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VIA EMAIL

Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority
hcmo.info@oha.oregon.gov

Re: Responses to Supplemental Requests for Information – 054 – Dragonfly-Enclara

Dear Ms. Bartelmann:

Below are responses to the Supplemental Requests for Information sent on June 12, 2025.

1. Please provide a detailed description regarding Dragonfly’s “pharmacy network and fulfillment services,” including how Dragonfly provides services through a contracted network of retail pharmacies.

Today, Dragonfly’s pharmacy network and fulfillment services focus on serving hospice providers. Hospice programs are reimbursed by Medicare (primarily) on a per day basis and are fully responsible for the costs associated with patient care, including pharmacy spend. Therefore, hospices often contract with specific vendors around certain areas of spending to secure the lowest net cost, which includes prescription drug costs (i.e., pharmacy services). Dragonfly’s pharmacy network and fulfillment services offer a two-pronged approach to procuring medications needed on behalf of its hospice customers at the lowest net cost: (1) a retail pharmacy network; and (2) mail order pharmacy.

Retail Network: Dragonfly accesses a network of retail pharmacy chains (e.g., Walgreens, CVS, etc.) and numerous independent pharmacies across the country to provide pharmaceutical coverage for its clients’ patients. Dragonfly manages its own network (i.e., contracting directly with pharmacies nationwide) and combines its own network coverage with a leased network, currently from [REDACTED] to fill claims where there are gaps in Dragonfly’s current proprietary network. Dragonfly Health’s proprietary network consists of independent local pharmacies as well as larger, nationwide pharmacy chains, operating under non-exclusive arrangements. Similarly, [REDACTED]

operates a non-exclusive network, albeit much larger, with more than 65,000 pharmacies across the country.¹

Mail Order: In addition to offering pharmacy services via the retail network, Dragonfly also owns and operates six mail order pharmacy sites that ship medication directly to hospices. Mail order capabilities are another means to secure the lowest possible drug costs for clients and ensure adequate coverage (e.g., for hospices located in more rural areas with little to no retail pharmacy access).

The customer's determination of whether to utilize the retail pharmacy network or the mail order pharmacy in Oregon can be impacted by the following factors:

- Medication availability at Dragonfly's closed-door, onsite Bend, OR pharmacy location;
- Hospice partner preference for local pharmacy fulfillment; and
- Urgent or STAT medication needs that require rapid, local delivery.

2. Explain how the payment process works when a Dragonfly customer obtains pharmaceuticals through a contracted retail pharmacy versus through Dragonfly's wholly owned mail order pharmacy.

The payment process for Dragonfly's customers is the same whether a claim is fulfilled through a contracted retail pharmacy, leased network retail pharmacy, or Dragonfly mail order facility. Dragonfly clients are contracted under a membership model in which they are charged a set per patient, per day fee. In this model, customers are paying the acquisition cost of the drug, plus a per claim processing and dispensing fee. The dispensing fees are passed through to the pharmacy and the processing fees are charged to cover the claims adjudication services rendered. The pass-through model is utilized to give clients full transparency into the acquisition cost of the medication. All fees are paid directly to Dragonfly who then remits payment to the necessary constituents (i.e., contracted retail pharmacies).

As Dragonfly's revenue is not tied to a margin on drug prices, Dragonfly is incentivized to minimize drug acquisition costs—whether through its own purchasing contracts or those of its contracted retail pharmacy partners. This dynamic reinforces the importance of cost efficiency, as pricing must remain competitive within the reimbursement landscape.

3. Please define how average daily census for Dragonfly's DME and pharmacy business lines is calculated, including the time period captured by the averages reported for 2025 and 2024.

¹ Companies such as CapitalRx, CVS Caremark, Express Scripts, OptumRx RxSense, Tredium, and TrueScripts offer non-exclusive pharmacy networks that competing pharmacy solution providers can and do access.

Dragonfly's average daily census for its durable medical equipment (DME) business in Oregon was [REDACTED] as of March 31, 2025. This figure represents the total number of DME days Dragonfly Health billed for Oregon patients during March 2025, divided by the total number of days in the month.

Dragonfly's average daily census for its pharmacy business in 2024 was [REDACTED]. This figure was calculated by taking the total number of patient days for 2024 and dividing by the total number of days in the year (366).

4. Please provide a detailed description of Enclara's "pharmacy solutions" services," including how Enclara provides services through a contracted network of retail pharmacies.

Enclara's pharmacy solutions provide hospice providers with flexible, reliable and convenient access to medication for their patients' needs. To ensure such access, Enclara both operates an owned mail-order pharmacy business unit and contracts, through a third party, to provide service through a network of more than 65,000 local retail pharmacy operations. These local pharmacies are particularly important to Enclara's customers as they enable same day access to medications that are critical to ensuring the care and comfort of hospice and palliative care patients.

When a provider needs to order a medication, they access Enclara's electronic medication management platform where they can seamlessly prescribe patient medications. That system provides customers the option of ordering the medication either through Enclara's mail-order pharmacy or its retail pharmacy network. From the retail network, customers can choose to pick-up the medication directly or, alternatively, have the pharmacy or a third-party courier service deliver the medication to their location.

Enclara's pharmacy network enables customers to preserve their existing relationships with local retail pharmacies while also benefiting from mail-order pharmacy services. Enclara's owned mail-order pharmacy provides next-day shipping of medications, including hospice-specific medications with special packaging and compounding services, etc., providing Enclara's customers with cost-effective access to these medications, including in rural areas where local pharmacy options may be more limited.

In addition to medication access, Enclara's pharmacy solutions provide customers access to digital tools and clinical support to help minimize the administrative burdens placed on providers, providing them additional time to focus on patient care. Enclara's digital tools include its proprietary medication management platform, its data analytics tool, and EMR integration support. Enclara also provides 24/7 clinical support, with on-call pharmacists who can assist with utilization management, as well as hospice and palliative care educational resources for providers and family caregivers.

5. Explain how the payment process works when an Enclara customer obtains pharmaceuticals through a contracted retail pharmacy versus through Enclara's wholly owned mail order pharmacy.

Enclara seeks to simplify medication access for its customers, enabling hospice care providers to focus on improving the quality of life of their patients. In line with this goal, the customer experience regarding medication ordering and payment processing is the same regardless of whether the medication is dispensed by a retail pharmacy or a mail-order pharmacy.

Specifically, all medication dispensing is arranged through Enclara's medication management platform. If the provider elects to dispense the medication through a local retail pharmacy, that dispensing pharmacy processes its claims through Enclara. Enclara's third-party claims processor then adjudicates the claim and reimburses the retail pharmacy for the dispensed medication. If the provider elects to dispense the medication through Enclara's mail-order pharmacy, Enclara processes the prescription and ships the medication. Enclara's third-party claims processor then adjudicates the claim to ensure that it is appropriate.

Enclara contracts with customers on both a fee-for-service and a per diem basis. Under the per diem model, the client is billed per patient day and Enclara shares the drug utilization risk with its customer. Under the fee-for-service model, the customer assumes all drug utilization risk and is billed the ingredient cost plus administration and dispensing fees. The invoicing and payment process is the same regardless of whether medications are ordered from Enclara's mail-order pharmacy or local pharmacy network or whether the customer participates in the per diem or fee-for-service model. Enclara sends its customers monthly or semi-monthly invoices and supporting reports for each applicable billing period and is reimbursed by the customer based on the contractual terms governing the relationship.

6. Please define how the average daily census for Enclara's pharmacy business line is calculated, including the time period captured by the averages reported for 2024 and 2025.

During calendar year 2024, the average daily census (ADC) for Enclara's pharmacy business in Oregon was [REDACTED].² Enclara's systems track the number of patient days served—from admission to discharge or death date—by each customer location. Enclara calculated its ADC by dividing the total number of patient days served in Oregon by the total number of days in the time period. For its full-year 2024 ADC, Enclara summed the total number of patient days for all Oregon customers and divided that by 366, the total number of days in calendar year 2024.

7. Please identify Dragonfly's three largest customers in Oregon, as measured by revenue, and provide copies of current contracts with each.

Dragonfly's three largest pharmacy customers in Oregon, as measured by 2024 revenue are: [REDACTED]. Attached are copies of Dragonfly's current contracts with each (HCMO-ATT-00002616 to HCMO-ATT-00002695).

² Note that Enclara reported its Oregon ADC for the month of April 2025 in its prior response to Question 11(f)(vii) of the HCMO-1 Notice form.

8. Please identify Enclara's three largest customers in Oregon, as measured by revenue, and provide copies of current contracts with each.

Enclara's three largest customers in Oregon, as measured by 2024 revenue were: [REDACTED]. Attached are copies of Enclara's contracts with each. Note that [REDACTED] is no longer a customer of Enclara. In case it would assist OHA's review, Enclara's fourth largest Oregon customer, as measured by 2024 revenue, was [REDACTED]. A copy of Enclara's contract with [REDACTED] is also attached. (HCMO-ATT-00002696 to HCMO-ATT-00002850).

9. Please describe what will happen with Enclara's current customer contracts.

After the Proposed Transaction closes, Enclara's responsibilities under its current customer contracts will transfer to Dragonfly. Other than this assignment, no other changes to Enclara's current customer contracts are anticipated. They will continue under the current contract terms until their termination dates. At that point, customers will then be free to either contract again with Dragonfly or to seek services from others (e.g., other pharmacy solution providers or local pharmacies).

Performance under the existing contracts is also expected to be unchanged. Enclara and Dragonfly have devoted significant time and resources to ensuring that the transition is seamless for all customers, including current Oregon customers. [REDACTED]

As described in further detail in the response to Question 10 below, Dragonfly envisions the combination of the two companies will create significant benefits, new opportunities, and efficiencies for existing customers. For example, Dragonfly believes the combination will strengthen and accelerate its ability to provide customers with a bundled offering inclusive of both DME and pharmacy services. The combined company will prioritize the integration of Enclara's and Dragonfly's proprietary technology systems to create a unified platform focused on improving quality, lowering DME and pharmacy costs, and enhancing the patient experience. Enclara's current customers in Oregon will have the option to benefit from these enhancements as they come online.

10. Please describe the steps that Dragonfly will take to provide the same or better value to Enclara's current customers with respect to pharmacy services.

The combination of Enclara's and Dragonfly's pharmacy service businesses will enhance the value proposition for services offered to current and prospective customers. It is anticipated that through this transaction, the combined entity can reduce costs and improve services delivered to its customers largely through administrative efficiencies gained from improved ordering workflows and purchasing discounts created via economies of scale.

Dragonfly expects to achieve savings and create new efficiencies that will ultimately benefit customers through the consolidation of operations. [REDACTED]

The transaction will bring the Parties' customers "best-of-both" technology solutions. [REDACTED]

[REDACTED] When combined with Dragonfly's deep experience with DME services, there is tremendous opportunity to consolidate DME and medication ordering using predictive analytics to promote medically appropriate ordering at a patient's bedside (e.g., Patient A is taking a particular medication and may also benefit from this highly correlated piece of DME).

Dragonfly is committed to improving services and access for its customers. Dragonfly anticipates that the increased scale of operations of the combined business will enable it to expand access to pharmacy services at a lower cost, especially mail order operations for new hospice patients in Oregon. [REDACTED]

Dragonfly aspires to improve the delivery of services to hospice providers by offering the option to bundle DME and pharmacy fulfillment services in a way that will reduce burdens on clinicians and improve the experience of care for patients and their family caregivers. Providers cannot control the rates they receive because hospice care is funded primarily through fixed Medicare per diems. In short,

providers cannot negotiate for increased rates. Therefore, in order to remain financially viable, hospice providers must carefully manage costs. Apart from facility and labor costs, the next largest areas of spend for providers are related to DME and pharmacy services. Dragonfly's rationale for the Proposed Transaction is to benefit providers by more efficiently managing not only their pharmacy services, but also their DME needs through a combined offering with enhanced ordering workflows.

Dragonfly believes that the combined DME-pharmacy offering will be an enhancement over the siloed options currently available to hospice providers in several ways. As things currently stand, clinicians need to manage multiple separate vendors of DME and pharmacy services. Each has its own processes and procedures, forms, and digital apps to manage ordering and deliveries. Managing these separate tools and procedures takes more time than a single integrated service would require. Dragonfly strongly believes that through consolidating ordering powered by best-in-class technology, the time clinicians spend on the administrative aspects of their jobs will be dramatically reduced which will free up additional time to spend with existing patients and their caregivers or to see more patients overall. In both scenarios, access to and the quality of care provided is enhanced. In the short term, Enclara customers will continue to receive their services in the same way that they previously had (i.e., through separate pharmacy and DME technology platforms). Dragonfly intends to engage with Enclara's customers to discuss the benefits of a combined DME/pharmacy offering and expects many customers will see the enhanced value of such a combination. As these discussions progress, Dragonfly's teams will begin working on the integration of two companies' digital platforms. [REDACTED]

Sincerely,

A handwritten signature in blue ink, appearing to read 'G. Heltzer'.

Gregory Heltzer, Esq.