

Frequently Asked Questions McKenzie-Willamette Medical Center *Declaration of Bankruptcy*

Why has Quorum Health Corp (Quorum) declared bankruptcy?

Over the last few years, Quorum has reported large losses because it carries large debts, which it has struggled to pay down. By declaring bankruptcy, they seek a legal process to restructure their debt. While in bankruptcy, all major financial decisions must be approved by the bankruptcy judge.

What does “restructure their debt” mean?

Quorum filed a Chapter 11 (debt restructuring) bankruptcy, which allows them to seek relief from their creditors by paying a fraction of what is owed to settle the debt. If successful, these creditors would write down a large portion of what they are owed by Quorum. During a Chapter 11 bankruptcy, the company remains open and operates normally. In short, Quorum hopes to come out of the bankruptcy process with less debt.

How is this different than a Chapter 7 (liquidation) bankruptcy?

Very different! In a Chapter 7 bankruptcy, the company has little hope of remaining solvent. Instead, a Chapter 7 bankruptcy liquidates (sells off) all its assets, as ordered by the bankruptcy court. Quorum has not filed a Chapter 7 bankruptcy. Their goal is to reduce their debt. Without the large debt payments, they hope to transform the company into a profitable enterprise.

How likely are they able to become profitable after they come out of bankruptcy?

It is hard to judge at this point. They have negotiated a “pre-packaged” plan with their creditors. In court documents, they report that 75% of their creditors have agreed to the “pre-packaged” plan, which represents holders of approximately 97% of their unsecured loans. The creditors may accept this plan with a better chance to get some of their money in the short-term as opposed to a smaller chance to get all of their money long-term. Their creditors may think the company has a chance to become profitable enough in the next few years to make regularly payments to pay off these loans.

How is this related to the KKR offer to purchase Quorum?

In December 2019, KKR, a global investment firm, offered to purchase all outstanding Quorum shares to take the company private. That would mean Quorum would no longer trade on the open market and they would not be required to file quarterly Security and Exchange Commission reports. KKR owns more than 9 percent of Quorum shares

and is their largest shareholder. Last month, KKR withdrew that offer and could be driving the bankruptcy process.

What does this mean for our collective bargaining agreement with the employer?

ONA's agreement is still in force and must be followed as before. The employer must pay wages, including all differentials, overtime, and standby pay. They must follow the job posting, scheduling, PTO, seniority and all other provisions as before. We can continue to use the grievance process to dispute decisions that violate any contractual provision. The employer has notified us they intend to honor their contract with us. In one of their first motions before the bankruptcy court on April 9, Quorum asked the judge to allow them to pay all employees' wages and benefits as currently.

Will this affect nurses?

Probably not. At this point, we don't expect the bankruptcy process to affect us directly. If the company is successful in reducing its debt and becomes profitable moving forward, we can expect similar treatment as we have seen in the past.

Will this affect our upcoming bargaining round?

Not likely. Our contract with the employer expires on September 1, 2020. We recognize that the landscape has changed both by the COVID19 crisis and the bankruptcy filing. These factors may affect the timing and outcome of this bargaining round, but we fully expect to bargain a successor agreement to our current contract.

Will this affect my retirement?

No. Since our individual retirement accounts (IRA) are vested in a 401(k), they are not company assets. Our retirement funds are managed by Principal Financial Group, not Quorum. They are as safe or unsafe as anything else in the stock and bond market, which historically has outpaced inflation over time. Regardless of any bankruptcy declaration, the retirement fund is managed separately and the monies are held outside of Quorum's reach. Bankruptcy does not affect our retirement funds.

How long will this take?

Hard to say. Quorum reports they expect the bankruptcy process to take approximately two months. Since the bankruptcy judge makes the final decision and creditors have a voice in the process, it is a somewhat unpredictable process. Quorum is a complex corporation with more than 130 corporate subsidiaries that operate in multiple states. The process could take many months, perhaps even a year or more to complete. Since creditors have agreed to the "pre-packaged" plan, it may be resolved more quickly.

Will Quorum sell McKenzie-Willamette?

Unlikely. Since this is a debt restructuring bankruptcy, the company's intent is likely to retain its assets to become a viable enterprise in the future. For six consecutive years, McKenzie-Willamette has been the most profitable major hospital in Oregon. We are Quorum's flagship hospital, last year we were the most profitable hospital of Quorum's 23 hospitals. It would be foolish to sell your best moneymaker if you hope to become profitable in the future. Our quarter-billion dollars in profits over the last five years sustains the entire corporation!

Who is safeguarding our interests in the bankruptcy court?

ONA. Our attorney works to ensure our legal rights in the bankruptcy process. Supported by other staffers, our labor rep communicates directly with our attorney to keep our executive committee and stewards informed. Like any other workplace issue, our executive committee stays up to date, asks questions, and keeps in touch with staff and nurses to safeguard our interests.

Curated resources:

Bankruptcy Basics – A Guide for Employees. (short, highly readable, for laymen)

https://www.citybarjusticecenter.org/wp-content/uploads/2016/11/Bankruptcy-Basics-A-Guide-for-Employees_2016.pdf

What To Do When Your Company Files Chapter 11 Bankruptcy. (very brief overview)

<https://www.thebalancecareers.com/what-to-do-when-your-company-files-chapter-11-bankruptcy-316247>

Quorum's bankruptcy webpage (what the employer is saying) <https://quorumforward.com/>

Epiq. (database for court documents) <https://dm.epiq11.com/case/quorum/>

Excerpts of Docket 12, Motion to Pay Employees (valuable background information)

https://www.oregonrn.org/resource/resmgr/mcw/MCW_Bank-Dock12_2020-04-10.pdf

U.S. Courts' Bankruptcy Basics. (a deep dive) <https://www.uscourts.gov/services-forms/bankruptcy/bankruptcy-basics/chapter-11-bankruptcy-basics>

What Every Investor Should Know. (info for shareholders when a company goes bankrupt)

<https://www.sec.gov/reportspubs/investor-publications/investorpubsbankrupthtm.html>

News stories:

April 7: <https://www.bizjournals.com/nashville/news/2020/04/07/brentwood-hospital-operator-files-for-bankruptcy.html>

April 7: <https://www.businesswire.com/news/home/20200407005274/en/Quorum-Health-Corporation-Reaches-Agreement-Majority-Lenders>

April 3: <https://www.msn.com/en-us/finance/companies/quorum-e2-80-99s-24-hospitals-face-bankruptcy-amid-covid-19-pressure/ar-BB1263uW>

(Prepared April 10, 2020)