

Transaction Development

1. **Please provide all Legacy, Foundation, and PacificSource board minutes, agendas, materials, and correspondence to, from, and among entity executives and board members (e.g., memos, emails) related to the proposed transaction.**

Legacy Health has submitted as part of the Health Care Market Oversight review process the non-privileged minutes, agendas and presentations of the Legacy Health board of directors (“**Legacy Board**”), the Legacy Board’s Strategic Collaborations Committee (“**SCC**”), and the Legacy Health Foundation board of trustees (the “**Foundation Board**”) related to the proposed transfer of Legacy Health’s membership interest in PacificSource to the Legacy Health Foundation (the “**Foundation Transfer**”). See HCMO filing (Transaction # 038, “**HCMO Response**”) at HCMO 002690 - 005493 (Legacy Board and SCC) and HCMO 001444 – 001929 (Foundation Board).¹ Such meeting minutes and materials are as approved by the Legacy Board, SCC and Foundation Board, as applicable, through November 6, 2024.

Legacy Health and the Foundation use a dedicated board-management platform to distribute documents and records to board members. Board members use the platform to view agendas, board presentations, memorandums, and similar documents. Legacy Health and the Foundation have provided all non-privileged materials from the board management platform related to the Foundation Transfer. Accordingly, virtually all the board-level communications regarding this transaction are reflected in the minutes and board presentations contained on this platform. See HCMO 002690 - 005493 (Legacy Board and SCC) and HCMO 001444 – 001929 (Foundation Board).

In March 2023, the SCC was advised that they should ask questions during SCC meetings, rather than over email, but otherwise should direct any questions that may arise between meetings to Legacy Health’s legal and financial advisors so that they can be compiled and discussed in the next meeting. This discussion is reflected in the SCC minutes of April 26, 2023, provided at HCMO 005247 and the presentation on May 17, 2023, provided at HCMO 003101-3102. Accordingly, we were aware of a very limited number of emails from SCC members to management sent prior to March 2023, and queried Legacy Health’s legal and financial advisors for any other board-level correspondence. The emailed questions from board members to management are quoted in board materials (see board presentation dated May 17, 2023 at HCMO 003102). Otherwise, we believe that the documents

¹ All references in this document to the HCMO Response refer to information and documents provided by or on behalf of Legacy Health, Legacy Health Foundation, and PacificSource to the Oregon Health Authority (“OHA”) pursuant to HCMO application #038.

provided from the portal reflect all non-privileged records shared with the Legacy Board related to this transaction.

The Foundation Board similarly communicated about this transaction primarily through regular meetings, not correspondence. We searched for correspondence between and among the Foundation Board, the Legacy Health Board, and the Legacy Health and Foundation executive teams relevant to the PacificSource transfer, which were enclosed at HCMO 002617 – 002689 of the HCMO Response. Given the frequency of formal meetings, there is minimal correspondence. We have omitted privileged material, but included all relevant meeting agendas, minutes, presentations, and deliverables.

PacificSource is not a party to the OHSU-Legacy transaction and was not involved in negotiating its terms. Additionally, the Foundation Transfer does not require prior approval from PacificSource. Accordingly, the PacificSource Board of Directors has not needed to take any formal action related to this transaction. Nonetheless, once PacificSource became aware of the OHSU-Legacy transaction, there were periodic updates for the PacificSource Board of Directors and relevant committees. Board and committee-approved minutes from those meetings, along with relevant agendas and correspondence, were included in the HCMO Response at HCMO - 005495 - 005647. Additionally, the minimal email correspondence exchanged between PacificSource and Legacy Health executives regarding the proposed transaction is enclosed as Exhibit 11.

2. Response to Item 5 states that “OHSU determined that acquiring control of PacificSource would not align with OHSU’s long-term strategic objectives.”

OHSU determined that, given the capital needs of Legacy Health and the capital commitment, it would not be prudent to expend further capital to purchase Legacy Health’s 50 percent member interest in PacificSource.

The Legacy Health and OHSU health systems are complementary, and the system combination will ensure the appropriate level of health care with the highest quality is delivered both at the academic and community settings improving outcomes for the people of Oregon. Obtaining those benefits will require a significant investment in the public university health system. The Legacy Health Board estimates that the Legacy Health system will require between \$300 and \$750 million in additional investment (beyond standard capital outlays that every system incurs for routine maintenance and similar expenditures) over the next five years to meet community needs with respect to service offerings, quality, access, and cost.

Under the terms of the System Combination Agreement between OHSU and Legacy Health, OHSU has agreed to invest approximately \$1 billion in capital on projects within 10 years following the closing absent exigent circumstances (which could extend the

expenditure period to 13 years without reducing the amount of the commitment). For additional detail, see Schedule 3.4.5 to the System Combination Agreement.

Following negotiation by the parties of the capital commitment and refinancing amounts related to the member substitution, OHSU determined it did not have the financial capacity to also acquire Legacy's 50% interest in PacificSource, which would have come at an additional cost.

a. Which strategic objectives are misaligned with transferring the member interest in PacificSource to OHSU?

See response above. OHSU determined that acquiring PacificSource would not be the best use of capital relative to OHSU's other strategic priorities, as described in the OHSU-Legacy HCMO notice.

b. Provide any analysis or materials related to this decision.

Please refer to bates OHSU_RFI#23(a)_00000001 through OHSU_RFI#23(a)_00000052; OHSU_RFI#5_00000007 through OHSU_RFI#23_00000014 for non-privileged documents related to OHSU's decision not to acquire Legacy Health's interest in PacificSource. OHSU initially submitted those documents on November 21, 2024, in response to the Oregon Health Authority's November 6, 2024, Request for Supplemental Information – Transaction 039 – OHSU-Legacy. OHSU resubmitted those documents to OHA as part of the HCMO Response for the Foundation Transfer.

c. Provide all documents reflecting or concerning discussions related to OHSU's determination that acquiring control of PacificSource would not align with its long-term strategic objectives that occurred between:

i. Legacy and OHSU,

Please see the narrative answer and documents cross-referenced in response to inquiry # 2 and 2.b. above.

ii. Legacy and PacificSource,

As noted in the narrative answer to inquiry #1 above, PacificSource was not involved in negotiating the Foundation Transfer, but the PacificSource Board of Directors and relevant committees received periodic updates. Board and committee-approved minutes from those meetings were included in the HCMO Response, as were relevant agendas and correspondence. Such materials can be found at HCMO - 005495 through 005647.

Because PacificSource is not a party to the proposed transaction and was not legally required to approve any transfer of the Foundation's 50 percent interest in PacificSource, there are no separate documents maintained by

PacificSource reflecting or concerning discussions related to OHSU's determination that acquiring control of PacificSource would not align with its long-term strategic objectives.

iii. PacificSource and OHSU,

Please see response to inquiry # 2.c.ii. above.

iv. or among all three entities.

Please see response to inquiry # 2.c.i. and 2.c.ii above.

3. Did Legacy seek to sell its member interest in PacificSource to OHSU?

a. If so, what reasons did OHSU communicate to Legacy for why OHSU was not interested in acquiring the PacificSource member interest?

Please see response to inquiry #2 above.

4. Explain why Legacy is seeking to transfer its 50 percent member interest in PacificSource to the Foundation instead of selling the interest to another entity.

Legacy Health determined it would not be practical to identify an appropriate buyer, negotiate the terms of a sale, and obtain regulatory approval for a sale transaction prior to the closing of the System Combination Agreement. Because the Foundation would be the ultimate beneficiary of the proceeds of any sale, and because of the mission-alignment between PacificSource and the Foundation, Legacy Health determined that the Foundation would be the best recipient of Legacy Health's 50 percent member interest in PacificSource.

Moreover, as explained in more detail in Item 5 of the Form A, Legacy Health identified the Foundation as the best possible steward of PacificSource. First, the Foundation is an existing affiliate of Legacy Health and the Foundation shares PacificSource's charitable focus on improving the health of underserved communities in Oregon. Accordingly, the Foundation is uniquely positioned to allow PacificSource to continue operating as it does now while supporting PacificSource's mission of fostering better health, better care, and better costs. Second, the Foundation would be well-capitalized post-closing. Legacy Health is confident that the structure of the Foundation Transfer will preserve PacificSource's financial condition. And finally, the Foundation will be in the best position to identify a strategic buyer for its member interest in PacificSource who will help PacificSource achieve its long-term strategic goals. The Foundation is committed to conducting a thorough and informed process to identify such a buyer and will only consider buyers who will advance PacificSource's charitable mission.

a. Explain how the parties arrived at the formula that determines the funds to be transferred to the Foundation at closing of the transaction.

Early in the discussions between OHSU and Legacy Health, the parties agreed that a foundation independent from the unified system would be funded as part of the combination. Legacy Health understood that, when a nonprofit health care organization like Legacy Health is acquired by a for-profit company or a private equity firm, a charitable foundation is funded with the value of the nonprofit's assets. Legacy Health never considered a transaction with a for-profit entity or private equity firm, as such a transaction would not have aligned with Legacy Health's mission. However, in considering a combination with another non-profit entity, the Legacy Health Board sought to create a charitable foundation so that the Oregon and Southwest Washington community would benefit from a similarly dedicated foundation. OHSU and Legacy Health agreed the foundation must be independent from the combined system and would be focused on health equity and access in Oregon and Southwest Washington.

The Foundation will receive Legacy Health's net cash as of closing, minus certain adjustments, as described in Exhibit 4 of the Form A notice. The parties decided to use Legacy Health's net cash as a funding amount for the Foundation because the net cash will provide the Foundation with the assets necessary to make a meaningful improvement in health equity in the region, while preserving the financial stability of the combined public university health system. Additionally, the net cash is subject to certain holdbacks and adjustments to, among other things, compensate OHSU for self-insurance liabilities and guarantee Legacy Health's indemnification obligations.

5. Identify and describe all alternative options that were considered or proposed for Legacy's transfer of its PacificSource member interest in relation to the proposed OHSU-Legacy transaction.

During the initial pre-LOI discussions, Legacy Health and OHSU discussed the inclusion of the PacificSource membership interest as part of the assets and liabilities assumed by OHSU pursuant to the planned system combination. As described in response to inquiry #2 above, OHSU ultimately decided to exclude the PacificSource membership interest from the planned system combination.

Legacy Health subsequently determined that the PacificSource membership interest would be transferred to the Legacy Health Foundation. PacificSource, PHA and Legacy Health discussed the alternative option of PacificSource redeeming or repurchasing Legacy Health's 50 percent member interest in PacificSource. In furtherance of this potential option, PacificSource engaged VMG to value such member interest. The valuation report was attached as Exhibit 22 of the HCMO Response at HCMO 00564 - 00693.

Ultimately, PacificSource informed Legacy Health that it could only redeem a portion of Legacy Health's 50 percent member interest, and only at a discount from the VMG valuation. Accordingly, Legacy Health declined to proceed with discussions. The parties did not exchange or agree on any letters of intent or term sheets, though a proposal from PacificSource was communicated to a Legacy Health board representative and management team and presented to the SCC on June 12, 2024. See HCMO Response at HCMO - 004334. The Legacy Health Board determined this proposed transaction would not achieve Legacy Health's objectives.

- a. For each alternative option for which Legacy made efforts to pursue, describe who was involved, when any efforts occurred, any key terms that were discussed, and why the alternative option did not move forward.**

Please see response to inquiry #5 above.

- b. For each alternative option that Legacy did not pursue, explain why Legacy did not ultimately pursue the option.**

Please see response to inquiry #5 above.

- c. Provide all analyses, planning documents, materials, and communications related to Legacy's consideration of proposed alternative options.**

None, other than materials cross-referenced in response to inquiry #5 above.

- 6. Describe any other efforts by Legacy to sell its member interest in the past 5 years regardless of any connection to the proposed OHSU-Legacy transaction.**

Legacy Health initially intended to include PacificSource in any system combination. Accordingly, Legacy Health did not engage in any efforts to find a distinct buyer for Legacy Health's member interest in PacificSource.

- 7. Has Legacy been approached by any potential buyer interested in Legacy's PacificSource member interest in the past 5 years?**

Legacy Health did not seek or receive any offers or proposals to purchase all or a substantial portion of Legacy Health's member interest in PacificSource prior to evaluating potential system combinations. In 2022, unrelated to the transaction, Legacy Health did receive a preliminary proposal from a potential buyer to purchase a 1% member interest in PacificSource, but did not pursue that transaction.

- 8. When and how did PacificSource become aware of this proposed transaction?**

PacificSource learned of the proposed OHSU-Legacy transaction on February 7, 2023, during an Executive Committee meeting of the PacificSource Board.

- a. Provide all documents concerning PacificSource's knowledge of Legacy's plan to transfer its member interest.**

Please see the PacificSource documents submitted in the parties' HCMO Response at HCMO - 005495 through 005647.

- b. Identify and provide all documents related to Legacy's communications with PacificSource regarding the proposed transaction, including the dates of communication, forms of communication, and individuals involved in the discussions at Legacy and PacificSource.**

Please see response to inquiry #1 and 2.c. above. Additionally, for portions of 2023 and 2024, Legacy Health and PacificSource had periodic bi-weekly meetings to discuss the transaction, though these were canceled if the parties did not have substantive updates. Attendance at these meetings varied, but routinely involved legal advisors from Legacy Health and PacificSource. Additionally, the minimal email correspondence exchanged between PacificSource and Legacy Health executives regarding the proposed transaction is enclosed as Exhibit 11.

- 9. Have there been any communications between PacificSource and Health Share of Oregon ("Health Share") regarding the proposed transaction?**

- a. If so, identify the individuals at PacificSource and Health Share involved in such communications and the form in which the communications occurred (email, phone call, board presentation, etc.).**

There has been one phone call between PacificSource's Chief Legal & Risk Officer and Health Share's outside counsel regarding the Foundation Transfer, which occurred on October 28, 2024. Health Share's outside counsel emailed PacificSource's Chief Legal & Risk Officer on October 15, 2024, requesting such call.

Additionally, on November 11, 2024, PacificSource's Chief Legal & Risk Officer notified Health Share's outside counsel that OHA had requested copies of the contracts between Health Share and PacificSource Community Solutions.

- b. Provide all documents reflecting or related to any communications between PacificSource and Health Share regarding this proposed transaction.**

The two emails in question are enclosed as Exhibit 12.

- 10. Have there been any communications between Legacy and Health Share regarding this proposed transaction?**

There have been two formal meetings between executives at Legacy Health and Health Share where the transfer of Legacy Health's member interest in PacificSource to the

Foundation was discussed. The first occurred on September 10th, 2024; the second occurred on November 7th, 2024.

- a. If so, identify the individuals at Legacy and Health Share involved in such communications and the form in which the communications occurred (email, phone call, board presentation, etc.).**

The participants in the first meeting, which occurred by phone, were Mindy Stadtlander, Chief Executive Officer of Health Share of Oregon, and Merrin Permut, Vice President & Chief Population Health Officer of Legacy Health. The participants discussed who should participate in a subsequent meeting regarding the Legacy Health-OHSU transaction.

The participants in the second meeting, which occurred via video conference, were George Brown, MD, President & Chief Executive Officer of Legacy Health, Merrin Permut, and Mindy Stadtlander. The participants discussed Health Share's process for the change of control resulting from the Legacy/OHSU transaction.

- b. Provide all documents reflecting or related to any communications between Legacy and Health Share regarding this proposed transaction.**

Please refer to the response to inquiry #10 above. There are no other documents or communications between Legacy and Health Share regarding this transaction.

11. What was PacificSource's role in developing the terms of this proposed transaction?

OHSU and Legacy Health negotiated the terms of the system combination over a period of months. PacificSource was not involved in developing these transaction terms.

12. What is PacificSource's role in approving the terms of this proposed transaction?

Per the PacificSource member agreement by and between PHA and Legacy Health, PacificSource does not have a role in approving transaction terms.

13. Provide any and all draft member agreements between the Foundation and PacificSource.

The parties have not exchanged draft amendments to the member agreement. We expect to have a complete draft shortly and will provide a copy to OHA at that time.

14. Please identify the individuals at PacificSource and Legacy involved in any aspect of developing, analyzing, or approving this proposed transaction. Describe the role of each individual.

PacificSource personnel were not involved in developing the proposed transaction or determining its effects on Legacy Health or the Foundation. Prior to the public

announcement of the proposed transaction, staff at Legacy Health and PacificSource met regularly to discuss the status of negotiations and the transfer of Legacy Health's member interest. The PacificSource Board of Directors has, in turn, considered the transaction and PacificSource's CEO, CFO, and CL&RO have considered possible implications for PacificSource entities. These discussions are reflected in the materials provided in response to inquiry #1 and 2 above.

With respect to Legacy Health, in early 2023, the Legacy Health board authorized a Strategic Collaborations Committee ("SCC") to evaluate potential transaction partners, including OHSU. The SCC was comprised of voting disinterested members as well as non-voting members appointed to bring additional perspective to the committee's work. The SCC met on a bi-weekly basis and was primarily responsible for developing and analyzing this transaction. The Legacy Health board of directors was ultimately responsible for approving this transaction. The minutes of the Legacy Board and SCC provided in response to inquiry #1 reflect the composition of the Board and SCC from early 2023 to November 2024.

In addition, select members of Legacy Health's executive team participated in board, and SCC meetings, and advised the board in SCC at their request. Involved executives include:

- Kathryn Correia, Chief Executive Officer, Legacy Health (June 2018 through April 2024)
- Anna Loomis, Chief Financial Officer (September 2018 through June 2024) and Interim President of Legacy Health (January 2024 through June 2024)
- George Brown, Chief Executive Officer, Legacy Health (June 2024 through present)
- Anita Iyenger, Chief Strategy Officer, Legacy Health
- Melissa Krzeminski, Director, Office of the CEO and Board Relations

15. Provide an organizational chart reflecting the governance, management, and operations of PacificSource and PCS.

PacificSource has included an organizational chart depicting the Senior Leadership Team and their direct reports, which is attached as Exhibit 13. A recent hire should be added below the Chief Legal & Risk Officer, as a new Associate General Counsel joined the company.

16. Provide a list of all approvals required from any federal and state governmental agency for the transactions.

The Oregon Health Authority's Healthcare Market Oversight Program

The Oregon Health Authority's Form A – Statement Regarding the Acquisition of Control of or Merger with a CCO

The Department of Consumer and Business Services' Form A – Statement Regarding the Acquisition of Control of or Merger with a Domestic Insurer.

PacificSource's CCO Plans, Contracts, & Provider Networks

17. Provide a list of all plans offered by PacificSource for each line of business for the 2024 and 2025 plan years.

A list of all PacificSource commercial and Medicare Advantage plans were attached as Exhibit 23 of the HCMO Response at HCMO 00694 - 00706.

18. Provide all documents (including communications and analyses conducted by or for PacificSource) concerning the impact or potential impact of the proposed transaction on PacificSource's business, including potential impacts on provider contracts, provider network, enrollment, financial condition, and negotiated rates.

Please see Exhibit 24 of the HCMO Response at HCMO 00707 – 00710 for talking points that were prepared in the event that PacificSource employees received questions about this transaction, and an informational email distributed to staff. As noted below, OHSU has indicated that they intend to maintain PacificSource's existing contractual relationships with OHSU and Legacy Health post-closing.

19. For each of PacificSource's CCOs, please provide all current provider and facility agreements between:

a. PacificSource and OHSU,

For confidentiality reasons, OHSU transmitted all agreements between OHSU and PacificSource directly to OHA. See HCMO 0010000 et seq.

b. PacificSource and Legacy,

The provider agreements between Legacy Health and PacificSource were included in Exhibit 26 of the HCMO Response at HCMO 00711 – 00866.

c. PacificSource and Hillsboro Medical Center,

The provider agreement between PacificSource and Tuality Health Plan Services is enclosed in Exhibit 14.

d. PacificSource and Adventist Health Portland

The provider and facility agreements between PacificSource and Adventist Health Portland are enclosed in Exhibit 14.

e. PacificSource and Hillsboro Medical Center Primary Care Clinic (all locations), and

The provider agreement between PacificSource and Tuality Health Plan Services is enclosed in Exhibit 14.

f. PacificSource and any other hospital or provider group affiliated with OHSU or Legacy.

All provider and facility agreements between PacificSource and other hospital or provider groups affiliated with OHSU or Legacy are enclosed in Exhibit 14 or were previously provided pursuant to the HCMO Response, as described above.

20. For each contract identified in response to Item 19 describe:

a. Any changes anticipated by PacificSource as a result of either this proposed transaction or the proposed transaction between OHSU and Legacy.

PacificSource does not expect to request any changes to the contracts provided in response to inquiries 19.a. to 19.f. as a result of the Foundation Transfer or the Proposed Affiliation between OHSU and Legacy Health.

Upon closing of the OHSU-Legacy Health transaction, contracts between PacificSource and Legacy Health will continue in accordance with their terms. PacificSource is not aware of any changes to the providers or facilities covered and no conversations about such changes have taken place. The terms of the agreements between PacificSource and Legacy have not been disclosed to OHSU due to regulatory limitations that apply prior to the closing of the transaction.

Unrelated to the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health, OHSU has sent termination notices for the contracts with all three lines of business – commercial, Medicaid, and Medicare Advantage. These termination notices are in connection with renewal negotiations between the parties, which remain ongoing. OHSU and PacificSource hope to finalize renewal terms in the coming months.

b. Any discussions or plans by PacificSource to, within the next two years, terminate, renew or negotiate any new terms, including rates and providers or facilities covered.

PacificSource has not engaged in any discussions about terminating or non-renewing the contracts provided in response to inquiries 19.a to 19.f within the next two years. PacificSource expects that the parties will negotiate changes to rates in the ordinary course of business. For example, as noted in response to inquiry 20.a above, OHSU and PacificSource are currently engaged in normal

course renewal negotiations unrelated to the Foundation Transfer or the Proposed Affiliation between OHSU and Legacy Health.

OHSU has represented that there are no plans to terminate, renegotiate or not renew any contracts between Legacy Health entities and PacificSource. Such contracts will continue to be performed in accordance with their terms. The terms of such contracts have not been disclosed to OHSU due to regulatory concerns. They will be shared with OHSU upon closing of the transaction.

21. For each of PacificSource's CCO plans, identify any anticipated changes or plans to enter into contracts with new providers or facilities as a result of either this proposed transaction or the proposed OHSU-Legacy transaction.

PacificSource has no plans to change any contracts or enter into contracts with new providers or facilities as a result the Foundation Transfer or the Proposed Affiliation between OHSU and Legacy Health.

a. Provide any documents related to these anticipated changes or plans.

Not applicable.

22. How will this proposed transaction and the proposed OHSU-Legacy transaction affect PacificSource's relationship with Health Share?

PacificSource is not a corporate member of Health Share and has no governance role in Health Share. Accordingly, the Foundation Transfer and Proposed Affiliation between OHSU and Legacy Health has no impact on Health Share's governance.

However, PacificSource and Health Share have an Integrated Delivery System ("IDS") contract pursuant to which Health Share delegates to PacificSource certain managed care functions related to Health Share's CCO Contract. This IDS contract arose due to Legacy Health's status as both a founding member of Health Share and 50% member of PacificSource. Once the Proposed Transaction closes, PacificSource will no longer be affiliated with Legacy Health or any other member of Health Share. This may cause Health Share to request changes to the IDS contract. However, OHSU and Legacy Health would prefer to avoid any disruption in care or coverage and will work with Health Share to help achieve that goal.

23. Describe any changes to any agreements between PacificSource and Health Share or Legacy and Health Share as a result of this proposed transaction.

Parties do not anticipate any changes to agreements between PacificSource and Health Share, or Legacy Health and Health Share, as a result of the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health. As noted in response to inquiry # 22 above, Health Share may request changes to the IDS contract once PacificSource is no

longer affiliated with Legacy Health or any other member of Health Share. However, OHSU and Legacy Health would prefer to avoid any disruption in care or coverage and will work with Health Share to help achieve that goal.

a. Provide all current agreements between Health Share and Legacy.

Legacy Health does not have any direct contractual relationships with Health Share, except pursuant to its status as a Founding Member under the Health Share bylaws.

b. Provide all current agreements between Health Share and PacificSource.

All such agreements were provided in Exhibit 32 of the HCMO Response at HCMO 00948 - 001443.

c. Provide all current joint agreement between Health Share and Legacy/PacificSource.

Health Share, Legacy Health, and PacificSource are not parties to any joint agreements.

d. Provide all current agreements between Legacy and PacificSource related to Health Share.

Please see the agreements between Legacy Health and PacificSource, which were provided in Exhibit 26 of the HCMO Response at HCMO 00711 – 00866.

e. Will the transaction result in any new agreements between the parties in parts (a) through (d)?

The parties do not believe that this transaction will result in any new agreements between Legacy Health and Health Share or PacificSource and Health Share.

i. If so, provide all drafts of those agreements.

Not applicable.

24. The Submission states that “[a]fter the closing of the Proposed Affiliation, OHSU will hold Legacy’s member interest in Health Share.”

a. Does PacificSource currently hold any member interest in Health Share?

PacificSource is not a member of Health Share and will not be a member after the Foundation Transfer.

b. If so, will the transfer of Legacy’s member interest to OHSU affect PacificSource’s member interest in Health Share?

Not applicable.

25. The Submission states that “[t]he parties do not anticipate that the Proposed Affiliation or the Foundation Transfer will affect any contractual relationships between PacificSource and Health Share or Legacy and Health Share.” Explain how these contractual relationships will remain unaffected following the closing of the proposed OHSU – Legacy transaction.

Since this initial filing, there have been discussions between Health Share and PacificSource executives regarding the future of the Health Share-PacificSource relationship, as described above. However, no decisions have been made regarding the renewal of the existing Health Share-PacificSource IDS contract. Any decisions regarding the disposition of such contract would be made by the Health Share board. The Health Share board has not yet discussed the impact of this transaction on the PacificSource-Health Share relationship. The Health Share board intends to have such conversations at or around the time of closing. Health Share, OHSU, Legacy Health and PacificSource share the goal of ensuring that Health Share’s members maintain excellent access to community providers.

a. For any of these contracts involving Legacy, will OHSU assume any of the rights or obligations on behalf of Legacy?

The Proposed Affiliation between OHSU and Legacy Health is a membership substitution transaction. As such, post-closing Legacy Health will maintain its existing corporate structure, except with OHSU as its sole controlling member. OHSU will not assume any rights or obligations under Legacy Health’s contracts with PacificSource, nor will it change Legacy Health’s status as a member of Health Share.

b. To the extent PCS utilizes Legacy providers as part of its provider network to fulfill any Health Share contract, will OHSU providers, or a subset of OHSU providers, continue to provide services under these contracts?

Upon closing of the Proposed Affiliation between OHSU and Legacy Health, contracts between PacificSource and Legacy Health will continue in accordance with their terms. Legacy Health’s existing providers will continue to be employed by (or under contract with) Legacy Health and will continue providing services under applicable PacificSource participating provider agreements.

26. The Submission states that “Legacy Health and PacificSource are fully committed to continue providing services to Health Share under existing agreements without disruption.”

a. When do the existing agreements with Health Share expire?

Every Step Clinic Plan Partner Reimbursement Agreement expires on January 31, 2025.

Basic Health Program Integrated Delivery System Participation Contract expires on December 31, 2026.

Non-Medicaid Integrated Delivery System Participation Agreement expires on January 1, 2027.

Integrated Delivery System Participation Contract expires on December 31, 2026.

b. Do the parties anticipate renewing the existing agreements?

The parties have not had any discussions about the renewal of any such contracts.

27. Provide any other current agreements between Legacy and PacificSource and OHSU and PacificSource not otherwise already provided in response to Items 18 and 22.

OHSU has provided all agreements between OHSU and PacificSource to OHA directly or in response to other inquiries. See HCMO 0010000 et seq. Note that PacificSource also partners with OHSU to offer Continuing Medical Education units for courses that PacificSource provides to healthcare professionals in its participating provider network; however, there is no written agreement between the parties. Additional agreements between Legacy Health and PacificSource were provided under Exhibit 27 of the HCMO Response at HCMO 00867 – 00934.

Potential Financial Impacts on PacificSource

28. Describe, and identify the underlying bases for, any anticipated impact on PacificSource's financial condition as a result of this proposed transaction or the proposed OHSU-Legacy transaction, including, but not limited to, the following potential impacts:

a. Any anticipated impact on PacificSource's costs to provide care for its CCO members as a result of this proposed transaction.

The parties do not expect this transaction to have a direct impact on PacificSource's costs to provide care for its CCO members. Legacy Health and PacificSource negotiate all contracts between the parties on an arm's length basis and the costs represent fair market value for services provided. The parties expect the same to be the case following the Foundation Transfer and closing of the Proposed Affiliation between OHSU and Legacy Health.

b. Any anticipated impacts resulting from a need to re-negotiate current provider or facility contracts or enter into new provider or facility contracts.

The parties do not expect to renegotiate current contracts between Legacy Health and PacificSource as a direct result of the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health.

c. Any anticipated impacts resulting from changes to PacificSource's CCO plans, including changes to the services it offers under Health Share.

The parties do not anticipate any changes to PacificSource's CCO plans or services as a result of the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health. Please see the response to inquiries # 22, 23, 24 and 25 for a discussion of the impacts of the Foundation Transfer and Proposed Affiliation between OHSU and Legacy Health on PacificSource's relationship with Health Share.

d. Any anticipated impact on PacificSource's financial condition resulting from impacts in PacificSource's other lines of business including, but not limited to PacificSource's:

- i. Medicare Advantage,**
- ii. Commercial (large group, small group, individual, self-insured)**
- iii. self-insured plans,**
- iv. third-party administrator services, or**
- v. any other lines of business.**

PacificSource is not aware of any anticipated changes to PacificSource's financial condition as a result of the Foundation Transfer or Proposed Affiliation, so has no basis on which to project or model any changes.

e. Any anticipated impact on PSC's risk-based capital reserve level?

The parties do not anticipate any impact on PacificSource's risk-based capital reserve level resulting from the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health.

f. Any anticipated impact on the business plans of PHP or PCHP?

The parties do not anticipate any impact on the business plans of PHP or PCHP resulting from the Foundation Transfer or Proposed Affiliation between OHSU and Legacy Health.

29. Provide the 3-year financial projections for the following entities:

- a. PacificSource (nationwide and in Oregon overall),**
- b. PHP (including break outs by large group, small group, and self-insured),**
- c. PCHP, and**

- d. PCS, including separate projections for each CCO: Central Oregon CCO, Columbia Gorge CCO, Lane CCO, Marion-Polk CCO, and PacificSource's coverage of Health Share members.**

The requested financial projections were provided in Exhibit 30 of the HCMO Response at HCMO 00936 - 00947.

30. Provide 3-year enrollment projections for PacificSource's Oregon business:

- a. Provide separate enrollment projections for Commercial (large group, small group, and self-insured), Medicare Advantage, and Medicaid lines of business.**

Enrollment projections for these lines of business were enclosed under Exhibit 28 of the HCMO Response at HCMO 00935.

- b. Provide separate enrollment projections for each of PacificSource's CCOs: Central Oregon CCO, Columbia Gorge CCO, Lane CCO, and Marion-Polk CCO, and PacificSource's coverage of Health Share members.**

Enrollment projections for these lines of business were enclosed under Exhibit 29 of the HCMO Response at HCMO 005494.

- c. Describe the assumptions underlying each projection.**

Please see the chart attached as Exhibit 15.

31. Provide 3-year financial projections for the Foundation.

Legacy Health Foundation does not prepare 3-year financial projections for its current operations, nor has one been prepared for the Foundation post-closing.

Under the Memorandum of Understanding, the Foundation will receive (i) Legacy Health's 50% member interest in PacificSource and (ii) liquid assets in the amount of its net cash at closing, minus certain anticipated adjustments. The PacificSource member interest will be transferred to Legacy Health Foundation at closing. The liquid assets will be transferred in a series of installment payments.

In addition to the above new funding, Legacy Health Foundation currently holds approximately \$1,673,000 in unrestricted funds and \$52,545,000 in assets restricted to certain uses, purposes, or programs affiliated with Legacy Health, Emanuel Medical Center, Meridian Park Medical Center and Mount Hood Medical Center (the "restricted funds"). In the first three years and until it expends those restricted funds or transfers them to another organization that is better situated to administer them, the Legacy Health Foundation board will continue to administer those restricted funds according to donor intent and will work with the combined health system to facilitate that.

Because the Foundation's focus in the first years after closing will be on community engagement and developing a strategic plan, the Foundation's expenditures for the first two years will be weighted toward community engagement, which may include provision of or reimbursement for travel, childcare, and other costs that enable the participation in the community engagement process of community members from underrepresented groups. The Foundation's program activities and expenditures will increase after the expanded board has hired its initial executive director, identified its focus areas and launched its programs.

32. Describe how funds will flow between PacificSource and the Foundation.

The parties do not expect any flow of funds between PacificSource and the Foundation. See the response to inquiry #32.c. below regarding dividends. However, the parties will seek out opportunities to collaborate when their missions and programs overlap, as described below.

a. Will the Foundation potentially make any investments in or provide capital to PacificSource?

The parties do not anticipate the Foundation making any investments in PacificSource. The post-closing Foundation Board will make all funding decisions, and the use of the Foundation's charitable assets will be subject to all applicable grant or donor restrictions.

i. Describe the process the Foundation will use to determine whether to provide capital, how much, and for what purposes.

Not applicable.

ii. Provide any analyses, materials, and communications regarding the Foundation providing any funds to PacificSource.

Not applicable.

b. Identify all the ways in which funds could potentially flow from PacificSource to the Foundation, including any requirements or limitations relating to funds flow from PacificSource to the Foundation.

Please see response to inquiry #32.c. below regarding dividends. As noted above, the parties do not expect any flow of funds between PacificSource and the Foundation. The post-closing Foundation Board will make all funding decisions, and the use of the Foundation's charitable assets will be subject to all applicable grant and donor restrictions.

c. The Submission states that “PacificSource does not intend to declare any distributions.”

i. If this were to change, describe the process PacificSource would use to determine when to declare a distribution, how much, and for what purposes, and whether there will be any limitations on such an action.

PacificSource has not declared a dividend since Legacy Health became a member in 2016. At this time, PacificSource does not anticipate declaring any dividends.

Any dividend from PacificSource would require a majority vote of the PacificSource board of directors. During the annual budgeting cycle, the PacificSource board must approve, based on analysis and recommendations from PacificSource’s officers, an annual operating capital budget, which would include any potential member dividends. Prior to declaring a dividend, the board must evaluate annual operating and capital budget needs and three year strategic and capital plans, which are prepared at an enterprise level.

Any dividend from PacificSource Health Plans, PacificSource Community Health Plans, or PacificSource Community Solutions would be subject to laws governing transactions within an insurance holding company system (ORS 732.574 et seq) and CCO holding company system (OAR 410-141-5285 et seq), as applicable. These laws require, among other things, that any dividend be reasonable in relation to the insurer’s or CCO’s liabilities and financial needs. ORS 732.574(1)(e) and OAR 410-141-5320(1)(e). Additionally, PacificSource would need to give DCBS or OHA, as applicable, 30 days’ prior notice of any extraordinary dividend from such entities, and may only proceed with the dividend if OHA or DCBS do not object.

ii. Provide any analyses, materials, and communications related to PacificSource providing dividends.

See the documents provided in response to inquiry #1.

Other Potential Impacts on PacificSource

33. Describe how PacificSource currently coordinates care for its members for each of its CCO plans.

PCS follows the CCO Contract requirements and relevant OHA regulations regarding coordination of care for its members. Among other things, PCS maintains an

appropriate staffing ratio to ensure that members with highest risk receive higher-touch care coordination and that all other members may seek and receive assistance coordinating care, as needed. PCS provides coordination services across the full continuum of care, including physical health, behavioral health, oral health, and health-related social needs services. These requirements are in place regardless of any partnership or ownership arrangement that may exist with a delivery system or other entity.

a. Describe the role that Legacy, including its integrated delivery network, plays in offering those care coordination services.

- As an initial entry point for new PacificSource Medicaid members, Legacy Health receives monthly member roster files and is able to see which new members have been added to the Legacy Health network. Legacy Health has a member engagement team that conducts monthly outreach and engagement to all new members to help them establish care with a Legacy Medical Group (LMG) primary care provider (PCP). They work with patients to find a PCP that meets their needs and can schedule a new patient appointment directly with the clinic at the time of the call. During this call, the member engagement specialist can also identify any urgent care needs such as medication or chronic disease management needs that requires urgent access to care. For these patients, the new patient can be scheduled with Legacy Health's Virtual Care Team to meet their short-term needs. This Virtual Care Clinic (VCC) consists of a primary care provider who focuses on placing external medical information into Epic, updating/completing patient charts for an easy hand-off to their established PCP, managing chronic conditions, maintaining current medications, and focusing on closing care gaps. Legacy Health has also established a pathway for GoHealth urgent care clinics to refer patients who have not established with a PCP to the member engagement team.
- Legacy Health's Patient-Centered Primary Care Homes (i.e., primary care clinics or PCPCH) consist of a team of patient support resources, both clinical and non-clinical. These supports can include a primary care provider, nurse care manager, social worker, clinical pharmacist, behavioral health consultant, community health worker, and registered dietitian. LMG's care management staff addresses barriers to clinical and social care and ensure those barriers are addressed aiding in access across the care continuum.
- Legacy Health conducts post emergency and inpatient discharge follow up phone calls to patients within 48 hours of hospital discharge or ED visit notifications for all established patients to ensure they follow discharge instructions including medication adherence, and verifies they have a follow-up visit with their primary care provider. This process is intended to prevent readmissions and ensure positive patient outcomes.

- Legacy Health's hospital settings have care management staff who support transitions of care for Medicaid patients from inpatient settings. Legacy Health has several reserved-bed programs for post-acute access, access for families to private guardianship programs, collaboration with public guardianship programs, and contracts with Multnomah County for Medicaid screeners to support the prioritization of patients for Long-Term Care benefits. Care Management teams have funding to support access to immediate and essential needs such discharge coordination identified social needs. Additionally, Legacy Health has a community partnership with regional Skilled Nursing Facilities and Intermediate Care Facilities to support complex discharges.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's care coordination services over the next three years.

The parties do not anticipate that the Foundation will play any direct role in PacificSource's care coordination activities over the next three years. As noted above, post-closing Legacy Health will continue providing the care coordination services described above pursuant to its existing relationships with PacificSource.

The Foundation's primary focus will be identifying those programs and initiatives that best fulfil its mission of improving health equity in Oregon and Southwest Washington. As described in Exhibit 9 of the OHA Form A filing, the Foundation's preliminary focus areas will likely be mental and behavioral health, substance use, workforce development, and healthy youth and families. The parties acknowledge that it is often challenging to coordinate care for those suffering from acute mental illness. Moreover, at-risk youth often do not receive the health care they need because of a lack of awareness of the services available to them. The post-closing Foundation Board will engage the community to identify mission-aligned funding opportunities, which may include programs that seek to improve care coordination among the Medicaid-eligible population, especially those suffering from substance use disorder and at-risk youth.

34. Describe how PacificSource has sought to innovate its CCO services over the last three years.

PCS is constantly seeking to improve the way that it provides Medicaid services. This typically involves identifying and developing innovative programs, tools and/or technologies that can help improve PCS' service delivery, member experience and health outcomes. For example, these improvements may take the form of insourcing programs like PCS' Healthcare Interpretation Training program, which provides training and support for individuals seeking to be certified as healthcare interpreters. Other innovations may involve investing in tools and technology that allow staff to improve the speed and accuracy of how they pay claims, analyzing cost and outcomes data, or

reporting financial performance. PCS has also invested in and built teams that focus on health-related social needs interventions and has prioritized innovative partnerships with community-based organizations to address the social determinants of health. PCS has a business incentive to engage in continuous improvement, and the OHA requires CCOs to devote constant attention and investment in creative ways of addressing the unique needs of the Medicaid population.

a. Describe the role that Legacy, including its integrated delivery network, played in such innovation efforts.

- To improve autism assessment wait times and access, some Legacy Health pediatric primary care providers participated in a training cohort that provided education around screening, identification, and evaluation of young children with suspected autism. Legacy Health is engaged with Health Share and PacificSource on sustainable reimbursement models to support this work.
- Unity Center for Behavioral Health opened Emergency Substance Use Disorder services in summer of 2024 to help address the crisis seen in our community. The services, to be located inside Unity's Psychiatric Emergency Service department, will aid those suffering from acute intoxication by offering them a safe location to recover and, if they chose, a path toward sobriety. Unity Center partners with the Mental Health & Addiction Association of Oregon for peer specialist services. New services offered include
 - Emergency responder and police drop-off access
 - Walk-in services
 - Emergency mental health stabilization
 - Withdrawal management
 - American Society of Addiction Medicine level of care assessments
 - Recovery-focused care coordination and referrals
 - Harm reduction education and supplies
 - Peer support services
 - Referrals for follow-up care within the community for treatment services
 - Behavioral Health Resource Team
- Legacy Health's Doula program, launched in 2021, was highlighted by the Institute of Medicaid Innovation for its innovative work in Perinatal and Child Health in Medicaid. A doula is a trained non-clinical professional who provides physical, emotional, and informational support to birthing people and their families. Research has shown that patients who work with doulas have improved outcomes for themselves and their babies and leave their birthing experience feeling better supported. Pregnant women who receive

continuous support from doulas typically have shorter labors, need fewer medical interventions, and are less likely to have a cesarean section. They're also more likely to say that the birth was a positive experience. Babies born with a doula's help tend to have a healthier start in life. Legacy Health recruits a broad pool of community doulas that allows Legacy Health to match doulas to clients based on how they identify, and/or clients' specific requests. Pregnant people have the option to interview their doula before being matched. Recruitment prioritizes doulas of color, bilingual/bicultural doulas, those identifying as LGBTQIA+, and doulas who have lived experience with substance use disorder, homelessness, low-income or under-resourced pregnancy or mental health diagnoses. The Legacy Doula program was made possible with support from Randall Children's Hospital Foundation with the goals of:

- Providing access to doulas for all Medicaid patients, including those at highest risk for poor health outcomes due to implicit racial bias.
- Integrating a diverse doula workforce into the health system and supporting culturally matched doulas and clients.
- Improving preterm birth, breastfeeding rates, and patient satisfaction.
- Decreasing the cesarean section rate and NICU admissions.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's ability to innovate over the next three years.

Post-closing, Legacy Health will continue to support PacificSource's innovation activities under its existing contracts with PacificSource.

The Foundation's primary goal for PacificSource is to ensure that it continues providing best-in-class care and coverage to its members. In its role as a 50 percent member in PacificSource, the Foundation will support PacificSource's executive team in seeking out innovative ways to improve its programs and services. Because of the mission alignment between PacificSource and the Foundation, the Foundation will be in an excellent position to understand and give voice to the needs of the communities that both organizations serve.

As described in the Foundation's CCO Form A filing, the wholistic approach to health improvement championed by the Foundation aligns perfectly with PacificSource's mandate to pursue innovative strategies to improve social determinants of health. PacificSource's mission as a CCO is to improve the health of its members, which includes investing in health-improvement initiatives that are upstream of the traditional health care system. These investments provide value both to PacificSource's members (who receive additional supports) and to the Oregon Health Plan (which is able to achieve better health outcomes at a lower cost). PacificSource will benefit directly from the Foundation's institutional focus on health equity, which can foster shared learnings between the Foundation and

PacificSource and strategic alignment between the Foundation's activities and PacificSource's efforts to improve the living conditions of its members.

35. Describe how PacificSource has sought to provide value for its CCO members over the last three years.

PCS seeks to provide value for its CCO members by ensuring access to a robust and diverse provider network across the continuum of care, including physical health, behavioral health, oral health and health-related social needs services. PCS also maintains a well-trained and experienced teams that offer care coordination, system navigation support, and general assistance to all members. Further, PCS has built internal programs such as its Healthcare Interpretation Training program to expand members' access to linguistically appropriate care and interpretation services wherever needed. PCS periodically seeks guidance and input from each CCO region's Community Advisory Council to inform community-specific priorities for investments or operational improvements. Finally, PCS constantly monitors and addresses member grievances. Wherever patterns in grievances may arise, PCS seeks to identify and address the root cause of those challenges.

a. Describe the role that Legacy, including its integrated delivery network, played in providing such value.

- Emanuel Pediatrics provides Advanced Primary Care for children entering foster care to address gaps in services and supports, with the goal of improving utilization of healthcare resources in this high-risk patient population. Emanuel Pediatrics also supports services for foster parents and biological parents to assist with stabilization and transition of children between homes. Children in foster care have a higher prevalence of chronic medical, dental, mental health, and developmental issues. These children often experience episodic, fragmented, and inadequate health care prior to foster care which often continues once in foster care due to multiple changes in placement. To support this effort, Legacy Health invested Health Share quality pool earnings to help add a Foster Care Peer Mentor and Psychologist to the team.
- In 2023, Legacy launched the Behavioral Health Service Line, which streamlined behavioral health care across the system. The service line provides care for both adult and pediatric patients and put our behavioral health ambulatory, psychiatric inpatient, and inpatient consultation services under one umbrella. Additionally, Legacy Medical Group offers behavioral health providers in all primary care clinics, which provides same-week and more often, same-day appointments. This immediate intervention in the psychological safety of the patient can help reduce the number of visits to the emergency department and avoid hospitalization.
- To address inconsistent video and audio visit experiences for our primary and specialty care patients and providers, Legacy Health created a

centralized pool to room all video visit patients to standardize workflows and improve patient and provider experience.

- Legacy Health is in the process of implementing a program focused on controlling hypertension through remote patient monitoring technology which allows pharmacy and operations coordinate and manage patient care.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's ability to provide value over the next three years.

Post-closing, Legacy Health will continue to support PacificSource's activities focused on improving the value of the services it provides to its members and the State of Oregon.

The Foundation will use its role as a member to bolster PacificSource's efforts to provide value. The Foundation will be independent of any health care provider or system. This will give the Foundation the freedom to pursue innovative initiatives that do the most to improve population health—even if they have nothing to do with the traditional health care delivery system or any particular health care provider. These population-based interventions are often more cost-effective than ones that rely exclusively on the traditional health care providers. The Foundation will bring this independent, wholistic approach to population health to its role as a member of PacificSource.

36. Describe how PacificSource has sought to provide high-quality care for its CCO members over the last three years.

PCS helps its members receive high-quality care by maintaining a strong network of qualified providers, incentivizing value-based care, using data to help improve care outcomes, and engaging in community initiatives in support of quality improvement. PCS follows best practices for credentialing all providers in its contracted provider network. On a quarterly basis, PCS produces a detailed Delivery System Network report to OHA that describes the provider network and any changes in access to services over time. Provider Agreements outline detailed requirements and expectations of providers and provider network staff regularly oversee performance of these contracts. Further, PCS has prioritized paying providers using value-based payments that incentivize quality performance and reward providers for achieving specific quality benchmarks each year.

PCS also administers robust Program Integrity provisions to ensure that its contracted providers, subcontractors and delegates are adhering to regulatory and contractual requirements, protecting against fraud, waste and abuse, and providing high-quality services. Finally, PCS has analytics systems that measure quality across a number of dimensions, including OHA-determined CCO Metrics, standard health plan quality measures, and members' clinical outcomes. PCS actively participates in state committees such as the Health Evidence Review Commission and its subcommittees, the Quality and Health Outcomes Committee, and the Health Information Technology

Oversight Committee. Each of these committees ensure that CCO stakeholders are measuring quality and engaged in best practices to incentivize quality improvement activities.

a. Describe the role that Legacy, including its integrated delivery network, played in providing such high-quality care.

- Legacy Health maintains a robust Patient-Centered Primary Care Home (PCPCH) program which supports all our primary care clinics maintain tier 4 PCPCH or above representing a high level of achievement which includes advanced implementation of PCPCH standards, strong use of data and quality improvement strategies, and proactive care management services such as panel coordination and resource navigation.
- Emanuel Pediatrics primary care became a 5 STAR PCPCH in 2023 which is the highest recognition a primary care practice can achieve in the state's PCPCH program. Key components of a 5 STAR PCPCH include advanced patient-centered care such as meeting higher standards in access to care, continuity of care, and coordination and integration.
- Emanuel Pediatrics primary care screens its entire patient population at well child checks beginning at 6 months for oral health needs. In addition, the practice offers fluoride in clinic and referrals are made for patients who do not have a dental home. The practice has a referral coordinator that then tracks these referrals in coordination with dental plans as needed. Adult Legacy Health primary care clinics began developing oral health integration workflows in 2024 and will begin screening for oral health need in 2025.
- The Legacy Health care management team provides longitudinal support to all our HIV patients with a dedicated HIV Resource Specialist.
- In 2024, Legacy Emanuel Medical Center began piloting a partnership with the Mental Health and Addiction Association (MHAA) of Oregon to provide a peer substance use support person with a goal of creating a pathway to recovery for those who participate.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's ability to provide high-quality care over the next three years.

Post-closing, Legacy Health will continue to support PacificSource's activities focused on improving care delivery under its current contractual relationships. Because the Foundation is not a health care provider, it will not be directly involved in care delivery. However, as described above, PacificSource intends to use its role as a member to further PacificSource's efforts to improve the health of its members through prioritizing social determinants of health. The Foundation will be uniquely situated to address upstream factors that affect health and health outcomes. This includes social and institutional inequities, physical environment, living conditions, and other so-called "social determinants of health." These

routine aspects of daily life are not typically considered part of our health care system, yet have an outsized impact on mortality, disease, treatment, and other health outcomes.

Due to its independence from hospitals, payors, and government agencies, the Foundation can help identify and mitigate those barriers that exist within the traditional health care system and those that are upstream of direct care. PacificSource occupies a similar space in our health care system, and one of the primary goals of the CCO program is to achieve population health through impactful investments in upstream factors that affect health. This shared mission will facilitate collaboration and solidify the wholistic approach to population health championed by the CCO program and OHA.

37. Describe the actions that PacificSource has taken to address health disparities over the last three years.

PCS has prioritized investing in data systems that allow it to identify disparities by collecting and analyzing data using race, ethnicity, language and disability (REALD) and sexual orientation and gender identity (SOGI) information of its members. PCS invested more than \$2 million annually to incentivize providers to recruit and retain providers of color or providers who speak languages other than English.

PCS invested \$2 million in community-based partnerships, programs, sponsorships and initiatives to engage and educate the new Healthier Oregon Program (“HOP”) membership about how to use their CCO benefits. An example of this outreach includes partnering with a local community radio station to air HOP-focused ads encouraging HOP enrollees to access services with information about how to make appointments and where to call for assistance. These radio spots aired in Spanish and six other native Mexican languages.

PCS developed and implemented a Traditional Healthcare Worker (THW) programmatic payment, which allowed providers and community-based organizations to offer THW services, which serve a higher proportion of populations of color and non-English-speaking members.

As previously noted, PCS built an in-house program to train and support the certification of Healthcare Interpreters, which has added 96 qualified interpreters to the OHA’s healthcare interpretation registry. As a result of these efforts, PCS CCOs were three of only four CCOs that achieved the Meaningful Language Access Quality Pool measure in 2023. In addition, PCS developed and implemented a Traditional Healthcare Worker (THW) programmatic payment, which allowed providers and community-based organizations to offer THW services, which serve a higher proportion of populations of color and non-English-speaking members. The Health Equity Plans across all four PCS CCO regions consistently outscore all other CCOs in the state.

Finally, under the leadership and guidance of its Tribal Liaison, PCS has partnered with tribes in its CCO service areas to invest 25% of all Health-Related Services Community Benefit Initiative funding on tribe-identified projects and initiatives.

a. Describe the role that Legacy played in such initiatives.

- Legacy Health created a Disparity Index tool which providers and leaders can use to learn about the health outcomes of our diverse patient population. The tool evaluates 32 quality measures across four demographic characteristics, race, ethnicity, gender, and language, and can help care teams and leaders identify and prioritize areas of improvement. Measures include preventive and wellness care areas such as diabetes management, well-child visits, cancer screenings as well as measures of healthcare utilization, such as visits to the emergency department (ED) and hospital length of stay.
- In 2023, Legacy Health participated in an 18 month Pursuing Equity Action Community cohort through the Institute for Healthcare Improvement (IHI). Legacy Health was one of ten international healthcare organizations chosen to participate. The Pursuing Equity Action Community's aim is to make progress on measurable clinical equity improvement projects and advance the culture of equity at organizations. Legacy Health focused on the mammography screening disparity seen among Black and African American women. Key successes included a routine review of trends in breast cancer screenings by race at clinics, proactive collaboration with public health partners at Multnomah County, and a direct connection to Legacy's Diversity, Equity, and Inclusion strategy. The Legacy Pursuing Equity Action team aims to align with system quality leaders at each hospital site to offer insights on how to build equity actions teams and utilize the tools and skills learned in the Action Community such as reviewing disparity data and interviewing staff and community members to identify disparity drivers.
- Legacy Health made investments to support Chuukese Interpreter workforce development in 2022 and 2023 using earned health share quality pool dollars. The Chuukese-speaking community currently faces significant barriers to accessing health care due to a shortage of available qualified medical interpreters. Previously the entirety of Clark County, WA, and Portland metro area, OR had 2 interpreters. With Legacy's investment and support, the project has trained 10 new interpreters, which benefits all patients who face interpreter challenges.
- In June 2022, Legacy created a Practice Guideline which outlines the standards for the creation, use, and maintenance of patient education. It highlights the importance of providing culturally responsive, health literate patient education.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's actions to address health disparities over the next three years.

Post-closing, Legacy Health will continue to support PacificSource's activities focused on addressing health disparities. As an independent health-focused organization closely connected to and representative of the community, the Foundation will be ideally positioned to address the social determinants of health that contribute to health disparities. The Foundation will be a neutral and trusted voice in the space of health equity, a convener, a strategic and thoughtful grant maker, a hub for resources and innovation working to align and amplify existing efforts to advance health equity, and more.

In its role as a member of PacificSource, the Foundation will bring to bear its institutional focus on health equity and social determinants of health. This will help ensure that this transaction will, if anything, improve PacificSource's ability to address health disparities in the communities it serves.

38. Describe the actions that PCS has taken to address social determinants of health for the communities it serves for each of its CCOs over the last three years.

Please see responses to inquiry # 33-37 that contain information regarding actions PacificSource has taken to address social determinants of health. In addition to those examples, and in anticipation of the new HRSN housing benefit, PCS became the first CCO to use a new OAR that allows CCOs to dedicate a portion of restricted reserves toward housing programs. In this way, PCS provided a \$4 million low-interest loan to Homes for Good Housing Agency, which will allow it to expand access to affordable housing in Lane County. PacificSource also invested \$500,000 in His Place, which offers substance use disorder treatment services and transitional housing with onsite childcare for fathers with dependent children. In late 2023, PacificSource created a new Vice President of Community Health position, which is responsible for implementation of the new Health-Related Social Needs (HRSN) benefits, including climate supports, housing, and in January 2025, food and nutrition supports. The Community Health team is also responsible for drafting, and maintaining PCS' Health Equity Plans across all regions, which include a number of social determinants-focused initiatives. Starting in 2023, the OHA included new social determinant of health metrics among the CCO Quality Incentive Program metrics. PCS' Medicaid team hired three Community Quality Coordinators to focus on building partnerships, infrastructure and education to achieve these metrics and meaningfully impact social determinants of health across all communities served by its CCOs.

a. Describe the role that Legacy played in these actions.

- Legacy Health began screening for food insecurity in 2020 and expanded the SDOH screening to include transportation, housing, utilities, and home

safety in mid-2024. These screenings happen in our primary care clinics and every established patient is screened annually.

- Legacy Health established a patient food support program in 2020 that is now operational at nearly 50 clinics and units across the system to include primary care, women's services, and several inpatient care management units. The program is a partnership between Legacy Food and Nutrition Services, Supply Chain, and Care Management. Patients who screen as food insecure are provided with a shelf-stable food bag at the time of screening while they await connection to longer-term resources. Over the past 3 years, the food program has expanded to include every Legacy Health primary care clinic offering fresh food bags at five sites, and a monthly free food market at one site. Through data collection, we've found that 22% of PacificSource's Medicaid patients assigned to Legacy Health who are screened identify as food insecure, and we've distributed over 10,000 meals since the program began. The program is maintained through a combination of grants and Legacy Health investments. Legacy has invested \$433,000 from Health Share quality pool earnings since 2021.
- Legacy Health has expanded the use of Unite Us, a Community Information Exchange (CIE) platform that connects clinical teams with community-based organizations (CBOs). Legacy integrated this software into our instance of Epic, so care management staff have easier access to the platform. This technology allows us to send referrals to regional CBOs who can provide support for identified health-related social needs. The platform offers a closed-loop referral system that allows our care teams to track referrals and understand if the patient was connected to the needed resource or service.
- Legacy Health hired a Community Health Worker (CHW) in 2022 at our Emanuel Pediatrics primary care clinic as a pilot using Health Share quality pool earnings to support care management teams address the increase in identified social needs brought on by the suite of new social determinant of health screenings being offered to our pediatric patients. Emanuel Pediatrics' patient panel is about 75% Medicaid. This CHW has integrated into the PCPH team and has provided tremendous support to our care management staff allowing social workers and clinic managers time to focus on higher level clinical care and supporting the non-clinical work associated with resource linkage. Through success with the Emanuel Pediatrics pilot, Legacy expanded our CHW workforce in 2024 adding six new CHWs in six adult primary care clinics and transited our current Health Navigator workforce to CHWs. CHWs are a state-certified type of Traditional Health Worker (THW) that can be reimbursed for the services they provide. Startup funding for this program was provided using Health Share quality pool dollars.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's actions to address social determinants of health over the next three years.

Post-closing, Legacy Health will continue to support PacificSource's activities to address social determinants of health. The Foundation will be uniquely situated to address upstream factors that affect health and health outcomes, as described in response to inquiries #33 -38 above.

As noted in the Foundation's CCO Form A filing, Legacy Health is funding the Foundation primarily to improve health equity in Oregon and Southwest Washington through a focus on social determinants of health. This institutional focus will carry through to the Foundation's governance role at PacificSource. Through the Foundation's initial workgroup, it has identified focus areas that (a) reflect the urgent health care needs of our community, (b) have upstream causes that are inadequately addressed by our current health care system, and (c) present opportunities for the Foundation to have a quantifiable impact on health outcomes. The Foundation will be well positioned to collaborate with other partners, including PacificSource to address upstream factors and advocate for solutions in these focus areas.

The Foundation will be ideally positioned to tackle social determinants of health and will bring its institutional focus on social determinants to its role as a member of PacificSource. Please see our response to inquiry #37.b for a further discussion of the impact of this work on PacificSource.

39. Describe the actions that PCS has taken to connect with the communities it serves for each of its CCOs over the last three years.

In addition to the Community Quality Coordinators described in question 38, PCS also has Community Health Coordinators, who are charged with engaging the broader community in CCO activities, working closely with each region's Community Advisory Council, and developing Health-Related Services Community Based Initiative and SHARE funding investments. Furthermore, roles like the Tribal Liaison and the Traditional Health Worker Liaisons are focused on creating and improving connections with communities by ensuring PCS is culturally responsive and building programs that are meeting the specific needs of the communities PCS serves. Implementation of the new HRSN benefits necessitates novel partnerships with community-based organizations, counties, faith-based organizations, and community leaders to help educate the public about what these new benefits will and will not entail and to expand the scope of a "provider" to include those doing more general outreach and engagement work with CCO members.

Each of PCS's CCO regions has a community-based Health Council, which also serves as the Governing Body of the CCO. Each Health Council partners closely with PacificSource to connect with and engage communities, whether through its

governance activities (which include Community Advisory Councils and Clinical Advisory Panels), through the development of the Community Health Assessments and Community Health Improvement Plans, or through other community-based initiatives to improve quality, to expand workforce, or to increase access to care.

a. Describe the role that Legacy played in these actions.

- In 2023, Legacy Health partnered with a local, Black-owned farm, Mudbone Grown, to provide a monthly, free, fresh-food market to our community on the Randall Children's campus. In addition to providing access to food, we partnered with a local chef to provide free cooking demonstrations.
- Legacy Health allocates a portion of its Health Share quality pool earnings received through our participation within the Health Share of Oregon CCO to offer grants to community-based organizations who address health disparities and align with Legacy's Community Health Improvement Plan (CHIP). Since 2022, Legacy provided, nearly \$2 million in quality pool earnings to Legacy Health's community benefit department to support community grants.
- Legacy Health participates with the Marion-Polk Collaborative (for Legacy Silverton Medical Center) and Healthy Columbia Willamette Collaborative (all other Legacy hospitals) to assess the health needs of the community through a Community Health Needs Assessment (CHNA). Feedback from individuals/families who represent a broad interest of the community served by all hospitals is considered through community input sessions/meetings and surveying of the community.
- Legacy Emanuel's Trauma Nurses Talk Tough (TNNT) program provides safety training & education services across all Legacy service communities which include court ordered classes, senior falls prevention, parent/young driver safety, "Stop the Bleed" presentations and new parent training to reduce incidences of shaken baby syndrome. Program staff also fit and distribute low-cost helmets and safety gear to adults and children at various events in the community.
- Legacy Health provides presence at multiple job fairs throughout the year, allowing job seekers to explore various job opportunities within Legacy Health and the healthcare field.
- Legacy Health routinely engages with organizations and community through health fairs, educational workshops, and screenings to promote preventative care.

b. Describe any anticipated ways in which the Foundation will impact or contribute to PacificSource's actions to connect with each of the communities it serves over the next three years.

Post-closing, Legacy Health will continue to provide the community-focused activities described above.

Community engagement is at the heart of the Foundation's initial planning activities. The Foundation will work to build authentic relationships with community partners over time and throughout its lifespan. Outreach will launch before the system combination is approved and the Foundation is funded, and will expand after closing. CCOs like PacificSource and the communities they serve will be included in the Foundation's community engagement and outreach. Although the Foundation does not intend to target the membership of any one CCO for community engagement, the Foundation recognizes the importance of including Medicaid-eligible populations in its outreach efforts.

40. Describe whether this proposed transaction or the proposed OHSU transaction is anticipated to affect any PacificSource plans to bid to continue offering CCO plans in the next round of procurement.

PacificSource is continuing to evaluate its position with respect to CCO 3.0 in the ordinary course, and independent of the Foundation Transfer or Proposed Affiliation.

41. To what extent has Legacy provided capital or operational support to PacificSource over the past 3-5 years?

Legacy Health has provided no capital support to PacificSource since it became a member. Legacy Health participates in Health Share's Board and Committee structure, including ad hoc workgroups, focused on the management of Legacy Health's IDS population. As part of these committees, Legacy Health staff work with PacificSource on issues relevant to PacificSource's duties under the IDS contract including performance management and reporting. Legacy Health does not provide any direct operational support to PacificSource outside participation in these committees.

42. Do the parties anticipate any needs of PacificSource for additional capital or operational support over the next 5 to 10 years?

The parties do not anticipate that PacificSource would need additional capital or operational support over the next 5 to 10 years from the Foundation or the combined OHSU-Legacy system.

Operations of the Foundation

43. The Submission states that "Because CCOs across the state are already devoting substantial resources toward initiatives to improve health equity, the Foundation anticipates including PacificSource and other CCOs in its work."

a. Identify and describe the types of anticipated initiatives that the Foundation would engage in that include the PCS communities.

The post-closing Foundation will pursue several strategies to realize its new mission and vision. The Foundation will learn from and partner with community

members to develop solutions centered on social determinants of health, then make investments in those solutions. Initial strategies of the Foundation as developed by a workgroup comprised of physicians, business leaders and community volunteers from the Legacy Health and Legacy Health Foundation boards are described in the July 2024 report titled “A Generational Opportunity to Advance Health Equity in Oregon and Southwest Washington” included as Exhibit 16 in the HCMO Response. By virtue of their overlapping geographic footprint and mission, the initiatives of the Foundation will support the PacificSource community and the community at large.

The Foundation will work to build authentic relationships with community partners over time and throughout its lifespan. Outreach will launch before the system combination is approved and the Foundation is funded, and will expand after closing. CCOs like PacificSource and the communities they serve will be included in the Foundation’s community engagement and outreach. Although the Foundation does not intend to target the membership of any one CCO for community engagement, the Foundation recognizes the importance of including Medicaid-eligible populations in its outreach efforts.

b. Identify and describe any mechanisms in place that would require the Foundation to include the PCS communities in the scope of its grants.

Under the terms of the grant agreement, the Foundation’s assets must be used for health equity and access in Oregon and Southwest Washington. The PacificSource communities fall within the geographic and mission parameters, and so would likely benefit from the Foundation’s focus on community health. The grant does not further restrict or define a targeted community. The Foundation is not required to target PacificSource communities with its grants, nor is it restricted from including the PacificSource communities in the charitable class of its grants. The goal of the Foundation is to improve health equity across the region, not just for one CCO’s members.

c. Identify and describe any mechanisms in place that would provide the Foundation with greater connection and insight into the needs of the PCS communities.

As noted above, the Foundation will work to build authentic relationships with community partners over time and throughout its lifespan. Immediately following closing, the Foundation will expand its board to include additional members from the communities it serves. Outreach to identify potential members will launch before the system combination is approved and the Foundation is funded, and it will be the post-closing Foundation board that will recruit and elect these new members. CCOs like PacificSource and the communities they serve will be included in the Foundation’s community engagement and outreach. Although the Foundation does not intend to target the membership of any one CCO for

community engagement, the Foundation recognizes the importance of including Medicaid-eligible populations in its outreach efforts and will do so.

d. Provide all documents relating to discussions or plans for the Foundation to include the PCS communities in the scope of its grants.

There are no plans to target any subset of individuals in the scope of the Foundation's grants. Under the terms of the grant agreement, the Foundation's assets must be used for health equity and access in Oregon and Southwest Washington. The PCS communities fall within the geographic and mission parameters, and so would likely indirectly benefit from the Foundation's focus on community health. Please refer to the May 2024 MOU between Legacy Health and Legacy Health Foundation for further detail on the grant attached as Exhibit 18 to the HCMO Response and the July 2024 report titled "A Generational Opportunity to Advance Health Equity in Oregon and Southwest Washington included with the HCMO Application" attached as Exhibit 16 to the HCMO Response.

44. Sections 2.1 and 3 of the Memorandum of Understanding between Legacy Health and Legacy Health Foundation, dated May 30, 2024 (the "MOU") states that "[t]he Grant funds may not be expended for any other purpose without the prior written approval of Legacy."

a. Should the proposed transaction between OHSU and Legacy close, will this provision require prior written approval from OHSU?

After closing, Legacy Health will continue to exist as an Oregon nonprofit corporation, and it will continue to enforce its restrictions as the grantor under the grant agreement. OHSU will be the sole member of Legacy Health.

b. Will OHSU be assuming Legacy's rights under the MOU following the closing of the OHSU transaction?

After closing, Legacy Health will continue to exist as an Oregon nonprofit corporation, and it will continue to enforce its restrictions as the grantor under the grant agreement. OHSU will be the sole member of Legacy Health.

45. Attachment 3 of the MOU identifies restricted grant activities. What oversight will OHSU have for ensuring compliance by the Foundation with the restricted grant activities requirements?

The language in the grant agreement makes the grant a donor-restricted grant. The Uniform Prudent Management of Institutional Funds Act (ORS 128) outlines the process to release or modify restrictions on funds. The Attorney General has the authority to enforce gift restrictions. The Attorney General is responsible for the supervision and protection of charitable assets. See *Wemme v. The First Church of Christ*, 110 Or 179, 217, 219 P 618 (1924).

a. Provide examples of grants that would be considered “solely for the benefit of the community health needs,” as addressed in the MOU, Attachment 3, under “Permitted Grant Activities.”

Attachment 3 to the Grant Agreement details the restricted grant purpose of health equity and access. Strategic and responsive grantmaking is one of the initial strategies identified by the Foundation workgroup. Recent philanthropy examples in our region that would be considered “solely for the benefit of the community health” under the agreement include:

- Allies in Healthier Systems for Health & Abundance in Youth, a program to tackle youth incarceration by promoting paths to opportunity for young people, led by University of Washington School of Medicine clinical professor Dr. Benjamin Danielson, with initial funding from the Bezos Family Foundation
- PeaceHealth Sacred Heart Medical Center’s purchase of 48 defibrillators for the Eugene Police Departments patrol vehicles.
- Providence Health’s Play Smart heart screening and concussion awareness programs, through the annual Health and Fitness School Days for local youth.

b. Provide examples of grants that would be considered “to or for the benefit of other non-profit hospital-based systems.”

Recent examples of philanthropy in our region that would be considered “to or for the benefit of other non-profit hospital-based systems:”

- September 2024 - The PeaceHealth Southwest Medical Center Foundation received a \$10 million gift from David and Patricia Nierenberg towards PeaceHealth Southwest’s campaign to support the expansion of the Emergency Department.
- October 2024 – The Providence Heart Institute in Portland received a \$1 million donation from Michael Jordan to establish the Howard “H” White cardiac amyloidosis center.

46. The MOU states that “Before Closing, the Parties will work together to draft a plan to implement the Foundation’s new mission and vision using Grant funds to further health equity and access after the Reconfiguration.” Provide all documents related to development of this plan, including any draft plans or communications between the Parties related to potential plans.

To chart the future course of the foundation following the system combination, Legacy Health and Legacy Health Foundation formed a joint workgroup to begin that important work. The workgroup includes physicians, business leaders, and community volunteers from the Legacy Health and Legacy Health Foundation boards. The joint workgroup met on June 18, 2024. The materials from that meeting were provided with

HCMO Response at HCMO – 001788 - 001819. The parties are scheduling a meeting in February 2025, when The Giving Practice will share initial learnings from community outreach, and the group will discuss how to apply the learnings to Foundation values and governance.

47. Does the Foundation board intend to adopt or implement any restrictions on the Foundation’s operating or administrative costs?

Foundation policies will be set and approved by the board of directors after closing.

48. Does the Foundation board intend to adopt or implement any requirements or restrictions related to making capital contributions to PacificSource?

The post-closing Foundation Board will have full discretion over its investment activities and assets, including PacificSource. The post-closing board may adopt an investment policy to provide a framework of the Foundation’s investment priorities, diversification and philosophy. The Foundation’s investment in PacificSource would be subject to the PacificSource member agreement.

49. The Submission states that the Foundation board will include five current Legacy directors and four current Foundation trustees.

a. Will the five current Legacy directors who are expected to serve on the Foundation board also hold positions at OHSU after the close of the OHSU-Legacy transaction, either as members of the board or executive team?

The Foundation Board members have not been identified. There are no plans for any member of the Foundation Board to hold an executive position at OHSU following the closing of the Foundation Transfer. The current Legacy Health board of directors includes physicians who are employed by Legacy Health and will continue their medical practice in the combined system. Those physicians may be considered to join the Foundation board.

i. If unknown, will the Foundation impose any limits on employment or other board membership for Foundation board members?

The Foundation bylaws that will be adopted at closing include the following section on qualifications:

“All directors must be individuals 18 years of age or older. Directors need not be residents or citizens of the State of Oregon or of the United States of America. The board may establish written policies that include additional criteria for qualifications of directors and composition of the board.”

Beyond the age minimum, there are no per se limitations on who may be considered to serve on the Foundation board. The Foundation Board may adopt policies addressing composition and characteristics of the board to memorialize community input and provide a roadmap for recruitment and selection. As part of the recruiting process, any potential director would be vetted for potential or perceived conflicts of interest, and once elected, all directors would be required to comply with a conflict-of-interest policy.

b. Do any of the four current Foundation trustees hold positions at Legacy or OHSU, either as members of the board or executive team?

i. Will there be any limits on employment or other board membership for these Foundation board members?

The composition of the post-closing board of the Foundation has not been determined. The Giving Practice is launching community outreach in December 2024 when they will focus on values and governance. These community insights will inform Board composition.

Dr. George Brown is the only person who both holds a position as a member of the board or executive team of Legacy or OHSU, and serves on the Legacy Health Foundation board of trustees.

The Foundation bylaws that will be adopted at closing include the following section on qualifications:

“All directors must be individuals 18 years of age or older. Directors need not be residents or citizens of the State of Oregon or of the United States of America. The board may establish written policies that include additional criteria for qualifications of directors and composition of the board.”

Beyond the age minimum, there are no per se limitations on who may be considered to serve on the Foundation board. The Foundation Board may adopt policies addressing composition and characteristics of the board to memorialize community input and provide a roadmap for recruitment and selection. As part of the recruiting process, any potential director would be vetted for potential or perceived conflicts of interest, and once elected, all directors would be required to comply with a conflict-of-interest policy.

c. Describe any planned compensation for Foundation board members.

The Foundation in its current form does not compensate its board of trustees. It has not yet been determined whether board members of the new foundation will be paid or otherwise receive compensation, as this is an item that will be determined by the new board after the

combination. A future decision of whether and how much to compensate board members would be dependent on a variety of factors—for example, the final funding amount for the Foundation, desired board composition, estimated hourly commitment and responsibilities required of board members, and complexity of strategies the new foundation decides to execute. The board may also decide to compensate community members or subject matter experts invited to serve on board or advisory committees. There is a growing acknowledgment that compensating board and committee members is important to advancing equity and assembling diverse boards, recognizing the disproportionate impact unpaid time demands may have on individuals from diverse or historically underrepresented backgrounds and/or individuals that represent or have experiences relevant to an organization’s mission.

Any compensation paid to board members or committee members would be set in accordance with federal tax law and regulations applicable to 501(c)(3) nonprofit organizations. The Internal Revenue Code mandates that nonprofit compensation be “reasonable.” Compensation is considered reasonable if it is comparable to what “would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances.”

50. The Submission states that “over the next five to ten years, the Foundation intends to identify a strategic buyer for its 50 percent member interest in PacificSource that will maximize the value of such interest to the Foundation and help PacificSource achieve its long-term strategic goals.”

a. Explain why the Foundation intends to sell its 50 percent member interest in PacificSource over the next five to ten years.

This timeline will ensure the Foundation will not be subject to federal excise taxes imposed on private foundation excess business holdings. As described in the Form A filings, one objective of the Foundation Transfer is to ensure that the Foundation has sufficient resources to fulfill its goal of becoming a grant making foundation that champions and implements strategies to improve social determinants of health with the (a) mission to create a legacy of generational health and well-being through purposeful and impactful investments in Oregon and Southwest Washington, and (b) vision that every member of our community will achieve their highest possible quality of health. The Foundation believes that proceeds from the sale of its 50 percent member interest in PacificSource will provide valuable capital to help sustain the Foundation’s mission and vision into the future.

i. Describe how this timing was decided. Did the Foundation explore selling its member interest earlier than the five to ten year timeline?

The Foundation will transfer its membership interest as soon as it can identify an appropriate buyer and the parties can agree to suitable terms. However, the Foundation anticipates this process will take a period of years, because of both the complexity of such a transaction and the need to find a buyer who would be an appropriate steward of PacificSource. At this time the parties are aware of four potential transaction structures: (1) Legacy Health sells its entire 50% interest in PacificSource to a buyer, (2) PHA and Legacy Health together sell 100% of PacificSource to a buyer; (3) PacificSource or PHA redeems or repurchases Legacy Health's 50% interest in PacificSource, or (4) the Foundation donates the PacificSource membership interest to a qualifying charity. The Foundation will explore each of these options.

In any case, the Foundation expects that the parties would retain financial, legal and accounting advisers to help ensure that the transaction is fair and maximizes PacificSource's value to the Foundation and preserves PacificSource's existing services. Per PacificSource's current by-laws, any PacificSource member must be an Oregon nonprofit public benefit corporation or a foreign nonprofit corporation which, if incorporated in Oregon, would qualify as a public benefit corporation.

If any of these future scenarios involves the transfer of the Foundation's membership interest to an organization that, alone or in connection with its subsidiaries and controlled affiliates, operates one or more hospitals in Oregon or Washington State, then OHSU would have the right of first refusal for such transfer set forth in Section 3.8.2 of the System Combination Agreement. Additionally, a sales transaction involving the Foundation's members interest in PacificSource may trigger a right of first offer for PHA, as specified in Section 2.4 of the Member Agreement.

ii. Why does the Foundation think it will be successful in selling PacificSource in five to ten years?

Ultimate success of the transaction depends on the Foundation finding a suitable buyer. Foundation believes that five-to-ten-year window will give the Foundation sufficient time to find a suitable buyer for its 50 percent member interest in PacificSource and adequately explore the potential transaction structures described in response to inquiry # 50.a.i. above.

iii. Would the Foundation consider selling PacificSource earlier if a potential buyer made an offer or inquired about a possible sale?

Yes, Foundation will consider selling its 50 percent member interest in PacificSource earlier than the currently anticipated five-to-ten-year timeline if the Foundation receives an offer or inquiry from a potential buyer who the Foundation believes would be a suitable successor. Please see response to inquiry # 50.a.i. above for additional information.

iv. Has PacificSource or the Foundation identified any issues that may arise if the Foundation is unable to sell PacificSource? Describe any such issues and the parties' plans to address them.

The parties are confident the Foundation will be able to sell PacificSource. Upon such a sale, the Foundation will use the proceeds from the sale in its health equity and access initiatives. All of the Foundation's assets are restricted to its charitable purpose. If the Foundation is unable to sell its member interest, it may explore how to donate its member interest to another 501(c)(3) public charity with an aligned mission to ensure the assets remain devoted to health equity and access in Oregon and Southwest Washington.

b. Describe PacificSource's long-term strategic goals and explain how the future sale of the Foundation's interest is anticipated to further these goals.

Legacy Health and the Foundation acknowledge concerns, both in and outside PacificSource, about the uncertainty created by the proposed transaction that transfers Legacy Health's 50% economic interest in PacificSource to the Legacy Health Foundation. The Foundation is committed to working with PacificSource, OHSU, Legacy Health, and Health Share to maintain continuity for PacificSource so that it can achieve its short- and long-term strategic objectives. The parties also acknowledge that a subsequent transfer of the PacificSource member interest to a third party who is not aligned with PacificSource's ninety plus year member-focused community-based mission could be a concern. A new corporate member that does not hold the same values, mission and vision as PacificSource could disrupt the market, result in a loss of membership for PacificSource, and cause confusion and concern amongst PacificSource employees. The parties agree that a new corporate member must hold itself to the same principles as PacificSource so as to allow the two entities – together – to further PacificSource's mission to provide better health, better care, and better cost to the people and communities it serves.

c. Describe how the Foundation intends to seek a buyer.

The Foundation will seek a buyer by exploring the potential transaction structures described in response to inquiry # 50.a.i. above, and working with financial, legal and business advisors and consultants to help identify potential buyers.

d. Identify any potential buyers that Legacy has considered or spoken with for this future sale.

Legacy Health has not considered any potential buyers, though it will field inquiries from any interested parties.

e. Describe what the Foundation intends to do with the proceeds of any future sale of its potential PacificSource interest.

Please see the response to inquiry # 50.a. above. The Foundation will use the proceeds from any sale in furtherance of its health equity and access initiatives

f. Provide all Legacy or PacificSource documents concerning any consideration, analysis, or discussion of the potential future sale of the Foundation's member interest.

We have provided all unprivileged documents regarding discussion of potential future sale in response to other inquiries, including inquiry #5.

51. The transaction provides that OHSU will make annual grant payments to the Foundation from 2027 through 2031. What is the expected grant size from OHSU over that period?

Please see Attachment 1 to the Memorandum of Understanding by and between Legacy Health and the Foundation, which was enclosed as Exhibit 5 to the Foundation's Form A filings.

52. Is the Foundation providing any consideration to Legacy in connection with the transfer of Legacy's interest in PacificSource?

The Foundation is not providing any consideration to Legacy Health in connection with the transfer of Legacy Health's 50 percent member interest in PacificSource, which is structured as a charitable grant from Legacy Health to the Foundation pursuant to the Memorandum of Understanding by and between Legacy Health and the Foundation enclosed at Exhibit 5 to the Form A filings.

PacificSource Governance

53. The Submission states that the Foundation intends to maintain, to the greatest extent practicable, Legacy's existing appointees to the PacificSource board at closing.

a. Do any of Legacy's existing appointees hold positions at Legacy or OHSU either as members of the board or executive team?

Legacy Health's existing PacificSource Board appointees hold the following positions at Legacy Health:

- i. Jack Friedman, Board Member of Legacy Health
- ii. Jeffrey Barber, Board Member of Legacy Health
- iii. Leslie Root, MD, Board Member of Legacy Health
- iv. George Brown, MD, President and Chief Executive Officer of Legacy Health
- v. Anita Iyenger, Senior Vice President and Chief Strategy Officer of Legacy Health
- vi. Don Tran, MD, President of Legacy Medical Group

b. Is it anticipated that any of Legacy's existing appointees will hold positions at OHSU either as members of the board or executive team post-transaction?

Anita Iyenger and Don Tran, MD are currently employees of Legacy Health and Legacy Medical Group, respectively. They may continue in these roles post-closing, but no decisions have been made regarding the post-closing OHSU executive leadership

c. Are there any limits on employment or other board membership for appointees to the PacificSource board?

The criteria for PacificSource board membership are set forth in PacificSource's by-laws. The parties have not discussed making any changes to these criteria associated with this transaction.