



**MultiCare Health System**

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ [multicare.org](http://multicare.org)

April 12, 2024

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

RE: MultiCare Health System, dba MultiCare Home Health, Hospice and Palliative Care  
Application to operate a certificate of need approved home health agency in Spokane County,  
Washington

Dear Mr. Hernandez:

I am pleased to submit this certificate of need application request on behalf of MultiCare Health System ("MultiCare") dba MultiCare Home Health, Hospice and Palliative Care to establish and operate a certificate of need approved home health agency in Spokane County, Washington. Please note that MultiCare's check number 87268, in the amount of \$24,666 for this application was mailed to the Department of Health on January 25, 2024 and has been cashed.

MultiCare's vision is to be the highest value system of health in the Pacific Northwest. We aspire to deliver world-class health outcomes and exceptional experience that serves all populations. To do this, it is imperative that all patients have timely access to home health care.

The motivation for this application is to fill the current and increasing gap in care for home health services in Spokane County. Based on MultiCare's experience as a provider of inpatient services in the Spokane market, potential home health patients with public payers, especially low-income persons, face longer wait times to home health discharge. As such, Spokane residents have likely gone without needed home health services. As we document in our application, the number of Home Health Providers serving Spokane County has not kept pace with increases in resident population and Spokane County residents' need for additional home health services.

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

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

Frank Fox, PhD  
HealthTrends  
206.914.8866  
[frankfox@comcast.net](mailto:frankfox@comcast.net)

Thank you for your assistance regarding this request. Please contact me if you have any questions.

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.

<p><b>Signature and Title of Responsible Officer</b></p> <p>K. Erin Kobberstad Vice President, Strategic Planning MultiCare Health System</p> <p>Signature: </p> <p><b>Email Address:</b> <a href="mailto:ekobberstad@multicare.org">ekobberstad@multicare.org</a></p>	<p><b>Date: April 12, 2024</b></p>   <p><b>Telephone Number:</b> 253.403.8771</p>
<p><b>Legal Name of Applicant</b> MultiCare Health System DBA MultiCare Home Health, Hospice, and Palliative Care</p> <p><b>Address of Applicant</b> 1313 Broadway, Suite 200 Tacoma, WA, 98409</p>	<p><b>Provide a brief project description</b></p> <p><input type="checkbox"/> New Agency <input checked="" type="checkbox"/> Expansion of Existing Agency <input type="checkbox"/> Other: _____</p> <p><b>Estimated capital expenditure: <u>\$66,315</u></b></p>
<p><b>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.</b></p> <p><u>Spokane County, Washington</u></p>	

## Table of Contents

I. Introduction and Rationale .....	4
II. Applicant Description .....	6
III. Project Description.....	9
IV. Certificate of Need Review Criteria .....	12
A. Need (WAC 246-310-210).....	12
B. Financial Feasibility (WAC 246-310-220).....	19
C. Structure and Process (Quality) of Care (WAC 246-310-230).....	25
D. Cost Containment (WAC 246-310-240) .....	32
E. Home Health Agency Tie Breakers (19871 State Health Plan, Volume II, pages B35-36) 34	

## Table of Tables

Table 1: MultiCare Facility List .....	7
Table 2: Service Area Need Projections.....	12
Table 3: Home Health Use Distribution by Age .....	14
Table 4: MultiCare Home Health, Hospice, and Palliative Care Historical Utilization and Pre-Operational Forecast.....	15
Table 5: Home Health Visit and Admission Projections—Spokane Only .....	16
Table 6: Home Health Utilization Assumptions-Spokane Only .....	16
Table 7: MultiCare Health System Hospitals’ Charity Care Compared to Regional Average, 2020-2022.....	18
Table 8: Home Health Capital Expenditures.....	20
Table 9: Projected Payer Mix for Spokane County .....	22
Table 10: MultiCare Home Health Historical Payer Mix .....	22
Table 11: Equipment List .....	23
Table 12: Projected Staffing by Occupational Category-Spokane HH Only .....	25
Table 13: MultiCare Home Health and Hospice Staffing, 2020 to 2023 .....	25
Table 14: MultiCare Home Health and Hospice Staffing, 2024 to 2027 .....	26
Table 15. Alternatives Analysis: Promoting Access to Healthcare Services. ....	32
Table 16. Alternatives Analysis: Promoting Quality of Care.....	32
Table 17. Alternatives Analysis: Cost Efficiency and Capital Impacts.....	33
Table 18. Alternatives Analysis: Staffing Impacts.....	33
Table 19. Alternatives Analysis: Legal Restrictions.....	33

## List of Exhibits

Exhibit Number	Title
1	Organizational Chart
2	Letter of Intent
3	Spokane 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 2021-2022 Audited Financials

## **I. Introduction and Rationale**

MultiCare Health System, a locally-governed, not-for-profit, integrated health system that owns and operates twelve hospitals and over 240 primary, specialty, and urgent care clinics throughout the Puget Sound, Yakima Valley, and Inland Northwest Regions, seeks Certificate of Need approval to operate a Medicare certified and Medicaid eligible home health agency to serve residents of Spokane County in Washington State. MultiCare provides care for two out of every five inpatients in Spokane County, and the proposed project would represent an expansion of MultiCare Home Health, Hospice, and Palliative Care, which has been providing hospice care services for more than three decades. The proposed home health agency will complement MultiCare's provision of services across the care continuum, including home health and hospice services in King, Pierce, and Kitsap counties, and inpatient hospital services at its facilities in Spokane, Yakima, Thurston, Pierce, and King counties. It was also recently approved for hospice services in Thurston County (through PNW Hospice, LLC) and home health care in Kitsap County, and provides hospice care through MultiCare Yakima Memorial Hospital in Yakima County.

The motivation for this application is to fill the current and increasing gap in care for home health services in Spokane County. Based on numeric need calculated consistent with the 1987 Washington State Health Plan, the number of Home Health Providers serving Spokane County has not kept pace with increases in resident population and Spokane County residents' need for additional home health services. This is consistent with MultiCare's experience as a provider of inpatient services in the Spokane market, where potential home health patients with public payers, especially low-income persons, face longer wait times to home health discharge. As such, Spokane 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 moved to other counties. However, these factors indicate both current and growing future problems related to access for home health services for Spokane 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.<sup>1</sup> Our social workers will provide additional financial planning and financial assistance for patients and their families during home health care service based on MultiCare's Financial Assistance Policy.<sup>2</sup> MultiCare Health System has a documented history of providing financial assistance to its patients that exceeds the respective regional averages of other hospitals 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

---

<sup>1</sup> See Exhibit 5, Financial Assistance Policy. Definitions: "Charity Care and/or Financial Assistance means medically necessary hospital 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." As explained in a technical assistance call, December 7, 2023 with the CN program, the Financial Assistance Policy cites WAC 246-453-010(7), which refers to the state's definition of "appropriate hospital-based care." That is the basis for the Policy's definition of medically necessary care. Both the state's definition and MultiCare's Policy include the term "hospital-based" care, which as explained during our technical assistance call with the department, refers to medically necessary care provided by all MultiCare providers, including home health and hospice providers.

<sup>2</sup> Exhibit 5, Financial Assistance Policy.

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 Spokane County.

## **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")  
1313 Broadway, Suite 200  
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.**

K. Erin Kobberstad  
Vice President, Strategic Planning  
MultiCare Health System  
PO Box 5299, MS: 820-4-SBD  
Tacoma WA 98415  
Office phone: (253) 403 – 8771  
Email: [ekobberstad@multicare.org](mailto:ekobberstad@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 162<sup>nd</sup>  
Seattle WA 98177  
Office phone: 206-366-1550  
Email: [frankgfox@comcast.net](mailto: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. MultiCare Home Health and Hospice is identified under “Retail Health” on the second page of the organizational chart.

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. Recent acquisitions include MultiCare Capital Medical Center (April 2021), MultiCare Yakima Memorial Hospital (January 2023), and MultiCare Surgery Center (September 2023).

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 <sup>th</sup> 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



Facility/Agency Name	Address	License Number	Medicare Provider Number	Medicaid Provider Number
MultiCare Good Samaritan Hospital	407 14 <sup>th</sup> Ave. SE Puyallup, WA 98372	HAC.FS.60221541	500079	3308707
MultiCare Good Samaritan Hospital, Inpatient Rehabilitation	401 15 <sup>th</sup> Ave. SE, Puyallup, WA 98372	BHA.FS.61030776	50T079	3200094
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	1313 Broadway Ste 200, Tacoma, WA, 98402	IHS.FS.60081744	HH - 507046; Hospice- 501508	HH- 1043537; Hospice- 2012298
MultiCare Surgery Center	1519 3rd Street, Ste 240, Puyallup, WA 98372	ASF.FS.60534460	Pending	Pending
MultiCare Yakima Memorial Hospital	2811 Tieton Dr, Yakima, WA, 98902-3761	HAC.FS.00000058	500036	3307501
PNW Hospice	1313 Broadway Ste 500, Tacoma, WA 98402	IHS.FS.61337353	Pending	Pending
MultiCare Capital Medical Center	3900 Capital Mall Drive SW, Olympia, WA 98502	HAC.FS.60986502	500139	33065
Notes: *Wellfound Behavioral Health Hospital is a JV facility.				

### **III. Project Description**

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

MultiCare Health System DBA MultiCare Home Health, Hospice, and Palliative Care  
("MultiCare Home Health")  
1313 Broadway, Suite 200  
Tacoma, WA, 98409

#### **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 Spokane County to the existing licensed agency will create an overall home health service area that also includes Kitsap, Pierce, and King Counties. In addition, MultiCare is applying to add Thurston County to this service area. Spokane operations will be run out of an office in MultiCare's Medical Office Building located at 801 W. 5th Avenue, Spokane, Washington 99204. This location will provide space for all administrative staff related to intake, scheduling, and billing specific to Spokane, as well as space for supplies, copy/fax machine, internet connectivity, and a meeting place for all field staff.

#### **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 Spokane 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 Spokane 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:**

<b>Event</b>	<b>Anticipated Month/Year</b>
CN Approval	September 2024
Design Complete (if applicable)	N/A
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.	October 2024
---	--------------

\*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, King, and Kitsap Counties. Furthermore, MultiCare is applying for approval in Thurston County. Medicare and Medicaid services are or will be 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 Spokane 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

While MultiCare expects its patients to generally be over the age of 18, it will provide care for referrals across all ages. Should a referral for Pediatric services arise, MultiCare Home

Health is prepared to assign clinicians competent to care for patients below the age of 18. If there are no employees with pediatric experience at the time of the referral, the agency will provide services either through a contract with a staffing agency, coordinate services with a pediatric specialty program, or seek to hire clinicians with pediatric experience.

**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 Spokane County home health need model, including a supply worksheet with those home health providers providing services to Spokane County residents. Overall, we have identified 51 in-home agencies operating within Spokane County; this includes 10 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, 12 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 Spokane 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 steps:

Spokane County Need Model	Row	2023	2024	2025	2026	2027
<u>Population</u>						
0-64 Years Old	1	450,821	452,277	453,733	455,179	456,625
65-79 Years Old	2	80,769	83,278	85,787	87,267	88,746
80+ Years Old	3	21,975	22,752	23,529	25,469	27,409
<u>Visits per Capita</u>						
0-64 Years Old (0.005 * 10)	4	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
80+ Years Old (0.183 * 21)	6	3.843	3.843	3.843	3.843	3.843
<u>Projected Visits</u>						

Total ([1]*[4]+[2]*[5]+[3]*[6])	10	156,744	161,349	165,953	174,392	182,830
Supply (# Agencies*10,000)	11	120,000	120,000	120,000	120,000	120,000
<u>Net Need</u>						
Visits ([10]-[11])	12	36,744	41,349	45,953	54,392	62,830
Agencies (12/10,000)	13	3	4	4	5	6
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 Spokane County Planning Area for additional home health agencies. The need methodology estimates current (CY2023) net need for three (3) additional agencies, growing to five (5) 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.

- 3. 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.

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

As demonstrated above in Table 2 and Exhibit 3, there is numeric need for 5 additional home health agencies in Spokane County. However, there exist additional qualitative reasons to support approval of the proposed project. These include an aging service area population and higher use rates among elderly individuals. Thus, the proposed project will not duplicate existing home health services.

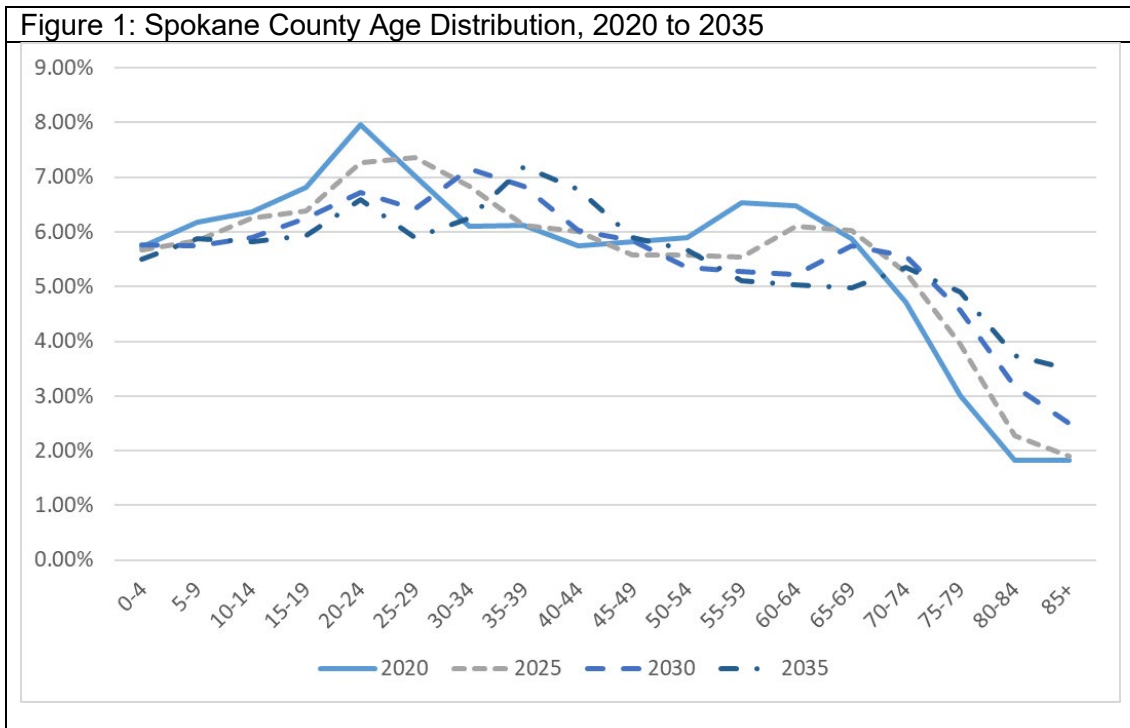
An aging service area population

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.

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 and over represent only about 15% of the population, but account for over 80% of home health users. The likelihood of home health use increases with age. 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 Spokane County residents in Figure 1.



Source: 2022 OFM GMA Projections - Medium Series

As presented in Figure 1, the age distribution of Spokane County residents is expected to shift towards older ages over the 2020 to 2035 period. Since the use rate of home health services increases with age, and the model controls only for the broad age groups of 0 to 64, 65-79 and 80+, we anticipate additional demand for home health services which exceeds that estimated within the home health demand methodology presented above, where use rates for these three age groups 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	2020	2021	2022	2023
King				
Admissions	427	373	384	393
Visits	7,184	7,394	7,769	6,724
Visits per Admission	16.8	19.8	20.2	17.1
Pierce				
Admissions	2,129	1,798	1,502	1,473
Visits	33,191	32,312	33,112	30,835
Visits per Admission	15.6	18.0	22.0	20.9
Other (Kitsap & Clallam counties)				
Admissions	2	1	0	4
Visits	49	7	0	20
Visits per Admission	24.5	7.0	0.0	5.0
Total				
Admissions	2,558	2,172	1,886	1,870
Visits	40,375	39,706	40,881	37,579
Visits per Admission	15.8	18.3	21.7	20.1
Source: Applicant				
Notes: Admissions represent Total Admissions.				

**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.**



Utilization Forecast	Row	2024	2025	2026	2027
Months	1	2	12	12	12
Visits per Month	2	689	1,149	1,587	2,094
Total Visits	3	1,378	13,788	19,044	25,128
Total Admissions	4	69	686	947	1,250
Quarterly Admits	5	103.5	171.5	236.8	312.5

Sources: Applicant; See Table 2 and Table 6. Visits per month calculated based on Planning Area Visits per Month (Table 2) and assumed proportion of unmet need presented in Table 6. Total visits equal visits/month multiplied by number of months. Total admissions equal total visits divided by Applicant visits per admission (Table 6).

From Table 2, we project Spokane County residents to need Home Health visits equaling 36,744 visits in 2023, 41,349 visits in 2024, 45,953 visits in 2025, and 54,932 visits in 2026. These numbers of **unmet need** correspond to 3,062, 3,446, 3,829, and 4,533 visits per month in 2023, 2024, 2025, and 2026, respectively. We assume that, on a monthly basis, MultiCare will provide services to 20% of this unmet need in 2024, increasing 40% by 2027, then remain constant. 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 20.1.<sup>3</sup> These statistics and assumptions, along with the implied utilization, are summarized in Table 6.

Utilization Assumptions	Row	2024	2025	2026	2027
Unmet need (visits)	1	41,349	45,953	54,392	62,830
Visits per month	2	3,446	3,829	4,533	5,236
Proportion of unmet need	3	20%	30%	35%	40%
Visits per patient	4	20.1	20.1	20.1	20.1

Sources: Table 2 and 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 Spokane 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 Spokane 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.**

<sup>3</sup> See Table 4.

Since there exists an unmet need for additional home health agencies in Spokane 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 Spokane 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.<sup>4</sup> Our social workers will provide additional financial planning and financial assistance for patients and their families during home health care based on MultiCare's Financial Assistance Policy.

MultiCare Health System has a documented history of providing financial assistance to its patients that exceeds the respective regional averages of hospitals in the service areas they serve.

Table 7 presents MultiCare hospitals' charity care, as a percent of total revenues, compared to regional averages for the most recent three years available (2020-2022) from the Washington State Department of Health's website.<sup>5</sup> MultiCare's Puget Sound, King County, and Eastern Washington hospitals consistently are significantly above their respective regional averages. Furthermore, in Eastern Washington, MultiCare has significantly expanded access to financial assistance for patients receiving care at Deaconess and Valley hospitals. Before their acquisition in 2017, Deaconess and Valley's charity care figures were chronically under the regional average. In 2020 and 2021, these two hospitals exceeded the Eastern Washington regional average. 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 Spokane County that MultiCare proposes to serve.

---

<sup>4</sup> See Exhibit 5, Financial Assistance Policy.

<sup>5</sup> 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>. Last accessed January 12, 2024.

Table 7: MultiCare Health System Hospitals' Charity Care Compared to Regional Average, 2020-2022

Region/Hospital	2020	2021	2022	3 Year Average, 2020-2022
MultiCare Puget Sound Hospitals	1.63%	1.34%	1.25%	1.41%
<b>PUGET SOUND REGION TOTALS</b>	<b>1.69%</b>	<b>1.16%</b>	<b>1.18%</b>	<b>1.34%</b>
MultiCare King County	3.29%	1.75%	1.77%	2.27%
<b>KING COUNTY LESS HARBORVIEW</b>	<b>1.20%</b>	<b>0.88%</b>	<b>0.99%</b>	<b>1.02%</b>
MultiCare Eastern WA	1.49%	1.39%	1.30%	1.39%
<b>EASTERN WASH REGION TOTALS</b>	<b>1.12%</b>	<b>1.10%</b>	<b>1.24%</b>	<b>1.15%</b>

Source: DOH Charity Care Reports, 2020-2022

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 and MultiCare Yakima Memorial, as they 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**
- **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.

We note several of these policies refer to care as "hospital based." MultiCare Home Health operates under the CMS designation of "Hospital based," however that refers to the ownership structure not to the scope of services or patients served. MultiCare Home Health provides services to all eligible patients referred to it from all referral sources such as hospitals, clinics, and doctors' offices, throughout the geographic market covered by its state license, certificate of need approval and Medicare certification.

## **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 as well as the historical financials for Home Health alone. Exhibit 8 also provides the assumptions used to prepare the projections for its proposed expansion of home health care into Spokane County. Unless otherwise noted, those assumptions based on the MultiCare Home Health historical amounts are from 2023 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. Further, a medical director is not required for the provision of home health care. MultiCare's Home Health Administrator meets the requirements of § 484.115 Condition of participation: Personnel qualifications, (a) Standard: Administrator, home health agency.

### **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 which its Home Health, Hospice, and Palliative Care operations are located. In Exhibit 9, we include the lease (Exhibit 9a) and first amendment to lease and commencement date memorandum (Exhibit 9b) to demonstrate MultiCare has control over the site of its existing operations.

Given approval of the proposed project, Spokane operations will be run out of an office in MultiCare’s Medical Office Building located at 801 W. 5th Avenue, Spokane, Washington 99204. MultiCare plans to allocate Suite 509 (2,078 square feet) within this office building to the proposed project. In Exhibit 9c, we include the Bargain and Sale Deed to the proposed property which demonstrates MultiCare owns this medical office building. This medical office building represents Parcel C in the Bargain and Sale Deed.

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 8: 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	\$60,840

i. Architect and Engineering Fees	
j. Consulting Fees	
k. Site Preparation	
l. 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	\$5,475
<b>Total Estimated Capital Expenditure</b>	<b>\$66,315</b>

- 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 11, MultiCare will incur start-up costs equal to about \$159,170. These expenses represent a month of all 2024 operational expenses except for Depreciation and are reflected in the Balance Sheet Pre-Op Period column under “Retained Earnings.”

- 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.**

The overwhelming majority of home health patients are government-sponsored, most notably Medicare, where fee schedules are uniformly set. In other words, charges do not matter for the overwhelming majority of home health patients. 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, as noted above, the overwhelming majority of home health patients are government-sponsored, most notably Medicare, where fee schedules are uniformly set. 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.”**

<b>Projected Payer Mix</b>	<b>% of Gross Revenue</b>	<b>% of Patients</b>
Medicare/Mgd Medicare	89.9%	89.9%
Medicaid/Mgd Medicaid	3.9%	3.9%
Commercial	5.2%	5.2%
Self-Pay	0.5%	0.5%
Health Care Exchange	0.2%	0.2%
Other	0.3%	0.3%
<b>Total</b>	<b>89.9%</b>	<b>89.9%</b>

Source: Applicant. See Table 10.

Notes: “Other” includes Workers Comp, TRICARE, and Veteran Admin Insurance. MultiCare Home Health assumes average billed charges by payer will not differ across the payer categories, which results in equivalent payer distributions by Gross 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.**

<b>2023 Payer Mix</b>	<b>% of Gross Revenue</b>	<b>% Patients</b>
Medicare/Mgd Medicare	89.9%	89.9%
Medicaid/Mgd Medicaid	3.9%	3.9%
Commercial	5.2%	5.2%
Self-Pay	0.5%	0.5%
Health Care Exchange	0.2%	0.2%
Other	0.3%	0.3%

Total	89.9%	89.9%
Source: Applicant		
Notes: "Other" includes Workers Comp, TRICARE, and Veteran Admin Insurance. 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 gross 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 11: Equipment List			
Furniture	Unit Cost	Units	Total Cost
Desks	\$1,362	12	\$16,339
Conf Room Table	\$1,128	1	\$1,128
Conf Room Chairs	\$245	8	\$1,960
Office Chairs	\$99	12	\$1,188
Subtotal			\$20,615
Sales Tax			\$1,855
Furniture Total			\$22,470
Equipment & Phone	Unit Cost	Units	Total Cost
Laptop Computer	\$1,589	13	\$20,657
Docking Station	\$200	13	\$2,600
24-inch Monitor, Keyboard and Mouse	\$188	26	\$4,888
Cables /Wires	\$20	13	\$260
Color copier, scanner, printer, and fax	\$9,000	1	\$9,000
Extra drawers/cabinet	\$220	1	\$220
Desk/Office Phone	\$200	13	\$2,600
Subtotal			\$40,225
Sales Tax			\$3,620
Equipment & Phone Total			\$43,845
<b>Equipment Total</b>			<b>\$66,315.15</b>
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 audited financial statement for the period 2021 and 2022.

**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 12 for the anticipated number of staff FTEs by occupation over the first three years of the proposed project.

Spokane HH Staffing Forecast	2024	2025	2026	2027
Clinical Supervisor	0.08	0.50	0.50	0.50
COTA	0.14	1.37	1.89	2.50
HHA	0.10	0.96	1.33	1.75
Intake/Scheduling	0.08	0.50	0.50	0.50
LPN	0.13	1.34	1.84	2.43
MSW	0.09	0.75	1.04	1.38
OT	0.13	1.26	1.74	2.29
Other Administrative	0.08	0.50	0.50	0.50
PT	0.25	2.52	3.47	4.58
PTA	0.25	2.52	3.47	4.58
RN	0.56	5.59	7.72	10.19
SLP	0.04	0.38	0.52	0.69
<b>Total</b>	<b>1.94</b>	<b>18.18</b>	<b>24.52</b>	<b>31.89</b>

Source: Applicant

Notes: Row totals in each column may not sum exactly to "Total" row for each column due to rounding.

- 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.**

HH&H Combined	2020	2021	2022	2023
Administrator	1.00	1.00	0.30	1.00
ARNP				1.60
Clinical Supervisor	7.25	4.90	2.87	4.70
COTA	3.21	2.81	3.62	3.80

HHA	14.01	12.21	11.67	11.20
Intake / Scheduling	4.99	4.37	7.90	6.60
LPN	4.99	4.37	6.82	5.70
Manager	*	*	3.54	2.90
Medical Director	+	+	1.69	2.30
MSW	10.39	10.68	16.70	15.60
OT	4.88	4.09	4.18	4.30
Other Administrative	15.98	17.23	15.63	18.80
Other Clinical	18.80	20.48	4.97	5.60
Physician	0	0	0	0.90
PT	9.16	9.76	9.52	10.70
PTA	9.91	8.80	9.00	7.50
RN	49.89	48.89	46.41	51.10
SLP	1.72	1.37	0.88	1.40
<b>HH&amp;H Total</b>	<b>156.18</b>	<b>150.96</b>	<b>145.70</b>	<b>155.70</b>

Source: Applicant

Notes: Row totals in each column may not sum exactly to “Total” row for each column due to rounding. \*Manager included in “Other Administrative” during 2020-2021 period. +Medical Director included in “Other Clinical” during 2020-2021 period.

Table 14: MultiCare Home Health and Hospice Staffing, 2024 to 2027

Entire Agency, HH&H Combined	2024	2025	2026	2027
Administrator	1.00	1.00	1.00	1.00
ARNP	1.60	1.60	1.60	1.60
Clinical Supervisor	4.78	5.20	5.20	5.20
COTA	3.94	5.17	5.69	6.30
HHA	11.30	12.16	12.53	12.95
Intake/Scheduling	6.68	7.10	7.10	7.10
LPN	5.83	7.04	7.54	8.13
Manager	3.54	3.54	3.54	3.54
Medical Director	1.69	1.69	1.69	1.69
MSW	15.69	16.35	16.64	16.98
OT	4.43	5.56	6.04	6.59
Other Administrative	18.88	19.30	19.30	19.30
Other Clinical	5.60	5.60	5.60	5.60
Physician	0.90	0.90	0.90	0.90
PT	10.95	13.22	14.17	15.28
PTA	7.75	10.02	10.97	12.08
RN	51.66	56.69	58.82	61.29
SLP	1.44	1.78	1.92	2.09

<b>Total</b>	<b>157.67</b>	<b>173.91</b>	<b>180.25</b>	<b>187.62</b>
Source: Applicant Notes: Row totals in each column may not sum exactly to "Total" row for each column due to rounding. FTE counts in Table 14 equal the sum of FTEs in Table 12, by year, and the 2023 FTE figures in Table 13. The forecast assumption is that non-Spokane staffing in Table 13 remains constant over the forecast period.				

**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 Spokane County.

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

The clinical staffing plan for the agency is based off historical patient-to-staff ratios for MultiCare Home Health. These ratios meet or exceed comparable statistics for other home health agencies in Washington State for which this information is available. Administrative staffing levels are not based on historical patient-to-staff ratios but are based on MultiCare experience.

**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 proposed agency will not have a medical director, as this is not required by CMS or Washington State. Thus, this question is not applicable.

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

This question is not applicable.

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

Assistant Vice President Home Health and Hospice - Donald Thompson  
Home Health Manager: Jake Hanson - Physical Therapist, PT00010022  
Home Health Supervisor: Terry Chavira - Registered Nurse, RN00092057  
Home Health Supervisor: Katherine Mickey - Registered Nurse, RN60201392

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

Home Health Manager: Jake Hanson - Physical Therapist, PT00010022  
Home Health Supervisor: Terry Chavira - Registered Nurse, RN00092057

**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 Spokane 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.

While staffing shortages exist, MultiCare can respond proactively to these shortages and is able 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, MultiCare can leverage its relatively generous compensation package to quickly and successfully recruit the new staff that will be required. With these practices, MultiCare surpasses national benchmarks for home health staff turnover. It should also be noted that as of December 2023, the MultiCare Home Health and Hospice turnover rate for its full-time and part-time (FT/PT) employees was 15.4% as compared to a NSI (Nursing Solutions, Inc.) benchmark turnover rate of 20% for FT/PT staff. The MultiCare Home Health and Hospice year-over-year turnover rate fell ten percentage points from the January 2022 figure of 25.4%, further demonstrating the focus on employee retention.

**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 Ganey is the third-party entity that sends out patient satisfaction surveys. They then tabulate the results and prepare reports that include 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 Ganey - 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.

**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 Deaconess Medical Center in Spokane and MultiCare Valley Hospital in Spokane Valley.

MultiCare has agreements with several skilled nursing facilities, including:

- Sunshine Health and Rehabilitation
- Touchmark on South Hill
- Royal Park Healthcare and Rehabilitation
- Avalon Care Center at Northpointe
- Sullivan Park Care Center
- Spokane Valley Health & Rehabilitation

MultiCare has working relationships with additional skilled nursing facilities and assisted living facilities that provide care to Spokane residents. These include:

**Skilled Nursing Facilities**

- Prestige Care and Rehab Center

- Cheney Care Center
- EmpRes Healthcare
- Spokane Health & Rehab
- Good Samaritan Society
- Franklin Hills Health & Rehabilitation Center
- Regency at Northpointe
- Alderwood Manor
- Spokane Veteran's Home
- Columbia Crest Center
- Good Samaritan Society Mountain View Manor

**Assisted Living Facilities**

- Rose Point Assisted Living
- Cherrywood Place
- The Cottages of Spokane
- Maplewood Gardens Assisted Living
- Willow Grove
- Mallon Place
- Bethany Place
- Brookdale Nine Mile

The current relationships will be utilized, and new ones created as needed, to allow MultiCare to comprehensively meet the service demands for the project.

**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 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**
- A revocation of a license to operate a healthcare facility; or**
- A revocation of a license to practice as a health profession; or**
- 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 Spokane County. In 2022, MultiCare hospitals accounted for 13,042 discharges to Spokane County residents.<sup>6</sup> This included 6,000 discharges to Spokane residents aged 65 and over. Of these discharges to Spokane residents aged 65 and over, 1,451 were to a home health service organization.<sup>7</sup> However, 2,685 of these were to home or self-care.

The proposed home health agency will complement MultiCare's provision of services across the care continuum, including inpatient hospital services at its facilities in Spokane and Spokane Valley. Without additional home health agencies, Spokane residents will go without needed care. In addition to leading to poorer health outcomes, this would cause a fragmentation of healthcare services, where Spokane 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 Deaconess and Valley hospitals in Spokane and Spokane Valley. MultiCare will build on its existing relationships and establish new connections with planning area healthcare providers as necessary. Please also see response to Question 15, above.

**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.

---

<sup>6</sup> CHARS 2022.

<sup>7</sup> 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: Expansion of MultiCare Home Health and Hospice into Spokane 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 15 through Table 19. 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 15. Alternatives Analysis: Promoting Access to Healthcare Services.

Option:	Advantages/Disadvantages:
<b>Option One</b> Expansion of MultiCare Home Health and Hospice into Spokane County —The Project	<ul style="list-style-type: none"> <li>• Helps meet need for additional home health agency services based on the Department’s numeric need methodology (Advantage, “A”)</li> </ul>
<b>Option Two</b> Do nothing	<ul style="list-style-type: none"> <li>• Would do nothing to improve access (Disadvantage (“D”)).</li> <li>• Without additional capacity, some patients may have to delay or not receive care altogether. (D)</li> </ul>

Table 16. Alternatives Analysis: Promoting Quality of Care.

Option:	Advantages/Disadvantages:
<b>Option One</b> Expansion of MultiCare Home Health and Hospice into Spokane County —The Project	<ul style="list-style-type: none"> <li>• Residents of the Planning Area would have increased home health access--this improves quality and continuity of care. (A)</li> </ul>
<b>Option Two</b> Do nothing	<ul style="list-style-type: none"> <li>• 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)</li> </ul>

Table 17. Alternatives Analysis: Cost Efficiency and Capital Impacts.

Option:	Advantages/Disadvantages:
<b>Option One</b> Expansion of MultiCare Home Health and Hospice into Spokane County —The Project	<ul style="list-style-type: none"> <li>• Limited capital expenditures are necessary. (A)</li> <li>• Improved access prevents unnecessary emergency room and hospitalization visits. (A)</li> </ul>
<b>Option Two</b> Do nothing	<ul style="list-style-type: none"> <li>• 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)</li> </ul>

Table 18. Alternatives Analysis: Staffing Impacts.

Option:	Advantages/Disadvantages:
<b>Option One</b> Expansion of MultiCare Home Health and Hospice into Spokane County —The Project	<ul style="list-style-type: none"> <li>• Large concentration of skilled healthcare professionals in the Spokane Area. (A).</li> <li>• Competitive market in demand for healthcare professionals. (D)</li> <li>• Admissions would be balanced with available staff (Neutral, “N”)</li> </ul>
<b>Option Two</b> Do nothing	<ul style="list-style-type: none"> <li>• No impact. (N)</li> </ul>

Table 19. Alternatives Analysis: Legal Restrictions.

Option:	Advantages/Disadvantages:
<b>Option One</b> Expansion of MultiCare Home Health and Hospice into Spokane County —The Project	<ul style="list-style-type: none"> <li>• This option requires certificate-of-need approval. (Neutral, “N”)</li> </ul>
<b>Option Two</b> Do nothing	<ul style="list-style-type: none"> <li>• There are no legal implications with this option. (N)</li> </ul>

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.

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.

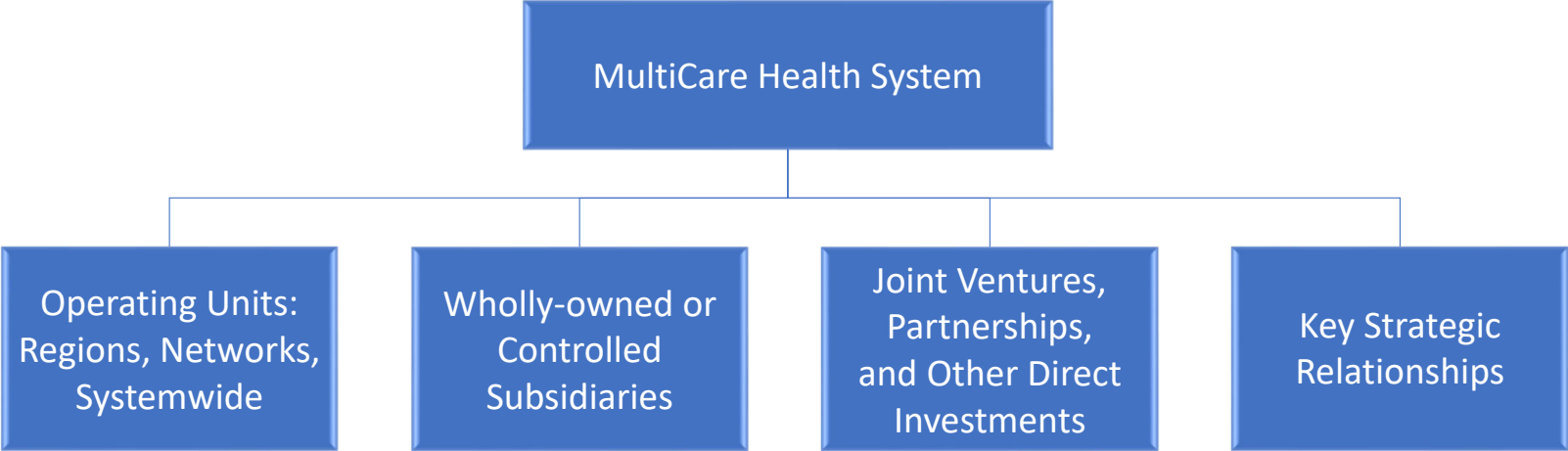
The proposed project will improve access to home health care in Spokane County, hence delivery of health services. In this regard, not only will patient access improve, but patients' costs of receiving home health care will fall, given that without the project, some residents may be forced to move to 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**



## Operating Units Regions, Networks, Systemwide

### Regions

**South Puget Sound (East Pierce, West Pierce & Kitsap, South King, Capital Pacific Regions)**

**HOSPITALS**

- Auburn Medical Center
- Covington Medical Center
- Good Samaritan Hospital/Off Campus Emergency Depts (OCEDs)
- Tacoma General/Allenmore Hospitals/OCED
- Capital Medical Center

**CLINICS**

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

**OTHER**

- New Adventures Daycare

**Inland Northwest Region**

- Deaconess Hospital/North Deaconess OCED
- Valley Hospital
- Rockwood Clinic

**Central Washington Region**

- Yakima Memorial Hospital (incl. Ridgeview surgery facility)
- Primary Care & Specialty Care Clinics

**Systemwide**

- MultiCare Institute for Research & Innovation (MIRI)
- MultiCare Capital Partners

### Networks

**Retail Health**

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

**Pulse Heart Institute\***

**MultiCare Cancer Institute**

**Mary Bridge**

- Mary Bridge Children's Hospital and Health Network
- Mary Bridge Children's Pediatrics
- Woodcreek Pediatrics by Mary Bridge
- Treehouse

**Behavioral Health**

- Good Samaritan Behavioral Health Navos\*
- Greater Lakes Mental Healthcare\*

**Population Health**

- MultiCare Connected Care, LLC\*
- Physicians of Southwest Washington, LLC\*
- PNW CIN, LLC\* d/b/a Embright
- NW Momentum Health Partners ACO, LLC\*

\* Operates through separate legal entity

**Exhibit 2**  
**Letter of Intent**



MultiCare Health System

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ [multicare.org](http://multicare.org)

January 16, 2024

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 Spokane 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 Spokane County, Washington.

1. Description of Proposed Service:  
The establishment and operation of a certificate of need approved home health agency in Spokane County, Washington.
2. Estimated Cost of the Project  
The estimated capital cost of the project is \$66,315.
3. Identification of the Service Area  
The service area is Spokane 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](mailto:ekobberstad@multicare.org)

Frank Fox, PhD  
HealthTrends  
206.366.1550  
[frankfox@comcast.net](mailto: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**

# **Spokane County Home Health Need Model**

## Home Health Planning Area Need Model

Planning Area: Spokane

### Step 1: Population Estimates

	Base year	Forecast year 1	Forecast year 2	Forecast year 3
	2023	2024	2025	2026
0-64 Years Old	450,821	452,277	453,733	455,179
65-79 Years Old	80,769	83,278	85,787	87,267
80+ Years Old	21,975	22,752	23,529	25,469
<b>Total</b>	<b>553,565</b>	<b>558,307</b>	<b>563,049</b>	<b>567,914</b>

Source: OFM 2022 GMA Projections - Medium Series

### Step 2: Projected Patients

	Use Rate	2023	2024	2025	2026
0-64	0.005	2,254	2,261	2,269	2,276
65-79	0.044	3,554	3,664	3,775	3,840
80+	0.183	4,021	4,164	4,306	4,661
<b>Total</b>		<b>9,829</b>	<b>10,089</b>	<b>10,349</b>	<b>10,776</b>

### Step 3: Projected Visits

	Visit Multiplier	2023	2024	2025	2026
0-64	10	22,541	22,614	22,687	22,759
65-79	14	49,754	51,299	52,845	53,756
80+	21	84,449	87,435	90,422	97,877
<b>Total</b>		<b>156,744</b>	<b>161,349</b>	<b>165,953</b>	<b>174,392</b>

### Step 4: Net Need

	2023	2024	2025	2026
Gross Need	15.67	16.13	16.60	17.44
Supply	12	12	12	12
<b>Net Need</b>	<b>3.00</b>	<b>4.00</b>	<b>4.00</b>	<b>5.00</b>

Notes: the methodology states fractional numbers are to be rounded down. See supply worksheet for inclusion/exclusion determination.

CenterWell Home Health (IHS.FS.00000296) not listed as Medicare and Medicaid certified for Spokane in the Department's May 2023 ILRS database, but listed in DOH 12/2019 home health eval & CMS lists two Gentiva agencies serving Spokane. Therefore, current model includes two CenterWell Home Health agencies operating in Spokane currently (IHS.FS.00000296 and IHS.FS.60308064).

**Spokane Planning Area Supply**

[Total Active] Total Home Health Agencies Serving County:	51
<b>[EFFECTIVE] Total Home Health Agencies Serving County:</b>	<b>12</b>
Total M/M Certified Serving County:	10

Agency	CN Approved	Include In Supply?	Notes	Link	Reason for inclusion/exclusion
Assured Home Health	Yes	Y	CN-approved		CN-approved
Assured Home Health	Yes	Y	CN-approved		CN-approved
CenterWell Home Health	Yes	Y	CN-approved		CN-approved
CenterWell Home Health	Yes	Y	CN-approved; No longer listed as MM Spokane in DOH's May 2023 ILRS.		Included in past DOH need models
Eden Home Health	Yes	Y	CN-approved		CN-approved
Inland Home Healthcare	Yes	Y	Website indicates it provides home health services, including skilled nursing, home health aide, and therapies.	<a href="#">Website</a>	Includes basic HH services
Intrepid USA Healthcare Services	Yes	Y	CN-approved		CN-approved
Providence Elder Place		Y	Provides comprehensive set of services.	<a href="#">Website</a>	Included in past DOH need models
Providence VNA Home Health	Yes	Y	CN-approved		CN-approved
Serengeti Care		Y	Website states it provides skilled services and has a Spokane location.	<a href="#">Website</a>	Included in past DOH need models
Sunshine Home Health Care	Yes	Y	CN-approved		CN-approved
Touchmark Home Health	Yes	Y	CN-approved		CN-approved
A.N.S.		N	No website found		Not determinable
Accredo Health Group		N	Specialty pharmacy		Limited services
Amazing Touch Home Health Agency LLC		N	No website found		Not determinable
Angel Senior Care		N	Website suggests it offers limited services that do not meet the definition of home health agency according to the SHP	<a href="#">Website</a>	Excluded in past DOH need models
Apria Healthcare LLC		N	Sleep DME	<a href="#">Website</a>	Excluded in past DOH need models
Ashley House		N	Services only available to children, teens, and young adults.	<a href="#">Website</a>	Excluded in past DOH need models
Atomic Home Health		N	For nuclear workers	<a href="#">Website</a>	Not available to all PA residents
Avail Home Health		N	Private duty nursing services	<a href="#">Website</a>	Excluded in past DOH need models
Aveanna Healthcare		N	All the Washington State locations appear to only provide pediatric & adult private duty nursing.	<a href="#">Website</a>	Excluded in past DOH need models
Bogden House Wa		N	Services are only available to children from infancy to age 10.	<a href="#">Website</a>	Not available to all PA residents
Caring Hearts Agency		N	Home care provider only	<a href="#">Website</a>	Excluded in past DOH need models
Chinook Home Health Care		N	Website suggests it does not offer OT/PT/ST or home health aide services.	<a href="#">Website</a>	Limited services
Coram CVS/Specialty Infusion Services		N	Infusion services		Limited services

**Spokane Planning Area Supply**

[Total Active] Total Home Health Agencies Serving County:	51
<b>[EFFECTIVE] Total Home Health Agencies Serving County:</b>	<b>12</b>
Total M/M Certified Serving County:	10

Agency	CN Approved	Include In Supply?	Notes	Link	Reason for inclusion/exclusion
Critical Nurse Staffing LLC a/k/a CNScares		N	Services appear only available to specific types of workers.	<a href="#">Website</a>	Excluded in past DOH need models
Energy Employee Home Health Services		N	Services appear only available to specific types of workers.	<a href="#">Website</a>	Not available to all PA residents
Family Resource Home Care		N	FAQ State that Family Resource provides home care. Does not state it provides home health.	<a href="#">Website</a>	Excluded in past DOH need models
Fedelta Home Care		N	Website indicates only serves Puget Sound region and limited to home care services.	<a href="#">Website</a>	Excluded in past DOH need models
Harbor Health Solutions LLC		N	No website found. Unable to verify services available		Excluded in past DOH need models
Lincare		N	Durable medical equipment. Some respiratory therapy.	<a href="#">Website</a>	Excluded in past DOH need models
Lincare		N	Durable medical equipment (respiratory supplies) provider.		Limited services
Malaika Home Care, LLC		N	Website not found		Not determinable
Maxim Healthcare Services		N	Limited services do not meet the definition of home health agency according to the SHP.	<a href="#">Website</a>	Excluded in past DOH need models
Maxim Healthcare Services Inc		N	Limited services do not meet the definition of home health agency according to the SHP.	<a href="#">Website</a>	Excluded in past DOH need models
Nuclear Care Partners LLC		N	Services not accessible to all residents of Spokane County.	<a href="#">Website</a>	Not available to all PA residents
Option Care		N	Infusion services		Limited services
Optum Women's and Children's Health LLC		N	Specialized to women and children.		Not available to all PA residents
Popes Kids Place		N	Services only available to persons from birth to early adulthood.	<a href="#">Website</a>	Excluded in past DOH need models
Positive Nature Homecare LLC		N	WA services not found. I only saw an Arizona agency focused on energy workers.	<a href="#">Website</a>	Not available to all PA residents
Professional Case Management of Washington LLC		N	Services appear to only be available to specific types of workers.	<a href="#">Website</a>	Excluded in past DOH need models
Providence at Home		N	No website found for Lacey-based "Providence at Home." Unclear what services offered to Spokane residents		Excluded in past DOH need models
Providence Infusion and Pharmacy Services		N	Infusion services		Excluded in past DOH need models
RiverCare		N	No website found		Not determinable
Ro Health		N	Staffing Agency according to Department's 2021 King evaluation.	<a href="#">Website</a>	Excluded in past DOH need models

**Spokane Planning Area Supply**

[Total Active] Total Home Health Agencies Serving County:	51
<b>[EFFECTIVE] Total Home Health Agencies Serving County:</b>	<b>12</b>
Total M/M Certified Serving County:	10

Agency	CN Approved	Include In Supply?	Notes	Link	Reason for inclusion/exclusion
Rotech		N	Primarily DME and related services	<a href="#">Website</a>	Limited services
RWW Home and Community Rehab Services, Inc.		N	Services focus on specific injury types	<a href="#">Website</a>	Excluded in past DOH need models
S and S Health Care		N	Website suggests it offers limited services that do not meet the definition of home health agency according to the SHP	<a href="#">Website</a>	Limited services
Seattle Childrens Hospital Home Care Services		N	Services are only available to children.	<a href="#">Website</a>	Not available to all PA residents
Stepping Stones Pediatric Therapy		N	Services are only available to children.	<a href="#">Website</a>	Not available to all PA residents
Total Care Inc		N	Website suggests offers limited services that do not meet definition of home health agency according to the SHP	<a href="#">Website</a>	Limited services

# **Exhibit 4**

## **Patient Referral and Admissions Policy**

**Document Title: HOME HEALTH: PRIMARY AND SECONDARY REFERRALS AND ADMISSIONS**

**Scope:**  
Home Health

**Policy Statement:**  
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.

**Special Instructions:**  
Clinical, Liaison nurses, Intake Nurses, and admission staff will be aware of the process and criteria for acceptance for referral and care delivery.

**Procedures:**

A. The following general criteria is used to evaluate patients referred:

1. Patients will be accepted for referral without regard to age, 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.



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 agency criteria can be met:
  - 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

**References:**

Home Health Medicare Conditions of Participation 484.60 Joint Commission PC.02.02.01

	<b>Point of Contact:</b> Home Health and Hospice Director, 253-301-6400	
<b>Approval By:</b> HHH QSSC Quality Safety Steering Council	<b>Date of Approval:</b> 10/15, 11/19 12/19	
Original Date: Revision Dates: Reviewed with no Changes Dates: Distribution: MSH Intranet	4/08 9/12, 10/15, 11/19 X/XX; X/XX	

# **Exhibit 5**

## **Patient Financial Assistance Policy**

**Document Title: Financial Assistance – Hospital Based Services**

**Scope:**

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.

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.

**Policy Statement:**

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.

**Definitions:**

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. <b>Medically Necessary</b> is defined per WAC 246-453-010 (7) as appropriate hospital-based medical services.</p> <p>8. <b>Responsible Party</b> 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><b>Policy Guidelines:</b></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 <a href="https://www.multicare.org/financial-assistance/">https://www.multicare.org/financial-assistance/</a> .</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"> <li>1. 100% Financial Assistance - Income levels at or below 300% of the (FPL); or</li> <li>2. Sliding Scale Financial Assistance - Income levels between 300.5% and 400% of the FPL.</li> </ol>
	<p><b>Procedure:</b></p> <p><b>I. Eligibility Criteria</b></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"> <li>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"> <li>a. Group or individual medical plans</li> <li>b. Workers compensation programs</li> </ol> </li> </ol>

- 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.

**B. *Accurate Completion of Financial Assistance application.***

- 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.

**C. *Medicaid Eligibility Within 90 Days of Services in Lieu of Application***

- 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.

**D. *Presumptive determination or Extraordinary Circumstances***

- 1. The Responsible Party may qualify for Financial Assistance based on a presumptive determination or extraordinary life circumstances, as outlined below.

**E. *Medically Necessary Health Care Services Rendered***

- 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.

**F. *International Patients***

- 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

Guidelines, Patient Accounts.

- 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.
- 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.

**X. Staff Training**

- 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.
- 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.

**XI. Dissemination of MHS Financial Assistance Policy**

- 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.
- 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.
- C. This policy, the application, and a plain language summary are available to patients free of charge by contacting 800-919-1936.
- 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.
- E. Billing Statements sent to Responsible Parties will contain information regarding the availability of Financial Assistance in both English and Spanish.
- F. Written materials are available in English, Spanish, Russian and Vietnamese. .
- G. Wide-reaching community notifications will occur in the following ways:
  - 1. Available at registration areas of all hospital facilities,
  - 2. On MHS website [www.multicare.org](http://www.multicare.org)
  - 3. Communications provided to our community partners for distribution, and
  - 4. Upon request, by calling 800-919-1936

**Related Forms:**

	Proof of Income for Financial Assistance Instruction Sheet Financial Assistance Application Financial Assistance Letter to Patients Patient Brochure Containing Plain Language Summary
	<b>Appendix A: Financial Assistance</b>
	<b>References:</b> RCW 70.170 WAC 246-453 Federal Register Vol 79, December 31, 2014 Final Rule
	<b>Point of Contact:</b> AVP, Financial Clearance, rcardenas@multicare.org
<b>Approval By:</b> Finance Leadership Corporate Compliance Leadership System Policy Council MHS Quality Safety Steering Council MHS Corporate Board	<b>Date of Approval:</b> <b>12/18, 4/21, 10/21, 4/22</b> <b>12/18, 4/21, 10/21, 4/22</b> <b>4/22</b> <b>7/12, 8/13, 7/14, 4/15, 9/19, 5/21, 12/21</b> <b>10/22</b>
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**

**Title: PATIENT RIGHTS AND RESPONSIBILITIES: ADULTS AND SPECIAL RIGHTS OF ADOLESCENTS**

**Scope:**

This policy applies to all patients and their families within the MultiCare Health System (MHS).

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.

**Policy Statement:**

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.

- 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.

**Procedure:**

**The following steps are to be followed to assure that the patients and families at MHS are aware of their rights and responsibilities:**

- 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.

**Related Policies:** “Advanced Directives: Living Will and Mental Health”, “Patient Grievances”

**Related Forms:** *Patient Rights and Responsibilities Booklet # 87-9158-0c*

**References:**

Joint Commission Standards on Patient Rights  
 CMS Conditions of Participation

**Point of Contact:** Executive Director, Patient Access 697.1865

<b>Approval By:</b> Patient Registration Leadership CapMC Compliance and Ethics Team Quality Safety Steering Council	<b>Approval Date:</b> 4/19 7/21 4/14, 1/17, 6/19
<b>Original Date:</b> <b>Revision Dates:</b>	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
<b>Reviewed with no Changes Dates:</b>	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**

**Document Title: Patient Nondiscrimination**

**Scope:**

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).

**Location Scope:**

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.

**Policy Statement:**

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.

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 “*Equal Employment Opportunity and Employment Law.*”

For questions call the Privacy & Civil Rights Office at (253) 459-8300, the Integrity Line at (866) 264-6121 or email [compliance@multicare.org](mailto:compliance@multicare.org).

**Special Instructions:**

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.

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.

No person will suffer retaliation for reporting discrimination, filing a complaint or cooperating in an investigation of a discrimination complaint.

	<p><b>Procedure:</b></p> <p><b>MHS Personnel will:</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
	<p><b>Related Policies:</b></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><b>References:</b></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.  45 C.F.R. § 91 (2012) – Nondiscrimination on the basis of age in programs or activities receiving Federal financial assistance from HHS.  RCW 49.60 – Discrimination – Human Rights Commission  Idaho Title 67, Chapter 59 – Idaho Human Rights Act  29 U.S.C. § 794 – Nondiscrimination under Federal grants and programs. RCW 49.60  I.C. § 67-5909</p>
	<p><b>Point of Contact:</b>  compliance@multicare.org</p>
<p><b>Approval By:</b>  Compliance/Privacy Leadership  CapMC Compliance/Privacy  MHS Quality Safety Steering Council</p>	<p><b>Date of Approval:</b>  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

	For The Period Ending December 31, 2021	For The Period Ending December 31, 2022	For The Period Ending December 31, 2023
<b><i>PATIENT SERVICE REVENUES:</i></b>			
TOTAL PATIENT SERVICE REVENUES	29,907,740	27,701,765	34,461,702
<b><i>DEDUCTIONS FROM REVENUES:</i></b>			
Contractual Adjustments	3,143,180	3,485,877	4,954,640
Charity Care	49,995	141,363	156,303
Provision for Bad Debts	175,822	(33,052)	(4,612)
Allocated Deductions	(584)	0	0
TOTAL	3,368,413	3,594,188	5,106,331
<b><i>NET PATIENT SERVICE REVENUE</i></b>	26,539,327	24,107,577	29,355,371
<b><i>OTHER OPERATING REVENUE:</i></b>			
Other Operating Revenue	1,462,388	(3,548)	455,292
Net Assets Released From Restrictions	66,000	66,000	74,065
TOTAL	1,528,388	62,452	529,357
<b><i>TOTAL OPERATING REVENUE</i></b>	28,067,715	24,170,029	29,884,728
<b><i>Operating Expenses</i></b>			
Salaries and Wages	14,886,654	15,281,515	17,767,730
SW - Gainshare/ICP	163,954	68,217	89,114
Employee Benefits	3,814,845	3,644,480	4,142,958
EB - FICA Gainshare/ICP	10,545	4,698	1,705
Pharmaceutical Supplies	260,616	151,916	212,833
Supplies	548,697	530,520	668,137
Professional Fees	1,229,387	375,836	1,619,307
Purchased Services	1,020,810	566,626	711,722
PS - Under Arrangement Services	0	0	0
Other Operating Costs	1,315,564	1,217,087	1,069,504
Lease & Rental Fees	1,270,818	864,299	869,816
Interest	3,171	0	0
Depreciation & Amort.	337,577	8,215	8,215
TOTAL	24,862,637	22,713,409	27,161,039

**NON-OPERATING EXPENSES:**

Health System Membership Fees		497,353	415,664
System Support Services	501,735	1,914,093	1,869,876
Regional/Local Support Services		276,160	312,401
Taxes	0	0	0
<b>TOTAL</b>	<b>501,735</b>	<b>2,687,606</b>	<b>2,597,942</b>

**NON-OPERATING REVENUE:**

<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
--------------	----------	----------	----------

<b>OPERATING MARGIN</b>	<b>2,703,343</b>	<b>(1,230,985)</b>	<b>125,747</b>
-------------------------	------------------	--------------------	----------------

Note: 2023 annualized numbers based on 9/30 YTD financials annualized over a full twelve months.

## MultiCare Health System - MultiCare Home Health Statement of Operations

	For The Period Ending December 31, 2021	For The Period Ending December 31, 2022	For The Period Ending December 31, 2023
<b><i>PATIENT SERVICE REVENUES:</i></b>			
TOTAL PATIENT SERVICE REVENUES	10,631,447	11,331,845	11,124,880
<b><i>DEDUCTIONS FROM REVENUES:</i></b>			
Contractual Adjustments	1,660,680	2,163,535	2,021,061
Charity Care	4,719	4,713	79,885
Provision for Bad Debts	79,553	(28,062)	(13,718)
Allocated Deductions	0	0	0
TOTAL	1,744,951	2,140,186	2,087,228
<b><i>NET PATIENT SERVICE REVENUE</i></b>	<b>8,886,496</b>	<b>9,191,659</b>	<b>9,037,652</b>
<b><i>OTHER OPERATING REVENUE:</i></b>			
Other Operating Revenue	1,462,406	(3,568)	455,221
Net Assets Released From Restrictions	0	0	0
TOTAL	1,462,406	(3,568)	455,221
<b><i>TOTAL OPERATING REVENUE</i></b>	<b>10,348,902</b>	<b>9,188,091</b>	<b>9,492,873</b>
<b><i>Operating Expenses</i></b>			
Salaries and Wages	7,274,337	6,820,584	6,983,491
SW - Gainshare/ICP	72,931	37,685	44,394
Employee Benefits	1,881,616	1,656,201	1,714,180
EB - FICA Gainshare/ICP	5,579	2,883	570
Pharmaceutical Supplies	0	0	0
Supplies	187,487	186,348	200,002
Professional Fees	201,185	40,871	216,836
Purchased Services	762,336	154,532	180,346
PS - Under Arrangement Services	0	0	0
Other Operating Costs	663,285	410,320	448,985
Lease & Rental Fees	193,369	144,793	125,249
Interest	3,171	0	0
Depreciation & Amort.	317,560	453	453
TOTAL	11,562,855	9,454,670	9,914,506



**NON-OPERATING EXPENSES:**

Health System Membership Fees		192,813	118,947
System Support Services	501,735	787,146	612,151
Regional/Local Support Services		113,993	111,123
Taxes	0	0	0
<b>TOTAL</b>	<b>501,735</b>	<b>1,093,952</b>	<b>842,222</b>

**NON-OPERATING REVENUE:**

<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
--------------	----------	----------	----------

<b>NET INCOME</b>	<b>(1,715,688)</b>	<b>(1,360,531)</b>	<b>(1,263,854)</b>
-------------------	--------------------	--------------------	--------------------

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

	2024	2025	2026	2027
<b>Months</b>	<b>2</b>	<b>12</b>	<b>12</b>	<b>12</b>
<b>Gross Revenue</b>				
Medicare/Mgd Medicare	369,005	3,668,657	5,064,458	6,684,870
Medicaid/Mgd Medicaid	16,075	159,817	220,622	291,212
Commercial	21,428	213,033	294,085	388,180
Self Pay	1,933	19,214	26,524	35,011
Health Care Exchange	657	6,531	9,016	11,901
Other	1,393	13,854	19,125	25,244
<b>Total Gross Revenue</b>	<b>410,490</b>	<b>4,081,106</b>	<b>5,633,829</b>	<b>7,436,417</b>
<b>Deductions</b>				
Contractual Adjustments	74,586	741,537	1,023,667	1,351,197
Charity Care	6,239	62,033	85,634	113,034
Provision for Bad Debts	469	4,659	6,431	8,489
<b>Total Deductions From Revenue</b>	<b>81,294</b>	<b>808,229</b>	<b>1,115,732</b>	<b>1,472,720</b>
<b>Net Revenue</b>	<b>329,196</b>	<b>3,272,877</b>	<b>4,518,097</b>	<b>5,963,697</b>
<b>Operating Expenses</b>				
Salaries and Wages	212,834	1,995,286	2,694,483	3,506,194
SW - Gainshare/ICP	1,362	12,770	17,245	22,440
Employee Benefits	52,251	489,843	661,495	860,771
EB - FICA Gainshare/ICP	17	163	221	287
Supplies	7,380	73,368	101,282	133,688
Professional Fees	8,001	79,542	109,805	144,938
Purchased Services	6,654	66,158	91,329	120,550
Other Operating Costs	16,567	164,709	227,375	300,125
Occupancy	8,658	51,950	51,950	51,950
Depreciation & Amort.	1,105	6,632	6,632	6,632
<b>Total Operating Expenses</b>	<b>314,829</b>	<b>2,940,419</b>	<b>3,961,815</b>	<b>5,147,573</b>
<b>Non-Operating Expenses</b>				
Health System Membership Fees	4,345	43,202	59,639	78,721
System Support Services	22,287	221,574	305,875	403,742
Regional/Local Support Services	4,049	40,256	55,573	73,353
<b>Total Non-Operating Expenses</b>	<b>30,681</b>	<b>305,032</b>	<b>421,087</b>	<b>555,817</b>
<b>Total Expenses</b>	<b>345,510</b>	<b>3,245,451</b>	<b>4,382,901</b>	<b>5,703,390</b>
<b>Total Operating Margin</b>	<b>(16,314)</b>	<b>27,426</b>	<b>135,196</b>	<b>260,308</b>

## MultiCare Health System - Home Health and Hospice Forecast Statement of Operations

	2024	2025	2026	2027
<b>PATIENT SERVICE REVENUES:</b>				
TOTAL PATIENT SERVICE REVENUES	34,872,192	38,542,807	40,095,531	41,898,119
<b>DEDUCTIONS FROM REVENUES:</b>				
Contractual Adjustments	5,029,226	5,696,177	5,978,307	6,305,837
Charity Care	162,543	218,336	241,938	269,337
Provision for Bad Debts	(4,144)	46	1,819	3,877
Allocated Deductions	0	0	0	0
TOTAL	5,187,625	5,914,559	6,222,063	6,579,051
<b>NET PATIENT SERVICE REVENUE</b>	29,684,567	32,628,248	33,873,468	35,319,068
<b>OTHER OPERATING REVENUE:</b>				
Other Operating Revenue	455,292	455,292	455,292	455,292
Net Assets Released From Restrictions	74,065	74,065	74,065	74,065
TOTAL	529,357	529,357	529,357	529,357
<b>TOTAL OPERATING REVENUE</b>	30,213,924	33,157,605	34,402,825	35,848,425
<b>Operating Expenses</b>				
Salaries and Wages	17,980,564	19,763,016	20,462,213	21,273,924
SW - Gainshare/ICP	90,476	101,884	106,359	111,554
Employee Benefits	4,195,208	4,632,800	4,804,453	5,003,728
EB - FICA Gainshare/ICP	1,722	1,868	1,925	1,992
Pharmaceutical Supplies	212,833	212,833	212,833	212,833
Supplies	675,517	741,505	769,419	801,825
Professional Fees	1,627,307	1,698,848	1,729,111	1,764,244
Purchased Services	718,376	777,879	803,050	832,272
PS - Under Arrangement Services	0	0	0	0
Other Operating Costs	1,086,070	1,234,212	1,296,878	1,369,629
Lease & Rental Fees	878,474	921,766	921,766	921,766
Interest	0	0	0	0
Depreciation & Amort.	9,320	14,846	14,846	14,846
TOTAL	27,475,868	30,101,458	31,122,854	32,308,612
<b>NON-OPERATING EXPENSES:</b>				
Health System Membership Fees	420,010	458,866	475,303	494,385
System Support Services	1,892,163	2,091,450	2,175,752	2,273,619
Regional/Local Support Services	316,450	352,657	367,974	385,755
Taxes	0	0	0	0
TOTAL	2,628,623	2,902,974	3,019,028	3,153,758
<b>NON-OPERATING REVENUE:</b>				
TOTAL	0	0	0	0
<b>NET INCOME</b>	109,433	153,173	260,943	386,055

Note: Forecast financials for agency overall based on 2023 annualized historical financials

## MultiCare Home Health Revenue Assumptions - Spokane Only

Utilization	Assumptions (Forecasted Years)
Admits	Total admissions; see utilization forecast
Visits	Total admissions times visits per admit of 20.10 for MultiCare
<b>Gross Patient Revenue</b>	
	<b>Payer Mix</b>
Medicare/Mgd Medicare	89.89%
Medicaid/Mgd Medicaid	3.92%
Commercial	5.22%
Self Pay	0.47%
Health Care Exchange	0.16%
Other	0.34%
<b>Total</b>	<b>100%</b>
Revenue per admit	Assumed constant at \$5,949/admit averaged across all payers based on MultiCare historical levels.
<b>Revenue adjustments</b>	
Contractual adjustments	Assumed constant at 18.17% of gross revenues based on historical levels.
Bad debt	Assumed constant at 0.11% of gross revenues based on average across 2021-2023 historical levels
Charity care	Assumed constant at 1.52% of gross revenues based on 2020-2022 Spokane Planning Area Hospital Charity Care Average.

## MultiCare Home Health Expense Assumptions - Spokane Only

Category/Item	Assumptions (Forecasted Years)
<b>Employee Compensation</b>	
Salaries and Wages	Salaries are calculated as prorated FTEs by discipline, multiplied by average hourly wage rate by discipline. See Salary and Benefit tables
SW - Gainshare/ICP	Salary and wage gainsharing bonuses. Forecast to equal about 0.64% of employee compensation based on historical levels.
Benefits	Benefits assumed at 24.55% of total employee compensation based on historical levels.
EB - FICA Gainshare/ICP	Taxes on salary and wage gainsharing bonuses. Forecast to equal about 1.28% of gainsharing bonuses based on historical levels.
<b>Supplies</b>	
Supplies	Includes medical and office supplies. About \$106.95/admit based on MultiCare HH amounts
<b>Purchased Services</b>	
Purchased Services	About \$96.44/admit based on MultiCare HH historical amounts
<b>Other expenses</b>	
Professional Fees	About \$115.95/admit based on MultiCare HH historical amounts
Occupancy	MultiCare owns the property and space where the Spokane office will operate. Internal occupancy allocated expense based on annual rent set at \$25.00 per rentable square foot at 2,078 sf.
Other Operating Costs (Incl. travel, copier and fax line, phones, mileage/ tolls/ parking, books & subscriptions, postage, taxes, & recruitment	About \$240.10/admit based on historical amounts
Depreciation & Amort.	Historical depreciation of about \$0 per year, plus incremental depreciation equal to about \$6,632 in 2025 (\$66,315 depreciated over 10 years) and held constant thereafter.
Health System Membership Fees	1.32% of Net Revenue based on historical amounts
System Support Services	6.77% of Net Revenue based on historical amounts
Regional/Local Support Services	1.23% of Net Revenue based on historical amounts

**MultiCare Home Health Staffing Forecast  
Spokane Only FTE Projections**

<b>FTE per Position (Productive + Non Productive)</b>	<b>Category</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Clinical Supervisor	Not Clinical	0.08	0.50	0.50	0.50
Intake/Scheduling	Not Clinical	0.08	0.50	0.50	0.50
Other Administrative	Not Clinical	0.08	0.50	0.50	0.50
COTA	Clinical	0.14	1.37	1.89	2.50
HHA	Clinical	0.10	0.96	1.33	1.75
LPN	Clinical	0.13	1.34	1.84	2.43
MSW	Clinical	0.09	0.75	1.04	1.38
OT	Clinical	0.13	1.26	1.74	2.29
PT	Clinical	0.25	2.52	3.47	4.58
PTA	Clinical	0.25	2.52	3.47	4.58
RN	Clinical	0.56	5.59	7.72	10.19
SLP	Clinical	0.04	0.38	0.52	0.69
<b>Total</b>		<b>1.94</b>	<b>18.18</b>	<b>24.52</b>	<b>31.89</b>

*Note: the number of FTEs were prorated over a partial year based on 2080 hours per year.*

**MultiCare Home Health Staffing Forecast  
Spokane Only Salary and Benefit Projections**

<b>Salary Per Position</b>	<b>Annual Pay Rate</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Clinical Supervisor	\$145,558	\$12,130	\$72,779	\$72,779	\$72,779
Intake / Scheduling	\$100,651	\$8,388	\$50,326	\$50,326	\$50,326
Other Administrative	\$68,890	\$5,741	\$34,445	\$34,445	\$34,445
COTA	\$87,069	\$12,015	\$119,458	\$164,908	\$217,672
HHA	\$59,155	\$5,720	\$56,864	\$78,499	\$103,616
LPN	\$88,046	\$11,828	\$117,593	\$162,333	\$214,272
MSW	\$109,741	\$10,060	\$82,810	\$114,317	\$150,894
OT	\$109,366	\$13,835	\$137,546	\$189,878	\$250,631
PT	\$127,317	\$32,211	\$320,244	\$442,086	\$583,535
PTA	\$91,208	\$23,076	\$229,419	\$316,705	\$418,037
RN	\$129,896	\$73,030	\$726,071	\$1,002,316	\$1,323,015
SLP	\$126,506	\$4,801	\$47,731	\$65,890	\$86,973
<b>Total</b>		<b>\$212,834</b>	<b>\$1,995,286</b>	<b>\$2,694,483</b>	<b>\$3,506,194</b>

<b>Benefits Per Position</b>	<b>Benefits Rate</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
Clinical Supervisor	24.55%	\$2,978	\$17,867	\$17,867	\$17,867
Intake / Scheduling	24.55%	\$2,059	\$12,355	\$12,355	\$12,355
Other Administrative	24.55%	\$1,409	\$8,456	\$8,456	\$8,456
COTA	24.55%	\$2,950	\$29,327	\$40,485	\$53,438
HHA	24.55%	\$1,404	\$13,960	\$19,272	\$25,438
LPN	24.55%	\$2,904	\$28,869	\$39,853	\$52,604
MSW	24.55%	\$2,470	\$20,330	\$28,065	\$37,044
OT	24.55%	\$3,396	\$33,768	\$46,615	\$61,530
PT	24.55%	\$7,908	\$78,620	\$108,532	\$143,258
PTA	24.55%	\$5,665	\$56,322	\$77,751	\$102,628
RN	24.55%	\$17,929	\$178,250	\$246,069	\$324,800
SLP	24.55%	\$1,179	\$11,718	\$16,176	\$21,352
<b>Total</b>		<b>\$52,251</b>	<b>\$489,843</b>	<b>\$661,495</b>	<b>\$860,771</b>

*Note: The salaries and benefits were prorated over a partial year based on 2080 hours per year.*

## MultiCare Home Health Balance Sheet Pro Forma - Spokane Only

Months		2024	2025	2026	2027
	1	2	12	12	12
ASSETS	Pre Op Period	12/31/24	12/31/25	12/31/26	12/31/27
<u>Current Assets</u>					
Cash and Cash Equivalents	0	0	0	0	0
Accounts Receivable	0	56,232	559,056	771,757	1,018,687
Total Current Assets	0	56,232	559,056	771,757	1,018,687
<u>Fixed Assets</u>					
Long-term Assets	66,315	66,315	66,315	66,315	66,315
Accum. Depreciation		(1,105)	(7,737)	(14,368)	(21,000)
Total Fixed Assets	66,315	65,210	58,578	51,947	45,315
Other Assets		0	0	0	0
<b>Total Assets</b>	<b>66,315</b>	<b>121,441</b>	<b>617,634</b>	<b>823,704</b>	<b>1,064,003</b>
<b>LIABILITIES AND CAPITAL</b>					
<u>Current Liabilities</u>					
Accounts Payable & Accrued Expenses	0	4,601	42,520	56,833	73,450
Accrued Compensation		66,271	103,547	139,832	181,957
Total Current Liabilities		70,873	146,067	196,666	255,407
Long-Term Liabilities		0	0	0	0
<b>Total Liabilities</b>	<b>0</b>	<b>70,873</b>	<b>146,067</b>	<b>196,666</b>	<b>255,407</b>
Capital Contributed	223,177	223,745	617,317	637,593	558,842
Retained Earnings/Startup	(156,862)	(173,176)	(145,750)	(10,554)	249,754
Capital	66,315	50,569	471,567	627,039	808,596
<b>Total Liabilities &amp; Capital</b>	<b>66,315</b>	<b>121,441</b>	<b>617,634</b>	<b>823,704</b>	<b>1,064,003</b>



**Exhibit 9**  
**Site Control Documents**

**Exhibit 9a**  
**1313 Broadway Lease**

**LEASE AGREEMENT**

**BETWEEN**

**X2 BROADWAY, LLC**

**AND**

**MULTICARE HEALTH SYSTEM**

**SEPTEMBER 1, 2019**

## Table of Contents

1.	LEASE SUMMARY .....	3
2.	PREMISES.....	6
3.	TERM.....	6
4.	RENT.....	8
5.	ADDITIONAL RENT.....	8
6.	USES.....	11
7.	COMPLIANCE WITH LAWS.....	11
8.	UTILITIES AND SERVICES.....	12
9.	TAXES.....	12
10.	COMMON AREAS.....	12
11.	ALTERATIONS.....	13
12.	REPAIRS AND SURRENDER.....	14
13.	MAINTENANCE OF PROPERTY.....	14
14.	ACCESS AND RIGHT OF ENTRY.....	14
15.	SIGNAGE.....	15
16.	DESTRUCTION OR CONDEMNATION.....	15
17.	INSURANCE.....	17
18.	INDEMNIFICATION.....	18
19.	ASSIGNMENT AND SUBLETTING.....	19
20.	LIENS.....	20
21.	DEFAULT.....	20
22.	REMEDIES.....	21
23.	MORTGAGE SUBORDINATION AND ATTORNMENT.....	23
24.	NON-WAIVER.....	24
25.	HOLDOVER.....	24
26.	NOTICES.....	24
27.	COSTS AND ATTORNEYS FEES.....	24
28.	ESTOPPEL CERTIFICATES.....	24
29.	HAZARDOUS MATERIAL.....	25
30.	QUIET ENJOYMENT.....	26
31.	MERGER.....	26
32.	GENERAL.....	26
33.	CONFIDENTIALITY.....	28
34.	AMENDMENTS.....	28
35.	COUNTERPARTS.....	28
36.	EXHIBITS.....	29

**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 5<sup>th</sup> 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 5<sup>th</sup> 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 (“5<sup>th</sup> 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 (5<sup>th</sup>) floor, no rent shall be due during the first four (4) months following the 5<sup>th</sup> 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 (4<sup>th</sup>) 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:

	<b>Parking Stall Numbers</b>
<b>Inside</b>	1-7, 25, 26, 29-31, 42-46
<b>Outside</b>	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 5<sup>th</sup> Floor Commencement Date for on or before January 1, 2020.

Starting as of the Rent Commencement Date or the 5<sup>th</sup> 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.]

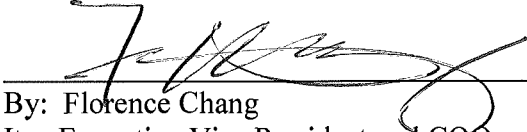


IN WITNESS WHEREOF, the parties have executed this Lease as of the dates set forth below.

**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

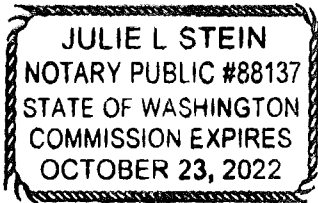
}

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 13<sup>th</sup> 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

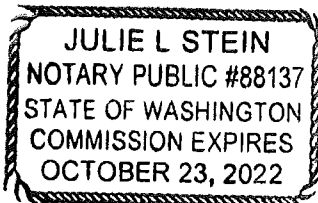
}

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.

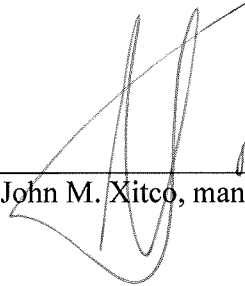
DATED this 13<sup>th</sup> day of September, 2019.



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

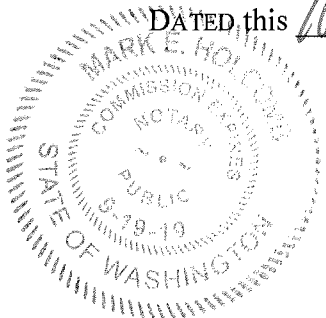
STATE OF WASHINGTON


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.

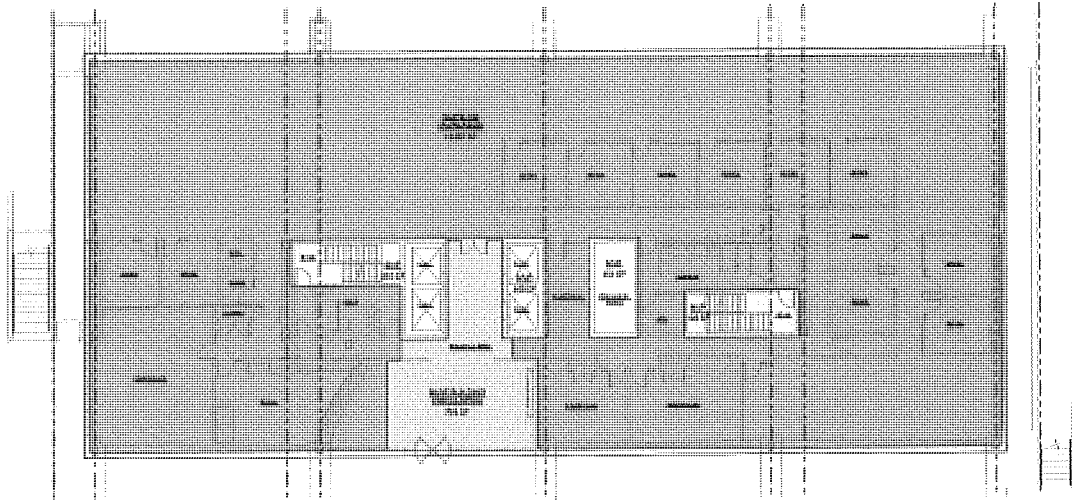


  
\_\_\_\_\_  
Printed Name Mark E. Holcomb  
NOTARY PUBLIC in and for the State of Washington,  
residing at Tolmie  
My Commission Expires 9/19/19

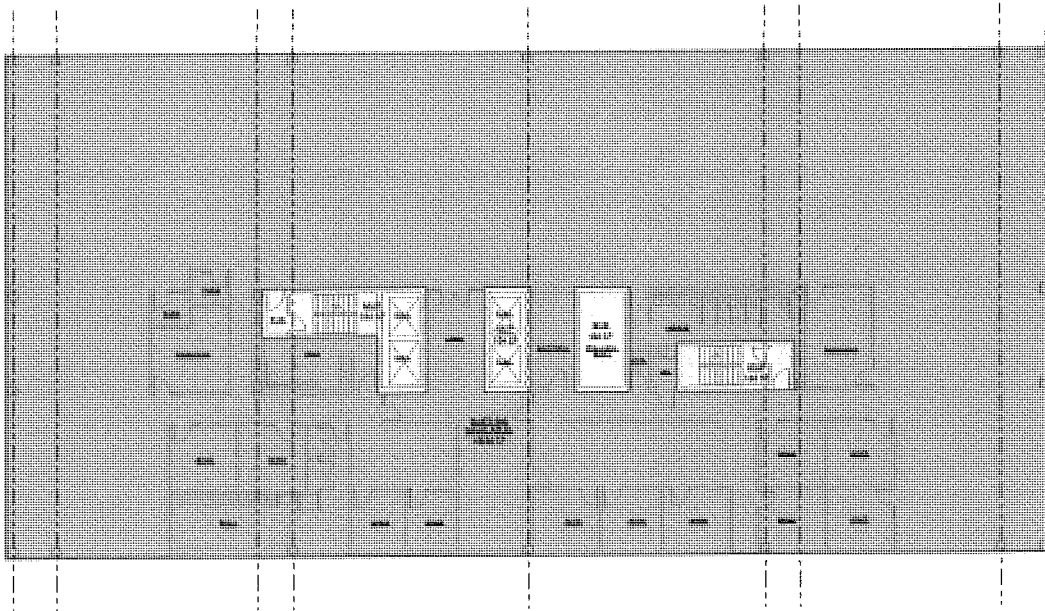
## EXHIBIT A

### Floor Plan/Outline of the Premises

#### FIRST FLOOR



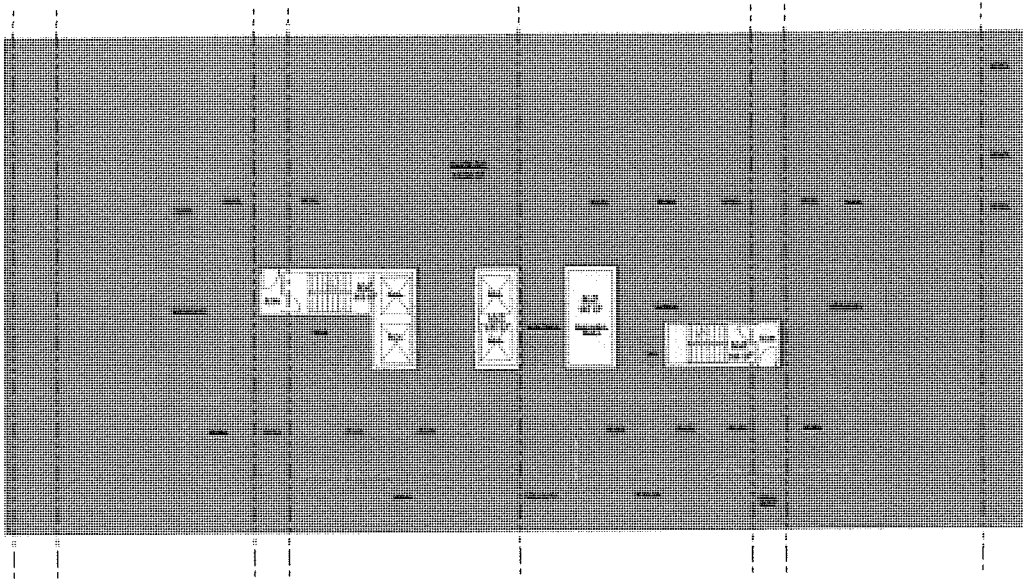
#### SECOND FLOOR



**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**

<b><u>FLOOR</u></b>	<b><u>SUITE NO.</u></b>	<b><u>RENTABLE SQUARE FOOTAGE*</u></b>	<b><u>RENTAL RATE PER RSF</u></b>	<b><u>COMMENCEMENT DATE/RENT COMMENCEMENT DATE</u></b>	<b><u>TENANT IMPROVEMENT ALLOWANCE PER RSF</u></b>
<b>First</b>	All	11,667	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
<b>Second</b>	All	17,373	\$24.00	upon mutual execution of Lease Agreement, Rent Commencement is 4 months after Commencement Date	\$40.00
<b>Fifth</b>	All	17,373	\$24.00	January 1, 2020 or sooner* Rent Commencement is 4 months after 5 <sup>th</sup> 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 5<sup>th</sup> floor from the existing tenant, Landlord shall make the 5<sup>th</sup> floor and its related parking available to Tenant on or before January 1, 2020. Upon Landlord delivery of the 5<sup>th</sup> floor to Tenant, no additional Base Rent shall be due that is attributed to the 5<sup>th</sup> Floor Premises until the first of the month following the expiration of four (4) months from the 5<sup>th</sup> 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: \_\_\_\_\_

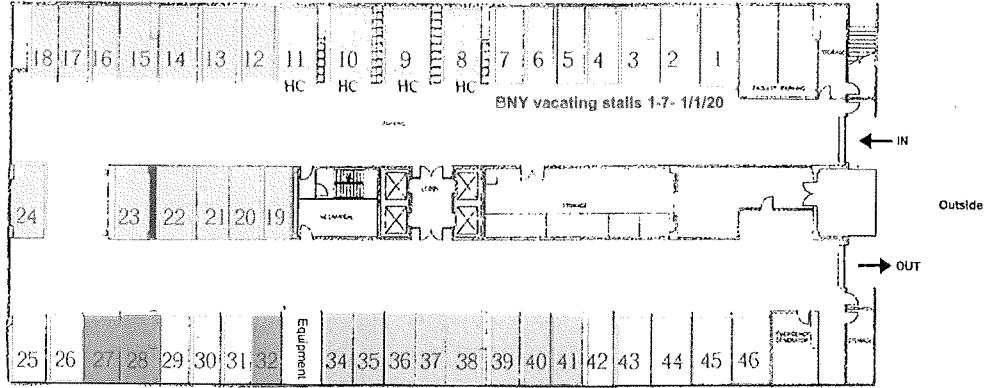
Name: \_\_\_\_\_

Its: \_\_\_\_\_

# EXHIBIT F

## Parking Site Plan--Outside

1313 BROADWAY PLAZA  
TACOMA, WA



INSIDE/UNDER BUILDING PARKING

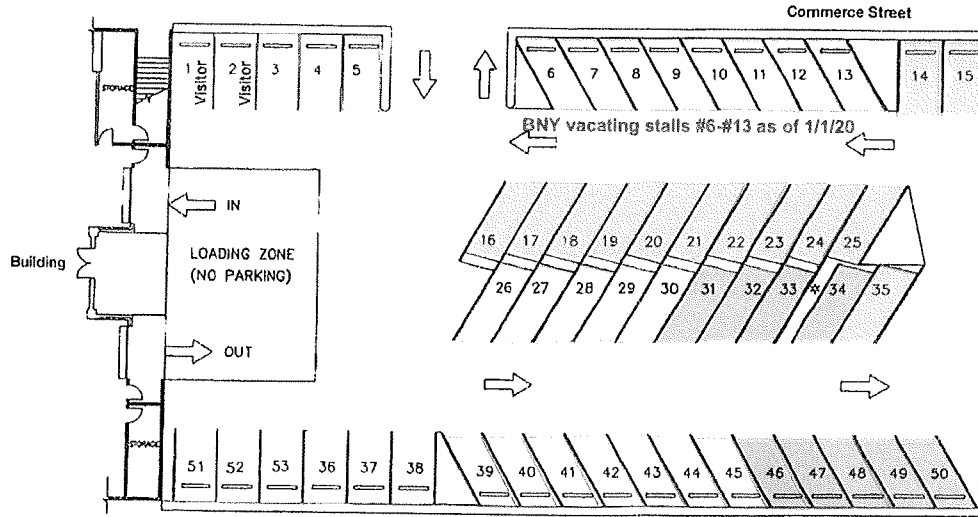
- BNY\*, per Lease
- NW Hardwoods, per Lease
- NICB, per Lease
- JD Merit, per Lease
- Securitas, per Lease
- Vacant or MTM

\* 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



# **Exhibit 9b**

## **First Amendment to 1313 Broadway Lease**

**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.

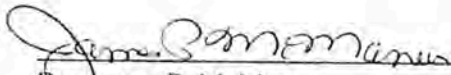
6. **Counterparts.** In accordance with Section 35 of the Lease, this First Amendment may be executed in counterparts.

[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

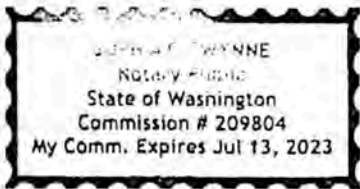
STATE OF WASHINGTON

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

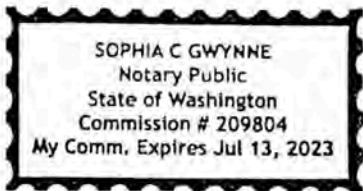
STATE OF WASHINGTON

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.



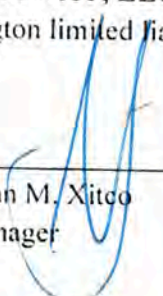
SOPHIA C. GWYNNE  
Printed Name

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:  Mr.  
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 18<sup>th</sup> day of March, 2020.




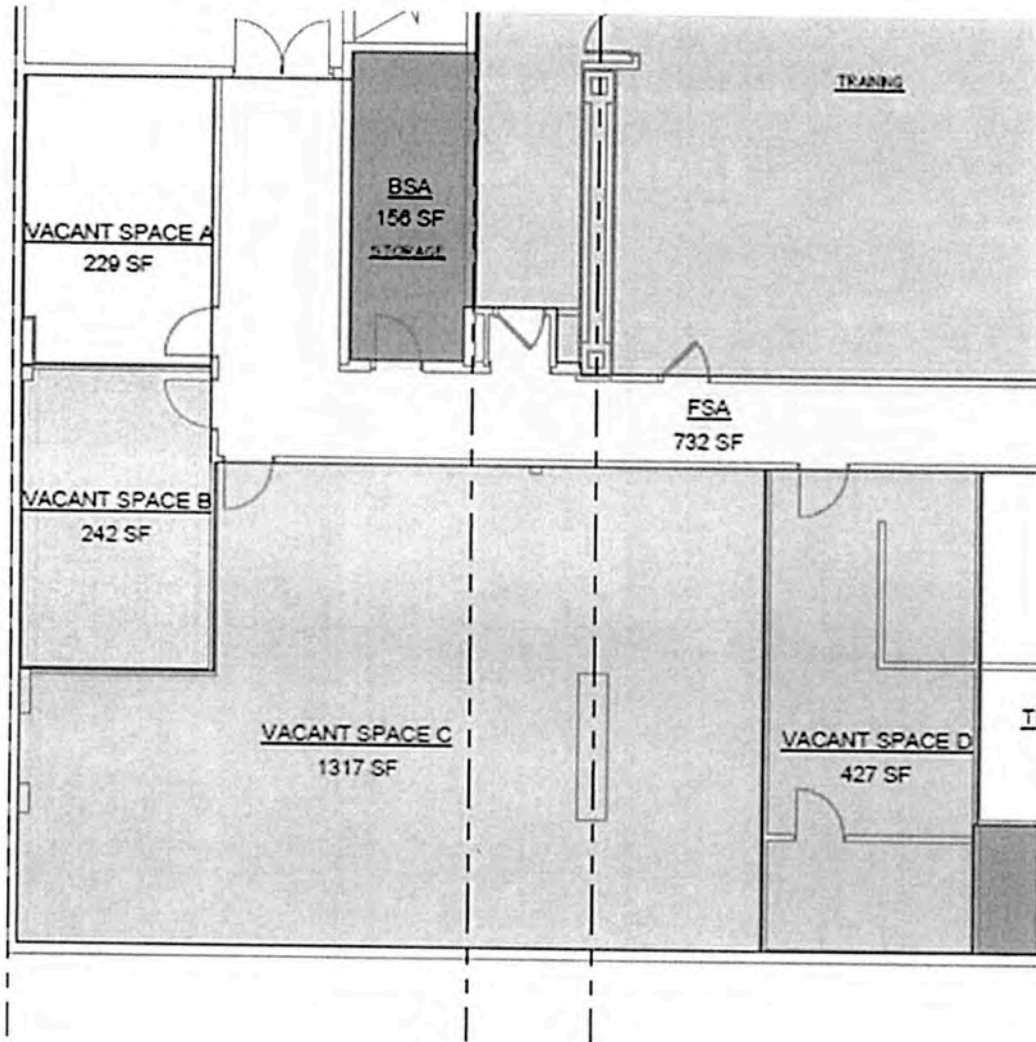
  
Printed Name Megan M Cordell  
NOTARY PUBLIC in and for the State of Washington,  
residing at Lake Tapps  
My Commission Expires 4-17-2020

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 <sup>th</sup> 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 5<sup>th</sup> floor from the existing tenant, Landlord shall make the 5<sup>th</sup> floor and its related parking available to Tenant on or before January 1, 2020. Upon Landlord delivery of the 5<sup>th</sup> floor to Tenant, no additional Base Rent shall be due that is attributed to the 5<sup>th</sup> Floor Premises until the first of the month following the expiration of four (4) months from the 5<sup>th</sup> 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 1<sup>st</sup> and 2<sup>nd</sup> floors, and January 1, 2020 with regards to the 5<sup>th</sup> 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 1<sup>st</sup> and 2<sup>nd</sup> floors, and January 1, 2020 with regards to the 5<sup>th</sup> floor and will expire on August 31, 2029; Tenant opened for business on or about May 30, 2020 with regards to 1<sup>st</sup> floor, on or about June 12, 2020 with regards to the 2<sup>nd</sup> floor, and on or about June 20, 2020 with regards to the 5<sup>th</sup> 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 1<sup>st</sup> and 2<sup>nd</sup> floors, and January 1, 2020 with regards to the 5<sup>th</sup> floor; provided however, Base Rent shall be abated for the period September 1, 2019 through December 31, 2019 with regards to 1<sup>st</sup> and 2<sup>nd</sup> floors, and January 1, 2020 through April 30, 2020 with regards to the 5<sup>th</sup> 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:  
*James P. McManus*  
By: \_\_\_\_\_  
Name: James P. McManus  
Its: Senior VP and CFO

LANDLORD

X2 BROADWAY, LLC

By: \_\_\_\_\_  
Name: John M. Xitco  
Its: Manager



## **Exhibit 9c**

# **801 W. 5th Avenue Bargain and Sale Deed**

AFTER RECORDING RETURN TO:

Steven R. Rovig  
Hillis Clark Martin & Peterson P.S.  
999 Third Avenue, Suite 4600  
Seattle, WA 98104



**BARGAIN AND SALE DEED**

809461-2

Grantor(s): SPOKANE WASHINGTON HOSPITAL COMPANY, LLC, a Delaware limited liability company

Grantee(s): MULTICARE HEALTH SYSTEM, a Washington nonprofit corporation

6/30/2017 201709366  
MVG \$2,143,030.50

(1052)

Parcel (per Legal Description)	Assessor's Property Tax Parcel Numbers	Abbreviated Legal Descriptions
Parcel A	35192.5102, 35192.5114, 35192.5103, 35192.5105, 35192.5104, 35192.5113, 35192.3619	L1-12/BLK47 FIRST ADD TO SPOKANE FALLS
Parcel B	35192.3801, 35192.3802, 35192.3803, 35192.3807, 35192.3808, 35192.3809, 35192.3810, 35192.3811, 35192.3812	L1, 2, 3, 7, 8, 9, 10, 11, AND 12/BLK 49 FIRST ADD TO THE TOWN OF SPOKANE FALLS
Parcel C	35192.5222	PTN. BLK "B" AMENDED PLAT OF BLKS A & B, 2nd ADD TO RR ADD
Parcel D	35192.5208	PTN. BLK "A" & "B" AMENDED PLAT OF BLKS A & B, 2nd ADD TO RR ADD
Parcel E	35192.5210	PTN. BLK "B" AMENDED PLAT OF BLKS A & B, 2nd ADD TO RR ADD TO SPK FALLS
Parcel F	35192.5211	PTN. BLK "B" AMENDED PLAT OF BLKS A & B, 2nd ADD TO RR ADD
Parcel G	35192.5212	PTN. BLK B AMENDED PLAT BLKS "A" AND "B" 2 <sup>ND</sup> ADD TO RR ADD
Parcel H	35193.0003	PTN. W1/2 19-25-43 AND TT "D" HILL PK
Parcel I	35193.0004	NE SW 19-25-43 AND TT "C" HILL PK
Parcel J	35193.0006	L "A" AND W25FT OF L "B" HILL PK AND PTN. NE SW 19-25-43
Parcel N	35191.3201	PTN. L1-2 BLK 74 RAILROAD SECOND ADD
Parcel O	35203.0321	LOTS 17 & 18/BLK I CAZENOVIA HGTS.

(Complete legal descriptions attached as Exhibit A)

**BARGAIN AND SALE DEED**

That the undersigned, **SPOKANE WASHINGTON HOSPITAL COMPANY, LLC**, a Delaware limited liability company (“Grantor”), for and in consideration of the sum of TEN AND 00/100 DOLLARS (\$10.00) and other good and valuable consideration, in hand paid by **MULTICARE HEALTH SYSTEM**, a Washington not-for-profit corporation (“Grantee”), the receipt of which is hereby acknowledged, hereby bargains, sells and conveys to Grantee, and unto its successors and assigns forever, that certain real property lying in Spokane County, Washington, as more particularly described on Exhibit A, which is attached hereto and incorporated herein by reference, together with all improvements, any construction in progress, any other buildings and fixtures thereon, and all rights, privileges and easements appurtenant thereto (all of the foregoing being hereinafter collectively referred to as the “Property”).

This conveyance of the Property, and all covenants and warranties contained herein, are subject only to the matters described on Exhibit B, which is attached hereto and incorporated herein by reference (the “Permitted Encumbrances”).

The Grantor for itself and for its successors in interest does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through, or under said Grantor, but not otherwise, it will forever warrant and defend the said described real estate, subject to the Permitted Encumbrances.

**[Remainder of Page Intentionally Left Blank; Signature Page Follows]**

IN WITNESS WHEREOF, Grantor has executed this Bargain and Sale Deed as of June 26, 2017.

**SPOKANE WASHINGTON HOSPITAL COMPANY, LLC**, a Delaware limited liability company

By: [Signature]  
Terry H. Hendon, Vice President

STATE OF TENNESSEE )  
COUNTY OF Davidson ) ss

I certify that I know or have satisfactory evidence that **TERRY H. HENDON** is the person who appeared before me, and said person acknowledged that he signed this instrument, and acknowledged it as the Vice President of **SPOKANE WASHINGTON HOSPITAL COMPANY, LLC**, a Delaware limited liability company, to be the free and voluntary act of such entity for the uses and purposes mentioned in the instrument.

DATED: June 26, 2017



[Signature]  
NAME Colleen L. Lloyd  
(Print Name)

Notary Public in and for the State of Tennessee  
Commission Expires: May 5, 2020

**EXHIBIT A**

**Description of the Property**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF SPOKANE, STATE OF WASHINGTON, AND IS DESCRIBED AS FOLLOWS:

**PARCEL A:**

LOTS 1 THROUGH 12 IN BLOCK 47 OF FIRST ADDITION TO SPOKANE FALLS, AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 7, IN SPOKANE COUNTY, WASHINGTON.

TOGETHER WITH ALL OF THE VACATED ALLEYS IN SAID BLOCK 47.

AND LOTS 1 THROUGH 14, INCLUSIVE, BLOCK "A", AMENDED PLAT OF BLOCKS A AND B, SECOND ADDITION TO RAILROAD ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 10, IN SPOKANE COUNTY, WASHINGTON.

TOGETHER WITH ALL OF VACATED ALLEYS IN SAID BLOCK "A".

**PARCEL B:**

LOTS 1, 2, 3, 7, 8, 9, 10, 11 AND 12 IN BLOCK 49 OF FIRST ADDITION TO THE TOWN OF SPOKANE FALLS AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 7, IN SPOKANE COUNTY, WASHINGTON.

TOGETHER WITH ALL OF THE VACATED ALLEY IN SAID BLOCK.

ALSO TOGETHER WITH THE WEST HALF OF VACATED MADISON STREET LYING EAST OF AND ADJACENT TO LOT 7 AND THE VACATED ALLEY.

**PARCEL C:**

THAT PORTION OF BLOCK B, AMENDED PLAT OF BLOCKS A AND B OF SECOND ADDITION TO THE RAILROAD ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 10, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SAID BLOCK;  
THENCE EAST 426.35 FEET;  
THENCE SOUTH 234 FEET;  
THENCE WEST 100 FEET;  
THENCE NORTH 7 FEET;  
THENCE WEST 176.35 FEET;  
THENCE NORTH 27 FEET;  
THENCE WEST 150 FEET;  
THENCE NORTH 200 FEET TO THE POINT OF BEGINNING;

ALSO THAT PORTION OF SAID BLOCK B DESCRIBED AS FOLLOWS:

BEGINNING 150 FEET WEST OF THE NORTHEAST CORNER OF SAID BLOCK;  
THENCE SOUTH 170 FEET;

THENCE WEST 80 FEET;  
THENCE SOUTH 64 FEET;  
THENCE EAST 90 FEET;  
THENCE NORTH 234 FEET;  
THENCE WEST 10 FEET TO THE POINT OF BEGINNING.

**PARCEL D:**

A TRACT OF LAND IN AMENDED PLAT OF BLOCKS A AND B OF SECOND ADDITION TO THE RAILROAD ADDITION, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 150 FEET EAST OF THE EAST SIDE OF LINCOLN STREET AND 227 FEET SOUTH OF THE SOUTH SIDE OF 5TH AVENUE;  
THENCE RUNNING SOUTH 65 FEET;  
THENCE EAST 151-1/4 FEET, MORE OR LESS TO THE WEST SIDE OF POST STREET;  
THENCE NORTH ALONG THE WEST SIDE OF POST STREET 65 FEET;  
THENCE WEST 151-1/4 FEET, MORE OR LESS TO THE POINT OF BEGINNING.

**PARCEL E:**

THAT PORTION OF BLOCK "B", AMENDED PLAT OF BLOCKS A AND B, SECOND ADDITION TO THE RAILROAD ADDITION TO SPOKANE FALLS, AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 10, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE WEST LINE OF SAID BLOCK, 200 FEET SOUTH OF THE NORTHWEST CORNER OF SAID BLOCK;  
THENCE SOUTH ALONG THE WEST LINE OF SAID BLOCK, A DISTANCE OF 92 FEET;  
THENCE EAST 150 FEET;  
THENCE NORTH 92 FEET;  
THENCE WEST 150 FEET TO THE POINT OF BEGINNING.

**PARCEL F:**

THAT PORTION OF BLOCK "B" OF AMENDED PLAT OF BLOCKS A AND B OF SECOND ADDITION TO THE RAILROAD ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 10, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 292 FEET SOUTH OF THE NORTHWEST CORNER;  
THENCE EAST 301.35 FEET;  
THENCE SOUTH 84 FEET;  
THENCE EAST 12.5 FEET;  
THENCE SOUTH 141 FEET;  
THENCE WEST 313.85 FEET;  
THENCE NORTH 225 FEET TO THE POINT OF BEGINNING.

**PARCEL G:**

THAT PORTION OF BLOCK B, AMENDED PLAT BLOCKS "A" AND "B" 2ND ADDITION TO RAILROAD ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 10, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING 376 FEET SOUTH AND 342.5 FEET WEST OF THE NORTHEAST CORNER OF BLOCK B;  
THENCE EAST 112.5 FEET;



THENCE SOUTH 149 FEET;  
THENCE WEST 75 FEET;  
THENCE NORTH 8 FEET;  
THENCE WEST 37.5 FEET;  
THENCE NORTH 141 FEET TO THE POINT OF BEGINNING.

**PARCEL H:**

THAT PORTION OF THE WEST HALF OF SECTION 19, TOWNSHIP 25 NORTH, RANGE 43 EAST, W.M., AND OF TRACT D, HILL PARK AS PER PLAT THEREOF RECORDED IN VOLUME "D" OF PLATS, PAGE 23, IN SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT 231.35 FEET WEST OF A POINT 8 FEET SOUTH OF THE SOUTHEAST CORNER OF BLOCK B OF THE AMENDED PLAT OF BLOCKS A AND B OF SECOND ADDITION TO THE RAILROAD ADDITION TO SPOKANE FALLS (NOW SPOKANE), AND RUNNING THENCE SOUTHERLY PARALLEL WITH THE WEST LINE OF BLOCK 95 OF SECOND ADDITION TO THE RAILROAD ADDITION TO SPOKANE FALLS (NOW SPOKANE) TO THE SOUTH LINE OF TRACT D IN HILL PARK, SAID SOUTH LINE OF SAID TRACT D BEING THE NORTH LINE OF SEVENTH AVENUE;  
THENCE WESTERLY ALONG THE SOUTH LINE OF SAID TRACT D TO THE SOUTHWEST CORNER OF SAID TRACT D; THENCE NORTHERLY ON A LINE PARALLEL WITH THE EAST LINE OF BLOCK 57 OF RAILROAD ADDITION TO SPOKANE FALLS (NOW SPOKANE) 157.5 FEET, MORE OR LESS TO A POINT 8 FEET SOUTH OF THE SOUTH LINE OF SAID BLOCK B OF THE AMENDED PLAT OF BLOCKS A AND B OF SECOND ADDITION TO THE RAILROAD ADDITION TO SPOKANE FALLS (NOW SPOKANE);  
THENCE EAST PARALLEL WITH THE SOUTH LINE OF SAID BLOCK B, 75 FEET TO THE PLACE OF BEGINNING.

**PARCEL I:**

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 19, TOWNSHIP 25 NORTH, RANGE 43 EAST, W.M., SPOKANE COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE SOUTH LINE OF BLOCK "B" OF THE 2ND ADDITION TO RAILROAD ADDITION TO THE TOWN OF SPOKANE, WHICH POINT IS 306.35 FEET WESTERLY FROM THE SOUTHEAST CORNER OF SAID BLOCK "B";  
THENCE SOUTH PARALLEL WITH THE WEST LINE OF BLOCK 95 OF SAID ADDITION, 158 FEET;  
THENCE WEST PARALLEL WITH THE SOUTH LINE OF SAID BLOCK "B" 100 FEET;  
THENCE NORTH PARALLEL WITH THE EAST LINE OF BLOCK 57 OF SAID ADDITION 158 FEET;  
THENCE EAST ALONG THE SOUTH LINE OF SAID BLOCK "B" 100 FEET TO THE POINT OF BEGINNING;

ALSO TRACT "C" OF HILL PARK AS PER PLAT THEREOF RECORDED IN VOLUME "D" OF PLATS, PAGE 23, IN SPOKANE COUNTY, WASHINGTON.

**PARCEL J:**

LOT "A" AND THE WEST 25 FEET OF LOT "B" OF HILL PARK AS PER PLAT THEREOF RECORDED IN VOLUME "D" OF PLATS, PAGE 23, IN SPOKANE COUNTY, WASHINGTON.

ALSO, THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 19, TOWNSHIP 25 NORTH, RANGE 43 EAST, W.M., SPOKANE COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF LOT "A" OF HILL PARK;  
 THENCE NORTH 158 FEET ALONG THE EASTERLY LINE OF LINCOLN STREET 158 FEET TO THE  
 SOUTHWEST CORNER OF UNPLATTED BLOCK "B" OF SECOND ADDITION TO THE RAILROAD  
 ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGES 8 AND 9;  
 THENCE EAST ALONG THE SOUTH LINE OF SAID UNPLATTED BLOCK "B", 125 FEET;  
 THENCE SOUTH AND PARALLEL TO THE EASTERLY LINE OF LINCOLN STREET, 158 FEET TO THE  
 NORTH LINE OF LOT "B" OF HILL PARK;  
 THENCE WESTERLY ALONG THE NORTH LINE OF LOTS "B" AND "A" OF SAID HILL PARK, 125  
 FEET TO THE POINT OF  
 BEGINNING.

PARCELS C THROUGH J ARE ALSO DESCRIBED AS FOLLOWS:

A TRACT OF LAND BEING A PORTION OF BLOCK "B" AMENDED PLAT OF BLOCKS A AND B,  
 SECOND ADDITION TO RAILROAD ADDITION TO SPOKANE FALLS ACCORDING TO THE PLAT  
 RECORDED IN VOLUME A OF PLATS PAGE 10; ALSO BEING A PORTION OF THE NORTHEAST  
 QUARTER OF THE SOUTHWEST QUARTER OF SECTION 19, TOWNSHIP 25 NORTH RANGE 43  
 EAST, W.M.; ALSO BEING A PORTION OF HILL PARK AS PER PLAT THEREOF RECORDED IN  
 VOLUME "D" OF PLATS PAGE 23; IN SPOKANE COUNTY, WASHINGTON; ALL BEING MORE  
 PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF BLOCK "B" AMENDED PLAT OF BLOCKS A AND B,  
 SECOND ADDITION TO RAILROAD ADDITION;  
 THENCE SOUTH 89° 58' 17" EAST ALONG THE SOUTH RIGHT OF WAY LINE OF WEST 5TH  
 AVENUE A DISTANCE OF 426.11 FEET;  
 THENCE SOUTH 00° 03' 57" WEST A DISTANCE OF 170.00 FEET;  
 THENCE SOUTH 89° 58' 17" EAST A DISTANCE OF 79.95 FEET;  
 THENCE NORTH 00° 03' 57" EAST, A DISTANCE OF 170.00 FEET TO A POINT ON THE SOUTH  
 RIGHT OF WAY OF WEST 5TH AVENUE;  
 THENCE SOUTH 89° 58' 17" EAST ALONG THE SOUTH RIGHT OF WAY LINE OF WEST 5TH  
 AVENUE A DISTANCE OF 10.00 FEET;  
 THENCE SOUTH 00° 03' 57" WEST A DISTANCE OF 234.00 FEET;  
 THENCE NORTH 89° 58' 17" WEST A DISTANCE OF 189.95 FEET;  
 THENCE NORTH 00° 03' 57" EAST A DISTANCE OF 7.00 FEET;  
 THENCE NORTH 89° 58' 17" WEST A DISTANCE OF 25.97 FEET;  
 THENCE SOUTH 00° 04' 48" EAST A DISTANCE OF 147.12 FEET TO A POINT ON THE SOUTH  
 RIGHT OF WAY LINE WEST 6TH AVENUE;  
 THENCE SOUTH 89° 56' 30" EAST ALONG SAID SOUTH RIGHT OF WAY LINE A DISTANCE OF  
 126.09 FEET;  
 THENCE SOUTH 00° 03' 57" WEST A DISTANCE OF 149.00 FEET;  
 THENCE NORTH 89° 58' 17" WEST A DISTANCE OF 1.48 FEET;  
 THENCE SOUTH 00° 03' 57" WEST A DISTANCE OF 160.48 TO A POINT ON THE NORTH RIGHT OF  
 WAY LINE OF WEST 7TH AVENUE;  
 THENCE ALONG SAID NORTH RIGHT OF WAY LINE THE FOLLOWING COURSES:  
 NORTH 62° 15' 18" WEST A DISTANCE OF 2.90 FEET,  
 NORTH 70° 39' 52" WEST A DISTANCE OF 21.19 FEET,  
 SOUTH 87° 10' 59" WEST A DISTANCE OF 20.02 FEET,  
 SOUTH 81° 30' 53" WEST A DISTANCE OF 20.22 FEET,  
 SOUTH 80° 50' 48" WEST A DISTANCE OF 12.51 FEET,  
 SOUTH 75° 23' 39" WEST A DISTANCE OF 7.91 FEET,  
 SOUTH 82° 55' 14" WEST A DISTANCE OF 20.16 FEET,  
 NORTH 84° 14' 38" WEST A DISTANCE OF 20.10 FEET,  
 NORTH 81° 25' 26" WEST A DISTANCE OF 20.22 FEET,  
 NORTH 88° 31' 21" WEST A DISTANCE OF 20.01 FEET,

NORTH 82° 49' 46" WEST A DISTANCE OF 12.45 FEET;  
THENCE NORTH 00° 05' 02" EAST A DISTANCE OF 162.96 FEET;  
THENCE NORTH 89° 57' 16" WEST A DISTANCE OF 125.00 FEET;  
THENCE SOUTH 00° 05' 02" WEST A DISTANCE OF 163.53 FEET TO A POINT ON THE NORTH  
RIGHT OF WAY LINE OF WEST 7TH AVENUE;  
THENCE ALONG SAID NORTH RIGHT OF WAY LINE THE FOLLOWING COURSES:  
NORTH 78° 38' 41" WEST A DISTANCE OF 2.70 FEET,  
SOUTH 78° 44' 08" WEST A DISTANCE OF 20.40 FEET,  
SOUTH 66° 59' 39" WEST A DISTANCE OF 2.55 FEET,  
SOUTH 56° 52' 37" WEST A DISTANCE OF 9.14 FEET,  
SOUTH 82° 55' 14" WEST A DISTANCE OF 20.16 FEET,  
NORTH 89° 57' 16" WEST A DISTANCE OF 72.36 FEET;  
TO A POINT ON THE EAST RIGHT OF WAY LINE OF SOUTH LINCOLN STREET;  
THENCE NORTH 00° 05' 02" EAST ALONG SAID EAST RIGHT OF WAY LINE A DISTANCE OF 691.19  
FEET TO THE POINT  
OF BEGINNING.

**PARCEL N:**

LOT 1 AND THE WEST 32 FEET OF LOT 2 IN BLOCK 74 OF SECOND ADDITION TO RAILROAD  
ADDITION AS PER PLAT THEREOF RECORDED IN VOLUME "A" OF PLATS, PAGE 8, IN SPOKANE  
COUNTY, WASHINGTON.

**PARCEL O:**

LOTS 17 AND 18 IN BLOCK 1 OF CAZENOVIA HEIGHTS ADDITION AS PER PLAT THEREOF  
RECORDED IN VOLUME "B" OF PLATS, PAGE 26, IN SPOKANE COUNTY, WASHINGTON.

**PARCEL P:**

AN EASEMENT FOR PLANNING, CONSTRUCTION, ESTABLISHMENT, MAINTENANCE AND USE OF  
SKYWALK BRIDGE AND CORRIDORS THERETO FOR ACCESS TO, FROM AND BETWEEN THE  
SHRINERS HOSPITAL AND DEACONESS HOSPITAL AS PROVIDED FOR IN SKYWALK EASEMENT  
AND MAINTENANCE AGREEMENT RECORDED UNDER RECORDING NO. 8904280330.

**EXHIBIT B**

**Permitted Encumbrances**

1. Taxes and assessments for the year 2017 and subsequent years, not yet due and payable.
2. Rights of tenants pursuant to unrecorded leases assumed by Grantee.
3. Easements, restrictions and other matters of record, so long as such matters do not, collectively or individually, materially interfere with the operations of the Property in a manner consistent with the current use by Grantor.
4. Zoning regulations and other governmental laws, rules, regulations, codes, orders and directives affecting the Property.
5. Unrecorded easements, discrepancies, boundary line disputes, overlaps, encroachments and other matters that would be revealed by an accurate survey or inspection of the Property, so long as such matters do not, collectively or individually, materially interfere with the operations of the Property in a manner consistent with the current use by Grantor.
6. Any non-monetary encumbrances or defects that do not materially interfere with the operations of the Property in a manner consistent with the current use by Grantor.
7. Matters disclosed by an ALTA/NSPS survey made by Boundary Boys, LLC for Bock & Clark National Coordinators on February 5, 2017, last revised May 10, 2017, designated Job Number 201604522-001.
8. Right, title and interest of the City of Spokane to that portion of Parcel P lying within West Fifth Avenue.

**The Following Matters Affect Parcel A:**

9. Easement rights and maintenance agreements, if any, for utilities which may have been granted in vacated streets and alleys prior to their vacation. (Ordinance No. C-23065 and C-20730)
10. The terms and provisions contained in the document entitled "Easement and Permit" recorded March 18, 1983 as Recording No. 8303180147 of Official Records.
11. The terms and provisions contained in the document entitled "Covenant" recorded October 20, 1988 as Recording No. 8810200249 of Official Records.

12. The terms and provisions contained in the document entitled "Skywalk Easement and Maintenance Agreement" recorded April 28, 1989 as Recording No. 8904280330 of Official Records.
13. The terms and provisions contained in the document entitled "Application for Approval of Encroachment" recorded August 27, 1991 as Recording No. 9108270224 of Official Records.
14. The terms and provisions contained in the document entitled "Covenant" recorded October 17, 1991 as Recording No. 9110170135 of Official Records.
15. The terms and provisions contained in the document entitled "Easement and Permit" recorded April 27, 1993 as Recording No. 9304270376 of Official Records.
16. The terms and provisions contained in the document entitled "Agreement and Permit" recorded April 27, 1993 as Recording No. 9304270377 of Official Records.
17. The terms and provisions contained in the document entitled "Skywalk Permit and Agreement" recorded April 27, 1993 as Recording No. 9304270378 of Official Records.
18. The terms and provisions contained in the document entitled "Covenant" recorded May 18, 1993 as Recording No. 9305180592 of Official Records.
19. The terms and provisions contained in the document entitled "Covenant" recorded July 25, 2001 as Recording No. 4613199 of Official Records.
20. Easement, including terms and provisions contained therein:
  - Recording Information: September 15, 2003 under Recording No. 4963097
  - In Favor of: Comcast of Pennsylvania/Washington/West Virginia, L.P., a Colorado limited partnership
  - For: Construct, operate and maintain broadband communication system
21. Easement, including terms and provisions contained therein:
  - Recording Information: December 9, 2009 as Recording No. 5858331
  - In Favor of: Comcast of Pennsylvania/Washington/West Virginia, LP
  - For: Cable communications system

**The Following Matters Affect Parcel B**

22. Easement rights and maintenance agreements, if any, for utilities which may have been granted in vacated streets and alleys prior to their vacation. (Ordinance C-23107 and C-26351)

23. Easement, including terms and provisions contained therein:

Recording Information: October 15, 1947 under Recording No. 778816A  
In Favor of: Not stated  
For: Water line

24. The terms and provisions contained in the document entitled "Easement and Permit" recorded October 21, 1986 as Recording No. 8610210206 of Official Records.

**The Following Matters Affect Parcel C:**

25. Easement, including terms and provisions contained therein:

Recording Information: November 27, 1909 under Recording No. 260793  
In Favor of: Martin H. Conger  
For: Construct a private sewer

26. Easement, including terms and provisions contained therein:

Recording Information: December 6, 1909 under Recording No. 261699  
In Favor of: Elizabeth O'Brien  
For: Maintain sewer

27. Easement, including terms and provisions contained therein:

Recording Information: December 29, 1988 under Recording No. 8812290181  
In Favor of: The Washington Water Power Company, a Washington corporation  
For: Construct, operate and maintain an electrical distribution/transmission line with associated fixtures; remove brush and trees

**The Following Matters Affect Parcel D:**

28. Easement, including terms and provisions contained therein:

Recording Information: October 9, 1973 under Recording No. 7310090411  
In Favor of: The Washington Water Power Company, a Washington corporation  
For: Construct, operate and maintain an electrical distribution/transmission line with associated fixtures

**The Following Matters Affect Parcel F:**

29. Easement, including terms and provisions contained therein:

Recording Information: May 23, 1941 under Recording No. 495857A  
In Favor of: The Washington Water Power Company  
For: Construct, operate and maintain an electrical distribution line; remove brush and trees

30. Easement, including terms and provisions contained therein:

Recording Information: October 9, 1973 under Recording No. 7310090411  
In Favor of: The Washington Water Power Company, a Washington corporation  
For: Construct, operate and maintain an electrical distribution/transmission line with associated fixtures

**The Following Matters Affect Parcel G:**

31. Easement, including terms and provisions contained therein:

Recording Information: May 23, 1941 under Recording No. 495826A  
In Favor of: The Washington Water Power Company, a Washington corporation  
For: Construct, operate and maintain an electrical distribution/transmission line with associated fixtures; remove brush and trees

**The Following Matters Affect Parcel I:**

32. Easement, including terms and provisions contained therein:

Recording Information: March 25, 1992 under Recording No. 9203250314  
In Favor of: The Washington Water Power Company  
For: Maintain the existing natural gas pipeline; remove brush and trees

33. 48. Easement, including terms and provisions contained therein:

Recording Information: November 30, 1992 under Recording No. 9211300128  
In Favor of: The Washington Water Power Company  
For: Construct, operate and maintain and electrical distribution line; remove brush and trees

**The Following Matters Affect Parcel N:**

34. The terms and provisions contained in the document entitled "Special Permit" recorded January 21, 1986 as Recording No. 8601210146 of Official Records.

**The Following Matters Affect Parcel O:**

35. Easement, including terms and provisions contained therein:

Recording Information: May 22, 1989 under Recording No. 8905220227  
In Favor of: The Washington Water Power Company, a Washington  
corporation  
For: Construct, operate and maintain an electrical distribution/transmission  
line with associated fixtures; remove brush and trees

36. Easement, including terms and provisions contained therein:

Recording Information: October 9, 1995 under Recording No. 9510090297  
In Favor of: Inland Northwest Health Services, a Washington non-profit  
corporation  
For: Maintain and replace telecommunication and computer service lines



**Exhibit 10**

**Letter of Financial Commitment**



MultiCare Health System

820 A Street, Tacoma, WA 98402

PO Box 5299, Tacoma, WA 98415-0299 ~ [multicare.org](http://multicare.org)

January 15, 2024

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

**Re: Spokane Home Health Certificate of Need**

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for the certificate of need ("CN") request by MultiCare to fund a Home Health program in Spokane County.

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.

Please contact me if there are any questions regarding this letter of financial commitment. I can be reached at [james.g.lee@multicare.org](mailto:james.g.lee@multicare.org) or at 253-403-8020. Thank you for your time and assistance in this important matter.

Respectfully,

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

James Lee, Executive Vice President Population Based Care  
and Chief Financial Officer  
MultiCare Health System

**Exhibit 11**

**MultiCare Health System 2021-2022**

**Audited Financials**



**MULTICARE HEALTH SYSTEM**

Consolidated Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 2800  
401 Union Street  
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, 2022 and 2021, and the related consolidated statements of operations, 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, 2022 and 2021, 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 21, 2023

**MULTICARE HEALTH SYSTEM**

Consolidated Balance Sheets

December 31, 2022 and 2021

(In thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Current assets:		
Cash and cash equivalents	\$ 542,067	308,732
Accounts receivable	511,727	460,569
Supplies inventory	60,070	60,056
Other current assets, net	<u>165,586</u>	<u>96,361</u>
Total current assets	1,279,450	925,718
Donor restricted assets held for long-term purposes	119,526	96,775
Investments	1,968,205	2,610,531
Property, plant, and equipment, net	2,109,253	2,010,134
Right-of-use operating lease asset, net	169,823	140,718
Right-of-use financing lease asset, net	16,798	20,458
Goodwill and intangible assets, net	253,274	172,063
Other assets, net	<u>329,808</u>	<u>382,562</u>
Total assets	\$ <u><u>6,246,137</u></u>	\$ <u><u>6,358,959</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 326,664	283,004
Accrued compensation and related liabilities	329,672	340,029
Accrued interest payable	23,643	18,059
Current portion of right-of-use operating lease liability	29,908	26,376
Current portion of right-of-use financing lease liability	4,965	4,283
Current portion of long-term debt	<u>18,496</u>	<u>43,609</u>
Total current liabilities	733,348	715,360
Interest rate swap liabilities	9,470	119,100
Right-of-use operating lease liability, net of current portion	147,116	120,273
Right-of-use financing lease liability, net of current portion	12,491	16,933
Long-term debt, net of current portion	1,972,137	1,572,235
Other liabilities, net	<u>231,045</u>	<u>208,307</u>
Total liabilities	<u>3,105,607</u>	<u>2,752,208</u>
Commitments and contingencies (note 15)		
Net assets:		
Controlling interest	2,930,546	3,430,009
Noncontrolling interest	<u>34,471</u>	<u>—</u>
Without donor restrictions	2,965,017	3,430,009
With donor restrictions	<u>175,513</u>	<u>176,742</u>
Total net assets	<u>3,140,530</u>	<u>3,606,751</u>
Total liabilities and net assets	\$ <u><u>6,246,137</u></u>	\$ <u><u>6,358,959</u></u>

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**  
Consolidated Statements of Operations  
Years ended December 31, 2022 and 2021  
(In thousands)

	<u>2022</u>	<u>2021</u>
Revenues, gains, and other support without donor restrictions:		
Patient service revenue	\$ 3,765,888	3,504,691
Other operating revenue	231,429	314,323
Net assets released from restrictions for operations	<u>6,382</u>	<u>5,170</u>
Total revenues, gains, and other support without donor restrictions	<u>4,003,699</u>	<u>3,824,184</u>
Expenses:		
Salaries and wages	2,199,265	1,870,645
Employee benefits	297,613	278,185
Supplies	658,470	600,757
Purchased services	396,747	349,159
Depreciation and amortization	140,892	126,307
Interest	56,842	47,670
Other	<u>541,246</u>	<u>486,005</u>
Total expenses	<u>4,291,075</u>	<u>3,758,728</u>
(Deficit) Excess of revenues over expenses from operations	<u>(287,376)</u>	<u>65,456</u>
Other income (loss):		
Investment (loss) income	(344,301)	213,993
Gain on interest rate swaps, net	127,688	25,873
Other loss, net	<u>(11,047)</u>	<u>(13,729)</u>
Total other (loss) income, net	<u>(227,660)</u>	<u>226,137</u>
(Deficit) Excess of revenues over expenses	<u>\$ (515,036)</u>	<u>291,593</u>

See accompanying notes to consolidated financial statements.



**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

(In thousands)

	<u>Without donor restrictions</u>		<u>With donor restrictions</u>	<u>Total net assets</u>
	<u>Controlling interests</u>	<u>Noncontrolling interests</u>		
Balance, December 31, 2020	\$ 3,111,401	—	142,761	3,254,162
Excess of revenues over expenses	291,593	—	—	291,593
Changes in pension assets	24,810	—	—	24,810
Contributions and other	490	—	35,697	36,187
Net assets released from restriction for capital acquisitions	1,715	—	(1,715)	—
Net assets released from restriction for operations and other	—	—	(5,170)	(5,170)
Income on investments	—	—	1,816	1,816
Increase in assets held in trust by others	—	—	3,353	3,353
Change in net assets	<u>318,608</u>	<u>—</u>	<u>33,981</u>	<u>352,589</u>
Balance, December 31, 2021	<u>3,430,009</u>	<u>—</u>	<u>176,742</u>	<u>3,606,751</u>
Deficit of revenues over expenses	(515,036)	—	—	(515,036)
Changes in pension assets	(15,508)	—	—	(15,508)
Changes from noncontrolling interest	—	34,471	—	34,471
Contributions and other	26,539	—	14,875	41,414
Net assets released from restriction for capital acquisitions	4,542	—	(4,542)	—
Net assets released from restriction for operations	—	—	(6,382)	(6,382)
Loss on investments	—	—	(611)	(611)
Decrease in assets held in trust by others	—	—	(4,569)	(4,569)
Change in net assets	<u>(499,463)</u>	<u>34,471</u>	<u>(1,229)</u>	<u>(466,221)</u>
Balance, December 31, 2022	<u>\$ 2,930,546</u>	<u>34,471</u>	<u>175,513</u>	<u>3,140,530</u>

See accompanying notes to consolidated financial statements.

**MULTICARE HEALTH SYSTEM**

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

(In thousands)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (466,221)	352,589
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	140,892	126,307
Amortization of bond premiums, discounts, and issuance costs	(2,163)	(2,433)
Net realized and unrealized losses (gains) on investments	378,740	(188,615)
Change in fair value of interest rate swap	(133,126)	(35,247)
(Loss) gain on disposal of assets, net	(3,009)	2,373
Loss (gain) on joint ventures, net	7,032	(513)
Restricted contributions for long-term purposes	(4,968)	(16,952)
Changes in operating assets and liabilities:		
Accounts receivable	(51,158)	(73,590)
Supplies inventory and other current assets	(43,673)	(17,586)
Right-of-use lease asset	35,690	40,614
Other assets, net	80,665	(38,219)
Accounts payable and accrued expenses and accrued interest payable	27,421	67,751
Accrued compensation and related liabilities	(14,765)	38,053
Right-of-use lease liability	(30,021)	(30,721)
Other liabilities, net	21,842	(8,287)
Net cash (used in) provided by operating activities	<u>(56,822)</u>	<u>215,524</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(237,295)	(216,973)
Proceeds from disposal of property, plant, and equipment	6,360	7,629
Purchase of additional ownership in PSW and OSS, net of cash received	(86,915)	—
Purchase of Capital Medical Center and related real estate, net of cash received	—	(179,662)
Investments in joint ventures, net	(11,445)	(10,373)
Purchases of investments	(8,827,993)	(5,634,748)
Sales of investments	9,072,857	5,175,627
Change in donor trusts	(2,833)	5,700
Net cash used in investing activities	<u>(87,264)</u>	<u>(852,800)</u>
Cash flows from financing activities:		
Repayment of long-term debt	(415,646)	(8,522)
Proceeds from bond issuance	798,300	—
Payment of debt issue expenses	(5,702)	—
Principal payments on finance lease obligations	(4,499)	(8,645)
Restricted contributions for long-term purposes	4,968	16,952
Net cash provided by (used in) financing activities	<u>377,421</u>	<u>(215)</u>
Net change in cash and cash equivalents	233,335	(637,491)
Cash and cash equivalents, beginning of year	<u>308,732</u>	<u>946,223</u>
Cash and cash equivalents, end of year	\$ <u>542,067</u>	<u>308,732</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amount capitalized	\$ 52,258	48,260
Noncash activities:		
(Decrease) increase in deferred compensation plans	(11,750)	13,471
Increase in accounts payable for purchases of property, plant, and equipment	9,301	1,266

See accompanying notes to consolidated financial statements.

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### (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, 2022, MHS was licensed to operate 2099 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 four wholly owned subsidiaries (Greater Lakes Mental Healthcare, Medis, Inc., MultiCare Rehabilitation Specialists, P.C., and PNW PACE Partners, LLC), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned accountable care organization (MultiCare Connected Care), a leading population health company (Physicians of Southwest Washington), a physical therapy provider (Olympic Sports & Spine) 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 May 1, 2022, MHS completed the purchase of additional units of Physicians of Southwest Washington, LLC (PSW). Total consideration of this transaction was \$49,956 and increased MHS' ownership to 75%. As part of the consideration of this business combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in PSW, a gain of \$9,105 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. PSW is a leading population health company that provides management of risk contracts and manages a leading national accountable care organization (ACO) among other population health service offerings.

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

The following table summarizes the total consideration and the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

Consideration:

Cash consideration transferred	\$	17,358
Fair value of MHS's equity interest before business combination		<u>32,598</u>
Total	\$	<u><u>49,956</u></u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash	\$	24,649
Other current assets		21,640
Land, buildings and equipment		647
Intangibles and other assets		1,799
Accounts payable, accrued compensation and other current liabilities		<u>(24,454)</u>
Total identifiable net assets assumed		24,281
Noncontrolling interest recognized		(23,731)
Goodwill		<u>49,406</u>
Total	\$	<u><u>49,956</u></u>

The following are the results of PSW in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31, 2022:

		<u>2022</u>
Total operating revenues	\$	36,305
Excess of revenue over expenses		1,394

The following unaudited information presents MultiCare's results for the years ended December 31, 2022 and 2021, had the acquisition date been January 1, 2021 for the PSW acquisition:

	<u>2022</u>	<u>2021</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Total operating revenues	4,010,866	3,896,190
(Deficit) Excess of revenues over expenses	(513,848)	300,750

On September 22, 2022, MultiCare Rehabilitation Specialists, P.C. completed the purchase of additional units of Olympic Sports & Spine, PLLC (OSS). Total consideration of this transaction was \$36,959 and increased MHS's ownership to 80.16%. As part of the consideration of this business

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

combination, MHS equity interest was valued at its estimated fair value based on the cash consideration transferred using standard valuation techniques of the equity acquired. As a result of the remeasurement of MHS equity interest in OSS, a loss of \$8,191 was recognized within other operating revenue on the consolidated statement of operations for the year ended December 31, 2022. The assets acquired and liabilities assumed were recorded at their estimated fair value as determined using standard asset appraisal techniques. OSS provides physical, occupational, and massage therapy services in the south Puget Sound area. The following table summarizes the total consideration and the estimated fair values of assets acquired and liabilities assumed as of the acquisition date along with the cash consideration paid.

Consideration:

Cash consideration transferred	\$ 7,377
Fair value of MHS's equity interest before business combination	<u>29,582</u>
Total	<u><u>\$ 36,959</u></u>

Recognized amounts of identifiable assets acquired and liabilities assumed:

Cash	\$ 5,988
Other current assets	6,167
Land, buildings and equipment	5,156
Intangibles and other assets	1,453
Accounts payable, accrued compensation and other current liabilities	<u>(2,409)</u>
Total identifiable net assets assumed	16,355
Noncontrolling interest recognized	(9,148)
Goodwill	<u>29,752</u>
Total	<u><u>\$ 36,959</u></u>

The following are the results of OSS in 2022 that have been included in the consolidated statement of operations and statement of changes in net assets from the acquisition date for the year ended December 31, 2022:

	<u>2022</u>
Total operating revenues	\$ 15,176
Excess of revenue over expenses	1,146

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

The following unaudited information presents MultiCare's results for the years ended December 31, 2022 and 2021, had the acquisition date been January 1, 2021 for the OSS acquisition:

	<b>2022</b>	<b>2021</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Total operating revenues	\$ 3,994,219	3,862,945
(Deficit) Excess of revenues over expenses	(512,468)	294,959

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 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	(3,295)
Total identifiable net assets assumed	44,604

Recognized amount of goodwill assumed:

Goodwill	58
Total	\$ 44,662

Total cash consideration transferred	\$ 39,173
--------------------------------------	-----------

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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		715
Total		135,000
Transaction expenses		3,148
Total cash consideration transferred	\$	<u>138,148</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 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

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 \$1,749 and \$2,308 at December 31, 2022 and 2021, respectively. MHS has recorded a corresponding payable of \$1,301 and \$775 at December 31, 2022 and 2021, 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 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.



## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### (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

MHS 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.

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 2022 and 2021, 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

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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.

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 non-lease 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.

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, 2022 or 2021.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

The following table summarizes the balances of goodwill and intangible assets at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Goodwill	\$ 232,085	152,927
Intangible assets, net of accumulated amortization of \$7,035 and \$10,343, respectively	<u>21,189</u>	<u>19,136</u>
Total	<u>\$ 253,274</u>	<u>172,063</u>

The balance sheet as of December 31, 2022 includes goodwill recognized as part of the PSW and OSS transactions in the amounts of \$49,406 and \$29,752, respectively, and intangible assets recognized of \$1,719 and \$1,421, respectively.

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 \$1,474 and \$3,544 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, MHS held ownership interests in 26 and 21 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. Loss on joint ventures for the year ended December 31, 2022 was \$7,032 associated with several joint ventures. Gain on joint ventures for the year ended December 31, 2021 was \$513. Gains and losses are included in other operating revenue on the consolidated statements of operations and changes in net assets.

#### **(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 \$4,781 and \$4,634 as of December 31, 2022 and 2021, 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 \$148 and \$1,178 in 2022 and 2021, respectively 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

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021, 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. However, due to the nature of the specific swap arrangements in MHS' interest rate swap portfolio, the fair value of interest rate swap assets and swap liabilities are presented on a gross basis 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 be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2022 and 2021, MHS has recorded \$21,265 and \$20,305, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2022, \$12,683 of pledges are due in one year or less and \$8,582 in two to eight 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

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 \$89,946 and \$89,738 for 2022 and 2021, respectively, and incurred assessments of \$63,961 and \$64,570 for 2022 and 2021, 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 \$17,287 and \$16,737 associated with this program as of December 31, 2022 and 2021, 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 \$52,000 and \$48,000 in 2022 and 2021, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately \$424,000 and \$300,406 in 2022 and 2021, 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, capitated revenue, and other miscellaneous revenue.

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### **(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., Physicians of Southwest Washington, LLC and Olympic Sports & Spine, PLLC, which are all taxable entities, 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. 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 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

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 made all necessary contract modifications in 2022 and the adoption of this ASU did not 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 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 and has not recorded any liabilities as of December 31, 2022 and 2021 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 has submitted funding applications with FEMA that covers costs incurred in order to respond to the COVID-19 pandemic and will apply for additional funding until the national disaster declaration is no longer in effect.

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, 2022 and 2021:

<u>Sources of external relief funding</u>	<u>2022</u>	<u>2021</u>	<u>Total</u>
CARES Act Provider Relief Fund	\$ —	176,448	176,448
American Rescue Plan Rural Funds	—	5,284	5,284
FEMA	<u>14,578</u>	<u>1,405</u>	<u>15,983</u>
Total	<u>\$ 14,578</u>	<u>183,137</u>	<u>197,715</u>

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### (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.



## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 2022 or 2021.

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 2022 or 2021. 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.

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Payors:		
Medicare	\$ 1,068,131	947,979
Medicaid	623,026	554,039
Premera	521,521	501,370
Regence	392,750	334,844
Aetna	192,352	202,379
Kaiser Permanente	134,237	128,538
United Healthcare	133,716	132,535
First Choice	117,366	119,596
Self-pay	23,149	25,450
Other	559,640	557,961
	<u>\$ 3,765,888</u>	<u>3,504,691</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, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Medicare	35 %	33 %
Medicaid	25	21
Premera	7	10
Regence	6	7
Self-pay	5	7
First Choice	1	1
Health Care Exchange	1	1
Other commercial insurance	20	20
	<u>100 %</u>	<u>100 %</u>

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### (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 of fair value of the instrument. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021:

	<b>Fair value measurements at reporting date using</b>			
	<b>December 31, 2022</b>	<b>Quoted prices in active markets for identical assets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
<b>Assets:</b>				
Trading securities:				
Mutual funds	\$ 927,945	927,945	—	—
Equity securities	8,204	8,204	—	—
Fixed income bond funds	327,965	327,965	—	—
Fixed income governmental obligations	152,312	114,851	37,461	—
Fixed income other	178,595	—	178,595	—
Commingled trust fund – international equity	14,376	—	14,376	—
Donor trusts	29,431	—	—	29,431
Interest rate swaps	23,496	—	23,496	—
Total assets at fair value	1,662,324	\$ 1,378,965	253,928	29,431
Investment assets valued at NAV	403,251			
Total assets at fair value or NAV	\$ 2,065,575			
<b>Liabilities:</b>				
Interest rate swaps	\$ 9,470	—	9,470	—

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2021			
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	—

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2022 and 2021:

		NAV December 31, 2022	NAV December 31, 2021	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	\$	125,067	132,637	N/A	Quarterly	60 or 95 business days prior to valuation date
Common trust funds		269,628	199,212	N/A	Daily	1 or more business days prior to valuation date
Limited partnerships		8,556	11,802	1,800	N/A	N/A
Total investments valued at NAV	\$	403,251	343,651	1,800		

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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 of these interest rate swaps for the years ended December 31, 2022 and 2021 were \$133,126 and \$35,246, respectively, and are included in gain 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 \$5,439 and \$9,373 for the years ended December 31, 2022 and 2021, respectively.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

The following table represents both the fair value and settlement value for the interest rate swap assets and liabilities as of December 31, 2022 and 2021:

		Asset derivatives					
		2022			2021		
		Balance sheet location	Fair value	Settlement value	Balance sheet location	Fair value	Settlement value
Derivative instruments: Interest rate sw aps	Other assets, net	\$	23,496	26,079	Other assets, net	\$	—
							—

		Liability derivatives					
		2022			2021		
		Balance sheet location	Fair value	Settlement value	Balance sheet location	Fair value	Settlement value
Derivative instruments: Interest rate sw aps	Interest rates sw ap liabilities	\$	9,470	11,317	Interest rates sw ap liabilities	\$	119,100
							124,921

### (6) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2022 and 2021 is as follows:

		December 31, 2022		
		Donor restricted assets	Investments	Total
Mutual funds	\$	20,491	907,454	927,945
Equity securities		181	8,023	8,204
Fixed income securities		14,548	644,324	658,872
Commingled trust fund – international equity		317	14,059	14,376
Hedge funds		2,762	122,305	125,067
Common trust funds		5,954	263,674	269,628
Limited partnerships		190	8,366	8,556
Donor trusts		29,431	—	29,431
Pledge receivables, net and other		45,652	—	45,652
Total	\$	119,526	1,968,205	2,087,731

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

	<b>December 31, 2021</b>		
	<b>Donor restricted assets</b>	<b>Investments</b>	<b>Total</b>
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	<u>\$ 96,775</u>	<u>2,610,531</u>	<u>2,707,306</u>

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 12-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.



**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

At December 31, 2022 and 2021, MHS' financial resources are as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 542,067	308,732
Accounts receivable	511,727	460,569
Other current assets, net	165,586	96,361
Donor restricted assets	119,526	96,775
Investments	1,968,205	2,610,531
	3,307,111	3,572,968
Less prepaid assets included in other current assets, net	(58,353)	(37,444)
Less donor restricted assets	(119,526)	(96,775)
Less investments with redemption limitations of greater than one year	(8,556)	(11,802)
Total financial assets available for general expenditures	\$ 3,120,676	3,426,947

In addition to financial assets available to meet general expenditures over the next 12 months, MHS operates mostly using revenues, gains and other support without donor restrictions and anticipates collecting sufficient revenues to cover general expenditures. MHS also has a \$200,000 line of credit available for general expenditures, if needed (note 15).

**(8) Property, Plant, and Equipment, Net**

A summary of property, plant, and equipment at December 31, 2022 and 2021 is as follows:

	<b>2022</b>	<b>2021</b>
Land and land improvements	\$ 164,041	138,910
Buildings	2,360,383	2,313,543
Equipment	1,051,005	940,116
	3,575,429	3,392,569
Less accumulated depreciation	(1,640,005)	(1,500,929)
	1,935,424	1,891,640
Construction in progress	173,829	118,494
Property, plant, and equipment, net	\$ 2,109,253	2,010,134

Total depreciation and amortization expense for the years ended December 31, 2022 and 2021 was \$140,892 and \$126,307, respectively. Depreciation expense charged to operations for the years ended

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

December 31, 2022 and 2021 amounted to \$139,145 and \$122,293, respectively. Depreciation expense 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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Investment in joint ventures	\$ 58,977	77,951
Deferred compensation plan assets held in trust (note 12)	87,039	98,789
Accrued pension asset (note 12)	36,428	60,951
Self-insured retention receivables, net of current portion (notes 13 and 14)	17,462	22,558
Net investment in lease (note 17(b))	22,655	23,172
Notes receivable (note 10)	75,284	75,546
Interest rate swaps (note 5(b))	23,496	—
Other	8,467	23,595
Other assets, net	\$ 329,808	382,562

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 executed a promissory note with Astria Health for a \$75,000 loan. The loan bears a fixed interest rate of 9.5% with payments due June 30 and December 31 of each year. In December 2022, the credit agreement was amended to extend the maturity date. The loan matures in December 2025.

#### (11) Other Liabilities, Net

Other liabilities are as follows at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Professional liability, net of current portion (note 13)	\$ 103,813	89,628
Deferred compensation liability (note 12)	87,039	98,789
Workers' compensation liability, net of current portion (note 14)	15,444	15,454
Other	24,749	4,436
Other liabilities, net	\$ 231,045	208,307

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

**(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, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Change in projected benefit obligation:		
Projected benefit obligations at beginning of year	\$ 663,039	715,286
Service cost	650	650
Interest cost	19,329	18,786
Actuarial gain	(142,861)	(23,106)
Expected administrative expenses	(650)	(650)
Benefits paid	(85,170)	(47,927)
Projected benefit obligations at end of year	\$ 454,337	663,039
Change in fair value of plan assets:		
Fair value of plan assets at beginning of year	\$ 723,990	760,876
Actual (loss) gain on plan assets	(147,327)	11,700
Actual administrative expenses	(728)	(659)
Benefits paid	(85,170)	(47,927)
Fair value of plan assets at end of year	\$ 490,765	723,990
Funded status recognized in consolidated balance sheets consist of:		
Asset for pension benefits	\$ 36,428	60,951
Amount recognized in net assets without donor restrictions:		
Net loss	106,367	90,859
	<b>2022</b>	<b>2021</b>
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	5.50 %	3.00 %

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Components of net periodic benefit cost:		
Service cost	\$ 650	650
Interest cost	19,329	18,786
Expected return on plan assets	(30,858)	(29,726)
Amortization of net actuarial loss	5,335	16,205
Settlement cost	<u>14,559</u>	<u>3,534</u>
	<u>\$ 9,015</u>	<u>9,449</u>
	<u>2022</u>	<u>2021</u>
Weighted average assumptions used to determine benefit obligation as of December 31:		
Discount rate	3.00 %	2.70 %
Expected return on plan assets	4.50	4.50

During the years ended December 31, 2022 and 2021, the Plan made lump-sum cash payments (settlements) to plan participants and in exchange the Plan was relieved of all remaining liabilities of future payments to those plan participants. These settlements are included in benefits paid within the change in projected benefit obligation. The total amount of these settlements exceeded the total service costs and interest costs for the years ended December 31, 2022 and 2021 and the pro-rata portion of the remaining balance in net assets without donor restrictions was recognized as part of net periodic benefit costs.

The accumulated benefit obligation for the Plan was \$454,337 and \$663,039 at December 31, 2022 and 2021, respectively.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

(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>
2023	\$	33,692
2024		33,463
2025		34,284
2026		33,643
2027		34,680
2028–2032		165,364

(ii) *Plan Assets*

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

	<u>Fair value measurements at reporting date using</u>			
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant other observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
	<u>December 31, 2022</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Cash and cash equivalents	\$ 8,926	8,926	—	—
Trading securities:				
Mutual funds	91,812	91,812	—	—
Fixed income bond funds	5,100	4,921	179	—
Fixed income governmental obligations	187,978	140,834	47,144	—
Fixed income other	162,979	13,368	149,611	—
Commingled trust fund – international equity	12,729	—	12,729	—
	<u>469,524</u>	<u>\$ 259,861</u>	<u>209,663</u>	<u>—</u>

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

	Fair value measurements at reporting date using			
	December 31, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Broker receivables	\$ 38,910			
Broker payables	(85,854)			
Total assets at fair value	422,580			
Investments valued at NAV	68,185			
Total assets at fair value or NAV	\$ 490,765			

	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	—

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

	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)
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			

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2022 and 2021.

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2022 and 2021:

	NAV December 31, 2022	NAV December 31, 2021	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Absolute return funds	\$ 63,783	84,911	N/A	Monthly	5 business days prior to valuation date
Limited partnerships	4,402	6,065	850	N/A	N/A
Total investments valued at NAV	\$ 68,185	90,976	850		

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,

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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.

The defined benefit plan weighted average asset allocations at December 31, 2022 and 2021 by asset category are as follows:

	<b>2022</b>	<b>2021</b>
Asset category:		
Domestic equities	13 %	12 %
International equities	9	7
Fixed income securities	77	80
Alternative investments	1	1
	100 %	100 %

*(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:

	<b>2022</b>	<b>2021</b>
Asset category:		
Domestic equities	12 %	12 %
International equities	8	8
Fixed income securities	80	80
	100 %	100 %

*(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



## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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.

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.

#### **(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 2022 and 2021 were approximately \$58,000 and \$54,545, 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.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021, 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.

During 2022, MHS began operations of a wholly owned insurance captive, Commencement Re (the Captive). On September 15, 2022, the Captive took on the risk to self-insure and reinsure certain layers of professional and general liability from MHS.

At December 31, 2022 and 2021, the estimated gross professional liability (including current and long-term portions) was \$128,101 and \$119,073, 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 \$22,754 and \$33,191 as of December 31, 2022 and 2021, 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, 2022 and 2021, the estimated net liability based on future claims cost totaled \$21,470 and \$21,133, respectively. The gross liabilities (including both current and long-term portions) total \$24,836 and \$24,341 as of December 31, 2022 and 2021, 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 \$3,366 and \$3,207 as of December 31, 2022 and 2021, 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 2022 and 2021 was \$12,984 and \$9,632, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

**(15) Long-Term Debt**

Long-term debt consists of the following at December 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
WHCFA Revenue bonds, 2022A	\$ 49,985	—
WHCFA Revenue bonds, 2022B	108,145	—
WHCFA Revenue bonds, 2022C	80,000	—
WHCFA Revenue bonds, 2022D	130,170	—
WHCFA Revenue bonds, 2022 Taxable Private Placement	430,000	—
2020 Taxable bonds	300,000	300,000
2020 OCED financing	57,249	59,289
2019 Term loan	—	35,255
WHCFA Revenue bonds, 2017 Series A and B	314,550	318,220
WHCFA Revenue bonds, 2017 Series C, D, and E	111,010	191,010
	<b>2022</b>	<b>2021</b>
2017 Term loans	\$ —	130,170
WHCFA Revenue bonds, 2015 Series A and B	343,675	348,085
WHCFA Revenue bonds, 2012 Series A	—	60,000
WHCFA Revenue bonds, 2009 Series A and B	—	98,130
Other	19,085	23,106
	1,943,869	1,563,265
Adjusted for:		
Current portion	(18,496)	(43,609)
Bond premiums, discounts, and debt issuance costs	46,764	52,579
Long-term debt, net of current portion	\$ 1,972,137	1,572,235

**(a) WHCFA Revenue Bonds, 2022A**

In August 2022, MHS issued \$49,985 of 2022 Series A bonds. These bonds were issued as variable rate tax exempt private placement debt with Royal Bank of Canada, with principal payments ranging from \$1,845 in 2040 to final payment of \$20,365 in 2044. The interest rates, which were between 2.43% and 4.45% at December 31, 2022, reset monthly and are based on SIFMA plus a spread.

**(b) WHCFA Revenue Bonds, 2022B**

In August 2022, MHS issued \$108,145 of 2022 Series B bonds. These bonds were issued as variable rate tax exempt private placement debt with PNC Bank, NA. Principal payments range from \$7,035 in 2040 to \$22,085 in 2045, with a final payment of \$19,715 in 2046 with interest payable semi-annually in February and August, based on SOFR plus a spread.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

**(c) WHCFA Revenue Bonds, 2022C**

In December 2022, MHS issued \$80,000 of 2022 Series C bonds. These bonds were issued as variable rate tax exempt private placement debt with Banc of America Preferred Funding Corp. The principal is due in full in 2047 with monthly interest payments starting in January 2023, based on SIFMA plus a spread.

**(d) WHCFA Revenue Bonds, 2022D**

In December 2022, MHS issued \$130,170 of 2022 Series D bonds. These bonds were issued as variable rate tax exempt private placement debt with Bank of America, NA. The principal is due in full in 2047 with monthly interest payments starting in January 2023, based on SOFR plus a spread.

**(e) WHCFA Revenue Bonds, 2022 Taxable Private Placement**

In August 2022, MHS issued \$430,000 of Series 2022 taxable private placement bonds. The bonds were acquired by various private investors. Included in the issuance are \$130,000 in bonds bearing 4.48% fixed rate interest with principal due in full in 2037, and \$300,000 in bonds bearing 4.75% fixed rate interest with principal due in full in 2052.

**(f) 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 2050, with interest only payments made semiannually in February and August of each year.

**(g) 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 \$2,136 in 2023 to \$4,482 in 2039 with a final principal payment of \$390 in 2041.

**(h) 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 was paid in full in 2022.

**(i) 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 \$4,135 in 2023 to \$62,410 in 2047.

**(j) 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. The first annual principal payment of

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

\$55,505 is due in 2048, with a final principal payment of \$55,505 in 2049. The interest rates, which were between 0.44% and 3.58% at December 31, 2022, reset monthly and are based on 70% of SOFR.

In November 2017, MHS entered into an \$80,000 variable rate private placement agreement (Series E) with Wells Fargo Municipal Capital Strategies, LLC. In December 2022, MHS refunded the 2017 Series E bonds and replaced them with 2022 Series C.

#### **(k) 2017 Term Loans**

In November 2017, MHS entered into two \$65,085 variable rate term loan agreements with Wells Fargo Bank, N.A. In December 2022, MHS refunded the 2017 Term Loans and replaced them with 2022 Series D.

#### **(l) 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 \$4,295 in 2040 to \$24,085 in 2034 with a final payment of \$8,860 due in 2045.

#### **(m) WHCFA Revenue Bonds 2012 Series A**

In November 2012, MHS issued \$60,000 of 2012 Series A bonds. In August 2022, MHS refunded the 2012 Series A bonds and replaced them with 2022 Series B.

#### **(n) 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 irrevocable 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. In August 2022, MHS refunded the 2009 Series A and B bonds and replaced them with 2022 Series A and 2022 Series B.

#### **(o) Other**

The other debt listed is primarily made up of debt held by Navos. Of the outstanding debt at December 31, 2022, \$16,531 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.

#### **(p) 2022 Line of Credit**

In October 2022, MHS entered into a \$200,000 revolving credit agreement with JPMorgan Chase Bank, NA. The term of the line of credit is for 12 months and bears interest at a variable rate based upon SOFR. The line on credit has no draws as of December 31, 2022.

## MULTICARE HEALTH SYSTEM

### Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021.

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:		
2023	\$	18,496
2024		21,627
2025		22,704
2026		23,825
2027		46,202
Thereafter		<u>1,811,015</u>
	\$	<u>1,943,869</u>

A summary of interest costs is as follows during the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Interest cost:		
Charged to operations	\$ 59,006	50,103
Amortization of bond premiums, discounts, and issuance costs	(2,163)	(2,433)
Capitalized	<u>555</u>	<u>382</u>
	<u>\$ 57,398</u>	<u>48,052</u>

### (16) Commitments and Contingencies

Approximately 43% of MHS employees were covered under collective bargaining agreements as of December 31, 2022. 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 December 2025.

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

**(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 2037. 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, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 36,768	37,283
Finance lease cost:		
Amortization of right-of-use assets	4,745	9,031
Interest on lease liabilities	<u>802</u>	<u>3,402</u>
Total finance lease cost	5,547	12,433
Short term lease cost	1,503	1,578
Variable lease cost	9,138	9,233
Sublease income	<u>(1,727)</u>	<u>(1,662)</u>
Total lease cost	<u>\$ 51,229</u>	<u>58,865</u>

Other information related to leases as of December 31, 2022 and 2021 was as follows:

	<u>2022</u>	<u>2021</u>
Weighted average remaining lease term (years):		
Operating leases	7.2	6.5
Finance leases	6.0	6.6
Weighted average discount rate:		
Operating leases	4.0 %	4.0 %
Finance leases	4.4	4.4
Operating cash flows from operating leases	\$ (35,805)	(36,688)
Operating cash flows from finance leases	(802)	(3,402)
Financing cash flows from finance leases	(4,499)	(8,645)
Right-of-use assets obtained in exchange for new operating lease liabilities	56,322	36,385
Right-of-use assets obtained in exchange for new finance lease liabilities	3,528	11,948

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

Maturities of lease liabilities under noncancelable leases as of December 31, 2022 are as follows:

	<u>Operating leases</u>	<u>Finance leases</u>	<u>Total</u>
For year ended December 31:			
2023	\$ 35,782	5,623	41,405
2024	31,596	5,400	36,996
2025	28,447	3,351	31,798
2026	26,272	873	27,145
2027	20,794	597	21,391
Thereafter	<u>61,729</u>	<u>4,031</u>	<u>65,760</u>
Total undiscounted lease payments	204,620	19,875	224,495
Less present value discount	<u>(27,596)</u>	<u>(2,419)</u>	<u>(30,015)</u>
Total lease liabilities	\$ <u>177,024</u>	<u>17,456</u>	<u>194,480</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 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, 2022, MHS' other assets, net include a net investment in lease of \$22,655.

Revenue from leases for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Interest income on net investment in finance leases	\$ 1,032	1,048
Variable lease income	<u>28</u>	<u>28</u>
Total lease income	\$ <u>1,060</u>	<u>1,076</u>



**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

Future lease payments receivable as of December 31, 2022 are as follows:

Year ended December 31:		
2023	\$	1,227
2024		1,227
2025		1,227
2026		1,227
2027		1,227
Thereafter		<u>40,565</u>
Total lease payments to be received		46,700
Less unearned interest income		<u>(24,045)</u>
Net investment in lease		<u>\$ 22,655</u>

**(18) Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following specified purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Healthcare services	\$ 51,816	57,511
Endowment funds, perpetual trusts and related receivables	78,231	76,079
Purchase of property, plant and equipment	42,001	39,721
Indigent care	2,459	2,167
Health education	<u>1,006</u>	<u>1,264</u>
Total net assets with donor restrictions	<u>\$ 175,513</u>	<u>176,742</u>

**(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.

**MULTICARE HEALTH SYSTEM**

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

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

	<b>Board designated without donor restrictions</b>	<b>Funds with donor restrictions</b>	<b>Total</b>
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
Investment return:			
Investment income	16	376	392
Net depreciation – realized and unrealized	(85)	(987)	(1,072)
Total investment return	(69)	(611)	(680)
Contributions	—	3,499	3,499
Appropriation of endowment assets for expenditure	(28)	(581)	(609)
Endowment net assets, December 31, 2022	\$ 2,764	46,319	49,083

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 \$27,650 and \$31,008, respectively, as of December 31, 2022 and 2021. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling \$4,262 and \$1,059, respectively, as of December 31, 2022 and 2021.

**(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 2022 or 2021.

## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### ***(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.



## MULTICARE HEALTH SYSTEM

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

(Dollars in thousands)

### **(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**

On January 17, 2023, Yakima Valley Memorial Hospital (Yakima) in Yakima, Washington affiliated with MHS. Yakima is a 238 bed hospital as well as operates primary and specialty care clinics in the Yakima Valley region. No consideration was exchanged and MHS became the sole corporate member of Yakima. The unaudited results of operations for the year ended December 31, 2022 is total operating revenue of \$521,288 and total deficit of revenue over expenses from operations of \$33,211. These unaudited results are not included within the results of operations of MHS for the year ended December 31, 2022 nor are these results indicative of future financial results. MHS is still completing the accounting for the affiliation pending the determination of the fair value of the inherent contribution made.

MHS has evaluated the subsequent events through March 21, 2023, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.