

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

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**STATE OF OREGON
OREGON HEALTH AUTHORITY
HEALTH POLICY AND ANALYTICS DIVISION**

In the Matter of the Proposed)	Proposed Order
Material Change Transaction of)	
StateServ Holdings LLC and)	Transaction ID: 054
Eagle Rx Holdco, Inc.)	

This Order resolves the Notice of Material Change Transaction (“Notice”) filed by StateServ Holdings LLC. (“StateServ”) with respect to acquiring Eagle Rx Holdco, Inc. (“Eagle Rx”) from Humana, Inc. StateServ filed the Notice with the Oregon Health Authority (“OHA”) under the Health Care Market Oversight Program pursuant to Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On June 27, 2025, OHA confirmed receipt of a complete Notice in compliance with OAR 409-070-0030 and -0045. Pursuant to ORS 415.501(5) and OAR 409-070-0055, OHA timely conducted a preliminary review of the proposed transaction. OHA’s review analyzed the potential impact of the transaction in four domains: cost, access, quality, and equity. The analysis followed guidelines and methods set out in the Health Care Market Oversight Analytic Framework (see <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/OHA-HCMO-Analytic-Framework-FINAL.pdf>), which is grounded in the goals, standards, and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085. OHA’s analysis is be posted to the HCMO website at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notices-and-reviews.aspx> and is incorporated herein by reference. A public comment period was open from June 27, 2025 to August 1, 2025. OHA received no public comments.

Now, therefore, upon due consideration of the circumstances, including the Notice, documentation filed in support of the Notice, databases maintained by OHA, websites of the Entities, press reports, academic research articles, and other publicly available reports, OHA enters the following Proposed Order.

FINDINGS OF FACT

OHA FINDS that:

1. On or about June 2, 2025, StateServ filed an incomplete Notice with OHA.
2. On or about June 12, 2025, OHA provided guidance to StateServ about submission requirements.
3. On or about June 12, 2025, OHA sent supplemental requests for information to StateServ.
4. On or about June 20, 2025, OHA confirmed receipt of a complete Notice and commenced the 30-day preliminary review pursuant to OAR 409-070-0055. The review period was tolled pursuant to OAR 409-070-0045(6) while OHA awaited completed responses to the June 12, 2025, supplemental requests for information.
5. On or about June 30, 2025, StateServ responded to the June 12, 2025, supplemental requests for information.
6. On or about July 3, 2025, OHA confirmed receipt of complete responses to the June 12, 2025, requests for information and the 30-day review period resumed.
7. OHA held a public comment period from June 20, 2025, through August 1, 2025, and received no public comments.
8. StateServ is a pharmacy solutions provider and subsidiary of Dragonfly Health, Inc. ("Dragonfly"), a Delaware corporation that provides durable medical equipment (DME) management and pharmacy services through contracts with hospice agencies and post-acute care providers. StateServ is a limited liability company organized in Delaware.
9. Dragonfly is a subsidiary of StateServ Parent, LLC ("Parent"). StateServ serves as the holding company for multiple subsidiary entities that operate the Dragonfly business.
10. Parent is a limited liability company organized in Delaware and governed by a board of managers that appoints StateServ's officers. Parent is owned by multiple investors, including WindRose Health Investors, LLC, a Delaware limited liability company that operates as a healthcare private equity firm that invests in healthcare businesses.
11. Eagle Rx is a Delaware corporation and wholly owned subsidiary entity of Humana, Inc ("Humana"). Humana is a publicly traded Delaware corporation that is governed by a board of directors. Humana provides health insurance, as well as dental, vision, life, and disability insurance, pharmacy solutions, primary care, and home health services.
12. Eagle Rx is governed by a board of directors. As a wholly owned subsidiary entity of Humana, Eagle Rx is ultimately governed Humana's board of directors. Eagle Rx serves as the holding company for multiple subsidiary entities that operate the Enclara Pharmacia ("Enclara") business.

13. On May 9, 2025, StateServ and Humana entered into Stock Purchase Agreement whereby StateServ will acquire from Humana all of the issued and outstanding stock of Eagle Rx.
14. Post-closing of the proposed transaction, Eagle Rx will become a wholly owned subsidiary of StateServ.
15. Dragonfly provides pharmacy services in 30 states, including mail-order, and through its network of retail pharmacies. Dragonfly processes pharmacy claims but does not directly fulfill all claims.
16. For DME, Dragonfly directly serves 14 states, including Oregon, and uses a supplier network for deliveries in other states. Dragonfly has a DME facility in Wilsonville, Oregon, and a DME ordering platform, DMETrack, that allows clients and providers to manage orders, reporting, and billing.
17. For pharmacy services, Dragonfly operates in all states, excluding Alaska. In addition to providing services to Oregon customers through its mail-order and retail pharmacy network, Dragonfly operates a closed-door hospice pharmacy in Bend, Oregon for a contracted hospice agency.
18. For Oregon, in 2024, Dragonfly generated \$2.3 million in revenue for its pharmacy business and \$6.3 million for its DME business.
19. According to the entities, the nationwide market for pharmacy fulfillment services for hospice and post-acute care providers is an approximately \$26 billion industry.
20. Enclara is a pharmacy solutions provider that services hospice and palliative care providers. Enclara does not offer DME services.
21. Enclara arranges for fulfillment of prescriptions through a network of contracted retail pharmacies and its own national mail-order pharmacy.
22. Enclara provides services in Oregon, but it does not own or operate any facilities in the state. Enclara's total revenue from its pharmacy business in Oregon in 2024 was \$2.7 million.
23. Hospice agencies are paid by Medicare on a daily rate basis for each day a patient is enrolled in a hospice benefits. The daily rate paid by Medicare is fixed regardless of the number of services provided to the patient as the daily rate is intended to cover all of the hospice's costs for services provided to the patient, including the cost for prescription drugs. Commercial insurance that offers hospice benefits often mirrors the Medicare payment and benefit structure.
24. For Medicare patients, patients may owe a coinsurance payment for drugs received during hospice care. This payment is 5% of the cost of the drug to the hospice and is capped at \$5.00.

25. According to the Notice, the intent of the proposed transaction is to combine Enclara's pharmacy capacity with Dragonfly's existing DME management offerings. Dragonfly seeks to provide its customers with a streamlined service for ordering pharmaceuticals and DME.
26. Dragonfly states that the transaction is expected to result in lower costs, improved efficiency, and enhanced service.
27. Dragonfly states that it does not expect the transaction to lead to any changes in staffing levels, services, or to Oregon's Wilsonville facility or its Bend closed-door pharmacy. Enclara customers will continue on their current contracts until they expire.

CONCLUSIONS OF LAW

1. The Notice is supported by the required documentation and meets the requirements of the Health Care Market Oversight Program rules for approval with respect to acquisitions of health care Entities pursuant to ORS 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.
2. OHA finds that:
 - a. The transaction is not likely to substantially reduce access to affordable health care in Oregon.
 - i. While the transaction will lead to some consolidation in the pharmacy solutions services market for hospice and post-acute care providers, Dragonfly will continue to face competition in the market where hospice customers are incentivized to keep costs low due to the fixed nature of payment by Medicare and some commercial health plans.
 - ii. There is also some potential for the transaction to reduce costs through economies of scale and administrative efficiencies and by providing clinicians with a less burdensome combined DME and pharmacy ordering platform.
 - iii. Last, no significant changes to the customer or patient experience are expected in the near-term due to the continuation of current Enclara customer contracts, as well as low Medicare caps on patient out-of-pocket costs for hospice pharmaceuticals.

ORDER AND CONDITIONS

Based on the foregoing Findings of Fact and Conclusions of Law it is hereby ORDERED that:

1. The transaction is hereby APPROVED upon the basis of the information contained in the Notice of Material Change Transaction to date.

2. The Entities shall notify OHA within one (1) business day following completion of the Transaction by email to hcmo.info@oha.oregon.gov.

This Order will be posted to the Health Care Market Oversight Program website at <https://www.oregon.gov/oha/HPA/HP/Pages/health-care-market-oversight.aspx>.

OHA will conduct follow-up reviews to assess the impact of the transaction in accordance with ORS 415.501(10). OHA will publish findings from follow-up reviews. Per OAR 409-070-0082, OHA may require the Entities to provide any information, reports, analyses, and documentation needed to monitor and assess the impact of the Transaction.

NOTICE OF RIGHT TO REQUEST A HEARING

You are entitled to a hearing as provided by the Administrative Procedures Act (Oregon Revised Statutes, Chapter 183,), ORS 415.019, and OAR 409-070-0075. You are entitled to be represented by an attorney at the hearing. Legal aid organizations may be able to assist a party with limited resources. The Oregon Health Authority will be represented by an Assistant Attorney General from the Oregon Department of Justice.

To request a contested case hearing, your request must be in writing and must be received within fifteen (15) days from the date this Final Order was personally served, mailed, or electronically transmitted to you, based on the date at the top of this document.

A request sent by U.S. mail is “received” on the date it is postmarked. Your request may also be emailed. Your request should be sent to:

hcmo.info@oha.oregon.gov

or

Health Care Market Oversight Program
421 SW Oak St
Suite 850
Portland, OR 97204

If you submit a request for a contested case hearing, you will be notified of the time place of the hearing. Information on the hearing process will be provided to you in accordance with ORS 183.413(2). Any hearing will be conducted by an administrative law judge from the Office of Administrative Hearings, assigned as required by ORS 183.635.

If you fail to request a hearing within the time allowed, if you request a hearing and subsequently withdraw your request for a hearing, if you request a hearing and fail to appear for the hearing, or if a hearing is scheduled and you later notify OHA that you will not appear at the specified time and place, you will have waived your right to a hearing, and this proposed order will become a

final order by default. If OHA issues a final order by default, it designates its file on this matter, including all materials that you have submitted relating to this matter, as the record in this case for purposes of proving a prima facie case.

Dated this 1st day of August, 2025



Sarah Bartelmann, MPH

Cost Programs Manager
Oregon Health Authority

NOTICE TO ACTIVE DUTY SERVICEMEMBERS. Active-duty service members have a right to stay these proceedings under the federal service members Civil Relief Act. For more information contact the Oregon State Bar at 800-452-8260, the Oregon Military Department at 503-584-3571, or the nearest United States Armed Forces Legal Assistance Office through <http://legalassistance.law.af.mil>. The Oregon Military Department does not have a tollfree telephone number