

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

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Date Mailed: March 31, 2025

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

In the Matter of the Proposed	)	Proposed Order
Material Change Transaction of	)	
RGH Enterprises, LLC and	)	Transaction ID: 045
ADS Parent LLC.	)	

This Order resolves the Notice of Material Change Transaction (“Notice”) filed by RGH Enterprises, LLC dba Edgepark Medical Supplies (“RGH” or “Edgepark”), a subsidiary of Cardinal Health, Inc. (“Cardinal”) with respect to acquiring ADS Parent LLC (“ADS Parent”). Cardinal and ADS Parent are collectively referred to herein as, “the Entities.” RGH filed the Notice with the Oregon Health Authority (“OHA”) under the Health Care Market Oversight Program pursuant to Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On February 13, 2025, OHA confirmed receipt of a complete Notice in compliance with OAR 409-070-0030 and -0045. Pursuant to ORS 415.501(5) and OAR 409-070-0055, OHA timely conducted a preliminary review of the proposed transaction. OHA’s review analyzed the potential impact of the transaction in four domains: cost, access, quality, and equity. The analysis followed guidelines and methods set out in the Health Care Market Oversight Analytic Framework (see <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/OHA-HCMO-Analytic-Framework-FINAL.pdf>), which is grounded in the goals, standards, and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085. OHA’s analysis is be posted to the HCMO website at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notices-and-reviews.aspx> and is incorporated herein by reference. A public comment period was open from February 13, 2025, to March 31, 2025. OHA received no public comments.

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

## FINDINGS OF FACT

### OHA FINDS that:

1. On or about December 13, 2024, RGH filed an incomplete Notice with OHA.
2. Between December 24, 2024, and February 5, 2025, OHA provided guidance to RGH about submission requirements.
3. On or about February 13, 2024, OHA confirmed receipt of a complete Notice and commenced the preliminary review pursuant to OAR 409-070-0055.
4. OHA held a public comment period from February 13, 2024, through March 31, 2025, and received no public comments.
5. RGH is an Ohio limited liability company and wholly owned subsidiary of Cardinal. RGH has two core business segments: Edgepark and at-Home. RGH operates as a national mail order direct-to-consumer supplier of medical products, and is licensed in Oregon for home medical equipment, pharmacy, and wholesale distribution.
6. Cardinal is a large for-profit corporation headquartered in Dublin, Ohio, and wholly owns RGH. Cardinal provides global healthcare services and products to hospitals, healthcare systems, pharmacies, ambulatory surgery centers, clinical laboratories, physicians' offices, and patients at home. Cardinal serves 90% of hospitals in the United States and services over 5 million patients in home.
7. In Oregon, RGH's Edgepark and at-Home business segments are a part of Cardinal's at-Home solutions division that focuses on supporting patient care in home settings.
8. Edgepark specializes in direct-to-patient distribution of medical supplies, targeting individuals managing chronic conditions such as diabetes, incontinence, wound care, ostomy, urology, and respiratory support. It is specifically known for its diabetes supplies offerings, including continuous glucose monitors (CGMs).
9. ADS is a Delaware limited liability company formed on November 12, 2020, and is a national direct-to-consumer supplier of diabetes medical supplies, including CGMs, insulin pumps, testing strips, and other supplies. ADS is headquartered in Carlsbad, California. In Oregon, ADS operates through three subsidiaries:
  - a. North Coast Medical Supply LLC dba Advanced Diabetes Supply;
  - b. US Med LLC; and
  - c. United States Medical Supply LLC.
10. ADS operates as a fully mail order and online direct-to-consumer business with no physical retail locations.

11. On November 11, 2024, the Entities executed an Agreement and Plan of Merger outlining the terms of the proposed transaction whereby Cardinal, through its subsidiary RGH, would acquire ADS.
12. The Entities state the following in the notice and supplemental filings with OHA:
  - a. This transaction will bring together two suppliers with complementary strengths and will enable the combined business to become more competitive to better meet patients' needs.
  - b. ADS offers the ability for Edgepark to diversify its payer mix.
  - c. Entities anticipate completing integration of ADS and Edgepark within approximately 24 months post-closing.
  - d. The diabetes supply distribution market is highly fragmented with at least 3 other national broadline suppliers, numerous regional and specialty suppliers, and mail-order and retail pharmacies.
  - e. ADS will continue to cover diabetes test strips and related supplies for Medicare FFS members under existing agreements.
  - f. Edgepark will evaluate the potential reactivation of diabetes test strips and related supplies for Medicare beneficiaries as part of its post-closing integration plan.
  - g. Entities will continue to offer all brands and models of CGMs they currently offer.
  - h. Access to CGMs is associated with improved health outcomes in diabetes through, among other benefits, improved blood sugar monitoring and reduced hospitalization. By improving CGM access, the proposed transaction will positively impact health outcomes for Oregonians.
  - i. The proposed transaction will allow the combined company to more effectively compete by lowering costs and applying the learnings and systems that ADS has developed to improve customer service to Edgepark.
13. The current Oregon market for both the CGM and the combined CGM/test strips is highly concentrated with an increase in concentration expected post-closing. The Herfindahl-Hirschman Index (HHI), a measure of market consolidation, for the CGM market is 2,874 with a post-transaction HHI increase of 369. Expanding the product market to include test strips results in an HHI of 3,255, with a post-transaction HHI increase of 101.
14. For CGMs in Oregon, ADS currently accounts for 18% of the market and Edgepark accounts for 10% of the market. Another competitor holds 48% of the market with a number of other entities collectively accounting for the remaining 23% of the market. In Oregon's CGM/test strip market, ADS currently accounts for 5% of the market, Edgepark for 9% of the market, and another competitor holding 54% of the market.

## CONCLUSIONS OF LAW

1. The Notice is supported by the required documentation and meets the requirements of the Health Care Market Oversight Program rules for approval with respect to acquisitions of health care Entities pursuant to ORS 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.
2. OHA finds that:
  - a. The material change transaction is not likely to substantially alter the delivery of health care in Oregon as long as the Entities comply with the Approval Conditions enumerated below.
    - i. While the proposed transaction will combine the second and third largest suppliers of CGMs in Oregon and increase consolidation in an already highly consolidated market, the dominant competitor will maintain significant market share over the combined ADS and Edgepark entity.
    - ii. OHA does not have specific concerns regarding cost as Medicare fee-for-service accounts for most of the affected business, which operates on a set fee schedule. OHA has some concern regarding access for Medicare fee-for-service members to diabetes supplies outside of CGMs as Cardinal does not currently participate in Medicare for such supplies.
    - iii. OHA also has concerns about maintaining the same level of customer experience given the significant Medicare fee-for-service population served and the reduction in competition.
    - iv. OHA has thus imposed conditions on its approval of this transaction to address these concerns. Numerous alternative options, including a strong competitor entity, will also continue to exist in the market for patients.

## ORDER AND CONDITIONS

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

1. The transaction is hereby APPROVED WITH CONDITIONS upon the basis of the information contained in the Notice of Material Change Transaction to date. For the avoidance of doubt, the “transacting parties” herein refers to RGH Enterprises, LLC, Aztecs Acquisitionco, LLC, and ADS Parent, LLC.
2. This Order shall be conditioned upon and subject to the following:

- a. The transacting parties shall complete the Transaction consistent with the Notice and as conditionally approved by OHA.
- b. The transacting parties shall adhere to the representations made in the notice and subsequent filings with OHA.
- c. The transacting parties shall not modify any definitive agreement without the prior consent of OHA. If any modification to the Agreement is proposed, it shall be presented to OHA no later than fifteen (15) days before the scheduled closing of the Transaction.
- d. Twelve (12) months from the date the Transaction closes, the transacting parties shall file an integration plan with OHA that addresses the planned integration of ADS and Edgepark over an estimated 24 months. This integration plan must include the anticipated timeline and milestones of the integration and, at minimum, any integration of the following:
  - i. ordering platforms,
  - ii. customer service operations,
  - iii. insurance approval,
  - iv. patient billing,
  - v. other back-office capabilities,
  - vi. changes to staffing or leadership, and
  - vii. performance metrics.
- e. Twenty-four (24) months following the date the Transaction closes, the transacting parties shall file a status report with OHA on each element of the planned integration as outlined in the integration plan submitted to OHA pursuant to Condition No. 2.d.
- f. For a period of five (5) years following close of the transaction, the transacting parties shall continue ADS' participation in Medicare fee-for-service as related to diabetes supplies to the same extent as ADS' current participation. Following the integration of ADS and Edgepark (i.e., approximately twenty-four months into the 5-year period), this condition shall apply across the combined entity for the remainder of the 5-year period.
- g. For a period of five (5) years, the transacting parties shall submit an annual report to OHA demonstrating compliance with these Conditions and specifically address the subsections below. The first such report shall be due twelve (12) months following the date the Transaction closes, with each subsequent report due on the

same date each year (i.e. if the transaction closes on May 1, 2025, the first report shall be due May 1, 2026, the second report shall be due May 1, 2027, and so on).

- i. Performance for each year on the following performance metrics as currently tracked by the transacting parties. If performance for any year drops below prior year performance (beginning with a prior year of 2024 for the first report), provide an explanation for the drop, plan to improve performance, and reporting on status and outcome of the performance plan in the following year report. If performance metrics become integrated across Edgepark and ADS operations, explain the change and report on the unified metric.
    1. Insurance verifications completed within 24 hours.
    2. Orders shipped within 1 business days of insurance approval.
    3. National Promoter Score.
    4. Customer Satisfaction Score.
    5. First Call Resolution time.
    6. Customer complaints resolved within 14 days.
    7. Claims denial rate.
    8. Customer call abandon rate.
  - ii. Status and verification of Medicare enrollment and billing status for ADS.
  - iii. Scope of Medicare coverage provided by ADS.
  - iv. Status and verification of Medicare enrollment and billing status for Edgepark.
  - v. Scope of Medicare coverage provided by Edgepark.
3. The Entities shall notify OHA within one (1) business day following completion of the Transaction by email to [hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov).

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

OHA reserves the right to enforce the Conditions set forth herein to the fullest extent provided by the law. In addition to civil penalties and any legal remedies available, OHA shall be entitled to specific performance, injunctive relief, and such other equitable remedies as a court may deem appropriate for breach of these Conditions.

OHA is required to analyze and publish the Entities' compliance with Conditions placed on the Transaction and to assess the impact of the Transaction under ORS 415.501(19) and (20), and OHA is required to publish its analyses and conclusions.

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

### **NOTICE OF RIGHT TO REQUEST A HEARING**

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

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

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

[hcmo.info@oha.oregon.gov](mailto:hcmo.info@oha.oregon.gov)

or

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

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

If you fail to request a hearing within the time allowed, if you request a hearing and subsequently withdraw your request for a hearing, if you request a hearing and fail to appear for the hearing, or if a hearing is scheduled and you later notify OHA that you will not appear at the specified time and place, you will have waived your right to a hearing, and this proposed order will become a final order by default. If OHA issues a final order by default, it designates its file on this matter,

including all materials that you have submitted relating to this matter, as the record in this case for purposes of proving a prima facie case.

Dated this 31 day of March, 2025

A handwritten signature in blue ink, appearing to read "Sarah E. Bartelmann", written over a horizontal line.

Sarah Bartelmann, MPH

Cost Programs Manager  
Oregon Health Authority

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