

Legacy Health
Notice Under ORS 65.800 et seq.

Legacy Health and Oregon Health and Science University (OHSU) have announced their intention to become one integrated public university health system. Together they will create a comprehensive, expanded health system that will offer high-quality, essential healthcare services to patients throughout Oregon and Southwest Washington.

Legacy Health provides this notice to the Oregon Department of Justice (DOJ) regarding the transfer of control of Legacy Health's hospitals to OHSU under ORS 65.800 *et seq.* A check in the amount of \$16,500 is enclosed to pay the application fee imposed under ORS 65.813(1).¹

OHSU filed a Notice of Material Change Transaction (HCMO Notice) with Oregon Health Authority (OHA) for the Health Care Market Oversight (HCMO) program on September 26, 2024, a copy of which is enclosed. Extensive detail about the proposed combination has been provided to OHA and is publicly available on OHA and OHSU's websites, links to which are included in an enclosed appendix. The DOJ is currently involved with the State's review of those documents.

In the more than five months since filing the HCMO Notice, OHSU and Legacy Health have been focused on not only providing ongoing care to their patients but also preparing for their integration. Legacy and OHSU are eager to move forward with the combination without delay and will work diligently with DOJ Charitable Activities Section to resolve questions as expeditiously as possible.

I. Parties

A. Legacy Health

Legacy Health is a public benefit corporation incorporated under the Oregon Nonprofit Corporation Act (ORS 65). Legacy Health is also recognized by the Internal Revenue Service as a tax-exempt organization described under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code (the Code).

Legacy Health is governed by a board of directors comprised of members of the community, physicians, representatives from the Evangelical Lutheran Church and Episcopal Diocese of Oregon, and the President of Legacy Health.

Legacy's mission is good health for our people, our patients, our communities, and our world.

¹ The filing fee is set by OAR 137-015-0005(1)(a), through a calculation based on the number of hospitals that will be transferred. This notice addresses the transfer to OHSU, a government entity that is functionally equivalent to a public benefit corporation and 501(c)(3) public charity, by Legacy Health of its five Oregon hospitals: Legacy Good Samaritan Medical Center, Legacy Meridian Park Medical Center, Legacy Mount Hood Medical Center, Legacy Silverton Medical Center, and Legacy Emanuel Medical Center. ($\$7,500 + (\$2,250 \times 4) = \$16,500$).

B. Oregon Health and Science University

OHSU is a public academic health system with a state-mandated mission to serve the people in Oregon. OHSU is a system of hospitals and clinics across Oregon, a national research hub, and an institution of higher learning, with schools of medicine, nursing, pharmacy, dentistry, and public health. OHSU is publicly accountable, locally controlled, and responsive to the specific needs of our state, and, as a public entity, provides unique and specialized care.

As a public corporation, the OHSU board of directors is appointed by the Governor and confirmed by the Senate. In addition to oversight provided by its board of directors, OHSU must also file with the Legislative Assembly, the Higher Education Coordinating Commission, and the Governor, an annual report of the university's activities and operations for the preceding year.²

OHSU is dedicated to improving the health and quality of life for all Oregonians and is statutorily required to perform its research, education and health care missions in a manner that “best promotes the public welfare of the people and the state of Oregon.”³

II. Proposed Transaction

A. One Integrated Public University Health System

Pursuant to their system combination agreement, OHSU and Legacy Health will become one integrated public university health system. This combination will be accomplished through a change of control: Legacy Health will change to a public benefit corporation with members and OHSU will become the sole member, as defined by ORS 65.001(30), of Legacy Health. As Legacy Health's sole member, OHSU will also control the public benefit corporations that operate Legacy Health's five hospitals in Oregon—specifically, Legacy Good Samaritan Medical Center, Legacy Meridian Park Medical Center, Legacy Mount Hood Medical Center, Legacy Silverton Medical Center, and Legacy Emanuel Medical Center.

The integration of Legacy Health into OHSU's public university health system will create a high performing, full-service health system that will propel Oregon forward as a local and national leader in health, education, and research, purposefully expanding the benefits of OHSU's academic health center to many more Oregonians. The post-closing operational structure will facilitate the integration of Legacy Health and OHSU's facilities and services. Anticipated operational changes and staffing commitments are detailed in the enclosed HCMO Notice, which also highlights how the integrated public university health system will increase access to health care services, improve the quality of health care and health outcomes, and advance health equity for all people in Oregon and Southwest Washington.

² ORS 353.080.

³ ORS 353.030(4).

B. Transaction Details: HCMO Notice and Materials

Extensive detail regarding the combination is provided in the HCMO Notice and its attachments. We have enclosed a copy of the HCMO Notice and we have created an exhibit with links to websites to facilitate access to additional materials.

In response to OHA's requests for supplemental material, OHSU and Legacy Health have provided about 47,000 pages for OHA to review and will provide prompt responses to any further requests for information during the HCMO Comprehensive Review. Per OAR 409-070-0040(3), Legacy Health and OHSU have consented to the sharing between OHA and DOJ of confidential material submitted in connection with this transaction. Such sharing does not constitute a waiver of the confidential status of these materials under OAR 409-070-0070, ORS 415.501(13)(c), or other applicable law. Similar to their responses to OHA, Legacy Health and OHSU will work diligently with DOJ Charitable Activities Section to resolve any questions as expeditiously as possible.

In addition to the written material submitted through the HCMO process, OHA has convened a community review board. The community review board is composed of members of the affected community, consumer advocates, and health care experts who have held three public meetings and one public hearing, and who help OHA understand how the proposed transaction could affect people and communities in Oregon. This community review board process has enabled OHSU and Legacy Health to share additional information and respond to public questions about the proposed transaction. The appendix includes links to webpages with information from the community review board.

The HCMO Notice form classifies material change transactions as either merger, acquisition, affiliation, or contract.⁴ For the purposes of that form, an "acquisition" is broadly defined to include several types of transactions, including one in which "[a]nother person acquires control of the health care entity including acquiring a controlling interest as described in OAR 409-070-0025."⁵ Because OHSU will acquire control of Legacy Health at closing, the structure of this transaction comes under the OAR Chapter 409 definition of "acquisition." However, unlike a for-profit acquisition of the assets of a nonprofit hospital, this is not a bargain and sale transaction. Legacy Health is not selling its assets or the assets of its affiliated hospitals. No funds will be exchanged between OHSU and Legacy Health. Following the transaction, each Legacy-affiliated hospital will continue to hold assets in its same public benefit corporation.⁶ Legacy Health will continue to operate as a public benefit corporation with OHSU as its sole member, with ongoing oversight by Oregon DOJ Charitable Activities Section.

⁴ See Section III. Question 4, listed on page 5 of the HCMO Notice.

⁵ OAR 409-070-0010(2)(a).

⁶ Additionally, all restricted funds held by Legacy affiliates for the benefit of these hospitals will continue to be restricted in accordance with donor intent and the Uniform Prudent Management of Institutional Funds Act, codified in ORS 128.305 *et seq.* Moreover, Good Samaritan Foundation, Salmon Creek Health Foundation, Silverton Hospital Foundation, and Randall Children's Foundation will continue to hold assets and exist as separate public benefit corporations.

C. Analysis Under ORS 65.800 et seq.

Legacy Health is the parent organization for five hospitals⁷ in Oregon: Legacy Good Samaritan Medical Center, Legacy Meridian Park Medical Center, Legacy Mount Hood Medical Center, Legacy Silverton Medical Center, and Legacy Emanuel Medical Center, on whose campus Randall Children’s Hospital is situated. Pursuant to the system combination agreement, as the sole member of Legacy Health, OHSU will control the public benefit corporations under Legacy Health that operate the five above-named hospitals.

Following the transaction, Legacy Health’s hospitals will continue to operate in their current location, under their existing hospital licenses, tax identification numbers, CMS provider agreements, and CMS provider numbers. There will be no changes to the number of licensed beds and no substantive changes to service lines, staffing, or patient care operations. The HCMO Notice details how Legacy Health and its hospitals will operationally integrate into OHSU’s public university health system.

For the reasons detailed in the HCMO Notice, the proposed transaction is fair and reasonable to Legacy Health and in the best interest of the public, and should be approved pursuant to ORS 65.811.⁸ ORS 65.811 states the Attorney General shall approve any proposed transfer of hospital assets subject to ORS 65.800 *et seq.* unless the Attorney General finds implicated any of the nine factors listed in the statute.⁹

⁷ “Hospital” is defined under ORS 65.803(1) with reference to ORS 442.015, which defines a “Hospital” as follows:

- (a) A facility with an organized medical staff and a permanent building that is capable of providing 24-hour inpatient care to two or more individuals who have an illness or injury and that provides at least the following health services: (A) Medical; (B) Nursing; (C) Laboratory; (D) Pharmacy; and (E) Dietary; or
- (b) A special inpatient care facility as that term is defined by the authority by rule.
ORS 442.015(15).

⁸ Specifically, the nine factors are as follows:

- (1) The terms and conditions of the proposed transaction are not fair and reasonable to the public benefit or religious corporation.
- (2) The proposed transaction will result in inurement to any private person or entity.
- (3) The proposed transaction is not at fair market value.
- (4) The proposed use of the proceeds from the transaction is inconsistent with any charitable trust to which the assets are subject.
- (5) The proposed transaction involves or constitutes a breach of trust.
- (6) The Attorney General has not been provided sufficient information to evaluate adequately the proposed transaction and the effects of the proposed transaction on the public.
- (7) The proposed transaction significantly diminishes the availability or accessibility of health care services to the affected community.
- (8) The proposed transaction is not in the public interest.
- (9) The proposed transaction does not comply with all other legal requirements.
ORS 65.811.

⁹ Since ORS 65.800 *et seq.* covers both public benefit corporation transactions with noncharitable and certain charitable entities, some of the factors are geared principally towards analyzing a transaction involving a noncharitable (for-profit) entity and ensuring that such a transaction does not result in charitable funds being redirected for the benefit of private persons or entities.

Legacy Health and OHSU have provided extensive documentation to OHA and have consented to the sharing of confidential information submitted in connection with this transaction between OHA and the DOJ, providing the Attorney General sufficient information to evaluate adequately this proposed transaction and its effects on the public. The HCMO community review board has enabled OHSU and Legacy Health to share additional information and respond to public questions about the proposed transaction. Evaluation of the information submitted with this notice, and the supplemental material that continues to be submitted as part of the HCMO comprehensive review process, will confirm this transaction may be properly approved under ORS 65.811.

1. Benefit to Legacy Health and the Public

The transaction is beneficial both to Legacy Health and the public. The transaction will improve access to and the quality of healthcare for the public through creation of an integrated system. Legacy Health patients will benefit from OHSU's \$1 billion capital commitment.

Additionally, in connection with this transaction, Legacy Health plans to make a grant to Legacy Health Foundation in order to establish an independent health equity foundation, which is further described in Section III below. The foundation will make grants to improve health outcomes in communities throughout Oregon and Southwest Washington.

2. No Private Inurement

The transaction will not result in inurement to any private person or entity. OHSU is a public corporation that is functionally equivalent to a public benefit corporation and 501(c)(3) public charity, and is accountable to the state and the public. Legacy Health is a public benefit corporation recognized as a 501(c)(3) public charity. The structure of the transaction between these two charitable parties will not result in inurement to any private person or entity. Moreover, Legacy Health is not selling its assets, or the assets of its affiliated hospitals, and no funds will be exchanged between OHSU and Legacy Health, meaning there will be no proceeds from the transaction that might be diverted for the benefit of a private person or entity.

3. Continued Use of Charitable Assets for Intended Purpose

As detailed in the HCMO Notice, following the transaction, each Legacy-affiliated hospital will continue to have the same charitable purpose and will continue to operate and serve patients in Oregon and Southwest Washington. All of the charitable assets held by Legacy Health and OHSU will remain under State oversight through reporting to DOJ Charitable Activities Section, the Legislative Assembly, and the Governor.

Moreover, any restricted funds held for the benefit of Legacy Health hospitals will continue to be restricted in accordance with donor intent and the Uniform Prudent Management of Institutional Funds Act, codified in ORS 128.305 *et seq.* and will not be used in a manner inconsistent with donor intent. The funds granted to Legacy Health Foundation will be restricted for health equity and access in Oregon and Southwest Washington, consistent with the mission of Legacy Health.

4. Process and Legal Requirements

The proper process has been followed in carrying forward this transaction. The Legacy Health Board of Directors conducted a comprehensive process to evaluate potential strategic options that advanced Legacy Health's nonprofit mission and it led to the proposed combination with OHSU. A Strategic Collaborations Committee led by disinterested voting members met on a bi-weekly basis. Legacy Health also retained independent, outside advisors to both evaluate potential transaction options and advise the Board of Directors on financial, legal, and operational issues that arise in evaluating or effectuating any potential transaction. Legacy Health has disclosed to OHA all non-privileged materials produced by or distributed to the Legacy Health Board of Directors and Strategic Collaborations Committee related to this transaction. With a focus on their fiduciary duties, the Legacy Health Board of Directors determined that the health system could best achieve its long-term goals through a strategic partnership, created an objective framework to evaluate potential transaction partners, and decided the OHSU combination and grant to Legacy Health Foundation would achieve its transaction goals. Additionally, the proposed transaction has been undertaken in compliance with other applicable legal requirements, including the requirement to submit the HCMO Notice to OHA. The parties have also submitted filings to the Washington Department of Health and the Washington Attorney General regarding the Legacy Salmon Creek Hospital, and to OHA and the Oregon Department of Consumer and Business Services regarding PacificSource.

III. Grant from Legacy Health to Affiliated Charity to Launch Health Equity Foundation

Contingent upon and timed with the closing of the proposed transaction, and in furtherance of its commitment to health equity and access, Legacy Health will make a grant to Legacy Health Foundation, an affiliated public benefit corporation recognized as a 501(c)(3) public charity. The grant will include liquid assets and Legacy Health's illiquid 50%-member interest in PacificSource, a nonprofit holding company for downstream entities licensed to sell commercial and Medicare Advantage insurance policies and an administrator of Coordinated Care Organizations.¹⁰

A. Furthering Health Equity Through Combination and Grant

Legacy Health was intentional in choosing OHSU, a mission-oriented Oregon governmental entity, as its strategic partner. Because of its commitment to not only remain locally governed but also ensure mission-driven delivery of health care to its patients, Legacy Health is not interested in exploring a for-profit acquisition.

If Legacy Health had pursued a for-profit acquisition, the transaction would necessarily yield a conversion foundation, that is, a foundation created to ensure assets remain dedicated to a charitable purpose (instead of inuring to the benefit of investors) when a nonprofit hospital or health insurance company is acquired by a for-profit entity or converts to for-profit status. By combining with OHSU, a public corporation that is functionally equivalent to a public benefit corporation and 501(c)(3) public charity, the full value of Legacy Health's assets is preserved for public benefit purposes. Thus, unlike when a nonprofit hospital or health insurance company

¹⁰ The transfer of Legacy Health's member interest is subject to prior approval by OHA and the Department of Consumer and Business Services.

becomes a for-profit entity through conversion, merger or acquisition, a conversion foundation is not required to preserve charitable assets in this transaction. However, Legacy Health saw the meaningful impact such conversion foundations have made in their communities, and believed selling its assets to a for-profit should not be a prerequisite for Oregon to have a health equity foundation.

Making a grant to launch a health equity foundation both aligns with and furthers Legacy Health's commitment to advance health equity and provides support for programs and initiatives to improve healthcare and health outcomes, particularly by addressing social determinants of health which strongly affect individuals' health and wellbeing well before they ever set foot in a hospital. Legacy Health believes it is in the best interest of Legacy Health, its patients and the public to both integrate with a public university and fund a health equity foundation.

B. Grant Furthers Legacy Health's Purpose

Legacy Health chose to make the grant to Legacy Health Foundation because of their shared purpose, governance and mission. The mission of Legacy Health Foundation is to foster community commitment and involvement, support the founding principles, mission and vision of Legacy, and promote the health and well-being of the community. As explained further below, Legacy Health Foundation's governance will change to be a separate and independent foundation, but it will continue its mission to promote the health and well-being of the community.

Through a grant agreement, Legacy Health will make a grant to Legacy Health Foundation that is restricted in place and purpose: all grant assets must be used solely for health equity¹¹ and access in Oregon and Southwest Washington. The future foundation grantmaking board will determine how those grant assets are deployed in furtherance of that purpose.

C. Legacy Health is Listening to and Incorporating Community Input

Legacy Health recognizes extensive and continuous community engagement is key to succeeding in moving the dial on social determinants of health. To help gather initial community feedback regarding the health equity foundation that will be funded at closing, Legacy Health engaged The Giving Practice, an independent third-party consultancy experienced in philanthropy and community engagement and housed within Philanthropy Northwest, a nonprofit philanthropy network with the mission of growing philanthropy's capacity to do transformative work toward redistributing resources and power to underinvested communities in the Northwest. The Giving Practice has been in conversation with a broad cross-section of the community in Oregon and Southwest Washington representing a wide range of civic leaders, community organizations and

¹¹ Legacy Health believes in and is committed to health equity, defined by Oregon Health Authority as: "[A]ll 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... including tribal governments to address: the equitable distribution or redistribution of resources and power; and recognizing, reconciling, and rectifying historical and contemporary injustices." *Health Equity Plan Definitions*, Oregon Health Authority, <https://www.oregon.gov/oha/EI/Pages/Health-Equity-Committee.aspx>.

philanthropic funders. The Community First effort has also provided a source of feedback as The Giving Practice has spoken with many representatives of the organizations endorsing the effort.

Legacy Health is listening to, learning from, and acting on community feedback. Incorporating community input, Legacy Health has changed the foundation's transition governance structure and composition. At closing of the combination, the foundation will launch with a transition fiduciary board and a community-led grantmaking board.

1. Fiduciary Board

The fiduciary board will attend to the following transition duties: (i) enforcement of Legacy Health's rights under the system combination agreement, including rights related to OHSU governance, employee protections, and the \$1 billion capital commitment to Legacy Health; (ii) oversight of the illiquid member interest in PacificSource,¹² a vital resource for the Medicaid community which will be transferred to the foundation at closing; and (iii) stewardship of Legacy Health Foundation's existing restricted funds.¹³ The transition fiduciary board will initially be composed of eleven people: four continuing from Legacy Health, three from Legacy Health Foundation, and four new directors unaffiliated with Legacy Health, Legacy Health Foundation or OHSU. Having a subset of Legacy Health directors and Legacy Health Foundation trustees continue as part of the transition fiduciary board is essential to fulfilling these ongoing duties.

2. Grantmaking Board

In addition to a transition fiduciary board, the foundation will now have a community-led grantmaking board comprised of eleven new members from across Oregon and Southwest Washington who will make grantmaking decisions and will oversee robust community engagement to expand the number and representation of board members and ensure community-led development of a working set of values and vision.

The Giving Practice will partner with community to create a public process to solicit recommendations and nominations for new members of the fiduciary board and the grantmaking board.

Legacy Health and the foundation commit to co-creating with communities across Oregon and Southwest Washington in furtherance of OHA's definition of health equity.

¹² As articulated in the Form A Notice submitted by Legacy Health Foundation to OHA (link to which is included in the appendix), the foundation's primary goal with respect to PacificSource is to allow it to continue to operate as it currently does now in furtherance of its mission of fostering better health, better care, and better costs. The foundation plans to eventually transfer its membership interest in PacificSource once an appropriate buyer is found and suitable terms are agreed upon. Until such time, continuity of Legacy Health directors on the transition fiduciary board is important to retain the knowledge and expertise needed to manage this asset and satisfy State-required governance requirements for insurance plans.

¹³ Legacy Health Foundation currently holds institutional funds, as the term is defined in ORS 128.316(5), that are legally restricted to benefit Unity Behavioral Health, Meridian Park Hospital, Emanuel Medical Center, Mount Hood Medical Center, and Legacy Health.

IV. Conclusion

Legacy Health and OHSU share a mission of public service and dedication to the region's most vulnerable populations. Together, the combined Oregon-based system will focus on improving health outcomes, addressing health care inequities, and providing access to care for more people, including the medically underserved, throughout Oregon and Southwest Washington. Legacy Health and OHSU are eager to move forward with the combination to better support the people and health of Oregon.

Enclosures: Check in amount of \$16,500
Appendix with links to resources and additional materials about transaction
HCMO Notice of Material Change Transaction

Appendix

Transaction Materials and Resources

Oregon Health Authority website about transaction, with links to resources

<https://www.oregon.gov/oha/hpa/hp/pages/039-ohsu-legacy.aspx>

OHSU website about combination, with links to resources

<https://www.ohsu.edu/about/legacy-health-integration>

System Combination Agreement by and between OHSU and Legacy Health (May 30, 2024)

<https://www.ohsu.edu/sites/default/files/2024-07/System-Combination-Agreement-OHSU-and-Legacy-Health.pdf>

Governance Matters Agreement by and between OHSU and Legacy Health (May 30, 2024)

<https://www.ohsu.edu/sites/default/files/2024-07/Governance-Matters-Agreement-OHSU-and-Legacy-Health.pdf>

Exhibits for HCMO Notice (current as of Sept. 26, 2024)

<https://www.ohsu.edu/sites/default/files/custom/Health-Care-Market-Oversight-All-Exhibits-Final-2024-09-26.pdf>

Supplemental materials for HCMO Notice (current as of Sept. 26, 2024)

<https://www.ohsu.edu/sites/default/files/custom/Health-Care-Market-Oversight-All-Supplemental-Materials-Final-2024-09-26.pdf>

Additional information OHSU provided to OHA on November 21, 2024

<https://www.ohsu.edu/sites/default/files/2024-11/Response-to-OHA-request-for-information-submitted-Nov-21.pdf>

Oregon Health Authority about proposed grant of 50%-member interest in PacificSource to Legacy Health Foundation

<https://www.oregon.gov/oha/HPA/HP/Pages/038-legacy-pacificsource.aspx>

Health Care Market Oversight (HCMO) Program

HCMO-1: Notice of Material Change Transaction

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 503-945-6161. We accept all relay calls.

General Instructions

Pursuant to Oregon Revised Statute (ORS) 415.501, an entity to a material change transaction must submit a Notice to the Oregon Health Authority (OHA) notifying OHA of such transaction. This form must be used to comply with this statutory mandate.

You must file this Notice electronically with OHA, in a portable document form (pdf), by email to hcmo.info@oha.oregon.gov no less than 180 days before the expected closing date of your material change transaction.

The Notice is not complete until all required information is satisfactorily provided, and the 180-calendar day pre-merger period will not run until OHA deems the Notice complete. To avoid delays to your transaction, due diligence is required to complete this form correctly. The Notice will be published and serve as notice to the public. Contact program staff with any questions or to request technical assistance at hcmo.info@oha.oregon.gov.

Who must file a Notice

Under ORS 415.501, an entity entering into a transaction that constitutes a material change must submit written notice to OHA of such material change.

A material change transaction includes:

- A. A transaction in which at least one party had average revenue of \$25 million or more in the preceding three fiscal years and another party:
 - i. Had an average revenue of at least \$10 million in the preceding three fiscal years; or
 - ii. In the case of a new entity, is projected to have at least \$10 million in revenue in the first full year of operation at normal levels of utilization or operation as prescribed by the authority by rule.

Out-of-state entities

If a transaction involves a health care entity in this state and an out-of-state entity, a transaction that otherwise qualifies as a material change transaction must submit this Notice if the transaction may result in increases in the price of health care or limit access to health care services in this state. See [OHA Guidance on Out-of-State Entities](#).

Confidentiality

Information on this Notice form shall be a public record and will be posted on OHA's website. Pursuant to ORS 415.501(13), OHA shall maintain the confidentiality of all confidential information and documents that are not publicly available that are obtained in relation to a material change transaction and may not disclose the information or documents to any person without the consent of the person who provided the information or document. Information and documents described in this paragraph are exempt from disclosure under Oregon Public Records Law (ORS 192.311 to 192.478).

Entities must follow the requirements of Oregon Administrative Rule (OAR) 409-070-0070 when designating portions of a Notice and any documents submitted by the applicant in support of the Notice as confidential. See [OHA Use of Confidential Information Guidance](#).

Definitions

"Acquisition" occurs when:

- a) Another person acquires control of the health care entity including acquiring a controlling interest as described in OAR 409-070-0025;
- b) Another person acquires, directly or indirectly, voting control of more than fifty percent (50%) of any class of voting securities of the health care entity other than a domestic insurer as described in OAR 409-070-0025(1)(c);
- c) Another person acquires all or substantially all of the health care entity's assets and operations;
- d) Another person undertakes to provide the health care entity with comprehensive management services; or
- e) The health care entity merges tax identification numbers or corporate governance with another entity.

"Legal entity name" means legal business name as reported with Internal Revenue Service.

"Merger" means a consolidation between two or more organizations, including two or more organizations joining through a common parent organization or two or more organizations forming a new organization.

"NPI" means 10-digit National Provider Identification number issued by the Centers for Medicare and Medicaid Services (CMS).

"Tax ID" means 9-digit federal tax identification number also known as an employer identification number (EIN) assigned by the Internal Revenue Service.

"Transaction" means:

- a) A merger of a health care entity with another entity;
- b) An acquisition of one or more health care entities by another entity;

- c) New contracts, new clinical affiliations and new contracting affiliations that will eliminate or significantly reduce, as defined by the authority by rule, essential services (see [Essential Services and Significant Reduction](#) guidance);
- d) A corporate affiliation involving at least one health care entity; or
- e) Transactions to form a new partnership, joint venture, accountable care organization, parent organization or management services organization.

Additional defined terms can be found at ORS 415.500 et seq. and OAR 409-070-0000 to -0085.

I. Parties to the proposed transaction

List the entity name for all parties to the proposed transaction. Add extra rows as needed for additional parties.

Party A (Applicant)	Oregon Health and Science University (“OHSU”)
Party B:	Legacy Health

II. Contact information for the parties

Provide contact information for the proposed transaction, as requested below.

1. Provide information for Party A.

Legal entity name	Oregon Health and Science University
Assumed name	Oregon Health and Science University
Tax ID	93-1176109
Mailing address	3181 SW Sam Jackson Park Road Portland, Oregon
Website	https://www.ohsu.edu
Contact Name	Alice Cuprill Comas
Title	EVP of Institutional Affairs and General Counsel
Phone	(502) 495-4633
Cell Phone	
Email	cuprillc@ohsu.edu

Is Party A represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party A's legal counsel, if applicable.

Name	Ken Field
Firm	Hogan Lovells
Address	555 13 th St. NW Washington, DC 20004
Phone	202-637-5869
Email Address	Ken.field@hoganlovells.com

2. Provide information for Party B.

Legal entity name	Legacy Health
Assumed name	
Tax ID	23-7426300
Mailing address	1919 NW Lovejoy Street Portland, OR 97209
Website	www.legacyhealth.org
Contact Name	Craig Armstrong
Title	SVP Chief Legal Officer
Phone	360-241-4924
Cell Phone	
Email	CRRARMST@LHS.ORG

Is Party B represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party B's legal counsel, if applicable.

Name	Timothy Hatfield
Firm	Hatfield Knivila, LLC
Address	1120 SE Madison St, Portland, OR 97214
Phone	(503) 208-5037
Email Address	tim@hkhealthlaw.com

For any additional Parties, please provide a supplemental attachment describing the information requested in Section 2.

3. Provide a billing contact for payment of review fees.

Name	Alice Cuprill Comas
Address	3181 SW Sam Jackson Park Road Portland, Oregon
Phone	(503) 494-4633
Email Address	cuprillc@ohsu.edu

III. About the proposed transaction

4. Provide the type of material change transaction. (See OAR 409-070-0010 for definitions of transactions subject to review.)

- Merger
- Acquisition
- Affiliation
- Contract
- Other (specify) _____

5. What is the anticipated effective date of the proposed material change transaction?

The proposed effective date of the material change transaction is March 30, 2025. It is essential that the organizations begin integrating by that date to preserve and improve access to quality health care for the people of Oregon and assure the long-term financial viability of the state’s public university health care system.

While Legacy Health made significant strides over the past two years to address its operating deficits, those efforts have not been enough to achieve financial stability. The pressures will grow significantly if Legacy must endure a prolonged period of uncertainty before closing this transaction. Delay would especially hurt the system's ability to retain providers and staff and would further endanger patient access to care.

The proposed March 30, 2025, effective date gives HCMO more than 200 days to review this transaction while the parties continue to plan their integration. Because the transaction is vital to preserve and improve access to quality health care and its success depends on the organizations promptly executing their shared vision, we will work diligently with you during this period to resolve any questions you might have as expeditiously as possible.

6. Briefly describe the proposed material change transaction, including:

As detailed in this Notice, the proposed transaction will fully integrate Legacy Health into OHSU's public university health system in order to improve health outcomes, access to care and address health inequities. There is no time to waste.

The health care sector is facing tremendous challenges and volatility, including the continuing disruption from the COVID-19 pandemic and its aftermath, as well as, inflationary pressures, which threaten access to quality care. OHSU and Legacy must continue to invest in their people, programs and facilities in order to meet the changing health care needs of the communities they serve. This transaction will allow the integrated public university health system to access capital and implement urgently needed improvements more quickly and efficiently than either party could independently. Ultimately, this transaction creates an integrated public university health system that is more financially stable, while strengthening accountability, local control, and ongoing investments in our workforce or our communities.

Simply put, Legacy Health must find a strategic partner to achieve financial sustainability, and OHSU is the best possible partner for Legacy Health. Over the last five years, Legacy Health has absorbed significant and unsustainable operational losses, driven by COVID-related disruptions, declining volumes, and rapidly escalating costs. Legacy Health reported an operating loss of \$(41.7) million for the quarter that began on April 4, 2024, after losing \$(50) million in the quarter before that. In fact, after removing one-time non-recurring items, Legacy lost \$(96) million in the fiscal year ending March 31, 2024.

Clearly such losses by a health system on which a significant portion of Oregon's population relies are unsustainable and have the potential to significantly impact access to health care in Oregon. Legacy Health is a not for profit entity, but it needs a positive

operating margin in order to pay its employees appropriately—including clinicians, frontline workers, and administrative staff—to provide patient care in accordance with Oregon’s staffing standards. In addition, and as further indicated in this Notice, Legacy Health’s losses mean it cannot afford the capital investments its facilities need to ensure patient access and delivery of quality care. The Legacy Health Board estimates that the system will require between \$300 and \$750 million in additional investment (beyond standard capital outlays that every system incurs for routine maintenance and similar expenditures) over the next five years to meet community needs with respect to service offerings, quality, access, and cost. Legacy Health has a negative operating margin and does not currently have a viable financial path to make this substantial investment.

These pressures, together with the difficulty in recruiting and retaining health care staff, mean that Legacy Health’s existing facilities are not fully staffed or utilized to the benefit of the community. For example, as of the date of this Notice, the Legacy Health system has about 90 medical / surgical beds and 39 critical care beds that are built/equipped but not staffed, and about 11 percent of Legacy Health’s operating room capacity is not staffed or utilized. Given all of this, Legacy Health must find a strategic partner to achieve financial stability and fully utilize all facilities to the benefit of the community.

OHSU also faces economic headwinds, but its needs are different. While Legacy Health has excess capacity, OHSU is capacity constrained. OHSU patients face long wait times for the unique specialty care at the state’s only academic health center, a shortage of acute care beds, and a lack of primary care providers. This hurts patients and negatively affects OHSU’s bottom line. OHSU also recognizes that it could better achieve its educational and clinical missions if it had a broader network of community-based providers and facilities, which would (a) improve education and training opportunities for its students; (b) expand research activities across more diverse populations and a broader range of services; and (c) improve OHSU’s ability to retain talent through additional practice settings within the system.

This combination gives both parties what they desperately need. For Legacy Health, it facilitates the capital infusion needed to ensure that Legacy Health can achieve financial sustainability over the long-term while continuing to meet the needs of its workforce and the communities it serves. For OHSU, it opens up additional capacity to immediately increase access to care for its patients, increase educational opportunities for students, and enhance physician recruitment and retention. These benefits are mutually supporting, as better utilizing Legacy Health’s excess capacity will both improve access and support the integrated health system’s financial position to enable even greater investment across the combined system.

The benefits of this transaction are evidenced by OHSU's financial projections for the integrated public university health system. Specifically, as a result of this transaction OHSU will assume (a) \$3 billion of Legacy Health assets, (b) \$1.4 billion in Legacy Health liabilities, and (c) \$1 billion in debt to finance capital expenditures across the integrated public university health system. Thus, upon the closing of this transaction, OHSU's net assets (i.e., assets minus liabilities) will increase from \$4 billion to over \$5.5 billion—a number that takes into account the capital commitment and net transfers to the Legacy Health Foundation, which are described in more detail below. Additionally, while the integrated public university health system projects short-term operational losses through 2028 (most of which are driven by factors other than the combination), these losses are offset by an increase in the integrated public university health system's net worth. This increase is driven by the capital commitment, economic efficiencies, and improved financial performance associated with this combination.

Integrating Legacy Health into OHSU's public university health system is a generational opportunity to address these financial challenges and capacity limitations by creating an accountable, and publicly owned and governed, OHSU health system with a network of health care access points to help ensure people can get the right care in the right place and at the right time. The OHSU academic health system and the Legacy Health community hospital system are complementary, and the combination will ensure the appropriate level of health care with the highest quality is delivered both at the academic and community settings, improving outcomes for the people of Oregon. Timely review will allow the integrated public university health system to begin the work needed to integrate services and better serve people in Oregon.

a. Goals and objectives

The primary goals and objectives of the transaction as outlined in the definitive agreement between OHSU and Legacy Health are to:

- A. Create a combined organization that is better able to achieve the respective missions of OHSU and Legacy Health to improve the health and well-being of people, patients, and the broader community;
- B. Combine and coordinate care and complementary services across OHSU and Legacy Health locations in Oregon and Washington State to offer high quality and cost-effective delivery of inpatient and outpatient healthcare in Oregon and Washington State;
- C. Build upon the complementary of the two organizations in providing care in academic and community-based facilities, with OHSU currently excelling in the former and Legacy Health excelling in the latter;

- D. Utilize the best practices and combined strengths of both organizations to enhance the quality, access, and efficiency of care across the combined enterprise;
- E. Maintain and improve health care access to underserved, vulnerable populations in urban, suburban, and rural locations, thus improving health equity and the diversity of the combined system's patient population;
- F. Expand access to clinical trials, other research, and innovation to advance the mission of both organizations;
- G. Expand relationships with physicians and other health care practitioners using employment and other engagement models to provide fully integrated services across the continuum of care;
- H. Obtain the benefits of certain economies of scale in order to accelerate improvements in operational cost-efficiencies and service effectiveness, while reinvesting savings to improve quality, advance technology, broaden access to care, and develop new and enhanced services;
- I. Strengthen the long-term financial health of the combined enterprise to enable it to better (a) make significant capital improvements as needed from time to time to operate a state-of-the-art health system and to respond to changes in technology, demographics and care management models; and (b) withstand the high volatility in the health care services industry (due to labor shortages, inflation, dependence on government payors and other factors);
- J. Enhance the current academic footprint of OHSU in order to (a) expand the education and training opportunities of future health care practitioners; and (b) enhance research activities across more diverse populations and a broader range of services;
- K. Enhance the ability of the combined Oregon and Washington State-based system to provide high quality care at reasonable cost, and thereby deliver substantial value to patients and payors, by achieving efficiencies, investing in new systems and technologies, and leveraging the best practices of both systems; and
- L. Accelerate the ability of the combined system to continue to transition to value-based care models.

b. Summary of transaction terms

OHSU will become the sole member of Legacy Health, which means that Legacy Health will become a wholly owned subsidiary of OHSU, and OHSU also will become the indirect sole owner of all subsidiaries and all joint venture interests owned by Legacy Health, with two exceptions noted below. This includes, Legacy Health's membership interest in Health Share. Effectively, the entire Legacy Health system will be integrated with OHSU. This means that the transaction is an acquisition as defined by OAR 409-070-0010 as OHSU will acquire control of Legacy Health entities through member substitution.

The two exceptions—i.e., Legacy Health components – that will not be integrated with OHSU are Legacy Health Foundation (the “Foundation”), and Legacy Health's 50% member interest in PacificSource:

- Currently, Legacy Health Foundation is an Oregon nonprofit public benefit corporation affiliated with Legacy Health with a mission to support Legacy Health and promote the health and well-being of community. At closing, the Foundation will be converted to an independent nonprofit public benefit corporation and will receive grant funding restricted to promoting health equity and access in Oregon and southwest Washington. The Foundation will pursue various strategies to realize its mandate to create pathways and remove barriers to health equity including community engagement and empowerment, strategic and responsive grantmaking, convening communities and creating taskforces, testing and disseminating promising approaches, educating and informing the public and policymakers, building capacity of community partners working to address health equity, and leveraging dollars and expertise to bring additional public and private resources to the community.

The Foundation will be funded through Legacy Health's “net cash at closing,” as outlined in **HCMO Notice Question 6 – Exhibit 1** and referenced below in the section about the exchange of funds between the parties. Please see **HCMO Notice Question 6 – Exhibit 2** for detail about the legal reconfiguration of the Foundation. It should be noted that Legacy Health has other foundations that will continue to fundraise post-closing to support the facilities and operations that are currently part of the Legacy Health system.

- Currently, Legacy Health holds a 50% member interest in PacificSource, a nonprofit holding company for downstream entities licensed to sell commercial and Medicare Advantage insurance policies and an administrator of Coordinated Care Organizations. At or prior to closing,

Legacy Health's member interest in PacificSource will be transferred to the Foundation. The transfer of Legacy Health's interest in PacificSource to the Foundation is subject to prior approval by OHA and the Department of Consumer and Business Services (DCBS), as described in the response to Question 9.

Under the definitive agreement, the OHSU and Legacy Health combination and the transfer of PacificSource to the Foundation must move forward together. If either transaction does not receive needed regulatory approvals or does not close for some other reason, the other transaction also will not close.

c. Why the transaction is necessary or warranted

The integration of Legacy Health into OHSU's public university health system will create a high performing, full-service health system that will propel Oregon forward as a local and national leader in health, education, and research, purposefully expanding the benefits of OHSU's academic health center to many more Oregonians. This transaction is necessary to ensure the financial viability of the services currently provided by Legacy Health, improve the financial position of the entire integrated public university health system, and retain local control of important health delivery assets by an institution that is an Oregon governmental entity with a unique accountability framework to the people of the State of Oregon. This transaction is warranted in large part because OHSU is a public entity with principles of "public accountability and fundamental public policy." ORS 353.010(2). OHSU is designated by Oregon law to carry out the following public purposes and missions *on behalf of the State of Oregon*:

- Provide high quality educational programs appropriate for a health and science university;
- Conduct research in health care, engineering, biomedical sciences and general sciences;
- Engage in the provision of inpatient and outpatient clinical care and health care delivery systems throughout the state;
- Provide outreach programs in education, research and health care;
- Serve as a local, regional and statewide resource for health care providers; and
- Continue a commitment to provide health care to the underserved patient population of Oregon. ORS 353.030(3).

OHSU's governing board is nominated by the Governor and confirmed by the Oregon Senate. OHSU's operations are subject to ongoing operational oversight from both the Governor and the Legislature through mandatory annual reporting obligations. The public also has access to OHSU records pursuant to the Public Records Act, and the

public may participate in OHSU's governance pursuant to the Public Meetings Law. OHSU also is subject to the Oregon Secretary of State's audit authority, creating third party oversight and public transparency. Accordingly, public accountability is a foundational component of OHSU's structure and operations, ensuring that OHSU acts in the public interest in a way that "best promotes the public welfare of the people and the state of Oregon." ORS 353.030(4).

As noted, OHSU and Legacy Health are complementary systems, and the integration of Legacy Health into OHSU's public academic health center will leverage the strengths of both systems, OHSU as a public academic and research institution delivering leading edge tertiary and quaternary care not otherwise available in Oregon and Legacy as a community health system. As outlined in many of the responses to questions in this Notice, the transaction will improve access to high quality, affordable health care for the people of Oregon, and in particular for underserved populations. It also ensures a significant focus on health equity that will have long lasting benefits, in part, through the repurposed Legacy Health Foundation with a mission to create a legacy of generational health and wellbeing through purposeful and impactful investments. Without this transaction none of these critical public benefits would be realized.

- d. Any exchange of funds between the parties, including the nature, source and amount of funds or other consideration (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of health care services).**

Member substitution transactions generally do not result in an exchange of funds between the parties. This transaction has two important financial components: the funding of a transformative foundation focused on health equity, and a capital commitment of \$1 billion.

Funding of Legacy Health Foundation

As noted above, at or immediately prior to closing, the Legacy Health Foundation will become independent from Legacy Health and OHSU. The Foundation will be repurposed, with a new name and a new board of directors. The Foundation will no longer exist to support Legacy Health, but rather, will independently pursue strategies to create pathways and remove barriers to health equity and ensure all members of the community receive the highest level of health care possible. The integrated public university health system, like any other Oregon health system or hospital, will be eligible to apply for grants from the Foundation post-closing.

Initial funding for the Foundation will come from Legacy Health’s “net cash” at closing. This amount is estimated to be \$350 million based on Legacy Health’s finances as of December 2023; the final amount of funding will depend on Legacy Health’s financial standing at closing and could differ from the \$350 million estimate. Although the Foundation will not fundraise, it may receive grants from governmental organizations and others to enhance its corpus of funds and support its repurposed mission. The Foundation will fill a critical role in the health ecosystem, as there currently is no other nonprofit organization of this size and nature that is focused primarily on health equity in Oregon and southwest Washington. Please see **HCMO Notice Question 6 – Exhibit 1** for more information about the calculation that will determine the net cash total that will transfer to the Foundation to support its mission. See the response to Question 15d and **HCMO Notice Question 6 – Exhibit 3** for more information about the Foundation and its post-closing mission and vision.

Capital Commitment

The capital commitment is not an exchange of funds between the parties, but it is an important financial element of the transaction. OHSU will commit to expenditures on capital projects of approximately \$1 billion. As discussed in more detail in the response to Question 13c, the capital commitment will further expand and develop the integrated public university health system and improve the health and well-being of people, patients, and the broader community served. The commitment is an important investment in existing Legacy Health buildings, equipment, technology, and other infrastructure, which are needed given Legacy’s deferred capital spending over the last four years. Capital investment in existing facilities is more cost effective and efficient for reducing health care cost increases over the long term than developing new facilities. The investments also will improve and ensure the long-term vitality of these existing health care facilities and services for the communities they serve.

- 7. Describe the negotiation or transaction process that resulted in the entities entering into an agreement.**
 - a. How the entities were identified (e.g., did one party approach the other, did one party engage in a bid/auction process, etc.)**

The following is a high-level timeline of key steps in negotiating the transaction:

- *May 2022*: Legacy Health’s Board of Directors determined that the health system could best achieve its long-term goals through a strategic partnership in the next 1-2 years.
- *October 2022*: OHSU began considering options for the future focused on maintaining and expanding the impact of OHSU’s missions as an Oregon public

institution focused on health care services, clinical discoveries, and clinician training, as well as halting declining access for people seeking care.

- *December 2022*: OHSU, upon understanding that Legacy Health was looking for a partner, made an initial presentation to the Legacy Health Board proposing that the two entities consider combining to better serve people in Oregon.
- *March/April 2023*: The Legacy Health Strategic Collaboration Committee was authorized and began to evaluate potential transaction partners.
- *August 2023*: OHSU and Legacy Health announced they signed a nonbinding letter of intent to combine and create a comprehensive, integrated health system to offer high-quality, essential health care services to people in Oregon and beyond.
- *May 2024*: OHSU and Legacy Health signed a binding definitive agreement to unite as one health system under OHSU Health.

OHSU and Legacy Health have a decades-long history of collaboration grounded in similar cultures and shared priorities for serving the community. While this long history of partnership is extensive and impactful for Oregon, the current transaction originated from the following events.

Legacy Health Transaction Process

In May 2022, Legacy Health's Board of Directors determined that the health system could best achieve its long-term goals through a strategic partnership. This decision stemmed from several longstanding challenges, some of which are unique to Legacy Health and some of which relate to broader changes in the health care delivery system.

For example, Legacy Health determined that its financial and clinical success depended on transitioning more of its payor relationships to value-based care. Such a transition was necessary to align Legacy Health's cost structure with reimbursement rates, which have not kept pace with inflation and lag significantly behind peers. To this end, the Legacy Health Board had established a target of 300,000 members in value-based arrangements by 2025. However, Legacy Health has been unsuccessful in driving a sufficient volume of patients to its value-based provider platform. Absent these member volumes, Legacy Health determined it was unlikely to meet its financial or clinical targets.

Additionally, Legacy Health has substantial unmet capital needs. The COVID-19 pandemic forced Legacy Health to defer routine capital investments because expenses increased dramatically while revenue did not keep pace with those increases. Further,

COVID-19 federal relief funds allowed Legacy Health to continue to operate but did not fund capital improvements. This deferred maintenance, totaling more than \$25 million, will impact Legacy Health's ability to invest in other capital improvement projects going forward. Legacy Health's Board also estimates that it needs between \$300 and \$750 million in additional investment (beyond routine capital outlays needed to maintain existing facilities and infrastructure) over the next five years to meet community needs with respect to service offerings, quality, and access.

Finally, Legacy Health's financial projections suggested that it would struggle to fund these investments without a strategic partner. Keeping pace with technological and clinical advancements needed to maintain access and quality requires consistent operating margins and/or access to capital to fund investments. However, financial projections showed operating losses in the near to mid-term, at least. This lack of margin would hinder Legacy Health's ability to fund strategic capital investments while maintaining adequate levels of liquidity.

Given these challenges, in early 2023 Legacy Health started a comprehensive process to evaluate potential strategic partners that led to the current proposed transaction. The Strategic Collaborations Committee of the Legacy Health Board was reconstituted and authorized to evaluate potential strategic partners. The Strategic Collaboration Committee, as reconstituted, was comprised of voting disinterested members as well as non-voting members appointed to bring additional perspective to the committee's work. The Strategic Collaborations Committee met on a bi-weekly basis and reported and made recommendations to the Legacy Health Board with respect to the potential strategic transaction. Legacy Health also retained independent, outside advisors to both seek out potential transaction partners and advise the Board on financial, legal, and operational issues that arise in evaluating or effectuating any potential transaction.

The Legacy Health Board created an objective framework to evaluate potential transaction partners. This first involved identifying the key goals of strategic partnership, which are listed below. Attached as **HCMO Notice Question 7 – Exhibit 1** is the full prioritization framework adopted by the board and used throughout the transaction evaluation process.

After carefully evaluating other proposed transactions, the Legacy Health Board unanimously determined that the proposed OHSU combination would achieve all of Legacy Health's transaction goals:

- *Strengthen Legacy Health's financial position and accelerate access to capital:* The approximately \$1 billion capital commitment will ensure that existing Legacy Health facilities receive the investment they need to continue to provide health care to the community. The integrated public university health system also will

have greater access to capital and lower costs, allowing for additional investments in care delivery, technology, and population health infrastructure. Finally, the integrated public university health system will be able to leverage opportunities through sharing services, eliminating duplicative activities, and providing more resources to better serve the community.

- *Promote excellence in safety, quality, and patient satisfaction:* OHSU is consistently ranked as the best hospital in Oregon and is a national leader in many specialties such as cancer, Ear, Nose, and Throat (ENT), gastroenterology, geriatrics, and pediatrics. Legacy Health will benefit from OHSU's reputation for clinical excellence and system-wide clinical and quality improvement efforts. As noted additional investments made possible by the capital commitment will help ensure maintenance and needed upgrades to Legacy Health's facilities as needed to deliver the highest quality of care.
- *Improve access to health care services:* The combination of OHSU and Legacy Health will create a high performing, full-service health system that will propel Oregon forward as a local and national leader in health, education, and research. It will improve access to care for Legacy Health's patients by filling gaps in the continuum of care, expanding existing referral networks, and allowing more care to be delivered to patients in their communities. It also will give existing Legacy Health patients access to OHSU's unique specialty and subspecialty services as well as OHSU's research and educational opportunities.
- *Protect Legacy Health's workforce:* OHSU performs significantly better than national benchmarks on nursing turnover. Legacy Health will benefit from OHSU's excellence in retention. OHSU also is committed to honoring all of Legacy Health's existing collective bargaining agreements.

For these reasons and others, Legacy Health's Board and executive team unanimously concluded that the OHSU transaction is the best way to improve health care access and quality for people in Oregon and southwest Washington in the near future and beyond.

OHSU Transaction Process

For more than 130 years OHSU has served people in Oregon and beyond as the state's only public academic health center, offering unique care not available anywhere else in the state and region as well as teaching generations of health care providers. See the response to Question 10 for more details about the clinical, education, and research benefits of OHSU's academic health center for people in Oregon. Since 1995, OHSU has been a public corporation of the state of Oregon, accountable to the people of Oregon and with the flexibility to serve its state mandated missions. The key to OHSU's

success has been its unique statutory position as a public corporation that allows freedom to plan strategically and respond nimbly to a fast-changing health care marketplace, generating investment to create world-class education, research, and clinical services dedicated to meeting the health care needs of Oregonians. OHSU's public status under ORS 353 and governance by a publicly appointed Board of Directors that is accountable to the people of Oregon purposefully positions OHSU to provide essential health care services, including to underserved populations, that no other health system in the state provides.

OHSU's impact on Oregon has been profound, as catalogued in detail in OHSU's 2023 Fact Book, included as **HCMO Notice Question 7 – Exhibit 2**. The institution has become a world-class academic health center and a vital part of Oregon's economy, advancing clinical research to bring leading health care interventions to Oregonians; teaching the next generation of scientists, clinicians and researchers; and leading the state in providing the most advanced health care for all who need it. However, recently OHSU has experienced limitations on its ability to advance this mission. The people of Oregon are waiting extended periods for specialty and complex care or traveling out of state to receive it because OHSU's inpatient capacity is constrained. OHSU is already working to expand adult inpatient capacity at its existing hospital and pediatric capacity at Doernbecher Children's Hospital, but that is not enough. OHSU also wants to improve and expand primary and secondary care without sacrificing the critical higher acuity care it currently provides. Clinical capacity is constrained, and Oregon's health care workforce shortage requires the expansion of OHSU's clinician training programs, but opportunities for clinical education expansion are limited without additional clinical capacity.

With all this in mind, in 2022, the OHSU Board of Directors began considering options for the future focused on maintaining and expanding the impact of OHSU's missions in health care services, clinical discoveries, and clinician training, as well as halting declining access for people seeking care. Given OHSU's public statewide mission under ORS 353 and its role as Oregon's only public academic health center, the OHSU Board's priority was maintaining and expanding access to health care for the entire state.

OHSU and Legacy have long partnered together and, in addition to being Oregon based, share similar cultures, missions and values. Combining systems would cement existing clinical partnerships like the OHSU Knight-Legacy Health Collaborative, secure the future for unique initiatives like the Unity Center for Behavioral Health, and enable many benefits for Oregonians that would not be possible through individual partnerships and initiatives. With these considerations in mind, OHSU approached Legacy Health

upon hearing that Legacy Health was looking into opportunities for a strategic combination.

OHSU's Board of Directors identified the critical need to maintain existing Legacy Health services as an essential component of the health care system in Oregon. The OHSU Board also thoughtfully considered the combination with Legacy Health with a clear view of financial implications.

With these considerations in mind and an eye toward a stronger long-term future for all missions at OHSU, including research and education, the OHSU Board of Directors set forth on negotiations to achieve an agreement to create a generational investment to achieve better care, better access, and long-term financial stability. The Board unanimously voted to support moving forward to create an integrated public university health system and unanimously approved the definitive agreement.

b. Any due diligence performed by any of the parties to the transaction. Provide any products, reports, or analyses resulting from due diligence processes.

Both OHSU and Legacy Health conducted substantial due diligence regarding one another – and specifically whether the combination achieved the parties' respective goals and would benefit the community. Initially, due diligence focused on the strategic rationale for each party to enter into the transaction as outlined in the responses to Question 6 and 7a.

OHSU approached due diligence with the goal of maintaining and expanding the impact of OHSU's public missions in health care services, clinical discoveries, and clinician training, as well as halting declining access for people seeking care. See **Question 7 – Exhibit 3** for further information. OHSU focused its due diligence on evaluating the immediate, medium term, and long range finances of both institutions. Please refer to **Question 7 – Exhibit 4** for early thinking in the transaction process on financial projections. and **Question 7 – Exhibit 5** for a summary of financial projections for the integrated public health system. Financial projections are discussed in further detail in response to Questions 13, 15 and 17, and continue to be evaluated by the integrated public health system. The OHSU Board identified the critical need to maintain Legacy Health services as an essential component of the health care system in Oregon, assessing the benefits and risks of the transaction, and ultimately agreed on the transformational opportunity to create a high performing, full-service public health system that would propel Oregon forward as a local and national leader in health, education and research. Please refer to additional documents submitted in response to Question 7b for further products, reports or analyses resulting from due diligence.

OHSU retained nationally renowned consulting firm Grant Thornton and Hogan Lovells US LLP to help in the due diligence process.

For Legacy Health, the due diligence process focused on evaluating the strategic framework as outlined in the response to question 7a. Legacy Health's Board of Directors and advisors used this framework to conduct initial due diligence on each potential transaction partner (of which there was more than one), including to determine if the proposed transaction would meet Legacy Health's transaction goals. As Legacy and OHSU neared an agreement on a term sheet, Legacy Health asked OHSU to demonstrate how its proposal furthered each of Legacy Health's transaction goals. See **HCMO Notice Question 7 – Exhibit 6**. The Legacy Health Board used OHSU's responses, as well as guidance from the Legacy Health executive team, independent advisors, and their own experience and expertise, in assessing the relative benefits and risks of the transaction.

Legacy Health's due diligence process included retaining SullivanCotter, a leading health care consulting firm, to conduct a relative performance analysis of Legacy Health, OHSU, and their west coast peers to confirm OHSU's strong reputation for quality and patient satisfaction. See **HCMO Notice Question 7 – Exhibit 7**. Additionally, Ponder & Co., Legacy Health's independent financial advisory firm, conducted comprehensive financial due diligence, and Legacy Health's primary deal counsel, Reed Smith, LLP, led the legal due diligence process.

8. Will the proposed material change transaction change control of a public benefit corporation or religious corporation?

Yes

No

9. List any applications, forms, notices, or other materials that have been submitted to any other state or federal agency regarding the proposed material change transaction. Include the data and nature of any submissions. This includes, but is not limited to, the Oregon Department of Consumer and Business Services, Oregon Public Health Division, Oregon Department of Justice, U.S. Department of Health and Human Services (e.g., Pioneer ACO or Medicare Shared Savings Program application), Federal Trade Commission, and U.S. Department of Justice.

As of the timing of this filing, the parties have not made any submissions to any other state or federal agency regarding the material change. The parties anticipate making additional submissions as required by law to the Oregon Health Authority, the Oregon Department of Justice, the Washington Department of Health, and the Washington

Attorney General. The parties will respond as needed to inquiries from the Federal Trade Commission.

The Legacy Health Foundation has submitted, or will submit, required filings related to the transfer of Legacy Health's interest in PacificSource to the Foundation. These filings are: (a) a HCMO Notice to the Oregon Health Authority, (b) a Form A to the Oregon Health Authority related to the transfer of PacificSource's coordinated care organization, and (c) a Form A to DCBS related to the transfer of PacificSource's insurance business. All such filings are distinct from this HCMO Notice and will be considered separately by the applicable agencies. As noted above in question 6, the combination of OHSU and Legacy Health and the transfer of PacificSource to the Foundation must move forward together.

- a. If a pre-merger notification was filed with the Federal Trade Commission or U.S. Department of Justice, please attach the pre-merger notification filing along with this notice submission.**

OHSU is a "governmental entity," charged with "performing governmental functions and exercising governmental powers," ORS 353.020, and so is exempted from the Hart Scott Rodino ("HSR") pre-merger notification filing requirements. Specifically, Section 7A(c)(4) of the HSR Act exempts "transfers to or from a Federal agency or a State or political subdivision thereof." 16 C.F.R. Section 801.1(a)(2) states that an "entity" for purposes of HSR shall not include "... the United States, any of the States thereof, or any political subdivision or agency of either (other than a corporation or unincorporated entity engaged in commerce)." For that reason, the parties are not required to make a pre-merger filing with the Federal Trade Commission or the U.S. Department of Justice here.

The parties are, however, committed to working expeditiously through the HCMO process and with any other interested agencies to address any questions that might arise.

IV. About the entities involved in the proposed transaction

10. Describe Party A.

- a. Describe Party A's business, including business lines or segments**

OHSU is Oregon's only comprehensive academic health center; it is a governmental entity established as a statutory public corporation. OHSU has statewide purposes and missions articulated by state law that include providing educational programs; conducting research in health care, engineering, and sciences; engaging in inpatient and outpatient clinical care and health care delivery throughout the state; providing

outreach programs in education, research, and health care; and carrying out a commitment to provide health care to the underserved patient population of Oregon. OHSU employs about 22,000 people in Oregon and across the country. By statute, OHSU is required to carry out the public purposes and missions of the law in a way that “best promotes the public welfare of the people and the state of Oregon.” ORS 353.030(4). The statute further specifies that OHSU may work within and outside of Oregon. See ORS 353.050.

As a public academic health center, OHSU provides unique care not available at any other hospital in the state or region. The academic health center brings teams of clinicians, researchers, teachers, technologists, and other experts together in one setting to advance health care. Of more than 100 academic health centers in the United States, OHSU is the only one located in Oregon. As a public entity, OHSU has a unique responsibility to provide services for the most vulnerable Oregonians, and outreach to improve health in communities across the state.

The OHSU academic health center benefits people across the Pacific Northwest and beyond, but people in Oregon *rely* on the academic health center for:

- **Clinical health care, especially unique and specialized services:** OHSU’s public academic health center provides patients and the community with health care for everyday needs as well as the most specialized and unique care for complex diseases, illness, and injuries. The specialty care OHSU provides makes it possible for people who need complex care to stay in Oregon rather than traveling out of state.
- **Education:** OHSU’s public academic health center teaches health care professionals with an eye on training the right mix of providers for tomorrow’s needs. Nearly one-third of Oregon’s practicing physicians did all or part of their training at OHSU.
- **Research:** OHSU’s public academic health center develops technology and carries out research that improves lives of people in Oregon and beyond. Because of its role as an academic health center OHSU offers Oregonians opportunities to participate in clinical trials, faster access to the latest discoveries in medicine, and more.

b. Describe Party A's governance and operational structure (including ownership of or by a health care entity)

OHSU is governed by OHSU’s Board of Directors, which, except for the OHSU President, is appointed by the Oregon Governor and confirmed by the State Senate.

The Board of Directors has 11 members comprised of 7 representatives who have experience in OHSU's missions or are important to the success of OHSU, 1 OHSU student, 1 OHSU faculty member, 1 non-faculty OHSU staff member, and the OHSU President. Under Oregon state law, the OHSU Board of Directors sets policy and manages the operations of OHSU to carry out OHSU's purposes and missions. OHSU's operations also are subject to ongoing oversight from both the Governor and the Legislature through mandatory annual reporting obligations.

As the state's only academic health center and a state entity acting on behalf of the people of Oregon, OHSU is subject to more rigorous transparency and accountability requirements than any of its competitors in the state. In addition to the public process used to establish its governing board, the institution is required to comply with stringent public transparency requirements and provide access to its records in response to public records requests. Its Board of Directors must meet in public, which allows anyone to attend. The Oregon Supreme Court and the Oregon Legislature have recognized OHSU as a state sovereign entity charged with "performing governmental functions and exercising governmental powers." ORS 353.020.

c. Provide a diagram or chart showing the organizational structural and relationships between business entities.

Please see **Supplemental Materials D** for charts showing OHSU's organizational structure and relationships between business entities associated with OHSU.

d. List all of Party A's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

Please see **Supplemental Materials B** for the completed HCMO-1b: Business Entities form. In answering this question, OHSU has provided a list of all OHSU Assumed Business Entities, all OHSU Limited Liability Corporations and Entities with Registered Tax Identification Numbers, and all entities in which OHSU has a membership interest in and related OHSU non-profit entities.

For context, as Oregon's academic health center OHSU's statutorily mandated missions of health care, research and education span the entire state. As the state's academic health center more than 50% of OHSU's inpatients come from outside the Portland metro area, and OHSU partners with hospitals to across the state to support their patient's tertiary, quaternary, and complex care needs. This includes OHSU providers caring for patients at hospitals throughout Oregon through provider services agreements, including cancer patients at Columbia Memorial Hospital in Astoria and at

Adventist Health Columbia Gorge in The Dalles, patients with complex health care needs at Asante hospitals in southern Oregon, pediatric patients at Sacred Heart in Eugene, primary care services in Warm Springs, primary care patients in Enterprise, Oregon, behavioral health patients at the Oregon State Hospital, cancer patients at St. Charles hospitals in central Oregon, family medicine patients at Sky Lakes in Klamath Falls, and many more. OHSU also partners with hospitals and clinics throughout the state to train Oregon's next generation of nurses, doctors, and dentists and has nursing schools at all four state regional university campuses. OHSU also partners with clinicians and researchers throughout the state to conduct biomedical research and clinical trials through programs like the Oregon Rural Practice-based Research Network (ORPRN) and partners with hospitals and clinics in rural Oregon to support their needs through the OHSU Office of Rural Health and Area Health Education Centers. The breadth and depth of OHSU's connections to Oregon's health care communities in service to its statewide mission is tremendous.

- e. Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for Party A's Oregon business.**

Please see **Supplemental Materials H** for OHSU's audited financial statements.

- f. Describe and identify Party A's health care business. Provide responses to i-ix as applicable:**

- i. Provider type (hospital, physician group, etc.)**

As noted above, OHSU is Oregon's only public academic health system.

- ii. Service lines, both overall and in Oregon**

Health care institutions define their service lines differently. Please see **HCMO Notice Question 10 – Exhibit 1** for a summary of the major service lines provided by OHSU.

- iii. Products and services, both overall and in Oregon**

Please refer to **HCMO Notice Question 10 – Exhibit 2** for a list of services provided by OHSU.

- iv. Number of staff and FTE, both overall and in Oregon**

OHSU employs about 22,000 people, totaling about 18,500 full time equivalent (FTE) positions. Of the total number of staff, 20,600 are located in Oregon, including 17,200 FTE in Oregon.

v. Geographic areas served, both overall and in Oregon

As the sole academic health center in Oregon, OHSU providers treat patients from all over the state; 50 percent of OHSU patients come from outside of the Portland metro area. Please see **HCMO Notice Question 10 – Exhibit 3** for maps illustrating the geographic areas served by OHSU.

vi. Addresses of all facilities owned or operated using HCMO-1c: Facilities and Locations Form

OHSU providers see patients from all of Oregon’s 36 counties, and OHSU has clinic locations throughout Oregon. Please see **Supplemental Materials C** for the completed HCMO-1c: Facilities and Locations Form.

vii. Annual number of people served in Oregon, for all business, not just business related to transaction

Between January 1, 2023, and December 31, 2023, OHSU served 348,166 unique patients. Nearly 90 percent of all adult and pediatric patients are from Oregon.

viii. Annual number of services provided in Oregon

Between January 1, 2023, and December 31, 2023, OHSU provided about 1.8 million patient services, including 28,000 inpatient discharges, 628,180 outpatient cases, and 1.1 million clinic visits. Please see maps included in **HCMO Notice Question 10 – Exhibit 3** for the volume of services provided to patients who reside in Oregon counties as well as Washington counties and U.S. states. Nearly 90 percent of all adult and pediatric patients are from Oregon.

ix. For hospitals, number of licensed beds

OHSU Hospital, which includes Doernbecher Children’s Hospital, has a total of 576 licensed beds.

11. Describe Party B.

a. Describe Party B's business, including business lines or segments

Legacy Health is a local nonprofit health system with a mission of “good health for our people, our patients, our communities and our world.” Legacy Health traces its origins to the founding of Good Samaritan Hospital in 1875. Initially rooted in the tradition and values of community health organizations, healing ministries of area churches, and local physicians, Legacy Health transitioned into a secular health care system in 1989.

Today, Legacy Health remains dedicated to delivering compassionate, excellent care for patients and communities.

Legacy Health provides comprehensive health care services across the Portland and Vancouver metro areas and the mid-Willamette Valley through its hospitals, outpatient clinics, urgent care centers, and network of community-based providers. Legacy Health is comprised of six hospitals, 70 outpatient clinics, and various supporting entities.

b. Describe Party B's governance and operational structure (including ownership of or by a health care entity)

Legacy Health, which transitioned into a secular health system in 1989, is governed by a Board of Directors comprised of members from the communities it serves, including 18 voting members: 4 Legacy Health physician representatives, 9 community members, 2 representatives of the Lutheran Synod of Oregon, 2 representatives of the Episcopal Diocese of Oregon, and the Legacy Health President. The four physician members are elected at large by the Board from physicians recommended by any member of the active medical staffs of Legacy hospitals, and the nine community members are elected at large by the Board.

c. Provide a diagram or chart showing the organizational structural and relationships between business entities.

Please see **Supplemental Materials E** for charts showing Legacy Health's organizational structure and relationships between business entities associated with Legacy Health.

d. List all of Party B's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

Please see **Supplemental Materials B** for the completed HCMO-1b: Business Entities form.

e. Provide financial statements for the most recent three fiscal years. If Party B operates outside of Oregon, provide financial statements both for Party B nationally and for Party B's Oregon business.

Please see **Supplemental Materials I** for Legacy Health's audited financial statements.

f. Describe and identify Party B's health care business. Provide responses to i-ix as applicable.

i. Provider type (hospital, physician group, etc.)

As noted above, Legacy Health is a local nonprofit health system.

ii. Service lines, both overall and in Oregon

Please see **HCMO Notice Question 11 – Exhibit 1**, which describes Legacy Health's service lines.

iii. Products and services, both overall and in Oregon

Please see **HCMO Notice Question 6 – Exhibit 2**, which includes a list of services provided by Legacy Health.

iv. Number of staff and FTE, both overall and in Oregon

Legacy Health employs about 14,000 people in Oregon and southwest Washington, totaling about 11,000 FTE. Of the total number of staff, just under 12,000 are located in Oregon, including about 9,000 FTE in Oregon.

v. Geographic areas served, both overall and in Oregon

Please see **HCMO Notice Question 11 – Exhibit 3** for maps illustrating the geographic areas served by Legacy Health.

vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)

Please see **Supplemental Materials C** for the completed form HCMO-1c.

vii. Annual number people served in Oregon, for all business, not just business related to transaction

In calendar year 2023, Legacy Health served 558,092 unique patients.

viii. Annual number of services provided in Oregon

In calendar year 2023, Legacy Health inpatient discharges totaled 41,172. Outpatient volume at hospital facilities totaled 737,438, and outpatient volume at clinic facilities totaled 1,572,915.

ix. For hospitals, number of licensed beds

Systemwide, Legacy Health has a total of 1,626 licensed beds. Please see **HCMO Notice Question 11 – Exhibit 4** for a breakdown of these beds by facility.

- 12. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:**
- a. Legal names of all entities party to the transaction**
 - b. Type of transaction**
 - c. Description of the transaction**
 - d. Date the transaction closed**

Please refer to **HCMO Notice Question 12 – Exhibit 1** for a response to this question.

- 13. Describe any anticipated changes resulting from the proposed material change transaction, including:**
- a. Operational structure**
 - i. Provide a chart or diagram showing the pre- and post-transaction organizational structure and relationships between entities.**

The operational structure for the integrated public university health system will facilitate the full integration of existing Legacy Health facilities and services into OHSU post-closing, resulting in the integrated system. As is typical in member substitution transactions, Legacy Health will become a wholly owned subsidiary of OHSU. OHSU will become the sole parent of Legacy Health, and, indirectly, all of Legacy Health's subsidiaries, with the exceptions detailed in the response to Question 6b.

The operational structure of the integrated public university health system will include two divisions, each including facilities owned by, operated by, or associated with OHSU or Legacy Health before closing. The "Portland Division" will include Doernbecher Children's Hospital, Emanuel Medical Center, Good Samaritan Medical Center, OHSU Hospital, Randall Children's Hospital at Emanuel, and Unity Center for Behavioral Health. The "Regional and Ambulatory Division" will include Adventist Health (affiliated with OHSU), Tuality Hillsboro Medical Center (affiliated with OHSU), Meridian Park Medical Center, Mount Hood Medical Center, Salmon Creek Medical Center, Silverton Medical Center, and all ambulatory services. See **Supplemental Materials F** for charts describing the currently intended organizational model for the integrated system,

hospital locations, and the proposed provider organizational model; these charts are preliminary and the parties intend to further evaluate structure during integration planning. At closing, the name “Legacy” on any of the above facilities will be replaced with “OHSU” (for example, “Legacy Mount Hood Medical Center” will become “OHSU Mount Hood Medical Center”).

Both divisions will have co-equal status within the integrated public university health system; be governed under a unified governance structure, with management of each division reporting to a single health system Chief Executive Officer who must be appointed by the OHSU President; and will be operated on a consolidated financial and “single bottom line” basis.

In addition, OHSU and Legacy Health will develop a plan to guide integration of existing Legacy Health facilities and operations into OHSU after closing.

Please refer to **Supplemental Materials D** and **Supplemental Materials E** for current pre-transaction operational structure charts for OHSU and Legacy Health.

b. Corporate governance and management

OHSU is a public academic health center established in Oregon law (ORS 353) with a Board of Directors appointed by the Governor and confirmed by the Oregon Senate. OHSU’s operations also are subject to ongoing operational oversight from both the Governor and the Legislature through mandatory annual reporting obligations. This same transparent and accountable governing structure will apply to the integrated public university health system, ensuring public accountability to accomplish the vision for the transaction for the people of Oregon.

The following changes in governance are planned as part of the transaction:

- *The publicly-appointed OHSU Board of Directors will become the sole fiduciary Board for the entire integrated public university health system.*

As vacancies for seats appointed by the Governor arise on the OHSU Board of Directors following closing, OHSU must include individuals proposed by the Foundation in its list of potential nominees recommended to the Governor. Individuals proposed by the Foundation must represent at least two-thirds of all individuals included on any such OHSU list of recommended nominees for a vacancy unless the Foundation agrees otherwise. This obligation for OHSU continues until three OHSU Board seats have been filled by the Foundation’s nominees or for 10 years, whichever comes first. The Governor retains full discretion to appoint members, including nominees not recommended by OHSU or the Foundation, and the Oregon Senate retains its

confirmation authority. Legacy Health has acknowledged that the Governor is not obligated to accept OHSU's recommendations, so there is no guarantee that any of the nominees to the OHSU Board that are put forth by the Foundation Board will be appointed by the Governor to the OHSU Board.

- *OHSU's current Health System Board will be reconstituted.*

The Health System Board is distinct from, and will make non-binding recommendations to, the OHSU Board of Directors. The authorities of the Health System Board will be limited to oversight of professional staff privileging, quality assurance/performance improvement by all health system divisions and licensed facilities, and non-binding recommendations to the OHSU Board with respect to integrated public university health system strategy and proposed health system expenditures (including expenditures of the \$1 billion capital commitment that is a component of the transaction). The Health System Board will have no authority over the health system component of OHSU other than as described above and will have no authority over the educational or research enterprises. Please refer to Supplemental Materials G for further detail.

c. Investments or initiatives

This combination commits to two major initial investments that will benefit health care for people in Oregon: a \$1 billion OHSU capital commitment and the transfer of Legacy Health's net cash into the Legacy Health Foundation. As described elsewhere in this Notice, these are generational, accountable, and unique investments in health care infrastructure and health equity that will improve health care access, health equity, and health outcomes for Oregonians for decades to come. These investments would not be possible but for the combination.

- *\$1 billion OHSU Capital Commitment*

As discussed earlier in this Notice, the capital commitment is essential for the integrated public university health system to improve access to high quality health care for patients. Legacy Health's Board estimated that the Legacy Health System would need between \$300 million and \$750 million in capital investment (beyond the routine capital outlays necessary to maintain existing infrastructure), to meet community needs. Given this, the capital commitment is vital and necessary for ensuring investment in capital needed to keep existing Legacy Health services available and accessible for the people who depend on them.

The capital commitment may be invested in expenditures as defined by the agreement between the parties, including but not limited to routine and non-routine capital

expenditures at existing Legacy Health facilities; expenditures on information technology at existing Legacy Health facilities; a single instance of Epic; expenditures on new or expanded programs and lines of service at existing Legacy Health facilities; and expenditures on new or expanded facilities, capabilities, and programs that will be part of the Regional and Ambulatory Division. Expenditures from the capital commitment are subject to approval by the OHSU Board of Directors.

The integrated university public health system must spend the capital commitment on projects that have commenced or been approved, and for which expenditures have been earmarked, within 10 years following the closing absent exigent circumstances (which could extend the expenditure period to 13 years without reducing the amount of the commitment). For additional detail, see Schedule 3.4.5 to the System Combination Agreement included in **Supplemental Materials G**, which includes planned investments from the capital commitment to improve the existing Legacy Health Burn Center.

- *Investment in Health Equity through the Foundation*

The investment in health equity and access is intrinsically necessary to meet the goal of addressing health equity through this transaction, and this major investment in health equity would not be possible but for the transaction. As noted earlier, at or immediately prior to closing, the Legacy Health Foundation will be renamed and will have a new board of directors. The Foundation will be repurposed to make grants and pursue other strategies to create pathways and remove barriers to health equity and realize its vision for every member of our community to achieve their highest possible quality of health.

The Foundation will fill a critical role in the health ecosystem, as there currently is no other nonprofit organization of this size and nature that is focused primarily on health in Oregon and southwest Washington. See the response to Question 15.d and **HCMO Notice Question 6 – Exhibit 3** for more information about the Foundation and its post-closing mission and vision.

- *Additional Investments and Initiatives*

Further, the integrated public university health system will consider and develop new initiatives focused on health care access, equity, and quality, as well as addressing risks and standardizing key processes, as part of overall integration planning and implementation. These initiatives will be developed in partnership with the community, as appropriate.

d. Type and level of staffing

Clinicians, staff, and students will be essential for the integrated public university health system to make OHSU a market-leader provider of health care in the region and deliver the benefits of the combination for people in Oregon. The public university health system will make all staffing decisions as transparently and with as much notice as possible, aligning with patient care needs and collective bargaining agreements. In order to ensure access to services not available elsewhere in Oregon and invest in frontline health care staff, OHSU recently aligned its workforce to its tertiary, quaternary, and complex care services, including eliminating positions and restructuring programs. OHSU did this with a focus on preserving access to health services.

The integrated public university health system does not intend to make any reductions in workforce involving employees in good standing for at least the first six months following closing. Additional information affecting individuals' employment status includes:

- Legacy Health employees will remain employed by the same legal entity after closing.
- Legacy Health employees will remain covered by the terms of their existing collective bargaining agreements, but now as part of the integrated university health system.
- All Legacy Health employees will retain their benefits, including health insurance, retirement benefits, and seniority at closing.
- All Legacy Health employees will become public employees of the State of Oregon.
- OHSU will honor all Legacy Health collective bargaining agreements.
- OHSU will follow the law in all instances, including the Oregon Hospital Staffing law and with respect to pay equity.
- OHSU will evaluate the feasibility and appropriateness of moving to integrated system-wide employment policies over time, including a single compensation system and employee benefits like health insurance and retirement across all integrated public university health system entities, subject to applicable legal requirements and the terms of collective bargaining agreements. For example, the OHSU Board may consider adding opportunities for employee participation in State of Oregon Public Employee Retirement System benefits.

To further OHSU's goals for the transaction, including supporting superior health outcomes, competitive performance, and establishing OHSU as a preferred employer, OHSU worked with labor partners and has made additional commitments to provide

clarity and certainty at the time of closing to frontline staff and employees who are bargaining unit members of AFSCME, ONA, OFNHP, SEIU Local 49 and PNWHMA¹ as outlined in **HCMO Notice Question 13 – Exhibit 1** and assuming the availability of resources. These additional commitments center on shared efforts to drive economic prosperity by creating high-quality jobs, building a workforce for today and tomorrow, and advancing racial justice and culturally competent care. Specific commitments include:

- Guaranteed continued employment for at least 12 months following closing.
- Additional support if layoffs occur between 12 and 24 months after closing, including 6 months' severance, HR support, and retraining opportunities.
- No decreases in current wage rates, premium/differential rates, or benefit contribution amounts or levels.
- Pay equity, ensuring that no later than one year after closing if an employee's base wage rate (i.e. the employee's wage rate without any differential, premium, bonus, or similar addition to the basic wage rate) is lower than the base wage rate of an OHSU employee in the same job classification with the same relevant experience in that job classification, OHSU will increase the former Legacy Health employee's base wage rate to match the OHSU employee.
- Enforcement of discrimination, harassment, and retaliation policies as outlined in current collective bargaining agreements to support and improve the employee culture of the integrated public university system.
- Recognition of diversity, equity, inclusion, and belonging (DEIB) language in current collective bargaining agreements and exploration of a DEIB Labor-Management committee to support this work broadly in the integrated public university health system.
- Implementation of a standardized, scalable, and scaffolded DEIB learning program for all employees to further its institution-wide commitment to and respect for diversity, equity, inclusion, and to achieve greater and even more institution-wide adoption of its diversity and anti-racism commitments in the integrated public university health system.
- Collecting and sharing employee demographic data with the identified bargaining units.

¹ The full names of the bargaining units included in the Letter of Agreement are the American Federation of State, County and Municipal Employees Council 75 (AFSCME); Oregon Nurses Association, the American Federation of Teachers Local # 5905 (ONA); Oregon Federation of Nurses and Health Professionals, AFT Local 5017 (OFNHP); the Service Employees International Union Local 49 (SEIU Local 49); and Pacific Northwest Hospital Medicine Association, AFT Local 6552 (PNWHMA).

The integrated public university health system will initially retain all current Legacy Health and OHSU physician and advanced practice provider structures, relationships, and arrangements, subject to any existing separation agreements or arrangements that restrict OHSU from re-hiring certain employees. OHSU will provide opportunities for physicians and advanced practice providers to join the OHSU health system as employed faculty, as members of system-sponsored or system-owned provider networks, or as fully independent physicians or advanced practice providers with medical staff privileges at OHSU facilities.

To ensure the integrated public university health system can serve the community effectively and sustainably and achieve its goals, there will be new employment opportunities, and some employees may need to be redeployed to a different unit, different location, or different job function. In combining, the system will eliminate obvious duplication and redundancy, which may require workforce reductions in some areas, as is appropriate for any transaction of this size and scope. However, as outlined above, any workforce reductions will not occur within the first six months following closing and any workforce reductions of employees who are bargaining unit members of the unions identified above, will not occur within the first 12 months following closing.

The integrated system may consider alternative workforce reduction scenarios, including holding open rather than filling vacant positions, as it considers strategies to control the growth of fixed costs to help ensure a sustainable rate of average cost growth for people. Factors affecting decisions about workforce reductions include collective bargaining agreement requirements, potential impacts for access to care, potential benefits for quality of care, the financial position of the integrated entity, actual versus projected revenues and costs, and decisions about other ways to reduce costs, such as through the supply chain.

Any position eliminations will be reviewed on a case-by-case basis with a focus on prioritizing redeployment elsewhere within the integrated public university health system, rather than elimination. If an employee's job is eliminated, the employee will receive severance in accordance with their employing entity's then-existing severance policies or in accordance with **Supplemental Materials G** and receive priority consideration for vacancies within the integrated health system.

e. Type and level of services provided

Legacy Health's Board entered this transaction in part because it was unsure it could continue to provide needed health care services in the communities it serves without OHSU. In 2024 alone, Oregon has seen hospitals close and watched essential services disappear as a result of the continued challenges facing the health sector. This transaction helps Legacy Health and OHSU ensure that they can continue to maintain access to care in their communities and continue to offer the best care possible to Oregon patients.

Together the integrated public health system expects to not only preserve but also expand the type and level of services they currently provide. For example, by better utilizing the currently idle beds and capacity at the former Legacy Health facilities to care for lower-acuity patients, OHSU will free up capacity on its campus to provide more of the scarce tertiary and quaternary services for which Oregonians today might face delays or even leave the state. Neither Legacy Health nor OHSU can solve these issues on its own and the integration of these two systems into a locally controlled and focused public health system is the best hope of ensuring the critical services remain available to patients in Oregon.

f. Number and type of locations

As stated above, a key goal of the combination is to improve health services and expand access to high quality health care. There are no plans to close or reduce the number and type of service locations and OHSU expects to use the currently underutilized Legacy Health facilities to help alleviate its own wait times and capacity constraints. The parties are in the earliest stages of planning but fully intend to invest to preserve and expand access to care, for all communities, and ensure that the right care is delivered at the right location. These principles will drive our integration planning as we work to combine the two systems to better serve our communities.

g. Geographic areas served

OHSU is a public corporation of the state of Oregon with a statewide mission– to deliver the highest quality health care to people throughout the state of Oregon. This transaction presents an opportunity to better serve people by expanding the impact of those missions in health care services, clinical discoveries, and clinician training, as well as halting declining access for people seeking care. As a result, the transaction ensures that the entire state of Oregon will continue to receive the highest level of health care moving forward. Please refer to responses to other questions for additional detail about the health benefits to the public resulting from the transaction. See **HCMO Notice Question 13 – Exhibit 1** for information about how OHSU is improving access for patients who need care that is only provided at the academic health center.

h. For providers, payer contracts and payer mix

OHSU and Legacy Health are committed to protecting patient access to care, regardless of their insurance status or ability to pay, and intends to contract with all payers. To that end, the integrated system will maintain all payer contracts at the time of closing and will work with the payers to ensure that their members maintain access to all of the facilities and providers of the integrated system.

The integrated public university health system also will represent more than 58% of the inpatient Medicaid visits in the Portland metro area through Health Share of Oregon. Serving these Medicaid patients, and the many more that come from outside the Portland metro area for complex care services, will be a core priority for the newly integrated public university health system. That is its state mandated mission, and a primary purpose of this transaction is to ensure that Medicaid patients continue to have access to the former Legacy Health providers and facilities despite the significant financial challenges. Planning will prioritize maintaining the integrated public university health system system's status as the state's largest provider of services to Oregon's Medicaid population.

i. For insurance carriers, provider contracts and networks

OHSU and Legacy Health are health care providers, not insurers. As noted above, OHSU will indirectly hold Legacy Health's membership interest in Health Share following this transaction. The parties do not anticipate that the proposed transaction or the transfer to the Foundation will affect any contractual relationships between PacificSource and Health Share or Legacy Health and Health Share. Please see Legacy Health's separate filing regarding transfer of PacificSource to the Foundation for further information.

j. Other contractual arrangements, including contracts with suppliers, partners, ancillary service providers, PBMs, or management services organizations

The integrated university health system will seek ways to reduce waste and duplication while maintaining and improving access to services, including by reviewing contractual arrangements where appropriate.

V. Impacts from the proposed material change transaction

14. Describe how the proposed material change transaction will impact the public and people served by the entities in Oregon.

This transaction will create a high performing, full-service integrated public university health system that will move Oregon forward as a local and national leader in health, education, and research. The transaction ensures the long-term financial stability of the integrated public university health system, and it ensures that the health system with the largest Medicaid volume in Oregon remains in Oregon control. It enables people in Oregon, and in particular historically underserved people, to access an integrated and publicly accountable health system that is committed to improving health outcomes, the quality of health care, and health equity. The transaction ensures significant investments and upgrades in infrastructure at former Legacy Health facilities. And finally, the transaction prioritizes meaningful investments and plans to reduce health inequities through the creation and funding of a health equity focused foundation. Each of these benefits is not possible absent the proposed transaction.

Oregon communities need better access to specialized and unique services only available through the academic health center, and the transaction will address this unmet and critical need. For example, the integrated public university health system expects to have the patient volume needed to advance as a national top tier cancer center, growing access to complex cancer care for people in Oregon.

As detailed elsewhere in this Notice, the integrated public university health system plans to improve health care access, quality, and equity, to directly benefit the public and people in Oregon. Some benefits will be felt more quickly after closing, while others will roll out over the next decade, as the parties more fully integrate and engage in more complex planning.

Specifically, the integrated public university health system will increase access to quality health care services for all people, including medically underserved populations. Access to high quality health care is a significant challenge at this time. In general, OHSU chronically suffers from a lack of beds while some Legacy facilities have built but unstaffed capacity. The proposed transaction will improve access resulting in:

- 1) shorter wait times for inpatient, ambulatory and surgical care;
- 2) preventative care that will reduce the need for hospital services;
- 3) broadened access to clinical trials and other innovative research for more people; and
- 4) virtual care that frees up inpatient and outpatient capacity.

The integrated public university system will directly provide care for more people covered by Medicaid than any other health system in Oregon, creating a critically important benefit across these access improvements. OHSU is committed to prioritizing

care for people who need it most, including ensuring more efficient coordination of care to improve health outcomes. The integrated public university health system will realize efficiencies specifically for people served by Medicaid by developing and deploying new and innovative strategies, in collaboration with partners, which are only possible as a result of the transaction.

These access improvements are only possible with the combination, which will leverage OHSU's capital commitment, the complementary strengths of each entity's networks and expertise, and the capability of the integrated public university health system to offer the right care at the right time and in the right setting. Please see the response to Question 15c for additional detail about access improvement enabled by the transaction and see the response to Question 15a for corresponding improvements in health outcomes.

The proposed transaction also will enable the integrated organization to improve health equity by expanding current efforts, making extraordinary new investments, and reconfiguring Legacy Health Foundation to focus on eliminating health inequities. Please see the response to Question 15d for additional detail about the equity investments enabled by this transaction.

Finally, and as also discussed throughout this Notice, the transaction will benefit the public by improving the long-term financial stability of the health care sector in the state of Oregon. Legacy Health's integration into OHSU will ensure that the substantial resources and expertise of Legacy Health stay in Oregon to the benefit of people in Oregon economically and through the provision of care.

OHSU is a public entity. It is accountable to people in a way that no other hospital or health system is. For example, no other health system's Board of Directors in Oregon is directly appointed by the Governor, nor is any other hospital Board required to meet in open public view, and similarly, no other health system is subject to public records requests. This public accountability is part of the reason why the transaction is so clearly in the public's interest. In sum, this transaction will significantly benefit the public good.

a. If there are any anticipated negative effects, describe how the entities will seek to mitigate negative impacts.

OHSU and Legacy Health do not anticipate any negative effects from the proposed transaction, but rather, firmly believe the benefits of the transaction will greatly improve health care in Oregon as outlined below in the response to Question 15. Moreover,

effects of the transaction will be mitigated by OHSU's status as a public entity and corresponding accountability to the public, reduces significantly the likelihood of such effects.

As a governmental entity performing governmental functions, OHSU is statutory required to perform its research, education, and health care missions in a manner that "best promotes the public welfare of the people and the state of Oregon." ORS 353.030(4). OHSU was established to serve the public interest, not the interest of OHSU or any other private party. Accordingly, effects of the transaction may be addressed through OHSU's status as a public entity with principles of "public accountability and fundamental public policy." ORS 353.010(2). OHSU's governing board is nominated by the Governor and confirmed by the State Senate. OHSU's operations are subject to ongoing operational oversight from both the Governor and the Legislature through mandatory annual reporting obligations. The public also has access to OHSU records pursuant to the Public Records Act, and the public may participate in OHSU's governance pursuant to the Public Meetings Law. OHSU is also subject to the Oregon Secretary of State's audit authority, creating third party oversight and public transparency. OHSU's statutory duties, and the direct, governmental oversight that it receives, will ensure that OHSU continues to operate in a way that "best promotes the public welfare of the people and the state of Oregon."

15. Explain how the proposed material change transaction will:

a. Impact health outcomes for people in Oregon. Provide applicable data, metrics, or documentation to support your statements.

Integrating the former Legacy Health facilities into the integrated public university health system will improve the quality of health care and health outcomes for people in Oregon as a direct result of the transaction. This work will include identifying and addressing health disparities in the communities the integrated system will serve. OHSU and Legacy Health have identified quality improvement opportunities for the integrated public university health system in seven areas: (1) preventative care; (2) pediatric care, (3) reproductive health and pregnancy; (4) chronic disease management; (5) patient experience; (6) reducing hospital harm; and (7) behavioral health. As part of integration planning, which includes clinicians and frontline staff, the entities will merge existing quality programs and track success against the identified opportunities.

The integrated public university health system will be able to implement quality improvement strategies that are not possible without the transaction. First, the integrated public university health system will, through integration, utilize best practices and learnings from both OHSU and Legacy Health to develop and adopt standardized

protocols and improve quality of care. Second, combining the two systems will offer the volume providers need to maintain proficiency in specialty and subspecialty areas. Third, OHSU will invest in Legacy Health's existing workforce, an essential element of any quality improvement process. And finally, OHSU's capital commitment will enable reinvestment in equipment and facilities across the whole system, directly improving outcomes and preventing any decline in quality of services.

OHSU and Legacy Health have identified potential indicator metrics to track progress within the seven identified opportunity areas, including, but not limited to:

1. **Preventative care:** well child visits (3-6 years old); adolescent immunizations; childhood immunization status; breast cancer screening; cervical cancer screening; colorectal cancer screening; depression screenings and follow-up.
2. **Pediatric care:** cardiothoracic mortality per index case, with a focus on STAT 4 and 5² (the most complex procedures with a higher risk of complications); rates of necrotizing enterocolitis in very low birthweight babies.
3. **Reproductive health and pregnancy:** Perinatal Care (PC) 02, which measures the rate of cesarean births among uncomplicated pregnancies. Please see the response to Question 15c for information about goals and indicators of access to reproductive health care.
4. **Chronic disease management:** hemoglobin A1c control³; hypertension control.
5. **Patient experience:** meaningful language access to culturally responsive services.
6. **Reducing preventable hospital harm:** CMS PSI 90 (Centers for Medicare & Medicaid Services Patient Safety Indicators 90), which is a composite score based on 10 component measures of hospital patient safety.

² STAT Category 4: Blalock-Taussig (BT) shunt, heart transplant, truncus arteriosus repair. STAT Category 5: Heart and lung transplant, Norwood procedure, truncus plus interrupted arch repair.

³ An A1C test is a blood test that reflects your average blood glucose levels over the past 3 months. The A1C test is sometimes called the hemoglobin A1C, HbA1c, glycated hemoglobin, or glycohemoglobin test. Hemoglobin is the part of a red blood cell that carries oxygen to the cells.

7. **Behavioral health:** SBIRT (screening, brief intervention, referral to treatment for substance use) rate.

Please see **HCMO Notice Question 15 – Exhibit 1** for more detailed information about current OHSU and Legacy Health performance on each of these indicators. Further, see **HCMO Notice Question 15 – Exhibit 2** for a framework showing the opportunities for impact identified throughout Section V of this Notice along with the potential indicators of success, when available, and other considerations regarding data tracking. The identified indicators associated with each of these quality opportunities may change during integration planning and as the integrated public university health system further collaborates with community, partners, and staff.

Some of the opportunities listed above overlap with those identified in the response to Question 15d. Identifying disparities as data is available and reliable across the list of identified indicators will allow the integrated public university health system to track progress in addressing inequities in health outcomes for everyone, including specific population subgroups.

With one exception, all the indicators identified in the list above are routinely collected and reported by OHSU and Legacy Health, creating baseline data to compare progress after integration; however, there are gaps with respect to understanding outcomes for underserved people. The integrated system will develop and integrate a standardized process to evaluate impacts to health equity in decision making processes to fit the needs of the quality improvement program. The identified list of indicators is currently used to align clinical teams around the same priorities and facilitate work with payers. During integration planning, the integrated public university health system will develop processes and plans to align around improving the indicators, leveraging the unique strengths of the integrated system as described above.

Thorough work during integration planning will be needed to accomplish the improvements in the opportunities outlined in this response. Specifically, integration of OHSU's and Legacy Health's electronic health record systems is needed to efficiently track and make progress on these indicators. The integrated system will prioritize the transition to a single instance of Epic for electronic health records management. This commitment demonstrates the system's commitment to full integration to deliver the benefits of the transaction for people in Oregon.

- b. **Benefit the public good by reducing the growth in health care costs. Provide applicable data, metrics, or documentation to support your statements.**

OHSU does not anticipate that this transaction will materially increase the cost growth rate (reimbursements per adjusted admissions) for the state. However, projected cost growth for the integrated public university health system will reflect the cost increases that the broader health care sector is experiencing in Oregon and across the country. Coming out of the COVID-19 pandemic, health care costs nationally have increased primarily due to inflation, the need to recruit and retain a valued and unionized workforce, and the adoption of new staffing models. OHSU is directly impacted by these costs increases and therefore expects some modest growth in health care costs attributable not to the transaction, but rather, to the macro-economic effects on health care costs nationally.

OHSU already has been directly impacted by typical national health care cost increases. For example, in the four years since the COVID-19 pandemic, the average pay for OHSU's nurses has increased by about 30 percent. And, as of April 2024, the U.S. Consumer Price Index, or CPI, is about 15 percent higher than it would have been without the pandemic inflation surge. See **HCMO Notice Question 15 – Exhibit 3** for a summary of anticipated costs that are included in OHSU's current financial projections as well as context about inflationary impacts.

Although the national trend of health care cost inflation affects the integrated public university health system, OHSU is uniquely positioned to ensure that any necessary cost increases directly benefit the public interest. OHSU is pursuing this transaction *due to* its explicit responsibility to the public: it provides the only care available at a public academic health center, and as a state entity, it is the only health system charged with doing more than operating as a non-profit or for-profit hospital. In fact, it is required to deliver on its mission *on behalf of the State of Oregon*. ORS 353.030(3). OHSU has a long history of taking on substantial health infrastructure challenges locally and stepping up when community needs are clear.

First, OHSU's enabling statute clearly sets out that it is a public entity with accountability to the state. As such, unlike other health systems, OHSU is publicly accountable and has no incentive to increase costs beyond what is absolutely necessary to ensure the system's financial stability and fulfill OHSU's public mission to serve people in Oregon. For example, OHSU is a market leader in investing in health care worker compensation and training. Such investments are necessary to ensure that people in Oregon have access to the best health care providers, clinicians, and staff, who receive competitive compensation. Through the combination, the integrated public university health system intends to continue leading in this area, will respect all current collective bargaining

agreements, and will enter into bargaining for competitive compensation of current Legacy Health employees.

Second, the capital commitment, while a substantial financial outlay for OHSU, demonstrates that the public interest is the priority of the transaction. Legacy Health has significant unmet capital needs—needs that are pressing now and will only become more pressing over time. The capital commitment is a publicly accountable, transparent investment needed to maintain and upgrade existing Legacy Health facilities and equipment, which are critical for maintaining the services currently provided by Legacy Health. Further, the additional health care spending identified in the capital commitment reflects OHSU's focus on achieving financial sustainability through investments that benefit people in Oregon. See the response to Question 13 for additional information about expenditures from the capital commitment.

OHSU expects that costs for the integrated public university health system will increase by roughly 4.6% on average, which is one percent above Oregon's current health care cost growth target. Even without this transaction, OHSU and Legacy would separately pursue reimbursement increases equivalent to the average cost increase (4.6%) projected for the combination. These cost increases reflect significant known pressures like addressing health inequities, rising pharmaceutical prices, cost shift pressures, and serving aging and rural populations. Additionally, they reflect emerging pressures, such as implementing appropriate staffing models and providing appropriate compensation for employees, especially in the wake of the pandemic and resulting inflation, which further strain the system. For example, financial projections identify an average 1.9% increment increase in compensation per employee compared to the 1.5% increment in general inflation, reflecting catch-up from the pandemic and other factors. See **HCMO Notice Question 7 – Exhibit 5** for draft and preliminary financial projections for the combination and see **HCMO Notice Question 15 – Exhibit 2** for the goal and indicator framework, which includes cost.

Given this projected cost growth rate, the integrated public university health system will continue to be financially constrained for a period of time. The integrated system also appropriately plans to evaluate where there are redundancies and duplications, and it preliminarily projects an industry standard of about 3% reduction in expenses in order to achieve the planned cost growth targets. Efforts to balance costs and revenues will be paired with substantial investments that improve services, increase access, improve health equity, and benefit people who are underserved. The goal of any changes in the post-transaction cost model will be consistent with OHSU's public purpose to ensure the

region has a financially sustainable and locally accountable health system that prioritizes the right care at the right time in the right place.

In sum, this transaction benefits the public good while roughly maintaining cost growth on par with what would be needed to maintain current services without the combination given inflation and wage cost drivers. And the transaction benefits the public good because of the integrated and uniquely accountable system's commitments and plans to improve health outcomes, access to care, and health equity as well as expanding a publicly accountable organization and ensuring that services remain under local control.

c. Benefit the public good by increasing access to services for medically underserved populations. Provide applicable data, metrics, or documentation to support your statements.

The integrated public university health system will benefit the public good by increasing access to quality health care services for all people, including medically underserved populations. Access goals include shorter wait times for inpatient and ambulatory care as well as surgeries; preventative care that will reduce the need for hospital services; broadening access to clinical trials and other innovative research for more people; and virtual care that frees up inpatient and ambulatory capacity. These access improvements are only possible with the combination, which will leverage OHSU's capital commitment, the complementary strengths of each entity's facilities and services, and the capability of the integrated public university health system to offer needed health care services and ensure people receive the right care at the right time and in the right place.

This response considers and builds from the definition of "medically underserved population" used by the federal Health Resources & Services Administration (HRSA). HRSA defines medically underserved populations as populations having, "a shortage of primary care health services for a specific population subset within a geographic area. These groups may face economic, cultural, or language barriers to health care. Some examples include: people who experience homelessness, people who are low-income, people who are eligible for Medicaid, Native Americans, migrant farm workers." This response considers access to tertiary and quaternary care services, as well as access to primary care, for medically underserved populations given unmet need, which is demonstrated by long wait times.

Ambulatory, inpatient, and surgery care

Access to ambulatory, inpatient, and surgery care is a growing problem in Oregon and the rest of the country for medically underserved populations and others. Trends in

population growth, aging, migration, disease burden, and consumer preferences are expected to contribute to projected increasing demand for health care, which will heighten today's access challenges. By combining, OHSU and Legacy Health will reduce the need for hospital care and free much-needed capacity to serve people who need inpatient care quickly. The following summarizes just some of the many access challenges OHSU and Legacy Health face today.

Inpatient access challenges

- OHSU consistently lacks available acute care beds and alternative spaces such as unit hallways are often used for overflow patients. Based on current fiscal year data:
 - OHSU typically has 20 to 40 adult boarders in the Emergency Department, and on average a patient in the OHSU Emergency Department must wait about 19 hours for an inpatient bed assignment. An average of 50 to 60 patients a day wait for bed placement.
 - Patients at hospitals around the state must wait several days to two weeks for a transfer to an OHSU tertiary care inpatient bed.
- Patients at OHSU have relatively long wait times for scheduled surgeries and procedures; transfer wait times and Emergency Department/ICU boarder hours also increase the surgical backlog.
- Legacy Health has “built” medical / surgical and ICU operating capacity, as well as operating room capacity, that it is unable to use due to staffing shortages.
 - Currently, the system has about 90 medical / surgical beds and 39 critical care beds that are built/equipped but not staffed. This unused capacity is unevenly distributed throughout the Legacy Health system, with the most unused capacity available at hospitals located closer to downtown Portland. On average, an estimated 60-70 patients are served per bed per year, which means the 90 medical / surgical beds and 39 critical care beds could serve an additional 7,500 – 9,000 patients/year.
 - About 11 percent of Legacy Health's operating room capacity is not staffed. If this operating room capacity was staffed, the system could treat about 5,100 additional patients through surgeries each year.
- Legacy Health is experiencing a decline in inpatient volumes. Between 2016 and 2023, total inpatient volumes at Portland's 16 hospitals declined 5 percent. During that same period, total inpatient volumes at Legacy Health facilities (excluding Unity) declined 21 percent. While Legacy Health has adjusted to this changing environment, its long-term financial projections show a need for further organizational changes to achieve financial sustainability. Specifically, Legacy

Health maintains several low-volume service lines that operate at significant losses but are nonetheless vital to maintaining access to care in the communities they serve; Legacy Health has been able to subsidize these services through healthy margins in other areas. A decline in inpatient volumes and operating margins across the organizations makes this increasingly unsustainable.

Ambulatory access challenges

- Many OHSU specialty/subspecialty practices have months-long wait times for new patient appointments. In the current fiscal year, endocrinology, neurology, adult gastroenterology, pulmonary/critical care medicine, and pediatric specialties have the longest wait times for new patients.
- Many OHSU primary care providers are currently closed to new patients.
- Legacy Health has faced challenges assigning patients to a primary care provider. Currently about 22,000 patients with Legacy Medical Group are waiting for a new primary care provider assignment after their original provider left. Unassigned patients are at risk for unmanaged disease conditions, lack of medication management, and higher utilization of emergency care with potential for readmission if the patient lacks timely access to follow up care.
- As noted above, Legacy's substantial decline in inpatient volume greatly impacts access to care as well.

Access Benefits resulting from this combination

The capacity challenges outlined above prevent access to high quality health care, particularly to people who are underserved. OHSU intends to focus on the following goals to make concrete improvements in access to high quality health care:

- Decrease number of boarders in Emergency Departments and Intensive Care Units (ICUs).
- Decrease Emergency Department and ICU boarder hours.
- Reduce average wait times for transfer to the integrated public university health system from community hospitals throughout Oregon.
- Reduce average wait times for surgeries and procedures.
- Reduce average wait times for new patient appointments for specialist care.
- Reduce average wait times for new patient appointments for primary care.
- Improve recruitment and retention of primary care providers.
- Increase the number of assigned patients in primary care.
- Maintain or improve access to reproductive health care.

See **HCMO Notice Question 15 – Exhibit 2** for more information about potential

metrics or indicators to track progress toward these identified goals.

These improvements are unobtainable absent this transaction because they require close alignment, integration, and expansion by one integrated public university health system to succeed. Prior attempts to collaborate in ways that fall short of complete integration have been unsuccessful.

For example, as one integrated public university health system, the OHSU health system will be able to leverage OHSU's innovative Mission Control to better manage inpatient beds across the entire integrated public university health system, making better use of current capacity.⁴ The Mission Control system has a proven track record and will be deployed throughout the entire system. Additionally, the newly formed OHSU health system will be capable of appropriately and efficiently transferring patients between facilities. See **HCMO Notice Question 13 – Exhibit 2** for information about OHSU's experience improving access to care for patients who need care only provided through the academic health center. Access to one combined Electronic Medical Record (EMR) system and aligned protocols for service and quality will ensure that transfers can occur, thereby improving health outcomes and reducing wait times. And, the capital commitment will be used to upgrade existing Legacy Health facilities, creating more capacity and making more efficient use of existing space for people to access care.

The combination also will improve staff recruitment and retention, which is needed to utilize Legacy Health's existing built but unstaffed operating room capacity. The integrated public university health system will partner with labor organizations to invest new resources in workforce training and development that consider needs for the entire continuum of care, training culturally competent staff, and supporting quality jobs for staff who are already in the care industry or who are interested in joining it. These investments will support the access improvement goals outlined in the response to this question as well as the quality improvement goals described in the response to question 15a. See **HCMO Notice Question 13 – Exhibit 1** for more details.

Importantly, improvements in access to inpatient and ambulatory care will

⁴ Mission Control is a technology-driven command center that uses predictive analytics and a real-time data display to coordinate inpatient patient care from the time a patient enters the hospital, or a transfer request is made, until they are discharged. In the initial two years after implementation (2017 to 2019), OHSU increased the adult inpatient bed occupancy by an additional 18 patients per day at OHSU for complex services, many from rural hospitals across Oregon. Extending this technology and operational process to the Legacy Health system is expected to allow more efficient use of existing inpatient bed capacity.

disproportionately benefit medically underserved patients. Together, OHSU and Legacy Health will serve more uninsured, underinsured, or Medicaid-covered patients than any other health system in the state. OHSU and Legacy Health hospitals are designated Disproportionate Share Hospitals, which is a federal designation meaning they voluntarily agree to serve a disproportionate number of low-income patients. Therefore, given the large number of Medicaid and other underserved patients served by the integrated public university health system, the access improvements in ambulatory, inpatient, and surgery care are expected to disproportionately benefit people who are medically underserved.

Further, the combination is expected to improve access in other ways for medically underserved populations, including the following:

- *Access to interpreter services:* As an integrated public university health system, the system will be able to improve access to interpreter services for people with limited English proficiency, including better centering interpreters and interpretation services in clinical care teams, improving integration within electronic health records, and adding more languages to communication platforms and materials. For more information see the response to 15d.
- *Commitment to reproductive and gender affirming health care:* The integrated public university health system is committed to maintaining or expanding access to reproductive and gender affirming health care, creating opportunities to grow these important services. **HCMO Notice 15 – Exhibit 2** identifies potential accountability metrics to track the integrated system’s commitment to maintaining access to reproductive health care.
- *Ability to accept more transfers:* Because the combination will improve the management and capacity of inpatient beds across the systems, the integrated public university health system will be able to accept more transfers, and medically underserved people in rural areas will experience decreased wait times for transfer for tertiary and quaternary service needs at the integrated health system.
- *Improved access to preventative care and population health, including for Medicaid and other underserved populations:* Uniting Legacy Health’s strength in its large, diverse network of community providers with OHSU’s excellence in the delivery of specialized care supports seamless access the entire continuum of care, starting with reduced average wait times for access to primary care

appointments and continuing through referral to and treatment from a specialist within the same academic health system. This is because, in part, the combination will support retention of primary care providers who train at an existing OHSU or Legacy Health site because the integrated public university health system will offer much more diverse options for practice settings than either system does now. Since providers are more likely to practice where they train, the integrated public university health system will retain more providers, reducing training needs and allowing patients to maintain connection with providers over time.

For the medically underserved pediatric population in particular, improvements in access to care will be impactful. OHSU and Legacy Health provide critical access to specialty health care services for children across the state, and most children served by Doernbecher and Randall Children's Hospitals are covered by Medicaid. The integrated public university health system will improve access to pediatric services by reducing wait times, improving recruitment and retention of providers, and eliminating barriers to collaboration needed to create the best outcomes for kids. Currently OHSU and Legacy Health collaborate to ensure specialized pediatric providers are available where patients are located. For example, recently OHSU and Legacy Health finalized an agreement under which OHSU will better serve Legacy Health pediatric patients who have epilepsy, brain tumors, and other neurological conditions. However, as independent systems, collaborating is a long and burdensome process. The integrated public university health system will be able to move faster and expand on collaborations, improving care for children.

The combination also will leverage OHSU's and Legacy Health's shared commitment to the Patient-Centered Primary-Care Home (PCPCH) model. A PCPCH is a health care clinic that has been recognized for its commitment to patient-centered care. The PCPCH program recognizes clinics as primary care homes and makes sure they meet the standards of care. The Oregon Health Authority manages the program, which is intended to help improve the health and care of all people in Oregon. The PCPCH program recognizes all OHSU and Legacy Health clinics at tiers four or five, indicating system-level implementation of the model. The transaction will enable the integrated system to expand PCPCH and provide further opportunities to improve access to primary care services.

Clinical trials and other research

For people with chronic and/or rare serious diseases, clinical trials and other research often represent hope. A goal of this combination is to increase the number of clinical

trials available in Oregon, thus increasing the number of people who can access these trials and improving translation of research findings into clinical practice so patients can benefit. Indicators for this goal will be identified during integration planning.

The combination will create benefits in several ways in the years following the combination. Providers will be able to offer a larger number of clinical trials to their patients because the larger population served by the academic health center increases the likelihood that a trial is available locally for OHSU's patients. Ultimately, Legacy Health's diverse and underserved patient population, will have greater access to clinical trials than before, and the integrated public university health system will be well positioned to address the language, transportation, and childcare barriers that can limit access to clinical trials.

Inpatient and outpatient virtual care

Virtual care is one strategy the integrated public university health system intends to use to improve access to quality and timely health care. The goal of virtual health care is to improve access, clinical outcomes, and patient and clinical experience while removing time and distance barriers. This transaction ensures additional investments in inpatient and outpatient virtual care.

Virtual health care can directly and indirectly help underserved populations. Not only does it provide easy access to care for populations who live in more remote settings, who cannot travel easily, or who do not have the financial means to seek care, but the utilization of virtual health care ensures that inpatient beds are more readily available for patients who need critical care.

Continuing to invest in virtual care is a strategy to improve access to inpatient care in the integrated public university health system. OHSU has made significant investments in building programs in the last several years that support virtual specialist care for pediatric emergencies, remote monitoring of ICU beds, newborn resuscitations, and lifesaving stroke treatments, among others. The combination, along with thoughtful budget and other implementation planning, creates the opportunity to leverage these investments for many more patients and at more facilities by expanding to Legacy Health. Further, without the combination, OHSU's financial investment in these innovations may not be sustainable.

The integrated public university health system will increase access to both inpatient and outpatient virtual health care. See **HCMO Notice Question 15 – Exhibit 2** for potential indicators of progress toward this goal.

- d. **Benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services. Provide applicable data, metrics, or documentation to support your statements.**

Health inequities leading to disparities in health outcomes are a national challenge stemming from generations of discrimination and injustices; social, economic, and environmental barriers to health and health care; and ongoing bias. These disparities and challenges exist in the communities served by the organizations and at the institutional level at OHSU and Legacy Health. OHSU and Legacy Health have each invested in resources and staff specifically positioned to do the necessary work to address health inequities and better serve underserved people, and the proposed transaction will enable the integrated system to expand the current efforts, make new investments in health equity, and reconfigure the Legacy Health Foundation to focus primarily on health equity and the social determinants of health.

Expansion of Health Equity Efforts

Legacy Health's current health equity efforts are coordinated across its diversity, equity and inclusion, population health, and community benefit service areas. At OHSU, the commitment to address health inequities is a value that informs decisions across the institution, in the health system's Health Equity Organization and beyond. OHSU's commitment to health equity is visible in the programming and resources available at OHSU's hospital and in its clinics and programs. See **HCMO Notice Question 15 – Exhibit 4** for more information about the Health Equity Organization. OHSU will continue, and further, this commitment across the integrated system.

As part of its current efforts to address health equity, OHSU has committed to becoming an antiracist institution and is working on implementing new policies, practices, and procedures to actively promote racial equity and justice. Through its Health Equity Organization, OHSU is gathering data and input from communities across Oregon to inform future programs and policies. OHSU's enduring commitment to deliver high quality, safe, effective care regardless of race, ethnicity, religion, ability, income level, preferred language, geographic location, immigration, refugee status, LGBTQ+ identity and any intersectionality of these will be advanced through the public university health system's development of an integrated strategic plan for health equity.

The integrated public university health system will advance this work by developing a strategic plan for health equity that includes specific financial commitments, process improvements like equity impact analysis, community engagement, and other strategies

that center underserved people. And, patients and staff alike deserve a diverse and valued workforce where everyone is treated with respect, dignity, and equity, and the integration will prioritize efforts to advance racial justice and culturally competent care.

In addition, both organizations are required to provide “community benefit” spending to help facilitate health services for low-income and uninsured people. Community benefit funds support charity care, health education and research, preventative screening and vaccine clinics, and donations to community nonprofits. OHSU will strive to ensure that Legacy Health’s commitments made through community benefit grants transition to OHSU in a responsible and respectful manner that benefits the people served by the community organization. OHSU also will ensure that partnerships and commitments related to Community Health Improvement Need Assessments and Plans are similarly smoothly transitioned and the people they serve are prioritized as integration moves forward.

New Investments in Health Equity

One of the primary transaction objectives outlined in the Transaction Agreement is improving health equity and the diversity of the integrated public university health system’s patient population. The integrated public university health system will work to achieve specific health equity goals and realize this vision.

Initial priority areas identified include:

- Implementing a health equity strategy in collaboration with a community advisory group(s) and rooted in community engagement.
- Integrating information technology and data systems that can better provide data needed to analyze and address health inequities in a targeted manner.
- Investing in and upgrading existing Legacy Health infrastructure through the capital commitment. These investments will help reduce disparities by improving access to quality care. See Question 6 for more information about the capital commitment.
- Designing and integrating health equity assessment and analysis within OHSU decision making processes.
- Prioritizing children's health care through enhanced coordinated care and tracking of metrics related to health equity and children.
- Focusing on translation and language interpretation services, including improving access to qualified and certified interpreters, better centering interpreters and interpretation services in clinical care teams, improving integration within electronic health records, and adding more languages to communication platforms and materials.
- Diversifying the workforce of the integrated health system so that it is inclusive and

reflects the people served.

- Tracking specific metrics for improvement (See below for an initial list of potential goal areas for tracking).
- Focusing on translation and language interpretation services, including improving access to qualified and certified interpreters, better centering interpreters and interpretation services in clinical care teams, improving integration within electronic health records, and adding more languages to communication platforms and materials.
- Diversifying the workforce of the integrated health system so that it is inclusive and reflects the people served. See **HCMO Notice Question 13 – Exhibit 1** for information about how the integrated public university health system will partner with labor organizations to invest additional new resources in this priority.
- Tracking specific metrics for improvement (See below for an initial list of potential goal areas for tracking).

To measure its progress, OHSU intends to track indicator metrics for the following goals:

- Community engagement and partnership
- Breast cancer screening
- Reproductive health
- Colon cancer screening
- Mental health/depression screening
- Maternal care
- Diabetes control
- Hypertension control
- Language services access and utilization
- Children's health measures

Please note that the identified areas are preliminary and subject to change pending further collaboration with community, partners, and staff. Indicators for the goals identified above will be needed to help the integrated system understand which populations receive care, gaps in care, and the health outcomes for patients served.

The reconfigured OHSU Health System Board will consider recommendations for review and approval by the OHSU Board of Directors to address historical and contemporary factors that contribute to health inequities by increasing the budget allocated to health equity initiatives, with a goal of spending at least \$10 million dollars over five years compared with the current investment by OHSU. Potential investments include enhancement of data tools, equity impact analysis, population driven place-

based care, and expansion of language access services. This investment is possible through the transaction, which will provide long-term financial stability to the integrated public university health system

Launch of Health Equity Foundation

In addition to financial investment and prioritization of health equity by the integrated public university health system, the parties will fund the Foundation as part of the transaction, as discussed in the response to question 6. The funds will be restricted for use in supporting health equity and access in Oregon and southwest Washington through purposeful and impactful investments. As also noted in the response to question 6, the Foundation will be the largest philanthropic organization focused primarily on improving health equity and addressing the social determinants of health in Oregon. **HCMO Notice Question 6 – Exhibit 3** highlights strategies and outcomes achieved by other regional health foundations across the country that the Foundation will look to and replicate in Oregon and southwest Washington.

The Foundation will be governed by an independent Board of Directors, who will be community members with relevant lived experience, professional expertise, community engagement, and a commitment to health equity. Planning to date accounts for a reconstituted Board comprised of both current and new members to provide stability for PacificSource while limiting and staggering Board member terms to ensure addition of new Board members who will steward the Foundation's effectiveness in addressing health inequities. The Foundation plans robust, authentic, and continuous community engagement to inform its mission, vision, values, and work.

Based on initial planning, it is anticipated that within the first three years after closing, the Foundation will have:

- Engaged the community and has a plan in place to ensure continuous community engagement;
- Maintained its Board of Directors with a composition reflecting the community and including people with the right experience and expertise to lead;
- Hired an Executive Director and other key employees;
- Developed a strategic plan identifying and elaborating on focus areas and strategies; and
- Implemented strategies and awarded initial rounds of grant awards.

In subsequent years, the Foundation will build from there, revisiting and refining focus areas and strategies based on needs of the community and progress made, as informed by health outcome related indicators.

The Foundation will be positioned to address upstream factors that affect health and health outcomes, including social and institutional inequities, physical environment and living conditions, and other factors that impact a person's health long before they step into a hospital or clinic and yet have an outsized impact on mortality, disease, treatment, and other health outcomes. Potential focus areas, pending community engagement, include mental and behavioral health, substance use, workforce development, and healthy youth and families. The Foundation anticipates addressing health equity and access by making strategic and responsive grants; investing in public education and community outreach; providing technical assistance; and engaging in advocacy. All work will focus on outcomes in Oregon and southwest Washington. Under the agreement for the combination, the Foundation will not fundraise so as not to conflict with the fundraising efforts of the integrated system (but itself will be eligible for grant funding), and ensuring that its focus will be on deploying its assets to improve health equity and access. The Foundation will make investment and spending decisions that prioritize the maximization of community benefit over the growth of the Foundation's corpus.

OHSU's and Legacy Health's significant financial commitment in the Foundation via this transaction is critical for and necessary to help rectify health inequities. As the largest philanthropic resource addressing health equity in Oregon, the Foundation will be uniquely positioned to address historical and contemporary factors that contribute to health inequities. Please see **HCMO Notice Question 6 – Exhibit 3** for additional detail about the Foundation.

Pending approval, this transaction will pair the integrated health system's anticipated improvements in access to quality care with the new Foundation's generational and unique investment in health equity. This pairing is rare and represents a generational opportunity to address and work to resolve the devastating impacts of health disparities here in Oregon and southwest Washington.

The parties' total financial commitment to health equity—through the new Foundation and the investments in the integrated health system—is extraordinary and would not be possible but for the transaction. The new resources will make measurable and meaningful improvements in health equity. This work will take time. Further analysis and community and partner engagement will be necessary before plans are fully developed or implemented.

- e. **If the transaction will not benefit the public good as described in b-d, explain why this proposed material change transaction is in the best interest of the public.**

As described above, the transaction will benefit the public good and is in the best interest of the public.

16. Describe any competitive effects that may result from the proposed material change transaction.

- a. **Will the proposed material change transaction result in a decrease in competition?**
 - i. **If yes, describe any anticompetitive effects that will result from the proposed transaction.**

OHSU does not anticipate any material anticompetitive effects resulting from the transaction. To the contrary, and for the reasons discussed throughout this Notice, this transaction provides substantial benefits to the people of Oregon that far outweigh any potential harms from eliminating any limited competition between the struggling Legacy Health and OHSU.

- ii. **If yes, describe any plans to mitigate potential anticompetitive effects, including any divestiture plans.**

The proposed transaction is unlike other health system combinations because the very nature and mandate of OHSU protects against, and mitigates, any potential “anticompetitive effects,” a term for certain types of harm to the public interest. Moreover, as a state governmental entity, OHSU is entitled to certain antitrust exemptions and the Oregon Legislature explicitly authorized OHSU to enter into agreements like the proposed transaction.

OHSU is a “governmental entity performing governmental functions and exercising governmental powers.” ORS 353.020. OHSU is statutorily required to perform its research, education and health care missions *on behalf of the State of Oregon* and in a manner that “*best promotes the public welfare of the people and the state of Oregon.*” ORS 353.030(3)-(4). OHSU was established to serve the public interest, not the interest of OHSU or any private party, and it is statutorily required to do so.

Moreover, as noted, OHSU is a public entity with principles of “public accountability and fundamental public policy.” ORS 353.010(2). OHSU’s governing board is nominated by the Governor and confirmed by the State Senate. OHSU’s operations are subject to ongoing operational oversight from both the Governor and the Legislature through

mandatory annual reporting obligations. The public also has access to OHSU records pursuant to the Public Records Act, and the public may participate in OHSU's governance pursuant to the Public Meetings Law. OHSU also is subject to the Oregon Secretary of State's audit authority creating third party oversight and public transparency. Accordingly, public accountability is a foundational component of OHSU's structure and operations, which ensures that OHSU always acts in the public interest.

Importantly, in establishing OHSU as a government entity accountable to the public, the Oregon Legislature also explicitly authorized OHSU to enter into agreements like this proposed transaction "notwithstanding that as a consequence of the exercise of such powers, the university engages in activities that might otherwise be deemed anticompetitive within the contemplation of state or federal antitrust laws." ORS 353.050(25). This antitrust exemption reflects the Legislature's belief that OHSU and those overseeing its performance would ensure that it fulfills its mission in a manner that serves the best interests of the people of Oregon, including with respect to an acquisition like this one. Furthermore, the Legislature established multiple mechanisms to ensure that OHSU acts in the public interest, including direct oversight by the Governor and the Legislature, and public access to records and governance meetings. Thus, even if the transaction eliminates whatever limited competition exists between OHSU and Legacy, OHSU's statutory duties, and the direct, governmental oversight, will ensure that OHSU continues to operate in a way that "best promotes the public welfare of the people and the state of Oregon."

As explained above, the proposed combination of OHSU and Legacy Health will create a high performing, full-service health system that will move Oregon forward as a local and national leader in health, education, and research. The transaction ensures the long-term financial stability of the integrated public university health system and ensures the system remains locally focused and locally controlled. It leverages both systems' strengths to improve health outcomes and expand access to affordable and high quality care for all people in Oregon, including historically underserved populations. And finally, the transaction includes significant investments at the former Legacy Health facilities and important new commitments to health equity through the creation and funding of a health equity focused foundation.

These benefits are unattainable absent this proposed transaction and greatly outweigh any theoretical loss of competition from combining the struggling Legacy Health community system with the OHSU academic system to create a stronger integrated public university health system. The integrated health system will be a stronger competitor to the other leading health systems serving Oregon, a stronger and better

funded competitor for Oregon’s workers, and a better alternative for health plans to build attractive and more competitive networks for their members.

The Legacy Health Board determined in 2022 that it must find a strategic partner to achieve financial sustainability and meaningfully compete as a health care system. Combining Legacy Health with OHSU to create an integrated and locally controlled and accountable public university health system for Oregon offers unique and important benefits while fully mitigating against any potential anticompetitive effects that might result from other potential mergers.

b. Provide applicable data, metrics, or documentation to support your statements.

The standard HCMO analytic framework relies on market shares and the so-called Herfindahl Hirschman Concentration Index (“HHI”) metrics to assess the potential for anticompetitive effects for a proposed material change transaction, *Health Care Market Oversight Analytic Framework* at 21. For the reasons described above, such metrics and any presumptions based on them are not appropriate for evaluating the integration of Legacy Health with OHSU, a public entity, entitled to antitrust immunity, and required to act in the public interest and accountable to the state to protect patients and workers against potential anticompetitive effects. ORS 353.010-.050.

That said, HCMO’s own framework confirms that the acquisition of Legacy Health by OHSU is “unlikely to have adverse competitive effects and ordinarily requires no further analysis.” *Health Care Market Oversight Analytic Framework* at 21.⁵

⁵ [OHA-HCMO-Analytic-Framework-FINAL.pdf \(oregon.gov\) at pg. 21.](#)

TABLE 1: HCMO Health Care Market Oversight Analytic Framework

Market concentration will be measured 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 S_1 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.

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, HCMO will use the HHI thresholds specified in the U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines⁸ to identify transactions that may have anticompetitive effects (see Table B1 below). Transactions meeting the HHI thresholds for "high" or "moderate" levels of concern would indicate the need for a comprehensive review.

Table B1: HHI Thresholds

Post-transaction HHI	HHI Change	Level of Concern
> 2,500	> 200	High (if both). Presumed likely to enhance market power:
> 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.

Here, the parties’ combined market share in OHSU’s primary service area, as defined by HCMO, is a mere 26.7% of all inpatient discharges from all payor types, with OHSU accounting for 8.9% and Legacy Health accounting for 17.8%. The post-merger HHI is therefore 1478, “Low [and] Unlikely to have adverse competitive effects and ordinarily requires no further analysis.” Please refer to **HCMO Notice Question 16 – Exhibit 1**.

Again, HCMO’s own framework confirms that proposed transaction is unlikely to have adverse competitive effects and the benefits far outweigh the potential harms so HCMO should approve the transaction without delay.

The parties will submit the necessary Oregon and Washington state inpatient data to confirm this result. Please also refer to Supplemental Materials for OHSU governance documents and statutory authority in support of the response to Question 16a.

17. Describe the proposed material change transaction's impact on the financial stability of any entity involved in the transaction.

The combination is a critical and necessary step to ensuring the financial stability of Legacy Health and stabilizing and improving financial stability for both organizations. Importantly, this combination also ensures the maintenance and expansion of high quality and accessible health care services currently provided by OHSU and Legacy Health to people in Oregon.

As described in response to Questions 5, 7, and 15b, OHSU and Legacy Health are currently facing risks to financial stability, but in particular these risks are significant for Legacy Health. Increasing costs due to inflation, including significant labor cost increases, have driven financial challenges for all health systems across the country. Legacy Health is experiencing financial challenges discussed in response to Question 5 and as evidenced by deferred maintenance obligations and budget reductions. After significant process and consideration in late 2021 and early 2022, the Legacy Health Board concluded that the system could not meet its financial and clinical targets without a significant capital infusion, and that it could not responsibly fund such a capital infusion without a strategic partner. This combination provides that strategic partner and ensures that critical investments in Legacy's infrastructure will occur to financially stabilize the system.

The transaction is structured to protect the financial stability of the integrated system, including initial holdback of some funds that would otherwise transfer to the Foundation for OHSU to pay any Legacy Health indemnification obligations. In addition, OHSU's current bond rating of AA- creates a favorable basis for the prudent borrowing needed to finance the capital commitment.

Draft and preliminary financial projections indicate that the integrated public university health system will have an initial period of financial challenge followed by steady improvement and stability within a decade. More specifically, at closing, this transaction will strengthen OHSU's financial condition by adding approximately \$1.2 billion in net assets to OHSU's balance sheet, valuing Legacy's property, plant & equipment at its book value. Specifically, due to this transaction OHSU will assume (a) \$875 million of net property, plant & equipment, (b) \$160 million cash & investments net of debt, and (c) \$175 million of working capital and other assets and liabilities. Thus, upon the closing of this transaction, OHSU's projected net assets (i.e., assets minus liabilities) will increase from \$4.4 billion to over \$5.6 billion—a number that takes into account the net transfers to the Foundation.

Moreover, the financial projections indicate that this combination will result in a substantial increase in OHSU's net worth over time. Specifically, the integrated public university health system's net worth is projected to increase from \$5.6 billion in 2025 to over \$8.6 billion in 2032. This increase is driven by the capital commitment, operational efficiencies, and improved financial performance associated with this combination.

And finally, projections show positive operating margin for the integrated public university health system by 2030, all while making desperately needed capital investments and maintaining a healthy balance sheet and growing overall asset value.

These results will leave the integrated system in a better financial condition over the long-term than either OHSU or Legacy Health would be in independently.

VI. Supplemental materials

Submit the following materials, if applicable, with your submission.


- [HCM0-1a: NPI form](#) (required for health care provider entities)
- [HCM0-1 b: Business Entities form](#) (required parties with multiple business entities licensed to operate in Oregon)
- [HCM0-1c: Facilities and Locations form](#)
- Pre- and post-transaction organizational structure diagram
- Copies of all current agreements and term sheets for the proposed transaction
- Financial statements for all entities for the most recent three fiscal years
- Copies of current governance documents for all entities (for examples, bylaws, articles of incorporation, corporate charter, etc.)
- Documentation or analytic support for your responses, as applicable
- Redaction log

Certification

I, the undersigned, being first duly sworn, do say:

I have read ORS 415.500 et seq. and OARs 409-070-0000 to 409-070-0085.
I have read this Notice of Material Change Transaction and the information
contained therein is accurate and true.

Signed on the 25 th day of September, 2024



SUBSCRIBED AND SWORN TO before me, this 25 th day of September, 2024





Notary Public in and for State of Oregon

My Commission Expires: 11/08/2027