

Health Care Market Oversight

Transaction 020 Elevance-Kroger 30-Day Review Summary Report

September 9, 2024



About this Report

This report summarizes analyses and findings from Oregon Health Authority’s preliminary review of the proposed material change transaction of Elevance Health’s purchase of Kroger Specialty Pharmacy from Kroger. It accompanies the Findings of Fact, Conclusions of Law, and Final Order (“Preliminary Review Order”) issued by Oregon Health Authority on September 9, 2024. For legal requirements related to the proposed transaction, please reference the [order](#).

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

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

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Executive Summary

The [Health Care Market Oversight](#) (HCMO) program reviews proposed health care business deals to make sure they do not harm people and communities in Oregon. After completing a review, the Oregon Health Authority (OHA) issues a decision about whether a business deal, or transaction, involving a health care company should proceed.

Proposed Transaction

On July 18, 2024, OHA accepted a complete [Notice of Material Change Transaction](#) (“notice”) from Elevance Health, Inc. (“Elevance”) and The Kroger Co. (“Kroger”), collectively referred to as “Entities.” The notice describes plans for Elevance to acquire Kroger’s specialty pharmacy business, Kroger Specialty Pharmacy Holdings, Inc. (“KSP”).

OHA’s Review

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

Key Findings



Cost

The proposed transaction is unlikely to affect costs, as it is unlikely to result in meaningful changes to the Entities’ market shares in Oregon.



Access

The proposed transaction does not include any changes to access to specialty pharmacy and infusion services. Both Elevance and KSP have a small presence in Oregon; therefore the proposed transaction is not expected to impact access to services for people in Oregon.



Quality

The proposed transaction is unlikely to affect the quality of care in Oregon, as there are no plans to change services offered in the state.



Equity

The proposed transaction is unlikely to result in changes to the types of services offered in Oregon or patients’ ability to access those services. The proposed transaction is therefore unlikely to have an impact on health equity in the state.

Conclusions and Decision

OHA approved the transaction on September 9, 2024. For legal requirements related to the proposed transaction, please reference the [order](#).

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

Introduction

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

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

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

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

Proposed Transaction

On July 18, 2024, OHA accepted a complete Notice of Material Change Transaction (“notice”) from Elevance Health, Inc. (“Elevance”) and The Kroger Co. (“Kroger”), collectively referred to as “Entities.” The notice describes plans for Elevance to acquire Kroger’s specialty pharmacy business, Kroger Specialty Pharmacy Holdings, Inc. (“KSP”).

OHA reviewed the notice and determined, based on the facts in the notice, that the transaction is subject to review. The entities party to the transaction meet the revenue thresholds specified in [OAR 409-070-0015\(1\)](#) and the proposed transaction is otherwise covered by the program in accordance with [OAR 409-070-0010](#). After receipt of the complete notice, OHA began a preliminary review of the proposed transaction. Preliminary reviews must be completed within 30 days of OHA’s confirmation of receipt of a complete notice, unless extended in accordance with applicable statutes and administrative rules.

This report describes the transaction, OHA’s approach to the review, its findings, and OHA’s conclusions based on these findings.

Other HCMO Reviews Involving Elevance and Kroger

The proposed Elevance and Kroger transaction is not connected to Kroger’s planned merger with Albertsons, which is undergoing a separate [HCMO review](#) as of the publication of this report. The proposed Kroger and Albertsons merger would impact more than 50 retail pharmacies in Oregon.

The proposed Elevance and Kroger transaction is also not connected to a transaction OHA recently approved with conditions involving [Elevance and private equity firm Clayton, Dubilier & Rice \(CD&R\)](#). The Elevance and CD&R transaction involves creating a joint venture to combine primary care companies.

Parties Involved in the Transaction

Elevance

Elevance, formerly known as Anthem, Inc., is a public, for-profit company incorporated in Indiana and licensed to conduct insurance operations in all 50 states, the District of Columbia, and Puerto Rico.¹ The company’s total 2023 revenues were \$171.3 billion.² Elevance is one of the largest health insurers in the United States in terms of medical membership and offers health insurance plans and health care services nationwide.³

HCMO Review Timeline

- 5/22/24:** Entities submit incomplete notice
- 6/7/24:** OHA notifies entities of incomplete notice and requests additional information
- 7/16/24:** Entities resubmit notice
- 7/18/24:** HCMO accepts complete notice; tolls review period pending more information
- 8/1/24:** Entities respond to request for information
- 8/8/24:** OHA confirms complete response; tolling ends
- 9/9/24:** OHA completes review; issues proposed order and report

Elevance companies serve more than 100 million consumers through their insurance plans and multiple business subsidiaries.¹⁴ Elevance offers individual, employer group, Medicaid, and Medicare Advantage health insurance plans through their subsidiaries, and also provides other services including claims processing, stop loss insurance, provider network access, medical management, care management, wellness programs, actuarial services, and other administrative services.⁵

Elevance, through its subsidiaries, offers pharmacy services through CarelonRx, and other healthcare related services as Carelon Insights, Carelon Health, and Carelon Behavioral Health. Elevance stated that it does not offer health insurance plans in Oregon, however, some individuals living in Oregon have coverage through Elevance plans offered in other states.⁶

Elevance markets itself under three main brands: Anthem, Wellpoint, and Carelon.



Anthem Insurance Companies, doing business as Anthem Blue Cross Blue Shield (“Anthem BCBS”) offers Blue Cross Blue Shield plans in 14 states in the US. It does not offer BCBS plans in Oregon. Anthem covers around 11,500 people in Oregon with self-insured and commercial plans from other states.⁷



Wellpoint Life & Health Insurance Company, formerly known as Amerigroup Insurance Company or Unicare (“Wellpoint”) offers Medicaid, Medicare, and Commercial insurance plans. It does not offer insurance plans in Oregon and serves fewer than 100 people in Oregon with self-insured and Medicare supplemental plans.⁸



Carelon is a healthcare services business that offers behavioral health services, medical benefits management, operations and technology services, pharmacy, research, and care delivery. Carelon brings together healthcare related services, including Carelon Behavioral Health, Carelon Health, Carelon Insights, and CarelonRx, under a single brand name. According to its website, Carelon employs more than 40,000 people and serves 1 in 3 Americans.⁹

Carelon Rx

CarelonRx, Inc. (“CarelonRx”) is a subsidiary of Elevance and part of the Carelon brand, offering pharmacy services, including pharmacy benefit management and home delivery pharmacy services.¹⁰ CarelonRx is a growing segment of Elevance’s business, which is at least partially attributed to its acquisition of specialty pharmacy company, BioPlus (see [Mergers and Acquisitions](#) section below). In its annual report on Form 10-K, filed with the

US Securities and Exchange Commission (SEC) on December 31, 2023, Elevance noted its operating revenue increased by 9.3% and stated:¹¹

The increase was further attributable to growth in our CarelonRx pharmacy product revenue driven by growth in external pharmacy members and the acquisition of BioPlus in the first quarter of 2023.

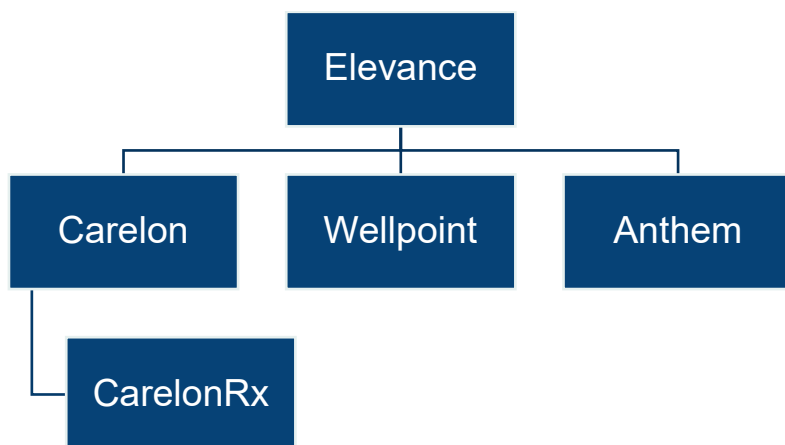
CarelonRx’s 2023 operating revenue was \$33.8 billion, with a 5.8% operating margin.¹² CarelonRx’s operating margin exceeded that of Elevance’s other business segments, including health benefits (4.6%) and Carelon health services (4.8%).¹³

Governance and Organizational Structure

As of publication of this report, Elevance is owned by its shareholders and governed by an 11-member board of directors.¹⁴ According to the Elevance website, the board’s responsibility is as follows:¹⁵

The primary responsibility of the Board is to further our long-term success, in line with the Board’s fiduciary duty to our shareholders. Within this framework, the Board also considers the interests of other constituents such as our consumers, the communities we serve, our associates and the environment around us.

The simplified organizational structure of Elevance and CarelonRx, as categorized by Elevance’s brand portfolio, is below.¹⁶ Elevance is the parent company of CarelonRx.



Mergers and Acquisitions

Elevance has pursued multiple mergers and acquisitions in the past five years. Since 2023, Elevance has sought acquired two pharmacy service providers: Paragon Healthcare, Inc. (“Paragon”), a provider of infusion services, and BioPlus Parent, LLC (“BioPlus”), a specialty pharmacy business. BioPlus provides specialty medications to patients nationwide and, as of 2022, reported \$1.5 billion in revenue.¹⁷ Elevance has described BioPlus as “one of the largest independent specialty pharmacy organizations in the United States.”¹⁸ See the table below for transactions announced in recent years.

Company	Description	Date
Kroger Specialty Pharmacy Holdings, Inc. ¹⁹	Specialty pharmacy	Announced March 2024
Paragon Healthcare, Inc. ²⁰	Infusion services	Deal closed March 2024
BioPlus Parent, LLC ²¹	Specialty pharmacy	Deal closed February 2023
Blue Cross Blue Shield Louisiana ²²	Health plan	Announced January 2023; paused February 2024 ²³
Integra Managed Care ²⁴	Long term care plan	Deal closed May 2022
MMM Healthcare ²⁵	Medicare Advantage plan	Deal closed June 2021
myNEXUS ²⁶	Home-based nursing management	Deal closed April 2021

Operations in Oregon

Elevance offers specialty pharmacy services in Oregon through BioPlus, which operates as part of CarelonRx. In 2023, according to administrative claims data, BioPlus served fewer than 200 patients in Oregon.²⁷ Paragon, Elevance’s infusion services company, does not operate locations in Oregon.²⁸

Elevance does not offer BCBS health plans, Medicaid, or Medicare Advantage plans in Oregon; however, some Elevance employer customers based in areas where Elevance offers plans do have employees who reside in Oregon and are covered by Elevance. Elevance earned Medicare Advantage cost of care revenue in Oregon, although it did not offer Medicare Advantage plans in Oregon.²⁹ Elevance also earned stop loss insurance premium revenue in Oregon in 2023, but no longer offers stop loss coverage in Oregon.³⁰ Elevance offers other services to Oregon residents, although none of these services are part of this transaction. These services include:

- Employee assistance programs and health plan behavioral health products through the Elevance subsidiary Carelon.
- Palliative care services revenue through the Elevance subsidiary Aspire Health, which Elevance acquired in 2018.³¹

Kroger

Kroger, headquartered in Cincinnati, Ohio, is a publicly traded company that operates supermarkets in 35 states under a variety of names, including Fred Meyer and QFC. Kroger is one of the nation’s largest supermarket chains, as well as one of the largest operators of retail pharmacies.³² ³³ Kroger employs more than 414,000 full and part-time employees.³⁴ Kroger’s total fiscal year 2023 revenue was \$150 billion.³⁵ In 2023, pharmacy sales accounted for 9.5% of Kroger’s total sales revenue.³⁶ Other Kroger business operations

Kroger by the numbers

2,200 in store pharmacies

2,700 supermarket stores

414,000 employees

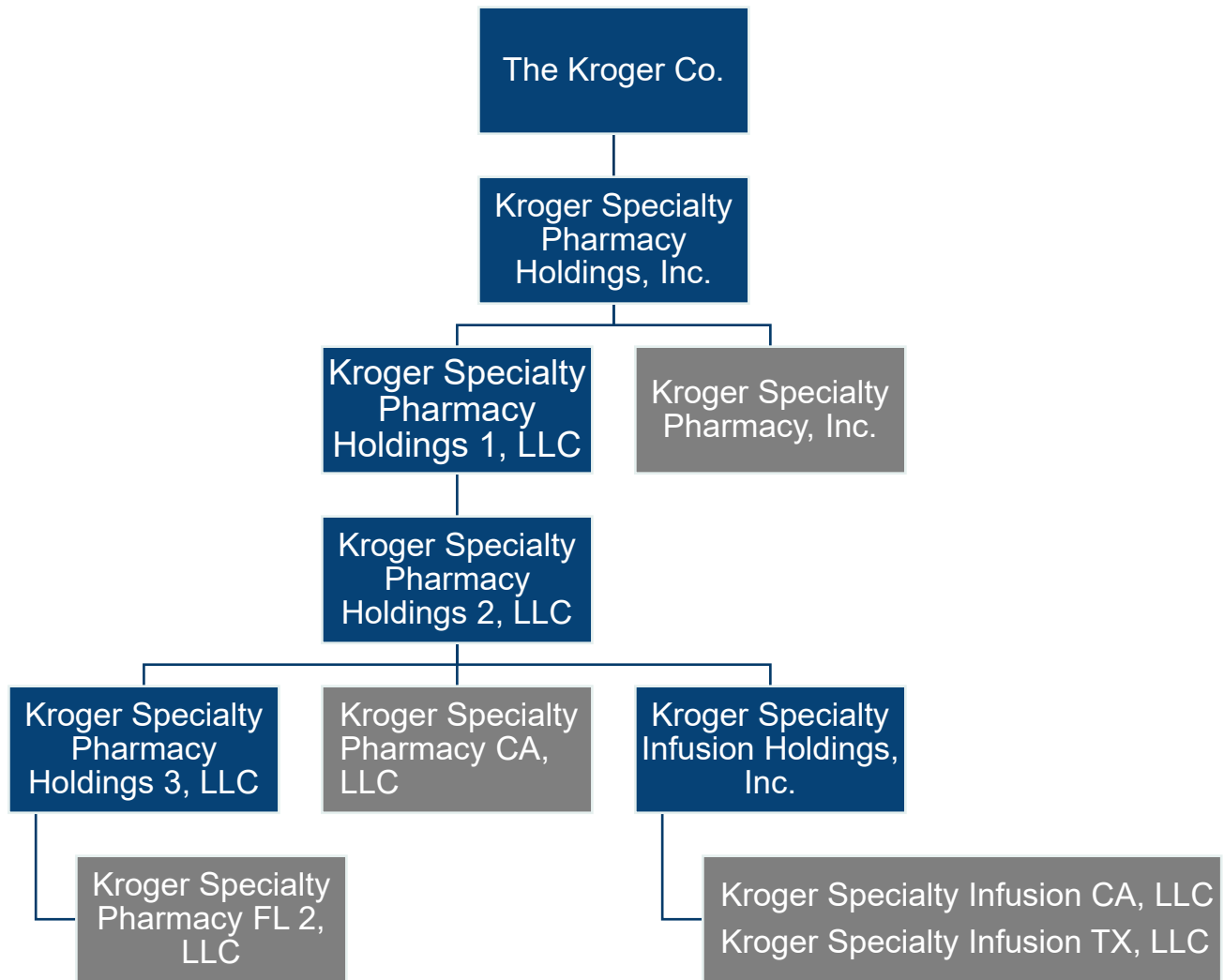
\$150 billion 2023 revenue

include a pharmacy benefit manager, in-store clinics, specialty pharmacy services, and mail order and online pharmacy.

Governance and Organizational Structure

Kroger is owned by its shareholders and governed by a 10-member board of directors, and Kroger CEO who serves as chairman of the board, who direct corporate policy, elect executive officers, and oversee company strategy and risk management.³⁷

The org chart below shows Kroger companies affected by the transaction, with gray-filled shapes indicating entities registered to do business in Oregon.³⁸



Operations in Oregon

In Oregon, Kroger operates 55 stores under the Fred Meyer and QFC banners, 53 of which have in-store retail pharmacies.³⁹ Kroger employs more than 14,500 employees in Oregon.⁴⁰ Kroger operates its specialty pharmacy and infusion business as a separate line from its supermarket and retail pharmacy business. Kroger’s supermarket and retail pharmacy business in Oregon are not part of the proposed transaction.

Kroger Specialty Pharmacy

KSP is a nationwide clinical pharmacy and infusion business owned and operated by Kroger. Specialty pharmacies dispense drugs that require specialized handling, distribution, storage, and administration. Specialty drugs are often high-cost treatments for conditions that are rare or complex care conditions.⁴¹ (See [Specialty Pharmacy](#) section below.)

Operations in Oregon

While KSP does not operate pharmacy or infusion locations or employ staff in Oregon, the company does have five entities registered to do business and operate specialty pharmacy and specialty infusion pharmacy business in Oregon (see [organizational chart](#) above).^{42 43} KSP provides services to people in Oregon via mail order prescriptions.

Transaction Terms

Elevance seeks to acquire KSP from Kroger. Through its subsidiary, ATH Holding Company, LLC (“ATH”), Elevance will acquire 100% of KSP’s voting securities in exchange for approximately \$485 million.⁴⁴

Rationale for the Transaction

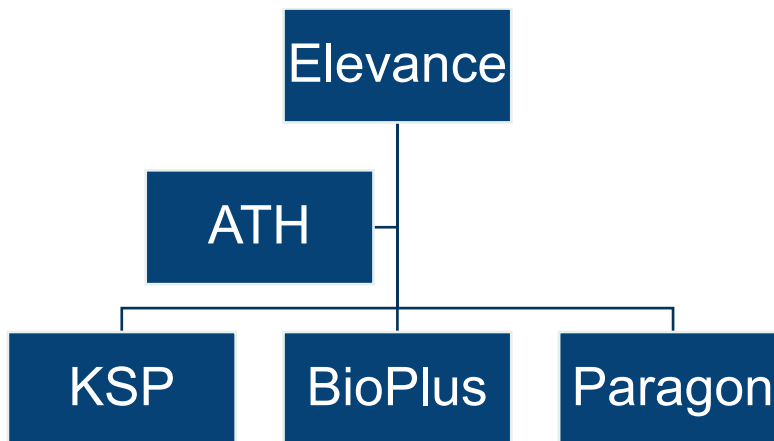
According to filings by Elevance and Kroger, the purpose of the transaction is to:

...support Elevance Health’s whole-health strategy and to provide consumers with improved reliable access to specialty pharmacy services.

This transaction aligns with Elevance’s recent acquisitions of other specialty pharmacy and infusion services providers.

Post-Transaction Plans

After the transaction closes, KSP will operate as part of CarelonRx under the Carelon brand within Elevance’s health services division.⁴⁵ KSP will sit in Elevance’s organizational structure under ATH, along with Paragon and BioPlus.⁴⁶ See the simplified org chart below.



Post-transaction, Kroger will retain its other pharmacy assets not included in the transaction, including in-store retail pharmacies, walk-in clinics, and mail order pharmacy business.⁴⁷

Specialty Pharmacy

What is Specialty Pharmacy?

Specialty pharmacies provide medications and treatment services for rare or complex medical conditions.⁴⁸ Medications provided by specialty pharmacies may include high cost or novel treatments that have not yet received FDA approval and drugs require specialized handling, distribution, storage, and administration.⁴⁹ Patients receiving these therapies may also require monitoring for medication management and adverse effects.⁵⁰ Examples of medical conditions that specialty drugs may treat include autoimmune disorders, cancer, or rare genetic diseases.⁵¹

Specialty pharmacies must be licensed as a retail or institutional pharmacy to operate in Oregon. A specialty pharmacy is a business model and is defined by types of services provided, not by state or federal regulations.⁵² There is no standard definition of a specialty pharmacy and any state-licensed pharmacy can self-designate as a specialty pharmacy and dispense specialty medications if the medications can be purchased from a manufacturer or authorized wholesale distributor.⁵³ In an attempt to contain the high costs of specialty medications and ensure quality services, many payers require accreditation to contract with them.⁵⁴

Key Players

Specialty pharmacy services involve multiple players, each with a distinct role. The table below summarizes some of the types of companies in the specialty pharmacy supply chain.

Key Players	Roles
Wholesalers	Wholesalers purchase drugs from pharmaceutical companies and other drug manufacturers.
Drug Manufacturers	Drug manufacturers research, develop, produce, and distribute drugs and medical treatments.
Insurance Plans	Insurance plans pay administrative fees to PBMs to manage drug benefits. Plans also pay for drugs and pay dispensing fees that pass through PBMs to pharmacies.
Pharmacies	Pharmacies purchase drugs from a wholesaler, dispense drugs to plan members and receive copays and coinsurance.
Pharmacy Benefit Managers (PBMs)	PBMs contract with pharmacies to be included in an insurance plan's network and negotiate payment rates with pharmacies to dispense drugs. PBMs negotiate with manufacturers for inclusion of drugs in plan formularies and to obtain rebates.

Trends in Specialty Pharmacy

Specialty pharmacy accounts for a large share of pharmacy spending and continues to grow. In 2021, specialty drugs accounted for 50% of total US prescription drug spending, despite the fact that less than 2% of the population takes specialty drugs.^{55 56} CarelonRx

reported that, while just 3% of its plan members take specialty medications, those drugs account for 60% of total drug spending.⁵⁷ Spending on specialty drugs increased from \$211 billion in 2016 to \$310 billion in 2021, an increase of nearly 43%.⁵⁸ (See bar chart below.) Industry reports indicate that the average cost per claim and the percentage of the population using at least one specialty drug have continued to increase since 2021.⁵⁹

Specialty drug spending increased nearly 43% from 2016 to 2021.

Bar chart displays inflation adjusted specialty drug spending dollars in billions



Findings & Potential Impacts

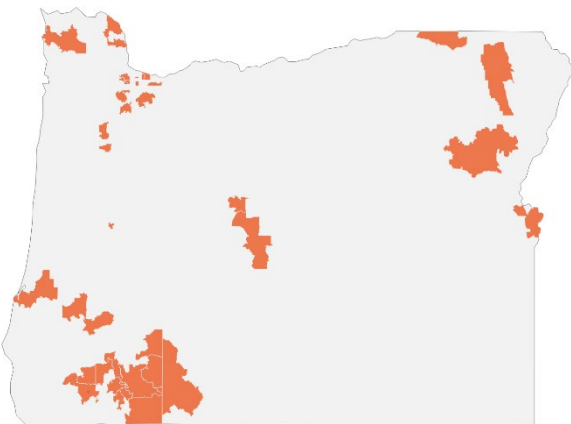
OHA compiled available data and information to understand and examine the potential impacts of the transaction across four domains: access, cost, quality, and equity. To assess the potential impacts of the proposed transaction on Oregon residents' equitable access to affordable care, OHA considered the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

- Transaction terms
- Market characteristics
- Statements made by the Entities
- Data from OHA systems
- Publicly available data, research, and reports

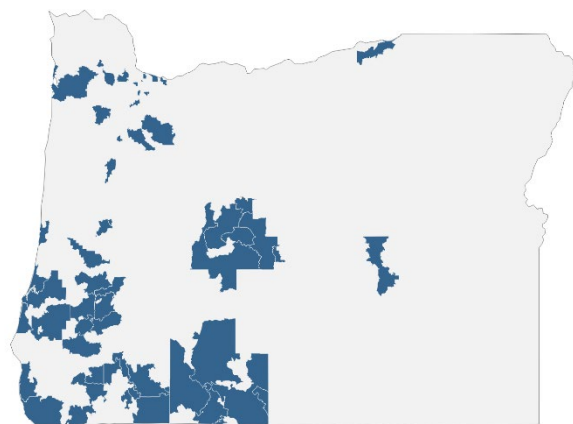
Service Area

Entities involved in this transaction do not operate specialty pharmacy locations in Oregon; however, they do deliver medications to Oregon residents via mail. OHA looked at zip codes for patients who received services from KSP and BioPlus. The maps below show zip codes where KSP and BioPlus patients reside in Oregon. From 2021 to 2023, BioPlus served patients in 41 Oregon zip codes and KSP served patients in 56 zip codes. BioPlus and KSP both served patients in 16 of the highlighted zip codes. No more than 80 patients resided in any single zip code and on average 12 patients resided in the highlighted zip codes.⁶⁰

Oregon zip codes where BioPlus patients reside



Oregon zip codes where KSP patients reside



Market Share & Consolidation

The proposed transaction will not result in significant changes to specialty pharmacy market concentration in Oregon. OHA analyzed health care administrative claims data from Oregon's All-Payer All-Claims (APAC) database to assess the Entities' market shares. While KSP and Elevance deliver specialty medications across the state, combined they delivered less than 3% of all specialty medications from 2021 to 2023. The companies

collectively served fewer than 1,000 patients per year in Oregon from 2021 to 2023. Elevance and KSP each serve small shares of Oregon’s specialty pharmacy market, as shown in the table below.⁶¹

	2023 patients served in Oregon	2023 percent of market share
Elevance/BioPlus	Fewer than 200	Less than 1%
KSP	Fewer than 800	Less than 4%

Elevance does not provide infusion services in Oregon, while KSP’s share of the state’s infusion services market is less than 1%.⁶²

OHA also calculated the Herfindahl-Hirschman Index (HHI) to assess changes in market concentration associated with the transaction. (See call out box at right.⁶³) This analysis showed that, at the statewide level, the transaction would not result in anti-competitive changes to market share. Currently, the statewide specialty pharmacy HHI is 2504 which indicates a highly concentrated market. After the proposed transaction closes, the HHI would increase to 2507, a change of just 3 points. This small of a change is not considered to be anti-competitive.

Herfindahl-Hirschman Index

HHI is a measure commonly used by federal and state antitrust regulators to measure concentration in a market. A higher HHI indicates a more concentrated market.

Under federal antitrust guidelines, an HHI of more than 1,800 indicates a highly concentrated market. Transactions involving an HHI of more than 1,800 and a post-transaction HHI increase of more than 100 are presumed to substantially lessen competition.

Access

In the notice, the Entities stated:⁶⁴

The parties do not expect the transaction to result in any changes to the health care services offered by Elevance Health or Kroger Specialty Pharmacy in Oregon or nationally.

The Entities have also stated that they are focused on “increasing access to health services” and expect that the “transaction will continue to broaden access to medically underserved populations.”⁶⁵ The Entities did not identify specific populations or provide specific plans for improved access in Oregon.

The proposed transaction does not include any changes to access to specialty pharmacy and infusion services. Both Elevance and KSP have a small presence in Oregon; therefore, the proposed transaction is not expected to impact access to services for people in Oregon.

Cost

The proposed transaction is unlikely to affect health care costs in Oregon due to the small specialty pharmacy and infusion services presence of KSP and Elevance in the state.

In the notice, the entities stated:⁶⁶

The proposed transaction will lead to improvements on direct product costs and will lower costs-to-fill, which Elevance Health expects will lead to lower costs and improved access for patients. As a result, Elevance Health expects that the transaction will improve access to affordable health care products, including in Oregon.

Elevance expects the transaction will result in efficiencies in shipping, distribution, and logistics that will result in lower costs for patients.⁶⁷ Elevance also plans to invest in technology that can automate processes for KSP, such as two-way texting, which it expects will result in lower costs for patients.⁶⁸

Despite these claims, research has shown that health care consolidation often leads to higher costs, with operational efficiencies rarely being passed on as savings for patients.⁶⁹ OHA may assess whether the transaction results in lower costs during its one-year, two-year, and five-year follow-up reviews.

Quality

The proposed transaction is unlikely to affect the quality of care in Oregon, as there are no plans to change services offered in the state. Elevance expects to offer “more comprehensive care” for members, which it says will help improve outcomes for members. Elevance also expects that outcomes for some populations may improve by combining expertise.⁷⁰ The Entities have not provided detailed information on what specific improvements they would expect to see.

Research has not shown a clear link between health care consolidation and improved quality of care; in fact, many studies have found no change or worse quality of care following consolidation.⁷¹ OHA may assess whether the transaction has resulted in any improvements to quality during its one-year, two-year, and five-year follow-up reviews.

Equity

The proposed transaction is unlikely to result in changes to the types of services offered in Oregon or patients’ ability to access those services. The proposed transaction is therefore unlikely to have an impact on health equity in the state.

Conclusions

Based on preliminary review findings, OHA approved the transaction, per ORS OAR 409-070-0055(2)(e), on September 9, 2024. See [Findings of Fact, Conclusions of Law, and Order in the Matter of Proposed Material Change Transaction of Elevance Health and Kroger](#), dated September 9, 2024.

Approval Criteria

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

Comprehensive review of the material change transaction is not warranted given the size and effects of the transaction.

Elevance companies do not offer health plans in Oregon or have physical pharmacy services locations. While Kroger operates retail pharmacies in Oregon, KSP does not operate locations or employ staff in Oregon. The companies have small shares of the specialty pharmacy market in Oregon and the transaction is unlikely to result in significant concentration in the specialty pharmacy market. Due to this small presence, the transaction is unlikely to increase costs, reduce access to care, negatively impact quality of care, or drive inequities in Oregon.

Post-Transaction Monitoring

As required by statute, OHA will conduct follow-up analyses one, two, and five years after the transaction is complete. OHA's monitoring will assess whether the entity keeps the commitments included in the notice, including commitments that no operational or management changes will take place and that there will be no changes to the scope of services offered. More broadly, OHA will monitor changes to cost, quality, access, and equity, and may also assess other measures relevant to each domain.

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

Acronyms & Glossary

Acronyms & Abbreviations

APAC	All Payer All Claims
BCBS	Blue Cross Blue Shield
HCMO	Health Care Market Oversight
HHI	Herfindahl–Hirschman index
KSP	Kroger Specialty Pharmacy
LLC	Limited Liability Corporation
OAR	Oregon Administrative Rule
OHA	Oregon Health Authority
OHP	Oregon Health Plan
ORS	Oregon Revised Statute
PBM	Pharmacy Benefit Manager
PC	Professional Corporation
PSA	Primary Service Area
SEC	United States Securities and Exchange Commission

Glossary

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

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

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

Health equity: OHA defines health equity as follows:

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

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

OHA’s Review

OHA performed a preliminary review of the transaction to assess its potential impact on Oregon’s health care delivery system. The review explored impacts in four areas: cost, access, quality, and equity. OHA’s analysis followed the guidelines and methods set out in the [HCMO Analytic Framework](#) published January 31, 2022.⁷² The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

Background Research and Literature Review

OHA conducted background research on the entities involved in the transaction to understand more about the proposed transaction, the entities involved, including published documents. OHA consulted publicly available sources, including press releases and media reports; research articles; filings with the SEC; Secretary of State in Oregon and other states; and entity websites. OHA also reviewed research articles related to health care consolidation.

Public Input

OHA solicited public comments on the proposed transaction during the preliminary review by posting information to the [Transaction Notices and Reviews](#) page of the HCMO website to request public input and emailing subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA received no public comments related to this review.

Analysis

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

Domain	Analysis
Cost	Analyses in the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for services in Oregon. Spending for services may be affected by the degree of competition between providers offering similar services within a service area.
Access	Analyses under the access domain explore how the transaction may affect the range of services available in the market, types of providers and provider-patient ratios, characteristics of the patient population, and any barriers to access, including transportation burdens and limitations by insurance type. Consolidation and change of ownership in the health care market can impact the range and type of services offered in the service area. Changes in population demographics can alter demand for some services and shifts in the labor market can impact availability of specific

Domain	Analysis
	<p>provider types, potentially affecting the financial viability and profitability of offering certain health care services in a region.</p>
Quality	<p>Analyses in the quality domain explore how the transaction may affect patient outcomes and the experience of care. Consolidations and ownership changes in health care can impact clinical practice, including staffing ratios, time spent or number of visits with patients, timeliness of care, and the patient’s experience of care, all of which can have effects on patient outcomes. Analyses in the quality domain consider current indicators of quality and assess potential impacts of the transaction on quality of care.</p>
Equity	<p>Analyses in the equity domain explore how the transaction may affect the Entity’s ability to assess for and equitably meet the needs of the population it serves. Consolidations and ownership changes in health care can disproportionately impact availability of health services for populations who already experience health inequities, including people of color, low-income families, and residents of rural areas. Equity-focused analysis considers the entities’ ability to serve a patient population that is representative of the community in which they operate. OHA also looks for evidence that the Entity is actively identifying and addressing inequities in access to or quality of care across their patient population.</p>

References

¹ Elevance Health Press Release. Anthem Inc. Shareholders Approve Corporate Rebranding to New Name, Elevance Health, Inc. <https://www.elevancehealth.com/newsroom/anthem-inc-shareholders-approve-corporate-rebranding-new-name>

² Elevance Health, Inc. SEC Form 10-K for the Annual Period ending December 31, 2023. Feb 21, 2024. Available at: <https://www.sec.gov/ix?doc=/Archives/edgar/data/1156039/000115603924000015/elv-20231231.htm>

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