June 16, 2022

Eric Hernandez, Program Manager
Certificate of Need Program
Department of Health
111 Israel Road Southeast
Tumwater, WA 98501 *Via Email: FSLCON@DOH.WA.GOV*

Dear Mr. Hernandez:

Attached please find PeaceHealth's certificate of need application proposing to expand an existing endoscopy-only ambulatory surgery center in Whatcom County.

Also, please note that the appropriate review and processing fee of $20,427 was sent separately via FedEx to the Department of Health.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

Darrin Montalvo
PeaceHealth - EVP Chief Financial-Growth Officer

**CERTIFICATE OF NEED APPLICATION
EXPANDING AN EXISTING ENDOSCOPY-ONLY
AMBULATORY SURGERY CENTER
FROM TWO ROOMS TO THREE ROOMS**

Whatcom Secondary Health Service Area

June 2022

SECTION 1
APPLICANT DESCRIPTION

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. WAC 246-310-010(6)

The applicant is PeaceHealth St Joseph Hospital dba PeaceHealth Medical Group Endoscopy Center. The ultimate parent is PeaceHealth. As can be identified in the organizational chart in Exhibit 1, all of PeaceHealth's programs and services are overseen by the PeaceHealth Board of Directors.

The applicant currently operates a two room CN approved endoscopy only Ambulatory Surgery Center (ASC) located at 4545 Cordata Pkwy, Ste 10 in Bellingham. This ASC is in process of being relocated to 2930 Squalicum Parkway Suite 202 in Bellingham. The relocation in and of itself is not subject to prior CN review and approval. However, once relocated, and upon certificate of need approval, PeaceHealth proposes to expand the ASC from two rooms to three rooms. This CN seeks approval for the third room.

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

PeaceHealth is a not-for-profit Catholic health system offering care to communities in Washington, Oregon, and Alaska. PeaceHealth operates hospitals, clinics, home health and hospice agencies, and it also owns and operates the PeaceHealth Medical Group.

The UBI # associated with PeaceHealth Medical Group Endoscopy Center is 371009327.

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

The contact for this project is:

Aaron Dipzinski, System Director Ambulatory Growth
PeaceHealth
1115 SE 164th Avenue
Vancouver, WA, 98683
(360) 729-1194
ADipzinski@peacehealth.org

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

The other representative authorized to speak on behalf of PeaceHealth related to the screening of this application is:

Tom Karnes, Associate General Counsel
PeaceHealth
1115 SE 164th Avenue
Vancouver, WA, 98683
(360) 729-1297
TKarnes@peacehealth.org>

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

The requested information is included in Exhibit 1.

SECTION 2
PROJECT DESCRIPTION

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

The current CN approved Endoscopy Center (CN# 1396, ASF.FS.60113919) is located at:

4545 Cordata Pkwy, Ste 10
Bellingham, WA, 98226-7123.

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

The name and address of the proposed facility is:

2930 Squalicum Parkway Suite 202
Bellingham, WA 98225-1851

3. **Provide a detailed description of the proposed project.**

As noted above, PeaceHealth is already intending to relocate an existing Endoscopy Center located at 4545 Cordata Parkway to a new location at 2930 Squalicum Parkway, Suite 202. The relocation of an existing CN approved ASC in the same planning area does not trigger prior CN review and approval. However, in order to address demand and patient backlogs, we propose to, upon CN approval. expand the Squalicum address from two to three procedure rooms.

Having only two rooms is constraining PeaceHealth's ability to fully address patient demand. Four of our GI physicians currently use the two room ASC, which operates an average of 10.5 hours per day, four days per week. The lack of an additional room is a bottleneck that impedes growth and prohibits us from addressing patient demand and reducing current backlogs associated with COVID delays.

In addition, the current location is approximately 5 miles from the specialty clinic and St. Joseph Medical Center, where the four GIs spends the majority of their workday when not performing cases in the ASC. The travel time to and from the hospital is 20-30 minutes each way, and results in idle time for providers, which could otherwise be used to see and treat patients. The new location is adjacent to the hospital and will easily accommodate the physicians to move back and forth between the hospital and ASC as patient census and demand requires.

The new location is expected to be completed, licensed, certified, and opened by June of 2023. The first full year of operation will be 2024. The capital cost for the project is $956,004.

4. **With the understanding that the review of a Certificate of Need application typically takes at least 6-9 months, provide an estimated timeline for project implementation, below:**

The estimated timeline is provided in Table 1 below.

Table 1

Event	Anticipated Month/Year
Design Complete	July 2022
Construction Commenced	September 2022
Construction Completed	December 2022
Facility Prepared for Survey	March 2023
Project Completion	June 2023

Source: Applicant

5. **Identify the surgical specialties to be offered at this facility by checking the applicable boxes below. Also attach a list of typical procedures included within each category.**

☐ Ear, Nose, & Throat ☐ Maxillofacial ☐ Pain Management
☒ Gastroenterology ☐ Ophthalmology ☐ Plastic Surgery
☐ General Surgery ☐ Oral Surgery ☐ Podiatry
☐ Gynecology ☐ Orthopedics ☐ Urology
☐ Other? Describe in detail:____

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

☒ Endoscopy ☐ Bariatric Surgery ☐ Other:____________

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

The facility (current and after relocation) will provide endoscopy procedures only.

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

The existing endoscopy center located at 4545 Cordata Pkwy includes two (2) endoscopy procedure rooms. Upon relocation, the endoscopy center will include three (3) endoscopy procedure rooms.

9. **Identify if any of the operating rooms at this facility would be exclusively dedicated to endoscopy, cystoscopy, or pain management services. WAC 246-310-270(9)**

All rooms in the center will be dedicated to endoscopy.

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

The types of patients to be served are those requiring outpatient endoscopy procedures; typically, upper and lower gastrointestinal endoscopy.

11. **If you submitted more than one letter of intent for this project, provide a copy of the applicable letter of intent that was submitted according to WAC 246-310-080.**

Only one letter of intent was submitted for this project.

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

Line drawings of the proposed facility are included in Exhibit 2.

13. **Confirm that the facility will be licensed and certified by Medicare and Medicaid, which is a requirement for CN approval. If this application proposes the expansion of an existing facility, provide the existing facility's identification numbers.**

The facility is already Medicare certified and licensed and will submit the appropriate amendments to identify the new location upon CN approval.

14. **Identify whether this facility will seek accreditation. If yes, identify the accrediting body.**

The Center is not currently accredited by the Accreditation Association for Ambulatory Heath Care (AACHC). The Center will not seek accreditation at the new location.

15. **OPTIONAL – The Certificate of Need program highly recommends that applicants consult with the office of Construction Review Services (CRS) early in the planning process. CRS review is required prior to construction and licensure (WAC 246-330-500, 246-330-505, and 246-330-510). Consultation with CRS can help an applicant reliably predict the scope of work required for licensure and certification. Knowing the required construction standards can help the applicant to more accurately estimate the capital expenditure associated with a project.**
    If your project includes construction, please indicate if you've consulted with CRS and provide your CRS project number.

PeaceHealth is very familiar with the State's Construction Review Services rules and regulations, including the Facility Guidelines Institute's (FGI) construction standards. While we have not yet scheduled a formal TA, we have had numerous conversations with CRS staff regarding this specific ASC. We intend to initiate a formal application process within the next few months.

SECTION 3
NEED (WAC 246-310-210)

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

Table 2 provides the ASC facilities operating in Whatcom County. In addition to these facilities, PeaceHealth St. Joseph Medical Center also provides outpatient surgery.

Table 2
Whatcom County Hospital and CN approved ASC Operating Rooms

Facility
Bellingham Ambulatory Surgery Center
Bellingham Surgery Center
Bellingham Urology Specialist
Mt. Baker Pain Center
Northwest Endoscopy Center
Northwest Surgical Center
Pacific Rim Outpatient Surgery Center
Parkway Surgical Center
PeaceHealth Medical Group Endoscopy Center (Applicant)
Whatcom Surgery Center

Source: ILRS, CN historical records.

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

Peace Health currently provides endoscopy only services at its current Cordata location; and it will continue to do so upon relocation to the Squalicum Parkway location. In addition, PeaceHealth St. Joseph Medical Center has two rooms for endoscopy procedures. There is one other provider of endoscopy outpatient surgery services in the County, Northwest Endoscopy Center**.** Until recently, Northwest Endoscopy operated its ASC at the site we are relocating to. Northwest Endoscopy recently relocated to: 3111 Woburn Street, Ste 101, Bellingham, WA.

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

The Center is proposing to relocate for the reasons noted earlier in this application: the current ASC is undersized and travel from the hospital to the current location provides challenges to providers to move back and forth during the day. The application simply requests approval to add one additional endoscopy only procedure room in the new location.

With only two rooms, the Center is already performing about 7,500 procedures per year and currently has a backlog of procedures caused in large part by COVID, which simply cannot be accommodated in the existing location. Numerous studies demonstrate what has been experienced in Whatcom County: the COVID pandemic reduced the volume of diagnostic endoscopies, and later stage cases are being identified. There is an urgency to mitigating the backlog. This urgency, coupled with new guidelines (May 2021) from the American Cancer Society that reduce the age for a first colonoscopy from 50 to 45 are increasing demand. The recommended age was lowered because colorectal cancer cases are on the rise among young and middle-age people. Deaths of people under age 55 increased 1% per year from 2008 to 2017. For all of the above reasons, this project is not an unnecessary duplication of services.

4. **Complete the methodology outlined in WAC 246-310-270, unless your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management. If your facility will be exclusively dedicated to endoscopy, cystoscopy, or pain management, so state. If you would like a copy of the methodology template used by the department, please contact the Certificate of Need Program.**

The current facility is, and the expanded one room will also be, exclusively dedicated to endoscopy procedures. As such, this question is not applicable.

5. **If the methodology does not demonstrate numeric need for additional operating rooms, [WAC 246-310-270(4)] gives the department flexibility. WAC 246-310-270(4) states: "Outpatient operating rooms should ordinarily not be approved in planning areas where the total number of operating rooms available for both inpatient and outpatient surgery exceeds the area need."**

   These circumstances could include but are not limited to lack of CN approved operating rooms in a planning area, lack of providers performing widely utilized surgical types, or significant in-migration to the planning area. If there isn't sufficient numeric need for the approval of your project, please explain why the department should give consideration to this project under [WAC 246-310-270(4)]. Provide all supporting data.

The current facility is, and the expanded one room will also be, exclusively dedicated to endoscopy procedures. As such, this question is not applicable.

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

The historical utilization for the existing facility is included in Table 3 below.

Table 3
Historical and Projected Volumes

	2019	2020	2021	2022	2023	2024	2025	2026
Procedures	6,033	4,267	7,517	7,539	8,079	9,471	9,609	9,747

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

Table 3 above details the projected volumes, by specialty and by year.

Volume projections associated with the addition of the one room assumes use of the room 3 days per week with volumes increasing per day from 12 patients per room per day to 16 patients per room per day as detailed in Table 4 below.

Table 4
Projected Volume Assumptions

	2023	2024	2025	2026
Procedures/Visits Per Day	12	14	15	16
Weeks Open	15	46	46	46
Days/Week	3	3	3	3
Days Open	45	138	138	138
Number of Providers	1	1	1	1
Total Projected Additional Volume	**540**	**1,932**	**2,070**	**2,208**
Current Volume (2022)	7,539	7,539	7,539	7,539
Total Facility Volume	8,079	9,471	9,609	9,747

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

The only factor in the County that would restrict access is an inadequate number of available and accessible endoscopic procedure rooms. The rooms at our Current Center, run at capacity, based on a 10-hour day, 4-days per week schedule. Similarly, Northwest Endoscopy's 2020 CN application noted that their existing rooms were operating at 100% capacity. Further, the two endoscopy rooms in the hospital are typically used for more complex cases and patients that do not meet ASGE guidelines for sedation and anesthesia in a freestanding setting as endorsed by the American Association for the Study of Liver Diseases, the American College of Gastroenterology, and the American Gastroenterological Association.

9. **In a CN-approved facility, WAC 246-310-210(2) requires that "all residents of the service area, including low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups and the elderly are likely to have adequate access to the proposed health service or services." Confirm your facility will meet this requirement.**

Yes, PeaceHealth is committed to serving all persons regardless of income, race, ethnicity, gender, and disability status. A copy of the non-discrimination and charity care policies in place at PeaceHealth are included in Exhibit 3.

For ASC applications, the CN Program requests that the proposed facility provide charity care at the average of the hospitals in the planning area. According to charity care data produced by the Department, the three-year charity care average for the Puget Sound Region is 1.21% of total revenue and 3.61% of adjusted revenue.

For the Endoscopy Center pro formas, charity care is consistent with the most recent data.

10. Provide a copy of the following policies:
- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**
- **Any other policies directly related to patient access to care.**

The policies are included in Exhibit 3.

SECTION 4
Financial Feasibility (WAC 246-310-220)

1. **Provide documentation that demonstrates that the immediate and long-range capital and operating costs of the project can be met. This should include but is not limited to:**
   - **Utilization projections. These should be consistent with the projections provided under "Need" in section A. Include the basis for all assumptions.**
   - **Pro Forma revenue and expense projections for at least the first three full calendar years of operation. Include the basis for all assumptions.**
   - **Pro Forma balance sheet for the current year and at least the first three full calendar years of operation. Include the basis for all assumptions.**
   - **For existing facilities, provide three years of historical revenue and expense statements, including the current year. Ensure these are in the same format as the pro forma projections. For incomplete years, identify whether the data is annualized.**

The requested utilization assumptions were provided in response to Question #6 & 7 in the NEED section. Pro forma revenue and expense projections, pro forma balance sheets and historical financials are provided in Exhibit 4.

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

   Note that all agreements above must be valid through at least the first three full years following completion of the project or have a clause with automatic renewals. <u>Any agreements in draft form must include a document signed by both entities committing to execute the agreement as submitted following CN approval.</u>

The job description for the Medical Director is included in Exhibit 5. There are no other agreements.

3. **Certificate of Need approved ASFs must provide charity care at levels comparable to those at the hospitals in the ASF planning area. You can access charity care statistics from the Hospital Charity Care and Financial Data (HCCFD) <u>website</u>. Identify the amount of charity care projected to be provided at this facility, captured as a percentage of gross revenue, as well as charity care information for the planning area hospitals. The table below is for your convenience but is not required. <u>WAC 246-310-270(7)</u>**

As noted in NEED section of this application, PeaceHealth has charity care consistent with the regional average of 1.21% of gross revenue and 3.61% of adjusted revenue.

4. **Provide documentation of site control. This could include either a deed to the site or a lease agreement for the site. If a lease agreement is provided, the terms must be for at least five years following project completion. The costs identified in these documents should be consistent with the Pro Forma provided in response to question 1.**

The lease for the new location is included in Exhibit 6.

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

This site until recently was operated as an Endoscopy Center by Northwest Endoscopy.

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

The estimated capital expenditure is $956,004 as detailed in Table 5.

Table 5
Capital Expenditure

Item	Cost
a. Land Purchase	$
b. Utilities to Lot Line	$
c. Land Improvements	$
d. Building Purchase	$
e. Residual Value of Replaced Facility	$
f. Building Construction	$266,957
g. Fixed Equipment	$
h. Movable Equipment	$653,213
i. Architect and Engineering Fees	$24,472
j. Consulting Fees	$5,244
k. Site Preparation	$
l. Supervision and Inspection of Site	$6,118
m. Any Costs Associated with Securing the Sources of Financing (include interim interest during construction)	$
1. Land	$
2. Building	$
3. Equipment	$
4. Other	$
n. Washington Sales Tax	$
Total Estimated Capital Expenditure	**$956,004**

7. **Identify the entity or entities responsible for funding the capital expenditure identified above. If more than one entity is responsible, provide breakdown of percentages and amounts for all.**

The capital expenditure will be funded from cash reserves. A letter of commitment is included in Exhibit 7.

8. **Please identify the amount of start-up costs expected for this project. Include any assumptions that went into determining the start-up costs. If no start-up costs are needed, explain why.**

No start-up costs are anticipated because this is an existing operation.

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

A non-binding contractor's estimate for the construction costs is included in Exhibit 8.

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

The minor capital costs associated with this project will not be passed on to payers in the form of higher charges. The Endoscopy Center will be operated as free-standing, and rates are not based on costs.

The availability of additional lower cost freestanding endoscopy services is beneficial to the community and will serve to reduce total cost of health care and potentially reduce total out-of-pocket health care costs for patients.

11. Provide documentation that the costs of the project, including any construction costs, will not result in an unreasonable impact on the costs and charges to patients for health services in the planning area. WAC 246-310-220

As noted in response to Q10, the capital cost will not be passed on to payers in the form of higher charges because the Endoscopy Center will be operated as free-standing, and rates are not based on costs. Further, the availability of lower cost freestanding ambulatory surgery, in contrast to hospital-based surgery procedures, will provide a lower cost setting and reduce costs and charges to patients and payers.

12. Provide the projected payer mix by gross revenue and by patients using the example table below. If "other" is a category, define what is included in "other."

Table 6 provides the requested payer mix. This payer mix is based on the historical payer mix of the existing facility. The payer mix is not expected to change with the relocation and expansion of this facility.

Table 6
Historical and Projected Payer Mix

Payer	% of Gross Revenue	% of Patient Revenue
Medicare	40%	38%
Medicaid	15%	6%
Other Government (pls define)	3%	3%
Commercial	41%	53%
Self Pay	1%	0%
Total	100%	100%

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

The historical payer mix is consistent with the projected payer mix and is included in Table 6 above.

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

Table 7 provides a listing of the new equipment proposed. Exhibit 9 provides a detailed list of the medical equipment included.

Table 7
Proposed Equipment

Equipment	Estimated Cost
Furnishings	$49,490
Art & Plants	$2,475
Medical Equipment **(See details in Exhibit 9)**	$477,523
IT (Low Voltage Systems Equipment)	$123,725
Total	**$653,213**

Source: Applicant

15. Provide a letter of financial commitment or draft agreement for each source of financing (e.g. cash reserves, debt financing/loan, grant, philanthropy, etc.). WAC 246-310-220.

This project will be funded through existing reserves. A letter of financial commitment is included in Exhibit 7.

16. If this project will be debt financed through a financial institution, provide a repayment schedule showing interest and principal amount for each year over which the debt will be amortized. WAC 246-310-220

This project will be funded through existing reserves. This question is not applicable.

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

PeaceHealth audited financial statements are included in Appendix 1.

SECTION 5
Structure and Process of Care (WAC 246-310-230)

1. **Identify all licensed healthcare facilities owned, operated by, or managed by the applicant. This should include all facilities in Washington State as well as out-of-state facilities, and should identify the license/accreditation status of each facility.**

Each of the entities owned and operated by PeaceHealth are included in Exhibit 10.

2. **Provide a table that shows FTEs [full time equivalents] by classification (e.g. RN, LPN, Manager, Scheduler, etc.) for the proposed facility. If the facility is currently in operation, include at least the last three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff classifications should defined.**

Historical FTEs and FTEs budgeted for Fiscal Year 2022 for the existing location, and projected FTEs for the new location are included in Table 8 below.

Table 8
FTEs by Classification
Historical and Projected

	FY2019	FY2020	FY2021	FY2022	FY 2023	FY2024	FY 2025	FY 2026
Clinic Manager	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Surgery Scheduler	0.5	0.5	0.5	0.5	0.8	0.8	0.8	0.8
Registration	1.0	1.0	1.0	1.0	1.3	1.3	1.3	1.3
Registered Nurses	5.7	5.3	6.2	6.0	8.8	8.8	8.8	8.8
Medical Assistants	2.0	2.0	3.0	3.0	4.5	4.5	4.5	4.5
Materials Management	1.0	1.0	1.0	1.0	1.7	1.7	1.7	1.7
Total	10.7	10.3	12.2	12.0	**17.6**	**17.6**	**17.6**	**17.6**

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

The FTEs for this project were based on historical experience and the projected increase in procedures shown in Table 4 above.

4. **Provide the name and professional license number of the current or proposed medical director. If not already disclosed under WAC 246-310-220(1) above, identify if the medical director is an employee or under contract.**

Dr. Steve Ho, MD60341696 is the medical director of the ASF. He is employed by PeaceHealth.

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

The Medical Director is employed by PeaceHealth. His overall position for PeaceHealth is Section Leader. His Medical Director duties are included in this position description (included in Exhibit 5).

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

Key staff for the facility include:

- **Medical Director:** Wen-Haun Steve Ho, MD - MD60341696
- **Clinic Manager:** Misty Farrell, RN - RN00153402
- **RN Team Lead:** Mylinh Huynh, RN - RN00170131

7. **Provide a list of physicians who would use this surgery center, including their names, license numbers, and specialties. WAC 246-310-230(3) and (5).**

Table 9
Endoscopy Center Physicians

Name (First Middle Last)	License Number	Specialties
Wen-Haun Steve Ho, MD	MD60341696	Gastroenterology, Internal Medicine
Mohammed Aboelsoud, MD	MD61001101	Gastroenterology, Internal Medicine
Joseph G. Gabriel, MD	MD61064912	Gastroenterology, Internal Medicine
Natasha Muckova, MD	MD60280545	Gastroenterology, Internal Medicine
Stephen P. Woods, MD	MD00028051	Gastroenterology, Internal Medicine
Dempsie Barney Morrison, DO	OP60322086	Gastroenterology, Internal Medicine

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

Table 10
Endoscopy Center Credentialed Staff

Name	Licensure	Number
Huynh, Mylinh	Registered Nurse	RN00170131
Farrell, Misty	Registered Nurse	RN00153402
Bridier, Emilie	Registered Nurse	RN60925480
Hendricks, Tami	Registered Nurse	RN60149965
Pai, Cynthia	Registered Nurse	RN00142898
Watson, Heidi	Registered Nurse	RN61049713
Winvick, Becky	Registered Nurse	RN00140228
Burwash, Jessica	Registered Nurse	RN60486220
Gallagher, Madelyn	Registered Nurse	RN61204521
Gehringer, Martina	Medical Assistant Certification	CM60750359
Muldoon, Ann	Medical Assistant Certification	CM60503557

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

The existing two room center is already fully staffed, as such, there will be minimal staff additions required to implement the project. PeaceHealth will rely on local management in conjunction with our talent acquisition team to recruit any additional qualified staff that are needed. Requisitions are prepared for talent acquisition review, and talent acquisition works with local management to develop a recruiting strategy for each vacancy. Talent acquisition utilizes various means to identify candidates including current employee referrals, online advertisements, social media postings, and community open house events. When positions prove hard to fill, employee sign on bonuses are utilized to increase the number of candidates. PeaceHealth also utilizes traveling staff as needed to meet census peaks.

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

This question is not applicable.

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

This application is the relocation and expansion of an existing facility, so this question is not applicable.

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

No changes are expected to existing ancillary or support agreements.

13. **If the ASF is currently operating, provide a listing of healthcare facilities with which the ASF has working relationships. WAC 246-310-230(4)**

This question is not applicable.

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

This question is not applicable.

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

This application is the relocation and expansion of an existing facility, so this question is not applicable.

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

A draft transfer agreement is included as Exhibit 11.

17. **Provide an explanation of how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. WAC 246-310-230(4)**

As discussed in response to earlier questions, this project proposes to expand an existing endoscopy center that will reduce wait times and provide a more efficient operations; thereby supporting PeaceHealth to meet increasing patient need.

18. **Provide an explanation of how the proposed project will have an appropriate relationship to the service area's existing health care system as required in WAC 246-310-230(4).**

This project will work closely with all providers in the planning area, including PeaceHealth St. Joseph Hospital, with which we already have, and will continue to have, a transfer agreement.

19. **Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. WAC 246-310-230(3) and (5)**
    a. **A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a health care facility; or**
    b. **A revocation of a license to operate a healthcare facility; or**
    c. **A revocation of a license to practice as a health profession; or**
    d. **Decertification as a provider of services in the Medicare or Medicaid program because of failure to comply with applicable federal conditions of participation.**

Neither PeaceHealth, nor any member/partner associated with the Medical Group, or the Center has a history related to any actions noted in WAC 246-310-230(5).

SECTION 6
Cost Containment (WAC 246-310-240)

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

PeaceHealth considered the following alternatives prior to submitting the CN for this project:

1) Status quo- do nothing

As mentioned previously, having only two rooms at the Center is constraining PeaceHealth's ability to fully address patient demand, so this option was rejected.

2) Retain the Current Center, but add a new endoscopy center

While this option could potentially address unmet patient need, this option was not only the highest cost but also would result in unnecessary duplication of services and significant inefficiencies.

3) Expand Cordata location DISRUPTIVE AND DOES NOT ADDRESS INEFFICENCIES ASSOCIATED WITH LOCATION

Adding additional capacity to the Cordata location would be disruptive to patient care and in the short-term reduce capacity. It also would not address the inefficiencies associated with the current location discussed above.

Relocating to and expanding at a new location adjacent to the hospital was the best alternative.

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.**

This project proposes only minor remodeling. The existing space is already designed as an endoscopy center. No real opportunities exist (in this very minor remodel) to achieve cost reductions via engineering methods and methods of building design and construction.

3. **Identify any aspects of the facility's design that lead to operational efficiency. This could include but is not limited to: LEED building, water filtration, or the methods for construction, etc. WAC 246-310-240(2) and (3).**

The proposed location for the relocation is an existing endoscopy center. Only minor renovations and equipment are anticipated. This question is not applicable.

Exhibit 1
Organizational Chart

PeaceHealth

PeaceHealth Board of Directors

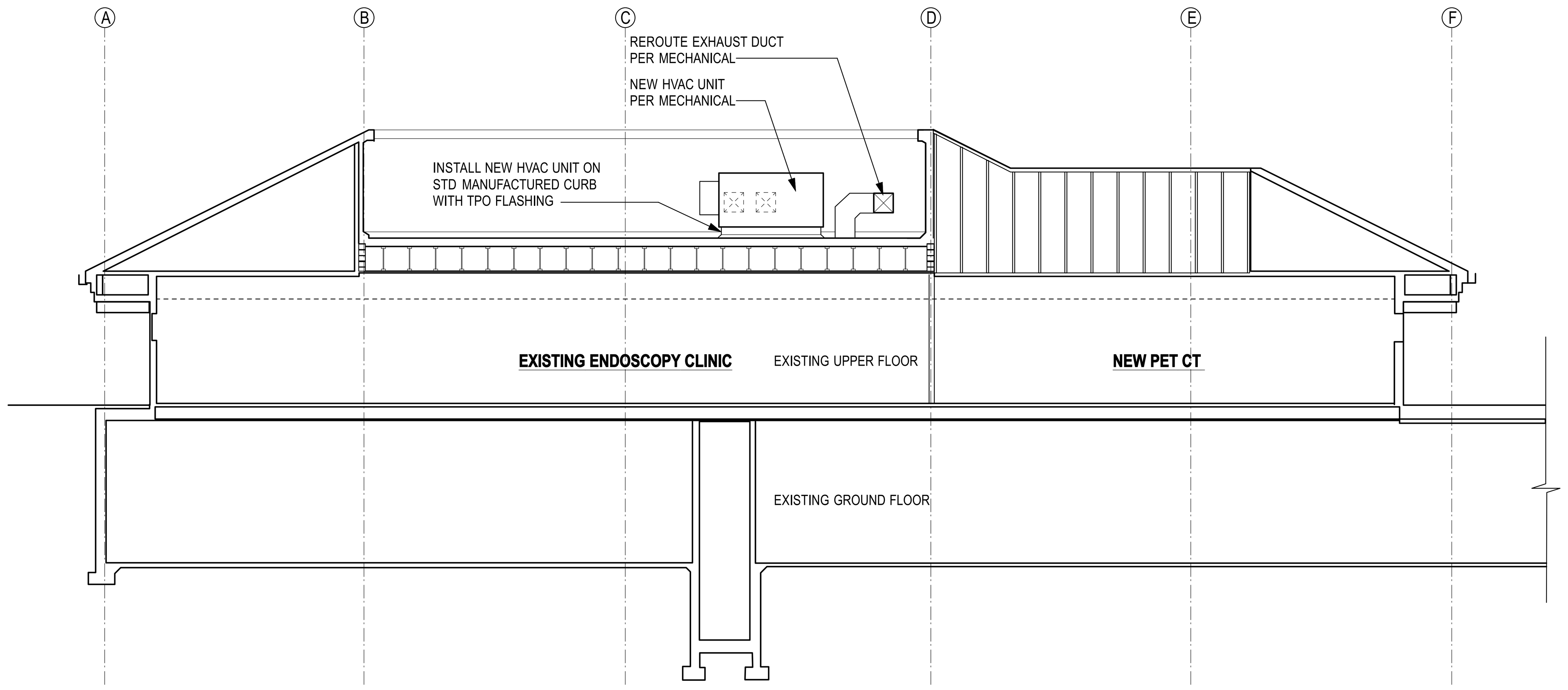
- **PeaceHealth President & Chief Executive Officer**
  - **Executive VP Chief Operating Officer**
    - Chief Executive Northwest
    - Chief Executive Columbia
    - Chief Executive Oregon
    - Senior VP Chief Med Officer
    - Chief Medical Exec / Service Lines
    - Senior VP Chief Nursing Officer
    - System VP Ops Intgrity/Prg Mgt
  - **Executive VP Strategy & Community Health**
    - System VP Foundations
    - System VP Strategy & Community Health
    - System Director Community Health
  - **Executive VP Chief Admin Officer**
    - Senior VP Chief of Staff
    - Senior VP Chief Info Officer
    - System VP Facilities & Const.
    - System VP Planning & Dvlpmt
    - Director Business Transformation Office
  - **Executive VP Chief Financial & Growth Officer**
    - Chief Executive PHMG
    - System VP Home & Community
    - System VP Fin Intg/Controller
    - System VP Financial Planning
    - System VP Revenue Cycle
    - System VP Supply Chain
    - System Director Payer Contracting
    - System Finance Operations Director
    - CFO Columbia
    - CFO Northwest
    - CFO Oregon
    - CFO PHMG
  - **Executive VP General Counsel**
    - System VP Government Affairs & Legal Services
    - System VP Caregiver Safety & Compliance
    - System VP Information Security
    - System VP Organizational Integrity
    - System VP Risk Management
  - **Executive VP People & Culture**
    - System VP HR Partner Org
    - System VP HR Operations
    - System VP Talent Acq & WFP
    - System VP Caregiver Dvlpmt. & Experience
    - System VP HRMS
    - System VP Mission, Theology & Ethics
    - System Director Diversity, Equity & Inclusion

Approved: [signature]
Liz Dunne, President & CEO

Date: 11/16/2020

11/6/2020

Exhibit 2
Line Drawings

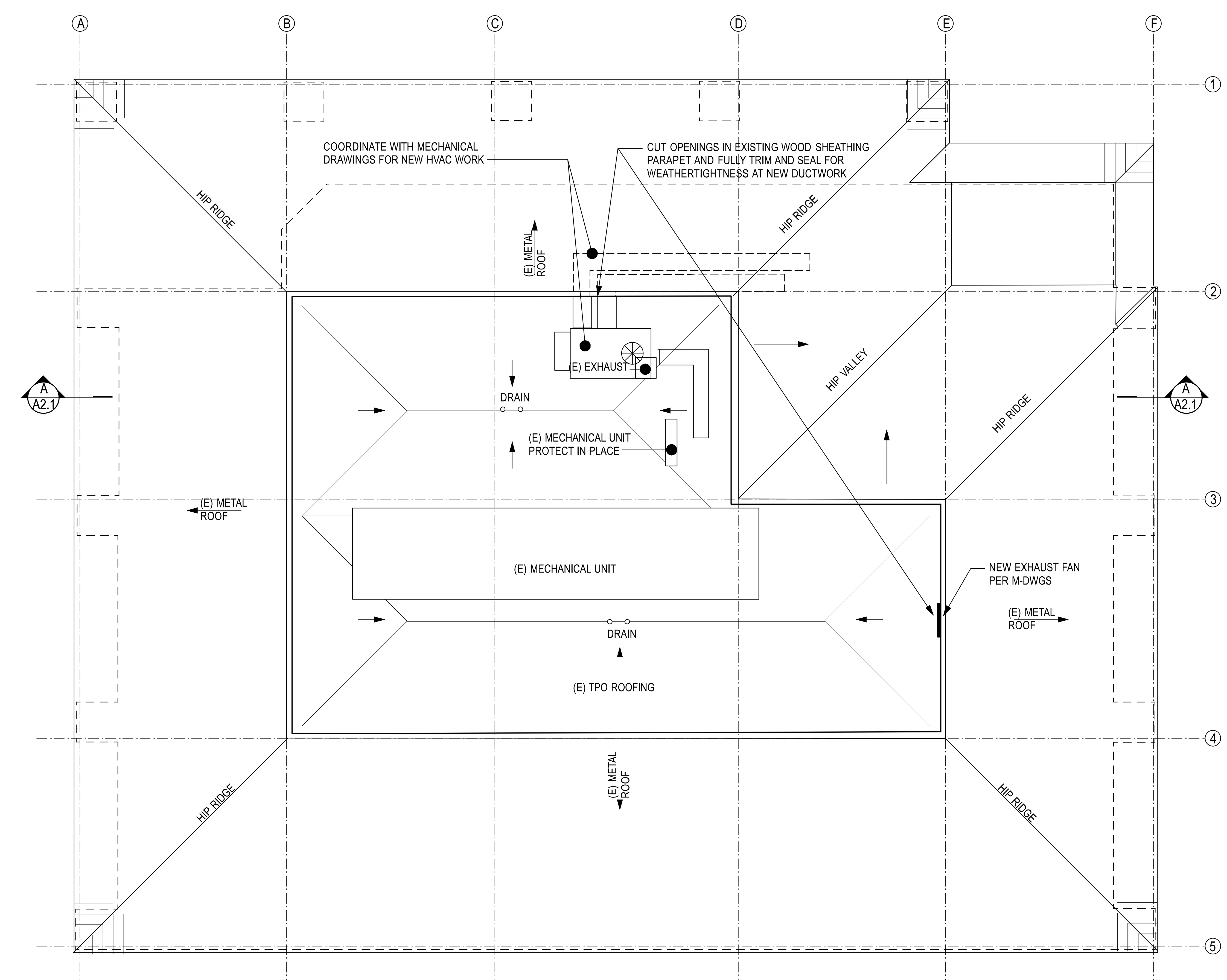


Building Section (A)

1/8" = 1'-0" 0 5 10 15 20 FT

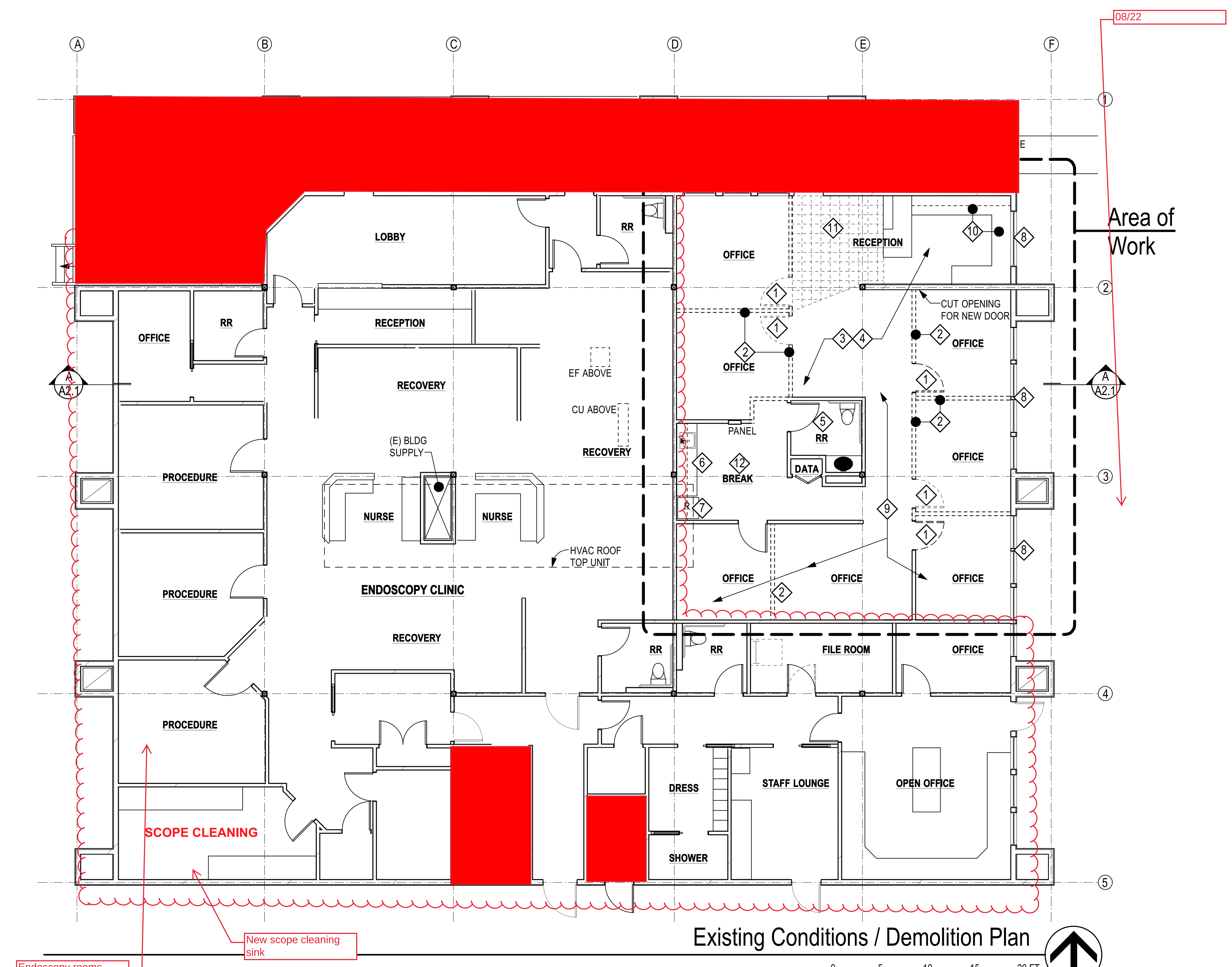
Demolition Notes

1. REMOVE EXISTING DOOR AND FRAME.
2. REMOVE EXISTING WALL.
3. REMOVE EXISTING ACT CEILING THROUGHOUT SUITE.
4. REMOVE EXISTING FLOORING AND BASE.
5. PROTECT EXISTING RESTROOM FINISHES AND ASSOCIATED WALLS AND DOOR AND CEILING.
6. REMOVE EXISTING UPPER AND LOWER CASEWORK AND DISCONNECT SINK.
7. ALL EXISTING SUITE FURNITURE, EQUIPMENT, APPLIANCES TO BE REMOVED BY MT BAKER IMAGING.
8. PROTECT EXISTING WINDOWS AND ASSOCIATED SILL AND WINDOW COVERINGS FOR REUSE.
9. PROTECT EXISTING FIRE ALARM AND SPRINKLER SYSTEM FOR EXTENSION AND REUSE; SUBCONTRACTOR TO REZONE SYSTEM(S) AT SOUTHERN THREE EXISTING OFFICES.
10. SALVAGE EXISTING P-LAM COUNTERTOP / WORKSURFACE AND UPPER / LOWER CABINETRY FOR REUSE / REINSTALLATION PER SHEET A2.0.
11. REMOVE EXISTING STONE FLOORING TILES.
12. PROTECT AND REUSE EXISTING CEILING IN THIS ROOM.



Roof Plan

1/8" = 1'-0" 0 5 10 15 20 FT



Existing Conditions / Demolition Plan

1/8" = 1'-0" 0 5 10 15 20 FT

RMC ARCHITECTS

RMC Architects, PLLC • 1223 Railroad Avenue • Bellingham, WA 98225
P:360.676.7733 • F:360.738.0448 • www.rmcarchitects.com

Alliance Imaging - Mt Baker Imaging PET / CT Installation

2930 Squalicum Parkway, Bellingham, WA 98226

Job No: 1248.02	Date: 2013-12-20
File No:	
Drawn By:	JCC
Checked By:	BPC
Issued For:	PERMIT

AREA TAKE OFF MAR 4, 2021

A2.1

Exhibit 3
Policies

Current Status: *Active*	PolicyStat ID: *9505993*

Origination:	*2/12/2020*
Effective:	*2/12/2020*
Last Approved:	*2/12/2020*
Last Revised:	*2/12/2020*
Next Review:	*2/11/2023*
Owner:	*Misty Farrell: Supv RN Clinic*
Area:	*BELL Ambulatory Surgery*
Standards & Regulations:	
Tags:	*Scope of Service*
Applicability:	*PeaceHealth Medical Group*

Endoscopy

DEPARTMENT DESCRIPTION	
Purpose	The Endoscopy department provides treatment and supportive nursing care to patients with conditions requiring diagnostic/therapeutic invasive and non-invasive procedure for diseases of the digestive system.
Goals/ Objectives	1. To provide a safe and therapeutic environment that is conducive to the care of the **patient's** emergent, restorative and preventive health needs. 2. To provide clinically proficient nursing personnel who are knowledgeable, effective, and efficient in meeting the needs of the patient and the family during endoscopy exams and procedures. 3. To maintain essential equipment, as required, to control pain, promote comfort, and perform diagnostic and therapeutic procedures. 4. To provide safe, comfortable care in the Endoscopy Department, and to ensure that the department has all necessary nursing supplies, equipment and medications to deliver care per department standards. 5. To provide optimal, individualized care through a collaborative, multidisciplinary, evidence-based approach while meeting the physical, psychological, spiritual and social needs of the patient. 6. To maintain compliance with established standards of care based on: a. Professional Staff rules and regulations b. PeaceHealth Policies and Procedures c. State Board and Washington State Department of Health Rules and Regulations d. American Society for Gastrointestinal Endoscopy, Society of Gastroenterology Nurses and Associates, Inc. and The SGNA Standards of Practice. e. Association for Professionals in Infection Control and Epidemiology

	f. Centers for Disease Control and Prevention g. The American Society of Anesthesia 7. To maintain patient confidentiality, dignity, and rights. 8. To collect data concerning the health status of the patient in a systematic and continuous manner. 9. To develop nursing diagnoses based upon an analysis of the health status data. 10. To formulate with the client and family a plan of care which optimizes the involvement of all significant others. 11. To assist with client and family in acquiring essential self-care skills and health maintenance knowledge related to the procedure, sedation, and possible need for further care. 12. To evaluate the nursing plan of care with the patient and significant family members concerning specific patient outcomes.
Types of Patients	Outpatient
Ages of Patients	Adult – 18 years and older
Hours of Operation	4-5 days per week 0700-1730
ORGANIZATION OF DEPARTMENT	
Staffing Structure	Governing Board (VP Medical Director, VP Operations, Specialty Director Medical Director - Gastroenterologist Clinic Manager RN Supervisor of Operations Gastroenterologists Registered Nurse Team Lead Registered Nurses Patient Team Support – Licensed Practical Nurses, Medical Assistants, Surgical Techs, Sterile Processing Techs, Patient Access Representative (clerical)
PATIENT NEEDS	
Assessment	All Endoscopy patients will receive ongoing assessment and reassessment of their needs by means of history taking, multi-faceted and multi-disciplinary assessment and review of records and diagnostic studies. A qualified RN will review, validate and evaluate the assessment data gathered by qualified care providers in a timeframe outlined in the unit Standard of Care. All essential data will be recorded, communicated and accessible to the health care team. 1. Initial nursing assessment of all patients will be performed by an RN when care is assumed, or prior to procedure. An LPN may assume delegated tasks, with the exception of the assessment, which will be performed by an RN. 2. Reassessment by an RN will be ongoing during procedural care, with vital signs being recorded before onset of procedure, and recorded every five minutes

	minimally during invasive procedures in which sedation is being administered. 3. Ongoing communication with physician performing the procedure shall occur with more frequent assessment and intervention to occur if patient's condition warrants such action. 4. Every five minute assessments will be carried out until invasive procedure is terminated and patient is delivered to receiving unit for recovery care. **Safety and Monitoring** 1. Suction equipment, oxygen flow meter, and emergency airway supplies are available. 2. Bed/gurney in low position unless procedure is being performed. Wheels locked, and side rails in the up position if indicated. 3. Code cart is accessible 4. Call light within reach and patient/family reoriented as appropriate. 5. Patient identification band and allergy band on. 6. Fall risk identified. 7. Patients will be connected to appropriate monitors. This includes Sa02 monitor, EKG monitor, blood pressure monitor, ETC02 as needed. 8. Orders given orally will be repeated back, verified, and signed by the ordering physician. 9. Intra-procedural medication orders will be repeated back for verification. 10. Hand hygiene will be performed per standard precaution guidelines. 11. Time out will be performed for any invasive procedure, including patient's full name, date of birth, procedure to be performed, and side or specific site if applicable - full team should be present for this verification. 12. Monitoring equipment alarms will be set and activated as appropriate. 13. The RN will verify the monitor settings for each case and may determine patient blood pressure and Sa02 limits according to patient condition and/ or physician order. A pre-procedure EKG strip may be printed as needed.
Procedures/ Services	Endoscopic procedures, colonoscopy, upper endoscopy, flexible sigmoidoscopy, anoscopy, procedural/moderate sedation or monitored-anesthesia care (MAC)/deep sedation by an anesthesiologist. Patient care is provided to patients requiring gastrointestinal endoscopic procedures or exams on a non-emergent and elective basis. Common patients in Endoscopy may include: 1. Planned, elective outpatients for endoscopic procedures. 2. Outpatients requiring screening or diagnostic procedures and/or /therapeutic intervention.

	3. Those with gastrointestinal symptoms or disease. Examples may include but are not limited to GERD, Barrett's esophagus, colon cancer screening, cancer, anemia, changes in bowel habits, inflammatory bowel disease, biliary and/or pancreatic disease, varices, polyps, foreign body. 4. Procedures that may be performed (to include assessment, sedation, monitoring, and technical support): a. EGD – with or without biopsy, dilation, brushing, , foreign body removal, polypectomy, , therapeutic injection, control of bleeding, capsule endoscopy placement. b. Enteroscopy – see EGD. c. Colonoscopy – with or without biopsy, polypectomy, brushing, , dilation, therapeutic injection, control of bleeding, foreign body removal. d. Anoscopy e. Flexible sigmoidoscopy – see colonoscopy f. Endoscopy via existing stoma
Limitations of Care	Advanced endoscopic procedures/therapy (i.e. ERCP, EUS, argon plasma, fluoroscopy), variceal banding, BMI >50, BMI >43 if administering moderate sedation, > ASA III, non-weightbearing, paralysis/hemiparalysis, presence of pacemaker or defibrillator
Unique Features	
STAFFING PLAN	
Determination of Staffing Levels and Assignments	Plan for projected staffing needs is done at least one day in advance based on the amount of cases and their specific needs. At least one RN, trained in ACLS protocol will be available for emergency treatment whenever a patient is present in the ASC. Typical staffing assignments will include a minimum of: • One RN or LPN to admit patient and perform pre-procedure duties • One RN to administer sedation, monitor patient, and assist each physician with procedure • One RN or LPN to perform post-procedure duties • One RN who is free from other patient care duties to assist in procedure rooms and respond rapidly to emergent situations • One trained technician or staff member to perform scope cleaning and disinfection • One or more physicians, Board eligible or Board certified in their respective specialties
Adjustment for Staffing Variances	Low census, number of physicians, number of patients In the event of two or less patients per day, staffing may be reduced to two nurses.
QUALIFICATIONS OF STAFF	
Skill Mix	Registered Nurses

	Licensed Practical Nurses Patient Team Support – Medical Assistants, Surgical Techs, Sterile Processing Techs, Patient Access Representatives
Staff Competency and Education	All staff will comply with current acceptable standards of practice relating to safe and effective nursing services - maintain ACLS as appropriate, annual PeaceHealth computer-based training, unit-based competencies, knowledge of SGNA standards
STANDARDS OF CARE/STANDARDS OF PRACTICE AND PRACTICE GUIDELINES	
PeaceHealth Policies C360 See Safety Data Se See Clinical Skills (Mosby's) Elsevier Society for Gastroenterology Nurses and Associates, Inc. (SGNA) American Society for Gastrointestinal Endoscopy (ASGE) Association for Professionals in Infection Control and Epidemiology (APIC)	

Pre-PolicyStat APPROVAL:

ASC Governing Board approved on 02/12/2020

Formerly known as document number 650.8.108

Attachments

No Attachments

Applicability

PeaceHealth Medical Group

Current Status: *Active*	PolicyStat ID: *9029585*

Origination:	*5/31/2007*
Effective:	*6/22/2020*
Last Approved:	*6/22/2020*
Last Revised:	*7/1/2019*
Next Review:	*6/22/2023*
Owner:	*Tera Yanez: Revenue Cycle Systems Analyst*
Area:	*Revenue Cycle*
Standards & Regulations:	
Tags:	*Policy*
Applicability:	*PeaceHealth Systemwide*

Financial Assistance Policy

SCOPE

This policy applies to the PeaceHealth Divisions (PHDs), checked below:

☑ Cottage Grove Medical Center	☑ Peace Island Medical Center	☑ St. John Medical Center
☑ Ketchikan Medical Center	☑ Sacred Heart River Bend	☑ St. Joseph Medical Center
☑ Peace Harbor Medical Center	☑ Sacred Heart University District	☑ United General Medical Center
☑ PeaceHealth Medical Group	☑ Southwest Medical Center	☑ System Services Center

PURPOSE

The purpose of this policy is to provide information about Financial Assistance programs offered by PeaceHealth that assist guarantors, provide patients with medical management, and support the financial stability of PeaceHealth

POLICY

It is the Policy of PeaceHealth to ensure a socially just practice for providing emergency or other medically necessary care and comply with federal and state laws and regulations relating to emergency medical services and patient financial assistance, including but not limited to Section 1867 of the Social Security Act, Section 501(r) of the Internal Revenue Code, RCW 70.170.060, and WAC Ch. 246-453.

1. **Financial Assistance Overview**
    a. Signage and brochures informing patients and/or guarantors of PeaceHealth's financial counseling programs and financial assistance are available at appropriate access areas, including registration, and are also available in electronic format on peacehealth.org.
    b. Financial assistance information is provided at least annually to community agencies such as local health departments, Medicaid offices, social service agencies, and physician practices.

c. Guarantors may apply for financial assistance at any time. If applicable, extraordinary collection actions (ECAs) will be suspended while an application is being reviewed.

d. In accordance with PeaceHealth policy, emergent care is never delayed by an assistance determination or by requests for financial or other information regarding ability to pay. (Emergency Medical Treatment and Labor Act [EMTALA] Compliance Policy #ADM-0733)

e. Financial Assistance is secondary to all available sources of payment including, but not limited to:

   i. Insurance

   ii. Third party liability payers

   iii. Government programs

   iv. Outside agency programs

   v. Health savings accounts

f. Financial Assistance is granted only for emergent or medically necessary care.

g. Information regarding PeaceHealth's billing and collections practices, including the description of actions PeaceHealth hospitals may take in the event of nonpayment, can be found in the separate Patient Billing and Collections Policy and Procedure which is available free of charge on peacehealth.org or a free mailed copy can be requested by calling Customer Service at 877-202-3597.

2. **Limit on Charges for Guarantors Eligible for Financial Assistance**

   a. Guarantors eligible for financial assistance under the Financial Assistance Policy will not be personally responsible for more than the amounts generally billed (AGB), as defined in Treasury Regulation Section 1.501(r)-1(b)(1), by the applicable PeaceHealth hospital for the emergency or medically necessary services received.

   b. PeaceHealth calculates each hospital facility's amounts generally billed (AGB) by using the "look-back" method which uses claims for emergency and other medically necessary care from Medicare and all commercial insurers over a 12-month period.

   c. A free copy of the AGB calculation description and percentages will be provided via mail upon request. Requests may be made in person at any Patient Registration department or by calling Customer Service at 877-202-3587.

3. **Financial Assistance Application Process**

   a. Financial Assistance applications are included with each patient statement, or can be obtained by request at all Registration areas, by downloading an application from peacehealth.org, or by contacting Customer Service at 877-202-3597.

   b. Consideration for financial assistance occurs once a complete application has been submitted to PeaceHealth.

   c. Information required for a complete application:

      i. List of family members in household

      ii. Household gross monthly income (income before taxes and deductions)

      iii. Signature and date

      iv. Acceptable documentation of income attached

d. Acceptable documentation of income must include one of the following:
   i. A "W-2" withholding statement
   ii. Pay stubs
   iii. An income tax return from the most recently filed calendar year
   iv. Forms approving or denying eligibility for Medicaid and/or state-funded medical assistance
   v. Forms approving or denying unemployment compensation
   vi. Written statements from employers or welfare agencies
   vii. In the absence of the above forms of income documentation, a written and signed statement from the Guarantor will be accepted as proof of income.
e. Completed applications can be sent to PeaceHealth Patient Financial Services:
   i. By Mail: 1115 SE 164th Ave., Dept 334 (FAP), Vancouver, WA 98683
   ii. By Fax: 360-729-3047
f. If an incomplete application is received, a letter is sent explaining what is required to complete the application.
   i. If requested information is not returned within 30 days, the application is denied.
   ii. Additional time to secure required documentation may be granted upon request.
g. Financial Assistance is granted in accordance with the following table:

Federal Poverty Percentages		**Financial Assistance Allowance**
From	To	
0	300%	100%
301	350%	85%
351	400%	70%

h. Complete applications are processed within 30 calendar days of receipt.
i. If approved, a letter is sent including the amount of assistance applied to outstanding guarantor balances, any balances not covered, and the dates of service for which eligible services will be covered.
j. If denied, a letter is sent including the reason for denial and instructions for appealing.
k. The Vice President of Revenue Cycle or designee has the authority to make final determination and exceptions.

4. **Financial Assistance Appeals**
   a. Responsible parties may appeal the determination of eligibility for financial assistance by submitting additional written information, such as income verification or explanations of extenuating circumstances, to PeaceHealth Patient Financial Services within 30 days of the denial notification.
   b. Collection activities for accounts under appeal are pended until a determination is made.
   c. Appeal determination will be made, and notification sent, within 30 days.
   d. The Vice President of Revenue Cycle or designee has the authority to make the final determination for all appeals.

e. For PeaceHealth facilities located in the state of Washington, when a financial assistance application is denied and the appeal upheld, a copy of the paperwork is provided to the Washington State Department of Health.

5. **Presumptive Financial Assistance Eligibility**

   a. Other sources of information, such as estimated income and family size provided by a predictive model, may be used to make an individual assessment of financial need.

      i. This information will enable PeaceHealth to proactively assist patients with financial obligations by utilizing the best estimates available in the absence of information provided directly by the patient.

      ii. Presumptive screening provides benefit to the community by enabling PeaceHealth to systematically identify financially needy patients who may not have been able to complete a traditional application or provide appropriate documentation.

   b. For the purpose of helping financially needy patients, PeaceHealth may utilize a third-party to review the patient's information to assess financial need.

      i. This review utilizes a healthcare industry-recognized, predictive model that is based on public record databases.

         1. The model incorporates public record data to calculate a socio-economic and financial capacity score that includes estimates for income, resources, and liquidity.
         2. The model's rule set is designed to assess each patient to the same standards and is calibrated against historical financial assistance approvals for PeaceHealth.
         3. The predictive model enables PeaceHealth to assess whether a patient is characteristic of other patients who have historically qualified for financial assistance under the traditional application process.
         4. Information from the predictive model may be used by PeaceHealth to grant presumptive eligibility in cases where there is an absence of information provided directly by the patient. Where efforts to confirm coverage availability have been unsuccessful, the predictive model provides a systematic method to grant presumptive eligibility to financially needy patients.

   c. In the event a patient does not qualify for the highest level of financial assistance under the presumptive rule set, the patient may still provide the requisite information and be considered under the traditional financial assistance application process.

   d. In addition to the use of the predictive model outlined above, presumptive financial assistance will also be provided at the 100% charity care level in the following situations:

      i. Deceased patients where PeaceHealth has verified there is no estate and no surviving spouse.

   e. Patients who are eligible for Medicaid from another state in which PeaceHealth is not a participating provider and does not intend to become a participating provider.

   f. Patients who qualify for other government assistance programs, such as food stamps, subsidized housing, or Women Infants and Children Program (WIC).

   g. Patients who are confirmed to be homeless with no available source of payment.

6. **Additional Assistance Provided**

   a. Patients without insurance, or insured patients receiving services not covered by insurance, are awarded an uninsured discount.

b. In accordance with PeaceHealth Policy, uninsured discounts are granted only for emergent or medically necessary care. (Uninsured Discount Policy #BUS-1131)

7. **Providers Subject to PeaceHealth's Financial Assistance Policy**

a. PeaceHealth's decision to provide financial assistance in no way affects the guarantor's financial obligations to physicians or other healthcare providers, unless such physicians or other healthcare providers are providing care to patients pursuant to a contract with PeaceHealth that requires accepting financial assistance decisions made by PeaceHealth.

b. A list of physicians or other healthcare providers who have agreed to comply with the Financial Assistance Policy and Procedure can be found by visiting peacehealth.org or by calling Customer Service at 877-202-3597 and requesting a copy.

DEFINITIONS

Extenuating Circumstances/Catastrophic: Consideration of additional factors in determining the patient portion of an account qualifying for less than 100% coverage under the Financial Assistance Policy. Factors include: remaining balance after all reductions, household income, and medical status of patient/family.

Extraordinary Collection Actions (ECA): (i) actions requiring a legal or judicial process, including but not limited to placing a lien on property, attaching bank accounts, filing civil action under contract law, or garnishing wages; and (ii) reporting adverse information to a credit agency/bureau. PeaceHealth or its contracted collection agencies may take the listed actions for unpaid accounts subject to any court-required approvals.

Financial Assistance: A PeaceHealth program through which emergent, medically necessary, and some preventative services are provided by PeaceHealth at a reduced cost or without charge when it has been determined that payment for those services cannot be obtained through insurance, outside agencies, or private means.

Financial Counseling: A process of working with our patients in a compassionate and caring manner to identify options for resolving their PeaceHealth financial obligations.

Guarantor: A person age 18 or over, regardless of marital status, who has legal financial responsibility for services provided.

Household: Persons related by birth, marriage, or adoption residing in the home.

- A household does not include any of the following people:
- Roommates
- Guarantor's unmarried partner, unless they have a child together and the child is the patient

Income: Total cash receipts before taxes derived from wages and salaries, welfare payments, Social Security payments, strike benefits, unemployment or disability benefits, child support, alimony, and net earnings from business and investment activities paid to members of the household.

Medically Necessary Care: Care that, in accordance with clinically accepted parameters, is reasonably calculated to:

- Prevent the onset or worsening of an illness, condition, or disability;
- Establish a diagnosis;
- Provide palliative, curative, or restorative treatment for physical, behavioral, and/or mental health

conditions; and/or

- Assist the individual to achieve or maintain functional capacity in performing daily activities, taking into account both the functional capacity of the individual and those functional capacities that are appropriate for individuals of the same age.

Each service is performed in accordance with national standards of medical practice generally accepted at the time the services are rendered, and must be sufficient in amount, duration, and scope to reasonably achieve its purpose. Course of treatment may include observation only, or when appropriate, no treatment at all.

Patient: An individual receiving care at a PHD.

PeaceHealth Division (PHD): A medical center, clinic, operating unit, or operating division of PeaceHealth that maintains day-to-day management oversight of a designated portion of PeaceHealth System operations. PHDs may be based on a geographic market or dedication to a service line or business.

Service Area: The County in which the PeaceHealth entity/provider is located.

HELP

Further information may be obtained by contacting Patient Financial Services.

RELATED MATERIAL

PeaceHealth Documents

- Patient Billing and Collections Policy
- Emergency Medical Treatment and Labor Act Compliance Policy
- Emergency Medical Treatment and Labor Act Compliance Procedure

Reference Materials

- PeaceHealth, www.peacehealth.org, 05-02-18.
- Forms:
  - Financial Assistance Application
  - Plain Language Summary

Pre-PolicyStat Approvals

Initial Approval

PeaceHealth Board of Directors, May 26, 2016.
System Policy Committee, June 28, 2016.

Subsequent Review/Revision(s)

- System Policy Committee approved revision July 26, 2016.
- PeaceHealth Board of Directors approved revision on June 28, 2018.
- Washington State Department of Health approved revision on July 12, 2018.
- VP of Revenue Cycle approved review June 17, 2019.
- EVP/CFO approved review June 17, 2019.
- Sys Dir Revenue Cycle reviewed June 5, 2020.

- Non-Clinical Policy Steering Committee approved renewal June 22, 2020.

Formerly known as document number 900.1.262.

Attachments

No Attachments

Applicability

PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center

Current Status: *Active*	**PolicyStat ID:** *9029507*

Origination:	*4/3/2014*
Effective:	*10/29/2019*
Last Approved:	*10/29/2019*
Last Revised:	*10/29/2019*
Next Review:	*10/28/2022*
Owner:	*Joan Porcaro: Sys Dir Clinical Risk Mgmt*
Area:	*Risk Management*
Standards & Regulations:	
Tags:	*Policy*
Applicability:	*PeaceHealth Systemwide*

Non-Discrimination Policy

SCOPE

This policy applies to all PeaceHealth settings and services:

☑ Cottage Grove Medical Center	☑ Peace Island Medical Center	☑ St. John Medical Center
☑ Ketchikan Medical Center	☑ Sacred Heart River Bend	☑ St. Joseph Medical Center
☑ Peace Harbor Medical Center	☑ Sacred Heart University District	☑ United General Medical Center
☑ PeaceHealth Medical Group	☑ Southwest Medical Center	☑ System Services Center
☑ PeaceHealth at Home	☑ PeaceHealth Labs	☑ Ketchikan Long Term Care

PURPOSE

The purpose of this policy is to ensure that all PeaceHealth Patients and visitors are treated in a welcoming, equitable and nondiscriminatory manner, consistent with applicable federal and state laws.

POLICY

It is the policy of PeaceHealth, a recipient of federal financial assistance, that Patients are provided with equitable services in a manner that respects, protects, and promotes Patient rights. PeaceHealth does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of age, color, creed, disability, ethnicity, gender, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, veteran or military status or any other basis prohibited by federal or state law. This applies in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by PeaceHealth directly or through a contractor or any other entity with which PeaceHealth arranges to carry out its programs and activities.

This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, Section 1557 of the Patient Protection and Affordable Care Act of 2010, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Regulations Parts 80, 84, 91, and 92.

- Any Patient or visitor who believes they have been subjected to unlawful discrimination may file a complaint using PeaceHealth's Patient Complaint and Grievance Procedure.
- PeaceHealth does not retaliate against any person who in good faith reports discrimination, files a complaint, or cooperates in an investigation of discrimination.
- PeaceHealth's System Director of Risk Management or their designee, in conjunction with Organizational Integrity, Mission Services, Learning & Development and/or other appropriate departments, is responsible for coordinating compliance with this Policy, including providing appropriate notice of and training to this Policy. The System Director of Risk Management serves as the Section 504 and Section 1557 Coordinator.
- PeaceHealth determines eligibility for and provides services, financial aid, and other benefits to all Patients in a similar manner, without subjecting any individual to Unlawful Discrimination.
- Patients are informed of their right to receive services and visitors whom the Patient designates free from Unlawful Discrimination.
    - PeaceHealth also notifies Patients of their right to withdraw or deny consent for visitors at any time.
    - PeaceHealth affords such visitors visitation privileges consistent with the Patient's preferences and according to PeaceHealth visitor policies and procedures.
- PeaceHealth Caregivers address Patient and/or visitor discrimination complaints by:
    - Advising the complaintant that they may report the problem to the facility's System Director of Risk Management/Designee and do so without fear of reprisal.
    - Following PeaceHealth's Patient Complaint and Grievance Policy.
- PeaceHealth makes appropriate arrangements to ensure that persons with disabilities are provided reasonable accommodations if needed to participate in this complaint process.
    - The Section 504/1557 Coordinator is responsible for arranging necessary accommodations.
- The availability and use of PeaceHealth's complaint process does not prevent a person from filing a complaint of discrimination with the U.S. Department of Health and Human Services Office for Civil Rights.
- Any person filing a Section 1557 grievance may appeal the decision(s) of the Section 1557 Coordinator by writing to the Chief Executive (CE) of the facility within 15 days of receiving the Section 1557 Coordinator's decision. The CE issues a written decision in response to the appeal no later than 30 days after its filing.
- Contact Person/Section 504 Coordinator/Section 1557 Compliance Coordinator:
    - PeaceHealth System Director of Risk Management
    - Telephone number: 360-729-1000
    - TDD or State Relay number: 9-711 (TTY)

DEFINITIONS

Coordinator: The PH Caregiver who serves as the Section 504 and Section 1557 point person.

Equitable: All individuals have access to high quality, culturally and linguistically appropriate care in a timely manner. Protected class is not a predictor for access and clinical outcomes.

Patient: For the purpose of this policy, patient means an individual receiving care at a PeaceHealth facility or their health care representative.

Protected classes: Age, color, creed, disability, ethnicity, gender, gender identity or expression, marital status, national origin, race, religion, sex, sexual orientation, veteran or military status or any other class prohibited by federal or state law.

HELP

Further information may be obtained by contacting your Community Risk Manager.

RELATED MATERIAL

- Patient Complaint and Grievance Policy
- Patient Complaint and Grievance Procedure

Pre-PolicyStat APPROVALS

Initial Approval:

President and CMO approved on April 3, 2014

Subsequent Review/Revision(s):

System Director of Risk Management approved revision April 29, 2015
Legal reviewed July 14, 2016
System Policy Committee approved July 26, 2016
Risk and Legal revised October 24, 2019
System VP Risk Management approved October 29, 2019

For a complete history of collaborations and approvals, please check Workflow History or contact your policy coordinator.

Formerly known as document number 900.1.399

Attachments

No Attachments

Applicability

PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center

Current Status: *Active*	PolicyStat ID: *9035178*
Origination:	7/14/2017
Effective:	11/12/2019
Last Approved:	11/12/2019
Last Revised:	11/12/2019
Next Review:	11/11/2022
Owner:	Joan Porcaro: Sys Dir Clinical Risk Mgmt
Area:	Risk Management
Standards & Regulations:	
Tags:	Policy
Applicability:	PeaceHealth Systemwide

Patient Rights and Responsibilities Policy

Documents have been broken out for approval at each facility at the direction of Clinical Policy Steering Committee (CPSC).

Please see the table below to locate your facility's documents (link has been attached):

St John Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Southwest Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
St Joseph Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Peace Island Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
United General Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Ketchikan Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Sacred Heart Medical Center at RiverBend	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Sacred Heart Medical Center at University District	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Cottage Grove Community Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure
Peace Harbor Medical Center	Patient Rights and Responsibilities Policy
	Patient Rights and Responsibilities Procedure

SCOPE

This policy applies to all PeaceHealth settings and services.

PURPOSE

The purpose of this policy is to describe the rights and responsibilities of PeaceHealth patients.

POLICY

It is the policy of PeaceHealth to define, recognize, protect and promote the rights and responsibilities of patients and their legal, authorized or designated representatives.

PeaceHealth has processes and procedures in place to inform inpatients and outpatients of their rights and responsibilities and to post prominently the rights of mental health patients. PeaceHealth covered personnel receive education in patient rights and responsibilities. The patient rights and responsibility document is offered at every patient encounter.

- General guidelines exist that apply to all PeaceHealth settings for care and those guidelines follow:
    - We comply with applicable Federal civil rights laws and do not discriminate on the basis of age, gender, disability, race, color, ancestry, citizenship, religion, pregnancy, sexual orientation, gender identity or expression, national origin, medical condition, marital status, veteran status, payment source or ability, or any other basis prohibited by federal, state, or local law. Each individual shall be informed of the patient's rights and responsibilities in advance of administering or discontinuing patient care. PeaceHealth Covered Personnel receive education related to patient rights during their orientation and annually thereafter.
- Non-Discrimination Policy
    - As a recipient of Federal financial assistance, in admissions, provisions of services, hiring or employment, PeaceHealth does not exclude, deny benefits, or otherwise discriminate against any person on the basis of race, color, national origin, disability, age, gender, sexual orientation or gender identification, whether the services are carried out by PeaceHealth directly or through a contractor or any other entity used to carry out its programs and activities.
    - This statement is in accordance with the provisions of Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, the Age Discrimination Act of 1975, and Regulations of the U.S. Department of Health and Human Services issued pursuant to these statutes at Title 45 Code of Federal Regulations Parts 80, 84, and 91.
- Notice to Patients
    - The statement of Patient Rights provided at each encounter via electronic or paper format. The patient may accept or refuse the patient rights handout. Information regarding acceptance and refusal will be noted in CareConnect;
    - Notices of Nondiscrimination are posted throughout the facilities;
    - Statements of Patient Rights and Responsibilities are available in brochures/handouts formats/and wall postings.
    - Patient Rights and Responsibilities should be provided and explained in a language or manner that the patient or their representative should understand.
- PeaceHealth Patient Rights and Responsibilities by Service Line
    - There are requirements for the wording for handouts, flyers, posters, etc. that apply to specific areas and they are as follow:
        - ATTACHMENT A - HOSPITAL (ACUTE AND CRITICAL ACCESS), AMBULATORY AND

MEDICAL GROUP

- ATTACHMENT B - HOSPICE AND HOME HEALTH
- ATTACHMENT C - BEHAVORIAL HEALTH
- ATTACHMENT D - NURSING HOME
- ATTACHMENT E - SWING BEDS

Version Provided to the Patient	Hospital (Acute & CAH), Ambulatory, & Medical Group	Hospice and Home Health	Behavioral Health Outpatient	Behavioral Health Inpatient	Nursing Home	Swing Beds
ATTACHMENT A	X			X		
ATTACHMENT B		X				
ATTACHMENT C	X (as needed)		X	X		
ATTACHMENT D					X	
ATTACHMENT E	X					X

DEFINITIONS

Caregiver: An employee of PeaceHealth.

Covered Personnel: Caregivers (employees), independent providers, volunteers, students, trainees, and other persons whose conduct, in the performance of work for PH, is under the direct control of PH, whether or not they are paid by PH.

Patient: An individual receiving care at a PeaceHealth facility.

HELP

Further information may be obtained by contacting Risk Management.

RELATED MATERIAL

- Patient Rights and Responsibilities Procedure

Reference Material:

- Washington Administrative Code 246-341-0600 (April 2019)
- CMS Interpretative Guidelines for Critical Access Hospitals: https://www.cms.gov/Regulations-and- Guidance/Guidance/Transmittals/downloads/R75SOMA.pdf
- ORS 430.210 (2017) Retrieved from: https://www.oregonlaws.org/ors/430.210
- Washington State Department of Health - Patient Rights https://www.doh.wa.gov/Portals/1/Documents/Pubs/655009.pdf
- Oregon State Patient Rights- https://www.oregon.gov/OBCE/publications/emebc section 2.pdf
- Alaska State Patient Rights - Alaska Statute 47.30.825

- Alaska Long Term Care Ombudsman (2019). Retrieved from: https://akoltco.org/know-your- rights/
- Centers for Medicare and Medicaid Services (CMS). Conditions of Participation. 42 CFR § 482. [cited 2016 Jul 13]. https://www.cms.gov/Regulations-and-Guidance/Legislation/CFCsAndCoPs/Hospitals.html
- National Association for Home Care & Hospice
- https://www.nahc.org/consumers-information/home-care-hospice-basics/hoime-health-and-hospice-patient-rights/
- The National Consumer Choice for Quality Long-Term Care. Retrieved from www.theconsumervoice.org

Pre-PolicyStat APPROVALS

Initial Approval:

Risk Management work group created March 2017
Legal, OI, Ethics, and Regulatory reviewed March 2017
System Policy Committee approved on March 28, 2017

Subsequent Review/Revision(s):

Reviewed by PHMC CNO, Med Staff, and P&T October 15, 2018.
CPSC Original - August 2019

For a complete history of collaborations and approvals, please check Workflow History or contact your policy coordinator.

Formerly known as document number 900.1.107

Attachments

- E: Swing Beds
- D: Nursing Homes
- C: Behavioral Health
- B: Hospice and Home Health
- A: Hospital, Ambulatory, and Medical Group

Applicability

PeaceHealth Cottage Grove Community Medical Center, PeaceHealth Home and Community, PeaceHealth Ketchikan Medical Center, PeaceHealth Medical Group, PeaceHealth Peace Harbor Medical Center, PeaceHealth Peace Island Medical Center, PeaceHealth SHMC University District, PeaceHealth SHMC at RiverBend, PeaceHealth Southwest Medical Center, PeaceHealth St John Medical Center, PeaceHealth St Joseph Medical Center, PeaceHealth System Services, PeaceHealth United General Medical Center

PeaceHealth Medical Group

Origination:	12/18/2012
Effective:	7/22/2019
Last Approved:	7/22/2019
Last Revised:	1/19/2016
Next Review:	7/21/2022
Owner:	Misty Farrell: Supv RN Clinic
Area:	BELL Ambulatory Surgery
Tags:	Policy and Procedure
Applicability:	PeaceHealth Medical Group

Transfer of Care

SCOPE

This policy/procedure applies to all staff in the PeaceHealth Medical Group (PHMG) Ambulatory Surgery Center (ASC) and Privileged Providers.

PURPOSE

To establish guidelines for the transfer of care (admission of patients) from the ASC to St. Joseph Medical Center.

POLICY

When a physician determines a patient requires ongoing care beyond the scope of services available in the ASC or the outpatient clinic, they shall make the necessary arrangements for *Transfer of Care* to St. Joseph Medical Center. St. Joseph Center will not refuse medical treatment to anyone referred by the ASC or presenting for care/treatment based on a person's age, sex, race, ethnicity, religion, national origin, citizenship, pre-existing condition (characterized by ASA classification III or less), physical or mental status, insurance, economic, or ability to pay for medical services.

PROCEDURE

During Normal Working Hours:

1. When a Gastrointestinal (GI) physician, GI staff, or ASC staff receives information / notification from a patient or family member of a potential complication from a procedure performed in the ASC, they will immediately evaluate the nature of the potential complication and determine the need for outpatient or inpatient evaluation.
2. If the decision is made for inpatient evaluation, the ordering physician, or his/her nurse with direction, shall:
   a. ***Stable Patient***:
      i. Call House Manager (788-7777 or 7777 from any hospital phone) to arrange for a direct admission.
      ii. If the House Manager is not available, leave a voice message and a call back number. The House Manager may be on another line but checks voice mail frequently and generally

responds within 15 minutes.

iii. Direct the patient to have a family member / friend take them to the hospital and give them the check-in location.

b. ***Unstable Patient***:

i. If the patient is unstable, patients may be directed to go the hospital's Emergency Room (ER) for direct admission after contacting the House Manager to arrange.

ii. If the patient is at home, instruct the patient / family member to call 911 for transport.

iii. If the patient presents at the physician's office, call 911 to arrange for patient transport.

iv. When calling the House Manager or Emergency Room (ER), the ordering physician or nurse will have the following information available:

v. Patient name

vi. Date of Birth or MRN

vii. Diagnosis

viii. Indicate whether observation or admission (treatment)

ix. Any special needs

x. How the orders will be sent (fax or via patient)

HELP

For questions about this policy/procedure, or assistance with understanding your obligations under this policy/procedure, please contact the Associate Medical Director or Clinic Manager.

RELATED MATERIAL

Policies:

- Emergency Medical Treatment and Active Labor Act (EMTALA) Compliance Policy (STJO)
- Emergency Medical Treatment and Active Labor Act (EMTALA) Compliance Procedure (STJO)

Formerly known as document number 710.30.22

All revision dates: 1/19/2016, 11/19/2014

Attachments

No Attachments

Applicability

PeaceHealth Medical Group

Exhibit 4
Financials

COMPARISON STATEMENT OF REVENUE & EXPENSE-UNRESTRICTED FUNDS

		Actual	Actual	Actual	Annualized
		FY2019	**FY2020**	**FY2021**	**FY2022**
1	**OPERATING REVENUE:**				
2	Inpatient Revenue				
3	Outpatient Revenue	4,836,976	3,612,945	6,523,600	6,640,242
4	**TOTAL PATIENT SERVICES REVENUE**				
5					
6	DEDUCTIONS FROM REVENUE:				
7	Provision for Bad Debt	15,351	(9,684)	19,222	41,818
8	Contractual Adjustments	2,733,439	1,807,611	3,980,700	3,952,831
9	Charity and Uncompensated Care	87,063	45,770	109,609	130,608
10	Other Adjustments and Allowances				
11	**TOTAL DEDUCTIONS FROM REVENUE**	2,835,853	1,843,697	4,109,530	4,125,257
12	**NET PATIENT SERVICE REVENUE**	2,001,124	1,769,248	2,414,070	2,514,986
13					
19					
20	OPERATING EXPENSES				
21	Salaries and Wages	853,918	783,502	981,426	957,041
22	Employee Benefits	286,303	274,656	315,430	343,853
23	Professional Fees				
24	Supplies	362,637	237,959	391,119	446,083
25	Purchased Services - Utilities				
26	Purchased Services - Other	45,075	24,335	24,690	35,503
27	Depreciation	79,294	70,771	83,848	94,201
28	Rentals and Leases	189,595	207,321	193,869	195,165
29	Insurance				
30	License and Taxes				
31	Interest				
32	Other Direct Expenses				
33	Allocated Expenses				
34	**TOTAL OPERATING EXPENSES**	1,816,822	1,598,544	1,990,382	2,071,846
35	**NET OPERATING REVENUE**	2,001,124	1,769,248	2,414,070	2,514,986
36					
37	**NET REVENUE (OR EXPENSE)**	184,302	170,705	423,687	443,140
38					
46					

COMPARISON STATEMENT OF REVENUE & EXPENSE-

	Projected (incremental only)	Total	Projected (incremental only)	Total	Projected (incremental only)	Total	Projected (incremental only)	Total
	FY2023	FY2023	FY2024	FY2024	FY2025	FY2025	FY2026	FY2026
OPERATING REVENUE:								
Inpatient Revenue								
Outpatient Revenue	1,031,453	7,671,695	3,690,310	10,330,552	3,953,903	10,594,146	4,217,497	10,857,739
TOTAL PATIENT SERVICES REVENUE								
DEDUCTIONS FROM REVENUE:								
Provision for Bad Debt	5,812	47,630	20,792	62,610	22,278	64,096	23,763	65,581
Contractual Adjustments	625,707	4,578,538	2,238,642	6,191,473	2,398,545	6,351,376	2,558,448	6,511,279
Charity and Uncompensated Care	14,206	144,814	50,826	181,433	54,456	185,064	58,087	188,694
Other Adjustments and Allowances								
TOTAL DEDUCTIONS FROM REVENUE	645,725	4,770,982	2,310,260	6,435,517	2,475,278	6,600,535	2,640,297	6,765,554
NET PATIENT SERVICE REVENUE	385,728	2,900,714	1,380,050	3,895,036	1,478,625	3,993,611	1,577,200	4,092,186
OPERATING EXPENSES								
Salaries and Wages	133,468	1,090,509	369,432	1,326,473	369,432	1,326,473	369,432	1,326,473
Employee Benefits	42,372	386,225	126,982	470,835	126,982	470,835	126,982	470,835
Professional Fees								
Supplies	57,832	503,915	206,912	652,995	221,691	667,774	236,471	682,554
Purchased Services - Utilities								
Purchased Services - Other	12,000	47,503	12,240	47,743	12,485	47,988	12,734	48,238
Depreciation	44,760	138,960	134,279	228,479	134,279	228,479	134,279	228,479
Rentals and Leases	252,569	252,569	257,620	257,620	262,772	262,772	268,028	268,028
Insurance								
License and Taxes								
Interest								
Other Direct Expenses	956,003	956,003		-		-		-
Allocated Expenses	38,573	38,573	138,005	138,005	147,862	147,862	157,720	157,720
TOTAL OPERATING EXPENSES	1,537,576	3,414,257	1,245,470	3,122,150	1,275,504	3,152,185	1,305,646	3,182,327
NET OPERATING REVENUE	385,728	2,900,714	1,380,050	3,895,036	1,478,625	3,993,611	1,577,200	4,092,186
NET REVENUE (OR EXPENSE)	(1,151,848)	(513,543)	134,580	772,885	203,121	841,426	271,554	909,859

PeaceHealth Endoscopy Center
Certificate of Need Financial Assumptions

Line Item	Assumption
Revenue	Charge per procedure at FY2021 rate ($1,910). Net Revenue per Procedure ($714.31) based on current collection rate.
Charity Care	1.4% of gross revenue
Bad Debt	0.56% of gross revenue
Salaries and Wages	Based on FTEs provided in Table 8 in CN
Employee Benefits	About 36% of Salary and Wages; based on current rates Medical/Dental 13,700.00 State Unemployment 17.00 Life Insurance + ADD 115.00 LTD 142.48 Worker's Comp 30.00 Total Medical Benefits 14,004.48 FICA at 7.7% and Retirement at 6%
Supplies	$107.10 per procedure (FY2021 actual)
Purchased Services	Licensing fees
Depreciation	11 Year life on Construction Improvements, 5 Year life on Medical Equipment
Other Direct Expenses	Capital Expenditure (see table 5 in CN)
Allocated Overhead (shared services)	10% of net patient revenue. This is for Home Office Expenses including Human Resources, Revenue Cycle, Billing and Collections, Education, Linens, EVS.

BALANCE SHEET

	ASSETS	Actual	Actual	Actual	Annualized	
1	**CURRENT ASSETS:**	**FY2019**	**FY2020**	**FY2021**	**FY2022**	
2	Cash	178,320.75	227,320.91	440,897.45	463,545.49	
3	Marketable Securities					
4	Accounts Receivable	166,760.30	147,437.37	201,172.46	209,582.14	
5	Less-Estimated Uncollectable & Allowances					
6	Receivables From Third Party Payors					
7	Pledges And Other Receivables					
8	Due From Restricted Funds					
9	Inventory					
10	Prepaid Expenses					
11	Current Portion Of Funds Held In Trust					
12	**TOTAL CURRENT ASSETS**	345,081.05	374,758.29	642,069.91	673,127.63	
13						
14	BOARD DESIGNATED ASSETS:					
15	Cash					
16	Marketable Securities					
17	Other Assets					
18	**TOTAL BOARD DESIGNATED ASSETS**					
19						
20	PROPERTY, PLANT AND EQUIPMENT:					
21	Land					
22	Land Improvements					
23	Buildings					
24	Fixed Equipment - Building Service					
25	Fixed Equipment - Other					
26	Equipment	437,334.17	514,154.63	527,999.21	527,999.21	
27	Leasehold Improvements					
28	Construction In Progress					
29	TOTAL					
30	Less Accumulated Depreciation	(79,294.00)	(150,065.00)	(233,913.00)	(328,113.75)	
31	**NET PROPERTY, PLANT & EQUIPMENT**	358,040.17	364,089.63	294,086.21	199,885.46	
32						
46	**TOTAL ASSETS**	703,121.22	738,847.92	936,156.12	873,013.09	

BALANCE SHEET

ASSETS	Projected (incremental only)	Total	Projected (inc. only)	Total	Projected (inc. only)	Total	Projected (inc. only)	Total
CURRENT ASSETS:	**FY2023**	**FY2023**	**FY2024**	**FY2024**	**FY2025**	**FY2025**	**FY2026**	**FY2026**
Cash	(1,126,086.01)	(1,412,864.53)	(933,284.55)	(1,059,762.48)	(678,904.77)	(645,082.10)	(363,054.20)	(168,930.93)
Marketable Securities								
Accounts Receivable	32,144.02	241,726.16	115,004.16	324,586.29	123,218.74	332,800.88	131,433.32	341,015.46
Less-Estimated Uncollectable & Allowances								
Receivables From Third Party Payors								
Pledges And Other Receivables								
Due From Restricted Funds								
Inventory								
Prepaid Expenses								
Current Portion Of Funds Held In Trust								
TOTAL CURRENT ASSETS	(1,093,941.99)	(1,171,138.38)	(818,280.39)	(735,176.18)	(555,686.03)	(312,281.22)	(231,620.88)	172,084.53
BOARD DESIGNATED ASSETS:								
Cash								
Marketable Securities								
Other Assets								
TOTAL BOARD DESIGNATED ASSETS								
PROPERTY, PLANT AND EQUIPMENT:								
Land								
Land Improvements								
Buildings								
Fixed Equipment - Building Service								
Fixed Equipment - Other								
Equipment	477,519.00	477,523.00	477,519.00	477,523.00	477,519.00	477,523.00	477,519.00	477,523.00
Leasehold Improvements	426,511.00	426,515.00	426,511.00	426,515.00	426,511.00	426,515.00	426,511.00	426,515.00
Construction In Progress								
TOTAL								
Less Accumulated Depreciation	(44,759.56)	(138,960.31)	(179,038.25)	(367,439.75)	(313,316.95)	(595,919.20)	(447,595.64)	(824,398.64)
NET PROPERTY, PLANT & EQUIPMENT	859,270.44	765,077.69	724,991.75	536,598.25	590,713.05	308,118.80	456,434.36	79,639.36
TOTAL ASSETS	(234,671.56)	(406,060.69)	(93,288.65)	(198,577.94)	35,027.03	(4,162.41)	224,813.49	251,723.89

BALANCE SHEET

		Actual	Actual	Actual	Annualized	
	LIABILITIES AND FUND BALANCES-UNRESTRICTED	**FY2019**	**FY2020**	**FY2021**	**FY2022**	
1	CURRENT LIABILITIES:					
2	Notes and Loans Payable					
3	Accounts Payable	33,975.98	58,394.82	59,646.84	60,899.26	
4	Accrued Compensation and Related Liabilities	47,509.21	74,887.84	74,887.84	74,887.84	
5	Other Accrued Expenses					
6	Advances from Third Party Payors					
7	Payables to Third Party Payors					
8	Due to Restricted Funds					
9	Income Taxes Payable					
10	Other Current Liabilities					
11	Current Maturities of Long Term Debt					
12	**TOTAL CURRENT LIABILITIES**	81,485.19	133,282.66	134,534.68	135,787.11	
13						
14	DEFERRED CREDITS:					
15	Deferred Income Taxes					
16	Deferred Third Party Revenue					
17	Other Deferred Credits					
18	**TOTAL DEFERRED CREDITS**					
19						
20	LONG TERM DEBT:					
21	Mortgage Payable					
22	Construction Loans - Interim Financing					
23	Notes Payable					
24	Capitalized Lease Obligations					
25	Bonds Payable					
26	Notes and Loans Payable to Parent					
27	Noncurrent Liabilities					
28	TOTAL					
29	Less Current Maturities of Long Term Debt					
30	**TOTAL LONG TERM DEBT**	-				
31						
32	**UNRESTRICTED FUND BALANCE**					

33						
34	EQUITY (INVESTOR OWNED)					
35	Preferred Stock					
36						
37	Common Stock					
38						
39	Additional Paid In Capital					
40						
41	Retained Earnings (Capital Account for Partnership	621,636.03	605,565.26	801,621.44	737,225.98	
42	or Sole Proprietorship)					
43						
44	Less Treasury Stock					
45	**TOTAL EQUITY**	621,636.03	605,565.26	801,621.44	737,225.98	
46	**TOTAL LIABILITIES AND FUND BALANCE OR EQUITY**	703,121.22	738,847.92	936,156.12	873,013.09	

BALANCE SHEET

	Projected (inc. only)	Total	Projected (inc. only)	Total	Projected (inc. only)	Total	Projected (inc. only)	Total
LIABILITIES AND FUND BALANCES-UNRES	**FY2023**	**FY2023**	**FY2024**	**FY2024**	**FY2025**	**FY2025**	**FY2026**	**FY2026**
CURRENT LIABILITIES:								
Notes and Loans Payable								
Accounts Payable	5,819.37	45,951.55	18,262.64	58,394.82	19,514.66	59,646.84	20,767.09	60,899.26
Accrued Compensation and Related Liabilities	7,326.64	61,530.56	20,683.93	74,887.84	20,683.93	74,887.84	20,683.93	74,887.84
Other Accrued Expenses								
Advances from Third Party Payors								
Payables to Third Party Payors								
Due to Restricted Funds								
Income Taxes Payable								
Other Current Liabilities								
Current Maturities of Long Term Debt								
TOTAL CURRENT LIABILITIES	13,146.02	107,482.11	38,946.57	133,282.66	40,198.59	134,534.68	41,451.01	135,787.11
DEFERRED CREDITS:								
Deferred Income Taxes								
Deferred Third Party Revenue								
Other Deferred Credits								
TOTAL DEFERRED CREDITS								
LONG TERM DEBT:								
Mortgage Payable								
Construction Loans - Interim Financing								
Notes Payable								
Capitalized Lease Obligations								
Bonds Payable								
Notes and Loans Payable to Parent								
Noncurrent Liabilities								
TOTAL								
Less Current Maturities of Long Term Debt								
TOTAL LONG TERM DEBT	-	-						
UNRESTRICTED FUND BALANCE								

EQUITY (INVESTOR OWNED)								
Preferred Stock								
Common Stock								
Additional Paid In Capital								
Retained Earnings (Capital Account for Partner	(247,817.57)	(513,542.80)	(132,235.22)	(331,860.60)	(5,171.56)	(138,697.10)	183,362.47	115,936.79
or Sole Proprietorship)								
Less Treasury Stock								
TOTAL EQUITY	(247,817.57)	(513,542.80)	(132,235.22)	(331,860.60)	(5,171.56)	(138,697.10)	183,362.47	115,936.79
TOTAL LIABILITIES AND FUND BALANCE O	(234,671.56)	(406,060.69)	(93,288.65)	(198,577.94)	35,027.03	(4,162.41)	224,813.49	251,723.89

Exhibit 5
Medical Director Job Description

SECTION LEADER
POSITION DESCRIPTION

Human Resources
PeaceHealth

Caregiver Job Profile

JOB TITLE:	**Section Leader**	**JOB CODE:**	
DEPARTMENT NAME:	Various	**DEPARTMENT #:**	
REPORTS TO:	Division Dyad Leadership Team	**FLSA STATUS:**	Exempt

JOB SUMMARY

The Section Leader of PeaceHealth Medical Group is a leadership position, partnering closely with their administrative Dyad partner(s), in consultation with their respective Division Operating Committee (DOC). This Dyad is responsible for the day to day operations of their department(s), including, but not limited to, improving quality care, service excellence, safety, financial performance and caregiver/provider engagement.

In addition to living the organizations mission, vision, and values, the Section Leader is expected to fulfill the PeaceHealth leadership model, while demonstrating the characteristics of a servant leader.

ESSENTIAL FUNCTIONS

1. Partners with department(s) operational leader to oversee clinical quality operational performance, provides feedback and recommendations for optimizing the standard of care.
2. Assists and supports providers in understanding and reaching performance targets. Actively participates in clinic and provider meetings (at least 80% attendance). Demonstrates effective communication to maintain understanding and two-way communication on organizational, operational, and clinical issues. Participates in administrative meetings and communications as needed to maintain expertise and provide feedback.
3. Supports and models behavioral standards in alignment with the Principles of Partnership, Caregiver and Leadership Models and helps ensure the achievement of clinical service goals. Leads, supports and participates with Division Chief and/or Network Physician VP in resolving provider personnel issues.
4. In collaboration with the director of operations and / or clinic manager(s), assists in physician recruitment, orientation and retention programs including determining physician staffing needs.
   - Interviews all providers who are candidates for a position in his/her division. Assesses the candidate and submits the assessment to the Recruitment Dept. prior to any hire decision.
   - Acts as the mentor for all new division providers or assigns an appropriate mentor and monitors the mentoring process.
5. Participates in and assists with leader standard work activities pertaining to clinic performance improvement, including regular Gemba rounding

6. Fosters effective working relationships and helps facilitate resolution to problems. May participate in meetings with physicians, nurses, support staff, and others as necessary.
7. Helps ensure the administration and operation of the clinic in an efficient manner, including suggestions for resolving issues.
8. Partners with operational leadership in the development, management, marketing, budgeting, and financial performance of the department(s).
9. Assists in the development and administration of a fair and equitable provider work schedule and timely communication of the schedule.
10. Performs other duties as assigned.

ENDOSCOPY CENTER MEDICAL DIRECTOR
1. Provide Oversight and direction for the provision of medical services or admitted patients at the Endoscopy Center 2. Act as a liaison with the Chief Medical office, PHMG Vice President / Medica Director and PHMG providers regarding clinical administrative affairs and shall be available on a regular basis for consultation with other members fo the Meidcal Staff regarding pateints who may be candidates for services at the Endoscopy Center

CAREGIVER MODEL
Click here for details

QUALIFICATIONS	
EDUCATION:	▪ Physician must be a graduate from an accredited school of medicine, or ▪ NP/PA, must fulfill educational requirements to obtain applicable license in State of Practice.
EXPERIENCE/TRAINING:	▪ Good organizational and communication skills, strong clinical skills.
LICENSE/CERTIFICATION:	▪ Maintain a valid, unrestricted medical license to practice in the state in which he/she practices is required. ▪ Appropriate board licensure/certification for specialty.
OTHER SKILLS:	▪ Strong customer service focus.

REGION/LOCATION SPECIFIC NOTES

At PeaceHealth, we carry on the healing mission of Jesus Christ by promoting personal and community health, relieving pain and suffering, and treating each person in a loving and caring way. The fulfillment of this Mission is our shared purpose. It drives all that we are and all that we do. Caregivers of PeaceHealth embrace the spirit of these words and share our commitment to Exceptional Medicine and Compassionate Care, and are willing to learn and grow as a member of the PeaceHealth family.

DISCLAIMER:

Exhibit 6
Lease

MEDICAL OFFICE LEASE
(Triple Net Lease)

THIS LEASE dated effective as of the date of the last party to sign below is made by and between Radco L.L.C., a Washington limited liability company, ("Landlord") and PeaceHealth Medical Group, an operating division of PeaceHealth, a Washington nonprofit corporation ("Tenant"). The Lease is intended to cover all of Tenant's use of Landlord's Premises, as further defined below.

1. PREMISES.

1.1 Premises. Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, upon the terms and conditions set forth in this Agreement, certain office space (the "Premises") identified more specifically Exhibit A.

1.2 Premises Percent of Building. The Premises described on Exhibit A represents the percentage use of the particular building in which is it located as set forth on Exhibit A. The buildings(s) are collectively and individually referred to herein as "Building." The Building is located on the real property described on Exhibit A (the "Real Property").

2. TERM.

2.1 Initial Term. The Initial term of this Lease will be for Ten (10) years commencing on the date that Landlord can deliver possession of the Premises, which shall be no earlier than January 1, 2022 and no later than April 30, 2022. Landlord will give Tenant thirty (30) days' prior written notice of the date certain, but if no such notice has been given by Landlord, the lease commencement date will be April 30, 2022 (the "Commencement Date") and ending at midnight on the last day of the tenth year unless sooner terminated as provided elsewhere in this Lease.

2.2 Extended Term. This Agreement may be extended for up to three (3) additional terms of five (5) years upon the expiration of the Initial Term or any Extended Term by written notice from Tenant to Landlord at least one hundred twenty (120) days prior to the expiration of the Term. The rate of rent of any Extended Term will be at rate agreed to by Tenant and Landlord, or, if they are unable to agree, at a rate of rent equal to fair market rental of the Premises. If the parties are unable to agree on the rent for any renewal term within ninety (90) days of the end of any term when the Tenant has elected to renew the Lease, fair market rental of the Premises shall be determined by fair market value rent appraisal by a mutually agreed MAI appraiser with at least ten (10) years full time commercial appraisal experience in the geographic area in which the Premises are located. The parties shall share equally the cost of the appraisal fee. The appraisal shall be complete thirty (30) days prior to the end of any term when the Tenant has elected to renew the lease and shall determine the rental for any renewal term. Notwithstanding the foregoing, in no event shall any rent payable during any Extended Term be less than the rent payable during the period immediately preceding the commencement of the Extended Term

3. POSSESSION.

3.1 Possession. Tenant will be entitled to possession of the Premises on the Commencement Date.

4. USE.

4.1 Permitted Uses. Tenant covenants that at all times during the Lease term and such further time as Tenant occupies the Premises, Tenant shall use the Premises for providing outpatient medical services and administrative offices and related purposes and for no other purposes without the prior written consent of Landlord.

4.2 Restricted Uses. Tenant shall comply with any and all rules created by Landlord pursuant to Section 22, relating to restrictions on the use of the Premises, Building, or the Real Property. Landlord shall not adopt any rules which would materially impair Tenant's right to use the Premises for the permitted uses.

4.3 Building Codes and Zoning. Tenant has investigated all applicable building and zoning codes, regulations and ordinances to determine whether Tenant's intended use of the Premises is permitted. Based upon this investigation, Tenant accepts the Premises "as is", subject to all applicable statutes, ordinances, rules and regulations governing Tenant's use of the Premises. Any and all expenses required to comply with all applicable statutes, ordinances, rules, regulations and requirements in effect during the term or a part of the term of this Lease regulating the use by Tenant of the Premises will be borne by Tenant excluding only: making structural changes which are not related to or affected by Tenant's improvements or acts or the nature of Tenant's business. The final judgment of any court of competent jurisdiction or an admission by Tenant, in any action against Tenant, whether it is a party to the action or not, that Tenant has violated any such law, ordinance, rule or regulation shall conclusively establish a default under this Section 4.3. Any default under this Section 4.3 shall be a material default for purposes of Section 21.1(e). Tenant further agrees to comply with all these statutes, ordinances, rules and regulations throughout the term of this Lease.

4.4 Condition of Premises. Tenant has inspected the plumbing, lighting, air conditioning, heating, windows, interior walls, flooring and all other elements of the Premises prior to execution of this Lease. Based upon that inspection, Tenant accepts the Premises "as is, where is" in the absence of any material change in its condition prior to the Lease Commencement Date or the date the Tenant takes possession of the Premises, whichever is earlier. Tenant acknowledges that neither Landlord nor Landlord's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Tenant's business.

5. COMMON AREAS.

5.1 Areas. Landlord shall make available such areas and facilities for the common use of all tenants of the Building (including but not limited to elevator area and common area bathrooms, parking areas, driveways, truckways, delivery passages, truck-loading areas, access and egress roads, walkways and landscaped and planted areas) as Landlord shall reasonably deem appropriate ("Common Areas"). The roof and exterior wall of the Building and the utility systems up to the boundaries of the Premises are

Common Areas. Landlord or its agents shall operate, manage, equip, light, repair, replace and maintain the Common Areas for their intended purposes in such manner as Landlord shall reasonably, in its sole discretion, determine. Landlord may, from time to time, change the size, location, nature and use of any Common Area and make installations therein and move and remove the same, provided that Tenant's access to the Premises is not materially altered PROVIDED, HOWEVER, that Landlord shall not alter Common Areas in any way which would disqualify the Premises from being treated as medical office space under State regulations. All expenses in connection with the Common Areas are Operating Expenses for the purposes of Section 8 below.

5.2 Rights. Tenant and its employees, agents and invitees shall have the non-exclusive right (in common with other tenants of the Building and Landlord) to use the Common Areas, subject to any Rules pursuant to Section 22. Landlord's Rules may include the designation of specific areas in which cars owned by Tenant, its employees and agents must be parked. Landlord may at any time temporarily close any Common Areas due to construction, maintenance, repair or changes to any part of the Building or the Real Property, with prior notice to Tenant.

5.3 Parking. Tenant shall be entitled to use, on a non-reserved basis, a prorated share of available parking. Tenant's prorated share shall be determined by comparing the rentable square feet of the Premises to the rentable square feet in the Building and any other adjacent buildings that will be using the available parking. Tenant shall not at any time interfere with the rights of Landlord or of other tenants of the Building or other adjacent buildings or invitees of the same to use any of the parking areas.

6. BASE MONTHLY RENT.

6.1 BASE MONTHLY RENT. Tenant agrees to pay to Landlord at Landlord's office, or such other place as designated the monthly base rent sum for the Premises as attached on Exhibit A, in advance of the first day of each calendar month of the Lease term or any period prior or subsequent thereto while Tenant is in possession of the Premises. Base rent for a partial month shall be prorated. This rent is exclusive of any sales, franchise, business or occupation or other tax based on rents and should any such taxes apply during the life of this Lease, the minimum base rent shall be increased by such amount. Base rent shall increase annually on the anniversary of the lease Commencement Date, based on the percentage change in the Consumer Price Index for All Urban Consumers for Seattle-Tacoma-Bellevue ("CPI") not to exceed 3.5% and not to be less than 2%. If the stated index is discontinued, Landlord will use the index promulgated by the Department of Labor which in Landlord's opinion most closely approximates the above index, and the monthly base rent will be adjusted accordingly. The initial CPI shall be the semi-annual CPI for the half year which most immediately precedes the Commencement Date. To establish the base monthly rent for each period following the Commencement Date, the semi-annual CPI for the half year which most immediately precedes the beginning of that period will be determined; the percentage of change, if any, of the semi-annual CPI from the initial CPI will then be determined, and the base monthly rent in effect immediately prior to the applicable Commencement Date will be increased by the percentage change to establish the new base monthly rent for the period.

6.2 OPERATING COSTS. In addition to the base rent described above in Section 6.1, the Tenant shall also pay Operating Costs, as further described in Section 8.

6.3 FAIR MARKET VALUE. The parties hereto mutually agree that the base monthly rent payable hereunder is consistent with fair market value, is commercially reasonable, and has not been determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties. "Fair Market Value" means the annual amount per rentable square foot that a willing, comparable, new tenant would pay and a willing, comparable, landlord of a similar building in the same geographic area would accept at arm's length, without regard to the identity of the tenant and landlord and without regard to the proposed use of the Premises.

7. FIRST MONTH'S RENTAL AND SECURITY DEPOSIT.

7.1 Deposits. The Tenant has paid to the Landlord the deposit amounts set forth in Exhibit A as a security deposit for the performance of the provisions of this Lease which shall be held in an interest-bearing account and applied to the final monthly lease payment.

7.2 Applications on Default. If Tenant is in default, Landlord may use said security deposit, or any portion thereof, to cure the default or to compensate Landlord for damages sustained by Landlord resulting from Tenant's default, including, but not limited to, the payment of rent and the cost of cleaning and/or repairing the Premises. Any payment to Landlord from the security deposit shall not be considered a payment of liquidated damages. Tenant shall within ten (10) days after written demand therefor deposit cash with Landlord in an amount sufficient to restore the security deposit to the full amount stated above, and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep the security deposit separate from its general accounts and Tenant shall not be entitled to interest on it. If Tenant is not in default at the expiration of the term of this Lease and after Tenant has vacated the Premises the security deposit or any balance thereof shall be returned to Tenant (or, at Landlord's option, to the last assignee of Tenant's interest hereunder). If Landlord's interest in this Lease is terminated, Landlord shall transfer said deposit to Landlord's successor in interest. No trust relationship is created between Landlord and Tenant with respect to the security deposit.

8. OPERATING EXPENSES.

8.1 Net Lease. The purpose of this Section is to ensure that Tenant bears a proportionate share of all expenses related to the use, maintenance, ownership, repair and insurance of the Building of which the Premises are a part. Accordingly, Tenant shall pay to Landlord Tenant's 32.14% share of such expenses related to the Building, which is in addition to the annual base monthly rent as set forth in Section 6.

8.2 Expenses Defined. The term "expenses" shall mean all costs and expenses of the ownership, operation, maintenance, repair and insurance of the Building, including, without limitation, the following costs:

(a) All supplies, materials, labor and equipment, used or related to the operation and maintenance of such common areas of the Building to which Tenant has use and access; including a managerial fee of five percent (5%) of base rent;

(b) All utilities, including without limitation, water, electricity, gas heating, lighting, sewer, waste disposal, security, air conditioning and ventilating costs and all charges relating to the use, ownership or operation of the Premises that are not separately metered and billed to the Tenant;

(c) All maintenance, management, janitorial and service agreements relating to such Common Areas of the Building to which Tenant has use and access;

(d) All insurance premiums and costs including, but not limited to, the premiums and cost of fire, casualty and earthquake insurance related to the Building and its contents and the Real Property; and

(e) Real property taxes including all taxes, assessments (general and special) which may be taxed, charged, levied, assessed or imposed upon or any portion of or in relation to the Real Property and Building. "Real property taxes" shall also include any form of assessment, charge or tax (other than estate, inheritance, net income or franchise taxes) imposed by any authority having a direct or indirect power to tax or charge, including, without limitation, any city, county, state, federal or any improvement or other district regardless of the source of taxing authority or incident of taxation.

8.3 Annual Estimate of Expenses. Within two months (60 days) of the commencement of each calendar year, Landlord shall prepare and deliver to Tenant an estimate of expenses for the Common Areas of the Building for the coming year. Tenant's portion of said estimate of expenses shall be based on the Premises' percent of the Building set forth in Section 1.

8.4 Monthly Payment of Expenses. Tenant shall pay to Landlord as additional rent, such estimated annual expenses in monthly installments of 1/12th on the first day of each calendar month. As soon as practical following each calendar year, Landlord shall prepare an accounting of actual expenses incurred during the prior calendar year and such accounting shall reflect Tenant's share of expenses. If the Tenant's share of operating expenses paid under this Section 8.4 during the preceding calendar year was less than the actual amount of Tenants' share of such expenses, the Landlord shall so notify Tenant and Tenant shall pay such amount to Landlord within thirty (30) days of receipt of such notice. If Tenant's payments were greater than the actual amount, then Landlord shall promptly so notify Tenant and such overpayment shall be applied to base rent due hereunder.

8.5 Exclusions from Operating Expenses. Notwithstanding anything to the contrary herein, the following shall not constitute Operating Expenses: interest, point and fees on debt or amortization on or for any mortgage or similar security instrument encumbering the Building or Premises and all principal escrow deposits and other sums paid on or in respect to any indebtedness (whether or not secured by a security instrument), and all costs incurred in connection with any financing or refinancing; costs of capital improvements and any other expenditures, that under generally accepted accounting principles ("GAAP") should be capitalized except to the extent such capital expenses result in cost savings to Tenant and provided such costs are amortized over their useful life as determined GAAP and only the annual amortized portion thereof is included each lease year in Operating Expenses; court costs and legal fees resulting from the violation by Landlord of the terms and conditions of any lease; costs of correcting defects in the initial construction of the Premises and Building; wages, salaries compensation and benefits of any employees above the level of property manager; and fines, interest, charges, penalties, damages and other costs incurred by Landlord by reason of any default (or claim of default) or late payment by it under any other contract or instrument (regardless of whether or not the payment itself is allowed to be included in Operating Expenses), including without limitation, any legal and other professional fees paid or incurred in connection therewith.

9. INSURANCE PROCURED BY TENANT.

Throughout the term of this Lease, Tenant shall, at Tenant's expense, obtain and maintain the following insurance policies insuring, as additional insureds, the Landlord and Landlord's lender, as required and Tenant as named insured.

9.1 Liability Insurance. A commercial general liability insurance policy with a minimum limit of not less than One Million Dollars ($1,000,000) per claim (or annual aggregate limit not less than Three Million Dollars ($3,000,000). Landlord may increase or decrease the required limit as it deems necessary based upon periodic insurance reviews. This insurance shall be written as a primary policy not contributing with and not in excess of coverage which Landlord may carry. If the liability insurance procured pursuant to 9.1 is on a "claims made" rather than "occurrence" basis, in the event Tenant fails to maintain continuous coverage in the amount specified in 9.1 after expiration or termination of this Agreement, Tenant shall obtain extended reporting insurance coverage ("tail coverage") with liability limits as specified in9.1 hereof.

9.2 Personal Property Insurance. A special form policy of property insurance (or the equivalent) covering all Tenant's personal property, including but not limited to Tenant's furniture, fixtures, leasehold improvements, equipment and inventory, in the amount of its full replacement costs.

9.3 Evidence of Insurance. Tenant shall obtain the insurance required by this Section 9 from companies reasonably acceptable to Landlord. Insurance requirements under this lease may be satisfied by self-insurance, a captive insurance company, a risk retention group, commercial insurers or any combination thereof as long as the Tenant maintains net assets of at least $100 million. Tenant must demonstrate to Landlord's satisfaction at the beginning of each calendar year that Tenant maintains net assets of at least $100 million. Tenant will, to the fullest extent allowable under the applicable laws, indemnify, protect, defend (with counsel reasonably acceptable to Landlord) and hold harmless Landlord from and against any and all claims that would have been covered by the insurance replaced by the self-insurance, captive insurance or risk retention group. This indemnity shall survive termination of this Lease only as to claims arising out of events that occur prior to termination of this Lease. Such self-insurance will not affect any waivers, releases or limitations of liability of Landlord set forth in this Lease. . Upon Landlords request, Tenant will provide a certificate reasonably satisfactory to any mortgagee or assignee of Landlord setting forth the self-insured coverages and naming (as applicable) such party as an additional insured and/or loss payee, as its interests may appear. Before occupying the Premises, Tenant shall deliver to Landlord certificates of insurance evidencing the existence and amount of insurance required by this Section. Tenant shall deliver to Landlord evidence that insurance required by this Section 9.3 has been continued when policies are renewed or replaced. The policies shall not be cancellable or subject to reduction of coverage until after thirty (30) days' prior written notice to Landlord and Landlord's lender, if any. If Tenant fails to maintain the required insurance, Landlord may, but it is not required to, procure the same at Tenant's expense.

10. PERSONAL PROPERTY TAXES.

Tenant shall pay, before delinquency, any and all taxes levied or assessed and payable during the Lease term upon all Tenant's equipment, furniture, fixtures and any other personal property located on the Premises. If any of the same are assessed or taxed with the Building or the Real Property, Tenant shall pay Landlord the amount of such taxes within ten (10) days after receipt of a written statement setting forth the amount of such taxes that Landlord has determined are applicable to Tenant's property.

11. MAINTENANCE, REPAIRS AND ALTERATIONS.

11.1 Landlord's Obligations. Landlord shall at Landlord's expense, maintain and repair the roof, foundations, exterior walls, exterior roof structure and other structural portions of the Building including the basic plumbing, air conditioning, heating and electrical systems serving more than one tenant. Except as otherwise required by Section 17 regarding subrogation, if any of this maintenance and/or repair is required in whole or in part because of the negligence of the Tenant, its agents or invitees, Tenant shall pay to Landlord the reasonable cost of the repairs. Except as provided by Section 18 regarding reconstruction, there shall be no abatement of rent, and no liability of Landlord, due to any injury to or interference with Tenant's business arising from Landlord's performance of any maintenance or repair which it is required or permitted to perform to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant waives any right which it may have under any current or future law or ordinance to make repairs at Landlord's expense.

11.2 Tenant's Obligations. Tenant shall, at Tenant's sole cost and expense, keep in good condition and repair all portions of the Premises not being maintained by Landlord under Section 11.1 including, without limitation, the maintenance, repair and replacement of all interior walls or partitions and interior portions of exterior walls and doors as well as plumbing, air conditioning, heating and electrical systems solely serving the Premises. Tenant shall, upon expiration or sooner termination of this Lease, surrender the Premises to Landlord in good and clean condition, ordinary wear excepted. Any damage to adjacent Premises caused by Tenant's use of the Premises shall be repaired at the sole cost and expense of Tenant. If Tenant fails to perform the maintenance, repair or replacement required by this Section 11.2 or to surrender the Premises in the condition required by this Section, Landlord shall have the right to perform the necessary work at Tenant's expense, and Tenant agrees to reimburse all costs incurred by Landlord. Except as specifically provided in an addendum to this Lease, Landlord shall have no obligation whatsoever to alter, remodel, improve, repair, decorate or paint the Premises or any part thereof and the parties hereto affirm that Landlord has made no representations to Tenant respecting the condition of the Building or Premises except as specifically set forth herein.

11.3 Governmental Repairs. In the event any governmental agency requires major repairs or modifications to be made to the Premises, which repairs are the obligation of Landlord and cannot, in Landlord's judgment, be justified by the minimum rental, the Landlord shall have the right to cancel and terminate this Lease by giving Tenant ninety (90) days' written notice. Major repairs for purposes of this Section shall be repairs or modifications with a cost exceeding six (6) months' rent under this Lease. However, Tenant shall have the option to make these repairs at its sole cost and expense upon receipt of the ninety (90) days' notice of cancellation from Landlord, in which event this Lease shall remain in full force and effect.

11.4 Improvements, Alterations and Additions. Tenant shall not make or permit any alteration, addition or improvement to the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, Tenant shall be entitled to make any alterations, additions, or improvements to the Premises necessary in order to comply with governmental rules and regulations applicable to medical office space, provided however, that such alteration, additions or improvements shall not interfere with the use of other of Landlord's tenants or negatively impair any structural element of the Premises. Tenant shall pay any and all costs incurred by Landlord in reviewing and evaluating any request for the consent required by this Section. Any alteration, addition or improvement consented to by Landlord shall be made in a good and workmanlike manner at Tenant's sole cost and expense and shall comply with all applicable laws, codes, ordinances, rules and regulations. All alterations, additions or improvements (including but not limited to wall and window covering, paneling and built-in cabinet work, but excluding movable furniture and trade fixtures) shall at once become a part of the Premises belonging to the Landlord and shall be surrendered with the Premises at the expiration of this Lease, unless Landlord demands their removal as set forth below. Upon expiration or sooner termination of the Lease term, Tenant shall, at Tenant's sole cost and expense, with all due diligence, remove any alterations, additions or improvements made by Tenant and designated by Landlord to be removed; provided Landlord gives Tenant not less than thirty (30) days' advance written notice. Tenant shall, at its sole cost and expense, repair any damage to the Premises caused by such removal.

12. LIENS.

Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant, and agrees to hold Landlord harmless from the same. Landlord may require, at Landlord's sole option, that Tenant provide, at Tenant's sole cost and expense, a materialman's labor and performance bond acceptable to Landlord in an amount equal to one and one-half (1½) times the estimated cost of any improvements, additions or alterations in the Premises which the Tenant desires to make, to insure Landlord against any liability for mechanics' and materialman's liens, and to insure completion of the work.

13. COMPLIANCE WITH ENVIRONMENTAL LAWS.

Landlord and Tenant acknowledge that there are certain federal, state and local laws, regulations and guidelines now in affect and that additional laws, regulations and guidelines may hereafter be enacted, relating to or affecting the Premises and the Building of which the Premises are a part, concerning the impact on the environment of construction, land use, the maintenance and operation of structures and the conduct of business. Neither Landlord nor Tenant shall not cause, or permit to be caused, any act or practice by negligence, or omission, or otherwise, that would adversely affect the environment or do anything or permit anything to be done that would violate any of said laws, regulations or guidelines. Any violation of this covenant shall be considered a material default for all purposes, including but not limited to Section 21.1(e). If either Landlord or Tenant fails to comply with this covenant, the defaulting party shall indemnify and hold the non-defaulting party harmless from any and all costs, expenses, claims, losses, damages, fines, and penalties including reasonable attorney's fees that may in any manner arise out of or be imposed because of the failure. The foregoing shall cover all requirements whether or not foreseeable at the present time and regardless of their expense.

14. HAZARDOUS SUBSTANCE.

Tenant shall only use the Premises and store property therein such as products and chemicals as Tenant may legally possess. Neither Tenant nor Landlord shall place, install or operate on the Premises or in any part of the Building any engine, stove, or machinery, or conduct mechanical operations or cook thereon or therein, or place or use in or about the Premises any explosives, gasoline, kerosene, oil, acids, caustics, or any other inflammable, explosive, or hazardous material which may be hazardous to either the Premises or to the health or safety of the public. Violation of this provision by either party shall constitute a material default for all purposes, including but not limited to Section 21.1(e).

15. HOLD HARMLESS.

15.1 Tenant. Tenant agrees to indemnify and hold Landlord and its agents harmless from any and all claims arising from Tenant's use of the Premises, the Building or the Real Property, or from the conduct of Tenant's business or from any activity, work or things done or permitted by the Tenant on the Premises or elsewhere. Tenant further agrees to indemnify and hold Landlord and its agents harmless from any and all claims arising from, in connection with, or related to any default by Tenant in the performance of its obligations under this Lease, or any act, omission or neglect of the Tenant, its agents or invitees. Tenant further agrees to indemnify and hold Landlord and its agents harmless from all costs (including but not limited to attorney's fees) incurred by Landlord in connection with its defense against any claim made against the Landlord as to which Tenant must indemnify Landlord pursuant to this Section. Tenant shall give prompt notice to Landlord of any casualty or accident in the Premises. Upon notice by Landlord, Tenant, at Tenant's expense, shall defend Landlord, through counsel reasonably satisfactory to Landlord, in any action or proceeding brought against Landlord by reason of any such claim.

15.2 Landlord. Landlord agrees to indemnify and hold Tenant and its agents harmless from any and all claims arising from use of the Premises, the Building or the Real Property by Landlord or from the conduct of Landlord's business or from any activity, work or thing done or permitted by the Landlord on the Premises or elsewhere. Landlord further agrees to indemnify and hold Tenant and its agents harmless from any and all claims arising from, in connection with, or related to any default by Landlord in the performance of its obligations under this Lease or any act, admission, or neglect of Landlord, its agents, or invitees. Landlord further agrees to indemnify and hold Tenant and its agents harmless from all costs (including but limited to attorney's fees) incurred by Tenant in connection with its defense against any claim made against Tenant as to which Landlord must indemnify Tenant pursuant to this section. Landlord shall give prompt notice to Tenant of any casualty or accident arising out of or connected with Landlord's use of the Premises, Building and the Real Property. Upon notice by Tenant, Landlord, at Landlord's expense, shall defend Tenant through counsel reasonably satisfactory to Tenant, and any action or proceeding brought against Tenant by reason of any such claim.

16. SERVICES AND UTILITIES.

Provided that Tenant is not in default hereunder, Landlord agrees to furnish to the Premises during reasonable hours or generally recognized business hours, and subject to the rules and regulations of the Building of which the Premises are a part: electricity for normal lighting and fractional horsepower office machines; heat and air conditioning required in Landlord's reasonable judgment for the comfortable use and occupation of the Premises and janitorial service for Common Areas, but not for specialized laboratory, health care and health service equipment within Tenant's Premises. Landlord shall also maintain and keep lighted the common stairs, common entries and toilet rooms in the Building of which the Premises are a part. Landlord shall not be liable for, and Tenant shall not be entitled to, any reduction of rental or other damage by reason of Landlord's failure to furnish any of the foregoing when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbances or labor disputes of any character, or by any other cause, similar or dissimilar, beyond the reasonable control of Landlord. Landlord shall not be liable under any circumstances for a loss of or injury to property or to Tenant's business, however occurring, through or in connection with or incidental to any of the foregoing. Wherever heat generating machines or equipment are used in the Premises which affect the temperature otherwise maintained by the air conditioning system, Landlord reserves the right to install supplementary air conditioning units in the Premises and the cost thereof, including the cost of installation, and the cost of operation and maintenance thereof shall be paid by Tenant to Landlord upon demand by Landlord.

17. SUBROGATION.

As long as their respective insurers so permit, Landlord and Tenant hereby mutually waive any and all of their respective rights of recovery against each other or against any other Tenant or occupant of the Building of which the Premises are a part or against any of their officers, agents or invitees, for any loss to persons or property, which loss is insured by fire, extended coverage or other property insurance policies existing for the benefit of the respective parties to the extent of the insurance proceeds received therefor. Each party shall apply to its insurers to obtain this waiver. Each party shall obtain any special endorsements, if required by its insurer, to evidence compliance with the aforementioned waiver.

18. RECONSTRUCTION.

18.1 Effect of Insured Loss. Except as provided below, if the Premises are damaged by fire or other cause covered by Landlord's property insurance, Landlord agrees to repair the same, and this Lease shall remain in full force and effect.

18.2 Landlord's Options. Landlord shall have the option either to repair or rebuild the Premises or to terminate this Lease if the Premises or any portion of the Building of which the Premises are a part is damaged if:

(a) The damage results from any cause not covered by Landlord's insurance;

(b) Insurance proceeds are insufficient to fully pay for repair and restoration;

(c) The cost to repair exceeds twenty-five percent (25%) of the then complete replacement cost of the Premises and the Building of which the Premises are a part;

(d) The repair or restoration, in Landlord's opinion, cannot be completed within six (6) months of the damage; or

(e) The damage occurs during the last twelve (12) months of the Lease term.

Landlord shall exercise its option to terminate this Lease by giving to Tenant, at any time within sixty (60) days after the damage, written notice of its election to terminate this Lease as of the date specified in the notice. The termination date shall not be less than thirty (30) nor more than sixty (60) days after the date of notice. If Landlord fails to give notice within the sixty (60) days, it shall be deemed to have elected to repair or restore the damage. If Landlord terminates this Lease as provided, this Lease shall automatically terminate on the date specified in Landlord's notice. Neither party shall have further liability to the other, except for obligations which were accrued and unpaid as of the date of the damage, and except that Landlord shall return any unused balance of the security deposit to Tenant.

18.3 Tenant's Options.

Tenant shall have the option to terminate the Lease if

(a) the Premises or any portion of the Building of which the Premises are a part is damaged and such damage materially impairs Tenant's use of the Premises and the repair or restoration, in Tenant's opinion, cannot be completed with six (6) months of the damage; or

(b) The damage occurs during the last twelve (12) months of the Lease Term.

Tenant shall exercise its option to terminate this Lease by giving to Landlord, any time within sixty (60) days after the damage, written notice of its election to terminate this Lease as of the date specified in the notice. The termination date shall not be less than thirty (30) nor more than sixty (60) days after the date of notice. If Tenant fails to give notice within the sixty (60) days, it shall be deemed to have elected to remain a Tenant. If Tenant terminates this Lease as provided, this Lease shall automatically terminate on the date specified in the Tenant's notice. Neither party shall have any further liability to the other, except for obligations which are accrued and unpaid as of the date of the damage, and except that Landlord shall return any unused balance of the security deposit to Tenant.

18.4 Rent Abatement. This Lease shall remain in full force and effect if Landlord elects to repair the damage, or until the termination date specified in the notice of termination, as applicable, except that the minimum rent shall be proportionately abated from the date of damage until the repairs are completed, or until the specified termination date, as applicable. Such proportionate abatement shall be based upon the extent to which the damage materially interferes with the business carried on by Tenant in the Premises.

18.5 Tenant's Repair Obligations. Landlord shall not be required to repair or replace any leasehold improvements, fixtures or other personal property of Tenant, all of which shall be repaired or replaced promptly by Tenant.

19. EMINENT DOMAIN.

If any portion of the Premises is taken or appropriated by any public or quasi-public authority under the power of eminent domain, or is purchased by the condemner in lieu of condemnation proceedings, either party shall have the right to terminate this Lease upon thirty (30) days' written notice given to the other party within sixty (60) days after the date that possession is surrendered to the condemner. If neither party elects to terminate, the minimum rent and any additional rent thereafter to be paid shall be equitably reduced. If any part of the Building other than the Premises is so taken or appropriated, or is purchased by the condemner in lieu thereof, Landlord shall have the right at its option to terminate this Lease upon thirty (30) days' written notice to Tenant given within sixty (60) days after the date that possession is surrendered to the condemner. Tenant shall be entitled to receive all portions of any condemnation award or settlement which are attributable to Tenant's moving costs or the unamortized portion of any Tenant improvements that were paid for by Tenant other than through payments of any form, including rent, to the Landlord. Landlord shall be entitled to receive all other portions of any condemnation award or settlement.

20. ASSIGNMENT AND SUBLETTING.

20.1 Restriction. Tenant shall not, without the prior written consent of Landlord:

(a) Voluntarily, involuntarily or by operation of law, assign, transfer, mortgage, pledge, hypothecate or otherwise encumber this Lease, or any interest in it, or any right or privilege appurtenant to it;

(b) Sublet all or any part of the Premises; or

(c) Allow any other person, except the agents and invitees of Tenant, to occupy or use any portion of the Premises.

Landlord's consent shall not be unreasonably withheld. Any assignment, transfer, encumbrance, subletting or use without Landlord's consent shall be void and shall, at the option of Landlord, constitute a material default under this Lease. An assignment or sublease consented to by Landlord shall not be binding upon Landlord unless the assignee or subtenant delivers to Landlord:

(a) An original executed assignment or sublease;

(b) Any collateral agreements; and

(c) An instrument containing said assignee's or sublessee's assumption of all of the obligations of the Tenant under this Lease, in form and substance satisfactory to Landlord.

The assignee's or sublessee's failure to execute such a covenant shall not waive, release or discharge the assignee or sublessee from its liability for the performance of the Tenant's obligations under this Lease. Regardless of Landlord's consent, no subletting or assignment shall release Tenant of Tenant's obligations or alter the primary liability of Tenant to pay rent and to perform all the obligations of the Tenant under this Lease.

20.2 Costs. Tenant shall reimburse Landlord for all attorney's fees and other costs incurred by Landlord in connection with the review of and preparation of documents incident to any request by Tenant for Landlord's consent. Each request for Landlord's consent shall be accompanied by a deposit in the amount of Five Hundred Dollars ($500) to be applied to such costs. Landlord shall return to Tenant any unused balance of the deposit.

20.3 Included Transfers. If Tenant is a corporation, any transfer of this Lease by merger, consolidation, reorganization or dissolution shall constitute a transfer for the purposes of this Section. If Tenant is a corporation, any change in the ownership of, or power to vote, a percentage of Tenant's now-outstanding stock which results in a change of controlling persons, or any transfer of all or substantially all the assets of Tenant shall constitute a transfer for the purposes of this Section. If Tenant is a partnership, any partial or total withdrawal of any of the present general partners, and any transfer by a general partner of all or part of his partnership interest shall constitute a transfer for the purposes of this Section.

20.4 Judicially Imposed Assignment. If the non-assignment provisions of this Section are deemed to be unenforceable in any bankruptcy proceeding, Landlord and Tenant agree that a showing of adequate assurance of future performance by a prospective assignee of this Lease must include, without limitation, clear and convincing evidence that:

(a) Landlord will receive the full benefit of each and every term of its bargain in this Lease, except for the non-assignment and related termination clauses;

(b) The Premises will continue to be used solely for the use permitted by this Lease;

(c) A judicially imposed assignment will not cause an acceleration or increase in the interest rate, or fees in connection with, any indebtedness of Landlord secured by Landlord's interest in the Real Property or this Lease; and

(d) The prospective assignee has the means, expertise and experience to operate the business to be conducted upon the Premises in a first-class manner.

20.5 Assignment by Landlord. If Landlord shall assign its interest under this Lease or transfer its interest in the Premises, Landlord shall be relieved of any obligation accruing hereunder after such assignment or transfer, and such transferee shall thereafter be deemed to be the Landlord under this Lease. Landlord may transfer Tenant's security deposit to such transferee and Tenant shall look solely to the transferee for the return of such deposit.

21. REMEDIES IN DEFAULT.

21.1 Defaults by Tenant. The occurrence of any one or more of the following events shall constitute a default and breach of this Lease by Tenant:

(a) The vacating or abandonment of the Premises by Tenant.

(b) The failure by Tenant to make when due any payment of rent or any other payment required to be made by Tenant under this Lease, where such failure shall continue for a period of ten (10) days after written notice of default from Landlord to Tenant. In the event that Landlord serves Tenant with a notice to pay rent or vacate pursuant to applicable unlawful detainer statutes, such notice to pay rent or vacate shall also constitute the notice required by this Section.

(c) The failure by Tenant to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Tenant, other than those described above, for a period of thirty (30) days after written notice of such default from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that more than thirty (30) days are reasonably required for its cure, then Tenant shall not be deemed to be in default if Tenant commences a cure within that thirty (30) day period and thereafter diligently prosecutes the cure to completion.

(d) The Tenant becomes a "debtor" as defined in the Bankruptcy Code 11 USC Section 101 or any successor statute or a trustee or a receiver is appointed to take possession of substantially all of the Tenant's assets located at the Premises or of Tenant's interest in this Lease and such filing is not dismissed within sixty (60) days.

(e) Any other occurrence defined as a material default by other provisions of this Lease.

21.2 Defaults by Landlord. The occurrence of one of more of the following events shall constitute a default and breach of this lease by Landlord:

(a) Failure of Landlord to observe or perform any of the covenants, conditions, or provisions of this Lease to be observed or performed by Landlord for a period of thirty (30) days after written notice of such default from Tenant to Landlord; PROVIDED, HOWEVER, that if the nature of Landlord's default is such that more than thirty (30) days are reasonably required for its cure, then Landlord shall not be deemed to be in default if Landlord commences a cure within that thirty (30) day period and thereafter, diligently prosecutes the cure to completion.

(b) Any other occurrence defined as a material default by other provisions of this Lease.

21.3 Remedies for Default by Tenant. In the event of a material default or breach by Tenant, Landlord may at any time thereafter, with or without notice or demand and without limiting Landlord in the exercise of any right or remedy which Landlord may have by reason of such default or breach:

(a) Terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. In this event, Landlord shall be entitled to recover from Tenant all damages incurred by Landlord by reason of Tenant's default including, but not limited to, the cost of recovering possession of the Premises; expenses of reletting (including necessary renovation and alteration of the Premises); reasonable attorney's fees and costs and any real estate commission actually paid; the worth at the time of award by a court having jurisdiction of any unpaid rent or other charges owed by Tenant to Landlord which had been earned at the time of termination; the amount by which the unpaid rent or other charges for the balance of the term after the time of such award exceeds the amount of such rental or other loss for the same period that Tenant proves could reasonably be avoided; that portion of the leasing commission paid by Landlord according to this Lease applicable to the unexpired term of this Lease.

(b) Maintain Tenant's right to possession in which case this Lease shall continue in effect whether or not Tenant shall have abandoned the Premises. In this event, Landlord shall be entitled to enforce all of Landlord's rights and remedies under this Lease, including the right to recover the rent as it becomes due under the Lease.

(c) Pursue any other remedy now or afterwards available to Landlord under the laws or judicial decisions of the state where the Premises are located.

21.4 Remedies for Default by Landlord. In the event of a material default or breach by Landlord, Tenant may at any time thereafter, with or without notice or demand and without limiting Tenant in the exercise of rights or remedies which Tenant may have by reason of such default or breach:

(a) Terminate this Lease and vacate the Premises following which Tenant shall have no further obligations hereunder.

(b) Pursue any other remedy now or afterwards available to Tenant under the laws or judicial decisions of the State where the Premises are located.

21.5 Late Charges. Tenant acknowledges that late payment by Tenant to Landlord of rent and other sums due under this Lease will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. These costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any mortgage or deed of trust covering the Premises. Accordingly, if any installment of rent or other sums due from Tenant shall not be received by Landlord or Landlord's agent within five (5) days after the amount shall be due, then without any requirement of notice to Tenant, Tenant shall pay to Landlord a late charge of One Hundred Fifty Dollars ($150) plus one percent (1%) per month interest on the delinquencies from the date due until payment. The parties agree that this late charge plus interest represents a fair and reasonable estimate of the costs Landlord will incur by reason of late payment by Tenant. Acceptance of the late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to the overdue amount, nor prevent Landlord from exercising any of the other rights or remedies granted to Landlord under this Lease. Notwithstanding anything to the contrary in this Lease, no penalty or interest will be assessed on the first two (2) overdue payments in any twelve (12) month period.

22. RULES AND REGULATIONS.

Tenant shall faithfully observe and comply with all recorded covenants, conditions and restrictions affecting the Premises, all existing rules and regulations and all rules and regulations that Landlord may from time to time make to facilitate the reasonable operation of the Building of which the Premises are a part or the complex in which it is located or to comply with the requirements of any governmental entity or insurance company (collectively called "Rules"). Landlord reserves the right to modify the Rules from time to time. The Rules and any modifications shall be binding upon the Tenant upon delivery of a copy of the Rules to Tenant. Landlord shall not be responsible to Tenant for the failure of any other tenants or occupants to comply with the Rules. Failure of Tenant to comply with the rules and regulations shall be termed a material default for purposes of Section 21.1(e).

23. HOLDING OVER.

If Tenant remains in possession of the Premises or any part thereof after the expiration of the Lease term with the express written consent of Landlord (which consent may be granted, withheld or conditioned in the sole discretion of Landlord), such occupancy shall be a tenancy from month to month at a minimum rent in an amount equal to one hundred twenty percent (120%) of the last monthly minimum rent, plus all additional rent and other charges payable hereunder, and upon all the terms hereof applicable to a month-to-month tenancy.

24. ENTRY BY LANDLORD.

Landlord reserves the right to enter the Premises to inspect the same, to show the Premises to prospective purchasers or tenants, to perform any alterations, improvements, repairs or maintenance, to provide any services that Landlord may deem necessary or desirable and to do any other act permitted under this Lease. Tenant hereby waives all claims for damages occasioned by such entry. Landlord may retain a key with which to unlock all of the doors in the Premises (excluding Tenant's vaults, safes and files). No entry by Landlord shall be construed or deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an eviction of Tenant from all or any portion of the Premises.

25. ESTOPPEL CERTIFICATE.

Upon not less than ten (10) days' prior written notice from Landlord, Tenant shall execute, acknowledge and deliver to Landlord a written estoppel certificate stating certain facts including, but not limited to:

(a) That this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified is in full force and effect);

(b) The date to which the minimum rent and other charges are paid; and

(c) That there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord (or specifying such defaults if any are claimed).

The statement shall be in any form that Landlord provides to Tenant. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Real Property. If Tenant fails to respond within ten (10) days of receipt of written notice from Landlord requesting such a statement, Tenant shall be deemed to have given a certificate as above provided, without modification, and shall be conclusively deemed to have admitted the accuracy of any information supplied by Landlord to a prospective purchaser or mortgagee.

26. SIGNS.

Tenant shall not place any signs or symbols in the windows or on the doors of the Premises or upon any part of the Building without the prior written consent of Landlord. Any signs or symbols shall be in conformity with other signs on the Premises and the Building, Landlord's Rules and all applicable laws, ordinances and regulations. Tenant shall maintain any such sign or symbol in good condition and repair at its sole cost and expense. Tenant shall remove such sign or symbol at its sole cost and expense upon termination of the Lease term and shall repair all damage caused by the removal. If

Tenant fails to remove any sign or symbol and/or repair any damage caused by its removal, Landlord may have the same removed and/or repaired at Tenant's expense.

27. GENERAL PROVISIONS.

27.1 Exhibits and Addendums. Any exhibits and addendums attached to this Lease are a part hereof and are fully incorporated in this Lease by this reference.

27.2 Non-Waiver of Default. Landlord's waiver of any term, covenant or condition of this Lease shall not be deemed to be a waiver of any other term, covenant or condition or any subsequent default under the same or any other term, covenant or condition. Landlord's acceptance of any sum shall not be deemed to be a waiver of any preceding default by Tenant, other than the failure of Tenant to pay the particular sum so accepted, regardless of Landlord's knowledge of such preceding default at the time it accepts the sum.

27.3 Section Titles. The Section titles of this lease are not a part of this Lease and shall have no effect upon its construction or interpretations.

27.4 Time. Time is of the essence of this Lease and each and all of its provisions in which performance is a factor, including, but not limited to, Tenant's execution of estoppel certificates and subordinations and Tenant reimbursements to Landlord.

27.5 Successors and Assigns. The covenants and conditions of this Lease apply to and bind the heirs, successors, executors, administrators and assigns of both parties to this Lease.

27.6 Recordation. Neither Landlord nor Tenant shall record this Lease, but a short-term memorandum may be recorded at the request of either party.

27.7 Quiet Possession. Provided Tenant pays all sums due under this Lease and observes and performs all of the other covenants, conditions and provisions to be observed and performed by Tenant, Tenant shall have quiet possession of the Premises for the entire Lease term, against any adverse claim of Landlord or any party claiming under Landlord, subject to all the provisions of this Lease.

27.8 Prior Agreements. This Lease contains the full agreement of the parties with respect to any matter covered or mentioned in this Lease. No prior agreements or understandings pertaining to any such matters shall be effective for any purpose. This Lease may be amended or supplemented only by any agreement in writing signed by the parties or their respective successors in interest.

27.9 Inability to Perform. 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.

27.10 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, and all other provisions shall remain in full force and effect.

27.11 Cumulative Remedies. No remedy or election under this Lease shall be deemed to be exclusive but shall, whenever possible, be cumulative with all other remedies at law or in equity.

27.12 Choice of Law. This Lease shall be governed by the laws of the State of Washington.

27.13 Attorney's Fees. In the event any action or proceeding is brought by either party against the other arising out of or in connection with this Lease, the prevailing party shall be entitled to recover its costs, including, but not limited to, reasonable attorney's and accountant's fee, incurred in such action or proceedings, including any appeal.

27.14 Notices. All notices or demands which are required or permitted to be given by either party to the other under this Lease shall be in writing. Except as otherwise provided in any addendum, all notices and demands to the Tenant shall be either personally delivered or sent by the U.S. Mail, registered or certified, postage prepaid, addressed to the Tenant at the Premises, or at the address set forth below, or to such other place as Tenant may from time to time designate in a notice to the Landlord. Except as provided in any addendum, all notices and demands to the Landlord shall be either personally delivered or sent by U.S. Mail, registered or certified, postage prepaid, addressed to the Landlord at the address set forth below, or to such other person or place as the Landlord any from time to time designate in a notice to the Tenant. Any notices sent by U.S. Mail as provided above shall be deemed to have been received three (3) days after deposit into the mail to the addresses set forth below.

27.15 Subordination. At Landlord's option, this Lease shall be subject to and subordinate to the lien of any existing or future mortgages or deeds of trust in any amount or amounts whatsoever, now or hereafter placed in or against the Real Property, and to any extensions, renewals or replacements thereof, without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination. Upon Landlord's request, Tenant will execute and deliver such further instruments as may be appropriate to evidence such subordination of this Lease. As long as Tenant is not in default under this Lease, said subordination shall not disturb Tenant's right to possession of the Premises.

27.16 Attornment. In the event of foreclosure or the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, or in the event of any sale in lieu thereof, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease; provided said purchaser expressly agrees in writing that, so long as Tenant is not in default under the Lease, the Tenant's possession and occupancy of the Premises shall not be disturbed and said purchaser will thereafter perform all of the obligations of the Landlord under this Lease.

27.17 Limitation of Landlord Liability. Tenant agrees that no trustee, officer, employee, agent, advisor, or individual partner of Landlord, or its constituent entities, will be personally liable for any obligation of Landlord hereunder, and that Tenant must look solely to the interest of Landlord in the Property for the enforcement of any claims against Landlord arising hereunder.

27.18 Stark Law and Anti-Kickback Statute. The parties hereto agree that the terms and conditions of this Lease must at all times comply with the requirements of the Stark Law, the Anti-Kickback Statute and any regulations implementing Stark Law and/or the Anti-Kickback Statute. If at any time either party fails to so comply with the provisions and exceptions of the Stark Law or applicable safe harbors under the Anti-Kickback Statute, either party may terminate this Lease immediately; provided, however, that the parties shall have five (5) days from the date either party discovers that is has unintentionally violated this provision to conform this agreement with applicable safe harbors under the Anti-Kickback Statute and an applicable exception of the Stark Law. Provided however that in no event shall this provision be invoked to modify the rent schedule set forth above. The parties mutually agree that the rent payable hereunder is consistent with fair market value, is commercially reasonable, and has not been determined in a manner that takes into account the volume or value of any referrals or other business generated between the parties. "Fair Market Value" means the annual amount per rentable square foot that a willing, comparable new tenant would pay and a willing, comparable landlord of a similar building in the same geographic area would accept at arm's length, without regard to the identity of the tenant and landlord and without regard to the proposed use of the Premises.

27.19 Hospital Legal Status. Notwithstanding anything to the contrary herein, if performance by either of the parties hereto of any term of this Lease (except payment of the rent amounts set forth in the rent schedule above) shall jeopardize the licensure of Tenant's hospital, or the full accreditation of Tenant's hospital by its recognized accrediting body, or the tax-exempt status of Tenant or the ability of Tenant to issue tax-exempt bonds or should be in violation of applicable laws or regulations, Tenant may give a "Jeopardy Notice" to Landlord requesting a modification of the term in question. The Jeopardy Notice shall provide a detailed explanation, with supporting documentation, of why Tenant is in jeopardy, as well as a proposed modification of the Lease to address tenant's concerns. Landlord shall have no obligation to accept Tenant's proposed modification. In the event the parties are unable to reach an agreement for modification of the term Tenant may as its sole remedy terminate this Lease by giving written notice of termination, which must be delivered no more than ninety (90) days after delivery of the Jeopardy Notice, and which shall state a termination date no less than thirty (30) days after the delivery of the termination notice.

27.20 Counterparts. This Lease may be executed in any number of counterparts, including by fax signatures, each of which will constitute an original, but all of which will constitute one agreement.

27.21 Signature Authority. The individuals executing this Lease represent and warrant that they are competent and capable of entering into a binding contract, and that they are authorized to execute this Lease on behalf of the parties hereto. If either party is a corporation, each individual executing this Lease on behalf of said corporation represents and warrants that he/she is duly authorized to execute and deliver this Lease on behalf of said corporation and that this Lease is binding upon said corporation in accordance with its terms. Landlord and Tenant each (a) has agreed to permit the use from time to time, where appropriate, of telecopy, electronic mail, or other electronic signatures in order to expedite the transaction contemplated by this Lease, (b) intends to be bound by its respective telecopy, electronic mail, or other electronic signature, (c) is aware that the other will rely on the telecopied, electronically mailed, or other electronically transmitted signature, and (d) acknowledges such reliance and waives any defenses to the enforcement of this Lease and the documents affecting the transaction contemplated by this Lease based on the fact that a signature was sent by telecopy, electronic mail, or electronic transmission only.

28. BROKERS.

Tenant warrants that it has had no dealing with any real estate broker or agent in connection with the negotiation of this Lease.

29. ENTIRE AGREEMENT.

This Agreement constitutes the entire agreement between Landlord and Tenant and supersedes all prior licenses and agreements, if any. No modifications or amendments shall be valid unless evidenced in writing and signed by both parties. If any portion of this Agreement is held invalid, it is agreed that the balance shall, notwithstanding, continue in full force and effect.

30. LEGAL DOCUMENT.

Tenant understands that this is a legally binding contract. Tenant has carefully read each of its provisions, and prior to execution of the Lease, has discussed the legal effect of the Lease with Tenant's legal counsel.

DATED effective as of the date of the last party to sign below.

LANDLORD:	TENANT:
Radco, LLC	PeaceHealth Medical Group
Pete Burton	Steven Glenn
By:	By: Steven Glenn
Its: Managing Member	Its: EVP, CAO
Address:	Address:
2930 Squalicum Parkway	1115 SE 164th Avenue
Suite #101	Attn: Legal Department
Bellingham, WA 98225	Vancouver, WA 98683
Date: 1/11/2022	Date: 12/22/2021 05:40 PM EST

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that Peter Buotow signed this instrument and acknowledged it as the Managing Member of Radio, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATE: 01/11/2022

Elaine P Haser
NOTARY PUBLIC
My Commission Expires: 4/21/25

ELAINE P. HASER NOTARY My Comm. Expires April 21, 2025 No. 142335 PUBLIC STATE OF WASHINGTON

STATE OF WASHINGTON)
) ss.
COUNTY OF ~~WHATCOM~~ CLARK)

I certify that I know or have satisfactory evidence that Steven Glenn signed this instrument and acknowledged it as the Chief Admin Officer of PEACEHEALTH to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATE: 01/06/2021

Precious Cheri Hill
NOTARY PUBLIC
My Commission Expires: 06/19/2024

PRECIOUS CHERI HILL COMM. # 20110808 NOTARY PUBLIC EXP 06/19/2024 STATE OF WASHINGTON

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

I certify that I know or have satisfactory evidence that ______________________ signed this instrument and acknowledged it as the __________________ of ______________________ to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATE: ____________________

NOTARY PUBLIC
My Commission Expires: ____________

EXHIBIT A

Premises Description: 2930 Squalicum Parkway, Bellingham, Washington	Square Ft.	% Interest of Building	Deposit			Rent/Sq Ft	Rent/Month
Suite 202	6,198	32.14%	0			$31.61	$16,326.57

Operating Expenses are calculated by the Landlord and are additional amounts due hereunder. Current operating expenses at 32.14% are estimated at approximately $9.14 per rentable square foot per year.

Legal description of the Real Property:

> All those portions of Lots 29, 30, and 31, Block 6, "Squalicum Park Plat", Whatcom County, Washington, as per the map thereof, recorded in Book 7 of Plats, Pages 1 and 2, in the Auditor's Office of said County and State described as follows, to-wit:
>
> Beginning at a point on the easterly line of Lot 29, 195.54 feet southwesterly of the northeasterly corner of Lot 29; thence north 62°37' west to a point on the westerly line of Lot 31; thence north 33°20' east along the westerly line of Lot 31 to the northwest corner of Lot 31, thence following the southerly line of Squalicum Parkway southeasterly to the northwest corner of Lot 29; thence south 23°39' west along the east line of Lot 29 to the point of the beginning.

Exhibit 7

Letter of Commitment

May 23, 2022

Eric Hernandez, Program
Manager Certificate of Need
Program Department of Health
111 Israel Road Southeast
Tumwater, WA 98501

Dear Mr. Hernandez,

I am writing to confirm that PeaceHealth has committed to utilizing reserves to fund the capital expenditure for the addition of one endoscopy procedure room to the existing PeaceHealth Medical Group Endoscopy Center. The audited financial statements submitted with the application demonstrate that reserves are sufficiently available for this project.

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

Sincerely,

Darrin Montalvo
PeaceHealth - EVP Chief Financial-Growth Officer

Exhibit 8
Non-Binding Contractor's Estimate

CUMMING
Building Value Through Expertise

May 31, 2022

Eric Hernandez
Program Manager
Certificate of Need Program
Department of Health
111 Israel Road Southeast
Tumwater, WA 98501

Region: Pacific Northwest

Re: Whatcom Endoscopy Relocation Non-Binding Estimate Letter

Dear Mr. Hernandez,

I am writing regarding the certificate of need application proposing the renovation of the existing Endoscopy department at 2930 Squalicum Parkway, Bellingham, WA. I have reviewed the following items and related capital cost estimates, excluding sales tax:

Description	Estimated Capital Expenditure
Building Construction	$266,957
Moveable Equipment	$51,965
Fixed Equipment (Not in building constructions and includes moveable equipment and furnishings)	$601,248
Consulting Fees	$29,717
Site Preparation	$0
Supervision and Inspection	$6,118
Total	**$956,004**

These cost projections have been assembled by Cumming.

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

Respectfully,

CUMMING

Daniel Ledesma
Associate Director, PNW Healthcare

Exhibit 9
Equipment List

Description	Room □ty	Unit Cost	Total Config	Item Notes
Bracket, Monitor, Wall, Flat Panel	1	□73.16	□73.16	Formal □uote Received
Cabinet□Warming□Single□Counter	□	□□□□□□□□	□□□□□□□□	
Cart, Procedure, Endoscopy	1	□5,845.54	□7,080.41	Formal □uote Received
CYLINDER HOLDER	1	□480.94	□480.94	Formal □uote Received
□EYBOARD ARM SIDE MO□NT	1	□753.93	□753.93	Formal □uote Received
Cart□Procedure□□eneral	□	□□□□□□□□	□□□□□□□□	
Cart□Procedure□Resuscitation	□	□□□□□□□□	□□□□□□□□	**□ormal □uote Received**
Defibrillator□Monitor□w□Pacing	□	□□□□□□□□□	□□□□□□□□□	**□ormal □uote Received**
Option□Accessory	□	□□□□□□	□□□□□□	**□ormal □uote Received**
Dispenser□□love□Triple □ox	□	□□□□□	□□□□□	
Disposal□Sharps□□loor Cart	□	□□□□	□□□□	
Electrosurgical □nit, Bipolar/Monopolar	1	□12,880.00	□13,016.50	Formal □uote Received
A-CORD FOR □ALLEYLAB BO□IE	1	□136.50	□136.50	Formal □uote Received
Endoscope, Colonoscope, □ideo	4	□46,486.28	□185,945.12	Formal □uote Received
Endoscope, Gastroscope, □ideo	2	□42,503.74	□85,007.48	Formal □uote Received
□lowmeter□Air	□	□□□□□	□□□□□	
□lowmeter□Oxygen	□	□□□□□□	□□□□□□	
Hamper□Linen	□	□□□□□□	□□□□□□	
Light Source, □enon	1	□14,160.00	□14,160.00	Formal □uote Received
Monitor, Physiologic, □ital Signs, with Pulse Ox	1	□5,991.00	□5,991.00	MOBILE WITH STAND
Monitor, □ideo, 26 - 32 inch, Medical Grade	1	□12,906.18	□13,866.98	Formal □uote Received
MONITOR ARM □RBLE 17□	1	□960.80	□960.80	Formal □uote Received
Regulator□Suction□Intermittent□Continuous	□	□□□□□□	□□□□□□	
Stand□I□□Stainless Steel	□	□□□□	□□□□	
Stand□Mayo□Thumb□Operated	□	□□□□□□	□□□□□□	
Stool□Exam□Cushion□Seat	□	□□□□□□	□□□□□□	
Table□Instrument□□□□□ inch	□	□□□□□□	□□□□□□	
□ideo System, Endoscopic	1	□26,314.85	□29,824.88	Formal □uote Received
SDI CABLE 2.5M	1	□59.85	□59.85	Formal □uote Received
INTERFACE CON□ERT DE□ICE	1	□784.92	□784.92	Formal □uote Received
REMOTE CABLE PERIPH DE□ICE 1.8M	1	□21.16	□21.16	Formal □uote Received
101C□ 140/160/190 DIGI FILE	1	□161.60	□161.60	Formal □uote Received
□IDEOSCOPE CABLE	1	□2,482.50	□2,482.50	Formal □uote Received
Waste Can□□io□Ha□ardous	□	□□□□□□	□□□□□□	
Waste Can□Step□On	□	□□□□□□	□□□□□□	
Dispenser□Emesis □ag□Wall Mount	□	□□□□□□	□□□□□□	
Dispenser□□love□Triple □ox	□	□□□□□	□□□□□□	
□lowmeter□Air	□	□□□□□	□□□□□□	
□lowmeter□Oxygen	□	□□□□□□	□□□□□□	
Monitor□Physiologic□□ital Signs□w□Stand	□	□□□□□□□□	□□□□□□□□□	
Regulator□Suction□Intermittent□Continuous	□	□□□□□□	□□□□□□□□	
Stretcher, Electric Controls	2	□14,201.05	□28,402.10	
Table□Overbed□□eneral	□	□□□□□□□□	□□□□□□□□	
Waste Can□□io□Ha□ardous	□	□□□□□□	□□□□□□	
Waste Can□Step□On	□	□□□□□□	□□□□□□	
Mat□□loor□Drainage	□	□□□□□	□□□□□	
Washer/Disinfector, Endoscope	1	□27,360.00	□31,078.00	Formal □uote Received
PRINTER	1	□1,800.00	□1,800.00	Formal □uote Received
ENDOSCOPE HANGER	1	□123.20	□123.20	Formal □uote Received
E□TERNAL PRE-FILTRATION SYSTEM	1	□954.80	□954.80	Formal □uote Received
CONNECTOR A/W CHANNEL	1	□120.00	□120.00	Formal □uote Received
CONNECTOR INSTR□MENT CHANNEL	1	□240.00	□240.00	Formal □uote Received
CONNECTOR S□CTION CHANNEL	1	□120.00	□120.00	Formal □uote Received
LEA□ TEST AIR T□BE	1	□360.00	□360.00	Formal □uote Received
			□□□□□□□□□□□	

Exhibit 10

PeaceHealth Facility Information

PeaceHealth Hospital Facility Information

Name	Address	Medicare Provider Number	Medicaid Provider Number	Owned or Managed	State Licensing Survey Responsible Party
PeaceHealth Ketchikan Medical Center	3100 Tongass Avenue, Ketchikan, AK 99901	021311	HS041IP HS04OP	Lease Agreement	Brenda Vincent, Health Facilities Licensing & Certification Manager 4501 Business Park Blvd, Bldg. L, Anchorage, Alaska 99503-7167 Phone: (907) 334-2652
PeaceHealth St. John Medical Center	1615 Delaware Street, Longview, WA 98632	50-0041	3304508	Owned	Elizabeth Gordon, RN, MN Manager, Hospital Survey Team Department of Health, HSQA Office of Investigation & Inspection PO Box 47874 Olympia, WA 98504-7874 360-236-2925
PeaceHealth St. Joseph Medical Center	2901 Squalicum Parkway Bellingham, WA 98225-1898	50-0030	3308905	Owned	Elizabeth Gordon, RN, MN
PeaceHealth Peace Island Medical Center	1049 San Juan Valley Road Friday Harbor, WA 98250	NA	NA	Owned	Elizabeth Gordon, RN, MN
PeaceHealth Southwest Medical Center	400 N.E. Mother Joseph Place Vancouver, WA 98664	50-0050	3200292	Owned	Elizabeth Gordon, RN, MN
PeaceHealth Cottage Grove Community Hospital	1515 Village Drive Cottage Grove, OR 97424	38-1301	237519	Owned	Dana Selover, MD, MPH Health Care Regulation Program 800 NE Oregon Street, Suite 465 Portland, OR 97232 971-673-0540
PeaceHealth Peace Harbor Hospital	400 Ninth Street Florence, OR 97439	38-1316	000195	Owned	Dana Selover, MD, MPH
PeaceHealth Sacred Heart Medical Center at Riverbend	3333 Riverbend Drive Springfield, OR 97477	38-0033	276221	Owned	Dana Selover, MD, MPH
PeaceHealth Sacred Heart Medical Center University District	1255 Hilyard Street Eugene, OR 97401	38-0033	192500	Owned	Dana Selover, MD, MPH
PeaceHealth United Medical Center	2000 Hospital Drive, Sedro-Woolley, WA 98284	50-1329 Swing Bed 50-Z329	501329	Lease Agreement	Elizabeth Gordon, RN, MN

Source: Applicant.

Exhibit 11
Draft Transfer Agreement

PATIENT TRANSFER AGREEMENT

1. **Parties.** The Parties to this Agreement are:

Sending Facility
PeaceHealth Medical Group – PHMG Endoscopy ("Sending Facility")
2930 Squalicum Pkwy, Suite 202
Bellingham, WA 98225

Receiving Facility
PeaceHealth St. Joseph Medical Center ("PeaceHealth" or "Receiving Facility")
2901 Squalicum Parkway
Bellingham, WA 98225

2. **Patient Transfer.** The parties agree that patients shall be transferred from the Sending Facility to the Receiving Facility in accordance with applicable law, including without limitation, EMTALA and HIPAA. Receiving Facility will provide the names or classifications of persons authorized to accept the transfer of patients on its behalf and shall update such information at least annually. The Sending Facility shall be responsible for obtaining the patient's or guardian's written informed consent to the transfer or that of the patient's authorized representative. If such consent is not possible, the Sending Facility shall obtain certification of the need for the transfer from the attending physician or other qualified medical personnel in accord with the requirements of EMTALA. Sending Facility shall be responsible for providing or arranging for the transfer of patient's personal effects. The patient shall be transferred and admitted to Receiving Facility as promptly as possible under the circumstances, provided that beds and other appropriate resources are available.

3. **Patient Records.** Sending Facility will send at the time of transfer, or in the case of an emergency, as soon as possible, the transfer and referral forms mutually agreed upon to provide medical and administrative information necessary to determine the appropriateness of the placement and to enable continuing care to the patient, including such information as current medical findings, diagnosis, and copies of diagnostic tests.

4. **Legal Responsibilities Between the Parties.**

   4.1. The Receiving Facility's responsibility for the patient's care shall not begin until the Patient has been admitted. Sending Facility will be responsible for arranging appropriate transport and instructing transport personnel appropriately.

5. **Term and Termination.** This Agreement shall begin on September 1, 2022 or when Receiving Facility receives Washington State Department of Health approval and shall remain in effect until written notice of termination has been provided to either Party from the other.

6. **Miscellaneous Terms.**

   6.1. This Agreement contains the entire understanding of the Parties and cannot be modified by course of dealing. All modifications or amendments to this Agreement must be in writing and signed by both parties.

6.2. The interpretation of this Agreement and the resolution of any disputes arising under it shall be governed by the laws of the State of Washington.

This Agreement is effective and executed in duplicate original as of the date of the last party to sign below.

PEACEHEALTH ST. JOSEPH MEDICAL CENTER	**PEACEHEALTH MEDICAL GROUP - PHMG ENDOSCOPY**
By: ___________________________	By: _______________________________
Its: ___________________________	Its: _______________________________
Date: _________________________	Date: _____________________________

Appendix 1

Audited Financials

KPMG

PEACEHEALTH NETWORKS

Consolidated Financial Statements

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

PEACEHEALTH NETWORKS

Table of Contents

KPMG

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Directors
PeaceHealth Networks:

We have audited the accompanying consolidated financial statements of PeaceHealth Networks (a Washington not-for-profit corporation), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations and changes in net assets without donor restrictions, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PeaceHealth Networks as of June 30, 2019 and 2018, and the results of its operations, changes in net assets, and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matters

As discussed in notes 2(u) and 3 to the consolidated financial statements, in 2019, PeaceHealth Networks adopted new accounting guidance in Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) and ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). Our opinion is not modified with respect to these matters.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The additional information included on pages 39 to 42 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Portland, Oregon
September 27, 2019

PEACEHEALTH NETWORKS

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	46,885	53,467
Short-term investments		862,785	932,732
Accounts receivable, net of allowance for doubtful accounts of $1,059 and $86,994		360,294	336,762
Other receivables		43,699	46,651
Inventory of supplies		44,545	43,403
Prepaid expenses and other		30,520	27,053
Assets whose use is limited that are required for current liabilities		6,907	8,358
Total current assets		1,395,635	1,448,426
Assets whose use is limited:			
Cash and investments		1,336,434	1,221,259
Investments in joint ventures and other		26,881	26,143
Total assets whose use is limited		1,363,315	1,247,402
Less current portion		(6,907)	(8,358)
Net assets whose use is limited		1,356,408	1,239,044
Property, plant, and equipment:			
Land and improvements		142,351	141,984
Buildings, fixed equipment, and other		1,779,651	1,756,173
Moveable equipment		930,732	822,297
Construction in progress		151,440	60,034
Total property, plant, and equipment		3,004,174	2,780,488
Less accumulated depreciation		(1,739,782)	(1,559,368)
Net property, plant, and equipment		1,264,392	1,221,120
Interest in net assets of related foundations		69,338	72,375
Other assets		103,471	36,967
Total assets	$	4,189,244	4,017,932

(Continued)

PEACEHEALTH NETWORKS

Consolidated Balance Sheets

June 30, 2019 and 2018

(In thousands)

Liabilities and Net Assets		**2019**	**2018**
Current liabilities:			
Accounts payable	$	137,944	112,642
Accrued payroll, payroll taxes, and employee benefits		150,420	150,326
Accrued interest payable		4,193	4,328
Other current liabilities		40,612	34,051
Pending trades payable		17,348	77,021
Current portion of long-term debt		24,933	106,282
Total current liabilities		375,450	484,650
Other long-term liabilities		340,913	284,924
Long-term debt, net of current portion		978,886	847,397
Net assets:			
Without donor restrictions, controlling interest		2,399,852	2,301,885
Without donor restrictions, noncontrolling interest		5,229	4,569
With donor restrictions		88,914	94,507
Total net assets		2,493,995	2,400,961
Total liabilities and net assets	$	4,189,244	4,017,932

See accompanying notes to consolidated financial statements.

PEACEHEALTH NETWORKS

Consolidated Statements of Operations and Changes in Net Assets Without Donor Restrictions

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Revenues:			
Net patient service revenue	$	2,715,953	2,618,321
Provision for bad debts		—	(71,837)
Net patient service revenue		2,715,953	2,546,484
Other operating revenue		67,995	79,792
Total revenues		2,783,948	2,626,276
Expenses:			
Salaries and wages		1,348,644	1,260,688
Payroll taxes and benefits		278,294	256,526
Supplies		422,953	398,375
Purchased services		264,397	221,679
Other		246,452	227,645
Depreciation and amortization		138,672	139,069
Interest and amortization of deferred financing costs		35,196	31,898
Total expenses		2,734,608	2,535,880
Income from operations		49,340	90,396
Other income (expense):			
Investment return, net		103,534	93,030
Net change in interest rate swaps		(40,346)	10,219
Other		(3,924)	(1,501)
Total other income		59,264	101,748
Excess of revenues over expenses from continued operations		108,604	192,144
Discontinued operations (note 14):			
Gain from operations (including gain on disposal of $0 and $899, in 2019 and 2018, respectively)		—	4,949
Total gain on discontinued operations		—	4,949
Excess of revenues over expenses		108,604	197,093
Net assets released from restrictions for property, plant, and equipment		7,188	3,095
Change in pension liability		(15,337)	15,216
Other changes in net assets without donor restrictions		(1,828)	(1,742)
Increase in net assets without donor restrictions	$	98,627	213,662

See accompanying notes to consolidated financial statements.

PEACEHEALTH NETWORKS

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2019 and 2018

(In thousands)

	Without donor restrictions			
	Controlling interest	Noncontrolling interest	With donor restrictions	Total
Net assets at June 30, 2017	$ 2,089,235	3,557	81,871	2,174,663
Excess of revenues over expenses from continued operations	191,456	688	—	192,144
Other restricted contributions	—	—	3,274	3,274
Net assets released from restrictions	3,095	—	(4,283)	(1,188)
Change in interest in net assets of related foundations	—	—	9,028	9,028
Change in pension liability	15,216	—	—	15,216
Other changes in net assets	(1,742)	—	4,617	2,875
Change in net assets before discontinued operations	208,025	688	12,636	221,349
Discontinued operations (note 14)	4,625	324	—	4,949
Change in net assets	212,650	1,012	12,636	226,298
Net assets at June 30, 2018	2,301,885	4,569	94,507	2,400,961
Excess of revenues over expenses from continued operations	107,944	660	—	108,604
Other restricted contributions	—	—	7,188	7,188
Net assets released from restrictions	7,188	—	(8,118)	(930)
Change in interest in net assets of related foundations	—	—	(3,037)	(3,037)
Change in pension liability	(15,337)	—	—	(15,337)
Other changes in net assets	(1,828)	—	(1,626)	(3,454)
Change in net assets	97,967	660	(5,593)	93,034
Net assets at June 30, 2019	$ 2,399,852	5,229	88,914	2,493,995

See accompanying notes to consolidated financial statements.

PEACEHEALTH NETWORKS

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(In thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	93,034	226,298
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		138,672	139,069
(Gain) loss on sale of land held for sale and property, plant, and equipment		(1,698)	260
Provision for bad debts		—	71,837
Change in pension liability		15,337	(15,216)
Restricted contributions		(7,188)	(3,274)
Net change in unrealized losses on investments		(36,282)	(1,616)
Realized gains on investments		(24,881)	(55,508)
Valuation adjustments on swap arrangements		31,585	(21,174)
Vesting of Premier Class B units		(8,383)	(5,892)
Change in interest in net assets of related foundations		3,037	(9,028)
Equity earnings on investments, net		(537)	1,404
Loss on sale of discontinued operations		—	899
Gain on refinancing		(732)	—
Changes in operating assets and liabilities:			
Increase (decrease) in:			
Accounts receivable, net		(23,532)	(95,269)
Other assets		(69,069)	(18,756)
Increase (decrease) in:			
Accounts payable		25,302	16,155
Accrued payroll, payroll taxes, and employee benefits		94	(6,454)
Other liabilities		(44,180)	(16,367)
Net cash provided by operating activities		90,579	207,368
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(181,357)	(110,995)
Proceeds from sale of land held for sale and property, plant, and equipment		2,019	96
Purchase of alternative investments		(83,569)	(204,293)
Purchases/Sales of investments, net		108,418	86,722
Net cash used in investing activities		(154,489)	(228,470)
Cash flows from financing activities:			
Principal payments on long-term debt		(525,979)	(34,462)
Proceeds from new financing		576,119	—
Proceeds from restricted contributions		7,188	3,274
Net cash provided by (used in) financing activities		57,328	(31,188)
Net decrease in cash and cash equivalents		(6,582)	(52,290)
Cash and cash equivalents at beginning of year		53,467	105,757
Cash and cash equivalents at end of year	$	46,885	53,467

See accompanying notes to consolidated financial statements.

(1) Organization

(a) Corporate Structure

PeaceHealth Networks is a Washington not-for-profit corporation, recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, which is the sole corporate member of PeaceHealth, which is also a Washington not-for-profit corporation, recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code, with its corporate office located in Vancouver, Washington. PeaceHealth Networks is not affiliated with the Roman Catholic Church, currently has no operations, and currently holds no financial assets in its own name; however, it is the member corporation of PeaceHealth, which is a Private Pontifical Juridic Person according to the canon law of the Roman Catholic Church, does have extensive healthcare operations and holds substantial financial assets. PeaceHealth Networks and its associated entities are collectively referred to herein as "the Corporation." PeaceHealth Networks and PeaceHealth are the only members of the Corporation's obligated group. At June 30, 2019, the following regional healthcare delivery systems and operating divisions are components of PeaceHealth:

Northwest Network:
- PeaceHealth Ketchikan Medical Center
- PeaceHealth St. Joseph Medical Center
- Peace Island Medical Center
- PeaceHealth United General Medical Center

Columbia Network:
- PeaceHealth St. John Medical Center
- PeaceHealth Southwest Medical Center

Oregon West Network:
- PeaceHealth Sacred Heart Medical Center at University District
- PeaceHealth Sacred Heart Medical Center at RiverBend
- PeaceHealth Cottage Grove Community Medical Center
- PeaceHealth Peace Harbor Medical Center

Systemwide Organizations:
- PeaceHealth Medical Group

These regional healthcare delivery systems and operating divisions provide inpatient, outpatient, primary, and specialty care and home care services in Alaska, Washington, and Oregon. These divisions primarily operate in Ketchikan, Alaska; Bellingham, Friday Harbor, Sedro Woolley, Longview, and Vancouver, Washington; Springfield, Eugene, Florence, and Cottage Grove, Oregon.

PeaceHealth Networks included the following controlled affiliates at June 30, 2019:

- PeaceHealth
- Health Ventures
- Pooled Income Funds (including Charitable Life Income Funds)
- PeaceHealth Southwest Medical Center Foundation
- PeaceHealth Networks On Demand (established January 1, 2019)
- Columbia United Providers (CUP) – owned 91.7% (Discontinued Operations as of December 2015)

The consolidated financial statements include the accounts of the Corporation. All significant intercompany transactions and balances have been eliminated.

(2) Summary of Significant Accounting Policies

(a) Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Cash and Cash Equivalents

Cash and cash equivalents consist of petty cash, cash in demand bank accounts, and all highly liquid debt instruments purchased with an original maturity of three months or less other than those amounts included in assets whose use is limited.

The Corporation maintains cash and cash equivalents on deposit at various institutions, which, at times, exceed the insured limits of the Federal Deposit Insurance Corporation. This exposes the Corporation to potential risk of loss in the event the institution becomes insolvent.

(c) Short-Term Investments

Short-term investments consist primarily of certificates of deposit, U.S. government, and other investment-grade securities. The maturities of these related securities can exceed one year. Management anticipates the securities will be liquidated within one year. Investment income or loss (including realized and unrealized gains and losses and interest and dividends) is included in the excess of revenues over expenses.

(d) Inventory of Supplies

Inventory is valued on weighted average cost.

(e) Other Receivables

Other receivables primarily consist of amounts receivable from the Oregon Hospital Assessment Program and the Washington State Safety Net Assessment Program, amounts receivable from excess insurance carriers, and other miscellaneous amounts due.

(f) Assets Whose Use is Limited

Certain assets have been set aside by management of the Corporation for future capital improvements, self-insured liabilities, and other purposes, over which management retains control and may, at its discretion, subsequently use for other purposes. Amounts required to meet current liabilities of the Corporation have been reclassified as current in the consolidated balance sheets at June 30, 2019 and 2018. These items consist primarily of investments in marketable equity and fixed-income securities. Investment income or loss (including realized and unrealized gains and losses and interest and dividends) is included in the excess of revenues over expenses.

PeaceHealth accounts for its investments on a trade-date basis. Investment sales and purchases initiated prior to the consolidated balance sheet date and settled subsequent to the consolidated balance sheet date result in amounts due from and to brokers. Changes in these assets and liabilities represent noncash investing activities excluded from the consolidated statement of cash flows. As of June 30, 2019 and 2018, PeaceHealth recorded payables of $17,348 and $77,021, respectively, for investments purchased but not settled as pending trades payable in the accompanying consolidated balance sheets.

(g) Liquidity

Cash and cash equivalents, accounts receivable, and short-term investments are the primary liquid resources used by the Corporation to meet expected expenditure needs within the next year. The Corporation has credit facility programs, as described in note 6, available to meet unanticipated liquidity needs. Although intended to satisfy long-term obligations, management estimates that approximately 88% of assets whose use is limited, as stated at June 30, 2019, could be liquidated within the next year if needed.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation. Improvements and replacements of plant and equipment are capitalized. Maintenance and repairs are expensed as they are incurred. When property, plant, and equipment are sold or retired, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded.

The Corporation assesses potential impairment of its long-lived assets when there is evidence that events or changes in circumstances have made recovery of the asset's carrying value unlikely. An impairment loss is indicated when the sum of expected undiscounted future net cash flows is less than the carrying amount. The loss recognized is the difference between the fair value and the carrying amount. No impairment losses related to property, plant, and equipment were recognized during the year ended June 30, 2019 or 2018.

(i) Depreciation

Depreciation on property, plant, and equipment are computed using the straight-line method over the following estimated useful lives:

Land improvements	5–25 Years
Buildings and improvements	5–80 Years
Fixed equipment	10–75 Years
Leasehold improvements	Shorter of remaining length of the lease or useful life
Moveable equipment	3–30 Years

(j) Other Assets

Other assets include intangible assets, primarily trade names, and goodwill. Intangible assets with indefinite lives are evaluated annually for impairment. Impairment reviews are performed of the purchased intangible assets whenever events or changes in circumstances indicate carrying amount of an asset may not be recoverable. There were no impairment losses recognized during the year ended June 30, 2019 or 2018.

(k) Other Long-Term Liabilities

Other long-term liabilities consist primarily of the estimated fair value associated with the Corporation's interest rate swaps of $123,500 and $91,915 at June 30, 2019 and 2018, respectively; the liability for the PeaceHealth SWHS Frozen DB Pension Plan of $52,768 and $42,634 at June 30, 2019 and 2018, respectively; and the long-term portion of the liability for the self-insurance programs of $73,596 and $64,055 at June 30, 2019 and 2018, respectively. The remaining balance of other long-term liabilities includes environmental liability, gift annuities, and deferred compensation plan liability.

Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Subtopic 410-30, *Environmental Obligations*, requires the fair value of a liability for a legal obligation associated with an asset retirement be recorded in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement is capitalized. The Corporation had $20,198 and $19,898 recorded as other long-term liabilities as of June 30, 2019 and 2018, respectively. The Corporation recognized $569 and $564 in 2019 and 2018, respectively, related to amortization. Amortization is recognized over the life of the related asset.

The Corporation has created several pooled income funds. Donors make a contribution and receive annuity payments based on the associated rental income. Upon the annuity termination, the remaining interest is transferred to the Corporation. At June 30, 2019 and 2018, the Corporation has recorded the present value of the annuity payments of $9,769 and $10,057, respectively, as part of other long-term liabilities. The discount rate ranged from 6.3% to 7.0% at June 30, 2019 and 6.2% to 6.8% at June 30, 2018.

(l) Net Assets

Net assets without donor restrictions are those that are not subject to donor-imposed stipulations. Net assets with donor restrictions are those whose use by the Corporation have been limited by donor-imposed restrictions to a specific time period, in perpetuity, and/or purpose.

Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When specific donor restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of operations and the consolidated statements of changes in net assets as net assets released from restrictions.

(m) Contributions and Grants

Contributions and grants are recognized as revenue upon receipt of the donor's pledge to contribute. Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts pledged that are restricted by the donor for specific purposes are reported as net assets with donor restrictions. Unconditional promises to give that are silent as to the due date are presumed to be time restricted by the donor until received and are reported as net assets with donor restrictions.

A donor restriction expires when an unconditional promise with an implied time restriction is collected or when the purpose for the restriction is accomplished. Upon expiration, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of operations as net assets released from restrictions. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in restricted support at the time of receipt and as net assets released from restrictions at the time restrictions are met.

(n) Interest in Net Assets of Related Foundations

The Corporation recognizes its interest in its unconsolidated related foundations representing certain net assets that will ultimately benefit the Corporation. The Corporation records an asset on the consolidated balance sheets for its beneficial interest in net assets of related foundations. The Corporation recognizes changes in this beneficial interest in the consolidated statements of changes in net assets.

(o) Other Operating Revenue

Other operating revenue includes revenue from nonpatient care services, clinical space rental revenue, and contributions both unrestricted in nature and those released from restriction to support operating activities, and other miscellaneous revenue.

(p) Income from Operations

Income from operations excludes certain items that the Corporation deems outside the scope of its primary business, such as investment income, change in valuation of interest rate swaps, and other items.

(q) Excess of Revenues over Expenses

Excess of revenues over expenses includes results from the Corporation's operating and nonoperating investing activities. Investment income includes interest income, dividends, and realized and unrealized investment gains and losses. Changes in net assets without donor restrictions not included in excess of revenues over expenses include net assets released from restriction for the purchase of property, changes in the Corporation's interest in the net assets of noncontrolled foundations, and certain changes in funded status of the pension plan.

(r) Federal and State Income Taxes

PeaceHealth and PeaceHealth Networks have received determination letters from the Internal Revenue Service stating that they are exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code except for tax on unrelated business income. It is management's belief that none of its activities have produced material unrelated business income.

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that exceeds a 50% probability of being realized. Changes in recognition or measurement are reflected in the period in which the change in estimate occurs.

Certain affiliated entities included in the consolidated financial statements may be subject to taxation. The tax expense and related provision for these entities are not material to the consolidated financial statements.

(s) Oregon Hospital Assessment Program and Washington State Safety Net Assessment Program

In the states of Oregon and Washington, PeaceHealth is subject to a provider tax program on certain patient service revenues at qualifying hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. These programs resulted in assessments paid to the states and enhanced supplemental payments paid to PeaceHealth in the way of lump-sum payment and per claim increases. In 2019 and 2018, these programs resulted in supplemental payments of $96,119 and $90,781, respectively, recorded in net patient service revenue, and assessments of $83,867 and $81,873, respectively, recorded in other expenses in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(t) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation to more consistently present financial information between years.

(u) Recently Adopted or Newly Issued Accounting Standards

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. generally accepted accounting principles and International Financial Reporting Standards. The ASU was adopted on July 1, 2018 using the cumulative effect method for those contracts that were not substantially completed as of July 1, 2018. Results for reporting periods after July 1, 2018 are presented under ASC Topic 606, while prior period amounts continue to be presented in accordance with the Corporation's historical accounting under *Revenue Recognition* (Topic 605). The adoption of the ASU primarily changes the Corporation's presentation of revenues and the provision and allowance for bad debts. The ASU requires that the Corporation recognize revenue based on an estimate of the transaction price expected to be collected as a result of satisfying the performance obligation. Accordingly, for performance obligations satisfied after July 1, 2018, the Corporation no longer separately presents a provision for bad debts on the consolidated statements of operations and changes in net assets without donor restrictions or the related allowance for bad debts on the consolidated balance sheets. The adoption of ASC Topic 606 did not have any impact on the Corporation's recognition of net patient service revenue for any period prior to adoption.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize a lease liability and a right-of-use asset for all lease obligations with exception to short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right-of-use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale-leaseback transactions. ASC Topic 842 is effective for the Corporation beginning on July 1, 2019. In 2018, the FASB updated its guidance allowing entities to adopt the provisions of the standard prospectively without adjusting comparative periods. The Corporation is planning to adopt this option. Management expects to record right-of-use assets and lease liabilities of approximately $97,636 on its consolidated balance sheet in 2020. The adoption of ASC Topic 842 is not expected to have a significant impact on the results of operations or cash flows. The Corporation will include new disclosures in 2020 in accordance with ASC Topic 842.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, to reduce diversity in reporting practice, reduce complexity, and enhance understandability of not-for-profit (NFP) financial statements. This ASU contains the following key aspects: (A) reduces the number of net asset classes presented from three to two: with donor restrictions and without donor restrictions; (B) requires all NFPs to present expenses by their functional and their natural classifications in one location in the financial statements; (C) requires NFPs to provide quantitative and qualitative information about management of liquid resources and availability of financial assets to meet cash needs within one year of the balance sheet date; and (D) retains the option to present operating cash flows in the statement of cash flows using either the direct or indirect method. The Corporation implemented ASU No. 2016-14 as of July 1, 2018, which was adopted retrospectively for the years ended June 30, 2019 and 2018.

The impact of adoption resulted in enhanced disclosures about the classification of expense and management of liquid resources. As a result of adoption, temporarily restricted and permanently restricted net assets in the amounts of $71,779 and $22,728, respectively, were combined to create net assets with donor restrictions as stated on the consolidated balance sheet as of June 30, 2018.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost,* which requires a company to present service cost separately from the other components of net benefit cost. This ASU is effective for the Corporation's year beginning July 1, 2019, with early adoption permitted. The Corporation is currently evaluating the extent of the anticipated impact of the adoption of ASU No. 2017-07. Upon adoption of the ASU, the Corporation will modify its financial statements and disclosures, including a retrospective reclassification of prior year balances.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* which requires that a statement of cash flows explain the change during the reporting period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are effective for the Corporation's fiscal year beginning July 1, 2019. Early adoption is permitted.

(3) Revenue Recognition

(a) Net Patient Service Revenues

Net patient service revenue relates to contracts with patients involving third-party payors where the Corporation has an obligation to perform healthcare services. This revenue is recorded at the amount due from patients, third-party payors, and others when the performance obligations are satisfied. The adoption of ASU No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606) resulted in changes to the presentation of the consolidated statements of operations and changes in net assets without donor restrictions with the provision of bad debts now being considered implicit price concessions that are recognized as a direct deduction to net patient service revenue rather than the presentation of the provision for bad debts, prior to adoption, as a deduction to arrive at net patient service revenue. For the year ended June 30, 2019, $70,770 of implicit price concessions was recorded as a direct deduction to net patient service revenue. The Corporation bases the implicit price concessions on historical collectibility data by payor using a portfolio approach to recognize the deductions netted against revenue when it is recognized.

The Corporation has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Corporation under these agreements includes prospectively determined rates per unit of service and discounts from established charges, as well as risk-sharing arrangements. Most arrangements provide for payment or reimbursement to the Corporation at amounts different than established rates. Contractual discounts represent the difference between established rates for services and amounts paid or reimbursed by these third-party payors. Risk-sharing arrangements include incentive payments for specific quality outcomes, effective management of costs, and other measures, and in some cases may result in a penalty.

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

The Corporation maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies under its charity care policy. Estimated costs (based on the proportion of overall costs to charges foregone for charity care) for services and supplies furnished under the charity care policy for the years ended June 30, 2019 and 2018 were approximately $63,108 and $35,213, respectively.

(b) Disaggregation of Revenue

The Corporation earns the majority of its revenues from contracts with customers. Revenues and adjustments not related to contracts with customers are included in other revenue.

Total revenues from contracts with customers by payor are as follows for the years ended June 30:

		2019	2018
Medicare	$	1,089,872	973,630
Medicaid		348,378	350,856
Commercial and other		1,234,312	1,120,139
Private pay		43,391	101,859
Net patient service revenue		2,715,953	2,546,484
Other revenue		67,995	79,792
Total revenue	$	2,783,948	2,626,276

(c) Variable Consideration

Reimbursement for inpatient and outpatient services rendered to Medicare recipients has been made principally under a prospective pricing system. Services to Medicaid patients are also reimbursed based on a combination of prospectively determined rates and cost reimbursement methodology. Continuation of these reimbursement programs at the present level, and on the present basis, is dependent upon future policies of federal and state governmental agencies. The Corporation operates five critical access hospitals that are reimbursed based on costs for inpatient and outpatient services rendered to Medicare and Medicaid program beneficiaries. Interim reimbursement to critical access hospitals is based upon tentative rates and retroactive adjustment is made to actual cost during final settlement by either the Medicare fiscal intermediary or the applicable state's Medicaid agency.

Net patient service revenue is recognized at the time services are provided to patients. Revenue is recorded in the amount which the Corporation expects to collect, which may include variable components. Variable consideration is included in the transaction price to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with variable consideration is subsequently resolved. The Corporation has estimated payments for services rendered to Medicare and Medicaid patients during the year by applying the payment principles of the applicable governmental agencies and believes that an adequate provision has been made in the accompanying consolidated financial statements for final settlement. Estimates of final settlements due to and due from Medicare, Medicaid, and other third-party payors have been reflected net as reimbursement settlement payable in the accompanying consolidated balance sheets. Differences between the net amounts accrued and subsequent settlements are recorded in operations at the time of settlement. The net amount of adjustments from finalization and adjustment of prior years' cost reports and other third-party settlements resulted in a decrease in net patient service revenue of approximately $10,941 and increase of $3,309 in 2019 and 2018, respectively.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretations. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

(d) Concentration of Credit Risk

There is a corresponding significant concentration of credit risk in net accounts receivable balances at June 30, 2019 and 2018:

	2019	2018
Medicare	32 %	30 %
Medicaid	10	10
Commercial and other	47	50
Private pay	11	10
	100 %	100 %

(4) Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurement*, requires a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Corporation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. In accordance with ASU No. 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, investments valued utilizing net asset value (NAV) as a practical expedient are excluded from the hierarchy.

The fair value of cash and investments, other than those measured using NAV as a practical expedient for fair value, is estimated using quoted market prices multiplied by shares held or other observable inputs when quoted market prices are unavailable.

Registered mutual funds and money market funds are classified in Level 1 of the fair value hierarchy as defined above because their fair values are based on quoted prices for identical securities.

The common/collective trusts have been determined to trade daily on an active private exchange at NAV as the trading price and are classified in Level 1 of the fair value hierarchy, as defined above, because their fair values are based on quoted prices for identical securities.

The Corporation uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by the Corporation is the NAV per share or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Investments in hedge funds, real estate funds, and private equity investments are carried at estimated fair value using NAV as a practical expedient as determined by the external investment manager. Valuations provided by fund administrators consider variables, such as the financial performance of underlying investments, recent sales prices of underlying investments, and other pertinent information. In addition, actual market exchanges at year-end provide additional observable market inputs of the exit price. Management reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value. The initial valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as transactions of similar securities; completed or pending third-party transactions in the underlying security or comparable entities; offerings in the capital markets; and changes in financial results, data, or cash flows. For positions that are not traded in active markets or are subject to notice provisions, valuations are adjusted to reflect such provisions, and such adjustments are generally based on available market evidence.

Other financial instruments of the Corporation include cash and cash equivalents and other receivables. The carrying amount of these instruments approximates fair value because these items mature in less than one year. The carrying amount of other long-term investments approximates fair value, excluding joint ventures, which are accounted for under the equity method of accounting.

(5) Investments

The composition of cash and investments carried at fair value on a recurring basis at June 30, 2019 is set forth in the following table:

		Fair value measurements at reporting date using		
	June 30, 2019	Level 1	Level 2	Level 3
Assets:				
Short-term investments:				
Cash and cash equivalents	$ 117,240	117,240	—	—
Fixed income:				
Government, municipal, foreign, and other	224,707	161,674	63,033	—
Mortgage and asset-backed securities	108,596	—	108,596	—
Corporate obligations	149,742	—	149,742	—
Mutual funds	139,108	139,108	—	—
Other short-term investments	56,475	17,422	39,053	—
Common/collective trusts	15,356	—	15,356	—
Total	811,224	435,444	375,780	—
Designated for capital acquisition:				
Cash and cash equivalents	28,567	28,567	—	—
Fixed income:				
Government, municipal, foreign, and other	92,017	66	91,951	—
Corporate obligations	289	289	—	—
Mutual funds:				
Fixed income	103,977	103,977	—	—
Domestic equities	399,707	399,707	—	—
International equities	349,240	349,240	—	—
Other long-term equity investments	46,117	45,962	155	—
Common/collective trusts	12,848	—	12,848	—
Hedge funds and other	58,547	—	58,547	—
Total	1,091,309	927,808	163,501	—
Funds designated for 457 plans:				
Cash and short-term investments	57,093	57,093	—	—
Mutual funds	1,531	1,531	—	—
Total	58,624	58,624	—	—

	June 30, 2019	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Trustee-held funds:				
Cash and cash equivalents	$ 71	71	—	—
Total	71	71	—	—
Total assets at fair value	1,961,228	$ 1,421,947	539,281	—
Investments measured at NAV:				
Hedge funds	169,169			
Private equity	23,910			
Real estate limited partnerships	44,912			
Total assets	$ 2,199,219			
Liabilities:				
Interest rate swaps	$ 123,500	—	123,500	—
Total liabilities	$ 123,500	—	123,500	—

The composition of cash and investments carried at fair value on a recurring basis at June 30, 2018 is set forth in the following table:

	June 30, 2018	Fair value measurements at reporting date using Level 1	Level 2	Level 3
Assets:				
Short-term investments:				
Cash and cash equivalents	$ 70,697	70,697	—	—
Fixed income:				
Government, municipal, foreign, and other	412,852	—	412,852	—
Mortgage and asset-backed securities	53,286	—	53,286	—
Corporate obligations	175,948	—	175,948	—
Mutual funds:				
Equity	141,814	141,814	—	—
Common/collective trusts	25,711	—	25,711	—
Other short-term investments	724	—	724	—
Total	881,032	212,511	668,521	—

	June 30, 2018	Fair value measurements at reporting date using: Level 1	Level 2	Level 3
Designated for capital acquisition:				
Cash and cash equivalents	7,322	7,322	—	—
Fixed income:				
Government, municipal, foreign, and other	87,556	—	87,556	—
Mortgage and asset-backed securities	28,247	—	28,247	—
Corporate obligations	54,679	—	54,679	—
Mutual funds:				
Fixed income	25,037	25,037	—	—
Domestic equities	450,402	450,402	—	—
International equities	343,414	343,414	—	—
Other long-term equity investments	11,011	10,857	154	—
Hedge funds and other	55,389	—	55,389	—
Total	1,063,057	837,032	226,025	—
Funds designated for 457 plans:				
Cash and short-term investments	1,397	1,397	—	—
Mutual funds	51,565	51,565	—	—
Total	52,962	52,962	—	—
Trustee-held funds:				
Cash and cash equivalents	1,545	1,545	—	—
Total	1,545	1,545	—	—
Total assets at fair value	1,998,596	$ 1,104,050	894,546	—
Investments measured at NAV:				
Hedge funds	148,908			
Private equity	6,487			
Total assets	$ 2,153,991			
Liabilities:				
Interest rate swaps	$ 91,915	—	91,915	—
Total liabilities	$ 91,915	—	91,915	—

The Corporation holds investments in private equity and distressed debt limited partnerships where NAV is used as a practical expedient to measure fair value at June 30, 2019 and 2018. These partnerships do not allow for periodic redemptions but rather liquidate upon the termination date as stated in the partnership agreement. Therefore, the private equity investments are considered illiquid investments. At June 30, 2019 and 2018, the Corporation held $23,910 and $6,487, respectively, of private equity and distressed debt limited partnerships that had termination dates that ranged from 2019 to 2024.

		2019	2018	Unfunded commitments
Distressed debt	$	1,067	1,384	1,899
Private equity		22,843	5,103	11,626
Total	$	23,910	6,487	13,525

The following table summarizes investments measured at fair value based on NAV per share as of June 30, 2019 and their redemption restrictions:

		Fair value at June 30, 2019	Fair value at June 30, 2018	Lockup terms or redemption restrictions	Redemption frequency	Redemption notice period
Hedge funds	$	32,265	33,993	None	Monthly	10 Days
Hedge funds		15,842	15,763	None	Monthly	30 Days
Hedge funds		17,305	15,573	Gate at 20% of total fund net assets	Monthly	60 Days
Hedge funds		2,769	7,229	None	Monthly	75 Days
Hedge funds		28,987	34,285	None	Semimonthly	30 Days
Hedge funds		16,268	15,624	Gate at 50% of total fund net assets	Quarterly	60 Days
Hedge funds		16,075	15,429	Gate at 10%	Quarterly	65 Days
Hedge funds		11,358	11,012	Withdrawal limits across four successive withdrawal dates	Quarterly	90 Days
Hedge funds		12,374	—	None	Monthly	30 Days
Hedge funds		6,957	—	None	Quarterly	90 Days
Hedge funds		8,969	—	None	Quarterly	60 Days
Real estate		22,778	—	First business day of the calendar quarter with 45 days notice.	Quarterly	45 Days
Real estate		22,134	—	Two-year lock up period	N/A	N/A
	$	214,081	148,908			

Investment return is included in other income (expense) as part of nonoperating income in the consolidated statements of operations and changes in net assets without donor restrictions. Investment return comprises the following for the years ended June 30, 2019 and 2018:

	2019	2018
Interest and dividend income	$ 42,371	35,906
Net realized gains on sales of investments	24,881	55,508
Net change in unrealized gains on investments	36,282	1,616
Investment return, net	$ 103,534	93,030

Other Investments

Health Ventures is a not-for-profit corporation that has entered into joint ventures to provide radiology, oncology, and surgery services. PeaceHealth is the sole member of Health Ventures. Health Ventures is included in the consolidated financial statements but is not part of the obligated group. The majority of these joint ventures are accounted for under the equity method. Health Venture's ownership interest in the joint ventures ranged from approximately 24.2% and 50.0% at both June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the carrying value of the joint ventures was approximately $15,273 and $14,518, respectively, and is recorded in investments in joint ventures and other on the consolidated balance sheets. Equity earnings from the joint ventures of $9,842 and $9,744 for the years ended June 30, 2019 and 2018, respectively, are included in other operating revenue. The unaudited assets, liabilities, and equity of these joint ventures accounted for under the equity method were $42,384, $10,382, and $32,002, respectively, at June 30, 2019 and $43,811, $14,479, and $29,332, respectively, at June 30, 2018.

At June 30, 2019, Health Ventures had a controlling ownership of 51.02% in Riverbend Ambulatory Surgery Center, which is consolidated within Health Ventures.

PEACEHEALTH NETWORKS

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

(6) Long-Term Debt

Long-term debt at June 30 consisted of the following:

	Maturing through	Coupon rates 2019	Coupon rates 2018	Unpaid principal 2019	Unpaid principal 2018
				(In thousands of dollars)	
Master trust debt:					
Fixed rate:					
Series 2008 Washington Bonds, Series A		— %	5.00 %	$ —	80,650
Series 2009 Oregon Bonds, Series A		— %	3.25–5.00%	—	75,060
Series 2009 Washington Bonds, Series A		— %	3.00–5.00%	—	67,165
2012 Direct Note Obligation to Bank of America	2022	2.32 %	2.32 %	21,235	26,917
2013 Direct Note Obligation to Bank of America	2023	3.23 %	3.23 %	23,679	28,685
2013 Direct Note Obligation to Bank of America	2023	3.92 %	3.92 %	153,221	158,392
2013 Direct Note Obligation to US Bank	2020	3.43 %	3.43 %	—	50,000
Series 2014 Washington Bonds, Series A	2028	2.00–5.00%	2.00–5.00%	30,105	32,385
Series 2014 Oregon Bonds, Series A	2032	4.125%–5.00%	4.125%–5.00%	62,555	64,015
Series 2018 Taxable Bonds	2048	4.79%	— %	355,144	—
Total fixed rate				$ 645,939	583,269
Variable:					
Series 2008 Oregon Bonds, Series A-B, variable interest rate (A: SIFMA +35 bps and B: SIFMA + 42 bps)		— %	0.02 %	$ —	145,975
Series 2011 Oregon Bonds, Series A-B, variable interest rate (A: 80%*1ml +62 bps and B: 68%*1ml +57.5 bps),	2047	2.21 %	2.16 %	75,000	150,000
Series 2013 Washington Bonds, Series A, variable interest rate (68%*1ml+ 70 bps),	2034	2.36 %	2.05 %	46,265	47,565
2015 Direct Note Obligation to US Bank, variable interest rate (1ml+ 75 bps),	2020	2.97 %	2.73 %	2,188	4,208
Series 2018 Oregon Bonds, Series A variable interest rate (prevailing market rates),	2034	1.92 %	— %	45,975	—
Series 2018 Oregon Bonds, Series B variable interest rate (prevailing market rates),	2034	1.92 %	— %	100,000	—
Series 2018 Oregon Bonds, Series C variable interest rate (80%1ml+ 62 bps),	2047	2.57 %	— %	75,000	—
Total variable rate				$ 344,428	347,748

* ML as used in the table above is defined as monthly LIBOR.

	Maturing through	Coupon rates 2019	Coupon rates 2018	Unpaid principal 2019	Unpaid principal 2018
				(In thousands of dollars)	
Unpaid principal, master trust debt				$ 990,367	931,018
Premium and other on long-term debt				2,571	10,603
Master trust debt, including premiums and discounts, net				992,938	941,621
Other long-term debt				10,881	12,058
Total long-term debt				1,003,819	953,679
Less amounts due within one year				(24,933)	(106,282)
Total long-term debt due after one year				$ 978,886	847,397

PeaceHealth Networks and PeaceHealth are the sole members of the PeaceHealth Obligated Group. The assets of the obligated group are available for the satisfaction of debts of PeaceHealth and PeaceHealth Networks under the terms of its master trust indenture.

PeaceHealth issued debt in fiscal year 2019 to diversify its debt profile and raise funds for future capital needs. Series 2018 taxable fixed rate bonds with a par amount of $355,144 were issued to refinance the 2008 Washington Bonds Series A and 2013 direct note obligation with US Bank, defease the 2009 Oregon Bonds Series A and 2009 Washington Bonds Series A and provide $70,000 of funds for future capital needs. PeaceHealth issued 2018 tax-exempt Oregon variable rate demand bonds Series A-B to refinance the outstanding 2008 Oregon Bonds Series A-B. Additionally, PeaceHealth issued 2018 tax-exempt Oregon Bonds Series C to refinance the 2011 Oregon Bonds Series A.

The Series 2011 Oregon Series A-B Direct Placement Bonds, the Washington 2013(A) Direct Placement Bonds, and the 2018 Oregon Series A-B Variable Rate Demand Bonds have variable interest rates that may bear interest at a daily, weekly, 28-day, monthly, semiannual, or annual rates. The rate determination mode may be changed upon request of PeaceHealth and PeaceHealth Networks. The bonds are subject to optional redemption by PeaceHealth and PeaceHealth Networks, in whole or in part at 100% of the principal amount plus accrued interest. The 2011 Oregon bonds are held directly by two financial institutions subject to continuing covenant agreements, which contain substantially the same credit terms as the letters of credit, but which are not subject to the same remarketing and put risk as the 2008 bonds. The 2011 Oregon bonds and Washington 2013(A) bonds can be converted to publicly held variable rate demand bonds if PeaceHealth and PeaceHealth Networks chooses. The continuing covenant agreements for the Oregon 2011 Direct Placement Bonds expire in February 2020 for Series (A) and August 2021 for Series (B). The continuing covenant agreement for the Washington 2013(A) bonds requires a minimum two-year notice period prior to any anniversary of the date of issue occurring on or after February 27, 2016 to be given from the bank to PeaceHealth if the bank chooses to no longer hold the debt, provided that PeaceHealth is in compliance with financial covenants. With the exception of the Washington 2013(A) bonds, where the bank must give a two-year notice if it wishes to terminate its holding of PeaceHealth's debt, the letters of credit and the continuing covenant agreements are extendable annually at the option of the bank upon request from PeaceHealth and PeaceHealth Networks for an additional year. The 2011 and

2013(A) bonds are matched to fixed payor swaps ranging between 3.60% and 4.10% for approximately their par value, the notional amounts of swaps amortizing proportionately to the bonds.

Other long-term debt includes $10,399 in capital leases and other debt.

Scheduled principal payments of long-term debt, excluding the premium on bonds, as due according to their original long-term amortization schedule and other debt according to its original maturity schedule for the next five years and thereafter are as follows:

	Long-term debt	Capitalized leases and other	Total
Year ending June 30:			
2020	$ 24,780	882	25,662
2021	23,443	1,921	25,364
2022	24,304	475	24,779
2023	22,144	476	22,620
2024	139,914	476	140,390
Thereafter	755,782	9,033	764,815
Total	$ 990,367	13,263	1,003,630
Less amounts representing interest		(2,382)	(2,382)
Present value of net minimum capital lease payments		$ 10,881	
Total long-term debt			$ 1,001,248

The PeaceHealth Master Trust Indenture, the loan agreements, and other contractual documents under which bonds were issued include covenants, which, among others, obligate PeaceHealth and PeaceHealth Networks to maintain net patient service revenue at levels sufficient to achieve specified debt service coverage ratios, meet certain financial tests before additional debt can be incurred, and meet certain financial tests before there can be any significant disposition of property.

Cash paid for interest totaled approximately $35,048 and $31,898 for the years ended June 30, 2019 and 2018, respectively.

Deferred financing costs are amortized over the lives of the related debt issuances using the effective-interest method.

(7) Accounting for Derivative Instruments and Hedging Activities

In accordance with the policy adopted by the board of directors, the Corporation may use interest rate swap contracts to manage its net exposure to interest rate changes in attempting to reduce its overall cost of borrowing over time. Interest rate swap contracts generally involve the exchange of fixed and floating interest rate payments without the exchange of underlying principal (the swap of fixed or floating rates are on a notional amount). The Corporation accounts for its interest rate hedging transactions in accordance with FASB ASC Topic 815, *Derivatives and Hedging*. That standard requires that every derivative instrument be recorded on the balance sheet as either an asset or a liability measured at its estimated fair value. The interest rate swaps do not meet the criteria for hedge accounting and all changes in the valuation of the interest rate swaps are recognized in the consolidated statements of operations and changes in net assets without donor restrictions.

The Corporation has interest rate swap contracts outstanding as of June 30, 2019 and 2018, respectively, with a total current notional amount of approximately $372,675 and $376,625. The Corporation uses the fixed payor swaps to convert a portion of the outstanding variable rate bonds to fixed rates ranging from 3.50% to 4.10%. The fixed payor interest rate swaps are associated with the variable rate bonds but have not been integrated to any of the underlying debt for the purpose of hedge accounting.

Change in valuation of interest rate swaps consists of the noncash change in the liability primarily due to changes in market bond yields, as well as the cash payments and receipts associated with the swaps, and the amortization of the accumulated hedge effectiveness included in net assets. The noncash change in the fair value of the interest rate swaps was an increase of $31,585 and a decrease of $21,174 in the liability for the years ended June 30, 2019 and 2018, respectively. Net cash settlement cost for the interest rate swaps was $8,762 and $10,955, for the years ended June 30, 2019 and 2018, respectively. The amortization of the accumulated hedge effectiveness included in net assets was $78 for both years ended June 30, 2019 and 2018.

Derivative instruments are recorded at fair value taking into consideration the Corporation's nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. The impact of taking into account the nonperformance risk on the estimated fair value of the interest rate swaps was a benefit of approximately $8,310 and $8,407, as of June 30, 2019 and 2018, respectively. Recording the interest rate swaps at fair value results in a total liability of $123,500 and $91,915 as of June 30, 2019 and 2018, respectively, in other long-term liabilities in the accompanying consolidated balance sheets rather than the $131,810 and $100,322 that would be paid if all of the swaps were terminated as of June 30, 2019 and 2018, respectively. The inputs used to determine the impact of the counterparty nonperformance risk are Level 2 inputs; as such derivative liabilities have been recorded as Level 2 in the Corporation's disclosure of fair value instruments (note 5).

The Corporation currently has four swap counterparties, which minimize counterparty risk and collateral posting requirements. These swap agreements contain various credit thresholds that, if breached by the Corporation, would constitute an additional termination event whereby the swap counterparties could terminate the swap by either making a payment to, or receiving a payment from the Corporation, depending upon the termination value of the swaps as of the date of termination. The Corporation retains the right to terminate the swaps at any point, which would also require either making or receiving a payment depending on the termination value of the swap as of the termination date.

The following is a summary of the derivative instruments in place as of June 30, 2019 and 2018:

Maturity date		Current notional amounts at June 30, 2019	Current notional amounts at June 30, 2018	Counterparty		Credit value adjustment at June 30, 2019	Liability fair value at June 30, 2019	Credit value adjustment at June 30, 2018	Liability fair value at June 30, 2018
August 01, 2034	$	45,000	45,000	Union Bank, N.A.	$	504	(13,026)	484	(9,749)
May 24, 2047		75,000	75,000	Deutsche Bank AG		3,152	(33,959)	3,251	(24,946)
May 22, 2047		75,000	75,000	Deutsche Bank AG		3,152	(33,959)	3,250	(24,946)
August 01, 2034		50,000	50,000	U.S. Bank N.A.		586	(15,103)	570	(11,454)
August 01, 2034		50,000	50,000	U.S. Bank N.A.		585	(15,092)	569	(11,443)
September 01, 2034		44,925	46,225	Morgan Stanley Capital Services LLC		279	(8,634)	247	(6,325)
September 01, 2034		32,750	35,400	Morgan Stanley Capital Services LLC		52	(3,727)	36	(3,052)
	$	372,675	376,625		$	8,310	(123,500)	8,407	(91,915)

(8) Benefit Plans

(a) Defined-Benefit Pension Plan

The Corporation sponsors a noncontributory, defined-benefit pension plan, the Southwest Washington Health System Retirement Plan, now known as PeaceHealth SWHS Frozen DB Pension Plan (the Plan) effective January 30, 2015, covering all employees at PeaceHealth Southwest Medical Center who meet requirements as specified in the Plan. The assets of the Plan are available to pay the benefits of all eligible employees of the Plan. The Plan has two benefit structures that include a cash balance and a final average pay structure. Effective December 31, 2010, the Plan was frozen. No new participants are admitted to the Plan after this date. This event did not terminate the Plan. Benefits earned before the plan was frozen will continue to be paid as participants qualify to receive benefits.

A plan amendment was made effective December 31, 2016 to spin off a group of participants into PeaceHealth SWHS Frozen DB Pension Plan II. As of that date, the Plan was renamed PeaceHealth SWHS Frozen DB Pension Plan I. The PeaceHealth SWHS Plan I and Plan II are collectively referred as "the Plans." Plan provisions are identical between the Plans. The plan split was effective January 1, 2017.

The following table sets forth disclosures related to the Plans in accordance with FASB ASC Paragraph 715-20-65, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of June 30, 2019 and 2018, measured as of January 1, 2019 and January 1, 2018, respectively:

		Years ended June 30	
		2019	2018
Change in projected benefit obligation:			
Projected benefit obligation (PBO) at beginning of period	$	230,593	250,060
Service cost		1,370	1,680
Interest cost		8,376	7,728
Actuarial gain on PBO		24,021	(10,848)
Benefits and administrative expenses paid		(11,085)	(18,027)
Projected benefit obligation at June 30	$	253,275	230,593
Change in fair value of plan assets:			
Fair value of assets at beginning of period	$	187,958	181,009
Actual return on plan assets		18,430	13,776
Employer contribution		5,203	11,200
Benefits paid		(9,576)	(16,200)
Administrative expenses		(1,509)	(1,827)
Fair value of assets at June 30	$	200,506	187,958
Reconciliation of funded status:			
Funded status	$	(52,768)	(42,634)
Net amount recognized	$	(52,768)	(42,634)
Amounts recognized in the consolidated balance sheets consist of:			
Accrued pension liability	$	52,768	42,634
Accumulated change in net assets		(26,109)	(15,975)

Net periodic benefit cost for the years ended June 30, 2019 and 2018 included the following components and is included in changes in net assets without donor restrictions:

		2019	2018
Service cost	$	1,370	1,680
Interest cost		8,376	7,728
Expected return on plan assets		(12,721)	(12,432)
Amortization of loss		5,017	6,565
Net periodic pension cost	$	2,042	3,541

(b) Assumptions

The Corporation used the following actuarial assumptions to determine its benefit obligations at June 30, 2019 and 2018 with measurement dates of June 30, 2019 and 2018:

	2019	2018
Discount rate	Plan I 3.30% and Plan II 3.26%	Plan I 4.03% and Plan II 3.99%

The Corporation used the following actuarial assumptions to determine its net periodic benefit cost for the years ended June 30, 2019 and 2018:

	2019	2018
Discount rate	4.03 %	3.70 %
Expected long-term rate of return on plan assets	6.80	7.00

This discount rate is based on a proprietary yield curve tool used by the Plans' actuary, which uses a composite of high-yield, investment-grade corporate bonds, and the projected payouts from the Plans to develop an equivalent yield rate to use in determining plan liabilities.

The expected long-term rate of return on plan assets was based on the asset allocation mix and the long-term historical return for each asset class, taking into account current and expected market conditions. The actual return on pension plan assets was a gain of approximately 9.41% and 11.30% for Plan I and Plan II, respectively, during the year ended June 30, 2019. The actual return on pension plan assets was a gain of approximately 7.30% for both Plan I and Plan II during the year ended June 30, 2018. In the calculation of pension plan expense, the expected long-term rate of return on plan assets is applied to a calculated value of plan assets that recognizes changes in fair value over a four-year period. This practice is intended to reduce year-to-year volatility in pension expense, but it can have the effect of delaying the recognition of differences between actual returns and expected returns based on the long-term rate of return assumptions.

(c) Pension Plan Assets

The asset allocation of the Corporation's pension plan at June 30, 2019 and 2018 is as follows:

		2019	2018
Equity securities	$	80,712	110,807
Debt securities		119,046	76,057
Other		748	1,094
Total	$	200,506	187,958

Pension plan assets are managed according to an investment policy adopted by the Plans' trustees. Professional investment managers are retained to manage specific asset classes and professional consulting is utilized for investment performance reporting. The primary objective of the Plans' trustees is to achieve the highest possible total return commensurate with safety and preservation of capital in real, inflation-adjusted terms. The objective includes having funds invested in the long term, which protect the principal and produce returns sufficient to meet future benefit obligations. The investment policy includes an asset allocation that includes equity securities, debt securities, and cash/other investments. The target allocations are 40% bonds and 60% equity. Assets are rebalanced quarterly when balances fall outside of the approved range for each asset class.

In accordance with FASB ASC Topic 820, financial assets and financial liabilities measured at fair value are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to estimate fair value. These levels and the adoption of FASB ASC Topic 820 are further discussed in note 3.

Following is a description of the valuation methodologies used for plan assets measured at fair value.

- The fair value of cash, money market funds, and mutual funds is estimated using quoted market prices or other observable inputs when quoted market prices are unavailable.
- Private equity fund: Valued at the NAV as a practical expedient as supported by audited financial statements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of June 30, 2019:

Assets	Total fair value	Level 1	Level 2	Level 3
Mutual funds:				
Equity securities	$ 48,235	48,235	—	—
Debt securities	32,477	32,477	—	—
Total mutual fund securities	80,712	80,712	—	—
Other securities:				
Cash and money markets	119,046	119,046	—	—
Total other securities	119,046	119,046	—	—
Total plan assets at fair value	199,758	$ 199,758	—	—
Investments at NAV	748			
Total plan assets	$ 200,506			

The following table sets forth by level, within the fair value hierarchy, the Plans' assets at fair value as of June 30, 2018:

Assets	Total fair value	Level 1	Level 2	Level 3
Mutual funds:				
Equity securities	$ 110,807	110,807	—	—
Debt securities	76,057	76,057	—	—
Total mutual fund securities	186,864	186,864	—	—
Other securities:				
Cash and money markets	50	50	—	—
Total other securities	50	50	—	—
Total plan assets at fair value	186,914	$ 186,914	—	—
Investments at NAV	1,044			
Total plan assets	$ 187,958			

The following table provides information regarding redemption of investments where NAV has been used as a practical expedient at June 30, 2019 and June 30, 2018:

	2019	2018
Private equity	$ 748	1,044
Total	$ 748	1,044

At June 30, 2019 and 2018, the Plans held $748 and $1,044, respectively, in alternative investments that are not actively marketed on an open exchange. These investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Due to the nature of these funds, the NAV is used as a practical expedient to measure fair value at June 30, 2019 and 2018. These private equity partnerships do not allow for periodic redemptions but rather liquidate upon the termination date as stated in the partnership agreement. Therefore, the private equity investment is considered an illiquid investment. At June 30, 2019, the Corporation held $748 of private equity limited partnerships that had a termination date of June 2020, but may be extended by up to three additional one-year periods.

(d) Cash Flows

The Corporation's policy with respect to funding the Plan is to fund at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended, plus such additional amounts deemed appropriate. In the start of fiscal year 2020, the Corporation contributed $8,800 to the Plan for the plan year ended December 31, 2018. In the start of fiscal year 2019, the Corporation contributed $5,203 to the Plan for the plan year ended December 31, 2017.

Benefit payments are expected to be paid as follows for the fiscal years ended June 30:

	Pension benefits
2020	$ 13,168
2021	12,469
2022	12,878
2023	13,228
2024	13,514
2025–2029	69,716

Expected benefit payments presented above are based on actuarial estimates. Actual benefit payments may vary significantly from these estimates.

(9) Defined-Contribution Retirement Plans

PeaceHealth sponsors two defined-contribution retirement plans, the Southwest Washington Health System Retirement Plan and the PeaceHealth Plan. These plans cover substantially all employees of PeaceHealth meeting certain age and length of service requirements. Total defined-contribution retirement plan costs charged to operations were approximately $77,116 and $73,327 for the years ended June 30, 2019 and 2018, respectively, which are included in payroll taxes and benefits in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

PeaceHealth Deferred Compensation Plans

The estimated fair value associated with the plan assets of PeaceHealth's 457(b) and 457(f) postretirement savings plans, in the amount of approximately $58,624 and $52,962 at June 30, 2019 and 2018, respectively, is included in assets whose use is limited, cash and investments, with a corresponding amount included in other long-term liabilities. Contributions associated with these funds in 2019 and 2018 were $9,235 and $7,972, respectively, and are included in payroll taxes and benefits in the accompanying consolidated statements of operations and changes in net assets without donor restrictions.

(10) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2019	2018
Purchase of property, plant, and equipment	$ 8,009	13,788
Hospice and indigent care	14,643	15,445
Patient care	24,461	25,244
Childrens services	2,246	3,100
Training and education	1,796	3,572
Other	37,759	33,358
	$ 88,914	94,507

Approximately $7,188 and $3,095 was released from restriction for capital expenditures made during 2019 and 2018, respectively.

Charitable Gift Annuities

PeaceHealth has been granted a license by the state of Washington, Office of Insurance Commissioner, to issue Charitable Gift Annuities in support of its charitable activities. The Corporation has delegated all its charitable fundraising activities to several fundraising foundations whose net assets held for the beneficial interest of PeaceHealth are shown on the consolidated balance sheets of the Corporation. The liability for annuity contracts issued under the PeaceHealth license and the separately maintained reserve accounts are recorded on the books of PeaceHealth. As of June 30, 2019 and 2018, the following liabilities for annuity contracts issued under the PeaceHealth license and reserve account investments were recorded:

	2019	2018
State of Washington gift annuity liabilities (other long-term liabilities)	$ 512	495
Gift annuity reserve accounts (other assets whose use is limited, cash, and investments)	587	619

(11) Commitments and Contingent Liabilities

(a) Litigation

Various laws and regulations of federal, state, and local governments govern the healthcare industry. These laws and regulations are subject to ongoing government review and interpretation, as well as regulatory actions unknown or unasserted at this time. The Corporation is also involved in litigation and regulatory investigations arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Corporation's future financial position or results of operations.

(b) Operating Leases

The Corporation leases, for a nominal amount, the buildings and certain equipment for Ketchikan General Hospital from the City of Ketchikan, Alaska under a 10-year lease that expires in 2023.

The Corporation leases, from Skagit County Public Hospital District No. 304, the buildings and certain equipment for United General Medical Center in Sedro Woolley, Washington under a 30-year lease that expires in 2044.

Rent and lease expense future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2019 are as follows:

		Operating leases
Year ending June 30:		
2020	$	17,896
2021		18,045
2022		17,292
2023		13,449
2024		10,852
Later years, 2025 through 2029		25,632
Total minimum lease payments	$	103,166

Rent expense related to all operating leases was $27,280 and $23,503 during the years ended June 30, 2019 and 2018, respectively, and was included in purchased services in the consolidated statements of operations and changes in net assets without donor restrictions.

(c) Collective Bargaining Agreements

Approximately 56% and 53% of the Corporation's employees are covered under collective bargaining agreements, including nurses, professional employees, and service employees as of June 30, 2019 and 2018, respectively. The Corporation is currently negotiating certain expired collective bargaining agreements. The Corporation's various collective bargaining agreements expire between March 2019 and September 2021.

(12) Insurance Coverages

The Corporation has a self-insurance program for hospital and physician professional and general liability claims under which the Corporation contributes actuarially determined amounts to a trust to fund estimated ultimate losses. During the year ended June 30, 2019, the Corporation dissolved the trust. In connection with the self-insurance program, the Corporation has accrued estimates for asserted and incurred but not reported claims, including both the expected liability under each claim and the cost to administer the claim. Self-insured professional and general liability retention in 2019 and 2018 was $5,000 per occurrence and $17,000 in aggregate. Individual general and professional liability claims in excess of the above self-insured retention levels are insured through claims-made excess insurance policy.

The Corporation also self-insures all or a portion of liabilities for medical and dental benefit plans, unemployment, and workers' compensation claims. Funding levels and liabilities are determined based on actuarial studies.

Based on actuarial studies, the Corporation has recorded an undiscounted liability for all of the self-insurance programs of approximately $92,762 and $91,682 at June 30, 2019 and 2018, respectively. The liabilities are classified within other current liabilities and other long-term liabilities based on the historical amounts paid within one year. Total current amounts included in other current liabilities were approximately $19,166 and $27,627 at June 30, 2019 and 2018, respectively. Management has recorded amounts receivable from excess insurance carriers totaling approximately $7,302 and $7,451 as of June 30, 2019 and 2018, respectively, which is included in other receivables in the accompanying consolidated balance sheets.

The Corporation is a minority investor in American Excess Insurance Exchange (AEIX). AEIX is a risk retention group owned by a group of healthcare providers and provides them with excess professional liability insurance coverage. The Corporation accounts for its interest in AEIX on the equity method of accounting less mandatory withdrawal penalties and an estimated discount to present value. As of June 30, 2019 and 2018, the carrying value of AEIX was approximately $4,744 and $3,587, respectively, and is recorded in investments in joint ventures and other on the consolidated balance sheets. Investment income from AEIX is recorded as an adjustment to supplies and other operating expenses in the accompanying consolidated statements of operations and change in net assets without donor restrictions.

(13) Functional Expenses

The Corporation provides general healthcare services to residents within its geographic location. Operating expenses related to providing these services classified by their natural classification on the consolidated statements of operations and changes in unrestricted net assets are presented by their functional classifications as follows for the year ended June 30:

		2019		
		Patient care	General and administrative	Total expenses
Salaries and wages	$	1,287,207	61,437	1,348,644
Payroll taxes and benefits		137,459	140,835	278,294
Supplies		422,468	485	422,953
Purchased services		223,358	41,039	264,397
Other		226,376	20,076	246,452
Depreciation and amortization		96,486	42,186	138,672
Interest and amortization of deferred financing costs		540	34,656	35,196
Total	$	2,393,894	340,714	2,734,608

		2018		
		Patient care	General and administrative	Total expenses
Salaries and wages	$	1,205,374	55,314	1,260,688
Payroll taxes and benefits		128,341	128,185	256,526
Supplies		397,637	738	398,375
Purchased services		190,380	31,299	221,679
Other		221,470	6,175	227,645
Depreciation and amortization		95,715	43,354	139,069
Interest and amortization of deferred financing costs		583	31,315	31,898
Total	$	2,239,500	296,380	2,535,880

(14) Discontinued Operations – Columbia United Providers

PeaceHealth Networks' majority-owned subsidiary, Columbia United Providers (CUP), entered into an asset purchase agreement to sell certain Medicaid assets to Molina Heath Care of Washington, Inc. (Molina) on December 31, 2015. Molina purchased the right to assume CUP's Medicaid membership in the state of Washington, as well as certain other rights and assets, including the assumption of CUP's assignable provider contracts, related to the operation of the Medicaid business. As of December 31, 2015, CUP discontinued all of its Medicaid and Individual healthcare plan coverages, and subsequently discontinued all administrative services only (ASO) services provided to local companies. CUP withdrew its certificate of authority with the Washington State Office of the Insurance Commissioner effective April 30, 2017 and is in the final stages of the dissolution process.

The results of CUP from discontinued operations are disclosed under discontinued operations for the years ended June 30, 2019 and 2018. Total from operations of CUP were a gain of $0 and a gain of $4,045 for the years ended June 30, 2019 and 2018, respectively. CUP is in the final stages of discontinuation and closed as of June 30, 2019.

(15) Subsequent Events

In connection with the preparation of the consolidated financial statements in accordance with FASB ASC Topic 855, *Subsequent Events*, the Corporation has evaluated subsequent events through September 27, 2019, which is the date the consolidated financial statements were issued.

ADDITIONAL INFORMATION

PEACEHEALTH NETWORKS

Consolidating Balance Sheet Information

June 30, 2019

(In thousands)

Assets	Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
Current assets:					
Cash and cash equivalents	$ 34,517	1,113	11,255	—	46,885
Short-term investments	862,785	—	—	—	862,785
Accounts receivable, net	356,181	—	4,113	—	360,294
Other receivables	43,076	—	623	—	43,699
Inventory of supplies	43,552	—	993	—	44,545
Prepaid expenses and other	30,039	—	481	—	30,520
Assets whose use is limited that are required for current liabilities	77	6,830	—	—	6,907
Total current assets	1,370,227	7,943	17,465	—	1,395,635
Assets whose use is limited:					
Cash and investments	1,314,448	20,015	1,971	—	1,336,434
Investments in joint ventures and other	98,705	5,244	15,273	(92,341)	26,881
Total assets whose use is limited	1,413,153	25,259	17,244	(92,341)	1,363,315
Less current portion	(77)	(6,830)	—	—	(6,907)
Net assets whose use is limited	1,413,076	18,429	17,244	(92,341)	1,356,408
Property, plant, and equipment:					
Land and improvements	142,351	—	—	—	142,351
Buildings, fixed equipment, and other	1,772,058	—	29,940	(22,347)	1,779,651
Moveable equipment	914,902	—	15,830	—	930,732
Construction in progress	151,420	—	20	—	151,440
Total property, plant, and equipment	2,980,731	—	45,790	(22,347)	3,004,174
Less accumulated depreciation	(1,727,795)	—	(18,693)	6,706	(1,739,782)
Net property, plant, and equipment	1,252,936	—	27,097	(15,641)	1,264,392
Interest in net assets of related foundations	95,189	102	—	(25,953)	69,338
Other assets	33,264	—	70,207	—	103,471
Total assets	$ 4,164,692	26,474	132,013	(133,935)	4,189,244

PEACEHEALTH NETWORKS

Consolidating Balance Sheet Information

June 30, 2019

(In thousands)

Liabilities and Net Assets		Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
Current liabilities:						
Accounts payable	$	135,033	—	2,911	—	137,944
Accrued payroll, payroll taxes, and employee benefits		147,833	—	2,587	—	150,420
Accrued interest payable		4,193	—	—	—	4,193
Other current liabilities		40,319	—	293	—	40,612
Pending trades payable		17,348	—	—	—	17,348
Current portion of long-term debt		26,011	—	—	(1,078)	24,933
Total current liabilities		370,737	—	5,791	(1,078)	375,450
Other long-term liabilities		331,144	—	9,769	—	340,913
Long-term debt, net of current portion		986,474	—	9,791	(17,379)	978,886
Net assets:						
Without donor restrictions, controlling interest		2,386,113	7,254	101,433	(94,948)	2,399,852
Without donor restrictions, noncontrolling interest		—	—	5,229	—	5,229
With donor restrictions		90,224	19,220	—	(20,530)	88,914
Total net assets		2,476,337	26,474	106,662	(115,478)	2,493,995
Total liabilities and net assets	$	4,164,692	26,474	132,013	(133,935)	4,189,244

See accompanying independent auditors' report.

PEACEHEALTH NETWORKS

Consolidating Statement of Operations and
Changes in Net Assets Without Donor Restrictions Information

Year ended June 30, 2019

(In thousands)

	Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
Revenues:					
Net patient service revenue	$ 2,684,609	—	31,344	—	2,715,953
Other operating revenue	57,192	1,484	11,402	(2,083)	67,995
Total revenues	2,741,801	1,484	42,746	(2,083)	2,783,948
Expenses:					
Salaries and wages	1,330,633	—	18,011	—	1,348,644
Payroll taxes and benefits	274,461	—	3,833	—	278,294
Supplies	418,569	—	4,614	(230)	422,953
Purchased services	259,592	—	5,064	(259)	264,397
Other	241,847	1,715	2,890	—	246,452
Depreciation and amortization	135,459	—	3,950	(737)	138,672
Interest and amortization of deferred financing costs	35,791	—	739	(1,334)	35,196
Total expenses	2,696,352	1,715	39,101	(2,560)	2,734,608
Income from operations	45,449	(231)	3,645	477	49,340
Other income (expense):					
Investment income, net	104,395	(123)	—	(738)	103,534
Net change in interest rate swaps	(40,346)	—	—	—	(40,346)
Other	(3,931)	—	7	—	(3,924)
Total other income	60,118	(123)	7	(738)	59,264
Excess of revenues over expenses from continued operations	105,567	(354)	3,652	(261)	108,604
Net assets released from restrictions for property, plan, and equipment	7,188	—	—	—	7,188
Change in interest in net assets of related foundations	751	—	—	(751)	—
Change in pension liability	(15,337)	—	—	—	(15,337)
Other changes in net assets	3,444	—	78,604	(83,876)	(1,828)
Increase in net assets without donor restrictions	$ 101,613	(354)	82,256	(84,888)	98,627

See accompanying independent auditors' report.

PEACEHEALTH NETWORKS

Consolidating Statement of Changes in Net Assets Information

Year ended June 30, 2019

(In thousands)

	Obligated group	PeaceHealth Southwest Foundation	Other nonobligated group	Eliminating or consolidating adjustments	PeaceHealth consolidated
Net assets at June 30, 2018	$ 2,381,343	29,254	24,407	(34,043)	2,400,961
Excess of revenues over expenses from continued operations	105,566	(354)	3,654	(262)	108,604
Other restricted contributions	7,188	—	—	—	7,188
Net assets released from restrictions	—	(930)	—	—	(930)
Transfer to related division	(917)	—	917	—	—
Change in interest in net assets of related foundations	(5,770)	30	—	2,703	(3,037)
Change in pension liability	(15,337)	—	—	—	(15,337)
Other changes in net assets	4,263	(1,529)	77,687	(83,875)	(3,454)
Change in net assets	94,993	(2,783)	82,258	(81,434)	93,034
Net assets at June 30, 2019	$ 2,476,336	26,471	106,665	(115,477)	2,493,995

See accompanying independent auditors' report.