

Health Care Market Oversight

Transaction 009

Samaritan Health-Norco

30-Day Review Summary Report

May 4, 2023



About this Report

This report summarizes analyses and findings from Oregon Health Authority’s preliminary (30-day) review of the proposed material change transaction of Samaritan Health Services and Norco. It accompanies the Findings of Fact, Conclusions of Law, and Final Order (“Preliminary Review Order”) issued by Oregon Health Authority on May 4, 2023. For legal requirements related to the proposed transaction, please reference the [order](#).

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

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

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Executive Summary

The [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they support statewide goals related to cost, equity, access, and quality. After completing a review, the Oregon Health Authority (OHA) issues a decision about whether a business deal, or transaction, involving a health care company should proceed. On April 6, 2023, OHA received a complete [notice of material change transaction](#) from Samaritan Health Services, Inc., a nonprofit corporation that operates an integrated health care delivery system of hospitals, clinics and health plans.

Proposed Transaction

Norco Inc., (“Norco”) a home medical equipment supplier operating in seven states including Oregon, is proposing to purchase the assets, both tangible and intangible, used in the business of Samaritan Medical Supplies, LLC (“SMS”), a durable medical equipment provider serving Newport, Corvallis and Lebanon, Oregon. Samaritan Health Services, Inc. (“Samaritan”), a nonprofit Oregon corporation that operates hospitals, clinics, health plans, and a coordinated care organization, is the sole member of Samaritan Medical Supplies, LLC. The entities are planning to finalize the transaction in May 2023, pending regulatory approval.

OHA’s Review

OHA conducted a preliminary review of the proposed transaction to assess the likely impact of the transaction across four domains: cost, access, quality, and equity. During the review, OHA reviewed documents filed, gathered background information about the companies involved, analyzed claims and other relevant data, and issued requests for additional information from the entities. OHA held a 14-day public comment period.

Key Findings



Cost

The proposed transaction is unlikely to increase costs to consumers. Although Norco has many locations in Oregon, it currently has no locations in the primary service areas of SMS and serves very few patients residing in those areas. The transaction will not lead to any significant consolidation within the primary service areas or across the statewide market for durable medical equipment and therefore is not expected to significantly increase Norco’s market leverage.



Access

Norco has committed to continuing to provide the same services in the four locations currently operated by SMS. Norco also intends to maintain contracts with payers and continue to serve patients with Medicare, commercial insurance and the Oregon Health Plan.



Quality

The proposed transaction is unlikely to impact the quality of care related to providing durable medical equipment to patients in the service areas.



Equity

The proposed transaction is unlikely to impact health equity, as the entities intend to continue the same services for the same patients.

Conclusions and Decision

Based on preliminary review findings, **OHA approved the transaction on May 4, 2023.** (See [order](#)). OHA made this decision based on these criteria:

The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon

Norco intends to maintain the same services and equipment at the four locations of SMS and intends to accept payment from all of SMS's current insurance plans, including Medicare and the Oregon Health Plan. The entities commit to providing the same level of access to durable medical equipment (DME) supplies as is currently available. Norco currently does not have locations in SMS's service areas. This transaction is unlikely to significantly impact costs or result in a significant increase of market leverage. This transaction is unlikely to affect the affordability of health care for patients.

OHA will monitor the impact of the transaction by conducting follow up analyses one year, two years, and five years after the business deal is completed. During these reviews, OHA will analyze the impact of the transaction on quality of care, access to care, affordability, and health equity, specifically following up on observations noted in the Findings & Potential Impacts section of the Review Summary Report. OHA will also assess whether the parties to the transaction have kept to the commitments stated in the notice of transaction regarding equity, cost, access, and quality of care.

Introduction

In 2021, the Oregon Legislature passed [House Bill 2362](#), giving the Oregon Health Authority (OHA) the responsibility to review and decide whether some transactions involving health care entities should proceed. In March 2022, OHA launched the Health Care Market Oversight program (HCMO). This program reviews proposed health care transactions such as mergers, acquisitions, and affiliations to ensure they support statewide goals related to cost, equity, access, and quality.

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

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

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

Proposed Transaction

On April 6, 2023, OHA confirmed receipt of a [Notice of Material Change Transaction](#) (“notice”) from Samaritan Health Services, Inc. (“Entity” or “Samaritan”), an integrated health system that operates hospitals, clinics, health plans, and medical equipment locations in Oregon. The notice describes plans to sell the assets used in Samaritan’s medical equipment business, Samaritan Medical Supplies, LLC (“SMS”), to Norco, Inc. (“Norco”), an industrial and medical supply company operating in seven states, including Oregon. (SMS and Norco are collectively referred to as “the entities” in this report.)

OHA reviewed the notice and determined, based on the facts in the notice, that the transaction is subject to review. The entities party to the transaction meet the revenue thresholds specified in [Oregon Administrative Rule \(OAR\) 409-070-0015](#), and the proposed transaction is otherwise covered by the program in accordance with [OAR 409-070-0010](#). After receipt of the complete notice, OHA began a preliminary review of the proposed transaction. Preliminary reviews must be completed within 30 days of OHA’s confirmation of receipt of a complete notice unless extended by mutual agreement with entities in accordance with applicable regulationsⁱ. This report describes the transaction, OHA’s approach to the review, its findings, and OHA’s conclusions based on these findings.

Samaritan Health Services

Samaritan is a non-profit corporation operating as a regional health system in Oregon serving Benton, Lincoln, Linn, Marion, and Polk counties.^{1 2} Samaritan was formed following a merger between Mid-Valley Healthcare, an integrated health care system in Lebanon, Oregon, and Samaritan, Inc. in Corvallis, Oregon, in 1997. Shortly thereafter, FirstCare Health, which was comprised of a hospital, physician group, and outpatient services located in Albany, Oregon, joined Samaritan. By 2002, Samaritan expanded to include two additional hospitals in the central Oregon coast region. These five affiliated hospitals, along with associated physician clinics and health plans, comprise Samaritan.³

Samaritan Health Services – Hospital Facilities	Location
Samaritan Lebanon Community Hospital	Lebanon, OR
Samaritan Albany General Hospital	Albany, OR
Good Samaritan Regional Medical Center	Corvallis, OR
Samaritan Pacific Communities Hospital	Newport, OR
Samaritan North Lincoln Hospital	Lincoln City, OR

Samaritan currently employs 6,000 individuals. In 2021, the system collected \$1.43 billion in revenue and expended approximately \$1.40 billion, resulting in nearly \$33 million of net income.⁴

ⁱ Pursuant to OAR 409-070-0055(4), when the 30th calendar day falls on a weekend, the deadline will fall on the first business day thereafter. Here, the 30th calendar day was Saturday, May 6, 2023. OHA informed the entities it will render its determination on or before Monday, May 8, 2023.

Samaritan serves more than 265,000 individuals with a wide array of medical services including inpatient care, outpatient services, urgent care, primary and specialty care, and other services. Samaritan headquarters are in Corvallis, Oregon.

Samaritan also owns Samaritan Health Plans, which operates a Medicare Advantage plan, as well as both small and large group employer plans for businesses. Samaritan Health Services is also affiliated with InterCommunity Health Network Coordination Care Organization (CCO), which since 2012 has served members enrolled in the Oregon Health Plan, Oregon’s Medicaid program.

Samaritan Medical Supplies

SMS is a subsidiary of Samaritan, which provides medical supplies to patients. SMS has a warehouse in Lebanon; operates four storefronts in Newport, Corvallis, and Lebanon; and employs 26 people. In 2022, SMS had annual revenue of \$9.8 million and served nearly 12,000 customers.⁵

Samaritan by the numbers

- 265,000 Oregon residents served
- 70,000 health plan members
- 6,000 employees
- 80 primary and specialty care clinics
- 5 hospitals
- 1 coordinated care organization: InterCommunity Health Network
- \$32.8 million net income (2021)
- \$161 million in charitable care & community benefit spending (2021)

Samaritan Medical Supplies Locations	Address
Corvallis	815 NW 9th St Suite 102, Corvallis, OR 97330
Corvallis	845 SW 30th St Suite 200, Corvallis, OR 97331
Lebanon	325 Industrial Way, Lebanon, OR 97355
Newport	2035 N Coast Hwy, Newport, OR 97365

Norco

Norco is a gas, welding, safety products, janitorial products and home medical equipment supplier that operates in seven states, including Oregon. Norco is an Idaho for-profit corporation, headquartered in Boise, Idaho, and owned by family trusts (65%) and the Norco Employee Stock Ownership Plan Trust (35%), which means it is a privately held, employee-owned company.

Established in 1984, Norco currently employs 1,200 individuals across 75 branch locations in Oregon, Idaho, Washington, Montana, Utah, Wyoming and Nevada. Norco also owns and operates two air separation plants.⁶

Fourteen Norco medical supply locations in Oregon serve approximately 59,000 patients and provide approximately 3,900 different types of durable medical equipment products annually. Norco’s Oregon revenue is approximately \$60 million.⁷

Norco Medical Supply Oregon Locations	Address
Baker City	1515 Campbell St. Baker City, OR 97814
Beaverton	2770 SW Cedar Hills Blvd. Beaverton, OR 97005
Bend	63024 Sherman Rd. Bend, OR 97703
Klamath Falls	3310 Washburn Way Klamath Falls, OR 97603
La Grande	3102 Island Ave. La Grande, OR 97850
La Pine	51456 Highway 97, Suite 1B La Pine, OR 97739
Milwaukie	4211 SE International Way, Suite A Milwaukie, OR 97222
Ontario	400 SE 10 th St. Ontario, OR 97914
Portland	1877 NE 7 th Ave. Portland, OR 97212
Prineville	807 NW Warehouse Way Prineville, OR 97754
Redmond	3039 S. Highway 97 Redmond, OR 97756
Salem	2685 Commercial St. NE Salem, OR 97301
Springfield	302 Shelley St. Springfield, OR 97477
The Dalles	333 Cherry Heights The Dalles, OR 97058

Transaction Terms

On March 3, 2023, Samaritan and Norco executed an [Asset Purchase Agreement](#) (“Agreement”) detailing the terms of the transaction. Samaritan proposes to sell assets, both tangible and intangible, of SMS to Norco for \$7.8 million, in an all-cash sale. Norco will pay \$5 million at closing and will pay the remaining \$2.8 million within 90 days of closing, upon verification of post-closing inventories and confirmation of purchased assets.⁸ Upon closing, Samaritan will transfer SMS assets to Norco, including:

- Inventory of durable medical equipment (“DME”) (such as wheelchairs, nebulizers, commodes, etc.)
- Personal property (such as office equipment, vehicles, furniture, and supplies)
- Patient accounts
- Books and records (including accounting, business models, customer and supplier lists, marketing plans, financial and technical information, trade secrets, referral sources, systems, processes, and computer software)
- Goodwill and other intangibles

Upon closing, Samaritan will not transfer any of its cash or cash equivalents; licenses, permits, or authorizations; phones and computers; or accounts receivable.

Rationale for the Transaction

Samaritan states it is seeking to cease DME operations, because this line of business has low profit margins and involves regulatory and supply chain challenges. Additionally, they believe that

patients will be better served by Norco, which specializes in DME. Samaritan has stated that this transaction will allow them to focus on other “core” aspects of their business.

Norco specializes in providing and billing DME, which takes significant expertise and resources to do compliantly. With this transaction, Samaritan will be able to focus more on its core mission of community health and wellness by rededicating resources it had allocated to DME elsewhere in the organization.

Post-Transaction Plans

The Agreement states:

Purchaser [Norco, Inc.] intends to maintain or expand the durable medical equipment business and services within the Seller’s service areas to meet the needs of Seller’s communities, including those who are insured by Medicare and Medicaid.

After the transaction, Samaritan’s DME locations will be integrated into Norco’s network of DME locations. Per the Agreement and statements made in the Notice, Norco intends to provide the same equipment and services within SMS’s service areas from the same SMS locations following the transaction’s close. Norco intends to accept the same insurance plans as SMS currently does, including Medicare and Medicaid.

The notice states:

Norco intends to hire as many current Samaritan DME employees as possible. There are no intended changes to DME services, staffing, new investments or other initiatives.

Samaritan further states:

The goal is for DME customers to not even notice the change other than the name on the door.

When asked specifically about how this transaction will impact Samaritan Health Plans and InterCommunity Health Network CCO members, Samaritan stated that after the transaction Samaritan Health Plans and InterCommunity Health Network CCO will contract with Norco, just like Samaritan currently does.

The Agreement also includes a provision that allows Samaritan to re-enter any product line or service if Norco is not providing adequate levels of service:

Seller will not engage in the business of Durable Medical Equipment in Seller’s service area for a period of five (5) years from the date of Closing; provided, however, that if, at any point and for any reason, Purchaser is unwilling or unable to provide adequate services to Seller’s service area, Seller may immediately reenter any product line or service that is not being provided by Purchaser upon mutual agreement.

Background: Durable Medical Equipment

Definition

Durable medical equipment, or DME, is a term used to describe a piece of equipment used by someone who is sick, injured or has a medical need. The equipment must withstand repeated use, as opposed to something designed for a single use. DME is also used in one's home for a medical reason and should last at least three years.⁹

Equipment that does not meet these criteria is generally not considered DME.

Payments for DME

DME suppliers such as SMS and Norco bill commercial health insurance companies, Medicare Advantage plans, original Medicare, and Oregon Health Plan for payment. DME suppliers may also sell other related health care goods directly to consumers without billing insurance companies or payers (e.g., latex gloves).

CMS publishes and routinely updates a fee schedule that lists every piece of durable medical equipment along with prosthetics, orthotics, and supplies (POS). The fee schedule includes the reimbursement amount range for each type of equipment for each state and for rural vs non-rural areas. There are also different rates based on whether the patient is renting the equipment or purchasing the equipment new or used.¹⁰ Reimbursement for DME provided to commercially insured patients is determined through negotiations between commercial insurers and DME suppliers.

Some DME suppliers explicitly commit to charging the Medicare-accepted amounts for Medicare members, which means the individual with Medicare does not have to pay anything out-of-pocket when obtaining a DME item from that supplier.

Examples of DME

- Breast pumps
- Canes
- Commode chairs
- Continuous Positive Airway Pressure (CPAP) machines
- Hospital beds
- Infusion pumps and supplies
- Oxygen equipment and accessories
- Patient lifts
- Traction equipment
- Walkers, wheelchairs and scooters

Findings & Potential Impacts

OHA compiled available data and information to understand and examine the potential impacts of the transaction across four domains: access, cost, quality, and equity. To assess the potential impacts of the proposed transaction on Oregon residents' equitable access to affordable care, OHA considered the following:

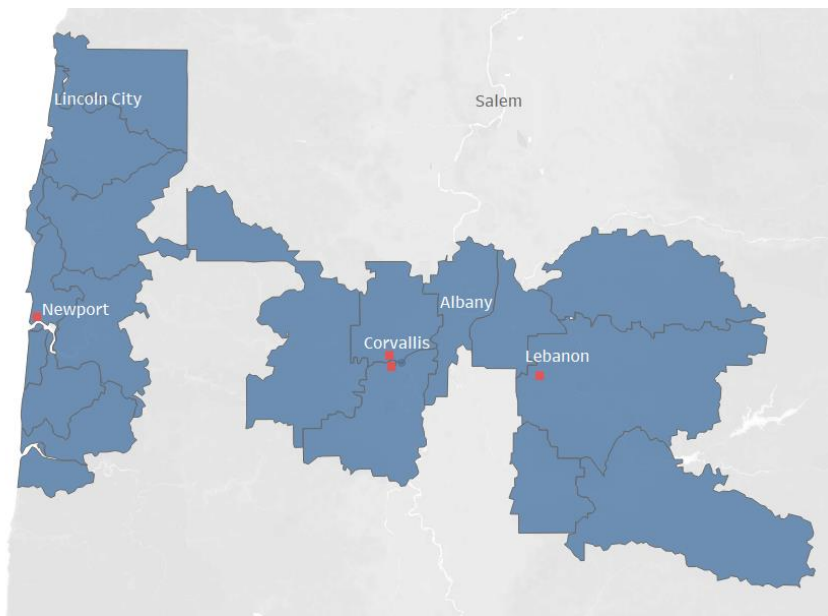
- Transaction terms
- Market characteristics
- Statements by the entities
- Public comments
- Publicly available data on DME suppliers.
- Data from Oregon's All Payer All Claims database, 2017-2020

The transaction is unlikely to impact access, cost, quality, and equity, because Norco will provide the same services to the same patients and contract with the same health plans and payers.

Overview

Samaritan Medical Services Service Areas

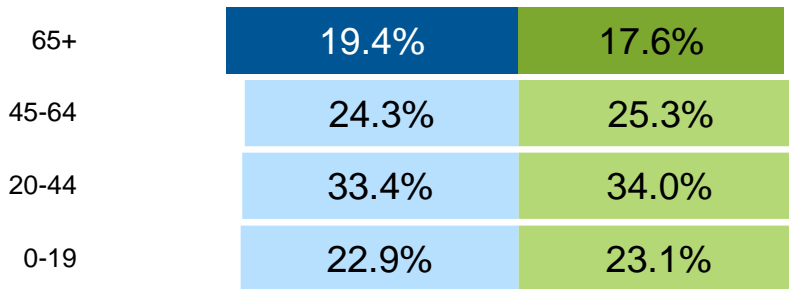
SMS has four locations: one in Newport, two in Corvallis, and one in Lebanon. OHA calculated the primary service area (PSA) for each SMS location. Each PSA includes the zip codes where most patients who are served by SMS reside. The primary service areas of the four locations significantly overlap. The map shows all four PSAs combined.



According to the most recently available data from the U.S. Census Bureau, 19% of the residents in the four SMS service areas are 65 years old or older. This figure is larger than the 18% of the population statewide who are 65 years old or older.¹¹

Service area population by age group:

Proportionally more residents in the **Samaritan PSAs** tend to be 65+ as compared to **Oregon residents**



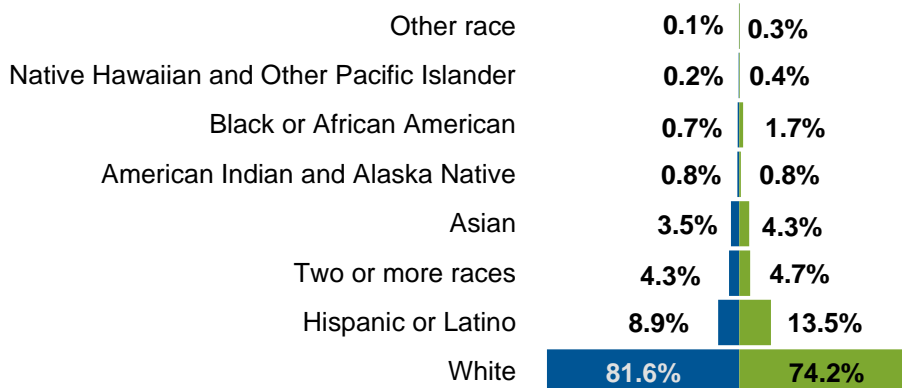
Additionally, 16% of residents in the four SMS service areas live with a disability, as compared to 14% statewide.¹²

Slightly more residents in the **Samaritan PSAs** are living with a disability, as compared to **Oregon residents**



The demographics of individuals residing in the SMS primary service areas are less diverse compared to the demographics of Oregon residents statewide. Relatively fewer individuals who are Hispanic or Latino, two or more races, Asian, Black or African American, Native Hawaiian and Other Pacific Islander, and Other race reside in the Samaritan PSAs.¹³

Residents in the **Samaritan PSAs** are less racially and ethnically diverse than **Oregon residents**



Note: All races listed in the graph are also not Hispanic or Latino.

Market Share & Consolidation

Over the 2017-2020 period, SMS provided roughly half of the DME items for people living in these four PSAs – more than any other DME supplier. There are at least five other DME suppliers in each PSA.

The four SMS locations operate in markets that are currently highly concentrated. The Herfindahl–Hirschman index (HHI), a measure of market consolidation, exceeded 2,500 in each of the four PSAs. See Appendix A for details on OHA’s methodology for calculating market shares and HHIs. However, Norco currently has very little presence in these markets and there are no Norco storefronts in the SMS primary service areas. From 2017 through 2020, Norco provided only 1% of DME products to patients residing in the four PSAs. Therefore, the acquisition will only slightly increase the level of consolidation for DME goods and services within the geographic areas served by SMS.ⁱⁱ

Samaritan is currently the largest DME supplier in the four service areas while **Norco** is a small share of the market in those areas



Statewide, the DME market is less consolidated. The HHI value is currently 740, which signifies a low level of consolidation. After the transaction, the HHI will increase to 844, which although higher, remains relatively low. The increase of 103 points means the transaction is associated with a moderate level of market consolidation.

Samaritan currently represents 4% of the statewide market for DME services, while **Norco** represents 14%



With the acquisition of SMS, Norco will go from the second largest DME supplier in the state to the largest DME supplier. Norco currently provides approximately 14% of DME supplies in the state. After the transaction, Norco will supply approximately 18% of DME supplies in the state.

OHA does not have concerns about the impact of the transaction on consolidation.

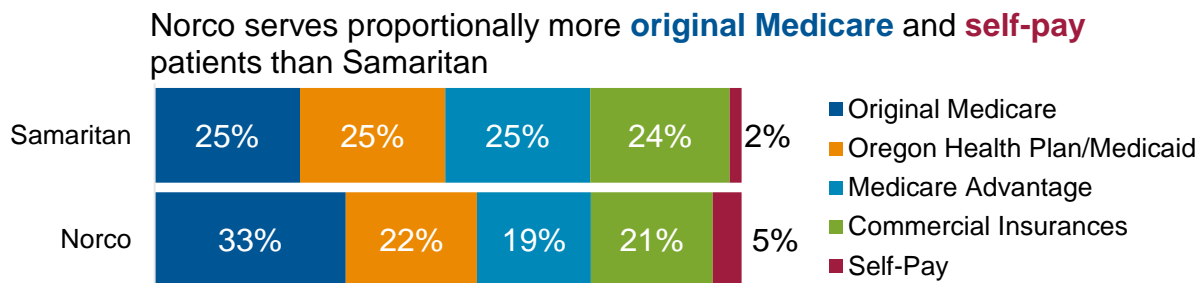
Norco has no locations and very little market presence in the current SMS service areas, and therefore this transaction does not significantly increase consolidation. Although the market for DME items in SMS’ service areas is highly concentrated, the transaction would only slightly increase the level of consolidation.

ⁱⁱ Some DME items can be shipped to patients’ homes, which may explain why 1% of DME products in the primary service areas come from Norco, despite the fact that Norco has no storefronts in those areas.

Access

SMS currently serves patients with a range of health care insurance coverage types and health care needs. In 2020, SMS served almost 10,000 individuals in the two Corvallis locations, more than 3,000 individuals in the Lebanon location, and almost 1,600 individuals in the Newport location.¹⁴

Payer mix shows the percentage of patients with original Medicare, Medicare Advantage, the Oregon Health Plan (also known as Medicaid), commercial insurance, and self-pay. The payer mix for Norco's Oregon locations and SMS are generally similar, although it's worth noting Norco serves proportionally more original Medicare and self-pay patients.



Source: Data from SHS, emailed on April 5, 2023

The entities stated in the notice that they do not expect any change in access to affordable health care in Oregon:

Norco will operate out of the same locations that Samaritan currently is, and provide the same services and equipment. The intent of the parties is to minimize any impact to customers to the greatest extent possible as highlighted by language in the Asset Purchase Agreement that "Purchaser intends to maintain or expand the durable medical equipment business and services within Seller's service areas to meet the needs of Seller's communities, including those who are insured by Medicare and Medicaid."

Different types of DME

The Center for Medicare & Medicaid Services publishes monthly datasets that list DME suppliers and the various types of equipment each supplier offers.¹⁵ After comparing the types of equipment offered by SMS and Norco, there were two that SMS offered but Norco did not: 1) diabetic shoes and inserts and 2) infrared heating pads systems and/or supplies.

The entities, however, clarified that only one of the four SMS locations currently offers diabetic shoes and inserts, and none of the locations provide infrared heating pads systems. In correspondences about these services, Norco also specified to OHA that "[w]e are also committed to continuing all carried services at this time."

Some equipment brands may require proprietary or specialized components (e.g., test strips for a specific blood glucose meter). It is possible that after the transaction, the equipment that Norco sells may differ from what SMS previously sold, which may require some patients to switch to a new brand if their previous brand is no longer sold at that location. Note, however, that in all service areas analyzed, there are other DME suppliers that patients may access if they desire a specific product that is no longer sold at one of the SMS locations, assuming their insurance covers the item from the competitor.

OHA does not have specific concerns about reductions in access to care resulting from this transaction.

The transaction is unlikely to reduce access to DME items and related supplies, as Norco will continue operating the SMS locations, provide the same services, and accept the same types of insurance coverage, including Medicare and Oregon Health Plan. OHA will monitor for any impacts to access in the required follow-up reports.

Cost

The transaction is unlikely to affect consumer costs. DME suppliers are paid by commercial health insurance companies, coordinated care organizations and Medicaid Open Card (in the case of Oregon Health Plan), the federal government (in the case of original Medicare), or directly by consumers. Because Norco has no locations in the immediate vicinity to the SMS locations, there are no horizontal consolidation effects from this transaction and therefore no significant increases in market leverage. As such, there are no cost concerns resulting from the transaction.

Additionally, the entities stated:

[Norco] will accept payment from all of Samaritan's current insurance plans, including Medicare and Medicaid, provide the same services, and operate out of the same locations.

Patients' Out-of-Pocket Costs

According to CMS' medical equipment and supplies online search tool, SMS is listed as a supplier that "charges the Medicare-approved amount (so you pay less out-of-pocket)." Norco locations do not have that specific designation in the CMS search tool.¹⁶

OHA asked the entities about the designation. The entities stated that they expect no changes to consumer out-of-pocket costs, the insurance plans they accept, or acceptance of Medicare-approved payments. They also do not anticipate changes to services, products, or equipment.

Norco stated that on "very rare" occasions, a request for more specialized equipment may result in Norco charging an amount that is higher than the Medicare-approved payment. In these cases, Norco stated that they would provide the patient with a Medicare form titled Advance Beneficiary Notice, which outlines the patient's responsibility "before they get the services so they can choose to continue or not as an educated customer."¹⁷

Cost Analysis

After extensive analysis on the allowed amounts associated with both the most commonly sold DME items and the most expensive DME items provided by SMS and Norco, OHA found no concerning trends. The transaction is unlikely to affect costs.

OHA does not have specific concerns about price or cost increases resulting from the transaction.

The transaction is unlikely to result in a significant increase of market leverage and therefore unlikely to affect patient costs. Norco has also committed to accepting payment from all of SMS's current insurance plans, including Medicaid and Medicare. OHA will monitor for any impacts to costs in the required follow-up reports.

Quality

Health care quality measures such as Healthcare Effectiveness Data and Information Set (HEDIS) measures and others published by the National Committee for Quality Assurance generally do not pertain to DME suppliers. The lack of standardized quality measures makes it challenging to assess Norco's or SMS' historical performance on quality, and any potential quality impacts from the transaction.

The U.S. Food and Drug Administration (FDA) monitors and approves the safety of medical devices. This oversight ensures medical device products, which may be sold by DME suppliers, maintain minimum health and safety requirements for patients.¹⁸

Entity statements about quality

The entities do not anticipate that the transaction will negatively affect health care quality or outcomes. In the notice, they state:

[The transaction] shouldn't impact health outcomes for residents. Samaritan currently provides DME equipment and services to patients and clients in our service area. After May 1 Norco will provide the same equipment and services at the same locations.¹⁹

Public Input

Input from customers provide for anecdotal evidence regarding DME suppliers' services. One member of the public provided comment about their experience as a Norco customer:

"I have been a user of Norco Inc. for supplies and maintenance of my bi-pap machine for over 8 years. The company has been consistently reliable in its provision of needed supplies -- mask cushions, mask frames, mask straps, filters, tubing, and water reservoir. I have no idea how competitive its prices are or how well the company has conformed to Medicare regulations.

During the recent Philips recall of several of its c-pap, bi-pap and home ventilators, I was not impressed by the information provided by Norco, Inc. to customers about the machines being recalled. It seemed to me that the company was doing everything it could to protect itself from any involvement in the recall, saying to customers that the recall was between the customer and Philips and that any information needed to come from Philips.

It was very concerning to me because I had one of the machines being recalled, and the information I had from Norco, Inc. from whom I had purchased the machine was insufficient in my opinion. I had the feeling that I was simply "on my own."

I would have expected that Norco, Inc. would have worked closely with Philips to provide the latest information about the recall and how one would go about getting help. Norco could have done better in my opinion.

This opinion arises out of my 28 years of experience on a hospital ethics committee dealing with medical ethical issues, in which communication was always an important factor in the delivery of good health care."

OHA does not have specific concerns about quality of care for this transaction.

The proposed transaction is unlikely to impact the quality of care related to providing DME to patients in the service areas. OHA will monitor for any impacts to quality in the required follow-up reports.

Equity

The SMS service area has a larger population of older adults (19.4%) and people living with disabilities (16.1%) than the statewide average for these populations (17.6% and 14.3%, respectively). Individuals with Medicare coverage – which is primarily for older adults and people with disabilities – comprise the largest share of Samaritan and Norco patients (about 50%). For these populations, access to affordable DME products is critically important. Research is limited on disparities in access to DME, but a recent study found inequities in access to high quality home health care for patients who are Black or Hispanic/ Latino, have low incomes, or live in marginalized neighborhoods.²⁰

OHA attempted to analyze DME patients' demographic information to assess the presence of any existing disparities or inequities, but the collection of patient demographic information by healthcare providers and insurance carriers does not yet consistently meet the standards of Race, Ethnicity, Language and Disability (REALD) and Sexual Orientation and Gender Identity (SOGI) reporting established by Oregon law. Consequently, OHA's ability to analyze existing quantitative data sources for disparities and health inequities experienced by individuals who access durable medical equipment services is currently limited.

“As a disabled person I have used both companies. I feel this would be beneficial for patients as it would be easier to submit claims for reimbursement.”

- Public Comment

OHA will monitor for ongoing impacts to health equity in the required follow-up reviews one, two, and five years after the transaction. Specifically, OHA will request information from Norco and solicit input from community members to understand how the transaction has affected individuals accessing DME products. As REALD and SOGI-compliant demographic data become more available, OHA will use these data to assess equity impacts.

OHA does not have specific concerns about equity for this transaction.

DME suppliers serve many different populations including individuals living with disabilities, individuals aged 65 and older, and more. Because access to DME products will not be substantially impacted by this transaction, OHA does not have concerns about this transaction worsening any health inequities related to accessing DME products. OHA will monitor for any impacts to equity in the required follow-up reports.

All Public Comments

The HCMO program solicited input from the public from April 6th through April 21st and received two comments regarding this proposed transaction.

One commenter stated:

“As a disabled person I have used both companies. I feel this would be beneficial for patients as it would be easier to submit claims for reimbursement.”

A second commenter stated:

“I have been a user of Norco Inc. for supplies and maintenance of my bi-pap machine for over 8 years. The company has been consistently reliable in its provision of needed supplies -- mask cushions, mask frames, mask straps, filters, tubing, and water reservoir. I have no idea how competitive its prices are or how well the company has conformed to Medicare regulations.

During the recent Philips recall of several of its c-pap, bi-pap and home ventilators, I was not impressed by the information provided by Norco, Inc. to customers about the machines being recalled. It seemed to me that the company was doing everything it could to protect itself from any involvement in the recall, saying to customers that the recall was between the customer and Philips and that any information needed to come from Philips.

It was very concerning to me because I had one of the machines being recalled, and the information I had from Norco, Inc. from whom I had purchased the machine was insufficient in my opinion. I had the feeling that I was simply "on my own."

I would have expected that Norco, Inc. would have worked closely with Philips to provide the latest information about the recall and how one would go about getting help. Norco could have done better in my opinion.

This opinion arises out of my 28 years of experience on a hospital ethics committee dealing with medical ethical issues, in which communication was always an important factor in the delivery of good health care.”

Conclusions

Based on preliminary review findings, **OHA approved the transaction on May 4, 2023**. See [Findings of Fact, Conclusions of Law, and Final Order](#), dated May 4, 2023.

The transaction was approved, per ORS 415.501(6)(b), because OHA determined the transaction is unlikely to result in any change of service provision for consumers and is not likely to substantially alter the delivery of health care in Oregon. Specifically, the transaction meets the following criteria:

1. The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon.

This criterion is specified in administrative rules for the Health Care Market Oversight Program and is consistent with Oregon law. Below is a summary of the main reasons, based on the findings described in this report, why OHA considers this criterion satisfied.

Approval Criteria

The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon

Norco will maintain the four locations of Samaritan Medical Supplies, LLC and will accept payment from all of Samaritan Medical Supplies' current insurance plans, including Medicare and Medicaid. The entities commit to providing the same level of access to DME supplies as is currently available. The transaction is unlikely to significantly impact costs.

Post-Transaction Monitoring

As required by statute, OHA will conduct follow-up analyses one, two, and five years after the transaction is complete. OHA's monitoring will assess whether the entity keeps the commitments included in the notice, including commitments that Norco will provide the same DME services in the same locations and contract with the same payers as SMS currently does. More broadly, OHA will monitor changes to cost, quality, access and equity, and may also assess other measures relevant to each domain.

As part of the required monitoring activities, OHA may request additional information from the entities. OHA will publicly publish findings and conclusions from follow-up analyses.

Acronyms & Glossary

Acronyms & Abbreviations

APAC	Oregon's All Payer All Claims database
CMS	Centers for Medicare and Medicaid Services
DME	Durable Medical Equipment
DMEPOS	Durable Medical Equipment, Prosthetics, Orthotics, and Supplies
DCBS	Department of Consumer and Business Services
DSO	Dental Support Organization
FDA	U.S. Food & Drug Administration
HCMO	Health Care Market Oversight
HPSA	Health Professional Shortage Area
OHA	Oregon Health Authority
OHP	Oregon Health Plan
PSA	Primary Service Area
POS	Prosthetics, orthotics, and supplies

Glossary

Competition: A situation in a market in which firms or sellers independently strive to attract buyers for their products or services by varying prices, product characteristics, promotion strategies, and distribution channels.

Concentration: A measure of the degree of competition in the market; highly concentrated markets are generally characterized by a smaller number of firms and higher market shares for individual firms.

Consolidation: The combination of two or business units or companies into a single, larger organization. Consolidation may occur through a merger, acquisition, joint venture, affiliation agreement, etc.

Health equity: OHA defines health equity as follows:

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

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

Horizontal consolidation: Horizontal consolidation occurs when companies that offer similar products or services in the same market merge, affiliation, acquire one another, or otherwise combine resulting in increased market leverage.

OHA's Review

OHA performed a preliminary review of the transaction to assess its potential impact on Oregon's health care delivery system. The review explored impacts in four areas (domains): cost, access, quality, and equity. OHA's analysis followed the guidelines and methods set out in the HCMO Analytic Framework published January 31, 2022.²¹ The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

Background Research and Literature Review

OHA conducted background research on the entities involved in the transaction to understand more about the proposed transaction and the entities involved. OHA consulted publicly available sources, including research articles, press releases, media reports, and reports from government and public sector agencies.

Data

OHA used data from Oregon's All Payer All Claims database as well as publicly available data from the U.S. Census Bureau and the Centers for Medicare and Medicaid Services.

Requests for Information

In addition to the information provided in the notice, OHA made two information requests of the entities to clarify and supplement the notice, to which the entities responded. The responses are included in the preceding analysis.

Public Input

OHA solicited public comments on the proposed transaction during the preliminary review. On April 6, 2023 OHA emailed subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA accepted comments through April 21, 2023, by email to hcmo.info@oha.oregon.gov.

Analysis

OHA's analysis assessed the current state of the entities involved in the transaction, related industry trends, and the likely impact of the proposed transaction on the delivery of durable medical equipment in Oregon. The table below describes the types of analysis OHA typically performs in each domain.

Domain	Analysis
Cost	<p>Analyses under the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for DME in Oregon and overall spending on DME for Oregonians. Prices and spending for DME may be affected by the degree of competition between suppliers within a service area.</p> <p>Staff analyzed claims data and compared Samaritan's, Norco's and other competitors' average allowed amounts for the most commonly obtained and most expensive DME products.</p>

Domain	Analysis
Access	<p data-bbox="334 239 1451 344">Analyses under the access domain explore how the transaction may affect the range of services available in the market, and any barriers to access, such as limitations by insurance type.</p> <p data-bbox="334 380 1451 449">Staff analyzed the market share and available competitors in the SMS primary service areas, as well as Norco’s presence in the same areas.</p>
Quality	<p data-bbox="334 459 1451 564">Analyses in the quality domain explore how the transaction may affect patient outcomes and the experience of care. Consolidations and ownership changes in health care can impact the patient’s experience of care, which can have adverse effects on patient outcomes.</p> <p data-bbox="334 600 1451 669">No quality data specific to DME products sold by the entities was available for this transaction, yet consumers’ perspectives help provide information about the entities.</p>
Equity	<p data-bbox="334 711 1451 968">Analyses in the equity domain explore how the transaction may affect the entities’ ability to assess for and equitably meet the needs of the population it serves. Consolidations and ownership changes in health care can disproportionately impact availability of health services, including DME, for populations who already experience health inequities, including people of color, low-income families, and residents of rural areas. Equity-focused analysis considers the entities’ ability to serve a patient population that is representative of the community in which they operate.</p> <p data-bbox="334 1003 1451 1073">Analysts used publicly available data to compare demographic information of residents of the SMS service areas and Oregon residents.</p>

Appendix A: Reporting Methodology

Market Share and Consolidation Methodology

Consolidation, or concentration, is a measure of the degree of competition in a market; highly concentrated markets are generally characterized by a smaller number of firms and higher market shares for individual firms. When a transaction involves health care entities offering similar products or services (a “horizontal” transaction), the level of concentration in the market and the change in concentration resulting from the transaction is useful as an initial screen for potential anticompetitive effects.

OHA measured market concentration using the Herfindahl-Hirschman Index (HHI), a measure commonly used by federal and state antitrust enforcement agencies.

HHI is calculated as follows:

$$HHI = (S_1^2 + S_2^2 + S_3^2 + \dots S_n^2)$$

Where S1 is market share (in percentage points) of firm 1 and n is the total number of competitors in the market. By summing the squared values of market shares, the HHI gives greater weight to firms with larger market shares. For this analysis, OHA measured market shares as a percentage of DME services provided from 2017-2020 for residents of Oregon zip codes within the four SMS primary service areas.

Transactions occurring in concentrated markets and those involving a significant change in concentration are more likely to have adverse effects on competition and lead to price increases. For horizontal transactions under preliminary review, OHA uses the HHI thresholds specified in the U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines summarized in the table below.

HHI Thresholds:

Post-transaction HHI	HHI Change	Level of Concern
> 2,500	> 200	High (if both). Presumed likely to enhance market leverage.
> 2,500	>= 100 and <= 200	Moderate (if both). Potentially raises significant competitive concerns and often warrants scrutiny.
>= 1,500 and <= 2,500	>= 100	Moderate (if both). Potentially raises significant competitive concerns and often warrants scrutiny.
< 1,500	< 100	Low (if either). Unlikely to have adverse competitive effects and ordinarily requires no further analysis.

U.S. Department of Justice and the Federal Trade Commission, Horizontal Merger Guidelines, August 19, 2020, available at <https://www.justice.gov/sites/default/files/atr/legacy/2010/08/19/hmg-2010.pdf>.

PSA Definition Methodology

To define the primary service area (PSA) for a DME supplier location, OHA followed four steps:

1. Summarize DME claims for the three most recent years of data by patient zip code.
2. Rank the zip codes in descending order of DME volume.
3. Identify contiguous zip codes that account for at least 75% of DME items provided. To do this, OHA starts with the DME supplier’s zip code, adding zip codes to the map based on

DME volume rank. Zip codes that are not immediately contiguous with the location may be permanently excluded from the PSA, or only temporarily excluded until interim zip codes are added that fill in the geographical gap. Continue to add zip codes until the total DME claim count from zip codes contiguous with the facility constitutes 75% of the entity's total DME claims. Adding a new zip code that then pulls in previously excluded zip codes can result in a PSA volume over 75%. This identifies the contiguous, volume-driven PSA.

4. Add zip codes that are fully encompassed by the zip codes identified in step 3. This may result in a PSA volume over 75%.

When zip codes outside of Oregon make up a defined PSA, OHA excludes those zip codes in its transaction analyses, which may result in analyses that use less than 75% of an entity's volume.

Below are the zip codes identified for the SMS PSA and related PSAs referenced in this report.

Samaritan Medical Supplies – Corvallis 815 NW 9th location PSA

Located in Benton County, zip code 97330.

Zip codes identified in contiguous, volume-driven PSA selection:

- 97330, 97322, 97355, 97321, 97386, 97333, 97367, 97365, 97370, 97368, 97341, 97374, 97327, 97380

Added zip codes fully encompassed by PSA above:

- 97339

Samaritan Medical Supplies – Corvallis 845 SW 30th location PSA (OSU)

Located in Benton County, zip code 97331.

Zip codes identified in contiguous, volume-driven PSA selection:

- 97331, 97322, 97330, 97355, 97321, 97333, 97386, 97370, 97374

Added zip codes fully encompassed by PSA above:

- 97339

Samaritan Medical Supplies – Lebanon location PSA

Located in Linn County, zip code 97355.

Zip codes identified in contiguous, volume-driven PSA selection:

- 97355, 97386, 97322, 97321, 97330

Added zip codes fully encompassed by PSA above:

- 97339

Samaritan Medical Supplies – Newport location PSA

Located in Lincoln County, zip code 97365.

Zip codes identified in contiguous, volume-driven PSA selection:

- 97365, 97365, 97394, 97367, 97391, 97380, 97341, 97366, 97368

Added zip codes fully encompassed by PSA above:

- 97376, 97388

DME Claim Identification Methodology

OHA's identification of Samaritan's patient service area and analysis of cost and market share are based on claims data from APAC. To find relevant claims for these uses, OHA first identified all APAC claims incurred between 2017 and 2020 where one of the four Samaritan locations in this transaction was listed as either the rendering or billing provider. The procedure codes from those claims were then used to identify claims from other providers during the same incurred time-period (procedure codes with fewer than 30 Samaritan claims were omitted from the analysis as were denied claims). The resulting data set was used to define the Samaritan patient service areas.

To analyze market share and HHI, OHA used the above dataset and omitted claims missing National Provider IDs and claims for secondary insurance payers (coordination of benefits). To analyze price, OHA further omitted claims with null or negative paid or allowed amounts. From this set, OHA analyzed the cost of the most expensive and most frequently sold products at both Samaritan and Norco. Cost was defined as payer paid amount plus patient paid amount (including co-pay, coinsurance, deductible and any other patient out-of-pocket cost related to the claim for the product).

References

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- ² Samaritan Financial Information, available at: <https://www.samhealth.org/about-samaritan/our-organization/financial-information> (accessed 4/10/23)
- ³ Samaritan Health Services, Our History, available at: <https://www.samhealth.org/about-samaritan/our-organization/history> (accessed 4/13/23)
- ⁴ Samaritan's 2021 Financial Performance, Samaritan Health Services available at <https://www.samhealth.org/about-samaritan/our-organization/financial-information> (Accessed 5/1/23)
- ⁵ Notice of Material Change Transaction submitted by Samaritan Health Services available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2023-04-06-009-Samaritan-Norco-HCMO-Notice.pdf> (Accessed 4/20/23)
- ⁶ Norco, Inc. company website, "Norco Announces Employee Stock Ownership Plan" available at <https://www.norco-inc.com/Employee%20Stock%20Ownership%20Plan> (Accessed 4/18/23)
- ⁷ Notice of Material Change Transaction submitted by Samaritan Health Services available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2023-04-06-009-Samaritan-Norco-HCMO-Notice.pdf> (Accessed 4/20/23)
- ⁸ Asset Purchase Agreement entered into by and between Norco, Inc. and Samaritan Health Services, Inc. available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2023-04-06-009-Samaritan-Norco-Agreement.pdf> (Accessed 5/3/23)
- ⁹ Medicare.gov, Durable Medical Equipment coverage available at <https://www.medicare.gov/coverage/durable-medical-equipment-dme-coverage> (Accessed 4/18/23)
- ¹⁰ DMEPOS Fee Schedule, Center for Medicare and Medicaid Services, available at <https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/DMEPOSFeeSched/DMEPOS-Fee-Schedule> (Accessed on 4/20/23)
- ¹¹ American Community Survey, U.S. Census Bureau, 2020 five-year estimate. Retrieved from: <https://data.census.gov/table?tid=ACSDP5Y2020.DP05&g=040XX00US41>
- ¹² Ibid.
- ¹³ Ibid.
- ¹⁴ Oregon's All Payer All Claims database
- ¹⁵ Supplier Data Directory Archive, Center for Medicare and Medicaid Services, available at <https://data.cms.gov/provider-data/archived-data/supplier-directory> (Accessed 4/20/23)
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- ¹⁷ Email correspondence with a representative from Norco, Inc. Dated 4/13/23.
- ¹⁸ U.S. Food & Drug Administration, Medical Devices, available at <https://www.fda.gov/medical-devices> (Accessed 4/25/23)
- ¹⁹ Health Care Market Oversight Program Notice of Material Change Transaction, submitted by Samaritan Health Services available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2023-04-06-009-Samaritan-Norco-HCMO-Notice.pdf> (Accessed 4/20/23)
- ²⁰ Fashaw-Walters, Shekinah, et al. "Out of Reach: Inequities in the Use of High-Quality Home Health Agencies." Health Affairs, Vol. 41, No. 2 available at <https://www.healthaffairs.org/doi/10.1377/hlthaff.2021.01408> (Accessed 5/2/23)
- ²¹ Oregon Health Authority, Health Care Market Oversight Analytic Framework, October 2022, available at <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/OHA-HCMO-Analytic-Framework-FINAL.pdf> (Accessed 5/1/23)