

Bay Area Hospital is at risk!

## Proposed Sale of Bay Area Hospital to Quorum Health Could Leave Thousands without Care

On December 11, 2024, the Board of Bay Area Hospital in Coos Bay, Oregon signed a letter of intent to sell the community's hospital to private equity-owned Quorum Health. Quorum Health is not truly in the business of running hospitals; they gut and shut down rural hospitals for profit. When Quorum was spun off from Community Health Systems ("CHS") in 2016, they had 38 hospitals. Today, they only operate 12.

## Private Equity is Plundering American Healthcare

A bipartisan Senate report published in January 2025, titled "**Profits Over Patients: The Harmful Effects of Private Equity on the U.S. Healthcare System**," details how private equity companies like Quorum Health focus on "financial goals rather than quality of care at their hospitals, leading to multiple health and safety violations as well as understaffing and the closure of several hospitals."<sup>1</sup> Senate Budget Committee Chairman Sheldon Whitehouse summed up the report "**Private equity investors have pocketed millions while driving hospitals into the ground** and then selling them off, leaving towns and communities to pick up the pieces."<sup>2</sup>

As the report outlines, the pattern of private equity hospital failures cannot be attributed primarily to difficulties in the healthcare industry; the gutting and closure of these hospitals is the result of a deliberate strategy that enriches shareholders at the expense of patients and communities. This strategy works as follows - The private equity firm acquires a struggling hospital, then induces the hospital to take out loans. Rather than using those loans to invest in the hospital, the hospital uses this cash to pay out dividends to shareholders. Using as an example, PE firm Leonard Green & Partners ("LGP") and hospital operator Prospect Medical Holdings ("PMH"), in which LGP held a majority stake for several years, the report states:

PMH's investors took home millions in dividend distributions. In order to pay out these distributions, PMH was forced to take on hundreds of millions of dollars in debt, eventually leading to PMH running out of cash and defaulting on its loans. Since LGP exited its investment in PMH when the operator held over \$3 billion in debt, PMH has struggled to ensure that its hospitals can pay their bills, closed two hospitals, and been forced to provide equity in one of its business segments to MPT in order to satisfy millions in unpaid rent.

A similar strategy has also been used by private equity firms. Rather than (or in addition to) inducing loans, firms will execute sale-leaseback agreements. In these deals, hospitals are made to sell their real estate and then lease the real estate back from the buyer. The buyer in these scenarios is often the controversial Medical Properties Trust ("MPT"), which has used these deals to become the second-largest non-governmental owner of hospitals in the world.<sup>3</sup> One article published in *The Atlantic* summed up the obvious conclusion of this strategy: "The proceeds of selling off buildings and land allowed private-equity investors to keep paying themselves dividends and fees even as hospitals were being crushed by enormous debt."<sup>4</sup>

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<sup>1</sup>[https://www.budget.senate.gov/imo/media/doc/profits\\_over\\_patients\\_the\\_harmful\\_effects\\_of\\_private\\_equity\\_on\\_the\\_ush\\_ealthcaresystem1.pdf](https://www.budget.senate.gov/imo/media/doc/profits_over_patients_the_harmful_effects_of_private_equity_on_the_ush_ealthcaresystem1.pdf)

<sup>2</sup><https://www.nbcnews.com/news/investigations/private-equity-reduces-patient-care-enriching-investors-senate-report-rcna186636>

<sup>3</sup> <https://www.medicalpropertytrust.com/company>

<sup>4</sup> <https://www.theatlantic.com/ideas/archive/2023/10/private-equity-hospitals-health-care/675779/>

## Quorum Health - A History of Profitable Failure

Just like other private equity-backed healthcare companies, Quorum Health is not actually a healthcare provider in the true meaning of that term. Their track record makes it clear that they have no interest in competing to provide the best services for the lowest cost. Instead, Quorum Health sees hospitals as a commodity to be plundered.

In 2016, CHS spun off Quorum Health as an independent corporation with a focus on rural and suburban markets. Quorum was spun off with 38 hospitals, predominantly in cities or counties with 50,000 or fewer residents. In 84% of the markets, these hospitals were the only acute-care hospital service providers.<sup>5</sup>

From the beginning, it seems that providing healthcare services to rural America was never the goal of Quorum. In fact, in its first two years, Quorum sold or closed 10 of its 38 hospitals. According to a 2018 article by *Health Leaders*, "Quorum, based in Brentwood, Tennessee, has collected \$84.8 million in net proceeds from its divestitures, and it plans to collect another \$165-215 million in divestiture proceeds by the end of next year, having already signed letters of intent to divest seven more facilities, the company said."<sup>6</sup> Quorum would continue to close or sell hospitals. By 2024, Quorum owned just 10 hospitals before purchasing two in rural West Texas<sup>7</sup>, putting the company at 12 today<sup>8</sup>.

Quorum specifically targets rural hospitals, which means when they close a hospital they often leave a healthcare desert in their wake. Patients losing their hospital may be 20 miles or more from their nearest emergency room or primary care hospital. Quorum closed its first hospital, Affinity Medical Center in Massillon, Ohio, in 2018. That hospital had served the city for well over a century but was closed after just two years under Quorum management.<sup>9</sup> A couple months later, Quorum closed the McKenzie Regional Hospital in Tennessee. One resident was quoted by local news, saying "I love it here because it's a nice area, but my first thought was to move when I heard the hospital was closing."<sup>10</sup> Quorum closed MetroSouth Medical Center in Illinois in the following year.<sup>11</sup> In response, Anne Igoe, VP of Health Systems division at SEIU HCII stated "Quorum Health manufactured its own staffing crisis as a result of not extending physician contracts and making clear that workers had little to no future at the hospital."<sup>12</sup> The hardest closure may have been Martin General Hospital in rural North Carolina, which Quorum closed in 2023. The last message on the hospital's website directs those in an emergency to ECU Health Beaufort Hospital, 22 miles south.<sup>13</sup>

When Quorum sells, they leave gutted hospitals in struggling communities. Sandhills Regional Medical Center in North Carolina was sold in 2016 and closed the following year.<sup>14</sup> Likewise, Galesburg Cottage Hospital in Illinois was sold in 2021, and then closed the following year.<sup>15</sup> Red Bud Regional Hospital in Illinois was sold in 2022, and 5 months later, the hospital announced the closure of their 99-bed senior care facility. Helena

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<sup>5</sup><https://www.modernhealthcare.com/article/20150803/NEWS/150809993/community-health-systems-to-spin-off-38-hospitals-shift-focus-to-larger-markets>

<sup>6</sup><https://www.healthleadersmedia.com/finance/hospital-closures-deepen-quorums-q1-losses>

<sup>7</sup><https://www.beckershospitalreview.com/hospital-transactions-and-valuation/judge-oks-sale-of-2-steward-texas-hospitals-to-quorum-health.html>

<sup>8</sup><https://quorumhealth.com/locations/>

<sup>9</sup><https://www.beaconjournal.com/story/news/local/2018/01/05/affinity-medical-center-in-massillon/10597729007/>

<sup>10</sup><https://www.jacksonsun.com/story/news/local/2018/07/27/west-tennessee-hospital-closure/851363002/>

<sup>11</sup><https://abc7chicago.com/metrosouth-medical-center-hospital-blue-island-il-news/5579735/>

<sup>12</sup><https://seiuhcil.in.org/2019/09/press-release-breaking-news-ceo-of-metrosouth-suspends-general-emergency-department-and-says-hospital-will-not-accept-any-new-patients/>

<sup>13</sup><https://www.wral.com/lifestyle/health/martin-county-hospital-closure-impact-2024/>

<sup>14</sup><https://www.northcarolinahealthnews.org/2020/05/18/shuttered-hospital-could-get-new-life-courtesy-of-covid/>

<sup>15</sup><https://www.kwqc.com/2022/03/04/tv6-investigates-documents-reveal-galesburg-cottage-hospitals-chaotic-closure/>

Regional Medical Center in Arkansas<sup>16</sup> and Fannin Regional Hospital in Georgia<sup>17</sup> were both sold in 2023; by the end of the year, both hospitals had to be downgraded to Rural Emergency Hospitals under the newly-implemented REH designation.

Vista Medical Center East in Illinois, sold in 2023, was stripped of its Level II Trauma designation by February 2024 "due to its absence of essential services needed to maintain this designation, including lack of a blood bank, anesthesia, neurology, urology, or a full-time Trauma Coordinator."<sup>18</sup> It was unable to pay its property lease<sup>19</sup>, and was losing about \$1 million every month<sup>20</sup> while trying to reduce the "debt it inherited when it bought the hospital from Quorum Health Corp."<sup>21</sup>

### Concerning Practices at Quorum Hospitals

More troubling than Quorum's history of closures and sales is how it actually runs the hospitals it keeps. A lawsuit brought by the New Mexico Attorney General against Alta Vista Hospital reveals healthcare practices at a typical Quorum hospital. According to the lawsuit, Quorum:

- *Stopped providing OB-GYN services while continuing to advertise them:*

"The hospital continued to advertise obstetrics and gynecology services through June, even though its only doctor qualified to provide those services died in May. Instead of rehiring for the position, the hospital stopped providing those services altogether, the suit alleges. 'This closure results in there being no proper prenatal or OB care in northeastern New Mexico,' the suit says."

- *Illegally over-charged patients:*

"It cites complaints from patients about exorbitant charges, including one instance in which a bill for 1.5 hours of 'non-admission' medical care exceeded \$40,000. The hospital also has 'routinely charged \$1,200 for a service where the co-pay should have been \$400,' according to the complaint."

- *Ran the hospital without oversight:*

"The hospital also is operating without proper oversight after its Medical Executive Committee resigned en masse in November 2021 'as a direct result of the manner in which [the hospital] continues to operate,' according to the suit."

The New Mexico Health Department also reported numerous health violations, including:

- "Visible stained floors not swept or mopped, per a staff member due to not having consistent housekeeping for the past six months."
- "Urine in a utility room sink and dry bloodstains on a countertop near where supplies are stored."

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<sup>16</sup> <https://www.arkansasbusiness.com/article/helena-hospital-emergency-designation-financial-turnaroundauto-draft/>

<sup>17</sup> <https://fox59.com/business/press-releases/ein-presswire/644348684/medhost-partners-with-blue-ridge-medical-center-to-support-transition-to-rural-emergency-hospital-reh-designation/>

<sup>18</sup> <https://www.cbsnews.com/chicago/news/vista-medical-center-east-trauma-center-designation-revoked/>

<sup>19</sup> <https://wgntv.com/far-north-suburbs/property-owner-left-with-financial-questions-after-planned-clinic-consolidation-in-waukegan/>

<sup>20</sup> <https://www.chicagobusiness.com/health-care/vista-medical-center-east-struggling-stay-afloat>

<sup>21</sup> <https://www.chicagotribune.com/2024/12/23/vista-medical-center-east-making-strides-toward-profitability-officials-say-they-certainly-had-a-bit-of-a-rough-patch/>

- "Expired medical supplies — including syringes, needles and gloves — were in a supply area of an operating room."
- "Blood on the walls of the emergency room, trash piled up around the facility, dirt on the floor and a failure to clean for COVID-19"<sup>22</sup>

Quorum settled the lawsuit for \$400,000.

Even financially, Quorum has had a concerning past. In 2020, just four years after it was originally spun off, Quorum Health filed for Chapter 11 bankruptcy in a move which they claimed would reduce their debt by \$500 million.<sup>23</sup> Mudrick Capital Management, which owned 15 percent of Quorum's shares, objected to the bankruptcy timeline, arguing it would prevent shareholders from analyzing the restructuring plan. Furthermore, Mudrick argued that Quorum obscured the amount of funding the company had received under the CARES Act. In October of 2024, Moody's Investors Service marked Quorum Health Corporation as being at risk for default.<sup>24</sup>

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<sup>22</sup>[https://www.santafenewmexican.com/news/local\\_news/attorney-general-sues-operator-of-las-vegas-hospital-alleging-unconscionable-practices/article\\_c81b8cf0-77dd-11ed-b42b-efa700edd928.html](https://www.santafenewmexican.com/news/local_news/attorney-general-sues-operator-of-las-vegas-hospital-alleging-unconscionable-practices/article_c81b8cf0-77dd-11ed-b42b-efa700edd928.html)

<sup>23</sup><https://www.healthcaredive.com/news/quorum-bankruptcy-approval-emerging-in-july/580805/>

<sup>24</sup><https://pestakeholder.org/news/two-steward-hospitals-acquired-by-private-equity-owned-system/>