

Transaction Development

- 1. Please provide all Legacy Health, Legacy Foundation, and PacificSource board minutes, agendas, materials, and correspondence to, from, and among entity executives and board members (e.g. memos, emails) related to this proposed transaction.**

Enclosed are the non-privileged minutes, agendas and presentations of the Legacy Health board of directors (“Legacy Board”), the Legacy Board’s Strategic Collaborations Committee (“SCC”), and the Legacy Health Foundation board of trustees (the “Foundation Board”) related to the proposed transfer of Legacy Health’s membership interest in PacificSource to the Legacy Health Foundation (the “Foundation Transfer”). See HCMO 002690 - 005493 (Legacy Board and SCC) and HCMO 001444 – 001929 (Foundation Board). Such meeting minutes and materials are as approved by the Legacy Board, SCC and Foundation Board, as applicable, through November 6, 2024.

Legacy Health and the Foundation use a dedicated board-management platform to distribute documents and records to board members. Board members use the platform to view agendas, board presentations, memorandums, and similar documents. Legacy Health and the Foundation have provided all non-privileged materials from the board management platform related to the Foundation Transfer. Accordingly, virtually all the board-level communications regarding this transaction are reflected in the minutes and board presentations contained on this platform.

In March 2023, the SCC was advised that they should ask questions during SCC meetings, rather than over email, but otherwise should direct any questions that may arise between meetings to Legacy Health’s legal and financial advisors so that they can be compiled and discussed in the next meeting. This discussion is reflected in the SCC minutes of April 26, 2023, provided at HCMO 005247 and presentation on May 17, 2023, provided at HCMO 002964. Accordingly, we were aware of a very limited number of emails from SCC members to management sent prior to March 2023, and queried Legacy Health’s legal and financial advisors for any other board-level correspondence. The emailed questions from board members to management are quoted in board materials (see board presentation dated May 17, 2023 at HCMO 003102). Otherwise, we believe that the documents provided from the portal reflect all non-privileged records shared with the Legacy Board related to this transaction.

The Foundation Board similarly communicated about this transaction primarily through regular meetings, not correspondence. We searched for correspondence between and among the Foundation Board, the Legacy Health Board, and the Legacy Health and Foundation executive teams relevant to the PacificSource transfer, which is enclosed at HCMO 002617 - 002689. Given the

frequency of formal meetings, there is minimal correspondence. We have omitted privileged material, but included all relevant meeting agendas, minutes, presentations, and deliverables.

PacificSource is not a party to the OHSU-Legacy transaction and was not involved in negotiating its terms. Additionally, the Foundation Transfer does not require prior approval from PacificSource. Accordingly, the PacificSource Board of Directors has not needed to take any formal action related to this transaction. Nonetheless, once PacificSource became aware of the OHSU-Legacy transaction, there were periodic updates for the PacificSource Board of Directors and relevant committees. Board and committee-approved minutes from those meetings are included, along with relevant agendas and correspondence.

2. Describe all options that were considered for the reconfiguration of the Legacy Foundation.

a) How did the entities land on this approach?

Early in the discussions between OHSU and Legacy Health, the parties agreed that a foundation independent from the unified system would be funded as part of the combination. Legacy Health understood that, when a nonprofit health care organization like Legacy Health is acquired by a for-profit company or a private equity firm, a charitable foundation is funded with the value of the nonprofit's assets. Legacy Health never considered a transaction with a for-profit entity or private equity firm, as such a transaction would not have aligned with Legacy Health's mission. However, in considering a combination with another non-profit entity, the Legacy Health Board sought to create a charitable foundation so that the Oregon and Southwest Washington community would benefit from a similarly dedicated foundation. OHSU and Legacy Health agreed the foundation must be independent from the combined system and would be focused on health equity and access in Oregon and Southwest Washington.

Legacy Health identified Legacy Health Foundation as the best recipient for the philanthropic funding. Legacy Health Foundation is the newest charity affiliated with Legacy Health, and it has a two-part mission (i) to raise funds to be distributed to or for the benefit of Legacy Health and (ii) to support the health and well-being of the community. After being approached by Legacy Health, the Foundation board was excited to accept the proposal to focus its future after the transaction on this second part of the mission. Moreover, as a 501(c)(3) public charity and component part of Legacy Health, the Foundation is best positioned from finance, tax, and operational perspectives to accept assets from Legacy Health, including its interest in PacificSource. The boards of Legacy Health and the Foundation worked with counsel to evaluate the legal structure options and to craft the resulting memorandum of understanding, grant agreement, and updated governance documents to effectuate the reconfiguration of the Foundation.

b) Provide any analyses, planning documents, materials, and correspondence related to these efforts.

Please see the response to Inquiry #1 for a description of relevant documents and correspondence.

3. Explain why Legacy is not seeking to transfer its member interest to OHSU as part of the OHSU-Legacy transaction. Response 7c states that “acquiring control of PacificSource would not align with OHSU’s long-term strategic objectives.”

OHSU sees the integration of Legacy Health into OHSU’s public university health system as a generational opportunity to address financial challenges and capacity limitations described in the OHSU-Legacy HCMO notice by creating an accountable, and publicly owned and governed OHSU health system with a network of health care access points to help ensure people can get the right care in the right place and at the right time. The Legacy Health and OHSU health systems are complementary, and the combination will ensure the appropriate level of health care with the highest quality is delivered both at the academic and community settings improving outcomes for the people of Oregon. Obtaining those benefits will require a significant investment in the public university health system. The Legacy Health Board estimates that the Legacy Health system will require between \$300 and \$750 million in additional investment (beyond standard capital outlays that every system incurs for routine maintenance and similar expenditures) over the next five years to meet community needs with respect to service offerings, quality, access, and cost.

Under the terms of the System Combination Agreement between OHSU and Legacy Health, for the OHSU-Legacy transaction, OHSU has agreed to invest approximately \$1 billion in capital on projects within 10 years following the closing absent exigent circumstances (which could extend the expenditure period to 13 years without reducing the amount of the commitment). For additional detail, see Schedule 3.4.5 to the System Combination Agreement. Following negotiation by the parties of the capital commitment and refinancing amounts related to the member substitution, OHSU determined it did not have the financial capacity to also acquire Legacy’s 50% interest in PacificSource, which would have come at an additional cost.

a) Which strategic objectives are misaligned with transferring member interest in PacificSource to OHSU?

See response above. OHSU determined that acquiring PacificSource would not be the best use of capital relative to OHSU’s other strategic priorities, as described in the OHSU-Legacy HCMO notice.

b) Share any analysis, materials, correspondence/memos/emails related to this decision.

Please refer to bates OHSU_RFI#23(a)_00000001 through OHSU_RFI#23(a)_00000052; OHSU_RFI#5_00000007 through OHSU_RFI#23_00000014 for non-privileged documents related to OHSU's decision not to acquire interest in PacificSource. OHSU initially submitted those documents on November 21, 2024, in response to the Oregon Health Authority's November 6, 2024, Request for Supplemental Information – Transaction 039 – OHSU-Legacy. Legacy is resubmitting those documents in response to this question.

4. Describe any alternative proposed/abandoned options for Legacy's transfer of ownership of PacificSource.

During the initial pre-LOI discussions, Legacy Health and OHSU discussed the inclusion of the PacificSource membership interest as part of the assets and liabilities assumed by OHSU pursuant to the planned system combination. As described in response to Inquiry #3, OHSU ultimately decided to exclude the PacificSource membership interest from the planned system combination.

Legacy Health subsequently determined that the PacificSource membership interest would be transferred to the Legacy Health Foundation. PacificSource, PHA and Legacy Health discussed the alternative option of PacificSource redeeming or repurchasing Legacy Health's 50% member interest in PacificSource. In furtherance of this potential option, PacificSource engaged VMG to value such member interest. The valuation report is attached as Exhibit 22 at HCMO 00564 - 00693.

Ultimately, PacificSource informed Legacy Health that it could only redeem a portion of Legacy Health's 50% membership interest, and only at a discount from the VMG valuation. Accordingly, Legacy Health declined to proceed with discussions. The parties did not exchange or agree on any letters of intent or term sheets, though a proposal from PacificSource was communicated to a Legacy Health board representative and management team, and presented to the SCC on June 14, 2024. See HCMO 004334.

a) Describe any and all previous efforts to find a buyer for Legacy's member interest in PacificSource. Who was involved, when did any efforts occur, what key terms were discussed, and why did it not move forward?

Legacy Health initially intended to include PacificSource in any system combination. Accordingly, Legacy Health did not engage in any efforts to find a distinct buyer for Legacy Health's member interest in PacificSource.

- b) Provide any analyses, planning documents, materials, and communications/ correspondence related to these efforts.**

Not applicable.

5. When and how did PacificSource become aware of this proposed transaction?

PacificSource learned of the proposed OHSU-Legacy transaction on February 7, 2023, during an Executive Committee meeting of the PacificSource Board.

6. What was PacificSource's role in developing the transaction terms?

OHSU and Legacy Health negotiated the terms of the system combination over a period of months. PacificSource was not involved in developing these transaction terms.

a) What is PacificSource's role in approving transaction terms?

Per the PacificSource member agreement by and between PHA and Legacy Health, PacificSource does not have a role in approving transaction terms.

7. Response 8.b. states that the Foundation independently engaged counsel to review the SCA. Provide any reports, analysis, materials or other products from that review.

Communications, reports, analysis and other work product by and between the Foundation and its counsel for the purposes of obtaining legal advice are protected by attorney-client privilege. Pursuant to Inquiry #1, we have provided non-privileged materials related to this transaction.

8. Provide any and all draft member agreements between the Foundation and PacificSource.

The parties have not exchanged draft amendments to the member agreement. We expect to have a complete draft in mid-December and will provide a copy to OHA at that time.

9. Please identify the individuals at PacificSource involved in any aspect of developing or analyzing the proposed transaction. Describe the role of each individual.

PacificSource personnel were not involved in developing the proposed transaction or determining its effects on Legacy Health or the Foundation. Prior to the public announcement of the proposed transaction, staff at Legacy Health and PacificSource met

regularly to discuss the status of negotiations and the transfer of Legacy Health's member interest. The PacificSource Board of Directors has, in turn, considered the 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

PacificSource Business and Provider Networks

10. Provide organizational NPIs for all of the Legacy and PacificSource joint ventures listed in Exhibit 14.

The Joint Ventures listed on Exhibit 14 are not Legacy Health-PacificSource joint ventures. They are Legacy Health joint ventures with other partners. Neither of these entities have organizational NPIs.

11. Provide a list of all plans offered by PacificSource for each line of business for the 2024 and 2025 plan years.

A list of all PacificSource commercial and Medicare Advantage plans are attached as Exhibit 23 at HCMO 00694 - 00706.

12. Provide any internal analyses, materials, and communications conducted by or for PacificSource related to the impact of this transaction on PacificSource's business, including provider contracts, provider network, enrollment, financial condition, and/or negotiated rates.

Please see Exhibit 24 at HCMO 00707 – 00710 for talking points that were prepared in the event that PacificSource employees received questions about this transaction, and an informational email distributed to staff. 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.

As noted below. OHSU has indicated that they intend to maintain PacificSource's existing contractual relationships with OHSU and Legacy Health post-closing.

13. Provide information about PacificSource's network of commercial, Medicaid, and Medicare Advantage providers:

a) Which providers are currently included in each plan or network?

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)

Please see Exhibit 25 at HCMO 00710 for a grid showing Legacy Health and OHSU's participation in PacificSource networks.

b) Provide current partnering provider agreements between PacificSource and OHSU

For confidentiality reasons, OHSU is transmitting all agreements between OHSU and PacificSource directly to OHA. See HCMO 0010000 et seq. OHSU has sent termination notices for the contracts with all three lines of business – commercial, Medicaid, and Medicare Advantage. These termination notices are in connection with renewal negotiations between the parties, which remain ongoing. OHSU and PacificSource hope to finalize renewal terms in the coming months.

c) Provide current partnering provider agreements between PacificSource and Legacy

The provider agreements between Legacy Health and PacificSource are enclosed in Exhibit 26 at HCMO 00711 – 00866.

14. What will happen with contracts that Legacy holds with PacificSource upon closing of the OHSU-Legacy transaction?

Upon closing of the OHSU-Legacy Health transaction, contracts between PacificSource and Legacy Health will continue in accordance with their terms. PacificSource is not aware of any changes to the providers or facilities covered and no conversations about such changes have taken place. The terms of the agreements between PacificSource and

Legacy have not been disclosed to OHSU due to regulatory limitations that apply prior to the closing of the transaction.

a) Describe any expected changes to the contract terms.

OHSU does not expect that the terms of any existing contracts between PacificSource and Legacy Health entities will change. Such contracts will continue to be performed in accordance with their terms and the parties will negotiate amendments and renewals in the ordinary course of business. Legacy Health and PacificSource are in the process of negotiating rate adjustments, which are unrelated to the system combination.

b) Describe any expected changes to covered providers.

OHSU does not expect that the covered providers under existing contracts between PacificSource and Legacy Health entities will change. Such contracts will continue to be performed in accordance with their terms.

c) Describe plans to terminate, renegotiate, or not renew any contracts.

OHSU has represented that there are no plans to terminate, renegotiate or not renew any contracts between Legacy Health entities and PacificSource. Such contracts will continue to be performed in accordance with their terms. The terms of such contracts have not been disclosed to OHSU due to regulatory concerns. They will be shared with OHSU upon closing of the transaction.

d) What is the timeline to make any changes to contracts?

As noted above, OHSU has no plans to terminate, renegotiate or not renew any contracts between Legacy Health entities and PacificSource. Such contracts will continue to be performed in accordance with their terms. Further development of details between the integrated university health system and PacificSource must occur during operational integration when the organizations have a single mission, have a combined fiduciary responsibility, and can fully share data. This cannot happen until the OHSU-Legacy Health transaction closes.

15. Describe any changes PacificSource anticipates as a result of this transaction or the OHSU-Legacy transaction, including, but not limited to:

- a) Changes to provider networks**
- b) Increased payment rates to providers**
- c) Need to renegotiate provider contracts.**

PacificSource is not aware of any anticipated changes as a result of the OHSU-Legacy Health transaction or the Foundation Transfer.

- 16. Response to item 15.i. in the notice states: Post-closing, OHSU, Legacy Health, and PacificSource intend to maintain their participating provider relationships. Please provide more information about this intent, including:**
- a) Any specific commitments the parties have made to continue relationships.**
 - i. Provide all documentation, drafts, board agendas or minutes, materials, or correspondence related to these commitments.**

OHSU has made no contractual commitment to continue its relationship with PacificSource post-closing. However, the proposed transaction is a member substitution which means that the Legacy Health entities will continue to exist, albeit with OHSU as the sole member, and that the contractual obligations of those entities will continue post-closing in accordance with the terms of the agreements between the Legacy Health entities and PacificSource.

- b) How long after the transaction the parties intend to maintain existing relationships?**

As noted above, there are no plans to terminate, renegotiate or not renew any contracts between Legacy Health entities and PacificSource. Further development of the terms of any payor agreements between the integrated university health system and PacificSource must occur during operational integration when the organizations have a single mission, have a combined fiduciary responsibility, and can fully share data. This cannot happen until the transaction closes.

[REDACTED]

[REDACTED]

17. Provide any other current agreements between Legacy and PacificSource and OHSU and PacificSource.

For confidentiality reasons, OHSU is providing all agreements between OHSU and PacificSource to OHA directly. See HCMO 0010000. Note that PacificSource also partners with OHSU to offer Continuing Medical Education units for courses that PacificSource provides to healthcare professionals in its participating provider network; however, there is no written agreement between the parties. Additional agreements between Legacy Health and PacificSource are provided under Exhibit 27 at HCMO 00867 – 00934.

PacificSource Enrollment

18. Please provide 3-year enrollment projections for PacificSource’s Oregon business:

- a) Provide separate enrollment projections for Commercial (large group, small group, and self-insured), Medicare Advantage, and Medicaid lines of business.**

Enrollment projections for these lines of business are enclosed under Exhibit 28 at HCMO 00935.

- b) Provide separate enrollment projections for each CCO: Central Oregon CCO, Columbia Gorge CCO, Lane CCO, and Marion-Polk CCO, and Pacific Source’s membership of Health Share of Oregon CCO.**

Enrollment projections for these lines of business are enclosed under Exhibit 29 at HCMO 005494.

19. How many Legacy employees and dependents were covered by PacificSource in June 2024?

There were approximately 22,414 Legacy Health employees and dependents enrolled in Legacy Health’s self-funded employee health benefit plan administered by PacificSource.

- a) What will happen to coverage for these employees after this transaction and the OHSU-Legacy transaction?**

Under the System Combination Agreement, all employees will retain their benefits, including health insurance, at closing. Further, under the Letter of Agreement Between Labor Partners and Oregon Health and Sciences University, OHSU has committed that, contingent on funding, “the transaction will not result in a decrease from current wage rates, premium/differential rates, or benefit

contribution amounts or levels for any former Legacy employee who is a member of one of the Labor Partners.” (emphasis added, see Section 1 (a) of the Letter of Agreement).

Generally, OHSU conducts a Request for Proposals (“RFP”) to compare benefit offerings. In accordance with its collective bargaining agreements, OHSU has instituted an employee benefits council comprised of equal numbers of representatives of management and represented employees to recommend benefit plans. This process generally takes place on a schedule that allows OHSU employees to make health benefit decisions in October for benefits that are effective the following January. In making any plan determinations, OHSU will take into account the terms of any collective bargaining agreements between Legacy Health and its employees.

Financial Information

- 20. Provide the following 3-year financial projections for PacificSource entities: (need to call out any specific measures or align with specific standards?)**
- a) PacificSource nationwide and in Oregon overall.**
 - b) PacificSource Health Plans overall and in Oregon, including break outs by large group, small group, and self-insured.**
 - c) PacificSource Community Health Plans overall and in Oregon.**
 - d) PacificSource Community Solutions overall and in Oregon.**
 - e) Provide projections for each CCO: Central Oregon CCO, Columbia Gorge CCO, PacificSource’s membership of Health Share of Oregon CCO, Lane CCO, and Marion-Polk CCO.**

The requested financial projections are enclosed in Exhibit 30 at 00939 – 00947 and Exhibit 33 at 005648 - 005653.

21. Provide 3-year financial projections for Legacy.

The requested financial projections are enclosed in Exhibit 31 at OHSU_Notice_00238 – 00285. Legacy Health’s standalone financial projections are forthcoming.

22. Provide 3-year financial projections for the Foundation.

Legacy Health Foundation does not prepare 3-year financial projections for its current operations, nor has one been prepared for the Foundation post-closing.

Under the Definitive Agreement, the Foundation will receive (i) Legacy Health’s 50% member interest in PacificSource and (ii) liquid assets in the amount of its net cash at closing, minus certain anticipated adjustments. The PacificSource member interest will

be transferred to Legacy Health Foundation at closing. The liquid assets will be transferred in a series of installment payments.

In addition to the above new funding, Legacy Health Foundation currently holds approximately \$1,673,000 in unrestricted funds and \$52,545,000 in assets restricted to certain uses, purposes, or programs affiliated with Legacy Health, Emanuel Medical Center, Meridian Park Medical Center and Mount Hood Medical Center (the “restricted funds”). In the first three years and until it expends those restricted funds or transfers them to another organization that is better situated to administer them, the Legacy Health Foundation board will continue to administer those restricted funds according to donor intent and will work with the combined health system to facilitate that.

Because the Foundation’s focus in the first years after closing will be on community engagement and developing a strategic plan, the Foundation’s expenditures for the first two years will be weighted toward community engagement, which may include provision of or reimbursement for travel, childcare, and other costs that enable the participation in the community engagement process of community members from underrepresented groups. The Foundation’s program activities and expenditures will increase after the expanded board has hired its initial executive director, identified its focus areas and launched its programs.

23. Provide more detail about the Foundation’s 2023 investments:

a) Provide dollar amounts for each of the items listed in response 12.a. of the notice.

Notice Question 12(a) asked to describe Legacy Health Foundation’s current business, including business lines or segments. The answer provided six illustrative examples of the types of programs the Foundation funds, which are included again below with approximate amounts expended in fiscal year 2023.

Example of Program Supported by Legacy Health Foundation	Approximate Amount Expended in FY 2023
Supported therapeutic services at the Unity Center for Behavioral Health.	\$220,000
Provided emergency medications, durable medical equipment, transitional housing, and other health-related supplies to uninsured, under-insured, and low-income patients.	\$550,000
Provided emergency food support to families experiencing food insecurity.	\$195,000
Supported injury prevention programs for the community including child passenger safety, bike/sports helmets, elderly falls prevention, and burn injury prevention.	\$43,000

Supported continuing education classes.	\$433,000
Provided support for community organizations working to provide access and wrap around services for patients.	\$315,000
Purchased medical equipment for Legacy Emanuel Medical Center, Legacy Meridian Park Medical Center, and Legacy Mount Hood Medical Center	\$615,000

The Foundation distributed \$2,932,522 in support of charitable programs in fiscal year 2023. Most of Legacy Health Foundation's assets are restricted by donors or grantors for certain purposes, such as to purchase medical equipment for a hospital, provide cancer or burn victim support, or conduct community education. For program-related grants, Legacy Health departments either implement the programs or partner with community-based organizations to co-create or deliver them. Medical equipment and other capital expenditure grants are led by Legacy Health employees. The Foundation Board reviews written requests submitted by Legacy Health system providers and employees to support collaborations with community-based organizations (e.g. conducting Stop the Bleed training for Portland Public Schools teachers and staff) or to fund health program costs (e.g. offering "food as medicine" education classes, or providing counseling and support groups to patients and family members) or other expenses (e.g. emergency food support, or wrap-around support for patients discharged from Unity to improve clinical outcomes).

b) Describe how funds were distributed.

The granted dollars are transferred to the Legacy Health cost center to offset or reimburse the costs up to the amount granted. Grants made directly to community-based organizations are paid via a check to the organization.

24. How will funds flow between PacificSource and the Foundation?

The parties do not expect any flow of funds between PacificSource and the Foundation. See the response to Inquiry #26 below regarding dividends. However, the parties will seek out opportunities to collaborate when their missions and programs overlap, as described below.

a) Will Foundation make any investments in PacificSource?

The parties do not anticipate the Foundation making any investments in PacificSource. The post-closing Foundation Board will make all funding decisions, and the use of the Foundation's charitable assets will be subject to all applicable grant or donor restrictions.

- b) If yes, describe any investments.**
- i. When would any investments occur and for how long?**
 - ii. Provide estimated investment amounts.**
 - iii. How were any investments determined?**

Not applicable.

- c) Will PacificSource pass funds to the Foundation?**

See response to Inquiry #26 below regarding dividends.

- d) If yes, describe the purpose, mechanism, amount, and timing of any funds flow.**

Not applicable.

- 25. Response 19 states that “Foundation funding will ensure that PacificSource holding company system will remain well capitalized with liquid assets sufficient to address financial needs as they arise.” Please provide more details about how the Foundation will address financial needs if they arise.**

- a) What type of supports might the Foundation provide?**
- b) How would those decisions be made?**
- c) How would funds flow?**
- d) Provide any analyses, materials, and communications regarding the Foundation providing any funds to PacificSource.**

PacificSource is self-sustaining and the parties have had no discussions about providing financial support to PacificSource. The Foundation’s role in PacificSource would be governance only. Any decisions regarding the use or investment of the Foundation’s charitable assets would be made by the Board, and in every case the use of the Foundation’s assets would be in accordance with applicable grant or donor restrictions.

- 26. Response 19 states that PacificSource “does not intend to declare any dividends.” Provide any agreements, commitments, or documentation related to PacificSource providing dividends.**

Under section 5.3(b) of PacificSource’s bylaws, the PacificSource Board must consider paying distributions to its corporate members at least annually. Such review must include an evaluation of annual operating and capital budget needs and three year strategic and capital plans, which are prepared at an enterprise level. Any distribution must also comply with current Oregon law and notice requirements, if any.

PacificSource has not declared a dividend since Legacy Health became a member in

2016, and could not declare a dividend for the five years after closing. At this time, PacificSource does not anticipate declaring any dividends.

27. How will PacificSource members benefit from Foundation investments?

One of the primary purposes of the Foundation Transfer is to preserve PacificSource's existing leadership, management, and operations. Accordingly, there are no plans to change the ways in which PacificSource seeks to deliver high-quality, coordinated care to its members.

However, Legacy Health and the Foundation believe that PacificSource will benefit from the Foundation's focus on health equity. Currently, PacificSource's member interest is held by Legacy Health, a multi-billion-dollar health system with complex operational and financial needs. Although PacificSource's partnership with Legacy Health has been mutually beneficial, it is undoubtedly true that Legacy Health's primary mission is to improve the health and wellbeing of its communities through the direct provision of health care services at its acute care and outpatient facilities. This has led to synergistic initiatives between Legacy Health and PacificSource, but also means that Legacy Health sought to fit PacificSource into its broader institutional strategy.

The Foundation, on the other hand, will be independent of any health care provider or system. This will give the Foundation the freedom to pursue innovative initiatives that do the most to improve population health—even if they have nothing to do with the traditional health care delivery system or any particular health care provider. The Foundation will bring this independent, wholistic approach to population health to its role as a member of PacificSource.

Moreover, the wholistic approach to health improvement championed by the Foundation aligns perfectly with PacificSource's mandate to pursue innovative strategies to improve social determinants of health. PacificSource's mission as a CCO is to improve the health of its members, which includes investing in health-improvement initiatives that are upstream of the traditional health care system. These investments provide value both to PacificSource's members (who receive additional supports) and to the Oregon Health Plan (which is able to achieve better health outcomes at a lower cost).

For instance, addressing upstream factors that affect health and health outcomes will help control costs. As such, PacificSource, PacificSource's members, and the Oregon Health Plan will benefit from the Foundation's initiatives to improve social determinants of health. The Foundation will be uniquely positioned to bring grantees, partners, and community members together to ensure that the Foundation's activities have a quantifiable impact on outcomes and utilization, which will in turn help reduce overall cost growth. The Foundation intends to engage with PacificSource to solicit its input on strategic initiatives and identify areas where the Foundation can use its status as a member of PacificSource to further shared objectives, including those related to

controlling the growth in health care costs.

In carrying out the Foundation’s mission—whether through organizing a convening focused on a specific issue, providing seed funding for a promising new approach, sharing data and research, or investing in organizational infrastructure for a community partner—the Foundation’s activities are strategically aligned with PacificSource’s efforts to improve its members social determinants of health. As such, PacificSource is uniquely positioned to provide information, data and input to help the Foundation make strategic decisions that will address health inequities and disparities in Oregon, and particularly those that affect PacificSource’s members. These learnings will improve the Foundation’s programs and activities, which will in turn benefit PacificSource’s members.

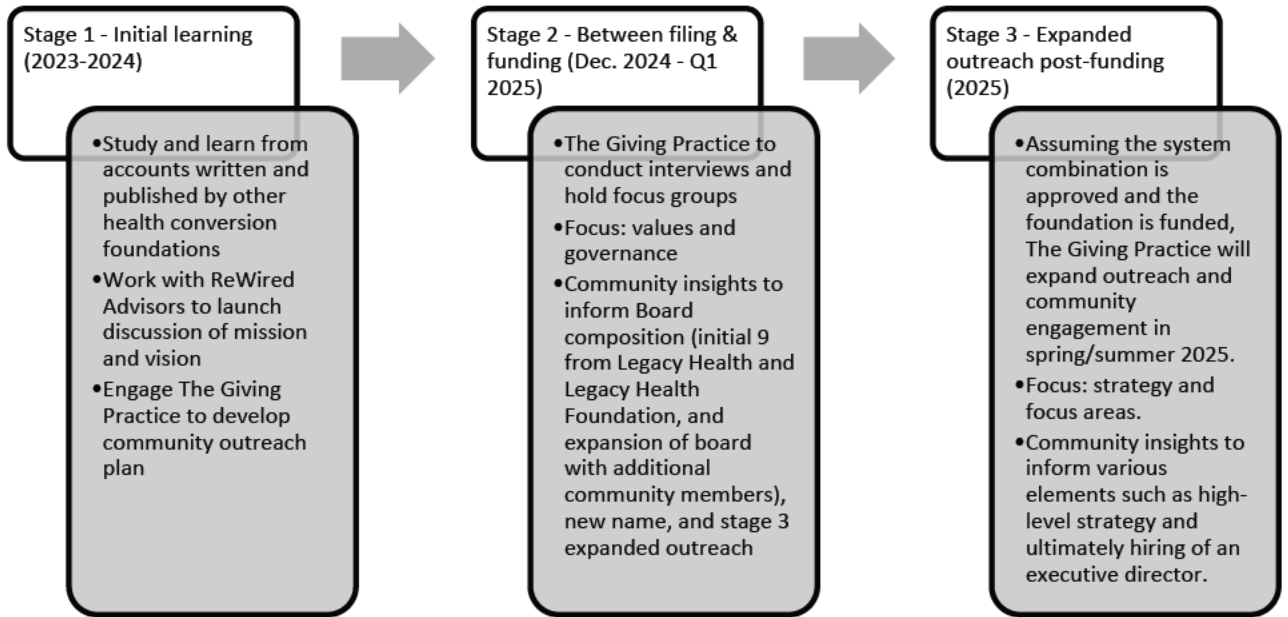
- 28. Provide any projections, analysis, or modeling on the impact of the OHSU-Legacy transaction on PacificSource. Include:**
- a) Projected rates and rate changes**
 - b) Projected premiums and premium changes**

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.

Benefit to the Public

- 29. Response 17a states: “the final determination of [Foundation] focus areas will be subject to community input...” Describe the plans for community input.**
- a) What communities will be engaged?**
 - b) How will community input be gathered?**
 - c) How will communities be involved in decision making?**
 - d) When do you expect community engagement to occur?**

The Foundation will work to build authentic relationships with community partners over time and throughout its lifespan. Outreach will launch before the system combination is approved and the Foundation is funded, and will expand after closing. The Foundation designed its community engagement plan in three stages as follows: .



In the Stage 3 post-closing work as further described below, the Foundation will work with communities to appropriately craft community sessions to maximize engagement and meaningful participation. For example, a session may be conducted in a different language, childcare may be provided, or the structure, format or facilitator may be adapted with input from community leaders.

The Foundation will gather and listen to input from anyone who is impacted by the work of the Foundation, whether through professional expertise or lived experience. The Foundation will focus its efforts to ensure that community voices not traditionally incorporated into decision-making and policy are included in the plans. In not only its community engagement, but also in its work, the Foundation will center the perspective and input of people with lived experience and communities historically and currently impacted disproportionately by inequitable policies and practices.

The Foundation will continue to solicit and incorporate community voice after the Foundation has been funded and launches operations following Stage 3 described below. For example, the Foundation may implement advisory committees in its governance as a formal structure for ongoing community input, or it may launch participatory grantmaking which brings the communities impacted by funding decisions into the decision-making. With guidance from The Giving Practice, the Foundation board will identify the best path for ongoing community input and engagement.

Please refer to Inquiry 30 for additional information about the Foundation's plans for continuous community engagement, which will begin with interviews and focus groups and will expand to broader engagement after the Foundation is funded.

30. Response 17.c. mentions continuous community engagement. Provide any plans or documentation regarding community engagement.

Continuous community engagement will be central to the work of the Foundation. The Foundation plans to structure its community engagement in stages:

Stage 1: In 2024 Legacy Health and Foundation first studied synopses of how other conversion foundations successfully engaged and empowered community. Those examples illustrated how foundations not only devoted their initial years post-funding to authentic and meaningful community engagement, but also committed to ongoing engagement after the foundation adopted its initial strategic plan. Informed by research and conversations with philanthropic advisors, Legacy Health and the Foundation identified The Giving Practice, a consulting arm of Philanthropy Northwest, as an expert to support this critical work. The Giving Practice has supported the similar launch and outreach efforts for other conversion foundations in the Pacific Northwest.

Stage 2: The Giving Practice will launch community engagement on behalf of the Foundation in December 2024. The Giving Practice and Legacy Health have mapped Stage 2 to take place in the four-month period between completion of the HCMO filings and the target closing date in spring 2025. The Giving Practice has structured its work in Stage 2 in four phases: (1) discovery, which includes interviews with key stakeholders to co-develop inquiries and begin identifying and scheduling interviewees and focus groups; (2) outreach, when The Giving Practice consultants will conduct interviews and focus groups with community members; (3) analysis, when data and learnings are synthesized into written findings and recommendations; and (4) share and distill, when The Giving Practice will share its findings with the Legacy Health/Foundation joint work to support its efforts to identify the initial nine directors who will then further expand the board with additional community members as informed by The Giving Practice's findings and recommendations.

The topics of individual interviews and focus group discussions in Stage 2 will be centered on values and governance. The input collected in Stage 2 will inform the framework of the foundation and the composition of the board who will make decisions regarding focus areas and strategic plan in a later stage. Legacy Health is currently working with The Giving Practice to craft inquiries for the interviews, which will further evolve as input from early interviews is incorporated into inquiries for later interviews. The Giving Practice's working document for initial inquiries includes the following: (1) What might the values, principles and ethos of this foundation be? How might this inform the potential new name for the foundation? How might this inform governance of this potential new foundation? (2) Who should be involved in the governance and establishment of the foundation? What are some of the criteria, characteristics and profiles important to initial governing board members of this foundation? What specific names of people or organizations come to mind? (3) This is a first phase of community engagement. If this new entity is approved by OHA for launch, how might those most impacted by the creation of this entity be

meaningfully involved in a more in-depth community design process to determine the design and implementation of this new foundation? (4) Inquiries in addition to the above for conversations with other health conversion foundations such as Inatai Foundation and Empire Health Foundation, Headwaters Foundation and iF.

Stage 3: After the system combination closes, the Foundation will be independent from the combined system, and it will have a new board and a new name. The initial board of nine directors will be comprised of individuals who currently serve on Legacy Health or the Foundation board, and will then be amplified to include additional community members as informed by The Giving Practice's findings and recommendations in Stage 2. That board will continue proactive community engagement with support from The Giving Practice to gain additional input on focus areas.

In Stage 3, the board will know more information to inform its strategic plan, namely that the Foundation was approved and the amount of funding. This additional context will enable this stage of community engagement to expand to include more community forums and broader participation through vehicles such as town halls. The Foundation will focus its efforts to ensure that community voices not traditionally incorporated into decision-making and policy are included in the plans. The input from Stage 3 will support the board with approving a strategic plan with focus areas and spending policy and identifying its first executive director.

a) How will PacificSource members be involved in community engagement?

PacificSource and the Foundation serve overlapping populations. The Foundation intends to target its community outreach to medically underserved communities in Oregon and Southwest Washington. PacificSource's CCO population face significant structural barriers to health and health equity. Although the Foundation does not intend to target the membership of any one CCO for community engagement, the Foundation recognizes the importance of including Medicaid-eligible populations in its outreach efforts.

31. Describe any planned changes to the PacificSource Foundation.

The PacificSource Foundation for Health Improvement is supported by PHA; the change from being a PacificSource supported entity to a PHA supported entity arose out of Legacy Health's acquisition of its 50% member interest in PacificSource. To PacificSource's knowledge, there are no planned changes to the PacificSource Foundation for Health Improvement.

Health Share of Oregon

32. How will this transaction and the OHSU-Legacy transaction affect PacificSource's relationship with Health Share of Oregon?

PacificSource is not a corporate member of Health Share and has no governance role in Health Share. Accordingly, the Foundation Transfer has no impact on Health Share's governance.

However, PacificSource and Health Share have an Integrated Delivery System ("IDS") contract pursuant to which Health Share delegates to PacificSource certain managed care functions related to Health Share's CCO Contract. This IDS contract arose due to Legacy Health's status as both a founding member of Health Share and 50% member of PacificSource. Once the Proposed Transaction closes, PacificSource will no longer be affiliated with Legacy Health or any other member of Health Share. This may cause Health Share to request changes to the IDS contract. However, OHSU and Legacy Health would prefer to avoid any disruption in care or coverage and will work with Health Share to help achieve that goal.

33. Describe changes to any agreements or arrangements with Health Share of Oregon as a result of this transaction.

a) Provide all current agreements between Health Share and Legacy.

Legacy Health does not have any direct contractual relationships with Health Share, except pursuant to its status as a Founding Member under the Health Share bylaws.

b) Provide all existing agreements between Health Share and PacificSource.

All such agreements are enclosed in Exhibit 32 at HCMO 00948 - 001443.

c) Provide any joint agreement between Health Share and Legacy/PacificSource.

Health Share, Legacy, and PacificSource are not parties to any joint agreements.

d) Provide any agreements between Legacy and PacificSource related to the HealthShare contracts

Please see the agreements between Legacy Health and PacificSource, which are at Exhibit 26 at HCMO 00711 – 00866.

e) Will the transaction result in any new agreements?

i. Provide all drafts of those agreements.

The parties are not aware of any new agreements between Legacy Health and Health

Share that will result from the Foundation Transfer or the OHSU-Legacy transaction.

34. What will happen to the Legacy-PacificSource 1/11th interest in Health Share?

a) What share will PacificSource and OHSU have post transaction?

PacificSource is not a member of Health Share and will not be a member after the Foundation Transfer.

OHSU and Legacy Health are each Founding members of Health Share per the bylaws. As a nonprofit corporation, Health Share does not designate a percentage interest in Health Share, but each member has equal voting rights on certain actions set forth in the bylaws. As members, each of OHSU and Legacy Health have a vote on certain matters put forth to a vote by members, and each appoint an individual to be on the Board of Directors. In addition to member appointed directors, eight additional directors are elected, as well as two recommended by the Community Advisory Council. PacificSource is not a founding member of Health Share and does not hold voting rights on certain actions set forth in the bylaws.

b) Any financial analyses conducted or requested by Legacy or OHSU.

Neither Legacy Health nor OHSU requested or obtain such an analysis.

Post Transaction Plans

35. Please provide any business plans, projections, or analyses for the Foundation.

As described in the initial filing, Legacy Health and the Foundation formed a joint workgroup to start the planning process for the post-closing Foundation. The workgroup identified several preliminary focus areas and strategies and strongly committed to engaging the community for further direction. The July 2024 paper titled “A Generational Opportunity to Advance Health Equity in Oregon and Southwest Washington” was drafted to memorialize the discussion of the workgroup and was attached as Exhibit 16 of the initial HCMO application. The Foundation intentionally has not developed formal business plans or projections for the post-closing Foundation. Such planning work must be informed by the total funding amount, the community engagement process, and the perspectives of the post-closing Foundation board.

a) Describe any other potential funding or revenue sources.

The Foundation has not identified other funding or revenue sources. As a philanthropic organization, the Foundation’s focus will be on deploying its dollars to charitable purposes, not seeking additional funding.

36. Response 7a states that the Foundation board will include five current Legacy Health directors and four current Foundation trustees, with additional members being recruited from the community.

- a) Will the former Legacy directors also hold positions at OHSU after the close of the OHSU-Legacy transaction, either as members of the board or executive team?**

The Foundation Board members have not been identified. There are no plans for any member of the Foundation Board to hold an executive position at OHSU following the closing of the Foundation Transfer. The current Legacy Health board of directors includes physicians who are employed by Legacy Health and will continue their medical practice in the combined system. Those physicians may be considered to join the Foundation board.

- b) If unknown, will the Foundation impose any limits on employment or other board membership for Foundation board members?**

The Foundation bylaws that will be adopted at closing include the following section on qualifications:

“All directors must be individuals 18 years of age or older. Directors need not be residents or citizens of the State of Oregon or of the United States of America. The board may establish written policies that include additional criteria for qualifications of directors and composition of the board.”

Beyond the age minimum, there are no per se limitations on who may be considered to serve on the Foundation board. The Foundation Board may adopt policies addressing composition and characteristics of the board to memorialize community input and provide a roadmap for recruitment and selection. As part of the recruiting process, any potential director would be vetted for potential or perceived conflicts of interest, and once elected, all directors would be required to comply with a conflict-of-interest policy.

- c) Describe how additional board members will be recruited and selected from the community.**

As described above, The Giving Practice will gain input from community members that will inform selection criteria and process for the initial nine directors and additional community board members. This process may also raise names of individuals to consider for election to the Foundation Board.

d) Describe any planned compensation for Foundation board members.

The Foundation in its current form does not compensate its board of trustees. It has not yet been determined whether board members of the new foundation will be paid or otherwise receive compensation, as this is an item that will be determined by the new board after the combination. A future decision of whether and how much to compensate board members would be dependent on a variety of factors—for example, the final funding amount for the Foundation, desired board composition, estimated hourly commitment and responsibilities required of board members, and complexity of strategies the new foundation decides to execute. The board may also decide to compensate community members or subject matter experts invited to serve on board or advisory committees. There is a growing acknowledgment that compensating board and committee members is important to advancing equity and assembling diverse boards, recognizing the disproportionate impact unpaid time demands may have on individuals from diverse or historically underrepresented backgrounds and/or individuals that represent or have experiences relevant to an organization’s mission. .

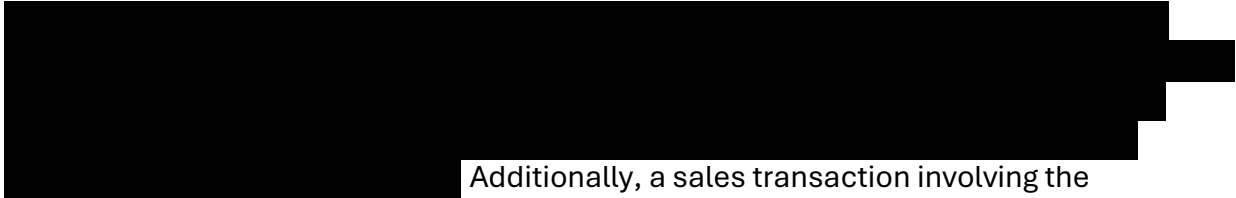
Any compensation paid to board members or committee members would be set in accordance with federal tax law and regulations applicable to 501(c)(3) nonprofit organizations. The Internal Revenue Code mandates that nonprofit compensation be “reasonable.” Compensation is considered reasonable if it is comparable to what “would ordinarily be paid for like services by like enterprises (whether taxable or tax-exempt) under like circumstances.”

37. In response 16, entities state that the Foundation plans to find a buyer for PacificSource in 5-10 years. What is the expected process for this?

- a) How will they seek a buyer?**
- b) Why do they think they will be successful in 5-10 years?**
- c) Describe any current potential buyers or talks with potential buyers.**

The Foundation will transfer its membership interest as soon as it can identify an appropriate buyer and the parties can agree to suitable terms. However, the Foundation anticipates this process will take a period of years, because of both the complexity of such a transaction and the need to find a buyer who would be an appropriate steward of PacificSource. At this time the parties are aware of four potential transaction structures: (1) Legacy Health sells its entire 50% interest in PacificSource to a buyer, (2) PHA and Legacy Health together sell 100% of PacificSource to a buyer; (3) PacificSource or PHA redeems or repurchases Legacy Health’s 50% interest in PacificSource, or (4) the Foundation donates the PacificSource membership interest to a qualifying charity. The Foundation will explore each of these options.

In any case, the Foundation expects that the parties would retain financial, legal and accounting advisers to help ensure that the transaction is fair and maximizes PacificSource's value to the Foundation and preserves PacificSource's existing services. Per PacificSource's current by-laws, any PacificSource member must be an Oregon nonprofit public benefit corporation or a foreign nonprofit corporation which, if incorporated in Oregon, would qualify as a public benefit corporation.



Additionally, a sales transaction involving the Foundation's members interest in PacificSource may trigger a right of first offer for PHA, as specified in Section 2.4 of the Member Agreement.

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.

Other Questions

38. Please describe the Legacy Foundation's relationship to Legacy Hospital Foundations.

- a) How do funds flow between Legacy's foundations?**
- b) How will these relationships change as a result of the proposed transaction?**

In addition to the Foundation, Legacy Health currently has four other affiliated foundations: (a) Good Samaritan Foundation, (b) Randall Children's Hospital Foundation; (c) Salmon Creek Health Foundation; (d) Silverton Health Foundation (the "Hospital Foundations"). The mission of Legacy Health Foundation is (i) to raise funds to be distributed to or for the benefit of Legacy Health and (ii) to support the health and well-being of the community. The four Hospital Foundations each exist for the benefit of specific Legacy Health entities or programs—for example, the Good Samaritan Foundation was established in 1969 to raise philanthropic support for the Good Samaritan Hospital and Medical Center. Funds do not flow among or between the Hospital Foundations; they are directed or deployed from the Hospital Foundations to fund programs affiliated with their supported hospitals.

The post-closing Legacy Health Foundation will be a separate organization that is independent of the Hospital Foundations and the integrated public university health system. The post-closing Foundation will not share a corporate structure or oversee any of the four Hospital Foundations, which will continue to exist in their current form and for their current purpose. The post-closing Foundation will make grants and investments that realize its charitable vision of addressing social determinants of health that affect individuals' health and wellbeing.

At this time, there are no anticipated changes to the Hospital Foundations' respective boards. The leaders of both the OHSU and Hospital Foundations will work in good faith to ensure any post-closing operations and leadership transitions for the existing foundations support the mission of each of the existing foundations and minimize disruption to the work of the existing foundations.