



## Critical Access Hospital Finance and Operations Webinar Series

### Financing Today: What Are the Options for Rural Health Care Organizations? May 27, 2026

*The mission of the Oregon Office of Rural Health is to improve the quality, availability and accessibility of health care for rural Oregonians.*

*The Oregon Office of Rural Health's vision statement is to serve as a state leader in providing resources, developing innovative strategies and cultivating collaborative partnerships to support Oregon rural communities in achieving optimal health and well-being.*

## Webinar Logistics

- Audio is muted for all attendees.
- Select to populate the  to populate the chat feature on the bottom right of your screen. Please use either the chat function or raise your hand  on the bottom of your screen to ask your question live.
- Presentation slides and recordings will be posted shortly after the session at: <https://www.ohsu.edu/oregon-office-of-rural-health/critical-access-hospital-programs>.





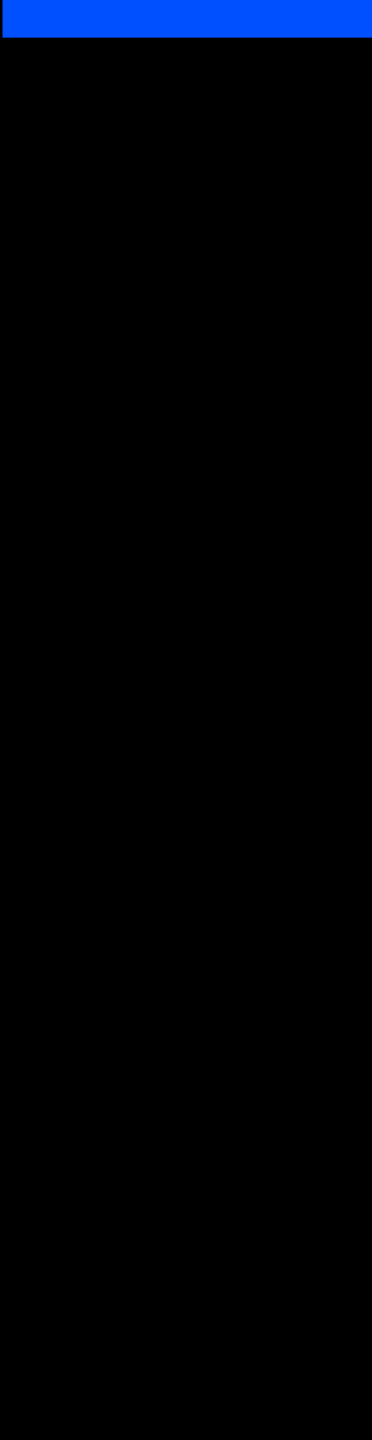
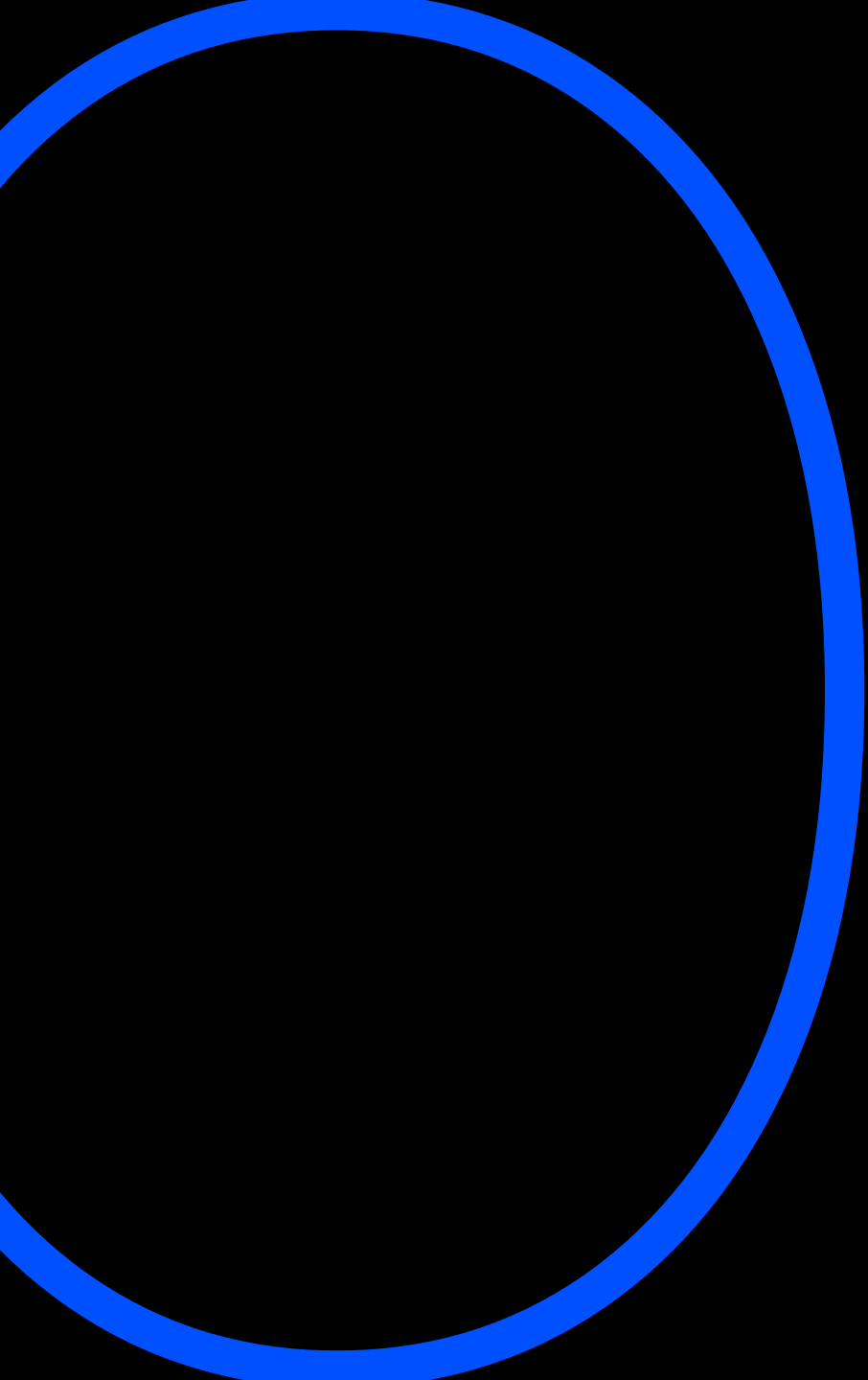
**Kelly Arduino** is a partner and health care industry leader at Wipfli Advisory. She brings more than 25 years of expertise in health care finance and strategy, along with a background as an investment banker. She works closely with executives, boards and stakeholders at rural and community hospitals to evaluate today's financing options—ranging from traditional debt markets to governmental programs through the lens of long-term sustainability and community impact. Drawing on her background across health care operations, strategy and capital markets, Kelly brings a pragmatic, investor-informed perspective to helping rural hospitals navigate capital constraints, reimbursement pressures, and growth opportunities while preserving access to care in the communities they serve.

## **Today's Agenda**

Today's Rate Environment

Financing Options Today

How to Choose a Financial Partner



## Today's Rate Environment

# The Good News Is Capital Is Available...



- Bond investors are active
- Banks are active
- Government programs have money to lend/guarantee

*... however, not all lending is created equal and each financing option has different underwriting requirements, structure/terms, covenants, timing, and financing fees.*

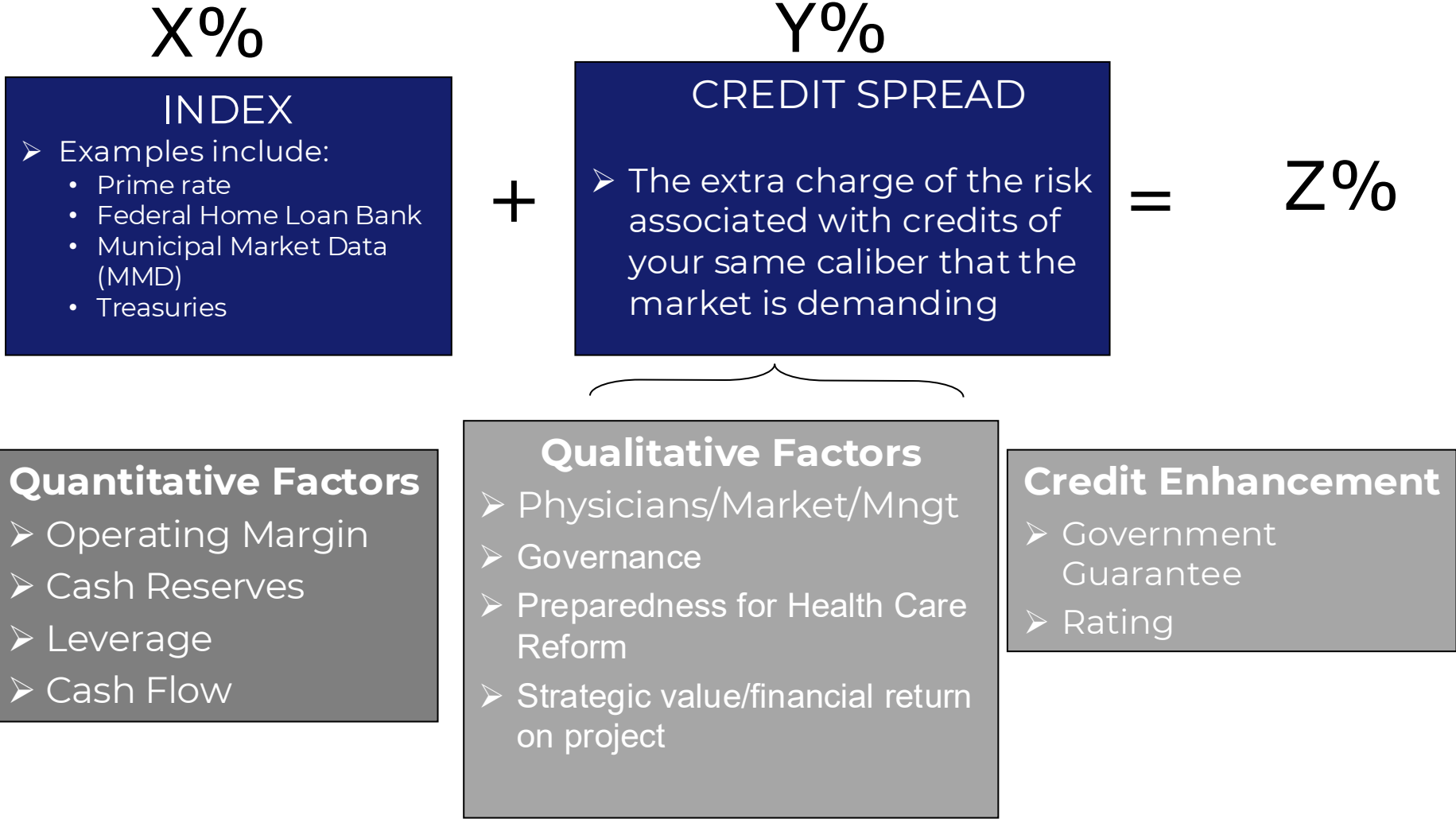
# Implications for Borrowers

- Higher financing fees
- Track record of financial performance
- Sources of funds must be secure
- Stricter covenants
- More frequent and detailed disclosure
- More oversight by the lender/bondholders



**Financial forecasts must be conservative**

# Understanding Interest Rates



# Qualitative Factors in Credit Assessment

*Qualitative factors provide context & can mitigate average or below average financial ratios.*

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<b>Physician Complement</b>	<ul style="list-style-type: none"><li>– How many on staff, of what age, and specialty</li><li>– Number of physicians who drive admissions (i.e., dependency or vulnerability if small number)</li></ul>
<b>Market</b>	<ul style="list-style-type: none"><li>– Population size - growing and/or aging?</li><li>– Payor mix</li><li>– Employer base</li><li>– Competitors</li></ul>
<b>Management</b>	<ul style="list-style-type: none"><li>– Experience/salary/tenure</li><li>– If good, how long is their contract</li><li>– Financial performance under their watch</li></ul>

# Qualitative Factors in Credit Assessment

*Stricter underwriting standards have put new emphasis on the qualitative component of credit assessment.*

## **Governance**

- **Board tenure**
- **Back-up plan to implement in the event of financial challenges**
- **Financial performance under current board**

## **“Preparedness” for Health Care Reform**

- **EHR**
- **Quality scores**
- **Collaboration with other providers**

## **Strategic Value/ROI**

- **Will the result of this project generate additional revenue?**
- **If this project is for strategic purposes, clearly articulate the expected benefit**

## What's important in determining ability to borrow?

<b><u>Operating Margin or Total Margin (%)</u></b> Reflects your profitability from active patient care and related operations, tax support and other donations	↑= Good
<b><u>Earnings Before Depreciation &amp; Amortization Margin (%)</u></b> How much cash you made before accounting for noncash item capital expenses (depreciation) divided by revenues	↑= Good
<b><u>Days Cash on Hand – All Sources (Number)</u></b> Measuring the number of days of cash operating expenses you could support if your revenue stream were reduced or eliminated	↑= Good
<b><u>Debt-to-Capitalization</u></b> What you owe (long term) versus what you own	↓= Good
<b><u>Debt Service Coverage (Ratio)</u></b> Measures your ability to cover the maximum debt payment of the debt (interest and principal payment)	↑= Good

## Historical & current financial situation

### Understanding where you are and how you are viewed

	2022	Audited 2023	2024	2025
<i>Operating Performance</i>				
Net Patient Service Revenue <sup>1</sup>	\$ 10,280	\$ 10,060	\$ 10,630	\$ 10,920
Operating margin	-3.0%	-5.8%	-7.4%	-7.1%
EBIDA Margin	6.6%	-2.0%	-4.0%	-3.9%
Total Margin	0.4%	-2.3%	-4.8%	-4.7%
<i>Liquidity and capital structure</i>				
Days cash on hand (All Sources)	24.2	27.7	20.1	2.3
Debt to capitalization	24%	29%	29%	27%
<i>Debt Service Analysis</i>				
Annual Debt Service <sup>1</sup>	\$ 230	\$ 357	\$ 346	\$ 341
Annual Debt service coverage <sup>2</sup>	3.0	1.1	0.4	0.5
Maximum Debt Service <sup>1</sup>			\$ 349	\$ 349
Maximum Debt Service Coverage <sup>2</sup>			0.4	0.5

- CAH has struggled over the past few years
- Support from the County has been essential in stemming losses
- Maximum Debt Service Coverage (MADS) is important in determining whether or not additional debt can be issued per the existing bonds - must be >1.25



## Financing Options

# Determining a Plan of Finance

- Tax Exempt Bonds
- Private Bank Placements
- USDA Loans
- HUD Hospital Program



Philanthropy can be and often is an important part of the sources of capital

# Capital Financing Sources/Structures

## Tax-Exempt Bonds

- Borrowing is based on cash flow from the organization or from tax support not real-estate
- Fixed long-term interest rate does not change
- No requirement to deposit funds with a particular bank
- No-ongoing fees, but costs of issuance (all fees associated w/completing the financing) are higher than other options
- Borrow all monies needed for the project up front and 1 year of Principal and Interest (debt service reserve fund), which adds to total borrowing
- No need for approval for additional debt/expenditures if meeting debt covenants
- Cheaper interest rate if backed by some type of tax support

**Quick Definition:** No federal taxes (and sometimes state) are paid on the interest earned by holders of these bonds.

# Capital Financing Sources/Structures

## Private Bank Placements

- Interest rates can reset at 1, 3, 5, 7, or 10 years, rate cap mandatory
- Often require a banking relationship as a condition
- Covenants are individually negotiated and vary significantly
- Borrowing based on appraisal of real estate value with Loan-to-Value requirements
- Can be taxable or tax-exempt
- Maximum payback of loan is usually 25 years with 20 years preferred
- Typically no requirement for a debt service reserve fund which lowers total borrowing

**Quick Definition: Underwriter or broker acting as a placement agent to assist in marketing debt to a bank.**

# Capital Financing Sources/Structures



## Community Facilities Program

### **Direct Loan**

- USDA makes loans directly to the hospital
- June 1, 2026, expected rate is 4.75% fixed for up to 40 years,

### **Guaranteed Loan**

- Bank loan for which the USDA provides a “guarantee” to the bank for 90% of the outstanding principal & interest payments in the event of a default
- Rates, terms, and covenants are set by each bank

**Minimal Guaranteed Loan funds are available, but larger projects are requiring multiple sources of debt (i.e., both guaranteed and direct loan).**

# USDA Loan Programs

## Direct Loan Funds

- USDA makes loans directly to your organization; smaller %age of overall borrowing in years past
- Amortized up to 40 yrs more commonly, now 30 or 35 yrs
- No more than 50% of total borrowing for refinancing
- Standard documents
- No tax-exempt opinion/No covenants/No application fees
- Examined financial forecast prepared by outside CPA firm part of the application
- Must secure construction financing

**No more than  
50% of the loan  
total can be for  
refinancing  
existing debt**

**Larger projects require multiple sources of debt (Public Private Partnership) & more non-Direct Loan monies**

# USDA Loan Programs

## Guaranteed Loan

- Bank loan for which the USDA provides a “guarantee” to the bank for 90% of the outstanding principal & interest payments in the event of a default
- Rates, terms, and covenants are set by each bank
- More expensive than the Direct Loan
- 1% fee paid to USDA based on 90% of loan
- Underwriting other legal fees TBD by bank

## Construction Loan

USDA requires separate financing during the construction period this may be the guaranteed lender but not always

# Capital Financing Sources/Structures

## HUD Hospital Program

- Lenient Days Cash on Hand covenants
- New rules allow for refinancing as a large portion of the overall borrowing
- Can be alongside other lenders.....This is NEW
- Well-articulated schedule for approval/~6 month process
- Typically 25-yr amortization post-construction, NEW up to 35
  - Less interest, best for matching depreciation w/CAH Medicare reimbursement
- Ongoing charges for mortgage insurance

**Quick Definition: Mortgage insurance from the U.S. Department of Housing and Urban Development, which essentially allows the borrower to access government rates on the loan.**



**Planning Approach & Deciding on a  
Plan of Finance**

# Evaluation Financing Options

*The decision about a financing option can depend on your situation.*

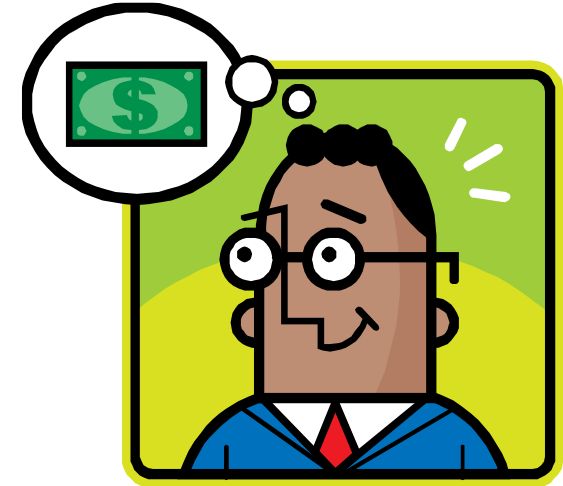
Is this a short- or long-term financing?

What other debt is outstanding?

How much cash do you have?

When will you be borrowing money again?

What is your biggest need? Lower payment vs. less debt?



## Best practices in capital planning

### Do's

- Encourage a debt capacity study or some type of high level financial analysis to figure out what is affordable first before hiring architect
- Move toward a more detailed forecast or “internal use only” for refinement and sharing

### Don'ts

- Start with an examined forecast; allow the applicant to wait until it is complete to share financials



#### Debt Capacity Defined:

- Maximum BORROWING
- Guideline only

# Be Diligent in Choosing a Financial Partner



- Conduct a RFP Process to Obtain the Best Rates and Terms
- Don't Assume That Interest Rate Is the Most Important Determinant of Comparison

## RFP Points of Comparison

Interest Rate  
Debt Covenants  
Resets/Structure of Debt  
Timing

All Inclusive Rate  
Refinancing Flexibility  
Lender – Relationship/Experience  
Fees/Required Funds

# **A Good RFP is Essential**

*Include significant information about your organization and project*

- Overview of the Organization
- The Project and Project Team
- Hospital Leadership and Physicians
- The Market Area
- Financial Performance and Utilization Statistics
- Critical Access Hospital Reimbursement
- Plan of Finance
- Preferred Debt Structure

## Comparing Results of the RFP

- Interest Rate
- All-Inclusive Rate
- Debt Covenants
- Refinancing Flexibility
- Resets/Structure of Debt
- Fees/Required Funds
- Timing

### Choice of Lender

- Working relationship
- Experience
- Comparative performance

## Parting thoughts

- Diligence in planning is essential to accessing capital
- The facility plan should be based on quantitative facts and data (as opposed to qualitative opinion and wish lists) and should run parallel with the financial planning process
- There are many options for capital, but they all have their advantages and disadvantages
- There are many different roles for various financial “folks” – know what you are getting if you choose to work with someone
- Keep monitoring performance – This isn’t the end of managing your debt
- We WILL have times of frustration with the process – it’s unpredictable

Questions?



# ORH Announcements

- Next ORH Community Conversations ([Register here](#)):
  - July 23 at 12 p.m. | Revitalizing Oregon's Rural EMS Workforce
- Oct. 7-9, Bend, OR | 43rd Annual Oregon Rural Health Conference ([More information here](#))

# Thank you!

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