agency closes during any month during the Term, the Consultant Compensation for any such month or partial month shall be calculated, at Consultant's option, based on historical revenues and patient mix. At Consultant's option Consultant shall be entitled to deduct the Consultant Compensation from sums collected for Agency by Consultant, and shall provide Agency with invoices (or if paid by deduction accountings) for the monthly fee by the last day of the month following the month of service.

4.2. In addition to and not as part of the Consultant Compensation, Agency shall reimburse Consultant for all costs and expenses advanced, incurred, or paid by Consultant in the rendition of Services.

5. Insurance.

5.1. Both Consultant and Agency agree to maintain general and professional liability insurance during the term of this agreement in an amount not less than One Million Dollars (\$1,000,000) per claim and Three Million Dollars (\$3,000,000) in the aggregate.

5.2. Both parties agree to maintain such other and further insurance as may be required by law or the terms of any agreement to which they are parties, including without

limitation worker's compensation insurance (where required by law), crime insurance, directors and officers coverage, automobile and similar liability, and property and casualty insurance, and will list Agency as named insured on all obtained policies.

5.3. All insurance policies shall be issued by insurance companies with a policyholder rating of at least "B+" in the most recent version of Best's Key Rating Guide.

6. Term and Termination. The Term of this Agreement shall commence on the Effective Date and continue thereafter for a period of one (1) year. This Agreement shall automatically extend for additional periods of one (1) year each unless written notice of termination is given not less than sixty (60) days prior to the end of the then-current term. Notwithstanding anything contained herein to the contrary, either party may terminate this Agreement and the Term hereof at any time during the Term upon sixty (60) days written notice; further, in the event of (i) abandonment by a party of its duties hereunder, (ii) nonpayment of any Consultant Compensation within five (5) days after delivery of invoice or other written demand therefor; (iii) any breach or violation of this Agreement (other than non-payment of Consultant Compensation) which is not cured within thirty (30) days following delivery of written notice of such breach or violation, (iv) any material violation of law or regulations, or loss or failure of license or licensure, or violation of the eligibility requirements for reimbursement under any government program by a party, or (v) the occurrence or existence of any condition, practice, procedure, action, inaction or omission of, by or involving a party which, in the reasonable opinion of the other party constitutes either a threat to the health, safety, and welfare of any patient or client or a violation of any law, regulation, requirement, Licenses, eligibility or material agreement governing Agency's or Consultant's operation, then the other party shall have the right to summarily and immediately terminate this Agreement upon written notice to the first party.

7. Regulatory Changes. Agency and Consultant mutually agree that in the event local, state or federal government agencies promulgate regulations which materially affect the terms of this Agreement, including but not limited to changes affecting the cost of providing Services hereunder, this Agreement shall be immediately subject to renegotiation upon the initiative of either party.

8. Warranties.

8.1. Agency's Warranties. Agency hereby makes the following warranties and representations to Consultant in connection with Consultant's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.1.1. Agency is properly licensed by the State in which the Agency's operation(s) is located by the proper licensing and certification authorities for such State, and all permits and licenses required for the operation of Agency's business(es) have been received and are now currently effective.

8.1.2. As of the Effective Date, except as specifically disclosed on Schedule 1 attached hereto and incorporated herein, there is no litigation, administrative proceedings, event, or hold or similar lien on State or Federal payments to Agency, either underway or threatened, nor are there arbitration proceedings or governmental investigations relating to the Agency, or the business conducted thereon underway or threatened against Agency or brought by the Agency

8.1.3. To the best of Agency's knowledge, the business operations of the Agency at the Commencement Date comply with all local, State and Federal zoning, labor and other applicable laws, ordinances, rules and regulations applicable to the Agency.

8.1.4. Agency has been duly formed in the state of its domicile and remains in good standing in such state, and (if operating in a state other than its domicile) has been duly registered and authorized to do business in the state where its business operation(s) is located and is in good standing in that state as well.

8.1.5. Agency is authorized to consummate the transactions covered by this Agreement.

8.2. Consultant's Warranties. Consultant hereby makes the following warranties and representations to Agency in connection with Agency's entry into this Agreement, which warranties shall survive the termination of this Agreement:

8.2.1. Consultant is a Nevada corporation in good standing, and is registered to do business in, and is in good standing with, the State of Idaho.

8.2.2. Consultant is authorized to consummate the transactions covered by this Consulting Agreement.

9. Licensure, Eligibility and Compliance.

9.1. Consultant acknowledges that its activities under this Agreement may be governed by, *inter alia*, the United States Department of Health and Human Services' Office of the Inspector General's ("OIG") Compliance Program Guidance for Home Health Agencies and/or the OIG's Compliance Program Guidance for Hospices. Consultant represents and warrants that neither Consultant nor any individual or entity with a direct or indirect ownership or control interest of five percent (5%) or more in Consultant, nor any director, officer, agent or employee of such party, is debarred, suspended or excluded under any state or federal healthcare program it is currently eligible to participate in Medicare, Medicaid, and all other federally funded health care programs and is not subject to any sanction or exclusion by any of those programs. Consultant agrees to immediately disclose any actual or threatened federal, state or local investigations or imposed sanctions of any kind, in progress or initiated subsequent to the date of entering into this Agreement. Consultant further represents and warrants that it is not currently sanctioned under any applicable state or federal fraud and abuse statutes, including exclusion from any state or federal health care program. If, during the term of this Agreement, Consultant, its parent, or any officer, director or owner receives such a sanction, or notice of proposed sanction, Consultant shall provide notice of and a full explanation of such sanction or proposed sanction and the period of its duration within ten (10) days of receipt. Agency reserves the right to terminate the Agreement immediately upon receipt of notice that Consultant has been sanctioned under fraud and abuse statutes and/or any other federal, state or local regulation.

9.2. If the Agency Primary Location is located in the state of Texas, Consultant agrees to complete, execute and deliver to Agency upon request a Certification Regarding Debarment, Suspension, Ineligibility and Voluntary Exclusion for Covered Contracts on Form 2046 as promulgated by the Texas Department of Protective & Regulatory Services.

9.3. Consultant acknowledges that it has received a copy of Agency's Code of Conduct, and agrees to abide by the provisions thereof governing Vendors and Vendor services.

10. Consultant's Schedule and Availability.

10.1. Consultant shall be reasonably available on an on-call basis to the Agency to fulfill Consultant's duties hereunder.

10.2. Nothing in this Agreement shall be construed as limiting or restricting in any manner Consultant's right to render the same or similar services to other individuals or entities, including but not limited to, other hospice and in-home care during or subsequent to the Term of this Agreement; similarly, nothing in this Agreement shall require Agency to exclusively use all of Consultant's services in the Agency during the Term of this Agreement.

10.3. Consultant's employees and representatives are entitled to be reasonably absent for annual vacations, sick leave, continuing education, and personal reasons; provided that in the event of any absence Consultant shall consult with the Agency concerning the impending absence and cooperate with the Agency in providing alternate resources to Agency to temporarily fulfill Consultant's duties during the period of absence.

11. Contractual Relationship.

11.1. Independent Contractor. It is expressly acknowledged by both parties that Consultant is an independent contractor. Nothing herein is intended to be construed to create an employer-employee, partnership, joint venturer or other relationship between Consultant and the Agency. Agency has and shall retain all statutory liability and responsibility for the continued operation of the Agency as the licensee under Agency's Licenses. No provision of this Agreement shall create any right in the Agency to exercise control or direction over the manner or method by which Consultant performs its duties or renders Services hereunder, nor shall Consultant exercise control or direction over the manner or method by which Agency operates or serves its patients and clients; provided always, that services shall be provided in a manner consistent with all applicable laws, rules and regulations of all governmental authorities, and Agency's Code of Conduct. Agency will not withhold from compensation payable to Consultant hereunder, or be in any way responsible for, any sums for income tax, employment insurance, Social Security, or any other agency and Consultant agrees that the payment of all such amounts as may be required by law are and shall be the sole responsibility of Consultant.

11.2. Fair Market Value. The amounts to be paid to Consultant hereunder have been determined by the parties through good faith and arms-length bargaining to be the fair market value of the services to be rendered hereunder. No amount paid or to be paid hereunder is intended to be, nor will it be construed as, an offer, inducement or payment, whether directly or indirectly, overtly or covertly, for the referral of patients by Consultant to Agency, or by Agency to Consultant, or for the recommending or arranging of the purchase, lease or order of any item or service. For purposes of this section, Consultant and Agency will include each such entity and any affiliate thereof. No referrals are required under this Agreement.

11.3. Work Product. The work product created in the course of Consultant's services under this agreement shall be the exclusive property of Consultant, and all manuals, forms, and documents (including without limitation, all writings, drawings, blueprints, pictures, recordings, computer or machine readable data, and all copies or reproductions thereof) which result from, describe or relate to the services performed or to be performed pursuant to this agreement or the results thereof, including without limitation all notes, data, reports or other information received or generated in the performance of this Agreement (excepting data incorporated in medical records required to be kept and maintained by Agency), shall be the exclusive property of Consultant and shall be delivered to Consultant upon request.

11.4. Non-Solicitation of Consultant's Employees. During the term of this Agreement, Agency shall not solicit the services of, or hire as an employee or independent contractor at the Agency, any Consultant employee, agent or representative who provided, managed or otherwise was involved in the provision of Services to Agency within the previous twelve (12) months (a "Restricted Employee"). Nothing herein shall preclude Agency from advertising available positions or opportunities by posting in the Agency or through newspaper ads or other generally accepted recruiting mediums. The parties acknowledge that the restrictions set forth in this Article are reasonable in scope and important to Consultant's business interests, and that the enforcement of this Article does not restrict Agency from engaging in Services for its own account. In the event that Agency hires a Restricted Employee, Agency shall pay a recruiting fee to Consultant in the amount of Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00) per Restricted Employee hired.

12. Indemnification.

12.1. Agency agrees to defend, indemnify, and hold Consultant, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless from and against any and all costs (including reasonable attorney's fees) liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from the performance of this Agreement to the extent that such costs and liabilities result from the negligence or willful misconduct of Agency.

12.2. Consultant agrees to defend, indemnify, and hold Agency, its parent, subsidiaries, affiliated and related companies, directors, officers, employees, and agents, wholly harmless for, from and against any and all costs (including reasonable attorney's fees), liabilities, claims, losses, lawsuits, settlements, demands, causes, judgments and expenses arising from or connected with Consultant's acts or omissions or the performance of this Agreement, to the extent that such costs and liabilities are alleged to result from the negligence or willful misconduct of Consultant.

12.3. A party receiving notice of a claim or potential claim shall send written notice to the other within ten (10) business days, and shall fully cooperate in the defense thereof by counsel mutually acceptable to the parties. The parties' rights to indemnification set forth in this Article are non-exclusive and are not intended to affect in any way any other rights of the parties to indemnification under applicable federal, state or local laws and regulations.

13. Access to Books and Records. Pursuant to 42 U.S.C. §1395x(V)(1)(I), during the four (4) year period after completion of services hereunder, the Agency will, upon written request, make available to the Secretary of Health and Human Services or to the Comptroller General, or their duly authorized representatives, this Agreement, books, documents, and

records that are necessary to certify the nature and extent of costs incurred by the Agency under the provisions of this Agreement. This provision shall be in force for any twelve (12) month period during which the total value of services provided or goods delivered hereunder is Ten Thousand Dollars (\$10,000) or more. This section shall have no effect unless Consultant is deemed a "subcontractor" under any regulation adopted under the provision of the United States Code cited above.

14. Privacy.

14.1. HIPAA Applicability and Compliance. Agency may be a "Covered Entity" under, and required to comply with, the applicable provisions of the Health Insurance Portability and Accountability Act of 1996 as amended ("HIPAA") and the regulations and guidelines pertaining thereto (collectively with HIPAA the "HIPAA Rules"), and to obtain sufficient assurances that its contracting parties will appropriately safeguard patients' "Protected Health Information" ("PHI") as defined in the HIPAA Rules. In the course of performing Consultant's services, duties and obligations herein, Consultant may receive, create or obtain access to PHI. Consultant agrees to maintain the security and confidentiality of PHI, as required of Agency by applicable laws and regulations, including without limitation the HIPAA Rules, and to execute and deliver such additional documentation and assurances as Agency may reasonably request to comply with HIPAA and any amendments thereto and related laws and regulations, including, but not limited to, the Business Associate Agreement attached hereto as Exhibit B.

14.2. Correlation of Record Handling Requirements. In the event of any conflict between the requirements of this Article 14 and/or between the various laws, statutes, ordinances and regulations relating to or otherwise affecting the subject matter thereof, the requirement or applicable law that that presents the most stringent standard for compliance, as reasonably determined by Agency, shall be followed, such that compliance is achieved or maximized in all cases.

14.3. Confidential Information. Consultant shall preserve the confidentiality of all private, confidential and/or proprietary information disclosed to or discovered by Consultant in connection with this Agreement, including, without limitation, nonpublic financial information, manuals, protocols, policies, procedures, marketing, and strategic information, Agency lists, computer software, training materials, resident/patient health information, resident/patient records, and resident/patient care and outcomes data ("Confidential Information") as and to the extent required by law. Consultant shall not use for its own benefit or disclose or otherwise disseminate to third parties, directly or indirectly, any Confidential Information without prior written consent from Agency, provided however that if Consultant grants Agency access to, and Agency uses, Consultant's databases or information sharing mechanisms, Agency's information may be provided to similar agencies and Agency hereby grants Agency's consent to such information sharing as a condition to Agency's receipt of access to such mechanisms and the data they contain from time to time. Upon termination of this Agreement, all Confidential Information and copies thereof shall be returned to Agency. Consultant and Agency shall comply with applicable federal, state and local laws and regulations with respect to all Confidential Information, including, but not limited to, any disclosures thereof pursuant to this section.

15. Notices. All notices which are required or which may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered personally or by registered or certified mail, return receipt requested, or

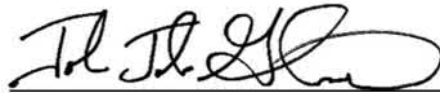
by a comparable commercial delivery system, and notice shall be deemed to be given on the date hand-delivered or on the date which is three (3) business days after the date deposited in United States mail, or with a comparable commercial delivery system, with postage or other delivery charges thereon prepaid, at the addresses first set forth above or such other addresses as Agency and Consultant may designate by written notice to the other from time to time.

16. Arbitration.

16.1. Any controversy, dispute or claim arising in connection with the interpretation, performance or breach of this Lease, including any claim based on contract, tort or statute, shall be determined by final and binding, confidential arbitration with Judicial Mediation and Arbitration Service ("JAMS/Endispute") in Ada County, Idaho, provided that if JAMS/Endispute (or any successor organization thereto) no longer exists, then such arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with its then-existing Commercial Arbitration Rules, and the sole arbitrator shall be selected in accordance with such AAA rules. Any arbitration hereunder shall be governed by the United States Arbitration Act, 9 U.S.C. 1-16 (or any successor legislation thereto), and judgment upon the award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Neither Agency, Consultant, nor the arbitrator shall disclose the existence, content or results of any arbitration hereunder without the prior written consent of all parties; provided, however, that either party may disclose the existence, content or results of any such arbitration to its partners, officers, directors, employees, agents, attorneys and accountants and to any other Person to whom disclosure is required by applicable Legal Requirements, including pursuant to an order of a court of competent jurisdiction. Unless otherwise agreed by the parties, any arbitration hereunder shall be held at a neutral location selected by the arbitrator in Ada County, Idaho. The cost of the arbitrator and the expenses relating to the arbitration (exclusive of legal fees) shall be borne equally by Agency and Consultant unless otherwise specified in the award of the arbitrator, in which case such fees and costs paid or payable to the arbitrator shall be included in "reasonable costs and attorneys' fees" for purposes of Section 17.2, and the arbitrator shall specifically have the power to award to the prevailing party pursuant to such Section 17.2 such party's costs and expenses, including fees and costs paid to the arbitrator.

16.2. NOTICE: BY INITIALING IN THE SPACE BELOW YOU ARE AGREEING TO HAVE ANY DISPUTES ARISING IN THIS "ARBITRATION OF DISPUTES" PROVISION DECIDED BY NEUTRAL ARBITRATION AS PROVIDED HEREIN AND BY IDAHO LAW AND YOU ARE GIVING UP ANY RIGHTS YOU MIGHT POSSESS TO HAVE SUCH DISPUTE LITIGATED IN A COURT OR JURY TRIAL. BY INITIALING IN THE SPACE BELOW, YOU ARE GIVING UP YOUR JUDICIAL RIGHTS TO DISCOVERY AND APPEAL, UNLESS THOSE RIGHTS ARE SPECIFICALLY INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION. IF YOU REFUSE TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, YOU MAY BE COMPELLED TO ARBITRATE UNDER THE AUTHORITY OF THE IDAHO CODE OF CIVIL PROCEDURE. YOUR AGREEMENT OF THE PARTIES TO THIS ARBITRATION PROVISION IS VOLUNTARY.

BY INITIALLING BELOW YOU AFFIRM THAT YOU HAVE READ AND UNDERSTAND THE FOREGOING AND AGREE TO SUBMIT DISPUTES ARISING OUT OF THE MATTERS INCLUDED IN THIS "ARBITRATION OF DISPUTES" PROVISION TO NEUTRAL ARBITRATION.



CONSULTANT



AGENCY

17. Miscellaneous.

17.1. This Agreement has been negotiated by and between Consultant and Agency in arms-length negotiations, and both parties are responsible for its drafting. Both parties have reviewed this Agreement with appropriate counsel, or have waived their right to do so, and the parties hereby mutually and irrevocably agree that this Agreement shall be construed neither for nor against either party, but in accordance with the plain language and intent hereof. The invalidity or unenforceability of any provision of this Agreement shall not affect the other provision hereto, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted. Headings are used herein for convenience only, and shall play no part in the construction of any provision of this Agreement

17.2. In the event of any dispute between the parties arising under or in relation to this Agreement, the prevailing party in such dispute or litigation shall have the right to receive from the non-prevailing party all of the prevailing party's reasonable costs and attorneys' fees incurred in connection with any such dispute and/or litigation. As used herein, the term "prevailing party" shall refer to that party to this Agreement for whom the result ultimately obtained most closely approximates such party's position in such dispute or litigation.

17.3. This Agreement shall be governed by the laws of the State of Idaho. Notwithstanding anything contained herein to the contrary, venue for any action involving this Agreement shall lie solely in Ada County, Idaho.

17.4. Time is of the essence of this Agreement and every term and condition hereof.

17.5. The waiver by any party hereto of breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach by any party.

17.6. This Agreement shall binding upon the parties hereto, their heirs, successors and assigns. Notwithstanding the foregoing, the parties mutually acknowledge that a material and substantial consideration in the parties' mutual execution of this Agreement is the identity and reputation of the other party, and each party's subjective perception of the other's value to and compatibility with such party and its officers, employees, facilities and

patients. As such, notwithstanding anything contained herein to the contrary, this Agreement and the rights of the parties hereunder are personal to the parties and may not be assigned or subcontracted to, nor shall the duties and responsibilities of either hereunder be delegated to or rendered by, any other person or entity without the express prior written consent of the other party, which consent may be granted or denied, conditionally or unconditionally, by a party in its sole, absolute and unfettered discretion.

17.7. Notwithstanding the expiration or earlier termination of this Agreement, the obligations and/or liabilities of the parties hereunder, relating to events, occurring during the Term, to which the parties' indemnification obligations under Section 12 apply, shall continue in full force and effect after the Agreement terminates, subject to applicable statutes of limitation. Additionally, the covenants of the parties under Sections 11.4, 13, 14 and 16 shall survive the termination of this Agreement.

17.8. This Agreement is solely between the parties hereto, and shall not create any right or benefit in any third party, including without limitation any creditor, agent, partner, employee or affiliate of Current Operator, or any entity or agency having jurisdiction of any of the Licenses, the Agency or the operation of the business therein.

17.9. This Agreement represents the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes and negates any previous contracts between Agency and Consultant. Agency and Consultant mutually agree that this Agreement may not be modified unless such modification is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

CONSULTANT:

PENNANT SERVICES, INC.
a Nevada corporation

BY: 

John Gochnour
Authorized Agent
Date: September 28, 2019

AGENCY:

SYMBOL HEALTHCARE, INC.,
a Nevada corporation

BY: 

Brent Guerisoli
Authorized Agent
Date: September 28, 2019

EXHIBIT A
CONSULTING, PROFESSIONAL, AND
OPERATIONAL SUPPORT SERVICES AGREEMENT
(Administrative Services)

THIS EXHIBIT A supplements the foregoing CONSULTING, PROFESSIONAL, AND OPERATIONAL SUPPORT SERVICES AGREEMENT (the “Agreement”) made and entered into by and between the therein-named Consultant and Agency and forms a part thereof. The specific duties and obligations described herein may or may not be performed by either party, depending upon the needs, preferences and requests of the other from time to time. The lists of duties and activities are not exhaustive, but where certain duties or activities are expressly limited, excluded or proscribed hereby, such activities shall not be requested or performed. Consultant’s services shall be rendered on a non-exclusive basis, and Consultant shall have no duty to limit its services solely to Agency. Any service to be rendered by Consultant hereunder may be, at Consultant’s sole option, rendered on a joint or “pooled” basis with or to Agency and other clients of Consultant. Consultant may provide any of its services hereunder through the use or assistance of subcontractors, but such subcontractors shall be subject to all of the terms and conditions of this Agreement. Although Consultant shall have discretion to make certain decisions regarding its Services for Agency in the day-to-day rendition of such services, Agency shall remain solely responsible for all decisions and actions made by, at, for or involving Agency and the operation of Agency’s business.

SPECIFIC SERVICES TO BE RENDERED BY CONSULTANT:

1. Accounting.
 - A. Provides regular financial statements, analysis and reports to Agency management and Agency’s lenders and customers.
 - B. Provides billing and collections oversight and assistance, including without limitation general compliance counseling, provided however that Agency shall be solely responsible for assessment, billing and collection compliance.
 - C. Tracks lockbox and other revenues, as well as all expenses submitted to Consultant, including without limitation capital projects expenses, and consults on the advisability of major capital expenditures.
 - D. Provides accounts payable processing based on Agency-supplied payables data.
 - E. Provides payroll services based upon Agency-generated payroll data; including without limitation providing separate payrolls for key employee groups as deemed prudent by Consultant or requested by Agency.
 - F. Assists in the preparation and filing of cost reports and other required financial filings and reports.
 - G. Oversees borrowing and other financial relationships and acts as liaison for lenders and outside accounting and financial consultants, and assists in procuring, maintaining and complying with the terms of financing and credit relationships, which may, with

Agency's acquiescence AND at Consultant's sole option, be created on a standalone basis for Agency or jointly in concert with some or all of Consultant's other clients.

2. Human Resources.

A. Procures and assists Agency in administering employee benefits plans as requested by Agency for its employees, such as health, dental, defined benefit, defined contribution, life insurance, disability, employee assistance programs and other benefits which may, with Agency's acquiescence AND at Consultant's sole option, be created on a standalone basis for Agency or jointly or in concert with some or all of Consultant's other clients.

B. Provides sample form non-nursing policy and procedure manuals, employee handbooks and hiring, performance evaluation and disciplinary forms and the like, to facilitate the efficient establishment and conduct of employer-employee relations; provided that all manuals, materials and template forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

C. Provides general assistance with human resources, labor and employment questions and issues, including questions related to hiring, disciplining and separation of employees; provided that Consultant shall have no responsibility for hiring, discipline or separation of Agency employees, which responsibility shall be and remain the sole province of Agency.

D. Provides periodic in-services and other trainings as requested by Agency, including an annual training meeting or convention for Agency's Administrator and Director of Nursing (which may be offered simultaneously and in conjunction with the annual trainings for other of Consultant's clients), to assist managers and staff in the lawful and efficient conduct of their business affairs; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

E. Provides, as requested by Agency, independent third-party investigation of employment-related allegations of managerial and/or staff misconduct and recommendations (but not directives) with respect thereto.

3. Legal Services.

A. Provides general legal counsel consisting of limited legal services and assistance, including litigation management, corporate filings and governance assistance, legal compliance tools, licensing assistance and similar services; provided however that Consultant shall render no legal advice or court representation in any jurisdiction where an employee of Consultant is not licensed to do so unless otherwise permitted by law.

B. Provides contract review, processing and general assistance with vendor, customer and other contracts; and Agency hereby authorizes Consultant to negotiate and enter into contracts on Agency's behalf as Agency's agent solely for such limited purpose, but Consultant shall not be bound to perform such contracts for Agency. Consultant is also authorized to include Agency in "pooled" or joint contracts with other of Consultant's clients,

provided that in no event shall Agency ever be jointly, severally or in any other way authorized, bound or liable for the acts or omissions of Consultant or any other client of Consultant for or under any such contract or arrangement, and the scope of Consultant's authority shall not include obligating Agency in any way for the obligations of Consultant or any other person or entity.

C. Provides periodic legal, compliance, regulatory and similar in-services and other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with proper patient charting and similar activities when performed in connection with in-services, medical records, survey readiness reviews, mock surveys and other similar consulting and training, in order to assist nursing leadership and staff in the lawful, prudent and efficient conduct of caregiving operations; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant.

D. Provides assistance in labor and employment matters, including collective bargaining and other labor relations activities, and processing of state and federal employment (e.g., EEOC, DFEH, OCR, NLRB and similar agencies and programs) claims.

4. Risk Management.

A. Interfaces with insurance brokers and carriers to procure and maintain necessary and desirable insurance coverages. Consultant may, at Consultant's option and unless Agency objects, provide coverages under "pooled risk arrangements or "blanket" policies that cover other clients of Consultant, and Agency shall pay its allocated share of the premiums for such coverages based on the rating and risk profile of Agency as determined by Consultant, the broker and/or the insurance underwriters setting the premium. In addition, Consultant may provide such services, at Consultant's option, through captives or pooled insurance arrangements with other clients of Consultant or other insureds.

B. Provides, itself or through brokers or outside consultants, limited loss prevention evaluations and services.

C. Provides worker's compensation coverages, training, resources and systems, which may or may not include, at Consultant's option, assisting Agency, either for Agency's own account with third-party carriers, or under self-insurance certificates issued to Consultant or Agency, to self-insure for worker's compensation and other risks.

5. Information Technology.

A. Provides basic technology services, including assistance with computer, peripheral and network installations and troubleshooting where Agency uses hardware and software supported by Consultant.

B. Provides centralized Internet, Intranet, and other technology programs

and services to promote the efficient, accurate and timely collection and collation of operating and other business data.

C. Provides assistance in designing and maintaining web addresses, email services and informational websites for the Agency.

D. Provides centralized purchasing and procurement services and counseling for Agency's planning, acquisition and use of technology products and services.

6. Miscellaneous Services.

A. Provides periodic CEO-in-Training ("CIT") and Leadership programs, as well as other formal and informal trainings as requested by Agency, which may be offered simultaneously and in conjunction with the trainings for other of Consultant's clients. Such trainings shall include no nursing or direct care services by Consultant's representatives, but may or may not include, without limitation, assistance with filing of nursing home administrator and similar certification and licensing applications, and other similar assistance, consulting and training, in order to assist Agency leadership and staff in obtaining and maintaining necessary and appropriate certifications and licenses; provided that all trainings and materials provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant

B. Provides centralized purchasing opportunities from vendors, and service providers; provided that (i) Agency shall not be required to participate on any such purchasing cooperative or arrangement, (ii) Agency shall never be liable for the expenses, acts or omissions of Consultant or other clients of Consultant under such arrangements, but shall be responsible solely for its own purchases thereunder, (iii) catalogs, materials and forms provided in connection therewith shall be and remain the property of Consultant and may not be copied, reproduced, distributed or used other than with the express written permission of Consultant, and (iv) Consultant shall be authorized to act as Agency's agent for the limited purpose of negotiating and entering into such arrangements, but not for actually committing to the ordering of any product or service or the incurrence of any obligation thereunder, which shall be the sole province of Agency.

ADDITIONAL DUTIES TO BE PERFORMED BY AGENCY:

Without limiting any other duty or obligation of Agency at law or under the Agreement, Agency shall do all of the following:

7. Agency shall be solely responsible for (i) naming and managing its own Governing Body as required by applicable laws and regulations, (ii) hiring, supervising and evaluating its administrator and other employees, and (iii) overseeing the day-to-day conduct of its business and related activities.

8. Agency shall be solely responsible for providing a safe and sanitary environment for Agency personnel.

9. Agency shall be solely responsible for (i) operating its business in and from the

Agency location(s) in substantial compliance with applicable laws and regulations, (ii) maintaining all federal and state licenses and certifications required to operate the Agency and provide Services to patients and clients, (iii) performing all duties required of a licensee and provider under applicable local, state and federal laws, codes, regulations and provider agreements affecting the operation of the Agency, and (iv) notifying Consultant of any threatened, pending or actual revocation or suspension of its Licenses.

10. Timely furnish Consultant with such information and materials as might ordinarily be expected for Consultant to perform its duties hereunder. Agency shall be solely responsible to assure the accuracy and completeness of all information provided by Agency and its personnel to Consultant, and Consultant shall be entitled to rely thereon without inquiry or diligence of any kind.

11. Agency shall not unreasonably restrict or limit Consultant's access to necessary information, and acknowledges Consultant's right to exercise its independent professional judgment, including recommending Services and rendering such Services using such methods, technologies and procedures as Consultant deems appropriate.

12. Consultant's corporate address: 1675 E. Riverside Drive, Suite 150, Eagle, ID 83616, shall serve Agency's mailing address and address for service of process.

13. If requested by Consultant, Agency shall send delegates to Consultant's customer service teams, operator forums, evaluation and other service teams, trainings, and other committees and events as reasonably requested and available. In addition, to the extent available Agency delegates shall from time to time participate, both as trainees and trainers, in training and leadership conferences and events for the benefit of Consultant and others.

14. With Agency's acquiescence, and at Consultant's expense to the extent the trainee does not provide value to Agency, Agency agrees to periodically serve as a training site for Consultant's employees, providing (where available) preceptorship and organized training for CITs and other trainees of Consultant. In the event that a compensated trainee does not provide full value to Agency during his/her training program, Consultant shall pay directly, or reimburse Agency for, the portion of the trainee's compensation and training expenses that exceed the reasonable value provided.

Exhibit B

BUSINESS ASSOCIATE AGREEMENT

AGREEMENT EFFECTIVE DATE:	October 1, 2019
COVERED ENTITY:	SYMBOL HEALTHCARE, INC. ADDRESS: 4002 TACOMA MALL BLVD STE 204, TACOMA, WA 98409
BUSINESS ASSOCIATE:	PENNANT SERVICES, INC. ADDRESS: 1675 E. RIVERSIDE DRIVE, SUITE 150, EAGLE, ID 83616

This Business Associate Agreement (“Agreement”) is made and entered into as of the Effective Date listed in this Exhibit B, and between the above-listed Covered Entity and Business Associate, with reference to the following facts:

RECITALS

WHEREAS, Business Associate has been engaged to provide staffing services to Covered Entity pursuant to a separate agreement (the “Services Agreement”), and, in connection with those services, Covered Entity may need to disclose to Business Associate, or Business Associate may need to create on Covered Entity’s behalf, certain Protected Health Information (as defined below) that is subject to protection under the Health Insurance Portability and Accountability Act of 1996, Public Law 104-191 (“HIPAA”), the Health Information Technology for Economic and Clinical Health Act, Public Law 111-005 (“HITECH Act”), and regulations promulgated thereunder by the U.S. Department of Health and Human Services to implement certain privacy and security provisions of HIPAA (the “HIPAA Regulations”), codified at 45 C.F.R. Parts 160 and 164; and

WHEREAS, pursuant to the HIPAA Regulations, all business associates of Covered Entity, as a condition of doing business with Covered Entity, must agree in writing to certain mandatory provisions regarding the privacy and security of PHI (as defined below).

NOW THEREFORE, IN CONSIDERATION OF THE FOREGOING, and the mutual promises and covenants contained herein, Business Associate and Covered Entity agree as follows:

AGREEMENT

Definitions.

Unless otherwise specified in this Agreement, all terms not otherwise defined shall have the meanings established in Title 45, Parts 160 and 164, of the United States Code of Federal Regulations, as amended from time to time. Further, capitalized terms used, but not otherwise defined, in this Agreement shall have the meanings set forth in HIPAA, the HIPAA Regulations and the HITECH Act.

- 1.1 *Breach* shall have the meaning given to such term in 42 U.S.C. § 17921, and shall include the unauthorized acquisition, access, use, or disclosure of PHI which compromises the security or privacy of such information.
- 1.2 *Business Associate* shall have the meaning given to such phrase under the HIPAA Regulations and the HITECH Act, including, but not limited to, 45 C.F.R. § 160.103 and 42 U.S.C. § 17938, respectively. For purposes of this Agreement, “Business Associate” shall also refer specifically to the entity or individual set forth in the Preamble above.
- 1.3 *Covered Entity* shall have the meaning given to such phrase under the HIPAA Regulations including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, “Covered Entity” shall also refer specifically to the entity set forth in the Preamble above.
- 1.4 *Data Aggregation* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.5 *Designated Record Set* means a group of records maintained by or for Covered Entity that may include (i) medical records and billing records about Individuals maintained by or for a covered health care provider, (ii) the enrollment, payment, claims adjudication, and case or medical management record systems maintained by or for a health plan, or (iii) records used, in whole or in part, by or for Covered Entity to make decisions about Individuals.
- 1.6 *Electronic Health Record* shall have the meaning given to such phrase in the HITECH Act, including, but not limited to, 42 U.S.C. § 17921(5).
- 1.7 *Electronic Protected Health Information* (“ePHI”) means individually identifiable health information that is transmitted by, or maintained in, electronic media.
- 1.8 *Health Care Operations* shall have the meaning given to such phrase under the Privacy Rule, including, but not limited to, 45 C.F.R. § 164.501.
- 1.9 *Individual* has the same meaning as the term *individual* in 45 C.F.R. § 160.103 and shall include a person who qualifies as a personal representative in accordance with 45 C.F.R. § 164.502(g).
- 1.10 *Privacy Rule* shall mean the Standards for Privacy of Individually Identifiable Health Information codified at 45 C.F.R. Part 160 and Part 164, Subparts A and E, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.11 *Protected Health Information* (“PHI”) means any information, whether oral or recorded in any form or medium: (i) that relates to the past, present or future physical or mental condition of an Individual; the provision of health care to an Individual; or the past, present or future payment for the provision of health care to an Individual; and (ii) that identifies the Individual or with respect to which there is a reasonable basis to believe the information can be used to identify that Individual; and (iii) shall include the definition as set forth in the Privacy Rule including, but not limited to, 45 C.F.R. § 160.103. For purposes of this Agreement, PHI shall include ePHI.
- 1.12 *Required By Law* shall have the same meaning as the phrase *required by law* in 45 C.F.R. § 164.103.
- 1.13 *Secretary* means the Secretary of the U.S. Department of Health and Human Services or his/her designee.

- 1.14 *Security Incident* means the attempted or successful unauthorized access, use, disclosure, modification, or destruction of information or interference with system operations in an information system.
- 1.15 *Security Rule* shall mean the HIPAA Regulations that are codified at 45 C.F.R. Part 160 and Part 164, Subparts A and C, as amended by the HITECH Act and as may otherwise be amended from time to time.
- 1.16 *Unsecured PHI* shall mean PHI that is not secured through the use of a technology or methodology specified by the Secretary in guidance or as otherwise defined in 42 U.S.C. § 17932(h).

Scope of Agreement.

This Agreement applies to the PHI of Covered Entity to which Business Associate may be exposed as a result of the services that Business Associate will provide to Covered Entity pursuant to the Services Agreement. Business Associate shall abide by HIPAA, the HIPAA Regulations and the HITECH Act with respect to PHI of Covered Entity, as outlined below.

Obligations and Activities of Business Associate.

- 3.1 *Permitted Uses.* Except as otherwise limited in this Agreement, Business Associate may use PHI (i) for the proper management and administration of Business Associate, (ii) to carry out the legal responsibilities of Business Associate, or (iii) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may use PHI to provide services to Covered Entity under the Services Agreement provided that Business Associate shall not use PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so used by Covered Entity.
- 3.2 *Permitted Disclosures.* Business Associate may disclose PHI (i) for the proper management and administration of Business Associate; (ii) to carry out the legal responsibilities of Business Associate; (iii) as Required By Law; or (iv) for Data Aggregation purposes for the Health Care Operations of Covered Entity. Business Associate may disclose PHI to provide services to Covered Entity under the Services Agreement, provided that Business Associate shall not disclose PHI in any manner that would constitute a violation of the Privacy Rule or the HITECH Act if so disclosed by Covered Entity.
 - 3.2.1 In addition, if Business Associate discloses PHI to a third party, for Business Associate's management and administration purposes as specified in Section 3.2, Business Associate must obtain, prior to making any such disclosure, (i) reasonable written assurances from such third party that the PHI will be held as confidential as provided pursuant to this Agreement and only disclosed as Required By Law or for the purposes for which it was disclosed to such third party; and (ii) a written agreement from such third party to immediately notify Business Associate of any breaches of confidentiality of the PHI, to the extent such third party has obtained knowledge of such breach.
- 3.3 *Prohibited Uses and Disclosures.* Business Associate shall not use or disclose PHI for fundraising or marketing purposes. In accordance with 42 U.S.C. § 17935(a), Business Associate shall not disclose PHI to a health plan for payment or Health Care Operations purposes if the patient has requested this special restriction, and has paid out of pocket in full for the health care item or service to which the PHI solely relates. Business Associate shall not directly or indirectly receive remuneration in exchange for PHI, except with the prior written consent of Covered Entity and Individual and as permitted by 42 U.S.C. § 17935(d)(1) and (2); however, this prohibition shall not affect payment by Covered Entity to Business Associate for services provided pursuant to the Services Agreement.

- 3.4 *Other Business Associates.* As part of its providing functions, activities, and/or services to Covered Entity, Business Associate may disclose information, including PHI, to other business associates of Covered Entity, and Business Associate may use and disclose information, including PHI, received from other business associates of Covered Entity as if this information was received from, or originated with, Covered Entity.
- 3.5 *Safeguards for Protection of ePHI.* Business Associate agrees to implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI that it creates, receives, maintains, or transmits on behalf of Covered Entity. In accordance with 42 U.S.C. § 17931 of the HITECH Act, Business Associate shall be directly responsible for full compliance with the policies and procedures and documentation requirements of the HIPAA Security Rule, including, but not limited to, 45 C.F.R. §§ 164.308, 164.310, 164.312, and 164.316. Business Associate shall implement and at all times use all appropriate safeguards to prevent any use or disclosure of PHI not authorized under this Agreement.
- 3.6 *Reporting of Unauthorized Uses or Disclosures and Security Incidents.* Business Associate agrees to report to Covered Entity in writing any access, use or disclosure of the PHI not provided for or permitted by this Agreement and, any Security Incidents of which Business Associate (or Business Associate's employee, officer or agent) becomes aware. Business Associate shall so notify Covered Entity pursuant to this Section within twenty-four (24) hours after Business Associate becomes aware of such unauthorized use, disclosure or Security Incident. The notice to be provided pursuant to this Section shall be substantially in the same form as **Exhibit 1**, which is attached hereto.
- 3.7 *Reporting of Breach of Unsecured PHI.* Business Associate agrees to report to Covered Entity any Breach of Unsecured PHI of which Business Associate (or Business Associate's employee, officer or agent) becomes aware without unreasonable delay and in no case later than the next business day after Business Associate learns of such Breach, except where a law enforcement official determines that a notification would impede a criminal investigation or cause damage to national security. Business Associate's notification to Covered Entity hereunder shall be substantially in the same form as **Exhibit 1**.
- 3.8 *Agents and Subcontractors.* Business Associate agrees to ensure that any agent, including a subcontractor, to whom Business Associate provides PHI, agrees in writing to the same restrictions and conditions that apply through this Agreement to Business Associate with respect to such PHI, and implement the safeguards required by Section 3.5 above with respect to ePHI.
- 3.9 *Mitigation of Unauthorized Uses or Disclosures.* Business Associate agrees to mitigate, to the extent practicable, any harmful effect that is known to Business Associate of a use or disclosure of PHI by Business Associate or one of its agents or subcontractors in violation of the requirements of this Agreement.
- 3.10 *Authorized Access to PHI.*
- 3.10.1 *Individual Requests for Access.* Business Associate shall cooperate with Covered Entity to fulfill all requests by Individuals for access to the Individual's PHI that are approved by Covered Entity. Business Associate shall cooperate with Covered Entity in all respects necessary for Covered Entity to comply with 45 C.F.R. §164.524 and applicable State law. If Business Associate receives a request from an Individual for access to PHI, Business Associate shall immediately forward such request to Covered Entity.
- 3.10.2 *Scope of Disclosure.* Covered Entity shall be solely responsible for determining the scope of PHI and/or Designated Record Set with respect to each request by an Individual for access to PHI. In the event that Covered Entity decides to charge a reasonable cost-based fee for the reproduction and delivery of PHI to an Individual, Covered Entity shall deliver a

portion of this fee to Business Associate in the event any such reproduction or delivery is made by Business Associate, and in proportion to the amount of work done by Business Associate in producing and delivering the PHI.

3.10.3 *Designated Record Set.* To the extent that Business Associate maintains PHI in a Designated Record Set and at the request of Covered Entity, Business Associate agrees to provide access to PHI in a Designated Record Set to Covered Entity or, as directed by Covered Entity, to an Individual in order to meet the requirements under 45 C.F.R. § 164.524 and applicable State law. If Business Associate maintains PHI in a Designated Record Set, and maintains an Electronic Health Record, then Business Associate shall provide such Designated Record Set in electronic format to enable Covered Entity to fulfill its obligations under the HITECH Act, including, but not limited to, 42 U.S.C. § 17935(e).

3.10.4 *Patient Right to Amend to PHI.* A patient has the right to have Covered Entity amend his/her PHI, or a record in a Designated Record Set for as long as the PHI is maintained in the Designated Record Set, in accordance with 42 C.F.R. §164.526. To the extent that Business Associate maintains PHI in a Designated Record Set, Business Associate agrees to make any amendment(s) to PHI in a Designated Record Set at the request of Covered Entity in accordance with 45 C.F.R. § 164.526. Within fifteen (15) business days following Business Associate's amendment of PHI as directed by Covered Entity, Business Associate shall provide written notice to Covered Entity confirming that Business Associate has made the amendments or addenda to PHI as directed by Covered Entity and containing any other information as may be necessary for Covered Entity to provide adequate notice to the Individual in accordance with 45 C.F.R. §164.526.

3.11 *Accounting for Disclosures.*

3.11.1 *Disclosures.* In the event that Business Associate makes any disclosures of PHI that are subject to the accounting requirements of the Privacy Rule 45 C.F.R. §164.528 and/or the HITECH Act including, but not limited to, 42 U.S.C. § 17935(c))¹, Business Associate shall report such disclosures to Covered Entity within three (3) days of such disclosure. The notice by Business Associate to Covered Entity of the disclosure shall include the name of the Individual, the recipient, the reason for disclosure, and the date of the disclosure. Business Associate shall maintain a record of each such disclosure that shall include: (i) the date of the disclosure; (ii) the name and, if available, the address of the recipient of the PHI; (iii) a brief description of the PHI disclosed; and (iv) a brief description of the purpose of the disclosure. Business Associate shall maintain this record for a period of six (6) years and make it available to Covered Entity upon request in an electronic format so that Covered Entity may meet its disclosure accounting obligations under 45 C.F.R. §164.528. If Covered Entity provides a list of its business associates to an Individual in response to a request by an Individual for an accounting of disclosures, and the Individual thereafter specifically requests an accounting of disclosures from Business Associate, then Business Associate shall provide an accounting of disclosures to such Individual.

3.11.2 *Electronic Health Record.* Business Associate acknowledges that, to the extent Business Associate maintains an Electronic Health Record for Covered Entity, Business Associate is only required to provide an Individual with an accounting of disclosures related to treatment, payment or Health Care Operations for a period of three (3) years prior to such Individual's request. Therefore, upon request by an Individual to Covered Entity for an accounting of disclosures related to treatment, payment or Health Care Operations, Business Associate shall provide to Covered Entity, within three (3) days of Business

¹ The provisions of 42 U.S.C. § 17935(c) become effective on the following dates: (i) for users of electronic health records as of January 1, 2009, this section shall apply to disclosures made by the Covered Entity on and after January 1, 2014; (ii) for covered entities that acquire an electronic health record after January 1, 2009, this section shall apply to disclosures made by the Covered Entity after the later of January 1, 2011 or the date it acquires an electronic health record.

Associate's receipt of a written request from Covered Entity, an accounting of such disclosures for the three (3) year period prior to such request. Notwithstanding this Section, a record of disclosures pertaining to information disclosed by Business Associate for treatment, payment or Health Care Operations shall be maintained in accordance with Section 3.11.1, above.

- 3.12 *Secretary's Right to Audit.* Business Associate agrees to make its internal practices, books, and records relating to the use and disclosure of PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, available to the Secretary for purposes of the Secretary determining Covered Entity's and/or Business Associate's compliance with HIPAA, the HIPAA Regulations and the HITECH Act. No attorney-client, or other legal privilege will be deemed to have been waived by Business Associate by virtue of this provision of the Agreement. Business Associate shall provide to Covered Entity a copy of any PHI and related documents that Business Associate provides to the Secretary concurrently with providing such documents to the Secretary.
- 3.13 *Data Ownership.* All PHI shall be deemed owned by Covered Entity unless otherwise agreed in writing.
- 3.14 *Compliance.* To the extent Business Associate is to carry out a Covered Entity's obligation under the HIPAA Privacy Regulations, Business Associate shall comply with the requirements of the Privacy Regulations that apply to Covered Entity in the performance of such obligation.

4 Obligations of Covered Entity.

- 4.1 *Notice of Privacy Practices.* Upon written request by Business Associate, Covered Entity shall provide Business Associate with Covered Entity's then current Notice of Privacy Practices.
- 4.2 *Revocation of Permitted Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any changes in, or revocation of, permission by the patient to use or disclose PHI of Covered Entity, to the extent that such changes may affect Business Associate's use or disclosure of PHI of Covered Entity.
- 4.3 *Restrictions on Use or Disclosure of PHI.* Covered Entity shall notify Business Associate of any restriction to the use or disclosure of PHI that Covered Entity has agreed to in accordance with 45 C.F.R. § 164.522, to the extent that such restriction may affect Business Associate's use or disclosure of PHI.
- 4.4 *Requested Uses or Disclosures of PHI.* Except for Data Aggregation or management and administrative activities of Business Associate, Covered Entity shall not request Business Associate to use or disclose PHI in any manner that would not be permissible under the HIPAA Regulations if done by Covered Entity.

5 Term and Termination.

- 5.1 *Term.* The term of this Agreement shall be coterminous with the Services Agreement. However, Business Associate shall have a continuing obligation to safeguard the confidentiality of PHI received from Covered Entity after the termination of the Services Agreement.
- 5.2 *Termination Without Cause.* Either party may terminate this Agreement without cause or penalty by the delivery of a written notice from the terminating party to the other party. Such termination is effective thirty (30) calendar days from the date that the other party receives such notice.
- 5.3 *Termination for Cause.* A breach of any provision of this Agreement by Business Associate shall constitute a material breach of this Agreement and shall provide grounds for immediate termination

of this Agreement by Covered Entity, any provision in this Agreement to the contrary notwithstanding.

5.4 *Judicial or Administrative Proceedings.* Either party may terminate the Agreement, effective immediately, if (i) the other party is named as a defendant in a criminal proceeding for a violation of HIPAA, the HIPAA Regulations, the HITECH Act, or other security or privacy laws or (ii) a finding or stipulation that the other party has violated any standard or requirement of HIPAA, the HIPAA Regulations, the HITECH Act or other security or privacy laws is made in any administrative or civil proceeding in which the party has been joined.

5.5 *Effect of Termination.*

5.5.1 Except as provided in Section 5.5.2, herein, upon termination of this Agreement for any reason, Business Associate shall return or destroy all PHI received from Covered Entity, or created or received by Business Associate on behalf of Covered Entity, including PHI in possession of any Business Associate's subcontractors and retain no copies or backup records of such PHI in any form or medium. Business Associate shall certify in writing to Covered Entity that such PHI has been destroyed.

5.5.2 In the event that Business Associate determines that returning or destroying the PHI is not feasible, Business Associate shall provide to Covered Entity notification of the conditions that make return or destruction unfeasible. Business Associate shall extend the protections of this Agreement to such PHI and limit further uses and disclosures to those purposes that make the return or destruction of the PHI unfeasible, for so long as Business Associate maintains such PHI.

6 **Breach Pattern or Practice.**

If either party (the "Non-Breaching Party") knows of a pattern of activity or practice of the other party (the "Breaching Party") that constitutes a material breach or violation of the Breaching Party's obligations under this Agreement, the Non-Breaching Party shall either (i) terminate this Agreement in accordance with Section 5 above, or (ii) take reasonable steps to cure the breach or end the violation. If the steps are unsuccessful, the Non-Breaching Party must terminate the Agreement if feasible. The Non-Breaching Party shall provide written notice to the Breaching Party of any pattern of activity or practice of the Breaching Party that the Non-Breaching Party believes constitutes a material breach or violation of the Breaching Party's obligations under this Agreement within three (3) days of discovery and shall meet with the Breaching Party's Privacy Coordinator to discuss and attempt to resolve the problem as one of the reasonable steps to cure the breach or end the violation.

7 **Disclaimer.**

Covered Entity makes no warranty or representation that compliance by Business Associate with this Agreement, HIPAA, the HIPAA Regulations, or the HITECH Act will be adequate or satisfactory for Business Associate's own purposes. Business Associate is solely responsible for all decisions made by Business Associate regarding the safeguarding of PHI.

8 **Certification.**

To the extent that Covered Entity determines that such examination is necessary to comply with Covered Entity's legal obligation pursuant to HIPAA, the HIPAA Regulations, and the HITECH Act, Covered Entity or its authorized agents or contractors may, at Covered Entity's expense, examine Business Associate's facilities, systems, procedures (including but not limited to review of training procedures for Business Associate's staff) and records as may be necessary for such agents or contractors to certify to Covered Entity the extent to which Business Associate's security safeguards comply with HIPAA, the HIPAA Regulations, the HITECH Act, and this Agreement.

9 **Indemnification.**

Notwithstanding any contrary provision in the Services Agreement, Business Associate agrees to indemnify, defend and hold harmless Covered Entity, its shareholders, directors, officers, employees, affiliates, and agents ("Indemnified Party") against all actual and direct losses suffered by the Indemnified Party from any breach of this Agreement, negligence or wrongful acts or omissions, including, without limitation, failure to perform its obligations under this Agreement or Breach of Unsecured PHI, by Business Associate or its employees, directors, officers, subcontractors, agents or other members of its workforce. Accordingly, on demand, Business Associate shall reimburse the Indemnified Party for any and all actual and direct losses, liabilities, lost profits, fines, penalties, costs or expenses (including reasonable attorneys' fees) which may for any reason be incurred by Indemnified Party or imposed upon the Indemnified Party by reason of any suit, claim, action, proceeding or demand by any third party, as a result of the Business Associate's breach hereunder.

10 **Compliance With State Law.**

Business Associate acknowledges that Business Associate and Covered Entity may have confidentiality and privacy obligations under applicable State law. If any provisions of this Agreement or HIPAA/HIPAA Regulations/HITECH Act conflict with state law regarding the degree of protection provided for PHI and patient medical records, then Business Associate shall comply with the more restrictive requirements.

11 **Miscellaneous.**

- 11.1 *Amendment.* Business Associate and Covered Entity agree to take such action as is necessary to amend this Agreement from time to time to enable Covered Entity to comply with the requirements of HIPAA, the HIPAA Regulations and the HITECH Act. This Agreement may not be modified, nor shall any provision hereof be waived or amended, except in a writing duly signed and agreed to by Business Associate and Covered Entity.
- 11.2 *Interpretation.* The provisions of this Agreement shall be interpreted as broadly as necessary to implement and comply with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule. The parties agree that any ambiguity in this Agreement shall be resolved in favor of a meaning that complies and is consistent with HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule and the Security Rule.
- 11.3 *No Third Party Beneficiaries.* Nothing express or implied in this Agreement is intended to confer, nor shall anything herein confer, upon any person other than Business Associate and Covered Entity, and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 11.4 *Notices.* All notices or other communications required or permitted hereunder shall be in writing and shall be deemed given or delivered (i) when delivered personally, against written receipt; (ii) if sent by registered or certified mail, return receipt requested, postage prepaid, when received; (iii) when received by facsimile transmission; or (iv) when delivered by a nationally recognized overnight courier service, prepaid, and shall be sent to the addresses set forth on the signature page of this Agreement or at such other address as each party may designate by written notice to the other by following this notice procedure.
- 11.5 *Regulatory References.* A reference in this Agreement to a section in the HIPAA Regulations or the HITECH Act means the section as in effect or as amended, and for which compliance is required.
- 11.6 *Assistance in Litigation or Administrative Proceedings.* Business Associate shall make itself, and any subcontractors, employees or agents, available to Covered Entity, at no cost to Covered Entity, to testify as witnesses, or otherwise, in the event of litigation or administrative proceedings being

commenced against Covered Entity, its directors, officers or employees based upon a claimed violation of HIPAA, the HIPAA Regulations, the HITECH Act, the Privacy Rule, the Security Rule, or other laws relating to security and privacy, except where Business Associate or its subcontractor, employee or agent is a named adverse party.

- 11.7 *Subpoenas.* In the event that Business Associate receives a subpoena or similar notice or request from any judicial, administrative or other party arising out of or in connection with this Agreement, including, but not limited to, any unauthorized use or disclosure of PHI, Business Associate shall promptly forward a copy of such subpoena, notice or request to Covered Entity and afford Covered Entity the opportunity to exercise any rights it may have under law.
- 11.8 *Survival.* The respective rights and obligations of Business Associate under Section 3 et seq. of this Agreement shall survive the termination of this Agreement. In addition, Section 5.5 (Effect of Termination), Section 7 (Disclaimer), Section 9 (Indemnification), Section 10 (Compliance with State Law), Section 11.4 (Notices), Section 11.6 (Assistance in Litigation and Administrative Proceedings), Section 11.7 (Subpoenas), and Section 11.9 (Governing Law) shall survive the termination of this Agreement.
- 11.9 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the state in which the covered entity is principally located to the extent that the provisions of HIPAA, the HIPAA Regulations or the HITECH Act do not preempt the laws of that state.
- 11.10 *Independent Contractors.* Covered Entity and Business Associate shall be independent contractors and nothing in this Agreement is intended nor shall be construed to create an agency, partnership, employer-employee, or joint venture relationship between them.

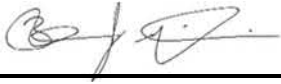
[Signature Page to follow]

IN WITNESS WHEREOF, the parties have affixed their signatures hereto as of the dates set forth below.

COVERED ENTITY: Symbol Healthcare, Inc.

BUSINESS ASSOCIATE: PENNANT SERVICES, INC.

Sign:



Sign:



Name: Brent Guerisoli

Name: John J. Gochnour

Title: Authorized Agent

Title: Authorized Agent

Date: September 28, 2019

Date: September 28, 2019

Exhibit 1

**Notification to Symbol Healthcare, Inc. of
Unauthorized Use or Disclosure of PHI/Breach of Unsecured PHI**

Attn: Privacy Officer
Symbol Healthcare, Inc.
4002 Tacoma Mall Blvd Ste 204, Tacoma, WA 98409
Phone: 253-581-9410
Fax: 253-581-9207
Email: _____

This notification is made pursuant to Sections 3.6 and 3.7 of the Business Associate Agreement between Covered Entity and Business Associate.

Business Associate hereby notifies Covered Entity that there has been a breach of protected health information ("PHI") that Business Associate has used or has had access to under the terms of the Business Associate Agreement.

Description of the breach: _____

Date of the breach: _____

Date of the discovery of the breach: _____

Number of individuals affected by the breach: _____

The types of PHI that were involved in the breach (e.g., full name, Social Security number, date of birth, home address, account number): _____

Description of what Business Associate is doing to investigate the breach, mitigate losses, and protect against further breaches: _____

Business Associate contact information: _____

EXHIBIT 10

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended September 30, 2019.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____.

Commission file number: 001-38900

THE PENNANT GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

83-3349931
(I.R.S. Employer
Identification No.)

1675 E Riverside Drive, Suite 150
Eagle, ID 83616
(Address of Principal Executive Offices and Zip Code)
(208) 506-6100
(Registrant's Telephone Number, Including Area Code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	PNTG	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 12, 2019, 27,846,772 shares of the registrant's common stock were outstanding.

EXPLANATORY NOTE

The separation of The Pennant Group, Inc. from The Ensign Group, Inc. became effective at 12:01 a.m. Eastern Standard time on October 1, 2019. As a result of this separation, the home health and hospice agencies and substantially all of the senior living businesses separated from The Ensign Group, Inc. that were referred to as “New Ventures” in the registration statement of Form 10 are referred to as the The Pennant Group, Inc. within this report.

THE PENNANT GROUP, INC. QUARTERLY REPORT ON FORM 10-Q FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019 TABLE OF CONTENTS

Part I. Financial Information

Item 1. Financial Statements (unaudited):

<u>Condensed Combined Balance Sheets as of September 30, 2019 and December 31, 2018</u>	<u>1</u>
<u>Condensed Combined Statements of Income for the Three and Nine Months Ended September 30, 2019 and 2018</u>	<u>2</u>
<u>Condensed Combined Statements of Changes in Equity for the Three and Nine Months Ended September 30, 2019 and 2018</u>	<u>3</u>
<u>Condensed Combined Statements of Cash Flows for the Nine Months Ended September 30, 2019 and 2018</u>	<u>4</u>
<u>Notes to Condensed Combined Financial Statements</u>	<u>5</u>

<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>28</u>
--	-----------

<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>44</u>
---	-----------

<u>Item 4. Controls and Procedures</u>	<u>44</u>
--	-----------

Part II. Other Information

<u>Item 1. Legal Proceedings</u>	<u>45</u>
----------------------------------	-----------

<u>Item 1A. Risk Factors</u>	<u>45</u>
------------------------------	-----------

<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>45</u>
--	-----------

<u>Item 3. Defaults Upon Senior Securities</u>	<u>45</u>
--	-----------

<u>Item 4. Mine Safety Disclosures</u>	<u>45</u>
--	-----------

<u>Item 5. Other Information</u>	<u>45</u>
----------------------------------	-----------

<u>Item 6. Exhibits</u>	<u>46</u>
-------------------------	-----------

<u>Signatures</u>	<u>47</u>
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PART I. FINANCIAL INFORMATION

The financial statements and related footnotes as of September 30, 2019 should be read in conjunction with the New Ventures financial statements for the year ended December 31, 2018 contained in Exhibit 99.1 to Amendment No. 3 to the Company's Registration Statement on Form 10 as filed with the U.S. Securities and Exchange Commission on September 3, 2019, which became effective on September 9, 2019 (the "Information Statement" or "Form 10").

Item 1. Financial Statements

THE PENNANT GROUP, INC.
CONDENSED COMBINED BALANCE SHEETS
(In thousands)
(Unaudited)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Assets		
Current assets:		
Cash	\$ 47	\$ 41
Accounts receivable—less allowance for doubtful accounts of \$1,045 and \$616, respectively	30,249	24,469
Prepaid expenses and other current assets	3,605	4,613
Total current assets	33,901	29,123
Property and equipment, net	13,719	10,458
Right-of-use assets (Note 13)	239,101	—
Restricted and other assets	1,559	2,464
Intangible assets, net	53	78
Goodwill	41,233	30,892
Other indefinite-lived intangibles	33,462	25,136
Total assets	\$ 363,028	\$ 98,151
Liabilities and equity		
Current liabilities:		
Accounts payable	\$ 4,744	\$ 4,390
Accrued wages and related liabilities	14,579	12,786
Lease liabilities—current (Note 13)	13,611	—
Other accrued liabilities	17,659	12,371
Total current liabilities	50,593	29,547
Long-term lease liabilities—less current portion (Note 13)	227,388	—
Other long-term liabilities	691	3,316
Total liabilities	278,672	32,863
Commitments and contingencies		
Equity:		
Net parent investment	71,104	55,856
Noncontrolling interest	13,252	9,432
Total equity	84,356	65,288
Total liabilities and equity	\$ 363,028	\$ 98,151

See accompanying notes to condensed combined financial statements.

THE PENNANT GROUP, INC.
CONDENSED COMBINED STATEMENTS OF INCOME
(In thousands, except for per-share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Revenue	\$ 88,398	\$ 72,953	\$ 249,039	\$ 210,721
Expense				
Cost of services	68,286	54,167	190,053	156,108
Rent—cost of services (Note 13)	8,538	7,776	25,368	23,065
General and administrative expense	8,577	4,465	23,710	13,456
Depreciation and amortization	1,071	742	2,843	2,177
Total expenses	86,472	67,150	241,974	194,806
Income from operations	1,926	5,803	7,065	15,915
Provision for income taxes	123	1,388	91	3,588
Net income	1,803	4,415	6,974	12,327
Less: net income attributable to noncontrolling interest	279	43	629	413
Net income attributable to The Pennant Group, Inc.	<u>\$ 1,524</u>	<u>\$ 4,372</u>	<u>\$ 6,345</u>	<u>\$ 11,914</u>
Earnings per share (Note 5):				
Basic and diluted	\$ 0.06	\$ 0.16	\$ 0.25	\$ 0.44
Weighted average common shares outstanding:				
Basic and diluted	27,834	27,834	27,834	27,834

See accompanying notes to condensed combined financial statements.

THE PENNANT GROUP, INC.
CONDENSED COMBINED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

	Net Parent Investment	Non-Controlling Interest	Total
	(In thousands)		
Total Equity as of December 31, 2018	\$ 55,856	\$ 9,432	\$ 65,288
Noncontrolling interest attributable to subsidiary equity plan	(317)	658	341
Net income attributable to noncontrolling interest		150	150
Net transfer from parent	4,411		4,411
Net income attributable to The Pennant Group, Inc.	1,334		1,334
Total Equity as of March 31, 2019	61,284	10,240	71,524
Noncontrolling interest attributable to subsidiary equity plan	(2,497)	2,733	236
Net income attributable to noncontrolling interest		200	200
Net transfer from parent	11,041		11,041
Net income attributable to The Pennant Group, Inc.	3,487		3,487
Total Equity as of June 30, 2019	73,315	13,173	86,488
Noncontrolling interest attributable to subsidiary equity plan	(177)	194	17
Stock repurchase related to subsidiary equity plan		(394)	(394)
Net income attributable to noncontrolling interest		279	279
Net transfer from parent	(3,558)		(3,558)
Net income attributable to The Pennant Group, Inc.	1,524		1,524
Total Equity as of September 30, 2019	\$ 71,104	\$ 13,252	\$ 84,356

	Net Parent Investment	Non-Controlling Interest	Total
	(In thousands)		
Total Equity as of December 31, 2017	\$ 54,996	\$ 4,920	\$ 59,916
Noncontrolling interest attributable to subsidiary equity plan	(79)	417	338
Net income attributable to noncontrolling interest		89	89
Net transfer to parent	(941)		(941)
Net income attributable to The Pennant Group, Inc.	3,381		3,381
Total Equity as of March 31, 2018	\$ 57,357	\$ 5,426	\$ 62,783
Noncontrolling interest attributable to subsidiary equity plan	(1,884)	2,228	344
Net income attributable to noncontrolling interest		281	281
Net transfer to parent	(5,065)		(5,065)
Net income attributable to The Pennant Group, Inc.	4,161		4,161
Total Equity as of June 30, 2018	\$ 54,569	\$ 7,935	\$ 62,504
Noncontrolling interest attributable to subsidiary equity plan	(193)	541	348
Net income attributable to noncontrolling interest		43	43
Net transfer to parent	(3,576)		(3,576)
Net income attributable to The Pennant Group, Inc.	4,372		4,372
Total Equity as of September 30, 2018	\$ 55,172	\$ 8,519	\$ 63,691

See accompanying notes to condensed combined financial statements.

THE PENNANT GROUP, INC.
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 6,974	\$ 12,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,843	2,177
Provision for doubtful accounts	630	167
Share-based compensation	1,395	1,790
Non-cash leasing arrangement (Note 13)	175	—
Change in operating assets and liabilities		
Accounts receivable	(6,410)	(2,440)
Prepaid expenses and other assets	(254)	377
Operating lease obligations	(141)	—
Accounts payable	(97)	678
Accrued wages and related liabilities	1,793	(2)
Other accrued liabilities	5,288	201
Other long-term liabilities	—	927
Net cash provided by operating activities	<u>12,196</u>	<u>16,202</u>
Cash flows from investing activities:		
Purchase of property and equipment	(4,635)	(3,005)
Cash payments for business acquisitions, net of cash received	(18,760)	(1,625)
Cash payments for asset acquisitions	(20)	(398)
Escrow deposits	—	(13)
Restricted and other assets	909	(504)
Net cash used in investing activities	<u>(22,506)</u>	<u>(5,545)</u>
Cash flows from financing activities:		
Proceeds from sale of subsidiary shares	2,293	1,972
Repurchase of subsidiary shares	(2,687)	(1,972)
Net investment from/(to) parent	10,710	(10,652)
Net cash provided by/(used in) financing activities	<u>10,316</u>	<u>(10,652)</u>
Net increase in cash	6	5
Cash beginning of period	41	36
Cash end of period	<u>\$ 47</u>	<u>\$ 41</u>
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Lease liabilities	<u>\$ 25,369</u>	<u>\$ —</u>
Non-cash financing and investing activity:		
Capital expenditures	<u>\$ 701</u>	<u>\$ 801</u>
Right-of-use assets obtained in exchange for new operating lease obligations	<u>\$ 8,665</u>	<u>\$ —</u>

See accompanying notes to condensed combined financial statements.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS
(Dollars and shares in thousands, except per share data)
(Unaudited)

1. DESCRIPTION OF BUSINESS

The Pennant Group, Inc. (“Pennant,” the “Company,” “it,” or “its”), is comprised of the home health and hospice agencies and substantially all of the senior living businesses of The Ensign Group, Inc. (NASDAQ: ENSG) (“Ensign” or the “Parent”). As of September 30, 2019, the Company’s subsidiaries operated 63 home health, hospice and home care agencies and 52 senior living communities located in Arizona, California, Colorado, Idaho, Iowa, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin, and Wyoming.

On October 1, 2019, Ensign completed the separation of Pennant (the “Spin-Off”). To accomplish the Spin-Off, Ensign contributed the Company’s assets and liabilities into Pennant and distributed to Ensign’s stockholders all of the outstanding shares of Pennant common stock. Each Ensign stockholder received a distribution of one share of Pennant common stock for every two shares of Ensign’s common stock plus cash in lieu of fractional shares. Additionally, the noncontrolling interest was converted into shares of Pennant at the established conversion ratio. As a result of the Spin-Off on October 1, 2019, Pennant began trading as an independent company on the NASDAQ under the symbol “PNTG.”

Certain of the Company’s subsidiaries, collectively referred to as the Service Center, provide accounting, payroll, human resources, information technology, legal, risk management, and other services to the operations through contractual relationships.

Each of the Company’s affiliated operations are operated by separate, independent subsidiaries that have their own management, employees and assets. Each of Ensign’s affiliated operations are operated by separate, independent subsidiaries that have their own management, employees, and assets. References herein to the consolidated “Company,” “Parent” and “its” assets and activities is not meant to imply, nor should it be construed as meaning, that The Pennant Group, Inc. or The Ensign Group, Inc. has direct operating assets, employees or revenue, or that any of the subsidiaries, are operated by The Pennant Group, Inc. or The Ensign Group, Inc.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying unaudited condensed combined financial statements of the Company (the “Interim Financial Statements”) have been prepared on a stand-alone basis and are derived from the consolidated financial statements and accounting records of Ensign. The Interim Financial Statements reflect the Company’s financial position, results of operations and cash flows as the business was operated as part of Ensign prior to the Spin-Off, and have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and pursuant to the regulations of the SEC. Management believes that the Interim Financial Statements reflect, in all material respects, all adjustments which are of a normal and recurring nature necessary to present fairly the Company’s financial position, results of operations, and cash flows for the periods presented in conformity with U.S. GAAP applicable to interim periods. The results of operations for the three and nine months ended September 30, 2019 and the cash flows for the nine months ended September 30, 2019 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2019.

The Condensed Combined Balance Sheet as of December 31, 2018 is derived from the Company’s annual audited combined Financial Statements for the fiscal year ended December 31, 2018 which should be read in conjunction with these Condensed Combined Financial Statements and which are included in the Company’s Registration Statement on Form 10, as amended and filed with the SEC on September 3, 2019. Certain information in the accompanying footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with GAAP.

All intercompany transactions and balances between the various legal entities comprising the Company have been eliminated in the Interim Financial Statements. The condensed combined statements of income reflect income that is attributable to the Company and the noncontrolling interest.

The Company consists of various limited liability companies and corporations established to operate home health, hospice, home care, and senior living operations. The condensed combined balance sheets of the Company include assets and liabilities of Ensign that are specifically identifiable or otherwise attributable to the Company. Revenue was derived from transactional information specific to the Company’s services provided. The costs in the condensed combined statements of income reflect direct and allocated costs.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

The financial information included herein may not reflect the condensed combined financial position, results of operations, changes in equity, and cash flows of the Company in the future, and does not reflect what they would have been had the Company been operated as a separate, stand-alone entity during the periods presented.

Cost Allocation - The Interim Financial Statements include allocations of costs for certain shared services provided to the Company by Ensign subsidiaries. Such allocations include, but are not limited to, executive management, accounting, human resources, information technology, compliance, legal, payroll, insurance, tax, treasury, and other general and administrative items. These costs were allocated to the Company on a basis of revenue, location, employee count, or other measures. These cost allocations are reflected within general and administrative expense in the condensed combined statements of income, including for share-based compensation expenses disclosed in Note 12, *Options and Awards*. The amount of general and administrative costs allocated for the three and nine months ended September 30, 2019, inclusive of share-based compensation expense were \$8,577 and \$23,710, respectively, and for the three and nine months ended September 30, 2018 were \$4,465 and \$13,456, respectively. Management believes the basis on which the expenses have been allocated to be a reasonable reflection of the services provided to us during the periods presented.

Ensign is partially self-insured for healthcare, general and professional liability, and workers' compensation, and historically allocated premium expense to all subsidiaries of Ensign in its accounting records. To reflect all of the insurance costs, quarterly actuary determined adjustments were allocated to the Company based on the proportional historical premium expense. No self-insurance accruals have been allocated to the Company as these accruals represent the obligations of Ensign.

Ensign's external debt and related interest expense have not been allocated to the Company for any of the periods presented as no portion of the borrowings is being assumed by the Company as part of the Spin-Off.

Employees of the Company's subsidiaries participate in Ensign's equity-based incentive plans (the "Ensign Plans") and the Cornerstone Subsidiary Equity plan (the "Subsidiary Equity Plan"). Share-based compensation includes the expense attributable to employees of the Company's subsidiaries participating in the Ensign Plans, as well as the allocated cost related to Ensign subsidiaries' employees that participate in the Ensign Plans. Share-based compensation related to Ensign subsidiaries' employees that participate in the Ensign Plans were allocated on the basis of revenue. All share-based compensation related to the Subsidiary Equity Plan was recognized in the Interim Financial Statements and, therefore, no cost allocation was necessary.

The share-based compensation costs associated with the Subsidiary Equity Plan awards is initially measured at fair value at the grant date and is expensed as non-cash compensation over the vesting term. Historically, these awards have been granted once per year and the fair value has been determined by an independent valuation of the subsidiary shares. The valuation incorporated a discounted cash flow analysis combined with a market-based approach to determine the fair value of the subsidiary equity.

Cash presented in the condensed combined balance sheets represents cash located at our operations. The Company participates in the Parent's cash management program. Accordingly, no cash for this business was allocated to the Company in the Interim Financial Statements. The net activity of cash due to (from) Ensign is reflected in the net investment from Ensign.

Estimates and Assumptions - The preparation of Interim Financial Statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting periods. The most significant estimates in the Company's Interim Financial Statements relate to revenue, cost allocations, intangible assets and goodwill, impairment of long-lived assets, right-of-use assets and lease liabilities for leases greater than 12 months, and income taxes. Actual results could differ from those estimates.

Fair Value of Financial Instruments - The Company's financial instruments consist principally of cash, accounts receivable, accounts payable and accrued liabilities. The Company believes all of the financial instruments' recorded values approximate fair values because of their nature or respective short durations. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3, defined as unobservable inputs for which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Revenue Recognition - On January 1, 2018, the Company adopted Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("Topic 606") applying the modified retrospective method. The adoption of Topic 606 did not have a material impact on the measurement nor on the recognition of revenue of contracts, for which all revenue had not been recognized, as of January 1, 2018, therefore no cumulative adjustment has been made to the opening balance of retained earnings at the beginning of 2018. See Note 4, *Revenue and Accounts Receivable*.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable consist primarily of amounts due from Medicare and Medicaid programs, other government programs, managed care health plans and private payor sources, net of estimates for variable consideration. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the accounts receivable balance.

Property and Equipment - Property and equipment are initially recorded at their historical cost. Repairs and maintenance are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets (ranging from three to 15 years). Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the remaining lease term.

Impairment of Long-Lived Assets - The Company reviews the carrying value of long-lived assets that are held and used in the operating subsidiaries for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is determined based upon expected undiscounted future net cash flows from the operating subsidiary to which the assets relate, utilizing management's best estimate, appropriate assumptions, and projections at the time. If the carrying value is determined to be unrecoverable from future operating cash flows, the asset is deemed impaired and an impairment loss would be recognized to the extent the carrying value exceeded the estimated fair value of the asset. The Company estimates the fair value of assets based on the estimated future discounted cash flows of the asset. Management has evaluated its long-lived assets and the Company did not identify any asset impairment during the three and nine months ended September 30, 2019 and 2018.

Intangible Assets and Goodwill - Definite-lived intangible assets consist primarily of patient base and customer relationships. Patient base is amortized over a period of four to eight months, depending on the classification of the patients and the level of occupancy in a new acquisition when acquired. Customer relationships are amortized between one to seven years depending on the significance of the relationships.

The Company's indefinite-lived intangible assets consist of trade names and Medicare and Medicaid licenses. The Company tests indefinite-lived intangible assets for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible asset may not be recoverable. The Company did not identify any asset impairment during the three and nine months ended September 30, 2019 and 2018.

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Given the time it takes to obtain pertinent information, the initial fair value might not be finalized at the time of the reported period. Accordingly, it is not uncommon for the initial estimates to be subsequently revised. The Company recorded goodwill and other intangible assets at the operation level when acquired, and as such, these assets are identifiable specifically to the subsidiaries of Pennant. Goodwill is subject to annual testing for impairment. In addition, goodwill is tested for impairment if events occur or circumstances change that would reduce the fair value of a reporting unit below its carrying amount. The Company performs its annual test for impairment during the fourth quarter of each year. The Company did not identify any impairment charge during the three and nine months ended September 30, 2019 and 2018. See further discussion at Note 9, *Goodwill and Intangible Assets, Net*.

Income Taxes - The Company's operations have been included in Ensign's U.S. federal and state income tax returns and all income taxes have been paid by subsidiaries of Ensign. Income tax expense and other income tax related information contained in these Interim Financial Statements are presented using a separate tax return approach. Under this approach, the provision for income taxes represents income tax paid or payable for the current year plus the change in deferred taxes during the year calculated as if the Company was a stand-alone taxpayer filing hypothetical income tax returns. Management believes that the assumptions and estimates used to determine these tax amounts are reasonable. However, the Company's Interim Financial Statements may not necessarily reflect its income tax expense or tax payments in the future, or what tax amounts would have been if the Company had been a stand-alone company during the periods presented.

Deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates in effect when such temporary differences are expected to reverse. The Company generally expects to fully utilize its deferred tax assets; however, when necessary, the Company records a valuation allowance to reduce its net deferred tax assets to the amount that is more likely than not to be realized.

In determining the need for a valuation allowance or the need for and magnitude of liabilities for uncertain tax positions, the Company makes certain estimates and assumptions. These estimates and assumptions are based on, among other things, knowledge of operations, markets, historical trends and likely future changes and, when appropriate, the opinions of advisors with knowledge and expertise in certain fields. Due to certain risks associated with the Company's estimates and assumptions, actual results could differ.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

Noncontrolling Interest - As grants related to the Subsidiary Equity Plan are vested and exercised, the Company's membership interest in its home health and hospice subsidiary is reduced based on the number of shares vested and exercised. The Company presents the noncontrolling interest and the amount of combined net income attributable to the Company in its Interim Financial Statements. The carrying amount of the noncontrolling interest is adjusted based on an allocation of subsidiary earnings based on ownership interest.

Share-Based Compensation -The Company measures and recognizes compensation expense for all share-based payment awards, including employee stock options, made to employees and Ensign's directors based on estimated fair values, ratably over the requisite service period of the award. Net income has been reduced as a result of the recognition of the fair value of all stock options and restricted stock awards issued, the amount of which is contingent upon the number of future grants and other variables. The total amount of share-based compensation was \$268 and \$1,395 for the three and nine months ended September 30, 2019, respectively, of which \$155 and \$1,058, respectively, was recorded in general and administrative expense. The total amount of share-based compensation was \$613 and \$1,790 for the three and nine months ended September 30, 2018, of which \$492 and \$1,424, respectively, was recorded in general and administrative expense.

Invested Capital - The net parent investment on the condensed combined balance sheets represents Ensign's historical investment in the Company, the net effect of transactions with, and allocations from, Ensign and the Company's accumulated earnings.

Earnings Per Share - For all periods presented, the earnings per share included on the accompanying Condensed Combined Statements of Income was calculated based on the 27,834 shares of Pennant common stock distributed on October 1, 2019 in conjunction with the Spin-Off, including shares related to the conversion of the noncontrolling interest. Prior to October 1, 2019, Pennant did not have any issued and outstanding common stock. The same number of shares was used to calculate basic and diluted earnings per share since no Pennant employee equity awards were outstanding prior to the Spin-Off. In connection with the Spin-Off, shares of existing equity awards were replaced with shares under the new Pennant awards. For further discussion see Note 5, *Computation of Net Income Per Common Share*.

Recent Accounting Pronouncements - Except for rules and interpretive releases of the SEC under authority of federal securities laws and a limited number of grandfathered standards, the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the sole source of authoritative GAAP literature recognized by the FASB and applicable to the Company. For any new pronouncements, the Company considers whether the new pronouncements could alter previous generally accepted accounting principles and determines whether any new or modified principles will have a material impact on the Company's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company's financial management and certain standards are under consideration.

Recent Accounting Standards Adopted by the Company

Leases and Leasehold Improvements - The Company leases senior living communities and commercial office space. In February 2016, the FASB established Topic 842, which requires lessees to recognize leases with terms longer than 12 months on the balance sheets and disclose key information about leasing arrangements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The classification criteria for distinguishing between operating and finance (previously capital) leases are substantially similar to the previous lease guidance, but with no explicit bright lines.

On January 1, 2019, the Company adopted ASC Topic 842, *Leases* ("Topic 842"), using the modified retrospective transition method. Leases for reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC Topic 840, *Leases* ("Topic 840"). The Company has elected the package of practical expedients permitted under the transition guidance which allows us to not reassess (1) initial direct costs, (2) lease classification for existing or expired leases, and (3) lease definition for existing or expired contracts as of the effective date of January 1, 2019. The new standard also provides practical expedients for an entity's ongoing accounting. The Company has made an accounting policy election to keep leases with an initial term of 12 months or less off of the balance sheets and recognize those lease payments in the condensed combined statements of income on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Company does not have material subleases.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

At the inception of each lease, the Company performs an evaluation to determine whether the lease should be classified as an operating or finance lease. Operating leases are included in operating lease assets, current operating lease liabilities and noncurrent operating lease liabilities on the Company's condensed combined balance sheet. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at lease commencement date in determining the present value of future lease payments. The Company records rent expense for operating leases on a straight-line basis over the term of the lease. The lease term used for straight-line rent expense is calculated from the date the Company is given control of the leased premises through the end of the lease term. The lease term excludes lease renewals because the renewal rents are not at a bargain, there are no economic penalties for the Company not to renew the lease, and it is not reasonably assured that the Company will exercise the extension options. The lease term used for this evaluation also provides the basis for establishing depreciable lives for buildings subject to lease and leasehold improvements.

The adoption of this standard resulted in recognition of right-of-use assets and lease liabilities of \$238,573 and \$241,453, respectively, on the Company's combined balance sheet as of January 1, 2019. Neither net deferred tax assets nor equity were impacted as a result of the adoption of this standard. The standard did not materially affect its combined net earnings or have a notable impact on liquidity or debt covenant compliance under Ensign's current agreements. See further discussion at Note 13, *Leases*.

Prior to the adoption of Topic 842, the Company recognized revenue related to its senior living residency agreements in accordance with the provisions of Topic 840. Subsequent to the adoption of Topic 842, lessors are required to separately recognize and measure the lease component of a contract with a customer utilizing the provisions of Topic 842 and the non-lease components utilizing the provisions of Topic 606, Revenue from Contracts with Customers. To separately account for the components, the transaction price is allocated among the components based upon the estimated stand alone selling prices of the components. Additionally, certain components of a contract which were previously included within the lease element recognized in accordance with Topic 842 prior to the adoption of Topic 842 (such as common area maintenance services, other basic services, and executory costs) are recognized as non-lease components subject to the provisions of Topic 606 subsequent to the adoption of Topic 842. Entities are required to recognize a cumulative effect adjustment to beginning retained earnings as of the initial application date of Topic 842 for changes to amounts recognized for these certain components for the transition from Topic 840 to Topic 606. However, entities are permitted to elect the practical expedient under ASU 2018-11, *Leases* ("ASU 2018-11"), allowing lessors to not separate non-lease components from the associated lease components when certain criteria are met. Entities that elect to utilize the lease/non-lease component combination practical expedient under ASU 2018-11 upon initial application of Topic 842 are required to apply the practical expedient to all new and existing transactions within a class of underlying assets that qualify for the expedient as of the initial application date with a cumulative effect adjustment to beginning retained earnings as of the initial application date for any changes recognized related to existing transactions.

Upon adoption of Topic 842, the Company elected the lessor practical expedient within ASU 2018-11. The Company recognizes revenue under resident agreements based upon the predominant component, either the lease or non-lease component, of the contracts rather than allocating the consideration and separately accounting for it under Topic 842 and Topic 606. The Company has concluded that the non-lease components of the agreements governing its senior living communities are the predominant component of the contract; therefore, the Company recognizes revenue for these agreements under Topic 606. The timing and pattern of revenue recognition is substantially the same as that in effect prior to the adoption of Topics 606 and 842.

Stock Compensation - In June 2018, the FASB issued ASU 2018-07, *Compensation-Stock Compensation* ("ASU 2018-07"), which simplifies several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of ASC Topic 718, *Compensation-Stock Compensation* ("Topic 718"), to include share-based payment transactions for acquiring goods and services from nonemployees. ASU 2018-07 specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. ASU 2018-07 also clarifies that Topic 718 does not apply to share-based payments used to effectively provide (1) financing to the issuer or (2) awards granted in conjunction with selling goods or services to customers as part of a contract accounted for under Topic 606. The Company adopted ASU 2018-07 effective January 1, 2019. The adoption of ASU 2018-07 did not have a material impact on Interim Financial Statements and related disclosures.

Accounting Standards Recently Issued but Not Yet Adopted by the Company

Financial Accounting Standards Board, or FASB, Accounting Standards Update, or ASU, 2018-13 "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement" or ASU 2018-13 - In August 2018, the FASB issued amended guidance to simplify fair value measurement disclosure requirements. The new provisions eliminate the requirements to disclose (1) transfers between Level 1 and Level 2 of the fair value hierarchy, (2) policies related to valuation processes and the timing of transfers between levels of the fair value hierarchy, and (3) net asset value disclosure of estimates of timing of future liquidity events. The FASB also modified disclosure requirements of Level 3 fair

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

value measurements. This guidance is effective for annual periods beginning after December 15, 2019, which will be the Company's fiscal year 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our condensed combined financial statements.

FASB ASU, 2017-04 "Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment" or ASU 2017-04- In January 2017, the FASB issued amended authoritative guidance to simplify and reduce the cost and complexity of the goodwill impairment test. The new guidance eliminates "Step 2" from the traditional two-step goodwill impairment test and redefines the concept of impairment from a measure of loss when comparing the implied fair value of goodwill to its carrying amount, to a measure comparing the fair value of a reporting unit with its carrying amount. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment or "Step 2" of the goodwill impairment test. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for annual periods beginning after December 15, 2019, which will be the Company's fiscal year 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our condensed combined financial statements.

FASB ASU 2016-13 "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" or ASU 2016-13 - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("Topic 326"), which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. Topic 326 will be effective for fiscal years beginning after December 15, 2019, which will be the Company's fiscal year 2020, and early adoption is permitted. The Company has not yet determined the effect the Topic 326 will have on its results of operations, financial condition or cash flows.

3. RELATED PARTY TRANSACTIONS AND NET PARENT INVESTMENT

The Interim Financial Statements include a combination of stand-alone and combined business functions between Ensign and the Company's subsidiaries. The Company leases 29 of its senior living communities from subsidiaries of Ensign, each of the leases have a term of 15 years from the lease commencement date. The total amount of rent expense included in rent - cost of services paid to related parties was \$2,942 and \$8,409 and for the three and nine months ended September 30, 2019, respectively, and \$2,568 and \$7,670 for the three and nine months ended September 30, 2018, respectively. For further discussion on the modification of these leases subsequent to the Spin-Off on October 1, 2019, see Note 13, *Leases*.

Certain related party activity occurs as the Company's subsidiaries receive services from Ensign's subsidiaries. Services included in cost of services were \$998 and \$2,493 for the three and nine months ended September 30, 2019, respectively, and \$857 and \$2,191 for the three and nine months ended September 30, 2018.

The condensed combined balance sheets of the Company include Ensign assets and liabilities that are specifically identifiable or otherwise attributable to the Company and were transferred to the Company in connection with the Spin-Off. Transactions that have occurred between subsidiaries of the Company and subsidiaries of Ensign are considered to be effectively settled at the time the transaction is recorded. The net effect of these transactions, including the cash management, is included in the condensed combined statements of cash flows as "Net investment from/(to) Parent".

For further discussion on the agreements governing the relationship between Pennant and Ensign in connection with the Spin-Off, please refer to Note 15, *Subsequent Events*.

4. REVENUE AND ACCOUNTS RECEIVABLE

Revenues are recognized when services are provided to the patients at the amount that reflects the consideration to which the Company expects to be entitled from patients and third-party payors, including Medicaid, Medicare and insurers (private and Medicare replacement plans), in exchange for providing patient care. The healthcare services in home health and hospice patient contracts include routine services in exchange for a contractual agreed-upon amount or rate. Routine services are treated as a single performance obligation satisfied over time as services are rendered. As such, patient care services represent a bundle of services that are not capable of being distinct within the context of the contract. Additionally, there may be ancillary services which are not included in the rates for routine services, but instead are treated as separate performance obligations satisfied at a point in time, if and when those services are rendered.

Revenue recognized from healthcare services are adjusted for estimates of variable consideration to arrive at the transaction price. The Company determines the transaction price based on contractually agreed-upon amounts or rate, adjusted for estimates

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

of variable consideration. The Company uses the expected value method in determining the variable component that should be used to arrive at the transaction price, using contractual agreements and historical reimbursement experience within each payor type. The amount of variable consideration which is included in the transaction price may be constrained, and is included in the net revenue only to the extent that it is probable that a significant reversal in the amount of the cumulative revenue recognized will not occur in a future period. If actual amounts of consideration ultimately received differ from the Company's estimates, the Company adjusts these estimates, which would affect net service revenue in the period such variances become known.

Revenue from the Medicare and Medicaid programs accounted for 56.8% and 55.1% of the Company's revenue for the three and nine months ended September 30, 2019, respectively, and 54.0% and 53.2% of the Company's revenue for the three and nine months ended September 30, 2018, respectively. The Company records revenue from these governmental and managed care programs as services are performed at their expected net realizable amounts under these programs. The Company's revenue from governmental and managed care programs is subject to audit and retroactive adjustment by governmental and third-party agencies. Consistent with healthcare industry accounting practices, any changes to these governmental revenue estimates are recorded in the period the change or adjustment becomes known based on final settlement.

Disaggregation of Revenue

The Company disaggregates revenue from contracts with its patients by reportable operating segments and payors. The Company has determined that disaggregating revenue into these categories achieves the disclosure objectives to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A reconciliation of disaggregated revenue to segment revenue as well as revenue by payor is provided in Note 6, *Business Segments*.

The Company's service specific revenue recognition policies are as follows:

Home Health Revenue

Medicare Revenue

Net service revenue is recorded under the Medicare prospective payment system based on a 60-day episode payment rate that is subject to adjustment based on certain variables including, but not limited to: (a) an outlier payment if the patient's care was unusually costly; (b) a low utilization adjustment if the number of visits was fewer than five; (c) a partial payment if the patient transferred to another provider or transferred from another provider before completing the episode; (d) a payment adjustment based upon the level of covered therapy services; (e) the number of episodes of care provided to a patient, regardless of whether the same home health provider provided care for the entire series of episodes; (f) changes in the base episode payments established by the Medicare program; (g) adjustments to the base episode payments for case mix and geographic wages; and (h) recoveries of overpayments.

The Company makes adjustments to Medicare revenue on completed episodes to reflect differences between estimated and actual payment amounts, an inability to obtain appropriate billing documentation and other reasons unrelated to credit risk. Therefore, the Company believes that its reported net service revenue and patient accounts receivable will be the net amounts to be realized from Medicare for services rendered.

In addition to revenue recognized on completed episodes, the Company also recognizes a portion of revenue associated with episodes in progress. Episodes in progress are 60-day episodes of care that begin during the reporting period, but were not completed as of the end of the period. As such, the Company estimates revenue and recognizes it on a daily basis. The primary factors underlying this estimate are the number of episodes in progress at the end of the reporting period, expected Medicare revenue per episode and the Company's estimate of the average percentage complete based on visits performed.

Non-Medicare Revenue

Episodic Based Revenue - The Company recognizes revenue in a similar manner as it recognizes Medicare revenue for episodic-based rates that are paid by other insurance carriers, including Medicare Advantage programs; however, these rates can vary based upon the negotiated terms.

Non-episodic Based Revenue - Revenue is recognized on an accrual basis based upon the date of service at amounts equal to its established or estimated per visit rates, as applicable.

Hospice Revenue

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

Revenue is recognized on an accrual basis based upon the date of service at amounts equal to the estimated payment rates. The estimated payment rates are daily rates for each of the levels of care the Company delivers. Revenue is adjusted for an inability to obtain appropriate billing documentation or authorizations acceptable to the payor and other reasons unrelated to credit risk. Additionally, as Medicare hospice revenue is subject to an inpatient cap and an overall payment cap, the Company monitors its provider numbers and estimates amounts due back to Medicare if a cap has been exceeded. The Company records these adjustments as a reduction to revenue and an increase to other accrued liabilities.

Senior Living Revenue

The Company has elected the lessor practical expedient within Topic 842 and recognizes, measures, presents, and discloses the revenue for services rendered under the Company's senior living residency agreements based upon the predominant component, either the lease or non-lease component, of the contracts. The Company has determined that the services included under the Company's senior living residency agreements each have the same timing and pattern of transfer. The Company recognizes revenue under Topic 606 for its senior residency agreements, for which it has determined that the non-lease components of such residency agreements are the predominant component of each such contract.

The Company's senior living revenue consists of fees for basic housing and assisted living care. Accordingly, we record revenue when services are rendered on the date services are provided at amounts billable to individual residents. Residency agreements are generally for a term of 30 days, with resident fees billed monthly in advance. For residents under reimbursement arrangements with Medicaid, revenue is recorded based on contractually agreed-upon amounts or rates on a per resident, daily basis or as services are rendered.

Revenue for the three months ended September 30, 2019 and 2018, is summarized in the following tables:

	Three Months Ended September 30,			
	2019		2018	
	Revenue	% of Revenue	Revenue	% of Revenue
Medicare	\$ 37,413	42.3%	\$ 30,048	41.2%
Medicaid	12,780	14.5	9,371	12.8
Total Medicaid and Medicare	50,193	56.8	39,419	54.0
Managed care	7,553	8.5	6,299	8.6
Private and other ^(a)	30,652	34.7	27,235	37.4
Revenue	\$ 88,398	100.0%	\$ 72,953	100.0%

(a) Private and other payors also includes revenue from all payors generated in home care operations for the three months ended September 30, 2019 and 2018.

Revenue for the nine months ended September 30, 2019 and 2018, is summarized in the following tables:

	Nine Months Ended September 30,			
	2019		2018	
	Revenue	% of Revenue	Revenue	% of Revenue
Medicare	\$ 102,812	41.3%	\$ 85,985	40.8%
Medicaid	34,317	13.8	26,062	12.4
Total Medicaid and Medicare	137,129	55.1	112,047	53.2
Managed care	21,428	8.6	18,197	8.6
Private and other ^(a)	90,482	36.3	80,477	38.2
Revenue	\$ 249,039	100.0%	\$ 210,721	100.0%

(a) Private and other payors also includes revenue from all payors generated in home care operations for the nine months ended September 30, 2019 and 2018.

Balance Sheet Impact

Included in the Company's condensed combined balance sheets are contract assets, comprised of billed accounts receivable and unbilled receivables, which are the result of the timing of revenue recognition, billings and cash collections, as well as, contract liabilities, which primarily represent payments the Company receives in advance of services provided. The Company had no

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

material contract liabilities as of September 30, 2019 and December 31, 2018, or activity during three and nine months ended September 30, 2019 and 2018

Accounts receivable as of September 30, 2019 and December 31, 2018 is summarized in the following table:

	September 30, 2019	December 31, 2018
Medicare	\$ 16,526	\$ 11,457
Medicaid	7,172	6,692
Managed care	3,551	3,079
Private and other	4,045	3,857
Accounts receivable, gross	31,294	25,085
Less: allowance for doubtful accounts	(1,045)	(616)
Accounts receivable, net	<u>\$ 30,249</u>	<u>\$ 24,469</u>

Practical Expedients and Exemptions

As the Company's contracts with its patients have an original duration of one year or less, the Company uses the practical expedient applicable to its contracts and does not consider the time value of money. Further, because of the short duration of these contracts, the Company has not disclosed the transaction price for the remaining performance obligations as of the end of each reporting period or when the Company expects to recognize this revenue. In addition, the Company has applied the practical expedient provided by ASC 340, *Other Assets and Deferred Costs* ("Topic 340"), and all incremental customer contract acquisition costs are expensed as they are incurred because the amortization period would have been one year or less.

5. COMPUTATION OF NET INCOME PER COMMON SHARE

Basic and diluted net income per share are computed by dividing net income by the weighted average number of outstanding common shares during the period. Net income is equal to net income attributable to The Pennant Group, Inc. adjusted to include net income attributable to noncontrolling interest. Net income attributable to the noncontrolling interest has been included in the numerator for the historical periods prior to the spin-off as the non-controlling subsidiary interest included in the condensed combined financial statements was converted into common shares of Pennant concurrent with the distribution to Ensign stockholders at the date of the spin-off.

The weighted average common shares outstanding for basic and diluted net income per share for the periods presented is based on the number of shares of Pennant common stock outstanding on the distribution date. On October 1, 2019, the distribution date, Ensign stockholders received one share of Pennant common stock for every two shares of Ensign's common stock held as of the record date. The total shares distributed to the Ensign Group shareholders was 26,674. Additionally, concurrent with the Spin-Off the noncontrolling subsidiary interest converted into 1,160 shares of Pennant. The total number of common shares distributed on October 1, 2019 of 27,834 is being utilized for the calculation of basic and diluted earnings per share for all periods presented, as no common stock was outstanding prior to the date of the Spin-Off.

In conjunction with the spin-off, outstanding options and unvested restricted stock awards held by employees of the Company under the Ensign stock plans ("2007 Omnibus Incentive Plan" and "2017 Omnibus Incentive Plan" or collectively the "Ensign Plans") and the Company Subsidiary Equity Plan (together with the Ensign Plans the "Plans") were modified and replaced with Pennant awards. Additionally, the Company issued new options and restricted stock awards to Pennant and Ensign employees under the 2019 Omnibus Incentive Plan (the "OIP") and Long-Term Incentive Plan (the "LTIP") which were not included in the computation of basic and diluted earnings per share for any periods presented. Beginning in the fourth quarter, the dilutive impact of the outstanding options and equity incentive awards will be reflected in diluted net income per share using the treasury stock method. See further discussion at Note 15, *Subsequent Events*.

The following table sets forth the computation of basic and diluted net income per share for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Numerator:				
Net income attributable to The Pennant Group, Inc.	\$ 1,524	\$ 4,372	\$ 6,345	\$ 11,914
Add: net income attributable to noncontrolling interests	279	43	629	413
Net Income	<u>\$ 1,803</u>	<u>\$ 4,415</u>	<u>\$ 6,974</u>	<u>\$ 12,327</u>
Denominator:				
Adjusted weighted average common shares	27,834	27,834	27,834	27,834
Earnings Per Share:				
Basic and diluted net income per common share	\$ 0.06	\$ 0.16	\$ 0.25	\$ 0.44

6. BUSINESS SEGMENTS

The Company classifies its operations into the following reportable operating segments: (1) home health and hospice services, which includes the Company's home health, hospice and home care businesses; and (2) senior living services, which includes the operation of assisted living, independent living and memory care communities. The reporting segments are business units that offer different services and are managed separately to provide greater visibility into those operations.

As of September 30, 2019, the Company provided services through 63 affiliated home health, hospice and home care agencies, and 52 affiliated senior living operations.

The Company evaluates performance and allocates capital resources to each segment based on an operating model that is designed to maximize the quality of care provided and profitability. The Company's Service Center provides various services to all lines of business. The accounting policies of the reporting segments are the same as those described in Note 2, *Summary of Significant Accounting Policies*. The Company does not review assets by segment and therefore assets by segment are not disclosed below.

Beginning in the third quarter of 2019, in anticipation of the Spin-Off, the GAAP segment measure of profit and loss was changed from segment income (loss) before provision for income taxes to Adjusted Segment EBITDAR from Operations. Prior period presentation has been revised to reflect the new measurement.

Adjusted EBITDAR from Operations is Net Income attributable to the Company's reportable segments excluding the interest expense; provision for income taxes; depreciation and amortization expense; rent; start-up costs; acquisitions costs; and stock-based compensation expense. General and administrative expenses are not allocated to the reportable segments, accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company's CODM uses Adjusted EBITDAR from Operations as the primary measure of profit and loss for the Company's reportable segments and to compare the performance of its operations with those of its competitors. In order to view the operations performance on a comparable basis, the Company excludes from the EBITDAR calculations for the reportable segments the following: 1) costs at start-up operations, 2) share-based compensation, 3) acquisition related costs, and 4) transaction costs. Also, the Company's segment measures may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

For the three and nine months ended September 30, 2019 and 2018, segment revenues by major payor source were as follows:

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

Three Months Ended September 30, 2019

	Home Health and Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 37,413	\$ —	\$ 37,413	42.3%
Medicaid	5,156	7,624	12,780	14.5
Subtotal	42,569	7,624	50,193	56.8
Managed care	7,553	—	7,553	8.5
Private and other ^(a)	5,049	25,603	30,652	34.7
Total revenue	<u>\$ 55,171</u>	<u>\$ 33,227</u>	<u>\$ 88,398</u>	<u>100.0%</u>

(a) Private and other payors in our home health and hospice services segment includes revenue from all payors generated in home care operations.

Three Months Ended September 30, 2018

	Home Health and Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 30,048	\$ —	\$ 30,048	41.2%
Medicaid	3,193	6,178	9,371	12.8
Subtotal	33,241	6,178	39,419	54.0
Managed care	6,299	—	6,299	8.6
Private and other ^(a)	4,297	22,938	27,235	37.4
Total revenue	<u>\$ 43,837</u>	<u>\$ 29,116</u>	<u>\$ 72,953</u>	<u>100.0%</u>

(a) Private and other payors in our home health and hospice services segment includes revenue from all payors generated in home care operations.

Nine Months Ended September 30, 2019

	Home Health and Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 102,812	\$ —	\$ 102,812	41.3%
Medicaid	12,996	21,321	34,317	13.8
Subtotal	115,808	21,321	137,129	55.1
Managed care	21,428	—	21,428	8.6
Private and other ^(a)	14,260	76,222	90,482	36.3
Total revenue	<u>\$ 151,496</u>	<u>\$ 97,543</u>	<u>\$ 249,039</u>	<u>100.0%</u>

(a) Private and other payors in our home health and hospice services segment includes revenue from all payors generated in home care operations.

Nine Months Ended September 30, 2018

	Home Health and Hospice Services	Senior Living Services	Total Revenue	Revenue %
Medicare	\$ 85,985	\$ —	\$ 85,985	40.8%
Medicaid	8,951	17,111	26,062	12.4
Subtotal	94,936	17,111	112,047	53.2
Managed care	18,197	—	18,197	8.6
Private and other ^(a)	11,711	68,766	80,477	38.2
Total revenue	<u>\$ 124,844</u>	<u>\$ 85,877</u>	<u>\$ 210,721</u>	<u>100.0%</u>

(a) Private and other payors in our home health and hospice services segment includes revenue from all payors generated in home care operations.

The following table presents certain financial information regarding our reportable segments, general and administrative expenses are not allocated to the reportable segments and are included in "All Other" for the three and nine months ended September 30, 2019 and 2018

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

	Home Health and Hospice Services	Senior Living Services	All Other	Total
Three Months Ended September 30, 2019				
Revenue	\$ 55,171	\$ 33,227	\$ —	\$ 88,398
Segment Adjusted EBITDAR from Operations	\$ 8,499	\$ 11,574	\$ (5,045)	\$ 15,028
Three Months Ended September 30, 2018				
Revenue	\$ 43,837	\$ 29,116	\$ —	\$ 72,953
Segment Adjusted EBITDAR from Operations	\$ 7,423	\$ 11,499	\$ (3,975)	\$ 14,947
Nine Months Ended September 30, 2019				
Revenue	\$ 151,496	\$ 97,543	\$ —	\$ 249,039
Segment Adjusted EBITDAR from Operations	\$ 23,873	\$ 35,703	\$ (14,524)	\$ 45,052
Nine Months Ended September 30, 2018				
Revenue	\$ 124,844	\$ 85,877	\$ —	\$ 210,721
Segment Adjusted EBITDAR from Operations	\$ 19,886	\$ 34,774	\$ (12,034)	\$ 42,626

The following table reconciles the total Combined Adjusted EBITDAR from Operations for our reportable segments to Combined Income from Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total Combined Adjusted EBITDAR from Operations	\$ 15,028	\$ 14,947	\$ 45,052	\$ 42,626
Less: Depreciation and amortization	1,071	742	2,843	2,177
Rent—cost of services	8,538	7,776	25,368	23,065
Adjustments to Combined EBITDAR from Operations:				
Less: Costs at start-up operations ^(a)	60	56	377	92
Share-based compensation expense ^(b)	268	613	1,395	1,790
Acquisition related costs ^(c)	72	—	613	—
Spin-off related transaction costs ^(d)	3,372	—	8,020	—
Add: Net income attributable to noncontrolling interest	279	43	629	413
Combined Income from Operations	\$ 1,926	\$ 5,803	\$ 7,065	\$ 15,915

(a) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.

(b) Share-based compensation expense incurred.

(c) Acquisition related costs that are not capitalizable.

(d) Costs incurred related to the Spin-Off are included in general and administrative expense.

7. ACQUISITIONS

The Company's acquisition focus is to purchase or lease operations that are complementary to the Company's current businesses, accretive to the Company's business or otherwise advance the Company's strategy. The results of all the Company's operating subsidiaries are included in the Interim Financial Statements subsequent to the date of acquisition. Acquisitions are accounted for using the acquisition method of accounting.

During the nine months ended September 30, 2019, the Company expanded its operations with the addition of two home health agencies, five hospice agencies, two home care agencies and two stand-alone senior living operations. In connection with the acquisitions of one of the senior living communities, the Company entered into a new long-term "triple-net" lease with a subsidiary of Ensign. The Company did not acquire any material assets or assume any liabilities. A subsidiary of the Company

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

entered into a separate operations transfer agreement with the prior operator of each acquired operation as part of each transaction. The addition of these operations added a total of 143 operational senior living units to be operated by the Company's operating subsidiaries. The aggregate purchase price for these acquisitions was \$18,780.

The fair value of assets for all home health, hospice and home care acquisitions was concentrated in goodwill and as such, these transactions were classified as business combinations in accordance with ASC Topic 805, *Business Combinations* ("Topic 805"). The purchase price for the business combinations was \$18,760, which mostly consisted of goodwill of \$10,341 and indefinite-lived intangible assets of \$8,326. The fair value of assets for the senior living acquisitions were concentrated in intangible assets and as such, these transactions were classified as an asset acquisition. The purchase price for the asset acquisitions was \$20. The Company anticipates that the majority of total goodwill recognized will be fully deductible for tax purposes as of September 30, 2019.

During the nine months ended September 30, 2018, the Company expanded its operations with the addition of two home health agencies, one hospice agency, one home care agency and two stand-alone senior living operations. In connection with the acquisition of these senior living communities, the Company entered into new long-term "triple-net" leases with subsidiaries of Ensign. The Company did not acquire any material assets or assume any liabilities. A subsidiary of the Company entered into a separate operations transfer agreement with the prior operator of each acquired operation as part of each transaction. The addition of these operations added a total of 74 operational senior living units to be operated by the Company's operating subsidiaries. The aggregate purchase price for these acquisitions was \$2,023.

The fair value of assets for most home health, hospice and home care acquisitions was concentrated in goodwill and as such, these transactions were classified as business combinations in accordance with Topic 805. The purchase price for the business combinations was \$1,625, which mostly consisted of goodwill of \$1,007 and indefinite-lived intangible assets of \$602. The fair value of assets for the remaining home health, hospice, home care, and all senior living acquisitions were concentrated in intangible assets and as such, these transactions were classified as an asset acquisition. The purchase price for the asset acquisitions was \$398.

The Company's acquisition strategy has been focused on identifying both opportunistic and strategic acquisitions within its target markets that offer strong opportunities for return. The operating subsidiaries acquired by the Company are frequently underperforming financially and can have regulatory and clinical challenges to overcome. From time to time, these acquisitions are more strategic in nature that may or may not have positive operational results. Financial information, especially with underperforming operating subsidiaries, is often inadequate, inaccurate or unavailable. Consequently, the Company believes that prior operating results are not a meaningful representation of the Company's current operating results or indicative of the integration potential of its newly acquired operating subsidiaries. Revenue and income before tax included in the condensed combined statement of income relating to the business combinations was \$6,489 and \$1,023 during the three months ended September 30, 2019, respectively, and \$9,930 and \$1,573 during the nine months ended September 30, 2019, respectively. Acquisition costs related to the business combinations were \$72 and \$560 during the three and nine months ended September 30, 2019, respectively.

Pro forma financial information has been included for the businesses combinations during the nine months ended September 30, 2019. Business combinations during the nine months ended September 30, 2018 were deemed immaterial and as such, no pro forma financial information has been included. The acquisitions during the nine months ended September 30, 2019 have been included in the September 30, 2019 condensed combined balance sheets of the Company, and the operating results have been included in the condensed combined statements of income of the Company since the dates the Company gained effective control.

Revenues and operating costs were based on actual results from the prior operator or from regulatory filings where available. If actual results were not available, revenues and operating costs were estimated based on available partial operating results of the prior operator of the operation, or if no information was available, estimates were derived from the Company's post-acquisition operating results for that particular operation.

The unaudited pro forma information is not indicative of what the results of operations would have been if the business combinations had actually occurred at the beginning of the periods presented, and is not intended as a projection of future results or trends.

The following tables represent unaudited pro forma results of condensed combined operations as if the business combinations to date in fiscal year 2019 had occurred at the beginning of 2018, after giving effect to certain adjustments. The unaudited pro forma information is not indicative of what the results of operations would have been if the acquisitions had actually occurred at the beginning of the periods presented, and is not intended as a projection of future results or trends.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

	Three Months Ended September 30,			
	2019		2018	
Revenue	\$	88,800	\$	80,220
Net income attributable to The Pennant Group, Inc. ^(a)	\$	1,535	\$	4,930

(a) Net income attributable to The Pennant Group, Inc. for each of the three months ended September 30, 2019 and 2018 includes a tax impact of 25.2% and 25.0%, which are the respective statutory tax rates.

	Nine Months Ended September 30,			
	2019		2018	
Revenue	\$	260,389	\$	232,523
Net income attributable to The Pennant Group, Inc. ^(a)	\$	6,949	\$	13,586

(a) Net income attributable to The Pennant Group, Inc. for each of the nine months ended September 30, 2019 and 2018 includes a tax impact of 25.2% and 25.0%, which are the respective statutory tax rates.

8. PROPERTY AND EQUIPMENT—NET

Property and equipment, net consist of the following:

	September 30, 2019		December 31, 2018	
Leasehold improvements	\$	5,859	\$	4,299
Equipment		18,041		14,436
Furniture and fixtures		919		583
		24,819		19,318
Less: accumulated depreciation		(11,100)		(8,860)
Property and equipment, net	\$	13,719	\$	10,458

See also Note 7, *Acquisitions* for information on acquisitions during the nine months ended September 30, 2019.

9. GOODWILL AND INTANGIBLE ASSETS—NET

The Company tests goodwill during the fourth quarter of each year or more often if events or circumstances indicate there may be impairment. The Company performs its goodwill impairment analysis for each reporting unit that constitutes a business for which (1) discrete financial information is produced and reviewed by operating segment management and (2) provides services that are distinct from the other components of the operating segment, in accordance with the provisions of ASC Topic 350, *Intangibles-Goodwill and Other* (“Topic 350”). Topic 350 provides the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value, a “Step 0” analysis. If, based on a review of qualitative factors, it is more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs “Step 1” of the traditional two-step goodwill impairment test by comparing the net assets of each reporting unit to their respective fair values. The Company determines the estimated fair value of each reporting unit using a discounted cash flow analysis. In the event a unit’s net assets exceed its fair value, an implied fair value of goodwill must be determined by assigning the unit’s fair value to each asset and liability of the unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is measured by the difference between the goodwill carrying value and the implied fair value.

The following table represents activity in goodwill by segment as of and for the nine months ended September 30, 2019:

	Home Health and Hospice Services		Senior Living Services		Total	
December 31, 2018	\$	27,250	\$	3,642	\$	30,892
Additions		10,341		—		10,341
September 30, 2019	\$	37,591	\$	3,642	\$	41,233

Other indefinite-lived intangible assets consist of the following:

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Trade name	\$ 355	\$ 328
Medicare and Medicaid licenses	33,107	24,808
Total	<u>\$ 33,462</u>	<u>\$ 25,136</u>

Definite-lived intangible assets consist of the following:

Intangible Assets	Weighted Average Life (Years)	<u>September 30, 2019</u>			<u>December 31, 2018</u>		
		Gross Carrying	Accumulated Amortization	Net	Gross Carrying	Accumulated Amortization	Net
Patient base	0.7	\$ 611	\$ (607)	\$ 4	\$ 591	\$ (573)	\$ 18
Customer relationships	2.6	470	(421)	49	470	(410)	60
Total		<u>\$ 1,081</u>	<u>\$ (1,028)</u>	<u>\$ 53</u>	<u>\$ 1,061</u>	<u>\$ (983)</u>	<u>\$ 78</u>

Amortization expense was \$45 and \$86 for the nine months ended September 30, 2019 and 2018, respectively.

Estimated amortization expense for each of the periods ending December 31 is as follows:

<u>Year</u>	<u>Amount</u>
2019 (remainder)	\$ 8
2020	14
2021	14
2022	14
2023	3
	<u>\$ 53</u>

10. OTHER ACCRUED LIABILITIES

Other accrued liabilities consist of the following:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Refunds payable	\$ 2,109	\$ 1,905
Deferred revenue	1,892	1,542
Resident deposits	6,317	6,310
Property taxes	1,200	932
Transaction costs	3,861	—
Other	2,280	1,682
Other accrued liabilities	<u>\$ 17,659</u>	<u>\$ 12,371</u>

Refunds payable includes payables related to overpayments, duplicate payments and credit balances from various payor sources. Deferred revenue occurs when the Company receives payments in advance of services provided. Resident deposits include refundable deposits to residents and a small portion consists of non-refundable deposits recognized into revenue over a period of time. Property taxes include amounts owed on our various properties. Transaction costs consist of costs incurred related to the Spin-Off.

11. INCOME TAXES

The Company recorded income tax expense of \$123 and \$91 during the three and nine months ended September 30, 2019, respectively, or 6.4% and 1.3% of earnings before income taxes. The Company recorded income tax expense of \$1,388 and

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

\$3,588 during the three and nine months ended September 30, 2018, respectively, or 23.9% and 22.5% of earnings before income taxes. The effective tax rate includes excess tax benefits from stock-based compensation which is offset by non-deductible expenses including non-deductible compensation. The rate is further impacted by transaction costs related to the Spin-Off that were deductible prior to completing the transaction on October 1, 2019.

The Company is not currently under examination by any material income tax jurisdiction. During 2019, the statutes of limitations will lapse on the Company's 2015 federal tax year and certain 2014 and 2015 state tax years. The Company does not believe the federal or state statute lapses or any other event will significantly impact the balance of unrecognized tax benefits in the next 12 months. The net balance of unrecognized tax benefits was not material to the Interim Financial Statements for the three and nine months ended September 30, 2019 and 2018.

12. OPTIONS AND AWARDS

Stockholders have approved the the Ensign and Subsidiary Equity Plans, which provide for the granting of equity-based compensation. Under the Plans, stock-based payment awards, including employee stock options and restricted stock awards, are issued based on estimated fair value. The following disclosures represent share-based compensation expense relating to the Plans, including awards to employees of the Company's subsidiaries and an allocation of costs from employees in the Service Center. Total share-based compensation expense for all of the Plans for the three and nine months ended September 30, 2019 and 2018

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Ensign Plans direct expense	\$ 113	\$ 121	\$ 337	\$ 366
Ensign Plans allocated expense	138	144	464	394
Subsidiary Equity Plan	17	348	594	1,030
Total share-based compensation	\$ 268	\$ 613	\$ 1,395	\$ 1,790

As share-based compensation expense recognized in the Company's condensed combined statements of income for the three and nine months ended September 30, 2019 and 2018 was based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. The Company estimates forfeitures at the time of grant and, if necessary, revises the estimate in subsequent periods if actual forfeitures differ.

The Company uses the Black-Scholes option-pricing model to recognize the value of stock-based compensation expense for share-based payment awards under the Plans. Determining the appropriate fair-value model and calculating the fair value of stock-based awards at the grant date requires considerable judgment, including estimating stock price volatility, expected option life and forfeiture rates. The Company develops estimates based on historical data and market information, which can change significantly over time.

The Ensign Plans

Stock Options

Under the Ensign Plans, options granted to employees of the subsidiaries of Pennant generally vest over five years at 20% per year on the anniversary of the grant date. Options expire ten years after the date of grant. The fair value of each option is estimated on the grant date using a Black-Scholes option-pricing model with the following weighted average assumptions for stock options granted:

Grant Year	Options Granted	Weighted Average Risk-Free Rate	Expected Life	Weighted Average Volatility	Weighted Average Dividend Yield
2019	5	1.5%	6.2	34.0%	0.4%
2018	11	2.8%	6.3	32.0%	0.5%

The expected volatility is based on the historical market volatility of Ensign's stock price over the expected life of the stock options granted. The expected life represents the period of time that the awards are expected to be outstanding and is based on the contractual terms of each instrument, taking into account employees' historical exercise and termination behavior.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

For the nine months ended September 30, 2019 and 2018, the following represents the exercise price and fair value displayed at grant date for stock option grants:

Grant Year	Granted	Weighted Average Exercise Price	Weighted Average Fair Value of Options
2019	5	\$ 53.50	\$ 19.16
2018	11	\$ 36.61	\$ 12.73

The weighted average exercise price equaled the weighted average fair value of common stock on the grant date for all options granted during the nine months ended September 30, 2019 and 2018 and therefore, the intrinsic value was \$0 at date of grant.

The following table represents the employee stock option activity during the nine months ended September 30, 2019:

	Number of Options Outstanding	Weighted Average Exercise Price	Number of Options Vested	Weighted Average Exercise Price of Options Vested
December 31, 2018	297	\$ 15.94	182	\$ 13.28
Employees transferred ^(a)	30	17.43		
Granted	5	53.50		
Forfeited	(9)	21.13		
Exercised	(100)	12.66		
September 30, 2019	223	\$ 18.67	150	\$ 15.12

(a) Represents awards to employees who have transferred between the Company and Ensign during the nine months ended September 30, 2019.

The following summary information reflects stock options outstanding, vested and related details as of September 30, 2019:

Year of Grant	Stock Options Outstanding			Remaining Contractual Life (Years)	Stock Options Vested and Exercisable
	Exercise Price	Number Outstanding	Black-Scholes Fair Value		
2009	\$ 4.06 - \$ 4.56	—	\$ —	0	—
2010	4.77 - 4.96	2	6	1	2
2011	5.90 - 7.99	8	26	2	8
2012	6.56 - 7.96	12	46	3	13
2013	7.98 - 11.49	11	51	4	11
2014	10.55 - 18.94	67	406	5	64
2015	21.47 - 25.24	36	325	6	25
2016	18.79 - 19.89	40	269	7	17
2017	18.64 - 22.90	24	164	8	8
2018	26.53 - 38.59	18	223	9	2
2019	\$ 53.50 - \$ 53.99	5	96	10	—
Total		223	\$ 1,612		150

Restricted Stock Awards

All awards were granted at an issued price of \$0 and generally vest over five years. A summary of the status of Ensign's non-vested restricted stock awards as of September 30, 2019, and changes during the period ended September 30, 2019, is presented

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

below:

	Non-Vested Restricted Awards	Weighted Average Grant Date Fair Value
December 31, 2018	21	\$ 22.59
Employees transferred ^(a)	6	24.88
Vested	(7)	23.55
Forfeited	(1)	19.61
September 30, 2019	<u>19</u>	<u>\$ 24.23</u>

(a) Represents non-vested awards related to employees who have transferred between the Company and Ensign during the nine months ended September 30, 2019.

In future periods, the Company expects to recognize approximately \$570 and \$471 in share-based compensation expense for unvested options and unvested restricted stock awards, respectively, which were outstanding as of September 30, 2019. Future share-based compensation expense will be recognized over 2.9 and 2.8 weighted average years for unvested options and restricted stock awards, respectively. There were 73 unvested and outstanding options at September 30, 2019, of which 68 are expected to vest. The weighted average contractual life for options outstanding, vested and expected to vest at September 30, 2019 was 5.7 years.

The aggregate intrinsic value of options outstanding, vested, expected to vest and exercisable as of and for the period ended September 30, 2019 is as follows:

Options	September 30, 2019	December 31, 2018
Outstanding	\$ 6,433	\$ 6,545
Vested	4,848	4,604
Expected to vest	1,586	1,941
Exercisable	4,123	2,263

The intrinsic value is calculated as the difference between the market value of the underlying common stock and the exercise price of the options.

Subsidiary Equity Plan

On May 26, 2016, Ensign implemented a management equity plan and granted stock options and restricted stock awards of a subsidiary of Ensign. These awards generally vest over a period of three to five years or upon the occurrence of certain prescribed events. The value of the stock options and restricted stock awards is tied to the value of the common stock of the subsidiary. The awards can be put to the Company at various prescribed dates, which in no event may be earlier than six months after vesting of the restricted stock or exercise of the stock options. The Company can also call the awards at any time. The Company did not grant any additional options or restricted stock awards during the nine months ended September 30, 2019 and granted 221 options during the nine months ended September 30, 2018. During both the nine months ended September 30, 2019 and 2018, there were 976 restricted stock awards that vested.

The grant date fair value of the awards is recognized as compensation expense over the relevant vesting periods, with a corresponding adjustment to noncontrolling interest. The grant value was determined based on independent valuation of the subsidiary shares close to the grant date. The valuation incorporated a discounted cash flow analysis combined with a market-based approach to determine the fair value of the subsidiary equity.

The following table represents stock options and restricted stock awards activity during the period ended September 30, 2019:

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

	Number of Options Outstanding	Weighted Average Exercise Price	Non-Vested Restricted Awards	Weighted Average Grant Date Fair Value
December 31, 2018	483	\$ 1.83	996	\$ 1.37
Vested	—	—	(976)	1.37
Forfeited	(32)	1.91	—	—
September 30, 2019	451	\$ 1.83	20	\$ 1.37

In future periods, the Company expects to recognize approximately \$179 and \$23 in share-based compensation expense for unvested options and unvested restricted stock awards, respectively, which were outstanding as of September 30, 2019. Future share-based compensation expense will be recognized over 3.1 and 1.6 weighted average years for unvested options and restricted stock awards, respectively. There were 163 vested and exercisable options at September 30, 2019. There were 288 unvested and outstanding options at September 30, 2019, all of which are expected to vest. The weighted average contractual life for options outstanding, vested and expected to vest at September 30, 2019 was 7.5 years.

During the nine months ended September 30, 2019 and 2018, the Company repurchased 534 and 865 shares of common stock, respectively, under the Subsidiary Equity Plan for \$2,687 and \$1,972, respectively. The Company subsequently sold the shares and received net proceeds of \$2,293 and \$1,972, respectively. The Company repurchased 65 and 865 shares of common stock under the Subsidiary Equity Plan for a total of \$394 and \$1,972 during the three months ended September 30, 2019 and 2018, respectively.

13. LEASES

The Company's operating subsidiaries lease 52 senior living communities and its administrative offices under non-cancelable operating leases, most of which have initial lease terms ranging from five to 20 years. Most of these leases contain renewal options, most involve rent increases and none contain purchase options. The lease term excludes lease renewals because the renewal rents are not at a bargain, there are no economic penalties for the Company to renew the lease, and it is not reasonably assured that the Company will exercise the extension options. As of September 30, 2019, the Company's operating subsidiaries leased 29 communities from subsidiaries of Ensign ("Ensign Leases"). The existing leases with subsidiaries of Ensign are for initial terms of 15 years. In addition to rent, each of the operating companies are required to pay the following: (1) all impositions and taxes levied on or with respect to the leased properties (other than taxes on the income of the lessor); (2) all utilities and other services necessary or appropriate for the leased properties and the business conducted on the leased properties; (3) all insurance required in connection with the leased properties and the business conducted on the leased properties; (4) all community maintenance and repair costs; and (5) all fees in connection with any licenses or authorizations necessary or appropriate for the leased properties and the business conducted on the leased properties.

Fifteen of the Company's affiliated senior living communities, excluding the communities that are operated under the Ensign Leases (as defined herein), are operated under two separate master lease arrangements. Under these master leases, a breach at a single community could subject one or more of the other communities covered by the same master lease to the same default risk. Failure to comply with Medicare and Medicaid provider requirements is a default under several of the Company's leases and master leases. In addition, other potential defaults related to an individual community may cause a default of an entire master lease portfolio and could trigger cross-default provisions in Ensign's outstanding debt arrangements and other leases. With an indivisible lease, it is difficult to restructure the composition of the portfolio or economic terms of the master lease without the consent of the landlord.

Impact of New Leases Guidance

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

The adoption of Topic 842 did not result in adjustments to the Company's condensed combined statements of income. The components of operating lease cost, are as follows:

	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2019
Operating Lease Costs:		
Facility Rent—cost of services	\$ 7,813	\$ 23,229
Office Rent—cost of services	725	2,139
Rent—cost of services ^(a)	<u>\$ 8,538</u>	<u>\$ 25,368</u>

General and administrative expense	39	101
Variable lease cost ^(b)	1,204	3,402

(a) Rent—cost of services includes the amortization of deferred rent of \$42 and \$175 for the three and nine months ended September 30, 2019. Rent—cost of services includes short-term leases, which are immaterial.

(b) Represents variable lease cost for operating leases. Includes property and insurance, common area maintenance, and consumer price index increases, incurred as part of our triple net lease, and is included in cost of services for the three and nine months ended September 30, 2019.

Future minimum lease payments for all leases as of September 30, 2019:

Year	Amount
2019 (remainder)	\$ 8,359
2020	33,411
2021	32,973
2022	32,291
2023	31,897
2024	31,449
Thereafter	<u>222,225</u>
Total lease payments	392,605
Less: present value adjustments	<u>(151,606)</u>
Present value of total lease liabilities	240,999
Less: current lease liabilities	<u>(13,611)</u>
Long-term operating lease liabilities	<u>\$ 227,388</u>

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used its incremental borrowing rate based on the information available at each lease's commencement date to determine each lease's operating lease liability. As of September 30, 2019, the weighted average remaining lease term is 12.4 years and the weighted average discount rate is 8.6%. The Company implemented Topic 842 as described in Note 2, *Summary of Significant Accounting Policies*.

Future minimum lease payments for all leases as of December 31, 2018 were as follows:

Year	Amount
2019	\$ 33,055
2020	32,181
2021	31,625
2022	31,241
2023	30,896
Thereafter	243,333
Total lease payments	<u>\$ 402,331</u>

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

On October 1, 2019, in connection with the Spin-Off, the Company amended its master lease agreements with Ensign and certain other landlords. These amendments modify the rental payments, the initial term or both. In accordance with Topic 842, the amended lease agreements are considered to be modified and subjected to lease modification guidance. The ROU asset and lease liabilities related to these agreements will be remeasured based on the change in the lease conditions such as rent payment and lease terms. The incremental borrowing rate will also be adjusted to mirror the revised lease terms which become effective at the date of the modification, which is the date of the Spin-Off. The Ensign Leases and new third-party master lease agreements have initial terms ranging between 14 and 16 years, with extension options and annual rent escalators based on changes in the consumer price index. Annual future minimum lease payments are expected to initially increase by approximately \$3,600 due to the modifications.

14. COMMITMENTS AND CONTINGENCIES

Regulatory Matters - The Company provides services in complex and highly regulated industries. The Company's compliance with applicable federal, state and local laws and regulations governing these industries may be subject to governmental review and adverse findings may result in significant regulatory action, which could include sanctions, damages, fines, penalties (many of which may not be covered by insurance), and even exclusion from government programs. The Company is a party to various regulatory and other governmental audits and investigations in the ordinary course of business and cannot predict the ultimate outcome of any federal or state regulatory survey, audit or investigation. While governmental audits and investigations are the subject of administrative appeals, the appeals process, even if successful, may take several years to resolve. The Department of Justice, The Centers for Medicare and Medicaid Services ("CMS"), or other federal and state enforcement and regulatory agencies may conduct additional investigations related to the Company's businesses. The Company believes that it is presently in compliance in all material respects with all applicable laws and regulations.

Cost-Containment Measures - Government and third party payors have instituted cost-containment measures designed to limit payments made to providers of healthcare services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect the Company.

Indemnities - From time to time, the Company enters into certain types of contracts that contingently require the Company to indemnify parties against third-party claims. These contracts primarily include (i) certain real estate leases, under which the Company may be required to indemnify property owners or prior operators for post-transfer environmental or other liabilities and other claims arising from the Company's use of the applicable premises, (ii) operations transfer agreements, in which the Company agrees to indemnify past operators of agencies and communities the Company acquires against certain liabilities arising from the transfer of the operation and/or the operation thereof after the transfer, (iii) certain Ensign lending agreements, and (iv) certain agreements with management, directors and employees, under which the subsidiaries of the Company may be required to indemnify such persons for liabilities arising out of their employment relationships. The terms of such obligations vary by contract and, in most instances, a specific or maximum dollar amount is not explicitly stated therein. Generally, amounts under these contracts cannot be reasonably estimated until a specific claim is asserted. Consequently, because no claims have been asserted, no liabilities have been recorded for these obligations on the Company's combined balance sheets for any of the periods presented.

Litigation - The Company's businesses involve a significant risk of liability given the age and health of the patients and residents served by its operating subsidiaries. The Company, its operating companies, and others in the industry may be subject to a number of claims and lawsuits, including professional liability claims, alleging that services provided have resulted in personal injury, elder abuse, wrongful death or other related claims. Healthcare litigation (including class action litigation) is common and is filed based upon a wide variety of claims and theories, and the Company is routinely subjected to these claims in the ordinary course of business, including potential claims related to patient care and treatment, professional negligence and class actions, as well as employment related claims. If there were a significant increase in the number of these claims or an increase in amounts owing should plaintiffs be successful in their prosecution of these claims, this could materially adversely affect the Company's business, financial condition, results of operations and cash flows. In addition, the defense of these lawsuits may result in significant legal costs, regardless of the outcome, and can result in large settlement amounts or damage awards.

In addition to the potential lawsuits and claims described above, the Company is also subject to potential lawsuits under the False Claims Act (the "FCA") and comparable state laws alleging submission of fraudulent claims for services to any healthcare program (such as Medicare) or payor. A violation may provide the basis for exclusion from federally-funded healthcare programs. Such exclusions could have a correlative negative impact on the Company's financial performance. Some states, including California, Arizona and Texas, have enacted similar whistleblower and false claims laws and regulations. In addition, the Deficit Reduction Act of 2005 created incentives for states to enact anti-fraud legislation modeled on the FCA. As such, the Company could face increased scrutiny, potential liability and legal expenses and costs based on claims under state false claims acts in markets in which it does conduct business.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

In May 2009, Congress passed the Fraud Enforcement and Recovery Act ("FERA") which made significant changes to the FCA, expanding the types of activities subject to prosecution and whistleblower liability. Following changes by FERA, healthcare providers face significant penalties for the knowing retention of government overpayments, even if no false claim was involved. Providers can now be liable for knowingly and improperly avoiding or decreasing an obligation to pay money or property to the government; including the retention of any government overpayment. The Patient Protection and Affordable Care Act of 2010 (the "ACA") supplemented FERA by imposing an affirmative obligation on healthcare providers to return an overpayment to CMS within 60 days of "identification" or the date any corresponding cost report is due, whichever is later. According to CMS's February 12, 2016, final rule with respect to Medicare Parts A and B, providers have an obligation to proactively exercise "reasonable diligence" to identify overpayments. The 60 day clock begins to run after the reasonable diligence period has concluded, which may take, at most, six months from the receipt of credible information. Retention of any overpayment beyond this period may create liability under the FCA. In addition, FERA extended protections against retaliation for whistleblowers, including protections not only for employees, but also contractors and agents. Thus, there is generally no need for an employment relationship in order to qualify for protection against retaliation for whistleblowing.

The Company cannot predict or provide any assurance as to the possible outcome of any litigation. If any litigation were to proceed, and the Company and its operating companies are subjected to, alleged to be liable for, or agree to a settlement of, claims or obligations under federal Medicare statutes, the FCA, or similar state and federal statutes and related regulations, the Company's business, financial condition and results of operations and cash flows could be materially and adversely affected. Among other things, any settlement or litigation could involve the payment of substantial sums to settle any alleged civil violations, and may also include the assumption of specific procedural and financial obligations by the Company or its operating subsidiaries going forward under a corporate integrity agreement and/or other arrangement with the government.

Medicare Revenue Recoupments - The Company is subject to probe reviews relating to Medicare services, billings and potential overpayments by Unified Program Integrity Contractors (UPIC), Recovery Audit Contractors (RAC), Zone Program Integrity Contractors (ZPIC), Program Safeguard Contractors (PSC), Supplemental Medical Review Contractors (SMRC) and Medicaid Integrity Contributors (MIC) programs, each of the foregoing collectively referred to as "Reviews." As of September 30, 2019, seven of the Company's independent operating subsidiaries had Reviews scheduled, on appeal or in dispute resolution process, both pre- and post-payment. The Company anticipates that these probe reviews will increase in frequency in the future. If an operation fails an initial or subsequent Review, the operation could then be subject to extended Review, suspension of payment, or extrapolation of the identified error rate to all billing in the same time period. As of September 30, 2019, and through the filing of this Quarterly Report on Form 10-Q, the Company's independent operating subsidiaries have responded to the Reviews that are currently ongoing, on appeal or in dispute resolution process.

Concentrations

Credit Risk - The Company has significant accounts receivable balances, the collectability of which is dependent on the availability of funds from certain governmental programs, primarily Medicare and Medicaid. These receivables represent the only significant concentration of credit risk for the Company. The Company does not believe there are significant credit risks associated with these governmental programs. The Company believes that an appropriate allowance has been recorded for the possibility of these receivables proving uncollectible, and continually monitors and adjusts these allowances as necessary. The Company's gross receivables from the Medicare and Medicaid programs accounted for approximately 75.7% and 72.4% of its total gross accounts receivable as of September 30, 2019 and December 31, 2018, respectively. Revenue from reimbursement under the Medicare and Medicaid programs accounted for 56.8% and 55.1% of the Company's revenue for the three and nine months ended September 30, 2019, respectively and 54.0% and 53.2% of the Company's revenue for the three and nine months ended September 30, 2018, respectively.

15. SUBSEQUENT EVENTS

New Credit Agreement

On October 1, 2019, Pennant entered into the Credit Agreement (the "Credit Agreement"), which provides for a revolving credit facility with a syndicate of banks with a borrowing capacity of \$75,000 (the "Revolving Credit Facility"). The interest rates applicable to loans under the Revolving Credit Facility are, at the Company's election, either LIBOR ("Adjusted LIBOR" as defined in the Credit Agreement) plus a margin ranging from 2.5% to 3.5% per annum or base rate plus a margin ranging from 1.5% to 2.5% per annum, in each case calculated based on the ratio of Consolidated Total Net Debt to Consolidated EBITDA (each, as defined in the Credit Agreement). In addition, Pennant will pay a commitment fee on the undrawn portion of the commitments under the Revolving Credit Facility that is estimated to be 0.6% per annum.

THE PENNANT GROUP, INC.
NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS - (Continued)

On October 1, 2019, we borrowed \$30,000 under the Revolving Credit Facility. The proceeds of \$28,700 from the issuance of indebtedness, net of financing costs of \$1,300, were used to pay a dividend of \$11,600 to Ensign; the remainder was used to pay spin-off related transaction costs and for general working capital purposes.

Spin-Off Related Agreements

On October 1, 2019, in connection with the Spin-Off, Pennant entered into several agreements with Ensign that set forth the principal actions taken or to be taken in connection with the Spin-Off and govern the relationship of the parties following the Spin-Off, including the following:

- **Master Separation Agreement:** the Company entered into a Master Separation Agreement with Ensign prior to the distribution of shares of the Company's common stock to Ensign stockholders. The Master Separation Agreement provides for the allocation of assets and liabilities between the Company and Ensign and establishes certain rights and obligations between the parties following the Distribution (the "Master Separation Agreement");
- **Transition Services Agreement:** provides that for a limited time, Ensign is to provide the Company, and the Company is to provide Ensign, with certain services to ensure an orderly transition following the spin-off, including: human resources, accounting, legal and compliance, IT, office facilities, and other general support. Generally, the term for the provision of services under the agreement extends for no longer than two years after the spin-off, subject to certain rights of the parties to extend the term for an additional five months. To the extent transition services are utilized during the first two years after the spin-off, the charges paid by the recipient for the services are generally provided at their market value. Subject to certain conditions, the services may be terminated by the service-receiving party or by mutual written consent (the "Transition Services Agreement");
- **Tax Matters Agreement:** provides that Pennant is responsible for indemnifying Ensign for a percentage of tax liabilities related to the spin-off and adjustments to the combined entity in the pre-distribution period (the "Tax Matters Agreement");
- **Employee Matters Agreement:** governs the parties' obligations with respect to certain employee-related liabilities and certain employee benefit plans, programs, policies and other related matters for employees of Pennant (the "Employee Matters Agreement");
- **Master Lease Agreement:** provides for the owned real property and leased space allocated to Ensign or us, or in certain cases shared by Ensign and us, as the case may be, in a manner that is consistent with the different business uses and needs of Ensign and us (the "Master Lease Agreement").

Certain Equity Incentive Plans

Prior to the Spin-Off, employees of the Company participated in the Plans, including by receiving stock options and restricted stock awards. A full description of the Company's equity plans is made in Note 12, *Options and Awards*.

- **Conversion of the Plans:** In connection with the Spin-Off, outstanding equity awards related to the Ensign Plans and the Subsidiary Equity Plan held by Pennant employees were modified and replaced with awards of Pennant common stock depending on the awards, and adjusted to maintain the economic value before and after the distribution date using the relative fair market value of the Ensign and Pennant common stock.
- **Issuance of new equity awards:** In connection with the Spin-Off, the Company adopted the OIP and the LTIP. Options and awards were granted to Pennant employees and directors under the OIP. On October 1, 2019, Daniel H Walker received a grant of 1,193 restricted stock units under the OIP, which will vest on the first to occur of (i) the third anniversary of the consummation of the distribution if the participant is then employed by the Company, (ii) a Change in Control if then employed by the Company, or (iii) the termination of the participant's employment by the Company due to death, Disability (as defined in the OIP), or by the Company for any reason other than Cause (as defined in the RSU agreement). Restricted stock awards were also granted to certain Ensign employees and directors under the LTIP.

New Insurance Coverage

In connection with the Spin-off, the Company obtained stand-alone insurance policies to cover general and professional liability, workers compensation, and Directors and Officers liability.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with our unaudited condensed combined financial statements and the related notes thereto contained in Part I, Item 1 of this Report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission (SEC), including our Information Statement on Form 10 ("Information Statement", "Form 10"), which discusses our business and related risks in greater detail, as well as subsequent reports we may file from time to time on Forms 10-K, 10-Q and 8-K, for additional information. The section entitled "Risk Factors" filed within the Information Statement, describes some of the important risk factors that may affect our business, financial condition, results of operations and/or liquidity. You should carefully consider those risks, in addition to the other information in this Report and in our other filings with the SEC, before deciding to purchase, hold or sell our common stock.

The Pennant Group, Inc. ("Pennant" or the "Company") was formed on January 24, 2019, as a wholly-owned subsidiary of The Ensign Group, Inc. ("Ensign"), which completed a spin-off of the Company effective October 1, 2019. Following the spin-off, the Company holds, directly or through its subsidiaries, the home health and hospice agencies and substantially all of the senior living businesses of Ensign.

Special Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, that are based on our management's beliefs and assumptions and on information currently available to our management. Forward-looking statements include, but are not limited to, statements related to our expectations regarding the performance of our business, our financial results, our liquidity and capital resources, the benefits resulting from the Spin-Off, the effects of competition and the effects of future legislation or regulations and other non-historical statements. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "outlook," "believes," "expects," "outlook," "potential," "continues," "may," "might," "will," "should," "could," "seeks," "approximately," "goals," "future," "projects," "predicts," "guidance," "target," "intends," "plans," "estimates," "anticipates" or the negative version of these words or other comparable words.

The risk factors discussed in the Form 10 under the heading "Risk Factors," could cause our results to differ materially from those expressed in forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to:

- federal and state changes to, or delays receiving, reimbursement and other aspects of Medicaid and Medicare;
- changes in the regulation of the healthcare services industry;
- increased competition for, or a shortage of, skilled personnel;
- government reviews, audits and investigations of our business;
- changes in federal and state employment related laws;
- compliance with state and federal employment, immigration, licensing and other laws;
- competition from other healthcare providers;
- actions of national labor unions;
- the leases of our affiliated senior living communities;
- inability to complete future community or business acquisitions and failure to successfully integrate acquired communities and businesses into our operations;
- general economic conditions;
- security breaches and other cyber security incidents;
- the performance of the financial and credit markets;
- uncertainties related to our ability to realize the anticipated benefits of the Spin-Off; and
- uncertainties related to our ability to obtain financing or the terms of such financing.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. You should not place undue reliance on any forward-looking statements in this Quarterly Report on Form 10-Q. We do not have any obligation to update forward-looking statements after we distribute this Quarterly Report on Form 10-Q except as required by law.

Overview

We are a leading provider of high quality healthcare services to the growing senior population in the United States. We strive to be the provider of choice in the communities we serve through our innovative operating model. We operate in multiple lines of businesses including home health, hospice and senior living services across Arizona, California, Colorado, Idaho, Iowa, Nevada, Oklahoma, Oregon, Texas, Utah, Washington, Wisconsin and Wyoming. As of September 30, 2019, our home health and hospice business provided home health, hospice and home care services from 63 agencies operating across 13 states, and our senior living business operated 52 senior living communities throughout six states.

The following table summarizes our affiliated home health and hospice agencies and senior living communities as of:

	December 31,								September 30,
	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cumulative number of home health and hospice agencies	7	10	16	25	32	39	46	54	63
Cumulative number of senior living communities	8	10	12	15	36	36	43	50	52
Cumulative number of senior living units	887	1,034	1,256	1,587	3,184	3,184	3,434	3,820	3,963
Total number of home health, hospice, and senior living operations	15	20	28	40	68	75	89	104	115

The Spin-Off Transactions

On October 1, 2019, Ensign completed the separation of Pennant (the “Spin-Off”). To accomplish the Spin-Off, Ensign contributed the Company’s assets and liabilities into Pennant and distributed to Ensign’s stockholders substantially all of the outstanding shares of Pennant common stock. Each Ensign stockholder received a distribution of one share of Pennant common stock for every two shares of Ensign’s common stock plus cash in lieu of fractional shares. As a result of the Spin-Off on October 1, 2019, Pennant began trading as an independent publicly traded company on the NASDAQ under the symbol “PNTG.”

We expect to benefit from a continuing relationship with Ensign, which will continue to be a holding company comprised of various post-acute businesses, including its skilled nursing, senior living and other ancillary operations in Arizona, California, Colorado, Idaho, Iowa, Kansas, Nebraska, Nevada, South Carolina, Texas, Utah, Washington and Wisconsin.

In connection with the Spin-Off, Pennant and Ensign entered the Transition Services Agreement where we will be providing Ensign with certain services, and Ensign will provide Pennant with certain services, for a two year period, subject to extension upon the agreement of the parties, following the distribution to help ensure an orderly transition. The services that are under the transition services agreement may include certain finance, information technology, human resources, employee benefits and other services.

Effective October 1, 2019, the Company amended its master lease agreements with Ensign and certain other landlords. These amendments modify the rental payments, the initial term or both. In accordance with Topic 842, the amended lease agreements are considered to be modified and subjected to lease modification guidance. The ROU asset and lease liabilities related to these agreements will be remeasured based on the change in the lease conditions such as rent payment and lease terms. The incremental borrowing rate will also be adjusted to mirror the revised lease terms which become effective at the date of the modification, which is the date of the Spin-Off. The Ensign Leases and new third-party master lease agreements have initial terms ranging between 14 and 16 years, with extension options and annual rent escalators based on changes in the consumer price index. Annual future minimum lease payments are expected to initially increase approximately \$3.6 million due to the modifications.

See “Certain Relationships and Related Party Transactions—Agreements with Ensign Related to the Spin-Off,” contained within the Information Statement as well as the Form 8-K filed with the SEC on October 3, 2019 for further discussion of the agreements entered into with the Spin-Off.

Recent Activities

Acquisitions - From January 1, 2019 through September 30, 2019, we expanded our operations through the acquisition of two stand-alone senior living operations, two home health agencies, five hospice agencies, and two home care agencies. We did not assume any liabilities. The addition of these operations added a total of 143 senior living units to be operated by our operating subsidiaries. We entered into a separate operations transfer agreement with the prior operator as part of each transaction. The aggregate purchase price for these acquisitions was \$18.8 million. For further discussion of our acquisitions, see Note 7, *Acquisitions*, in the Notes to Interim Financial Statements.

Trends

When we acquire turnaround or start-up operations, we expect that our combined metrics may be impacted. We expect these metrics to vary from period to period based upon the maturity of the operations within our portfolio. We have generally experienced lower occupancy rates at our senior living communities and lower census at our home health and hospice agencies for recently acquired operations; as a result, we generally anticipate lower consolidated and segment margins during years of acquisition growth.

Regulation

On October 31, 2019, CMS issued its 2020 HH PPS final rule. The final rule implements the Patient-Driven Groupings Model (PDGM), a revised case mix adjustment methodology, for all home health episodes that begin on or after January 1, 2020. PDGM changes the unit of home health payment from a 60-day episode to a 30-day period and refines case mix calculation by removing therapy thresholds and adjusting reimbursement based on patient characteristics such as principal diagnoses and clinical grouping, functional impairment levels, comorbidities, and admission source and timing. CMS estimates the final rule will result in a \$250 million (1.3%) increase in payments to home health providers in 2020, including a negative 4.36% behavioral change assumption. The final rule confirms that Requests for Anticipated Payment (“RAPs”) will be phased out partially in 2020 and fully eliminated in 2021. With the support of our professional resource team, our local clinical and operational leaders have been preparing for this reimbursement change. While we could experience revenue headwinds related to the included behavioral assumptions and payment disruptions, we anticipate that we will offset any negative impact from PDGM through a mix of behavioral changes and a continued focus on cost control while producing optimal clinical outcomes.

Segments

We have two reportable segments: (1) home health and hospice services, which includes our home health, hospice and home care businesses; and (2) senior living services, which includes the operation of assisted living, independent living and memory care communities. Our reporting segments are business units that offer different services and that are managed separately to provide greater visibility into those operations.

Key Performance Indicators

We manage the fiscal aspects of our business by monitoring key performance indicators that affect our financial performance. These indicators and their definitions include the following:

Home Health and Hospice

- *Total home health admissions.* The total admissions of home health patients, including new acquisitions, new admissions, and readmissions.
- *Average Medicare revenue per completed 60-day home health episode.* The average amount of revenue for each completed 60-day home health episode generated from patients who are receiving care under Medicare reimbursement programs.
- *Average daily census.* The average number of patients who are receiving hospice care during any measurement period divided by the number of days during such measurement period.
- *Hospice Medicare revenue per day.* The average daily Medicare revenue recorded during any measurement period for services provided to hospice patients.

The following table summarizes our overall home health and hospice statistics for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Home health services:				
Total home health admissions	5,556	4,523	16,723	13,496
Average Medicare revenue per 60-day completed episode	\$ 3,173	\$ 3,001	\$ 3,072	\$ 2,968
Hospice services:				
Average daily census	1,788	1,379	1,625	1,310
Hospice Medicare revenue per day	\$ 163	\$ 159	\$ 164	\$ 160

Senior Living Services

- *Occupancy.* The ratio of actual number of days our units are occupied during any measurement period to the number of units available for occupancy during such measurement period.
- *Average monthly revenue per occupied unit.* The revenue for senior living services during any measurement period divided by actual occupied senior living units for such measurement period.

The following table summarizes our senior living statistics for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Occupancy	79.6%	80.0%	79.9%	79.1%
Average monthly revenue per occupied unit	\$ 3,111	\$ 3,032	\$ 3,110	\$ 3,046

Critical Accounting Policies and Estimates

A discussion of our critical accounting policies and estimates can be found in the “Management's Discussion and Analysis of Financial Condition and Results of Operations” included in our Information Statement on Form 10. There were no material changes to these critical accounting estimates since the filing of our Information Statement on Form 10.

New Accounting Pronouncements

Please refer to Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, of the Interim Financial Statements included elsewhere in the Quarterly Report on Form 10-Q for discussion of new accounting pronouncements.

Results of Operations

The following table sets forth details of our revenue, expenses and earnings as a percentage of total revenue for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Total revenue	100.0%	100.0%	100.0%	100.0%
Expense:				
Cost of services	77.2	74.2	76.3	74.1
Rent—cost of services	9.7	10.7	10.2	10.9
General and administrative expense	9.7	6.1	9.5	6.4
Depreciation and amortization	1.2	1.0	1.2	1.0
Total expenses	97.8	92.0	97.2	92.4
Income from operations	2.2	8.0	2.8	7.6
Interest expense	—	—	—	—
Income before provision for income taxes	2.2	8.0	2.8	7.6
Provision for income taxes	0.2	1.9	—	1.7
Net income	2.0	6.1	2.8	5.9
Less: net income attributable to noncontrolling interest	0.3	0.1	0.3	0.2
Net income attributable to Pennant	1.7%	6.0%	2.5%	5.7%

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018

(In thousands)

Combined GAAP Financial Measures:

Total revenue	\$ 88,398	\$ 72,953	\$ 249,039	\$ 210,721
Total expenses	\$ 86,472	\$ 67,150	\$ 241,974	\$ 194,806
Income from operations	\$ 1,926	\$ 5,803	\$ 7,065	\$ 15,915

	Home Health and Hospice Services	Senior Living Services	All Other	Total

(In thousands)

Segment GAAP Financial Measures:

Three Months Ended September 30, 2019

Revenue	\$ 55,171	\$ 33,227	\$ —	\$ 88,398
Segment Adjusted EBITDAR from Operations	\$ 8,499	\$ 11,574	\$ (5,045)	\$ 15,028

Three Months Ended September 30, 2018

Revenue	\$ 43,837	\$ 29,116	\$ —	\$ 72,953
Segment Adjusted EBITDAR from Operations	\$ 7,423	\$ 11,499	\$ (3,975)	\$ 14,947

	Home Health and Hospice Services	Senior Living Services	All Other	Total

(In thousands)

Segment GAAP Financial Measures:

Nine Months Ended September 30, 2019

Revenue	\$ 151,496	\$ 97,543	\$ —	\$ 249,039
Segment Adjusted EBITDAR from Operations	\$ 23,873	\$ 35,703	\$ (14,524)	\$ 45,052

Nine Months Ended September 30, 2018

Revenue	\$ 124,844	\$ 85,877	\$ —	\$ 210,721
Segment Adjusted EBITDAR from Operations	\$ 19,886	\$ 34,774	\$ (12,034)	\$ 42,626

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Total Combined Adjusted EBITDAR from Operations ^(a)	\$ 15,028	\$ 14,947	\$ 45,052	\$ 42,626
Less: Depreciation and amortization	1,071	742	2,843	2,177
Rent—cost of services	8,538	7,776	25,368	23,065
Adjustments to Combined EBITDAR from Operations:				
Less: Costs at start-up operations ^(b)	60	56	377	92
Share-based compensation expense ^(c)	268	613	1,395	1,790
Acquisition related costs ^(d)	72	—	613	—
Spin-off related transaction costs ^(e)	3,372	—	8,020	—
Add: Net income attributable to noncontrolling interest	279	43	629	413
Combined Income from Operations	\$ 1,926	\$ 5,803	\$ 7,065	\$ 15,915

(a) Adjusted EBITDAR from Operations is Net Income attributable to the Company's reportable segments excluding the interest expense; provision for income taxes; depreciation and amortization expense; rent; start-up costs; acquisitions costs; and stock-based compensation expense. General and administrative expenses are not allocated to the reportable segments, accordingly the segment earnings measure reported is before allocation of corporate general and administrative expenses. The Company's CODM uses Adjusted EBITDAR from Operations as the primary measure of profit and loss for the Company's reportable segments and to compare the performance of its operations with those of its competitors. In order to view the operations performance, the Company excludes from the EBITDAR calculations for the reportable segments the following: 1) costs at start-up operations, 2) share-based compensation, 3) acquisition related costs, and 4) transaction costs. Also, the Company's segment measures may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

(b) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.

(c) Share-based compensation expense incurred and included in cost of services.

(d) Acquisition related costs that are not capitalizable.

(e) Costs incurred related to the Spin-Off are included in general and administrative expense.

Performance and Valuation Measures:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			

Combined Non-GAAP Financial Measures:

Performance Metrics				
Combined EBITDA	\$ 2,718	\$ 6,502	\$ 9,279	\$ 17,679
Combined Adjusted EBITDA	\$ 6,494	\$ 7,180	\$ 19,697	\$ 19,583
Valuation Metric				
Combined Adjusted EBITDAR	\$ 15,028		\$ 45,052	

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			

Segment Non-GAAP Measures:^(a)

Segment Adjusted EBITDA				
Home health and hospice services	\$ 7,778	\$ 6,850	\$ 21,747	\$ 18,237
Senior living services	\$ 3,761	\$ 4,305	\$ 12,474	\$ 13,380

(a) General and administrative expenses are not allocated to any segment for purposes of determining segment profit or loss.

The tables below reconciles Combined Net Income to Combined EBITDA, and Combined Adjusted EBITDAR for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In thousands)			
Combined Net income	\$ 1,803	\$ 4,415	\$ 6,974	\$ 12,327
Less: Net income attributable to noncontrolling interest	279	43	629	413
Add: Provision for income taxes (benefit)	123	1,388	91	3,588
Depreciation and amortization	1,071	742	2,843	2,177
Combined EBITDA	2,718	6,502	9,279	17,679
Adjustments to Combined EBITDA				
Add: Costs at start-up operations ^(a)	60	56	377	92
Share-based compensation expense ^(b)	268	613	1,395	1,790
Acquisition related costs ^(c)	72	—	613	—
Spin-off related transaction costs ^(d)	3,372	—	8,020	—
Rent related to items (a) above	4	9	13	22
Combined Adjusted EBITDA	6,494	7,180	19,697	19,583
Rent—cost of services	8,538	7,776	25,368	23,065
Rent related to items (a) above	(4)	(9)	(13)	(22)
Adjusted rent—cost of services	8,534	7,767	25,355	23,043
Combined Adjusted EBITDAR	\$ 15,028		\$ 45,052	

- (a) Represents results related to start-up operations. This amount excludes rent, depreciation and amortization expense.
(b) Share-based compensation expense incurred.
(c) Acquisition related costs that are not capitalizable.
(d) Costs incurred related to the Spin-Off are included in general and administrative expense.

The tables below reconcile Segment Adjusted EBITDAR from Operations to Segment Adjusted EBITDA for the periods presented:

	Three Months Ended September 30,			
	Home Health and Hospice		Senior Living	
	2019	2018	2019	2018
	(In thousands)			
Segment Adjusted EBITDAR from Operations	\$ 8,499	7,423	\$ 11,574	\$ 11,499
Less: Rent—cost of services	725	582	7,813	7,194
Rent related to start-up operations	(4)	(9)	—	—
Segment Adjusted EBITDA	\$ 7,778	\$ 6,850	\$ 3,761	\$ 4,305

	Nine Months Ended September 30,			
	Home Health and Hospice		Senior Living	
	2019	2018	2019	2018
	(In thousands)			
Segment Adjusted EBITDAR from Operations	\$ 23,873	\$ 19,886	\$ 35,703	\$ 34,774
Less: Rent—cost of services	2,139	1,671	23,229	21,394
Rent related to start-up operations	(13)	(22)	—	—
Segment Adjusted EBITDA	\$ 21,747	\$ 18,237	\$ 12,474	\$ 13,380

The following discussion includes references to certain performance and valuation measures, which are non-GAAP financial measures including Combined EBITDA, Combined and Segment Adjusted EBITDA, and Combined Adjusted EBITDAR

(collectively, “Non-GAAP Financial Measures”). Non-GAAP Financial Measures are used in addition to and in conjunction with results presented in accordance with GAAP, and should not be relied upon to the exclusion of GAAP financial measures. Non-GAAP Financial Measures reflect an additional way of viewing aspects of our operations and company that, when viewed with our GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, we believe can provide a more comprehensive understanding of factors and trends affecting our business.

We believe these Non-GAAP Financial Measures are useful to investors and other external users of our financial statements regarding our results of operations because:

- they are widely used by investors and analysts in our industry as a supplemental measure to evaluate the overall performance of companies in our industry without regard to items such as interest expense, rent expense and depreciation and amortization, which can vary substantially from company to company depending on the book value of assets and the method by which assets were acquired; and
- they help investors evaluate and compare the results of our operations from period to period by removing the impact of our asset base from our operating results.
- in the case of Combined Adjusted EBITDAR, the valuation metric is used by investors and analysts in our industry to value the companies in our industry without regard to capital structures.

We use Non-GAAP Financial Measures:

- as measurements of our operating performance to assist us in comparing our operating performance on a consistent basis;
- to allocate resources to enhance the financial performance of our business;
- to assess the value of a potential acquisition;
- to assess the value of a transformed operation’s performance;
- to evaluate the effectiveness of our operational strategies; and
- to compare our operating performance to that of our competitors.

We typically use Non-GAAP Financial Measures to compare the operating performance of each operation. We find that Non-GAAP Financial Measures are useful for this purpose because they do not include such costs as interest expense, income taxes, depreciation and amortization expense, which may vary from period-to-period depending upon various factors, including the method used to finance operations, the date of acquisition of a community or business, and the tax law of the state in which a business unit operates.

We also establish compensation programs and bonuses for our leaders that are partially based upon the achievement of Combined Adjusted EBITDAR targets.

Non-GAAP Financial Measures have no standardized meaning defined by GAAP. Therefore, our Non-GAAP Financial Measures have limitations as analytical tools, and they should not be considered in isolation, or as a substitute for analysis of our results as reported in accordance with GAAP. Some of these limitations are:

- they do not reflect our current or future cash requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the net interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- they do not reflect rent expenses, which are normal and recurring operating expenses that are necessary to operate our leased operations, in the case of Combined Adjusted EBITDAR;
- they do not reflect any income tax payments we may be required to make;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and do not reflect any cash requirements for such replacements; and
- other companies in our industry may calculate the same Non-GAAP Financial Measures differently than we do, which may limit their usefulness as comparative measures.

We compensate for these limitations by using Non-GAAP Financial Measures only to supplement net income on a basis prepared in accordance with GAAP in order to provide a more complete understanding of the factors and trends affecting our business.

Management strongly encourages investors to review our Interim Financial Statements in their entirety and to not rely on any single financial measure. Because these Non-GAAP Financial Measures are not standardized, it may not be possible to compare these financial measures with other companies’ non-GAAP financial measures having the same or similar names. These Non-GAAP Financial Measures should not be considered a substitute for, nor superior to, financial results and measures determined

or calculated in accordance with GAAP. We strongly urge you to review the reconciliation of income from operations to the Non-GAAP Financial Measures in the table below, along with our Interim Financial Statements and related notes included elsewhere in this report.

We use the following Non-GAAP Financial Measures that we believe are useful to investors as key valuation and operating performance measures:

Performance Measures:

Combined EBITDA

We believe Combined EBITDA is useful to investors in evaluating our operating performance because it helps investors evaluate and compare the results of our operations from period to period by removing the impact of our asset base (depreciation and amortization expense) from our operating results.

We calculate Combined EBITDA as net income, adjusted for net income attributable to noncontrolling interest, before (a) interest expense (b) provision for income taxes and (c) depreciation and amortization.

Combined Adjusted EBITDA

We adjust Combined EBITDA when evaluating our performance because we believe that the exclusion of certain additional items described below provides useful supplemental information to investors regarding our ongoing operating performance. We believe that the presentation of Combined Adjusted EBITDA, when considered with Combined EBITDA and GAAP net income attributable to us is beneficial to an investor's complete understanding of our operating performance.

We calculate Combined Adjusted EBITDA by adjusting Combined EBITDA to exclude the effects of non-core business items, which for the reported periods includes, to the extent applicable:

- costs at start-up operations;
- share-based compensation expense;
- acquisition related costs; and
- spin-off related transaction costs.

Segment Adjusted EBITDA

We adjust Segment Adjusted EBITDAR when evaluating our performance because we believe that the inclusion of rent-cost of services provides useful supplemental information to investors regarding our ongoing operating performance.

We calculate Segment Adjusted EBITDA by adjusting Segment Adjusted EBITDAR to include rent-cost of services.

Valuation Measure:

Combined Adjusted EBITDAR

We use Combined Adjusted EBITDAR as one measure in determining the value of prospective acquisitions. It is also a measure commonly used measure by our management, research analysts and investors, to compare the enterprise value of different companies in the healthcare industry, without regard to differences in capital structures and leasing arrangements. Additionally, we believe the use of Combined Adjusted EBITDAR allows management, research analysts and investors to compare operational results of companies that have operating and finance leases. A significant portion of finance lease expenditures are recorded in interest, whereas operating lease expenditures are recorded in rent expense.

This measure is not displayed as a performance measure as it excludes rent expense, which is a normal and recurring operating expense. This measure does not reflect our cash requirements for leasing commitments. As such, our presentation of Combined Adjusted EBITDAR, should not be construed as a financial performance measure.

The adjustments made and previously described in the computation of Combined Adjusted EBITDAR are also made when computing Combined Adjusted EBITDA. We calculate Combined Adjusted EBITDA by excluding rent-cost of services and rent related to start up operations from Combined Adjusted EBITDA.

Three Months Ended September 30, 2019 Compared to the Three Months Ended September 30, 2018

Revenue

	Three Months Ended September 30,			
	2019		2018	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage
	(In thousands)			
Home health and hospice services				
Home health ^(a)	\$ 21,307	24.1%	\$ 18,323	25.1%
Hospice	29,188	33.0	21,577	29.6
Home care and other ^(a)	4,676	5.3	3,937	5.4
Total home health and hospice services	55,171	62.4	43,837	60.1
Senior living services	33,227	37.6	29,116	39.9
Total revenue	\$ 88,398	100.0%	\$ 72,953	100.0%

(a) Home care and other revenue is included with home health revenue in other disclosures in this report.

Our combined revenue increased \$15.4 million, or 21.2%. Revenue from operations acquired on or subsequent to October 1, 2018 increased our combined revenue by \$10.1 million or 13.8% during the three months ended September 30, 2019 when compared to the same period in 2018.

Home Health and Hospice Services

	Three Months Ended September 30,			
	2019	2018	Change	% Change
	(In thousands)			
Home health and hospice revenue:				
Home health services	\$ 21,307	\$ 18,323	\$ 2,984	16.3%
Hospice services	29,188	21,577	7,611	35.3
Home care and other	4,676	3,937	739	18.8
Total home health and hospice revenue	\$ 55,171	\$ 43,837	\$ 11,334	25.9%
Home health services:				
Total home health admissions	5,556	4,523	1,033	22.8%
Average Medicare revenue per 60-day completed episode	\$ 3,173	\$ 3,001	\$ 172	5.7
Hospice services:				
Average daily census	1,788	1,379	409	29.7
Hospice Medicare revenue per day	\$ 163	\$ 159	\$ 4	2.5
Number of agencies at period end	63	50	13	26.0%

Home health and hospice revenue increased \$11.3 million, or 25.9%. Medicare and managed care revenue increased \$8.6 million, or 23.7%. The increase in revenue is due to growth in all key metrics listed above, and primarily driven by increases in total home health admissions of 22.8% and average daily census of 29.7%. Further revenue growth from operations acquired on or subsequent to October 1, 2018 increased our revenue by \$6.8 million or 15.6% during the three months ended September 30, 2019 from the addition of thirteen home health, hospice and home care operations.

Senior Living Services

	Three Months Ended September 30,		Change	% Change
	2019	2018		
	(In thousands)			
Revenue	\$ 33,227	\$ 29,116	\$ 4,111	14.1%
Number of communities at period end	52	45	7	15.6%
Occupancy percentage (units)	79.6%	80.0%	(0.4)%	
Average monthly revenue per occupied unit	\$ 3,111	\$ 3,032	\$ 79	2.6%

Senior living revenue increased \$4.1 million, or 14.1%, for the three months ended September 30, 2019 when compared to the same period in the prior year. This is due primarily to an increase of \$3.3 million or 11.5% in revenue from the addition of seven senior living operations acquired on or subsequent to October 1, 2018.

Cost of Services

The following table sets forth total cost of services by each of our reportable segments for the periods indicated:

	Cost of Services	
	Three Months Ended September 30, 2019	
	2019	2018
	(In thousands)	
Home Health and Hospice	\$ 46,570	\$ 36,478
Senior Living	21,716	17,689
Total cost of services	\$ 68,286	\$ 54,167

Combined cost of services increased \$14.1 million or 26.1%. Combined cost of services as a percentage of revenue increased by 3.0% to 77.2% compared to the three months ended September 30, 2018.

Home Health and Hospice Services

	Three Months Ended September 30,		Change	% Change
	2019	2018		
	(In thousands)			
Cost of service	\$ 46,570	\$ 36,478	\$ 10,092	27.7%
Cost of services as a percentage of revenue	84.4%	83.2%	1.2%	

Cost of services related to our home health and hospice services segment increased \$10.1 million, or 27.7%, primarily due to increased volume and higher operating costs related to acquisitions.

Senior Living Services

	Three Months Ended September 30,		Change	% Change
	2019	2018		
	(In thousands)			
Cost of service	\$ 21,716	\$ 17,689	\$ 4,027	22.8%
Cost of services as a percentage of revenue	65.4%	60.8%	4.6%	

Cost of services related to our senior living services segment increased \$4.0 million, or 22.8% and by 4.6% as a percent of revenue as a result of the increase in costs associated with newly acquired communities and additional field-based resources to support our growing infrastructure. Our acquisition focus is to opportunistically acquire underperforming operations. Historically, we generally experienced higher cost of services at newly acquired operations; and therefore, we anticipate fluctuation in cost of services as a percentage of revenue during years of acquisition growth.

Rent - Cost of Services. While actual rent increased from \$7.8 million in the three months ended September 30, 2018 to \$8.5 million in the three months ended September 30, 2019, rent as a percentage of total revenue decreased by 1.0% to 9.7% in the three months ended September 30, 2019 compared to the three months ended September 30, 2018, as the growth in revenue outpaced the increase in rent expense.

General and Administrative Expense. Our general and administrative expense increased from 6.1% to 9.7%, or from \$4.5 million to \$8.6 million in the three months ended September 30, 2019, primarily due to an increase in transaction related costs of \$3.4 million or 3.8%. Without the transaction costs related to the Spin-Off, general and administrative expense as a percentage of revenue would have slightly decreased. Additionally, in the three months ended September 30, 2019, general and administrative expenses of \$0.3 million were incurred as additions to the Company's ongoing cost structure in support of being a public company. The majority of general and administrative expenses relate to cost allocations for certain shared services provided to us by Ensign subsidiaries. Such allocations include, but are not limited to, executive management, accounting, human resources, information technology, compliance, legal, payroll, insurance, tax, treasury, and other general and administrative items. These costs were allocated to us on a basis of revenue, location, employee count, or other measures.

Depreciation and Amortization. Depreciation and amortization expense remained flat as a percentage of total revenue.

Provision for Income Taxes. Income tax expense recorded for the three months ended September 30, 2019 reflects tax benefits of approximately \$0.4 million from share-based payment awards that were partially offset by non-deductible items. See *Note 11, Income Taxes*, to the Interim Financial Statements included elsewhere in this Quarterly Report on Form 10-Q for further discussion.

Nine Months Ended September 30, 2019 Compared to the Nine Months Ended September 30, 2018

Revenue

	Nine Months Ended September 30,			
	2019		2018	
	Revenue Dollars	Revenue Percentage	Revenue Dollars	Revenue Percentage
	(In thousands)			
Home health and hospice services				
Home health ^(a)	\$ 61,532	24.7%	\$ 53,196	25.2%
Hospice	76,866	30.8	61,079	29.0
Home care and other ^(a)	13,098	5.3	10,569	5.0
Total home health and hospice services	151,496	60.8	124,844	59.2
Senior living services	97,543	39.2	85,877	40.8
Total revenue	\$ 249,039	100.0%	\$ 210,721	100.0%

(a) Home care and other revenue is included with home health revenue in other disclosures in this report.

Our combined revenue increased \$38.4 million, or 18.2%. Revenue from operations acquired on or subsequent to October 1, 2018 increased our combined revenue by \$19.9 million or 9.4% during the nine months ended September 30, 2019 when compared to the same period in 2018.

Home Health and Hospice Services

	Nine Months Ended September 30,		Change	% Change
	2019	2018		
	(In thousands)			
Home health and hospice revenue				
Home health services	\$ 61,532	\$ 53,196	\$ 8,336	15.7%
Hospice services	76,866	61,079	15,787	25.8
Home care and other	13,098	10,569	2,529	23.9
Total home health and hospice revenue	\$ 151,496	\$ 124,844	\$ 26,652	21.3%
Home health services:				
Total home health admissions	16,723	13,496	3,227	23.9%
Average Medicare Revenue per 60-day Completed Episode	\$ 3,072	\$ 2,968	\$ 104	3.5
Hospice services:				
Average daily census	1,625	1,310	315	24.0
Hospice Medicare revenue per day	\$ 164	\$ 160	\$ 4	2.5
Number of agencies at period end	63	50	13	26.0%

Home health and hospice revenue increased \$26.7 million, or 21.3%. Medicare and managed care revenue increased \$20.1 million, or 19.3%. The increase in revenue is due to growth in all key metrics listed above, and primarily driven by increases in total home health admissions of 23.9% and average daily census of 24.0%. Further growth was driven by an increase of \$11.1 million or 8.9% from the addition of thirteen home health, hospice and home care operations between October 1, 2018 and September 30, 2019.

Senior Living Services

	Nine Months Ended September 30,		Change	% Change
	2019	2018		
	(In thousands)			
Revenue	\$ 97,543	\$ 85,877	\$ 11,666	13.6%
Number of communities at period end	52	45	7	15.6%
Occupancy percentage (units)	79.9%	79.1%	0.8%	
Average monthly revenue per occupied unit	\$ 3,110	\$ 3,046	\$ 64	2.1%

Senior living revenue increased \$11.7 million, or 13.6%, for the nine months ended September 30, 2019 when compared to the same period in the prior year. We experienced an increase in occupancy of 0.8%, coupled with an increase of \$8.8 million or 10.3% in revenue from the addition of seven senior living operations acquired between October 1, 2018 and September 30, 2019.

Cost of Services

The following table sets forth total cost of services by each of our reportable segments for the periods indicated:

	Cost of Services			
	Nine Months Ended September 30,			
	2019		2018	
	(In thousands)			
Home Health and Hospice	\$	128,013	\$	104,782
Senior Living		62,040		51,326
Total cost of services	\$	190,053	\$	156,108

Combined cost of services increased \$33.9 million or 21.7%. Combined cost of services as a percentage of revenue increased by 2.2% to 76.3% compared to the nine months ended September 30, 2018.

Home Health and Hospice Services

	Nine Months Ended September 30,			
	2019		2018	
	(In thousands)			
Cost of service	\$	128,013	\$	104,782
Cost of services as a percentage of revenue		84.5%	83.9%	0.6%
			Change	% Change

Cost of services related to our home health and hospice services segment increased \$23.2 million, or 22.2%, primarily due to increased volume as well as higher costs related to acquisitions. Included in cost of services is a one-time broker fee of \$0.4 million related to new agencies acquired in the current period. Without this fee, cost of services would have been 84.2%, an increase of 0.3%.

Senior Living Services

	Nine Months Ended September 30,			
	2019		2018	
	(In thousands)			
Cost of service	\$	62,040	\$	51,326
Cost of services as a percentage of revenue		63.6%	59.8%	3.8%
			Change	% Change

Cost of services related to our senior living services segment increased \$10.7 million, or 20.9%, and by 3.8% as a percent of revenue as a result of the increase in costs associated with newly acquired communities and additional field-based resources to support our growing infrastructure. Our acquisition focus is to opportunistically acquire underperforming operations. Historically, we generally experienced higher cost of services at newly acquired operations; and therefore, we anticipate fluctuation in cost of services as a percentage of revenue during years of acquisition growth.

Rent - Cost of Services. While actual rent increased from \$23.1 million in the nine months ended September 30, 2018 to \$25.4 million in the nine months ended September 30, 2019, rent as a percentage of total revenue decreased by 0.7% to 10.2% in the nine months ended September 30, 2019 compared to the nine months ended September 30, 2018, as the growth in revenue outpaced the increase in rent expense.

General and Administrative Expense. Our general and administrative expense increased from 6.4% to 9.5%, or from \$13.5 million to \$23.7 million, primarily due to an increase in transaction related costs of \$8.0 million or 3.2%. Without the transaction costs related to the Spin-Off, general and administrative expense as a percentage of revenue would have slightly

decreased. Additionally, in the nine months ended September 30, 2019, general and administrative expenses of \$0.6 million were incurred as additions to the Company's ongoing cost structure in support of being a public company. The majority of general and administrative expenses relate to cost allocations for certain shared services provided to us by Ensign subsidiaries. Such allocations include, but are not limited to, executive management, accounting, human resources, information technology, compliance, legal, payroll, insurance, tax, treasury, and other general and administrative items. These costs were allocated to us on a basis of revenue, location, employee count, or other measures.

Depreciation and Amortization. Depreciation and amortization expense remained relatively flat as a percentage of total revenue.

Provision for Income Taxes. Income tax expense recorded for the nine months ended September 30, 2019 reflects tax benefits of approximately \$1.7 million from share-based payment awards that were partially offset by non-deductible items. The rate is further impacted by transaction costs related to the Spin-Off that were deductible prior to completing the transaction on October 1, 2019.

See *Note 11, Income Taxes*, to the Interim Financial Statements included elsewhere in this report filed on Form 10-Q for further discussion.

The transaction costs related to the Spin-Off in general and administrative expense were deductible for tax purposes before the Spin-Off occurred. However, with the completion of the Spin-Off during the fourth quarter, a significant portion of those costs will likely be permanently nondeductible. We anticipate the nondeductible portion of the costs incurred in connection with the Spin-Off to date could increase the effective tax rate by between 15% and 25% in the fourth quarter.

Liquidity and Capital Resources

The cash presented in the combined balance sheets represents cash located at our operations. No cash was allocated to us in the Interim Financial Statements because the net activity of cash due to (from) Ensign is reflected in the net parent investment. Following the Spin-Off, we will no longer participate in a cash management arrangement with Ensign. Our principal sources of liquidity following the Spin-Off will be our cash on hand, our ability to generate cash through operations, and any available funding arrangements and financing facilities we enter into.

New Credit Agreement

Subsequent to the period ended September 30, 2019, on October 1, 2019, Pennant entered into a credit agreement (the "Credit Agreement"), which provides for a revolving credit facility with a syndicate of banks with a borrowing capacity of \$75.0 million (the "Revolving Credit Facility"). The interest rates applicable to loans under the Revolving Credit Facility are, at the Company's election, either LIBOR ("Adjusted LIBOR" as defined in the Credit Agreement) plus a margin ranging from 2.5% to 3.5% per annum or Base Rate plus a margin ranging from 1.5% to 2.5% per annum, in each case based on the ratio of Consolidated Total Net Debt to Consolidated EBITDA (each, as defined in the Credit Agreement). In addition, Pennant will pay a commitment fee on the undrawn portion of the commitments under the Revolving Credit Facility that is estimated to be 0.6% per annum.

The Revolving Credit Facility will not be subject to interim amortization and the Company will not be required to repay any loans under the Revolving Credit Facility prior to maturity in 2024. The Company will be permitted to prepay all or any portion of the loans under the Revolving Credit Facility prior to maturity without premium or penalty, subject to reimbursement of any LIBOR breakage costs of the lenders.

In connection with the Spin-Off, we incurred outstanding indebtedness of \$30.0 million. The amount reflects proceeds from issuance of indebtedness under the Revolving Credit Facility, including approximately \$1.3 million in financing cost. The proceeds from the issuance of indebtedness were used to pay a dividend to Ensign of \$11.6 million as well as spin-off related transaction costs and for general working capital purposes.

We believe that our existing cash, cash equivalents, cash generated through operations and our access to financing facilities, together with funding through third-party sources such as commercial banks, will be sufficient to fund our operating activities, anticipated capital expenditures and growth needs.

New Insurance Coverage

In connection with the Spin-off, the Company obtained stand-alone insurance policies to cover general and professional liability, workers compensation, and Directors and Officers liability. We believe the change in insurance coverage will not materially impact our cost of service or general and administrative cost structure.

The following table presents selected data from our combined statement of cash flows for the periods presented:

	Nine Months Ended September 30,	
	2019	2018
	(In thousands)	
Net cash provided by operating activities	\$ 12,196	\$ 16,202
Net cash used in investing activities	(22,506)	(5,545)
Net cash provided by/(used in) financing activities	10,316	(10,652)
Net increase in cash	6	5
Cash at beginning of year	41	36
Cash at end of year	\$ 47	\$ 41

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Our net cash provided by operating activities for the nine months ended September 30, 2019 decreased by \$4.0 million. The decrease was primarily due to a decrease in net income as a result of Spin-Off related transaction costs and cash used in support of newly acquired operations.

Our net cash used in investing activities for the nine months ended September 30, 2019 increased by \$17.0 million. This use of cash is primarily attributable to our spending on business and asset acquisitions which increased by \$16.8 million, and an increase in capital expenditure spending of \$1.6 million.

Our net cash provided by/(used in) financing activities in all periods presented reflect net transactions with Ensign resulting from operating and investing activities discussed above.

Contractual Obligations, Commitments and Contingencies

The following table sets forth our lease obligations as of December 31, 2018, including the future periods in which payments are expected:

	2019	2020	2021	2022	2023	Thereafter	Total
	(In thousands)						
Operating lease obligations	\$ 33,055	\$ 32,181	\$ 31,625	\$ 31,241	\$ 30,896	\$ 243,333	\$ 402,331

In connection with the Spin-Off, we amended our master lease agreements with Ensign and certain other landlords. Annual future minimum lease payments are expected to initially increase by approximately \$3.6 million due to the modifications.

Inflation

We have historically derived a portion of our revenue from the Medicare program. We also derive revenue from state Medicaid and similar reimbursement programs. Payments under these programs generally provide for reimbursement levels that are adjusted for inflation annually based upon the state's fiscal year for the Medicaid programs and in October for the Medicare program. These adjustments may not continue in the future, and even if received, such adjustments may not reflect the actual increase in our costs for providing healthcare services.

Labor and supply expenses make up a substantial portion of our cost of services. Those expenses can be subject to increase in periods of rising inflation, increases to wage minimums, and when labor shortages occur in the marketplace. To date, we have

generally been able to implement cost control measures or obtain increases in reimbursement sufficient to offset increases in these expenses. We may not be successful in offsetting future cost increases.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

On October 1, 2019, in connection with the Spin-Off, we entered into a \$75 million revolving credit facility which exposes us to market risk. Borrowings under the revolving credit facility are subject to variable interest rates. As a result, we will be exposed to fluctuations in interest rates to the extent of our borrowings under the revolving credit facility. See Note 15, *Subsequent Events* to our Interim Financial Statements presented herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for a description of our current indebtedness. We manage our exposure to these risks by monitoring available financing alternatives, through pricing policies and potentially entering into derivative arrangements. We will evaluate our exposure to fluctuations in interest rates and how to manage such exposure on an ongoing basis.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no material changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings*

The information provided in Note 14, *Commitments and Contingencies* included in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. *Risk Factors*

We have disclosed under the heading “Risk Factors” in our Information Statement included as Exhibit 99.1 to our Registration Statement on Form 10 (File No. 001-38900), filed with the SEC on September 3, 2019, risk factors that materially affect our business, financial condition or results of operations.

Other than the item discussed below, there have been no material changes from the risk factors previously disclosed. You should carefully consider the risk factors set forth in the Information Statement and the other information set forth elsewhere in this Quarterly Report on Form 10-Q. You should be aware that these risk factors and other information may not describe every risk facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Our revenue could be impacted by federal and state changes to reimbursement and other aspects of Medicaid and Medicare.

On October 31, 2019, CMS issued its 2020 HH PPS final rule. The final rule implements the Patient-Driven Groupings Model (PDGM), a revised case mix adjustment methodology, for all home health episodes that begin on or after January 1, 2020. PDGM changes the unit of home health payment from a 60-day episode to a 30-day period and refines case mix calculation by removing therapy thresholds and adjusting reimbursement based on patient characteristics such as principal diagnoses and clinical grouping, functional impairment levels, comorbidities, and admission source and timing. CMS estimates the final rule will result in a \$250 million (1.3%) increase in payments to home health providers in 2020, including a negative 4.36% behavioral change assumption. The final rule confirms that Requests for Anticipated Payment (“RAPs”) will be phased out partially in 2020 and fully eliminated in 2021. The final rule also modifies the Home Health Value Based Purchasing model, updates Home Health Quality Reporting Program requirements, and finalizes home unfusion therapy payment provisions.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

None.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Mine Safety Disclosures*

None.

Item 5. *Other Information*

None.

Item 6. Exhibits

EXHIBIT INDEX

<u>Exhibit</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

November 12, 2019

The Pennant Group, Inc.

BY: /s/ JENNIFER L. FREEMAN
Jennifer L. Freeman
Chief Financial Officer (Principal Financial Officer and Duly
Authorized Officer)

I, Daniel H Walker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Ventures;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Daniel H Walker

Name: Daniel H Walker

Title: Chairman, Chief Executive Officer and President

I, Jennifer L. Freeman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Ventures;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2019

/s/ Jennifer L. Freeman

Name: Jennifer L. Freeman

Title: *Chief Financial Officer*

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of New Ventures (the Company) on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Daniel H Walker, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Daniel H Walker

Name: Daniel H Walker

Title: Chairman, Chief Executive Officer and President

November 12, 2019

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of New Ventures (the Company) on Form 10-Q for the period ended September 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jennifer L. Freeman, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1 The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2 The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jennifer L. Freeman

Name: Jennifer L. Freeman

Title: *Chief Financial Officer*

November 12, 2019

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 11

**SYMBOL HEALTHCARE,
INC. 2020-2021**

Hospice assumptions and calculations

	2020	2021	2022	Estimated 2023	Estimated 2024	
GRAYS HARBOR COUNTY UNMET NEED ADC	35	37	39			WA DOH Numeric Need Methodology 10/30/20
NUMERIC NEED OF 1	1	1	1			WA DOH Numeric Need Methodology 10/30/20
TOTAL ADC	35	37	39	41	43	WA DOH Numeric Need Methodology 10/30/20

Patient Days

GRAYS HARBOR COUNTY UNMET NEED PATIENT DAYS	12,688	13,418	14,147			WA DOH Numeric Need Methodology 10/30/20
Numeric need	1	1	1			
unmet patient days	12,688	13,418	14,147	14,876	15,605	WA DOH Numeric Need Methodology 10/30/20

ALOS IN WASHINGTON STATE	62.66	62.66	62.66	62.66	62.66	WA DOH Numeric Need Methodology 10/30/20
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GRAYS HARBOR County unduplicated admissions calculation

Unmet annual admits	202.49	214.14	225.77	237.41	249.04	
Monthly admits	16.87	17.84	18.81	19.78	20.75	*Unduplicated Admissions required to cover 100%

Assumptions and Projections

3 full years of patient care required

Assumes 1/1/22 start date

	2022	2023	2024
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Patient Days	10,610	11,901	13,264	Projected service for 75% in 2022, 80% in 2023 and 85% 2024
Annual admissions - Unduplicated Patients with ALOS of 62.66	169	190	212	
Monthly Unduplicated Patient admissions	14	16	18	

GRAYS HARBOR County	2022	2023	2024	
Routine Home Care	1,721,356	1,930,728	2,151,928	Days of Care x Per Diem Rates
Inpatient Respite	72,917	81,786	91,157	Days of Care x Per Diem Rates
Continuous Home Care	10,048	11,271	12,562	Days of Care x Per Diem Rates: Assume 8 hour shift per unmet day
General InPatient	33,089	37,114	41,366	Days of Care x Per Diem Rates
Gross revenue subtotal	1,837,411	2,060,899	2,297,012	

Payor Mix				
Medicare	94.6%	94.6%	94.6%	Based on total Cornerstone averages
Medicaid	4.0%	4.0%	4.0%	Based on total Cornerstone averages
Commercial	1.2%	1.2%	1.2%	Based on total Cornerstone averages
Other	0.2%	0.2%	0.2%	Based on total Cornerstone averages
Subtotal	100%	100%	100%	

Gross revenue by Payor Mix				
GRAYS HARBOR County	2022	2023	2024	
Medicare	1,738,190	1,949,611	2,172,973	Gross revenue by Type of Care x Payor Mix
Medicaid	73,496	82,436	91,880	Gross revenue by Type of Care x Payor Mix
Commercial	22,049	24,731	27,564	Gross revenue by Type of Care x Payor Mix
Other	3,675	4,122	4,594	Gross revenue by Type of Care x Payor Mix
Gross revenue subtotal	1,837,411	2,060,899	2,297,012	

Adjustments to revenue	2022	2023	2024	
Contractual adjustments				
Medicare Managed Care, Medicaid				
Managed Care, Private Pay, Third				
Party Ins	(36,748)	(41,218)	(45,940)	Assumed 2%
Charity Care	(91,871)	(103,045)	(114,851)	Assumed 5%
Provisions for Bad Debt	(18,374)	(20,609)	(22,970)	Assumed 1%
Total Adjustments to Revenue	(146,993)	(164,872)	(183,761)	

Total Net Revenue	1,690,418	1,896,027	2,113,251
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EXPENSES

PATIENT CARE COSTS

Clinical Staff by FTE	2022	2023	2024	Annual Comp/FTE	Note
Registered Nurse	4.4	4.9	5.5	76,000	1 RN/12 ADC and .8 RN/12 ADC for weekend/night/call rotation
Certified Nursing Assistant	2.9	3.3	3.6	31,200	1 CNA/10 ADC
Licensed Clinical Social Worker	1.0	1.1	1.2	71,000	1 LCSW/30 ADC; Also covers Volunteer Coordinator until ADC of 60
Spiritual Care Coordinator	1.0	1.1	1.2	56,000	1 SCC/30 ADC; Also covers Bereavement Coordinator until ADC of 60
Director of Clinical Services	0.7	0.8	0.9	110,000	1/DPS/40 ADC includes QAPI-salary is 50% of total for service area expansion
Total	9.9	11.1	12.4		

Clinical Staffing	2022	2023	2024	Note
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Compensation and Benefits

Registered Nurse	331,389	371,696	414,281	FTE x Annual Compensation
Certified Nursing Assistant	90,696	101,727	113,382	FTE x Annual Compensation
Licensed Clinical Social Worker	68,797	77,165	86,006	FTE x Annual Compensation
Spiritual Care Coordinator	54,262	60,863	67,835	FTE x Annual Compensation
Director of Clinical Services	39,970	44,832	49,968	FTE x Annual Compensation-salary is 50% of total for service area expansion
Payroll Taxes & Benefits	175,534	196,885	219,442	30% of Base Compensation
Total	760,648	853,168	950,913	

Contracted Patient Care	2022	2023	2024	Note
Medical Director	49,708	55,754	62,142	MD rate of \$190/hr. per contract. Assumption of .75hrs/ADC
Physical Therapist	1,109	1,244	1,386	\$42.38/hr 1.5 hours/20 ADC/Month
Occupational Therapist	1,027	1,152	1,284	\$39.26/hr 1.5 hours/20 ADC/Month
Speech Therapist	930	1,043	1,163	\$35.55/hr 1.5 hours/20 ADC/Month
Dietitian	871	977	1,089	\$33.29/hr 1.5 hours/20 ADC/Month
Total	53,645	60,170	67,064	

Direct Patient Care Costs	2022	2023	2024	Note
DME	64,086	71,881	80,116	\$6.04/PPD based on Cornerstone averages
Pharmacy	75,227	84,377	94,044	\$7.09/PPD based on Cornerstone averages
General Inpatient Costs	33,089	37,114	41,366	\$1039.53 per General Inpatient DOC
Medical Supplies	27,481	30,823	34,354	\$2.59/PPD based on Cornerstone averages
Inpatient Respite	72,917	81,786	91,157	\$458.16 per Inpatient Respite DOC
Room and Board	4,775	5,355	5,969	\$.45/PPD based on Cornerstone averages
Mileage	38,197	42,843	47,751	Estimate 8 miles/DOC reimbursed at \$.45/mile based on existing local agency
Subtotal	315,771	354,179	394,757	

Total Direct Patient Care Costs	1,130,065	1,267,517	1,412,734
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ADMINISTRATIVE COSTS

Administrative Staff by FTE	2022	2023	2024	Annual Comp/FTE	Note
Administrator	0.25	0.25	0.25	100,000	
Business Office Manager, Medical					
Records, Scheduling	1.0	1.1	1.2	50,000	1 BOM/30 ADC
Intake	1.0	1.0	1.0	52,000	
Community Liaison	1.0	1.1	1.2	65,000	1 CL/30 ADC
Total	3.2	3.4	3.7		

Administrative Compensation and Benefits

	2022	2023	2024	Note
Administrator	25,000	25,000	25,000	FTE x Annual Compensation, represents 25% of Administrator
Business Office Manager, Medical				
Records, Scheduling	48,449	54,342	60,567	FTE x Annual Compensation
Intake	52,000	52,000	52,000	FTE x Annual Compensation
Community Liaison	62,983	70,644	78,738	FTE x Annual Compensation

Payroll Taxes & Benefits	56,530	60,596	64,891	30% of Base Compensation
Total	244,961	262,581	281,196	

Administration Costs	2022	2023	2024	Note
Advertising	20,904	18,960	21,133	\$4,000 launch plus 1% of revenue
Allocated Costs	91,871	103,045	114,851	5% Allocation to Cornerstone Service Center for support; Legal, HR, Accounting, IT, and Clinical
B & O Taxes	27,561	30,913	34,455	1.5% of Gross Revenue
Dues & Subscriptions	2,250	2,250	2,250	\$375/month, primarily Medbridge, 50%
Education and trainings Information	10,000	10,000	10,000	\$10,000/year, Continuing education including Clinical education and compliance
Technology/Computer/Software				
Maintenance	7,500	7,500	7,500	\$1250/month, 50%
Insurance	600	600	600	Liability and property content, 50%
Legal and professional	-	-	-	Included in Allocated Costs to Cornerstone Service Center
Licenses and Fees	-	1,500	1,500	First year Accreditation \$3,100, Survey \$7,500, Annual State License, 50% of \$3,000
Postage	3,000	3,000	3,000	\$500/month, 50%
Purchased services	6,000	6,000	6,000	\$1000/month; bank fees, system access: HCHB, SHP, Workday, 50%
Repairs and Maintenance	900	900	900	\$150/month, 50%
Cleaning	1,260	1,260	1,260	\$210/month, 50%
Office supplies	1,500	1,500	1,500	\$250/month, 50%
Equipment lease & maintenance	3,000	3,000	3,000	\$500/month, copier and postage machines, 50%
Building rent or lease	6,815	7,016	7,225	lease is 25% of total lease per year
Lease NNN or Common Area				
Maintenance charges	1,734	1,734	1,734	Triple net is 25% of total triple net per year
Recruitment	5,000	3,000	3,000	\$5,000 startup and \$250/month following
Telephones	11,659	12,612	13,619	\$55/FTE/month + \$250/month for landlines
Travel	6,500	5,000	5,000	First year \$6,500 support and launch, \$5,000 thereafter
Subtotal	208,054	219,791	238,526	

	YEAR	BASE RENT	NNN	SQ FT	LEASE PER YR	NNN PER YR
Total Administrative Expense	2022	\$ 18.27	\$ 4.65	1492	27,258.84	6,937.80
	2023	\$ 18.81	\$ 4.65	1492	28,064.52	6,937.80
TOTAL COSTS	2024	\$ 19.37	\$ 4.65	1492	28,900.04	6,937.80

EBITDA	107,338	146,138	180,794
EBITDA Margin %	6.3%	7.7%	8.6%

Depreciation	1,333	1,333	1,334
Amortization	-	-	-

EBIT	106,005	144,805	179,460
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Interest Expense	-	-	-
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Earnings before Taxes	106,005	144,805	179,460
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LEASE COST: 25% OF TUMWATER LEASE			
YEAR	2022	2023	2024
LEASE ANNUAL	\$ 6,814.71	\$ 7,016.13	\$ 7,225.01
LEASE MONTHLY	\$ 567.89	\$ 584.68	\$ 602.08
NNN ANNUAL	\$ 1,734.45	\$ 1,734.45	\$ 1,734.45
NNN MONTHLY	\$ 144.54	\$ 144.54	\$ 144.54

TOTAL ANNUAL RATE

2022	34,196.64
2023	35,002.32
2024	35,837.84

SYMBOL HEALTHCARE, INC. 2020-2021

**PRO FORMA-HOSPICE ONLY
GRAYS HARBOR CO
REVENUE**

Gross revenue by type of care

GRAYS HARBOR County	2022	2023	2024	
Routine Home Care	1,721,356	1,930,728	2,151,928	Days of Care x Per Diem Rates
Inpatient Respite	72,917	81,786	91,157	Days of Care x Per Diem Rates
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Gross revenue subtotal	1,837,411	2,060,899	2,297,012	

Adjustments to revenue	2022	2023	2024	
Contractual adjustments Medicare Managed Care, Medicaid Managed Care, Private Pay, Third Party Ins	(36,748)	(41,218)	(45,940)	Assumed 2%
Charity Care	(91,871)	(103,045)	(114,851)	Assumed 5%
Provisions for Bad Debt	(18,374)	(20,609)	(22,970)	Assumed 1%
Total Adjustments to Revenue	(146,993)	(164,872)	(183,761)	

Total Net Revenue	1,690,418	1,896,027	2,113,251
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EXPENSES

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Speech Therapist	930	1,043	1,163	\$35.55/hr	1.5 hours/20 ADC/Month
Dietitian	871	977	1,089	\$33.29/hr	1.5 hours/20 ADC/Month

Total	53,645	60,170	67,064
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Direct Patient Care Costs	2022	2023	2024	Note
DME	64,086	71,881	80,116	\$6.04/PPD based on Cornerstone averages
Pharmacy	75,227	84,377	94,044	\$7.09/PPD based on Cornerstone averages
General Inpatient Costs	33,089	37,114	41,366	\$1039.53 per General Inpatient DOC
Medical Supplies	27,481	30,823	34,354	\$2.59/PPD based on Cornerstone averages
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Mileage	38,197	42,843	47,751	Estimate 8 miles/DOC reimbursed at \$.45/mile based on existing local agency
Subtotal	315,771	354,179	394,757	

Total Direct Patient Care Costs	1,130,065	1,267,517	1,412,734
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ADMINISTRATIVE COSTS

Administrative Compensation and

Benefits	2022	2023	2024	Note
Administrator	25,000	25,000	25,000	FTE x Annual Compensation, represents 25% of Administrator
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Records, Scheduling	48,449	54,342	60,567	FTE x Annual Compensation
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B & O Taxes	27,561	30,913	34,455	1.5% of Gross Revenue
Dues & Subscriptions	2,250	2,250	2,250	\$375/month, primarily Medbridge, 50%
Education and trainings	10,000	10,000	10,000	\$10,000/year, Continuing education including Clinical education and compliance
Information				
Technology/Computer/Software				
Maintenance	7,500	7,500	7,500	\$1250/month, 50%
Insurance	600	600	600	Liability and property content, 50%
Legal and professional	-	-	-	Included in Allocated Costs to Cornerstone Service Center
Licenses and Fees	-	1,500	1,500	First year Accreditation \$3,100, Survey \$7,500, Annual State License, 50% of \$3,000
Postage	3,000	3,000	3,000	\$500/month, 50%
Purchased services	6,000	6,000	6,000	\$1000/month; bank fees, system access: HCHB, SHP, Workday, 50%
Repairs and Maintenance	900	900	900	\$150/month, 50%
Cleaning	1,260	1,260	1,260	\$210/month, 50%
Office supplies	1,500	1,500	1,500	\$250/month, 50%

Equipment lease & maintenance	3,000	3,000	3,000	\$500/month, copier and postage machines, 50%
Building rent or lease	6,815	7,016	7,225	lease is 25% of total lease per year
Lease NNN or Common Area				
Maintenance charges	1,734	1,734	1,734	Triple net is 25% of total triple net per year
Recruitment	5,000	3,000	3,000	\$5,000 startup and \$250/month following
Telephones	11,659	12,612	13,619	\$55/FTE/month + \$250/month for landlines
Travel	6,500	5,000	5,000	First year \$6,500 support and launch, \$5,000 thereafter
Subtotal	208,054	219,791	238,526	

Total Administrative Expense	453,016	482,373	519,723
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TOTAL COSTS	1,583,080	1,749,890	1,932,457
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EBITDA	107,338	146,138	180,794
EBITDA Margin %	6.3%	7.7%	8.6%

Depreciation	1,333	1,333	1,334
Amortization	-	-	-

EBIT	106,005	144,805	179,460
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Interest Expense	-	-	-
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Earnings before Taxes	106,005	144,805	179,460
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SYMBOL HEALTHCARE, INC. 2020-2021

BALANCE SHEET-HOSPICE ONLY

	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	(10,246)	122,734	290,157
Accounts Receivable	191,712	215,031	239,666
Allowance for Bad Debt	(7,668)	(8,601)	(9,587)
Prepaid Assets	712	729	747
Total Current Assets	174,511	329,893	520,983
Property and Equipment			
Leasehold Improvements	-	-	-
Furniture & Equipment	5,000	5,000	5,000
Accumulated			
Deprciation/Amortization	(1,333)	(2,666)	(4,000)
Total Property and Equipment	3,667	2,334	1,000
Other Assets			
Security Deposit	2,137.29	2,187.65	2,239.87
Start Up Costs	15,000	15,000	15,000
Other Assets	-	-	-
Total Other Assets	17,137	17,188	17,240
Total Assets	195,315	349,415	539,223
Liabilities			
Current Liabilities			
Accounts Payable/Credit Card			
Payable	47,410	52,116	57,616
Payroll Liabilities	41,900	46,490	51,338
Total Current Liabilities	89,311	98,605	108,954
Long Term Liabilities			
Other Liabilities	-	-	-
Hospice CAP			
Total Long Term Liabilities	-	-	-
Total Liabilities	89,311	98,605	108,954

Equity

Retained Earnings	-	106,005	250,809
Net Income	106,005	144,805	179,460
Total Equity	106,005	250,809	430,270

Total Liabilities and Equity

195,315	349,415	539,223
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**CORNERSTONE HEALTHCARE INC &
GRAYS HARBOR CO CN**

For the Twelve Months Ending
December 31
Actuals through November 2020

	2019	2020	2021	2022	2023	2024
Total Net Home Health Revenue	83,330,325.78	95,653,569.45	95,653,569.45	95,653,569.45	95,653,569.45	95,653,569.45
Total Net Hospice Revenue	104,257,493.90	132,264,834.36	132,264,834.36	132,264,834.36	132,264,834.36	132,264,834.36
TOTAL NET CN HOSPICE REVENUE				1,690,417.68	1,896,027.22	2,113,251.13
Total Net Other Revenue	19,037,189.70	20,945,373.53	20,945,373.53	20,945,373.53	20,945,373.53	20,945,373.53
TOTAL NET REVENUE	206,625,009.38	248,863,777.34	248,863,777.34	250,554,195.03	250,759,804.56	250,977,028.47
DIRECT COSTS						
HH- Therapy Wages	18,091,410.76	18,656,098.93	18,656,098.93	18,656,098.93	18,656,098.93	18,656,098.93
HH- Therapy Benefits	3,879,327.56	4,286,758.07	4,286,758.07	4,286,758.07	4,286,758.07	4,286,758.07
HH- Therapy Mileage	1,050,784.46	1,120,911.57	1,120,911.57	1,120,911.57	1,120,911.57	1,120,911.57
HH - Therapy Other	2,593,153.96	1,924,651.61	1,924,651.61	1,924,651.61	1,924,651.61	1,924,651.61
Total Home Health Therapy	25,614,676.74	25,988,420.18	25,988,420.18	25,988,420.18	25,988,420.18	24,867,508.61
HH- CNA Wages	1,853,844.97	1,533,907.55	1,533,907.55	1,533,907.55	1,533,907.55	1,533,907.55
HH- CNA Benefits	593,059.10	494,226.60	494,226.60	494,226.60	494,226.60	494,226.60
HH- CNA Mileage	400,175.52	390,168.08	390,168.08		390,168.08	390,168.08
HH - CNA Other	33,386.66	23,936.23	23,936.23	23,936.23	23,936.23	23,936.23
Total Home Health CNA	2,880,466.25	2,442,238.45	2,442,238.45	1,557,843.77	2,442,238.45	2,442,238.45
HH- Nursing Wages	16,975,250.59	17,794,430.53	17,794,430.53	17,794,430.53	17,794,430.53	17,794,430.53
HH- Nursing Benefits	4,150,235.28	4,427,577.03	4,427,577.03	4,427,577.03	4,427,577.03	4,427,577.03
HH- Nursing Mileage	1,218,111.08	1,298,862.15	1,298,862.15	1,298,862.15	1,298,862.15	1,298,862.15
HH - Nursing Other	203,675.04	133,799.81	133,799.81	133,799.81	133,799.81	133,799.81
Total Home Health Skilled Nursing	22,547,271.99	23,654,669.53	23,654,669.53	23,654,669.53	23,654,669.53	23,654,669.53
HH - SS Wages	1,011,718.72	1,145,580.10	1,145,580.10	1,145,580.10	1,145,580.10	1,145,580.10
HH - SS Benefits	270,130.52	271,553.31	271,553.31	271,553.31	271,553.31	271,553.31
HH - SS Mileage	67,827.08	54,073.83	54,073.83	54,073.83	54,073.83	54,073.83
HH - SS Other	22,129.15	13,106.32	13,106.32	13,106.32	13,106.32	13,106.32

uired to cover 100%

2023 and 85% 2024

Total Home Health Social Services	1,371,805.47	1,484,313.57	1,484,313.57	1,484,313.57	1,484,313.57	1,484,313.57
HH - Supplies	1,378,194.36	1,601,735.20	1,601,735.20	1,601,735.20	1,601,735.20	1,601,735.20
HH - Other Direct Costs	34,181.91	29,924.78	29,924.78	29,924.78	29,924.78	29,924.78
TOTAL DIRECT COSTS - HOME HEALTH	53,826,596.72	55,201,301.72	55,201,301.72	54,316,907.04	55,201,301.72	54,080,390.15
Hospice- CNA Wages	3,777,051.50	4,113,266.72	4,113,266.72	4,113,266.72	4,113,266.72	4,113,266.72
Hospice- CNA Benefits	804,797.31	1,084,706.92	1,084,706.92	1,084,706.92	1,084,706.92	1,084,706.92
Hospice- CNA Mileage	596,762.44	672,418.36	672,418.36	672,418.36	672,418.36	672,418.36
Hospice - CNA Other	49,076.27	51,166.41	51,166.41	51,166.41	51,166.41	51,166.41
Total Hospice CNA	5,227,687.52	5,921,558.41	5,921,558.41	5,921,558.41	5,921,558.41	5,921,558.41
Hospice- Nursing Wages	15,795,048.01	18,996,827.21	18,996,827.21	18,996,827.21	18,996,827.21	18,996,827.21
Hospice- Nursing Benefits	3,162,069.85	3,995,478.40	3,995,478.40	3,995,478.40	3,995,478.40	3,995,478.40
Hospice- Nursing Mileage	835,216.61	902,949.00	902,949.00	902,949.00	902,949.00	902,949.00
Hospice - Nursing Other	237,817.97	143,323.77	143,323.77	143,323.77	143,323.77	143,323.77
Total Hospice Skilled Nursing	20,030,152.44	24,038,578.39	24,038,578.39	24,038,578.39	24,038,578.39	24,038,578.39
Hospice - SS Wages	2,993,291.30	3,564,010.82	3,564,010.82	3,564,010.82	3,564,010.82	3,564,010.82
Hospice - SS Benefits	587,353.36	729,426.96	729,426.96	729,426.96	729,426.96	729,426.96
Hospice - SS Mileage	196,155.60	165,931.13	165,931.13	165,931.13	165,931.13	165,931.13
Hospice - SS Other	10,919.30	7,641.56	7,641.56	7,641.56	7,641.56	7,641.56
Total Hospice Social Services	3,787,719.56	4,467,010.47	4,467,010.47	4,467,010.47	4,467,010.47	4,467,010.47
Hospice - Chaplain Wages	1,847,352.25	2,191,279.16	2,191,279.16	2,191,279.16	2,191,279.16	2,191,279.16
Hospice - Chaplain Benefits	372,227.24	458,083.21	458,083.21	458,083.21	458,083.21	458,083.21
Hospice - Chaplain Mileage	169,916.57	150,485.21	150,485.21	150,485.21	150,485.21	150,485.21
Hospice - Chaplain Other	1,530.79	2,239.48	2,239.48	2,239.48	2,239.48	2,239.48
Total Hospice Chaplain	2,391,026.85	2,802,087.07	2,802,087.07	2,802,087.07	2,802,087.07	2,802,087.07
Hospice - Volunteer Wages	477,287.70	505,048.33	505,048.33	505,048.33	505,048.33	505,048.33
Hospice - Volunteer Benefits	106,450.10	131,031.10	131,031.10	131,031.10	131,031.10	131,031.10
Hospice - Volunteer Mileage	29,081.84	12,454.83	12,454.83	12,454.83	12,454.83	12,454.83
Hospice - Volunteer Other	13,794.85	14,239.36	14,239.36	14,239.36	14,239.36	14,239.36
Total Hospice Volunteer	626,614.49	662,773.63	662,773.63	662,773.63	662,773.63	662,773.63
Hospice - Pharmacy	4,258,088.85	4,792,192.48	4,792,192.48	4,792,192.48	4,792,192.48	4,792,192.48
Hospice - Supplies	1,668,941.20	1,967,110.54	1,967,110.54	1,967,110.54	1,967,110.54	1,967,110.54

Hospice - DME	3,746,223.89	4,539,232.46	4,539,232.46	4,539,232.46	4,539,232.46	4,539,232.46
Hospice- Room and Board	8,915,545.38	10,734,623.32	10,734,623.32	10,734,623.32	10,734,623.32	10,734,623.32
Hospice - Respite and GIP	579,196.15	507,343.82	507,343.82	507,343.82	507,343.82	507,343.82
Hospice - Other Direct Costs	241,335.63	264,897.72	264,897.72	264,897.72	264,897.72	264,897.72
TOTAL DIRECT COSTS - HOSPICE	51,472,531.96	60,697,408.31	60,697,408.31	60,697,408.31	60,697,408.31	60,697,408.31
Palliative - Nursing Wages		106,244.87	106,244.87	106,244.87	106,244.87	106,244.87
Palliative - Nursing Benefits		25,150.01	25,150.01	25,150.01	25,150.01	25,150.01
Palliative - Supplies		2,897.27	2,897.27	2,897.27	2,897.27	2,897.27
Total Palliative Nursing		134,292.15	134,292.15	134,292.15	134,292.15	134,292.15
TOTAL DIRECT COSTS - PALLIATIVE		134,292.15	134,292.15	134,292.15	134,292.15	134,292.15
PD - Wages	9,042,812.03	9,240,868.59	9,240,868.59	9,240,868.59	9,240,868.59	9,240,868.59
PD - Benefits	1,462,396.85	1,555,215.49	1,555,215.49	1,555,215.49	1,555,215.49	1,555,215.49
PD - Mileage	297,346.62	255,175.24	255,175.24	255,175.24	255,175.24	255,175.24
PD - Supplies	15,919.12	10,399.71	10,399.71	10,399.71	10,399.71	10,399.71
PD - Other	67,780.39	93,621.95	93,621.95	93,621.95	93,621.95	93,621.95
TOTAL DIRECT COSTS - PRIVATE DUTY	10,886,255.01	11,155,280.99	11,155,280.99	11,155,280.99	11,155,280.99	11,155,280.99
Finding Home - Wages		1,996,961.16	1,996,961.16	1,996,961.16	1,996,961.16	1,996,961.16
Finding Home - Benefits		345,791.04	345,791.04	345,791.04	345,791.04	345,791.04
Finding Home - Mileage		12,949.60	12,949.60	12,949.60	12,949.60	12,949.60
Finding Home - Supplies		4,493.54	4,493.54	4,493.54	4,493.54	4,493.54
Finding Home - Other		128,749.32	128,749.32	128,749.32	128,749.32	128,749.32
TOTAL DIRECT COSTS - FINDING HOME		2,488,944.67	2,488,944.67	2,488,944.67	2,488,944.67	2,488,944.67
HOSPICE CN						
Registered Nurse				331,388.63	371,696.22	414,280.68
Certified Nursing Assistant				90,695.84	101,727.39	113,382.08
Licensed Clinical Social Worker				68,797.05	77,165.00	86,005.64
Spiritual Care Coordinator				54,262.47	60,862.54	67,835.43
Director of Clinical Services				39,970.12	44,831.78	49,968.07
Payroll Taxes & Benefits				175,534.23	196,884.88	219,441.57
Medical Director				49,708.29	55,754.43	62,142.10
Physical Therapist				1,108.76	1,243.62	1,386.10
Occupational Therapist				1,027.13	1,152.06	1,284.05

Speech Therapist				930.07	1,043.19	1,162.71
Dietitian				870.94	976.88	1,088.80
DME				64,085.91	71,880.83	80,116.07
Pharmacy				75,226.67	84,376.67	94,043.53
General Inpatient Costs				33,089.03	37,113.73	41,365.77
Medical Supplies				27,480.55	30,823.07	34,354.41
Inpatient Respite				72,917.37	81,786.48	91,156.59
Room and Board				4,774.61	5,355.36	5,968.91
Mileage				38,196.90	42,842.88	47,751.30
TOTAL DIRECT COSTS-CN HOSPICE				1,130,064.57	1,267,517.02	1,412,733.82
TOTAL DIRECT COSTS	116,185,383.69	129,677,227.83	129,677,227.83	129,922,897.73	130,944,744.86	129,969,050.09
HCHB	1,032,005.95	1,139,215.15	1,139,215.15	1,139,215.15	1,139,215.15	1,139,215.15
Administration-Wages	27,773,629.19	29,314,986.79	29,314,986.79	29,314,986.79	29,314,986.79	29,314,986.79
Administration-Benefits	5,513,793.65	6,000,777.50	6,000,777.50	6,000,777.50	6,000,777.50	6,000,777.50
Administration-Purchased Services	7,970,849.64	8,329,508.06	8,329,508.06	8,329,508.06	8,329,508.06	8,329,508.06
Administration-Insurance	615,571.27	880,620.17	880,620.17	880,620.17	880,620.17	880,620.17
Administration-Other	9,780,926.64	14,199,303.82	14,199,303.82	14,199,303.82	14,199,303.82	14,199,303.82
Total Administration	51,654,770.39	58,725,196.34	58,725,196.34	58,725,196.34	58,725,196.34	58,725,196.34
Marketing - Wages	7,198,735.18	8,604,625.60	8,604,625.60	8,604,625.60	8,604,625.60	8,604,625.60
Marketing - Benefits	1,379,574.42	1,660,482.09	1,660,482.09	1,660,482.09	1,660,482.09	1,660,482.09
Marketing - Mileage	270,751.03	206,960.92	206,960.92	206,960.92	206,960.92	206,960.92
Marketing - Activity Programs	1,399.29	306.37	306.37	306.37	306.37	306.37
Marketing - Other	810,336.90	848,900.63	848,900.63	848,900.63	848,900.63	848,900.63
Total Marketing	9,660,796.82	11,321,275.61	11,321,275.61	11,321,275.61	11,321,275.61	11,321,275.61
Occupancy - Utilities	212,191.95	253,318.63	253,318.63	253,318.63	253,318.63	253,318.63
Occupancy - Other	15,848.91	8,597.56	8,597.56	8,597.56	8,597.56	8,597.56
Total Occupancy	228,040.86	261,916.19	261,916.19	261,916.19	261,916.19	261,916.19
HOSPICE CN						
Administrator				25,000.00	25,000.00	25,000.00
Business Office Manager, Medical						
Records, Scheduling				48,448.63	54,341.55	60,567.35
Intake				52,000.00	52,000.00	52,000.00
Community Liaison				62,983.22	70,644.02	78,737.56

Payroll Taxes & Benefits				56,529.55	60,595.67	64,891.47
Advertising				20,904.18	18,960.27	21,132.51
Allocated Costs				91,870.53	103,044.96	114,850.60
B & O Taxes				27,561.16	30,913.49	34,455.18
Dues & Subscriptions				2,250.00	2,250.00	2,250.00
Education and trainings Information				10,000.00	10,000.00	10,000.00
Technology/Computer/Software						
Maintenance				7,500.00	7,500.00	7,500.00
Insurance				600.00	600.00	600.00
Legal and professional				0.00	0.00	0.00
Licenses and Fees				0.00	1,500.00	1,500.00
Postage				3,000.00	3,000.00	3,000.00
Purchased services				6,000.00	6,000.00	6,000.00
Repairs and Maintenance				900.00	900.00	900.00
Cleaning				1,260.00	1,260.00	1,260.00
Office supplies				1,500.00	1,500.00	1,500.00
Equipment lease & maintenance				3,000.00	3,000.00	3,000.00
Building rent or lease				6,814.71	7,016.13	7,225.01
Lease NNN or Common Area						
Maintenance charges				1,734.45	1,734.45	1,734.45
Recruitment				5,000.00	3,000.00	3,000.00
Telephones				11,659.14	12,612.03	13,618.74
Travel				6,500.00	5,000.00	5,000.00
TOTAL INDIRECT COST-CN HOSPICE				453,015.57	482,372.57	519,722.88
TOTAL INDIRECT COSTS	62,575,614.02	71,447,603.29	71,447,603.29	71,900,618.86	71,929,975.86	71,967,326.17
TOTAL COSTS	178,760,997.71	201,124,831.12	201,124,831.12	201,823,516.59	202,874,720.71	201,936,376.26
Bad Debt	50,020.23	(242.69)	(242.69)	(242.69)	(242.69)	(242.69)
TOTAL OPERATING EXPENSES	178,811,017.94	201,124,588.43	201,124,588.43	201,823,273.90	202,874,478.02	201,936,133.56
Service Center Allocation	4,218,940.35	12,230,278.88	12,230,278.88	12,230,278.88	12,230,278.88	12,230,278.88
EBITDAR	23,595,051.09	35,508,910.04	35,508,910.04	36,500,642.25	35,655,047.66	36,810,616.03
EBITDAR Margin	11.42%	14.27%	14.27%	14.57%	14.22%	14.67%
Occupancy- Rent	3,069,434.16	3,694,843.08	3,694,843.08	3,694,843.08	3,694,843.08	3,694,843.08
Property Taxes	(18,600.02)	15,789.53	15,789.53	15,789.53	15,789.53	15,789.53
Total Property Expenses	3,050,834.14	3,710,632.61	3,710,632.61	3,710,632.61	3,710,632.61	3,710,632.61

EBITDA	20,544,216.95	31,798,277.42	31,798,277.42	32,790,009.64	31,944,415.05	33,099,983.41
EBITDA MARGIN	9.94%	12.78%	12.78%	13.09%	12.74%	13.19%
Depreciation and Amortization	1,252,237.71	1,454,516.44	1,454,516.44	1,455,849.44	1,455,849.44	1,455,850.44
Gain or loss on disposal	13,552.86	(743.23)	(743.23)	(743.23)	(743.23)	(743.23)
Other income(expense) net		(245,454.55)	(245,454.55)	(245,454.55)	(245,454.55)	(245,454.55)
Earnings Before Interest & Tax	19,278,426.38	30,589,958.75	30,589,958.75	31,580,357.97	30,734,763.38	31,890,330.74
Interest		4,518,588.72	4,518,588.72	4,518,588.72	4,518,588.72	4,518,588.72
Earnings Before Income Taxes	19,278,426.38	26,071,370.03	26,071,370.03	27,061,769.25	26,216,174.66	27,371,742.02
NET INCOME	19,278,426.38	26,071,370.03	26,071,370.03	27,061,769.25	26,216,174.66	27,371,742.02

**CORNERSTONE HEALTHCARE INC &
GRAYS HARBOR CO CN**
For the Twelve Months Ending
December 31
Actuals through November 2020

	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
ASSETS						
CURRENT ASSETS						
CASH						
CN Cash				(10,246)	122,734	290,157
Petty Cash	6,287	2,762	2,762	2,762	2,762	2,762
TOTAL CASH	6,287	2,762	2,762	(7,484)	125,496	292,919
ACCOUNTS RECEIVABLE						
Medicare A	17,095,380	28,085,652	28,085,652	28,085,652	28,085,652	28,085,652
A/R 606 Contra - Medicare	580,951	(854,989)	(854,989)	(854,989)	(854,989)	(854,989)
Medicare B	33,974	33,974	33,974	33,974	33,974	33,974
Medicaid	4,747,017	4,926,164	4,926,164	4,926,164	4,926,164	4,926,164
A/R 606 Contra - Medicaid	(1,416,007)	(1,523,434)	(1,523,434)	(1,523,434)	(1,523,434)	(1,523,434)
Private	297,907	305,105	305,105	305,105	305,105	305,105
A/R 606 Contra - Private	(489,360)	(540,126)	(540,126)	(540,126)	(540,126)	(540,126)
HMO/Managed Care	6,820,248	8,618,846	8,618,846	8,618,846	8,618,846	8,618,846
A/R 606 Contra - Managed Care	(2,440,669)	(1,697,799)	(1,697,799)	(1,697,799)	(1,697,799)	(1,697,799)
Veterans	881,639	575,967	575,967	575,967	575,967	575,967
Miscellaneous	24,714	763,036	763,036	763,036	763,036	763,036
Prebilled A/R	1,899,976	1,866,654	1,866,654	1,866,654	1,866,654	1,866,654
Clearing - Adjustments - Cornerstone	(13,038)	23,190	23,190	23,190	23,190	23,190
Medicaid R&B A/R	389,470					
CN Accounts Receivable				191,712	215,031	239,666
AR Cash Clearing Cornerstone	0	537	537	537	537	537
TOTAL ACCOUNTS RECEIVABLE	28,412,201	40,582,777	40,582,777	40,774,489	40,797,808	40,822,443
ALLOWANCE FOR DOUBTFUL ACCOUNTS						
Medicaid	116,103	116,325	116,325	116,325	116,325	116,325
Veterans						
CN Allowance for Bad Debt				7,668	8,601	9,587
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	116,103	116,325	116,325	123,993	124,926	125,912
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	28,296,099	40,466,452	40,466,452	40,650,496	40,672,882	40,696,532
PREPAID EXPENSES						
Prepaid Liability Insurance	608	0	0	0	0	0
Prepaid - Personal Property Taxes						
Prepaid - One Time	35,704					
Prepaid Other <\$1,000	45,423	40,639	40,639	40,639	40,639	40,639
Prepaid Other	565,798	349,221	349,221	349,221	349,221	349,221
CN Prepaid Expenses				712	729	747
Prepaid License	15,674					
Prepaid Rent	56,989	24,889	24,889	24,889	24,889	24,889

TOTAL PREPAID EXPENSES	720,197	414,748	414,748	415,461	415,478	415,495
OTHER CURRENT ASSETS						
SUPPLIES						
INTERCOMPANY BALANCES						
Inter Company - SC due from						
Facility	23,182,003	23,631,240	23,631,240	23,631,240	23,631,240	23,631,240
Spin Interco	2,810,000	2,710,000	2,710,000	2,710,000	2,710,000	2,710,000
NET INTERCOMPANY BALANCES	25,992,003	26,341,240	26,341,240	26,341,240	26,341,240	26,341,240
Deposits - Other	8,390	7,407	7,407	7,407	7,407	7,407
PREPAID EXPENSES AND OTHER						
CURRENT ASSETS	26,720,590	26,763,396	26,763,396	26,764,108	26,764,125	26,764,142
TOTAL CURRENT ASSETS	55,022,975	67,232,610	67,232,610	67,407,121	67,562,503	67,753,593
FIXED ASSETS						
Leasehold improvements	1,011,212	1,031,823	1,031,823	1,031,823	1,031,823	1,031,823
Fixed Equipment	435,194	428,363	428,363	428,363	428,363	428,363
Minor Moveable	300,817	307,741	307,741	307,741	307,741	307,741
Furniture and Fixtures (INCLUDES CN)	645,726	742,327	742,327	747,327	747,327	747,327
Computer Equipment	1,533,522	1,772,755	1,772,755	1,772,755	1,772,755	1,772,755
Computer Software	4,206,132	4,908,747	4,908,747	4,908,747	4,908,747	4,908,747
Vehicles	361,395	366,538	366,538	366,538	366,538	366,538
Fixed Asset Clearing Account	8,493,997	9,558,295	9,558,295	9,563,295	9,563,295	9,563,295
ACCUMULATED DEPRECIATION						
Leasehold Improvements	(224,032)	(371,308)	(371,308)	(371,308)	(371,308)	(371,308)
Fixed Equipment	(218,566)	(251,219)	(251,219)	(251,219)	(251,219)	(251,219)
Minor Equipment	(187,277)	(219,667)	(219,667)	(219,667)	(219,667)	(219,667)
Furniture & Fixtures (INCLUDES CN)	(167,183)	(260,960)	(260,960)	(262,293)	(263,626)	(264,960)
Computer Equipment	(988,709)	(1,183,452)	(1,183,452)	(1,183,452)	(1,183,452)	(1,183,452)
Computer Software	(3,341,441)	(3,922,037)	(3,922,037)	(3,922,037)	(3,922,037)	(3,922,037)
Vehicles	(219,348)	(268,673)	(268,673)	(268,673)	(268,673)	(268,673)
TOTAL ACCUMULATED						
DEPRECIATION	(5,346,556)	(6,477,317)	(6,477,317)	(6,478,650)	(6,479,983)	(6,481,317)
FIXED ASSETS NET	3,147,442	3,080,978	3,080,978	3,084,645	3,083,312	3,081,978
ROU ASSETS						
ROU Asset-Op Lease (R/E)	7,411,317	13,211,473	13,211,473	13,211,473	13,211,473	13,211,473
ROU Asset A/D-Op Lease (R/E)	(1,664,500)	(3,503,475)	(3,503,475)	(3,503,475)	(3,503,475)	(3,503,475)
Op Lease Clearing		342,932	342,932	342,932	342,932	342,932
TOTAL ROU ASSETS	5,746,817	10,050,930	10,050,930	10,050,930	10,050,930	10,050,930
Customer Relationships	45,238	32,143	32,143	32,143	32,143	32,143
Goodwill	37,590,283	45,510,683	45,510,683	45,510,683	45,510,683	45,510,683
Tradename	355,498	355,498	355,498	355,498	355,498	355,498
MCare License	33,106,546	39,742,099	39,742,099	39,742,099	39,742,099	39,742,099
INTANGIBLE AND OTHER ASSETS,						
NET	71,097,565	85,640,423	85,640,423	85,640,423	85,640,423	85,640,423
L/T Prepaid		3,361	3,361	3,361	3,361	3,361
Deposits Utilities	10,461	6,938	6,938	6,938	6,938	6,938

Deposits Rent	274,982	286,787	286,787	286,787	286,787	286,787
CN Security Deposit				2,137	2,188	2,240
CN Start Up Costs				15,000	15,000	15,000
Escrow Deposits	1,437,500	19,859,747	19,859,747	19,859,747	19,859,747	19,859,747
Restricted & Other Assets	1,722,943	20,156,833	20,156,833	20,173,970	20,174,020	20,174,073
TOTAL OTHER LONG TERM ASSETS	81,714,766	118,929,163	118,929,163	118,949,968	118,948,685	118,947,403
TOTAL ASSETS	136,737,741	186,161,773	186,161,773	186,357,088	186,511,188	186,700,996

LIABILITIES AND STOCKHOLDERS'
EQUITY

CURRENT LIABILITIES

TRADE ACCOUNTS PAYABLE

Accounts payable - trade

(INCLUDES CN)	506,565	622,017	622,017	669,427	674,133	679,633
Accrued AP	2,199,448	2,971,297	2,971,297	2,971,297	2,971,297	2,971,297
Patient Refunds	50,222	(3,578)	(3,578)	(3,578)	(3,578)	(3,578)
Due:Prior Owners	(1,599,478)	(1,986,252)	(1,986,252)	(1,986,252)	(1,986,252)	(1,986,252)
TOTAL TRADE PAYABLES	1,156,757	1,603,485	1,603,485	1,650,895	1,655,600	1,661,100

ACCRUED WAGES AND RELATED

LIABILITIES

Accrued Payroll	7,226,641	9,956,143	9,956,143	9,956,143	9,956,143	9,956,143
Payroll Clearing	(51,916)	(154,426)	(154,426)	(154,426)	(154,426)	(154,426)
Garnishments Payable	18,790	13,655	13,655	13,655	13,655	13,655
Federal Payroll Taxes Payable	1,449,733	1,356,070	1,356,070	1,356,070	1,356,070	1,356,070
Deferred Payroll FICA Emergency		4,923,449	4,923,449	4,923,449	4,923,449	4,923,449
CN Payroll Liabilities				41,900	46,490	51,338
401K Employee W/H		378,596	378,596	378,596	378,596	378,596
Due:EEF - Payroll Deductions		10,646	10,646	10,646	10,646	10,646
Due:Ensign Foundation - Payroll Deductions		83	83	83	83	83
Due:Finding Home Foundation - Payroll deduction	170	390	390	390	390	390
Accrued Vacation	1,840,558	2,815,428	2,815,428	2,815,428	2,815,428	2,815,428
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	10,483,976	19,300,033	19,300,033	19,341,933	19,346,522	19,351,371
Accrued Workers Comp		(7,071)	(7,071)	(7,071)	(7,071)	(7,071)
TOTAL ACCRUED INSURANCE	-	(7,071)	(7,071)	(7,071)	(7,071)	(7,071)

OTHER ACCRUED LIABILITIES

Accrued Other	7,445	146,104	146,104	146,104	146,104	146,104
Accrued HSA Plan		92,178	92,178	92,178	92,178	92,178
Deferred Revenue	252,412	28,053,503	28,053,503	28,053,503	28,053,503	28,053,503
Accrued Insurance Premiums	109,254	42,854	42,854	42,854	42,854	42,854
Real Property Taxes	5,384	7,355	7,355	7,355	7,355	7,355
Personal Property Taxes	1,960	2,312	2,312	2,312	2,312	2,312
Unprocessed Patient Refunds	1,647,564	1,809,791	1,809,791	1,809,791	1,809,791	1,809,791
Sales/Excise/B&O taxes	37,833	47,752	47,752	47,752	47,752	47,752
Hospice CAP Accrued	1,271,342	2,037,411	2,037,411	2,037,411	2,037,411	2,037,411

Facility Fund	68,384	150,758	150,758	150,758	150,758	150,758
TOTAL OTHER ACCRUED LIABILITIES	3,401,579	32,390,019	32,390,019	32,390,019	32,390,019	32,390,019
TOTAL CURRENT LIABILITIES	15,042,312	53,286,465	53,286,465	53,375,775	53,385,070	53,395,418
LONG TERM DEBT						
Deferred Rent Liability						
Op Lease Liability ST	2,029,929					
OP Lease Liability LT	6,544,793	14,748,990	14,748,990	14,748,990	14,748,990	14,748,990
Op Lease Liability A/D	(1,790,231)	(4,031,578)	(4,031,578)	(4,031,578)	(4,031,578)	(4,031,578)
TOTAL LONG TERM LIABILITIES	6,784,491	10,717,412	10,717,412	10,717,412	10,717,412	10,717,412
TOTAL LIABILITIES	21,826,803	64,003,876	64,003,876	64,093,187	64,102,482	64,112,830
STOCKHOLDERS' EQUITY						
Additional Paid-In-Capital	35,790,739	35,743,266	35,743,266	35,743,266	35,743,266	35,743,266
Spin RE Adjust - Adj		54,655,908	54,655,908	54,655,908	54,655,908	54,655,908
	35,790,739	90,399,174	90,399,174	90,399,174	90,399,174	90,399,174
Retained Earnings, Prior Year (INCLUDES CN)	59,841,773	5,687,353	5,687,353	5,687,353	5,793,357	5,938,162
Current Year Income (INCLUDES CN)	19,278,426	26,071,370	26,071,370	26,177,375	26,216,175	26,250,830
Total Stockholders' Equity	114,910,938	122,157,897	122,157,897	122,263,901	122,408,706	122,588,166
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	136,737,741	186,161,773	186,161,773	186,357,088	186,511,188	186,700,996

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CORNERSTONE HEALTHCARE INC
CORNERSTONE HEALTHCARE INC + KING + GRAYS
HARBOR + MASON + PIERCE PRO FORMA

For the Twelve Months Ending December 31
Actuals through November 2020

	2019	2020	2021	2022	2023	2024
Total Net Home Health Revenue	83,330,325.78	95,653,569.45	95,653,569.45	95,653,569.45	95,653,569.45	95,653,569.45
Total Net Hospice Revenue	104,257,493.90	132,264,834.36	132,264,834.36	132,264,834.36	132,264,834.36	132,264,834.36
TOTAL NET CN HOSPICE REVENUE				8,313,526.50	11,329,991.31	14,654,234.83
Total Net Other Revenue	19,037,189.70	20,945,373.53	20,945,373.53	20,945,373.53	20,945,373.53	20,945,373.53
TOTAL NET REVENUE	206,625,009.38	248,863,777.34	248,863,777.34	257,177,303.84	260,193,768.65	263,518,012.18
DIRECT COSTS						
HH- Therapy Wages	18,091,410.76	18,656,098.93	18,656,098.93	18,656,098.93	18,656,098.93	18,656,098.93
HH- Therapy Benefits	3,879,327.56	4,286,758.07	4,286,758.07	4,286,758.07	4,286,758.07	4,286,758.07
HH- Therapy Mileage	1,050,784.46	1,120,911.57	1,120,911.57	1,120,911.57	1,120,911.57	1,120,911.57
HH - Therapy Other	2,593,153.96	1,924,651.61	1,924,651.61	1,924,651.61	1,924,651.61	1,924,651.61
Total Home Health Therapy	25,614,676.74	25,988,420.18	25,988,420.18	25,988,420.18	25,988,420.18	25,988,420.18
HH- CNA Wages	1,853,844.97	1,533,907.55	1,533,907.55	1,533,907.55	1,533,907.55	1,533,907.55
HH- CNA Benefits	593,059.10	494,226.60	494,226.60	494,226.60	494,226.60	494,226.60
HH- CNA Mileage	400,175.52	390,168.08	390,168.08	390,168.08	390,168.08	390,168.08
HH - CNA Other	33,386.66	23,936.23	23,936.23	23,936.23	23,936.23	23,936.23
Total Home Health CNA	2,880,466.25	2,442,238.45	2,442,238.45	2,442,238.45	2,442,238.45	2,442,238.45
HH- Nursing Wages	16,975,250.59	17,794,430.53	17,794,430.53	17,794,430.53	17,794,430.53	17,794,430.53
HH- Nursing Benefits	4,150,235.28	4,427,577.03	4,427,577.03	4,427,577.03	4,427,577.03	4,427,577.03
HH- Nursing Mileage	1,218,111.08	1,298,862.15	1,298,862.15	1,298,862.15	1,298,862.15	1,298,862.15
HH - Nursing Other	203,675.04	133,799.81	133,799.81	133,799.81	133,799.81	133,799.81
Total Home Health Skilled Nursing	22,547,271.99	23,654,669.53	23,654,669.53	23,654,669.53	23,654,669.53	23,654,669.53
HH - SS Wages	1,011,718.72	1,145,580.10	1,145,580.10	1,145,580.10	1,145,580.10	1,145,580.10
HH - SS Benefits	270,130.52	271,553.31	271,553.31	271,553.31	271,553.31	271,553.31
HH - SS Mileage	67,827.08	54,073.83	54,073.83	54,073.83	54,073.83	54,073.83
HH - SS Other	22,129.15	13,106.32	13,106.32	13,106.32	13,106.32	13,106.32
Total Home Health Social Services	1,371,805.47	1,484,313.57	1,484,313.57	1,484,313.57	1,484,313.57	1,484,313.57
HH - Supplies	1,378,194.36	1,601,735.20	1,601,735.20	1,601,735.20	1,601,735.20	1,601,735.20
HH - Other Direct Costs	34,181.91	29,924.78	29,924.78	29,924.78	29,924.78	29,924.78
TOTAL DIRECT COSTS - HOME HEALTH	53,826,596.72	55,201,301.72	55,201,301.72	55,201,301.72	55,201,301.72	55,201,301.72
Hospice- CNA Wages	3,777,051.50	4,113,266.72	4,113,266.72	4,113,266.72	4,113,266.72	4,113,266.72

Hospice- CNA Benefits	804,797.31	1,084,706.92	1,084,706.92	1,084,706.92	1,084,706.92	1,084,706.92
Hospice- CNA Mileage	596,762.44	672,418.36	672,418.36	672,418.36	672,418.36	672,418.36
Hospice - CNA Other	49,076.27	51,166.41	51,166.41	51,166.41	51,166.41	51,166.41
Total Hospice CNA	5,227,687.52	5,921,558.41	5,921,558.41	5,921,558.41	5,921,558.41	5,921,558.41
Hospice- Nursing Wages	15,795,048.01	18,996,827.21	18,996,827.21	18,996,827.21	18,996,827.21	18,996,827.21
Hospice- Nursing Benefits	3,162,069.85	3,995,478.40	3,995,478.40	3,995,478.40	3,995,478.40	3,995,478.40
Hospice- Nursing Mileage	835,216.61	902,949.00	902,949.00	902,949.00	902,949.00	902,949.00
Hospice - Nursing Other	237,817.97	143,323.77	143,323.77	143,323.77	143,323.77	143,323.77
Total Hospice Skilled Nursing	20,030,152.44	24,038,578.39	24,038,578.39	24,038,578.39	24,038,578.39	24,038,578.39
Hospice - SS Wages	2,993,291.30	3,564,010.82	3,564,010.82	3,564,010.82	3,564,010.82	3,564,010.82
Hospice - SS Benefits	587,353.36	729,426.96	729,426.96	729,426.96	729,426.96	729,426.96
Hospice - SS Mileage	196,155.60	165,931.13	165,931.13	165,931.13	165,931.13	165,931.13
Hospice - SS Other	10,919.30	7,641.56	7,641.56	7,641.56	7,641.56	7,641.56
Total Hospice Social Services	3,787,719.56	4,467,010.47	4,467,010.47	4,467,010.47	4,467,010.47	4,467,010.47
Hospice - Chaplain Wages	1,847,352.25	2,191,279.16	2,191,279.16	2,191,279.16	2,191,279.16	2,191,279.16
Hospice - Chaplain Benefits	372,227.24	458,083.21	458,083.21	458,083.21	458,083.21	458,083.21
Hospice - Chaplain Mileage	169,916.57	150,485.21	150,485.21	150,485.21	150,485.21	150,485.21
Hospice - Chaplain Other	1,530.79	2,239.48	2,239.48	2,239.48	2,239.48	2,239.48
Total Hospice Chaplain	2,391,026.85	2,802,087.07	2,802,087.07	2,802,087.07	2,802,087.07	2,802,087.07
Hospice - Volunteer Wages	477,287.70	505,048.33	505,048.33	505,048.33	505,048.33	505,048.33
Hospice - Volunteer Benefits	106,450.10	131,031.10	131,031.10	131,031.10	131,031.10	131,031.10
Hospice - Volunteer Mileage	29,081.84	12,454.83	12,454.83	12,454.83	12,454.83	12,454.83
Hospice - Volunteer Other	13,794.85	14,239.36	14,239.36	14,239.36	14,239.36	14,239.36
Total Hospice Volunteer	626,614.49	662,773.63	662,773.63	662,773.63	662,773.63	662,773.63
Hospice - Pharmacy	4,258,088.85	4,792,192.48	4,792,192.48	4,792,192.48	4,792,192.48	4,792,192.48
Hospice - Supplies	1,668,941.20	1,967,110.54	1,967,110.54	1,967,110.54	1,967,110.54	1,967,110.54
Hospice - DME	3,746,223.89	4,539,232.46	4,539,232.46	4,539,232.46	4,539,232.46	4,539,232.46
Hospice- Room and Board	8,915,545.38	10,734,623.32	10,734,623.32	10,734,623.32	10,734,623.32	10,734,623.32
Hospice - Respite and GIP	579,196.15	507,343.82	507,343.82	507,343.82	507,343.82	507,343.82
Hospice - Other Direct Costs	241,335.63	264,897.72	264,897.72	264,897.72	264,897.72	264,897.72
TOTAL DIRECT COSTS - HOSPICE	51,472,531.96	60,697,408.31	60,697,408.31	60,697,408.31	60,697,408.31	60,697,408.31
Palliative - Nursing Wages		106,244.87	106,244.87	106,244.87	106,244.87	106,244.87
Palliative - Nursing Benefits		25,150.01	25,150.01	25,150.01	25,150.01	25,150.01
Palliative - Supplies		2,897.27	2,897.27	2,897.27	2,897.27	2,897.27
Total Palliative Nursing		134,292.15	134,292.15	134,292.15	134,292.15	134,292.15
TOTAL DIRECT COSTS - PALLIATIVE		134,292.15	134,292.15	134,292.15	134,292.15	134,292.15
PD - Wages	9,042,812.03	9,240,868.59	9,240,868.59	9,240,868.59	9,240,868.59	9,240,868.59

PD - Benefits	1,462,396.85	1,555,215.49	1,555,215.49	1,555,215.49	1,555,215.49	1,555,215.49
PD - Mileage	297,346.62	255,175.24	255,175.24	255,175.24	255,175.24	255,175.24
PD - Supplies	15,919.12	10,399.71	10,399.71	10,399.71	10,399.71	10,399.71
PD - Other	67,780.39	93,621.95	93,621.95	93,621.95	93,621.95	93,621.95
TOTAL DIRECT COSTS - PRIVATE DUTY	10,886,255.01	11,155,280.99	11,155,280.99	11,155,280.99	11,155,280.99	11,155,280.99
Finding Home - Wages		1,996,961.16	1,996,961.16	1,996,961.16	1,996,961.16	1,996,961.16
Finding Home - Benefits		345,791.04	345,791.04	345,791.04	345,791.04	345,791.04
Finding Home - Mileage		12,949.60	12,949.60	12,949.60	12,949.60	12,949.60
Finding Home - Supplies		4,493.54	4,493.54	4,493.54	4,493.54	4,493.54
Finding Home - Other		128,749.32	128,749.32	128,749.32	128,749.32	128,749.32
TOTAL DIRECT COSTS - FINDING HOME		2,488,944.67	2,488,944.67	2,488,944.67	2,488,944.67	2,488,944.67
HOSPICE CN						
Registered Nurse				1,552,532.05	2,104,339.73	2,712,185.59
Certified Nursing Assistant				412,320.82	556,929.40	716,178.05
Licensed Clinical Social Worker				312,764.73	422,457.13	543,254.72
Spiritual Care Coordinator				246,687.67	333,205.63	428,482.59
Director of Clinical Services				320,146.23	442,273.70	576,999.21
Payroll Taxes & Benefits				853,335.45	1,157,761.68	1,493,130.05
Medical Director				225,983.53	305,240.15	392,520.66
Physical Therapist				5,040.62	6,808.46	8,755.28
Occupational Therapist				4,669.53	6,307.23	8,110.72
Speech Therapist				4,228.27	5,711.20	7,344.27
Dietitian				3,959.47	5,348.13	6,877.38
DME				291,346.95	393,527.74	506,053.25
Pharmacy				341,995.01	461,939.02	594,026.08
General Inpatient Costs				162,732.88	221,778.58	286,848.89
Medical Supplies				124,931.89	168,747.82	216,999.65
Inpatient Respite				358,609.89	488,727.25	632,120.86
Room and Board				21,706.31	29,319.12	37,702.64
Mileage				173,650.50	234,552.96	301,621.14
TOTAL DIRECT COSTS-CN HOSPICE				5,416,641.81	7,344,974.94	9,469,211.02
TOTAL DIRECT COSTS	116,185,383.69	129,677,227.83	129,677,227.83	135,093,869.65	137,022,202.77	139,146,438.85
HCHB	1,032,005.95	1,139,215.15	1,139,215.15	1,139,215.15	1,139,215.15	1,139,215.15
Administration-Wages	27,773,629.19	29,314,986.79	29,314,986.79	29,314,986.79	29,314,986.79	29,314,986.79
Administration-Benefits	5,513,793.65	6,000,777.50	6,000,777.50	6,000,777.50	6,000,777.50	6,000,777.50
Administration-Purchased Services	7,970,849.64	8,329,508.06	8,329,508.06	8,329,508.06	8,329,508.06	8,329,508.06
Administration-Insurance	615,571.27	880,620.17	880,620.17	880,620.17	880,620.17	880,620.17
Administration-Other	9,780,926.64	14,199,303.82	14,199,303.82	14,199,303.82	14,199,303.82	14,199,303.82
Total Administration	51,654,770.39	58,725,196.34	58,725,196.34	58,725,196.34	58,725,196.34	58,725,196.34

Marketing - Wages	7,198,735.18	8,604,625.60	8,604,625.60	8,604,625.60	8,604,625.60	8,604,625.60
Marketing - Benefits	1,379,574.42	1,660,482.09	1,660,482.09	1,660,482.09	1,660,482.09	1,660,482.09
Marketing - Mileage	270,751.03	206,960.92	206,960.92	206,960.92	206,960.92	206,960.92
Marketing - Activity Programs	1,399.29	306.37	306.37	306.37	306.37	306.37
Marketing - Other	810,336.90	848,900.63	848,900.63	848,900.63	848,900.63	848,900.63
Total Marketing	9,660,796.82	11,321,275.61	11,321,275.61	11,321,275.61	11,321,275.61	11,321,275.61
Occupancy - Utilities	212,191.95	253,318.63	253,318.63	253,318.63	253,318.63	253,318.63
Occupancy - Other	15,848.91	8,597.56	8,597.56	8,597.56	8,597.56	8,597.56
Total Occupancy	228,040.86	261,916.19	261,916.19	261,916.19	261,916.19	261,916.19
HOSPICE CN						
Administrator				150,000.00	150,000.00	150,000.00
Business Office Manager, Medical Records, Scheduling				220,256.85	297,505.02	382,573.74
Intake				208,000.00	208,000.00	208,000.00
Community Liaison				286,333.90	386,756.53	497,345.87
Payroll Taxes & Benefits				259,377.23	312,678.47	371,375.88
Advertising				99,135.26	113,299.91	146,542.35
Allocated Costs				451,822.09	615,760.40	796,425.81
B & O Taxes				135,546.63	184,728.12	238,927.74
Dues & Subscriptions				15,750.00	15,750.00	15,750.00
Education and trainings				40,000.00	40,000.00	40,000.00
Information Technology/Computer/Software						
Maintenance				52,500.00	52,500.00	52,500.00
Insurance				4,200.00	4,200.00	4,200.00
Legal and professional				0.00	0.00	0.00
Licenses and Fees				40,800.00	10,500.00	10,500.00
Postage				21,000.00	21,000.00	21,000.00
Purchased services				42,000.00	42,000.00	42,000.00
Repairs and Maintenance				6,300.00	6,300.00	6,300.00
Cleaning				8,820.00	8,820.00	8,820.00
Office supplies				10,500.00	10,500.00	10,500.00
Equipment lease & maintenance				21,000.00	21,000.00	21,000.00
Building rent or lease				13,716.92	14,119.76	14,537.52
Lease NNN or Common Area Maintenance charges				3,468.90	3,468.90	3,468.90
Recruitment				20,000.00	12,000.00	12,000.00
Telephones				51,245.53	63,736.56	77,492.17
Travel				26,000.00	20,000.00	20,000.00
TOTAL INDIRECT COST-CN HOSPICE				2,187,773.32	2,614,623.67	3,151,259.99
TOTAL INDIRECT COSTS	62,575,614.02	71,447,603.29	71,447,603.29	73,635,376.61	74,062,226.96	74,598,863.28
TOTAL COSTS	178,760,997.71	201,124,831.12	201,124,831.12	208,729,246.25	211,084,429.73	213,745,302.13
Bad Debt	50,020.23	(242.69)	(242.69)	(242.69)	(242.69)	(242.69)
TOTAL OPERATING EXPENSES	178,811,017.94	201,124,588.43	201,124,588.43	208,729,003.56	211,084,187.04	213,745,059.43

Service Center Allocation	4,218,940.35	12,230,278.88	12,230,278.88	12,230,278.88	12,230,278.88	12,230,278.88
EBITDAR	23,595,051.09	35,508,910.04	35,508,910.04	36,218,021.40	36,879,302.74	37,542,673.86
EBITDAR Margin	11.42%	14.27%	14.27%	14.08%	14.17%	14.25%
Occupancy- Rent	3,069,434.16	3,694,843.08	3,694,843.08	3,694,843.08	3,694,843.08	3,694,843.08
Property Taxes	(18,600.02)	15,789.53	15,789.53	15,789.53	15,789.53	15,789.53
Total Property Expenses	3,050,834.14	3,710,632.61	3,710,632.61	3,710,632.61	3,710,632.61	3,710,632.61
EBITDA	20,544,216.95	31,798,277.42	31,798,277.42	32,507,388.79	33,168,670.12	33,832,041.25
EBITDA MARGIN	9.94%	12.78%	12.78%	12.64%	12.75%	12.84%
Depreciation and Amortization	1,252,237.71	1,454,516.44	1,454,516.44	1,459,848.44	1,459,848.44	1,459,852.44
Gain or loss on disposal	13,552.86	(743.23)	(743.23)	(743.23)	(743.23)	(743.23)
Other income(expense) net		(245,454.55)	(245,454.55)	(245,454.55)	(245,454.55)	(245,454.55)
Earnings Before Interest & Tax Interest	19,278,426.38	30,589,958.75	30,589,958.75	31,293,738.12	31,955,019.45	32,618,386.58
Earnings Before Income Taxes	19,278,426.38	26,071,370.03	26,071,370.03	26,775,149.40	27,436,430.73	28,099,797.86
NET INCOME	19,278,426.38	26,071,370.03	26,071,370.03	26,775,149.40	27,436,430.73	28,099,797.86

CORNERSTONE HEALTHCARE INC
CORNERSTONE HEALTHCARE INC + KING + GRAYS HARBOR
+ MASON + PIERCE BALANCE SHEET
For the Twelve Months Ending December 31
Actuals through November 2020

	<u>12/31/2019</u>	<u>12/31/2020</u>	<u>12/31/2021</u>	<u>12/31/2022</u>	<u>12/31/2023</u>	<u>12/31/2024</u>
ASSETS						
CURRENT ASSETS						
CASH						
CN Cash				149,612	1,323,095	3,145,347
Petty Cash	6,287	2,762	2,762	2,762	2,762	2,762
TOTAL CASH	6,287	2,762	2,762	152,374	1,325,857	3,148,109
ACCOUNTS RECEIVABLE						
Medicare A	17,095,380	28,085,652	28,085,652	28,085,652	28,085,652	28,085,652
A/R 606 Contra - Medicare	580,951	(854,989)	(854,989)	(854,989)	(854,989)	(854,989)
Medicare B	33,974	33,974	33,974	33,974	33,974	33,974
Medicaid	4,747,017	4,926,164	4,926,164	4,926,164	4,926,164	4,926,164
A/R 606 Contra - Medicaid	(1,416,007)	(1,523,434)	(1,523,434)	(1,523,434)	(1,523,434)	(1,523,434)
Private	297,907	305,105	305,105	305,105	305,105	305,105
A/R 606 Contra - Private	(489,360)	(540,126)	(540,126)	(540,126)	(540,126)	(540,126)
HMO/Managed Care	6,820,248	8,618,846	8,618,846	8,618,846	8,618,846	8,618,846
A/R 606 Contra - Managed Care	(2,440,669)	(1,697,799)	(1,697,799)	(1,697,799)	(1,697,799)	(1,697,799)
Veterans	881,639	575,967	575,967	575,967	575,967	575,967
Miscellaneous	24,714	763,036	763,036	763,036	763,036	763,036
Prebilled A/R	1,899,976	1,866,654	1,866,654	1,866,654	1,866,654	1,866,654
Clearing - Adjustments - Cornerstone	(13,038)	23,190	23,190	23,190	23,190	23,190
Medicaid R&B A/R	389,470					
CN Accounts Receivable				942,847	1,284,949	1,661,955
AR Cash Clearing Cornerstone	0	537	537	537	537	537
TOTAL ACCOUNTS RECEIVABLE	28,412,201	40,582,777	40,582,777	41,525,624	41,867,726	42,244,732
ALLOWANCE FOR DOUBTFUL ACCOUNTS						
Medicaid	116,103	116,325	116,325	116,325	116,325	116,325
Veterans						
CN Allowance for Bad Debt				37,714	51,398	66,478
TOTAL ALLOWANCE FOR DOUBTFUL ACCOUNTS	116,103	116,325	116,325	154,039	167,723	182,803
ACCOUNTS RECEIVABLE NET OF ALLOWANCE	28,296,099	40,466,452	40,466,452	41,371,586	41,700,003	42,061,929
PREPAID EXPENSES						
Prepaid Liability Insurance	608	0	0	0	0	0
Prepaid - Personal Property Taxes						
Prepaid - One Time	35,704					
Prepaid Other <\$1,000	45,423	40,639	40,639	40,639	40,639	40,639
Prepaid Other	565,798	349,221	349,221	349,221	349,221	349,221
CN Prepaid Expenses				1,432	1,466	1,501
Prepaid License	15,674					
Prepaid Rent	56,989	24,889	24,889	24,889	24,889	24,889
TOTAL PREPAID EXPENSES	720,197	414,748	414,748	416,181	416,214	416,249
OTHER CURRENT ASSETS						
SUPPLIES						
INTERCOMPANY BALANCES						
Inter Company - SC due from Facility	23,182,003	23,631,240	23,631,240	23,631,240	23,631,240	23,631,240
Spin Interco	2,810,000	2,710,000	2,710,000	2,710,000	2,710,000	2,710,000
NET INTERCOMPANY BALANCES	25,992,003	26,341,240	26,341,240	26,341,240	26,341,240	26,341,240

*REMEMBER TO CHANGE THESE FORMULAS TO NEGATIVE ==K

Deposits - Other	8,390	7,407	7,407	7,407	7,407	7,407
PREPAID EXPENSES AND OTHER CURRENT ASSETS	26,720,590	26,763,396	26,763,396	26,764,828	26,764,862	26,764,896
TOTAL CURRENT ASSETS	55,022,975	67,232,610	67,232,610	68,288,787	69,790,721	71,974,935
FIXED ASSETS						
Leasehold improvements	1,011,212	1,031,823	1,031,823	1,031,823	1,031,823	1,031,823
Fixed Equipment	435,194	428,363	428,363	428,363	428,363	428,363
Minor Moveable	300,817	307,741	307,741	307,741	307,741	307,741
Furniture and Fixtures (INCLUDES CN)	645,726	742,327	742,327	762,327	762,327	762,327
Computer Equipment	1,533,522	1,772,755	1,772,755	1,772,755	1,772,755	1,772,755
Computer Software	4,206,132	4,908,747	4,908,747	4,908,747	4,908,747	4,908,747
Vehicles	361,395	366,538	366,538	366,538	366,538	366,538
Fixed Asset Clearing Account						
	8,493,997	9,558,295	9,558,295	9,578,295	9,578,295	9,578,295
ACCUMULATED DEPRECIATION						
Leasehold Improvements	(224,032)	(371,308)	(371,308)	(371,308)	(371,308)	(371,308)
Fixed Equipment	(218,566)	(251,219)	(251,219)	(251,219)	(251,219)	(251,219)
Minor Equipment	(187,277)	(219,667)	(219,667)	(219,667)	(219,667)	(219,667)
Furniture & Fixtures (INCLUDES CN)	(167,183)	(260,960)	(260,960)	(266,292)	(271,624)	(276,960)
Computer Equipment	(988,709)	(1,183,452)	(1,183,452)	(1,183,452)	(1,183,452)	(1,183,452)
Computer Software	(3,341,441)	(3,922,037)	(3,922,037)	(3,922,037)	(3,922,037)	(3,922,037)
Vehicles	(219,348)	(268,673)	(268,673)	(268,673)	(268,673)	(268,673)
TOTAL ACCUMULATED DEPRECIATION	(5,346,556)	(6,477,317)	(6,477,317)	(6,482,649)	(6,487,981)	(6,493,317)
FIXED ASSETS NET	3,147,442	3,080,978	3,080,978	3,095,646	3,090,314	3,084,978
ROU ASSETS						
ROU Asset-Op Lease (R/E)	7,411,317	13,211,473	13,211,473	13,211,473	13,211,473	13,211,473
ROU Asset A/D-Op Lease (R/E)	(1,664,500)	(3,503,475)	(3,503,475)	(3,503,475)	(3,503,475)	(3,503,475)
Op Lease Clearing		342,932	342,932	342,932	342,932	342,932
TOTAL ROU ASSETS	5,746,817	10,050,930	10,050,930	10,050,930	10,050,930	10,050,930
Customer Relationships	45,238	32,143	32,143	32,143	32,143	32,143
Goodwill	37,590,283	45,510,683	45,510,683	45,510,683	45,510,683	45,510,683
Tradename	355,498	355,498	355,498	355,498	355,498	355,498
MCare License	33,106,546	39,742,099	39,742,099	39,742,099	39,742,099	39,742,099
INTANGIBLE AND OTHER ASSETS, NET	71,097,565	85,640,423	85,640,423	85,640,423	85,640,423	85,640,423
L/T Prepaid		3,361	3,361	3,361	3,361	3,361
Deposits Utilities	10,461	6,938	6,938	6,938	6,938	6,938
Deposits Rent	274,982	286,787	286,787	286,787	286,787	286,787
CN Security Deposit				4,296	4,397	4,502
CN Start Up Costs				60,000	60,000	60,000
Escrow Deposits	1,437,500	19,859,747	19,859,747	19,859,747	19,859,747	19,859,747
Restricted & Other Assets	1,722,943	20,156,833	20,156,833	20,221,129	20,221,230	20,221,334
TOTAL OTHER LONG TERM ASSETS	81,714,766	118,929,163	118,929,163	119,008,128	119,002,896	118,997,665
TOTAL ASSETS	136,737,741	186,161,773	186,161,773	187,296,915	188,793,618	190,972,599
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES						
TRADE ACCOUNTS PAYABLE						
Accounts payable - trade (INCLUDES CN)	506,565	622,017	622,017	852,473	919,526	998,929
Accrued AP	2,199,448	2,971,297	2,971,297	2,971,297	2,971,297	2,971,297
Patient Refunds	50,222	(3,578)	(3,578)	(3,578)	(3,578)	(3,578)

Due:Prior Owners	(1,599,478)	(1,986,252)	(1,986,252)	(1,986,252)	(1,986,252)	(1,986,252)
TOTAL TRADE PAYABLES	1,156,757	1,603,485	1,603,485	1,833,941	1,900,993	1,980,396
ACCRUED WAGES AND RELATED LIABILITIES						
Accrued Payroll	7,226,641	9,956,143	9,956,143	9,956,143	9,956,143	9,956,143
Payroll Clearing	(51,916)	(154,426)	(154,426)	(154,426)	(154,426)	(154,426)
Garnishments Payable	18,790	13,655	13,655	13,655	13,655	13,655
Federal Payroll Taxes Payable	1,449,733	1,356,070	1,356,070	1,356,070	1,356,070	1,356,070
Deferred Payroll FICA Emergency		4,923,449	4,923,449	4,923,449	4,923,449	4,923,449
CN Payroll Liabilities				200,906	265,496	336,647
401K Employee W/H		378,596	378,596	378,596	378,596	378,596
Due:EEF - Payroll Deductions		10,646	10,646	10,646	10,646	10,646
Due:Ensign Foundation - Payroll Deductions		83	83	83	83	83
Due:Finding Home Foundation - Payroll deduction	170	390	390	390	390	390
Accrued Vacation	1,840,558	2,815,428	2,815,428	2,815,428	2,815,428	2,815,428
TOTAL ACCRUED WAGES AND RELATED LIABILITIES	10,483,976	19,300,033	19,300,033	19,500,939	19,565,529	19,636,679
Accrued Workers Comp		(7,071)	(7,071)	(7,071)	(7,071)	(7,071)
TOTAL ACCRUED INSURANCE	-	(7,071)	(7,071)	(7,071)	(7,071)	(7,071)
OTHER ACCRUED LIABILITIES						
Accrued Other	7,445	146,104	146,104	146,104	146,104	146,104
Accrued HSA Plan		92,178	92,178	92,178	92,178	92,178
Deferred Revenue	252,412	28,053,503	28,053,503	28,053,503	28,053,503	28,053,503
Accrued Insurance Premiums	109,254	42,854	42,854	42,854	42,854	42,854
Real Property Taxes	5,384	7,355	7,355	7,355	7,355	7,355
Personal Property Taxes	1,960	2,312	2,312	2,312	2,312	2,312
Unprocessed Patient Refunds	1,647,564	1,809,791	1,809,791	1,809,791	1,809,791	1,809,791
Sales/Excise/B&O taxes	37,833	47,752	47,752	47,752	47,752	47,752
Hospice CAP Accrued	1,271,342	2,037,411	2,037,411	2,037,411	2,037,411	2,037,411
Facility Fund	68,384	150,758	150,758	150,758	150,758	150,758
TOTAL OTHER ACCRUED LIABILITIES	3,401,579	32,390,019	32,390,019	32,390,019	32,390,019	32,390,019
TOTAL CURRENT LIABILITIES	15,042,312	53,286,465	53,286,465	53,717,827	53,849,469	54,000,023
LONG TERM DEBT						
Deferred Rent Liability						
Op Lease Liability ST	2,029,929					
OP Lease Liability LT	6,544,793	14,748,990	14,748,990	14,748,990	14,748,990	14,748,990
Op Lease Liability A/D	(1,790,231)	(4,031,578)	(4,031,578)	(4,031,578)	(4,031,578)	(4,031,578)
TOTAL LONG TERM LIABILITIES	6,784,491	10,717,412	10,717,412	10,717,412	10,717,412	10,717,412
TOTAL LIABILITIES	21,826,803	64,003,876	64,003,876	64,435,239	64,566,881	64,717,435
STOCKHOLDERS' EQUITY						
Additional Paid-In-Capital	35,790,739	35,743,266	35,743,266	35,743,266	35,743,266	35,743,266
Spin RE Adjust - Adj		54,655,908	54,655,908	54,655,908	54,655,908	54,655,908
	35,790,739	90,399,174	90,399,174	90,399,174	90,399,174	90,399,174
Retained Earnings, Prior Year (INCLUDES CN)	59,841,773	5,687,353	5,687,353	5,687,353	6,391,132	7,756,193
Current Year Income (INCLUDES CN)	19,278,426	26,071,370	26,071,370	26,775,149	27,436,431	28,099,798
Total Stockholders' Equity	114,910,938	122,157,897	122,157,897	122,861,676	124,226,737	126,255,164
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	136,737,741	186,161,773	186,161,773	187,296,915	188,793,618	190,972,599



GRAYS HARBOR COMMUNITY HOSPITAL

Community Health Needs Assessment

Approved by the Grays Harbor County Public Hospital District No. 2 Board of Commissioners.
November 24th, 2020

Table of Contents

Introduction/Overview	2
Community Description.....	4
2017 CHNA and Accomplishments	6
Methodology.....	8
Demographics and Social Determinants of Health.....	11
The District’s Health Status	18
Health Risk Behaviors and Outcomes	19
Behavioral Health and Substance Use.....	21
Access to Care.....	24
Community Convening	29
2020-2022 CHNA Priorities	33

Introduction/Overview

Grays Harbor Community Hospital (GHCH) is a 140-bed licensed acute care community hospital located in Aberdeen, Washington, the largest city in mostly rural Grays Harbor County. GHCH is designated by Medicare as a Sole Community Hospital (SCH). The SCH program was created by Congress to support small rural hospitals which *"by reason of factors such as isolated location, weather conditions, travel conditions, or absence of other hospitals, is the sole source of inpatient hospital services reasonably available in a geographic area to Medicare beneficiaries"*.

GHCH opened as Aberdeen General Hospital in 1897 and was renamed as GHCH in 1945. In 1956, the hospital was found to no longer meet State licensing requirements, and the Board made the decision to build a replacement hospital. The project was financed through public donation (60 percent) and Hill-Burton Act funds (40 percent). The current hospital building opened in December 1959.

Well into the 1960s Grays Harbor County, named after the large estuarine bay near the County's southwestern corner, was largely dependent on the logging and fishing industries. In the 1960s, foreign mills began outbidding local timber companies based on price, and in the 1980s, threats to the spotted owl and salmon lead to Federal restrictions and high rates of unemployment. Fishing and clamming, once important to the county's economy, also deteriorated based on depleted stocks.

Today, charter fishing and ocean beaches bring considerable tourism to the area, and as a result, employment is largely in the lower-wage services sector. The County has consistently experienced higher rates of unemployment and poverty than the State.

In addition to acute inpatient care (OB, intensive care and medical/surgical), GHCH provides, among other services, a 24/7 emergency department, radiology, physical therapy, laboratory, imaging, rehabilitation, surgery, chemical dependency, cardiac, wound care, ambulatory infusion, and respiratory care. GHCH, through its operating subsidiary, Harbor Medical Group, also owns and operates primary care and specialty clinics, with a total of approximately 24 providers.

Grays Harbor Community Hospital

Mission

*To heal, comfort and
serve our community
with compassion.*

Vision

*To provide every patient
superior service and
safety, exceptional by
any standard.*

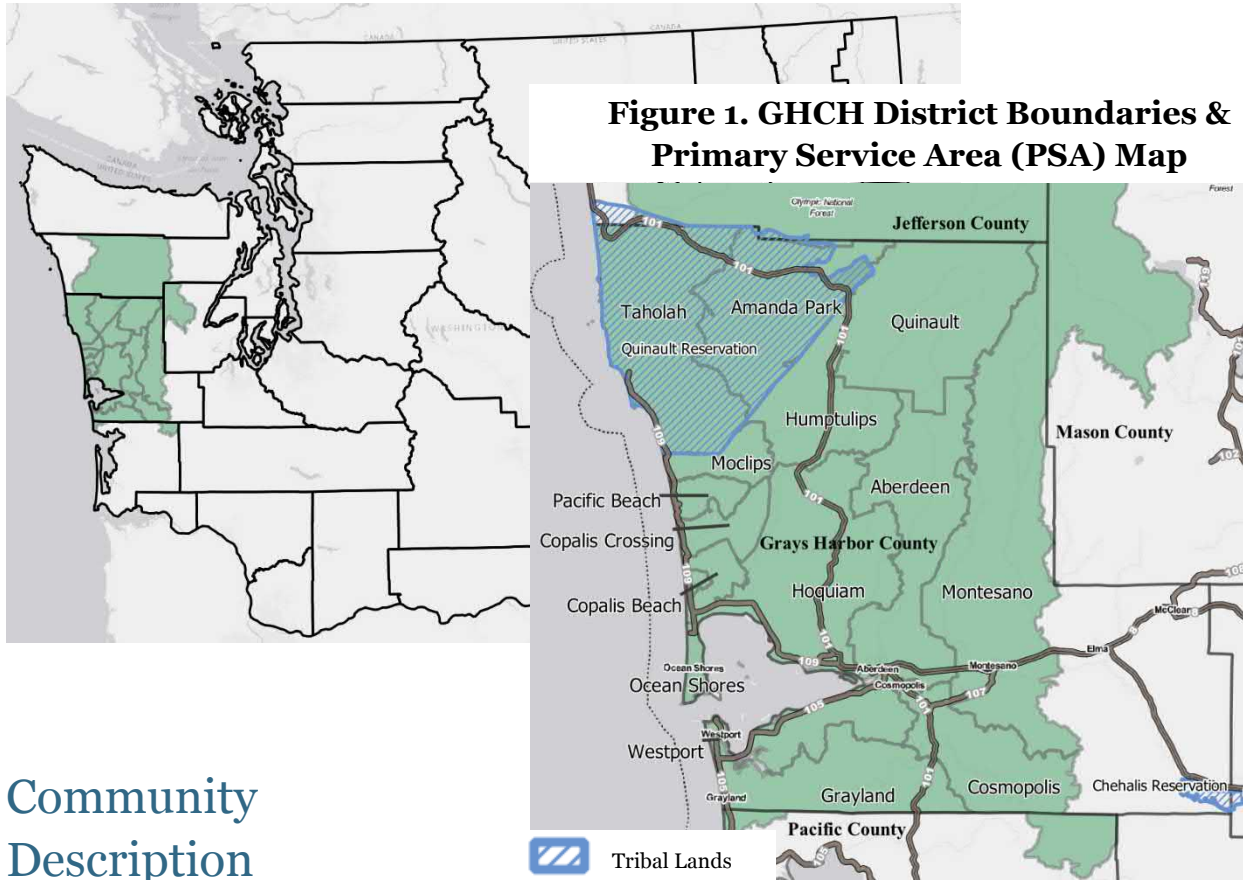
Nearly 80% of GHCH patients have Medicare or Medicaid as their payer or are receiving charity care. Today, of Washington's 100+ hospitals, GHCH ranks 5th highest in its patient's reliance on governmental payers (that do not typically pay cost) and patients requiring charity care. In August 2014, residents voted to create Grays Harbor Public Hospital District #2 (the District). The defined District boundaries largely parallel western Grays Harbor County, with a population of nearly 60,000. The purpose of establishing a public health district was, in part, to allow GHCH to benefit from a revenue stream that the State Legislature appropriated for District hospitals that are also SCHs. In January of 2015, the District began operations with a board of seven elected commissioners; replacing the previous community citizen board.

While the addition of the District has helped financial viability, the challenges GHCH faces daily remain: GHCH has experienced an operating loss each year since conversion to a District. 2019 witnessed improvements associated with several factors, including ongoing administrative efforts to streamline operations, reduce inefficiencies, increase emphasis on prevention and outsource various administrative functions. It also resulted from the Legislature's willingness to further increase Medicaid reimbursement for two SCHs in the State, including GHCH, which are now paid at 150% of the normal Medicaid reimbursement rate.

The financial impact of the COVID-19 Pandemic is still unknown, but hospitals in general have been hard hit. The statewide ban on elective cases and patient unease about seeking health care, even for emergencies has resulted in significant reductions in primary and specialty care visits, outpatient visits, ED visits and hospitalizations. Despite these ongoing challenges, GHCH continues to be committed and hopeful that it will achieve financial stability, continue to find avenues to improve health and assure access for District residents.

When GHCH's 2017 CHNA was developed, Robert Wood Johnson's County Health Rankings listed Grays Harbor County as the 35th lowest (out of Washington's 39 counties) for overall health outcomes. This ranking has worsened, with the County in 2020 now ranking 37th out of Washington's 39 counties. During the same timeframe, the County improved in health factors rankings, moving from 36th in 2017 to 33rd in 2020. Health outcomes represent how healthy an area is. It also reflects the physical and mental well-being of residents within a community through measures representing the length and quality of life. Health factors represent those things a community can modify to improve the length and quality of life for residents including health behaviors, clinical care, social and economic factors, and physical environment.

It is within this context that GHCH’s 2020-2022 Community Health Needs Assessment (CHNA) was undertaken. This assessment heavily relies on data from numerous community and public organizations throughout Grays Harbor County. Health Facilities Planning & Development, a consulting firm in Seattle, Washington with more than 30 years of experience working with Washington hospitals and data, facilitated the CHNA process and supported GHCH in finalizing the CHNA and implementation plan.



Community Description

Grays Harbor County covers more than 1,900 square miles in western Washington State, and its western border is the Pacific Ocean. The County is as large as the State of Delaware and includes 76,627 residents. It is predominantly rural. The hospital itself is located in the city of Aberdeen, the largest city in the County. The population of Aberdeen was approximately 16,756 as of July 2019 estimates. The next largest city is Hoquiam (population 8,655).

The District is fully contained in the County and its geographic boundaries largely parallel the area commonly referred to as Western Grays Harbor County. The District includes about 77% of the total population of Grays Harbor County. Over 85% of GHCH’s inpatient discharges were generated by individuals residing within the District, and for these reasons, the District’s boundaries are considered the primary service area (PSA) for this CHNA. The defined PSA is the same geography as used in the GHCH’s 2017 CHNA and can be seen in Figure 1. The District/PSA is defined as the following zip codes¹:

98520 (Aberdeen)	98587 (Taholah)	98562(Moclips)
98550 (Hoquiam)	98547 (Grayland)	98566 (Neilton)
98569 (Ocean Shores)	98535 (Copalis Beach)	98536 (Copalis Crossing)
98563 (Montesano)	98571 (Pacific Beach)	98575 (Quinault)
98595 (Westport)	98526 (Amanda Park)	98583 (Satsop)
98537 (Cosmopolis)	98552 (Humptulips)	

The Quinault Indian Nation’s home is embedded within the geography of the District, along the coastal areas of the County and consists of the Quinault and Queets tribes. Major highways in Grays Harbor County include State Route 101, which runs north/south along the coast, and Highways 12 and 8, which run east/west, and ultimately connects to Interstate Highway 5 in the east. The state highways converge in the cities of Aberdeen and Hoquiam. Driving time from the city of Aberdeen to the next largest city, Olympia, is roughly one hour. Driving time to either Seattle or Portland, Oregon is about two and a half hours. It takes about an hour to drive from Lake Quinault in the north end of the District/PSA to Aberdeen.

Throughout this CHNA, where possible, data was collected specific to the District/Service Area, and where not, County level data was used.

As depicted throughout this CHNA, the District/PSA and the County both face a number of health and socioeconomic challenges, including health care access being compromised by a low provider to population ratio, higher death rates than the State at large, higher rates of teen pregnancy, lower birth outcomes and higher rates of behavioral health concerns, including use of opioids, heroin and higher rates of suicide. The CHNA also depicts that the social and economic factors—the social determinants that can contribute to poorer health—are more of a burden within the boundaries of the District and Grays Harbor County than in most other areas of Washington State.

¹ For some zip codes, a portion of the geography and population are outside of the District boundaries. Population and demographic data was adjusted to account for only the percentage that resides within the District.

2017 CHNA and Accomplishments

GHCH’s 2017 CHNA identified significant health needs related to health care access, health status and health behaviors in the District/PSA as well as Grays Harbor County in general. The 2017 CHNA identified the following priorities and strategic actions:

Priority	Achievements
<p>Behavioral Health</p> <p>Action: Advocate and secure adequate resources to improve access to behavioral health care by integrating into primary care and address the opiate crisis.</p> <p>Strategies:</p> <ul style="list-style-type: none"> ▪ Evaluate Telemedicine ▪ Conduct Crisis intervention Training ▪ Continue evidence-based MAT Programs and Distribution of Naloxone kits ▪ Conduct Opioid Symposium 	<ul style="list-style-type: none"> ▪ GHCH’s inpatient and outpatient providers participate weekly in the UW Psychiatry and Addictions Case Conference Series and utilize the UW Psychiatry phone consultation service to expand their mental health and addiction care capacity. ▪ GHCH is working with the UW to implement tele-Medication Assisted Treatment services. ▪ Crisis de-escalation training has been implemented in key departments. ▪ GHCH now provides Medically Assisted Treatment (MAT) services through our Substance Use Disorder unit at HarborCrest. We have also worked in partnership with Grays Harbor Public Health to distribute Naloxone kits throughout the community and with the Harbor Strong Coalition to distribute opioid lock boxes in the community. ▪ GHCH held an Opiate Symposium on November 8, 2017. We had 111 people attend the event and 67% of the attendees gave feedback on the event that have guided (and will continue to guide) services and program development.
<p>Economic Development</p> <p>Action: Active participation in Economic Development, with specific interest in advocacy for more family wage jobs, more affordable housing and better transportation.</p> <p>Strategies:</p> <ul style="list-style-type: none"> ▪ Commitment of Leadership time and Board level resources to actively advocate and support enhancements in community infrastructure 	<ul style="list-style-type: none"> ▪ GHCH leadership participated in economic development committees with Greater Grays Harbor, served in board positions for the Greater Grays Harbor Economic Development board, and developed a partnership with the City of Hoquiam and the Washington State Department of Commerce to develop a prioritized list of economic development projects. ▪ GHCH works collaboratively with CPAA to coordinate entry into their housing and shelter programs for those who are housing insecure and coordinate access to food and transit through community partnerships.

Priority	Achievements
<p>Prevention and Management of Chronic Conditions</p> <p>Action: Manage chronic diseases by improving care coordination and self-management programs.</p> <p>Strategies:</p> <ul style="list-style-type: none"> ▪ Implement Chronic Care Model: Stanford Chronic Disease Self-Management ▪ Evaluate feasibility of adding coordination staff or community health workers ▪ Provide phone call reminders and schedule follow-ups ▪ Educate about benefits of physical activity and eating healthy foods ▪ Advocate for more recreational spaces, and for policies to reduce tobacco use 	<ul style="list-style-type: none"> ▪ GHCH participated in a train the trainer program. Two employees are now equipped to run health education classes. We are evaluating virtual options to implement during the COVID-19 Pandemic. ▪ Within the primary care clinics, specific measurable workflows were identified to manage diabetic patients. ▪ Also, within primary care, a Contact Center for primary care providers was established in an effort to offer more robust appointment and follow up services. ▪ A Prompt Care clinic was established to help those who use the ER for chronic health issues gain access to primary care. GHCH is also reestablishing its EDIE program to establish comprehensive care plans to minimize ER visits for those with chronic disease. ▪ For patients with COPD who come to the ER for treatment, GHCH works directly with Lincare, a respiratory therapy provider in the community, to ensure patients follow-up on their respiratory therapy appointments. ▪ GHCH trained a number of employees to be Navigators to assist those with chronic care needs gain access to health insurance and access providers via Apple Care. ▪ GHCH has also implemented community education and engagement opportunities including: Diabetes classes that also included a coupon for fresh vegetables at the end; and a smoking cessation program developed by GHCH’s Cardiopulmonary Director
<p>Health Promotion and Education</p> <p>Action: Outreach that supports healthy living and self-management.</p> <p>Strategies:</p> <ul style="list-style-type: none"> ▪ Speaker sessions on healthy eating and physical activity ▪ Further enhancements to website to make information accessible ▪ Care coordination to support chronic care self-management 	<ul style="list-style-type: none"> ▪ GHCH coordinated a speaker series that covered several health promotion topics and coordinated an annual Health Fair including booths focused on exercise and healthy eating. ▪ The GHCH Website has been completely rebuilt and is being updated weekly. Blogs are being established so that providers can educate the community. ▪ GHCH is part of the Grays Harbor Partner Coalition which is headed by Grays Harbor Public Health. The group seeks to facilitate communication between community entities working to manage addiction services across the county.

Methodology

This CHNA builds off the GHCH’s 2017 CHNA. In addition, since the September 26, 2017 adoption of our CHNA, a number of other CHNAs were completed that include all or portions of the District as well as the County. These CHNAs were developed by the Cascade Pacific Action Alliance (CPAA), Grays Harbor Public Health, and Grays Harbor County Public Hospital District No. 1, dba Summit Pacific Medical Center. A brief description of each entity and a summary of its CHNA priorities follows.

Cascade Pacific Action Alliance: CPAA exists to improve community health and safety while advancing the Triple Aim: improving the patient experience of care, including quality and satisfaction; improving the health of populations; and reducing per capita health care costs. It operates in a seven-county region of Central Western Washington, which includes Cowlitz, Grays Harbor, Lewis, Mason, Pacific, Thurston, and Wahkiakum counties. CPAA is also the Accountable Community of Health (ACH) for the seven counties, meaning that the State Health Care Authority (HCA) has named it the regional entity leading Medicaid transformation and pursuing projects aimed at transforming the Medicaid delivery system. Washington’s transformation projects focus on health systems capacity building, care delivery redesign, prevention and health promotion, and increased use of value-based payment (VBP) models that reward providers for quality of care rather than the volume of services and procedures provided. GHCH’s CEO, Mr. Tom Jensen is on the Board of CPAA and is its immediate past chair.

CPAA’s Regional Health Improvement Goals are to improve health equity and health outcomes for all residents in the communities it serves, with a focus on addressing the social determinants of

Figure 2. CPAA 2017 Priorities

Shared Regional Health Priorities				
Priority areas to achieve goals including specific activities, programs, policies, and system change strategies to bring about change.				
				
Improve Healthcare Access	Improve Care Coordination & Integration	Prevent & Manage Chronic Disease	Prevent and Mitigate Adverse Childhood Experiences (ACES)	Enhance Economic & Educational Opportunities

health; to keep residents healthy as long as possible and address all health needs with a focus on prevention and early interventions; and to reduce per-capita health care costs while

improving the quality of care provided to residents in our communities. CPAA’s regional priorities were developed through region-wide engagement. In developing these, each county hosted a local forum to identify local health priorities and then shared regional priorities and actions that align with the local action agenda were adopted. CPAA’s current regional priorities include are depicted in Figure 2.

Grays Harbor County Public Health and Social Services Department’s (GHCPH) mission is to improve the health and well-being of the people of Grays Harbor. Its vision is of Grays Harbor as a place where all people can be healthy throughout their lives.

GHCPH’s 2016 *Community Health Improvement Plan: Creating a Healthier Grays Harbor* used a collaborative county-wide process and gathered the community to detail the serious health challenges that exist, to describe the efforts underway and to create a vision for a healthier tomorrow. Its priorities are detailed in Figure 3.

Figure 3. Grays Harbor Public Health Priorities



Grays Harbor County

Public Hospital District No. 1, dba Summit Pacific Medical Center is a public hospital district that operates a Critical Access Hospital with a level IV trauma designation, two rural healthcare clinics and a seven day a week urgent care clinic in Eastern Grays Harbor County. Its vision is ‘to build the healthiest community in the Nation.’ Summit Pacific’s 2020-2022 Community Needs Health Assessment (CHNA) was developed over several months, using internal and external data and community feedback. In the late fall of 2019, three community sessions were convened specifically to provide input on community health needs. At these sessions, health rankings and other related information were reviewed, priorities were discussed, and the community’s input was solicited.

The priorities of each of these organizations as well as those contained in GHCH’s 2017-2020 CHNA are identified in Figure 4 on the next page.

Figure 4. Grays Harbor County Health Priorities from Recent Community Health Assessments

Cascade Pacific Action Alliance (2017)	Grays Harbor Public Health CHIP (2016) Forum	Summit Pacific Medical Center (2020)	Grays Harbor Community Hospital (2017)
Improve Healthcare Access	Children & Youth: Giving Kids a Healthy Start	Health Behaviors	Behavioral Health
Improve Care Coordination & Integration	Mental Illness and Substance Abuse: Recovering Hope	Clinical Care	Economic Development
Prevent & Manage Chronic Disease	Chronic Disease: Reducing the Burden	Social, Economic & Physical Environment	Prevention and Management of Chronic Conditions
Prevent & Mitigate Adverse Childhood Experiences (ACES)	Healthcare Access for Everyone: Right care, right time		Health Promotion and Education
Enhance Economic & Educational Opportunities			

In addition to consideration of these community priorities, both primary and secondary data was incorporated to create a comprehensive understanding of the District and County’s health, health status and health care needs. Demographics, health behaviors, mortality and access to health care were among the indicators that were examined. As noted earlier, where possible, data was collected specific to the District, and where not, county level data was used.

Data sources include, but are not limited to the following:

- Behavioral Risk Factor Surveillance Survey
- American Community Survey (ACS), US Census Bureau
- OFM Public Hospital District Statistics and Chart Book
- Robert Wood Johnson County Health Rankings
- Department of Health and Human Services National Vital Statistics
- Grays Harbor 2019 Public Health Snapshots
- Washington Healthy Youth Survey 2018 Grays Harbor County
- Washington Health Care Authority
- HRSA Data Warehouse
- University of Washington Alcohol & Drug Abuse Institute
- Employment Security Department
- Washington State Department of Commerce

Demographics and Social Determinants of Health

Demographics:

The population is expected to grow much more slowly in the District/PSA and County than in the rest of the state between today and 2024 (2.2%, 2.6% and 6.2% respectively). Today, the percentage of the District and County’s population that is 65+ is already higher than the state (22% compared to 15.9%). It is also the cohort expected to continue to grow through 2024. In fact, as shown in Table 1, the 0-64 age cohort is projected to decrease in the District and County (-0.8% and -4.8% respectively).

Table 1. District, County and State Population, by Age

Population	District		Grays Harbor County		Washington State	
	2019	% Chg. 2019-2024	2019	%Chg. 2010-2024	2019	% Chg. 2010-2024
Total Population	59,169	2.2%	76,627	2.6%	7,572,102	6.2%
% 0-64	78%	-0.8%	78.5%	-4.8%	84.1%	3.4%
% 65+	22%	11.5%	21.5%	13.6%	15.9%	21.1%

Source: Claritas 2019

Table 2 provides more detail on the District and demonstrates that the 0-64 cohort decreased by 6.0% between 2010-2019, with the most significant decrease (9%) in the 45-64 population. The 0-64 population is expected to decrease another 0.8% by 2024; again, led by a decrease in the 45-64 population (5.3%).

Table 2. The District Population

	2010	Pct of Tot Pop	2019 Est	Pct of Tot Pop	Pct Chg 2010-2019	2024 Proj	Pct of Tot Pop	Pct Chg 2019-2024
Tot. Pop.	58,751	100%	59,169	100%	0.7%	60,502	100%	2.2%
Pop. By Age								
0-17	12,222	21%	11,655	20%	-4.9%	11,748	19.4%	0.8%
18-44	18,886	32%	18,149	31%	-4.1%	18,507	30.6%	1.9%
45-64	17,739	30%	16,269	27%	-9.0%	15,452	25.5%	-5.3%
65-74	5,729	10%	8,299	14%	31.0%	9,670	16.0%	14.2%
75-84	2,951	5%	3,486	6%	15.3%	3,696	6.1%	5.7%
85+	1,223	2%	1,311	2%	6.7%	1,429	2.4%	8.3%
Tot. 0-64	48,848	83%	46,072	78%	-6.0%	45,707	75.5%	-0.8%
Tot. 65 +	9,903	17%	13,097	22%	24.4%	14,795	24.5%	11.5%

Source: Claritas 2019

Table 3 depicts that within the District, 73.1% of the population is white (a decrease of 4.2% since 2010). In comparison, at 11.1%, the Hispanic population has increased 23.2% since 2010.

The District is slightly more diverse than the County, but significantly less so than the state. For example, 64% of the population statewide is white, and 13% is Hispanic. The Asian population statewide is almost 8% compared to 1.2% in both the County and District. The only cohort that represents a higher percentage of the population in the County vs the State is American Indian, at 4.1% within the District, 4.5% in the County and only 1.3% statewide.

Table 3. District Population by Race and Ethnicity

	2010	Pct of Tot Pop	2019 Est	Pct of Tot Pop	Pct Chg 2010-2019	2024 Proj	Pct of Tot Pop	Pct Chg 2019-2024
Tot. Pop.	58,751	100%	59,169	100%	0.7%	60,502	100%	2.3%
Pop. By Race								
American Indian/Alaskan Native Alone	2,356	4.0%	2,423	4.1%	2.8%	2,503	4.1%	3.3%
Asian Alone	789	1.3%	744	1.3%	-5.6%	729	1.2%	-2.0%
Black/African American Alone	688	1.2%	852	1.4%	23.8%	960	1.6%	12.7%
Native Hawaiian/Pacific Islander Alone	140	0.2%	190	0.3%	35.8%	223	0.4%	17.7%
Some Other Race Alone	2,172	3.7%	2,579	4.4%	18.8%	2,860	4.7%	10.9%
Two or More Races	2,113	3.6%	2,535	4.3%	19.9%	2,823	4.7%	11.4%
White Alone	45,140	76.8%	43,253	73.1%	-4.2%	42,957	71.0%	-0.7%
Hispanic	5,354	9.1%	6,594	11.1%	23.2%	7,447	12.3%	12.9%

Source: Claritas 2019

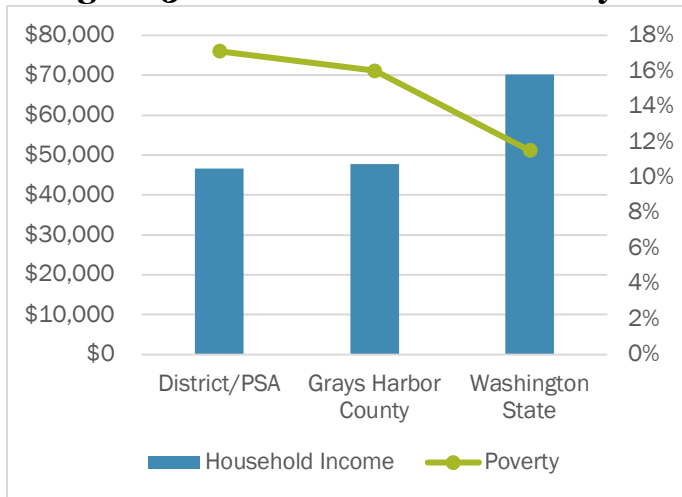
Social Determinants of Health

Social determinants of health—the conditions under which people are born, grow, live, work and play—greatly influence the health of a community and its residents.

Graduation rates, housing affordability, income/poverty and race are all social determinants. Figure 5 shows that social and economic factors are more of a burden in Grays Harbor County than in many other areas of Washington State. This includes poverty and unemployment.

The Median Household Income in the District is 66% of that of the State (\$46,650 vs. \$70,116). Rates of poverty in the District (17.1%) are also higher than the County (16.0%) and are significantly above the state’s rate of 11.5%.

Figure 5. 2018 Income and Poverty



Source: Social Explorer Tables: ACS 2018, Social Explorer; U.S. Census Bureau, Median Income Inflation Adjusted *Neilton and Moclips location data not available

The United Ways of the Pacific Northwest’s ALICE report provides county-level estimates of ALICE households and households in poverty. ALICE is an acronym for Asset Limited, Income Constrained, Employed – households that earn more than the Federal Poverty Level (FPL), but less than the basic cost of living for the county (the ALICE Threshold). Combined, the number of ALICE and poverty-level households equals the total population struggling to afford basic needs.

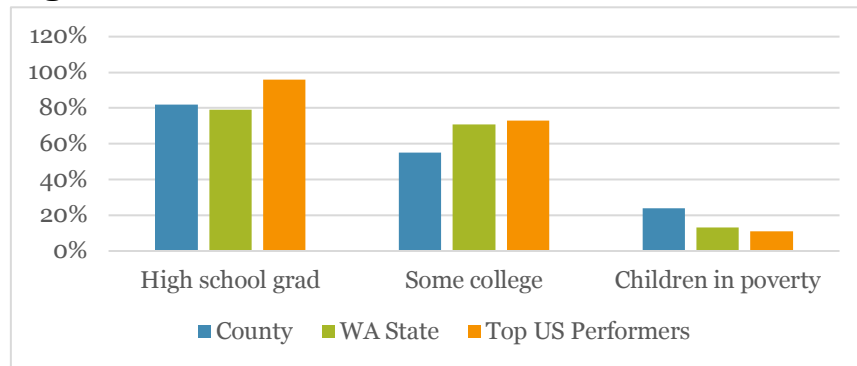
Table 4. ALICE Households, 2018

Area (Zipcode)	Total Households	% Below Alice Threshold
Aberdeen (98520)	8,310	47%
Copalis Beach (98535)	276	58%
Cosmopolis (98537)	834	38%
Grayland (98547)	579	49%
Hoquiam (98550)	4,738	48%
Humptulips (98552)	184	51%
Montesano (98563)	3,023	37%
Ocean Shores (98569)	3,074	49%
Pacific Beach (98571)	139	62%
Taholah (98587)	237	53%
Westport (98595)	1,249	51%
Grays Harbor County	27,674	46%
Washington State	2,767,682	37%

According to the 2018 United Way ALICE Report data, 46% of Grays Harbor County households were living below the ALICE threshold compared to 37% statewide. This includes 45% of households of families with children, and 50% of senior households (65 & older). Towns within the District ranged from 37% living below the threshold to 62%. Data by town is shown in Table 4.

Source: 2018 Alice Report *Not all locations available

Figure 6. Social & Economic Factors

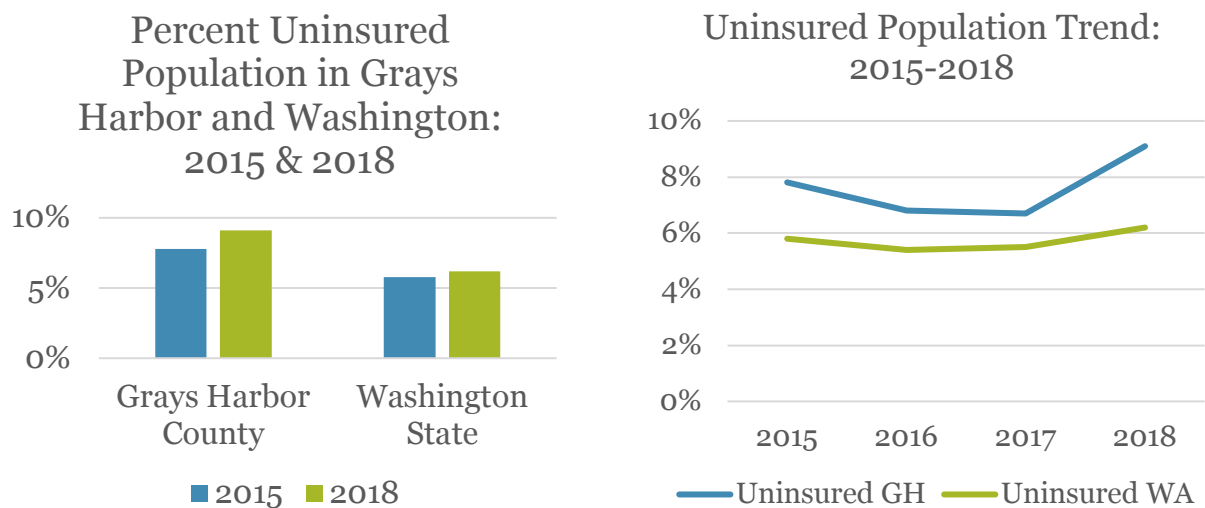


As can be identified in Figure 6, while the County fairs better than the state in terms of high school graduation rates, it fairs far worse than the state in terms of children in poverty (24% vs. 13%).

Source: County Health Rankings 2020

Figure 7 shows that while more than 10,000 residents have gained access to health insurance via Washington State’s Medicaid expansion program, Grays Harbor County still has higher rates of uninsured than the state, and that number has been trending back up since 2017.

Figure 7. Percent Uninsured: Grays Harbor County and Washington State



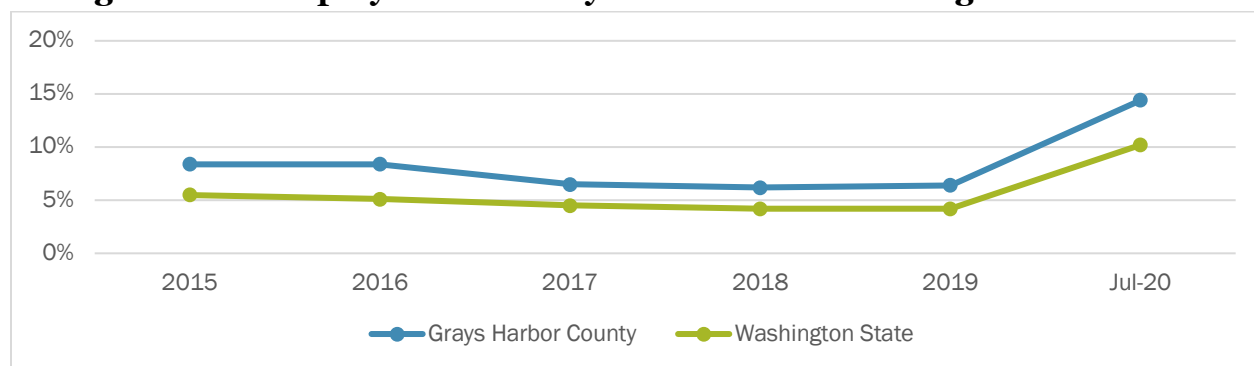
Source: OFM Chart Book 2020

A recent OFM report (August 2020) assessed the impact of COVID-19 on the state’s uninsured rate, health coverage changes of newly unemployed workers, and changes in uninsured rates at the county level. COVID-19 altered the trajectory of a mild, slow rise in Washington’s uninsured rate to a much sharper increase. At the start of 2020, the state uninsured rate was 6.7% (up from 6.6% in 2019). In May the rate peaked at 13% but has since declined to 8.3% in the week ending August 15, 2020. Similarly, Grays

Harbor County also saw a significant increase in uninsured due to COVID-19, and was at 10.8% in the week ending August 15, 2020, 30% higher than the state.

In the past several years, as can be identified in Figure 8, both the District/PSA and the County’s unemployment rates have been in the range of 6.4% to 8.5%, about 50% higher than the state (4.2% to 5.5%). Like uninsured rates, unemployment rates across the state have also been significantly impacted by COVID-19, with Grays Harbor County currently experiencing an unemployment rate of 14%, second only to Pend Oreille County (14.4%) in the Northeastern most portion of the State.

Figure 8. Unemployment in Grays Harbor and Washington Over Time

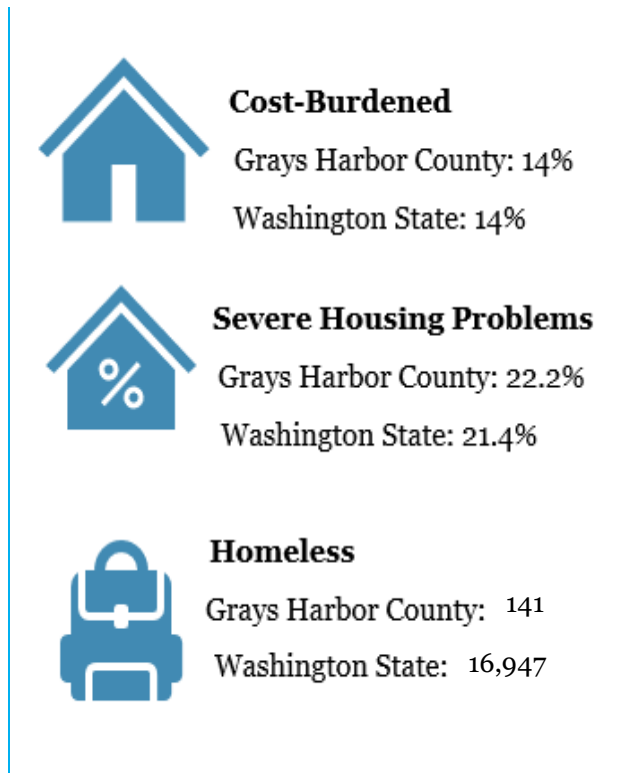


Source: Employment Security Department/LMEA; U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, July Non-Seasonally Adjusted

The Robert Wood Johnson County Health Rankings provide estimates of individuals who have ‘severe housing problems,’ meaning individuals who live with at least 1 of 4 conditions: overcrowding, high housing costs relative to income, lack of a kitchen, or lack of plumbing. Similarly, Robert Wood Johnson defines a “cost burdened” household as a household that spends 50% or more of their household income on housing.

Figure 9 identifies that while the County’s cost-burdened households and severe housing problem rates are in-line with the State, the reality is that one fifth of Grays Harbor County residents do not have safe, affordable housing, and over 140 of community members are homeless, as measured by the Department of Commerce’s Point in Time data. Being homeless puts an individual at increased risk of multiple health issues including psychiatric illness, substance use, chronic disease, musculoskeletal disorders, skin and foot problems, poor oral health, and infectious diseases such as tuberculosis, hepatitis C and HIV infection.

Figure 9. Housing and Homelessness 2019



Source: County Health Rankings, Washington State Department of Commerce

There is a strong and growing evidence base also linking stable and affordable housing to health. When too much of a paycheck goes toward the rent or mortgage, it makes it hard to afford to go to the doctor, cover the utility bills, or maintain reliable transportation to work or school. As identified in Table 5, when drilling down on cost burden households in the District by type (home ownership vs. rental costs), the District fairs worse than both the County and State in terms of percent income going towards either home ownership or rental costs. This is consistent with the higher rates of single parent households in the District (38.9%) as compared to the County (35.4%) and the state (25.6%). Children in single-parent households are often at-risk for social isolation, have an increased risk for illness, and mental health problems, and are more likely to engage in unhealthy behaviors than their counterparts.

Table 5. Affordable Housing Statistics

	PSA	Grays Harbor County	Washington State
Cost burdened households: Homeowners Who are Paying at Least 50% of Income for Ownership Costs	9.3%	8.8%	8.9%
Cost burdened households: Residents Paying More than 50% of Income on Rent	22.6%	22.2%	21.4%
Median Gross Rent	\$766	\$778	\$1,194
Children Living with Single Parents	38.9%	35.4%	25.6%

Source: Social Explorer Tables: ACS 2018 (5-Year Estimates) (SE), ACS 2018 (5-Year Estimates), Social Explorer; U.S. Census Bureau

The District’s Health Status

The Robert Wood Johnson Foundation’s County Health Rankings compare counties within each state on more than 30 factors. Counties in each state are ranked according to summaries of a variety of health measures, and counties are ranked relative to the health of other counties in the same state. The 2017 and 2020 summary composite scores for Grays Harbor County are identified in Table 6. As the table shows, while there was improvement in the County’s Overall Health Factors ranking and specifically in clinical care and health behaviors, Grays Harbor County still ranks in the lowest quartile of Washington’s 39 total counties in both Overall Health Outcomes and Overall Health Factors and shows a worsening in length of life, quality of life and social and economic factors.

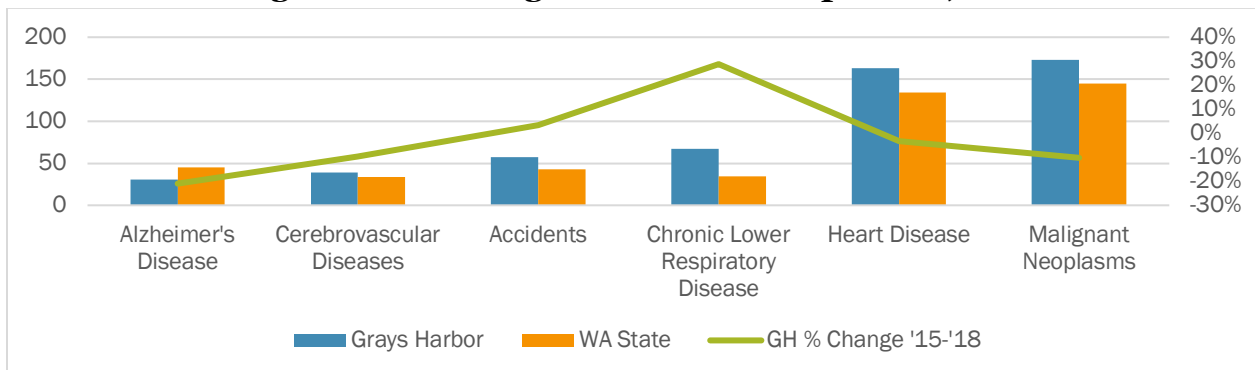
Table 6. County Health Rankings, Grays Harbor County 2017 vs. 2020

Composite Score	2017	2020
Overall Health Outcomes	35	37
Length of Life	35	37
Quality of Life	30	35
Overall Health Factors	36	33
Health Behaviors	34	32
Clinical Care	35	33
Social & Economic Factors	33	36
Physical Environment	7	7

Source: County Health Rankings, 2017 & 2020

In 2018, Grays Harbor had the second highest death rate (827.1 per 100,000) in the state, second only to Pacific County (838 deaths per 100,000). This compares to the state rate of 664.5 per 100,000. As depicted in Figure 10, and consistent with the state, the leading causes of death in Grays Harbor County are cancer and heart disease. However, both cancer and heart disease death rates are significantly higher in the County than the state.

Figure 10. Leading Causes of Death per 100,000



Source: 2018 Death rates from WA DOH and Vital Statistics Summary

Health Risk Behaviors and Outcomes

District residents experience a greater burden of chronic diseases than the rest of Washington. As can be seen in Table 7, the self-reported rates of diabetes among County and District residents are over 39% higher than Washington State residents and obesity is 29% higher in the District than the State.

**Table 7. Self-Reported Chronic Health Conditions in Adults
% Answering Yes**

Question	District	Grays Harbor County	WA State
(Ever told) you have diabetes?	16.22%	16.18%	11.62%
During the past month, other than your regular job, did you participate in any physical activities or exercises?	71.92%	72.10%	78.98%
(Ever told) you had angina or coronary heart disease?	6.55%	7.13%	5.40%
Calculated body mass index category (obese)	33.77%	32.10%	25.80%

Source: 2014-2018 CDC BRFSS

The most common behavioral contributors to chronic disease, morbidity or mortality include diet and activity patterns, the use of alcohol, drugs, tobacco, firearms, and motor vehicle accidents. Importantly, the social and economic costs related to these behaviors can all be greatly reduced by changes in an individual's behaviors. Table 8 shows that Grays Harbor generally ranks significantly worse on health behaviors. Of note are Physical Inactivity (41% higher than State) and Teen Births (55% higher than State).

Higher teen birth rates in the County are of concern. Younger mothers are less likely to get prenatal care early in their pregnancies and their pregnancies are more likely to result in premature births and low birth-weight babies.

According to the Washington State Department of Health Center for Health Statistics, in 2018 11.5% of mothers in Grays Harbor County received late or no prenatal care compared to 6.5% statewide. Additionally, 6.3% of births were low birthweight compared to 5.3% statewide, and 12.4% of births were premature compared to 9.4%. Both the lack of prenatal care and birthweight correlate to poorer overall health over a person's lifespan.

Table 8. Other Health Behaviors in Adults

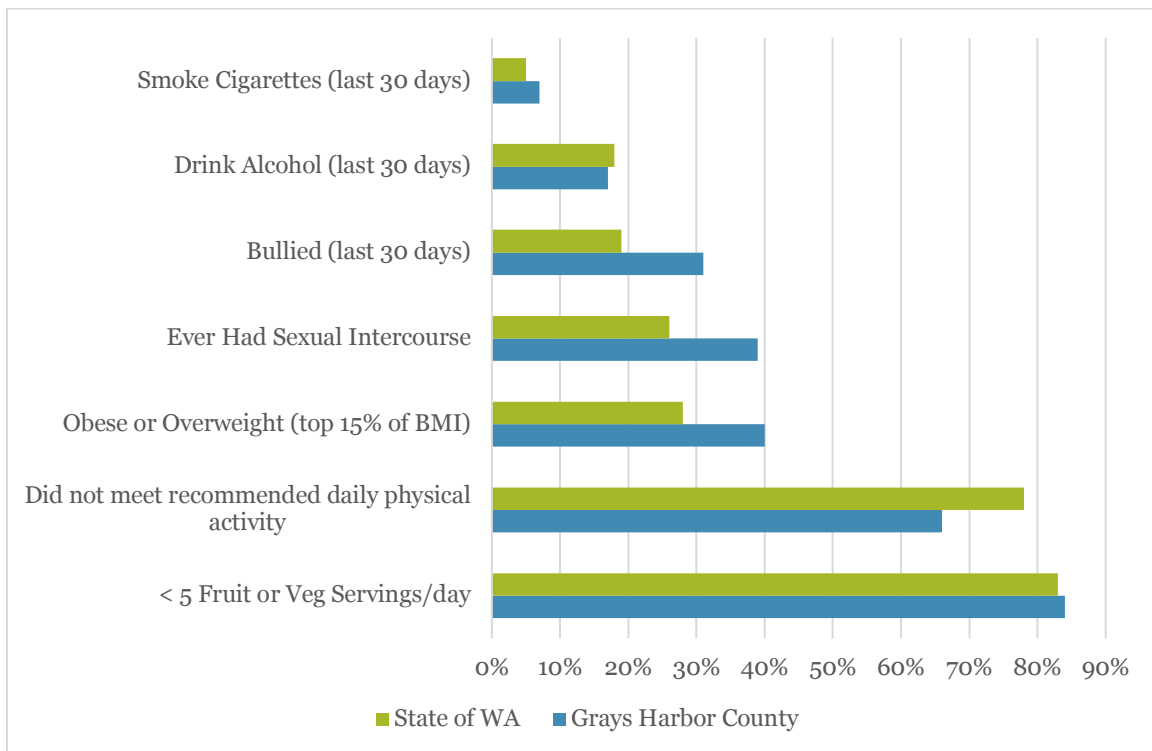
	County	Top U.S. Performers	WA State
Percentage of the adult population in a county who both report that they currently smoke every day or most days and have smoked at least 100 cigarettes in their lifetime.	15%	14%	13%
Access to healthy foods by considering the distance an individual lives from a grocery store or supermarket, locations for health food purchases in most communities, and the inability to access healthy food because of cost barriers.	7.0	8.6	8.1
Percentage of adults ages 20 and over reporting no leisure-time physical activity in the past month.	24%	20%	17%
Percentage of a county’s adult population that reports binge or heavy drinking in the past 30 days.	18%	13%	17%
Percentage of motor vehicle crash deaths with alcohol involvement.	23%	11%	32%
Number of births per 1,000 female population ages 15-19 (Teen Births).	28	13	18

Source: County Health Rankings 2020

Specific to youth, Washington’s Healthy Youth Survey (HYS), a collaborative effort of the Office of the Superintendent of Public Instruction, the Department of Health, the Department of Social and Health Service’s Division of Behavioral Health and Recovery, and the Liquor and Cannabis Board, provides important information about youth. Students in each school district in grades 6, 8, 10, and 12 answer questions about safety and violence, physical activity and diet, alcohol, tobacco and other drug use, and related risk and protective factors.

As shown in Figure 11 Grays Harbor County 10th graders have significantly higher rates of being bullied in the last 30 days, of being obese or overweight, and having had sexual intercourse.

Figure 11. Grays Harbor County Healthy Youth Survey Results, 10th Grade



Source: Healthy Youth Survey, 2018, Grays Harbor County and Washington State, Grade 10

Behavioral Health and Substance Use

Figure 12. Self-Reported Poor Mental Health Days



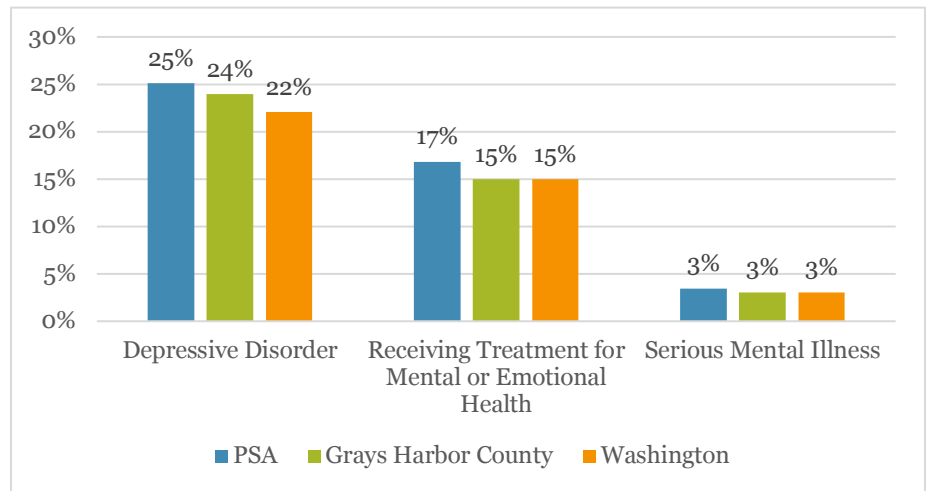
Source: County Health Rankings

RWJ’s County Health Rankings collects data on poor mental health days from CDC’s BRFSS data. A 2014 study in the American Journal of Epidemiology suggests that counties with more poor mental health days are more likely to have higher unemployment, poverty, percentage of adults who did not complete high school, mortality rates, and prevalence of

disabilities versus counties with less poor mental health days. As shown in Figure 12, Grays Harbor County residents self-report an average of 4.6 poor mental health days in the last 30 days, about 10% higher than the State rate.

Figure 13. Self-Reported Mental Health Conditions

As can be identified in Figure 13 on the right, the CDC’s BRFSS 5-year 2014-2018 estimates show that 25.12% of the service area reported being told they have a depressive disorder (including depression, major depression, dysthymia, or minor depression), compared to 22.05% for the state.



Source: CDC BRFSS 2014-2018

According to the 2018 Healthy Youth Survey, 42% of Grays Harbor County 10th graders reported having depressive feelings, compared to 40% of 10th graders statewide.

Table 9. Rate of Suicide 2013-2017

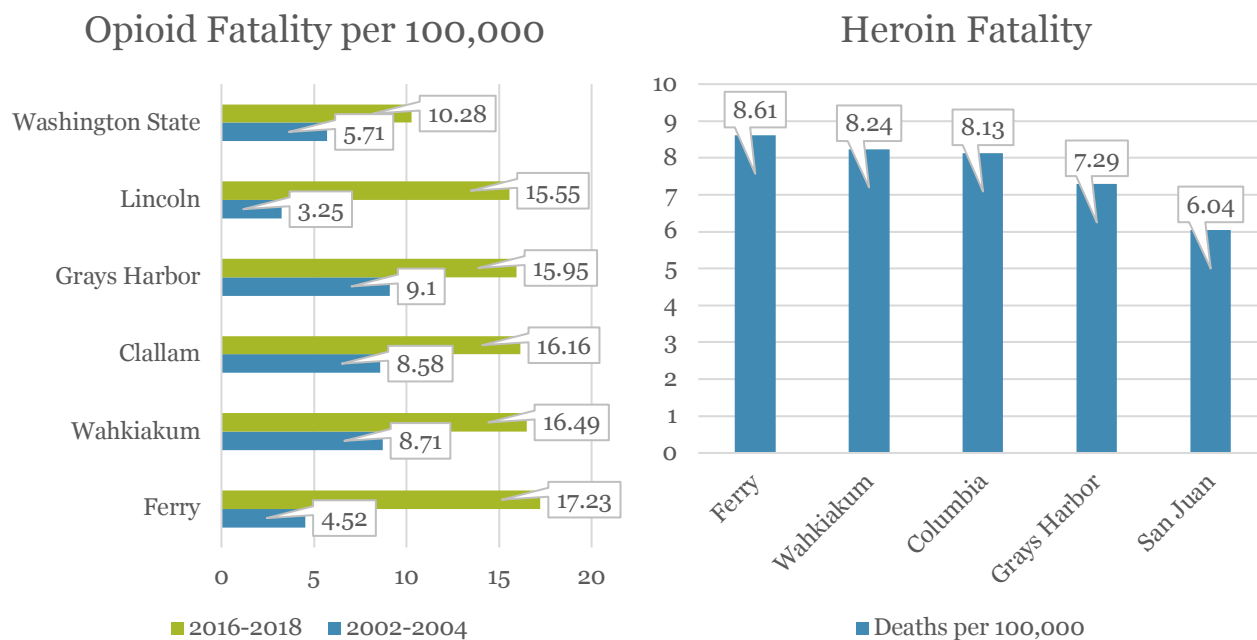
	Number of suicides	Age-adjusted rate (per 100,000)
Grays Harbor County	72	19.8
Washington State	5,669	15.4

Source: 2019 WA DOH Firearm Fatality and Suicide Prevention, A Public Health Approach

Grays Harbor County experienced an overall suicide rate more than 25% higher than the State average for the 2013-2017-time frame.

As identified in Figure 14, with a 75% increase between the 2002-2004 timeframe and 2016-2018 timeframe, Grays Harbor County now ranks fourth highest of all Washington Counties for all opioid fatalities, with a rate of 15.95 per 100,000 in 2016-2018, compared to 10.28 per 100,000 statewide. The County also ranks in the top 5 counties for heroin overdose deaths with a rate of 7.29 per 100,000 in 2016-2018.

Figure 14. Top 5 Opioid and Heroin Fatality Counties

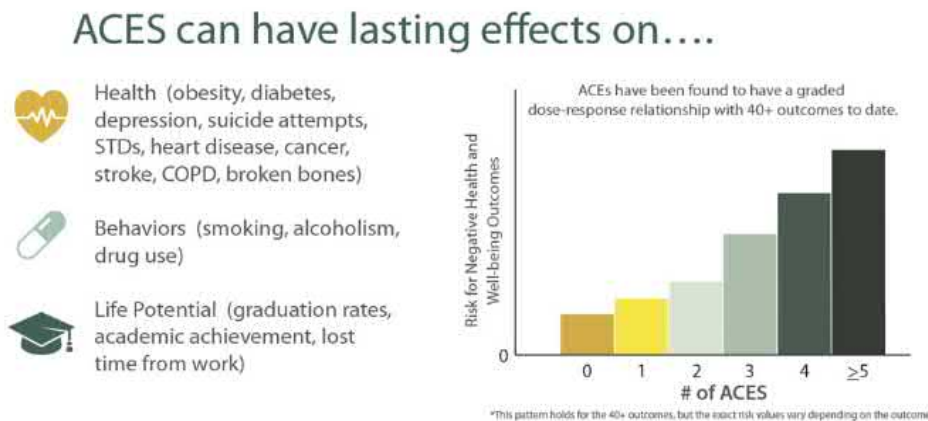


Source: University of Washington Alcohol & Drug Abuse Institute Interactive Database (2020), 2016-2018 University of Washington Alcohol & Drug Abuse Institute Interactive Database (2020)

Adverse Childhood Experiences (ACEs)

Adverse Childhood Experiences, or ACEs, are traumatic events that occur in childhood and cause stress that changes a child’s brain development. Exposure to ACEs has been shown to have adverse health and social outcomes in adulthood, including but not limited to depression, heart disease, COPD, risk for intimate partner violence, and alcohol and drug abuse. ACEs include emotional, physical, or sexual abuse; emotional or physical neglect; seeing intimate partner violence inflicted on one’s parent; having mental illness or substance abuse in a household; enduring a parental separation or divorce; and having an incarcerated member of the household.

Figure 15. Association between ACEs and Negative Health Outcomes



Source: Centers for Disease Control & Prevention, “Association Between ACEs and Negative Outcomes”

ACE burden is defined as the number of ACEs an adult was exposed to during childhood. The highest ACE score is 8. In Washington, 62% of adults 18-64 have at least one ACE; 26.5% have 3 or more; 5% have 6 or more. According to Grays Harbor Public Health Department 2019 Snapshots, 38% of Grays Harbor adults had three or more ACEs. 75% of 8th grade students believe they can discuss important things with the adults in their neighborhood or community.

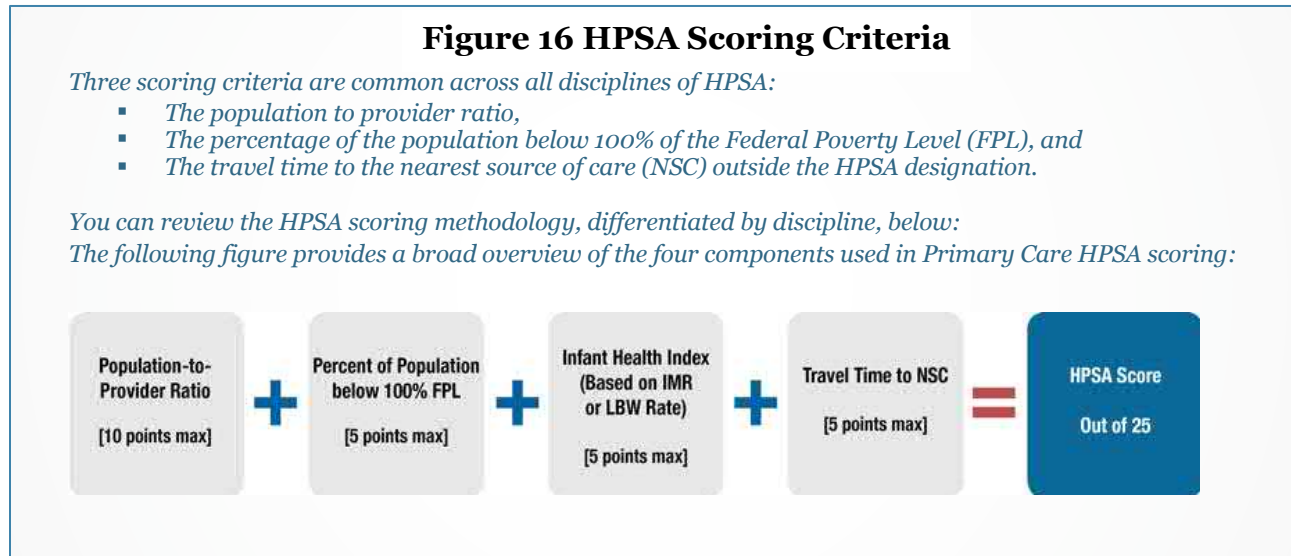
Access to Care

Access to care when and where it is needed is impacted by income, health insurance, transportation, and the supply of providers, among other factors. While more than 10,000 County residents have gained access to health insurance via Medicaid expansion, the County still has higher rates of uninsured than the state, and that number has been trending back up since 2017.

The Federal Health Resources & Service Administration (HRSA) deems geographies and populations as Medically Underserved Areas (MUAs), Medically Underserved Populations (MUPs) and/or Health Professional Shortage Areas (HPSAs). MUAs and MUPs identify geographic areas and populations with a lack of access to primary care services. Similarly, a HPSA designation identifies a critical shortage of providers in one or more clinical areas.

There are also several types of HPSAs depending on whether shortages are wide spread or limited to specific groups of people or facilities including: a geographic HPSA wherein the entire population in a certain area has difficulty accessing healthcare providers and the available resources are considered overused; or a population HPSA wherein some groups of people in a certain area have difficulty accessing healthcare providers (e.g. low-income, migrant farmworkers, Native Americans).

Once designated, per Figure 16 below, HRSA scores HPSAs on a scale of 0-26, with higher scores indicating greater need. HPSA designations are available for three different areas of healthcare: primary medical care, primary dental care, and mental health care.



The entirety of Grays Harbor County has been designated as a HPSA for primary, dental, and mental health care. These designations are important as more than 30 federal programs depend on the shortage designation to determine eligibility or funding preference to increase the number of physicians and other health professionals who practice in those designated areas. Table 10 reflects Grays Harbor County’s HPSA designations and scoring.

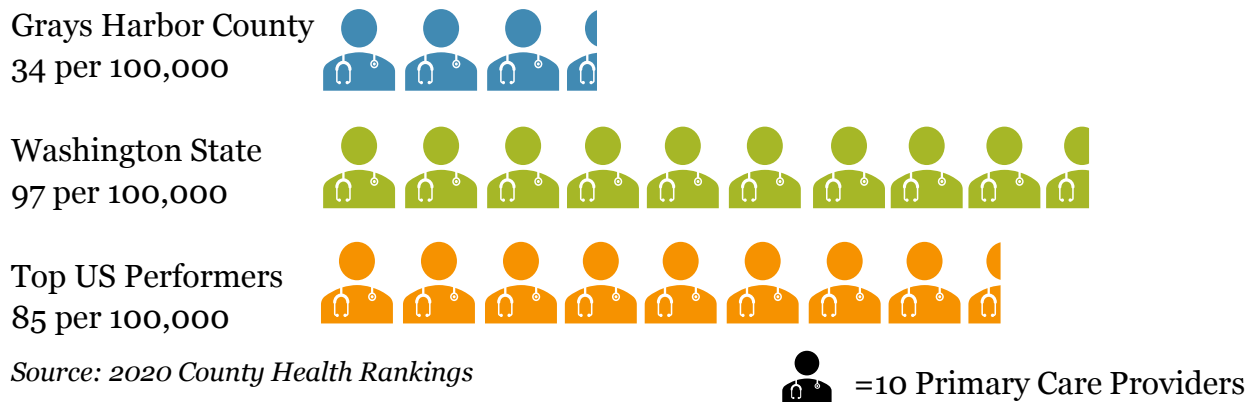
Table 10. Grays Harbor County HPSA Designations

HPSA	Designation Type	Designation Date	Score
Primary Care	Low-Income: Entire County	8/01/2017	16
Dental Care	Geographic: Entire County	8/24/2017	18
Mental Health	Geographic: Entire County	8/03/2017	17

Source: HRSA Data Warehouse – HPSA Find

Figure 17 demonstrates the number of Primary Care Physician FTEs per 100,000 is considerably lower than Washington State’s at 34 versus 97 per 100,000 and U.S. Top Performers at 85 per 100,000.

Figure 17. Number of Primary Care Physician FTEs per 100,000 population



For healthcare access, and as shown in Table 11, Grays Harbor ranks below the state on all 7 healthcare access measures developed and reported in 2020 by County Health Rankings. This includes an uninsured rate almost 30% higher and 31% more preventable hospital stays per 100,000 Medicare enrollees.

Table 11. Healthcare Access

	Grays Harbor County	Top U.S. Performers	WA State
Uninsured	9%	6%	7%
Primary care physicians	2,910:1	1,030:1	1,180:1
Dentists	2,000:1	1,240:1	1,230:1
Mental health providers	340:1	290:1	270:1
Preventable hospital stays	3,888	2,761	2,969
Mammography screening	36%	50%	39%
Flu vaccinations	42%	53%	46%

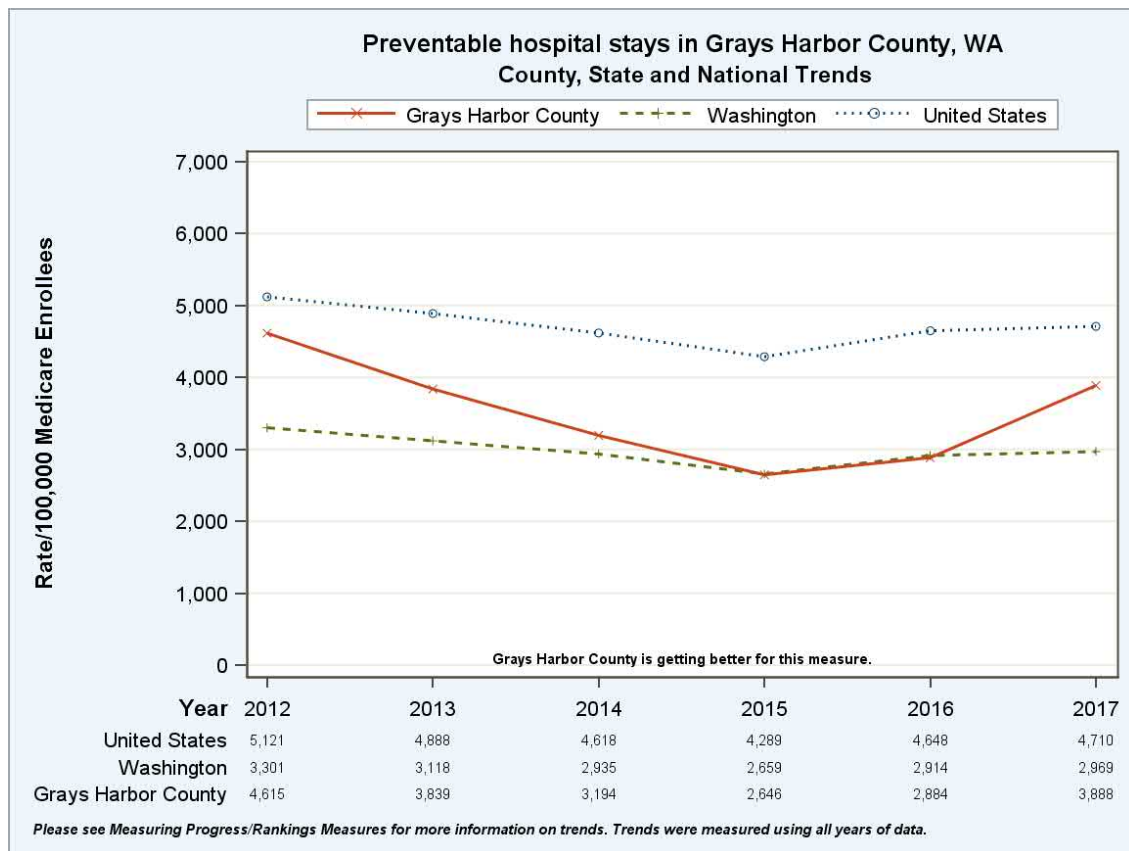
Source: County Health Rankings 2020

An ambulatory care—sensitive condition (ACSC) is defined as a condition for which timely and effective primary care or outpatient care can potentially reduce the risk of subsequent hospitalization. Hence, a hospitalization for an ACSC is also called a preventable hospitalization or avoidable hospitalization. Theoretically, as ACSC hospitalization is preventable with a proper supply of “ambulatory care”, it is considered to be a negative index for primary care. In other words, Preventable Hospital Stays could be classified as both a quality and access measure, as some literature describes hospitalization rates for ambulatory care-sensitive conditions primarily as a proxy for access to primary health care.

Ambulatory care-sensitive conditions include convulsions, chronic obstructive pulmonary disease, bacterial pneumonia, asthma, congestive heart failure, hypertension, angina, cellulitis, diabetes, gastroenteritis, kidney/urinary infection, and dehydration. This measure is age-adjusted.

Lower numbers on this measure are the goal. Grays Harbor County ranks well below the nation but is higher than the Washington State average but demonstrated improvement between 2016 and 2107. In 2019, County Health Rankings reported preventable hospital stays by race.

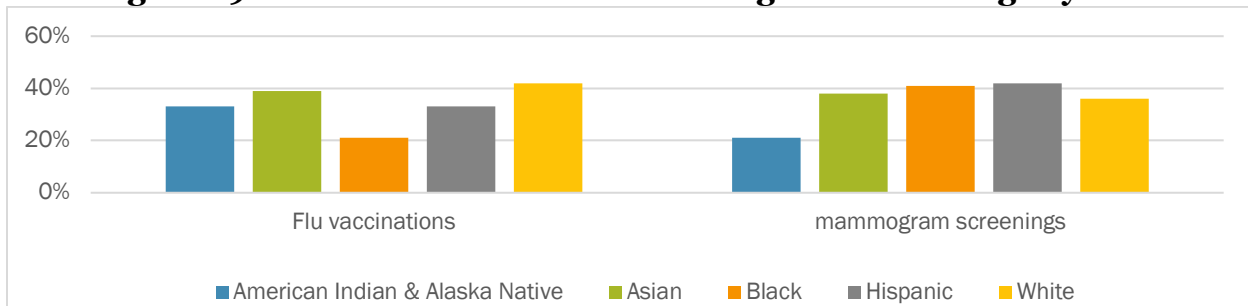
Figure 18. Preventable Hospital Stays Over Time



Source: County Health Rankings, 2013-2019

Though Grays Harbor’s overall rates for mammogram screenings and flu vaccinations are generally better than the state, 2017 rates are lower for specific racial and ethnic minority populations as depicted in Figure 19. Data for the American Indian/Alaska Native and Black populations in Grays Harbor County were higher than the overall County rates (9,950 American Indian/Alaskan Native, 6,523 for Black, and 3,762 for White).

Figure 19. Flu Vaccinations and Mammogram Screenings by Race



Source: County Health Rankings 2020

Data from the Arcora Foundation indicate potential dental health access issues in Grays Harbor County. For example, the percent of adults who have seen a dentist in the last year in the County is significantly lower than the percent statewide (51% vs. 69%). Importantly, and as can be identified in Figure 20, data also demonstrates that adults have worse dental outcomes than the State with 17% of residents over the age of 65 having all permanent teeth extracted compared to only 9% statewide.

Figure 20. % Who Had All Permanent Teeth Extracted 65 and older (2018)

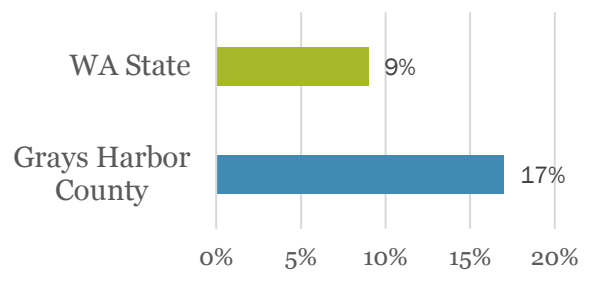
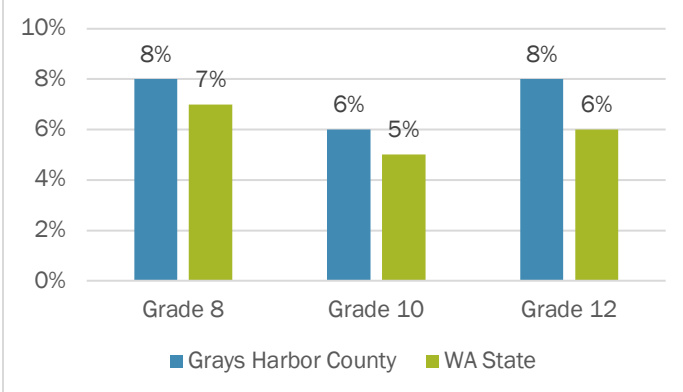


Figure 21. Missed School Days due to a Toothache (2018)












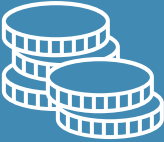



The situation is slightly better for school age youth in the County. While fewer Grays Harbor 8th grade students have seen the dentist in the last year than students statewide (82% vs. 87%), as seen in Figure 21, by 12th grade Grays Harbor is doing better than the state (81% compared to 79%). However, more students in 8th- 12th grade in the County are missing school due to a toothache than students statewide.

Community Convening

In prior CHNAs, GCHC undertook robust in-person community convenings to assess, identify, and prioritize community needs. After much discussion, this year, due to COVID, we chose to distribute an online survey to District/PSA and County leaders as well as to organizations that serve the vulnerable, including the following organizations listed in Table 12 below:

Table 12. Survey Recipients and Their Target Populations/Communities

	City Government Officials Aberdeen, Cosmopolis, Westport, Montesano, and Hoquiam		Grays Harbor County Emergency Management Countywide
	GHCH Foundation District Low Income/vulnerable populations		Port of Grays Harbor Countywide
	School Districts Students, Teachers and Families in Aberdeen, North Beach, Ocosta		Behavioral Health Resources Countywide. Behavioral health focus
	Grays Harbor County Public Health Countywide, Low Income and Vulnerable Populations, Homeless		Law Enforcement/Chief of Police Residents of Aberdeen, Hoquiam, Montesano
	Quinault Nation Quinault and Queets tribes and descendants of five other coastal tribes: Quileute, Hoh, Chehalis, Chinook, and Cowlitz.		First Responders (Ocean Shores and Grays Harbor County Fire) Countywide and community specific
	Grays Harbor Community Foundation Youth, families, vulnerable populations, homeless		YMCA of Grays Harbor Low Income/vulnerable populations. Focus on equity.
	GHCH Foundation Low income/vulnerable populations		State and Federal Representatives Residents of the 24 th Legislative and 6 th Congressional Districts

36 surveys were sent, with a response rate of nearly 50%. Given that many recipients were working remotely during this timeframe and given the alignment of the responses from those we received, we are confident that we received valid input.

The survey was designed to solicit feedback on perceived improvements in the areas prioritized in GHCH’s 2017 CHNA. It also requested input on other or new health needs and gaps of the community. Specifically, the survey posed questions related to the four GHCH 2017 CHNA Priorities, restated below:

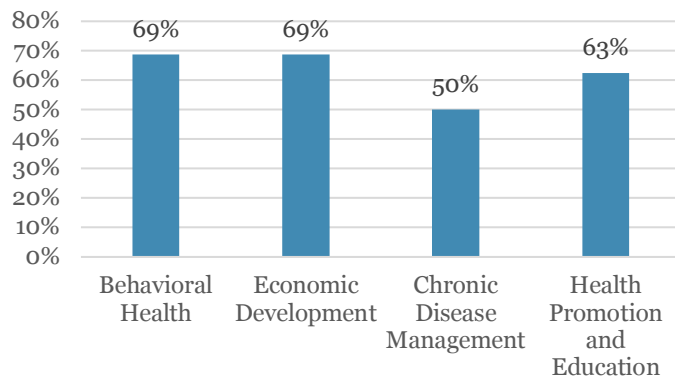
- **Behavioral Health:** Advocate and secure adequate resources to improve access to behavioral health care by integrating with primary care, and address the opiate crisis
- **Economic Development:** Active participation in Economic Development, with specific interest in advocacy for more family wage jobs, more affordable housing and better transportation
- **Prevention and Management of Chronic Conditions:** Manage chronic diseases by improving care coordination and self-management programs
- **Health Promotion and Education:** Outreach that supports healthy living and self-management

The questions specifically asked were:

On a scale from 1 (no improvement) to 5 (great improvement), please indicate the improvement you have experienced either personally or within the community over the past three years in relationship to the priority.

Do you think the priority should continue to be a CHNA priority action in the coming years?

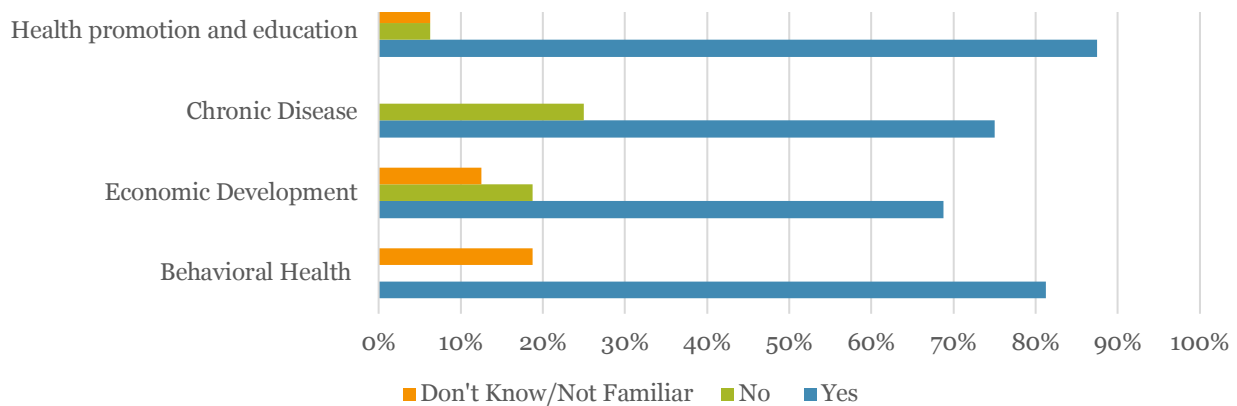
Figure 22. 2017 CHNA Priorities. Little to no Improvement (Ranked 1-2 out of 5)



As shown in Figure 22, respondents generally indicated that they—either personally or in their profession--- experienced little to no improvement in the last three years in areas including behavioral health access/opioid crisis, economic development and health promotion and education. Half of the respondents also indicated that they experienced little to no improvement related to chronic disease management. As identified in Figure 21, the vast majority of respondents also concluded that GHCH’s 2017 priorities should continue to be priorities in the upcoming years with health promotion and education receiving the highest rating (88%) and economic development the lowest (but still at nearly 70% of respondents).

Based on the data collected in preparation for the 2020 CHNA, and after participation in, and/or close review of the Community Needs Assessment and Health Improvement Plans produced by Public Health, CPAA and Summit Pacific Medical Center, the survey also asked respondents to prioritize an additional priority that rose to the top in those Reports; that priority was health care access. 94% of respondents thought health care access should be a priority.

Figure 23. 2017 Priorities – Should the Priority Continue to be a Focus?

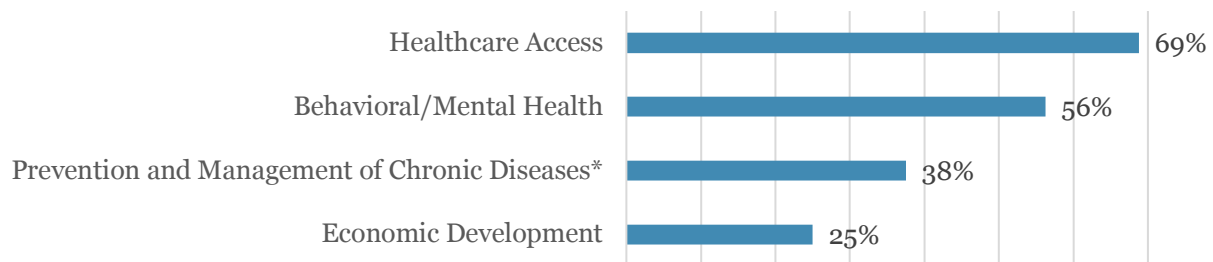


The Community Convening process ultimately asked respondents to rank each of the 2017 CHNA priorities as well as the additional health care access priority, specifically asking:

Of the priorities referenced in this survey: Behavioral/Mental Health, Prevention and Management of Chronic Diseases (this is a combination of the current CHNA priorities: chronic conditions and health promotion/education), Economic Development, and Healthcare Access, which two do you identify as the top priorities?

The responses are depicted in Figure 23. When ranked compared to other priorities, Healthcare Access (69%) and Behavioral Health (56%) rose to the top, with Prevention and Management of Chronic Disease ranking in the top two for only 37.5% of respondents. Economic development ranked in the top two for only 25% of respondents.

Figure 24. Respondents' Top Priorities



Respondents were also asked if there were other areas of health needs that were not addressed in earlier questions. One respondent provided a particularly in-depth response, as follows:

Diet and lifestyle are a major component of health care and addressing the needs of other indicators such as Mental and Behavioral Illness and Chronic Disease. The Blue Zones initiative at Summit Pacific is a huge undertaking and GHCH should consider the work that goes into creating partnerships with grocery stores, school districts, gyms, and area businesses to support a community that is health conscious. Changing human behavior is difficult if the environment does not change. But if you change the environment (the community) and make health the focus at work, school, church, etc, we begin to change the environment and thus the behaviors are easier to change.

Other areas of health needs identified by community respondents included early intervention programs, satellite clinics and facilities, and more training for clinical staff. Access to care specific to the underinsured/uninsured and more recruitment of providers, another access issue, were also noted.

2020-2022 CHNA Priorities

Based on the health needs in Grays Harbor County and the District, and after consideration of: 1) our resources and expertise, and 2) other community agencies and providers and their respective areas of expertise, resources and programming, GHCH adopted the following CHNA priorities for 2020-2023:

1. Healthcare Access
2. Behavioral/Mental Health
3. Prevention and Management of Chronic Diseases
4. Economic Development

We are confident that we can lead our selected initiatives and demonstrate quantifiable improvements over time. While we will not lead in certain areas, we still intend to actively support, partner and advocate in other initiatives, especially those around housing insecurity and programs for residents living on the margins wherein we improve mental and physical wellbeing.

2020-2022 CHNA Implementation Strategies

Our 2020 selected Implementation Strategies include:

Priority: Healthcare Access

Implementation Strategy 1: *Increase primary care access, reduce unnecessary emergency department and hospital use, and reduce unnecessary outmigration.*

Our intended actions include:

- Recruit and retain additional primary care providers and continue to build health care delivery teams in the primary care clinics.
- Provide more flexible options for accessing care through continued expansion of Prompt Care Clinics locations and hours.
- Evaluate the feasibility of a satellite primary care clinic at the new GHCH Ocean Shores Prompt Care Clinic.
- Integrate specialty care into the primary care clinics, particularly cardiology care, to reduce outmigration.
- Continue to improve care coordination efforts to assure seamless care transitions for patients within our care.

Anticipated Impacts: Increased local access to care, reduced barriers to care and inequities, reduction in unnecessary ED visits and hospitalizations, increased preventive care measures, and improved outcomes.

Implementation Strategy 2: *Improve access to and availability of preventive dental health services for children and dental treatment for underserved adults.*

Our intended actions include:

- Evaluate integration of dental services into the primary care clinics with a focus on preventive services for children and treatment for low-income adult, including consideration of a rural health clinic change in scope.
- Identify grant funding to assist with the planning of the appropriate dental clinic model for our community and to help with any necessary capital and operational costs.
- Pursue short-term solutions including visiting dentists and free mobile services.

Anticipated Impacts: Improved access to dental services for the underserved, improved adherence to recommended preventive dental care schedules, improved dental outcomes, reduced health risks, missed school days, ED visits and primary care visits associated with dental pain/decay.

Priority: Behavioral/Mental Health

Implementation Strategy 3: *Evaluate telemedicine opportunities to increase access to behavioral health and substance use disorder services throughout the community.*

Our intended actions include:

- Expand work with the University of Washington to implement tele-psych services and psychiatric consultation services for primary care providers.
- To assure sustainability, advocate for continuation of the COVID exemptions for the provision of telehealth services by rural health clinics and for authorizing reimbursement changes to allow telehealth visits to be billed as an RHC visit.
- Pursue additional telehealth options.

Implementation Strategy 4: *Increase behavioral health partnerships and service and increase integration with primary care.*

Our intended actions include:

- Identify and secure additional behavioral health partnerships to support further integration of behavioral health, substance use disorder and primary care services.
- Continue focus on de-escalation training for GHCH providers and staff.
- Continue evidence-based MAT Programs and Distribution of Naloxone kits.
- Increase the number of MAT providers in the primary care clinics.

Anticipated Impacts: Increased access to behavioral health and substance use services, increased availability for those unable/unwilling to travel, enhanced care coordination and integration of behavioral health and primary care, reduced wait times for behavioral health services. Reduced hospitalizations associated with behavioral health crises, and reduced substance abuse hospitalizations and deaths.

Priority: Prevention and Management of Chronic Diseases

Implementation Strategy 5: *Consistent with the Cascade Pacific Action Alliance (CPAA) Medicaid Transformation Project, standardize care coordination service delivery for individuals with complex needs to support early detection and patient self-management.*

Our intended actions include:

- Engage patients and encourage participation in the CPAA's Chronic Disease Self-Management Program's educational workshops designed to help people gain self-confidence in their ability to control their symptoms and learn how their health problems affect their lives.
- More fully implement the Chronic Care Model approach to caring for people with chronic diseases in the primary care setting, focusing on the development of proactive health care teams, care coordination and patient, family, and provider engagement.
- Evaluate need for, and ability to secure additional care coordination staff or community health workers. Identify grant funding to test the feasibility.
- Continue community education to provide information on healthy lifestyle choices and reduce the risk of injury and disease progression.

Anticipated Impacts: Reduced burden associated with preventable infection and diseases, and community empowerment to manage their own health disparities.

Priority: Economic Development

Implementation Strategy 6: *Commit GHCH Leadership time and Board level resources to advocate and support efforts to enhance community infrastructure.*

Our intended actions include:

- Support community efforts designed to create more family wage jobs, more affordable housing and better transportation.
- Continue to work collaboratively with CPAA to coordinate entry into their housing and shelter programs.

Anticipated Impacts: Improvement in the social and economic status of GHCH service area residents, enhanced community engagement.



December 17, 2020

Janis Sigman, Program Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

Dear Ms. Sigman,

As the Corporate Controller for The Pennant Group, Inc., the ultimate parent company of Symbol Healthcare, Inc., I am writing to affirm a commitment to fully finance the establishment of Puget Sound Hospice of Grays Harbor County, in Grays Harbor County, Washington. As the ultimate parent of Symbol Healthcare, Inc., we have provided a copy of Pennant's 10-Q in conjunction with this filing that demonstrates the necessary capital reserves to meet the funding requirements.

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

Sincerely,

Morgan Boatman
Corporate Controller
The Pennant Group, Inc.
1675 E. Riverside Dr., Ste 150
Eagle, ID 83616