PUBLIC

Health Care Market Oversight (HCMO) Program
HCMO-2: Request for Emergency Exemption from Material Change Transaction Review

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A health care entity should complete this form to request emergency exemption from material change transaction review. Under OAR 409-070-0022, Oregon Health Authority (OHA) may exempt an otherwise covered transaction from review if there is an emergency situation that immediately threatens health care services, and the proposed transaction is urgently needed to protect the interest of consumers and to preserve the solvency of an entity.

Submit this completed form, in a portable document form (pdf), by email to hcmo.info@oha.oregon.gov. OHA may request additional information or discussion as needed to determine emergency exemption status. OHA will post the completed form on the Health Care Market Oversight Program website for public comment in accordance with OAR 409-070-0022. OHA will strive to accommodate an expedient review of this application for emergency exemption but must consider each application on a case-by-case basis.

I. Parties to the proposed transaction

1. **List the entity name for all parties to the proposed transaction. Add extra rows as needed for additional parties.**

Party A (Applicant)	Salem Health Hospitals & Clinics
Party B:	Santiam Memorial Hospital, ABN Santiam Hospital & Clinics
Party C:	Santiam Hospital and Clinics Foundation

2. **Provide the requested information for Party A.**

Legal entity name	Salem Health Hospitals & Clinics
Assumed name	N/A
Tax ID	93-0579722
Mailing address	890 Oak St SE Salem, Oregon 97301
Website	www.salemhealth.org
Contact Name	John Bauer
Title	Chief Legal Officer
Phone	503-814-2851
Email	John.bauer@salemhealth.org

3. **Provide the legal name, assumed name, Tax ID, mailing address, and website of all other parties to the transaction.**

Party B:

Legal entity name	Santiam Memorial Hospital (“Santiam”)
Assumed name	Santiam Hospital & Clinics
Tax ID	93-0415219
Mailing address	1401 N 10th Ave Stayton, Or 97383
Website	https://santiamhospital.org

Party C:

Legal entity name	Santiam Hospital and Clinics Foundation
Assumed name	N/A
Tax ID	88-1210159
Mailing address	1401 N 10th Ave Stayton, Or 97383
Website	https://shc.foundation

II. About the proposed transaction

4. **Is the transaction urgently necessary to maintain the solvency of an entity involved in this transaction?**

☒ Yes ☐ No

If yes, explain why and include a complete statement of the facts, circumstances, and conditions which justify emergency exemption.

For the last decade, Santiam has operated on small, break-even or negative margins that make it impossible to generate the cash reserves necessary to ensure long-term viability. This has left Santiam one crisis away from insolvency and, in turn, left health care access in the Santiam Canyon at risk of collapse.

As a result, in 2023 Santiam's board determined Santiam’s long-term survival depended on identifying a strategic partner that could not only repair Santiam’s balance sheet, but also make the types of investments in facilities, providers, and technological infrastructure necessary to address unmet health care needs in the Santiam Canyon.

In late 2025, Santiam identified the ideal strategic partner in Salem Health. Salem Health is a well-capitalized, locally governed health system with a long-term track record of clinical excellence, financial stability, and investing in rural health care. Under the proposed affiliation between Salem Health and Santiam, Santiam will receive the financial support necessary to

ensure Santiam's survival through access to Salem Health's cash reserves and to improve health care delivery in the Canyon.

However, since executing the definitive agreement with Salem Health in January 2026, financial conditions at Santiam have deteriorated rapidly. This has turned the affiliation from a long-term strategic imperative into an acute emergency. Simply put, Santiam is on the verge of insolvency. If OHA does not approve this transaction by August 1, 2026, Santiam would have to take immediate and drastic steps to preserve operating cash. Such cost-saving measures would threaten the survival of Santiam Hospital and do irreparable damage to health care access in the Canyon.

Grounds for Emergency Exemption

Despite Santiam's best efforts to identify and close a partnership before facing insolvency, three distinct and compounding crises individually and together necessitate an emergency exemption:

- First and foremost, Santiam's days cash on hand is rapidly dwindling, threatening its ability to fund day-to-day operations and make payroll. Conservative projections indicate that Santiam will have less than 30-days cash on hand by September of 2026, which means that Santiam is at imminent risk of being unable to make payroll.
- Second, Santiam must begin a mandatory, multi-million dollar EHR transition no later than September 2026. Santiam cannot fund or implement this EHR transition independently. A hospital cannot survive without an EHR.
- Third, due to the rapid deterioration of Santiam's financial condition, there are increasing compliance concerns related to Santiam's outstanding loan obligations [REDACTED].

Thus, absent prompt assurances that this transaction can close in August, Santiam must take immediate action to preserve its cash so that it can continue funding its day-to-day operations . This would involve immediate staffing cuts, wage reductions, and service terminations. It would also require Santiam to delay implementation of a new EHR system. However, failure to begin the EHR transition project by September 2026 puts Santiam's survival at risk due to the imminent expiration of its existing EHR platform agreement.

These three related crises threaten Santiam's ability to continue serving as a licensed hospital for the approximately 60,000 rural patients who depend on it annually. The only way to ensure Santiam's survival is through OHA approval of this transaction by no later than August 1, 2026.

I. Santiam is on a Rapid and Irreversible Path to Cash Insolvency

Santiam must take immediate action to avoid insolvency, either through this affiliation or through drastic service cuts.

a. Santiam will have less than 30 days cash on hand by September

Santiam's days cash on hand, a key metric of its financial health, is falling rapidly. On December 31, 2025, Santiam's audited financial statements show that Santiam had 64 unrestricted days cash on hand. Just three months later (March 31, 2026), Santiam's days cash on hand has declined precipitously. [REDACTED] It is now well below industry benchmarks and below the number of days cash on hand that Bay Area Hospital had at the time of its legislative rescue.

Although Santiam has not closed its books for the second quarter ending June 30, 2026, conservative projections show further cash deterioration in both the second quarter and beyond. [REDACTED] There is no universal benchmark for imminent insolvency. However, a hospital is in a solvency crisis when it has less than 45 days cash on hand, and is effectively insolvent when it has less than 30 days cash on hand. At 30 days cash on hand, a hospital no longer has liquidity sufficient to reliably meet its monthly payroll obligations or fund its day-to-day operations. In other words, at 30-days cash on hand a hospital faces immediate closure.

Current cashflow projections demonstrate that Santiam is currently in a solvency crisis and will be insolvent by September. The negative trend on days' cash on hand reflects Santiam's growing operational losses. [REDACTED]

b. This solvency crisis arose due to a combination of long-term structural factors and unexpected changes to Santiam's operating revenue

This solvency crisis arose suddenly, but is the result of structural operational challenges that have persisted for more than a decade. Over the last decade Santiam has been operating on break-even margins that make it impossible for Santiam both to build cash reserves and to make needed capital investments. This has left Santiam in a structurally weak position that make it susceptible to a solvency crisis such as the one it currently faces.

i. Santiam is facing a substantial increase in operating expenses

Though Santiam has achieved narrow positive operating margins in the last two years, such margins have only been possible by unsustainably suppressing certain operating costs—a strategy which is no longer available.

Wage Increases: Santiam's salaries and benefits have not kept pace with inflation or the broader market. As a result, Santiam has struggled to retain and hire staff and expand in-demand services. Santiam's high turnover is driven, in large part, by wage increases across the state, together with the earning potential of traveling nurses. In December 2024, Santiam implemented nursing wage increases intended to address the turnover problem; as the data below shows, this action was not successful in reversing the trend. To illustrate the problem, Santiam had 29 open nursing positions in December 2025. In that same month, Santiam lost 4 RNs but could only hire 1 position. This pattern led to a steady and unsustainable increase in

utilization of traveling nurses in 2025, while limiting Santiam's ability to maintain and expand services.

Despite the December 2024 wage increase, turnover did not improve, and in early 2026 Santiam raised salaries a second time, seeking to resolve its turnover crisis by bringing pay to competitive levels. In the aggregate, these increases represent a 10% increase on a go-forward basis. [REDACTED] These salary increases have been effective in reducing the turnover crisis. Specifically, the number of open RN positions has declined from 29 in December to 13 as of June 1. However, the salary increases have also substantially increased operating costs and reduced days cash on hand.

Deferred Capital: Santiam's lack of operating margin has also necessitated the deferral of urgently needed capital investments in technology and IT infrastructure. As described in more detail below, Santiam cannot delay investments in a replacement EHR any longer, yet funding the EHR transition would render Santiam insolvent.

ii. Santiam's revenue is falling below forecast

Increased operating costs are only half the story. Santiam's revenue has not grown as projected. The most impactful is an underperformance in surgical and maternity revenue. [REDACTED] Santiam is also facing deficits associated with Medicaid reimbursement cuts, specifically in primary care. [REDACTED]

c. Santiam cannot solve this solvency crisis alone

Thus, Santiam's solvency crisis is the result of nearly a decade of flat-to-negative operating margins that left Santiam with no financial cushion, together with a relatively small downturn in financial performance. Santiam and Salem recognized the emerging crisis in mid-May 2026, when Salem collaborated on evaluating Santiam's interim financials for the first quarter. These financials revealed weakness in operating performance and a further cash loss. As a result of this performance, Santiam undertook a liquidity and solvency modeling exercise in collaboration with Salem to understand Santiam's current financial position and what Santiam's cash position will be as of the end of calendar year 2026. As a result of this exercise, the parties determined in June 2026 that Santiam was in the midst of a solvency crisis and that Santiam would require immediate financial support to survive.

Notably, this is not a problem that operational improvements can solve. Unfortunately, Santiam's payer rates, payer mix, and service offerings cannot generate the revenue necessary to sustain market-rate salaries or fund necessary capital investment. H.R. 1 and the resulting reduction in Medicaid funding for Oregon threatens Santiam's key revenue source. While the Parties cannot reasonably predict how the Oregon Health Authority will implement cuts to Medicaid, hospitals will lose substantial revenue and face increasing demands for charity care services. Reimbursement from commercial payers, though higher, falls below

inflationary trends. Thus, there is no viable path for Santiam to offset ongoing losses through revenue increases before Santiam becomes insolvent.

Simply put, without support from an outside partner, Santiam cannot generate the cash necessary to fund its structural budget shortfall and will become insolvent within a matter of months.

II. Santiam Faces Imminent and Unresolvable EHR Termination

Santiam's EHR contract terminates June 30, 2027. Santiam must begin an EHR transition project by September 2026, yet lacks the capital necessary to do so. If Santiam cannot effectuate this EHR transition, it can no longer operate as a hospital. [REDACTED]

a. The EHR transition has become an emergency

Despite identifying a long-term EHR solution, Santiam faces a EHR crisis due to (a) the lack of cash available to fund the EHR transition, and (b) the time it takes to effectively implement an EHR solution.

Salem has long been aware of the EHR transition date of June 30, 2027 and has been planning accordingly. [REDACTED] This assumes vendor selection occurring now, build and testing through April 2027, go-live in May 2027, and a stabilization period that extends into mid-June 2027. If Santiam had to replace the EHR without the benefit of this affiliation, Santiam would need approximately $11.8 million in readily available cash, with expenditures beginning immediately.

We note that $11.8 million reflects what would be necessary for Santiam to fully fund and implement the EHR platform independently by June 30, 2027, the date on which Santiam loses access to the Epic Community Connect platform. However, this is unrealistic in several critical respects.

First, Santiam is not large enough to purchase its own Epic license, as Epic will not sell to any facility with less than 250 beds. Accordingly, Santiam must find a partner willing to facilitate a EHR sharing arrangement similar to Santiam's existing community connect contract.[1] While this is a theoretical possibility, Santiam's current experience with community connect

[1] While there are EHR providers other than Epic, the alternatives are not viable for Santiam. First, transferring data to a new, non-Epic EHR platform would be vastly more difficult, time consuming, and costly. Second, Oregon hospitals overwhelmingly use Epic, so adopting an alternate platform would make data sharing and collaboration with such facilities vastly more difficult. Third, the alternatives would require re-training all staff on a new platform. And finally, the alternatives are comparably priced, have similar implementation timelines, but lack many of Epic's most useful features. Accordingly, there are few meaningful advantages to non-Epic EHR platforms, but many real drawbacks.

demonstrates that such arrangements impose large up-front-costs[2] but do not provide the long-term certainty necessary to ensure a return on investment. Moreover, Santiam cannot work with just any partner. The partner must have a hospital-specific instance of Epic, must have the resources and technological expertise to implement Epic at Santiam, and the experience doing so at a small rural hospital. Selecting a partner without these attributes would expose Santiam to substantial implementation risk for a product that likely would not suit Santiam's long-term needs.

Second, Santiam does not have the time necessary to undertake a full EHR replacement before they lose access to the Community Connect platform, irrespective of whether funding constraints exist. Replacing an EHR system is not a task that can be executed quickly; it requires a deliberate and thorough vendor selection process to ensure that the chosen system adequately addresses the clinical, operational, and regulatory needs of both the organization and the patients it serves. Once a vendor has been selected, the parties must then proceed through a contract negotiation process, which is itself often protracted and further complicated by the need to coordinate with the vendor's own project timeline and confirm the vendor has the capacity and resources available to commence work. Following contract execution, a discovery phase is required to appropriately scope, define, and document the specific work to be performed, a step that is essential to avoid downstream implementation failures but that necessarily consumes additional time. When each of these sequential steps is considered in the aggregate (vendor selection, contract negotiation, and discovery) it becomes evident that Santiam cannot reasonably complete this process within the time available, and this conclusion holds true even setting aside any questions of budget or funding availability.

Third, Santiam does not have the capital necessary to fund any portion of the EHR implementation. Funding Epic implementation would require $11.8 million in cash with expenditures beginning immediately, $4.25 million of which is capital expenditures and $7.55 million of which is operational expenditures. Notably, such expenditures must begin in the third quarter of 2026. Santiam lacks the capital necessary to both install and maintain an Epic instance without substantial ongoing outside capital. If Santiam were forced to fund this project alone, it would immediately become insolvent.

Critically, the EHR crisis and the cash crisis described above do not operate in isolation. They compound each other. Depleted cash reserves make independent EHR funding impossible. The cost of self-funding the EHR depletes those reserves further. There is no sequence of independent steps that resolves both. The only solution that addresses each crisis simultaneously is this affiliation.

b. Salem must immediately begin EHR implementation

Salem Health cannot begin work on the Santiam EHR transition until the transaction closes,

[2] Santiam funded implementation of Community Connect, in part, through a loan from the State of Oregon's Small Nonprofit Accelerated Program (SNAP).

and the Epic transition must begin by September 2026. If this transaction is not closed prior to such date, Santiam would risk significant clinical and operational disruptions associated with the EHR transition.

Notably, Salem Health will replace Santiam Hospital's electronic medical record by extending its own Epic instance to Santiam. However, implementing an EHR is not as simple as buying new seats on an existing Epic license. Every hospital must customize an Epic implementation to its specific suite of services, equipment and facilities. Santiam also must fully transfer patient data from its old epic implementation to the new one so that providers have ongoing access to the information necessary to deliver care to long-term patients. In Santiam's case, implementation will require purchasing new workstations, upgrading Santiam's entire privacy and security infrastructure, and retraining all staff on the new implementation. All such actions are long-overdue at Santiam, but Santiam has been unable to fund such necessary upgrades.

Even the proposed September implementation date is aggressive. Epic typically recommends that a hospital budget at least 12 months for an Epic implementation like Santiam's. However, the June 2027 expiration of Santiam's existing EHR license, together with the likely closing timeline of this transaction, means that Salem will have approximately 9 months to accomplish this 12-month project.

[REDACTED] Under the parties' requested timeline, implementation starts August 15, 2026 with work on infrastructure and cybersecurity purchasing. The actual implementation work will begin on September 30, 2026 and carry through to project go-live on June 30, 2027. Based on this aggressive timeline, Salem Health will fund approximately $6 million in implementation costs over the first year alone, and a total of $30.7 million for Santiam's Epic implementation and technology upgrades over a five-year period.

Regardless of how OHA resolves this emergency exemption, Santiam must begin an EHR transition by September. A hospital cannot operate without an EHR. Specifically, a hospital cannot deliver safe, clinically appropriate care, cannot schedule and provide timely access to care and cannot compliantly bill and collect insurance payments needed to pay payroll and other expenses. A hospital cannot operate under such constraints. Santiam cannot fund an EHR independently. Thus, this transaction is Santiam's only option to effectuate an EHR before June 30, 2027 and avoid catastrophic disruption to Santiam's clinical and financial operations.

III. Potential Breaches of Mortgage Note

Based on reasonable projections, if this transaction does not close by August 14, 2026, Santiam will confront increasing compliance concerns related to its outstanding loan obligations. [REDACTED] The consequences of any breach are severe and threaten Santiam's ability to maintain control over its operations.

Currently, Santiam is subject to several long-term loan agreements. [REDACTED] One such

agreement is the Regulatory Agreement, mortgage note and associated loan documents with the U.S. Department of Housing and Urban Development ("HUD"), which is secured by substantially all assets of the hospital. [REDACTED]

Under Santiam's agreement with HUD, it must maintain operating margins of at least -1.0% and must have positive net income each quarter, or else HUD will require that Santiam submit a business plan, including a turnaround plan, until the audited financial statements show two consecutive years of meeting the aforesaid covenants. If the business plan is not acceptable to HUD, it will require Santiam to hire an independent consultant acceptable to HUD to make recommendations for corrective action. [REDACTED]

If Santiam fails to make a required loan payment, the Federal Government, through HUD, can exercise additional remedies including declaring the indebtedness immediately due and payable, taking possession of the hospital and operating it until Santiam returns to compliance, collecting all revenues and charges from hospital operations to satisfy obligations, and seeking court-ordered specific performance, injunctive relief, or appointment of a receiver. There are similar and additional covenants under Santiam's SNAP loan in which Oregon Facilities Authority is the issuer, and in the loan covenants which Santiam has with KeyBank.

[REDACTED]

Simply put, Santiam has no capacity to repay its long-term loans without a partner. The loan market is closed due to poor financial performance, private donors do not have the capacity to cover expanding losses, Santiam does not have salable assets that could raise significant cash, and payer mix and commercial rates do not support a quick turnaround. In addition, Santiam cannot incur additional long term or short term debt under the Regulatory Agreement because it does not meet the financial metrics for incurrence of additional debt.

Thus, Santiam's financial condition creates an escalating health care crisis in the community. [REDACTED] Namely, it would allow the Federal government to exercise remedies that include stripping Santiam's leadership of operational control and reducing health care services that are not cashflow positive. The only way to avoid such outcome is to close this transaction prior to any covenant default.

5. When is the threatened entity anticipated to become insolvent without this proposed transaction? (e.g., how many days cash on hand does the entity have?)

Santiam is on the verge of insolvency and will be insolvent by Q3 of 2026 without immediate and drastic cost-cutting measures. As stated above, Santiam's days cash on hand declined precipitously in the first quarter of 2026. [REDACTED] Conservative financial projections show that Santiam will have less than 30 days cash on hand in Q3 of 2026. At that point, Santiam cannot guarantee its ability to make monthly payroll.

Even if Santiam takes drastic actions to preserve its operating cash, Santiam could maintain

solvency only by a matter of months, and only by doing lasting damage to health care access in the Canyon. If Santiam remains independent, Santiam must identify and execute nearly $35 million in operating cuts over the next 18 months. [REDACTED]

Santiam could, for instance, preserve cash by delaying investing in an EHR replacement solution. However, doing so would only push insolvency back a matter of months and would leave Santiam with no replacement EHR as of July 2027, as there would be neither the time nor the capital for an adequate replacement. A hospital cannot operate without a functioning EHR.

The other cash-saving measures would have immediate and devastating consequences to health care access in the Canyon. [REDACTED] Santiam would not (and could not) execute all potential cost-saving measures on August 1st, 2026 if this transaction is not approved. However, Santiam would have to begin the painful process of selecting among these cost-saving measures. However, even if Santiam could take all proposed cost-saving measures, it would only achieve $32 million of the projected $35 million in cost savings necessary to achieve a sustainable cash position. [REDACTED]

Moreover, executing such cuts would risk putting Santiam into terminal decline. Cutting staff and service lines leads to fewer services and lower revenue; fewer services and lower revenue makes it more difficult to achieve positive operating margins; without positive operating margins, Santiam would need to make further cuts to staff and services.

Santiam has no interest in taking such cost-cutting measures. Indeed, it structured this transaction with Salem to avoid exactly this outcome. However, absent assurances by August 1, 2026 that OHA will allow this transaction to close, Santiam must immediately begin reducing staff and closing service lines simply to preserve cash, actions that are not reversible and that set in motion the very spiral that increases the likelihood of hospital closure. The window for preventing that outcome is narrowing, and it can only be kept open through prompt approval of this exemption.

6. Is the transaction in the interest of consumers?

☒ Yes ☐ No

If yes, explain why and include any other relevant information not already provided that justifies the emergency exemption.

The proposed transaction is unambiguously in the interest of consumers.

Santiam is the entire health care infrastructure of an isolated rural region, and this transaction is Santiam's only lifeline. For over 70 years, Santiam has served as the cornerstone of health care delivery in the Santiam Canyon, a geographically isolated stretch of Marion and Linn Counties where the next nearest hospital is a significant and, for many residents,

insurmountable distance away. Santiam serves approximately 60,000 patients annually, including 1,410 admissions, 23,690 emergency room visits, and 180,024 visits for surgical, outpatient, and clinic care. The Canyon's geography makes distance a matter of life and death, and the communities that depend on Santiam are among Oregon's most vulnerable. Seventeen percent of Mill City residents live in poverty, wildfires in 2020 destroyed 80% of Detroit's homes, and many residents face significant barriers including long travel distances and limited transportation. These are not communities with the financial or logistical means to absorb the loss of their only hospital.

The consumer interest in this transaction cannot be evaluated in isolation from the alternative. The consequences of closure would be immediate, severe, and disproportionately borne by those with the fewest alternatives. Santiam's emergency department is the source of nearly 70% of inpatient admissions, and its closure would leave tens of thousands of Canyon residents without any proximate emergency care option. Santiam's ambulance service responds to 3,200 calls annually, providing initial 9-1-1 coverage for 160 square miles across six communities and mutual aid coverage for over 1,000 square miles, with no identified replacement. The loss of maternity services would strand expecting mothers with no local option for routine labor and delivery services. The loss of pharmacy services would force residents, many of whom are low-income, elderly, or disabled, to travel to Stayton or Salem for essential and lifesaving therapies, resulting in missed medications, worsening chronic conditions, and avoidable hospitalizations.

Beyond its clinical services, Santiam is embedded in the social fabric of its community in ways that cannot be replicated by a distant health system. Santiam operates five Service Integration Teams convening more than 250 community partners to coordinate resources and safety net supports for residents, employs five community health workers, two disaster case managers still assisting residents rebuilding from the 2020 wildfires, and a fulltime Oregon Health Plan assister who secured $545,000 in Medicaid payments for Canyon residents in 2025 alone. The closure of Santiam would not simply remove a hospital from a map, it would eliminate the singular institution around which an entire rural community's health, safety, and social support infrastructure is organized. The populations most affected are precisely the populations Oregon's health care oversight framework is designed to protect, and OHA has before it the only available mechanism to prevent that outcome.

The transaction delivers concrete, immediate, and measurable consumer benefits across every dimension of health care access. Salem Health commits to expanding maternity services by aligning staffing with demand, including OBGYN, nurse midwives, pediatric, and anesthesia support. Salem Health will also establish care pathways connecting high-acuity mothers and newborns to Salem Hospital's Level III NICU, directly addressing the 150 Canyon-area deliveries that currently leave the community annually. Salem Health commits to maintaining all existing payer contracts at closing, ensuring no disruption to coverage or network access for any current Santiam patient. Post closing, Santiam's nursing staff salaries will be matched to Salem Health's nursing staff salaries. This can help arrest Santiam's turnover rate that has constrained its ability to staff service lines and has driven avoidable patient transfers out of the

community. Salem Health's Lean Management System—which has reduced cost of care by $100 million, improved emergency department access, reduced catheter-associated infection rates by 40%, and improved primary care access by reducing time to see a provider by 30% across Salem Health's system—will be deployed at Santiam, delivering operational improvements that directly benefit patients. Santiam will remain locally managed and locally governed, ensuring that the community retains a meaningful voice in the health care decisions that affect it.

7. **Provide a detailed explanation of all the terms, conditions and agreements of the transaction and the manner in which such terms, conditions and agreements will respond to the conditions necessitating expedited consideration of the emergency exemption application (e.g., how will the transaction change ownership/governance, how will the transaction change providers or support staff). Attach supporting documentation as needed.**

The Salem Health affiliation is a direct and immediate solution to each crisis described above. At closing Salem Health will become the sole member of Santiam Hospital and Santiam Hospital and Clinics Foundation, with the parties anticipating closing on or before August 14, 2026. Salem Health will assume all of Santiam's liabilities at the time of closing, including approximately $22 million in debt, and will commit a minimum of $61 million into Santiam funded from Salem Health's consolidated operating cash flow. This includes a minimum $35 million capital commitment within 10 years of closing, of which $10 million will be allocated to urgently needed projects within the first 12 months, and the cost of Santiam's Epic EHR implementation. Because both entities are non-profit charitable organizations with compatible missions, there is no purchase price or direct exchange of funds at closing.

Immediately after closing, all current Santiam leaders and staff will be offered employment in alignment with Salem Health's market-based salaries, benefits, and compensation plan. Salem Health will honor the tenure and earned and unused accrued PTO and other leave benefits of all Santiam employees, and the closing will not affect medical staff membership or privileges. All current Santiam-employed physicians and APPs will continue to receive compensation at or above their existing levels for at least two years following closing. The Salem Health fiduciary board will become the fiduciary board of Santiam Hospital. Two Santiam Board members will join the Salem Health fiduciary Board and Santiam's Board will transition to an advisory role. The Santiam Foundation will maintain a separate board of directors, and all foundation funds will be used to benefit Santiam and its community.

Salem Health commits to continue operating and maintaining Santiam as a financially sustainable Oregon non-profit corporation operating a trauma Level IV general acute care hospital providing general medical, maternity, surgical, emergency, dietary, laboratory, radiology, and pharmacy services, and to build upon existing service lines, maintain Santiam's rural ambulance service, and develop consistent quality and patient care standards. Salem Health has no plans to terminate any payer contracts at closing, and Santiam will remain in-network with all payers for whom it was in-network immediately prior to closing. Salem Health's

Lean Management System, a data-driven total improvement process that has reduced cost of care by $100 million and improved patient access across Salem Health's system over the past 14 years, will be implemented at Santiam to drive operational efficiency and support long-term financial sustainability.

The proposed transaction is a targeted, fully-funded rescue of a hospital in acute financial distress, structured to resolve each of the specific crisis vectors that make emergency exemption necessary. Every material commitment Salem Health brings to this transaction corresponds directly to a condition that, left unaddressed, will result in Santiam's insolvency. The crises identified in this application do not operate independently. They reinforce each other, and Salem Health's commitments are specifically structured to resolve all of them simultaneously. Salem Health's assumption of all of Santiam's liabilities at closing, including approximately $22 million in debt, directly extinguishes the loan covenant breach risk and eliminates the threat of federal intervention by HUD. This single commitment removes what would otherwise be an irreversible cascade of federal remedies that Santiam has no independent capacity to survive. Salem Health's commitment to fund the full cost of Santiam's Epic implementation, directly resolves an obligation that Santiam cannot independently fund without triggering immediate insolvency

Beyond the immediate crises, the transaction addresses the structural conditions that created Santiam's financial deterioration and that would prevent any independent recovery even if the acute crises were somehow resolved. Salem Health's $35 million capital commitment, with $10 million deployed in the first 12 months, directly addresses the years of deferred capital investment that have constrained Santiam's operational capacity and suppressed patient volume. Santiam's 33.5% occupancy rate and narrow operating margins are not simply the result of inadequate revenue, they reflect an inability to invest in the staffing, technology, and service lines necessary to attract and retain patients. Salem Health's capital commitment, combined with the implementation of its Lean Management System provides the operational infrastructure that Santiam has been unable to build independently.

Salem Health's financial strength makes these commitments credible and durable: with total net assets of approximately $1.55 billion as of May 2026 and investment-grade ratings of A+/Stable and AA-/Stable from S&P and Fitch respectively, Salem Health is well-positioned to absorb Santiam's pre-closing liabilities and weather the broader financial headwinds, including H.R. 1-driven Medicaid reductions, that threaten to further erode Santiam's operating position.

8. Has any entity involved in the material change transaction engaged with consumers about the proposed transaction and received input from consumers?

☒ Yes ☐ No

If yes, describe.

Santiam and Salem have undertaken a monthslong community engagement effort related to

this transaction. Enclosed as Exhibit 6 is a summary of all community engagement efforts undertaken by the parties since the public announcement of this transaction.

9. As a result of the emergency transaction, will there be a significant reduction or elimination of essential services? Please see Essential Services and Significant Reduction guidance document.

The proposed transaction will not result in a significant reduction or elimination of essential services. To the contrary, the transaction is the only mechanism available to prevent the service reductions and eliminations that are otherwise inevitable as a direct consequence of Santiam's financial crisis. The relevant question before OHA is not whether this transaction risks reducing services, it is whether denying or delaying this transaction guarantees it.

As discussed above, if this transaction does not close, Santiam must identify and execute nearly $35 million in cuts over 18 months, requiring the elimination of essential service lines including maternity and intensive care, staff wage cuts of 15%, and involuntary layoffs.

In addition to preserving existing services, Salem Health commits to actively expand them. Salem Health commits to build upon existing service lines offered at Santiam, maintain Santiam's rural ambulance service, implement a single integrated credentialing program, and develop consistent quality and patient care standards. Of particular significance to the Santiam Canyon community, the affiliation will expand maternity services by aligning staffing with demand, including OBGYN, nurse midwives, pediatric, and anesthesia support, and by establishing care pathways that connect high-acuity mothers and newborns to Salem Hospital's highly specialized Level III NICU. Data shows that annually roughly 150 deliveries from Santiam's catchment area are currently leaving the community—a gap this transaction is specifically designed to close. Each year, approximately 3,000 patients rely on Santiam's rural ambulance services, which Salem Health commits to maintain. Salem Health has no plans to terminate any payer contracts at closing, and Santiam will remain in-network with all payers for whom it was in-network immediately prior to closing.

The workforce commitments that accompany this transaction further protect against any risk of service reduction. These continuity provisions ensure that the transaction does not produce the operational disruption that would otherwise accompany an ownership change, and that the clinical workforce necessary to sustain essential services remains in place at closing and beyond.

In sum, this transaction expands essential services, stabilizes the workforce necessary to deliver them, and commits the capital investment required to sustain them for the long term. The only scenario in which the residents of the Santiam Canyon face a significant reduction or elimination of essential services is the one in which this emergency exemption application is delayed or denied.

10. Ideally, by what date does the applicant want a decision from OHA?

As described in detail above, the parties must receive assurances by no later than August 1, 2026 that this transaction can close. A decision by such date is necessary to allow sufficient time for the parties to satisfy all closing conditions and close the transaction by August 14, 2026. Failure to receive approval by August 1, 2026 would require Santiam to start implementing cash-saving measures that will have a profoundly negative impact on health care access in the Canyon.

III. Certification

I, the undersigned, being first duly sworn, do say:

1. I have read ORS 415.500 et seq. and OARs 409-070-0000 to 409-070-0085.
2. I have read this Notice of Material Change Transaction and the information contained therein is accurate and true.

[CERTIFICATION ON FILE]