MultiCare Health System
820 A Street, Tacoma, WA 98402
PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

July 26, 2021

RECEIVED
By CERTIFICATE OF NEED PROGRAM at 5:19 pm, Jul 26, 2021

CN22-01

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

Re: Certificate of Need Application for the Proposed Purchase of the Real Property where MultiCare Capital Medical Center Operates in Olympia Washington

Dear Mr. Hernandez:

On behalf of MultiCare Health System "MultiCare"), I am pleased to provide a certificate of need ("CN") application for the proposed purchase of MultiCare Capital Medical Center Property from MPT of Olympia-Capella LLC ("MPT") (the Proposed Transaction). The real property and improvements are located in the City of Olympia where MultiCare Capital Medical Center operates. The real property where MultiCare Capital Center operates is owned by MPT. This change in the ownership of the hospital's real property will allow MultiCare to have integrated and coordinated control over both the real property and improvements and operations of MultiCare Capital Medical Center. This integration will enable efficient operations and coordinated long-range planning by MultiCare.

MultiCare is a locally governed, not-for-profit, integrated health system that owns and operates Tacoma General Hospital, Allenmore Hospital, Good Samaritan Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital, Valley Hospital, and the Pierce County area's largest network of primary care and specialty clinics.

Thank you for your support. Please contact me if you have any questions. I can be reached at 253.403.8771 or e.kobberstad@multicare.org

Sincerely,

K. Erin Kobberstad

K. Erin Kobberstad
Executive Director, Strategic Planning
MultiCare Health System

Washington State Department of Health

Certificate of Need Program
P.O. Box 47852
Olympia, Washington 98502-7852

Official Use Only-Date Received:

Application for Certificate of Need
Purchase of Part or All of a Hospital

(Do Not Use this form for any other type of hospital project)

To be accepted Certificate of Need applications must include the appropriate fee (WAC 246-310-990.)

This is an application for a Certificate of Need under state law and rules. (RCW Chapter 70.38 and WAC 246-310). I hereby certify that the statements in this application are correct to the best of my knowledge and belief. I understand that any misrepresentation, misleading statements, evasion, or suppression of material fact in this application may be used to take actions identified in WAC 246-310-500.

My signature authorizes the Department of Health to verify any responses provided. The department will use such information as appropriate to further program purposes. The department may disclose this information when requested by a third party to the extent allowed by law.

Applicants(s)

Seller (Owner):	**Purchaser (Operator):**
Legal Name of Seller: MPT of Olympia-Capella, LLC	Legal Name of Purchaser: MultiCare Health System
Address of Seller: 1000 Urban Center Drive, Suite 501 Birmingham, Alabama 35242	Address of Purchaser: 820 A Street Tacoma, WA 98402
Name and Title of Responsible Officer: **(Print)** R. Steven Hamner Executive Vice President & Chief Financial Officer	Name and Title of Responsible Officer: **(Print)** K. Erin Kobberstad Executive Director, Strategic Planning
Signature of Responsible Officer R. Steven Hamner	Signature of Responsible Officer K. Erin Kobberstad
Date: 7/26/2021	Date: 7/26/2021
Telephone: 205.969.3755	Telephone: 253.403.8771

Current Ownership Type:	Purchaser Type:
☐ District	☐ District
☐ Private Non-Profit	☒ Private Non-Profit
☒ Proprietary - Corporation	☐ Proprietary - Corporation
☐ Proprietary - Individual	☐ Proprietary - Individual
☐ Proprietary - Partnership	☐ Proprietary - Partnership
☐ State or County	☐ State or County

Project Description Summary:

The real property and improvements located in the City of Olympia where Capital Medical Center operates (the Capital Medical Center Property) is owned by MPT of Olympia-Capella, LLC (MPT). MultiCare Health System proposes to purchase the Capital Medical Center Property from MPT (the Proposed Transaction).

Estimated Capital Expenditure as defined in WAC 246-310-010(10): $135,000,000.

Intended Project Start Date: Immediately following CN approval (Estimated November 2021)
Intended Project Completion Date: Immediately following CN approval (Estimated November 2021)

Application Contacts:

Primary:

Name:	K. Erin Kobberstad
Title:	Executive Director, Strategic Planning MultiCare Health System
Address:	820 A Street Tacoma, WA 98402
Phone:	253.403.8771

Financial Projections/Statements

Name:	Ms. Jennifer Weldon, MBA Chief Financial Officer
Title:	MultiCare Capital Medical Center
Address:	3900 Capital mall Dr. SW Olympia WA 98502
Phone:	360.956.3526

Other:

Role/Title:	Certificate of Need Consultant
Name:	Frank Fox, PhD.
Address:	511 NW 162nd St, Shoreline, WA 98177
Phone:	206.366.1550

Application Instructions
Purchase of Part or All of a Hospital

The department will use the information in your application to determine if your project meets the applicable review criteria. These criteria are included in state law and rules. (RCW 78.38.115, WAC 246-310-210, WAC 246-310-220, WAC 246-310-230, and WAC 246-310-240.)

General Instructions:

- Include a table of contents for major application sections and appendices
- Number **all** pages consecutively
- **Do not** bind or 3-hole punch the application
- Make the narrative information complete and to the point
- Cite all data sources
- Provide copies of articles, studies, etc., cited in the application
- Place extensive supporting data in an appendix
- Provide detailed descriptions of assumptions used for **all** projections
- Use **non-inflated** dollars for **all** cost projections
- **Do not** include a general inflation rate for these dollar amounts.
- **Do** include current contract cost increases such as union contract staff salary increases. You must identify each contractual increase in the description of assumptions in the application
- **Do not** include a capital expenditure contingency

Application Submission:

Number of Copies:

- Submit an **original, one copy, and an electronic (pdf) version**
- All subsequent submissions associated with this application must be submitted with an **original, one copy and an electronic (pdf) version**.

To be accepted, the application must include:

- A completed and signed Certificate of Need application face sheet
- The review fee of **$40,470**. Make check payable to ***Department of Health***

Send application to:

Mailing Address:

Department of Health
Certificate of Need Program
P O Box 47852
Olympia, Washington 98504-7852

Physical Address:

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

If you have questions, call (360) 236-2955

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Introduction and Project Rationale

MultiCare Health System

MultiCare Health System ("MultiCare") is a locally governed, not-for-profit, integrated health system that owns and operates Tacoma General Hospital, Allenmore Hospital, Good Samaritan Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Deaconess Hospital, Valley Hospital, and the Pierce County area's largest network of primary care and specialty clinics. As of April 1, 2021, MultiCare acquired CCMC LP, the legal entity that operates Capital Medical Center in Olympia, WA, currently renamed to MultiCare Capital Medical Center.

MPT of Olympia-Capella, LLC (MPT)

MPT owns the real property and improvements where MultiCare Capital Medical Center operates. MPT is an indirect, wholly-owned subsidiary of Medical Properties Trust, Inc., which is a real estate investment trust (REIT) which in 2016 purchased the land and buildings from CCMC LP for $100 million to provide it financial liquidity.[1]

[1] See Department Evaluation of CN App #16-21. CN1577.

I. Applicant Description

"Applicant" means:
a. Any person proposing to engage in any undertaking subject to review under chapter 70.38 RCW

OR

b. Any person or individual with a 10 percent or greater financial interest in a partnership or corporation or other comparable legal entity engaging in any undertaking subject to review under provisions of RCW 70.38.

"Person" means an individual, a trust or estate, a partnership, a corporation (including associations, joint stock companies, and insurance companies), the state, or a political subdivision or instrumentality of the state, including a municipal corporation or a hospital district. WAC 246-310-010(42)

A. Applicant (Purchaser) Description

1. **Legal name(s) of purchaser(s)**

   MultiCare Health System

2. **Address of each purchaser(s)**

   820 A Street
   Tacoma, WA 98402

3. **Provide the following information about each owner**

   a. **Identify each person or individual with a <u>10 percent or greater financial interest</u> and the percent of financial interest.**

      This question is not applicable. MultiCare is a private non-profit entity and owns 100% of CCMC LP.

   b. **For out-of-state corporations or partnerships, provide proof of registration with Secretary of State, Corporations, Trademarks, and Limited Partnerships Division.**

      This question is not applicable.

   c. **Show relationship to any organization as described in 42 CFR 413.17.**

      This question is not applicable. Please see Exhibit 1 for an organizational chart of MultiCare.

   d. **Provide a chart showing organizational relationship to any related organizations as described in 42 CFR 413.17. 1**

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

4. **Is the applicant currently reimbursed by Medicare for services?**

   Yes, the applicant is currently reimbursed by Medicare for health services. The acquired facility will continue to be reimbursed by Medicare.

5. **If no to question 4, does the applicant propose to be reimbursed by Medicare for services?**

   This question is not applicable.

6. **Is the applicant currently reimbursed by Medicaid for services?**

   Yes, the applicant is currently reimbursed by Medicaid for health services. The acquired facility will continue to be reimbursed by Medicaid.

7. **If no to question 6, does the applicant propose to be reimbursed for services by Medicaid?**

   This question is not applicable.

8. **List the following for each Washington and out-of-state health care facility owned or managed by the applicant or related party:**

   a. Name
   b. Address
   c. Medicare provider number
   d. Medicaid provider number
   e. Specify whether facility is owned or managed.

Table 1. MultiCare Health System Facility List

Name	Address	Medicare Provider Number	Medicaid Provider Number	Owned or Managed
MultiCare Mary Bridge Children's Hospital	311 Martin Luther King Jr. Way, Tacoma WA 98403	503301	3300340	Owned
MultiCare Auburn Medical Center	202 North Division St., Auburn WA 98001	500015	2022467	Owned
MultiCare Behavioral Health - Auburn Medical Center	202 North Division St., Auburn WA 98001	50-S015	3149101	Owned
MultiCare Deaconess Hospital	800 West 5th Ave Spokane, WA 99204	500044	2083493	Owned
MultiCare Valley Hospital	12606 East Mission Ave. Spokane Valley 99216	500119	2083494	Owned
MultiCare Covington Medical Center	17700 SE 272nd St, Covington, WA, 98042	500154	2102039	
MultiCare Tacoma General Hospital	315 Martin Luther King Jr. Way, Tacoma WA 98405	500129	3300332	Owned
MultiCare Tacoma General Behavioral Health Adolescent Inpatient Services	315 Martin Luther King Jr Way, Tacoma, WA, 98405	50-0129	2071315	Owned
MultiCare Allenmore Hospital (joint license with Tacoma General Hospital)	1901 S. Union Avenue, Tacoma WA 98405	500129	3300332	Owned
MultiCare Good Samaritan Hospital	407 14th Ave. SE Puyallup, WA 98372	500079	3308707	Owned

MultiCare Good Samaritan Hospital, Inpatient Rehabilitation	401 15th Ave. SE, Puyallup, WA 98372	50T079	3200094	Owned
NAVOS	2600 Southwest Holden, Seattle, WA 98126	504009	3500311	Owned
Wellfound Behavioral Health Hospital	3402 S. 19th Street, Tacoma, WA 98405	504016	150453	Owned
MultiCare Home Health, Hospice and Palliative Care	3901 S Fife St, Tacoma, WA, 98409	HH -507046; Hospice-501508	HH-1043537; Hospice-2012298	Owned
MultiCare Capital Medical Center	3900 Capital Mall Dr. SW, Olympia, WA 98502	500139	3300365	Owned

9. **For each out-of-state health care facility owned or managed by the applicant or related party, provide the following contact information for the state entity responsible for the licensing or certification of each facility.**

    a. **Entity Name**
    b. **Address**
    c. **Phone number**
    d. **Contact person**
    e. **Applicant or related party facility name**

    This question is not applicable.

10. **Provide a copy of the current Articles of Incorporation and Bylaws.**

    Please see Exhibit 2 for a copy of the current Articles of Incorporation and Bylaws.

11. **Provide a copy of the restated (draft) Articles of Incorporation and Bylaws.**

    Please see Exhibit 2 for a copy of the Articles of Incorporation and Bylaws.

II. General Information

A. Facility Information

1. Name of Facility to be purchased:

Capital Medical Center

Address:

3900 Capital Mall Dr SW

Olympia, WA 98502

2. Medicare Provider Number: 500139

3. Medicaid Provider Number: 3300365

B. Capacity and Service Information

1. **Provide the following Bed Capacity information:**

	Current	Proposed
a. 24 hr. assigned and set-up (general Medical/Surgical)	98	98
b. 24 hr. assignable-not set-up (general Medical/Surgical). These are spaces that meet licensure standards and the hospital has ready access to required movable equipment.	9	9
c. Dedicated or PPS exempt Psychiatric	-	-
d. Dedicated or PPS exempt Rehabilitation	-	-
e. Long Term Care/Nursing Home Beds	-	-
f. Neonatal Intermediate Care Nursery Level II		
g. Neonatal Intensive Care Nursery Level III		
h. Neonatal Intensive Care Nursery Level IV	-	-
Total Licensed Beds (sum of above)	**107**	**107**
Banked LTC/Nursing Home Beds	-	-
Swing Beds (as defined by Medicare-may also be included in a above)	-	-

4. Identify the primary geographic planning/service area currently served by this facility.

MultiCare Capital Medical Center is in Olympia, Washington within the Southwest Washington 10 Planning Area. Please see Exhibit 3 for the definition, by zip code, and map of the Planning Area.

5. Provide the following Scope of Service information:

Obstetrical/Medical/Surgical Services	Current	Proposed
Perinatal/Obstetrical Services		
Cesarean Section	☒	☒
NICU Level II	☐	☐
LDRP	☒	☒
NICU Level III	☐	☐
NICU Level IV	☐	☐

Critical Care	☒	☒
Pediatric	☐	☐
Emergency	☒	☒
Dialysis		
Acute	☐	☐
Diagnostic Services		
Cardiac Cath Lab	☒	☒
Endoscopy	☒	☒
Imaging	☒	☒
Laboratory	☒	☒
Other (list)	☐	☐
Therapeutic Services		
Cardiac Cath Lab	☒	☒
Endoscopy	☒	☒
Other (list)	☐	☐
Medical Services-Other (list)	☐	☐

Obstetrical/Medical/Surgical Services	Current	Proposed
Surgical Services		
Inpatient	☒	☒
Outpatient	☒	☒
Contracted Services (list) Healogics for Wound Care Services; Radia for Diagnostic Imaging; Envision for Anesthesia; SCP (formerly Schumacher) for Emergency Department Providers; Tacoma Valley Radiation Oncology for Radiation Oncology Service; and Alliance Imaging for Pet/CT.	☒	☒
Outpatient Services (list) See above list.	☒	☒
Mobile Services (list) See above list. Pet/CT is a contracted, mobile service.	☒	☒

Other services		
Dialysis		
Outpatient	☐	☐
Long Term Care/Nursing Home	☐	☐
Chemical Dependency		
Inpatient	☐	☐
Outpatient	☐	☐
Psychiatric	☐	☐
Rehabilitation	☐	☐

6. Provide the hospital's overall utilization for the last five years.

MultiCare assumed operations of MultiCare Capital Medical Center on April 1, 2021,[2] thus there is no historical utilization of the MultiCare Capital Medical Center. We nevertheless present the historical utilization in Table 2 of Capital Medical Center under prior operators.

Table 2: Capital Medical Center Historical Utilization

	2016	2017	2018	2019	2020
Inpatient Days	13,677	13,300	15,130	17,788	12,201
Outpatient Visits	69,509	67,527	70,113	74,790	61,900

[2] See Department Evaluation of DOR21-24.

III. General Project Description

1. Describe the proposed project.

MPT owns the Capital Medical Center Property and leases it to CCMC LP for its operation of Capital Medical Center (MPT Lease). As of April 1, 2021, CCMC LP is a subsidiary of MultiCare[3] and MultiCare proposes to purchase the Capital Medical Center Property from MPT.[4]

2. Projected utilization for the first three years of operation following project completion:

See Table 3 below for a utilization forecast for the first three years of operation following project completion. The methodology for the utilization forecast is provided in the assumptions worksheet within Exhibit 15.

Table 3: MultiCare Capital Medical Center Projected Utilization, 2021 to 2024

	2021	2022	2023	2024
Inpatient Days	12,933	13,968	14,666	15,106
Outpatient Visits	65,614	70,863	74,406	76,638

3. Percent of patient revenue, by payor source:

Table 4: MultiCare Capital Medical Center Current and Projected Payer Mix

Source of Revenue	Current Hospital Operations	Proposed Hospital Operations
Medicare	46.7%	45.8%
Medicaid	20.4%	20.5%
Private (no Insurance)	1.3%	1.3%
Insurance-Other	25.1%	25.8%
HMO	6.5%	6.5%
Other	46.7%	45.8%

4. **Total estimated capital expenditures**: $135,000,000

5. Source of financing for capital costs:

MultiCare will fund the proposed project out of its current reserves.

[3] See Department Evaluation of DOR21-24.

[4] As part of this transaction, MultiCare will assume the MPT Lease.

6. Timetable for implementing the proposed project. This information is used to monitor an approved project as required by WAC 246-310-590 and may be used for actions stated in WAC 246-310-600.

a. Month/Year 25% toward completion
b. Month/Year 50% toward completion
c. Month/Year 75% toward completion
d. **Month/Year project complete.**

The project will be implemented immediately after Certificate of Need approval is granted, expected in November 2021.

IV. Project Specific Criteria

Reminder: Follow application instructions on page 3 of this form

Need (WAC 246-310-210)

A. Community Need

1. **Describe the benefits, if any, to the community that will result from this purchase. This description must include the following:**
   a. **Access to care**
   b. **Availability of services**
   c. **Costs**
   d. **Quality of Care**

   This application proposes a change in the ownership of the hospital's real property and no operational changes in the day-to-day administration of MultiCare Capital Medical Center is expected as result. By approving the proposed change in ownership of the Capital Medical Center Property, this allows MultiCare to have integrated and coordinated control over both the real property and improvements and operations of the hospital. This integration will enable efficient operations and coordinated long-range planning by MultiCare.

Table 5. Benefits of Project to the Community

	Benefits
Access to Care	• MultiCare is an integrated, regionally strong, and not-for-profit health care system with a deep history in the Puget sound region demonstrating its commitment to ensuring patients have access to high-quality health care and financial assistance.
Availability of Services	• As described above in Scope of Service Information (Section II.B. Capacity and Service Information.5. Scope of Services), Capital Medical Center currently provides a wide array of programs and services, all of which would be continued by MultiCare. • Better coordination as a result of this project will not only improve access and availability of existing services but also facilitate long-range planning to ensure availability of services and built environment that address community need now and into the future.
Costs	• Integration of the hospital's real property into MultiCare's system of care will improve efficiency and provide economies of scale. MHS is dedicated to continuously improving its clinical and business models and sharing best practices within the system, thereby increasing efficiency and quality.
Quality of Care	• As stated above, project approval will enable MultiCare to have a coordinated approach between its clinical operations and its facilities to meet the needs of the community.

2. **Describe the impact to the community if this project were to be denied.**

   This application proposes a change in the ownership of the hospital's real property. No operational changes in the day-to-day administration of MultiCare Capital Medical Center is

expected as result. However, by denying the proposed change in ownership, this would deny MultiCare from having direct control over the real property and improvements. This lack of integration could result in inefficient operations and suboptimal long-range planning, which could negatively impact health services in the community.

B. Service Changes

1. **Describe any anticipated changes in service during the first three years of the proposed purchase.**

   There are no anticipated changes in services foreseeable post-acquisition.

2. **If anticipated changes include a reduction, relocation, or elimination of a service, document the following:**
   a. **Need the population presently has for the service.**
   b. **How the need will be adequately met by the proposed change**
   c. **Alternative arrangements designed to meet the identified need**

   This question is not applicable. There are no anticipated changes in services foreseeable post-acquisition.

C. Access to Services

1. **Document the manner in which the hospital intends to assure access to services by:**
   a. **Low income persons**
   b. **Racial and ethnic minorities**
   c. **Women**
   d. **Disabled persons**
   e. **Other underserved groups**

   As a locally based, not-for-profit health care system, MultiCare is committed to serving everyone in the community, without regard to income, race, ethnicity, gender, religion or any other protected class. MultiCare accomplishes its mission through a variety of means, including charity care, health education and outreach programs for underserved populations, free prevention and screening programs, support groups and services for patients and families experiencing chronic and terminal diseases.

   As documented in its most recent (2019) community benefit report, MultiCare provided more the $328 million in community benefit programs and services as follows:

   - $202,358,000 Payment shortfalls in Medicaid, fee-for-service, managed care plans and other state-subsidized health care programs.
   - $57,513,000 Cost of services provided to charity care patients.
   - $68,288,000 Community services including subsidized community and health services, health research, community outreach and building, health professionals education, and community sponsorships.

   In addition to its charity care and financial assistance programs, MultiCare provides a number of services and programs that benefit residents of the region it currently serves (including Pierce County, King County, Kitsap County, Thurston County, and Spokane County). Among the services MultiCare provides are programs dedicated to cancer prevention and screening, children with disabilities, seniors, new and expecting parents, immunization and health education, victims of abuse, and the uninsured/underinsured. Additionally, MultiCare provides programs dedicated to serving the needs of community

members with mental, chronic, and/or terminal diseases and their loved ones. Further, in 2015 the MultiCare Community Partnership Fund was established. This fund helps us better partner with organizations that contribute to the health and vitality of our community in areas such as health improvement, economic well-being, education and the arts. The fund has awarded over $3 million in grants from 2015 to 2019 to a growing number of organizations in the regions it serves. MultiCare will bring a similar level of community support to Thurston County and the surrounding Southwest Washington region. And in fact, MultiCare – through its Community Partnership Fund – has already begun supporting local partners in the Thurston County community (colleges, local non-profits, etc.)

Provide the following for the current hospital operations:

a. Copy of the hospital's admissions policy or policies: See Exhibit 4A
b. Copy of the hospital's nondiscrimination policy: See Exhibit 5A
c. Copy of the hospital's community health needs assessment, if applicable: See Exhibit 6
d. Copy of the hospital's charity care policy: See Exhibit 7
e. Copy of the hospital's end of life policy or policies: See Exhibit 8A
f. Copy of the hospital's reproductive health policy or policies: See Exhibit 9A
g. Other information as appropriate: Not applicable. Please see Exhibits 4-9

2. **Provide the following for the post purchase hospital operations:**
   a. Copy of the hospital's admissions policy or policies: See Exhibit 4B
   b. Copy of the hospital's nondiscrimination policy: See Exhibit 5B
   c. Copy of the hospital's community health needs assessment, if applicable: See Exhibit 6
   d. Copy of the hospital's charity care policy. If the hospital has more than one charity care policy based on type of service, provide a copy of all charity care policies.: See Exhibit 7. MultiCare Capital Medical Center will maintain its existing, DOH approved financial assistance policy.
   e. Copy of the hospital's end of life policy or policies: See Exhibit 8B
   f. Copy of the hospital's reproductive health policy or policies: See Exhibit 9B
   g. Other information as appropriate: Not applicable. Please see Exhibits 4-9[5]

3. **Charity Care Levels: Seller's hospital operations**:

Table 6: Capital Medical Center Historical Charity Care

Capital Medical Center	2017	2018	2019	2020
Dollar Amount	$1,046,493	$4,705,275	$5,570,847	$3,945,249
% of Total Revenue	0.20%	0.79%	0.84%	0.76%
% of Adjusted Revenue	0.34%	2.35%	2.60%	2.24%

Source: DOH Charity Care Reports 2017, Applicant (2018-2020)

[5] MultiCare Capital Medical Center will be added to scope of policies included in Exhibit 4B, 5B, 8B, and 9B.

4. Charity Care Levels: Purchaser's current operations and project's projected:

Charity Care Dollars				
MultiCare Facilities	**Region**	**2017**	**2018**	**2019**
MultiCare Deaconess Hospital	Eastern Washington	$2,838,831	$10,130,813	$21,079,515
MultiCare Valley Hospital	Eastern Washington	$2,086,201	$6,204,838	$11,961,367
MultiCare Auburn Regional Medical Center	King	$18,597,538	$23,941,239	$25,121,952
MultiCare Covington Medical Center	King		$8,609,763	$9,106,119
Navos	King	$363,839	$475,824	$581,418
Mary Bridge Children's Health Center	Puget Sound	$6,996,694	$8,802,487	$7,767,742
MultiCare Good Samaritan	Puget Sound	$32,969,697	$42,916,045	$46,912,061
Tacoma General/ Allenmore Hospital	Puget Sound	$58,317,848	$77,586,074	$73,406,406

Source: DOH Charity Care Reports 2017-2019.

% of Total Revenue				
MultiCare Facilities	**Region**	**2017**	**2018**	**2019**
MultiCare Deaconess Hospital	Eastern Washington	0.19%	0.68%	1.23%
MultiCare Valley Hospital	Eastern Washington	0.31%	0.89%	1.60%
MultiCare Auburn Regional Medical Center	King	2.44%	2.95%	2.95%
MultiCare Covington Medical Center	King		3.36%	2.89%
Navos	King	1.84%	2.04%	1.23%
Mary Bridge Children's Health Center	Puget Sound	0.93%	1.06%	0.83%
MultiCare Good Samaritan	Puget Sound	1.79%	2.22%	2.19%
Tacoma General/ Allenmore Hospital	Puget Sound	1.89%	2.32%	2.03%

Source: DOH Charity Care Reports 2017-2019

% of Adjusted Revenue				
MultiCare Facilities	**Region**	**2017**	**2018**	**2019**
MultiCare Deaconess Hospital	Eastern Washington	0.64%	1.08%	3.86%
MultiCare Valley Hospital	Eastern Washington	0.93%	1.29%	4.62%
MultiCare Auburn Regional Medical Center	King	7.73%	12.90%	9.41%
MultiCare Covington Medical Center	King		6.87%	6.10%
Navos	King	11.68%	16.14%	6.85%
Mary Bridge Children's Health Center	Puget Sound	2.31%	2.53%	1.96%
MultiCare Good Samaritan	Puget Sound	5.07%	6.30%	6.19%
Tacoma General/ Allenmore Hospital	Puget Sound	5.71%	6.67%	5.77%

Source: DOH Charity Care Reports 2017-2019

Charity Care Forecast: Projected charity care is based on assuming a ramp up to the three year (2017-2019) Southwest Washington regional average charity as a percent of total revenues (1.5%) to projected total patient revenues.

	2021	2022	2023	2024
Dollar Amount	$5,524,353	$7,159,562	$8,457,232	$9,678,832
% of total Revenue	1.00%	1.20%	1.35%	1.50%
% of Adjusted Revenue	3.04%	3.62%	4.05%	4.46%

Financial Feasibility (WAC 246-310-220)

A. Financial Statements

1. **Provide a copy of the proposed sale agreement. Include all attachments, exhibits, and appendices**.

   Please see Exhibit 10 for a copy of the proposed purchase/sale agreement.

2. **Complete the financial statements in the format provided by the forms at the end of this application**.

   Please see attached financial statements in Exhibits 14 and 15. A balance sheet is not applicable as MultiCare Capital Center operates as a MultiCare "DBA" and, therefore, all assets, liabilities and equity are held at the system-level. Thus, there is no balance sheet at the hospital level.

3. **Number of admissions by payor source for past three fiscal years and estimate of current year.**

Admissions by Payor	2018	2019	2020	2021 Estimate
Medicare (Traditional and HMO)	2,444	2,722	1,631	1,704
Medicaid (Traditional and HMO)	982	950	800	751
Private (no insurance)	47	60	38	73
HMO/PPO Plans, Including Commercial and Health Contractor	1,000	1,040	795	903
Other (Includes Worker Comp.,Champus, Indian Health and MVA))	308	258	200	240

4. **Patient days by payor source for past three fiscal years and estimate of current year.**

Patient Days by Payor	2018	2019	2020	2021 Estimate
Medicare (Traditional and HMO)	8,739	10,739	7,041	6,079
Medicaid (Traditional and HMO)	2,914	3,492	2,411	2,651
Private (no insurance)	118	136	190	129
HMO/PPO Plans, Including Commercial and Health Contractor	2,505	2,618	1,887	3,194
Other (Includes Worker Comp.,Champus, Indian Health and MVA))	854	803	672	880

5. **Total patient revenue by payor source for past three fiscal years and estimate of current year**

Total Patient Revenue by Payor ($)	2018	2019	2020	2021 Estimate
Medicare (Traditional and HMO)	$292,113,478	$333,447,404	$249,134,921	$258,022,709
Medicaid (Traditional and HMO)	$104,402,706	$115,330,441	$95,885,231	$112,773,596
Private (no insurance)	$7,479,011	$8,720,869	$7,909,712	$7,181,659
HMO/PPO Plans, Including Commercial and Health Contractor	$144,992,273	$160,894,324	$132,261,201	$138,455,738
Other (Includes Worker Comp.,Champus, Indian Health and MVA))	$47,405,041	$44,769,010	$35,996,148	$36,001,600

6. **Projected number of admissions by payor source following purchase. Utilization Forecast Methodology:**

Admissions by Payor	2022	2023	2024
Medicare (Traditional and HMO)	1,841	1,933	1,990
Medicaid (Traditional and HMO)	811	852	877
Private (no insurance)	79	84	86
HMO/PPO Plans, Including Commercial and Health Contractor	976	1,024	1,055
Other (Includes Worker Comp.,Champus, Indian Health and MVA))	259	271	280

7. **Projected number of patient days by payor source following purchase.**

Patient Days by Payor	2022	2023	2024
Medicare (Traditional and HMO)	6,565	6,893	7,100
Medicaid (Traditional and HMO)	2,863	3,007	3,097
Private (no insurance)	140	147	151
HMO/PPO Plans, Including Commercial and Health Contractor	3,450	3,623	3,731
Other (Includes Worker Comp.,Champus, Indian Health and MVA))	950	997	1,027

8. **Projected Revenue by payor source following purchase.**

Total Patient Revenue by Payor	2022	2023	2024
Medicare (Traditional and HMO)	$276,951,969	$288,995,836	$295,847,919
Medicaid (Traditional and HMO)	$122,054,636	$128,422,484	$132,523,958
Private (no insurance)	$7,756,191	$8,144,359	$8,388,321
HMO/PPO Plans, Including Commercial and Health Contractor	$150,975,832	$160,050,585	$166,412,280

Other (Includes Worker Comp.,Champus, Indian Health and MVA))	$38,891,499	$40,848,369	$42,083,005

9. Identify source(s) and amounts of the initial working capital.

The project will be financed with reserves.

10. Estimated Start-up and Initial Operating Expenses

a. Total Estimated Start-up costs (Expenses incurred prior to opening such as staff training, inventory, etc.)

This question is not applicable as MultiCare Capital Medical Center is already operational.

b. Estimated Period of Time Necessary for Initial Start-up:

This question is not applicable as MultiCare Capital Medical Center is already operational.

c. Total Estimate initial operating deficits, if any (Operating deficits, occurring during operating period.)

This question is not applicable as MultiCare Capital Medical Center is already operational.

d. Estimated initial operating breakeven point (Period of time from receipt of first patient until total revenues equal total expenses.)

This question is not applicable as MultiCare Capital Medical Center is already operational.

11. Provide the most recent audited financial statements for the hospital's current operation.

This question is not applicable as MultiCare currently operates MultiCare Capital Medical Center and MPT is only the owner of the building and land.

12. Provided the most recent audited financial statements for the purchaser's current operation.

Please see Exhibit 11 for MultiCare's audited financial statements for 2018-2020.

B. Project Financing

1. Identify the sources and amounts of project financing.

The project will be financed with reserves.

Source of Financing	Amount
a. Public Campaign	$_____
b. Bond Issue	$_____

c. Commercial Loans	$
d. Government Loans	$
e. Grants	$
f. Bequests and Donations	$
g. Private Foundations	$
h. Accumulated Reserves	$
i. Internal Loans	$
j. Capital Allowance	$
k. Other – specify (Cash Reserves)	$ $135,000,000
l. **Total** (Should equal Total Project Cost)	**$ $135,000,000**

2. **Describe if any related organizations are involved in the financing of this project. If yes, describe its relationship**.

   This question is not applicable**.**

3. **Describe all covenants related to the financing of the proposed purchase.**

   This question is not applicable**.**

4. **For projects to be totally or partially funded from capital allowance, identify the amount(s) of capital allowance and budget year(s) during which the funds would be used.**

   This question is not applicable**.**

5. **Evidence of Availability of Financing for the Project. Submit one of the following:**

   a. **Copies of letter(s) from lending institutions stating a willingness to finance the proposed project. The letter(s) should include:**
      i. Status of loan application(s)
      ii. Purpose of the loan(s)
      iii. Proposed interest rate(s) (Fixed or Variable)
      iv. Proposed term (period) of the loan(s)

      Please see Exhibit 12 for a letter of financial commitment from MultiCare.

   b. **Copies of Hospital Board minutes authorizing the proposed project.**

      Please see Exhibit 13.

6. **Provide amortization schedule(s) for each financing arrangement including long-term and any short-term start-up or initial operating deficit loans. Identify the:**
   a. **Principal**
   b. **Term (number of payment periods) (long term loans may be annualized)**
   c. **Interest**
   d. **Outstanding balance at end of each payment period**

   This question is not applicable**.**

Structure and Process-Quality of Care (WAC 245-310-230)

A. Staffing

1. **Describe any anticipated changes in hospital staffing as a result of this proposed purchase.**

   There are no anticipated changes in staffing.

2. **Describe any anticipated changes in physician privileges, etc. as a result of this proposed purchase.**

   There are no anticipated changes in physician privileges.

3. **Describe any other anticipated changes not described in 1 or 2 above**.

   There are no other anticipated changes.

B. Continuity of Care and Unwarranted Fragmentation of Services

1. **Describe the working relationships of the hospital with other health facilities <u>in</u> the hospital's primary geographic service area.**

   MultiCare Capital Medical Center has provided health care services in the Thurston Planning Area and in the larger Southwest Washington / Puget Sound region for decades. The medical staff is supported by advanced technology and by a team of caring, highly-respected professionals. Due to its long history, the hospital has well-established working relationships with other hospitals, sub-acute care facilities and ancillary services in the Planning Area as well as broader region.

   MultiCare Capital Medical Center serves as an acute care hospital, which is an integrated member of the community health system. It has developed relationships with many community and regional partners. A summary list includes: Grays Harbor Community Hospital, Morton General Hospital, Summit Pacific Medical Center, Providence Centralia Hospital, Willapa Harbor Hospital, Mason General Hospital and Providence St. Peter Hospital. Capital Medical Center also has transfer agreements with a number of providers, including skilled nursing facilities, surgery centers, rural hospitals, etc., for the purpose of receiving transfers.

2. **Describe any new working relationships between the hospital and other facilities <u>in</u> the hospital's primary geographic service area that would be developed as a result of this project.**

   Please see our response to the question above. Since MultiCare Capital Medical Center is already being operated by MultiCare, there would be no change in the facility's working relationships as a result of the proposed project.

3. **Describe the working relationships of the hospital with other health facilities that are <u>outside</u> the hospital's primary geographic service area.**

   Please see above response to question #1. A summary list includes: CHI Franciscan, MultiCare Tacoma General/Allenmore, MultiCare Good Samaritan, MultiCare Auburn

Regional Medical Center, St. Joseph Hospital, Forks Community Hospital, Olympic Medical Center, Ocean Beach Hospital, St. Clare Hospital and MultiCare Covington Medical Center.

4. **Describe any new working relationships between the hospital and other facilities <u>outside</u> the hospital's primary geographic service area that would be developed as a result of this project.**

   Please see our response to Question 1 of this section. Since MultiCare Capital Medical Center is already being operated by MultiCare, there would be no change in the facility's working relationships as a result of the proposed project.

C. Compliance

1. **Identify if the Purchaser in this application has had any of the following in this state or other states:**
   a. **Decertification from Medicare**
   b. **Decertification from Medicaid**
   c. **Convictions related to the competency to practice medicine or own or operate a hospital**
   d. **Denial of a license**
   e. **Revocation of a license**
   f. **Voluntary withdrawal from Medicare or Medicaid while decertification processes were pending.**
   g. **Ongoing or completed investigations concerning the operation of any or all of its health care facilities.**

   This question is not applicable; MultiCare has not had any such compliance issues.

2. **If yes to any part of question 1, describe the incident and provide clear, sound, and convincing evidence that the occurrence is not likely to re-occur.**

   This question is not applicable**.**

Cost Containment (WAC 246-310-240)

1. Identify each option considered before submitting the current application, including no action.

There were two options identified before submitting the current application. They include

Option #1: No project. MultiCare does not pursue the purchase of the MultiCare Capital Medical Center building and land but continues operating MultiCare Capital Medical Center.

Option #2: The proposed project. MultiCare pursues purchase of the building and land within which MultiCare Capital Medical Center operates.

2. For each option identified in question 1, provide at least the following information:

a. Advantages
b. Disadvantages
c. Impact on operating costs to the hospital
d. Impact on staffing
e. Impact on costs to the patient
f. Impact on physical hospital space
g. Legal restrictions
i. If seller or purchaser is organizationally connected to a hospital district, provide a discussion of how the purchase transaction meets the requirements in RCW 70.44.

This question is not applicable.

h. Other-Specify
i. Reason for rejecting each option

Table 7. Alternatives Analysis: Impact on Hospital Operating Costs.

Option:	Advantages/Disadvantages:
No Project	• No immediate impact from maintaining existing ownership. (Neutral "N") • Without linkage to MultiCare, there would be no benefits associated with a larger system of care. (Disadvantage "D")
The Proposed Project	• Connection to a much larger system of care within the region and greater organizational infrastructure will also provide greater efficiency and economies of scale. (Advantage "A") • Integration of the hospital's real property into MultiCare's system of care will improve efficiency and provide economies of scale. MHS is dedicated to continuously improving its clinical and business models and sharing best practices within the system, i.e., increasing efficiency and quality. (A)

Table 8. Alternatives Analysis: Impact on Staffing

Option:	Advantages/Disadvantages:

No Project	• No impact. MultiCare Capital Medical Center would maintain existing staffing. (N)
The Proposed Project	• No immediate impact on staffing. MultiCare Capital Medical Center would maintain existing staffing. (N) • Better coordination under the proposed project will result in greater alignment with clinical operations, thereby making Capital Medical Center a more attractive work environment compared to the "No Project" scenario. (A)

Table 9. Alternatives Analysis: Impact on costs to the patient.

Option:	Advantages/Disadvantages:
No Project	• No immediate impact. MultiCare's existing operations and financial assistance policies will continue. (N)
The Proposed Project	• No immediate impact. MultiCare's existing operations and financial assistance policies will continue. (N) • Better coordination under the proposed project will facilitate better design of future operations and physical environment to support systematic changes that can create cost savings to patients and the community. (A)

Table 10. Alternatives Analysis: Impact on physical hospital space.

Option:	Advantages/Disadvantages:
No Project	• No immediate impact. The physical hospital space will not be altered (N) • By not pursuing the project, MultiCare will have ownership of operations but not the real property of the hospital. This lack of integration will not be as conducive to coordination and long-range planning. (D)
The Proposed Project	• No immediate impact. The physical hospital space will not be altered (N) • By approving the proposed change in ownership, then this allows MultiCare to have integrated and coordinated control over both the site and operations of the hospital. This integration will enable efficient operations and coordinated long-range planning by MultiCare. (A)

Table 11. Alternatives Analysis: Legal Restrictions

Option:	Advantages/Disadvantages:
No Project	• No legal restrictions would apply.
The Proposed Project	• Requires Certificate of Need approval

3. Identify the specific ways this project will promote staff efficiency and productivity.

Since MultiCare already operates MultiCare Capital Medical Center, there will be limited impact of the project on staff efficiency and productivity except for the advantages highlighted above in Table 5.

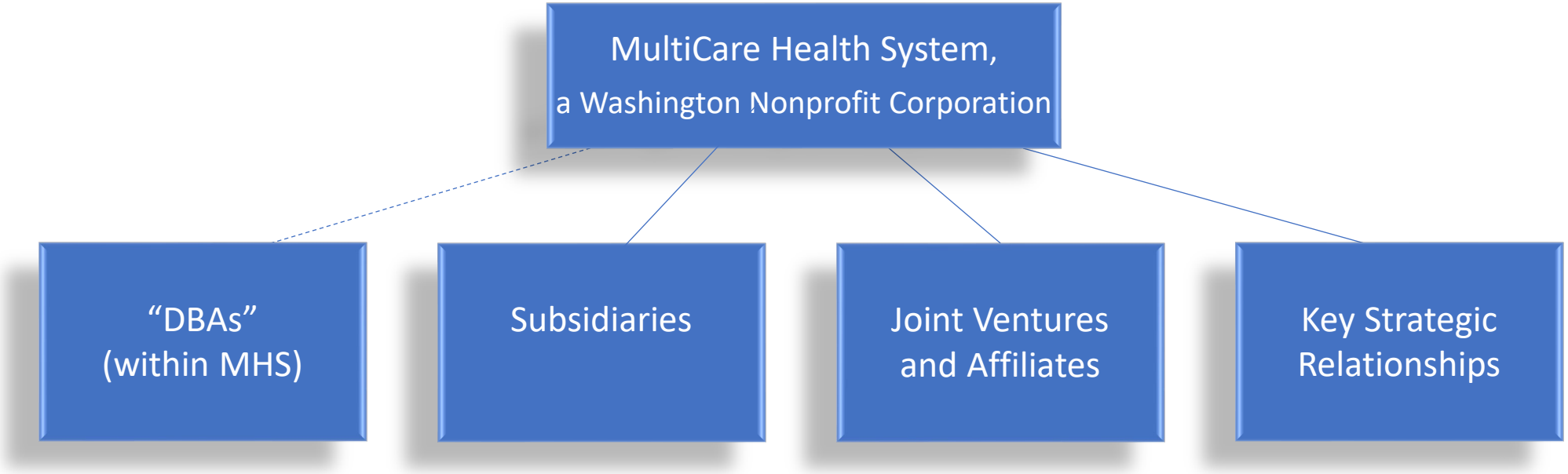
4. Identify the specific ways this project will promote system efficiency.

Since MultiCare already operates MultiCare Capital Medical Center, there will be limited impact of the project on system efficiency.

Exhibit 1.

MultiCare Organizational Chart

MultiCare – How We Are Organized and Conduct Business



Last updated 5/4/21

MultiCare Health System "Doing Business As"

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

Region

Puget Sound Region

HOSPITALS

- Auburn Medical Center
- Covington Medical Center
- Good Samaritan Hospital/ Parkland Off Campus ED
- Tacoma General / Allenmore Hospitals
- Capital Medical Center

CLINICS

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

OTHER

- New Adventures Daycare

Inland Northwest Region

- Deaconess Hospital/ North Deaconess Off Campus ED
- Valley Hospital
- Rockwood Clinic
- Neurosciences Institute

System

- Institute for Research & Innovation

Networks

Retail/Community

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

Pulse Heart Institute*

MultiCare Connected Care

MultiCare Physician Partners

Mary Bridge

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

Behavioral Health

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

Population Health

- MultiCare Connected Care, LLC*
- Physicians of Southwest Washington, LLC*
- PNWCIN, LLC* d/b/a Embright

* Operates through separate legal entity

Exhibit 2.

Articles of Incorporation and Bylaws

FILED

JUL 06 1988

SECRETARY OF STATE
STATE OF WASHINGTON

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION OF MULTICARE HEALTH SYSTEMS

ARTICLES OF AMENDMENT TO ARTICLES OF INCORPORATION OF MULTICARE HEALTH SYSTEMS are herein executed in duplicate by the corporation by the undersigned, pursuant to the provisions of Chapter 24.03, Revised Code of Washington.

a. The name of the corporation is MULTICARE HEALTH SYSTEMS.

b. Article I of the Articles of Incorporation of the corporation is hereby amended to change the name of the corporation to MULTICARE HEALTH SYSTEM.

c. Article IV of the Articles of Incorporation of the corporation is hereby amended to add the following paragraph:

> "No director of the corporation shall be personally liable to the corporation or its members for monetary damages for conduct as a director; provided, that this provision shall not eliminate or limit the liability of a director for acts or omissions that involve intentional misconduct by a director or a knowing violation of law by a director, or for any transaction from which the director will personally receive a benefit in money, property, or services to which the director is not legally entitled. This provision shall not eliminate or limit the liability of a director for any act or omission occurring before the date when this provision becomes effective.

c. There are no members of the corporation. A meeting of the board of directors of the corporation was held April 6, 1988, at which the within Articles of Amendment were adopted. A quorum was present at said meeting, and said amendments received the vote of a majority of the directors in office.

DATED this 6th day of April, 1988.

MULTICARE HEALTH SYSTEMS

By: _____
Its President

STATE OF WASHINGTON)
) ss.
County of Pierce)

W. BARRY CONNOLEY, being first duly sworn on oath, deposes and says:

That he is the President of MULTICARE HEALTH SYSTEMS, that he has read the foregoing Articles of Amendment to Articles of Incorporation of said corporation, knows the contents thereof, and believes the same to be true.

SUBSCRIBED AND SWORN to before me this 6th day of April, 1988.

Notary Public in and for the State of Washington, residing at Tacoma.
My commission expires: 5-1-91.

2018 FIRST AMENDED AND RESTATED BYLAWS

OF

MULTICARE HEALTH SYSTEM

(As amended through March 14, 2018)

2018 FIRST AMENDED AND RESTATED BYLAWS

OF

MULTICARE HEALTH SYSTEM

ARTICLE I
MEMBERSHIP

The Corporation shall have no members.

ARTICLE II
BOARD OF DIRECTORS

Section 1. Powers and Qualifications. The affairs of the Corporation shall be managed by the Board of Directors whose duties and obligations shall be defined by law, the Corporation's Articles of Incorporation and these Bylaws, and with more specific delineation of governance responsibilities set forth in the Corporation's governing board charters. The duties of the Board of Directors shall include establishing policy, promoting performance improvement, and providing for organizational management and planning.

Section 2. Number, Composition and Classification. The number of voting directors of the Corporation shall be no less than eight (8) and no more than thirteen (13). Directors shall be described, classified and nominated as set forth in Article VII.

2.1 Term. The directors shall be elected at each annual meeting and shall hold office for one (1) year or until they are re-appointed, their successors are appointed, or until their earlier death, resignation or removal.

Section 3. Removal and Vacancies.

3.1 A director may be removed from office (a) for cause, by action of the Board of Directors; or (b) without cause, by a vote of two-thirds (2/3) of the directors then in office. Cause shall include failure to comply with duties as a director of this Corporation, the laws of the State of Washington, the Articles of Incorporation or these Bylaws. Any director who is absent from twenty-five percent (25%) or more of the meetings of the directors may be removed by a two-thirds (2/3) vote of directors if the absence has been without just reason acceptable to the Board of Directors.

3.2 The Board of Directors shall have power to fill any vacancy occurring in the Board of Directors and any directorship to be filled by reason of an increase in the number of directors by amendment to these Bylaws. Any director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.

Section 4. Ex Officio Participants. The President and Chief Executive Officer of the Corporation shall serve as an ex officio nonvoting participant. The Board of Directors shall elect a second ex officio nonvoting participant from a nomination to be presented annually for a physician employed) by the Corporation for consideration by the Board. The individual so elected

shall serve for a term of one (1) year, not to exceed three (3) consecutive terms. An elected individual is not eligible for re-election unless at least two (2) terms have passed since last participating on the Board. The ex officio participants of the Board of Directors shall be entitled to receive notice of meetings of the Board of Directors and to participate in such meetings subject to the restrictions of law, the Articles of Incorporation and Bylaws, and the Corporation's policies on Conflicts of Interest. The ex officio participants of the Board of Directors shall not be counted for purposes of establishing a quorum or have a vote in matters being considered by the Board of Directors.

ARTICLE III
MEETINGS OF BOARD OF DIRECTORS

Section 1. Annual Meetings. The annual meeting of the Board of Directors for election of directors to succeed those whose terms expire, and for the transaction of such other business as may properly come before the meeting, shall be held each year at the registered office of the Corporation, at such time and place as is designated in the notice of such meeting.

Section 2. Regular Meetings. Regular meetings of the Board of Directors may be held at such dates, times and places as shall be determined by the Board of Directors.

Section 3. Special Meetings. Special meetings of the Board of Directors may be held at any place and time, whenever called by the Chair, and shall be called by the Chair within ten (10) days after receipt by the Secretary of a written request therefor signed by three (3) or more directors.

Section 4. Notice. Notice stating the place, date and hour of the annual meeting shall be given as follows:

4.1 Notice shall be provided either by mail, electronic mail, facsimile communication, or by personal communication over the telephone or otherwise by or at the direction of the Chair or the Secretary, or the directors calling the meeting.

4.2 If such notice is mailed, it must be mailed not less than three (3) days prior to the date of the meeting. If such notice is personally delivered, sent by electronic mail, facsimile communication or telephone, it must be so given not less than twenty-four (24) hours before the time of the meeting. If mailed, such notice shall be deemed to be delivered three (3) days after the notice has been deposited in the United States mail addressed to the director at his or her address as it appears on the records of the Corporation, with postage thereon.

4.3 Any notice to a director given under any provision these Bylaws by a form of electronic communication consented to by the director to whom the notice is given is effective when given. The notice is deemed given if by:

(i) facsimile communication, when directed to a telephone number at which the director has consented to receive notice;

(ii) electronic mail, when directed to an electronic mail address at which the director has consented to receive notice; and

(iii) any other form of electronic communication by which the director has consented to receive notice, when directed to the director.

Consent by a director to notice given by electronic communication may be given in writing or by authenticated electronic communication. Any consent so given may be relied upon until revoked by the director, provided that no revocation affects the validity of any notice given before receipt of revocation of the consent.

4.4 Unless otherwise required by law, neither the business to be transacted nor the purpose of any meeting of the Board of Directors need be specified in a notice or any waiver of notice of such meeting.

Section 5. Quorum. One-third (1/3) of the directors then in office shall constitute a quorum for the transaction of business. The act of the majority of directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. At any meeting of the Board of Directors at which a quorum is present, any business may be transacted, and the Board of Directors may exercise all of its powers, A director who is present at such a meeting shall be presumed to have assented to the action taken at that meeting unless the director's dissent or abstention is entered in the minutes of the meeting or the director files his or her written dissent or abstention to such action with either the person acting as secretary of the meeting before the adjournment of the meeting or by registered mail to the secretary of the Corporation immediately after the adjournment of the meeting.

Section 6. Meetings Held by Telephone or Similar Communications Equipment. The Board of Directors or its committees may participate in a meeting by means of a conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other at the same time and participation by such means shall constitute presence in person at a meeting.

ARTICLE IV
WAIVER OF NOTICE

Whenever any notice is required to be given to any director of the Corporation by the Articles of Incorporation or Bylaws, or by the laws of the State of Washington, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be equivalent to the giving of such notice. Attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where the director attends a meeting for the purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

ARTICLE V
ACTIONS BY WRITTEN CONSENT

Any corporate action required or permitted by the Articles of Incorporation or Bylaws, or by the laws of the State of Washington, to be taken at a meeting of the Board of Directors of the Corporation (or its committees), may be taken without a meeting if all directors or members of such committee, as the case may be, consent in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of

proceedings of the board or committee. Such consent shall have the same force and effect as a unanimous vote, and may be described as such.

ARTICLE VI
COMMITTEES OF THE BOARD OF DIRECTORS

Section 1. Creation and Appointment of Committees. Except as otherwise provided in these Bylaws, all committees of the Board of Directors shall be recommended by the Nominating and Governance Effectiveness Committee with the approval of a majority of the directors in office. The Nominating and Governance Effectiveness Committee shall recommend committee members and one member of each committee to serve as the chair of such committee. Committees shall be designated as either standing or special. Committees shall have a minimum of at least three (3) members.

Section 2. Standing Committees. Standing Committees of the Board of Directors shall include the Nominating and Governance Effectiveness Committee, the Quality and Safety Committee, the Executive Compensation Committee, the Finance and Audit Committee, the MultiCare East Pierce Regional Board, the MultiCare South King Regional Board, the MultiCare West Region Mary Bridge Board, the MultiCare Inland Northwest Regional Board, and such other standing committees as the Board of Directors may authorize.

Section 3. Special Committees. Special committees may be appointed by the Chair with the concurrence of the Board of Directors for such special tasks as circumstances warrant. Such special committees shall limit their activities to accomplishment of the task for which appointed and shall have no power to act except as specifically conferred by action of the Board of Directors. Upon completion of the task for which appointed, such special committee shall stand discharged.

Section 4. Quorum.

4.1 Three (3) members then on a committee shall constitute a quorum for the transaction of business of a committee. For those committees that may exercise the authority of the Board of Directors, a quorum shall include at least two (2) committee members who are directors. Each committee shall meet upon call of its chair.

4.2 With respect to the Regional Board Committees as described in Sections 9, 10, 11 and 12 of this Article VI, attendance of a simple majority of the voting committee members shall constitute a quorum for the transaction of business of that committee.

Section 5. Nominating and Governance Effectiveness Committee.

5.1 Membership. The Nominating and Governance Effectiveness Committee shall consist of no less than three (3) and no more than six (6) individuals; one (1) of whom may be a non-director of the Corporation.

5.2 Duties. The Nominating and Governance Effectiveness Committee shall be responsible to the Board of Directors for the following: (a) preparing a yearly profile of the desired composition of the Board of Directors; (b) nominating a slate of directors to the Board of Directors

for presentation at its annual meeting; (c) nominating a slate of officers to the Board of Directors for presentation at its annual meeting; (d) nominating persons to fill any vacancies on the Board of Directors or in any office that may occur during a term of office; (e) establishing the roles and responsibilities of directors, (f) evaluating performance and qualification of directors, (g) supporting education of directors and roles, and (h) providing annual review of Corporation bylaws and committee charters.

Section 6. Quality and Safety Committee. The Quality and Safety Committee shall be a standing committee of the Board of Directors and shall have all the powers granted to it and duties imposed on it by the Board of Directors. The Quality and Safety Committee shall serve as liaison between the Board of Directors and the Regional Board committees to address system-wide quality and safety issues and concerns, and to oversee the Regional Boards' privileging, credentialing and medical staff decisions with respect to the providers and facilities over which the Regional Boards have oversight. The Quality and Safety Committee shall also adopt (subject to ratification by the Board of Directors) guidelines for the Quality Improvement Programs of the Corporation and the facilities that it operates.

6.1 Membership. The members of the Quality and Safety Committee shall be appointed by the Board of Directors of the Corporation and shall include up to fifteen (15) members, to include at least four (4) Directors of the Corporation, five (5) community members, one (1) physician employed by the Corporation who is a member of a MultiCare medical staff, and up to five (5) executive leaders of the Corporation. The Corporation shall provide such legal and administrative support as it deems necessary to support the activities of the Quality and Safety Committee.

6.2 Duties. The Quality and Safety Committee shall be responsible for and may exercise the authority of the Board with respect to: (1) performing annual reviews of the scope and quality, safety and risk of services provided by the Corporation; (2) establishing priorities for quality improvement activities designated to address and improve patient and employee care, safety and risk; (3) overseeing the Regional Boards and other functional areas of the Corporation not under the purview of the Regional Boards, and their respective quality and safety improvement efforts concerning health care professionals, medical staff, licensure and accreditation functions, to include ratifying medical staff bylaws and amendments thereto; (4) approving the state-filed Quality Improvement Plans (QIPs); and (5) providing ongoing evaluation of clinical outcomes, cost-effectiveness, customer satisfaction, and risk/safety performance of the Corporation as a whole.

Section 7. Executive Compensation Committee.

7.1 Membership. The Executive Compensation Committee shall consist of no less than three (3) and no more than six (6) directors.

7.2 Duties. The Executive Compensation Committee shall be responsible for and may exercise the authority of the Board with respect to: (a) establishing the compensation philosophy of the Corporation; (b) conducting an annual review of the wage ranges of the Corporation's disqualified employees (i.e. Vice President level and above) for the purpose of determining competitiveness and reasonableness of compensation in the market in which the

Corporation operates; (c) conducting an annual review and establishing any special or general salary adjustments for disqualified employees of the Corporation; (d) conducting the annual performance review of The President and Chief Executive Officer of the Corporation; (e) conducting an annual review of and making a determination of awards, if any, of performance incentives for disqualified employees, and (f) selecting external independent compensation consultant(s). "Disqualified Persons" for purposes of this section is defined by 26 U.S.C. § 4946 of the Internal Revenue Code, as amended.

Section 8. Finance and Audit Committee.

8.1 Membership. The Finance and Audit Committee shall consist of no less than three (3) and no more than ten (10) directors, which may include up to two (2) retired directors of the Corporation.

8.2 Duties. The Finance and Audit Committee shall be responsible for the oversight and stewardship of the financial and fiscal health of the Corporation, and may exercise the authority of the Board with respect to: (a) the Corporation's financial reporting process; (b) the system of internal control over financial reporting and operations; (c) the audit processes, both internal and external, to include selecting the external auditor; (d) the process for monitoring compliance with laws and regulations and its Code of Conduct; (e) portfolio and pension investments and investment policies; (f) banking relationships and investments related to trust accounts where the Corporation is trustee or has a beneficial interest; (g) evaluation of major investments, projects, and joint venture proposals; (h) review and recommendation of the operating, capital, and cash budgets; (i) review and recommending the strategic investment plan for the Corporation; (j) oversight and ratification of any subcommittees' actions; and (k) oversight of enterprise risk management functions.

Section 9. MultiCare East Pierce Regional Board Committee.

9.1 Membership. The MultiCare East Pierce Regional Board committee shall consist of up to fifteen (15) persons, some of whom may be directors of the Corporation, and one (1) of whom shall be the chair of MultiCare Good Samaritan Foundation. Inclusive of the fifteen (15) members, the following Corporation representatives will serve ex officio as voting members: the MultiCare Chief Executive Officer or designee; chief of staff, chief of staff elect, or other designee(s) of the Good Samaritan Hospital Medical Staff; and the administrative leader(s) of the region in which Good Samaritan Hospital operates.

9.2 Duties. The MultiCare East Pierce Regional Board shall be responsible for: (1) ensuring that the MultiCare mission, vision and values are advanced at MultiCare Good Samaritan Hospital and regional facilities, while maintaining community relationships and connections; (2) overseeing MultiCare Good Samaritan Hospital medical staff, quality and safety improvement initiatives and reporting same to the MultiCare Quality and Safety Committee; (3) monitoring operational, fiscal, strategic, and philanthropic performance in the East Pierce County service area; (4) overseeing physician relationships and dynamics in East Pierce County; (5) approve prospective membership on the MultiCare Good Samaritan Foundation Board; (6) advising the MultiCare Chief Executive Officer or designee on the hiring and evaluation of the MultiCare Good Samaritan Hospital leader; (7) serving as liaison to MultiCare Good Samaritan

Foundation activities; (8) exercising the authority of the Board with respect to reviewing and approving (i) performance, competence, and character of healthcare professionals considered for medical staff affiliation with MultiCare Good Samaritan Hospital, (ii) medical staff appointments, reappointments, terminations of appointments, and granting or revision of clinical privileges, and (iii) significant new technology or significant changes in the scope of services and privileges; and (9) overseeing accreditation and licensure issues for the facilities in the East Pierce County region.

Section 10. MultiCare South King Regional Board Committee.

10.1 Membership. The MultiCare South King Regional Board committee shall consist of up to fifteen (15) persons, some of whom may be directors of the Corporation, and one (1) of whom shall be the chair of the MultiCare South King Health Foundation. Inclusive of the fifteen (15) members, the following Corporation representatives will serve ex officio as voting members: The MultiCare Chief Executive Officer or designee; chief of staff, chief of staff elect, or other designee(s) of the MultiCare Auburn Medical Center/Covington Medical Staffs; and the administrative leader(s) of the region in which Auburn Medical Center and Covington operate.

10.2 Duties. The South King Regional Board shall be responsible for: (1) ensuring that the MultiCare mission, vision and values are advanced at MultiCare Auburn Medical Center and regional facilities, while maintaining community relationships and connections; (2) overseeing the MultiCare Auburn Medical Center/Covington medical staffs, quality and safety improvement initiatives and reporting same to the MultiCare Quality and Safety Committee; (3) monitoring operational, fiscal, strategic, and philanthropic performance in the south King County service area; (4) overseeing physician relationships and dynamics in South King County; (5) approve prospective membership on the MultiCare South King Health Foundation Board; (6) advising the MultiCare Health System Chief Executive Officer or designee on the hiring and evaluation of the MultiCare Auburn Medical Center/Covington leaders; (7 serving as liaison to MultiCare South King Health Foundation activities; (8) exercising the authority of the Board with respect to reviewing and approving (i) performance, competence, and character of healthcare professionals considered for medical staff affiliation with MultiCare Auburn Medical Center/Covington, (ii) medical staff appointments, reappointments, terminations of appointments, and granting or revision of clinical privileges, and (iii) significant new technology or significant changes in the scope of services and privileges; and (9) overseeing accreditation and licensure issues for the facilities in the south King County region.

Section 11. MultiCare West Region Mary Bridge Board Committee.

11.1 Membership. The MultiCare West Region Mary Bridge Board committee shall consist of up to seventeen (17) persons, some of whom may be directors of the Corporation, and two (2) of whom shall be the chairs of the MultiCare Health Foundation and Mary Bridge Children's Foundation. Inclusive of the seventeen (17) members, the following Corporation representatives will serve ex officio as voting members: the MultiCare Chief Executive Officer or designee; chief of staff, chief of staff elect, or other designee(s) of the Tacoma General/Allenmore and Mary Bridge Medical Staffs; and the administrative leader(s) of the region in which Tacoma General/Allenmore and Mary Bridge Children's Hospital and Network operate.

11.2 Duties. The West Region Mary Bridge Board shall be responsible for: (1) ensuring that the MultiCare mission, vision and values are advanced at Tacoma General/Allenmore and Mary Bridge Children's Hospital and Network, while maintaining community relationships and connections; (2) overseeing the Tacoma General/Allenmore Hospital and Mary Bridge Children's Hospital & Network medical staffs, quality and safety improvement initiatives and reporting same to the MultiCare Quality and Safety Committee; (3) monitoring operational, fiscal, strategic, and philanthropic performance in the west region of the Puget Sound service area; (4) overseeing physician relationships and dynamics in the west region of Puget Sound; (5) approve prospective membership on the MultiCare Health Foundation Board and the Mary Bridge Children's Foundation Board; (6) advising the MultiCare Health System Chief Executive Officer or designee on the hiring and evaluation of Tacoma General, Allenmore, and Mary Bridge Children's Hospital and Network leaders; (7) serving as liaison to MultiCare Health Foundation and Mary Bridge Children's Foundation activities; (8) exercising the authority of the Board with respect to reviewing and approving (i) performance, competence, and character of healthcare professionals considered for medical staff affiliation with Tacoma General/Allenmore and Mary Bridge Children's Hospital and Network, (ii) medical staff appointments, reappointments, terminations of appointments, and granting or revision of clinical privileges, and (iii) significant new technology or significant changes in the scope of services and privileges; and (9) overseeing accreditations and licensure issues for the facilities in the west region of the Puget Sound.

Section 12. MultiCare Inland Northwest Regional Board Committee.

12.1 Membership. The MultiCare Inland Northwest Regional Board committee shall consist of up to seventeen (17) persons, some of whom may be directors of the Corporation, and one (1) of whom shall be the chair of the associated MultiCare foundation. Inclusive of the seventeen (17) members, the following Corporation representatives will serve ex officio as voting members: the MultiCare Chief Executive Officer or designee; the Senior Vice President & Chief Executive, Inland Northwest; chief of staff, chief of staff elect, or other designee(s) of the Valley Hospital and Deaconess Hospital Medical Staffs; the administrative leader(s) of Valley Hospital and Deaconess Hospital; and the President of Rockwood Clinic or designee. Further, for the first five (5) years from the date of Corporation's acquisition of Valley Hospital and Deaconess Hospital, one (1) member of the Inland Northwest Regional Board shall be an independent community individual selected by Corporation from among a slate of three (3) community individuals recommended by Empire Health Foundation.

12.2 Duties. The MultiCare Inland Northwest Regional Board shall be responsible for: (1) ensuring that the MultiCare mission, vision and values are advanced at Valley Hospital and Deaconess Hospital and regional facilities, while maintaining community relationships and connections; (2) overseeing Valley Hospital and Deaconess Hospital medical staffs, quality and safety improvement initiatives and reporting same to the MultiCare Quality and Safety Committee; (3) monitoring operational, fiscal, strategic, and philanthropic performance in the Inland Northwest and surrounding service areas; (4) overseeing physician relationships and dynamics in the Inland Northwest; (5) approve prospective membership on the MultiCare regional foundation; (6) advising the MultiCare Chief Executive Officer or designee on the hiring and evaluation of the Valley, Deaconess, Rockwood Clinic leaders and regional executive; (7) serving as liaison to the MultiCare Inland Northwest Foundation activities; (8) exercising the authority of the Board with respect to reviewing and approving (i) performance, competence, and character of

healthcare professionals considered for medical staff affiliation with Valley Hospital and Deaconess Hospital, (ii) medical staff appointments, reappointments, terminations of appointments, and granting or revision of clinical privileges, and (iii) significant new technology or significant changes in the scope of services and privileges; and (9) overseeing accreditation and licensure issues for the facilities in the Inland Northwest region.

ARTICLE VII
NOMINATIONS AND ELECTIONS OF DIRECTORS

Section 1. Qualifications. Neither sex, race, creed, religion, nor national origin shall be a factor in nominating a candidate for election or appointment as a director. Such candidates shall be nominated so as to be representative of the total community that the Corporation serves, shall be selected on the basis of a desired profile, and shall meet the following minimal qualifications:

1.1 Possess a genuine interest in the Corporation and its affairs, and a belief in its purposes as set forth in its Articles of Incorporation and Bylaws.

1.2 Be a respected representative of the community with demonstrated leadership in a profession, business, trade or occupation, or possess experience in or knowledge of the health care field, or possess such other experience or knowledge that may be valuable to the accomplishment of the purposes of the Corporation and its relations to the total community.

1.3 Have freedom to devote a reasonable amount of time to the responsibilities of a director of the Corporation.

Section 2. Election and Appointment. Candidates for election or appointment as Directors and officers shall be selected by the Nominating and Governance Effectiveness Committee based on the qualifications listed in Section 1 hereof and in accordance with the following process:

2.1 No later than the regular meeting of the Board of Directors immediately preceding its annual meeting, the Nominating and Governance Effectiveness Committee shall present a profile depicting the proposed composition of the Board of Directors. The proposed profile shall include an explanation of how each proposed candidate fulfills the requirements listed in Section 1 hereof. The profile shall be approved as presented or as modified by the Board of Directors.

2.2 The Nominating and Governance Effectiveness Committee shall then nominate at least one (1) candidate for election or appointment to each vacant position as director to be filled by the Board of Directors.

2.3 The Nominating and Governance Effectiveness Committee shall nominate persons to be elected as officers of the Corporation.

2.4 Directors and officers shall be elected and appointed by the Board of Directors at its annual meeting or, in the case of filling vacancies, at any regular meeting or a special meeting called for that purpose.

2.5 Nothing in this Article VII shall preclude nominations from the floor at any meeting at which directors or officers are to be elected.

ARTICLE VIII
OFFICERS

Section 1. Elected Officers. The elected officers of the Corporation shall be a Chair, a Vice Chair, a Secretary, a Treasurer, all of whom shall be directors of the Corporation. Such officers shall be nominated in accordance with the provisions of Article VII of these Bylaws, shall be elected annually by the Board of Directors, and shall serve until their successors are duly elected. In addition to the powers and duties specified below, the officers shall have such powers and perform such duties as the Board of Directors may prescribe.

Section 2. The Chair. The Chair shall preside at meetings of the Board of Directors and shall be an ex officio voting member of all committees of the Board.

Section 3. The Vice Chair. In the absence or disability of the Chair, the Vice Chair shall act as Chair.

Section 4. The Secretary. The Secretary shall keep records of the proceedings of the Board of Directors and shall cause written notices to be given for all meetings of the Board of Directors.

Section 5. The Treasurer. The Treasurer shall have the care and custody of and be responsible for all funds and investments of the Corporation and shall cause to be kept regular books of account. The Treasurer shall cause a true and accurate accounting of the financial transactions of the Corporation to be made and reports of such transactions to be presented to the Board of Directors. The Treasurer shall perform all duties incident to the office of Treasurer, subject to the control of the Board of Directors.

Section 6. Vacancies. Vacancies in any office arising from any cause may be filled by the Board of Directors at any regular or special meeting.

Section 7. Removal. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby.

ARTICLE IX
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Section 1. President and Chief Executive Officer. The Board of Directors shall select and employ a President and Chief Executive Officer, qualified by education and experience, who shall be the Corporation's President and Chief Executive Officer in the management of the affairs of the Corporation. The President and Chief Executive Officer shall be given the necessary authority and responsibility to operate the Corporation in all its activities and departments, subject only to such policies as may be issued by the Board of Directors or any of its committees to which it has delegated power for such action. The President and Chief Executive Officer shall act as the duly authorized representative of the Board of Directors in all matters in which the Board of

Directors has not formally designated some other person to act. The President and Chief Executive Officer shall employ qualified, competent executives and assistants to manage the affairs of the Corporation and such other related facilities or corporate entities the Board of Directors may from time to time create.

Section 2. Duties of President and Chief Executive Officer. The authority and responsibility of the Chief Executive Officer shall include:

2.1 Carrying out all policies established by the Board of Directors and advising on the formation of these policies.

2.2 Developing and submitting to the Board of Directors for approval a plan of organization for the conduct of corporate operations and recommending changes when necessary.

2.3 Preparing an annual budget showing the expected revenue and expenditures as required by the Board of Directors.

2.4 Preparing strategic plan showing mission, goals, and objectives as required by the Board of Directors.

2.5 Selecting, employing, controlling and discharging employees and developing and maintaining personnel policies and practices for the Corporation and the hospitals, facilities and other services that it operates.

2.6 Maintaining physical properties in a good and safe state of repair and operating condition.

2.7 Supervising business affairs to ensure that funds are collected and expended to the best possible advantage.

2.8 Working continually with other health care professionals to the end that high quality care may be rendered to the community at all times.

2.9 Presenting to the Board of Directors, or its authorized committees, periodic reports reflecting the professional services and financial activities of the Corporation and the hospitals, facilities and other services that it operates and such special reports as may be required by the Board of Directors.

2.10 Attending all meetings of the Board of Directors and serving on committees thereof

2.11 Serving as the liaison and channel of communications between the Board of Directors and any of its committees, and any of its subsidiary or affiliate organizations.

2.12 Preparing a plan for the achievement of the Corporation's specific objectives and periodically reviewing and evaluating that plan

2.13 Representing the Corporation in its relationship with other agencies.

2.14 Performing other duties that may be necessary or in the best interests of the Corporation.

ARTICLE X
LIMITATION OF DIRECTORS' LIABILITY

A director shall have no liability to the Corporation for monetary damages for conduct as a director, except for acts or omissions that involve intentional misconduct by the director, or a knowing violation of law by the director, or for any transaction from which the director will personally receive a benefit in money, property or services to which the director is not legally entitled. If the Washington Nonprofit Corporation Act is hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the full extent permitted by the Washington Nonprofit Corporation Act, as so amended. Any repeal or modification of this Article shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification for or with respect to an act or omission of such director occurring prior to such repeal or modification.

ARTICLE XI
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Each person who was, or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any actual or threatened action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation or, while a director or officer, he or she is or was serving at the request of the Corporation as a director, trustee, officer, employee or agent of another corporation or of a limited liability company, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is alleged action in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Corporation, to the full extent permitted by applicable law as then in effect, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts to be paid in settlement) actually and reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, trustee, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in Section 2 of this Article with respect to proceedings seeking solely to enforce rights to indemnification, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 1 shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that the payment of such expenses in advance of the final disposition of a proceeding shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Section 1 or otherwise.

Section 2. Right of Claimant to Bring Suit. If a claim for which indemnification is required under Section 1 of this Article is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for expenses incurred in defending a proceeding in advance of its final disposition, in which case the applicable period shall be twenty (20) days, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, to the extent successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. The claimant shall be presumed to be entitled to indemnification under this Article upon submission of a written claim (and, in an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition, where the required undertaking has been tendered to the Corporation), and thereafter the Corporation shall have the burden of proof to overcome the presumption that the claimant is so entitled. Neither the failure of the Corporation (including its Board of Directors or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances nor an actual determination by the Corporation (including its Board of Directors or independent legal counsel) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses shall be a defense to the action or create a presumption that the claimant is not so entitled.

Section 3. Nonexclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, or vote of disinterested directors or otherwise.

Section 4. Insurance, Contracts and Funding. The Corporation may maintain insurance at its expense, to protect itself and any director, trustee, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under RCW 24.03.043 of the Washington Nonprofit Corporations Act and RCW 23B.08.510 of the Washington Business Corporation Act, or any successor provision(s). The Corporation may enter into contracts with any director or officer of the Corporation in furtherance of the provisions of this Article and may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such amounts as may be necessary to effect indemnification as provided in this Article.

Section 5. Indemnification of Employees and Agents of the Corporation. The Corporation may, by action of its Board of Directors from time to time, provide indemnification and pay expenses in advance of the final disposition of a proceeding to employees and agents of the Corporation with the same scope and effect as the provisions of this Article with respect to the indemnification and advancement of expenses of directors and officers of the Corporation or pursuant to rights granted pursuant to, or provided by, the Washington Business Corporation Act, as applied to nonprofit corporations, or otherwise.

ARTICLE XII
MEDICAL STAFFS

Section 1. Qualifications. The Regional Boards shall appoint and report to the Board of Directors of the Corporation through the Quality and Safety Committee the appointment of Medical Staffs for each hospital operated by the Corporation composed of physicians, dentists, and podiatrists who are graduates of approved medical, osteopathic, dental, or podiatric schools, legally licensed to practice medicine and surgery, osteopathy, dentistry, or podiatry in the State of Washington, competent in their respective fields, and worthy in character and in matters of professional ethics. The Medical Staffs shall be organized into responsible administrative units and shall adopt such Medical Staff Bylaws for the government of their practice in the hospitals operated by the Corporation as they deem to be in the best interests of the patients in such hospitals and as are approved by the Board of Directors through the Quality and Safety Committee.

Section 2. Duties. The physician, dentist, or podiatrist duly appointed to a Medical Staff shall have full authority over, and responsibility for, the care of his or her individual patient, subject only to such limitations as the Regional Boards may formally impose, and the Medical Staff Bylaws of the Medical Staff adopted by the Medical Staff and approved by the Board of Directors through the Quality and Safety Committee, which Medical Staff Bylaws, when so approved, shall become a part of the official records of the Corporation.

Section 3. Medical Care and Its Evaluation.

3.1 The Board of Directors of the Corporation, in the exercise of its overall responsibility, shall assign to the Medical Staff of each hospital, and to the Corporation's Regional Boards oversight of the Quality and Safety Committee's reasonable authority for ensuring appropriate professional care to each patient.

3.2 The Medical Staff of each hospital shall conduct an ongoing review and appraisal of the quality of professional care rendered in that hospital and to report such activities and their results to the Board of Directors, acting through the Quality and Safety Committee and Regional Boards.

Section 4. Medical Staff Bylaws. There shall be Bylaws, Rules and Regulations for the Medical Staff of each hospital operated by the Corporation that set forth its organization and government. Such Medical Staff Bylaws or amendments thereto, shall be recommended by each Medical Staff, subject to approval by the Board of Directors through the Quality and Safety Committee, upon recommendation by the Regional Boards.

ARTICLE XIII
CONFLICTS OF INTEREST

The Board of Directors shall adopt, and implement policies regarding conflicts of interest of directors, officers and committee members. Such policies shall include (a) definitions of conflict of interest situations, (b) requirements for full disclosure of any conflict of interest relative to the Corporation, and (c) explanations of how the Corporation may approve a transaction in which a conflict of interest is involved in accordance with the law of the State of Washington.

ARTICLE XIV
TRUSTS AND ENDOWMENTS

In the event the Corporation is dissolved, all trusts and endowments held by the Corporation at the time of dissolution shall be distributed to such organizations in a manner that will assure continuity of the trust or endowment was created. Should any trust or endowment provide for continuity under the circumstances of corporate dissolution, the terms of the trust or endowment shall prevail.

ARTICLE XV
AMENDMENT OF BYLAWS

These Bylaws may be altered, amended, or repealed by the affirmative vote of a majority of the Directors present at a meeting at which a quorum exists, or at any annual or special meeting of the Board.

ARTICLE XVI
ADMINISTRATIVE AND FINANCIAL PROVISIONS

Section 1. Fiscal Year. The last day of the fiscal year of the Corporation shall be December 31.

Section 2. Loans Prohibited. No loans shall be made by the Corporation to any officer or to any director.

Section 3. Books and Records. The Corporation shall keep at its registered office, its principal office in this state, or at its secretary's office if in this state, the following: current Articles of Incorporation and Bylaws; correct and adequate records of accounts and finances; a record of officers' and directors' names and addresses; minutes of the meetings of the Board of Directors and any minutes that may be maintained by committees of the Board of Directors. Records may be written or electronic if capable of being converted to writing. All books and records of the Corporation may be inspected by any director, or his or her agent or attorney, for any proper purpose at any reasonable time.

Section 4. Rules of Procedure. The rules of procedure at meetings of the Board of Directors of the Corporation shall be the rules contained in Roberts' Rules of Order on Parliamentary Procedure, newly revised, so far as applicable and when not inconsistent with these Bylaws, the Articles of Incorporation or with any resolution of the Board of Directors.

CERTIFICATION

Sally B. Leighton, being Secretary of MultiCare Health System, hereby certifies that the foregoing Bylaws, as amended, were duly adopted by the Board of Directors on March 14, 2018.

Sally B. Leighton, Secretary

Exhibit 3.

Planning Area Definition

MultiCare Capital Medical Center Planning Area (SWWA 10)

County	Zip Code	City/town
THURSTON	98501	OLYMPIA
THURSTON	98502	OLYMPIA
THURSTON	98503	LACEY
THURSTON	98504	OLYMPIA
THURSTON	98505	OLYMPIA
THURSTON	98506	OLYMPIA
THURSTON	98507	OLYMPIA
THURSTON	98508	OLYMPIA
THURSTON	98509	LACEY
THURSTON	98511	TUMWATER
THURSTON	98512	OLYMPIA
THURSTON	98513	OLYMPIA
THURSTON	98516	OLYMPIA
THURSTON	98530	BUCODA
THURSTON	98540	EAST OLYMPIA
THURSTON	98556	LITTLEROCK
THURSTON	98576	RAINIER
THURSTON	98589	TENINO
THURSTON	98597	YELM
THURSTON	98599	OLYMPIA

Partial Thurston County

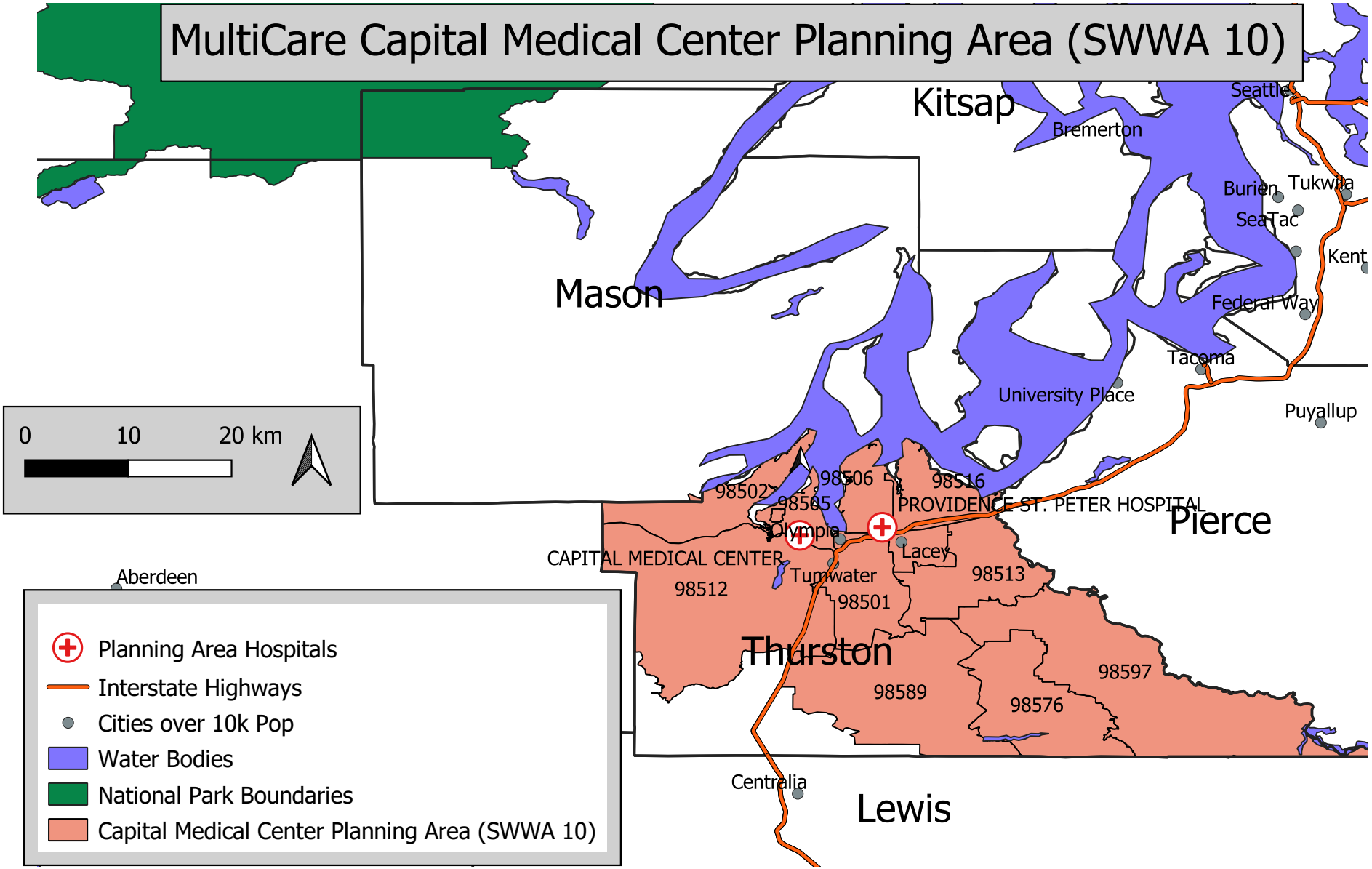

MultiCare Capital Medical Center Planning Area (SWWA 10)
Kitsap
Bremerton
Seattle
Burien
Tukwila
SeaTac
Kent
Federal Way
Tacoma
University Place
Puyallup
Mason
Pierce
Thurston
Lewis
Olympia
Lacey
Tumwater
Aberdeen
Centralia
CAPITAL MEDICAL CENTER
PROVIDENCE ST. PETER HOSPITAL
98502
98505
98506
98516
98512
98501
98513
98589
98576
98597
0
10
20 km
Planning Area Hospitals
Interstate Highways
Cities over 10k Pop
Water Bodies
National Park Boundaries
Capital Medical Center Planning Area (SWWA 10)

Exhibit 4A.

Admissions Policy (Current)

Policy Name: PATIENT ADMISSION, TRANSFER, DISCHARGE, AND/OR CHANGE IN ADMIT STATUS Department: Organization-Wide	Policy No.: PC 44 Page No.: 1 of 2
Effective Date: 10/97	Print Name & Title: Signature & Date:
This Replaces: CC 4.0	APPROVALS: Print Name & Title: Laura Hudgins, Dir. Patient Access Signature & Date:
Review Dates/Signature: 1/98; 2/99; 6/00; 8/02	Print Name & Title: Derek Lythgoe, CFO Signature & Date:
Revised Dates/Signature: 9/96; 7/03; 8/06jcd; 9/06kf, 2/09lh, 4/09lh, 1/12tc; 1/14lh	Print Name & Title: Signature & Date:
Retired:	Print Name & Title: Signature & Date:
Related Policies:	Print Name & Title: Signature & Date:

SCOPE:
All patients admitted for inpatient care as "Full Admit" status, "Observation" status, or "Ambulatory" status. Employees in Registration, PBX, Nursing departments, Ancillary Patient Care departments, and Case Managers.

PURPOSE:
To provide consistent, efficient procedures for patient admission, transfer, discharge, and change in admit status.

POLICY:
Capital Medical Center will not discriminate in the admission or treatment of patients, and we will not make any distinction based on a patient's age, gender, race, color, religion, national origin or any other legally prohibited basis.

1. Admissions
    A. All admissions require a Physician Order specifying:
        i. Placement of patient (i.e. Med/Surg, ICU, Step-Down)
        ii. Patient status (i.e. Observation or Full Admit)
2. Transfers
    A. Transferring a patient refers to changing the actual room/bed assignment of the patient. Transfers do not involve changing the patient's admit status.
    B. The Transfer activity will be processed via order entry by the department in which the patient is physically located at the time the order to transfer is issued.
3. Discharges
    A. All patient discharges require a Physician Order
    B. The order entry discharge function may be used to discharge both "Observation" status and "Full Admit" status patients.
4. Changes in Admit Status

A. A written Order is required before the patients' admit status may be changed.
B. "Observation" status may be changed to "Full Admit" status.
C. "Full Admit" status should not be changed to "Observation" status unless due to clerical error and is not contradictory to the physician order, and then documented as such in Artiva and the medical record.

PROCEDURE:

1. To admit a patient from outside the hospital (e.g. MD office, other facility):
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The Staffing Coordinator or House Supervisor will immediately call Registration with the admission information.

2. To admit a patient from within the hospital (e.g. ER, AMB, WS, Newborn Nursery, OR, Radiology, Cardiopulmonary):
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The department initiating the admission will immediately call Registration with the admission information or fax them an admit order written by the admitting physician.
    E. The department initiating the admission may contact the House Supervisor for assistance if problems are encountered obtaining a bed assignment.

3. Transfer Process:
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The department in which the Transfer Order is issued will process the transfer activity via Order Entry, indicating new bed assignment/accommodation code.

4. Discharge Process:
    A. When the patient physically leaves the hospital, the unit secretary will process the discharge function in Meditech. Accuracy noting time, date, and destination code are essential. This completes the discharge process.

5. Status Change Process:
    A. When a Written Order to change patient's status to "Full Admit" is received, the Registration Department must be notified immediately.
    B. If the status needs to be changed after patient discharge, it can only be done if the need for change is due to a clerical error and does not contradict the physician order. Patient Access lead, supervisor or director must be notified to correct the clerical error with appropriate documentation of said clerical error.
    C. If the status needs to be changed after patient discharge not due to clerical error:
        i. There must never be a duplicate account created.
        ii. The account must be corrected manually in SSI with all actions documented in Artiva and the medical record.
        iii. Notify Patient Days
        iv. Accounts that need to be changed in SSI only and not in PA, enter an X2 in front of the policy number and document the reason for the re-bill request.

Exhibit 4B.

Admissions Policy (Future)

Title: ADMISSION OF A PATIENT

Scope:

This scope applies to all 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, MultiCare Deaconess Hospital, MultiCare Valley Hospital, MultiCare Rockwood Clinic.

Policy Statement:

This policy applies to the admission of a patient. An inpatient is a person who has been admitted to a hospital for bed occupancy for purposes of receiving inpatient hospital services. Generally, a patient is considered an inpatient with a provider admission order, medical necessity and the expectation that patient will remain at least overnight and occupy a bed. Patients who are being admitted for elective inpatient surgery are considered formally admitted once anaesthesia induction has begun.

The medical record contains information to justify the admission of the patient.

Plans of care and discharge plans are initiated for each admission.

MHS does not exclude or deny admission to any person on the basis of race, color, creed, religion, gender, age, ethnicity, disability status, national origin, sexual orientation, marital status, pre-existing condition or any other illegal basis.

Procedure:

I. **All Members of the Medical Staff with Active Admitting Privileges May Admit Patients**

A. The Provider will:

1. Determine patient admission needs
2. Coordinate care between the patient's primary care provider and Specialists providing care to the patient
3. Identify necessary level of care and monitoring
4. Provide appropriate orders (preferably entered into the EMR, however may be called, faxed or sent to the appropriate unit). These orders should include but are not limited to:

a. Admission Status (inpatient, ambulatory, observation for)

b. Admitting Diagnosis,

c. Attending Physician and

d. Admitting unit

e. Vital sign parameters

f. Allergies/Reactions

g. Diet orders

h. Activity orders

i. Diagnostic, Lab and Imaging orders

j. Medications and IVs to be administered during hospital stay, including Medication Reconciliation of home medications.

k. Procedure/Treatments

l. Resuscitation status as appropriate

5. Assess patient at the bedside within timeframe outlined by Medical Staff Bylaws
6. Identify goals of treatment and treatment plan
7. Inform patient about risks, benefits and alternatives of surgery and/or procedures and obtain informed consent as indicated
8. Complete the patient's History and Physical (H&P) as outlined by Medical Staff Bylaws.
9. Initiate appropriate discharge plan as indicated

II. The Unit Secretary/Health Unit Coordinator is Responsible for Notifying Patient Access Services When Patient Has Arrived.

III. Patient Access Services will:

A. Upon notification, register the patient, generate the Face Sheet, Identification Band, Document Labels, and ensure delivery to the patient location.

B. Obtain demographic and insurance information and signatures on applicable forms at the time of registration.

C. Provide and review with the patient the MultiCare Handout entitled "Notice of Privacy Practices, Conditions for Treatment, Financial Disclosures, Patient Rights Materials, Financial Assistance" Form (87-9158-0A)

D. If the patient cannot read English, interpreter services should be sought and translated forms will be provided

E. For every patient who has Medicare or a Managed Medicare as any insurance, primary, secondary, or tertiary, regardless of age the "An Important Message from Medicare" Form (87-0568-3e) must be reviewed with the patient and a signed copy of the document provided to the patient

F. If the patient is eligible for TriCare the form "An Important Message from TriCare" (88-0061-0) must be reviewed with the patient and a signed copy of the document provided to the patient.

IV. Procedure for Admission to Clinical Care Area:

A. Obtain a Bed Assignment:

1. A Provider will contact the appropriate department for bed availability and assignment. This may be the MultiCare Transfer Center (MTC), or the House Supervisor.
2. The admitting patient care staff will be notified of pending admission and bed assignment.

B. Responsibilities

	1. Clerical support responsibilities: a. Retrieve past medical records, including recent ED or urgent care services, as needed **2. RN:** a. Obtain handoff/report of patient condition and receive patient into appropriate care area. b. Place identification bands with appropriate information c. Identify and prioritize appropriate patient care needs. d. Obtain/acknowledge necessary physician orders i. Medication orders must meet MHS standards prior to medication administration ii. The RN ensures that orders are accurately implemented. e. Complete the nursing admission documentation and verify that appropriate admission data is collected and documented f. Ensure that the Advance Directive information has been obtained and document the content of the advanced directive in the patient's record if known. g. If the patient is an adult and does not have a Health Care Directive or wishes additional information: i. A referral may be made to Care Management/ Social Workers who can provide resources to the patient ii. The Health Care Directive form (87-6030-2e) may be offered to the patient iii. The care team initiates a patient plan of care **V. Patients will have a Standardized Patient Medical Record (Chart):** A. The type of chart created will be driven by patient location and availability of the EMR
	Related Forms: Notice of Privacy Practices, Conditions for Treatment, Financial Disclosures, Patient's Rights Materials, Financial Assistance Form #87-9158-0A Important Message from Medicare Form # 87-0568-3e Important Message from TriCare Form # 88-0061-0 Health Care Directive Form #87-6030-2e
	References: **CMS Standards:** 45 C.F.R. § 80 45 C.F.R. § 84 45 C.F.R. § 91 29 U.S.C. § 794

	Centers for Medicare and Medicaid. (2020). *State Operations Manual- Regulations and Interpretive Guidelines for Hospitals.* The Joint Commission. (2020). *Comprehensive Accreditation Manual for Hospitals.* PC 01.02.03, RC 02.01.01, RI 01.01.01 EP2, 5, RI 01.02.01, EP 1,2,22, RI 01.05.01 Washington State Department of Health. (2010). *Chapter 246-320 WAC Hospital Licensing Regulations.*
	Point of Contact: Executive Director, Patient Access 253-697-1865

Approval By:	***Date of Approval:***
Patient Access Leadership	8/12; 7/14; 4/17; 8/20
NOC	11/20
MHS Quality Safety Steering Council	9/14; 5/17; 8/17; 4/18; 12/20
Original Date:	*12/00*
Revision Dates:	*8/04; 7/07; 9/09; 06/12; 8/14; 4/17; 10/20*
Reviewed with no Changes Dates:	XX

Distribution: MHS Intranet
Scope/locations of services updated March, 2017.
Ethnicity and Pre-existing condition added per non exclusion law 7/17
MultiCare Deaconess Hospital, MultiCare Valley Hospital, MultiCare Rockwood Clinic
Added to scope 7/21/17
4/11/18 - Approved at SKRB 3/26/18 and QSSC 4/10/18 to apply to Covington Medical Center

Exhibit 5A.

Non-Discrimination Policy (Current)

Policy Name: PATIENT ADMISSION, TRANSFER, DISCHARGE, AND/OR CHANGE IN ADMIT STATUS Department: Organization-Wide	Policy No.: PC 44 Page No.: 1 of 2
Effective Date: 10/97	Print Name & Title: Signature & Date:
This Replaces: CC 4.0	APPROVALS: Print Name & Title: Laura Hudgins, Dir. Patient Access Signature & Date:
Review Dates/Signature: 1/98; 2/99; 6/00; 8/02	Print Name & Title: Derek Lythgoe, CFO Signature & Date:
Revised Dates/Signature: 9/96; 7/03; 8/06jcd; 9/06kf, 2/09lh, 4/09lh, 1/12tc; 1/14lh	Print Name & Title: Signature & Date:
Retired:	Print Name & Title: Signature & Date:
Related Policies:	Print Name & Title: Signature & Date:

SCOPE:
All patients admitted for inpatient care as "Full Admit" status, "Observation" status, or "Ambulatory" status. Employees in Registration, PBX, Nursing departments, Ancillary Patient Care departments, and Case Managers.

PURPOSE:
To provide consistent, efficient procedures for patient admission, transfer, discharge, and change in admit status.

POLICY:
Capital Medical Center will not discriminate in the admission or treatment of patients, and we will not make any distinction based on a patient's age, gender, race, color, religion, national origin or any other legally prohibited basis.

1. Admissions
    A. All admissions require a Physician Order specifying:
        i. Placement of patient (i.e. Med/Surg, ICU, Step-Down)
        ii. Patient status (i.e. Observation or Full Admit)
2. Transfers
    A. Transferring a patient refers to changing the actual room/bed assignment of the patient. Transfers do not involve changing the patient's admit status.
    B. The Transfer activity will be processed via order entry by the department in which the patient is physically located at the time the order to transfer is issued.
3. Discharges
    A. All patient discharges require a Physician Order
    B. The order entry discharge function may be used to discharge both "Observation" status and "Full Admit" status patients.
4. Changes in Admit Status

A. A written Order is required before the patients' admit status may be changed.
B. "Observation" status may be changed to "Full Admit" status.
C. "Full Admit" status should not be changed to "Observation" status unless due to clerical error and is not contradictory to the physician order, and then documented as such in Artiva and the medical record.

PROCEDURE:

1. To admit a patient from outside the hospital (e.g. MD office, other facility):
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The Staffing Coordinator or House Supervisor will immediately call Registration with the admission information.

2. To admit a patient from within the hospital (e.g. ER, AMB, WS, Newborn Nursery, OR, Radiology, Cardiopulmonary):
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The department initiating the admission will immediately call Registration with the admission information or fax them an admit order written by the admitting physician.
    E. The department initiating the admission may contact the House Supervisor for assistance if problems are encountered obtaining a bed assignment.

3. Transfer Process:
    A. Requests for admission will be routed to the House Supervisor.
    B. The House Supervisor will call the nursing unit for a bed assignment.
    C. The unit Charge Nurse will assign the patient a bed based on the admitting Rx, Gender, Age, and Care Setting.
    D. The department in which the Transfer Order is issued will process the transfer activity via Order Entry, indicating new bed assignment/accommodation code.

4. Discharge Process:
    A. When the patient physically leaves the hospital, the unit secretary will process the discharge function in Meditech. Accuracy noting time, date, and destination code are essential. This completes the discharge process.

5. Status Change Process:
    A. When a Written Order to change patient's status to "Full Admit" is received, the Registration Department must be notified immediately.
    B. If the status needs to be changed after patient discharge, it can only be done if the need for change is due to a clerical error and does not contradict the physician order. Patient Access lead, supervisor or director must be notified to correct the clerical error with appropriate documentation of said clerical error.
    C. If the status needs to be changed after patient discharge not due to clerical error:
        i. There must never be a duplicate account created.
        ii. The account must be corrected manually in SSI with all actions documented in Artiva and the medical record.
        iii. Notify Patient Days
        iv. Accounts that need to be changed in SSI only and not in PA, enter an X2 in front of the policy number and document the reason for the re-bill request.

Exhibit 5B.

Non-Discrimination Policy (Future)

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, 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.

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.

Procedure:

MHS Personnel will:

1. Treat all patients and visitors receiving services from or participating in other programs of MHS, with equality in a welcoming manner that is free from discrimination based on race, color, creed, religion, age, disability, national origin, marital status, sex (including pregnancy), sexual orientation, gender identity or expression, veteran or military status, or any other basis prohibited by federal or state law.
2. Provide notices to patients regarding this Nondiscrimination Policy and MultiCare Health System's commitment to providing access to and the provision of services in a welcoming, nondiscriminatory manner.
3. Inform patients of the availability of and make reasonable accommodations for patients consistent with federal and state requirements. For example, language interpretation services will be made available for non-English speaking patients and sign language interpretation will be made available for hearing impaired patients.
4. Afford appropriate visitation rights to patients free from discrimination and will ensure that visitors receive equal visitation privileges consistent with patient preferences, safety and other applicable policies. At the time patients are notified of their patient rights, Hospital Personnel will also inform patient, or patient's support person, including the patient's attorney in fact, when appropriate, of the patient's visitation rights, including any clinical or safety restriction on those rights, and the patient's right, subject to the patients consent, to receive visitors whom the patient designates.
5. Determine eligibility for and provide services, financial aid, and other benefits to all patients in a similar manner, without subjecting any individual to separate or different treatment of 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.

Related Policies:

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

References:

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 if the Patient Protection and Affordable Care Act and Regulations of the U.S. Department of Health and Human Services issued pursuant to:

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.

45 C.F.R. § 84 (2012) – Enforcement of nondiscrimination on the basis of handicap in

	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
	Point of Contact: compliance@multicare.org

Approval By:	***Date of Approval:***
Compliance/Privacy Leadership	***8/19, 8/20***
MHS Quality Safety Steering Council	***8/12, 9/17, 9/19, 9/20***
Original Date:	*6/12*
Revision Dates:	*8/17, 8/19, 8/20*
Reviewed with no Changes Dates:	*X/XX; X/XX*

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

Exhibit 6.

MultiCare Health System Community Benefits Report

Partnering for healing and a healthy future

MultiCare

2019 Community Benefit Report

There is so much more to health than health care.

And many of the factors that contribute to health — personal safety, economic stability, access to the outdoors, culture and the arts — come not from hospitals and doctors' offices, but from the neighborhoods we live in and the communities we call home. When communities thrive, we all benefit in so many ways.

Which is why I believe that MultiCare is, first and foremost, a community organization, rather than a health care organization. Our responsibility to foster healthy communities doesn't stop at providing excellent medical care to our patients. And our mission of Partnering for Healing and a Healthy Future reminds us that this isn't work we can do alone.

That sense of responsibility calls on us to develop and implement critical support programs of our own for individuals, children and families. Our mission drives us to partner with and support other like-minded organizations, large and small, who are doing the same.

At the same time, we recognize that accessible medical care is also key to a healthy community. So MultiCare does all that it can to ensure that everyone who comes to us gets the care that they need, regardless of their ability to pay.

The pages of this report provide a glimpse of some of the programs and events MultiCare has been privileged to support in 2019. We look forward to the opportunities 2020 will bring us to continue to engage in this important work for the health and wellness of our communities.

Bill Robertson

President & CEO
MultiCare Health System

Fresh produce on display at the Tacoma Farmers Market

Fresh Bucks

Helping families afford farm-fresh foods

For too many low-income families, the kind of “farm to table” fresh produce offered at farmers markets is often out of reach. Since 2015 the Washington Food Insecurity Nutrition Incentives (FINI) Project’s Fresh Bucks program has been working to change that

Fresh Bucks encourages low-income households participating in the Supplemental Nutrition Assistance Program (SNAP) to increase their purchase of fruits and vegetables by providing cash incentives. In 2019 an unlimited dollar-for-dollar match was provided for Fresh Bucks participants to spend on fresh fruits and vegetables.

MultiCare teamed up with two Tacoma farmers markets on the original FINI application for Pierce County and together, we will receive almost $1 million over the award period to promote access to healthy fruits and vegetables to SNAP participants in Pierce County.

Oakland High School Health Clinic

Increasing health care access for students at risk

A new MultiCare Health Clinic at Oakland High School opened in April 2019, the first of its kind in Tacoma.

The school serves students from 14-21 years old and many of its students face socioeconomic challenges that put them at a disadvantage when it comes to their long-term health equity and financial prosperity.

School leaders wanted to create a health care solution that would provide access to both medical and behavioral health care without leaving campus and would address students’ needs in a way that supported convenience and attendance.

The concept evolved over several years into a partnership between Tacoma Public Schools, MultiCare and Communities in Schools.

MultiCare physicians and nurse practitioners staff the clinic and provide preventive care, behavioral health care and treatment for illness and injury to students and students’ children who attend the on-site day care.

Patient and caregiver at the MultiCare Health Clinic at Oakland High School

Hooptown USA

Building healthier communities in the Inland Northwest

Basketball is more than a sport in Spokane — it’s part of the culture. Since its founding in 1990, Hoopfest, Spokane’s annual 3-on-3 summertime outdoor basketball tournament, has grown into a major event that draws teams from near and far.

The Spokane Hoopfest Association also runs a youth basketball league and outreach program — in addition to building over 30 community basketball courts in the region over the last 30 years.

Building on our existing Hoopfest partnership, during Hoopfest 2019 MultiCare announced a $1 million, 10-year exclusive sponsorship with Hooptown USA — an initiative

Spokane’s Hoopfest tournament

designed to celebrate basketball’s influence in the region and promote health and fitness for families in the Inland Northwest.

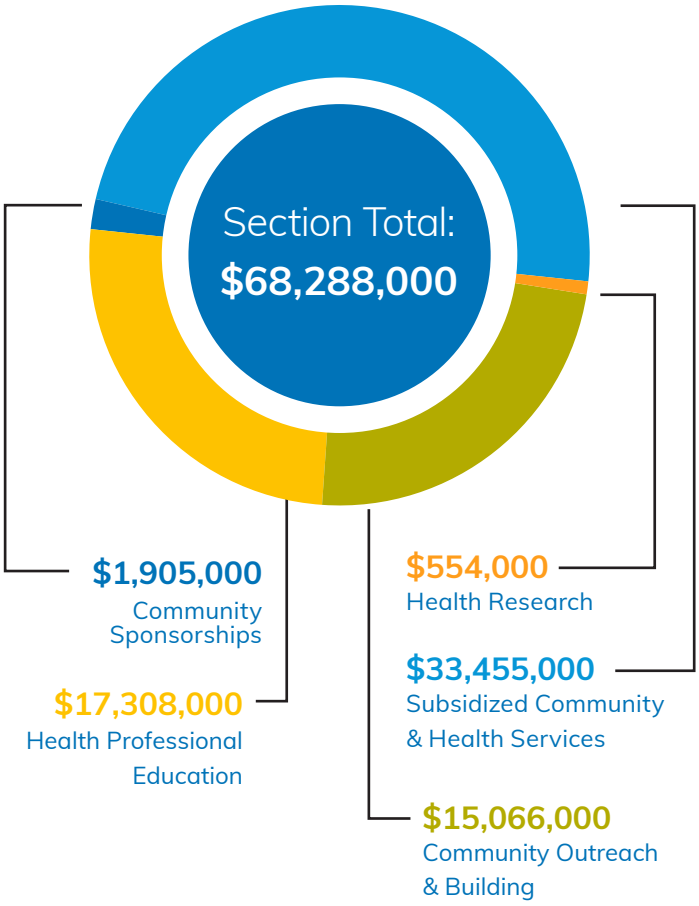
With MultiCare’s support, Hooptown USA will develop a state-of-the-art basketball complex and new basketball Hall of Fame in Riverfront Park, as well as revitalize Hoopfest’s existing outdoor court network.

Investing In Our **Communities**

Each year, MultiCare commits financial resources to multiple community programs and services; invests in capital projects to improve our facilities for our patients; and helps ensure low-income or uninsured patients get the care they need, regardless of their ability to pay. Here is a summary of the support we provided in 2019.

Community Services

These are programs or activities that go beyond patient care, are available to the general public and are primarily subsidized by MultiCare. These services are grouped into five categories.



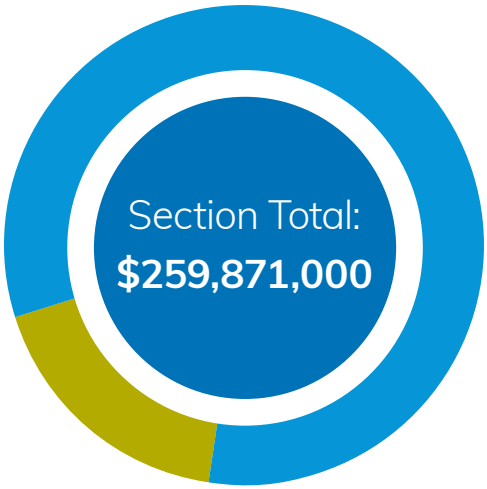
Capital Improvements

MultiCare continually invests in capital improvement projects to ensure our patients have the most advanced treatment facilities available. In 2019 we invested over $195 million in these and other projects:

- Completion of Off Campus Emergency Department in Parkland and construction in progress for the Bonney Lake and South Hill locations
- Continued expansion of Allenmore Emergency Department
- Continued enhancements and upgrades of Wellfound Behavioral Health Hospital, including addition of Care Connect
- Continued alignment and expansion of our Indigo Urgent Care sites in the Puget Sound service area

Low-Income Patient Care Shortfall

These are the unreimbursed costs of providing hospital-based care to low-income and special needs populations, including:



Total: $328,159,000

Other Expenses

In 2019, MultiCare provided $33,523,000 in discounts to uninsured patients.

Community Partnership Fund

Over $3 million in grants since 2015.

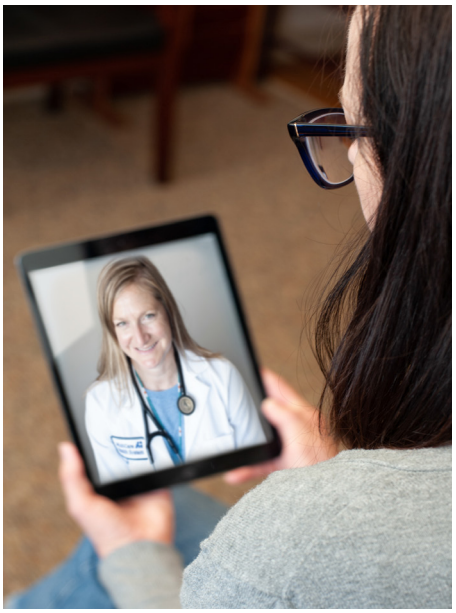
MultiCare has been a dedicated community partner throughout our nearly 140-year-history, helping to do our part to achieve community goals. We've provided — and continue to provide — financial support, volunteers and additional resources to numerous local and national organizations such as the American Cancer Society, American Heart Association, YMCA of Pierce and Kitsap Counties, Crystal Judson Family Justice Center and many, many more.

In 2015, MultiCare took that support one step further and established the MultiCare Community Partnership Fund. The fund supports organizations that contribute to the health and vitality of our community in areas such as child-related causes, domestic violence and trauma, education and job training, food insecurity, health care and homelessness/housing.

The fund has awarded over $3 million in grants from 2015 to 2019 to a growing number of organizations in the Puget Sound and Inland Northwest regions.

Organizations that received Community Partnership Fund support in 2019 are:

Active4Youth
Allen Renaissance/Tacoma Clubhouse
American Diabetes Association
Ark Institute of Learning
Ashley House
Asia Pacific Cultural Center
Asian Counseling & Referral Service
At The Core
Auburn Public Schools Foundation
Big Brothers Big Sisters of the Inland Northwest
Boys & Girls Clubs of Thurston County
Catherine Place
Catholic Charities Eastern Washington
Catholic Community Services of Western Washington
Central Kitsap Food Bank
Children's Museum of Tacoma
Coffee Oasis Centers
Communities in Schools Lakewood
Communities in Schools Puyallup
Community Minded Enterprises
Domestic Abuse Women's Network (DAWN)
Eastern Washington University Foundation
Eastside Baby Corner
Emergency Food Network
Family Promise of Spokane
Food Backpacks 4 Kids
Food Lifeline
Girls Scouts of Western WA
Greater King County Police Activities League
Hands-On Children's Museum
Hilltop Artists
Holly Ridge Center
Hope Sparks
HUB Sports Center
Jewish Family Service of Seattle
Key Peninsula Free Clinic
Lambert House
Lindquist Dental Clinic for Children
Lutheran Community Services Northwest
Maple Valley Food Bank & Emergency Services
Mary's Place
Medical Teams International
Multi-Service Center
Museum of Glass
NAMI of Washington
Nourish Pierce County
NW Furniture Bank
Our Sisters' House
Partners with Family & Children Spokane
Pierce Conservation District
Pierce County AIDS Foundation (PCAF)
Pioneer Human Services
Prescription Drug Assistance Foundation
Puyallup Valley St. Francis House
Reach Out and Read Washington State
Safe Streets Campaign
St. Leo Food Connection
St Vincent de Paul Holy Family Conference
Salvation Army
Seattle/King County Clinic
Second Harvest Inland Northwest
Sexual Assault Center of Pierce County
Shared Housing Services
Somali Health Board
Sound Outreach
Spokane District Dental Society Foundation
Spokane Neighborhood Action Partners (SNAP)
Spokane Valley Partners
Step By Step
Tacoma Farmers Market
Tacoma Housing Development Group
Tacoma Pierce County Habitat for Humanity
Tacoma Urban League
TEARS Foundation
The Rescue Mission
Transitions
Trinity Presbyterian Church
U-District Foundation Mentoring
Vanessa Behan Crisis Nursery
Vine Maple Place
Volunteers of America of E. Washington and N. Idaho
Washington Healthcare Access Alliance
Washington State University Health Sciences Spokane
Women Helping Women Fund
YMCA of the Inland Northwest
YWCA Spokane



About MultiCare

MultiCare is a not-for-profit health care organization that's been caring for communities in Washington state since the founding of Tacoma's first hospital in 1882.

We've grown from a Tacoma-centric, hospital-based organization into the largest, not-for-profit, community-based, locally-owned health system in the state of Washington.

Our comprehensive system of health serves patients from around the Pacific Northwest and includes numerous inpatient care, primary care, virtual care, urgent care, dedicated pediatric care, specialty care and community services in all the regions we serve.

Health care is changing. And MultiCare is changing with it. But our commitment to our mission — Partnering for Healing and a Healthy Future — and our dedication to the health of those we serve remains constant and unwavering.

multicare.org

Exhibit 7.

Financial Assistance Policy

DEPARTMENT: Collections	**POLICY DESCRIPTION:** Discount Charity Policy for Patients for **Capital Medical Center**
	REPLACES POLICY DATED: 01/09/15
REVISED: 9/20/2010; 6/17/13; 1/9/15; 03/31/2015	
APPROVED: 03/31/2015	**RETIRED:**
EFFECTIVE DATE: 10.01.2008	**REFERENCE NUMBER:**

SCOPE:

For requesting and evaluating Financial Assistance Applications for the purposes of processing a Charity discount.

PURPOSE:

To define the policy, in compliance with State guidelines, for providing financial relief to patients who have received appropriate hospital-based medical services including those hospital services which are reasonably calculated to diagnose, correct, cure, alleviate, or prevent the worsening of conditions that endanger life, or cause suffering or pain, or result in illness of infirmity, or threaten to cause or aggravate a handicap, or cause physical deformity or malfunction, and there is no other equally effective more conservative or substantially less costly course of treatment available or suitable for the person requesting the service. To ensure the policy for financial assistance to patients is consistent with the income guidelines as defined in WAC 246-453-040(1) and WAC 246-453-040(2).

Also, to establish protocols for requesting and processing the Financial Assistance Application and defining the supporting income validation documentation requirements.

Charity Care and/or Financial Assistance means medically necessary hospital health care rendered to indigent 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.

Third-Party Coverage means an obligation on the part of an insurance company, health care services contractor, health maintenance organization, group health plan, government program (Medicare, Medicaid or medical assistance programs, workers compensation , veteran benefits), tribal health benefits, or health care sharing ministry as defined in 26 USC Sec.5000A to pay for the care of covered patients and services, and may include settlements, judgments, or awards actually received related to the negligent acts of others (for example, auto accidents or personal injuries) which have resulted in the medical condition for which the patient has received hospital health care services.

POLICY:

Charity care or discounts may only be provided to patients receiving appropriate hospital-based medical services as defined in WAC 246-453-010(7). Patients meeting the income level requirements in WAC 246-453-040(1) and WAC 246-453-040(2) qualify for a charity discount based on the patient's annual total household income:

DEPARTMENT: Collections	POLICY DESCRIPTION: Discount Charity Policy for Patients for **Capital Medical Center**
	REPLACES POLICY DATED: 01/09/15
REVISED: 9/20/2010; 6/17/13; 1/9/15; 03/31/2015	
APPROVED: 03/31/2015	**RETIRED:**
EFFECTIVE DATE: 10.01.2008	**REFERENCE NUMBER:**

- All responsible parties with annual household income equal to or below 250% of the federal poverty standard, adjusted for family size, shall be determined to be indigent persons qualifying for charity sponsorship for the full amount of hospital charge related to appropriate hospital-based medical services that are not covered by private or public Third-Party Coverage.
- Patients must cooperate and apply for any and all Third-Party Coverage that may be available to help pay their hospital bill. Non-compliance with this process may result in an initial denial of the application.
- Total annual household income of the responsible party will be determined based on the time the appropriate hospital-based medical services were provided, or based on the time of the Financial Assistance Application if the application is made within two years of the time the appropriate hospital-based medical services were provided, the responsible party has been making good faith efforts toward payment for the services, and the responsible party demonstrates eligibility for charity care or discount / financial assistance.
- A validation must be completed to ensure that if any portion of the patient's medical services can be paid by Third-Party Coverage, that the payment has been received and posted to the account. Charity discounts will be applied to the patient's account once Third-Party Coverage payments are posted.

Public Notification

Pursuant to WAC 246-453-020(2) and WAC 246-453-010(16), notice will be posted and prominently displayed in areas where patients are admitted or registered, in the emergency department, and any financial service of billing area accessible to patients advising that the hospital offers Financial Assistance and Charity Care (including free and reduced price care) to insured and uninsured persons meeting the specified income requirements and made available to patients in writing and personally explained at the time the hospital requests information regarding Third-Party Coverage.

Notice and a plain language summary of this Policy, the current version of this Policy and the Financial Assistance Application will be available on the hospital's website.

All hospital billing statements and other written communications involving billing or collection of a hospital bill by the hospital will include the following statement on the front / first page of the statement in both English and the second most spoken language in the hospital's service area:

You may qualify for free care or a discount on your hospital bill, whether or not you have

insurance. Please contact our financial assistance officer at [web site] and [phone number].

The written notices, verbal explanations, the summary of this Policy, this Policy, and the Financial Assistance Application will be available in all languages spoken by more than ten percent of the population in the hospital's service area and interpreted for other non-English speaking or limited-English speaking or other patients who cannot read or understand the writing and explanation.

Verbal Statement for Initial Determination of Eligibility

Patient Access staff will provide the patient/responsible party with a Financial Assistance Application with instructions and assign charity review based upon information provided orally by the patient/ responsible party or upon receiving a signed application and/or statement attesting to the accuracy of the information provided or based solely when upon initial determination of a guarantor's status as an indigent person is obvious. The patient or responsible party will have 14 days, or such time that is medically and reasonably feasible, for patients to secure and present the required documentation. Collection efforts will not be initiated during the determination process for charity care provided the responsible party is cooperative with the hospital's efforts to reach an initial determination of sponsorship status.

Income and Asset Verification

- Medicare requires independent income and resource verification for a charity care determination with respect to Medicare beneficiaries (PRM-I § 312).
- For Medicare beneficiaries, in addition to thorough completion of the Financial Assistance Application, the preferred income documentation will be the most current year's Federal Tax Return. Any patient/responsible party unable to provide his/her most recent Federal Tax Return may provide one piece*** of supporting documentation from the following list to meet this income verification requirement:
    - Supporting W-2
    - Supporting 1099's
    - Most recent bank and broker statements listed in the Federal Tax Return
    - Current credit report
    - Qualified Medicare Benefits (QMB for inpatients only)

    ***A Medicare beneficiary who also qualifies for Medicaid (dual-eligible beneficiary) will be presumed indigent automatically as long as the "Must Bill" requirements are met which is supported by a State Medicaid remittance advice.

- Additional documentation acceptable for Non-Medicare patients:
    - Most Recent Employer Pay Stubs
    - Copies of all bank statements for last 3 months
    - Written documentation from income sources

- Any one of the following documents shall be considered sufficient evidence upon which to base the final determination of charity care sponsorship status, when the income information is annualized as may be appropriate:
    (a) A "W-2" withholding statement;
    (b) Pay stubs;
    (c) An income tax return from the most recently filed calendar year;
    (d) Forms approving or denying eligibility for Medicaid and/or state-funded medical assistance;
    (e) Forms approving or denying unemployment compensation; or
    (f) Written statements from employers or welfare agencies.

- In the event that the responsible party is not able to provide any of the documentation described above, the hospital may rely upon written and signed statements from the responsible party for making a final determination of eligibility for classification as an indigent person.

- Supplemental information may also be gathered using external database information as available through national credit reporting agencies such as Experian, Equifax, or Transunion. Such information will be used for the purposes of defining qualification for "presumptive" financial assistance / presumptive qualification for charity care or discount. Under no circumstances will such information be used to exclude anyone from qualification for charity care or discount.

- After thorough review of the Financial Assistance Application and documented research through Medicaid Eligibility processing or other means, a manager may waive supporting documentation on non-Medicare, non-Champus, non-Medicaid, and non-Medicare Secondary Payer accounts when it is apparent that the patient/responsible party is unable to meet the supporting documentation requirement but clearly meets the Charity guidelines.

- Under no circumstances will liens be considered on properties.

- Registrars, Financial Counselors, Support Services, and Collectors (Patient Access Staff) should utilize all relevant on-line systems available to gather correct information for review of charity. All efforts should be documented in a clear, concise, and consistent manner in the Collections/Artiva System. Staff should demonstrate respect and integrity in all internal and external dealings. Confidentiality is considered of utmost importance and should be adhered to by all staff. All guidelines set forth by this policy should be adhered to without exception.

Pending Medicaid Effect on Charity Discount

The Pending Medicaid and Pending Charity processes should not be concurrent processes. Determination of Pending Medicaid should be resolved prior to evaluating for potential Pending Charity.

Charity Processing based on Federal Poverty Guidelines

Patients that fall within 0-250% of the Federal Poverty Guideline will have a 100% Charity Discount processed. Patients that fall within 251%-400% of the Federal Poverty Guideline will receive a 60% charity discount. This process will be managed by establishing IPLANS with a Financial Class of 15 for Charity Pending, Charity 0%– 250%, and Charity 251% - 400%. When an account qualifies for FPG 0%-250%, the charity tool will assign 099-51 to post the discount of 100%. When an account qualifies for FPG 251%-400%, the charity tool will assign the 099-53 Iplan and auto-post the discount of 60% (log C300, model C300), auto-posted discount. These IPLANS will be attached to standard LOGIDS with the appropriate models to calculate the applicable discount and auto post to the account at final bill and should be prorated at the appropriate percentage of patient charges. These logs will not be worked for discrepancies or any other purposes since self-pay underpayments or overpayments would be identified as they are normally identified today through our collection pools and credit balance reports. On accounts where the charity IPLAN is placed in the secondary or tertiary position, the applicable manual discount will need to be applied. Standard procedure codes will be established to use in those instances where the discount must be manually applied.

Charity Processing based on Extenuating Circumstances

There may be occurrences of extenuating circumstances where the patient/responsible party is not able to complete the Financial Assistance Application and/or provide supporting documentation and resource testing cannot be completed or where the medical indigence of

the patient is determined as outlined by state requirement/policy. In those circumstances, a CFO, PAD, or designee may make the decision to waive the required documentation provided that all attempts to obtain additional information are documented clearly or may perform additional resource testing to validate the need for charity. Some of the following could be considered extenuating circumstances:

- Undocumented Residents or Homeless - Patients identified as undocumented residents or homeless through
  - Medicaid Eligibility screening
  - Registration process
  - Discharge to a shelter
  - Clinical or Case Management documentation

- Patient Expiration - Patients that expire and research determined through family contact and/or courthouse records that an estate does not exist and was documented, may be considered for a charity discount with the manager's review and approval for a policy exception. Patients that expire prior to or during the charity review process will be reviewed for estate if not already completed. If review for estate is not documented, the account will be forwarded to a Sr. Correspondence Representative for review and the charity process will be suspended pending results of the review.

- Medically Indigent – Based upon state guidelines or requirements if the patient/responsible party meets the medically indigent status, a charity discount may be applied after completion of the resource testing process for the patient/responsible party according to state guidelines:

- Per WAC 246-453-040, patients will be considered indigent if the annual family income falls below 200% of the FPG adjusted for family size (for Capital Medical Center, patients will be considered indigent if the annual family income falls below 250% of the FPG adjusted for family size) or in cases where the patient/responsible party's income exceeds two hundred percent of the federal poverty standard, adjusted for family size, the hospital may determine to classify as indigent based upon that responsible party's individual financial circumstances.

Approval of Extenuating Circumstances

- Charity write-off for extenuating circumstances must be submitted on the "Charity-Request for Write-Off Approval" form. Request must be approved based on ETRAN (ref. NSH.PP.PAS.003) approval levels.

- Signed form should be batched and forwarded to scanning into Charity folder.

State Programs and Future Coverage

Several county and local government based programs pre-screen patient under the federal poverty guideline for participation in Medicaid. Patient participation in these programs or future participation also satisfies the income attestation requirements of the Uninsured Charity Policy. Zero income and one dependent will be entered in the web tool to have the 100% adjustment applied; completion of the Financial Assistance Application is not required. The account will be noted, "MCD 100% approved" or Future coverage, for "program or MCO".

Out of State Medicaid-No Provider Number

Patients who actively participate in Out of State Medicaid programs where a provider number is not available and whose prorated charges are less than twenty-five hundred dollars ($2,500) also satisfy the income attestation requirements of the Uninsured Charity Policy. For these accounts, the OOS Medicaid Iplan will be replaced with the charity pending IPLAN (099-50). A list of these accounts will be sent each week to the Correspondence Manager. The accounts will be reviewed and approved in the Charity Web Tool.

Insurance Denials

When an account is denied by Third-Party Coverage for non-covered services or date of service not covered, etc., the payor Iplan will be deleted and the Uninsured Iplan will be assigned as primary payor. The uninsured discount will auto-post and a statement will be sent to the patient. Per policy, an attempt must be made to collect the patient liability. If the patient is unable to pay and contacts the hospital, Customer Service, Agency or other SSC agent, a Financial Application will be provided. Upon receipt of the Financial Application by the SSC, the charity pending Iplan (099-50) will be added to the account.

Refunds on Charity accounts

The general expectation is that all patients pay for services rendered if they are not fully covered by Third-Party Coverage. In the event that a responsible party pays a portion or all of the charges related to appropriate hospital-based medical services, and is subsequently found to have met the charity care criteria at the time that services were provided or if Financial Assistance Application is made within two years of the time the appropriate hospital-based medical services were provided, the Applicant has been making good faith efforts towards payment of the services, and the Applicant demonstrates eligibility for Charity Care and/or Financial Assistance, any payments in excess of the amount determined to be appropriate in accordance with WAC 246-453-040 shall be refunded to the patient within thirty days of achieving the charity care

designation.

Collection Efforts

Collection efforts will not be directed at the responsible party during an initial determination of sponsorship status. If the initial determination indicates that the responsible party may meet the criteria for classification as an indigent person, collection efforts will be precluded until a final determination provided the responsible party is cooperative with the hospital's reasonable efforts to reach a final determination of sponsorship status.

Notice of Final Determination

Charity care applicants will be notified of the final determination of sponsorship status within fourteen calendar days of receipt of requested information. In the case of approvals, parties should be notified of the amount that will be covered. In the case of a denial, parties will be notified in writing of the denial and the basis for denial.

Patient Dispute Process

- All parties denied charity care coverage will be notified that they have thirty days within which to request an appeal of the final determination. All parties denied charity care coverage will also be provided with an appeals procedure that enables them to correct any deficiencies in documentation or request review of the denial.
- In the event a patient wishes to file a dispute and appeal their eligibility for this policy, patient may seek review from the Patient Access Director, Hospital Chief Financial Officer or an SSC Executive. Any such dispute / appeal will be forwarded to the Chief Financial Officer upon receipt of such dispute / appeal.
- If a patient appeals their denial and is denied a second time on the same account for the same reason, a copy of that appealed denial and the basis for that denial will be sent to the responsible party, with a copy to the Chief Financial Officer,and sent to the office of Hospital and Patient Data Systems, Washington State Department of Health with copies of documentation upon which the decision was made.
- Any collection efforts will be ceased if an appeal has been filed for charity care coverage until the appeal is finalized.

Approval Responsibility

The business office administers the policy based on above policy guidelines with final approval, denials or exceptions being made by Capital Medical Center PAD and/or CFO.

DEPARTMENT: Collections	**POLICY DESCRIPTION:** Discount Charity Policy for Patients for **Capital Medical Center**
	REPLACES POLICY DATED: 01/09/15
REVISED: 9/20/2010; 6/17/13; 1/9/15; 03/31/2015	
APPROVED: 03/31/2015	**RETIRED:**
EFFECTIVE DATE: 10.01.2008	**REFERENCE NUMBER:**

Training

The hospital has established a standardized training program on this Policy and the use of interpreter services to assist persons with limited English proficiency and non-English-speaking persons in understanding information about this Policy. The hospital will provide regular training to front-line staff who work in registration, admissions and billing and any other appropriate staff to effectively answer questions about Financial Assistance / Charity Care availability at the hospital, to obtain any necessary interpreter services, and direct inquiries to the appropriate department in a timely manner.

Exhibit 8A.

End of Life Policy (Current)

Policy Name: CARE AT THE END OF LIFE Department: Hospital-Wide	Policy No.: PC 5.0 Page No.: 1 of 3
Effective Date: 7/98	APPROVALS: Print Name & Title: Scott Puhalla, Dir. ED Signature & Date:
This Replaces: TX 6	Print Name & Title: Paul Sunderland, MD, Med.Dir., ED Signature & Date:
Review Dates/Signature: 6/01, 6/06; 4/11am	Print Name & Title: Becky Means, CNO Signature & Date:
Revised Dates/Signature: 6/06; 7/13kb	Print Name & Title: Kathleen Boswell, CQO Signature & Date:
Retired:	Print Name & Title: Alirez Bozorgmanesh, MD Signature & Date:
Related Policies:	Print Name & Title: Signature & Date:

SCOPE:
All patient-care personnel.

PURPOSE:
The goal of respectful, responsive care of the dying patient is to optimize the patient's comfort and dignity by providing appropriate treatment for primary and secondary symptoms as desired by the patient or surrogate decision maker, responding to the psychosocial, emotional and spiritual concerns of the patient and family and managing the patient's pain, if present, aggressively.

POLICY:
It is the policy of Capital Medical Center (CMC) that all patients receive the same standard of care regardless of their diagnoses. It is also recognized that some of the patient populations may require unique attention. Therefore, all staff at CMC are sensitized to the needs of the dying patient and his/her spouse, parent, children, healthcare surrogate, proxy or significant other.

Note: Within the context of this policy, the term "patient" is defined as "patient, spouse, children, parent, healthcare surrogate, proxy, or significant other who can speak on behalf of the patient's perspective.

PROCEDURE:
I) The plan of care for the dying patient includes input from the patient, depending on the patient's mental status and preferences.

II) The decision as to how aggressively to treat primary and/or secondary symptoms is made in collaboration with the physician, patient, and significant others.

III) When pain is present in the terminally ill patient, it is managed aggressively. Nursing assesses the patient's pain and response to medication/treatments according to policy and procedure. Nursing contacts the patient's physician whenever the patient's pain is not responding to ordered medications or treatments and requests new orders.

IV) A Case Management referral is made if the case manager has not yet screened the patient.

V) Discussion of Advanced Directives occurs upon admission. When a person requests further information, , Case Management, Nursing Managers or Nursing Supervisors may be contacted. Advance Directives documented according to CMC policy and procedure.

VI) Visiting hours for the spouse, parent, children, healthcare surrogate, proxy and/or significant other are expanded when possible and an attempt is made to provide accommodations so that others may remain with the patient during the night.

VII) The patient is asked about his/her religious affiliation upon admission and asked if they want clergy visitation. When a patient's condition has been assessed to be critical or terminal, clergy services should be offered to provide emotional, psychosocial, or spiritual support for the patients and others.

VIII) A direct order from the physician is required for Hospice referral. When a request is made for Hospice referral, the nurse or case manager acts as liaison and requests an order from the physician if not already obtained.

IX) When a physician order for Hospice is received, Hospice is contacted and referral made for consultation.

X) If the patient agrees to hospice care, Hospice staff will work closely with hospital staff to coordinate discharge to an alternate level of care.

XI) If hospice services are not initiated, hospital staff works closely with the patient and physician to coordinate patient's care, including ensuring accommodations for their physical, psychosocial, emotional, and spiritual needs.

ADDENDUM:

Addendum 1: Standards of Care: The Dying Patient/Family

STANDARDS OF CARE
THE DYING PATIENT/FAMILY

Nursing Dx Concern	Spiritual Distress: related to hospitalization & physical condition	Coping Ineffective: related to fear, anxiety & loss of control	Alteration in Comfort: R/T to physical & psychological pain	Knowledge Deficit: related to Dx, prognosis & treatment choices	Grieving: related to loss of family member	
Interventions	• Contact religious representative if desired. • Encourage family to bring in symbolic items. • Provide privacy & quiet. • Allow cultural/religious ceremony (pt's own belief) if not infringing on safety or rights of others. • Contact case coordinator to assess family needs for community resources.	• Assess prior coping/ problem solving abilities. • Assess emotional state associated with dying process. • Encourage verbalization of feelings. • Provide relaxed, quiet environment. • Encourage participative problem solving	• Assess location, intensity & nature of pain. • Assess prior pain management techniques. • Reposition, turn & support to improve comfort. • Utilize relaxation visual imagery, focus breathing & touch. • Apply heat & cold as effective. • Medicate as ordered.	• Explore patient/family understanding of Dx & wishes of • Assist patient/family to examine preferences: • Code status • Advance directives • Organ donation • Initiate referrals: • Pastoral care • NOPA • Financial counselor • Social services • Plan time for questions.	• Assist family with closure. • Provide time for family to be with patient after death. • Assist family with notification of others. • Assist family with funeral arrangements. • Provide medical support as needed. • Encourage use of support systems (community/religious groups)	
Outcomes	The patient/family will: • Continue spiritual practices not detrimental to health. • Express satisfaction with spiritual condition.	Patient/family will: • Verbalize feelings of fear, loss, anxiety. • Be calm, comfortable. • Make decisions and family will be accepting of patient choices.	The patient will: • Receive validation that pain exists. • Relate improvements of pain and an increase in self-care activities. • Family will verbalize feelings regarding patients comfort.	The patient/family will: • Exhibit/demonstrate less anxiety, fear related to the unknown. • Describe disease process and procedures for symptom control.	The family will verbalize feelings of loss. • After care arrangements will be in place • Family will recognize support systems.	
Initiated Initial/Date						
Resolved Initial/Date						
Capital Medical Center 3900 Capital Mall Drive SW Olympia, WA 98502			ADDRESSOGRAPH			

Exhibit 8B.

End of Life Policy (Future)

Title: WITHHOLDING/WITHDRAWAL OF LIFE-SUSTAINING TREATMENT

Scope

This policy applies to patients receiving care at MultiCare Health System (MHS) in the Puget Sound region including Tacoma General/Allenmore Hospital, Mary Bridge Children's Hospital, Good Samaritan Hospital, Auburn Medical Center, Covington Medical Center and all ambulatory care areas.

The following patients require additional procedures before enacting this policy:

- If the patient has been declared dead by whole brain criteria, refer to the **Brain Death Determination Policy**.
- If the patient is pregnant with a viable fetus, contact the local hospital's Risk Manager and ethics committee.

Policy Statement:

1. MHS recognizes that the decision to withhold or withdraw life-sustaining treatment is ethically and legally appropriate in certain circumstances. It is expected that all involved health care providers will approach the decision-making process with the highest degree of professionalism, engaging in respectful and transparent discussion with the treatment team, the patient or surrogate, and the patient's involved family members.
2. The decision to withhold or withdraw treatment is complex and case-specific, and should be guided by respect for:
    a. the patient's fundamental right to control decisions regarding their health care, including the decision to refuse life-sustaining treatment, and
    b. health care providers' obligations to provide beneficial treatments, restore health, and/or relieve pain and suffering, and
    c. personal values that bear on the decision-making process and the right of a health care provider to elect not to participate in withholding or withdrawing life-sustaining treatment.
3. The goals of this policy are to provide guidelines for withholding or withdrawing life-sustaining medical treatment and may be referred together with the **Medically Ineffective Treatment Policy**.

Procedure:

A. General Considerations

1. A discussion concerning the withholding or withdrawal of life-sustaining treatment may be initiated by the patient, the patient's surrogate or family members, the attending physician, or a consulting physician. The attending physician is responsible for coordinating communication between the patient or surrogate, the patient's involved family members, and members of the treatment team.

2. Under Washington law, the right to refuse, withhold or withdraw life-sustaining treatment includes the right to refuse, withhold, or withdraw artificial nutrition and hydration.

3. A surrogate's decision to withhold or withdraw treatment should be guided by the ***substituted judgment*** standard, which means he or she is relying on known or inferred preferences of the patient when deciding about medical treatment. If the patient's preferences are unknown and cannot be reasonably inferred from the surrogate's knowledge of the patient, an advance directive, or knowledge of others who discussed end of life preferences with the patient, the surrogate must consider the ***best interest*** of the patient. The treatment team should support the surrogate decision-maker in reaching decisions that are guided by the ***appropriate standard*** under the circumstances.

B. Establishing Goals of Care and Treatment Plans

1. The treatment team should establish the patient's goals of care, including goals related to life-sustaining treatments as soon after admission as possible.

2. When the patient lacks decision-making capacity, the treatment team should review the patient's advance directives, if any, and engage the patient's legally qualified surrogate decision-maker in a discussion about goals of care. It is appropriate to involve immediate family members who have knowledge regarding patient preferences to assist the surrogate in exercising substituted judgment.

3. When the patient lacks decision-making capacity and has no surrogate, family, or other legal representative to speak for him or her, notify the local hospital's care continuum director to consider a guardianship process. An ethics consult may also be requested.

4. The role of the treatment team includes providing guidance whether the patient/surrogate's goals of care are attainable based on the best available medical evidence. When requested treatments are deemed medically ineffective, providers must respectfully discuss the rationale for any decision to withhold/withdraw the requested treatment and document the discussion and rationale in the patient's chart.

5. If the goals of care shift to comfort care and/or a decision is made not to escalate treatment, that goal should persist even as attending physicians change. This ensures continuity of care, minimizes the disruption to patients, family and staff, and helps families focus on supporting their dying loved one. The current attending physician should have a conversation with the incoming attending physician to help ensure continuity.

6. If there is clinically significant change in the patient's medical condition, the goals of care should be re-evaluated.

7. Early involvement of the palliative care team is recommended when a patient has a life-limiting or terminal illness, especially when withholding or withdrawing treatment is being considered.

C. Guidelines to Withhold or Withdraw Life-Sustaining Treatment

1. A patient who has decision-making capacity has the right to refuse life-

sustaining treatment, including artificial nutrition and hydration. The request can be made directly by the patient or through his or her advance directive. In such cases, life-sustaining treatment may be withheld or withdrawn, provided conditions of the advance directive are met. Involved family members should be informed of the decision.

2. When the attending physician, with consensus of the treating team, makes a judgment that a life-sustaining intervention is medically ineffective, the attending should commence a patient care conference (as appropriate) to explain the treating team's recommendations, the medical rationale supporting it, the alternatives and their likely outcomes. It is recommended to include members from palliative care, social work and/or spiritual care for added support.
3. The attending physician seeks the patient/surrogate's agreement to withhold or withdraw the interventions. The discussion should be summarized in the patient's chart. Once a decision is made to withdraw or withhold treatment, the preferences of the patient and his or her involved family members should be taken into consideration when they do not harm the patient or complicate the withdrawal process. In certain circumstances the medical interventions may continue to be provided for a brief period of time, such as to allow travel time to reach the patient or to perform cultural or religious ceremonies.
4. Discussion of the option to donate organs is a separate decision from withdrawal of life-sustaining treatment and should be addressed prior to the withdrawal. Tissue donation (including corneas) may be discussed after the patient has died. **Refer to the Organ, Tissue and Eye donation** policy for guidance.

D. Conflict Resolution Procedure

1. Conflicts may arise when parties disagree about the best course of action in the care of a patient when the treating team believes that:
   a. a treatment is medically ineffective, or
   b. a treatment is contrary to generally accepted medical standards, or
   c. the burden of pain, suffering, and/or intrusiveness resulting from treatment significantly outweighs any benefit.
2. Three types of conflict often arise: (a) intra-professional between members of the treating team, (b) between family members or surrogates, and (c) between the treating team and the patient or surrogate. Depending on the source of conflict the following steps should be taken.
3. Conflict between members of the treating team (intra-professional):
   a. Regular team meetings should be held to discuss the patient's prognosis, goals of care, and proposed treatments to achieve consensus among physicians and/or treating team members.
   b. Care should be taken not to engage the family with intra-professional disagreements. This places an unfair burden on them and can provide confusing information regarding treatment options.
   c. If the intra-professional conflict remains unresolved, support from the ethics

committee is recommended. The ethics committee members help to facilitate a fair resolution of the conflict, identify areas of agreement or consensus, and provide recommendations and ethical rationale for various courses of action.

d. If the conflict is not resolved after an ethics consult, the Chief Medical Officer should be enlisted. Final resolution for intra-professional conflicts is an institutional responsibility that includes of the hospital's Chief Medical Officer, MHS service lines and specialties appropriate to the situation, and MHS leadership.

4. Conflict between family members and/or surrogate:

   a. If disagreement arises between family members or surrogate, a family conference should be held with the members of the treating team to discuss the patient's prognosis, goals of care, and proposed treatments to try and achieve consensus. If disagreement persists, an ethics consult should be requested.

   b. Ultimately, with conflicts between family members and/or surrogate, the final decision resides with the legally authorized surrogate. However, every effort should be made by the treating team to help the family reach consensus regarding the withholding or withdrawing of life-sustaining treatment.

5. Conflict between the attending physician/treating team and pt/surrogate:

   a. If the family does not agree with the attending and treating team's recommendation to withhold or withdraw treatment, an ethics consult should be requested. The ethics consultant will meet with all parties to ensure inclusion of all relevant perspectives and provide recommendations and ethical rationale for various courses of action. The process and outcome of the consult will be documented in the patient's chart and communicated to the providers and patient/surrogate/family. The patient/surrogate will be allowed an appropriate amount of time to consider the recommendations.

   b. If disagreement persists after obtaining the ethics consultation, the attending physician may request second opinion from a physician with appropriate expertise. The consulting physician will inform the treatment team and the patient/surrogate regarding their assessment.

   c. Pursuant to Washington code RCW 70.122.030, prior to withholding or withdrawing life-sustaining treatment for patients who lack capacity, the diagnosis of a terminal condition by the attending physician or the diagnosis of a permanent unconscious state by two physicians shall be documented into the patient's medical record.

   d. As a point of information, the attending physicians should notify the CMO about the intractable conflict. It is recommended the CMO informs the Risk and Legal departments about the situation. The patient/surrogate should be offered the opportunity to arrange for transfer to another facility.

   e. Final resolution to withhold or withdraw life-sustaining treatment in situations where there is intractable disagreement is considered an institutional decision that includes the hospital's Chief Medical Officer, MHS service lines and specialties appropriate to the situation, and MHS leadership. The Chief

	Medical Officer or attending physician with support from any relevant clinical staff or MHS representative will inform the patient/surrogate of available options.
	Definitions **Attending Physician:** The physician assigned to the patient who has primary responsibility for the treatment and care of the patient. **Life-Sustaining Treatment**: Any medical or surgical intervention that uses mechanical or other artificial means, including artificial nutrition and hydration, to restore or replace a vital function which when applied to a qualified patient, would serve only to prolong the process of dying. Life- sustaining treatment shall not include the administration of medication or the performance of any medical or surgical intervention deemed necessary solely to alleviate pain. **Medical Futility:** the rare circumstance that an intervention cannot accomplish the intended physiological goal. Medical futility may be invoked as the basis for a physician's decision to withhold or withdraw a medical intervention. **Medically Ineffective Treatment:** **See Associated Policy** Any treatment or course of treatment that: 1. holds at least some chance of accomplishing the effect sought by the patient or surrogate, but competing ethical considerations justify not providing it, or 2. would serve only to prolong the patient's irreversible dying process that is actively underway, excluding certain circumstances in which medical interventions are continued for a brief period of time, or 3. would serve only to maintain the patient's life in a permanent, unconscious state or other neurologically devastated state in which the patient is unable to experience the benefits of treatment or survive outside of the hospital's acute care setting, or 4. would impose burdens on the patient grossly disproportionate to any expected benefit. **Surrogate Decision-Maker:** Person legally authorized to provide medical consent for a patient who is not competent or lacks decision-making capacity. Refer to the **MHS Policy Informed Consent Section C: Adult patient's Decisional Capacity** for the updated (2019) priority list. **Treatment or Treating Team:** All of the clinicians assigned to care for the patient, including but not limited to: physicians, nurses, social workers, chaplains, and allied heath staff (respiratory, dieticians, physician therapy, etc.).
	References: American Medical Association. Caring for patients at the end of life. Code of Medical Ethics Opinion E5.1 – E5.5. *AMA principles of medical ethics*. Accessed 12/2019 from: https://www.ama-assn.org/delivering-care/ethics/code-medical-ethics-caring-patients-end-life American Medical Association. Medically Ineffective Interventions. Code of Medical Ethics Opinion 5.5. *AMA principles of medical ethics.* Accessed 3/2020 from: https://www.ama-assn.org/delivering-care/ethics/medically-ineffective-

interventions

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Point of Contact: Clinical Ethicist (253) 403-1136

Approval By:	***Date of Approval:***
Tacoma Ethics Committees	***1/20, 3/20***
AMC/CMC Ethics	***3/20***
GS Ethics	***3/20***
GS MEC	***2/20, 4/20***
CMC MEC	***2/20, 4/20***
AMC MEC	***4/20***
Tacoma Med Ops	***2/20, 4/20***
MHS Quality Safety Steering Council	***3/20, 5/20***
Original Date:	*01/89*
Revision Dates:	*01/05; 10/09; 12/11*
Reviewed with no Changes Dates:	*None*

Distribution: MHS Intranet
4/2017 locations included in scope
7/17, Covington Medical Center added to scope

Exhibit 9A.

Reproductive Health Policy (Current)

Capital Medical Center provides high quality health care to everyone that comes to us for care and is committed to preserving patient choices. Patient safety is our number one priority. Reproductive health care includes many services and treatments that are unique, so we do not have formal policies that direct all of reproductive health care as an entire field of care. Reassuring the patients and families we serve is important to us; therefore, when it comes to complex pregnancies, providers of care at Capital Medical Center exercise their best medical judgment and adhere to evidence based practices and standards of care in the community to ensure safe, quality care for the patient.

In circumstances wherein a woman's life is in danger such as in an ectopic pregnancy, providers at Capital Medical Center follow best practices of surgical and non-surgical treatment options.

Rebecca Means RN BSN CPPS
CNO Capital Medical Center

Washington State Department of Health

Hospital Reproductive Health Services

In accordance with 2SSB 5602 (Laws of 2019), the purpose of this form is to provide the public with specific information about which reproductive health services are and are not generally available at each hospital.
Please contact the hospital directly if you have questions about services that are available.

Hospital name: Capital Medical Hospital		
Physical address: 3900 Capital Mall Drive SW		
City: Olympia	State: WA	ZIP Code: 98502
Hospital contact: Becky Means	Contact phone #: 360 956 3525	

An acute care hospital may not be the appropriate setting for all reproductive health services listed below.
Some reproductive services are most appropriately available in outpatient settings such as a physician office or clinic, depending on the specific patient circumstances.

The following reproductive health services are generally available at the above listed hospital:

Abortion services
- ☐ Medication abortion
- ☐ Referrals for abortion
- ☐ Surgical abortion

Contraception services
- ☐ Birth control: provision of the full range of Food and Drug Administration-approved methods including intrauterine devices, pills, rings, patches, implants, etc.
- ☐ Contraceptive counseling
- ☐ Hospital pharmacy dispenses contraception
- ☐ Removal of contraceptive devices
- ☑ Tubal ligations
- ☑ Vasectomies

Emergency contraception services
- ☐ Emergency contraception - sexual assault
- ☐ Emergency contraception - no sexual assault

Infertility services
- ☐ Counseling
- ☐ Infertility testing and diagnosis
- ☐ Infertility treatments including but not limited to in vitro fertilization

Other related services
- ☐ Human immunodeficiency virus (HIV) testing
- ☐ Human immunodeficiency virus (HIV) treatment
- ☐ Pre-exposure prophylaxis (PrEP), post-exposure prophylaxis (PEP), prescriptions, and related counseling
- ☐ Sexually transmitted disease testing and treatment
- ☐ Treatment of miscarriages and ectopic pregnancies

Pregnancy-related services
- ☐ Counseling
- ☐ Genetic testing
- ☑ Labor and delivery
- ☐ Neonatal intensive care unit
- ☑ Prenatal care
- ☑ Postnatal care
- ☑ Ultrasound

Comments; limitations on services; other services

☐ **Additional comments on next page**

Becky Means — Signed by:

12/17/2019 — Date (mm/dd/yyyy)

Washington State Department of Health

Hospital Reproductive Health Services

Hospital name: Capital Medical Hospital

Additional comments; limitations on services; other services (*continued*)

Becky Means 12/17/2019

Signed by: Date (mm/dd/yyyy)

Exhibit 9B.

Reproductive Health Policy (Future)

MultiCare BetterConnected	***Administrative***

Title: REPRODUCTIVE HEALTH

Scope:

All patients needing reproductive health care.

This scope applies to all 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 and all ambulatory areas.

Policy Statement:

As an integrated health care system MHS will provide a range of male and female reproductive health services to meet a patient's clinical needs and a patient's choice. Not every procedure is available at all of our hospitals. This policy focuses on services provided in hospital facilities only.

1. Through the primary care settings in hospital facilities, patients have access to a full array of preventive healthcare services including all forms of contraception prevention, and the preventions and treatment of sexually transmitted diseases
2. Through our hospitals patients have access to dedicated birth services. Also available are pre-natal care services with planned deliveries.
3. Our hospitals which routinely deliver babies offer a full scope of services related to prenatal care, birth, maternal fetal medicine consultations and referrals and genetic counseling.
4. Within the MHS system we offer both elective and medically indicated terminations of pregnancy in addition to actively referring patients to community providers.
5. Patients who wish to explore limited services related to male and female fertility can find a range of such services. Which includes actively referring patients to community providers.
    - Note MHS hospitals permit their healthcare professionals to opt/out of participating in serviced that violate their conscience or values. In such circumstances, the hospitals arrange for other healthcare professionals to deliver the care for the patient.

References:
WAC 246-320-141

Point of Contact: Medical Chair OB Collaborative

Approval by:	***Date of Approval:***
OB Collaborative (endorsement)	***3/17***
Quality Safety Steering Council	***3/17; 7/17***

Original Date:	*2/17*
Revision Dates:	*X/XX; X/XX*
Reviewed with no Changes Dates:	*X/XX; X/XX*

Distribution: MSH Intranet

7/17 Covington Medical Center added to scope

Exhibit 10.

Proposed Purchase/Sale Agreement

PURCHASE AND SALE AGREEMENT

MPT OF OLYMPIA-CAPELLA, LLC

as "Seller"

AND

MULTICARE HEALTH SYSTEM

as "Buyer"

Dated as of April 23, 2021

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into effective as of April 23, 2021 (the "Effective Date"), between **MPT OF OLYMPIA-CAPELLA, LLC**, a Delaware limited liability company (the "Seller"), and **MULTICARE HEALTH SYSTEM**, a Washington not-for-profit corporation (the "Buyer").

W I T N E S S E T H:

WHEREAS, Seller owns those certain parcels of land located in the City of Olympia, Thurston County, Washington, more particularly described on ***Exhibit A*** attached hereto and made a part hereof by reference and incorporation (together with all hereditaments, easements, mineral rights, rights of way and other appurtenances related thereto, the "Land"), along with all Improvements (as defined herein) and Fixtures (as defined herein) located thereon (collectively, the "Real Property");

WHEREAS, Seller currently leases the Real Property to Columbia Capital Medical Center Limited Partnership, a Washington limited partnership (the "Lessee"), pursuant to that certain Amended and Restated Lease Agreement, dated as of October 31, 2016, which is an absolute net lease agreement (as the same has been or hereafter may be modified, amended, or restated from time to time, the "Lease");

WHEREAS, prior to the date hereof, (i) 82.78147% of the issued and outstanding general and limited partnership interests in Lessee were owned and controlled, directly or indirectly, by Capital Medical Center Holdings, LLC, a Delaware limited liability company ("Capital Medical Center Holdings"), (ii) all of the membership interests in Capital Medical Center Holdings were owned and controlled by CMCH Holdings, LLC, a Delaware limited liability company ("CMCH Holdings"), and (iii) the remaining issued and outstanding general and limited partnership interests in Lessee were owned and controlled, directly or indirectly, by certain physicians (the "Physicians") and the University of Washington ("UW");

WHEREAS, (i) CMCH Holdings, on the one hand, and Buyer, on the other hand, executed that certain Membership Interest Purchase Agreement, dated as of December 23, 2020 (as amended, modified, or restated from time to time and including any schedules and exhibits thereto, the "Olympia Equity Acquisition Agreement"), pursuant to which CMCH Holdings agreed to sell, and Buyer agreed to purchase, (A) all of CMCH Holdings' membership interest in Capital Medical Center Holdings and its subsidiaries and Capital Medical Health Solutions, LLC, a Delaware limited liability company, and (B) certain indebtedness of Lessee owed to Capella Healthcare, LLC, a Delaware limited liability company (f/k/a Capella Healthcare, Inc., a Delaware corporation), (ii) pursuant to that certain Joinder Agreement, dated March 9, 2021, among Buyer, CMCH Holdings, and the other parties thereto, the Physicians agreed to transfer their interest in Lessee to Buyer in connection with the closing of the transactions contemplated by the Olympia Equity Acquisition Agreement, and (iii) UW has agreed to transfer its interest in Lessee to CMCH Holdings for further transfer to Buyer in connection with the transactions contemplated by the Olympia Equity Acquisition Agreement (collectively, the "Olympia Equity Transaction");

WHEREAS, (i) Buyer, CMCH Holdings, and the other parties thereto have consummated the Olympia Equity Transaction and the "Closing" under and as defined in the Olympia Equity

Acquisition Agreement has occurred, (ii) Buyer is an Affiliate of the Lessee, and (iii) Buyer has guaranteed all obligations of the Lessee under the Lease pursuant to that certain Guaranty executed and delivered by Buyer to Seller upon the "Closing" under and as defined in the Olympia Equity Acquisition Agreement (as modified, amended, or restated from time to time, the "MultiCare Guaranty");

WHEREAS, Buyer has concluded all of its due diligence and inspections relating to the Real Property, including its condition and suitability, the status of title and title exceptions, and all third-party reports and surveys that Buyer deems necessary or appropriate for purposes of proceeding with the acquisition of the Real Property; and

WHEREAS, Seller desires to sell to Buyer, and Buyer desires to purchase from Seller, the Real Property and certain related assets, upon and subject to the terms and conditions provided herein.

NOW, THEREFORE, in consideration of the promises and mutual agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I
DEFINED TERMS

Section 1.1 Defined Terms. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to them in this Section 1.1.

"1031 Exchange" has the meaning set forth in Section 5.4.

"Affiliate" means, with respect to any Person (i) any Person that, directly or indirectly, controls or is controlled by or is under common control with such Person or (ii) any officer, director, employee, partner, member, manager or trustee of such Person or any Person controlling, controlled by or under common control with such Person (excluding trustees and persons serving in similar capacities who are not otherwise an Affiliate of such Person). For the purposes of this definition, "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, through the ownership of voting securities or otherwise.

"Agreement" has the meaning set forth in the preamble hereto.

"Assets" has the meaning set forth in Section 2.1.

"Business Day" means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which money centers in the City of New York, New York are authorized or obligated by Law or executive order to close.

"Buyer" has the meaning set forth in the preamble hereto.

"Casualty Event" has the meaning set forth in Article VII.

"Claims" has the meaning set forth in Section 12.3.

"Closing" has the meaning set forth in Section 9.1.

"Closing Date" has the meaning set forth in Section 9.1.

"CN" has the meaning set forth in Section 5.5.

"CN Application" has the meaning set forth in Section 5.5.

"Confidential Information" has the meaning ascribed thereto in the Confidentiality Agreement.

"Confidentiality Agreement" means that certain Non-Disclosure Agreement, dated October 8, 2020, between Seller and Buyer.

"Damages" means demands, claims, actions, losses, damages, liabilities, penalties, taxes, costs and expenses (including, without limitation, attorneys' and accountants' fees, settlement costs, arbitration costs and any other reasonable expenses for investigating or defending any Claim or threatened Claim).

"Department" has the meaning set forth in Section 5.5.

"Deposit" has the meaning set forth in Section 2.3(b).

"Effective Date" has the meaning set forth in the preamble hereto.

"Encumbrance" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, lien (statutory or otherwise) or preference, security interest, restrictions or easements or other encumbrance of any kind or nature whatsoever.

"Equity Constituents" means, with respect to any Person, as applicable, the members, general or limited partners, shareholders, stockholders or other Persons, however designated, who are the owners of the issued and outstanding equity or ownership interests of such Person.

"Existing Diligence Materials" means, collectively, any and all of the documents and materials (to the extent in the Seller's actual possession) listed on the attached ***Exhibit B*** that have been made available to the Buyer.

"Fixtures" means all equipment, machinery, fixtures, and other items of real property, including all components thereof, on the Closing Date located in, on, or used in connection with, and that are, in each case, permanently affixed to the Land, or affixed or incorporated into the Improvements on the Land, including, without limitation, all affixed furnaces, boilers, heaters, electrical equipment, heating, plumbing, lighting, ventilating, refrigerating, incineration, air and water pollution control, waste disposal, air-cooling and air-conditioning systems and apparatus, sprinkler systems and fire and theft protection equipment, and built-in oxygen and vacuum systems, all of which, to the greatest extent permitted by law, are hereby deemed by the parties to constitute real estate, together with all replacements, modifications, alterations and additions thereto.

"Governing Documents" means, with respect to any Person, as applicable, such Person's charter, articles or certificate of incorporation, bylaws, limited partnership agreement, limited liability company agreement, stockholders' agreement or other documents or instruments which establish the rules, procedures and rights with respect to such Person's governance, and relations among such Person's Equity Constituents, in each case as amended, restated, supplemented and/or modified and in effect as of the relevant date.

"Governmental Body" means any United States federal, state or local, or any supra national or non U.S., government, political subdivision, governmental, regulatory or administrative authority, instrumentality, agency body or commission, court, tribunal or judicial or arbitral body, in each case of competent jurisdiction, including the Securities and Exchange Commission.

"Hazardous Materials" means any substance, including without limitation, asbestos or any substance containing asbestos and deemed hazardous under any Hazardous Materials Laws, the group of organic compounds known as polychlorinated biphenyls, flammable explosives, radioactive materials, infectious wastes, biomedical and medical wastes, chemicals known to cause cancer or reproductive toxicity, radon gas, pollutants, effluents, contaminants, emissions or related materials, and any items included in the definition of hazardous or toxic wastes, materials or substances under any Hazardous Materials Laws.

"Hazardous Materials Laws" means each federal, state, local and foreign Law and regulation relating to pollution, protection, or preservation of human health or the environment, including ambient air, surface water, ground water, land surface or subsurface strata, and natural resources, and including each Law and regulation relating to emissions, discharges, releases or threatened releases of Hazardous Materials, or otherwise relating to the manufacturing, processing, distribution, use, treatment, generation, storage, containment (whether above ground or underground), disposal, transport or handling of Hazardous Materials, or the preservation of the environment or mitigation of adverse effects thereon and each law and regulation with regard to record keeping, notification, disclosure and reporting requirements respecting Hazardous Materials, including, without limitation, the Resource Conservation and Recovery Act of 1976 ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA"), as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), the Hazardous Materials Transportation Act, the Federal Water Pollution Control Act, the Clean Air Act, the Clean Water Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and all similar federal, state and local environmental statutes and ordinances, and the regulations, orders, and decrees now or hereafter promulgated thereunder, in each case as amended from time to time.

"Improvements" means all improvements on the Land existing now or on the Closing Date, including, but not limited to, all buildings, structures, fixtures, and other improvements of every kind, and all hereditaments, easements, rights of way and other appurtenances related thereto.

"Investigations" has the meaning set forth in Section 6.1.

"Knowledge" means, with respect to any Person, such Person's actual knowledge, without inquiry or investigation, of a particular fact or matter if any of such Person's current officers or directors (or other Persons, however designated, currently or formerly possessing and/or exercising similar authority with respect to such Person) has actual knowledge of such fact or matter.

"Land" has the meaning set forth in the recitals hereto.

"Law" means any federal, state or local statute, law, rule, regulation, ordinance, order, code, policy or rule of common law, now or hereafter in effect, and in each case as amended, and any judicial or administrative interpretation thereof by a Governmental Body or otherwise, including, without limitation, any judicial or administrative order, consent, decree or judgment.

"Lease" has the meaning set forth in the recitals hereto.

"Lease Assignment Documents" has the meaning set forth in Section 9.2(c).

"Lessee" has the meaning set forth in the recitals hereto.

"MultiCare Guaranty" has the meaning set forth in the recitals hereto.

"MultiCare Termination Documents" has the meaning set forth in Section 9.2(d).

"OFAC" has the meaning set forth in Section 3.6.

"Olympia Equity Acquisition Agreement" has the meaning set forth in the recitals hereto.

"Olympia Equity Transaction" has the meaning set forth in the recitals hereto.

"Patriot Act" has the meaning set forth in Section 3.6.

"Permitted Encumbrances" means, without duplication, (i) statutory Encumbrances for current taxes, assessments, or other governmental charges; (ii) zoning, entitlement, building and other land use regulations imposed by Governmental Bodies having jurisdiction over the Real Property; (iii) public roads and highways; (iv) Encumbrances that Lessee has agreed or is required to pay or discharge pursuant to the Lease; and (v) the Encumbrances identified on the attached ***Exhibit C***.

"Person" means an individual, a corporation, a limited liability company, a general or limited partnership, an unincorporated association, a joint venture, a Governmental Body or another entity or group.

"Purchase Price" has the meaning set forth in Section 2.3(a).

"Real Property" has the meaning set forth in the recitals hereto.

"Regulatory Letter of Intent" has the meaning set forth in Section 5.5.

"Releasees" has the meaning set forth in Section 12.3.

"Seller" has the meaning set forth in the preamble hereto.

"Survey" has the meaning set forth in Section 6.1.

"Third Party Reports" has the meaning set forth in Section 6.1.

"Title Commitment" has the meaning set forth in Section 6.1.

"Title Company" means Chicago Title Insurance Company, 701 5th Avenue, Suite 2700, Seattle, Washington 98104, Attn: Mike Costello.

"Title Policy" has the meaning set forth in Section 6.1.

"Warranties" means all warranties, representations and guaranties with respect to any of the Assets, whether express or implied, which Seller now holds or under which Seller is the beneficiary.

Section 1.2 Interpretation; Terms Generally. The definitions set forth in Section 1.1 and elsewhere in this Agreement shall apply equally to both the singular and plural forms of the terms defined. All references herein to Articles, Sections, and Exhibits shall be deemed to refer to Articles and Sections of, and Exhibits to, this Agreement, unless the context shall otherwise require. Unless the context shall otherwise require, any references to any agreement or other instrument or statute or regulation are to it as amended and supplemented from time to time (and, in the case of a statute or regulation, to any corresponding provisions of successor statutes or regulations). Any reference in this Agreement to a "day" or number of "days" that does not refer explicitly to a "Business Day" or "Business Days" shall be interpreted as a reference to a calendar day or number of calendar days.

ARTICLE II
PURCHASE AND SALE OF ASSETS

Section 2.1 Purchase of Assets. Subject to the terms and conditions hereof, at the Closing, Seller, in consideration of the payment of the Purchase Price in accordance with Section 2.3, shall grant, assign, transfer, convey and deliver to Buyer, and Buyer shall acquire from Seller the following assets of Seller (collectively, the "Assets"):

(a) the Real Property;

(b) the Lease and any ancillary documents or instruments executed in connection therewith;

(c) to the extent assignable, all rights in all intangible property relating exclusively to the Real Property, including, but not limited to, zoning rights and all Warranties (to the extent the same are in Seller's actual possession) affecting or inuring to the benefit of the Real Property or the owner thereof;

(d) to the extent assignable, all right, title and interest in and to site plans, surveys, soil and substrata studies, architectural drawings, plans and specifications, inspection reports, engineering and environmental plans and studies, title reports, floor plans, landscape plans and other plans relating to the Real Property, to the extent the same are in Seller's actual possession; and

(e) to the extent assignable, all of Seller's right, title and interest in and to Certificate of Need #1577 issued by the Department of Health on June 1, 2016 to Lessee and Seller.

Section 2.2 Excluded Assets. Seller and Buyer acknowledge and agree that, except as set forth above, Seller does not own any licenses, certificates, furniture, trade fixtures, or equipment (other than Fixtures) located at the Real Property, all of which are excluded from the conveyance under

this Agreement and shall not constitute Assets hereunder. Buyer shall be solely responsible for acquiring any licenses, certificates, furniture, trade fixtures, or equipment that Buyer deems necessary for its intended use of the Real Property.

Section 2.3 Purchase Price and Payment.

(a) Amount. The purchase price for the Assets shall be One Hundred Thirty-Five Million and No/100 Dollars ($135,000,000.00) (the "Purchase Price").

(b) Deposit. Simultaneously with Buyer's execution and delivery of this Agreement, Buyer shall deposit (or cause to be deposited) with the Title Company the amount of One Million Three Hundred Fifty Thousand and No/100 Dollars ($1,350,000.00) (the "Deposit") in accordance with the Deposit Escrow Instructions in the form attached hereto as ***Exhibit D***. The Title Company will hold the Deposit in an interest-bearing account at a federally insured banking institution, with all interest being paid to Buyer or Seller, as the case may be, in accordance with the terms of this Agreement. Subject to the terms and conditions hereof, the Deposit is nonrefundable and, at the Closing, the Deposit (together with any interest accrued thereon) shall be applied against the Purchase Price. The Deposit will be held by the Title Company, returned to Buyer or Seller as directed by the Parties, and Seller and Buyer shall provide directions consistent with the terms and conditions of this Agreement. The Deposit shall be refunded to Buyer in the event (i) any conditions to Buyer's obligations as set forth in Section 8.2 below are not satisfied and Buyer terminates this Agreement pursuant to Section 11.1 below, or (ii) Buyer terminates this Agreement as a result of Seller's default pursuant to Section 11.2 below, or (iii) Buyer terminates this Agreement following a Casualty Event pursuant to Article VII below.

(c) Payment of Balance. Subject to the terms and conditions hereof, at Closing, Buyer shall pay the balance of the Purchase Price in cash to Seller, through escrow with the Title Company, to an account specified in writing by Seller.

(d) Allocation of Purchase Price. The Purchase Price shall be allocated entirely to the Real Property for purposes of Section 1060 of the Internal Revenue Code of 1986, as amended, and for all federal, state and local income tax purposes. The parties agree to use, and to not take any position which is inconsistent with, such allocation in the preparation and filing of any tax return (including Form 8594).

ARTICLE III
REPRESENTATIONS, WARRANTIES AND COVENANTS OF SELLER

With the understanding that Buyer shall rely hereon, and as a material inducement to Buyer to enter into this Agreement, Seller hereby represents, warrants and covenants to Buyer as of the date hereof as follows:

Section 3.1 Organization. Seller is a limited liability company as indicated in the preamble of this Agreement, and is duly formed, validly existing and in good standing under the laws of the State of Delaware. Seller is qualified to do business and in good standing in every jurisdiction in which its ownership of property or the conduct of business as now conducted requires it to qualify, except where the failure to be so qualified would not prevent or materially delay consummation of the transaction contemplated hereby.

Section 3.2 **Authorization; Enforcement**. Seller has the requisite power and authority to conduct its business as it is now being conducted and to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and to consummate the transactions contemplated hereby and thereby. All actions required to be taken by Seller to authorize the execution, delivery and performance of this Agreement, as well as all documents, agreements and instruments executed by Seller which are necessary to give effect thereto and all transactions contemplated hereby, have been duly and properly taken or obtained in accordance and compliance with Seller's Governing Documents and no other action on the part of Seller, or the Equity Constituents thereof, is necessary to authorize the execution, delivery and performance of this Agreement and all transactions contemplated hereby and thereby. This Agreement, and all other agreements to which Seller will become a party contemplated hereby, are and will constitute the valid and legally binding obligations of Seller and are and will be enforceable against Seller in accordance with their respective terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy, insolvency or other similar Laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 3.3 **Absence of Conflicts**. The execution, delivery and performance of this Agreement by Seller, the execution, delivery and performance by Seller of any and all other documents contemplated by this Agreement, and the consummation of the transactions contemplated hereby and thereby will not, with or without the giving of notice and/or the passage of time, (a) violate or conflict with any provision of the Governing Documents of Seller, (b) violate or conflict with any judgment, order, writ or decree of any court applicable to Seller, (c) materially violate or cause a material default (with notice or passage of time) under any material agreement to which Seller is a party, or (d) require the consent of any Person which shall not have been obtained as of the Closing Date.

Section 3.4 **Litigation**. To Seller's Knowledge, there is no suit, action, proceeding, inquiry or investigation against or involving Seller or the Real Property, including condemnation, pending or threatened that would prevent or materially delay consummation of the transaction contemplated hereby or that would materially and adversely affect the Real Property.

Section 3.5 **Brokers**. No Person is or will be entitled to any real estate brokerage, finder's or other fee, commission or payment in connection with or as a result of the transaction contemplated by this Agreement based upon arrangements made by or on behalf of Seller.

Section 3.6 **Patriot Act Compliance.** To the extent applicable to Seller, Seller has complied in all material respects with the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, which comprises Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "Patriot Act") and the regulations promulgated thereunder, and the rules and regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC"), to the extent the same are applicable to Seller. Seller is not included on the List of Specially Designated Nationals and Blocked Persons maintained by the OFAC, or is not a resident in, or organized or chartered under the laws of (a) a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the Patriot Act as warranting special measures due to money laundering concerns or (b) any foreign country that has been designated as non-cooperative with international

anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur.

Section 3.7 Notices of Violations. To Seller's Knowledge, during Seller's period of ownership of the Real Property, Seller has received no written notice from any Governmental Body of any building code, fire code or similar code violation relating to the condition of the Improvements that remains uncured.

Section 3.8 Contracts. Other than the Lease, there are no contracts or agreements to which Seller is a party affecting the operation of the Land or the Improvements, including management agreements, maintenance and service contracts, leases and occupancy agreements.

Section 3.9 Limitation and Disclaimers.

(a) EXCEPT FOR THE REPRESENTATIONS AND WARRANTIES EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLER HAS NOT MADE, DOES NOT MAKE AND SPECIFICALLY DISCLAIMS ANY REPRESENTATIONS, WARRANTIES, PROMISES, COVENANTS, AGREEMENTS OR GUARANTIES OF ANY KIND OR CHARACTER WHATSOEVER, WHETHER EXPRESS OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, OF, AS TO, CONCERNING OR WITH RESPECT TO THE ASSETS, INCLUDING WITHOUT LIMITATION, (i) THE NATURE, QUALITY OR CONDITION OF THE REAL PROPERTY, INCLUDING THE WATER, SOIL AND GEOLOGY, (ii) THE INCOME TO BE DERIVED FROM THE REAL PROPERTY OR THE FINANCEABILITY OF THE REAL PROPERTY, (iii) THE SUITABILITY OF THE REAL PROPERTY AND BUILDINGS THEREON FOR ANY AND ALL ACTIVITIES AND USES WHICH BUYER MAY CONDUCT THEREON, (iv) ANY PROPOSED OR THREATENED CONDEMNATION OF ALL OR ANY PORTION OF THE REAL PROPERTY, (v) THE COMPLIANCE OF OR BY THE REAL PROPERTY OR ITS OPERATION WITH ANY LAWS, RULES, ORDINANCES, DESIGNATIONS OR REGULATIONS OF ANY APPLICABLE GOVERNMENTAL BODY OR PERSON, (vi) THE CURRENT OR FUTURE REAL ESTATE TAX LIABILITY, ASSESSMENT OR VALUATION OF THE REAL PROPERTY, (vii) THE AVAILABILITY OR NON-AVAILABILITY OR WITHDRAWAL OR REVOCATION OF ANY BENEFITS OR INCENTIVES CONFERRED BY ANY FEDERAL, STATE OR MUNICIPAL AUTHORITIES, (viii) THE PHYSICAL CONDITION OF THE LAND AND IMPROVEMENTS INCLUDING THE STATE OF MAINTENANCE AND REPAIR THEREOF, (ix) THE ENVIRONMENTAL CONDITION OF THE REAL PROPERTY, OR (x) ANY OTHER MATTER RESPECTING SELLER, ITS AFFILIATES, THE REAL PROPERTY, THE FACILITY LOCATED THEREON, AND ANY OTHER ASSETS.

(b) EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN THIS AGREEMENT, (i) BUYER IS RELYING SOLELY ON ITS OWN INVESTIGATIONS OF THE ASSETS AND NOT ON ANY INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER, INCLUDING, WITHOUT LIMITATION, ANY DOCUMENTS OR INFORMATION MADE AVAILABLE TO THE BUYER WITH RESPECT TO THE REAL PROPERTY, (ii) BUYER IS RELYING SOLELY ON ITS OWN EXPERTISE AND THAT OF BUYER'S CONSULTANTS IN PURCHASING THE REAL PROPERTY AND OTHER ASSETS, AND (iii) AS A

MATERIAL INDUCEMENT TO SELLER'S EXECUTION AND DELIVERY OF THIS AGREEMENT, THE SALE AND CONVEYANCE OF THE REAL PROPERTY AND OTHER ASSETS TO BUYER (AND THE ACCEPTANCE THEREOF BY BUYER) AS PROVIDED FOR HEREIN IS ON AN "**AS IS, WHERE IS**" CONDITION AND BASIS WITH ALL FAULTS, AND WITHOUT ANY WRITTEN OR ORAL REPRESENTATIONS OR WARRANTIES WHATSOEVER (INCLUDING THE IMPLIED WARRANTY OF MERCHANTABILITY), WHETHER EXPRESS OR IMPLIED OR ARISING BY OPERATION OF LAW.

(c) BUYER ACKNOWLEDGES, REPRESENTS AND WARRANTS TO SELLER THAT: (i) BUYER IS NOT IN A SIGNIFICANTLY DISPARATE BARGAINING POSITION WITH RESPECT TO SELLER IN CONNECTION WITH THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT; (ii) BUYER FREELY AND FAIRLY AGREED TO THE LIMITATIONS AND DISCLAIMERS HEREIN AS PART OF THE NEGOTIATIONS FOR THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT; AND (iii) BUYER IS REPRESENTED BY LEGAL COUNSEL IN CONNECTION WITH SUCH TRANSACTION AND BUYER HAS CONFERRED WITH SUCH LEGAL COUNSEL CONCERNING THE LIMITATIONS AND DISCLAIMERS HEREIN.

(d) THE TERMS AND PROVISIONS OF THIS SECTION SHALL SURVIVE THE CLOSING AND/OR TERMINATION OF THIS AGREEMENT.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF BUYER

With the understanding that Seller shall rely hereon, and as a material inducement to Seller to enter into this Agreement, Buyer hereby represents, warrants and covenants to Seller as of the date hereof as follows:

Section 4.1 **Organization**. Buyer is duly formed, validly existing and in good standing under the laws of the state of its formation. Buyer is qualified to do business and in good standing in every jurisdiction in which its ownership of property or the conduct of business as now conducted requires it to qualify, except where the failure to be so qualified would not prevent or materially delay consummation of the transaction contemplated hereby.

Section 4.2 **Authorization; Enforcement**. Buyer has the requisite power and authority to conduct its business as it is now being conducted and to be conducted and to execute, deliver and carry out the terms of this Agreement and all documents and agreements necessary to give effect to the provisions of this Agreement, and to consummate the transactions contemplated hereby and thereby. All actions required to be taken by Buyer to authorize the execution, delivery and performance of this Agreement, as well as all documents, agreements and instruments executed by Buyer which are necessary to give effect thereto and all transactions contemplated hereby, have been duly and properly taken or obtained in accordance and compliance with Buyer's Governing Documents and no other action on the part of Buyer, or the Equity Constituents thereof, is necessary to authorize the execution, delivery and performance of this Agreement and all transactions contemplated hereby and thereby. This Agreement, and all other agreements to which Buyer will become a party contemplated hereby, are and will constitute the valid and legally binding obligations of Buyer and are and will be enforceable against Buyer in accordance with their respective terms, except as enforceability may be restricted, limited or delayed by applicable

bankruptcy, insolvency or other similar Laws affecting creditors' rights generally and except as enforceability may be subject to and limited by general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 4.3 **Absence of Conflicts**. The execution, delivery and performance of this Agreement by Buyer, the execution, delivery and performance by Buyer of any and all other documents contemplated by this Agreement, and the consummation of the transactions contemplated hereby and thereby will not, with or without the giving of notice and/or the passage of time, (a) violate or conflict with any provision of the Governing Documents of Buyer, (b) violate or conflict with any judgment, order, writ or decree of any court applicable to Buyer, (c) materially violate or cause a material default (with notice or passage of time) under any material agreement to which Buyer is a party, or (d) require the consent of any Person which shall not have been obtained as of the Closing Date.

Section 4.4 **Litigation**. To Buyer's s Knowledge, there is no suit, action, proceeding, inquiry or investigation against or involving Buyer or any of its properties or assets, pending or threatened that would prevent or materially delay consummation of the transaction contemplated hereby or that would materially and adversely affect Buyer.

Section 4.5 **Brokers**. No Person is or will be entitled to any real estate brokerage, finder's or other fee, commission or payment in connection with or as a result of the transaction contemplated by this Agreement based upon arrangements made by or on behalf of Buyer, other than advisory fees to be paid by Buyer to Cain Brothers pursuant to a separate agreement. Buyer shall indemnify and hold Seller harmless from and against any claims or demands for such commissions by Cain Brothers or any other Person engaged by Buyer for such brokerage or advisory services.

Section 4.6 **Patriot Act Compliance.** To the extent applicable to Buyer, Buyer has complied in all material respects with the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, which comprises Title III of the Patriot Act and the regulations promulgated thereunder, and the rules and regulations administered by the OFAC, to the extent the same are applicable to Buyer. Buyer is not included on the List of Specially Designated Nationals and Blocked Persons maintained by the OFAC, or is not a resident in, or organized or chartered under the laws of, (i) a jurisdiction that has been designated by the U.S. Secretary of the Treasury under Section 311 or 312 of the Patriot Act as warranting special measures due to money laundering concerns or (ii) any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur.

Section 4.7 **No Financing Contingency**. Buyer's obligations under this Agreement shall not be contingent upon Buyer obtaining financing.

ARTICLE V
PRE-CLOSING COVENANTS

From and after the execution and delivery of this Agreement to and including the Closing Date (unless a later date or time is specified), the applicable party shall observe the following covenants:

Section 5.1 Regulatory and other Authorizations, Notices and Consents. Subject to Section 5.5 below, each party hereto shall use commercially reasonable efforts to obtain all authorizations, consents, orders and approvals of all Governmental Bodies and third parties that may be or become necessary for its execution and delivery of, and the performance of its obligations pursuant to, this Agreement and each such party will reasonably cooperate with the other party hereto in promptly seeking to obtain all such authorizations, consents, orders and approvals.

Section 5.2 Mutual Covenants. The parties shall use their good faith commercially reasonable efforts to satisfy the conditions to the closing of the transaction contemplated hereby. Without limiting the generality of the foregoing, the respective parties shall execute and/or deliver, or cause to be executed and/or delivered, the documents contemplated to be executed and/or delivered by them or their Affiliates at Closing.

Section 5.3 No Transfer. Seller covenants and agrees that, during the period from the date hereof and continuing until the earlier of the termination of this Agreement or the Closing Date, unless Buyer shall otherwise agree in writing, except as may be otherwise required pursuant to the Lease, Seller shall not (a) convey or encumber the Assets, (b) take any actions or omit to take any actions which would cause the representations and warranties described in Article III to be untrue in any material respect, or (c) enter into any binding agreement with any other Person that obligates Seller to do either of the foregoing.

Section 5.4 1031 Exchange. Seller may be selling the Real Property as part of a multi-property transaction to qualify as a tax-free exchange ("1031 Exchange") under Section 1031 of the Internal Revenue Code of 1986, as amended. Buyer shall cooperate with Seller's request to allow Seller to qualify for the 1031 Exchange; *provided, that*, Buyer shall not be obligated to incur any material costs or expenses in connection with such cooperation unless Seller agrees to reimburse such costs and expenses.

Section 5.5 State of Washington Regulatory Approval. As soon as reasonably practical, without limiting the generality of Sections 5.1 and 5.2, between the Effective Date and the Closing Date, Seller and Buyer will, to the extent required by law, file (or cause to be filed) all reports or other documents required or requested by Governmental Bodies under the Laws of the State of Washington concerning the transaction contemplated hereby, and comply promptly with any requests by any Governmental Body for additional information concerning such transaction, so that the transaction may be approved by all necessary Governmental Bodies as soon as reasonably possible after the execution and delivery of this Agreement. Seller will cooperate with Buyer in pursuing Buyer's regulatory approvals related to the transaction contemplated hereby, including Certificate of Need ("CN") approvals, if any. In furtherance of the foregoing, with the cooperation and support of Seller, Buyer shall (i) submit a letter of intent for CN approval to the Washington State Department of Health (the "Department") in conformance with Washington Administrative Code Section 246-310-080 (the "Regulatory Letter of Intent"), and (ii) within approximately thirty (30) days after the submission of the Regulatory Letter of Intent, submit a CN application (a "CN Application") to the Department in accordance with applicable CN regulations under the Laws of the State of Washington; provided, however, that (A) the Seller shall not be obligated to expend any

material amount of money in connection with Seller's cooperation and support of Buyer as provided in this Section 5.5, and (B) Buyer shall permit the Seller and its representatives to review and provide comments to the Regulatory Letter of Intent and the CN Application prior to their submission to the Department.

Section 5.6 Notices to Condominium Associations.

(a) Pursuant to Section J1 of the Declaration of Condominium for 403 Black Hills Lane, at least two weeks prior to the Closing Date, Seller shall provide written notice in form reasonably acceptable to Buyer and Seller to the Board of the Condominium Association of the units being sold, the name and address of Buyer, the Title Company and closing agent and the estimated Closing Date.

(b) Pursuant to Section 33 of the Condominium Declaration Applicable to Medical Resource Center (as amended by the Fourth Amendment thereof), Seller shall deliver a written notice of sale in form reasonably acceptable to Buyer and Seller to the Directors of the Condominium Association at least 20 days prior to the Closing Date.

ARTICLE VI
DUE DILIGENCE COMPLETION

Section 6.1 Due Diligence. As of the date hereof, Lessee (Buyer's Affiliate) and Lessee's sublessees are in sole and exclusive possession of the Real Property pursuant to the Lease. The Seller has delivered to the Buyer copies of the Existing Diligence Materials to the extent such items are in the Seller's actual possession. The Buyer covenants that it has completed its inspection of the Real Property and its due diligence process, has obtained, reviewed, and approved such items, and has conducted and prepared such reports, inspections, interviews, tests and audits as the Buyer deems appropriate (collectively, the "Investigations"), including without limitation: (i) a survey or surveys of the Real Property (collectively, the "Survey"), (ii) a commitment to be issued by the Title Company to the Buyer (the "Title Commitment") pursuant to the terms of which the Title Company shall commit to issue a title insurance policy for the Real Property in an amount reasonably satisfactory to the Buyer (the "Title Policy"), and (iii) property condition reports and environmental reports (collectively, the "Third Party Reports"). The Buyer has provided or made available to the Seller copies of the Title Commitment, Survey and Third Party Reports, and any supporting documents provided by the Title Company to the Buyer. The Buyer is satisfied with the results of its due diligence Investigations and has not discovered any matters or defects with respect to the Real Property which are objectionable to the Buyer (and/or hereby waives any condition to Closing with respect thereto). Therefore, this Agreement is not contingent upon or subject to the Buyer's title, survey or due diligence review nor any further inspection of the Property and, at Closing, Seller will convey to Buyer title to the Real Property in its "AS IS, WHERE IS" CONDITION, WITH ALL FAULTS, and subject to all Permitted Encumbrances.

Section 6.2 Indemnification. Without limiting any obligations of the Lessee pursuant to the Lease, the Buyer agrees to protect, indemnify, defend (with counsel reasonably satisfactory to the Seller) and hold the Seller and the Seller's employees, officers, directors, representatives, invitees, tenants, agents, contractors, servants, attorneys, shareholders, participants, affiliates, partners, members, parents, subsidiaries, successors and assignees, free and harmless from and against any claim for liabilities, losses, costs, expenses (including reasonable attorneys' fees), damages or

injuries to the extent directly arising out of, or resulting from the Investigations by the Buyer or its representatives or consultants. This Section 6.2 shall survive Closing or any termination of this Agreement.

ARTICLE VII
RISK OF LOSS

In the event of any loss, damage or material adverse change to the physical condition of the Real Property or any portion thereof, or in the event that the Real Property or any portion thereof becomes subject to a condemnation proceeding, in each case, at any time during the period commencing on the Effective Date and ending on the Closing Date (any such event, a "Casualty Event"), and if such Casualty Event either causes damage which is reasonably expected to cost less than ten percent (10%) of the Purchase Price to repair or involves condemnation of less than a material portion (as hereinafter defined) of the Real Property, then this Agreement shall remain in full force and effect without any reduction in the Purchase Price; *provided, that*, (a) Seller shall consult with Buyer in the settlement of any insurance claim or condemnation award and shall provide Buyer a reasonable opportunity under the circumstances to comment on same (it being understood and agreed that Seller and Buyer shall generally coordinate with one another regarding any such settlement but that the Seller shall control the final settlement thereof), and (b) at Closing the Seller shall assign to the Buyer all of the Seller's right, title and interest in and to any claims and proceeds with respect to any casualty insurance policies or condemnation awards relating to such Casualty Event, subject to the terms of the Lease. A "material portion" means any part of the Real Property required for its operation as currently conducted. If the cost to repair the damage is reasonably expected to equal or exceed ten percent (10%) of the Purchase Price or the condemnation involves a material portion of the Real Property, then Buyer may elect to terminate this Agreement and receive a refund of the Deposit or to close the transaction and receive the insurance proceeds or condemnation award, as applicable, subject to the terms of the Lease. Upon Closing, full risk of loss with respect to the Real Property and other Assets shall pass to Buyer. The Buyer acknowledges that notwithstanding the failure of any conditions set forth in Section 8.2 caused by the loss or damage to the Real Property or any portion thereof due to a Casualty Event, the Buyer's exclusive rights and remedies with respect to such loss or damage to the Real Property shall be as set forth in this Article VII. Notwithstanding the foregoing, Buyer shall have a right to terminate this Agreement in the event any of the conditions described in Section 8.2 below are not satisfied.

ARTICLE VIII
CLOSING CONDITIONS

Section 8.1 Conditions to the Obligations of Seller. The obligations of Seller to effect the transaction contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived in writing by Seller:

(a) All of the representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects when made and as of the Closing Date as if made on the Closing Date except where the failure to be so true or correct does not prevent or materially delay consummation of the transaction contemplated hereby.

(b) Buyer shall have delivered, performed, observed and complied in all material respects with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by it prior to, or as of, the Closing Date.

(c) Buyer shall have executed or caused to be executed, where applicable, and delivered to Seller the documents and payments referenced in Section 9.3 for the Closing.

(d) There shall not have been instituted by any Governmental Body any suit, action, investigation, or proceeding which would seek to restrain, enjoin, or invalidate the transaction contemplated by this Agreement, which action, suit, investigation, or proceeding, in the reasonable opinion of Seller, may result in a decision, ruling, or finding that has or would reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement, or on the ability of the Buyer to perform its obligations under this Agreement.

(e) Buyer shall have obtained all authorizations, consents, orders, and approvals required or requested by Governmental Bodies under the Laws of the State of Washington concerning the transaction contemplated hereby, including, without limitation, the Department's approval of the CN Application for the transaction contemplated by this Agreement, which approval is not the subject of any appeal.

(f) No "Event of Default" (as defined in the Lease) shall have occurred and be continuing under the Lease since the date hereof through the Closing Date or would immediately thereafter exist as a result of and after giving effect to the Closing.

Section 8.2 Conditions to the Obligations of Buyer. The obligations of Buyer to effect the transaction contemplated hereby shall be further subject to the fulfillment of the following conditions, any one or more of which may be waived in writing by Buyer:

(a) All of the representations and warranties of Seller set forth in this Agreement shall be true and correct in all material respects when made and as of the Closing Date as if made on the Closing Date except where the failure to be so true or correct does not prevent or materially delay consummation of the transaction contemplated hereby.

(b) Seller shall have delivered, performed, observed and complied in all material respects with all of the items, instruments, documents, covenants, agreements and conditions required by this Agreement to be delivered, performed, observed and complied with by it prior to, or as of, the Closing Date.

(c) Seller shall have executed or caused to be executed, where applicable, and delivered to Buyer the documents referenced in Section 9.2 for the Closing.

(d) There shall not have been instituted by any Governmental Body any suit, action, investigation, or proceeding which would seek to restrain, enjoin, or invalidate the transaction contemplated by this Agreement, which action, suit, investigation, or proceeding, in the reasonable opinion of Buyer, may result in a decision, ruling, or finding that has or would reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement, or on the ability of the Seller to perform its obligations under this Agreement.

(e) Buyer shall have obtained all authorizations, consents, orders, and approvals required or requested by Governmental Bodies under the Laws of the State of Washington concerning the transaction contemplated hereby, including, without limitation, the Department's approval of the CN Application for the transaction contemplated by this Agreement, which approval is not the subject of any appeal.

ARTICLE IX
CLOSING

Section 9.1 **Closing**. The closing of the transaction contemplated hereby (the "Closing") shall occur upon the later of (i) within thirty (30) days following the Effective Date of this Agreement, or (ii) five (5) days following Buyer's receipt of the Department's approval of the CN Application for the transaction contemplated by this Agreement, which approval is not the subject of an appeal (the "Closing Date").

Section 9.2 **Seller Closing Deliverables**. On the Closing Date, Seller shall deliver (or cause to be delivered) to Buyer the following items listed below:

(a) A duly executed special warranty deed conveying fee simple title to the Real Property to Buyer, free and clear of all Encumbrances except the Permitted Encumbrances (provided that the Permitted Encumbrances included in the deed shall be modified to reflect only those to be included in the Title Policy as reflected by the title proforma issued by the Title Company) in the form attached as ***Exhibit E***;

(b) A duly executed bill of sale and assignment transferring all Assets (other than the Real Property) to Buyer, in form and substance reasonably satisfactory to the parties;

(c) Duly executed assignments of the Lease and any ancillary documents or instruments executed in connection therewith, including, without limitation, an assignment of Seller's interest under that certain Amended and Restated Limited Assignment of Rents and Leases recorded December 12, 2016 (which assignments shall include full releases of Seller and its Affiliates, except for gross negligence and willful misconduct), in form and substance reasonably satisfactory to the parties, and which assignments shall be in recordable form as to any of such documents (or memoranda thereof) that have been recorded as identified in ***Exhibit C*** (collectively, the "Lease Assignment Documents");

(d) Duly executed terminations of the MultiCare Guaranty, the Put/Call Option Agreement and Memorandum of Option Agreement, and Environmental Indemnification Agreement to be entered into between Seller and Buyer upon the "Closing" under and as defined in the Olympia Equity Acquisition Agreement (which terminations shall preserve contingent or unasserted indemnity claims of Seller for matters or events occurring or accruing on or prior to the Closing Date), in form and substance reasonably satisfactory to the parties (collectively, the "MultiCare Termination Documents");

(e) A copy of the resolutions or consents of the governing body of Seller dated as of the Closing Date and authorizing Seller's execution, delivery and performance of this Agreement and all other documents to be executed by Seller in connection herewith;

(f) A certificate dated the Closing Date signed by Seller to the effect that all of the representations and warranties of Seller set forth in this Agreement remain true and correct in all material respects when made and as of the Closing Date as if made on the Closing Date;

(g) A certificate of existence and good standing of Seller from the secretary of state of the State of Delaware, dated the most recent practical date prior to the Closing Date;

(h) A certificate of good standing and foreign qualification of Seller from the secretary of state of the State of Washington, dated the most recent practical date prior to the Closing Date;

(i) A closing statement in form and substance reasonably satisfactory to the parties;

(j) Such other certificates, tax filings, instruments and documents as Buyer or the Title Company reasonably deems necessary to effect the transaction contemplated hereby, including Seller authority documents as required by the Title Company, an owner's affidavit in the form attached as ***Exhibit F***, Form 1099, and FIRPTA Affidavit;

(k) A Washington Real Estate Excise Tax Affidavit; and

(l) An estoppel certificate executed by Seller regarding the Declaration for Parcel B in the form of ***Exhibit G*** attached hereto.

Section 9.3 Buyer Closing Deliverables. On the Closing Date, Buyer shall deliver (or cause to be delivered) to Seller the following items listed below:

(a) The Purchase Price (less the Deposit);

(b) The Lease Assignment Documents to which Buyer or Lessee is a party, countersigned by Buyer or Lessee (as applicable);

(c) The MultiCare Termination Documents, countersigned by Buyer;

(d) A copy of the resolutions or consents of the governing body of Buyer authorizing Buyer's s execution, delivery and performance of this Agreement and all other documents to be executed by Buyer in connection herewith with certificate dated as of the Closing Date;

(e) A certificate dated the Closing Date signed by Buyer to the effect that all of the representations and warranties of Buyer set forth in this Agreement remain true and correct in all material respects when made and as of the Closing Date as if made on the Closing Date;

(f) A certificate of existence and good standing of Buyer from the secretary of state of the State of Washington, which is the state of Buyer's formation, dated the most recent practical date prior to the Closing Date;

(g) Payment for all of Seller's costs and expenses as further described in Section 9.4(a);

(h) A closing statement in form reasonably satisfactory to the parties;

(i) Such other certificates, tax filings, instruments and documents as Seller or the Title Company reasonably deems necessary to effect the transaction contemplated hereby; and

(j) A Washington Real Estate Excise Tax Affidavit.

Section 9.4 Closing Expenses.

(a) Buyer is responsible for, and shall pay or reimburse to Seller within ten (10) Business Days following receipt of reasonably detailed invoices for, all reasonable expenses (including but not limited to legal, accounting, brokerage and other fees and expenses) which may be incurred by Seller or its Affiliates with respect to the documenting and closing of this Agreement, the Lease Assignment Documents, the MultiCare Termination Documents, and the transaction contemplated hereby and thereby, even if the Closing shall not occur, except in the event of termination of this Agreement resulting from a Seller default pursuant to Section 11.2. In addition, Buyer is responsible for, and shall pay to Seller or the applicable third parties upon demand, the costs of all surveys, inspections, title policies, environmental and other third party reports required by Buyer, recording fees, transfer taxes, application fees and the costs of obtaining regulatory approvals from Governmental Bodies or other third parties, advisory fees to Cain Brothers and any commission to any other broker or advisor engaged by Buyer, and all other costs, fees, and expenses incurred or imposed by reason of and associated with the transaction contemplated hereby. For the avoidance of doubt, Seller may submit to Buyer after the Closing copies of additional reasonably detailed invoices relating to such costs and expenses, and Buyer shall reimburse Seller within ten (10) Business Days after receipt thereof.

(b) All property taxes and assessments for the Real Property for the tax year during which Closing occurs shall be prorated at Closing based upon the latest information available, provided that all such taxes and assessments are payable by the Lessee pursuant to the Lease. All water, electricity, sewer, gas, telephone and other utility charges for the Real Property (including any taxes thereon) will not be prorated, as all such services have been Lessee's obligation under the Lease. All utility accounts and charges in connection therewith (and rights to receive refunds of any deposits under such accounts) will remain payable by the Lessee or as otherwise directed by Buyer after the Closing. All amounts owed for the Real Property, whether for property taxes, utilities or otherwise, relating to the period of time prior to and as of the Closing shall be payable by the Lessee pursuant to the Lease and Seller shall have no liability or obligation to pay the same. Rent paid by the Lessee to Seller for the month in which the Closing occurs shall be prorated and the portion thereof applicable to the period from and after the Closing Date, as well as the amount of the "Security Deposit" under and as defined in the Lease held by Seller (in the amount of One Million Five Hundred Seventy-Two Thousand Eight Hundred Thirty-Seven and 57/100 Dollars ($1,572,837.57) as of the Effective Date), shall be a credit against the Purchase Price.

(c) The provisions of this Section 9.4 shall survive the Closing or earlier termination of this Agreement.

ARTICLE X
CONFIDENTIALITY AND PUBLIC DISCLOSURE

Section 10.1 Confidentiality. Seller and Buyer shall hold in confidence the information contained in this Agreement, the terms and provisions of this Agreement, and all other Confidential Information related to this Agreement (including, without limitation, any information made available to Buyer in connection herewith), which information shall be held by Seller and Buyer as confidential and proprietary and shall not be disclosed without the prior written consent of the other

party, except as otherwise provided in Section 10.2 or the Confidentiality Agreement. The Seller makes no representation or warranty regarding the completeness or accuracy of any Confidential Information.

Section 10.2 Public Disclosure. No press release or public announcement related to this Agreement or the transaction contemplated herein shall be issued or made by any party hereto (or any Affiliate to a party hereto) without the joint approval of the other party hereto, unless required by Law (in the reasonable opinion of counsel) in which case the other party shall have the right to review such press release, announcement or communication prior to issuance, distribution or publication. Notwithstanding the foregoing, a party may, without the prior consent of the other party hereto, (i) issue or cause publication of any such press release or public announcement to the extent that such party reasonably determines, after consultation with outside legal counsel, such action to be required by Law or by the rules of any applicable self-regulatory organization (including, without limitation, federal and state securities laws and the rules and regulations of the NYSE or NASDAQ), in which event such party will use its commercially reasonable efforts to allow the other party hereto reasonable time to comment on such press release or public announcement in advance of its issuance, (ii) disclose that it has entered into this Agreement, and may provide and disclose information regarding this Agreement, the parties to this Agreement, and such additional information which such party may reasonably deem necessary, to its proposed investors in connection with a public offering or private offering of securities, or any current or prospective lenders with respect to its financing, and to investors, analysts and other parties in connection with earnings calls and other normal communications with investors, analysts and other parties, or (iii) include any information in a prospectus, prospectus supplement or other offering circular or memorandum in connection with public or private capital raising or other activities undertaken by such party.

Section 10.3 Survival. The provisions of this Article X shall survive Closing or any termination of this Agreement.

ARTICLE XI
TERMINATION; DEFAULT AND REMEDIES

Section 11.1 Termination Prior to Closing. Notwithstanding any provision hereof to the contrary, in addition to any termination rights provided elsewhere in this Agreement, this Agreement and the transaction contemplated by this Agreement may be terminated at any time before the Closing as follows: (i) by mutual consent in writing of Buyer and Seller; (ii) by Buyer by written notice to Seller if any one or more conditions to the obligations of Buyer to consummate the purchase of the Assets as set forth in Section 8.2 is not satisfied or waived; or (iii) by Seller by written notice to Buyer if any one or more conditions to the obligations of Seller to consummate the sale of the Assets as set forth in Section 8.1 is not satisfied or waived. Upon any termination of this Agreement not the result of a breach or default by Buyer, Title Company shall return the Deposit to Buyer. A termination under this Article XI shall not relieve any party of any liability for a breach of, or for any misrepresentation under this Agreement, or be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation.

Section 11.2 Default by Seller. If the sale and purchase of the Assets contemplated by this Agreement is not consummated because of Seller's default hereunder, for any reason other than a

default by Buyer hereunder, then, after Seller's failure to cure following ten (10) days' written notice from Buyer to Seller, Buyer may either (a) terminate this Agreement and receive a full refund of the Deposit together with reasonable and documented out-of-pocket expenses not to exceed One Hundred Thousand and No/100 Dollars ($100,000.00), or (b) seek specific performance of Seller's obligations hereunder, in either case, as Buyer's sole and exclusive remedy.

Section 11.3 Default by Buyer. If the sale and purchase of the Assets contemplated by this Agreement is not consummated because of Buyer's default hereunder, for any reason other than a default by Seller hereunder, then, after Buyer's failure to cure following ten (10) days' written notice from Seller to Buyer, Seller may terminate this Agreement and retain the Deposit as liquidated damages as Seller's sole and exclusive remedy.

Section 11.4 Specific Performance; No Special, Punitive or Consequential Damages. Seller agrees that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by Seller in accordance with the terms hereof or were otherwise breached and that Buyer shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically the provisions of this Agreement (without any requirement to post any bond or other security in connection with seeking such relief), or any other remedy at law or equity, exclusively in accordance with Section 12.1 hereof. In no event shall Buyer be entitled to both specific performance and damages under this Agreement. No party shall be entitled to special, punitive or consequential damages.

Section 11.5 No Effect on Lease. Nothing in this Agreement or any actions, claims, or proceedings related hereto, including, without limitation, any termination of this Agreement pursuant to the terms hereof, shall have any effect on the Lease or Lessee's obligations thereunder, which remains in full force and effect in accordance with its terms, unless and until the Closing shall occur. Except as expressly set forth in this Agreement, Seller's rights and remedies under the Lease, the MultiCare Guaranty, the Put/Call Option Agreement, and the Environmental Indemnification Agreement shall not be restricted, impaired, waived, estopped, or prejudiced in any manner as a result of this Agreement, all of which Seller expressly reserves and shall remain in full force and effect.

ARTICLE XII
DISPUTE RESOLUTION; RELEASE

Section 12.1 Governing Law; Jurisdiction and Venue. All issues and questions concerning the construction, validity, interpretation and enforceability of this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. Except as otherwise expressly provided in this Agreement, any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transaction contemplated hereby shall be brought and tried exclusively in the state or federal courts of Delaware, and each of the parties hereto hereby consents to the exclusive jurisdiction of such courts (and of the appropriate appellate courts therefrom) in any such suit, action or proceeding and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such suit, action or proceeding in any such court or that any such suit, action or proceeding which is brought in any such court has

been brought in an inconvenient forum. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court. Without limiting the foregoing, each party agrees that service of process on such party as provided in Section 13.2 shall be deemed effective service of process on such party.

Section 12.2 Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION (A) ARISING UNDER THIS AGREEMENT OR (B) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO IN RESPECT OF THIS AGREEMENT OR ANY OF THE TRANSACTIONS RELATED HERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER IN CONTRACT, TORT, EQUITY, OR OTHERWISE. EACH PARTY TO THIS AGREEMENT HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT THE PARTIES TO THIS AGREEMENT MAY FILE A COPY OF THIS AGREEMENT WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

Section 12.3 Release of Seller. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, BUYER HEREBY AGREES THAT SELLER, AND EACH OF ITS PARTNERS, MEMBERS, TRUSTEES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, PROPERTY MANAGERS, ASSET MANAGERS, AGENTS, ATTORNEYS, AFFILIATES AND RELATED ENTITIES, HEIRS, SUCCESSORS, AND ASSIGNS (COLLECTIVELY, "RELEASEES") SHALL BE, AND ARE HEREBY, FULLY AND FOREVER RELEASED AND DISCHARGED FROM ANY AND ALL LIABILITIES, LOSSES, CLAIMS (INCLUDING THIRD PARTY CLAIMS), DEMANDS, DAMAGES (OF ANY NATURE WHATSOEVER), CAUSES OF ACTION, COSTS, PENALTIES, FINES, JUDGMENTS, REASONABLE ATTORNEYS' FEES, CONSULTANTS' FEES AND COSTS AND EXPERTS' FEES (COLLECTIVELY, "CLAIMS") WITH RESPECT TO ANY AND ALL CLAIMS, WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, THAT MAY ARISE ON ACCOUNT OF OR IN ANY WAY BE CONNECTED WITH THE REAL PROPERTY, INCLUDING, WITHOUT LIMITATION, THE PHYSICAL, ENVIRONMENTAL AND STRUCTURAL CONDITION OF THE REAL PROPERTY OR ANY LAW OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, ANY CLAIM OR MATTER (REGARDLESS OF WHEN IT FIRST APPEARED) RELATING TO OR ARISING FROM (A) THE PRESENCE OF ANY ENVIRONMENTAL PROBLEMS, OR THE USE, PRESENCE, STORAGE, RELEASE, DISCHARGE, OR MIGRATION OF HAZARDOUS MATERIALS ON, IN, UNDER OR AROUND THE PARKING LOT REAL PROPERTY, REGARDLESS OF WHEN SUCH HAZARDOUS MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT THE REAL PROPERTY, (B) ANY PATENT OR LATENT DEFECTS OR DEFICIENCIES WITH RESPECT TO THE REAL PROPERTY, (C) ANY AND ALL MATTERS RELATED TO THE REAL PROPERTY OR ANY PORTION THEREOF, INCLUDING WITHOUT LIMITATION, THE CONDITION AND/OR OPERATION OF THE REAL PROPERTY AND EACH PART THEREOF, AND (D) THE PRESENCE, RELEASE AND/OR REMEDIATION OF ASBESTOS AND ASBESTOS CONTAINING MATERIALS IN, ON OR ABOUT THE REAL PROPERTY REGARDLESS OF WHEN SUCH ASBESTOS AND ASBESTOS CONTAINING MATERIALS WERE FIRST INTRODUCED IN, ON OR ABOUT

THE REAL PROPERTY. BUYER HEREBY WAIVES AND AGREES NOT TO COMMENCE ANY ACTION, LEGAL PROCEEDING, CAUSE OF ACTION OR SUITS IN LAW OR EQUITY, OF WHATEVER KIND OR NATURE, DIRECTLY OR INDIRECTLY, AGAINST THE RELEASEES OR THEIR AGENTS IN CONNECTION WITH THE CLAIMS DESCRIBED ABOVE. THE PROVISIONS OF THIS SECTION 12.3 SHALL SURVIVE THE CLOSING AND SHALL NOT BE DEEMED MERGED INTO ANY INSTRUMENT OR CONVEYANCE DELIVERED AT THE CLOSING.

ARTICLE XIII
MISCELLANEOUS

Section 13.1 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns; *provided, however*, that this Agreement shall not inure to the benefit of any assignee pursuant to an assignment which violates the terms of this Agreement. This Agreement is not assignable by any party without the prior written consent of the other party hereto except for assignment to a qualified intermediary in connection with a 1031 Exchange in accordance with Section 5.4 hereof. Notwithstanding the foregoing, Buyer shall have the right to assign this Agreement to an Affiliate of Buyer without Seller's consent, provided that no such assignment shall release Buyer from any obligations under this Agreement.

Section 13.2 Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of this Agreement shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (c) the day following the day (except if not a Business Day then the next Business Day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (d) the third Business Day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing:

If to Buyer:
MultiCare Health System
PO Box 5299
MS: 820-3-LEG
Tacoma, Washington 98415
Attention: Mark Gary, Senior Vice President and General Counsel
Facsimile: (253) 403-4890

With a copy to:
Faegre Drinker Biddle &Reath LLP
191 N. Wacker Drive, Suite 3700
Chicago, Illinois 60606
Attention: Douglas B. Swill, Esq.
Facsimile: (312) 569-3270

If to Seller:
MPT of Olympia-Capella, LLC
c/o MPT Operating Partnership, L.P.
1000 Urban Center Drive, Suite 501

Birmingham, Alabama 35242
Attention: Legal Department
Facsimile: (205) 969-3756

With a copy to: Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
420 20th Street North, Suite 1400
Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.
Facsimile: (205) 322-8007

or to such other address with respect to a party as such party notifies the other in writing as above provided.

Section 13.3 Calculation of Time Period. Time is of the essence to both Seller and Buyer in the performance of this Agreement. When calculating the period of time before which, within which or following which any act is to be done or step taken, the date that is the reference date in calculating such period shall be excluded. If the last day of such period is not a Business Day, the period in question shall end on the next succeeding Business Day.

Section 13.4 Captions. The section and paragraph headings or captions appearing in this Agreement are for convenience only, are not a part of this Agreement, and are not to be considered in interpreting this Agreement.

Section 13.5 Severability. This Agreement, including the Exhibits attached hereto, and other written agreements executed and delivered in connection herewith by the parties, shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement, unless the severance of such provision would be in opposition to the parties' intent with respect to such provision.

Section 13.6 Necessary Action. Each party shall perform any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Agreement.

Section 13.7 Counterparts. This Agreement may be executed in multiple counterparts, any one of which need not contain the signature of more than one party, but all such counterparts taken together shall constitute one and the same instrument.

Section 13.8 No Third Party Beneficiaries. Nothing expressed or referred to in this Agreement will be construed to give any Person other than the parties to this Agreement any legal or equitable right, remedy, or claim under or with respect to this Agreement or any provision of this Agreement.

Section 13.9 Attorney's Fees. If any legal action or proceeding is brought or if an attorney is retained for the enforcement of this Agreement or any provision thereof, or because of any alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the prevailing party shall be entitled to recover from the other party reimbursement for the reasonable attorneys' fees and other costs (including court costs and witness fees) incurred by it,

in addition to any other relief to which it may be entitled. The provisions of the Section 13.9 shall survive Closing or the earlier termination of this Agreement. The term "prevailing party" means the party prevailing in a final, non-appealable judgment regarding the legal action or proceeding.

Section 13.10 Joint Drafting. The parties hereto and their respective counsel have participated in the drafting and redrafting of this Agreement and the general rules of construction which would construe any provisions of this Agreement in favor of or to the advantage of one party as opposed to the other as a result of one party drafting this Agreement as opposed to the other or in resolving any conflict or ambiguity in favor of one party as opposed to the other on the basis of which party drafted this Agreement are hereby expressly waived by all parties to this Agreement.

Section 13.11 Delivery by Electronic Transmission. This Agreement and any signed agreement entered into in connection herewith or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail, shall be treated in all manner and respects as an original contract and shall be considered to have the same binding legal effects as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such contract, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such contract shall raise the use of a facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail to deliver a signature or the fact that any signature or contract was transmitted or communicated through the use of facsimile machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail as a defense to the formation of a contract and each such party forever waives any such defense.

Section 13.12 Entire Agreement; Modification. This Agreement, together with all Exhibits attached hereto and the other documents referred to herein, embody and constitute the entire understanding between the parties with respect to the transaction contemplated herein. This Agreement supersedes any prior oral or written agreements between the parties with respect to the subject matter of this Agreement. No prior oral or written agreement or understanding, and no contemporaneous oral representations between the parties with respect to the subject matter of this Agreement shall be of any force and effect, and the parties have not relied upon, and shall not be entitled to rely upon, any such prior or contemporaneous agreements, understandings, representations or statements (oral or written) other than this Agreement in effecting the transactions contemplated herein or otherwise. It is further expressly agreed that there are no verbal understandings or agreements which in any way change the terms, covenants, and conditions set forth in this Agreement, and that no modification of this Agreement and no waiver of any of its terms and conditions shall be effective unless it is made in writing and duly executed by the parties.

[*Signatures are on the following pages*]

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have caused this Agreement to be executed by their duly authorized officers on the date first written above.

SELLER:

MPT OF OLYMPIA-CAPELLA, LLC

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: _____
Name: R. Steven Hamner
Its: Executive Vice President & CFO

BUYER:

MULTICARE HEALTH SYSTEM

By: _____
Name: William G. Rodgers
Its: President & CEO

ACKNOWLEDGEMENT

Lessee acknowledges and consents to the terms, covenants, provisions and conditions of this Agreement, including, without limitation, the provisions of Section 9.4 hereof. Lessee further covenants and agrees that Lessee remains responsible for all conditions of the Real Property and payment of all "Rent" pursuant to the Lease.

Dated as of this 23RD day of April, 2021.

COLUMBIA CAPITAL MEDICAL CENTER LIMITED PARTNERSHIP

By: Capital Medical Center Partner, LLC
Columbia Olympia Management, Inc.
WPC Holdco, LLC
Its: General Partners

By: _____
Name: William G. Robertson
Title: President & CEO

TITLE COMPANY JOINDER

The Title Company joins herein in order to evidence its agreement to perform the duties and obligations of the Title Company set forth herein and the accompanying Deposit Escrow Instructions attached as ***Exhibit D*** and to acknowledge receipt, as of the date set forth below, of a counterpart of this Agreement signed by Seller and Buyer. The Title Company acknowledges that any demand for the release or disbursement of the Deposit after the Effective Date shall be made in accordance with the Deposit Escrow Instructions or by joint written direction of Buyer and Seller.

Date: April 23, 2021.

CHICAGO TITLE INSURANCE COMPANY

By: _____
Name: Michael Costello
Title: Commercial Escrow Specialist

EXHIBIT A
Legal Description of the Land

PARCEL A: Tax Parcel Account No. 11818140201 (3435 Ensign Road NE, Olympia, WA)

LOT 2 OF SHORT SUBDIVISION NO. SS-5217, AS RECORDED FEBRUARY 13, 1980 UNDER RECORDING NO. 1104127, RECORDS OF THURSTON COUNTY AUDITOR;

PARCEL B: Tax Parcel Account Nos.:

Tract F	38440000600 (3920 Capital Mall Dr SW, Olympia, WA)
Tract G	38440000700 (3900 Capital Mall Dr SW, Olympia, WA)
Tract R	38440001800 (502 McPhee Road SW, Olympia, WA)
Tract T	38440002000 (413 Black Hills Lane SW, Olympia, WA)

TRACTS F, G, R AND T OF CAPITAL MEDICAL CENTER BINDING SITE PLAN (AMENDED), AS RECORDED FEBRUARY 4, 1994 UNDER RECORDING NO. 9402040215 AND AS AMENDED UNDER RECORDING NO. 3380741, RECORDS OF THURSTON COUNTY AUDITOR;

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN AND MOTOR VEHICULAR INGRESS AND EGRESS, AND FOR MOTOR VEHICULAR PARKING AND AS MORE PARTICULARLY SET FORTH IN DOCUMENT ENTITLED "DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS CAPITAL MEDICAL CENTER OLYMPIA CAMPUS" RECORDED UNDER THURSTON COUNTY RECORDING NO. 9402040217 AND ALL AMENDMENTS THERETO;

PARCEL C: Tax Parcel Account No. 61840000200 (3525 Ensign Road NE #B, Olympia, WA)

UNIT B (IN BUILDING B), OF FIFTH AMENDED PLAT OF MEDICAL RESOURCE CENTER, A CONDOMINIUM RECORDED JUNE 9, 2004, UNDER THURSTON COUNTY RECORDING NO. 3648322, ACCORDING TO THE DECLARATION THEREOF, RECORDED UNDER THURSTON COUNTY RECORDING NO. 859260, BEING A RERECORD OF THURSTON COUNTY RECORDING NO. 857134, AND ANY AND ALL AMENDMENTS THERETO.

PARCEL D: Tax Parcel Account Nos.:

Unit B	86000000200 (403 Black Hills Lane SW #B, Olympia, WA)
Unit D	86000000400 (403 Black Hills Lane SW #D, Olympia, WA)

UNITS B AND D, OF 403 BLACK HILLS LANE, A CONDOMINIUM RECORDED AUGUST 1, 1994, UNDER THURSTON COUNTY RECORDING NO. 9408010120, ACCORDING TO THE DECLARATION THEREOF, RECORDED UNDER THURSTON COUNTY RECORDING NO. 9408010121, AND ANY AND ALL AMENDMENTS THERETO;

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN AND MOTOR VEHICULAR INGRESS AND EGRESS, AND FOR MOTOR VEHICULAR PARKING AND AS

MORE PARTICULARLY SET FORTH IN DOCUMENT ENTITLED "DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS CAPITAL MEDICAL CENTER OLYMPIA CAMPUS" RECORDED UNDER THURSTON COUNTY RECORDING NO. 9402040217 AND ALL AMENDMENTS THERETO;

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR PEDESTRIAN USE OF ALL SIDEWALKS PROVIDING ACCESS TO THE PROPERTY AND AS MORE PARTICULARLY SET FORTH IN DOCUMENT ENTITLED "DECLARATION OF CONDOMINIUM 403 BLACK HILLS LANE, A CONDOMINIUM" RECORDED UNDER THURSTON COUNTY RECORDING NO. 9408010121 AND ALL AMENDMENTS THERETO;

SITUATE IN THE CITY OF OLYMPIA, COUNTY OF THURSTON, STATE OF WASHINGTON.

PARCEL E: Tax Parcel Account Nos.:
86030000201 (605 McPhee Road SW, Olympia, WA)
86030000202 (527 McPhee Road SW, Olympia, WA)

UNITS 2A AND 2B, 601 MCPHEE ROAD, A MASTER CONDOMINIUM, ACCORDING TO THE MAP RECORDED MAY 17, 2011 AS RECORDING NO. 4211106, RECORDS OF THURSTON COUNTY, WASHINGTON. TOGETHER WITH THE RIGHTS IN AND TO THE COMMON ELEMENTS AS SET FORTH IN DECLARATION AND COVENANTS, RESTRICTIONS AND RESERVATIONS FOR 601 MCPHEE ROAD, A MASTER CONDOMINIUM, RECORDED MAY 17, 2011 AS RECORDING NO. 4211105, RECORDS OF THURSTON COUNTY, WASHINGTON, AND ANY AMENDMENTS THERETO.

EXHIBIT B
Existing Diligence Materials

1. Title policies
2. Tax assessments and tax bills (for last three years)
3. Evidence of Insurance policies
4. Surveys
5. Phase I site assessments

EXHIBIT C
Permitted Encumbrances

1. Ad valorem taxes and assessments.

2. City liens, if any, for the City of Olympia.

3. Assessments or charges by the Association of Capital Medical Center Olympia Campus (Affects Parcel B). [Note – Lessee pays these; no proration at Closing]

4. Terms, provisions, requirements and limitations contained in the Washington Condominium Act, Chapters 43 and 428, Laws of 1989 (RCW 64.34) and as it may hereafter be amended. (Affects Parcel D)

5. Terms, provisions, requirements and limitations contained in the Washington Condominium Act, Chapters 43 and 428, Laws of 1989 (RCW 64.34) and as it may hereafter be amended. (Affects Parcel C)

6. An unrecorded lease with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document

   Entitled: Amended and Restated Memorandum of Lease Agreement
   Lessor: MPT of Olympia-Capella, LLC, a Delaware limited liability company
   Lessee: Columbia Capital Medical Center Limited Partnership, a Washington a Limited Partnership
   Recording Date: December 12, 2016
   Recording No.: 4538382
   Affects: Parcels A-E

7. Amended and Restated Limited Assignment of Rents and Leases:

   Assignor: Columbia Capital Medical Center Limited Partnership, a Washington a Limited Partnership
   Assignee: MPT of Olympia-Capella, LLC, a Delaware limited liability company
   Recording Date: December 12, 2016
   Recording No.: 4538383
   Affects: Parcels A-E

8. Lien of assessments levied pursuant to declaration of condominium for 403 Black Hills Lane Condominium Association.

   Affects: Parcel D

9. Lien of assessments levied pursuant to declaration of condominium for Fifth Amended Plat of Medical Resource Center Condominium.

   Affects: Parcel C

10. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Telephone and Telegraph Company
Purpose: Telephone and telegraph lines
Recording Date: May 16, 1941
Recording No.: 351619
Affects: Parcel A

11. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: March 6, 1942
Recording No.: 363727
Affects: Tracts G and T of Parcel B

12. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: March 7, 1946
Recording No.: 403841
Affects: Parcel C

13. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Chester E. Wilcox and Edna Wilcox, husband and wife
Purpose: Water pipes and related rights
Recording Date: April 12, 1962
Recording No.: 657700 and corrected by 662573
Affects: Tract T of Parcel B

14. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Purpose: Water rights and related rights
Recording Date: April 27, 1964
Recording No.: 696082
Affects: Tract T of Parcel B

15. Right to make necessary slopes for cuts or fills upon property herein described as granted or reserved in deed

In favor of: City of Olympia
Recording Date: October 6, 1969
Recording No.: 810330
Affects: Parcel C

16. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: April 1, 1971
Recording No.: 839755
Affects: Parcel C

17. The matters set forth in the document shown below which, among other things, contains or provides for: certain easements; liens and the subordination thereof; provisions relating to partition; restrictions on severability of component parts; and covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Entitled: Declaration of condominium
Recording Date: December 23, 1971
Recording No.: 859260 a re-record of 857134
Amended by recording nos. 896871, 1113406, 9006250192, 3116945 and 3647454
Affects: Parcel C

18. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Medical Resource Center Condominium:

Recording No: 857133, 896870, 9006250180 and 3648322
Affects: Parcel C

19. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Purpose: Cross easements for fire lines and related rights
Recording Date: May 30, 1980
Recording No.: 1112999
Affects: Parcels A and C

20. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: October 4, 1983
Recording No.: 8310040040
Affects: Parcel A

21. Agreement for maintenance of private streets, utilities and parking areas, and the terms and conditions thereof:

Recording Date: December 23, 1983
Recording No.: 8312230033
Affects: Tracts F, G and T of Parcel B

22. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: February 3, 1984
Recording No.: 8402030048
Affects: Tracts F, G and T of Parcel B

23. Right to make necessary slopes for cuts or fills upon property herein described as granted or reserved in deed

In favor of: City of Olympia
Recording Date: June 29, 1984
Recording No.: 8406290123
Affects: Tract T of Parcel B

24. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: November 19, 1984
Recording No.: 8411190037
Affects: Tract T of Parcel B

25. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Northwest Bell Telephone Company
Purpose: Underground communication lines and above ground cabinets

Recording Date: December 28, 1984
Recording No.: 8412280015
Affects: Tract T of Parcel B

26. Right to make necessary slopes for cuts or fills upon property herein described as granted or reserved in deed

In favor of: City of Olympia
Recording Date: August 9, 1985
Recording No.: 8508090004
Affects: Tract T of Parcel B

27. Contract, and the terms and conditions thereof:

Recording Date: December 2, 1985
Recording No.: 8512020024
Regarding: Installation of sanitary sewers
Affects: Tract T of Parcel B

28. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Pacific Northwest Bell Telephone Company
Purpose: Telephone and telegraph lines
Recording Date: April 15, 1988
Recording No.: 8804150066
Affects: Tract T of Parcel B

29. Reservation of Easement, and the terms and conditions thereof:

Reserved by: Lilly Associates, a Washington General Partnership
Purpose: legal use and related rights
Recording Date: January 13, 1989
Recording No.: 8901130022
Affects: Parcel C

30. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Watermain
Recording Date: September 6, 1991
Recording No.: 9109060225
Affects: Tract T of Parcel B

31. Agreement for maintenance of stormwater facilities and pollution source control plan, and the terms and conditions thereof:

Recording Date: September 6, 1991
Recording No.: 9109060233
Affects: Tracts G and T of Parcel B

32. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Watermain
Recording Date: April 20, 1992
Recording No.: 9204200119
Affects: Parcel C

33. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Waterlines
Recording Date: January 8, 1993
Recording No.: 9301080184
Affects: Tract T of Parcel B

Amended by instruments recorded under Recording Nos. 3120343, 3120344, 3120346, 3120347 and 4620739.

34. Agreement for maintenance of stormwater facilities and pollution source control plan, and the terms and conditions thereof:

Recording Date: April 9, 1993
Recording No.: 9304090161
Affects: Tracts F, G and T of Parcel B

35. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Capital Medical Center Binding Site Plan:

Recording Nos: 9402040215, 3380741, 4249980 and 4661677
Affects: Parcels B and D

36. Covenants, conditions, restrictions, liability for future assessments and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: February 4, 1994
Recording No.: 9402040217
Amended by instruments recorded under Recording Nos. 9402150223, 9404110152, 3443242,3595503, 4174948, 4201886 and 4666135, which is a re-recording of 4661678
Affects: Parcels B and D

37. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Capital Medical Center Binding Site Plan:

Recording Nos: 9402040215, 3380741, 4249980 and 4661677
Affects: Parcels B and D

38. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Burcot Associates, a Washington General Partnership
Purpose: To connect and attached, dumpster use, access, sanitary sewer, water line, gas line and related rights
Recording Date: April 11, 1994
Recording No.: 9404110153
Affects: Tracts G and T of Parcel B

39. The matters set forth in the document shown below which, among other things, contains or provides for: Rights of First Refusal, Rights of Repurchase, certain easements; liens and the subordination thereof; provisions relating to partition; restrictions on severability of component parts; and covenants, conditions and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Entitled: Declaration of Condominium for 403 Black Hills Lane
Recording Date: August 1, 1994
Recording No.: 9408010121

Affects: Parcel D

Said document contains a first right of refusal and a right of repurchase.

40. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on 403 Black Hills Lane Condominium map and plans:

Recording No: 9408010120
Affects: Parcel D

41. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: U.S. West Communications Inc.
Purpose: Telecommunication facilities and related rights
Recording Date: October 10, 1994
Recording No.: 9410100153
Affects: Tract T of Parcel B

42. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Sanitary Sewer and related rights
Recording Date: July 16, 1996
Recording No.: 3041085
Affects: Tract T of Parcel B

43. Agreement for maintenance of stormwater facilities and pollution source control plan, and the terms and conditions thereof:

Recording Date: November 17, 1997
Recording No.: 3120342
Affects: Parcels B and D

44. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Waterline
Recording Date: November 17, 1997
Recording No.: 3120343 and 3120344
Affects: Tract T of Parcel B

45. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Waterline
Recording Date: November 17, 1997
Recording No.: 3120346 and 3120347
Affects: Tract T of Parcel B

46. Covenants, conditions, restrictions and easements but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth in the document

Recording Date: July 26, 2000
Recording No.: 3304947
Affects: Tract G of Parcel B
Amended by instrument recorded under Recording No. 3586270

47. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Comcast of Washington IV, Inc.
Purpose: Broadband communications system and related rights
Recording Date: February 26, 2004
Recording No.: 3620061
Affects: Tract G of Parcel B

48. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Qwest Corporation, a Colorado Corporation
Purpose: Telecommunication facilities, electrical facilities and gas facilities
Recording Date: September 8, 2005
Recording No.: 3756061
Affects: Tract T of Parcel B

49. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Qwest Corporation, a Colorado corporation
Purpose: Telecommunication facilities
Recording Date: September 6, 2011
Recording No.: 4227145
Affects: Portion of Tract T of Parcel B

50. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Comcast of Washington IV, Inc.
Purpose: Broadband communication system
Recording Date: February 10, 2014
Recording No.: 4379744
Affects: Tract G of Parcel B

51. Assignment of Rights and the terms and conditions thereof:

Assignor: Columbia Capital Medical Center Limited Partnership, a Washington a Limited Partnership
Assignee: MPT of Olympia-Capella, LLC, a Delaware limited liability company
Recording Date: July 26, 2016
Recording No.: 4513669
Affects: Parcels A-D and other property

52. Agreement to Maintain Stormwater Facilities and the terms and conditions thereof:

Recording Date: January 22, 2018
Recording No.: 4607716
Affects: Parcel B

53. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: Puget Sound Power & Light Company
Purpose: Electric transmission and/or distribution line
Recording Date: August 27, 1979
Recording No.: 1088628
Affects: Portion of Parcel E

54. Right to make necessary slopes for cuts or fills upon property herein described as granted or reserved in deed

In favor of: Thurston County
Recording Date: October 26, 1979
Recording No.: 1094886
Affects: Parcel E

55. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Boundary Line Adjustment No. BLA-0090:

Recording No: 8304110131
Affects: Parcel E

56. Agreement entitled obtaining water and sewer services, and the terms and conditions thereof:

Recording Date: May 28, 1985
Recording No.: 8505280063
Affects: Parcel E

57. Easement(s) for the purpose(s) shown below and rights incidental thereto, as granted in a document:

Granted to: City of Olympia
Purpose: Watermain
Recording Date: November 13, 1990
Recording No.: 9011130250
Affects: Portion of Parcel E

58. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Boundary Line Adjustment No. BLA-020426TC:

Recording No: 3440325 and 3440350
Affects: Parcel E

59. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on Boundary Line Adjustment No. BLA05116344TC:

Recording No: 3791802 and 3791803
Affects: Parcel E

60. The matters set forth in the document shown below which, among other things, contains or provides for: certain easements; liens and the subordination thereof; provisions relating to partition; restrictions on severability of component parts; and covenants, conditions, liability for future assessments and restrictions but omitting any covenants or restrictions, if any, including, but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, source of income, gender, gender identity, gender expression, medical condition or genetic information, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law.

Entitled: Declaration of Condominium
Recording Date: May 17, 2011
Recording No.: 4211105
Transfer, Assignment & Assumption of Special Declarant and Development Rights recorded June 7, 2011 under Recording No. 4214120.
Affects: Parcel E

61. Covenants, conditions, restrictions, recitals, reservations, easements, easement provisions, dedications, building setback lines, notes, statements, and other matters, if any, but omitting any covenants or restrictions, if any, including but not limited to those based upon race, color, religion, sex, sexual orientation, familial status, marital status, disability, handicap, national origin, ancestry, or source of income, as set forth in applicable state or federal laws, except to the extent that said covenant or restriction is permitted by applicable law, as set forth on 601 McPhee Road Condominium:

Recording No: 4211106
Affects: Parcel E

62. Lien of assessments levied pursuant to declaration of condominium for 601 McPhee Road Master Condominium Association.

Affects: Parcel E

63. Memorandum of Option Agreement and the terms and conditions thereof:

Executed by: MPT of Olympia-Capella, LLC, a Delaware limited liability company and Multicare Health System, a Washington not-for-profit corporation
Recording Date: April 2, 2021
Recording No.: 4839189
Affects: Parcels A-E

64. Matters disclosed by ALTA / NSPS Land Title Survey performed by Bock & Clark Corporation, an NV5 Company, dated April 1, 2021, last revised April 2, 2021, and designated Project No. 202100459-1, as follows:

Significant Observations:

A. Area being used for access without the benefit of an easement (Affects Parcel A)

B. Sign extends into right-of-way by +/- 5.0 feet (Affects Parcel C)

C. Sign extends into right-of-way by +/- 1.8 feet (Affects Parcel C)

D. Sign extends into right-of-way by +/- 0.8 feet (Affects Parcel C)

65. Matters disclosed by ALTA / NSPS Land Title Survey performed by Bock & Clark Corporation, an NV5 Company, dated April 1, 2021, last revised April 2, 2021, and designated Project No. 202100459-2, as follows:

Significant Observations:

A. Building extends onto Parcel T +/- 9.9 feet (Affects Parcel T of Parcel B)

B. Building extends onto Parcel T +/- 3.3 feet (Affects Parcel T of Parcel B)

C. Gravel extends onto subject property by +/- 15.9 feet (Affects Unit 2A of Parcel E)

EXHIBIT D
DEPOSIT ESCROW INSTRUCTIONS

These Deposit Escrow Instructions (**"Instructions"**) are entered into as of this 23rd day of April, 2021, by and between **MPT OF OLYMPIA-CAPELLA, LLC ("Seller")**, **MULTICARE HEALTH SYSTEM ("Buyer")** and **CHICAGO TITLE INSURANCE COMPANY ("Escrowee")**.

WHEREAS, Buyer and Seller entered into a Purchase and Sale Agreement dated April 23, 2021 (as modified, amended, or restated from time to time, the **"Agreement"**), for the purchase and sale of the real property legally described in the Agreement (the **"Property"**); and

WHEREAS, the parties desire to enter into escrow instructions with the Escrowee pursuant to which Buyer shall deposit earnest money, as required under the Agreement;

NOW, THEREFORE, in consideration of the mutual covenants contained in these Instructions, and other good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Deposit. Buyer has, pursuant to the terms and provisions of the Agreement and simultaneously with the execution hereof, deposited with Escrowee earnest money in the sum of One Million Three Hundred Fifty Thousand and No/100 Dollars ($1,350,000.00) (the **"Deposit"**).

2. Default or Other Basis for Requesting Disbursement of Deposit.

(a) Seller's Notice. In order for Seller to obtain the Deposit from Escrowee, Seller shall be required to present to Escrowee its written statement (the **"Seller's Notice"**) that Buyer is in default under the Agreement or stating such other reason that Seller is entitled to the Deposit pursuant to the terms of the Agreement. Upon receipt of a Seller's Notice from Seller, Escrowee shall (i) notify Buyer of its receipt of such statement by sending a copy thereof to Buyer as provided in Paragraph 4 hereunder, and (ii) if, within five (5) business days after the date of delivery of such Seller's Notice to Buyer, Escrowee has not received from Buyer a notice (**"Buyer's Objection Notice"**) objecting to Escrowee's compliance with Seller's Notice, Escrowee shall deliver the full amount of the Deposit then being held by Escrowee to Seller.

(b) Buyer's Notice. In order for Buyer to obtain the Deposit from Escrowee, Buyer shall be required to present to Escrowee its written statement (**"Buyer's Notice"**) that Seller is in default under the Agreement or stating such other reason that Buyer is entitled to the Deposit. Upon receipt of a Buyer's Notice, Escrowee shall (i) notify Seller of its receipt of such statement by sending a copy of such statement to Seller as provided in Paragraph 4 hereunder, and (ii) if, within five (5) business days after the date of delivery of such Buyer's Notice to Seller, Escrowee has not received from Seller a notice (**"Seller's Objection Notice"**) objecting to Escrowee's compliance with the Buyer's Notice, Escrowee shall deliver the full amount of the Deposit then being held by Escrowee to Buyer.

3. Objection Notices. If Escrowee receives a Buyer's Objection Notice or a Seller's Objection Notice (either of which is referred to herein as an **"Objection Notice"**) within the time

period set forth in Paragraph 2 above, then Escrowee shall refuse to comply with the Seller's Notice or Buyer's Notice, as applicable, until Escrowee receives (a) joint written instructions executed by both Buyer and Seller, or (b) a final non-appealable order with respect to the disposition of the Deposit from a federal or state court of competent jurisdiction, in either of which events Escrowee shall then disburse the Deposit in accordance with such direction. Notwithstanding the immediately preceding sentence, if the party that delivered the Objection Notice does not (i) commence litigation with respect to the Deposit by filing a complaint or action for a declaratory judgment in an appropriate court of competent jurisdiction, and (ii) provide notice and a copy of such complaint or action for declaratory judgment to Escrowee and the other party to these Instructions within forty-five (45) days after delivery of an Objection Notice, then Escrowee shall disburse the Deposit in accordance with the Seller's Notice or Buyer's Notice, as applicable.

4. Notices. All notices, demands and other communications to be given or delivered under or by reason of the provisions of these Instructions shall be in writing and shall be deemed to have been given (a) when personally delivered, (b) when transmitted via telecopy (or other facsimile device) to the number set out below if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), (c) the day following the day (except if not a business day then the next business day) on which the same has been delivered prepaid to a reputable national overnight air courier service or (d) the third business day following the day on which the same is sent by certified or registered mail, postage prepaid. Notices, demands and communications, in each case to the respective parties, shall be sent to the applicable address set forth below, unless another address has been previously specified in writing:

If to Buyer:
MultiCare Health System
PO Box 5299
MS: 820-3-LEG
Tacoma, Washington 98415
Attention: Mark Gary, Senior Vice President and General Counsel
Facsimile: (253) 403-4890

With a copy to:
Faegre Drinker Biddle &Reath LLP
191 N. Wacker Drive, Suite 3700
Chicago, Illinois 60606
Attention: Douglas B. Swill, Esq.
Facsimile: (312) 569-3270

If to Seller:
MPT of Olympia-Capella, LLC
c/o MPT Operating Partnership, L.P.
1000 Urban Center Drive, Suite 501
Birmingham, Alabama 35242
Attention: Legal Department
Facsimile: (205) 969-3756

With a copy to:
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC
420 20th Street North, Suite 1400

Birmingham, Alabama 35203
Attention: Thomas O. Kolb, Esq.
Facsimile: (205) 322-8007

If to Escrowee: Chicago Title Insurance Company
701 Fifth Avenue, Suite 2700
Seattle, Washington 98104
Attention: Mike Costello
Facsimile: (206) 628-9739

or to such other address with respect to a party as such party notifies the other in writing as above provided.

5. Escrowee Obligations. The parties agree that the actions of, and the relationship between, Buyer and Seller shall be governed by the terms of the Agreement. Notwithstanding the existence of the Agreement or any references herein to the Agreement, the parties agree that, other than for purposes of consummating the transaction pursuant to the Agreement, the Escrowee's retention and disbursement of the Deposit shall be governed solely by the terms and provisions of these Instructions. The parties furthermore agree that except as specifically provided in Paragraph 3 above, Escrowee is hereby expressly authorized to regard and to comply with, and obey, any and all orders, judgments or decrees entered or issued by any court, and, in case Escrowee obeys and complies with any such order, judgment or decree of any court, it shall not be liable to any of the parties hereto or to any other person, firm or corporation by reason of such compliance. The undersigned jointly and severally agree to pay Escrowee, upon demand, any or all costs, attorneys' fees (whether such attorneys shall be regularly retained or specially employed) and other expenses which have been incurred by Escrowee or for which Escrowee becomes liable for on account.

6. Investment of Funds by Escrowee. Except as to deposits of funds for which Escrowee has received express written direction concerning investment or other handling, the parties hereto agree that Escrowee shall be under no duty to invest or reinvest any deposits at any time held by it under these Instructions.

7. Counterparts. These Instructions may be executed in any number of counterparts, and by any of the parties on separate counterparts, each of which, when so executed, shall be deemed an original and all of which shall constitute one and the same instrument.

8. Fee. In the event the transaction contemplated by the Agreement is consummated through an escrow with Escrowee, there shall be no fee payable hereunder.

IN WITNESS WHEREOF, the parties have executed these Instructions on the day and year first above written.

BUYER:

MULTICARE HEALTH SYSTEM

By:_____
Its: _____

SELLER:

MPT OF OLYMPIA-CAPELLA, LLC

By: MPT Operating Partnership, L.P.
Its: Sole Member

By: _____
Its _____

ACCEPTED BY ESCROWEE:

CHICAGO TITLE INSURANCE COMPANY

By: _____
Name: _____
Title: Escrow Officer

Escrow No. _____

EXHIBIT E

THIS DOCUMENT PREPARED BY AND AFTER RECORDING RETURN TO:

_____

_____

SPECIAL WARRANTY DEED

KNOW ALL MEN BY THESE PRESENTS:

FOR AND IN CONSIDERATION of the sum of TEN DOLLARS ($10.00), and other good and valuable consideration, in hand paid, the receipt and sufficiency of which is hereby acknowledged, **MPT OF OLYMPIA-CAPELLA, LLC**, a Delaware limited liability company (hereinafter referred to as "Grantor"), whose mailing address is 1000 Urban Center Drive, Suite 501, Birmingham, AL 35242, does hereby grant, bargain, sell and convey unto _____, a _____, whose mailing address is _____ (hereinafter referred to as "Grantee"), certain real estate in the City of Olympia, Thurston County, Washington, as follows:

See ***Exhibit A*** attached hereto and made a part hereof by reference and incorporation

TO HAVE AND TO HOLD the Property, together with all of Grantor's interest in all buildings, structures, fixtures and all other improvements and structural components affixed to or located on the land described on ***Exhibit A***, and (i) all rights and appurtenances pertaining (including without limitation, easements appurtenant) thereto, (ii) all easements or rights of Grantor in rights-of-ways, adjacent roads and streets or in any adjacent alleys, strips, detentions or gores of land, (iii) all licenses and permits related to the property, (iv) all of Grantor's right, title and interest in all water rights and water stock appurtenant to the subject real property, development rights, utility rights, deposits, and approvals, (v) all of Grantor's right, title and interest, if any, in drainage facilities, utility facilities, water and wastewater service allocated to the property, and (vi) all of Grantor's right, title and interest, if any, in and to the oil, gas and other minerals in, under and that may be produced from the property (collectively the "Property"), and the appurtenances, estate, title and interest thereunto belonging, to the said Grantee and the said Grantee's successors and assigns forever.

Grantor further covenants and binds itself, its successors and representatives, to warrant and forever defend the title to the Property to said Grantee, and the Grantee's successors and assigns, against the lawful claims of all persons claiming by, through or under Grantor, but not otherwise; provided, however, this conveyance is subject to the following:

See ***Exhibit B*** attached hereto and made a part hereof by reference and incorporation

[Intentionally Left Blank]
[Signatures on Following Page]

IN WITNESS WHEREOF, Grantor has caused this instrument to be executed and delivered on the ___ day of _____, 2021.

GRANTOR:

MPT OF OLYMPIA-CAPELLA, LLC
a Delaware limited liability company

By: MPT Operating Partnership, L.P.
a Delaware limited partnership
Its: Sole Member

By: _____
Name: _____
Title: _____

STATE OF ALABAMA)
) ss.
JEFFERSON COUNTY)

This instrument was acknowledged before me on _____, 2021, by _____, in his capacity as the _____ of MPT Operating Partnership, L.P., as the Sole Member of **MPT of Olympia-Capella, LLC**, a Delaware limited liability company.

_____
Notary Public for State of Alabama
My Commission Expires: _____

[AFFIX NOTARY SEAL]

Exhibit A

[To be inserted]

Exhibit B

[To be inserted]

EXHIBIT F

AFFIDAVIT AND INDEMNITY BY OWNER
Extended Coverage Policies

STATE OF ALABAMA
COUNTY OF JEFFERSON

Escrow Order No.: 202213-NCS
Title Order No.: 200037687

WHEREAS the undersigned, _____, as the _____ of MPT Operating Partnership, L.P., as the Sole Member of MPT of Olympia-Capella, LLC (the "Company"), a Delaware limited liability company (the "Affiant") represents that the Company is the owner of the land (the "Land") described in that certain Commitment for Title Insurance issued by Chicago Title Insurance Company (the "Title Company") under No. 200037687 (the "Commitment"), for an ALTA Owner's and/or Loan Policy of title insurance (the "Policy" or "Policies"),

AND WHEREAS, the Proposed Insured(s) under said Commitment is/are requesting the Company to issue its Policy or Policies with Extended Coverage, and to delete therefrom the General Exceptions relating to rights or claims of parties in possession, survey matters, unrecorded easements and statutory lien rights for labor or materials, or other matters determinable only by survey, inspection or inquiry,

AND WHEREAS the Affiant acknowledges that the Title Company would refrain from issuing said Policy or Policies without showing said General Exceptions in the absence of the representations, agreements and undertakings contained herein.

Nothing contained herein shall be construed so as to obligate the Title Company to issue said Policy or Policies without showing said General Exceptions. However, should the Title Company do so, it will do so in part in reliance upon the representations made herein.

AFFIDAVIT

The Affiant, being first duly sworn, deposes and says that:

1. Said Land has been owned by the Company since July 22, 2016 and the Company's enjoyment thereof has been peaceable and undisturbed; provided, however, that the tenant under the lease listed on **Exhibit A** attached hereto and made a part hereof by reference and incorporation has been in sole and exclusive possession of the Land for the entirety of Company's ownership thereof, pursuant to said lease. To Affiant's actual knowledge, there are no other persons (including trusts, corporations, partnerships or limited liability companies) which assert an interest in the Land, except (if none, check "None"): □ **See Exhibit A attached hereto.**

   _____

2. The Land at present is in use as: a hospital facility.
3. Except as listed on **Exhibit A** attached hereto and made a part hereof by reference and incorporation, there are no oral or written leases, tenancies or other occupancies, nor any rights of first refusal or options to purchase said land, except (attach list, if necessary, and attach copies of any written agreements or rent rolls, if any; (if none, check "None"): □ _____

AFFIDAVIT AND INDEMNITY BY OWNER
Extended Coverage Policies
(continued)

4. The Company has not entered into any contracts for the making of repairs or for new construction on said Land or for the services of architects, engineers or surveyors, nor are there any unpaid bills or claims for labor or services performed or material furnished or delivered during the last one hundred twenty (120) days for alterations, repair work or new construction on said Land, including site preparation, soil tests, site surveys, demolition, etc., that are owed or due and payable by the Company, except (if none, check "None"): □

5. Neither the Company nor any principals of the Company has filed a petition for bankruptcy, which action is pending, nor is the Company subject to a pending plan in bankruptcy, nor is the Company a party to any pending action, nor has the Company been served with a summons and complaint nor received any notice of any action which is pending against the Company, except (if none, check "None"): □ **NONE**

6. The Company does not owe any unpaid or unsatisfied (1) mortgages, deeds of trust, contracts, security agreements, claims of lien, or judgments affecting the Land, (2) to the Company's actual knowledge, any special assessments for sewer, water, road or other local improvement districts, or taxes, including taxes or special assessments which are not yet payable or which are not shown as existing liens by the public records relating to the Land, or (3) to the Company's actual knowledge, any service, installation, connection, tap, capacity or construction charges for sewer, water, electricity, natural gas or other utilities, or garbage collection and disposal, which are not shown in the referenced commitment, except (if none, check "None")**; provided, however, the tenant under the lease identified on Exhibit A (the "Lease"), pursuant to the terms of the Lease, is responsible for all matters relating to items (2) and (3) of this Section 6, if and when due.**

7. The Company has no actual knowledge of any unpaid amounts of public funds advanced under the provisions of one or more various federal acts relating to health care (including, but not limited to, the Hill-Burton Act (Title 42 USCA, §291, et seq.) or under any state statutes enacted pursuant thereto, which would constitute a lien against the Land, except (if none, check "None"): □ **NONE**

AFFIDAVIT AND INDEMNITY BY OWNER
Extended Coverage Policies
(continued)

INDEMNITY

The Company hereby agrees (1) to indemnify, protect, defend and save harmless the Title Company from and against any and all loss, costs, damages, and out of pocket attorney's fees it may suffer, expend or incur under or by reason, or in consequence of or growing out of the matters identified in the answers to the questions in the above affidavit, and (2) to defend at the Company's own costs and charges in behalf of and for the protection of the Title Company any every suit, action or proceeding in which any such matters may be asserted or attempted to be asserted, established or enforced with respect to said Land.

IN WITNESS WHEREOF, the undersigned have executed this document on the date(s) set forth below.

MPT OF OLYMPIA-CAPELLA, LLC

By: MPT Operating Partnership, L.P.
Its: Sole Member

By:_____
Name:_____
Its:_____

State of Alabama
County of Jefferson

This instrument was acknowledged before me on_____, 2021, by_____, as th

_____
Name: _____
Notary Public in and for the State of Alabama
My appointment expires: _____

EXHIBIT G

ESTOPPEL CERTIFICATE

Date: _____ ___, 2021

To: Chicago Title Company of Washington ("***Title Company***")

Re: Declaration of Covenants, Conditions, Restrictions, Easements, and Reservations of Capital Medical Center Olympia Campus, dated October 28, 1993, and recorded under Auditor's File Number 9402040217, as amended (the "***Declaration***"). Any capitalized terms used but not defined in this Estoppel Certificate have the same meanings given them in the Declaration.

TO WHOM IT MAY CONCERN:

This Estoppel Certificate is given by MPT of Olympia-Capella, LLC, a Delaware limited liability company ("***MPT***"), to Title Company in connection with the purchase and sale of real property located in Thurston County, Washington, that is legally described on the attached Exhibit A (the "***Property***"), and is given for the benefit of and reliance by Title Company and certifies to Title Company that the following is true and accurate as of the execution date of this document:

1. MPT has received no written notice of any unpaid general or special assessments, fees, or other sums of money or obligations delinquent under the terms and conditions of the Declaration with respect to the Property.

2. MPT has received no written notice of default or violation of any provision in the Declaration with respect to the Property.

MPT makes the foregoing statements and certifications with the understanding that Title Company is relying on the truth and accuracy of all information in this Estoppel Certificate.

MPT:

MPT OF OLYMPIA-CAPELLA, LLC,
a Delaware limited liability company

By: MPT OPERATING PARTNERSHIP, L.P.
Its: Sole Member

By: _____
Name: _____
Its: _____

Exhibit A

Legal Description of the Property

PARCEL 1:

PARCELS F, G, R AND T OF CAPITAL MEDICAL CENTER BINDING SITE PLAN (AMENDED), AS RECORDED FEBRUARY 4, 1994 UNDER RECORDING NO. 9402040215 AND AS AMENDED UNDER RECORDING NOS. 3380741, 4249980 AND 4661677, RECORDS OF THURSTON COUNTY AUDITOR; IN THURSTON COUNTY, WASHINGTON.

PARCEL 2:

UNITS B AND D, OF 403 BLACK HILLS LANE, A CONDOMINIUM RECORDED AUGUST 1, 1994, UNDER THURSTON COUNTY RECORDING NO. 9408010120, ACCORDING TO THE DECLARATION THEREOF, RECORDED UNDER THURSTON COUNTY RECORDING NO. 9408010121, AND ANY AND ALL AMENDMENTS THERETO; IN THURSTON COUNTY, WASHINGTON.

Exhibit 11.

MultiCare Health System Audited Financial Statements

MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
MultiCare Health System:

We have audited the accompanying consolidated financial statements of MultiCare Health System (a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MultiCare Health System as of December 31, 2020 and 2019, and the results of its operations and changes in net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Seattle, Washington
March 24, 2021

MULTICARE HEALTH SYSTEM

Consolidated Balance Sheets

December 31, 2020 and 2019

(In thousands)

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	946,223	434,854
Accounts receivable		374,372	376,500
Supplies inventory		49,167	41,738
Other current assets, net		85,144	71,397
Total current assets		1,454,906	924,489
Donor restricted assets held for long-term purposes		88,900	70,783
Investments		1,970,458	1,797,483
Property, plant, and equipment, net		1,763,666	1,763,345
Right-of-use operating lease asset, net		137,763	144,140
Right-of-use financing lease asset, net		15,694	—
Other assets, net		502,459	384,004
Total assets	$	5,933,846	5,084,244
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	208,422	195,356
Accrued compensation and related liabilities		299,523	247,971
Accrued interest payable		18,649	15,168
Current portion of right-of-use operating lease liability		28,574	28,322
Current portion of right-of-use financing lease liability		2,836	—
Current portion of long-term debt		7,950	13,668
Total current liabilities		565,954	500,485
Interest rate swap liabilities		154,347	88,311
Right-of-use operating lease liability, net of current portion		114,288	120,345
Right-of-use financing lease liability, net of current portion		13,200	—
Long-term debt, net of current portion		1,618,849	1,276,973
Other liabilities, net		213,046	155,320
Total liabilities		2,679,684	2,141,434
Commitments and contingencies (note 15)			
Net assets:			
Without donor restrictions		3,111,401	2,819,420
With donor restrictions		142,761	123,390
Total net assets		3,254,162	2,942,810
Total liabilities and net assets	$	5,933,846	5,084,244

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2020 and 2019

(In thousands)

	2020	2019
Revenues, gains, and other support without donor restrictions:		
Patient service revenue	$ 3,105,968	3,107,525
Other operating revenue	256,819	120,355
Net assets released from restrictions for operations	4,655	6,225
Total revenues, gains, and other support without donor restrictions	3,367,442	3,234,105
Expenses:		
Salaries and wages	1,616,021	1,548,101
Employee benefits	248,132	241,346
Supplies	520,378	501,688
Purchased services	298,256	271,114
Depreciation and amortization	168,188	165,670
Interest	45,970	46,585
Other	369,741	357,486
Total expenses	3,266,686	3,131,990
Excess of revenues over expenses from operations	100,756	102,115
Other income (loss):		
Investment income	272,266	255,460
Loss on interest rate swaps, net	(75,033)	(45,436)
Other (loss) income, net	(13,068)	869
Total other income, net	184,165	210,893
Excess of revenues over expenses	284,921	313,008
Other changes in net assets without donor restrictions:		
Changes in pension asset	2,513	13,276
Net assets released from restriction – capital acquisitions	4,327	9,689
Other	220	(7,550)
Increase in net assets without donor restrictions	291,981	328,423
Changes in net assets with donor restrictions:		
Contributions and other	21,425	20,032
Income on investments	2,482	1,116
Net assets released from restriction – capital acquisitions	(4,327)	(9,689)
Net assets released from restrictions for operations and other	(4,655)	(6,225)
Increase in assets held in trust by others	4,446	2,620
Increase in net assets with donor restrictions	19,371	7,854
Increase in net assets	311,352	336,277
Net assets, beginning of year	2,942,810	2,606,533
Net assets, end of year	$ 3,254,162	2,942,810

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Cash Flows

Years ended December 31, 2020 and 2019

(In thousands)

		2020	2019
Cash flows from operating activities:			
Increase in net assets	$	311,352	336,277
Adjustments to reconcile increase in net assets to net cash provided by operating activities:			
Depreciation and amortization		168,188	165,670
Amortization of bond premiums, discounts, and issuance costs		(2,494)	(2,728)
Net realized and unrealized gains on investments		(251,078)	(216,859)
Change in fair value of interest rate swap		67,298	42,620
(Gain) loss on disposal of assets, net		(90)	824
Gain on bond refinancing		—	(869)
Losses on joint ventures, net		4,709	8,002
Restricted contributions for long-term purposes		(12,188)	(2,795)
Changes in operating assets and liabilities:			
Accounts receivable		2,128	(659)
Supplies inventory and other current assets		(21,176)	(12,298)
Right-of-use lease asset		35,391	29,282
Other assets, net		(104,363)	(16,374)
Accounts payable and accrued expenses and accrued interest payable		16,547	(7,144)
Accrued compensation and related liabilities		51,552	26,117
Right-of-use lease liability		(33,111)	(24,756)
Other liabilities, net		57,479	27,675
Net cash provided by operating activities		290,144	351,985
Cash flows from investing activities:			
Purchase of property, plant, and equipment		(169,168)	(195,206)
Proceeds from disposal of property, plant, and equipment		997	1,157
Investments in joint ventures, net		(26,199)	(15,084)
Purchases of investments		(4,397,377)	(2,342,719)
Sales of investments		4,472,955	2,263,097
Change in donor trusts		(9,457)	(5,571)
Net cash used in investing activities		(128,249)	(294,326)
Cash flows from financing activities:			
Repayment of long-term debt		(20,796)	(12,009)
Proceeds from bond issuance		300,000	—
Proceeds from debt issuance		61,794	—
Payment of debt issue expenses		(2,346)	—
Principal payments on finance lease obligations		(1,366)	—
Restricted contributions for long-term purposes		12,188	2,795
Net cash provided by (used in) financing activities		349,474	(9,214)
Net change in cash and cash equivalents		511,369	48,445
Cash and cash equivalents, beginning of year		434,854	386,409
Cash and cash equivalents, end of year	$	946,223	434,854
Supplemental disclosures of cash flow information:			
Cash paid during the year for interest, net of amount capitalized	$	42,967	47,781
Noncash activities:			
Increase in deferred compensation plans		13,726	16,198
Increase (decrease) in accounts payable for purchases of property, plant, and equipment		349	(3,716)

See accompanying notes to consolidated financial statements.

(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, South King and Spokane Counties and, with respect to pediatric care, much of the southwest Washington area. As of December 31, 2020, MHS is licensed to operate 1,992 inpatient hospital beds, including 120 beds associated with Wellfound Behavioral Health Hospital (Wellfound), a 50% owned joint venture located in Tacoma, Washington, which opened in May 2019. MHS currently operates eight acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital and Valley Hospital) and one behavioral health hospital (Navos).

As of December 31, 2020, MHS also operates eight outpatient surgical sites, five free-standing emergency departments, home health, hospice, and a network of urgent care, primary care and multispecialty clinics located throughout the MHS service areas.

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

In December 2020, MHS announced that it reached an agreement with an affiliate of LifePoint Health to acquire a majority ownership interest in Capital Medical Center in Olympia. The acquisition is subject to regulatory approval but is anticipated to close on or about March 31, 2021.

(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 average cost method, except for pharmacy, which uses the first-in, first-out (FIFO) method. Obsolete and unusable items are expensed at the time such determination is made.

(g) Donor Restricted Assets

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

Charitable gift annuities, which are included in donor restricted assets, totaled $2,471 and $2,410 at December 31, 2020 and 2019, respectively. MHS has recorded a corresponding payable of $1,119 and $1,222 at December 31, 2020 and 2019, 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.

(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	25–50 years
Land improvements	8–20 years
Equipment	3–25 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 2020 and 2019, there were no impairment charges.

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

(j) Leases

Management reviews contracts in order to identify leases and properly classify leases as either operating or financing. MHS is a lessee of various equipment and facilities under noncancelable operating and financing leases. Operating and financing right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date of the lease, and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on information available at the commencement date of the lease in determining the present value of lease

payments. Generally, MHS cannot determine the interest rate implicit in the lease because it does not have access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, MHS generally uses its incremental borrowing rate as the discount rate for the lease. MHS' incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments using similar terms. Leases with an initial term of 12 months or less are not recorded on the balance sheet; rather, rent expense for these leases is recognized on a straight-line basis over the lease term, or when incurred if a month-to-month lease.

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

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

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

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

(k) Goodwill and Intangible Assets

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them. Goodwill and intangible assets is included in other assets, net in the accompanying consolidated balance sheets.

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, 2020 or 2019.

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.

(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, 2020 and 2019, MHS held ownership interests in 21 and 15 joint ventures, respectively. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheets. Losses on joint ventures for the years ended December 31, 2020 and 2019 were $4,709 and $8,002, respectively, primarily associated with the startup costs at Wellfound and 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 $3,456 and $3,562 as of December 31, 2020 and 2019, 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 increased by $106 and $2,746 for 2020 and 2019, 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 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, 2020 and 2019, none of MHS' interest rate swaps were designated as cash flow hedges and therefore, the changes in fair value are recognized and included in other income (loss) on the consolidated statements of operations and changes in net assets. These swaps have notional amounts totaling approximately $709,000 and expire starting in August 2027 through August 2049. The majority of the swaps have the economic effect of fixing the LIBOR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

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

(o) Net Assets with Donor Restrictions

Gifts are reported as support with donor restrictions if they are received with donor stipulations that restrict the use of the donated assets to a specific time or purpose or have been restricted by donors and are maintained by MHS in perpetuity. When restricted funds to be used for operations are

expended for their restricted purposes or by the occurrence of the passage of time, these amounts are released from restrictions for operations and are classified as revenues, gains, and other support without donor restrictions. When restricted funds are expended for the acquisition of property, plant, and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2020, and 2019, MHS has recorded $14,160 and $8,024, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2020, $5,436 of pledges are due in one year or less and $8,724 in two to seven years.

(p) Patient Service Revenue

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

(q) Hospital Safety Net Assessment

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, MHS recorded increases in patient service revenue of $83,884 and $84,831 for 2020 and 2019, respectively, and incurred assessments of $61,112 and $59,460 for 2020 and 2019, 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 $14,649 and $4,679 associated with this program as of December 31, 2020 and 2019, 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 $51,000 and $58,000 in 2020 and 2019, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately $218,443 and $203,000 in 2020 and 2019, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

(s) Other Operating Revenue

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

(t) Excess of Revenues over Expenses

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

(u) Federal Income Taxes

ASC Subtopic 740-10, *Income Taxes*, clarifies the accounting for uncertainty in income taxes recognized in MHS' consolidated financial statements. This topic also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the "more-likely-than-not" recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, this topic provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Other than Medis, Inc., which is a taxable corporation, 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 ASU 2016-13, *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, 2021. MHS does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The changes in this ASU remove certain disclosure requirements, modify certain disclosure requirements, and add two new disclosure requirements, as applicable. Most of these changes relate to Level 3 fair value measurements. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2020. MHS has adopted this ASU, and it did not have a material effect on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.* The amendments in this update align the requirements for

capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance in Subtopic 350-40 is used to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense and is also used to determine the amortization period of the capitalized costs. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2021. MHS 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 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 anticipates making contract modifications in 2021 and 2022 but does not expect the adoption of this ASU to have a material effect on its consolidated financial statements.

(2) Coronavirus (COVID-19) Impact

MHS, along with most other healthcare providers across the United States, has experienced operational challenges related to the outbreak of the COVID-19 pandemic. On February 29, 2020, the Governor of the State of Washington (the Governor) declared a state of emergency after the State of Washington reported its first known death from COVID-19. COVID-19 was declared a pandemic by the World Health Organization on March 11, 2020, and on March 13, 2020, the President of the United States declared a national emergency as a result of the pandemic. On March 23, 2020, the Governor implemented a stay at home order called “Stay Home, Stay Healthy.” On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law, which was 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.

On March 16, 2020, MHS canceled or postponed all nonemergent procedures as a precautionary measure to allow for the preservation of Personal Protective Equipment (PPE). Further, MHS set up temporary facilities and secured additional patient beds to accommodate the surge impacts that were projected in the early stages of the pandemic. On May 18, 2020, the Governor modified the restrictions on elective procedures for all medical and dental facilities. Based on this modification, MHS resumed all procedures within its facilities, while taking all appropriate social distancing precautions and usage of PPE for staff,

patients and visitors in accordance with national, state and local guidance. MHS ensured that sufficient PPE was maintained for surge capacity of at least 20% within the hospital facilities.

The CARES Act requires the amount of funding received to be validated, which requires management to quantify lost revenues and increased expenses associated with the pandemic for Provider Relief Funds (PRF). MHS has recognized revenue associated with the PRF funding according to the terms and conditions of the CARES Act, and as contribution revenue under FASB ASC 958-605. Contribution revenue attributable to PRF funding totaled $118,965 and is included within other operating revenue on the consolidated statements of operations and changes in net assets. Refunding of amounts received may be required by the CARES Act if a receiving entity is unable to quantify the financial losses intended to be covered by funding. MHS has determined that it is able to justify retaining all funding received in 2020 by the PRF and has not recorded any liabilities as of December 31, 2020 for potential repayment of PRF payments received.

In March 2020, MHS chose to support employees by protecting pay and benefits for those that were unable to work due to the cancellations/postponements of procedures. MHS protected the pay and benefits for those individuals through April 25, 2020. Approximately 50% of this cost has been recovered through the employee retention credits offered to employers as part of the CARES Act, which totaled $2,409. The CARES Act also allowed MHS to defer payment of the employer portion of the FICA taxes due to the federal government through December 31, 2020. Payment of these deferred taxes will occur with 50% paid by the end of 2021 and the other 50% by the end of 2022. The total amount of FICA taxes deferred in 2020 was $71,866, with the current portion of $35,933 recorded within accrued compensation and related liabilities, and the long-term portion of $35,933 recorded within other liabilities, net on the consolidated balance sheets. MHS considered whether to utilize the Medicare Advanced Payment Program (MAPP) when it was available to obtain additional cash flow but chose not to engage in this program.

MHS has filed applications and obtained reimbursement of additional expenses from the Federal Emergency Management Agency (FEMA) based on criteria due to the national emergency declaration made due to COVID-19. MHS submitted an expedited funding application with FEMA that covers the period from the start of the national disaster declaration to June 30, 2020. The expedited application allowed MHS to recover up to 50% of the total funding applied for on the application. However, based on FEMA guidelines for this expedited application, FEMA only reimbursed 75% of the recoverable amount. MHS continues to complete the final reconciliation of the expedited funding application to receive the remainder of the funding and will apply for additional funding pertaining to later periods until the national disaster declaration is no longer in effect.

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

(Dollars in thousands)

Sources of external relief funding		Amount
CARES Act PRF funding	$	118,965
FEMA		4,214
Insurance Funds for Business Interruption		1,004
State of Washington Coronavirus Relief Fund		2,922
Total proceeds received and recognized in 2020	$	127,105

In January 2021, MHS received an additional $160,032 in CARES Act PRF funding. MHS continues to reconcile and analyze its lost revenue and increased expenses based on known reporting guidance.

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

(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 are 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.

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 2020 or 2019.

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

(Dollars in thousands)

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 2020 or 2019. 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.

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, 2020 and 2019 are as follows:

		2020	2019
Payors:			
Medicare	$	847,084	833,070
Medicaid		497,785	479,340
Premera		445,238	458,091
Regence		306,588	326,247
Aetna		190,029	195,283
Kaiser Permanente		142,854	128,354
First Choice		112,142	116,867
Self-pay		16,246	15,963
Other		548,002	554,310
	$	3,105,968	3,107,525

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.

(Dollars in thousands)

(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, 2020 and 2019 was as follows:

	2020	2019
Medicare	32 %	30 %
Medicaid	24	23
Premera	10	9
Self-pay	9	8
Regence	5	6
First Choice	1	2
Health Care Exchange	1	1
Other commercial insurance	18	21
	100 %	100 %

(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.

(Dollars in thousands)

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.

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, 2020 and 2019:

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

(Continued)

(Dollars in thousands)

		Fair value measurements at reporting date using			
	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	$ 649,528	649,528	—	—
Equity securities	122,103	122,103	—	—
Fixed income bond funds	343,709	343,709	—	—
Fixed income governmental obligations	65,137	26,912	38,225	—
Fixed income other	84,106	—	84,106	—
Commingled trust fund – international equity	144,659	—	144,659	—
Interest rate swaps	1,263	—	1,263	—
Donor trusts	25,904	—	—	25,904
Total assets at fair value	1,436,409	1,142,252	268,253	25,904
Investment assets valued at NAV	403,840			
Total assets at fair value or NAV	$ 1,840,249			
Liabilities:				
Interest rate swaps	$ 88,311	—	88,311	—

(Continued)

(Dollars in thousands)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2020 and 2019:

	NAV December 31, 2020	NAV December 31, 2019	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	$ 239,797	213,291	60	Quarterly	60 or 95 business days prior to valuation date
Common trust funds	205,844	175,882	N/A	Daily	1 business day prior to valuation date
Limited partnerships	10,633	14,667	1,800	N/A	N/A
Total investments valued at NAV	$ 456,274	403,840	1,860		

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.

At December 31, 2020 and 2019, these interest rate swaps did not qualify as cash flow hedges and therefore, any changes in the fair value of these swaps are recorded as a gain or loss in the consolidated statements of operations and changes in net assets.

(Dollars in thousands)

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 losses of these interest rate swaps for the years ended December 31, 2020 and 2019 were $67,298 and $42,620, respectively, and are included in loss on interest rate swaps in other (loss) income, net in the consolidated statements of operations and changes in net assets. Also included in the loss on interest rate swaps is the loss on net cash settlement amounts associated with the swaps of $7,735 and $2,816, respectively, for the years ended December 31, 2020 and 2019, respectively.

The following table represents both the fair value and settlement value for the interest rate swap assets and liabilities as of December 31, 2020 and 2019 as follows:

	Asset derivatives					
	2020			2019		
	Balance Sheet Location	Fair value	Settlement value	Balance Sheet Location	Fair value	Settlement value
Derivative instruments: Interest rate swaps	Other assets	—	—	Other assets	1,263	1,438

	Liability derivatives					
	2020			2019		
	Balance Sheet Location	Fair value	Settlement value	Balance Sheet Location	Fair value	Settlement value
Derivative instruments: Interest rate swaps	Interest rates swap liabilities	154,347	159,666	Interest rates swap liabilities	88,311	94,899

(Continued)

(Dollars in thousands)

(6) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2020 and 2019 is as follows:

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

	December 31, 2019		
	Donor restricted assets	Investments	Total
Mutual funds	$ 5,588	643,940	649,528
Equity securities	1,050	121,053	122,103
Fixed income securities	4,241	488,711	492,952
Commingled trust fund – international equity	1,245	143,414	144,659
Hedge funds	1,836	211,455	213,291
Common trust funds	1,513	174,369	175,882
Limited partnerships	126	14,541	14,667
Donor trusts	25,904	—	25,904
Pledge receivables, net and other	29,280	—	29,280
Total	$ 70,783	1,797,483	1,868,266

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

(Dollars in thousands)

(7) Liquidity and Availability of Financial Assets

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

At December 31, 2020 and 2019, MHS' financial resources are as follows:

		2020	2019
Cash and cash equivalents	$	946,223	434,854
Accounts receivable		374,372	376,500
Other current assets, net		85,144	71,397
Donor restricted assets		88,900	70,783
Investments		1,970,458	1,797,483
		3,465,097	2,751,017
Less prepaid assets included in other current assets, net		(37,612)	(35,222)
Less donor restricted assets		(88,900)	(70,783)
Less investments with redemption limitations of greater than one year		(10,633)	(14,667)
Total financial assets available for general expenditures	$	3,327,952	2,630,345

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

(Dollars in thousands)

(8) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2020 and 2019 is as follows:

	2020	2019
Land and land improvements	$ 131,993	131,635
Buildings	2,202,449	2,094,270
Equipment	1,115,316	1,020,402
	3,449,758	3,246,307
Less accumulated depreciation	(1,751,452)	(1,585,761)
	1,698,306	1,660,546
Construction in progress	65,360	102,799
Property, plant, and equipment, net	$ 1,763,666	1,763,345

Depreciation expense charged to operations for the years ended December 31, 2020 and 2019 amounted to $166,517 and $163,826, respectively. Depreciation and amortization expense for the years ended December 31, 2020 and 2019 was $168,188 and $165,670, respectively.

(9) Other Assets, Net

Other assets are as follows at December 31, 2020 and 2019:

	2020	2019
Investment in joint ventures	$ 64,534	45,575
Deferred compensation plan assets held in trust (note 11)	85,320	71,594
Accrued pension asset (note 11)	45,590	45,420
Self-insured retention receivables, net of current portion (notes 12 and 13)	23,435	22,383
Interest rate swaps (note 5(b))	—	1,263
Goodwill and other intangibles	167,083	168,284
Net investment in lease (note 16(b))	23,200	25,798
Loans receivable	75,606	1,160
Other	17,691	2,527
Other assets, net	$ 502,459	384,004

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.

(Dollars in thousands)

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

(10) Other Liabilities, Net

Other liabilities are as follows at December 31, 2020 and 2019:

		2020	2019
Professional liability, net of current portion (note 12)	$	73,822	67,204
Deferred compensation liability (note 11)		85,320	71,594
Workers' compensation liability, net of current portion (note 13)		14,166	12,943
Deferred FICA liability (note 2)		35,933	—
Other		3,805	3,579
Other liabilities, net	$	213,046	155,320

(11) 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.

(Continued)

(Dollars in thousands)

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, 2020 and 2019:

		2020	2019
Change in projected benefit obligation:			
Projected benefit obligations at beginning of year	$	639,993	576,605
Service cost		670	1,230
Interest cost		22,963	25,779
Actuarial loss		85,184	71,704
Expected administrative expenses		(670)	—
Benefits paid		(32,854)	(35,325)
Projected benefit obligations at end of year	$	715,286	639,993
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year	$	685,413	604,690
Actual gain on plan assets		108,966	116,048
Actual administrative expenses		(649)	—
Benefits paid		(32,854)	(35,325)
Fair value of plan assets at end of year	$	760,876	685,413
Funded status recognized in consolidated balance sheets consist of:			
Asset for pension benefits	$	45,590	45,420
Amount recognized in net assets without donor restrictions:			
Net loss		115,669	118,182

	2020	2019
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	2.70 %	3.70 %
Expected return on plan assets	4.50	5.00

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.

(Continued)

(Dollars in thousands)

The components of net periodic benefit cost are as follows during the years ended December 31, 2020 and 2019:

	2020	2019
Components of net periodic benefit cost:		
Service cost	$ 670	1,230
Interest cost	22,963	25,779
Expected return on plan assets	(31,730)	(36,593)
Amortization of net actuarial loss	10,441	5,524
	$ 2,344	(4,060)

The accumulated benefit obligation for the Plan was $715,286 and $639,993 at December 31, 2020 and 2019, respectively.

(i) Cash Flows – Contributions

MHS expects to make contributions to the Plan totaling approximately $650 in 2021.

(ii) Estimated Future Benefit Payments

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

	Pension benefits
2021	$ 38,071
2022	40,010
2023	40,044
2024	39,850
2025	40,770
2026–2030	195,246

(Continued)

(Dollars in thousands)

(iii) Plan Assets

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

	Fair value measurements at reporting date using			
	December 31, 2020	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	$ 12,053	12,053	—	—
Trading securities:				
Mutual funds	106,439	106,439	—	—
Fixed income bond funds	105,998	105,998	—	—
Fixed income governmental obligations	312,189	270,336	41,853	—
Fixed income other	211,950	—	211,950	—
Commingled trust fund – international equity	22,485	—	22,485	—
	771,114	$ 494,826	276,288	—
Broker receivables	40,662			
Broker payables	(164,621)			
Total assets at fair value	647,155			
Investments valued at NAV	113,721			
Total assets at fair value or NAV	$ 760,876			

(Continued)

(Dollars in thousands)

		Fair value measurements at reporting date using		
	December 31, 2019	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	$ 15,320	15,320	—	—
Trading securities:				
Mutual funds	89,996	89,996	—	—
Equity securities	267	267	—	—
Fixed income bond funds	115,559	115,559	—	—
Fixed income governmental obligations	267,627	211,270	56,357	—
Fixed income other	184,525	—	184,525	—
Commingled trust fund – international equity	22,286	—	22,286	—
	695,580	$ 432,412	263,168	—
Broker receivables	56,641			
Broker payables	(171,268)			
Total assets at fair value	580,953			
Investments valued at NAV	104,460			
Total assets at fair value or NAV	$ 685,413			

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2020 and 2019.

(Continued)

(Dollars in thousands)

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2020 and 2019:

	Fair value at December 31, 2020	Fair value at December 31, 2019	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Commingled trust funds:					
Real estate	$ 22,426	22,333	N/A	Quarterly	45 days
Absolute return funds	85,603	74,741	N/A	Monthly	5 business days prior to valuation date
Limited partnerships	5,692	7,386	850	N/A	N/A
Total investments valued at NAV	$ 113,721	104,460	850		

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

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

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

(Continued)

(Dollars in thousands)

The defined benefit plan weighted average asset allocations at December 31, 2020 and 2019 by asset category are as follows:

	2020	2019
Asset category:		
Domestic equities	10 %	7 %
International equities	7	7
Emerging markets	1	1
Fixed income securities	78	79
Alternative investments	1	1
Real estate	3	3
Global asset allocation	—	2
	100 %	100 %

(iv) 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:

	2020	2019
Asset category:		
Domestic equities	9 %	8 %
International equities	8	6
Emerging markets	—	1
Fixed income securities	80	80
Real estate	3	3
Global asset allocation	—	2
	100 %	100 %

(v) Investment Categories

Equities

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

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

market through the use of multimanager portfolio strategies; and achieve returns in excess of passive indices through the use of active investment managers and strategies.

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 significant expected return premiums over longer holding periods. Alternative investments include investments in hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

Real Estate

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

Global Asset Allocation

The strategic role of global asset allocation is to add value through broad diversification among traditional asset classes and tactical allocation shifts. Global asset allocation includes investments in diversified multi-asset funds to achieve returns above other broad diversified benchmarks.

(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 and Rockwood Clinic 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 2020 and 2019 were approximately $49,550 and $47,200, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

(c) Other

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

(12) 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, 2020 and 2019, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

At December 31, 2020 and 2019, the estimated gross professional liability (including current and long-term portions) was $97,997 and $85,634, respectively. The current portion is included in accounts payable and accrued expenses and the remainder is included in other liabilities, net. 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 $32,450 and $30,026 as of December 31, 2020 and 2019, 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.

(13) 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, 2020 and 2019, the estimated net liability based on future claims cost totaled $17,726 and $16,127, respectively. The gross liabilities (including both current and long-term portions) total $21,083 and $19,135 as of December 31, 2020 and 2019, 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 $3,357 and $3,008 as of

(Continued)

(Dollars in thousands)

December 31, 2020 and 2019, 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 2020 and 2019 was $10,129 and $12,083, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

(14) Long-Term Debt

Long-term debt consists of the following at December 31, 2020 and 2019:

	2020	2019
2020 Taxable bonds	$ 300,000	—
2020 OCED financing	60,889	—
2019 Term loan	35,255	35,255
WHCFA Revenue bonds, 2017 Series A and B	321,705	325,020
WHCFA Revenue bonds, 2017 Series C, D, and E	191,010	191,010
2017 Term loans	130,170	130,170
WHCFA Revenue bonds, 2015 Series A and B	352,315	356,365
WHCFA Revenue bonds, 2012 Series A	60,000	60,000
WHCFA Revenue bonds, 2009 Series A and B	98,130	98,130
Other	22,313	34,839
	1,571,787	1,230,789
Adjusted for:		
Current portion	(7,950)	(13,668)
Bond premiums, discounts, and debt issuance costs	55,012	59,852
Long-term debt, net of current portion	$ 1,618,849	1,276,973

(a) 2020 Taxable Bonds

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

(Continued)

(b) 2020 OCED Financing

In June 2020, MHS finalized a sale-leaseback transaction for three completed off-campus emergency departments (OCED) and one OCED still in progress of being constructed 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 $1,803 in 2021 to $4,461 in 2039 with a final principal payment of $96 in 2041.

(c) 2019 Term Loan

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

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

In November 2017, MHS issued $333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from $3,315 in 2020 to $62,410 in 2047.

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

In November 2017, MHS entered into a $111,010 variable rate private placement agreement (Series C and D) with JPMorgan Chase Bank, National Association and an $80,000 variable rate private placement agreement (Series E) with Wells Fargo Municipal Capital Strategies, LLC. Annual principal payments range from $390 in 2043 to $55,505 in 2049. The interest rates, which were between 0.56% and 1.98% at December 31, 2020, reset monthly and are based on 70% of the one-month U.S. LIBOR plus a spread.

(f) 2017 Term Loans

In November 2017, MHS entered into two $65,085 variable rate term loan agreements with Wells Fargo Bank, N.A. The principal balance of $130,170 is due in 2047. The interest rates, which were between 0.84% and 2.55% at December 31, 2020, reset monthly and are based on the one-month U.S. LIBOR plus a spread.

(g) WHCFA Revenue Bonds 2015 Series A and B

In April 2015, MHS issued $373,390 of 2015 Series A and B bonds. Series A and B bonds were issued as fixed rate bonds that bear interest ranging from 2.0% to 5.0%. Annual principal payments range from $4,050 in 2020 to $24,085 in 2034 with a final payment of $8,860 due in 2045.

(h) WHCFA Revenue Bonds 2012 Series A

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

(i) WHCFA Revenue Bonds 2010 Series A

In January 2010, MHS issued $100,150 of 2010 Series A bonds. In August 2019, the 2010 bonds were refinanced with the proceeds from the 2019 Term Loan as described below. This refinancing resulted in a gain of $869 that is recognized in other (loss) income, net in the consolidated statements of operations and changes in net assets.

(j) WHCFA Revenue Bonds 2009 Series A and B

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

(k) Other

The other debt listed is primarily made up of debt held by Navos. In April 2020, MHS paid $11,488 of Navos' debt outstanding to third-party creditors. Of the outstanding debt at December 31, 2020, $16,092 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.

(l) 2020 Line of Credit

In April 2020, MHS secured a $200,000 line of credit through JPMorgan Chase Bank, N.A. The term of the line of credit is for 12 months and bears interest at a variable rate based upon the Central Bank Floating Rate. No draws have occurred as of December 31, 2020.

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, 2020 and 2019.

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.

(Dollars in thousands)

Principal maturities on long-term debt are as follows:

Year ending December 31:	
2021	$ 7,950
2022	45,390
2023	20,616
2024	21,641
2025	22,716
Thereafter	1,453,474
	$ 1,571,787

A summary of interest costs is as follows during the years ended December 31, 2020 and 2019:

	2020	2019
Interest cost:		
Charged to operations	$ 48,464	49,313
Amortization of bond premiums, discounts, and issuance costs	(2,494)	(2,728)
Capitalized	478	1,231
	$ 46,448	47,816

(15) Commitments and Contingencies

Approximately 48% of MHS employees were covered under collective bargaining agreements as of December 31, 2020. These employees provide nursing, nursing support, pharmacy, imaging, lab, inpatient and outpatient therapies, housekeeping, food, laundry, maintenance, and inventory/distribution services to MHS. Collective bargaining agreements have various expiration dates extending through March 2023.

(16) Leases

(a) Lessee

MHS leases various equipment and facilities under noncancelable operating and finance leases. Lease terms for noncancelable operating leases range from 1 to 18 years, and existing leases have expiration dates through 2036. Lease terms for finance leases range from 3 to 21 years, and existing leases have expiration dates through 2040.

(Dollars in thousands)

The components of lease cost for the years ended December 31, 2020 and 2019 were as follows:

		2020	2019
Operating lease cost	$	37,232	36,532
Finance lease cost:			
Amortization of right-of-use assets		1,550	—
Interest on lease liabilities		388	—
Total finance lease cost		1,938	—
Short term lease cost		1,644	344
Variable lease cost		7,242	7,141
Sublease income		(1,049)	(4,518)
Total lease cost	$	47,007	39,499

Other information related to leases as of December 31, 2020 and 2019 was as follows:

	2020	2019
Weighted average remaining lease term (years)		
Operating leases	6.7	6.8
Finance leases	7.7	N/A
Weighted average discount rate		
Operating leases	4.0 %	4.0 %
Finance leases	4.4	N/A
Operating cash flows from operating leases	(36,707)	(35,619)
Operating cash flows from finance leases	(388)	—
Financing cash flows from finance leases	(1,366)	—
Right-of-use assets obtained in exchange for new operating lease liabilities	19,850	40,717
Right-of-use assets obtained in exchange for new finance lease liabilities	16,739	—

(Continued)

(Dollars in thousands)

Maturities of lease liabilities under noncancelable leases as of December 31, 2020 are as follows:

		Operating Leases	Finance Leases	Total
For year ended December 31:				
2021	$	33,673	3,482	37,155
2022		26,333	3,482	29,815
2023		22,904	3,321	26,225
2024		18,102	3,096	21,198
2025		16,258	1,719	17,977
Thereafter		45,847	3,840	49,687
Total undiscounted lease payments		163,117	18,940	182,057
Less present value discount		(20,255)	(2,904)	(23,159)
Total lease liabilities	$	142,862	16,036	158,898

(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, 2020, MHS' other assets, net include a net investment in lease of $23,200.

Revenue from leases for the years ended December 31, 2020 and 2019 is as follows:

		2020	2019
Interest income on net investment in finance leases	$	1,136	812
Variable lease income		28	25
Total lease income	$	1,164	837

(Continued)

(Dollars in thousands)

Future lease payments receivable as of December 31, 2020 are as follows:

Year ended December 31:		
2021	$	1,246
2022		1,246
2023		1,246
2024		1,246
2025		1,246
Thereafter		43,495
Total lease payments to be received		49,725
Less: unearned interest income		(26,525)
Net investment in lease	$	23,200

(17) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2020 and 2019:

		2020	2019
Healthcare services	$	52,151	49,866
Endowment funds, perpetual trusts and related receivables		71,651	64,273
Purchase of property, plant and equipment		16,234	6,377
Indigent care		1,533	1,634
Health education		1,192	1,240
Total net assets with donor restrictions	$	142,761	123,390

(18) 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.

(Dollars in thousands)

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

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

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2018	$ 2,923	38,140	41,063
Investment return:			
Investment income	62	782	844
Net appreciation – realized and unrealized	27	334	361
Total investment return	89	1,116	1,205
Contributions	—	1,990	1,990
Appropriation of endowment assets for expenditure	(339)	(1,546)	(1,885)
Endowment net assets, December 31, 2019	$ 2,673	39,700	42,373

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 $28,290 and $23,445, respectively, as of December 31, 2020 and 2019. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling $937 and $1,128, respectively, as of December 31, 2020 and 2019.

(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 2020 or 2019.

(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.

(Dollars in thousands)

(19) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fund-raising activities. Certain categories of expenses are attributable to programs and support services. These included salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2020 and 2019:

	2020				
	Program services			Support services	
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	Total
Salaries and wages	$ 969,456	392,470	51,225	202,870	1,616,021
Employee benefits	119,926	66,759	11,931	49,516	248,132
Supplies	416,964	34,712	54,952	13,750	520,378
Purchased services	98,027	25,874	18,409	155,946	298,256
Depreciation and amortization	110,868	17,914	1,921	37,485	168,188
Interest	41,004	3,936	—	1,030	45,970
Other	226,092	49,321	25,724	68,604	369,741
	$ 1,982,337	590,986	164,162	529,201	3,266,686

	2019				
	Program services			Support services	
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	Total
Salaries and wages	$ 918,459	407,097	47,490	175,055	1,548,101
Employee benefits	120,308	69,120	11,259	40,659	241,346
Supplies	424,852	35,609	36,278	4,949	501,688
Purchased services	109,060	34,682	12,763	114,609	271,114
Depreciation and amortization	106,384	20,090	1,425	37,771	165,670
Interest	46,226	2,859	—	(2,500)	46,585
Other	217,900	44,851	16,565	78,170	357,486
	$ 1,943,189	614,308	125,780	448,713	3,131,990

(20) 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.

(21) Subsequent Events

MHS has evaluated the subsequent events through March 24, 2021, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.

MULTICARE HEALTH SYSTEM

Consolidated Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
MultiCare Health System:

We have audited the accompanying consolidated financial statements of MultiCare Health System (a Washington nonprofit corporation), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MultiCare Health System as of December 31, 2019 and 2018, and the results of its operations and changes in net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 1 to the consolidated financial statements, on January 1, 2019, MultiCare Health System adopted Financial Accounting Standards Board Accounting Standard Update (ASU) 2016-02, *Leases,* and ASU 2018-11, *Leases Targeted Improvements*. Our opinion is not modified with respect to these matters.

KPMG LLP

Seattle, Washington
March 19, 2020

MULTICARE HEALTH SYSTEM

Consolidated Balance Sheets

December 31, 2019 and 2018

(In thousands)

Assets		2019	2018
Current assets:			
Cash and cash equivalents	$	434,854	386,409
Accounts receivable		376,500	375,841
Supplies inventory		41,738	43,387
Other current assets, net		71,397	57,450
Total current assets		924,489	863,087
Donor restricted assets held for long-term purposes		70,783	75,166
Investments		1,797,483	1,490,739
Property, plant, and equipment, net		1,763,345	1,776,259
Right-of-use lease asset, net		144,140	—
Other assets, net		384,004	320,290
Total assets	$	5,084,244	4,525,541
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$	195,356	201,304
Accrued compensation and related liabilities		247,971	221,854
Accrued interest payable		15,168	16,364
Current portion of right-of-use lease liability		28,322	—
Current portion of long-term debt		13,668	19,058
Total current liabilities		500,485	458,580
Interest rate swap liabilities		88,311	45,833
Right-of-use lease liability, net of current portion		120,345	—
Long-term debt, net of current portion		1,276,973	1,287,189
Other liabilities, net		155,320	127,406
Total liabilities		2,141,434	1,919,008
Commitments and contingencies (note 14)			
Net assets:			
Without donor restrictions		2,819,420	2,490,997
With donor restrictions		123,390	115,536
Total net assets		2,942,810	2,606,533
Total liabilities and net assets	$	5,084,244	4,525,541

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Operations and Changes in Net Assets

Years ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Revenues, gains, and other support without donor restrictions:		
Patient service revenue	$ 3,107,525	2,780,371
Other operating revenue	120,355	137,909
Net assets released from restrictions for operations	6,225	4,687
Total revenues, gains, and other support without donor restrictions	3,234,105	2,922,967
Expenses:		
Salaries and wages	1,548,101	1,392,503
Employee benefits	241,346	212,568
Supplies	501,688	465,673
Purchased services	271,114	238,570
Depreciation and amortization	165,670	149,522
Interest	46,585	42,915
Other	357,486	317,815
Total expenses	3,131,990	2,819,566
Excess of revenues over expenses from operations	102,115	103,401
Other income (loss):		
Investment income (loss)	255,460	(95,684)
(Loss) income on interest rate swaps, net	(45,436)	13,467
Other income, net	869	21,669
Total other income (loss), net	210,893	(60,548)
Excess of revenues over expenses	313,008	42,853
Other changes in net assets without donor restrictions:		
Changes in pension asset	13,276	(14,172)
Net assets released from restriction – capital acquisitions	9,689	7,221
Other	(7,550)	—
Increase in net assets without donor restrictions	328,423	35,902
Changes in net assets with donor restrictions:		
Contributions and other	20,032	13,323
Income on investments	1,116	992
Net assets released from restriction – capital acquisitions	(9,689)	(7,221)
Net assets released from restrictions for operations and other	(6,225)	(4,687)
Increase (decrease) in assets held in trust by others	2,620	(3,894)
Increase (decrease) in net assets with donor restrictions	7,854	(1,487)
Increase in net assets	336,277	34,415
Net assets, beginning of year	2,606,533	2,572,118
Net assets, end of year	$ 2,942,810	2,606,533

See accompanying notes to consolidated financial statements.

MULTICARE HEALTH SYSTEM

Consolidated Statements of Cash Flows

Years ended December 31, 2019 and 2018

(In thousands)

	2019	2018
Cash flows from operating activities:		
Increase in net assets	$ 336,277	34,415
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	165,670	149,522
Amortization of bond premiums, discounts, and issuance costs	(2,728)	(2,659)
Net realized and unrealized (gains) losses on investments	(216,859)	123,495
Change in fair value of interest rate swap	42,620	(17,542)
Loss (gain) on disposal of assets, net	824	(198)
Gain on bond refinancing	(869)	—
Undistributed losses (gains) on joint ventures	8,002	(1,741)
Restricted contributions for long-term purposes	(2,795)	(4,477)
Gain on forgiveness of debt	—	(6,425)
Assumption of operating assets and liabilities	—	(15,143)
Changes in operating assets and liabilities:		
Accounts receivable	(659)	(16,007)
Supplies inventory and other current assets	(12,298)	1,700
Right-of-use lease asset	29,282	—
Other assets, net	(16,374)	31,962
Accounts payable and accrued expenses and accrued interest payable	(7,144)	3,821
Accrued compensation and related liabilities	26,117	6,509
Right-of-use lease liability	(24,756)	—
Other liabilities, net	27,675	(13,048)
Net cash provided by operating activities	351,985	274,184
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(195,206)	(233,314)
Cash obtained through affiliation	—	9,335
Proceeds from disposal of property, plant, and equipment	1,157	2,240
Contributions to joint ventures, net	(15,084)	(17,650)
Purchases of investments	(2,342,719)	(2,160,128)
Sales of investments	2,263,097	2,165,472
Change in donor trusts	(5,571)	6,635
Net cash used in investing activities	(294,326)	(227,410)
Cash flows from financing activities:		
Repayment of long-term debt	(12,009)	(32,870)
Restricted contributions for long-term purposes	2,795	4,477
Net cash used in financing activities	(9,214)	(28,393)
Net change in cash and cash equivalents	48,445	18,381
Cash and cash equivalents, beginning of year	386,409	368,028
Cash and cash equivalents, end of year	$ 434,854	386,409
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amount capitalized	$ 47,781	39,204
Noncash activities:		
Increase (decrease) in deferred compensation plans	16,198	(6,735)
(Decrease) increase in accounts payable for purchases of property, plant, and equipment	(3,716)	1,302

See accompanying notes to consolidated financial statements.

(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, South King and Spokane Counties and, with respect to pediatric care, much of the southwest Washington area. As of December 31, 2019, MHS is licensed to operate 1,992 inpatient hospital beds, including 120 beds associated with Wellfound Behavioral Health Hospital, a 50% owned joint venture located in Tacoma, Washington, which opened in May 2019. On April 1, 2018, Covington Medical Center opened a 58-bed hospital wing on its campus. MHS currently operates eight acute care facilities (Tacoma General Hospital, Good Samaritan Hospital, Allenmore Hospital, Mary Bridge Children's Hospital, Auburn Medical Center, Covington Medical Center, Deaconess Hospital and Valley Hospital) and one behavioral health hospital (Navos).

Greater Lakes Mental Health (GLMH), a behavioral health services provider located primarily in the South Puget Sound area, affiliated with MHS effective July 1, 2018. No consideration was exchanged and MHS became the sole corporate member of GLMH. The assets and liabilities obtained through the affiliation included property, plant, and equipment, cash and other current and long-term assets offset by accounts payable, accrued compensation and long-term debt and were recorded at their estimated fair value. The net assets without donor restrictions assumed resulted in an inherent contribution of $15,143 and is included in other income, net in the consolidated statement of operations and changes in net assets for the year ended December 31, 2018. The net assets without donor restrictions assumed includes noncash net assets totaling $5,808 for the year ended December 31, 2018.

As of December 31, 2019, MHS also operates eight outpatient surgical sites, three free-standing emergency departments, home health, hospice, and a network of 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 two wholly owned subsidiaries (Medis, Inc. and MultiCare Rehabilitation Specialists, P.C.), a wholly owned professional services organization supporting cardiovascular services at MHS (CHVI Professional Corp), a wholly owned accountable care organization (MultiCare Connected Care), and two fundraising foundations (Mary Bridge Children's Foundation and MultiCare Foundations, which is doing business as MultiCare Health Foundation, Good Samaritan Foundation, MultiCare South King Health Foundation, MultiCare Behavioral Health Foundation and MultiCare Inland Northwest Foundation).

(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, implicit price concessions and bad debts.

(f) Supplies Inventory

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

(g) Donor Restricted Assets

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

Charitable gift annuities, which are included in donor restricted assets, totaled $2,410 and $2,206 at December 31, 2019 and 2018, respectively. MHS has recorded a corresponding payable of $1,222 and $1,246 at December 31, 2019 and 2018, 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.

(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	25–50 years
Land improvements	8–20 years
Equipment	3–25 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 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 2019 and 2018, 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 non-cancellable

operating leases. Operating right-of-use (ROU) liabilities are recognized based on the net present value of lease payments over the lease term at the commencement date, and are reduced by payments made on each lease on the straight-line basis. Since most of the leases do not provide an implicit rate of return, MHS uses its incremental borrowing rate based on information available at the commencement date 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 under 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 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 operating leases.

(k) Goodwill and Intangible Assets

Goodwill is an asset representing the future economic benefits arising from the difference in the fair value of the business acquired and the fair value of the identifiable and intangible net assets acquired in a business combination. Indefinite-lived intangible assets are assets that are not amortized because there is no foreseeable limit to cash flows generated from them. Goodwill and intangible assets is included in other assets, net in the accompanying consolidated balance sheets.

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, 2019 or 2018.

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.

(l) Investment in Joint Ventures

MHS maintains ownership, at varying levels, in certain joint ventures related to imaging, office buildings, behavioral health and other healthcare focused activities. Investment in joint ventures is included in other assets, net in the accompanying consolidated balance sheet.

(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 $3,562 and $6,308 as of December 31, 2019 and 2018, 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, as final settlements are determined. Patient service revenue increased by $2,746 and $3,792 for 2019 and 2018, 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 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, 2019 and 2018, 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 $738,000 and expire starting in August 2022 through August 2049. The majority of the swaps have the economic effect of fixing the LIBOR-based variable interest rate on an equivalent amount of MHS' outstanding floating rate principal debt.

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

(o) Net Assets with Donor Restrictions

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

and equipment, these amounts are recognized in net assets without donor restrictions as net assets released from restriction – capital acquisitions.

MHS applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, related to using the present value technique to measure fair value of pledges receivable. In accordance with ASC Topic 820, MHS has applied the expected present value technique to pledges received after January 1, 2009 that adjusts for a risk premium to take into account the risks inherent in those expected cash flows. Pledges of financial support are recorded as pledges receivable when unconditional pledges are made and are stated at net realizable value. Pledges are reported net of an allowance for uncollectible pledges and pledges to be collected in future years are reflected at a discounted value using a weighted average discount rate. As of December 31, 2019, and 2018, MHS has recorded $8,024 and $7,715, respectively, of net pledge receivables, which are included in donor-restricted assets in the accompanying consolidated balance sheets. As of December 31, 2019, $5,638 of pledges are due in one year or less and $2,386 in two to five years.

(p) Patient Service Revenue

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

(q) Hospital Safety Net Assessment

The State of Washington (the State) has a safety net assessment program involving Washington State hospitals to increase funding from other sources and obtain additional federal funds to support increased payments to providers for Medicaid services. In connection with this program, MHS recorded increases in patient service revenue of $84,831 and $77,375 for 2019 and 2018, respectively, and incurred assessments of $59,460 and $57,324 for 2019 and 2018, 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 $4,679 and $4,999 associated with this program as of December 31, 2019 and 2018, 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 charity 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' charity 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 charity 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 $58,000 and $47,000 in 2019 and 2018, respectively. The estimated cost of uncompensated and undercompensated services provided to patients covered under Medicaid in excess of payments received was approximately $203,000 and $217,000 in 2019 and 2018, respectively. These cost estimates are calculated based on the overall ratio of costs to charges for MHS.

(s) Other Operating Revenue

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

(t) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from the excess of revenues over expenses, primarily include changes in accrued pension asset, net assets released from restrictions for capital acquisition, 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. Adoption of this topic did not have a significant impact on the consolidated financial statements of MHS. Other than Medis, Inc., which is a taxable corporation, 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. 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 January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall Recognition and Measurement of Financial Assets and Financial Liabilities.* This standard, among other things, eliminates the requirement of entities other than public business entities to disclose the fair value of financial instruments measured at amortized cost on the balance sheet. This standard is effective for fiscal years beginning after December 15, 2018 for all nonpublic business entities. In 2017, MHS adopted the option to remove the fair value of debt disclosure as permitted under the provisions of the standard. MHS has reviewed the details associated with the remainder of this ASU has determined this ASU does not have a material effect on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*, which was subsequently updated by ASU 2018-11, issued in July 2018, *Leases Targeted Improvements (Topic 842)*, which provides entities with another transition method in addition to the existing transition method as prescribed in Topic 842 by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets. In addition, the original standard requires lessees to recognize a lease liability and a right-of-use asset on the balance sheet based upon the present value of the remaining minimum lease payments at the adoption date for all lease obligations with an exception for short-term leases. The lease liability will represent the lessee's obligation to make lease payments arising from the lease measured on a discounted basis and the right-of-use asset will represent the lessee's right to use or control the use of a specified asset for a lease term. The lease guidance also simplifies accounting for sale-leaseback transactions. MHS adopted the standard as of January 1, 2019 using the modified retrospective approach. MHS elected to apply the packages of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification, and initial direct costs. At the date of adoption, MHS recorded a right-of-use lease liability of $137,114 and corresponding lease asset of $134,412.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total cash amounts shown on the statement of cash flows. The amendments in this update do not provide a definition of restricted cash or restricted cash equivalents. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2019. MHS has reviewed the details of this ASU and has determined that this ASU does not have a material effect on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Statement of Cash Flows Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The amendments in this update require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 of this standard are required to be presented in the consolidated statement of operations and changes in net assets, separately from the service cost component and are not included in income from operations, if one is presented. If a

separate line item or items are used to present the other components of net benefit cost, that line item or items must be appropriately described. If a separate line item or items are not used, the line item or items used in the consolidated statement of operations and changes in net assets to present the other components of net benefit cost must be disclosed. The amendments in this update also allow only the service cost component to be eligible for capitalization when applicable (for example, as a cost of internally manufactured inventory or a self-constructed asset). The provisions of this ASU are effective for MHS for the year beginning on January 1, 2019. MHS has reviewed the details of this ASU and has determined that this ASU does not have a material effect on its consolidated financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard should assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, which is subject to other accounting guidance and determining whether a contribution received or made is conditional. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2019. MHS has reviewed the details associated with its contribution transactions and has determined this ASU does not have a material effect on its consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. The changes in this ASU remove certain disclosure requirements, modify certain disclosure requirements, and add two new disclosure requirements, as applicable. Most of these changes relate to Level 3 fair value measurements. The provisions of this ASU are effective for MHS for the year beginning on January 1, 2020. 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. Topic 3 relates to ASU 2017-12 and other hedging items. Topic 3 is not applicable for MHS. Topic 4 relates specifically to ASU 2016-01, which MHS fully implemented ASU 2016-01 as of January 1, 2019. Topic 4 of this ASU is effective for MHS for the year beginning January 1, 2020. MHS evaluated Topic 4 and noted the four issues and amendments within Topic 4 are not applicable to MHS and their implementation of ASU 2016-01. MHS does not expect the adoption of the remaining topics within this ASU to have a material effect on its consolidated financial statements.

(2) 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 are recognized when goods or services are provided to patients and customers and it is not required to provide additional goods or services.

MHS has elected to apply the optional exemption in ASC 606-10-50-14a as all of MHS' performance obligations relate 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 at the end of the year 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 this 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 are 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 are 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.

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.

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 2019 or 2018.

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 2019 or 2018. 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 history 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 charity care are not reported as revenue.

(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, 2019 and 2018 are as follows:

		2019	2018
Payors:			
Medicare	$	833,070	781,842
Medicaid		479,340	494,737
Premera		458,091	359,764
Regence		326,247	303,390
Aetna		195,283	165,488
Kaiser Permanente		128,354	108,539
First Choice		116,867	108,990
Self-pay		15,963	10,924
Other		554,310	446,697
	$	3,107,525	2,780,371

MHS has elected to apply the practical expedient under ASC Topic 606 which allows MHS to not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to MHS' expectations that the period between the time services are provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, MHS, in certain instances, does enter into payment arrangements with patients that allow payments more than one year. These payment arrangements and the associated financing component are not deemed to be significant.

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.

(Continued)

(Dollars in thousands)

(3) 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, 2019 and 2018 was as follows:

	2019	2018
Medicare	30 %	33 %
Medicaid	23	24
Regence	6	6
Premera	9	8
First Choice	2	3
Self-pay	8	7
Health Care Exchange	1	2
Other commercial insurance	21	17
	100 %	100 %

(4) 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 assets or liabilities that MHS could access at the measurement date. Level 1 securities generally include investments in equity securities, mutual funds and 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), preferred stock, and interest rate swaps.
- Level 3 inputs are unobservable inputs for the asset or liability. Level 3 securities include donor trusts where MHS is not the trustee and fixed income asset backed securities.

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

(Dollars in thousands)

fair value. The practical expedient used by MHS is the NAV per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. 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 are reasonable estimates of fair value. Where investments are not presented at fair value, NAV is used as a practical expedient to approximate fair value.

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, 2019 and 2018:

		Fair value measurements at reporting date using			
	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	$ 649,528	649,528	—	—
Equity securities	122,103	122,103	—	—
Fixed income bond funds	343,709	343,709	—	—
Fixed income governmental obligations	65,137	26,912	38,225	—
Fixed income other	84,106	—	84,106	—
Commingled trust fund – international equity	144,659	—	144,659	—
Interest rate swaps	1,263	—	1,263	—
Donor trusts	25,904	—	—	25,904
Total assets at fair value	1,436,409	1,142,252	268,253	25,904
Investment assets valued at NAV	403,840			
Total assets at fair value or NAV	$ 1,840,249			

(Continued)

(Dollars in thousands)

		Fair value measurements at reporting date using		
	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities:				
Interest rate swaps	$ 88,311	—	88,311	—

		Fair value measurements at reporting date using		
	December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:				
Trading securities:				
Mutual funds	$ 487,186	487,186	—	—
Equity securities	118,779	118,779	—	—
Fixed income bond funds	240,191	240,191	—	—
Fixed income governmental obligations	58,186	16,249	41,890	47
Fixed income other	79,015	—	78,661	354
Commingled trust fund – international equity	104,195	—	104,195	—
Interest rate swaps	1,403	—	1,403	—
Donor trusts	22,604	—	—	22,604
Total assets at fair value	1,111,559	$ 862,405	226,149	23,005
Investment assets valued at NAV	425,060			
Total assets at fair value or NAV	$ 1,536,619			
Liabilities:				
Interest rate swaps	$ 45,833	—	45,833	—

There were no significant transfers into or out of Level 1, Level 2, or Level 3 financial instruments during the years ended December 31, 2019 and 2018.

(Continued)

(Dollars in thousands)

The following table presents MHS' activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC Topic 820 for the years ended December 31, 2019 and 2018:

	Level 3 assets Donor trusts
Balance at December 31, 2017	$ 27,414
Net unrealized losses	(4,810)
Balance at December 31, 2018	22,604
Net unrealized gains	3,300
Balance at December 31, 2019	$ 25,904

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2019 and 2018:

	NAV December 31, 2019	NAV December 31, 2018	Unfunded commitments	Redemption frequency	Redemption notice period
Hedge funds	$ 213,291	208,193	500	Quarterly	60 or 95 business days prior to valuation date
Common trust funds	175,882	—	N/A	Daily	1 business day prior to valuation date
Absolute return funds	—	110,646	N/A	Monthly	5 business days prior to valuation date
Limited liability partnerships	—	86,121	N/A	Monthly	5 business days prior to valuation date
Limited partnerships	14,667	20,100	1,800	N/A	N/A
Total investments valued at NAV	$ 403,840	425,060	2,300		

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.

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 liability partnership investments include dedicated exposure to global inflation-sensitive equities, commodities, and inflation-linked bonds; and invest in various themes including energy, precious metals, natural resources, and agriculture.

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

(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.

In December 2019, MHS entered into three new swap arrangements with a total notional amount of $158,130 that have the economic effect of fixing the LIBOR-based variable component of the interest rates. At December 31, 2019 the interest rates on these swaps was fixed at 1.39%. In addition, at December 31, 2019 and 2018 these interest rate swaps did not qualify as cash flow hedges and therefore, any changes in the fair value of these swaps are recorded as a gain or loss in the consolidated statements of operations and changes in net assets.

At December 31, 2019 and 2018, the fair value of the interest rate swaps liability was $88,311 and $45,833, respectively, which is included in interest rate swap liabilities on the consolidated balance sheet and the fair value of the interest rate swap asset was $1,263 and $1,403, respectively, which is included in other assets, net on the consolidated balance sheet. The changes in fair value of these interest rate swaps for the years ended December 31, 2019 and 2018 of $42,620 in fair value losses and $17,542 in fair value gains, respectively, are included in income (loss) on interest rate swaps in other income (loss) in the consolidated statements of operations and changes in net assets. Also included in the income (loss) on interest rate swaps is the loss on net cash settlement amounts associated with the swaps of $2,816 and $4,075, respectively, for the years ended December 31, 2019 and 2018.

(Dollars in thousands)

(5) Donor Restricted Assets and Investments

A summary of donor restricted assets and investments at 2019 and 2018 is as follows:

	December 31, 2019		
	Donor restricted assets	Investments	Total
Mutual funds	$ 5,588	643,940	649,528
Equity securities	1,050	121,053	122,103
Fixed income securities	4,241	488,711	492,952
Commingled trust fund – international equity	1,245	143,414	144,659
Hedge funds	1,836	211,455	213,291
Common trust funds	1,513	174,369	175,882
Limited partnerships	126	14,541	14,667
Donor trusts	25,904	—	25,904
Pledge receivables, net and other	29,280	—	29,280
Total	$ 70,783	1,797,483	1,868,266

	December 31, 2018		
	Donor restricted assets	Investments	Total
Mutual funds	$ 8,329	478,857	487,186
Equity securities	2,030	116,749	118,779
Fixed income securities	6,453	370,939	377,392
Commingled trust fund – international equity	1,781	102,414	104,195
Hedge funds	3,560	204,633	208,193
Absolute return funds	1,892	108,754	110,646
Limited liability partnerships	1,473	84,648	86,121
Limited partnerships	343	19,757	20,100
Donor trusts	22,604	—	22,604
Pledge receivables, net and other	26,701	3,988	30,689
Total	$ 75,166	1,490,739	1,565,905

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

(Continued)

(Dollars in thousands)

(6) 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, as applicable donor restrictions are met, as another way of providing liquidity. For purposes of analyzing resources available to meet general expenditures over a twelve-month period, MHS considers all expenditures related to its ongoing activities to provide integrated healthcare delivery as well as the conduct of services undertaken to support these activities to be general expenditures.

At December 31, 2019 and 2018, MHS' financial resources are as follows:

	2019	2018
Cash and cash equivalents	$ 434,854	386,409
Accounts receivable	376,500	375,841
Other current assets, net	71,397	57,450
Donor restricted assets	70,783	75,166
Investments	1,797,483	1,490,739
	2,751,017	2,385,605
Less prepaid assets included in other current assets, net	(35,222)	(29,610)
Less donor restricted assets	(70,783)	(75,166)
Less investments with redemption limitations of greater than one year	(14,667)	(24,920)
Total financial assets available for general expenditures	$ 2,630,345	2,255,909

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

(Continued)

(Dollars in thousands)

(7) Property, Plant, and Equipment, Net

A summary of property, plant, and equipment at December 31, 2019 and 2018 is as follows:

	2019	2018
Land and land improvements	$ 131,635	125,934
Buildings	2,094,270	2,030,190
Equipment	1,020,402	934,127
	3,246,307	3,090,251
Less accumulated depreciation	(1,585,761)	(1,442,014)
	1,660,546	1,648,237
Construction in progress	102,799	128,022
Property, plant, and equipment, net	$ 1,763,345	1,776,259

Depreciation expense charged to operations for the years ended December 31, 2019 and 2018 amounted to $163,826 and $147,125, respectively. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was $165,670 and $149,522, respectively.

(8) Other Assets, Net

Other assets are as follows at December 31, 2019 and 2018:

	2019	2018
Investment in joint ventures	$ 45,575	38,492
Deferred compensation plan assets held in trust	71,594	55,394
Accrued pension asset (note 10)	45,420	28,085
Self-insured retention receivables, net of current portion (notes 11 and 12)	22,383	21,219
Interest rate swaps (note 4(b))	1,263	1,403
Goodwill and other intangibles	168,284	170,088
Net investment in lease (note 15(b))	25,798	—
Other	3,687	5,609
Other assets, net	$ 384,004	320,290

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.

(Continued)

(Dollars in thousands)

(9) Other Liabilities, Net

Other liabilities are as follows at December 31, 2019 and 2018:

		2019	2018
Professional liability, net of current portion (note 11)	$	67,204	55,145
Deferred compensation liability (note 10)		71,594	55,394
Workers' compensation liability, net of current portion (note 12)		12,943	13,077
Other		3,579	3,790
Other liabilities, net	$	155,320	127,406

(10) 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 benefit 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, 2019 and 2018:

		2019	2018
Change in projected benefit obligation:			
Projected benefit obligations at beginning of year	$	576,605	628,996
Service Cost		1,230	—
Interest cost		25,779	25,046
Actuarial loss (gain)		71,704	(41,842)
Benefits paid		(35,325)	(35,595)
Projected benefit obligations at end of year	$	639,993	576,605
Change in fair value of plan assets:			
Fair value of plan assets at beginning of year	$	604,690	669,421
Actual gain (loss) on plan assets		116,048	(29,136)
Benefits paid		(35,325)	(35,595)
Fair value of plan assets at end of year	$	685,413	604,690

(Continued)

(Dollars in thousands)

		2019	2018
Funded status recognized in consolidated balance sheets consist of:			
Asset for pension benefits	$	45,420	28,085
Amount recognized in net assets without donor restrictions:			
Net loss		118,182	131,458

	2019	2018
Weighted average assumptions used to determine benefit obligations as of December 31:		
Discount rate	3.70 %	4.60 %
Expected return on plan assets	5.00	6.00

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, 2019 and 2018:

		2019	2018
Components of net periodic benefit cost:			
Service Cost	$	1,230	—
Interest cost		25,779	25,046
Expected return on plan assets		(36,593)	(37,038)
Amortization of net actuarial loss		5,524	10,159
	$	(4,060)	(1,833)

The accumulated benefit obligation for the Plan was $639,993 and $576,605 at December 31, 2019 and 2018, respectively.

(i) Cash Flows – Contributions

MHS expects to make contributions to the Plan totaling approximately $670 in 2020.

(Continued)

(Dollars in thousands)

(ii) Estimated Future Benefit Payments

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

	Pension benefits
2020	$ 39,734
2021	38,517
2022	40,368
2023	40,291
2024	39,718
2025–2029	194,052

(iii) Plan Assets

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

	Fair value measurements at reporting date using			
	December 31, 2019	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	$ 15,320	15,320	—	—
Trading securities:				
Mutual funds	89,996	89,996	—	—
Equity securities	267	267	—	—
Fixed income bond funds	115,559	115,559	—	—
Fixed income governmental obligations	267,627	211,270	56,357	—
Fixed income other	184,525	—	184,525	—
Commingled trust fund – international equity	22,286	—	22,286	—
	695,580	$ 432,412	263,168	—
Broker receivables	56,641			

(Continued)

(Dollars in thousands)

		Fair value measurements at reporting date using		
	December 31, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Broker payables	$ (171,268)			
Total assets at fair value	580,953			
Investments valued at NAV	104,460			
Total assets at fair value or NAV	$ 685,413			

		Fair value measurements at reporting date using		
	December 31, 2018	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	$ 9,656	9,656	—	—
Trading securities:				
Mutual funds	65,350	65,350	—	—
Equity securities	18,016	18,016	—	—
Fixed income bond funds	211,938	211,938	—	—
Fixed income governmental obligations	153,164	120,156	33,008	—
Fixed income other	149,718	—	149,718	—
Commingled trust fund – international equity	17,308	—	17,308	—
	625,150	$ 425,116	200,034	—
Broker receivables	19,739			

(Continued)

(Dollars in thousands)

		Fair value measurements at reporting date using		
	December 31, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Broker payables	$ (88,519)			
Total assets at fair value	556,370			
Investments valued at NAV	48,320			
Total assets at fair value or NAV	$ 604,690			

There were no significant transfers into or out of Level 1 or Level 2 financial instruments during the years ended December 31, 2019 and 2018.

The following table presents information for investments where the NAV was used as a practical expedient to measure fair value at December 31, 2019 and 2018:

	Fair value at December 31, 2019	Fair value at December 31, 2018	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Commingled trust funds:					
Real estate	$ 22,333	21,655	N/A	Quarterly	45 days
Hedge funds	—	1,532	N/A	Quarterly	95 days prior to valuation date
Absolute return funds	74,741	15,315	N/A	Monthly	5 business days prior to valuation date
Limited partnerships	7,386	9,818	850	N/A	N/A
Total investments valued at NAV	$ 104,460	48,320	850		

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

(Continued)

(Dollars in thousands)

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

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

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

The defined benefit plan weighted average asset allocations at December 31, 2019 and 2018 by asset category are as follows:

	2019	2018
Asset category:		
Domestic equities	7 %	7 %
International equities	7	6
Emerging markets	1	1
Fixed income securities	79	75
Alternative investments	1	2
Real estate	3	4
Global asset allocation	2	5
	100 %	100 %

(Continued)

(iv) 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:

	2019	2018
Asset category:		
Domestic equities	8 %	8 %
International equities	6	6
Emerging markets	1	1
Fixed income securities	80	77
Real estate	3	3
Global asset allocation	2	5
	100 %	100 %

(v) Investment Categories

Equities

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

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

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.

(Continued)

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 significant expected return premiums over longer holding periods. Alternative investments include investments in hedge funds and private equities and are under the supervision and control of investment managers. Hedge funds include investments in a variety of instruments including stocks, bonds, commodities, and a variety of derivative instruments. Private equities consist primarily of equity investments made in companies that are not quoted on a public stock market, which can include U.S. and non-U.S. venture capital, leveraged buyouts, and mezzanine financing.

Real Estate

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

Global Asset Allocation

The strategic role of global asset allocation is to add value through broad diversification among traditional asset classes and tactical allocation shifts. Global asset allocation includes investments in diversified multi-asset funds to achieve returns above other broad diversified benchmarks.

(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 and Rockwood Clinic 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 2019 and 2018 were approximately $47,200 and $40,158, respectively, which were included with employee benefits in the accompanying consolidated statements of operations and changes in net assets.

(c) Other

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

(11) 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, 2019 and 2018, which comprises estimated deductibles and retentions for known claims at year-end and a liability for incurred but not reported claims based on an actuarially determined estimate.

At December 31, 2019 and 2018, the estimated gross professional liability (including current and long-term portions) was $85,634 and $71,508, respectively. The current portion is included in accounts payable and accrued expenses and the remainder is included in other liabilities. 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 $30,026 and $27,455 as of December 31, 2019 and 2018, 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.

(12) 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, 2019 and 2018, the estimated net liability based on future claims cost totaled $16,127 and $15,760, respectively. The gross liabilities (including both current and long-term portions) total $19,135 and $18,526 as of December 31, 2019 and 2018, respectively. The long-term amounts are included in other liabilities 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 $3,008 and $2,766 as of December 31, 2019 and 2018, 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 2019 and 2018 was $12,083 and $9,973, respectively. These amounts are included in accrued compensation and related liabilities in the accompanying consolidated balance sheets.

(Continued)

(Dollars in thousands)

(13) Long-Term Debt

Long-term debt consists of the following at December 31, 2019 and 2018:

	2019	2018
WHCFA Revenue bonds, 2017 Series A and B	$ 325,020	327,990
WHCFA Revenue bonds, 2017 Series C, D, and E	191,010	191,010
WHCFA Revenue bonds, 2015 Series A and B	356,365	360,445
WHCFA Revenue bonds, 2012 Series A	60,000	60,000
WHCFA Revenue bonds, 2010 Series A	—	35,255
WHCFA Revenue bonds, 2009 Series A and B	98,130	98,130
2017 Term Loans	130,170	130,170
2019 Term Loan	35,255	—
Other	34,839	39,798
	1,230,789	1,242,798
Adjusted for:		
Current portion	(13,668)	(19,058)
Bond premiums, discounts, and debt issuance costs	59,852	63,449
Long-term debt, net of current portion	$ 1,276,973	1,287,189

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

In November 2017, MHS issued $333,970 of 2017 Series A and B bonds. These bonds were issued as fixed rate bonds that bear interest ranging from 3.0% to 5.0%. Annual principal payments range from $3,315 in 2020 to $62,410 in 2047.

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

In November 2017, MHS entered into a $111,010 variable rate private placement agreement (Series C and D) with JPMorgan Chase Bank, National Association and an $80,000 variable rate private placement agreement (Series E) with Wells Fargo Municipal Capital Strategies, LLC. Annual principal payments range from $390 in 2043 to $55,505 in 2049. The interest rates, which were between 1.8% and 1.9% at December 31, 2019, reset monthly and are based on 70% of the one-month U.S. LIBOR plus a spread and a margin rate factor.

(c) 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 $4,050 in 2020 to $24,085 in 2034 with a final payment of $8,860 due in 2045.

(Continued)

(d) WHCFA Revenue Bonds 2012 Series A

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

(e) WHCFA Revenue Bonds 2010 Series A

In January 2010, MHS issued $100,150 of 2010 Series A bonds. In August 2019, the 2010 bonds were refinanced with the proceeds from the 2019 Term Loan as described below. This refinancing resulted in a gain of $869 that is recognized in other income, net within other income (loss) in the consolidated statement of operations and changes in net assets.

(f) WHCFA Revenue Bonds 2009 Series A and B

In May 2009, MHS issued $100,000 of 2009 Series A and B bonds that are backed by an irrecoverable letter of credit equal to the aggregate principal and interest of the bonds. 2009 Series A and B bonds were issued as variable rate demand bonds for $50,000 each. In July 2012, the 2009 Series A and B bonds were converted to $98,130 of fixed rate bonds that bear interest ranging from 4.4% to 5.0%. Annual principal payments range from $3,690 in 2040 to $38,890 in 2044.

(g) 2017 Term Loans

In November 2017, MHS entered into two $65,085 variable rate term loan agreements with Wells Fargo Bank, N.A. The principal balance of $130,170 is due in 2047. The interest rates, which were between 2.5% and 2.6% at December 31, 2019, reset monthly and are based on the one-month U.S. LIBOR plus a spread.

(h) 2019 Term Loan

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

(i) Other

The other debt listed is primarily made up of debt held by Navos. Of this debt at December 31, 2019, $15,665 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. The forgivable debt is subject to a forgiveness provision in years 2020 through 2068. Other debt bears interest ranging from 0.0% to 4.5%. Annual principal payments range from $5,550 in 2020 to $23 in 2036.

At December 31, 2018, $24,745 of debt, that is associated with a new market tax credit arrangement, was forgiven along with a coinciding receivable balance of $18,320, resulting in a gain on the forgiven debt of $6,245 that was realized for the year ended December 31, 2018 and included in other income, net on the consolidated statement of operations and changes in net assets.

(Continued)

(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, 2019 and 2018.

Each fixed-rate revenue bond requires semi-annual 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:	
2020	$ 13,668
2021	7,715
2022	47,601
2023	18,465
2024	21,127
Thereafter	1,122,213
	$ 1,230,789

A summary of interest costs is as follows during the years ended December 31, 2019 and 2018:

		2019	2018
Interest cost:			
Charged to operations	$	49,313	45,574
Amortization of bond premiums, discounts, and issuance costs		(2,728)	(2,659)
Capitalized		1,231	5,282
	$	47,816	48,197

(14) Commitments and Contingencies

Approximately 44% of MHS employees were covered under collective bargaining agreements as of December 31, 2019. 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 2022.

(Dollars in thousands)

(15) Leases

(a) Lessee

MHS leases various equipment and facilities under non-cancellable operating leases. Lease terms for non-cancellable operating leases range from 1 to 25 years, and existing leases have expiration dates through 2036.

The components of lease cost for the year ended December 31, 2019 were as follows:

		2019
Operating lease cost	$	36,532
Short term lease cost		344
Variable lease cost		7,141
Sublease income		(4,518)
Total lease cost	$	39,499

Other information related to leases as of December 31, 2019 was as follows:

		2019
Weighted average remaining lease term (years)	$	6.8
Weighted average discount rate		4.0 %
Operating cash flows from operating leases		(35,619)
Right-of-use assets obtained in exchange for new operating lease liabilities		40,717

(Continued)

(Dollars in thousands)

Maturities of lease liabilities under non-cancellable leases as of December 31, 2019 are as follows:

		Operating Leases
For year ended December 31:		
2020	$	33,660
2021		29,750
2022		22,400
2023		19,633
2024		15,004
Thereafter		49,981
Total undiscounted lease payments		170,428
Less present value discount		(21,761)
Total lease liabilities	$	148,667

The following is a schedule by year of future minimum lease payments under operating leases at December 31, 2018, which had initial or remaining lease terms of more than one year:

2019	$	32,288
2020		31,257
2021		27,399
2022		19,984
2023		17,411
Thereafter		58,103
	$	186,442

For the year ended December 31, 2018, total rental expense for operating leases was $44,357.

(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, 2019, MHS' other assets, net include a net investment in lease of $25,798.

(Dollars in thousands)

Revenue from leases for the year ended December 31, 2019 is as follows:

		2019
Interest income on net investment in finance leases	$	812
Variable lease income		25
Total lease income	$	837

Future lease payments receivable as of December 31, 2019 are as follows:

Year ended December 31:		
2020	$	1,414
2021		1,414
2022		1,414
2023		1,414
2024		1,414
Thereafter		50,029
Total lease payments to be received		57,099
Less: unearned interest income		(31,301)
Net investment in lease	$	25,798

(16) Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following specified purposes at December 31, 2019 and 2018:

		2019	2018
Healthcare services	$	49,866	39,785
Endowment funds, perpetual trusts and related receivables		64,273	59,406
Purchase of equipment		6,377	14,559
Indigent care		1,634	785
Health education		1,240	1,001
Total net assets with donor restrictions	$	123,390	115,536

(Continued)

(Dollars in thousands)

(17) Endowment Funds

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

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

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2018	$ 2,923	38,140	41,063
Investment return:			
Investment income	62	782	844
Net appreciation – realized and unrealized	27	334	361
Total investment return	89	1,116	1,205
Contributions	—	1,990	1,990
Appropriation of endowment assets for expenditure	(339)	(1,546)	(1,885)
Endowment net assets, December 31, 2019	$ 2,673	39,700	42,373

	Board designated without donor restrictions	Funds with donor restrictions	Total
Endowment net assets, December 31, 2017	$ 2,872	38,073	40,945
Investment return:			
Investment income	51	645	696
Net appreciation – realized and unrealized	28	347	375
Total investment return	79	992	1,071
Contributions	—	589	589
Appropriation of endowment assets for expenditure	(28)	(1,514)	(1,542)
Endowment net assets, December 31, 2018	$ 2,923	38,140	41,063

(Continued)

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 $23,445 and $20,344, respectively, as of December 31, 2019 and 2018. Also excluded from the presentation of endowment net assets with donor restrictions above are pledge receivables and other totaling $1,128 and $922, respectively, as of December 31, 2019 and 2018.

(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 2019 or 2018.

(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 a 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.

(18) Functional Expenses

MHS provides inpatient and outpatient services, physician services, home health services, and fund-raising activities. Certain categories of expenses are attributable to programs and support services. These included salaries and wages, depreciation and amortization and other expenses. Costs are allocated based on cost allocation methods depending on the allocable expense, including square footage, time utilization

(Dollars in thousands)

and percentage of gross charges. Expenses related to providing these services are as follows for the years ended December 31, 2019 and 2018:

	2019				
	Program services			Support services	
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	Total
Salaries and wages	$ 918,459	407,097	47,490	175,055	1,548,101
Employee benefits	120,308	69,120	11,259	40,659	241,346
Supplies	424,852	35,609	36,278	4,949	501,688
Purchased services	109,060	34,682	12,763	114,609	271,114
Depreciation and amortization	106,384	20,090	1,425	37,771	165,670
Interest	46,226	2,859	—	(2,500)	46,585
Other	217,900	44,851	16,565	78,170	357,486
	$ 1,943,189	614,308	125,780	448,713	3,131,990

	2018				
	Program services			Support services	
	Hospitals and related services	Clinics and urgent care centers	Retail and other services	Corporate and support services	Total
Salaries and wages	$ 822,476	352,368	69,035	148,624	1,392,503
Employee benefits	100,971	62,505	11,986	37,106	212,568
Supplies	360,578	72,105	27,832	5,158	465,673
Purchased services	103,981	14,925	18,601	101,063	238,570
Depreciation and amortization	98,182	16,630	1,715	32,995	149,522
Interest	41,529	2,551	—	(1,165)	42,915
Other	192,038	52,868	11,829	61,080	317,815
	$ 1,719,755	573,952	140,998	384,861	2,819,566

(19) 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.

(20) Subsequent Events

In December 2019, a strain of coronavirus (2019-nCoV or COVID-19) was identified in Wuhan, China, and has spread to other geographic locations around the world, including more recently in the communities served by MHS. The World Health Organization has described the coronavirus outbreak as a "public health emergency of international concern." Should this pandemic continue to increase in severity in the communities served by MHS, its operations may be adversely affected in patient service volumes and revenues, access to labor, and access to necessary supplies. Additionally, subsequent to December 31, 2019, there has been instability in the global financial markets. MHS has a diverse investment portfolio, including in its defined benefit pension plan portfolio, as detailed in notes 4, 5 and 10. While sharp declines in the broader equities markets will have an adverse impact on MHS, the diversified investment allocation strategy employed by MHS serves to reduce volatility and negativity in performance. As of March 19, 2020, MHS' operations have not been significantly harmed by the COVID-19 outbreak. MHS is not currently able to measure or predict the overall impact that this pandemic, and the related financial market volatility, may have on its future financial results.

MHS has evaluated the subsequent events through March 19, 2020, the date at which the consolidated financial statements were issued and has included all necessary adjustments and disclosures.

Exhibit 12.

Letter of Financing Commitment

MultiCare Health System
820 A Street, Tacoma, WA 98402
PO Box 5299, Tacoma, WA 98415-0299 ~ multicare.org

June 29, 2021

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

Re: Certificate of Need Request by MultiCare to Purchase the Capital Medical Center Property from MPT of Olympia-Capella, LLC (MPT), in Olympia Washington

Dear Mr. Hernandez:

Please accept this letter as evidence of financial support for the certificate of need ("CN") request by MultiCare to purchase the Capital Medical Center Property from MPT of Olympia-Capella, LLC (MPT) in Olympia Washington. MPT owns the real property and improvements in the City of Olympia where Capital Medical Center operates (CMC Property). MultiCare proposes to purchase the CMC Property from MPT.

MultiCare will finance this acquisition from its corporate reserves, and has sufficient cash reserves for this project, which is estimated to cost $135,000,000.

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

Yours truly,

Jim McManus
Sr. Vice President & Chief Financial Officer
MultiCare Health System

Exhibit 13.

Copy of Hospital Board minutes Authorizing the Proposed Project

MULTICARE HEALTH SYSTEM
BOARD OF DIRECTORS ANNUAL MEETING
June 10, 2020
Commencement Plaza, 820 A. St., Tacoma, WA, 4th Floor Board Room
7:00 a.m. – 11:00 a.m.

Minutes

MEMBERS PRESENT:	Mr. John Folsom (via Teleconference) Mr. John Hall, Treasurer (via Teleconference) Dr. Rob Irwin (via Teleconference) Ms. Sally Leighton Ms. Joanna Monroe Mr. L. Dale Sowell (via Teleconference) Ms. Janine Terrano (via Teleconference) Ms. Deedee Walkey, Vice Chair (via Teleconference) Mr. John Wiborg, Chair Mr. Robert Yost
EXCUSED AND MISSED:	Dr. Rob Roth
ALSO, PRESENT:	Ms. June Altaras, SVP – Chief Quality, Safety & Nursing Officer Ms. Theresa Boyle, SVP – Strat., Mktg. & Comm. (via Teleconference) Dr. David Carlson, SVP – Chief Physician Officer, Provider Enterprise Ms. Florence Chang, EVP and Chief Operating Officer Ms. Laureen Driscoll, President – Tacoma General/Allenmore Mr. Kevin Dull, SVP – Chief Human Potential Officer Mr. Mark Gary, SVP – Corporate General Counsel Ms. Lisa Gunderson, Sen. Exec. Asst. to Office of CEO Mr. Jim McManus, SVP - Chief Financial Officer Mr. Bill Robertson, President and CEO Ms. Lydia Wilke, Exec. Asst. to President/CEO

CALL TO ORDER

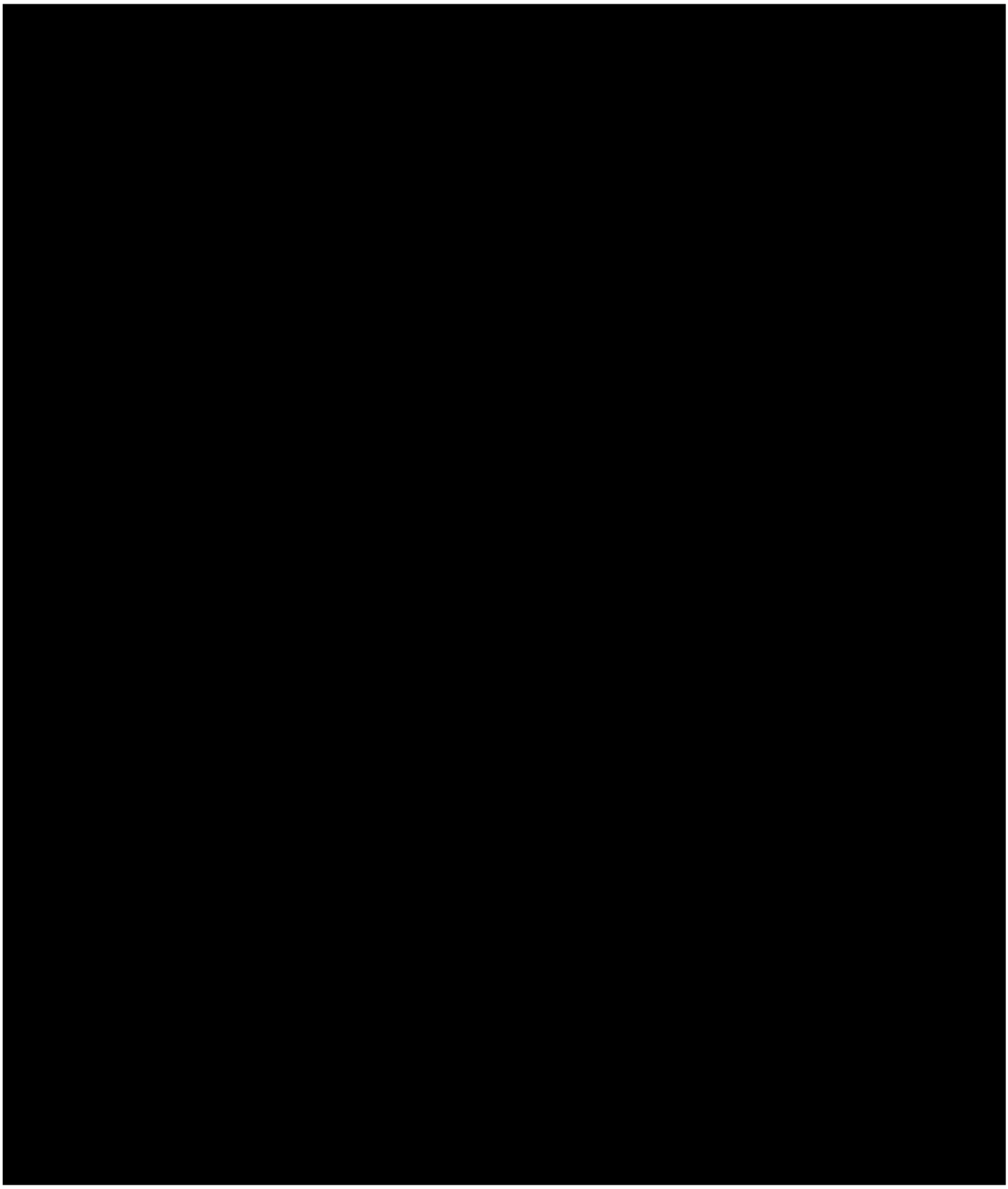
Mr. John Wiborg, Chair of the MultiCare Health System Board of Directors, called the Annual meeting to order on Wednesday, June 10, 2020 at 7:00 a.m. at MultiCare Health System, Commencement Plaza, 820 A St. Tacoma, WA, 4th Floor Board Room. A quorum was present.

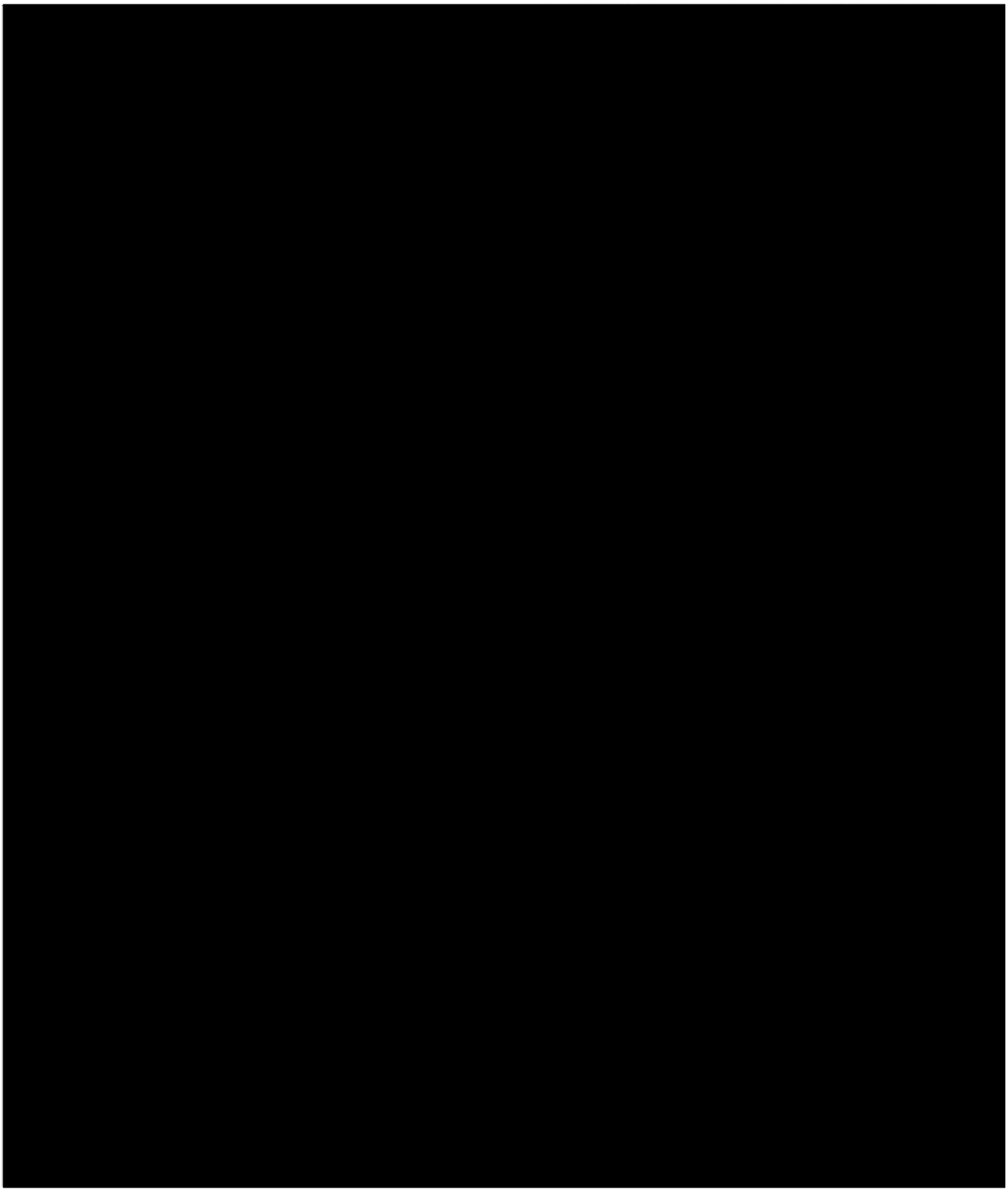
EXECUTIVE SESSION

An Executive Session convened at 7:10 a.m. and adjourned at 8:15 a.m.

I. CONSENT AGENDA

[redacted]





[redacted]

STRATEGY AREA – EXPANDING MARKET AND ACCESS TO CARE AND SERVICES

VII. Project Iris

Mr. Robertson provided background information related to the Project Iris, an ongoing 6-year undertaking. The purchase of Capital Medical Center completes our South Puget Sound delivery platform and provides market opportunity and places us in a market essential platform. As a result, two transactions will transpire. LifePoint and MultiCare executed a non-binding Letter of Intent by MHS for the acquisition of LifePoint's interest (88.25%) in Capital Medical Center (CMC), the OpCo transaction, with a purchase price of $50M.

We are in a 60-day due diligence period and have 33 days to execute a definitive agreement, and begin the Certificate of Need process, if required. In addition, we will pursue negotiations for the underlying real estate and full ownership of the land and hospital buildings, with the Medical Properties Trust, (the Propco transaction) which owns the property where Capital Medical Center operates, an investment of up to [redacted] The Finance and Audit Committee, at its May 26th meeting, reviewed, approved, and recommended moving to the System Board requesting approval of the above transactions.

ACTION: **MOTION MADE, SECONDED AN UNANIMOUSLY CARRIED TO APPROVE OF THE ACQUISTION OF CAPITAL MEDICAL CENTER FROM LIFEPOINT FOR A PURCHASE PRICE OF $50 MILLION AND THE UNDERLYING REAL ESTATE INVESTMENT PROPERTY FROM THE MEDICAL PROPERTIES TRUST FOR UP TO [redacted] WHERE CAPITAL MEDICAL CENTER OPERATES.**

[redacted]

The meeting adjourned at 10:50 a.m.

Respectfully submitted,

Lydia Wilke

Lydia Wilke for the Secretary

Exhibit 14.

Financial Statement Forms (Historical)

INCOME STATEMENT - HISTORICAL

MultiCare Capital Medical Center

	2017	2018	2019	2020
IP Rev	$ 254,716,921	$ 290,843,002	$ 323,420,474	$ 209,402,602
OP Rev	$ 275,861,016	$ 305,549,507	$ 339,741,575	$ 311,762,778
Total Gross Revenue	**$ 530,577,937**	**$ 596,392,509**	**$ 663,162,049**	**$ 521,165,380**
Bad Debt	$ 3,059,517	$ 3,347,463	$ 3,308,655	$ 3,177,120
Contractuals	$ 420,068,718	$ 471,035,587	$ 532,592,606	$ 428,909,604
Charity	$ 1,046,493	$ 4,705,275	$ 5,570,847	$ 3,945,249
Other Adjustments/Allowances	$ -	$ -	$ -	$ -
Total Deductions from Revenue	**$ 424,174,728**	**$ 479,088,325**	**$ 541,472,108**	**$ 436,031,973**
NPSR	**$ 106,403,209**	**$ 117,304,184**	**$ 121,689,941**	**$ 85,133,407**
Other Operating Rev	$ 303,883	$ 301,063	$ 295,926	$ 557,924
Total Operating Rev	**$ 106,707,092**	**$ 117,605,247**	**$ 121,985,867**	**$ 85,691,331**
Salaries/Wages	$ 35,521,528	$ 38,926,657	$ 42,338,430	$ 39,601,992
Benefits	$ 5,370,569	$ 6,247,413	$ 6,514,729	$ 6,548,760
Pro Fees	$ 1,709,580	$ 4,232,829	$ 3,365,384	$ 4,805,620
Supplies	$ 22,560,725	$ 22,233,671	$ 23,687,061	$ 15,014,974
Utilities	$ 1,132,077	$ 1,174,662	$ 1,154,786	$ 1,157,699
Purchased Services	$ 8,144,462	$ 9,046,487	$ 9,555,213	$ 9,602,928
Depreciation	$ 9,194,928	$ 9,443,867	$ 5,556,791	$ 5,898,153
Rents/Leases	$ 1,669,000	$ 1,860,269	$ 2,271,361	$ 3,187,051
Insurance	$ 463,982	$ 1,241,717	$ 218,021	$ 680,499
License/Taxes	$ 4,471,470	$ 4,837,163	$ 5,031,379	$ 4,526,713
Interest	$ 8,018,586	$ 9,716,684	$ 9,967,859	$ 9,985,577
Other Direct Expenses	$ 6,040,417	$ 5,511,890	$ 5,305,331	$ 1,492,401
Allocated Expenses	$ 3,138,961	$ 2,403,672	$ 3,091,004	$ 2,294,660
Total Op Ex	**$ 107,436,285**	**$ 116,876,981**	**$ 118,057,349**	**$ 104,797,027**
Net Operating Revenue	**$ (729,193)**	**$ 728,266**	**$ 3,928,518**	**$ (19,105,696)**

DEDUCTIONS FROM REVENUE - HISTORICAL

MultiCare Capital Medical Center

	2017	2018	2019	2020
Bad Debt	$ 3,240,398	$ 3,450,980	$ 3,625,846	$ 3,446,414
Contractuals	$ -	$ -	$ -	$ -
Medicare	$ 227,739,879	$ 250,789,229	$ 287,725,112	$ 221,465,883
Medicaid	$ 74,116,389	$ 87,662,603	$ 99,595,234	$ 84,874,345
Worker's Comp	$ 6,759,481	$ 9,298,796	$ 7,998,669	$ 4,809,093
Other Government	$ 10,337,889	$ 13,465,011	$ 15,722,093	$ 14,582,510
Other	$ 113,079,245	$ 122,769,891	$ 135,486,186	$ 115,236,904
Total Contractuals	**$ 432,032,883**	**$ 483,985,530**	**$ 546,527,294**	**$ 440,968,735**
Charity				
Inpatient	$ 492,849	$ 1,891,385	$ 3,067,837	$ 1,516,817
Outpatient	$ 553,832	$ 2,813,890	$ 2,503,010	$ 2,428,432
Total	**$ 1,046,681**	**$ 4,705,275**	**$ 5,570,847**	**$ 3,945,249**
Total Deductions from Revenue	**$ 436,319,962**	**$ 492,141,785**	**$ 555,723,987**	**$ 448,360,398**

Exhibit 15.

Financial Statement Forms (Forecast)

MultiCare Capital Medical Center

Financial Model Key Assumptions

July 2021 Certificate of Need Application

Volume Assumptions

1. Capital Medical Center is expected to execute various strategic initiatives under the MultiCare Health System (MHS) affiliation which will translate into incremental inpatient and outpatient activity over the planning period--- resulting in approximately 5.5% compounded annual growth from 2020 levels to the third full year of operation (2024). 2020 represents depressed levels of utilization due to COVID-19. Modest recovery is assumed for 2021 and then additional catch-up growth is assumed in the 2022-2024 period.
2. Capital Medical Center's average length of stay is held constant at the 2020 value (3.52).

Revenues

3. Models do not include any charge inflation.
4. Revenues are based on 2020 revenue per unit figures and are modeled based on forecasted inpatient day and outpatient visits.
5. Bad debt represented 0.6% of gross revenues in 2020 and this percentage has been held constant over the forecast period.
6. 2020 contractual deductions from Revenues were 82.3% of gross revenues; high compared to historical years. The forecast assumes gradual decrease to 80.3% of gross revenues by 2024.
7. Projected charity care is based on assuming a ramp up to the three-year (2017-2019) Southwest Washington regional average charity as a percent of total revenues (1.5%) to projected total patient revenues.
8. Other Operating Revenue of $407,099 has been held constant based on historic figures. This includes revenues associated with cafeteria and rental income.

Expenses

9. Models do not include any expense inflation.
10. Salaries and wages are based on forecasted changes due to contract wage increases, additional FTEs from utilization growth, and new executive leadership positions expected under the MHS affiliation.
11. Benefits are held at 18.5% of salaries and wages and are representative of 2021 figures and expectation under MHS affiliation.
12. Professional fees are forecasted to be $4,498,884 and held constant through forecast period.
13. Supplies represented 17.6% of net patient services revenue in 2020 and this percentage has been held constant over the forecast period.
14. Utilities are held constant at 2020 value.
15. Purchased services are forecasted at 7.8% of net patient services revenue.
16. Beginning in 2021, depreciation is increased to $9,273,153 based on the 2020 depreciation value plus incremental depreciation from $135M project-related capital expenditures assumed at an effective useful life of approximately 40 years.
17. Rents/leases are forecasted at $2,280,375 and held constant.

18. Insurance is forecasted at $943,189 and held constant based on expectations under MHS affiliation.
19. Licenses/taxes are forecasted at 4.0% of net patient services revenue based on historic figures.
20. Interest is estimated at $10,147,421 for 2021 and represents payments to MPT, the REIT which currently owns the building. It will no longer apply post-certificate of need approval.
21. Other Direct Expenses are forecasted at $628,578 and held constant based on expectations under MHS affiliation. Difference between historical and forecasted values is that the historical figure included management fees under prior ownership/management structure and other similar costs.
22. Allocated expenses are forecasted at 3.0% of net patient services revenue based on expectations under MHS affiliation.

INCOME STATEMENT - FORECAST

MultiCare Capital Medical Center

	2021	2022	2023	2024
IP Rev	$ 221,966,758	$ 239,724,099	$ 251,710,304	$ 259,261,613
OP Rev	$ 330,468,545	$ 356,906,028	$ 374,751,330	$ 385,993,870
Total Gross Revenue	**$ 552,435,303**	**$ 596,630,127**	**$ 626,461,633**	**$ 645,255,482**
Bad Debt	$ 3,314,612	$ 3,579,781	$ 3,758,770	$ 3,871,533
Contractuals	$ 451,892,078	$ 483,270,403	$ 504,301,615	$ 518,140,152
Charity	$ 5,524,353	$ 7,159,562	$ 8,457,232	$ 9,678,832
Other Adjustments/Allowances	$ -	$ -	$ -	$ -
Total Deductions from Revenue	**$ 460,731,043**	**$ 494,009,745**	**$ 516,517,617**	**$ 531,690,517**
NPSR	**$ 91,704,260**	**$ 102,620,382**	**$ 109,944,017**	**$ 113,564,965**
Other Operating Rev	$ 407,099	$ 407,099	$ 407,099	$ 407,099
Total Operating Rev	**$ 92,111,359**	**$ 103,027,481**	**$ 110,351,116**	**$ 113,972,064**
	$ -	$ -	$ -	$ -
Salaries/Wages	$ 42,271,035	$ 44,192,254	$ 46,200,792	$ 48,300,618
Benefits	$ 7,820,142	$ 8,175,567	$ 8,547,147	$ 8,935,614
Pro Fees	$ 4,498,884	$ 4,498,884	$ 4,498,884	$ 4,498,884
Supplies	$ 16,139,950	$ 18,061,187	$ 19,350,147	$ 19,987,434
Utilities	$ 1,157,699	$ 1,157,699	$ 1,157,699	$ 1,157,699
Purchased Services	$ 7,152,932	$ 8,004,390	$ 8,575,633	$ 8,858,067
Depreciation	$ 9,273,153	$ 9,273,153	$ 9,273,153	$ 9,273,153
Rents/Leases	$ 2,280,375	$ 2,280,375	$ 2,280,375	$ 2,280,375
Insurance	$ 943,189	$ 943,189	$ 943,189	$ 943,189
License/Taxes	$ 3,668,170	$ 4,104,815	$ 4,397,761	$ 4,542,599
Interest	$ 10,147,421	$ -	$ -	$ -
Other Direct Expenses	$ 628,578	$ 628,578	$ 628,578	$ 628,578
Allocated Expenses	$ 2,751,128	$ 3,078,611	$ 3,298,320	$ 3,406,949
Total Op Ex	**$ 108,732,656**	**$ 104,398,702**	**$ 109,151,677**	**$ 112,813,158**
Net Operating Revenue	**$ (16,621,297)**	**$ (1,371,222)**	**$ 1,199,438**	**$ 1,158,905**

DEDUCTIONS FROM REVENUE - FORECAST

MultiCare Capital Medical Center

	2021	2022	2023	2024
Bad Debt	$ 3,314,612	$ 3,579,781	$ 3,758,770	$ 3,871,533
Contractuals				
Medicare	$ 230,089,601	$ 249,422,093	$ 263,778,214	$ 274,614,281
Medicaid	$ 85,567,734	$ 90,002,462	$ 92,346,763	$ 93,265,227
Worker's Comp	$ 4,825,895	$ 5,051,564	$ 5,157,208	$ 5,181,402
Other Government	$ 14,596,993	$ 15,239,753	$ 15,516,007	$ 15,544,205
Other	$ 116,811,854	$ 123,554,530	$ 127,503,422	$ 129,535,038
Total Contractuals	**$ 451,892,078**	**$ 483,270,403**	**$ 504,301,615**	**$ 518,140,152**
Charity				
Inpatient	$ 2,219,668	$ 2,876,689	$ 3,398,089	$ 3,888,924
Outpatient	$ 3,304,685	$ 4,282,872	$ 5,059,143	$ 5,789,908
Total	**$ 5,524,353**	**$ 7,159,562**	**$ 8,457,232**	**$ 9,678,832**
Total Deductions from Revenue	**$ 460,731,043**	**$ 494,009,745**	**$ 516,517,617**	**$ 531,690,517**