

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: 049 The Oregon Clinic, P.C.–Broadway Medical Clinic, LLP – 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 28, 2025 by TOC and Broadway Medical Clinic, LLP (“BMC”). 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 BMC’s response to OHA’s Request for Supplemental Information below. Accompanying this letter, TOC and BMC 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 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
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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

SUPPLEMENTAL INFORMATION & NARRATIVE

A. Information requested for a complete submission

- 1. Please verify whether 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 BMC owners and supporting calculation.**

As of April 2025, the per share price of TOC common stock is [REDACTED]. This per share price of TO common stock may change depending on when the proposed transaction between TOC and BMC closes. For TOC's supporting calculation, please see HCMO Attachment No. 15.

- 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. 16 and No. 17.

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

BMC's physician owners and Executive Committee undertook a rigorous and thorough due diligence process to evaluate future potential partnerships for BMC. The process involved careful analysis of alignment with BMC's mission, vision, and values, as well as the entity's capacity to support a collaborative, physician-led model of care. Key evaluation criteria included operational compatibility, long-term sustainability, and the ability to enhance both patient care and organizational efficiency.

Throughout the process, BMC's leadership team engaged in detailed discussions and reviewed relevant data related to financial stability, strategic fit, and potential synergies between the organizations. The physician owners were heavily involved in evaluating how the partnership would impact the practice of medicine, ensuring that patient care would remain the top priority. Alternative transaction structures were considered, but ultimately, the alignment between BMC and TOC in terms of culture, patient-centered care, and long-term vision made TOC the preferred partner.

- 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.**

Please see HCMO Attachment No. 18, 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.

- 5. For Notice Item 11.e., please provide audited (or unaudited if audited are not available) financial statements for BMC as of year-end 2024.**

Please see HCMO Attachment No. 19.

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

Please see HCMO Attachment No. 20, No. 21, and No. 26.

- 7. For Notice item 10.e, please provide 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. 11 and No. 18, 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.

- 8. Notice Item 11.f.iv: Please provide the number of staff employed by BMC, both overall and in Oregon.**

BMC has 87 total employees and 82 FTEs. Of the total employees, 84 work in Oregon, which amounts to 79 FTE's in Oregon. BMC has 2 employees that work remotely in Washington, which amounts to 2 FTE's in Washington. BMC has 1 employee that works remotely in Illinois, which amounts to 1 FTE in Illinois.

Please note that the numbers previously reported in the Notice were based on outdated human resources data. The numbers provided in response to Question No. A(8) reflect the current and correct employee count and the Notice has been updated accordingly.

- 9. Provide the proposed organizational documents for the Equipment Corporation.**

Please see HCMO Attachment No. 22.

- 10. Provide a draft of the Equipment Corporation Subscription Agreement.**

Please see HCMO Attachment No. 23.

11. 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 BMC.

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

Please see HCMO Attachment No. 24.

13. Provide a copy of the agreement effecting the contribution of BMC's assets to Equipment Corporation.

There is no separate agreement that will effectuate the contribution of BMC's assets to Equipment Corporation. At close, BMC'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. 23, respectively.

B. Supplemental Request for Information

1. Explain whether BMC 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 BMC and TOC such that certain BMC employees may need to transition to other TOC divisions.

As stated in response to Question No. 13(f) of the Notice, BMC physicians will continue to practice at their current clinic location post-close.

There are a small number of administrative roles that may overlap between TOC and BMC, which include:

[REDACTED]

b. If the Entities anticipate BMC physicians will transition to other TOC divisions, explain where such BMC physicians will practice post-closing and the rationale for such relocation.

BMC physicians will not transition to other divisions of TOC post-close.

2. The notice provides that BMC has been exploring potential partnerships since 2022. It further provides that "[o]ver the past year, BMC has

thoroughly assessed a variety of potential partners, including medical groups, hospital systems, private equity firms, and independent medical networks." Please identify the potential partners and explain in detail BMC's process for evaluating such potential parties.

BMC undertook a comprehensive and thorough evaluation process in its search for potential partners, considering a range of organizations including medical groups, hospital systems, private equity firms, and independent medical networks. BMC's due diligence efforts focused on ensuring alignment with its core mission, vision, and values, as well as assessing the long-term strategic sustainability and operational viability of each potential partnership.

Private Medical Practices

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Private Equity

[REDACTED]

[REDACTED]

After a thorough evaluation, BMC made the decision to pursue a partnership with TOC. TOC was selected as the preferred partner based on its strong alignment with BMC's mission, vision, and values, as well as TOC's demonstrated ability to provide a collaborative, physician-led environment that supports long-term sustainability. Additionally, BMC felt strongly that the addition of primary care to TOC would be a significant step forward in delivering healthcare in the right way for BMC's patients and community. A partnership with TOC would not only help BMC expand its footprint of primary care but also offer more patients access to the kind of care that prioritizes outcomes, efficiency, value-based care models and patient satisfaction. TOC's model allows for a holistic, integrated approach to care that aligns with BMC's commitment to providing high-quality, patient-centered care while expanding the reach and availability of this model to a broader population.

TOC and BMC's relationship has spanned several decades, and has largely consisted of close collaboration between BMC's primary care providers and TOC's specialty providers. Both TOC and BMC have worked together over the years to ensure that patients receive the highest level of care, including by developing a process for timely referrals between primary care and specialty physicians. Additionally, TOC has partnered with BMC to provide a number of educational sessions and clinical presentations to BMC's primary care physicians over the years. These educational initiatives have served to strengthen the clinical knowledge of BMC's primary care physicians, while also fostering a deeper understanding of the unique perspectives and expertise that specialists bring to patient care. TOC and BMC's collaborative efforts have benefitted both patients and providers, ensuring that patients can access the specialized care they need while maintaining a strong relationship with their primary care physician.

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4. With respect to TOC's prior acquisitions listed in Attachment 14, describe the following in detail:

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

For each acquisition identified in HCMO Attachment No. 14, the changes in governance structure post-acquisition are the same. Post-acquisition, each practice identified in HCMO Attachment 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. 14 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 practice acquisitions identified in HCMO Attachment No. 14, 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. 14, 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 practice acquisitions identified in HCMO Attachment No. 14. 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; and

[REDACTED]

[REDACTED]

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

For each acquisition identified in HCMO Attachment No. 14, 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.

5. Section 13(j) of the notice provides that post-transaction BMC 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 BMC to Oregonians as a new division of TOC.

BMC's transition to TOC's supply vendors and contracts post-close will not have any impact on services provided by BMC. 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 BMC, or the locations from which services are provided by BMC, as a result of the proposed transaction.

6. Explain whether BMC or MCIC will be dissolved post-closing. If either or both entities will be dissolved, provide the rationale for such decisions.

Prior to the close of the proposed transaction between TOC and BMC, both BMC and MCIC will dissolve in accordance with the terms of the BMC Partnership Agreement and MCIC Shareholder Agreement, which were submitted as HCMO Attachment No. 10 and No. 25, respectively.

7. Explain what the expected impact of the proposed transaction in on MCIC. In doing so, please address the following:

a. Whether TOC is acquiring an ownership interest in MCIC.

TOC will not acquire any ownership interest in MCIC as part of the proposed transaction. As stated in response to Question No. B(6) above, MCIC will be dissolved prior to the closing of the proposed transaction.

b. Whether BMC, as a new division of TOC, will continue to lease its office location from MCIC post-closing.

As stated in response to Question No. 13(f) of the Notice, and also in response to Question No. B(1)(a) above, BMC will continue to practice and offer services from its same location post-close. [REDACTED]

- 8. Please describe TOC's plan to invest "significant resources" in implementing an electronic health record system and associated training for BMC. In doing so, specifically address:**

- a. the amount and timing of any planned investments.**

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

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

At this time, TOC has not made any binding commitment to either BMC or Providence Health concerning BMC's Epic implementation, but BMC's transition to TOC's EHR is a requirement of BMC 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 BMC are providing an updated Redaction & Confidentiality Log that addresses all of the redaction issues raised in OHA's Request for Supplemental Information.