

Transaction 007: Radia-MRG

Addendum to 30-Day Review Summary Report

December 22, 2023

Background

On January 31, 2023, the Oregon Health Authority's (OHAs) Health Care Market Oversight (HCMO) program accepted a complete [Notice of Material Change Transaction](#) ("notice") from Radia Inc., P.S., ("Radia") describing Radia's plans to acquire Medford Radiological Group, PC, ("MRG"). Radia is a physician-owned radiology practice group based in Washington. MRG is a physician-owned radiology practice primarily serving patients in the Medford, Ashland, and Grants Pass areas of southern Oregon. OHA completed a preliminary review of the transaction and issued a [Preliminary Review Order](#) approving the transaction with conditions on March 9, 2023. OHA's [Review Report](#) summarized the findings and conclusions from preliminary review.

On October 26, 2023, counsel for Radia [notified](#) OHA that Radia and MRG executed a Revised Letter of Intent ("Revised LOI") dated October 9, 2023, that changed the underlying transaction terms included in the notice and Preliminary Review Order. OHA analyzed the terms included in the Revised LOI under HCMO's criteria. This Addendum summarizes the findings and conclusions from this analysis and accompanies OHA's [Modified Findings of Fact, Conclusions of Law, and Final Order](#) issued on December 22, 2023.

Changes to the Proposed Transaction Terms

The table below summarizes the material **differences** in the terms of the Revised LOI compared to the notice terms.

	Notice terms	Revised LOI
Overall structure	Radia would acquire all outstanding shares of MRG in exchange for Radia shares. MRG would become a direct subsidiary of Radia. Radia and MRG would combine their practices.	MRG will not become a wholly owned subsidiary of Radia. Radia will create a new subsidiary, Radia Oregon Radiology Medical Group, LLC (RORMG) to operate in MRG's service area. MRG would continue to be owned by current MRG shareholders and will continue to operate the Oregon Advanced Imaging and Cardiovascular Institute Joint Ventures. Post-closure, MRG is expected to wind down its clinical operations.
Options for MRG's shareholder physicians	(a) Become shareholder employees of Radia (provided they meet Radia's shareholder criteria). (b) Become non-shareholder employees of Radia.	(a) Become shareholders of Radia and employees of Radia or RORMG (provided they meet Radia's shareholder criteria) with a profits interest in Radia IT, LLC.

	Notice terms	Revised LOI
		(b) Become non-shareholder employees of Radia or RORMG. (c) Remain as shareholder employees of MRG.
Governance Post-Closure	MRG physicians would have the right to elect representation on Radia’s board of directors for at least three years following closing.	MRG physicians will still have the right to elect representation on Radia’s board of directors for at least three years following closing. MRG physician shareholders eligible to participate in the compensation pool will also have the right to elect a member of the Board of Managers for RORMG and to nominate MRG medical directors.
Contracting for radiology services	MRG would continue to contract with hospitals, imaging centers, and other facilities (“MRG sites”) to provide radiology services.	RORMG would contract with MRG sites for professional radiology services.
Contracting with payers	Former MRG physicians would continue to be members of the same independent physician organization (IPA) for purposes of payer contracting. MRG would be the contracting party.	Former MRG physicians will continue to be members of the same independent physician organization (IPA) for purposes of payer contracting. RORMG would be the contracting party.
Billing for services	MRG would bill for the professional radiology services provided to MRG sites.	RORMG will bill for the professional radiology services provided to MRG sites.
Post-closing operations of MRG	Radia would be responsible for all operational needs of MRG.	Radia would provide limited staff and technology support to help MRG wind down parts of its business.

Diagram 1 below shows the organizational structure of the combined entity under the terms of the notice. MRG is shown as a subsidiary of Radia, Inc., P.S. (“Radia”). Diagram 2 shows the organizational structure of Radia under the Revised LOI. A new entity, RORMG is formed as a subsidiary of Radia. MRG is not a subsidiary or affiliate of Radia. Diagram 3 shows the organizational structure of MRG under the Revised LOI, with no changes from MRG’s current structure.

Diagram 1: Post-closing organizational structure under notice terms

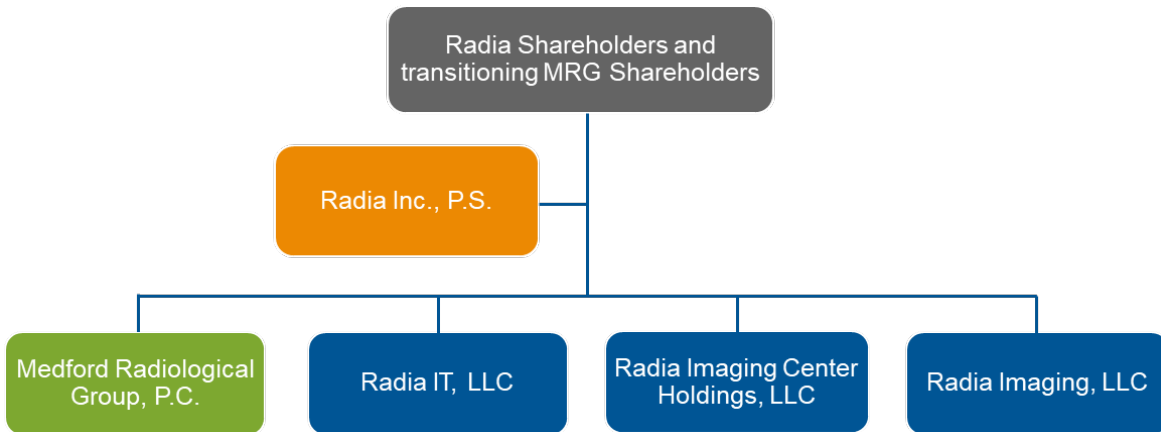


Diagram 2: Post-closing organizational structure of Radia under Revised LOI

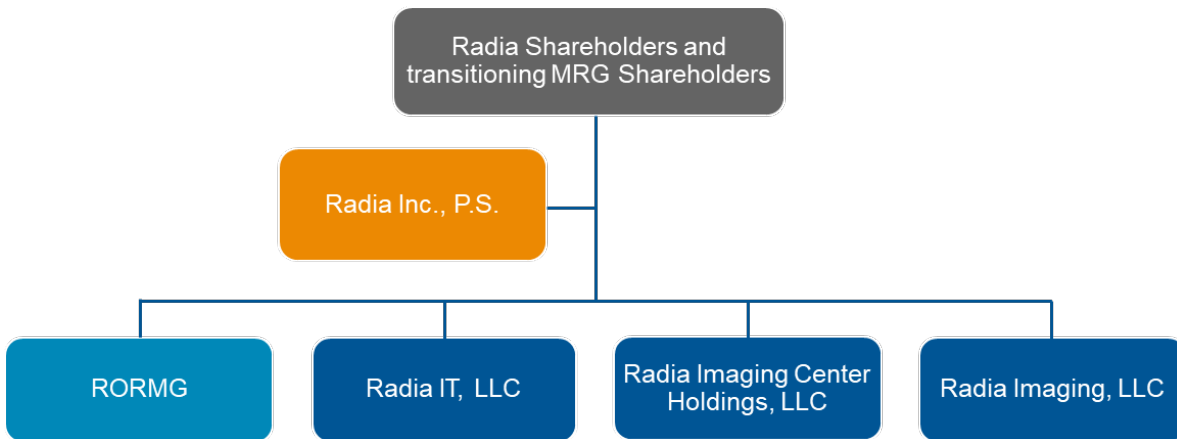
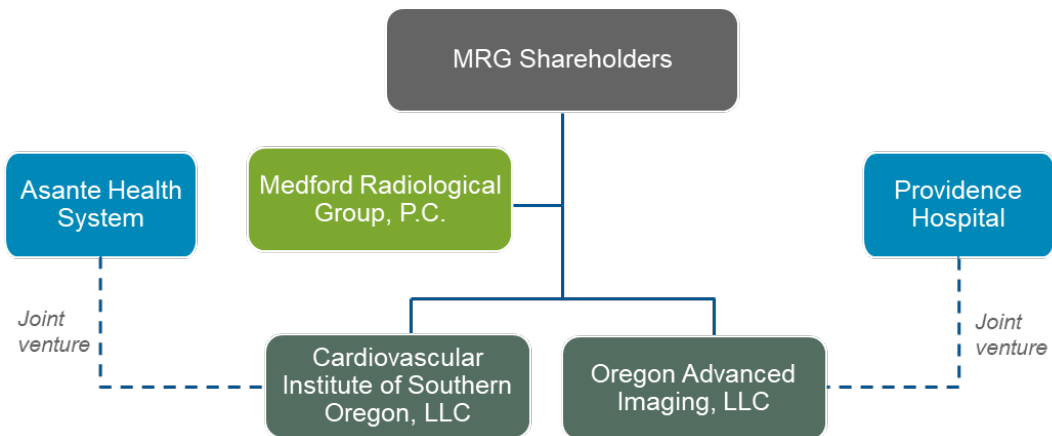


Diagram 3: Post-closing organizational structure of MRG under notice terms and Revised LOIs



Post-Transaction Operations

Under the terms of the Revised LOI, Radia will form a new company (RORMG) through which MRG physicians joining Radia will deliver and bill for professional services. MRG physicians are currently members of an independent physician organization (“IPA”) for purposes of payer contracting. The entities plan for RORMG to bill for MRG physician services under the existing IPA agreements. RORMG will take over contracting with hospitals and other facilities where MRG physicians currently practice. Radia plans to lease space for RORMG’s local operations in Oregon in the same medical office building currently occupied by MRG.

MRG will not become a wholly owned subsidiary of Radia and instead will remain a standalone entity. Consistent with the notice terms, MRG will retain its ownership of the two imaging center joint ventures. Although it would continue to operate in the short term, MRG is expected (in the longer term) to wind down its clinical operations and sell its remaining assets.

MCP Changes

Both the notice and Revised LOI include plans to develop a separate method to compensate certain physicians serving the Medford area, which the entities refer to as the Medford Compensation Pool (“MCP”). To participate in the MCP, physicians must spend a certain percentage of their time providing services locally in the Medford area and at MRG sites of service. Compared to the notice terms, the Revised LOI establishes a lower threshold for the percentage of shifts performed while physically present at an MRG site (50% in the notice, compared with 30% in the Revised LOI).

On OHA’s request, Radia submitted a statement describing the reasons behind this change, which includes the following justification:

“After implementing an IT platform and remote workstations, it became apparent that certain MRG Shareholders would not need to be on-site to access and interpret diagnostic studies and therefore that the 50% on-site requirement would improperly exclude those physicians from eligibility to participate in the separate compensation pool. [...] [T]he threshold was lowered to 30% of shifts performed on-site to preserve the parties’ original goal of ensuring that the former MRG Shareholders would be eligible to participate in the Medford-specific compensation pool.”

Potential Impact of the Changes

In the October 26, 2023, [correspondence to OHA](#), Radia’s counsel stated:

“[T]he parties anticipate that all existing MRG shareholders will continue to practice in the current MRG service area and that patients in that area will have better access to sub-specialty care through Radia’s physician roster. The intent is for all MRG physicians to retain their existing payer contracts. Likewise, Radia will continue to provide service to MRG’s current hospitals and other sites of service under mutually agreeable terms, which may include assignment of MRG’s contracts.”

Given these and other assurances in the [notice](#) and subsequent filings with OHA about Radia’s and MRG’s plans post closure, OHA does not expect the LOI revisions to impact access to radiology services for patients in southern Oregon, or the quality or cost of those services. OHA’s findings on the potential impacts of the transaction on health care access, costs, quality, and health equity (as presented in the [Review Report](#)) still apply. The only expected change associated with

the Revised LOI terms that patients are likely to notice is that they will receive a bill from RORMG rather than MRG.

The reduced MCP threshold for on-site shifts is unlikely to impact access to localized, on-site services. OHA will monitor any minimum on-site staffing requirements under RORMG’s professional services agreements with MRG sites. OHA will also monitor the number of former MRG physicians that continue practice in the MRG service area as employees of Radia.

Conclusions and Decision

Based on preliminary review findings and analysis of the Revised LOI, **OHA issued a [Modified Findings of Fact, Conclusions of Law, and Final Order](#) (“Modified Order”) approving the transaction on December 22, 2023, subject to the conditions listed below.**

The transaction was approved, per ORS 415.501(6)(b), because OHA determined that the transaction meets the following criteria under OAR 409-070-0055(2):

1. **The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon.** 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 all current MRG physicians to retain their existing contracts with third-party payers, including Coordinated Care Organizations, and continue to practice in MRG’s service area. Radia intends to continue providing services to MRG’s current hospitals and other sites of service.
2. **The material change transaction is not likely to substantially alter the delivery of health care in Oregon.** 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 represented that they expect all current MRG physicians to retain their existing contracts with third-party payers, including Coordinated Care Organizations, and continue to practice in MRG’s service area. Radia intends to continue providing services to MRG’s current hospitals and other sites of service.

Approval Conditions

Per ORS 415.501(6) and OAR 409-070-0065, OHA may place conditions on approving a material change transaction. To reflect the terms of the Revised LOI, OHA has modified the language of the approval conditions, and added reporting requirements, as shown in the table below.

Condition	Order issued March 9, 2023	Modified Order
a.	The entities will adhere to the representations made in the Notice of Material Change Transaction dated December 29, 2022, and subsequent filings with OHA.	The entities shall adhere to the representations made in the Notice of Material Change Transaction, dated December 29, 2022, as modified and clarified in subsequent filings related to the Notice and proposed transaction filed

Condition	Order issued March 9, 2023	Modified Order
		with OHA through the date of this Modified Final Order.
b.	<p>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:</p> <p>i. Contracts currently in effect between the entities and third parties (including hospitals, payers, and Coordinated Care Organizations);</p> <p>ii. For the first four reporting years, the number of former MRG physicians on Radia's board;</p>	<p>No change.</p> <p>No change.</p> <p>ii. For the first four reporting years: 1. The number of former MRG physicians on Radia's board; 2. The number and percentage of former MRG physicians currently employed by Radia and practicing in the MRG service area.</p> <p>iii. For the first reporting year: 1. The number and percentage of current Radia shareholders who are former MRG physicians. 2. The number and percentage of former MRG physicians currently employed by Radia.</p>
c.	These conditions shall remain in effect for five years from the transaction closing date.	No change.

Monitoring

OHA will monitor the impact of the transaction and compliance with approval conditions by conducting follow up analyses one year, two years, and five years after the transaction closes. During these reviews, OHA will analyze the impact of the transaction on quality of care, access to care, affordability, and health equity. Specifically, OHA will follow up on concerns or observations noted in the Review Summary Report, including this Addendum. OHA will also explore whether the benefits for patients in Oregon anticipated by the entities to flow from the transaction have materialized.