

**FILED**

JAN 17, 2014

Hearings Unit, OIC  
Patricia D. Petersen  
Chief Hearing Officer

**STATE OF WASHINGTON  
BEFORE THE WASHINGTON STATE  
OFFICE OF THE INSURANCE COMMISSIONER**

In the Matter of:

**Seattle Children's Hospital Appeal of OIC's  
Approvals of HBE Plan Filings.**

**Docket No. 13-0293**

**DECLARATION OF EILEEN  
O'CONNOR IN SUPPORT OF  
SEATTLE CHILDREN'S  
HOSPITAL'S MOTION FOR  
PARTIAL SUMMARY JUDGMENT**

I, Eileen O'Connor, declare as follows:

1. I am the Senior Director of Contracting and Payor Relations for Seattle Children's Hospital (SCH). I make this declaration based on my personal knowledge and am competent to testify herein.

**SCH Contracts**

2. Premera, Bridgespan, and Coordinated Care Corporation have not contracted with SCH as a provider in their Exchange plan networks.

3. Attached hereto as Exhibit A [SCH000087-000109] are copies of communications between SCH and Premera regarding Premera's Exchange plans.

**SCH's Unique Services**

4. SCH provides services that are unique in Washington state. Specifically, it provides the specialty services identified in the attached Exhibit B [Bates Numbers SCH000001-0000023]. SCH is the only hospital in the WWAMI region (Washington, Alaska, Montana,

DECLARATION OF EILEEN O'CONNOR RE:  
SEATTLE CHILDREN'S HOSPITAL'S  
MOTION FOR PARTIAL SUMMARY JUDGMENT - 1  
Docket No. 13-0293

LAW OFFICES  
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Idaho, Wyoming) that provides care across the entire range of tertiary and quaternary services for the pediatric population, including, for example, pediatric care for medically compromised patients; acute and complex cancer care, including adolescent cancer care; complex hematology care; rheumatology; level IV neonatal intensive care; pediatric intensive care; pediatric cardiac intensive care; heart, liver and intestinal transplantation; bone marrow transplantation, and other highly specialized and unique services. Many of the state's other hospitals that provide inpatient pediatric services rely upon SCH's services for specialty care or transfer of patients needing tertiary or quaternary care.

5. SCH is the only pediatric hospital in King County, and provides half of all the pediatric inpatient care in Northwestern Washington, from King County to the northern state border, with the majority of its inpatients coming from outside King County. For example, in 2012, for patients age 0 to 14, SCH provided 100% of the pediatric kidney and liver transplants statewide, over 90% of the ECMO (lung and cardiac support) statewide, over 90% of the bone marrow transplants, and over 70% of the pediatric cardiac surgeries statewide. In 2012, SCH served patients from 34 of the state's 39 counties, and saw twice as many inpatients under the age of 15 as either of the state's other pediatric providers, Mary Bridge and Sacred Heart. Of all hospitals within a 30-mile radius of SCH's facility, for patients age 0 to 14, in FY 2012 SCH treated 81% of all pediatric inpatients, over 90% of all high acuity pediatric inpatients, and 75% of all pediatric psychiatric inpatients. Of the patients requiring inpatient stays at SCH, 77% have significant health care conditions (e.g., brain or bone tumors) or chronic underlying conditions (e.g., diabetes, heart disease, cystic fibrosis, cerebral palsy).

6. In addition, the NIH ranks SCH as one of the top five pediatric research centers in the country, and the first on the West Coast. It is the only pediatric facility in the state that offers patients an opportunity to participate in and benefit (directly and indirectly) from research. Furthermore, even when the service required is available elsewhere, the patients SCH serves

often present with complications or co-morbidities that require the resources of SCH to appropriately care for them.

7. SCH is also unique in Washington for the number of low-income children that it serves. The majority of its services are provided to patient for whom payment is made by government payors (Medicaid, Medicare, Tricare, CHAMPUS and other). Government payors constitute 50% of SCH's revenues, and care for those patients constitute 53% of total inpatient days. Charity care provides an additional 2% of SCH's revenues. *See* attached Exhibit C [Bates Number SCH000024]. The vast majority of these patients were from low-income, medically unserved populations.

**Harms to SCH (including Spot-Contracting)**

8. There is no reason to believe that the care needs of children covered by Exchange plans will be significantly different than those of SCH's other patient populations. Inevitably, children covered by the challenged Exchange plans will require services available only at SCH, but they will be able to access those services only on an out-of-network basis, which generally carries with it the obligation to pay a higher percentage of "co-insurance." As a result, children covered by these plans who are in need of SCH's care are more likely to experience delay, meaning that when they present for care they will be more acutely ill and require additional or more complex services. These patients will consume more resources, thereby reducing resources available for other SCH patients and impairing the ability of SCH to serve the pediatric healthcare needs of the region.

9. SCH anticipates financial loss or injury will arise primarily from the anticipated use of SCH services, due to lack of availability elsewhere, by numerous enrollees in these Exchange plans despite the exclusion of SCH from the plan's networks, resulting in payment for those services either at out-of-network rates, or under arrangements made by spot-contracting, which will result in financial loss to SCH due to inadequate payment rates and the administrative burden of the spot-contracting arrangements. Spot-contracting also, by definition, involves out-

of-network care, and should not be taken into consideration when determining network adequacy.

10. Spot contracting will occur in two different circumstances: a request for scheduled services, and a request for payment for urgent/emergent services. In the case of scheduled services, negotiations to complete a Letter of Agreement (LOA) take on average two weeks to complete, assuming the carrier is willing to negotiate agreeable payment terms. Because the LOA needs to be complete before the patient arrives, it can delay access to care and discourage patients from obtaining medically necessary care. This additional time and effort also results in additional administrative costs to SCH and distraction from other work. Completion of the LOA involves identification of staff by SCH and the carrier to conduct the negotiations, determination of what patient services will be covered by the LOA, which may involve consultation with and between clinicians in and outside SCH, determination of a protocol to determine what other medically necessary services will be covered by the LOA, and communications with the patient and family. When a carrier limits the LOA to specific services, rather than any medically necessary services, the result may be that the patient's unforeseen conditions require SCH to provide care outside the LOA that the carrier may or may not agree to reimburse after the fact. The costs to SCH, the carrier, and consequently the patient, are higher. In SCH's experience, many carriers also contest the terms of the LOA after the fact, and/or delay payment, also leading to additional costs to SCH and the patient. Negotiations of LOAs with Exchange plan carriers is as yet untested, and may result in additional complications not previously experienced regarding LOAs with other plans. In general, patients are likely to experience that care is provided in a disjointed manner across in and out of network providers, and that arrangements for a "medical home" are disrupted. Exchange plan enrollees will not be able to switch mid-year to a different health plan that contracts with SCH.

11. Additional issues will arise in the case of urgent/emergent services, when SCH is often required to provide care before an LOA is in place. Fifty percent of all SCH inpatients are

DECLARATION OF EILEEN O'CONNOR RE:  
SEATTLE CHILDREN'S HOSPITAL'S  
MOTION FOR PARTIAL SUMMARY JUDGMENT - 4  
Docket No. 13-0293

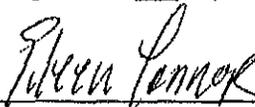
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admitted through SCH's Emergency Department. Patients in urgent/emergent circumstances are often unable to seek care from "in-network" providers, and treatment choices are made by emergency service personnel or others. After the fact negotiations with Exchange plan carriers expose SCH to financial risk, and likely will result in SCH and its clinicians providing uncompensated or inadequately compensated services, and additional costs including balance billing to patients and their families. Any inadequately compensated care results in institutional costs to then be shared by other patients or reduced ability by SCH to provide services.

12. In addition, to the extent that these carriers will only contract with SCH as an in-network provider for their Exchange plans at rates below generally accepted commercial rates, that reduction in compensation would constitute an additional injury to SCH.

I DECLARE, under penalty of perjury under the laws of the state of Washington, that the foregoing is true and correct.

Executed at Seattle, Washington this 16 day of January, 2014.

  
\_\_\_\_\_  
EILEEN O'CONNOR

DECLARATION OF EILEEN O'CONNOR RE:  
SEATTLE CHILDREN'S HOSPITAL'S  
MOTION FOR PARTIAL SUMMARY JUDGMENT - 5  
Docket No. 13-0293

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**CERTIFICATE OF SERVICE**

I certify that I served a true and correct copy of this document on all parties or their counsel of record on the date below by hand delivery on today's date addressed to the following:

**Hearings Unit**

Honorable Mike Kreidler  
[KellyC@oic.wa.gov](mailto:KellyC@oic.wa.gov)  
Office of the Insurance Commissioner  
Hearings Unit  
5000 Capitol Boulevard  
Tumwater, WA 98501

**Office of the Insurance Commissioner**

Charles Brown  
[charlesb@oic.wa.gov](mailto:charlesb@oic.wa.gov)  
Office of the Insurance Commissioner  
5000 Capitol Boulevard  
Tumwater, WA 98501

**Coordinated Care Corporation**

Maren R. Norton  
Gloria S. Hong  
[mrnorton@stoel.com](mailto:mrnorton@stoel.com)  
[gshong@stoel.com](mailto:gshong@stoel.com)  
Stoel Rives LLP  
600 University Street, Suite 3600  
Seattle, WA 98101

**Premera Blue Cross**

Gwendolyn C. Payton  
Lane Powell PC  
[Paytong@lanepowell.com](mailto:Paytong@lanepowell.com)  
1420 Fifth Avenue, Suite 4200  
Seattle, WA 98101-2375

**BridgeSpan Health Company**

Timothy J. Parker  
Carney Badley Spellman, P.S.  
[parker@carneylaw.com](mailto:parker@carneylaw.com)  
701 Fifth Avenue, Suite 3600  
Seattle, WA 98104-7010

I declare under penalty of perjury under the laws of the State of Washington that the foregoing is true and correct.

Executed at Seattle, Washington, this 17th day of January, 2014.

  
\_\_\_\_\_  
Julia Cuppen  
Legal Assistant

{0766.00018/M0950187.DOCX; 2}

DECLARATION OF EILEEN O'CONNOR RE:  
SEATTLE CHILDREN'S HOSPITAL'S  
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# EXHIBIT A

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Monday, September 30, 2013 11:48 AM  
**Subject:** Premera - Exchange  
**Attachments:** RE: Exchange - Data Request; Exchange - Data Request; FW: Heritage Hospitals; RE: Good Morning!- Exchange Information; Good Morning!- Exchange Information; Premera & the Exchange - We are NOT in-network.; FW: Premera Every 2 Months Payor Meeting; Hospitals in Premera's Exchange Network; Premera/Lifewise Letters - New Network Tiering Standards; 5-2-13 - Premera - New Network Tiering Standards.pdf; 5-2-13 - Lifewise - New Network Tiering Standards.pdf; 9-30-13 Modified Network Tiering Standards - Premera.pdf; August 2013 Network News.pdf

11/25: Eileen requested a full chronological list of events for the Premera Exchange negotiation.

11/21: Rec'd the attached email from Kim. She was successful in obtaining several answers for us. Forwarded information to Eileen.

11/20: During the monthly Payor Management Group (PMG), we asked Kim Bagley if she could ask Helen/Katherine a number of questions regarding the claims/billing design of their Exchange products since CUMG (Kim B.) was meeting with Helen/Katherine on 11/21. She said she would be happy to ask as CUMG would need this information as well for building within Epic.

11/8: Per Eileen's request, I emailed her copies of the notifications from Premera/Lifewise regarding the new network tiering standards.

10/28: Seattle Times news article regarding Premera's response to the lawsuit filed by SCH.  
[http://seattletimes.com/html/localnews/2022143835\\_acapremeraresponse.xml.html](http://seattletimes.com/html/localnews/2022143835_acapremeraresponse.xml.html)

10/11: Eileen asked for a timeline of events. I emailed her the below information.

10/3/13: Emailed Katherine asking for the data, clarification on the process of being non-par, and a few other items. (Attached email - RE: Exchange - Data Request). No response.

"We received the attached letter from Premera regarding modified network tiering standards. We are aware that Premera will be using the Heritage Signature network for the Exchange products however, this letter adds an additional network, Heritage Prime, to the Tier 4 structure. What plans/products will be tied to Heritage Prime?

In addition, the document enclosed with the letter states those facilities included within Tier 4 have a highly competitive severity adjusted cost-per-case which is why we are requesting the Premera data that supports Seattle Children's not having a highly competitive severity adjusted cost-per-case. When will you be able to send this data?

On another note, Insurance Processing received information today from Customer Service regarding a Lifewise member. Per Customer Service, on 1/1/14, all Lifewise members will be moved to the Exchange. It is our understanding that member cannot automatically be enrolled within the Exchange. Please advise ASAP.

One other note, since we are currently not included within Tier 4, we would like to know what the process will be for requesting benefit plan exceptions for children that need to be seen at our facility due to no other in-network facilities being able to provide the care.

I am copying Eileen as our request for the above information is urgent."

<\\childrens\files\users03\mpater\Payors\Premera\9-30-13 Modified Network Tiering Standards - Premera.pdf>

9/30/13: Emailed Katherine and Helen asking for data supporting our exclusion. (Attached email - Exchange - Data Request) No response.

"As you've mentioned in the past, Seattle Children's Hospital was not included in Premera's Tier 4 Network that will be used for the Healthcare Exchange products based on cost. Leadership is requesting the data that supports Seattle Children's being a high-cost provider in the market. (I believe a similar review of data occurred with Premera launched Dimensions.)

Please send over the data as soon as you are able that shows Seattle Children's as a high-cost provider within the market for the services we provide."

9/30/13: Received the below letter from Premera re: modified network tiering standards.

9/11/13: Katherine sent over the list of hospitals within Premera's Heritage Signature Network.

9/10: Emailed Katherine asking for a list of hospital that are participating with Premera in the Tier 4 Network (i.e. Premera's Exchange Network).

8/26/13: I responded to Katherine's email with the below (email attached -- Re: Good Morning! -- Exchange...) yet never received a response back from Katherine.

"Thank you for the below information. It's inevitable that we will begin to receive calls from families regarding Premera's Exchange plans the moment open enrollment begins so the sooner you can get us information, the better.

In regards to my voicemail, I was actually reaching out to you to confirm the information Helen had stated regarding Seattle Children's participation in Premera's Exchange Network. The reason why I want to confirm this information with you is 1) John is out until next month and 2) we want to make sure that we are clear on Premera's position before we relay that position to the OIC.

Helen stated that we are not in-network with Premera's Exchange Network and will only be accessed if Premera grants a benefit plan level exception. It is our understanding from the OIC that Premera was awarded the individual business within the Exchange because Premera included Seattle Children's in their network as an in-network hospital. In addition, the OIC also stated that Seattle Children's would not be used as a gap filler by way of a single case agreement or benefit plan exception and none of the Payors awarded the business, including Premera, indicated that this is how Seattle Children's will be accessed.

Can you confirm this information, please?"

8/22/13: I received an email from Katherine regarding my voicemail.

**From:** Katherine Stojkovic [<mailto:Katherine.Stojkovic@PREMERA.com>]

**Sent:** Thursday, August 22, 2013 7:22 AM

**To:** Paterson, Margrette

**Cc:** Helen Voelker

**Subject:** Good Morning!- Exchange Information

I received your phone message.

We have designated training staff who have been working diligently preparing training materials for all segments of our business as it relates to the Exchange. We are hopeful to be able to review materials the first week of September that will allow us to come out and present at our scheduled meeting in October with your staff present.

Helen and I will keep you posted on this. Does this sound acceptable? We are just as anxious to learn more and present to our partners.

Thanks!

Katherine

8/15/13: Left voicemail for Katherine asking her to confirm Helen's response below (i.e. that we are not in-network.)

8/13/13: Spoke with Helen regarding the Exchange and provided an overview of my conversation with Helen to Eileen via email. (Premera & the Exchange – We are NOT in-network). I also left John Partin a voicemail on 8/13. I received his out of office reply (out until 9/3) but never received a returned call when he got back into the office.

"I just spoke with Helen regarding the Exchange to see if we are included in the Tier 4 Network of providers based upon Kreidler's comment that we were in-network for all of the Payors that were awarded the Exchange Individual business. Helen specifically said we are not included in the Tier 4 Network and patients will only be allowed to receive services at Children's when Premera grants a benefit level exception. In other words, the only way we will be able to receive authorization and get paid for these patients is if 1) no other Tier 4 hospital or provider can provide the service and 2) Premera grants the exception. (If the exception is granted, we will be paid our PPO rate.) Helen also mentioned that SCCA was set-up the same way. I also asked what would happen to established patients on an outpatient regimen if they move to a Premera Exchange product and Helen said they will know that Children's is out of network and not to come here. This potentially will cause a huge impact on IPD and UR not to mention our families that sign up for Premera."

I also left John Partin a voicemail on 8/13. I received his out of office reply (out until 9/3) but never received a returned call when he got back into the office.

8/2013: We received Premera's Network Newsletter (attached below). The first two pages speak of the ACA/Exchange.

5/2/13: We received the attached letters from Premera/Lifewise regarding the upcoming network tiering changes.

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Thursday, October 03, 2013 10:08 AM  
**To:** 'Katherine Stojkovic'  
**Cc:** 'Helen Voelker'; O'Connor-King, Eileen  
**Subject:** RE: Exchange - Data Request  
**Attachments:** 9-30-13 Modified Network Tiering Standards - Premera.pdf

**Importance:** High

Hi Katherine,

We received the attached letter from Premera regarding modified network tiering standards. We are aware that Premera will be using the Heritage Signature network for the Exchange products however, this letter adds an additional network, Heritage Prime, to the Tier 4 structure. What plans/products will be tied to Heritage Prime?

In addition, the document enclosed with the letter states those Facilities included within Tier 4 have a highly competitive severity adjusted cost-per-case which is why we are requesting the Premera data that supports Seattle Children's not having a highly competitive severity adjusted cost-per-case. When will you be able to send this data?

On another note, Insurance Processing received information today from Customer Service regarding a Lifewise member. Per Customer Service, on 1/1/14, all Lifewise members will be moved to the Exchange. It is our understanding that member cannot automatically be enrolled within the Exchange. Please advise ASAP.

One other note, since we are currently not included within Tier 4, we would like to know what the process will be for requesting benefit plan exceptions for children that need to be seen at our facility due to no other In-network facilities being able to provide the care.

I am copying Eileen as our request for the above information is urgent.

Thanks,  
Margrette Paterson  
Contract Administrator, Contracting & Payor Relations  
Seattle Children's

206-987-7092 OFFICE  
206-986-3177 FAX

[margrette.paterson@seattlechildrens.org](mailto:margrette.paterson@seattlechildrens.org)

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MAIL PO Box 5371, M/S RC-502, Seattle, WA 98145  
WWW [seattlechildrens.org](http://seattlechildrens.org)



**Seattle Children's**  
HOSPITAL • RESEARCH • FOUNDATION

**From:** Paterson, Margrette  
**Sent:** Monday, September 30, 2013 10:12 AM  
**To:** Katherine Stojkovic  
**Cc:** 'Helen Voelker'  
**Subject:** Exchange - Data Request  
**Importance:** High

Hi Katherine,

As you've mentioned in the past, Seattle Children's Hospital was not included in Premera's Tier 4 Network that will be used for the Healthcare Exchange products based on cost. Leadership is requesting the data that supports Seattle Children's being a high-cost provider in the market. (I believe a similar review of data occurred with Premera launched Dimensions.)

Please send over the data as soon as you are able that shows Seattle Children's as a high-cost provider within the market for the services we provide.

Thank you,

**Margrete Paterson**  
Contract Administrator, Contracting & Payor Relations  
Seattle Children's

206-987-7092 OFFICE  
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[margrete.paterson@seattlechildrens.org](mailto:margrete.paterson@seattlechildrens.org)

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**Seattle Children's**  
HOSPITAL • RESEARCH • FOUNDATION



M.S. 352  
P.O. Box 327  
Seattle, WA 98111-0327



September 30, 2013

**RE: Modified Network Tiering Standards**

Dear Business Office Manager:

Premera Blue Cross (Premera) recently notified you of new tiering standards for our contracted hospitals, facilities, practitioners, and providers, which includes the addition of a new tier that is effective Jan. 1, 2014. Enclosed is a document that modifies the definition of Tier 4, to include Heritage Prime. Please review the document and share this information with the applicable staff in your facility.

Tier 4 providers and practitioners will be included in a new network called Heritage Prime. This new network will be an option for our large group benefit plans in 2014. Note: Not all hospitals or providers contracted with Premera are included in this new network.

You are in *Tier 3*, and therefore included in the **Global, Heritage and Foundation** networks. Claims from Tier 3 and Tier 2 hospitals, facilities, practitioners and providers who see patients covered by products using the new Heritage Prime and Heritage Signature networks will be processed at the out-of-network benefit level.

If you have any questions regarding this letter, please call Physician and Provider Relations at 877-342-5258, option 4.

Sincerely,

William L. Akers  
Vice President, Health Care Delivery Systems

CL: H

## PREMERAFirst FACILITY AGREEMENT

### TIERING STANDARDS

EFFECTIVE: JANUARY 1, 2014

Plan and Facility have entered into an agreement under which Facility will provide Covered Services to Plan Enrollees enrolled in Plan's products. Below are the criteria for Tier Designation.

**TIER 1** – Any Facility who does not have an agreement with Plan will be assigned to Tier 1. Facilities assigned to Tier 1 are out-of-network for all Plan products.

**TIER 2** – Any Facility who has an agreement with Plan and does not meet the criteria for Tiers 3 or higher will be assigned to Tier 2. Facilities assigned to Tier 2 are in the following Networks: Global, Heritage, LifeWise Preferred.

**TIER 3** – Any Facility who has an agreement with Plan, and whose severity adjusted cost-per-case is competitive with that of other local facilities, according to a methodology developed by Plan, will be assigned to Tier 3. Facilities assigned to Tier 3 are in the following Networks: Global, Heritage, Foundation, LifeWise Preferred.

**TIER 4** – Any Facility who has an agreement with Plan, and whose severity adjusted cost-per-case is highly competitive with that of other local facilities, according to a methodology developed by Plan will be assigned to Network Tier 4. Facilities assigned to Tier 4 are in the following Networks: Global, Heritage, Foundation, Heritage Prime, Heritage Signature, LifeWise Preferred, LifeWise Connect.

Plan may make exceptions to these criteria in assigning Facilities to Tiers, based upon considerations such as Plan or market needs or the need to ensure adequate access to a network facility for Enrollees, as determined by Plan.

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Thursday, September 12, 2013 12:14 PM  
**To:** O'Connor-King, Eileen  
**Cc:** Parker, Scott  
**Subject:** FW: Heritage Hospitals  
**Attachments:** Heritage Signature Network Hospital List\_EXT\_VF.pdf

List of hospitals in Premera's Exchange network.

*Margrette Paterson*  
Contract Administrator, Seattle Children's  
Tel: 206-907-7092  
Fax: 206-985-3177

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**From:** Katherine Stojkovic [mailto:[Katherine.Stojkovic@PREMERA.com](mailto:Katherine.Stojkovic@PREMERA.com)]  
**Sent:** Wednesday, September 11, 2013 10:47 AM  
**To:** Paterson, Margrette  
**Subject:** Heritage Hospitals

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This message was sent via TLS encryption [ 10:47:05, 2013-09-11 ]

Heritage Signature Network Hospitals

Hospital	City
Capitol Medical Center	Olympia
Cascade Medical Center	Leavenworth
Cascade Valley Hospital	Arlington
Central Washington Comprehensive Mental Health	Yakima
Central Washington Hospital	Wenatchee
Columbia Basin Hospital	Ephrata
Cutler Medical Center	Grand Coulee
Dayton General Hospital	Dayton
Deaconess Medical Center	Spokane
East Adams Rural Hospital	Ritzville
Eastern State Hospital	Medical Lake
Evergreen Health Medical Center	Kirkland
Fairfax Hospital	Kirkland
Ferry County Memorial Hospital	Republic
Forks Community Hospital	Forks
Garfield County Memorial Hospital	Pomeroy
Grays Harbor Community Hospital	Aberdeen
Harrison Medical Center	Bremerton
Highline Medical Center Main Campus	Burien
Highline Medical Center Specialty Campus	Tukwila
Island Hospital	Anacortes
Jefferson Healthcare Hospital	Port Townsend
Jonathan M. Walwright Memorial VA Medical Center	Walla Walla
Kennewick General Hospital	Kennewick
Kindred Hospital Seattle	Seattle
Kindred Hospital Seattle First Hill	Seattle
Kittitas Valley Community Hospital	Ellensburg
Klickitat Valley Hospital	Goldendale
Lake Chelan Community Hospital	Chelan
Lincoln Hospital	Davenport
Mason General Hospital	Shelton
Mid Valley Hospital	Omak
Morton General Hospital	Morton
Newport Community Hospital	Newport
North Valley Hospital	Tonnasket
Northwest Hospital	Seattle
Oceana Beach Hospital	Illwaco
Odessa Memorial Healthcare Center	Odessa
Olympic Medical Center	Port Angeles
Othello Community Hospital	Othello
Overtake Hospital Medical Center	Bellevue
PenceHealth Southwest Medical Center	Vancouver
PenceHealth St. Joseph Medical Center	Bellingham
Prosser Memorial Hospital	Prosser

Hospital	City
Providence Centralia Hospital	Centralia
Providence Mount Carmel Hospital	Colville
Providence Regional Medical Center - Colby Campus	Everett
Providence Regional Medical Center - Pacific Campus	Everett
Providence St. Josephs Hospital	Chewelah
Providence St. Mary Medical Center	Walla Walla
Providence St. Peter Hospital	Olympia
Pullman Regional Hospital	Pullman
Quincy Valley Hospital	Quincy
Regional Hospital for Respiratory & Complex Care	Tukwila
Sanumitan Hospital	Moses Lake
Schick Shadel Hospital	Seattle
Skagit Valley Hospital and Health	Mount Vernon
Skyline Hospital	White Salmon
Snoqualmie Valley Hospital	Snoqualmie
Spokane VA Medical Center	Spokane
St. Anthony Hospital	Oig Harbor
St. Clare Hospital	Lakewood
St. Elizabeth Hospital	Emmetsw
St. Francis Community Hospital	Federal Way
St. John Medical Center	Longview
St. Joseph Medical Center	Tacoma
St. Lukes Rehabilitation Institute	Spokane
Summit Pacific Medical Center	Elm
Sunnyside Community Hospital	Sunnyside
Swedish Edmonds	Edmonds
Three Rivers Hospital	Brewster
Tri State Memorial Hospital	Clarkston
United General Hospital	Sedro Woolley
VA Puget Sound HCS American Lake Division	Tuacoma
VA Puget Sound Health Care System	Seattle
Valley General Hospital	Monroe
Valley Hospital and Medical Center	Spokane
Valley Medical Center	Renton
Virginia Mason Hospital and Medical Center	Seattle
Walla Walla General Hospital	Walla Walla
Wenatchee Valley Hospital	Wenatchee
Western State Hospital	Tacoma
Whidbey General Hospital	Coupeville
Whitman Hospital and Medical Center	Colfax
Willapa Harbor Hospital	South Bend
Yakima Valley Memorial Hospital	Yakima

Last revision date: 5/9/2013

SCH000095

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**From:** Katherine Stojkovic [Katherine.Stojkovic@PREMERA.com]  
**Sent:** Thursday, August 22, 2013 7:22 AM  
**To:** Paterson, Margrette  
**Cc:** Helen Voelker  
**Subject:** Good Morning!- Exchange Information

I received your phone message.

We have designated training staff who have been working diligently preparing training materials for all segments of our business as it relates to the Exchange. We are hopeful to be able to review materials the first week of September that will allow us to come out and present at our scheduled meeting in October with your staff present. Helen and I will keep you posted on this. Does this sound acceptable? We are just as anxious to learn more and present to our partners:

Thanks!

Katherine

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This message was sent via TLS encryption [ 07:22:08, 2013-08-22 ]

SCH000096

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Monday, September 30, 2013 10:12 AM  
**To:** 'Katherine Stojkovic'  
**Cc:** 'Helen Voelker'  
**Subject:** Exchange - Data Request

**Importance:** High

Hi Katherine,

As you've mentioned in the past, Seattle Children's Hospital was not included in Premera's Tier 4 Network that will be used for the Healthcare Exchange products based on cost. Leadership is requesting the data that supports Seattle Children's being a high-cost provider in the market. (I believe a similar review of data occurred with Premera launched Dimensions.)

Please send over the data as soon as you are able that shows Seattle Children's as a high-cost provider within the market for the services we provide.

Thank you,  
Margrette Paterson  
Contract Administrator, Contracting & Payor Relations  
Seattle Children's

206-987-7092 OFFICE  
206-905-3177 FAX

[margrette.paterson@seattlechildrens.org](mailto:margrette.paterson@seattlechildrens.org)

OFFICE 4300 Roosevelt Way NE, Seattle WA 98105  
MAIL PO Box 6371, M/S RC-502, Seattle, WA 98145  
WWW [seattlechildrens.org](http://seattlechildrens.org)



**Seattle Children's**  
HOSPITAL • RESEARCH • FOUNDATION

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Monday, August 26, 2013 2:45 PM  
**To:** 'Katherine Stojkovic'  
**Subject:** RE: Good Morning!- Exchange Information

Hi Katherine,

Thank you for the below information. It's inevitable that we will begin to receive calls from families regarding Premera's Exchange plans the moment open enrollment begins so the sooner you can get us information, the better.

In regards to my voicemail, I was actually reaching out to you to confirm the information Helen had stated regarding Seattle Children's participation in Premera's Exchange Network. The reason why I want to confirm this information with you is 1) John is out until next month and 2) we want to make sure that we are clear on Premera's position before we relay that position to the OIC.

Helen stated that we are not in-network with Premera's Exchange Network and will only be accessed if Premera grants a benefit plan level exception. It is our understanding from the OIC that Premera was awarded the individual business within the Exchange because Premera included Seattle Children's in their network as an in-network hospital. In addition, the OIC also stated that Seattle Children's would not be used as a gap filler by way of a single case agreement or benefit plan exception and none of the Payors awarded the business, including Premera, indicated that this is how Seattle Children's will be accessed.

Can you confirm this information, please?

Thank you!

*Margrette Paterson*  
Contract Administrator, Seattle Children's  
Tel: 206-987-7092  
Fax: 206-986-3177

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**From:** Katherine Stojkovic [mailto:Katherine.Stojkovic@PREMERA.com]  
**Sent:** Thursday, August 22, 2013 7:22 AM  
**To:** Paterson, Margrette  
**Cc:** Helen Voelker  
**Subject:** Good Morning!- Exchange Information

I received your phone message.

We have designated training staff who have been working diligently preparing training materials for all segments of our business as it relates to the Exchange. We are hopeful to be able to review materials the first week of September that will allow us to come out and present at our scheduled meeting in October with your staff present.

Helen and I will keep you posted on this. Does this sound acceptable? We are just as anxious to learn more and present to our partners.

Thanks!

Katherine

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This message was sent via TLS encryption [ 07:22:08, 2013-08-22 ]

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**From:** Paterson, Margrette [margrette.paterson@seattlechildrens.org]  
**Sent:** Tuesday, August 13, 2013 9:52 AM  
**To:** O'Connor-King, Eileen  
**Subject:** Premera & the Exchange - We are NOT in-network.

Eileen,

I just spoke with Helen regarding the Exchange to see if we are included in the Tier 4 Network of providers based upon Kreidler's comment that we were in-network for all of the Payors that were awarded the Exchange individual business. Helen specifically said we are not included in the Tier 4 Network and patients will only be allowed to receive services at Children's when Premera grants a benefit level exception. In other words, the only way we will be able to receive authorization and get paid for these patients is if 1) no other Tier 4 hospital or provider can provide the service and 2) Premera grants the exception. (If the exception is granted, we will be paid our PPO rate.) Helen also mentioned that SCCA was set-up the same way. I also asked what would happen to established patients on an outpatient regimen if they move to a Premera Exchange product and Helen said they will know that Children's is out of network and not to come here. This potentially will cause a huge impact on IPD and UR not to mention our families that sign up for Premera.

When you have a chance, can you relay this information to Hugh, Suzanne, and Kelly? I was under the assumption that we were included in the network Premera filed with the State for review.

Margrette Paterson  
Contract Administrator, Contracting & Payor Relations  
Seattle Children's

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206-985-3177 FAX

[margrette.paterson@seattlechildrens.org](mailto:margrette.paterson@seattlechildrens.org)

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**PREMERAFirst  
FACILITY AGREEMENT  
COMPENSATION EXHIBIT A**

SEATTLE CHILDREN'S  
*(Seattle Children's Hospital)*

**EFFECTIVE: March 1, 2009**

*This Compensation Exhibit Applies to the Following Plans and Products:*

Premera Blue Cross	Preferred Participating Dimensions
Premera Blue Cross Blue Shield of Alaska	Participating Preferred
LifeWise Health Plan of Washington	
LifeWise Health Plan of Oregon	
LifeWise Health Plan of Arizona	

**INPATIENT CARE**

Inpatient Services (Excluding Transplants) [REDACTED] for Covered Services

**TRANSPLANTS**

TRANSPLANTS	ICD-9 DEFINITION	
Heart Transplant	1st occurrence 37.51-37.52	[REDACTED] for Covered Services
Intestinal Transplant (cadaveric intestine)	1st occurrence 46.97	[REDACTED] for Covered Services
Kidney Transplant	1st occurrence 55.6-55.69	[REDACTED] for Covered Services
Liver Transplant	1st occurrence 50.5-50.59	[REDACTED] for Covered Services

Post Transplant Services are also paid a [REDACTED] for Covered Services.  
*BMT services are excluded from this agreement.*

**RECEIVED**

MAY 08 2009

**PCS**

## OUTPATIENT CARE

Outpatient Services

for Covered Services

## ADDITIONAL PROVISIONS

### PROFESSIONAL SERVICES

Professional Services billed under the Facility's Tax Identification Number and not covered under the Home Care Services Agreement will be reimbursed by Plan at either billed charges or the Facility's fee schedule, whichever is less, for Covered Services provided to Enrollees. Such payments shall be reduced by the amount of applicable Deductibles, Co-payments, Coinsurance, or coordination of benefits as set forth in Section 4.01 of the Agreement. Facility's fee schedule will be maintained according to Plan's normal fee schedule maintenance policies.

1. Facility's fee schedule for Practitioners as defined by the roster supplied by the Facility:
  - Plan Fee Schedule using non-facility practice expense units in all settings.
  - Physician's Assistant's claims for services performed by a Physician's Assistant, when billed in the Physician's Assistant name, will be reimbursed at [REDACTED] of the above referenced allowable.
  - RBRVS based services will use non-facility practice expense units in all settings.
  - All other services will be reimbursed according to the Plan Fee Schedule.
  - RBRVS relative values will be supplemented with Ingenix Comprehensive Listing of RBRVS Values.
2. Plan may update the Plan Fee Schedule from time to time at Plan's sole discretion. Both Parties agree that the RBRVS terms shall automatically change to reflect the then current non-facility RBRVS terms of the Plan Fee Schedule as of the effective date of any such update. RBRVS based services will use non-facility practice expense units in all settings.
3. Both Parties agree that the Facility fee schedule set forth in Section 1 shall revert to the Plan Fee Schedule with full Site of Service adjustment should Facility change its current billing practices to separately bill for the facility component of a professional visit, i.e., bill Revenue Codes 510-519.
  - a. Facility shall provide Plan with sixty (60) days written notice in advance of any such change in their billing practice.

### CHARGE MASTER UPDATES FOR NEW SERVICE OR TECHNOLOGY

Plan acknowledges Facility may change the charge master to the extent necessary to account for new services or technology not previously performed by the Facility. Facility shall make best efforts to notify Plan, in writing, of any new service or technology, including a description of the new service or technology and any related charge(s). Such notification shall occur sixty (60) days prior to the effective date for those services.

DIMENSIONS PRODUCT STRUCTURE

1. Tiering. Benefit designs that Plan offers within the Dimensions product will employ different levels of Enrollee Copayment and Coinsurance for Covered Services depending upon the Dimensions Benefit Tier with which a particular Dimensions Facility is associated. Dimensions Facilities will be associated with a Dimensions Benefit Tier based upon the standards set forth in Attachment A.
2. Modifications to Tiering Standards. Plan may (a) modify the Dimensions Tiering standards; (b) create additional Dimensions Tiering Standards it deems of importance to Dimensions Enrollees; and/or (c) create additional Dimensions Benefit Tiers during the term of this Addendum. Notice of any such modifications or additions hereunder will be provided in compliance with Section 3.14 of the Agreement.
3. Plan Option Tiering Standards. In addition to the standards issued and employed pursuant to Sections 1 and 2, Plan may associate a particular Dimensions Facility with a higher Benefit Tier in order to satisfy Dimensions Enrollee needs. Notices hereunder shall be provided to the affected Facilities in compliance with Section 3.14 of the Agreement.
4. Change in Facility Tier. Plan will notify Facility of any change in its assigned tier pursuant to Section 3.14 of the Agreement.
5. Directories. Plan will include Dimensions Facilities in its directories as set forth in Section 2.06 of the Agreement.

TERM

This Exhibit will remain in force through February 28, 2011 (Initial Term) and will continue after this Initial Term unless terminated by either party pursuant to Section 6 of the Agreement.

This Compensation Exhibit A supersedes any previous terms that set forth Facility payment for Covered Services provided to Enrollees. The PremieraFirst Facility Agreement shall remain unmodified and in full force and effect, except as specified in this Exhibit or any other amendment to the Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Compensation Exhibit in duplicate original.

SEATTLE CHILDREN'S  
(Seattle Children's Hospital)

PREMERAFirst, INC.

BY: Kelly Wallace  
Signature

BY: [Signature]  
Signature

Kelly Wallace  
Print or Typed Name

Rich Maturi  
Print or Typed Name

SVP and CFO  
Title

SVP, Health Care Delivery Systems  
Title

05/05/09  
Date Signed

5/12/09  
Date Signed

91-0564748  
Tax ID #:

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MAY 08 2009

PCS

PREMERA FIRST FACILITY AGREEMENT  
ATTACHMENT A  
TO  
COMPENSATION EXHIBIT A  
NETWORK TIERING STANDARDS

EFFECTIVE: March 1, 2009

SEATTLE CHILDREN'S  
(Seattle Children's Hospital)

Plan and Facility have entered into an agreement under which Facility will provide Covered Services to Plan Enrollees enrolled in Plan's commercial products. Pursuant to Section 1 (Dimensions Product Structure) of the Exhibit, following are the Network Tiering Standards for dates of service commencing on or after June 1, 2002. Plan may also employ Plan Option Tiering Standards as set forth in Section 3 (Dimensions Product Structure) of the Exhibit.

PART 1 CRITERIA FOR NETWORK TIER DESIGNATION

NETWORK TIER 1 -- Any Facility who does not have an agreement with Plan will be assigned to Network Tier 1. Facilities assigned to Network Tier 1 are out-of-network for all Plan products.

NETWORK TIER 2 -- Any Facility who has an agreement with Plan and does not meet the criteria for Network Tier 3 will be assigned to Network Tier 2. Facilities assigned to Network Tier 2 are in the following Networks: Global, Heritage, LifeWise Preferred.

NETWORK TIER 3 -- Any Facility who has an agreement with Plan, and whose severity adjusted cost-per-case is competitive with that of other local facilities, according to a methodology developed by Plan, will be assigned to Network Tier 3. Facilities assigned to Network Tier 3 are in the following Networks: Global, Heritage, Foundation, LifeWise Preferred.

Via Email mollyn@oic.wa.gov



September 19, 2013

Ms. Molly Nallette  
Deputy Insurance Commissioner  
Rates & Forms Division  
Washington State Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Dear Molly,

As you and I agreed last week, I am sending you this letter in response to your request for language in our contracts with Children's and Harborview Medical Center (HMC) that would prohibit these institutions from balance-billing individuals covered by Premera and its affiliates and subsidiaries ("Premera") whose products utilize our new Heritage Signature network ("Signature Members").

As we have previously discussed, neither Children's nor HMC will be in the Heritage Signature network, but both are contracted providers with Premera. A straightforward analysis of Premera's agreements with Children's and HMC supports our position that both will be entitled to their agreed-upon commercial rates (i.e., Heritage Network rates covering over 1 million Premera members) but will be prohibited from balance-billing.

*Signature Members are Enrollees pursuant to Premera's agreements with Children's and HMC*

The analysis of Premera's agreements with Children's and HMC begins with the definition of the term "Enrollee," since the respective obligations of Premera, Children's, and HMC are tied to this term. The following step-by-step analysis traces the definitions in order to show that Signature Members are Enrollees. Because the definitions in the Children's and HMC agreements are similar, they are discussed in parallel. References are to the current agreements, as amended.

1. Enrollees are defined as any Subscriber or dependent of a subscriber who is enrolled under a Subscriber Agreement.
  - a. The Children's agreement defines an Enrollee to include "a Subscriber or a dependent of a Subscriber who is properly enrolled under a Plan Subscriber Agreement..." (§ 1.11)
  - b. The HMC agreement defines an "Enrollee" as "either a subscriber or a dependent of a subscriber who is enrolled under a subscriber agreement." (§ 1.B.)
2. A Subscriber Agreement is any agreement that entitles the Enrollee to Covered Services.
  - a. The Children's agreement defines a "Subscriber Agreement" as "any agreement entered into by a Plan [Premera] with or for the benefit of an Enrollee, entitling the Enrollee to receive benefits for Covered Services." (§ 1.31)

Ms. Molly Noflette

Page 2

September 19, 2013

- b. The HMC agreement defines a "Subscriber Agreement" as "any contract issued by the PLAN...entitling the enrollee to receive benefits from the PLAN for covered services designated therein." (§ 1.K.)
3. Covered Services are medically necessary medical and hospital services for which benefits are provided pursuant to the applicable Subscriber Agreement.
    - a. The Children's agreement defines "Covered Services" as "those medically necessary medical and hospital services, supplies and accommodations for which an Enrollee is eligible under the terms of the applicable Subscriber Agreement and are customarily provided by the Facility [Children's]." (§ 1.09)
    - b. The HMC agreement defines "Covered Services" as "those services for which benefits are provided under a subscriber agreement. The fact that a service is a covered service does not make it medically necessary." (§ 1.A.)

The definition of Enrollee does not require that Children's or HMC be "in-network" for the Enrollee. Therefore, Signature Members are Enrollees who are entitled to receive Covered Services pursuant to both Children's and HMC's contracts with Premier.

*Children's and HMC have agreed not to balance-bill Enrollees and in return Premier pays them directly*

Children's and HMC have both agreed that they will treat Premier's Enrollees and will accept as full payment the negotiated rates for Covered Services specified by their respective contracts (the "Allowed Amount"). The relevant contract language makes no distinction between Enrollees who are in-network or out-of-network. In return, Premier has agreed to pay both facilities directly for such services rather than paying the Enrollee directly as Premier would do for non-contracted providers.

1. In the Children's agreement, it agrees to:
  - a. "provide Covered Services to Enrollees in compliance with the terms of this Agreement" (§ 3.01); and
  - b. "seek payment solely from the Enrollee's Plan for Covered Services rendered to that Plan's Enrollees, and shall accept as full payment the Allowed Amount(s) set forth in the applicable Product and Compensation Addenda attached to this Agreement...Facility's charge to the Enrollee for Deductibles, Copayments or Coinsurance as set forth in the Subscriber Agreement, in combination with the Plan's payment, will not exceed the Allowed Amount for Covered Services." (§ 4.01).
2. In the HMC agreement, it agrees to:
  - a. "provide medically necessary covered services to enrollees in accordance with the applicable subscriber agreement and this Agreement" (§ III.A.); and

SCH000105

Ms. Molly Nolleke  
Page 3  
September 19, 2013

- b. "seek payment solely from the PLAN for the provision of medically necessary covered services to all eligible enrollees, and shall accept as full and final payment for such medically necessary covered services rendered to eligible enrollees the amount set forth in Exhibit A attached to this Agreement and incorporated by reference herein. (§ IV.A., see, also, 1992 amendment)

In summary, both Children's and HMC have agreed to provide Covered Services to Premiera Enrollees at agreed upon rates. Neither agreement predicates these rates upon the network status of either Children's or HMC with respect to the Enrollee. Premiera will uphold its obligations under the agreements, and it trusts that Children's and HMC will do likewise.

We appreciate the opportunity to respond to you on these issues. If you need any additional information or have questions about this letter, please let me know.

Sincerely,

  
Waltraut B. Lehmann  
Manager, Regulatory Affairs

SCH000106



November 1, 2013

Molly Nollette  
Deputy Insurance Commissioner  
Rates & Forms Division  
Washington State Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

Re: Response to September 19, 2013 Letter from Premera regarding Seattle Children's Hospital and Premera's Heritage Signature Network

Dear Ms. Nollette:

We are writing in response to the letter you received from Premera dated September 19, 2013 (the "Premera Letter") and forwarded to our attention. In the Premera Letter, Premera asserts that Seattle Children's Hospital ("Seattle Children's") will not be a member of Premera's new Heritage Signature network; however, Seattle Children's would not have the right to balance bill enrollees of Premera's Heritage Signature product because Seattle Children's is otherwise a contracted provider with Premera.

In reviewing the Premera Letter, it is impossible not to note the inconsistencies in and omissions from Premera's analysis. We hope to illuminate these inconsistencies and omissions in the Premera Letter and demonstrate that Premera's position is akin to having its cake and eating it too, i.e., Seattle Children's is a contracted Premera Preferred Provider who must comply with its obligations under the PremeraFirst Facility Agreement, related addendums, and administrative rules and procedures, while at the same time Seattle Children's is not entitled to the benefits of being a Preferred Provider as it pertains to Premera's Heritage Signature product.

Seattle Children's and Premera are parties to a PremeraFirst Facility Agreement dated January 1, 2001 (the "Agreement") as subsequently amended by, among other things, the Amendment to PremeraFirst Facility Agreement dated January 1, 2001 (the "2001 Amendment," attached as Exhibit A), the Amendment to PremeraFirst Facility Agreement dated January 1, 2012 (the "2012 Amendment," attached as Exhibit B), and the Premera First Facility Agreement Compensation Exhibit A dated March 1, 2009 (the "2009 Compensation Exhibit," attached as Exhibit C).

We agree with Premera that under the Agreement, Seattle Children's is obligated to provide Covered Services to Enrollees in compliance with the terms of the Agreement. (Section 3.01 of the Agreement as amended in the 2001 Amendment.) We further agree that under the Agreement, Seattle Children's may seek payment "solely from the Enrollee's Plan for Covered Services rendered to that Plan's Enrollees and shall accept as full payment the Allowed Amount(s) set forth in the applicable Product and Compensation Addenda attached to this Agreement." (Section 4.01 of the Agreement, as amended by the 2001 Amendment).<sup>1</sup>

<sup>1</sup> Underlined terms are defined terms from the Agreement as amended.

4000 Sand Point Way NE  
Seattle, WA 98105

TEL 206-987-2000

(DW61116484.DOCX/3/14251.060002/)

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www.seattlechildrens.org

SCH000107

For these obligations to apply, however, the Plan and associated products must be included in the Product and Compensation Addenda. The Product and Compensation Addenda is defined in the Agreement and means "the attached addendum designating (1) the Plan program under which Covered Services [are] provided by Facility pursuant to this Agreement and (2) the related Compensation. The Product and Compensation Addendum is incorporated into, and made part of, this, (sic) Agreement." (Section 1.28 of the Agreement.)

The Agreement provides specifically for how new products of the Plan can be added to and incorporated into the Agreement: "Plan may establish new products, or Facility may develop or initiate new health services which are not currently available to Enrollees. Upon such an event, a written notification will be sent to the other party no less than 60 days prior to the proposed implementation date. Subject to a Plan determination that any such services/products are Covered Services, the parties agree to negotiate in good faith an acceptable level of reimbursement for such services/products, and the product amendment will be updated in writing, with required signatures by both parties." (Section 7.01 C. of the 2001 Amendment.)

The most recent Product and Compensation Addendum that would list current products is the 2009 Compensation Exhibit. The 2009 Compensation Exhibit lists the following Plans and products for Washington:

Premera Blue Cross	Preferred Participating Dimensions
LifeWise Health Plan of Washington	(nothing specified)

Thus, if Premera is correct that the Agreement applies to the Heritage Signature product, it is because of the 2009 Compensation Exhibit and the Heritage Signature product must be part of the Plans and products listed above. Therefore, if the Agreement applies, as Premera asserts, then Seattle Children's must be treated as "in-network." Please note that the concept of in-network versus out-of-network is not clearly defined anywhere in the Agreement as amended, nor, to the best of our knowledge, in Premera's Administrative Rules and Procedures.

What is clear is that Seattle Children's is a Preferred Provider pursuant to the Agreement: "[Premera] agrees to list [Seattle Children's] as a Preferred Provider in all directories and other similar Preferred Provider listings. [Premera] agrees to print and distribute these directories to its covered Enrollees, and make best efforts to update these directories at least annually." (Section 2.06 of the Agreement as amended by the 2001 Amendment.) Premera has the further obligation to "develop and actively market [its] Participant panels." (Section 2.02 of the Agreement.) We also note that the Health Care Authority, in describing plans sold on the Exchange, does not recognize a distinction between in-network and preferred providers: "Plans use the term in-network, preferred, or participating for providers in their networks." (See Exhibit D.)

Again, the only conclusion that can be drawn from examining the Agreement as a whole is that if Premera's assertion is correct that the Agreement covers enrollees under the Heritage Signature

Office of Insurance Commissioner

November 1, 2013

Page 3

product then Seattle Children's is a Preferred Provider for that product and Premera has an obligation to market Seattle Children's as such and include it as an in-network facility. Failure to do so would be a material breach of the Agreement.

The only alternative to this conclusion is that the Agreement does not cover enrollees under the Heritage Signature product, in which case the restrictions in the Agreement on balance billing would not apply. As pointed out above, the only way for Premera to add additional products to the Agreement is pursuant to an amendment signed by both parties. Seattle Children's has not agreed to nor signed any amendment to the Agreement that would authorize Seattle Children's to be an out-of-network provider for the Heritage Signature product, but otherwise subject to the Agreement.

Premera simply cannot have it both ways.

In conclusion, Seattle Children's is willing to agree with Premera's interpretation that the Agreement applies to the Heritage Signature product, but only so long as both Seattle Children's and Premera have to abide by all their respective rights and obligations under the Agreement; to wit, Premera must treat Seattle Children's as an in-network, Preferred Provider for Enrollees of Premera's Heritage Signature product. The only alternative is that the Agreement does not apply, and Seattle Children's will bill Premera for Heritage Signature enrollees at a percent of charges, with the balance being billed to the enrollee. Accounting for the enrollee's obligation to pay these balances may require recalculation of the actuarial estimate for coverage of costs in Premera's Exchange products, and could result in them not qualifying for listing on the Exchange. Obviously, this second alternative is not in the best interests of anyone. Seattle Children's has attempted to engage Premera in dialogue regarding these issues for several months, and remains willing to do so. We are not, however, simply willing to acquiesce to Premera's incorrect, self-serving interpretation of the Agreement that benefits no one except Premera.

Thank you for your time and attention to this matter.

Very Truly Yours,

SEATTLE CHILDREN'S HOSPITAL



Kelly Wallace  
Chief Financial Officer

Attachments

cc: Eileen O'Connor King, Sr. Director, Contracting and Payor Relations  
Jeff Sconyers, General Counsel  
Donald Black, Esq.

(DWB1116484.DOCX;3/1251.060002/)

SCH000109

# EXHIBIT B

### List of Unique Services

Source: Judy Dougherty (VP Service Lines, Surgical Specialties) / Robert Sawin (Surgeon In Chief, SCH)

#### VARIOUS SPECIALTIES

- Pediatric heart transplant
- LVads in children
- Neonatal rhythm intervention
- Interventional device studies in infants/children (devices not available elsewhere)
- RACHS level 3 & 4 congenital surgery cardiac
- Specific airway pathologies
- Laryngomalacia
- RRP -- Recurrent Respiratory Papillomatosis
- laryngeal stenosis
- Any non-laryngomalacic congenital anomaly
- Any tracheal anomaly
- Any airway foreign body
- Voice abnormalities
- Dysphagia, etc.
- pediatric skull base lesions
- pediatric facial nerve disorders and grafting
- pediatric vestibular diagnosis and treatment
- auditory brainstem implants
- aural atresia
- Velopharyngeal Disease (VPD) management
- Microtia
- Aural atresia
- Care of children with Craniofacial syndromes
- Endoscopic and open airway reconstruction
- Endoscopic skull base procedures
- Microtia repair
- We are the only place that has a multidisciplinary program for evaluation and treatment of vascular anomalies. This includes systematic protocols for medical and invasive therapy. We have an international reputation for vascular anomalies research and care
- Any airway (this, more than anything, defines ped oto), including routine procedures in patients with asthma
- Any tertiary procedure, which includes pretty much anything other than tubes, tonsils, septums, and type 1 Tympanoplasty
- Full service pediatric cochlear implant team. Our team approach is unique in WAMI.
- Family Conversations program with seamless connection to the Audiology and Cochlear Implant programs
- facial reanimation surgery (facial paralysis)

- endoscopic strip craniectomy for craniosynostosis
- Infant brachial plexus reconstruction (palsy)
- subcranial midface surgery for complex synostosis (Apert, Crouzon, Pfeiffer syndromes)
- complex mandible reconstruction (Craniofacial microsomia, Treacher Collins)
- pre-surgical naso-alveolar molding for cleft lip patients
- open cranial vault remodeling for craniosynostosis
- neurofibromatosis tumor excision (face and neck)
- Microsurgical reconstruction of wounds
- We are the only Craniofacial Team in WA state recognized by the American Cleft Palate Craniofacial Association (ACPA). The others are "Cleft Palate Teams". We have the most comprehensive craniofacial team in the country, serving at least 85% of the children in WWAMI born with craniofacial disorders. Our team was involved with the establishment of national standards for the care of cleft lip and palate and craniosynostosis. Our team authored the state standards (Critical Elements of Care for CLP).
- We do more craniosynostosis surgery than any other center in the country based on national hospital discharge data.
- We are the only cleft and craniofacial provider in the WWAMI region that provides comprehensive coordinated interdisciplinary care and case management.
- VP shunt care is not unique, though we have been the leader in infection reduction
- Epilepsy surgery
- Moya-moya disease
- choroid plexus coagulation (for hydrocephalus)
- awake neurosurgical procedures
- functional MRI
- laser ablation of deep brain structures
- We do 10x the pediatric brain tumors of any other hospital and handle all the complex spina bifida surgeries (and the majority of the straightforward ones) for the state. Our brain tumor survival rates are the highest in the region because larger volumes lead to better outcomes.
- Chiari Malformations: One of the most progressive, largest and best outcomes west of the Mississippi in large volume patient service to include re-do and failures from outside hospitals
- Tumors: Unique ability to perform brainstem, motor mapping, and do unique tumors such as intraventricular tumors, pineal region and brainstem tumors
- Neuro-endoscopy
- Pediatric Visual Evoked Potential (VEPs) studies
- Hand-held Optical Coherence Tomography (OCT)
- Pediatric Vestibular testing
- Eye movement studies
- Electro Retinogram Studies (ERG's)
- Pediatric Orthoptist coordinated care

- Treatment of retinoblastoma and other ocular/periocular tumors
- Pediatric trauma (fracture care). Pediatricians refer trauma care to Seattle Children's
- Skeletal Dysplasia and Metabolic Bone Disease
- Oncology (bone tumor procedures)
- Surgical Procedures to correct Complex Congenital Spine Deformities
- Arthrogyposis
- Pediatric Liver txp
- Pediatric Intestine txp
- Pediatric heart txp
- Intestinal Care (medical, surgical, nutrition), including Omegavan treatment
- Porta-systemic shunts
- Advanced hepato-biliary IR procedures
- Pediatric ERCP
- Complex liver resections
- Dialysis access in children (and dialysis)
- Only center with dedicated pediatric hepatologists
- Only center that participates in multi-center collaborative such as Children, SPLIT and PALF
- Minimally invasive thymectomy
- Robotic Reconstructive – Urologic Surgery
- Bladder Ectrophy
- Complex genital urinary reconstruction
- Ambiguous genitalia – diagnosis and treatment
- VEPTER
- Thoracoscopic lung resection
- ECMO (non cardiac)
- Complex tumor resections

Source: Karen Murray (MD Chief, GI and Hepatology)

Rectal and pelvic malformations

- Pre-surgical evaluation of Hirschsprungs, post-surgical care of Hirschsprungs and other rectal malformations, sphincter abnormalities, etc.
- Balloon enteroscopy. ERCP, and many other new Endoscopic techniques

Source: Pam Rock (Senior Director, Medical Specialties)

PULMONARY AND SLEEP MEDICINE

- Cystic Fibrosis treatment and management (Center of Excellence/Cystic Fibrosis Foundation)
- Ventilator Clinic (for Technology Dependent patients, (tracheotomy, ventilator, combined trach/vent)
- Complex Spine Management (pre- and post-surgical), for early onset disease
- Pulmonary Hypoplasia clinic

- **Multidisciplinary Neuromuscular Disease support**, e.g. for muscular dystrophy, spinal muscular atrophy
- **Aerodigestive Center** (In development)
- **Infant Pulmonary Function Testing**
- **Flexible Bronchoscopy** (pediatric)
- **Sleep Center** (pediatric): the only pediatric-specific center accredited by AASM in the WWAMI region. There are combined sleep/adult sleep labs, but SCH is the only lab approved for children by CMS, due to pediatric-specific expertise and kid-friendly setting.

#### NEUROLOGY/NEURODIAGNOSTICS

- **Functional MRI** (Imaging brain function for language, memory, sensorimotor and other functions as part of presurgical evaluation for epilepsy and other neurologic surgery).
- **Brain Mapping**— functional mapping by electrical stimulation
- **Electrocorticography**: using electrodes placed directly on the exposed surface of the brain to record electrical activity from the cerebral cortex.
- **Mitochondrial Disease** diagnosis, treatment and management
- **Multidisciplinary Neuromuscular Disease clinic and support**, e.g. for muscular dystrophy, other neuromuscular conditions.

#### DERMATOLOGY

- **Multi-Disciplinary Clinics** (unique value-added for parents in terms of quality, efficiency, and cost of care). For DERM, these are:
  - Vascular Anomalies (Dermatology/Otolaryngology)
  - Dermatology /Rheumatology
  - Dermatology/Plastic Surgery
- **Pulse Dye Laser** in children
- **Tumor Board** access (Example: patient recently referred from Bellingham with suspected melanoma but adult Dermatologist who biopsied it had no idea how best to manage in a child. The variables were such that best care would have been challenging to accomplish without Tumor Board presentation and input from SCH Dermatology, Surgery, Pathology, Radiology, and Oncology.
- **Clinical Trial** access
- **Dermatology Conference** access for presentation of challenging or complicated patients, at SCH and at UW.
- **Advocacy Group** access: SCH Faculty Dr. Brandling-Bennett on Scientific Advisory Board for FIRST (Ichthyosis), Dr. Sidbury on Scientific Advisory Board for National Eczema Association (Atopic Dermatitis)
- **Neonatal and Pediatric Skin Biopsies**, as well as assessment of skin disease in neonates. Also, many general dermatologists are not comfortable biopsying kids, and will refer to SCH for this.
- **Patch Testing** in neonates and young children
- **Medicaid** coverage: many Dermatology practices do not accept Medicaid patients.

#### INFECTIOUS DISEASES

- In addition to our standard ID clinic, we offer a virology clinic which provides comprehensive care for patients with HIV.
- We also provide focused clinics on tuberculosis and multi-drug resistant organisms.

#### MEDICAL GENETICS

- Having different subspecialty clinics like craniofacial, cardio genetics, 22Q Clinic, cardiomyopathy, Neurogenetics
- Having a Genetic Counselor integrated and part of the other services like craniofacial clinic, DSD (Disorders of Sex Development Clinic), hearing loss clinic
- The coordination between pediatric (postnatal) and prenatal care

#### BIOCHEMICAL GENETICS

- Providing clinical services to children, adolescents, and adults with an inborn error of metabolism and rare disorders that are unable to be cared for in other primary or specialty care clinics due to the specific diagnostic challenges and clinical treatment requirements of these disorders. Our clinical team (at SCH and UWMC) is the largest in the region, and uses a comprehensive, team-based, and patient-focused model to provide the highest quality of care possible within our region.

#### RHEUMATOLOGY

- Diagnose and provide cutting edge team management to children throughout the WAMI region with JIA, systemic lupus erythematosus, vasculitis, dermatomyositis, scleroderma, sarcoidosis, Behçet's disease, periodic fever syndromes. We can offer ultrasound guided joint injections and ultrasound in the visit, as part of the exam and evaluation. Our pain team provides expert comprehensive diagnosis and care for children with chronic pain syndromes including fibromyalgia.

#### NEURODEVELOPMENTAL

- Only Spinal Bifida clinic in WAMI
- Baclofen pump placement in children with spasticity conditions
- Selective Dorsal Rhizotomy (in neurosurgery) but with NDV as initial selection
- Fragile X long term management for children

#### GI

- Coordinated Inflammatory Bowel Disease care with MD, PA, RN, Psychiatry, Social Work, and nutrition.
- Fecal transplant for IBD patients
- Bone marrow transplant for IBD patients
- Nutritional therapy for IBD patients in Enteral Nutrition and Specific Carbohydrate Diet.
- Part of ImproveCareNow network, which is a national consortium to improve IBD patient care.
- The only pediatric gastroenterologist focused on ERCP (Endoscopic Retrograde Cholangiopancreatography) and Balloon Enteroscopy
- The only pediatric motility specialist with Antroduodenal, Esophageal, and Colonic Motility study capabilities
- Liver transplant and bowel transplant
- Capability to care for small bowel/short gut patients

- Specialized researchers in clinical care for patients in Hepatitis B and C, Fatty Liver Disease, Liver Failure, and Short Bowel

#### NEPHROLOGY

- Stone clinic
- Renal vasculitis clinic
- Hypertension program
- Kidney transplantation

#### ENDOCRINOLOGY

- Skeletal health clinic
- Disorders of sex development program
- Participation in multidisciplinary programs in muscular dystrophy & brain tumor

#### ADOLESCENT MEDICINE

- Biofeedback for adolescents is not offered anywhere else
- Outpatient comprehensive multidisciplinary adolescent eating disorder treatment
- Inpatient medical coverage for eating disorders for adolescents
- Our substance abuse treatment is unique because we have an addiction child and adolescent trained psychiatrist, an adolescent specialist and MSW level CDPs which is unique in the area (and country), allowing us to care for co-occurring mental and physical drug problems.
- Our comprehensive obesity program, the level 3 outpatient treatment and level 4 16-week program for adolescents, is unique
- Our gynecology for adolescents is unique
- Adolescent behavioral health

#### HEM-ONC

- Bone marrow transplant
- MIBG
- Cellular therapy for leukemia
- Graft versus host disease treatment
- Therapeutic apheresis
- Phase I studies
- Multi-disciplinary bone tumor care
- Multi-disciplinary brain tumor care
- Bone marrow failure evaluation
- Radioactive iodine therapy for thyroid cancer
- Adolescent and Young Adult inpatient oncology unit

#### NEONATOLOGY

- ECMO for all types of patients (Mary Bridge does ECMO but only for a very limited type of patient)
- Lots of neonatal cardiac surgeries are only done here
- Heart transplant
- Kidney transplant
- Liver transplant

- Bowel transplant
- Intestinal failure program
- Bowel lengthening procedures
- Pelvic floor reconstruction
- Neonatal peritoneal dialysis
- Neonatal hemodialysis for renal failure
- Neonatal hemodialysis for inborn errors of metabolism
- Management of some rare inborn metabolic problems
- Omegaven for severe cholestasis
- Prenatal diagnosis clinic with pediatric surgeons, pediatric urologists, pediatric cardiologists etc.
- Tracheostomy management
- Lots of ENT procedures for unstable neonatal airway, e.g., lymphatic malformations, narrow trachea
- EXIT procedure (ENT procedures done after delivery of only the head to stabilize the airway before delivering the rest of the baby)
- Life-threatening newborn blistering skin diseases
- Craniofacial evaluation and procedures
- Rare infections

Source: Ruth McDonald (Pediatrician in Chief) and Bruder Stapleton (Chief Academic Officer) and other MD Chiefs

VARIOUS SPECIALTIES

- Infant dialysis
- Pediatric Home dialysis
- Pediatric Pheresis
- Pediatric Liver, small bowel, kidney and heart transplants
- Pediatric Intestinal rehabilitation program
- Infant bronchoscopy
- ECMO
- Fecal transplants
- Non-malignant stem cell transplant program
- MIGB program for neuroblastoma
- Innovative clinical research trials such as A Pediatric Trial of Genetically Modified Autologous T Cells Directed Against CD19 for Relapsed CD19+ Acute Lymphoblastic Leukemia
- Lefort II midface distraction and simultaneous zygomatic repositioning
- Unique therapy for treatment of vascular anomalies
- Pediatric therapeutic endoscopy
- Pediatric Food Challenge Clinic
- Pediatric Aerodigestive program
- Pediatric Gastrointestinal motility program
- Gene Therapy for immune and cancer

- Pediatric Rheumatology—no other specialists in the state
- In Patient Psychiatry
- Mechanical heart assist
- Neonatal electrophysiology for heart arrhythmias
- Cardiac intensive care for children
- Cardiac device insertion

**Source: Michael Astion (Medical Director- Laboratories)**

**LABORATORY SERVICES**

The SCH clinical lab is the only one in the state who does the following:

- Anatomic pathology (e.g., diagnosis from biopsies, and surgically acquired tissue) performed by board certified Pediatric Pathologists. There are no other active, board-certified subspecialty Pediatric Pathologists in Washington, Mt., Idaho, Oregon, or Alaska
- Chromosomal microarrays for neurodevelopmental disorders
- N-MYC gene amplification for pediatric tumors
- Vitamin D epimer assay for babies
- Confirmation of neonatal state screening abnormalities
- A variety of specialized chemistry and biochemical genetics tests to diagnose inborn errors of metabolism. For example, we are one of two labs in the country (the other is Boston Children's) that does the Lysosomal acid lipase (LAL) test, which is a test for a cholesterol ester storage disease. We are the only lab in the state doing Acylcarnitine profiling.
- Therapeutic drug monitoring for the anti-seizure drug Rufinamide. In addition we have a 7-drug panel for anti-seizure medication monitoring that is the most complete in the state.
- Therapeutic drug monitoring for NTBC which is used to treat kids with tyrosinemia
- Plasma HVA & VMA for neuroblastoma
- Therapeutic drug monitoring for immunosuppressive agent by dried blood spot to avoid trip to hospital for blood collection
- APT test for fetal blood aspiration.
- Stat Methotrexate blood levels
- Shiga toxin by nucleic acid analysis
- three target pertussis PCR, 16 s RNA microbial identification for pediatric diseases
- Advanced Immunology testing for severe combined immune deficiency diseases
- Oxidative burst for chronic granulomatous disease, anti-neutrophil antibodies for neutropenia, flow cytometry for immunodeficiencies including ALPS and bare lymphocyte syndrome
- A variety of tests in molecular diagnostics including but not limited to Primary Hyperoxaluria Type I - Sequencing Analysis (AGXT sequencing), and Pyridoxine-Dependent Seizures Sequencing Analysis (ALDH7A1 sequencing).

**Source: Joseph Flynn, MD (Division Chief & Medical Director, Dialysis Services)**

- Outpatient chronic dialysis for infants and young children (teens often can get dialysis at an adult center)

**Source: Rebecca Slayton, DDS (Dental Director)**

- Orthodontics and craniofacial surgery for children with complex developmental anomalies
- Endodontic treatment for medically complex patients under general anesthesia
- Fabrication of speech obturators for children with cleft lip and palate
- Management of TMD pain in children with juvenile rheumatoid arthritis

**Source: Lynn Martin (MD Chief, Anesthesiology and Pain Medicine)**

ANESTHESIOLOGY AND PAIN MEDICINE

- The only hospital in the region where all anesthesiologists have completed additional training in pediatric anesthesia and have 100% of their practice exclusively in this patient population
- The only hospital with a 24/7 dedicated pediatric regional anesthesia service. This group provides state of the art inpatient and ambulatory regional anesthesia care for neonates to young adults.
- We are the only anesthesia group capable of providing service for infants, children and young adults undergoing solid organ transplantation in the region.
- We are the anesthesia component of the region's only level 4 neonatal intensive care unit.
- We have an Inpatient Pain Consultation Service for all pain acute and chronic problems requiring inpatient treatment 24/7, with coverage by trained pediatric anesthesiologists and advanced practice nurses.
- We have the region's only comprehensive interdisciplinary ambulatory pediatric pain program. The American Pain Society lists about 30 pediatric pain programs in the United States, few of which are truly interdisciplinary, including pediatric anesthesiology, pediatrics, pediatric pain psychologists, rehabilitation specialists, and complementary and integrative medicine. We are one of the few west of the Mississippi, and certainly the largest and best established. We are the only such program in the Northwest, with the exception of a much smaller program at OHSU.
- Pain rehabilitation program. There is no other program like this west of the Mississippi, except at Stanford. Our program is completely unique; however, in that we provide the majority of our services in a day treatment model, but also have the ability to do so inpatient on the rehabilitation unit (for those whose function is severely compromised) or on the inpatient psychiatric unit (for those with substantial mental health concerns in addition to pain problems).

**Source: Ruth Benfield (VP, Psycho-Social Services)**

PSYCHIATRIC AND SOCIAL SERVICES

- Autism treatment: Intensive Behavioral Treatment; Intensive Feeding Program
- Pediatric Psychology services: Mental health treatment for children with medical illnesses causing, or co-occurring with, mental illness
- Inpatient Psychiatric Treatment of dual diagnosis: Developmental delay + mental illness
- Inpatient Psychiatric Treatment for children under the age of 13
- Child Life treatment increasing the success of medical interventions with less anxiety and less need for sedation/anesthesia

- Other quality of life support such as school program allowing children to return to school sooner; pastoral and spiritual care supporting family coping
- Interpretation services: higher volume than any other agency serving children
- Social Work: support for Dialysis patients, Diabetes Patients, Cardiac Patients, Medically Complex Services, Craniofacial services, Rheumatology
- Pediatric End of Life care
- Therapy Pool treatment for children with medical illness, such as Rheumatologic diseases
- Patient Navigation

**Source: Cheryl Arnett (Manager- Pediatric Advanced Care Team)**

**PEDIATRIC ADVANCED CARE TEAM (PALLIATIVE CARE):**

- Automatic referrals for Bone Marrow Transplant patients
- Automatic referrals for ECMO patients
- Developed the Decision Making Tool, which is now used internationally

**Source: Laura Crooks, Director, Occupational Therapy**

**REHABILITATION MEDICINE**

- We are the only Rehabilitation program with Pediatric Specialty Program Accreditation (CARF) in state of Washington.
- We are the only Level 1 Pediatric Trauma Rehabilitation Center in state of Washington
- WAC 246-976-8700 for Trauma Rehabilitation Service Standards states that for Level 1 Pediatrics (unique to Level 1 Pediatric Trauma Rehab) the designated trauma rehab service must:
  - Treat pediatric and adolescent trauma patients in inpatient and outpatient settings regardless of disability or level of severity or complexity (other level 1's treat adult and adolescent but not pediatric. Adolescent is defined as "approximately 12-18 years of age")
  - Must have and retain full accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF) for pediatric inpatient medical rehabilitation programs (we are the only program in the state of Washington with Inpatient Rehabilitation Pediatric Specialty Accreditation)
  - House patients in a designated pediatric rehabilitation area, providing an environment appropriate to the age and developmental status of the patient (this is unique to our program as all other trauma rehab programs house patients together, and do not have pediatric specific units because they serve so few younger patients, trauma or non-trauma)
  - Have providers with documented special competence in pediatric rehabilitation care. This requirement applies to all pediatric trauma rehabilitation providers (including MDs, RN, Therapies, etc.)

Some of the services not provided anywhere else:

- We have dedicated educational specialists (Special Education Teachers) who work with every patient on our rehabilitation unit to provide ongoing educational support while they are in the hospital and provide discharge planning and continuity of services for transition back to school. They contact the schools where the children come from, obtain lesson plans, modify plans, put 504s and other educational supports in place for children who need their educational program modified because of their injury or illness.

We also do visits to the schools whenever possible and as needed (so especially with our patients with Spinal Cord Injuries), prior to discharge so the school can prepare for the student to come back, but also so we can help the patient adjust and address any concerns prior to them leaving our unit.

- Therapeutic Recreation Specialists work with each of our patients to provide community integration to support the patients in returning to home. This includes outings, setting up passes so families can take their child out into the community or visits to home to support them in safely resuming life with their child, adjusting to any ongoing needs the patient may have. We provide safe transportation including modified car seats (which adult facilities cannot provide).
- Pediatric Rehabilitation Neuropsychologists – specializing in neuro-cognitive disabilities. They work with each of our patients with brain injury, helping to establish education, behavioral and support plans, putting in place low-stimulation protocols as needed, working with families in what is needed for patients with brain injuries and leading a brain injury support program for transition back to the community.
- All therapists, nurses, staff are trained in pediatrics, so provide developmental support to the child in addition to their rehabilitation needs. This includes use of play to facilitate function, developmentally appropriate interventions, communication, close work with the family, etc.
- As mentioned above, we are the only Inpatient Rehabilitation Pediatric Specialty Program Accredited by CARF in the state of Washington, and one of only two who has Brain Injury Accreditation (St. Lukes in Spokane also has Brain Injury Specialty Certification, but they do not have Pediatric Specialty, so under the WACs take adolescent level 1 brain injury patients, but not pediatric). The reason this is special is there are 24 specific pediatric standards from CARF that must be met to be receive pediatric accreditation (and another 32 for Brain Injury).

Here is the statement from CARF on Pediatric Specialty Programs that make them unique: These programs serve children/adolescents who have significant functional limitations as a result of acquired or congenital impairments. These programs use an individualized, developmental, and age-appropriate approach to rehabilitation that ensures that care focuses on preventing further impairment, reducing activity limitations, and minimizing participation restrictions while maximizing growth and development. The programs encompass care that enhances the life of each child/adolescent served within the family, school and community. A major focus is on providing developmentally appropriate care that acknowledges each child's/adolescent's need to learn and play.

**Source: Matt Peterson, Director, Home Care Services Clinical Team**

#### HOME CARE SERVICES

- Seattle Children's provides the only pediatric-focused home care in the Seattle area
- We stock items that are specific to what Children's Hospital uses and prescribes, including investigation drugs based at SCH, and provide collaboration with Investigation Team, e.g., IL2
- TPN supplies and equipment
- Other home infusion
- Home care for SCCA shared kids –strong collaboration within same IT system
- Home respiratory equipment (ventilators)
- Blomed – We service and repair equipment even when patient owned
- We have DME that is sized for children and is regularly stocked

- We have our own drivers, which can get things delivered when Fed Ex and UPS cannot (like when it snows)

Source: Pamela Joy (Director, Strategic Clinical Research Initiatives)

Unique research opportunities only available in Washington state through Seattle Children's Hospital.

- **Cystic Fibrosis:** Children's was the only site in Washington to offer the groundbreaking Cystic Fibrosis (CF) research study with the drug Kalydeco, the first medication to address the cause of CF rather than the symptoms. Many patients' health improved dramatically within just three weeks of starting the new drug. Although the drug only works for 4% of CF patients, the science behind it has opened new pathways that may lead to a cure for all people with CF.
  - A SCH lung doctor served as one of the principal investigators and the lead author for the ground-breaking article in the New England Journal of Medicine regarding this drug.
  - The drug's journey to development illustrates how vision, commitment and collaboration moved research forward to provide improved care and outcomes for children with cystic fibrosis.
  - Seattle Children's continues to be a study site for ongoing therapeutic clinical research studies like Kalydeco.
- **Cancer:** Children's Cancer and Blood Disorders program have patients enrolled in 73 clinical research studies. This equates to over 20% of our cancer patients participating in trials. Some specific examples of how our patients are benefiting from research:
- **Neuroblastoma**
  - **MIBG treatment study.** MIBG is a type of radiation therapy used to kill cancer cells in children with certain kinds of cancer. Currently pediatric patients may only receive MIBG treatment via a research clinical trial. Children's offers the only MIBG treatment in the Northwest. The next closest centers are in San Francisco, Denver and Wisconsin.
  - Children's is the only NANT (New Approaches to Neuroblastoma Therapy) site in the Pacific Northwest; next closest sites are in Denver or San Francisco. NANT aims to develop and test new therapies that will be targeted specifically to neuroblastoma cells, and therefore improve the outcome for children with advanced neuroblastoma with fewer side effects.
- **Leukemia**
  - **T cell immunotherapy** that reprograms a patient's T cells to fight cancer. Children's is currently offering the only T cell therapy treatment trial for patients with Acute Lymphoblastic Leukemia in the Pacific Northwest and we have plans to soon expand our trial to treat patients with neuroblastoma.
  - We are the only TACL (Therapeutic Advances in Childhood Leukemia) site in the Pacific Northwest; next closest site is in San Francisco. TACL was established to provide a means for carrying out early studies of new drugs in children with recurrent leukemia or lymphoma.
- **Phase I Cancer Research**

- We are the only Children's Oncology Group (COG) Phase 1 site in Washington.
- A specific example of a COG Phase 1 study is ADVL0912 for solid tumors and Anaplastic Large Cell Lymphoma: 2 patients that have enrolled have experienced a complete response to protocol treatment.
- **Gene & cell therapy research**
  - Children's Program in Gene and Cell Therapy is the only program in the Pacific Northwest that is developing new genetic therapies for patients with inherited blood diseases. These therapies offer improved quality of life and reduced costs versus conventional therapies because the benefits are leveraged over a patient's entire lifetime. The program's goal is to open 1-2 new therapeutic studies a year.
  - Children's Program in Gene and Cell Therapy and the Ben Towne Center for Childhood Cancer Research are working together to develop and provide new life saving immune therapies for patients with many types of cancer, including leukemia/lymphoma, brain tumors, neuroblastoma and sarcomas.
- **Brain research**
  - The division of neurosurgery at Children's is one of seven centers in the **Hydrocephalus Clinical Research Network (HCRN)** and the only HCRN center in the Pacific Northwest. As part of this international consortium, we track every surgical event involving the shunt of a patient with hydrocephalus, in an effort to identify and improve the care and outcomes of this patient population. We currently have over 460 patients at Children's involved in the HCRN national patient registry and have tracked over 1500 surgical events.
    - As part of HCRN, Children's also follows standardized procedure to reduce shunt infections. Since its inception in 2009, following this protocol has demonstrated a significant reduction in the number of post-operative shunt infections in our patient population.

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CRG Level	Type of Disease	Unique	Inpatient Discharges	Inpatient Days	Cumul % of Days	Cumul % of Discharges	Cumul % of Unique Patients	
Healthy	Non Chronic	Fracture, appendicitis, etc	2,354	2,560	5,005	6.5%	16.7%	22.9%
History signif acute	Non Chronic	Fracture, appendicitis, etc	762	848	1,967	9.0%	22.2%	30.3%
Single minor	Episodic Chronic	Asthma, depression, etc	664	766	2,235	11.9%	27.2%	36.8%
Multiple minor	Episodic Chronic	Asthma, depression, etc	78	103	337	12.3%	5.5%	37.5%
Moderate Chronic	Lifelong Chronic	Type 1 Diabetes, Heart disease, etc	1,962	2,438	8,197	23.0%	43.8%	56.6%
Dominant Chronic	Lifelong Chronic	Type 1 Diabetes, Heart disease, etc	1,428	1,799	6,972	32.0%	55.6%	70.5%
Signif chronic multi-org	Complex Chronic	Cystic fibrosis, CP, etc	1,914	3,269	22,208	60.7%	76.9%	89.1%
Dominant chronic 3+ organs	Complex Chronic	Cystic fibrosis, CP, etc	106	238	3,498	65.2%	78.5%	90.1%
Malignancies	Malignancies	brain tumors, bone tumors	314	1,405	8,382	76.1%	87.6%	93.2%
Catastrophic	Complex Chronic	Cystic fibrosis, CP, etc	701	1,896	18,486	100.0%	100.0%	100.0%
			10,283	15,322	77,287			

Significant chronic diseases highlighted in yellow make up 77% of Seattle Children's patient days

All patients 0-14 in zone

Hospital Name (reformat) (group)	Hospital Fiscal Year											
	HFY 2011					HFY 2012						
	Discharges age 0-1	Discharges age 1-4	Discharges age 5-9	Discharges age 10-14	Discharges age 0-14	Total 0-14 Discharges	Discharges age 0-1	Discharges age 1-4	Discharges age 5-9	Discharges age 10-14	Discharges age 0-14	Total 0-14 Discharges
Seattle Childrens	71.31%	79.04%	80.85%	76.70%	77.09%	8,659	75.73%	83.83%	85.02%	81.54%	81.70%	8,394
Swedish Medical Center - First Hill	14.90%	10.11%	10.72%	5.58%	10.19%	1,146	8.82%	7.76%	7.65%	4.62%	7.12%	732
Harborview Medical Center	3.51%	3.63%	5.47%	7.18%	6.69%	752	4.07%	6.70%	6.50%	5.36%	5.65%	590
Evergreen Hospital Medical Center	3.66%	1.89%	1.56%	1.67%	2.24%	252	3.84%	1.91%	1.56%	1.64%	2.17%	223
BHC Fairfax Hospital	0.18%		0.30%	6.76%	1.84%	207	0.05%			3.03%	1.35%	139
University of Washington Medical..	3.81%		0.03%	0.03%	0.92%	103	5.67%			0.04%	1.22%	123
All Others within 30 mins and 30	2.21%	0.03%	0.09%	1.67%	1.03%	116	1.83%		0.26%	1.27%	0.79%	81
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	11,249	100.00%	100.00%	100.00%	100.00%	100.00%	10,274

Discharges: age 0-1, Discharges: age 1-4, Discharges: age 5-9, Discharges: age 10-14, Discharges: age 0-14 and Total 0-14 Discharges broken down by Hospital Fiscal Year vs. Hospital Name (reformat) (group). The data is filtered on: Hospital zips in both 30 min drive time and 30 mi and APRDRG Service Line. The Hospital zips in both 30 min drive time and 30 mi filter keeps 14 members. The APRDRG Service Line filter excludes NEONATOLOGY.

SCH000015

All patients 0-14 in zone by acuity

APDRG Severity	APDRG Severity	Hospital Name (reformat) (group)	HFY 2011					Hospital Fiscal Year					Total 0-14 Discharges		
			Discharges: age 0-1	Discharges: age 1-4	Discharges: age 5-9	Discharges: age 10-14	Discharges: age 0-14	Total 0-14 Discharges	Discharges: age 0-1	Discharges: age 1-4	Discharges: age 5-9	Discharges: age 10-14		Discharges: age 0-14	
Low Acuity	0	Seattle Childrens	7.86%				7.86%	18	4.87%				4.87%	11	
		Swedish Medical Center - First Hill	23.45%				23.45%	53	12.36%				12.36%	22	
		Evergreen Hospital Medical Center	11.95%				11.95%	27	13.72%				13.72%	31	
		BHC Fairfax Hospital	1.33%				1.33%	3					0.00%	0	
		University of Washington Medical C.	41.59%				41.59%	94	54.87%				54.87%	124	
		All Others within 30 mins and 30 mil.	13.72%				13.72%	31	14.16%				14.16%	32	
		Total	100.00%				100.00%	228	100.00%				100.00%	226	
		1	Seattle Childrens	57.22%	62.13%	70.73%	73.12%	66.00%	2,448	69.70%	66.47%	78.45%	80.61%	73.86%	2,308
	Swedish Medical Center - First Hill		23.97%	17.28%	15.76%	7.31%	15.50%	575	11.09%	14.39%	12.95%	5.52%	11.00%	344	
	Harborview Medical Center		8.61%	17.10%	9.40%	6.55%	10.81%	401	13.08%	12.38%	7.16%	6.49%	9.69%	303	
	Evergreen Hospital Medical Center		6.62%	3.40%	3.31%	3.51%	4.07%	151	5.96%	4.78%	3.17%	3.28%	4.22%	132	
	BHC Fairfax Hospital		0.13%		0.66%	8.84%	2.10%	78				1.65%	0.45%	14	
	University of Washington Medical C.		0.13%		0.09%	0.09%	0.05%	2					0.00%	0	
			All Others within 30 mins and 30 mil.	3.31%	0.09%	0.13%	2.56%	1.46%	54	0.17%		0.28%	2.47%	0.77%	24
			Total	100.00%	100.00%	100.00%	100.00%	100.00%	3,709	100.00%	100.00%	100.00%	100.00%	100.00%	3,128
		2	Seattle Childrens	86.75%	88.94%	86.42%	76.24%	83.59%	3,888	87.30%	89.44%	89.45%	80.68%	86.63%	3,591
	Swedish Medical Center - First Hill		9.25%	7.34%	7.48%	4.38%	6.87%	324	8.84%	6.32%	4.38%	3.30%	5.11%	212	
	Harborview Medical Center		2.21%	5.17%	4.72%	7.18%	5.01%	233	0.86%	4.23%	4.90%	5.12%	4.07%	169	
	Evergreen Hospital Medical Center		1.37%	1.54%	1.08%	1.28%	1.33%	62	2.14%	1.02%	1.15%	0.99%	1.23%	51	
	BHC Fairfax Hospital		0.11%		0.20%	8.93%	2.47%	115	0.14%			8.82%	2.63%	109	
University of Washington Medical C.					0.00%	0.00%	0					0.00%	0		
		All Others within 30 mins and 30 mil.	0.32%		0.10%	1.99%	0.62%	29	0.71%		0.10%	0.98%	0.43%	18	
		Total	100.00%	100.00%	100.00%	100.00%	100.00%	4,651	100.00%	100.00%	100.00%	100.00%	100.00%	4,150	
High Acuity	3	Seattle Childrens	86.87%	80.72%	84.39%	83.61%	86.78%	1,832	91.30%	92.89%	86.08%	82.24%	88.66%	1,837	
		Swedish Medical Center - First Hill	11.07%	5.92%	10.88%	5.85%	7.86%	166	7.55%	3.97%	7.68%	7.10%	6.42%	133	
		Harborview Medical Center	0.84%	3.81%	4.75%	7.72%	4.17%	88	0.46%	3.14%	3.43%	6.36%	3.47%	72	
		Evergreen Hospital Medical Center	0.84%	0.46%		0.21%	0.43%	9	0.46%		0.20%	0.83%	0.39%	8	
		BHC Fairfax Hospital				2.30%	0.52%	11				2.99%	0.77%	16	
		University of Washington Medical C.	0.19%			0.05%	0.05%	1				0.00%	0.00%	0	
			All Others within 30 mins and 30 mil.				0.42%	0.05%	2	0.23%		0.61%	0.37%	0.29%	6
			Total	100.00%	100.00%	100.00%	100.00%	100.00%	2,111	100.00%	100.00%	100.00%	100.00%	100.00%	2,072
		4	Seattle Childrens	67.14%	91.28%	86.71%	87.78%	88.14%	483	97.27%	90.10%	88.37%	91.28%	92.29%	646
	Swedish Medical Center - First Hill		7.14%	4.03%	4.40%	1.02%	4.74%	26	1.36%	3.47%	2.33%	1.34%	2.14%	15	
	Harborview Medical Center		1.43%	4.70%	9.69%	11.22%	5.47%	30	0.91%	6.44%	8.53%	6.71%	5.14%	38	
	Evergreen Hospital Medical Center		1.43%			0.55%	0.55%	3			0.78%		0.14%	1	
	University of Washington Medical C.		2.85%			1.09%	0.00%	6				0.67%	0.14%	1	
	All Others within 30 mins and 30 mil.					0.00%	0.00%	0	0.45%				0.14%	1	
			Total	100.00%	100.00%	100.00%	100.00%	100.00%	548	100.00%	100.00%	100.00%	100.00%	100.00%	700
		Total	100.00%	100.00%	100.00%	100.00%	100.00%	2,658	100.00%	100.00%	100.00%	100.00%	100.00%	2,772	
		Grand Total		100.00%	100.00%	100.00%	100.00%	100.00%	11,245	100.00%	100.00%	100.00%	100.00%	100.00%	10,274

Discharges, age 0-1 Discharges: age 1-4, Discharges: age 5-9, Discharges: age 10-14, Discharges: age 0-14 and Total 0-14 Discharges broken down by Hospital Fiscal Year vs. APRDRG Severity (group), APRDRG Severity and Hospital Name (reformat) (group) The data is filtered on Hospital zip in both 30 min drivetime and 30 mi and APRDRG Service Line . The Hospital zip in both 30 min drivetime and 30 mi filter keeps 14 members The APRDRG Service Line filter excludes NEONATOLOGY.

SCH000016

Psych patients 0-14 in zone

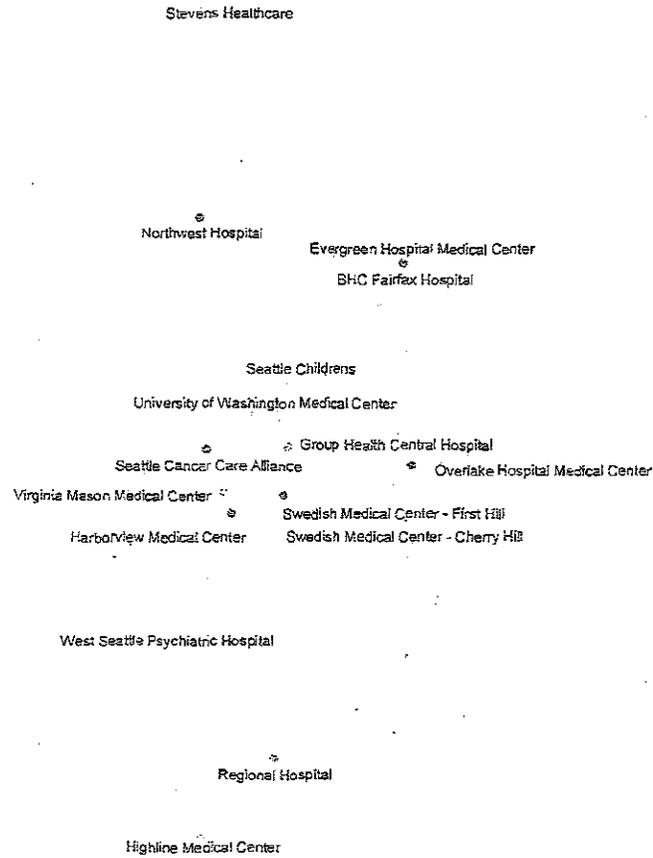
Hospital Name (reformat) (group)	Hospital Fiscal Year											
	HFY 2011					HFY 2012						
	Discharges age 0-1	Discharges age 1-4	Discharges age 5-9	Discharges age 10-14	Discharges age 0-14	Total 0-14 Discharges	Discharges age 0-1	Discharges age 1-4	Discharges age 5-9	Discharges age 10-14	Discharges age 0-14	Total 0-14 Discharges
Seattle Childrens	50.00%	73.33%	80.83%	80.86%	65.52%	458.0	60.00%	50.00%	98.04%	71.91%	75.51%	421.0
Swedish Medical Center - First Hill	5.56%	6.67%	1.83%	0.35%	0.86%	6.0		18.75%			0.47%	3.0
Harborview Medical Center	33.33%	20.00%	0.92%	0.35%	1.72%	12.0	33.33%	31.25%	0.96%	0.40%	2.04%	13.0
Evergreen Hospital Medical Center				0.36%	0.29%	2.0						
BHC Fairfax Hospital	11.11%		6.42%	25.01%	25.18%	204.0	6.67%			27.45%	21.82%	139.0
All Others within 30 mins and 30 ..				3.05%	2.43%	17.0				0.20%	0.16%	1.0
Grand Total	100.00%	100.00%	100.00%	100.00%	100.00%	698.0	100.00%	100.00%	100.00%	100.00%	100.00%	657.0

Discharges age 0-1, Discharges age 1-4, Discharges age 5-9, Discharges age 10-14, Discharges age 0-14 and Total 0-14 Discharges broken down by Hospital Fiscal Year vs Hospital Name (reformat) (group). The data is filtered on Hospital zips in both 30 min drivetime and 30 mi and APRDRG Service Line. The Hospital zips in both 30 min drivetime and 30 mi filter keeps 14 members. The APRDRG Service Line filter keeps PSYCHIATRY.

Hospitals included:

SCH1000017

Hospitals by Zip Code within 30 mins or miles



Map based on Longitude (generated) and Latitude (generated). Color shows details about Hospital Zip. The marks are labeled by Hospital Name (reformat). The data is filtered on Hospital zips in both 30 min drivetime and 30 mi, which keeps 14 members.

SCH000018

Hospitals filtered by zip codes that met both 30 mile radius and 30 min drivetime (SOURCE: MS MapPoint 2009). Since 30 min drivetime was smaller, that is the list of hospitals that end up included.



SCH000019

Transfers to SCH NICU - INTERNAL DATA

Highest Level of NICU Care	Hospital Name	2010 Transfers to SCH	2011 Transfers to SCH	2012 Transfers to SCH
II (A/B)	Alaska Native Medical Center	2.0		
	Auburn Regional Medical Center	2.0	4.0	1.0
	Central Washington Hospital	12.0	7.0	9.0
	Good Samaritan Hospital			1.0
	Group Health Central Hospital	8.0	7.0	13.0
	Harrison	0.0	5.0	1.0
	Highline Medical Center	1.0	3.0	3.0
	Kennewick General Hospital		3.0	
	Northwest Hospital	2.0	1.0	3.0
	Providence Holy Family			
	Skagit Valley Hospital	12.0	18.0	7.0
	St Francis Hospital, Federal Way		1.0	
	St Joe's (Bellingham)	7.0	13.0	17.0
	St Peter (Olympia)	1.0	1.0	2.0
	Swedish Edmonds	2.0	3.0	
	Swedish Issaquah			1.0
	<b>Total</b>		<b>49.0</b>	<b>64.0</b>
III (A/B/C)	Deaconess Medical Center			1.0
	Evergreen Hospital Medical Center	20.0	27.0	21.0
	Kadlec Medical Center	20.0	19.0	12.0
	Legacy Salmon Creek Hospital			
	Overlake Hospital Medical Center	22.0	25.0	21.0
	Peacehealth Southwest Medical Center			
	Prov Everett	31.0	27.0	25.0
	Sacred Heart	2.0	1.0	
	Seattle Children'S	82.0	73.0	78.0
	St Joe's (Tacoma)	1.0		3.0
	Swedish Ballard	1.0	2.0	1.0
	Swedish Medical Center			
	Swedish Medical Center (Cherry Hill)	15.0	18.0	18.0
	Tacoma General Hospital	6.0	11.0	11.0
	Uw Medical Center	96.0	97.0	110.0
	Valley Medical Center Renton	9.0	13.0	8.0
	Yakima Valley Memorial Hospital	19.0	20.0	23.0
<b>Total</b>	<b>324.0</b>	<b>333.0</b>	<b>332.0</b>	
<b>Grand Total</b>	<b>474.0</b>	<b>456.0</b>	<b>453.0</b>	

2010 Transfers to SCH, 2011 Transfers to SCH and 2012 Transfers to SCH broken down by Highest Level of NICU Care and Hospital Name

SCH000020

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SCH000021

# Seattle Childrens Research Institute - FY12-16 Strategic Plan

Last Updated: 10/25/2013

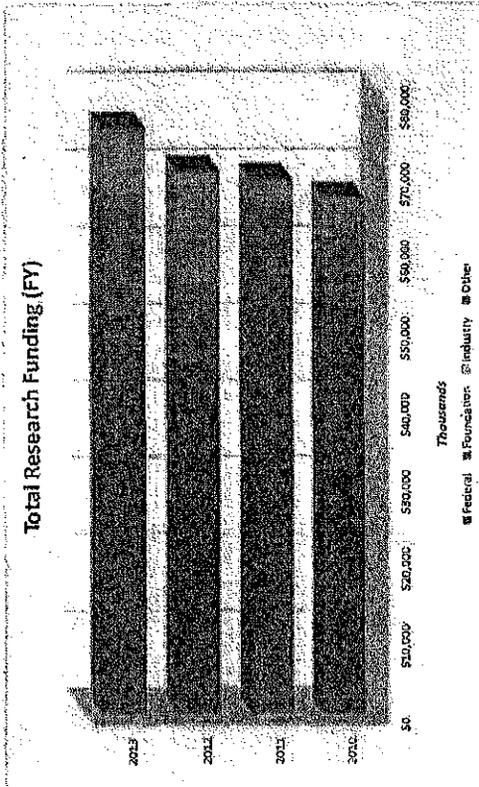
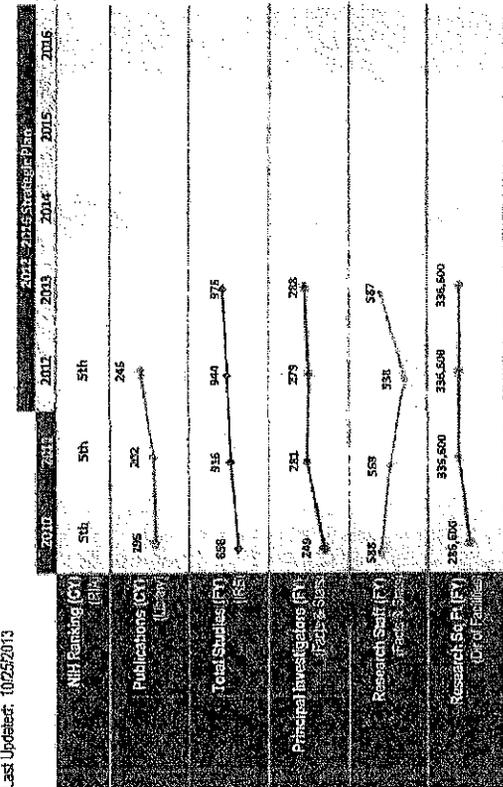
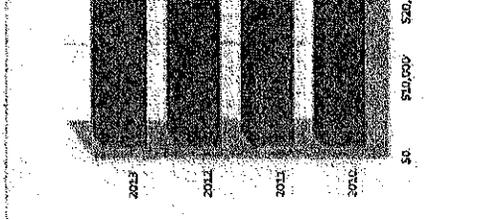
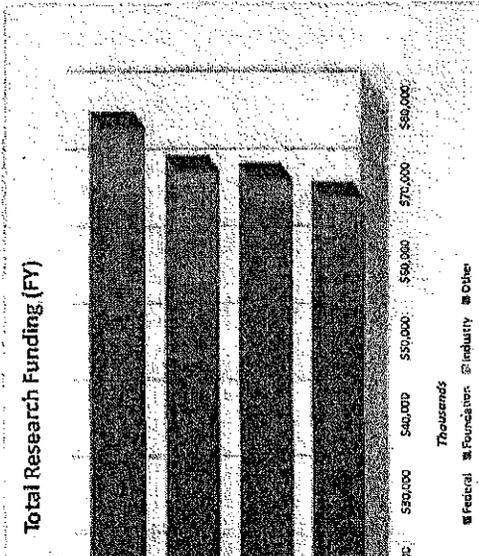
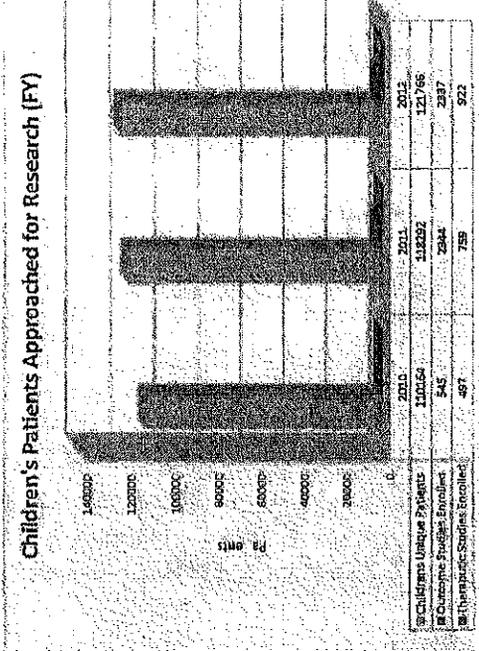
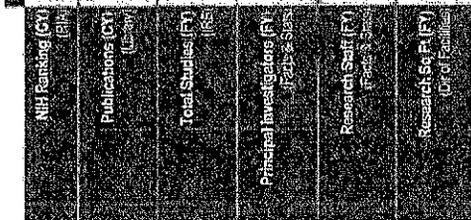
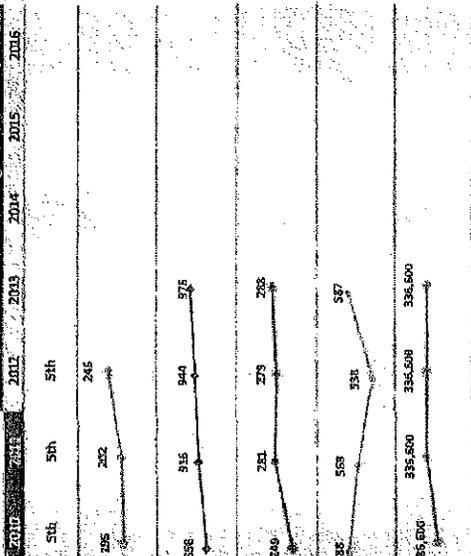
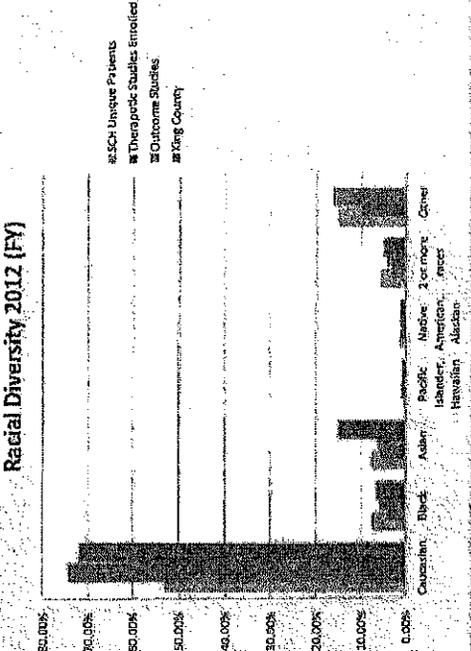


Table 1: Unique Services for Seattle Children's (Ages 0-14) Statewide

	October 2011 to September 2012		
	Total # Statewide	Total # Seattle	% of Total Seattle
Transplant Services			
Heart	11	10	90.9%
Kidney	19	19	100.0%
Liver	16	16	100.0%
ECMO	22	21	95.5%
Bone Marrow Transplai	45	41	91.1%
Cardiac Surgery	240	172	71.7%
Rehabilitation	94	74	78.7%

Source: Truven market data based on Washington State CHARS extracts.  
Service Lines are based on Truven's APR DRG service lines.

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# EXHIBIT C

Seattle Children's  
Fiscal Year Ended: 09/30/2012

PAYER- UNITS OF SERVICE AND REVENUE

	Government* %	Charity Care %	Other-Commercial %	Total
Admissions	6,989 48%		7,509 52%	14,498
Inpatient Days	38,035 53%		34,367 47%	72,402
Outpatient Visits	130,963 40%		192,518 60%	323,481
Inpatient Revenue	\$500,374,706 54%	\$4,935,901 1%	\$426,849,905 46%	\$932,160,512
Outpatient Revenue	\$250,288,604 44%	\$19,798,016 4%	\$295,445,632 52%	\$565,532,252
Total Revenue	\$750,663,310 50%	\$24,733,917 2%	\$722,295,537 48%	\$1,497,692,764

\*Government includes Medicaid and Medicaid Managed Care, Medicare, Tricare, Champus, and other Government

Source: Hospital Records, consistent with Washington State- Department of Health reporting