

FORM A
STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A CCO

PacificSource Community Solutions, an Oregon nonprofit public benefit corporation, a subsidiary of PacificSource, a nonprofit public benefit holding company (collectively, "*PacificSource*")

BY

Legacy Health Foundation, an Oregon nonprofit public benefit corporation (the "*Applicant*" or the "*Foundation*")

Filed with the Oregon Health Authority (OHA)
Dated: October 21, 2024

Name, Title, address and telephone number of individual to whom notices and correspondence concerning this Statement should be addressed:

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ITEM 1. METHOD OF ACQUISITION

CCO Name: PacificSource Community Solutions, an Oregon nonprofit public benefit corporation

CCO Address: 2965 NE Conners Avenue, Bend, OR 97701

This transaction will result in Legacy Health, a locally owned and operated nonprofit health system, transferring its 50 percent member interest¹ in PacificSource to its affiliate, the Legacy Health Foundation (the “**Foundation Transfer**”). The purpose of this transaction is to (a) preserve PacificSource’s existing management, mission, and values after Legacy Health consummates its affiliation with Oregon Health & Science University (“**OHSU**”), and (b) ensure that PacificSource will continue to be controlled by a community-based nonprofit entity dedicated to improving health equity in the region.

This Foundation Transfer is related to, but separate from, the proposed affiliation between Legacy Health and OHSU (“**Proposed Affiliation**”). Specifically, on May 30, 2024, Legacy Health executed a System Combination Agreement (“**SCA**”) with OHSU, pursuant to which OHSU will become the sole member of Legacy Health. Once the Proposed Affiliation closes (subject to obtaining required regulatory approvals), OHSU and Legacy Health will become a unified health system focused on delivering high quality health care services to the communities they serve.

However, OHSU *will not* assume control of PacificSource as part of the Proposed Affiliation. Instead, prior to the closing of the Proposed Affiliation, Legacy Health will transfer to the Foundation its net cash at closing (subject to certain adjustments) and its member interest in PacificSource. At closing, the Foundation will become an independent entity entirely distinct from the combined OHSU/Legacy health system, but governed by a board that includes prior directors of Legacy Health. In this way, the parties are maintaining continuity of management, mission, and values of PacificSource, while nonetheless separating PacificSource from the combined OHSU/Legacy health system.

The enclosed Memorandum of Understanding (“**MOU**”) by and between Legacy Health and the Foundation details the organizational changes and asset transfers that will effectuate the Foundation Transfer. The MOU contemplates that Legacy Health or the Foundation will, as applicable:

- (i) convert the Foundation to an independent nonprofit public benefit corporation;
- (ii) reconfigure the Foundation board, so that at closing it is comprised of five current Legacy Health directors and four current Foundation trustees (the “**Foundation Board**”); and
- (iii) transfer Legacy Health’s net cash (subject to certain adjustments) and its member interest in PacificSource to the Foundation pursuant to a grant

¹ The other 50 percent member interest in PacificSource is held by Pacific Health Associates (“PHA”). PacificSource’s organizational structure is discussed in Item 2.c.

agreement between Legacy Health and the Foundation.

Following the closing of the Proposed Affiliation, the Foundation will undergo a significant and exciting transformation. It will emerge with a new name, a new governance structure, a new board of directors independent of Legacy Health and OHSU, and an expanded mandate to champion and implement strategies to improve social determinants of health with an eye towards improving health equity and access in Oregon and Southwest Washington.

However, the Foundation Transfer will preserve PacificSource's current leadership and operations. Immediately following closing, the Foundation Board will include former directors of Legacy Health. These directors are familiar with PacificSource and, as members of the Legacy Health board, have a long history of exercising Legacy Health's rights as a member of PacificSource. Additionally, Legacy Health and the Foundation intend to maintain, to the greatest extent practicable, Legacy Health's existing appointees to the PacificSource board at closing. Thus, the intent of all the parties is for this Foundation Board to maintain continuity at PacificSource so that PacificSource continues operating as it does today.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

Applicant Name: Legacy Health Foundation, an Oregon nonprofit public benefit corporation

Applicant Address: 1919 NW Lovejoy Street, Portland, OR 97209

Since its inception in 2013, the Foundation has engaged in fundraising and charitable initiatives to support Legacy Health's mission of "good health for our people, our patients, our communities and our world." To that end, the Foundation fosters charitable giving as well as community commitment and involvement to support the founding principles, mission and vision of Legacy Health and to promote the health and well-being of the community.

Charitable gifts to the Foundation have to date supported the programs and services of Legacy Health, many of which are not supported by traditional health care reimbursement. The Foundation also provides funding to community-based organizations that support health and well-being. In fiscal year 2023, the Foundation:

- Supported therapeutic services at the Unity Center for Behavioral Health.
- Provided emergency medications, durable medical equipment, transitional housing, and other health-related supplies to uninsured, under-insured, and low-income patients.
- Provided emergency food support to families experiencing food insecurity.
- Supported injury prevention programs for the community including child passenger safety, bike/sports helmets, elderly falls prevention, and burn injury prevention.
- Supported continuing education classes.

- Provided support for community organizations working to provide access and wrap around services for patients.
- Purchased medical equipment for Legacy Emanuel Medical Center, Legacy Meridian Park Medical Center, and Legacy Mount Hood Medical Center.

Post-closing, the Foundation's purpose will expand and the Foundation will no longer be dedicated to supporting a single health system (i.e., Legacy Health), but its core mission of improving the community's health and wellbeing will not change.

At the closing of the Proposed Affiliation, Legacy Health's net cash (minus certain adjustments) will be transferred to the Foundation to support the Foundation's mission. Ultimately, the Foundation expects to receive approximately \$350 million from Legacy Health as part of the Foundation Transfer in the form of a charitable grant. With this grant, the Foundation will champion and implement strategies to improve social determinants of health with the (a) mission to create a legacy of generational health and well-being through purposeful and impactful investments in Oregon and Southwest Washington, and (b) vision that every member of our community will achieve their highest possible quality of health.

Importantly, the Foundation Transfer will result in the Foundation having sufficient resources to transition from a fundraising foundation to a grantmaking foundation, which will bolster the Foundation's ability to make impactful investments in Oregon and Southwest Washington in support of the health and wellbeing of the community.

With respect to PacificSource, the Foundation's primary goal is to allow PacificSource to continue operating as it does now while supporting PacificSource's mission of fostering better health, better care, and better costs. The Foundation does not plan to make any corporate governance, managerial, or operational changes at PacificSource (nor would the Foundation, as a 50% member of PacificSource, have the unilateral ability to do so). The Foundation will assume Legacy Health's existing right to appoint six members of the PacificSource board of directors. The Foundation intends to exercise its appointment right in a manner that assures, to the greatest extent practicable, continuity at PacificSource, including through the retention of Legacy Health's existing appointees to the PacificSource board.

After the closing of the Proposed Affiliation, OHSU will indirectly hold Legacy Health's member interest in Health Share. The parties do not anticipate that the Proposed Affiliation or the Foundation Transfer will affect any contractual relationships between PacificSource and Health Share or Legacy Health and Health Share. Legacy Health and PacificSource are fully committed to continue providing services to Health Share under existing agreements without disruption.

Legacy Health's current organizational chart is attached hereto as Exhibit 1, which demonstrates Legacy Health's status as the sole member of the Foundation.

PacificSource's pre- and post-closing organizational charts are attached hereto as Exhibits 2, and 3, respectively. Currently, the ultimate controlling parties of PacificSource are Legacy Health and Pacific Health Associates ("**PHA**"). PHA and Legacy Health each hold a 50 percent member interest in PacificSource. The PacificSource board is comprised of six directors appointed by PHA, six directors appointed by Legacy Health, and three directors appointed jointly by the 12 Legacy Health and PHA appointees. Pursuant to the Foundation Transfer, the Foundation will assume all of Legacy Health's rights as a member. PHA's member rights will not change as a result of the Foundation Transfer.

After the closing of the Foundation Transfer, neither OHSU nor Legacy Health will have any role in the management or operations of the Foundation or PacificSource.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Current executive officers of PacificSource will continue serving in the same capacity post-closing. In other words, the Foundation Transfer will not result in any new person becoming an executive officer of PacificSource, so the Foundation is not submitting Biographical Affidavits for current executive officers of PacificSource.

Additionally, PHA currently holds a 50 percent member interest in PacificSource and appoints six directors. This transaction will not affect PHA's right to appoint directors, nor will it result in a change in the PHA-appointed directors. Currently, Legacy Health and PHA jointly appoint three directors. The Foundation does not anticipate any changes to the jointly appointed directors associated with the Proposed Transfer. Because the PHA-appointed and jointly appointed directors will not change as a result of this transaction, the parties are not submitting biographical affidavits associated with these directors.

Legacy Health appoints six directors to the PacificSource board. Post-closing, the Foundation will have the right to appoint these directors. Legacy Health and the Foundation intend to maintain, to the greatest extent practicable, Legacy Health's existing appointees to the PacificSource board at closing. The Foundation will submit biographical affidavits for any director who will be appointed to the PacificSource Board by the Foundation at closing. However, we do not anticipate submitting biographical affidavits associated with any change in the PacificSource board that occurs prior to closing. Any changes to the PacificSource board that occur post-closing would be in the ordinary course of business.

Post-closing, the Foundation Board will be reconfigured such that it will consist of five current Legacy Health directors and four current Foundation trustees. To ensure that all Legacy Health directors remain independent for as long as possible as they oversee the Proposed Affiliation, neither Legacy Health nor the Foundation has selected or identified the directors and trustees who will serve on the post-closing Foundation Board. The

Legacy Health and Foundation boards will make such selection in the coming months as part of the transition planning process and will submit Biographical Affidavits at that time.

The Foundation does not intend to appoint any executive officers prior to or immediately following closing. In the months following closing, the Foundation will undertake a search for an executive director who will work with the Foundation Board to determine the necessity for additional executive officers based on the net cash received from Legacy Health and the strategic plan adopted by the post-closing Foundation Board.

After the closing of the Foundation Transfer, PacificSource will not have any relationship prohibited by 42 CFR 438.610 or the CCO Contract.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

Legacy Health is not receiving any consideration from the Foundation associated with this transaction. At or prior to closing, Legacy Health will transfer to the Foundation all of its net cash (minus certain adjustments), as well as Legacy Health's 50 percent member interest in PacificSource. The parties currently anticipate that Legacy Health's net cash at closing, minus adjustments, will equal \$350 million. However, this is an estimate and subject to change based on the timing of the Proposed Affiliation and Foundation Transfer closings (which the parties intend to be simultaneous) and other contingencies. See Exhibit 4 for a summary of the net cash calculation. This transfer is a charitable grant that furthers Legacy Health's charitable mission and the charitable mission of the Foundation.

(a) Explain the criteria used in determining the nature and amount of such consideration.

As noted above, the Foundation Transfer is a charitable grant. Therefore, Legacy Health is not receiving, and the Foundation is not paying, any consideration associated with this transaction. Instead, OHSU and Legacy Health intend for the Foundation Transfer to create a well-capitalized community foundation with the resources necessary to significantly improve health equity in Oregon and Southwest Washington. Based on current estimates, the Foundation will have the capacity to deploy millions of dollars to mission-aligned projects each year. Because there is no other nonprofit organization of this size and nature that is focused solely on health equity in Oregon and Southwest Washington, the Foundation will be funding projects and programs that would not otherwise receive this level of funding. OHSU and Legacy Health recognize that achieving systematic change requires unprecedented investment. The transfer of Legacy Health's net cash is exactly such an investment.

Legacy Health and the Foundation recognize that financial exigencies arise and are confident that the structure of the Foundation Transfer will preserve and strengthen PacificSource's financial condition.

(b) If the source of the consideration is a loan made in the lender's ordinary course of business and if the applicant wishes the identity of the lender to remain confidential, the applicant must specifically request that the identity be kept confidential.

Not applicable. The Foundation Transfer does not involve a loan or a lender.

ITEM 5. FUTURE PLANS OF CCO

The Foundation Transfer will not result in any changes to PacificSource's services, service area, management, or governance (except for the Foundation assuming Legacy Health's rights as a member of PacificSource) or otherwise affect any operations or services provided by PacificSource.

Indeed, the parties are committed to continuity in large part because of the success of PacificSource. Legacy Health has long recognized the importance of PacificSource to Legacy Health and the communities it serves. As one of Oregon's largest CCOs, PacificSource is vital both to (a) ensuring access to high-quality, integrated health care services to Oregon's Medicaid population and (b) achieving Oregon's overall goals around health care cost, access, quality, and equity. Accordingly, in pursuing an affiliation with another health system, Legacy Health recognized the importance of ensuring that PacificSource's next owner would further PacificSource's charitable and public health mission.

However, early in the discussions between OHSU and Legacy Health, OHSU determined that acquiring control of PacificSource would not align with OHSU's long-term strategic objectives. As such, the parties mutually agreed that (a) PacificSource should be excluded from the Proposed Affiliation between OHSU and Legacy Health, and (b) that Legacy Health should transfer its 50 percent member interest in PacificSource to the Foundation.

OHSU and Legacy Health determined that the Foundation would be the best possible steward of PacificSource for three reasons:

First, the Foundation provides PacificSource with continuity of control. The Foundation is an existing affiliate of Legacy Health. At closing, five current Legacy directors will join four current Foundation trustees to form the new Foundation Board. The five Legacy Health directors will bring their history and expertise in overseeing Legacy Health's 50 percent member interest in PacificSource to the Foundation Board. Moreover, the Foundation will not make any changes to PacificSource's corporate structure (other than the Foundation assuming Legacy Health's 50 percent member interest in PacificSource), management or operations. This means that, post-closing, PacificSource can continue to innovate, coordinate care, provide value, and deliver high-quality services as it does today.

Second, the Foundation would be well-capitalized post-closing. Legacy Health and OHSU project that the Foundation will ultimately receive approximately \$350 million in liquid assets as part of the Foundation Transfer.

And finally, over the next five to ten years, the Foundation intends to identify a strategic buyer for its 50 percent member interest in PacificSource that will maximize the value of such interest to the Foundation and help PacificSource achieve its long-term strategic goals. Per PacificSource's current by-laws, any member must be an Oregon nonprofit public benefit corporation, and, more broadly, the Foundation will ensure that any future successor to the Foundation's 50 percent member interest would be aligned with PacificSource's nonprofit mission, vision and values.

Accordingly, the Foundation Transfer will facilitate the continued success of PacificSource through continuity of leadership, control, and overall mission.

The MOU describing the Foundation Transfer is attached hereto as Exhibit 5. Because members of Legacy Health's existing board will be included in the Foundation Board, and because the Foundation intends to maintain continuity of the management, operations, services, and service area of PacificSource, there is no need to undergo significant integration planning. However, the Foundation Board is currently engaging with PacificSource to ensure that the Foundation Board members who remain post-closing are knowledgeable about PacificSource's operations and prepared to perform their oversight function. Moreover, because Legacy Health has been a member of PacificSource for more than eight years, its existing board has institutional expertise about PacificSource and its lines of business. This expertise will transfer to the Foundation Board through the appointment of five current Legacy Health board members to the Foundation Board at closing.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

Because the Foundation is an affiliate of Legacy Health, this transaction did not stem from any formal proposal or offer. Instead, once Legacy Health and OHSU agreed that an independent charitable entity would receive Legacy Health's net cash at closing and its member interest in PacificSource, the Foundation was the obvious choice to be the recipient of such assets. Thus, the fairness of the Foundation Transfer is rooted in ensuring the Foundation has sufficient resources to fulfill its mission as described in greater detail in response to Item 5 above.

Because of the Foundation's existing community focus and the health care expertise of its leadership, Legacy Health approached the Foundation Board with a proposal for the Foundation to become an independent nonprofit public benefit corporation and be the recipient of Legacy Health's net cash at closing, plus its 50 percent member interest in PacificSource. The Foundation Board was enthusiastic about the opportunity to expand the scope of its activities through grantmaking while preserving its longstanding mission to improve the health and well-being of the community. Legacy Health and the

Foundation intend the independent reconfigured foundation will be the legacy of Legacy Health.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

Legacy Health will transfer its 50 percent member interest in PacificSource to the Foundation as discussed in the MOU (Exhibit 5).

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE CCO

Legacy Health will transfer its 50 percent member interest in PacificSource to the Foundation as described in the MOU (Exhibit 5). The MOU, the SCA, and the PacificSource member agreement describe all arrangements with respect to any voting securities of PacificSource involving the Foundation, its affiliates and persons listed in Item 3.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

Not applicable. Neither the Foundation, its affiliates or any persons listed in Item 3 has previously purchased any voting securities of PacificSource.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

Not applicable. Neither the Foundation, its affiliates or any persons listed in Item 3 has previously made any recommendations to purchase any voting securities of PacificSource.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

Not applicable. The Foundation Transfer does not involve any broker-dealers.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

CCO NAIC UCAA Proforma Financial Statements for Health Companies (Form 13) is attached hereto as Exhibit 6a. PCS's NAIC annual statement for 2023 is attached hereto as Exhibit 6b.

PacificSource's audited financial statements that include PCS for FY 2019, 2020, 2021, 2022 and 2023 are attached hereto as Exhibits 7a. through 7e.

Legacy Health's audited financial statements for FY 2019 – 2023 and for most current FY for period ending on March 31, 2024, are attached hereto as Exhibit 8a. and 8b. The Foundation is a Legacy Health affiliate, so the Foundation's audited financials are consolidated under Legacy Health.

The MOU regarding the Foundation Transfer is attached hereto as Exhibit 5. There are no tender offers or related requests, or other agreements to acquire or exchange voting securities of PacificSource.

ITEM 13. ISSUES OF OHA CONCERN

(A) How, after the proposed activity, the CCO will be able to:

(i) Innovate, coordinate care, provide value, and deliver high-quality services;

As noted above, the purpose of this transaction is to preserve PacificSource's existing leadership, management, and operations. Accordingly, there are no plans to change the ways in which PacificSource seeks to deliver high-quality, coordinated care to its members.

However, Legacy Health and the Foundation believe that PacificSource will benefit from the Foundation's focus on health equity. Currently, PacificSource's member interest is held by Legacy Health, a multi-billion-dollar health system with complex operational and financial needs. Although PacificSource's partnership with Legacy Health has been mutually beneficial, it is undoubtedly true that Legacy Health's primary mission is to improve the health and wellbeing of its communities through the direct provision of health care services at its acute care and outpatient facilities. This has led to synergistic initiatives between Legacy Health and PacificSource, but also means that Legacy Health sought to fit PacificSource into its broader institutional strategy.

The Foundation, on the other hand, will be independent of any health care provider or system. This will give the Foundation the freedom to pursue innovative initiatives that do the most to improve population health—even if they have nothing to do with the traditional health care delivery system or any particular health care provider. The Foundation will bring this independent, holistic approach to population health to its role as a member of PacificSource.

Moreover, the holistic approach to health improvement championed by the Foundation aligns perfectly with PacificSource's mandate to pursue innovative strategies to improve social determinants of health. PacificSource's mission as a CCO is to improve the health of its members, which includes investing in health-improvement initiatives that are upstream of the traditional health care system. These investments provide value both to PacificSource's members (who receive additional supports) and to the Oregon Health Plan (which is able to achieve better health outcomes at a lower cost). As described in more detail below, PacificSource will benefit directly from the Foundation's institutional focus on health equity, which can foster shared learnings between the Foundation and PacificSource and strategic alignment between the Foundation's activities and PacificSource's efforts to improve the living conditions of its members.

(ii) Demonstrate commitment to addressing health disparities and inequities;

PacificSource has a generational opportunity to partner with the Foundation to address health disparities and inequities in Oregon.

Soon after the execution of the SCA between Legacy Health and OHSU, Legacy Health and the Foundation formed a joint workgroup to chart the future course of the Foundation. The workgroup includes physicians, business leaders, and community volunteers from the Legacy Health and Legacy Health Foundation boards. Attached as Exhibit 9 is a document prepared by the workgroup describing its mission, vision, and initial focus areas.

The focus of the workgroup was informed in large part by those issues affecting health equity, cost, quality, and access identified by OHA and the community health needs assessments conducted by the Healthy Columbia Willamette Collaborative, as well as case studies capturing what other health foundations across the country have done to create pathways and remove those barriers to health equity.

The workgroup identified several preliminary focus areas and strategies, and strongly committed to engaging the community for further direction. Community engagement will begin prior to the closing of the Proposed Affiliation and funding of the Foundation. A central focus of the Foundation's first three years will be community participation to inform its strategic plan and the Foundation anticipates that it will solicit input from PacificSource as part of this community engagement.

That said, Legacy Health is funding the Foundation in large part because it recognizes that health outcomes are driven by upstream factors—for example, social and institutional inequities, physical environment and living conditions, and other factors that impact people well before they set foot in a hospital or clinic and yet have an outsized impact on mortality, disease, treatment, and other health outcomes.

As an independent health-focused organization closely connected to and representative of the community, the Foundation will be ideally positioned to address social determinants of health. The Foundation will be a neutral and trusted voice in the space of health equity, a convener, a strategic and thoughtful grant maker, a hub for resources and innovation working to align and amplify existing efforts to advance health equity, and more. Because CCOs across the state are already devoting substantial resources toward initiatives to improve health equity, the Foundation anticipates including PacificSource and other CCOs in its work.

The Foundation and PacificSource expect to mutually benefit from their relationship. In carrying out the Foundation's mission—whether through organizing a convening focused on a specific issue, providing seed funding for a promising new approach, sharing data and research, or investing in organizational infrastructure for a community partner—the Foundation's activities are strategically aligned with PacificSource's efforts to improve its members social determinants of health. As such, PacificSource is uniquely positioned

to provide information, data and input to help the Foundation make strategic decisions that will address health inequities and disparities in Oregon, and particularly those that affect PacificSource's members.

All strategic decisions of the Foundation (both with respect to its own operations and in its role as a member of PacificSource) will be made at the direction of the Foundation Board.

(iii) Be strongly connected to the community served by the CCO, including the CCO's community advisory council, community health improvement plan, and the Authority's requirements to engage with the community;

The Foundation does not plan to make any operational changes at PacificSource. As such, PacificSource will continue to connect and engage with the community, including the community advisory council and community health improvement plan, as it does today. That being said, PacificSource will benefit from the Foundation's institutional focus on community engagement.

As described in more detail in Exhibit 9, the reconstituted Foundation is committed to engaging continuously with the community around its mission, vision, values, and work. This community engagement will ensure the Foundation's efforts are informed by Oregonians who face barriers to health.

In the years following the Foundation Transfer, the Foundation will engage the community for input to inform its strategic plan, which will identify and elaborate on focus areas and strategies. The Foundation will also expand its Board to ensure the composition is both reflective of the community and contains people with the right experience and expertise to lead. The Foundation's focus areas and funding decisions are subject to community input and approval by the future Foundation Board, which will adopt a strategic plan and budget to identify and implement the investments in community, prioritizing the maximization of community benefit over growth of the Foundation's corpus.

Community engagement is at the core of the Foundation's strategy to improve health equity. The Foundation will bring this community focus to its activities as a member of PacificSource.

(iv) Provide services cost effectively and within cost growth limits imposed by the Authority or the state;

The Foundation will not make any changes to PacificSource's operations that will affect its ability to provide cost effective services or within the cost growth limits imposed by the Authority or the state. However, the Foundation's strategic initiatives will influence upstream factors that lead to health care inflation, and its institutional focus on systems change will support PacificSource's cost-control initiatives.

As explained in more detail in Exhibit 9, the Foundation workgroup has identified four primary focus areas in which it can invest to remove barriers to health equity. These focus areas demonstrate the Foundation’s recognition that health care costs are a barrier to health equity. For instance, recent growth in health care costs has been driven, in part, by workforce shortages. During the COVID-19 pandemic and beyond, Oregon hospitals have had to rely on out-of-state traveling nurses to meet their staffing needs. These traveling nurses are far more expensive than their permanent, full-time equivalents. Reliance on traveling nurses also results in health care dollars flowing outside the state instead of benefiting the communities served by these hospitals.

As such, one of the preliminary focus areas of the Foundation will be health care workforce development. A strong diverse health care workforce is critical to delivering quality, cost-effective, and culturally competent care in the region. The most recent Oregon Health Care Workforce Needs Assessment underscored the need for workforce development in the state, finding that the pandemic exacerbated Oregon’s shortage of many types of health care providers, and recommended investment in other factors that influence workforce recruitment and retention (such as housing cost and supply), supporting telehealth, and funding incentives to increase opportunities for training and education.

Addressing upstream factors that affect health and health outcomes will help control costs. As such, PacificSource, PacificSource’s members, and the Oregon Health Plan will benefit from the Foundation’s initiatives to improve social determinants of health. The Foundation will be uniquely positioned to bring grantees, partners, and community members together to ensure that the Foundation’s activities have a quantifiable impact on outcomes and utilization, which will in turn help reduce overall cost growth. The Foundation intends to engage with PacificSource to solicit its input on strategic initiatives and identify areas where the Foundation can use its status as a member of PacificSource to further shared objectives, including those related to controlling the growth in health care costs.

Ultimately, the Foundation will be a partner to PacificSource in efforts to achieve the state’s cost growth targets, and will find opportunities to collaborate and leverage resources to achieve cost-related goals.

(v) Support social determinants of health in the community served by the CCO, as required by its Contract with the Authority;

PacificSource will continue to support social determinants of health in the communities it serves with the support of the Foundation.

The Foundation will be uniquely situated to address upstream factors that affect health and health outcomes. This includes social and institutional inequities, physical environment, living conditions, and other so-called “social determinants of health.” These routine aspects of daily life are not typically considered part of our health care system, yet have an outsized impact on mortality, disease, treatment, and other health outcomes.

Legacy Health is funding the Foundation primarily to improve health equity in Oregon and Southwest Washington through a focus on social determinants of health. To achieve this goal, the Foundation workgroup identified four preliminary focus areas for the post-closing Foundation:

- Mental and behavioral health;
- Substance use;
- Workforce development; and
- Healthy youth and families.

Though the final determination of focus areas will be subject to community input and approval by the future board of the Foundation, the workgroup believes that these four focus areas (a) reflect the urgent health care needs of our community, (b) have upstream causes that are inadequately addressed by our current health care system, and (c) present opportunities for the Foundation to have a quantifiable impact on health outcomes. The Foundation will be well positioned to collaborate with other partners to address upstream factors and advocate for solutions in these focus areas.

True to the Foundation's mission, each of these focus areas directly impact health outcomes. For example, Oregon faces a chronic shortage of substance use disorder treatment providers, and those providers that are available are not always equipped to handle co-occurring disorders, such as mental and behavioral health. A recent OHA-commissioned study highlighted that 69% of Oregon's substance use disorder treatment clients have a co-occurring mental health disorder. However, only about half of Oregon's mental health providers offer integrated mental health and substance use disorder treatment. The study noted that workforce shortages are a key barrier to increasing the number and capacity of co-occurring disorder treatment providers.

The Foundation will be ideally positioned to tackle social determinants of health and will bring its institutional focus on social determinants to its role as a member of PacificSource. Due to its independence from hospitals, payors, and government agencies, the Foundation can help identify and mitigate those barriers that exist within the traditional health care system and those that are upstream of direct care. PacificSource occupies a similar space in our health care system, and one of the primary goals of the CCO program is to achieve population health through impactful investments in upstream factors that affect health. This shared mission will facilitate collaboration and solidify the holistic approach to population health championed by the CCO program and OHA.

(vi) Perform its responsibilities under the CCO Contract and applicable law; and

The Foundation does not intend to make managerial or operational changes to PacificSource. As such, there will be no change to PacificSource's ability to perform its responsibilities under the CCO Contract and applicable law. Moreover, the Foundation will have the expertise and resources necessary to perform its duties as a member of PacificSource, including its duty to ensure that PacificSource meets its obligations to its members, OHA, and the community at large. As noted above, at closing the Foundation

Board will include current Legacy Health board members. These board members, by virtue of their backgrounds and experience as Legacy Health directors, have deep knowledge of and experience with the health care system, the management of complex health care organizations, and the compliance obligations of health care entities. This expertise will help ensure that PacificSource continues to thrive in a complex and ever-changing health care system.

(vii) Comply with requirements in the CCO Contract and applicable law concerning its governing body; and

Post-closing, the Foundation does not plan to make any changes to PacificSource’s governing body beyond those necessary to comply with the MOU. Any appointments to the CCO’s governing body will ensure that the governing body will continue to comply with the requirements of ORS 414.572.

(viii) Satisfy the policy priorities adopted by the Oregon Health Policy Board

On January 2, 2024 Governor Kotek sent the Oregon Health Policy Board (“OHPB”) a letter outlining its priority work for the next two years, which includes:

- Advance health equity toward the State’s 2030 Goal to eliminate health inequities.
- Champion strategies to reduce health care costs and increase affordability for Oregonians.
- Lead public engagement for the next Coordinated Care Organization procurement with an eye toward member experience and access to care.
- Continue OHPB’s metrics alignment work with a particular focus on upstream strategies to support the work of advancing the state’s health equity goals.

These priorities align with the mission and vision of the Foundation. As discussed above, the Foundation would engage the community to identify strategic and responsive grant recipients that will help improve health equity, improve access and availability of services, and address upstream factors that contribute to growth in health care costs in Oregon and Southwest Washington. Post-closing, PacificSource will be well situated to coordinate with the Foundation to help satisfy the policy priorities adopted by the OHPB.

(B) If the proposed activity may result in the termination of members from a CCO or the transition of members from one CCO to another CCO, how the applicant and CCO will facilitate those terminations and transitions in compliance with 42 C.F.R. §§ 438.52, 438.56, 438.62 and the CCO’s contractual obligations to the Authority;

Not applicable. The Foundation Transfer will not result in the termination or transfer of members from PacificSource.

(C) Cost of, access to and quality of health care for Oregonians, including health care outside of the Medicaid program;

Please see response to Item 13(A)(i), (iii) and (iv) above, which discuss how the shared mission of the Foundation and PacificSource will present opportunities for collaboration and synergistic investments, including investments that impact health care quality and cost.

(D) Health equity in Oregon;

As described in Item 13(A)(ii) above, PacificSource and the Foundation each have a mission to improve health equity. The Foundation's preliminary workplan, which is attached as Exhibit 9, highlights the mutual benefits of a shared institutional focus on health equity and the opportunities for strategic collaboration.

For example, the Foundation recognizes that gaps in health equity will be most acute where there are shortages in critical services. Such shortages increase costs, reduce access, and have a direct negative affect on health outcomes. OHA recently released a report highlighting the acute shortage in substance use treatment services. It noted that the state will need 486 additional acute inpatient psychiatric beds, 3,775 additional residential substance use disorder treatment beds, and 888 additional withdrawal management beds. In each case, this needed capacity is greater than current bed capacity, meaning that Oregon would need to double its bed capacity to meet projected need.

As such, improving health equity in the state will require improving access to, among other things, mental health and substance use treatment services. The OHA report highlighted that one of the key drivers of behavioral health treatment shortages is an upstream workforce shortage. Not only are existing facilities struggling to hire qualified staff, but building the number of facilities needed to address demand would only exacerbate these shortages. Moreover, these shortages are particularly acute for culturally specific providers who can offer culturally appropriate care for diverse and indigenous populations.

As noted above, one of the Foundation's primary focus areas will be workforce development and substance use disorders. The Foundation will therefore explore targeting its workforce development initiatives at those health care providers that are currently most in need, including the behavioral health workforce, which can help unlock additional service capacity. In this way, targeting an upstream factor (workforce development) can have a direct impact on access (by making it possible for new facilities to open and expand), which will in turn have a direct impact on health equity (by giving marginalized communities the culturally appropriate services they need).

PacificSource and its members will, in turn, directly benefit from the Foundation's investments in improving health equity. Supply constraints are most acute for Oregon's Medicaid population. In furtherance of its mission to improve health equity, the Foundation will target its capacity improvement initiatives at provider types and in

geographic areas where the supply constraints are the highest. The Foundation and PacificSource can collaborate to ensure that increases in supply disproportionately benefit the state's Medicaid population.

(E) The financial stability of the CCO and the financial strategies that may influence the CCO;

This transaction will, if anything, improve the financial stability of PacificSource. As described in more detail in the HCMO notice associated with the Proposed Affiliation between Legacy Health and OHSU, the Proposed Affiliation is necessary to ensure the long-term financial sustainability of Legacy Health and the combined OHSU-Legacy Health system. The Foundation Transfer, in turn, ensures that the community as a whole will continue to benefit from an independent, community based Foundation that will carry on the legacy of Legacy Health.

The Foundation Funding will not affect the financial stability of PacificSource. PacificSource does not intend to declare any distributions, nor does it project any need for capital from PHA or the Foundation. The PacificSource holding company system will remain well capitalized with liquid assets sufficient to address financial needs as they arise.

The Foundation does not anticipate advocating for any change to the financial strategies of PacificSource. The financial projections of PacificSource, which are attached hereto as Exhibit 6, show that PacificSource is financially stable, making responsible investments in program improvements, and have capital and surplus that far exceeds statutory minimums.

(F) The CCO's medical loss ratio.

The Foundation Transfer will not affect PacificSource's medical loss ratio because post-closing, the Foundation will not make changes to PacificSource's operations.

ITEM 14. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

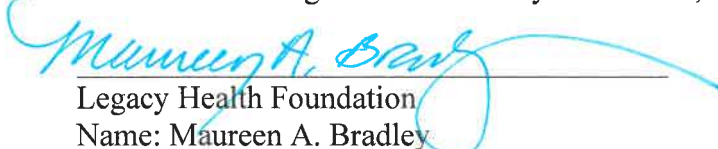
Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F (see OAR 410-141-5330) within 15 days after the end of the month in which the acquisition of control occurs.

ITEM 15. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of OAR 410-141-5255 to OAR 410-141-5285, the Legacy Health Foundation has caused this application to be duly signed on its behalf in the City of Portland and State of Oregon on the 21st day of October, 2024.



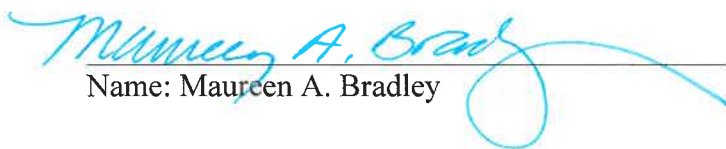
Legacy Health Foundation
Name: Maureen A. Bradley
Title: President

Attest: 

Name: Jill A. Nelson
Title: Board Chair, Legacy Health Foundation

CERTIFICATION

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated October 21, 2024, for and on behalf of the Legacy Health Foundation; that the deponent is the President of such company and that the deponent is authorized to execute and file the instrument. Deponent further says that the deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information and belief.



Name: Maureen A. Bradley