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.

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 ("L.E.K.") for business advice.

CareOregon and SCAN jointly retained Houlihan Lokey to create a combined financial model, 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.

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?

Response. CareOregon and SCAN jointly engaged PwC and LEK to conduct business due diligence related to the SCAN Transaction. The work product was provided to both parties.

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?

Response. CareOregon and SCAN jointly engaged Houlihan Lokey for financial projection consultation.

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

Response: In considering whether to affiliate with another not-for-profit entity, the CO Board's primary focus was identifying a partner with a similar mission and demonstrated ability to advance CareOregon's strategic objectives, namely, partnership and collaboration, stewardship and efficiency, social health equity, quality and health outcomes, and people and culture.

The CareOregon mission is to inspire and partner to create quality and equity in individual and community health. SCAN's mission is to keep seniors healthy and independent. The SCAN Board and CO Board identified in their respective missions a shared purpose of helping the people they serve remain healthy and independent and promote quality and equity in community health.

This shared purpose establishes a platform for community-driven growth. Over the past decade, SCAN has substantially increased the number of members served and the scope of services that it provides to members. It has done so through significant investments in the direct provision of health care services to vulnerable seniors, programs to reduce inequities in healthcare outcomes and access, and geographic expansion. The SCAN Board and CO Board see these investments as a model for creating a not-for-profit, mission-driven alternative to the large national competitors that are dominating the Medicare and Medicaid markets in many states.

The substantial financial contributions by SCAN Health Plan and CareOregon to HealthRight will improve each organization's ability to make these mission-aligned investments. As described in response to Inquiry V.B.5 below, the combined HealthRight organization is committed to deploying its financial resources to further CareOregon's mission through program expansion and service improvements. These investments will create transformative opportunities benefiting from the greater scale and capabilities of the HealthRight organization. Initial investments will focus on building institutional capacity and strengthening CareOregon's ability to serve its members, improve health equity, and foster community health.

In addition to regularly scheduled board meetings, different subsets of CO Board members met with CO management to discuss the SCAN Transaction and how it would advance CO's mission over the course of summer 2022. In June through August of 2022, CO management hosted 2-3 meetings per week so board members could join when their schedules allowed. CO management presented information and the CO Board discussed topics related to the SCAN Transaction, including strategic rationale, guiding principles, development of the term sheet, governance and reserved powers, mission, determining success, value creation, board roles, the proposed foundation and more. These meetings continued into the fall of 2022 with the focus shifting more towards planning for a combined HealthRight Group.

a. On what basis did the CO Board conclude that the SCAN Transaction fulfills the CO Corporate Purpose?

Response: See the response immediately above.

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?

Response: Yes, the CO Board discussed and considered requiring CareOregon's contribution to the Opportunities Fund to be set aside for exclusive use in Oregon. However, it was ultimately determined that such a restriction would be inconsistent with the overall objectives of the SCAN Transaction. One of the primary goals of the SCAN Transaction is to create a unified, mission-driven organization capable of competing with national and super-regional health carriers. To effectively compete, HealthRight must benefit from the scale of the combined organization in the form of lower per-member administrative costs, more sophisticated back-office capabilities, and larger investments in program expansion and improvements. This means HealthRight must have the ability to make organization-wide investments that directly and indirectly benefit CareOregon and its members through increased capacity, lower costs, and/or program improvement. Setting aside the Affiliation Payment for exclusive use on behalf of CareOregon membership could impede these types of organization-

wide investments and prevent CareOregon from seeing the full benefits of HealthRight's scale.

As an alternative to setting aside CareOregon's contributions to the Opportunities Fund for exclusive use on behalf of CareOregon's membership, HealthRight is committing to spending 100% of CareOregon's initial $50 million contribution to the Opportunities Fund on projects and services that directly benefit CareOregon and its members. This would include shared infrastructure investments (which will be allocated to CareOregon based on the benefits received), as well as the development or expansion of programs that serve the populations of CareOregon's primary service areas, and Oregonians in general.

Ultimately, CareOregon's contributions to HealthRight are a necessary component of establishing a combined parent organization in which CareOregon has meaningful voice and participation, including a voice related to use of the Opportunities Fund as a whole, which will be valued at approximately $290 million as of closing.

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: The contributions to the Opportunities Fund and affiliation under HealthRight are each an integral part of the overall design and objectives of the parties with respect to the affiliation and establishment of HealthRight. As discussed in the response to Inquiry I.10, contributions to the Opportunities Fund 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, including a voice related to use of the Opportunities Fund.

The CareOregon contributions to the Opportunities Fund are intended to be consistent with and in proportion to contributions to HealthRight by SCAN Health Plan. As discussed in the response to Inquiry V.B.5, those combined contributions to HealthRight will be used to make investments in projects and services that neither SCAN nor CareOregon could make on its own. It is expected that a significant portion of such investments will directly benefit CareOregon and its members.

The governance of HealthRight includes a combination of CareOregon and SCAN board members. The combined HealthRight board and leadership team will provide oversight and direction for the combined organization, including making investments

for the benefit of the combined organization and its members. As discussed in response to Inquiry V.B.5, the combined organization brings scale, allows spreading of administrative costs across a larger membership, hedges against product-specific declines, and facilitates investments and knowledge sharing. While providing many of the benefits of a larger, combined organization, the affiliation was designed to preserve local governance and oversight by CareOregon and SCAN Health Plan over their respective health plans and operations in Oregon and California. This model is similar to the approach taken by CareOregon with respect to its CCOs and the preservation of their local voice and governance.

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: The CO Board members discussed CareOregon's contribution to the Opportunities Fund as part of their regular meetings with management in the summer and fall of 2022, including alternatives to the agreed-upon structure;

however, there is no documentation that reflects such discussions.

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 I.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 confidential and duplicative exhibits omitted.

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.

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 SCAN's board of directors 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 HealtbRight, explain the business plan for HealtbRight, 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: HealthRight has not produced "business plans" and does not intend to do so. However, several of the enclosed responses address HealthRight's future plans, including the responses to Inquiries IV.A and B. (Expansion Plans, Medicaid and Medicare Advantage); Inquiries V.A and B (General Benefits and Specific Initiatives). These responses include as many financial and operational details as the parties have developed to date. Note, the parties have long anticipated that functional integration planning will begin immediately after close. However, LEK is assisting the parties in developing an integration framework.

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

   Response: See response immediately above.

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.

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 to 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.

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. 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,

[1] McKinsey Payor Financial Database

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 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.

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 unable to engage in the requested analysis at this time due to antitrust regulations that restrict the sharing of financial information for purposes of negotiating with third parties prior to closing. However, to illustrate the opportunity of shared purchasing value, the parties offer the following example regarding the co-purchase of a Customer Relationship Management (CRM) system. Neither organization currently uses a CRM solution for member and provider engagement operations.

CRM systems deliver strong value to customers and providers by allowing the synthesis of information across systems to improve holistic understanding of individuals, thereby improving the delivery of benefits and services, expediting access to information, and reducing duplicative communications. In addition, they create longitudinal information regarding customers and providers, giving health plans a better opportunity to individualize improved service over time, and drive efficiencies across health plans via workflow automation. Significantly, CRM systems are routinely used by large corporations that spread the costs of these systems across large membership populations.

Both parties believe that implementation of a CRM could provide value by improving staff productivity, member and patient satisfaction, and market differentiation at their respective organizations. While each party has previously and independently explored implementation of CRM systems for workflow automation, member and provider relationship management and tracking, notably neither has elected to implement a CRM system yet due to the high incremental cost.

In their respective explorations, the parties independently determined the per member per month (PMPM) cost to be in the range of $0.58 PMPM (for CareOregon) and $3.75 PMPM (for SCAN) (note, both PMPM estimates are comprised of implementation, licensing, and labor costs. At this range, the annual aggregate increase to the parties' expenses would be in the range of $2.8M for CareOregon and $7.5M for SCAN, including those associated with recurring licensing and labor/run rate costs (each organization applied its own methodology and working assumptions in determining such cost estimates). The parties have noted the possibility of negotiating a more favorable PMPM rate for a CRM system based on the combined membership of HealthRight Group, which is expected to be approximately 800K members, and that the cost for a single implementation could also be shared as a combined organization. Typically, software application vendors offer tiered pricing based on membership or user volumes. The parties believe it is realistic to anticipate savings over what either organization could negotiate alone, with estimates that range in a reduction in PMPM cost from $0.58 PMPM to $0.43 PMPM (using CareOregon's methodology of cost estimates) or a reduction in PMPM cost from $3.75 PMPM to $1.61 PMPM (using SCAN's methodology of cost estimates).

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.

Response. As explained further below, the parties are in the early stages of developing an integration plan. Based on these preliminary discussions, SCAN and CareOregon anticipate that there will be shared services functions, such as information technology, legal services, human resources, and finance. The parties have engaged in preliminary discussions regarding the level of sharing of various services with the expectation that some will be fully or partially shared, while others will be fully dedicated at the subsidiary level.

The parties have engaged in preliminary planning, with the assistance of LEK, through exploratory conversations with various functional leaders. The parties have determined that integration value will be achieved in at least three ways: (1) potential vendor combination; (2) expansion of functional breadth and depth; and (3) best practice sharing.

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. While the parties are still having preliminary discussions about resource sharing and therefore have not yet made specific plans, they have discussed the following hypothetical scenario, which is illustrative of the expected benefits of working together under HealthRight Group.

Both parties maintain contact centers that answer member calls, research and respond to inquiries, and resolve issues. CareOregon and SCAN experience seasonal variation in call demand, with peak call volumes that increase call hold time and call abandonment rates, which are two key performance metrics associated with member experience. Peak call months for CareOregon are January through March, and for SCAN are January through March, followed by October through December. The parties have discussed identifying a cadre of member service representatives from each organization that could be cross-trained to enable them to serve both CareOregon and SCAN members. This cross-trained team could be deployed on demand to address call volume peaks, thereby improving member service without causing either organization to retain expensive and less effective temporary staffing. This practice is known in the healthcare industry as "load balancing" and is regularly practiced by large health plans with contact center staffing across multiple geographies and time zones.

By way of reference, the average hourly rate for a temporary contact center agent in CareOregon's service areas is approximately $26.00 to $33.00 per hour, and across SCAN's service areas, the average rate is $28.00 per hour. Offshore temporary staffing for SCAN can sometimes be obtained for approximately $15.00 per hour (CareOregon does not have offshore temporary staffing). While these amounts help put into context the anticipated cost avoidance of not having to use temporary staffing, the most important anticipated value of member service team load balancing is improved service to CareOregon's and SCAN's members, as they will be served by well-trained team members committed to the combined missions of the organizations.

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, HealthRigth 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.

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. HealthRight will spend 100% of CareOregon's initial $50 million contribution to the Opportunities Fund on projects and services that directly benefit CareOregon and its members. All decisions regarding specific capital expenditures from the Opportunities Fund will be made by the newly constituted HealthRight Board, which will include the CareOregon-appointed members. While no specific commitments have been made, the parties have had preliminary discussions about several near-term investments that directly benefit CareOregon and its members, which are described in the chart below. For the avoidance of doubt, this chart is not a commitment to fund any of the programs; however, it does represent the parties' good faith expectations of the type and scale of investments to be made by the Opportunities Fund. In addition, the parties intend to look to CareOregon's existing relationships and partnerships in determining investments. The parties have not yet developed documents evidencing planned allocations and investments, such as market analyses and business plans.

Description	**Summary**	**Projected expenditure**
Program for All-Inclusive Care for the Elderly (PACE)	Implement a PACE program in collaboration with myPlace, a SCAN affiliate, or with another PACE program operator. Preliminary discussion has focused on an initial presence in the Eugene market, with the intent to open 2-3 additional Oregon sites within 5-10 years.	$9.5 million over 5 years for Eugene, OR, with $10 million of additional capital for each additional site.
Homeless Services Medical Group	Expand CareOregon's direct health care services offerings for Oregon's homeless populations, informed by	$15-$20 million, with $7 million representing startup

	SCAN's Healthcare in Action medical group for the homeless and based on the specific needs of Oregon communities.	costs and the remainder in ongoing program supports.
Primary Care Services	Expand CareOregon's existing primary care service offering (Housecall Providers) with a focus on improving access for underserved enrollees.	$10-$12 million, with $6 million representing in initial investment in program expansion and the remainder in ongoing program supports.
Wellness Visit and Palliative Care Medical Group	Begin offering wellness and palliative care services to CareOregon members, which may be through Housecall Providers (which is CareOregon's existing provider group) or via a standalone group.	$10-$15 million, with $5 million representing startup costs and the remainder in ongoing program supports.
Infrastructure Investments	See response to Inquiry V.A.3.	$10-$15 million.

HealthRight also anticipates allocating a substantial portion of CareOregon's subsequent annual contributions to the Opportunities Fund to projects and services that directly benefit Oregonians. However, there are no immediate plans to spend the entirety of the Opportunities Fund. Both organizations have historically maintained significant capital reserves to facilitate opportunistic investments and provide a financial cushion in times of economic uncertainty and given the often counter-cyclical nature of healthcare spend. HealthRight will continue to do so via the Opportunities Fund. HealthRight will allocate capital investments based on the benefits received by the respective affiliated organizations within the different states served by HealthRight.

For the most part, the parties do not anticipate that capital expenditures from the Opportunities Fund will be considered a claims cost for MLR purposes, nor is that the intent of the fund.

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).

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. Depending on CareOregon's ownership stake, we will benefit proportionally as the PACE entity is financially successful.

Population served: 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.

b. The spreading of costs over a larger membership. Produce any analyses, reports or other documents that explain and quantify the increased membership over

which costs would be spread, the incremental costs of servicing the increase in membership, the benefits to CareOregon of spreading costs over the increased membership, and the types of costs contemplated.

Response: This affiliation is not motivated by cost synergies. Nonetheless, in August 2021, PwC estimated that the base administrative spend for HealthRight could be 2-7% lower than our separate administrative costs. Houlihan Lokey produced financial projections that incorporated projections of both membership and overall administrative costs for the combined HealthRight organization.

As noted in response to Inquiry V.A.4, we have not conducted analyses to quantify cost impacts related to membership under HealthRight. Much of this type of analysis would require sharing of cost and other contract details that is not permitted prior to closing. Please also see our response to Inquiry V.A.3 for a description of the savings that the parties would expect if the combined entity pursued a CRM system.

c. Implementing the access and complex care platform.

Response: CareOregon and SCAN have discussed our shared belief that by working together we can do more for our members. We believe having a more robust complex care program that incorporates whole person demographic information and supports a more complete view of an individual's care would support our ability to identify member needs and mitigate disparities in care. We have not yet developed specific proposals for an access and complex care platform; however, we have had high level conversations about our desire to build on our collective strengths to develop or improve programs in Oregon.

CareOregon and SCAN anticipate that we will develop, expand or improve programs in Oregon and elsewhere, but have not yet developed specific proposals, associated timelines or projections for costs, financing, benefits or populations served. In our current work we focus on populations with high levels of need and those that have been ill-served by the health care system overall. We anticipate that we will continue to build programs and improve services for these populations, including those with complex comorbidities, including mental health and substance use disorder, in addition to members facing social barriers to care.

d. Independence at Home

Response: Independence at Home (IAH) is the community benefit arm of SCAN Health Plan of California that provides vitally needed services and support to seniors and their caregivers. Recent studies show that an increasing amount of health care services are being delivered in the home and while CareOregon and SCAN have not discussed how to draw on the success of SCAN's Independence at Home programs or developed any proposals for changing or expanding the

programs into Oregon, the parties have identified these types of programs as an area for future consideration. We have not discussed making any changes to CareOregon's charitable giving or other community benefit programs.

e. Healthcare in Action

Response: CareOregon and SCAN have not specifically discussed how to draw on the success of SCAN's Healthcare in Action, developed any proposals for expanding Healthcare in Action into Oregon, or considered how to build Oregon-specific programs based on learnings from Healthcare in Action's provision of direct medical care to patients experiencing homelessness in California.

However, homelessness is a recognized issue in Oregon and implementing some form of "street medicine" could benefit many of the over 6,400 Oregonians experiencing homelessness, including those who are CareOregon members, OHP members of other CCOs, and non-covered Oregonians. Benefits could include improved access to care and health outcomes for homeless individuals and reduced costs for payers. The Providence Center for Outcomes Research and Education (CORE) used Medicaid claims data to determine:[2]

- Health systems costs dropped 12 percent overall for individuals who entered affordable housing. Costs were reduced for all populations, including families, individuals in permanent supportive housing, and seniors and people with disabilities.
- Site of care shifted for newly housed individuals, with primary care use increasing by 20 percent and emergency department visits dropping 18 percent.
- Residents reported that access to care and quality of care improved once they were housed.
- Health care services integrated into housing was a driver of lower health care costs and decreased use of emergency department services.

In another CORE study, recuperative and recovery housing were associated with reduced inpatient readmissions and increased use of primary care for Portland-metro area Medicaid populations recovering from substance use disorders.[3]

f. MyPlace Health

Response. As discussed in response to Inquiry V.B.3.a, CareOregon became

[2] https://www.enterprisecommunity.org/sites/default/files/2021-06/Health%20in%20Housing%20Exploring%20the%20Intersection%20between%20Housing%20and%20Healthcare.pdf

[3] https://blog.providence.org/center-for-outcomes-research-education/core-study-shows-benefits-of-major-local-housing-for-health-initiative

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

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 planning ahead of such a release with the goal of being prepared to respond whenever the RFP becomes available. DHS has also not yet released timeframes for interested parties to respond 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.

We expect this program to directly benefit Oregonians who are age 55 or older, living in a PACE service area and certified by the state to need a nursing home level of care.

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 to investigate locations not currently in our service areas 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 directly serving high need individuals in a new geography, we see this as a means to bolster a longer-term argument that our model would benefit PACE eligibles in the Portland Metro area. Depending on CareOregon's ownership stake, we will benefit proportionally as the PACE entity is financially successful.

g. The Residentialist Group

Response: The Residentialist Group was acquired by SCAN and renamed Homebase Medical in 2022. Homebase Medical provides palliative care, chronic disease management, care transition management, and in-depth personal health assessments to people in their homes. CareOregon owns Housecall Providers, which provides primary care, advanced illness care and hospice services in patients' homes, residential settings and adult care homes. CareOregon and SCAN have not discussed combining these entities or bringing Homebase Medical into Oregon.

CareOregon and SCAN are not anticipating bringing Homebase Medical to Oregon. The CareOregon-owned Housecall Providers currently provides in-

home care to adults living in the Portland-metro area (Clackamas, Multnomah and Washington counties) who have difficulty accessing care due to complex medical conditions. Housecall Providers currently serves an average of 1,785 Oregonians at a time (average daily censuses: 1,510 in home-based primary care; 130 in home-based advance illness palliative care; 125 in home-based hospice). The average participant is in their mid-70s, although we serve individuals from age 19 to 110. Approximately 32 percent of Housecall Providers patients are CareOregon members (63% of those are dual Medicare-Medicaid members, while the other 37% are Medicaid-only members). Housecall Providers also sees other Medicare members, including those in fee-for-service and individuals enrolled in non-CareOregon Medicare Advantage plans.

h. Value based payment methodologies

Response: Value-based care is a critical tool for working with providers to establish meaningful quality and cost controls. SCAN has a long history working with their network on value-based care metrics and management, which could enhance CareOregon's ability to empower our network partners to serve our membership. CareOregon and SCAN have identified value-based payment methodologies as a potential area of future collaboration. However, it would be premature to have discussions regarding the development or implementation of specific value-based payment methodologies in Oregon or elsewhere, as the integration work is still in its preliminary phases.

i. Health equity programs and initiatives

Response: While CareOregon and SCAN have not jointly established any specific programs or initiatives related to health equity matters, health equity is very important to each organization. Even as separate organizations, CareOregon and SCAN have together taken action to respond to the issues facing low-income consumers. In June, both CareOregon and SCAN made grants to RIP Medical Debt, a national nonprofit that acquires medical debts belonging to people who are financially burdened and then abolishes those debts. All the recipients of the debt relief have a household income at or below 400% of federal poverty guidelines or have medical debt representing 5% or more of their annual household income. SCAN's grant to RIP Medical Debt was in the amount of $285,000 and CareOregon's grant to RIP Medical Debt was $60,000, and the organizations designated their funding to abolishing medical debt in the geographies that each organization respectively serves. RIP Medical Debt used the grants from CareOregon and SCAN to purchase and abolish $110 million in medical debt that previously burdened nearly 70,000 people across Arizona, California, Nevada, Oregon and Texas. CareOregon and SCAN's joint grants to RIP Medical Debt is an example of the type of work that the organizations will seek to do together under HealthRight as part of their shared commitment to health equity and to removing barriers that prevent people from accessing healthcare.

j. IT system integration for human resources, financial planning and budgeting

Response:

*HR***:** CareOregon and SCAN have agreed to move to a centralized human resources function with a single human resources information system (HRIS) for all parts of HealthRight Group. CareOregon and SCAN plan to begin operating on a single HRIS by January 1, 2025. We have not developed cost projections or financing details, as we are not in a position to exchange pricing information prior to the close of the transaction. Implementing an HRIS for HealthRight will not impact medical expenses for any of our lines of business. CareOregon and SCAN anticipate that any system changes will benefit their collective employees, as well as result in administrative cost savings.

*Finance/Budget***:** We have had high level conversations about financial planning and budgeting technology needs but have not yet developed specific proposals, associated timelines or projections for costs, financing, benefits or populations served.

k. Customer relationship management platform

Response: Please see our response to Inquiry V.A.3.

l. New investments in health care delivery and supports that will allow CareOregon to serve more Oregonians in underserved geographies and/or populations.

Response: Other than PACE, which is discussed in subsection (a), CareOregon and SCAN have not made decisions related to new investments in health care delivery or supports under the HealthRight Group banner.

m. Any other programs or plans to invest significant funds in Oregon to continue and expand upon the missions of CareOregon and HealthRight and promote access to quality health care, improve health outcomes and health equity in Oregon.

Response: Please see response Inquiry V.B.1 above.

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 identifed 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: At this time, the parties have not engaged in the specific planning necessary to address these questions, due to antitrust regulations. It should be noted that CareOregon currently has robust infrastructure and resources devoted to quality improvement; provider network management and partnership; and assuring member access to care and service. SCAN has a similar commitment to these functions on behalf of its members. The parties anticipate collaboratively pursuing further assessment and development of these opportunities once the transaction has received full regulatory approval.

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

Response. See response to Inquiry V.B.1 above.

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.

Response. See response to Inquiry V.B.1 above.

b. What is the rationale for SCAN's control over the HealthRight Fund?

Response. As part of this transaction CareOregon is appointing four board members to HealthRight. This will give CareOregon a strong voice in how funds within the Opportunities Fund will be deployed. The intent of the Opportunities Fund is to make organization-wide investments in projects and services that neither SCAN nor CareOregon could make on its own or would benefit from the combined organization's scale, knowledge or infrastructure. As such, the Opportunities Fund would not serve its primary purpose if funds were siloed among SCAN, CareOregon and HealthRight.

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. SCAN Group and CareOregon share the goal of combining two premier nonprofit managed care organizations under common governance and

management. While other transaction structures that do not involve a change of control might have been appropriate if the parties' intent was simply to share services, such structures would not enable the types of investments and program improvements that will result from the proposed affiliation. Plainly stated, the HealthRight combination allows each of CareOregon and SCAN to continue to do more of what they currently do as standalone entities.

As described in more detail elsewhere in our response, the parties believe that, as a combined organization, HealthRight will be better positioned to make the investments necessary to keep each organization at the forefront of managed care delivery in their respective service areas. As separate entities with separate budgets and separate capital reserves, SCAN and CareOregon would remain vulnerable to increased competition from national and superregional managed care providers who have much larger enrollment across several different markets and product lines. This larger scale allows for spreading of administrative costs across a larger membership, hedging against product-specific declines, and facilitating investments and knowledge sharing. SCAN and CareOregon firmly believe that this transaction will replicate many of the advantages of the larger competitor entities while allowing each organization to remain firmly rooted in the communities they currently serve. This would not be possible without the proposed affiliation between the parties.

The parties believe that this effort aligns well with the goals of Oregon's Coordinated Care model and the needs of the people of Oregon. Far from a mere service arrangement, the affiliation of SCAN Group and CareOregon under the HealthRight parent, governed by representatives from both organizations, will allow both organizations to optimize the delivery of services to their members by combining their respective management, experience, know how, skill sets and other assets in a single managed care system. HealthRight will be operated through uniquely regional nonprofit entities that know, respect, and can best accommodate and serve the needs of their respective local populations and, in the case of CCOs, have boards that include community representatives.

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: See the response to Inquiry V.A.4 above**.** The parties are in the early stages of developing an integration plan. Based on these preliminary discussions, SCAN and CareOregon anticipate that there will be shared services functions, such as information technology, legal services, human resources, and finance. As noted above, within the bounds of antitrust regulations, the parties are exploring which services should be fully or partially shared and which services should reside within subsidiary lines of business. The Administrative Services Agreement will be written in a manner to appropriately address these decisions.

VI. GENERAL INQUIRIES

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 D 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 circumstance that led to SCAN recording of a premium deficiency reserve (PDR) in December 2021 was the launch of a negative margin product. The product was intended to drive growth, but SCAN ended up with membership that exceeded its

expectations and projections. SCAN has mitigated the margin on that specific product and has no intention of introducing any new negative margin products in the future. As of December 31, 2022, SCAN had $189 million of liquid equity, so it does not expect to encounter a liquidity crisis. SCAN also has a material amount of liquid equity within its health plan entities.

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: At year-end 2022, SCAN Group had $189 million of liquid equity, so SCAN Group does not expect to encounter a liquidity crisis. SCAN Group also has a material amount of liquid equity within its health plan entities. See also the response to Inquiry VI.6, above.

INQUIRY VI.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.

Response: SCAN Health Plan's mission is to keep seniors healthy and independent. The SCAN Foundation's mission is to advance a coordinated and easily navigated system of high-quality services for older adults that preserve dignity and independence. The SCAN Foundation's strategic framework established three thematic goals for the organization: (1) to establish person-centered, integrated models as the standard of care that all order adults with complex needs come to expect and receive, (2) to build resilience and capacity in older adults, families, and communities and (3) to drive responsive federal and state financing policies to create meaningful care choices for older adults of today and tomorrow.

The SCAN Foundation has specific initiatives to advance these thematic goals, each of which also supports SCAN Health Plan's mission to keep seniors healthy and independent. The initiatives include:

- *Paying for Nonmedical Needs*. Medicare Advantage plans have significant flexibility in designing Special Supplemental Benefits for the Chronically Ill (SSBCI) that meet the individual needs of enrollees. To achieve long-term adoption of SSBCI in a manner that improves health care for the chronically ill, Medicare Advantage payers and providers needed new principles to guide the implementation. The SCAN Foundation issued a grant for ATI Advisory (ATI) and the Long-Term Quality Alliance (LTQA) to lead national efforts to advance person-centered, non-medical supplemental benefits in Medicare Advantage.

- *Advance Health Equity in Aging*: Launched in October 2022, this initiative aims to reduce health inequities and improve the lives of older adults from historically marginalized communities, with an emphasis on older adults of color. In summer 2023, The SCAN Foundation is convening a summit for individuals and organizations interested in and working at the intersection of aging, disability, racial equity, and social justice.
- *Innovating for Medicare Beneficiaries*: States can position themselves to improve equitable access to high-quality care and services for the Medicare population. Establishing the infrastructure needed to build and sustain Medicare capacity over time will help states develop the expertise to create innovative models of care. The SCAN Foundation has funded the Medicare Academy, which helps participating states build the Medicare knowledge they need to: (1) develop and oversee Medicare-Medicaid integration programs; and (2) engage in longer-term policy and program refinement.
- *Multisector Plan for Aging:* The SCAN Foundation has championed the concept of a Master Plan for Aging since 2014. In June 2019, California Governor Gavin Newsom issued an Executive Order calling for a Master Plan for Aging—keeping a promise to voters made during his gubernatorial campaign. With seven other California foundations, the SCAN Foundation established a joint fund to support the Master Plan's creation.

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.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.

Response: The parties intend to consolidate enterprise risk management (ERM) programs at the HealthRight level. At this time, the parties have agreed that there will be a Chief Risk Officer (CRO) at HealthRight and that separate compliance officers will be appointed for the Medicare and Medicaid lines of business The Medicaid compliance officer will serve as the compliance officer for both CareOregon's CCOs. The parties have further agreed that selected enterprise risk management activities such as Internal Audit, Special

Investigations related to fraud, waste, and abuse, and Information Privacy will be managed as shared services within HealthRight. The compliance officers will operate in a matrixed management structure with accountability to both the CRO and to the Presidents of the Medicare and Medicaid divisions. They will be responsible for their respective compliance programs and attendant staff within their respective business lines and will act as liaisons to the shared ERM functions at HealthRight.

b. Where will the Chief Risk Officer(s) reside?

Response: The CRO will be an employee of HealthRight.

c. Which Boards will be responsible for overseeing risk management?

Response: The Audit Committee of the HealthRight board of directors will be ultimately responsible for overseeing risk management, with appropriate delegation of selected oversight responsibilities to the governing boards of CareOregon, the CCOs, or other subsidiary business units, as required. The CO Board will receive regular reports from the HealthRight CRO, Medicaid compliance officer and/or their respective designees on the risk management program and oversight of CareOregon and the CCOs.

d. What will the scope of their responsibilities be?

Response: The Audit Committee of the HealthRight board of directors will be responsible for overseeing the organization's risk management programs and ensuring that such programs address and manage the full scope of strategic, financial, operational, and compliance risks relevant to the work of HealthRight and its subsidiaries. The Audit Committee will delegate certain of its responsibilities to the CO Board, CCO boards, or other subsidiary boards as is appropriate and/or required to assure good governance and full compliance with all laws and regulations.