

BAY AREA HOSPITAL DISTRICT BOARD MEETING
November 12, 2024, MINUTES
Bay Area Hospital Myrtle Conference Room @ 6:05 pm

BOARD EDUCATION SESSION at 5:30

CALL TO ORDER

Mr. Troy Cribbins, Board Chairperson, called the Bay Area Hospital (BAH) District Board meeting to order at 6:12 pm. A quorum was present.

BOARD ATTENDANCE

Troy Cribbins, Patrice Parrott; Tom McAndrew, MD (*via Teams*); Barbara Taylor; Carma Erickson-Hurt; Renee Nelson

ABSENT

Denton Gruzensky, interim CHRO (*excused*)

STAFF ATTENDANCE

Brian Moore, CEO; Jennifer Collins, CNO; Kelli Dion, CQO; Gretchen Nichols, COO; Lee Saltzgaber, MD, CMO; Mary Lou Tate, CFO; Kim Winker, Marketing & Communications Director; Dr. Paavani Atluri, MD, COS (Chief of Staff), Shanna Sheaffer, EA; Denise Bowers, EA

LEGAL COUNSEL

Megan Kronsteiner, Esq.

PUBLIC ATTENDANCE AND INPUT

There were members of the public in attendance in person and via Teams

GUESTS

Amanda Maynard, Lovell Communications (*via Teams*)

Laura Elkins, Lovell Communications (*via Teams*)

Rex Burgdorfer, Juniper Advisory (*via Teams*)

Chris Benson, Juniper Advisory (*via Teams*)

Ansley Geary, Juniper Advisory (*via Teams*)

PUBLIC INPUT SESSION

Several members of the public shared comments with the board:

The first member of the public thanked the board for their work and commented her pleasure to find the Bay Area Hospital District Board minutes had been added to the hospital's website. She mentioned concern with the potential of another electronic health record change if we partner with a health system who does not use Epic; in speaking with providers and members of the community, she heard broadly that the initial change to Epic "was tough". She urged the board to make any change "go smoothly".

The next commenter pointed out to the board that “partnerships bring unintended consequences” and expressed concerns that care would decline, and physicians would be pushed out. He cited a historical “strong collaboration between physicians and Bay Area Hospital while new partnership could be placing the physicians in competition” with the hospital. He is concerned that a partner will “dictate the delivery of medical care”. He noted that physicians are drawn to Bay Area Hospital because of the independence in this area, as physicians and as a district. He ended by urging the board to “preserve the independence” of our physicians and to “maintain control in our own community”.

Inviting and receiving no additional comments from the public in the room or on the Teams, Chairperson Cribbins closed the public input session at 6:19 pm.

REPORT OF THE BOARD CHAIRPERSON

Chairperson Cribbins spoke eloquently on the situation facing Bay Area Hospital, honoring our history and looking to the future, citing the board and management’s commitment to culture, quality and community, determination to break the cycle of struggle in recent years, to move forward and grow, understanding our financial realities and looking at partnership and collaboration as we head into the future of Bay Area Hospital.

The Bay Area Hospital was founded 50 years ago through the merger of two struggling hospitals, which allowed it to effectively serve the community for many years. However, the healthcare landscape is changing, and the hospital needs to adapt to meet future needs. The hospital’s leadership is committed to finding a partner who shares their values of culture, quality, and community, and who understands the challenges of rural healthcare. They aim to provide comprehensive healthcare services locally, reducing the need for residents to seek care elsewhere.

Currently, the hospital faces a negative cycle of limited capital leading to fewer services, which in turn makes it harder to attract doctors and generate revenue. A strong partnership could help break this cycle, bring stability, and support the hospital’s strategic plan. Despite a significant financial turnaround, the hospital still faces financial challenges and lacks the capital needed for growth. Exploring partnerships and collaborative models is seen as essential for the hospital’s future viability.

The hospital’s board is committed to making tough but necessary decisions to secure a stable future, honoring the hospital’s legacy while adapting to changes in healthcare. By planning for the future and positioning themselves where healthcare is headed, they aim to create a sustainable and successful path for the hospital and the community for generations to come. Chairperson Cribbins invited the board to make comments.

BOARD COMMENTS

The board members noted alignment with Chairperson Cribbins’ comments, adding that everyone is working hard on these complex issues and looking for the very best solution. It was noted by Ms. Renee Nelson, Board member at large, that from her accounting/business perspective developed over a 27-year career in finance, Bay Area Hospital cannot continue to operate into the negative, adding that BAH is close to violating their bond covenants with their lending institution.

- Ms. Nelson expressed the board’s recognition of the seriousness of this decision, stating that they are working for “their neighbors, their friends, our hospital employees – we want them to have a future.”
- Ms. Barbara Taylor, Board Treasurer, who also has decades of financial based career experience, said, “there is no easy answer, and we are not looking for an easy answer”.
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- Ms. Patrice Parrott, Board Secretary, shared her thoughts as well including that the main goal (of the board) is to keep healthcare services, jobs, and community values strong at Bay Area Hospital. The board is looking for partners to help with money problems and to make sure the hospital can keep going. They want to keep employee benefits and add more services. Being open and involving the community is important as they work towards a stable and strong future for the hospital. Ms. Parrott expressed that, “We have the same worries you do”.
- Dr. Tom McAndrew, Vice Chairperson, summarized the general theme of the board comments shared, saying “we care deeply about what happens next”.

COMPLIANCE REPORT – MS. LINDA HOWARD, THE FOX GROUP

Ms. Linda Howard reported on the compliance metrics in a reconfigured format which included graphs for better visual clarity on reporting items. Ms. Howard reported on compliance program elements and reviewed with the board the importance of a strong compliance program, especially as required during the affiliation process. Ms. Howard shared updated education metrics, reflecting that 90.44% of staff (54 clinical and 82 non-clinical) have completed regulatory and compliance program training, and that 77.21% of staff completed that training on time.

Ms. Howard also reported that during the 3rd Quarter, Privacy and Compliance received notification of eight privacy incidents through various channels, including emails and compliance voicemails. Those details were captured in the Compliance Report included in the board packet. BAH's compliance policies are readily accessible to all staff. In the 3rd Quarter, BAH issued sanctions and implemented corrective actions for four incidents, which were in line with these policies.

Ms. Howard also reported on the Annual Security Risk Assessment – Penetration Report, sharing that during the 3rd Quarter, the Information Security Officer reported the 2023 Information Security Comprehensive Penetration Test findings to the Compliance Committee, and shared with the board that, overall, the organization performed well.

Finally, Ms. Howard reported on the EMTALA (Emergency Medical Treatment and Active Labor Act) Audit. EMTALA requires Medicare-participating hospitals with emergency departments to provide an appropriate medical screening examination (MSE) to anyone seeking treatment for a medical condition. The findings were that BAH was compliant with almost all the requirements and a corrective action initiative plan was put in place for correction of items found to be out of compliance. The results of that corrective action plan will be reported back to the board in a future report.

Action Taken by the Board:

Ms. Barbara Taylor moved to approve the Compliance Report as presented in this evening’s meeting as cited above and as included in the board packet. Ms. Carma Erickson-Hurt seconded, and the motion carried on a call of vote with all board members casting a vote of approval.

CONSENT AGENDA

The consent agenda included the Board Meeting Minutes of October 8, 2024; Board Work Session Minutes of October 9, 2024; Finance Approved Minutes of September 24, 2024; MEC Approved Minutes of October 2, 2024.

Action Taken by the Board:

Ms. Erickson-Hurt moved to approve the Consent Agenda as cited above and as included in the board packet. Ms. Barb Taylor seconded, and the motion carried on a call of vote with all board members casting a vote of approval.

CEO PRESENTATION - PAST AND PRESENT – Mr. Brian Moore, President and CEO

Mr. Moore shared a presentation outlining Bay Area Hospital's historic performance. Key highlights and comments are below:

- Volume growth supports our mission to care for the community and improves financial stability
- Inpatient volume at 12-year peak.
- Outpatients are near a 12-year peak.
- Surgeries down slightly primarily due to new Eye surgery center (~830/year impact for FY23 forward).
- Heart cath lab procedures growing.
- Bay Area Hospital is currently running the most efficiently since FY2012.
- Management has been actively managing the number of staff we have based on volume and acuity.
- In the past 12 years, Bay Area Hospital has seen a 26% reduction in payments per \$100 charged. Payor Mix has deteriorated over time away from the higher paying Commercial to Medicare and Medicaid, which do not pay enough to cover costs.
- Physician Revenues have grown, but the net costs were up \$5.2M from 2020 to 2024.
- BAH is having to pay for coverage for specialties previously provided by community physicians.
- Physician shortages are increasing costs of permanent and temporary physicians.
- Operating EBIDTA Trend shows operational improvements are already underway. We lost \$2.5M in September and October 2024.

Mr. Moore opened the discussion, stating that system affiliation benefits us with economies of scale. Our net operational projection is negative \$20M; with \$8.8M EBIDTA loss – with operational initiatives, we could improve that to approximately \$2M loss. That would still leave the hospital \$7M shy of the commitment to the bank. Chairperson Cribbins pointed out that the bank can call our note in December 2024 if we don't meet our covenant. We have 78 days cash on hand as of September 2024. Other challenges include the need for a CT Scanner; our machine is currently having multiple issues – we are a Level Three Trauma Center and cannot be on divert for long periods of time – we struggle to even be on divert to do regular and expected maintenance on the CT Scanner.

Mr. Moore stated that the pathway to long-term success is growth. Chairperson Cribbins interjected that he is seeing staff working more efficiently than ever. There was a robust question and answer session leading into a presentation by Juniper Advisory.

STRATEGIC AFFILIATION PROCESS UPDATE – JUNIPER ADVISORY

Mr. Chris Benson and Mr. Rex Burgdorfer, of Juniper Advisory, reviewed the partnership objectives and the logistics of Phase two of the strategic affiliation process, which began in spring of 2024. Of note is that over 50% of Oregon Hospitals are reporting a negative bottom line in recent financials. The Juniper Advisory team continued their update by reviewing options that are in front of the board this evening, as was displayed on the overhead presentation:

Options

- #1 To conclude partner explorations
- #2 To postpone the timeline and process to reassess options for the organization
- #3 To continue diligence work on the two strategic options currently being considered

At the conclusion of the Juniper Advisory process update, Chairperson Cribbins cited a need for legal discussions to take place for the board to receive final offers for consideration. He proposed an “undefined timeline” during

which the legal discussions are to be completed, and the undefined timeline will end at the December 10, 2024, board meeting.

Action Taken by the Board:

Ms. Barbara Taylor moved to continue diligence work on two strategic options and direct management to better understand proposed partners in a timeframe not to exceed the next, regular board meeting. Ms. Patrice Parrott seconded, and the motion carried on a call of vote with all board members casting a vote of approval.

Dr. Tom McAndrew exited the meeting at 7:49 pm.

QUALITY AND PATIENT SAFETY COMMITTEE (QPSC) REPORT – Ms. Patrice Parrott

Ms. Parrott reported on the activities of the QPSC at their last meeting. Key highlights are as follows:

- Mr. Michael Parappilly completed a study on the use of antibiotics and found that hospitalists comply 97% of the time with national best practices.
- Ms. Devin Turney gave a service line presentation for Surgical Services.
- Ms. S. Greene presented the 2024 Leapfrog data. Action resulted: Process Improvement projects for HCAHPS.
- Ms. M. Merrick reported findings from the 2022 Joint Commission Survey and the 2023 Intracycle Monitoring Survey

Quality and Patient Safety Report Card

There were no Catheter-Acquired Urinary Tract Infections (CAUTI) or Central Line-Associated Bloodstream Infections (CLABSI) found in September 2024. Patient Safety Indicator 90 (PSI 90) met the goal for August. Surgical Site Infections (SSI) did not meet the goal in June and August. Readmission met the goal for August. Mortality did not meet the goal for September.

CHIEF EXECUTIVE OFFICER REPORT – Mr. Brian Moore, CEO

Website Changes

Mr. Moore shared an update on changes that had been made to the old website and reported that all of the documentation requested by the board to be posted on it had been done. This was followed by the launch of our new website, a project that has been in the works since the beginning of the year. Mr. Moore highlighted the body of work done by Ms. Kim Winker, our Marketing and Communications Director. One of the features of the newly launched website is auto integration between the Medical Staff Office and the website on any changes made to the medical staff credentialing data as they happen in real time. With this new tool, we are doing a better job telling our story and will continue that into the future.

Annual Management Incentive Plan (MIP) Payout for FY2024

Mr. Moore reported that we achieved the threshold to activate the management incentive plan for fiscal year 2024, as was approved by this body in June 2023. Goals for FY24 were as follows:

- Mortality
Decrease the ratio of Observed inpatient mortalities compared to Expected inpatient mortalities from 1.14 in 2023 to 1.05 by June 30, 2024, as reported by Premier.
Significant improvement was made in this area, but short of award threshold.
- Patient Experience

Increase HCAHPS percentage of “9’s” or “10’s” score for the ‘Overall Rating of the Hospital’ from 60.8% in 2023 to 68.6% by June 30, 2024, as reported in the Press Ganey Patient Experience Survey.

Improved to 63.1%, but short of award threshold.

- Finance - Operating EBIDA

Increase the Operating EBIDA Margin from (11.18%) in 2023 to 4.93% by the end of June 30, 2024 as reported on the Hospital's Audited/Internal Financial Statements

There was dramatic improvement in this area, achieving 2.0%, but short of the award threshold.

- People - Turnover

Decrease the 12 Month Rolling Turnover for the hospital from 29% in 2023 to 26% by June 30, 2024, as reported in the Workday Turnover Report

There was a big improvement in this area, achieving the maximum with 21.0%.

Mr. Moore defined that there was a split in the program, individual leader pay is tied to the hospital goals as well as individual goals, which helps the hospital achieve their overarching goals. There was a robust question and answer session between the board and management resulting in some members of the board commenting on their support of the payout and with Ms. Carma Erickson-Hurt not in support of payout due to our current financial situation. It was noted that the funds have been accrued all year, and the payout will not be deducted from the bottom-line numbers. Ms. Barb Taylor supported the payout stating that “we committed to do it for 2024; we should stand behind our commitment from last year.” Ms. Patrice Parrott echoed stating, “we agreed to this plan, the money is there, we appreciated the work of the team” (meeting the goals achieved), and “we should pay”. There was no further discussion, and the board moved into a voting action.

Action Taken by the Board:

Ms. Patrice Parrott moved to approve the payment of the management incentive plan, a cost of \$329,912.91, as accrued for. Ms. Barbara Taylor seconded, and the motion carried on a call of vote by Chair Cribbins, Secretary Parrott, Treasurer Taylor and Member At Large Nelson all casting a vote of approval, and Member At Large Erickson-Hurt voting nay, and apart from a vote from Dr. McAndrew, who had previously exited the meeting.

MIP Plan for FY2025

Mr. Moore opened by stating that there are modifications that have been made to the proposed FY25 MIP plan, as reflected in the redline version of the document as shared in the board packet and that for the plan to go live, the organization’s financial issues must be resolved. The MIP is an important motivating factor and provides alignment among all leaders to organizational goals, stating that it lays down important intent. The plan was simplified this year, and individual goals were eliminated. This change aligns with our value of Teamwork. New goals for FY25 have been outlined in the documentation provided to the board. Mr. Moore shared his belief that an MIP plan supports focused alignment throughout the organization.

There was a robust question and answer session, and Mr. Moore provided additional clarity to the board regarding the differences between the at-risk management incentive plan and a bonus program. He shared data on the effort undertaken to keep leaders in the organization over the past five years. He expressed his belief that tonight’s discussion was a healthy one and reminded the board that we compete nationally with other hospitals who have incentive plans, adding that there have been very few payouts for leaders over the past few years.

There was a lengthy and intense discussion amongst the board, with Ms. Carma Erickson-Hurt stating that she found it hard to justify bonuses (in the current financial position of the hospital) and that it “sends a powerful message for executives to not take their bonuses”. Ms. Parrott stated that she would like to table the discussion

and action on the FY25 MIP decision due to Dr. McAndrew's absence from the meeting, and the desire for his input to be added to the thoughts of the board, Ms. Taylor requested a version of the plan document that doesn't reflect the mark up of changes made to the FY24 plan for FY2025.

Action Taken by the Board:

Ms. Patrice Parrott moved to table the board action of the MIP Plan for FY2025 until the December 10, 2024, Board meeting. Ms. Barbara Taylor seconded, and the motion carried on a call of vote with all board members casting a vote of approval, apart from Dr. McAndrew, who had previously exited the meeting.

FINANCE REPORT – Ms. Barbara Taylor, Treasurer and Ms. Mary Lou Tate, CFO

FINANCIAL PERFORMANCE REVIEW

Ms. Barbara Taylor reviewed the financial data as presented to the finance committee and as was included in the board packet materials.

- September 2024 Operating Loss was \$2.5 Million vs a budget loss of \$49 Thousand
Year to date loss of \$4.2 Million vs budget profit of \$883 Thousand
- September 2024 Overall Loss at \$1.9 Million vs a budget loss of \$138 Thousand
Year to date loss of \$2.6 Million vs a budget profit of \$601 Thousand
- September 2024 Operating EBIDA – \$1.6 Million Loss
Year to date EBIDA is \$1.4 Million Loss
- September 2024 Cash and Cash equivalents balance is \$53.2 Million
- All Bank Covenants were met

OVERALL FINANCIALS, GROSS REVENUES, CASH AND CASH EQUIVALENTS, AND DAYS CASH ON HAND

Overall, Bay Area Hospital reported a loss of **\$1.9M** in September, against a budgeted loss of **\$138K**, compared to last year's loss of **\$1.5M**. Gross Revenue for September reached **\$61.2M**, below the budgeted **\$62.5M** by **\$1.3M** (approximately -2.1%). Net Revenue ended the month at **\$19.3M**, with a Net to Gross Revenue Margin of **31.6%**, **\$2.5M** below the budgeted **\$21.8M**.

September's Gross Revenues came in at \$61.2M, which is \$1.3M (-2.1%) below the budget of \$62.5M. Lower pharmacy revenues, Medical Oncology and Prefontaine revenues are the drivers of the budget variance. Compared to last year, gross revenue was \$6.2M (11.3%) higher (\$61.2M vs. \$54.9M).

Cash and Cash Equivalents were \$9.6M at the end of September and Assets limited to use are \$43.6M. Overall cash increased about \$2.65M over last month from a catchup of the Savista backlog that is continuing. Current liabilities increased by \$2.4M compared to last month.

Days Cash on Hand is 78 days. Cash & Equivalents plus Board Designated funds totaled \$53.2M up from August 2024 of \$50M. The above is a summary of key data and comprehensive financials, including the balance sheet, were included in the board packet materials.

DEFINED BENEFIT ACTION – Ms. Mary Lou Tate

Ms. Tate laid the groundwork for the management recommendation to freeze further benefit accruals under the Defined Benefit Plan at the end of calendar year 2024 (December 31, 2024) and asked the board to approve.

Summary of the Action Requested

Bay Area Hospital had a defined benefit plan. This plan was closed to new participants in 2001, but current participants would still accrue benefits. The plan now has 24 participants that are still working and accruing benefits. 4 staff will reach normal retirement age (NRA) within 2 years; 8 additional staff will reach NRA within 5 years; 6 more within 10 years. The last staff member will reach NRA in 20 years. By freezing the plan, BAH would best be able to fully honor and pay the retirement benefits to all former employees. BAH would fund the plan fully in 21 years vs 25 years and will save the organization \$3M in total. The projected contributions with the freeze are ~\$10,050,000 over the next 21 years. The projected contributions without the freeze totaled ~\$13,050,000 over the next 25 years. These assumptions assume an annual 7.25% return along with other assumptions. If any of these assumptions change or the market does not return a 7.25% return, then the contributions will be higher. The staff affected by the freeze will become eligible for the 4% employer contribution to the 401(a) plan with an additional 50% match of the employee's contribution to either the 403(b) or 45a plans up to 4%. In total the staff could receive a 6% contribution from BAH into the 401(a) plans. If we assume everyone retires at their NRA (normal retirement age), the contributions to the 401(a) plan would total \$1.5M over the 20 years.

Action Taken by the Board:

Ms. Taylor moved to approve the management recommendation to freeze further benefit accruals under the Defined Benefit Plan at the end of calendar year 2024 (December 31, 2024) as Ms. Tate proposed and as included in the board packet as an Agenda Item Summary SBAR. Ms. Nelson seconded, and the motion failed with Chairperson Cribbins, Ms. Nelson and Ms. Taylor voting yes, Ms. Erickson-Hurt voting no and Ms. Parrott abstaining from vote.

Citing the absence of Vice Chairperson, Dr. Tom McAndrew, and desiring to include the Vice Chairperson's opinion on the matter, Chairperson Cribbins stated that he would entertain a motion to table this discussion until the next month.

Action Taken by the Board:

Ms. Taylor moved to table the Defined Benefit Plan action until the December 10, 2024, board meeting. Ms. Nelson seconded, and the motion carried on call of vote with Chairperson Cribbins, Ms. Nelson, Ms. Taylor, Ms. Erickson-Hurt and Ms. Patrice Parrott voting yes, with Vice Chairperson McAndrew not being present for the vote.

EXECUTIVE SESSION

The Board went into Executive Session as authorized by ORS 192.660(2) at 8:39 pm to:
(c) consider matters pertaining to the function of the medical staff at a public hospital
(f) consider information or records that are exempt by law from public inspection

OPEN SESSION

Chairperson Cribbins reopened the meeting into public session at 9:30 pm.

MEDICAL STAFF CREDENTIALS REPORT – Dr. Lee Saltzgaber, CMO

This report was reviewed in the Executive Session.

APPROVAL OF CREDENTIALING REPORT

Action taken by the Board: Ms. Carma Erickson-Hurt moved to approve the Credentialing Report as discussed in the Executive Session and presented in the packet. The motion died for lack of a second.

Action Taken by the Board:

Ms. Patrice Parrott moved to approve the Credentialing Report as presented and as discussed, excluding Dr. Rachel Kolbinsky’s privileges. Ms. Erickson-Hurt seconded, and the motion carried on a call of vote with all board members casting a vote of approval apart from Dr. Tom McAndrew, who had previously exited the meeting.

Action Taken by the Board:


Ms. Erickson-Hurt moved to table the credentialing of Dr. Kolbinsky’s privileges to the December 10, 2024, board meeting, Ms. Patrice Parrott seconded, and the motion carried on a call of vote with all board members casting a vote of approval apart from Dr. Tom McAndrew who had previously exited the meeting.

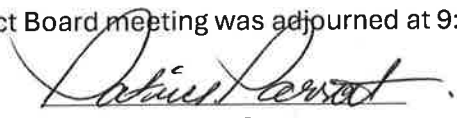
MEDICAL STAFF REPORT – Dr. Paavani Atluri, Chief of Staff

Dr. Atluri reminded everyone of the Medical Executive Committee Annual Meeting this week and again invited the board to attend.

ADJOURNMENT

There being no further business, the District Board meeting was adjourned at 9:34 pm.


Troy Cribbins, Board Chairperson


Patrice Parrott, Secretary

Date: 12/10/24

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