GroupHealth.

Group Health Cooperative
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CERTIFICATE OF NEED PROGRAM
DEPARTMENT OF HEALTH

April 28, 2016

Ms. Janis Sigman, Manager
Certificate of Need Program
Department of Health
111 Israel Road SE
Tumwater, WA 98501

Re: *Letter of Intent—Group Health Cooperative / Kaiser Foundation Health Plan of Washington—HMO Ambulatory Surgical Facility—**Procedure Center (Endoscopy Unit)**—Seattle, Washington.*

Dear Ms. Sigman:

In accordance with RCW 70.38.115(3)(b) and WAC 246-310-080, Group Health Cooperative, a Washington nonprofit corporation ("Group Health" or "GHC"), and Kaiser Foundation Health Plan of Washington ("KFHP-WA"), a Washington nonprofit corporation, which is a wholly-owned subsidiary of Kaiser Foundation Health Plan, Inc., jointly submit this letter of intent. Group Health and KFHP-WA intend to jointly apply for a certificate of need to permit the continued operation of GHC's Capitol Hill Procedure Center, under an ambulatory surgical facility ("ASF") license, following KFHP-WA's pending acquisition of a controlling interest in GHC. The ASF is CN-approved, effective on December 23, 2015 (CN # 1561).

Group Health is a member-governed not-for-profit corporation having approximately 27,000 voting members. GHC is registered as a Health Maintenance Organization ("HMO") under state law and serves more than 600,000 enrollees. GHC and KFHP-WA have entered into an Acquisition Agreement under which KFHP-WA will become the sole member of GHC, substituting for the current voting membership. Under the terms of the transaction, KFHP-WA will establish a nonprofit "Group Health Community Foundation" to serve Washington state residents and will provide more than $1.7 billion to fund the foundation. In addition, KFHP-WA will invest $1 billion in Group Health and its subsidiaries for capital improvements, infrastructure and other improvements that support GHC's continued provision of high quality health care. GHC voting members have overwhelmingly approved the proposed transaction. Review is pending before the Washington State Office of the Insurance Commissioner ("OIC").

Upon approval by the OIC and subsequent closing of the transaction, the proposed acquisition will effect a change of control of GHC. GHC itself will continue to exist as a Washington-based HMO, and will continue to own and operate the ASF.

It is our understanding that this application is subject to Expedited Review under WAC 246-310-110(2)(b)(iii).

1. Description of proposed services:

GHC proposes to continue operating its CN-approved Procedure Center under ASF licensure, with five procedure rooms located at its Capitol Hill Campus in Seattle, Washington. GHC intends to obtain and maintain accreditation of the ASF by the Accreditation Association for Ambulatory Health Care ("AAAHC").

2. Estimated cost of proposed project:

The estimated cost of the proposed project is $20,427.00.

3. Identification of the service area:

For purposes of certificate of need review under the HMO criteria set forth in RCW 70.38.115, the service area is considered to be those portions of King, Snohomish and Kitsap Counties from which the current Procedure Center unit draws the majority of its patients requiring endoscopic and related outpatient procedures. If the ASF were not owned and controlled by a health maintenance organization, the service area designated by WAC 246-310-270(2) and (3) would be Central King.

Thank you for your attention to this matter. If you have any questions please contact Jim Beaulaurier, GHC's legal counsel for this matter, at (206) 340-1010.

Sincerely,

Group Health Cooperative

David L. Glazer
Senior Counsel

Kaiser Foundation Health Plan of Washington

Susan E. Mullaney
Regional President Designate

cc: Katherine Saral, Esq.
James Beaulaurier, Esq.
Frank Fox, Ph.D.