

UW Medicine

February 8, 2018

Dear Colleagues,

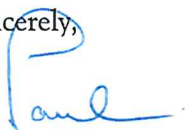
We write to update you on today's University of Washington Regents meeting and their approval of UW Medicine's proposal to combine UW Medical Center ("UWMC") and Northwest Hospital & Medical Center ("NWH") into one hospital with two campuses. As you know, we launched an evaluation process in June 2017 to assess the implications of full integration of the two hospitals. The evaluation team was charged with assessing the benefits of integration, identifying any barriers to moving forward and making recommendations regarding the most effective way to address certain key issues.

The evaluation team, led by six executive sponsors, made substantial progress over the last several months. They considered a variety of issues related to, among other things, human resources, finances, clinical and administrative operations, facilities and governance. Based on this comprehensive work, we moved forward today to seek the Regents approval to combine the two hospitals under one license.

Over the next year, our teams will work to implement an integration plan with a projected target date of January 2020 for full integration. We are confident this transition will benefit our patients, both hospitals and the UW Medicine system as a whole. We believe that combining UWMC and NWH under one license positions both campuses for long term success and will enable UW Medicine to accomplish our mission in the region.

As our work continues, there will be many questions. The attached questions and answers are intended to provide additional information on the results of our assessment thus far. We look forward to sharing more with you as our work continues. Please contact us if you have any questions.

Sincerely,



Paul G. Ramsey, M.D.
CEO, UW Medicine
Executive Vice President for Medical Affairs
and Dean of the School of Medicine,
University of Washington



Geoff Austin
Executive Director
UW Medical Center Administration



Cynthia Hecker
Executive Director
UW Medicine/Northwest Hospital & Medical
Center



Lisa Brandenburg
Chief Health System Officer, UW
Medicine
Vice President for Medical Affairs,
University of Washington

UWMC & NWH Integration Project Questions and Answers

February 8, 2018

1. What does it mean to operate UWMC and NWH as one hospital with two campuses?

NWH will become a second campus of UWMC. The two-campus hospital will operate under a single hospital license (i.e., UWMC's) and be financially, clinically and administratively integrated.

2. Why are we considering consolidating the two hospitals into one?

Operating as two campuses under one license will improve access for our patients, better align our clinical services, improve financial performance and reduce administrative complexity. This combined platform will position both campuses for long-term success and enable UW Medicine to accomplish our mission in the region. Our assessment shows that this transition will benefit our patients, our UWMC and NWH communities and UW Medicine as a whole.

3. Who was on the evaluation team?

The evaluation team was led by six Executive Sponsors: Cindy Hecker, NWH Executive Director, Geoff Austin, UWMC Executive Director, Lori Oliver, UW Medicine Strategic Clinical Business Officer, Mo Broom, UW Medicine Enterprise Finance Officer, Nicki McCraw, UW Assistant Vice President, Medical Centers Human Resources, and Chris Malins, UW Associate Vice President, Treasury. The Executive Sponsors have overseen the evaluation process and have involved individuals from both entities with expertise in a range of areas. As we move forward with the integration, many additional leaders across the system will be involved in the implementation phase of the project.

4. What evaluation has been done thus far?

The goal of the evaluation process was two-fold: (1) to identify any barriers to moving forward with the proposed structure; and (2) to make recommendations regarding the most effective way to address key issues. The Executive Sponsors assessed a variety of issues related to, among other things:

- a. Human resources implications;
- b. Medical staff structure;
- c. Finances;
- d. Clinical and administrative operations;
- e. Facilities; and
- f. Governance

After several months of comprehensive work, the Executive Sponsors concluded that there were no insurmountable barriers to moving forward and took this recommendation to the UW Board of Regents for approval.

5. What will happen to the NWH corporation?

It is likely that the NWH corporation will be dissolved, at which point all NWH assets and liabilities will transfer to the University of Washington as NWH's sole corporate member. It is possible that the NWH corporation could remain in place to serve a limited function in support of UWMC.

6. What will happen to the land and buildings that NWH currently owns?

If the NWH corporation is dissolved, ownership of NWH's land and buildings will transfer to the University of Washington. In accordance with the Affiliation Agreement, the campus will be used as part of the UW Medicine health system and continue to serve the needs of the residents of north Seattle, northern King County and southern Snohomish County.

7. How will the employment of non-physician employees at NWH change?

While we are still evaluating the options, we anticipate that non-physician employees at NWH will become employees of the University of Washington and continue to work at the Northwest campus of UWMC. For unionized staff, the University of Washington will assume NWH's collective bargaining obligations as a successor employer. This should provide for a smooth transition of hospital operations and employees. We will be working closely with the relevant unions to manage the effects of the transition to UW employment.

8. How will the employment of physicians directly employed by NWH change?

While we are still evaluating the options, we anticipate that physicians directly employed by NWH will become dual employed by the University of Washington and UW Physicians ("UWP") and transition to the existing UWP NWH department.

9. How will this transition affect the existing medical staffs of NWH and UWMC?

UWMC will have one integrated medical staff across its two campuses.

UWMC's existing medical staff structure and bylaws will be modified to reflect the new two-campus structure of the hospital and requirements governing hospitals with two campuses. One feature of the modification will be that the two-campus hospital will have an open medical staff. This will allow community physicians to continue practice at the Northwest campus of UWMC and have refer and follow privileges at the University campus.

10. What will be the financial impact when the two campuses are under one license?

Our high level analysis shows an improvement in financial performance following the integration.

11. What are the next steps in the evaluation process?

Now that we have Regent approval, we will be preparing a comprehensive execution plan detailing the operational work, timeline and resources required to move forward with the proposed restructure, and implementing that plan. The current proposed date for opening the two-campus UWMC is of January 1, 2020.