

**INTERLOCAL AGREEMENT
REGARDING HEALTH CARE SERVICES**

THIS INTERLOCAL AGREEMENT FOR HEALTH CARE SERVICES ("Agreement") is made and entered into as of this 20th day of September, 2010 (the "Effective Date"), by and among SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 1, ("PHD No. 1") and SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2 ("PHD No. 2") (hereinafter referred to individually each as the "Party" or "District," and collectively as the "Parties" or the "Districts").

RECITALS

WHEREAS, RCW 70.44.003 authorizes public hospital districts to provide "hospital services and other health care services for the residents of such districts and other persons;" and

WHEREAS, RCW 70.44.240 expressly authorizes public hospital districts to contract or join with any other public hospital district to acquire or provide services or facilities to be used by individuals, districts, hospitals or others; and

WHEREAS, the Boards of Commissioners of the Districts have resolved pursuant to Resolution No. 2010- 1714 to create a cooperative relationship among the Parties to enhance the ability of the Parties to deliver health care services, which may include but are not limited to home health services, physician services, hospice care, oncology services, cardiac services and dialysis services (combined "Health Care Services") to meet the health care needs of the people served by the Districts; and

WHEREAS, pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Parties wish to explore and undertake opportunities for cooperative arrangements with respect to the delivery of Health Care Services in order to realize cost savings and to better meet the health care needs of the residents of and other persons served by the Districts and, from time to time, to engage in such joint activities as may be in the best interests of the people served by the Districts; and

WHEREAS, while pursuing cooperative relationships under this Agreement, the Parties intend to maintain their status and identity as separate legal entities, and do not intend to merge or consolidate the Districts or, at this time, create any new legal entity or enter into a partnership;

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the Parties agree as follows:

Section 1.

a. Co-Administrators. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Parties hereby designate and appoint the Superintendent of PHD No. 1 and the Superintendent of PHD No. 2 to serve as the co-administrators (the "Administrators") of this Agreement. The Administrators shall be responsible for carrying out this Agreement.

b. Oversight Committee. From time to time during the term of this Agreement, an oversight committee (the "Oversight Committee"), comprised of at least one but no more than two members of the Board of Commissioners of each District, shall meet with the Administrators to monitor the progress of the Agreement.

Section 2. Purpose. On behalf of the Parties, the Administrators shall engage in the following activities:

a. Analyze organizational models and strategies for cooperative relationships and joint actions to improve the delivery of Health Care Services to the populations served by the Districts;

b. Engage consultants from time to time as deemed necessary by the Administrators to assist the Administrators in evaluating the various models, strategies and joint actions considered by the Administrators;

c. From time to time, recommend to the Oversight Committee and/or the Boards of Commissioners of the Districts one or more models, strategies or joint actions to improve the delivery of Health Care Services;

d. Negotiate, execute and deliver services agreements between and among the Districts, with providers, with provider organizations, with recruits, with recruitment organizations, with temporary staffing agencies, and members of each District's medical staff as necessary to implement the models, strategies and/or joint actions approved by the Oversight Committee and/or the Boards of Commissioners of the Districts with respect to the delivery of Health Care Services; and

e. Collaborate now and in the future regarding opportunities for cooperative arrangements with respect to the delivery of health care in order to meet the needs of the people served by the Districts and to realize cost savings.

Section 3. Term and Termination. This Agreement shall commence on the Effective Date and continue through December 31, 2011. Thereafter, this Agreement shall be automatically extended for additional terms of one year each, unless one Party provides notice to the other Party of its intent to withdraw from the Agreement no later than sixty (60) days prior to the end of the then current term. The initial term and each subsequent term are subject to earlier termination by either Party, at any time with or without cause, upon providing sixty (60) days' notice to the other Party.

Section 4. Powers. The Administrators shall have the following powers in carrying out the purposes of this Agreement:

- a. To make and enter into contracts within the scope of their authority as Superintendents/CEOs of their respective Districts;
- b. To hire or fire agents and independent contractors as they deem to be necessary; and
- c. To have and exercise all other powers necessary to carry out the purposes of this Agreement subject to any restrictions imposed by Chapter 39.34 RCW and Chapter 70.44 RCW.

Section 5. Scope of Authority. Neither Party shall have any independent authority to direct the management of the other Party's activities under this Agreement or, unless authorized in writing by the other party, the joint activities of the parties hereunder. Neither Party shall have any authority to bind or to act for or to assume any obligations or responsibilities on behalf of the other Party. All decisions and actions taken by and for the purposes of this Agreement must be upon the mutual agreement and action of the Administrators. The Parties acknowledge that any service operated by either District may be altered or terminated to meet the operating District's operating goals and objectives, subject to the requirements, if any, of this Agreement.

Section 6. Property. Any property required to carry out the purposes of this Agreement shall, at the discretion of the Administrators, be held in the name of one of the Parties or by the Parties jointly as tenants in common. Upon termination of this Agreement, the Administrators shall distribute among the Parties any property held pursuant to this Agreement in such proportions as agreed by the Parties pursuant to this Agreement.

Section 7. Budget; Funding. The Administrators shall establish and maintain a budget for the activities necessary to carry out the purposes of this Agreement. Any costs incurred by the Administrators on behalf of the Parties, including, but not limited to, the cost of preparing this Agreement and carrying out the activities described in Section 2, shall be allocated among the Parties on the basis of a methodology to be determined by the Administrators.

Section 8. Notices. Any and all notices or communications required or permitted to be given under any of the provisions of this Agreement shall be in writing and shall be deemed to have been given upon receipt when personally delivered or sent by overnight courier or when such delivery is refused or upon receipt if sent by facsimile with hard copy in two (2) days or two (2) days after deposit in the United States mail if sent by first class, certified or registered mail, return receipt requested. All notices shall be addressed to the Parties at the addresses set forth below or at such other address specified by notice to the other Party.

If to PHD No. 1: 1415 Kincaid Street
 P.O. Box 1376
 Mount Vernon, Washington 98273-1376

Attn: Superintendent & Chief Executive Officer

If to PHD No. 2: 1211 - 24th Street
Anacortes, WA 98221-2590
Attn: Superintendent & Chief Executive Officer

Section 9. Entire Agreement/Modification. This Agreement represents the entire agreement of the Parties with respect to the subject matter hereof and supersedes all prior negotiations or discussions with respect thereto. This Agreement may be supplemented by additional agreements executed by the parties, or may amended or modified by written instrument signed by the parties hereto. Such amendments may be for the purposes of, among other things, adding or deleting parties to this Agreement or expanding the purposes for which the Administrators are organized.

Section 10. Assignment. No party to this Agreement may assign its rights or obligations hereunder.

Section 11. Counterparts. This Agreement may be executed in counterparts, each of which shall be an original but all of which taken together shall constitute but one and the same instrument.

Section 12. Filing Requirements. Upon execution of this Agreement, the Parties shall file a true and complete copy thereof in compliance with the provisions of Chapter 39.34 RCW.

Section 13. Authorization. Each Party does hereby represent and warrant to the others that it is duly authorized to enter into and to carry out the terms of this Agreement.

Section 14. Independent Review. This Agreement has been reviewed and revised by legal counsel for all Parties and no presumption or rule that ambiguity shall be construed against the Party drafting the document shall apply to the interpretation or enforcement of this Agreement.

Section 15. Severability. In case any term of this Agreement shall be held invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such term nor the validity of the remaining terms of this Agreement shall in any way be affected thereby.

IN WITNESS WHEREOF, the parties hereby execute this Agreement as of the day and year first set forth above.

SKAGIT COUNTY PUBLIC HOSPITAL
DISTRICT NO. 1



By: Gregg Davidson
Its: Superintendent & Chief Executive Officer

SKAGIT COUNTY PUBLIC HOSPITAL
DISTRICT NO. 2



By: Vince Oliver
Its: Superintendent & Chief Executive Officer