

# Health Care Market Oversight (HCMO) Program

## HCMO-1: Notice of Material Change Transaction

You can get this document in other languages, large print, braille or a format you prefer free of charge. Contact us by email at [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov) or by phone at 503-945-6161. We accept all relay calls.

### General Instructions

Pursuant to Oregon Revised Statute (ORS) 415.501, an entity to a material change transaction must submit a Notice to the Oregon Health Authority (OHA) notifying OHA of such transaction. This HCMO-1 Notice form must be used to comply with this statutory mandate.

You must file this HCMO-1 Notice form electronically with OHA, in a portable document form (pdf), by email to [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov) **no less than 180 days** before the expected closing date of your material change transaction. Please submit the completed HCMO-1 Notice form, other relevant HCMO forms, and any supplemental documents as separate files.

To avoid delays in OHA's review of your proposed transaction, due diligence is required to complete this HCMO-1 Notice form correctly. Please provide a public-facing response to each item. Pursuant to the requirements of OAR 409-070-0070(1), this form should not contain any information you intend to designate as confidential. All information you designate as confidential must be provided separately as one or more supplemental attachments to this form. To avoid unnecessary delays, do not redact content that is publicly available or without grounds for a claim of confidentiality under Oregon law. Please consistently apply Bates numbering to all documents submitted with this form and include the applicable Bates number sequence on all redaction logs.

**The Notice is not complete until all required information is satisfactorily provided, and the review period will not run until OHA deems the Notice complete.**

This HCMO-1 Notice form, along with any public supporting documents, will be published and serve as notice to the public. Contact program staff with any questions or to request technical assistance at [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov).

### Who must file a Notice

Under ORS 415.501, an entity entering into a transaction that constitutes a material change must submit written notice to OHA of such material change.

A material change transaction includes:

- A. A transaction in which at least one party had average revenue of \$25 million or more in the preceding three fiscal years and another party:
  - i. Had an average revenue of at least \$10 million in the preceding three fiscal years; or

- ii. In the case of a new entity, is projected to have at least \$10 million in revenue in the first full year of operation at normal levels of utilization or operation as prescribed by the authority by rule.

### **Out-of-state entities**

If a transaction involves a health care entity in this state and an out-of-state entity, a transaction that otherwise qualifies as a material change transaction must submit this Notice if the transaction may result in increases in the price of health care or limit access to health care services in this state. See [OHA Guidance on Out-of-State Entities](#).

### **Confidentiality**

Information on this HCMO-1 Notice form shall be a public record and will be posted on OHA's website. Pursuant to ORS 415.501(13), OHA shall maintain the confidentiality of all confidential information and documents that are not publicly available that are obtained in relation to a material change transaction and may not disclose the information or documents to any person without the consent of the person who provided the information or document. Information and documents described in this paragraph are exempt from disclosure under Oregon Public Records Law (ORS 192.311 to 192.478).

Entities must follow the requirements of Oregon Administrative Rule (OAR) 409-070-0070 when designating portions of a Notice and any documents submitted by the applicant in support of the Notice as confidential. See [OHA Use of Confidential Information Guidance](#).

### **Definitions**

**"Acquisition"** occurs when:

- a) Another person acquires control of the health care entity including acquiring a controlling interest as described in OAR 409-070-0025;
- b) Another person acquires, directly or indirectly, voting control of more than fifty percent (50%) of any class of voting securities of the health care entity other than a domestic insurer as described in OAR 409-070-0025(1)(c);
- c) Another person acquires all or substantially all of the health care entity's assets and operations;
- d) Another person undertakes to provide the health care entity with comprehensive management services; or
- e) The health care entity merges tax identification numbers or corporate governance with another entity.

**"Legal entity name"** means legal business name as reported with Internal Revenue Service.

**"Merger"** means a consolidation between two or more organizations, including two or more organizations joining through a common parent organization or two or more organizations forming a new organization.

“**NPI**” means 10-digit National Provider Identification number issued by the Centers for Medicare and Medicaid Services (CMS).

“**Tax ID**” means 9-digit federal tax identification number also known as an employer identification number (EIN) assigned by the Internal Revenue Service.

“**Transaction**” means:

- a) A merger of a health care entity with another entity;
- b) An acquisition of one or more health care entities by another entity;
- c) New contracts, new clinical affiliations and new contracting affiliations that will eliminate or significantly reduce, as defined by the authority by rule, essential services (see [Essential Services and Significant Reduction](#) guidance);
- d) A corporate affiliation involving at least one health care entity; or
- e) Transactions to form a new partnership, joint venture, accountable care organization, parent organization or management services organization.

Additional defined terms can be found at ORS 415.500 et seq. and OAR 409-070-0000 to -0085.

## I. Parties to the proposed transaction

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

## II. Contact information for the parties

Provide contact information for the proposed transaction, as requested below.

1. Provide 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, Or 97301
Website	www.salemhealth.org
Contact Name	John Bauer
Title	Chief Legal Officer
Phone	503-814-2851
Cell Phone	
Email	john.bauer@salemhealth.org

Is Party A represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party A's legal counsel, if applicable.

Name	Timothy Hatfield
Firm	Hatfield Knivila, LLC
Address	1120 SE Madison St, Portland, OR 97214
Phone	503-208-5037
Email Address	tim@hkhealthlaw.com

2. Provide information for Party B.

Legal entity name	Santiam Memorial Hospital
Assumed name	Santiam Hospital & Clinics
Tax ID	93-0415219
Mailing address	1401 N 10 <sup>th</sup> Ave Stayton, Or 97383
Website	<a href="https://santiamhospital.org">https://santiamhospital.org</a>
Contact Name	Maggie Hudson, MBA
Title	President & CEO
Phone	503-769-9236
Cell Phone	
Email	mHUDSON@santiamhospital.org

Is Party B represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party B's legal counsel, if applicable.

Name	Peter F. Stoloff
Firm	Peter Stoloff P.C.
Address	5285 Meadows Rd., Suite 235, Lake Oswego, Oregon, 97035
Phone	(503) 992-6463
Email Address	pstoloff@peterstoloff-law.com

2\*. Provide information for Party C.

Legal entity name	Santiam Hospital and Clinics Foundation
Assumed name	
Tax ID	88-1210159
Mailing address	1401 N 10 <sup>th</sup> Ave Stayton, Or 97383
Website	<a href="https://shc.foundation">https://shc.foundation</a>
Contact Name	Maggie Hudson, MBA
Title	President & CEO of Santiam Hospital & Clinics
Phone	503-769-9236
Cell Phone	
Email	<a href="mailto:mhudson@santiamhospital.org">mhudson@santiamhospital.org</a>

Is Party C represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party B's legal counsel, if applicable.

Name	Peter F. Stoloff
Firm	Peter Stoloff P.C.
Address	5285 Meadows Rd., Suite 235, Lake Oswego, Oregon, 97035
Phone	(503) 992-6463
Email Address	pstoloff@peterstoloff-law.com

3. Provide a billing contact for payment of review fees.

Name	James Parr
Address	Chief Financial Officer
Phone	503-814-2841
Email Address	james.parr@salemhealth.org

### III. About the proposed transaction

4. Provide the type of material change transaction. (See OAR 409-070-0010 for definitions of transactions subject to review.)

- Merger
- Acquisition
- Affiliation
- Contract
- Other (specify) \_\_\_\_\_

5. What is the anticipated effective date of the proposed material change transaction?

The parties anticipate closing this transaction on or before September 30, 2026.

**6. Briefly describe the proposed material change transaction, including:**

**a. Goals and objectives**

Santiam Hospital & Clinics (Santiam Hospital or Santiam) is proposing an affiliation that will result in Santiam becoming part of Salem Health Hospitals & Clinics' (Salem Health's or Salem's) nonprofit, community-led health system. This affiliation is critical to continuing and enhancing Santiam's role as a health care safety-net for the Santiam community and achieving long-term clinical, operational, and financial sustainability. The two organizations share a longstanding commitment to high quality, affordable, community-based care. Both systems are non-profit, mission driven, focused on high-quality patient care, and deeply rooted in their communities. Their shared vision, values, and culture prioritize keeping care local, affordable and accessible.

Under the proposed structure, Santiam will maintain local advisory governance and local leadership to ensure decisions remain grounded in community needs. With the combined strengths of both health systems, health care services in the mid-Willamette Valley can continue to grow, particularly in rural communities in the Santiam Canyon.

The goals of this affiliation are to increase access, improve health equity, reduce costs, and improve quality. Throughout this application, there are many examples of how, only through affiliating, these goals will be achieved. The following is a summary of some of the examples:

1. Increase access by:

- Improving Santiam's operations by adding services and hiring additional staff;
- Implementing a centralized transfer center to more efficiently transfer patients between Santiam and Salem Hospital;
- Creating opportunity for seamless coordination of care for patients throughout the Santiam Canyon and the mid-Willamette Valley;
- Expanding maternity services at Santiam;
- Decreasing wait times by implementing the Lean Management System (described below) at Santiam; and
- Expanding urgent care access in the Santiam Canyon.

2. Improve health equity by:

- Advancing the interpretation services model at Santiam;
- Investing in rural health care throughout the Santiam Canyon, as evidenced by Salem's commitment to invest \$35 million at Santiam, \$10 million of which will be allocated to urgent needs within 12 months following closing; and
- Continuing Santiam's rural ambulance service.

### 3. Reduce costs by:

- Reducing the overall cost of care and improving operational performance by combining essential systems such as revenue cycle, information systems, and compliance;
- Implementing the Lean Management System, which empowers all staff to reduce waste; and
- Increasing census at Santiam, which has been proven to lower the average daily cost of patient care

### 4. Improve quality by:

- Strengthening patient care by building a fully integrated system that supports safe, seamless expansion of services, enhances coordination across departments, and ensures high-quality care at every point of contact;
- Advancing quality of care by applying the Lean Management System to streamline workflows, eliminate waste, empower frontline problem-solving, and build a culture of continuous improvement that drives reliable, patient-centered outcomes;
- Improving continuity and safety by establishing a single, unified medical record for all patients across Santiam and Salem Health, enabling shared information, reducing duplication, and supporting coordinated, systemwide quality care delivery; and
- Extending Salem Health's American Nurses Credentialing Center (ANCC) Magnet® designated quality improvement to Santiam.

Salem Health and Santiam Hospital structured this affiliation to further each of these goals. First and foremost, Santiam chose Salem Health as their partner because it is a locally governed health system with a shared commitment to serving the mid-Willamette Valley. Given Salem Health's history of providing the highest quality care in the mid-Willamette Valley, no other system in- or out-of-state offers the same depth of understanding of local health needs, patient populations, or community priorities.

This affiliation will also improve access to care for all of Santiam Hospital's patients, and the growing region as a whole. Santiam Canyon has experienced substantial growth over the past decade, marked by a 10% increase in Stayton's population – a trend that is likely to continue. By expanding services at Santiam Hospital, this affiliation will improve access to care, particularly for marginalized rural communities, and better position the combined health system to address the health care needs of a growing population. For example, many Santiam Canyon residents currently leave the community for basic maternity services. Santiam and Salem see an opportunity to use Salem Health's clinical infrastructure to expand maternity services at Santiam Hospital. Moreover, by joining Salem Health, Santiam's patients will have improved access to a range of inpatient and outpatient services not currently available at Santiam Hospital.

These include advanced cardiac care, neurosurgery, a Level II trauma center, neonatal intensive care units, as well as comprehensive cancer treatment.

This affiliation also will allow Salem Health and Santiam to seamlessly coordinate care for patients throughout the Santiam Canyon and the mid-Willamette Valley. As a designated Regional Resource Hospital<sup>1</sup>, Salem Health plays a vital role in ensuring patients across the broader community have timely access to specialized, high-quality care close to home. Salem Health serves as both a clinical destination and an efficient, centralized transfer center for patients who require higher levels of care, advanced diagnostics, or specialty services. As a Level II trauma center with a broad array of specialty services, and through strong clinical expertise and streamlined transfer processes, Salem Health helps reduce delays, improve care continuity, and ensure patients receive the right care in the right setting at the right time. This regional model allows smaller facilities to focus on what they do best locally, while knowing patients have a trusted pathway to advanced services when needed.

By aligning workflows, sharing resources, and creating clearer clinical pathways, Salem and Santiam together can improve quality care by shortening transfer times, reducing fragmentation, and providing a more connected patient experience. Most importantly, this collaboration benefits patients and families by keeping care closer to home and more affordable, while ensuring rapid access to specialty services when it matters most. Together, Santiam and Salem Health create a stronger, more resilient network that elevates care for the entire community.

Partnering with a health system outside this region would require Santiam patients, many of whom already face transportation challenges, to travel significantly farther for integrated and coordinated care. Such travel would increase cost and decrease access and patient experience. Affiliation with Salem Health ensures that advanced specialty services are available much closer to home, reducing costs and travel time, while improving access for residents who struggle with distance, limited transportation options, or geographic isolation. This affiliation strengthens local care delivery by keeping essential and specialty services within the region, directly addressing longstanding barriers to health care that disproportionately affect Santiam's rural and underserved populations.

This affiliation is also an opportunity to address some of Santiam's long-standing operational challenges. Santiam Hospital, like many rural hospitals, has been unable to fully utilize its bed capacity. Santiam has 40 licensed beds, but its average daily census is just 13, which translates to an occupancy rate of just 31%. Salem Hospital, on the other hand, will become capacity constrained in the

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<sup>1</sup> Regional Resource Hospitals work with local hospitals to maximize patient access when there are critical capacity constraints. See <https://www.oregon.gov/oha/ph/preparedness/partners/pages/regional-support.aspx>.

future as long-term trends show a need to expand the number of beds to meet the needs of a growing and aging population.

This affiliation gives Salem Health and Santiam the opportunity to dramatically increase utilization of Santiam's existing bed capacity by (a) expanding services, (b) transferring lower acuity patients to Santiam, (c) preventing unnecessary transfers by Santiam to other acute-care facilities, and (d) encouraging more patients in the Canyon to choose Santiam for those services at which Santiam excels. A review of Salem Health data determined that, on average, approximately 26 beds per day at Salem Health are occupied by patients from the Canyon who could be served by Santiam. This affiliation will allow the patients to receive their care at Santiam. As documented further herein, increasing census has proven to result in lowering the total cost of care. Each year, approximately 250 patients are transferred from Santiam to other healthcare organizations for services that could be delivered closer to home. This trend underscores a significant opportunity to expand local access and reduce the need for patients to travel long distances for essential care. Santiam and Salem Health believe patients deserve timely, comprehensive care in the communities where they live, work, and raise their families. By continuing to build local capacity and broaden available services, the Salem Health and Santiam affiliation will reduce avoidable transfers, improve patient experience, and ensure that individuals across the region receive the right care, at the right time, in the right place.

This affiliation will also help control health care costs. Santiam is a type B hospital that receives cost-based reimbursement from Medicaid. Under this reimbursement model, Medicaid pays a portion of Santiam's fixed costs, which do not vary based on the number of patients seen. Thus, by increasing inpatient admissions and outpatient visits at Santiam Hospital, this affiliation will allow Santiam to spread its fixed costs over a larger patient population. This directly lowers the per-patient cost of health care to Medicaid and for Oregon taxpayers.

Affiliation with Salem Health is essential to ensure the long-term viability of Santiam Hospital. Like other independent healthcare systems throughout Oregon and across the nation, Santiam Hospital faces increasing financial and operational headwinds at a time when it already has significant and growing unmet capital needs. The most recent congressional budget, often referred to as HR1, includes more than \$980 billion in Medicaid funding reductions over the next decade. These cuts, along with current and future declining Medicaid reimbursement rates, demographic changes, workforce shortages, and rising benefits and wages, all threaten Santiam's narrow operating margin and are driving factors behind Santiam's need to affiliate with Salem Health. Given the current landscape, Santiam Hospital must take decisive action to ensure its long-term viability and continued ability to meet the needs of its community.

With the support of Salem Health, Santiam Hospital is poised to overcome these financial challenges and invest in the future. The affiliation will reduce the overall cost of care by combining essential systems such as finance, revenue cycle, information systems, and compliance. It will also bring broader access to technical experts who are difficult to recruit to smaller hospitals. This enables more efficient operations and cost savings while maintaining high standards of care. This affiliation will also provide Santiam Hospital with essential capital to make needed infrastructure improvements that support sustainability of the health system and long-term growth.

Moreover, Salem Health's "Lean Management System" – a data driven total improvement process – will help Santiam Hospital achieve its performance improvement goals. For the last 14 years, Salem Health's Lean Management System has improved quality, reduced delivery cost, and improved patient access and experience. Specifically, in recent years the use of the Lean Management System has:

1. Reduced cost of care delivered by \$100 million by lowering Salem Hospital average patient length of stay by approximately one third.
2. Improved patient safety by reducing catheter-associated infection rates by 40%.
3. Improved emergency department access for patients by reducing length of stay from arrival to discharge by 10%, despite an increased census of 1,300 patients per year.
4. Improved imaging access for patients resulting in a 42% increase in capacity, allowing Salem Health to complete 550 more CT scans and 347 more MRI exams.
5. Improved primary care access by reducing time to see a provider by 30%.

Salem Health intends to extend the Lean Management System to Santiam by training all front-line staff and leaders in Salem Health's "Lean" philosophy. No other partner can offer Santiam this level of training and process improvement leadership. The Lean Management System is embedded in the skill set of every leader and front-line employee.

By joining forces, Santiam Hospital can secure the resources and stability required to navigate ongoing financial pressures, adapt to regulatory changes, and remain competitive in attracting and retaining a skilled workforce. This strategic partnership will empower Santiam and Salem Health to expand access to vital services and fulfill their shared mission to improve community health well into the future.

## **b. Summary of transaction terms**

At closing, Salem Health will become the sole member of Santiam Hospital and Santiam Hospital's subsidiary, Santiam Hospital and Clinics Foundation. As part of the affiliation agreement, Salem Health is making several important long-term operational and financial commitments to ensure that this transaction achieves the parties' mutual goals while advancing their respective charitable missions.

First, Salem Health is committing to invest a minimum of \$61 million into Santiam, funded from Salem Health's consolidated operating cash flow. This will consist of, at a minimum, a \$35 million capital commitment to Santiam within 10 years of closing. Of this \$35 million, Salem Health will allocate \$10 million to urgently needed projects within the first 12 months of closing. The capital commitment will also include the cost of Santiam's urgently needed Epic electronic medical records system implementation, which the parties estimate at a total cost of \$4 million. The \$61 million will also include Salem Health assuming all of Santiam's liabilities at the time of closing, including approximately \$22 million in debt. Thus, as of the closing, Salem Health will be ultimately responsible for fulfilling all of Santiam's repayment obligations with respect to Santiam's pre-closing liabilities.

Second, Salem Health is making a significant investment in Santiam's clinical and non-clinical staff. Immediately after closing, all current Santiam leaders and staff will be offered employment in alignment with Salem Hospital's market-based salaries, benefits, and compensation plan. This will increase total compensation for many Santiam staff and nurses, which will immediately improve Santiam's ability to recruit and retain staff. Within a year of closing, Salem Health and Santiam Hospital will jointly develop a plan to align physician and Advanced Practice Providers (APPs) contracts and compensation structures. All current Santiam-employed physicians and APPs will continue to receive compensation at or above their existing levels or methodologies for at least two years following the closing.

Third, to ensure that this transaction furthers Santiam's charitable mission, Salem Health commits to continue operating and maintaining Santiam as an Oregon non-profit corporation operating a trauma Level IV general acute care hospital providing the following services: (a) general medical (b) maternity, (c) surgical, (d) emergency, (e) dietary, (f) laboratory, (g) radiology, and (h) pharmacy. Salem Health also 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.

Fourth, the Santiam Foundation will maintain a separate board of directors. The parties intend to retain current membership of the Santiam Foundation board at

closing. Salem Health will become the sole member of Santiam Foundation. All foundation funds will be used to benefit Santiam and its community.

And finally, at closing, the parties will implement a governance structure that ensures continued local leadership informed by the unique needs of the communities served by Salem Health and Santiam. Santiam Hospital's existing fiduciary board will become an advisory board reporting to the Salem Health board. To smooth the transition and facilitate information sharing, two seats on Salem Health's governing board will be filled by Santiam appointees. Please see Inquiry 14.b for more information on the role of the Santiam Advisory Board and Salem Health's post-closing governance.

Ultimately, the purpose of this transaction is for Santiam and its affiliates to become part of, and integrate with, Salem Health. As described in more detail throughout this notice, this post-closing integration will spur investment and allow the parties to achieve clinical and operational efficiencies that will lower the cost of care, expand access to services, and improve clinical quality for a rural community that is currently underserved by the health care system.

**c. Why the transaction is necessary or warranted**

Like many independent health systems throughout the country, Santiam Hospital faced significant financial headwinds following the COVID-19 pandemic. From fiscal years 2022 to 2024, Santiam's operating income averaged 0.9% of total revenue, which resulted in a decline in days cash on hand from over 100 days in fiscal year 2022 to under 70 days in fiscal year 2024. As a result of this declining liquidity, Santiam has had to defer essential capital and operational investments that would have been directed toward expanding access and improving the quality of care for its patients.

The key drivers of Santiam's financial challenges are the same ones that drive declining hospital margins across the state. Simply put, reimbursement from commercial and government payors has not kept pace with inflation. Specifically, Santiam Hospital is paying significantly more in wages, employee benefits, drugs, medical supplies, and IT than it was pre-pandemic, but cannot offset these additional costs through additional revenues.

Considering these ongoing financial pressures, Santiam has taken several measures to improve its financial position. These include engaging a third-party consultant to perform a revenue cycle assessment and provide recommendations for operational improvement. Based on these recommendations, Santiam Hospital updated its chargemaster to align with market pricing and negotiated better rates with insurers.

While these initiatives have contributed to an improvement in Santiam's financial position, the organization still has narrow operating margins and limited capital

reserves. These financial constraints limit Santiam's ability to fully invest in the facilities, technology, and service growth needed to meet the community's long-term health needs.

As noted above, Santiam Hospital has significant unused bed capacity, which limits its financial sustainability. Though many factors contribute to low patient census, principal among them are (a) lack of adequate staffing, (b) lack of integrated care pathways that leverage Santiam Hospital's resources, and (c) potentially avoidable transfers to out-of-area facilities. As described in more detail below, this affiliation will address these issues by improving recruitment and retention, integrating Santiam into Salem Health's existing clinical infrastructure, and implementing a triage and transfer program that directs patients to the facility that can best meet their needs. A thriving Santiam Hospital will, in turn, reduce costs, improve quality, and expand services available to the Santiam Canyon community.

- d. Any exchange of funds between the parties, including the nature, source and amount of funds or other consideration (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of health care services).**

Because both Salem Health and Santiam hospital are non-profit, charitable entities with compatible missions, there is no purchase price or direct exchange of funds between the parties at closing. Instead, Salem Health is making several important long-term operational and financial commitments to ensure that this transaction achieves the parties' mutual transaction goals while advancing their respective charitable missions. Please see the parties' response to Inquiry 6.b for a detailed description of such commitments, including Salem Health's commitment to invest \$61 million in Santiam. Salem Health will fund all its financial commitments through Salem Health's consolidated operating cash flow.

**7. Describe the negotiation or transaction process that resulted in the entities entering into an agreement.**

- a. How the entities were identified (e.g., did one party approach the other, did one party engage in a bid/auction process, etc.)**

In seeking out an affiliation, Santiam's Board of Directors and Executive Leadership determined that it was in the best interest of the community to identify a strong, local nonprofit partner, rather than soliciting interest from a regional or national health system. Prior to discussing a potential partnership with Salem, Santiam was party to an affiliation agreement with Samaritan Health Services. However, Santiam and Samaritan mutually agreed to terminate that affiliation.

Santiam and Salem Health have worked together for many years, and the affiliation represents a strategic next step to address shared challenges and better meet regional health care needs, as detailed above.

Salem Health and Santiam have held ongoing discussions over the years on ways to facilitate the movement of patients along the continuum of care between their health systems. However, these discussions have not achieved the level of clinical collaboration necessary to address either party's needs. The primary impediment has been the lack of shared systems between the two facilities, which substantially increases the resources necessary to effectively and efficiently optimize patient flow. At the same time, both organizations have demonstrated strong alignment through joint community health initiatives such as collaboration on the Marion Polk Community Health Needs Assessment, coordinated outreach efforts using dental vans, Community Health Workers, and social determinant of health supports. Such collaborative efforts underscore their shared mission and commitment to serving shared patient populations, and supporting a vibrant community.

As Santiam Hospital considered various transaction partners, Salem Health was always an attractive option due to the organizations' compatible missions, cultures, local governance, and strategic objectives. Salem Health has demonstrated a commitment to investing in rural healthcare. For example, Salem Health's experience integrating West Valley Hospital also gave Santiam confidence that the parties can achieve their shared goals through this affiliation. Specifically, Salem Health and West Valley Hospital had long discussed clinical collaboration, but these efforts did not produce tangible results until the parties decided to affiliate in 2002. Since then, West Valley Hospital has expanded from 6 beds to 25 beds, with average daily census nearing 100%. The integrated care teams at Salem Hospital and West Valley Hospital can triage and transfer patients between their facilities based on the best interests of the patients, lowering costs, improving efficiency, and better serving patients. The addition of swing beds has allowed Salem Health to leverage West Valley Hospital as a lower-cost-of-care setting that better serves the diverse needs of its rural patient population. In addition, the cost of care has decreased at West Valley Hospital because of the increase in volume. The average daily cost per patient per day has dramatically decreased by 28% between 2022 and 2025.

Santiam Hospital is different from West Valley Hospital, as are the communities served by these institutions. As such, Salem Health will not necessarily pursue the same strategy to develop Santiam as it did with West Valley Hospital. However, the success of Salem Health's affiliation with West Valley is a model for how Salem Health can optimize a rural facility to meet the specific needs of the community.

- b. Any due diligence performed by any of the parties to the transaction. Provide any products, reports, or analyses resulting from due diligence processes.**

Santiam executive leadership and board engaged ECG Management Consultants to assess the potential partnership with Salem Health. Additionally, internal teams conducted a cultural alignment evaluation. Please see Exhibit 7.b.i for Santiam's diligence materials.

Salem Health engaged KPMG to conduct a comprehensive due diligence review of Santiam, with the objective of assisting Salem Health in assessing the risks and opportunities associated with the proposed business arrangement. The engagement covered five key risk areas: Quality of Earnings, Tax, Compliance & Coding, Human Resources, and Information Technology. The due diligence review included the collection and analysis of publicly available information, industry-standard inquiries, and interviews with Santiam leadership and key personnel. These activities informed the final due diligence reports.

Additionally, Salem Health engaged its financial advisor and bond counsel to provide an opinion on the impact of this transaction on Salem Health's outstanding bonds.

The procedures performed in each of the key areas were designed to identify legal and operational risks. The findings were determined to be sufficient for the purposes of Salem Health's due diligence assessment. These due diligence reports, together with the underlying analysis, are protected by attorney-client privilege. Non-privileged board-level business due diligence materials are enclosed as Exhibit 7b.ii.

- 8. Will the proposed material change transaction change control of a public benefit corporation or religious corporation?**

Yes

No

- 9. List any applications, forms, notices, or other materials that have been submitted to any other state or federal agency regarding the proposed material change transaction. Include the data and nature of any submissions. This includes, but is not limited to, the Oregon Department of Consumer and Business Services, Oregon Public Health Division, Oregon Department of Justice, U.S. Department of Health and Human Services (e.g., Pioneer ACO or Medicare Shared Savings Program application), Federal Trade Commission, and U.S. Department of Justice.**

- a. **If a pre-merger notification was filed with the Federal Trade Commission or U.S. Department of Justice, please attach the pre-merger notification filing along with this notice submission.**

Santiam will provide notice to the Oregon Department of Justice, Charities Division under ORS 65.803. The parties will also make all required change of ownership filings with state licensing agencies and the Centers for Medicare and Medicaid Services.

## **IV. About the entities involved in the proposed transaction**

### **10. Describe Party A.**

Salem Hospital began as two separate hospitals in the city, one founded in 1886 and the second founded in 1916. In the early 20<sup>th</sup> century, both institutions grew rapidly to meet evolving community need. However, changes to medicine in the 1960s led physicians and civic leaders to call for a single regional hospital that could better coordinate the adoption of new technology. As a result, in 1969, Salem General and Salem Memorial Hospitals merged into Salem Hospital.

Salem Hospital expanded over the decades as community need grew. Salem Health's community minded board kept their focus on emerging needs by adding specialized services. In 2002, Salem Health affiliated with Valley Community Hospital in Dallas, renaming it West Valley Hospital. At the time of the affiliation, West Valley Hospital was in financial distress and at significant risk of closure. Over the next decade, Salem Health continued investing in new facilities and services, including the Family Birthing Center, an expanded emergency department, and a new 120-bed patient tower. Salem Health also expanded its focus on social determinants of health, including through the Community Health Education Center, which offers classes and health education outreach around the region. In 2010, Salem Hospital earned its first prestigious Magnet® designation, recognizing a culture where nurses set the standard for excellence through leadership, scientific discovery, and the dissemination and implementation of new knowledge. Since then, Salem Hospital has earned Magnet® redesignations in 2015, 2020 and 2025.

In 2013, the Salem Hospital Emergency Department was designated a Level II Trauma Center and by 2019 was the busiest emergency department between Los Angeles and the Canadian border. In 2015, Cheryl Nester Wolfe, a registered nurse, became Salem Health's first female president and CEO. Under her leadership, the organization opened a new outpatient rehabilitation building, along with an inclusive playground open to all; constructed a new inpatient building adding 150 critical care beds; expanded services and access by increasing the number of employed primary care doctors and adding urology, orthopedics and other specialties; opened the first mass COVID-19 vaccination clinic in the state in January 2021 and (with the help of the Oregon National Guard) administered over 250,000 vaccines over the next eight months; added 19 beds to West Valley Hospital and expanded outpatient services

through a newly remodeled building housing wound care, medication management, infusion services, and outpatient rehabilitation.

Salem Health's commitment to improve the health and well-being of the people and the communities it serves is readily apparent in the long-term investments made to serve a growing and aging population, the hundreds of millions of dollars of free care for those who could not afford to pay, and in the day-to-day actions of employees as they provide high quality and compassionate care for patients.

**a. Describe Party A's business, including business lines or segments**

Salem Health operates two hospitals, Salem Hospital in Salem and West Valley Hospital in Dallas. Salem Hospital is a Level II Trauma Center offering 24/7 coverage for severe injury, complex trauma, and emergent surgical needs. Salem Hospital serves as a regional destination for trauma patients, supporting emergency response systems across the region and throughout the state. It also offers robust cardiovascular services, a stroke center of excellence, a joint center of excellence, spine center of excellence, comprehensive oncology services, and the full spectrum of women's services.

West Valley Hospital is a critical access hospital offering inpatient care, including a swing bed program, which allows patients to transition from an acute inpatient stay to a lower level of skilled nursing or rehabilitation care until they are ready to return home. In addition, West Valley Hospital operates a comprehensive Emergency Department, as well as diagnostic and therapeutic services appropriate for the size and needs of the community.

Salem Health also has 27 clinics across Marion and Polk counties, providing a full spectrum of ambulatory care that supports the health needs of the community and ensures access close to home. These clinics deliver primary care, urgent care, and a broad range of specialty and subspecialty services, closely aligned with the inpatient and outpatient service offerings of Salem Health Hospitals & Clinics.

A complete list of Salem Health's services and service lines is attached as Exhibit 10.f.iii.

**b. Describe Party A's governance and operational structure (including ownership of or by a health care entity)**

Salem Health is a non-profit, 501(c)(3) charitable organization governed by a self-perpetuating board of directors.

**c. Provide a diagram or chart showing the organizational structural and relationships between business entities.**

Please see the pre-closing organizational chart attached as Exhibit 10.c.

- d. **List all of Party A’s business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.**

The business entities form is attached as Exhibit 10.d.

- e. **Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for Party A’s Oregon business.**

The requested financial statements are attached as Exhibit 10.e.

- f. **Describe and identify Party A’s health care business. Provide responses to i-ix as applicable:**

**i. Provider type (hospital, physician group, etc.)**

Salem Health operates two hospitals; Salem Hospital located in the city of Salem, Oregon and West Valley Hospital is located in Dallas, Oregon. Additionally, Salem Health Medical Group operates 20 clinics in Marion County and seven clinics in Polk County.

**ii. Service lines, both overall and in Oregon**

A complete list of Salem Health’s services and service lines is attached as Exhibit 10.f.iii. Salem Health does not operate outside of Oregon.

**iii. Products and services, both overall and in Oregon**

A complete list of Salem Health’s services and service lines is attached as Exhibit 10.f.iii. Salem Health does not operate outside of Oregon.

**iv. Number of staff and FTE, both overall and in Oregon**

Salem Health has 6,480 total staff consisting of 5,377 FTEs, of which 6,445 staff members consisting of 5,342 FTEs are located in Oregon.

**v. Geographic areas served, both overall and in Oregon**

Salem Health serves Marion and Polk Counties, located in Oregon’s mid-Willamette Valley. The region spans roughly 2,000 square miles and includes the state capital, Salem, along with surrounding urban, agricultural, and rural communities.

Salem Health Hospitals & Clinics defines its primary service area (PSA) as Marion and Polk Counties as shown on the service area map attached as Exhibit 10.f.v.

Salem Health's secondary service area includes all of Yamhill County, the adjacent cities of Corvallis, Albany and the surrounding areas of Linn and Benton Counties, as well as the southeast area of Clackamas County, which includes Wilsonville and Canby.

**vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)**

The requested HCMO Form 1c is attached as Exhibit 10.f.vi.

**vii. Annual number of people served in Oregon, for all business, not just business related to transaction**

Salem Health Hospitals & Clinics served approximately 185,000 unique patients across all facilities and service lines between July 1, 2025 and June 30, 2025. This total reflects the full scope of its operations and patient care.

**viii. Annual number of services provided in Oregon.**

Between July 1, 2024, and June 30, 2025, Salem Health Hospital & Clinics provided care to 33,688 admissions, 136,088 emergency room visits, and 1,173,348 visits for surgical and ancillary care to nearly 182,507 distinct patients.

**ix. For hospitals, number of licensed beds**

Salem Hospital: 644 beds, West Valley Hospital: 25 beds

**11. Describe Party B.**

Santiam Memorial Hospital was established in March 1953. It grew out of a non-profit group created in 1950 by civic leaders in the Santiam Canyon with the goal of creating a hospital to serve the community. Funds to build the hospital were raised by membership and matched by Hill Burton funds. Since its inception, Santiam has completed several expansion projects, doubling the size of the hospital in 1994, and building a replacement hospital on its campus in 2013. In 2020, Maggie Hudson was appointed the first female President and CEO of Santiam. More recently, Santiam expanded its pharmacy, laboratory, ER, and Orthopedic Clinic.

As part of its evolution into a health system, Santiam opened its first primary care clinic in 2001 in Aumsville, Oregon, employing physicians for the first time in its history. Since that time, Santiam purchased and expanded the primary care and

specialty care clinics in Stayton. Santiam also built new primary care clinics in the towns of Sublimity and Mill City.

Santiam's mission is to provide quality healthcare to people who suffer from illness, injury, or disability and to promote the general health and welfare of the community through education, support, and medical service. The following basic tenets apply:

- 1) The Hospital is committed to providing quality care, without regard to patient age, culture, ethnicity, gender expression, gender identity, language, mental disability, physical disability, race, religion, sex, sexual orientation, or socioeconomic status.
- 2) Each member of the healthcare team understands that patient welfare comes first. The hospital atmosphere is one of sincerity, courtesy, respect, and friendliness to patients, workers, visitors, and the public.
- 3) Patient privacy is honored, and Santiam accepts the responsibilities that accompany the trust and understanding that patients have placed with Santiam as they are treated at the hospital.
- 4) Santiam recognizes the importance of the basic spiritual needs of each patient, and encourages religious ministry to be available for every patient, in conformity with patient faith and expressed desire for counseling.
- 5) The hospital serves as the health center of the community and encourages community participation in hospital activities. Santiam works with public and private agencies concerned with the health and welfare of patients and the community, including young people interested in health careers.

Santiam's vision is to serve as the healthcare center of the community. Santiam values and encourages community awareness and participation. Santiam thrives on this unique identity, one where Santiam strives to pursue growth while maintaining an efficient, integrated system of prevention, care, and treatment. Santiam's core values are:

- Compassion
- Integrity
- Excellence
- Unity
- Pride
- Dependability

**a. Describe Party B's business, including business lines or segments**

Santiam Hospital is certified by Medicare and Medicaid as an acute care hospital. It is a Type B Rural Hospital in the State of Oregon. Santiam also owns and operates six primary care provider-based rural health clinics.

The business lines or segments provided by Santiam include hospital inpatient and outpatient services and primary care services. Specialist services include: orthopedic; podiatry; general surgery; internal medicine; OB/GYN; pulmonary; sleep medicine; behavioral health; pediatrics (starting in September 2026); and cardiology through specialty clinics in Stayton, Oregon, and at Santiam Hospital.

**b. Describe Party B's governance and operational structure (including ownership of or by a health care entity)**

Santiam Hospital is an Oregon nonprofit, 501(c)(3) corporation and all of its activities are operated for the promotion of health and the objectives and purposes of a charitable hospital as specified in its Articles of Incorporation. Santiam is governed and controlled solely by its board of directors, acting as a body and has delegated authority to its officers, management, employees and agents. The board of Santiam consists of nine directors, a majority of whom are residents of the area served by Santiam. The Chief of the Santiam Medical Staff serves as an ex-officio non-voting member of the board, representing the entire medical staff, and has the right to participate in all board discussions and meetings. The board governs the hospital through institutional management and planning, and is ultimately responsible for the provision and maintenance of quality patient care through policy development and selection of the medical staff under the Medical Staff Bylaws.

**c. Provide a diagram or chart showing the organizational structural and relationships between business entities.**

Santiam's organizational chart is enclosed as Exhibit 11.c.

**d. List all of Party B's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.**

The requested form is enclosed as Exhibit 10.d.

**e. Provide financial statements for the most recent three fiscal years. If Party B operates outside of Oregon, provide financial statements both for Party B nationally and for Party B's Oregon business.**

Santiam's consolidated financial statements are enclosed as Exhibit 11.e.

**f. Describe and identify Party B's health care business. Provide responses to i-ix as applicable.**

**i. Provider type (hospital, physician group, etc.)**

Santiam is a licensed general acute care hospital. Santiam also owns and operates six primary care provider-based rural health clinics and seven specialty clinics.

**ii. Service lines, both overall and in Oregon**

Santiam provides hospital inpatient services and hospital outpatient services and operates primary care clinics. Its specialty services consist of: orthopedic podiatry, general surgery, internal medicine, OB/GYN, pulmonary, and cardiology.

**iii. Products and services, both overall and in Oregon**

Please see the response to Inquiry 11.f.ii above.

**iv. Number of staff and FTE, both overall and in Oregon**

Santiam employs 678 employees equating to 495 FTEs.

**v. Geographic areas served, both overall and in Oregon**

Santiam's service area includes Santiam Canyon in Marion County and parts of Linn County, including the towns of Turner, Aumsville, Jefferson, Marion, Stayton, Sublimity, Lyons, Mehama, Gates, Mill City, Detroit, and Idanha.

**vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)**

The requested form is enclosed as Exhibit 10.f.vi.

**vii. Annual number people served in Oregon, for all business, not just business related to transaction**

Santiam serves approximately 60,000 patients annually.

**viii. Annual number of services provided in Oregon**

Between January 1, 2025 and December 31, 2025, Santiam had 1,723 admissions, 23,690 emergency room visits, and 180,024 visits for surgical, outpatient, and clinic care.

**ix. For hospitals, number of licensed beds**

Santiam Hospital is licensed for 40 beds.

**12. Describe Party C.**

Santiam Hospital & Clinics Foundation (the SMH Foundation) was established in March 2022 to develop funding strategies to enable Santiam Hospital to thrive, innovate, and grow. SMH Foundation is operated for the benefit and support of Santiam Hospital and its clinics, including without limitation to support Santiam's mission and purposes, and to promote, develop, and raise funds for Santiam and its clinics.

**a. Describe Party C's business, including business lines or segments**

The mission of the SMH Foundation is to invest in Santiam Hospital, supporting the infrastructure needed for the health and well-being of its growing communities. Its current priorities include:

- Restoring pharmacy access for the residents of the Santiam Canyon through a retail pharmacy located in Mill City, Oregon
- Fundraising to increase access to women's health services through a clinic expansion of the Santiam Women's Center
- Fundraising for the Ambulance Facility Capital Campaign to meet the growing ambulance needs of the community

**b. Describe Party C's governance and operational structure (including ownership of or by a health care entity)**

Santiam Hospital is the sole member of the SMH Foundation. SMH Foundation is governed by a community board of directors consisting of a variable of between five and eleven directors.

**c. Provide a diagram or chart showing the organizational structural and relationships between business entities.**

Santiam's organizational chart is enclosed as Exhibit 11.c.

**d. List all of Party C's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.**

The requested form is enclosed as Exhibit 10.d.

- e. Provide financial statements for the most recent three fiscal years. If Party C operates outside of Oregon, provide financial statements both for Party C nationally and for Party C's Oregon business.**

SMH Foundation's financial statements are consolidated with Santiam's. Santiam's financial statements are enclosed as Exhibit 11.e, which include the SMH Foundation.

- f. Describe and identify Party C's health care business. Provide responses to i-ix as applicable.**

**i. Provider type (hospital, physician group, etc.)**

SMH Foundation is operated for the benefit and support of Santiam Hospital, but does not itself provide health care services.

**ii. Service lines, both overall and in Oregon**

Not applicable.

**iii. Products and services, both overall and in Oregon**

SMH Foundation is operated for the benefit and support of Santiam Hospital, but does not itself provide health care services.

**iv. Number of staff and FTE, both overall and in Oregon**

Santiam provides all administrative and support services for SMH Foundation. SMH Foundation has two FTEs supplied by Santiam.

**v. Geographic areas served, both overall and in Oregon**

SMH Foundation's works to support Santiam Hospital's activities within its service area, which includes Santiam Canyon in Marion County and parts of Linn County, including the towns of Turner, Aumsville, Jefferson, Marion, Stayton, Sublimity, Lyons, Mehama, Gates, Mill City, Detroit, and Idanha.

**vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)**

Not applicable.

**vii. Annual number people served in Oregon, for all business, not just business related to transaction**

Not applicable.

**viii. Annual number of services provided in Oregon**

Not applicable.

**ix. For hospitals, number of licensed beds**

Not applicable.

**13. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:**

- a. Legal names of all entities party to the transaction**
- b. Type of transaction**
- c. Description of the transaction**
- d. Date the transaction closed**

Salem Health and OHSU formed a joint management organization, OHSU Partners, LLC, to oversee and manage health care clinical enterprise strategy and operations of its members (Salem Health and OHSU) pursuant to a Joint Management Agreement by and between Salem Health, OHSU, and OHSU Partners, LLC. Effective May 4, 2017, the parties terminated the Joint Management Agreement and as of May 24, 2017, Salem Health transferred its interests in OHSU Partners, LLC to OHSU.

Salem Health and Willamette Orthopedic Group formed a joint venture Willamette Surgery Center, LLC on November 30, 2018, to operate an ambulatory surgery center. The joint venture ceased operations on September 28, 2023, and was administratively dissolved on November 16, 2023.

Salem Health, Salem Clinic PC, Willamette Ear Nose Throat, LLP, and Willamette Urology, PC formed a joint venture Salem Ambulatory Surgery Center, LLC on January 25, 2017. The joint venture ceased operations on January 1, 2023.

Santiam has not engaged in any such transactions over the prior ten years.

**14. Describe any anticipated changes resulting from the proposed material change transaction, including:**

**a. Operational structure**

**i. Provide a chart or diagram showing the pre- and post-transaction organizational structure and relationships between entities.**

At closing, Salem Health will become the sole member of Santiam Hospital and the sole member of SMH Foundation. In so doing, Santiam Hospital and SMH Foundation will become direct subsidiaries of Salem Health. Please see Salem Health's post-closing organizational chart, which is attached as Exhibit 13.a.

**b. Corporate governance and management**

Salem Health and Santiam Hospital expect that Santiam Hospital's management will remain in place post-closing. At closing, the Salem Health fiduciary board will become the fiduciary board of Santiam Hospital. Santiam Hospital's existing fiduciary board will become an advisory board. This advisory board will have the following roles and responsibilities:

- (i) Appropriate clinical services for the Santiam community
- (ii) Major plans, programs, and physician/provider needs for the Santiam community
- (iii) Strategic direction and planning
- (iv) Capital expenditures for the Santiam community
- (v) Master facility planning for the Santiam community
- (vi) Healthcare access needed for the Santiam community
- (vii) Community engagement, including promotion and collaboration in the community
- (viii) Identification of important programs needed to support the community, such as the ongoing leadership exhibited during the Santiam Canyon wildfires
- (ix) Identification of potential future board members for the Salem, Santiam and Santiam Boards
- (x) Interview and advise on the appointment of the Chief Executive Officer of Santiam Hospital

In addition, to smooth the transition and facilitate information sharing, two seats on Salem Health's governing board will be filled by Santiam appointees. Salem Health is also committed to appointing at least one Santiam representative on each of Salem Health's board committees. To avoid inherent conflicts of interest, the individuals selected by Santiam shall not be employees of Santiam, vendors of Santiam, or elected officials. Such individuals will serve a minimum of two three-year terms. If a Santiam appointee cannot fulfill the full six-year

commitment, the Santiam Hospital advisory board will appoint a replacement. Such individuals can serve a maximum of nine years.

Salem Health approaches health-system-to-health-system partnerships differently than most across the country. Many large health systems focus on acquiring smaller, rural hospitals and deploying a “hub-and-spoke” integration strategy. This model lacks the understanding of the unique needs of smaller communities, often resulting in an inability to truly serve the needs of local patients or adapt to the financial realities of rural facilities. This traditional hub-and-spoke model can drain resources, strain finances, create ongoing management challenges, and turn smaller hospitals into costly, underperforming centers. Ultimately, this approach usually leads to service reductions and difficulty attracting providers.

Salem Health’s organizational structure, Lean Management System, and culture encourage and require operational resources to be shared across all locations. The Lean Management System, which focuses on providing high-quality care, puts the patient at the center of operational design. Experts within the system flow to support local front-line staff and leaders in problem solving and improving patient quality, safety, and experience. This is at the core of Salem Health’s culture.

Salem Health’s experience at West Valley Hospital demonstrates Salem Health’s ability to assess the needs of a growing rural community and invest wisely. For example, Salem Health recently invested \$25 million at West Valley Hospital to establish 25 swing beds and a new outpatient center, which will serve the rehabilitation, medication management, wound care, and infusion needs of the community. In planning for West Valley and Polk County, Salem Health relied on community knowledge from the Salem Health West Valley Hospital Foundation and four members of the Salem Health’s Board of Trustees who live in Polk County, as well as relationships with elected officials and community leaders.

This affiliation with Santiam will use this community-centered model, which surfaces and prioritizes the distinct needs of a community, optimizes resources, keeps care local, and enhances robust inpatient and outpatient service lines.

Salem Health and Santiam share a common belief that effective health care delivery must be rooted in the local community and an understanding of each community’s unique needs. Both systems have a long history of community participation, and Salem Health intends for those traditions to continue, providing Santiam assistance and expertise where needed while honoring what has worked well in the past. Given this alignment, the systems are well-positioned to be strong partners from a cultural, strategic, and clinical perspective.

### **c. Investments or initiatives**

One of the driving forces behind this transaction is a mutual recognition that Santiam and its community will benefit from increased investment in the health care delivery system. As such, Salem Health has agreed to invest a minimum of \$61 million into Santiam, which includes a \$35 million capital commitment over 10 years.

First, Salem Health will embark on an approximately 24-month Epic electronic medical records (“EMR”) implementation journey for Santiam, supported by a \$4 million allocation from the capital commitment. The effort will begin with a roughly 6-month phase dedicated to aligning cybersecurity protocols, networking infrastructure, and hardware to ensure Santiam is fully prepared for the transition. This will be followed by an approximately 9-month Epic implementation period, during which the EMR system will be built, configured, and brought live. Finally, a 9-month runout period will follow go-live to manage the transition of accounts receivable from Santiam’s legacy systems, supporting financial continuity and a clean conversion. In total, this phased approach spans approximately 24 months, over which the \$4 million investment will be deployed.

Additionally, in recognition of Santiam’s urgent capital needs, at least \$10 million of the \$35 million capital commitment (or approximately 29%) will be allocated in the first twelve months of closing. This is in addition to the \$4 million that will fund the EMR upgrades.

The parties have not yet determined how to allocate this \$10 million initial tranche, but are putting in place the processes and procedures necessary to ensure that all allocations meet the access, quality, equity, and cost goals described below. Specifically, Santiam and Salem have developed a governance framework and timeline that will inform pre-closing integration planning.

This framework, which is attached as Exhibit 14.c, reflects the parties’ collaborative governance approach. As the framework illustrates, the integration committee will be working closely with each of the substantive integration workstreams, including finance, IT, HR, revenue cycle, medical staff, and quality and safety. This will allow the integration committee to develop the knowledge and strategic perspective necessary to understand near-term needs of the organization, which will in turn inform near-term capital allocation. Similarly, the Executive Steering Committee is leading community outreach through town halls, staff meetings, and media campaigns. These outreach efforts will also inform post-closing capital allocation priorities.

Ultimately, the combined system will allocate all of the initial \$10 million tranche within 12 months of closing. That 12-month period will be used to build on the learnings of the integration period and analyze how best to allocate scarce capital. With that said, the parties have discussed Santiam’s current capital

priorities, which are described below. Although it is not clear whether these projects will receive capital support from the initial tranche (in part because fundraising for these projects remains ongoing), Santiam and Salem agree that these are the types of access-enhancing projects that would further the goals of the capital commitment.

1. **Ambulance Facility:** Santiam is in the process of developing a new, centrally located ambulance facility that will improve response times, provide space for staff training, and prepare for future growth through additional bay space and sleeping quarters. Santiam's ambulance service responds to 3,200 calls for service annually, providing initial 9-1-1 ambulance coverage for a vast area of 160 square miles in Linn and Marion County. It covers emergency responses for the communities of Aumsville, Marion, Scio, Shaw, Stayton, and Sublimity, and conducts emergent and non-emergence transfers to Santiam Hospital. In addition to the primary coverage area, 15 miles of the dangerous highway 22 corridor, and transfer requests, Santiam Ambulance provides coverage to over 1,000 square miles for mutual aid response.
2. **Mill City Pharmacy:** Santiam is in the process of developing a new retail pharmacy in Mill City. Mill City residents travel nearly 20 miles for prescriptions, and residents of communities further up the Santiam Canyon travel even farther for prescriptions. This creates barriers to care. According to the Lund Report in 2024, Oregon is the 2nd worst in the nation for retail pharmacy access. The population that will be served by this pharmacy include low-income families, older adults, people with disabilities, and wildfire-impacted communities. 17% of Mill City residents live in poverty, higher than the state average. Wildfires in 2020 destroyed 80% of Detroit's homes, exacerbating housing and food insecurity. Currently, the absence of a local pharmacy forces patients to travel to Stayton or Salem for prescriptions, including essential and lifesaving therapies. For residents with limited income, disabilities, or transportation challenges, this distance presents a serious barrier to care. Too often, these challenges result in missed medications, worsening chronic conditions, and avoidable hospitalizations. This project will alleviate these access concerns.
3. **Women's Center:** Santiam is expanding its women's health center to ensure access to the women in the Santiam canyon community. The updated facility will allow Santiam to offer comprehensive services and ability to accommodate more patients, reducing wait times and improving overall patient experience. By investing in this project, Santiam is prioritizing the health and well-being of women, ensuring they receive the best possible care close to home.

To reiterate, each of these projects is in development and it is not yet clear whether any of these projects will receive (or needs) capital from the capital commitment. However, each is an example of the type of access-enhancing project that the parties intend to fund through the capital commitment.

Salem and Santiam otherwise agreed that it would be premature to allocate the capital commitment to a definitive list of post-closing investments and initiatives. This is for two reasons. First, both Salem and Santiam believe that capital priorities should be informed by the integration process and developed through deliberative engagement with the boards of both entities, staff, and community. Integration planning is well underway, and both entities are engaging with staff and community through town halls, staff meetings and the media. This process will continue through closing and inform capital plans moving forward.

Second, the needs of Santiam and the community it serves will shift over the 10-year capital commitment period. We are already seeing the upheaval created by recent cuts to the federal health care programs. Demographic changes in the community will also shift what services are most needed and where. Accordingly, both Salem and Santiam believe that the capital commitment will be most impactful if it can be allocated to address capital needs as they change over time.

With that said, Salem and Santiam agree that the primary purpose of the capital commitment is to improve access to equitable, high-quality, and cost-effective care. As such, the parties anticipate that all capital commitment spending will further one or more of the following goals: (1) maintaining or increasing access; (2) increasing quality; (3) positively impacting health equity; or (4) decreasing the cost of care.

Salem Health will integrate Santiam Hospital financially into the Salem Health system, as Salem Health has done with West Valley Hospital, ensuring that financial resources are used where needed across all three hospitals and clinics using a consistent, proven approach. This approach combines 100-year facility planning with a 10-year long-range financial plan, and then a quarterly rolling two-year financial forecast to generate and deploy capital. This model prioritizes investments where they are needed most, not just the needs of Salem Hospital.

The effectiveness of this approach is evidenced by recent investments at West Valley Hospital. Salem Health has a long history of investing directly into Polk County since West Valley Hospital became a part of Salem Health in 2002. In the last five years, Salem Health has funded the following significant capital investments:

- Addition/replacement of 25 inpatient/swing beds: \$15.6 million
- Inpatient rehab gym replacement: \$0.8 million
- Replacement of hospital pharmacy: \$3.1 million
- Construction of new specialty clinic: \$8.3 million

Furthermore, this year Salem Health began a \$74 million West Valley Hospital campus renovation project to meet community needs through 2050 which includes:

- 13,000 sq ft new Emergency Room
- Life safety infrastructure upgrades including second generator for full emergency power on campus, additional chillers
- New MRI
- New kitchen
- New main entry

#### **d. Type and level of staffing**

Neither Salem Health nor Santiam have any intention to change the type or level of staffing for any Salem Health or Santiam services or location, except in the context of bringing on additional staff to facilitate service expansion or to respond to increases in patient census.

One of the goals of this affiliation is to improve recruitment and retention at Santiam. Based on historical termination data, Santiam's turnover was approximately 26% in 2024 and 21% in 2025 (based on YTD October 2025 data). Management estimates that Santiam's pre-COVID annual turnover averaged 15%. The increase in turnover is driven, in large part, by wage increases across the state, together with the earning potential of traveling nurses. Santiam cannot always compete with higher paying positions at larger health systems. This affiliation will enable Santiam to have more competitive benefits and wages across the health system, build resilience, expand services, and better serve patients for generations to come.

Salem Health, on the other hand, has excelled at recruiting and retaining clinical staff. Salem Health turnover is approximately 13%, which is about half that of Santiam's. Salem Health believes it can dramatically improve retention at Santiam.

As detailed above, Salem Health will increase salaries. At closing, Salem Health will offer all Santiam staff employment through Salem Health. Such offers of employment for APP staff will be based on Salem Health's more generous salary scale and benefits plans. This will immediately improve Santiam's ability to recruit and retain staff. Moreover, Salem Health will honor the tenure and earned and unused accrued PTO and other leave benefits of all Santiam employees.

Within a year of closing, Salem Health and Santiam Hospital will jointly develop a plan to align physician and APP contracts and compensation structures. All current Santiam-employed physicians and APPs will continue to receive compensation at or above their existing levels or methodologies for at least two

years following the closing. These Santiam providers will be integrated into Salem Health's benefit programs. Salem Health's providers (e.g., specialists not currently serving in the Santiam community) will be credentialed to practice at all sites within the combined Salem Health system, including Santiam Hospital, further strengthening integration and building better systems of care.

The parties are also taking steps to ensure that the transaction does not disrupt the medical staff at Santiam. The closing will not affect medical staff membership or privileges for Santiam employees or members of the medical staff of Santiam. Such practitioners will not need to reapply for medical staff membership, except as otherwise required by Santiam's medical staff bylaws (for instance, for ordinary course expirations). The affiliation will not change the medical staff officers or department or committee chairs/heads or vice-chairs/heads, or the independence of Santiam's medical staff or the medical staffs of any other hospital owned by Salem Health. Salem Health and Santiam will work with administration and medical group providers to evaluate and, where feasible, pursue opportunities for medical staff/clinical integration where doing so offers opportunities for advancement in quality of care.

While Santiam does not anticipate an immediate reduction in force if the transaction does not close, the lack of a capital and strategic partner puts Santiam at greater financial risk over the long-term. Santiam operates on thin margins and does not have the ability to withstand prolonged financial headwinds. Future cutbacks would become substantially more likely if this affiliation does not move forward.

**e. Type and level of services provided**

Without a capital and strategic partner, Santiam will not have the capital required to make much needed investments to maintain and expand services. This will lead to reductions of current programs and, over time, reduce access to needed services in the community. As part of this affiliation, Salem Health has committed to continue operating and maintaining Santiam as an Oregon nonprofit corporation operating a trauma Level IV general acute care hospital that provides all the following services: general medical, maternity, surgical, emergency, dietary, laboratory, radiology, and pharmacy services. In addition, Salem Health is committed to Santiam Service Integration, a critical program that is described in more detail in response to Inquiry 16.d.

Salem Health has also committed to maintaining Santiam's rural ambulance services, a critical and irreplaceable service in the rural communities served by Santiam. Each year, approximately 3,000 patients rely on Santiam's rural ambulance services, demonstrating the essential need for high-quality, local healthcare options. Many rural residents face significant barriers including long travel distances, limited transportation, and fewer nearby medical resources which can delay or complicate their ability to receive timely care. The affiliation

between Santiam and Salem will ensure that patients in surrounding rural areas receive rapid, reliable, and compassionate care close to home. A locally owned and operated ambulance service also helps to streamline inter-hospital transfers and reduce costs by potentially decreasing overall length of stay in the hospital.-quality, local healthcare options. Many rural residents face significant barriers including long travel distances, limited transportation, and fewer nearby medical resources which can delay or complicate their ability to receive timely care.

However, Salem Health is not just committing to maintain services. It is also executing a strategic plan centered on increasing patient census. A key component of that strategy is the expansion of maternity services in the Santiam Canyon. Initially, this will involve investing in women's and children's services that support patients delivering close to home. Data shows that annually roughly 150 deliveries from Santiam's catchment area are currently leaving the community, representing a meaningful opportunity to improve access, continuity, and patient experience while retaining appropriate low- to moderate-acuity births locally. The affiliation will align staffing with demand, including OBGYN, nurse midwives, pediatric, and anesthesia support. It will also establish care pathways that connect high-acuity mothers and newborns to Salem Hospital's highly specialized Level III NICU, ensuring both high-quality local care and a seamless referral path for patients who need advanced neonatal support. This initiative directly supports community needs, stabilizes local maternity services, advances a sustainable women's health program for the Santiam region, and enhances patient choice and quality across the continuum of care.

As Salem Health and Santiam continue to work on integration planning, the parties are exploring additional opportunities to expand services. For example, Santiam has a successful orthopedic surgery service line. This demonstrates that Santiam can support specialty services if there are providers to deliver such services. Salem Health and Santiam leadership are reviewing demographic and discharge data to better understand the unmet needs of the population.

**f. Number and type of locations**

This transaction will not result in any reduction in the number or type of Salem Health or Santiam locations. Over time, the parties hope to expand services in the Santiam community. However, the initial focus will be increasing utilization at existing locations that have excess capacity, rather than opening new locations. As described above, Salem Health has committed to maintaining Santiam as a licensed general acute care hospital in Stayton and will continue providing local access to primary care clinics.

**g. Geographic areas served**

This transaction will not change the geographic area served by Santiam. Santiam will continue operating as a licensed general acute care hospital in Stayton and will continue providing local access to primary care clinics. The hope and intent of the parties is that this transaction will give patients in Santiam’s existing geographic area better access to more complex and cost-effective services closer to home.

**h. For providers, payer contracts and payer mix**

Santiam’s payer contracts are highly confidential and, as such, Salem Health has no access to these contracts or Santiam’s payer-specific reimbursement rates. Accordingly, there have been no discussions about the disposition of specific contracts. However, Salem Health has no plans to terminate any payer contracts at closing. At closing, Santiam will remain in-network with all payers for whom Santiam was in network immediately prior to closing (subject to any termination rights held by the payer). Salem Health will determine how to address Santiam’s various payer contracts post-closing on a case-by-case basis through direct engagement with the payer. Payers usually demand and receive facility-specific reimbursement rates, even within an integrated health system. Thus, to the extent that payers switch from a Santiam-specific contract to a contract covering all Salem Health facilities, it is expected that most will execute a Santiam-specific addendum with Santiam-specific rates. This transaction will not change Santiam’s payer mix.

**i. For insurance carriers, provider contracts and networks**

N/A

**j. Other contractual arrangements, including contracts with suppliers, partners, ancillary service providers, PBMs, or management services organizations**

Within the first-year post-closing, Salem Health will explore with Santiam how to achieve volume pricing from supply vendors. However, Salem Health and Santiam are already members of the same Group Purchasing Organization, ‘Premier,’ which aggregates spending to drive better purchasing value for the hospitals. As such, Salem Health is expecting only modest supply savings. In the years following closing, Salem Health will explore if there are opportunities to improve logistics around supply chain. Storage and distribution of supplies is an increasing portion of the total supply cost. Post-Covid, the real supply chain story has been that of managing shortages and lack of availability of supplies, for example with huge disruptions in IV solution. During this time Salem Health, unlike other health systems, deployed the Lean Management Systems to ensure no surgeries, procedures, or care were delayed or cancelled due to supply chain

disruption. Salem Health is excited to extend this patient-focused approach to Santiam Hospital.

## **V. Impacts from the proposed material change transaction**

### **15. Describe how the proposed material change transaction will impact the public and people served by the entities in Oregon.**

This transaction will preserve and strengthen the care Santiam's patients rely on by providing essential capital for needed infrastructure improvements and enabling new service investments that enrich the lives of patients and ensure a sustainable, high-quality health care in their community.

Given Santiam's current financial condition, its board and executive team have determined that it must find a partner to ensure its long-term viability. Thus, if this affiliation does not close, Santiam would likely pursue additional efforts to find a nonprofit health system partner that can help stabilize financial reserves and give Santiam a favorable growth trajectory. The financial condition of other in-state health systems makes an out-of-state partnership more likely. While Santiam may pursue such a partner if it needs to, its strong preference is to find a local partner with both a connection to the community and a proven track record of success operating facilities in Oregon. Salem Health is just that partner. It is a well-respected and successful health system that serves the community and shares a culture that is committed to local health care. It shares Santiam's vision of a healthy, vibrant community, and is committed to enhancing access to care

As described in more detail above, the strategic plan for this affiliation is focused on increasing utilization of Santiam's facilities and infrastructure. To do so, Salem Health is committing to substantial investments in staffing, services expansion, and clinical integration. The capital commitment will enable much-needed investments in infrastructure, debt relief, and long-term quality improvement projects. These investments will, in turn, make Santiam a more compelling option for members of the community, which will reduce the outmigration of patients to other, larger health systems in the state and ease transportation barriers for patients, keeping more health care dollars in the community. This will create a virtuous cycle, where additional patient volumes will facilitate greater investment, which will enable better, more accessible care, which will mean more patients obtain their care locally.

#### **a. If there are any anticipated negative effects, describe how the entities will seek to mitigate negative impacts.**

None.

**16. Explain how the proposed material change transaction will:**

**a. Impact health outcomes for people in Oregon. Provide applicable data, metrics, or documentation to support your statements.**

Santiam is currently operating with limited capital reserves, making it challenging to invest in infrastructure and equipment that would materially improve health outcomes. An affiliation with Salem will allow Santiam to access capital and operational expertise that will result in investments geared toward improving access, expanding services, and improving health outcomes. For example, within a year of closing, Salem Health will allocate \$10 million of the capital commitment to urgently needed projects.

Salem Health will also invest an estimated \$4 million of the capital commitment in a new Epic electronic medical records (“EMR”) implementation at Santiam. Santiam’s existing EMR agreement will be ending in 2027, and Santiam Hospital does not have the capital necessary to fund a replacement implementation on its own. As such, this transaction will avoid the substantial clinical and operational disruption associated with an unfunded EMR transition.

In addition, through a variety of Lean improvement initiatives, Salem Health has worked to enhance patient access to both primary care and specialty care services across the system. Through these data-driven efforts, Salem Health has reduced access wait times by more than 40% systemwide. Santiam has faced similar challenges with appointment wait times and will directly benefit from Salem Health’s Lean improvement efforts in this area.

Salem Health is committed to continuing its work to expand access to health care in rural communities. Salem Health recognizes the access challenges faced by patients in the Santiam Canyon and will prioritize strategies to further improve rural access, including workflow optimization, care model redesign, and targeted resource deployment.

**b. Benefit the public good by reducing the growth in health care costs. Provide applicable data, metrics, or documentation to support your statements.**

As a small rural hospital with limited capital reserves and narrow operating margins, Santiam has little ability to invest in cost-control initiatives. This affiliation will give Santiam access to Salem Health’s more sophisticated cost-control infrastructure.

By way of example, Salem Health has an initiative to reduce inpatient length of stay (LOS), which reduces costs and improves patient outcomes. From 2022 to 2024, average LOS fell from 6.01 to 4.51 days, which translates to savings of over \$100 million in care delivery costs over that period. Salem Health achieved this success by flowing care to the patient more quickly through cross collaboration

among a patient's care team in a daily "care progression huddle" to set evidence-backed LOS expectations.

Salem Health has also controlled costs by investing in 25 new "swing beds" at West Valley Hospital to speed up discharges of difficult to place patients, often due to their comorbidities, who need the next level of care. There is often a lack of availability of such care for these patients in the community.

And finally, Salem Health has implemented virtual nursing within the hospital, which adds a licensed nurse, located within Salem Hospital, but who can provide care virtually to a patient through a screen in the inpatient room with very high camera and audio resolution. This assists with many tasks including discharge instructions and admissions, while allowing the physically present nurse to focus on those tasks required to be completed in person. This improves the effectiveness of nurses completing value-added tasks for the patient, and has increased patient experience scores to top decile performance.

While the parties are in the early stages of integration planning, the parties believe that Santiam can benefit from Salem Health's experience in successfully implementing cost-control measures.

In addition, Salem Health is deeply committed to ensuring timely access to care for patients across the region. Salem Health's urgent care clinics play a critical role in meeting community needs by providing convenient, high-quality care for non-emergency conditions as opposed to the high-cost emergency department setting. In 2025, Salem Health's urgent care locations completed more than 38,500 visits. This includes 30,389 visits in Salem and 8,176 visits in Woodburn, demonstrating both strong demand and community trust in these services. As Salem Health looks ahead, it remains focused on expanding access to urgent care for patients throughout the service area, including rural and underserved communities such as the Santiam Canyon. By strengthening urgent care capacity and geographic reach, the parties can reduce barriers to care, improve patient experience, and ensure residents have timely access to the right level of care close to home.

**c. Benefit the public good by increasing access to services for medically underserved populations. Provide applicable data, metrics, or documentation to support your statements.**

To improve access to services, Santiam must recruit and retain more qualified providers. Labor shortages, particularly in qualified physicians and nurses, have caused huge spikes in costs because of the reliance on locums and contract labor. Moreover, when patients cannot access care locally, they must take time off work and incur additional travel expenses. Because of the scale of Salem Health's employed medical group, and the population size of the large geography it serves, Salem Health can recruit more successfully than smaller standalone rural

hospitals. Salem Health can then, as it does for West Valley Hospital, deploy those Salem Hospital employed specialists and hospitalists to rural areas. Salem Health intends to continue this practice, which will improve access by reducing the cost of care and increasing the number and type of services available locally.

With enhanced recruitment and retention capabilities, Santiam is well-positioned to broaden its range of services to better serve the community. Historically, Santiam has faced challenges in attracting and keeping enough providers to fully meet the demand for maternity services. As outlined in response to Inquiry 14.e, approximately 150 deliveries from Santiam's catchment area currently take place outside the community, which places unnecessary stress on patients and their families. This situation leads to higher costs and less coordinated care. By offering more competitive wages and leveraging Salem Health's robust recruitment infrastructure, Santiam Hospital is confident in its ability to grow its maternity services. These improvements will significantly enhance access, continuity of care, and overall patient experience for the rural community, ensuring families can welcome new additions closer to home in a supportive and coordinated environment.

Through this affiliation, Salem Health intends to create a comprehensive, seamless and local system of care for patients in the service area, including those who reside in the Canyon. Canyon residents can continue seeing their current providers uninterrupted, with the bench strength of Salem Health behind them when the time comes to recruit or replace providers or step up to the next level of care. A common EMR is the first of many initiatives Salem Health will invest in to improve and expand access. Santiam's patients and Salem Health patients will be on one EMR. Allowing patients to use MyChart at either location to schedule appointments, communicate with providers, view lab and imaging results, and pay bills, all from the comfort of their home.

**d. Benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services. Provide applicable data, metrics, or documentation to support your statements.**

This affiliation will significantly improve Salem Health's ability to coordinate care for patients with the most complex, hardest to treat healthcare needs. By operating under a single, integrated EMR, Salem Health and Santiam will have more information about patients and, as a result, be better able to coordinate care and target improvements. Quality data is critical to understanding the health care needs of patients, but such data is fragmented between the various facilities that may treat a single patient. This transaction will allow Salem Health and Santiam to better track utilization across their facilities and, as a result, better coordinate care for the highest-needs patients. Similar gains can be achieved through sharing information about health improvement and prevention programs like annual exams, medication management services, weight loss and diabetes care, which

will help both facilities identify patients who are not receiving the ongoing care they need.

Moreover, Santiam is partnering with a health system that has a proven track record of investing in health equity improvement efforts. Salem Health's health disparity work in 2024 targeted Latino patients who spoke Spanish as their preferred language, with the goal to provide more health screenings for cholesterol, diabetes/prediabetes, or high blood pressure and, if necessary, connect these individuals with follow-up care. Over the course of the year, Salem Health offered 21 screening events, 15 of which were offered in Spanish. The goal was to screen 400 people and connect 10% of those without a provider to a primary care provider within 30 days of the test result. Ultimately, Salem Health exceeded its goal by almost 20%, screening 492 people; 175 had no provider and 32 were connected to a provider within 30 days. In fiscal year 2025, Salem Health continued its focus on increasing access to primary care for patients identifying as Latino and Spanish as their preferred language. Over the course of the year, the number of patients who identified as Latino and were empaneled at one of Salem Health's primary clinics increased 71%. The number of patients who spoke Spanish as their preferred language increased 63%.

Salem Health is committed to advancing language access as an essential component of patient safety, health equity, and quality care. In 2025, Salem Health supported more than 5,237 unique patients, providing an average of 12,485 interpreted encounters per month through telephonic, virtual, and in-person meetings. These services were delivered by qualified medical interpreters and integrated into routine clinical operations.

Interpretation services were provided in 65 languages, reflecting the linguistic diversity of the communities served. The most frequently requested languages included Spanish, Chuukese, Russian, Marshallese, American Sign Language, Vietnamese, Cantonese, Punjabi, Swahili, Mandarin, Ukrainian, Arabic, Cambodian, Pashto, Farsi, French, Tagalog, Hindi, Thai, and Persian. This sustained volume of services demonstrates ongoing community need and consistent utilization of language access resources.

Santiam currently utilizes a contracted virtual service for language services. The availability of Salem Health's integrated interpreters would improve and advance language access to promote patient safety, health equity, and quality care. Salem Health has also worked closely with, and funded, community organizations that can improve access to care. For example, Salem Health provided funding to Church at the Park to hire a Community Health Case Manager. The case manager engaged with key medical providers to develop a process for identifying individuals who are high-utilizers of emergency services and to support these individuals to reach their health and housing goals. The case manager assisted them in signing up for Medicaid, establishing medical care routines, stabilizing their health conditions, reducing their use of emergency systems, and

transitioning to more stable housing. This individual, working with Salem's health navigation team, contacted 240 individuals over the course of a year, engaged 13 in the program and transitioned eight to shelter. One individual in the program reported calling emergency services 36 times in the six months prior to engaging with the program. The participant's use of emergency systems reduced to zero after the program connected this individual with shelter.

Additionally, Salem Health provides funding to Salem Free Clinic (SFC). SFC provides medical care to those without access to care. In 2024, Salem Health increased the amount donated and challenged SFC to focus on increasing the clinics they offered in Polk County, as well as increase the number of patients they saw who were able to decrease their A1C (a diabetes indicator) through SFC treatment. SFC set a goal of treating 250 patients with diabetes and, for those patients with A1C of greater than 9%, see 60% reduce their A1C by 1% or more by the end of the year. SFC saw 350 patients and 66% of those increased their A1C.

Through this affiliation, the Santiam community will benefit from Salem Health's robust community engagement efforts, which align closely with Santiam's longstanding commitment to addressing social determinants of health. Santiam operates five Service Integration Teams that convene more than 250 community partners to coordinate resources and safety net supports for residents; and it employs five community health workers in their clinics and ER, two disaster case managers assisting patients rebuild their homes from the 2020 fire, and a fulltime Oregon Health Plan (OHP) assister, with 903 requests and 367 patients approved for OHP in 2025, resulting in \$545,000 in Medicaid payments. Santiam has a decadelong history of partnering with Salem Health on community outreach initiatives, such as mobile dental programs paired with community health worker-led social determinants of health support. These complementary strengths mean that, together, the organizations will be able to expand outreach, improve care navigation, and more effectively meet the needs of rural and underserved populations across the region.-

- e. If the transaction will not benefit the public good as described in b-d, explain why this proposed material change transaction is in the best interest of the public.**

Not applicable.

**17. Describe any competitive effects that may result from the proposed material change transaction.**

- a. Will the proposed material change transaction result in a decrease in competition?**
  - i. If yes, describe any anticompetitive effects that will result from the proposed transaction.**
  - ii. If yes, describe any plans to mitigate potential anticompetitive effects, including any divestiture plans.**
- b. Provide applicable data, metrics, or documentation to support your statements.**

This transaction will not have a material impact on competition. Santiam’s market share is just 3.1%. Both systems operate within a diverse and competitive healthcare environment that includes multiple other hospitals and health systems serving adjacent and overlapping service areas. The affiliation is therefore not anticipated to impact patient choice, service availability, or competitive dynamics. Instead, it is expected to enhance care coordination, improve operational efficiencies, and sustain access to high-quality local healthcare services for residents across the mid-Willamette Valley.

Additionally, Salem Health and Santiam generally do not compete for the same patients due to differences in the facilities and the services they offer. Salem’s primary service area is Polk and Marion Counties, whereas Santiam’s primary service area is Marion County and the north portion of Linn County. While there is some overlap in these service areas, InfoH discharge data (July 1, 2024 through June 30, 2025) reinforces the low competitive overlap between the parties. Geographically, 53% of Santiam’s volume comes from cities where Salem Health captures only 3% of patients, and the primary overlap area — the city of Salem — accounts for 17,140 of Salem Health’s inpatient encounters compared to just 265 for Santiam. Additionally, Santiam’s emergency department is the source of nearly 70% of inpatient admissions. The market for emergency services is geographically constrained, meaning that Salem is likely not a viable option for these admissions. And finally, Salem Hospital is not a substitute for Santiam Hospital. Salem is a Trauma Level II hospital and has many specialty and subspecialty services not offered at Santiam, such as a neonatal intensive care unit, neurosurgery, cardiothoracic surgery, infectious disease, neurology, retinal and vitreous surgery. Salem and Santiam do not compete for these services, and in fact the Santiam community will benefit from closer care coordination between Santiam and Salem for these services.

**18. Describe the proposed material change transaction's impact on the financial stability of any entity involved in the transaction.**

As described in more detail above, this transaction is necessary to ensure the financial and operational stability of Santiam. Santiam is a small rural facility with narrow operating margins. Over the past several years, its days cash on hand (a key indicator of financial stability) has decreased by more than 30%. Santiam has only maintained this cash level by deferring much-needed investment in capital, staffing, and IT infrastructure. Santiam has no path to make these investments without a partner, and the longer Santiam delays such investments the more costly it will be to fill Santiam's capital deficits.

Moreover, there is huge uncertainty in healthcare currently that exposes Santiam to very real risk of further financial deterioration. Congressional passage of HR1 and the resulting reduction in Medicaid funding for Oregon threatens Santiam's primary 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. Simply put, Santiam Hospital lacks the cash reserves necessary to weather years of declining revenue without fundamental changes to its operating model.

Salem Health, on the other hand, is well positioned to weather a downturn while continuing to invest in desperately needed services for the community. As of the close of the last fiscal year, Salem Health had total net assets of approximately \$1.46 Billion. This balance sheet strength is adequate to provide financial stability to Santiam Hospital (which has net assets of approximately \$57 million or about 4% of Salem Health's). Moreover, independent rating agencies consider Salem Health financially stable, which is a real accomplishment given the struggles of other Oregon hospital systems. Attached as Exhibit 18 are the most recent rating agency reports prepared by S&P and Fitch, which rate Salem Health at A+/Stable and AA-/stable, respectively.

## VI. Supplemental materials

Submit the following materials, if applicable, with your submission. Apply Bates numbering to all confidential documents submitted with the Notice and include the applicable Bates number sequence on all redaction logs.

- [HCMO-1a: NPI form](#) (required for health care provider entities)
- [HCMO-1b: Business Entities form](#) (required parties with multiple business entities licensed to operate in Oregon)
- [HCMO-1c: Facilities and Locations form](#)
- Pre- and post-transaction organizational structure diagram
- Copies of all current agreements or term sheets for the proposed transaction
- Financial statements for all entities for the most recent three fiscal years
- Copies of current governance documents for all entities (for examples, bylaws, articles of incorporation, corporate charter, etc.)
- Documentation or analytic support for your responses, as applicable
- Redaction log

## VII. 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.

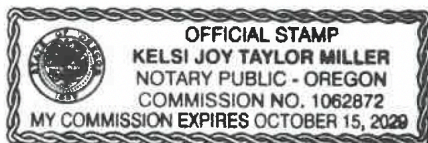
Signed on the 17<sup>th</sup> day of March, 2026.

Cheryl Nester Wolfe

Cheryl Nester Wolfe  
President and Chief Executive Officer  
Salem Health Hospitals & Clinics

SUBSCRIBED AND SWORN TO before me, this 17<sup>th</sup> day of March, 2026.

Kelsi Joy Taylor Miller  
Notary Public in and for Marion County



My Commission Expires: 10/15/29