



**WENATCHEE VALLEY  
MEDICAL CENTER**

*Physician-owned and patient-centered since 1940*

**R E C E I V E D**

JUN 14 2012

CERTIFICATE OF NEED PROGRAM  
DEPARTMENT OF HEALTH

June 12, 2012

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

**RE: Letter of Intent-Reorganization, Lease of Wenatchee Valley Hospital - amended and fully restated**

Dear Ms. Sigman:

Pursuant to a conversation today between Howard Thomas and Ms. Nidermayer from your office we are amending and refilling our letter of intent to provide a more precise figure for the estimated cost of the project. Please apply the previous fee you have received to this amended letter of intent. The only change is to the estimated cost of the project.

Wenatchee Valley Medical Center (WVMC), a regional healthcare system, and the owning entity of Wenatchee Valley Hospital, respectfully submits this Letter of Intent in connection with an application for certificate of need approval for a new legal entity named Wenatchee Valley Hospital (WVH). This new legal entity is the result of a reorganization of WVMC resulting in a Medical Group (remaining within the WVMC legal entity) and a new separate legal entity (WVH) that would possess the WVH hospital license and operate the Hospital. This new entity (WVH) will be created as part of the overall affiliation between WVMC and Central Washington Hospital (CWH) whereby the parties have created a new overarching health system named Confluence Health (CH). Upon completion, CH will control WVH (new entity) as the sole member for this distinct and new legal entity. Additionally CH will lease the real estate associated with WVH, which is and would continue to be owned by WVMC. Please note that Central Washington Hospital's operation remains unchanged by this reorganization and lease and is not part of this certificate of need review. It is our understanding this would be an expedited review due to the real estate lease component and the fact that the license would sit in a new entity.

Pursuant to the requirements of WAC 246-310-080, the following information is provided:

1. Description of proposed service

WVMC proposes to reorganize and create WVH (a new not-for-profit legal entity) that we propose would be granted the hospital license currently held by WVMC. WVH would be controlled by Confluence Health. CH would also enter into a real estate lease agreement with WVMC and would operate the hospital with these assets (Wenatchee Valley Hospital). WVH (newCo) will continue to provide the services currently being provided by WVMC at WVH using the same staff and management as is currently in place. WVMC is now licensed for a total of 20 beds, including 14 general acute care and 6 acute rehabilitation. These licensed bed counts, charity care policies, and other fundamental services would not change under the new structure.

2. Estimated cost of the project

Under the terms of the lease, Confluence Health will pay rent to the WVMC entity in an amount which is currently being determined by a third party fair market valuation expert. The parties are also incurring due diligence costs, including costs of real estate and other experts necessary to complete this lease transaction. In total, these transaction-related expenditures are estimated to be \$112,000.

3. Identification of the service area

For purposes of certificate of need review, the service of planning area is defined as the Chelan-Douglas Hospital Planning Area.

Lastly, you had asked if we had discussed this with other regulators. We did in fact begin our review of this overall affiliation with the Washington State Attorney General and the Federal Trade Commission. On or about February 2012 both agencies notified us that they had concluded their review of the matter and that they had no further questions and we were free to proceed. For more information on this, I suggest you contact Mr. David Kerwin with the AG's office. He can be reached at (206) 464-7030.

Thank you for your attention to this matter. If you have any questions, please contact me at (509) 663-8711. As you know we have identified Howard Thomas as our consultant for this application and Frank Fox is supporting him. Please feel free to contact these gentlemen, as you deem appropriate.

Enclosed is the check in the amount of \$34,457 for the certificate-of-need review fee for the forth-coming application.

Yours truly,



John Doyle,  
Chief Financial Officer, Wenatchee Valley Medical Center  
Chief Financial Officer, Confluence Health

Cc:

Mr. John Hamilton, Chief Executive Officer, Central Washington Hospital  
Peter Rutherford, MD  
Chairman and Chief Executive Officer, Wenatchee Valley Medical Center  
Chief Executive Officer, Confluence Health