



Health Care Market Oversight (HCMO) Program HCMO-1: Notice of Material Change Transaction

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General Instructions

Pursuant to Oregon Revised Statute (ORS) 415.501, an entity to a material change transaction must submit a Notice to the Oregon Health Authority (OHA) notifying OHA of such transaction. This form must be used to comply with this statutory mandate.

You must file this Notice electronically with OHA, in a portable document form (pdf), by email to hcmo.info@oha.oregon.gov **no less than 180 days** before the expected closing date of your material change transaction. Please submit the notice, relevant HCMO forms, and any supplemental documents as separate files.

To avoid delays in OHA's review of your proposed transaction, due diligence is required to complete this form correctly. Your initial Notice filing will not be considered complete until all documents marked as confidential are reviewed and accepted by OHA and the Oregon Department of Justice. To avoid unnecessary delays, do not redact non- confidential content. This HCMO-1 Notice form should not contain any information you intend to designate as confidential. Any information designated as confidential must be supplied on a supplemental attachment to this HCMO-1 Notice in accordance with the requirements of OAR 409-070-0070. Please apply Bates numbering to all documents submitted with the Notice. Please include the applicable Bates number sequence on all redaction logs.

The Notice is not complete until all required information is satisfactorily provided, and the review period will not run until OHA deems the Notice complete.

The Notice, along with any public supporting documents, will be published and serve as notice to the public. Contact program staff with any questions or to request technical assistance at hcmo.info@oha.oregon.gov.

Who must file a Notice

Under ORS 415.501, an entity entering into a transaction that constitutes a material change must submit written notice to OHA of such material change.

A material change transaction includes:

- A. A transaction in which at least one party had average revenue of \$25 million or more in the preceding three fiscal years and another party:
 - i. Had an average revenue of at least \$10 million in the preceding three fiscal years; or
 - ii. In the case of a new entity, is projected to have at least \$10 million in revenue

in the first full year of operation at normal levels of utilization or operation as prescribed by the authority by rule.

Out-of-state entities

If a transaction involves a health care entity in this state and an out-of-state entity, a transaction that otherwise qualifies as a material change transaction must submit this Notice if the transaction may result in increases in the price of health care or limit access to health care services in this state. See [OHA Guidance on Out-of-State Entities](#).

Confidentiality

Information on this Notice form shall be a public record and will be posted on OHA's website. Pursuant to ORS 415.501(13), OHA shall maintain the confidentiality of all confidential information and documents that are not publicly available that are obtained in relation to a material change transaction and may not disclose the information or documents to any person without the consent of the person who provided the information or document. Information and documents described in this paragraph are exempt from disclosure under Oregon Public Records Law (ORS 192.311 to 192.478).

Entities must follow the requirements of Oregon Administrative Rule (OAR) 409-070-0070 when designating portions of a Notice and any documents submitted by the applicant in support of the Notice as confidential. See [OHA Use of Confidential Information Guidance](#).

Definitions

"Acquisition" occurs when:

- a) Another person acquires control of the health care entity including acquiring a controlling interest as described in OAR 409-070-0025;
- b) Another person acquires, directly or indirectly, voting control of more than fifty percent (50%) of any class of voting securities of the health care entity other than a domestic insurer as described in OAR 409-070-0025(1)(c);
- c) Another person acquires all or substantially all of the health care entity's assets and operations;
- d) Another person undertakes to provide the health care entity with comprehensive management services; or
- e) The health care entity merges tax identification numbers or corporate governance with another entity.

"Legal entity name" means legal business name as reported with Internal Revenue Service.

"Merger" means a consolidation between two or more organizations, including two or more organizations joining through a common parent organization or two or more organizations forming a new organization.

"NPI" means 10-digit National Provider Identification number issued by the Centers for Medicare and Medicaid Services (CMS).

"Tax ID" means 9-digit federal tax identification number also known as an employer identification number (EIN) assigned by the Internal Revenue Service.

"Transaction" means:

- a) A merger of a health care entity with another entity;
- b) An acquisition of one or more health care entities by another entity;
- c) New contracts, new clinical affiliations and new contracting affiliations that will eliminate or significantly reduce, as defined by the authority by rule, essential services (see [Essential Services and Significant Reduction](#) guidance);
- d) A corporate affiliation involving at least one health care entity; or
- e) Transactions to form a new partnership, joint venture, accountable care organization, parent organization or management services organization.

Additional defined terms can be found at ORS 415.500 et seq. and OAR 409-070-0000 to - 0085.

I. Parties to the proposed transaction

List the entity name for all parties to the proposed transaction. Add extra rows as needed for additional parties.

Party A (Applicant)	Northwest Permanente, P.C.
Party B:	The Permanente Medical Group, Inc.

II. Contact information for the parties

Provide contact information for the proposed transaction, as requested below.

1. Provide information for Party A.

Legal entity name	Northwest Permanente, P.C.
Assumed name	NW Permanente Physicians & Surgeons, P.C.
Tax ID	93-0698548
Mailing address	500 NE Multnomah St. Suite 100, Portland, OR 97232
Website	https://northwest.permanente.org
Contact Name	Molly Burns Herrmann, J.D., CCEP, SDRM
Title	Vice President, Chief Legal Officer
Phone	503-490-7694
Cell Phone	
Email	molly.b.herrmann@kp.org

Is Party A represented by legal counsel for this transaction?

☒ Yes

☐ No

Provide information regarding Party A's legal counsel, if applicable.

Name	Timothy Hatfield
Firm	Hatfield Knivila, LLC
Address	1120 SE Madison St, Portland, OR 97214
Phone	(503) 208-5037
Email Address	tim@hkhealthlaw.com

2. Provide information for Party B.

Legal entity name	The Permanente Medical Group, Inc.
Assumed name	The Permanente Medical Group, Inc.
Tax ID	94-2728480
Mailing address	5820 Owens Drive, Building E, 5 th Floor Pleasanton, CA 94588
Website	www.northerncalifornia.permanente.org
Contact Name	Stephen M. Parodi, M.D.
Title	Associate Executive Director
Phone	(510) 987-2179
Cell Phone	
Email	Stephen.M.Parodi@kp.org

Is Party B represented by legal counsel for this transaction?

☒ Yes

☐ No

Provide information regarding Party B's legal counsel, if applicable.

Name	Kaley L. Fendall
Firm	Davis Wright Tremaine LLP
Address	560 SW 10 th Avenue, Suite 700, Portland, Oregon 97205
Phone	(503) 778-5375
Email Address	kaleyfendall@dwt.com

3. Provide a billing contact for payment of review fees.

Name	Molly Burns Herrmann, J.D., CCEP, SDRM
Address	500 NE Multnomah St. Suite 100, Portland, OR 97232
Phone	503-490-7694
Email Address	molly.b.herrmann@kp.org

III. About the proposed transaction

4. Provide the type of material change transaction. (See OAR 409-070-0010 for definitions of transactions subject to review.)

☐ Merger

☐ Acquisition

☒ Affiliation

☐ Contract

☐ Other (specify)_____

5. What is the anticipated effective date of the proposed material change transaction?

As soon as possible following the receipt of all required regulatory approvals.

6. Briefly describe the proposed material change transaction, including:

a. Goals and objectives

Objectives & Benefits of TPMG and NWP Affiliation.

The primary purpose of the proposed affiliation between The Permanente Medical Group, Inc. (“TPMG”) and Northwest Permanente, P.C. (“NWP”) is to preserve physician-led patient-centered providers of care in Oregon. Through the proposed affiliation, TPMG and NWP will collaborate to improve quality of care, expand access to services, increase innovation, and deploy new technologies.

Significant challenges and rapid changes in the health care market have put pressure on the entire health care industry, including NWP and the integrated healthcare system it works within, Kaiser Permanente. The cost of providing best-in-class services is increasing, while patients, employer groups, and government payors have increased expectations for providers and other sectors of the healthcare market to slow cost growth. Absent appropriate physician-led collaboration and direction for population health management on behalf of their patients, these market forces pose a threat to the independent, physician-led managed care model championed by NWP and TPMG.

Specifically, over the past decades, the health care market has shifted away from physician-led medicine. Rapidly increasing prices and a drive for cost control has contributed to the rise of publicly-traded, vertically-integrated health care conglomerates that can invest at scale while maintaining healthy profit margins. This has, in turn, put more health care decisions in the hands of corporate executives, rather than clinicians. Moreover, the desire for innovation and stability, has driven many physician-led enterprises to affiliate with (or sell to) private corporations in transactions that exchange physician autonomy for capital investment.

It is critical for NWP to partner with another organization to advance its mission of providing integrated, value-based, and affordable care. NWP is, at its core, a physician-led enterprise, so any affiliation had to serve as a bulwark against, rather than a continuation of, such trends. NWP’s proposed affiliation with TPMG will not only improve clinical and operational performance but also ensure that NWP has access to critical resources – such as information technology, virtual care services, and subspecialty support – to maintain access to and advance patient-centered and integrated care.

In addition to the reasons outlined above, there are cultural affinities for the affiliation. TPMG and NWP have a shared belief in the benefits and importance of Permanente Medicine to the patients and communities it serves. Permanente Medicine is an integrated care model that consistently delivers superior outcomes through high quality, cost-effective care. The Permanente Medicine value-based care model encourages holistic care focused on preventive services, excellent primary care, and integrated subspecialty services through capitated payments to care for patient populations.

TPMG and NWP share a common mission of serving their patients and communities with high quality, cost efficient, and superior clinical outcomes. By collaborating clinically, sharing innovations, and supporting its physicians and staff, NWP expects to increase patient access and improve quality of care as a result of the affiliation.

The primary goals and objectives of the proposed affiliation between TPMG and NWP are the following:

- *Improve Each Party's Ability to Thrive in the Face of Market Pressures:* Market forces pose significant challenges to the independent, physician-led managed care model championed by NWP and TPMG. This transaction allows TPMG and NWP to respond to these threats through collaboration, innovation, and investments.
- *Clinical Collaboration and Innovation.* One of the primary ways that TPMG and NWP can confront these market forces is to expand and deepen clinical collaboration. Clinical collaboration accelerates innovation, facilitates information sharing, reduces the cost basis for investment, and increases the number of patients who benefit from clinical improvements. As discussed in more detail below in response to Inquiry 15, this affiliation will increase the opportunities for collaboration and innovation in ambulatory care, specialty care, and hospital medicine, including:
 - **Care Without Delay (CWD):** CWD is a set of robust workflows that have led to better patient experience and less time in the hospital for all patients served. NWP and TPMG will be able to expand CWD workflows in Oregon hospitals and emergency departments post-affiliation.
 - **Ambulatory Treatment Centers:** TPMG has created outpatient clinics for patients without an emergency medical condition designed to prevent avoidable emergency department visits and hospital admissions. This program especially benefits elderly members by providing an alternative to hospital visits and the associated risks of hospitalization. TPMG will assist NWP in developing ambulatory treatment centers in Oregon.
 - **Telecritical Care (TCC):** The TCC model offers an additional cohort of remote specialized critical care physicians and nurses to support doctors and nurses at the bedside in monitoring and intake of patients in the intensive care unit. Through this affiliation, NWP will be able to expand TCC in Oregon through access to additional providers and information technology that allows for remote monitoring of critically ill patients.
 - **E-visits:** E-visits are online, self-serve dynamic questionnaires available to KP members for many common health complaints. This affiliation will enable NWP to rapidly implement six additional TPMG-developed E-visit modules.
 - **Get Care Now (GCN):** GCN offers video and phone visit service for patients. In Oregon, GCN availability is currently constrained by a lack of providers. Through this affiliation, TPMG and NWP will explore opportunities to share physician resources across their respective regions to increase primary care physician access and capacity. Additionally, the parties will collaborate on common clinical conditions such as cold, cough, and flu that will improve and

increase patient access to primary care and help patients get the care they need more quickly.

- **Senior Surgical Care:** Adults aged 75 and older are at higher risk for mortality and morbidity after surgery. In Northern California, TPMG has created a Senior Surgical Care Program (SSCP) that is specifically designed to improve surgical care and outcomes and reduce delirium for patients 75 and older. With this affiliation, TPMG and NWP plan to implement this program in the Northwest for select surgical populations.
- **Subspecialty services:** For some highly specialized and low volume services, consulting with a larger pool of subspecialists in Northern California could create faster and more affordable access to care for patients in Oregon.

TPMG and NWP are both led by a shared mission of serving their patients and communities with high quality, cost efficient, and superior outcomes. By collaborating clinically, sharing innovations, and supporting its physicians and staff, NWP expects to increase patient access and improve quality of care as a result of the affiliation.

TPMG's Success with Prior Affiliations.

TPMG has a track record of affiliating with another Permanente Medical Group to improve quality, expand access, and increase innovation. In 2008, TPMG entered into a similar affiliation with the Mid-Atlantic Permanente Medical Group ("MAPMG"), which operates in Virginia, Maryland and the District of Columbia.

Since the affiliation between TPMG and MAPMG, MAPMG has made significant improvements in its financial and operational performance and quality ratings, as well as workforce retention and satisfaction. As a result of the affiliation, TPMG and MAPMG have been able to achieve several benefits for the patients and the communities they serve. Through the affiliation, TPMG and MAPMG's affiliation have achieved the following:

- MAPMG now serves 819,000 Kaiser Permanente Members, which is a net increase of >350,000 members since the affiliation in 2008, which demonstrates the value of TPMG-led Permanente Medicine to the communities served.
- MAPMG has grown to 1700+ physicians, with 600+ MAPMG physicians recognized as top doctors in the region. These results indicate physicians recognize the value of the physician-led, patient-centered model of care supported by the two medical groups, and patients have favorable views of the care they are receiving from MAPMG.
- TPMG provided consultation for the Care Without Delay model in MAPMG's affiliated hospitals and reduced patient day rate (the daily costs of care per hospitalized patient) by 2% in 2024, through improved care coordination and preparation for the patient's return to home or discharge to the continuum of care including skilled nursing facilities.
- MAPMG is now a top-performing medical group in quality and service with the following ratings: NCQA Commercial 5 stars, Medicare 4.5 stars, Maryland Medicaid 4.5 stars, demonstrating the benefits of sharing best medical and quality practices for the benefit of patients and the communities served.

- MAPMG achieved >90th percentile in several key measures, including adult immunization status, cervical cancer screening, childhood immunization status, eye exams for patients with diabetes, follow-up after ED visits for people with chronic conditions, osteoporosis screening, and prenatal immunization status, all of which are additional indicators of the value of sharing best quality practices and goals. These outcomes demonstrate a commitment to preventive services and reductions in disease burden using physician developed tools for population health.

b. Summary of transaction terms.

To effectuate the affiliation, TPMG and NWP are entering into a series of agreements, including an Affiliation Agreement, a Subscription Agreement, a Shareholder Agreement, and an Intellectual Property Licensing Agreement.

Under the Affiliation Agreement, TPMG and NWP establish a formal affiliation to promote clinical and operational best practices, improve clinical and operational efficiencies, and evaluate economies of scale, and facilitate new program development. Areas of initial focus include improvement of care delivery and ambulatory operations methods; collaboration, improvement and sharing best practices and intellectual property for ambulatory care access; subspecialty virtual or in-person care in certain subspecialties; increased collaboration between the parties for hospital care; and participation in TPMG leadership development programs. In connection with such services, the parties will share intellectual property with one another pursuant to the terms of an Intellectual Property License Agreement.

The Affiliation Agreement also sets forth the corporate mechanism by which TPMG and NWP will affiliate. Specifically, NWP will issue to the CEO of TPMG one share of Class B stock in NWP, which will give TPMG the authority to appoint 9 members of the NWP Board of Directors. The remaining members of the NWP board will be elected by NWP's Class A and C shareholders, each of whom is a physician/clinician practicing in Oregon or Southwest Washington. The TPMG CEO has obtained her Oregon medical license.

Finally, NWP will amend or restate its governing documents, including filing an amendment to its articles of incorporation to designate the rights and preferences of its Class B shares, and restate its bylaws to reflect the terms agreed to between NWP and TPMG.

c. Why the transaction is necessary or warranted

Maintaining NWP's clinical standards for access, management of costs, and superior quality outcomes require a level of clinical and operational expertise that NWP cannot develop as a stand-alone entity. Moreover, employer groups, government payors, and patients are demanding significant ongoing investments in cost control initiatives that NWP cannot afford or justify without a collaborating clinical partner that has the necessary experience, expertise, and mission alignment.

This transaction will help NWP confront the broad industry trends that are upending health care as we know it. The United States is facing a structural shortage of health care providers while patient demand for health care services is increasing. This has led to an

average of a 26-day wait time for a new patient appointment in major metropolitan areas.¹ If independent, physician-led medical groups hope to survive and thrive in this environment, they must find ways to improve patient access without sacrificing personalized, patient-centered medicine. As described in more detail in Inquiry 15 below, this transaction will enable NWP to expand programs like Get Care Now, E-Visits, and Telecritical care that make our providers more efficient and more accessible. These types of innovations are necessary to confront provider access challenges of the future and are only possible through this affiliation.

Also, NWP and TPMG must continue to make cost-effective health care more accessible to their patients to achieve their population health goals. This transaction will help achieve those goals through innovative programs like E-Visits (which allow patients to get accessible on-demand care) and Ambulatory Treatment Centers (which provides patients with convenient treatment in a lower-cost setting). This transaction will help NWP to manage its costs while improving its ability to manage patients' health.

And finally, America's health care workforce needs additional support. Across the industry, the drive for cost-control and efficiency has increased clinician workload and administrative burdens, while putting downward pressure on practice supports. Moreover, due to the rise of private equity, venture-backed, and publicly traded health care companies, non-clinicians are increasingly controlling the practice of medicine. Physician independence is at risk in these models. NWP and TPMG model a different path. As physician-led enterprises, physician Boards of Directors and physician leadership teams prioritize clinical excellence and independence. They also believe in and protect physicians' shared decision making with their patients. This transaction will allow NWP to better support their workforce through physician-led, collaborative investments that allow physicians to deliver the best possible care for their patients.

- d. Any exchange of funds between the parties, including the nature, source and amount of funds or other consideration (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of health care services).**

This is a mission-driven affiliation. As such, no exchange of funds will take place between TPMG and NWP to effectuate the proposed affiliation. Post-affiliation, there may be some exchange of funds between TPMG and NWP for one party's provision of services to the other party, as well as one party's use of certain intellectual property of the other party. Any payment for such services or intellectual property will be at fair market value.

7. Describe the negotiation or transaction process that resulted in the entities entering into an agreement.

- a. How the entities were identified (e.g., did one party approach the other, did one party engage in a bid/auction process, etc.)**

For the reasons described in Inquiries 6a and 6b above, in 2023 the NWP Board of Directors began evaluating potential strategic partnerships. As part of this process, the

¹ Miller P. Physician Appointment Wait Times Getting Longer. *AMN Healthcare*. September 12, 2022

NWP Board established guiding principles for evaluating strategic options, which reflected the Board's duties to its locally licensed and practicing physician/clinician shareholders. Those guiding principles are:

1. Our decisions will serve the long-term interests of our shareholders, patients, people and communities.
2. We provide integrated, value-based care that is physician-led and person-centered: we are the model for transforming healthcare.
3. We support meaningful, fulfilling, and stable careers at NWP.
4. Our core values of compassion, courage, inclusion, innovation, and ownership will be enhanced and amplified.
5. Financial and Strategic alignment to drive competitive advantage

Ultimately, the NWP Board determined that TPMG was the best strategic option and cultural fit for NWP. TPMG and NWP have a long-shared history of upholding value-based care in a physician-led integrated medical group. Additionally, leaders from TPMG and NWP have a shared history of working together in national workgroups assessing operations, people, strategy, external affairs, and finance.

The following is a timeline summarizing the key dates in TPMG and NWP's transaction process:

- In April 2023, the NWP Board determined that TPMG is the best strategic partner for NWP.
- Between summer and fall of 2023, NWP approached TPMG regarding potential affiliation.
- In the beginning of 2024, negotiations between TPMG and NWP began.
- In February 2024, TPMG and NWP entered into a Memorandum of Understanding regarding the potential affiliation.
- In the summer of 2024, NWP physician/clinician shareholders approved Amended and Restated corporate Bylaws and the NWP Directors approved amendments to corporate Articles of Incorporation to be filed, both of which actions were necessary to approve and advance the Affiliation between the parties.
- On November 14, 2024, the TPMG Board approved the terms of the Affiliation Agreement. On November 21, 2024, the NWP Board approved the terms of the Affiliation Agreement.
- On December 19, 2024, TPMG and NWP entered into the Affiliation Agreement.

- b. **Any due diligence performed by any of the parties to the transaction. Provide any products, reports, or analyses resulting from due diligence processes.**

NWP's Board and management conducted substantial due diligence regarding TPMG prior to inviting TPMG to affiliate with NWP. This included understanding TPMG's previous affiliation with MAPMG. NWP leadership met with and interviewed MAPMG executives and board leaders to understand the benefits and learnings from MAPMG's, highly-successful affiliation with TPMG.

As part of its evaluation of the potential affiliation, TPMG also requested and reviewed materials to better evaluate and understand NWP's operations, finances and taxes, governance, corporate structure, material litigation, material contractual relationships, employee benefits, intellectual property, and material regulatory risk.

During affiliation discussions, key executive leaders and board members from TPMG and NWP met several times. This included at least 5 in-person visits in Oregon by key TPMG leaders to meet NWP leadership and physicians, assess cultural fit, and better understand the other party's practice philosophy, clinical outcomes, governance, operational performance, goals for the future and commitment to practicing Permanente Medicine.

8. **Will the proposed material change transaction change control of a public benefit corporation or religious corporation?**

☐ Yes
☒ No

9. **List any applications, forms, notices, or other materials that have been submitted to any other state or federal agency regarding the proposed material change transaction. Include the data and nature of any submissions. This includes, but is not limited to, the Oregon Department of Consumer and Business Services, Oregon Public Health Division, Oregon Department of Justice, U.S. Department of Health and Human Services (e.g., Pioneer ACO or Medicare Shared Savings Program application), Federal Trade Commission, and U.S. Department of Justice.**

No such applications, forms, or notices are required to effectuate this transaction. At or around closing, NWP will file updated Articles of Organization with the Oregon Secretary of State, which are enclosed.

- a. **If a pre-merger notification was filed with the Federal Trade Commission or U.S. Department of Justice, please attach the pre-merger notification filing along with this notice submission.**

Not applicable.

IV. About the entities involved in the proposed transaction

10. Describe Party A.

a. Describe Party A's business, including business lines or segments

Northwest Permanente, P.C., is an independent, multispecialty medical group. As the exclusive provider of medical services for Kaiser Foundation Health Plan in Oregon and southwest Washington, NWP provides care for more than 613,000 Kaiser Permanente members. NWP is wholly independent of the Kaiser Foundation Health Plan and Kaiser Foundation Hospitals and provides services to these entities solely through contractual relationships.

Physician-led and physician-owned, NWP has an 80-year history of delivering on the promise of Permanente Medicine – a unique model of high-quality, value-based, and integrated care that allows it to be the best place to both give and receive care. At NWP, physicians are constantly seeking new horizons in health and sharing best practices. More than 1,500 physicians and clinicians are leaders in Oregon and Southwest Washington, clinics and communities. As a physician-led organization, doctors make the decisions about the care of their patients — free from outside influence. NWP works to provide best-in-class care for their patients, employees, community, and the environment, which led them to become a Benefit Corporation in the state of Oregon. As a Benefit Corporation, NWP is guided by stakeholders who focus on interests which are inclusive of people, planet and social impacts. As a physician/clinician-owned and led professional corporation domiciled in Oregon, NWP's shareholders are physicians and clinicians who practice through NWP. The current NWP board is made up exclusively of physicians elected by NWP's clinical shareholders. All of the NWP Board's officers except the corporate financial and legal officers are also physicians.

NWP's status as a physician-led professional corporation is core to its mission and a primary driver of the success of the Kaiser Permanente model. NWP receives a capitated, per-member fee to cover the cost of all professional health care services of Kaiser Permanente members in the region. This means that NWP has no financial incentive to perform unnecessary or costly procedures, and has a strong incentive to promote whole-body, long-term health for its members.

NWP primarily provides services to Kaiser Permanente members at its 31 medical offices in Oregon and Southwest Washington. NWP physicians constitute the majority of the professional medical staff for two Oregon Kaiser Foundation Hospitals ("KFH"). KFH is an affiliate of Kaiser Foundation Health Plan. Both KFH and Kaiser Foundation Health Plan are independent from NWP. NWP physicians also are medical staff members of other Oregon hospitals and provide care to Kaiser Permanente members in these facilities.

b. Describe Party A's governance and operational structure (including ownership of or by a health care entity)

As noted above, NWP is owned by its physicians and certain other clinical employees and governed by a board of directors made up of physicians who are elected by their fellow shareholders.

- c. Provide a diagram or chart showing the organizational structural and relationships between business entities.**

Please see the requested organizational chart, which is attached hereto as Exhibit A.

- d. List all of Party A's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.**

The HCMO-1b: Business Entities form is enclosed.

- e. Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for Party A's Oregon business.**

NWP's financial statements for the three most recent fiscal years are attached as Exhibit B. These financial statements cover all of NWP's operations.

- f. Describe and identify Party A's health care business. Provide responses to i-ix as applicable:**

i. Provider type (hospital, physician group, etc.)

NWP is a physician group practice Oregon-domiciled professional corporation governed by approximately 1500+ locally licensed and practicing physicians/clinicians.

NWP is independent from Kaiser Foundation Health Plan (which issues all health plans associated with Kaiser Permanente) and Kaiser Foundation Hospitals (which owns and operates two hospitals in Oregon).

ii. Service lines, both overall and in Oregon

NWP delivers services in 78 different specialties. A complete list of such specialties is attached as Exhibit C.

iii. Products and services, both overall and in Oregon

NWP's business is to provide professional medical services, primarily to Kaiser Permanente members or at facilities operated by Kaiser Foundation Health Plan and Hospitals.

iv. Number of staff and FTE, both overall and in Oregon

NWP employs approximately 1,500+ physicians and other clinical staff who provide services throughout Oregon and Southwest Washington. NWP also employs approximately 300 administrative staff.

v. Geographic areas served, both overall and in Oregon

Enclosed as Exhibit D is a service area map.

vi. Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations form

HCMO-1c is enclosed.

vii. Annual number of people served in Oregon, for all business, not just business related to transaction.

NWP serves over 613,000 members by professional services rendered throughout Oregon, Southwest Washington and beyond

viii. Annual number of services provided in Oregon

NWP physicians/clinicians had 3.6 million ambulatory patient visits in 2024 in Oregon and Southwest Washington.

ix. For hospitals, number of licensed beds

Not applicable.

11. Describe Party B.

a. Describe Party B's business, including business lines or segments

TPMG, a California professional medical corporation founded in 1948, is an independent, physician-owned and physician-led medical group serving patients in Northern California. It is the exclusive medical services provider for Kaiser Foundation Health Plan members in its service area. Through nation-leading quality, preeminent research, and integrated technology systems, TPMG's nearly 10,000 physicians and 45,000 nurses and staff deliver superior clinical outcomes to more than 4.6 million patients in Northern California.

TPMG physicians span nearly 120 specialties and subspecialties, including but not limited to primary care, pediatrics, women's health, mental health services, and more than 40 medical/surgical subspecialties. A complete list of TPMG's services is attached as Exhibit E. TPMG's services are offered through more than 210 medical office buildings throughout Northern California and 21 hospitals, owned and operated by Kaiser Foundation Hospitals. TPMG physicians also serve on the medical staff at other facilities in Northern California providing hospital medicine and surgical services. A map showing the Northern California counties served by

TPMG is attached as Exhibit F.

TPMG is a recognized leader in disease preventive services, early intervention, and world-class specialty treatment, including cardiovascular care, perinatal care, neurosurgical care, cancer clinical trials, sepsis survival, and diabetic and hypertension care management. TPMG's focus on evidence-based quality improvement and outcomes includes working together with professional colleagues establishing evidence-based pharmacy formularies, developing clinical practice guidelines, and implementing best practices for specific conditions. This commitment to high-quality care decisions, combined with adherence to evidence-based, physician-developed formularies for pharmaceutical products and medical devices, results in better health care outcomes that are more affordable.

Although TPMG is the exclusive provider of medical services to Kaiser Foundation Health Plan in Northern California, it is independent of the KP Health Plan and Kaiser Foundation Hospitals and provides services to these entities solely through a contractual relationship.

b. Describe Party B's governance and operational structure (including ownership of or by a health care entity)

TPMG is a physician-owned and physician-led organization. TPMG is governed by a 39-member Board of Directors, which is comprised of: an Executive Director, which is also referred to as the Chief Executive Officer of TPMG; 19 Physicians-in-Chief ("PICs"), each of whom leads one of TPMG's medical centers; and one additional shareholder director from each of TPMG's 19 medical centers ("Elected Directors").

The Elected Directors are elected by their local medical center shareholders every three (3) years. The PIC directors are nominated by the Executive Director, approved by the Board of Directors, and then elected by their local medical center shareholders every six (6) years. The Executive Director is nominated by the Board of Directors and ratified through a vote of TPMG shareholders every six (6) years. Consistent with TPMG's physician-led approach, all shareholders and directors must be licensed physicians or podiatrists. Shareholders also must reside in California and be employed by TPMG.

The Board of Directors carries out an oversight role, working with the Executive Director to support and promote TPMG's vision, mission, and goals. The Board of Directors' areas of oversight include strategic direction, legal and financial oversight; overall organizational performance; Executive Director selection and performance; and oversight of quality of the medical care provided and the quality of professional life for its providers.

A diagram showing TPMG's board composition is attached as Exhibit G

c. Provide a diagram or chart showing the organizational structural and relationships between business entities.

TPMG's current organizational charts are attached as Exhibit H.

- d. **List all of Party B's business entities currently licensed to operate in Oregon using HCMO-1b: Business Entities form. Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.**

Not Applicable. TPMG does not have any business entities currently licensed to operate in Oregon.

- e. **Provide financial statements for the most recent three fiscal years. If Party B operates outside of Oregon, provide financial statements both for Party B nationally and for Party B's Oregon business.**

TPMG's financial statements for the most recent three fiscal years are attached as Exhibit I. These financial statements cover all of TPMG's operations.

- f. **Describe and identify Party B's health care business. Provide responses to i-ix as applicable.**

- i. **Provider type (hospital, physician group, etc.)**

TPMG is a physician group.

- ii. **Service lines, both overall and in Oregon**

TPMG does not provide any services in Oregon. A list of services provided by TPMG in Northern California is attached as Exhibit E.

- iii. **Products and services, both overall and in Oregon**

TPMG does not provide any services in Oregon. A list of services provided by TPMG in Northern California is attached as Exhibit E.

- iv. **Number of staff and FTE, both overall and in Oregon**

TPMG does not have any employees in Oregon. As of 12/31/2024 TPMG employs approximately 11,100 physicians and 47,628 nurses and staff in California, with a YTD average FTE of 48,194.

- v. **Geographic areas served, both overall and in Oregon**

TPMG does not provide any services in Oregon. A map showing the geographic areas served by TPMG in Northern California is attached as Exhibit F.

- vi. **Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations form**

Not applicable. TPMG does not have any facilities that it owns or operates in Oregon.

vii. Annual number people served in Oregon, for all business, not just business related to transaction

Not applicable. TPMG does not provide any services in Oregon.

viii. Annual number of services provided in Oregon

Not applicable. TPMG does not provide any services in Oregon.

ix. For hospitals, number of licensed beds

Not applicable.

12. Describe all this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:

- a. Legal names of all entities party to the transaction**
- b. Type of transaction**
- c. Description of the transaction**
- d. Date the transaction closed**

Neither party has conducted or closed any merger, acquisition, or joint venture in the prior ten years.

13. Describe any anticipated changes resulting from the proposed material change transaction, including:

a. Operational structure

- i. Provide a chart or diagram showing the pre- and post-transaction organizational structure and relationships between entities.**

Enclosed as Exhibit J is a post-closing organizational chart showing the post-closing ownership structure of NWP and TPMG.

b. Corporate governance and management

As described in response to Inquiry 6b, the only immediate change to NWP's governance will be to (a) issue one Class B share to the TPMG CEO, and (b) amend NWP's governance documents to grant the Class B shareholder the right to appoint 9 of 15 members of the NWP board of directors, two of whom shall serve on the NWP board on an ex officio basis. The remainder of the NWP board will consist of directors elected by NWP's Class A and C shareholders. Consistent with ORS 58.357, NWP's Class B shareholder and a majority of NWP's directors will be licensed to practice medicine in Oregon.

The parties intend to maintain, to the greatest extent practicable, continuity of management following closing. The Affiliation documents provide for continuity of the NWP Executive Medical Director for the next two years, and the current NWP Board Chair for the next two years/terms. No specific management changes are currently planned, and any future changes would occur in the ordinary course of business.

c. Investments or initiatives

One of the primary drivers of this affiliation is a mutual desire to improve the ability of NWP to implement and scale mission-enhancing programs. TPMG has, over the past several decades, developed deep expertise in using data-backed performance management to achieve operational improvements. This is supported by systematized annual operational planning, goal setting, and quantitative monitoring. NWP intends to build on this expertise to implement program improvements to better achieve its mission to create value for patients and members enrolled in Oregon and Southwest Washington and differentiate through quality, access and exceptional service.

As such, TPMG and NWP have been working together to identify those programs and initiatives that the parties could efficiently implement to create value for patients and members; differentiate through quality, access and exceptional service; provide satisfaction and meaning for physicians and staff; and deliver affordable care. TPMG and NWP's strategic priorities for the affiliation are outlined in response to Inquiry 15 below.

d. Type and level of staffing

NWP and TPMG do not expect or anticipate any changes to staffing levels associated with this transaction. To facilitate knowledge sharing across the organizations, TPMG's services are expected to supplement, not replace, NWP's existing organizational capacities. Neither party intends or expects to outsource administrative functions, combine units or divisions, transfer staff, or otherwise reduce staffing levels as a result of this transaction, except as may occur in the ordinary course of business.

e. Type and level of services provided

After the closing of this transaction, NWP will continue providing at least the same services at the same service levels, but expects substantial operational improvements in quality, access and service and an expansion of patient care services.

Moreover, because TPMG and NWP intend to invest in several initiatives and programs post-affiliation, the proposed affiliation is expected to increase the type and level of services provided. For more details on the types of initiatives and programs anticipated to increase services, please see the response to Inquiry 15 below.

f. Number and type of locations

TPMG and NWP do not anticipate any change to the number and type of NWP locations as a result of the affiliation. Post-affiliation, NWP will provide at least the same services from the same locations from which services are currently provided.

g. Geographic areas served

No changes in the current geographic areas served are anticipated as a result of the affiliation.

h. For providers, payer contracts and payer mix

There will be no change to payer contracts or payer mix as a result of the affiliation. Post-affiliation, TPMG and NWP will continue to negotiate all payer contracts separately. Neither NWP or TPMG will require any payer to contract with both parties.

i. For insurance carriers, provider contracts and networks

NWP and TPMG are independent entities from the Kaiser Foundation Health Plans (KFHP) and Kaiser Foundation Hospitals (KFH). NWP has no authority to affect the insurance duties and functions of KFHP and has no role in their operations beyond the provider contracts discussed above.

j. Other contractual arrangements, including contracts with suppliers, partners, ancillary service providers, PBMs, or management services organizations

TPMG and NWP intend to maintain existing relationships with vendors and suppliers after the closing of the affiliation but may assess whether joint purchasing may provide cost efficiencies or higher quality and service.

V. Impacts from the proposed material change transaction

14. Describe how the proposed material change transaction will impact the public and people served by the entities in Oregon.

NWP's proposed affiliation with TPMG will improve and expand NWP's ability to effectively provide care to Oregonians through increased innovation, improved clinical tools, investment in cutting-edge programs, and greater access to subspecialty care.

The sections below will describe in more detail the tangible benefits of this transaction to Oregon and Kaiser Permanente's members.

a. If there are any anticipated negative effects, describe how the entities will seek to mitigate negative impacts.

Not applicable.

15. Explain how the proposed material change transaction will:

a. Impact health outcomes for people in Oregon. Provide applicable data, metrics, or documentation to support your statements.

NWP and TPMG already deliver best-in-class services to their patients and the community at large. The care provided by TPMG and NWP outperforms its peers on many key performance metrics related to clinical outcomes, quality, and cost.

For instance, research shows cancer patients diagnosed and treated by NWP and TPMG at Kaiser Permanente live longer, healthier lives than people who get care through other health plans. This is demonstrated by a 15% lower mortality rate across some of the most common types of cancer, including: Breast, Prostate, Lung, Colorectal, Melanoma, Endometrial, Kidney and Bladder cancers.

Permanente Medicine also excels in preventing heart disease. High blood pressure is a major risk factor for heart disease. Nearly 80% of Kaiser Permanente members with high blood pressure who are treated by Permanente Medicine physicians and clinicians have their condition under control. Outside Kaiser Permanente, 3 in 4 adults with high blood pressure don't. This saves costs because employees with high blood pressure have \$6,767 in additional annual health care costs.

Our system reduces unnecessary and ineffective surgeries. Under the care of Permanente Medicine physicians, only 2.4% of members diagnosed with low back pain required outpatient back surgery. Only 0.6% needed inpatient surgery. Outside Kaiser Permanente, about 10% of low back pain patients get surgery, but 1/3 of patients see no improvement, while another 1/3 have even worse pain after surgery.

This transaction will enable TPMG and NWP to continue delivering on the promise of Permanente Medicine by implementing new and innovative programs that will deliver tangible health outcomes for Oregonians.

Listed below are examples of program expansions and improvements that NWP and TPMG have discussed implementing post-closing and would not be possible absent this transaction.

Care Without Delay

Post-affiliation, NWP and TPMG will prioritize implementing inpatient models of care that improve outcomes and satisfaction. For instance, "Care Without Delay" (CWD) integrates care transformation with patient flow infrastructure to improve each patient's care experience. This set of 21 proven and reproducible best practices synchronizes a patient's hospital stay by coordinating the work of the entire care team from specialists to social workers to the patient's family. CWD outcomes include better coordinated care within the hospital setting, which leads to a better patient experience and less time in the hospital for all patients served.

In the months following this affiliation, NWP and TPMG anticipate expanding the CWD model to the two Kaiser Foundation Hospital emergency rooms staffed by NWP physicians. In recent years, the EDs have faced operational challenges that create capacity constraints at such facilities. The CWD pathway has a proven track record of improving capacity in a manner that is replicable, scalable, and does not require fundamental changes to ED infrastructure or payment rates.

Utilizing TPMG's comprehensive emergency room analytic and operational data and modelling, NWP will reassess its current ED operations and identify opportunities for workflow and care experience improvement.

Areas of immediate focus are to schedule routine meetings between TPMG and NWP leaders to discuss and align CWD strategies, and to assess the current NWP ED model of care with TPMG's proprietary analytic tools and methodologies.

Ambulatory Treatment Centers

NWP endeavors to pilot TPMG's Ambulatory Treatment Centers (ATC) model. Initial results in Northern California have reduced the number of hospital days for the patients

that otherwise would have been hospitalized when they received ATC.

The ATC is an outpatient clinic for patients without an emergency medical condition that is designed to prevent avoidable ED visits and hospital admissions, especially for elderly members, reducing the likelihood of delirium, falls, and pressure ulcers. It also provides an opportunity for our patients to receive high quality, time sensitive care in a comfortable outpatient setting which improves overall satisfaction and healthcare access.

The ATC achieves these goals by providing short-term, same or next day treatments (up to 9 hours) and support to patients with physician oversight in an ambulatory setting. The initial conditions to be treated in the ATC are the same as what TPMG currently provides:

- Congestive heart failure population requiring IV Lasix
- Pneumonia, urinary tract infection, cellulitis, sepsis management with intravenous antibiotics
- Infusions for hydration or electrolyte replacement to avoid decompensation

NWP and TPMG share an operational goal of expanding the clinical conditions served in each ATC as the parties gain knowledge and experience.

The health benefits of the ATCs include:

- Provides specialized, focused high-quality care to the patient
- Maintains quality and improves patient experience given specialized environment
- Allows for convenient access for patient care
- Reduces ED utilization and inpatient admissions
- Provides lower cost site of care for targeted services
- Enables earlier inpatient discharges for certain patients, improving length of stay and patient satisfaction
- Requires limited additional staff training
- Maintains flexibility to expand capacity to provide care for patients

NWP and TPMG are exploring where an ATC would be started in Oregon by evaluating socioeconomic needs, acute care utilization, and ED/hospital capacity.

Telecritical Care

Following affiliation, NWP is planning to establish a telecritical care ("TCC") program with support from TPMG physicians via remote monitoring systems that will provide direct support to hospital ICUs in the Northwest to improve capacity to provide critical care. The expansion of telecritical care will have direct benefits to hospitalized Oregonians.

The TCC model provides additional access to critical care physicians to augment the existing ICU staffing in KFH hospitals in Oregon. The program augments bedside monitoring and intake of patients through remote monitoring in real time and the ability to provide consultation and intervention based on physician-designed workflows. TPMG has implemented this model in 18 hospitals in Northern California, where it has reduced morbidity and mortality as well as reduced the length of stay in the ICU, hospital, and emergency department. TCC reduces mortality adjusted length of stay in the hospital by 28.5 hours, and in the ICU by 13.9 hours. At the Northern California pilot sites, the TCC

model reduced hospital mortality for patients with an ICU encounter by 17 percent.

Post-affiliation, TPMG TCC physicians will seek Oregon medical board licensure to implement this model at the Sunnyside Medical Center and Westside Medical Center in Oregon and seek similar reductions in length of stay, morbidity, and mortality for patients in the ICU.

E-Visits and Get Care Now

NWP is actively working with TPMG to expand convenient care and virtual offerings and plan to expand two key existing programs post-affiliation: E-visits and Get Care Now (GCN).

While Kaiser Permanente Northwest currently offers these programs, NWP will tap into the expertise and experience of physicians in Northern California to expand access in Oregon to these programs that offer same day and next day care

Get Care Now currently offers on demand video and phone visit service for patients in Oregon. Developing workflows for the program alongside expert TPMG physicians for specific clinical conditions such as cold, cough, flu, and COVID-19 will allow NWP to improve and expand this program in Oregon.

E-visits are an online dynamic questionnaire developed by physicians that are available to KP members for many of the most common health complaints. E-visits are answered within 2 hours by a physician team 7 days a week between 7a-10p. Each new E-visit topic typically takes 3-6 months to develop and test. Affiliation with TPMG will allow the NW region to access TPMG intellectual property (IP) in the form of existing and future E-visit modules. Having access to tried and tested E-visit modules will increase the access to primary care to all KP members across Oregon.

The following TPMG E-visit modules are scheduled to be implemented in 3 phases by the Convenient Care department of NWP:

- Phase 1: Diarrhea; Headache; Erectile Dysfunction
- Phase 2: Back pain
- Phase 3: Allergy

Based on current patient demand, the addition of these modules will grow NWP's e-visit capacity by at least 7,000 visits per year. TPMG and NWP will continue to collaborate and share intellectual property over time which will shorten the time for development and implementation of E-visit modules each year.

Senior Surgical Care

Medical literature has identified that adults aged 75 and older are at higher risk for mortality and morbidity after surgery. In Northern California, TPMG implemented a Senior Surgical Care Program (SSCP) (based on the American College of Surgeons program) that supports adult patients 75 and older, improving their surgical care and outcomes. TPMG and NWP are evaluating expanding this program into the Northwest.

SSCP aims to:

- Provide care that is customized to what is important to the patient.
- Reduce mortality and morbidity in older adults.
- Reduce post-surgical cognitive and functional decline.
- Increase patient engagement in planning for transitions at discharge.

The care path for patients in Northern California includes the following:

- Screening for surgical and geriatric vulnerability to understand frailty and potential cognitive decline.
- Referral of patients with moderate and high frailty risk to a multidisciplinary senior surgical board.
- The patient's physician discusses with the patient the multidisciplinary senior surgical board's advice to ensure informed decision making so the patient's goals are met. This facilitates the creation of an aligned management plan.
- The program also includes an age-friendly specific postoperative protocol and non-operative care including physical medicine and rehabilitation, pain management, and palliative care.

The ACS performs Geriatric Surgery Verification for hospitals, meeting the 30 mandatory standards of the stringent program. Nationally, 14 hospitals are verified, and 6 of them are in Kaiser Permanente Northern California: Antioch, Fresno (the first hospital to be certified twice), Oakland, Richmond, Santa Clara, Walnut Creek. There are currently no verified hospitals in the state of Oregon.

Subspecialty care

TPMG and NWP will assess opportunities to support subspecialty care in NWP, such as pediatric subspecialties, surgical subspecialties, and dermatology. The larger patient population and broader physician pool in Northern California offers TPMG the opportunity to provide specialized, high-quality care without increasing costs to patients who in other systems would pay separately for additional clinical visits that are not integrated with their PCP and other regular care. Some subspecialty care may be accessed virtually with subspecialists in Northern California consulting or caring for patients in Oregon. TPMG and NWP operational teams plan to explore which subspecialties would be most advantageous to the patients of Oregon.

b. Benefit the public good by reducing the growth in health care costs. Provide applicable data, metrics, or documentation to support your statements.

Affiliating with TPMG will enable NWP to continue leading and improving population health and high-quality outcomes for patients. Permanente Medicine pioneered the pre-paid model on the principles of patient-centered, high-quality, affordable care. This affiliation is born from these principles. Unlike many of our corporate competitors, we do not view cost control as a goal in and of itself. Instead, the Permanente Medicine model is predicated on the idea that the best way to control costs is to improve the health outcomes of its members. Our integrated care model ensures that physician-led care teams provide the right care at the right time, while removing any incentive to perform unnecessary tests, treatments or procedures.

This transaction will further the cost-control efforts of both NWP and TPMG. For example, the E-visits, ATCs, Get Care Now and Senior Surgical Care programs are relevant examples of programs that control costs by ensuring that patients are receiving the right care, at the right time, in the right setting. This both improves patient outcomes *and* controls costs by reducing adverse events and avoiding unnecessary ED visits and hospital admissions.

For example, TPMG's Senior Surgical Care Program provides cost savings and also improves surgical outcomes. Based on reduced operating room utilization, hospitalization and implant costs across urology, vascular, orthopedics, and general surgery procedures, TPMG saves more than \$16 million each year.

Telecritical care also provides cost savings based on reduced intensive care unit length of stay and reduced Med/Surg patient days. The program is estimated to save more than \$45 million annually across almost two dozen hospitals across Northern California.

Permanente Medicine focuses on prevention and high quality care. In the National Committee for Quality Assurance (NCQA) HEDIS (Healthcare Effectiveness Data and Information Set) measures, TPMG is in the 90th percentile nationally for 70% of measures. For 32 of the measures, TPMG is the top in California, including:

- Adolescent Vaccines (#3 in Nation)
- HPV Vaccine (#3 in Nation)
- Cardiac Rehab and Beta Block Post MI (#6 in nation)
- COPD Care (#5 in nation)
- Avoidance of Antibiotics for Bronchitis (#7 in nation)
- Antipsychotic Monitoring (#4 in nation)
- ADHD Care (#1 in nation)

These quality accomplishments translate into savings for the provision of health care.

It is well established that focusing on prevention and early detection leads to cost savings and better outcomes for patients. One example is TPMG's HPV vaccine program. By improving HPV vaccine uptake, the number of TPMG patients aged 20 to 24 who screen positive for cervical precancer in Northern California decreased 90% from 2014 to 2021. This reduces unnecessary LEEP procedures and reduces the risk of preterm labor and delivery. TPMG estimates this program also prevented 3,400 cancers and saved \$680 million in cost avoidance.

c. Benefit the public good by increasing access to services for medically underserved populations. Provide applicable data, metrics, or documentation to support your statements.

Both parties have a long track record of advancing health equity by expanding access in medically underserved communities, particularly in rural and geographically underserved areas.

For instance, NWP has supported healthcare in rural communities via a partnership with Orchid Health. NWP has invested in Orchid Health due to a shared belief that Oregon's rural communities deserve to have accessible, high-quality healthcare. NWP partners with Orchid to offer local, comprehensive healthcare in several rural communities in Oregon, including Estacada, McKenzie River, Welches, and Oakridge. The services offered vary based on community need, but generally encompass primary care, behavioral health, diagnostic testing, and school-based care.

TPMG has expertise providing care in underserved rural communities in California, including Fresno and California's Central Valley. Through virtual telehealth offerings and physicians working across the region, TPMG has provided high-quality, timely primary and specialty care in rural areas. Such efforts have been a cost-effective way to expand access in areas that often have difficulty recruiting and retaining clinicians and specialists. One example is TPMG's "Dermies without Borders" program in which 47 dermatologists traveled across the region to see patients. This program expanded access and reduced the dermatology wait times in the Central Valley and boosted patient experience.

To solve for the "digital divide," TPMG's "virtual rooming" program allows a medical assistant to help members prepare for and connect to a video visit. After adjusting for factors such as age and comorbidities, the estimated connection rates for those who received assistance were:

- 11.4% higher among patients who lived in low-socioeconomic-status neighborhoods
- 12.1% higher among African American/Black patients
- 9.8% higher among Latino patients
- 13.1% higher among those who needed language interpretation

TPMG and NWP believe that this affiliation presents several opportunities to tackle the digital divide. As described above, informatics leaders from TPMG and NWP have

agreed to expand eVisit offerings and capabilities in Oregon. First, NWP will invest in existing platforms to increase the number and type of common conditions that can be addressed through E-visits. This access-expanding initiative will mean that more patients are eligible for telehealth services. Additionally, TPMG has experience implementing a “virtual rooming” program, which involves a medical assistant helping members prepare for and connect to a video visit. TPMG research shows that members who received care at medical offices with high virtual rooming rates were 7% more likely to have a successful connection to the video visit.

Through this affiliation, NWP and TPMG will be able to share successful strategies to benefit medically underserved populations in Oregon.

d. Benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services. Provide applicable data, metrics, or documentation to support your statements.

Health equity is a hallmark of Permanente Medicine. TPMG and NWP strive to deliver culturally competent care to all populations in our communities and the proposed affiliation will allow TPMG and NWP to collaborate and share best practices to advance health equity in our respective communities.

Led by the work of its Permanente Medicine physicians and clinicians, Kaiser Permanente Northern California and Northwest Regions have both earned NCQA accreditation in equity measures, with five-star ratings in the category of ‘Prevention and Equity’ for their health plan members.

TPMG is also working to improve health equity in its communities. TPMG’s colorectal cancer screening program that eliminates racial disparities in mortality. TPMG increased colorectal cancer screening from 40% to 80%. As a result, colon cancer cases decreased by 26% and colon cancer related deaths decreased by 52%. TPMG became the only organization to eliminate the racial disparity in mortality between Black and White members. This program was published in the *New England Journal of Medicine* in Feb. 2022.

For hypertension control, TPMG has worked to close the racial disparity gap and control rates among African American/Black patients. This population has the highest risk for heart attack and stroke with HTN, especially at a younger age. TPMG is achieving high performance in closing this and other health disparities and can help NWP to improve care in their community. TPMG also offers robust member education and engagement information online in Spanish and other languages. Last year, TPMG put out 1700+ health engagement and information products in Spanish, Chinese or other languages. NWP members may be able to access these materials to enhance their care in many topics.

NWP has also developed leading-edge strategies to close gaps in social health. In 2023, more than 300,000 members were screened for social health needs in Oregon and SW Washington, with 10,000 members connected to community resources to help meet their needs. The Kaiser Permanente Community Support Hub, a model developed by NWP physician leadership, uses advanced data and technology to proactively identify members with social needs and link them to critical resources

through community-based organizations, including:

- Food and housing assistance
- Employment and entrepreneurship services for jobseekers and small businesses
- Legal aid and money management advice
- Help paying for child care and utilities
- Social and spiritual enrichment opportunities

NWP and Kaiser Permanente Northwest are building on the principles of value-based care to advance health equity. A new Center for Black Health and Wellness will be situated in the Albina neighborhood of Northeast Portland, a historically black neighborhood. The center was developed with input from member advisory councils, including Black community members who shared how, where, and from whom they wanted to receive care. The goal of the Center for Black Health and Wellness is to improve the health of Black members, elevate their care experience, continue to build trust and create culturally responsive care and best practices that can be shared across our organization and the health care community.

Additionally, Salud en Español is a NWP program for culturally and linguistically inclusive care for Spanish-speaking patients, in which physicians, medical assistants, and nurses all speak both English and Spanish. The Salud en Español team at the Sunset Medical Office in Hillsboro, Oregon, has implemented a program for patients with diabetes that includes group video visits with a Spanish-speaking behavioral health consultant, a health educator, or another bilingual staff member. To promote healthy eating, each patient is offered food boxes that contain a diabetic-friendly mix of grains, legumes, proteins, fruits, and vegetables. The food is provided through donations from local food banks and the Sunset Medical Office. NWP has seen improvements in A1C control and nutritional status associated with these programs.

As the above examples demonstrate, both TPMG and NWP have a long-standing commitment to improving health equity, as demonstrated by specific programs and investments that have delivered quantifiable results for the communities they serve. Through the affiliation, they will continue to collaborate and spread practices that benefit not only all members but also assess and treat specific health inequities and access to services for traditionally medically underserved patients. TPMG and NWP anticipate the medical groups will consider additional areas to explore looking at health equity outcomes as they relate to patient care experience (CAHPS), maternal health, and other quality measures.

- e. If the transaction will not benefit the public good as described in b-d, explain why this proposed material change transaction is in the best interest of the public.**

This transaction will benefit the public good for the reasons described above.

16. Describe any competitive effects that may result from the proposed material change transaction.

a. Will the proposed material change transaction result in a decrease in competition?

No. NWP and TPMG do not operate in the same geographic region, nor do they compete for patients or in negotiations with any third parties. Additionally, neither NWP nor TPMG provide services to one another.

This transaction will also not result in any consolidation or combination of providers in negotiating rates with payors. Both TPMG and NWP contract with Kaiser Foundation Health Plans to deliver comprehensive healthcare services to members in their respective regions. These contractual arrangements will remain distinct, and TPMG and NWP will continue to separately negotiate provider contracts with Kaiser Foundation Health plans and all other third-party payers post-affiliation.

i. If yes, describe any anticompetitive effects that will result from the proposed transaction.

Not applicable

ii. If yes, describe any plans to mitigate potential anticompetitive effects, including any divestiture plans.

Not applicable

b. Provide applicable data, metrics, or documentation to support your statements.

Not applicable.

17. Describe the proposed material change transaction's impact on the financial stability of any entity involved in the transaction.

NWP and TPMG are financially stable. The primary motivation is to improve both organizations' ability to invest in new and innovative programs that improve quality, reduce costs, and grow membership. Please see the enclosed financial statements, which are attached as Exhibits B and I.

VI. Supplemental materials

Submit the following materials, if applicable, with your submission. Apply Bates numbering to all confidential documents submitted with the Notice and include the applicable Bates number sequence on all redaction logs.

- ☒ [HCMO-1a: NPI form](#) (required for health care provider entities)
- ☒ [HCMO-1b: Business Entities form](#) (required parties with multiple business entities licensed to operate in Oregon)
- ☒ [HCMO-1c: Facilities and Locations form](#)
- ☒ Pre- and post-transaction organizational structure diagram
- ☒ Copies of all current agreements and term sheets for the proposed transaction
- ☒ Financial statements for all entities for the most recent three fiscal years
- ☒ Copies of current governance documents for all entities (for examples, bylaws, articles of incorporation, corporate charter, etc.)
- ☒ Documentation or analytic support for your responses, as applicable
- ☒ Redaction log

VII. Certification

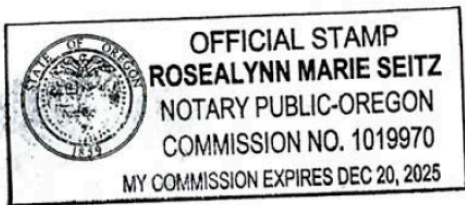
I, the undersigned, being first duly sworn, do say:

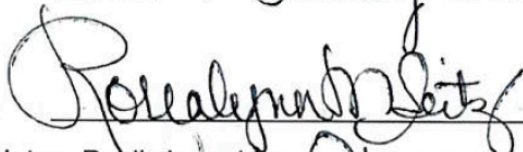
1. I have read ORS 415.500 et seq. and OARs 409-070-0000 to 409-070-0085.
2. I have read this Notice of Material Change Transaction and the information contained therein is accurate and true.

Signed on the 5th day of February, 2025.


Wui-Leong Koh, MD

SUBSCRIBED AND SWORN TO before me, this 5th day of February, 2025.




Notary Public in and for Oregon

My Commission Expires: 12-20-25