

October 3, 2012

To the Coalition for Healthcare Transparency and Equity:

We, the Commissioners of the San Juan County Public Hospital District #1 (PHD/District) have received and reviewed your letter of September 17, 2012. We respectfully set forth our responses for your consideration.

The decision to pursue a 'Critical Access Hospital' (CAH) for our PHD district and San Juan County was prompted by several issues. Foremost among same was the unsustainable downward trend in financing, making a reduction in services or increased taxes an inevitability. Additionally, the Inter Island Medical Center (IIMC) was an ageing facility, lacking room, accommodations and modern equipment/technologies to serve the San Juan Island and San Juan County population.

At the inception of the project, after conferencing with many health care organizations, including the U.W., Swedish and Virginia Mason, among others, PeaceHealth emerged as the primary organization interested in helping us to establish a CAH on San Juan Island. Today, we look forward to the opening of a new combined facility with a hospital, clinic, new EMS facility with a mainland integrated electronic medical record, telemedicine, and with modern medical equipment and technology and access to various visiting medical specialists on island.

Before signing a contract with PeaceHealth, and in the interest of garnering public opinion and providing transparency, numerous open public meetings were held in which the people of the District had the opportunity to dialogue with the representatives of PeaceHealth and the PHD over the issues you bring to our attention presently. The PHD retained Brad Berg, JD, who is 'the authority' with regards to PHD contracts within Washington State, and who served as our legal counsel throughout the negotiation process. Additionally, the entire contractual agreement was printed verbatim in the local newspaper. It was also reviewed by the State Auditor's Office and its attorneys.

You raise several questions to which we submit our answers. Some of the questions, which were initially vetted in public forum, may be receiving more recent emphasis today based on two issues. 1) The appointment of Archbishop Sartain of Seattle and his communications to PeaceHealth concerning the provision of laboratory services in

Whatcom County. 2) The announcement of PeaceHealth's 'Letter of Intent' to jointly form a third entity with Franciscan Health Care, a division of CHI.

As to the question of what written and binding guarantees are in place to assure current IIMC services, we direct your attention to section 1.1.13 of the Subsidy Agreement for a Combined Clinic and Hospital Facility (the "Agreement") which reads as follows:

'PeaceHealth shall assume all financial responsibility for, and shall exercise due diligence in providing, all clinical personnel reasonably necessary to provide high quality, safe and compassionate healthcare at the combined clinic/hospital facility. PeaceHealth agrees that such clinical services shall, at a minimum, include the following items: Primary Care, Emergency Care, Imaging Services, Diagnostic Services, observation Services, and simple medical admissions, provided that the District and PeaceHealth may mutually amend those specifications.'

As you can see, this section contains a number of "written and legally binding guarantees." Most important for the services about which you asked is the guarantee that PeaceHealth will provide "primary care" since that is how reproductive health services would be categorized. According to sections 1.1.20 and 1.1.11 of the Agreement, the District has received 'written and legally binding guarantees' that such primary care will be provided "regardless of the patients ability to pay" and in full compliance "with all rules, regulations and requirements of federal, state and city law."

First and foremost the patient/physician relationship will continue to take precedent in a confidential manner for family planning. This will be inclusive of contraception and sterilization referencing PeaceHealth's 'Reproductive Health Statement' found on the PHD's website. ([www.sjcphd.org](http://www.sjcphd.org))

The second question relates to legally binding guarantees from PeaceHealth regarding Advanced Directives (AD). PeaceHealth encourages and honors patient's Advanced Directives. A competent patient or surrogate, acting on behalf of a patient's AD can request the withdrawal of artificial life-sustaining treatments and, subject to an ethical review, the request will be implemented. The ethical review process is intended to protect, not frustrate, the legitimate wishes of the patient.

Again, from a practical point of view, long term care patients with special needs would not be ideal candidates for hospitalization on SJI and more likely cared for in a tertiary facility.

Question 3 inquires as to funding health care treatments not currently available and with special reference to the tax levy currently in use. The PHD levy currently supports uncompensated, under compensated and emergent care for those District island citizens in need. This is currently at 10% or less of the anticipated PIMC budget and will be reduced

further as the current PHD tax levy lid lift expires in 2015. Funding for individual healthcare in our country is primarily provided through private insurance or government reimbursement. Neither of these sources can be guaranteed over the long term because private insurance terms can be amended with each policy and governmental reimbursement a political consideration. It is particularly difficult to speculate as to funding sources for future treatments, such as stem cell therapy about which you ask, because payment decisions by the payer's, both private and governmental, evolve as medical knowledge and technology improves. In other words, payers often do not fund for treatments that are 'experimental' but wait until the effectiveness of the treatment has been demonstrated. And again, the type of stem cell treatment you mention is not likely to be administered in a CAH such as Peace Island Medical Center.

Question 4 asks under what provisions the District may withdraw from the Agreement if PeaceHealth is not meeting the health care needs of Islanders. Under Section 4.3 of the Agreement:

'Either Party may terminate this Agreement in the event the other Party has failed to perform any material term or condition of this Agreement, if such failure has continued for one hundred and five days after the Party seeking termination has delivered formal written notice pursuant to section 6.1 of intent to mediate such failure to the other Party.'

PeaceHealth has operated with integrity and transparency in constructing the "Agreement" with the District and we expect them to uphold the tenets upon which this contract was conceived. Their announced intention is that they will continue to provide patient-centered care in which each individual and his/her doctor, within the context of a confidential conversation, work together to establish a care plan. To not take them at their word in their statements is to impugn the integrity of an organization with more than 100 years of history serving the needs of medical communities such as ours. This said, we will continue to monitor your concerns into the future and make our concerns known as well.

### **SJCPHD #1 Commissioners**

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