

HIGHLINE MEDICAL CENTER

September 30, 2013

Janis Sigman, Manager
Certificate of Need Program
Department of Health
P.O. Box 47852
Olympia, WA 98504-7852

R E C E I V E D

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CERTIFICATE OF NEED PROGRAM
DEPARTMENT OF HEALTH

Dear Ms. Sigman:

In accordance with WAC 246-310-080, Highline Medical Center (Highline) hereby submits a letter of intent to add licensed acute care beds¹. In accordance with WAC, the following information is provided:

1. A Description of the Extent of Services Proposed:

This letter of intent is submitted to return Highline to its 154 general acute care beds.

As the Department of Health (Department) is aware, Highline has entered into an Asset Purchase Agreement (APA) with Acadia Healthcare pursuant to which Acadia intends to acquire Highline's Specialty Campus. Acadia recently received certificate of need approval to establish a new 135 bed psychiatric hospital on the campus. In anticipation of the sale, on December 31, 2012, Highline secured a determination of non-reviewability (DNR) to relocate a 12 bed acute rehabilitation service from our Specialty Campus to the Main Campus. In addition, Regional Hospital (Regional), which is currently a lessee on our Specialty Campus has filed a related letter of intent to relocate to our Main Campus. The Regional beds will be relocated in two phases. In Phase 1, 26 beds will be made operational.

The Highline Main Campus has historically been licensed for 154 acute care beds. When the Department issued its December 2012 DNR for the acute rehabilitation location, it found that 5 of our 154 beds are Level II nursery bassinets, leaving 149 general acute beds. When the acute rehabilitation beds are relocated, we understand they will reduce our acute care beds, so we will have 137 available acute care beds, and when the 26 bed Phase 1 Regional relocation is completed, this is expected to further reduce our acute care beds, so

¹ Highline is an affiliate of Franciscan Health System (FHS), which is Highline's corporate member. Highline and FHS intend to submit a determination of non-reviewability request in the near future to address a proposed change in internal corporate structure. Highline will remain affiliated with FHS but the two corporations will have a common corporate member, which we expect will be SJMGroup, a non-profit, tax-exempt corporation. At the risk of confusing matters further, we want to advise the Department that SJMGroup intends to change its name to Franciscan Health Ventures.

Highline will only have 111 acute care beds available. Neither the rehabilitation beds, nor the Regional relocation will address the needs served by the existing beds.

With this letter of intent, Highline is requesting to add 43 acute care beds. At project completion, Highline Medical Center will be licensed for a total of 171 beds (5 neonatal, 154 acute and 12 acute rehabilitation).

2. Estimated Cost of the Proposed Project:

The capital expenditure is estimated at \$49,000,000.

3. Description of the Service Area:

Highline is located in the Southwest King Hospital Planning Area.

Thank you for your interest in this matter. Please contact me directly with any questions.

Sincerely,



Mark Benedum
Chief Executive Officer