Response to Public Comment

Proposed Transition of Quorum Health Corporation to QKA Health Corporation

Submitted to the Oregon Health Authority
September 1, 2026

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Stephanie Jarem
Director, Office of Health Policy
Oregon Health Authority
500 Summer Street, NE, E-20
Salem, OR 97301-1097

Re: Proposed transition of Quorum Health Corporation to QKA Health Corporation

Dear Ms. Jarem:

QKA Health Corporation ("QKA") respectfully submits this response to the public comment submitted by the Private Equity Stakeholder Project ("PESP") regarding the proposed transaction with Quorum Health Corporation ("Quorum"). The comment mischaracterizes the transaction, its valuation, its financing, and its expected effect on the Oregon facilities and the communities they serve.

As you are aware, the proposed transaction will result in a transition from a for-profit, private-equity-backed ownership model to a non-profit, community-focused health system. QKA will become the ultimate parent of Quorum's operating subsidiaries, including the entities that own and operate McKenzie-Willamette Regional Medical Center and related Oregon operations. Existing leadership, employees, vendors, and day-to-day operations are expected to continue, preserving continuity for patients and the community. QKA is governed by a board of highly knowledgeable and respected healthcare executives with extensive experience leading and overseeing non-profit healthcare organizations, providing mission-aligned governance and informed stewardship for the future health system.

The transaction is intended to strengthen, not weaken, the Oregon facilities. It will replace Quorum's current high-cost, short-term, and otherwise challenged capital structure with lower cost and long-term municipal bonds, a financing structure designed for a non-profit health system that will improve liquidity and permit greater reinvestment in operations, workforce, infrastructure, and clinical services. We believe this is critical to the long-term care of the residents across Springfield, Eugene, Lane County, and surrounding communities, particularly those patients covered by Medicare and Medicaid and patients requiring charity care.

The transaction is not an investor windfall

PESP characterizes the $956.7 million transaction value as a payout to Quorum's investors. That characterization is not accurate. As our application states, the consideration payable to Quorum will be used exclusively for repayment of Quorum's existing debt (which is, as further described below, being paid off at less than its full current value) and to pay other liabilities, while QKA will assume substantially all of Quorum's operating assets and liabilities to continue operations of the health care facilities currently

owned by Quorum. The transaction is, therefore, principally a recapitalization and refinancing of an existing indebted enterprise, *not a distribution of value* to equity holders. To be clear, the equity holders will not receive any proceeds as a result of the proposed transaction. As PESP noted in their letter, the public record also reflects that BlackRock, a minority equity investor in Quorum's parent, had written the value of its equity stake down to zero as of April 30, 2026. This is consistent with the fact that the equity holders of Quorum will *not receive any proceeds* from this transaction.

Further, Quorum's existing debt will not be repaid at par value – in other words, Quorum's lenders will not receive the full value of the bond. There are material liabilities of Quorum (i.e. – Federal Income taxes) that must be paid before the existing debt is repaid which further reduces the amount being recovered from the bond proceeds and purchase price. As Bloomberg recently noted, this "setup stands in contrast to Steward Health Care System and Prospect Medical Holdings, whose private equity owners took huge dividends and left them with burdensome debt and real estate liabilities before their respective 2024 and 2025 Chapter 11 filings."[1] Those comparisons concern allegations or circumstances involving extraction of value while the enduring hospital companies remained burdened by debt and faced continued operational challenges. Here, the stated purpose is to restructure ownership and financing so that the health system and its operating hospitals and other assets can continue operating and direct more cash toward patient care, community benefit and investment for the long-term – in many respects, it is the opposite intent of those transactions.

The purchase price was independently validated

The transaction value was not selected by QKA or Quorum as an arbitrary payment to investors. The parties conducted extensive diligence and arm's-length negotiations concerning transaction structure, valuation, financing, and post-transaction governance. As the application states, the $956.7 million total transaction value was validated by an independent third-party fair market value firm.

The diligence also included a separate feasibility study conducted by the independent third-party firm, evaluating QKA's ability to service the debt contemplated by the transaction, as well as legal diligence and a business-case analysis. These analyses are directly responsive to the concern that the transaction should be evaluated based on realistic enterprise value and sustainable post-closing economics.

The new debt will be issued to sophisticated, informed market participants

PESP's analysis appears to assume that QKA is selling an opaque investment to unsophisticated retail investors. That is not the contemplated financing structure. QKA expects to obtain financing through tax-exempt and taxable municipal bonds issued in connection with the transaction. The bonds will be evaluated and primarily purchased through the municipal bond market, with participation by several large and sophisticated investors and asset managers. Further, the bonds must be initially sold or delivered to beneficial owners that are "Accredited Investors", as generally defined in Regulation D of the Securities Act of 1933, or to beneficial owners that are "Qualified Institutional Buyers" as generally defined in Rule 144A of the Securities Act of 1933. The bonds will be rated by at least one of the "big three" credit rating agencies who will perform their own independent analysis and evaluation of QKA's ability to service its

[1] "GoldenTree's Quorum Health Sees Going Non-Profit as the Cure for Its Woes." *Bloomberg*, 29 Aug. 2026, https://www.bloomberg.com/news/newsletters/2026-08-29/goldentree-s-quorum-health-sees-going-non-profit-as-the-cure-for-its-woes

debt. Based on preliminary discussions with the rating agencies, QKA's credit rating is expected to be significantly improved over Quorum's current CCC- with a negative outlook.

As part of the offering of these bonds, potential investors will have access to substantial information, including the system's historical and projected financial performance, independent feasibility work, credit ratings, financing documents, and other disclosures customary for a significant healthcare bond financing. They will make independent investment decisions based on that information and the proposed system's ability to service its debt. The fact that QKA is using debt financing does not mean that value is being transferred without scrutiny; rather, it means the transaction is being tested by experienced capital-markets participants whose interests depend on a durable operating and financial plan.

Non-profit ownership improves the system's recurring economics

The relevant question is not whether QKA will have debt after closing. Most non-profit health systems have debt and are still considered financially durable and thriving organizations. The relevant question is whether the post-closing system will have a *sustainable capital structure*, sufficient liquidity, and recurring resources to operate, invest, and serve its communities. The proposed transaction materially improves those dimensions from the current state.

As shared in the application, Quorum incurred approximately $135.9 million of interest expense in FY2025, while the anticipated go-forward annual interest payment under QKA is approximately $104.9 million. That represents an expected annual cash-flow improvement of approximately $31 million. Those resources can be used for patient care, workforce, capital needs, and community investment rather than being consumed by higher-cost financing.

Non-profit ownership is also expected to provide benefits unavailable, or less available, under the current structure, including:

- operational benefits and expense savings that will improve the organization's financials and cash flow
- greater access to philanthropic funding and community donations;
- more capital to be re-invested back into health care assets in the communities that QKA will serve;
- increased ability to form strategic partnerships with other non-profit health systems and community organizations (who had been reticent to partner with investor-owned health systems); and
- additional tools to recruit and retain clinicians, including mission alignment and programs such as loan forgiveness where available.

These benefits are not theoretical changes in legal form. They are recurring economic and strategic advantages that can strengthen operating performance and support services that are difficult to sustain in rural and mid-sized communities. This is further supported by the third-party feasibility study the QKA board relied upon to make their decisions.

Liquidity and investment capacity are central to rural health stability

PESP focuses on projected liabilities and assets at various points in time but does not address the enhanced credit profile, in terms of liquidity and operating improvements, that the transaction is designed to create. QKA is expected to have meaningful days cash on hand after closing, providing a financial buffer

for labor pressures, reimbursement volatility, unexpected repairs, and other challenges that can threaten rural hospitals. While today's Quorum has very limited cash on its balance sheet, the post-transaction QKA anticipates starting with approximately $150 million in cash on the balance sheet. This is expected to grow over time as QKA is also expected to be immediately cash flow positive. A stronger liquidity position also gives the system the ability to fund projects with longer-term return horizons or projects whose primary value is not financial, but improved access and community health.

That durability is particularly important here. Quorum primarily serves rural and mid-sized communities, where hospitals face workforce shortages, rising labor and supply costs, reimbursement constraints, and limited alternatives when a service is reduced or discontinued. A financially constrained for-profit structure creates a greater risk of deferred capital investment and disruption. A non-profit structure with lower-cost financing, improved liquidity, tax and program advantages, philanthropic potential, and mission-aligned governance is intended to reduce that risk.

PESP also asserts that QKA Health will have more liabilities than assets, resulting in negative equity. This is fundamentally incorrect and is only looking at the single point in time of the transaction's close date. Instead, based on independent analysis and studies conducted in preparation for this transaction, on a forward-looking and long-term basis QKA Health anticipates positive net assets as a result of the transaction and going forward.

Specific benefits for Oregon

For Oregon, the transaction is expected to preserve and strengthen access to hospital and outpatient services across the greater Eugene-Springfield area, Lane County, and surrounding communities. To that end, QKA plans to invest $12 million in McKenzie-Willamette Regional Medical Center in 2027 alone and to complete an upgrade to its electronic medical record system, an important element to better serving the Oregon communities and to supporting local clinicians. QKA Health will also have the increased opportunity to continue advancing additional emergency-department capacity in Eugene following the closure of PeaceHealth's University District emergency department.

The proposed transaction will not result in consolidation of competing providers in a local Oregon market. The transaction will not eliminate a competitor or reduce patient choice; the Oregon facilities will continue to operate within the existing competitive environment. The transaction changes ultimate ownership and financing while preserving the operating presence that patients and employees rely on. Additionally, as a non-profit health system, QKA will generally operate under enhanced public and community oversight compared to a for-profit health system, strengthening accountability, transparency, and stewardship of the Oregon facilities.

Conclusion

The PESP comment correctly recognizes that financial sustainability matters to patients and communities, but its conclusions rely on an incomplete description of the transaction. The transaction is supported by an independent fair market value analysis, arm's-length negotiations, extensive diligence, a financial feasibility study, and a financing process subject to review by sophisticated institutional investors and the broader municipal capital markets. It does not provide a windfall to existing investors, and it is not comparable to transactions involving the extraction of value from distressed hospital systems.

The transaction is designed to address the underlying risk identified by PESP: the risk that a financially constrained, highly leveraged for-profit system will be unable to sustain investment and access over time. By transitioning Quorum to QKA's non-profit ownership, the organization will unlock key operating and financial benefits that will directly benefit the communities it serves.

For these reasons, QKA respectfully requests that the Oregon Health Authority consider the complete record and support the proposed material change transaction at the conclusion of its preliminary review.

Respectfully submitted,

QKA Health Corporation