



PRESS RELEASE

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San Benito Health Care District Discusses Options for Future Financial Stability, Authorize Line of Credit During Board Meeting

April 27, 2023 – Hollister, Calif. – Leaders for the San Benito Health Care District (District) voted to authorize obtaining a revolving line of credit to give the District flexibility to address its cash needs as meetings with potential partners continue. During the Board meeting, the District was presented with a detailed update on current finances and future considerations to ensure that access to local healthcare remains viable for residents of San Benito County.

During the meeting, Seth R. Freeman, Managing Director of B. Riley Advisory Services, the financial consultant for the District, discussed the positive impacts of ongoing stabilization efforts. Freeman explained that the District's successful short-term stabilization efforts have been effective in mitigating the fiscal crisis declared in November 2022. However, he outlined the tools the District will consider adopting to form a long-term stabilization strategy to resolve systemic inefficiencies. The District's current projections indicate that cash on hand returns to critical levels in September 2023.

"Remaining as an independent healthcare system requires hundreds of millions of dollars that the District does not have. There is limited working capital – on average, much lower than other California Critical Access Hospitals and that has been the case since 2019. Add to this the COVID crisis, which depleted already limited cash reserves, and the additional financial pressures that faced the District in 2022, and it's a perfect storm of financial problems," said Freeman. Additionally, the District received advance payments to help stabilize the District's financing in the short term, which normally would be available later in the year.

"The line of credit would serve both short-term and long-term goals for the District," said Freeman. "Approval tonight does not mean the District is taking the money today, but it can move forward knowing that if they need it, it's available."

Over the long-term, however, the District and the Hospital still have several other options, which the Board is analyzing carefully.

For several months now, the District has been conducting a thorough search for potential transaction partners, resulting in several interested parties coming forward. Negotiations are ongoing.

The November 2022 fiscal emergency declaration gave the District the option to file bankruptcy before the end of 2022, but the District prioritized its short-term stabilization initiatives. However,

the District may still utilize bankruptcy if determined necessary if it adopts a new resolution. A bankruptcy filing would allow the District to safeguard its assets, facilitate a transaction, or improve the long-term sustainability of the organization. This option is still on the table.

Finally, but as a last resort, the District could reduce service offerings if it fails to decrease expenses or find a transaction partner.

“We feel the process of closing a transaction with a partner will likely take us through the December 2023,” said Mary Casillas, Interim-CEO for Hazel Hawkins. “This means we need to find more money through cost savings, and most likely utilizing a line of credit. We need more time to get to the finish line.”

Additionally, the District is still working with the State of California to help shore up finances, including meetings with lawmakers regarding pending legislation or other funding options.

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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