



**Work Session Minutes
Public Meeting
September 18th, 2024**

In Attendance:

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> Hammad Qadir, MD | <input checked="" type="checkbox"/> Dacey Brooke, MD | <input checked="" type="checkbox"/> Wallace Webster, MD |
| <input type="checkbox"/> Paavani Atluri, MD | <input checked="" type="checkbox"/> Charles Toledo, MD | <input checked="" type="checkbox"/> Jeffrey Lang |
| <input checked="" type="checkbox"/> Mike Rowley | <input type="checkbox"/> Molly Johnson | <input checked="" type="checkbox"/> Gregory Brigham, PhD |
| <input checked="" type="checkbox"/> Brian Moore | <input checked="" type="checkbox"/> Linet Samson | <input type="checkbox"/> David Rupkalvis |
| <input checked="" type="checkbox"/> Jason Bell, MD | <input checked="" type="checkbox"/> Matt Vorderstrasse | |
| <input type="checkbox"/> Andrea Zamora | <input type="checkbox"/> | |

Guest: Bevin Ankrom(OHA); Katie Gonzalez, (public guest)

Staff Attendees:

Ben Messner, CEO; Chris Hogan, CFO; Anna Warner, Executive Program Director; Samyukta Vendrathi, COO; Mike Hale, CCO; Ben Sachdeva, Senior Financial Analyst; Erica Tesdahl-Hubbard, CITO/IT; Wendy Haack, CMO; Evelyn Bryant, Executive Administrative Coordinator

Work Session called to order at 7:01 A.M. by Dr. Wallace Webster for the purpose of discussion, but no action upon the Committee updates, including discussion of confidential and proprietary information constituting trade secrets under ORS 192.345.

Quorum established 7:01 am.

Meeting Minutes:

- Dr. Wallace Webster presented the meeting minutes from July 17th, 2024, Work Session.
 - Meeting Minutes review with no change noted.

- ❖ **MOTION:** Motion made by Jeff Lang to approve May 15th, 2024, meeting minutes and seconded by Matthew Vorderstrasse.
- ❖ **VOTE:** Unanimous approval. (End 7:02 A.M.)

Financials:

- Ben S. begins by presenting the Advanced Health Financial summary for July 2024 Vs. July 2023.

**Western Oregon Advanced Health, LLC.
STATEMENTS OF OPERATIONS
For the Months Ended July 31, 2024**

	2024 Actual	2023 Actual	Variance Actual	2024 Budget	Variance Budget
	July '24	July '23		July '24	
REVENUES:					
Medical	94,584,005	94,625,838	(41,833)	92,887,416	1,696,589
Dental Health	5,213,886	5,499,380	(285,495)	5,011,293	202,593
NEMT	2,780,416	2,881,459	(101,043)	2,695,365	85,051
Investment Income	163,838	(178,745)	342,583	-	163,838
Total	102,742,145	102,827,932	(85,787)	100,594,074	2,148,071
COGS:					
Medical	91,785,883	92,534,607	(748,724)	89,550,678	2,235,205
Dental Health	5,051,212	5,377,844	(326,632)	4,770,116	281,096
NEMT	2,151,891	2,115,884	36,006	2,018,391	133,500
Health Related Spending	327,041	329,706	(2,666)	739,167	(412,126)
Other	0	(1,263,774)	1,263,775	-	0
Total	99,316,027	99,094,267	221,760	97,078,352	2,237,675
Total revenues	3,426,118	3,733,665	(307,547)	3,515,722	(89,604)
ADMINISTRATIVE EXPENSES:					
Salary and related expenses	1,033,434	1,064,420	(30,985)	1,105,273	71,839
Legal, accounting and professional	267,719	228,961	38,758	191,023	(76,696)
Employee benefits	232,231	195,867	36,364	192,594	(39,637)
Dues, membership, contributions	324,347	195,121	129,226	226,802	(97,545)
Office Supplies and Postage	41	(43)	84	200	159
Meals, travel and seminars	35,672	39,654	(3,981)	48,932	13,260
Other expenses	522,265	32,526	489,739	500,633	(21,632)
Total administrative expenses	2,415,710	1,756,505	659,205	2,265,459	(150,251)
Net Expenses	\$ 1,010,408	1,977,160	(966,753)	1,250,263	(239,855)

Net Expenses	\$	<u>1,010,408</u>	<u>1,977,160</u>	<u>(966,753)</u>	<u>1,250,263</u>	<u>(239,855)</u>
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Summary		2024	2023	Budget	Variance to PY	Variance to Budget
Revenue	\$	102,742,145	\$ 102,827,932	\$ 100,594,074	\$ (85,787)	\$ 2,148,071
COGS	\$	99,316,027	\$ 99,094,267	\$ 97,078,352	\$ 221,760	\$ 2,237,675
Admin Expenses	\$	2,415,710	\$ 1,756,505	\$ 2,265,459	\$ 659,205	\$ 150,251
Income Tax & Investment Expense	\$	(9,232)	\$ (8,719)	\$ (15,000)	\$ (513)	\$ 5,768
Net Income	\$	<u>1,001,176</u>	<u>\$ 1,968,441</u>	<u>\$ 1,235,263</u>	<u>\$ (967,266)</u>	<u>\$ (234,087)</u>

Western Oregon Advanced Health, LLC.
July 31, 2024 and July 31, 2023

	<u>July '24</u>	<u>July '23</u>
ASSETS		
Cash and cash equivalents	\$ 16,596,649	\$ 12,973,363
Restricted Reserve	7,460,521	7,402,686
Cash Suspense	(148,043)	53,665
Investments	4,280,056	3,698,908
Physical Health Receivable	1,033,415	1,897,526
Quality Pool Receivable	-	-
Accrued Interest Receivable	129,000	88,514
Accounts Receivable, net (Related party)	14,389	572
Other assets	<u>116,477</u>	<u>110,366</u>
Total Assets	<u>\$ 29,874,361</u>	<u>\$ 26,225,600</u>

LIABILITIES AND EQUITY

Liabilities		
Accounts Payable	1,296,138	91,871
DOCS Management Admin Payable	37,315	28,842
Dental Health Payable	12,531	4,716
HRA Payable	-	-
MCO Payable	386,232	369,692
Mental Health Payable	60,476	14,866
Other Accrued Expenses	975,700	1,294,081
Payroll and Related Liabilities	\$ 201,522	\$ 275,462
Physical Health Payable	662,636	532,896
QDP Payable	3,784,140	3,451,318
Quality Pool	6,989,877	6,288,049
Capital Share Obligation	470,000	587,000
VBP Payable	156,417	164,981
Dividends Payable	<u>-</u>	<u>-</u>
Total Liabilities	<u>15,032,984</u>	<u>13,103,773</u>

Equity

Southwest Oregon IPA	7,776,794	6,422,940
North Bend Medical Center	1,296,132	1,070,490
Coos County	1,296,132	1,070,490
Advantage Dental	777,679	642,294
Bay Area Hospital	648,066	535,245
Coquille Valley Hospital	518,453	428,196
Bay Clinic	259,226	214,098
ADAPT	194,420	160,573
South Coast Orthopedic Associates	194,420	160,573
Dividends Declared	-	-
Prior Period Adjustment	-	-
Retained earnings	1,001,176	1,968,851
Capital Gain (loss)	878,879	448,076
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Total stockholders' equity	14,841,377	13,121,826
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TOTAL LIABILITIES AND EQUITY	\$ 29,874,361	\$ 26,225,600

- ❖ **MOTION:** Motion made Matthew Vorderstrasse to approve Financials for July 2024 Vs. July 2023 and seconded by Dr. Jason Bell
- ❖ **VOTE:** Unanimous approval. (End 7:18 A.M.)

Ownership Unit Transfer

- Mike Hale, CCO takes this time to update the Board on an Advanced Health unit transfer as well as a couple Board vacancies. He begins by going over the document below in detail:



**BOARD ACTION ITEM:
September 19, 2024**

Purchase of NBMC's Ownership Interest in Advanced Health by SWOIPA and Board Vacancies

Background:

NBMC/SWOIPA Transaction

On or about May 23, 2024, North Bend Medical Center, Inc. (NBMC) and Southwest Oregon IPA, Inc. (SWOIPA) entered into an agreement whereas SWOIPA offered to purchase and NBMC offered to sell NBMC's 10% interest in Western Oregon Advanced Health, LLC (Advanced Health). The offer was contingent upon approval by Advanced Health's Equity Members (Equity Members), in accordance with Advanced Health's Third Restated Operating Agreement. The Equity Members unanimously approved the proposed unit transfer on June 14, 2024, and the transaction closed on August 28, 2024.

As a result of the transaction SWOIPA currently has a 70% ownership interest in Advanced Health and NBMC no longer has an equity interest, nor does it have a Member Representative. Discussions are also currently underway for Waterfall Clinic, Inc. ("Waterfall") to purchase some units in Advanced Health from SWOIPA. If this transaction occurs, Waterfall will become an Equity Member and appoint a Member Representative.

Board Vacancies

Advanced Health's Operating Agreement requires that we have seventeen (17) directors; 9 Designated Directors who are elected by the Equity Members, and eight (8) Elected Directors who are elected by the Designated Directors. NBMC previously had a Designated Director on Advanced Health's Board, but that position is now vacant, and the Equity Members are required to fill that vacancy. That vacancy may be filled by one of the current Elected Directors, leaving an Elected Director position open, or the Equity Members may vote to elect someone who is not a current Board Member. In addition, we have a Community-at-Large Board position vacant.

Discussion/Decision:

Advanced Health will work on finding interested applicants for the Community-at-Large Board vacancy to present to the Nominating Committee for a November 2025 vote. The Equity Members may wait for the final outcome of the possible SWOIPA/Waterfall transaction before they elect a new Designated Director. If any current Elected Directors are interested in the Designated Director vacancy, please share that interest with the Equity Members for their consideration.

- Ben M. adds that if the Board has any potential Community Board members, to let Management know and that they'd present those to the nominating committee but that Management would begin now searching for those Community Board members as well.
- Dr. Webster asks for the Equity Partner, is that plan to fill next month or next meeting?
- Mike answers that at the Equity Meeting following the Board meeting the Equity Members could decide if they'd like to appoint someone now or wait until the next Board meeting.
- Ben M. includes that since they are talking about Waterfall potentially being a partner that perhaps the next discussion could be that Waterfall step into one of those open spots. They'd bring that idea at the Equity Meeting and present at the next meeting. With that they move on to the next agenda item.

2023 Financial Audit Results

- Chris, CFO, begins by saying he will provide a brief overview of all the documents that were sent out to all the Board members regarding the Financial Audit.
- First the Letter of Qualifications, this one describes the qualifications of the auditors and it is a description of the engagement that they've had with Advanced Health to do this audit.
- The second document, the "No Material Weakness Letter", here they are simply stating that they found no material weakness in internal controls in the course of doing their audit.
- The third document related to the audit is the main document of the financial statements and the accompanying note. The result of the audit were clean, so no material adjustments. It can be seen that they match the year-end financials that we've previously presented to the Board and no findings.
- The last several years Advanced Health have had a single finding that that was related to segregation of duties. They would comment on the size of Advanced Health size and the certain segregation of duties they wanted to see. For example when a transaction takes place they like to see that responsibility split into two or more people so that it's less likely there could be errors or fraud. So this is something that we worked on closing for this year's audit and you'll see that finding is not there fortunately.
- The other document included was sharing with the Board the actuarial opinion. The point of an actuarial opinion is to have a third-party licensed actuary review all of the accounting estimates that are actuarial in nature, things like incurred but not reported estimates, risk corridor settlements, anytime we're making a significant estimate reflecting it on the books, things of that nature.
- So, overall it was a clean audit. Chris concludes saying that if anyone has any questions about the report to reach out to him. With no questions from the Board, we move on to the next agenda item.

Bay Area Hospital

- Ben M. provides an introductory by stating that Bay Area Hospital has been in the public eye lately and they've been doing a good job communicating what they have entailed and some of the challenges they are facing. So he has asked Brian Moore, CEO of Bay Area Hospital as well an Equity Member and Board Member here to present and perhaps answer questions those here today have had and for Brian to provide an update of where Bay Area Hospital is at in their search for a potential partner or something of that nature. With that he gives the floor to Brian.
- Brian proceeds by going through a presentation he has prepared for those here today.
- He states that they went through several months of education that started early this year with the BAH Board and they ultimately retained a group called Juniper Advisory to represent the hospital as an investment banker. In a competitive process with a defined beginning and end point, they realize that this kind of process creates a lot of uncertainty and that uncertainty isn't limited to just the boundaries of Bay Area Hospital, they've got connections throughout the community, inside of healthcare and beyond.

- He states that they launched this process in June and phase one was sort of marketing. They had 22 companies representing a cross section of health care for profit, not for profit, faith-based secular, not for profit regional national footprint; This was a tailored and focused list, people that they though might meet some certain quality criteria and many of them already have some kind of presence and tie to at least the region or Oregon.
- He provides this slide below:

PROCESS TO DATE

- Process design
 - Proactive assessment of strategic alternatives
 - Minimize operating disruption
 - Meet external review
- Phase 1 - - marketing
 - Thorough, expeditious, but flexible
 - Full set of industry and sector partners considered
 - All capable and qualified potential partners provided equal treatment
- Competitive, and “fair” approach to market
 - Confidentiality agreement
 - Instruction letter, information memorandum, data room information
- Approached the market on July 8
 - 22 companies
 - 8 confidentiality agreements
 - Over 35 data room participants
 - Various supplemental data requests
 - Several calls with Juniper
 - Multiple parties with expression of interest

- Next he discusses what they heard through this process and some of the positive feedback in participation as well as some of the negatives:

MARKET INTEREST

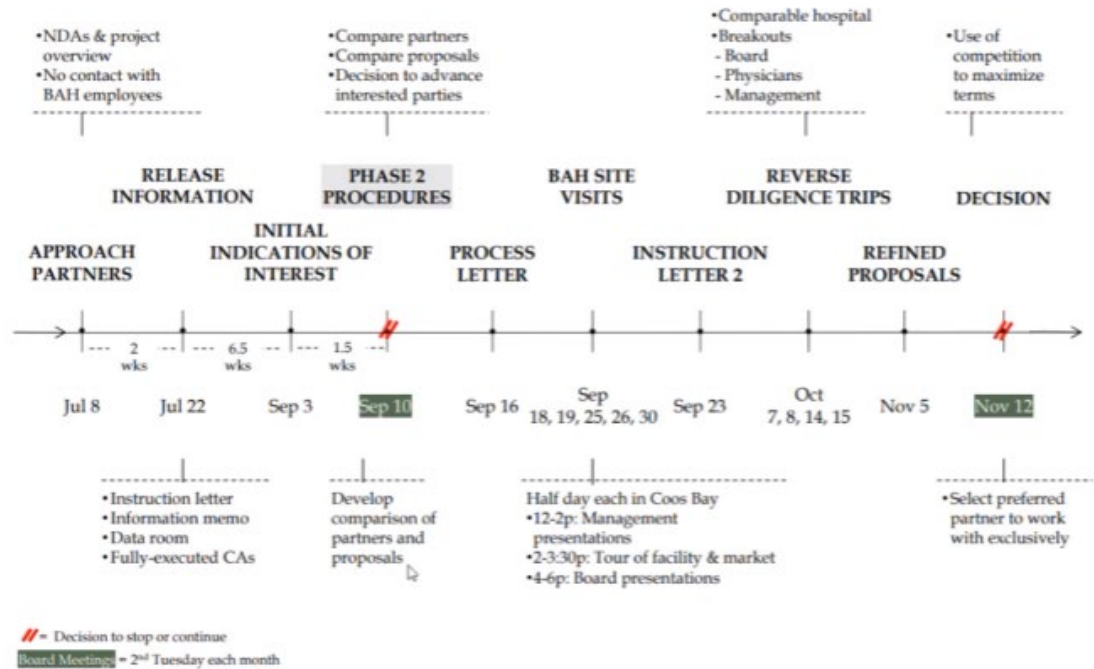
- Summary
 - Several partner types - - academic, faith based, investor-owned, secular non-profits
 - Diversity of structures and forms consideration
 - Juniper had a significant number of discussions with participants
 - Multiple expressions of interest - - established, well-known health systems
- *Positive* regarding participation
 - Opportunities to enhance efficiency and interoperability
 - Attractive growth potential
 - Record patient volumes
 - Increase acuity and breadth of services
 - Formation of regional network
- *Negative* regarding participation
 - Financial performance
 - Required post closing resources
 - Regulatory environment
- Reasons for lack of interest
 - Risk tolerance
 - Outside of core strategy
 - Distance to existing assets
 - Other strategic priorities
 - Overleverage, financial resource constraints

PROCESS REVIEW

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- Some of the negatives to participating further is financial performance, is Bay Area Hospital, but that is also other hospital systems, the problems financially stretch beyond our own community, it is national. This was a limiting factor for some of the organizations and they reference that. Brian continues by pointing out that some of the smaller regional players already have some strategic initiatives in place and the idea of integrating with Bay Area Hospital, these smaller regional players looked at their resources and bandwidth and they heard these organizations say that they don't have the capacity to take this on even if they think it's an exciting project.
- There is also the regulatory environment; OHA review process for healthcare mergers above \$10 million. This has been in place for a couple of years. There have been successful hospital mergers such as Mid-Columbia Medical Center and Adventists being one of the most prominent in the State and also Oregon Health and Science University and Legacy are going through that process now.
- He moves on to go over the reasons for lack of interest stated in the document above.
- He then provides an overview of the timeframe:

TIMELINE *partner input*



- They went out to the partners in writing the beginning of July, then September 3rd was a due date for the written statement of interest to continue into the next phase. The previous week the Board took action and moved forward with the process and advanced those participating firms into a finalist process.
- Currently they are preparing to host site visits at Bay Area Hospital. Phase 2 gets them their first opportunity for face-to-face conversations, and they are looking for that to happen toward the end of this month, so the 1st of October, then they'll have a chance to go visit some of their sites in a reverse due diligence trip.
- Right now, they are on track for November 12th for the Board to be positioned to really make that decision to either remain independent or sign a letter of intent and start hammering out the definitive agreement.
- Below are the options the BAH Board was presented with last week:

OPTIONS

1. Abandon process -- remain independent
2. Continue with process *by eliminating phase two* -- select a preferred partner now
3. Continue with process *as originally designed* -- advance interested parties for phase two

PHASE TWO

- Proceed with finalists
- Site visits -- at BAH September 18, 19, 25, 26, 30; October 1
 - Management presentation by BAH to partners
 - Hospital/community highlights tour
 - Presentation by partners to BAH Board and Management
- Reverse due diligence visits -- to finalists October 7, 8, 14, 15
 - Headquarters
 - Committee members visit recently acquired, comparably situated hospital
 - Tour hospital with physician leaders
 - Opportunity for local board to describe their transaction and the system's fulfillment of commitments
- Phase 2 instruction letter
 - Solicits refined offers
 - Specificity regarding objectives and governance
 - Specificity regarding capital projects
- Board review & decision at November 12 board meeting
 - Attempts to narrow transaction features so board can make decision on strategic grounds
 - Fair market value concepts reviewed in more detail
 - Select preferred partner or remain independent

NEXT STEPS

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- What they decided to do was to advance the participants into the next phase. In the next phase, the Board has reached out to a number of physicians to serve alongside the Board in the confidential site visit meetings. They understand that if this decision is going to be successful in positioning Bay Area Hospital for a good future it needs to be supported by the medical staff. The medical staff members can provide some unique insight into vetting potential partners. So, they are trying to get some representation from the specialties and the clinics and still end up with a manageable size group.
- Brian continues by saying that they look forward to having those physicians enter the process alongside the Board with greater detail going forward.
- They will be providing a Phase 2 instruction letter, those initial statements of interest, some of the terms are a bit vague and here is where they want to utilize the competitive process to get the best offer in the front of the Board for consideration and that is what this competitive process is designed to do, to get the best offer there.
- Brian continues and inputs that there have been questions about whether they can reveal the name of the firms and why or why not? Bay Area Hospital is a public district, they have obligations to do things

in the light, so to speak. The partners that they are working with are potentially not public entities and so they didn't want to put any barrier in front of those organizations, who for strategic reasons may not want others to know they're in the process of exploring this. They don't want to put a barrier that would prevent them from participating in this process, and that is one of the downsides, sometimes of a public entity when one gets into some of these strategic initiatives. So, that is the purpose for some of the approach here, they believe it adds value, and as they've been explaining that to their constituents they seem to understand that.

DUE DILIGENCE SITE VISITS *schedule*

BAH Site Visits		Reverse Due Diligence Trips	
<i>Holding Sep 18, 19, 25, 26, 30; Oct 1</i>		<i>Holding Oct 7, 8, 14, 15</i>	
Meet in main lobby - Partner, Brian, Juniper	11:45am	Finalist #1 - Headquarters - Similarly situated hospital in finalist system	
Management presentation - Partner, Management, Juniper - Lunch catered	12:00-2:00pm	Finalist #2 - Headquarters - Similarly situated hospital in finalist system	
Tour of facility - Partner, Management, Juniper, facilities engineer <i>tbd</i>	2:00-3:30pm		
Break and reception	3:30-4:00pm		
Partner presentation to BAH Board/Management - Focus on history of their company & vision for BAH - Q&A	4:00-6:00pm		
Adjourn	6:00pm		


BAH to update site visit agendas accordingly with logistics: directions, attendees, times, meeting space, etc.

NEXT STEPS

- He wraps up providing a detailed agenda for process going forward, showing the hosting of site visit, time with management, tour and the shared meeting with board members and some physicians members as they move forward. With that he gives times for the Advanced Health Board to ask questions.
- With no questions from this Board after Brian's presentation, they move on to the final agenda item.

2027 Procurement Preview

- Ben M. provides some background stating that they operate under five year contracts and most recently it was extended two years till the end of 2026. So they'll be undergoing that process soon of applying for a new contract and OHA has come out with some new guidance information and Anna's going to present that information. With that he hands the floor over to Anna.
- Anna begins by going over the document below:



ADVANCED HEALTH BOARD OF DIRECTORS

BOARD DISCUSSION ITEM: CCO Procurement Process Update

Background:

During the CCO 2.0 procurement process in 2018/2019, OHA awarded CCO contracts for a period of five years from 2020 through 2024. In 2023, with the looming process of winding down the Covid-19 public health emergency and the need to redetermine OHP eligibility for 1.4 million Oregonians, OHA pushed the next CCO contract procurement cycle out two more years. This means that CCOs will continue operating in contract with OHA through the end of 2026 in the current contract cycle.

Summary:

In this next round of CCO procurement, OHA has release preliminary information indicating they expect a scaled down process as compared to the CCO 2.0 experience. OHA has described their intention for the CCO procurement process to be less “huge and dramatic” this time around. Because the timeline for the procurement process was pushed back two years, many of the changes necessitated by the 1115 Waiver are already in progress, like the Health-Related Social Needs (HRSN) benefit, two year continuous eligibility, and the Youth with Special Health Care Needs population coverage.

OHA is currently taking stock of the CCO evaluation tools they currently have in the current contract deliverables. They are evaluating what is working and what is not working from their perspective, both with the CCO model in general, and in the state’s relationship with CCOs.

OHA is seeking direction from the governor’s office, but does expect to be incorporating priorities around behavioral health and housing. They also intend the process to reinforce OHA’s goal to eliminate health inequities by 2030.

It is important to remember that the CCO contracts now cover more than just Medicaid members. We have contracts for Oregon Health Plan (Medicaid), Healthier Oregon, and Bridge Plan members.

Specific areas of focus will be:

- Access to care
- Care coordination
- Provider network development/ Network adequacy
- Service delivery and quality of service
- Member rights and health equity
- Financial stability

Timeline


Late 2024 – OHA defining objectives and direction, review current evaluation tools

Early/Mid 2025 – OHA develop procurement process

End 2025/Early 2026 – OHA will release RFP/RFA

Mid 2026 – Contracts awarded

January 1, 2027 – New CCO contracts in effect

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- Anna adds that another important thing to keep in mind is they are working through the next application process and setting themselves up for that is so consider that CCO's are not just Medicaid any longer, they have a Bridge population which is the Basic Health Plan Population and the Healthier Oregon Population, so it will be important for us to make sure they are including strategies and consideration for all of their covered populations and to see where some of those strategies might diverge from what they have in place currently for Medicaid populations if they do.
 - She moves on to address the rough timeline provided in the document above. OHA is releasing some information, and she expects they'll hear a little more in the coming months, potentially something a bit more concrete than they have now, but they are really defining those objectives and seeking direction from various committees and the Governor's office right now.
 - Anna states that by the end of next year she expects they will have that information in hand and will need to be working on that application.
 - So their strategy right now is to try to make sure that they are set up as well as they can be with current deliverables, current expectations of OHA so that when they are looking at those evaluation tools, we are giving a good showing our performance in the region.
 - Anna asks if the Board has any questions or if Bevin, who works for OHA, would like to add anything?
 - With nothing else to add or questions from the Board, Ben M. provides some final thoughts by stating that it's important to understand that when they put up this application to meet new requirements, much of the focus as Anna described is access to the basic delivery system such as do we have adequate providers to provide services? There's a lot more focus on that and we are putting a lot more focus on directly influencing those pieces. They have already stood up new programs, but now it feels more as if it's back to the basics such as good access to primary care services. Advanced Health's involvement is going to increase and the requirements for us to go out and actively become part of these things; it's going to be a shift. So, it's important that you all stay involved on the Board, and we'll make sure we bring that to you all because he does see that happening.
 - With no further questions or input from the Board, Ben and Dr. Webster thank everyone for their time here.

The work session was adjourned by common consensus at 7:50 A.M with no further business to be discussed.

Respectfully submitted by,

Jason Bell MD
Secretary/Treasurer

JB/eb 09182024