Health Care Market Oversight

Transaction 015
Envision Healthcare Corporation
30-Day Review Summary Report

October 30, 2023

About this Report

This report summarizes analyses and findings from Oregon Health Authority's preliminary review of the proposed material change transaction of Envision Healthcare Corporation ("Envision"). It accompanies the Findings of Fact, Conclusions of Law, and Final Order ("Preliminary Review Order") issued by Oregon Health Authority on October 30, 2023. For legal requirements related to the proposed transaction, please reference the order.

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Executive Summary

The Health Care Market Oversight (HCMO) program reviews proposed heath 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 October 19, 2023, OHA accepted a completed notice of material change transaction from Envision Healthcare Corporation, an owner of five ambulatory surgery centers (ASCs) in Oregon.

Proposed Transaction

Envision Healthcare Corporation ("Envision") is a Delaware corporation that owns hundreds of subsidiary companies including ambulatory surgery centers (ASCs), five of which are located in Oregon. Envision filed for chapter 11 bankruptcy in May 2023. On October 11, 2023, the bankruptcy court confirmed a proposed plan of reorganization that would split Envision into Envision Physician Services and AmSurg, with each having separate leadership and new ownership structures. AmSurg's newly formed parent company will become the new indirect owner of the five ASCs in Oregon. This restructuring is not expected to impact the operational structure or governance of the five ASCs in Oregon.

OHA's Review

OHA completed a preliminary review of the proposed transaction. During the review, OHA assessed the likely impact of the transaction across four domains: cost, access, quality, and equity. OHA held a public comment period and received no public comment submissions.

Key Findings

Cost	The proposed transaction is unlikely to affect costs because no consolidation is occurring. The addition of a new parent company and indirect owner is unlikely to affect the negotiated prices the Oregon ASCs receive from payers like health insurance companies.
Access	The five ASCs will continue to provide the same types and amounts of medical services to individuals in the same geographic region. The proposed transaction is also unlikely to impact the types of insurance – commercial, Medicare, and the Oregon Health Plan – that the ASCs accept.
Quality	The transaction is unlikely to affect health care quality. The five ASCs will continue to provide the same types and amounts of medical services to individuals in the same geographic regions.
Equity	The proposed transaction is unlikely to affect the types of medical services offered at the facilities, the medical staff who treat patients, or the patients' ability to access ambulatory surgical care services. The restructuring is unlikely to affect health equity.

Conclusions and Decision

Based on preliminary review findings, OHA concluded that the material change transaction is not likely to substantially alter the delivery of health care in Oregon. Envision's proposed restructuring will split Envision into Envision Physician Services and AmSurg, where each will have separate leadership and new ownership structures. AmSurg's new parent company will own each of the following corporate subsidiaries: 1) AmSurg HoldCo, LLC, 2) AmSurg, LLC, and 3) AmSurg Holdings, LLC. AmSurg Holdings, LLC has majority ownership of the five ASCs in Oregon. The addition of a parent company four corporate levels above the operating entities is not likely to substantially alter the delivery of health care among the five ASCs in Oregon. The transaction is unlikely to result in any changes in operations or management of the five ASCs, and they will continue to provide the same types and amounts of medical services to individuals in the same geographic region. The proposed transaction is also unlikely to impact the types of insurance – commercial, Medicare, and the Oregon Health Plan – that the ASCs accept. No consolidation is occurring, and the addition of a new parent company is unlikely to affect the negotiated prices the Oregon ASCs receive from payers like health insurance companies. **OHA approved the transaction on October 30, 2023**. (See order).

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 any impact of the transaction on quality of care, access to care, affordability, and health equity, specifically following up on concerns or 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 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 October 19, 2023, OHA confirmed receipt of a Notice of Material Change Transaction ("notice") from Envision Healthcare Corporation ("Entity" or "Envision"), a company that owns ambulatory surgery centers and groups of physicians and other health care providers. The notice describes plans to restructure the company as a result of bankruptcy.

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 OAR 409-070-0015(1) 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 in accordance with applicable statutes and administrative rules. This report describes the transaction, OHA's approach to the review, its findings, and OHA's conclusions based on these findings.

Entities Involved

The main entities involved in this transaction are Envision, AmSurg, and a newly formed entity named Ambulatory TopCo, LLC, which will become the new corporate parent of AmSurg following the chapter 11 restructuring. As a result. Ambulatory TopCo, LLC will become the indirect[i] owner of five ambulatory surgery centers in Oregon, along with facilities in other states.

Envision

Envision is a management services company that owns hundreds of subsidiary companies. Envision consists of two divisions: Envision Physician Services (EVPS) and AmSurg. Together, the company employs or partners with more than 21,000 clinicians and provides approximately 30 million patient visits every year nationwide. Envision is currently owned by Kohlberg Kravis Roberts & Co. ("KKR"), an investment and private equity firm.

EVPS

EVPS is a large group of physicians and other healthcare providers specializing in emergency and hospital medicine, radiology, anesthesiology, and neonatology. Collectively, Envision Physician Services serves more than 29 million patients a year. EVPS provides staffing services for physicians and other healthcare providers who work in 139 health systems and hospitals nationwide.[1] EVPS employs providers who treat nearly 15% of all emergency department patients in the U.S. The company also states that 11% of the patients they serve lack health insurance.[2]

On October 11, 2023, the bankruptcy court confirmed a proposed plan of reorganization that would split Envision into two separate companies: EVPS and AmSurg. Since the five ASCs in Oregon will be owned by AmSurg following the restructuring, the following HCMO review focuses on the new controlling entity of AmSurg.

[i] Direct ownership means the entity directly owns shares in a legal entity (e.g., an entity owns 25% of the shares in a particular entity). Indirect ownership means the entity owns shares through another entity (e.g., an entity owns 60% shares of company A which owns 30% shares of company B. The entity would be an indirect owner of company B).

AmSurg

AmSurg "acquires, develops and operates ambulatory surgery centers (ASCs) in partnership with physicians throughout the United States."[3] In 2016, AmSurg merged with Envision Healthcare, forming one of the country's largest provider organizations. Today the company owns more than 250 ASCs in 41 states and Washington D.C. There are five ASCs in Oregon owned by AmSurg.

Envision's Ambulatory Surgery Centers in Oregon

Name	Location	Patient visits per year[4]	Number of Staff	Percent owned by Envision
Bend Surgery Center, LLC	1342 NE Medical Center Dr. Ste 170, Bend, OR 97701	15,000	158	51.0%
Salem OR Ophthalmology ASC, LLC	1330 Commercial St. SE, Salem, OR 97302	5,575	22	51.0%
Doctors Park Surgery Center, LLC	2090 NE Wyatt Court, Ste 102, Bend, OR 97701	3,350	17	56.5%
South Portland Surgical Center, LLC	6370 SW Borland Rd., Ste 100, Tualatin, OR 97062	2,700	31	51.0%
Cascade Endoscopy Center, LLC	1007 Harlow Rd. #110, Springfield, OR 97477	1,800	17	51.0%

Ambulatory TopCo, LLC

As a newly formed entity and the proposed new owner of AmSurg, Ambulatory TopCo, LLC will be managed by a Board of Managers who will oversee all business affairs of the new entity. The new entity will be owned by Envision's existing lenders, which includes Pacific Investment Management Company, LLC (PIMCO), Blackstone, Brigade Capital, Bank of America, and other entities.

As stated in the notice submitted to the HCMO program, the "new owner does not have any direct ability to appoint or change the management or operations of any Provider," including the five ASCs operating in Oregon.

Transaction Terms

Envision and some of its wholly owned subsidiaries filed for chapter 11 bankruptcy in May 2023.[ii] As part of the proposed restructuring, Envision's two divisions – EVPS and AmSurg – will be split apart to become two separate corporate entities with different owners and leadership teams.

The restructuring would create a new corporate parent for the five ASCs in Oregon. Ambulatory TopCo, LLC will exist four levels of corporate ownership up from the Oregon entities.

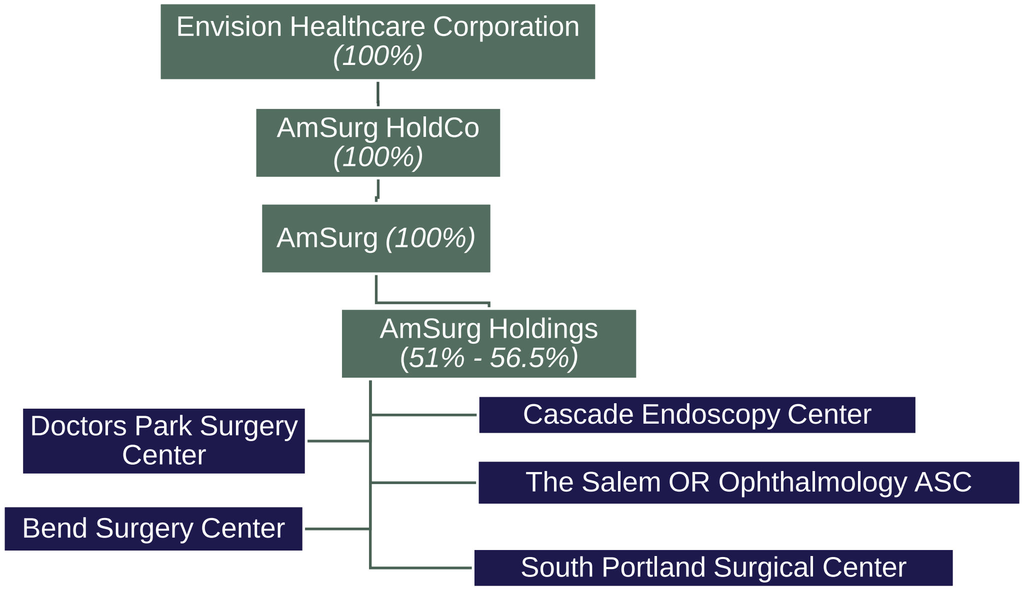
The organizational charts below show how the ownership structure of the five Oregon ASCs will change under the chapter 11 plan of reorganization confirmed by the Bankruptcy Court. The percentages indicate how much the parent company owns of the subsidiary below it. For example,

[ii] Envision's voluntary chapter 11 petition was filed in the U.S. Bankruptcy Court for the Southern District of Texas. *In re: Envision Healthcare Corp.* Docket No. 4:23-bk-90342 (Bankr. S.D. Tex. May 15, 2023).

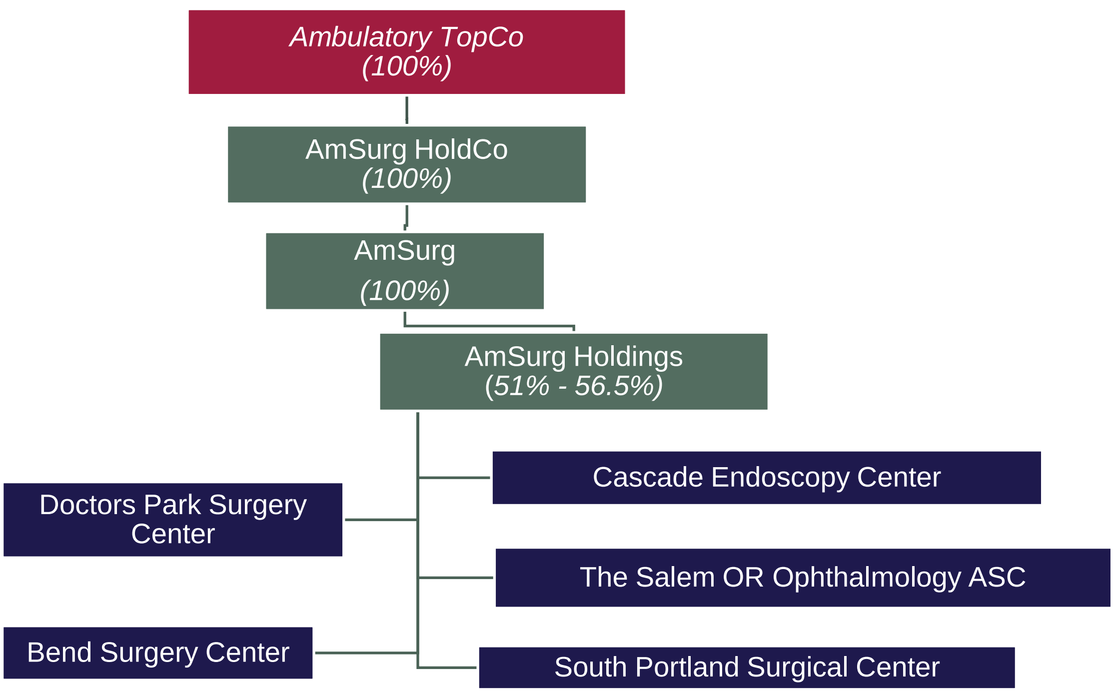
currently Envision Healthcare Corporation owns 100% of AmSurg HoldCo, LLC and AmSurg Holdings, LLC owns between 51% and 56.5% of the ASCs in Oregon. The Oregon ASCs are shown in dark blue and proposed new entity is shown in red.

The restructuring plans reflects a newly proposed entity, Ambulatory TopCo, as the corporate owner.

Current corporate organization (before restructuring):



Corporate restructuring after exiting chapter 11 bankruptcy:



Rationale for the Transaction

The purpose of the transaction is to restructure Envision's debt through the chapter 11 bankruptcy filing. The confirmed plan will eliminate 70% of the entity's pre-bankruptcy debt.[5]

Envision identifies several factors that led to their current financial challenges.

What is Bankruptcy?
Filing for bankruptcy allows a person, family or company that can no longer pay its debts to reduce the amount of debt by selling assets and/or developing a new repayment plan. There are many types of bankruptcies, indicated by the chapter number of the bankruptcy code. Below are some examples.

Individuals can file chapter 7 or chapter 13 bankruptcy, depending on the individual's situation.

Businesses and corporations can file chapter 7 or chapter 11 to reorganize themselves. Chapter 7 entails the sale of all nonexempt assets, while chapter 11 involves restructuring the business.

COVID-19

According to Envision's bankruptcy disclosure documents, the COVID-19 pandemic exacerbated the entity's financial challenges. "Outside of emergency medicine, Envision lost 65 to 70% of patient visits – and associated revenue – as the country moved to variations of shelter-in-place policies over several months."[6] Indeed, analysis of Oregon's All Payer All Claims (APAC) database shows a reduction in the number of medical services provided at Envision's five ASCs in Oregon during the pandemic.

Inflation

The entity states that high inflation in the form of increased cost for salaries, equipment, and supplies was a factor for Envision's financial shortfall.

No Surprises Act

Additionally, the entity points to the implementation of the No Surprises Act as a reason for its inability to repay its debt. The U.S. Congress passed the No Surprises Act in 2020 banning surprise billing, which occurs when a patient goes to an in-network facility (e.g., a hospital emergency department) but is treated – often unknowingly - by an out-of-network provider (e.g., emergency department physician) practicing at that facility. In those cases, the company that employs the clinician would bill the patient directly instead of billing the insurance company. Envision states that they "supported the patient protections in the No Surprises Act legislation and had previously ceased the practice of balance [surprise] billing (before Congress passed the No Surprises Act)."[7] However, other reports note that before the No Surprises Act, most emergency room and radiology physicians employed by Envision did not belong to *any* insurance network, which allowed Envision to send surprise medical bills to insured patients. The passage of the No Surprises Act, therefore, "threw a monkey wrench into Envision's business plan."[8]

Post-Transaction Plans

In the notice of material change transaction, Envision states that "the restructuring will have no impact on the operational structure or governance of the Providers which are the Oregon entities and will not change any of the Providers' operations."[9]

Envision also states that they do not expect any operational or management changes as a result of this transaction. "All of the management arrangements held by the Providers will stay the same and there will be no changes to the scope of services offered or to the types of insurance accepted."[10]

The restructuring removes much of the entity's debt, which "will enable Envision and the Providers to continue operating its business and provide support to critical partners, including clinicians, hospitals, vendors and suppliers."[11]

Private Equity & Health Care

The private equity firm Kohlberg Kravis Roberts & Co. ("KKR") purchased Envision in 2018.[12] OHA did not review that transaction, since it pre-dated the Oregon Legislature's creation of the HCMO program. As noted earlier, the current review applies to Envision's proposal, as part of bankruptcy proceedings, to create a new indirect owner of five ASCs in Oregon. This section provides background information on the role of private equity firms in the U.S. health care system and is included to help readers understand the context surrounding Envision's bankruptcy.

What is a Private Equity Firm?

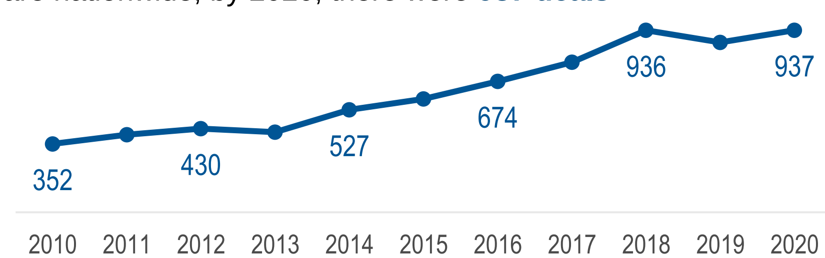
The goal of a private equity firm is to generate profits for investors by expanding companies (often through acquisitions of smaller companies), decreasing company costs (such as staffing and supply costs), increasing company revenues (by increasing service volume or steering consumers to higher cost services) and then reselling the company to other investors at a profit.[13] Private equity investors may include the owners of pension funds, sovereign wealth funds, university endowments or high-net-worth individuals. Private equity firms sometimes acquire companies with loans that the acquired company must repay (so-called "leveraged buyouts").

> A **leveraged buyout** is when one company buys another company, but largely uses assets of the purchased company as collateral to borrow the funds needed for the purchase.
>
> The purchased company, not the private equity firm acquiring the company, is responsible for paying back the debt that was used for the purchase.

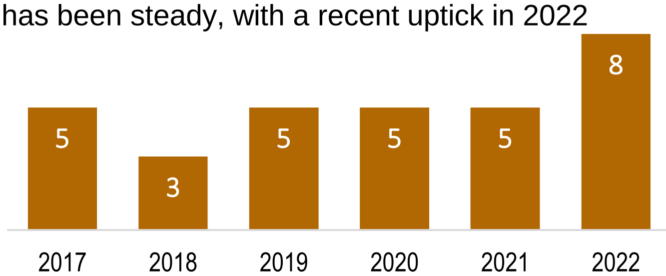
Growth of Private Equity in Health Care

The rate of private equity acquisitions of physician practices and other health care entities in the U.S. is increasing.[14] In 2018, private equity deals involving U.S. health care entities totaled more than $100 billion, twenty times the amount in 2000 ($5 billion).[15] Research shows significant growth in private equity investment in hospitals, outpatient medical services, physician staffing companies, and physician specialty groups like primary care, ophthalmology, dermatology, dentistry, gastroenterology, orthopedics, and home healthcare.[16] [17]

In 2010, there were 352 reported private equity deals in health care nationwide; by 2020, there were **937 deals**



The annual number of PE deals involving ASCs has been steady, with a recent uptick in 2022



Private equity firms are also interested in ASCs, evidenced by the number of annual transactions involving ASCs in recent years. In 2022, the number of private equity deals involving ASCs increased to eight, and the trend thus far for 2023 is similarly high relative to previous years.[18]

Private Equity's Role in Envision's Proposed Bankruptcy

On October 10, 2018, Kohlberg Kravis Roberts & Co. ("KKR"), an investment and private equity firm, acquired Envision for $9.9 billion. At the time, it was one of the largest leveraged buyouts of the decade.[19]

As summarized above, Envision's EVPS began experiencing financial trouble after the passage of the No Surprises Act and the COVID-19 pandemic. The entity's pre-existing debt from the leveraged buyout likely played a role, as well. AmSurg, Envision's ambulatory surgery center business was doing relatively well, despite some slowdown because of the pandemic. In 2022, Envision moved approximately $2.5 billion from AmSurg to a new subsidiary, effectively splitting off the profitable AmSurg business assets from the struggling EVPS. As one economist and private equity expert noted, a key objective of this transfer was to protect KKR's stake in these assets from being seized by creditors in a future bankruptcy.

> "If Envision were to fail, KKR would be stripped of its investment in [EVPS]. But [KKR] would retain a claim on its AmSurg assets, which would not be included in the bankruptcy proceedings."[20]

The practice of moving assets and thereby shielding them from bankruptcy is not a new tactic. For example, the private equity firms TPG and Leonard Green & Partners acquired the retail clothing store J. Crew in 2011 with a leveraged buyout. Between 2011 and when J Crew filed for bankruptcy in 2020, the private equity owners paid themselves hundreds of millions of dollars in debt-financed dividends.[21] The private equity owners also transferred a significant amount of funds to a corporate subsidiary, which was shielded from bankruptcy proceedings.[22] A similar situation occurred before the retail store Nine West declared bankruptcy. "Sycamore Capital Partners acquired Nine West and related fashion brands in a leveraged buyout in 2014. It reorganized its corporate structure in the process, leaving most of the debt with Nine West and spinning out other brands to itself, free of debt."[23]

Private equity firms' tactics of moving assets to shield them from bankruptcy is becoming so commonplace that some researchers correctly predicted the strategy for KKR and Envision. In 2022, two researchers who monitor private equity trends observed:

> "Drawing from lessons from other PE-owned companies facing financial distress – like Nine West, J. Crew, and Sears – KKR will likely emerge unscathed by dividing Envision into two companies, one with the valuable assets and the second with the remaining assets. […] KKR may divide Envision's assets with 'Bad Envision' holding the least profitable assets and the debt, while 'Good Envision' gets to make a clean start and raise new debt to pay off creditors holding the debt of Bad Envision, at significantly less than 100 cents on the dollar. Bad Envision, now left holding the debt, will need to engage in drastic cost-cutting to service debt and stave off bankruptcy."[24]

Ultimately, Envision declared bankruptcy in May 2023. While the Bankruptcy Court confirmed the proposed chapter 11 plan on October 11, 2023, as of the date of this report, the bankruptcy process has not yet concluded.

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 entities

The addition of a new corporate owner at least four levels up from the Oregon ASCs is unlikely to affect:

- the types of medical services provided to patients,
- the management or operation of the entities,
- the insurance types with which the entities have contracts, or
- the patients or geographic regions the ASCs serve.

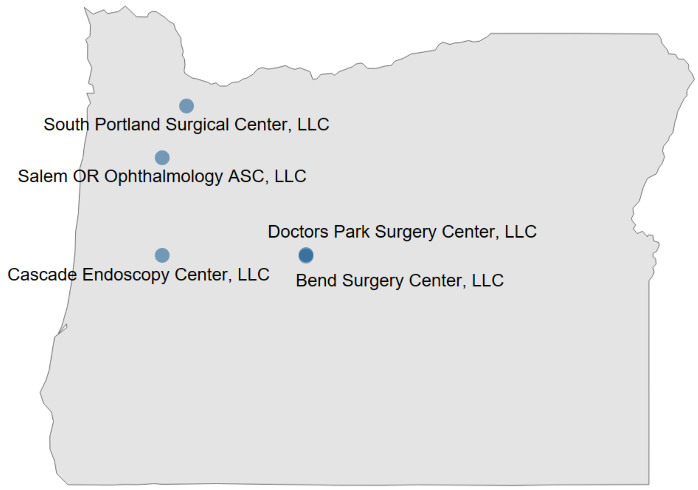
Therefore, the proposed restructuring as a result of Envision's bankruptcy is unlikely to affect access to care, the cost of health care, the quality of medical services, or health equity.

Overview

Service Areas

As the map below shows, the five ASCs are spread throughout the Willamette Valley with two in central Oregon.

- The largest of the facilities is the Bend Surgery Center, which provides approximately 15,000 patient visits per year in the greater Bend, OR area.
- Also in the Bend area is the smaller Doctors Park Surgery Center, which serves more than 3,000 patient visits a year.
- The Cascade Endoscopy Center, located in Springfield, serves the greater Eugene, OR area. The Center provides roughly 1,800 patient visits in a year.
- The Salem OR Ophthalmology ASC serves the greater Salem region and provides nearly 6,000 patient visits annually.
- The South Portland Surgical Center in Tualatin serves the Portland metro region and provides approximately 2,700 patient visits per year.



Market Share & Consolidation

There are no impacts to the entities' market shares, and the proposed restructuring does not result in any increase in market consolidation. The ASCs will continue serving their patients in the same capacity as before the bankruptcy restructuring.

Access

The five ASCs in Oregon will continue to provide the same types of medical services to the same geographic regions. The proposed restructuring is unlikely to affect the contractual relationships between each of the five ASCs and health insurance companies. All five ASCs will continue to serve patients with commercial insurance, Medicare and the Oregon Health Plan (Medicaid).

Entity statements about access

Envision does not anticipate that the transaction will negatively affect access. In the notice, they stated:

> *We do not expect the transaction will have an impact on patient access to affordable health care in Oregon. In fact, the purpose of the transaction is to ensure that the [five ASCs] can continue to deliver health care services without interruption. As noted above, the transaction is not expected to change the operations, scope of services or policies or procedures of any of the Providers.*

Cost

The transaction is unlikely to affect health care costs because no consolidation is occurring. The addition of a new parent company and indirect owner is unlikely to affect the negotiated prices the Oregon ASCs receive from payers like health insurance companies.

Quality

The five ASCs in Oregon will continue providing the same types of medical services. The restructuring is unlikely to affect the quality of the medical care provided to patients.

Entity statements about quality

The entity does not anticipate that the transaction will negatively affect health care quality. In the notice, they stated:

> *The purpose of the [r]estructuring is to allow the Providers to carry on the same operations as they are today without any changes or impact to quality of care or reduction of services to the community.*

Equity

The proposed transaction is unlikely to change the types of medical services provided, the staff who are treating patients, or patients' ability to access the services. Therefore, the restructuring is unlikely to have any impact on health equity.

Conclusions

Based on preliminary review findings, **OHA approved the transaction on October 30, 2023.** See Findings of Fact, Conclusions of Law, and Final Order in the Matter of Proposed Material Change Transaction of Envision Healthcare Corporation, dated October 30, 2023.

The transaction was approved, per ORS 415.501(6)(b), because OHA determined the transaction is unlikely to substantially alter the delivery of health care in Oregon.

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

Approval Criteria

Unlikely to substantially alter the delivery of health care in Oregon

Envision's proposed restructuring would create a new parent company over 1) AmSurg HoldCo, LLC, 2) AmSurg, LLC, and 3) AmSurg Holdings, LLC. AmSurg Holdings, LLC has majority ownership of the five ASCs in Oregon. The addition of a parent company four corporate levels above the operating entities is not likely to substantially alter the delivery of health care among the five ASCs in Oregon. The transaction is unlikely to result in any changes in operations or management. The five ASCs will continue to provide the same types and amounts of medical services to individuals in the same geographic region. The proposed transaction is also unlikely to impact the types of insurance – commercial, Medicare, and the Oregon Health Plan – that the ASCs accept. No consolidation is occurring, and the addition of a new parent company is unlikely to affect the negotiated prices the Oregon ASCs receive from payers like health insurance companies.

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 no operational or management changes will take place and that there will be no changes to the scope of services offered or the types of insurance accepted. 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
ASC	Ambulatory Surgery Center
EVPS	Envision Physician Services
HCMO	Health Care Market Oversight
KKR	Kohlberg Kravis Roberts & Co.
LLC	Limited Liability Corporation
OHA	Oregon Health Authority
OHP	Oregon Health Plan
PE	Private Equity
PSA	Primary Service Area

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.

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.[25] 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, the entities involved, and the bankruptcy filing proceedings including published documents. OHA consulted publicly available sources, including press releases and media reports; disclosure and other documents available from the bankruptcy filing; business filings with the Secretary of State in Oregon and other states; and entity websites.

OHA also considered articles and research reports about the role of private equity in health care and bankruptcies.

Requests for Information

OHA did not request addition information from the entities involved in the transaction.

Public Input

OHA solicited public comments on the proposed transaction during the preliminary review. On October 19, 2023, OHA updated the Transaction Notices and Reviews page of the HCMO website to request public input and emailed subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA accepted comments through October 27, 2023, via 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 ambulatory surgery center services in Oregon. The table below describes the types of analysis OHA typically performs in each domain.

Domain	Analysis
Cost	Analyses under the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for ASC services in Oregon. Spending for ASC services may be affected by the degree of competition between providers offering similar services within a service area. For this review, OHA used claims from APAC to assess trends of overall payments to each ASC. OHA did not conduct in-depth cost analyses because the transaction is unlikely to affect costs associated with accessing ASC services.
Access	Analyses under the access domain explore how the transaction may affect the range of services available in the market, types of providers and provider-patient ratios, characteristics

Domain	Analysis
	of the patient population, and any barriers to access, including transportation burdens and limitations by insurance type. Consolidation and change of ownership in the health care market can impact the range and type of services offered in the service area. Changes in population demographics can alter demand for some services and shifts in the labor market can impact availability of specific provider types, potentially affecting the financial viability and profitability of offering certain health care services in a region. For this review, OHA determined that the proposed transaction is unlikely to have any effect on access to ASC services because the five ASCs involved in the transaction will continue to operate without interruption.
Quality	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 clinical practice, including staffing ratios, time spent or number of visits with patients, timeliness of care, and the patient's experience of care, all of which can have adverse effects on patient outcomes. Analyses in the quality domain consider current indicators of quality and assess potential impacts of the transaction on quality of care. For this review, OHA determined that the proposed transaction is unlikely to have any effect on quality of ASC services because the five ASCs involved in the transaction will not experience any operational or management changes.
Equity	Analyses in the equity domain explore how the transaction may affect the Entity's 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 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. OHA also looks for evidence that the Entity is actively identifying and addressing inequities in access to or quality of care across their patient population. For this review, OHA looked at the potential changes that could result from the proposed transaction and determined that it is unlikely that any changes will occur.

References

[1] Second Amended Disclosure Statement for the Second Amended Joint Chapter 11 Plan of Reorganization of the EVPS Debtors, Case Number 23-90342. Bankruptcy filing document, https://restructuring.ra.kroll.com/Envision/Home-Index (Accessed 10/24/2023)

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