

**WAC 246-312-050 Criteria the department will use for review.**

(1) Chapter 70.45 RCW states that the department may not approve an application unless, at a minimum, it determines that:

(a) The acquisition is permitted under chapter 24.03 RCW, the Washington Nonprofit Corporation Act, and other laws governing nonprofit entities, trusts, or charities;

(b) The nonprofit corporation that owns the hospital being acquired has exercised due diligence in authorizing the acquisition, selecting the acquiring person, and negotiating the terms and conditions of the acquisition;

(c) The procedures used by the nonprofit corporation's board of trustees and officers in making its decision fulfilled their fiduciary duties, that the board and officers were sufficiently informed about the proposed acquisition and possible alternatives, and that they used appropriate expert assistance;

(d) There is no conflict of interest related to the acquisition, including, but not limited to, board members and executives of, and experts retained by, the nonprofit corporation, acquiring person, or other parties to the acquisition;

(e) The nonprofit corporation will receive fair market value for its assets. The attorney general or the department may employ reasonably necessary expert assistance in making this determination. The acquiring person is responsible for any cost of this expert assistance, in addition to the fees charged under WAC 246-312-990;

(f) If the acquisition is financed in part by the nonprofit corporation, that charitable funds will not be placed at unreasonable risk;

(g) Any management contract under the acquisition is for fair market value;

(h) The proceeds from the acquisition will be controlled as charitable funds independently of the acquiring person or parties to the acquisition, and will be used for charitable health purposes consistent with the nonprofit corporation's original purpose. Charitable health purposes include providing health care to the disadvantaged, the uninsured, and the underinsured, and providing benefits to promote improved health in the affected community;

(i) The charitable entity established to hold the proceeds of the acquisition will be broadly based in, and representative of, the community where the hospital to be acquired is located, taking into consideration the structure and governance of such entity; and

(j) If the hospital is subsequently sold to, acquired by, or merged with another entity that a right of first refusal to repurchase the assets by a successor nonprofit corporation or foundation has been retained.

(2) Based on chapter 70.45 RCW, the department shall not approve an application unless, at a minimum, it determines that:

(a) If the acquisition results in a reduction or elimination of particular health services, that sufficient safeguards are included to assure the affected community has continued access to affordable care, and that alternative sources of care are available in the community;

(b) Hospital privileges will not be revoked;

(c) Sufficient safeguards are included to maintain appropriate capacity for health science research and health care provider education;

(d) The parties to the acquisition are committed to providing health care to the disadvantaged, the uninsured, and the underinsured

and to providing benefits to promote improved health in the affected community; and

(e) Sufficient safeguards are included to avoid conflict of interest in patient referral.

(3) The department may only approve an acquisition if it also determines that the acquisition will not detrimentally affect the continued existence of accessible, affordable health care that is responsive to the needs of the community where the hospital being acquired is located.

[Statutory Authority: Chapter 70.45 RCW and RCW 70.44.007. WSR 98-14-056, § 246-312-050, filed 6/26/98, effective 7/27/98.]