REQUEST FOR PROPOSAL

Cascade Valley Hospital & Clinics, Island Hospital,
Skagit Regional Health

Providence / Swedish Western Washington Region Response
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Executive Summary

Swedish Health Services ("Swedish") and Providence Health and Services appreciates the opportunity to respond to your Request for Proposal and would welcome the opportunity to work with Cascade Valley Hospital & Clinic, Island Hospital, and Skagit Regional Health to develop a formal regional affiliation.

We believe there is an unprecedented opportunity to improve quality, safely reduce costs, and increase access to health care in Western Washington. In 2012, we formed a unique affiliation in order to expand our organizations’ ability to work together, and dramatically improve health care.

Our belief is that health care reform is not just about access and payment. It is about the patient and how care needs to be delivered in the future. The reimbursement models being proposed will shift the risk from the financiers of care to the providers of care, which is why we need to transform our care delivery model. We need to recognize innovation’s value deployed over size and scale, using technology to expand the scope and access of services delivered, developing new primary care models, and forming accountable care organizations. Most importantly, we must demonstrate an unwavering passion for improving quality and safety, reducing costs, and reinvesting in care.

In this document, the term Western Washington Region will be used to refer to both the Swedish and Providence organizations serving the communities of Western Washington. We have outlined several options/models for affiliating within Western Washington Region. These models include Management Services Agreement, Long-Term Lease Arrangement, and a Programmatic Affiliation. Each of the affiliation models is explained in more detail within the document.

Our philosophy in developing a regional system is centered on how we work with you to appropriately provide care for patients/family close to home. When care is needed at one of our tertiary facilities, we will insure a seamless transition in the care continuum to provide that treatment, and return the patient back to their community for follow-on care.

We believe that Western Washington Region is the ideal tertiary and quaternary partner for the Interlocals. The relationship is a strong cultural fit in that we have similar missions to serve the community. We have a shared commitment to reforming health care delivery, and long standing commitments to charity care and the underserved. We have a proven track record in our existing relationships with you, and a comprehensive scope of tertiary and quaternary services which will support you in providing coordinated care for your communities. In short, we want to be your partner and are ready, willing and able to deliver.

It is always difficult in a written proposal to address in a comprehensive manner every question you may have. We would welcome the opportunity to meet in person to further a dialogue as to what a regional relationship could evolve into.

Thank you for the opportunity.
A - Strategic Vision for the Interlocals

SWEDISH HEALTH SERVICES

Swedish Health Services was founded by Dr. Nils A. Johanson and a group of fellow Swedish-Americans in 1910. When Dr. Johanson arrived from Denver in 1907, a new type of hospital was developing; hospitals established by doctors emphasizing new methods of treatment and care. Over the next three decades Dr. Johanson expanded Swedish Hospital by hiring specialists, establishing a nursing school and the Tumor Institute (now called the Swedish Cancer Institute), and utilizing the latest treatment advances. Today, the organization has evolved into Swedish Health Services, and has grown from a 24-bed hospital in a converted apartment building to a $2 billion multi-location system with more than 1,400 beds and multiple specialty programs in King and Snohomish counties. Dr. Johanson’s legacy of seeking out expert doctors, instituting the latest medical techniques, and emphasizing continuing education can still be felt throughout the organization today.

**Mission**
Improve the health and well-being of each person we serve.

**Vision**
Demonstrate the highest-quality, best-value health care to all we serve.

**Values**
- Patient-centered care
- Respect, caring and compassion
- Teamwork and partnership
- Continuous learning and improvement
- Leadership

PROVIDENCE HEALTH & SERVICES

Providence Health & Services was established by the Sisters of Providence, a community of Catholic sisters founded in Montreal, Quebec. In 1856, Mother Joseph and four sisters came to Vancouver, Washington (then Washington Territory) to serve the native people and settlers. In 1858, they founded St. Joseph Hospital, the Pacific Northwest's first permanent hospital (now Southwest Washington Medical Center). In 1859, the sisters incorporated their ministries within the Territory of Washington, and Providence Health & Services continues today as one of the oldest corporations in the state. The sisters went on to establish numerous orphanages, schools, and hospitals in Washington, Montana, Oregon, Alaska, British Columbia, and California. Providence and its employees proudly share this heritage. Today, Providence Health & Services is the largest health care system in Washington State.

**Mission**
As People of Providence we reveal God’s love for all, especially the poor and vulnerable, through our compassionate service.

**Vision**
Together, we answer the call of every person we serve: Know me, care for me, ease my way™

**Values**
- Justice
- Excellence
- Respect
- Compassion
- Stewardship
A Shared Vision Becomes the Foundation for a Unique Affiliation

On February 1, 2012, Providence Health & Services (PH&S) and Swedish Health Services entered into a unique affiliation, joining Swedish and PH&S as a five-state integrated health-care system. The affiliation structure allows each organization to retain its individual identity, brand and heritage; and commits that Swedish remains a non-religious, community-sponsored organization, while PH&S continues as a Catholic-sponsored ministry. Through this affiliation, Swedish and PH&S are united financially both in access to capital and management of debt – a creative approach to anticipating future demand for health-care services in our region and the challenges of providing it.

EXPANDING THE VISION TO THE NORTH SOUND

The health care environment is undergoing a fundamental transformation, and together Swedish and Providence are in a leadership position. We believe there is an unprecedented opportunity to improve quality, safely reduce costs, and increase access to health care in Western Washington. In 2012, we formed a unique affiliation in order to expand our organizations’ ability to work together, while at the same time maintaining our individual identities, proud heritages, and strong ties to our communities. Together, Swedish and Providence’s operations based in Everett, Olympia, and Centralia are organized under an aligned leadership structure as Providence Health & Services – Western Washington Region. Western Washington Region is the only health system serving the contiguous Western Washington geography. Appendix A depicts our major facilities and combined operations.

Throughout the remainder of this document, several terms will be used to describe the structure of our organization. To clarify:

- **Providence Health & Services** refers to the entirety of entities operated across the 5 states from California to Alaska and Montana. Within this structure reside 7 geographic markets that are organized into a “Regional” structure to best serve the local market dynamics.
- **Strategic Management Services** refers to the transactional and functional support services (IT, HR, Revenue Cycle, Supply Chain)
- **Western Washington Region** is one of the 7 geographic regions and refers to both the Swedish and Providence organizations serving the communities of Western Washington.
- **Swedish Health Services** refers to the services operated under the Swedish brand (Hospitals, Medical Group, etc) via the Affiliation Agreement between Providence Health & Services and Swedish Health Services to create an environment to share support resources, strategically develop products and services to improve the community while maintaining a non-religious sponsorship.
- **Providence Northwest Washington Service Area** refers to the services (Hospitals, Medical Group, etc) operated as a Catholic sponsored ministry.

We envision an affiliation with the Interlocals that combines the strength of Providence Health & Services broad market experience and depth of its Strategic Management Services, with the local connection to Swedish Health Services, which will preserve the Interlocals status as non-religious sponsored organizations. We see this as a tremendous opportunity to join together the strengths of each other in achieving the goal of creating healthier communities throughout Western Washington. Such an affiliation would provide our combined organizations with the ability to deliver high-quality, local based health care to the communities of north Snohomish, Skagit and Island Counties through exceptional clinical connectivity when patients need to be referred for tertiary and quaternary care that is not provided locally. This relationship will become even more important as health care transitions from a fee-for-service environment, to a risk-sharing and population health management environment.
geographical coverage, and high-quality efficient clinical care will be key elements to success. We believe the Interlocals will help Western Washington Region achieve this success.

Collaboration and integration of clinical services will be important to a successful relationship. As illustrated by the Kaufman Hall report, there are multiple programs which may overlap between the Interlocals’ services and Western Washington Region services. We recognize that an initial reaction may be uncertainty and fear that a larger organization will draw volumes out of the local community, or services at the local hospital will diminish as it becomes more tightly integrated to a larger delivery system. Similar concerns were voiced within the Western Washington Region entities as Swedish and Providence affiliated in February 2012.

The following provide real-world examples of how the Swedish/Providence affiliation has navigated some of these situations in Western Washington.

**Emergency Medicine**

ED medical directors and administrative directors came together for a regional summit on emergency medicine. The event was an example of expert-to-expert collaboration and an opportunity to begin sharing best practices to improve clinical quality and patient experiences.

**Sleep Medicine**

Providence Medical Group (PMG) and Swedish Sleep Medicine have begun collaborating on sleep medicine services in Snohomish County to best meet the needs of patients while the delivery system for sleep care changes. The two organizations are evaluating the spectrum of care location and supporting infrastructure from in-home studies, office evaluation, traditional Sleep Lab services and locations. The intent is to create an integrated seamless spectrum of resources across the Western Washington Region.

**Neurosciences & Spine**

With many North Puget Sound residents having to travel to Seattle for advanced neurosurgical, as well as the complexity of stroke care and neurology sub-specialty care services, Providence Northwest Southwest Washington and Swedish began collaborating to provide neurosurgery close to home in Everett while streamlining access to Swedish specialists in Seattle. The Providence and Swedish Medical Group providers will become tightly integrated in neurosurgery, the leadership of the Everett and Seattle based programs will be shared, and the TeleStroke system will be consolidated to a singular resource. Similarly, ancillary infrastructure (EEG, Intraoperative Monitoring, etc) will be evaluated in collaboration with local neurology providers to create a seamless, high reliability network.

**Weight-Loss Surgery**

Providence Northwest Service Area recently collaborated with local surgeons to launch an inpatient bariatric surgery program for Snohomish County. Swedish Weight Loss Services and colleagues in Spokane and Southern California consulted on program development, including the sharing of expertise and ongoing consultation and support to ensure a safe, high-quality program for patients. Continued evolution of delivery sites and treatment tools is being discussed. The benefit of multiple colleagues to tap into has helped the Everett program to achieve clinical threshold for Center of Excellence application.

**Post-Acute Care**

Providence Senior and Community Services and the Swedish Neuroscience Institute are working together to start a palliative care program for patients with advanced neurological disorders. Regional efforts are also under way to improve coordination with aligned skilled nursing facilities, home health, home infusion, the Program for All-Inclusive Care for the
Elderly (PACE) and senior housing. Other regional efforts include development of inpatient hospice programs and enhanced care-management services.

**Obstetrics**

Leaders from the Swedish Obstetrics program have conducted program reviews and shared expertise and leading-practices with Providence Everett to enhance the childbirth experience so that more Snohomish County women will choose to deliver in their local community rather than crossing county lines for normal and tertiary childbirth services. Discussions for creating greater linkages to quaternary services are also underway.

Analogous to what has been taking place between Providence and Swedish since the 2012 affiliation, it is anticipated that there will be some areas where clinical services may overlap and need to be aligned or strategically structured to ensure appropriate volumes in support of quality, proficiency, and efficiency; while others will need to be expanded and enhanced to meet community need, effectively serve the population, and meet growth goals. Whether these discussions occur solely between the Interlocals or in concert with colleagues at Swedish and Providence Everett, our commitment is to collaborate with Interlocal leaders, physicians, and board members as these strategic conversations are navigated.

We also anticipate there will be opportunities to continue the integration work of the Interlocals, especially as the variability in support services is reduced and the organizations transition to a common infrastructure. Again, our commitment is to collaborate with leaders, physicians, and board members as these changes are contemplated.

The Interlocals and Western Washington Region will be able to draw on the experiences and expertise of leaders throughout Providence’s 32 hospital system through specialty or population based “Expert to Expert Collaboration” such as in Cardiovascular Diseases or Neurosciences, to gain insight into different integration models and the lessons learned that come with real-world experience.

**MARKETING AND BRANDING**

Establishing a brand “promise” is the first key goal in a relationship with the Interlocals, and this promise has application in multiple stakeholder environments (payers, patients & families, referral providers). We believe the “promise” is to create local access to superior care while seamlessly connecting to resources that require broader populations for clinical efficiency. Marketing of this promise plays an important role in communicating the variety of services and programs that are available to residents. As part of a collaborative relationship with Western Washington Region, a specific marketing and communication plan will be developed with the Interlocals emphasizing the new relationship with Swedish and the collaboration taking place to provide new services and expanded access to specialists for local communities. Through these marketing and communication plans the aim will be to educate the communities and staff about the benefits provided through our affiliation, and to assist with easing them through the change.

Understanding that the Interlocals have a strong market presence, the goal of the Western Washington Region would be to capitalize on the reputations and history of the existing brands, and combine them with the tertiary/quaternary recognition of the Swedish brand when relevant to the stakeholder (i.e. patients) and to the Western Washington Region when relevant (payer network or advocacy). The strength of recognition of our combined brands will bring a higher level of confidence and security to the residents of the community as they make health care decisions. Patients and communities will feel they have the best of the best, and our experience has shown that the combining the recognition of both brands leads to a noticeable increase in patients and physicians selecting the organization for their care.
B – Health Reform and Related Strategies

A primary goal for Western Washington Region is to develop and thrive under new care delivery and economic models. With this goal in mind, we believe we are well-positioned for the transition from a fee-for-service environment to a new model, where incentives are based on delivering the highest quality at the lowest cost; and understand the significant cultural shift toward not simply treating disease using standardized evidenced-based practices, but also creating healthier communities.

Because it serves a contiguous geography, Western Washington Region feels it has an unprecedented opportunity – and a responsibility – to improve quality, reduce costs and increase access to health care in Western Washington. Below are two key strategies the region is pursuing:

1) Increasing access to health care under the current fee-for-service delivery model by:
   - Coordinating services to make the comprehensive resources of the Providence and Swedish network available to more people.
   - Improving quality through knowledge sharing across the organization through expert-to-expert collaboration.
   - Avoiding costly duplication of technology through resource planning.
   - Facilitating service-line planning across Western Washington.
   - Evaluating potential for cost efficiencies through shared management or contracting of services.

2) Positioning the region for tomorrow by developing and advancing innovative models of population based care by:
   - Creating an integrated network of providers.
   - Developing health care services targeted to consistently improve quality, reduce cost and improve patient experience consistently throughout our market.
   - Working with employers, exchanges and benefit buying coalitions to design and develop health care products that better serve their needs and the needs of their associates.
   - Develop the necessary support structure of skills and technology, to bolster our population health efforts.

POPULATION-BASED HEALTH CARE

Commercial payers and large, self-insured employers have been proactively contacting the Western Washington Region to discuss products for their populations. The region is in active conversations with various groups, and would anticipate the Interlocals participating in and benefiting from these forward-thinking strategies.

The demand for higher-quality, performance-based health care at a lower cost is quickly increasing. That is why a strategic priority for the Western Washington Region is to re-orient care delivery within the region in anticipation of new reimbursement structures.

In 2012, Western Washington Region brought specific focus to the development of accountable-care products and a clinical integration network by hiring a Chief of Strategic Innovation and Chief Medical Officer to establish the expertise and dedicated leadership for these important undertakings. The region also plans to establish an executive role specializing in working with employed and independent medical groups and individual private practitioners.

Understanding that managing performance on quality and cost in an accountable-care environment requires skills, competencies and focus that are often different than in the traditional fee-for-service
model, Western Washington Region is developing the infrastructure to review practice and claims data, provide regular performance report cards and manage the health of patients. To support this shift, the region has the expertise and support of the Providence Health Plan (which covers nearly 400,000 lives in Oregon and an expanding population in Washington) as a planning partner, and expert decision support capabilities provided within the Swedish Medical Group.

RESPONDING TO EMPLOYERS AND BRINGING PRODUCTS TO MARKET

Making the market aware of the affiliation’s accountable-care offerings will be paramount to the success of these products. A number of different sales and distribution channels are being explored and marketing plans are being developed.

The addition of the Interlocals to Western Washington Region will extend the contiguous reach of the region and further the ability to provide quality care for populations in the North Sound in a lower cost setting. Interlocal clinicians will have the opportunity to work with other clinicians to standardize best practices across the organization, and in turn, increase the value of care delivered and better position the region with payers.

STRONG LEGISLATIVE ADVOCACY VOICE

The Interlocals can also join in on work already underway throughout the region, and assist on gaining the attention of other jurisdictions and legislative bodies to develop truly effective regulation around reform. As part of a large health system, Providence and Swedish have a strong advocacy voice at both the state and federal levels.

Key 2013 Advocacy Priorities:

- A strong focus on physician payment, including the repeal of the sustainable growth rate formula and replacement with a more stable physician payment system.
- Meaningful deficit reduction that supports health care reform, such as improved efficiency and innovation in coordinated, community-based care through adoption of coordinated care and coordinated payments (non-fee-for-service) that achieve maximum efficiencies, maintain quality and improve population health.
- Preserve and advance coverage expansion through Medicaid expansion and effective health insurance exchanges, and strengthen the supply of clinicians through support of medical education for physicians, nurses, and other health care workers.
- Expand clinical transformation by advancing payment reform in alignment with care model changes, and support proposals that both promote, and reduce barriers, for new technologies and greater clinical integration, including telemedicine and electronic medical records.
C – Affiliation Structure

PROPOSED STRUCTURE

Western Washington Region envisions an agreement structure based on affiliation principles that will be defined collaboratively. Some of these principles may include:

- Invest in and support a vibrant, vital health-care network of appropriate services delivered close to patients’ homes by:
  - Using formal community needs assessments and business planning to identify required program and service resources.
  - Supporting a network of clinically and financially viable specialty outreach services to bridge specialty care delivery.

- Seamlessly coordinate specialty care at tertiary and quaternary facilities when needed, and return the patient as appropriate to their community for follow-up care.

- Contribute to support of the health system’s infrastructure and retain sufficient capital in the local community.

- Encourage community input into planning and decision making using a governance structure that includes community and physician representation.

Understanding the Interlocals’ interest in achieving a high degree of integration and maintaining key reserved rights, Western Washington Region proposes a spectrum of potential affiliation models that we believe will fulfill the principles above. The three models below illustrate a spectrum of possible options and typical governance, management, and financial requirements associated with them. Western Washington Region realizes there are significant challenges and concerns as an organization contemplates moving from independence and autonomy, to being part of a large system. We are interested in discussing the specific needs and interests of each Interlocal during the next phase of selection.

Long-Term Lease Arrangement

The District would retain ownership of the facility, and lease the assets and equipment to Swedish to operate. A representative Community Board would be established, sharing governance responsibilities with the District Board and Swedish’s Board as described in Section E. The Swedish brand and identity would be prominently incorporated into the existing brand, and employees in good standing would become employees of Swedish or a subsidiary of Swedish. Swedish would establish a conforming management and administrative structure, and implement the technological infrastructure necessary to align clinical care continuums with Western Washington Region, and gain the greatest efficiencies from Providence’s economies of scale in shared support services. The facility would have access to the considerable capital generation capabilities of Western Washington Region, and subscribe to providing charity care in alignment with Swedish and Providence charity care policies.

Management Services Agreement

The District would retain ownership of the facility, and Swedish, Western Washington Region, and Shared Services to manage and administer services/programs in exchange for payment at fair market value. The District would retain responsibility for the facility’s financial accountability. A representative Community Board would be established, sharing governance responsibilities with the District Board and Swedish’s Corporate Board as described in Section E. If a decision is made to adopt or co-brand with the
Swedish name, requirements may be placed on the relationship in regards to governance, quality, compliance, finance, auditing, supply chain, information technology, human resources, and use of the brand name. Through implementation of common technological infrastructure, the facility would have the ability to align clinical care continuums with larger Region and gain efficiencies from Providence’s economies of scale in shared support services. The facility would be required to provide charity care and operate consistent with the Swedish and Providence charity care policies.

Programmatic Affiliation

The District would retain ownership of the facility and agree to jointly conduct business activities with Western Washington Region at fair market value. The District would retain responsibility for the facility’s financial accountability. Depending on the extent of affiliation, management of the service/s may remain independent, or the organizations may choose common management and governance. The affiliation may contract with Swedish for management services if desired. If a decision is made to co-brand with the Swedish name, requirements may be placed on the relationship in regards to governance, quality, compliance, finance, auditing, supply chain, information technology, human resources, and use of the brand name. The facility would be required to provide charity care and consistent with the Swedish and Providence charity care policies.

Navigating Regulatory Reviews

We are intimately familiar with the regulatory processes involved (e.g., federal and state antitrust review, Washington Department of Health Certificate of Need review, etc.) when health systems partner. While nothing is ever guaranteed, our track record for successfully navigating these processes speaks for itself. Although the particular amount and level of regulatory reviews we can expect depends on the specifics of how we ultimately decide to affiliate, we believe that by working carefully together, our two organizations (together with external experts) will be able to successfully conclude a partnership through proactively addressing any regulatory issues.

D – Commitment to Future Capital

Financial Commitment

Based upon initial review of the Kaufman Hall materials and our past experience, we believe the potential savings through an affiliation with Western Washington Region and access to Providence’s economies of scale could prove significant to the Interlocals within the first 12 months, as well as enhancements and expanded service lines. These savings could be used to offset future revenue declines that may occur as a result of health care reform.

Additionally, savings may also generate free cash flow which could be used to invest in regional clinical connectivity. The Western Washington Region commits to providing the Interlocals with access to the shared clinical (i.e. Epic) and operational (i.e. Lawson) infrastructure of the Providence organization, and provisioning ambulatory clinics into the Providence build of Epic through its Community Connect program.

During the next phase of selection we would propose that our organizations work closely to understand the strategic needs of the Interlocals, a preferred affiliation structure and the associated efficiencies, and the most recent unaudited financial performance of the organizations. Based on this, we will provide the financial backing needed to assure a plan which supports the long term needs and financial strength of our combined organizations.
CAPITAL PRIORITIZATION AND ALLOCATION

In regards to a long-term lease arrangement, Western Washington Region’s approach to capital is to keep funding in local communities while contributing to the overall infrastructure that the community will receive from the larger Providence System. Because each market has different needs and priorities, capital allocations are set locally. Overall targets are maintained by the larger system, which gives local markets the ability to flex up and down as needed. The timing of large capital projects is planned across the larger system in order to maintain the overall goals.

Capital is generated based on the financial strength of an organization. With Providence’s “AA” credit rating and associated balance sheet and income statement (see attached Audited Financial Statements), the organization has had the requisite capital resources to provide care at the highest levels. Long term capital planning for the entire system is targeted at a percentage of free cash flow for both routine and strategic needs. The size and strength of the system allows for flexibility within the markets.

For most hospitals, free cash flow spend will vary by year as needs within the facility change, so there will be years when the amount flexes. All capital funding is from cash or debt at the local level. The financial strength of the system allows access to debt if that is needed for specific larger projects. (For example, Providence Regional Medical Center Everett was able to fund a $500 million medical tower by drawing on the financial strength of the larger system.) Determinations regarding debt are made based on the size and financial viability of each project, and approved at the system level with all costs funded locally, and tied to the project supported by the debt.

Lastly, depending upon the type of affiliation selected, the Interlocals can have access to numerous efficiency enhancing services – such as group purchasing, supply chain management, revenue cycle management, and other shared services that have the ability to drive operational efficiencies for the organizations and can return value back to the communities.

E – Local Governance

OUR SHARED GOVERNANCE MODEL

Swedish, as a part of the Western Washington Region, has adopted Providence’s shared governance model. This shared governance model is used throughout Providence and is based on a fundamental belief in and value of local decision-making. Under this model (specifically through a local executive team and community board structure), we believe we can maintain a deep connection to each community served, with a focus on meeting each community’s unique needs.

Community boards have responsibility, authority and accountability for quality, safety, credentialing, community needs assessments, and patient, physician and employee satisfaction. As part of this accountability, they receive routine operational, financial and quality performance reports. The community boards also provide advice and counsel regarding local chief executive performance, strategic planning (including physician recruitment plans), finance, joint ventures and community relations. This level of involvement ensures local residents are actively involved in the health care delivery decisions in each community we serve, and it allows the opportunity to learn from other communities regarding mutual challenges, opportunities and best practices.

This model also employs a System board (this System board is compromised of the same individuals for each of the Swedish and Providence legal entities) whose focus is on accountable governance beyond the local community—such as oversight of the health system as a whole, including responsibilities of final approval of the mission effectiveness, strategic plan, annual budget, and operating principles. As such,
this model benefits from the guidance and direction of both a System board of directors and local community boards.

The approach to shared governance with the Interlocals will be significantly influenced by the affiliation model selected. A common concern for new hospitals joining Swedish/Providence is whether the leaders, physicians, and communities will still have input or control of local decision making. We understand this is a significant concern felt by leaders and board members of independent hospitals, and perceive it as a positive sense of care and responsibility. In response, we offer the opportunity to speak with leaders and board members of other organizations who have chosen to join Swedish and Providence, to gain their first-hand experience.

**INTERLOCALS GOVERNANCE**

Depending on the partnership model selected, Western Washington Region proposes either a single North Sound Community Board representing all of the Interlocals, or the option of a Community Board at each of the Interlocals. As part of continuing discussions, we anticipate Interlocal leadership, and their Boards and Western Washington Region leadership jointly agreeing on a specific governance structure that will best represent the needs of the communities and the inter-connectedness of our organizations.

Below are some examples of the opportunities for leadership and physicians to engage in governance and strategic decision-making within the context of a shared governance model:

**Steering Council**

For a smooth transition and integration, we suggest a steering council be formed until a predefined period after the affiliation is complete. The steering council could consist of Interlocal board members, hospital leadership, medical staff, and community members and a similar number of Western Washington Region governance, medical staff and leadership representatives. The purpose of the steering council would be to oversee commitments that are made in the definitive agreement. We would envision that the definitive agreement would help clarify how major decisions are made in the areas of capital spending, hospital and ambulatory clinical program development and changes, physician recruitment and cost efficiencies. In effect, the steering committee will "speak for" the Interlocals post-affiliation.

**Community Board**

Consistent with the Shared Governance model described above, our proposal contemplates the establishment of a Community Board consisting of local community representatives. This Community Board would have responsibility, authority and accountability outlined above, and share or delegate specific responsibilities with the District Boards. As a Community Board within the Providence system, board members will have access to the expertise of Providence's governance team, and the ability to participate and engage with and discuss issues with other board members from across the System during annual events.

**Leadership/Administrative Team**

We are open to a variety of Leadership models to best represent the unique perspective and pressures of the Interlocals within Western Washington Region Senior Leadership. The model intent would be to help assure the performance of the entire Western Washington Region, and that the interests, needs, and commitments made to the north sound communities are met. These perspectives would be woven into long range strategic, clinical, and operational plans for the region.
Clinical Excellence

Clinical Excellence

We believe that access to appropriate health-care services in a community is a critical resource, and understand the challenges of providing comprehensive services at an affordable cost. We continuously work to improve quality, access and affordability throughout all of our services in Western Washington Region, and have a wealth of experience with Centers of Excellence in our facilities across the region. Determination of a Center of Excellence is based on population assessment and clinical/capital resourcing of the program. Overall, these decisions are led with collaboration from physicians, clinicians, and administrators, in concert with financial and market assessments provided to support a final determination.

An affiliation with Western Washington Region will bring the Interlocals the strength of expert knowledge sharing (expert-to-expert collaboratives) which are program and service line focused, with multidisciplinary clinical experts who meet to analyze data, evaluate clinical practices and protocols, and adopt structures and processes for quality and outcome performance. The Interlocal clinicians and staff will be invited to participate in these collaboratives, to share their knowledge, participate in decision making, and acquire best practices that can be brought back and adapted to their own organizations. As an example, one outcome of the cardiovascular expert-to-expert discussion was to evaluate and standardize several cardiology protocols in Epic (EHR) across the system.

In regards to regionalizing service lines between the Interlocals and Western Washington Region, we have been developing models in several service lines which could be extended to the Interlocals. These examples were stated earlier in the RFP, as outcomes of the Providence and Swedish affiliation.

Clinical Quality

Western Washington Region maintains a coordinated quality and patient safety program for the improvement of health care and, ultimately, the outcome of those services. The Quality and Patient Safety Program includes identifying and preventing unexpected outcomes, medical errors, and monitoring the effectiveness and safety of services. Researched, evidence-based practices are utilized in delivering health-care services to patients.

Being part of the larger Providence organization provides another exceptional resource when considering clinical efficiencies. Providence is a large network of 32 hospitals that have faced similar challenges, tested a variety of solutions, learned from their experiences and are ready to share their acquired knowledge.

Clinical Excellence

The Quality and Patient Safety Program complies with all regulatory and accreditation requirements as outlined under the Revised Code of Washington (RCW 70.41.200), Centers for Medicare and Medicaid Services (CFR 482.21), and The Joint Commission (Performance Improvement chapter). The Quality and Patient Safety Program sets priorities for performance improvement activities that:
Focus on high-risk, high-volume or problem-prone areas
Consider the incidence, prevalence and severity of problems in those areas
Effect health outcomes, patient safety and quality of care
Track medical errors and adverse patient events, analyze their causes, and implement preventive actions and mechanisms that include feedback and learning throughout the organization
Take actions aimed at performance improvement, implement those actions, measure success, and track performance to ensure that improvements are sustained
Create and support a culture of reliability

Publically Reported Results
Western Washington region participates in a number of programs that publically report outcomes. Some of the specific outcomes include:

- Leapfrog
  - Swedish was a Leapfrog “Top Hospital” award winner for 2010 and 2011
- Clinical Outcomes Assessment Program (COAP)
  - Door to Balloon Time for all Western Washington facilities at or above statewide average of 92.5% of cases in less than 90 minutes
  - CABG in hospital mortality is at .5% for 2012 Swedish Cherry Hill compared to 2% as the state-wide average. For Providence Everett in hospital mortality is at 1.2% with 2% as the state-wide average.

You can review, in detail, the publically reported metrics on the websites for HealthGrades, SCOAP, Leapfrog, COAP, and Hospital Compare for our facilities.

CONTINUING MEDICAL EDUCATION

Western Washington Region’s Continuing Medical Education (CME) program develops educational activities that clearly link the needs of the learner with the planning process, format, and delivery of each activity; resulting in high-quality continuing medical education opportunities that will increase the knowledge, competence, and performance of health care providers.

Our programs include practical, evidence-based, best clinical practice information for a broad variety of common medical conditions, innovations in primary and specialty patient care, new procedural training, and specialty forums. Appropriate content for each course is determined based on the results of a practice gap analysis relative to the target audience’s scope of practice, as well as the identified expected outcomes. Content is free of commercial bias.

CME activities may focus on the needs of generalist and specialist physicians and other health-care team members within Western Washington Region, across the Pacific Northwest and nationally. At this time, both Swedish Health Network and Providence Health & Services plan to expand access to CME by providing some courses through remote telecast.

The Swedish and Providence organizations also provide opportunities for physicians to participate in leadership development courses. The availability of these courses would again be dependent upon the type of affiliation model selected.
G – Local and Regional Services

CLINICAL INTEGRATION STRATEGY

In an affiliation between the Interlocals and Western Washington Region, the Providence Everett and campuses will serve as tertiary and quaternary referral centers for an integrated system of care. Our commitment to our mission and excellence drives all decisions about health-care delivery, compassionate and coordinated care, and affordability. Western Washington Region has an intentional strategic focus on developing tertiary and quaternary programs, which provide new technology and advanced programs to patients in our service area, while keeping community services available closest to where patients reside.

The affiliation will enhance the existing network of care available to residents, and provide seamless connectivity between programs and services. Determinations to extend or enhance services in the north sound would be developed in collaboration with the Interlocals and regional planning councils. Strategies will include an assessment of existing provider capacity within the area, as well as the existing ancillary, emergent care, urgent care, surgery, and other services required by the population given growth patterns and health-care needs. Plans will be proposed to fill identified gaps and depending on the affiliation model selected, implemented by either a joint regional management team or proposed to Interlocal management as a potential clinical affiliation strategy. This will provide for the highest quality, most affordable care possible and connectivity to a comprehensive network of care.

VALUE OF AFFILIATION

The Interlocals and Western Washington Region will work in partnership to educate the population about the value of the relationship. Creating and communicating a compelling vision and value proposition are the first step of generating community support and engagement, and lay the foundation for further communication about collaborative programs, new service offerings, and access to clinicians. Together, these are vital for the growth of the combined organizations. When working with affiliates, Western Washington Region utilizes a number of methods (ex: public meetings, articles, social media) to communicate the vision and benefit of the relationship to the community. We continue to support these efforts through development of ongoing annual communication plans to outline the key successes of the organization and drive continued growth.

LEVEL OF SERVICE

After reviewing the strategies and existing services offered by the Interlocals, we believe there are a number of opportunities to enhance services available through the Interlocals either clinically or operationally, which will meet the needs of the community and provide benefit to the Interlocals and Western Washington Region. Working together, our organizations can create a unique care-delivery system focused on improving access and quality, while reducing costs in a way that benefits our patients and our communities. Together, we will be positioned for the coming changes in health care and to successfully grow together in a health care reform environment.

Through expert-to-expert collaboratives, and shared learnings from Swedish and Providence leaders, Western Washington Region would provide both the clinical and administrative leadership necessary to ensure that there is a comprehensive approach to determining optimal specialty services and locations to serve the needs of the community.
H – Physician Recruitment and Alignment

MEDICAL GROUP VISION

Physician alignment within an organization is vital to moving any initiative forward. Like the Interlocals, Western Washington Region’s provides care in collaboration with a medical staff consisting of both employed and non-employed physicians. In addition to hospital-focused medical staff, Swedish Medical Group, Providence Medical Group, and their community physician partners provide ambulatory care within each of our communities. In terms of a medical staff models, Western Washington Region strongly believes there are distinct advantages to operating with an open medical staff.

We believe a affiliation between our organizations would make it even more attractive for physicians to practice in the north sound communities. Depending on the affiliation model selected, we could together offer an increased focus on quality of care, with Swedish and Providence bringing the tools and resources of a large, physician-led organization. Additional benefits would include more tightly aligned coordination of care as patients transition through the care continuum, alignment with two strong local brands and their associated medical groups, and a heightened sense of collegiality with local colleagues at Swedish and Providence Everett.

Similar to Providence and Swedish physicians who practiced in the same geographies prior to the 2012 affiliation, we anticipate there may initially be some unease and distrust about collaborating with former competitors. We have found that by focusing on the patient and their care, and bringing together like physicians from across multiple organizations, we have been able to break down many of these barriers.

MEETING PHYSICIAN NEEDS

Developing and maintaining a strong physician base is critical to providing a community with accessible, high-quality care. Swedish Medical Group’s Provider Services department has a full-service, in-house recruiting team, which can be utilized to assist and support Interlocal recruiting efforts. Provider Services is the resource for all provider-related functions, from recruitment and retention to contract negotiation. The team also facilitates credentialing, renews necessary credentials for employed providers (medical license and Federal DEA registration), and ensures accuracy of provider information with payers.

Provider Services recruited 152 providers in 2012, and 171 providers in 2011 to join Swedish Medical Group. Many of these physicians are recognized nationally in their respective fields or niche specialties. Swedish recruiters also concentrate on finding qualified Family Medicine or Internal Medicine providers to cover an ever-expanding need for primary care services. Specifically of interest to the Interlocals, the group has been successful in recruiting physicians to challenging locales for community partners and affiliated entities.

The unique nature of Swedish Medical Group’s strategic alignment with area providers, clinics and hospitals serves as a foundation for experience in a multitude of models for integrating, aligning and supporting physicians, in both employed and independent practices. Some relationships need full or targeted support; others prefer minimal involvement.

Additionally, the Interlocals could access the broader Providence physician recruitment team. This team includes a dedicated team of 25 experts conducting national outreach to fellowship, residency programs, and recruitment of physicians at a cost per placement rate lower than industry average. Providence Physician Services & Development recruited 444 providers in 2012, and 376 providers in 2011 on behalf of Providence entities and aligned hospitals and practices.

Additional resources from Providence Physician Services & Development include:
- Physician supply and demand analysis
- Rolling three year physician development / recruitment plans by line of business
- Sourcing, screening and facilitating site visit and interview process for both community physician recruitment and employment efforts
- Management of IT solutions for physician contracts as well as customer relationship management (CRM) solution for managing recruitment as well as physician sales and service efforts.

An example of partnering to ease physician shortages can be demonstrated by the affiliation with the Olympic Peninsula hospitals. Swedish staffs and supports services on the Olympic Peninsula in cardiology and neurology through the broad structure of the Swedish physician network. Swedish and Providence have also partnered with remote communities to provide difficult to recruit specialties; providing direct access to many tertiary and quaternary services without requiring patients to travel out of their local communities.

Depending on the affiliation model selected, similar approaches could be provided to or contracted by the Interlocals. This could be in form of a combination of physician support services, placement of local community physicians, full access to telehealth services, Western Washington Region staffed services in the communities on a permanent or part-time basis, and the full range of tertiary and quaternary consultative and acute services from across the network.

Together, we believe the Interlocals, Swedish and Providence can effectively recruit and extend the providers needed to support and expand services for the north sound communities.

**PHYSICIAN MANAGEMENT RESOURCES**

Within Swedish Health Services, Swedish Medical Group employs nearly 900 providers, and has grown dramatically over the past two years. It now encompasses more than 100 primary- and specialty-care clinics throughout the greater Seattle area.

Swedish Medical Group is structured to be efficiently standardized in some areas and customized in others. Key areas include:

1. Finance and statistics
2. Business and practice development
3. Operations
4. Technology

With a strong foundation of strategic planning and financial discipline, Swedish Medical Group has taken aggressive steps to decrease costs and increase revenues. Initiatives have included:

1. Improving overall operations
2. Implementing new billing, reporting and human resource infrastructure
3. Staffing to benchmarks
4. Streamlining practice management
5. Increasing physician capacity
6. Standardizing physician compensation plans
7. Doubling in-network physician referrals
8. Recruiting high-performing physicians
9. Opening new clinics to meet community needs
I – Support Services

After reviewing the RFP and visiting the Interlocals, we believe there are a number of opportunities to enhance services which will meet the needs of your communities and provide benefit not only for the north sound area, but also for the entire Western Washington Region. During the next phase of selection, we propose working together to understand more specifically the needs and desired relationship of the Interlocals, and the associated level of support services.

There are a broad range of options regarding support services that could be pursued in order to gain the most efficiency and return the greatest value to the communities. Given the Interlocals stated desire to have advanced information technology capabilities, at a minimum the hospitals will want to implement Providence’s Epic electronic medical record (see Section J for details). The range of possibilities for shared support services expands from that point and includes:

**Information Services** - Adopt Providence’s entire portfolio of information systems including: Epic and related 3rd party applications for care delivery functions and revenue cycle management; Lawson for all the administrative functions such as HR, Finance and Supply Chain; and all supporting infrastructure functions.

**Supply Chain Management and Group Purchasing** – Access to a supply chain management and group purchasing system with both the size and expertise to achieve value for the organization. The service delivers significant discounts on pricing, as well as evidence-based product selections and benchmarking and improved clinical results. Supply chain management employs physician experts who routinely evaluate clinical technology, supplies, and related literature to develop recommendations that reflect both clinical quality and cost effectiveness for new services. We believe the Interlocals would benefit from the strong purchasing power and resources of the combined Swedish and Providence systems.

**Billing and Collection Services** – Providence has a regional business office for complete accounts receivable management services for acute and physician services. The service offerings include interface management and balancing, insurance billing and collection, claims follow-up, remittance posting, accounts receivable reporting, self-pay billing and customer service, charity identification and processing, and credit balancing reconciliation.

**Payer Contracting and Reimbursement Services** – Depending on the affiliation structure, Providence has technical expertise in the following areas to improve payer relationships, support value-based pricing decisions, and maximize reimbursement within regulatory guidelines.

- Payer performance, bad debt allowances and third party reserve analysis
- Rationale market pricing support, leading to potential improved payer contracting
- Development of model contract language used by Providence
- Advocacy and regulatory payment modeling including research and analysis of current and anticipated reimbursement issues (e.g. APCs)
- Medicare and Medicaid cost reporting (e.g. disproportionate share payments, Medicare bad debts, wage index, cost report appeals, and rural health/critical access hospital issues).

**Administrative Support Services** – Economies of scale can also be realized in the area of administrative support services. Through effective management and/or consolidation of
services, overhead expense can be minimized, access to expertise can be improved, and overall value returned to the communities.

- Transactional services (Payroll, accounts payable, general ledger accounting)
- Audit, compliance, and risk management
- Physician recruitment
- General advocacy and government relations

LOCATION OF SERVICES

Our support service models are a combination of both locally provided and centrally provided functions. The determining factors for whether a function is provided locally or centrally is based on customer service and cost efficiency considerations. The business models for these support services can be provided with further discussion.

Once the level of integration is agreed upon, the timeline to implement will depend upon the service and the extent of consolidation. Select services, such as moving to Providence contracts for supplies can be implemented in a relatively short period of time. Other functions, such as implementing Epic or Lawson, may take longer depending on the current implementation schedule.

Any evaluation of support services will be completed based on criteria that ensure safe, effective and sustainable services, which meet generally accepted standards for comparable community hospitals.

J – Information Systems

CLINICAL INFORMATION TECHNOLOGY

An advantage that Western Washington Region brings to a proposed affiliation is Epic, our fully integrated clinical electronic health record, which enables a single patient chart to be shared across Providence, Swedish and its affiliate network. Epic is considered by most experts to represent the state-of-the-art in fully integrated medical records that span the entire continuum of care. Implementation of Epic will allow the Interlocals and their community residents to benefit from forthcoming improvements in convenience, quality, and efficiency, including online access to medical records for providers, clinical staff and patients. More specifically, the clinical technology will include:

Integrated EHR – Use of the Providence build of Epic provides the capability to capture and use key patient information (demographics, insurance, long-term medical history, and many other items) in any participating care setting that the patient is seen. By providing ready access to the expanded patient care record we are able to promote efficiency, quality and the safety of patient care.

Patient Portal – Epic MyChart offers patients an expanded level of awareness of their health information and allow them to interact with this information through the Web in significant ways. Patients are empowered to be active partners in their health.

Hosted Solution – Participating hospitals access and use the Providence build of Epic software that is installed and operated on Providence’s servers in its data center. The Providence team manages system updates, data integrity safeguards and data back-up.

Training – Training is provided through a combination of self-directed “e-learnings,” independent study, classroom training and post-live user group sessions. During the first
two weeks of using the EHR applications, end users will have access to on-site support resources to answer questions and provide “just-in-time” training.

**Support** – Post go-live support is provided through the Providence IS team. All calls are triaged through the Providence help desk, a 24/7/365 service. The support team includes Epic-trained analysts and technicians for tiered support to address incidents, changes and ongoing enhancements.

**OPERATIONAL INFORMATION TECHNOLOGY**

Western Washington Region can also offer operational infrastructure in the form of the Lawson-based enterprise resource planning (ERP) system. This integrated financial, materials management and human resources information system has delivered operational savings, synergies and communication tools across the 32-hospital Providence system. Utilizing the Lawson system will provide the Interlocals with financial economies achieved through the size and scale of the Providence system, which can then be reinvested back into the local services.

**IMPLEMENTATION**

We have found implementations are most successfully as a collaborative effort. With this in mind, the Interlocals will be asked to identify a physician champion, nurse champion, clinical/ancillary lead and revenue cycle champion as primary points of contact for the implementation and support of the Epic system. Implementation will be approximately a 6-month process and follow a standard implementation methodology and readiness process.

The Interlocals will also be encouraged to have physician and clinical leads join the Providence/Swedish Epic user group and the clinical lead user group. The purposes of these user groups are to:

- Provide peer support, knowledge sharing, and a venue to discuss questions and issues.
- Provide periodic updates about the Epic solution features and functionality.
- Collect feedback that will be shared with the steering committee and program office.
- Make recommendations for additional functionality, enhancements and other changes or updates.

The following diagram depicts how the readiness process encompasses systems, facilities and people to prepare and support the Interlocals for full participation.

A high-level summary of the implementation milestones is listed below. The implementation timeline will be adjusted to meet the needs of both the implementation team and the Interlocals.

**Preparation**

A technology assessment is conducted to understand each hospital’s current state, devices and network infrastructure. Departments are asked to provide additional information on service lines, data
integration and operations. Finalize the scope of application modules, interfaces & extracts, and data conversions. Project schedule is developed, including a comprehensive end-user training plan.

**Six months prior to go-live**

Hardware and network changes are made as necessary to meet infrastructure requirements. Data gathering is completed and reviewed by implementation support teams. An onsite kickoff meeting is held between the implementation team and hospital departments. Workflow reviews and implementation steps begin. Hospital super users are identified.

**Three-four months prior to go-live**

Where possible, patient appointment modifications are made to allow for training and a go-live learning curve. Downtime “preparedness” packages are created and maintained. Central e-Learning stations are set up in clinical areas and/or centralized locations for staff.

**Two months prior to go-live**

Physicians and staff complete e-Learning modules. Physicians and staff are granted access to a practice environment and given practice scenarios. Classroom training will begin at a Western Washington Region training facility. The implementation team begins building hospital data settings into the applications. Abstract planning and clinical data abstracting begins.

**One month prior to go-live**

The implementation support team and hospital resources will test all hospital devices for setup and appropriate functionality with the Epic applications. All users will complete e-Learning modules. The implementation support team verifies with the hospital that their hardware inventory and installed devices meet the technology requirements.

**Two weeks prior to go-live**

Classroom training sessions continue and physicians devote time to preference labs. Users will continue practicing in the “playground” environment. Users will complete proficiency checklists. Conversions will be performed for outpatient departments and surgical areas. As necessary, privacy notices and policies will be amended to include the data sharing inherent in using the new system. Users will review quick start guides and work flow documentation. The cutover for admitted patients is performed.

**Go-live and support**

New systems are utilized for daily workflows and patient care. Physician and staff engage with support staff for assistance, problem solving and answering questions. Super users and managers report issues/concerns immediately to on-site support (10-days) and an implementation command center. After the onsite period, support will be transitioned to the Providence support team and help desk. Post-live visits by the support team are conducted as agreed upon.

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**INTEROPERABILITY**

Epic’s Care Everywhere would be utilized for interoperability between organizations utilizing Epic systems, and Epic’s Care Elsewhere for interoperability to/from organizations utilizing non-Epic systems. In the short term, we propose using the Epic Care Everywhere functionality for communication between the Swedish/Providence Epic system, and all of the other Epic systems implemented within the greater Puget Sound area (The Everett Clinic, Group Health, Multi-Care, Overlake, UW Medicine), and the Medical Information Network – North Sound.
INTEGRATION WITH COMMUNITY PHYSICIANS

Local independent physicians and physician practices can gain access to Providence’s complete electronic health care system through the Providence Community Connect Program. This complete electronic health record and practice management system can provide the tools, systems integration, training, go-live and ongoing support needed to deliver highly comprehensive and coordinated patient care throughout the communities.

Patient health information – such as demographics, medical history, medications, treatment records and test results will be available online so that care providers can access the information they need at the time and place they need it. This level of access enables highly comprehensive and coordinated care for patients in the community and across the continuum of care. Local independent care providers can either access the patient health information as a Community Connect participant with the fully functional electronic health record system or through the read only web based provider portal in Epic called “CareLink”.

INTEGRATION EXPERIENCE

Western Washington Region has experience integrating other health care organizations. We have completed the IT system integration with The Polyclinic and the Minor and James physician practices in Seattle, as well as the Swedish Edmonds Hospital. We are currently implementing the Providence Community Connect Program at the Olympic Medical Center in Port Angeles and the Jefferson Healthcare facility in Port Townsend. We have plans to extend our program to a growing network of physician practices in Western Washington Region over the next year.

K – Financial Resources and Revenue Enhancement

ACCESS TO CAPITAL

Both Providence and Swedish provide high-quality care, while also working to be good stewards of resources and maintaining financial strength. This dual focus is essential to carrying out our missions of caring for our communities. In 2012, Providence and Swedish entered into a unique affiliation structure which allows each organization to retain its individual identity, but unites the organizations financially both in access to capital and management of debt.

Clearly, one of the values of alignment with a larger organization is improved access to capital. While many health systems have seen their bond ratings decline, the combined Providence Health & Services – including Swedish - has maintained a Standard & Poor’s “AA” bond rating. (See attached audited financial statements and rating agency reports). As reflected in the attached agency rating reports, Providence Health & Services is viewed as a large integrated delivery system with a strong market position, excellent business practices and operational discipline, a health plan covering approximately 400,000 lives, and relatively diverse and stable revenue streams. Providence Health & Services has a historical track record of gaining access to the capital needed for growth and enhance services.

While all capital is funded at the local level, routine capital spending targets are set based on overall system performance and needs. The items funded are prioritized and determined locally for routine capital. Capital requests over $10M are reviewed by a system committee for either routine or strategic needs. Strategic capital such as funding for Epic or Lawson would also be funded locally. Support and implementation would be managed by the Providence system which provides standardized implementation. We have found that using internal resources and a standard method provides lower cost and a more seamless implementation. Any funding needed for Epic, or Lawson would be committed to
and included in the overall capital plan for the Interlocals, and timing would depend on a combination of local readiness and availability of the implementation team.

PAYOR CONTRACTING SUPPORT

Depending on the affiliation model, Providence, in support of Western Washington Region, has a centralized payor contracting function which provides support with negotiations, compliance, contract language, and ongoing updates. Support also extended to analysis of existing contracts, and long range plans and targets for returns that are reviewed and agreed to by each hospital. As an organization with nearly 3000 employed physicians and more than 690 employed advanced practitioners, we also have similar experience and expertise for our ambulatory care division. As an example of potential benefit, after affiliating with Providence in 2012, the compliance team helped Swedish to collect over $24M in payor underpayments. The extent of payor contracting support to the Interlocals will depend upon the level of integration selected.

IMPROVING REVENUE AND OPERATIONAL EFFICIENCIES

Specific resources in regard to revenue and operating efficiencies include: centralized Information Technology, Human Resources, Revenue Cycle Management and Supply Chain Management. These and other centralized services have allowed us to increase operational efficiencies and reduce costly back-end variability in areas such as employee benefits, Epic installations, accounts receivables, collections, charge capture, and denials. We believe we can transfer many of these learnings and operational efficiencies to the Interlocals, providing the ability to return more funding to local operations.

As illustrations of the potential benefit, since the affiliation Swedish has seen accounts receivable days shift from 70 to 48 days, supply chain management has helped to standardize products, lower per unit costs, and lower inventories, and decrease Swedish’s supply spend in one year from 16.9% of revenue, to 14.5%, an annualized savings of over $40M per year.

FURTHERING 340B INITIATIVES

Pharmacy leaders from across the 5-state health system regularly meet as part of a Pharmacy Resource Council to jointly sponsor pharmacy improvement initiatives and share expertise in problem solving. Providence has developed expertise in 340B programs, and Interlocal pharmacy leaders would be invited to join the Pharmacy Resource Council both to share their own learnings and to gain insights from others. Western Washington Region has developed successful 340B relationships with Bartels to provide benefits to our patients, communities and System.

L – Commitments to Employees

Western Washington Region seeks to provide an exceptional health-care experience for patients. We believe that one way to accomplish this is by creating a great workplace for both employees and physicians. Within Western Washington Region, leadership teams promote employee engagement by establishing trust with employees – regardless of union status – via transparency and robust communication practices. As a result of our efforts, we have an excellent retention rate and low voluntary turnover that has steadily improved over the last four years. Creating and maintaining a culture of employee engagement isn’t only a benefit to the organization, it also is the right thing to do for our staff, physicians and those we seek to serve.
Swedish employs approximately 8,700 full-time equivalent employees, with approximately 57% of those total employees represented by a union. The majority are represented by Service Employees International Union 1199, which has a collective bargaining agreement in effect through 2015 covering multiple facilities within Swedish. There are two small collective bargaining units represented by International Union of Operating Engineers (IUOE). The Swedish Medical Center IUOE recently signed a tentative agreement and we expect a favorable vote by the end of April.

The Northwest Service area in Everett employs approximately 3,400 full-time equivalent employees with approximately 78% of the total employees represented by a union. Everett has three contracts with two unions. The unions are: Office Professional Employees International Union (service workers) and United Food and Commercial Workers (RNs and technical workers.)

We strive to be transparent in our communications as to changes and challenges facing health care organizations, and maintain a good working relationship with all our unions.

M – Experience

Together, Providence and Swedish now compromise one of the largest, most financially stable (including only one of two non-profit systems with an “AA” bond rating), clinically and operationally integrated health care delivery systems on the West Coast. The organization is both secular (i.e., Swedish) and Catholic (i.e., Providence) providing a unique ability to appropriately expand through either. Together, Providence and Swedish have developed many different affiliation models with community hospitals as outlined in Appendix B.

Through this history of partnering, we have learned that each affiliation is unique, and we strive to maintain flexibility to meet the needs of each organization and the communities they serve. This philosophy and our Shared Governance Structure have resulted in successful, long-lasting relationships focused on alignment of a common mission and community need.

Within Western Washington Region, senior leaders have recent first-hand experience developing, implementing and managing affiliation relationships such as:

- The 2012 Providence Health & Services affiliation with Swedish Health Services
- The 2011 Swedish Health Services agreement with Olympic Medical Center, Jefferson Healthcare, and Forks Community Hospitals
- The 2010 Swedish Health Services lease of community sponsored Stevens Hospital

In addition, Western Washington Region is supported by dedicated resources within Providence Health & Services with expertise in mergers and acquisitions, and the legal, regulatory, and detailed planning needs required to ensure success.

Regardless of which affiliation model is selected, we believe the following are critical factors in developing partnerships:

- An unrelenting focus and commitment to serving the health care needs of the communities, and a compelling vision of how the relationship will further improve care.
- A value-proposition that supports the financial viability and continued growth of all organizations involved.
- Proactive leadership in order to build and maintain motivation among stakeholder communities, physicians, and employees.
• Careful and deliberate communication and communication planning, to not only ensure the transaction’s success, but to ease communities, physicians, and employees through the change.
• A focus on cultural appreciation and cultural integration. Identifying how the cultures of organizations are the same and differ, and where differences can co-exist and be appreciated versus where they need to be integrated.
• Thorough due diligence and integration planning, in order to identify the complexities that will be involved in any new relationship, and plan to move the organizations through change as quickly as possible.
• Service and operational metrics, in order to measure and report progress of the affiliation, and know when we’ve achieved success.
• Expert legal advice, to assist the organizations in successfully navigating any regulatory concerns and requirements associated with the selected affiliation model.

We believe our prior, long-term success with multiple affiliations in a variety of diverse and challenging markets indicates the ability to improve operational performance, quality and service delivery, while supporting the growth that is imperative for our organizations.

N – Access Regardless of Ability to Pay

PROVIDING CARE TO THOSE IN NEED

Swedish and Providence are committed, visible members of our communities – working collaboratively with local non-profit organizations to serve their missions, sponsoring hundreds of community events. We believe strongly in not just serving our communities, but also becoming an integral part of them through support and partnership. We believe it is part of our mission to care for the poor and vulnerable, and improve the health and well-being of each person we serve. A crucial part of serving this mission is our charity care programs.

For patients who lack insurance, we assist them in helping to apply to programs for which they may be eligible for, and where appropriate, apply to our charity care programs. Our goal is to ensure that financial constraints are not a barrier to the provision of care. In 2012, the Western Washington Region provided $72.9 million in Charity Care, and $125.7 million in total community benefit. The latter represented slightly less than 4.3% of net service revenue.

Swedish offers free or discounted hospital services for people who cannot afford care. At Swedish, a patient making two times the federal poverty level will qualify for a full uncompensated-care write-off. We provide financial assistance on a sliding scale for uninsured patients whose yearly family income is between 0% and 400% of the federal poverty level, and we ensure that financial constraints are not a barrier to the provision of care.

We are currently in process of aligning the charity care policies between the Providence and Swedish entities, which will allow us to provide charity at a sliding scale based on federal poverty levels – expected to be 100% at up to two times the federal poverty level, and reducing discounts as income rises up to four times the federal poverty level. Charity is primarily determined based on the federal poverty level, and bad debt is accessed only after multiple attempts are made to determine other options – usually at 180 days.
IMPROVING HEALTH IN OUR COMMUNITIES

As charitable, non-profit 501(c)(3) organizations, Western Washington Region invests its resources in programs and services that improve the health of its communities, from building partnerships with community clinics that serve the underprivileged, to providing free and low-cost health-education classes to the public. Western Washington Region relies on annually conducted community needs assessments and environmental assessments as important inputs into the strategic planning process.

Community needs assessments help identify unmet needs in the community and guide the organization to addressing the most critical needs of the community, whether through the expansion of services or through partnerships with other organizations. In every community served, we rely on local community leaders to support, review and finalize the community needs assessments to ensure Western Washington Region and community move forward together in providing care for the community.

O – Religious Issues

Both Providence and Swedish are proud of the traditions and heritage of their Founding Sponsors. While many aspects of Catholic sponsored healthcare are grounded in inclusivity and care for all, we recognize that the Interlocals must manage both their operations and the support of their stakeholders. With that in mind, the Interlocals have the option of affiliating with Western Washington Region through Swedish Health Services. Swedish is currently and will always be a secular entity that is not subject to the Ethical and Religious Directives for Catholic Health Care Services, except that no elective abortions, physician assisted suicide, euthanasia or intentional embryonic destruction can be performed in any affiliated facility. Accordingly, the Interlocals would likewise remain secular and not otherwise subject to the Directives under our proposal. To ensure the secular status, specific governance mechanisms may apply, and these same mechanisms were successfully employed in connection with Swedish’s affiliation with Providence.

To set additional context, it may be helpful to describe how reproductive health and end-of-life care are provided at Swedish. While elective abortions are not performed in Swedish facilities, clinicians continue to use their best medical judgment to evaluate complex pregnancies in order to provide the care needed to ensure quality and safe care for patients. In addition, contraceptive treatments are still provided at Swedish. Regarding end-of-life care, Swedish independently chose not to provide physician-assisted suicide when the Death with Dignity Act went into effect in 2009, well before the affiliation with Providence. That policy remains unchanged today, and physicians at Swedish may continue to talk with patients about their options for end-of-life care.

We realize there will be many questions from community members and staff concerned about a change in general, and a relationship with Swedish and its relationship to a faith-based organization. We have expertise and support available to assist with these conversations. This includes hosting or providing support for meetings with clinicians, and community groups, and listening to any concerns and explaining our long-term commitment to the needs of the north sound communities.

We also realize there will be specific concerns from physicians and clinicians revolving around a perceived impact on their practice of medicine. We are prepared to meet as necessary with physicians and clinicians as a group or private one-on-one sessions. We can also provide access to medical professionals at Swedish who can describe whether and how their daily practice has changed since affiliating with Providence.
P – Summary Benefits

AN ORGANIZATION POSITIONED FOR SUCCESS

Providence and Swedish have been providing health care in the Northwest for over 100 years, and while many in our industry see ominous signs ahead, we see an opportunity to truly transform health care. We joined together in 2012 with a unique vision to improve the delivery of care in Western Washington, and believe we are positioned to thrive in a future health care reform environment and will continue to serve our mission for the next 100 years.

We would feel privileged to have the Skagit, Island and Cascade join with us, and further strengthen our system of care for western Washington. In choosing to join with the Western Washington Region, you will join with:

- Two of the strongest brands in the Pacific Northwest - ranked top in their communities for both brand recognition and brand respect. Physician-led organizations clearly focused on the triple-aim goals of improving the health of populations, improving the experience of patients, and lowering per capita health care costs.
- An attractive partner for northwest employers and payors. A large integrated health system with health plan expertise, an extensive network of primary and specialty care providers, high-performing hospitals and clinicians, and a full array of post-acute care services including home health, hospice, infusion, skilled nursing, assisted living, and palliative care.
- A connected network of care spanning nearly the entirety of western Washington, with the breadth and depth to equally care for a teen mother delivering her first baby with complications, to a fifty year old seeking surgery for a glioblastoma, to a ninety year old stage 4 lung cancer patient who wants to pass away in his own home with his family.
- The Providence build of Epic, which once fully implemented will encompass over 3 million lives and connect into a layered knowledge management system that will alert care provider to trends in the patient’s data which indicates they may experience complications in the future – making care safer, improving outcomes, and further reducing costs.
- A $10 billion health care organization recognized for its operational discipline, ability to execute, diverse revenue streams, and forward thinking leadership. One of the few not-for-profit health care organizations with an “AA” credit rating, and a health plan covering 400,000 lives that is expanding within Washington.
- A world class organization of 65,000 mission-driven employees, including nationally and internationally recognized experts whose culture is to collaborate, share learnings, and help each other provide the best for our patients.

THE RIGHT DECISION FOR YOUR COMMUNITIES

Just as importantly, you will be joining an organization that is good for your communities; an organization that seeks participation from community members, and has a history of giving back more to its communities than any other health system in the state. Western Washington Region will help to develop new services for north sound communities, and reduce the costs associated with operating a health care organization so that the Interlocals can return more value to their districts.

When higher levels of care are needed, Western Washington Region will partner with you to make it a seamless transition for patients, both as they move to Providence-Everett or Swedish for their treatment, and as they return back to their communities for follow-up care.
APPENDIX A: Western Washington Region

Community service coverage provided through Providence and Swedish affiliation

Key
- Adult and Child Day Care Centers
- Behavioral Health Services
- Community Outreach Center
- Educational Facility
- Freestanding Long Term Care Facility
- Freestanding Outpatient Services
- Food Bank
- Health Care Campus
- Home Health and Hospice Services
- Housing and Assisted Living
- Infusion and Pharmacy Services
- Medical Laboratory Services
- Owned Primary Care Network
- Providence Health Plan
- Rehabilitation Services

Centralia
- Providence Centralia Hospital
- Providence Medical Group (7 locations)

Chehalis
- Providence Medical Group

Cle Elum
- Swedish Medical Group-Cle Elum

Edmonds
- Swedish Medical Center-Edmonds Campus

Everett
- Providence Regional Medical Center
- Everett-Callery Campus
- Providence Regional Medical Center
- Everett-Pacific Campus
- Swedish Medical Center-Mill Creek Campus
- Providence Medical Group (10 locations)

Forks
- Forks Community Hospital
- (Swedish Health Network affiliate)

Issaquah
- Swedish Medical Center-Issaquah Campus
- Swedish Medical Center-Lake Sammamish Campus
- Swedish Lakeside Specialty Clinics

Lacey
- Providence Medical Group (4 locations)

Lynnwood
- Providence Medical Group

Monroe
- Providence Medical Group

Olympia
- Providence St. Peter Hospital
- Providence Medical Group (7 locations)

Port Angeles
- Olympic Medical Center
- (Swedish Health Network affiliate)

Port Townsend
- Jefferson Healthcare
- (Swedish Health Network affiliate)

Redmond
- Swedish Medical Center-Redmond Campus
- Swedish Medical Group-Redmond Campus

Rochester
- Providence Medical Group

Sammamish
- Swedish Medical Group-Pine Lake

Seattle
- Swedish Medical Center-Ballard Campus
- Swedish Medical Center-Cherry Hill Campus
- Swedish Medical Center-First Hill Campus
- Swedish Medical Group (10 locations)

Shelton
- Providence Medical Group

Snoqualmie
- Providence Medical Group (2 locations)
- Swedish Medical Group-Snoqualmie

Tumwater
- Providence Medical Group

Yelm
- Providence Medical Group

Providence Senior & Community Services

Centralia
- Providence Blanchet House
- Providence Rossi House

Chehalis
- Providence Place

Everett
- Providence Hospice & Home Care of Snohomish County

Issaquah
- Providence Marianwood

Olympia
- Providence Mother Joseph Care Center
- Providence St. Francis House
- Providence Sound HomeCare and Hospice

Renton
- Providence Home Services
- Infusion and Pharmacy Services

Seattle
- Providence Mount St. Vincent
- Providence Elizabeth House
- Providence Heritage House at the Market
- Providence Garnet House
- Providence Peter Claver House
- Providence Vincent House
- Providence Regina House
- Providence Elder Place
- Providence Hospice of Seattle
- Providence Joseph House
## APPENDIX B: Summary of Providence and Swedish Affiliations

<table>
<thead>
<tr>
<th>Affiliation Examples – Providence</th>
<th>Affiliation Examples - Swedish</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Year of Affiliation</strong></td>
<td><strong>Location</strong></td>
</tr>
<tr>
<td>1997</td>
<td>Kodiak, AK</td>
</tr>
<tr>
<td>1999</td>
<td>Hood River, OR</td>
</tr>
<tr>
<td>2005</td>
<td>Valdez, AK</td>
</tr>
<tr>
<td>2009</td>
<td>Oregon City, OR</td>
</tr>
<tr>
<td>2010</td>
<td>Seattle, WA</td>
</tr>
<tr>
<td>2011</td>
<td>Edmonds, WA</td>
</tr>
<tr>
<td>2012</td>
<td>Port Townsend, WA; Port Angeles, WA; Forks, WA</td>
</tr>
</tbody>
</table>
### Affiliation Examples – Providence

<table>
<thead>
<tr>
<th>Providence Kodiak Island Medical Center</th>
<th>Providence Hood River Memorial Hospital</th>
<th>Providence Valdez Medical Center</th>
<th>Providence Willamette Falls Medical Center</th>
<th>Swedish Health Services</th>
<th>Swedish Edmonds Hospital</th>
<th>North Olympic Peninsula Hospitals</th>
</tr>
</thead>
<tbody>
<tr>
<td>for any losses</td>
<td></td>
<td>above 120 days goes 50% toward City’s management fee or annual subsidy and 50% toward community health care investments.</td>
<td></td>
<td>Swedish Health Services</td>
<td>Swedish Edmonds Hospital</td>
<td>North Olympic Peninsula Hospitals</td>
</tr>
</tbody>
</table>

### Timeline and Steps for Completion of Process

- Agreement took less than a year to complete
- Community board involved in review of potential partners and selection of Providence
- 12 month process, including evaluation by Attorney General
- Providence had long-term collegial relationship with VCMC and served as network affiliate for conversion to a critical access hospital in 1999
- City opened discussions in 2003 after building a co-located new hospital, mental health center and nursing home
- Agreement took longer to finalize than anticipated due to turnover of key leadership
- Signed letter of intent October 2008
- Due diligence took a year in part due to full review and public hearings required by Oregon Attorney General
- Transaction closed on February 1, 2012
- Formal negotiations began in April 2011
- Overall 11 month process including evaluation by WA Attorney General, WA Dept of Health, and FTC
- Swedish selected as strategic partner in December 2009.
- Public hearing held in January 2010
- Definitive agreement approved in February 2010.
- February - August regulatory approvals and CoN transfers.
- Swedish became the operator effective September 1, 2010.
- Swedish responded to RFP in Fall 2010
- Executed agreements in winter of 2011

### Challenges encountered during process

- Ethical and Religious Directives for medical staff
  - Concern from community supporters that health care would change
  - Ethical and Religious Directives were unknown to the community
  - Ethical and Religious Directives for medical staff (primarily OB/GYN and ED)
  - Some members of previous Hospital Board struggled with role change
- Ethical and Religious Directives for some of the medical staff (primarily OB/GYN and ED)
- Transition changes for long-term employees, however Providence had support mechanism in place to work with
- Concern from pro-choice supporters regarding access to women’s services
- Concern from Death with Dignity supporters regarding access to assisted suicide
- Integration occurred at same time as restructuring of PH&S
- A limited number of community members expressed concern regarding Swedish charity care policy which proved untrue – and more generous Swedish policy was adopted.
- Limited challenges and concerns from the community.
<table>
<thead>
<tr>
<th>Affiliation Examples – Providence</th>
<th>Affiliation Examples - Swedish</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Providence Kodiak Island Medical Center</strong></td>
<td><strong>Swedish Health Services</strong></td>
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<td><strong>Providence Hood River Memorial Hospital</strong></td>
<td><strong>Swedish Edmonds Hospital</strong></td>
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<td><strong>Providence Valdez Medical Center</strong></td>
<td><strong>North Olympic Peninsula Hospitals</strong></td>
</tr>
<tr>
<td><strong>Swedish Willamette Falls Medical Center</strong></td>
<td></td>
</tr>
</tbody>
</table>

**What was different about the previous hospital after 6 months, 1 year?**

- Retained employees, with bargaining unit in place for many years
- Community increased confidence in hospital’s ability to not increase costs to Borough
- Occupancy in new hospital facility which was under development prior to affiliation

- Providence branding led to growth in services
- Expertise in purchasing and payor contracting
- Synergies from being part of a larger group
- Community felt as if it was the same hospital, with no loss of service, but an increase in expertise
- Became a critical access hospital in 2004

- Achieved operational stability
- New and expanded services

- Investment in facility infrastructure (equipment, IT)
- Access to capital
- Value added infrastructure (group purchasing, payor contracting)
- Implemented Providence hospitalist model
- Fully integrated within PH&S

- Swedish Community Board and Regional Advisory Committee established
- Alignment of Swedish back-office functions completed, including HR, IT, SCM, Finance, Legal, Real Estate and Construction, and Risk Management.
- Lawson Enterprise System implemented at Swedish facilities
- Implemented Providence hospitalist model
- Fully integrated within PH&S

- Renamed Swedish Edmonds, and under full management of Swedish.
- Integration of back office functions began to occur.
- Telestroke was implemented.
- Other capital investments were made as per the agreement.
- Began planning for implementation of Epic and other Swedish systems.
- Many contracts were renegotiated at significant savings.

- Expanded neurology and cardiology coverage for OMC
- Epic installation at Jefferson and OMC (via separate agreement)
- Implementation of CME program for all three facilities, consultative engagements, mock surveys etc
- Utilization of “Swedish Health Network” brand.