



Hazel Hawkins
MEMORIAL HOSPITAL

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**LETTERS OF INTEREST/INTENT REVIEWED AT SAN BENITO HEALTH CARE DISTRICT
FEBRUARY BOARD MEETING**

February 26, 2024 - Hollister, Calif. – During its regular board meeting the San Benito Health Care District (SBHCD) provided an in-depth review of the current Letters of Interest/Letters of Intent (LOIs). The presentation was provided by Richard Peil, Senior Managing Director at B. Riley Advisory Services, a consultant for SBHCD and Hazel Hawkins Memorial Hospital (HHMH).

During his presentation, Peil provided an overview of each of the current LOI's. The four proposals currently being vetted include one from **San Benito County**, which will require the establishment of a Joint Powers Authority (**JPA**) between SBHCD and the County to oversee HHMH operations; one from a group of local doctors in partnership with Ovation Health (The **San Benito Healthcare Alliance (SBHA)**); and two others from private companies with experience in successful rural hospital turnarounds **American Advanced Management** or (**AAM**) and **Insight**).

During his presentation, Peil mentioned that the proposals from both the County and the SBHA still lack significant financial information needed to deem them feasible options. It is expected that both organizations will provide further details, and the District is currently awaiting this information in order to make a proper assessment of the proposals.

The other two entities, **AAM** and **Insight**, provide the most clarity regarding the financial terms, commitments to maintaining the acute care resources for at least 10 years and the promise of an expansion of services for future growth and profitability. However, the similarities end there.

The AAM proposal, which considers a lease-to-own scenario, still faces some challenges. California law governing the sale of District assets to private companies; the requirement that any amount paid is commensurate with fair market value (FMV); a triggering of higher interest rates on the general obligation bonds currently held by the District; and the specifics regarding the hospital's \$34 million pension plan. All these items are still under discussion.

With Insight, the proposed plan is to create a California non-profit that will purchase the assets and run HHMH so there are fewer legal and bond hurdles at the start. Insight has also committed to a purchase price of \$59-\$65 million all cash, which falls in line with both the FMV and provides cash to satisfy the pension obligation. Insight's LOI also committed \$50 million over ten years to fund expansion of various service lines, physician hiring and retention efforts, and capital expansion. Finally, Insight is also open to creating a Citizens Advisory Board to help oversee hospital operations - a process they have done before with other hospitals.

“Clearly we still have work to do here,” said Mary Casillas, CEO for Hazel Hawkins Memorial Hospital. “What we have right now is an amazing starting point. We will continue to perform our due diligence and work with all of these parties to make sure that we put forward the best proposal to safeguard and expand healthcare options for our community.”

The final decision by the Board will come later this year, and depending upon the proposal selected, may involve a community vote later this year.

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About Hazel Hawkins Memorial Hospital

Hazel Hawkins Memorial Hospital is a full-service, public agency hospital delivering modern medicine and compassionate care to the growing San Benito County community. HHMH offers hundreds of health services across multiple locations, including top-tier specialists, a modern Emergency Department, and a state-of-the-art Women’s Center. To learn more about Hazel Hawkins Memorial Hospital and the Hazel Hawkins Hospital Foundation, please visit www.hazelhawkins.com.