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

TESTIMONY IN **OPPOSITION TO SB 1000**

To: Senate Committee on Healthcare
From: Michael Selvaggio, UFCW Local 555
Date: March 20, 2025

Chair Patterson, members of the Committee:

I am writing on behalf of hundreds of UFCW Local 555 members employed at Bay Area Hospital in Coos Bay, as well as our members elsewhere in the region that would be adversely affected by a hospital closure, as well as for the general interest of the region in maintaining reliable, quality healthcare services.

The Bay Area Hospital (BAH) in Coos Bay is in dire straits and in need of both a cash infusion as well as a more financially sustainable business plan moving forward. At first glance, Senate Bill 1000 seems like an appropriate way to assist the hospital by conveying $10 million to the institution. However, given the BAH Board of Directors' insistence on moving forward with a combined sale and lease to Quorum Health — as well as the disbursement timeframe outlined in SB 1000 — the effect would be more akin to sweetening an already-completed deal with Quorum Health, a deal that is not in the best interests of the community.

Communications from BAH (both digitally and in-person at public forums) have been clear that a sale/lease to Quorum is not only imminent but must happen quickly:

> "Bay Area Hospital is in default on its bank loan and we have already asked for extensions. The bank is allowing us additional time right now because we have clear evidence of a solution to our financial difficulties – our potential partnership with Quorum Health." *(www.bayareahospital.org, "Fact Sheet")*

Given that the Hospital is using the idea of an impending loan foreclosure to justify a quick closure of an agreement with Quorum, it seems odd that the $10 million anticipated by SB 1000 would be delayed until next biennium. Regardless of the timing, however, if the sale/lease to Quorum is intended to be moved forward, an infusion of cash from the General Fund at any point after that would be functionally subsidizing Quorum's costs without remunerating any kind of equity or other benefit to Oregon taxpayers. In other words: With regard to any collateralized real estate, the financial relief will go directly to lowering Quorum's eventual lease fee, which would otherwise be required to extinguish the bank loan; With regard to any collateralized assets, the financial relief will simply go towards protecting Quorum's assets from repossession, which — again — would ordinarily be Quorum's responsibility.

If Quorum Health were functioning more like a third party contractor engaged to turn around and run the Hospital, one could understand the rationale of infusing $10 million. But Quorum Health is a corporate entity that has been plagued with dismal results and has left a path of shuttered hospitals across the country.

To wit: Quorum Health has closed all but 12 of 38 hospitals that were once under its management. Of the remaining hospitals, BAH communications often touts Mackenzie-Willamette as a CMS 4-star (out of 5) rated institution that is exemplary of Quorum's management. But that is actually not typical; out of Quorum's other 11 institutions, five have no data on CMA ratings and the other 6 average 1.8 stars out of 5.

Representatives of SEIU 49, which represents employees of McKenzie-Willamette Medical Center (MWMC), dug into the reasons behind the dip in revenue and identified Quorum's exploding corporate management fees as a large part of the problem:

> "In 2018, MWMC paid $2.3 million to its corporate parent; by 2023, that number had increased to $9.2 million. In fact, MWMC would have been profitable for the past two years if not for the corporate management fee expenses."
> *(Letter attached)*

This siphoning of value may also explain Quorum's difficulties in other states, such as in New Mexico where Quorum:

- Continued to advertise for OB-GYN services even though the hospital simply stopped providing them when its only doctor qualified to provide those services died;
- Illegally overcharged patients, including exorbitant costs for non-admission care as well as tripling co-pay amounts;
- Ran the hospital without appropriate oversight after its Medical Executive Committee resigned en masse in November 2021; and
- Faced numerous Health Department violations for blood on walls, expired medical supplies and failures to properly clean for COVID-19.

*(*See: *Santa Fe New Mexican, "Attorney general sues operator of Las Vegas hospital, alleging 'unconscionable' practices," December 9, 2022)*

Additionally, despite the vocalized assurances that Quorum would maintain the hospital's core services for a period of ten years, the Letter of Intent signed by the BAH and Quorum allows for any services to be summarily terminated due to "economic feasibility" as determined by a Board of Trustees hand-picked by Quorum.

This is not the kind of healthcare partnership that would be acceptable generally for this region, and it is certainly not a partnership that taxpayers should be asked to facilitate from the state General Fund.

Alternatively, UFCW 555 has proffered a “Shared Responsibility Plan” that asks both local stakeholders and the state to jointly support the Hospital. The plan is explained in more depth in the attached documents, but I would like to address several common concerns that have been raised:

- Myth: Passing a local levy is not viable.
  Fact: Although BAH briefly looked into a local levy option, it did so only in a cursory manner and did not consider the two key elements that are in the UFCW plan: 1) expanding the district to match its true constituency, and 2) incorporating a contingent State match. Recent polling indicates that 56% of voters in the proposed expanded district would support such a proposal at the necessary 48 cents per $1K in assessed value, or about $7-8 per month for an average homeowner. The Hospital explored a much larger assessment that would not be viable either electorally as well as due to compression limits.

- Myth: The proposed boundary change will hurt smaller hospitals in the long-term.
  Fact: The boundary change will sunset after the 5-year temporary levy if no further action is taken.

- Myth: This plan is not viable because there is no bill.
  Fact: UFCW 555 opted to delay presenting a finalized bill because of an interest in creating a collaborative document with a wide array of stakeholders. At this point, the language of the Shared Responsibility Plan is ready to come out of LC as amendments to two already-introduced bills.

I would implore the Committee to curtail SB 1000 unless the Bay Area Hospital is on track to remain in public hands. There is an urgent need to support the Hospital and maintain quality healthcare access in Coos Bay and the surrounding region… but given the history of Quorum Health’s management practices and the allowances made in their Letter of Intent, anything that facilitates a sale to Quorum Health diverts us from that path.

Thank you.

Michael Selvaggio
United Food and Commercial Workers Local 555

Attached: Information on UFCW proposed Shared Responsibility Plan

THE SHARED RESPONSIBILTY PACKAGE:

SAVING THE BAY AREA HOSPITAL

AND ENSURING LONG-TERM SUSTAINABILITY

This brief will go through the **three key steps** required to ensure long-term sustainability for the Bay Area Hospital, as well as outline the dangers of rushing into a sale with a private equity firm without exploring all options.

Key Step 1:

Stop the sale to Quorum Health

Quorum Health is **not** the best chance we have of saving BAH.

- Keeping BAH open with a shared responsibility model has not been fully explored.
- Quorum Health has a history of shutting down local hospitals like BAH.
- BAH's Letter of Intent with Quorum all but eliminates local oversight.

Once the Board signs an agreement, our options become much more limited!

Key Step 2:

Pass a Legislative package to give voters a say

An emergency Legislative package would:

- Expand the BAH District boundaries to reflect its actual user base.
- Ask local voters if they want to support the hospital with a generous State match.
- Provide immediate cashflow relief to the Hospital.

Time is running short to meet upcoming election deadlines!

Key Step 3:

Address systemic issues of BAH solvency

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

If a public nonprofit hospital can't stay solvent, a private for-profit one certainly won't.

Key Step 1:
Stop the sale to Quorum Health

Even a best-case scenario is not great

Quorum Health is **not** the best chance we have of saving Bay Area Hospital. Even in a best-case scenario, the Letter of Intent the Hospital signed with Quorum provides for the stripping away of services:

> "The Definitive Agreement would obligate Lessee to (i) continue to operate the Hospital as a general acute care hospital for at least ten (10) years,..."
>
> "the voluntary discontinuation of any of the Core Services during such ten (10) year period ... will be subject to ... (iv) economic feasibility, all as reasonably determined by the Board of Trustees in good faith."
>
> "Lessee will appoint a local board of trustees for the Hospital (the "**Board of Trustees**")"

Proposal for Transaction, Dec. 11, 2024
Signed by Brian Moore (BAH) and Chris Harrison (Quorum Health)

Essentially, this document outlines a best-case scenario whereby hospital services are "acute care," which is defined in ORS 442.470 as providing **"diagnosis and medical or surgical treatment primarily for but not limited to acutely ill patients and accident victims."**

This is a severe step down from the suite of services that the community is used to. Even if additional services beyond "acute care" are maintained initially, Quorum's hand-picked "Board of Trustees" has the ability to discontinue any services that are found to be economically unfeasible.

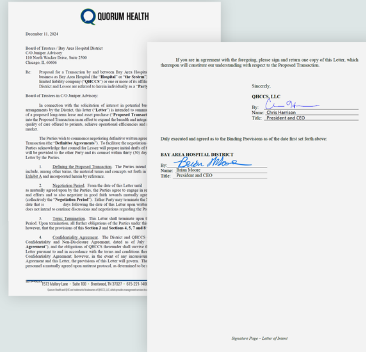
Perhaps most damning, is the fact that the agreement seems to ignore the ongoing mental health needs that the Bay Area Hospital itself identified as a core community need in its 2021 Community Needs Health Assessment:

> "In addition to our community's struggles to effectively care for mental illnesses and substance abuse in youth, there are similar concerns for the same issues in the homeless community, low-income individuals and the elderly."

2021 Community Health Needs Assessment
Bay Area Hospital

Even a best-case scenario leaves the community's most pressing needs (as identified by the Bay Area Hospital itself) in the dust, or at best critically vulnerable to cuts by an out of state privately-held corporate parent.

But we might not get to see a best-case scenario…



Download the initial agreement between BAH and Quorum:

Who is Quorum Health?

We've heard best-case scenarios, but Quorum's track record doesn't really inspire confidence. When Quorum was formed in 2016, it started with 38 hospitals. They've since closed all but 12.

> "Quorum Healthcare was operating the hospital at the time," [Mayor] McCall said. "On August 3rd at 8:30 a.m., they came in, had a meeting with the staff there and let us know they were filing bankruptcy and shutting down the hospital. They literally closed off the entrances and the emergency department at 10 a.m."

2024 story about the sudden closure of
Martin General Hospital in Williamston, NC

WRAL NEWS

In addition to turning a profit by cutting services, Quorum was **sued by the State of New Mexico** for:

- ❌ Abruptly ceasing to provide certain services that were advertised as still being provided,
- ❌ Illegally over-charging patients and insurers, including $26,000/hour "non-admission" care and tripling co-pay charges,
- ❌ Running a hospital without proper oversight after its Medical Exec. Committee resigned en masse,
- ❌ In addition to numerous health code violations.

Head to SaveBayAreaHospital.org to read more about Quorum Health:

Key Step 2:
Pass a Legislative package to give voters a say

A legislative package is currently being drafted by Legislative Counsel in Salem. If passed, the Legislation would provide the region's voters a chance to buoy the Hospital with a combination of local and state funds. The package includes the following elements:

- **Expand the Bay Area Hospital District boundaries.** One of the primary concerns stakeholders continue to struggle with is that the Bay Area Hospital District does not accurately reflect the BAH constituency. BAH is surrounded by four Critical Access Hospitals that refer in to BAH and are able to make use of its infrastructure to clear their own beds, but provide no support. The Legislative package being prepared would statutorily draw a new BAH District boundary that accurately reflects the true constituency of the Hospital.

- **Place a levy on the ballot in the new District.** Once the District is redrawn, the legislation would place an option on the May 2025 ballot for residents to approve a 5-year levy supporting the Hospital with $20 million that would be made available as an advance to the Hospital by the State (see "cashflow"). The cost would be about 48 cents per $1,000 of assessed value, or about $7 per month to the average homeowner.

- **Provide State matching funds.** If the levy is approved, the State would match $27 million to the local $20 million, payable from the 2026 Lottery Bond capacity reserved for economic development projects.

- **Immediate cashflow provision.** In order to make the funds immediately available upon passage of the levy, the State will structure a short-term interagency loan from unused Unclaimed Property funds, to be repaid from levy receipts and Lottery Bond income (nominal interest rates are worked in to the calculations).

The package could be amended to provide the $10 million earmarked in in SB 1000, whether or not the levy passed. This could help mitigate any adverse action would be taken by the Hospital's creditors. *(On its own, SB 1000 wouldn't make any money available until July of 2025.)*

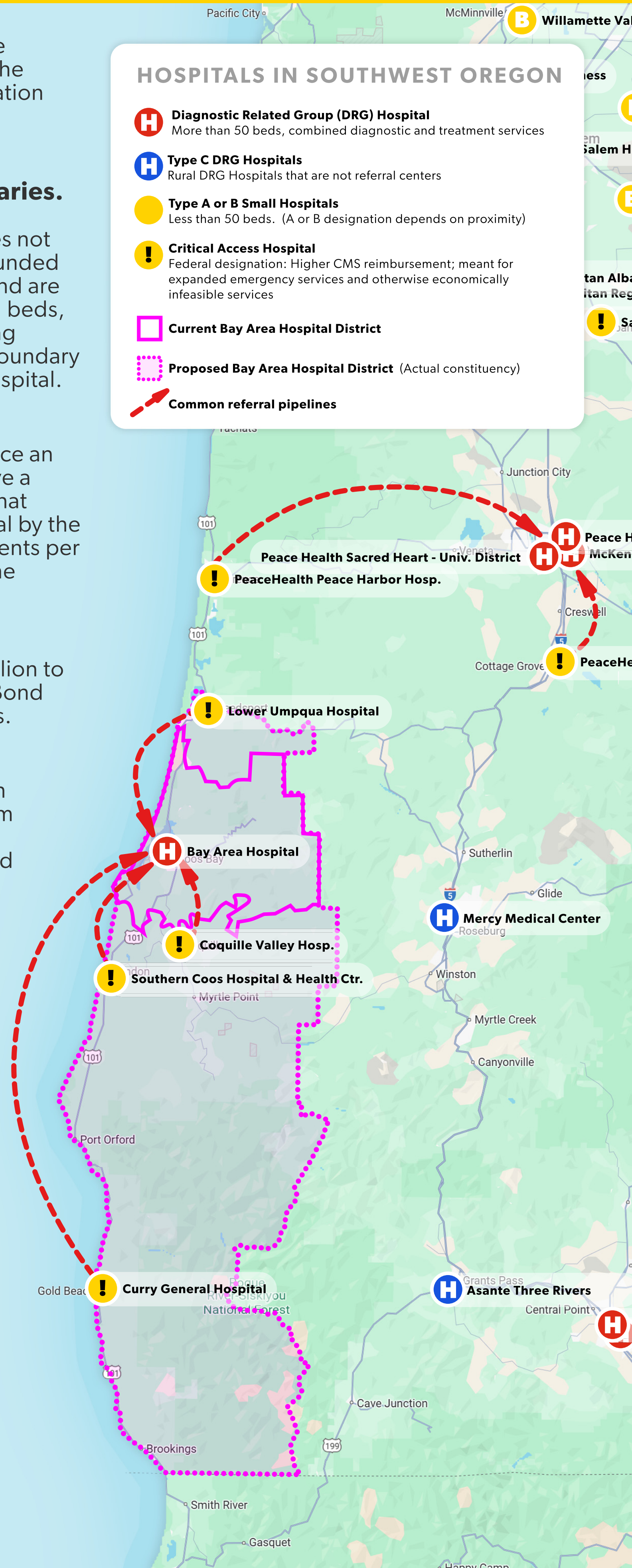
In order to reasonably make the ballot, this package would have to be passed and signed before the end of March.

Q. **The Hospital says "A local option levy was explored," and that it wasn't viable. Is that true?**

A. Not really. BAH's research said that "59% of voters polled would support a levy of no more than $100," Alone that wouldn't be enough, **but they did not explore the ideas of expanding the District and getting matching funds from the State.**

Q. **BAH says that Measure 50 set the permanent tax rate to zero and cannot be changed. Is that true?**

A. It's not true. Measure 50 sets limits "**... unless the new or additional fee, tax, assessment or other charge is approved by voters.**" (Or Const. Art. XI, Sec 11.)



Key Step 3:
Address systemic issues of insolvency (longer-term)

After the immediate peril is addressed, we will need to work to address the systemic root causes of BAH's current insolvency. Some of these are matters of improving internal efficiencies, while others will involve healthcare delivery dynamics that need to be addressed on a regional level.

The key point, though, is that **Bay Area Hospital can be solvent without a sale to a private equity firm.** Many other rural hospitals have made this model work.

Many nonprofit or publicly-owned hospitals engage in business ventures or investments to support their financial health. They might own stakes in for-profit companies, operate revenue-generating services (like specialty clinics or surgery centers), or partner with private entities for financial sustainability.

In the case of Bay Area Hospital, however, the surrounding Critical Access Hospitals are able to more easily assume revenue-generating services such as cardiac or urology services. This is partly due to their advantageous Medicare/Medicaid reimbursement rates as CAHs, as well as their ability to easily create capacity by referring out low-revenue cases to Bay Area Hospital. Addressing this dynamic will require a regional perspective of shared responsibilties within that system.

Further, the BAH Board stresses Quorum Health's ability to save costs by coordinating and sharing services between BAH and McKenzie-Willamette Medical Center in Springfield. But there is nothing stopping BAH from leveraging the same kind of savings through a regional healthcare network.

These solutions exist, but will not be able to be explored if the Quorum sale goes through!

Case Study: Mercy Medical

Mercy Medical Center in Roseburg, Oregon, has demonstrated notable financial performance in recent years. In 2023, the hospital reported revenues of $277 million against expenses of $251 million, resulting in a surplus of $26 million.

Several factors contribute to this financial outcome:

- **Service Expansion:** The hospital has broadened its range of inpatient and outpatient services, attracting a larger patient base and increasing revenue streams.
- **Operational Efficiency:** Implementing cost-control measures and optimizing resource utilization have helped manage expenses effectively.
- **Affiliation Benefits:** As part of the CommonSpirit Health network, Mercy Medical Center leverages shared resources and best practices, enhancing operational efficiency.
- **Community Engagement:** A strong focus on community health needs has fostered patient trust and loyalty, contributing to sustained service demand.

Mercy Medical Center also holds a 50% ownership stake in a coordinated care organization (CCO) serving Oregon Health Plan members.

This CCO's net assets increased from $20 million at the end of 2019 to $36 million by the end of 2022. This growth has resulted in dividend distributions to its owners, which include Mercy Medical Center.

Take Action NOW:
Weigh in to support saving coastal healthcare!

The BAH Board of Directors has said that the Quorum sale is urgent because "***The bank is allowing us additional time right now because we have clear evidence of a solution to our financial difficulties***".

OK, so let's provide the Board and the Bank with <u>more</u> clear evidence of a solution: Passing this Legislative package!

Click here to urge your local lawmakers to ACT NOW before it's too late!

www.ufcw555.us/savebah

Bay Area Hospital: Correcting the Record

HOSPITAL STATEMENTS *VS.*	FACTS AND CONTEXT
"Under the proposed agreement, Quorum would keep core services in place, invest in capital improvements and support local jobs rather than dismantling assets." (www.bayareahospital.org/here-for-good)	Actually, in the Letter of Intent signed by Hospital CEO Brian Moore, Quorum will be hand-picking their own Board of Trustees that will have the power to close any services that aren't "economically feasible." This mirrors Quorum's ongoing record of shuttering hospitals for profit across the country. (Read the LOI: www.ufcw555.us/bahloi)
"Quorum Health's hospital in Springfield, McKenzie-Willamette Medical Center, has a 4-star CMS rating – evidence that strong outcomes can continue and improve under their model." (www.bayareahospital.org/here-for-good)	Out of the 12 hospitals run by Quorum, CMS has no data for six. Out of the remaining six, McKenzie-Willamette has the best rating at 4 stars out of 5. The other five rate an average of 1.8 stars each out of 5: Three Rivers Medical Ctr, KY: ★★★☆☆ Kentucky River Medical Center, KY: ★☆☆☆☆ Odessa Regional Medical Center, TX: ★★☆☆☆ Mesa View Regional Hospital, NV: ★☆☆☆☆ Barstow Community Hospital, CA: ★★☆☆☆ (data.cms.gov/provider-data/)
"Following discussions with the assessor's office, it was evident that a $4 million levy would exceed the [property tax compression] threshold, resulting in less revenue for Bay Area Hospital. This would also reduce funds for other districts with similar levies." (www.bayareahospital.org/here-for-good)	The Hospital quickly explored a very narrow option: An unmatched levy supported by the currently too-small district. A proposal has been put forward that both expands the District to reflect the true constituency of the Hospital as well as allocates State matching funds. In that case, the necessary amounts are within compression limits. (www.ufcw555.us/saveBAH)
"We're incredibly grateful to David Brock Smith, State Senator for District 1 for introducing Senate Bill 1000 that would appropriate $10 million in state funding for Bay Area Hospital. This proposed funding is a critical step in supporting the hospital and ensuring access to health care for our community." (www.facebook.com/BayAreaHospitalBAH)	Section 2 of Senate Bill 1000 specifically states that the bill would not take effect until July 1, 2025. Considering that the Hospital Board has also stated that it can't wait until a May 20 election to find out whether a local option is a feasible solution, it's unclear how the Board believes SB 1000 would be beneficial. (olis.oregonlegislature.gov/liz/2025R1/Measures/Overview/SB1000)
"The proposed agreement with Quorum Health would involve a lease transaction, not a sale." (Chair Cribbins in the Coos Bay World, 2/18/25)	In Exhibit A of the Letter of Intent signed by Hospital CEO Brian Moore, the transaction structure expressly includes "asset purchase of the personal property and operating assets of the District," or in other words, the Hospital building itself may be leased but everything inside from imaging machines or tongue depressors are expected to be sold to Quorum. (Read the LOI: www.ufcw555.us/bahloi)
"The bank is allowing us additional time right now because we have clear evidence of a solution to our financial difficulties – our potential partnership with Quorum Health. If we default on the loan, the bank could shut down the hospital." (www.bayareahospital.org/here-for-good)	The only thing a bank hates more than owning a hospital is owning a closed hospital. Instead, the bank would typically assume the collateralized assets and then fill the role of the seller itself (as opposed to the Hospital Board), which is where we are right now. However, if the Hospital is acknowledging that the bank will allow additional time if there is clear evidence of a financial solution, it is likely that the bank would similarly allow time if there was a legislative plan to convey funds as soon as the end of May, as opposed to a sale to Quorum that could still be in a OHA review process by that time.

Bay Area Hospital: Local Levy is Viable

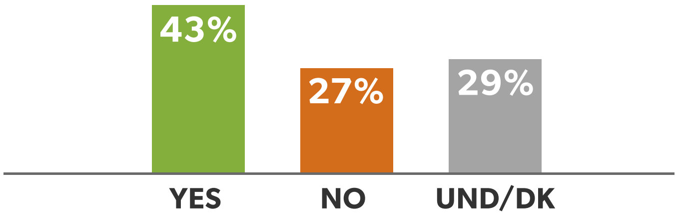
United Food and Commercial Workers Local 555 has a Shared Responsibility Plan to save the Bay Area Hospital from being leased (real estate assets and improvements) and sold (all other assets) to Quorum Health. A key part of that plan involves expanding the Bay Area Hospital District and placing a levy on the ballot in the new district.

After being presented with the option of allowing the sale/lease of the Bay Area Hospital to Quorum Health, versus supporting the Hospital with a local levy… **56%** **of voters in the proposed new Bay Area Hospital District would support a local levy.**

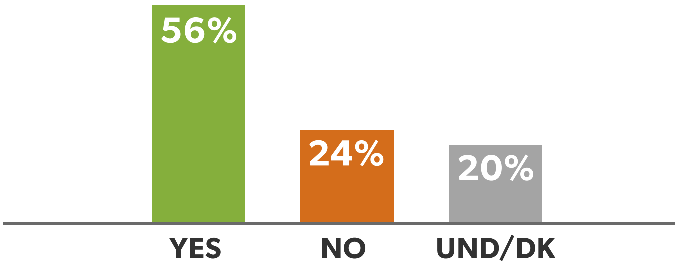
According to the poll, when faced with only the question of a 47 cents per thousand property tax levy plus state mathcing funds in order to support the Bay Area Hospital, voters are largely undecided, with about 43% supportive, 27% opposed, and 29% undecided.

Once the respondents are informed that the alternative is the sale/lease of the region's only large hospital in a deal with a private company, support grows to 56%, compared to opposition dropping to 24% and undecideds at 20%.

Support for levy generally



Support for levy knowing private deal alternative



This means that a local levy is viable, though it will have to be accompanied by a simple messaging campaign ensuring that voters are informed about the state match as well as the possible alternative, which UFCW 555 is prepared to do.

Poll was conducted by Patinkin Research Strategies from March 3-5, 2025. Sample size: n=400; MOE +/- 4.9%

Partisan Breakdown

The poll found that while Republican voters were generally split on the issue of approving the levy (slightly in favor but within the margin of error), Democrats were much more likely to vote in favor by a 10-to-1 margin.

Independents and non-affiliated voters were also significantly more likely to vote in favor of a levy, but by a 3-to-1 margin.

Proposed District

The proposed expanded district is reflective of the actual constituency of Bay Area Hospital given resource and referral patterns in the region. It includes Curry County, Coos County, and parts of Douglas County south of the Umpqua River (primarily Reedsport). It contains four smaller Critical Access Hospitals that all rely on Bay Area Hospital to accept referrals.

Questions: Reach out to UFCW Local 555 political team