

April 24, 2026

Alicia Beymer, MBA, CPHRM, CPHQ
Chief Administrative Officer
PeaceHealth Sacred Heart RiverBend
333 RiverBend Drive
Springfield, OR 97477

Re: Oregon Network, LLC dba Timber Springs Behavioral Health Hospital – (CN #714)

Dear Ms. Beymer:

The program conducted additional analysis on the Timber Springs application and has the following questions:

Need Methodology (OAR 333-580-0040 / 333-615-0030)

1. The application proposes a flexible 96-bed hospital that will serve multiple populations. Please explain how the patient mix and flexible unit design will operate.
2. Please explain if there is a causal relationship between psychiatric bed supply and population-based utilization rates, including any supporting studies or regulatory guidance.
3. Please recalculate projected bed need under the alternative scenarios of no use-rate adjustment and a reduced adjustment (e.g., 25%).

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

4. Please quantify the extent to which the adjusted use rate reflects previously unmet demand, reclassification of existing cases, and new demand.
5. Please explain whether patients included in Emergency Department (ED) boarding, deflection, and out-migration data represent overlapping populations. If an overlap exists, please describe how duplication was removed to avoid overstating unmet need.
6. Please provide supporting evidence for projected in-migration, including historical referral patterns and documentation from referring providers. Quantify the percentage of total projected volume attributable to in-migration and explain how reliance on in-migration aligns with current Certificate of Need requirements focused on service area need.
7. Please provide evidence to justify the assumption of 80% stabilized occupancy, including comparison to existing facilities in TSA 3 and comparable psychiatric hospitals.
8. Of the patients included in ED boarding and deflection data, please identify the proportion that both met criteria for inpatient admission and could have been treated in a lower level of care.

Access (OAR 333-615-0025(1))

1. Please provide the projected payer mix (%) by category (Medicaid, Medicare, commercial, and uninsured) at stabilization.
2. Please quantify the expected reduction in ED boarding and patient deflections attributable to the proposed project.
3. Please provide the anticipated percentage of admissions that will be Medicaid beneficiaries and uninsured patients.

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

Financial Feasibility (OAR 333-580-0060)

1. Please provide sensitivity analyses for lower occupancy scenarios (65%, 70%, etc.), changes in payor mix, and reductions in reimbursement.
2. Please explain how financial performance could be affected if the anticipated in-migration does not occur.
3. Provide details on financial commitments from each partner, including contingency funding for sustained operating losses.
4. Please clarify the assumptions underlying revenue growth and expense inflation beyond the stated 2.5%.

Impact on Existing Providers (OAR 333-580-0050)

1. Please provide evidence to justify the assumption that existing providers' market shares will remain unchanged.
2. Please explain how capturing a significant share of regional demand will not adversely affect smaller providers.
3. Please describe any coordination efforts with existing providers and how the proposal will mitigate potential negative impacts on these providers.

Quality (OAR 333-615-0050)

1. Explain how quality outcomes at the proposed facility will differ from or improve upon existing providers.
2. Please provide detailed operational protocols for flexing beds between adult and adolescent populations, including the physical separation requirements and any staffing adjustments.

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

3. Describe the specific safeguards that ensure adolescents are never co-mingled with adults, particularly during periods of fluctuating census.
4. Please specify the types of patients the facility will and will not serve, including involuntary/civil commitment patients, forensic (“aid and assist”) patients, and high-acuity or violent patients.
5. Please provide the projected patient mix by acuity level and primary diagnosis categories.

Economic Evaluation (OAR 333-580-0060)

1. The application states that outpatient visits are anticipated to increase from 3,233 in Year 1 to 9,433 by Year 3, based on Lifepoint experience. Please explain the operational assumptions that lead to that increase, including startup timing, staffing, program capacity, referral build, and whether management expects a phased rollout of PHP/IOP services.
2. Please reconcile why Year 1 inpatient revenue represents a higher share of total revenue than in later years, including the effect of the 45-day billing-number delay, startup timing of outpatient programs, and any Year 1 payer-mix differences.
3. Please provide details regarding what specific outpatient services will be provided, including the scope of PHP and IOP services and any other outpatient behavioral health programs.
4. The table on PDF page 97 states that Year 1 figures include all pre-open operating expenses, but overall expenses are lower than years 2 through 4. Operating expenses in 2030 are expected to increase by almost 27% from 2029 to 2030. We also note that total operating expenses are approximately 79% of total gross revenue in 2029, compared to around 54%–57% in 2030–2033. What are the pre-open expenses estimated at, what do they include, and why are 2029 revenue and expenses lower than 2030–2033 if Year 1 includes pre-open expenses and

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

the facility should be open for most of 2029?

5. The projected income statement on PDF page 97 labels the line item as “Taxes, Except Income.” Should this instead be “Taxes, Except Insurance,” based on the assumption description on PDF page 67?
6. Please identify exactly what coverages are included in the insurance line, including malpractice/professional liability, general liability, property, cyber, D&O, and excess coverage, and explain why total insurance expense is projected at approximately 0.3%–0.4% of gross revenue.
7. Taxes as a percentage of gross revenue appear low given that the line is said to include property taxes, provider taxes, and sales taxes. What provider tax assumption is embedded in the model, including the basis, rate, and revenue base? What sales taxes are included?
8. Who will be the lessor for the facility and the land, and have the lease arrangements been finalized or memorialized in a signed agreement? Please also explain how the 8.5% facility cap rate and 6.0% land cap rate were determined, including any market support or third-party benchmarking used.
9. Please provide the form, amount, and terms of member support referenced in the application, including whether the commitment is binding and whether support would be provided as equity, subordinated debt, guarantees, or other funding.
10. Please clarify the accounting and reporting treatment of the lease-based arrangement. Who will hold legal title to the land and building, and which entity will recognize the related assets and liabilities in its financial statements? Have management and tax advisors evaluated the GAAP, tax, lease-classification, and consolidation implications of the arrangement?
11. The “sources-and-uses” schedule reflects the lease as a funding source. Please clarify the legal structure of the arrangement, including which entity will own the land and building, which entity will serve as lessor to Oregon Network, LLC,

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

whether the developer/lessor is a separate legal entity from Timber Springs, and whether the lease agreements have been finalized or executed.

12. The application assumes a \$9.3 million working-capital line of credit at 7.5% to fund startup losses. Please provide the basis for this assumption, including lender discussions, expected borrower, guarantor, collateral, and likelihood of obtaining the facility on the assumed terms.
13. Why does the balance sheet show no accrued compensation or payroll liabilities at year-end?
14. What is included in Other Assets of \$6,225,000? Why does that amount remain unchanged year after year?
15. OAR 333-615-0040 requires a complete description of all alternatives to inpatient psychiatric treatment in the HSA, including provider name, service type, address, and, where relevant, bed capacity, occupancy, and utilization averages for the past five years. The application provides summary-level discussion and OHA report tables, but it also states that it does not currently have the level of provider-specific detail requested by the review criteria. Please provide a complete provider-by-provider inventory of alternatives in TSA 3, including at minimum: provider name, location, service type, licensed and operating capacity, average occupancy, utilization trends for the past five years if available, populations served, payer and access limitations, referral constraints, and whether the service functions as a true substitute for acute inpatient psychiatric hospitalization. Please also explain how this inventory supports the conclusion that a 96-bed freestanding psychiatric hospital is the smallest feasible and most cost-effective solution rather than further reliance on, or expansion of, existing alternatives.
16. The application identifies the other TSA 3 inpatient psychiatric providers as Bay Area Hospital (13 adult beds) and Mercy Medical Center (12 adult beds), but states that the applicant is not familiar with their unit configurations and cannot determine whether their current utilization is constrained by space, staffing, room configuration, or programming. The application then assumes those providers'

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn

market share and in-migration remain constant. Please provide a more complete analysis of the proposed project's expected impact on Mercy Medical Center and Bay Area Hospital, including projected changes in referrals, admissions, market share, occupancy, payer mix, staffing competition, and financial performance under best-case and worst-case scenarios. Please also explain why it is reasonable to assume no material adverse impact on these existing providers' ability to maintain current psychiatric services and quality of care.

Please provide complete responses and any supplemental materials. If you have any questions regarding any item or require clarification, please contact the Certificate of Need program.

Sincerely,



Matt Gilman
Certificate of Need Program Manager

CC: Andre Ourso – OHA
Dana Selover – OHA
Andrea (Ondie) Ogston – Oregon DOJ
Jody Carona – Health Facilities Planning and Development

800 NE Oregon St., Suite 465 Portland, OR, 97232

Voice: 971-673-0540 | Fax: 971-673-0556

All relay calls accepted | healthoregon.org/cn