



PeaceHealth

October 2, 2012

Ronald Pastuch, Holding Company Manager  
Office of the Insurance Commissioner  
State of Washington  
5000 Capitol Blvd.,  
Tumwater, WA 98501

RECEIVED

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INSURANCE DIVISION  
COMMUNICATIONS SECTION

RE: PeaceHealth's acquisition of control of  
Columbia United Providers, a domestic health  
carrier

Dear Mr. Pastuch:

Consistent with RCW 48.31C.030 and WAC 284-18A, enclosed please find two completed copies of Form A related to PeaceHealth's intended acquisition of control of Columbia United Providers, a domestic health carrier.

Please feel free to contact me at (425) 649-3885 with any questions. We look forward to working with you in the coming weeks.

Sincerely,

Meredith Vaughan  
System Director, Planning and Strategy

**Form A.**

<b>FORM A</b>	
<b>STATEMENT REGARDING THE</b>	
<b>ACQUISITION OF CONTROL OF A DOMESTIC HEALTH CARRIER</b>	
Columbia United Providers Inc. <b>Name of Domestic Health Carrier</b>	
<b>BY</b>	
PcaccHealth <b>Name of Acquiring Person (Applicant)</b>	
<b>Filed with the Insurance Commissioner of the State of Washington</b>	
<b>Dated:</b> September 28, 2012	
<b>Name, Title, Address, and Telephone Number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:</b>	
Meredith Vaughan, Director, Strategy and Planning	
14432 SE Eastgate Way, Suite 300	
Bellevue, WA 98007-6412	
(425) 649-3885	

## **ITEM 1 HEALTH CARRIER AND METHOD OF ACQUISITION**

**State the name and address of the domestic health carrier to which this application relates and a brief description of how control is to be acquired.**

The name and address of the domestic carrier to which this application relates is:

Columbia United Providers Inc.  
19120 SE 34<sup>th</sup> Street  
Suite 201  
Vancouver, WA 98683-1430

Columbia United Providers, Inc. (CUP) is currently owned 89.5% by Southwest Washington Health System (SWHS), a regional network of facilities which includes PeaceHealth Southwest Medical Center, medical practices, and the health plan entity. PeaceHealth is the sole member of SWHS and holds reserved powers over SWHS, though by contract it has specifically excepted from those powers any control over CUP until such time as the Office of the Insurance Commissioner has approved a change of control. SWHS is a Washington nonprofit corporation and an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code") and is exempt from federal income tax under Section 509(a) of the Code. The remaining 10.5% of CUP is owned by various physicians and physician groups in the Vancouver, Clark County area.

Through a stock transfer, SWHS will transfer its 89.5% ownership interest in and to its shares of CUP to its sole member, PeaceHealth (the "Transfer"). PeaceHealth will not pay any funds to any party in exchange for the shares. CUP will continue to operate without disruption after the Transfer.

## **ITEM 2 IDENTITY AND BACKGROUND OF THE APPLICANT**

**(a) State the name and address of the applicant seeking to acquire control over the health carrier.**

The applicant seeking to acquire control of Southwest Washington Health System is:

PeaceHealth  
1115 SE 164th Avenue  
Vancouver, WA 98683

**(b) If the applicant is not an individual, state the nature of its business operations for the past five years or for such lesser period as such person and any predecessors have been in existence. Briefly describe the business intended to be done by the applicant and the applicant's subsidiaries.**

PeaceHealth (which until 1994 operated under the name of the Sisters of St. Joseph of Peace, Health & Hospital Services) has provided healthcare services in the Pacific Northwest since 1890. PeaceHealth is a Washington nonprofit corporation and an organization described in Section 501(c) (3) of the Internal Revenue Code of 1986, as amended (the "Code") and is exempt from federal income tax under Section 509(a) of the Code.

PeaceHealth's mission is to carry on the healing mission of Jesus Christ by promoting personal and community health, relieving pain and suffering, and treating each person in a loving and caring way. To this end, PeaceHealth operates 8 acute care hospitals, related medical groups, a regional reference laboratory, health care joint ventures, and other health care services in southeast Alaska, northwest Washington, southwest Washington/northwest Oregon, Oregon's Willamette Valley, and Oregon's central coast. System headquarters are in Vancouver, WA. A current organizational chart for PeaceHealth is included as Attachment 1A and Attachment 1B.

Our business model focuses on the rigorous pursuit of exceptional medicine, and we have a reputation for being an early adopter of systems and structures that promote quality health care. Examples include:

**Focus on outcomes, patient safety and transparency:** We hold ourselves accountable for measures of process and outcomes. We have a strong focus on patient safety, in both the inpatient and clinic environment. We are committed to sharing our results, both internally and externally.

**Investment in information technology (IT) / Community Health Record (CHR):** In 1994, PeaceHealth began the process of developing of an electronic medical record, and we have been recognized as a national leader in the integration of information technology into clinical care.

**Commitment to disease management and evidence-based medicine:** PeaceHealth is an innovator in the implementation of models of care and protocols based on the best evidence.

**Collaborative relationships with community-based organizations:** Cooperation, between providers, across settings of care, and with patients, is critical to PeaceHealth's vision of seamless care. Our patients want and deserve a system that provides easy flow within and across the continuum of care.

The Transfer of SWHS's 89.5% ownership interest in CUP to PeaceHealth, will not alter our focus on advancing health care in the Northwest. In fact, it will serve to expand the scope of our service area, and because we work to improve the health of the communities (and in particular to serve the poor and the vulnerable) in which we operate, more lives will benefit.

**(c) Furnish a chart or listing clearly presenting the identities of the inter-relationships among the applicant and all affiliates of the applicant. No affiliate need be identified if its total assets are equal to less than one-half of one percent of the total assets of the ultimate controlling person affiliated with the applicant. Indicate in such chart or listing the percentage of voting securities of each such person which is owned or controlled by the applicant or by any other such person. If control of any person is**

**maintained other than by the ownership or control of voting securities, indicate the basis of such control. As to each person specified in such chart or listing, indicate the type of organization (e.g. corporation, trust, partnership) and the state or other jurisdiction of domicile. If court proceedings involving a reorganization or liquidation are pending with respect to any such person, indicate which person, and set forth the title of the court, nature of proceedings and the date when commenced.**

The organizational chart of PeaceHealth is included as Attachment 1A and Attachment 1B. Attachment 1A illustrates the overall organization of PeaceHealth, and Attachment 1B illustrates the organization of SWIIS, one of PeaceHealth's member corporations.

As described above, after the Transfer, PeaceHealth will own 89.5% of CUP's common capital stock and the remaining 10.5% of CUP shares will continue to be owned by various physicians and physician groups in the Vancouver, Clark County area.

There are no court proceedings involving a reorganization or liquidation pending with respect to PeaceHealth or any of its affiliates.

### **ITEM 3 IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

**Furnish biographical information for (1) the applicant if (s)he is an individual or (2) all persons who are directors, executive officers or owners of ten percent or more of the voting securities of the applicant if the applicant is not an individual. Unless otherwise directed by the commissioner, the biographical information shall contain the information required by and be submitted in the format of the current NAIC Biographical Affidavit form.**

The Directors of PeaceHealth are listed below, and their biographical information, in the NAIC biographical affidavit format, is included as Attachment 2.

Sr. Andrea Nenzel  
Dieter Morich, M.D.  
Sr Norah Clarke  
Sr. Anne Hayes  
Carol Sheridan  
Sr. Margaret Dimond  
Sr. Kathleen Pruitt  
Roland Trenouth, MD  
Bob De Vita  
Lee Kearney  
Sr Margaret Kling  
Gretchen Pierce  
Ronald Prill

The current Officers of the PeaceHealth Board of Directors are as below:

Alan Yordy, President  
Sr. Andrea Nenzel, First Vice President  
Sr Anne Hayes, Secretary  
Ronald Prill, Treasurer

#### **ITEM 4 NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

- (a) Describe the nature, source and amount of funds or other considerations used or to be used in effecting the merger or other acquisition of control. If any part of the same is represented or is to be represented by funds or other consideration borrowed or otherwise obtained for the purpose of acquiring, holding or trading securities, furnish a description of the transaction, the names of the parties thereto, the relationship, if any, between the borrower and the lender, the amounts borrowed or to be borrowed, and copies of all agreements, promissory notes and security arrangements relating thereto.**

No consideration will be paid (or borrowed) for the Transfer.

- (b) Explain the criteria used in determining the nature and amount of such consideration.**

N/A

- (c) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, he or she must specifically request that the identity be kept confidential.**

N/A

#### **ITEM 5 FUTURE PLANS OF HEALTH CARRIER**

**Describe any plans or proposals which the applicant may have to declare an extraordinary dividend, to liquidate such health carrier, to sell its assets to or merge it with any person or persons or to make any other material change in its business operations or corporate structure or management.**

PeacHealth does not have any plans to declare an extraordinary dividend, to liquidate CUP, to sell its assets or to make any material changes to the business operations or management of CUP.

#### **ITEM 6 NONPROFIT HEALTH CARRIERS**

**If the health carrier or person controlling the health carrier being acquired is a nonprofit corporation:**

- (a) Describe who the members of the corporation or person controlling the health carrier are and how they become or are selected as members of the corporation and how this may change as a result of the acquisition.**
- (b) Describe who has the authority or power to elect or appoint the board of directors, trustees or other governing body of the health carrier or person controlling the health carrier and how this may change as a result of the acquisition.**

PeaceHealth is a non-member, non-profit, tax-exempt corporation and it is the sole member of SWHS. The members of PeaceHealth's Board of Directors were described in response to Item #3, above.

The size of the PeaceHealth Board of Directors, pursuant to its Articles of Incorporation, can range between 13 and 16 members. It is currently composed of 13 Directors, who receive no compensation for serving as directors. It is a self-perpetuating board that elects its own members. Employees of PeaceHealth are ineligible to serve on its Board of Directors.

The PeaceHealth Board of Directors is currently composed of seven community, medical, and business leaders and six members of the Congregation of Sisters of St. Joseph of Peace (CSJP). Five seats are reserved for CSJP leaders. Two of the six community seats are currently held by physicians. Four of the six community seats are held by individuals who also serve on one of PeaceHealth's Community Governing boards. Two of the seats are held by individuals who also serve on the SWHS board of directors.

All members of the PeaceHealth Board of Directors have the fiduciary duty to make decisions in the best interest of the entire organization, even though they may come from various communities.

There will be no changes in the PeaceHealth Board nomination or selection process as a result of the Transfer. The process for the election of the CUP Board of Directors is delineated in its bylaws, which will not change after the Transfer.

## **ITEM 7 FOR-PROFIT HEALTH CARRIERS**

**If the health carrier being acquired is a for-profit person:**

- (a) State the number of shares of the health carrier's voting securities which the applicant, its affiliates and any person listed in Item 3 plan to acquire, and the terms of the offer, request, invitation, agreement or acquisition, and a statement as to the method by which the fairness of the proposal was determined.**
- (b) State the amount of each class of any voting security of the health carrier which is beneficially owned or concerning which there is a right to acquire beneficial ownership by the applicant, its affiliates or any person listed in Item 3.**

- (c) Give a full description of any contracts, arrangements or understandings with respect to any voting security of the health carrier in which the applicant, its affiliates or any person listed in Item 3 is involved, including, but not limited to, transfer of any of the securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or guarantees of profits, division of losses or profits, or the giving or withholding of proxies. Such description shall identify the persons with whom such contracts, arrangements or understandings have been entered into.**
  
- (d) Describe any purchases of any voting securities of the health carrier by the applicant, its affiliates or any person listed in Item 3 during the twelve calendar months preceding the filing of this statement. Include in such description the dates of purchase, the names of the purchasers, and the consideration paid or agreed to be paid therefore. State whether any such shares so purchased are hypothecated.**
  
- (e) Describe any recommendations to purchase any voting security of the health carrier made by the applicant, its affiliates or any person listed in Item 3, or by anyone based upon interviews or at the suggestion of the applicant, its affiliates or any person listed in Item 3 during the twelve calendar months preceding the filing of this statement.**
  
- (f) Describe the terms of any agreement, contract or understanding made with any broker-dealer as to solicitation of voting securities of the health carrier for tender and the amount of any fees, commissions or other compensation to be paid to broker-dealers with regard thereto.**

As described above, PeaceHealth, a nonprofit Washington corporation, is the sole member of SWHS, a nonprofit Washington corporation. Through a stock transfer, SWHS's 89.5% ownership interest in CUP will be transferred to PeaceHealth, its corporate parent. The remaining 10.5% of CUP shares will continue to be owned by various physicians and physician groups in the Vancouver, Clark County area. PeaceHealth will not pay any funds to any party in exchange for the shares in question.

## ITEM 8 FINANCIAL STATEMENTS AND EXHIBITS

- (a) **Financial statements and exhibits shall be attached to this statement as an appendix, but list under this item the financial statements and exhibits so attached.**
- (b) **The financial statements shall include the annual financial statements of the persons identified in Item 2(c) for the preceding five fiscal years (or for such lesser period as such applicant and its affiliates and any predecessors have been in existence), and similar information covering the period from the end of such person's last fiscal year, if such information is available. Such statements may be prepared on either an individual basis, or, unless the commissioner otherwise requires, on a consolidated basis if such consolidated statements are prepared in the usual course of business.**

**The annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with generally accepted accounting principles. If the applicant is a health carrier or an insurer, the annual financial statements of the applicant shall be accompanied by the certificate of an independent public accountant to the effect that such statements present fairly the financial position of the applicant and the results of its operations for the year then ended, in conformity with statutory accounting principles as set forth in Titles 48 RCW and 284 WAC.**

Audited financial statements for PeaceHealth for the preceding 5 years are included as Attachment 4.

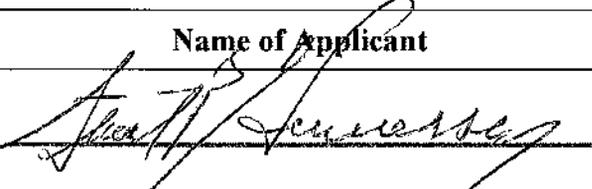
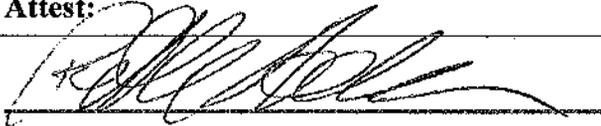
- (c) **File as exhibits copies of all tender offers for, requests or invitations for, tenders of, exchange offers for, and agreements to acquire or exchange any voting securities of the health carrier and (if distributed) of additional soliciting material relating thereto, any proposed employment, consultation, advisory or management contracts concerning the health carrier, annual reports to the stockholders of the health carrier and the applicant for the last two fiscal years, and any additional documents or papers required by Form A or WAC 284-18A-300 or 284-18A-320.**

Although PeaceHealth has not made any tender or exchange offers with respect to CUP, it is our understanding that in May 2010, CUP's Board authorized an offer to repurchase shares from stockholders owning a small number of shares and as a result, six shareholders owning one share each were redeemed at a purchase price of \$99/share.

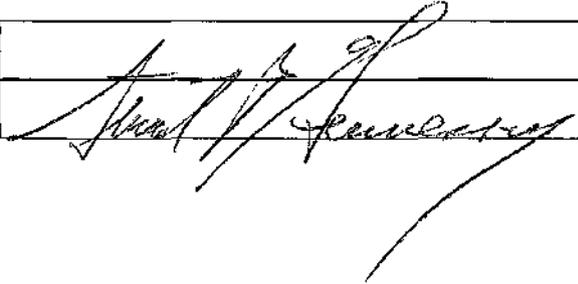
Audited annual financial statements for CUP are included as Attachment 5.

As a non-profit, tax exempt entity, PeaceHealth does not have stockholders and does not produce an annual report to stockholders. Copies of its audited financial statements were included as Attachment 4.

**ITEM 9 SIGNATURE AND CERTIFICATION**

Signature and certification required as follows:			
<b>SIGNATURE</b>			
Pursuant to the requirements of RCW <u>48.31C.030</u> PeaceHealth has caused this application to be duly signed on its behalf in the City of Vancouver and State of Washington on the 28th day of September, 2012			
(SEAL)			
			
	PeaceHealth		
	Name of Applicant		
BY			
	<table border="1" style="width: 100%;"> <tr> <td style="width: 60%;">Stuart P. Hennessey</td> <td style="width: 40%;">Senior Vice President and Assistant Secretary</td> </tr> </table>	Stuart P. Hennessey	Senior Vice President and Assistant Secretary
Stuart P. Hennessey	Senior Vice President and Assistant Secretary		
Attest:			
			
(Signature of Officer)			
Senior Vice President			
<b>CERTIFICATION</b>			
The undersigned deposes and says that he has duly executed the attached application			

dated 28th day of September, 2012, for and on behalf of PeaceHealth; that he is the Senior Vice President and Assistant Secretary of such company and that he is authorized to execute and file such instrument. Deponent further says that he is familiar with such instrument and the contents, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Stuart P. Hennessey	

**Attachment 1A  
PeaceHealth Organizational Chart**

**Attachment 1B  
Southwest Washington Health System Organizational Chart (subsidiary of PeaceHealth)**

**Attachment 2  
13 NAIC Biographical Forms – One for Each PeaceHealth Board Member**

**Attachment 3  
Washington State Background Checks -- One for Each PeaceHealth Board Member**

**Attachment 4  
PeaceHealth Audited Financials  
2007-2011**

**Attachment 5  
CUP Audited Financials  
2010-2011**