

## PRIMARY CARE CLINIC SERVICES AGREEMENT

**THIS PRIMARY CARE CLINIC SERVICES** (the “Agreement”), dated and effective as of October 23, 2020, is entered into by and between Skagit County Public Hospital District No. 2, a Washington municipal corporation d/b/a Island Hospital (the “Skagit District”), and San Juan County Public Hospital District No. 3, a Washington municipal corporation d/b/a Orcas Island Health Care District (the “Orcas District”).

### RECITALS

A. The Orcas District was established in 2018 by a vote of the residents of Orcas Island to promote the availability of health care services on Orcas Island to the Orcas Island community.

B. Since its inception the Orcas District has provided financial support for two primary care practices on Orcas Island (the “Existing Clinics”) but is financially unable to continue to support more than a single practice.

C. The Orcas District owns a medical building located at 7 Deye Lane, Eastsound, Washington (the “Facility”), including its furnishings and most of the medical equipment in the Facility. One of the two practices supported by the Orcas District operates in the Facility.

D. The Orcas District desires to support the establishment and operation of a federally qualified rural health clinic in the Facility to provide primary, medically necessary same day services, and after hours care services for Orcas Island residents and visitors (the “Clinic”) which would be the sole primary care clinic supported by the Orcas District. The goals of the Orcas District for the Clinic are (1) to enable Orcas Island residents to receive their primary care from medical providers on Orcas Island; (2) to ensure that under normal circumstances Orcas Island residents can timely schedule appointments for primary care; (3) to enable Orcas residents and visitors to have access to same day services when medically necessary; and (4) and to make available limited after hour services to Orcas Island residents and visitors on Orcas Island by a Skagit District qualified personnel

E. The Skagit District is a public hospital district that operates a hospital, two rural health clinics and other medical facilities in Skagit County and has significant experience in delivering primary care services and after hours care services.

F. The Skagit District desires to contract with the Orcas District to establish and operate the Clinic on the terms set forth in this Agreement. Because the provision of medical services on Orcas Island has traditionally operated at a loss, the Skagit District requires financial assistance from the Orcas District to enable it to establish and operate the Clinic.

G. The two Districts desire to contract with each other to have the Skagit District lease the Facility and establish and operate the Clinic in the Facility pursuant to the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the mutual benefits to be derived and all the terms, conditions and covenants set forth in this agreement, the Districts agree as follows:

## AGREEMENT

### **1. Definitions**

1.1 “After Hours” shall mean all hours that the Clinic is closed including weeknights after regular business hours, weekends and holidays.

1.2 “After Hours Care” shall mean services that a Provider, designated member of the Medical Staff, or triage nurse determines are medically necessary and need to be provided After Hours.

1.3 “After Hours Encounter” shall mean any service that results from calls to the dedicated call line maintained for Orcas patients made After Hours.

1.4 “Board” shall mean the Orcas District’s Board of Commissioners.

1.5 “Business Plan” shall mean an annual Business Plan prepared by the Skagit District for the Clinic for the next year.

1.6 “Clinic” shall mean a federally qualified rural health clinic in the Facility to provide Primary Care Services for Orcas Island residents and visitors

1.7 “Clinic Manager” shall mean the Skagit District employee located in the Clinic who shall be responsible for the day-to-day management of the Clinic’s operations.

1.8 “Commencement Date” shall mean the date that Skagit District begins offering Primary Care Services at the Clinic as documented in the books and records of the parties.

1.9 “Community Outreach Committee” shall mean a joint committee consisting of up to three (3) representatives of the Skagit District, the Superintendent and two (2) Board members.

1.10 “CMS” shall mean the Center for Medicare and Medicaid Services.

1.11 “District” shall mean either the Orcas District or the Skagit District and collectively shall refer to both of them.

1.12 “EMS” shall mean the Orcas Island Emergency Medical Services.

1.13 “Existing Clinics” shall mean the two primary clinics on Orcas Island supported by the Orcas District on the date of this Agreement.

1.14 “Facility” shall mean the medical building located at 7 Deye Lane, Eastsound, Washington owned by the Orcas District.

1.15 “Finance Committee” shall mean a joint committee consisting of up to three (3) representative(s) of the Skagit District, at least one of whom shall be knowledgeable about the books and records kept by the Skagit, the Superintendent, and two (2) Board members.

1.16 “Financial Assistance Policy” shall mean the financial assistance policy for the Clinic that is consistent with the standards for financial assistance at the Skagit District’s other facilities, including their primary care clinics, as may be updated by the Skagit District from time to time.

1.17 “Financial Statements” shall mean the financial statements described in Section 4.2.

1.18 “HIPAA” shall mean the Health Insurance Portability and Accountability Act of 1996, 42 U.S.C. §1320d, and the implementing administrative simplification regulations codified at 45 C.F.R. Subtitle A, Subchapter C, Part 160 et. seq.

1.19 “Initial Term” shall mean the period beginning on the Commencement Date and continuing until December 31, 2025.

1.20 “Medical Director” shall mean physician designated by the Skagit District to service as the medical director for its rural health clinics, including the Clinic, consistent with applicable CMS rural health clinic requirements.

1.21 “Medical Staff” shall mean the active medical staff of the hospital operated by the Skagit District.

1.22 “Advanced Practice Practitioner” or “APP” shall mean an advanced registered nurse practitioner or a physician’s assistant, employed to work at the Clinic.

1.23 “Orcas District” shall mean the San Juan County Public Hospital District No. 3, a Washington municipal corporation d/b/a Orcas Island Health Care District.

1.24 “Operations Support Fee” shall mean the fee payable to the Skagit District to operate the Clinic as provided in this Agreement.

1.25 “Primary Care Services” shall mean the primary care services typically provided by family practice medical and a qualified internal medicine providers in a rural health clinic

1.26 “Provider” shall mean a physician or an APP employed to work at the Clinic.

1.27 “Quality Committee” shall mean a joint committee consisting of up to three (3) representatives of the Skagit District, the Superintendent and two (2) Board members.

1.28 “Quality Metrics” shall mean the aggregated results of the patient satisfaction surveys conducted for the Skagit District for the Clinic on an ongoing regular basis and the average and/or median score for each quality goal and measurement selected by the Quality Committee.

1.29 “Records” shall mean the medical, financial and other records, reports, claims and correspondence relating to the services and treatment rendered at the Clinic.

1.30 “Renewal Term” shall mean an additional five-year term of the Agreement following the Initial Term or another Renewal Term. There may be more than one Renewal Term.

1.31 “Required Services” shall mean the services listed under the heading Required Services on Attachment B.

1.32 “RVUs” shall mean the relative value units as defined by CMS and updated by the Skagit District in the regular course of business.

1.33 “Same Day Care” shall mean treatment at the Clinic of an injury or illness when same day treatment is deemed to be medically necessary by a Provider or a licensed member of the Clinic staff, e.g. a triage nurse.

1.34 “Skagit District” shall mean the Skagit County Public Hospital District No. 2, a Washington municipal corporation d/b/a Island Hospital.

1.35 “Superintendent” shall mean the Superintendent of the Orcas District.

1.36 “Target Quality Metrics” shall mean the targets established for each of the Quality Metrics.

1.37 “Term” shall mean the Initial Term and any Renewal Term(s).

1.38 “Termination Trigger” shall mean any occurrence described in Section 5.2(c)(1) through (6).

1.39 “Wind Down Period” shall mean the one hundred eighty (180) day period that begins after a District delivers a notice of termination except that the Wind Down Period for a termination due to the insolvency of the other District shall be a sixty (60) day period.

**2. Establishment and Operation of the Clinic.** The Skagit District shall lease the Facility and establish, own and operate the Clinic pursuant to the terms of this Agreement. The Clinic shall qualify as a provider based rural healthcare clinic under the rules and regulations of CMS. The Clinic will operate under a name that is consistent with the Skagit District’s naming practice chosen in collaboration with the Orcas District. The Skagit District shall collaborate with the Orcas District and with other health and community organizations on Orcas to improve the health of members of the Orcas community. Simultaneously with the execution of this Agreement the Skagit District has executed a lease agreement for the use of the Facility in the form of Attachment A.

**2.1 Operation of the Clinic.** As of the Commencement Date, which is expected to occur on or about March 1, 2021, and throughout the Term the Skagit District shall: (i) operate the Clinic pursuant to the terms and conditions set forth in this Agreement and with a commitment to quality, safety and patient satisfaction; (ii) obtain and maintain all necessary licenses, provider numbers, certifications and other items necessary for the Clinic’s operations; (iii) operate the Clinic in a reasonable business manner and comply with all laws applicable to the operation of a primary care clinic; and (iv) be responsible for establishing and implementing all

policies and procedures necessary to operate the Clinic including without limitation, policies related to personnel, services, and pricing,

**2.2 Clinic Normal Hours of Operation.** The Clinic shall provide Primary Care Services (scheduled office or telehealth visits with Providers) forty (40) hours per week on average, with the hours of operation to be determined from time to time by mutual agreement of the parties, except for holidays and such adjustments as are necessary due to inclement weather or adverse circumstances beyond the Skagit District's control.

**2.3 Primary Care Services.** The Skagit District shall provide the Primary Care Services set forth on Attachment B, Same Day Care, and After Hours Services, all as forth in this Agreement (collectively, the "Clinic Services"). If the Providers, as a group, do not possess all of the skills needed to provide all of the Required Services on the Commencement Date, the Skagit District shall create and deliver to the Orcas District no later than one hundred eighty (180) days following the Commencement Date a written plan for arranging for provision of all the Required Services at the Clinic and shall make a good faith effort to provide all of the Required Services at the Clinic by the first anniversary of the Commencement Date and throughout the term of the Agreement. Prior to changing any of the required services, the Skagit District shall consult with the Orcas District regarding the need for such recommended changes. Final decisions regarding changes to the Required Services shall be made in the sole discretion of the Skagit District, provided such decisions are consistent with the terms and conditions of this Agreement.

(a) **Primary Care Services.** At least one Provider shall be available to provide Primary Care Services at the Clinic during all normal Clinic hours of operation.

(b) **After Hours Services.** The Skagit District shall also provide After Hours Care for Orcas Island residents and visitors at all times that the Clinic is closed including weeknights in accordance with mutually agreed upon protocols that include having a Provider available on-call and physically accessible on Orcas Island. The Orcas District agrees to facilitate a work group consisting of representatives of the Skagit District and EMS to (i) develop appropriate protocols addressing the process for handling 911 callers and EMS walk-in patients, both during the Clinic's normal hours of operation and After Hours, who do not need to be seen in a hospital emergency room but for whom care at that time is medically necessary and (ii) monitor ongoing adherence to those protocols with regularly scheduled case review sessions. The Skagit District shall track all services that result from calls to the dedicated call line maintained for Orcas patients made After Hours and provide monthly reports to the Orcas District on the disposition of all After Hours calls, without including protected health information of a patient. The reports shall include the number of calls received After Hours, the source of the call (EMS or patient/family), final disposition of each call, and the number of times a Provider saw a patient at the Clinic After Hours.

(c) **Additional Medical Services.** The Skagit District shall have the right to offer additional medical services at the Clinic, based on its evaluation of the need and support for such services on Orcas Island. The Skagit District shall consult with the Orcas District prior to offering new services or making changes in the services offered at the Clinic; provided, however, that the Skagit District shall have sole discretion as to whether it

will provide such additional services. The Orcas District shall have no obligation to increase the Operations Support Fee as a result of the provision of any additional Clinic services.

(d) **Community Health Survey.** The Skagit District shall include the Orcas community, including meeting with Orcas community resource and health groups, as part of the Skagit District's next community health needs assessment (CHNA). The CHNA will be made available to the Community Outreach Committee for their use to update the Business Plan with a timeline for actions that the Districts will take to help improve the overall health of the Orcas Island community. Prior to the Commencement Date, the Skagit District shall meet with Orcas community resource and health groups to gain insights that will assist them to create their initial Business Plan.

**2.4 Operation of the Clinic.** The Skagit District shall utilize the skills of its management staff to operate the Clinic with a commitment to quality, safety and patient satisfaction and in a reasonably economical and efficient manner and will devote such time and energy to such management as it deems appropriate to meet its obligations under this Agreement. In selecting the initial staff of Providers for the Clinic and subject to the Skagit District's normal and customary hiring practices (including without limit receipt of job applications, interviews, and required screenings, etc.), the Skagit District shall strongly consider for employment prior to the Commencement Date employees at the Existing Clinics, including APPS and physicians, who apply for positions with the Skagit District at the Clinic. The Orcas District shall support the Skagit District in its personnel decisions related to quality and safety standards, including those of CMS. The Skagit District shall review its compensation and benefits policies for Providers and staff at the Clinic on not less than an annual basis, and notify the District of any updates prior to the effective date of any updates.

(a) **Providers.** The Skagit District shall employ or contract with an appropriate number of Providers for the provision of professional services to provide the Primary Care Services, as reasonably determined by the Skagit District consistent with its obligations under this Agreement. The Skagit District has provided a proposed initial staffing model for the Clinic; the Skagit District shall consult with Orcas District prior to making any material changes to the staffing model. In the hiring process for Providers, the Skagit District shall include two Board members (or one Board member and the Superintendent) in the interview panel and shall include the Orcas District representatives in a discussion of the candidates. The Skagit District shall consult with the Orcas District regarding employment decisions concerning the Providers, subject to appropriate standards to protect employee and patient privacy and legal limitations related to the employer/employee relationship. The Skagit District agrees that the compensation system for Providers shall include productivity or at risk elements for at least fifty percent (50%) or more of total Provider compensation subject to the Skagit District's standard compensation model for new Providers during an initial, introductory period.

(b) **Standards.** The Skagit District shall cause the Providers to perform their duties: (i) in compliance with all applicable laws and CMS standards; (ii) within the scope of the Skagit District's qualifications; and (iii) consistent with the Skagit District's standards of practice.

(c) **Physician Qualifications.** The Skagit District shall ensure that, at all times during the Term, each Physician shall: (i) possess a majority of the skills needed to provide the Required Services; (ii) maintain an unrestricted license to practice medicine in Washington State; (iii) be board-certified or board-eligible in family practice or internal medicine; (iv) be a member in good standing of the Medical Staff with appropriate privileges; (v) maintain all customary narcotics and controlled substances numbers and licenses; and (vi) maintain professional liability insurance as required by Section 9.1.

(d) **APP Qualifications.** The Skagit District shall ensure that at all times during the Term each APP shall: (i) possess a majority of the skills needed to provide the Required Services; (ii) be appropriately licensed or certified in Washington State; (iii) be an employee or contractor of the Skagit District; (iv) maintain all customary narcotics and controlled substances numbers and licenses; and (v) maintain professional liability insurance as required by Section 9.1.

(e) **Clinic Manager.** The Skagit District shall also employ a Clinic Manager (with such actual title as determined by the Skagit District in its reasonable discretion) to manage the day to day operations of the Clinic. The Skagit District shall include two Board members (or one Board member and the Superintendent) in the interview panel and include the Orcas District representatives in a discussion of each candidate. The Skagit District shall consult with the Orcas District regarding employment decisions concerning the Clinic Manager.

(f) **Support Staff.** The Skagit District shall employ all the support staff necessary for the effective operation of the Clinic and provision of the Clinic Services in a manner reasonably expected from a rural health clinic. Subject to the Skagit District's normal and customary hiring practices (including without limit receipt of job applications, interviews, and required screenings, etc.), the Skagit District shall strongly consider for employment prior to the Commencement Date employees at the Existing Clinics, including support staff, who apply for positions with the Skagit District at the Clinic. The Skagit District shall consider place of residence and ability to commute to the Clinic as a factor in evaluating potential employees for support staff positions. The Skagit District will consult with the Providers and the Orcas District regarding the hiring and retention of support staff; however, the selection, retention, and discipline of support staff shall be the sole responsibility of the Skagit District. Salaries and personnel policies for all support staff personnel hired or otherwise provided by the Skagit District at the Clinic following the Commencement Date shall be in accordance with the Skagit District's regular salary and personnel policies applicable to all its employees with such adjustments as the Skagit District deems necessary to attract staff for the Clinic.

**2.5 Telehealth Services.** The Clinic shall be equipped to enable Providers to provide primary and Same Day Care services and After Hours Care using telehealth technology when appropriate, and to enable Providers and Clinic patients to have telehealth consultations with specialists at the Skagit District's other facilities provided such services are compensated by CMS and the Washington State Health Care Authority.

**2.6 Coordination of Services.** The Skagit District shall assist Orcas patients in coordinating referrals made by Providers to specialists at Island Hospital and all other medical facilities selected by Orcas patients.

**2.7 Patient Liaison Services.** The Skagit District shall provide services to assist Orcas patients, where reasonably possible, in coordinating visits by Clinic patients to specialists and clinics at the Skagit District's facilities and at other medical facilities to (i) coordinate smoothly with the ferry schedule between Orcas and Anacortes, (ii) arrange multiple appointments, tests and procedures on the same day whenever feasible, (iii) minimize the number of off island medical trips that Orcas patients need to make, and (iv) facilitate accommodations and other needs of Orcas patients who make an emergency visit to the Skagit District's facilities and are released from the facilities at a time that requires them to remain on the mainland until the following day.

**2.8 Ancillary Services.** The Clinic shall be equipped to provide basic x-ray and laboratory services, including the Required Lab Services described on Attachment B. As authorized by applicable licensing, lab services shall be made available to any member of the Orcas community with appropriate orders for lab services, regardless of whether such person is otherwise a patient at the Clinic.

**2.9 Patient Portal.** The Skagit District shall maintain a patient portal that permits Clinic patients to, at a minimum, access their medical records through the internet, review lab test results from the Clinic, the Skagit District's other facilities and other medical providers and facilities, request appointments or ask their Provider about referrals, request prescription refills, send an electronic message to their Provider and receive a response electronically, and see reminders for any needed appointments, tests, or routine procedures.

**2.10 Supplies and Equipment, Utilities and Maintenance.** The Orcas District shall provide the furniture, fixtures and equipment listed on Attachment D, which the Skagit District agrees is all the furniture, fixtures and equipment reasonably necessary for the Clinic's operations. The Orcas District shall bear the financial responsibility for maintaining the furniture and fixtures shown on Attachment D. The Skagit District shall arrange for the maintenance of the equipment shown on Attachment D in accordance with the schedule that forms part of the annual Business Plan and separately invoice the Orcas District for the Skagit District's out of pocket cost for such maintenance. The Skagit District shall provide and maintain all office and medical supplies reasonably necessary for the Clinic's operations. The Skagit District shall also arrange for the utilities and maintenance generally needed in a primary care clinic setting utilizing local services when available and comparably priced.

**2.11 Facility.** The Skagit District has carefully examined the Facility and has determined that it is adequate for operation of a primary clinic providing the Clinic Services. Notwithstanding the forgoing, the Districts have begun discussions about reconfiguring space in the Facility to provide two (2) additional exam rooms. If the Skagit District reasonably believes at some time in the future that the Facility in its current configuration is not adequate for the provision of the Primary Care Services then the two Districts shall discuss the Skagit District's proposals for changes and reach a mutually acceptable agreement on any changes to be made, including an approximate timeline for making the changes and an equitable allocation of the cost



of such changes. If the Districts are unable to reach agreement on any changes proposed by the Skagit District, including the equitable allocation of the cost of such changes, then the changes will not be made.

**2.12 Quality Metrics.** The Quality Committee shall meet periodically to review the patient satisfaction surveys conducted for the Skagit District for the Clinic on an ongoing regular basis, such surveys to be in a form and conducted in a volume and with a frequency that is consistent with the Skagit District's surveys for its other rural health clinics. The initial quality goals and measurements, including the initial Target Quality Metrics, are shown on Attachment E. The Quality Committee shall include the average and/or median score for each of the agreed Quality Metrics, including the aggregated patient survey results, in quarterly reports to the Orcas District.

**2.13 Problem/Grievance Resolution.** The Districts have a mutual interest in seeing that any problems or grievances concerning the Clinic, including complaints of Providers, employees, or patients, be handled promptly, thoroughly, and with respect for the rights of confidentiality of the parties involved. The Skagit District will provide the Superintendent with copies of its protocols for resolving complaints by patients, Providers or staff and provide updated copies of such protocols as they change. Serious problems that the Skagit District believes in the good faith exercise of its reasonable judgment could threaten the successful operation of the Clinic or threaten to create significant problems between the Orcas District and the Orcas community, and which might erode the support the Orcas District receives from its community, will be promptly communicated to the Superintendent. As requested, the Orcas District will work with the Skagit District to resolve any problems. The Orcas District will promptly notify the Skagit District of any complaints or problems for which the Orcas District believes in the good faith exercise of its reasonable judgment that notification is appropriate.

### **3. Required Meetings**

**3.1 Meetings with the Orcas District.** For all required meetings, the Skagit District representative(s) may attend virtually via a mutually agreed video conferencing modality, e.g., Zoom, MS Teams, etc.

(a) **Meetings of Clinic Manager and the Orcas District.** A representative of the Skagit District leadership team, the Clinic Manager, the Superintendent and at least one Board member shall meet monthly to discuss the general status and operations of the Clinic. A representative of the Skagit District leadership team shall be available to attend regular and special meetings of the Board, at the advance request of the Orcas District.

(b) **Meetings of Medical Director and the Orcas District.** A representative of the Skagit District leadership team, the Medical Director, the Superintendent and at least one Board member shall meet quarterly, prior to a regular Board meeting in each calendar quarter, to discuss the general status and medical operations of the Clinic. .

(c) **Board Updates.** A representative of the Skagit District leadership team shall be available to attend meetings of the Board annually to present the highlights of the Business Plan for the next year and quarterly to provide updates on progress

against the Business Plan. A representative of the Skagit District leadership team shall also be available to attend regular or special meetings of the Board at other times at the advanced request of the Orcas District.

**3.2 Meetings with EMS.** The Medical Director or his or her designee shall be available at least once each calendar quarter to attend a meeting with the EMS providers on Orcas Island to review the availability of After-Hours Care and the nature and disposition of the previous quarter's After Hours Care instances, to facilitate the coordination of care both during and after normal Clinic hours and to identify issues and opportunities to improve the level of Same Day Care and After Hours Care services on Orcas Island.

**3.3 Community Outreach.** Prior to the Commencement Date, and annually thereafter, the Community Outreach Committee shall create a community outreach plan that includes communication goals and a calendar for the Clinic for the year which will detail the Skagit District's plans for engagement with the Orcas community.

**4. Billing/Collection, Financial Reporting and Compensation.**

**4.1 Billing and Collection.** The Skagit District shall, either directly or through a third party, bill and collect all fees (professional and technical) for services rendered at the Clinic. The accounts receivable and fees collected for Clinic services shall be owned by the Skagit District. The billed charges for all services shall be separately identified and shall be billed in a timely manner to ensure compliance with all medical service payment guidelines. The Skagit District shall act in good faith to collect such charges and shall employ such collection and settlement dispute mechanisms (subject to all applicable governmental regulations and the terms and conditions of applicable payor contracts or provider agreements) as are reasonable and necessary.

**(a) Financial Assistance.** The Skagit District maintains a Financial Assistance Policy consistent with the Skagit District's obligations as an operator of a public hospital as set forth in RCW 70.170.060 (the "Financial Assistance Policy"). The Financial Assistance Policy set forth in Attachment F is currently in effect at the Skagit District facilities and shall be the Financial Assistance Policy for the Clinic on the Commencement Date. The Skagit District regularly reviews and updates the Financial Assistance Policy. The Skagit District shall ensure that Clinic support staff understand the Financial Assistance Policy and assist Clinic patients in applying for assistance under the Policy. In addition, the Skagit District shall ensure that the Providers provide care consistent with that Policy.

**(b) Patient Acceptance.** The Skagit District shall ensure that the Providers provide care to Orcas Island residents and visitors on a nondiscriminatory basis, regardless of payment source, specifically including Medicare, Medicaid and other governmental patients, and regardless of the patient's ability to pay. The Skagit District shall also ensure that the Providers provide care to all persons who seek Same Day Care or After Hours Care at the Clinic, whether they have previously been seen at the Clinic or not and whether or not they are able to provide proof of insurance.

**(c) Fees.** The Skagit District shall ensure that the fees charged for professional and technical services at the Clinic are reasonable as compared to the

customary fees for comparable services in the greater Skagit, Whatcom, Island and San Juan Counties area. The Skagit District shall provide a copy of the Clinic's fee schedule to the Orcas District within ten (10) days of the Commencement Date and annually thereafter on or before January 1 of each year.

(d) **Payors.** At all times, the Skagit District shall use its reasonable best efforts to contract with the payors set forth on Attachment C to include the provisions of Clinic Services at the Clinic. Failure to contract with a commercial payor listed on Attachment C after having used good faith, best efforts to negotiation a contract, shall not be deemed a breach of this Agreement.

**4.2 Financial Reporting.** The Skagit District shall maintain financial records for the Clinic showing all patient billings, revenues, and expenses associated with operating the Clinic generally in the form set forth on Attachment G attached hereto (the "Financial Statements"), with such changes as are mutually agreed, and provide the Financial Statements to the Orcas District on a quarterly basis. The Finance Committee shall review the detailed quarterly Financial Statements for the Clinic within forty-five (45) days following the end of each calendar quarter. The Financial Statements shall include patient visit numbers and RVUs for the quarter and year to date. In addition, the Financial Statements shall provide staffing FTE numbers, both collectively and delineated by Providers and support staff for the quarter and year to date. The Financial Statements provided as of December 31<sup>st</sup> of each year shall clearly indicate the Clinic's cumulative annual profit or loss for the preceding year including the assumptions upon which the estimated, cumulative annual profit or loss are based.

**4.3 Annual Business Plan and Updates.** At least thirty (30) days prior to the Commencement Date and annually by close of business October 31 of each year during the Term, the Skagit District shall develop and share their draft Business Plan with the Community Outreach Committee. The draft Business Plan shall include: (1) a strategic assessment of the community needs of the Clinic's service area, growth opportunities and requirements created by the Community Outreach Committee; (2) the Target Quality Metrics set by the Quality Committee; (3) a proposed operating budget reflecting in reasonable detail the anticipated revenues and expenses of the Clinic for the next calendar year; and (4) an annual equipment repair/replacement plan as well as a rolling 5 year equipment plan. At least one year prior to the end of any Term, the Skagit District shall deliver a three-year plan for the next term, unless one of the Districts has notified the other that it does not plan to renew this Agreement.

**4.4 Operations Support Fee.** In order to promote the availability of Clinic services on Orcas Island and ensure the Skagit District's ability to operate the Clinic, the Orcas District shall pay the Skagit District as consideration for the Skagit District's operation of the Clinic and provision of Clinic Services, pursuant to the terms of this Agreement, an Operations Support Fee in the annual amount of One Million Twenty-Two Thousand Dollars (\$1,022,000), prorated for any partial year. The Operations Support Fee shall be paid in in arrears in equal semi-annual installments on July 15 and January 15 of each year for services provided during the prior six-month period. The first payment shall be due July 15, 2021 for services provided from the Commencement Date through June 30, 2021.

Contract Year	July 15 <sup>th</sup>	January 15 <sup>th</sup>
2021	\$425,833	\$425,834
2022	\$,511,000	\$,511,000
2023	\$,511,000	\$511,000
2024	\$,511,000	\$511,000
2025	\$,511,000	\$511,000 (if the Agreement is not renewed, the final payment is due on 12/31/25)

(a) **Reserve Fund.** The Orcas District shall maintain a reserve fund to provide for major capital purchases, building maintenance and repairs and other uses determined at the sole discretion of the Orcas District. The Orcas District shall increase the size of its reserve fund to at least Two Hundred Thousand Dollars (\$200,000) by no later than December 31, 2020. If uses of those funds result in a remaining balance of less than Two Hundred Thousand Dollars (\$200,000), the Orcas District shall replenish the fund within the next 12-month period.

(b) **Reconciliation and Adjustment.** Commencing at the end of the first (1st) quarter of the fourth (4<sup>th</sup>) year of the Term the Skagit District and the Orcas District shall meet and review the cumulative operating results of the Clinic during the Term in order to determine a new, proposed annual Operations Support Fee for the potential Renewal Term. The Districts shall establish an updated annual Operations Support Fee by no later than November 30<sup>th</sup> of 2024.

**4.5 Examination of Records.** The Skagit District shall prepare and maintain, on a timely basis, complete and accurate Records which shall remain the property of the Skagit District and the Orcas District shall have no ownership interest in the Records. The Orcas District and/or its authorized representative(s) shall have the right to examine the Records, but not including any medical records, of the Skagit District relative to the operation of the Clinic, at any time on at least thirty (30) days advance written notice during regular business hours at the Skagit District’s main offices in Anacortes, Washington. No more than once during any calendar year the Orcas District shall also be entitled to procure an audit, at the Orcas District’s sole cost and expense, to verify the accuracy of the Financial Statements. The Orcas District shall comply, and shall ensure that any third party or auditor who examines the financial records of the Skagit District relating to the Financial Statements complies, with the confidentiality provisions of this Agreement and any applicable law or regulation, including without limit, the Uniform Health Care Information Act, Ch. 70.02 RCW and HIPAA.

## **5. Term and Termination.**

**5.1 Term.** This Agreement shall begin on the Commencement Date and shall continue until the end of the Initial Term and shall automatically renew for one or more additional Renewal Terms unless a party provides written notice of its intent to permit this Agreement to expire, which written notice must be given at least one (1) year before the end of the Term.

**5.2 Termination for Cause.** This Agreement may be terminated before the expiration of the Term under the following circumstances:

(a) **The Orcas District's Substantial Non-Compliance.** If the Orcas District substantially fails to perform any material term or condition of this Agreement and such failure continues for sixty (60) days after the Skagit District has given the Orcas District written notice of such failure and the parties have been unable to resolve the failure using the resolution procedures set forth in subpart (c) below, then the Skagit District may deliver a notice of termination.

(b) **The Skagit District's Substantial Non-Compliance.** If the Skagit District substantially fails to perform any material term or condition of this Agreement and such failure continues for sixty (60) days after the Orcas District has given the Skagit District written notice of such failure and the parties have been unable to resolve the failure using the resolution procedures set forth in subpart (d) below, then the Orcas District may deliver a notice of termination.

(c) **Triggering Events.** This Agreement may be terminated prior to the expiration of its current Term after a Termination Trigger as set forth below. The following occurrences shall each constitute and be deemed a Termination Trigger under this Agreement, whether caused by a District, whatever the reason and whether voluntary or involuntary, or whether effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule, or regulation of any administrative or governmental body, and whether occurring during the Initial Term or any subsequent Term:

(1) Material failure by either District to support any act in alignment with the goals and intent of this Agreement, or either District's actions to disparage or otherwise actively interfere with the stated goals and intent of the Districts per this Agreement, following a mutually agreed dispute resolution process.

(2) Exclusion or suspension of either District from Medicare, Medicaid or any government health care benefit program.

(3) The Skagit District is unable to obtain or maintain rural health clinic status for the Clinic despite its good faith efforts to obtain or maintain that status.

(4) After using its good faith, best efforts, over a period of six (6) consecutive months the Skagit District is unable to employ

the necessary Providers or support staff to operate the Clinic and provide the Primary Care Services as required by this Agreement.

(5) Material adverse change- i.e., a change of greater than fifteen percent in the Clinic's payor mix from that existing as of the Commencement Date.

(6) Any reduction in Providers or other staff that was not previously agreed by the Districts, that has a material adverse impact on the delivery of Clinic Services.

If a District believes that a Termination Trigger has occurred based on the action or inaction of the other District (a "Triggering Event"), the District who believes the Triggering Event occurred shall issue a written notice of the same to the other District that clearly sets forth the alleged Triggering Event in reasonable detail and states that the same must be remedied or cured within sixty (60) days. If the parties have been unable to resolve the Triggering Event using the resolution procedures set forth in subpart (d) below, then the District providing the notice of the Triggering Event may deliver a notice of termination.

**(d) Resolution of Non-Compliance/Triggering Event.** Upon receipt of a notice of failure, both parties agree to good faith negotiations to resolve the failed performance issue or Triggering Event. The Dispute Resolution procedure set forth in Attachment H shall be utilized when requested by either party. If the parties are unable to resolve the notice of failure or Triggering Event, then either party may deliver a notice of termination, which shall be effective one hundred eighty (180) days after delivery.

**(e) Change of Control, Insolvency or Dissolution of the Skagit District.** With sixty (60) days written notice of termination from the Orcas District if the Skagit District becomes insolvent or with one hundred eighty (180) days written notice of termination from the Orcas District (i) upon a change of control of the hospital operated by the Skagit District to an unaffiliated party, (ii) if a petition for dissolution of the Skagit District is signed by a majority of the members of the Skagit District's board of commissioners, or (iii) if a ballot measure for the division of the Skagit District or the consolidation of the Skagit District with another public hospital district is approved by the voters.

**(f) Insolvency or Dissolution of the Orcas District.** With sixty (60) days written notice of termination from the Skagit District if the Orcas District becomes insolvent or with one hundred eighty (180) days written notice of termination from the Skagit District if a petition for dissolution of the Orcas District is signed by a majority of the members of the Orcas District's board of commissioners or a ballot measure for the division of the Orcas District or the consolidation of the Orcas District with another public hospital district is approved by the voters.

**5.3 Termination of Lease.** This Agreement shall automatically terminate, without the requirement of notice from either District, upon the expiration or termination of the Medical Office and Equipment Lease between the Districts of even date herewith for any reason.

++ **5.4 Transition of Clinic Operations and Records.**

(a) **Expiration of Term.** If a District elects not to renew this Agreement, then during the remainder of the Term, the Districts shall continue to fulfill their obligations under this Agreement and shall work cooperatively to achieve a smooth transition of the operations of the Clinic to the Orcas District or the new lessee of the Facility, including facilitating the sharing or transfer of patient records, with the patient's signed authorization, either by permitting the successor operator to electronically access those electronic patient health records or by providing the requested records on digital media.

(b) **Termination for Cause/Triggering Event.** If a District has delivered a notice of termination, then during the Wind Down Period the Skagit District agrees to continue to provide the services under the terms of this Agreement in exchange for receipt of the continued Operating Fee payments from the Orcas District. During the Wind Down Period, the Districts shall work cooperatively to effect a smooth transition of operations of the Clinic to the Orcas District or the new lessee of the Facility, including facilitating the sharing or transfer of patient records, with the patient's signed authorization, either by permitting the successor operator to electronically access those electronic patient health records or by providing the requested records on digital media.

**6. Relationship of Parties.** It is mutually understood and agreed that the Orcas District and the Skagit District are at all times acting and performing as independent contractors. The Districts acknowledge that neither is the employee of the other and that each is an independent contractor with respect to the other. Each District is solely responsible for and shall comply with all state and federal laws pertaining to employment taxes, income withholding, unemployment compensation contributions and other employment-related statutes applicable to that District. The Orcas District shall neither have nor exercise any control over the professional medical judgment or methods used by the Skagit District or the Providers in the performance of services under this Agreement. However, the Skagit District agrees that it and the Providers shall at all times perform their duties and functions in strict conformance with currently approved practices in their field of medicine and in a competent and professional manner. Medical professional matters shall be the responsibility of the Medical Staff as provided under the laws of the State of Washington and the Skagit District's bylaws and Medical Staff rules and regulations, as in effect from time to time. Nothing in this Agreement shall be construed as creating or constituting a partnership between the two Districts.

**7. Tax Status of Parties.** The Districts acknowledge and agree that each is a tax-exempt organization as a governmental entity and/or under Section 501(c)(3) of the Internal Revenue Code. As such, each District shall perform its obligations under this Agreement in a manner consistent with the Districts' tax-exempt status.

## **8. Insurance.**

**8.1 Professional Liability Insurance.** The Skagit District shall, or shall ensure that each Provider at the Clinic shall, procure, maintain or acquire during the term of this Agreement, such professional liability insurance as is reasonably necessary to protect it and the professional providers against liability arising from or incident to the operation of the Clinic. Coverage under such insurance shall be not less than One Million Dollars (\$1,000,000) per claim/Three Million Dollars (\$3,000,000) annual aggregate or such other limits as are required for active privileges on the Medical Staff, whichever is greater. If this Agreement is terminated by either party, or any Provider ceases to provide services hereunder, the Skagit District shall ensure that either (i) substantially similar insurance with equivalent coverage limits is continued, or (ii) an extended reporting policy is purchased which, in either event, shall cover any claims which are made against the Clinic, its staff and the Provider(s) against any claims for an indefinite period thereafter. Upon the Orcas District's request, the Skagit District shall provide the Orcas District with a certificate of insurance evidencing the insurance coverage required under this Section 8.1. To the extent permitted by its insurer, the Skagit District shall list the Orcas District and its Board as additional named insureds on the insurance required by this Section 8.1.

**8.2 Comprehensive General Liability Insurance.** The Skagit District shall maintain during the term of this Agreement such comprehensive general liability insurance as is reasonably necessary to protect it and its employees against liability arising from or incident to the operation of the Clinic. Coverage under such insurance shall be not less than Five Million Dollars (\$5,000,000) annual aggregate. Upon request, the Skagit District shall provide the Orcas District with a certificate of insurance evidencing the insurance coverage required under this Section 8.2. To the extent permitted by its insurer, the Skagit District shall list the Orcas District and its Board as additional named insureds on the insurance required by this Section 8.2.

**8.3 Method of Providing Insurance.** The Skagit District may provide the insurance coverage required by this Section 9 through any reasonable method, including self-insurance, programs of captive insurance companies, or other cooperative insurance or risk management programs; provided that the financial protection available under any such program(s) is substantially equivalent to that required by the requirements set forth in Sections 8.1 and 8.2.

**8.4 Indemnification.** The Skagit District hereby indemnifies and holds the Orcas District, its commissioners, officers, employees and agents harmless and agrees to defend the Orcas District, its commissioners, officers, employees and agents from and against any and all claims, actions, damages, liabilities and expenses of any kind whatsoever and including reasonable attorneys' fees, and costs resulting from or connected with any loss of life, personal injury, and damage to personal or real property, arising from or out of or occasioned by any negligent or intentional act or omission of the Skagit District, its officers, employees, agents, sublessees or contractors related to the Skagit District's operation of the Clinic. The Skagit District's obligation to indemnify the Orcas District pursuant to this Section 8.4 shall survive the expiration or termination of this Agreement for any reason.



## **9. General Provisions.**

**9.1 Excluded Provider.** Each District represents and warrants neither it nor (i) any current officer, director, commissioner or trustee, nor (ii) any employee, agent, consultant or other representatives that may be involved in performance of the Agreement or the services (a) is excluded, suspended or debarred from participating in a federal health care program or federal, state or local government procurement or non-procurement contract, nor currently proposed for any such action (each a "Sanction"); or (b) has been convicted of a criminal offense that falls within the ambit of 42 U.S.C. §1320a-7(a) or 42 U.S.C. §1320a-7(b)(1)-(3) or is currently charged with any such offense (each a "Criminal Offense"). Each Party shall, at a minimum, review the List of Excluded Individuals and Entities from the HHS Office of Inspector General ("OIG") and the System for Award Management ("SAM") Debarment List and, for healthcare providers, the Washington State Provider Termination and Exclusion List or other applicable state exclusion list before an individual or entity furnishes services hereunder and on a monthly basis thereafter so long as the individual or entity is involved in the Agreement. Each District shall maintain written documentation of search results as required by law, but not less than 6 years. The other District shall have the right to audit such written documentation upon reasonable advance notice. Each District shall provide prompt written notice if any such Sanction or Criminal Offense is proposed or imposed and ensure the individual or entity is not involved in any manner with performance of the Agreement or the Services. This is a continuing warranty for the term of the Agreement and, if services affect patient care, treatment or billing, for one year thereafter. No good or service may be furnished by an individual or entity subject to a Sanction or Criminal Offense.

**9.2 Legal Compliance and Modification.** The Districts are aware of laws prohibiting practices involving kickbacks, rebates, and payments for referrals, private inurement and the unauthorized practice of medicine. Each District acknowledges that it has entered into this Agreement without intent to violate such laws and believes that this Agreement does not violate such laws. Each District agrees to seek to enforce this Agreement as it is written and not to assert that the relationship between the Districts is anything other than a bona fide contractual relationship. If any federal or state law or regulation is interpreted by judicial decision, regulatory action or a District's legal counsel in a manner that indicates that this Agreement may be in violation of such law or regulation, the Districts shall work in good faith to amend this Agreement as necessary to comply with such law or regulation. To the maximum extent possible, any such amendment shall preserve the financial terms of this Agreement. If the Districts are unable to reach agreement on an amendment that preserves the financial terms, the Districts shall unwind the financial terms and terminate this Agreement within a reasonable time. Notwithstanding the above, if a District seeks to terminate this Agreement pursuant to a legal interpretation provided by such District's legal counsel, and the interpretation is disputed by counsel for the other District, the Districts shall be required to resolve such dispute pursuant to the dispute resolution process set forth in Attachment H prior to the termination of the Agreement under this Section 9.2.

**9.3 Authority to Execute.** If any party is a corporation, association, partnership or government agency, each individual executing this Agreement on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Agreement on behalf of such entity, and that this Agreement shall be binding upon said entity in accordance with its terms.

**9.4 Privacy.** The Districts acknowledge that medical and other records are protected by and subject to numerous laws, rules and regulations regarding privacy, security, confidentiality, consent, access and disclosure. The Districts agree to comply with all privacy, security, confidentiality, consent, access and disclosure requirements, including all documentation and access requirements, of applicable federal and state laws, rules and regulations, including, without limitation, the Washington State Uniform Health Care Information Act (RCW 70.02) and HIPAA. If the parties determine that either District is a “business associate” of the other as defined by HIPAA, the Districts will enter into a Business Associate Agreement regarding compliance with the HIPAA privacy regulations.

**9.5 Press Releases.** Except as required by law, it is understood that all press releases or other public communications of any sort relating to the negotiation, execution and/or operation of this Agreement, and the method of the release for publication thereof, will be subject to the prior approval of both Districts.

**9.6 Notices.** Any notices or other communications required or contemplated under the provisions of this Agreement shall be in writing and delivered in person evidenced by a signed receipt, when emailed evidenced by sending District’s receipt of confirmation that the e-mail transmission was delivered or mailed by certified first class mail, return receipt requested, postage prepaid, to the addresses indicated below, or to such other persons or addresses as a District may provide by notice to the other. The date of notice shall be the date of delivery if the notice is personally delivered, the date of emailing if emailed or three (3) business days following the date of mailing if the notice is mailed by certified mail:

If to the Orcas District: Orcas Island Health Care District  
Post Office Box 226  
Eastsound, WA 98245  
Attention: President, Board of Commissioners

If to The Skagit District: Island Hospital  
1211 24<sup>th</sup> Street  
Anacortes, WA 98221  
Attention: Chief Executive Officer

**9.7 Governing Law.** This Agreement shall be governed by and construed under the laws of the State of Washington, without regard to the conflicts of law provisions of such state. Venue for any action in respect of this Agreement is in an appropriate court in Skagit County, Washington.

**9.8 No Assignment.** Neither District may assign, delegate, or otherwise transfer any duties or obligations under this Agreement without the prior written consent of the other District, which shall not be unreasonably withheld. Any effort to do so shall be void and be cause for immediate termination of this Agreement.

**9.9 Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the legal representatives, successors, heirs and permitted assigns of the Districts.

**9.10 Entire Agreement/Amendment.** This Agreement, including the attachments, constitutes the entire agreement between the Districts and supersedes any and all other prior agreements or understandings, either oral or written, relating in any way to the subject matter of this Agreement, and it may be amended at any time without additional consideration, provided that before any amendment shall become effective, it shall be reduced to writing and signed by the Districts.

**9.11 Administration.** No new or separate legal or administrative entity is created to administer the provisions of this agreement.

**9.12 No Waiver.** No failure by either District to insist upon the strict performance of any provision of this Agreement shall be construed as depriving that District of the right to insist on strict performance of such provision or of any other provision in the future, and no waiver shall be deemed to have been made unless expressly in writing and signed by the other District.

**9.13 Severability.** The provisions of this Agreement shall be deemed severable and if any provision of this Agreement or its application to any person or circumstance is held illegal, invalid or unenforceable for any reason, the remainder of the Agreement, or the application of the provision to other persons or circumstances, shall not be affected.

**9.14 Survival.** The provisions of this Agreement identified in Sections 5, 8, 9.1 and 9.3 shall survive the termination of this Agreement.

**9.15 Binding Effect.** This Agreement is binding on the Districts and on their respective executors, administrators, representative, successors and assigns.

**9.17 Captions.** Any captions to or headings of the articles, sections, subsections, paragraphs, or subparagraphs of this Agreement are solely for the convenience of the Districts, are not a part of this Agreement, and shall not be used for the interpretation or determination of validity of this Agreement or any provision hereof.

**9.18 Force Majeure.** Neither District shall be liable nor deemed to be in default for any delay or failure in performance under this Agreement or other interruption of service or employment resulting, directly or indirectly, from acts of God, civil or military authority, acts of public enemy, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, machinery or supplies, vandalism, pandemic, strikes or other work interruptions by the Skagit District or its employees or any other cause beyond the reasonable control of either District. However, both Districts shall make good faith efforts to perform under this Agreement in the event of any such circumstance.

**9.19 Counterparts.** This Agreement may be executed in counterparts and each counterpart constitutes an original document. Signatures transmitted by facsimile, email or electronic signatures shall be deemed valid execution of this Agreement, binding on the Districts.

[The remainder of this page has deliberately been left blank.]

**WITNESS WHEREOF**, the parties hereto have duly executed this Agreement effective the date first above written.

**SKAGIT COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 2  
d/b/a Island Hospital**

---

By  DocuSigned by:  
Charles Hall  
EA68F1BEE6B245D...

Charles T. Hall  
Its: Chief Executive Officer

**SAN JUAN COUNTY PUBLIC HOSPITAL  
DISTRICT NO. 3  
d/b/a Orcas Island Health Care District**

---

By  DocuSigned by:  
Richard Fralick  
30BBDDCBB000484...

Richard Fralick  
Its: President



## Medical Office and Equipment Lease Agreement

### BASIC LEASE TERMS

BASIC LEASE INFORMATION AND EXHIBITS. The following terms as used herein shall have the meanings provided in this Section 1, unless otherwise specifically modified by provisions of this Lease:

1. Lease Date: March 30, 2021
- a) Tenant: Skagit County Public Hospital District No. 3  
d/b/a Island Hospital
- b) Tenant Address: Island Hospital  
1211 24th Street  
Anacortes, WA 98221  
Attn: Chief Executive
- c) Landlord: San Juan County Public Hospital District No.  
3 d/b/a Orcas Island Health Care District
- d) Landlord Address: Orcas Island Health Care District  
P.O. Box 226  
Eastsound, WA 98245
- e) Building The building commonly known as Orcas Island Medical Center located at 7 Deye Lane, Eastsound, WA 98245 (the "Building") on the Land described as tax parcel # 271411009, legally described in Exhibit A attached hereto and incorporated herein.
- f) Premises: The Building and Land described in Section 1(f) above. A floor plan for the Building is depicted in Exhibit B attached hereto and incorporated herein.
- g) Lease Term: The initial term of the Lease (the "Initial Term") shall be five (5) years, commencing on the 30<sup>th</sup> day of March 2021 (the "Commencement Date"), and extending through the 31<sup>st</sup> day of December, 2025. The term of the Lease shall automatically renew for an additional five (5) year period, unless the Clinic Services Agreement between the parties of even date herewith is not renewed.
- h) Permitted Use: Medical clinic providing primary care services and for no other use or purpose without Landlord's prior written consent.

i) Rent: Tenant shall pay rent to Landlord in the amount of Fifty and No/100 Dollars (\$50.00) per calendar year, pro rated for any partial year. Tenant shall pay Rent to Landlord, without prior demand, abatement, set-off, counterclaim or offset, on the Commencement Date of the Lease and on January 1<sup>st</sup> thereafter. All sums of money required to be paid pursuant to the terms of this Lease are defined as "Rent." Rent shall be paid to Landlord at the address noted in Section 1(e) above, or to such other place as Landlord may designate from time to time.

j) Exhibits: Exhibit A – Legal Description  
Exhibit B – Space Plan of Premises  
Exhibit C – FF&E List

## **SECTION 1. TERM AND TERMINATION**

This Lease shall commence as of the Commencement Date set forth in Section 1(h) of the "Basic Lease Terms" and continue for the term(s) described in Section 1(h) of the "Basic Lease Terms." Notwithstanding the term, this Lease shall automatically terminate effective as of the date of the expiration or termination of that certain Clinic Services Agreement between Landlord and Tenant dated October 23, 2020, as such agreement may be amended from time to time (the "Clinic Services Agreement"), for any reason.

## **SECTION 2. OPERATING COSTS**

Landlord shall be responsible for all amounts arising out of Landlord's ownership, management, maintenance, operation, repair, replacement and administration of the Premises, including, (a) taxes assessed against the Premises and Landlord's equipment and improvements; and (b) Landlord's insurance.

Tenant shall pay the cost of all utilities supplied to the Premises and shall be responsible to pay for those items in Section 5 and elsewhere in this Lease as Tenant costs or Tenant obligations. Tenant covenants and agrees to pay promptly, when due, all personal property taxes or other taxes and assessments levied and assessed by any governmental authority upon the property of Tenant in, upon or about the Premises.

Notwithstanding anything to the contrary herein, the parties acknowledge and agree that so long as Landlord and Tenant are parties to the Clinic Services Agreement, Landlord shall pay and remit to the Washington Department of Revenue the "Leasehold Excise Tax" imposed by RCW 82.29A.030 that is due on the value of the Rent throughout the Lease Term. If the Clinic Services Agreement terminates or otherwise expires and Tenant remains in possession of the Premises under this Lease, then from the date of such termination or expiration, Tenant shall be responsible to pay to Landlord on a monthly basis an amount equal to the Leasehold Excise Tax as billed by Landlord, and Landlord shall have the obligation to remit the Leasehold Excise Tax



payments to the Washington Department of Revenue. Such amount shall be in addition to the rent owing to Landlord under this Agreement. <sup>1</sup>

### **SECTION 3. DELIVERY OF PREMISES "AS-IS."**

Tenant accepts the Premises as being in good order, condition and repair, and otherwise "as-is," "where-is," with all faults. Except as may be expressly set forth in this Lease, Tenant acknowledges that neither Landlord, nor any employee, agent, or contractor of Landlord has made any representation or warranty concerning the Premises or the suitability thereof for the conduct of Tenant's business.

### **SECTION 4. USE OF PREMISES AND EQUIPMENT**

4.1. Medical Office Use. The Premises shall continuously and at all times during the Lease Term be used and occupied by Tenant only as medical offices to provide primary care services to patients (the "Permitted Use"), and for no other purpose or use without Landlord's prior written consent.

4.2. Exclusivity. During the Lease Term, Tenant shall have exclusive use of the Building and the Premises.

4.3. Compliance with Legal Requirements. Tenant shall comply with, and this Lease shall be subject and subordinate to: (a) any restrictions or covenants of record affecting the Premises; (b) all applicable laws; (c) the Certificate of Use or Occupancy issued for the Building; and (d) all rules, orders, regulations and requirements of the local Fire District or any other organization performing a similar function. Tenant shall immediately discontinue any use of the Premises which is declared by either any governmental authority having jurisdiction or the Landlord to be a violation of any law, code, regulation or a violation of said Certificate of Use or Occupancy. Tenant shall comply with any direction of any governmental authority having jurisdiction which shall, by reason of the nature of Tenant's use or occupancy of the Premises, impose any duty upon Tenant or Landlord with respect to the Premises or with respect to the use or occupancy thereof.

4.4. Furniture, Fixtures and Equipment. Landlord owns certain furniture, fixtures and equipment ("FF&E") utilized in the medical clinic currently located in the Premises, which FF&E is listed on Exhibit C attached hereto and incorporated herein. Tenant shall be entitled to the use of such FF&E during the Lease Term. Tenant shall be solely responsible for maintenance, repair and replacement of the items listed on Exhibit C. Landlord shall promptly reimburse Tenant for such maintenance, repair and replacement costs; provided, however, that any such maintenance, repair or replacement cost in excess of Five Thousand Dollars (\$5,000.00) individually or Fifty Thousand Dollars (\$50,000.00) in the aggregate during any calendar year during the Lease Term shall require Tenant to obtain Landlord's prior written approval before Landlord is obligated to reimburse Tenant for such expense. To assist Landlord in establishing its annual operating budget, Tenant agrees that on or before August 15 of each calendar year during the Lease Term it will provide Landlord with a list of equipment that it anticipates will need to be repaired or replaced

during the following calendar year including the estimated cost of repairing or replacing each item and a rolling 5 year forecast of expected equipment maintenance, repair or replacement including the projected cost. Landlord's written approval for such repair, maintenance or replacement costs shall not be unreasonably withheld, conditioned or delayed. Tenant shall provide Landlord with reasonable supporting documentation of such costs.

## **SECTION 5. BUILDING SERVICES AND MAINTENANCE**

5.1. Landlord's Services. (a) Landlord will provide the following utilities and services, which shall be provided in a manner that is consistent with those services provided in comparable medical office buildings of similar size and age which are located within the regional community, and Tenant shall be responsible for paying for such items consistent with Section 2 of this Lease:

(i) electricity and water for the Premises, as reasonably necessary for the uses permitted under the Lease;

(ii) if the Building is equipped with a central heating and air-conditioning system that serves the Building, heat and air-conditioning as required for Tenant's comfortable use and occupancy of the Premises during Tenant's normal hours of operation, excluding legal holidays; and

(iii) hot water at those points of supply provided for the general use of the Building.

5.2. Janitorial/Cleaning Services. Tenant will be responsible to arrange for and pay all janitorial and cleaning services, snow and ice removal services for the parking areas and walkways serving the Premises and window cleaning services.

5.3. Telephone/Communication Services. Tenant shall be responsible for and shall pay all reasonable charges for telephone and other communication services. Any expenditures for installation, operation and maintenance of new communication equipment and/or services is subject to prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed.

5.4. Garbage/Refuse. Tenant will be responsible to arrange for and pay for disposal of all garbage and refuse from the Building; shall not permit undue accumulations of trash within the Premises; and shall keep all trash in proper containers until disposal.

5.5. Landscaping and Parking Lot. Landlord shall be responsible for maintaining the landscaping on the Premises and the paving and marking of the parking lots.

5.6. Landlord's Repairs. Landlord shall maintain in good repair the mechanical, basic plumbing, HVAC system and electrical systems of the Premises, the walls, floors, doors, windows and all structural elements of the Premises. Landlord shall not be liable for any failure to make repairs or to perform maintenance required to be performed by Landlord unless such failure shall persist for an unreasonable time after written notice of the need of such repairs or maintenance is given to Landlord by Tenant.

5.5. Tenant's Repairs; Alterations. Tenant shall maintain the Premises in good repair and condition, normal wear and tear excepted, at Tenant's cost. Tenant shall not make any alterations, improvements, additions, or utility installations in or about the Premises (collectively, "Alterations") without first obtaining the written consent of Landlord and, where appropriate, in accordance with plans and specifications approved by Landlord and with all necessary permits. Any alterations required to be made to the Premises by any applicable building, health, safety, fire, nondiscrimination, or similar law or regulation shall be made at Landlord's sole expense. Unless Landlord requires their removal, all Alterations (other than trade fixtures and movable equipment) which may be made on the Premises shall become the property of Landlord and remain upon and be surrendered with the Premises at the expiration of the Lease Term.

## **SECTION 6. SUBROGATION/INSURANCE**

6.1 Waiver of Subrogation. Landlord and Tenant hereby mutually waive any and all rights of recovery against one another based upon the negligence of either Landlord or Tenant or their agents or employees for real or personal property loss or damage occurring to the Premises or to the Building or any part thereof or any personal property located therein from perils which are able to be insured against in standard fire and extended coverage, vandalism and malicious mischief and sprinkler leakage insurance contracts (commonly referred to as "all risk"). If either party's insurance policies do not permit this waiver of subrogation, then such party will obtain such a waiver from its insurer at its sole expense.

6.2 Landlord Insurance. During the Lease Term, Landlord shall, at its sole cost and expense, maintain in full force property insurance covering all improvements on the property, including without limitation the Premises, the Building and the FF&E listed on Exhibit C, in an amount not less than one hundred percent (100%) of the full insurable replacement cost thereof.

6.3 Tenant Insurance. During the Lease Term, Tenant shall, at its sole cost and expense, maintain in full force (a) commercial general liability insurance in an amount not less than one million dollars / three million dollars (\$1,000,000/\$3,000,000) per occurrence/general aggregate limit, written on an occurrence basis and which lists Landlord as an additional insured; (b) professional liability insurance in the amount and form requirement under the Clinical Services Agreement; and (c) Worker's Compensation Insurance as required by applicable Washington state law.

## **SECTION 7. DAMAGE OR DESTRUCTION**

If the Premises are damaged by fire or other casualty (collectively "Casualty"), and in Landlord's reasonable estimation, such damage can be materially restored within 180 days following the commencement of restoration, Landlord shall repair the damage, and this Lease shall continue in effect. Within 45 days from the date of the Casualty, Landlord shall notify Tenant of Landlord's reasonable estimation of the length of time within which material restoration can be made, and Landlord's determination shall be binding on Tenant. If, in Landlord's reasonable estimation, such repairs cannot be made within 180 days following commencement of restoration, either party may terminate this Lease by written notice to the other party. Until restoration is complete, Rent is to abate in proportion to the percentage of the rentable area of the Premises which is unusable by Tenant; provided, that if the Casualty was caused by the intentional or

negligent acts of Tenant, its officers, employees, agents, contractors, patients, licensees or invitees, Rent shall not be abated. Notwithstanding the foregoing, a total destruction of the Building shall automatically terminate this Lease. Tenant shall not have any interest in any insurance proceeds attributable to said Casualty.

## **SECTION 8. EMINENT DOMAIN**

If the Building, or any portion thereof, shall be taken by any authorized entity by eminent domain or by negotiated purchase under threat thereof, this Lease shall terminate as of the earlier of the date when title or possession thereof is acquired or taken by the condemning authority, and all rights of Tenant set forth in this Lease shall immediately terminate. Nothing contained herein shall be deemed to give Landlord any interest in or require Tenant to assign to Landlord any separate award expressly made to Tenant for: (a) the taking of personal property and fixtures belonging to Tenant; (b) the interruption of or damage to Tenant's business or profession; (c) the cost of relocation expenses incurred by Tenant; and (d) Tenant's unamortized cost of leasehold improvements.

## **SECTION 9. INDEMNIFICATION**

9.1 Indemnity. Tenant shall indemnify, defend and hold Landlord and its officers, commissioners, employees, agents and contractors harmless from and against all losses, damages, fines, penalties, liabilities and expenses incurred (including reasonable attorneys' fees and other costs incurred in connection with such claims), regardless of whether said claims involve litigation, resulting from any act, omission, or negligence of Tenant or its officers, contractors, licensees, agents, servants, employees, patients, guests, invitees, or visitors in or about the Premises or arising from any injury or damage to any person or property, occurring in or about the Premises as a result of any act, omission or negligence of Tenant, or its officers, contractors, licensees, agents, employees, guests, or visitors or arising from any breach or default under this Lease by Tenant. The foregoing provisions shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused solely by the negligence or intentional misconduct of Landlord, or its officers, contractors, licensees, agents, employees, or invitees in the Premises.

Landlord shall indemnify, defend and hold Tenant and its officers, agents, employees and contractors harmless from and against all losses, damages, fines, penalties, liabilities and expenses incurred (including Tenant's reasonable attorneys' fees and other costs incurred in connection with such claims, regardless of whether claims involve litigation) resulting from any act, omission or negligence of Landlord or its officers, commissioners, contractors, licensees, agents, servants, employees, guests or visitors in or about the Premises, Building or Land, or arising from any injury or damage to any person or property occurring in or about the Premises, Building or Land as a result of any act, omission or negligence of Landlord, or its officers, commissioners, contractors, licensees, agents, employees, guests, or visitors or arising from any breach or default under this Lease by Landlord. The foregoing provisions shall not be construed to make Landlord responsible for loss, damage, liability or expense resulting from injuries to third parties caused solely by the negligence or intentional misconduct of Tenant, or its officers, contractors, licensees, agents, employees, patients or invitees in the Premises, Building or Land.

Notwithstanding any of the foregoing, if losses, liabilities, damages, liens, costs and expenses so arising from the operation or occupation of the Premises, Building or Land are caused by the concurrent negligence of both Landlord and Tenant or their respective employees, agents, invitees and licensees, each party (the "Indemnifying Party") shall indemnify the other party (the "Indemnified Party") only to the extent of the negligence of the Indemnifying Party or its officers, agents, employees, guests or invitees.

9.2 Exemption of Landlord from Liability. As a material part of the consideration to Landlord, Tenant hereby agrees that, notwithstanding anything to the contrary in Section 9.1 above, Landlord shall in no event be liable for injury to Tenant's business or assets or any loss of income therefrom or for damage to Tenant's employees, invitees, customers, or any other person in or about the Premises, whether such damage, loss or injury results from conditions arising upon the Premises, or from other sources or places. The foregoing exemption of Landlord from liability shall not apply to the extent that the conditions of the Premises that gave rise to the damage, loss or injury is a result of Landlord's negligence, willful or intentional conduct or that of Landlord's officers, contractors, licensees, agents, employees.

## **SECTION 10. DEFAULTS**

Except as provided below, neither party shall be deemed to be in default in the performance of any obligation required to be performed by it hereunder unless and until it has failed to perform such obligation within 30 days after written notice by the non-defaulting party specifying defaulting party's failure to perform; provided, however, that if the nature of defaulting party's obligation is such that more than 30 days are required for its performance, then the defaulting party shall not be deemed to be in default if it shall commence such performance within such 30 day period and thereafter diligently prosecute the same to completion.

Notwithstanding the foregoing, the occurrence of any one or more of the following events shall constitute a material default and breach of this Lease by Tenant: (i) the abandonment of the Premises by Tenant or the vacating of the Premises for more than thirty (30) consecutive days; (ii) the failure by Tenant to make any payment required to be made by Tenant hereunder, and such failure continues for more than ten (10) days after written notice from Landlord; (iii) the failure by Tenant to observe or perform any of the other covenants, conditions or provisions of the Lease, where such failure shall continue for a period of thirty (30) days after written notice from Landlord; provided, however, if more than thirty (30) days are reasonably required for its cure then Tenant shall not be deemed to be in default if Tenant commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion; (iv) the making by Tenant of any general assignment or general arrangement for the benefit of creditors; (v) the filing by or against Tenant of a petition to have Tenant adjudged bankrupt or a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against Tenant, the same is dismissed within sixty (60) days); (vi) the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in the Lease, where possession is not restored to Tenant within thirty (30) days; (vii) the attachment, execution or other judicial seizure of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this Lease, where such seizure is not discharged within thirty (30) days; or (viii) the assignment or other transfer of all or any interest of Tenant in this Lease, or the subletting of all or any portion of the Premises. All notice and cure periods set forth above are

in lieu of and not in addition to any notice required pursuant to applicable unlawful detainer/eviction statutes.

## **SECTION 11. REMEDIES**

11.1 In the event of a default by either party beyond the applicable notice and cure periods, the non-defaulting party shall have all available remedies at law or in equity. In the event of any default by Tenant under this Lease, in addition to any other remedies at law or in equity, Landlord shall have the immediate option to terminate this Lease and all rights of Tenant hereunder. If Landlord elects to so terminate this Lease, then Landlord may recover from Tenant:

- any unpaid Rent and any Rent that would be due from Tenant through the end of the current Lease Term; plus
- costs associated with any and all damages incurred by Landlord which are directly or proximately caused by Tenant's failure to perform its obligations under the Lease.

11.2 In the event of any such default by Tenant, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all persons and any of Tenant's own property from the Premises. Such property of Tenant will be removed and stored in a public warehouse or elsewhere at the cost of and for the account of Tenant. No re-entry or taking possession of the Premises by Landlord pursuant to this Subsection 11.2 shall be construed as an election to terminate this Lease unless a written notice of such intention be given to Tenant or unless the termination thereof be decreed by a court of competent jurisdiction.

11.3 All rights, options and remedies of Landlord contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and Landlord shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law, whether or not stated in this Lease. No waiver of any default of Tenant hereunder shall be implied from any acceptance by Landlord of any rent or other payments due hereunder or any omission by Landlord to take any action on account of such default if such default persists or is repeated, and no express waiver shall affect defaults other than as specified in said waiver. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar acts by Tenant.

## **SECTION 12. RULES AND REGULATIONS**

Tenant shall comply with Landlord's rules and regulations of the Building, as such may be communicated in writing from time to time by Landlord.

## **SECTION 13. RIGHT OF ACCESS**

Upon no less than two (2) business days' notice to Tenant, Landlord and its employees, contractors and agents shall have access to the Premises in order to (a) inspect the Premises; (b) make repairs as required hereunder; (c) maintain and repair any pipes, ducts, conduits and the like in and through the Premises; and (d) exhibit the Premises to prospective purchasers, lenders or tenants. During any such access, Landlord shall use reasonable efforts to minimize the disruption

to Tenant's business. Landlord and its agents shall have access to the Premises at any time without prior notice in the event of an emergency.

#### **SECTION 14. END OF LEASE TERM**

At the termination or expiration of the Lease Term, Tenant shall surrender the Premises to Landlord in as good condition and repair as at the Commencement Date, reasonable wear and tear excepted, and will leave the Premises broom-clean.

#### **SECTION 16. REGULATORY MATTERS**

16.1 If any legislation, regulation or government policy is passed or adopted, the effect of which would cause either party to be in violation of such laws due to the existence of any provision of this Lease, then Landlord and Tenant agree to negotiate in good faith for a period of 30 days to modify the terms of this Lease to comply with applicable law. Should the parties hereto fail to agree upon modified terms to this Lease within this time, either Landlord or Tenant may immediately terminate this Agreement by giving written notice to the other party.<sup>2</sup>

#### **SECTION 17. MISCELLANEOUS**

17.1 Authority. Each individual executing this Lease on behalf of Tenant represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon Tenant in accordance with its terms.

17.2 No Brokers. Tenant represents and warrants to Landlord that it has not engaged any broker, finder or other person who would be entitled to any commission or fees in respect of the negotiation, execution or delivery of this Lease and shall indemnify and hold harmless Landlord against any loss, cost, liability or expense incurred by Landlord as a result of any claim asserted by any such broker, finder or other person on the basis of any arrangements or agreements made or alleged to have been made by or on behalf of Tenant.

17.3 Landlord Consent. In any instance where the Landlord's approval or consent is required either by the terms of this Lease or otherwise, such approval or consent shall not be unreasonably withheld, conditioned or delayed.

17.4 Entire Agreement. This Lease is the final and complete expression of Landlord and Tenant relating in any manner to the leasing, use and occupancy of the Premises, FF&E, and other matters set forth in this Lease. No prior agreements or understanding pertaining to the same shall be valid or of any force or effect and the covenants and agreements of this Lease shall not be altered, modified or added to except in writing signed by both Landlord and Tenant.

17.5 Severability. Any provision of this Lease which shall prove to be invalid, void or illegal shall in no way affect, impair or invalidate any other provision hereof and the remaining provisions hereof shall nevertheless remain in full force and effect.

17.6 Force Majeure. Except for the payment of Additional Rent or other sums payable by Tenant to Landlord, time periods for Tenant's or Landlord's performance under any provisions of this Lease

shall be extended for periods of time during which Tenant's or Landlord's performance is prevented due to circumstances beyond Tenant's or Landlord's control, including without limitation, strikes, embargoes, shortages of labor or materials, governmental regulations, acts of God, pandemics, war or other strife.

17.7 Notices. All notices under this Lease shall be in writing and delivered in person or sent by registered or certified mail, postage prepaid, to Landlord and to Tenant at the Addresses provided in the Summary on Page 1 of this Lease and to the holder of any mortgage or deed of trust at such place as such holder shall specify to Tenant in writing; or such other addresses as may from time to time be designated by any such party in writing. If mailed, a notice shall be deemed received five (5) business days after the postmark affixed on the envelope by the United States Post Office.

17.8 Costs and Attorneys' Fees; Waiver of Jury Trial. If Tenant or Landlord shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Lease, including any suit by Landlord for the recovery of additional rent or other payments hereunder or possession of the Premises each party shall, and hereby does, to the extent permitted by law, waive trial by jury and the losing party shall pay the prevailing party a reasonable sum for attorneys' fees in such suit, at trial and on appeal, and such attorneys' fees shall be deemed to have accrued on the commencement of such action.

17.9 Governing Law; Venue. This Lease shall be governed by and construed in accordance with the internal laws of the State of Washington. Venue for any action concerning this Lease or the Premises shall be in Skagit County, Washington.

17.10 Recording. Tenant shall not record this Lease or a memorandum hereof without Landlord's prior written consent and such recordation shall, at the option of Landlord, constitute a non-curable default of Tenant hereunder.

17.11 Waivers. No waiver by either party of any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by the other party of the same or any other provision. Either party's consent to or approval of any act shall not be deemed to render unnecessary the obtaining of such party's consent to or approval of any subsequent act by the other party. The acceptance of any additional rent hereunder by Landlord shall not be a waiver of any preceding breach at the time of acceptance of such additional rent.

17.12 Time of Essence. Time is of the essence for the performance of all of the obligations specified hereunder.

17.13 Successors and Assigns. This Lease and all of its provisions shall be binding upon and inure to the benefit of the parties to this Lease and their respective successors and permitted assigns.

17.14 Quiet Enjoyment. Subject to the other terms of this Lease, Landlord covenants that Tenant shall, and may peacefully have, hold and enjoy the Premises and FF&E for the Lease Term free of any claims by any party claiming by, through or under Landlord, provided that Tenant performs all of Tenant's obligations, covenants and agreements herein provided.

17.15 Waiver of Worker's Compensation Immunity. The indemnification obligations contained in this Lease shall not be limited by any worker's compensation, benefit or disability laws, and each indemnitor hereby waives any immunity that said indemnitor may have under the Industrial Insurance Act, Title 51 RCW and any similar or successor worker's compensation benefit or disability laws. This waiver is for the exclusive benefit of the party to be indemnified hereunder and is not intended, and shall not be construed, to be for the benefit of any employee of any indemnitor hereunder.



17.16 Assignment and Subletting. Tenant shall not assign or transfer its interest in this Lease or sublease the Premises or any part thereof without the prior written consent of Landlord, which consent shall be at Landlord's sole discretion.

17.17 Estoppel Certificates. Within ten (10) business days following any written request that Landlord may make from time to time, Tenant shall execute and deliver to Landlord and any third party designated by Landlord, a sworn statement certifying: (a) the date of commencement of this Lease; (b) the fact that this Lease is unmodified and in full force and effect (or, if there have been modifications to this Lease, that this Lease is in full force and effect, as modified, and stating the date and nature of such modifications); (c) the date to which the rent and other sums payable under this Lease have been paid; (d) the fact that there are no current defaults under this Lease by Landlord or Tenant, except as specified in Tenant's statement; and (e) such other matters as may be requested by Landlord. Landlord and Tenant irrevocably agrees that if Tenant fails to execute and deliver such certificate within such ten (10) business day period, Landlord, or Landlord's beneficiary or agent may execute and deliver such certificate on Tenant's behalf, and that such certificate shall be fully binding on Tenant.

17.18 Liens. Tenant agrees to keep the Premises free and clear of all liens and charges whatsoever. Tenant shall not allow any mechanics' and materialmen's or other liens to be placed upon the Premises. If such a lien is placed or recorded, Tenant shall cause it to be discharged of record, at its own expense, within ten (10) days of Landlord's demand. Failure to comply with this provision shall be a default under the terms of this Lease.

17.19 Merger. The voluntary or other surrender of this Lease by Tenant, or a mutual cancellation thereof, shall not work a merger and shall, at the option of Landlord, terminate all or any existing subtenancies or may, at the option of Landlord, operate as an assignment to Landlord of any or all of such subtenancies.

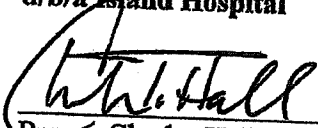
*Remainder of Page Intentionally Left Blank*

*Signatures on Following Page*

Signature Page to Medical Office and Equipment Lease

**IN WITNESS WHEREOF**, the Parties have executed this Lease as of the date set forth below.

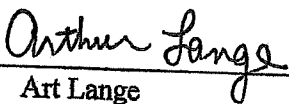
**Tenant: Skagit County Hospital District No. 2**  
**d/b/a Island Hospital**

  
\_\_\_\_\_

By: Charles Hall  
Its: Superintendent and CEO

Date: 03/16/2021

**Landlord: San Juan County Public Hospital District No. 3**  
**d/b/a Orcas Island Health Care District**

  
\_\_\_\_\_

By: Art Lange  
Its: President

Date: 3/26/21

**LANDLORD ACKNOWLEDGMENT**

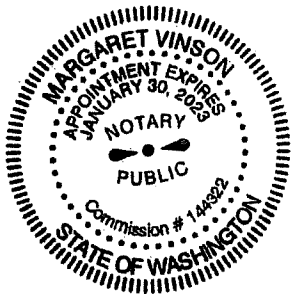
STATE OF WASHINGTON

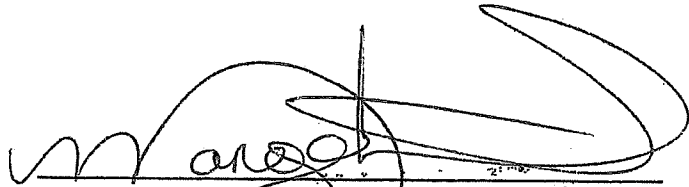
COUNTY OF SAN JUAN

ss.

I certify that I know or have satisfactory evidence that Art Lange is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged that as the President of the Board of Commissioners of San Juan County Public Hospital District No. 3, a Washington municipal corporation, to be the free and voluntary act of such municipal corporation for the uses and purposes mentioned in the instrument.

Dated this 26<sup>th</sup> day of March, 2021



  
(Signature of Notary)

Margaret Vinson

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of WA,

residing at Eastsound

My appointment expires 1.30.2023

TENANT ACKNOWLEDGMENT

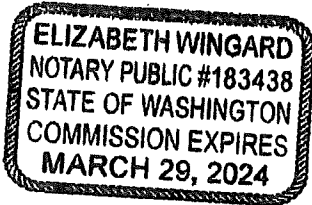
STATE OF WASHINGTON

COUNTY OF Skagit

ss.

I certify that I know or have satisfactory evidence that Charles Hall is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged that as the Superintendent and CEO of Skagit County Public Hospital District No. 2, a Washington municipal corporation, to be the free and voluntary act of such municipal organization for the uses and purposes mentioned in the instrument.

Dated this 16 day of March, 2021.



Liz Wingard

(Signature of Notary)

Liz Wingard Elizabeth Wingard

(Legibly Print or Stamp Name of Notary)

Notary public in and for the State of Washington,

residing at Anacosta, WA

My appointment expires 3-29-2024

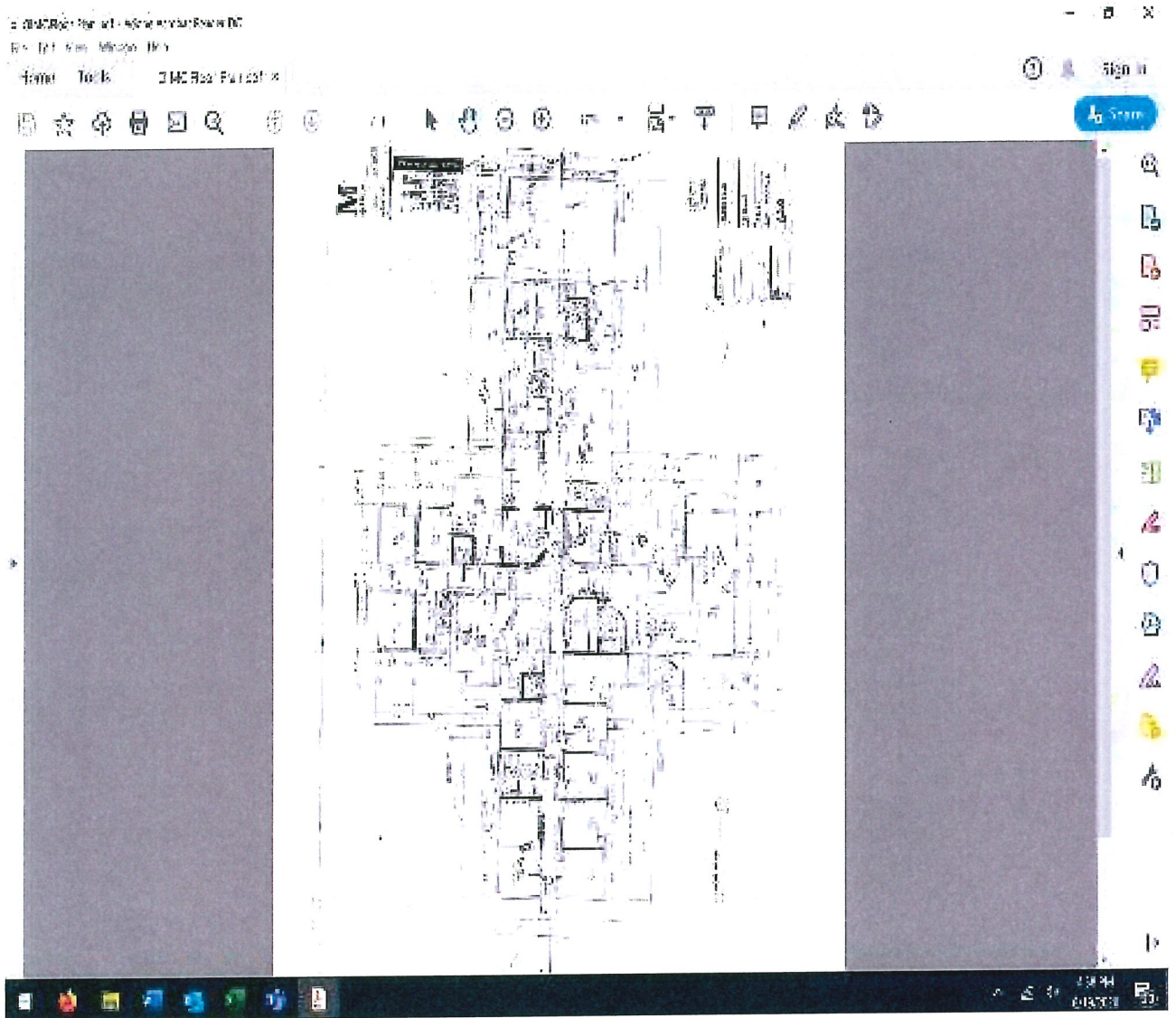
**Exhibit A**  
**Legal Description**

Lot 2B, Short Plat of the Deye Short Plat, Redivision of Lot 2, as recorded in Volume 6 of Short Plats, pages 71 and 71A, records of San Juan County, Washington;

And Also, Lot 3, Short Plat for Deye, as recorded in Volume 2 of Short Plats, pages 76, 76A, and 76B, records of San Juan County, Washington; Excepting therefrom the Easterly 200 feet (a measured perpendicular to the East line thereof) of said Lot 3, Short Plat for Deye.



## EXHIBIT B FLOOR PLAN OF THE PREMISES



## ATTACHMENT B

### PRIMARY CARE SERVICES

Providers shall provide the following services, as such are generally available in primary care, rural health clinics, consistent with the skills and training for Providers specializing in family medicine. Nothing contained herein shall require any Provider to provide services for which she/he are not qualified or trained to provide, and all services are subject to the reasonable exercise of each Provider's professional judgement.

#### REQUIRED SERVICES

##### Preventive Care

- I. Adults
  - Well woman exams (including appropriate contraceptive, IUD placement, and other long-term contraceptive provision by at least one provider), preconception counseling and postmenopausal issues
  - Pregnancy diagnosis and undesired pregnancy counseling including all legally available options
  - Well man exams
  - Knowledge of appropriate screening exams (e.g. screening for cancer, diabetes, cholesterol)
  - Knowledge of age appropriate immunizations
  - End of life counseling, including referral to hospice and counseling on death with dignity options, if legally available
- II. Children
  - Well infant and child exams and appropriate health screenings
  - Developmental and behavioral health screening
  - Sports physicals
  - Knowledge of age appropriate immunizations

#### Chronic Condition Management: Within Primary Care and/or in Collaboration w/Specialists

- I. Adults
  - Management of chronic medical conditions such as asthma, hypertension, diabetes, heart disease, obesity, COPD, arthritis, neurodegenerative conditions including Parkinson and Alzheimer, etc.
  - Management of dermatologic issues including procedural skills such as skin biopsy, treatment of actinic keratoses, treatment of localized non-melanoma skin cancer as appropriate, excision of "lumps and bumps"
  - Management of chronic pain issues emphasizing non-narcotic treatments whenever feasible using a chronic pain protocol when controlled substances are involved, per state regulations.
  - Management of common behavioral health problems such as depression, anxiety, seasonal affective disorder and insomnia
  - Management of palliative care issues and coordination of care with home health and hospice when appropriate
  - Management of Geriatric care issues including dementia and other cognitive impairment.



- Management of joint pain and arthritis
- Management of the above could also include continuity of care with specialists including timely referrals and follow-up

II. Children

- Management of common childhood medical problems (e.g. asthma and obesity)
- Management of behavioral health problems such as ADHD, anxiety, depression and eating disorders (including co-management with specialists).
- Management of simple dermatologic issues such as warts and eczema
- Management of the above would also include continuity of care with specialists including timely referrals and follow-up

**Acute Medical Illness: (including coordination of transport for higher level of care, if necessary)**

- I. For adults -Assessment and management of acute medical illness such as acute infections, asthma or COPD exacerbations, bronchitis, Congestive Heart Failure exacerbation, chest pain, abdominal pain, urinary tract issues, STIs, dehydration etc.
- II. For children – Assessment and management of acute illness such as febrile and other infectious illness, asthma exacerbations, abdominal pain, etc.
- III. For women – initial miscarriage assessment and referral as necessary, abnormal bleeding evaluation and management
- IV. Evaluation and treatment of acute dermatologic problems such as insect bites, skin infections and rashes
- V. Coordination of higher level of care on the mainland as medically appropriate including coordination of transport

**Acute and Subacute Injury**

- I. Evaluation and suturing of lacerations
- II. Management of other acute skin injuries such as burns, cutaneous foreign bodies, animal bites and abrasions
- III. Assessment of acute and subacute musculoskeletal injury and symptoms
  - Management of acute sprains, strains
  - Management of sports injuries including concussions
  - Management of simple fractures including appropriate splinting and casting
  - Management and reduction of simple joint dislocations such as interphalangeal joints (fingers) and shoulders
  - Management of back pain and sciatica
  - Management of other joint pain and musculoskeletal problems including overuse issues
  - Initial assessment and management of other extremity fractures and injuries with the provision of braces and splinting and coordination of transfer of care to mainland orthopedist as appropriate
  - Initial x-ray interpretation for orthopedic injuries (pending radiologist overread as indicated)
  - Coordination of care with other specialists as appropriate including coordination of transport

**Other Required Services**

- I. Starting dose medications for after-hours patients (such as basic antibiotics, oral steroids, albuterol MDI)
- II. Subject to applicable law and regulation, Blood draws and other lab processing for all patients with a valid physician lab order
- III. Provision and interpretation of 12 lead ECGs, lab and imaging tests as appropriate
- IV. Office spirometry testing

- V. Provision of IM Medications when indicated and authorized
- VI. Provision of IV fluids when indicated and authorized
- VII. Point of care lab tests e.g. rapid strep, urine pregnancy test, urine dipstick, rapid influenza, point of care INR, wet mounts, KOH preps, etc.)
- VIII. Immunizations – routine CDC recommended immunizations for children, and flu and pneumonia immunizations for adults.
- IX. Behavioral Health Integration Program: Assessment and plan in 2021 with implementation thereafter.

**Desired Skills and Services**

- I. ACLS and PALS certifications or equivalent
- II. Airway management skills in conjunction with above life support skills to aid EMS in the event of local mass casualty event
- III. ATLS certification or another unified program such as CALS
- IV. Occupational exams –CDL, etc.
- V. Prenatal support services in coordination with mainland obstetric providers (ideally at least one physician providing prenatal care)
- VI. Circumcision
- VII. Exercise treadmill testing
- VIII. Point of care ultrasound
- IX. Dermatoscopic exams
- X. Obstetric management (deliveries only in collaboration with EMS in an emergency situation where transport off-island is unavailable)
- XI. Insertion of urinary catheters
- XII. Management of PICC lines
- XIII. Expanded on-island lab capability such as point of care CBC, BMP (or even better CMP), troponin, and cholesterol panel when feasible.
- XIV. Joint aspiration and injection as indicated
- XV. Integrated behavioral health services, in person or via telehealth, from a qualified social worker
- XVI. Management of opioid addiction and other substance abuse issues (including at least 1 practitioner providing suboxone or Subutex prescription and management)
- XVII. End of life counseling that includes counseling on death with dignity options, if legally available

**ATTACHMENT C**

**PAYOR LIST**

Aetna

Blue Cross of WA and AK

Cigna

First Choice Networks

First Health

Kaiser Permanente

Lifewise

Medicaid

Medicare

Premera

Regence

Tricare

Uniform Medical

Uniform Services Family Health Plan

United Healthcare

**ATTACHMENT D**  
**FURNITURE, FIXTURES AND EQUIPMENT**

<b>Device Type</b>	<b>Mfg Name</b>	<b>Model</b>	<b>Location</b>	<b>Date of Mfr</b>	<b>Projected Replacement Date</b>
Oximeter, Pulse	Nellcor	N-20PA	ORC-HALL		
Microscope	Leitz	Laborlux S	ORC-LAB	2001	Now
Nebulizer	Airsep	NewLife	ORC-PROCEDURE	2011	7 years
Electrosurgical Unit	Bovie Medical	Aaron 950	ORC-HALL	2011	2 years
Electrocardiograph	Nihon-Kohden	Cardiofax M ECG-1350A	ORC-URGENT	2013	2 years
Thermometer, Electronic	Control Company	06-664-270	ORC-HALL	2013	Now (already have replacement)
Temperature Monitor	Control Company	06-664-270	ORC-LAB	Current	7 years
Thermometer, Electronic	Control Company	06-664-270	ORC-HALL	Current	7 years
Temperature Monitor	Control Company	06-664-270 11759745	ORC-LAB	Current	7 years
Temperature Monitor	Control Company	06-664-270 11759745	ORC-LAB	Current	7 years
Temperature Monitor	Control Company	06-664-270 11759745	ORC-LAB	Current	7 years
Nebulizer		3655LT	ORC-LAB	Current	7 years
Nebulizer		3655LT	ORC-LAB	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 4	Current	7 years
				Current	7 years

Scale, Patient	Healthometer	498KL	ORC-EXAM 6	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 8	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 5	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 2	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 1	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 7	Current	7 years
Scale, Patient	Healthometer	498KL	ORC-EXAM 3	Current	7 years
Thermometer, Clinical	Welch Allyn Medical	690	ORC-HALL	Current	7 years
Thermometer, Clinical	Welch Allyn Medical	690	ORC-HALL	Current	7 years
Thermometer, Clinical	Welch Allyn Medical	690	ORC-HALL	Current	7 years
Thermometer, Clinical	Welch Allyn Medical	690	ORC-HALL	Current	7 years
Scale, Patient	SECA	700	ORC-HALL	Current	7 years
Scale, Patient	SECA	700	ORC-HALL	Current	7 years
Oto/Ophthalmoscope	Welch Allyn Medical	7114	ORC-URGENT	Current	7 years
Oto/Ophthalmoscope	Welch Allyn Medical	7114	ORC-URGENT	Current	7 years
Electrocardiograph	GE Marquette	CAM-14	ORC-HALL	Current	7 years
Electrocardiograph	GE Marquette	CAM-USB	ORC-HALL	Current	7 years

Analyzer, Urine	Siemens	Clinitek Status +	ORC-HALL	Current	7 years
Analyzer, Coagulation	Roche	CoaguChek XS Plus	ORC-HALL	Current	7 years
Monitor, Physiologic	Welch Allyn Medical	Connex 6000	ORC-HALL	Current	7 years
Analyzer, Immunoassay	Siemens	DCA Vantage Analyzer	ORC-HALL	Current	7 years
Light, Examination	Welch Allyn Medical	GS300	ORC-EXAM 2	Current	7 years
Light, Examination	Welch Allyn Medical	GS300	ORC-EXAM 7	Current	7 years
Light, Examination	Welch Allyn Medical	GS300	ORC-EXAM 3	Current	7 years
Oto/Ophthalmoscope	Welch Allyn Medical	GS777	ORC-EXAM 1	Current	7 years
Hemoglobinometer	Hemocue	HB 201+	ORC-HALL	Current	7 years
Freezer, Laboratory	Helmer Labs	HLF 105	ORC-HALL	Current	7 years
Refrigerator	Helmer Labs	HLR 111	ORC-HALL	Current	7 years
Analyzer, Glucose	Accu-Chek	Performa	ORC-HALL	Current	7 years
Centrifuge	Sorvall	Sorvall ST8	ORC-HALL	Current	7 years
Thermometer, Clinical	Exergen	TAT-5000	ORC-HALL	Current	7 years
Thermometer, Clinical	Exergen	TAT-5000	ORC-HALL	Current	7 years
Light, UV Exam	Burton	UV 502	ORC-HALL	Current	7 years
Temperature, Datalogger	Lascar Electronics	VFC 5000	ORC-LAB	Current	7 years

Temperature, Datalogger	Lascar Electronics	VFC 5000	ORC-LAB	Current	7 years
Table, Examination	Midmark	104	ORC-EXAM 8	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 2	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 4	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 7	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 6	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 5	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 3	Unk	Now
Table, Examination	Midmark	104	ORC-EXAM 3	Unk	Now
Chair, Procedure	Midmark	119	ORC-URGENT	Unk	Now
Radiographic Unit	Gendex	5000	ORC-XRAY	Unk	Now
Radiographic Unit	Gendex	QG-6500	ORC-XRAY	Unk	Now
Image Reader	iCRco Inc	iCR-1000	ORC-XRAY	Unk	Now
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 2		4 years
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 4		4 years
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 8		4 years
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 7		4 years

Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 6	
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 1	4 years
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 5	4 years
Oto/Ophthalmoscope	Welch Allyn Medical	74710	ORC-EXAM 3	4 years
Light, Examination	Welch Allyn Medical	44100	ORC-EXAM 1	4 years
Light, Examination	Welch Allyn Medical	44100	ORC-EXAM 5	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 6	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 4	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 4	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 5	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 3	6 years
Sphygmomanometer	Tycos	CE0050	ORC-EXAM 2	6 years
Defibrillator	Physio Control	Lifepak 12	ORC-URGENT	1998-2010
Light, Examination	Welch Allyn Medical	48830	ORC-EXAM 4	Now
Defibrillator	Zoll Medical	AED Plus	ORC-URGENT	4 years
Light, Examination	Welch Allyn Medical	739	ORC-HALL	Now
Light, Examination	Welch Allyn Medical	739	ORC-EXAM 8	4 years
				4 years



Light, Examination	Midmark	152-001	ORC-EXAM 8		
				Unk	4 years
Light, Examination	Midmark	152-001	ORC-EXAM 4		
				Unk	4 years
Light, Examination	Midmark	152-001	ORC-EXAM 4		
				Unk	4 years
Oximeter, Pulse	Nellcor	N-20PA	ORC-HALL		
				2001	Now
Microscope	Leitz	Laborlux S	ORC-LAB		
				2011	6 years
Nebulizer	Airsep	NewLife	ORC-PROCEDURE		
				2011	6 years
Electrosurgical Unit	Bovie Medical	Aaron 950	ORC-HALL		
				2013	2 years
Electrocardiograph	Nihon-Kohden	Cardiofax M ECG-1350A	ORC-URGENT		
				2013	Now (already have replacement)
Refrigerator	Summit Appliance	BSKF 375	ORC-HALL		
Environment of Care	None	None	LOP-LAB		
				NA	NA
Environment of Care	None	None	ORC-LAB		
				NA	NA

**ATTACHMENT E**  
**QUALITY METRICS CONSIDERED**

**PATIENT SATISFACTION**

**Aggregated results of patient surveys for the Clinic conducted on behalf of the Skagit District**

**QUALITY OF CARE METRICS**

**THROUGHPUT METRICS**

**Wait period to get an appointment**

**Routine lab appointments**

**Well care appointment**

**Current health issues appointments**

**Follow up appointments**

**Clinic wait time**

**Waiting room wait time**

**Exam room wait time**

**Turnaround time**

**Referrals**

**Prescription refills**

**Other metrics tracked at the Skagit District's other rural health care clinics**

## ATTACHMENT F

### FINANCIAL ASSISTANCE POLICY

**Current Policy below and is subject to regular review and revision**

FINANCIAL ASSISTANCE PROGRAM  
Island Hospital Administration  
Document Owner: Cutter, Elise Chief Financial Officer  
Version Date: 01/23/2020; Approved: 01/27/2020; Reviewed: 01/27/2020

**POLICY STATEMENT** The policy of Island Hospital is to provide financial assistance consistent with the requirements of the Washington Administrative Code (WAC) Chapter 246-453 and Internal Revenue Code (IRC) Section 501(r).

**PURPOSE** Island Hospital (“Hospital”) is committed to the provision of medically necessary healthcare services to all persons in need of such services, without discrimination and regardless of whether they are eligible for financial assistance under this policy or through any other program. In order to protect the integrity of operations and fulfill this commitment, the following criteria for the provision of financial assistance, consistent with the requirements of WAC, Chapter 246-453, and IRC Section 501(r), are established.

This policy will assist staff in making consistent objective decisions regarding eligibility for financial assistance while ensuring the maintenance of a sound financial base. This policy will allow Hospital to use its resources to most efficiently help those in need of healthcare services regardless of ability to pay.

Accordingly, this written policy:

- Includes eligibility criteria for financial assistance and whether such assistance includes free or discounted care;
- Describes the basis for calculating amounts charged to patients eligible for financial assistance under this policy;
- Describes the method by which patients may apply for financial assistance;
- Describes the actions that may be taken in the event of nonpayment of any remaining liability;
- Describes the information that may be obtained from sources other than the individual seeking financial assistance that Hospital may use to presumptively determine whether an individual is eligible for financial assistance, and under what circumstances such information may be used;
- Describes how Hospital will publicize the policy within the community served by Hospital; and
- Provides a list of providers, other than Hospital itself, delivering medically necessary care and specifies which providers are covered by this financial assistance policy.

**SCOPE** Patient Accounts, Finance, Patient Access

#### DEFINITIONS

**Financial assistance:** Financial assistance is not considered to be a substitute for personal responsibility. Patients are expected to cooperate with Hospital’s process for obtaining financial assistance or other forms of payment or financial assistance. In the event that a patient is not cooperative with the financial assistance application process, Hospital may initiate collection efforts against the patient for amounts owed. Patients are expected to contribute to the cost of their care based on their individual ability to pay. Individuals with the financial capacity to purchase health insurance shall be encouraged to do so.

**Appropriate Hospital-Based Medical Services:** Defined in WAC 246-453-010(7) as those hospital services which are reasonably calculated to diagnose, correct, cure, alleviate, or prevent the worsening of conditions that endanger

life, or cause suffering or pain, or result in illness or infirmity, or threaten to cause or aggravate a handicap, or cause physical deformity or malfunction, and there is no other equally effective more conservative or substantially less costly course of treatment available or suitable for the person requesting the service. For purposes of this section, 'course of treatment' may include mere observation or, where appropriate, no treatment at all." This is also the definition of "medically necessary care" as used in this policy and attachments.

**Emergency Medical Services:** Services provided within Hospital to treat an emergency medical condition, which is defined in section 1867(e)(1) of the Social Security Act as "a medical condition manifesting itself by acute symptoms of sufficient severity (including severe pain) such that the absence of immediate medical attention could reasonably be expected to result in (a) placing the health of the individual (or, with respect to a pregnant woman, the health of the woman or her unborn child) in serious jeopardy, (b) serious impairment to bodily functions, or (c) serious dysfunction of any bodily organ or part; or with respect to a pregnant woman who is having contractions, (a) that there is inadequate time to effect a safe transfer to another hospital before delivery, or (b) that transfer may pose a threat to the health or safety of the woman or the unborn child."

**Extraordinary Collection Actions:** Especially aggressive efforts to encourage individuals to pay a liability, as defined in Reg. 1.501(r)-6(b). In general, extraordinary collection actions include selling a debt to another party; reporting adverse information about an individual to a consumer credit reporting agency or credit bureau; deferring or denying medically necessary care because of nonpayment of a previous liability; requiring payment before providing medically necessary care because of nonpayment of a previous liability; and actions that require a legal or judicial process (including liens, foreclosures, attachments, seizures, civil actions, arrests, writs of body attachment, and garnishments).

**Amounts Generally Billed ("AGB") Limit:** The average amount collected by Hospital for providing a emergency and other appropriate hospital-based medical services to individuals who have insurance covering that service, as defined in Reg. 1.501(r)-1(b)(1).

**Gross Family Income:** Annualized income of the patient and any immediate family members who reside with them, as determined by the acceptable documents and information identified in this policy rendered. "Family" is defined by WAC 246-453-010, paragraph 18 as a group of two or more persons related by birth, marriage, or adoption who live together. Annualized income means that an annual income is estimated based on the information for a shorter time period. Annualized income is calculated as of the date the services are rendered/provided, based upon documentation provided and upon verbal information provided by the patient. The calculation will take into consideration seasonal employment and temporary increases and/or decreases of income.

**Island Hospital's Community:** The geographic boundaries of Hospital's public hospital district (i.e., Skagit County Public Hospital District No. 2) and the additional areas of La Conner (zip code 98257), Oak Harbor (zip does 98278 and 98277), and all of San Juan County except for San Juan Island.

**Responsible Party:** An individual who is responsible for the payment of any hospital charges.

**EQUIPMENT** Not applicable

**QUALITY CONTROL** This policy will be reviewed annually.

#### I. SERVICES ELIGIBLE UNDER THIS POLICY

- a. The following healthcare services are eligible for financial assistance:
  - i. Emergency medical services provided anywhere in a hospital setting; and
  - ii. Appropriate hospital-based medical services.
- b. Purely elective procedures are ineligible for financial assistance.
- c. See Attachment A for a list of providers who operate within Hospital. Attachment A identifies those providers whose services are eligible for financial assistance under this policy and those providers whose services are not eligible for financial assistance under this policy. Attachment A shall be updated at least quarterly to maintain accuracy.

## II. ELIGIBILITY CRITERIA

- a. **Completed Application:** Eligibility for financial assistance will be considered for individuals who submit a complete financial assistance application, as explained in Section III of this policy.
- b. **Residency:** Eligibility for financial assistance will be considered for individuals who reside in Island Hospital's Community. Hospital shall grant exceptions to the residency requirement on a facts and circumstances basis as determined by Hospital.
- c. **Other Medical Coverage:** Financial assistance is generally secondary to all other financial resources available to the patient, including group or individual medical plans, worker's compensation, Medicare, Medicaid or medical assistance programs, other state, federal or military programs, or any other situation in which another person or entity may have a legal responsibility to pay for the costs of medical services.
- d. **Without Discrimination:** The granting of financial assistance shall be based on an individualized determination of financial need of the patient at the time services are rendered and shall not take into account age, gender, race, social or immigrant status, sexual orientation or religious affiliation.
- e. **Gross Family Income:** In those situations where appropriate primary payment sources are not available, patient shall be considered for financial assistance under this policy and within the requirements of WAC 246-453. All resources of the family as defined by WAC 246-453 are considered in determining the applicability of the sliding fee scale in Attachment B. These resources included bank accounts, investment accounts, retirement accounts, trusts, business ownership, and real estate excluding the primary residence (rental properties, vacation home). Attachment B shall be updated annually to maintain accuracy.
  - i. The full amount of Hospital's charges will be determined to be financial assistance for a patient with gross family income at or below 200% of the current federal poverty level.
  - ii. 59% of Hospital's charges will be determined to be financial assistance for a patient with gross family income between 201% and 300% of the current federal poverty level. Hospital will review a patient's financial resources and assets for possible funding to pay for billing charges and may consider these factors when determining and appropriate level of financial assistance.
- f. **Disclosure of Resources:** Hospital shall not require a disclosure of resources from financial assistance applicants whose income is at or below 200% of the current federal poverty level, but may require a disclosure of resources from applicants whose income is above 200% of the current federal poverty level.
- g. **Catastrophic Care:** Hospital may offer catastrophic financial assistance, which means Hospital may write off amounts for patients with gross family income in excess of 300% of the federal poverty level if circumstances indicate severe financial hardship. All catastrophic financial assistance write-offs shall be approved by the Chief Financial Officer upon recommendation by the Director of Patient Accounts.
- h. Eligibility on a completed application is valid for eligible services received within 60 days following the application approval date.
- i. When an individual qualifies for financial assistance under this policy, the responsible party's remaining liability shall be calculated by multiplying the gross charges from the eligible care by 100% minus the appropriate financial assistance discount percentage.
- j. When an individual is eligible for a financial assistance discount under this policy, the responsible party will be expected to provide payment over a reasonable period of time in accordance with Hospital's Financial Policy, without interest or late fees.
- k. The responsible party's financial obligation remaining after the application of the financial assistance discount shall be payable as negotiated between Hospital and the responsible party within the terms of Hospital's Credit Policy.

## III. PROCESS FOR APPLICATION

- a. Hospital shall use an application process for determining eligibility for financial assistance. However, Hospital may presumptively determine an individual's eligibility for financial assistance under this policy without a completed application based on information in paragraph B.
- b. Requests for financial assistance will be accepted from various sources, including physicians, community or religious groups, social services, financial services, personnel, and the patient. If Hospital has reason to believe an individual may qualify for Medicaid, Hospital will check ProviderOne, Washington State's Medicaid payment system, for eligibility for financial assistance. Local law enforcement officials may provide information about the homeless status of an individual.
- c. For the purpose of reaching an initial determination of financial assistance sponsorship status, Hospital shall rely upon information provided orally by a patient. Hospital may require the patient to sign a

statement attesting to the accuracy of the information provided to Hospital for purposes of the initial determination of sponsorship status.

d. When submitted for consideration, a financial assistance application shall be accompanied by one of the following types of documentation for purposes of verifying income:

- i. W-2 withholding statements for all employment for the most recent 3 months for all household members;
- ii. Payroll check stubs from all employment during the relevant time period;
- iii. IRS tax returns from the most recently filed calendar year;
- iv. Forms approving or denying eligibility for Medicaid and/or state-funded Medical Assistance;
- v. Forms approving or denying unemployment compensation;
- vi. Written statements from employers or welfare agencies; or

In the event that the responsible party is not able to provide any of the documentation provided above, Hospital shall rely upon written and signed statements from the responsible party for making a final determination of eligibility for financial assistance.

e. Hospital may require proof of the value of assets for applicants whose income is above 200% of the current federal poverty level. Examples include recent bank or investment statements, and blue book value of vehicles.

f. Completed applications and documentation should be submitted to the Patient Accounting Office. Acceptable methods of submission include:

- i. Mail to "Attention: Patient Accounts", 1211 24th Street, Anacortes, WA 98221
- ii. Deliver in-person to any Island Hospital personnel at 1211 24th Street, Anacortes, WA 98221.

Label the package "Attention: Patient Accounts".

- iii. Fax to (360) 299-1369, "Attention: Patient Accounts"

g. If a responsible party submits an incomplete financial assistance application, Hospital shall take the following steps to encourage them to complete the application.

- i. Suspend any extraordinary collection actions to obtain payment for the care.
- ii. Provide a written notice to the responsible party that describes the additional information

and/or documentation that must be submitted before the application will be considered. This notice shall also include the contact information indicated in Section VI, paragraph A of this policy.

iii. Allow a reasonable amount of time for the responsible party to submit a complete financial assistance application. Such period of time shall be at least 14 days from the date the written notice is sent to the responsible party. If the responsible party fails to provide the requested information within the stated time, Hospital may renew the previously initiated extraordinary collection actions.

h. If Hospital uses information provided by any party other than the responsible party to determine that a responsible party is eligible for a 59% discount under this financial assistance policy, Hospital shall take the following steps.

- i. Notify the responsible party, in writing, regarding the basis for this determination, including the information used and the source of that information.
- ii. Inform the responsible party that they may be eligible for a 100% discount under this financial assistance policy if the responsible party submits a complete financial assistance application and other supporting documentation.
- iii. Allow a reasonable amount of time for the responsible party to submit a complete financial assistance application. Such period of time shall be at least 14 days from the date the written notice is sent to the responsible party.
- iv. If the responsible party submits a complete financial assistance application, Hospital shall follow all aspects of this policy in determining the responsible party's eligibility for financial assistance.

#### IV. PROCESS FOR ELIGIBILITY DETERMINATION

a. The initial determination of eligibility shall be completed at the time of admission or as soon as possible following services to the patient. Pending final eligibility determination, Hospital will not initiate collection efforts or requests for deposits, provided that the responsible party is cooperative with Hospital's efforts to reach a determination of sponsorship status, including return of applications and documentation within 14 days.

b. Designations of financial assistance, while generally determined at time of admission, may occur

at any time upon learning of facts that would indicate eligibility.

- c. Following the initial request for financial assistance, Hospital may pursue other sources of funding, including Medicaid. Hospital may delay processing a financial assistance application until after the individual's Medicaid eligibility has been determined.
- d. All information relating to the application will be kept confidential. Copies of documents that support the application will be kept with the application form. Documents pertaining to financial assistance shall be retained for 5 years.
- e. Hospital will make a final eligibility determination and will notify the responsible party within 14 days of receipt of a completed financial assistance application and all necessary supporting documentation.
- f. If an individual is determined to be eligible for a 59% discount, Hospital will provide the individual with a billing statement that indicates the remaining amount the individual owes, how that amount was determined, and how the individual can obtain information about the current AGB limit.
- g. In the event Hospital denies an individual's application for financial assistance, Hospital shall notify the individual of the denial and the basis for the denial.
- h. All patients denied financial assistance shall be provided with, and notified of, Hospital's appeals procedure, which enables a patient to correct any deficiencies in the documentation or request review of the denial and results in review of the determination by Hospital's Chief Financial Officer or equivalent.
- i. In the event that Hospital's final decision upon appeal affirms the previous denial of financial assistance, the responsible party shall be notified in writing of the decision and the basis for the decision.

#### V.PROCESS FOR AMOUNTS GENERALLY BILLED

- a. An individual who is determined to be eligible for financial assistance under this policy shall not be required to pay more for emergency medical care and other appropriate hospital-based medical services than the amounts generally billed to individuals who have insurance covering such care.
- b. This AGB limit shall be used by Hospital to determine the maximum amount that an individual may be liable to pay after such individual is determined to be eligible for financial assistance under this policy.
- c. Hospital shall use the "look-back method" as described in Regulation 1.501(r)-5(b)(3).
- d. Hospital shall calculate a new AGB limit at least annually.
- e. Hospital shall implement the new AGB limit within 120 days of the end of the 12-month period used for the look-back method calculation.
- f. Attachment C contains information about the currently applicable AGB limit and how it was calculated.

#### VI.PROCESS FOR COMMUNICATION

- a. The Patient Accounts department at Island Hospital shall provide information about this financial assistance policy and/or provide assistance with the financial assistance application process. The Patient Accounts department is located at 1211 24th Street, Anacortes, WA 98221 and is available by phone at (360) 299-1378.
- b. Hospital shall notify and inform individuals about the availability of financial assistance in the following ways.
  - i. Financial agreement forms will state that financial responsibility is waived or reduced if the patient is determined to be eligible for financial assistance.
  - ii. Hospital shall set up conspicuous public displays that notify and inform patients about the financial assistance program. Such displays shall be located in the emergency room and all admissions areas. Such displays shall include the following information.
    1. Financial assistance is available under Hospital's financial assistance policy.
    2. Information about how or where to obtain information about the financial assistance policy and application process.
    3. Information about how or where to obtain copies of this financial assistance policy, a plain language summary of this financial assistance policy, and the financial assistance application.
  - iii. Hospital shall offer a paper copy of the plain language summary of this financial assistance policy to patients as part of the intake and/or discharge process.
  - iv. Hospital shall include the following information on all billing statements.
    1. Financial assistance is available under Hospital's financial assistance policy.



2. The telephone number of a Hospital office or department that can provide information about the financial assistance policy and process.
3. The direct web site address (URL) on which this financial assistance policy, a plain language summary of this financial assistance policy, and the financial assistance application are available. The written notice on billing statements shall be conspicuously placed and of sufficient size to be clearly readable.
- v. This financial assistance policy, a plain language summary of this financial assistance policy, and the financial assistance application shall be available at all times on Hospital's website.
- vi. Paper copies of this financial assistance policy, a plain language summary of this financial assistance policy, and the financial assistance application shall be made available upon request and without charge. These paper copies shall be available by mail, in Hospital's emergency room, and in all admissions areas to Hospital.
- vii. Hospital shall take reasonable efforts to notify and inform members of the community about this financial assistance policy in a manner that is reasonably calculated to reach those community members who are most likely to need financial assistance from Hospital.
- viii. If any population with limited English proficiency comprises more than 5% of the population in Hospital's community or more than 1,000 individuals, then all communication methods described here shall also be provided in the primary language of that population.

#### VII. PROCESS FOR COLLECTIONS

- a. See Attachment D for a list of actions that may be used by Hospital to collect liabilities from individuals, including extraordinary collection actions. Attachment D also provides a general timeframe for these actions.
- b. Island Hospital prohibits the use of all extraordinary collection actions against individuals other than the actions listed in Attachment D. This prohibition applies to Island Hospital and to all other parties acting on behalf of Island Hospital.
- c. If an individual submits a financial assistance application, Hospital shall cease all collection efforts until a determination of financial assistance eligibility is made.
- d. If Hospital learns that an individual has filed an appeal related to the denial of financial assistance, Hospital shall cease all collection efforts until the appeal is finalized.
- e. If Hospital or another authorized party has already begun an extraordinary collection action against an individual when that individual submits a complete financial assistance application, the extraordinary collection action shall be suspended. Suspending an action means that no new extraordinary collection actions are initiated and no further steps are taken on a previously existing extraordinary collection action. This suspension may be lifted when Hospital determines the individual's eligibility for financial assistance and notifies the individual as prescribed in Section IV, paragraphs E – G of this policy.
- f. If Hospital or another authorized party has already begun an extraordinary collection action against an individual when that individual is determined to be eligible for financial assistance under this policy, Hospital and/or the other authorized party shall take all reasonably available measures to reverse the extraordinary collection action. Such steps include, but are not limited to, measures to vacate any judgment against the individual, lift any levy or lien on the individual's property, and remove from the individual's credit report any adverse information that was reported.
- g. Island Hospital shall not take any extraordinary collection actions against an individual for an episode of care within 120 days of the date the first post-discharge billing statement is sent to the individual.
- h. At Hospital's discretion, a single collection action may be taken to obtain payment for multiple episodes of care. However, in such situations, an extraordinary collection action shall not be taken within 120 days of sending the first post-discharge billing statement for the most recent episode of care included in the extraordinary collection action and within 30 days of sending the final notice to inform the individual of collection actions that may be taken.
- i. At least 30 days prior to taking any extraordinary collection action against an individual to obtain payment for an episode of care, Hospital or its agent shall provide the individual with a written notice that includes the following information.
  - i. Financial assistance is available for eligible individuals.
  - ii. The extraordinary collection actions that Hospital, or another authorized third party, intends to initiate against the individual to obtain payment for the care.

iii. A deadline after which such extraordinary collection actions may be initiated. The written notice shall include a copy of the plain language summary of this financial assistance policy. Hospital or another authorized third party shall also make reasonable efforts to orally notify the responsible party about this financial assistance policy and how the individual may obtain assistance with the financial assistance application process.

j. The Patient Accounts department shall have the final authority and responsibility to determine whether Hospital has made reasonable efforts to determine whether an individual is eligible for financial assistance under this policy and may therefore engage in extraordinary collection actions against that individual.

k. If an individual has made partial payment, and the individual is subsequently determined to qualify for financial assistance under this policy, any payments in excess of their newly calculated remaining liability shall be refunded to the patient within 30 days of the financial assistance eligibility determination.

#### ATTACHMENT A Providers That Operate Within Island Hospital

Medical service expenses for a patient can generally be categorized as either hospital fees or provider (i.e. physician) fees. All hospital fees for emergency medical care and other appropriate hospital-based medical care are eligible for financial assistance under this policy. However, not all provider fees are eligible for financial assistance under this policy. Island Hospital defines a “provider” as a physician or similarly credentialed individual. Providers do not include nurses or technicians. All services provided by the following providers are covered by Island Hospital’s Financial Assistance Policy.

- Anacortes Family Medicine
- Fidalgo Medical Associates
- Island Emergency Physicians / NW Emergency Physicians of Team Health
- Island Sleep Center
- Island Surgeons
- Island Hospital, Oncology
- Island Hospital, Psychiatry & Behavioral Health
- Island Hospital, Diagnostic Imaging
- The Center for Pain Management
- Restorix Wound Care Center

Services provided by the following providers are not covered by Island Hospital’s Financial Assistance Policy.

- Cascade Facial Surgery & Aesthetics, PLLC
- Family Foot & Ankle
- Island Eye Physicians & Surgeons
- Island Family Physicians
- Island Internal Medicine
- Mt. Vernon Birth Center
- NAS Whidbey
- North Sound Oral & Facial Surgery
- Pacific Pathology Partners
- Pacific Rim Urology
- Playhouse Dental
- Proliance Surgeons Cascade ENT
- Rosario Skin Clinic
- San Juan Rehab & Care Center
- Skagit Island Radiology
- Skagit Northwest Orthopedic
- Skagit Regional
- Whidbey Medical
- Cloud Healthcare LLC
- Mark Stivers
- John Gossom, MD
- Robert Lycksell, MD
- David Russell, MD
- Kenneth Bakken, DO
- Friedrich Loura, MD
- Chia-Jen Kuan, MD, PhD
- Frank Traficante, DDS
- Donald Wortham, MD
- Deborah Amos, MD
- Regina Currier, DPM

## ATTACHMENT G

### FINANCIAL STATEMENT FORMAT

	FY Budget	FY Actual
Net Patient Revenues		
Other Revenues		
Total Revenues		
Provider Wages and Benefits		
Staff Wages & Benefits		
Allocated staff expenses		
Purchased Services & Professional Fees		
Medical Supplies		
Other Supplies		
Drug Expense		
Equipment Rent & Maintenance		
Billing Expenses		
Delivery Expense		
Travel Expense		
Other Expenses		

Total Expenses

Net Revenues

Provider  
FTEs

Staff FTEs

RVUs

# of  
Patient  
visits

## ATTACHMENT H

### DISPUTE RESOLUTION

1. **Policy.** The parties agree to cooperate in good faith and to deal fairly with each other in carrying out their respective duties under this Agreement. If a dispute arises, the parties shall first try to negotiate a fair and prompt resolution. If they are unsuccessful, the parties will attempt to resolve the dispute through a good faith attempt at mediation using a mutually agreed upon mediator with each party paying its own costs of mediation and fifty percent (50%) of the mediator's fees. If the mediation is unsuccessful, or if the parties are unable to agree on a mediator within thirty (30) days of a request for mediation by either party, the dispute must be resolved by binding arbitration. The provisions of the Washington Uniform Arbitration Act, Chapter 7.04A RCW, are incorporated herein to the extent not inconsistent with the other terms of this Agreement, and the parties acknowledge that they intend to give up their right to have any dispute decided in court by a judge or jury except as provided in RCW 7.04A *et seq.*

2. **Binding Arbitration.** Any controversy or claim between the parties of any kind whatsoever, including but not limited to those arising from or relating to this Agreement or the relationship between the parties, and any claims arising in tort or under statute, must be resolved by a binding arbitration to be commenced in the manner provided in RCW 7.04A.090, provided, however, that all statutes of limitations that would otherwise apply do apply to disputes submitted to arbitration.

2.1 **Arbitrator.** The arbitration will be conducted by one arbitrator. If the parties cannot, within fifteen (15) days after commencement of the arbitration, agree on an arbitrator, he or she will be selected by the administrator of the American Arbitration Association ("AAA") office in Seattle, Washington, within fifteen (15) days thereafter. The arbitrator must be an attorney with at least fifteen (15) years' experience in commercial law in Washington State and the venue of the arbitration shall be \_\_\_\_\_, Washington.

2.2 **Arbitrability.** Whether a controversy or claim is covered by this Agreement shall be determined by the arbitrator.

2.3 **Third-Party Intervention.** If either party so requests at any time within seventy-five (75) days of the submission of the dispute to arbitration, the parties shall try to resolve the dispute by nonbinding third-party intervention, including mediation, evaluation, or both, but without delaying the arbitration hearing date...

2.4 **Arbitration Procedures.** The arbitration must be conducted, generally, under the provisions of the Washington Uniform Arbitration Act, RCW 7.04A *et seq.*, as now stated or hereafter amended. The Civil Rules for Washington Superior Courts shall serve as a guide to the conduct of the arbitration proceedings. However, the arbitrator may modify those rules, including the rules of evidence, to the extent that the arbitrator deems appropriate, provided that such modifications are just, fair and equitable to both parties and are not prohibited under RCW 7.04A *et seq.*

**2.5 Discovery.** The arbitrator may authorize such discovery necessary for a fair hearing of the dispute. Such discovery may not extend the time limits established by this section.

**2.6 Limitation of Costs.** The parties seek to minimize the cost of the dispute resolution process. To that end, the arbitrator may limit live testimony and cross-examination and require that the parties submit some or all of their case by written declaration if he or she determines that it can be done without jeopardizing a fair hearing of the dispute.

**2.7 Time Limits.** The arbitrator and the parties shall do what is reasonably necessary to conduct the arbitration hearing within one hundred twenty (120) days of the date the arbitrator is selected, and the arbitrator shall make every effort to limit the hearing to two (2) days and to render his or her opinion within fourteen (14) days after the hearing. The parties have specified these time limits to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause afford or permit reasonable extensions or delays, which will not affect the validity of the award.

**2.8 Construction of Agreement.** The arbitrator has no authority to add to, subtract from, or otherwise change or modify the provisions of this Agreement and may only interpret existing provisions of this Agreement as they may apply to the specific facts of the issues in dispute.

**2.9 Award.** The arbitrator must render his or her decision in writing. The decision must contain a brief statement of the claims determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable law. Absent fraud, collusion, or willful misconduct by the arbitrator, the award will be final, and judgment may be entered in any court having jurisdiction over it.

**2.10 Remedies.** The arbitrator may award injunctive relief or any other remedy available from a judge, including the joinder of parties or consolidation of this arbitration with any other involving common issues of law or fact or that may promote judicial economy. The arbitrator may also award attorney fees and costs to the party that most substantially prevails, but does not have the power to award punitive or exemplary damages.

**2.11 Arbitration Expenses.** Each party will bear one-half (1/2) of the arbitrator's fee and any other expenses jointly incurred (court reporter, etc.) in the arbitration. All other expenses are to be borne by the party incurring them.

FIRST AMENDMENT TO PRIMARY CARE CLINIC SERVICES AGREEMENT

**THIS FIRST AMENDMENT TO PRIMARY CARE CLINIC SERVICES** (the “Agreement”), dated and effective as of March 16, 2021, is entered into by and between Skagit County Public Hospital District No. 2, a Washington municipal corporation d/b/a Island Hospital (the “Skagit District”), and San Juan County Public Hospital District No. 3, a Washington municipal corporation d/b/a Orcas Island Health Care District (the “Orcas District”).

- A. The two Districts contracted with each other to have the Skagit District lease the Facility and establish and operate the Clinic in the Facility pursuant to the terms and conditions “Agreement” dated October 23, 2020.
- B. The two Districts now desire to amend the “Agreement” as set forth in this First Amendment:

Now, therefore, the Agreement is amended as follows:

**2.1 Operation of the Clinic.** As of the Commencement Date, which is expected to occur on or about April 1, 2021, and throughout the Term the Skagit District shall: (i) operate the Clinic pursuant to the terms and conditions set forth in this Agreement and with a commitment to quality, safety and patient satisfaction; (ii) obtain and maintain all necessary licenses, provider numbers, certifications and other items necessary for the Clinic’s operations; (iii) operate the Clinic in a reasonable business manner and comply with all laws applicable to the operation of a primary care clinic; and (iv) be responsible for establishing and implementing all policies and procedures necessary to operate the Clinic including without limitation, policies related to personnel, services, and pricing.

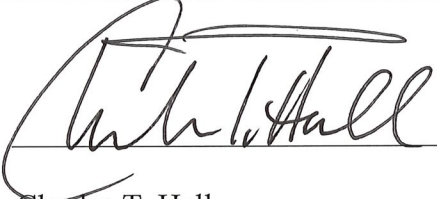
**4.4 Operations Support Fee.** In order to promote the availability of Clinic services on Orcas Island and ensure the Skagit District’s ability to operate the Clinic, the Orcas District shall pay the Skagit District as consideration for the Skagit District’s operation of the Clinic and provision of Clinic Services, pursuant to the terms of this Agreement, an Operations Support Fee in the annual amount of One Million Twenty-Two Thousand Dollars (\$1,022,000), prorated equitably over the year for any partial year. The Operations Support Fee shall be paid in arrears in equal semi-annual installments on July 15 and January 15 of each year for services provided during the prior six-month period. The first payment shall be due July 15, 2021 for services provided from the Commencement Date through June 30, 2021.

Contract Year	July 15 <sup>th</sup>	January 15 <sup>th</sup>
2021	\$383,250	\$383,250
2022	\$511,000	\$511,000
2023	\$511,000	\$511,000
2024	\$511,000	\$511,000
2025	\$511,000	\$511,000 (if the Agreement is not renewed, the final payment is due on 12/31/25)

By affixing their signature below, both Districts agree to this First amendment, commencing as of the Effective Date set forth above.

**SKAGIT COUNTY PUBLIC HOSPITAL DISTRICT NO. 2**  
**d/b/a Island Hospital**

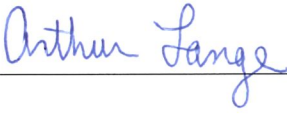
---

By  3/18/2021

Charles T. Hall  
Its: Chief Executive Officer

**SAN JUAN COUNTY PUBLIC HOSPITAL DISTRICT NO. 3**  
**d/b/a Orcas Island Health Care District**

---

By  3/18/21

Art Lange  
Its: President



MEMORANDUM OF UNDERSTANDING AMONG THE ISLAND HOSPITAL FOUNDATION,  
ORCAS ISLAND HEALTH CARE DISTRICT AND THE ISLAND HOSPITAL

The Island Hospital Foundation (IHF) provided Island Hospital (IH) with payment for the X-Ray machine that will be located at 7 Deye Lane on Orcas Island (Clinic). Island Hospital and IHF, acknowledge that the intent of the donor was for the X-Ray machine to remain at the Clinic in perpetuity, regardless of which entity operates the Clinic.

The parties acknowledge that IHF may receive additional donations in the future from donors with the intent that their donations will be used to purchase other pieces of equipment for use in the Clinic which the donors intend to remain at the Clinic in perpetuity, regardless of which entity operates the Clinic.

As such, Island Hospital agrees that it will donate the X-Ray to Orcas Island Health Care District (OIHCD) at time of departure from operational control, along with any other equipment purchased by Island Hospital for use in the Clinic with funds donated to IHF if the donor (or group of donors) provided funds to cover the full cost of the equipment and intended that the equipment purchased with their donation would be used in and remain in the Clinic regardless of which entity operates the clinic.

This Memorandum of Understanding is hereby entered into on February 2, 2021.

Acknowledgements:

DocuSigned by:

*Charles Hall*

Charles Hall

CEO & Superintendent  
Island Hospital

DocuSigned by:

*Jamie Crane*

Jamie Crane

Director  
Island Hospital Foundation

DocuSigned by:

*Anne Presson*

6DA79765AA62461...

Anne Presson  
Superintendent  
Orcas Island Health Care District

