

BAY AREA HOSPITAL DISTRICT BOARD MEETING MINUTES

August 12, 2025, Bay Area Hospital Myrtle Conference Room @ 6:05 pm

BOARD EDUCATION SESSION at 5:30 pm**CALL TO ORDER**

The Bay Area Hospital District Board Meeting was called to order by Simon Alonzo, Chairperson at 6:05 pm.

BOARD ATTENDANCE

Simon Alonzo; Tom McAndrew; Patrice Parrott; Kyle Stevens; John Uno; Brandon Saada (*via Teams*)

ABSENT

None

STAFF ATTENDANCE

Kelly Morgan, interim CEO; Doug Dickson, interim CFO; Kelli Dion, CQO; Tom Fredette, HR Director; Gretchen Nichols, COO; Mel Stibal, interim CNO; Kim Winker, Marketing & Communications Director; Dr. Paavani Atluri, COS; Denise Bowers, EA

ABSENT: None

LEGAL COUNSEL

Megan Kronsteiner, Esq.

PUBLIC ATTENDANCE AND INPUT

The public input session commenced immediately after the call to order, with approximately 85 attendees in-person and virtually combined.

Tracey Sweeley, Coos Bay requested that the Here For Good page on the hospital's website be updated.

Public input session closed at 6:06 pm as there were no additional comments offered.

COMPLIANCE COMMITTEE 2ND QUARTER REPORT by Linda Howard, The Fox Group

Ms. Linda Howard welcomed new board members and provided an overview of the Q2 compliance report as provided in the board packet. During Ms. Howard's report it came to the board's attention that some members of the public and staff were having connectivity issues to the meeting. In order to allow time for the public to get connected, he moved into an item that wasn't on the agenda.

BOARD CHAIR RECOGNITION

Chairperson Simon Alonzo took a moment to reflect on the past month of transition and acknowledged the support the board has received from staff during this time. Among those who stepped up, Denise Bowers was recognized for her consistent and helpful contributions. But there's been one staff member that's been extremely extraordinary for us. He addressed Denise Bowers, Executive Assistant:

"Denise, you have been the steady hand for all of us. You've been the constant source of support for all of us. You've gone above and beyond to make sure we have what we need and make sure we have what we need before we even know we need it. I'm really thankful for that. You show up every day with deep love for the hospital and the people it serves, and it really does shine through everything you do. Denise, in just a few weeks that we've worked together, you've talked to me about how you wanted to retire from the hospital and well, I hope that is not anytime soon because I'm not sure what we would do without you. I just wanted to say thank you on behalf of the board. Denise is the lifeline for us to the board and to the executive team."

On behalf of the board, he presented Denise with a gift of appreciation and thanked her for being a key connection between the board and the executive team. The board expressed their appreciation for Denise's continued support

and dedication.

The floor was returned to Ms. Howard, and her reporting re-commenced. Highlights of this report are below:

- Training Completion: 24% delinquency, 10% late completions.
- Privacy Incidents: 19 investigations; several involved third-party billing company Savista. Corrective action plans requested.
- Enforcement Activity: Record-breaking federal healthcare enforcement actions; over 1,500 providers excluded; \$16.61 billion recovered.
- Compliance Challenges: No policies updated or compliance meetings held in Q2 due to leadership transitions. Meetings have now resumed.
- Recommendations: Board compliance training proposed; updated work plan forthcoming.

Ms. Howard has offered to come out in person to the September meeting to personally conduct the training for the board. The board thanked her for her report and expressed looking forward to the continuing education.

Action Taken by the Board:

Kyle Stevens moved to approve the Compliance Committee 2nd Quarter Report as cited above and as included in the board packet. Tom McAndrew seconded, and the motion carried on call of vote with all board members present casting a vote of approval.

CONSENT AGENDA

The consent agenda included:

- Board Meeting Minutes of July 8, 2025
- Board Education Session Minutes of July 8, 2025
- Board Work Session Minutes of July 9, 2025
- Board Work Session Minutes of July 16, 2025
- Board Meeting of July 21, 2025
- Board Meeting of July 22, 2025
- Finance Approved Minutes of June 24, 2025
- MEC Approved Minutes of June 25, 2025
- QPSC Approved Minutes of June 26, 2025

Action Taken by the Board:

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

CHIEF EXECUTIVE OFFICER REPORT – Kelly Morgan, interim CEO

Kelly Morgan introduced himself as the Interim CEO. He shared a few facts about himself:

- Born in Myrtle Point, raised in Coquille.
- Former President & CEO of Mercy Medical Center in Roseburg for 16 years.
- Recently retired, but returned at the request of Kyle to assist Bay Area Hospital.

He then introduced interim leadership team members:

- Mel Stibal, Interim CNO, with experience in Portland-area hospitals.
- Doug Dicksonon, Interim CFO, experienced in hospital turnarounds.

Below are the highlights of the updates he provided to the board of directors:

Hospital Census and Volume Trends

- Licensed for 172 beds, staffed for 129, but functions as a 75-bed hospital.
- **Trends:**

- Patient discharges: Down 1% from FY23.
- ED visits: Up 12% from FY24 and 20% from FY23.
- Outpatient visits: Down 3% from FY24 and FY20.
- Surgeries: Down 6.3% from FY23 and 8.5% from FY24.

Financial Overview

- **Net Revenue:**
 - FY23: \$207M
 - FY24: \$244M (down \$4M from prior year)
- **Expenses (Selected):**
 - Salaries & Wages: \$97M (up \$10M from FY23)
 - Benefits: \$27M
 - Contract Labor: \$20M (down \$7M from prior years but still high)
 - Professional Fees: \$19M
 - Purchase Services (e.g., Savista): \$27M (up \$8M)
 - Supplies: \$44M
 - Other: \$18M
- **Operating Losses:**
 - FY23: \$32M
 - FY24: \$24M
 - Monthly losses: ~\$2M consistently over 13 months

Cash Flow and Debt

- **Cash Reserves:**
 - June 2022: \$104M
 - June 2024: \$59M
 - June 2025: \$42M
 - Burned \$62M in two years; ~4 months of cash remaining
- **Debt:**
 - \$45M owed to Bank of Montreal
 - Not meeting debt covenants; interest rate increased due to default
 - Biweekly calls with the bank; pressure mounting

Turnaround Plan

- Goal: \$30M improvement through revenue and expense adjustments
- **Revenue Strategies:**
 - Improve revenue cycle
 - Renegotiate third-party payer contracts
- **Expense Strategies:**
 - Hiring freeze implemented
 - Review of all new hires by senior management
 - Anticipated reduction in force to right-size operations
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Advocacy and External Support

- New lobbying team: PAC West (replacing United Strategies)
- Working with UFCW and state Treasury Department
- Exploring refinancing options and emergency state support
- Senate Bill 1214 introduced to improve Medicaid reimbursement
- Encouraging discussions with Oregon Solutions from Gov. Kotek's office and state representatives

Affiliation and Partnership Updates

- Terminated LOI with Quorum Health
 - Frees hospital to explore other partnerships
 - Quorum required operational improvements before proceeding
 - Their transition to not-for-profit status remains uncertain
- Terminated contract with Juniper (advisor for strategic affiliation partnership search)

Strategic Goals

1. Save the hospital
2. Stay local if possible
3. Achieve financial stability

Recruitment and Development

- No current CMO; recruitment underway for CEO, CFO, and CMO roles
- Tom, HR Director, leading recruitment efforts
- Need for a physician recruitment and development plan
 - Focus areas: General surgery, orthopedics, OB/GYN, oncology

Local Partnership Exploration

- Considering a regional system with:
 - Critical Access Hospitals
 - North Bend Medical Clinic
 - IPA
 - Advanced Health
 - Bay Clinic
- Conceptually promising, but requires:
 - Governance and shared services analysis
 - Financial feasibility study
- CEO meeting scheduled next week to begin discussions

Board Discussion Highlights

- Board expressed interest in the local option but requested financial analysis.
- Questions raised about bank forbearance and restructuring flexibility.
- Kelly Morgan confirmed the bank is open to collaboration but needs to see progress toward profitability.

LAND FEASIBILITY STUDY – Ms. Gretchen Nichols, COO

Ms. Nichols reviewed the Land Feasibility Study for 16 acres behind the hospital, as presented in the packet. The board was provided a Summary Sheet of the feasibility study attached to these minutes.

Key highlights are as follows:

A number of years ago, the hospital conducted a master facility planning process, during which approximately 16 acres of woodland behind the hospital were identified as non-essential for campus development. In collaboration with the City of Coos Bay, the hospital explored the potential for using this land to support housing development in the region. The hospital and city jointly secured a Transportation and Growth Management Grant through the Department of Land Conservation and Development (DLCD), which funded a feasibility study conducted by Cascadia Partners.

Study Scope and Process

The study ran from January to July and included:

- Site and visibility assessments
- Community engagement sessions

- Development of multiple land-use scenarios

Key Findings

- The land presents significant development challenges:
- Steep slopes
- Presence of a watershed and creek with protected wildlife
- Infrastructure limitations requiring major investment (e.g., sewage lift station, bridge access)

The study concluded that:

- Land development would not significantly improve the hospital's financial position
- The hospital should prioritize core operations and financial stability
- A champion or broker may be needed to assess future development or sale opportunities
- Collaboration with the tribe and city could support long-term planning

Recommendations

The study recommends:

- Monitoring legislative opportunities for infrastructure support
- Outreach to developers for future collaboration
- Considering the land for non-medical use, such as housing, if external funding becomes available

Next Steps

- The City of Coos Bay formally adopted the feasibility study by resolution two weeks prior
- Gretchen Nichols requested the board to adopt the study and its recommendations by formal resolution, noting that this does not commit the hospital to any development actions

Board Discussion

- Board members acknowledged the creative and collaborative nature of the study process.
- It was noted that the land is currently held as collateral by the bank, limiting the hospital's ability to act independently on its use .
- The board recognized the potential for future housing solutions, especially for hospital staff, but agreed that significant grants would be needed to make development feasible

Action Taken by the Board:

Kyle Stevens moved to accept the land feasibility study as presented in the packet by formal adoption through resolution (attached to these minutes) of the board of directors. There was a brief discussion, with questions asked and answered. Patrice Parrott 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 reported on the activities of the QPSC committee as their last meeting of July 24, 2025.

- Mr. Doug Gauntz gave a presentation on the services provided by the Medical Imaging Department and their associated quality measures.
- Mr. Mike Conner gave a presentation a presentation on services provided by Respiratory Therapy and the Sleep Lab with their associated quality measures.

Comprehensive Quality Committee (CQC) Executive Summary

Ms. Michelle Merrick reported on the latest CQC meeting, which reviewed Heart Failure data and Tracers completed in the first quarter.

Quarterly Board Report Card

Key Point: Ms. Kelli Dion reviewed the Quality Board Report Card. Catheter Acquired Urinary Tract Infection, Central Line Associated Bloodstream Infection, PSI-90, Heart Failure Readmission, and Readmissions met, at the least, their minimum benchmark. Mortality and SEP-1 did not meet their minimum benchmark.

Annual Scope of Services – Ms. Kelli Dion, CQO

The Scope of Services document and agenda item summary of the item was presented to the board for action in the board packet, which was also posted on our website.

Action Taken by the Board:

Kyle Stevens moved to accept and approve the Annual Scope of Services as presented in the packet and as summarized in the Agenda Item Summary and on our website. Tom McAndrew seconded the motion which carried on call of vote with all board members present casting a vote of approval.

FINANCE REPORT – Mr. Doug Dickson, interim CFO

FINANCIAL PERFORMANCE REVIEW

Mr. Dixon shared that June was a challenging month financially, with the hospital posting a \$2.6 million operating loss. Inpatient volumes were down about 20% from budget, and outpatient visits fell short by 9%, leading to a \$3.3 million drop in gross revenue. Additionally, the net-to-gross ratio came in lower than expected at 30.8%, which translated to roughly \$1 million less in net revenue for the month.

Looking at the full fiscal year, the hospital ended FY24 with a \$24 million operating loss, largely due to sustained volume declines and revenue shortfalls. While most expense categories were under budget, contracted labor and miscellaneous costs remained high.

He noted that the hospital is not currently meeting key financial benchmarks, including debt service coverage ratios, days cash, and liquidity requirements. These areas are being prioritized in the financial recovery plan.

A major focus moving forward is improving the revenue cycle. The current shortfall in net-to-gross performance could result in a \$12 million annual impact if not addressed. He emphasized that this is a top priority for the finance team. Regarding the audit, the hospital remains out of forbearance, which could affect its “going concern” status. Plans to improve financial performance are underway and will be shared with auditors.

He also shared some initial observations: operating expenses appear high relative to revenue, and while some contracts may be difficult to exit immediately, there may be opportunities to renegotiate over time.

He acknowledged concerns about inconsistent Medicaid payments and confirmed that the finance team is actively investigating and working to clarify the situation.

Finally, he addressed the hospital’s contract with St. Charles, which runs through February 2027. St. Charles leadership has committed to continued support and flexibility, and any transition to a new system would require approximately 20 months of planning. No additional questions were raised by the board at the conclusion of the report.

Comprehensive financials were included in the board packet and posted on our website; highlights are as below:

Overall, Bay Area Hospital reported a loss of \$2.6M in June, against budgeted gain of \$25K. June Gross Revenue was \$59.1M and Net Revenue ended the month at \$18.2M, with a Net to Gross Revenue Margin of 30.8%.

Gross Revenues

June Gross Revenue totaled \$59.1M, \$3.3M decrease to budget and \$1.5M higher than prior year.

Gross Revenue Variance of \$3.3M vs budget is driven by unfavorable volume decrease of \$6.0M and favorable rate increase of \$2.7M.

Net Revenues

Total Net Revenue June is below budget \$4M and down to prior year by \$3.0M (\$18M vs. \$22M vs.

\$21M). YTD is below budget by \$26M and down from prior year by \$3.8M (\$240M vs. \$266M vs. \$244M).

Depreciation

Depreciation costs are favorable \$206K to budget and \$460K favorable to prior year (\$744K vs

\$950K vs \$1.2M) due to lower subscription amortization since the Workday contract was only

renewed for one year. Year to date, Depreciation costs are \$1M below budget and prior year (\$10.2M vs \$11.4M vs \$11.7M).

Other Operating expense

June Other Operating Expenses are unfavorable \$21K to budget and \$8K over prior year (\$1.6M vs \$1.6M vs \$1.6M). Year to date, Other Operating Expenses are \$1M below budget and up \$82K to prior year (\$18M vs \$19M vs \$18M).

Non-Operating Income and Expense

June Other Non-Operating Income and Expenses are unfavorable \$30K to budget and \$1.4M to prior year (-\$120K vs -\$89K vs \$1.3M). Year to date, Other Non-Operating Income and Expenses are \$494M favorable to budget and \$2.4M unfavorable to prior year primarily driven by the accelerated disposal/write off the Workday subscription lease asset of \$1.9M in current year (-\$612K vs -\$1.1M vs \$1.8M).

Balance Sheet

Cash and Cash Equivalents are \$9.5M at the end of June and Assets limited to use are \$32.4M for an overall cash balance of \$41.9M. Overall cash and investments decreased about \$1.9M to prior month.

Days Cash on Hand is 62 days. Account Receivable (net) decreased \$4.2M from prior month to close at \$22.6M for June. Current liabilities decreased \$4.1M compared to prior month. The Current Ratio is 2.62 and Debt to Capitalization is 42.6%.

REPORT OF THE BOARD CHAIRPERSON and BOARD COMMENTS

Board Chair Simon Alonzo shared reflections on his first month in the role, describing it as fast paced, challenging, and rewarding. He acknowledged the significant transitions the hospital has been navigating, including leadership changes, and emphasized that while many executive team members currently hold interim titles, they bring deep experience and a strong commitment to the hospital and community.

Chairperson Alonzo expressed appreciation for the staff's dedication, noting that he has met with many departments and community stakeholders, all of whom share a common goal: saving Bay Area Hospital. He highlighted the community's unity and support as a powerful force during this period of change.

He addressed the recent termination of the LOI with Quorum Health, explaining that while the deal has ended, the relationship remains open for future consideration. In the meantime, the hospital is actively exploring other options, including local partnerships and state-level resources—some of which have never been tapped before.

Chairperson Alonzo also provided an update on transparency efforts:

- Board member contact information is now posted online.
- Microphone upgrades are in progress.
- Printed board packets were made available for the public at the meeting.
- Agenda packets and meeting minutes are now posted on the hospital website.
- Plans are underway to begin recording meetings for public access, with Gretchen Nichols leading that effort.

He emphasized that these small changes reflect a larger commitment to transparency and responsiveness. The board is listening and acting, and the goal is to keep the community more informed than ever.

In closing, Chairperson Alonzo expressed pride in the board, the executive team, and the staff, and thanked the community for its trust and support during this critical time.

Other Board Member Comments:

Board Member Tom McAndrew expressed his continued commitment to working with fellow board members to support the hospital's success. He acknowledged the challenges ahead and emphasized the importance of collaboration between the board, staff, and leadership. Tom shared his appreciation for the professionalism of the hospital's staff and leadership team, particularly noting how quickly interim roles were filled. He stressed that the hospital cannot afford to fail and that it will take hard work and shared effort to move forward. He closed by affirming the board's dedication to making the best decisions possible for both the community and hospital employees.

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

Dr. Atluri introduced herself as the hospitalist and current Chief of Staff and thanked the board and Interim CEO Kelly Morgan for taking time to meet with the Medical Executive Committee (MEC) and department chairs on July 30. She emphasized the importance of understanding the structure and needs of the medical staff.

She reported an unusually low patient census during July, noting it was one of the most significant lulls she has seen in her six years at the hospital. She expressed concern about the potential impact on the upcoming financial report. Dr. Atluri highlighted the hospital's reliance on locum providers and stressed the importance of both retaining current staff and recruiting new physicians. She shared plans to collaborate with leadership from North Bend Medical Clinic, Advanced Health, and Bay Clinic to develop a unified recruitment strategy, moving away from siloed efforts. She also announced the formation of a nominating committee to select the next Chief of Staff. The process includes electing a secretary who will advance to Vice Chief of Staff and eventually Chief of Staff, with the outgoing Chief transitioning to the Credentials Chair role.

No questions were raised following the report, and board members expressed appreciation for the update and ongoing engagement with the medical staff.

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 7:23 pm.

RETURN TO REGULAR SESSION

Chairperson Alonzo reopened the meeting into public session at 7:45 pm.

MEDICAL STAFF CREDENTIALS REPORT

This report was reviewed in the Executive Session.

APPROVAL OF CREDENTIALING REPORT

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

ADJOURNMENT

There being no further business, the District Board meeting was adjourned at 7:45 pm.

Simon Alonzo, Board Chairperson

Patrice Parrott, Secretary

Date: _____

Date: _____