



March 27, 2023

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VIA EMAIL

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Oregon Health Authority
421 SW Oak Street
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Re: Comprehensive Review Determination — 008 SCAN Group-CareOregon

Sarah,

Below please find the joint response of SCAN Group and CareOregon to the Oregon Health Authority's ("OHA's") comprehensive review determination. Please let us know if there is additional information or context that we can provide.

- 1. Final executed copies of all definitive agreements pursuant to which the transaction will be documented and closed, in accordance with OAR 409-070-0045(5)(a)(B)**

Enclosed please find an executed copy of the Affiliation Agreement, including exhibits. We are filing this document under confidentiality per ORS 415.501(13)(c). Our original filing, dated January 30, 2022, included a public version of the Affiliation Agreement.

- 2. The information identified in the January 30, 2023, letter from counsel to the Department of Consumer and Business Services ("DCBS") and OHA in connection with the Form A review process**

We provided the requested information to Morgan Lewis via letter dated March 3, 2023, which is enclosed.

- 3. Information, materials and analyses regarding potential anticompetitive effects as a result of the proposed transaction in the regions in which CareOregon and its subsidiaries and affiliates operate**

As further detailed below, the parties do not anticipate any anticompetitive effects of the proposed transaction in the regions in which CareOregon and its subsidiaries and affiliates operate.

a. The parties do not operate in overlapping geographies

The parties' operations do not overlap geographically. CareOregon and its CCO affiliates operate exclusively in Clackamas, Clatsop, Columbia, Jackson, Multnomah, Tillamook, and Washington counties in Oregon. CareOregon also serves tribal populations through two statewide programs. SCAN operates health plans in California, Arizona, Nevada, and Texas.¹ SCAN also operates medical groups that provide in-home, telehealth, and street medicine support services and resources to older adults primarily located in California, but one of the medical groups also provides services to patients in Pennsylvania and, via telehealth, in Tennessee and other states (excluding Oregon). Prior to this transaction, CareOregon had no plans to expand its product and service offerings into any of the states where SCAN operates. Similarly, SCAN had no plans to expand into Oregon to provide any of the services that CareOregon provides.

b. The parties offer largely complementary products and services

SCAN and CareOregon offer products and services that are highly complementary. Specifically, CareOregon's primary business is offering Medicaid managed care plans through affiliated Coordinated Care Organizations ("CCOs"). CareOregon generates approximately 85% of its revenue through its affiliated CCOs. CareOregon offers Medicare Advantage Duals Special Needs Plans ("D-SNP"), which account for approximately 11% of CareOregon's revenue. Additionally, CareOregon operates a home health and hospice service that accounts for approximately 4% of its revenue.

SCAN's primary business is operating managed care plans, but exclusively for Medicare enrollees (Medicare Advantage). SCAN's Medicare Advantage plans account for approximately 96% of its revenue. Individual Medicare Advantage plans account for approximately 86% of SCAN's health plan membership. SCAN's fully integrated dual eligible special needs plan ("FIDE SNP"), which is only offered in California, accounts for the remaining approximately 14% of SCAN's health plan membership. SCAN also operates home health, telehealth, and street medicine focused medical groups that serve parts of California, Pennsylvania, and Tennessee. The Medical groups account for less than 1% of SCAN's revenue. Prior to the proposed transaction, SCAN had no plans to offer any health plans or medical services in Oregon.

Thus, the parties currently do not compete with one another, as they are not licensed to operate in the same geographic areas and had no plans to do so with respect to those products and services prior to the proposed transaction.

¹ Next year, SCAN will expand into New Mexico.

c. CareOregon faces robust competition in Oregon

Oregon's procurement rules for CCOs intentionally limit the number of CCOs operating within the same service area and each CCO contract is subject to a competitive bidding process every five years. In the 2019 procurement process, CareOregon's affiliate CCO had to compete for the Columbia Pacific service area. There are currently 15 CCOs operating in Oregon. CareOregon expects that there will continue to be a competitive procurement process in each of CareOregon's service areas.

CareOregon faces robust competition in its Medicare Advantage and home health lines of business. CareOregon's D-SNP plan satisfies an OHA requirement for CCOs to coordinate services for dual eligibles through an affiliated Medicare Advantage plan (with the exception of Clatsop County). Accordingly, CareOregon's D-SNP plan exclusively serves residents of its CCO service area. In the home health segment, there are numerous home health agencies currently operating in Oregon, and CareOregon is a very small provider, serving approximately 1,500 primary care and palliative care patients and 100 hospice patients annually.

d. The proposed transaction does not harm competition

Because there is no geographic overlap (and negligible product or service overlap), the proposed transaction does not present the risk of an elimination or reduction of competition between the parties and, thus, will not result in any harm to competition.

e. The proposed transaction will result in procompetitive benefits

Rather than any potential competitive harm, the proposed transaction will, as described further below, result in significant benefits to consumers in Oregon. Together, SCAN and CareOregon will deliver higher quality healthcare services to more high-needs populations in more communities across Oregon. The parties will evaluate opportunities to expand in Oregon, and current options include offering one or more of SCAN's 4.5-Star Medicare Advantage plans in Oregon and establishing a PACE program as well as developing other programs that neither SCAN nor CareOregon currently offer.

Combined through HealthRight, SCAN and CareOregon will also be able to spread their administrative costs over a larger membership, which will enable them to achieve savings that can be reinvested in members' benefits, quality improvement, differentiated services offerings, and lower costs for government healthcare programs. In other words, the transaction will enable the combined HealthRight organization to increase options, improve healthcare access, and better manage complex care for its members and others who do not currently have access to high-quality, community-based healthcare. Simply put, combining the resources and expertise of SCAN and CareOregon will improve the combined entity's ability to deliver affordable, accessible, and equitable patient-centered healthcare.

4. Detailed explanation, supported by objective metrics, projections and analyses regarding how the proposed transaction will (a) benefit the public good and communities and/or (b) improve health outcomes for Oregon residents.

CareOregon and SCAN Group are each nationally recognized regional managed care organizations that provide best-in-class health plans to enrollees of federally funded health care programs. The proposed combination will enable both organizations to improve and expand the services they offer to their members and their communities as described below.

a. Reducing the growth in patient costs through improved clinical performance and value-based contracting

This transaction gives SCAN and CareOregon the opportunity to share complementary skill sets and best practices, as learned from their respective operational models. Two of the key areas in which SCAN may contribute to CareOregon's already strong skill sets are in the Centers for Medicare and Medicaid Services Star quality program and in value-based provider contracting.

The overall intent of the CMS Star program is to assess a comprehensive set of health outcome and patient experience measures, resulting in better overall health and reduced costs of care for patients. Representative metrics include member completion of health screenings, management of chronic conditions such as diabetes, medication management, and customer service. CMS reports an overall summary star rating for Medicare Advantage with Part D (MAPD) plans. SCAN's primary CMS contract has scored 4.5 stars out of 5 overall for six years in a row, including 2023. SCAN is the third highest rated MAPD plan in California and the only plan with a 4.5 Star rating for 2023.

Many, if not most, of the quality metrics in the CMS Star program are applicable to CareOregon's Medicaid and dual eligible populations. CareOregon believes it can learn from and, when applicable, replicate SCAN's successful programs that have allowed SCAN to achieve exemplary Star ratings. The parties anticipate that quality improvements as demonstrated through higher quality scores will result in reduced costs and improved health outcomes for all CareOregon enrollees, but especially enrollees of CareOregon's D-SNP plan. In addition, a plan that increases its rating above 3.5 stars earns a bonus payment and rebate that are used to pay for supplemental benefits that support member health and wellness.

While no decision has been made regarding any expansion of SCAN Medicare Advantage Plans to Oregon, Oregon consumers would benefit from the ability to choose SCAN's high-quality Medicare Advantage Plan. SCAN and CareOregon will discuss any such expansion post-closing.

Additionally, SCAN relies on full risk partnerships with its contracted provider network. In this model, providers and hospitals receive a monthly capitated payment for each member assigned to the provider, and the provider is responsible for managing patient care and referrals, including hospitalizations. This full delegation model incentivizes providers to invest in care programs and

infrastructure that enable comprehensive patient care, with an emphasis on holistic treatment and prevention, leading to better health outcomes and lower costs.

CareOregon has a strong commitment to value-based purchasing methodologies. As part of CCO 2.0, CareOregon is continuing to increase the use of value-based purchasing arrangements. This transaction will give both CareOregon and SCAN access to a broader array of analytical tools that neither party could reasonably purchase or implement independently. These analytical tools will enable CareOregon to explore additional contracting models, improve provider performance tracking in existing models, and implement programs to ensure that the existing models are meeting their goals.

b. *Improving access and outcomes for underserved communities*

Both SCAN and CareOregon are focused on populations whose basic needs often go unmet, resulting in more acute needs. These populations have typically faced discrimination, marginalization, and increased incidence of chronic disease.

SCAN and CareOregon firmly believe that this transaction will improve both parties' ability to expand and scale programs to address health disparities and inequities. Regional health plans face limits on their ability to address health equity through "upstream" programs and initiatives. Together, SCAN and CareOregon will have increased ability to develop, fund, and maintain programs that improve access and outcomes for underserved members and communities. The additional scale created by this transaction will enable SCAN and CareOregon to do more to improve health equity in their communities.

For instance, in late 2020 SCAN's data analytics team noticed that, although SCAN had scored 4.5 stars (out of 5) for four consecutive years, the clinical quality results were lower for Black and Latinx members than for white members. In response, SCAN created an initiative to narrow this gap by focusing on improved data reporting, giving clinicians and pharmacists real-time, patient specific data on which members were and were not adhering to their medication regimen. This data, paired with ethnographic interviews with members and listening sessions with providers and caregivers, enabled SCAN to implement a comprehensive plan to narrow the racial medication adherence gap. Within 18 months, the program reduced this gap by 35%. Building on this progress, SCAN adopted a multi-year goal to completely eliminate disparities in flu vaccination rates (Black members), blood sugar control (Latinx members), and cholesterol medication adherence (Latinx members).

By combining, SCAN and CareOregon will be able to deploy more resources across a larger member population. This will make it possible for both organizations to develop and fund more initiatives that improve access and health outcomes for more underserved populations and communities than is currently possible. This will provide a tangible benefit to CareOregon's CCO membership and other Oregonians facing health disparities.

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As noted in response to question 4a, improving an MA plan's Star rating brings in money that support the provision of supplemental benefits, including those that address social determinants of health and other upstream factors impacting underserved Oregonians. This includes, but is not limited to, healthy food boxes, comprehensive and preventive dental services, and disease-specific services such as a home blood pressure monitoring devices for members with hypertension.

While the parties have begun preliminary integration planning, antitrust restrictions prevent any actual integration until after closing. The parties anticipate that the initial focus post-closing will be on making new investments in health care delivery and supports that will allow CareOregon to serve more Oregonians in medically underserved geographies and/or populations. Areas of immediate investment may include expansion of services for the unhoused, seniors and the homebound. Longer term, CareOregon and HealthRight are excited to grow a PACE program in Oregon in partnership with MyPlace, SCAN's existing risk-based care delivery platform for individuals enrolled in PACE.

Very truly yours,

Timothy N. Hatfield