



May 23, 2023

Timothy N. Hatfield
760 SW Ninth Avenue, Suite 3000
Portland, OR 97205
D. 503.294.9868
timothy.hatfield@stoel.com

VIA EMAIL

Harold S. Horwich
Partner
Morgan, Lewis & Bockius LLP
One State Street
Hartford, CT 06103

Re: HCMO Notice of Material Change Transaction Regarding the Proposed Transaction with CareOregon, Inc.

Dear Harold:

This letter is in response to your April 24, 2023 information request sent on behalf of the Health Care Market Oversight Program of the Oregon Health Authority (“OHA”). In the interest of time, we are providing a partial response to such letter. Attachment 1 identifies the inquiries that the parties are responding to in this letter and those that are forthcoming.

As noted below, many of the responses below are confidential, non-public information that is entitled to confidentiality protections under Oregon law. We are providing these responses pursuant to ORS 415.501(13)(a), which entitles these responses to the confidentiality protections of ORS 415.501(13)(b) and (c). OHA may share this response, including the responses marked confidential, with the Department of Consumer and Business Services under OAR 409-070-0035.

Please contact us prior to disclosing any information identified as confidential herein.

Regards,

A handwritten signature in black ink, appearing to read "Timothy N. Hatfield", is written over a circular stamp or watermark.

Timothy N. Hatfield

Enclosures

I. CONSIDERATION AND APPROVAL OF THE SCAN TRANSACTION BY THE CO BOARD.

INQUIRY I.1: At any time within the last five years, did the CO Board consider an affiliation with any entity other than SCAN?

Response: In the past five years, CareOregon has considered and pursued two separate affiliations in addition to the CareOregon-SCAN Transaction. Specifically, CareOregon explored affiliations with each of PacificSource and Providence Plan Partners. The PacificSource transaction was abandoned prior to any public announcement. Providence and CareOregon publicly announced the proposed affiliation in 2019, but the parties suspended discussions in 2020.

- a. Provide details of any proposals made or received by CareOregon including the terms of any proposal, the dates of any proposal, the identity of the entity involved, advisors retained to evaluate such proposal and the reasons that such proposal was rejected by CareOregon or such other entity.

Response: CareOregon is in the process of compiling a response and requesting approval from proposed affiliation partners in connection with such response.

- b. Produce any term sheets, correspondence or other documents evidencing such proposal and any analysis by CareOregon or advisors of such proposal.

Response: See above.

INQUIRY I.2: After the CO Board became aware of SCAN's interest in affiliation, did the CO Board solicit any proposals from third parties?

Response: No, the CO Board did not solicit proposals from third parties after it became aware of SCAN's interest in affiliation. The CO Board also did not solicit a proposal from SCAN. Rather the proposed affiliation was jointly developed between CO and SCAN to create an affiliation of nonprofits with aligned missions and visions under HealthRight.

- a. If so, produce any documents evidencing such solicitations.

Response: See above.

- b. If it did not solicit proposals from third parties, explain why it did not solicit proposals. On what basis did the CO Board approve the "no shop" provision included in Section 7.6 of the Affiliation Agreement?

Response: CareOregon did not actively solicit proposals from any third parties because it was not seeking any affiliations. Rather, the CO Board evaluated and

negotiated this specific transaction because they saw a strategic opportunity to affiliate with a tax-exempt, nonprofit health plan with a similar mission and values that furthers CareOregon's charitable mission and benefits the communities it serves. The HealthRight structure and terms of the transaction emerged from a shared vision and collaboration between the parties. The CO Board ultimately determined that the affiliation and terms of the transaction are in the best interest of CareOregon and its members with an intended purpose to increase the quality, reliability, availability and continuity of care delivered to its members, reduce the growth in health care costs through effective care coordination and disease management, with a particular focus on health equity, and better achieve the goals of the Oregon Integrated and Coordinated Health Care Delivery System.

The parties included the "no shop" provision in the Affiliation Agreement in recognition of their shared interest in completing the affiliation under HealthRight on the terms the parties agreed upon after extensive collaboration and negotiations between the parties. The "no shop" provision is mutual and restricts either party from soliciting, negotiating or entering into a change of control transaction prior to closing of the transaction. Either party's exiting of the transaction (or entering into other transactions that would frustrate the purpose of the transaction) would be contrary to this shared interest. In addition, as the Affiliation Agreement provides for a break-up fee in the event of a termination due to the other party's breach, the Affiliation Agreement provides a failsafe in the unlikely event that CareOregon or SCAN must exit the transaction prior to closing. As you may be aware, similar termination fees in the event of a "fiduciary out" are common in acquisitions involving for profit entities (though, as noted elsewhere in these responses as well as in the Affiliation Agreement, the amount that would be payable in this transaction is targeted at reimbursing the terminating party's estimated costs).

INQUIRY I.3: Did the CO Board or CareOregon retain any consultants, financial advisors, investment bankers or others to provide advice to it in connection with the SCAN Transaction?

Response: CareOregon independently retained Buchalter to provide legal advice and legal due diligence support and L.E.K. Consulting for business advice.

CareOregon and SCAN jointly retained Houlihan Lokey to create a combined financial model, L.E.K. Consulting ("L.E.K.") to provide business due diligence and functional integration planning, and PricewaterhouseCoopers (PWC) to provide business advice.

CareOregon's independent engagement with L.E.K. concluded prior to the parties' joint engagement of L.E.K.

- a. If it did, please identify them and state the substance of the advice they provided to the CO Board related to the SCAN Transaction. Produce any engagement agreement and any work product produced for the CO Board.

[REDACTED]

- b. If it did not, explain why not.

Response: N/A.

INQUIRY I.4 Explain what due diligence work was conducted on the SCAN Transaction by Price Waterhouse Coopers and LEK.

- a. For which party was it conducted and which parties received it?
- b. Provide the engagement letters and work product from such engagement.

[REDACTED]

INQUIRY I.5: Explain what work was conducted on the SCAN Transaction by Houlihan Lokey.

- a. For which party was it conducted and which parties received it?
- b. Provide the engagement letters and work product from such engagement.

[REDACTED]

INQUIRY I.6: Produce any work product produced for SCAN by MTS Health Partners, L.P.

Response: MTS Health Partners, L.P. (“MTS”) provided strategic advice early on in the transaction; however, the engagement ended before MTS produced any formal work product.

INQUIRY I.7: Identify and explain all proposals made by SCAN and CareOregon to each other leading up to the SCAN Transaction, and for each, provide an explanation as to why such proposal was rejected by the party rejecting it and identify any counterproposal made by such party. Produce any term sheets (including the term sheets referred to in your March 3, 2023 Response to Inquiry 15), correspondence or other documents evidencing any such proposal and any analysis of it by CareOregon, the CO Board or advisors.

Response: During the course of the parties’ discussions and negotiation prior to the entry of the Affiliation Agreement, the parties exchanged drafts of a letter of intent that reflected the development of the material terms of the Affiliation Agreement; however, a

letter of intent was never executed. The parties ultimately determined it was more efficient to enter into the Affiliation Agreement and bypass the interim step of having a letter of intent. The parties are in the process of compiling the drafts of the letter of intent and Affiliation Agreement that were exchanged between them.

INQUIRY I.8: Produce the materials claimed to be proprietary in your response to Inquiry 15 in our letter dated January 30, 2023.

Response: The parties are in the process of compiling responsive documents.

INQUIRY I.9: Produce all board minutes, agendas, materials distributed to the CO Board, analyses prepared by the CO Board, CareOregon or its advisors, emails or other correspondence among CO Board members or with members of management concerning the SCAN Transaction or alternatives to the SCAN Transaction.

Response: The parties are in the process of compiling drafts of the letter of intent, Affiliation Agreement and other materials distributed to the CO Board reflecting the development of the material terms of the transaction.

INQUIRY I.10: What analysis was conducted by the CO Board as to how the SCAN Transaction would advance the CO Corporate Purpose?

- a. On what basis did the CO Board conclude that the SCAN Transaction fulfills the CO Corporate Purpose?
- b. Did the CO Board consider or propose requiring the Affiliation Payment be set aside for exclusive use in providing and improving health care and the health of the CO Population?
- c. Produce any analyses, correspondence or documents evidencing the CO Board's consideration of the CO Corporate Purpose and how the SCAN Transaction fulfills it.
- d. Produce the materials claimed to be proprietary in Inquiry 9 in our letter dated January 30, 2023.

Response: CareOregon will deliver to OHA a narrative from the CO Board chair describing the process the CO Board undertook to evaluate the transaction and its rationale for approving it.

INQUIRY I.11: What value or other consideration did the CO Board conclude was being received by CareOregon for the Affiliation Payment and Transfer of Control?

- a. Produce any analysis, correspondence or other document evidencing such conclusion and any analysis leading to such conclusion.

Response: CareOregon will deliver to OHA a narrative from the CO Board chair describing the process the CO Board undertook to evaluate the transaction and its rationale for approving it.

INQUIRY I.12: Why were revenues chosen by the CO Board as a basis for the Affiliation Payment?

Response: The CO Board chose revenue as the basis for the contributions to the HealthRight opportunities fund not as a standalone decision point, but rather as a component of the overall design of the affiliation and the new HealthRight entity. Revenues were determined to be a fair way to measure the contributions by CareOregon in relation to similar contributions to HealthRight by SCAN Health Plan. The contributions by CareOregon, together with CareOregon board members joining the HealthRight board of directors, are part of establishing a new combined parent organization seeded with contributions and board members from CareOregon and SCAN, all of which is designed to give CareOregon a meaningful voice and participation in furthering the mission and purpose of HealthRight.

- a. Were other measures, such as profitability, enrollment or net assets considered?

Response: The parties had general discussions regarding possible alternative methods for measuring CareOregon's contribution to the HealthRight opportunities fund, but as noted above, the parties ultimately determined using revenues resulted in a fair allocation between the parties in light of the overall terms and design of the affiliation.

- b. Produce any documents evidencing the comparison of the revenues of CareOregon with the revenues of SCAN and the computation of the Affiliation Payment.

Response: See above.

- c. Produce any documents reflecting the CO Board's consideration of methods by which the Affiliation Payment would be determined.

Response: CareOregon is in the process of reviewing CO Board documentation to determine if there are any written deliberations beyond the board materials that have already been provided.

INQUIRY I.13: Why did the CO Board conclude that it was appropriate to pay a break-up fee to SCAN in the event of a material adverse change rather than just allowing SCAN to terminate the SCAN Transaction?

Response: The parties structured Section 8.1 of the Affiliation Agreement (Termination) and Section 8.2 (Breakup Fee) in a mutual manner. As two nonprofits, the parties wanted to balance two concerns: (1) neither party wanted a party to the transaction to face an overly burdensome financial obligation should the transaction not proceed even if due to an issue with the non-terminating party (whether a Material Adverse Effect, a breach or insolvency) and (2) both parties had incurred, and would continue to incur, costs associated with the transaction, and should be compensated for those costs in the event of a termination. The break-up fee is intended to be a reasonable estimate of those costs.

This led to the outcome where either CareOregon or SCAN would receive the break-up fee should such party terminate in the event that the other party suffered a Material Adverse Effect (or in the event of the other party's breach or insolvency). The parties viewed a Material Adverse Effect as similar to a breach or insolvency because such a termination would arise from a change in the other party's circumstances (potentially a change precipitated by the other party's acts or omissions). Further to that point, we note that the definition of "Material Adverse Effect" excludes a list of matters outside of the parties' control.

INQUIRY 14: Produce copies of the Hart-Scott-Rodino filing and the California Department of Managed Health Care filing.

Response: The California Department of Managed Health Care filing is attached as Exhibit A, with duplicative exhibits omitted. We will send the Hart-Scott Rodino filing separately.

II. ESTABLISHMENT OF THE CO FOUNDATION

INQUIRY II.1: How did the SCAN Transaction create "the opportunity" to form the CO Foundation?

Response: CareOregon has had discussions over the past few years about creating a foundation as many health systems and payors in our market, including OHSU, Legacy and Cambia, use them to support their respective missions. In its conversations with SCAN related to the planned affiliation under HealthRight, a core principle for CareOregon was that CareOregon would remain committed to and focused on its members and communities. Both parties agreed that CareOregon would continue its history of providing grants and other funding to clinical and community partners serving our members. CareOregon identified the Affiliation as an opportune time to formally launch the CO Foundation that the organization has been exploring for quite some time. Further, launching the CO Foundation at the closing of the Affiliation could assuage any concerns within the Oregon community about CareOregon's ongoing commitment to supporting our members' and communities' health and well-being, as the CO Foundation is dedicated solely and exclusively to serving the needs of Oregonians.

- a. If the SCAN Transaction does not close, will CareOregon complete the formation and funding of the CO Foundation?

Response: CareOregon is committed to supporting our members' and communities' health and well-being and will continue to financially support community and clinical partners working in alignment with our mission. CareOregon has agreed to establish the CO Foundation prior to the formation of HealthRight and will continue down that path unless affiliation conversations end prior to completion. If the Affiliation does not proceed, the CO Board will determine if the work to create the CO Foundation will continue or not.

- b. Why does CareOregon need to demonstrate its "steadfast and focused commitment to Oregon communities, healthcare providers and Medicaid members" through formation of the CO Foundation?

Response: CareOregon's mission is to inspire and partner to create quality and equity in individual and community health. We have demonstrated our commitment to this mission and our commitment to members and communities in Oregon in all our work over the last thirty years. The establishment of the CO Foundation is simply another way to operationalize that commitment by directly funding organizations that are doing work in alignment with our mission through a vehicle with a sole purpose of serving the needs of Oregonians.

- c. Does the establishment of the CO Foundation provide consideration for the transfer of the Affiliation Payment and Transfer of Control?

Response: No, CareOregon's establishment of the CareOregon Foundation is not consideration for the SCAN Transaction.

- d. What functions and programs will be served by the CO Foundation that CareOregon could not perform or implement itself?

Response: In theory, CareOregon could perform the CO Foundation's activities itself, but establishing a separate foundation with a separate board supports a specific focus on grant-making strategy, proposal assessment and grantee support. Housing these functions and programs in a separate CO Foundation would allow the CO Foundation to make decisions independent of the CareOregon corporate yearly strategic planning and budgeting processes.

- e. Produce all CO Board minutes and internal communications concerning the establishment of the CO Foundation by CareOregon prior to the proposal of the SCAN Transaction and in connection with the proposal and approval of the SCAN Transaction.

Response: The CO Board is in the process of reviewing internal documents to determine if it has relevant documents beyond what CareOregon already provided as part of the compiled board materials.

INQUIRY II.2: Is there a business plan for the CO Foundation, a set of formation documents for the CO Foundation, an administrative services agreement or a set of projections for the use of the funds being contributed by CareOregon to the CO Foundation?

- a. Produce any of the foregoing documents or drafts of them.
b. If the foregoing do not exist, what is the time table for setting up the CO Foundation?

Response: The CO Foundation will be an Oregon nonprofit organization with a separate board of directors. The CO Board expects that the CO Foundation's board,

once appointed, will develop an initial business plan, including projections for the use of funds being contributed to the CO Foundation.

The CO Board will establish the CO Foundation in advance of closing. Draft articles of incorporation and bylaws for the CO Foundation are attached as Exhibit B.

INQUIRY II.3: What is CareOregon's expected contribution to ongoing funding of the CO Foundation?

Response: There is no current commitment to funding the CO Foundation beyond the initial \$25M contribution. Any future contributions by CareOregon will require approval of the CO board and any required approval of the HealthRight board.

- a. What other sources of funding are contemplated by the CO Board for the CO Foundation?

Response: No other sources of funding are currently contemplated by the CO Board for the CO Foundation.

- b. Have board members for the CO Foundation been selected?

Response: The CO Board will appoint the initial board members of the CO Foundation. The CO Board is beginning the process of identifying potential CO Foundation board members. Candidates will be evaluated by the governance committee of the CO Board, and that committee will then make recommendations for approval by the CO Board.

- c. With whom have there been discussions about their interest in serving on the board of the CO Foundation?

Response: As noted above, the CO Board is just beginning the process of identifying potential candidates to serve on the board of the CO Foundation. Any conversations are too preliminary to provide specific names.

INQUIRY II.4: Is it expected that the CO Foundation will undertake joint projects with the SCAN Foundation?

- a. If so, identify and explain any plans with respect to such projects.

Response: The parties do not anticipate that the SCAN Foundation and CO Foundation will undertake joint projects. Each entity has a distinct focus and mission. The CO Foundation will focus on projects that directly benefit Oregonians. It would be antithetical to the CO Foundation's mission to support projects in other states.

III. OFFICERS AND DIRECTORS FUTURE ROLES

INQUIRY III.1: Is Eric Hunter the only employee of CareOregon that is expected to also become an employee of HealthRight?

Response: Eric Hunter is the only CareOregon employee currently slated for employment at HealthRight. No discussion has occurred with other CareOregon personnel about positions at HealthRight. After closing and following integration discussions among the combined organizations, the newly constituted HealthRight board will determine additional staffing needs at HealthRight, but there are no plans for a significant transfer of employees from CareOregon to HealthRight or vice versa.

As part of integration planning, the parties are exploring transitioning both organizations onto a single human resources information system. This transition, which would occur no sooner than January 1, 2025, may result in a change to the nominal employer for CareOregon employees, but their job roles would not change and they would continue working under the CareOregon brand.

- a. If not, please identify any other CareOregon employees who will become employees of HealthRight.

Response: Please see the response immediately above.

INQUIRY III.2: What will Mr. Hunter's duties be as the head of Medicaid at HealthRight?

Response: Initially, Mr. Hunter will focus on CareOregon, devoting 5 to 10% of his time to bringing visibility of CareOregon and Medicaid issues to the HealthRight Board.

- a. How much of his time are those duties expected to take?

Response: See response above. After 12 to 24 months, we anticipate 15-20% of Mr. Hunter's time will be allocated to the expanded role with periodic review of this allocation.

- b. What compensation will he receive for being the head of Medicaid at HealthRight?

Response: No specific compensation amount has been discussed with Mr. Hunter or determined with respect to Mr. Hunter's position. SCAN's compensation philosophy is to pay its executives generally between the 50th and 75th percentile of industry norms for the applicable role, with the percentiles established with the assistance of an executive compensation consultant. We expect Mr. Hunter's compensation will be set in the same way under HealthRight, subject to consultation with the CareOregon Board. This analysis has not yet been conducted with respect to Mr. Hunter's position.

- c. What is Mr. Hunter's current compensation for serving as chief executive officer of CareOregon?

Response: Mr. Hunter's current base compensation is \$612,864 per year.

- d. What adjustment, if any, is expected to be made to his compensation at CareOregon after the closing of the SCAN Transaction and his assumption of duties at Medicaid at HealthRight?

Response: In consultation with the CO Board, HealthRight will pay a single compensation amount to Mr. Hunter for his duties at both CareOregon and HealthRight. The compensation will be determined as described above. HealthRight will allocate Mr. Hunter's salary between CareOregon and HealthRight based on the amount of time he spends providing services to each organization.

INQUIRY III.3: Have there been any discussions or agreements with respect to employment, board positions, business relationships involving any current CareOregon management or members of the CO Board?

Response: As previously addressed, CareOregon has selected four of its board members to serve on the HealthRight Board: Kerry Barnett, JD, Tec Han, Damien Hall, JD, and Susan Hennessy. Other than these four Board Members and Mr. Hunter, no discussions have occurred nor have agreements been reached regarding employment agreements, or board positions, business relationships. That said, both CareOregon and SCAN have been clear to their respective employees that no reductions in force or lay-offs are planned or anticipated as a result of the SCAN Transaction

- a. If so, what is the substance of those discussions and when did they occur?

Response: Please see response immediately above.

- b. Do any members of the CO Board directors have a conflict of interest, as determined under CO's bylaws or other governing documents or generally applicable corporate law, with respect to the SCAN Transaction?

Response: No members of the CO Board have a conflict of interest with respect to the SCAN Transaction.

INQUIRY III.4: Your March 3, 2023 Response to Inquiry 12 states that “A member of SCAN Group’s Board of Directors previously served as a director of CareOregon. The parties became better acquainted as a result of her relationships, which resulted in dialogue about a potential affiliation, initially between the respective parties’ CEOs and later with the Board Chairs and other management.”

- a. Identify the member of SCAN’s Board.

Response: Colleen Cain

- b. Provide the initial correspondence from such board member referenced by Eric Hunter at the meeting with DCBS and OHA on April 7, 2023.

Response: See Exhibit C hereto.

- c. Is this individual currently a member of SCAN’s Board? Is it expected that this individual will be a member of HealthRight Board?

Response: Ms. Cain continues to serve on the SCAN’s board of directors (the “SCAN Board”) and her term will end at the closing of the Transaction. She will not serve as a board member of HealthRight.

IV. EXPANSION PLANS

INQUIRY IV.A.1: At any time within the last five years, has CareOregon or the CO Board considered a plan for the expansion of CareOregon’s Medicaid business to other states?

Response: No, the CO Board has not developed plans to expand in other states. There have been conceptual discussions about this possibility, but they never developed to a stage where a plan for specific states was approved, pursued, or initiated in any way.

- a. If so, provide details of any such plan including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the legal or practical obstacles to the implementation of such a plan. Produce any term sheets, correspondence or other documents evidencing such plan.

Response: Please see above response. No such plan existed.

- b. Could CareOregon have implemented any such expansion plans in the absence of the SCAN Transaction?

Response: Please see above response. No such plan existed.

- c. If CareOregon could not have implemented any such expansion plans in the absence of the SCAN Transaction, explain why it could not have.

Response: Please see above response.

INQUIRY IV.A.2: Does HealthRight have plans to expand CareOregon’s Medicaid business into other regions of Oregon?

Response: HealthRight has not made any plans to expand CareOregon’s Medicaid footprint in Oregon. Any such decisions would be made by CareOregon directly, subject to any required HealthRight approvals. CareOregon has also not made any plans for expansion into new regions.

- a. Provide details of any plan to pursue such expansion including the counties targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.

Response: See above. No such plan exists.

INQUIRY IV.A.3: Does Medicaid at SCAN already exist or is it being formed as a result of the SCAN Transaction?

- a. Does Medicaid at HealthRight plan to pursue all or part of the Proposed Medicaid Expansion?
- b. Provide details of any plan to pursue the Proposed Medicaid Expansion including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation.
- c. Would funding for the Proposed Medicaid Expansion come from the HealthRight Fund?
- d. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.

Response: SCAN’s only existing Medicaid product is its fully integrated dual eligible special needs plan (“FIDE SNP”). Once the SCAN Transaction closes, the combined SCAN/CareOregon organization will have significant expertise in Medicaid managed care. The SCAN Board believes that this expertise would allow HealthRight to offer compelling Medicaid products in other markets.

Nevertheless, discussions about Medicaid expansion remain conceptual. Your April 24th letter’s references to specific states in relation to Medicaid expansion is a misreading of the graphic which was simply intended to show potential growth to

other parts of the country, not specific states that SCAN has identified for expansion. The SCAN Board believes that HealthRight's Medicaid expansion strategy should be informed by CareOregon's Medicaid expertise. As such, no decisions have been made regarding the timing of any such expansion or which entity or entities would expand to other states. Any strategy discussions for Medicaid expansion would be led by Eric Hunter in his capacity as HealthRight's President of Medicaid and approved by the HealthRight board.

INQUIRY IV.A.4: How will the Proposed Medicaid Expansion benefit CareOregon or the CO Population?

Response: As noted elsewhere, both CareOregon and SCAN believe that the increased scale created by a combined HealthRight organization will allow each organization to thrive in an increasingly competitive marketplace. Larger national and super-regional health carriers are bidding for Medicaid contracts. Such carriers have a larger membership over which to spread their administrative costs, and an increased capacity for investment and innovation.

CareOregon firmly believes that it is better able to serve Oregonians than these larger players. However, to do so, CareOregon must continue to offer better services at lower per-member costs. The goal of any Medicaid expansion would be to leverage CareOregon's existing expertise while giving HealthRight the opportunity to further invest in services at lower per-member cost than would be possible if CareOregon remained wholly independent.

INQUIRY IV.B.1: Provide details of any plan to pursue the Proposed Medicare Advantage Expansion including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation.

- a. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.

Response: As a larger organization, HealthRight anticipates that it will explore opportunities to expand both within and beyond existing service areas. SCAN has recently received its health plan license in the State of New Mexico. Any Medicare Advantage expansion into New Mexico would occur no sooner than January 1, 2024. SCAN is in the process of evaluating expansion opportunities in Oregon, Washington, and other states which would occur no sooner than 2025. The first step of such process is reaching out to local providers and provider networks to gauge interest. This outreach is just beginning in Oregon and Washington, but SCAN does not expect clarity for several more weeks. If such outreach suggests that the Oregon or Washington expansion is viable, only then would SCAN create an expansion plan and associated budgets and financial projections. SCAN does not expect to complete that process until late summer, if at all.

Your April 24th letter's references to specific states in relation to Medicare expansion is a misreading of the graphic. The arrows on the map were simply intended to show potential growth to other parts of the country not specific states that SCAN has identified for expansion.

INQUIRY IV.B.2: Explain why SCAN plans to set up a separate entity to write Medicare Advantage coverage if it enters the Oregon market rather than utilizing Health Plan of CareOregon.

Response: SCAN has a 4.5 Star rating from CMS that it is able to carry forward into new expansion states which allows them to offer additional benefits to its members as a result of higher payments from CMS. CareOregon's lower Star rating would not support these extra benefits. When entering a new state, SCAN's approach is to create a new legal entity, as a subsidiary of SCAN Group, that will operate its Medicare Advantage plan in the expansion state.

V. BENEFITS OF SCAN TRANSACTION TO CAREOREGON AND CO POPULATION

INQUIRY V.1: Your March 27, 2023 response to OHA's comprehensive review determination states in Inquiry 4(b) that "[t]he parties have begun preliminary integration planning but, for antitrust reasons, will not be able to begin actual integration until after closing."

- a. Explain any "antitrust reasons" that would prevent the development of a business plan for HealthRight (as distinguished from implementation of such a plan) prior to closing of the SCAN Transaction.

Response: Our March 27 letter indicates that "[t]he parties have begun *preliminary integration planning* but, for antitrust reasons, will not be able to begin *actual integration* until after closing" (emphasis added). As such, CareOregon and SCAN distinguished "integration planning" from "actual integration."

- b. If there are no antitrust reasons that would prevent the development of a business plan for HealthRight, explain the business plan for HealthRight, including plans, commitments and agreements for its subsidiaries and affiliates including those doing business in Oregon. The explanation should include both operational and financial details.

Response: The lack of clarity on the timeline for this review process has slowed integration planning, but the parties are in the process of compiling responsive documents and will provide under a separate cover.

- c. Produce the current version of any such plan as well as analyses supporting the plan performed by CareOregon, SCAN or third parties.

Response: The parties are in the process of compiling responsive documents and will provide under a separate cover.

INQUIRY V.A.1: Diversification of Revenue Streams.

- a. Explain if and how the SCAN Transaction would result in the diversification of CareOregon's revenue and how such diversification would benefit CareOregon and the CO Population. Produce any economic or financial analyses that demonstrate how CareOregon's revenues would be diversified from an affiliation with SCAN and how such diversification would benefit CareOregon.

Response: CareOregon is heavily dependent on Medicaid revenues. It generates approximately 85% of its revenue through its affiliated CCOs and 11% from its Medicare Advantage Duals Special Needs Plans (“D-SNP”), which exclusively serves its dual eligible CCO members. The remaining 4% of CareOregon’s revenue comes from its home health and hospice service providers.

In contrast, SCAN’s Medicare Advantage plans account for approximately 96% of its revenue. Traditional individual Medicare Advantage plans account for approximately 86% of SCAN’s health plan membership. SCAN’s FIDE SNP, which is only offered in California, accounts for the remaining approximately 14% of SCAN’s health plan membership. SCAN also operates home health, telehealth, and street medicine focused medical groups that serve parts of California and Pennsylvania. The Medical groups account for less than 1% of SCAN’s revenue.

Accordingly, the revenues of CareOregon and SCAN are heavily dependent on their Medicaid and Medicare managed care products, respectively. By combining, each organization will benefit from the diversification of revenue streams. For example, if CareOregon suffers a downturn in Medicaid revenues due to an across-the-board reduction in CCO rates, the combined HealthRight organization could absorb such reduction better than CareOregon could independently. The parties see this as a primary benefit of this transaction.

- b. Produce any documents showing a quantitative analysis of the benefit to CareOregon from such diversification.



INQUIRY V.A.2: Ability to Compete as a Result of Greater Scale.

- a. Does CareOregon contend that it will not be able to compete with for-profit companies for Medicaid business in Oregon if it is unable to complete the SCAN Transaction?
 - i. If so, provide the factual basis for that contention, and provide the factual basis for contending that the SCAN Transaction will enable CareOregon to compete for Medicaid business in Oregon.

Response: Within the for-profit sector, giants have emerged. Fortune 500 entities like UnitedHealth Group, Molina, Centene, Humana, Elevance (formerly Anthem) and others have built aggressive engines to win government contracts by using their

scale to lower provider costs and spread the administrative burden of health plan management over millions of members. While these giants' primary allegiance is to their shareholders, their value proposition to state governments, CMS, and individuals has been compelling, leading to sustained growth. They operate alongside private equity backed entities without national scale, but with financial resources that enable them to unprofitably grow across a longer time horizon. Combined, these organizations have been able to use their scale and/or deep pockets to expand more quickly than their regional, non-profit health plan counterparts. In Medicaid, from 2017 to 2020, the top 10 largest health plans grew membership 12% annually in comparison to 2% growth for the rest of the industry.¹

It is not CareOregon's contention that CareOregon will "not be able to compete with for-profit companies." However, CareOregon recognizes that, to continue delivering best-in-class services its members, CareOregon must continuously strive to reduce its per-member administrative costs, increase investments in program improvements, and implement industry best-practices. This transaction will further each of these goals.

If and when approved, HealthRight will be able to continue to deliver the kind of community-focus, personalization, and innovation that have been the hallmark of community-based health plans, with a cost structure that is more competitive with larger, national for-profit health plans. Unlimited by public market margin targets and some of the unsavory behaviors public companies undertake to achieve those targets, HealthRight has the opportunity to be a better partner to state governments, CMS, and individuals.

- ii. Produce any analyses or other documents that support this contention.



- b. Does CareOregon contend that it will not be able to compete with other not-for-profit companies for Medicaid business in Oregon if it is unable to complete the SCAN Transaction?
 - i. If so, provide the factual basis for that contention, and provide the factual basis for contending that the SCAN Transaction will enable CareOregon to compete for Medicaid business in Oregon.

Response: CareOregon is aware that certain larger non-profit carriers plan to respond to the CCO RFP for the next contracting cycle. It is not CareOregon's contention that CareOregon will be unable to compete with these larger non-profits. However, CareOregon is aware that national and super-regional non-profit carriers typically have certain advantages over smaller plans. They frequently have much larger enrollment across several different markets and product lines.

¹ McKinsey Payor Financial Database

This allows these carriers to spread administrative costs across a larger membership, enables members to easily shift between products, helps hedge against product-specific declines, and facilitates investments and knowledge sharing. For example, currently Providence Health Plan, Kaiser Permanente, Moda, and Trillium Community Health Plan are all much larger regional or national Medicaid risk bearing entities in Oregon. CareOregon believes that this transaction will enable CareOregon to achieve many of these same advantages of without losing CareOregon's close connection to the communities it serves.

The need for regional plans to respond to the evolving competitive landscape is apparent in the recent announcements of mergers and consolidations of large healthcare organizations, including that of Kaiser/ Geisinger, BCBS MI and BCBS Vermont, and Anthem/BCBS LA. The forces we view as driving those transactions similarly have an impact on CareOregon's ability to compete. The increasing growth of the largest players in the market has increased pressure on smaller organizations to be able to continue to competitively provide quality care and service to their members. Smaller organizations need to be more creative and collaborative to maintain membership, scalability and capabilities, as well as to maintain adequate capital to fund those activities. The proposed affiliation with SCAN is structured to maintain CareOregon's local market focus while allowing CareOregon to benefit from the shared resources of two organizations that are similarly mission driven.

- ii. Produce any analyses or other documents that support this contention.



- c. Produce all agreements between CareOregon and the CCOs that have not previously been produced.



INQUIRY V.A.3: Savings from greater purchasing power

- a. Explain the expected cost savings effects of shared purchasing of systems and services that would result from the SCAN Transaction.
- b. Provide details of the systems and services that would be expected to be subject to such savings. Provide a quantitative analysis of the benefit to Care Oregon from such savings.:

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY V.A.4:

- a. Identify resources that will be shared between CareOregon and SCAN that will result in cost savings for the combined organization.
- b. Provide details of any plan for sharing such resources that identifies the resources, the means by which they would be shared, the time period over which the sharing would occur and a quantitative analysis of the benefit to CareOregon from such resource sharing.

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY V.A.5:

- a. Please identify any new business opportunities for HealthRight and CareOregon (other than the Proposed Medicare Advantage Expansion and the Proposed Medicaid Expansion) that are anticipated as a result of the SCAN Transaction.
- b. For each such business opportunity, explain the opportunity and why such opportunity could not be pursued by CareOregon in the absence of the SCAN Transaction.
- c. Provide a quantitative analysis of the benefit to CareOregon from each new business opportunity.

Response: Except as described in more detail below, HealthRighth does not anticipate pursuing any near-term opportunities that depart from the combined organization's existing current core business. The primary business opportunities will be applying the learnings of one organization to the other and expanding the geographic footprint of existing programs, as detailed in the responses to inquiries regarding the Proposed Medicare Advantage Expansion, the Proposed Medicaid Expansion, and Inquiry V.B.3, which is forthcoming.

INQUIRY V.B.1:

- a. Identify and explain the specific allocations and investments that will be made to or for the benefit of CareOregon or CO Populations that it serves.
- b. Produce any documents evidencing such planned allocations and investments, including market analyses and business plans.
- c. Does HealthRight envision that these investments qualify as Medical Expenses for purposes of the current Medicaid lines of business?

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY V.B.2: How do the current CareOregon Medicaid program needs for investment/growth figure into this transaction:

- a. Minimum Medical Loss Ratio - current MML spans 2021-2023

Response: From 2021 to present, CareOregon has had lower than expected MLR due to the impacts of COVID-19 on utilization. We do not see any specific nexus between MLR and this transaction other than a general sense of opportunity to partner with SCAN on their areas of expertise to help reduce PMPM administrative costs and increase investments in quality improvement initiatives.

- b. Capacity and utilization of Behavioral Health Services and Substance Use Disorder the materials claimed to be proprietary in your response to Inquiry 15 in our letter dated January 30, 2023.

Response: CareOregon has been focused on capacity building and system transformation to reduce morbidity and mortality from behavioral health disorders. From 2021 to present we have invested in:

- COVID stabilization funds for behavioral health providers in the metro, CPCCO, and JCC service areas
- Workforce stabilization in the metro, CPCCO, and JCC service areas
- Increased reimbursement rates for behavioral health providers in the metro area by 5-6%
- Increased payments to the local community mental health partners in the CPCCO region to account for wage increases
- Various short and long term behavioral health initiatives across all three regions totaling \$100 million

CareOregon does not have any plans to partner on a specific behavioral health initiative with SCAN at this time but CareOregon looks forward to partnering with SCAN on our short and long term behavioral health related objectives. Short term, CareOregon's focus is on harm reduction. For example, in the CPCCO region CareOregon would like to remove barriers to Sublocade and expand the CODA Opioid Treatment Program. In the JCC region, CareOregon is pursuing additional supported housing units, standing up SUD treatment navigators at two local emergency departments, and increasing outreach and engagement support. Similarly, in the metro area CareOregon is pursuing supports for fatal overdose prevention, trying to increase access through initiatives such as Karibu, which has 20 spaces for culturally specific transitional housing, and increase access to recovery support programs. Longer term, CareOregon has identified needs for crisis stabilization centers, more transitional and supported housing, and withdrawal management. More detailed information on CareOregon's current and future areas of focus can be found at [https://www.careoregon.org/providers/metro-area-behavioral-health-providers/strategic-healthcare-investment-for-transformation-\(shift\)](https://www.careoregon.org/providers/metro-area-behavioral-health-providers/strategic-healthcare-investment-for-transformation-(shift))

INQUIRY V.B.3: Each of the following initiatives is described in the documents provided by SCAN or in SCAN's answers to Inquiries from the Agencies. For each such initiative, please provide the status of any plan to implement such initiative with CareOregon, a projection of the time period over which the initiative will be implemented, a projection of the cost of implementing such initiative, whether such costs would be considered Medical Expenses for purposes of the Medicaid business, the financing of such costs and a projection of the benefit to CareOregon or the CO Population of implementing such initiative. Also provide the population (by size and region) that would be served by each such initiative, and whether CO could implement such initiatives, or similar initiatives, in the absence of the SCAN Transaction. Produce correspondence and other documents evidencing the plan and the projections of costs and benefits of each such initiative for which there is a plan, including the costs and benefits to CareOregon. Provide additional details regarding the "broad array of analytical tools" referenced in your letter dated March 27, 2023.

- a. Implementing a PACE program at CareOregon either with or without a collaboration with My Place. How long has SCAN had the PACE program with My Place in effect? Did CareOregon at any time consider implementing a PACE program prior entering into the SCAN Transaction? If so, was such a plan implemented, and if not, explain why it was not. Could CareOregon implement a PACE plan in the absence of the SCAN Transaction?

Response: SCAN and Commonwealth Care Alliance partnered together to launch myPlace in February 2022. The first myPlace PACE center is anticipated to open in Los Angeles, California in early 2024.

Status of plan: CareOregon became aware of a potential PACE opportunity in January 2022, when DHS indicated that it planned to release an RFP in early 2022. Over the next few months, CareOregon met with several PACE entities, including myPlace Health (SCAN's joint venture with Commonwealth Care Alliance).

From an initial assessment of the programmatic requirements, initial investment, and years to get to break even, CareOregon clearly understood that we would need a partner to develop and run PACE. CareOregon started working with a clinical partner to discuss concepts in January 2023.

On February 14, 2023, ODHS let CareOregon know that it would not consider PACE proposals covering zip codes that already have a PACE program. Based on this, CareOregon reviewed information related to markets outside of the three-county Portland metro area, eventually focusing on Eugene/Lane County.

CareOregon moved from an ideation phase to an operational scoping phase in April 2022 after discussions with SCAN became more serious and we learned more about their capabilities and potential to partner to operationalize such a program. On May 12, 2022 we contracted with a third party consultant to assess market demand, population density by geography, potential competitors and factors to consider in determining whether to develop a PACE program in Oregon.

CareOregon reached out to a clinical partner to gauge their interest in being a provider partner in a Eugene-area PACE. No formal agreement has been reached yet. Since January 2022, DHS has pushed back the planned RFP release date several times and as of May 10, 2023 no RFP has been released.

Timeline projection: The first step for implementing a PACE program is to respond to a DHS RFP. DHS has not indicated a date for the release of this RFP, so CareOregon has been conducting planning ahead of such a release with a goal of being prepared to respond whenever the RFP becomes available. DHS has also not yet released timeframes for interested parties to response or for DHS to review responses, negotiate with selected entities or for the time between contracting and enrolling members in a PACE entity. We anticipate that it will take 18-24 months from contracting with DHS to serving the first PACE members.

Cost projection, Medical Expense, and Financing: Medicaid is one of the types of coverage for many PACE eligibles. As such, we anticipate that some clinical care costs will be Medicaid billable medical expenses. CareOregon anticipates that it will fund some portion of the approximate \$10 million in total initial costs (implementation and operations until break even). We do not have a finalized funding agreement in place with our partners, as CareOregon and myPlace Health are still in discussion with a clinical partner related to its participation. We are open to and discussing a wide variety of structural options with the clinical partner.

Projected Benefit to CO or CO members: DHS has indicated that it will not entertain proposals for PACE in areas that already have a PACE entity. Two of our three regions (the three-county Portland metropolitan area and Jackson County) are already served by PACE and our third region (Columbia/Clatsop/Tillamook Counties) does not have the density of population to support a PACE at this time. Given this, we chose the Eugene area as a location that would benefit from PACE access.

Providing a comprehensive suite of services to members with complex needs is consistent with CareOregon's mission. In addition to benefitting members in the Eugene area, we see this as bolstering a longer-term argument that our model would benefit PACE eligibles in the Portland Metro area. We have attached the projected financial results over time. Depending on CareOregon's ownership stake, we will benefit proportionally as the PACE entity is financially successful.

Population served: Please see the pro forma attached to Exhibit E hereto prepared by myPlace Health. We are in the process of gathering and reviewing the materials related to the umbrella request for "correspondence and other documents" and will address this in a subsequent response.

Responses to Inquiries b. – m. are forthcoming.

INQUIRY V.B.4: What resources will be available from SCAN to assist CareOregon to improve the quality and reliability of care to the CO Population? What plans exist to make those resources available?

- a. What areas has CareOregon identified for quality improvement? Provide details regarding the quality metrics, strategies and resources SCAN will assist in improving.
- b. How will SCAN assist CareOregon in improving the provider network, improving member access to care and improving member service in the counties served by CareOregon?
- c. For any such plan, explain the resources that would be made available, the period over which it would occur, the cost of providing them, the source of financing for such costs and the expected benefit of CareOregon.
- d. Explain why such resources or similar resources would be unavailable to CareOregon if the SCAN Transaction did not close.

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY V.B.5: What specific plans exist for use of the HealthRight Fund, whether for deployment in Oregon or elsewhere?

- a. If there are no specific plans for the deployment of the HealthRight Fund, explain why CareOregon and SCAN agreed to the formation of the HealthRight Fund and the amounts to be contributed before identifying specific projects.
- b. What is the rationale for SCAN's control over the HealthRight Fund?
- c. Why is it necessary for there to be a change in control of CareOregon to accomplish the business objectives of the HealthRight Fund?

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY V.B.6: What are the centralized administrative services to be provided by SCAN pursuant to the Administrative Services Agreement contemplated by Section 2.6 of the Affiliation Agreement?

Response: The parties are in the process of preparing a response to these inquiries.

VI. GENERAL INQUIRIES

INQUIRY VI.1: Provide all valuations, discounted cash flow or other financial modeling of the value of CareOregon completed by CareOregon, SCAN or a third-party.



INQUIRY VI.2: Please provide the amounts and proportion of CareOregon revenue from the following sources in 2022: OHP/Medicaid, Medicare, and other sources (please describe other sources).

Response: Please see Exhibit F hereto.

a. How has this revenue mix changed over the last five years?

Response: The Medicaid line of business increased as a percentage of total revenue in 2020 when CareOregon started managing the behavioral health, non-emergent medical transportation and dental benefits for Health Share and it increased over the last three years as Medicaid membership in general has grown due to pausing redeterminations during the pandemic. The Medicare line of business decreased as a percentage of total revenue in 2020 when CareOregon terminated its CareOregon Advantage Star plan but increased in 2022 as the result of more attractive member benefits.

INQUIRY VI.3: What is the plan for longevity of CCO business following completion of the SCAN Transaction?

Response: CareOregon remains committed to the CCO line of business and SCAN Group is fully supportive of that commitment. CareOregon and its affiliated CCOs will participate in the 2025 re-procurement process (which we understand may be delayed two years due to legislative action), and CareOregon hopes to continue serving all of its current members in each of its existing service areas for the foreseeable future.

INQUIRY VI.4: How does HealthRight intend to address competition between SCAN and CareOregon in areas that CareOregon is already providing the same or similar services?

Response: SCAN and CareOregon are not competitors. While SCAN may offer a Medicare Advantage product in Oregon, CareOregon's Medicare Advantage product is a D-SNP that exclusively serves dual eligible members of its affiliated CCOs. SCAN, if it enters the Oregon market, would not offer a D-SNP. Although SCAN has a long history of offering a FIDE SNP product in California, it does not offer D-SNP plans in any other states. CareOregon, on the other hand, has specific expertise in serving Oregon's dual eligible population, and has the necessary contracts and infrastructure to continue to serve this population.

INQUIRY VI.5. Please explain why most HealthRight officers post-closing are marked as "TBD."

Response: Our March 27th letter listed certain officers as "TBD" because post-closing officer appointments will be at the discretion of the post-closing HealthRight Board. With that said, at closing SCAN Group will become HealthRight, and the SCAN Group officers in place immediately prior to closing will remain in place.

- a. What is the expected process for selecting the officers?

Response: The proposed bylaws of HealthRight identify three officers of HealthRight: Chief Executive Officer, Chief Financial Officer and Secretary. The bylaws allow the HealthRight board to appoint other officers that are necessary for the business. Currently, the parties have agreed to propose the following individuals to serve as officers of HealthRight: Sachin Jain as the Chief Executive Officer of HealthRight; Karen Schulte, President of Medicare; Eric Hunter, President of Medicaid; Mike Plumb, Chief Financial Officer; and Renee Delphin-Rodriguez, Secretary. The HealthRight board will make the final determinations about the officer appointments after the closing of the Transaction. Under the HealthRight bylaws, the HealthRight board will appoint officers on an annual basis. The Corporate Governance Committee, which will be comprised of at least three members of the HealthRight board of directors, will propose the slate of officers for such annual appointments.

- b. Are any officers expected to leave if the SCAN Transaction is approved?

Response: Effective as of May 12, 2023, SCAN appointed a new General Counsel and Secretary, Renee Delphin-Rodriguez, to replace Kevin Kroeker who is retiring in the summer. There are no officers or members of the leadership team of either CareOregon or SCAN who are expected to leave following the approval of the Transaction. As noted above, the parties have no intention to implement any reductions in force or lay-offs in connection with the Transaction.

- c. Provide the complete list of officers when available.

Response: See above.

INQUIRY VI.6: Your response to Inquiry 25 in our letter of March 9, 2023, explained how SCAN mitigated underpricing. Please explain what SCAN has done to avoid repeating the circumstances that led to the PDR recorded at December 31, 2021.

Response: The parties are in the process of preparing a response to this inquiry.

INQUIRY VI.7: Does SCAN have plans for expanding its ISNP product in other states?

Response: SCAN would like to expand its ISNP product in other states but has no immediate plans to do so.

INQUIRY VI.8: Provide details of any contingency funding available in the event of a liquidity crisis within the SCAN Group.

Response: The parties are in the process of preparing a response to this inquiry.

INQUIRY VI.9: Please provide current examples of how the SCA Foundation, set up as a Type II Supporting Organization, operates to specifically support SCAN Health Plan. Provide details regarding the support functions.

Response: The parties are in the process of preparing a response to these inquiries.

INQUIRY VI.10: Provide all outstanding third-party verifications for biographical affidavits.

Response: OHA should have received copies of the third-party verifications on or around April 24, 2023.

INQUIRY VI.11: What reserve powers will HealthRight exercise with respect to entities within its holding company system other than CareOregon?

Response: Exhibit 2.2(b) of the Affiliation Agreement sets forth HealthRight's reserve powers with respect to the entities within the proposed holding company.

INQUIRY VI.12: Provide the schedules to the Affiliation Agreement, which you have withheld on the basis that they are "confidential and proprietary."

[REDACTED]

INQUIRY VI.13: Inquiry 10 in our letter dated March 9, 2023, pertained to the broad risk management processes maintained by both SCAN and CareOregon/HPCO, not the limited information disclosed in the Form F filings.

- a. Please advise us if the Parties plan to consolidate risk-management processes, or manage risks separately.
- b. Where will the Chief Risk Officer(s) reside?
- c. Which Boards will be responsible for overseeing risk management?
- d. What will the scope of their responsibilities be?

Response: The parties are in the process of preparing a response to this inquiry.

ATTACHMENT 1

Response Status

No.	Morgan Lewis Inquiry	Status
I. Consideration and Approval of the SCAN Transaction by the CO Board.		
1.	At any time within the last five years, did the CO Board consider an affiliation with any entity other than SCAN?	Complete
a.	Provide details of any proposals made or received by CareOregon including the terms of any proposal, the dates of any proposal, the identity of the entity involved, advisors retained to evaluate such proposal and the reasons that such proposal was rejected by CareOregon or such other entity.	Pending (compiling response)
b.	Produce any term sheets, correspondence or other documents evidencing such proposal and any analysis by CareOregon or advisors of such proposal.	Pending (compiling response)
2.	After the CO Board became aware of SCAN's interest in affiliation, did the CO Board solicit any proposals from third parties? a. If so, produce any documents evidencing such solicitations. b. If it did not solicit proposals from third parties, explain why it did not solicit proposals. On what basis did the CO Board approve the "no shop" provision included in Section 7.6 of the Affiliation Agreement?	Complete
3.	Did the CO Board or CareOregon retain any consultants, financial advisors, investment bankers or others to provide advice to it in connection with the SCAN Transaction?	Complete
a.	If it did, please identify them and state the substance of the advice they provided to the CO Board related to the SCAN Transaction. Produce any engagement agreement and any work product produced for the CO Board.	Pending (confidentiality)
b.	If it did not, explain why not.	Complete
4.	Explain what due diligence work was conducted on the SCAN Transaction by PriceWaterhouseCoopers and LEK. a. For which party was it conducted and which parties received it? b. Provide the engagement letters and work product from such engagement.	Pending (confidentiality)
5.	Explain what work was conducted on the SCAN Transaction by Houlihan Lokey. a. For which party was it conducted and which parties received it? b. Provide the engagement letters and work product from such engagement.	Pending (confidentiality)
6.	Produce any work product produced for SCAN by MTS Health Partners, L.P.	Complete
7.	Identify and explain all proposals made by SCAN and CareOregon to each other leading up to the SCAN Transaction	Pending (compiling response)
8.	Produce the materials claimed to be proprietary in your response to Inquiry 15 in our letter dated January 30, 2023.	Pending (compiling response)
9.	Produce all board minutes, agendas, materials distributed to the CO Board, analyses prepared by the CO Board, CareOregon or its advisors, emails or other correspondence among CO Board members or with members of management concerning the SCAN Transaction or alternatives to the SCAN Transaction.	Pending (compiling response)

No.	Morgan Lewis Inquiry	Status
10.	<p>What analysis was conducted by the CO Board as to how the SCAN Transaction would advance the CO Corporate Purpose?</p> <p>a. On what basis did the CO Board conclude that the SCAN Transaction fulfills the CO Corporate Purpose?</p> <p>b. Did the CO Board consider or propose requiring the Affiliation Payment be set aside for exclusive use in providing and improving health care and the health of the CO Population?</p> <p>c. Produce any analyses, correspondence or documents evidencing the CO Board's consideration of the CO Corporate Purpose and how the SCAN Transaction fulfills it.</p> <p>d. Produce the materials claimed to be proprietary in Inquiry 9 in our letter dated January 30, 2023.</p>	Pending (board narrative)
11.	<p>What value or other consideration did the CO Board conclude was being received by CareOregon for the Affiliation Payment and Transfer of Control?</p> <p>a. Produce any analysis, correspondence or other document evidencing such conclusion and any analysis leading to such conclusion.</p>	Pending (board narrative)
12.	<p>Why were revenues chosen by the CO Board as a basis for the Affiliation Payment?</p> <p>a. Were other measures, such as profitability, enrollment or net assets considered?</p> <p>b. Produce any documents evidencing the comparison of the revenues of CareOregon with the revenues of SCAN and the computation of the Affiliation Payment.</p>	Complete
c	Produce any documents reflecting the CO Board' s consideration of methods by which the Affiliation Payment would be determined.	Pending (compiling response)
13.	Why did the CO Board conclude that it was appropriate to pay a break-up fee to SCAN in the event of a material adverse change rather than just allowing SCAN to terminate the SCAN Transaction?	Complete
14.	Produce copies of the Hart-Scott-Rodino filing and the California Department of Managed Health Care filing.	Complete
II.	Establishment of the CO Foundation	
1.	<p>How did the SCAN Transaction create “the opportunity” to form the CO Foundation?</p> <p>a. If the SCAN Transaction does not close, will CareOregon complete the formation and funding of the CO Foundation?</p> <p>b. Why does CareOregon need to demonstrate its "steadfast and focused commitment to Oregon communities, healthcare providers and Medicaid members" through formation of the CO Foundation?</p> <p>c. Does the establishment of the CO Foundation provide consideration for the transfer of the Affiliation Payment and Transfer of Control?</p> <p>d. What functions and programs will be served by the CO Foundation that CareOregon could not perform or implement itself?</p>	Complete
e.	Produce all CO Board minutes and internal communications concerning the establishment of the CO Foundation by CareOregon prior to the proposal of the SCAN Transaction and in connection with the proposal and approval of the SCAN Transaction.	Pending (compiling response)
2.	<p>Is there a business plan for the CO Foundation, a set of formation documents for the CO Foundation, an administrative services agreement or a set of projections for the use of the funds being contributed by CareOregon to the CO Foundation?</p> <p>a. Produce any of the foregoing documents or drafts of them.</p> <p>b. If the foregoing do not exist, what is the time table for setting up the CO Foundation?</p>	Complete

No.	Morgan Lewis Inquiry	Status
3.	<p>What is CareOregon’s expected contribution to ongoing funding of the CO Foundation?</p> <p>a. What other sources of funding are contemplated by the CO Board for the CO Foundation?</p> <p>b. Have board members for the CO Foundation been selected?</p> <p>c. With whom have there been discussions about their interest in serving on the board of the CO Foundation?</p>	Complete
4.	<p>Is it expected that the CO Foundation will undertake joint projects with the SCAN Foundation?</p> <p>a. If so, identify and explain any plans with respect to such projects.</p>	Complete
III.	Officers and Directors Future Roles	
1.	<p>Is Eric Hunter the only employee of CareOregon that is expected to also become an employee of HealthRight?</p> <p>a. If not, please identify any other CareOregon employees who will become employees of HealthRight.</p>	Complete
2.	<p>What will Mr. Hunter’s duties be as the head of Medicaid at HealthRight?</p> <p>a. How much of his time are those duties expected to take?</p> <p>b. What compensation will he receive for being the head of Medicaid at HealthRight?</p> <p>c. What is Mr. Hunter’s current compensation for serving as chief executive officer of CareOregon?</p> <p>d. What adjustment, if any, is expected to be made to his compensation at CareOregon after the closing of the SCAN Transaction and his assumption of duties at Medicaid at HealthRight?</p>	Complete
3.	<p>Have there been any discussions or agreements with respect to employment, board positions, business relationships involving any current CareOregon management or members of the CO Board?</p> <p>a. If so, what is the substance of those discussions and when did they occur?</p> <p>b. Do any members of the CO Board directors have a conflict of interest, as determined under CO’s bylaws or other governing documents or generally applicable corporate law, with respect to the SCAN Transaction?</p>	Complete
4.	<p>Your March 3, 2023 Response to Inquiry 12 states that “A member of SCAN Group’s Board of Directors previously served as a director of CareOregon. The parties became better acquainted as a result of her relationships, which resulted in dialogue about a potential affiliation, initially between the respective parties’ CEOs and later with the Board Chairs and other management.”</p> <p>a. Identify the member of SCAN’s Board.</p> <p>b. Provide the initial correspondence from such board member referenced by Eric Hunter at the meeting with DCBS and OHA on April 7, 2023.</p> <p>c. Is this individual currently a member of SCAN’s Board? Is it expected that this individual will be a member of HealthRight Board?</p>	Complete

IV.	Expansion Plans	
A.	Medicaid	
1.	<p>a. At any time within the last five years, has CareOregon or the CO Board considered a plan for the expansion of CareOregon's Medicaid business to other states? If so, provide details of any such plan including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the legal or practical obstacles to the implementation of such a plan. Produce any term sheets, correspondence or other documents evidencing such plan.</p> <p>b. Could CareOregon have implemented any such expansion plans in the absence of the SCAN Transaction?</p> <p>c. If CareOregon could not have implemented any such expansion plans in the absence of the SCAN Transaction, explain why it could not have.</p>	Complete
2.	<p>Does HealthRight have plans to expand CareOregon's Medicaid business into other regions of Oregon?</p> <p>a. Provide details of any plan to pursue such expansion including the counties targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.</p>	Complete
3.	<p>Does Medicaid at SCAN already exist or is it being formed as a result of the SCAN Transaction?</p> <p>a. Does Medicaid at HealthRight plan to pursue all or part of the Proposed Medicaid Expansion?</p> <p>b. Provide details of any plan to pursue the Proposed Medicaid Expansion including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation.</p> <p>c. Would funding for the Proposed Medicaid Expansion come from the HealthRight Fund?</p> <p>d. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.</p>	Complete
4.	How will the Proposed Medicaid Expansion benefit CareOregon or the CO Population?	Complete
B.	Medicare Advantage	
1.	<p>Provide details of any plan to pursue the Proposed Medicare Advantage Expansion including the states targeted for expansion, the structure of the entities that would engage in such business, the financing for such business, the management of such business, the time period over which such plan would be implemented, the cost of such implementation and the revenues and profits expected to be derived from such implementation.</p> <p>a. Produce any term sheets, memoranda, analyses, correspondence or other documents evidencing or analyzing such plan.</p>	Complete
2.	Explain why SCAN plans to set up a separate entity to write Medicare Advantage coverage if it enters the Oregon market rather than utilizing Health Plan of CareOregon.	Complete

V.	Benefits of SCAN Transaction to CareOregon and CO Population.	-
1.	Your March 27, 2023 Response to OHA’s comprehensive review determination states in Inquiry 4(b) that “[t]he parties have begun preliminary integration planning but, for antitrust reasons, will not be able to begin actual integration until after closing.”	Complete
a.	Explain any “antitrust reasons” that would prevent the development of a business plan for HealthRight (as distinguished from implementation of such a plan) prior to closing of the SCAN Transaction.	Complete
b.	If there are no antitrust reasons that would prevent the development of a business plan for HealthRight, explain the business plan for HealthRight, including plans, commitments and agreements for its subsidiaries and affiliates including those doing business in Oregon. The explanation should include both operational and financial details.	Pending (compiling response)
c.	Produce the current version of any such plan as well as analyses supporting the plan performed by CareOregon, SCAN or third parties.	Pending (compiling response)
A.	General Benefits	
1.	Diversification of Revenue Streams. a. Explain if and how the SCAN Transaction would result in the diversification of CareOregon’s revenue and how such diversification would benefit CareOregon and the CO Population. Produce any economic or financial analyses that demonstrate how CareOregon’s revenues would be diversified from an affiliation with SCAN and how such diversification would benefit CareOregon.	Complete
b.	Produce any documents showing a quantitative analysis of the benefit to CareOregon from such diversification.	Pending (confidentiality)
2.	Ability to Compete as a Result of Greater Scale. a. Does CareOregon contend that it will not be able to compete with for-profit companies for Medicaid business in Oregon if it is unable to complete the SCAN Transaction? If so, provide the factual basis for that contention, and provide the factual basis for contending that the SCAN Transaction will enable CareOregon to compete for Medicaid business in Oregon. i. If so, provide the factual basis for that contention, and provide the factual basis for contending that the SCAN Transaction will enable CareOregon to compete for Medicaid business in Oregon.	Complete
ii.	Produce any analyses or other documents that support this contention.	Pending (confidentiality)
b.	Does CareOregon contend that it will not be able to compete with other not-for-profit companies for Medicaid business in Oregon if it is unable to complete the SCAN Transaction? i. If so, provide the factual basis for that contention, and provide the factual basis for contending that the SCAN Transaction will enable CareOregon to compete for Medicaid business in Oregon. ii. Produce any analyses or other documents that support this contention.	Complete
c.	Produce all agreements between CareOregon and the CCOs that have not previously been produced.	Complete
3.	Savings from greater purchasing power a. Explain the expected cost savings effects of shared purchasing of systems and services that would result from the SCAN Transaction. b. Provide details of the systems and services that would be expected to be subject to such savings. Provide a quantitative analysis of the benefit to CareOregon from such savings	Pending (compiling response)

4.	Resource sharing. a. Identify resources that will be shared between CareOregon and SCAN that will result in cost savings for the combined organization. b. Provide details of any plan for sharing such resources that identifies the resources, the means by which they would be shared, the time period over which the sharing would occur and a quantitative analysis of the benefit to CareOregon from such resource sharing.	Pending (compiling response)
5.	New business opportunities a. Please identify any new business opportunities for HealthRight and CareOregon (other than the Proposed Medicare Advantage Expansion and the Proposed Medicaid Expansion) that are anticipated as a result of the SCAN Transaction. b. For each such business opportunity, explain the opportunity and why such opportunity could not be pursued by CareOregon in the absence of the SCAN Transaction. c. Provide a quantitative analysis of the benefit to CareOregon from each new business opportunity	Complete
B.	Specific initiatives	
1.	Is there a plan for the allocation and investment of the HealthRight Fund? a. Identify and explain the specific allocations and investments that will be made to or for the benefit of CareOregon or CO Populations that it serves. b. Produce any documents evidencing such planned allocations and investments, including market analyses and business plans. b. Does HealthRight envision that these investments qualify as Medical Expenses for purposes of the current Medicaid lines of business?	Pending (compiling response)
2.	How do the current CareOregon Medicaid program needs for investment/growth figure into this transaction: a. Minimum Medical Loss Ratio-current MML spans 2021-2023 b. Capacity and utilization of Behavioral Health Services and Substance Use Disorder	Complete
3.	Each of the following initiatives is described in the documents provided by SCAN or in SCAN's answers to Inquiries from the Agencies....[a. – m.]	-
a.	Implementing a PACE program at CareOregon	Complete
b - m	Various programs	Pending (compiling response)
4.	What resources will be available from SCAN to assist CareOregon to improve the quality and reliability of care to the CO Population? What plans exist to make those resources available? a. What areas has CareOregon identified for quality improvement? Provide details regarding the quality metrics, strategies and resources SCAN will assist in improving. b. How will SCAN assist CareOregon in improving the provider network, improving member access to care and improving member service in the counties served by CareOregon? c. For any such plan, explain the resources that would be made available, the period over which it would occur, the cost of providing them, the source of financing for such costs and the expected benefit to CareOregon. d. Explain why such resources or similar resources would be unavailable to CareOregon if the SCAN Transaction did not close.	Pending (compiling response)
5.	What specific plans exist for use of the HealthRight Fund, whether for deployment in Oregon or elsewhere? a. If there are no specific plans for the deployment of the HealthRight Fund, explain why CareOregon and SCAN agreed to the formation of the HealthRight Fund and the amounts to be contributed before identifying specific projects. b. What is the rationale for SCAN's control over the HealthRight Fund? c. Why is it necessary for there to be a change in control of CareOregon to accomplish the business objectives of the HealthRight Fund?	Pending (compiling response)

6.	What are the centralized administrative services to be provided by SCAN pursuant to the Administrative Services Agreement contemplated by Section 2.6 of the Affiliation Agreement?	Pending (compiling response)
VI.	General Inquiries	
1.	Provide all valuations, discounted cash flow or other financial modeling of the value of CareOregon completed by CareOregon, SCAN or a third-party.	Pending (confidentiality)
2.	Please provide the amounts and proportion of CareOregon revenue from the following sources in 2022: OHP/Medicaid, Medicare, and other sources (please describe other sources). a. How has this revenue mix changed over the last five years?	Complete
3.	What is the plan for longevity of CCO business following completion of the SCAN Transaction?	Complete
4.	How does HealthRight intend to address competition between SCAN and CareOregon in areas that CareOregon is already providing the same or similar services? a. What is the expected process for selecting the officers? b. Are any officers expected to leave if the SCAN Transaction is approved? c. Provide the complete list of officers when available.	Complete
5.	Please explain why most HealthRight officers post-closing are marked as "TBD."	Complete
6.	Your response to Inquiry 25 in our letter of March 9, 2023, explained how SCAN mitigated underpricing. Please explain what SCAN has done to avoid repeating the circumstances that led to the PDR recorded at December 31, 2021.	Pending (compiling response)
7.	Does SCAN have plans for expanding its ISNP product in other states?	Complete
8.	Provide details of any contingency funding available in the event of a liquidity crisis within the SCAN Group.	Pending (compiling response)
9.	Please provide current examples of how the SCAN Foundation, set up as a Type II Supporting Organization, operates to specifically support SCAN Health Plan. Provide details regarding the support functions.	Pending (compiling response)
10.	Provide all outstanding third-party verifications for biographical affidavits.	Complete
11.	What reserve powers will HealthRight exercise with respect to entities within its holding company system other than CareOregon?	Complete
12.	Provide the schedules to the Affiliation Agreement, which you have withheld on the basis that they are "confidential and proprietary."	Pending (confidentiality)
13.	Inquiry 10 in our letter dated March 9, 2023, pertained to the broad risk management processes maintained by both SCAN and CareOregon/HPCO, not the limited information disclosed in the Form F filings.	Pending (compiling response)