



Affiliation Discussion and Recommendation

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Strategic Drivers

The current Strategic Plan clearly identifies the need for an affiliation. Thus far many in the public, the medical staff, and the union appear supportive of an affiliation.

- The affiliation strategy appears in each of the strategic pillars:
 - People: Affiliation will aid in recruitment and retention
 - Service: Improve brand and enhance service offerings
 - Quality and Safety: Integrated access to advanced care centers and latest medical treatments for district
 - Finance: Improve financial stability, increase volumes, leverage scarce Stevens capital
 - Growth: Increase market share and improve brand
 - Community: Can be a positive for our community if properly structured and managed

Process to negotiate and refine the affiliation terms

As you know we have engaged in a formal and extensive process with several leading healthcare systems

- Began discussions with neighboring regional systems. Evergreen, Providence, and Swedish.
- Defined the District's major needs and shared these with each potential affiliate.
- Defined period for negotiations and refining proposals.
- Extensive discussions with candidates, staff and Commissioners.
- At this point, we have determined that the Swedish is the best option for the District.

Stevens-Swedish: A Cultural Fit

- ✓ Both have similar missions to serve the community
- ✓ Both are non-profit and secular
- ✓ Partners in specialty care since 1991
- ✓ Both community-based, locally controlled
- ✓ Similar labor relationships and commitment to labor engagement
- ✓ Shared commitment to reforming health care delivery
- ✓ Long standing commitments to charity care and the underserved

Shared Goals for the collaborative affiliation

Improve the health of South Snohomish County:

- ✓ Measurably improve health outcomes
- ✓ Enhance health care in community & create convenient local access

Meet the needs of the community

- ✓ Maintain Stevens as a vital community resource
- ✓ Increase charity care & other community benefits in So. Snohomish County
- ✓ Assure that Stevens/Swedish have the brand and “clout” to recruit and retain the best physicians and staff
- ✓ Assure access to the latest technologies across the continuum of care, including a state-of-the-art electronic medical record system

Shared Goals of the collaborative affiliation

Be on the leading edge of health care reform

- ✓ Use new delivery models to increase access & quality and reduce costs
- ✓ Create a regional delivery network, with community-based care in So. Snohomish County & increased access to a comprehensive system

Support economic growth at Stevens and in the community

- ✓ Create more health care jobs in So. Snohomish County
- ✓ Improve patient volumes and financial margins to assure long term financial viability and access to capital

Enhance and expand the stated missions of both organizations

- ✓ Maximize opportunities for improved quality, patient safety and service
- ✓ Retain and recruit the highest quality medical staff, nurses and other staff
- ✓ Utilize the combined assets and talents of the parties to serve the community

Swedish meets District's core needs

- The district will receive fair market value for assets leased, and retain District's cash to pursue other health improvement activities in the community.
 - **Achieved**
- The Certificate of Need will revert back to the District at the end of the Lease.
 - **Achieved**
- The District will retain ownership of all existing assets and will have an ongoing option to invest in additional assets and projects with Affiliate.
 - **Achieved**
- Affiliate will commit to a minimum of \$80 million of capital during the first 10 years, with additional capital subject to feasibility analysis and planning.
 - **Achieved (Swedish will commit a minimum of \$90 million of capital)**

Swedish meets District's core needs

- Affiliate commits to installing the Electronic Medical Record, and other state-of-the-art health technologies.
 - **Achieved (estimated at \$15.5 million for Epic and eICU alone)**
- Minimum 20 year lease with additional renewal terms.
 - **Achieved (30 year lease with two 10 year renewals, Swedish prefers a long term to warrant capital commitments)**
- Lease all facilities, equipment, and take over all existing service lines. Affiliate will have full P&L responsibility and provide capital for the facility.
 - **Achieved**
- Create a joint Committee to ensure successful collaboration between the hospital and the district.
 - **Achieved (Strategic Collaboration Committee)**

Swedish meets District's core needs

- Create a community advisory committee to aid in transition and re-branding efforts.
 - **Achieved (to be sponsored by Strategic Collaboration Comm.)**
- The District will have “reserve powers”, e.g. changing service lines, relocation of the hospital, termination of SEIU contract, etc...
 - **Achieved**
- Labor harmony and preserve independence of Medical Staff.
 - **Achieved (accepted existing Stevens/SEIU contract and supports a separate Steven's medical staff)**

Recap of Important Terms

- Swedish will have full P&L responsibility and is committed to provide capital for the facility. District continues to own the assets and will receive a commercially reasonable lease payment rate.
 - Swedish will pay the district \$600,000 per month in lease payments.
 - Swedish will commit up to \$90 million in capital upgrades during the first 10 years, additional commitments will be made after that subject to the needs of the facility and the business climate at that time.
 - Swedish will commit up to and additional \$60 million towards a facility upgrade. The specific project will be collaboratively planned with the District once the overall relationship and planning can begin.
 - Over and above these capital commitments, Swedish will commit to putting at least 25% of the earnings from the Stevens operation back into the local facility and operations.

- District will have “reserve powers” to assure public oversight:
 - charity care policies,
 - independence of Medical staff,
 - appropriate care stays within the community,
 - service lines are properly funded and maintained at acceptable standards,
 - SEIU is treated fairly.

Recap of important terms

- The district will receive lease payments and keep its existing cash, this will provide the District with sufficient capital and steady cash flow to pursue other health improvement activities in the community.
- The Certificate of Need will be transferred to Swedish and would revert back to the District at the end of the Lease.
- The District will retain ownership of all of the assets and would purchase the leasehold improvements (at a discount) at the end of the lease. The District would be able to purchase the Swedish assets that are appropriate and purchase price would be established the book value less any discounts.
- Swedish will provide insurances for the facility and will be responsible to maintain the facilities.
- Swedish has committed to retaining the existing employees and management Staff will transition to Swedish employment at the same pay, benefits, positions and shifts and will ensure they receive credit for their years of service and status.
- Stevens/SEIU contract will be moved at its existing terms to be between Swedish/SEIU.

Future possibilities for the District

- District has a unique opportunity to redefine what a public hospital district can do for its community.
- Commissioners should engage in visioning and planning to redefine District's options and operations.
- Some of the possibilities discussed to date include:
 - Developing, supporting, and or operating community clinics to assist the underserved.
 - Planning and supporting health awareness and improvement programs, such as smoking cessation, childhood obesity, diabetic management, etc.
 - Planning and supporting community safety programs such as bicycle helmets for children, baby seats for cars, avoiding falls for elders
 - Developing a collaborative mental health provider network among several supporting clinics, hospitals, and government entities.

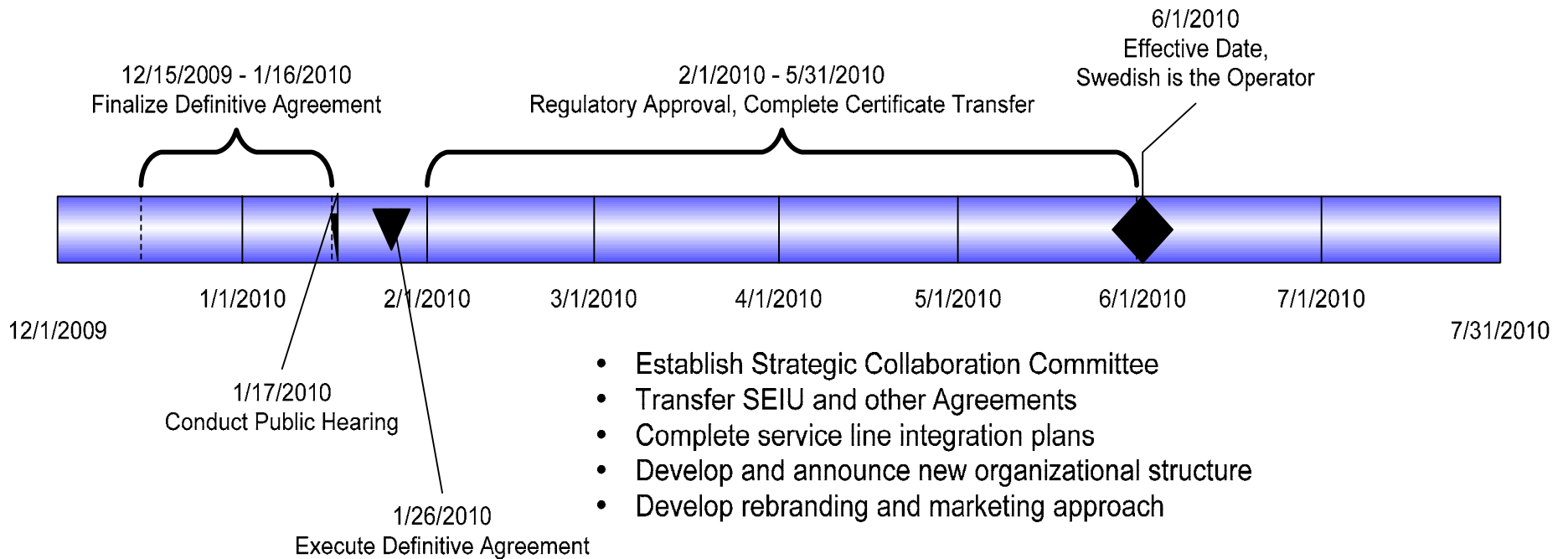
Formal Recommendation

- Accept the Swedish Proposal and move forward in next 30 to 45 days to finalize the terms of the relationship with a binding and definitive agreement.
- Begin implementation planning to include:
 - Communications and briefings to public, trading partners and key stakeholder groups
 - Operational integration planning to include new organizational structure, transition of the SEIU contract, and service line integration.

Recommended Next Steps

- Retain transactional legal counsel to assist in developing the final Definitive Agreement.
- Create a collaborative integration team with Swedish/Stevens executives and key staff to begin operational integration plans for the facilities.
- Notify key trading partners/employees about how their contracts and employment would be transitioned to Swedish once the transaction is completed.
- Conduct a series of public communications to gather comments from the broader community. Conduct a public hearing in mid-January.
- Conduct formal meetings with the Department of Health on the steps required to transition any licenses to Swedish.
- Provide a final Definitive Agreement for the Commission to consider at the meeting in late January.

Expected Timeline



Draft --- subject to change