Workers at Coast's Biggest Hospital Mobilize to Stave Off Private Equity Firm

Bay Area Hospital in Coos Bay is in trouble. It's also the region's largest employer.

Bay Area Hospital Coos Bay (bayareahospital.org)

By Nigel Jaquiss

February 05, 2025 at 6:00 am PST

The Oregon Journalism Project has learned efforts are underway to rescue the Bay Area Hospital in Coos Bay from being acquired by a private equity company.

"We are hoping to save the Bay Area Hospital," says Mike Selvaggio, political director of United Food and Commercial Workers Local 555. "We're looking after our members as well as the broader community."

As The Lund Report and others have reported, the 172-bed hospital, the largest on the coast and the only Oregon hospital owned by a local taxing district, is in deep financial trouble.

Nearly all hospitals suffered during the pandemic and afterward, but the pain is particularly acute at Bay Area. In December, the hospital's board announced it lost $54 million between 2022 and 2024 and had signed a nonbinding letter of intent with Quorum Health, a private equity firm based outside Nashville.

Board chairman Troy Cribbins responded to negative reaction to that decision in a Jan. 28 statement. "We hear the frustration and sadness from you, our community members, as you recall a time when independent community hospitals could flourish," Cribbins said. "The current financial situation isn't the result of mismanagement or any one person's decisions —rather, it reflects the serious and ongoing challenges facing many independent hospitals nationwide."

Here are the salient points about the controversy:

WHY IS BAY AREA HOSPITAL IN TROUBLE?

Coos County residents are disproportionately older (28.9% are over 65, compared with the state share of 19.6%) and more likely to depend on the Oregon Health Plan, which serves low-income residents (39% in Coos Bay, versus 33.5% for the state).

And the hospital's most recent monthly financial report shows that fewer than 15% of its patients have private health care insurance. That rate is far lower than the average Oregon hospital's, and 10 percentage points below what the hospital says it needs to break even.

On a larger scale, an unfavorable payer mix drove Legacy Health into the grasp of Oregon Health & Science University last year. But OHSU, which in more flush times expanded its network to hospitals in Marion and Washington counties, is in no shape to acquire Bay Area.

"The financial issues that we're seeing at Bay Area are a symptom of a larger, deeper problem around how we pay for health care in this state," says Becky Hultberg, CEO of the Hospital Association of Oregon. "If we want a different outcome, we have to start addressing the underlying issue, namely that hospitals aren't being paid enough to cover the cost of caring for patients. And the state can take action to change that."

WHY DOES IT MATTER?

If Bay Area were to close, patients would have to drive two hours over the Coast Range to Eugene for equivalent care. On top of that, according to the South Coast Development Council, Bay Area is by far the region's largest employer, providing 1,051 jobs.

Nearly half of the employees—457 at last count—belong to UFCW. Selvaggio says the union is working closely with community stakeholders and area lawmakers to come up with a plan to keep the hospital in public hands. "The first step is to make sure it doesn't get sold off to a private equity firm that's going to strip it for parts," Selvaggio says.

Quorum didn't respond to a request for comment.

WHAT'S WRONG WITH QUORUM?

For-profit hospitals are rare in Oregon. Currently, according to the Oregon Health Authority, only two of the state's 61 hospitals are for profit: McKenzie-Willamette Medical Center in Springfield and Willamette Valley Medical Center in McMinnville.

UFCW's research shows Quorum has over the past decade sold or closed 26 of 38 hospitals it has owned. Private equity investments in health care have become increasingly controversial as research shows investors sometimes put profits before patients. Last year, a bill that would have limited private equity investments in doctor practices passed the Oregon House but failed in the Senate.

Bay Area sought interest from others, but ultimately, the board said, Quorum presented the most viable path to staying open. "All options were thoroughly reviewed and considered," says hospital spokeswoman Kim Winker. "Without immediate action, the clock will run out on our hospital as a health care resource for Coos Bay. We're taking action right now to stop it."

WHAT'S THE PLAN?

The alternative to a lease and operating agreement with Quorum would tentatively include new property taxes from the Bay Area hospital district (about $10 million a year) and state funding of about $24 million a year for two years, giving the hospital more time to improve its finances.

UFCW and its allies are just beginning a full-court press in Salem, where lawmakers have looked favorably on South Coast funding requests in recent years, allocating $40 million to a Coos Bay port project in 2023.

State Sen. Dick Anderson (R-Lincoln City), whose district includes Coos Bay, says he has encouraged hospital officials to listen to what UFCW and its allies have to say. The group was also due to present its ideas to the Legislature's Coastal Caucus after press deadline. The structure of a rescue is flexible. "Our mission isn't to pass any specific plan," Selvaggio says. "It's to save the hospital."

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Kitzhaber sounds alarm over proposed takeover of Legacy Health by OHSU

State leaders should explore bailout of financially distressed Legacy unless Oregon Health & Science University can make clear case for merger — which it has not done yet, according to influential former governor

A view of OHSU's South Waterfront campus in September 2024. | JAKE THOMAS/THE LUND REPORT

by NICK BUDNICK | THE LUND REPORT

NOVEMBER 7, 2024

This article has been updated with additional comment from Oregon Health & Science University.

One of the most influential voices in Oregon health care, former Gov. John Kitzhaber, has gone public with concerns that the proposed takeover of Legacy Health hospitals and clinics by Oregon Health & Science University "raises more questions than answers."

Saying the merger could increase health care costs for consumers, Kitzhaber, in a new blog post Thursday, urged state leaders to explore alternatives such as adopting programs to help distressed hospitals such as already exist in Washington and California — which could be used to address Legacy's recent spell of losses.

"Creating a near-monopoly in Portland is not the only solution here," he wrote, "And it may not be the best."

Asked for a response, a university spokesperson directed The Lund Report to the university's online press release portraying the proposed merger as beneficial to the public, adding, "We value Gov. Kitzhaber's input and look forward to additional engagement with state leaders and community members."

The move by Kitzhaber is significant in part because of who he is — a longtime patron and ally of Oregon Health & Science University who helped make it what it is today. In 1995, he notes in his blog, he helped OHSU, then a public university, to achieve a level of semi-independence, operating under a board appointed by the governor.

At the time, lawmakers approved the legislation in exchange for various promises, including that the university would commit to follow Oregon's public records and meetings laws except when it comes to extremely sensitive business secrets of the kind that its non-government competitors need not disclose. As a result of its public agency status, the university continues to receive state funding and lucrative benefits that include special statutory exemptions.

Kitzhaber contended the university has not made a cogent argument in support of the merger.

"There has been no clear articulation of why this transaction will be in the public interest—not only in the interest of Oregon consumers, but also in terms of addressing the larger challenges facing Oregon's health care system: the escalating cost of premiums and deductibles, the lack of access to behavioral health, and the crisis in primary care," he wrote. "This is a fair question because OHSU is not just another hospital system in the Portland metro area —it has a public mission."

The university's public application to the state to approve the merger was largely composed of aspirational assertions but was light on details to back them up, with key information kept under wraps or undisclosed. The application says both health systems will continue to lose money for years after a merger would be approved, and is not clear on how that trend would be reversed.

According to the university's spokesperson, the press release summariing the application addresses Kitzhaber's concerns. The university contends the merger, if approved, would "expand access to high-quality, innovative care and leading-edge research. OHSU commits to outcomes that will benefit all people in Oregon, including shorter wait times for primary, specialty and hospital care, increased access to preventive care, clinical trials and innovative research that lead to improved care and outcomes, more virtual care options, and higher quality health care for all, including for people who are medically underserved."

Kitzhaber acknowledged that Legacy is in "dire financial straits," but said a bailout by the state may be preferable to a merger that could hurt access and increase costs.

Kitzhaber noted that the university's promise to invest $1 billion to upgrade Legacy facilities would have to be repaid with increased profits, so "another fair question is how OHSU will raise the $1 billion ... what projected revenue stream will be used to service the debt?"

He added, "Is part of this strategy to extract higher rates from payers and, if so, what will this mean for the cost of premiums and deductibles paid by consumers in the Portland market? The clearest finding in the research on these kinds of hospital mergers is that they increase cost for consumers, without clear improvement in quality, access, or equity."