

Health Care Market Oversight

# **Transaction 023**

## **Northwest Permanente – The Permanente Medical Group Preliminary Review Report**

April 11, 2025



# About this Report

This report summarizes analyses and findings from Oregon Health Authority’s preliminary (30-day) review of the proposed material change transaction involving Northwest Permanente, P.C. and The Permanente Medical Group, Inc. It accompanies the Findings of Fact, Conclusions of Law, and Final Order (“Preliminary Review Order”) issued by Oregon Health Authority on April 11, 2025. For legal requirements related to the proposed transaction, please reference the [Preliminary Review Order](#).

You can get this document in other languages, large print, braille or a format you prefer free of charge. Contact us by email at [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov) or by phone at 503-945-6161. We accept all relay calls.

If you have any questions about this report or would like to request more information, please contact [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov).

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# Executive Summary

The [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they support Oregon’s goals of health equity, lower costs, increased access, and better care. After completing a review, the Oregon Health Authority (OHA) issues a decision about whether a business deal, or transaction, involving a health care company should proceed.

## Proposed Transaction

On March 12, 2025, OHA accepted a complete Notice of Material Change Transaction (“notice”) from Northwest Permanente, P.C. (“NWP”) regarding a proposed affiliation (the “transaction”) with The Permanente Medical Group, Inc. (“TPMG”). The stated purpose of the proposed affiliation is to create opportunities for collaboration and improve clinical and operational performance.

NWP is an independent, physician-owned and physician-led medical group serving as the exclusive medical services provider for Kaiser Foundation Health Plan members in Oregon and Southwest Washington. TPMG is a physician-owned and physician-led medical group. TPMG serves Kaiser Foundation Health Plan members in northern California. Through the proposed transaction, TPMG’s CEO will also become the CEO of NWP and have the ability to appoint a majority of members to NWP’s board of directors.

## OHA’s Review

OHA completed a 30-day preliminary review of the proposed transaction. During the review, OHA assessed the likely impact of the transaction across four domains: cost, access, quality, and equity. OHA requested and received additional information from the entities to inform the review. OHA held a public comment period and received no public comment submissions.

## Key Findings



### Cost

OHA does not expect the transaction to make care less affordable. The transaction is unlikely to increase the entities’ ability to negotiate higher rates from insurers. The entities have stated an intent to implement programs that will result in cost savings, however, the plans for those programs have not been finalized.



### Access

The transaction is unlikely to substantially reduce access to care. The entities have no plans to reduce services or locations as a result of this transaction. One stated goal of the transaction is to expand programs and services.



## Quality

The proposed transaction is unlikely to worsen quality and may create opportunities for quality improvement. Because NWP plans to maintain existing services or locations, the transaction is unlikely to negatively impact quality. The entities have identified multiple evidence-based TPMG programs to potentially expand into NWP's service area.



## Equity

The proposed transaction is unlikely to substantially impact health equity. The transaction does not include a dedicated focus on health equity and does not include specific programs designed to advance equity.

## Conclusions and Decision

Based on preliminary review findings, **OHA approved the transaction on April 11, 2025.** (See [Preliminary Review Order](#)). OHA approved the proposed transaction based on the following criterion:

### 1. **The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon**

NWP and TPMG will remain exclusive providers for Kaiser Foundation Health Plan members in Oregon, southwest Washington and northern California. Because NWP and TPMG will continue to negotiate all payer contract separately and will not require any payer to contract with both parties, the transaction is unlikely to impact bargaining power or the ability for the entities to negotiate higher prices. Post-transaction, the entities have committed to providing at least the same services at the same service levels and have no plans to change the number of current locations or geographic areas served. The transaction may create opportunities to expand service offerings in Oregon.

As required by statute, OHA will conduct follow-up analyses one, two, and five years after the transaction is complete. OHA's monitoring will assess impacts of the transaction and whether the entity keeps the commitments included in the notice. More broadly, OHA will monitor changes to health care cost, quality, access, and health equity for people in Oregon.

# Introduction

OHA's Health Care Market Oversight program (HCMO), launched in March 2022, reviews proposed health care transactions such as mergers, acquisitions, and affiliations to ensure they support statewide goals related to cost, equity, access, and quality. The HCMO program is governed by [Oregon Revised Statute 415.500 et seq.](#) and [Oregon Administrative Rules 409-070-0000 through -0085.](#)

In the authorizing statute, the Oregon Legislature specified what types of proposed transactions are subject to review and the criteria OHA must use when analyzing a given proposed transaction. The Oregon Legislature also authorized OHA to decide the outcome of a proposed transaction. After reviewing a given proposed transaction, OHA may approve, approve with conditions, or disapprove the transaction.

The HCMO program fits within OHA's broader mission of ensuring all people and communities can achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care. The program also supports OHA's goal of eliminating health inequities by 2030.

# Proposed Transaction

On March 12, 2025, OHA accepted a complete Notice of Material Change Transaction (“notice”) from Northwest Permanente, P.C. (“NWP”) regarding a proposed affiliation (the “transaction”) with The Permanente Medical Group, Inc. (“TPMG”).

OHA reviewed the notice of material change transaction and determined, based on the facts in the notice, that the transaction is subject to review. The entities party to the transaction meet the revenue thresholds specified in [OAR 409-070-0015\(1\)](#) and the proposed transaction is otherwise covered by the program in accordance with [OAR 409-070-0010](#).

After receipt of the complete notice, OHA began a preliminary review of the proposed transaction. Preliminary reviews must be completed within 30 days of OHA’s confirmation of receipt of a complete notice, unless extended in accordance with applicable statutes and administrative rules. This report describes the transaction, OHA’s approach to the review, its findings, and OHA’s conclusions based on these findings.

## The Kaiser Permanente Model

Both NWP and TPMG are part of Kaiser Permanente (“Kaiser”), a large, vertically integrated nonprofit health system. Kaiser Permanente was founded in 1945 in the state of California and operates in California, Colorado, Georgia, Hawaii, Maryland, Oregon, Virginia, Washington D.C., and Washington State.<sup>1,2</sup> Kaiser is one of the largest not-for-profit health plans in the United States, serving 12.4 million members across 40 hospitals and 616 medical offices nationwide.<sup>3,4</sup>

Kaiser’s model includes three mutually connected arms that combine health insurance with a delivery network of hospitals, clinics, physicians, and other providers.

<b>Kaiser Foundation Health Plans</b>	Provides health insurance to Kaiser health plan members
<b>Kaiser Foundation Hospitals</b>	Operates hospitals and health care facilities
<b>Permanente Medical Groups</b>	Medical groups that employ physicians and deliver care to Kaiser health plan members. NWP and TPMG both fall into this group.

Because Kaiser medical groups and hospitals largely serve individuals with Kaiser insurance coverage, it operates like a “closed” network. Kaiser providers and facilities are available almost exclusively to members of Kaiser health plans. Patients with coverage by other insurers generally don’t have access to Kaiser providers in-network. While Kaiser health plans compete with other health plans for members, Kaiser providers and hospitals generally do not compete with other providers to serve patients with non-Kaiser insurance coverage.

## Entities Involved

### Northwest Permanente, P.C.

NWP was formed as an Oregon Corporation and is headquartered in Portland, Oregon.<sup>5</sup> NWP is an independent, physician-owned and physician-led medical group serving as the exclusive medical services provider for more than 613,000 Kaiser Foundation Health Plan members in Oregon and southwest Washington.<sup>6</sup>

NWP providers offer services at 31 medical offices and make up most of the medical staff at the two Kaiser hospitals in Oregon.<sup>7</sup> NWP providers provide primary, specialty, and behavioral health care across 78 different specialties. For a complete list of NWP services, please see [Exhibit C](#).

### NWP's Other Businesses

NWP physicians own the following business that is a direct subsidiary of NWP.

Business Name	Description
Permanente Health Care Ventures, PC (doing business as Morlen Health)	A company, founded by physicians of NWP, focused on creating and growing patient care models and solutions, particularly through digital health technologies. Morlen Health currently offers a virtual pulmonary lab. <sup>8</sup>

### Organizational Structure and Governance

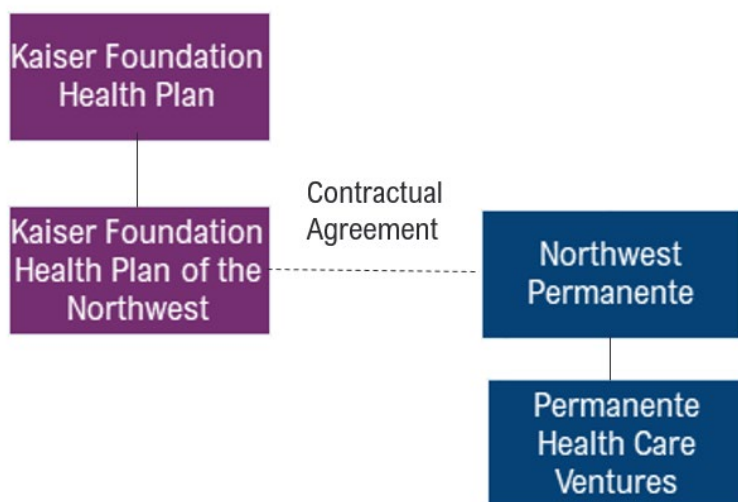
NWP is a physician-owned and physician-led multispecialty medical group, governed by roughly 1,500 locally licensed and practicing physicians/clinicians.<sup>9</sup> The primary shareholders of NWP are the physicians and clinicians who practice through NWP.

NWP is managed by its board of directors, which is made up exclusively of physicians. NWP board members are elected by NWP's clinical shareholders.<sup>10</sup> The board's officers, except for corporate financial and legal roles, are also physicians. NWP is structured as a domestic professional corporation in Oregon.<sup>11</sup>

NWP is independent from Kaiser Foundation Health Plan and Kaiser Foundation Hospitals, with which NWP has contractual relationships to provide services to Kaiser members.<sup>i</sup> A simplified NWP organizational chart is included below, see [Exhibit A](#) posted to the HCMO website for more information.

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<sup>i</sup> Kaiser Foundation Hospitals owns and operates Kaiser Permanente Sunnyside Medical Center and Kaiser Permanente Westside Medical Center.



### Facilities and Locations

NWP serves two Oregon hospitals, Kaiser Sunnyside Medical Center and Kaiser Westside Medical Center, multiple primary and specialty care medical offices, one imaging facility, and three educational or administrative offices in Oregon.<sup>12</sup>

### Kaiser Foundation Health Plan of the Northwest

NWP is the exclusive provider to members of Kaiser Foundation Health Plan of the Northwest. Kaiser Foundation Health Plan of the Northwest offers commercial coverage, Medicare Advantage, and Medicaid coverage.<sup>13</sup> It is one of the plan offerings for Oregon state employees through the Public Employee Benefit Board.<sup>14</sup> As of December 2024, Kaiser Foundation Health Plan of the Northwest had more than 413,000 commercial and Medicare Advantage members in Oregon.<sup>15</sup> As of December 2024, Kaiser also covered 78,000 Oregon Health Plan (Medicaid) enrollees.<sup>16</sup>

### The Permanente Medical Group, Inc.

TPMG is an independent, physician-owned and physician-led medical group serving patients in northern California.<sup>17</sup> It is the exclusive medical services provider for Kaiser Foundation Health Plan Members in northern California.<sup>18</sup> TPMG does not provide services, employ staff, or operate facilities in Oregon.<sup>19</sup>

TPMG employs 9,500 physicians and 45,000 nurses and staff to provide services to more than 4.6 million patients in northern California.<sup>20,21</sup> TPMG provides care at more than 210 medical offices and 21 hospitals throughout northern California.<sup>22</sup> TPMG services 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.<sup>23</sup> For a complete list of TPMG’s services, please see [Exhibit E](#).

### TPMG’s Other Businesses

The table below lists TPMG business entities.<sup>24</sup>



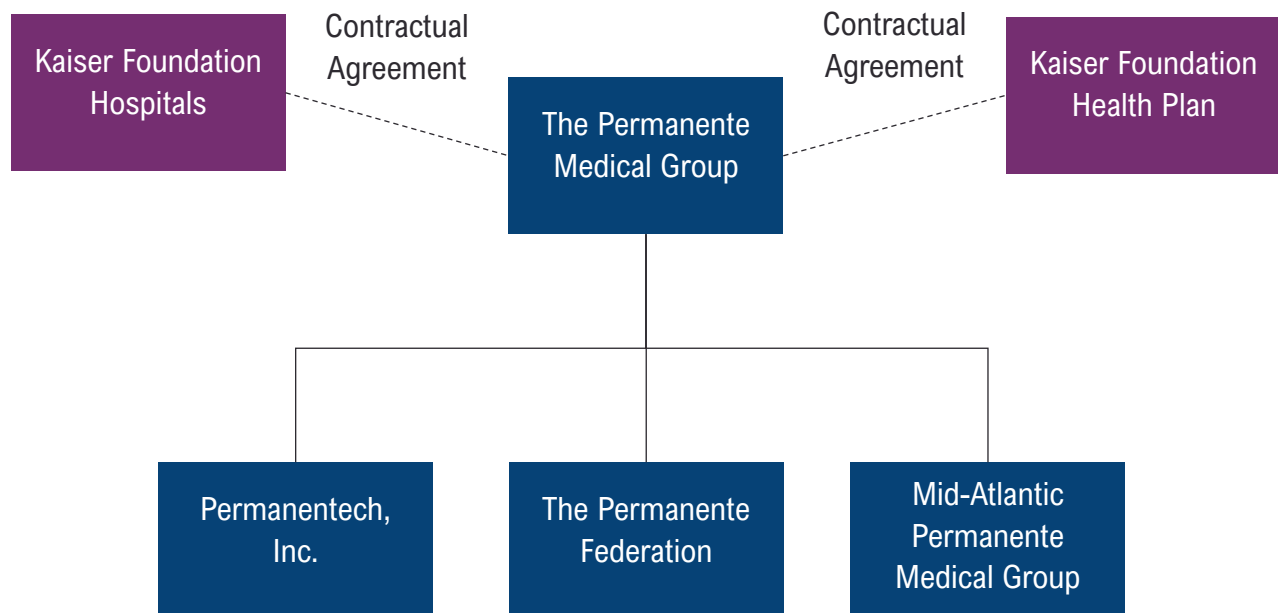
Business Name	Description
The Permanente Federation, LLC	The Permanente Federation provides leadership and consulting for Permanente Medical Groups. <sup>25</sup> TPMG has approximately 39% ownership in the Permanente Federation.
Mid-Atlantic Permanente Medical Group, P.C. (MAPMG)	MAPMG operates a medical group in Virginia, Maryland, and Washington D.C. TPMG and MAPMG affiliated in 2008, via a similar affiliation to the proposed transaction. <sup>26</sup> TPMG holds one share of Preferred Stock in MAPMG.
Permanentech, Inc.	TPMG is a 100% owner of Permanentech.

### Organizational Structure and Governance

TPMG operates as a physician-owned and physician-led organization governed by a 39-member board of directors.<sup>27</sup> This governing body consists of three key roles: Executive Director (who also serves as CEO), 19 Physicians-In-Chief (“PICs”) who each lead one of TPMG’s medical centers, and 19 Elected Directors representing each medical center.<sup>28</sup> Board members are chosen by local shareholders every three years. PICs and the Executive Director undergo a nomination and election process every six years.<sup>29</sup>

The board exercises comprehensive oversight of TPMG’s operations, focusing on strategic direction, financial and legal compliance, organizational performance, and the quality of both patient care and provider work environments.<sup>30</sup>

A simplified TPMG organizational chart is included below. See the [TPMG organizational chart](#) posted to the HCMO website for more detailed information.



## Transaction Terms

The entities plan to enter into a series of agreements for the transaction, including an Affiliation Agreement, Subscription Agreement, Shareholder Agreement, and Intellectual Property Licensing Agreement.

On December 19, 2024, NWP and TPMG entered into an Affiliation Agreement (“Agreement”) with the following terms:<sup>31</sup>

<b>Exchange of funds</b>	NWP and TPMG will not exchange any funds for the proposed affiliation, however, the entities state that they may exchange funds post-closing for provision of services or use of intellectual property. <sup>32</sup>
<b>Board of Directors</b>	The TPMG CEO will have a board seat and the ability to appoint 7 members of the NWP board of directors and the NWP Executive Medical Director. Thus, the TPMG CEO will be able to appoint 9 of the 15 directors. The remaining six directors will be appointed by NWP shareholders.
<b>Governance</b>	The CEO of TPMG will become the CEO of NWP. NWP will amend and/or restate its governing documents to designate the rights of a holder of Preferred Stock. NWP will restate bylaws to reflect the terms of the agreement.
<b>Stock transfer</b>	NWP will issue one share of Class B (Preferred) Stock to the CEO of TPMG. The CEO will be restricted from transferring the Class B Share, and it will automatically transfer to a transferee designated by TPMG if the current CEO no longer serves in such capacity.

## Rationale for the Transaction

NWP is seeking an affiliation with TPMG to “improve clinical and operational performance” and “ensure NWP has access to critical resources...”<sup>33</sup> The entities cite industry trends, such as a shortage of health care providers and increased demand for services, as a driver of the transaction. The entities argue that the transaction will allow NWP to expand digital and telehealth programs to make care more accessible and efficient.<sup>34</sup>

NWP and TPMG state that they have aligned missions and “cultural affinities.”<sup>35</sup> They state that the transaction will promote clinical and operational best practices, improve clinical and operational efficiencies, evaluate economies of scale, and facilitate new program development.

# Post-Transaction Plans

## Governance

Post-transaction, the TPMG CEO will become the CEO of NWP. The Executive Medical Director of NWP and the current NWP board members will remain for the next two years or until terms end.<sup>36</sup> The NWP board of directors will have the following composition:<sup>37</sup>

- TPMG/NWP CEO
- NWP Executive Medical Director
- Six members elected by NWP shareholders
- Seven members appointed by the TPMG/NWP CEO

The entities also state that they do not currently plan any changes to management.

## Investments and Initiatives

A key goal of the transaction, as stated by the entities, is to support clinical collaboration and innovation. Although the Agreement does not include commitments to implement any specific investments or initiatives, the entities are exploring multiple initiatives for NWP to implement or expand. (See the **Access section** below for more information about potential initiatives.) The entities have not committed to a timeline for implementing any of the highlighted initiatives.

## Staffing

The entities state that they do not expect staffing changes as a result of the transaction. In the notice, they state: “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.”<sup>38</sup> While the entities have stated in notice materials that they do not expect staffing reductions, there are no contractual commitments to maintain the workforce at current levels.

## Services and Locations

The entities have stated that NWP will provide “at least the same services at the same service levels” after the close of the transaction. They also do not anticipate any changes to number and type of NWP locations or geographic areas served.<sup>39</sup>

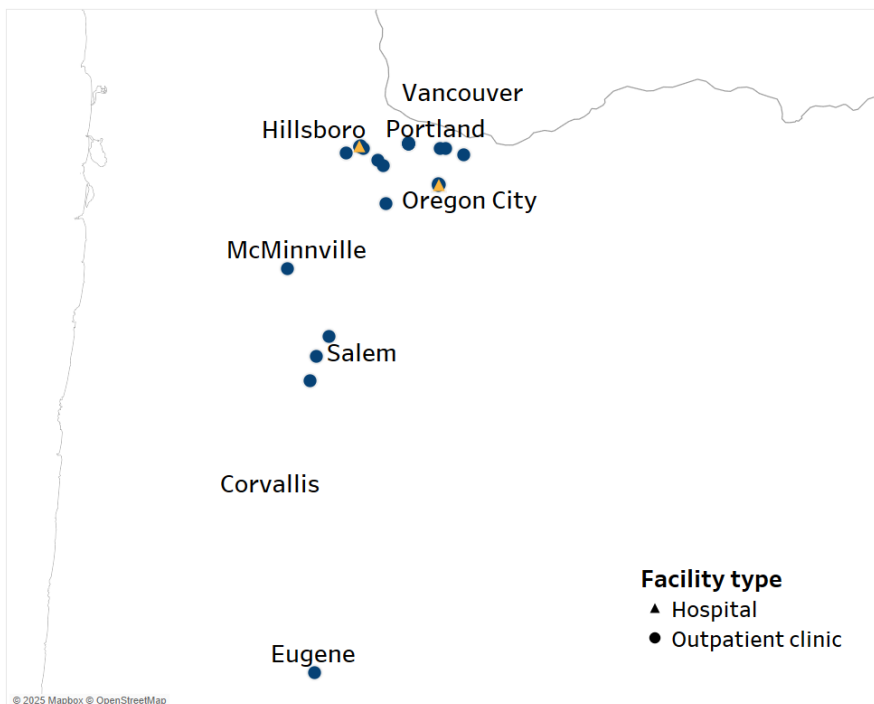
## Findings & Potential Impacts

OHA compiled available data and information to understand and examine the potential impacts of the transaction across four domains: access, cost, quality, and equity. To assess the potential impacts of the proposed transaction on Oregon residents' equitable access to affordable care, OHA considered the following:

- Transaction terms and agreements;
- Statements and documents submitted by entities;
- State agency data and information; and
- Publicly available data, research, and reports.

## Service Areas

In Oregon, NWP is the exclusive provider for Kaiser health plans in Oregon and southwest Washington, primarily serving patients in the Portland and Salem metro areas. The map below shows NWP provider locations.



TPMG provides services in northern California and does not have any locations in Oregon. The map below shows TPMG's service area.<sup>40</sup>

The Permanente Medical Group, Inc.  
Service Area Map



## Market Share & Consolidation

In Oregon, Kaiser health plans serve more than 413,000 members with commercial and Medicare Advantage coverage, representing 16% of both the commercial and Medicare Advantage markets in Oregon.<sup>41</sup> As of December 2024, Kaiser health plans also covered 78,000 Oregon Health Plan (Medicaid) enrollees.<sup>42</sup>

Because NWP primarily provides services to people with Kaiser health insurance, the provider group largely does not compete with other providers for patients with other types of insurance coverage. As demonstrated in the chart below, nearly all of NWP's patients from 2018 through 2024 were insured by Kaiser, across all care settings.<sup>43</sup>

NWP largely serves patients who have **Kaiser** health insurance. Across all service lines from 2018-2024, nearly 98% of NWP patients had Kaiser as their insurance.



### Cross-Market Consolidation

NWP and TPMG currently serve Kaiser health plan members in different geographic markets. Research shows that these types of “cross market” transactions may lead to operational efficiencies and cost savings, as well as increased ability to participate in value-based payments and clinical quality improvement programs.<sup>44</sup>

Evidence also shows that cross-market consolidation may also lead to higher prices by increasing the ability for a combined provider to negotiate higher prices with health plans.<sup>45</sup> The entities state that they will not jointly negotiate with Kaiser and other third-party payers.<sup>46</sup> NWP and TPMG both have existing contractual arrangements with Kaiser Foundation Health Plans and will maintain separate contracts. As a result, this transaction is unlikely to result in anticompetitive effects or decrease competition in Oregon.

### Access

OHA assessed the likely impact of the transaction on access, including availability of services and availability of providers and clinics in Oregon.

### Entity Statements

#### Maintaining staffing

As mentioned above, the entities state that they do not expect staffing changes as a result of the transaction.<sup>47</sup>

The entities state that any initiatives or programs that result from the transaction will supplement, rather than replace, existing capacity.<sup>48</sup>

*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.”*

## Expanded services

The entities have stated that they will provide at least the same services at the same levels post-transaction.<sup>49</sup> They have also stated that they are exploring ways to increase collaboration by expanding successful TPMG programs to NWP. The notice includes examples of potential services and programs that they plan to explore, including the following:<sup>50</sup>

Initiative	Description
Care Without Delay	A set of patient workflows designed to improve patient experience for those with hospital or emergency department visits.
Ambulatory Treatment Centers	Outpatient clinics designed to prevent avoidable emergency department visits by providing same day or next day care for non-emergency conditions.
Telecritical Care	Allows remote physicians and nurses to support the monitoring and intake of patients in the intensive care unit.
E-visits	Online questionnaires for common health complaints.
Get Care Now	Remote visits via phone or video.
Senior Surgical Care	A program to improve surgical outcomes for adults ages 75 and older.
Subspecialty Services	Collaboration between TPMG and NWP providers to care for patients who need highly specialized and low volume services.

While the entities are exploring expanded service offerings, there is no contractual commitment regarding specific initiatives, timelines, or investments.

## Maintaining facilities and locations

Post-transaction, the entities do not anticipate changing their respective geographic service areas. They also stated that they do not anticipate changes to the number and type of NWP locations.<sup>51</sup>

### **The proposed transaction is unlikely to substantially reduce access to care.**

The entities have no plans to reduce services or locations as a result of this transaction. One stated goal of the transaction is to expand programs and services.

## Cost

OHA assessed the likely impacts of the transaction on consumer and payer costs, including proposed initiatives and cost growth in recent years.

## Entity Statements

In the notice, the entities state that "...the best way to control costs is to improve the health outcomes of its members."<sup>52</sup> The entities propose that they can control costs by implementing and expanding "cost effective" programs and focusing on prevention.<sup>53</sup> The entities provided examples of programs that have resulted in savings:<sup>54</sup>

- TPMG estimates that Telecritical Care saves \$45 million per year in Northern California.

- TPMG estimates that the Senior Surgical Care results in savings of \$16 million per year.

While the transaction may create potential cost savings for NWP, there are no guarantees that any cost savings would be passed on to patients.

### Market Power

As outlined in the **Market Share & Consolidation** section above, this transaction is unlikely to result in anticompetitive effects or increase NWP’s negotiating power with payers; as a result, the transaction is also unlikely to result in increased costs for patients and payers beyond what would be expected absent the transaction.

### Oregon’s Sustainable Health Care Cost Growth Target

For health care to be affordable, Oregon needs to make sure health care spending does not increase at a faster rate than the economy or wages. Oregon’s [health care cost growth target](#) sets a statewide goal for how much health care spending should grow each year, aligned with projected increases in wages and the state economy.

Provider organizations with at least 5,000 attributed patients are subject Oregon’s Sustainable Cost Growth Target (CGT). For the 2020-2021 and 2021-2022 measurement periods, Kaiser was subject to the target as a provider organization for its Commercial, Medicare Advantage, and Medicaid patients.<sup>ii</sup> The table below shows annual cost growth for the two most recent measurement periods.<sup>55</sup>

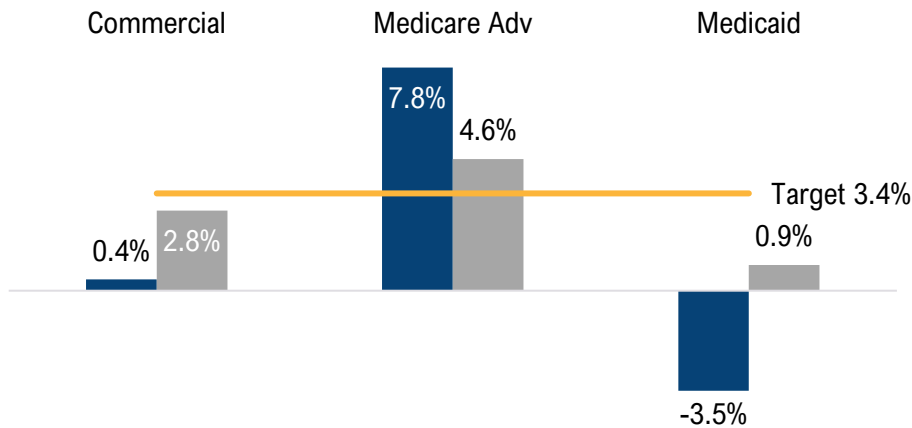
	2020-2021	Performance	2021-2022	Performance	2020-2022 Average Growth
Medicaid	-11.4%	Met	-3.5%	Met	-7.5%
Commercial	10.2%	Not Met	0.4%	Met	5.3%
Medicare Advantage	3.4%	Indeterminate	7.8%	Not Met	5.6%

Kaiser did not meet the 3.4% target for the 2021-2022 measurement period for Medicare Advantage. OHA determined, however, that Kaiser had acceptable reasons for exceeding the target, including increasing nursing workforce costs, high cost medically necessary services, and a shortage of skilled nursing beds.<sup>56 57</sup>

<sup>ii</sup> Kaiser health plans were also subject to the cost growth target. This report, however, only includes performance for Kaiser as a provider organization.



For the 2021-2022 measurement period, **Kaiser** exceeded the **statewide overall** cost growth for Medicare Advantage patients, but was below **statewide** for Commercial and Medicaid patients.



**OHA does not expect the proposed transaction to make care less affordable.**

The transaction is unlikely to increase the entities’ ability to negotiate higher rates from insurers. The entities have stated an intent to implement programs that will result in cost savings, however, the plans for those programs have not been finalized.

## Quality

The proposed transaction is unlikely to affect the quality of care in Oregon, as there are no plans to change services or products offered in the state.

### Entity Statements

In the notice, the entities emphasize that the proposed transaction between NWP and TPMG is designed to enhance clinical quality through the implementation of evidence-based care models.<sup>58</sup>

### Clinical Quality Performance

The entities state that “NWP and TPMG already deliver best-in-class services to their patients and the community at large.”<sup>59</sup> The entities provided the following examples of high performance on quality metrics:<sup>60</sup>

- Patients treated by NWP and TPMG providers at Kaiser locations demonstrated a 15% lower mortality rate than patients with other health plans for eight common cancer types, including breast, prostate, lung, colorectal, melanoma, endometrial, kidney, and bladder cancers.<sup>61</sup>
- Nearly 80% of Kaiser health plan members who have high blood pressure and are treated by NWP and TPMG providers have their blood pressure under control, compared with 25% of non-Kaiser members who have their blood pressure under control.<sup>62</sup>
- Patients with lower back pain who receive care from Permanente physicians have lower rates of surgery, with 2.4% undergoing outpatient surgery and 0.6% requiring

inpatient surgery. (About 10% of non-Kaiser members with lower back pain have surgeries.)<sup>63</sup>

### **Planned Quality Improvements Post-Transaction**

Through the proposed affiliation, NWP and TPMG plan to implement evidence-based programs in Oregon.<sup>64</sup> The entities state that this affiliation enables NWP to adopt TPMG's clinically validated programs, with measurable outcome improvements demonstrated in comparable settings.<sup>65</sup>

Although there are no contractual commitments to implement any of the following initiatives, the entities state they are exploring the following:

- Ambulatory Treatment Centers, which the entities state have reduced the number of hospital days for patients;
- The Care Without Delay model, which the entities expect to improve care coordination and reduce hospital length of stay;
- TPMG's Telecritical Care program, which the entities state demonstrated a 17% reduction in ICU mortality and a 13.9-hour reduction in ICU length of stay across 18 hospitals in Northern California; and
- The Senior Surgical Care Program, which TPMG has implemented in northern California.

Additionally, NWP plans to expand virtual care capacity through E-Visits and Get Care Now programs. NWP expects these programs to grow NWP's e-visit capacity by at least 7,000 visits per year.<sup>66</sup>

### **Quality Performance for Kaiser Permanente**

Because TPMG and NWP operate as part of integrated health systems, OHA looked at data related to the quality performance of Kaiser hospitals and health plans.

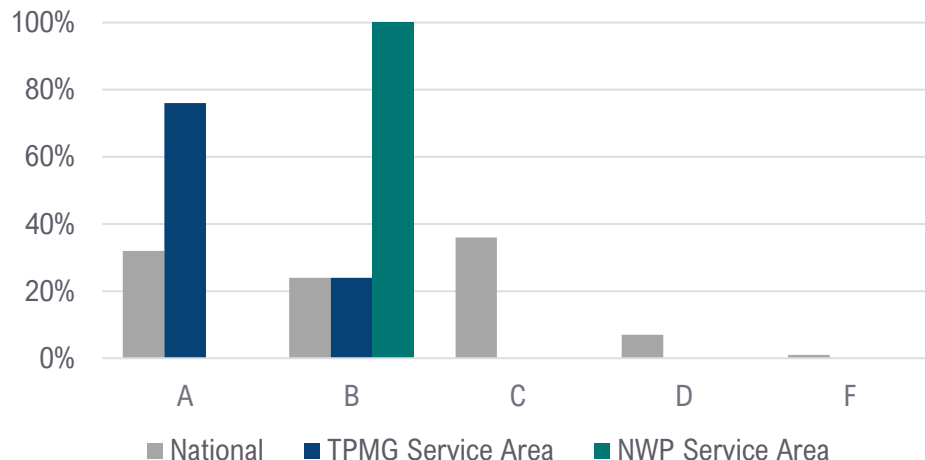
#### **LeapFrog Hospital Safety Grades**

The LeapFrog Hospital Safety Grade evaluates hospitals on patient safety performance, including preventable infections, injuries, medical errors, and adherence to safety protocols.<sup>67</sup> The assessment incorporates 27 standardized measures.<sup>68</sup>

Kaiser operates two acute care hospitals in NWP's service area: Sunnyside Medical Center and Westside Medical Center. Both hospitals received a "B" LeapFrog grade in 2024.<sup>69</sup>

Kaiser operates 21 hospitals in TPMG's service area. Of these, 16 (76%) achieved "A" grades and 5 (24%) achieved "B" grades. Nationally, 29% of hospitals received "A" grades and 26% received "B" grades, with the rest receiving "C," "D," or "F" grades.<sup>70</sup> The chart below compares LeapFrog grades for hospitals operating in the TPMG and NWP service areas with the national distribution.

Of Kaiser hospitals in **TPMG's** service area, 76% had an "A" Leapfrog rating, compared with 32% **nationwide**. Both of the hospitals in **NWP's** service area had "B" Leapfrog ratings.



### CMS Medicare Advantage Star Ratings

The Center for Medicare and Medicaid Services (CMS) assigns annual Medicare Advantage (MA) Star Ratings to evaluate health plan performance.<sup>71</sup> These scores reflect the quality of preventative care, chronic condition management, and member experience.<sup>72</sup>

Kaiser Permanente’s regional health plans – including Kaiser Health Plan, Inc, and Kaiser Health Plan of the Northwest – receive Star Ratings MA plans in multiple regions, where the plans operate in conjunction with affiliated Permanente Medical Groups, including TPMG and NWP. Kaiser Health Plan, Inc. has maintained Star Ratings above national averages during calendar years 2023-2025, while Kaiser Health Plan of the Northwest exceeded the national average Star Rating in 2025, but not in 2023 or 2024.<sup>73</sup> (See chart at right.)

**Kaiser Health Plan, Inc.** has had higher Medicare Advantage star ratings than **Kaiser Health Plan of the Northwest** or the **national average**.



### The proposed transaction is unlikely to worsen quality and may create opportunities for quality improvement.

Because NWP plans to maintain existing services or locations, the transaction is unlikely to negatively impact quality. The entities have identified multiple evidence-based TPMG programs to potentially expand into NWP’s service area. Publicly available quality data show that Kaiser facilities and plans in northern California perform slightly better than

those in Oregon, supporting the entities' claims that NWP can learn from TPMG's quality initiatives.

## Equity

The entities highlighted their past and current efforts to support health equity, including high ratings on accredited equity measures, efforts to eliminate racial disparities in cancer screenings and hypertension treatment, and efforts to address patients' social needs.<sup>74</sup>

The entities state that they plan to explore ways to improve health equity outcomes related to patient experience, maternal health, and other quality measures, but did not provide any detailed plans and there are no contractual commitments specifically designed to address health equity.

### **The proposed transaction is unlikely to substantially impact health equity.**

The transaction does not include a dedicated focus on health equity and does not include specific programs designed to advance equity.

## Conclusions

Based on preliminary review findings, **OHA approved the transaction on April 11, 2025.** See [Findings of Fact, Conclusions of Law, and Final Order](#), dated April 11, 2025.

The transaction was approved per OAR 409-070-0055(2)(d), because OHA determined the transaction is unlikely to substantially reduce access to affordable care in Oregon.

## Approval Criteria

The approval criteria are specified in administrative rules for the HCMO program and are consistent with Oregon law. Below is a summary of the main reasons, based on the findings described in this report, why OHA considers the criterion satisfied.

### **The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon**

NWP and TPMG will remain exclusive providers for Kaiser Foundation Health Plan members in Oregon, southwest Washington and northern California. Because NWP and TPMG will continue to negotiate all payer contracts separately and will not require any payer to contract with both parties, the transaction is unlikely to impact bargaining power or the ability for the entities to negotiate higher prices. Post-transaction, the entities have committed to providing at least the same services at the same service levels and have no plans to change the number of current locations or geographic areas served. The transaction may create opportunities to expand service offerings in Oregon.

## Follow-Up Reviews

As required by statute, OHA will conduct follow-up analyses one, two, and five years after the transaction is complete. OHA's monitoring will assess whether the entity keeps the commitments included in the notice. More broadly, OHA will monitor changes to health care cost, quality, access and health equity for people in Oregon. As part of the required monitoring activities, OHA may request additional information from the entities. OHA will publish findings and conclusions from follow-up analyses to the HCMO website.

# Acronyms & Glossary

## Acronyms & Abbreviations

APAC	Oregon's All Payer All Claims database
CEO	Chief Executive Officer
HCMO	Health Care Market Oversight
MA	Medicare Advantage
MAPMG	Mid-Atlantic Permanente Medical Group
NWP	Northwest Permanente
OHA	Oregon Health Authority
OHP	Oregon Health Plan
PIC	Physician in Chief
PSA	Primary Service Area
TPMG	The Permanente Medical Group

## Glossary

**Competition:** A situation in a market in which firms or sellers independently strive to attract buyers for their products or services by varying prices, product characteristics, promotion strategies, and distribution channels.

**Concentration:** A measure of the degree of competition in the market; highly concentrated markets are generally characterized by a smaller number of firms and higher market shares for individual firms. Concentration is typically measured using the Herfindahl-Hirschman Index (HHI); see below.

**Consolidation:** The combination of two or business units or companies into a single, larger organization. Consolidation may occur through a merger, acquisition, joint venture, affiliation agreement, etc.

**Cross market consolidation:** Cross-market consolidation occurs when a transaction involves health care entities that provide similar products or services and operate in different geographic markets.

**Health equity:** OHA defines health equity as follows:

Oregon will have established a health system that creates health equity when all people can reach their full health potential and well-being and are not disadvantaged by their race, ethnicity, language, disability, age, gender, gender identity, sexual orientation, social class, intersections among these communities or identities, or other socially determined circumstances. Achieving health equity requires the ongoing collaboration of all regions and sectors of the state, including tribal governments to address:

- The equitable distribution or redistribution of resources and power; and
- Recognizing, reconciling, and rectifying historical and contemporary injustices.

**Horizontal consolidation:** The combination of two companies or organizations that offer similar products or services. In health care, the acquisition of a hospital by a health system or the merger of two physician groups would be considered horizontal consolidation.

**Medicaid:** Medicaid provides public health insurance coverage for people who meet certain criteria, such as low-income, disability, and/or pregnancy.

**Medicare Advantage:** Medicare is federal health insurance for older adults and younger people with disabilities or specific illnesses. Medicare Advantage plans are health plans that provide Medicare Part A and Part B benefits. The federal government contracts with private companies to offer Medicare Advantage plans.

**Oregon Health Plan:** The Oregon Health Plan (OHP) is Oregon's Medicaid program. OHP provides free health coverage to people who meet income and other requirements.

**Professional corporation:** Refers to a corporation that provides services of a type that requires a professional license. In Oregon, a professional corporation is organized and regulated under the Oregon Professional Corporations Act. Typically, professional corporations are formed by members of a certain profession, such as doctors, to offer professional services.

**Vertical consolidation:** Also referred to as "vertical integration;" the combination of two companies or organizations in different lines of work or operating at different levels of the supply chain. In health care, the acquisition of a physician practice by a hospital or the merger of a health plan with a hospital system would be considered vertical consolidation.

# Appendix A: OHA’s Review

OHA performed a preliminary review of the proposed transaction to assess its potential impact on Oregon’s health care delivery system. The review explored impacts in four areas (domains): cost, access, quality, and equity. OHA’s analysis followed the guidelines and methods set out in the HCMO Analytic Framework published January 31, 2022.<sup>75</sup> The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

## Background Research and Literature Review

OHA conducted background research on the entities involved in the transaction to understand more about the proposed transaction, the entities involved, and potential impacts of the transaction. OHA consulted publicly available sources, including press releases and media reports; business filings with the Secretary of State in Oregon and other states; entity websites; and third-party reports. OHA also considered articles and research reports related to health care consolidation.

## Requests for Information

In addition to the information provided in the notice, OHA made [##] information requests of [Entity] to clarify and supplement the notice, to which [Entity] responded. Through these requests, OHA sought more information about [add description of information sought].

## Public Input

OHA solicited public comments on the proposed transaction during the preliminary review. On [Date], OHA posted a comment form to the [Transaction Notices and Reviews](#) page of the HCMO website and emailed subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA accepted comments via the form, phone, and by email to [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov).

## Analysis

OHA’s analysis assessed the current state of the entities involved in the transaction, related industry trends, and the likely impact of the proposed transaction in Oregon. See the table below for more information about OHA’s analyses.

Domain	Analysis
Cost	Analyses under the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for services in Oregon and overall spending on services for Oregonians. Prices and spending for services may be affected by the degree of competition between providers offering similar services within a service area.
Access	Analyses under the access domain explore how the transaction may affect the range of services available in the market, types of providers and provider-patient ratios, characteristics



Domain	Analysis
	of the patient population, and any barriers to access, including transportation burdens and limitations by insurance type. Consolidation and change of ownership in the health care market can impact the range and type of services offered in the service area.
Quality	Analyses in the quality domain explore how the transaction may affect patient outcomes and the experience of care. Consolidations and ownership changes in health care can impact clinical practice, including staffing ratios, time spent or number of visits with patients, timeliness of care, and the patient's experience of care, all of which can have adverse effects on patient outcomes. Analyses in the quality domain consider current indicators of quality and assess potential impacts of the transaction on quality of care.
Equity	Analyses in the equity domain explore how the transaction may affect the entity's ability to assess for and equitably meet the needs of the population it serves. Consolidations and ownership changes in health care can disproportionately impact availability of health services for populations who already experience health inequities, including people of color, low-income families, and residents of rural areas.

## Data Sources

Data sources used in OHA's review are listed in alphabetical order below.

### All Payers All Claims Data

The Oregon All Payer All Claims Database (APAC) houses administrative health care data for Oregon's insured populations. It includes medical and pharmacy claims, non-claims payment summaries, member enrollment data, billed premium information and provider information for Oregonians who are insured through certain commercial insurance, Medicaid and Medicare. Information about APAC is available on OHA's [website](#).

### CMS Overall Medicare Advantage Quality Star Rating Data

The Center for Medicare and Medicaid Services (CMS) Medicare Advantage Quality Star Ratings provide consumer-facing information about health plan performance. CMS considers performance on dozens of measures to assign a rating of one to five stars, with five stars signifying the best rating. This rating can be used to compare Medicare Advantage plans nationwide. Additional information about the rating system can be found on the CMS [website](#).

### Leapfrog Hospital Safety Grade Data

The Leapfrog Hospital Safety Grade is a rating generated by the Leapfrog Group to measure a hospital's performance in keeping patients safe from medical error and preventable harm. It uses 30 performance measures from CMS, hospital surveys and other data to award acute-care hospitals with a single letter grade (A,B,C,D,F) in the fall and spring of each year. More information on the Leapfrog methodology can be found on their [website](#).

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