



RELEVANT DOCUMENTATION RE: **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:

In my written and oral testimony, I make reference to a letter of intent between the Bay Area Hospital and Quorum Health. This documentation is especially relevant to SB 1000 because it provides the best preview into what the financial context is intended to be when SB 1000 funds would be made available.

A few items that I would like to highlight:

- The fact that although the use of the Hospital's real estate and improvements would be structured as a lease, ownership of the Hospital's assets is intended to be conveyed to Quorum.
- Although Quorum commits to run the hospital for 10 years, the commitment is as an "acute care hospital." ORS Chapter 442 has a definition of "acute care" facilities that clarifies their use is "primarily for but not limited to acutely ill patients and accident victims." (ORS 442.470) Further, the OHA's Oregon Administrative Rules contain a definition of "acute inpatient care" that is more restrictive than the services currently provided at Bay Area Hospital:

"Acute inpatient care does not include skilled nursing facility, intermediate care facility, long-term care or supportive routine care for chronic disease or disability, convalescent care, or rest cures. Neither does acute inpatient care include outpatient or clinic care, emergency room care, outpatient laboratory tests, or ambulatory surgery." (OAR 333-590-0010)

- Despite a commitment to maintain services for 10 years, the LOI clarifies how Quorum could cease provision of any non-economically viable services: "The foregoing commitments will be subject to ... economic feasibility"



December 11, 2024

Board of Trustees / Bay Area Hospital District
C/O Juniper Advisory
110 North Wacker Drive, Suite 2500
Chicago, IL 60606

Re: Proposal for a Transaction by and between Bay Area Hospital District (the “**District**”) doing business as Bay Area Hospital (the “**Hospital**” or “**the System**”), and QHCCS, LLC, a Delaware limited liability company (“**QHCCS**”) or one or more of its affiliates (collectively, “**Lessee**”). The District and Lessee are referred to herein individually as a “**Party**” and collectively as “**Parties**.”

Board of Trustees in C/O Juniper Advisory:

In connection with the solicitation of interest in potential business partnerships or affiliation arrangements by the District, this letter (“**Letter**”) is intended to summarize the material, principal terms of a proposed long-term lease and asset purchase (“**Proposed Transaction**”). The Parties wish to enter into the Proposed Transaction in an effort to expand the breadth and integration of clinical services, enhance quality of care offered to patients, achieve operational efficiencies and meet the needs of the Hospital’s market.

The Parties wish to commence negotiating definitive written agreements providing for the Proposed Transaction (the “**Definitive Agreements**”). To facilitate the negotiation of the Definitive Agreements, the Parties acknowledge that counsel for Lessee will prepare initial drafts of the Definitive Agreements, which will be provided to the other Party and its counsel within thirty (30) days following the execution of this Letter by the Parties.

1. Defining the Proposed Transaction. The Parties intend the Proposed Transaction would include, among other terms, the material terms and concepts set forth in the term sheet attached hereto as Exhibit A and incorporated herein by reference.

2. Negotiation Period. From the date of this Letter until _____, or such other date as mutually agreed upon by the Parties, the Parties agree to engage in respective due diligence processes and efforts and to also negotiate in good faith towards mutually agreed upon Definitive Agreements (collectively the “**Negotiation Period**”). Either Party may terminate the Negotiation Period on or after the date that is _____ days following the date of this Letter upon written notice to the other Party that it does not intend to continue discussions and negotiations regarding the Proposed Transaction.

3. Term; Termination. This Letter shall terminate upon the expiration of the Negotiation Period. Upon termination, all further obligations of the Parties under this Letter will terminate; provided, however, that the provisions of this **Section 3** and **Sections 4, 5, 7 and 8** will survive such termination.

4. Confidentiality Agreement. The District and QHCCS entered into that certain Mutual Confidentiality and Non-Disclosure Agreement, dated as of July 9, 2024 (the “**Confidentiality Agreement**”), and the obligations of QHCCS thereunder shall survive the execution and delivery of this Letter pursuant to and in accordance with the terms and conditions therein. This Letter is subject to the Confidentiality Agreement; however, in the event of any inconsistency between the Confidentiality Agreement and this Letter, the provisions of this Letter will govern. The Parties will provide to their key personnel a mutually agreed upon antitrust protocol, as determined to be necessary in evaluating the

Proposed Transaction, exchanging due diligence information, and conducting meetings and discussions relating to the Proposed Transaction.

5. Disclosure; Public Communications. Except as and to the extent required by law, without the prior written consent of Brian Moore, in the case of the District, or Richard Charbonneau, in the case of Lessee, no Party will, and each Party will cause its representatives not to, make, directly or indirectly, any comment, statement or communication with respect to, or otherwise disclose or permit the disclosure of the existence of discussions regarding, this Letter or a possible transaction among the Parties or any of the terms, conditions or other aspects of the Proposed Transaction. Notwithstanding the foregoing, the disclosure obligations set forth in this **Section 5** shall not apply to any disclosure that is reasonably necessary to comply with Chapter 192 of the Oregon Revised Statutes or any requirements or obligations imposed by a governmental authority, regulatory body, or in connection with any public approval process to consummate this Letter or the Proposed Transaction. Such disclosure may include, but is not limited to, filings with regulatory agencies, public hearings, or submissions to governmental authorities in accordance with applicable laws, rules and regulations. If a Party is required by law to make any such disclosure, the disclosing party shall, to the extent reasonably practicable, provide the other party with notice of the intended disclosure and shall cooperate in good faith to take all reasonable steps to limit what is disclosed. Any and all public announcements concerning this Letter or the Proposed Transaction, and the method of the release for publication thereof, shall be planned and coordinated by and among the Parties, and no Party shall act unilaterally in this regard, without the prior written approval of Brian Moore, in the case of the District, or Richard Charbonneau, in the case of Lessee.

6. Access. All diligence access provided during the Negotiation Period shall be conducted in such a manner (a) not to unduly interfere with the normal business operations of either Party, (b) to ensure that competitively sensitive information of one Party or any of its affiliates is not disclosed to the other Party or any of its affiliates, except as and in the manner permitted by applicable law, and (c) to be in accordance with all applicable laws and regulations and the Parties' and their respective affiliates' applicable confidentiality obligations.

7. Exclusivity. Lessee contemplates the expenditure of substantial time and resources in connection with legal, accounting and operational due diligence to be performed in conjunction with the Proposed Transaction prior to the execution of the Definitive Agreements. In recognition thereof, during the period commencing with the date of this Letter and running through the expiration or termination of the Negotiation Period (the "**Exclusivity Period**"), the District shall not, directly or indirectly, solicit, initiate or participate in negotiations with any corporation, partnership, limited liability company, other entity or person (other than pursuant to this Letter) contemplating or involving a transaction similar to the Proposed Transaction, directly or indirectly, whether by sale or change of membership interest, member substitution, merger, consolidation, sale of assets, lease, affiliation, joint venture, management agreement, or other form of transaction. In the event such a proposal is received by the District during the Exclusivity Period, the District will promptly (i) notify the third party that made such proposal in writing of the existence of this exclusivity covenant and of the District's unwillingness to discuss any other proposed transaction similar to the Proposed Transaction, directly or indirectly, and (ii) communicate to Lessee the substance of any such inquiry or proposal concerning any such transaction.

8. Miscellaneous.

8.1 Costs. Each Party will be responsible for and bear all of its own costs and expenses (including any broker's or finder's fees and the expenses of their respective attorneys and representatives) incurred at any time in connection with pursuing the Proposed Transaction.

8.2 No Liability. Other than **Sections 3, 4, 5, 7 and 8**, which the Parties agree are legal binding provisions upon the Parties (the “**Binding Provisions**”), this Letter does not constitute and will not give rise to any legally binding obligation on the part of any of the Parties. Except as expressly provided in the Binding Provisions (or as expressly provided in any binding written agreement that the Parties may enter into in the future), no past or future action, course of conduct, or failure to act relating to the Proposed Transaction, or relating to the negotiation of the terms of the Proposed Transaction or the Definitive Agreements, will give rise to or serve as a basis for any obligation or other liability on the part of any of the Parties, nor shall any Party rely upon any of the foregoing with respect to any action or inaction of any such Party.

8.3 Entire Agreement. This letter constitutes the entire agreement among the Parties, and supersedes all prior oral or written agreements, understandings, representations and warranties, and courses of conduct and dealing among the Parties on the subject matter hereof, other than the Confidentiality Agreement, which shall survive pursuant to and in accordance with the respective terms and conditions therein. Except as otherwise provided in this Letter, the Binding Provisions may be amended or modified only by a writing executed by all of the Parties.

8.4 Counterparts. This Letter may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Letter and all of which, when taken together, will be deemed to constitute one and the same agreement. Facsimile or email transmission of an electronic or digital signature (including DocuSign) or a true scanned copy of any signed original counterpart transmission shall be deemed the same as the delivery of an original.

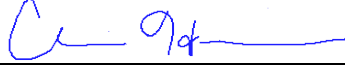
8.5 Governing Law. This Letter will be governed by and construed in accordance with the internal substantive laws of the State of Oregon without regard to conflicts of laws principles.

*[Remainder of this page intentionally blank.
Signatures follow on next page.]*

If you are in agreement with the foregoing, please sign and return one copy of this Letter, which thereupon will constitute our understanding with respect to the Proposed Transaction.

Sincerely,

QHCCS, LLC

By: 
Name: Chris Harrison
Title: President and CEO

Duly executed and agreed as to the Binding Provisions as of the date first set forth above:

BAY AREA HOSPITAL DISTRICT

By: 
Name: Brian Moore
Title: President and CEO

EXHIBIT A

KEY TERMS OF THE PROPOSED TRANSACTION

The terms set forth below are intended for discussion purposes only, are subject to due diligence, and do not constitute an offer and will not give rise to any legally binding obligation on the part of any Party or any affiliates of any Party. None of the Parties or any of their respective affiliates will be legally bound with respect to the matters set forth in this Exhibit A unless and until the Parties have executed and delivered to each other a definitive, binding written agreement regarding such matters.

Capitalized terms used in this term sheet that are not otherwise defined will have the meanings given to such terms in the Letter.

1. Transaction Structure	The Proposed Transaction will be structured as a long term lease agreement of the real property and improvements and asset purchase of the personal property and operating assets of the District associated with or used in the operation of the Hospital (the “ Assets ”), but expressly excluding the Excluded Assets (defined below).
2. Quality and Control Performance	The Parties are committed to excellence, and following the Closing Lessee will operate the Hospital with a commitment to quality and clinical performance.
3. Consideration	
4. Capital Commitments; Enforcement	

5. Excluded Assets	<p>The following assets of the District shall be excluded from the Proposed Transaction and shall be retained by the District following the Closing:</p> <ul style="list-style-type: none"> • Cash, cash equivalents and investments; • Accounts receivable; • Amounts that may result from post-Closing settlements of cost reports that relate to pre-closing time periods; • Assets whose use is limited or restricted; and • Other assets specifically identified in the Definitive Agreements.
6. Services and Access	<p>The Parties are committed to maintaining and enhancing existing District service lines. 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, and (ii) provide, in all material respects, specific healthcare services and programs to be identified on an exhibit to the Definitive Agreement for a period of ten (10) years following the Closing (the “Core Services”). The Definitive Agreement would further provide that the voluntary discontinuation of any of the Core Services during such ten (10) year period must be approved by the Board of Trustees (as defined below). The foregoing commitments will be subject to (i) the availability of qualified physicians, (ii) changes in the regulatory environment that negatively impact the ability to provide such services, (iii) medical safety associated with volume of services, and (iv)</p>

	economic feasibility, all as reasonably determined by the Board of Trustees in good faith.
7. Hospital Governance	<p>Following the Closing, Lessee will appoint a local board of trustees for the Hospital (the “Board of Trustees”) comprised of up to nine (9) members, including the Hospital’s Chief Executive Officer, three (3) to five (5) physicians on the Hospital’s medical staff, and members of the community. Lessee will consult with the District with respect to the initial composition of the Board of Trustees as of the Closing. In addition to those specific responsibilities of the Board of Trustees required by The Joint Commission, the Board of Trustees will be responsible for:</p> <ul style="list-style-type: none"> a. developing and reviewing strategic plans for the Hospital; b. adopting vision, mission and values statements for the Hospital; c. participating in development and review of operating and capital budgets and facility planning for the Hospital (Lessee has ultimate authority for budgets and planning); d. participating in periodic evaluations of the Hospital CEO and making recommendations regarding that individual’s employment; e. receiving and having input into any substantive changes in hospital services; f. granting medical staff privileges and, when necessary, taking disciplinary action consistent with the Hospital’s Medical Staff Bylaws (with the advice of counsel); g. assuring medical staff compliance with accreditation requirements (with the advice of counsel); h. supporting physician recruitment efforts; and i. fostering community relationships and identifying service and education opportunities.
8. Hospital Employees	<p>Organizational and operational stability is very important to the District. The District values its management team and believes such leaders are the foundation of the System. The Parties agree to work in good faith to resolve any employment arrangements in a way that is mutually agreeable to each Party.</p> <p>The District is seeking to not have any significant or material change in the Hospital workforce as a result of the Proposed Transaction. Accordingly, Lessee will offer employment to substantially all active Hospital employees in good standing as of the Closing, provided that they meet current Lessee screening and hiring criteria. Subject to due diligence review, Lessee will offer the Hospital employees (i) titles/positions that are consistent in all material respects with the titles/positions currently provided to such persons by the District, (ii) compensation equal to the compensation currently provided to such persons by the District, and (iii) benefits currently provided by Lessee or its affiliates to similarly situated employees (subject to any requirements</p>

	<p>specified in any applicable collective bargaining agreements assumed or entered into by Lessee).</p> <p>Subject to compliance with law and any limitations contained in Lessee's benefit plans, each employee would be eligible to participate in Lessee's benefit plans with no waiting periods or pre-existing condition limitations. Lessee would honor prior length of service for purposes of eligibility and vesting in Lessee's retirement benefit plans, but would not make contributions to such plans with respect to prior service. Lessee will not assume any of the District's retirement plans.</p>
9. Medical Staff	<p>Effective as of the Closing, Lessee would adopt the Hospital's medical staff Bylaws, rules and regulations, subject to confirmation that such Bylaws, rules and regulations conform with national and regional norms. To ensure continuity of care in the community, the Definitive Agreement would obligate Lessee to agree that the Hospital's medical staff members in good standing as of the Closing would maintain such medical staff privileges at the Hospital immediately following the Closing; <i>provided, however</i>, that this would not limit the ability of Lessee to grant, withhold or suspend medical staff appointment or clinical privileges in accordance with the terms and provisions of the medical staff Bylaws following the Closing.</p>
10. Employed Providers	<p>The Parties do not anticipate any significant or material change in the Hospital's medical staff as a result of the Proposed Transaction. Accordingly, as of the Closing, Lessee will assume any existing Employment Agreements with all of the Hospital's employed providers, subject to Lessee's due diligence review and compliance with applicable laws.</p>
11. No Encumbrances; Debt and Long-Term Liabilities	<p>At the Closing, the District will convey good and marketable title to the Assets to Lessee, free and clear of all liens, liabilities, encumbrances and defects in title (other than mutually agreed upon permitted encumbrances). Except as the Parties may agree in the Definitive Agreements, Lessee will not assume, and the District will remain responsible for and indemnify Lessee against, any and all liabilities, indebtedness, commitments or obligations of any kind whatsoever, which relate to the sale of the Assets or the operation of the Hospital or the Assets prior to the Closing, including, without limitation, environmental claims or claims associated with alleged violations of environmental laws, for the operation of the System prior to the Closing, unfunded pension liabilities, tax matters and medical malpractice or general liability claims; provided, however, all such indemnification would be qualified by customary limitations, including baskets, cap and other standard limitations. The District's indemnification obligations with respect to "excluded liabilities" (i.e., claims by third parties arising out of the pre-Closing operation of the Hospital) will be capped at an amount equal to the Consideration; provided, however, that if Lessee incurs any damages arising out of any such third party claims, the Capital Commitment shall be reduced on a dollar-for-dollar basis by the amount of such damages.</p>
12. Branding	<p>In the Definitive Agreements, the Parties will agree on the names, trade names, and brands used by the Hospital and its facilities following the Closing.</p>
13. Lease Terms	

14. Charity Care	Subject to due diligence review and any changes in legal requirements or governmental guidelines of policies (such as implementation of universal healthcare coverage), Lessee shall cause the Hospital to adopt the District's charity care and financial assistance policies, practices and procedures as in effect immediately prior to Closing or adopt other policies and procedures that are at least as favorable as the District's policies. Any material modifications

	to such policies, practices and procedures would require approval of the Board of Trustees.
15. Enforcement	<p>A committee comprised of the District's current Board members or their designees (the "BAH Committee") will be responsible for enforcement of any post-Closing covenants or other commitments undertaken by Lessee in the Definitive Agreements. The District shall be authorized, at its sole expense, to retain independent accountants, legal counsel and other professional advisors to assist it in carrying out such enforcement.</p> <p>For so long as the Capital Commitment has not been satisfied, on or before March 31 of each year, Lessee shall provide the BAH Committee with a certification, signed by an appropriate officer of Lessee, including a reasonable detailed financial report regarding the aggregate amount expended by Lessee in satisfaction of the Capital Commitment for the immediately preceding calendar year and all prior calendar years during the Commitment Period, as well as Lessee's compliance with the other post-Closing covenants or commitments undertaken in the Definitive Agreement.</p> <p>All disputes regarding the enforcement of post-Closing covenants or other commitments will be governed by and construed in accordance with the internal substantive laws of the State of Oregon. The Parties agree to submit to the jurisdiction of Federal courts in Oregon to resolve any disputes that may arise under the Definitive Agreements. Notwithstanding the foregoing, if any such Federal court determines <i>sua sponte</i> that it does not have jurisdiction over the matter, the Parties agree to pursue such claims via binding arbitration. The Definitive Agreements will include a mandatory "meet and confer" and/or non-binding mediation process prior to commencement of any enforcement action arising out of Lessee's post-Closing covenants.</p>
16. Closing Date	
17. Definitive Agreements	<p>The Parties currently anticipate the Definitive Agreements would include an Asset Purchase Agreement, Lease Agreement, and any necessary ancillary documents.</p> <p>The Definitive Agreements would contain provisions relating to the following:</p> <ul style="list-style-type: none"> a. Customary representations and warranties, including without limitation title to and condition of the assets; financial statements; validity of and no default under contracts and leases; compliance with laws; licensure; employee benefits; environmental; employee benefits; and taxes; b. Standard indemnification obligations in connection with breaches of representations and warranties, failure to perform covenants, ownership or operation of the Assets before and after the Closing, and similar matters;

18. Closing Conditions	<p>The Definitive Agreements will include customary closing conditions, which will include the following:</p> <ol style="list-style-type: none"> 1. The accuracy in all material respects of the representations and warranties of the Parties contained in the Definitive Agreements as of the date thereof (all of which would survive Closing for customary periods). 2. The performance by the Parties in all material respects of all their respective covenants, obligations and agreements contained in the Definitive Agreements to be performed at or prior to the Closing, including delivery of all closing documents. 3. Absence of any Court order prohibiting the Proposed Transaction. 4. Absence of a material adverse effect. 5. Receipt of all necessary regulatory approvals, including approval from the Oregon Health Authority. 6. Receipt of surveys, title insurance commitments and environmental and engineering surveys facilitated by Lessee.
19. Alternative Structure	<p>If, during the due diligence period, Lessee or the District identify any alternatives to a lease which may provide for a better structure and long-term outcome for Lessee and the District (such as a whole hospital joint venture), the parties will evaluate an alternative structure for the transaction.</p>