

Health Care Market Oversight

Transaction 008

SCAN Group & CareOregon

30-Day Review Summary Report

February 10, 2023



About this Report

This report summarizes the proposed material change transaction filed by SCAN Group with the Oregon Health Authority’s Health Care Market Oversight Program (OHA-HCMO) and discusses OHA-HCMO’s review process and next steps.

This report is for informational purposes only. A complete record will be developed as part of OHA’s comprehensive review process. This report is for informational purposes only and does not constitute proposed findings of fact or conclusions of law. All references to Oregon statutes and administrative rules are qualified in their entirety by the text of the statutes and rules. Nothing stated in this report should be viewed as an indication of OHA’s evaluation of the comprehensive review criteria. A complete report will be made available following completion of OHA’s comprehensive review.

You can get this document in other languages, large print, braille or a format you prefer free of charge. Contact us by email at hcmo.info@oha.oregon.gov or by phone at 503-385-5948. We accept all relay calls.

If you have any questions about this report or would like to request more information, please contact hcmo.info@oha.oregon.gov.

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Executive Summary

The Oregon Health Authority's [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they support statewide goals related to cost, equity, access and quality. After completing a review, OHA issues a decision about whether a business deal, or transaction, involving a health care company should proceed. On January 12, 2023, OHA accepted a complete [notice of material change transaction](#) from SCAN Group, detailing a proposed transaction with CareOregon.

Proposed Transaction

SCAN Group is a California-based nonprofit that offers Medicare Advantage plans and health care services, focusing on care for older adults. CareOregon is an Oregon-based nonprofit that offers health plans to people with Oregon Health Plan coverage. CareOregon serves more than 500,000 people and is associated with three coordinated care organizations (CCOs): Columbia Pacific CCO, Jackson Care Connect, and Health Share of Oregon.

Under the proposed transaction, SCAN Group and CareOregon will enter into an agreement where SCAN Group will be renamed HealthRight and become the parent company of CareOregon. CareOregon will contribute up to \$70 million over multiple years to HealthRight. CareOregon will also contribute \$25 million to establish a new foundation.

OHA's Review

OHA completed a preliminary review of the proposed transaction. During the review, OHA began to assess the potential impact of the transaction on access to affordable care in Oregon. OHA held a 14-day public comment period and received two [public comments](#). Based on the preliminary review, **OHA determined that the transaction requires a comprehensive review.**

This transaction is also subject to the OHA's CCO Form A review and domestic insurer Form A review by the Department of Consumer and Business Services (DCBS). As required by applicable statutes and administrative rules, OHA will issue a recommendation to DCBS following the HCMO review, rather than issuing a standalone decision.

Next Steps

The comprehensive review will be completed by July 11, 2023, unless the review period is extended in accordance with applicable statutes and administrative rules. During the comprehensive review, OHA will analyze the likely impact of the transaction on access, cost, quality and equity. HCMO staff will coordinate with CCO and domestic insurer Form A review teams on analyses and public engagement activities.

OHA will accept and post public comments throughout the comprehensive review period. Public comments can be submitted via email to hcmo.info@oha.oregon.gov.

Introduction

In 2021, the Oregon Legislature passed [House Bill 2362](#), giving OHA the responsibility to review and decide whether some transactions involving health care entities should proceed.

In March 2022, OHA launched the Health Care Market Oversight program (HCMO). This program reviews proposed health care transactions such as mergers, acquisitions, and affiliations to ensure they support statewide goals related to cost, equity, access, and quality.

The HCMO program is governed by [Oregon Revised Statute 415.500 et seq.](#) and [Oregon Administrative Rules 409-070-0000 through -0085](#).

In the authorizing statute, the Oregon Legislature specified what types of proposed transactions are subject to review and the criteria OHA must use when analyzing a given proposed transaction. The Oregon Legislature also authorized OHA to decide the outcome of a proposed transaction. After reviewing a given proposed transaction, OHA may approve, approve with conditions, or disallow the transaction.

For transactions involving a domestic insurer, OHA makes a recommendation to the Department of Consumer and Business Services (DCBS), rather than issuing a standalone order, pursuant to ORS 415.501(3)(b).

The Health Care Market Oversight program fits within OHA's broader mission of ensuring all people and communities can achieve optimum physical, mental, and social well-being through partnerships, prevention, and access to quality, affordable health care. The program also supports OHA's goal of eliminating health inequities by 2030.

Key Definitions

Medicaid: Medicaid provides public health insurance coverage for people who meet certain criteria, such as low-income, disability, and/or pregnancy.

Oregon Health Plan: The Oregon Health Plan (OHP) is Oregon's Medicaid program. OHP provides free health coverage to people who meet income and other requirements.

Coordinated Care Organization: OHA contracts with coordinated care organizations (CCOs) to provide benefits to people on the Oregon Health Plan. CCOs are locally based organizations that are accountable for the physical, mental, and dental health of the population they serve. CCOs create a network of providers and are governed by a partnership among health care providers and community members.

Medicare Advantage: Medicare is federal health insurance for older adults and younger people with disabilities or specific illnesses. Medicare Advantage plans are health plans that provide Medicare Part A and Part B benefits. The federal government contracts with private companies to offer Medicare Advantage plans.

State Agency Review of the Proposed Transaction

In Oregon, multiple state agencies and programs may review proposed business deals involving health care companies, including the Oregon Health Authority and the Department of Consumer and Business Services (DCBS).

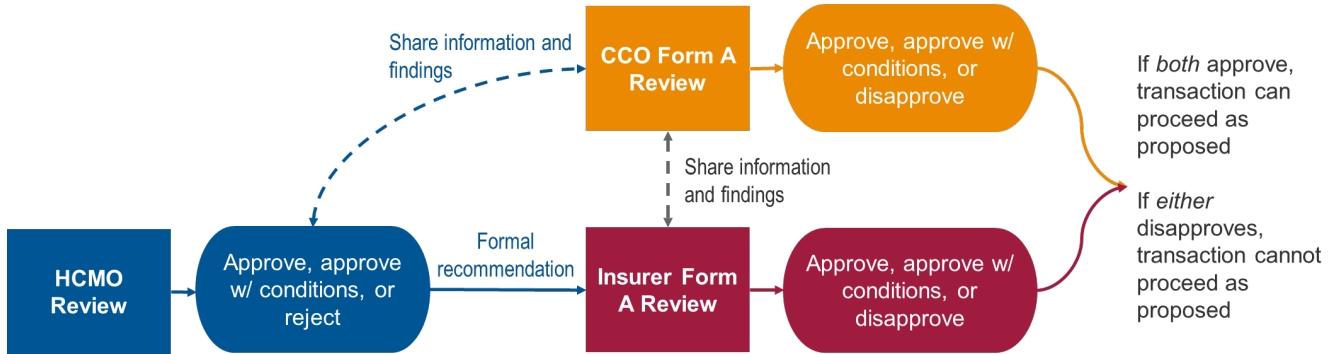
Because CareOregon is associated with three CCOs in Oregon and offers a Medicare plan, this proposed transaction is subject to three separate regulatory reviews. The table below provides a high-level overview of each type of review.

	HCMO	CCO Form A	Domestic Insurer Form A
State agency	OHA	OHA	DCBS
Related regulations	ORS 415.501 et seq OAR 409-070-000 through -0085	OAR 410-141-5280	ORS 732.517 to 732.547 OAR 836-027-0030 through -0140
Who is subject to review?	Providers, insurers, CCOs, and other health care entities	CCOs	Domestic insurers
Which markets are included?	All markets (commercial, Medicaid, Medicare) and all services	Medicaid	Commercial and Medicare Advantage
What does the review look at?	Cost, access, equity, quality, market share and competition	Alignment with CCO requirements, financial condition, leadership, control, competition, disparities and inequities, cost and cost growth, high-quality care	Alignment with legal requirements, financial condition, leadership, control, competition
How long does the review take?	Preliminary review is completed within 30 days. Comprehensive review is completed within 180 days, unless extended.*	No required timeline – the process has been known to take six months or longer. Other deadlines may apply, such as timing for public hearings.	No required timeline – the process has been known to take six months or longer. Other deadlines may apply, such as timing for public hearings.
For more information?	Health Care Market Oversight program	CCO Financial Information	DCBS Form A

*The review period may be extended in accordance with applicable statutes and administrative rules.

When a proposed transaction is also subject to domestic insurer Form A review, the HCMO program makes a recommendation to the Department of Consumer and Business Services (DCBS), rather than issuing a standalone decision, pursuant to ORS 415.501(3)(b).

OHA will issue its own decision following the CCO Form A review, though the programs may share information and coordinate review activities. The diagram below shows the relationship between the three types of reviews.



Proposed Transaction

On January 12, 2023, OHA confirmed receipt of a HCMO [Notice of Material Change Transaction](#) (“notice”) from SCAN Group (“Entity” or “SCAN”). The notice describes plans for SCAN Group and CareOregon, Inc. (“CareOregon”) to combine.

OHA reviewed the notice of material change transaction and determined, based on the facts in the notice, that the transaction is subject to review. The entities party to the transaction meet the revenue thresholds specified in [Oregon Revised Statute 409-070-0015](#) and the proposed transaction is otherwise covered by the program in accordance with [Oregon Revised Statute 409-070-0010](#). After receipt of the complete notice of material change transaction, OHA began a preliminary review of the proposed transaction. Preliminary reviews must be completed within 30 days of OHA’s confirmation of receipt of a complete notice.

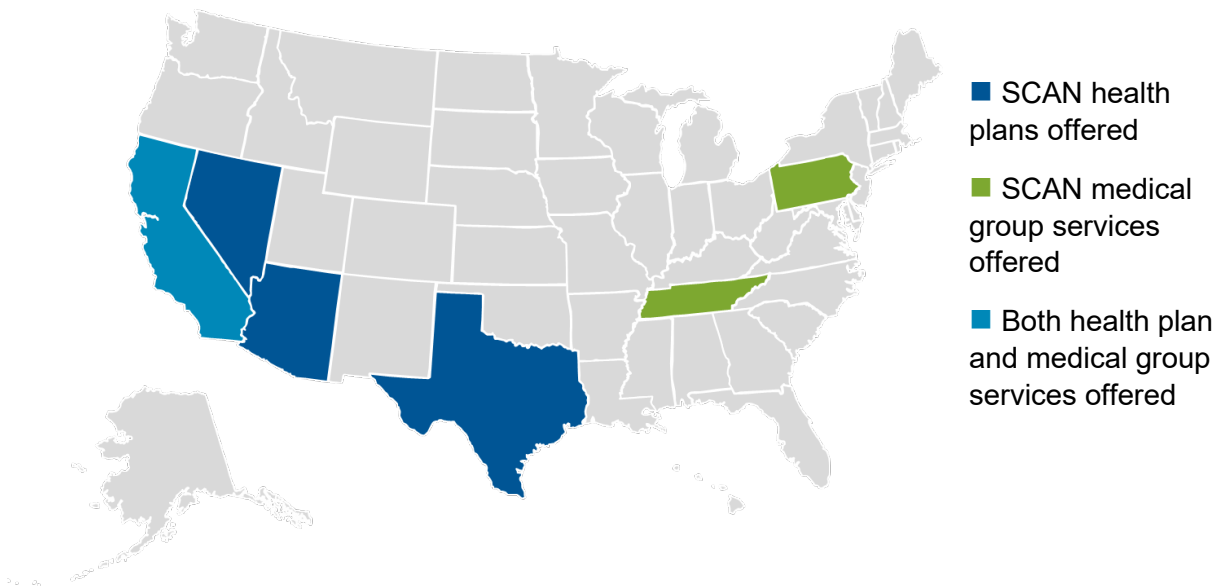
Entities Involved

The main entities involved in this transaction are SCAN Group and CareOregon. The information below is taken from publicly available sources as identified in the “References” section at the end of this report. OHA has not independently verified the information and takes no position on the accuracy of the public statements made by the parties identified below.

SCAN Group

SCAN Group is a non-profit company offering services focused on older adults. SCAN was founded in 1977 as the Senior Care Action Network in Long Beach, California. Since its founding, SCAN’s stated mission has been keeping seniors healthy and independent.¹

SCAN offers Medicare Advantage plans in California, Arizona, Nevada, and Texas. SCAN also operates three medical groups and programs to provide in-home supports and resources to older adults. SCAN is headquartered in California, employs about 1,400 people, and serves more than 270,000 members. According to the notice, SCAN estimates its 2022 annual revenue to be \$4.4 billion. The map below shows states where SCAN currently operates.



As detailed in the table below, in the past several years, SCAN has taken action to expand into new geographic markets, serve new populations, launch subsidiary companies and initiatives, and make strategic investments. SCAN has stated that it is dedicated to initiatives to build, invest in, and acquire or partner with organizations that are aligned with SCAN’s mission.

Since 2021, SCAN has invested in for-profit companies such as Monogram Health, MedArrive, and SafeRide.² SCAN Health Plan began offering plans in Arizona and Nevada in 2022 and Texas in 2023.³ The company has launched subsidiary companies Healthcare in Action, Welcome Health, and myPlace Health. In 2022, SCAN acquired the Residentialist Group and launched Homebase Medical. The table below provides a high-level timeline of SCAN’s recent activity.

Activity	Company	Timing
Affiliation	Care Oregon	Dec 2022
Investment	SafeRide ⁴	Jul 2022
Acquisition	The Residentialist Group (Homebase Medical) ⁵	May 2022
Joint venture with Commonwealth Care Alliance	myPlace Health ⁶	Feb 2022
Investment	SafelyYou ⁷	Dec 2021
Subsidiary	Welcome Health ⁸	Nov 2021
Investment	Arine ⁹	Oct 2021
Investment	MedArrive ¹⁰	Aug 2021
Subsidiary	Healthcare in Action ¹¹	Jul 2021
Investment	Monogram Health ¹²	Feb 2021

SCAN Health Plans

SCAN offers Medicare Advantage plans in Arizona, California, Nevada, and Texas. SCAN also lists SCAN Health Plan New Mexico as a subsidiary in the [org chart](#) they submitted as part of the notice, but no health plans are currently offered there. SCAN offers a variety of plans in most markets, including special needs plans and plans focused on specific populations. For example, SCAN Affirm is a plan developed to serve LGBTQ+ older adults.¹³

SCAN’s California health plans have a Medicare star rating of 4.5 out of 5 stars.ⁱ Plans in Arizona, Nevada, and Texas are too new to have star ratings.¹⁴

SCAN Medical Groups

SCAN currently operates three medical groups:¹⁵

- Welcome Home provides primary care to older adults in California through in-home and virtual visits.

ⁱ Medicare star ratings measure how well Medicare Advantage plans perform in categories such as quality of care and customer service. Star ratings are updated each fall and may change from year to year.

- Healthcare in Action provides care to older adults and others in Southern California who have unstable housing.
- Homebase Medical provides in-home wraparound services to older adults with complex needs. The program operates in Southern California, Tennessee, and Pennsylvania.

SCAN Foundation

The SCAN Foundation is a charity that focuses on transforming care and ensuring independence for older adults.¹⁶ It was established in 2008 through a one-time contribution of \$205 million from SCAN Health Plan.¹⁷ The foundation focuses on topics such as person-centered care, community engagement, long-term care, Medicare and Medicaid, California policy, and aging well. Foundation activities include:

- Hosting events and convenings
- Creating media content and campaigns
- Issuing policy and research publications
- Developing tools and trainings to support new models of care
- Supporting initiatives to improve the experiences of older adults

CareOregon

Founded in 1994, CareOregon is a non-profit that provides health plans and services to people in Oregon, with a focus on services for people with Oregon Health Plan (OHP) coverage. CareOregon is headquartered in Portland, Oregon. Nearly all of CareOregon’s revenue comes from public programs, including Medicare and Medicaid.¹⁸ Its mission is to “inspire and partner to create equity in individual and community health.”¹⁹

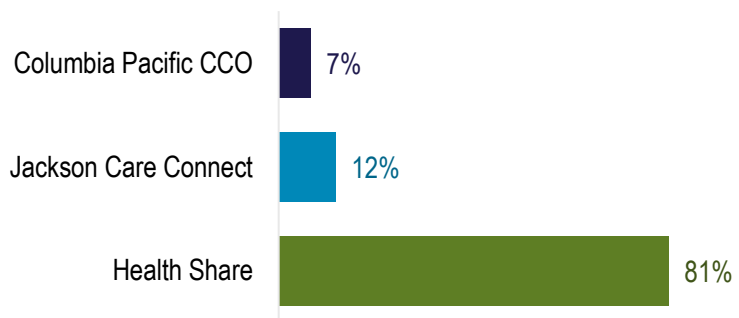
CareOregon:

- Has more than 1,100 employees
- Serves more than 520,000 Medicaid and dual-eligible membersⁱⁱ
- Serves more than 1,500 patients
- Had annual revenue of \$2.09 billion in 2021 and \$1.0 billion in total assets
- Made community investments totaling \$18 million in 2021²⁰

CareOregon has long played an important role in Oregon’s health care system, particularly for the Oregon Health Plan. CareOregon serves more than 38% of all OHP members in the state.^{21 22}

The company provides benefits to members of three coordinated care organizations (CCOs) in Oregon, serving seven counties: Columbia Pacific CCO, Health Share of Oregon, and Jackson Care Connect. CareOregon provides a broad range of administrative and operational services to Health Share of Oregon through an administrative services agreement.

Of the more than 500,000 OHP members served by CareOregon, the vast majority are Health Share of Oregon members.



ⁱⁱ Dual-eligible members are people who qualify for both Medicare and Medicaid coverage. This group often includes low-income older adults.

CareOregon also operates:

- CareOregon Dental, which provides dental care benefits
- CareOregon Advantage, a Medicare Advantage Special Needs Plan (SNP)
- HouseCall Providers, a home health and hospice providerⁱⁱⁱ

CareOregon is governed by a 14-member board of directors with backgrounds in health care, education, governance, philanthropy, private investment, and law. CareOregon’s website includes information about a Community Advisory Board that includes CareOregon members and community members.

Columbia Pacific CCO



Columbia Pacific CCO is the only coordinated care organization serving OHP members in Clatsop, Columbia, and Tillamook counties.

Membership

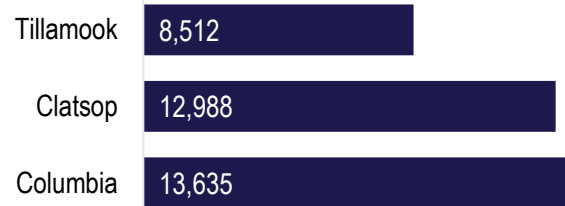
Columbia Pacific CCO serves about 35,000 members in the region, which represents about 29% of all people residing in Clatsop, Columbia, and

Tillamook counties.²³

Governance

The CCO has its own 14-member board of directors, made up of health care providers and administrators. The CCO also supports a community advisory council in each county it serves, comprising CCO and community members. The community advisory councils provide feedback on local health issues, advise the board of directors on community health planning, support community health needs assessment activities, and organize community projects.²⁴

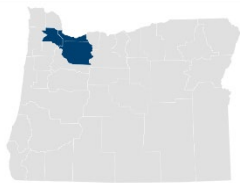
Columbia Pacific CCO serves more than 35,000 members in Clatsop, Columbia, and Tillamook counties.



Finances

In 2021, Columbia Pacific CCO’s annual revenue was \$209 million. The CCO invested \$2.6 million in community giving, including behavioral health workforce support, provider emergency funds, and other community efforts.

Health Share of Oregon



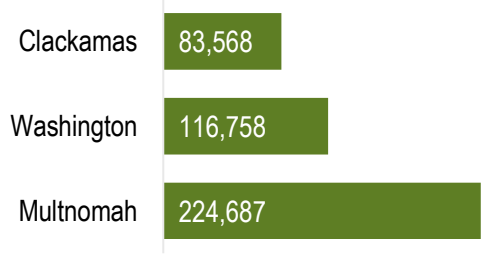
Health Share of Oregon (“Health Share”) is a coordinated care organization serving OHP members in Clackamas, Multnomah, and Washington Counties. Health Share formed in 2012 with the creation of the CCO model in Oregon. Other CCOs also operate in this region: Yamhill County Care Organization serves parts of Washington County and Trillium Community Health Plan serves Clackamas, Multnomah, and Washington counties.²⁵

ⁱⁱⁱ Special Needs Plans (SNP) are Medicare Advantage plans that limit membership and tailor services to specific groups of people, such as those who are dually eligible for both Medicaid and Medicare.

Membership

Health Share is the largest CCO in Oregon, serving more than 425,000 people living in the tri-county area, which amounts to nearly a quarter of all people who live in the region.²⁶ CareOregon provides mental health coverage for all of Health Share’s members.

More than half of Health Share's 425,000 members reside in Multnomah County.



Governance

Health Share is governed by a board of directors with representatives from health and social services organizations, including Adventist Health Portland, CareOregon, Central City Concern, Clackamas County, Kaiser Permanente, Legacy Health, Multnomah County, Providence, OHSU, Washington County, and others. Health Share’s community advisory council includes Health Share members and representatives from community groups. The community advisory council oversees the CCO’s community health needs assessment and community health improvement plan.²⁷

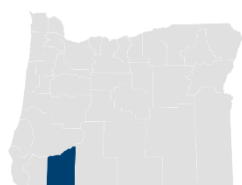
Health Share works with a network of plans to provide physical, dental, and mental health services to members. As outlined in the table below, CareOregon is the only one of Health Share’s network plans to cover physical, mental, and dental health.²⁸

	Physical Health	Dental Health	Mental Health
CareOregon	●	●	●
Kaiser Permanente	●		
Legacy Health/ Pacific Source	●		
OHSU Health	●		
Providence Health Assurance	●		
Advantage Dental		●	
ODS		●	
Willamette Dental Group		●	

Finances

Health Share reported \$1.1 billion in total operating revenues in the first half of 2022.²⁹ In 2021, CareOregon reported investing \$11.8 million in community giving in Health Share’s service area.³⁰

Jackson Care Connect



Jackson Care Connect (JCC) is a coordinated care organization that serves OHP members in Jackson County.

Membership

The CCO serves about 60,000 members, which accounts for about 28% of the overall county population.³¹ JCC serves 72% of OHP enrollees in

Jackson County. AllCare CCO also operates in this region, serving about 17,500 members, and 7,000 members have Open Card.^{iv}

Governance

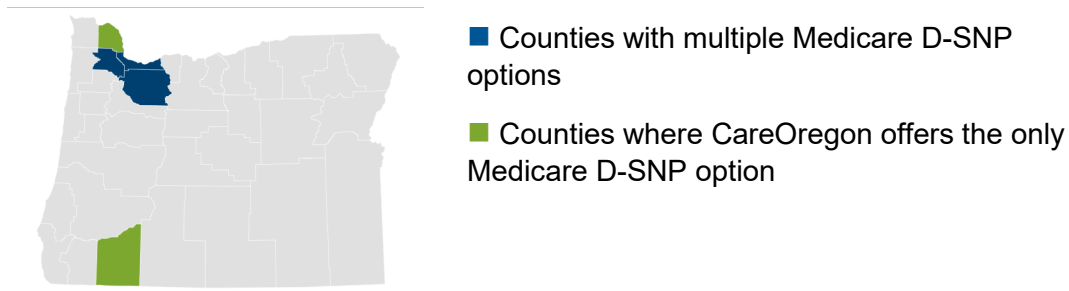
The CCO is governed by a nine-member board of directors that comprises representatives from health care and social services organizations. The CCO also has a community advisory council that informs community health assessment and planning, and a youth advisory council for young people ages 14 to 20.

Finances

In 2021, JCC's annual revenue was \$321 million. The CCO invested \$3.6 million in community giving, such as behavioral health workforce support, provider emergency funds, and other community giving.³²

Health Plan of CareOregon (also called CareOregon Advantage)

CareOregon Advantage offers a dual special needs plan (sometimes referred to as D-SNP) to people who qualify for both Medicare and Oregon Health Plan benefits. CareOregon Advantage serves 13,700 members and had 2021 annual revenue of \$218 million. The plan is available to people living in Clackamas, Columbia, Jackson, Multnomah, and Washington counties. In Columbia and Jackson counties, CareOregon offers the only Medicare Advantage dual special needs plans. In Clackamas, Multnomah, and Washington counties, two other companies also offer dual special needs plans.³³ The map below shows counties where CareOregon Advantage operates.



Housecall Providers

Housecall Providers offers home-based primary, hospice, and palliative care services to people living in the Portland Metro area. CareOregon acquired Housecall Providers in 2017. Housecall Providers serves about 1,500 primary care and palliative care patients, and 100 hospice patients annually. Housecall Providers' 2021 annual revenue was nearly \$14 million.

Transaction Terms

The following summary of transaction terms is based on SCAN Group's filings to date. SCAN Group and CareOregon propose to enter into an agreement pursuant to which upon closing, SCAN Group will be re-named HealthRight Group, and CareOregon will become a subsidiary of HealthRight. CareOregon will convert from an Oregon non-member public benefit corporation to an Oregon member public benefit corporation and SCAN Group/HealthRight will become the sole member.^v

^{iv} Open Card members have OHP coverage but are not enrolled in a CCO.

^v An Oregon non-profit public benefit corporation is a type of company that aims to make a positive impact on society, has tax exempt status, and is not a religious corporation. ([ORS 65.001](#))

The agreement provides that over time, CareOregon will contribute up to \$70 million to HealthRight. This includes a \$50 million payment upon closing and additional annual payments based on a percentage of CareOregon's gross revenues until its total contributions equal \$70 million. CareOregon's board of directors will remain in place post-closing and CareOregon will appoint four members to serve on HealthRight's board.

The agreement also provides that CareOregon will establish a charitable foundation prior to closing and at or prior to closing contribute \$25 million to the foundation.

Rationale for the Transaction

The entities provided the following statement regarding the purpose of the transaction:

A primary objective of this transaction is to create a non-profit, mission-based alternative to the for-profit companies that dominate the Medicare and Medicaid markets nationally. This transaction will also allow both SCAN Health Plan and CareOregon to increase options, improve healthcare access and better manage complex care for their members and those who do not currently have access to high-quality, community-based healthcare. Combining the resources and expertise of CareOregon and SCAN Group will improve each entity's ability to deliver affordable, accessible and patient-centered healthcare.

Post-Transaction Plans

In the notice, SCAN Group states that CareOregon will continue to operate under its existing brand in Oregon. The entities do not anticipate that service areas or service offerings will change as a result of the transaction. HealthRight will create a new Medicaid Division, and CareOregon's current CEO will become president of that division, while continuing in the role of CEO of CareOregon. The entities have stated that they plan to explore opportunities for additional growth in the future.

Entity Statements & Commitments

The [notice of material change transaction](#) includes the following statements regarding the proposed transaction’s impact on cost, access, quality, and equity:

Domain	Entity statements in the notice
Cost	<p>“OHP beneficiaries served by CareOregon do not and will not pay premiums or have other cost sharing responsibilities. Similarly, the dual Medicare-Medicaid members of CareOregon’s Dual Special Needs Plan (D-SNP) will continue to pay no premiums or other cost sharing.”</p>
Access	<p>“Neither CareOregon nor SCAN Group anticipates any changes to their respective services or service areas in connection with the closing of this transaction.”</p> <p>“This transaction will maintain or enhance access to affordable, high-quality health care for CareOregon’s members.”</p>
Quality	<p>“This transaction will improve CareOregon’s ability to control costs of, improve access to, and increase the quality of health care for its members and all Oregonians. CareOregon’s model aims to increase options, improve health care access, and better manage complex care for our current membership as well as those who do not currently have access to high-quality, community-based healthcare.”</p>
Equity	<p>“This transaction will maintain or improve CareOregon’s ability to address inequities in health outcomes and access. CareOregon’s commitment to addressing health disparities and inequities is built into its mission: to inspire and partner to create quality and equity in individual and community health. CareOregon takes a holistic view of health, which includes housing, food and other social determinants of health. SCAN Health Plan shares these goals. By supporting investments, process improvements and shared learning, HealthRight will allow CareOregon to put more money and staff time into supporting programs and services that address health disparities.”</p>

Public Comment

OHA-HCMO held a preliminary review public comment period from January 12 through January 26, 2023 and received two written public comments. Public comments are posted [online to the HCMO program website](#).

OHA-HCMO will also accept and post public comments throughout the comprehensive review period at hcmo.info@oha.oregon.gov. Both public comments for the SCAN Group-CareOregon transaction are reproduced below for reference only. OHA expresses no views on the substance of the comments and their inclusion in this report does not constitute an endorsement by OHA of the views expressed therein.

Hello,

I would like to voice opposition to this merger. The CEO of Scan Health made \$2,500,000 in salary last year. This is not community oriented and insurers do not exist to line the pockets of top executives. Healthcare entities like this need closer regulation as the “non-profit” façade needs a slap in the face for lying to its constituents funneling money to the top 1%.

This merger is unethical, bad for healthcare, bad for patients, bad for Oregonians, and bad for the workforce.

SCAN does not exist in the Care Oregon marketplace. They do not offer dental or Medicaid. This is being parroted as an “economies of scale” merger, but there is absolutely zero overlap between businesses. This is purely a restructuring to keep the rich rich and the poor poor.

Best,

CareOregon employee

Comments on the CareOregon SCAN Group Transaction January 25, 2023

John Santa MD MPH

The proposed CareOregon SCAN Group Transaction poses a unique set of challenges when it comes to health equity, quality, access and costs.

The organizations are similar in their history. Both were created in risky circumstances by leaders with a well-informed vision to focus on vulnerable Americans likely best served in a nonprofit environment. Subsequent leadership, for both, have pursued that vision with remarkable success. In my view CareOregon is a remarkable organization that has thrived in a difficult market and become the dominant delivery system for good reason. Oregon should be careful with any transaction that might threaten this success.

CareOregon has played a key role in stabilizing the Oregon Health Plan in periods of instability. The Portland Metropolitan Medicaid market was a high-risk market in 1994, in 2000, in 2012 and in 2020, but in each period, CareOregon stepped up to play a key role in stabilizing that market, preserving if not improving health equity, cost, access and quality. CareOregon has played a key role in Health Share--the only CCO serving the Portland Metropolitan Medicaid market. Listen and read the CareOregon 2021 annual report and you

will see and hear how successful CareOregon was in that year---strong financial performance resulting in over 1 billion in assets, significant investment in workforce and communities that improved access in unique circumstances, a persistent and successful commitment to health equity and a sustained effort to maintain quality. All in a pandemic of unprecedented magnitude. In 2020 as the pandemic began the ambulatory workforce declined by 25% in the first 6 months. Most of those clinicians did not quit their jobs. They were laid off. CareOregon ran towards that fire and led other CCOs and some insurers to an approach that stabilized the ambulatory workforce. CareOregon and HealthShare played a key role stabilizing the overall delivery system response to the epidemic.

CareOregon has always represented a diverse delivery system with three county health departments, multiple FQHCs and other organizations focused on the vulnerable. The rest of the delivery system prioritizes the most profitable patient populations---commercial and Medicare Advantage. Health Share reports 400,000 patients. I suspect the strong majority are in CareOregon. Statewide, CareOregon reports 500,000 patients. Many unique populations are included---tribes, dual eligible (the highest risk Medicaid patients), clinics serving the homeless, clinics serving migrant workers. I believe the appropriate market analysis to be done in this circumstance is the Portland Metropolitan Medicaid market. CareOregon is the dominant delivery system in this market and any change in its governance or financing runs the risk of destabilizing the care of hundreds of thousands of patients.

CareOregon is funded primarily by state of Oregon based Medicaid programs. Oregon has made a consistent commitment to the Oregon Health Plan over the last 30 years. During that time, to its credit, CareOregon has accumulated over 1 billion dollars in assets (see 2021 Annual Report). Those assets are the community's assets. They should be available for CareOregon's members if conditions change. It is likely conditions will change in the next 2 years as the federal government withdraws from the Public Health emergency.

SCAN seems an admirable organization. As mentioned above they were founded in risky times in the California Medicare market in the 1970. Over 5 decades they have grown steadily. Recently their growth has accelerated via a variety of transactions. Evaluating the status of all of those transactions is difficult SCAN offers its services in multiple markets. As far as I can tell they are not a dominant Medicare Advantage Plan in any market. Their major risk appears to be keeping track of multiple recent transactions, avoiding any significant failures in multiple venues. SCAN has an impressive Board. Some of their Board members are very familiar with Oregon. The SCAN staff is well qualified. Their challenge is to maintain and prosper in a complex growth environment. That can be difficult and is risky.

SCAN primarily focuses on Medicare Advantage plans---a solid strategy these days given their profitability. CMS appears to support maximal enrollment in Medicare Advantage plans, despite the fact that it appears CMS is paying higher PMPMs to MA plans than Traditional Medicare patients cost. Multiple well established MA plans have been notified of CMS concerns that there are problems with population risk reports they have submitted. And many advocacy groups have expressed concern that MA plans succeed because of the marketing and sales strategies they employ. Overall, the Medicare fund is nearing the time when adjustments will be needed by Congress to keep the fund solvent. Given the profitability of Medicare Advantage it is not surprising to see health delivery systems seek out a preferred MA plan. But the risks are substantial in the near term that the federal government may make adjustments that would affect profitability. MA profitability has

largely been driven by clever reporting and selection. That approach is not consistent with improving health equity.

Oregon has seen many health mergers and acquisitions that resulted in key decision-making processes occurring out of state. I believe the weight of the evidence is that such mergers or acquisitions do not result in positive changes when it comes to costs, health equity, access or quality. During the last 5 years we have repeatedly seen the importance of key decisions being influenced or made at community levels or regional levels. Health care is local. This transaction would seem to head in the opposite direction.

I urge Oregon delay this transaction and require further information. Specifically:

- 1) An independent assessment of the reaction of CareOregon members and community organizations to this proposed transaction should be done. How do members feel about a larger organization with investments and risks in multiple states making decisions? How can they be assured their care will remain the priority?
- 2) An assessment of the likely impact on key Portland Metropolitan Medicaid organizations---Health Share especially but also OHSU and other delivery systems providing specialty care to CareOregon members.
- 3) An assessment of the impact on the Multnomah County, Washington County and Clackamas County health delivery systems. These delivery systems are especially important to tricity taxpayers.
- 4) An assessment of the viability of SCAN's multiple ventures in the last 2 years—their profitability, growth, leadership stability
- 5) The timing here is unfortunate, awkward. Oregon faces a major shift in resources due to the end of the public health emergency. These are the kind of times CareOregon has led the way in the past. It might be best to proceed when this crisis is over. These are the times when CareOregon's reserves may be needed.

Until this information can be assessed Oregon should not risk the progress made by the dominant delivery system in the Portland Metropolitan Medicaid market. The statute calls for the state to evaluate the impact on health equity, cost, access and quality. Given all the factors above I believe that it is more likely these 4 domains will decline if this transaction goes forward. Better information and patience are needed. Oregon and Portland have a lot at risk here. Do no harm.

Health Care Market Oversight Next Steps

Based on the preliminary review, OHA-HCMO has determined that the transaction requires a comprehensive review. OHA-HCMO will complete the comprehensive review in accordance with applicable statutes and administrative rules, which provide a review period of 180 days (unless extended). Upon completion of the comprehensive review, OHA-HCMO will share results and recommendations with DCBS. DCBS will incorporate the comprehensive review results into the domestic insurer Form A review and will make a final determination regarding this transaction.

The transaction will receive a comprehensive review, per ORS 415.501(6)(b), because OHA has not determined that the proposed transaction meets any of the following approval criteria during the preliminary review:

1. The material change transaction is in the interest of consumers and is urgently necessary to maintain the solvency of an entity involved in the transaction;
2. The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon;
3. The material change transaction is likely to meet the criteria set forth in OAR 409-070-0060;
4. The material change transaction is not likely to substantially alter the delivery of health care in Oregon; or
5. Comprehensive review of the material change transaction is not warranted given the size and effects of the transaction.

These criteria are specified in administrative rules for the Health Care Market Oversight Program and are consistent with Oregon law.

Comprehensive Review

A comprehensive review allows OHA-HCMO to conduct more in-depth analysis and assessments of the likely impacts of the transaction. The comprehensive review must be completed within 180 days of accepting a completed notice of material change transaction, unless both OHA and the entities agree on an extended timeline.

Analysis

The comprehensive review will analyze likely impacts of the transaction on market concentration, access, cost, quality, and equity. OHA-HCMO may request additional information from entities to support the comprehensive review. The following are examples of the types of analyses HCMO will undertake as part of its comprehensive review:

- **Access:** Analyze the demographics of people served by the entities, including age, race, ethnicity, and language. Review enrollment trends, provider networks, and how access could change after the transaction.
- **Cost:** Analyze cost and spending trends for the entities, including how the transaction may impact costs to consumers, providers, purchasers, and systems.
- **Quality:** Assess quality performance indicators, compare to local and national benchmarks, and identify potential changes to quality as a result of the transaction.
- **Equity:** Analyze the entities current and planned community investments, community engagement practices, and efforts to address the needs of specific populations and communities.

The [HCMO analytic framework](#) provides additional information about comprehensive review analyses.

Outside Advisors

OHA may engage outside experts to perform analyses or provide consultation for HCMO comprehensive reviews, with the parties to the proposed transaction covering the costs of outside experts. For this proposed transaction, HCMO staff may coordinate with CCO Form A and domestic insurer Form A reviews to engage outside advisors.

Public Engagement

OHA-HCMO will accept public comments related to this transaction throughout the comprehensive review period. Public comments can be emailed to hcmo.info@oha.oregon.gov. HCMO staff will also coordinate with staff supporting CCO Form A and domestic insurer Form A reviews to share public comments that are received.

HCMO staff will coordinate with staff supporting any public hearings held as part of the CCO Form A and domestic insurer Form A reviews. OHA will consider comments shared at public hearings in the HCMO comprehensive review.

OHA-HCMO may opt to convene a community review board to provide input and recommendations about the proposed transaction. If OHA-HCMO convenes a community review board, it must comprise community members, patients, consumers, and providers who may be affected by the proposed transaction, in accordance with applicable statutes and administrative rules.

Acronyms & Glossary

Acronyms and Abbreviations

APAC	Oregon's All Payer All Claims database
CCO	Coordinated care organization
CMS	Centers for Medicare and Medicaid Services
D-SNP	Dual special needs plan
DCBS	Department of Consumer and Business Services
HCMO	Health Care Market Oversight
JCC	Jackson Care Connect
OAR	Oregon Administrative Rules
OHA	Oregon Health Authority
OHP	Oregon Health Plan
ORS	Oregon Revised Statutes

Glossary

Health equity: OHA defines health equity as follows:

Oregon will have established a health system that creates health equity when all people can reach their full health potential and well-being and are not disadvantaged by their race, ethnicity, language, disability, age, gender, gender identity, sexual orientation, social class, intersections among these communities or identities, or other socially determined circumstances. Achieving health equity requires the ongoing collaboration of all regions and sectors of the state, including tribal governments to address:

- The equitable distribution or redistribution of resources and power; and
- Recognizing, reconciling, and rectifying historical and contemporary injustices.

Preliminary Review

OHA-HCMO performed a preliminary review of the transaction to assess its potential impact on Oregon's health care delivery system. OHA's analysis followed the guidelines and methods set out in the HCMO Analytic Framework published January 31, 2022.³⁴ The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

Background Research and Literature Review

OHA-HCMO conducted background research from publicly available sources on the entities involved in the transaction to understand more about the proposed transaction, the entities involved, and geographic areas affected by the transaction. OHA-HCMO consulted publicly available sources, including:

- Press releases and media reports
- Business filings with the Secretary of State in Oregon and other states
- State and federal databases
- Entity websites
- State agency, professional association, and third-party reports
- Reports commissioned by local, state, and federal government
- Other relevant governmental communications

Public Input

OHA-HCMO solicited public comments on the proposed transaction during the preliminary review. The preliminary review public comment period was January 12 through January 26, 2023. OHA-HCMO accepted comments via email to hcmo.info@oha.oregon.gov and posted all comments to the HCMO website.

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