



STATE OF WASHINGTON
DEPARTMENT OF HEALTH
PO Box 47852 • Olympia, Washington 98504-7852

November 30, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 1409

Thomas Kruse, Senior Vice President
CHI Franciscan Health
1717 South J Street
Post Office Box 2197
Tacoma, Washington 98401

RE: Certificate of Need Application #17-09

Dear Mr. Kruse:

Enclosed is Reconsideration Certificate of Need #1601R issued to CHI Franciscan Health approving the relocation of 242 licensed acute care beds from Harrison Medical Center's Bremerton Campus to the Silverdale Campus.

The certificate is not approval for any other local, federal, or state statutes, rules, or regulations. Such a project may also need Department of Health approval for a construction plan and facility licensing or certification, as well as other federal or local jurisdiction permits.

The Certificate of Need is valid for two years. The project must begin during this time. If there is substantial and continuing progress, we may extend the certificate for one six month period. For an extension, you must submit an extension request at least 120 days before the expiration. You cannot begin a project after the expiration date.

This reconsideration decision may be appealed. The appeal option is listed below.

Appeal Option 1:

Any person with standing may request an adjudicative proceeding to contest this decision within 28 calendar days from the date of this letter. The notice of appeal must be filed according to the provisions of Revised Code of Washington 34.05 and Washington Administrative Code 246-310-610. A request for an adjudicative proceeding must be received within the 28 days at one of the following addresses:

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

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

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We monitor projects until completed or the expiration date, whichever occurs last. We do this with quarterly progress reports. At least 30 days before the report's due date, you will receive a form to complete and return.

If you have any questions, please contact Janis Sigman, Manager of the Certificate of Need Program at (360) 236-2955.

Sincerely,



Steve Bowman, PhD, MHA
Director, Office of Community Health Systems

Enclosure



This Certificate is granted under the authority of RCW 70.38. Issuance of this Certificate does not constitute approval under any other local, federal or state statute, implementing rules and regulations. Examples where additional approval may be necessary include, but are not limited to, construction plan approval through the Construction Review Unit of the Department of Health, facility licensing/certification through the Department of Social and Health Services or Department of Health, and other federal or local jurisdiction permits.

Certificate of Need #1601R is issued to:

Legal Name of Applicant: CHI Franciscan Health
Address of Applicant: 1145 Broadway, #1000, Tacoma, Washington 98402
Type of Service: Acute Care Beds
Facility Name: Harrison Medical Center
 Bremerton Campus:
 2520 Cherry Avenue, Bremerton, Washington 98310
Facility Address: Silverdale Campus:
 1800 Northwest Myhre Road, Silverdale, Washington 98383

ISSUANCE OF THIS RECONSIDERATION CERTIFICATE OF NEED IS BASED ON THE DEPARTMENT’S RECORD AND EVALUATION DATED MAY 2, 2017 (CN App #17-09) AND THE DEPARTMENT’S RECORD AND RECONSIDERATION EVALUATION DATED NOVEMBER 14, 2017

Project Description

For this reconsideration project, Harrison Medical Center is currently licensed for 336 acute care beds located on two campuses. On July 28, 2017, Harrison Medical Center relinquished the 11 psychiatric beds consistent with a condition attached to CN #1601 issued on May 19, 2017. This action results in 242 licensed beds at the Bremerton campus. This reconsideration certificate approves the relocation of all 242 licensed acute care beds from the Bremerton campus to the Silverdale campus. The relocation will occur in the two phases as described below.

- Phase One - is the construction of a nine-story tower on the Silverdale campus that would house acute care beds, an emergency department, a cancer center, diagnostic imaging, and ancillary and support services (pharmacy, laboratory, central supply, etc.). Once constructed, 168 beds would be relocated to the Silverdale campus. Phase one is expected to be complete by January 1, 2020. At completion of phase one, Harrison Medical Center’s Bremerton campus would have 74 licensed beds remaining and the Silverdale campus would have 262 licensed beds.
- Phase Two – includes construction of a second tower on the Silverdale campus and the relocation of the remaining 74 beds. This phase is expected to be complete by January 2023.

At completion of both phases, Harrison Medical Center would be licensed to operate a total of 336 acute care beds located at one campus in Silverdale. The table below shows the bed configuration for the Silverdale campus with 336 licensed beds.

| Services Provided | Silverdale Campus Licensed Beds |
|------------------------------------|---------------------------------|
| General Medical Surgical | 312 |
| Psychiatric-PPS Exempt | 0 |
| Level II-Intermediate Care Nursery | 24 |
| Total | 336 |

Service Area

Kitsap County and surrounding communities

Conditions

Reconsideration Conditions Identified on Page Two

Approved Capital Expenditure

The approved capital expenditure for the project for both phases is \$484,690,706.

This Certificate authorizes commencement of the project from May 19, 2017 to May 19, 2019 unless extended, withdrawn, suspended, or revoked in accordance with applicable sections of the Certificate of Need law and regulations.

Date Reconsideration.....November 30, 2017

Certificate Issued:

Steve Bowman, PhD, MHA
 Director, Office of Community Health Systems

This Reconsideration Certificate is not transferable

Certificate of Need #1601R

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Conditions

1. Approval of the project description as stated above. CHI Franciscan Health further agrees that any change to the project as described in the project description is a new project that requires a new Certificate of Need.
2. Upon issuance of a Certificate of Need, CHI Franciscan Health shall relinquish the 11 psychiatric beds located on the Bremerton campus. Once relinquished, Harrison Medical Center will be licensed for 336 acute care beds located on two campuses. This condition was met on July 28, 2017.
3. CHI Franciscan Health shall finance the project as described in the application.
4. Harrison Medical Center will provide charity care in compliance with its charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. Harrison Medical Center will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 1.87% gross revenue and 4.70% of adjusted revenue. Harrison Medical Center will maintain records of charity care applications received and the dollar amount of charity care discounts granted. The department requires these records to be available upon request.
5. The 242 acute care beds are to be added to the Silverdale campus in two phases. If phase two is not completed within five years of the completion of phase one, any remaining bed authorization not meeting licensing requirements shall be forfeited. If construction of phase two consists of any amount less than the 74 acute care beds, the bed capacity meeting the licensing requirements at that time shall be the facility's final Certificate of Need authorized bed count.