



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

December 18, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 0754

Medrice Coluccio, Chief Executive  
Providence Health & Services dba  
Providence St. Peter Hospital  
413 Lilly Road Northeast  
Olympia, Washington 98506

RE: Certificate of Need Application #16-40-CORRECTED

Dear Ms. Coluccio:

The department has concluded the Certificate of Need application submitted by Olympia Behavioral Health, LLC, a joint venture between Providence Health & Services dba Providence St. Peter Hospital and Universal Health Services, Inc. – BHC Fairfax Hospital, Inc. proposing to establish an 85-bed psychiatric hospital located in Thurston County is consistent with the applicable review criteria and the Mediation Settlement Agreement dated December 11, 2017, provided Olympia Behavioral Health, LLC agrees to the following in its entirety.

**Intent to Issue Certificate of Need**

Because of the size of the construction project, the Department of Health may not issue a Certificate of Need until it receives a copy of the approved Conditional Use Permit.<sup>1</sup> However, the department may commit to issuing a Certificate of Need. Once Olympia Behavioral Health, LLC provides the department with a copy of a determination of non-significance or final environmental impact statement pertaining to the site for the hospital, the department will issue a Certificate of Need for the project with the following conditions.

**Project Description**

This certificate approves the construction of a new, free-standing 85-bed psychiatric hospital to be located in Lacey. Olympia Behavioral Health will serve both voluntary and involuntary patients ages five years and older. Among its services, Olympia Behavioral Health will provide acute inpatient behavioral health care, partial hospitalization, outpatient and residential treatment programs dedicated to addiction and chemical dependency, bipolar disorders, depression, geriatric needs, post-traumatic stress and psychotic diagnoses. Of the 85 beds, 65 will be new. The remaining 20 beds will come from Providence St Peter Hospital in Olympia. Providence St Peter Hospital will close its psychiatric unit and reduce the hospital's licensed beds by 20. Breakdowns of the beds at Olympia Behavioral Health and Providence St Peter Hospital following project completion are shown below.

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<sup>1</sup> WAC 246-03-030(4)

**Olympia Behavioral Health  
 Psychiatric Beds**

<b>Source</b>	<b>Total # of Beds</b>
Beds dedicated to patients ages 5-17 (child/Adolescent)	15
Beds dedicated to patients 18 years old and older (Adult)	70
<b>Total</b>	<b>85</b>

**Providence St Peter Hospital  
 Bed Breakdown at Project Completion**

<b>Bed Type</b>	<b>Total # of Beds</b>
General Medical/Surgical	283
Chemical Dependency/Alcohol Treatment	50
Level II Intermediate Care Nursery	13
Psychiatric	0
<b>Total</b>	<b>346</b>

**Conditions**

1. Approval of the project description as stated above. Olympia Behavioral 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. Prior to providing services at the hospital, Olympia Behavioral Health will submit a copy of the adopted and approved Admission Policy for review and approval.
3. Prior to providing services at the hospital, Olympia Behavioral Health will submit a copy of the adopted Charity Care Policy approved by the Department of Health's Charity Care Program in the Office of Community Health Systems.
4. Prior to providing services at the hospital, Olympia Behavioral Health will submit a copy of the executed Operating Agreement. The executed agreement must be consistent with the draft provided in the application. The contributions by the parent corporations must be consistent with the amount identified under settlement.
5. Prior to providing services at the hospital, Olympia Behavioral Health will either submit a copy of the executed Medical Director Agreement or executed physician employment agreement consistent with the applicable draft provided under settlement.

6. The new 85-bed psychiatric hospital will provide charity care in compliance with its final charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. The new 85-bed psychiatric hospital 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 Southwest Region. Currently, this amount is 2.72% of gross revenue and 7.26% of adjusted revenue. The psychiatric hospital will maintain records documenting the amount of charity care provided and demonstrating its compliance with its charity care policies.
7. Olympia Behavioral Health will finance this project using corporation reserves from its parent corporations, as described in the application.
8. Prior to providing services at the hospital, Olympia Behavioral Health will submit to the department for review and approval a listing of key staff for the hospital. Key staff includes all credentialed or licensed management staff, including the director of nursing and medical director.
9. Prior to providing services at the hospital, Olympia Behavioral Health will submit to the department for review and approval a final listing of ancillary and support vendors for the 85-bed psychiatric hospital.
10. Prior to commencement of the project, Olympia Behavioral Health will submit to the department for review and approval an executed Transfer Agreement. The executed Transfer Agreement must be consistent with the draft reviewed by the department.
11. So long as the state desires to contract with the facility for providing care to Involuntary Treatment Act (ITA) patients, Olympia Behavioral Health will contract with the state to provide that care. An ITA referral may only be rejected if there are no beds available at Olympia Behavioral Health at the time of referral or if such referral is clinically inappropriate.
12. On an annual, calendar year basis, at least 20% of the hospital's inpatient admissions shall be ITA patients. The Department may hereinafter set a lower percentage of ITA patients admissions on a statewide basis.

Medrice Coluccio, Chief Executive  
Providence Health & Services dba  
Providence St. Peter Hospital  
CN Application #16-40  
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13. The hospital shall maintain records documenting the following:

- Number of ITA patient referrals;
- Number of ITA patients admitted;
- Annual ITA admissions as a percentage of total hospital admissions; and,
- Reason for not accepting each declined ITA patient.

These records shall be provided to the department on a semi-annual basis.

**Approved Costs:**

The approved capital expenditure for this project is \$33,525,300.

Please notify the Department of Health within 20 days of the date of this letter whether you accept the above project description, conditions, and capital costs for your project. If you accept these in their entirety, your application will be approved and a Certificate of Need sent to you.

If you reject any of the above provisions, your application will be denied. The department will send you a letter denying your application and provide you information about your appeal rights.

Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

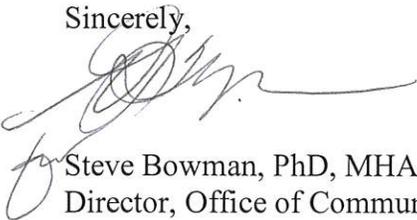
Department of Health  
Certificate of Need Program  
Mail Stop 47852  
Olympia, WA 98504-7852

Physical Address:

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

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,



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



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

December 18, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 0747

Ron Escarda, Executive Officer  
BHC Fairfax Hospital, Inc.  
10200 Northeast 132<sup>nd</sup> Street  
Kirkland, Washington 98034

RE: Certificate of Need Application #16-40-CORRECTED

Dear Mr. Escarda:

The department has concluded the Certificate of Need application submitted by Olympia Behavioral Health, LLC, a joint venture between Providence Health & Services dba Providence St. Peter Hospital and Universal Health Services, Inc. – BHC Fairfax Hospital, Inc. proposing to establish an 85-bed psychiatric hospital located in Thurston County is consistent with the applicable review criteria and the Mediation Settlement Agreement dated December 11, 2017, provided Olympia Behavioral Health, LLC agrees to the following in its entirety.

**Intent to Issue Certificate of Need**

Because of the size of the construction project, the Department of Health may not issue a Certificate of Need until it receives a copy of the approved Conditional Use Permit.<sup>1</sup> However, the department may commit to issuing a Certificate of Need. Once Olympia Behavioral Health, LLC provides the department with a copy of a determination of non-significance or final environmental impact statement pertaining to the site for the hospital, the department will issue a Certificate of Need for the project with the following conditions.

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<sup>1</sup> WAC 246-03-030(4)

and reduce the hospital's licensed beds by 20. Breakdowns of the beds at Olympia Behavioral Health and Providence St Peter Hospital following project completion are shown below.

**Olympia Behavioral Health  
Psychiatric Beds**

<b>Source</b>	<b>Total # of Beds</b>
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**Conditions**

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2. Prior to providing services at the hospital, Olympia Behavioral Health will submit a copy of the adopted and approved Admission Policy for review and approval.
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13. The hospital shall maintain records documenting the following:

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- Number of ITA patients admitted;
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**Approved Costs:**

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Send your written response to the Certificate of Need Program, at one of the following addresses.

Mailing Address:

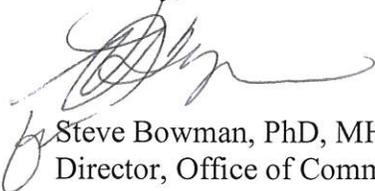
Department of Health  
Certificate of Need Program  
Mail Stop 47852  
Olympia, WA 98504-7852

Physical Address:

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

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,



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



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

December 20, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 0792

Medrice Coluccio, Chief Executive  
Providence Health & Services dba  
Providence St. Peter Hospital  
413 Lilly Road Northeast  
Olympia, Washington 98506

RE: Certificate of Need Application #16-40

Dear Ms. Coluccio:

Thank you for your letter dated December 19, 2017 agreeing to the conditions on your joint Certificate of Need (CN) application to construct an 85-bed psychiatric hospital.

Because of the size of the construction project, the Department may not issue a CN until it receives a copy of the approved Conditional Use Permit.<sup>1</sup> However, the department may commit to issue the Certificate of Need. This letter serves as that "Intent to Issue" a Certificate of Need. The date of this letter starts the 28 day time period for requesting appeals unless otherwise specified in rule.<sup>2</sup>

The "Intent to Issue" commitment for this project is not approval for any other local, federal, or state statutes, rules, or regulations. The 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.

Once issued, 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.

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

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<sup>1</sup> WAC 246-03-030(4)

<sup>2</sup> WAC 246-310-560 and WAC 246-310-610

Medrice Coluccio, Chief Executive  
Providence Health & Services dba  
Providence St. Peter Hospital  
CN Application #16-40  
December 20, 2017  
Page 2 of 2

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,

A handwritten signature in blue ink, appearing to read "S. Bowman", written over a horizontal line.

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



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH  
*Olympia, Washington 98504*

December 20, 2017

CERTIFIED MAIL # 7016 3010 0001 0575 0785

Ron Escarda, Executive Officer  
BHC Fairfax Hospital, Inc.  
10200 Northeast 132<sup>nd</sup> Street  
Kirkland, Washington 98034

RE: Certificate of Need Application #16-40

Dear Mr. Escarda:

Thank you for your letter dated December 19, 2017 agreeing to the conditions on your joint Certificate of Need (CN) application to construct an 85-bed psychiatric hospital.

Because of the size of the construction project, the Department may not issue a CN until it receives a copy of the approved Conditional Use Permit.<sup>1</sup> However, the department may commit to issue the Certificate of Need. This letter serves as that "Intent to Issue" a Certificate of Need. The date of this letter starts the 28 day time period for requesting appeals unless otherwise specified in rule.<sup>2</sup>

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<sup>1</sup> WAC 246-03-030(4)

<sup>2</sup> WAC 246-310-560 and WAC 246-310-610

Ron Escarda, Executive Officer  
BHC Fairfax Hospital, Inc.  
CN Application #16-40  
December 20, 2017  
Page 2 of 2

If you have any questions, or would like to arrange for a meeting to discuss our decision, please contact Janis Sigman with the Certificate of Need Program at (360) 236-2955.

Sincerely,

A handwritten signature in blue ink, appearing to read "S Bowman", written in a cursive style.

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

**SETTLEMENT AND RELEASE OF ALL CLAIMS  
RELATED TO CERTIFICATE OF NEED APPLICATIONS**

**I. INTRODUCTION**

**1.1** This Settlement Agreement (Agreement) is entered into by the following Parties:

- (a) Washington State Department of Health (the Department);
- (b) US HealthVest, LLC, a Delaware limited liability company;
- (c) Vest Thurston, LLC, a Delaware limited liability company and fully-owned subsidiary of US HealthVest, LLC;
- (d) Universal Health Services, Inc. (UHS), a Delaware corporation;
- (e) BHC Fairfax Hospital, Inc. (Fairfax), a Tennessee corporation owned by Universal Health Services, Inc.;
- (f) Providence Health & Services–Washington (Providence), a Washington nonprofit corporation; and,
- (g) Olympia Behavioral Health LLC (OBH), a Washington limited liability company operated as a joint venture between BHC Fairfax Hospital, Inc. and Providence Health and Services–Washington.

**1.2** US HealthVest, LLC and Vest Thurston, LLC are collectively referred to as HealthVest. HealthVest, Fairfax, Providence, UHS, OBH and the Department are referred to collectively as “the Parties”.

**II. RECITALS**

**2.1** Whereas, on July 13, 2016, the Department issued CN # 1580 to HealthVest to establish a 75-bed psychiatric hospital in Lacey, Washington (herein called the “HealthVest 75 Bed CN”). Providence requested an adjudicative proceeding to contest the issuance of the 75 Bed CN. An adjudicative hearing was held on December 5, 6, and 7, 2016. The issuance of the 75 Bed CN was upheld in an Initial Order issued May 9, 2017; and again in the Department’s Final Order issued October 31, 2017. On November 29, 2017, Providence petitioned for judicial review of the Final Order in Thurston County Superior Court at Docket Number 17-2-06272-34 (herein called the “Superior Court Action”);

**2.2** Whereas, on December 22, 2016, HealthVest filed an application for a certificate of need to expand by 40 beds its approved psychiatric hospital in Lacey, Washington, for a total of 115 beds, designated application CN17-22 (herein called the “HealthVest 40 Bed Application”). On October 6, 2017, the Department declared a pivotal unresolved issue in that application. Fairfax, Providence, and OBH each submitted public comments, both before and after the Department’s declaration of a pivotal unresolved issue, in opposition to the 40-Bed Application;

**2.3** Whereas, on June 21, 2016, Fairfax, Providence, and OBH filed an application for a certificate of need to establish an 85-bed psychiatric hospital in Lacey, Washington, designated application CN16-40 (herein called the “OBH 85 Bed Application”). A portion of the beds for the proposed new hospital would replace the inpatient psychiatric beds currently operated by

Providence at Providence St. Peter Hospital in Olympia. On April 24, 2017, the Department issued an evaluation denying the 85 Bed Application. OBH requested a public hearing on reconsideration, which was denied. OBH requested adjudicative proceedings to contest both the initial application denial and the denial of reconsideration; the two hearing requests were consolidated, and HealthVest was permitted to intervene;

**2.4** Whereas, the Parties wish to come to agreement regarding the objections and appeals now pending concerning the HealthVest 75 Bed CN, the HealthVest 40 Bed Application and the OBH 85 Bed Application, in an effort to expedite the construction of desperately needed in-patient psychiatric hospital beds in the planning area; and,

**2.5** Whereas the Parties now desire to resolve all matters between them relating in any way to CN # 1580, CN # 1580A (as described in Section 3.1(d) below), CN16-40, and/or CN17-22; all appeals resulting from those certificates and applications; and any other legal or regulatory matter related to the construction and/or establishment of the OBH hospital in Lacey and/or the HealthVest hospital in Lacey;

The Parties now enter into the following Agreement.

### **III. AGREEMENT**

**3.1** In consideration of HealthVest's agreement to reduce from 40 to 33 the number of psychiatric beds requested in the HealthVest 40 Bed Application; in consideration of the Department's agreement to grant a certificate of need for the establishment of an 85 bed psychiatric hospital in the OBH 85 Bed Application; in consideration of HealthVest's agreement to withdraw its objections to the OBH 85 Bed Application, to cooperate in the settlement and dismissal of Master Case Nos. M2017-544 and M2017-740, and not to bring any related actions or appeals; and to avoid the uncertainty, burden, inconvenience, distraction and expense of further legal or other proceedings in connection with or related to these matters, **Providence** will:

- a)** Permanently close its existing 20 psychiatric hospital beds at Providence St. Peter Hospital in Olympia upon the opening of the new 85-bed OBH hospital;
- b)** Voluntarily dismiss with prejudice its appeal in the Superior Court Action;
- c)** Waive and forego any further proceedings contesting the issuance of the HealthVest 75-Bed CN;
- d)** Waive and forego any proceedings contesting the Department's issuance of amended CN # 1580A eliminating the condition for HealthVest to partially fund its project with the now-expired Department of Commerce grant;
- e)** Withdraw its objections and waive any further proceedings contesting the HealthVest 40 Bed Application and the issuance of a 33-bed certificate of need to HealthVest;

f) Waive any opportunity to comment on the proposed settlement between the Department and HealthVest under RCW 70.38.115(10)(c) and WAC 246-310-610(4); and,

g) Otherwise waive and forego any other legal objection, appeal, or other interference with any permit, license, or other approval by any government entity or accreditation group in connection with HealthVest's construction and establishment of a 108-bed psychiatric hospital in Lacey, Washington, pursuant to the terms of this Agreement.

**3.2** In consideration of HealthVest's agreement to reduce from 40 to 33 the number of psychiatric beds requested in the HealthVest 40 Bed Application; in consideration of the Department's agreement to grant a certificate of need for the establishment of an 85 bed psychiatric hospital in the OBH 85 Bed Application; in consideration of HealthVest's agreement to withdraw its objections to the OBH 85 Bed Application, to cooperate in the settlement and dismissal of Master Case Nos. M2017-544 and M2017-740, and not to bring any related actions or appeals; and to avoid the uncertainty, burden, inconvenience, distraction and expense of further legal or other proceedings in connection with or related to these matters, **UHS and Fairfax** will:

a) Waive and forego any objection or appeal contesting the issuance of the HealthVest 75 Bed CN or Providence's settlement of its claims regarding that issuance;

b) Waive and forego any proceedings contesting the Department's issuance of amended CN # 1580A eliminating the condition for HealthVest to partially fund its project with the now-expired Department of Commerce grant;

c) Withdraw its objections and waive any further proceedings contesting the HealthVest 40 Bed Application and the issuance of a 33-bed certificate of need to HealthVest;

d) Waive any opportunity to comment on the proposed settlement between the Department and HealthVest under RCW 70.38.115(10)(c) and WAC 246-310-610(4); and,

e) Otherwise waive and forego any other objection, appeal, or other interference with any permit, license, or other approval by any government entity or accreditation group in connection with HealthVest's construction and establishment of a 108-bed psychiatric hospital in Lacey, Washington, pursuant to the terms of this Agreement.

**3.3** In consideration of HealthVest's agreement to reduce from 40 to 33 the number of psychiatric beds requested in the HealthVest 40 Bed Application; in consideration of the Department's agreement to grant a certificate of need for the establishment of an 85 bed psychiatric hospital in the OBH 85 Bed Application; in consideration of HealthVest's agreement to withdraw its objections to the OBH 85 Bed Application, to cooperate in the settlement and dismissal of Master Case Nos. M2017-544 and M2017-740, and not to bring any related actions

or appeals; and to avoid the uncertainty, burden, inconvenience, distraction and expense of further legal or other proceedings in connection with or related to these matters, **OBH** will:

- a) Submit to the Department information necessary to clarify the OBH 85 Bed Application, as set forth in Paragraph 3.7;
- b) Not admit any patient to its new psychiatric hospital in Lacey, Washington earlier than sixteen months after the date of this Agreement;
- c) Waive and forego any objection or appeal contesting the issuance of the HealthVest 75 Bed CN or Providence's settlement of its claims regarding that issuance;
- d) Waive and forego any proceedings contesting the Department's issuance of amended CN # 1580A eliminating the condition for HealthVest to partially fund its project with the now-expired Department of Commerce grant;
- e) Withdraw its objections and waive any further proceedings contesting the HealthVest 40 Bed Application and the issuance of a 33-bed certificate of need to HealthVest;
- f) Waive any opportunity to comment on the proposed settlement between the Department and HealthVest under RCW 70.38.115(10)(c) and WAC 246-310-610(4); and,
- g) Otherwise waive and forego any other objection, appeal, or other interference with any permit, license, or other approval by any government entity or accreditation group in connection with HealthVest's construction and establishment of a 108-bed psychiatric hospital in Lacey, Washington, pursuant to the terms of this Agreement.

**3.4** In consideration of the Department's agreement to grant a certificate of need for 33 psychiatric beds in the HealthVest 40 Bed Application; in consideration of the Department's agreement to issue an amended CN # 1580A eliminating the condition for HealthVest to partially fund its project with the now-expired Department of Commerce grant, and the agreement of Providence, Fairfax, and OBH to bring no objection or appeal to CN # 1580A; in consideration of Providence's agreement to permanently close its existing psychiatric hospital beds at Providence St. Peter Hospital in Olympia upon the opening of the new 85-bed OBH hospital; in consideration of Providence's agreement to withdraw and dismiss its appeal of the HealthVest 75 Bed CN and not to bring any related actions or appeals; in consideration of the individual and collective agreements of Providence, Fairfax, and OBH to withdraw all objections to the HealthVest 40 Bed Application and not to bring any related actions or appeals; and to avoid the uncertainty, burden, inconvenience, distraction and expense of further legal or other proceedings in connection with or related to these matters, **HealthVest** will:

- a) Withdraw its objections and waive any further proceedings contesting the OBH 85 Bed Application and the issuance of an 85-bed certificate of need to OBH;
- b) Cooperate in the dismissal of Master Case Nos. M2017-544 and M2017-740;

c) Waive any opportunity to comment on the proposed settlement between the Department and Providence, Fairfax, and/or OBH under RCW 70.38.115(10)(c) and WAC 246-310-610(4); and,

d) Otherwise waive and forego any other objection, appeal, or other interference with any permit, license, or other approval by any government entity or accreditation group in connection with OBH's construction and establishment of an 85-bed psychiatric hospital in Lacey, Washington, pursuant to the terms of this Agreement.

**3.5** To avoid the uncertainty, burden, inconvenience, distraction and expense of further legal or other proceedings in connection with or related to these matters, and to ensure the public interest is served through the timely development and operation of inpatient psychiatric hospital services in Thurston County, **the Department** will support, approve and accept the decisions of Providence, Fairfax, OBH, and HealthVest to dismiss their respective appeals and withdraw their respective objections pursuant to the terms of this Agreement; and take the actions set forth below.

**3.6** The Parties agree that each of the certificates of need issued to OBH and HealthVest in Thurston County will contain the following conditions regarding patients civilly detained under the Involuntary Treatment Act:

So long as the state desires to contract with the facility for providing care to Involuntary Treatment Act (ITA) patients, [the CN holder] will contract with the state to provide that care. An ITA referral may only be rejected if there are no beds available at [the facility] at the time of referral or if such referral is clinically inappropriate.

On an annual, calendar year basis, at least 20% of the hospital's inpatient admissions shall be ITA patients. The Department of Health may hereinafter set a lower percentage of ITA admissions on a statewide basis.

The hospital shall maintain records documenting the following:

- Number of ITA patient referrals;
- Number of ITA patients admitted;
- Annual ITA admissions as a percentage of total hospital admissions; and,
- Reason for not accepting each declined ITA patient.

These records shall be provided to the Department on a semi-annual basis.

**3.7** As of the execution of this Agreement, OBH has submitted to the Department information necessary to clarify the OBH 85 Bed Application.

**3.8** Within seven business days from the execution of this Agreement, the Department agrees to complete its review of the information referenced in Paragraph 3.7. Following such review and by no later than January 2, 2018, the Department will issue a conditional approval of the OBH 85 Bed Application in the amount of 85 psychiatric beds. Upon OBH's acceptance of all conditions, the Department will issue an "Intent to Issue" a certificate of need to OBH for the establishment of an 85 bed psychiatric hospital. Provided, however, that issuance of an "Intent to

Issue” a certificate of need and subsequent certificate of need under this Agreement is not relevant to or a basis for any future certificate of need decisions or settlements.

**3.9** Concurrent with the issuance of the conditional approval described in Paragraph 3.8, the Department agrees to issue amended CN # 1580A affirming HealthVest’s 75 bed certificate of need, eliminating the condition for HealthVest to partially fund its project with the now-expired Department of Commerce grant and incorporating the condition regarding Involuntary Treatment Act patients as set forth in Paragraph 3.6. A draft of CN # 1580A is attached to this Agreement as Attachment 1. The Parties agree that the issuance of CN # 1580A will render null and void CN # 1580. Provided, however, that issuance of an amended certificate of need under this agreement is not relevant to or a basis for any future certificate of need decisions or settlements.

**3.10** Concurrent with the issuance of the conditional approval described in Paragraph 3.8, the Department agrees to issue an evaluation conditionally approving the HealthVest 40 Bed Application in the amount of 33 inpatient psychiatric beds, on conditions substantially similar to those imposed in CN # 1580A. Upon HealthVest’s acceptance of all conditions, the Department will issue a new certificate of need to HealthVest for 33 additional inpatient psychiatric beds at its previously-approved South Sound Behavioral Hospital. The Department agrees that it shall not be a condition of HealthVest’s 33-bed certificate of need that those 33 beds be commenced, constructed, or opened on a phased basis separate from the commencement, construction, and opening of HealthVest’s 75-bed certificate of need. Provided, however, that issuance of a certificate of need under this Agreement is not relevant to or a basis for any future certificate of need decisions or settlements.

**3.11** HealthVest agrees to accept the Department’s reduction from 40 to 33 of the number of beds to be approved under its application CN17-22.

**3.12** Within five business days following the Department’s issuance of the Intent to Issue described in Paragraph 3.8, Providence, Fairfax, and OBH individually and collectively agree to move to dismiss with prejudice the following proceedings challenging the Department’s denial of CN16-40:

*In re: Certificate of Need Application of Providence Health & Services—WA d/b/a/ Providence St. Peter Hospital and BHC Fairfax Hospital Inc. to Establish a Psychiatric Hospital in Thurston County, Olympia Behavior Health LLC, BHC Fairfax Hospital, Inc., and Providence Health and Services—WA, Petitioners.*  
Adjudicative Service Unit Nos. M2017-544 and M2017-740 (consolidated)

**3.13** Within five business days following the dismissal of the proceedings identified in Paragraph 3.12, Providence agrees to move to dismiss with prejudice the following case challenging the Department’s approval of CN #1580:

*Providence Health & Services—Washington d/b/a Providence St. Peter Hospital v. Department of Health of the State of Washington, et al.*  
Thurston County Superior Court No. 17-2-06272-34

**3.14** The Parties each agree to bear their own attorneys' fees and costs, and the Parties each agree not to seek costs or attorneys' fees incurred in any of the above-mentioned matters.

**3.15** Following dismissal of the cases identified in Paragraphs 3.12 and 3.13 of this Agreement, HealthVest, Providence, UHS, Fairfax, and OBH each agree not to dispute, either through litigation or otherwise, any of the determinations made by the Department in the evaluation and approval of CN # 1580, CN # 1580A, CN16-40, and/or CN17-22.

**3.16** Following dismissal of the cases identified in Paragraphs 3.12 and 3.13 of this Agreement, HealthVest further agrees not to dispute, either through litigation or otherwise, any additional legal or regulatory review or approval sought and/or received by OBH in relation to the establishment of an 85-bed psychiatric hospital in Lacey under the certificate of need issued on application CN16-40, including but not limited to land use, environmental review, building permits and/or other entitlements, licensure, and/or certification issues.

**3.17** Following dismissal of the cases identified in Paragraphs 3.12 and 3.13 of this Agreement, Providence, UHS, Fairfax, and OBH further agree, individually and collectively, not to dispute, either through litigation or otherwise, any additional legal or regulatory review or approval sought and/or received by HealthVest in relation to the establishment of a 108-bed psychiatric hospital in Lacey under CN # 1580A and the certificate of need issued on application CN17-22, including but not limited to land use, environmental review, building permits and/or other entitlements, licensure, and/or certification issues.

**3.18** Settlement of these matters shall not be construed as an admission on the part of any of the Parties as to the relative merits of any other Party's position in these matters.

**3.19** This Agreement is proposed by the Parties and shall not be construed in favor of, or against, any party.

**3.20** This Agreement represents the entire understanding of the Parties with regard to the subject matter addressed by this Agreement, and fully and finally settles all disputes, claims, and allegations among the Parties regarding the HealthVest project to establish a psychiatric hospital in Lacey, Washington, and regarding the OBH project to establish a psychiatric hospital in Lacey, Washington.

**3.21** This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns.

**3.22** This Agreement shall be construed, governed, and enforced in accordance with the laws of the State of Washington.

**3.23** The individuals signing below represent and warrant that they have the requisite authority to bind the entities on whose behalf they are signing.

**3.24** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute one and the same instrument.

**3.25** The Parties agree that in the event of a disagreement over the terms or conditions of this Agreement, the parties shall arbitrate the dispute. Judicial Dispute Resolution, LLC and Larry Jordan shall serve as the arbitrator in the event of an arbitration. The Department will not be responsible for any of the costs of the arbitration.

[REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK.]

IV. SIGNATURES

Each individual signing this document on behalf of each respective Party represents that he or she is authorized to bind that respective Party to this Agreement.

Dated this 11th day of December, 2017.

US HEALTHVEST, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
Dr. Richard Kresch  
Chief Executive Officer

UNIVERSAL HEALTH SERVICES, INC.  
a Delaware corporation

By: \_\_\_\_\_  
Debra K. Osteen  
Executive Vice President and President  
Behavioral Health Division

VEST THURSTON, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
Its Sole Member, US HealthVest, LLC  
Dr. Richard Kresch  
Managing Member

BHC FAIRFAX HOSPITAL, INC.  
a Tennessee corporation

By: \_\_\_\_\_  
Ron Escarda  
Chief Executive Officer

WASHINGTON STATE DEPARTMENT OF  
HEALTH  
an agency of the State of Washington

By:  \_\_\_\_\_  
Nancy Tyson  
Executive Director, Health and Facilities  
and Certificate of Need

PROVIDENCE HEALTH & SERVICES-  
WASHINGTON  
a Washington corporation

By: \_\_\_\_\_  
Medrice Coluccio  
Chief Executive, Providence Health &  
Services-Southwest Washington

OLYMPIA BEHAVIORAL HEALTH LLC  
a Washington limited liability company

By: \_\_\_\_\_  
Its Sole Member, BHC Fairfax Hospital, Inc.  
Ron Escarda  
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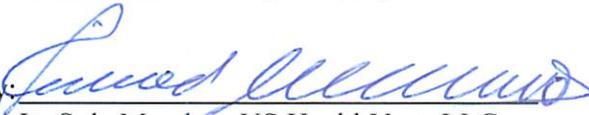
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Ron Escarda  
Chief Executive Officer

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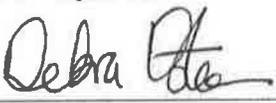
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UNIVERSAL HEALTH SERVICES, INC.  
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By:  \_\_\_\_\_  
Debra Osteen  
Executive Vice President and President  
Behavioral Health Division

VEST THURSTON, LLC  
a Delaware limited liability company  
By: US HealthVest, LLC, its sole member

By: \_\_\_\_\_  
Dr. Richard Kresch  
Managing Member

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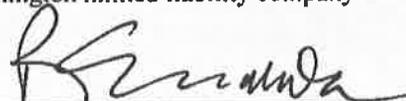
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**PROVIDENCE HEALTH & SERVICES- WASHINGTON**  
a Washington corporation

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Nancy Tyson  
Executive Director, Health and Facilities  
and Certificate of Need

By: \_\_\_\_\_  
Medrice Coluccio  
Chief Executive, Providence Health &  
Services-Southwest Washington

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Dated this 11th day of December, 2017.

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a Washington limited liability company

By: \_\_\_\_\_  
Its Sole Member, BHC Fairfax Hospital, Inc.  
Ron Escarda  
Chief Executive Officer



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 #1580A is issued to:**

**Legal Name of Applicant:** US HealthVest, LLC  
**Address of Applicant:** 32 East 57<sup>th</sup> Street, 17<sup>th</sup> Floor, New York, New York 10022  
**Type of Service:** Psychiatric Hospital  
**Facility Name:** Vest Thurston, LLC dba South Sound Behavioral Health Hospital  
**Facility Address:** 605 Woodland Square SE, Lacey WA 98503

**ISSUANCE OF THIS CERTIFICATE OF NEED IS BASED ON THE DEPARTMENT’S RECORD, EVALUATION DATED JULY 5, 2016 (CN App #16-23), AND SETTLEMENT AGREEMENT DATED , 2017**

**Project Description**

This certificate approves the construction of a 75-bed psychiatric hospital to be located in Lacey, within Thurston County. The hospital would provide a full range of psychiatric services for patients five years of age and older. These services include inpatient services, involuntary treatment services, day hospital/partial hospitalization, and intensive outpatient services as well as substance abuse treatment. Programs to be provided include adult psychiatric, active-duty military, extra mile veteran care, women’s, dual diagnosis, geriatric, faith-based mental health and chemical dependency, child/adolescent, pain management, and mother-infant. The number of approved beds is summarized below.

	<b>Number of Beds</b>
Beds dedicated for patients ages 5 to 17 (child/adolescent)	10
Beds dedicated to patients age 18 and older (adult) beds	65
<b>Total Licensed Beds</b>	<b>75</b>

**Service Area**  
Thurston

**Conditions**

Conditions identified on pages two and three

**Approved Capital Expenditure**

The approved estimated capital expenditure for this project is \$18,391,800

This Certificate authorizes commencement of the project from **July 13, 2016** to **July 13, 2018** unless extended, withdrawn, suspended, or revoked in accordance with applicable sections of the Certificate of Need law and regulations.

Date Certificate Issued: , 2017

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

**This Certificate is not transferable**

**Certificate of Need #1580A- Page 2**  
**Conditions**

1. Approval of the project description as stated above. US HealthVest, LLC 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. Prior to providing services at the hospital, US HealthVest, LLC will submit a copy of the adopted and approved Admission Policy for review and approval.
3. Prior to providing services at the hospital, US HealthVest, LLC will submit a copy of the adopted Charity Care Policy approved by the Department of Health's Charity Care Program in the Office of Community Health Systems.
4. The new 75-bed psychiatric hospital will provide charity care in compliance with its final charity care policies reviewed and approved by the Department of Health, or any subsequent policies reviewed and approved by the Department of Health. The new 75-bed psychiatric hospital 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 Southwest Region. Currently, this amount is 3.42% of gross revenue and 8.62% of adjusted revenue. The psychiatric hospital will maintain records documenting the amount of charity care provided and demonstrating its compliance with its charity care policies.
5. Annual budgets, as required by WAC 246-454-030, submitted by the new 75-bed psychiatric hospital must include budgeted charity care amounts of at least the regional average amount of charity care provided by hospitals in the Southwest Region.
6. US HealthVest, LLC will finance this project using corporation reserves.
7. Prior to commencement of the project, US HealthVest, LLC will submit to the department for review and approval an executed Lease Agreement between Vest Thurston Realty, LLC and DM Ventures Woodland, LLC for the site. The executed lease must be consistent with the draft reviewed by the department.
8. Prior to providing services, US HealthVest, LLC will provide a copy of the executed intercompany "lease" between Vest Thurston Realty, LLC and Vest Thurston, LLC. No intercompany lease fees are to be included.
9. Prior to providing services at the hospital, US HealthVest, LLC will submit to the department for review and approval a listing of key staff for the hospital. Key staff includes all credentialed or licensed management staff, including the director of nursing and medical director.
10. Prior to providing services at the hospital, US HealthVest, LLC will submit to the department for review and approval a final listing of ancillary and support vendors for the 75-bed psychiatric hospital.
11. Prior to commencement of the project, US HealthVest, LLC will submit to the department for review and approval an executed Transfer Agreement. The executed Transfer Agreement must be consistent with the draft reviewed by the department.
12. So long as the state desires to contract with the facility for providing care to Involuntary Treatment Act (ITA) patients, US HealthVest, LLC will contract with the state to provide that care. An ITA referral may only be rejected if there are no beds available at US HealthVest, LLC at the time of referral or if such referral is clinically inappropriate.
13. On an annual, calendar year basis, at least 20% of the hospital's inpatient admissions shall be ITA patients. The Department may hereinafter set a lower percentage of ITA admissions on a statewide basis.

**Certificate of Need #1580A- Page 3**  
**Conditions**

14. The hospital shall maintain records documenting the following:

- Number of ITA patient referrals;
- Number of ITA patients admitted;
- Annual ITA admissions as a percentage of total hospital admissions; and,
- Reason for not accepting each declined ITA patient.

These records shall be provided to the department on a semi-annual basis.

DRAFT