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January 28, 2025

**VIA EMAIL**

Oregon Health Authority  
421 SW Oak Street, Suite 850  
Portland, OR 97204

Attn: Sarah Bartlemann, MPH  
Cost Programs Manager

**Re: Responses to November 18 RFI - Transaction 038 – OHSU-Legacy Health-Legacy Health Foundation-PacificSource**

Oregon Health Authority,

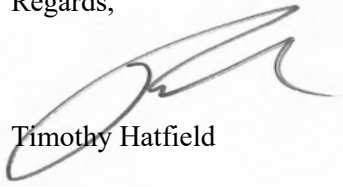
We have reviewed and compiled responses to your January 13, 2025 letter. Enclosed as Attachment A are responses to each of the redaction-related requests included in your letter. Please let us know if you have any follow up question or concerns. In addition, we have re-uploaded all exhibits and, when applicable, abbreviated the file names. Hopefully this will resolve any issues you may have had opening these files. Per our discussion, we have also confirmed that all attachments to emails have been provided in PDF format and, if the files are sorted by name, the attachments should appear immediately below the associated email. Again, please let us know if you have any difficulty reconciling attachments with emails.

Enclosed with this letter is an index of all submitted files to date, including document title, file name, bates number, and confidentiality status. We have also provided an updated Confidentiality Log and a Redaction Log. The enclosed documents and information identified in the confidentiality log constitute confidential, non-public documents and information exempt from public disclosure under applicable Oregon law, including ORS 415.501(13)(c), ORS 192.345(2), ORS 192.355(9)(a), and ORS 646.461 et seq. Redacted materials are protected by attorney-client privilege or related privileges. See ORS 40.225. Please notify us prior to any proposed disclosure of any document identified as confidential or any information derived from such documents. We reserve the right to assert additional or alternative grounds for confidentiality and to mark additional documents as confidential.

Finally, below, please find responses to the requests for clarifications regarding our December 3, 2024 response to OHA's request for information. To avoid confusion with the public, we have incorporated the below responses into our original December 3, 2024 submission, which is also enclosed. However, for all purposes the response remains dated as of December 3<sup>rd</sup>.

If you have any questions or require further information, please contact me directly at (503) 208-5037 or [tim@hkhealthlaw.com](mailto:tim@hkhealthlaw.com). Thank you for your attention to this matter, and we look forward to working with you and your staff.

Regards,



Timothy Hatfield

cc Craig Armstrong  
Gina Cole-Plasker  
Kristi Kernutt

Enclosures

## 2. RFI #9

**Please provide the actual full name and full title (not abbreviations) of each referenced individual at PacificSource involved in any aspect of developing or analyzing the proposed transaction.**

The following members of PacificSource's executive team considered the possible implications for PacificSource entities:

- PacificSource Chief Executive Officer: John "Espi" Espinola, MD
- PacificSource Chief Financial Officer: Peter Davidson
- PacificSource Chief Legal and Risk Officer: Kristi Kernutt

## 3. RFI #12

**OHA requested any internal analyses, materials, and communications conducted by or for PacificSource related to the impact of this transaction. Exhibit 24 includes a letter and talking points stating that PacificSource does "not expect any change or disruption for [sic] members, staff, or partners." What analysis, if any, did PacificSource conduct to reach that conclusion?**

PacificSource developed the talking points to address potential inquiries about the transaction from members, Legacy Health employees, and PacificSource staff. These talking points were born out of a recognition that the proposed transfer of the 50% member interest in PacificSource, as well as the contemplated acquisition of Legacy Health by OHSU, did not and does not change anything for members, customers, or staff in the immediate term. Specifically, up until and as of closing, the proposed transaction will not affect how members access health care from Legacy Health providers, existing contractual relationships between Legacy Health and PacificSource (including contracts relating to Legacy Health's employee health plans), or PacificSource's staffing. Legacy Health, OHSU and PacificSource have been consistent in communicating the above and are collectively committed to avoiding any disruptions in services for PacificSource members.

## 4. RFI #13a

**OHA requested information about which providers were included in each PacificSource plan or network. This request is not limited solely to OHSU and Legacy providers. Please update Exhibit 25 to include all providers who are in network for PacificSource plans.**

All network information is publicly available online at:

<http://providerdirectory.pacificsource.com/Medicaid> (Medicaid)

<http://pacificsource.com/find-a-doctor> (Commercial)

<http://medicare.pacificsource.com/Search/Provider> (Medicare Advantage)

**5. RFI #20b**

**Exhibit 30 does not include 3-year financial projections for PacificSource Health Plans broken out by large group, small group, and self-insured. Please provide this information.**

The requested information is enclosed as Exhibit 33 at 005648 - 005653.

**6. RFI #21**

**Exhibit 31 includes projections for a combined OHSU and Legacy system but does not include Legacy projections. Please provide 3-year financial projections for Legacy.**

The requested financial projections are forthcoming.

**7. RFI #28**

**The response to this item states: "PacificSource is not aware of any anticipated changes as a result of the OHSU-Legacy Health transaction, so has no basis on which to project or model any changes." This statement appears to contradict the response to #20e: "\*If or when the OHSU/Legacy transaction closes, PCS's membership goes to zero under current HSO requirements and the Legacy IDS projections would need to be updated accordingly, as well as the impact to PCS overall." Please explain this discrepancy.**

We do not view this as a discrepancy. As noted in our prior filings, this transaction may cause Health Share to request changes to its delegated services contract with PacificSource (the "IDS Contract"). However, any decisions regarding the future of the IDS Contract will be made by the Health Share Board, and the Health Share Board has not decided upon or requested any changes to such contract. The statement in #20e merely reflects the fact that, if Health Share decides to make changes to the IDS Contract, then PCS will need to adjust its projections.

**8. RFI #37a, b**

**The response provided potential scenarios but did not include requested information about the expected process to find a buyer for the PacificSource interest. Please provide information about how the Foundation will seek a buyer and why they think they will be successful in 5-10 years.**

Legacy Health and the Foundation firmly believe that the sale of PacificSource should be determined and completed by the Foundation after closing. Because the Foundation's post-closing board has not been constituted, it would be premature to dictate the specific process for finding a buyer. That said, the parties anticipate that the Foundation's Board of Directors would establish a competitive and comprehensive process that reflects the fact that PacificSource is a mission-driven organization. The post-closing Foundation Board, which will include community voices and members with experience in fundamental transactions, will control the sales process.

Pre-closing, Legacy Health will help facilitate and prepare for the post-closing sale, including by communicating with interested parties, engaging advisors to assist with the process, and providing diligence information to interested parties, noting that all such activities will be in collaboration with the Foundation and PacificSource. However, Legacy Health does not

anticipate making any binding commitments regarding any sale of PacificSource, as the post-closing Foundation Board must evaluate and approve any such transaction.

The parties are confident that they will be successful in the 5 – 10 year timeframe because PacificSource is a high functioning, financially stable, and diversified health insurance carrier. It has a long history in the region and a track record of success across the primary insurance markets, including individual, large group, Medicare, and Medicaid. PacificSource is an attractive asset for mission-driven entities that already operate in PacificSource's service area, and entities that wish to expand into the region. As such, Legacy Health and the Foundation expect there to be several interested parties and will work to identify them in the coming months and years. This, together with the long 5 – 10 year window to identify a buyer, gives the Foundation and Legacy Health confidence that this sales process will be successful.