

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

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

In the Matter of the Proposed)	Proposed Findings of Fact, Conclusions
Material Change Transaction of)	of Law, and Final Order
Radia Inc., P.S. and)	
Medford Radiological Group, PC)	Transaction ID: 007

The Oregon Health Authority (OHA) is the state agency charged with operating the Health Care Market Oversight Program under Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On January 31, 2023, OHA confirmed receipt of a complete Notice of Material Change Transaction 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 409-070-000 through OAR 409-070-0085. OHA's analysis will be posted to the HCMO website at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notice-and-reviews.aspx>. A public comment period was open from February 1, 2023, through February 14, 2023. OHA did not receive any public comments regarding this transaction.

Now, therefore, upon due consideration of the circumstances, including the Notice of Material Change Transaction, documentation filed in support of the Notice of Material Change Transaction, databases maintained by OHA, databases maintained by federal agencies, websites of the entities involved in the transaction, press reports, academic research articles, and other publicly available reports, OHA enters the following Findings of Fact, Conclusions of Law, and Order.

FINDINGS OF FACT

OHA FINDS that:

1. On or about December 29, 2022, Radia Inc., P.S. ("Radia" or "Entity") filed with OHA, Health Care Market Oversight Program ("HCMO"), a Notice of Material Change Transaction ("Notice") regarding the planned acquisition by Radia of Medford Radiological Group, PC ("MRG"). Radia and MRG are sometimes referred to collectively as the "Entities."
2. On or about January 5, 2023, OHA notified the Entity that the submission was incomplete, provided guidance about submission requirements, and requested additional information.

3. On or about January 31, 2023, OHA notified the Entity it received all requested information and confirmed receipt of a complete Notice. OHA commenced the preliminary review pursuant to OAR 409-070-0055 and communicated that the review would be completed on or before March 2, 2023, unless extended in accordance with applicable statutes and administrative rules.
4. OHA accepted public comments on the transaction from February 1, 2023, through February 14, 2023. OHA did not receive any public comments.
5. Radia is a physician group practice organized as a Washington State professional corporation and headquartered in Lynnwood, Washington. Radia was created in 1997 through a merger between Puget Sound Radiology and Radiology Associates. Radia is owned and controlled by physician radiologists licensed in Washington, Oregon, and other states. Radia provides professional radiology services to patients at hospitals, health systems, and imaging centers. While most of Radia's services are provided in Washington, Radia also serves patients and health care facilities in Alaska, Arkansas, California, Idaho, and Oregon. Radia provides more than 3 million services to 1.55 million patients annually and employs 228 physicians.
6. MRG is a physician group practice organized as an Oregon professional services corporation and headquartered in Medford, Oregon. Founded in 1948, MRG provides professional radiology services in southern Oregon and northern California. MRG is owned and controlled by physician radiologists licensed in Oregon. In 2022, MRG provided diagnostic imaging and interventional radiology services for more than 125,000 patients. It currently employs 15 physicians and four physician assistants located at clinics, hospitals, and imaging centers in Medford, Ashland, Central Point, Grants Pass, and Coos Bay.
7. MRG shareholders hold interests in two imaging center joint ventures. MRG participates in Cardiovascular Institute of Southern Oregon, a joint venture with Asante Health System and Southern Oregon Cardiologists to provide cardiac and interventional radiology services to patients at Asante Rogue Medical Center. MRG is also a participant in Oregon Advanced Imaging, a joint venture with Providence Health System that provides diagnostic imaging services.
8. Under the terms of the proposed transaction, Radia would acquire all outstanding shares of MRG in exchange for Radia shares. Radia and MRG would continue to be physician-owned group practices, and MRG would become a direct subsidiary of Radia. MRG physicians would become Radia employees with representation on Radia's board of directors for at least three years following closing. Cardiovascular Institute of Southern Oregon and Oregon Advanced Imaging would not be part of the transaction; MRG's shareholders would relinquish their stake in these two joint ventures. The Notice of Material Change Transaction, posted to the HCMO website, provides additional details on the terms of the proposed acquisition.
9. MRG's primary service area includes Medford, Grants Pass, Ashland, and surrounding rural areas in Jackson and Josephine counties. Based on OHA's analysis of claims data, MRG accounted for approximately one third of radiology procedures provided to patients residing in MRG's service area in 2018-2020. Service area residents accessed radiology services from more than 25 providers, including larger groups affiliated with Asante and Providence health systems, as well as numerous smaller clinics and practices.
10. MRG accounted for approximately 5% of all radiology procedures provided to Oregon patients in 2018-2020. The entities state that approximately 1% of Radia's patient care services are delivered to patients in Oregon. This represents less than 1% of radiology services delivered annually to Oregon patients. Nearly

all of Radia's services in Oregon are provided under an agreement between Radia and MRG by which Radia physicians interpret radiology images and prepare reports on MRG's behalf.

11. The entities state they intend to retain MRG's existing contracts with hospitals and third-party payers, including Coordinated Care Organizations, and anticipate that all current MRG physicians will continue to practice in MRG's service area.
12. The entities anticipate that the proposed transaction will enhance the combined practice's capacity to provide high-quality, cost-effective radiology services. They expect the transaction to increase access to diagnostic radiology services in southern Oregon, including specialized services such as breast MRI, cardiac MRI, pediatric radiology, screening mammography, and prostate imaging.
13. The proposed transaction will not lead to any significant consolidation *within* the market for radiology services in Oregon, because Radia currently provides very few services to Oregon patients. The transaction will create consolidation in radiology services *across* the Oregon and Washington state markets.
14. The entities maintain they do not intend to negotiate joint contracts with payers covering radiology services in both Oregon and Washington. Provided that the entities adhere to this representation and do not engage in such negotiation, the transaction is unlikely to lead to price increases in Oregon associated with cross-market consolidation.

CONCLUSIONS OF LAW

OHA concludes that:

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 unlikely to substantially reduce access to affordable health care in Oregon.
 - i. The proposed transaction will not lead to any significant consolidation within the market for radiology services in Oregon, because Radia currently provides very few services to Oregon patients. The entities represented that they do not intend to negotiate joint contracts covering radiology services in both Oregon and Washington. Radia and MRG anticipate that the proposed transaction will increase access to radiology services in southern Oregon. The entities represented that they expect to retain MRG's existing contracts with hospitals and third-party payers, including Coordinated Care Organizations, and anticipate that all current MRG physicians will continue to practice in MRG's service area.

- b. The material change transaction is not likely to substantially alter the delivery of health care in Oregon.
 - i. OHA estimates, based on information provided in the Notice, that Radia's services account for less than 1% of radiology services delivered annually to Oregon patients. Most of these services are provided under an agreement with MRG. Residents of MRG's service area in southern Oregon currently access radiology services from more than 25 providers. The entities stated that they intend to retain MRG's existing contracts with hospitals and third-party payers, including Coordinated Care Organizations, and anticipate that all current MRG physicians will continue to practice in MRG's service area.

ORDER

Based on the foregoing Findings of Fact and Conclusions of Law, the representations made in the Notice of Material Change Transaction and in the Entities correspondence with OHA, 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.
2. This Order shall be conditioned upon and subject to the following:
 - a. The Entities shall adhere to the representations made in the Notice of Material Change Transaction, dated December 29, 2022, and subsequent filings with OHA.
 - b. The Entities shall submit an annual report to OHA demonstrating compliance with these Conditions. The first such report shall be due to OHA 10 months following the close of the transaction. Subsequent reports shall be due at 12-month intervals from the date of the first report. Each report shall be based on the template provided by OHA and attached hereto as Exhibit A. The report shall address:
 - i. Contracts currently in effect between the entities and third parties (including hospitals, payers, and Coordinated Care Organizations);
 - ii. For the first four reporting years, the number of former MRG physicians on Radia's board.
 - c. These conditions shall remain in effect for five years from the transaction closing date.
3. The Entity shall notify OHA within one (1) business day following completion of the transaction by email to hcmo.info@oha.oregon.gov.
4. The Entity shall provide OHA with a copy of the final definitive agreement(s) relating to this transaction and a description of any differences from the term sheet included with your material change notice no later than 15 days prior to close of the transaction.

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 this Condition.

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). OHA is required to publish its' analyses and conclusions and include same in the annual health care cost and spending trend report under ORS 442.386(6).

Per OAR 409-070-0080, OHA may require the Entity 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 Order was personally served, mailed, or electronically transmitted to you, based on the date at the top of this document.

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

hcmo.info@oha.oregon.gov

or

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

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

If you fail to request a hearing within the time allowed, if you request a hearing and subsequently withdraw your request for a hearing, if you request a hearing and fail to appear for the hearing, or if a hearing is scheduled and you later notify OHA that you will not appear at the specified time and place, you will have waived your right to a hearing, and this proposed order will become a final order by default. If OHA issues a final order by default, it designates its file on this matter, including all materials that you have submitted relating to this matter, as the record in this case for purposes of proving a prima facie case.

Dated this 9th day of March 2023



Sarah Bartelmann, MPH
Health Care Market Oversight Program 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 00-452-8260, 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 toll-free telephone number.