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Attorneys for Plaintiffs

UNITED STATES DISTRICT COURT
 DISTRICT OF OREGON

EAST PORTLAND IMAGING CENTER,)
 P.C., an Oregon professional)
 corporation doing business as)
 EPIC IMAGING-EAST; and BODY)
 IMAGING, P.C., an Oregon)
 professional corporation doing)
 business as BODY IMAGING)
 RADIOLOGY,)
)
 Plaintiffs,)

v.)

PROVIDENCE HEALTH SYSTEM-OREGON,)
 an Oregon nonprofit corporation;)
 PROVIDENCE HEALTH PLAN, an Oregon)
 nonprofit corporation; PORTLAND)
 MEDICAL IMAGING, LLC, an Oregon)
 limited liability company;)
 RADIOLOGY SPECIALISTS OF THE)
 NORTHWEST, P.C., a professional)
 corporation; CENTER FOR MEDICAL)
 IMAGING, LLC, an Oregon limited)
 liability company; and ADVANCED)
 MEDICAL IMAGING, LLC, an Oregon)
 limited liability company,)
)
 Defendants.)

Civil No.

DECLARATION OF
 DR. ED WHITELAW

By Plaintiffs

1. I, Ed Whitelaw, declare and state as follows:

2. I am a professor of economics at the University of Oregon. I am also president of ECONorthwest (ECONW), which provides analyses in economics, finance, planning, and policy evaluation for businesses and governments. I received a Ph.D. in economics from the Massachusetts Institute of Technology. I have testified in administrative, legislative and Congressional hearings, and in court proceedings. One of my areas of expertise is antitrust economics.

3. ECONorthwest has been hired by plaintiffs' counsel in this action to examine the relevant market for radiology and imaging services in the Portland area for and to describe the likely economic consequences of proposed actions by defendants Providence Health System-Oregon and Providence Health Plan that would limit patients' access to diagnostic imaging services in the relevant market. As I understand, these actions include terminating the plaintiffs as authorized providers for the Providence Health Plan, excluding the plaintiffs from the panels of authorized providers that Providence credentials and provides to over 100 insurance companies, and inhibiting third-party payors from contracting directly with the plaintiffs.

4. Our analysis continues and will benefit significantly from anticipated discovery in this action. However, based upon the material and data we have examined to date, it is

my preliminary opinion that the market for outpatient diagnostic imaging services constitute a relevant product market for antitrust purposes and that Multnomah, Clackamas, and Washington counties define the relevant geography for this market. It is also my preliminary opinion that the Providence defendants currently capture a share of this market in the range of 34-39%. The Providence defendants' proposed actions would, more likely than not, increase their market share.

Relevant Product Market

5. Based on the information available at this time, it is my opinion that the market for diagnostic imaging services at issue in this case includes the following:

- Ultrasound
- Nuclear Medicine
- Bone Densitometry
- Computerized Tomography (CT)
- Positron Emission Tomography (PET)
- Magnetic Resonance Imaging (MRI)
- Radiology (x-ray)
- Mammography
- Fluoroscopic imaging

6. It is my understanding that physicians can substitute, to various degrees, among at least some of the diagnostic imaging services listed in the previous paragraph. However, substituting other outpatient or inpatient services for

diagnostic imaging services is either technically or economically infeasible. For example, blood tests and blood-pressure monitors do not provide diagnostic information equivalent to any of the above imaging services which we have grouped within the overall product category of diagnostic imaging services.

7. In analyzing the diagnostic imaging services product market, we examined the range of facilities where those services are provided to patients, including hospitals, health clinics, doctors' offices, and other facilities. It is my opinion that outpatient diagnostic imaging services constitute a separate market because it is not practical for inpatients, for medical or economic reasons, to substitute diagnostic imaging services provided at clinics, doctors' offices, or other hospitals for the diagnostic imaging services they receive at a hospital to which they have been admitted as an inpatient.

Relevant Geographic Market

8. Based upon the information available at this time, I preliminarily conclude that the Portland tri-county area of Multnomah, Clackamas, and Washington counties constitutes the relevant geography for this analysis. My analysis focused on the hospitals, clinics, and other facilities that provide diagnostic imaging services to outpatients residing in the tri-county area and the Providence share of this market. The next section of this declaration describes my analysis of the Providence market share and the data I relied on.

Market Share of Providence Defendants

9. We have examined a 5% sample for 2003 of Medicare data for 2003 that shows the revenues earned by hospitals that provide health care and diagnostic imaging services in the Portland tri-county area. Our analysis of that data shows that the Providence defendants currently capture between 34% and 39% of the market for diagnostic imaging services that hospitals provide outpatients, depending on whether the analysis includes patients served by the Kaiser Permanente system. As I understand it, some health care analysts do not include Kaiser patients in their analyses of the market share because patients covered by Kaiser insurance must use Kaiser facilities or receive no level of reimbursement for medical services they receive at non-Kaiser facilities. Excluding Kaiser outpatients, the Providence defendants account for 39% of the Portland market for diagnostic imaging services. Including Kaiser outpatients reduces their market share by 34%.

10. It is not possible from the Medicare data we examined to calculate that portion of the Providence share of the diagnostic imaging services provided at clinics or physician offices. I would expect its market share in this component of the market, however, to approach or exceed the 34-39% share described above because Providence has a strong position in this portion of the market given its 25 medical clinics and other facilities distributed throughout the Portland area. Based upon this preliminary analysis, I conclude that Providence captures a 34-39% share of the outpatient market for diagnostic imaging services in

the tri-county Portland area, with the lower end of the range based on including Kaiser patients in the analysis.

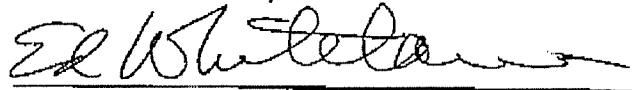
11. If the Providence defendants move ahead with what we understand are efforts to acquire two Portland area hospitals in Clackamas and Washington counties, they would capture between 39% and 46% of the market, depending on whether the analysis includes Kaiser patients. We also understand that the Providence defendants may build a hospital on acreage acquired in eastern Multnomah County. The combination of this facility, their proposed acquisition of two hospitals, plus successful implementation of the exclusionary contracting practices challenged in this litigation would, in my opinion, increase the Providence defendants' share in the market for diagnostic imaging services in the Portland tri-county area to a level above the 50%.

Harm to Competition and Consumers

12. The antitrust harm associated with the Providence defendants' proposed actions transcends the impact on the plaintiffs. The complaint, attached exhibits and the declarations of multiple physicians describe significant harm to the consumers of diagnostic imaging services in the Portland area. This harm has two components. First, the Providence defendants' proposed actions will limit patient choice by excluding the two plaintiffs. Second, the quality of patient care will suffer because patients will no longer have access to the innovative and high quality diagnostic imaging services that the plaintiffs provide.

13. I declare under penalty of perjury that the foregoing is true and correct.

DATED this 3rd day of April, 2005.



Dr. Ed Whitelaw