



MultiCare Health System

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

December 9, 2022

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Rd. S.E.
Tumwater, WA 98501

Re: MultiCare Health System Certificate of Need Application for the establishment of a Home Health Agency in Kitsap County, Washington

Dear Mr. Hernandez:

I am pleased to submit this certificate of need application request on behalf of MultiCare Health System DBA MultiCare Home Health, Hospice, and Palliative Care ("MultiCare Home Health"). MultiCare Home Health is requesting approval for the establishment of a Home Health Agency in Kitsap County, Washington.

As a reminder, MultiCare's check number 1888619, in the amount of \$24,666.00 was mailed to the Department of Health on February 3, 2022. An updated Letter of Intent was also submitted August 2, 2022.

Thank you for your assistance regarding this request. Please submit any notices, correspondence, communications and documents to:

Erin Kobberstad, Vice President
Strategic Planning
MultiCare Health System
253-403-8771
ekobberstad@multicare.org

Frank Fox, PhD
HealthTrends
206-366-1550
frankfox@comcast.net

Sincerely,

K. Erin Kobberstad
Vice President, Strategic Planning
MultiCare Health System



Certificate of Need Application Home Health Agency

Certificate of Need applications must be submitted with a fee in accordance with Washington Administrative Code [\(WAC\) 246-310-990](#).

Application is made for a Certificate of Need in accordance with provisions in Revised Code of Washington [\(RCW\) 70.38](#) and [WAC 246-310](#), rules and regulations adopted by the Washington State Department of Health. I attest that the statements made in this application are correct to the best of my knowledge and belief.


Signature and Title of Responsible Officer K. Erin Kobberstad Vice President, Strategic Planning MultiCare Health System Signature:  Email Address: ekobberstad@multicare.org	Date: <i>December 9, 2022</i> Telephone Number: 253.403.8771
Legal Name of Applicant MultiCare Health System DBA MultiCare Home Health, Hospice, and Palliative Care Address of Applicant 3901 S Fife St Tacoma, WA, 98409	Provide a brief project description <input type="checkbox"/> New Agency <input checked="" type="checkbox"/> Expansion of Existing Agency <input type="checkbox"/> Other: _____ Estimated capital expenditure: <u>\$50,972</u>
Identify the county proposed to be served for this project. Note: Each home health application must be submitted for one county only. If an applicant intends to obtain a Certificate of Need to serve more than one county, then an application must be submitted for each county separately. <u>Kitsap County, Washington</u>	

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List of Exhibits

Exhibit Number	Title
1	Organizational Chart
2	Letter of Intent
3	Kitsap County Home Health Need Model
4	Patient Referral and Admissions Policy
5	Patient Financial Assistance Policy
6	Patient Rights and Responsibilities Policy
7	Non-Discrimination Policy
8	Pro Forma Financials
9	Site Control Documents
10	Letter of Financial Commitment
11	MultiCare Health System 2020-2021 Audited Financials
12	Medical Director Job Description

I. Introduction and Rationale

MultiCare is a locally-governed, not-for-profit, integrated health system that owns and operates nine hospitals and over 240 primary, specialty, and urgent care clinics throughout the Puget Sound and Inland Northwest Regions. This includes MultiCare Home Health, Hospice and Palliative Care, which has been providing hospice services for more than three decades.

Based on numeric need calculated consistent with the 1987 Washington State Health Plan, Kitsap County residents need additional home health services. The number of Home Health Providers serving Kitsap County residents has not kept pace with increases in Kitsap County resident population. This indicates that Kitsap County residents have likely gone without needed home health services. It is also possible they may have substituted other types of care, of which there are few, or outmigrated to other counties. However, these factors indicate both current and growing future problems related to access to home health services for Kitsap County residents. Importantly, these factors will differentially impact individuals in poverty, for which these problems of access would be magnified.

MultiCare will provide comprehensive home health services to all qualifying patients regardless of the patient's ability to pay for medically necessary health care services.¹ Our social workers will provide additional financial planning and financial assistance for patients and their families during hospice care based on MultiCare's Financial Assistance Policy.² MultiCare Health System has a documented history of providing financial assistance to its patients that exceeds the respective regional averages in the service areas it serves. This demonstrates MultiCare's commitment to provide quality health services to patients regardless of payer coverage or ability to pay, and who are unable to pay for medically necessary health care services. This commitment extends beyond just hospital care, as MultiCare provides financial assistance and support to its patients across the care continuum, and it will include those patients requiring home health care in Kitsap County.

The proposed home health agency will complement MultiCare's provision of services across the care continuum, including inpatient hospital services at its facilities in King, Pierce, and Thurston counties and hospice services which it currently provides to Kitsap residents. Without additional home health agencies, Kitsap residents will likely go without needed care. In addition to leading to poorer health outcomes, this would cause a fragmentation of healthcare services, where Kitsap families would be forced to manage and plan the care for their members without assistance or coordination.

¹ See Exhibit 5, Financial Assistance Policy. Definitions: "Charity Care and/or Financial Assistance means medically necessary Hospice care rendered to Eligible persons when Third-Party coverage, if any has been exhausted, to the extent that the persons are unable to pay for the care or to pay deductible or coinsurance amounts required by third-party payer based on the criteria in this policy."

² Exhibit 5, Financial Assistance Policy.

II. Applicant Description

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

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

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

MultiCare Health System DBA MultiCare Home Health, Hospice, and Palliative Care
("MultiCare Home Health")
3901 S Fife St
Tacoma, WA, 98409

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

MultiCare Home Health, Hospice, and Palliative Care is a Nonprofit Corporation, UBI
Number: 601-100-682

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

Lynn Siedenstrang, MS
Vice President, Care Continuum
820 A Street
PO Box 5299
Tacoma WA 98415
Office phone: (253) 403-2760
Email: siedely@multicare.org

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

Frank Fox, PhD
HealthTrends
511 NW 162nd
Seattle WA 98177
Office phone: 206-366-1550
Email: frankgfox@comcast.net

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

Please see Exhibit 1 for an organizational chart of MultiCare Health System.

6. Identify all healthcare facilities and agencies owned, operated by, or managed

by the applicant. This should include all facilities in Washington State as well as out-of-state facilities. The following identifying information should be included:

- Facility and Agency Name(s)
- Facility and Agency Location(s)
- Facility and Agency License Number(s)
- Facility and Agency CMS Certification Number(s)
- Facility and Agency Accreditation Status
- If acquired in the last three full calendar years, list the corresponding month and year the sale became final
- Type of facility or agency (home health, hospice, other)

Please see Table 1 for a list of MultiCare facilities. MultiCare Capital Medical Center was acquired in 2021, with a final sale date of December 3, 2021.

Table 1: MultiCare Facility List				
Facility/Agency Name	Address	License Number	Medicare Provider Number	Medicaid Provider Number
MultiCare Mary Bridge Children's Hospital	311 Martin Luther King Jr. Way, Tacoma WA 98403	HAC.FS.00000175	503301	3300340
MultiCare Auburn Medical Center	202 North Division St., Auburn WA 98001	HAC.FS.60311052	500015	2022467
MultiCare Behavioral Health - Auburn Medical Center	202 North Division St., Auburn WA 98001	BHA.FS.60872672	50-S015	3149101
MultiCare Deaconess Hospital	800 West 5 th Ave Spokane, WA 99204	HAC.FS.60769397	500044	2083493
MultiCare Valley Hospital	12606 East Mission Ave. Spokane Valley 99216	HAC.FS.60769398	500119	2083494
MultiCare Covington Medical Center	17700 SE 272nd St, Covington, WA, 98042	HAC.FS.60803817	500154	2102039
MultiCare Tacoma General Hospital	315 Martin Luther King Jr. Way, Tacoma WA 98405	HAC.FS.00000176	500129	3300332
MultiCare Tacoma General Behavioral Health Adolescent Inpatient Services	315 Martin Luther King Jr Way, Tacoma, WA, 98405	BHA.FS.60873367	50-0129	2071315
MultiCare Allenmore Hospital (joint license with Tacoma General Hospital)	1901 S. Union Avenue, Tacoma WA 98405	HAC.FS.00000176	500129	3300332
MultiCare Good Samaritan Hospital	407 14 th Ave. SE Puyallup, WA 98372	HAC.FS.60221541	500079	3308707
MultiCare Good	401 15 th Ave. SE,	BHA.FS.61030776	50T079	3200094

Samaritan Hospital, Inpatient Rehabilitation	Puyallup, WA 98372			
NAVOS	2600 Southwest Holden, Seattle, WA 98126	HPSY.FS.00000019	504009	3500311
Wellfound Behavioral Health Hospital*	3402 S. 19th Street, Tacoma, WA 98405	HPSY.FS.60919628	504016	150453
MultiCare Home Health, Hospice and Palliative Care	3901 S Fife St, Tacoma, WA, 98409	IHS.FS.60081744	HH - 507046; Hospice-501508	HH-1043537; Hospice-2012298
MultiCare Capital Medical Center	3900 Capital Mall Drive SW, Olympia, WA 98502	HAC.FS.60986502	500139	33065
<p>Notes: All facilities listed above are Joint Commission (JC) accredited. The single exception is Good Samaritan Inpatient Rehabilitation, which is CARF accredited.</p> <p>*Wellfound Behavioral Health Hospital is a JV facility.</p>				

III. Project Description

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

MultiCare Home Health, Hospice, and Palliative Care is currently located at 3901 S Fife St, Tacoma, WA, 98409.³

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

The addition of Kitsap County to the existing licensed agency will create an overall service area that also includes Pierce and King Counties. All operations will be run out of the Tacoma office. An existing drop site is located within Kitsap County that provides a space for supplies, copy/fax machine, internet connectivity as needed, and a meeting place for all field staff. All intake, scheduling, billing, and clinical oversight will be done in the main Tacoma office. Field clinicians in Kitsap County will be provided laptops with which to document on an electronic EMR for timely submission of documentation.

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

This question is not applicable.

4. Provide a detailed description of the proposed project.

MultiCare seeks Certificate of Need approval to operate a Medicare certified and Medicaid eligible home health agency to serve residents of Kitsap County in Washington State. The proposed project would represent an expansion of MultiCare Home Health, Hospice, and Palliative Care.

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

MultiCare Home Health, Hospice, and Palliative Care will be available and accessible to the entire geography of Kitsap County.

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

Event	Anticipated Month/Year
CN Approval	June 2023
Design Complete (if applicable)	N/A

³ As detailed in Exhibit 9, MultiCare Home Health, Hospice and Palliative Care is relocating to 1313 Broadway to currently leased space by MultiCare Health System. Site control documentation includes the lease, first amendment to lease, and commencement date memorandum to demonstrate MultiCare has control over the proposed site.

Construction Commenced (if applicable)	N/A
Construction Completed (if applicable)	N/A
Agency Prepared for Survey	N/A
Agency providing Medicare and Medicaid home health services in the proposed county.	July 2023

*Assumes a 6-month certificate of need review cycle.

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

<input checked="" type="checkbox"/> Skilled Nursing	<input checked="" type="checkbox"/> Occupational Therapy
<input checked="" type="checkbox"/> Home Health Aide	<input type="checkbox"/> Nutritional Counseling
<input type="checkbox"/> Durable Medical Equipment	<input type="checkbox"/> Bereavement Counseling
<input checked="" type="checkbox"/> Speech Therapy	<input checked="" type="checkbox"/> Physical Therapy
<input type="checkbox"/> Respiratory Therapy	<input type="checkbox"/> IV Services
<input checked="" type="checkbox"/> Medical Social Services	<input type="checkbox"/> Applied Behavioral Analysis
<input type="checkbox"/> Other (please describe)	

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

All services listed above are provided in the existing service areas of the agency.

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

The counties that are currently served are Pierce and King Counties. Medicare and Medicaid services are provided in all service areas.

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

MultiCare Home Health, Hospice, and Palliative Care will serve all Kitsap County residents in need of home health services who meet its admissions criteria outlined in Exhibit 4. Given its Home Health experience in other Washington State planning areas, MultiCare anticipates its patients to generally be over the age of 18 and across all diagnosis groups that require skilled care. These diagnosis groups include but are not limited to:

- Orthopedic
- Neurological
- Cardiovascular
- Respiratory
- Endocrine
- Wound Care
- IV infusion

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

Please see Exhibit 2 for a copy of the letter of intent.

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

MultiCare Home Health, Hospice, and Palliative Care has the following licensure and Medicare and Medicaid numbers:

IHS.FS.60081744

Medicare #: 507046

Medicaid #: 1043537

IV. Certificate of Need Review Criteria

A. Need (WAC 246-310-210)

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

1. List all home health providers currently operating in the planning area.

See Exhibit 3 for the Kitsap County home health need model, including a supply worksheet with those home health providers providing services to Kitsap County residents. Overall, we have identified 16 in-home agencies operating within Kitsap County; this includes 4 that are currently CN-Approved and certified by CMS to provide home health services to Service Area residents. For the purposes of the Department's numeric need methodology, only 6 agencies should be included in the supply count used in the need model. See the supply worksheet in Exhibit 3 for the inclusion/exclusion determination by agency.

2. Complete the numeric methodology.

Certificate of need rules (WAC 246-310) do not contain specific WAC 246-310-210(1) need criteria as identified in WAC 246-310-200(2)(a)(i). Therefore, we have developed a home health need model for Kitsap County consistent with the Department's prior evaluations of home health projects and based on the numeric methodology contained in the 1987 Washington State Health Plan (SHP).

The 1987 SHP numeric methodology can generally be summarized in the following four steps:

Table 2: Service Area Need Projections							
Kitsap County Need Model	Row	2021	2022	2023	2024	2025	2026
<u>Step 1: Population</u>							
0-64 Years Old	1	220,614	221,192	221,771	222,349	222,928	223,740
65-79 Years Old	2	46,347	47,805	49,264	50,722	52,181	52,682
80+ Years Old	3	11,839	12,687	13,536	14,384	15,233	16,557
<u>Step 2: Visits per Capita</u>							
0-64 Years Old (0.005 * 10)	4	0.05	0.05	0.05	0.05	0.05	0.05
65-79 Years Old (0.044 * 14)	5	0.616	0.616	0.616	0.616	0.616	0.616
80+ Years Old (0.183 * 21)	6	3.843	3.843	3.843	3.843	3.843	3.843

<u>Step 3: Projected Visits</u>							
Total ([1] * [4] + [2] * [5] + [3] * [6])	10	85,076	89,265	93,453	97,642	101,830	107,269
Supply (# Agencies * 10,000)	11	60,000	60,000	60,000	60,000	60,000	60,000
<u>Step 4: Net Need</u>							
Visits ([10]-[11])	12	25,076	29,265	33,453	37,642	41,830	47,269
Agencies ([12]/10,000)	13	2	2	3	3	4	4
Sources:							
<i>Gross Need:</i> As described in 1987 SHP, B-35, the maximum number of agencies needed in a planning area is determined by dividing the total projected number of visits (Step 3) by 10,000.							
<i>Supply:</i> See supply worksheet included in Exhibit 3 for inclusion/exclusion determination.							
<i>Net Need:</i> Calculated by subtracting supply from gross need. Per the 1987 SHP methodology, fractions are rounded down to the nearest whole number.							

As demonstrated in Table 2, there is numeric need in the Kitsap County Planning Area for additional home health agencies. The need methodology estimates current (CY2022) net need for two (2) additional agencies, growing to four (4) additional agencies by CY2026.

Please see Exhibit 3 for the complete planning area forecast need model, including a list of agencies counted in the need methodology.

- If applicable, provide a discussion identifying which agencies identified in response to Question 1 should be excluded from the numeric need methodology and why. Examples for exclusion could include but are not limited to: not serving the entire geography of the planning area, being exclusively dedicated to DME, infusion, or respiratory care, or only serving limited groups.**

Please see Exhibit 3 for the complete planning area forecast need model, including a list of agencies counted in the need methodology, as well as notes supporting the inclusion/exclusion determination.

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

As demonstrated above in Table 2 and Exhibit 3, there is numeric need for two additional home health agencies in Kitsap County. However, there exist additional qualitative reasons to support approval of the proposed project in Kitsap County. These include a rapidly aging service area population and higher use rates among elderly individuals. Thus, the proposed project will not duplicate existing home health services

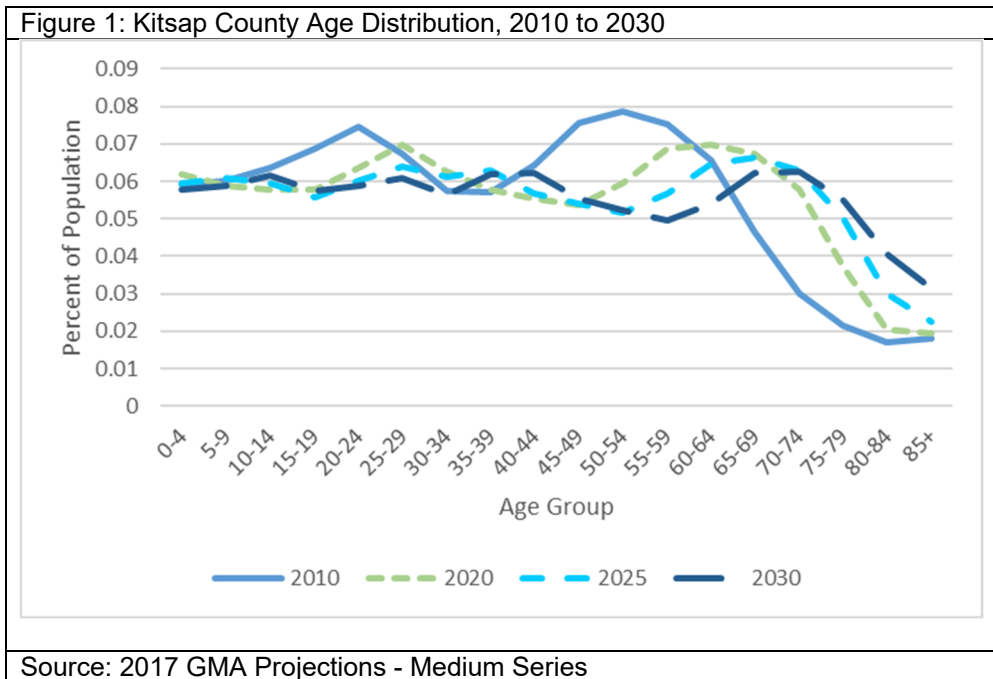
An aging service area population

Estimates from the National Center for Health Statistics indicate that use of home health services increases in age. We present estimates of the age distribution of home health users in Table 3.

Table 3: Home Health Use Distribution by Age		
Age Group	% of Home Health Users	% of U.S. Population
Under 65	18.1%	85.0%
65 to 74	26.8%	8.7%
75 to 84	29.9%	4.4%
85+	25.2%	2.0%

Sources: Annual Estimates of the Resident Population for Selected Age Groups by Sex for the United States: April 1, 2010 to July 1, 2019 (NC-EST2019-AGESEX); NCHS, Long-Term Care Providers and Services Users in the United States, 2015 to 2016.

Across the United States, persons aged 65 represent only about 15% of the population, but account for over 80% of home health users. The likelihood of home health use is thus increasing with age, and changes to the service area population, i.e., aging, will lead to increased demand for home health services over time. We plot the evolving age distribution forecast of Kitsap County residents in Figure 1.



As presented in Figure 1, the age distribution of Kitsap County residents is expected to shift towards older ages over the 2020 to 2030 period. Since the use rate of hospice services increases with age, we anticipate additional demand for home health services which exceeds that estimated within the home health demand methodology presented above, where use rates are held constant.

5. For existing agencies, using the table below, provide the home health agency's historical utilization broken down by county for the last three full calendar years.

Table 4: MultiCare Home Health, Hospice, and Palliative Care Historical Utilization and Pre-Operational Forecast					
County	2019	2020	2021	2022*	Jan to Jun 2023*
King					
Admissions	592	553	518	518	259
Visits	8,382	7,392	7,377	7,377	3,688
Visits per Admission	14.2	13.4	14.3	14.3	14.3
Pierce					
Admissions	2,491	2,459	2,230	2,230	1,115
Visits	35,281	32,862	31,743	31,743	15,872
Visits per Admission	14.2	13.4	14.2	14.2	14.2
Total					
Admissions	3,083	3,012	2,748	2,748	1,374
Visits	43,663	40,254	39,120	39,120	19,560
Visits per Admission	14.2	13.4	14.2	14.2	14.2
Source: Applicant					
Notes: Admissions represent Total Admissions.					
*Utilization for 2022 and January 2023 to June 2023 assumed equal to 2021 admissions and visits per month.					

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

Table 5: Home Health Visit and Admission Projections—Kitsap Only				
Utilization Forecast	July to Dec 2023	2024	2025	2026
Months	6	12	12	12
Visits per Month	1,394	1,569	1,743	1,970
Total Visits	8,364	18,828	20,916	23,640
Total Admissions	589	1,326	1,473	1,665
Quarterly Admits	294.5	331.5	368.3	416.3

Visits by Occupational Category	2023	2024	2025	2026
Skilled Nursing	3,470	7,812	8,678	9,808
Physical Therapy	2,993	6,739	7,486	8,461
Occupational Therapy	1,165	2,623	2,914	3,293
Speech Pathology	154	346	385	435
Medical Social Services	156	352	391	442
Home Health Aide	425	956	1,063	1,201
Total	8,363	18,828	20,917	23,640
Sources: Applicant; See Table 6 and Table 7. Visits per month calculated based on Planning Area Visits per Month and assumed proportion of unmet need presented in Table 6.				

From Table 2, we project Kitsap County residents to need Home Health services equaling to 33,453 visits in 2023, 37,642 visits in 2024, 41,830 visits in 2025, and 47,269 visits in 2026. These numbers of **unmet need** correspond to 2,788, 3,137, 3,486, and 3,939 visits per month in 2023, 2024, 2025, and 2026, respectively. We assume that, on a monthly basis, MultiCare will provide services to half of this unmet need. Furthermore, we assume that, based on the historical visit to admission ratio for MultiCare Home Health, the number of visits per admission are equal to about 14.2.⁴ These statistics and assumptions, along with the implied utilization, are summarized in Table 6.

Table 6: Home Health Utilization Assumptions-Kitsap Only				
Utilization Assumptions	2023	2024	2025	2026
Unmet need (visits)	33,453	37,642	41,830	47,269
Visits per month	2,788	3,137	3,486	3,939
Proportion of unmet need	50%	50%	50%	50%
Visits per admission	14.2	14.2	14.2	14.2
Sources: Table 2 and Applicant				

The number of visits by occupational category are assumed equal to the proportions presented in Table 7, based on the historical experience of MultiCare Home Health.

Table 7: Assumed Proportions of Home Health Visits by Occupational Category	
Visits by Occupational Category	Assumed Proportion
Skilled Nursing	41.49%
Physical Therapy	35.79%
Occupational Therapy	13.93%
Speech Pathology	1.84%
Medical Social Services	1.87%
Home Health Aide	5.08%

⁴ See Table 4.

Sources: Applicant

7. Identify any factors in the planning area that could restrict patient access to home health services.

As demonstrated above, there exists considerable unmet need for additional home health agencies in Kitsap County. Thus, resident demand for home health programs currently outstrips the present supply, thereby constraining resident access to these necessary services. Furthermore, since home health services are by definition provided in the home, it is not possible for Kitsap County residents to outmigrate to other areas without a change in residence.

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

Since there exists an unmet need for additional home health agencies in Kitsap County, the proposed project is by definition not an unnecessary duplication of services. Please see our response to Question 4 of this section for additional information on why this will not be an unnecessary duplication of services for Kitsap County.

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

MultiCare Home Health, Hospice, and Palliative Care will be available and accessible to the entire planning area.

10. Identify how this project will be available and accessible to underserved groups.

MultiCare Home Health, Hospice, and Palliative Care is committed to serving all patients, including those who lack health insurance coverage and who cannot pay for all or part of the essential care they receive. We are committed to maintaining Financial Assistance policies that are consistent with our mission and values regardless of an individual's ability to pay for medically necessary health care services.

MultiCare will provide comprehensive home health services to all qualifying patients regardless of the patient's ability to pay for medically necessary health care services.⁵ Our social workers will provide additional financial planning and financial assistance for patients and their families during hospice care based on MultiCare's Financial Assistance Policy.⁶ MultiCare Health System has a well-documented history of providing financial assistance to its patients that exceeds the respective regional averages in the service areas they serve. Table 8 presents MultiCare hospitals' charity care, as a percent of total revenues, compared to regional averages for the most recent three years available (2018-2020) from the

⁵ See Exhibit 5, Financial Assistance Policy. Definitions: "Charity Care and/or Financial Assistance means medically necessary Hospice care rendered to Eligible persons when Third-Party coverage, if any has been exhausted, to the extent that the persons are unable to pay for the care or to pay deductible or coinsurance amounts required by third-party payer based on the criteria in this policy."

⁶ Exhibit 5, Financial Assistance Policy.

Washington State Department of Health's website.⁷ MultiCare's Puget Sound and King County hospitals consistently are significantly above their respective regional averages. Furthermore, while MultiCare's Deaconess Hospital and Valley Hospital's three-year charity care average is below the Eastern Washington regional average, this is related to the fact that MultiCare acquired Deaconess and Valley from Community Health Systems ("CHS") in mid-2017. Over a longer horizon, MultiCare has significantly expanded access to financial assistance for patients receiving care at its Eastern Washington hospitals. Before the acquisition, Deaconess and Valley's charity care figures were chronically under the regional average. In 2019, within just two years of MultiCare's acquisition, MultiCare was able to close this gap and provided charity care at the regional average. In 2020, these two hospitals exceeded the Eastern Washington regional average in 2020. This demonstrates MultiCare's commitment to provide quality health services to patients regardless of payer coverage or ability to pay, and who are unable to pay for medically necessary health care services. This commitment extends beyond just hospital care, as MultiCare provides financial assistance and support to its patients across the care continuum, and it will include those patients requiring home health care in Kitsap County that MultiCare proposes to serve.

Table 8: MultiCare Health System Hospitals' Charity Care Compared to Regional Average, 2018-2020				
	Charity Care as % of Total Revenues			
Description	2018	2019	2020	3 Year Average, 2018-2020
MultiCare Puget Sound Hospitals	2.12%	1.91%	1.82%	1.95%
PUGET SOUND REGION TOTALS	1.44%	1.35%	1.69%	1.49%
MultiCare King County (Auburn, Covington, Navos)	3.03%	2.87%	2.79%	2.89%
KING COUNTY LESS HARBORVIEW	1.12%	1.01%	1.20%	1.11%
MultiCare Eastern WA (Deaconess and Valley)	0.75%	1.34%	1.35%	1.15%
EASTERN WASH REGION TOTALS	1.11%	1.35%	1.12%	1.20%

Source: DOH Charity Care Reports, 2018-2020

Notes: MultiCare Puget Sound Hospitals include Tacoma General Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, and Good Samaritan Hospital. MultiCare King County Hospitals include: Auburn Medical Center, Covington Medical Center, Navos Behavioral Health Hospital. MultiCare Eastern Washington Hospitals include Deaconess Hospital and Valley Hospital. Table excludes MultiCare Capital Medical Center, as it did not join MultiCare until CY2021.

11. Provide a copy of the following policies:

- **Admissions policy**
- **Charity care or financial assistance policy**
- **Patient Rights and Responsibilities policy**
- **Non-discrimination policy**

⁷ Available at <https://doh.wa.gov/data-statistical-reports/healthcare-washington/hospital-and-patient-data/hospital-patient-information-and-charity-care/charity-care-washington-hospitals>. Accessed April 4, 2022.

- **Any other policies directly related with patient access (example, involuntary discharge)**

We have included our Patient Referral and Admissions Policy in Exhibit 4, Financial Assistance Policy in Exhibit 5, Patient Rights and Responsibilities Policy in Exhibit 6, and Nondiscrimination Policy in Exhibit 7.

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

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

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

Exhibit 8 includes the required Pro Forma financial statements. Exhibit 8 also provides historical financials for the entire MultiCare Home Health and Hospice agency and a discussion of the assumptions used to prepare the projections for its proposed expansion of home health care into Kitsap County. Unless otherwise noted, those assumptions based on the MHS Home Health historical amounts are from 2021 actuals.

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

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

None of the above agreements/contracts are applicable to the proposed project. The Medical Director will be an employee of MultiCare Health System.

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

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

If this is a new home health agency site, documentation of site control includes

one of the following:

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

MultiCare Health System currently leases the First, Second, and Fifth floors of the building at 1313 Broadway in Tacoma, WA. In Exhibit 9, we include the lease, first amendment to lease, and commencement date memorandum to demonstrate MultiCare has control over the proposed site.

The proposed agency will occupy a portion of the fifth floor at this building, so we include a floorplan in Exhibit 9 which shows the area occupied by MHS Home Health and Hospice. This area consists of 1,200 of the 17,373 square feet on the fifth floor. Home health constitutes about half of MHS Home Health and Hospice operations, and the extension of services into Kitsap County is expected to represent about 20% of total home health revenue. Thus, the proposed project is allocated 120 square feet of the fifth-floor office ($1,200 * 50\% * 20\%$). Rental costs are calculated using the 120 square feet figure.

4. 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, include the definition of the line item. Include all assumptions used to create the capital expenditure estimate.

Table 9: Home Health Capital Expenditures	
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 (Tenant Improvements)	\$
g. Fixed Equipment (not already included in the construction contract)	\$
h. Movable Equipment	\$46,677
i. Architect and Engineering Fees	\$
j. Consulting Fees	\$
k. Site Preparation	\$

I. Supervision and Inspection of Site	\$
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	\$4,294
Total Estimated Capital Expenditure	\$50,972

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

MultiCare Health System will be responsible for the estimated capital costs identified above. Please see Exhibit 10 for a Letter of Financial Commitment.

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

It is expected that, in addition to the CON Application Fee and Equipment expenditures listed in Table 12, MultiCare Home Health will incur start-up costs equal to about \$130,689. We have included a table of these anticipated expenses in Exhibit 8.

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

MultiCare Health System will be responsible for the estimated capital costs identified above. Please see Exhibit 10 for a Letter of Financial Commitment.

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

MultiCare's rates are primarily based on fee schedules with CMS and principal payers. Thus, the proposed project will not impact costs or charges for health services.

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

The proposed project requires only modest capital expenditures for furniture, computers, and other IT equipment. Furthermore, MultiCare's rates are primarily based on fee schedules with CMS and principal payers. Thus, the proposed project will not result in an unreasonable impact on costs or charges for health services in the planning area.

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

Table 10: Projected Payer Mix for Kitsap County		
Projected Payer Mix	% Payor Source	% Patients
Medicare/Mgd Medicare	85.5%	85.5%
Medicaid/Mgd Medicaid	7.1%	7.1%
Commercial	5.8%	5.8%
Self Pay	0.1%	0.1%
Health Care Exchange	0.3%	0.3%
Other	1.2%	1.2%
Total	100.0%	100.0%

Source: Applicant

Notes: MultiCare Home Health assumes that average billed charges by payer will not differ across the payer categories, which results in equivalent payer distributions by Revenue and by Patient.

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

Table 11: MultiCare Home Health Historical Payer Mix		
2021 Payer Mix	% Payor Source	% Patients
Medicare/Mgd Medicare	85.5%	85.5%
Medicaid/Mgd Medicaid	7.1%	7.1%
Commercial	5.8%	5.8%
Self Pay	0.1%	0.1%
Health Care Exchange	0.3%	0.3%
Other	1.2%	1.2%
Total	100.0%	100.0%

Source: Applicant

Notes: MultiCare Home Health does not retain information on patient reimbursement sources for reasons including the fact that a single patient may have multiple payers. As such, the table presents an historical payer mix by patient equal to that of the payer mix by revenue.

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

Table 12: Equipment List			
Furniture	Unit Cost	Units	Total Cost
Desks	\$1,362	8	\$10,893
Conf Room Table	\$1,128	1	\$1,128
Conf Room Chairs	\$245	8	\$1,960
Office Chairs	\$99	8	\$792
Subtotal			\$14,772
Shipping (0)			\$0
Sales Tax (9.2%)			\$1,359
Furniture Total			\$16,131
Equipment & Phone	Unit Cost	Units	Total Cost
Laptop Computer	\$1,389	13	\$18,057
Docking Station	\$180	13	\$2,340
24-inch Monitor, Keyboard and Mouse	\$178	16	\$2,848
Cables /Wires	\$20	8	\$160
Color copier, scanner, printer, and fax	\$7,000	1	\$7,000
Extra drawers/cabinet	\$220	1	\$220
Desk/Office Phone	\$160	8	\$1,280
Subtotal			\$31,905
Sales Tax (9.2%)			\$2,935
Equipment & Phone Total			\$34,840
Equipment Total			\$50,972
Source: Applicant			

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

MultiCare will finance the capital expenditures and the start-up costs identified above. Please see Exhibit 10 for a letter of financial commitment.

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

This question is not applicable.

15. Provide the most recent audited financial statements for:

- **The applicant, and**
- **Any parent entity responsible for financing the project.**

Please see Exhibit 11 for MultiCare Health System's 2020 and 2021 Audited Financials.

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

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

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

Please see Table 13 for the anticipated number of staff FTEs by occupation over the first three years of the proposed project.

Table 13: Projected Staffing by Occupational Category-Kitsap Only				
FTE Per Position (Productive + Non-Productive)	Year 0 (2023)	Year 1 (2024)	Year 2 (2025)	Year 3 (2026)
Administrator	0.38	0.50	0.50	0.50
Clinical Supervisor	0.38	0.50	0.50	0.50
Intake/Scheduling	0.38	0.50	0.50	1.00
Registered Nurse	4.60	10.35	11.50	13.00
LPN	0.67	1.52	1.68	1.90
Physical Therapist	2.20	4.95	5.50	6.22
Occupational Therapist	1.11	2.49	2.77	3.13
Speech Language Pathologist	0.23	0.52	0.57	0.65
Medical Social Worker	0.23	0.52	0.58	0.66
PTA	2.39	5.38	5.98	6.76
COTA	0.73	1.63	1.82	2.05
Home Health Aide	0.66	1.48	1.65	1.86
Total FTEs	13.94	30.34	33.55	38.23

Source: Applicant

2. If this application proposes the expansion of an existing agency into another county, provide an FTE table for the entire agency, including at least the most recent three full years of operation, the current year, and the first three full years of operation following project completion. There should be no gaps in years. All staff categories should be defined.

Table 14: MultiCare Home Health and Hospice Staffing, 2019 to 2021				
Occupational Category	2019	2020	2021	2022*
Administrator	1.0	1.0	1.0	1.0
Clinical Supervisor	7.5	7.2	4.9	4.9
Intake/Scheduling	5.2	5.0	4.4	4.4
Registered Nurse	51.8	49.9	48.9	48.9
LPN	6.6	6.4	5.5	5.5
Physical Therapist	9.5	9.2	9.8	9.8
Occupational Therapist	5.1	4.9	4.1	4.1
Speech Language Pathologist	1.8	1.7	1.4	1.4
Medical Social Worker	10.8	10.4	10.7	10.7

PTA	10.3	9.9	8.8	8.8
COTA	3.3	3.2	2.8	2.8
Aide	14.5	14.0	12.2	12.2
Other Clinical	19.7	18.8	20.5	20.5
Other Administrative	15.1	16.0	17.2	17.2
Total	162.2	157.6	152.1	152.1
Source: Applicant				
Notes: 2022 FTEs by occupation forecast to equal the FTE levels in 2021. "Aide" includes both Home Health and Hospice aides				

Table 15: MultiCare Home Health and Hospice Staffing, 2023 to 2026				
Occupational Category	2023	2024	2025	2026
Administrator	1.4	1.5	1.5	1.5
Clinical Supervisor	5.3	5.4	5.4	5.4
Intake/Scheduling	4.7	4.9	4.9	5.4
Registered Nurse	53.5	59.2	60.4	61.9
LPN	6.2	7.0	7.2	7.4
Physical Therapist	12.0	14.7	15.3	16.0
Occupational Therapist	5.2	6.6	6.9	7.2
Speech Language Pathologist	1.6	1.9	1.9	2.0
Medical Social Worker	10.9	11.2	11.3	11.3
PTA	11.2	14.2	14.8	15.6
COTA	3.5	4.4	4.6	4.9
Aide	12.9	13.7	13.9	14.1
Other Clinical	20.5	20.5	20.5	20.5
Other Administrative	17.2	17.2	17.2	17.2
Total	166.0	182.4	185.6	190.3
Source: Applicant				
Notes: 2022 FTEs by occupation forecast to equal the FTE levels in 2021. "Aide" includes both Home Health and Hospice aides				

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

Standard caseload per discipline and knowledge of the service area assisted in projecting the number and types of FTEs to initially manage patients in Kitsap County.

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

With the county being split into two territories, an RN/LPN team and a PT/PTA team will provide care to patients in each territory while managing a census of approximately 55 patients in each territory. OT, SLP, and MSW services are not utilized as much as nursing

and PT in Home Health so the number of FTEs for those disciplines does not need to equal nursing and PT.

- 5. If you intend to have a medical director, provide the name and professional license number of the current or proposed medical director. If not already disclosed under 210(1) identify if the medical director is an employee or under contract.**

The planned medical director is Dr. Isam Dorna, MD60123479. Dr. Dorna is an employee of MultiCare.

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

Please see Exhibit 12 for the Medical Director's job description.

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

Ann Cole, RN, Clinical Manager - RN60020741

Jake Hanson, PT, Clinical Manager - PT00010022

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

Ann Cole, RN, Clinical Manager - RN60020741

Jake Hanson, PT, Clinical Manager - PT00010022

- 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.**

The ability of a home health agency to recruit and retain sufficient staff is essential. There exist staffing shortages across Washington, as well as in Kitsap County. Furthermore, staffing is especially challenging in home health programs because the caregivers are in the field (i.e., in the patient's home or other place of residence) and thus must be more independent and self-reliant. Accordingly, greater training and experience are necessary for home health staff. This can make recruitment more difficult than, for instance, recruiting staff for a skilled nursing facility, hospital, or other inpatient facility, where there is on-site supervision and support.

Staff recruitment will be handled through MultiCare's recruitment department. Recruiters and agency leadership review open requisitions and discuss the various recruitment strategies being used. Virtual hiring events are held every 4-6 weeks. For retention, an employee satisfaction survey is completed annually to help leadership identify opportunities for improvement in the work environment. The employee-run Practice Council operates to discuss any concerns with leadership, develop quality initiatives for increased quality of care, and problem solve any identified issues.

With these and other strategies, MultiCare has created a healthy organizational environment

consistent with its mission and valued by its employees. This resulted in MultiCare being included within Forbes “America’s Best Employers by State.”⁸

While staffing shortages exist, MultiCare is in position to respond proactively to these shortages and to recruit and retain sufficient qualified caregivers. Furthermore, due to its established presence and respected reputation in the area, together with its strong local recruitment program and existing network of local and national recruiting resources, it is well-equipped to leverage this relatively generous compensation to quickly and successfully recruit the new staff that will be required.

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

Hours of operation are from 8:00 a.m. to 5:00 p.m. There is a nurse on-call after hours and on weekends for all patients to access for any needs. Calls are originally routed to MultiCare’s Consulting Nurses or to an on-call answering service. The on-call nurse for Home Health is then contacted and the patient is called to determine what needs the patient may have. A nurse is sent to visit the patient as needed.

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

Press Gainey is the third-party entity that sends out patient satisfaction surveys. They then tabulate the results and have reports to be able view the responses. Strategic Healthcare Programs gives the agency real time data to monitor outcomes and process measures for CMS Home Health quality measures. RLSolutions is the platform that is used to document and report all occurrences, infections, and complaints.

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

Press Gainey - Patient satisfaction
Strategic Healthcare Programs - Measuring outcomes and process measures
RLSolutions - Reporting occurrences
Epic - EMR
Corridor - Clinical Coding
Ability Network - ADR and appeals tracking
Status in Demand/AMN Health Care - Language Services
Medline - Medical supplies
Schryver Medical - Mobile imaging

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

There is no expected change to the agreements for the support service vendors.

⁸ <https://www.forbes.com/best-employers-by-state/#3c516a7a487a>, Last Accessed April 5, 2022.

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

This question is not applicable.

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

MultiCare Home Health, Hospice, and Palliative Care has working relationships with all other MultiCare affiliated hospitals and healthcare facilities listed in Table 1. This includes MultiCare Auburn Medical Center in King County, Capital Medical Center in Thurston County, and Tacoma General/Allenmore, Good Samaritan, and Mary Bridge hospitals in Pierce County.

MultiCare is currently providing hospice services to residents of Kitsap County, and the proposed project is part of its plan to develop and grow a comprehensive Clinically Integrated Network which includes the following:

- The Primary Care Practice of MultiCare Medical Associates in Poulsbo, WA.
- A MultiCare-powered Indigo Health Urgent Care location in Poulsbo, WA.
- A cooperative relationship with Bremerton Naval Hospital as a network provider with all Puget Sound Military Treatment Facilities

MultiCare also cooperates with multiple healthcare facilities and organizations within Kitsap County. We include a list of Skilled Nursing Facilities, Senior Living Facilities, and Provider Clinics with which MultiCare has ongoing relationships in Table 16.

Table 16: Kitsap County Healthcare Facilities with which MHS has Working Relationships	
Name	City
<u>Skilled Nursing Facilities</u>	
Bainbridge Island Health and Rehab	Bainbridge Island, WA
Bremerton Health and Rehab	Bremerton, WA
Forest Ridge Health	Bremerton, WA
Life Care Center of Port Orchard	Port Orchard, WA
Ridgemont Terrace	Port Orchard, WA
Martha and Mary Health Services	Poulsbo, WA
<u>Senior Living Facilities</u>	
Fieldstone on Clear Creek	Bainbridge Island, WA
Fieldstone Rolling Bay	Bainbridge Island, WA
Madrona House	Bainbridge Island, WA
Wyatt House	Bainbridge Island, WA
Laurel Glen	Bremerton, WA
The Cottage Assisted Living	Bremerton, WA
Brookdale Park Vista	Port Orchard, WA
Brookdale Montclair	Poulsbo, WA

Liberty Shores	Silverdale, WA
The Ridge	Silverdale, WA
<u>Provider Clinics</u>	
Olympic Internal Medicine	Bremerton, WA
The Manette Clinic	Bremerton, WA
MultiCare Family Medicine	Poulsbo, WA
Doctors Clinic Ridgetop West	Silverdale, WA
Source: Applicant	

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

Existing working relationships would not change as a result of this project.

17. For a new agency, provide a listing of healthcare facilities with which the home health agency would establish working relationships.

This question is not applicable.

18. Identify whether any facility or practitioner associated with this application has a history of the actions listed below. If so, provide evidence that the proposed or existing facility can and will be operated in a manner that ensures safe and adequate care to the public and conforms to applicable federal and state requirements. [WAC 246-310-230\(3\) and \(5\)](#)

- a. A criminal conviction which is reasonably related to the applicant's competency to exercise responsibility for the ownership or operation of a 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.

MultiCare has no history with the actions described above. Therefore, this question is not applicable.

19. Provide a discussion explaining how the proposed project will promote continuity in the provision of health care services in the planning area, and not result in an unwarranted fragmentation of services. [WAC 246-310-230](#)

MultiCare will promote continuity of care and help prevent fragmentation of services within Kitsap County. In 2020, MultiCare hospitals accounted for 1,158 discharges to Kitsap County residents.⁹ This included 164 discharges to Kitsap residents aged 65 and over. MultiCare currently provides hospice services to Kitsap County residents, and 7 Kitsap

⁹ CHARS 2020.

resident discharges from MultiCare hospitals were to a home hospice provider.¹⁰ 45 Kitsap resident discharges were to a home health service organization.¹¹ However, 991 Kitsap resident discharges were to the home or self-care, including 98 discharges to persons aged 65 and over.

The proposed home health agency will complement MultiCare's provision of services across the care continuum, including inpatient hospital services at its facilities in King, Pierce, and Thurston counties and hospice services which it currently provides to Kitsap residents. Without additional home health agencies, Kitsap residents will likely go without needed care. In addition to leading to poorer health outcomes, this would cause a fragmentation of healthcare services, where Kitsap families would be forced to manage and plan the care for their members without assistance or coordination.

20. Provide a discussion explaining how the proposed project will have an appropriate relationship to the service area's existing health care system as required in [WAC 246-310-230](#).

As described above, MultiCare Home Health, Hospice, and Palliative Care has working relationships with all other MultiCare affiliated hospitals and healthcare facilities listed in Table 1. This includes MultiCare Auburn Medical Center in King County, Capital Medical Center in Thurston County, and Tacoma General/Allenmore, Good Samaritan, and Mary Bridge hospitals in Pierce County. Furthermore, MultiCare is an existing provider of hospice services to Kitsap County residents. MultiCare will build on its existing relationships and establish new connections with planning area healthcare providers as necessary.

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

No facilities owned or operated by the applicant reflect a pattern of condition-level findings.

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

This question is not applicable.

¹⁰ Ibid.

¹¹ Ibid.

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

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

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

The following two options were evaluated in the alternatives analysis:

- Option One: Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project
- Option Two: Do Nothing

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.

Please see Table 17 through Table 21. These tables provide a summary of advantages and disadvantages of each of the options based on the following evaluative criteria: Promoting availability, or access to healthcare services; Promoting Quality of Care; Promoting Cost and Operating Efficiency; and Legal Restrictions.

Table 17. Alternatives Analysis: Promoting Access to Healthcare Services.

Option:	Advantages/Disadvantages:
Option One Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project	<ul style="list-style-type: none">• Helps meet need for additional home health agency services based on the Department's numeric need methodology (Advantage, "A")
Option Two Do nothing	<ul style="list-style-type: none">• Would do nothing to improve access (Disadvantage ("D")).• Without additional capacity, some patients may have to delay or not receive care altogether. (D)

Table 18. Alternatives Analysis: Promoting Quality of Care.

Option:	Advantages/Disadvantages:
Option One Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project	<ul style="list-style-type: none">• Residents of the Planning Area would have increased home health capacity--this improves quality and continuity of care. (A)
Option Two Do nothing	<ul style="list-style-type: none">• Without sufficient access to home health, this will harm quality of care and it can also lead to preventable emergency room visits or hospitalizations. (D)

Table 19. Alternatives Analysis: Cost Efficiency and Capital Impacts.

Option:	Advantages/Disadvantages:
Option One Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project	<ul style="list-style-type: none"> Limited capital expenditures necessary. (A) Improved access prevents unnecessary emergency room and hospitalization visits. (A)
Option Two Do nothing	<ul style="list-style-type: none"> Least costly with respect to capital expenditures. However, lack of sufficient access to home health services leads to increased use of more expensive alternatives (emergency room utilization, hospitalization, etc.). (D)

Table 20. Alternatives Analysis: Staffing Impacts.

Option:	Advantages/Disadvantages:
Option One Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project	<ul style="list-style-type: none"> Large concentration of skilled healthcare professionals in the Puget Sound Area. (A). Competitive market in demand for healthcare professionals. (D) Admissions would be balanced with available staff (Neutral, “N”)
Option Two Do nothing	<ul style="list-style-type: none"> No impact. (N)

Table 21. Alternatives Analysis: Legal Restrictions.

Option:	Advantages/Disadvantages:
Option One Develop a Medicare/Medicaid Certified Home Health Agency in Kitsap County—The Project	<ul style="list-style-type: none"> This option requires certificate-of-need approval. (Neutral, “N”)
Option Two Do nothing	<ul style="list-style-type: none"> There are no legal implications with this option. (N)

3. If the project involves construction, provide information that supports conformance with WAC 246-310-240(2):

- The costs, scope, and methods of construction and energy conservation are reasonable; and
- The project will not have an unreasonable impact on the costs and charges to the public of providing health services by other persons.

This question is not applicable. The applicant plans to lease space in an existing office building.

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

The proposed project will improve access to home health care in Kitsap County, hence delivery of health services. In this regard, not only will patient access improve, but patients' costs of receiving home health care will fall, given that some residents may be forced to move to other counties to obtain care. This promotes cost containment/cost effectiveness.

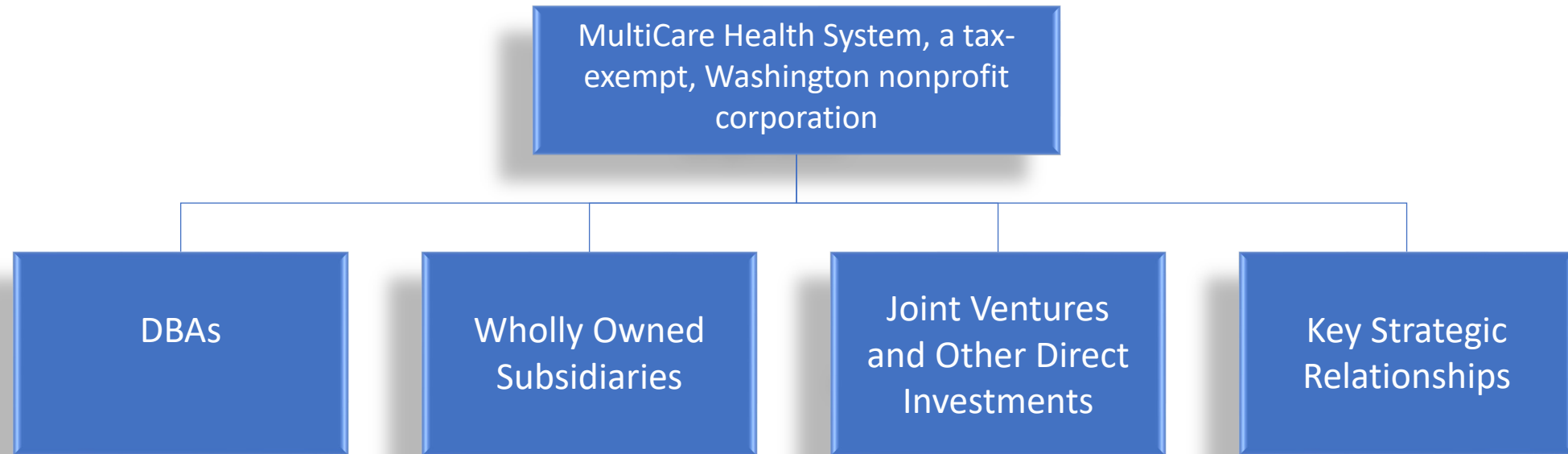
E. Home Health Agency Tie Breakers (19871 State Health Plan, Volume II, pages B35-36)

If two or more applicants meet all applicable review criteria and there is not enough need projected for all applications to be approved, the department will approve the agency that better improves patient care, reduces costs, and improves population health through increased access to services in the planning area. Ensure that sufficient documentation and discussion of these items is included throughout the application under the relevant sections.

Exhibit 1

Organizational Chart

MultiCare – How We Are Organized and Conduct Business



MultiCare Health System “Doing Business As”

Unless specifically noted, these DBAs operate within the MHS corporate entity as either divisions, programs or services of MultiCare.

Region

Puget Sound Region

HOSPITALS

Auburn Medical Center
Covington Medical Center
Good Samaritan Hospital/Off
Campus Emergency Departments
(OCEDs)

Tacoma General/
Allenmore Hospitals/OCED
Capital Medical Center

CLINICS

Gig Harbor Multi-specialty Medical
Center
Primary Care & Specialty Care
Clinics
MultiCare Medical Associates

OTHER

New Adventures Daycare

Inland Northwest Region

Deaconess Hospital/North Deaconess
OCED
Valley Hospital
Rockwood Clinic

Systemwide

Institute for Research & Innovation
MultiCare Capital Partners

Networks

Mary Bridge

Mary Bridge Children’s Hospital Health
Network
ABC Pediatrics by Mary Bridge
Woodcreek Pediatrics by Mary Bridge
Treehouse

Behavioral Health

Good Samaritan Behavioral Health
Navos*
Greater Lakes Mental Healthcare*

Retail/Community

Indigo Urgent Care
Dispatch Health
Labs Northwest
Virtual Health
Occupational Health
Home Health & Hospice
Adult Day Health
System Pharmacy

Pulse Heart Institute*

Population Health

MultiCare Connected Care, LLC*
Physicians of Southwest Washington, LLC*
PNW CIN, LLC* d/b/a Embright

* Operates through separate legal entity 37

MultiCare Health System wholly owned subsidiaries

MultiCare Health System,
a tax-exempt Washington Nonprofit Corporation

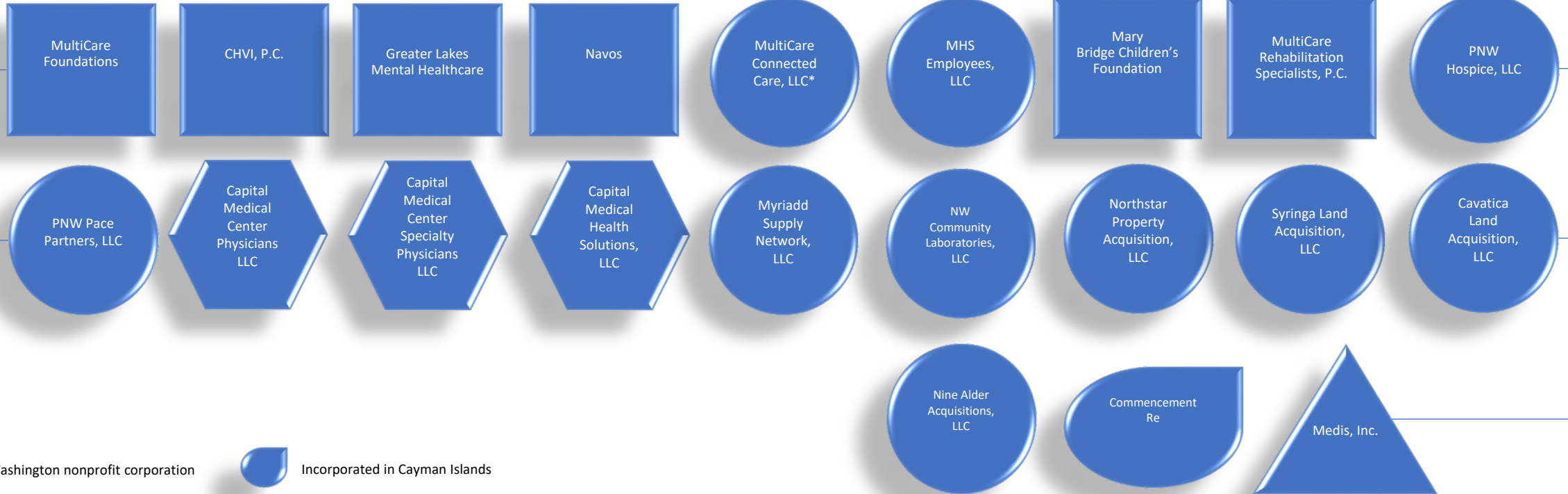


Exhibit 2

Letter of Intent



MultiCare Health System

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

August 2, 2022

Received 8/2/2022

Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Road S.E.
Tumwater, WA 98501

RE: Letter of Intent to operate a certificate of need approved home health agency in Kitsap County, Washington

Dear Mr. Hernandez:

In accordance with WAC 246-310-080, MultiCare Health System ("Multicare") dba MultiCare Home Health, Hospice and Palliative Care submits this Letter of Intent ("LOI") to establish and operate a certificate of need approved home health agency in Kitsap County, Washington.

1. Description of Proposed Service:
The establishment and operation of a certificate of need approved home health agency in Kitsap County, Washington
2. Estimated Cost of the Project
The estimated capital cost of the project is \$53,054
3. Identification of the Service Area
The service area is Kitsap County, Washington.

Please submit any notices, correspondence, communications, and documents to:

Erin Kobberstad, Vice President
Strategic Planning
MultiCare Health System
P.O. Box 5299, Mail Stop: 820-4-SBD
Tacoma, WA 98415
ekobberstad@multicare.org

Frank Fox, PhD
HealthTrends
206.366.1550
frankfox@comcast.net

Thank you for your support. Please contact me if you have any questions.

Sincerely,

Erin Kobberstad, Vice President, Strategic Planning
MultiCare Health System

Exhibit 3

Kitsap County Home Health Need Model

1987 State Health Plan Methodology

County: Kitsap					
Submission year: 2022					
Years: 2022 - 2026					
2022	Age Cohort *	County Population *	SHP Formula *	Number of Visits =	Projected Visits
	0-64	221,192	0.005	10	11,060
	65-79	47,805	0.044	14	29,448
	80+	12,687	0.183	21	48,757
TOTAL:					89,265
Expected Visits per Agency					10,000
Projected Agencies Needed					8.93
2023	Age Cohort *	County Population *	SHP Formula *	Number of Visits =	Projected Visits
	0-64	221,771	0.005	10	11,089
	65-79	49,264	0.044	14	30,347
	80+	13,536	0.183	21	52,018
TOTAL:					93,453
Expected Visits per Agency					10,000
Projected Agencies Needed					9.35
2024	Age Cohort *	County Population *	SHP Formula *	Number of Visits =	Projected Visits
	0-64	222,349	0.005	10	11,117
	65-79	50,722	0.044	14	31,245
	80+	14,384	0.183	21	55,279
TOTAL:					97,642
Expected Visits per Agency					10,000
Projected Agencies Needed					9.76
2025	Age Cohort *	County Population *	SHP Formula *	Number of Visits =	Projected Visits
	0-64	222,928	0.005	10	11,146
	65-79	52,181	0.044	14	32,143
	80+	15,233	0.183	21	58,540
TOTAL:					101,830
Expected Visits per Agency					10,000
Projected Agencies Needed					10.18
2026	Age Cohort *	County Population *	SHP Formula *	Number of Visits =	Projected Visits
	0-64	223,740	0.005	10	11,187
	65-79	52,682	0.044	14	32,452
	80+	16,557	0.183	21	63,630
TOTAL:					107,269
Expected Visits per Agency					10,000
Projected Agencies Needed					10.73

Home Health Need Summary

Requested Counties	Gross Need: 2026	Total Existing Supply	Net Need*
Kitsap	10.73	6	4

*a negative number indicates a surplus


Home Health Supply

County:		Kitsap	
Agency	License Number	CN Approved	Include In Supply?
Comfort Keepers #438	IHS.FS.00000011	No	No
The Personal Touch	IHS.FS.00000174	No	No
Care Plus Home Health and Training	IHS.FS.00000241	No	Y
Kindred at Home	IHS.FS.00000291	Yes	Y
Kitsap Home Care Services	IHS.FS.00000359	No	No
Martha and Mary At Home	IHS.FS.60123737	No	Y
Visiting Angels	IHS.FS.60191349	No	No
At Home With Country Meadows	IHS.FS.60303710	No	No
Home Instead Senior Care	IHS.FS.60516153	No	No
Home Helpers and Direct Link	IHS.FS.60668056	No	No
Encore Home Health	IHS.FS.60922864	Yes	Y
Allegiance Home Care LLC	IHS.FS.60950410	No	No
ART In-home Care Services, LLC	IHS.FS.61135833	No	No
Puget Sound Senior Care, LLC	IHS.FS.61149607	No	No
Harrison Home Health	IHS.FS.00000307	Yes	Y
Kaiser Permanente (formerly Group Health Home Health)	UNKNOWN	Yes	Y

[Total Active] Total Home Health Agencies Serving County:	16
[EFFECTIVE] Total Home Health Agencies Serving County:	6
Total M/M Certified Serving County:	4

Exhibit 4

Patient Referral and Admissions Policy

	Patient Care
	Document Title: HOME HEALTH: PRIMARY AND SECONDARY REFERRALS AND ADMISSIONS
	Scope: Home Health
	Policy Statement: <p>Initial intake information will be obtained and screened by Intake Nurses, Home Health Liaison Nurses or the Clinical Supervisor to determine whether the referred patient meets agency criteria for admission to include Home Health specific criteria. At the time of the intake screening, determination is also made whether qualified staff are available to provide the requested services and if the patient's residence is located within the area defined by the Certificate of Need.</p>
	Special Instructions: <p>Clinical, Liaison nurses, Intake Nurses, and admission staff will be aware of the process and criteria for acceptance for referral and care delivery.</p>
	Procedures: <ol style="list-style-type: none"> A. The following general criteria is used to evaluate patients referred: <ol style="list-style-type: none"> 1. Patients will be accepted for referral without regard to race, gender, gender identification, national origin, religion, physical impairments or the ability to pay for medical care. 2. All patients must have a known place of residence with adequate facilities existing in the home for proper care. A communication device (phone or message phone) must be available to allow staff to coordinate visit times. 3. The home environment must be safe for the patient, caregivers and agency staff. Referrals are screened to determine any safety issues that would place staff and caregivers at risk. If unacceptable safety risk factors are identified, the referral source and physician will be notified of the decision not to accept the patient for services, along with alternate care options. 4. If the patient has a designated durable power of attorney for health care decisions (DPOA) and the patient is not competent to provide consent, the DPOA must be identified and able to be present by phone or in person, to give consent for care and complete the Advance Directive/Code Status information. 5. The patient and his/her caregiver choose to be served by the Agency and are in agreement with the conditions of the admission evaluation visit. These conditions could include the presence of the DPOA, the date and time of the admission visit and the availability of necessary interpreters. 6. A physician must order the admission evaluation visit. A primary medical doctor, doctor of osteopathy or Podiatrist has agreed to provide orders, sign the plan of care and be responsible for following the patient while on service in accordance with Agency policy and regulatory requirements for Home Health.


	<ol style="list-style-type: none"> 7. Any referred patient who does not meet the criteria for acceptance to Home Health services will be informed of the reasons for the non-acceptance and given alternate care options. This may include referral or transfer of their services to other health care providers or organizations. 8. The referral source and physician will also be notified of the non-acceptance and the actions taken by the agency to offer alternate options for care. This information will be documented according to agency policy and procedures. 9. Home Health Intake will, prior to the acceptance of a referral, insure that the following <u>agency criteria</u> can be met: <ol style="list-style-type: none"> a. Consultation with the Clinical Supervisor , when a referral presents with complex clinical and/or psycho-social needs prior to acceptance of the referral. b. There is qualified staff available to provide the prescribed patient care. c. There is adequate staffing to respond in a timely manner to the initial evaluation and any ongoing care needs and services. d. Agency staff can arrange access to service through the facilitation of language interpreter services or sign language interpreters. e. Ensure that the patient's care needs can safely be met in the home care setting. f. There is ability and willingness on the part of the patient/caregiver to participate in the patient's care between staff visits in establishing and undertaking safety measures and a plan for medical emergencies. g. At a minimum, there needs to be a source of running water, refrigeration, and disposal of wastes in the residence of choice. h. The patient meets the payor criteria for covered service or agrees to pay privately according to ability determined by sliding fee scale. i. The initial telephone communication or contact with the patient, the status of the referral and a mutually agreeable first visit date based on a time frame appropriate to the patient's medical and social needs is documented in the electronic health record (EHR). j. Subsequent secondary evaluations will occur within five (5) working days (Monday through Friday) of receipt of signed physician orders, the initial discipline evaluation or after the patient's return to home or as soon as possible as determined by patient preference or completed referral (Completed referral means that the physician order is received, insurance authorization obtained and/or the Aide plan of care is received. The contact regarding the secondary evaluations scheduling will be documented in the patient's EHR as a case communication
	<p>References: Home Health Medicare Conditions of Participation 484.60 Joint Commission PC.02.02.01</p>
	<p>Point of Contact: Home Health and Hospice Director, 253-301-6400</p>

Approval By: HHH QSSC Quality Safety Steering Council	Date of Approval: 10/15, 11/19 12/19
Original Date: Revision Dates: Reviewed with no Changes Dates:	4/08 9/12, 10/15, 11/19 X/XX; X/XX

Distribution: MSH Intranet

Exhibit 5

Patient Financial Assistance Policy

	Administrative
	Document Title: Financial Assistance – Hospital Based Services
	<p>Scope:</p> <p>This policy applies to patients who qualify for Charity Care or Financial Assistance for the services received within the Hospital facilities of MultiCare Health System (“MHS”) as provided by MHS.</p> <p>Locations include: Tacoma General/Allenmore Hospital, Mary Bridge Children’s Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital, Valley Hospital, Home Health and Hospice, Navos Behavioral Health Center and Capital Medical Center.</p>
	<p>Policy Statement:</p> <p>MHS is guided by a mission to provide high quality, patient-centered care. We are committed to serving all patients, including those who lack health insurance coverage or who cannot pay for all or part of the essential care they receive. We are committed to treating all patients with compassion. We are committed to maintaining Financial Assistance policies that are consistent with our mission and values and that take into account an individual’s ability to pay for medically necessary health care services.</p>
	<p>Definitions:</p> <ol style="list-style-type: none"> 1. Collection Efforts and Extraordinary Collections Actions (ECA) are defined by the MHS Collection Guidelines policy. 2. Charity Care and/or Financial Assistance means medically necessary hospital health care rendered to Eligible Persons when Third-Party Coverage, if any, has been exhausted, to the extent that the persons are unable to pay for the care or to pay deductible or coinsurance amounts required by a third-party payer based on the criteria in this policy. When communicating with patients, the phrase “Financial Assistance” will be used in lieu of “Charity Care.” Both terms are synonymous with one another for the purposes of this policy and MHS billing statements. 3. Eligible Person(s) is defined as those patients who have exhausted any third-party sources and whose income is equal to or below 400% the federal poverty standards adjusted for family size. 4. Emergency Medical Conditions (EMC) are defined by the MHS Emergency Medical Treatment and Active Labor Act (EMTALA), Compliance With policy, which is consistent with WAC 246-453-010. 5. Family is defined per WAC 246-453-010 (18) as a group of two or more persons related by birth, marriage or adoption that live together; all such related persons are considered as members of one family. 6. Income is defined per WAC 246-453-010(17) as 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.

	<p>7. Medically Necessary is defined per WAC 246-453-010 (7) as appropriate hospital-based medical services.</p> <p>8. Responsible Party means that individual who is responsible for the payment of any hospital charges not otherwise covered by a funding source as described below.</p>
	<p>Policy Guidelines:</p> <p>This policy provides a guideline for making consistent and objective decisions regarding eligibility for Financial Assistance. Financial Assistance is available for medically necessary hospital based health care services (to include emergency care) provided by MultiCare Health System.</p> <p>Emergency care will be provided to patients with Emergent Medical Conditions regardless of their ability to pay. MHS shall allocate resources to identify charity cases and provide uncompensated care per RCW 70.170 and WAC 246- 453. See MHS Policy: Emergency Medical Treatment and Active Labor (EMTALA), Compliance With.</p> <p>MHS supports the state-wide voluntary pledge of hospitals to provide Financial Assistance to Eligible Persons in accordance with the methodology provided and updated annually by the Washington State Hospital Association.</p> <p>Consideration for Financial Assistance will be given equally to all Eligible Persons, regardless of race, color, sex, religion, age, national origin, veteran's status, marital status, sexual orientation, immigration status or other legally protected status. See MHS Policy: Patient Nondiscrimination</p> <p>All information relating to the Financial Assistance application is confidential and protected by HIPAA guidelines. See HIPAA Privacy Compliance – Administrative policy.</p> <p>Lists of providers accepting and not accepting Financial Assistance are available at https://www.multicare.org/financial-assistance/ .</p> <p>This policy describes the processes for evaluating applications and awarding Financial Assistance for free and discounted care at the following levels based on the Federal Poverty Limit (FPL) adjusted for family size:</p> <ol style="list-style-type: none"> 1. 100% Financial Assistance - Income levels at or below 300% of the (FPL); or 2. Sliding Scale Financial Assistance - Income levels between 300.5% and 400% of the FPL.
	<p>Procedure:</p> <p>I. Eligibility Criteria</p> <p>In order for a Responsible Party to be considered eligible for Financial Assistance, the following criteria must be met:</p> <p><i>A. Exhaustion of All Funding Sources</i></p> <ol style="list-style-type: none"> 1. Any of the following sources must first be exhausted before a Responsible Party will be considered for Financial Assistance: <ol style="list-style-type: none"> a. Group or individual medical plans b. Workers compensation programs

	<ul style="list-style-type: none"> c. Medicaid programs d. Other state, federal or military programs e. Third party liability situations (e.g., auto accidents or personal injuries) f. Tribal health benefit programs g. Health care sharing ministry programs h. Any other persons or entities having a legal responsibility to pay i. Health saving account (HSA) funds. MHS may require a Responsible Party to fully utilize any available funds from HSA to satisfy outstanding balances. j. MHS will pursue payment from any available Funding Source. The remaining patient liability will be eligible for Financial Assistance based on the criteria in this policy. <p>B. <i>Accurate Completion of Financial Assistance application.</i></p> <ul style="list-style-type: none"> 1. Incomplete applications will be denied. Patients may appeal the denial and provide the missing information per the guidelines set forth below. 2. If the application places an unreasonable burden, taking into account any physical, mental, intellectual, or sensory deficiencies or language barriers which may hinder the Responsible Party's capability of complying with the application procedures on the Responsible Party, then the application process will not be imposed. <p>C. <i>Medicaid Eligibility Within 90 Days of Services in Lieu of Application</i></p> <ul style="list-style-type: none"> 1. A determination of Medicaid eligibility within (90) days of date of services may replace the Financial Assistance application and may be used to qualify the Responsible Party for 100% Financial Assistance except for spend down amounts. Proof of eligibility will be the presence of Medicaid coverage during the applicable timeframe in the patient's coverage record in Epic. <p>D. <i>Presumptive determination or Extraordinary Circumstances</i></p> <ul style="list-style-type: none"> 1. The Responsible Party may qualify for Financial Assistance based on a presumptive determination or extraordinary life circumstances, as outlined below. <p>E. <i>Medically Necessary Health Care Services Rendered</i></p> <ul style="list-style-type: none"> 1. The services provided to the patient must be medically necessary and not elective. 2. Scheduled services that appear to not be medically necessary will be reviewed by Utilization Management prior to the date of service to determine medical necessity. <p>F. <i>International Patients</i></p> <ul style="list-style-type: none"> 1. Eligibility determinations for International Patients for non-emergent services will be considered on a case-by-case basis by a committee representing Physician Leadership, Revenue Cycle and Finance.

II. Proof of Income: Income will be evaluated based on the following criteria:

A. Income Verification

1. Any of the following types of documentation will be acceptable for purposes of verifying income:
 - a. W2 withholding statements
 - b. Payroll check stubs
 - c. Most recent filed IRS tax returns
 - d. Determination of Medicaid and/or state-funded medical assistance
 - e. Determination of eligibility for unemployment compensation
 - f. Written statements from employers or welfare agencies
2. For Social Security and Pension benefits, bank statements may be used to demonstrate the consistent monthly deposit.
3. In the event the Responsible Party is unable to provide the documentation described above, MHS must rely upon the written and signed statements from the Responsible Party for making a final determination of eligibility.
4. MHS may also use third party verification of ability to make a presumptive determination and apply a charity discount without receiving a financial assistance application.

B. Calculation of Income

1. MHS will use the following guidelines to calculate income:
 - a. All Family income will be included in the calculation.
 - b. Based on the type of documentation provided, the income will be calculated to represent a twelve (12) month period.

C. Timing of Determination

1. Income will be determined as of the time the services were provided.
2. Income at the time of application for Financial Assistance will be considered if the application is made within two years of the time the services were provided and the Responsible Party has been making good faith efforts towards payment for the services.

III. Process for Determination of Eligibility

- A. At the time of registration or as soon as possible following the initiation of services, MultiCare will make an initial determination of eligibility following the patient's review of the FPL grid. If a patient is determined to likely fall below 300% of the FPL, they will not be asked for payment and will be referred to a Patient Financial Navigator (PFN), who will provide additional information about Financial Assistance and other programs that may be available to the patient.
- B. Collection activity will cease for 30 calendar days for patients believed to be under 300% of the FPL and the Responsible Party will be asked to complete a Financial Assistance application. If no application is received within 30 days, collection activity will resume.

- C. When an application is received, a PFN will review the application to determine eligibility.
- D. Incomplete applications will be denied. The Responsible Party will be provided a letter specifying missing information and may Appeal the decision per the requirements below.
- E. A written notice of determination will be sent to the applicant within fourteen (14) calendar days from receipt of the complete application.
- F. If approved, this notice will include the amount for which the Responsible Party is financially responsible, if any.
- G. Approvals will be valid for 180 days and a new application will be required after such time. Awards to Eligible Persons on fixed incomes like Social Security shall be approved for one (1) year, at the discretion of the PFN reviewing the application.

IV. Appeals

- A. The Responsible Party may appeal the determination by providing additional verification of income or family size within thirty (30) calendar days of receipt of the determination.
- B. MultiCare will respond to the appeal within fourteen (14) calendar days from receipt of the appeal.
- C. All appeals will be reviewed and approved or denied by the Manager or Director, Patient Financial Navigation.
- D. If an appeal is denied, it will be presented to the AVP, Financial Clearance, Vice President of Revenue Cycle or Chief Financial Officer (CFO) for final determination. If this determination affirms the previous denial of Financial Assistance, written notification will be sent to the Responsible Party and the Department of Health in accordance with state law.
- E. Collection efforts will be suspended during the thirty (30) calendar day appeal period and the fourteen (14) calendar day appeal review period.

V. Application of Financial Assistance Discount Levels

- A. Financial Assistance applies to combined balances for all open accounts for the Responsible Party at time of application submission. The amount owed by an Eligible Person qualifying under this Financial Assistance policy will not exceed amounts generally billed to a Responsible Party not receiving assistance. The method used to calculate the discount to an Eligible Person's balance will be based on an annual retrospective analysis. A rate will be determined for each hospital. This will be calculated using a Look-Back Method pulling a year of claims that have paid in full for Medicare and private/commercial health insurance Responsible Party to determine the "Amount Generally Billed". Patients may obtain information about the Amounts Generally Billed calculations free of charge by calling 800-919-1936.
 - 1. Balances will be considered for Financial Assistance based on the FPL guidelines in Appendix A.
 - 2. If an Eligible Person's residence is in Hawaii or Alaska, the associated FPL guidelines for those states will be utilized to make the determination of assistance.

- B. Financial Assistance adjustments will be considered on an individual account balance basis. Approvals on adjustments will be authorized as follows:
1. Patient Financial Navigators: \$0.01 - \$4,999
 2. Supervisor: \$5,000 - \$49,999
 3. Manager/Director: \$50,000 - \$99,999
 4. AVP: \$100,000 - \$499,999
 5. Vice President: \$500,000 - \$999,999
 6. SVP, CFO: \$1,000,000 - \$2,999,999
- C. The volume of applications and adherence to this policy will be tracked and audited on a monthly basis. This report will be reviewed and signed by the Vice President of Revenue Cycle or AVP, Financial Clearance.

VI. Presumptive Eligibility

- A. Eligibility may be determined presumptively.
1. MHS may utilize third party vendor software or software applications to determine an account's collectability. This is a "soft" credit check and will not impact the Responsible Party's credit standing.
 2. If these reviews determine the patient may be at 300% or below of the FPL, an adjustment will be taken automatically assuming the account otherwise qualifies for Financial Assistance.

VII. Extraordinary Life Circumstances

- A. Extraordinary Life Circumstances may also warrant Financial Assistance. Examples of such circumstances may include:
1. **Homeless Persons:** A Homeless person is an individual who has no home or place of residence and depends on charity or public assistance. Such individuals will be eligible for Financial Assistance, even if they are unable to provide the documentation required for the Financial Assistance application.
 2. **Deceased Patients:** The charges incurred by a patient who expires may still be considered eligible for Financial Assistance. For the Financial Assistance application, the deceased patient will count as a family member. Accounts in an "Estate" status or situations where the estate has not been opened are not eligible for Financial Assistance until the Estate is settled.
 3. **Inmates:** Responsible Party who is incarcerated may be considered eligible in the event the State or County has made a determination that the State or County is not responsible for charges and the inmate/patient is responsible for the bill. Charges incurred while in custody are usually paid through the Law Enforcement Agency and would not qualify for Financial Assistance.
 4. **Catastrophic Determinations:** Responsible Party may qualify for a Catastrophic Discount. Only medically necessary services are eligible for a Catastrophic Discount. A Catastrophic event will be determined on a case-by-case basis. Catastrophic cases may include extraordinary medical expenses or hardship situations. All income and non-income resources are considered in the determination, to include the Responsible Party's future income earning

potential, especially where his or her ability to work may be limited as a result of illness and/or their ability to make payments over an extended period of time. All of the debt or a portion of the debt may qualify for Financial Assistance. The Director or Manager of Patient Financial Navigation will assist in making a catastrophic event application determination.

- B. Requests for Financial Assistance may originate from other sources including a physician, community or religious groups, social services, financial services personnel, and/or the Responsible Party.

VIII. Individuals that Qualify for Medical Assistance Programs

- A. MHS takes the following steps to identify patients or guarantors that may qualify for medical assistance programs under RCW 74.09:
1. Patient Financial Navigators review completed financial assistance applications and will follow up with patients or guarantors that appear to qualify for medical assistance programs.
 2. Navigators are available on site at MHS hospital facilities, including our off-campus emergency departments, to identify and screen patients and their guarantors.
 3. All self-pay patients admitted to an MHS hospital facility are screened to determine if they qualify for any medical assistance programs.
 4. Patients may be referred for screening for coverage or medical assistance programs by Care Managers, Registration staff, and providers.
 5. Certified Navigators are located throughout MHS and are available at no cost to help customers sign up for coverage through Washington Healthplanfinder. This service is available to anyone searching for a health plan—not only MHS patients.
- B. Once a patient or guarantor is identified as potentially being eligible for a medical assistance program:
1. The patient is screened by a Navigator, who helps determine eligibility for public health care coverage based on household size and income.
 2. If the patient's eligibility is confirmed, then a Navigator will partner with the patient and assist the patient in applying for the appropriate health plan.
 3. The patient account is flagged to ensure no billing occurs while the application is pending.
- C. MHS is not obligated to provide financial assistance if a patient or their guarantor qualifies for retroactive health care coverage under RCW 74.09 and the patient or their guarantor fails to make reasonable efforts to cooperate with a Navigator's attempts to assist them in applying for such coverage.(RCW 70.170.060(5)).

IX. Collection Efforts for Outstanding Patient Accounts

- A. MHS will not initiate collection efforts or requests for deposits, provided that the Responsible Party within a reasonable time is cooperative with the system's efforts to reach a determination of Financial Assistance eligibility status. ECA may only be initiated after the Notification Period, in accordance with the MHS Policy: Collection

	<p>Guidelines, Patient Accounts.</p> <p>B. The Responsible Party's financial obligation remaining after application of the sliding fee schedule will follow regular collection procedures to obtain payment, pursuant to Policy.</p> <p>C. In the event that a Responsible Party pays a portion or all of the charges related to medically necessary health care services, and is subsequently found to have met the Financial Assistance criteria, any payments for services above the qualified amount will be refunded to the Responsible Party within 30 days of the eligibility determination.</p> <p>X. Staff Training</p> <p>A. All relevant and appropriate staff supporting Hospital based locations who perform registration, admission, billing, or other related functions shall participate in standardized training based on this Financial Assistance Policy and the use of interpreter services to assist persons with limited English proficiency and non-English-speaking persons in understanding information about the availability of Financial Assistance.</p> <p>B. The training shall help ensure staff can answer Financial Assistance questions effectively, obtain any necessary interpreter services, and direct inquiries to the appropriate department in a timely manner.</p> <p>XI. Dissemination of MHS Financial Assistance Policy</p> <p>A. All patients are provided with information about the availability of Financial Assistance upon registration. Additional copies can be requested from the Hospital Financial Navigators or Patient Access Techs within the hospital facilities.</p> <p>B. Notices in all languages spoken by more than 10 percent of the population advising patients of the availability of Financial Assistance will be posted in key public areas of the hospital, including Admissions and/or Registration, the Emergency Department, Billing and Financial Services.</p> <p>C. This policy, the application, and a plain language summary are available to patients free of charge by contacting 800-919-1936.</p> <p>D. Financial counselors are available to discuss Financial Assistance options in person at all hospital locations or over the phone for other areas of the health system.</p> <p>E. Billing Statements sent to Responsible Parties will contain information regarding the availability of Financial Assistance in both English and Spanish.</p> <p>F. Written materials are available in English, Spanish, Russian and Vietnamese. .</p> <p>G. Wide-reaching community notifications will occur in the following ways:</p> <ol style="list-style-type: none"> 1. Available at registration areas of all hospital facilities, 2. On MHS website www.multicare.org 3. Communications provided to our community partners for distribution, and 4. Upon request, by calling 800-919-1936 <p>Related Forms:</p>
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	Proof of Income for Financial Assistance Instruction Sheet Financial Assistance Application Financial Assistance Letter to Patients Patient Brochure Containing Plain Language Summary	
	Appendix A: Financial Assistance	
	References: RCW 70.170 WAC 246-453 Federal Register Vol 79, December 31, 2014 Final Rule	
	Point of Contact: AVP, Financial Clearance, rcardenas@multicare.org	
Approval By: Finance Leadership Corporate Compliance Leadership System Policy Council MHS Quality Safety Steering Council MHS Corporate Board	Date of Approval: 12/18, 4/21, 10/21, 4/22 12/18, 4/21, 10/21, 4/22 4/22 7/12, 8/13, 7/14, 4/15, 9/19, 5/21, 12/21 10/22	
Original Date: Revision Dates:	5/97 11/00, 8/03, 2/05, 2/06, 9/08, 11/09, 4/11, 6/12, 8/13, 7/14, 3/15, 2/17, 2/18, 8/18, 9/18, 4/21, 9/21, 4/22, 10/22	
Reviewed with no Changes Dates:	X/XX; X/XX	

Previously Titled: Charity Care and Financial Assistance (prior to 9/14)


Financial Assistance
Appendix A
2022

FAMILY SIZE	Gross Annual Income	300%	350%	400%
1	\$13,590	\$40,770	\$47,565	\$54,360
2	\$18,310	\$54,930	\$64,085	\$73,240
3	\$23,030	\$69,090	\$80,605	\$92,120
4	\$27,750	\$83,250	\$97,125	\$111,000
5	\$32,470	\$97,410	\$113,645	\$129,880
6	\$37,190	\$111,570	\$130,165	\$148,760
7	\$41,910	\$125,730	\$146,685	\$167,640
8	\$46,630	\$139,890	\$163,205	\$186,520
9	\$51,350	\$154,050	\$179,725	\$205,400
10	\$56,070	\$168,210	\$196,245	\$224,280
EACH ADD'L		\$4,720		

Poverty Level, Up To		
300%	350%	400%
Charity Discount, %		
100%	75%	60%
Patient Responsibility, %		
0%	25%	40%

Exhibit 6

Patient Rights and Responsibilities Policy

	Administrative
	Title: PATIENT RIGHTS AND RESPONSIBILITIES: ADULTS AND SPECIAL RIGHTS OF ADOLESCENTS
	<p>Scope:</p> <p>This policy applies to all patients and their families within the MultiCare Health System (MHS).</p> <p>This scope applies to all ambulatory and inpatient areas at MultiCare Health System. It includes Tacoma General Hospital/Allenmore Hospital, Mary Bridge Children's Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital, Valley Hospital and Capital Medical Center.</p>
	<p>Policy Statement:</p> <p>This policy establishes the MHS procedure to define patient rights by law and policy and define the procedure for providing this information to patients and families with MultiCare.</p> <ul style="list-style-type: none"> A. Patients will be provided a copy of the Patient Rights and Responsibilities brochure. This occurs on an annual basis, usually at the time of registration (or as soon as feasible), or more frequently as desired by patient and family. Brochures will be available to patients and families in registration areas.
	<p>Procedure:</p> <p>The following steps are to be followed to assure that the patients and families at MHS are aware of their rights and responsibilities:</p> <ul style="list-style-type: none"> A. MultiCare staff (employed, volunteer and contracted) will support and abide by the rights of patients who seek services within MultiCare Health System. B. Personnel responsible for admitting patients to the "inpatient" status will provide a copy of the Patient Rights and Responsibilities brochure at the time of admission (or as soon as feasible) and validate that the patient has received a copy at least yearly. C. Directors/Managers in patient registration areas will ensure the brochure is available for patients and families.
	<p>Related Policies: "Advanced Directives: Living Will and Mental Health", "Patient Grievances"</p>
	<p>Related Forms: <i>Patient Rights and Responsibilities Booklet # 87-9158-0c</i></p>
	<p>References:</p> <p>Joint Commission Standards on Patient Rights CMS Conditions of Participation</p>
	<p>Point of Contact: Executive Director, Patient Access 697.1865</p>

Approval By: Patient Registration Leadership CapMC Compliance and Ethics Team Quality Safety Steering Council	Approval Date: 4/19 7/21 4/14, 1/17, 6/19
Original Date: Revision Dates:	9/90 3/93, 2/95, 5/96, 11/97, 3/99, 2/01, 2/03, 11/05, 3/09, 4/14, 1/17, 4/19
Reviewed with no Changes Dates:	5/12

Distribution: MSH Intranet


Scope/locations of services updated March, 2017.

4/11/18 - Approved at SKRB 3/26/18 and QSSC 4/10/18 to apply to Covington Medical Center

Approved by QSSC e-vote 8/15/2021 to apply to Capital Medical Center

Exhibit 7

Non-Discrimination Policy

	Privacy & Civil Rights
	Document Title: Patient Nondiscrimination
	<p>Scope:</p> <p>This applies to all MultiCare Health System (MHS) workforce members, which includes but not limited to, employees, residents, students, volunteers and other persons who are under direct control of MHS, who access, use, disclose or come in contact with patient information, including Protected Health Information (PHI) and patient Personally Identifiable Information (PII) in any form (paper, electronic or verbal).</p>
	<p>Location Scope:</p> <p>MultiCare Health System adopts the following policy and procedure for the following locations: Tacoma General Hospital/Allenmore Hospital, Mary Bridge Children's Hospital, MultiCare Good Samaritan Hospital, MultiCare Auburn Medical Center, MultiCare Deaconess Hospital, MultiCare Valley Hospital, Covington Medical Center, Capital Medical Center, MultiCare Connected Care, MultiCare Foundations, CHVI, NAVOS, Greater Lakes Mental Healthcare, Home Health and Hospice, and all ambulatory, community-based, administrative, and retail sites.</p>
	<p>Policy Statement:</p> <p>MHS does not exclude, deny benefits to, or otherwise discriminate against any person on the basis of race, color, creed, religion, age, disability, national origin, language, marital status, sex (including pregnancy), sexual orientation, gender identity or expression, veteran or military status, citizenship or immigration status, or any other basis prohibited by federal or state law in admission to, participation in, or receipt of the services and benefits under any of its programs and activities, whether carried out by MHS directly or through a contractor of any other entity with which MHS arranges to carry out its programs and activities.</p> <p>This policy applies to MHS Personnel's interactions with patients, vendors, guests, and visitors of MHS. For questions regarding employment discrimination involving MHS, please see the MHS Policy and Procedure "<i>Equal Employment Opportunity and Employment Law</i>."</p> <p>For questions call the Privacy & Civil Rights Office at (253) 459-8300, the Integrity Line at (866) 264-6121 or email compliance@multicare.org.</p>
	<p>Special Instructions:</p> <p>Any person who believes they or any specific class of individuals have been subjected to prohibited discrimination, such person may file a complaint with the MHS Privacy & Civil Rights Office or through the Integrity Line.</p> <p>All reports will be responded to and investigated by the Privacy & Civil Rights Office. The availability and use of this procedure 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.</p> <p>No person will suffer retaliation for reporting discrimination, filing a complaint or cooperating in an investigation of a discrimination complaint.</p>

	<p>Procedure:</p> <p>MHS Personnel will:</p> <ol style="list-style-type: none"> 1. Treat all patients and visitors receiving services from or participating in other programs of MHS, with equality in a welcoming manner that is free from discrimination based on race, color, creed, religion, age, disability, national origin, marital status, sex (including pregnancy), sexual orientation, gender identity or expression, veteran or military status, or any other basis prohibited by federal or state law. 2. Provide notices to patients regarding this Nondiscrimination Policy and MultiCare Health System's commitment to providing access to and the provision of services in a welcoming, nondiscriminatory manner. 3. Inform patients of the availability of and make reasonable accommodations for patients consistent with federal and state requirements. For example, language interpretation services will be made available for non-English speaking patients and sign language interpretation will be made available for hearing impaired patients. 4. Afford appropriate visitation rights to patients free from discrimination and will ensure that visitors receive equal visitation privileges consistent with patient preferences, safety and other applicable policies. At the time patients are notified of their patient rights, Hospital Personnel will also inform patient, or patient's support person, including the patient's attorney in fact, when appropriate, of the patient's visitation rights, including any clinical or safety restriction on those rights, and the patient's right, subject to the patient's consent, to receive visitors whom the patient designates. 5. Determine eligibility for and provide services, financial aid, and other benefits to all patients in a similar manner, without subjecting any individual to separate or different treatment on the basis of race, color, creed, religion, age, disability, national origin, marital status, sex (including pregnancy), sexual orientation, gender identity or expression, veteran or military status, citizenship or immigration status, or any other basis prohibited by federal or state law.
	<p>Related Policies:</p> <p>Compliance and Ethics Program, Reporting and Investigating Concerns of Violations Patient Grievances Equal Employment Opportunity and Employment Law Emergency Medical Treatment and Active Labor (EMTALA), Compliance with Employee Complaint Grievance Procedure</p>
	<p>References:</p> <p>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 and Regulations of the U.S. Department of Health and Human Services issued pursuant to:</p> <p>45 C.F.R. § 80 (2012) – Nondiscrimination under programs receiving Federal assistance through the Department of Health and Human Services effectuation of Title VI of the Civil Rights Act of 1964.</p> <p>45 C.F.R. § 84 (2012) – Enforcement of nondiscrimination on the basis of handicap in</p>

	<p>programs or activities conducted by the Department of Health and Human Services.</p> <p>45 C.F.R. § 91 (2012) – Nondiscrimination on the basis of age in programs or activities receiving Federal financial assistance from HHS.</p> <p>RCW 49.60 – Discrimination – Human Rights Commission</p> <p>Idaho Title 67, Chapter 59 – Idaho Human Rights Act</p> <p>29 U.S.C. § 794 – Nondiscrimination under Federal grants and programs. RCW 49.60</p> <p>I.C. § 67-5909</p>	
	<p>Point of Contact: compliance@multicare.org</p>	
<p>Approval By: Compliance/Privacy Leadership CapMC Compliance/Privacy MHS Quality Safety Steering Council</p>		<p>Date of Approval: 8/19, 8/20 7/21 8/12, 9/17, 9/19, 9/20</p>
<p>Original Date: Revision Dates: Reviewed with no Changes Dates:</p>		<p>6/12 8/17, 8/19, 8/20 X/XX; X/XX</p>

Distribution: MHS Intranet

Approved at SKRB 4/12/18 and QSSC e-vote 4/18/18 to apply to Covington Medical Center

Approved at QSSC September 2019 to apply to Home Health and Hospice

Update scope to include Protected Health Information (PHI) and Personally Identifiable Information (PII) as well as Community-based locations – November, 2020

Approved by QSSC e-vote 8/15/2021 to apply to Capital Medical Center

Exhibit 8

Pro Forma Financials

MultiCare Health System - Home Health and Hospice
Statement of Operations
(In Thousands)

	For The Period Ending December 31, 2019	For The Period Ending December 31, 2020	For The Period Ending December 31, 2021	For The Period Ending September 30, 2022	September 30, 2022 YTD Annualized	2023 Q1-Q2 Forecast
PATIENT SERVICE REVENUES:						
NET PATIENT SERVICE REVENUE	28,620	27,834	26,540	18,001	24,002	13,270
OTHER OPERATING REVENUE:						
Other Operating Revenue	(1)	380	1,462	7	9	0
Net Assets Released From Restrictions	254	67	66	50	66	33
TOTAL	253	447	1,528	56	75	33
TOTAL OPERATING REVENUE	28,873	28,282	28,068	18,058	24,077	13,303
Operating Expenses						
Salaries and Wages	15,746	15,033	15,051	11,497	15,329	7,526
Employee Benefits	3,835	3,669	3,825	2,726	3,634	1,913
Pharmaceutical Supplies	46	214	261	113	151	131
Supplies	644	603	549	325	433	275
Professional Fees	1,319	1,452	1,229	220	293	615
Purchased Services	1,479	899	1,021	492	655	511
Other Operating Costs	1,659	1,613	1,316	1,080	1,441	658
Lease & Rental Fees	1,255	1,160	1,271	681	907	636
System Allocation	570	453	502	2,057	2,743	251
Depreciation & Amort.	282	318	338	6	8	169
TOTAL	26,834	25,415	25,362	19,196	25,595	12,682
NON-OPERATING EXPENSES:						
Interest	6	11	3	0	0	0
TOTAL	6	11	3	0	0	0
NON-OPERATING REVENUE:						
TOTAL	0	0	0	0	0	0
	2,033	2,856	2,703	(1,139)	(1,518)	622

Note: 2023 Q1-Q2 forecast based on 2021 Patient Revenues and Operating Expenses. "Other Operating Revenue" assumed equal to zero in 2023.

MultiCare Home Health Pro Forma Forecast - Kitsap Only
Revenue & Expense Statement

	2023	2024	2025	2026
Gross Revenue				
Medicare/Mgd Medicare	1,948,306	4,386,168	4,872,418	5,507,519
Medicaid/Mgd Medicaid	161,789	364,232	404,610	457,350
Commercial	132,166	297,541	330,527	373,609
Self Pay	2,279	5,130	5,699	6,442
Health Care Exchange	6,836	15,390	17,096	19,325
Other	27,345	61,560	68,385	77,299
Total Gross Revenue	2,278,720	5,130,021	5,698,734	6,441,543
Deductions				
Contractual Adjustments	240,650	541,769	601,829	680,275
Charity Care	33,953	76,437	84,911	95,979
Provision for Bad Debts	17,051	38,387	42,642	48,201
Total Deductions From Revenue	291,654	656,593	729,382	824,455
Net Revenue	1,987,066	4,473,429	4,969,352	5,617,088
Operating Expenses				
Salaries and Wages	1,314,514	2,836,186	3,130,776	3,545,605
Employee Benefits	319,427	689,193	760,778	861,582
Medical Supplies	25,195	56,720	63,008	71,221
Office Supplies	3,943	8,876	9,860	11,145
Professional Fees	27,568	62,062	68,942	77,929
Medical Director	12,500	25,000	25,000	25,000
Epic Charges	47,250	126,000	126,000	126,000
Building Lease Space (site sharing)	1,537	3,165	3,235	3,306
Purchased Services - System License and Maintenance Fee	31,198	70,236	78,022	88,192
Mileage/Tolls/Parking	39,897	89,819	99,776	112,782
Copier and Fax Line	1,200	2,400	2,400	2,400
Cell Phone	4,461	19,425	21,471	24,465
System Allocation	117,436	264,380	293,689	331,970
Other Operating Costs	52,315	117,776	130,832	147,886
Total Operating Expenses	1,998,440	4,371,237	4,813,790	5,429,482
Non-Operating Expenses				
Depreciation & Amort.	2,549	5,097	5,097	5,097
Taxes	29,806	67,101	74,540	84,256
Total Non-Operating Expenses	32,355	72,199	79,637	89,353
Total Expenses	2,030,794	4,443,436	4,893,427	5,518,836
Total Operating Margin	(43,728)	29,993	75,925	98,252

MultiCare Home Health Revenue Assumptions - Kitsap Only

Utilization	Assumptions (Forecasted Years 2023 - 2026)		
Home Health Admits	Total admissions; see utilization forecast		
Visits	Total admissions times visits per admit of 14.20 in WA		
Gross Patient Revenue	Payer Mix	Contractual Adjustment Rate	Charges per Admit
Medicare/Mgd Medicare	85.50%	8.73%	\$3,869
Medicaid/Mgd Medicaid	7.10%	28.70%	\$3,869
Commercial	5.80%	16.70%	\$3,869
Self Pay	0.10%	0.00%	\$3,869
Health Care Exchange	0.30%	5.70%	\$3,869
Other	1.20%	6.10%	\$3,869
Total	100%	N/A	\$3,869
Other revenue adjustments			
Bad debt	Assumed constant at 0.75% of gross revenues based on 2021 historical levels.		
Charity care	Assumed constant at 1.49% of gross revenues based on 2018-2020 Kitsap County Planning Area average.		

MultiCare Home Health Expense Assumptions - Kitsap Only

Category/Item	Assumptions (Forecasted Years 2023 - 2026)
Employee Compensation	
Salaries and Wages	Salaries are calculated as prorated FTEs by discipline, multiplied by average hourly wage rate by discipline. See Salary and Benefit tables
Benefits	Benefits assumed at 24.30% of total employee compensation based on MultiCare Home Health historical levels.
Supplies	
Medical Supplies	About \$42.78/admit based on MHS HH historical amounts
Office Supplies	About \$6.69/admit based on MHS HH historical amounts
Purchased Services	
System License and Maintenance Fee	About \$52.97/admit based on MHS HH historical amounts
Other expenses	
Professional Fees	About \$46.80/admit based on MHS HH historical amounts
Medical Director	Based on 0.1 FTEs and a 250,000 annual salary/FTE
Epic Charges	Quarterly costs include \$15,750 License/Op fees for 12 users, \$23,625 License/Op fees for 18 users, or \$31,500 License/Op fees for 18 users
Building Lease Space	Lease expenses based on a total of 1,200 square feet for MHS Home Health, Hospice, and Palliative Care, of which 120 Square Feet is expected to be needed for the Kitsap Home Health operations. Base Rent plus NNN equal to \$256.19 per month in 2023, \$263.75 per month in 2024, and \$269.55 per month in 2025.
Mileage/Tolls/Parking	About \$67.74/admit based on MHS HH historical amounts
Copier and Fax Line	About \$200.00/month based on MHS HH historical experience
Cell Phone	Equal to \$40 per year per FTE for phones plus \$50 per month per FTE for service
Other Operating Costs (Incl. books & subscriptions, postage, & recruitment)	About \$88.82/admit based on MHS HH historical amounts
System Allocation	5.91% of Net Revenue
Depreciation & Amort.	Capital expenses equal to about \$50,971.58 depreciated over 10 years; equals about \$5,097.16/year in depreciation costs
Taxes	1.50% B&O taxes in WA (% of Net Revenue)

MultiCare Home Health Staffing Forecast 2023 - 2026

Kitsap Only FTE Projections

FTE per Position (Productive + Non Productive)	2023	2024	2025	2026
Administrator	0.38	0.50	0.50	0.50
Clinical Supervisor	0.38	0.50	0.50	0.50
Intake/Scheduling	0.38	0.50	0.50	1.00
Registered Nurse	4.60	10.35	11.50	13.00
LPN	0.67	1.52	1.68	1.90
Physical Therapist	2.20	4.95	5.50	6.22
Occupational Therapist	1.11	2.49	2.77	3.13
Speech Language Pathologist	0.23	0.52	0.57	0.65
Medical Social Worker	0.23	0.52	0.58	0.66
PTA	2.39	5.38	5.98	6.76
COTA	0.73	1.63	1.82	2.05
Home Health Aide	0.66	1.48	1.65	1.86
Total	13.94	30.35	33.55	38.23

Note: the number of FTEs were prorated over a partial year based on 2080 hours per year. Medical director is a contracted position thus the compensation is reflected in professional fees.

FTE per Position (Productive)	2023	2024	2025	2026
Administrator	0.34	0.45	0.45	0.45
Clinical Supervisor	0.34	0.45	0.45	0.45
Intake/Scheduling	0.34	0.45	0.45	0.91
Registered Nurse	4.18	9.41	10.45	11.81
LPN	0.61	1.38	1.53	1.73
Physical Therapist	2.00	4.50	5.00	5.65
Occupational Therapist	1.01	2.27	2.52	2.85
Speech Language Pathologist	0.21	0.47	0.52	0.59
Medical Social Worker	0.21	0.48	0.53	0.60
PTA	2.17	4.89	5.44	6.14
COTA	0.66	1.49	1.65	1.87
Home Health Aide	0.60	1.35	1.50	1.69
Total	12.67	27.59	30.50	34.75

Note: the number of FTEs were prorated over a partial year based on 2080 hours per year. Medical director is a contracted position thus the compensation is reflected in professional fees.

<p align="center">MultiCare Home Health Staffing Forecast 2023 - 2026 Kitsap Only FTE Projections</p>
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FTE per Position (Non-Productive)	2023	2024	2025	2026
Administrator	0.03	0.05	0.05	0.05
Clinical Supervisor	0.03	0.05	0.05	0.05
Intake/Scheduling	0.03	0.05	0.05	0.09
Registered Nurse	0.42	0.94	1.05	1.18
LPN	0.06	0.14	0.15	0.17
Physical Therapist	0.20	0.45	0.50	0.57
Occupational Therapist	0.10	0.23	0.25	0.28
Speech Language Pathologist	0.02	0.05	0.05	0.06
Medical Social Worker	0.02	0.05	0.05	0.06
PTA	0.22	0.49	0.54	0.61
COTA	0.07	0.15	0.17	0.19
Home Health Aide	0.06	0.13	0.15	0.17
Total	1.27	2.76	3.05	3.48

Note: the number of FTEs were prorated over a partial year based on 2080 hours per year. Medical director is a contracted position thus the compensation is reflected in professional fees.

MultiCare Home Health Staffing Forecast 2023 - 2026
Kitsap Only Salary and Benefit Projections

Salary Per Position	Pay Rate	2023	2024	2025	2026
Administrator	\$185,000	\$69,375	\$92,500	\$92,500	\$92,500
Clinical Supervisor	\$112,620	\$42,233	\$56,310	\$56,310	\$56,310
Intake/Scheduling	\$60,120	\$22,545	\$30,060	\$30,060	\$60,120
Registered Nurse	\$108,520	\$498,926	\$1,123,219	\$1,247,739	\$1,410,377
LPN	\$77,000	\$51,845	\$116,717	\$129,656	\$146,556
Physical Therapist	\$95,325	\$209,617	\$471,905	\$524,221	\$592,551
Occupational Therapist	\$92,754	\$102,763	\$231,348	\$256,995	\$290,493
Speech Language Pathologist	\$85,390	\$19,576	\$44,071	\$48,957	\$55,339
Medical Social Worker	\$85,360	\$19,888	\$44,774	\$49,738	\$56,221
PTA	\$77,441	\$185,152	\$416,828	\$463,037	\$523,392
COTA	\$73,010	\$53,019	\$119,360	\$132,592	\$149,875
Home Health Aide	\$60,120	\$39,575	\$89,094	\$98,971	\$111,872
Total		\$1,314,514	\$2,836,186	\$3,130,776	\$3,545,605

Benefits Per Position	Benefits Rate	2023	2024	2025	2026
Administrator	24.30%	\$16,858	\$22,478	\$22,478	\$22,478
Clinical Supervisor	24.30%	\$10,262	\$13,683	\$13,683	\$13,683
Intake/Scheduling	24.30%	\$5,478	\$7,305	\$7,305	\$14,609
Registered Nurse	24.30%	\$121,239	\$272,942	\$303,200	\$342,722
LPN	24.30%	\$12,598	\$28,362	\$31,506	\$35,613
Physical Therapist	24.30%	\$50,937	\$114,673	\$127,386	\$143,990
Occupational Therapist	24.30%	\$24,971	\$56,217	\$62,450	\$70,590
Speech Language Pathologist	24.30%	\$4,757	\$10,709	\$11,897	\$13,447
Medical Social Worker	24.30%	\$4,833	\$10,880	\$12,086	\$13,662
PTA	24.30%	\$44,992	\$101,289	\$112,518	\$127,184
COTA	24.30%	\$12,884	\$29,005	\$32,220	\$36,420
Home Health Aide	24.30%	\$9,617	\$21,650	\$24,050	\$27,185
Total		\$319,427	\$689,193	\$760,778	\$861,582

Note: The Sal & Ben were prorated over a partial year based on 2080 hours per year. Medical director is a contracted position thus the compensation is reflected in professional fees.

MultiCare Home Health Balance Sheet Pro Forma - Kitsap Only

		2023	2024	2025	2026
ASSETS	Pre Op Period	12/31/2023	12/31/2024	12/31/2025	12/31/2026
<u>Current Assets</u>					
Cash and Cash Equivalents	256,000	212,505	241,446	320,144	422,023
Accounts Receivable	0	156,077	175,686	195,162	220,601
Total Current Assets	256,000	368,582	417,131	515,307	642,624
<u>Fixed Assets</u>					
Long-term Assets		50,972	50,972	50,972	50,972
Accum. Depreciation		(2,549)	(7,646)	(12,743)	(17,840)
Land		0	0	0	0
Total Fixed Assets		48,423	43,326	38,229	33,132
Other Assets		0	0	0	0
Total Assets	256,000	417,005	460,457	553,535	675,755
LIABILITIES AND CAPITAL					
<u>Current Liabilities</u>					
Accounts Payable & Accrued Expenses	0	17,600	20,330	22,226	24,710
Accrued Compensation		136,162	146,891	162,148	183,633
Total Current Liabilities		153,761	167,221	184,375	208,342
Long-Term Liabilities		0	0	0	0
Total Liabilities	0	153,761	167,221	184,375	208,342
Paid-in-Capital	462,326	462,326	462,326	462,326	462,326
Retained Earnings	(155,355)	(199,083)	(169,090)	(93,165)	5,087
Capital	306,972	263,243	293,236	369,161	467,413
Total Liabilities & Capital	306,972	417,005	460,457	553,535	675,755

<p align="center">MultiCare Home Health Startup Expenses - Kitsap Only</p>

Pre-Operating Expenses	Amount
Epic Charges	
Epic Home Health labor cost	110,000
License, maintenance, and support for 12 Users	15,750
Monthly Desk Phone Service Fee	-
Annual Cell Phones	46
Monthly Cell Phone Service	349
Monthly Copier Service Fee	150
Monthly Fax line	50
Recruitment and Training	3,000
Office supplies	200
Office Lease	769
Printing and Publications	375
Total Pre-Operating Expenses	130,689
Equipment Costs	50,972
Subtotal, Pre-Operating Expenses and Equipment	181,660
CON Application Fee	24,666
Total Startup Expenses	206,326

Exhibit 9

Site Control Documents

LEASE AGREEMENT

BETWEEN

X2 BROADWAY, LLC

AND

MULTICARE HEALTH SYSTEM

SEPTEMBER 1, 2019

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LEASE AGREEMENT
1313 BROADWAY, TACOMA

THIS LEASE AGREEMENT ("Lease") is dated for reference purposes September 1, 2019 (the "Effective Date"), and is made by and between **X2 BROADWAY, LLC**, a Washington limited liability company ("Landlord") and **MULTICARE HEALTH SYSTEM**, a Washington nonprofit corporation (Tenant"). Landlord and Tenant agree as follows:

1. LEASE SUMMARY.

a. Leased Premises. The leased commercial premises ("Premises") consist of an estimated area of 46,413 rentable square feet, and are outlined on the floor plans attached as EXHIBIT A, located in a building ("Building") constructed on land ("Land") legally described on the attached EXHIBIT B, and commonly known as 1313 Broadway, Tacoma, Washington. The Premises do not include, and Landlord reserves, the exterior walls and roof of the Building, the Land on which the Building is constructed, the pipes and ducts, conduits, wires, fixtures, and equipment above the suspended ceiling or the structural elements of the Building. The Building, the Land, all other improvements located on such Land, and all common areas within or appurtenant to the Building are referred to as the "Property."

b. Term. The term of this Lease shall be ten (10) years, commencing on the "Commencement Date" for floors one (1) and two (2) as more particularly defined in Section 2(b) and terminating at midnight on the calendar day prior to the tenth (10th) anniversary of the Commencement Date or such earlier or later date as provided in Section 3 ("Termination Date"). Tenant acknowledges that the 5th floor is currently occupied under a tenant lease which expires on or before December 31, 2019. The Commencement Date for the portion of the Premises consisting of the 5th floor shall start immediately after the existing tenant has terminated the lease and vacated the floor, but in no event prior to January 1, 2020 ("5th Floor Commencement Date"), and shall terminate on the Termination Date described above.

c. Base Rent. The annual base rent for the Premises shall be based on the rental rates and the rentable square footage described for each floor and suite on EXHIBIT C. The initial monthly "Base Rent" due under this Lease shall be equal to the rental rate identified on EXHIBIT C multiplied by the agreed area of the Premises set forth on EXHIBIT C, divided by twelve (12). No Base Rent shall be due during the first four (4) months of the Term; except that, with respect to the Fifth (5th) floor, no rent shall be due during the first four (4) months following the 5th Floor Commencement Date. The first monthly payment of Base Rent shall be made on the first day of the month following the expiration of the fourth (4th) month from the Commencement Date as outlined on Exhibit C (collectively, the "Rent Commencement Date"). Base Rent shall be reduced by the rent credit set forth in Section 2(d). Payments of Base Rent shall be made at the following address or at such other address as may be set forth in a notice from Landlord to Tenant: c/o X2

Broadway, LLC, 820 A Street, Suite 702, Tacoma, WA 98402, or at Lessee's option via electronic payments or automated transfers. The Parties will enter into a revised Exhibit C once the Commencement Date for the entirety of the Premises is established.

d. Annual Adjustment of Base Rent. The Base Rent shall be increased on the first day of the second Lease Year (as defined in Section 3 below) and on first day of each succeeding Lease Year (each, an "Adjustment Date") in an amount equal to 2.2% of the Base Rent payable immediately prior to each such Adjustment Date.

e. Permitted Uses. The Permitted Uses are (i) the conduct of administrative office and ancillary activities in support of Tenant's medical or related health care practices; and (ii) ingress, egress, and the parking of motor vehicles in the parking areas by Tenant's health care providers, employees, patients, visitors and invitees.

f. Intentionally Deleted.

g. Excluded Health Care Tenants. Notwithstanding any other term or condition of this Lease to be contrary, during the term of this Lease, Landlord shall not lease space to any of the following entities without Tenant's express written permission within the confines of the Property: any entity or physician group that directly competes with Tenant in the delivery of health care services in the region and/or any competing health care system or physician practice group employing more than 25 physicians, including but not limited to CHI-Franciscan Health System, , Kaiser Permanente, Swedish Medical Center, Proliance Surgeons, Inc., University of Washington Physicians/UW Medicine, Virginia Mason Medical Center, Children's Hospital and Regional Medical Center, Valley Medical Center -and Providence St. Joseph Health System.

h. Allowed Third Party Medical Services. Tenant specifically authorizes Landlord to enter into lease agreements with third parties within the Property, for the provision of any of the following health care services, which are specifically excluded from Tenant's areas of exclusivity as otherwise set forth within this Lease: dentistry, orthodontia, oral surgery, chiropractic medicine, podiatry, ophthalmology, optometry and cosmetic / plastic surgery, kidney dialysis and any other uses approved by Tenant in writing.

i. Notice Addresses.

Landlord:

X2 Broadway LLC
Attn: John M. Xitco, manager
820 A Street, Suite 702
Tacoma, WA 98402

Tenant:

MultiCare Health System
Attn: CBRE, Inc. / Prop. Mgmt
315 Martin Luther King Jr Way
MS: 737-3-CBRE
PO Box 5299
Tacoma, WA 98145-0299
MHSrealestateleaseadministration@multicare.org

With a Copy to:

MultiCare Health System
Attn: General Counsel
315 Martin Luther King Jr. Way
MS: MS: 820-3-LEG
PO Box 5299
Tacoma, WA 98415-0299
Legal.Services@multicare.org
Contractsupport@multicare.org

2. PREMISES.

- a. **Lease of Premises.** As of the date of mutual execution of this Lease by Landlord and Tenant, Landlord leases to Tenant, and Tenant leases from Landlord the Premises upon the terms specified in this Lease.
- b. **Commencement Date.** The Commencement Date of this Lease shall be the date that Landlord delivers to Tenant all suites within the Premises, as such suites are identified on the attached EXHIBIT C, to allow Tenant to commence its tenant improvement work.
- c. **Delivery of Premises.** Landlord shall provide possession of the first and second floor of the Premises upon mutual execution of the Lease Agreement.
- d. **Tenant Improvement Allowance.** Landlord shall grant a Tenant Improvement Allowance in the amount of \$ 40.00 per rentable square foot of the Premises for the construction of tenant improvements ("Tenant's Work") to make the Premises functional for its Permitted Use. Tenant shall have the right to use its own architect and contractor. The Tenant Improvement Allowance shall be reimbursed to Tenant in the form of a credit ("Rent Credit"). The Rent Credit shall be in the amount of \$16,004.48 per month during the first Lease Year. The Rent Credit is calculated based upon a total Tenant Improvement Allowance of

\$1,856,520.00 [46,413 rsf @ \$40 rsf] divided by 116 months). For the second and each succeeding Lease Year, the Rent Credit amount shall be increased in the same manner as Base Rent under Section 1(d).

Upon Tenant's completion of the Tenant's Work, Tenant shall submit the following documentation to Landlord:

- (i) A certificate of occupancy with respect to the Premises;
 - (ii) Tenant's certification that it has performed all of the work in accordance with the approved plans and specifications and in accordance with all other applicable provisions of the Lease;
 - (iii) Copies of substantiating invoices for Tenant's work at the Premises and original, valid, unconditional mechanic's lien releases from the general and all other contractors and suppliers who performed work or furnished supplies for or in connection with Tenant's work at the Premises covering all of the work and such other evidence as Landlord may reasonably request to evidence that no liens can arise from the work; and
 - (iv) Tenant's certification that it is not in default under the Lease beyond any applicable cure period.
- e. **Refund of Prior Earnest Money.** Within thirty (30) days from the date Landlord approves cost and scope of work required for any asbestos remediation work as a result of Tenant's initial improvements, Landlord agrees to refund the \$100,000.00 earnest money that Tenant paid to Landlord as part of the prior purchase arrangements for the Property ("Refund Amount"). If Landlord terminates the Lease or Tenant's right to possession based on a default by Tenant, Tenant shall repay Landlord the Refund Amount hereunder, as additional damages, without in any way limiting Landlord's other rights or remedies, within thirty (30) days from the date of the default and written demand from Landlord.

3. TERM. The term of this Lease shall be ten (10) years unless sooner terminated as provided herein, or extended by Tenant's exercise of its option rights as provided in Section 3 (a) below. The first "Lease Year" shall commence on the Commencement Date and shall end on the date which is twelve (12) months from the end of the month in which the Commencement Date occurs. Each successive Lease Year during the initial term and any extension terms shall be twelve (12) months, commencing on the first day following the end of the preceding Lease Year, except that the last Lease Year shall end on the Termination Date specified in Section 1.

- a. **Option to Extend.** Provided Tenant is not in default (after receipt of any required notices and failure to cure within any applicable cure periods) at the time of the exercise or upon the commencement of any extension term described below, Tenant shall have two (2) successive options to extend the term of this Lease for five (5) years each.

If Tenant desires to exercise an option, it must deliver written notice to Landlord not less than one hundred and eighty (180) days prior to the expiration of the then-current Lease term, time being of the essence in connection therewith. Upon timely and proper exercise of any option, the term of this Lease shall be extended for the period of the subject option upon all of the same terms, conditions and covenants as set forth herein, except that (i) the amount of the Base Rent shall be adjusted to be the fair market value of the Premises, as determined in the manner described below; and (ii) after exercise of Tenant's final extension term option, there shall be no further extension or renewal term options. In each subsequent Lease Year of the extension term, the Base Rent shall be adjusted pursuant to Section 1(d).

If Landlord and Tenant are unable to agree on the fair market rental value for the Premises during the applicable extension term, then, within thirty (30) days after the date Tenant exercises the applicable extension term option, Landlord and Tenant shall agree within ten (10) days thereafter on one real estate appraiser (who shall be a Member of the American Institute of Real Estate Appraisers ["M.A.I."] or equivalent) who will determine the fair market rental value of the Premises.

If Landlord and Tenant cannot mutually agree upon an appraiser within said ten (10) day period, then one M.A.I.-qualified appraiser shall be appointed by Tenant and one M.A.I.-qualified appraiser shall be appointed by Landlord within ten (10) days of notice to the other of such disagreement. The two appraisers shall determine the fair market rental value of the Premises within twenty (20) days of their appointment; provided, however, if either party fails to appoint an appraiser within such ten (10) day period, then the determination of the appraiser first appointed shall be final, conclusive and binding upon both parties.

The appraisers appointed shall proceed to determine the fair market rental value within twenty (20) days following such appointment. The conclusion shall be final, conclusive and binding upon both Landlord and Tenant. If said appraisers should fail to agree, but the difference in their conclusions as to fair market value is ten percent (10%) or less of the lower of the two appraisals, then the fair market rental value shall be deemed the average of the two. If the two appraisers should fail to agree on the fair market rental value and the difference between the two appraisals exceeds ten percent (10%) of the lower of the two appraisals, then the two appraisers thus appointed shall appoint a third M.A.I.-qualified appraiser, and in case of their failure to agree on a third appraiser within ten (10) days after their individual determination of the fair market rental value, either party may apply to the Presiding Judge of the Pierce County Superior Court, requesting such Judge to appoint the third M.A.I.-qualified appraiser.

The third appraiser so appointed shall promptly determine the fair market rental value of the Premises and the average of the appraisals of the two closest appraisers shall be final, conclusive and binding upon both parties. The fees and expenses of said third appraiser or the one appraiser Landlord and Tenant agree upon, shall be borne equally between Landlord and Tenant. Landlord and Tenant shall pay the fees and expenses of their respective appraiser if the parties fail to agree on a single appraiser. All M.A.I. appraisers appointed or selected pursuant to this subsection

shall have at least ten (10) years' experience appraising commercial properties in the commercial leasing market in which the Premises are located.

4. RENT.

a. Payment of Rent. Tenant shall pay Landlord without notice, demand, deduction or offset, in lawful money of the United States, the monthly Base Rent stated in Section 1 in advance on or before the Rent Commencement Date and on or before the first (1st) day of each calendar month thereafter during the remainder of the Lease Term, together with any other additional payments due to Landlord ("Additional Rent") (collectively, "rent" or "Rent") when required under this Lease. Payments for any partial month at the beginning or end of the Lease term shall be prorated. All payments due to Landlord under this Lease, including late fees and interest, shall be rent, and upon failure of Tenant to pay any such costs, charges or expenses, Landlord shall have the same rights and remedies as otherwise provided in this Lease for the failure of Tenant to pay rent. Tenant may pay rent via ACH, and Landlord shall cooperate in providing any necessary account information to set up this method.

b. Base Rent Adjustment. The monthly Base Rent shall be increased on each Adjustment Date as provided in Section 1(d) above.

c. Late Charges; Default Interest. If any sums payable by Tenant to Landlord under this Lease are not received within ten (10) business days after their due date, Tenant shall pay Landlord in addition to the amount due, for the cost of collecting and handling such late payment, an amount equal to the lesser of two percent (2%) of the delinquent amount or two hundred dollars (\$200). In addition, all delinquent sums payable by Tenant to Landlord and not paid within ten (10) business days after their due date shall, at Landlord's option, bear interest at the rate of ten percent (10%) per annum (the "Default Rate"). Interest on all delinquent amounts shall be calculated from the original due date to the date of payment.

5. ADDITIONAL RENT.

Base Rent paid by Tenant includes Tenant's Pro-Rata Share of Operating Expenses (as defined below) for the 2019 calendar year (the "Base Year"). As more particularly set forth below, Tenant shall pay to Landlord, as Additional Rent, commencing in calendar year 2020 and continuing for each remaining calendar year of the Lease Term, Tenant's Pro Rata share of the amount by which Operating Expenses such year exceed the amount of Operating Expenses for the Base Year, which shall be calculated and set forth in an addendum to this Lease to be executed by Landlord and Tenant within 90 days after completion of the Base Year. For such purposes, as soon as practical following completion of the initial accounting for the Base Year, Landlord shall provide a summary to Tenant of the amount of such actual costs incurred during the Base Year and the actual costs shall then be used to determine the Operating Expenses for the Base Year.

a. Pro-Rata Share. Tenant's "Pro-rata Share", which is based on the ratio of the rentable square footage of the Premises (46,413 RSF) to the rentable square footage of the Building (94,707 RSF), is **49.01%**. The total rentable square footage of the Building is 94,707. Any subsequent adjustment to the rentable square footage of the Premises or the Building pursuant to Section 1(a) will be reflected in an adjustment to Tenant's Pro-rata Share.

b. Operating Expenses. As used herein, Operating Expenses shall mean:

- i.** Premiums incurred by Landlord for insurance coverage maintained by Landlord for the Property that is required by this Lease or that is customarily carried by landlords of comparable buildings in the area, which coverage shall include reasonable and customary deductibles.
- ii.** General real estate taxes levied against the Property and that accrue and are payable during the term of this Lease, but not any special assessments or taxes in the nature of improvement or betterment assessments. Real Estate Taxes shall exclude, any excise or transfer tax, income, franchise, gross receipts, corporation, capital levy, excess profits, revenue, rent, inheritance, gift, or estate tax.
- iii.** The costs of operation, maintenance and repair of the Common Areas of the Building and Property as defined in Section 10 below, including, but not limited to, water, sewer and all other utility charges, janitorial, refuse and trash removal, supplies, materials and tools used in the operation, repair and maintenance of the Property, heating, ventilation and air conditioning ("HVAC", subject to the provisions of paragraph 4.9 of Exhibit D, Work Letter), pest control, lighting systems, security, landscape maintenance and repair, repair and maintenance of the parking areas, sidewalks and driveways serving the Property, snow and ice removal, wages and salaries of employees whose time is directly attributable to the operation and maintenance of the Property; and a management fee equal to 5% of the total Operating Expenses described in this Section 4(b)(iii).
- iv.** Operating Expenses shall not include: those repairs the structural components of the Building, Common Areas, and Property, including the roof, floors, load bearing walls and foundations; capital improvements or major repairs, expenses that according to generally accepted accounting principles would be considered capital expenses to the Building shell (i.e. Building structure, exterior walls, and roof); expenses paid directly by Tenant or other tenants in the Building or otherwise reimbursed to Landlord; depreciation on the Building, the Property and equipment; corporate overhead; marketing costs and broker commissions; cost incurred

by Landlord for the repair or damage to the Building, Property and/or underlying land to the extent that Landlord is reimbursed by insurance or condemnation proceeds or by tenants, warrantors or other this parties. To the extent that any such capital expenditure is permitted and exceeds \$5,000, the excess shall be amortized over such period as Landlord may reasonably elect.

c. Payment of Operating Expense Adjustment

- i. Landlord shall provide to Tenant thirty (30) days prior to the start of each calendar year Landlord's estimate of Operating Expenses for the succeeding calendar year and the amount by which such estimate exceeds the amount of such Operating Expenses during the Base Year ("Operating Expense Adjustment").
- ii. Tenant shall pay 1/12 of its total Pro-Rata Share of the estimated Operating Expense Adjustment amount for the succeeding year with each monthly payment of Base Rent.
- iii. Within ninety (90) days after the start of each calendar year, Landlord shall provide Tenant a statement setting forth the actual Operating Expense Adjustment for the preceding year ("Reconciliation Statement"). In the event Tenant's Pro-Rata Share of the Operating Expense Adjustment for the preceding year exceeds the sum of the monthly installments paid by Tenant, Tenant shall pay Landlord the difference within forty-five (45) days of receipt of the Reconciliation Statement. If the sum of the monthly Operating Expense Adjustment installments paid by Tenant exceeds the amount of the actual Operating Expense Adjustment payment owed by Tenant for the preceding year, Landlord shall apply the excess amount as a credit to Tenant's future Pro-Rata Share of the Operating Expense Adjustment payment. If the term of the Lease has expired, Landlord shall reimburse Tenant the excess within thirty (30) days of issuance of the Reconciliation Statement.
- iv. Should Tenant dispute Landlord's Reconciliation Statement, it shall give notice to Landlord not later than one (1) year after receipt of the Reconciliation Statement, provided, however if Tenant fails to provide notice within such one (1) year period, Landlord's computation shall be final and conclusive. If Landlord and Tenant are unable to reach a resolution of the dispute, Tenant shall have the right, on ten (10) days written notice, to audit Landlord's books and records for the calendar year covered by such Reconciliation Statement. In the event of an audit, Landlord shall cooperate with Tenant in providing Tenant reasonable access to its books and records during normal business hours. Any audit conducted by

Tenant shall be completed within sixty (60) days after Tenant's request thereof. In the event the audit shows that the amount of Tenant's Pro-rata Share of the Operating Expense Adjustment exceeds the sum of the monthly installments actually paid by Tenant for such calendar year, Tenant shall pay to Landlord the difference within thirty (30) days following completion of the audit. In the event the sum of the monthly installments actually paid by Tenant for such calendar year exceeds the amount of Tenant's Pro-rata Share of Operating Expense Adjustment actually due and owing, the difference shall be applied as a credit to Tenant's future share of Operating Expense Adjustment estimates payable by Tenant pursuant to this Section, or if the term of this Lease has expired, Landlord shall reimburse Tenant the excess payment within thirty (30) days after completion of the audit. If the results of the audit shows an overcharge to Tenant of more than five percent (5%) of the actual amount owed by Tenant, then Landlord shall pay the reasonable cost of such audit up to an amount of \$2,000.00. Landlord and Tenant shall cooperate as reasonably necessary in order to facilitate the timely completion of any audit. Nothing in this Section shall in any manner modify Tenant's obligations to make payments as and when provided under this Lease. Tenant shall have the right to challenge if Tenant provides Landlord notice within 120 days of receipt.

6. USES. No act shall be done on or around the Premises that is unlawful or that will increase the existing rate of insurance on the Premises, the Building or the Property, or cause the cancellation of any such insurance. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance. Tenant shall not do or permit anything to be done in the Premises or on the Property which will obstruct or interfere with the rights of other tenants or occupants of the Property, or their customers, clients and visitors, or to injure or annoy such persons.

7. COMPLIANCE WITH LAWS. Tenant shall not cause or permit the Premises to be used in any way which violates any law, ordinance, or governmental regulation or order. Landlord represents to Tenant that, to the best of Landlord's knowledge, the Premises comply with all applicable laws, rules, regulations, or orders, including without limitation, the Americans With Disabilities Act, if applicable, and Landlord shall be responsible to promptly cure at its sole cost any noncompliance which existed on the Commencement Date. If the enactment or enforcement of any law, ordinance, regulation or code during the Lease term requires any changes to the Premises during the Lease term, the Landlord shall perform all such changes at its expense.

8. UTILITIES AND SERVICES. Landlord shall provide the Premises the following services: water and electricity for the Premises seven (7) days per week, twenty-four (24) hours per day, and heating, ventilation and air conditioning from 7:00 a.m. to 6:00 p.m. Monday through Friday, and 7:00 a.m. to 12:00 p.m. on Saturday, and shall provide janitorial service and trash removal, including lamp replacement, to the Premises and

Building five (5) nights each week, exclusive of holidays. Heating, ventilation and air conditioning services will also be provided by Landlord to the Premises during additional hours on reasonable notice to Landlord, at Tenant's sole cost and expense, at an hourly rate not to exceed that charged by landlords of comparable buildings in the area. Any such charge shall be payable by Tenant, when billed, as Additional Rent.

Tenant shall obtain all other utilities (including, but not limited to, telephone and cable service if available) and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord as described above, and shall pay, at Tenant's sole expense, the cost of all utilities separately metered to the Premises, and of all other utilities and other services which Tenant requires with respect to the Premises, except those to be provided by Landlord as described above. Unless due to Landlord's negligence, Landlord shall not be liable in any respect whatsoever for the inadequacy, stoppage, interruption, or discontinuance of any utility or service due to riot, strike, labor dispute, breakdown, accident, repair, or other cause beyond Landlord's reasonable control or which occurs in cooperation with governmental request or directions. In the event of Landlord's negligence, rent shall be abated as a result thereof.

9. TAXES. Tenant shall pay all taxes, assessments, liens and license fees levied, assessed or imposed by any authority having the direct or indirect power to tax or assess any such liens, by reason of Tenant's use of the Premises, and all taxes on Tenant's personal property located on the Premises. Landlord shall pay all Real Estate Taxes with respect to the Building and the Property, including any Real Estate Taxes resulting from a reassessment of the Building or the Property due to a change of ownership or otherwise.

10. COMMON AREAS.

a. Definition. The term "Common Areas" means all areas and facilities on the Property that are provided and designated from time to time by Landlord for the general non-exclusive use and convenience of Tenant with other tenants and which are not leased or held for the exclusive use of a particular tenant. To the extent that such areas exist within the Property, Common Areas include lobbies, hallways, entryways, stairs, elevators, driveways, walkways, terraces, docks, loading areas, restrooms, trash facilities, parking areas and garages, roadways, pedestrian sidewalks, any patio areas which are accessible by multiple tenants, landscaped areas, security areas, common heating, ventilating and air conditioning systems, common electrical service, equipment and facilities, and common mechanical systems, equipment and facilities.

b. Repairs and Alterations. With Tenant's consent, not to be unreasonably withheld, Landlord may change the size, use, or nature of any Common Areas, erect improvements on the Common Areas or convert any portion of the Common Areas to the exclusive use of Landlord or selected tenants; provided, however, that no such action shall unreasonably deny Tenant access to or the beneficial use of the Premises. Landlord anticipates that the Common Area currently shared on a particular floor by multiple tenants will be converted to rentable area if such floor is held exclusively by a single tenant. If the amount of Common Area is diminished

as a result of action taken in accordance with the immediately preceding sentence, such diminution shall not be deemed constructive or actual eviction, and Landlord shall not be subject to any liability, nor shall Tenant be entitled to any compensation or reduction or abatement of rent; provided that Tenant's beneficial use of the Premises and the Building is not adversely impacted. In addition, Landlord shall use reasonable efforts to minimize impact to Tenant and will abate rent due under this Lease if such work causes Tenant to close its business or suffer a significant obstruction to the use thereof for more than 24 hours. Provided work is performed on a schedule mutually agreed upon between Landlord and Tenant, Landlord shall have the right to install, maintain, use, repair and replace pipes, ducts, conduits, and wires leading through the Premises in areas which will not materially interfere with Tenant's use thereof or deny Tenant the beneficial use of the Premises.

c. Use of the Common Areas. Tenant shall have the non-exclusive right, in common with such other tenants to whom Landlord has granted or may grant such rights, to use the Common Areas. Tenant shall abide by rules and regulations adopted by Landlord from time to time and shall use its best efforts to cause its employees, contractors, and invitees to comply with those rules and regulations, and not interfere with the use of Common Areas by others.

d. Parking. During the term, Landlord shall provide and reserve (with appropriate reserved parking signage) for Tenant and its employees and invitees a total of forty-six (46) parking spaces on the Property, with the following located in the parking garage within the Building and outside parking areas upon the Commencement Date:

	Parking Stall Numbers
Inside	1-7, 25, 26, 29-31, 42-46
Outside	3-5, 6-13 *, 26-30, 36-45, 51-53

*Parking stalls 6 through 13 in the outside surface parking will not be available until the 5th Floor Commencement Date for on or before January 1, 2020.

Starting as of the Rent Commencement Date or the 5th Floor Commencement Date, whichever the case may be, Tenant shall pay \$150 per month for each reserved parking space. From time to time, if Landlord determines that any other parking spaces are available and not subject to the requirements of any other tenant, Tenant may (but is not required to) lease any such available parking at a charge of \$150 per month for each such space. The foregoing parking rates are applicable to the first Lease Year. For the second and each succeeding Lease Year, the parking rate shall be increased in the same manner as Base Rent under Section 1(d). Tenant shall comply and shall be responsible for the compliance of its employees, patients and invitees with the terms of the Lease and any riders, reasonable rules and regulations adopted by Landlord from time to time for the safe and orderly sharing of parking. All automobiles (including all contents thereof) shall be parked in the parking garage within the Building and any outside parking areas at the sole risk of Tenant, its employees, agents, invitees and licensees. Landlord has no duty to insure any automobiles (including the contents thereof), and Landlord is not responsible for the

protection and security of such automobiles. Landlord shall have no liability whatsoever for any property damage and/or personal injury which might occur as a result of or in connection with the parking of said automobiles in the parking garage within the Building and any outside parking areas, and Tenant hereby agrees to indemnify and hold Landlord harmless from and against any and all liabilities, costs, claims, expenses, and/or causes of action which Landlord may incur in connection with or arising out of the use of the parking garage within the Building and any outside parking areas by Tenant or its employees, agents, invitees, or licensees pursuant to this Lease. If Tenant, its agents or employees wrongfully park in any of the parking areas or parking spaces designated for the use of any other tenant of the Building, then Landlord shall be entitled and is hereby authorized to have any such automobile towed away, at Tenant's sole risk and expense. Tenant hereby agrees to pay all amounts falling due under this Section 10(c) upon demand with its next rental payment due. In addition, Landlord shall have the right, at its option, upon sixty (60) days written notice to Tenant, to temporarily relocate some or all of the designated parking areas used by Tenant and to provide substitute parking spaces in the close vicinity of the Property

11. ALTERATIONS.

a. Permission. Tenant may make non-structural alterations, additions or improvements to the Premises ("Alterations") that do not exceed \$25,000 without the consent of the Landlord. In the event, the Alterations exceed \$25,000, Tenant may only make such Alterations with the prior written consent of Landlord, which shall not be unreasonably withheld, conditioned or delayed. Such requests shall be accompanied by reasonably detailed plans. Landlord shall have fifteen (15) business days to review alteration requests. If Landlord fails to respond, such non-response shall be deemed approval. The term "Alterations" shall not include the installation of shelves, movable partitions, Tenant's equipment, and trade fixtures that may be performed without damaging existing improvements or the structural integrity of the Premises, and Landlord's consent shall not be required for Tenant's installation or removal of those items. Tenant shall perform all work within the Premises at Tenant's expense in compliance with all applicable laws, and shall complete all Alterations in accordance with the aforementioned plans approved by Landlord, and in a manner so as to not unreasonably interfere with other tenants. Tenant shall pay, when due, all claims for labor or materials furnished to or for Tenant at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's' liens against the Premises or any interest therein.

12. REPAIRS AND SURRENDER. Tenant shall, at its sole expense, maintain the Premises in good condition and promptly make all non-structural repairs and replacements necessary to keep the Premises safe and in good condition, excluding all HVAC components covered by the provisions of paragraph 4.9 of Exhibit D, Work Letter, however Tenant will be responsible for routine maintenance (including replacement of filters), lighting fixtures (including replacement of bulbs), and other utilities and systems to the extent exclusively serving the Premises. Tenant shall not damage any demising wall or disturb the structural integrity of the Premises and shall promptly repair any damage or

injury done to any such demising walls or structural elements caused by Tenant or its employees, agents, contractors, or invitees. Notwithstanding anything in this Section to the contrary, Tenant shall not be responsible for any repairs to the Premises made necessary by the negligence or willful misconduct of Landlord or its agents, employees, contractors or invitees therein. Upon expiration of the Lease term, whether by lapse of time or otherwise, Tenant shall not be required to remove cabling or restore the Premises to the condition before Tenant's Work was completed, but will remove all personal property and office trade fixtures that may be readily removed without damage to the Premises or Building and promptly and peacefully surrender the Premises, together with all keys, to Landlord in good condition; reasonable wear and tear and insured casualty excepted.

13. MAINTENANCE OF PROPERTY. Except for Tenant's maintenance obligations pursuant to Section 12, Landlord shall maintain the Building, Common Areas and Property in good order, condition and repair provided however that such work shall not impact Tenant's ability to conduct its business and further provided such work will be performed on a mutually agreed schedule between Landlord and Tenant. In performing such repairs and maintenance and provided no such work or activity shall deny Tenant the beneficial use of the Premises, Landlord shall use reasonable efforts to minimize interference with Tenant's use and enjoyment of the Premises. Landlord shall make repairs or ensure that repairs are made in a safe and workmanlike manner, keeping in mind Tenant's employees and invitees and their health and safety. Tenant shall not be responsible for defects or deferred maintenance incurred in/or on the Building(s) or Property prior to the Commencement Date

14. ACCESS AND RIGHT OF ENTRY. After forty-eight (48) hours' prior written notice from Landlord (except in cases of emergency, when no notice shall be required), Tenant shall permit Landlord and its agents, employees and contractors to enter the Premises to make repairs, inspections, alterations or improvements, provided however that any repairs, alterations or improvements are made on a schedule mutually agreed upon by Landlord and Tenant and further provided that such work does not interfere with Tenant's ability to conduct its business or does not deny Tenant the beneficial use of the Premises. In the event Landlord makes repairs, alterations or improvements, Landlord shall ensure that such repairs are made in a safe and workmanlike manner, keeping in mind Tenant's employees and invitees and their health and safety. At times mutually agreed upon, Landlord shall have the right to enter the Premises for the purpose of showing the Premises to prospective purchasers or lenders, and to prospective tenants within ninety (90) days prior to the expiration or sooner termination of the Lease term, and for posting "for lease" signs within ninety (90) days prior to the expiration or sooner termination of the Lease term.

15. SIGNAGE. Landlord, at Landlord's expense shall install Tenant's name on the monument sign in the front of the Building, placement to be mutually agreed upon. Tenant, at Tenant's cost and expense, shall have the right to install a sign on the exterior portion of the Building, provided that Landlord shall have the right to approve the size, location, materials, method of attachment, and appearance, before installing the exterior sign or those viewable from outside the Premises. Landlord shall have thirty (30) business days to

review and approve signage requests. If Landlord fails to respond, such non-response shall be deemed approval. Tenant shall install any approved signage at Tenant's sole expense and in compliance with all applicable laws. Tenant shall not damage or deface the Premises in installing or removing signage and shall repair any injury or damage to the Premises caused by such installation or removal. Tenant shall not be required to pay any additional rent for signage throughout the entire Term of the Lease including any subsequent Renewal Terms.

16. DESTRUCTION OR CONDEMNATION.

a. Damage and Repair. If the Premises or the portion of the Property necessary for Tenant's occupancy are partially damaged but not rendered untenable, by fire or other insured casualty, then Landlord shall diligently restore the Premises and the portion of the Property necessary for Tenant's occupancy to the extent required below and this Lease shall not terminate; provided, however, Tenant may terminate the Lease if Landlord is unable to restore the Premises within one hundred twenty (120) days of the casualty event. The Premises or the portion of the Property necessary for Tenant's occupancy shall not be deemed untenable if less than twenty percent (20%) of each of those areas are damaged and Landlord shall be obligated to restore those areas regardless of insurance proceeds.

If the Premises is made untenable as defined above, or more than twenty percent (20%) or more of the rentable area of the Property is entirely destroyed, or partially damaged and rendered untenable, by fire or other casualty, Landlord may, at its option: (a) terminate this Lease as provided herein, or (b) restore the Premises and the portion of the Property necessary for Tenant's occupancy to their previous condition to the extent required below; provided, however, if such casualty event occurs during the last six (6) months of the Lease term (after considering any option to extend the term timely exercised by Tenant) then either Tenant or Landlord may elect to terminate the Lease. If, within thirty (30) days after receipt by Landlord from Tenant of written notice that Tenant deems the Premises or the portion of the Property necessary for Tenant's occupancy untenable, Landlord fails to notify Tenant of its election to restore those areas, or if Landlord is unable to restore those areas within thirty (30) days of the date of the casualty event, then Tenant may elect to terminate the Lease upon thirty (30) days' written notice to Landlord unless Landlord, within such thirty (30) day period, notifies Tenant that it will in fact restore the Premises or actually completes such restoration work to the extent required below, as applicable.

If Landlord restores the Premises or the Property under this Section, Landlord shall proceed with reasonable diligence to complete the work, and the Base Rent shall be abated in the same proportion as the untenable portion of the Premises bears to the whole Premises, provided that there shall be a rent abatement only if the damage or destruction of the Premises or the Property did not result from, or was not contributed to directly or indirectly by the act, fault or neglect of Tenant, or Tenant's officers, contractors, licensees, subtenants, agents, servants, employees, guests, invitees or visitors. No damages, compensation or claim shall be payable

by Landlord for inconvenience, loss of business or annoyance directly, incidentally or consequentially arising from any repair or restoration of any portion of the Premises or the Property, unless the repairs to the Premises are made necessary by the negligence or willful misconduct of Landlord or its agents, employees, contractors or invitees therein. Landlord will not carry insurance of any kind for the protection of Tenant or Tenant's furniture, fixtures, or equipment, and Landlord's restoration obligations hereunder shall not include any obligation to repair any damage thereto or replace the same, unless said damage is the result of negligence or willful misconduct of Landlord or its agents, employees, contractors or invitees therein.

b. Condemnation. If the Premises, the portion of the Property necessary for Tenant's occupancy, or 25% or more of the rentable area of the Property are made untenable by eminent domain, or conveyed under a threat of condemnation, this Lease shall terminate at the option of either Landlord or Tenant as of the earlier of the date title vests in the condemning or the condemning authority first has possession of the Premises or the portion of the Property and all Rents and other payments shall be paid to that date. In case of taking of a part of the Premises or the portion of the Property necessary for Tenant's occupancy that does not render those areas untenable, then this Lease shall continue in full force and effect and the Base Rent shall be equitably reduced based on the proportion by which the floor area of any structures is reduced, such reduction in Rent to be effective as of the earlier of the date the condemning authority first has possession of such portion or title vests in the condemning authority. The Premises or the portion of the Property necessary for Tenant's occupancy shall not be deemed untenable if less than twenty percent (20%) of each of those areas are condemned. Landlord shall be entitled to the entire award from the condemning authority attributable to the value of the Premises or the Property and Tenant shall make no claim for the value of its leasehold. Tenant shall be permitted to make a separate claim against the condemning authority for moving expenses, provided that in no event shall Tenant's claim reduce Landlord's award. Landlord will compensate Tenant for loss of rentable space with proportional rent abatement.

17. INSURANCE.

a. Tenant's Insurance. Tenant shall, during the entire Lease term, keep in full force and effect a policy or policies of (i) commercial general liability insurance and property damage insurance with respect to the Premises and the business operated by Tenant, for which the limit of liability shall be not less than Two Million Dollars (\$2,000,000) per occurrence and shall name Landlord and its property manager as additional insured; and (ii) property insurance written with a replacement cost endorsement, covering all of Tenant's personal property in the Premises, the tenant improvements and all other leasehold improvements installed in the Premises by or on behalf of Tenant. Such policies shall contain a clause that the Tenant shall endeavor to not cancel or change the insurance coverage limits without first giving Landlord thirty (30) days' prior written notice, except cancellation for nonpayment of premium, in which case ten (10) days' prior written

notice shall be required. Tenant's insurance policies shall be carried with an insurance company or companies with a general policy holders' rating of not less than "A-/VII" as rated in the most current available Best's Insurance Reports and which are qualified to do business in the state of Washington.

Notwithstanding the above, Tenant, shall have the right to satisfy its insurance obligations under this Lease by means of self-insurance to the extent of all or part of the insurance required hereunder but only so long as such self-insurance is permitted under all laws applicable to Tenant at the time in question. If Tenant elects to self-insure, Landlord shall have the same benefits and protections as if Tenant carried insurance with a third-party insurance company satisfying the requirements of this Lease. In the event Tenant assigns its interest under this Lease, the subsequent assignee shall have the same right of self-insurance as the current Tenant, provided that the assignee has a financial net worth of at least \$100,000,000.00.

b. Landlord's insurance. Landlord will carry and maintain general liability and property insurance as set forth herein. Landlord agrees to carry during the Lease term commercial general liability insurance with a limit of not less than Two Million Dollars (\$2,000,000) per occurrence insuring against any and all liability of Landlord with respect to the ownership, operation and/or use of the property. Landlord shall also carry Causes of Loss Special Form insurance covering the full replacement cost of the Property, and at Landlord's election, earthquake and building ordinance insurance less a commercially reasonable deductible. Landlord may, but is not obligated to, maintain such other insurance or additional coverage(s) as it may deem necessary, including, but not limited to rent loss insurance. The cost of premiums for all such insurance required under this Section shall be included in the Operation Expenses described in Section 5(b). Said insurance policies shall be carried with an insurance company or companies with general policy holders' rating of not less than "A/VII" as rated in the most current available Best's Insurance Reports and which are qualified to do business in the state of Washington. Landlord shall upon request furnish Tenant with a certificate of such insurance policy.

c. Waiver of Subrogation. Landlord and Tenant hereby release each other and any other tenant, their agents or employees, from responsibility for, and waive their entire claim to the extent covered by and paid for by insurance for any loss or damage arising from any cause covered by insurance required to be carried or otherwise carried by each of them. Each party shall provide notice to the insurance carrier or carriers of this mutual waiver of subrogation, and shall cause its respective insurance carriers to waive all rights of subrogation against the other. This waiver shall not apply to the extent of the deductible amounts to any such policies or to the extent of liabilities exceeding the limits of such policies.

18. INDEMNIFICATION.

a. Indemnification by Tenant. Tenant shall defend, indemnify and hold Landlord and its managing agent harmless from any claim, liability, damage or loss, including attorneys' fees, occurring on the Property, arising out of any negligent or wrongful act or omission of Tenant, or Tenant's officers, contractors, agents, employees or invitees or arising from Tenant's breach of any term of this Lease. Neither Landlord nor its managing agent shall have any liability to Tenant because of loss or damage to Tenant's property or for death or bodily injury caused by the acts or omissions of other tenants of the Building, or by third parties (including criminal acts).

b. Indemnification by Landlord. Landlord shall defend, indemnify and hold Tenant and its managing agent harmless from any claim, liability, damage or loss, including attorneys' fees, occurring on the Property, arising out of any negligent or wrongful act or omission of Landlord, or Landlord's officers, contractors, agents, employees or invitees or arising from Landlord's breach of any term of this Lease. Neither Tenant nor its managing agent shall have any liability to Landlord because of loss or damage to Landlord's property or for death or bodily injury caused by the acts or omissions of other tenants of the Building, or by third parties (including criminal acts).

c. Waiver of Immunity. Landlord and Tenant each specifically and expressly waive any immunity that each may be granted under the Washington State Industrial Insurance Act, Title 51 RCW. Neither party's indemnity obligations under this Lease shall be limited by any limitation on the amount or type of damages, compensation, or benefits payable to or for any third party under the Worker Compensation Acts, Disability Benefit Acts or other employee benefit acts.

d. Exemption of Landlord from Liability. Except to the extent of claims arising out of Landlord's negligence or intentional misconduct, Landlord shall not be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to any property of Tenant or of its employees, invitees, customers, or any other person in or about the Premises.

e. Survival. The provisions of this Section shall survive expiration or termination of this Lease.

19. ASSIGNMENT AND SUBLETTING.

a. This Lease and any right of Tenant hereunder or in the Premises may not be assigned, transferred, encumbered or sublet in whole or in part by Tenant, expressly or by operation of law or otherwise, without Landlord's prior consent, which consent shall not be unreasonably withheld, conditioned or delayed. In the event Tenant desires to assign this Lease or sublet the Leased Premises or any part hereof, Tenant shall give Landlord written notice at least thirty (30) days in advance of the date on which Tenant desires to make such assignment or sublease, which notice shall

specify: (a) the name, address and business of the proposed assignee or sublessee, (b) the size and location of the space affected, (c) the rental amount to be paid, and (d) the proposed effective date and duration of the subletting or assignment. Landlord may condition such consent upon the right to receive one-half of the profit, if any, which Tenant may realize on account of such assignment, conveyance, transfer or sublease of the Leased Premises. For purposes of this paragraph, "profit" shall mean any sum which the assignee, sublessee or transferee is required to pay, or which is credited to Tenant as rent in excess of the rents required to be paid by Tenant to Landlord under this Lease. Provided Tenant is not in default, beyond any applicable cure period, under this Lease, Landlord's consent shall not be required for an assignment or sublease of all or any portion of the Premises to (a) a parent, subsidiary, affiliate, division or other entity controlling, controlled by, or under common control with Tenant; or (b) a successor to Tenant by merger, consolidation, reorganization or government action (each, a "Permitted Transferee"), provided that Landlord is provided with prior written notice thereof and with an insurance certificate reflecting insurance meeting the requirements of Section 16 above. No such transfer shall release Tenant from primary liability under this Lease, with exception for 19.d.

b. Any prospective assignee or sublessee otherwise shall assume in writing all obligations of Tenant under this Lease pursuant to a document reasonably acceptable to Landlord.

c. Landlord may assign its interests, rights, duties and obligations under this Lease to any person without the consent of Tenant. Landlord shall provide thirty (30) days' written notice in advance of such action to Tenant. Landlord shall be jointly and severally liable with the assignee for the performance of all terms, conditions, covenants, and agreements contained in this Lease.

d. If Landlord signs a new lease with a prospective assignee or sublessee as a result of dealing directly with that party, Tenant shall be relieved of its responsibilities under this Lease.

e. This provision shall not apply if Tenant transfers Lease to a wholly owned subsidiary including but not limited to Medis Corporation.

f. In the event of any transfer or transfers of Landlord's interest in the Premises, other than a transfer for security purposes only, upon the assumption of this Lease by the transferee, Landlord shall not be relieved of obligations and liabilities accruing from and after the date of such transfer, including any liability for any retained security deposit or prepaid rent, for which the transferee shall also be liable.

20. LIENS. Tenant is not authorized to subject the Landlord's estate to any liens or claims of lien. Tenant shall keep the Premises free from any liens created by or through Tenant. Tenant shall indemnify and hold Landlord harmless from liability for any such liens including, without limitation, liens arising from any Alterations. If a lien is filed against the Premises by any person claiming by, through or under Tenant, Tenant shall,

within ten (10) days after Landlord's demand, at Tenant's expense, either remove the lien or furnish to Landlord a bond in form and amount and issued by a surety satisfactory to Landlord, indemnifying Landlord and the Premises against all liabilities, costs and expenses, including attorneys' fees, which Landlord could reasonably incur as a result of such lien(s).

21. DEFAULT. The following occurrences shall each be deemed an Event of Default. Any notice periods granted herein shall be deemed to run concurrently with and not in addition to any default notice periods required by law.

a. Failure to Pay. Tenant fails to pay any uncontested sum, including Rent, due under this Lease following ten (10) business days' written notice from Landlord of the failure to pay.

b. Abandonment. Tenant abandons the Premises (defined as an absence of fifteen (15) days or more while Tenant is in breach of some other term of this Lease). Provided however, as long as Tenant is paying rent and keeping up the Premises, such abandonment shall not be considered an event of default.

c. Insolvency. If Tenant or Landlord becomes insolvent, voluntarily or involuntarily bankrupt, or a receiver, assignee or other liquidating officer is appointed for Tenant or Landlord's business, provided that in the event of any involuntary bankruptcy or other insolvency proceeding, the existence of such proceeding shall constitute an Event of Default only if such proceeding is not dismissed or vacated within sixty (60) days after its institution or commencement.

d. Levy or Execution. Tenant's or Landlord's interest in this Lease or the Premises, or any part thereof, is taken by execution or other process of law directed against Tenant or Landlord, or is taken upon or subjected to any attachment by any creditor of Tenant or Landlord, if such attachment is not discharged within fifteen (15) days after being levied.

e. Other Non-Monetary Defaults. Tenant breaches any agreement, term, covenant other than one requiring the payment of money and not otherwise enumerated in this Section or elsewhere in this Lease, and the breach continues for a period of thirty (30) days after notice by Landlord to Tenant of the breach.

f. Tenant Default. If Tenant shall be in default of any covenant of this Lease to be performed by it, Landlord, prior to exercising any right or remedy it may have against the Tenant on account thereof, shall give Tenant a thirty (30) day written notice of such default, specifying the nature of such default. Notwithstanding anything contrary elsewhere in this Lease, Landlord agrees that if the default is of such nature that it can be cured by Tenant, but cannot with reasonable diligence be cured within thirty (30) days, then such default shall be deemed cured if Tenant within said thirty (30) day period shall have commenced the cure and shall continue thereafter with all due diligence to cause such curing to proceed to completion

g. Landlord Default. If Landlord defaults in the performance of any covenant required to be performed by Landlord, Tenant may service upon Landlord a written notice specifying the default. If Landlord does not remedy the default within thirty (30) days following receipt thereof or, in the case of default which reasonably requires more than thirty (30) days to cure, if Landlord has not commenced to remedy the same within thirty (30) days following receipt thereof and be diligently prosecuting such cure to completion, then Tenant may, after written notice and the expiration of any notice period required hereunder (i) pay any sums necessary to perform any obligation of Landlord in default hereunder and deduct the cost thereof from Rent then and thereafter becoming due to Landlord hereunder, or require Landlord to reimburse such sum to Tenant immediately upon Landlord's receipt of Tenant's written demand therefor; or (ii) pursue any other available legal or equitable remedy. In the event Tenant incurs any expenses because of Landlord's failure to fulfill its obligations set forth in this Lease, Landlord agrees to reimburse Tenant for such expense upon demand by Tenant. In the event of Landlord's failure to so reimburse Tenant, Tenant, in addition to any other remedies it may have, may deduct such expense from any Rent then or thereafter becoming due to Landlord hereunder. The parties' rights and obligations under this Section 21 shall survive the expiration or earlier termination of this Lease.

If Landlord fails to cure any such default within the allotted time, Tenant's sole remedy shall be to seek actual money damages (but not consequential or punitive damages) for loss arising from Landlord's failure to discharge its obligations under this Lease. Nothing herein contained shall relieve Landlord from its duty to perform of any of its obligations to the standard prescribed in this Lease.

22. REMEDIES. Landlord shall have the following remedies upon an Event of Default. Landlord's rights and remedies under this Lease shall be cumulative, and none shall exclude any other right or remedy allowed by law.

a. Termination of Lease. Landlord may terminate Tenant's interest under the Lease, but no act by Landlord other than written notice of termination from Landlord to Tenant shall terminate this Lease. The Lease shall terminate on the date specified in the notice of termination. Upon termination of this Lease, Tenant will remain liable to Landlord for damages in an amount equal to the rent and other sums that would have been owing by Tenant under this Lease for the balance of the Lease term, less the net proceeds, if any, of any re-letting of the Premises by Landlord subsequent to the termination, after deducting all Landlord's Reletting Expenses (as defined below). Landlord shall be entitled to either collect damages from Tenant monthly on the days on which rent or other amounts would have been payable under the Lease, or alternatively, Landlord may accelerate Tenant's obligations under the Lease and recover from Tenant: (i) unpaid rent which had been earned at the time of termination; (ii) the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds

the amount of rent loss that Tenant proves could reasonably have been avoided; (iii) the amount by which the unpaid rent for the balance of the term of the Lease after the time of award exceeds the amount of rent loss that Tenant proves could reasonably be avoided (discounting such amount by the discount rate specified in the Wall Street Journal at the time of the award, plus 1%); and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the Lease, or which in the ordinary course would be likely to result from the Event of Default, including without limitation Reletting Expenses described below.

b. Re-Entry and Reletting. Landlord may continue this Lease in full force and effect, and with ten (10) days' written notice, re-enter and take possession of the Premises or any part thereof, expel the Tenant from the Premises and anyone claiming through or under the Tenant, and remove the personal property of either. Landlord may relet the Premises, or any part of them, in Landlord's or Tenant's name for the account of Tenant, for such period of time and at such other terms and conditions, as Landlord, in its discretion, may determine. Landlord may collect and receive the rents for the Premises. To the fullest extent permitted by law, the proceeds of any reletting shall be applied: first, to pay Landlord all costs and expenses of such reletting (including without limitation, costs and expenses incurred in retaking or repossessing the Premises, removing persons or property therefrom, securing new tenants, and, if Landlord maintains and operates the Premises, the costs thereof); second, to pay any indebtedness of Tenant to Landlord other than rent; third, to the rent due and unpaid hereunder; and fourth, the residue, if any, shall be held by Landlord and applied in payment of other or future obligations of Tenant to Landlord as the same may become due and payable, and Tenant shall not be entitled to receive any portion of such revenue. Re-entry or taking possession of the Premises by Landlord under this Section shall not be construed as an election on Landlord's part to terminate this Lease, unless a written notice of termination is given to Tenant. Landlord reserves the right following any re-entry or reletting, or both, under this Section to exercise its right to terminate the Lease. Tenant will pay Landlord the rent and other sums which would be payable under this Lease if repossession had not occurred, less the net proceeds, if any, after reletting the Premises, after deducting Landlord's Reletting Expenses. "Reletting Expenses" is defined to include all expenses incurred by Landlord in connection with reletting the Premises, including without limitation, all repossession costs, brokerage commissions, attorneys' fees, remodeling and repair costs, costs for removing and storing Tenant's property and equipment, and tenant improvements and rent concessions granted by Landlord to any new Tenant, prorated over the life of the new lease.

c. Nonpayment of Additional Rent. All costs which Tenant is obligated to pay to Landlord pursuant to this Lease shall in the event of nonpayment be treated as if they were payments of Rent, and Landlord shall have all the rights herein provided for in case of nonpayment of Rent.

d. Failure to Remove Property. If Tenant fails to remove any of its property from the Premises at Landlord's request following an uncured Event of Default, Landlord may, at its option, remove and store the property at Tenant's expense and risk. If Tenant does not pay the storage cost within ten (10) business days of Landlord's request, Landlord may, at its option, have any or all of such property sold at public or private sale (and Landlord may become a purchaser at such sale), in such manner as Landlord deems proper, so long as adequate notice is given to Tenant. Landlord shall apply the proceeds of such sale: (i) to the expense of such sale, including reasonable attorneys' fees actually incurred; (ii) to the payment of the costs or charges for storing such property; (iii) to the payment of any other sums of money which may then be or thereafter become due Landlord from Tenant under any of the terms hereof; and (iv) the balance, if any, to Tenant. Nothing in this Section shall limit Landlord's right to sell Tenant's personal property as permitted by law or to foreclose Landlord's lien for unpaid rent.

23. MORTGAGE SUBORDINATION AND ATTORNMENT. This Lease shall automatically be subordinate to any mortgage or deed of trust created by Landlord which is now existing or hereafter placed upon the Premises including any advances, interest, modifications, renewals, replacements or extensions ("Landlord's Mortgage"). Tenant shall attorn to the holder of any Landlord's Mortgage or any person(s) acquiring the Premises at any sale or other proceeding under any Landlord's Mortgage provided such person(s) assume the obligations of Landlord under this Lease. Tenant shall promptly and in no event later than thirty (30) days after request execute, acknowledge and deliver documents which the holder of any Landlord's Mortgage may reasonably require as further evidence of this subordination and attornment. Notwithstanding the foregoing, Tenant's obligations under this Section to subordinate in the future are conditioned on the holder of each Landlord's Mortgage and each person acquiring the Premises at any sale or other proceeding under any such Landlord's Mortgage not disturbing Tenant's occupancy or use of the Premises, not increasing Tenant's obligations and/or diminishing Tenant's rights under this Lease, so long as no uncured Event of Default exists.

24. NON-WAIVER. Either Party's waiver of any breach of any term contained in this Lease shall not be deemed to be a waiver of the same term for subsequent acts

25. HOLDOVER. If Tenant remains in possession of the Premises or any part thereof after the expiration of the term hereof with the express written consent of the Landlord, such occupancy shall be a tenancy from month to month at the rental paid for the month immediately preceding the expiration of the term. Termination of such month to month tenancy shall be upon thirty (30) days advance written notice. If Tenant remains in possession without the written consent of Landlord, such tenancy shall be a month to month tenancy at a rental in the amount of 125% of the rent last paid for the month immediately preceding the expiration of the term.

26. NOTICES. All notices under this Lease shall be in writing and effective (i) when delivered in person or via overnight courier, (ii) three (3) days after being sent by registered or certified mail, or (iii) via e-mail if an electronic address is listed above, with an original sent by registered or certified mail if the recipient has designated one or more

e-mail addresses in this Lease, to Landlord or Tenant, as the case may be, at the Notice Addresses set forth in Section 1 or such other addresses as may from time to time be designated by such parties in writing. Notices delivered to Tenant must be received at both of the addresses mentioned in Section 1 to satisfy notice requirements.

27. COSTS AND ATTORNEYS' FEES. If Tenant or Landlord engage the services of an attorney to collect monies due or to bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of Rent or other payments, or possession of the Premises, the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such suit in mediation or arbitration, at trial, on appeal and in any bankruptcy proceeding.

28. ESTOPPEL CERTIFICATES. Tenant shall, from time to time, upon written request of Landlord, execute, acknowledge and deliver to Landlord or its designee within 15 business days of such request a written statement specifying the following, subject to any modifications necessary to make such statements true and complete: (i) the date the Lease term commenced and the date it expires; (ii) the amount of minimum monthly Rent and the date to which such Rent has been paid; (iii) that this Lease is in full force and effect and has not been assigned, modified, supplemented or amended in any way; (iv) that this Lease represents the entire agreement between the parties; (v) that all conditions under this Lease to be performed by Landlord have been satisfied; (vi) that there are no existing claims, defenses or offsets which the Tenant has against the enforcement of this Lease by Landlord; (vii) that no Rent has been paid more than one month in advance; and (viii) that no security has been deposited with Landlord (or, if so, the amount thereof).

29. HAZARDOUS MATERIAL. Landlord represents and warrants to Tenant that, to the best of Landlord's knowledge there is no other "Hazardous Material" (as defined below) on, in or under the Premises as of the Commencement Date, or as may otherwise have been disclosed to Tenant in writing before the execution of this Lease. If there is any Hazardous Material on, in, or under the Premises as of the Commencement Date which has been or thereafter becomes unlawfully released through no fault of Tenant, then Landlord shall indemnify, defend and hold Tenant harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities, or losses including without limitation sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees, incurred or suffered by Tenant either during or after the Lease term as the result of such contamination. Prior to incurring any costs or expenses hereunder, Tenant agrees to notify Landlord in writing and provide Landlord an opportunity to remedy all items identified by Tenant and associated with such Hazardous Material, at Landlord's sole cost and expense.

Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, or used in or about, or disposed of on the Premises by Tenant, its agents, employees, contractors or invitees, except with Landlord's prior consent and then only upon strict compliance with all applicable federal, state and local laws, regulations, codes and ordinances. Notwithstanding the foregoing, Tenant may handle Hazardous Material to the extent necessary for the Permitted Use as provided in the following paragraph. In addition, Tenant may handle ordinary and general office supplies typically used in office buildings.

In the event that Tenant shall use or require the use of x-ray, radium, cobalt, or any other radioactive, hazardous, toxic, or special materials requiring the use of special storage, removal, or disposal procedures, devices or equipment, Tenant shall comply with all applicable federal, state, county and city laws, rules and regulations relating to the use, storage, disposal and removal of such materials. In addition to any other provision of this Lease, Tenant shall indemnify, defend, protect and hold Landlord harmless from and against all liabilities and claims of every kind or nature in any manner relating to, arising out of, incident to or occasioned by the handling, use, disposal, or possession of such radioactive and hazardous materials and equipment by Tenant within the Premises.

If Tenant breaches the obligations stated in the preceding paragraphs, then Tenant shall indemnify, defend and hold Landlord harmless from any and all claims, judgments, damages, penalties, fines, costs, liabilities or losses including, without limitation, diminution in the value of the Premises, damages for the loss or restriction on use of rentable or usable space or of any amenity of the Premises, or elsewhere, damages arising from any adverse impact on marketing of space at the Premises, and sums paid in settlement of claims, attorneys' fees, consultant fees and expert fees incurred or suffered by Landlord either during or after the Lease term.

Without limiting the foregoing, if the presence of any Hazardous Material brought upon, kept or used in or about the Premises by Tenant, its agents, employees, contractors or invitees, results in any unlawful release of any Hazardous Material on the Premises or any other property, Tenant shall promptly take all actions, at its sole expense, as are necessary to return the Premises or any other property, to the condition existing prior to the release of any such Hazardous Material; provided that Landlord's approval of such actions shall first be obtained, which approval may be withheld at Landlord's sole discretion.

As used herein, the term "Hazardous Material" means any hazardous, dangerous, toxic or harmful substance, material or waste including biomedical waste which is or becomes regulated by any local governmental authority, the State of Washington or the United States Government, due to its potential harm to the health, safety or welfare of humans or the environment. The provisions of this Section shall survive expiration or termination of this Lease.

30. QUIET ENJOYMENT. So long as Tenant pays the Rent and performs its obligations in this Lease, Tenant's possession, enjoyment or use of the Premises for its intended purpose, will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

31. MERGER. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

32. GENERAL.

a. Rule of Construction. Each party and its counsel have fully participated in the review and revision of this Lease and any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Lease or any exhibit or amendment hereto.

b. Assigns. This Lease shall apply to and be binding upon Landlord and Tenant and their respective successors and assigns.

c. Brokers' Fees Tenant warrants and represents to Landlord that, except for CBRE Group, Inc. ("CBRE"), no brokerage or finder has been engaged by it in connection with the transaction contemplated by this Agreement. Landlord will pay a brokerage fee or commission to CBRE in the amount of two and one-half percent (2.5%) of the gross rent for years 1 through 5 and one and one-quarter percent (1.25%) of the gross base rent for years 6 through 10. The commission shall be earned as follows:

1) Fifty (50%) percent of the total commission due shall be payable within fifteen (15) days after execution of the Lease by Landlord and Tenant. CBRE must furnish Landlord with an invoice for the commission due.

2) The remaining Fifty (50%) percent of the commission due shall be payable not more than fifteen (15) days after Tenant has tendered payment for the Rent on the first and second floor. CBRE must furnish Landlord with an invoice for the commission due.

Should the Tenant execute a Lease but fail to take possession, no commission shall be due to CBRE. This commission agreement is limited to the Base Rent only and only the Lease at the Property. No commission shall be earned by CBRE if Tenant fails to execute a Lease. In the event any other claims for additional commissions by CBRE or another broker for Tenant are made in connection with the negotiation, execution, or consummation of this Agreement, then Tenant shall indemnify, hold harmless, and defend Landlord from and against such claims.

d. Entire Agreement. This Lease contains all of the covenants and agreements between Landlord and Tenant relating to the Premises, except as provided in the Limited Liability Company Agreement of Landlord. No prior or contemporaneous agreements or understanding pertaining to the Lease shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by Landlord and Tenant.

e. Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision of this Lease. Any waiver of any terms and conditions hereof must be in writing, and

signed by the parties hereto. A waiver of any term or condition hereof shall not be construed as a future waiver of the same or any other term or condition hereof.

f. Force Majeure. Time periods for either party's performance under any provisions of this Lease (excluding payment of Rent) shall be extended for periods of time during which the party's performance is prevented due to circumstances beyond such party's control, including without limitation, fires, floods, earthquakes, lockouts, strikes, embargoes, governmental regulations, acts of God, public enemy, war or other strife.

g. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of Washington.

h. Memorandum of Lease. Neither this Lease nor any memorandum or "short form" thereof shall be recorded without Landlord or Tenant's prior consent.

i. Submission of Lease Form Not an Offer. One party's submission of this Lease to the other for review shall not constitute an offer to lease the Premises. This Lease shall not become effective and binding upon Landlord and Tenant until it has been fully signed by both Landlord and Tenant.

j. No Light, Air or View Easement. Tenant has not been granted an easement or other right for light, air or view to or from the Premises. Any diminution or shutting off of light, air or view by any structure which may be erected on or adjacent to the Building shall in no way effect this Lease or the obligations of Tenant hereunder or impose any liability on Landlord.

k. Authority of Parties. Each party signing this Lease represents and warrants to the other that it has the authority to enter into this Lease, that the execution and delivery of this Lease has been duly authorized, and that upon such execution and delivery this Lease shall be binding upon and enforceable against the party on signing.

l. Time. "Day" as used herein means a calendar day and "business day" means any day on which commercial banks are generally open for business in the state where the Premises are situated. Any period of time which would otherwise end on a non-business day shall be extended to the next following business day. Time is of the essence of this Lease.

m. Records. Notwithstanding anything to the contrary within this Lease or applicable law, Landlord agrees it will not have the right nor shall it lien any of Tenant's patient records, be they in document or electronic form.

n. Right of First Opportunity. Except as provided below, Tenant shall have an on-going and continuing right of first opportunity ("ROFO") to lease: (i) any space within the Building that is now available, before Landlord leases it to any third party; and (ii) any space in the Building that is covered by any lease between

Landlord and any third party and that may become available effective upon expiration of such third party lease, subject to any renewal or extension with respect to such space by such third party. If any space subject to this ROFO is currently available or subsequently becomes available, Landlord shall notify Tenant in writing of the availability of such space (the "ROFO Notice"). The ROFO Notice shall identify specifically the available space location and net rentable area. Tenant shall have the right to lease the space covered by the ROFO Notice by providing Landlord written notice within fifteen (15) Business Days after Tenant's receipt of the ROFO Notice. If Tenant exercises such right, the rentable area of the space covered by the ROFO Notice shall be added to the rentable area of the Premises and shall be leased to Tenant on the same terms and conditions of this Lease, but the Base Rent shall be the fair market rental rate as determined by the appraisal procedure set forth in Section 3(a) above; provided, that the appraisers shall take into consideration any tenant improvement allowance, free rent or other concessions appropriate to any such determination. Upon determination of the applicable Base Rent, the parties shall execute and deliver an amendment to this Lease subjecting such space to this Lease. Such additional space shall be "as is, where is". Notwithstanding anything to the contrary in this Section, Tenant shall not have the right to exercise the ROFO at any time during which an uncured event of default exists under this Lease.

33. CONFIDENTIALITY. In performing their obligations under this Lease, the parties do not expect to exchange any protected health information as defined under federal and state law but Landlord or its agent may be exposed to confidential information if present on the Premises. If at some point the Health Insurance Portability and Accountability Act of 1996 is found to apply to the parties under the terms of the Lease, the parties agree to enter into a business associate agreement.

34. AMENDMENTS. This Lease and each of the Exhibits attached hereto, may be amended at any time by mutual agreement of the parties without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by the parties. Notwithstanding the foregoing, should any provision of this Lease be in conflict with a governing state or federal law, it shall be deemed amended accordingly.

35. COUNTERPARTS. This Lease or any subsequent Amendment may be executed in several counterparts, as long as each party to the Lease or Amendment executes at least one such counterpart. Each of such counterparts shall be an original but all of the counterparts, when taken together, shall constitute one and the same instrument and shall become effective when each party hereto has executed at least one such counterpart. The parties hereto agree that an electronic or facsimile signature shall constitute an original signature hereunder.

36. EXHIBITS. The following exhibits and riders are made a part of this Lease.

Exhibit A: Floor Plan/Outline of the Premises

Exhibit B: Legal Description

Exhibit C: Rental Schedule and Commencement Date

Exhibit D: Work Letter

Exhibit E: Commencement Date Memorandum

Exhibit F: Parking Site Plan

[Signatures appear on the following pages.]

IN WITNESS WHEREOF, the parties have executed this Lease as of the dates set forth below.

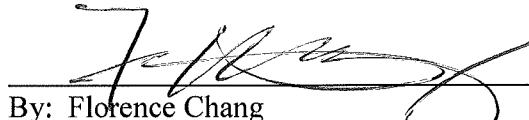
Tenant:

MULTICARE HEALTH SYSTEM



By: Jim McManus

Its: Senior Vice President and Chief Financial Officer



By: Florence Chang

Its: Executive Vice President and COO

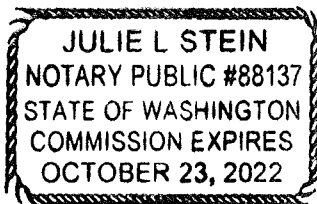
STATE OF WASHINGTON

ss.

COUNTY OF Pierce

I certify that I know or have satisfactory evidence that Jim McManus is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Senior Vice President and Chief Financial Officer of **MultiCare Health System**, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 13th day of September, 2019.



Julie Stein
 Printed Name Julie Stein
 NOTARY PUBLIC in and for the State of Washington,
 residing at Pierce County
 My Commission Expires 10/23/2022

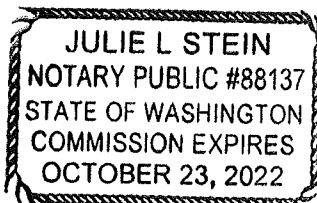
STATE OF WASHINGTON

ss.

COUNTY OF Pierce

I certify that I know or have satisfactory evidence that Florence Chang is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Executive Vice President and COO of **MultiCare Health System**, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

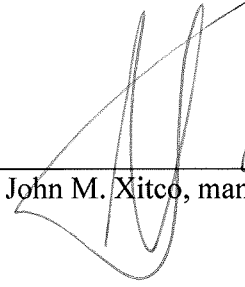
DATED this 13th day of September, 2019.



Julie Stein
 Printed Name Julie Stein
 NOTARY PUBLIC in and for the State of Washington,
 residing at Pierce County
 My Commission Expires 10/23/2022

Landlord:

X2 BROADWAY, LLC

By:  John M. Xitco, manager

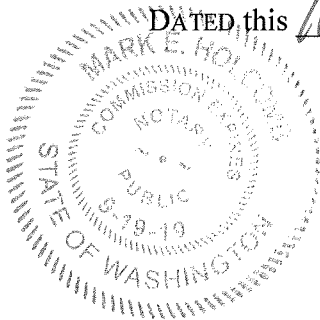
STATE OF WASHINGTON

COUNTY OF PIERCE

} ss.

I certify that I know or have satisfactory evidence that John M. Xitco is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Manager of **X2 Broadway, LLC**, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 16 day of September, 2019.



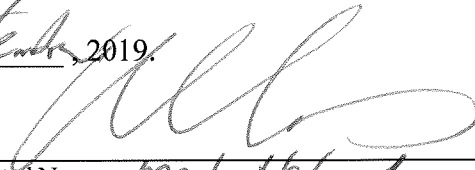
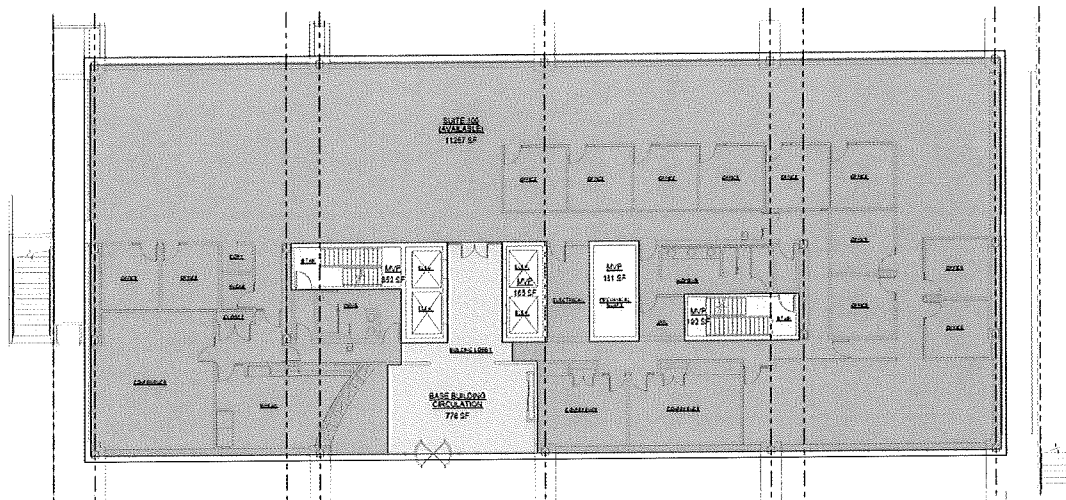

Printed Name Mark E. Holcomb
NOTARY PUBLIC in and for the State of Washington,
residing at Tollman
My Commission Expires 9/19/19

EXHIBIT A

Floor Plan/Outline of the Premises

FIRST FLOOR



SECOND FLOOR

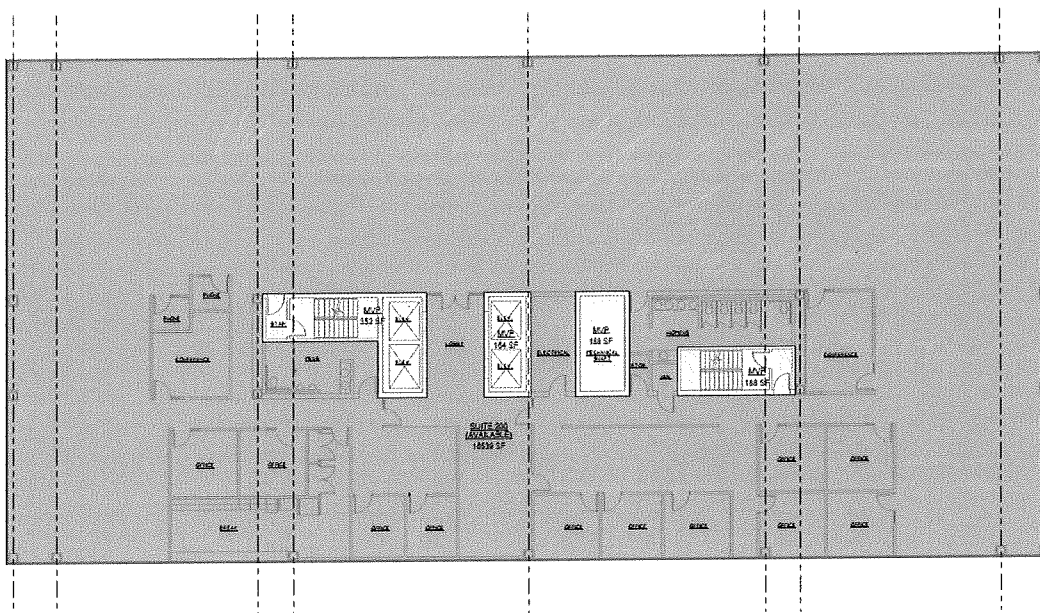


EXHIBIT A ---Continued
Floor Plan/Outline of the Premises

FIFTH FLOOR

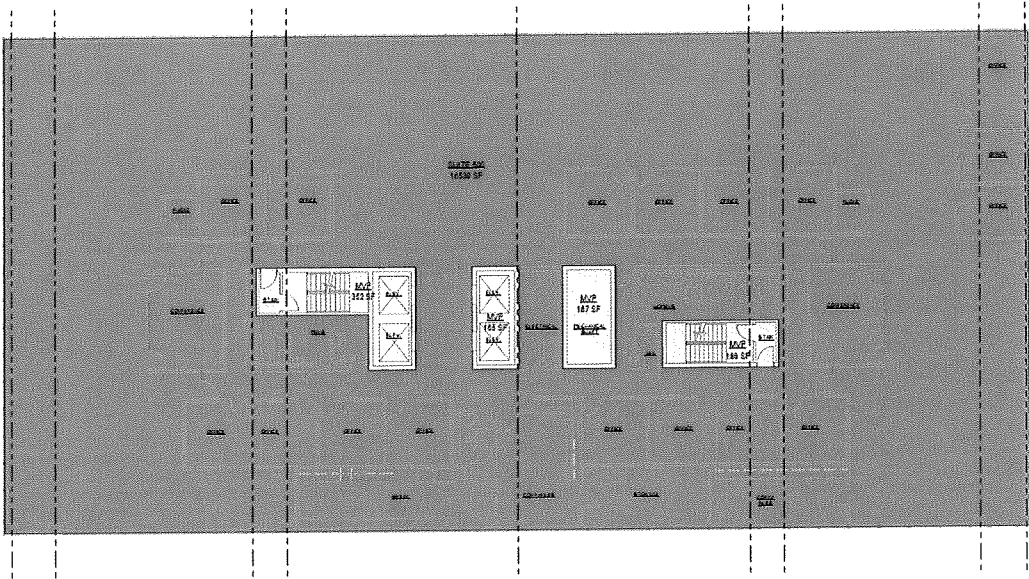


EXHIBIT B

Legal Description

Lots 1 through 15, inclusive, and the North 10 feet of Lot 16, Block 1305, Map of New Tacoma, Washington Territory, according to plat recorded February 3, 1875, in Volume A of Plats, records of Pierce County Auditor;

Situate in the City of Tacoma, County of Pierce, State of Washington.

Tax Parcel No.: 2013050121

EXHIBIT C**Rental Schedule and Commencement Dates**

<u>FLOOR</u>	<u>SUITE NO.</u>	<u>RENTABLE SQUARE FOOTAGE*</u>	<u>RENTAL RATE PER RSF</u>	<u>COMMENCEMENT DATE/RENT COMMENCEMENT DATE</u>	<u>TENANT IMPROVEMENT ALLOWANCE PER RSF</u>
First	All	11,667	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
Second	All	17,373	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
Fifth	All	17,373	\$24.00	January 1, 2020 or sooner* Rent Commencement is 4 months after 5 th Floor Commencement Date	\$40.00

Total estimated RSF of Premises: 46,413

*The lease for the existing tenant located on the Fifth floor expires December 31, 2019; but that tenant has expressed an interest in vacating the Fifth-floor premises earlier. Upon vacation and delivery of the 5th floor from the existing tenant, Landlord shall make the 5th floor and its related parking available to Tenant on or before January 1, 2020. Upon Landlord delivery of the 5th floor to Tenant, no additional Base Rent shall be due that is attributed to the 5th Floor Premises until the first of the month following the expiration of four (4) months from the 5th Floor Commencement Date, however rent commencement shall not occur prior to January 1, 2020..

EXHIBIT D

Work Letter

The improvements to the Premises under the terms of the Lease shall be performed in accordance with the terms of this Work Letter.

1. No Landlord's Work. Landlord shall deliver the Premises in broom clean condition, free from all hazardous materials, and Tenant agrees to accept the Premises "AS-IS". Landlord shall not be obligated to do any improvements to the Premises or Common Area as a condition to the Commencement of this Lease. Landlord shall not be obligated for any improvements or upgrades to the Premises arising out of Tenant's Work, including the cost for sprinkler installation for the Premises (which shall be paid out of the Tenant Improvement Allowance).

2. Tenant's Work. All improvements to the Premises that Tenant requires to ready the Premises for Tenant's use are referred to herein collectively as "Tenant's Work" and shall be designed and made at Tenant's expense and in accordance with the terms of this Work Letter, subject to reimbursement of such costs by Landlord in accordance with Section 2(d) of the Lease. Except as may be otherwise set forth in the Lease, Tenant shall take the Premises on an "as is" condition and all work to be performed at the Premises shall be performed by Tenant at Tenant's expense (except to the extent that Landlord is required to reimburse Tenant for such expenses by providing the Tenant Improvement Allowance described in Section 2(d) of the Lease and Section 4.9 of this Work Letter). Landlord shall be responsible for all asbestos abatement required in the Premises and the Building, subject to Landlord's right of approval as provided below. Tenant shall conduct its own asbestos abatement assessment and provide Landlord with a written estimate of the costs for removing the asbestos resulting from Tenant's Work ("Asbestos Work"). Within three (3) business days from the date of Landlord's receipt of the Asbestos Work bids and plans, Landlord shall approve the same. In the event total estimates for all required Asbestos Work exceed \$100,000, Tenant has the option to assume the financial responsibility to pay any excess fees or will have the right to terminate the lease and the parties shall have no further obligations hereunder. Furthermore, if Tenant elects to terminate this Lease, Tenant shall be refunded any and all monies paid to the Landlord preceding the termination in the form of prepaid rent, base rent, occupancy expenses, etc. Tenant agrees to coordinate all asbestos abatement, if necessary, in the Premises with Landlord prior to commencement of Tenant's Work. Landlord shall approve the scope and cost of any asbestos abatement to be performed by Tenant or its contractors. Tenant shall be allowed to submit its total expense incurred for asbestos abatement to Landlord for reimbursement. Landlord agrees to reimburse Tenant for the Asbestos Work within sixty (60) days after the request of Tenant, provided that payment of the reimbursement shall be further subject to the following:

- (a) Tenant shall not be in default under the Lease beyond any applicable cure period;
- (b) Tenant has performed all the Asbestos Work in accordance

with the approved bid and plans and in accordance with all other applicable provisions of the Lease; and

(c) receipt by Landlord from Tenant of a written representation that all bills for labor and materials for the Asbestos Work have been paid (with invoices or other back-up confirming all costs incurred by tenant for the work with such costs equal to or in excess of the reimbursement amount).

The maximum amount of Landlord's reimbursement for Asbestos Work under this Section shall not exceed \$100,000.00 and shall be in addition to any tenant improvement allowance provided in the Lease.

At Landlord's option, Landlord may elect to reimburse Tenant in the form of a rent credit by providing written notice to Tenant of its election. The amount of the rent credit shall be the total amount of the cost of Asbestos Work, divided by twelve (12) with the credit being applied to the next monthly rent due and continuing in the same credit amount until the Asbestos Work is paid in full.

3. Design of Tenant's Work.

3.1 Tenant's Architect. Within ten (10) business days of execution of this Lease Tenant shall engage the services of a licensed architect ("Tenant's Architect") to provide the professional services required for Tenant's Work. Tenant's Architect shall provide all architectural and engineering service as required for Tenant's Work. Tenant shall work diligently with Tenant's Architect in preparing preliminary and final plans, specifications and engineering and construction drawings for Tenant's Work. Tenant's Architect shall work with and be subject to Tenant's direction and control with respect to Tenant's Work, subject to Landlord's approval rights as provided for herein. All plans for Tenant's Work and all modifications thereto shall be subject to the approval of Landlord, which shall not be unreasonably withheld, conditioned or delayed.

3.2 Plans for Tenant's Work. Promptly after Lease execution Tenant shall cause Tenant's Architect to commence preparation of a space plan for Landlord's review and approval. After Landlord's approval thereof, Tenant shall cause Tenant's Architect to prepare preliminary working drawings and plans and specifications for Tenant's Work which shall be based on the space plan approved by Landlord. After completion thereof, Tenant shall submit such to Landlord for its review and comment. After obtaining Landlord's comments therein, Tenant shall cause Tenant's Architect to incorporate Landlord's comments into the final plans and specifications (the "Final Contract Documents") and submit them to Landlord for its final review and approval which approval shall not be unreasonably withheld so long as they are consistent and compatible with base Building plans and systems and do not increase Landlord's costs of operating the Building.

3.3 Contract Administration. Tenant's Architect will provide construction administration during the execution of Tenant's Work and will observe progress of that work, attend necessary contractor coordination meetings, advise Tenant and Landlord on status and progress payments, prepare a punch-list for Tenant's Work of any construction deficiencies at completion and certify Tenant's Work complete prior to move-in.

3.4 Tenant Costs. Tenant shall be responsible and immediately reimburse Landlord upon demand for any damages or other costs incurred by Landlord which are caused by (a) the acts or omissions of Tenant or its employees, agents or contractors while on the Premises; (b) Tenant's requests for changes to the Building; or (c) Tenant's breach of the Lease.

4. Construction of Tenant's Work.

4.1 Commencement. After Landlord's approval or deemed approval of the Final Contract Documents, Tenant shall obtain all governmental approvals and permits required therefor and enter into a construction contract with a general contractor selected by Tenant, and approved by Landlord, , such approval not to be unreasonably withheld; provided that the following General Contractors are pre-approved by Landlord: Howard S. Wright, Anderson Construction, BNBuilders, Abbott Construction, Korsmo Construction and Skanska. The Tenant's Work may commence promptly after obtaining such approval.

4.2 Final Contract Documents and Modifications. If Tenant desires any material change to the Final Contract Documents, Tenant shall submit such change in writing to Landlord for its review and approval, which shall not be unreasonably withheld, and such request shall be accompanied by all plans and specifications necessary to show and explain changes from the approved Final Contract Documents. Landlord shall provide its response within a reasonable period after its receipt of such submittals from Tenant. Tenant shall be responsible for any resulting delay in completion of the Premises due to a modification of Final Contract Documents.

4.3 Tenant's Telephone, Computer and Cable System. Tenant shall be solely responsible for, and shall bear the cost of, the design and installation of its telephone, computer and cable system. Information concerning telephone equipment and cabling sizes and any special requirements must be given to Landlord during the planning phase.

4.4 Inspection. Tenant's Work shall be subject to the inspection of Landlord's representative from time to time during the period in which the Tenant's Work is being performed.

4.5 Hazardous Material Disposal. Tenant shall be solely responsible for the removal and legal disposal of any materials considered as hazardous waste by the local sanitation authority and Tenant shall take all precautions to assure that such materials are not placed in Landlord's disposal containers.

4.6 Performance of Tenant's Work. All work performed by Tenant during its construction period, or otherwise during the Lease term, shall be performed so as to cause the least possible interference with other tenants and the operation of the Building, and Landlord shall have the right to impose reasonable requirements with respect to timing and performance of the Tenant's Work in order to minimize such interference. Tenant shall take all reasonably necessary precautionary steps to protect the Premises and the Building from Tenant's Work, and shall comply with all other reasonable requirements of Landlord with respect to Tenant's Work, including traffic regulations, and delivery and

removal requirements. Landlord shall have the right to order any of Tenant's Contractors who willfully, or at the specific direction of Tenant, violate the above requirements to cease Tenant's Work and to remove its equipment and employees from the Building, but only after Landlord has reasonably attempted to resolve any on site work issues with Tenant and/or Tenant's Contractor.

4.7 Insurance. Tenant shall cause Tenant's Contractors to maintain during the construction period the following insurance: (i) commercial general liability insurance, with limits of not less than \$2 million per occurrence, for personal injury, bodily injury or death or property damage or destruction, arising out of or relating to the contractor's work at or in connection with the Premises and completed operations coverage for one (1) year following job completion; (ii) workers' compensation insurance with respect to each contractor's workers at the site or involved in the Tenant's Work, in the amount required by statute; (iii) comprehensive automobile liability insurance covering all owned, hired or non-owned vehicles, including the loading and unloading thereof, with limits of not less than \$1 million per occurrence; and (iv) builder's risk property insurance in amounts reasonably determined by Landlord upon consultation with Tenant. Tenant shall require that each of Tenant's Contractors name Landlord, Landlord's property manager, and such other parties as designated by Landlord, as additional insured under clause (i) above. All insurance required hereunder shall be provided by responsible insurers rated at A X or better by A.M. Best's and authorized to do business in the State of Washington. Upon request of Landlord, Tenant shall provide, or cause its contractors to provide, certificates of insurance illustrating compliance with the requirements in this Section 4.7. Such certificates shall state that the coverage may not be reduced or canceled without at least thirty (30) days' prior written notice to Landlord.

4.8 No Penetrations. Due to the construction type of the building, Tenant shall make no penetrations into the roof, ceiling, exterior walls, or floors, unless approved by Landlord in advance.

4.9 HVAC Major Repair Reimbursement. In the event Tenant's Work relating to the HVAC system within the Premises is not covered by warranty from Tenant's contractors or requires any repairs beyond normal maintenance during the initial 24 months of the Lease, Landlord agrees to reimburse Tenant within sixty (60) days after the request of Tenant for the costs of any repairs to its HVAC system serving the Premises which exceed \$5,000.00 under the following conditions:

- (a) Tenant shall not be in default under the Lease beyond any applicable cure period;
- (b) Tenant has performed all the HVAC work in accordance with the approved plans and specifications and in accordance with all other applicable provisions of the Lease, including, but not limited to, the completion of all punchlist items; and
- (c) receipt by Landlord from Tenant of a written representation that all bills for labor and materials for the HVAC work done or authorized by Tenant or performed to Tenant's account in connection with the Premises have been paid (with invoices

or other back-up confirming all costs incurred by tenant for the work with such costs equal to or in excess of the reimbursement amount).

The maximum amount of Landlord's reimbursement for HVAC repair under this Section 4.9 shall not exceed \$100,000.00 and shall be in addition to any tenant improvement allowance provided in the Lease.

At Landlord's option, Landlord may elect to reimburse Tenant for the HVAC repair in the form of a rent credit by providing written notice to Tenant of its election. The amount of the rent credit shall be the amount of the cost of HVAC repair in excess of \$5,000, divided by twelve (12) with the credit being applied to the next monthly rent due and continuing in the same credit amount until the HVAC Work is paid in full.

5. General Provisions. The following provisions shall be applicable to all Tenant's Work, and all subsequent improvements performed by Tenant with respect to the Premises:

(a) Tenant shall be responsible for any increase in energy cost, as additional rent, for all special lighting and any lighting not consistent with applicable energy codes and such lighting shall not be installed without the prior approval of the Landlord.

(b) All work shall be done in conformity with a valid building permit, when required, a copy of which shall be furnished for Landlord before such work is commenced, and in any case, all such work shall be performed in accordance with all applicable laws. Notwithstanding any failure by Landlord to object to any such work, Landlord shall have no responsibility for Tenant's failure to meet all applicable laws.

(c) All work by Tenant or Tenant's Contractors shall be scheduled through Landlord and coordinated with the work of other contractors working on the Building so that it does not delay such other work. Landlord and Tenant shall use good faith efforts to avoid scheduling conflicts.

(d) Landlord shall have the right to post a notice or notices in conspicuous places in or about the Premises announcing its non-responsibility for the work being performed therein.

(e) No improvements shall be constructed that will increase Landlord's costs of maintaining the structural integrity of, or operating, the Premises or Building without Landlord's prior written consent and without Tenant reimbursing Landlord for all increased costs resulting therefrom.

EXHIBIT E**Commencement Date Memorandum****COMMENCEMENT DATE MEMORANDUM
AND CONFIRMATION OF LEASE TERMS**

Reference is made to that certain Lease Agreement ("Lease") dated _____ between MultiCare Health System ("Tenant") and _____ ("Landlord"), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at _____, Washington and commonly known as _____ ("Building").

Landlord and Tenant hereby acknowledge as follows:

- (1) The Parties agree that the correct address of the premises is _____ ("Premises");
- (2) Landlord delivered possession of the Premises to Tenant in a substantially complete condition on _____;
- (3) Tenant has accepted possession of the Premises and now occupies the same;
- (4) The initial term of the Lease commenced on _____ and will expire on _____; Tenant opened for business on _____;
- (5) The Premises contains approximately _____ rentable square feet of space; and
- (6) Tenant's obligation to pay rent commenced on _____; provided however, Base Rent shall be abated for the period _____ through _____; and
- (7) Tenant has _____ successive options to extend the Lease for _____ years each and the last date for Tenant to exercise the first extension option is _____; and the last date for Tenant to exercise the second extension option is _____; and
- (8)

Tenant has Right of First Opportunity to lease any space which comes available in the Building during the Lease Term, including any extensions thereof, subject to the provisions of Paragraph 32 (n) of the Lease; and

- (9) Tenant Improvement Allowance of _____ (or \$XX.00/RSF) shall be paid by Landlord as cash reimbursement or, upon Tenant's request, as a credit to Base Rent, within thirty (30) days of substantial completion of Tenant's Work and

Tenant's opening for business. As of the date hereof, the Tenant Improvement Allowance remains unpaid by Landlord; and

IN WITNESS WHEREOF, this Commencement Date Memorandum and Confirmation of Lease Terms is dated as of this ____ day of ____, 2019.

TENANT

MULTICARE HEALTH SYSTEM

By: _____

Name: _____

Its: _____

LANDLORD

X2 BROADWAY, LLC

By: _____

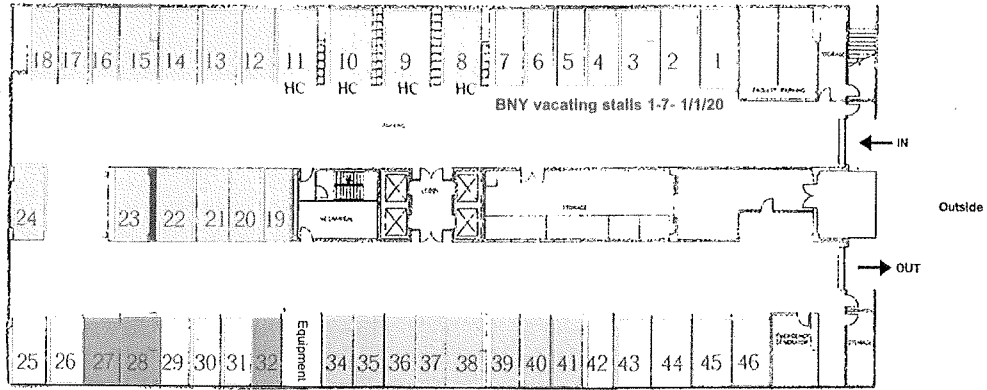
Name: _____

Its: _____

EXHIBIT F

Parking Site Plan--Outside

1313 BROADWAY PLAZA
TACOMA, WA



INSIDE/UNDER BUILDING PARKING

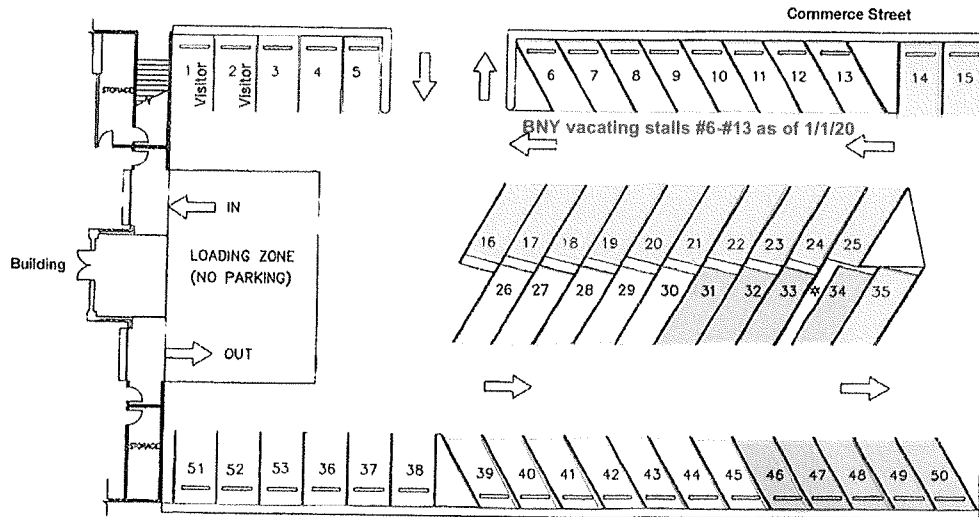
- BNY*, per Lease
- NW Hardwoods, per Lease
- NICB, per Lease
- JD Merit, per Lease
- Securitas, per Lease
- Vacant or MTM

* BNY reducing to 13 stalls as of 1/1/20

EXHIBIT F

Parking Site Plan---Inside

1313 BROADWAY PLAZA
TACOMA, WA



OUTSIDE SURFACE PARKING

- BNY*, per Lease
- NW Hardwoods, per Lease
- NICB, per Lease
- JD Merit, per Lease
- Vacant or MTM

* BNY reducing to 13 stalls as of 1/1/20

**FIRST AMENDMENT TO
LEASE AGREEMENT
1313 BROADWAY, TACOMA**

THIS FIRST AMENDMENT TO LEASE AGREEMENT is dated for reference purposes March 17, 2020, and is made by and between **X2 BROADWAY, LLC**, a Washington limited liability company ("Landlord") and **MULTICARE HEALTH SYSTEM**, a Washington nonprofit corporation (Tenant"), with respect to the following:

RECITALS

A. Landlord and Tenant are the parties to that certain Lease Agreement dated for reference purposes September 1, 2019 ("Lease"), together with all exhibits thereto.

B. Tenant is currently leasing 46,413 RSF under the Lease and desires to lease additional space of 2,215 rentable square feet on the mezzanine area "Expansion Space", as provided below.

C. The parties wish to amend certain provisions of Section 1(a) and Section 2(d) of the Lease to make them consistent with the rentable square footage ("RSF") of the Premises set forth in Exhibit C to the Lease.

D. Capitalized terms used herein shall have their meanings set forth in the Lease, except as otherwise defined herein.

For good and valuable consideration, the parties agree as follows:

AGREEMENT

I. Leased Premises.

A. The Premises shall be modified to add the mezzanine floor (2,215 RSF), commonly known as Spaces A, B, C, and D only as outlined on attached Exhibit 1. Exhibit A to the Lease is modified to add the additional floor plan/outline of the Premises attached as Exhibit 1 hereto.

B. The first and second sentences of Section 1(a) of the Lease are hereby amended in its entirety as follows:

The leased commercial premises ("Premises") consist of an estimated area of 48,628 RSF, and are outlined on the floor plans attached as EXHIBIT A, located in a building ("Building") constructed on land ("Land") legally described on the attached EXHIBIT B, and commonly known as 1313 Broadway, Tacoma, Washington.

C. Rent Commencement Date for the additional Premises described in Paragraph 1(A) above shall be May 1, 2020.

D. Base Rent for the "Expansion Space" will be \$18.00 per RSF.

E. Tenant will have an on-going right to terminate the "Expansion Space" only by providing Landlord a minimum of one hundred eighty (180) days prior written notice. If Tenant exercises the termination right in this paragraph, Tenant shall pay prior to the termination date for the "Expansion Space" a Termination Fee equal to the unamortized broker commission costs paid in association with the "Expansion Space".

F. Exhibit C to the Lease is hereby amended in its entirety and replaced with Substitute Exhibit C attached hereto.

2. **No Tenant Improvement Allowance.** The additional square footage is provided "as is" where is with no additional allowance for tenant improvement budget.

3. **Pro-Rata Share.** Paragraph 5(a) of the Lease is revised in its entirety to read:

a. **Pro-Rata Share.** Tenant's "Pro-rata Share" is 51.35%, which is based on the ratio of the rentable square footage of the Premises (48,628 RSF) to the rentable square footage of the Building (94,707 RSF). Any subsequent adjustment to the rentable square footage of the Premises or the Building pursuant to Section 1(a) will be reflected in the adjustment to the Tenant's Pro-rata Share.

4. **No Additional Parking.** No additional parking shall be available or provided by Landlord as part of this amendment to the Lease.

5. **Full Force and Effect.** Except as expressly amended herein, the Lease is unmodified and remains in full force and effect.

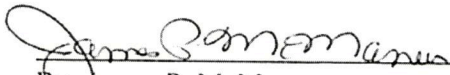
6. **Counterparts.** In accordance with Section 35 of the Lease, this First Amendment may be executed in counterparts.

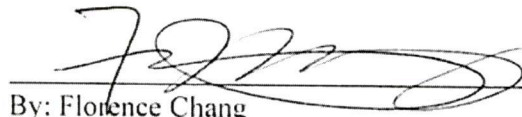
[Signatures appear on following pages.]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment to the Lease.

Tenant:

MULTICARE HEALTH SYSTEM,
a Washington nonprofit corporation


By: James P. McManus
Its: Senior Vice President and Chief Financial Officer


By: Florence Chang
Its: Executive Vice-President Finance and COO

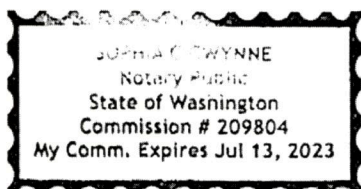
STATE OF WASHINGTON

COUNTY OF PIERCE

} ss.

I certify that I know or have satisfactory evidence that James P. McManus is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Senior Vice President and Chief Financial Officer of **MultiCare Health System**, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 17 day of MARCH, 2020.



SOPHIA C. Gwynne
Printed Name

Notary Public in and for the State of Washington,
residing at 820 A STREET TACOMA, WA 98402
My Commission Expires JULY 13, 2023

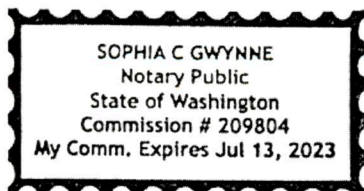
STATE OF WASHINGTON

COUNTY OF PIERCE

} ss.

I certify that I know or have satisfactory evidence that Florence Chang_____ is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as the Executive Vice-President and COO of **MultiCare Health System**, a Washington nonprofit corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 17 day of MARCH, 2020.



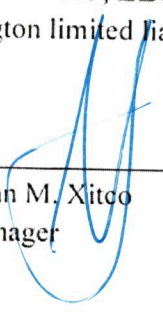
SOPHIA C. Gwynne
Printed Name

Notary Public in and for the State of Washington,
residing at 820 A STREET TACOMA, WA 98402
My Commission Expires JULY 13, 2023

--signatures continue--

Landlord:

X2 BROADWAY, LLC,
a Washington limited liability company

By: 
Name: John M. Xitco
Title: Manager

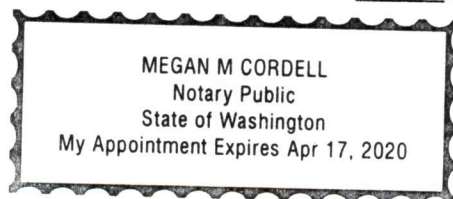
STATE OF WASHINGTON

COUNTY OF PIERCE

} ss.

I certify that I know or have satisfactory evidence that John M. Xitco is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Manager of **X2 Broadway, LLC**, a Washington limited liability company, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this 18th day of March, 2020.




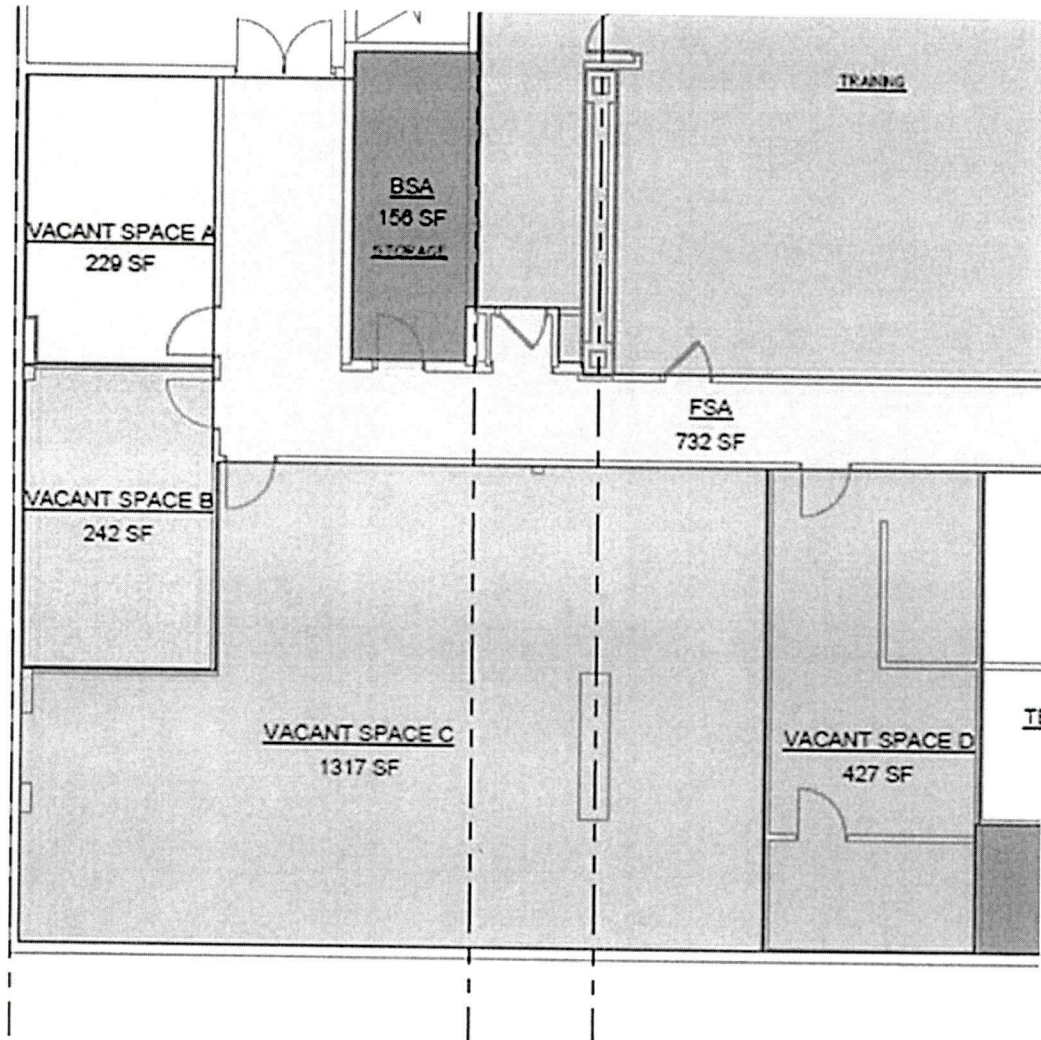

Printed Name Megan M Cordell
NOTARY PUBLIC in and for the State of Washington,
residing at Lake Tapps
My Commission Expires 4-17-2020

EXHIBIT 1
ADDITIONAL FLOOR PLAN/OUTLINE OF THE PREMISES
-Space A, B, C, and D ONLY



SUBSTITUTE EXHIBIT C

Rental Schedule and Commencement Dates

<u>FLOOR</u>	<u>SUITE NO.</u>	<u>RENTABLE SQUARE FOOTAGE*</u>	<u>RENTAL RATE PER RSF</u>	<u>COMMENCEMENT DATE/RENT COMMENCEMENT DATE</u>	<u>TENANT IMPROVEMENT ALLOWANCE PER RSF</u>
Mezzanine	Spaces A, B, C, and D	2,215	\$18.00	May 1, 2020	None
First	All	11,667	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
Second	All	17,373	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
Fifth	All	17,373	\$24.00	January 1, 2020 or sooner* Rent Commencement is 4 months after 5 th Floor Commencement Date	\$40.00

Total estimated RSF of Premises: 48,628

*The lease for the existing tenant located on the Fifth floor expires December 31, 2019; but that tenant has expressed an interest in vacating the Fifth floor premises earlier. Upon vacation and delivery of the 5th floor from the existing tenant, Landlord shall make the 5th floor and its related parking available to Tenant on or before January 1, 2020. Upon Landlord delivery of the 5th floor to Tenant, no additional Base Rent shall be due that is attributed to the 5th Floor Premises until the first of the month following the expiration of four (4) months from the 5th Floor Commencement Date, however rent commencement shall not occur prior to January 1, 2020

COMMENCEMENT DATE MEMORANDUM AND CONFIRMATION OF LEASE TERMS

Reference is made to that certain Lease Agreement (“Lease”) dated September 1, 2019 between MultiCare Health System (“Tenant”) and X2 Broadway, LLC (“Landlord”), whereby Landlord leased to Tenant and Tenant leased from Landlord certain premises in the building located at 1313 Broadway, Tacoma, Washington and commonly known as 1313 Broadway (“Building”).


Landlord and Tenant hereby acknowledge as follows:

- (1) The Parties agree that the correct address of the premises is 1313 Broadway, Tacoma, WA (“Premises”);
- (2) Landlord delivered possession of the Premises to Tenant in a substantially complete condition on September 1, 2019 with regards to 1st and 2nd floors, and January 1, 2020 with regards to the 5th floor;
- (3) Tenant has accepted possession of the Premises and now occupies the same;
- (4) The initial term of the Lease commenced on September 1, 2019 with regards to 1st and 2nd floors, and January 1, 2020 with regards to the 5th floor and will expire on August 31, 2029; Tenant opened for business on or about May 30, 2020 with regards to 1st floor, on or about June 12, 2020 with regards to the 2nd floor, and on or about June 20, 2020 with regards to the 5th floor;
- (5) The Premises contains approximately 46,413 rentable square feet of space; and
- (6) Tenant’s obligation to pay rent commenced on September 1, 2019 with regards to 1st and 2nd floors, and January 1, 2020 with regards to the 5th floor; provided however, Base Rent shall be abated for the period September 1, 2019 through December 31, 2019 with regards to 1st and 2nd floors, and January 1, 2020 through April 30, 2020 with regards to the 5th floor; and
- (7) Tenant has two successive options to extend the Lease for five years each and the last date for Tenant to exercise the first extension option is March 4, 2029; and the last date for Tenant to exercise the second extension option is March 4, 2034; and
- (8) Tenant has Right of First Opportunity to lease any space which comes available in the Building during the Lease Term, including any extensions thereof, subject to the provisions of Paragraph 32(n) of the Lease; and
- (9) Tenant Improvement Allowance of \$1,856,520.00 (or \$40.00/RSF) shall be paid as a credit to Base Rent (“Rent Credit”) per Sec. 2(d) of the Lease. The Rent Credit shall be in the amount of \$16,004.48 per month for the first Lease Year (as defined in the Lease, and as confirmed in this memo, the first Lease Year shall be September 1, 2019 – August 31, 2020), and shall increase in the same manner as Base Rent under Sec. 1(d) of the Lease for each Lease Year thereafter (e.g. September 1 of each year) by an amount equal to 2.2% until the full amount of the Tenant Improvement Allowance has been credited.

IN WITNESS WHEREOF, this Commencement Date Memorandum and Confirmation of Lease Terms is dated as of this 12th day of November, 2020.

TENANT

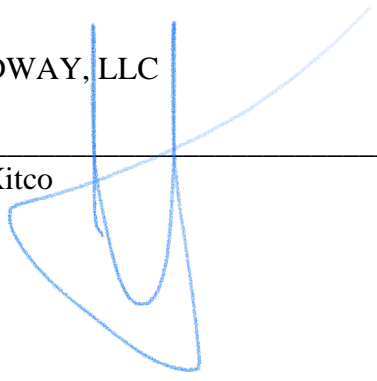
MULTICARE HEALTH SYSTEM

DocuSigned by:

By: E46554ECA8C046F...
Name: James P. McManus
Its: Senior VP and CFO

LANDLORD

X2 BROADWAY, LLC

By: _____
Name: John M. Xitco
Its: Manager



BROADWAY PLAZA FL 5

MHS HOME HEALTH HOSPICE



Exhibit 10

Letter of Financial Commitment



MultiCare Health System

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

November 28, 2022

Mr. Eric Hernandez, Manager
Washington State Department of Health
Certificate of Need Program
111 Israel Road S.E.
Olympia, WA 98501

RE: Certificate of Need Request by Multicare Health System for the Establishment of a Home Health Agency in Kitsap County, Washington

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for the certificate of need request by MultiCare Health System to establish and operate a Home Health Agency in Kitsap County, Washington.

MultiCare is pleased to commit from its corporate reserves, full funding for the estimated capital expenditures and for any working capital requirements associated with this project. MultiCare has sufficient cash reserves to fully fund the project.

Please contact me if there are any questions regarding this letter of financial commitment. I can be reached at james.g.lee@multicare.org or at 253.403.8020. Thank you for your time and assistance in this important matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Lee".

James Lee, EVP, Population Based Care
and Chief Financial Officer
MultiCare Health System

Exhibit 11

MultiCare Health System 2020-2021
Audited Financials



MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
MultiCare Health System:

Opinion

We have audited the consolidated financial statements of MultiCare Health System (the Company)(a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Seattle, Washington
March 23, 2022

MULTICARE HEALTH SYSTEM

Consolidated Balance Sheets

December 31, 2021 and 2020

(In thousands)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 308,732	946,223
Accounts receivable	460,569	374,372
Supplies inventory	60,056	49,167
Other current assets, net	96,361	85,144
Total current assets	925,718	1,454,906
Donor restricted assets held for long-term purposes	96,775	88,900
Investments	2,610,531	1,970,458
Property, plant, and equipment, net	2,010,134	1,763,666
Right-of-use operating lease asset, net	140,718	137,763
Right-of-use financing lease asset, net	20,458	15,694
Other assets, net	554,625	502,459
Total assets	\$ 6,358,959	5,933,846
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 283,004	208,422
Accrued compensation and related liabilities	340,029	299,523
Accrued interest payable	18,059	18,649
Current portion of right-of-use operating lease liability	26,376	28,574
Current portion of right-of-use financing lease liability	4,283	2,836
Current portion of long-term debt	43,609	7,950
Total current liabilities	715,360	565,954
Interest rate swap liabilities	119,100	154,347
Right-of-use operating lease liability, net of current portion	120,273	114,288
Right-of-use financing lease liability, net of current portion	16,933	13,200
Long-term debt, net of current portion	1,572,235	1,618,849
Other liabilities, net	208,307	213,046
Total liabilities	2,752,208	2,679,684
Commitments and contingencies (note 15)		
Net assets:		
Without donor restrictions	3,430,009	3,111,401
With donor restrictions	176,742	142,761
Total net assets	3,606,751	3,254,162
Total liabilities and net assets	\$ 6,358,959	5,933,846

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2021 and 2020

(In thousands)

	2021	2020
Revenues, gains, and other support without donor restrictions:		
Patient service revenue	\$ 3,504,691	3,105,968
Other operating revenue	314,323	256,819
Net assets released from restrictions for operations	5,170	4,655
Total revenues, gains, and other support without donor restrictions	3,824,184	3,367,442
Expenses:		
Salaries and wages	1,870,645	1,616,021
Employee benefits	278,185	248,132
Supplies	600,757	520,378
Purchased services	349,159	298,256
Depreciation and amortization	126,307	168,188
Interest	47,670	45,970
Other	486,005	369,741
Total expenses	3,758,728	3,266,686
Excess of revenues over expenses from operations	65,456	100,756
Other income (loss):		
Investment income	213,993	272,266
Gain (loss) on interest rate swaps, net	25,873	(75,033)
Other loss, net	(13,729)	(13,068)
Total other income, net	226,137	184,165
Excess of revenues over expenses	291,593	284,921
Other changes in net assets without donor restrictions:		
Changes in pension asset	24,810	2,513
Net assets released from restriction – capital acquisitions	1,715	4,327
Other	490	220
Increase in net assets without donor restrictions	318,608	291,981
Changes in net assets with donor restrictions:		
Contributions and other	35,697	21,425
Income on investments	1,816	2,482
Net assets released from restriction – capital acquisitions	(1,715)	(4,327)
Net assets released from restrictions for operations and other	(5,170)	(4,655)
Increase in assets held in trust by others	3,353	4,446
Increase in net assets with donor restrictions	33,981	19,371
Increase in net assets	352,589	311,352
Net assets, beginning of year	3,254,162	2,942,810
Net assets, end of year	\$ 3,606,751	3,254,162

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(In thousands)

	2021	2020
Cash flows from operating activities:		
Increase in net assets	\$ 352,589	311,352
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	126,307	168,188
Amortization of bond premiums, discounts, and issuance costs	(2,433)	(2,494)
Net realized and unrealized gains on investments	(188,615)	(251,078)
Change in fair value of interest rate swap	(35,247)	67,298
Loss (gain) on disposal of assets, net	2,373	(90)
(Gain) loss on joint ventures, net	(513)	4,709
Restricted contributions for long-term purposes	(16,952)	(12,188)
Changes in operating assets and liabilities:		
Accounts receivable	(73,590)	2,128
Supplies inventory and other current assets	(17,586)	(21,176)
Right-of-use lease asset	40,614	35,391
Other assets, net	(38,219)	(104,363)
Accounts payable and accrued expenses and accrued interest payable	67,751	16,547
Accrued compensation and related liabilities	38,053	51,552
Right-of-use lease liability	(30,721)	(33,111)
Other liabilities, net	(8,287)	57,479
Net cash provided by operating activities	215,524	290,144
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(216,973)	(169,168)
Proceeds from disposal of property, plant, and equipment	7,629	997
Purchase of Capital Medical Center and related real estate	(179,662)	—
Investments in joint ventures, net	(10,373)	(26,199)
Purchases of investments	(5,634,748)	(4,397,377)
Sales of investments	5,175,627	4,472,955
Change in donor trusts	5,700	(9,457)
Net cash used in investing activities	(852,800)	(128,249)
Cash flows from financing activities:		
Repayment of long-term debt	(8,522)	(20,796)
Proceeds from bond issuance	—	300,000
Proceeds from debt issuance	—	61,794
Payment of debt issue expenses	—	(2,346)
Principal payments on finance lease obligations	(8,645)	(1,366)
Restricted contributions for long-term purposes	16,952	12,188
Net cash (used in) provided by financing activities	(215)	349,474
Net change in cash and cash equivalents	(637,491)	511,369
Cash and cash equivalents, beginning of year	946,223	434,854
Cash and cash equivalents, end of year	\$ 308,732	946,223
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amount capitalized	\$ 48,260	42,967
Noncash activities:		
Increase in deferred compensation plans	13,471	13,726
Increase in accounts payable for purchases of property, plant, and equipment	1,266	349

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

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(1) Nature of Organization and Summary of Significant Accounting Policies

(a) Organization Description

MultiCare Health System (MHS), a Washington nonprofit corporation, is an integrated healthcare delivery system providing inpatient, outpatient, and other healthcare services primarily to the residents of Pierce, King, Spokane and Thurston Counties and, with respect to pediatric care, much of the southwest Washington region. As of December 31, 2021, MHS was licensed to operate 2,099 inpatient hospital beds, including 120 beds associated with a joint venture psychiatric hospital in Tacoma, Washington. MHS operates nine acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Hospital, Deaconess Hospital, Valley Hospital and Capital Medical Center) and one behavioral health hospital (Navos). MHS also operates eight outpatient surgical sites, five free-standing emergency departments, home health, hospice, and multiple urgent care, primary care and multispecialty clinics located throughout the MHS service areas.

The consolidated financial statements include the operations of these facilities and services as well as those of three wholly owned subsidiaries (Greater Lakes Mental Healthcare, Medis, Inc. and MultiCare Rehabilitation Specialists, P.C.), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned accountable care organization (MultiCare Connected Care), and two fundraising foundations (Mary Bridge Children's Foundation and MultiCare Foundations, which is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation and MultiCare Inland Northwest Foundation).

On April 1, 2021, MHS completed the purchase of Capital Medical Center in Olympia, Washington from an affiliate of LifePoint Health and physician owners to acquire a 100% ownership interest. Capital Medical Center is licensed to operate 107 inpatient hospital beds as well as operates multiple primary care and multispecialty clinics within Thurston County. The acquisition of Capital Medical Center was valued at \$44,662. Assets and liabilities purchased included land, buildings, equipment, accounts receivable, intangibles and other assets offset by accounts payable, accrued compensation, other current liabilities and other liabilities and were recorded at their estimated fair values as determined based on standard asset appraisal techniques. MHS hired substantially all of the employees previously employed by Capital Medical Center. The following table summarizes the estimated fair values of

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assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

Recognized amounts of identifiable assets acquired and liabilities assumed:

Patient accounts receivable	\$	13,500
Other current assets		3,628
Land, buildings and equipment		30,551
Intangibles and other assets		8,915
Accounts payable, accrued compensation and other current liabilities		(8,695)
Other liabilities		<u>(3,295)</u>
Total identifiable net assets assumed		44,604

Recognized amount of goodwill assumed:

Goodwill		<u>58</u>
Total	\$	<u><u>44,662</u></u>

Total cash consideration transferred	\$	39,173
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On December 20, 2021, MHS completed a separate purchase of land and buildings associated with the Capital Medical Center hospital campus and several surrounding clinic offices from an affiliate of Medical Properties Trust (MPT). The acquisition was valued at \$135,000 of land, buildings and other related assets acquired.

Recognized amounts of identifiable assets acquired:

Land	\$	20,053
Buildings		114,069
Leasehold improvements		163
Intangible assets		<u>715</u>
Total		135,000

Transaction expenses		<u>3,148</u>
Total cash consideration transferred	\$	<u><u>138,148</u></u>

(b) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MHS after elimination of all significant intercompany accounts and transactions.

(c) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the

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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 could differ from those estimates and assumptions.

(d) Cash and Cash Equivalents

Cash and cash equivalents include certain investments in highly liquid instruments with maturities of three months or less at the date of purchase. Cash equivalents and investments that are held by outside investment managers or restricted per contractual or regulatory requirements are classified as investments on the consolidated balance sheets.

(e) Accounts Receivable

Accounts receivable are primarily comprised of amounts due for healthcare services from patients and third-party payors and are recorded net of amounts for contractual adjustments and implicit price concessions.

(f) Supplies Inventory

Supplies inventory consists of pharmaceutical, medical-surgical, and other supplies generally used in the operations of MHS. Supplies inventory is stated at lower of cost or net realizable value using the average cost method, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

(g) Donor Restricted Assets

The majority of the donor restricted assets are invested in MHS' investments and are stated at fair value or estimated fair value. Donor restricted assets that are held separately from MHS' investments include perpetual trusts and charitable remainder unitrusts, where MHS is the beneficiary but not the trustee, that are invested in mutual funds, fixed income securities, and equity securities. Those with readily determinable fair values are stated at fair value. Those investments for which quoted market prices are not readily determinable are carried at values provided by the respective investment managers or trustees, which management believes approximates fair value.

Charitable gift annuities, which are included in donor restricted assets, totaled \$2,308 and \$2,471 at December 31, 2021 and 2020, respectively. MHS has recorded a corresponding payable of \$775 and \$1,119 at December 31, 2021 and 2020, respectively, to pay for estimated future obligations to beneficiaries. The current portion of these obligations is included in accounts payable and accrued expenses and the long-term portions are included in other liabilities, net in the accompanying consolidated balance sheets. According to Washington State law, MHS, as a distinct legal entity holding charitable gift annuities, is required to maintain unrestricted net assets of at least \$500, which MHS has done for each of the periods presented.

(h) Investments

MHS accounts for its investment portfolio as a trading portfolio, therefore, investments in fixed income securities, equity securities, and commingled trusts with a readily determinable fair value are recorded at fair value, which are determined based on quoted market prices or prices with observable inputs

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obtained from national securities exchanges or similar sources. Other investments, including limited partnerships, commingled real estate trust funds, limited liability partnerships, and hedge funds are carried at net asset value (NAV) provided by the respective investment managers, which management believes approximates fair value. Valuations provided by investment managers consider variables such as valuation and financial performance of underlying investments, quoted market prices for similar securities, recent sale prices of underlying investments, and other pertinent information. Management reviews the valuations provided by investment managers and believes that the carrying values of these financial instruments are reasonable estimates of fair value.

Realized gains and losses are recorded using the average cost method. Investment income or loss (including realized gains and losses on investments, change in unrealized gains or losses, interest, and dividends) is included in the excess of revenues over expenses unless the income or loss is restricted by donor or law.

(i) Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the following estimated useful lives of the assets:

Buildings	5–80 years
Land improvements	8–20 years
Equipment	3–30 years

In 2021, MHS re-evaluated the useful lives of property, plant, and equipment used to compute depreciation expense, resulting in a prospective change in estimated useful lives of certain buildings and equipment. The method of determining the new estimated useful lives is based on historical data of similar assets at MHS and similarly sized entities. MHS believes this change aligns the useful life with the actual usage of the asset and is a better depiction of the net book value of the assets held and in-use. This change is recognized prospectively as a change in accounting estimate. MHS recorded reductions in depreciation expense of property, plant and equipment of \$48,094 for the year ended December 31, 2021.

The Company capitalizes all software implementation costs that meet the criteria for capitalization, including those that relate to a service contract (e.g. hosting arrangement). The capitalized software implementation costs are reflected within property, plant and equipment in the consolidated balance sheets. These costs are amortized together with the costs of the related software license; however, the implementation costs related to a service arrangement are amortized over the term of the arrangement. The amortization period for all capitalized implementation costs is generally 10 years.

Maintenance and repairs are charged to operations as they occur. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Gains upon sale or retirement of property, plant, and equipment are included in other operating revenue whereas losses are included in other expenses. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of constructing those assets.

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MHS assesses potential impairments to its long-lived assets as well as its intangible assets, as described below, when there is evidence that events or changes in circumstances indicate that an impairment has been incurred. These changes can include a deterioration in operating performance, a reduction in reimbursement rates from government or third-party payors or a change in business strategy. An impairment charge is recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. In 2021 and 2020, there were no impairment charges.

Gifts of long-lived assets such as land, buildings, or equipment are reported as support without donor restrictions, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

(j) Leases

Management reviews contracts in order to identify leases and properly classify leases as either operating or financing. MHS is a lessee of various equipment and facilities under noncancelable operating and financing leases. Operating and financing right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease payments. Generally, MHS cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, MHS generally uses its incremental borrowing rate as the discount rate for the lease. MHS' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

If a lease contains a renewal option at the commencement date and it is considered reasonably certain that the renewal option will be exercised by management to renew the lease, the renewal option payments are included in MHS' net minimum lease payments used to determine the right-of-use lease liabilities and related lease assets. All other renewal options are included in right-of-use lease liabilities and related lease assets when they are reasonably certain to be exercised.

All lease agreements generally require MHS to pay maintenance, repairs, property taxes and insurance costs, which are variable amounts based on actual costs incurred during each applicable period. Such costs are not included in the determination of the ROU lease liability or ROU lease asset. Variable lease cost also includes escalating rent payments that are not fixed at commencement but are based on an index that is determined in future periods over the lease term based on changes in the Consumer Price Index or other measure of cost inflation.

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Variable lease payments associated with MHS' leases are recognized when the event, activity, or circumstance in the lease agreement on which those payments are assessed occurs. Variable lease payments are presented in other expenses in the consolidated statement of operations and changes in net assets.

MHS has elected the practical expedient to not separate lease components from nonlease components related to its real estate leases.

(k) Goodwill and Intangible Assets

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them. Goodwill and intangible assets is included in other assets, net in the accompanying consolidated balance sheets. At December 31, 2021 and 2020, MHS has goodwill of \$152,927 and \$152,869, respectively, which includes \$58 of goodwill recognized as part of the acquisition of Capital Medical Center. At December 31, 2021 and 2020, MHS has intangible assets, net of accumulated amortization, of \$19,136 and \$14,214, respectively, which includes \$8,466 of intangible assets recognized as part of the acquisition of Capital Medical Center. Goodwill and intangible assets are included in other assets, net in the accompanying consolidated balance sheets.

If it is more likely than not that goodwill is impaired, MHS records the amount that the carrying value exceeds the fair value as an impairment charge. Goodwill is not amortized and along with indefinite-lived intangible assets is evaluated at least annually for impairment. There were no impairment charges recognized during the years ended December 31, 2021 or 2020.

Amortizing intangible assets are comprised of certificates of need, license agreements, trade names and lease arrangements, which all have finite useful lives. Amortization expense is recorded on a straight-line basis over the estimated useful life of the assets, which ranges from three to thirty years, associated with the nature of the intangible asset. Amortization expense was \$3,544 and \$1,621 for the years ended December 31, 2021 and 2020, respectively.

(l) Investment in Joint Ventures

MHS maintains ownership in certain joint ventures related to imaging, office buildings, behavioral health and other healthcare focused activities and accounts for these joint ventures under the equity method of accounting. As of December 31, 2021 and 2020, MHS held ownership interests in 21 and 15 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. Gain on joint ventures for the year ended December 31, 2021 was \$513 associated with several joint ventures performance. Loss on joint ventures for the year ended December 31, 2020 was \$4,709. Gains and losses are included in other operating revenue on the consolidated statements of operations and changes in net assets.

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(m) Estimated Third-Party Payor Settlements

Medicare cost reports are filed annually by MHS with the Medicare intermediary and are subject to audit and adjustment prior to settlement. Estimates of net settlements due to Medicare were \$4,634 and \$3,456 as of December 31, 2021 and 2020, respectively, and have been recorded within accounts payable and accrued expenses in the accompanying consolidated balance sheets. Third-party settlements are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, based upon the amount of the final settlements. Patient service revenue decreased by \$1,178 in 2021 and increased by \$106 in 2020 to reflect changes in the estimated Medicare settlements for prior years.

(n) Interest Rate Swaps

MHS maintains several interest rate swap agreements as a means of hedging its exposure to variable-based interest rates and fluctuations in cash flows as part of its overall interest rate risk management strategy. All MHS interest rate swaps are recorded at fair value. The accounting for changes in the fair value of these swaps depends on whether those had been designated as cash flow hedges. As of December 31, 2021 and 2020, none of MHS' interest rate swaps were designated as cash flow hedges and therefore, the changes in fair value are recognized and included in other income (loss) on the consolidated statements of operations and changes in net assets. These swaps have notional amounts totaling approximately \$709,000 and expire starting in August 2027 through August 2049. The majority of the swaps have the economic effect of fixing the LIBOR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

Under master netting provisions of the International Swap Dealers Association (ISDA) agreement with each of the counterparties, MHS is permitted to settle with the counterparties on a net basis. Due to the right of offset under these master netting provisions, MHS offsets the fair value of certain interest rate swap assets with swap liabilities on the consolidated balance sheets.

(o) Net Assets with Donor Restrictions

Gifts are reported as support with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets to a specific time or purpose or have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are expended for their restricted purposes or by the occurrence of the passage of time, these amounts are released from restrictions for operations and are classified as revenues, gains, and other support without donor restrictions. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to

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be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2021 and 2020, MHS has recorded \$20,305 and \$14,160, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2021, \$5,652 of pledges are due in one year or less and \$14,653 in two to seven years.

(p) Patient Service Revenue

Patient service revenue is reported at the amount that reflects the consideration to which MHS expects to receive in exchange for providing patient services. These amounts are due from patients, third-party payors, and others and include the variable consideration for retroactive adjustments to revenue due to final settlement of audits, reviews, and investigations. MHS bills the patient and third-party payors several days after the services are performed or when the patient is discharged from the facility, whichever is later.

(q) Hospital Safety Net Assessment

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, MHS recorded increases in patient service revenue of \$89,738 and \$83,884 for 2021 and 2020, respectively, and incurred assessments of \$64,570 and \$61,112 for 2021 and 2020, respectively, which were recorded in other operating expenses in the accompanying consolidated statements of operations and changes in net assets. MHS has outstanding receivables of \$16,737 and \$14,649 associated with this program as of December 31, 2021 and 2020, respectively, which are included with accounts receivable on the consolidated balance sheets.

(r) Uncompensated and Undercompensated Care

MHS provides a variety of uncompensated and undercompensated healthcare services to the communities it serves within the purview of its mission. Because MHS does not pursue collection of amounts determined to qualify as uncompensated care, MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its historical collections from these patients. Patients who meet the criteria of MHS' uncompensated care policy are eligible to receive these services without charge or at an amount less than MHS' established rates. Such amounts determined to qualify as charity care are not reported as revenue. The State provides guidelines for charity care provided by hospitals in the state. Hospitals are recommended to provide full charity care to patients who meet 100% of the federal poverty guidelines and a lesser amount to patients who meet up to 200% of the federal poverty guidelines. MHS provides full charity care to patients who meet 300% of the federal poverty guidelines and also provides uncompensated care on a sliding scale for patients whose income is between 301% and 500% of the federal poverty guidelines for true self-pay patients and patients with deductibles and coinsurance amounts. The estimated cost of charity care provided was approximately \$48,000 and \$51,000 in 2021 and 2020, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately \$300,406 and \$218,443 in 2021 and

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2020, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

(s) Other Operating Revenue

Other operating revenue includes revenue from cafeteria sales, retail pharmacy, laboratory revenue from community providers, medical office rental income, contributions without donor restrictions, grant revenue, contracted behavioral healthcare revenue and other miscellaneous revenue.

(t) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension asset, net assets released from restrictions for capital expenditures, and capital assets received.

(u) Federal Income Taxes

ASC Subtopic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements. This topic also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, this topic provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Other than Medis, Inc., which is a taxable corporation, and Columbia Capital Medical Center, LP (operating as Capital Medical Center), which is a taxable partnership, all of the other entities have obtained determination letters from the Internal Revenue Service that they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in 501(c)(3) of the Internal Revenue Code, except for tax on unrelated business income.

(v) Self-Insurance Reserves

MHS is self-insured with respect to professional and general liability, workers compensation and medical and other health benefits with excess insurance coverage over self-insured retention limits. MHS records insurance liabilities for these specific items by using third party actuarial calculations and certain assumptions and inputs such as MHS historical claims experience and the estimated amount of future claims that will be incurred.

(w) New and Pending Accounting Standards

In June 2016, FASB issued Accounting Standards Update (ASU) 2016-13 and in November 2019, issued ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this update require that financial assets are measured at amortized cost basis and presented at the net amount expected to be collected. This eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an entity's current estimate of all expected credit losses and broadens the information that an entity must consider in developing its expected credit loss estimate for assets measured either collectively or individually.

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The provisions of this ASU are effective for MHS for the year beginning on January 1, 2023. MHS does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The amendments in this update align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance in Subtopic 350-40 is used to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense and is also used to determine the amortization period of the capitalized costs. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2021. MHS has applied the provisions of this ASU prospectively as is allowed and this ASU does not have a material effect on its consolidated financial statements.

In April 2019, FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*. The amendments in this update are divided into four separate topics that discuss the details of the improvement areas and the amendments made to the Codification for these improvement areas. Topics 1, 2 and 5 in this ASU relate specifically to ASU 2016-13, which is effective for MHS for the year beginning January 1, 2023. Topics 3 and 4 in this ASU have been evaluated and are not applicable to MHS. MHS does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In March 2020, FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the effects of Reference Rate Reform on Financial Reporting*. The amendments in this update provide practical expedients to contract modifications when it is being modified due to the replacement of a reference rate within the contract. The provisions of this ASU are effective immediately and will be available through December 31, 2022. Modifications completed after December 31, 2022 must use current guidance instead of the provisions in this ASU. MHS will make contract modifications in 2022 but does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

(2) Coronavirus (COVID-19) Impact

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law and on March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law. Both the CARES Act and ARPA were aimed to direct economic assistance for American workers, families, and small businesses, and preserve jobs for American industries. The COVID-19 pandemic impacted all hospitals and physician offices throughout the health system.

The CARES Act and ARPA require the amount of funding received to be validated, which requires management to quantify lost revenues and increased expenses associated with the pandemic. The CARES Act authorized funding to be distributed under the Provider Relief Fund (PRF) and the Coronavirus Relief Fund (CRF). MHS has recognized revenue associated with the PRF, CRF and ARPA funding according to the terms and conditions of the CARES Act and ARPA, and as contribution revenue under

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FASB ASC 958-605. Refunding of amounts received may be required by the CARES Act if a receiving entity is unable to quantify the financial losses intended to be covered by funding. MHS has determined that it is able to justify retaining all funding received in 2021 and 2020 and has not recorded any liabilities as of December 31, 2021 and 2020 for potential repayment of funds received.

MHS has filed applications and obtained reimbursement of additional expenses from the Federal Emergency Management Agency (FEMA) based on criteria due to the national emergency declaration made due to COVID-19. MHS submitted an expedited funding application with FEMA that covers the period from the start of the national disaster declaration to June 30, 2020. The expedited application allowed MHS to recover up to 50% of the total funding applied for on the application. MHS continues to complete the final reconciliation of the expedited funding application to receive the remainder of the funding and will apply for additional funding pertaining to later periods until the national disaster declaration is no longer in effect.

In March 2020, MHS chose to support employees by protecting pay and benefits for those that were unable to work due to the cancellations/postponements of procedures. Approximately 50% of this cost has been recovered through the employee retention credits offered to employers as part of the CARES Act, which totaled \$2,409. The CARES Act also allowed MHS to defer payment of the employer portion of the FICA taxes due to the federal government through December 31, 2020. Payment of these deferred taxes did occur with 50% paid by the end of 2021 and the other 50% by the end of 2022. The total amount of FICA taxes deferred in 2020 was \$71,866 with \$35,933 due in 2021 and \$35,933 due in 2022. MHS paid the FICA taxes due in 2021 with the remaining amount due in 2022 recorded within accrued compensation and related liabilities on the consolidated balance sheets. MHS considered whether to utilize the Medicare Advanced Payment Program (MAPP) when it was available to obtain additional cash flow but chose not to engage in this program.

The following table shows the funding that has been received to prepare and respond to COVID-19 and recognized as other operating revenue for the years ended December 31, 2021 and 2020:

Sources of external relief funding	2021	2020	Total
CARES Act Provider Relief Fund	\$ 176,448	118,965	295,413
American Rescue Plan Rural Funds	5,284	—	5,284
FEMA	1,405	4,214	5,619
CARES Act Coronavirus Relief Fund	—	2,922	2,922
Insurance Funds for Business Interruption	—	1,003	1,003
Total	\$ 183,137	127,104	310,241

The impact of COVID-19 has increased the uncertainty associated with management's assumptions and estimates made on these financial statements. The actual impact of COVID-19 on MHS's consolidated financial statements may differ significantly from the assumptions and estimates made for the years ended December 31, 2021 and 2020.

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(3) Revenue from Contracts with Customers

Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by MHS and are recognized either over time or at a point in time. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred through a point in time in relation to total actual charges incurred. MHS believes that this method provides a useful depiction of the provision of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the hospitals or clinics receiving inpatient or outpatient services. MHS measures an inpatient performance obligation from time of admission to time of discharge and an outpatient performance obligation from the start of the outpatient service to the completion of the outpatient service. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided to patients and customers.

MHS has elected to apply the optional exemption in ASC 606-10-50-14a as all of MHS' performance obligations related to contracts with a duration of less than one year. Under this exemption, MHS was not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially unsatisfied performance obligations are completed within days or weeks of the end of the year.

MHS determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with MHS policy, and implicit price concessions provided to uninsured patients. MHS determines its estimates of contractual adjustments and discounts based on contractual agreements, discount policies and historical experience. MHS determines its estimate of implicit price concessions based on its historical collection experience with each class of patients.

Contractual agreements with third-party payors provide for payments at amounts less than MHS' established charges. A summary of the payment arrangements with major third-party payors is as follows:

- Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge, which provides for reimbursement based on Medicare Severity Diagnosis-Related Groups (MS-DRGs). These rates vary according to a patient classification system that is based on clinical diagnosis, acuity, and expected use of hospital resources. The majority of Medicare outpatient services is reimbursed under a prospective payment methodology, the Ambulatory Payment Classification System (APCs), or fee schedules.
- Medicaid – Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment system similar to Medicare; however, Medicaid utilizes All Payor Refined Diagnosis-Related Groups (APR-DRGs) as opposed to Medicare's MS-DRGs. The majority of Medicaid outpatient services is reimbursed under a prospective payment methodology, the Enhanced Ambulatory Patient Groups (EAPG), or fee schedules.
- Other – MHS has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to MHS under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates and fee schedules.

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Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various healthcare organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements with the government. Compliance with such laws and regulations may also be subject to future government exclusion from the related programs. There can be no assurance that regulatory or governmental authorities will not challenge MHS' compliance with these laws and regulations, and it is not possible to determine the impact, if any, that such claims or penalties would have upon MHS. In addition, the contracts with commercial payors also provide for retroactive audit and review of claims that can reduce the amount of revenue ultimately received.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the current estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known, or as years are settled and no longer subject to such audits, reviews and investigations. Adjustments arising from a change in the transaction price were not significant in 2021 or 2020.

Generally, patients who are covered by third-party payors are responsible for related deductibles and co-insurance, which vary in amount. MHS also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. MHS estimates the transaction price for patients with deductibles and co-insurance from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charges by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue due to changes in estimates of implicit price concessions, discounts, and contractual adjustments for prior years were not significant for 2021 or 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay and deemed uncollectable are recorded as bad debt expense.

Consistent with MHS' mission, care is provided to patients regardless of their ability to pay. MHS has determined that it has provided implicit price concessions to uninsured patients and patients with other uninsured balances. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amount MHS expects to receive based on its collection experience with those patients. Patients who meet the criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as uncompensated care are not reported as revenue.

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MHS has determined that the best depiction of its revenue is by its mix of payors as this shows the amount of revenue recognized from each portfolio. Patient service revenue disaggregated by payor for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Payors:		
Medicare	\$ 947,979	847,084
Medicaid	554,039	497,785
Premera	501,370	445,238
Regence	334,844	306,588
Aetna	202,379	190,029
Kaiser Permanente	128,538	142,854
First Choice	119,596	112,142
Self-pay	25,450	16,246
Other	690,496	548,002
	<u>\$ 3,504,691</u>	<u>3,105,968</u>

MHS has elected to apply the practical expedient under ASC 340-40-25-4 and therefore, all incremental customer contract acquisition costs are expensed as incurred, as the amortization period of the asset that MHS would have otherwise recognized is one year or less in duration.

(4) Concentration of Credit Risk

MHS grants credit without collateral to its patients, most of whom are residents of the communities it serves and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors at December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Medicare	33 %	32 %
Medicaid	21	24
Premera	10	10
Self-pay	7	9
Regence	7	5
First Choice	1	1
Health Care Exchange	1	1
Other commercial insurance	20	18
	<u>100 %</u>	<u>100 %</u>

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(5) Fair Value Measurements

(a) Fair Value Hierarchy

In accordance with ASC Topic 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes 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 similar 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 or similar assets or liabilities that MHS could access at the measurement date. Level 1 securities generally include investments in equity securities, mutual funds and certain fixed income securities.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are based upon observable market inputs for the asset or liability, either directly or indirectly. Level 2 securities generally include investments in fixed income securities (composed primarily of government, agency and corporate bonds), and interest rate swaps.
- Level 3 inputs are unobservable market inputs for the asset or liability. Level 3 securities include donor trusts where MHS is not the trustee.

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.

ASC Subtopic 820-10 allows for the use of a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by MHS is the Net Asset Value (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. Valuations provided by investment managers 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 redemption price. MHS reviews valuations and assumptions provided by investment managers for reasonableness and believes that the carrying amounts of these financial instruments approximate the estimated fair value of the instrument. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

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The following tables present the placement in the fair value hierarchy of investment assets and liabilities that are measured at fair value on a recurring basis and investments valued at NAV at December 31, 2021 and 2020:

	Fair value measurements at reporting date using			
	December 31, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	\$ 825,254	825,254	—	—
Equity securities	304,915	304,915	—	—
Fixed income bond funds	403,280	403,280	—	—
Fixed income governmental obligations	210,812	141,941	68,871	—
Fixed income other	376,108	—	376,108	—
Commingled trust fund – international equity	172,069	—	172,069	—
Donor trusts	22,455	—	—	22,455
Total assets at fair value	2,314,893	\$ 1,675,390	617,048	22,455
Investment assets valued at NAV	343,651			
Total assets at fair value or NAV	\$ 2,658,544			
Liabilities:				
Interest rate swaps	\$ 119,100	—	119,100	—

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2020			
Assets:				
Trading securities:				
Mutual funds	\$ 592,499	592,499	—	—
Equity securities	243,866	243,866	—	—
Fixed income bond funds	364,126	364,126	—	—
Fixed income governmental obligations	67,186	21,137	46,049	—
Fixed income other	95,268	—	95,268	—
Commingled trust fund – international equity	169,362	—	169,362	—
Donor trusts	30,807	—	—	30,807
Total assets at fair value	1,563,114	\$ 1,221,628	310,679	30,807
Investment assets valued at NAV	456,274			
Total assets at fair value or NAV	\$ 2,019,388			
Liabilities:				
Interest rate swaps	\$ 154,347	—	154,347	—

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2021 and 2020:

	NAV December 31, 2021	NAV December 31, 2020	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	\$ 132,637	239,797	N/A	Quarterly	60 or 95 business days prior to valuation date
Common trust funds	199,212	205,844	N/A	Daily	1 or more business days prior to valuation date
Limited partnerships	11,802	10,633	1,800	N/A	N/A
Total investments valued at NAV	\$ 343,651	456,274	1,800		

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Hedge funds include investments in hedge fund-of-funds products with certain investment managers. The fair values of the investments in this category have been estimated using the NAV per share of the investment.

Common trust funds include investments in a collective or common trust account that invests funds in an underlying fund or set of funds. The trust account seeks an investment return that approximates the performance of an index as defined by each common trust fund. The fair value of the investments in this category are estimated using the NAV per share of the fund that is derived from the underlying investments in the trust fund.

Limited partnerships include investments in private equity and venture capital funds in both developed and emerging markets with approximately 35% invested in private equity in developed markets, 20% in venture capital in developed markets, and 45% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

(b) Interest Rate Swaps

The interest rate swaps are recorded at estimated fair value by using certain observable market inputs that participants would use from closing prices for similar assets. In addition, other valuation techniques and market inputs are used that help determine the fair values of these swaps, which include certain valuation models, current interest rates, forward yield curves, implied volatility and credit default swap pricing.

The fair value of the interest rate swaps liability is included in interest rate swap liabilities on the consolidated balance sheets, and the fair value of the interest rate swap asset is included in other assets, net on the consolidated balance sheets. The fair value gains and losses of these interest rate swaps for the years ended December 31, 2021 and 2020 were \$35,246 and (\$67,298), respectively, and are included in gain (loss) on interest rate swaps in other (loss) income, net in the consolidated statements of operations and changes in net assets. Also included in the gain (loss) on interest rate swaps is the loss on net cash settlement amounts associated with the swaps of \$9,373 and \$7,735 for the years ended December 31, 2021 and 2020, respectively.

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The following table represents both the fair value and settlement value for the interest rate swap liabilities as of December 31, 2021 and 2020:

		Liability derivatives			
		2021		2020	
	Balance sheet location	Fair value	Settlement value	Balance sheet location	Settlement value
Derivative instruments:					
Interest rate swaps	Interest rates swap liabilities	\$ 119,100	124,921	Interest rates swap liabilities	\$ 154,347
					159,666

(6) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2021 and 2020 is as follows:

December 31, 2021			
	Donor restricted assets	Investments	Total
Mutual funds	\$ 8,002	817,252	825,254
Equity securities	2,956	301,959	304,915
Fixed income securities	9,600	980,600	990,200
Commingled trust fund – international equity	1,668	170,401	172,069
Hedge funds	1,286	131,351	132,637
Common trust funds	1,931	197,281	199,212
Limited partnerships	115	11,687	11,802
Donor trusts	22,455	—	22,455
Pledge receivables, net and other	48,762	—	48,762
Total	\$ 96,775	2,610,531	2,707,306

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	December 31, 2020		
	Donor restricted assets	Investments	Total
Mutual funds	\$ 5,400	587,099	592,499
Equity securities	2,222	241,644	243,866
Fixed income securities	4,799	521,781	526,580
Commingled trust fund – international equity	1,543	167,819	169,362
Hedge funds	2,185	237,612	239,797
Common trust funds	1,876	203,968	205,844
Limited partnerships	98	10,535	10,633
Donor trusts	30,807	—	30,807
Pledge receivables, net and other	39,970	—	39,970
Total	\$ 88,900	1,970,458	2,059,358

Fixed income securities include mutual funds, corporate bonds, mortgage-backed securities, asset-backed securities, U.S. government obligations, and state government obligations.

(7) Liquidity and Availability of Financial Assets

MHS actively monitors the availability of resources required to meet its operating obligations and other contractual commitments, while also striving to maximize investment returns of its available funds. To help meet its general obligations, MHS can also access the credit markets as a means of producing liquidity, if needed. MHS draws income, appreciation and distributions from its endowment fund up to 5% of the endowment average account value annually, as applicable donor restrictions are met, as another way of providing liquidity. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, MHS considers all expenditures related to its ongoing activities to provide integrated healthcare delivery as well as the conduct of services undertaken to support these activities to be general expenditures.

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At December 31, 2021 and 2020, MHS' financial resources are as follows:

	2021	2020
Cash and cash equivalents	\$ 308,732	946,223
Accounts receivable	460,569	374,372
Other current assets, net	96,361	85,144
Donor restricted assets	96,775	88,900
Investments	<u>2,610,531</u>	<u>1,970,458</u>
	3,572,968	3,465,097
Less prepaid assets included in other current assets, net	(37,444)	(37,612)
Less donor restricted assets	(96,775)	(88,900)
Less investments with redemption limitations of greater than one year	<u>(11,802)</u>	<u>(10,633)</u>
Total financial assets available for general expenditures	<u>\$ 3,426,947</u>	<u>3,327,952</u>

In addition to financial assets available to meet general expenditures over the next twelve months, MHS operates mostly using revenues, gains and other support without donor restrictions and anticipates collecting sufficient revenues to cover general expenditures.

(8) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2021 and 2020 is as follows:

	2021	2020
Land and land improvements	\$ 138,910	131,993
Buildings	2,313,543	2,202,449
Equipment	<u>940,116</u>	<u>1,115,316</u>
	3,392,569	3,449,758
Less accumulated depreciation	<u>(1,500,929)</u>	<u>(1,751,452)</u>
	1,891,640	1,698,306
Construction in progress	<u>118,494</u>	<u>65,360</u>
Property, plant, and equipment, net	<u>\$ 2,010,134</u>	<u>1,763,666</u>

Total depreciation and amortization expense for the years ended December 31, 2021 and 2020 was \$126,307 and \$168,188, respectively. Depreciation expense charged to operations for the years ended December 31, 2021 and 2020 amounted to \$122,293 and \$166,517, respectively. Depreciation expense

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charged to operations for the year ended December 31, 2021 is net of a \$48,094 reduction in expense as part of the change in estimated useful lives.

(9) Other Assets, Net

Other assets are as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment in joint ventures	\$ 77,951	64,534
Deferred compensation plan assets held in trust (note 12)	98,789	85,320
Accrued pension asset (note 12)	60,951	45,590
Self-insured retention receivables, net of current portion (notes 13 and 14)	22,558	23,435
Goodwill and other intangibles	172,063	167,083
Net investment in lease (note 17(b))	23,172	23,200
Notes receivable (note 10)	75,546	75,413
Other	23,595	17,884
Other assets, net	<u>\$ 554,625</u>	<u>502,459</u>

Deferred compensation plan assets held in trust are participant-managed investments consisting of equity and fixed income mutual funds with prices quoted in active markets.

(10) Notes receivable

In December 2020, MHS funded \$75,000 into an escrow account as part of a loan based on a credit agreement executed with Astria Health. In January 2021, the final promissory note documents were executed and funds were disbursed at that time to Astria Health. The loan bears a fixed interest rate of 9.5% with payments due June 30 and December 31 of each year. The loan matures in January 2024.

(11) Other Liabilities, Net

Other liabilities are as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Professional liability, net of current portion (note 13)	\$ 89,628	73,822
Deferred compensation liability (note 12)	98,789	85,320
Workers' compensation liability, net of current portion (note 14)	15,454	14,166
Deferred FICA liability (note 2)	—	35,933
Other	4,436	3,805
Other liabilities, net	<u>\$ 208,307</u>	<u>213,046</u>

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(12) Retirement Plans

(a) Defined Benefit Pension Plan

MHS operates one qualified defined benefit pension plan (the Plan) covering eligible employees. The Plan was closed to new employees effective after July 31, 2002. The benefits are based on years of service and the employee's highest five consecutive years of compensation. MHS contributions to the Plan vary from year to year, but the minimum contribution required by law has been provided in each year. Effective December 31, 2016, participants no longer accrue pension benefits under the Plan.

The following tables set forth the changes in projected benefit obligations, changes in fair value of plan assets, and components of net periodic benefit costs for the Plan, which has measurement dates of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Change in projected benefit obligation:		
Projected benefit obligations at beginning of year	\$ 715,286	639,993
Service cost	650	670
Interest cost	18,786	22,963
Actuarial (gain) loss	(23,106)	85,184
Expected administrative expenses	(650)	(670)
Benefits paid	<u>(47,927)</u>	<u>(32,854)</u>
Projected benefit obligations at end of year	<u>\$ 663,039</u>	<u>715,286</u>
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 760,876	685,413
Actual gain on plan assets	11,700	108,966
Actual administrative expenses	(659)	(649)
Benefits paid	<u>(47,927)</u>	<u>(32,854)</u>
Fair value of plan assets at end of year	<u>\$ 723,990</u>	<u>760,876</u>
Funded status recognized in consolidated balance sheets consist of:		
Asset for pension benefits	\$ 60,951	45,590
Amount recognized in net assets without donor restrictions:		
Net loss	90,859	115,669
	<u>2021</u>	<u>2020</u>
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	3.00 %	2.70 %
Expected return on plan assets	4.50	4.50

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The expected return on plan assets assumption is based upon an analysis of historical long-term returns for various investment categories as measured by appropriate indices. These indices are weighted based upon the extent to which plan assets are invested in the particular categories in arriving at MHS' determination of a composite expected return. An actuary reviews the assumptions annually for reasonableness.

The components of net periodic benefit cost are as follows during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Components of net periodic benefit cost:		
Service cost	\$ 650	670
Interest cost	18,786	22,963
Expected return on plan assets	(29,726)	(31,730)
Amortization of net actuarial loss	16,205	10,441
Settlement cost	3,534	—
	<u>\$ 9,449</u>	<u>2,344</u>

The accumulated benefit obligation for the Plan was \$663,039 and \$715,286 at December 31, 2021 and 2020, respectively.

(i) *Estimated Future Benefit Payments*

The following benefits payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<u>Pension benefits</u>
2022	\$ 40,146
2023	40,579
2024	40,010
2025	40,892
2026	39,854
2027–2031	193,155

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(ii) Plan Assets

The following tables set forth by level, within the fair value hierarchy, the Plans' investments at fair value:

Fair value measurements at reporting date using				
	December 31, 2021	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Cash and cash equivalents	\$ 11,324	11,324	—	—
Trading securities:				
Mutual funds	124,670	124,670	—	—
Fixed income bond funds	97,505	97,505	—	—
Fixed income governmental obligations	209,474	177,503	31,971	—
Fixed income other	202,017	—	202,017	—
Commingled trust fund – international equity	16,625	—	16,625	—
	661,615	\$ 411,002	250,613	—
Broker receivables	5,983			
Broker payables	(34,584)			
Total assets at fair value	633,014			
Investments valued at NAV	90,976			
Total assets at fair value or NAV	\$ 723,990			

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Fair value measurements at reporting date using				
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	December 31, 2020			
Assets:				
Cash and cash equivalents	\$ 12,053	12,053	—	—
Trading securities:				
Mutual funds	106,439	106,439	—	—
Fixed income bond funds	105,998	105,998	—	—
Fixed income governmental obligations	312,189	270,336	41,853	—
Fixed income other	211,950	—	211,950	—
Commingled trust fund – international equity	22,485	—	22,485	—
	771,114	\$ 494,826	276,288	—
Broker receivables	40,662			
Broker payables	(164,621)			
Total assets at fair value	647,155			
Investments valued at NAV	113,721			
Total assets at fair value or NAV	\$ 760,876			

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2021 and 2020.

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The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2021 and 2020:

	NAV December 31, 2021	NAV December 31, 2020	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Commingled trust funds:					
Real estate	\$ —	22,426	N/A	Quarterly	45 days
Absolute return funds	84,911	85,603	N/A	Monthly	5 business days prior to valuation date
Limited partnerships	<u>6,065</u>	<u>5,692</u>	<u>850</u>	N/A	N/A
Total investments valued at NAV	<u>\$ 90,976</u>	<u>113,721</u>	<u>850</u>		

Real estate is a real estate commingled trust that invests in U.S. commercial real estate. The fund owns real estate assets in the U.S. office, industrial, residential, and retail sectors.

Absolute return fund investments consist primarily of listed equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles. These investments use derivatives or other instruments for both investment and hedging purposes and may take long and/or short positions, and the derivative investments may include but are not restricted to futures, options, swaps, and forward currency contracts.

Limited partnerships include investments in private equity and venture capital in both developed and emerging markets with approximately 35% invested in private equity in developed markets, 20% in venture capital in developed markets, and 45% in private equity and venture capital in emerging markets. The fair values of the investments in this category have been estimated using the NAV of MHS' ownership interest in partners' capital. These assets can never be redeemed with the partnerships. Instead, the nature of the investment in this category is that distributions are received through the liquidation of the underlying assets of the partnership.

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The defined benefit plan weighted average asset allocations at December 31, 2021 and 2020 by asset category are as follows:

	<u>2021</u>	<u>2020</u>
Asset category:		
Domestic equities	12 %	10 %
International equities	7	7
Emerging markets	—	1
Fixed income securities	80	78
Alternative investments	1	1
Real estate	—	3
	<u>100 %</u>	<u>100 %</u>

(iii) *Investment Objectives*

The target asset allocations for each asset class are set based on the achieved funding levels for the Plan and are summarized below:

	<u>2021</u>	<u>2020</u>
Asset category:		
Domestic equities	12 %	9 %
International equities	8	8
Emerging markets	—	—
Fixed income securities	80	80
Real estate	—	3
	<u>100 %</u>	<u>100 %</u>

(iv) *Investment Categories*

Equities

The strategic role of domestic equities is to provide higher expected market returns (along with international equities) of the major asset classes; maintain a diversified exposure within the U.S. stock market using multimanager portfolio strategies; and achieve returns in excess of passive indices using active investment managers and strategies.

The strategic role of international equities is to provide higher expected market return premiums (along with domestic equities) of the major asset classes and diversify the Plans' overall equity exposure by investing in non-U.S. stocks that are less than fully correlated to domestic equities with similar return expectations; to maintain a diversified exposure within the international stock market through the use of multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies.

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The strategic role of emerging markets is to diversify the portfolio relative to domestic equities and fixed income investments and to specifically include equity investment in selected global markets and may also include currency hedging for defensive purposes.

Fixed Income

The strategic role of fixed income securities is to diversify the Plan's equity exposure by investing in fixed income securities that exhibit a low correlation to equities and lower volatility; maintain a diversified exposure within the U.S. fixed income market using multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies. It also provides effective diversification against equities and a stable level of cash flow.

Alternative Investments

The strategic role of alternative investments is for diversification relative to equities and fixed income investments, to add absolute return using hedging strategies, and to achieve expected return premiums over longer holding periods. Alternative investments include investments in equity, equity-related and debt securities, including exchange-traded funds, other securities and other pooled investment vehicles, hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

Real Estate

The strategic role of real estate is to diversify the Plan's portfolio relative to equities and fixed income investments included a component of real property investment through a commingled fund structure and providing higher returns than benchmark investments of a similar class. Real estate investments may also include publicly and privately traded real estate investment trusts as well as direct investment through properties and mortgages.

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(Dollars in thousands)

(b) Defined Contribution Plans

MHS currently maintains three defined contribution plans including the MHS 401(a) Retirement Account Plan (RAP), the MHS 403(b) Employee Savings Plan, and the MHS 401(k) Plan. Most employees assigned to work at Deaconess Hospital, Valley Hospital, Rockwood Clinic and Capital Medical Center are eligible for participation in the MHS 401(k) Plan, which is funded by both MHS and employee contributions. The MHS 403(b) Employee Savings Plan is 100% funded by employee contributions, and the RAP is 100% funded by MHS contributions.

MHS' funding for the defined contribution plans is based on certain percentages of the employees' base pay and/or a percentage of their deferred contributions. Employer contributions to the defined-contribution plans for 2021 and 2020 were approximately \$54,545 and \$49,550, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

(c) Other

In addition to the defined benefit and defined contribution plans as described above, MHS also maintains several deferred compensation arrangements for the benefit of eligible employees. Substantially all amounts that are deferred under these arrangements are held in trust until such time as these funds become payable to the participating employees.

(13) Professional Liability

MHS maintains a self-insurance program for professional liability with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability as of December 31, 2021 and 2020, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

At December 31, 2021 and 2020, the estimated gross professional liability (including current and long-term portions) was \$119,073 and \$97,997, respectively. The current portion is included in accounts payable and accrued expenses, and the remainder is included in other liabilities, net in the accompanying consolidated balance sheets. MHS has recorded a receivable for amounts to be received from the excess insurance carriers for their portion of the claims (including current and long-term portions) of \$33,191 and \$32,450 as of December 31, 2021 and 2020, respectively. The current amount is included in other current assets, net, and the remainder is included in other assets, net in the accompanying consolidated balance sheets.

(14) Workers' Compensation and Employee Health Benefit Programs

MHS maintains a self-insurance program for workers' compensation with excess coverage over self-insured retention limits provided by commercial insurance carriers. MHS has recorded a liability based on an actuarial estimate of future claims payments. At December 31, 2021 and 2020, the estimated net liability based on future claims cost totaled \$21,133 and \$17,726, respectively. The gross liabilities (including both current and long-term portions) total \$24,341 and \$21,083 as of December 31, 2021 and 2020, respectively. The long-term amounts are included in other liabilities, net, and the current portions are included in accounts payable and accrued expenses in the accompanying consolidated balance sheets. These liabilities are secured by a letter of credit with the State of Washington. MHS has recorded a receivable for amounts to be received from excess insurance carriers of \$3,207 and \$3,357 as of

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(Dollars in thousands)

December 31, 2021 and 2020, respectively, which is included with other current assets, net and other assets, net for the respective estimated current and long-term portions.

MHS maintains a self-insurance program for employee medical and dental insurance. Employees can elect to be included in the self-insurance plan as a part of their fringe benefit package. Premiums deducted from employees' wages are used in paying a portion of members' medical claims. The estimated liability for claims in 2021 and 2020 was \$9,632 and \$10,129, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

(15) Long-Term Debt

Long-term debt consists of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
2020 Taxable bonds	\$ 300,000	300,000
2020 OCED financing	59,289	60,889
2019 Term loan	35,255	35,255
WHCFA Revenue bonds, 2017 Series A and B	318,220	321,705
WHCFA Revenue bonds, 2017 Series C, D, and E	191,010	191,010
2017 Term loans	130,170	130,170
WHCFA Revenue bonds, 2015 Series A and B	348,085	352,315
WHCFA Revenue bonds, 2012 Series A	60,000	60,000
WHCFA Revenue bonds, 2009 Series A and B	98,130	98,130
Other	<u>23,106</u>	<u>22,313</u>
	1,563,265	1,571,787
Adjusted for:		
Current portion	(43,609)	(7,950)
Bond premiums, discounts, and debt issuance costs	<u>52,579</u>	<u>55,012</u>
Long-term debt, net of current portion	<u>\$ 1,572,235</u>	<u>1,618,849</u>

(a) 2020 Taxable Bonds

In July 2020, MHS issued \$300,000 of taxable 2020 series bonds. These bonds were issued as fixed rate bonds that bear interest of 2.803%. The principal of \$300,000 is due in 2051, with interest only payments made semiannually in February and August of each year.

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(b) 2020 OCED Financing

In June 2020, MHS finalized a sale-leaseback transaction for four off-campus emergency departments (OCED) with total cash proceeds received of \$61,794. Due to the specific terms of the agreement, the lease qualified as a financing type lease. The agreement did not meet the criteria for sale-leaseback accounting treatment and instead is considered a financing liability. The agreement bears an implicit interest rate of 4.64%. Annual principal payments range from \$2,040 in 2022 to \$4,482 in 2039 with a final principal payment of \$390 in 2041.

(c) 2019 Term Loan

In August 2019, MHS entered into a fixed rate term loan agreement with JPMorgan Chase Bank, N.A., with an interest rate of 1.89%. The principal balance of \$35,255 is due in 2022.

(d) Washington Health Care Facility Authority (WHCFA) Revenue Bonds 2017 Series A and B

In November 2017, MHS issued \$333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from \$3,670 in 2022 to \$62,410 in 2047.

(e) WHCFA Revenue Bonds 2017 Series C, D, and E

In November 2017, MHS entered into a \$111,010 variable rate private placement agreement (Series C and D) with JPMorgan Chase Bank, National Association and an \$80,000 variable rate private placement agreement (Series E) with Wells Fargo Municipal Capital Strategies, LLC. The first annual principal payment of \$80,000 is due in 2043, with a final principal payment of \$55,505 in 2049. The interest rates, which were between 0.5% and 0.6% at December 31, 2021, reset monthly and are based on 70% of the one-month U.S. LIBOR plus a spread.

(f) 2017 Term Loans

In November 2017, MHS entered into two \$65,085 variable rate term loan agreements with Wells Fargo Bank, N.A. The principal balance of \$130,170 is due in 2047. The interest rates, which were between 0.8% and 0.9% at December 31, 2021, reset monthly and are based on the one-month U.S. LIBOR plus a spread.

(g) WHCFA Revenue Bonds 2015 Series A and B

In April 2015, MHS issued \$373,390 of 2015 Series A and B bonds. Series A and B bonds were issued as fixed rate bonds that bear interest ranging from 2.0% to 5.0%. Annual principal payments range from \$4,410 in 2022 to \$24,085 in 2034 with a final payment of \$8,860 due in 2045.

(h) WHCFA Revenue Bonds 2012 Series A

In November 2012, MHS issued \$60,000 of 2012 Series A bonds. 2012 Series A bonds were issued as fixed rate bonds that bear interest ranging from 3.8% to 4.1%. Annual principal payments range from \$5,190 in 2040 to \$22,085 in 2045 with a final payment of \$19,715 due in 2046.

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(i) WHCFA Revenue Bonds 2009 Series A and B

In May 2009, MHS issued the 2009 Series A and B bonds as variable rate demand bonds for \$50,000 each. The bonds were backed by an irrecoverable letter of credit equal to the aggregate principal and interest of the bonds. In July 2012, the 2009 Series A and B bonds were converted to \$98,130 of fixed rate bonds that bear interest ranging from 4.4% to 5.0%. Annual principal payments range from \$3,690 in 2040 to \$38,890 in 2044.

(j) Other

The other debt listed is primarily made up of debt held by Navos. In April 2020, MHS paid \$11,488 of Navos' debt outstanding to third-party creditors. Of the outstanding debt at December 31, 2021, \$16,965 is associated with certain buildings and other capital assets operated by Navos and is subject to provisions whereby the debt will be forgiven upon compliance with those provisions. These provisions state that Navos maintains the assets that were built or purchased with these notes and maintains their usage when the promissory note was signed for the length specified. If these provisions are not met, the note must be repaid based on the terms of the agreement. The forgivable debt is subject to a forgiveness provision in years 2028 through 2068.

(k) 2020 Line of Credit

In April 2020, MHS secured a \$200,000 line of credit through JPMorgan Chase Bank, N.A. The term of the line of credit is for 12 months and bears interest at a variable rate based upon the Central Bank Floating Rate. The line of credit had no draws and was not renewed.

Revenue bonds issued by MHS through WHCFA are subject to applicable bond indenture agreements, which require that MHS satisfy certain measures of financial performance as long as the bonds are outstanding. These measures include a minimum debt service coverage ratio and a condition that the bonds are secured by a gross receivables pledge. Based on management's assessment of these requirements, MHS is in compliance with these covenants at December 31, 2021 and 2020.

Each fixed-rate revenue bond requires semiannual interest payments on February 15 and August 15 of each year until maturity. These bonds are subject to early redemption by MHS on or after certain specific dates and at certain specific redemption prices as outlined in each bond agreement.

Principal maturities on long-term debt are as follows:

Year ending December 31:		
2022	\$	43,609
2023		20,601
2024		21,627
2025		22,704
2026		23,825
Thereafter		<u>1,430,899</u>
	\$	<u><u>1,563,265</u></u>

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A summary of interest costs is as follows during the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest cost:		
Charged to operations	\$ 50,103	48,464
Amortization of bond premiums, discounts, and issuance costs	(2,433)	(2,494)
Capitalized	<u>382</u>	<u>478</u>
	<u>\$ 48,052</u>	<u>46,448</u>

(16) Commitments and Contingencies

Approximately 45% of MHS employees were covered under collective bargaining agreements as of December 31, 2021. These employees provide nursing, nursing support, pharmacy, imaging, lab, inpatient and outpatient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through March 2023.

(17) Leases

(a) Lessee

MHS leases various equipment and facilities under noncancelable operating and finance leases. Lease terms for noncancelable operating leases range from 1 to 18 years, and existing leases have expiration dates through 2036. Lease terms for finance leases range from 1 to 21 years, and existing leases have expiration dates through 2040.

The components of lease cost for the years ended December 31, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>
Operating lease cost	\$ 37,283	37,232
Finance lease cost:		
Amortization of right-of-use assets	9,031	1,550
Interest on lease liabilities	<u>3,402</u>	<u>388</u>
Total finance lease cost	12,433	1,938
Short term lease cost	1,578	1,644
Variable lease cost	9,233	7,242
Sublease income	<u>(1,662)</u>	<u>(1,049)</u>
Total lease cost	<u>\$ 58,865</u>	<u>47,007</u>

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Other information related to leases as of December 31, 2021 and 2020 was as follows:

	<u>2021</u>	<u>2020</u>
Weighted average remaining lease term (years):		
Operating leases	6.5	6.7
Finance leases	6.6	7.7
Weighted average discount rate:		
Operating leases	4.0 %	4.0 %
Finance leases	4.4	4.4
Operating cash flows from operating leases	\$ (36,688)	(36,707)
Operating cash flows from finance leases	(3,402)	(388)
Financing cash flows from finance leases	(8,645)	(1,366)
Right-of-use assets obtained in exchange for new operating lease liabilities	36,385	19,850
Right-of-use assets obtained in exchange for new finance lease liabilities	11,948	16,739

Maturities of lease liabilities under noncancelable leases as of December 31, 2021 are as follows:

	<u>Operating leases</u>	<u>Finance leases</u>	<u>Total</u>
For year ended December 31:			
2022	\$ 32,130	5,041	37,171
2023	28,972	4,884	33,856
2024	24,000	4,664	28,664
2025	21,696	2,736	24,432
2026	19,343	503	19,846
Thereafter	41,124	6,351	47,475
Total undiscounted lease payments	167,265	24,179	191,444
Less present value discount	(20,616)	(2,963)	(23,579)
Total lease liabilities	\$ <u>146,649</u>	<u>21,216</u>	<u>167,865</u>

(b) Lessor

MHS leases a building to the Alliance for South Sound Health, which does business under the name Wellfound Behavioral Health Hospital (Wellfound). Wellfound is a related party owned 50 percent by MHS. The leased building is owned solely by MHS, and is the only asset that MHS leases out as a lessor. The lease has a 20 year initial lease term, with four 5 year extension options. Due to the related party nature of the lease, MHS considers it reasonably certain that Wellfound will exercise its four lease renewal options, and as such, treats the lease as a 40 year lease. There is no purchase option stated

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in the lease contract. MHS has determined that the lease is a sales-type financing lease, since the expected lease term spans a major portion of the useful life of the building. At December 31, 2021, MHS' other assets, net include a net investment in lease of \$23,172.

Revenue from leases for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Interest income on net investment in finance leases	\$ 1,048	1,136
Variable lease income	<u>28</u>	<u>28</u>
Total lease income	<u>\$ 1,076</u>	<u>1,164</u>

Future lease payments receivable as of December 31, 2021 are as follows:

Year ended December 31:	
2022	\$ 1,227
2023	1,227
2024	1,227
2025	1,227
2026	1,227
Thereafter	<u>42,114</u>
Total lease payments to be received	48,249
Less unearned interest income	<u>(25,077)</u>
Net investment in lease	<u>\$ 23,172</u>

(18) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Healthcare services	\$ 57,511	52,151
Endowment funds, perpetual trusts and related receivables	76,079	71,651
Purchase of property, plant and equipment	39,721	16,234
Indigent care	2,167	1,533
Health education	<u>1,264</u>	<u>1,192</u>
Total net assets with donor restrictions	<u>\$ 176,742</u>	<u>142,761</u>

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(19) Endowment Funds

MHS' endowments consist of over 100 individual funds established for a variety of purposes. They include both endowment funds with donor restrictions and funds designated without donor restrictions by the board of directors of its foundations to function as endowments (board-designated endowments). Net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions and nature of restrictions, if any.

The following tables present MHS' endowment net asset composition as well as associated changes therein:

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2020	\$ 2,825	42,424	45,249
Investment return:			
Investment income	18	527	545
Net appreciation – realized and unrealized	65	1,289	1,354
Total investment return	83	1,816	1,899
Contributions	—	2,271	2,271
Appropriation of endowment assets for expenditure	(47)	(2,499)	(2,546)
Endowment net assets, December 31, 2021	\$ 2,861	44,012	46,873

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2019	\$ 2,673	39,700	42,373
Investment return:			
Investment income	39	493	532
Net appreciation – realized and unrealized	153	1,989	2,142
Total investment return	192	2,482	2,674
Contributions	—	443	443
Appropriation of endowment assets for expenditure	(40)	(201)	(241)
Endowment net assets, December 31, 2020	\$ 2,825	42,424	45,249

MULTICARE HEALTH SYSTEM

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Perpetual trusts that are held and managed by third party trustees are recorded as net assets with donor restrictions on the consolidated balance sheets; however, they are not included as endowment net assets with donor restrictions in the above presentation. Those perpetual trusts totaled \$31,008 and \$28,290, respectively, as of December 31, 2021 and 2020. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling \$1,059 and \$937, respectively, as of December 31, 2021 and 2020.

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level of the original gifts and the amounts of subsequent donations accumulated at the funds. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. There were no funds with deficiencies in 2021 or 2020.

(b) Investment Policy – Including Return Objectives and Strategies to Achieve Objectives

The endowment assets are invested in an investment portfolio, which include those assets of donor restricted funds that MHS must hold in perpetuity as well as all other foundation-related investment assets. MHS has adopted an investment policy for the foundation investments that intends to provide income to support the spending policy while seeking to maintain the purchasing power of the endowment assets. To satisfy its long-term rate of return objectives, MHS relies on a total return strategy in which investment returns are achieved through both capital appreciation and interest and dividend income. MHS uses a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints. There are some donor restricted funds that are held separately from MHS' pooled investments. These endowments are invested by donors in manners to provide funding for specific purposes as determined by donors.

(c) Spending Policy

In order to provide a stable and consistent level of funding for programs and services supported by the endowments, the foundations have determined that an annual spending rate of 5% of the endowment's average account value is prudent. In establishing the spending policies, the MHS foundations considered among other things, the expected total return on its endowments, effect of inflation, duration of the endowments to achieve its objective of maintaining the purchasing power of the endowment assets held in perpetuity, as well as to provide additional growth through new gifts and investment returns.

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(Dollars in thousands)

(20) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fund-raising activities. Certain categories of expenses are attributable to programs and support services. These included salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2021 and 2020:

2021					
	Program services			Support services	Total
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	
Salaries and wages	\$ 1,130,560	432,037	65,231	242,817	1,870,645
Employee benefits	128,295	72,692	15,595	61,603	278,185
Supplies	482,058	43,267	66,679	8,753	600,757
Purchased services	132,808	44,695	25,750	145,906	349,159
Depreciation and amortization	70,583	18,057	3,626	34,041	126,307
Interest	40,788	3,936	—	2,946	47,670
Other	293,968	57,179	20,779	114,079	486,005
	<u>\$ 2,279,060</u>	<u>671,863</u>	<u>197,660</u>	<u>610,145</u>	<u>3,758,728</u>
2020					
	Program services			Support services	Total
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	
Salaries and wages	\$ 969,456	392,470	51,225	202,870	1,616,021
Employee benefits	119,926	66,759	11,931	49,516	248,132
Supplies	416,964	34,712	54,952	13,750	520,378
Purchased services	98,027	25,874	18,409	155,946	298,256
Depreciation and amortization	110,868	17,914	1,921	37,485	168,188
Interest	41,004	3,936	—	1,030	45,970
Other	226,092	49,321	25,724	68,604	369,741
	<u>\$ 1,982,337</u>	<u>590,986</u>	<u>164,162</u>	<u>529,201</u>	<u>3,266,686</u>

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(21) Litigation and Regulatory Environment

The healthcare industry is subject to numerous laws and regulations from federal, state, and local governments. These laws and regulations include, but are not limited to, matters such as licensure, accreditation, government healthcare program participating requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government agencies are actively conducting investigations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in the imposition of significant fines and penalties, significant repayments for patient services previously billed, and/or expulsion from government healthcare programs. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

MHS is also involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect to MHS' financial position.

(22) Subsequent Events

MHS has evaluated the subsequent events through March 23, 2022, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.

Exhibit 12

Medical Director Job Description

MULTICARE HEALTH SYSTEM

MultiCare believes that each employee makes a significant contribution to our success. Contributions can be within and outside of assigned responsibilities. It is our expectation that each employee will offer his/her services wherever and whenever necessary to ensure the success of our endeavors.

JOB TITLE: Med Dir-Home Health & Hospice

POSITION CODE: Q3522

DEPARTMENT: Home Health, Hospice

FLSA STATUS: Exempt

REPORTS TO: Executive Dir-HHH

DATE: December 2021

GENERAL DESCRIPTION

As Home Health/Hospice Medical Director, Physician shall be responsible for oversight of the quality of care provided to patients receiving Home Health & Hospice services across the care continuum as well as providing medical leadership for clinical and business planning, medical quality assessment/assurance and continuing medical education.

PRINCIPAL ACCOUNTABILITIES

Core Medical Director Responsibilities:

- Available by phone or in person if needed and is an active participant in the development of the Hospice and Community Palliative Care programs
- Equitable and fair with all physician issues independent of personal, clinical specialty or institutional bias
- Supports the existing MultiCare Health System (MHS) Bylaws and Medical Staff Policy, directions and decisions
- Places the patient's quality of care and safety at the center of any decision regarding medical staff
- Responsible for decisions that are made by the Provider r Staff and supports those decisions to other involved providers with regard to clinical care, behavior and utilization management
- Maintains sufficient clinical contact with Home Health& Hospice Care to make informed decisions
- Supports physician adoption, utilization and optimization of electronic medical record

Specific Home Health & Hospice Responsibilities:

- Assumes responsibility for the medical component of the Hospice program to include patients whose medical needs are not met by an attending physician
- Actively participates and provides leadership in quality management, physician performance issues, clinical guideline development, patient satisfaction initiatives and utilization review
- Provides oversight for other Providers, participating in Peer Review, Quality Review and communication, providing feedback to physicians regarding clinical and performance issues
- Supports and/or participate in MHS self-regulatory, quality control and/or service enhancement efforts and initiatives, including without limitation MHS's Corporate Compliance Program, internal and external audit activities, credentialing processes, peer review proceedings, utilization management programs, quality improvement programs, discharge planning processes, treatment and other protocols, and pharmaceutical formularies.
- Orients other providers to the "Home health & Hospice care-specific" elements of their position
 - Intervenes in disruptive behavior and conducts corrective discussions
 - Provides leadership in quality initiatives, helping to set targets and engages physicians in said initiatives

- Audits selected medical records and provides feedback
 - Participates in sourcing and recruiting talented providers
- Collaborates with Home Health and Hospice Leadership to assure adequate staffing and scheduling to meet Clinical Medical Director and provider coverage requirements, ensuring that the service is covered 24 hours per day/7 days per week
- Acts as a liaison to physicians in the community, providing educational insight on Hospice philosophy and care delivery for the terminally ill patient and his/her family of choice
- Coordinates efforts with each attending physician to provide care in the event the attending physician is unable or unwilling to retain responsibility for patient care
- Assists with determination of patient medical eligibility for Hospice services in accordance with Hospice program policy and relevant regulatory guidelines. Appropriate documentation and communication with care team members regarding all consultations and recommendations.
- Documenting consults/family conferences/plan of care updates immediately on completion, with copies sent to the patient's primary care provider and any specialists involved with patient as appropriate.
- Certifies, after reviewing appropriate clinical information and considering the primary terminal condition, health conditions, whether related or unrelated to the terminal condition, and current clinically relevant information supporting all diagnoses, that the individual patient is terminally ill and that it is anticipated that the patient's life expectancy is 6 months or less if the illness runs its normal course
- Reviews pertinent clinical information, for each Hospice patient, prior to recertification
- Participates as a member of the interdisciplinary group (IDG) in decision-making regarding the admission, re-certification, discharge, or transfer of patients and participates in weekly interdisciplinary case conferencing on Hospice patients
- Participates in the development and revision of patient care plans for all levels of hospice care, suggesting appropriate medical/nursing interventions, as necessary
- Helps the IDG define and measure meaningful outcomes to assess effectively of interventions and medications
- Assures that Clinical Protocols and Guidelines are accurate and up-to-date
- Makes home visits to Hospice patients and rounds on Hospice patients in in-patient care settings, as appropriate and requested
- Acts as a medical resource to the IDG
- Actively participates in strategic planning, performance improvement, and Home Health & Hospice infection control program
- Maintains collegial relationships with the medical staff of Skilled Nursing Facilities
- Develops and promotes community awareness of Home Health, Hospice and Palliative Care
- Contributes to the competency of the IDG through education, mentoring and feedback
- Assists in the establishment of guidelines and parameters necessary to determine and maintain quality of care for any identified acceptable medical research
- Partners with MHS to ensure cost-effective, efficient care delivery
- Adhere to MHS Attendance and Punctuality Policy and Procedure standards. Maintains reliable attendance.
- Contribute to the success of the organization by meeting organizational competency expectations and core values (Respect | Integrity | Stewardship | Excellence | Collaboration | Kindness), continuously learning, and by performing other duties as needed or assigned

LEADERSHIP COMPETENCIES

Personal Competencies

- Integrity
- Accountability
- Self-Development

Interpersonal Competencies

- Communication
- Collaboration
- Fostering Teamwork
- Developing Others

Organizational competencies

- Community Focus
- Strategic Focus
- Operational Management

MINIMUM QUALIFICATIONS

KNOWLEDGE, SKILLS, & ABILITIES

- Knowledge of home health, hospice and palliative care philosophy, principles, and practices
- Knowledge of community needs around Home Health and Hospice services and community resources with potential to assist Hospice in meeting those needs
- Knowledge of the physical, psychosocial, and spiritual needs of the terminally ill, elderly and disabled
- Knowledge of available interventions and medications, the expected palliative benefits in the hospice population, and the likely ability to meet the needs of an individual patient
- Knowledge of group process and dynamics
- Knowledge of Medicare, Medicaid, Joint Commission and State rules and regulations pertaining to home health and hospice
- Skill in customer relations techniques including problem solving, mediation, and conflict resolution
- Skill in effective interpersonal, oral, and written communications
- Ability to maintain professional presence in representing Agency with employees and customers
- Ability to set a climate for performance at optimum levels
- Ability to work efficiently under pressure
- Ability to work independently and take initiative
- Ability to set priorities and use good judgment
- Ability to meet organization and departmental appearance standards on the job

EDUCATION, EXPERIENCE & LICENSURE

- Graduate of an accredited School of Medicine required
- Hospice or Palliative Medicine experience required
- Licensed in the State of Washington as a doctor of medicine or osteopathy
- Current Board Certification, required
- Hospice or Palliative Care Board Certification, preferred

- Current Pierce county Medical Society member
- Current CPR certification
- Current Washington State Drivers License
- Current Car Insurance per state law

PHYSICAL & ENVIRONMENTAL FACTORS

- Ability to bend, stoop, lift supplies, etc., at least 25 pounds
- Ability to sit for long periods
- Visual, speaking and hearing acuity for answering telephone calls and inquires
- Visual acuity for detail-oriented office work
- Constant manual dexterity associated with data entry and word processing

Job descriptions represent a general outline of job duties, functions, and qualifications. They are not intended to be comprehensive in nature. In addition jobs evolve over time and therefore their description may not reflect the precise nature of the position at a given point in time.

It is MultiCare's policy to base hiring decisions solely on the individual's ability to perform essential job functions. Persons with disabilities are eligible for this position provided they can perform those functions with reasonable accommodation.

Original Approval:	10-89	AHS
Reviewed/Revised:	11-90 - 8-94 - 10-97 - 7-98 - 3-01	
Reviewed/Revised:	7/02	Deanna Squyres/Carol Ord
Reformatted:	4/05	Amy Breeze
Reviewed/Revised:	12/09	A Breeze/P Isenhower
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Revised:	12/21	Lynn Siedenstrang