VIA EMAIL

John Bauer
Chief Legal Officer
Salem Health Hospitals & Clinics
John.bauer@salemhealth.org

July 17, 2026

Re: Request for Information — 079E Salem Health-Santiam

The Oregon Health Authority (OHA) is the state agency charged with operating the Health Care Market Oversight Program under Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On July 3, 2026, Salem Health Hospitals & Clinics ("Salem Health") and Santiam Memorial Hospital ("Santiam") (collectively, the "Entities") submitted HCMO-2: Request for Emergency Exemption from Material Change Transaction Review ("HCMO-2") to exempt their proposed affiliation from Health Care Market Oversight review.

On July 3, 2026, Salem Health and Santiam also withdrew their previously filed HCMO-1: Notice of Material Change Transaction ("HCMO-1"), which was accepted by OHA on April 16, 2026. This withdrawal ended OHA's comprehensive review of the transaction. Regardless of the outcome of OHA's evaluation of the HCMO-2: Request for Emergency Exemption submission, OHA will not resume its previous material change transaction review of the HCMO-1.

Pursuant to ORS 415.501(8) and OAR 409-070-0022, the Oregon Health Authority (OHA) is currently evaluating the HCMO-2 and requires additional information to assess the emergency exemption request. Additional questions that contain confidential information are included in confidential Attachment A.

1. Please confirm that in analyzing and evaluating the Entities' HCMO-2 Emergency Exemption Application, HCMO can consider information in materials previously submitted by the Entities in connection with the Entities' HCMO-1 Notice of Material Change Transaction and that such information is hereby incorporated by reference into the HCMO-2 Emergency Exemption Application. In the alternative, please re-submit all materials previously submitted by the Entities in connection with the Entities' HCMO-1 Notice of Material Change Transaction and any subsequent requests for information thereunder as part of Entities' HCMO-2 filing.
2. The HCMO-2 states that Santiam must identify and execute nearly $35 million in operating cuts over the next 18 months. Please explain how Santiam arrived at this figure, including any EBIDA or operating margin assumptions used in projections.
3. The HCMO-2 states that "Santiam is facing deficits associated with Medicaid reimbursement cuts, specifically in primary care." Please provide information and documentation to substantiate these claims, including, but not limited to the following:
    a. Current and prior contracts or agreements with payers that demonstrate all changes to Santiam's Medicaid reimbursement rates
    b. Copies of all current payer contracts.
    c. A breakdown of Santiam's revenue by payer, including Medicaid and the impact any cuts to Medicaid would have on Santiam's overall revenue regardless of source.
4. Please explain discrepancies found in the first quarter 2026 financial information provided in Ex. 24 – March 31 2026 Financial Statements (submitted to OHA July 1, 2026), Ex. 24 - Santiam Memorial Hospital 2025 Audit FS Final (submitted to OHA July 1, 2026), and Ex. 1 - Santiam Financial Projections 000001 (provided to OHA July 3, 2026). In your response, please explain any and all discrepancies, including the following:
    a. Q1 2026 actuals figures for cash and equivalents, net patient revenue, and total operating expensed do not match in Ex. 1 Cash Flow Projections and Ex. 24; and

    b. FY2025 audit figures for net revenue and operating income in Ex. 1 Cash Flow Projections do not match the Ex. 24 FY 2025 audited financial statement.

5. Please provide the following documents:
    a. HUD Regulatory Agreement, mortgage note, and associated loan documents;
    b. SNAP agreement, covenants, and associated loan documents; and
    c. KeyBank agreement, covenants, and associated loan documents; and
    d. Any other debt or loan documents or agreements that are at risk of a breach.
6. The HCMO-2 states that "the number of open RN positions has declined from 29 in December to 13 as of June 1." How many of the 29 open RN positions were hired? How many of those open positions closed without filling the position?
7. Please describe any and all wage or salary increases for Santiam staff (broken down by percentage increase and position) implemented in 2026 and expected in 2027, in addition to nursing wage increases. Include any and all wage or salary increases for clinical, administrative, and executive staff.
    a. The HCMO-2 states that the Santiam board determined in 2023 that Santiam's survival would depend on identifying a strategic partner that could, among other things, "repair Santiam's balance sheet." Please describe the aggregate wage or salary increases (broken down by percentage increase and position) implemented since Santiam's board made this determination.
8. Describe in detail Santiam's contingency planning for the EHR transition process in the event the Salem Health transaction is not approved, including:
    a. any approaches to Santiam's existing EHR provider to request an extension to the June 30, 2027, termination date or the reasons Santiam believes it is precluded from making such a request, if any;
    b. any efforts to identify an alternative vendor or Epic Community Connect partner;
    c. any efforts to enter into an EHR arrangement with Salem Health independent of the transaction; and

    d. any efforts to identify financing for the EHR transition, including an approach to HUD to seek a waiver of the restrictive covenant for this purpose.

9. In response to Item 6(b) of the Original Notice, the Entities stated that the “capital commitment will also include the cost of Santiam’s urgently needed Epic electronic medical records system implementation, which the Entities estimate at a total cost of $4 million.” Explain in detail why the estimate has increased by an additional $8 million to a total of $12 million since the Original Notice was filed.

10. Please provide the following, if available:
    a. Q1 and Q2 2026 financial reports for Salem Health;
    b. Q2 2026 financial reports for Santiam; and
    c. If any financial reports are not available, please explain why not and when they will become available.

11. The HCMO-2 states that the solvency crisis is “not a problem that operational improvements can solve.” Salem has committed to $35 million of capital improvements but only $4 million has been identified for a specific project (the EHR system). How are the Entities confident that the proposed transaction with Salem will address what Santiam has described as “nearly a decade of flat-to-negative operating margins” and recent cash losses?

12. The HCMO-2 states that Santiam faces an immediate threat to continued operations. Please identify each health care service that is expected to be reduced, suspended, or eliminated absent approval of the proposed transaction by August 1, 2026, and explain why such reduction, suspension, or elimination cannot be avoided through interim measures.
    a. In your response, please provide a detailed explanation of the impact of eliminated, reduced, or suspended services on patients.

13. The HCMO-2 states that Santiam would begin implementing cost-saving measures if OHA does not approve the emergency exemption by August 1, 2026. Please identify each proposed cost-saving measure, including any anticipated reductions in staffing, compensation, or service lines, and provide the projected implementation timeline for each.
    a. Please explain the impact of cost-saving measures on Santiam’s projected revenue.

14. Provide post-closing projections that demonstrate how the transaction will address the “solvency crisis” described by Santiam.
    a. Provide an explanation of how the to-be-identified capital investments will translate into improved operating margins.
    b. Provide a schedule showing proposed capital investments.
15. Please describe all alternatives considered to preserve Santiam's solvency pending completion of HCMO’s review of the Original Notice, including interim financing, bridge loans, management services agreements, lender accommodations, governmental assistance, or other operational or financial measures, and explain why each alternative was determined to be unavailable or insufficient.

Please provide the requested information no later than seven (7) calendar days from the date of this letter. Include a completed Certification Form with your submission. To designate any portions of the response to this request as confidential, please follow the requirements of OAR 409-070-0070.

Entities are responsible for coordinating amongst themselves to provide consolidated responses to OHA. Entities may submit consolidated responses for individual RFI items/questions to OHA as they become available.

To the extent the Entities wish to keep information separate and confidential from each other, please promptly notify OHA. OHA will accept separate submissions from the Entities on this basis. To ensure there is no inadvertent disclosure of such material between the Entities, please label documents as “HIGHLY CONFIDENTIAL,” and mark accordingly in the accompanying redaction log.

For more information about the HCMO program, please consult the program website: www.oregon.gov./hcmo. If you have questions or need further information, please contact the HCMO team at hcmo.info@oha.oregon.gov.

Sincerely,

Zachary Goldman

Zachary Goldman, MPP
Acting Cost Programs Manager
Oregon Health Authority

Cc: Karine Gialella, Oregon Department of Justice
Deborah Cho, Oregon Department of Justice
Tim Hatfield, Hatfield Knivila, LLC
Peter Stoloff, Peter Stoloff Law
Maggie Hudson, Santiam
Cheryl Nester Wolfe, Salem Health