

BAY AREA HOSPITAL DISTRICT BOARD MEETING
January 14, 2024, MINUTES
Bay Area Hospital Myrtle Conference Room @ 6:05 pm

BOARD EDUCATION SESSION at 5:30 pm

CALL TO ORDER

Mr. Troy Cribbins, Board Chairperson, called the Bay Area Hospital (BAH) District Board meeting to order at 6:13 pm. A quorum was present.

BOARD ATTENDANCE

Troy Cribbins, Patrice Parrott; Tom McAndrew, MD; Barbara Taylor; 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); Aaron Orchard, Systems Support Specialist, Information Services; Shanna Sheaffer, EA; Denise Bowers, EA

LEGAL COUNSEL

Megan Kronsteiner, Esq.

CHANGE IN AGENDA ORDER

Honoring Former Board Member

Chairperson Cribbins called Dr. Donna Rabin to come forward to honor her for her years of service as a Bay Area Hospital District board member saying, "Tonight, we celebrate a person who has spent decades of her life serving our community professionally and on the board of directors. Her words have lent merit and meaning to her contributions. We thank her for her years of service - 2013 to 2023." Dr. Rabin expressed her thanks for the kind gesture and for everyone's arduous work. Other board members added their gratitude and expressed appreciation for Dr. Rabin's amazing insights during her tenure on the board.

PUBLIC ATTENDANCE AND INPUT

There were 45 members of the public in attendance in person and via Teams. Below is a summary of comments made by various members of the public.

The message conveyed by the public input portion of the meeting expresses concerns about the perceived loss of values such as ownership and innovation over the past few years. It reminds the board

and management that they are responsible for the organization's decisions and criticizes Mr. Moore's performance, particularly his lack of apology to the nurses affected by the defined benefit freeze. The message calls for the board to take accountability, build relationships within the community for financial support, and reconsider choosing Quorum as a partner for BAH. It suggests exploring alternative solutions, such as the bid from local physicians, and emphasizes the need for better communication and transparency. The message also highlights the frustration over recent layoffs, the lack of trust in the board, and the need for detailed explanations regarding decisions. Finally, it questions Mr. Moore's effectiveness and suggests changes to the boardroom setup to improve public engagement. Inviting and receiving no additional comments from the public in the room or on the Teams, Chairperson Cribbins closed the public input session at 6:54 pm.

REPORT OF THE BOARD CHAIRPERSON

Chairperson Cribbins addressed the public in attendance saying, "We understand that there is a lot of information online, and not all of it may be accurate. We want to reassure you that we have heard your feedback and recognize the importance of keeping our hospital open. The entire board shares this belief and is committed to this goal. Your comments are valuable to us, and we genuinely care about your concerns."

Our primary objective is to ensure that the hospital remains operational. We encourage you to reach out to us at any time if you need more information or wish to learn about the efforts the board and management are making. Our vision is to partner with Quorum to strengthen Bay Area Hospital, and we believe this collaboration will be beneficial. You can also support us by writing letters to the OHA to advocate for changes in the current reimbursement model. Thank you for your continued support and understanding. We are dedicated to doing our best for the community and the hospital.

Chairperson Cribbins invited the board to share their thoughts and comments.

BOARD COMMENTS

Each of the board members addressed the room, and the below captures the general theme and summary of their comments.

The board has faced significant challenges and criticism from the community, which has been difficult for us. With 85% of our business being government-based, we are navigating a complex situation, and over the past months, we have learned a great deal. The scale of the information and decisions we face is overwhelming, on top of experiencing a loss of providers and physicians, a trend seen across the industry.

We understand the concerns regarding the defined benefit plan. Our agreement with Quorum includes funding to support our retirees, but this remains a significant challenge. A tax levy is not a viable solution due to constitutional constraints and insufficient funds resulting from such an action.

We appreciate the public's engagement in recent board meetings and your dedication to Bay Area Hospital. If anyone is willing to serve as a board member, please consider running in the upcoming election.

A board member with deep community roots and experience through seven mergers assured the meeting attendees that they are doing everything possible to keep the hospital's doors open. She continued by sharing her feelings regarding some of the feedback received recently, stating that it is disheartening to hear negative comments, especially given the board's efforts. There has not been enough information shared about the international bank we are beholden to, which has the power to collect on our debt. We are already in default on our loan, with a \$2.1M operating loss in November 2024. While some of the public are suggesting the board take more time to consider other options, it is important to note that those voices have not been present at previous board meetings. We are committed to transparency and welcome your continued support and involvement.

CONSENT AGENDA

The consent agenda included

- Board Meeting Minutes of December 10, 2024
- Board Work Session Minutes of December 10, 2024
- Finance Approved Minutes of November 26, 2024
- MEC Approved Minutes of November 27, 2024

Action Taken by the Board:

Dr. Tom McAndrew 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.

STRATEGIC AFFILIATION PROCESS UPDATE

Mr. Moore shared an update of the strategic affiliation process with the board sharing that we have moved forward and reached final terms on the letter of intent with strong agreements that address and mitigate many of the concerns raised by the community this evening. Mr. Moore shared information on the history of how Community Health System formed Quorum. Bankruptcy is not available to Bay Area Hospital. We signed our LOI in December and have had the first of our weekly meetings that we will hold with Quorum until the work is done. We have complied with significant due diligence requests for data on our organization. Ms. Mary Lou Tate facilitated the due diligence on our end. We have counsel who specializes in mergers and acquisitions, and we are meeting with Quorum's CEO, CFO, in addition to their legal counsel and project manager.

We have requested forbearance from our lender in light of the technical default on our loan covenants. The forbearance request includes an interest rate capped at 5%; reduction of the required cash on hand to \$30M and waive the profitability requirements for 12 months. Questions were asked and answered.

CHIEF EXECUTIVE OFFICER REPORT – Mr. Brian Moore, CEO

Mr. Moore reported that fallback options are being researched. Although we have a signed LOI with Quorum, backup options are still being explored, and this has also been requested by BMO Bank as part of our forbearance request. He shared that, of the 62 hospitals in Oregon, five of the top six hospitals most dependent on government payors are on the south coast, with Bay Area Hospital being the only one that does not receive cost-based reimbursement. Mr. Moore outlined his responsibilities as CEO of Bay Area Hospital, emphasizing his understanding and ownership of the role. As we work toward our future, he is seeking a legislative partner to help us secure reimbursement improvements for Bay Area Hospital and other larger rural hospitals in Oregon. This is an opportunity to engage our community and union in advocacy efforts.

Clarifying questions were asked and answered regarding the recent layoffs and closure of the MOM's program. There were 25 staff impacted by layoffs and program closures. Mr. Moore outlined the work being done with Coos County Public health, who has given a great response to discussions on the Family Connect Program and the potential for them to absorb any BAH staff who may want to join the program there.

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

Ms. Parrott reported that there was no meeting of the QPSC this past month. She reminded the board to review the CMS final rule as we need to increase the time to report to the board from Quality.

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

FINANCIAL PERFORMANCE REVIEW

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

Overall, Bay Area Hospital reported a loss of **\$2.0M** in November, against a budgeted loss of **\$173K**. Gross Revenue for November is **\$57.0M** and Net Revenue ended the month at **\$18.0M**, with a Net to Gross Revenue Margin of **32.2%** November's Gross Revenues came in at \$57.0M, which is \$5.4M (-8.7%) below the budget of \$62.4.

Cardiac Cath Lab, Radiation Oncology, Pharmacy, Operating Room and Prefontaine revenues are the drivers of the budget variance. Compared to last year, gross revenue is \$4.2M (-6.8%) lower (\$57.0M vs. \$61.2M). Current month actuals are \$305K vs \$273K budget vs \$257K last year. Higher 340B rebates is the driver of the increase. YTD \$1.5K actual vs \$1.4 budget vs \$1.1M last year. The increase is due to Cafeteria and 340B Pharmacy Revenues.

Net Revenue for the month is below budget by \$3.5M and below last year by \$1.5M (\$18.3M vs. \$21.8M vs. \$19.8M). YTD is below budget by \$11.0M and above last year by \$1.7M (\$100.1M vs. \$111.1M vs. \$98.4M). Variance in Gross Revenues vs budget is \$2.3M due to Volume and \$3.1M due to Rate.

Cash and Cash Equivalents are \$11.0M at the end of November and Assets limited to use are \$43.2M for an overall cash balance of \$54.2M. Overall cash and investments decreased about \$1.8M over last month.

Days Cash on Hand is 79 days (about 2 and a half months).

As a result of increased cash collections, Account Receivable (net) decreased \$170K from the prior month to end at \$29.5M.

Current liabilities decreased by \$2.6M compared to last month due to timing of payroll and the accrual of the provider tax.

Margin Insight Presentation – Ms. Mary Lou Tate

Ms. Tate began with an update notifying the audience where to find the financials and minutes of the organization on our website online.

Ms. Tate described the purpose and function of the cost accounting process and the contents of the margin insight presentation that she reviewed during her agenda time. Costing is performed first at the patient level and then at the charge level. Supply costs are adjusted using a reverse mark-up factor, while other costs are calculated using a cost-to-charge ratio based on overall department expenses. Although the methodology is not absolute, it provides directional and relative insights. Service lines follow a hierarchy system, with areas like CCL and Surgery ranked higher than imaging. Indirect overhead costs (such as power, building, facilities, case management, and revenue cycle) and revenues not posted at the patient level are excluded from the Service Line. Our payment ratios have been declining, and we now do cost accounting every 4 months, so we are obtaining data sooner. Areas Ms. Tate reported on were Cardiology, Surgery Trend, Ortho Trend, Cancer, Wound Care, Outpatient Imaging, Outpatient Lab, Inpatient by Length of Stay, and Inpatient Behavioral Health.

EXECUTIVE SESSION

The Board went into Executive Session as authorized by ORS 192.660(2) at 8:09 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 8:15 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: Dr. Tom McAndrew moved to approve the Credentialing Report as discussed in the Executive Session and presented in the packet. Ms. Patrice Parrott seconded, and the motion was carried out on a call of vote by all board members.

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

Dr. Atluri reported that Dr. Oaxaca has been appointed as 'Secretary/Treasurer' and Dr. Kathryn Johnson has been appointed as 'Member at Large' for the Medical Executive Committee. When asked how the Medical Staff is feeling regarding the strategic affiliation, Dr. Atluri stated that all are feeling the same about the uncertainty of what the affiliation will bring but they are also aware that work is being done to stabilize BAH and ensure services are not lost to the community.

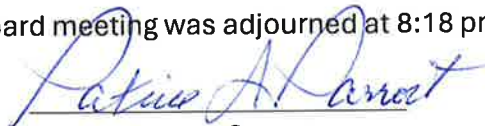
Dr. McAndrew thanked Dr. Atluri for her help with the recent due diligence trips, acknowledging her leadership and representation of our physicians in this strategic affiliation work.

ADJOURNMENT

There being no further business, the District Board meeting was adjourned at 8:18 pm.



Troy Cribbins, Board Chairperson



Patrice Parrott, Secretary

Date: 2/11/25

Date: 02/11/2025