

May 28, 2025

By Email Only – hcmo.info@oha.oregon.gov

Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority
421 SW Oak Street, Suite 850
Portland, OR 97204

Re: 048 The Oregon Clinic, P.C.–Northwest Gastroenterology Clinic LLC – Response to Request for Information

Dear Ms. Bartelmann:

We represent The Oregon Clinic, P.C. (“TOC”), in connection with the Notice of Material Change (“Notice”) originally submitted on February 24, 2025 by TOC and Northwest Gastroenterology Clinic LLC (“NWGI”), and supplemented its Notice on April 15, 2025. We are in receipt of your letter dated May 15, 2025 (“Request for Supplemental Information” or “RFI”), which seeks additional information needed to complete OHA’s preliminary review of the above-referenced transaction.

Please find TOC and NWGI’s response to OHA’s Request for Supplemental Information below. Accompanying this letter, TOC and NWGI are also producing additional documents requested by OHA, both in redacted (PUBLIC) and unredacted (CONFIDENTIAL) form. The explanations and basis for redactions are included in an updated Redaction Log, which is also being produced to OHA today.

Please confirm once OHA’s Request for Supplemental Information is deemed complete and the time period for OHA’s 30-day preliminary review has recommenced.

If you have any additional questions, or need any additional information to assist in your review of this proposed transaction, please contact me as soon as possible.

PUBLIC

Sarah Bartelmann, MPH
May 28, 2025
Page 2

Very truly yours,

Davis Wright Tremaine LLP

A handwritten signature in blue ink, appearing to read "Kaley Fendall". The signature is fluid and cursive, with the first name "Kaley" and last name "Fendall" clearly distinguishable.

Kaley L. Fendall

RESPONSES TO SUPPLEMENTAL REQUEST FOR INFORMATION

- 1. In the Notice, the entities state that “post-transaction, NWGI will join TOC's payer contracts and TOC will handle payer contracting functions for NWGI.” Please describe the process for NWGI to transition to TOC insurance contracts post-closing and any anticipated impact on payment rates.**

When a provider group joins TOC, TOC sends a notice to all payers with which TOC is currently contracted to inform the payers of the new providers that will be under TOC's existing contract. Upon receipt of this notice, the payers will either update the new providers in their system to reflect that they are now under TOC's contract, or will notify TOC if any of the new providers are not credentialed with the payer, so that TOC can submit an initial credentialing application. TOC typically provides this notice to payers 90 days before the anticipated closing date, which allows TOC time to submit a credentialing application for new providers if needed.

Once the new providers are added to TOC's existing payer contracts, TOC's current rates under the existing contracts will thereafter apply to the new provider's services. TOC and NWGI cannot describe any changes or impact to payment rates as the parties did not exchange and/or review specific payer rates during the due diligence or negotiation process due to antitrust concerns and confidentiality requirements in the payer contracts. TOC and NWGI, however, have provided copies of all of their respective payer contracts (including all applicable fee schedules) in response to Question No. 6 below, which are numbered TOC_NWGI000291-TOC_NWGI001264 (TOC's contracts) and TOC_NWGI001265-TOC_NWGI002071 (NWGI's contracts) and have been designated as “CONFIDENTIAL.”

- 2. TOC and NWGI currently have contracts with different insurance carriers. Please describe in detail what will happen post-closing to the NWGI contracts with insurance carriers that currently contract with NWGI but not TOC.**

A summary of the payers and/or plans that TOC and NWGI are currently contracted with, which has been prepared specifically in response to this RFI, is attached hereto as Exhibit A and has been designated as “CONFIDENTIAL.”

As reflected in Exhibit A, there are a number of payers and/or plans TOC is currently contracted with that NWGI is not, including [REDACTED]. Thus, as the result of the proposed transaction, NWGI will benefit from expanded payer coverage through TOC's existing contracts and more Oregon patients will be able to be seen by NWGI post-close.

As also shown in Exhibit A, NWGI is currently contracted with only three payers and/or plans with which TOC does not have a current contract: [REDACTED]. A brief summary of NWGI's contract and/or relationship with each of these payers and/or plans is described below:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

As described above, the proposed transaction will have very minimal change to in-network participation and the vast majority of NWGI patients will continue to receive care from the same NWGI providers without any interruption or changes to benefits.

3. Please provide an estimate of the number of current NWGI patients whose current insurance is not in network with TOC.

As detailed in response to Question No. 2 above, there will be a very minimal number of NWGI patients whose current insurance plan is not in-network with TOC as a result of the proposed transaction. Moreover, TOC is willing to negotiate with those payers with which it does not have contracts with (but NWGI does) post-close.

In response to Question No. 3, below is a summary of [REDACTED]
[REDACTED] patients seen by NWGI since 2022:

4. Please describe the transition plan for NWGI patients whose insurance will no longer be in network with TOC post-closing.

Following OHA approval of the proposed transaction, but before the closing date, NWGI will send notice to its patients informing them that NWGI is joining TOC and the proposed effective date. For those NWGI patients who have insurance with a plan that TOC is not currently contracted with, the notice will instruct the patients to contact their plan to inquire about any allowable continuation of care for 90 days.

Post-close, if a NWGI patient wants to continue to see a NWGI provider that is out-of-network, TOC is required to provide the patient with a Notice and Consent form that informs the patient of TOC's out-of-network status, how the patient can receive lower-cost care from an in-network provider, and all other required information under the No Surprises Act.

5. In the response to the Incomplete Notice of Material Change Transaction Letter, the entities state "Post-transaction, each acquired practice identified in HCMO Attachment No. 16 joined TOC's payer contracts." For acquired practices that accepted insurance pre-closing which TOC did not accept, please describe how TOC and the acquired practice handled patients whose insurance was no longer in network with TOC.

For any acquired practices that accepted insurance pre-closing which TOC did not accept post-close, the acquired practice and TOC followed the same process described in response to Question No. 4 above.

6. Please provide copies of all of TOC and NWGI's current contracts with insurers related to all gastroenterology services. If contracts do not include fee schedules, please include fee schedules for each contract's gastroenterology services.

Please see documents numbered TOC_NWGI000291-TOC-NWGI001264 (TOC's contracts) and TOC_NWGI001265-TOC_NWGI002071 (NWGI's contracts), which have been designated as "CONFIDENTIAL." Please note that TOC and NWGI's payer contracts were collected separately through outside counsel for purposes of responding to this RFI, and have not been exchanged or shared between the parties.

7. Please provide a copy of TOC and NWGI financial assistance policies.

Please see documents numbered TOC_NWGI002072-TOC_NWGI002075, which have been designated as “CONFIDENTIAL.”

8. In item 16(a) of the Notice, Entities state that “[t]he proposed transaction between TOC and NWGI will not result in a decrease in competition.” Please provide a detailed response explaining this statement and provide copies of all supporting analyses.

TOC and NWGI do not believe the transaction will result in any decrease in competition. Specifically, the proposed transaction will not result in the closure of any facilities, change in location of any facilities, decrease in providers, or discontinuation of any services. Post-close, TOC and NWGI will continue to operate their existing clinics and endoscopy services, maintaining all current locations and staffing levels.

TOC and NWGI believe that the proposed transaction is procompetitive because it maintains and strengthens the independent, physician-led gastroenterology model in Oregon and ensures continuity of gastroenterology care for patients across the region. Specifically, because the proposed transaction will allow NWGI to expand its practice and ability to serve more patients earlier and in a more timely matter, the proposed transaction will increase access, improve quality, and reduce the cost of care.

Finally, post-transaction, patients will still have access to a wide range of gastroenterology providers in the Portland-Metro area outside of TOC, including at Adventist Health, Kaiser Permanente, Legacy Health System, OHSU, PeaceHealth, The Portland Clinic, and Vancouver Clinic.

TOC and NWGI have not prepared any analyses, reports, or studies addressing the proposed transaction’s impact on competition for gastroenterology services.

9. In item 15(b) of the Notice, Entities state that “TOC's strong infrastructure will result in efficiencies with respect to the management of NWGI's practice and eliminate the costs associated with several necessary back-of-house functions.” Please explain in detail how such efficiencies and elimination of costs will be passed on to patients or payers.

As outlined in the Notice, TOC and NWGI believe that the proposed transaction will result in efficiencies with respect to various administrative and practice management costs associated with NWGI’s practice, resulting in cost-savings. TOC and NWGI further believe that this cost-savings to NWGI will result in an indirect cost-savings to both patients and payers.

TOC and NWGI anticipate that the financial savings generated through the improved administrative and operational efficiencies post-transaction will be strategically reinvested to expand access to gastroenterological care. Specifically, the cost-savings generated through the proposed transaction will enable NWGI to hire additional providers, advanced practice providers, and clinical support staff. This expanded capacity, in turn, will reduce patient wait-

times, increase appointment availability, and allow NWGI to serve more patients in earlier stages of illness.

By improving timely access to gastroenterological care, the proposed transaction will reduce the likelihood that patients will develop acute or advanced conditions that are costly to manage, thus resulting in a cost-savings to both patients and payers. Because early intervention, preventative care, and chronic disease management are critical to avoiding costly and unnecessary emergency department visits, hospitalizations, and complications, the increased capacity and access to gastroenterological care in the community made possible by the proposed transaction between TOC and NWGI will result in a cost-savings for patients and payers.

Finally, a key part of TOC's strategic plan is to pursue more value-based contracts. Post-close, NWGI will be able to participate in any current and future value-based contracts TOC enters into, which maintains costs while increasing value and quality of care to both patients and payers.

- 10. In item 15(b) of the Notice, Entities state that “[t]he proposed transaction should result in reduced emergency department and outpatient hospital utilization, which will result in lower overall costs to both patients and the healthcare system as a whole.” Have the parties identified any other aspects of the proposed transaction that will result in decreased costs to patients? If yes, please explain in detail.**

As detailed in response to Question No. 9 above, TOC and NWGI anticipate that the proposed transaction will directly result in increased capacity and improved access to gastroenterological care, which will provide more patients access to early and preventative care, thereby reducing the likelihood of patients developing acute or complex conditions that require costly interventions. Accordingly, the proposed transaction's expected increase in access to timely, outpatient-based care and early intervention will result in a substantial cost-savings opportunity for patients, payers, and Oregon's healthcare system.

Additionally, by allowing NWGI providers to manage conditions earlier and more effectively for more patients in an outpatient setting, the proposed transaction between TOC and NWGI will help reduce the burden on inpatient hospital providers who are often strained by high volumes of preventable admissions and complex cases that require costly interventions. Thus, increased capacity and access to gastroenterological care will have indirect cost benefits on care delivery across all levels of care.

- 11. A key objective for NWGI appears to be to leverage TOC's administrative and business infrastructure to enable NWGI's practice growth. Has either party prepared projections for NWGI post-closing or other supporting analyses? In responding, please specifically address the following questions:**

Neither TOC nor NWGI has prepared any projections or analyses regarding the ability to expand NWGI's practice post-close. The only projections and/or analyses that have been prepared by either party is the pro forma analysis prepared by TOC included in HCMO Attachment No. 19 (TOC_NWGI000204-TOC_NWGI000208).

- a. Will TOC and NWGI/the Equipment Corporation enter into one or more shared services agreements for administrative and other services?**

TOC and the NWGI Equipment Corporation will enter into an Intercompany Services Agreement relating to the provision of certain services in connection with NWGI's ambulatory surgery center, including accounting services, billing and collection, supply purchasing, information technology, human resources, and credentialing. This will be the only shared services agreement entered into between the parties as a result of the proposed transaction.

- b. Have the terms of any such agreements been discussed?**

While the terms of the Intercompany Services Agreement have not specifically been discussed between TOC and NWGI, please see the template Intercompany Services Agreement, which has been produced as TOC_NWGI002076-TOC_NWGI002081 and designated as "CONFIDENTIAL." Post-closing, TOC and the NWGI Equipment Corporation will likely enter into an Intercompany Services Agreement on substantially similar terms.

- c. If the terms will be on an arms-length basis, explain how the transaction structure is more advantageous to NWGI, and ultimately patients in Oregon, than entering into a managed service agreement.**

A management services agreement between TOC and NWGI (assuming this would be an arrangement that the parties were both willing and able to enter into) would be unable to achieve the same benefits and efficiencies as the proposed transaction. Because management services agreements are typically limited to non-clinical, administrative functions (i.e., billing, HR functions, revenue cycle, contracting, etc.), a management services agreement would not enable the deeper and more meaningful clinical and financial integration made possible by the proposed transaction structure that will benefit Oregon patients in terms of improved health outcomes and quality. For instance, the proposed transaction will allow TOC and NWGI to jointly collaborate on clinical and quality initiatives, allowing NWGI to directly participate in setting and advancing shared standard of care, patient safety, and evidence-based clinical protocols. Moreover, the proposed transaction will also allow TOC and NWGI to enhance care coordination with referring providers. These types of clinical initiatives, quality improvements, and coordination of care would not be part of a standard management services agreement and are central to improving clinical outcomes and reducing unnecessary healthcare costs to Oregonians. Additionally, this proposed transaction structure provides both TOC and NWGI with the financial incentive and ability for future investments to improve gastroenterological care, such as investments in technology, infrastructure, and recruiting. Finally, the proposed transaction will afford NWGI the opportunity to fully participate in joint value-based care arrangements, which are a strategic priority for TOC, and are essential to achieving cost containment and population health objectives in Oregon.

EXHIBIT A

PUBLIC VERSION

PUBLIC VERSION
4916-6499-2326v.5 0069271-000052

