



Washington Health Strategic Pulse Check

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Prepared for

Client Identifiers Removed

Prepared by

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1. Executive summary

Washington Health is a faith-based, nonprofit, integrated health system serving more than 100 communities on the West Coast. Washington Health operates twenty hospitals and hundreds of clinics offering primary and specialty services. Washington's hospital network presents a clear opportunity for portfolio optimization, with select facilities such as Rainier, Tahoma Valley, and St. Helens operating below capacity, while others—including Emmons Memorial and Puyallup—are approaching saturation. To position the organization for the future, SJ Healthcare Advisory seeks to collaborate on a Clinical Delivery System Plan

for Washington Health which aims to address projected clinical facility gaps and support the continued growth of the enterprise.

2. Problem statement

Health systems are facing intensifying financial pressure in 2025, driven by a combination of systemic challenges and policy shifts. In addition to rising labor and supply costs, hospitals must deal with inadequate reimbursement and headwinds from government payors. This financial pressure is forcing health systems to evaluate their facility portfolio and make decisions to help sustain the organization into the future.

Compounding the financial pressure, populations are growing at a robust rate in certain markets and middling or declining in others. On top of this, health systems are also experiencing a surge in volume from older generations. To address this challenge, many health systems move from project to project plugging capacity gaps *without an overarching plan in place to address their facility portfolio challenges*. Without a plan in place, health systems encounter risk across the enterprise, including:

- **Opinions driving projects, not data.** In the absence of hard data on facility condition and utilization, projects will be commissioned on anecdotes and perspectives, which will likely not stand up to leadership and/or board approval.
- **Missed growth opportunities.** Over the next decade, select services such as infusion therapy will grow more than 40%+ while others are expected to contract, such as OB deliveries. Health systems that do not proactively plan facility capacity are less likely to capture strategic growth.
- **Confusion for staff and providers.** Without common standards and metrics for utilization of space, providers and staff will be confused why one capital project may be prioritized over another. This can create distrust between the patient care workforce and administration.
- **Unplanned downtime.** Getting behind on capital replacement can cost organizations millions in lost revenue due to unplanned downtime.

3. Proposed solution

A Clinical Delivery System Plan will establish a single source of truth for Washington Health's current facility portfolio and future consolidation and investment priorities. The plan will be data-driven with input from leadership, operations, medical group, strategic planning, finance, facilities and other departments to ensure all necessary perspectives are considered and balanced using a mutually agreed set of criteria. The finished product will provide a comprehensive assessment of the current state facility portfolio along with a year-by-year roadmap for facility priorities across the care delivery system.

4. About SJ healthcare advisory

SJ Healthcare Advisory partners with health systems around the world to turn strategy into action. We help clients navigate complex challenges from aging infrastructure, evolving care models and capital constraints by combining data analytics, strategic insight, and integrated design.

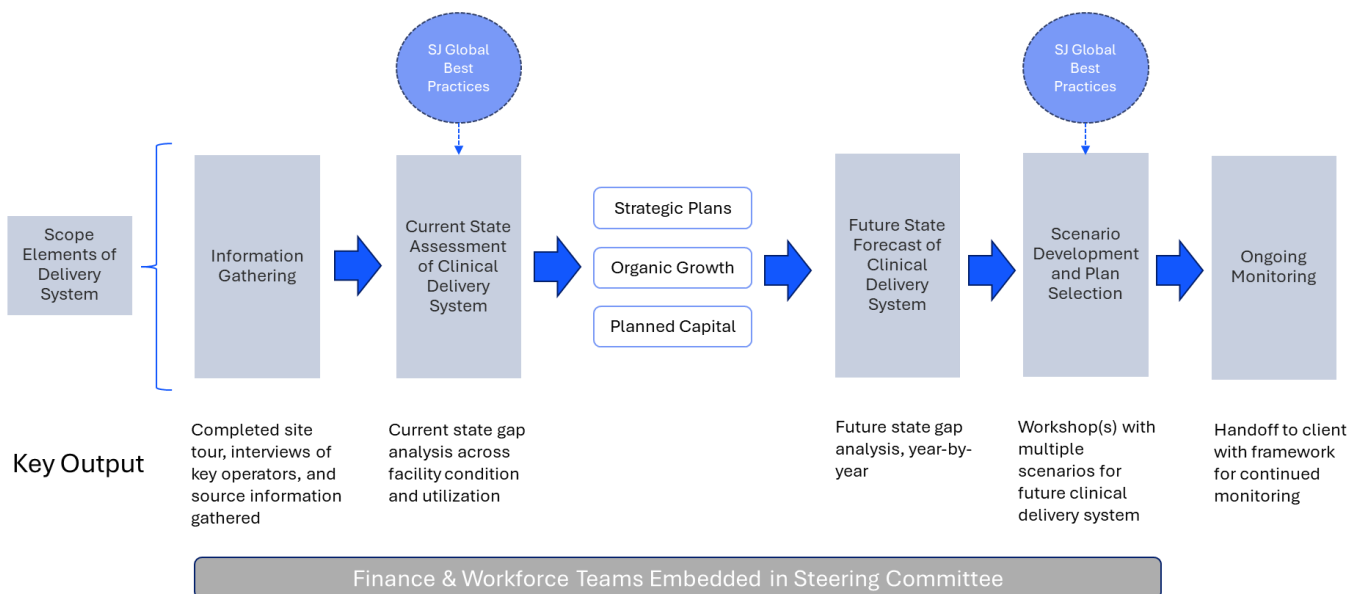
In today's complex healthcare landscape, SJ serves as your trusted advisor in strategic facility planning needs. Our healthcare clients range from small health systems to complex, multi-state hospital networks in both the private and public sectors. SJ's unique market capability lies in our **end-to-end project lifecycle**

solutions that leverage our **in-house data analytics, finance, design, architecture and engineering teams** every step of the planning journey. By taking a multi-disciplinary approach, we ensure every aspect of a facility strategy is considered.

5. Project approach

To develop a Clinical Delivery System Plan, we follow a sequential process that builds from one step to the next to ensure the planning work aligns with leadership expectations along the way. Once scoped, the project begins by gathering facility and utilization data to inform the current state assessment. Our team will then apply global expertise on healthcare facility operations to ensure elements such as facility condition and throughput align with industry best practice. The current state assessment is summarized in the first client deliverable, a gap analysis showing capacity challenges and opportunities across the system.

Once the current state gap analysis is reviewed and approved, future predictions will be established based on multiple sources including the organization's own strategic and capital plans as well as industry sources for organic growth. The forecasted demand for clinical services is then translated into multiple Clinical Delivery System scenarios based on client feedback and SJ's experience in other markets. A workshop or series of workshops will then follow to select a preferred plan, which is documented in a comprehensive final deliverable to be used by the client for annual and long-range planning and continuous monitoring.



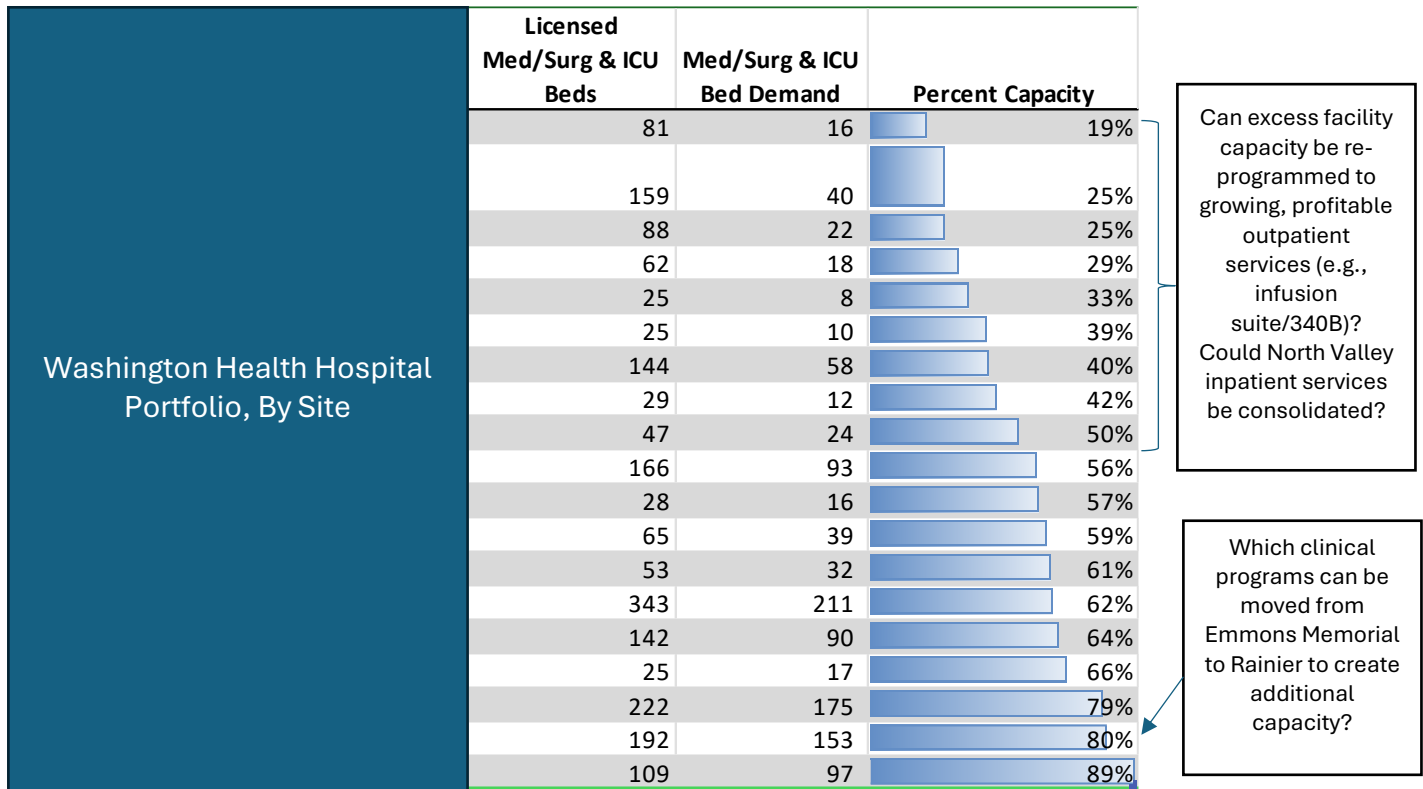
6. Inpatient capacity preview, Washington Health

Analysis of inpatient utilization data reveals that several Washington Health hospitals are operating at or below 50% of their licensed bed capacity. While licensed beds do not directly reflect staffed beds, this metric serves as a directional indicator of how effectively clinical infrastructure is being leveraged across the system.

Conversely, three of Washington Health's larger hospitals—Puyallup, Emmons Memorial, and North Valley—are operating near 90% of their licensed inpatient bed capacity. This suggests that certain units

within these facilities may be consistently at or near full utilization, warranting a deeper operational review to assess potential constraints and inform future capacity planning.

Washington Health Hospital Sites – Inpatient Bed Supply & Demand



7. Operating room capacity preview, Washington Health

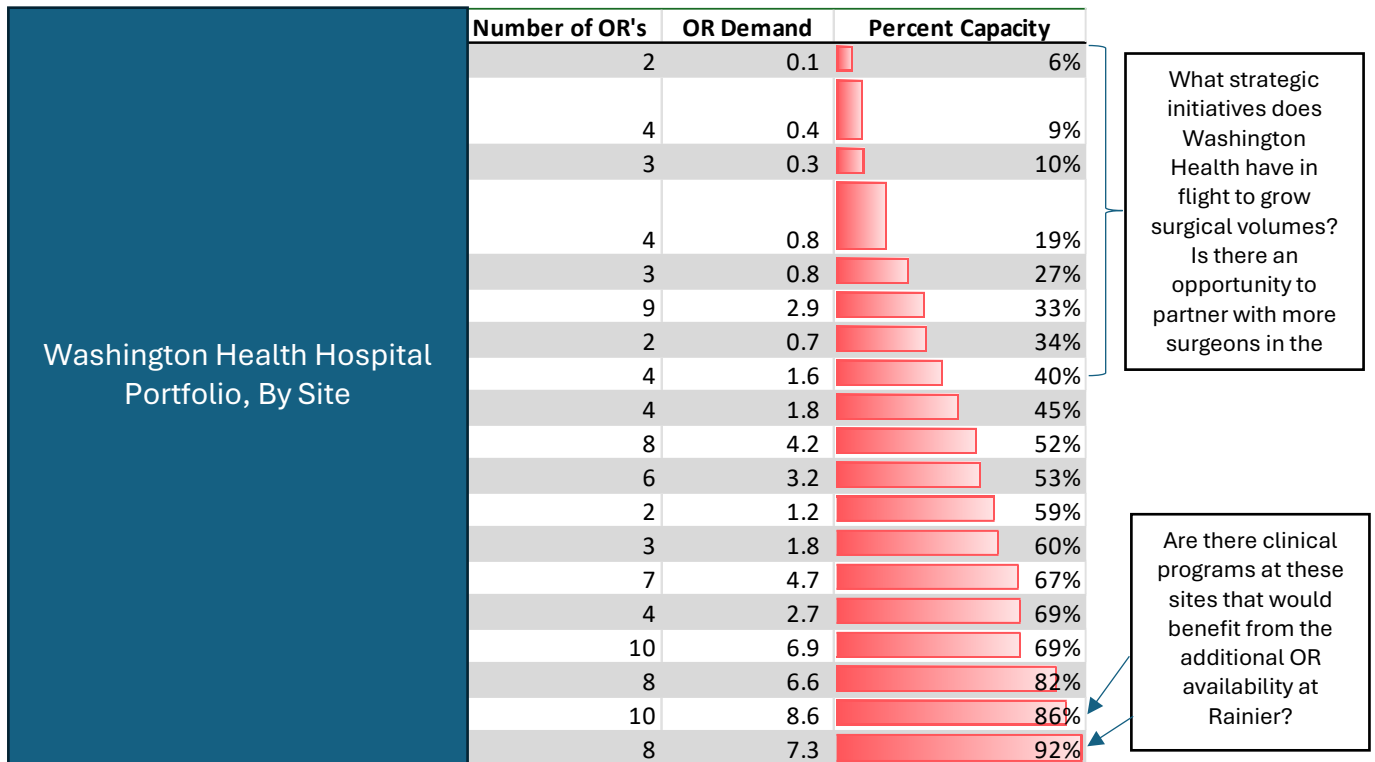
Beyond inpatient beds, evaluating key ancillary services—such as operating rooms—is critical to understanding overall campus utilization. Publicly available data on surgical capacity indicates that nine Washington Health hospitals are operating below 50% of their OR capacity. Notably, the Rainier campus appears to have surplus capacity equivalent to more than three additional operating rooms.^{1,2}

Three Washington Health facilities—Puyallup, Emmons Memorial, and Southdale—are approaching peak operating room capacity. To alleviate pressure and avoid costly capital investments, Washington Health could consider redirecting surgical volume to the underutilized Rainier campus. Given that surgical services are a key revenue driver for hospitals, expanding surgical throughput is essential for meeting financial targets and sustaining long-term fiscal health. Without adequate OR capacity, hospitals may face challenges in recruiting new surgeons and risk a shift toward a higher medicine mix, which could impact both clinical and financial performance.

¹ Assessment is not inclusive of Ambulatory Surgery Center sites of care

² Assumes 260 working days per year, 10 hours per day Monday – Friday, and 30-minute turnaround time. Surgical minutes utilized from HCAI data for Fiscal Year 2023

Washington Health Hospital Sites – OR Supply & Demand Projection

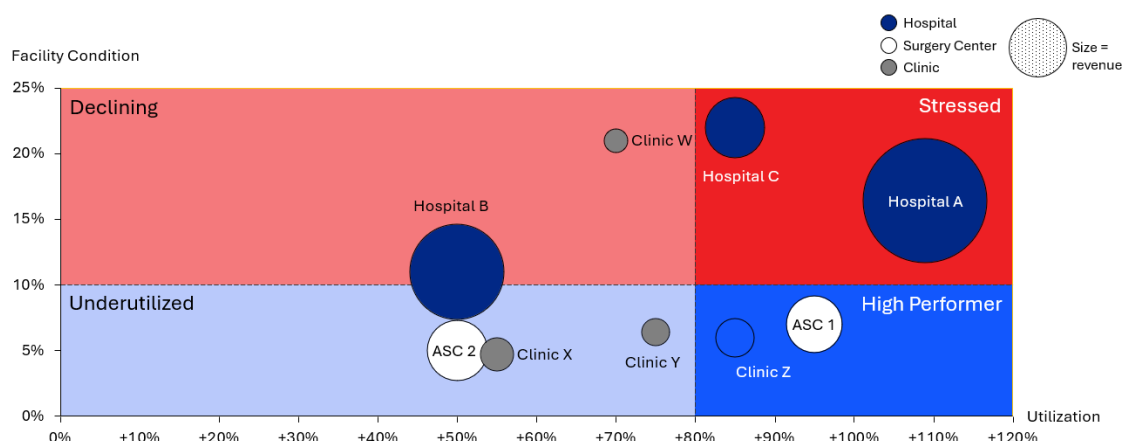


A more rigorous review of Washington Health’s facility portfolio will be needed using the organization’s own, encounter-level data before hard conclusions can be reached. Additionally, the scope should be expanded beyond inpatient beds and operating rooms to include procedure rooms (e.g., cardiac), high-end imaging, infusion, clinics, etc. to provide a holistic view of the assets within the organization.

8. SJ Facility Index™

In addition to utilization, it is equally important to consider the condition of existing facilities within a health system. This will ensure that capital gets replaced/renovated at the right time and impact on the existing operation is minimized. It also keeps healthcare systems nimble, so when growth projects are developed, they are not burdened by expensive fixes to the existing infrastructure.

By combining the utilization and condition of healthcare assets, along with revenue, the SJ Facility Index™ creates a simple visual to prioritize investments across a health system’s portfolio. A client example is provided below:



9. SJ healthcare advisory services team

Our team welcomes the opportunity to discuss this evaluation with you. Please contact us for next steps on how we can add value to the Washington Health organization.



Thomas Quigley, AIA

Global Head of Healthcare
New York, NY
30+ Years in Industry

→ Thomas' experience spans complex healthcare projects across the U.S., Europe, and Asia, with a strong focus on academic medical centers and strategic capital planning.

→ In the U.S., he has directed major healthcare projects including the UPMC Mercy Vision Institute in Pittsburgh, the Grady Correll Pavilion in Atlanta, and the award-winning Cedars-Sinai Advanced Health Sciences Pavilion in California.

→ His leadership on nationally recognized projects such as the Penn Medicine Princeton Medical Center and the Washington University Medical Center Campus Renewal exemplifies his expertise in delivering transformative outcomes in healthcare environments.



Christy Lindsey, MBA

Head of Healthcare Advisory
Los Angeles, CA
20+ Years in Industry

→ Christy is a seasoned healthcare executive with expertise in aligning capital, operations, and facilities with system-wide transformation goals.

→ Her experience extends to capital planning and healthcare infrastructure, having led over \$3 billion in annual investments across hospital campuses, medical office buildings, and enterprise facility portfolios for a leading 40-hospital, integrated not-for-profit health system

→ Christy has led region-wide strategic initiatives and operational transformation for a \$5 billion not-for-profit health system, aligning clinical, financial, and real estate strategies to improve performance, efficiency, and long-term system value.



Tim Patmont, MHA

Head of Strategy & Finance
Seattle, WA
15+ Years in Industry

→ Tim is a healthcare strategist and finance leader with over a decade of experience guiding major facility, service line, and capital planning initiatives for leading academic and integrated health systems.

→ He led strategy development for a \$1.74B acute care tower for an academic medical center. He directed multiple \$100M+ outpatient medical office building expansions.

→ Tim's background in health system strategy and finance enables a disciplined, data-driven approach to aligning infrastructure investments with long-term growth objectives and evolving clinical priorities.