



STATE OF WASHINGTON  
DEPARTMENT OF HEALTH

January 6, 2012

CERTIFIED MAIL # 7008 1300 0000 7202 9737

D. Andrew Slusser, SVP  
Acquisitions and Development  
Capella Healthcare  
501 Corporate Centre Drive, #200  
Franklin, Tennessee 37067

Re: CN12-07

Dear Mr. Slusser:

Enclosed is Certificate of Need #1461 issued to Valley Regional Hospital, LLC approving the lease of real estate from Snohomish County Public Hospital District, #1 Valley General Hospital, in Monroe.

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

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

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

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

Other Than By Mail  
Adjudicative Clerk Office  
310 Israel Road SE, Building 6  
Tumwater, WA 98501

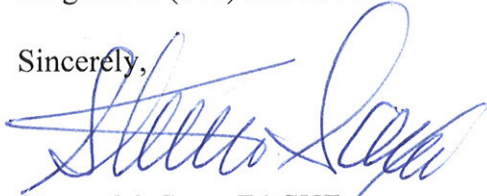


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Capella Healthcare  
January 6, 2012  
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We monitor projects until completed or the expiration date, whichever occurs last. We do this with quarterly progress reports. At least 30 days before the report's due date, you will receive a form to complete and return.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Steven M. Saxe". The signature is fluid and cursive, with a large initial "S" and "M".

Steven M. Saxe, FACHE  
Director, Health Professions and Facilities

Enclosure

cc: Linda Foss, Department of Health, Investigations and Inspections Office  
Karen Stricklett, Customer Service Office



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

**Certificate of Need #1461 is issued to:**

**Legal Name of Applicant:** Valley Regional Hospital, LLC  
**Address of Applicant:** Capella Healthcare  
Two Corporate Centre  
501 Corporate Centre Drive, #200  
Franklin, Tennessee 37067-2662  
**Type of Service:** Lease of an Acute Care Hospital  
**Facility Name:** Snohomish County Public Hospital District, #1  
Valley General Hospital  
**Facility Address:** 14701 – 179<sup>th</sup> Avenue Southeast  
Monroe, Washington 98272

**ISSUANCE OF THIS CERTIFICATE OF NEED IS BASED ON THE DEPARTMENT’S RECORD AND EVALUATION DATED DECEMBER 8, 2011 (App #12-07)**

**Project Description:**

This certificate approves the long-term lease of Valley General Hospital by Valley Regional Hospital, LLC. At project completion, the allocation of Valley General Hospital’s 72 beds is as follows:

Bed Type	# of Licensed Beds
General Medical/Surgical	32
Dedicated Chemical Dependency	26
Dedicated Geropsychiatric	14
<b>Total Number of Licensed Beds</b>	<b>72</b>

**Service Area**

Snohomish County and surrounding areas

**Conditions**

Conditions identified on page two

**Approved Capital Expenditure**

The approved capital expenditure is \$33,250,000

This Certificate authorizes commencement of the project from January 6, 2012 to January 6, 2014, unless extended, withdrawn, suspended, or revoked in accordance with applicable sections of the Certificate of Need law and regulations.

**Date Certificate Issued:** January 6, 2012

Steven Saxe  
Director, Health Professions and Facilities

**This Certificate is not transferable.**

## **CN #1261 Conditions**

1. Valley Regional Hospital, LLC agrees with the project description stated above.
2. Before issuance of a Certificate of Need, Valley Regional Hospital, LLC must provide documentation to demonstrate creation of the LLC.  
**Condition met 01/05/12 –KN**
3. Valley Regional Hospital will provide charity care in compliance with the charity care policies provided in this Certificate of Need application, or any subsequent policies reviewed and approved by the Department of Health. Valley General Hospital will use reasonable efforts to provide charity care in an amount comparable to or exceeding the average amount of charity care provided by hospitals in the Puget Sound Region. Currently, this amount is 4.41% for adjusted revenue. Valley General Hospital will maintain records documenting the amount of charity care it provides and demonstrating its compliance with its charity care policies.
4. Within 20 days of finalizing the lease of Valley General Hospital, Valley Regional Hospital, LLC will submit to the Certificate of Need Program for review and approval a final, executed Lease Agreement, including all finalized exhibits attached to the agreement. The executed Lease Agreement must be consistent with the draft agreement provided in the application.
5. Within 30 days of appointment of the Applicant Board, Board of Trustees, Chief of Staff, and Chief Executive Officer, Valley Regional Hospital, LLC will submit to the Certificate of Need Program the names and professional license number (if applicable) for each individual.