

Health Care Market Oversight

Transaction 038

**Legacy Health – Legacy Health
Foundation – PacificSource**

30-Day Review Report

November 18, 2024



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 Legacy Health, Legacy Health Foundation, and PacificSource.

This report is for informational purposes only and does not constitute proposed findings of fact or conclusions of law. All references to Oregon statutes and administrative rules are qualified in their entirety by the text of the statutes and rules. Nothing stated in this report should be viewed as an indication of OHA’s evaluation of the comprehensive review criteria. A complete report and recommendation will be made available following completion of OHA’s comprehensive review.

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 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.

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Executive Summary

The Oregon Health Authority's (OHA) [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals, like mergers and acquisitions, to make sure they support Oregon's goals of health equity, lower costs, increased access, and better care. After completing a review, OHA issues a report detailing findings and whether a business deal, or transaction, involving a health care company should proceed as planned.

Proposed Transaction

Legacy Health (Legacy) is a nonprofit health system that owns and operates six hospitals and 70 clinics in the Portland and Vancouver metro areas, and the mid-Willamette valley. Legacy also owns 50% of PacificSource, an Oregon Coordinated Care Organization (CCO) and domestic insurer. Through the proposed transaction, Legacy plans to transform its Legacy Health Foundation (Foundation) into an independent organization and transfer Legacy's 50% ownership of PacificSource to the Foundation. This deal is related to, but separate from, [OHSU's plan to purchase Legacy](#).

OHA's Review

OHA completed a 30-day preliminary review of the proposed transaction. During the review, OHA began to assess the potential impacts of the proposed transaction. OHA's preliminary analysis focused on assessing the scale and scope of the entities' operations and services in Oregon, and potential implications for access to services, health care costs, health equity and quality. OHA held a public comment period and received 3 public comment submissions.

Based on the preliminary review, OHA determined that the proposed transaction requires a comprehensive review.

Next Steps

OHA will complete the comprehensive review within 180 days of when it accepted a completed Notice unless the review period is tolled or extended in accordance with applicable administrative rules. During the comprehensive review, OHA will analyze the likely impact of the transaction on access, cost, quality, and equity and determine whether the transaction meets the criteria to recommend approval under Oregon Administrative Rule 409-070-0060(6). OHA may engage outside advisors to assist with the review.

Upon completion of the comprehensive review, OHA will issue a HCMO recommendation to the Oregon Department of Consumer and Business Services (DCBS) to either approve, approve with conditions, or disapprove the transaction.

OHA plans to convene a community review board for the comprehensive review of the proposed transaction. Community review boards provide input about proposed transactions and make a recommendation to OHA about whether or not the transaction should be approved. Members can include people who live and work in affected communities, consumer advocates, health care experts, and health care providers. If you

would like to participate in the community review board for this transaction, email hcmo.info@oha.oregon.gov. OHA staff will provide more information about the timeline, member requirements, and application process.

OHA will accept and post public comments throughout the comprehensive review period. Public comments can be submitted via email to hcmo.info@oha.oregon.gov, voicemail at 503-945-6161, or [public comment form](#). Please mention "PacificSource" in your comment.

Introduction

In 2021, the Oregon Legislature passed [House Bill 2362](#), giving the Oregon Health Authority (OHA) the responsibility to review and decide whether some transactions involving health care entities should proceed. In March 2022, OHA launched the Health Care Market Oversight program (HCMO). This program 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 \(ORS\) 415.500 et seq.](#) and [Oregon Administrative Rules \(OAR\) 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 analyzing a given proposed transaction, OHA may approve, approve with conditions, or reject it.

For transactions involving a domestic insurer, OHA makes a recommendation to the Oregon Department of Consumer and Business Services (DCBS), rather than issuing a standalone order, pursuant to ORS 415.501(3)(b).

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.

Overview of Oregon Regulatory Programs

In Oregon, multiple state agencies and programs may review proposed business deals involving health care companies, including OHA and DCBS. At OHA, regulatory programs include HCMO and the CCO Form A reviews. DCBS conducts Domestic Insurer Form A reviews for transactions that involve changes in control of domestic insurance carriers.

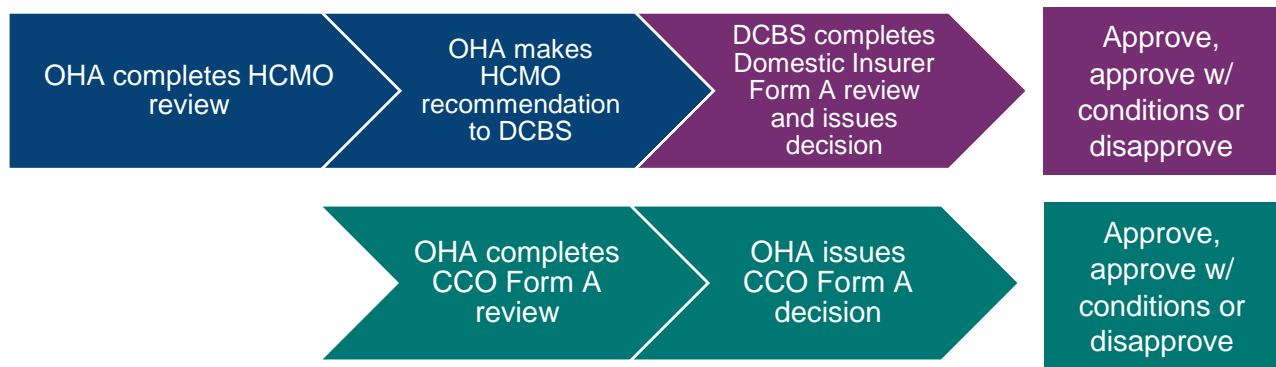
Because PacificSource operates multiple CCOs in Oregon and offers commercial and Medicare health plans, the proposed transaction is subject to three separate regulatory reviews. The table below provides a high-level overview of each type of review.

	HCMO	CCO Form A	Domestic Insurer Form A
State agency	OHA	OHA	DCBS
Related regulations	ORS 415.500 et seq. OAR 409-070-0000 through -0085	ORS 415.011 OAR 410-141-5255 through -5280	ORS 732.517 to 732.547 OAR 836-027-0100 through -0130
Who is subject to review?	Providers, insurers, CCOs, and other health care entities	CCOs	Domestic Insurers
Which markets are included?	All markets (commercial, Medicaid, Medicare, and self-pay/uninsured)	Medicaid	Commercial and Medicare Advantage
What does a review look at?	Cost, access, equity, quality, market share and competition, financial condition, alignment with legal requirements	Alignment with CCO requirements, financial condition, leadership, control, competition, disparities and inequities, cost and cost growth, high-quality care	Alignment with legal requirements, financial condition, leadership, control, competition
How long does a review take?	Preliminary review is completed within 30 days and comprehensive review is completed within 180 days, unless extended.	No required timeline. The process has been known to take six months or longer. Other deadlines may apply, such as	No required timeline. The process has been known to take six months or longer. Other deadlines may apply, such as

	HCMO	CCO Form A	Domestic Insurer Form A
		the timing for public hearings.	the timing for public hearings.
For more information	Health Care Market Oversight Program	CCO Form A	Domestic Insurer Form A

When a transaction is also subject to Domestic Insurer Form A review, HCMO makes a recommendation to DCBS, rather than issuing a standalone decision.

OHA will issue its own decision following the CCO Form A review, though all three programs may share information and coordinate review activities. The diagram below shows the relationship between the three types of reviews.



If *both* agencies approve, the transaction can proceed. If *either* agency disapproves, the transaction cannot proceed as planned.

Proposed Transaction

On October 18, 2024, OHA accepted a complete [notice of material change transaction](#) (“Notice”) from Legacy Health, an Oregon nonprofit corporation (“Legacy”), detailing plans to do the following:

1. Transform the Legacy Health Foundation (“Foundation”), an Oregon nonprofit corporation, into an independent organization; and
2. Transfer Legacy’s net cash, estimated to be approximately \$350 million, and 50% ownership of PacificSource, an Oregon CCO and domestic insurer, to the Foundation.

OHA reviewed the Notice 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 HCMO 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, and OHA’s next steps.

After completing a 30-day preliminary review, OHA determined that the transaction warrants a comprehensive review.

Related Transaction Reviews

OHSU-Legacy HCMO Review

This proposed transaction is related to, though separate from, Oregon Health and Science University’s (OHSU), a public corporation established under Oregon Revised Statute (ORS) Chapter 353, plans to purchase Legacy (the “OHSU-Legacy proposed transaction”). In the [OHSU-Legacy proposed transaction](#), OHSU seeks to buy Legacy and fully integrate Legacy into the OHSU health system. The OHSU-Legacy proposed transaction was a catalyst for Legacy to seek a new owner for its interest in PacificSource. As of the publication of this report, the OHSU-Legacy transaction is also undergoing HCMO review.

OHA CCO Form A Review

OHA’s CCO Form A program reviews material change transactions that involve the sale, acquisition, or change of control of CCOs in Oregon. On October 21, 2024, Legacy filed a [CCO Form A application](#) with OHA. OHA’s CCO Form A program will review this transaction to analyze the impact on CCOs in Oregon.

HCMO and CCO Form A review staff will coordinate their respective reviews of the pending transaction to share information and findings. After completing the CCO Form A review, OHA will issue a decision either approving, approving with conditions, or disapproving the proposed transaction.

DCBS Domestic Insurer Form A Review

DCBS reviews material change transactions that involve the sale, acquisition, or change of control of domestic health insurers in Oregon. In addition to the CCO Form A review, DCBS will also conduct a Domestic Insurer Form A review of this proposed transaction.

Per ORS 415.501(3), DCBS will make the final determination for any transaction that is subject to both HCMO and Domestic Insurer Form A review. Once the HCMO review is completed, OHA will issue a recommendation to DCBS about whether to approve, approve with conditions, or disapprove the transaction. DCBS will render a final determination that incorporates the HCMO findings and recommendation.

Parties to the Transaction

Legacy Healthⁱ

Legacy is a non-profit health system that owns and operates six hospitals in the Portland and Vancouver metro areas, and the mid-Willamette valley. They also own and operate 70 outpatient clinics including primary care, urgent care and specialty care clinics throughout the same regions.¹

Legacy’s Good Samaritan hospital and Medical Center (“Good Samaritan”) was founded in 1875 by the Episcopal Church and incorporated as a non-profit corporation in 1891.ⁱⁱ The Legacy Emanuel Hospital & Health Center (“Emmanuel Hospital”) was founded in 1912 by the Lutheran Church.ⁱⁱⁱ In 1989 the two hospitals joined with Legacy Mount Hood Medical Center and Legacy Meridian Park Hospital to form Legacy Health.^{iv} Legacy added Salmon Creek Medical Center in 2005 and bought Silverton Health in 2016.^v Randall Children’s Hospital at Legacy Emanuel opened in 2012.² Legacy is also associated with the Legacy Visiting Nurse Association.³

Governance

Legacy is governed by a Board of Directors.⁴ The Board oversees the affairs of Legacy which include medical staff credentialing, quality, business strategy, policies and procedures, financial outlook of Legacy and executive compensation.⁵ The Board of Directors comprises no more than 18 voting members, which must include the following representatives:⁶

- 4 Legacy physician representatives. These members are recommended by any member of the active medical staff and elected by the Board.
- 9 community members from communities Legacy serves. These members are elected at-large by the Board.

Our mission is good health for our people, our patients, our communities and our world. Above all, we will do the right thing.

-Legacy Mission Statement



558,092 patients served
41,172 inpatient discharges
14,000 employees
70 outpatient clinics
6 hospitals with 1,626 licensed beds
\$2.59 billion in total operating revenue

ⁱ Legacy is formerly known as Legacy Health System, HealthLink, Metropolitan Hospitals Inc., and Southwest Hospital.

ⁱⁱ Good Samaritan is formerly known as Good Samaritan Hospital and Medical Center, The Board of Hospital Trustees of the Dioceses of Oregon, and The Board of Hospital Trustees.

ⁱⁱⁱ Emanuel Hospital is formerly known as Emanuel Hospital & Heath Center, Emanuel Hospital, and Emanuel Charity Board.

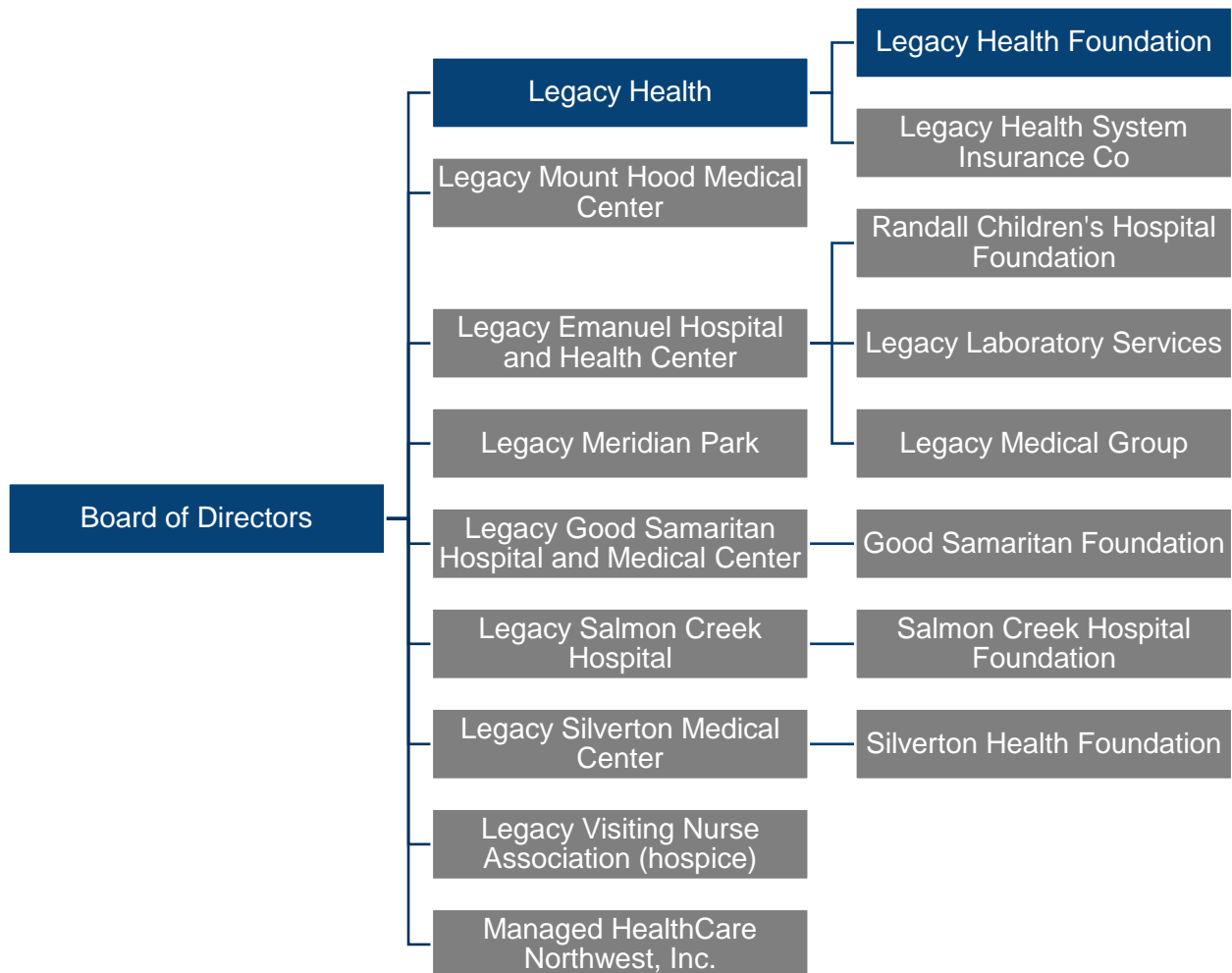
^{iv} Mount Hood Medical Center is formerly known as Mouth Hood Medical Center and Gresham Community Hospital.

^v Silverton Health is formerly known as The Silverton Hospital and Silverton Hospital Association.

- 1 representative, elected by the Board, that is an active member of the Lutheran Synod of Oregon
- 1 representative, elected by the Board, that is an active member of the Episcopal Diocese of Oregon
- The Bishop of the Oregon Synod of the Evangelical Lutheran Church in America, or the Bishop’s designee, to serve ex officio
- The Bishop of the Episcopal Diocese of Oregon, or the Bishop’s designee, to serve ex officio
- The President of Legacy, serving in an ex officio capacity.

Organizational Structure

The chart below outlines Legacy’s organizational structure.^{7,8} Entities involved in this proposed transaction are shaded blue.^{vi}



^{vi} Managed HealthCare Northwest, Inc. was dissolved as of March 31, 2024.

Operations in Oregon

Legacy operates six hospitals and 70 outpatient clinics in Oregon and Southwest Washington. ^{9,10}

Hospital ¹¹	Location	Description ¹²	# of beds ¹³
Legacy Emanuel Hospital & Health Center and Randall Children's Hospital	Portland, OR	Level 1 trauma center (only two in Oregon) and Level IV neonatal intensive care unit (highest level of NICU care available in Oregon).	447
Legacy Unity Behavioral Health	Portland, OR	This hospital operates under Legacy Emanuel's license but is owned by multiple hospitals in Oregon.	107
Legacy Good Samaritan Hospital and Medical Center	Portland, OR	Provides cancer care, kidney transplants, neurology, ophthalmology, and more.	539
Legacy Meridian Park Hospital and Medical Center	Tualatin, OR	Provides inpatient and outpatient services.	150
Legacy Mount Hood Medical Center	Gresham, OR	Provides emergency care, family birth center, intensive care, cancer care and more.	115
Legacy Silverton Health	Silverton, OR	Provides level IV trauma care, family birth center, CT scanning, and nuclear medicine.	48
Legacy Salmon Creek Medical Center	Vancouver, WA	Provides inpatient and outpatient services, Legacy Cancer institute.	220

Outpatient Clinics

Legacy Medical Group is the umbrella entity for Legacy's primary care, specialty, and urgent care clinics. Legacy operates 70 outpatient clinics throughout the Portland and Vancouver metro areas and the mid-Willamette Valley.¹⁴ The full list of outpatient clinics including address and services provided can be found in the entities' submitted [Facilities and Locations Form](#) and [list of services](#).

Specialty Service Lines

Legacy has specialty care service lines in neurosciences; cardiovascular care; children’s care; obstetrics, gynecology, and family birth; behavioral health; and oncology care.¹⁵

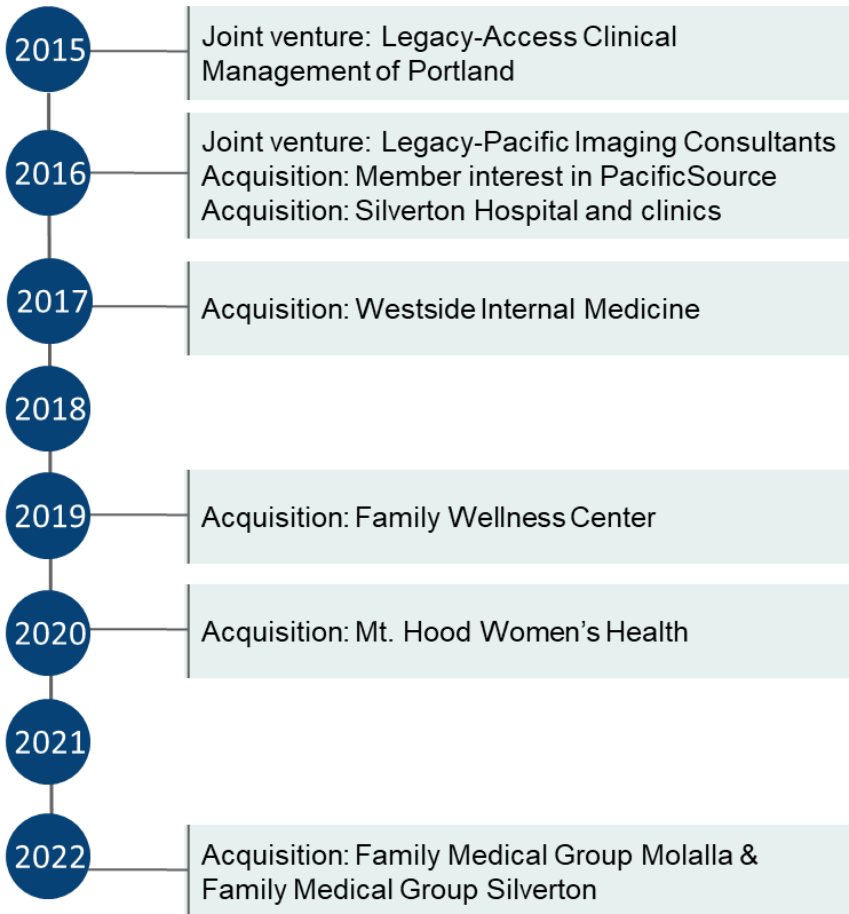
Specialty	Description
Neurosciences	Legacy neurosciences provides treatment for conditions impacting the brain and spine. The five hospitals are certified stroke centers and provide care for 20% of the stroke patients in the region. The neuroscience service line provides care for adult and pediatric trauma patients at Legacy Emanuel Hospital & Health Center and Randall Children’s Hospital at Legacy Emanuel Hospital & Health Center.
Cardiovascular Care	The five Legacy hospitals provide cardiovascular services in the region with over 40 physicians delivering care in the outpatient and inpatient settings. The cardiovascular service line includes three departments: cardiology, cardiothoracic surgery, and vascular surgery.
Children’s Care	<p>Randall Children’s Hospital at Legacy Emanuel Hospital & Health Center provides advanced medical and surgical care for infants, children, and teens. The emergency department serves over 32,000 children and families each year and is a Level 1 pediatric trauma center. The hospital also has a designated Level IV Neonatal Intensive Care Unit (NICU). The NICU cares for 645 patients and families each year. The inpatient pediatric units serve and discharge over 6,700 children each year, including in the state’s only inpatient pediatric rehabilitation unit.</p> <p>Randall Children’s also provides outpatient primary care services to patients in the Portland metro area. Specialty care providers provide care at seven outreach locations in Vancouver, Cornell, Tualatin, Salem, Corvallis, Springfield, and Bend. Randall Children’s provides over 165,000 outpatient visits per year.</p>
Obstetrics, Gynecology and Family Birth	Legacy’s obstetrics, gynecology, and family birth service line is responsible for operations at six family birth centers and provides inpatient and outpatient gynecologic care. Legacy’s birth centers saw 8,750 births in 2023 across all Legacy hospitals.
Behavioral Health	The behavioral health service line provides adult/pediatric consulting services, acute psychiatric inpatient treatment, adult psychiatric emergency service, and adult ambulatory services. The behavioral health sites also serve as training site for the behavioral health workforce.
Oncology Care	Legacy Cancer Institute provides cancer treatments including surgical care, radiation-oncology, and clinical trials.

The table below shows specialty services available at each Legacy hospital.¹⁶

	Neurosciences	Cardiovascular	Children's	OB/Gyn	Behavioral Health	Oncology
Emanuel Hospital and Randall Children's Hospital	●	●	●	●	●	●
Good Samaritan Hospital	●	●		●		●
Meridian Park Hospital	●	●		●		●
Mount Hood Hospital	●	●		●		●
Silverton Hospital				●		
Salmon Creek Hospital	●	●		●		●
Unity Behavioral Health Hospital					●	

Mergers and Acquisitions

In the past 10 years, Legacy has completed multiple transactions, including the acquisition of 50% ownership of PacificSource.¹⁷ The timeline below lists recent Legacy transactions.



Legacy Businesses

Legacy owns or is a partner in many other businesses. The table below describes the business entities with which Legacy is a partner.¹⁸

Business Name	Legacy's Percent Ownership	Business Structure	Description
Legacy/USP Surgery Centers	50.1%	LLC	Partnership with United Surgical Partners International which operates ambulatory surgical centers
NW Hospital Partnership	50%	Non-profit	Listed as an investment entity on IRS filing ¹⁹
Legacy Imaging Ventures	49%	LLC	Formed to pursue entry into freestanding imaging facilities through buying or creating imaging centers
NW Urgent Care Phase I (Go Health)	10%	LLC	Operates 17 urgent care clinics in Oregon and Washington ²⁰
NW Urgent Care Phase II (Go Health)	50%	LLC	Operates urgent care clinics
PacificSource	50%	Non-profit	Insurance company that offers commercial and Medicare Advantage plans in Oregon, Washington, Montana, and Idaho. Also, owns and operates four coordinated care organizations that serve individuals with the Oregon Health Plan (Medicaid)
Portland Hospital Services Corporation	39.5%	Non-profit	Operates a health care laundry and linen service
Wishing Well Associates	44.3%	Non-profit	No description provided for non-profit entity
Option Care at Legacy	50%	LLC	Infusion therapy center
Life Flight Network	25%	LLC	Emergency medical transport in helicopters and on the ground

Legacy Health Foundation

Legacy has multiple foundations, as reflected in its **organizational chart**. The Legacy Health Foundation (“Foundation”) is an Oregon nonprofit entity and subsidiary of Legacy Health that is not tied to a specific hospital. The Foundation focuses on fundraising;

currently the charitable donations given to the Foundation support the programs and services of Legacy and fund community-based organizations that support health and well-being.²¹ The Foundation's total assets in 2022 according to their IRS filing were over \$44 million.²² Some examples of programs and support the Foundation funded in 2023 include:²³

- Providing emergency medications, durable medical equipment, transitional housing, and other health-related supplies to uninsured, under-insured, and low-income patients.
- Providing emergency food support to families experiencing food insecurity.
- Supporting injury prevention programs for the community including child passenger safety, bike/sports helmets, elderly fall prevention, and burn injury prevention.
- Purchasing medical equipment for Legacy hospitals.

The Foundation is a non-profit entity in Oregon and is governed by a ten-member board of Trustees.²⁴ The role of the board is to manage the affairs of the Foundation.²⁵ The board members include the President of the Foundation and the Legacy CEO. The Foundation Board of Trustees nominates and elects Trustees, who must then be approved by Legacy Health. The Foundation has no employees as Legacy provides management services to the Foundation. The president of the Foundation is appointed by Legacy Health and is an employee of Legacy Health.²⁶

PacificSource

PacificSource is the secular, non-profit parent organization of multiple subsidiaries that offer commercial and Medicare Advantage health plans in Oregon, Washington, Montana, and Idaho. PacificSource also operates Medicaid health plans in Oregon.²⁷ PacificSource is headquartered in Springfield, Oregon.

PacificSource was founded as Pacific Hospital Association in 1933 by a group of 21 physicians who staffed and operated Pacific Christian Hospital in Eugene, Oregon. In the 1990s, the organization adopted the name PacificSource Health Plans. Beginning in the mid-2000s, the organization expanded to offer plans in Idaho, Montana, and Washington.^{vii} PacificSource was established in 2013 to serve as the holding company for PacificSource Health Plans.²⁸

Our mission is to provide better health, better care, and better cost to the people and communities we serve.

-PacificSource Mission Statement



600,000+ members in commercial, Medicare Advantage, and Medicaid plans
1,906 employees

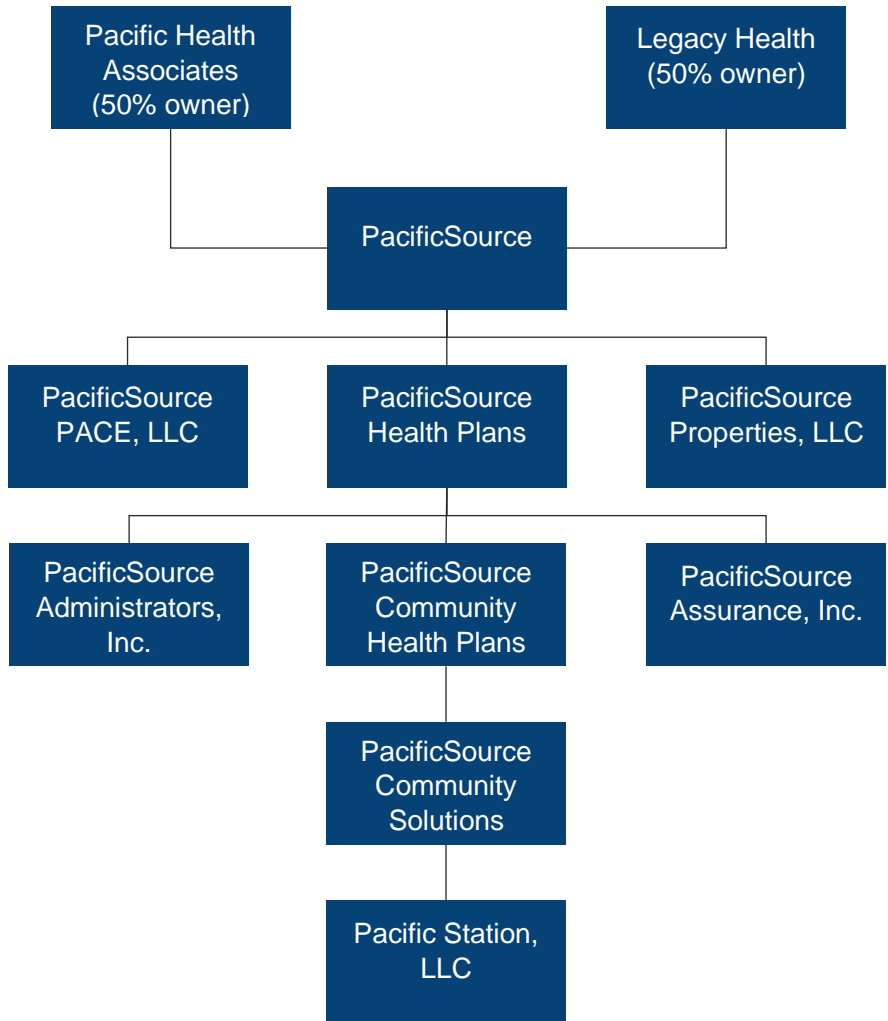
^{vii} PacificSource is currently in the process of withdrawing from the Washington market.

Organizational Structure

PacificSource is a holding company with multiple subsidiaries, three of which offer health plans:

- PacificSource Health Plans offers commercial health insurance plans for individuals, families, and small and large group employers.
- PacificSource Community Health Plans offers Medicare Advantage plans.
- PacificSource Community Solutions offers Medicaid plans in Oregon.

The organizational chart below shows PacificSource organizations and relationships.²⁹

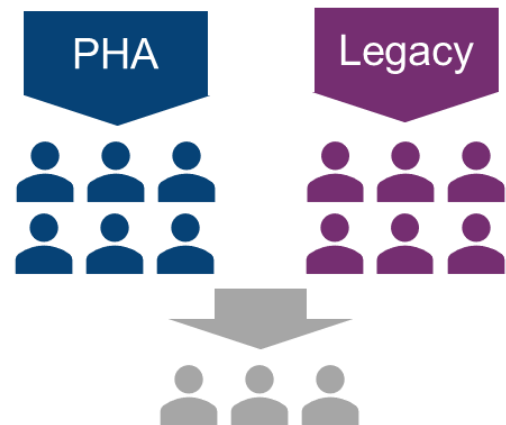


Governance

Prior to the proposed transaction, PacificSource has two owners: Pacific Health Associates (PHA) and Legacy. Each holds a 50% member interest in PacificSource.³⁰ PacificSource is governed by a 15 member board of directors. PHA appoints 6 members and Legacy Health appoints 6 members. The 12 appointed board members jointly appoint members to the remaining 3 positions (referred to as “independent members”). As of this report, the PacificSource board includes five physicians.³¹

Board members may serve up to three (3) three-year terms. The executive officers of PacificSource, other than the President, may be appointed or removed by the Board through majority vote. Appointment or removal of the President requires a two-thirds vote of the Board.

PacificSource board appointments



Partnership with Legacy Health

In 2016, Legacy and PacificSource entered into a partnership deal. PacificSource reorganized itself as an Oregon nonprofit corporation with members and Legacy paid more than \$247.5 million to become a member of PacificSource by purchasing a 50% member interest.^{32,33} PacificSource became the health insurance provider for Legacy’s benefit-eligible employees and their dependents. The deal also granted Legacy governing rights that are equal to PacificSource’s other owner, PHA. DCBS reviewed the transaction and approved it on June 24, 2016.³⁴

Operations in Oregon

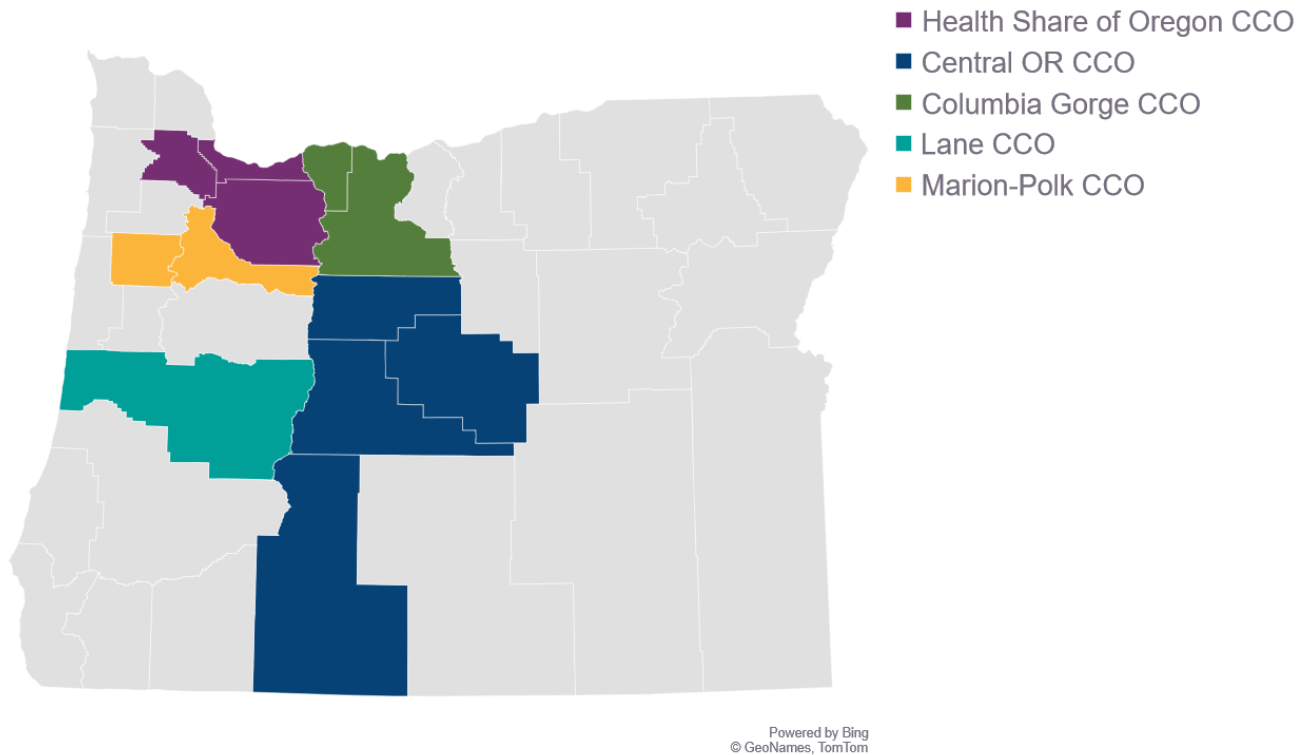
PacificSource offers a full range of Medicare Advantage, Medicaid, and Commercial health plans for people in Oregon, through a Medicare contract and a CCO contract with OHA.³⁵

Coordinated Care Organizations

CCOs provide health care benefits to people in Oregon who have coverage through Medicaid, also known as the Oregon Health Plan (OHP). OHA contracts with CCOs to maintain a network of providers and cover physical, behavioral, and dental health services for members. PacificSource operates four CCOs in Oregon: Central Oregon, Columbia Gorge, Lane CCO, and Marion-Polk.^{viii} PacificSource also provides benefits to some members of Health Share of Oregon. The map below shows counties served by PacificSource CCOs.

^{viii} Central Oregon CCO does not serve all OHP members in Klamath County, just those who live in the zip codes 97731, 97733, 97737, and 97739.

Map of PacificSource CCO regions. (Note that Central OR CCO only serves Klamath County residents in zip codes 97731, 97733, 97737, and 97739.)



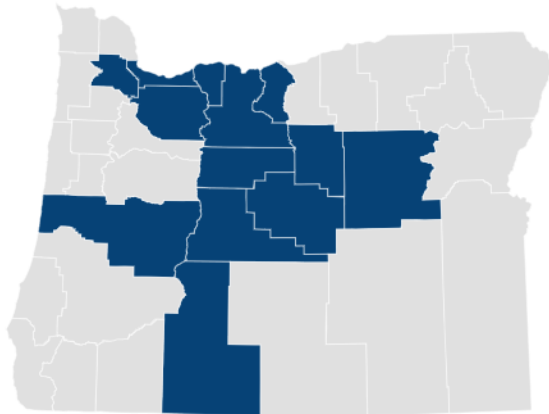
Medicare Advantage Plans

Medicare is federal health insurance for older adults and younger people with specific illnesses or disabilities. Medicare Advantage Plans are health care plans offered by private companies that have a contract with the federal government. Dual Special Needs Plans (D-SNP) are for people who are dually eligible for both Medicare and Medicaid/Oregon Health Plan coverage.

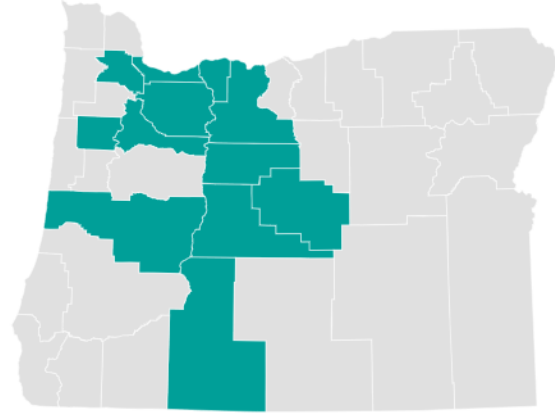
PacificSource offers Medicare Advantage plans in 15 counties in Oregon.³⁶ For plan year 2024, PacificSource offers D-SNP plans in the following Oregon counties: Clackamas, Crook, Deschutes, Hood River, Jefferson, parts of Klamath County, Lane, Marion, Multnomah, Polk, Wasco, and Washington.³⁷ In the 2024 plan year, PacificSource offers non-dual Medicare Advantage plans in Clackamas, Crook, Deschutes, Grant, Hood River, Jefferson, parts of Klamath County, Lane, Multnomah, Sherman, Wasco, Washington, and Wheeler counties.³⁸

The maps below show the counties where Pacific Source offers D-SNP and non-dual Medicare Advantage plans in Oregon.^{ix}

Counties where PacificSource offers **non-dual Medicare Advantage plans**



Counties where PacificSource offers **D-SNP Medicare Advantage plans**



Commercial Plans

PacificSource offers plans for individuals, families, small group employers, and large group employers statewide in Oregon.³⁹

Transaction Terms

On May 30, 2024, Legacy and OHSU entered into a System Combination Agreement (SCA). Through this agreement, OHSU will become the sole member and owner of Legacy and the two organizations will become a single health system.⁴⁰ The SCA contains two versions of a draft grant agreement between Legacy and the Foundation to be executed at closing. These two options reflect two alternatives for the grant of Legacy’s interest in PacificSource to the Foundation, depending on what is appropriate at closing. (See the HCMO [preliminary review report](#) for more information about the OHSU-Legacy transaction.)

As a result of the OHSU-Legacy transaction, Legacy entered into a Memorandum of Understanding (MOU) with the Foundation on May 30, 2024. The MOU describes the following terms:⁴¹

Ownership	The Foundation will adopt revised and restated articles of incorporation, which will transform the Foundation into an independent, nonprofit public benefit corporation focused on grantmaking.
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^{ix} Exhibit 12:MA Service Area of the entities’ HCMO Submission stated that PacificSource offers a D-SNP plan in Douglas County. Douglas County was not, however, listed as a D-SNP plan on PacificSource’s website or in publicly available CMS Medicare Advantage enrollment data; it is therefore not included in these maps.

Governance	At closing, the Foundation board will have nine (9) members, comprising four (4) current Foundation trustees and five (5) current Legacy board members.
Purpose	Post-closing, the Foundation will shift its focus away from fundraising to support Legacy and toward grantmaking to improve social determinants of health. Its mission will be to “create a legacy of generational health and well-being through purposeful and impactful investments.” Its vision will be “for every member of our community to achieve their highest possible quality of health.”
Funds Transfer	Legacy will transfer its net cash of approximately \$350 million to fund the Foundation. The final amount will be determined at closing based on Legacy’s finances at that time. ⁴² Additionally, OHSU expects to make annual grant payments for six years after closing, beginning in 2027. The amounts of these grant payments amounts will be calculated pursuant to the terms of the SCA.
Asset Transfer	Legacy will transfer its 50% member interest in PacificSource to the Foundation.
Rebranding	The Foundation will adopt a new name that is approved by Legacy.
Restructuring	The Foundation will change its focus from a fundraising charity to a grantmaking foundation. Its’ board of directors will change to ensure the composition of the board reflects the skills and attributes necessary for such restructuring.
Restrictions	The Foundation will restrict grants to organizations that focus on Oregon and Southwest Washington. The Foundation will be prohibited from: <ul style="list-style-type: none"> • Providing grants to hospital-based health systems that are in competition with OHSU for the purposes of engaging in activities that are competitive with OHSU. • Soliciting individuals, corporations, or other entities for charitable contributions; and from soliciting private foundations for grants.

Rationale for the Transaction

The proposed transaction was prompted by OHSU's related plans to buy Legacy.

OHSU determined that acquiring control of PacificSource would not align with OHSU's long-term strategic objectives, necessitating the Legacy find a new owner for its 50% ownership of PacificSource.⁴³ This proposed transaction provides a path to transfer Legacy's member interest to the Foundation, which the entities say they determined to be the best option for three reasons:⁴⁴

1. The Foundation will provide continuity of control, with current Legacy board members and Foundation trustees comprising the board at closing.
2. The Foundation will be funded by the net proceeds of Legacy, which the entities estimate will be approximately \$350 million.
3. The entities believe the Foundation will be able to identify a buyer for the 50% member interest in PacificSource within five to ten years.

Legacy seeks to ensure that its charitable assets will continue to benefit the communities it currently serves after the OHSU-Legacy transaction closes.⁴⁵ Legacy also seeks to ensure that any owner of PacificSource would further PacificSource's "charitable and public health mission."⁴⁶

Post-Transaction Plans

The entities have stated they do not intend for the transaction to affect PacificSource members and have no plans to change operations, management, or strategic direction at PacificSource other than obtaining a buyer for its 50% member interest.^{47,48} Current PacificSource bylaws state that only an Oregon nonprofit benefit corporation can hold a member interest in the organization.

Beginning in 2027 after the proposed transaction closes, OHSU will make annual grant payments to the Foundation through 2031. The amount of each grant payment will be calculated at closing.

Post-transaction, the Foundation will shift its focus from fundraising to grantmaking, issuing grants to support work carried out by partner organizations and agencies.⁴⁹ The Foundation plans to make investments in social determinants of health in Oregon and Southwest Washington. The entities state that the Foundation "presents a generational opportunity to meaningfully achieve greater health equity in Oregon."⁵⁰ The entities have not yet presented a detailed plan for Foundation investments and expect to develop funding priorities after closing.

Rationale for the OHSU-Legacy Transaction

For the related OHSU-Legacy transaction, the entities stated that the primary rationale was 1) to stabilize Legacy's finances, and 2) to address OHSU's shortage of acute care beds and primary care providers, which are underutilized at Legacy. See OHA's OHSU-Legacy [Preliminary Review Report](#) for more information.

Preliminary Review

During the preliminary review, OHA conducted initial analyses on the potential impact of the proposed transaction on health care spending, quality, access, and health equity in Oregon. OHA’s analysis followed the guidelines and methods set out in the [HCMO Analytic Framework](#) published January 31, 2022.⁵¹ 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.

OHA’s preliminary analysis focused on assessing the scale and scope of the entities’ presence in Oregon and how the transaction could access to services and health care spending. (See **Methodology** section for more details about OHA’s approaches and methodologies.)

To assess the potential impacts of the proposed transaction on Oregon residents’ equitable access to affordable care, OHA considered the following:

- Transaction terms
- Market characteristics
- Statements by entities
- Publicly available data, research, and reports
- Analysis of insurance claims, hospital discharge, and hospital financial data
- Public comments

OHA expects to further develop its analyses during the comprehensive review.

Potential to impact a range of services and a large number of people across the state of Oregon

The entities state that PacificSource serves more than 600,000 members in Oregon, with plans offered in every county.⁵² Changes to PacificSource resulting from the proposed transaction could impact a large number of people in Oregon.

Oregon Health Plan

PacificSource is a major provider of health care coverage to OHP members. As of December 31, 2023, PacificSource provided benefits to 359,861 OHP members through the CCOs it partners with and operates, accounting for roughly 25% of all OHP members.^{53,54}

PacificSource serves 1 in 4 OHP members.



The table below shows how many OHP members PacificSource serves through each of its CCOs.⁵⁵

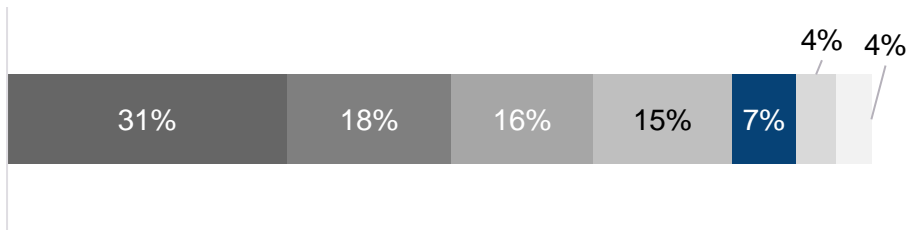
CCO	Enrollment as of Dec 2023 ⁵⁶
Health Share of Oregon	20,015
Marion-Polk	149,716
Lane	90,511

CCO	Enrollment as of Dec 2023 ⁵⁶
Columbia Gorge	18,050
Central Oregon	74,859

Commercial

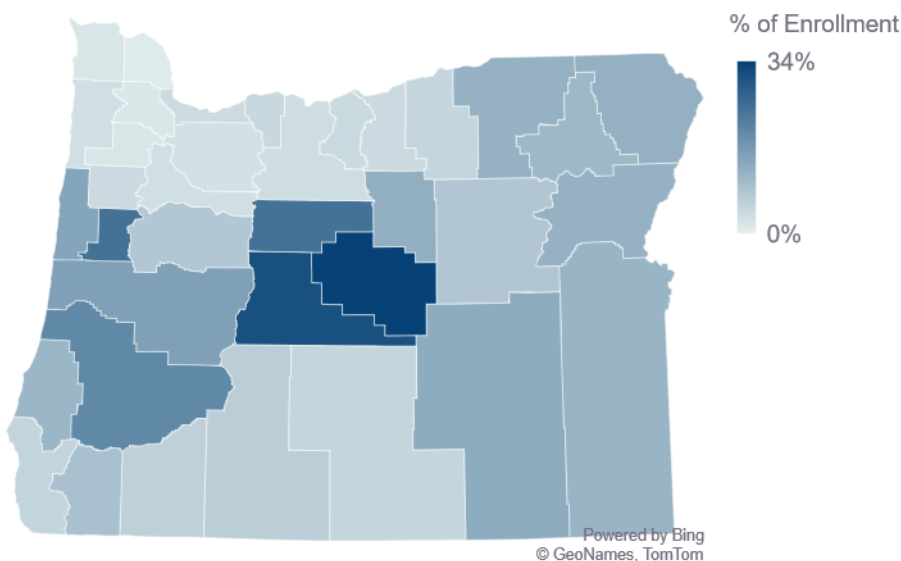
In the commercial market, PacificSource stated that they have 211,221 commercial members as of December 31, 2023.⁵⁷ OHA used quarterly insurance enrollment data to analyze PacificSource’s presence in Oregon. According to second quarter 2024 enrollment reports, PacificSource is the fifth largest health plan carrier, serving 7% of members with commercial coverage statewide.⁵⁸ The chart below shows PacificSource’s percentage of commercial enrollment, compared to other large insurance carriers in Oregon.

PacificSource serves 7% of people with commercial insurance in Oregon.
 (Chart includes carriers with 4% or greater share; excludes self-insured plans.)



In some regions, PacificSource has a larger presence. According to second quarter 2024 enrollment reports, PacificSource health plans cover more than 20% of members with commercial insurance in Benton (25%), Crook (34%), Deschutes (31%), Douglas (20%), and Jefferson (25%) counties.⁵⁹ The map below shows the percentage of people with commercial insurance who have coverage by PacificSource in Oregon by county.

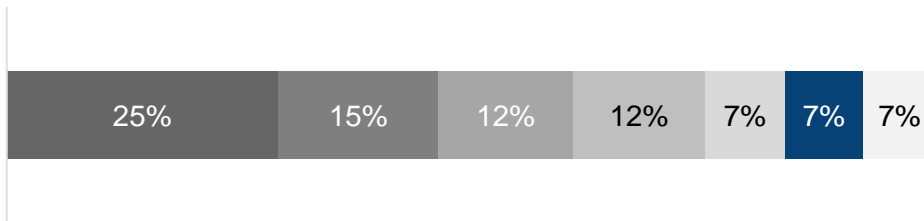
PacificSource serves 34% of people with commercial insurance in Crook County. (Excludes self-insured plans.)



Medicare Advantage

As of December 31, 2023, PacificSource reported serving 44,946 Medicare Advantage members in Oregon.⁶⁰ According CMS data from June 2024, the organization serves 7% of people with Medicare Advantage statewide.⁶¹

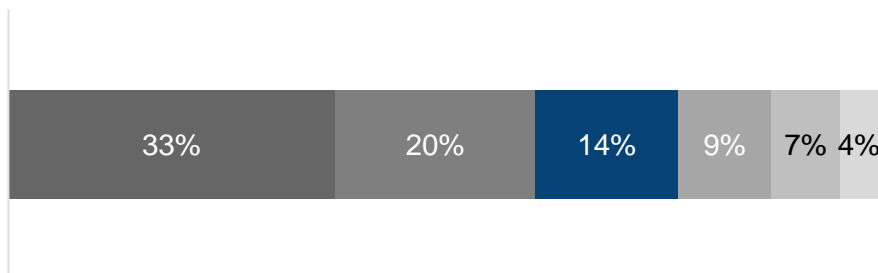
PacificSource serves 7% of Medicare Advantage members in Oregon. This graph includes carriers serving more than 6% of Medicare members.



PacificSource also serves regions in Oregon with limited options for Medicare Advantage plans. PacificSource plans are one of just two options in Sherman and Wheeler counties. All other counties where PacificSource offers Medicare Advantage plans have three or more options.⁶²

Special Needs Plans (SNPs) are Medicare Advantage plans that provide benefits and services to specific groups of people, including those with specific health care conditions or needs, or who also qualify for Medicaid.⁶³ D-SNPs are one type of special needs plan. Among insurers who offer SNPs, PacificSource has the third highest enrollment in Oregon, according to CMS enrollment reports.⁶⁴

PacificSource serves 14% of people with Medicare Advantage special needs plans in Oregon.



For members with both Medicare and Medicaid coverage, PacificSource offers the only D-SNP option in Crook, Hood River, and Wasco counties. It is one of two options in Deschutes and Jefferson counties. All other counties where PacificSource offers D-SNP plans have three or more options.⁶⁵

More analysis is needed to understand the potential harms or benefits to communities that PacificSource serves as a result of the proposed transaction.

Interdependencies with proposed OHSU-Legacy transaction

This proposed transaction is related to – and was instigated by – OHSU’s plans to buy Legacy. Because the proposed transactions are related, analyses conducted for the OHSU-Legacy transaction may provide essential context and information for this transaction. Some aspects of both proposed transactions have yet to be determined or communicated, which limits OHA’s and the public’s ability to fully understand potential impacts. As of the publication of this report, the OHSU-Legacy transaction is undergoing a [HCMO comprehensive review](#).

Additional information is needed for OHA and the public understand how potential changes to the OHSU-Legacy transaction may impact this proposed transaction.

Potential to impact PacificSource’s provider network, membership, and financial condition

To date, OHSU and Legacy have not provided any documentation that demonstrates a commitment to continue to offer PacificSource as a health plan for Legacy employees. The notice states that OHSU will determine which of Legacy’s employee health benefit plans, if any, will be included with OHSU’s employee benefit health plans.⁶⁶

OHSU and Legacy have not provided any documentation that demonstrates a commitment for OHSU and Legacy to continue to accept PacificSource insurance. The notice states that, post-closing, OHSU, Legacy Health, and PacificSource intend to maintain their participating provider relationships; however this intent is not codified in any of the agreement documents provided for this transaction or the OHSU-Legacy transaction.⁶⁷

A change in PacificSource’s member enrollment or provider networks as a result of this proposed transaction or the OHSU-Legacy proposed transaction could impact PacificSource’s ability to provide services to its members. More analyses are needed to understand the potential impacts of the proposed transaction on PacificSource’s business. During the comprehensive review, OHA will analyze the potential for this proposed transaction and the related OHSU-Legacy proposed transaction to impact PacificSource’s business, including enrollment, finances, provider networks, and services.

Public Comment

During the preliminary review, OHA held a public comment period and received 3 [public comments](#). Two comments stressed that the transaction should allow time for the public to review and comment and encouraged OHA to avoid rushing the review. One comment surfaced a need to fully examine effects of the transaction on health equity in Oregon. A [comment letter from Inatai Foundation](#) questioned Legacy’s history of community engagement and expressed concern about references to Inatai Foundation in Legacy’s notice materials.

The public, including organizations devoted to health equity, must have the time necessary to review and comment on the merging parties’ proposals.

-Public Comment

Next Steps

Based on the preliminary review, OHA has determined that the proposed transaction requires a comprehensive review. The proposed transaction will receive a comprehensive review, per ORS 415.501(6)(b), because OHA has not determined that the proposed transaction meets any of the following approval criteria during the preliminary review:

1. The material change transaction is in the interest of consumers and is urgently necessary to maintain the solvency of an entity involved in the transaction;
2. The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon;
3. The material change transaction is likely to meet the criteria set forth in OAR 409-070-0060;
4. The material change transaction is not likely to substantially alter the delivery of health care in Oregon; or
5. Comprehensive review of the material change transaction is not warranted given the size and effects of the transaction.

These criteria are specified in administrative rules for the Health Care Market Oversight program and are consistent with Oregon law.

Comprehensive Review

A comprehensive review allows OHA to conduct more in-depth analyses to understand how the proposed transaction might affect people and communities in Oregon. During the comprehensive review, OHA will analyze the likely impact of the proposed transaction on access, cost, quality, and equity and determine whether the transaction meets the criteria for approval under OAR 409-070-0060(6).

OHA will conduct additional analyses to understand the potential impacts on PacificSource's business and services. For more information about comprehensive review analyses, please see HCMO's [Analytic Framework](#). OHA may engage outside advisors to perform analysis or consult with OHA in accordance with ORS 415.501(14).

OHA will complete the comprehensive review in accordance with applicable statutes and administrative rules. The comprehensive review will be completed within 180 days of when OHA accepts a completed Notice, unless otherwise extended or tolled. Upon completion of the comprehensive review, OHA will issue a recommendation to DCBS to approve, approve with conditions, or disapprove the transaction. OHA will accept comments from the public prior to issuing its HCMO recommendation.

Submit a public comment

OHA will accept and post public comments throughout the comprehensive review period. Public comments can be submitted by email to hcmo.info@oha.oregon.gov, voicemail at 503-945-6161, or [public comment form](#). Please mention "PacificSource" in your comment. Public comments will be posted to OHA's website and may be included in reports and

publications. Please do not include confidential or sensitive information in submitted comments.

Participate in a community review board

OHA plans to convene a community review board for the comprehensive review of this proposed transaction. Community review boards provide input about transactions and make a recommendation to OHA about whether or not the proposed transaction should be approved. Members can include people who live and work in affected communities, consumer advocates, health care experts, and health care providers.

If you would like to participate in the community review board for this transaction, email hcmo.info@oha.oregon.gov. OHA staff will provide information about the timeline, member requirements, and application process.

Acronyms & Glossary

Acronyms & Abbreviations

ACA	Affordable Care Act
APAC	All Payer All Claims database
CCO	Coordinated Care Organization
CEO	Chief Executive Officer
CMS	Centers for Medicare and Medicaid Services
CT	Computed Tomography (scan)
DCBS	Department of Consumer and Business Services
DFR	Division of Financial Regulation
D-SNP	Dual Special Needs Plan
HCMO	Health Care Market Oversight
HHI	Herfindahl-Hirschman Index
LLC	Limited Liability Corporation
MA	Medicare Advantage
MOU	Memorandum of Understanding
NICU	Neonatal Intensive Care Unit
OAR	Oregon Administrative Rule
OB/GYN	Obstetrics and Gynecology
OHA	Oregon Health Authority
OHP	Oregon Health Plan
OHSU	Oregon Health & Sciences University
ORS	Oregon Revised Statutes
PHA	Pacific Health Associates
PSA	Primary Service Area
SCA	System Combination Agreement
SNP	Special Needs Plan

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.

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.

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.

Special Needs Plan (SNP): Special Needs Plans are Medicare Advantage plans that provide benefits and services to specific groups of people, including those with specific health care conditions or needs, or who also qualify for Medicaid.⁶⁸ D-SNPs are one type of special needs plan.

Dual Special Needs Plan (D-SNP): Dual Special Needs Plans are health plans for people who are dually eligible for both Medicare and Medicaid/Oregon Health Plan coverage. D-SNPs are one type of Medicare Advantage Special Needs Plan.

Methodology

Proportion of Enrollment

OHA estimated PacificSource’s proportion of statewide or county enrollment by taking the total number of lives enrolled in a PacificSource plan within the state or county and dividing by the total number of lives enrolled in any plan of the same types as offered by PacificSource within the state or county. The table below shows the sources of data and market definitions OHA used in its calculations.

Market	Market definition	Data source
Non-dual eligible Medicare Advantage market	Includes enrollees of Medicare Advantage plans who are not enrolled in a Dual Special Needs Plan (DSNP).	CMS ⁶⁹
Duals Medicare Advantage market	Includes enrollees of Medicare Advantage plans who are eligible for Medicaid and are enrolled in a Dual Special Needs Plan (DSNP).	
CCO market	Includes physical, behavioral and dental enrollment. Includes dual-eligible, non-dual-eligible, and MSP eligible lives.	OHA ⁷⁰
Commercial market	Includes enrollment in Individual, Small Group, Large Group, Student, and Associations, Trusts, and Multiple Employer Welfare Arrangements and self-insured plans.	DFR ⁷¹

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