

April 15, 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
Incomplete Notice of Material Change Transaction

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”). We are in receipt of your letter dated April 2, 2025 (“Request for Supplemental Information”), which seeks additional information needed to complete the Notice related to 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 is 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 the 30-day preliminary review has commenced.

If you have any additional questions, or need any additional information to deem the Notice complete, please contact me as soon as possible.

Sarah Bartelmann, MPH
April 15, 2025
Page 2

Very truly yours,

Davis Wright Tremain 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

SUPPLEMENTAL INFORMATION & NARRATIVE

A. Information requested for a complete submission

- 1. Verify NPIs 1215586102 and 1417112616 are associated with TOC. If so, please update and resubmit HCMO 1a-: NPI Form to include all current NPIs for the entities.**

TOC can confirm that both NPI 1215586102 and 1417112616 are associated with TOC. HCMO 1(a): NPI Form has been updated and re-submitted as HCMO Attachment No. 1.

- 2. For Notice item 6.d, please provide the per share price of TOC common stock to be paid by NWGI owners and supporting calculation.**

As of April 2025, the per share price of TOC common stock is [REDACTED]. This per share price of TOC common stock may change depending on the closing date of the proposed transaction between TOC and NWGI. For TOC's supporting calculation, please see HCMO Attachment No. 17.

- 3. For Notice Item 7.b., please provide the following:**

- a. Any diligence reports prepared by, or on behalf of, either party in connection with the proposed transaction.**

Please see HCMO Attachment No. 18 and No. 19.

- b. A description of the diligence conducted by NWGI and the process its physician owners or Executive Committee used to evaluate the proposed transaction and any alternative transactions.**

NWGI carefully considered the proposed transaction with TOC by holding partner meetings and reviewing the pro forma prepared by TOC, which is attached as HCMO Attachment No. 19. The financial and operational analysis demonstrated that TOC offers NWGI a sustainable and beneficial path forward. Given that no comparable alternatives exist in the community, NWGI concluded that TOC's established presence, aligned operations, and commitment to patient care made it the most suitable choice. NWGI's decision was based on practical and strategic factors rather than an extensive due diligence process.

- 4. For Notice Item 10.e., please provide consolidated audited (or unaudited if audited are not available) financial statements for TOC as of year-end 2024.**

- a. Consolidated audited (or unaudited if audited are not available) financial statements for TOC as of year-end 2024.**

Please see HCMO Attachment No. 20, which include TOC's unaudited financial statements for year-end 2024. TOC's 2024 audited financial statements are not yet available and will not be available until approximately July 2025.

b. Copies of financial statements with respect to TOC's Oregon business.

TOC does not have the ability to prepare (and does not prepare in the ordinary course of its business) financial statements that reflect TOC's business in the State of Oregon only. TOC's regularly-prepared financial statements, which have been produced as HCMO Attachment No. 12 and No. 20, primarily reflect TOC's business in the State of Oregon, as TOC has only a negligible amount of business in the State of Washington. As reflected in HCMO Attachment No. 3, all of TOC's clinical locations are located in the State of Oregon.

5. For Notice item 11.e., please provide audited financial statements for NWGI for the previous three years (2022-2024). If audited financials aren't available, please explain why.

Please see HCMO Attachment No. 13 and 21, which include NWGI's financial statements for years 2022 to 2024. NWGI's financial statements are reviewed by NWGI's accountants, but not audited.

6. For Notice Items 10.c. and 11.c., please provide pre- and post-closing organizational charts for each of TOC and NWGI reflecting their corporate structure, including all subsidiary and affiliated entities.

Please see HCMO Attachment No. 22, No. 23, and No. 28.

7. For Notice Item 11. Please provide the operating agreement for NWGI.

Please see HCMO Attachment No. 24.

8. Provide the proposed organizational documents for the Equipment Corporation.

Please see HCMO Attachment No. 25.

9. Provide a draft of the Equipment Corporation Subscription Agreement.

Please see HCMO Attachment No. 26.

10. Provide copies of Exhibit A to each of the TOC Buy-Sell Agreement and EC Buy-Sell Agreement.

There will be no Exhibit A to the TOC Buy-Sell Agreement or the EC Buy-Sell Agreement for TOC's proposed transaction with NWGI.

11. Provide a copy of the form of Shareholder Physician's Employment Agreement.

Please see HCMO Attachment No. 27.

12. Provide a copy of the agreement effecting the contribution of NWGI's assets to Equipment Corporation.

There is no separate agreement that will effectuate the contribution of NWGI's assets to Equipment Corporation. At close, NWGI's contribution of assets to Equipment Corporation will be effectuated by the EC Buy-Sell Agreement and EC Subscription Agreement, which are attached as HCMO Attachment No. 7 and No. 26, respectively.

B. Supplemental Request for Information

- 1. Explain whether NWGI physicians will continue to practice at their current clinic location in Portland post-closing. In doing so, please address the following:**
 - a. Explain how much overlap exists among staff roles at NWGI and TOC such that certain NWGI employees may need to transition to other TOC divisions.**

Post-transaction, NWGI physicians will continue practicing at their current clinic locations. There is no overlap in clinical staff between NWGI and TOC. There is some potential redundancy in administrative roles between NWGI and TOC. However, with TOC's increased operational demands post-transaction, the majority of NWGI's administrative staff will transition into comparable roles within TOC's central administration. Therefore, it is expected that only a few roles may need to transition to different roles in other TOC divisions.

- 2. The notice provides that the parties engaged in limited due diligence for purposes of evaluation the potential transaction. Provide additional detail regarding the scope of each party's diligence and reasoning to conduct limited due diligence.**

Both of TOC and NWGI engaged in a focused due diligence process that was tailored to the nature of the needs of TOC and NWGI.

As detailed in HCMO Attachment No. 18, TOC reviewed diligence in several key areas including in the areas of employment law; civil liability; HIPAA and other compliance issues; workers compensation; medical board issues; physician behavior or performance; potential conflicts of interest; cybersecurity; medical malpractice; and regulatory enforcement. Additionally, as reflected in HCMO Attachment No. 19, TOC's Chief Financial Officer prepared a pro forma analysis which was considered by TOC's Board of Directors in reviewing the transaction.

For NWGI's review of the proposed transaction, NWGI and its physician owners reviewed and discussed the financial and operational viability of integrating NWGI into TOC, including by reviewing the pro forma analysis prepared by TOC, which is attached as HCMO Attachment No. 19. Given TOC's established reputation, similar operational structure, and existing presence in the community, NWGI determined that additional extensive due diligence was not necessary.

The primary considerations for NWGI in joining TOC were achieving NWGI's practice expansion goals to increase access to critical GI services for Oregonians, ensuring continuity of high-quality patient care, and aligning NWGI's operations with a partner that shares its values and community focus to address health equity across the state. With no other viable alternatives in the community, TOC's established infrastructure and ability to support growth provided the optimal solution. As such, the scope of diligence was limited to evaluating financial feasibility, operational compatibility, and strategic alignment with NWGI's objectives.

3. With respect to TOC's prior acquisitions listed in Attachment 16, describe in detail:

a. Any change in governance structure of the acquired practices following the acquisition.

For each acquisition identified in HCMO Attachment No. 16, the changes in governance structure post-acquisition are the same. Post-acquisition, each practice identified in HCMO Attachment No. 16 that joined TOC became a separate division of TOC, governed by TOC's Board of Directors. All new TOC shareholders are eligible to be elected to TOC's Board of Directors.

Each TOC division has its own Director of Operations and Managing Partner that runs the daily operations of the practice. For each practice identified in HCMO Attachment No. 16 that joined TOC, the practice's former executive director or director (typically, a non-physician) became the Director of Operations, and the practice's lead physician became the Managing Partner.

b. Any change to the employee count of the acquired practices or other consolidation with TOC.

For all of the acquisitions identified in HCMO Attachment No. 16, all employees of the acquired practices who wanted to join TOC post-transaction were offered employment and became employees of TOC post-close, with the exception of [REDACTED] FTEs. Within one year of closing of all the acquisitions identified in HCMO Attachment No. 16, only an additional [REDACTED] FTE had roles that were eliminated by TOC. TOC estimates that it has added approximately [REDACTED] total FTE as a result of the acquisitions identified in HCMO Attachment No. 16. This FTE number does not include new departments and roles in TOC's Central Administration that were added due to clinic expansion, such as a QA Manager, HR Recruiter, Compliance Officer, additional Controller/Account Managers, and Analysts.

c. Any changes to prices for services and contracted rates as a result of the acquisitions.

[REDACTED]

[REDACTED]

[REDACTED]

d. any changes to patient services as a result of the acquisitions.

For each acquisition identified in HCMO Attachment No. 16, there was no change to patient services as a result of the acquisition. Post-transaction, each of the acquired practices provided the same services to patients that were provided pre-transaction.

- 4. Section 13(j) of the notice provides that post-transaction NWGI will be integrated with or transition to TOC's contracts but will continue to comply with existing contractual obligations post-closing. Please explain the anticipated or expected impact such transition will have on services provided by NWGI to Oregonians as a new division of TOC.**

NWGI's transition to TOC's supply vendors and contracts post-close will not have any impact on services provided by NWGI. As stated in response to Question No. 13(e), (f), and (g) of the Notice, there will be no change in the type and level of services provided by NWGI, or the locations from which services are provided by NWGI, as a result of the proposed transaction.

- 5. Explain whether NWGI be dissolved following the consummation of the proposed transaction.**

Following the consummation of the proposed transaction, Northwest Gastroenterology Clinic, LLC (NWGI) will be dissolved as a legal entity. However, the practice will continue to operate as a division within TOC. The services currently offered by NWGI will remain unchanged, ensuring continuity of care for all existing patients. Additionally, access to care is expected to increase post-transaction due to TOC's broader infrastructure and operational support, which will enable growth and improved patient access across the region.

- 6. Explain what will happen to NGC Endoscopy Services and Complete Anesthesia Care post-closing.**

Following the proposed transaction, NGC Endoscopy Services, LLC will be dissolved as a legal entity and will continue operating as a division within TOC, with no disruption to services or patient care.

Complete Anesthesia Care, LLC will also be dissolved post-transaction. Post-close, all anesthesia services and procedures that are currently provided by Complete Anesthesia Care,

LLC will continue to be provided as scheduled with no change to or disruption of services. Additionally, the dissolution of Complete Anesthesia Care, LLC will have no impact on the providers or staff that provide care for Complete Anesthesia Care, as the entity is currently managed by a third-party management company and anesthesia providers and staff are engaged on a consulting basis rather than employed directly. This same model will be maintained post-transaction, with the same anesthesia providers and staff continuing to deliver care under TOC's structure.

7. Please provide additional detail regarding the capital investment in NWGI's ambulatory surgical center the parties are exploring. In doing so, address the following:

a. Provide the expected capital investment amount and the timing of any planned investments.

As part of NWGI's post-close integration into TOC, TOC will invest funds in transitioning NWGI's ASC onto TOC's EHR. As part of this EHR transition, there will be some specialty ASC modules added for NWGI's ASC that are used by TOC's other ASCs.

Other than the investment referenced above, there are currently no specific planned investments for NWGI's ASC post-close.

b. Explain whether TOC made a binding commitment regarding the amount and timing of this investment.

TOC has not made any binding commitments to NWGI regarding any future investments in NWGI's ASC. However, as explained in more detail in response to Question No. B(8)(b) below, NWGI's transition to TOC's EHR (including the implementation of specialty modules for NWGI's ASC) is a requirement of NWGI joining TOC.

8. Please describe TOC's plan to invest "significant resources" in implementing an electronic health record system and associated training for NWGI.

a. Please provide the amount and timing of any planned investments.

As part of NWGI's post-close integration into TOC, NWGI will be transitioned to TOC's EHR. TOC uses Providence Health's instance of Epic EHR. The estimated initial cost of transitioning NWGI to the Providence Health instance of Epic is approximately [REDACTED]. Providence Health has indicated to TOC that NWGI's onboarding to Epic can be slated for September or October of 2025, and would likely take 90 to 120 days to complete.

b. Has TOC made a binding commitment regarding the amount and timing of this investment?

At this time, TOC has not made any binding commitment to either NWGI or Providence Health concerning NWGI's Epic implementation, but NWGI's transition to TOC's EHR is a requirement of NWGI joining TOC.

9. Describe any other transactions that TOC is currently exploring or planning for the future.

TOC is not exploring or planning any other practice acquisitions or transactions at this time.

C. Redaction Issues

TOC and NWGI are providing an updated Redaction & Confidentiality Log that addresses all of the redaction issues raised in OHA's Request for Supplemental Information.