INTERLOCAL AGREEMENT

THIS AGREEMENT is made and entered into as of the 1st day of July, 2004, by and among the public hospital districts identified in Exhibit A and such additional public hospital districts as may agree to be bound by the terms of this agreement in the future (hereinafter collectively referred to as the "Districts").

RECITALS

- A. Chapter 70.44.003 RCW authorizes public hospital districts to provide "hospital services and other health care services for the residents of such districts and other persons."
- B. Chapter 70.44.007(2) defines "other health care services" to include "nursing home, extended care, long-term care, outpatient, rehabilitative, health maintenance and ambulance services and such other services as are appropriate to the health needs of the population served."
- C. Each of the Districts is located in a rural area and each provides health care services and facilities to District residents, including hospital services.
- D. Chapter 70.44.450 RCW expressly authorizes rural public hospital districts to enter into cooperative agreements and contracts with one another under the Interlocal Cooperation Act (Chapter 39.34 RCW) to provide for the health care needs of the people served by the hospital districts, which agreements and contracts are authorized to include combined purchases and allocations of medical equipment and technologies, joint agreements and contracts for health care service delivery and payment with public and private entities, and other cooperative arrangements.
- E. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Districts wish to negotiate, enter into and carry out joint agreements and contracts for health care service delivery and payment with public and private entities in order to better meet the health care needs of the residents of the Districts and other persons served by the Districts and, from time to time, to engage in such other joint activities as may be in the best interests of the people served by the Districts.

AGREEMENT

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

1. <u>The Board</u>. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Districts hereby establish a joint operating board, which shall be known as the "Regional Health Services Joint Operating Board," or such other name as the members of the joint operating board may approve from time to time (the "Board").

- a. <u>The Members of the Board</u>. The Board shall be composed of each District's superintendent, or such other person as may be designated by the District's superintendent. Each member of the Board shall have one vote with respect to all matters presented to the Board for its review and approval.
- b. <u>Bylaws of the Board</u>. The Board shall adopt bylaws governing the management of the Board's business and the regulation of its affairs, including but not limited to, procedures for electing officers and specifying their duties, calling meetings, establishing quorum and voting approval requirements, and designating member representatives. Approval of the initial bylaws, and any amendments thereto, shall require the unanimous approval of the Board's members.
- 2. <u>The Purpose</u>. On behalf of the Districts, the Board shall engage in the following activities:
 - a. Develop and analyze models and strategies to negotiate, enter into and carry out joint agreements and contracts for health care service delivery and payment with public and private entities that operate within the State of Washington;
 - b. Engage consultants from time to time as deemed necessary by the Board to assist the Board in evaluating the various models and strategies considered by the Board;
 - c. Select and implement one or more models or strategies;
 - d. Engage in collective negotiations with health plans or provider groups desiring to contract in the State of Washington; and
 - e. Engage in such other collective activities as deemed appropriate by the Board to further the goal of negotiating, entering into and carrying out joint agreements and contracts for health care service delivery and payment with public and private entities that operate within the State of Washington.
- 3. <u>Term.</u> This Agreement shall remain in effect until December 31, 2004 and shall automatically renew for additional one-year terms, unless terminated by the Districts as described in Section 11.
- 4. <u>Powers</u>. The Board shall have the following powers in carrying out the purposes of this agreement:
 - a. To make and enter into contracts; provided, however, that prior to entering into any contract that results in an aggregate liability to the Districts of \$5000 or more, the Board shall obtain the prior written approval of each of the Districts;
 - b. To hire or fire agents and independent contractors as it deems 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 applicable to a joint operating board established pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW.
- 5. <u>Management of the Board's Activities and Scope of Authority</u>. The Districts agree that the day-to-day management of the Board's activities and supervision of the Board's agents shall be under the control of the Board. No District shall have any independent authority to direct the management of the Board's activities. No District shall have any authority to bind or to act for or to assume any obligations or responsibilities on behalf of any other District or the Board nor shall the Board have any authority to bind or act for or to assume any obligations or responsibilities on behalf of any District.
- 6. <u>Contracts</u>. Any contract entered into by the Board shall be in writing and shall contain a provision permitting termination of such contract upon no more than 12 months' notice in the event this agreement is terminated.
- 7. <u>Property</u>. Any property required to carry out the purposes of this agreement shall, at the discretion of the Board, be held in the name of one of the Districts or by the Districts jointly as tenants in common or as partners.
- 8. Funding. Any costs incurred by the Board on behalf of the Districts in carrying out the activities described in Section 2 shall be allocated among the Districts on the basis of a methodology to be determined by the Board. Any payment from the Districts shall be due within thirty (30) days, or such shorter period of time as may reasonably be specified by the Board, of the District's receipt of a request for payment from the Board. In order to facilitate the payment of expenses on behalf of the District, the Board shall have the authority to establish a special fund with the Treasurer of any District that is a party to this Agreement, which fund shall be designated as the "Operating Fund of the Regional Health Services Joint Operating Board" (the "Operating Fund"). All grant funds received by the Districts jointly or individually to assist in financing the activities covered by this Agreement shall be deposited in the Operating Fund and used to pay the costs incurred by the Board as described herein.
- 9. <u>Financial Statements</u>. The Board shall develop and deliver the to the Districts within forty-five (45) days after the close of the Board's fiscal year, a balance sheet of the Board as of the end of the fiscal year and statements of income and cash flow, each prepared in accordance with generally accepted accounting principles consistently applied, reviewed by the Treasurer of the Board and clearly reflecting any positive or negative variances from the operating budget approved by the Board.
- 10. Audit. An audit of the Board shall occur at such times as the Board deems to be reasonable or as required by state law and shall be conducted either by an independent accounting firm, by the Board's internal auditors or by the State Auditor, as appropriate under the circumstances. In addition, any District may request an audit of the Board. In the event two or more Districts request such an audit, the cost thereof shall be borne equally by those Districts. In the event any District individually requests such an audit, the cost thereof shall be borne entirely by that District.

11. Termination and Distribution.

- a. Termination of Agreement. This Agreement may be terminated and the Board dissolved prior to the expiration of the term specified in Paragraph 3 (i) upon mutual agreement of the Districts, in which event the termination shall be effective at any time established by mutual agreement, or (ii) upon receipt of written notice by each of the Districts that one or more of the Districts intends to withdraw, in which event the termination shall be effective no sooner than 90 days from the date that each of the Districts receives the written notice of withdrawal; provided, however, that such termination shall not be effective until the completion of the winding up and distribution process as described below or an election by two or more of the Districts to continue the business of the Board pursuant to the procedures described in Section 12 hereof; and provided further that a District that provides notice of termination shall not be liable for any liabilities incurred by the Board following receipt of its notice of termination other than those incurred in connection with the winding up and distribution process described below.
- b. Winding Up. Prior to the expiration or termination of this Agreement in accordance with the terms hereof, the Board shall diligently proceed to wind up its affairs through the payment of all debts and liabilities and the settlement or other disposition of all claims by or against the Board or any of the Districts arising out of or related to this Agreement. During the period of winding up, the Board shall have no authority to otherwise carry on the business as prescribed in this Agreement except to the extent necessary to complete the winding up.
- c. <u>Distribution</u>. Upon completion of the winding up process, the Board shall distribute any property that it may then be holding among the Districts in proportion to the payments that have been made by the Districts pursuant to Section 8 of this Agreement.
- d. <u>Books and Records</u>. Upon completion of the winding up and distribution process, the Board shall make arrangements for the safe storage of its books and records for such period of time as may be needed to satisfy any federal or state record keeping laws then in effect. Such books and records shall be available during normal business hours to the Districts for inspection and copying at their own cost and expense.
- 12. <u>Election to Continue the Business of the Board</u>. Upon receipt of a notice of withdrawal pursuant to Section 11 here of, any two or more of the Districts may elect to continue the business of the Board after reaching an agreement with the withdrawing District(s) regarding an appropriate allocation of the Board's assets and liabilities among the withdrawing District(s) and those that wish to continue the business of the Board.
- 13. <u>Notices</u>. 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 in Exhibit A or at such other address as any District may specify by notice to the other Districts.

- 14. 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 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 Board is organized.
 - 15. Assignment. No party to this Agreement may assign its rights or obligations hereunder.
- 16. <u>Counterparts</u>. 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.
- 17. <u>Filing Requirements</u>. 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.
- 18. <u>Authorization</u>. Each District 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.

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

| PUBLIC HOSPITAL DISTRICT NO. 1 | PUBLIC HOSPITAL DISTRICT NO. 304 |
|--|---|
| SKAGIT COUNTY, WASHINGTON | SKAGIT COUNTY, WASHINGTON |
| By: | By: |
| Its: | Its: |
| PUBLIC HOSPITAL DISTRICT NO. 2 | PUBLIC HOSPITAL DISTRICT NO. 3 |
| SKAGIT COUNTY, WASHINGTON | SNOHOMISH COUNTY, WASHINGTON |
| By: Its: | By: Its: |
| PUBLIC HOSPITAL DISTRICT NO. 1 SNOHOMISH COUNTY, WASHINGTON | WHIDBEY ISLAND PUBLIC HOSPITAL DISTRICT ISLAND COUNTY, WASHINGTON |
| By: Its: | By: Its: |
| KING COUNTY PUBLIC HOSPITAL | PUBLIC HEALTH CARE SERVICE |
| DISTRICT NO. 4 | DISTRICT NO. 2 |
| KING COUNTY, WASHINGTON | JEFFERSON COUNTY, WASHINGTON |
| By: | By: |
| Its: | Its: |

EXHIBIT A

PUBLIC HOSPITAL DISTRICT NO. 1 SKAGIT COUNTY, WASHINGTON

1415 E. Kincaid Street P.O. Box 1376

Mt. Vernon, WA 98273-1376 Attention: Superintendent

PUBLIC HOSPITAL DISTRICT NO. 2 SKAGIT COUNTY, WASHINGTON

1211 24th

Anacortes, WA 98221-2590 Attention: Superintendent

PUBLIC HOSPITAL DISTRICT NO. 304 SKAGIT COUNTY, WASHINGTON 1971 Highway 20 Sedro-Woolley, WA 98284-9381

Attention: Superintendent

PUBLIC HOSPITAL DISTRICT NO. 1 SNOHOMISH COUNTY, WASHINGTON 14701 – 179th S.E. P.O. Box 646 Monroe, WA 98272-0646

Monroe, WA 98272-0646 Attention: Superintendent

PUBLIC HOSPITAL DISTRICT NO. 3 SNOHOMISH COUNTY, WASHINGTON 330 S. Stillaguamish Avenue Arlington, WA 98223-1642 Attention: Superintendent

WHIDBEY ISLAND PUBLIC HOSPITAL DISTRICT ISLAND COUNTY, WASHINGTON 101 N. Main Street Coupeville, WA 98239-0400

Attention: Superintendent

KING COUNTY PUBLIC HOSPITAL DISTRICT NO.4 KING COUNTY, WASHINGTON 9575 Ethan Wade Way, SE P.O. Box 2021 Snoqualmie, WA 98065 Attention: Superintendent

PUBLIC HEALTH CARE SERVICE DISTRICT NO.2 JEFFERSON COUNTY, WASHINGTON 834 Sheridan Port Townsend, WA 98368-2443

Attention: Superintendent