

AGREEMENT FOR PHYSICIAN SERVICES

This Agreement for Physician Services (the "Agreement") is made and entered into as of _____, by and between Public Hospital District No. _____ of _____ County, Washington (the "District"), a Washington municipal corporation, and (the "Provider"), a Washington _____.

RECITALS

A. The District provides necessary health services to the residents of the District and to other persons, many of whom are poor and infirm;

B. The District owns and operates _____ Hospital in _____, Washington (the "Hospital");

C. There is not a sufficient number of physicians practicing _____ within the District to meet adequately the health needs of persons residing in the District and other persons served by the District;

D. It is consistent with the purpose of chapter 70.44 RCW and in the best interest of the District to provide for the health care needs of persons residing in the District and other persons to enter into contractual relationships with qualified, licensed physicians upon such terms and conditions as will assist the District in meeting its health care responsibilities;

E. The Provider is engaged in the practice of medicine in offices currently located at _____; and

F. The Provider seeks to recruit _____, who specializes in _____ (the "Recruited Physician"), to provide medical services to persons residing in the District and other persons served by the District.

NOW, THEREFORE, in consideration of the mutual benefits to be derived, and all the terms, conditions and covenants hereafter set forth, the parties agree as follows:

AGREEMENT

1. TERM. This Agreement shall begin on _____, 200__, (the "Commencement Date"), and shall end upon the Provider's repayment of all amounts owed to the District (the "Term"). The period during which the District provides the Income Subsidy to the Provider shall begin on the Commencement Date and continue for twelve (12) months, ending _____, 200__ (the "Subsidy Period").

2. MEDICAL PRACTICE. Beginning on the Commencement Date, and through the remaining Term, as defined in Section 1 herein, the Provider shall perform the following duties:

2.1 Full [Part]-Time Practice. The Provider shall employ the Recruited Physician to provide professional _____ services at _____ (the "Office") on

a full [part]-time basis (the "Practice"). The Provider shall require the Recruited Physician to provide inpatient and outpatient services not fewer than [____ days or _____ hours] per week.

The Provider shall require the Recruited Physician to be available for patient consultations on matters within the Recruited Physician's area of specialty, either at the Hospital or by telephone, on a 24-hour-per-day, 7-day-per-week basis, unless other appropriate coverage arrangements are made in advance (i.e. call schedule or group coverage). The Provider shall permit the Recruited Physician to take no more than [____ days] of leave during any twelve (12)-month period of this Agreement. Leave shall include any period of time during which the Recruited Physician is unable to provide for any reason the services specified in this Agreement, including, but not limited to, leave for vacation, medical education, sick time and holidays.

2.2 Qualifications of Recruited Physician. The Provider shall ensure that, throughout the Term, the Recruited Physician (a) maintains an unrestricted licensed to practice medicine in the state[s] of Washington, (b) maintains membership in good standing on the Hospital's active medical staff (the "Medical Staff"), (c) is board-certified or eligible in _____; and (d) maintains all customary narcotics and controlled substances numbers.

2.3 Performance. The Provider shall require the Recruited Physician to perform the duties associated with the Practice within the scope of the Recruited Physician's qualifications and privileges granted and consistent with the community standards of practice.

2.4 Charity Care. The Provider shall provide, and shall cause the Recruited Physician to provide, services based on the patient's ability to pay. The Provider and the Recruited Physician shall accept patients regardless of payment source, specifically including Medicare and Medicaid patients at levels that are similar to other providers in the practice.

2.5 Fees. The Provider shall prepare a schedule listing the fees to be charged for the Recruited Physician's professional services. Such fees shall be reasonable for comparable services in Whitman County.

2.6 Insurance. The Provider shall at all times during the Term maintain professional liability insurance for the Recruited Physician, in an amount and form acceptable to the District. The insurance shall provide coverage for any occurrences during the Term regardless of when a claim is made.

2.7 Billing for Services and Accounting for Revenue. The Provider shall bill all patients treated by the Recruited Physician. The billed fees for all such services shall be separately identified and shall be consistent with the schedule required by Section 2.5 of this Agreement. The Provider shall maintain a separate accounting of the revenue and expenses accruing from the services rendered by the Recruited Physician during the Term. The Provider further agrees to allow a designated officer or employee of the District to inspect such records and any agreements between the Provider and the Recruited Physician at the end of each month and at other convenient times during the Term, if so requested. The Provider agrees to bill for the Recruited Physician's services within two (2) weeks.

2.8 Additional Recruiting Efforts. If the Recruited Physician fails to complete the Term or is prevented from practicing in the District's service area following the Term, the Provider shall cooperate with the District to determine the need in the community for a new physician.

3. DUTIES OF THE DISTRICT. The District shall perform the following duties:

3.1 Relocation Expense. The District shall reimburse the Physician for all approved relocation expenses up to \$_____ upon receipt of documentation of such expense consistent with District policy.

3.2 Income Subsidy.

a. Definitions. For purposes of this Agreement:

1. "Gross Collections" means all monies collected for the Recruited Physician's professional fees and ancillary services in office or hospital practice and any other income from the practice of medicine during the Subsidy Period.

2. "Income Subsidy" means the total amount of the subsidy paid by the District to subsidize the Recruited Physician's Practice during the Subsidy Period.

3. "Professional Expenses" means expenses that are: (i) incurred during the Subsidy Period; (ii) normally and reasonably associated with the operation of the Practice; (iii) allocable to the Recruited Physician; and (iv) deductible for federal income tax purposes. Professional Expenses include the reasonable salary paid to the Recruited Physician. Specifically excluded from Professional Expenses are contributions to retirement or deferred compensation plans on behalf of the Recruited Physician and payment of federal, state and local income taxes. All items to be included in Professional Expenses are subject to the District's prior written approval.

b. The District shall share equally with the Provider in subsidizing, the Recruited Physician's Practice up to an amount not to exceed \$_____ during, the first twelve (12) months of the Subsidy Period if the Professional Expenses exceed the Gross Collections during the first twelve (12) months of the Subsidy Period. The District will advance subsidy payments in two (2) installments, one on _____ and the second on _____. The Provider shall submit documentation to the Chief Financial Officer (CFO) of the District by _____ stating the amount of subsidy used for the first installment and the estimated subsidy required for the second installment in order for the District to determine the amount of subsidy due the Provider for the second installment period (the "Necessary Documentation"). Subsidies extended pursuant to this section shall be forwarded to the Provider within fifteen (15) days of receipt by the District of the Necessary Documentation.

3.3 Repayment of Excess Monthly Income. In each month of the Subsidy Period that the Gross Collections exceed the Professional Expenses (the "Excess Collections"), the Provider may elect to pay the Excess Collections to the District to be applied to any Income Subsidy the District advanced during the preceding months of the Subsidy Period. In no event, however, shall the Provider be required to reimburse the District by an amount greater than the

Excess Collections for that month. In the event the payments due to the District hereunder are not made as set forth above, the outstanding balance shall bear interest from the date payment is due until the date paid at the prime rate, as published in the Wall Street Journal on the date payment is due, plus one percent per annum.

3.4 Final Settlement of Reimbursement Obligation. Within thirty (30) days of the end of the Subsidy Period or the early termination of this Agreement, the Provider shall report to the District the value of the Recruited Physician's accounts receivable as of the end of the Subsidy Period or the early termination date. Upon receipt of the report of the value of the Recruited Physician's accounts receivable, the District will calculate the amount of the Income Subsidy it paid to the Provider. The Provider shall repay the amount of the Income Subsidy, if any, by making monthly payments of principal and interest to the District over a forty-eight (48) month period and bearing interest at the prime rate, as published in the Wall Street Journal on the last day of the Subsidy Period, plus one percent per annum. The Provider shall execute a promissory note in favor of the District evidencing the repayment obligation set forth above. The monthly payment due on the promissory note shall be forgiven for each month that the Recruited Physician maintains a full-time practice in compliance with all terms and conditions of this Agreement.

3.5 Security interest. The Provider does hereby grant the District a security interest in the Recruited Physician's practice revenue (the "Collateral") as security for the full and prompt performance of the Provider's duties hereunder. Upon request, the Provider shall execute a UCC-1 Financing Statement to enable the District to perfect its security interest in the Collateral. Upon satisfaction by the Provider of its obligations hereunder, including, but not limited to, its obligations under Sections 3.2, and 3.3, the District shall release its security interest. Upon the occurrence of a default hereunder, without further notice to the Provider or the opportunity to cure. The District shall be entitled to exercise all of the rights and remedies of a secured creditor under Article 9 of the Washington Uniform Commercial Code and to pursue such other legal and equitable remedies as may be available to it, including, but not limited to, seeking injunctive relief.

4. INDEPENDENT CONTRACTOR. Neither the Provider nor the Recruited Physician is constituted by this Agreement to be an agent or employee of the District. The services of the Provider and the Recruited Physician under this Agreement shall be those of independent contractors practicing the profession of medicine. Accordingly, the Provider understands and agrees that neither the Provider nor the Recruited Physician shall be entitled to any of the rights and privileges established for employees of the District, such as vacation, sick leave with pay, paid days off, health insurance, life insurance, accident insurance, or severance pay upon termination of this Agreement. It is further expressly agreed and understood that the District will not withhold any sum due or payable by or on behalf of the Provider or the Recruited Physician as withholding for income tax, employment tax, Social Security, or any other withholding pursuant to any law or requirement of any Governmental body and that all such payments as may be required by law are the sole responsibility of the Provider or the Recruited Physician. It is further expressly agreed that except with respect to the obligations specifically set forth in this Agreement or in the Medical Staff Bylaws, and Hospital rules, regulations and policies, the District shall neither have nor exercise any control over the professional medical judgment or methods used by the Provider or the Recruited Physician in the performance of

services hereunder. However, the Provider agrees that in addition to observing the foregoing requirements, the Provider and the Recruited Physician shall at all times perform their duties and functions in strict conformance with currently approved practices in their field of medicine and in a competent and professional manner.

5. ACCESS TO PROVIDER'S BOOKS AND RECORDS BY SECRETARY OF HEALTH AND HUMAN SERVICES OR AUTHORIZED REPRESENTATIVE. The following clause is included because of the possible application of Section 1861(v)(1)(I) of the Social Security Act to this Agreement, but if that section should be found inapplicable to this Agreement, this clause shall be deemed not to be part of this Agreement and shall be null and void:

Until the expiration of four (4) years after the furnishing of services under this Agreement, the Provider shall make available upon written request of the Secretary of Health and Human Services or the Comptroller General of the United States, or any of their duly authorized representatives, this Agreement and such books, documents, and records of the Provider as are necessary to certify the nature and extent of the costs hereunder. If the Provider carries out any of the duties under this Agreement through a subcontract, for the value or cost of _____ (\$ _____) or more over a twelve (12)-month period with a related organization, such contract shall contain a clause placing the same duty on the subcontractor as this contract places on the Provider. This clause shall survive the termination of this Agreement according to its terms.

In the event the law or regulations are effectively amended to increase or decrease the annual amount necessary to require this clause, the amount set forth herein shall be deemed amended accordingly. Notwithstanding, the presence of this clause in this Agreement, this clause shall only be applicable in the event the actual dollar amount paid during any twelve (12)-month period equals or exceeds the government threshold amount.

6. TERMINATION. Before the end of the Term, the District shall be relieved of any further obligation under this Agreement and may terminate this Agreement immediately upon providing the Provider with written notice if any one of the following events occurs:

a. The Provider fails to employ the Recruited Physician as required by Section 2.1;

b. The Recruited Physician's license to practice medicine in the State of Washington is revoked, restricted or suspended or the Recruited Physician permits his license to expire;

c. The Recruited Physician's medical staff privileges at the Hospital are terminated, suspended, restricted or if and when he ceases to be a fully qualified member of the Medical Staff;

d. The Recruited Physician is terminated for cause from participation in any third-party payor plan, including but not limited to Medicare or Medicaid;

e. The Recruited Physician is convicted of any offense punishable as a felony or engages in unprofessional conduct as defined in RCW 13.130.180;

f. The Recruited Physician is not qualified to perform his essential job functions with or without reasonable accommodation by the Provider as defined by federal and state disabilities laws; or

g. The Provider or the Recruited Physician fails to perform any term or condition of this Agreement, or fails to comply with the policies, standards or regulations of the Hospital after written notice and a reasonable opportunity to cure.

7. INVOLUNTARY ABSENCE FROM WORK. Physician shall be allowed to be involuntarily absent from work due to illness or injury for fourteen (14) total (not necessarily consecutive) working days during the contract period. Involuntary absence from work in excess of fourteen (14) working days total shall result in subtraction from guaranteed monthly income of up to \$_____ per working day to be determined by District. District shall have right to access personal medical records of Physician if involuntary absence from work exceeds fourteen (14) working days. If involuntary absence from work exceeds ninety (90) consecutive days, contract shall, at the discretion of the District, terminate.

8. DISPUTE RESOLUTION. All disputes relating to this Agreement shall be resolved by the dispute resolution process set forth in Exhibit A.

9. NOTICES. The District shall be represented by its administrator, who has authority to act for the District with respect to matters relating to the interpretation and performance of this Agreement. All correspondence and notices to the District shall be directed to the Administrator's attention at _____ Hospital, _____, _____, Washington _____. All correspondence and notices to Provider shall be directed to the office.

Notices shall be delivered personally, delivered by facsimile or mailed by certified mail, return receipt requested. The designated representative and addresses may be changed as necessary by giving notice in the same manner.

10. GOVERNING LAW. This Agreement shall be governed by and construed under the laws of the State of Washington.

11. NO ASSIGNMENT. The Provider shall not assign, delegate, or otherwise transfer any duties or obligations under this Agreement without the prior written consent of the District. Any effort to do so shall be void and be cause for immediate termination of this Agreement by the District.

12. ENTIRE AGREEMENT/AMENDMENT. This Agreement 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.

13. 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 made expressly in writing, and signed by the other party.

14. 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.

15. BINDING EFFECT. This Agreement is binding on the parties and on their respective executors, administrators, representatives, successors and assigns.

16. COMPENSATION INFORMATION. Provider shall furnish to District a copy of the signed Employment Agreement between Provider and the Recruited Physician effective for the Subsidy Period, or a letter from Provider setting forth the material terms of the Recruited Physician's employment by Provider; said information shall include the material terms of the professional expenses to be paid to Recruited Physician during the Subsidy Period.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement effective the date first above written.

The District:

PUBLIC HOSPITAL DISTRICT NO. ____ OF _____
COUNTY, WASHINGTON

Administrator Provider:

EXHIBIT A

DISPUTE RESOLUTION

1. Policy. The parties hope there will be no disputes arising from their relationship. If a dispute arises, the parties shall first try to negotiate a fair and prompt resolution. If they are unsuccessful, the dispute shall be resolved by binding arbitration, the parties acknowledging that they intend to give up their right to have any dispute decided in court by a judge or jury. The provisions of the Washington arbitration statute, chapter 7.04 RCW, are incorporated herein to the extent not inconsistent with the other terms of this Agreement.

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 the Agreement for Physician Services between the parties, and those involving pay disputes, claims of breach of contract, discrimination or other torts, shall be resolved by an arbitration to be commenced in the manner provided in RCW 7.04.060, provided, however, that all statutes of limitations that would otherwise apply shall apply to disputes submitted to arbitration. This process applies regardless of when the dispute arises and will remain in effect after the Agreement for Physician Services ends, regardless of the reason it ends.

2.1 Arbitrator. There shall be one arbitrator. If the parties cannot, within fifteen (15) days after commencement of the arbitration, agree on an arbitrator, he/she shall be selected by the administrator of the American Arbitration Association (AAA) office in Seattle, Washington, within fifteen (15) days thereafter. The arbitrator shall be an attorney with at least fifteen (15) years' experience in commercial law in the Seattle metropolitan area. The venue of the arbitration shall be _____, Washington.

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

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

2.4 Arbitration Procedures. The arbitration shall be conducted under the AAA Commercial Arbitration Rules in effect on the date the arbitrator is selected, to the extent consistent with this Exhibit A.

There shall be no discovery or dispositive motions (such as motions for summary judgment or to dismiss or the like), but the arbitrator may authorize such discovery as is necessary for a fair hearing of the dispute. Such discovery shall not extend the time limits established by this section.

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.

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

2.5 Time Limits. The arbitrator and the parties shall do what is reasonably necessary to conduct the arbitration hearing within one hundred twenty (120) days of the date the arbitrator is selected, and the arbitrator shall make every effort to limit the hearing to two (2) days and to render his/her opinion within fourteen (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 shall not affect the validity of the award.

2.6 Construction of Agreement. The arbitrator shall have no authority to add to, subtract from, or otherwise change or modify the provisions of the Agreement for Physician Services between the parties and shall only interpret existing provisions of that Agreement as they may apply to the specific facts of the issue in dispute.

2.7 Award. The arbitrator shall render his/her decision in writing. The decision shall contain a brief statement of the claim(s) 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 shall be final, and judgment may be entered in any court having jurisdiction.

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. If a court, applying applicable substantive law, would be authorized to award punitive or exemplary damages, the arbitrator shall have the same power, but the arbitrator otherwise shall not award punitive or exemplary damages.

2.8 Representation by Counsel. Each party shall have the right to representation by legal counsel at any stage of the proceedings and each party shall bear the costs of its legal counsel.