Revised C. Affiliation Structure

1. Describe, in as much detail as possible, your proposed affiliation structure (e.g., joint operating agreement, joint venture, long-term lease) for achieving the mutual objectives of the Interlocals and your organization, including implications related to debt restructuring.

As noted in our earlier response to the request for proposal, the driving strategic priority for UW Medicine in selecting an affiliation structure is the ability of the structure to support and sustain the Interlocals’ inclusion in the UW Medicine ACO network to provide continuity of care across the geographic region and identified populations. Any affiliation structure would require a shared commitment to achieve ACO quality of care standards, patient satisfaction, cost objectives, implementation of agreed-upon performance metrics, and coordination with other UW Medicine ACO network entities in the delivery of care. However, there are three possible levels of integration—low, medium and high—described below and in Table 1. In any option, UW Medicine would engage in a dialogue with the Interlocals on how best to leverage their brand strengths and the UW Medicine brand strength to present a consistent and easily understood message to the community.

Low Integration Option: Continuity of Care Affiliation

The continuity of care affiliation option focuses on assuring safe and effective care across transitions between primary, secondary, tertiary and quaternary care. Under this type of affiliation, the existing governance structures of the Interlocals and UW Medicine would continue unchanged. UW Medicine would commit to enhancing the infrastructure that supports the delivery of seamless, safe and effective clinical care in the most appropriate location closest to the patient’s home. Strategies to do so might include, but are not limited to, enhancing electronic health record connectivity, increased access to complex tertiary and quaternary services, the use of telemedicine, and delivery of care through consistent evidence-based protocols.

As the largest and most comprehensive healthcare organization in King County, UW Medicine is well positioned to support the Interlocals in providing the full continuum of care to patients living in the local communities. UW Medicine shares the Interlocals’ commitment to, and belief in the importance of, the community’s access to primary, secondary and appropriate tertiary care in the community. UW Medicine can provide complementary services the Interlocals do not provide, specifically complex tertiary and quaternary care. When there is a need for complex tertiary and quaternary care, UW Medicine would work with community clinicians to keep the patient in the community for as much clinical care as possible and return the patient to the community as soon as possible. UW Medicine will respect patient choice while working to increase and enhance access to patient care in the local community and access to complex tertiary and quaternary services in UW Medicine facilities.

UW Medicine can help support local community healthcare professionals by providing educational options such as continuing education and other types of professional development.
UW Medicine has a forty-one year history of supporting the education of healthcare professionals and the delivery of medicine in rural communities through the WWAMI programs and initiatives and has considerable experience integrating new organizations to align the delivery of patient care.

Medium Integration Option: Clinical Programming Affiliation

The medium integration option would include all elements described in the low integration option but also add greater involvement by UW Medicine in developing program-specific collaborations as agreed upon by the parties to build secondary and appropriate tertiary programs in the community. The strength of such a model is that it allows for targeted collaboration in the areas that make the most sense in light of each organization’s strategic goals. An example of this type of relationship is the relationship Northwest Hospital entered with UW Medicine in the late 1990s in which there was an overarching affiliation agreement and program-specific collaborations such as cardiac surgery services. Such a structure would not require changes in the existing governance of the Interlocals or UW Medicine.

In a medium integration approach, we would work together to achieve the commitment of ACOs, such as increased efficiency and reduced costs of healthcare; improved clinical outcomes and patient satisfaction through shared clinical protocols and evidence-based medicine guidelines; joint physician recruitment; shared metrics to assess improvement related to adoption of clinical protocols; increased telemedicine capabilities to provide cost-effective specialty consultations; and access to participation in clinically-focused multi-disciplinary continuing education.

UW Medicine would also consider appropriate purchase of services arrangements that leverage its expertise while lowering costs for the Interlocals or arrangements that allow the Interlocals to participate in programs that support the delivery of care in rural communities and as safety net providers. For example, UW Medicine has considerable expertise and is able to manage and assist Interlocals to participate fully in public healthcare funding programs, such as the Professional Services Supplemental Payment Program, 340(b) drug program and supply chain cost reduction opportunities.

High Integration Option: Multi-Party Comprehensive Network of Care

The high integration option would build on the medium integration option by adding an additional layer of integration by leveraging the strength of another party to create a comprehensive network of care for the region. UW Medicine brings many strengths to an affiliation with the Interlocals and has the proven ability to build programs in the community that generate revenue that would assist the Interlocals to form the financial capital necessary for future investments. However, given the rapid pace of healthcare reform and the evolution of reimbursement methodologies, the involvement of another not-for-profit health system that could bear financial risk for the Interlocals could expedite change and create a long-term, sustainable platform for Interlocals and UW Medicine. Under such a model, the parties would create a new operating structure that leverages the not-for-profit healthcare system’s ability to provide capital in
the form of technology and other infrastructure and bear financial risk while maintaining strong community involvement.

In this model, the Interlocals and the not-for-profit health system would commit to being part of the UW Medicine ACO network, with a corresponding commitment to the ACO goals and objectives for all services provided. One strength of such an affiliation is that it would promote the appropriate delivery of primary and secondary care in the patient’s community by the Interlocals and their affiliated healthcare professionals, and would enhance, to the degree clinically warranted, the ability for the Interlocals to provide additional tertiary care in the community. The engagement of a not-for-profit health system with expertise in the operation of community hospitals in rural areas would allow us to collectively engage to align care in the community, reducing costs and leveraging the respective expertise of the various parties. We believe this model provides the Interlocals the greatest opportunity to fully integrate into the UW Medicine ACO network. In addition, patients would benefit from the shared commitment to achieve ACO quality of care standards, patient satisfaction, cost objectives, implementation of agreed-upon performance metrics, and coordination with other UW Medicine ACO network entities in the delivery of care.
### Table 1: Summary of Key Elements of Integration Options

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<th>Option</th>
<th>Key Elements</th>
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| Low Integration Option: Continuity of Care Affiliation | • No existing change in governance structure of Interlocals or UW Medicine  
• Implement strategies to enhance infrastructure that supports the delivery of seamless clinical care closest to the patient’s home when possible but creates greater access to complex tertiary and quaternary resources when needed to provide a seamless continuum of care experience for patients  
• Strategies to support the access to care in the community through local community healthcare practitioners  
• Support continuous learning for local community healthcare practitioners |
| Medium Integration Option: Clinical Programming Affiliation | Key elements of low option, with the following additions:  
• Support the development of program-specific collaborations consistent with the strategic plan identified in advance with opportunities to expand  
• Purchase of services that create cost efficiencies for Interlocals such as supply chain performance improvement or allows Interlocals to participate in programs that support the delivery of care in rural communities and as safety net providers |
| Multi-party comprehensive network of care | Key elements of medium option with the following additions/changes:  
• Multi-party transaction to create a comprehensive network of care in the region with a not-for-profit health system with proven expertise in the operation of community hospitals in rural areas  
• New operating structure leveraging the not-for-profit’s ability to provide capital in the form of technology and other infrastructure  
• Governance structure that maintains community involvement  
• Interlocals and the not-for-profit health system would commit to being part of the UW Medicine ACO network, with a corresponding commitment to the ACO goals and objectives for all services provided  
• Engage in strategies to promote the appropriate delivery of primary and secondary care in the patient’s community by the Interlocals and their affiliated healthcare professionals and the not-for-profit health system |