

# MEMO

To: All Asante Employees and Medical Staff  
From: Tom Gessel, President & CEO  
Date: May 4, 2026  
Subject: CEO Update

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Dear Colleagues:

This communication with you will be weighty and lengthy but very important. I believe it is critical that you hear from me in complete, comprehensive and transparent language, so that you have this pressing information all in one place. I want you to be equipped so you can continue to advocate for our Mission.

Across health care, the headwinds we have discussed for many months – especially in Oregon – are no longer theoretical. They have arrived, and we are feeling them now. These realities are creating strain across our organization and across the industry. I want to be candid about the challenges, confident in our ability to meet them together, and clear that our Mission and commitment to our community remain unchanged. All of us are Asante, we are one, and will all share in this effort. We are governed by a Board of local community members – not out of state interests – and they support and endorse taking the difficult but necessary actions to ensure we serve the valley for the long term as a local organization.

## Challenges & Headwinds

### *What is impacting Asante's viability and ability to serve our region's continued healthcare needs?*

The answer is complex and daunting. Oregon health systems are suffering under the combined burden of unsustainable inflation of our expenses (workforce, pharmaceuticals, supplies, utility prices and others), unfunded mandates and over-regulation from Salem, chronic underpayment from Medicaid and Medicare, rising unemployment in the state (and shedding private sector jobs) and the declining economic conditions in Oregon. We need a fundamental shift in legislative and regulatory thinking in Salem and DC. And we need growth in jobs in the state and a flourishing business environment, not a decline.

For our part, we, at Asante, need to pursue every cost-saving opportunity available to us to protect our core clinical services for the community. The life-saving services our team offers are critical to our region. We are the **safety net** for health care in the valley, and that safety net must be preserved. We are the largest employer and convener of physicians, nurses, health professionals and support staff – by far – in southern Oregon.

## Current Performance

We are losing money. Our bottom line from daily operations is negative for the first six months of this fiscal year. We have not seen these consistent losses since 2023. To be specific, we lost over \$12 million in March alone, resulting in a cumulative operating loss of \$16 million for the first half of the year. Projecting forward, failing to act now could leave us with an estimated \$50 million budget shortfall in 2027 that we must resolve. I am convinced it only gets worse thereafter – read on as to why.

### ***What is driving this rapid change?***

There are a few reasons driving this decline. First, our number of patients covered by private insurance (mostly those with employer-provided health insurance and the public exchange) are at the lowest percentage in our history – just over 14% of all patients so far in 2026 – continuing a multi-year trend of decline. More than 75% of our patients – and growing – are covered by Medicare and Medicaid (called the “Oregon Health Plan” in this state) and other government programs. As we know, Medicare and Medicaid pay less than our cost to provide patient care. Not just less than what we *charge* – but less than the combined salary cost of our staff, supplies, support services, facilities and equipment we use to care for our community. The simple truth: we don’t negotiate rates with the government – rather, they simply tell us what they are going to pay regardless of circumstances in the economy and divorced from actual inflation. This has never been sustainable as a model. Those with employer-sponsored insurance have historically covered the shortfall that government programs did not cover. In southern Oregon, that math is no longer working. When jobs in our economy are lost and don’t come back, so are the non-governmental insurance plans that cover the cost of care.

Second, almost half of our combined losses this year are in Ashland, as unsustainable inpatient and obstetrical services are scheduled to consolidate to RPMC in May when the campus transitions to an outpatient-only extension of RPMC. That will reduce the losses there, not eliminate them. All three of our campuses – and the medical group – are behind budget and losing money year-to-date.

Third, when the “One Big Beautiful Bill Act” (OBBBA, or HR.1) becomes more fully implemented in 2027 and 2028 - hallmarked by drastic reductions in federal Medicaid funding - the outlook for Oregon hospitals becomes bleaker. As a not-for-profit public benefit company, Asante has committed to and will continue a large amount of charity care for those in our community that need financial support. Our unfunded community benefit is over \$90 million annually. And that charity care and other community benefits will remain available – it is inherent in our Mission to provide as much care as we can sustain.

The current state and future outlooks are tough. We could pretend otherwise, wait or hope for the best with crossed fingers – but unfortunately, those tactics will not get the job done. *Articulating problems with no plan and no effort to address them is whining, not leadership.*

### **Current Action Plan**

#### ***What will we be doing to address the problem?***

There are many things all of us already do as part of our daily work. Conserve resources, be good stewards, and offer opportunities for improvement in our workday. As an organization, the following is a list of some of the direct actions we will be taking:

1. Advocacy for change

We need to get the attention of elected officials and regulators in Salem and DC. Layering on unfunded bureaucratic mandates, making health care more expensive for Oregonians, creating additional affordability barriers, reducing private sector jobs – this has been the track record of the legislature and regulators for too long. Southern Oregon can’t take it anymore. Many local businesses are getting priced out of health insurance by the added costs that health systems in Oregon have been forced to shoulder with no new funds from the State to pay for it.

An example: the Oregon Health Authority's implementation of the 2023 Hospital Staffing Law. To be clear, we agree with minimum staffing ratios. We disagree with OHA's interpretation of the law, whereby ratios are now ignored and replaced with mandated "staffing plans" that all parties must approve, that any party can unilaterally reject, but only one party – the hospitals – pay fines for not having them. It is absurd on its face. You can go to the AsanteIMPACT website – we have been actively posting and updating frequently – the running "ticker" of fines being accumulated at RRMC levied by OHA (and to date, only at RRMC). These fines are typically NOT for violating staffing ratios (that is less than 3% of the total) but mostly for not having "an approved staffing plan" in place. The total fines are over \$950,000. This is money that will leave southern Oregon and go to OHA – funds that would otherwise be used to care for people in the valley. Was this really the intent of the law? Our elected officials need to fix this, ASAP. Let's keep the mandated ratios – the most patient-centric in the country – and stay focused on caring for patients, not chasing bureaucratic nonsense.

Likewise, the OBBBA will be a disaster for Medicaid funding across the country, but especially here. Oregon historically underfunds Medicaid out of the general state budget, and the federal cuts will be profoundly negative in 2027 and beyond, worsening each year. One in three Oregonians are on the Oregon Health Plan (i.e. Medicaid). This will have deep consequences for our community. As payments to health care providers are reduced, so too will access to care.

## 2. Back-office efficiency

We will engage outside subject-matter experts to evaluate our revenue cycle and supply chain processes. Revenue cycle (i.e., how we code, bill and collect for patient services) is complex, heavily regulated and rule-driven process with many parts. We need to collect from insurance and other payers' proper payment for the hard work each of you do every day – and not a dime less. The shell game of improper denials, slow pre-authorizations, intentional payment delays and other schemes are the target of this work. Many commercial insurance companies and Medicare Advantage plans are often failing to reimburse properly for the great work all of you do.

## 3. Workforce reductions

This part is very difficult work. But in transparency, our expenses are greater than our revenue, and no organization can survive and prosper that way. For perspective, we invest almost 70% of our collected revenue back into the salaries and benefits for our employees and community-based physicians – as it should be. Our people are the power behind our patient care.

The remaining 30 cents of each dollar we receive for services covers all the other non-payroll expenses like supplies, utilities, pharmaceuticals, facility and equipment upkeep, computer systems, coding and billing services, etc. We are working hard to find additional savings in those categories.

If revenue is not keeping pace with expenses, we can't ignore the size and magnitude of our payroll. Our focus will be heavily on non-clinical roles, as it was over 2 years ago when we eliminated 400 roles of our 6,000 total. Sadly, more work needs to be done. Some clinical areas may be impacted, but we are fighting hard to keep resources directly serving our patients in our clinics and hospitals.

Make no mistake – the folks working in supporting roles in our non-clinical areas do valuable important work. Unfortunately, we will have to find more efficiencies in how this work is accomplished. I anticipate the ongoing headwinds, including the federal and state cuts to Medicaid, will result in 300 or more roles being eliminated in the next several months.

Since 2023, the corporate building staffing has been cut by 67%. This is justified in the interest of preserving patient care. In that same time period, leadership roles were reduced by 23% across the entire organization. More needs to be done in our support areas. It is likely we will close the corporate building on the RRMCC campus permanently since most of that space is becoming unoccupied, and convert it to physician clinic space. Overhead must be bare-bones, to keep as many resources at the point of care as we can.

#### 4. Inflation pressure

Our single largest expense category is wages and benefits for our wonderful staff. As mentioned previously, almost 70 cents of each dollar we receive for providing care are invested back in our employees and medical staff in salary support and benefits. Now more than ever, Medicare and Medicaid control our revenue increases each year, and those rate changes are almost always less than expense inflation. We can no longer outpace what the government is willing to fund.

Starting in FY 2027, we will consider indexing annual wage adjustments and benefit costs to the published Medicare and Medicaid rate increases, less a 0.5% set-aside for hard-to-recruit roles identified annually. Previously, our compensation philosophy targeted the west coast job market. We have been very effective in staying at or above market averages in pay, with the best benefit plan of any large employer in southern Oregon. In our work towards sustainability, we may link our rate of annual wage increases to the patient care payment rate changes approved by the federal and state governments. Here is one important commitment for next year: as Medicaid funding is cut, we will not be reducing the base wage rates of our employees. But health plan design, incentives, and even the number of employees we can maintain – those will all have to be evaluated as federal and state funding declines each year.

#### 5. Clinical efficiency

We continue to have areas of opportunity to match resources more precisely to the clinical needs of our patients. Our physicians and other clinicians have been and will continue this important work.

An example: according to inpatient stay data published by Medicare, in March alone, RRMCC was 35% less efficient than the national expectation for the same acuity and diagnosis groups of patients. We need to do better. The right patient, in the right place, at the right time, receiving the right care. Not more, not less. The main point is when we are not as efficient and timely in our care – whether for admissions, in the ER, in surgery, in outpatient testing – we unnecessarily create access challenges for our community. Many of our clinicians will guide this work.

#### 6. Clinical programs

This summer, we will be working with our clinicians to evaluate patient services across the three campuses and our many outpatient clinics. We need to preserve the core clinical services that comprise the safety net for southern Oregon, while carefully determining if there are services we may no longer be able to offer due to chronic funding deficits. The changes taking effect in Ashland later this month are an example of these difficult choices as inpatient care and obstetrics are moved to RRMCC. Further consolidation of duplicative services in the valley will be essential for long-term sustainability of any clinical service line. This will be ongoing, forever work – just like most of the other five areas above.

## What's the good news?

There is so much for which to be proud, optimistic, and hopeful. While many of the circumstances and challenges we face are created elsewhere, the Asante team – day in, day out – offer extraordinary care to the people of our region. Every week I hear from someone in our community about the kind and compassionate care they or a loved one received. I am proud of the care we offer. I get my own care and that of my family at Asante and would not hesitate to recommend our services. Each of you dedicates your time and expertise to caring for our community. ***What you do matters.***

While it is rewarding to be recognized nationally, like Rogue Regional and Three Rivers both receiving five-star ratings on the Forbes Top Hospitals 2026 list, I know that is not what motivates you. It is the chance to make a positive difference in the lives of our patients and their families – being a critical part of what makes southern Oregon a great place to live and work.

We will continue to recruit physicians and mid-level providers – we had a record recruitment year in 2025 and we need to keep up the momentum. Access to care is still a challenge across many specialties, and it will be Asante that steps up to meet that demand. Likewise, we will continue to recruit for roles in our clinics and hospitals. Patient-facing roles will remain the priority of our staffing efforts.

### Call to Action:

#### So, what can you do?

- **Stay curious and informed.** Please access the FAQ page on [asante.org](https://asante.org). Also, check out the new [AsanteIMPACT](#) public affairs platform on LinkedIn, Facebook, our internal intranet, and our webpage for weekly updates on important information about advocacy, policy, regulatory, and economic impacts facing the valley.
- **Advocacy.** If you have an interest in Advocacy, please reach out to [PublicAffairs@Asante.org](mailto:PublicAffairs@Asante.org). There may be ways that you can help as we try to gain the attention of our state and federal delegates. We need all of us to preserve the safety net for healthcare in southern Oregon.
- **Shared responsibility.** This is a moment for all of us to lean in. Every decision we make matters – how we serve our patients, conserve resources, improve efficiency and support each other. We need to avoid any divisive rhetoric among us and find ways to work together. Our path forward must be built on a love of our Mission in caring for our community, a commitment to operational resiliency, and shared accountability to each other.

Your leader will have more information as we move through this work ahead, and I commit to keeping them informed so you may stay informed as well. I encourage you to access the resources mentioned above for more real-time updates each week.

Thank you for all that you do to advance our Mission forward.

With gratitude,

Tom