

BAY AREA HOSPITAL DISTRICT BOARD MEETING MINUTES

June 10, 2025, Bay Area Hospital Myrtle Conference Room @ 6:05 pm

BOARD WORK SESSION at 5:30 pm – Therapy Dogs Presentation**CALL TO ORDER**

Mr. Troy Cribbins, Board Chairperson, called the Bay Area Hospital (BAH) District Board meeting to order at 6:05 pm. A quorum was present. Public comment guidelines were read aloud, emphasizing respectful behavior and the purpose of the session.

BOARD ATTENDANCE

Troy Cribbins; Patrice Parrott; Renee Nelson; Tom McAndrew, MD; Arlene Roblan; Darin O'Bryan, DDS

STAFF ATTENDANCE

Brian Moore, CEO; Jennifer Collins, CNO; Kelli Dion, CQO; Gretchen Nichols, COO; Mitch Watson, interim CFO; Kim Winker, Marketing & Communications Director; Dr. Paavani Atluri, MD, COS (Chief of Staff); Denise Bowers, EA

ABSENT**LEGAL COUNSEL**

Megan Kronsteiner, Esq.

PUBLIC ATTENDANCE AND INPUT

The public input session commenced at 6:12 pm, with 40 public attendees, 20 of those attending virtually. The one public member that commented expressed concerns about the hospital's financial situation and the importance of new board members aligning with the bank to avoid jeopardizing the hospital's loan status.

REPORT OF THE BOARD CHAIRPERSON

Chairperson Troy Cribbins expressed deep appreciation for the opportunity to serve alongside fellow board members and the executive team. He acknowledged the challenges faced during his tenure and praised the dedication and integrity of the board and staff. He announced a board work session scheduled for the following day to brief incoming board members on the hospital's financial and operational status, ensuring a smooth transition and continuity of leadership.

BOARD COMMENTS

Board members shared heartfelt reflections on their service, and the below captures the general theme and summary of their comments.

- Arlene Roblan emphasized her lifelong commitment to community service and urged the community to unite and avoid pettiness.
- Dr. Darin O'Bryan highlighted his healthcare and business background, expressing appreciation for the opportunity to serve and optimism for the hospital's future.
- Dr. Tom McAndrew and Patrice Parrott discussed the steep learning curve and the importance of maintaining services and staff morale.
- Renee Nelson stressed the need for continued community involvement and praised the executive team for their dedication and transparency.

All members expressed hope that the incoming board would continue efforts to stabilize and support the hospital.

CONSENT AGENDA

The consent agenda included:

- Board Meeting Minutes of May 13, 2025
- Board Education Session Minutes of May 13, 2025
- Board Work Session Minutes of May 14, 2025
- Finance Approved Minutes of April 22, 2025
- QPSC Approved Minutes of April 24, 2025
- MEC Approved Minutes of April 30, 2025

Action Taken by the Board:

Dr. Tom McAndrew moved to approve the Consent Agenda as cited above and as included in the board packet. Renee Nelson seconded, and the motion carried on call of vote with all board members present casting a vote of approval.

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

Ms. Parrott reviewed the activities of the QPSC at their meeting on April 24, 2025. Key topics included action plans following a Joint Commission visit, with most issues identified as low impact on patient care. Corrective actions were already underway. Quality metrics such as catheter-associated urinary tract infections, PSI 90, and readmissions met benchmarks. One central line-associated bloodstream infection was reported. A new focus area on heart failure readmissions was introduced, with a task force established to improve patient education and follow-up.

Mr. J. Carter gave a service line report on the Bay Area Cancer Center, which had over 20,000 patient visits between outpatient medical oncology, radiation oncology, infusion services, and the new lab services.

The preliminary Joint Commission Preliminary Survey Report and its findings were shared with the committee.

Ms. K. Dion presented the Leapfrog Safety Grade for Spring 2025. She reviewed the scores in 22 individual areas as well as the overall score. She reported priority actions that will be taken for opportunities for improvement

FINANCE REPORT – Mr. Mitch Watson, interim CFO

Finance Committee Report and Budget Approval – Mitch Watson

Chief Financial Officer Mitch Watson presented a comprehensive overview of the proposed fiscal year 2025–2026 (FY26) operating budget, which was developed through an intensive and collaborative process involving over 80 departments and more than 50 individual budget meetings. The Finance Committee reviewed the budget in detail and recommended its adoption at the Budget Hearing of May 27, 2025.

Starting Point: FY25 Losses

The hospital is projected to close FY25 with an operating loss of approximately \$19.9 million. This figure served as the baseline for constructing the FY26 budget.

Positive Offsets and Revenue Enhancements

Several key improvements and initiatives were identified to offset the prior year's losses:

- \$4 million in carryover improvements from operational efficiencies implemented during FY25.
- \$2.4 million in anticipated gains from renegotiating reimbursement rates with Advanced Health, a CCO payer currently paying below Medicaid rates.
- \$7.9 million in expected revenue from standard rate increases across Medicare, managed Medicare, and commercial contracts.
- \$2.4 million from targeted revenue cycle initiatives, including improved denial management, reauthorization processes, and better capture of reimbursable services.

These measures are projected to bring the hospital's operating income to a positive \$200,000, achieving a near break-even point.

Labor and Inflationary Pressures

The budget includes:

- A 4% wage increase for staff, already negotiated with several labor groups.
- \$1.7 million in inflation-related cost increases for supplies and services.

To balance these increases, the budget proposes a \$7.7 million labor adjustment, which would involve reducing labor costs by approximately 5.9%. This adjustment is necessary to reach a cash-neutral position and avoid further depletion of reserves.

Future Improvements and Cost Containment

An additional \$2.1 million in savings is expected from ongoing efficiency initiatives, including process improvements and cost reduction strategies across departments.

Cash Position and Loan Obligations

As of the end of April, the hospital held \$46 million in cash reserves, which continue to decline monthly due to negative cash flow. The hospital also carries a \$48.7 million loan, and the goal is to reverse the cash drain and stabilize finances to meet all obligations.

Time was provided for the board to ask questions regarding the budget as presented. Hearing no questions, Chairperson Cribbins stated they would move into board action and would entertain a motion from the board.

Board Action and Recognition

A quorum of the Board was established at the start of the meeting. Two resolutions were presented to the board as a result of the Finance Committee Recommendation to approve the FY 25-26 Budget through the following actions:

1. **Adoption of the FY25–26 Budget**
2. **Authorization of Operating Expense Payments**

ACTION TAKEN BY THE BOARD:

Adoption of the FY25–26 Budget

Patrice Parrott moved to approve the Adoption of the FY25-26 Budget as cited above and as included in the board packet. Dr. Tom McAndrew seconded, and the motion carried on a call of vote with all board members present casting a vote of approval.

ACTION TAKEN BY THE BOARD:

Authorization of Operating Expense Payments

Dr. Tom McAndrew moved to approve the Authorization of Operating Expense Payments as cited above and as included in the board packet. Renee Nelson seconded, and the motion carried on call of vote with all board members present casting a vote of approval.

Board members expressed appreciation for the finance team's diligence and transparency. Mitch Watson was recognized for his leadership and contributions, especially given that this was his final week in the role. He indicated a willingness to support a smooth transition in a shadow capacity if needed.

FINANCIAL PERFORMANCE REVIEW

Mr. Watson reviewed the financials for 2025 with highlights as below. Comprehensive financials were included in the board packet.

Overall, Bay Area Hospital reported a loss of (\$1.5M) in April, against budgeted loss of (\$519K). April Gross Revenue was \$63M and Net Revenue ended the month at \$20M, with a Net to Gross Revenue Margin of 32.1%.

April Gross Revenue totaled \$62.9M, \$35K increase to budget and (\$885K) decrease to prior year. Gross Revenue Variance of \$35K vs budget is driven by unfavorable volume decrease of (\$6.4M) and favorable rate increase of \$6.5M.

Deductions from Revenue

As a %, Deductions from Revenue, increase to budget 67.9% vs. 65.0% (32.1% vs 35.0% revenue realization rates). Medicare Basic decreased (2.49%) compared to 3 month run rate and (1.43%) to the prior year. Gross charge impact of (\$1.6M) to 3MRR and (\$1.2M) to PY. Partially offset by Medicare Advantage increase \$564K and Commercial increase of .5% to 3 month run rate, favorable gross charge impact of \$207K. In FY22 Commercial payor mix was 16.40%, FY23 was 15.91%, FY24 as 14.36% and thus far in FY25 it is 13.89%.

Other Revenues

The current month's actual figures are \$576K vs \$273K budget vs \$336K last year. YTD \$3.8M actual vs \$2.7M budget vs \$2.7M last year. The primary increase is due to 340B Pharmacy rebates.

Net Revenues

Total Net Revenue April is below budget (\$1.8M) and down to prior year by (\$626K) (\$20M vs. \$22M vs. \$21M). YTD is below budget by (\$20M) and up to prior year by \$247K (\$202M vs. \$222M vs. \$202M)

Non-Operating Income and Expense

April Other Non-Operating Income and Expenses are unfavorable \$32K to budget and \$54K to prior year. (\$69K vs \$101K vs \$123K). Year to date, Other Non-Operating Income and Expenses are (\$1.5M) below budget and (\$2.1M) decrease to prior year primarily driven by the accelerated disposal/write off the Workday subscription lease asset of \$1.9M in current year. (\$511K vs \$1M vs \$1.2M).

Balance Sheet

Cash and Cash Equivalents are \$9.2M at the end of April and Assets limited to use are \$36.7M for an overall cash balance of \$45.9M. Overall cash and investments decreased about (\$320K) to prior month.

- Days Cash on Hand is 66 days.
- Account Receivable (net) decreased (\$722K) from the prior month to close at \$27M in April.
- Current liabilities increased \$1.5M compared to the prior month.
- The Current Ratio is 2.70 and Debt to Capitalization is 40.6%.

CHIEF EXECUTIVE OFFICER REPORT – Mr. Brian Moore, CEO

Operational Update:

CEO Brian Moore began by addressing a noticeable slowdown in inpatient volumes at the end of May and into early June. While such fluctuations are not uncommon in hospital operations, this dip has lasted longer than expected. The executive team is actively reviewing productivity metrics and exploring ways to align staffing levels with current patient volumes to maintain operational efficiency.

Legislative Advocacy:

A major focus of the report was the hospital's legislative efforts. Brian Moore shared that Bay Area Hospital has engaged a lobbyist to advocate for financial support at the state level. This effort culminated in the introduction

of Senate Bill 1214, which proposes increasing Medicaid reimbursement rates for rural referral centers that meet specific criteria (e.g., under 200 beds, Level 3 trauma designation, cardiac cath lab availability). If passed, this bill could bring an estimated \$12–15 million in recurring annual revenue to the hospital. However, he noted that the bill is unlikely to pass in the current legislative session. Encouragingly, there is growing support in the House, and a special session in September may provide another opportunity to advance the bill. He recognized the following legislative sponsors; Sen. David Brock Smith; Sen. Dick Anderson; Rep. E. Werner Reschke; Sen. Diane Linthicum; Rep. Court Boice; Rep. Virgle Osborne; Rep. Boomer Wright and emphasized the importance of community advocacy to support the bill's future.

Strategic Affiliation and Quorum Health:

Discussions with Quorum Health continue during the current pause in formal affiliation. Two potential contractual engagements are under consideration:

- Physician Recruitment: Quorum's rural-focused recruitment team may assist in sourcing candidates for hard-to-fill roles.
- Revenue Cycle Optimization: Quorum may also support improvements in billing and collections.

Quorum has reported progress in addressing regulatory hurdles that previously delayed the affiliation process. While no definitive timeline was provided, the dialogue remains active and constructive.

Bank Relations and Financial Status:

The hospital remains in default on its \$48.7 million loan. The bank has requested a \$25 million upfront payment as part of a potential forbearance agreement. However, due to the high legal costs associated with formalizing such agreements, the hospital has opted to delay negotiations until more strategic clarity is achieved. The bank has been kept informed and expressed understanding of this approach.

Brian Moore and CFO Mitch Watson plan to present the newly approved FY26 budget to the bank, which includes a path to cash neutrality and a halt to the ongoing depletion of reserves (which stood at \$46 million at the end of April).

Labor Adjustments and Budget Execution:

The FY26 budget includes a proposed \$7.7 million labor cost reduction—approximately 6% of total salary expenses. While the hospital has committed to a 4% wage increase for staff, labor adjustment is necessary to achieve financial sustainability. Brian Moore emphasized that these changes will be approached with respect and transparency, and no decisions will be made until the new board is seated in July.

Closing Remarks:

He concluded by reaffirming the hospital's commitment to quality care, financial responsibility, and transparent communication with stakeholders. He acknowledged the challenges ahead but expressed confidence in the hospital's leadership and community support to navigate them.

EXECUTIVE SESSION

The Board went into Executive Session as authorized by ORS 192.660(2) (c) consider matters pertaining to the function of the medical staff at a public hospital and (f) consider information or records that are exempt by law from public inspection at 6:47 pm.

RETURN TO REGULAR SESSION

Chairperson Cribbins reopened the meeting into public session at 6:59 pm.

MEDICAL STAFF CREDENTIALS REPORT

This report was reviewed in the Executive Session.

APPROVAL OF CREDENTIALING REPORT

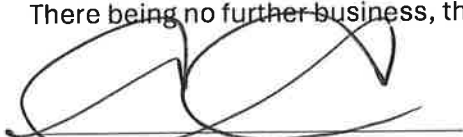
Action taken by the Board: Dr. Tom McAndrew moved to approve the Credentialing Report as discussed in the Executive Session and presented in the packet. Patrice Parrott seconded, and the motion was carried out on call of vote by all board members.

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


Dr. Atluri presented the medical staff report, expressing concerns about the board transition and its potential impact on services and partnerships. He emphasized the need for stability and continuity. The MEC discussed improving communication between primary and consultant teams.

ADJOURNMENT

There being no further business, the District Board meeting was adjourned at 7:05 pm.


Board Chairperson

Date: 7/8/2025


Secretary

Date: 07/08/2025