

July 25, 2019

Ron Escarda
UHS of Delaware, Inc.
367 South Gulph Road
King of Prussia, PA 19406-0958

Re: NEWCO Oregon, Inc. (CN #682) – Application Completeness

Dear Mr. Escarda:

The program has made an initial review of the Certificate of Need (CN) application that NEWCO has submitted for a proposed 100 bed psychiatric facility to be located in Wilsonville, Oregon. The program has determined that the application is incomplete or requires an explanation in the following areas:

1. On page 39 of the application, you state that you have met with healthcare organizations in the Service Area. With the exception of Providence St. Vincent, which refers to an agreement with Cedar Hills Hospital, have you met with any providers of inpatient psychiatric care? Please identify the organizations that you have met with.
2. The applicant has stated that in 2018, their existing facility as Cedar Hills “deflected” 180 referrals a month; and for the first five months of 2019, “deflected” 337 referrals a month. The applicant needs to supply further information regarding these deflections - including source of referral or location of client at time of referral (such as ED or jail), potential payor, age if available, reason for deflection, and disposition of referral if not admitted to Cedar Hills.
3. The Inpatient Medical Exclusionary Criteria policy reflects if seclusion restraint was required in referring agency, patient must have demonstrated at least six hours free of seclusion restraint prior to transfer.

Please describe how this policy is inclusive of the needs of the patient population being served.

4. Oregon Certificate of Need rules do not account for out of state migration effects. Please amend the application to reflect this.
5. On page 271 of the application, you state that you have partnered with local physicians in the ownership of certain facilities. Will the proposed facility have similar partnerships?
6. On page 283 of the application, you state the “real property ownership interest” is owned, however, endnote #8 (page 290) states that the property for Cedar Hills Hospital is leased. Please comment on what, if any, impact this will have on Willamette Valley Behavioral Health (WVBH).
7. CN-5 - Outpatient revenue is growing at a slower rate than inpatient and other revenues. As the national trend is growth in outpatient services, please comment why WVBH expects inpatient revenues to grow faster than outpatient services.
8. CN-5 – Other expenses include utilities and plant maintenance. Total expenses in this category do not increase although volumes will increase dramatically over time. Please comment on the expectation that other expenses will not change regardless of inpatient volumes.
9. CN-5 – Income Statement shows contractual adjustments of 54% for all future years except 2022, which is 36%. Why would 2022 have a substantially better collection rate than future years? Generally, the expectation is that contractual adjustments would stay consistent over the years. Please comment.
10. CN-6 - Balance Sheet – Consideration of ratios on company profitability. As the Balance Sheet was not completed due to consolidation, it would be helpful to see liquidity ratios and debts ratios on CN-9 based on the consolidated balance sheet to provide a complete picture of the ratios required. Please include this information.
11. CN-6 - Balance Sheet – Regarding cash flow impact of \$48M financed for construction on the consolidated company. Please comment on other

expansion and/or construction projects that also necessitate cash flow in the next 6 months, as the application included consolidated statements.

12. CN-6 - No Balance Sheet is provided as numbers are consolidated – please comment on commitments/construction/project needs of UHS over the next 12 months that would impact cash flow of the consolidated organization.
13. Many of the tables and references apply to Cedar Hills and operations at Cedar Hills. Please provide 3 years of financial statements (income statement) for Cedar Hills.
14. Table 8 (Page 26) Inpatient Bed Need Summary by Age Group – How is the target bed ratio of 32.5 calculated? Page 25 indicates that it came from 2016 data from northwestern states, including Oregon, Alaska, Idaho, Washington and Montana on the SAMHSA website. We could not recalculate this number; Please provide detail. Please also comment why the West Coast data was not used (which included Nevada and California) and why the 2017 report was not utilized?
15. Table 30 (Page 88) Occupancy Rates at Adult Psychiatric Inpatient Providers, Clackamas and Washington Counties, 2017 – Providence reflects an occupancy rate of 65.9%, wouldn't that indicate that there is capacity at Providence St. Vincent? Please comment.
16. Table P (Page 431) Service Area, Net Acute Care, Inpatient Bed Need, 5-year (2024) and 10-Year (2029) projections – Table shows a 357-bed surplus. Shouldn't these surplus beds be considered available for psychiatric care and indicate that the bed shortage calculated by WVBH is overstated? Please comment.
17. Table 8 (Page 26) Inpatient Bed Need – In various tables, WVBH considered only two service areas for its Adult Bed Need. For adolescents, the bed need and growth in bed need is modest. For geriatrics, the anticipated bed need and growth is nearly 70% over a 10-year period from 2019 to 2029. Please comment why the bed need should not be for the entire 3 service areas for all age groups and why it is reasonable to expect the need for geriatric beds to increase so

dramatically, when the growth the last few years has not led to an increase in bed need.

18. Table 8 (Page 26) and other tables involving Bed Need – Was consideration of Tuality Hospital reopening their geriatric facility considered in the calculations? Please indicate how those 22 beds were considered in the bed need. If not, please comment on impact.
19. Table 12 (Page 47) and throughout application – Length of Stay (LOS) at Cedar Hills has decreased from 11.2 to 10.57 over the last few years. Can you comment on the decrease? Was the overall trend for decreased length of stay considered in these calculations?
20. Table 12 (and other tables throughout Application,) Page 47 – Future needs is projected on LOS of 10.57. As described above, Cedar Hills has seen a decline in LOS from 11.2. Why is it not reasonable to expect a further decrease in LOS in the future for WVBH’s inpatient volumes over the next 10 years?
21. Page 49, Payer Mix Projection – Medicaid is estimated to be 12.8% of Gross Revenues. What data or assurances are there to support the increase in Medicaid over Cedar Hills (Table 10) of 8.7%?
22. Table 14 (page 52) WVBH Selected Financial Statistics, Revised (Gross Revenue per Patient Day) – Please comment why the gross revenue per patient day on this table is approximately \$2,522, while the table Figure 5 (Page 33) for the UHS Fairfax WA facilities that list Washington Per Diem Charges are around \$2,800. Does WVBH expect to charge at a lower rate than its Washington Facilities?
23. Table 37 (Page 94) – Table shows that Cedar Hills only has 44% of its patients’ volumes coming from the three service areas. Does this indicate there is a shortage in the three service areas or in other parts of Oregon or other states? Please comment on the need calculated in this application contrasted with the flat (or slightly declining) volumes from the three service areas at Cedar Hills.
24. The 10-K Annual Report in Appendix 9, Page 292, indicates several investigations into UHS practices, including several DOJ investigations. In

addition, there have been news articles in various publications related to patient concerns that have been raised at several UHS facilities. Please comment on steps and processes UHS has taken to address these serious allegations.

25. Page 8 of the application states UHS has “successfully operated Cedar Hills Hospital in Washington County”. However, Cedar Hills Hospital has had significant compliance issues in 2018 and 2019. Cedar Hills Hospital is currently in the process of returning to compliance following the most recent investigations. In addition, HCRQI substantiated complaints or compliance issues at this facility in May and August 2011, November 2012, June 2016, and December 2017. Please explain how WBHS will be managed differently to make it successful.
26. Page 35, OAR 333-580-0050 – Please provide information regarding sufficient, qualified personnel, adequate land, and adequate financing being available to develop and support the proposed project?
27. The Wilsonville site is within the Planned Development Industrial – Regionally Significant Industrial Area zone and has been submitted for zoning review. Please comment on whether or not there has been a determination that the project will meet the mandatory industrial zoning requirements for the significant area?
28. OAR 333-580-0300(5) requires the applicant to demonstrate to the Division that a proposal is approvable. The application considers alternative means of providing additional services at the existing Cedar Hills Hospital. Please provide information about what other alternatives were discussed.
29. UHS has purchased three tax lots that combine to make 8.7 acres at 9500 SW Day Road. Application includes comment about parking being required per zoning requirements, yet the development depicted on drawing L100 leaves minimal potential for future expansion of either building or parking. Please provide additional information regarding how the requirement related to OAR 333-580-0050(2) will be met.
30. Excluding the adolescent wing, there are 84 beds assigned for adult and older adults. OAR 333-535-0061(4) requires noisy and quiet social activity

spaces to totaling 40 square feet per patient. This would calculate as $84 \times 40 = 3,360$ square feet required. Our review of the plans noted that only 3,064 square feet of activity space was provided for the adults. Please comment on how this space will meet the requirements set forth in the OAR above.

31. Per OAR 333-535-0061(5)(I)(C), patient therapy spaces are required to be 300 square feet minimum. Based upon review of plans submitted, therapy spaces are below this minimum. Please describe how WVBH will comply with this rule.
32. Per OAR 333-535-0061(8)(a), child and adolescent psychiatric units require additional space to accommodate family and other caregivers. The current adolescent wing makes no accommodation for this rule. Please describe how WVBH will comply with this rule.
33. A “timeout room” was not found within the adolescent wing as required in OAR 333-535-0061(8)(b). Please provide information that demonstrates how compliance with this rule will be achieved.
34. OAR 333-535-0061(8)(d) requires visual separation of outdoor activity areas of adolescent and adult patients. Drawings submitted do not elaborate on how visual separation will be provided. Please comment on how this requirement will be achieved.
35. Because the terms geropsychiatric patients and “older adults” are used interchangeably within the application, it is uncertain if OAR 333-535-0061(9) Geriatric, Alzheimer and Other Dementia Units will need to be reviewed. Please clarify.
36. Per OAR 333-535-0035(2)(a), at least one Airborne Infection Isolation (A.I.I.) room is required for a patient care unit. An A.I.I. room was not found on the drawings. Please demonstrate how compliance with this requirement will be achieved at WVBH.
37. Page 9 provides a listing of nine Outpatient programs to be provided and the Outpatient Clinical Care Plan lays out a multidisciplinary approach to those services. The floor plan provided includes only 892 square feet dedicated to outpatient treatment. Please provide additional information

on how program, patient, and staff spatial need will be meet within this limited area.

38. The Cedar Hills Hospital's policies and procedures related to discharge included in the application materials do not reflect the standards of current hospital discharge laws and rules. Please describe how WVBH will meet current standards.

Please contact me if you have any questions regarding this letter or review of your application. Receipt of the information outlined in this letter is required before the program can rule on the completeness of your application.

We appreciate your continued cooperation.

Sincerely,



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