



OFFICE OF  
INSURANCE COMMISSIONER

FILED

2011 FEB 25 A 9:59

HEARINGS UNIT  
Fax: (360) 664-2782

Hearings Unit, DIC  
Patricia D. Petersen  
Chief Hearing Officer

Patricia D. Petersen  
Chief Hearing Officer  
(360) 725-7105

Nicole Kelly  
Paralegal  
(360) 725-7002  
[nicolek@oic.wa.gov](mailto:nicolek@oic.wa.gov)

February 25, 2011

Stuart P. Hennessey, Esq.  
Senior Vice President of Legal Affairs  
PeaceHealth System Office  
14432 SE Eastgate Way, Suite 300  
Bellevue, WA 98007-6412

**RE: Columbia United Providers, Inc., Acquisition by PeaceHealth  
Matter No. 10-0234**

Dear Mr. Hennessey:

I am in receipt of your letter dated February 16, 2011, with the attached First Amendment of Affiliation Agreement executed by PeaceHealth, Southwest Washington Health System and Southwest Washington Medical Center bearing an effective date of December 28, 2010. As I understand the situation from your letter and your presentation during our teleconference on February 16, which included all parties and the representatives of the Insurance Commissioner, PeaceHealth and Southwest Washington Health System consummated the originally proposed transaction in late December. However, you advise that you decided not to include Columbia United Providers, Inc. (CUP) in their affiliation, and did this by excluding CUP from the reserved powers granted to PeaceHealth in that transaction. You advise you intended to exclude CUP from the reserved powers through a First Amendment to the Affiliation Agreement, a copy of which you provided to me. I have read that First Amendment and I do see that, as you intended, the First Amendment serves to strictly limit the reserved powers granted to PeaceHealth such that there has not yet been a change of control over CUP. It appears clear to me that PeaceHealth gained no control over CUP through the transaction just consummated in late December by virtue of the First Amendment, and therefore since there has been no change of control over CUP there is no need for further adjudicative activity.



February 25, 2011

Page 2

You advise that PeaceHealth and Southwest Washington Health System now propose to withdraw the current Form A application previously filed in this matter. You further advise that PeaceHealth and Southwest Washington Health System do expect to file a new Form A application with the Insurance Commissioner but that it will be an application for approval of a change of control over CUP through a Stock Transfer Agreement pursuant to which Southwest Washington Health System will directly transfer the stock it holds in CUP to PeaceHealth.

As I mentioned during our teleconference, it appears that you have come to a creative solution to this situation. I would suggest that you withdraw your Form A application at this time based upon your above activities and intentions. There is no need for further adjudicative activity as long as the status of CUP remains as it is now. Later on, when you are ready to effect a change of control over CUP through a Stock Transfer Agreement from Southwest Washington Health System to PeaceHealth, you must file a new Form A application for approval of a change of control of CUP. Among other documents with which you are already familiar, absent some unforeseeable occurrence the operative document in this transaction which must be filed would be the Stock Transfer Agreement. This is certainly the cleanest way to handle this situation. I appreciate your conscientious consideration of this matter.

Very truly yours,



PATRICIA D. PETERSEN  
Chief Hearing Officer

CC: Mike Kreidler, Insurance Commissioner  
Michael G. Watson, Chief Deputy Insurance Commissioner  
James T. Odiorne, CPA, JD, Deputy Commissioner, Company Supervision Div.  
Ronald Pastuch, Holding Manager, Company Supervision Division  
Carol Sureau, Esq., Deputy Commissioner, Legal Affairs Division  
Marcia G. Stickler, Esq., Staff Attorney, Legal Affairs Division  
Robert J. Walerius, Esq., Attorney for Southwest Washington Health System