

February 16, 2011

FILED

VIA EMAIL & U.S. MAIL

Patricia D. Petersen, Chief Hearing Officer
State of Washington
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

2011 FEB 22 10:18:24

Health, Inc., DDC
Patricia D. Petersen
Chief Hearing Officer

RE: No. G10-0234

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Filed
by PDP

Dear Judge Petersen:

I write to document the issues discussed in our telephonic Status Conference today in the above referenced matter.

As Mr. Walerius and I explained, PeaceHealth and Southwest Washington Health System decided not to include Columbia United Providers, Inc. ("CUP") in their affiliation by excluding CUP from the reserved powers granted to PeaceHealth in that transaction. They accomplished this through a First Amendment to the Affiliation Agreement, a copy of which I have attached hereto as Exhibit 1. As you can see, Exhibit 1 strictly limits the reserved powers granted to PeaceHealth such that it has no control over CUP. Because there has not yet been a change of control over CUP, PeaceHealth and Southwest Washington Health System plan to withdraw the Form A application previously filed with the Office of the Insurance Commissioner and to move to strike the hearing before you that was noted thereon.

PeaceHealth and Southwest Washington Health System do anticipate filing a new Form A application with the Office of the Insurance Commissioner; however, it will apply for permission to accomplish 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. We anticipate that once the new Form A application has been deemed completed by Mr. Pastuch, we will again note a review hearing before you. It is our hope that the documentation and pleadings for that hearing will be more concise than was previously the case and will better clarify the benefit to CUP and its policy holders.

Please advise us as to whether this approach is acceptable to you.

Very truly yours,



Stuart P. Hennessey
Counsel for PeaceHealth

Courtesy copies to:

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