

# 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

DURING 2026 SESSION:



## Legislation:

### Refinancing the Hospital's existing debt

A Legislative measure would:

- Allow for refinancing through the State's own Unclaimed Property Fund.
- Require OHA review of the Hospital's restabilization plan before refinancing.
- Ensure market-rate repayment with interest.

2



## Working Capital:

### About \$18 million for projects and staffing

After refinancing, BAH's financial situation will improve, but capital needs remain.

- \$6.5 M for a new cath lab, for modern treatment of circulatory conditions.
- \$1.5 M for new CT scanning equipment
- \$10 M for medical staff development

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.

## 1 Refinancing Debt

LC NUMBER:

LC 12

BILL NUMBER:

HB 4075

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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 vital 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 HB 4075, which 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, the Bay Area Hospital will seek to buy down some of the outstanding debt with lottery bonds, in addition to the vital Funding Request of \$18 million.



### **Doing nothing is more expensive and will harm South Coast residents.**

Without the requisite assistance, the Bay Area Hospital may be forced to turn to an alternative model that increases per-case reimbursement at the expense of access to care:

- ❗ **Downgrade its status to a Type B Hospital, reducing 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 significant impacts on local jobs, State finances, and most notably, local public safety.

- ❗ **Loss of 97 full-time jobs and \$9.1 million local wages lost.**
- ❗ **\$27.2 million estimated annual impact to State as a result of cost-based reimbursement through CCO, as well as increased Medicaid payments for transfers, delay of care, etc.**
- ❗ **An estimated 2,089 patient transfers and 182 preventable deaths per year.**

## 2 Funding request: \$18 Million\*

\* Estimate. Final amount may be adjusted slightly.

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OPTIONS ►



### THE SHORT VERSION

**The Bay Area Hospital is seeking approximately \$18 million from the State to assist with emergent capital and staff development needs in order to improve resiliency.**

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 \$18 million will provide a blend of liquidity and resiliency:

✓ **\$10 million** to 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 an aging population — while providing insurance against deferred capital needs and preserving essential services as long-term strategic partnerships are pursued.

✓ **\$6.5 million** to modernize the hospital's aging catheterization lab. Cath labs allow for minimally invasive diagnosis and treatment of heart and blood vessel conditions, using thin tubes (catheters) to treat conditions or implant devices like pacemakers, often without major surgery.

✓ **\$1.5 million** to replace the Hospital's CT (Computed Tomography) scanner. The CT scanner is an imaging tool that creates detailed cross section views inside a body and is vital for diagnostic and treatment purposes.

These dollars will hopefully come from Lottery Bond proceeds, GF moneys, or a combination thereof.



### Will the Hospital be sustainable after this?

Yes, though the Hospital plans to seek additional relief via a buy-down of debt through lottery bonds in this or future sessions.

## 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

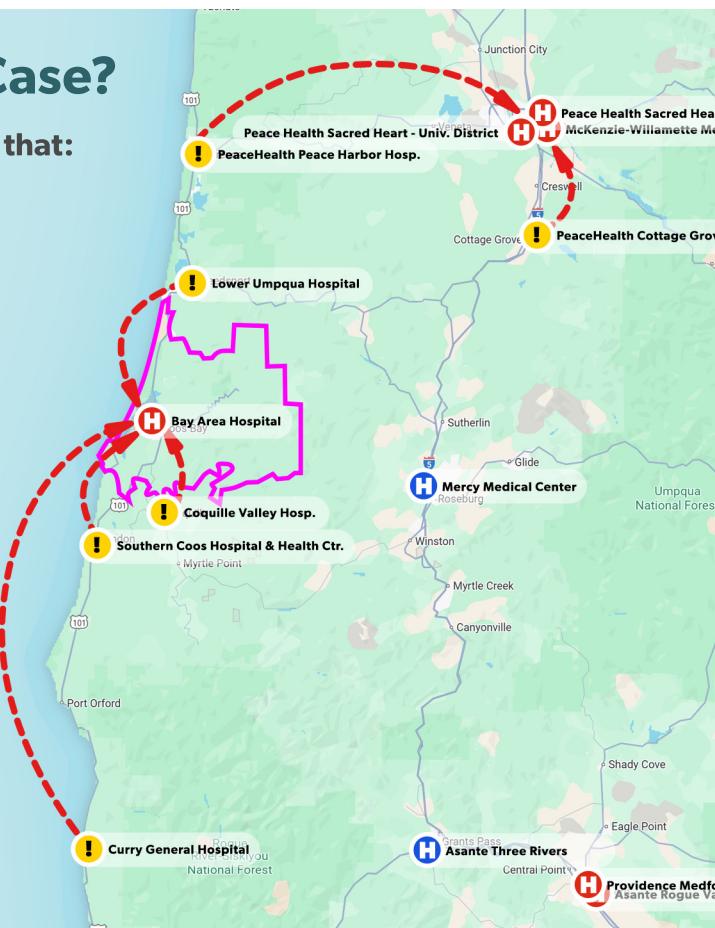
Rural DRG Hospitals that are not referral centers

#### 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



## LONGER-TERM EFFORTS

### 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



#### JOIN THE TEAM:



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



[www.bayareaplan.com/join](http://www.bayareaplan.com/join)



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

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