

**STATE OF OREGON
OREGON HEALTH AUTHORITY
HEALTH POLICY AND ANALYTICS DIVISION**

In the Matter of the Proposed)	Findings of Fact, Conclusions of Law, and
Material Change Transaction of)	Final Order
Adventist Health System/West)	
and Mid-Columbia Medical Center)	Transaction ID: 006

This Order resolves the Notice of Material Change Transaction (the “Notice”) filed by Adventist Health System/West (“Adventist”) on or about December 23, 2022, with respect to its proposed affiliation with Mid-Columbia Medical Center (“MCMC”). (Adventist Health and MCMC are sometimes referred to collectively as the “Entities.”) The Entities filed the Notice with the Oregon Health Authority (“OHA”) under the Health Care Market Oversight Program pursuant to Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On January 24, 2023, OHA confirmed receipt of a complete Notice of Material Change Transaction in compliance with OAR 409-070-0030 and 0045. Pursuant to ORS 415.501(5) and OAR 409-070-0055, OHA timely conducted a preliminary review of the proposed transaction (the “Transaction”). OHA’s review analyzed the potential impact of the Transaction in four domains: cost, access, quality, and equity. The analysis followed guidelines and methods set out in the Health Care Market Oversight Analytic Framework (see <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/OHA-HCMO-Analytic-Framework-FINAL.pdf>), which is grounded in the goals, standards, and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085. OHA’s analysis will be posted to the HCMO website at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notices-and-reviews.aspx>. A public comment period was open from January 24, 2023, through February 8, 2023. OHA received 50 public comments regarding this Transaction.

Now, therefore, upon due consideration of the circumstances, including the Notice of Material Change Transaction, documentation filed in support of the Notice of Material Change Transaction, regularly required reporting to OHA, databases maintained by OHA, databases maintained by federal agencies, websites of the Entities involved in the Transaction, press reports, academic research articles, and other publicly available reports, OHA enters the following Findings of Fact, Conclusions of Law, and Order.

FINDINGS OF FACT

OHA FINDS that:

1. On or about December 23, 2022, Adventist filed the Notice with OHA.

2. On or about December 27, 2022, OHA notified Adventist that the Notice was incomplete, provided guidance about submission requirements, and requested additional information.
3. On or about January 31, 2023, OHA notified Adventist that it received all requested information and confirmed receipt of a complete Notice. OHA commenced the preliminary review pursuant to OAR 409-070-0055 and communicated that the review would be completed on or before February 23, 2023, unless extended in accordance with applicable statutes and administrative rules.
4. OHA accepted public comments on the Transaction from January 24, 2023, through February 8, 2023. OHA received 50 public comments that are posted at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notice-and-reviews.aspx>.
5. Adventist is a nonprofit religious corporation, headquartered in Roseville, California, that serves more than 80 communities in California, Hawaii, Oregon, and Washington. Adventist's workforce includes physicians, allied health professionals, and support services for a total of approximately 37,000 associates. Adventist owns or operates 23 hospitals, 379 clinics, 15 home care agencies, eight hospice agencies, one continuing care retirement community, and three joint venture retirement centers.
6. In Oregon, Adventist owns and operates Adventist Health Portland, which includes a 302-bed acute care hospital, 27 medical clinics, and home care and hospice services in the Portland metro area. Adventist also partners with Tillamook County to operate Adventist Health Tillamook, a 25-bed rural hospital with affiliated clinics and services, under a long-term lease currently in effect through 2045.
7. MCMC is an Oregon nonprofit public benefit corporation, headquartered in The Dalles, Oregon, that owns and operates a single community hospital licensed for 49 beds, four federally certified Rural Health Clinics, 18 outpatient clinics, and the Celilo Cancer Center.
8. MCMC's hospital serves as a rural referral center and provides a variety of medical services, including general surgery, emergency services, labor and delivery, orthopedics, cardiology, cancer treatment, neurology, ENT, occupational medicine, rehabilitation, urology, dermatology, and home health services. MCMC has operated its cardiology program in collaboration with Adventist since 2021. Further, MCMC's radiologist provider, Diagnostic Radiologists PC, also works with Adventist Health Portland.
9. MCMC experienced access-to-capital and other financial challenges over the past few years. As of year-end, 2022, MCMC reported assets net of liabilities of \$40 million. However, MCMC has experienced decreasing cash flows from the ongoing operation of its business, while also incurring higher labor costs to compensate temporary providers and traveling nurses and staff. MCMC reported an operating loss of \$9.8 million in the year ending December 31, 2022. As of December 2022, days cash on hand, a key measure of solvency, was below benchmarks for similar hospital organizations. MCMC continues to find it difficult to recruit medical providers, particularly primary care physicians, medical oncologists, and

obstetricians, negatively impacting service volumes and revenue. The loss of revenue and related cost increases have contributed significantly to MCMC's deteriorated financial performance.

10. MCMC's hospital, originally constructed in 1959, needs refurbishment or new building construction. MCMC is also in need of significant investment in updated medical equipment and IT systems. MCMC's financial challenges do not support MCMC's ability to seek immediate, debt-financed construction of a new campus.
11. On or around February 28, 2023, MCMC discontinued medical oncology services at its Celilo Cancer Center due to staffing shortages. This discontinuation affects medical oncology care, including chemotherapy and immunotherapy.
12. The Transaction proposed in the Notice is set forth in an Affiliation Agreement between the Entities dated as of March 1, 2023 (the "Agreement"). Under the Agreement, Stone Point Health, a California nonprofit public benefit corporation solely owned and controlled by Adventist ("Stone Point"), will become the sole corporate member of MCMC. As a result, Adventist will acquire control over MCMC. MCMC will become a member hospital of the Adventist network in Oregon and part of the overall Adventist system.
13. Adventist will invest \$100 million of capital in MCMC to be deployed over the ten years following the closing of the Transaction for the following purposes: (i) capital expenditures; (ii) the funding of MCMC's net operating losses; (iii) the establishment, reestablishment, expansion, or retention of MCMC's medical services lines; and (iv) to hire, replace, or retain MCMC providers and staff. Of this \$100 million of capital, up to \$6 million will be spent in the two years following the closing of the Transaction for urgent capital needs.
14. MCMC will convene a Capital Committee, to include representatives of MCMC and Adventist, which will make proposals to MCMC's new legal board of directors (the "Corporate Board," consisting of the members of the board of directors of Adventist) for the spending of the \$100 million in capital funds; however, Adventist retains sole and absolute discretion in the approval of expenditures.
15. Adventist will assume responsibility for MCMC's debt and other financial obligations. Adventist will provide funds, or other financial accommodations, to MCMC to ensure that MCMC satisfies obligations to its lenders.
16. Adventist's investments in MCMC are expected to include an electronic medical records system that will be interoperable with, or the same as, Adventist's system. Adventist maintains it will provide operating and clinical resources, including centralized managed care and commercial payer negotiation services, to MCMC equal to those provided to other members of Adventist's affiliated hospitals. Adventist will also make available to existing MCMC physicians and advanced practice providers all resources available to others in the Adventist system.

17. The Entities maintain that the proposed affiliation will enhance MCMC's ability to attract and retain primary care and specialist physicians. They also submit that the proposed affiliation will enable MCMC to fill vacancies with Adventist or Adventist-affiliated staff, at least on a temporary basis. Adventist maintains it will also provide MCMC with recruitment assistance consistent with its commitment to maintain clinical services.
18. The Entities maintain that MCMC will continue as a hospital operating substantially all of its facilities, services, and programs in a manner consistent with MCMC's mission and operations existing prior to the closing of the Transaction. Adventist and MCMC maintain that they will develop a plan to expand the scope and depth of services provided by MCMC.
19. MCMC is expected to adopt Adventist policies on charity and indigent care and to continue to provide support to and participate in community-based health programs at levels reasonably consistent with previous years, subject to Adventist review for effectiveness and financial viability. Oregon sets minimum requirements for hospitals' community benefit spending and financial assistance policies.
20. Adventist maintains it imposes no religious-based restrictions on medical procedures or services, including abortion, fertility services, birth control, sterilization, family planning counseling, gender-affirming services, and end-of-life services. Adventist's Oregon acute care hospitals do not provide induced pregnancy terminations except in certain circumstances for "medically indicated" terminations. Adventist has publicly stated that it does not participate in providing services under Death with Dignity Acts, such as the Oregon Death with Dignity Act. Adventist's systemwide policy instructs physicians to facilitate a referral if the patient repeatedly requests services under Death with Dignity Acts.
21. The Entities maintain that MCMC will continue participation in existing commercial and public health insurance programs subject to any substantial changes that materially and adversely financially impact participation.
22. The Entities maintain that following closing of the Transaction, MCMC will fully restore medical oncology services at Celilo Cancer Center at the same service capacity in existence prior to the discontinuation of services on or around February 28, 2023.
23. There is no overlap in the service areas of MCMC and Adventist as the closest Adventist hospital, Adventist Health Portland, is located approximately 81 miles away. The proposed affiliation will not have any effect on Oregon Health & Science University ("OHSU") or other health systems in Oregon. The existing affiliation between Adventist and OHSU is limited to their clinical enterprises in the Portland Metro Area.

CONCLUSIONS OF LAW

1. The Notice is supported by the required documentation and meets the requirements of the Health Care Market Oversight Program rules for approval with respect to acquisitions of

health care Entities pursuant to ORS 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

2. OHA finds that:

- a. The Transaction is in the interest of consumers and is urgently necessary to maintain the solvency of MCMC.
 - i. The proposed affiliation of MCMC with Adventist will not lead to horizontal consolidation and thereby restrict competition, because there is no overlap in the service areas of the two organizations. Adventist has committed to continuing to operate MCMC as a hospital after the transaction has closed and maintaining substantially all of MCMC's existing facilities, services, and programs consistent with MCMC's mission. Adventist and MCMC have stated they are committed to providing a full range of high-quality health care services, including reproductive and end-of-life services. The Entities maintain that MCMC will continue participation in existing commercial and public health insurance programs. The Entities also maintain that the proposed affiliation will enhance MCMC's ability to attract and maintain primary care and specialist physicians and expand services for residents of its service area.
 - ii. In the absence of an affiliation, there is a significant risk that MCMC may become insolvent. MCMC is under severe financial distress as evidenced by its continuing operating losses and the deterioration of its cash position to a level that is below industry norms for similar institutions. Adventist is assuming MCMC's current financial obligations to its suppliers and banks and has undertaken an ongoing commitment to maintain the financial stability of MCMC through its capital commitment. This Transaction is expected to significantly reduce the risk of MCMC's insolvency.

ORDER AND CONDITIONS

Based on the foregoing Findings of Fact and Conclusions of Law, the representations made in the Notice and in the Entities correspondence with OHA, it is hereby ORDERED that:

1. The Transaction is hereby APPROVED WITH CONDITIONS upon the basis of the information contained in the Notice of Material Change Transaction to date.
2. This Order shall be conditioned upon and subject to the following:

- a. The Entities shall not modify the Agreement without the prior consent of OHA. If any modification to the Agreement is proposed, it shall be presented to OHA not later than fifteen (15) days before the scheduled closing of the Transaction.
- b. During the term of the Agreement, except for routine accounting and financial management purposes typical of a consolidated health system, Adventist shall not receive or receive the benefit of, distributions or funding from MCMC except in exchange for services or supplies provided by Adventist to MCMC or otherwise for MCMC's benefit, on the same terms and conditions then prevailing in the Adventist system.
- c. For ten years following the closing date of the transaction, the Entities shall continue to operate and maintain MCMC as a licensed general hospital, pursuant to OAR 333-500-0032 and OAR 333-520-0000 through 0120. The hospital shall use commercially reasonable efforts to maintain the following services at or above current service levels:
 - i. general medical, maternity, and surgical services;
 - ii. an emergency department;
 - iii. dietary, laboratory, and radiology services (on-site or through contract);
 - iv. an on-site pharmacy;
 - v. a pharmacist on call 24/7 to staff the pharmacy; and
 - vi. on-site or in-house 24/7 staffing for its laboratory and radiology services.

The Entities shall notify HCMO of any request to OHA's licensing division, under OAR 333-500-0065, for a waiver of these requirements at the time such request is filed.

- d. For ten years following the closing date of the transaction, the Entities shall continue to use commercially reasonable efforts to operate and maintain existing MCMC facilities, services, and programs at or above current service levels even if such services and programs would otherwise contravene current or future policies or procedures of Adventist. At minimum, this shall include offering the following essential health care services, to the extent they are currently being offered at MCMC, at or above current service levels:
 - i. obstetrics & gynecology;
 - ii. behavioral health/ psychiatric services; and
 - iii. family medicine/ primary care services.
- e. For ten years following the closing date of the transaction, the Entities shall use commercially reasonable efforts to maintain existing MCMC services at current service levels and/or maintain referral policies, as applicable, for the following

services even if such services and referral policies would otherwise contravene current or future policies and procedures of Adventist:

- i. reproductive health care services, including but not limited to induced abortion, birth control methods (including emergency contraception), sterilization, fertility services, and testing for pregnancy and sexually transmitted infections;
 - ii. gender-affirming care, including but not limited to counseling and hormone therapy; and
 - iii. end of life services, including comfort care and lethal medication under Oregon’s Death with Dignity Law.
- f. For ten years following the closing date of the transaction, the Entities shall maintain MCMC’s participation in all public health insurance programs (or any successor programs providing similar benefits to similar populations) in which MCMC is a participant as of the closing date of the transaction.
- g. Within one year following the closing date of the transaction, the Entities shall have used commercially reasonable efforts to restore medical oncology services at Celilo Cancer Center, with provider coverage at least three days per week. The Entities shall notify OHA in writing within five (5) business days of when services are restored.
- h. MCMC and Adventist shall not significantly reduce¹, restrict or terminate the facilities, services, or programs contemplated by Sections c. through g. of these Conditions except for good cause shown as approved by OHA.
 - i. “Good cause” shall consist of one or more of the following circumstances or conditions:
 1. the facility, service, or level of service is no longer needed in the community served by MCMC;
 2. MCMC will incur substantial financial losses disproportionate to the losses historically incurred for such facility, service or service level unless the facility, service or service level is materially reduced, restricted or terminated as proposed;
 3. the facilities or services to be reduced, restricted or eliminated have been or promptly will be replaced with facilities or services provided by other qualified health care providers in the communities served by MCMC; or

¹ The Entities shall use the criteria outlined in OAR 409-070-0010(3) when determining whether there has been a significant reduction of facilities, services, or programs necessary to trigger OHA’s approval.

4. such other conditions or circumstances as OHA may deem to constitute “good cause” under the facts presented.
- ii. MCMC and Adventist shall apply in writing to OHA for approval under this Section h. and include documentation to support such request for approval. OHA shall make such investigations, which may include soliciting public comment or other community engagement, and request such information from MCMC and Adventist as OHA shall deem necessary under the circumstances. OHA shall notify the Entities in writing of its determination within 15 business days following confirmation of receipt of the request and any additional information requested by OHA, unless mutually agreed upon by the Entities and OHA to extend. If OHA requires additional information or clarification of any information to proceed with its review, OHA shall notify the Entities of the information or clarification that is required and the running of the 15 business days shall be tolled upon such notification and shall resume when OHA confirms receipt of the requested information or clarification.
 - i. In the event of an emergency caused by unplanned provider departure(s), regardless of reason for such departure(s), resulting in significant temporary service reductions, restrictions, or terminations of the facilities, services, or programs contemplated by Sections c. through g. of these Conditions, MCMC and Adventist shall immediately notify OHA in writing, within five (5) business days of such a service reduction, restriction, or termination, and include documentation to support such action.
 - j. Adventist shall invest \$100 million in MCMC pursuant to the terms of the Affiliation Agreement dated March 1, 2023 (“Agreement”). Investments shall include \$6 million on Urgent Capital Needs (as identified in Schedule 3.1 of the Agreement) to be spent within two years of the closing date of the transaction. The Affiliation Agreement between the Entities governs all investments, and nothing in this Order shall, or shall be construed to, alter or interpret any term of the Affiliation Agreement between the Entities or to create any third party right related thereto.
 - k. Within five (5) business days following completion of the Capital Investment Plan (“Plan”) described in Section 3.1 of the Agreement, Adventist shall submit a copy of such Plan to OHA; provided, that nothing shall limit Adventist’s ability pursuant to the Agreement to modify the Plan without notice or approval, at any time and for any reason, at its sole discretion after consultation with the Community Board. Should the Plan be modified pursuant to the terms of the Agreement, Adventist shall, within five (5) business days following completion of the modified Plan, submit a copy of such modified Plan to OHA.

- i. If not already outlined in the Plan, or subsequently modified Plan, Adventist shall submit with the Plan, or modified Plan, information to OHA reporting on the allocation of the Capital Commitment among the four permitted uses described in Section 3.1 of the Agreement:
 - 1. capital expenditures;
 - 2. funding MCMC's net operating losses;
 - 3. establishing, reestablishing, expanding, or retaining medical service lines; and
 - 4. hiring, replacing, or retaining MCMC providers or staff.
- l. Within five (5) business days of completion and approval of the Urgent Capital Needs Plan developed pursuant to Section 3.1 of the Agreement, the Entities shall submit to OHA a copy of the completed and approved Urgent Capital Needs Plan.
- m. For ten years following the closing date of the transaction, the Entities shall submit a Compliance Report annually to OHA. The report shall include:
 - i. information demonstrating compliance with approval Conditions, including detailed narrative and supporting documentation, as applicable, to address each Condition;
 - ii. a non-binding reporting of expenditures (current and planned) under the Capital Investment Plan, including:
 - 1. a description of the expense and/or project;
 - 2. the amount spent and/or allocated; and
 - 3. the applicable category of use under the Capital Commitment, as outlined in Section 3.1 of the Agreement.

The first report shall be due within 10 months after the closing date, and subsequent reports shall be due every 12 months thereafter. The Entities shall submit a publicly shareable version of each Compliance Report to OHA and make this available on MCMC's website.

- 3. The Entities shall notify OHA within one (1) business day following completion of the Transaction by email to hcmo.info@oha.oregon.gov.

This Order will be posted to the Health Care Market Oversight Program website at <https://www.oregon.gov/oha/HPA/HP/Pages/health-care-market-oversight.aspx>.

OHA reserves the right to enforce the Conditions set forth herein to the fullest extent provided by the law. In addition to civil penalties and any legal remedies available, OHA shall be entitled

to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of these Conditions.

OHA is required to analyze and publish the Entities' compliance with Conditions placed on the Transaction and to assess the impact of the Transaction under ORS 415.501(19) and (20). OHA is required to publish its analyses and conclusions and include same in the annual health care cost and spending trend report under ORS 442.386(6).

Per OAR 409-070-0080, OHA may require the Entities to provide any information, reports, analyses, and documentation needed to monitor and assess the impact of the Transaction.

Dated this 14th day of April 2023.



Sarah Bartelmann, MPH
Health Care Market Oversight Program Manager
Oregon Health Authority

APPEAL RIGHTS

You have the right to appeal this order to the Oregon Court of Appeals pursuant to ORS 183.482. To appeal you must file a petition for judicial review with the Court of Appeals within 60 days from the day this order was served on you. If you do not file a petition for judicial review within the 60-day time period, you will lose your right to appeal.