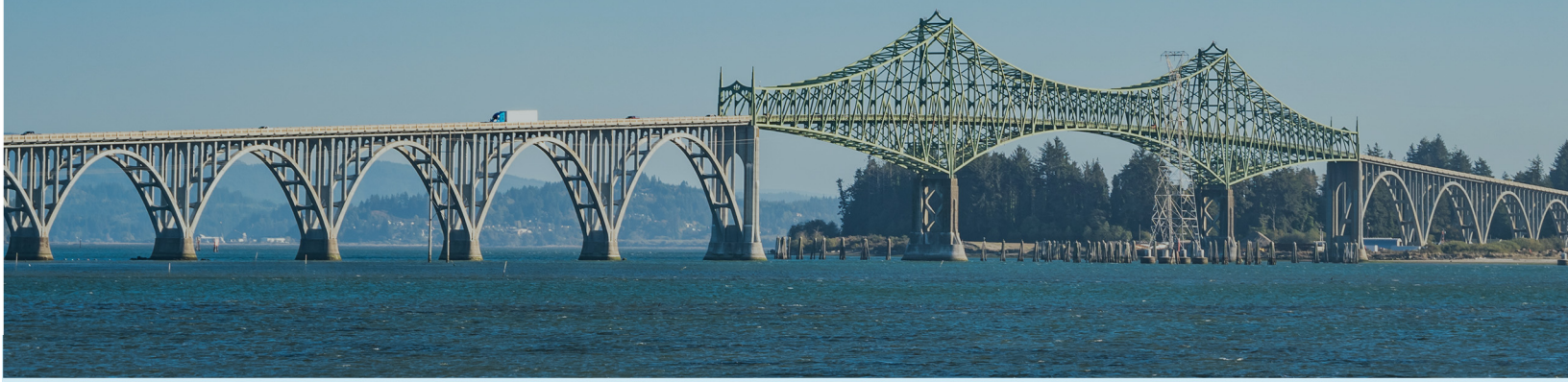
BAY AREA HOSPITAL RESTABILIZATION PLAN

THE PLAN TO SAVE BAY AREA HOSPITAL

AND ENSURE LONG-TERM RESILIENCY



This brief will go through the **near-term and medium-term actions** required to ensure long-term sustainability for the Bay Area Hospital.

1 PRIOR TO 2026 SESSION:

E-Board Request:

Immediate $10M cashflow assistance

In order to immediately protect the hospital from a forced buyout by creditors.

- Via a request to the Emergency Board
- Has already been preceded by staff cuts and other belt-tightening measures.

Buys us time through the 2026 Legislative Session!

2 DURING 2026 SESSION:

Legislation:

Refinancing and possible debt buy-down

A Legislative package would:

- Allow for refinancing through the State's own Unclaimed Property Fund.
- Require OHA review of the Hospital's restabilization plan before refinancing.
- Possibly provide buy-down of a portion of debt via Lottery bonds.

3 LONGER TERM:

Systemic Fixes:

Lasting resiliency through system changes

After the immediate peril is addressed, we will need to work to address the systemic root causes of BAH's insolvency:

- Address the pattern of Critical Access facilities taking profitable services.
- Explore regional service-sharing and cost-cutting models, as well as strategic partnerships.

PRIOR TO 2026 LEGISLATIVE SESSION

1 Emergency Board Request: $10M

SCAN FOR SIGN-ON OPTIONS ▶

THE SHORT VERSION

The Bay Area Hospital is seeking $10 million from the Emergency Board to provide one-time bridge financing to accelerate implementation of the Hospital's restabilization plan.

New leadership has swiftly put the Hospital on a clear path to financial stability, with a comprehensive plan now showing strong early progress. This targeted $10 million liquidity infusion will provide a critical runway, materially reducing the risk that the Bank of Montreal exercises its legal right to call the Hospital's $45 million note and protecting the turnaround now underway.

Before the restabilization plan, the Hospital was projected to lose $24 million in FYE June 30, 2026. Thanks to aggressive measures already in motion, current projections show an $11 million loss for FY26, with operating break-even achievable by FYE June 30, 2027. This $10 million bridge will pull that timeline forward by a full year, driving near break-even operations by FYE June 30, 2026.

The funding will stabilize payroll and benefits, enabling accelerated recruitment of critical physicians and staff — especially OB-GYNs orthopedic surgeons, medical oncologists and cardiologists to safely deliver Coos County's vital services to our aging population — while providing insurance against deferred capital needs, including potential replacement of aging cardiac catheterization labs, and preserving essential services as long-term strategic partnerships are pursued.

? ***Will the Hospital be sustainable after this?***
Yes, depending on whether this Restabilization Plan is able to be carried through. See the Hospital's turnaround plan and projections.

Why is Bay Area Hospital a Special Case?

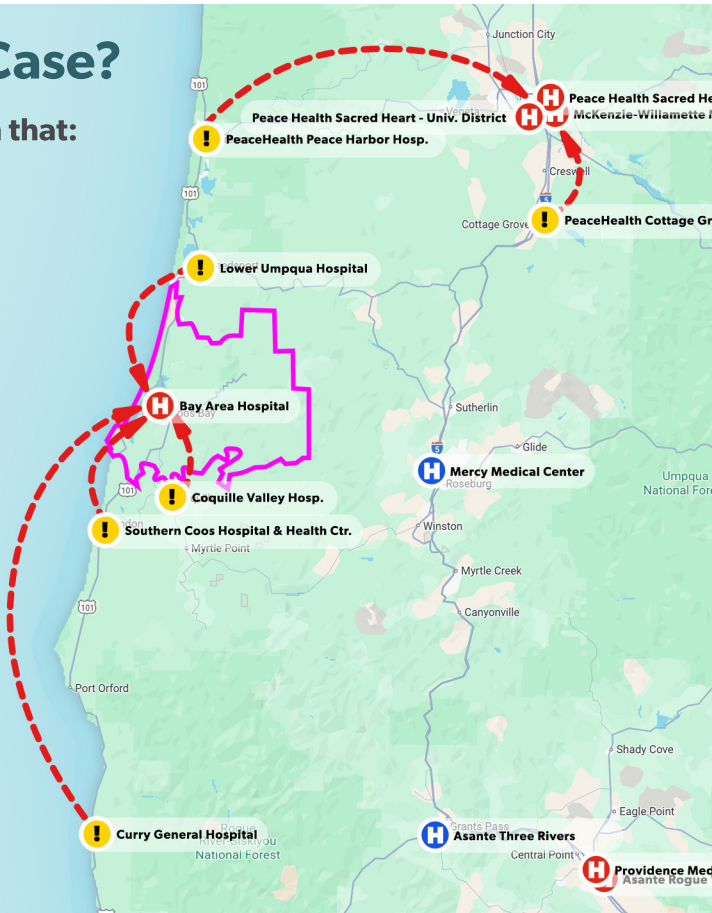
Bay Area Hospital is the only DRG (large) hospital in Oregon that:

- **Is publicly owned and operated by an elected board,**
- **Accepts referrals from four Critical Access Hospitals, and**
- **Is the largest employer in its respective region.**

Bay Area Hospital is the **only** large (> 50 beds) hospital serving the Oregon Coast and it has four Critical Access hospitals referring in. This makes it a lynchpin for the lives and well-being of Southern Coast residents in a way that is unique to any other publicly-owned hospital in the State.

HOSPITALS IN SOUTHWEST OREGON

- **Diagnostic Related Group (DRG) Hospital**
  More than 50 beds, combined diagnostic and treatment services
- **Type C DRG Hospitals**
  Rural DRG Hospitals that are not referral centers
- **Critical Access Hospital**
  Less than 50 beds. Higher CMS reimbursement; meant for expanded emergency services and otherwise economically infeasible services.
- **Current Bay Area Hospital District**
- **Common referral pipelines**



2 Refinancing and Buy-down

LC NUMBER: LC 12

BILL NUMBER:

SCAN FOR DOWNLOAD & SIGN-ON OPTIONS ►

THE SHORT VERSION

In order to ensure that the restabilization plan has time to take effect as well as stem interest payments to a foreign bank, the State would assist in refinancing BAH's private third-party debt.

Much of the Hospital's present financial pressure traces back to a single financing decision: To engage high-interest private-sector debt instead of using low-cost public financing available through the Oregon Facilities Authority or other rate-advantaged programs for hospitals and public entities.

Today, a substantial share of the hospital's revenue leaves Oregon entirely as interest payments to a foreign bank. Refinancing that debt with State-supported financing would immediately reduce the interest burden and provide the breathing room needed for the hospital's restabilization plan to succeed.

Solution

Oregon law already allows the State to make interfund loans to its own agencies for cash-flow needs, but it does not yet extend that tool to public hospital districts.

The Hospital is supporting legislation that would authorize the State to refinance some or all of Bay Area Hospital's high-interest private debt through the Unclaimed Property and Estates Fund (ORS 98.389).

Why the Unclaimed Property Fund?
The Unclaimed Property Fund is used because those monies are held in trust and are not permitted to be utilized for programmatic costs. Refinancing costs taxpayers nothing, competes with no programs, and keeps funds in Oregon.

Key Safeguards in the Proposed Legislation:

- The recipient must be a rural, publicly operated hospital that is classified as a DRG (large) hospital,
- Loans may not be used for new capital improvements,
- The hospital must submit a Restabilization Plan that is endorsed by the Oregon Health Authority,
- Repayment rates must be at or above the effective Federal Fund Rate, ***and***
- Approval is ultimately at the discretion of the State Treasurer, considering various economic factors.

In addition to this legislation, the Bay Area Hospital will seek to immediately buy down some of the outstanding debt via receipt of Lottery Bonds.

What's the alternative?

What will the Hospital look like if we simply do nothing?

Inquiring as to consequenses and opportunity costs is part of any prudent legislative inquiry. In this case, the alternate course of action is planned out and, though not preferable, ready to be implemented.

Without the requisite public assistance, the Bay Area Hospital will:

- **Downgrade its status to a Type A or Type B Hospital,**
- **Reduce its available beds to 50 or less,**
- **Cease accepting most referrals from regional Critical Access Hospitals, and**
- **Consider eliminating a number of non profit-bearing lines of services, including behavioral health and labor and delivery.**

This would result in a significant reduction of staff and expenses, and dangerously force many residents to travel to Roseburg or Eugene for critical services. In addition to the impact on patient care, cutting staff on this scale would significantly impact one of the area's largest sources of good jobs at the worst possible time for our community's economic recovery.

3 Lasting Resiliency

SCAN TO VIEW THE DETAILED TURNAROUND PLAN ►

Internal Fixes and Regional Fairness

Once the immediate debt crisis is resolved, Bay Area Hospital is committed to driving internal improvements and pursuing strategic partnerships. Longer-term stability, however, will still require fixing a structural imbalance in rural healthcare reimbursement that currently puts BAH at a competitive disadvantage.

Actions already underway at the hospital:

- **Aggressive cost controls** and responsible staffing adjustments. These painful but necessary steps are delivering results.
- **Active exploration of affiliation** and clinical partnership opportunities with both private-sector and public-sector systems (for example, OHSU). These partnerships will share services, reduce duplication, and adopt proven best practices

Systemic issue that must be addressed regionally and legislatively

Several Critical Access Hospitals (CAHs) exempted from current federal distance requirements operate within 30 miles of Bay Area Hospital. These CAHs receive significantly higher Medicare and Medicaid reimbursement rates while competing directly for the same profitable service lines (orthopedics, urology, general surgery, etc.). When complex or lower-revenue cases arise, patients are routinely transferred to Bay Area Hospital, which leaves BAH with the region's costliest care at the lowest rates.

True resiliency for Coos Bay and Oregon's southern coast requires two things:

- **Continued internal discipline** and smart partnerships at the hospital level.
- **A level reimbursement playing field** so one community hospital is not systematically shouldering all of the region's costliest but least profit-bearing cases.

Legislative and Oregon Health Authority solutions under review include modernizing CAH distance exemptions, fairer transfer-payment policies, and targeted rural rate adjustments, all without reducing access in neighboring communities.

This blend of local accountability and statewide fairness will make Bay Area Hospital sustainable and viable for generations.

The Bay Area Hospital Plan Coalition

Bay Area Hospital

UFCW LOCAL 555
Dan Clay, President Sandy Humphrey, Secretary-Treasurer

TEAMSTERS LOCAL 206

JOIN THE TEAM:

Click here to let your local lawmakers know that you support the Bay Area Hospital Plan!

www.bayareaplan.com/join

Provided jointly by the Bay Area Hospital and United Food and Commercial Workers Local 555.
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