

For Immediate Release

Contact:

Steve Kaiser, Stevens Hospital,
425-640-4035, skaiser@stevenshospital.org

Hospital District Board Advances Negotiations with Potential Affiliates

Board meets in executive sessions to hear detailed proposals regarding affiliation with several different regional healthcare organizations.

Edmonds, WA – October 29, 2009 – Over the past few weeks the Stevens Hospital Board of Commissioners reviewed the responses of regional healthcare organizations regarding long-term affiliation with those institutions that presented at executive sessions of the Board in early October. The Board and hospital staff have narrowed it down to two and spent considerable time questioning the CEOs and staff of these organizations concerning their proposals, inquiring specifically about the benefit and value of their services to communities in Public Hospital District #2.

The presentations to the Board and discussions that followed came on the heels of the adoption of a new strategic plan for Stevens at the Board's September 23rd meeting. This action followed a series of town hall and local government presentations by the commissioners and Stevens staff over the past four months that sought input from the communities in the Hospital District. The plan focuses on expanded services and programs, quality of care and safety, recruitment of high-quality physicians, financial performance and stability, community relationships, and the upgrading of Stevens Hospital's status as a preferred healthcare provider.

“The Board's continuing quest for an affiliation with a regional healthcare organization is a tactical consideration that supports the priorities of the plan and enhances the mission of the hospital district,” said Jack Kirkman, vice president and spokesperson for Stevens. “We believe such an arrangement would both significantly benefit the community and position the hospital to favorably respond to the challenges of future healthcare reform.”

Immediately following the presentations to the Board, negotiations resumed regarding options that focus on establishing a long-term relationship and will likely involve the re-branding of Stevens under an affiliate's name. The type of relationships being considered would also shift operational responsibility to the affiliate partner and ensure the community has integrated access to the affiliate's tertiary care, advanced clinical

capabilities, and information systems. The commissioners have also stressed the need to continue to have public involvement and oversight of the policies governing the care delivered at Stevens. Because the hospital has confidentiality agreements with all healthcare organizations considering proposals, the details of the Public Hospital District No. 2 Commissioners' talks at their recent meetings with prospective affiliates cannot be made public at this time. This approach is consistent with State laws governing public health district affiliations of this type.

Mike Carter, President and CEO of Stevens, stated that the commissioners are in a strong position to negotiate an agreement that will benefit its patients and their families.

"Unlike a number of community health care providers, we had a good year financially last year with \$5 million in revenue over and above our expenses. And, we have continued this performance through the third quarter of this year with a \$10 million excess of revenue over expense," Carter said.

"While we are on track to have a better year financially this year, even during a down economy, at the same time, over the last three years we have made significant improvements in the care and service we provide our patients and their families. So we are in an excellent position as far as affiliation is concerned. But given the recent moves towards consolidation of health care providers in this area, we need to seek a strong partner to ensure we continue to improve and be a health care asset that meets the growing needs of our community."

It is anticipated that talks with the potential affiliation partners will conclude this year. Any final proposals accepted by the Commissions will be provided for public review. The affiliation strategy has been strongly endorsed by the Steven's medical community.

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About Stevens Hospital

Since 1964, Stevens Hospital has been committed to improving the health and well-being of the community through local, high-quality and compassionate healthcare services. Stevens Hospital offers a range of hospital services including cardiac and cancer care, obstetrics, emergency services and state-of-the-art diagnostic imaging. In 2009, the community hospital received a five-star rating for the quality of joint replacement, treatment of stroke and treatment of pneumonia from HealthGrades, the independent healthcare ratings company.

Stevens Hospital, licensed for 217 beds with a professional staff of 1,200-plus, serves patients from South Snohomish and North King Counties. More than 400 physicians have admitting privileges. The Board of Commissioners for Public Hospital District #2 of Snohomish County, Washington, is responsible for oversight of the hospital and its facilities.