

INTERLOCAL AGREEMENT

THIS INTERLOCAL AGREEMENT (the "Agreement") is made and entered into as of the 19th day of May, 2020, by and between Okanogan-Douglas counties Public Hospital District No 1, d/b/a Three Rivers Hospital ("TRH"), and Okanogan County Public Hospital District No 4, d/b/a North Valley Hospital ("NVH"). TRH and NVH are referred to collectively as the "Parties."

RECITALS

A. Chapter 70.44.003 RCW authorizes public hospital districts to provide "hospital services and other health care services for the residents of such districts and other persons."

B. Chapter 70.44.007(2) defines "other health care services" to include "means nursing home, extended care, long-term care, outpatient, rehabilitative, and ambulance services; services that promote health, wellness, and prevention of illness and injury; and such other services as are appropriate to the health needs of the population served."

C. Each of the Parties is located in a rural area and each provides health care services and operates health care facilities, including a hospital, in its service area.

D. Chapter 70.44.450 RCW expressly authorizes rural public hospital districts to enter into cooperative agreements and contracts with one another under the Interlocal Cooperation Act (Chapter 39.34 RCW) to provide for the health care needs of the people served by the hospital districts, which agreements and contracts are authorized to allocate health care services among the facilities owned and operated by the Districts and address other cooperative arrangements.

E. TRH desires to have NVH provide management services for TRH revenue cycle department and NVH desires to provide such services.

F. Pursuant to the authority granted by Chapter 39.34 RCW and Chapter 70.44 RCW, the Parties wish to enter into and carry out this interlocal agreement for NVH's provision of management and administrative services to TRH.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and the mutual promises and covenants herein contained, the Parties agree as follows:

1. **Term.** This Agreement shall begin on June 1, 2020 (the "Commencement Date"), and shall continue in effect until December 31, 2020 (the "Initial Term"). The Parties will review the existing Agreement and terms thirty (30) days prior to the end of the Initial Term and will amend this Agreement, if necessary.

2. **Management and Administrative Services.** TRH hereby engages NVH and NVH accepts such engagement to provide the management and administrative services set forth in this Agreement.

2.1 NVH shall provide a Revenue Cycle Manager, also known as a Patient Financial Services Manager, to TRH with the following Description of Services “Patient Financial Services Manager”. If TRH is dissatisfied with the work performance of the person proposed by NVH to serve as the Manager, NVH shall have the option, at its discretion, to either use reasonable efforts to timely provide a replacement or terminate the Agreement in under Section 4.2 below.

2.2 Description of Services. NVH shall ensure that the Patient Financial Services Manager develops, provides or makes available the following management and administrative services for TRH:

- i. Management of the TRH employees in TRH’s Patient Financial Services Department;
- ii. Working in conjunction with the TRH Chief Financial Officer and other executives, developing a list of reports and activity reports that measure performance of the revenue cycle team including coders, insurance verification and authorization and its employees.
- iii. Preparation of management reports that measure and quantify the time for issuing and collecting reimbursements for TRH’s claims for services. Reports that could be prepared include “calculation of the lag for all encounters and insurance payers for the number of days between discharge date and the submission of a “clean claim” or “Days Sales Outstanding”.
- iv. Assistance with payor denials to include root-cause analysis, correspondence to the payor, etc.;
- v. Training in CPSI Revenue Cycle processes for accessing CPSI reports and data;
- vi. Oversight of external data reporting such as the quarterly Medicare Bad Debt report;
- vii. Review and assessment of internal process and productivity standards;
- viii. Review and assessment of contracts affecting TRH’s revenue cycle processes;
- ix. Coordination of pricing strategies for TRH’s lines of business;
- x. Assists with audits to confirm billing compliance with regulatory agencies; and,
- xi. Other duties as mutually agreed upon.

3. **Obligations of TRH.**

3.1 Payment for Management Services. TRH shall pay NVH for the services provided under the terms of this Agreement as specified in Attachment C and TRH shall pay the amount due within 30 days of its receipt of the invoice.

4. **Termination.**

4.1 Termination for Cause by TRH With Notice. TRH may terminate this Agreement upon written notice to NVH if NVH fails substantially to perform any material term of this Agreement, if such failure continues for a period of thirty (30) days after TRH has given NVH written notice of the failure.

4.2 Termination for Cause by NVH With Notice. NVH may terminate this Agreement upon written notice to TRH if TRH fails substantially to perform any material term of this Agreement, if such failure continues for a period of thirty (30) days after NVH has given TRH written notice of the failure.

4.3 Termination Without Cause. Either Party may terminate this Agreement without the need to establish cause upon 60 days' written notice to the other Party. The sixty-day notice can be waived by mutual consent of each Party's Chief Executive Officer.

5. **Restrictive Covenants.**

5.1 Restriction. In consideration of NVH's agreement to provide the services contemplated under this Agreement, TRH agrees that during the Term and for a period of two years after termination of this Agreement, regardless of the reason for termination, it shall not, directly or indirectly, without the prior written consent of NVH hire any employee or independent contractor of NVH or solicit or induce any such person to terminate his or her employment or contractual relationship with NVH without the prior written consent of NVH.

5.2 Remedies. In the event of any breach or threatened breach of these restrictive covenants, TRH or NVH – for whichever District is in violation of the Agreement - is entitled to the following remedies, which are deemed to be cumulative and not exclusive:

(a) Equitable Relief. This includes temporary restraining orders, preliminary injunctions and permanent injunctions.

(b) Damages for Violation Covenants. TRH shall pay NVH – or NVH shall pay TRH, if appropriate - for any actual, consequential or incidental damages resulting from or relating to TRH's (or NVH's) violation of the non-competition or non-solicitation covenants.

Any election by either Party to pursue less than all such remedies does not bar later enforcement of any remaining remedies. In any judicial action to enforce these restrictive covenants and/or to secure payment of liquidated damages, the substantially prevailing party shall be entitled to recover its reasonable attorney fees and other costs and expenses.

5.2 Reasonableness and Enforceability of Restrictive Covenant. These restrictive covenants, including their scope, duration and geographic extent, are fair and reasonably necessary to protect NVH's legitimate protectable interests and shall be enforceable

notwithstanding any claim or cause of action against TRH by NVH, whether predicated on this Agreement or otherwise. If a court of competent jurisdiction should decline to enforce this covenant as written, it shall be modified to restrict TRH's actions to the maximum extent that the court shall find enforceable.

6. **Insurance.** Throughout the Term, each Party shall maintain commercial general liability coverage with minimum limits of at least one million dollars per occurrence and two million dollars annual aggregate and such other insurance coverage as is standard in the industry. TRH and NVH shall ensure that their insurance carrier for Director's & Officer's Insurance and Employee Acts policies provide appropriate coverage for the Manager and Consultant, if any. Each Party shall furnish the other with a certificate of insurance evidencing compliance with this Section 6 within thirty (30) days of the Commencement Date. Each Party shall promptly notify the other of any alteration of coverage, cancellation or other termination of any such policy.

7. **General Provisions.**

7.1 **Notices.** Any and all notices or communications required or permitted to be given under any of the provisions of this agreement shall be in writing and shall be deemed to have been given upon receipt when personally delivered or sent by overnight courier or when such delivery is refused or upon receipt if sent by facsimile with hard copy in two (2) days or two (2) days after deposit in the United States mail if sent by first class, certified or registered mail, return receipt requested. All notices shall be addressed to the parties at the addresses set forth in Attachment A or at such other address as a District may specify by notice to the other District.

7.2 **Access to Books and Records.** Until the expiration of four years after the furnishing of services under this Agreement, the parties shall make available, upon written request, to the Secretary of Health and Human Services or to the Comptroller General, or any of their duly authorized representatives, this Agreement and books, documents and records of the parties as are necessary to certify the nature and extents of the services it provided under this Agreement.

7.3 **Independent Contractor.** The Parties shall not by virtue of this Agreement be deemed partners or joint venturers in the operation of TRH's services. It is expressly understood that NVH is hereby retained by TRH to provide management and administrative services on behalf of TRH, and that NVH acts as the agent of TRH solely for the purpose of carrying out its obligations under this Agreement. The Parties shall not be liable for one another's debts or obligations and shall only be obligated to each other as provided in this Agreement.

In the performance of their duties under this Agreement, it is the Parties' intent that each party is at all times acting and performing as an independent contractor. Neither Party shall have nor exercise any control or direction over the methods by which the other Party shall perform its obligations under this Agreement. The sole interest and responsibility of each Party is to assure that services of the other Party are performed in a competent, efficient, and satisfactory manner in accordance with this Agreement.

7.4 **Legal Compliance and Modification, Privacy.** The parties are aware of laws prohibiting practices involving kickbacks, rebates, payments for referrals, private inurement and the unauthorized practice of medicine. Each party acknowledges that it has entered into this

Agreement without intent to violate such laws and believes that this Agreement does not violate such laws. Each party agrees to seek to enforce this Agreement as it is written and not to assert that the relationship between the parties is anything other than a bona fide contractual relationship.

If any federal or state law or regulation is interpreted by judicial decision, regulatory action or a party's legal counsel in a manner that indicates that this Agreement may be in violation of such law or regulation, the parties shall work in good faith to amend this Agreement as necessary to comply with such law or regulation. To the maximum extent possible, any such amendment shall preserve the financial terms of this Agreement. If the parties are unable to reach agreement on an amendment that preserves the financial terms, the parties shall unwind the financial terms and terminate this Agreement within a reasonable time.

Each party agrees to comply with all applicable laws, including the Health Insurance Portability and Accountability Act of 1996, Subtitle F – Administrative Simplification, and its implementing regulations as they currently exist and as from time to time amended ("HIPAA"). The parties further agree to execute and comply with the terms of the business associate agreement and negotiate in good faith any additional agreements or amendments to this Agreement that are necessary to ensure compliance with HIPAA. If after good faith negotiations the parties are not able to agree to the terms necessary to comply with HIPAA, this Agreement may be terminated by either party upon written notice.

7.5 No Sanctions. TRH represents and warrants that the healthcare provider is not barred from participation in or excluded from any federal or state health care program, specifically including Medicare and Medicaid.

7.6 Dispute Resolution. All disputes relating to this Agreement shall be resolved by the dispute resolution process set forth in Attachment B.

7.7 Governing Law. This Agreement shall be governed by and construed under the laws of the State of Washington.

7.8 Entire Agreement/Amendment. This Agreement, including the Attachments, constitutes the entire agreement between the parties and supersedes any and all other prior agreements or understandings, either oral or written, relating in any way to the subject matter of this Agreement and it may be amended only in writing.

7.9 No Waiver. No failure by either party to insist upon the strict performance of any provision of this Agreement shall be construed as depriving that party of the right to insist on strict performance of such provision or of any other provision in the future, and no waiver shall be deemed to have been made unless expressly in writing and signed by the other party.

7.10 Severability. If any provision of this Agreement or its application to any person or circumstance is held unenforceable, the remainder of the Agreement or the application of the provision to other persons or circumstances shall not be affected.

7.11 Survival. The provisions of this Agreement identified in Sections 5, 6, 7.2 and 7.6 shall survive the termination of this Agreement.

7.12 Binding Effect. This Agreement is binding on the parties and on their respective executors, administrators, representatives, successors and assigns.

7.13 Construction of Agreement. The parties agree that each party and its counsel have participated in the review and revision of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any attachment or amendment.

7.14 No Third-Party Rights. The parties do not intend the benefits of this Agreement to inure to any third person not a signatory hereto. Nothing in this Agreement or the course of conduct by a party shall be construed as creating any right, claim or cause of action against either party by any person or entity not a party to this Agreement.

7.15 Counterparts. This Agreement may be executed in counterparts, each of which shall be an original but all of which taken together shall constitute but one and the same instrument.

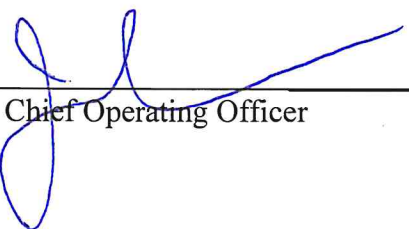
7.16 Filing Requirements. Upon execution of this Agreement, the parties shall file a true and complete copy thereof in compliance with the provisions of Chapter 39.34 RCW.

IN WITNESS WHEREOF, the parties hereby execute this agreement as of the day and year first set forth above.

OKANOGAN-DOUBLAS COUNTIES PHD
#1 d/b/a THREE RIVERS HOSPITAL

OKANOGAN COUNTY PUBLIC
HOSPITAL DIST NO 4 c/b/a NORTH
VALLEY HOSPITAL,

By: 
Chief Executive Officer

By: 
Chief Operating Officer

ATTACHMENT A

OKANOGAN-DOUGLAS COUNTIES PHD #1
d/b/a THREE RIVERS HOSPITAL
507 Hospital Way
Brewster, WA 98812
Attention: Chief Executive Officer

OKANOGAN COUNTY PUBLIC HOSPITAL DIST NO 4
d/b/a NORTH VALLEY HOSPOITAL,
203 South Western Avenue
Tonasket, WA 98855
Attention: Chief Executive Officer

ATTACHMENT B

DISPUTE RESOLUTION

1. **Policy.** The parties agree to cooperate in good faith and to deal fairly with each other in carrying out their respective duties under this Agreement. If a dispute arises, the parties shall first try to negotiate a fair and prompt resolution. If they are unsuccessful, the dispute must be resolved by binding arbitration. The provisions of the Washington Uniform Arbitration Act, Chapter 7.04A RCW, are incorporated herein to the extent not inconsistent with the other terms of this Agreement, and the parties acknowledge that they intend to give up their right to have any dispute decided in court by a judge or jury except as provided in RCW 7.04A *et seq.*

2. **Binding Arbitration.** Any controversy or claim between the parties of any kind whatsoever, including but not limited to those arising from or relating to this Agreement or the relationship between the parties and any claims arising in tort or under statute, must be resolved by a binding arbitration to be commenced in the manner provided in RCW 7.04A.090; provided, however, that all statutes of limitations that would otherwise apply do apply to disputes submitted to arbitration.

a. **Arbitrator.** The arbitration will be conducted by one arbitrator. The arbitrator must be an attorney with at least 15 years' experience in commercial law in Washington State. If the parties cannot, within 15 days after commencement of the arbitration, agree on an arbitrator, each party shall provide the other party with a list of five neutral arbitrators. None of the proposed arbitrators shall be or shall have been employed by, related to or affiliated with either party, nor shall any of them have provided goods or services to or have had a business relationship with either party. If the parties do not propose a common arbitrator acceptable to both parties, the parties or their representatives shall arrange a meeting to be held within five calendar days. Prior to such meeting, each party may advise the other party that it has stricken not more than two names from the other party's list of proposed arbitrators. At such meeting, each party shall select one arbitrator from those remaining on the other party's list, and a coin flip will decide the arbitrator. The party initiating the arbitration shall assign heads and tails to the names of the two proposed arbitrators and the responding party in the arbitration shall flip a coin to determine the arbitrator.

b. **Venue.** The venue of the arbitration shall be Wenatchee, Washington, or such other location as the parties agree in writing.

c. **Arbitrability.** Whether a controversy or claim is covered by this Agreement shall be determined by the arbitrator.

d. **Third-Party Intervention.** If either party so requests at any time within 75 days of the submission of the dispute to arbitration, the parties shall try to resolve the dispute by nonbinding third-party intervention, including mediation, evaluation or both, but without delaying the arbitration hearing date.

e. **Arbitration Procedures.** The arbitration must be conducted, generally, under the provisions of the Washington Uniform Arbitration Act, RCW 7.04A *et seq.*, as now

stated or hereafter amended. The arbitrator shall not be bound by the rules of evidence or of civil procedure, but rather may consider such evidence as reasonable business people would consider in the conduct of their day-to-day affairs, provided that the consideration of such evidence is not prohibited under RCW 7.04A *et seq.*

f. Discovery. The arbitrator may authorize such discovery necessary for a fair hearing of the dispute. Such discovery may not extend the time limits established by this section.

g. Limitation of Costs. The parties seek to minimize the cost of the dispute resolution process. To that end, the arbitrator may limit live testimony and cross-examination and require that the parties submit some or all of their case by written declaration if he/she determines that it can be done without jeopardizing a fair hearing of the dispute.

h. Time Limits. The arbitrator and the parties shall do what is reasonably necessary to conduct the arbitration hearing within 120 days of the date the arbitrator is selected and the arbitrator shall make every effort to limit the hearing to two days and to render his/her opinion within 14 days after the hearing. The parties have specified these time limits to expedite the proceeding, but they are not jurisdictional, and the arbitrator may for good cause afford or permit reasonable extensions or delays, which will not affect the validity of the award.

i. Construction of Agreement. The arbitrator has no authority to add to, subtract from or otherwise change or modify the provisions of this Agreement and may only interpret existing provisions of this Agreement as they may apply to the specific facts of the issues in dispute.

j. Award. The arbitrator must render his/her decision in writing. The decision must contain a brief statement of the claims determined and the award made on each claim. In making the decision and award, the arbitrator shall apply applicable law. Absent fraud, collusion or willful misconduct by the arbitrator, the award will be final, and judgment may be entered in any court having jurisdiction over it.

k. Representation by Counsel. All parties shall have the right to representation by legal counsel at any stage of the proceedings.

l. Remedies. The arbitrator may award injunctive relief or any other remedy available from a judge, including the joinder of parties or consolidation of this arbitration with any other involving common issues of law or fact or that may promote judicial economy. The arbitrator may also award attorneys' fees and costs to the party that most substantially prevails, but does not have the power to award punitive or exemplary damages.

m. Arbitration Expenses. Each party will bear one-half of the arbitrator's fee and any other costs and expenses jointly incurred (court reporter, etc.) in the arbitration. All other costs and expenses, including attorneys' fees, are to be borne by the party incurring them, except as otherwise ordered by the arbitrator.

ATTACHMENT C
FEES FOR SERVICES PROVIDED BY NVH

Manager Monthly Fee:	\$4,235.00
ChargeMaster/Analyst Hourly Fee:	\$45.00