

**STATE OF OREGON
OREGON HEALTH AUTHORITY
HEALTH POLICY AND ANALYTICS DIVISION**

In the Matter of the Proposed)	Final Order
Material Change Transaction of)	
Elevance Health, Inc. and)	Transaction ID: 024
Clayton, Dubilier & Rice, LLC)	

This Order resolves the Notice of Material Change Transaction (“Notice”) filed by Elevance Health, Inc. (“Elevance”) with respect to forming a joint venture with Clayton, Dubilier, & Rice, LLC (“CD&R”) (Elevance and CD&R are collectively referred to herein as “Entities.”). The Elevance filed the Notice with the Oregon Health Authority (“OHA”) under the Health Care Market Oversight Program pursuant to Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

On July 2, 2024, OHA confirmed receipt of a complete Notice in compliance with OAR 409-070-0030 and -0045. Pursuant to ORS 415.501(5) and OAR 409-070-0055, OHA timely conducted a preliminary review of the proposed transaction. OHA’s review analyzed the potential impact of the transaction in four domains: cost, access, quality, and equity. The analysis followed guidelines and methods set out in the Health Care Market Oversight Analytic Framework (see <https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/OHA-HCMO-Analytic-Framework-FINAL.pdf>), which is grounded in the goals, standards, and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085. OHA’s analysis is be posted to the HCMO website at <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-transaction-notices-and-reviews.aspx> and is incorporated herein by reference. A public comment period was open from July 2, 2024, to August 1, 2024. OHA received no public comments.

On August 1, 2024, OHA properly served Notice on the Entities of its approval with conditions of the proposed transaction. The Notice offered the Entities an opportunity for a hearing, if requested within 15 days of service of the Notice. On August 1, 2024, the Entities waived their right to a hearing.

Now, therefore, upon due consideration of the circumstances, including the Notice of Material Change Transaction, documentation filed in support of the Notice of Material Change Transaction, databases maintained by OHA, websites of the Entities, press reports, academic research articles, and other publicly available reports, OHA enters the following Final Order.

FINDINGS OF FACT

OHA FINDS that:

1. On or about June 10, 2024, Elevance filed the Notice with OHA.
2. On or about June 21, 2024, OHA notified Elevance that the Notice was incomplete and provided guidance about submission requirements.
3. On or about June 28, 2024, Elevance filed a revised Notice with OHA.
4. On or about July 2, 2024, OHA notified Elevance that it received all requested information and confirmed receipt of a complete Notice. OHA commenced the preliminary review pursuant to OAR 409-070-0055.
5. OHA held a public comment period from July 2, 2024 through August 1, 2024 and received no public comments.
6. Elevance is a publicly traded corporation incorporated in Indiana and licensed to conduct insurance operations in all 50 states, the District of Columbia, and Puerto Rico. Elevance is owned by its shareholders and governed by a board of directors. Elevance's total 2023 revenues were \$171.3 billion.
7. Elevance subsidiaries provide a range of products and services, including individual, employer group, Medicaid, and Medicare Advantage insurance plans; managed care and administrative services; and pharmacy, health care, and technology services. The following indirect, wholly-owned subsidiary of Elevance is involved in the proposed transaction:
 - a. Carelon Management Services, Inc. ("Carelon Health"), a California domiciled entity. Carelon Health is a healthcare services business that offers primary care, palliative care, and primary care management services. Carelon Health does not operate in Oregon.
8. CD&R is a private equity firm that invests in companies in a variety of fields, including companies in the health care services and technology sectors. CD&R's total global revenue in 2023 was \$110 billion. The following entities in CD&R's investment portfolio are involved in the proposed transaction:
 - a. Truth Holdings Topco, Inc. d/b/a Apree Health ("Apree") is a Delaware limited partnership and CD&R portfolio business. Apree offers technology solutions and is a provider of advanced primary care services. Apree builds and operates primary care clinics on behalf of employers and payers.
 - b. Marine Topco, LLC d/b/a Millenium Physician Group ("MPG") is a Delaware limited liability company that provides management services and administrative supports to independent physician groups. MPG does not operate in Oregon.

9. Apree operates two primary care clinics in Oregon through its subsidiary Vera Whole Health WA, Inc, a Washington professional corporation. The clinics serve fewer than 4% of commercially insured primary care patients in their respective service areas. These clinics are:
 - a. Amy's Family Health Center located in Medford, Oregon; and
 - b. Vera Whole Health Clinic located in Portland, Oregon.
10. On April 12, 2024, Elevance and CD&R entered into a Master Transaction Agreement and Plan of Merger ("Agreement") for the purposes of forming a joint venture. According to the terms of the Agreement, Elevance will invest cash, equity interests, and assets into the joint venture; and CD&R will contribute a combination of cash and existing equity investments in Apree, along with a contribution of the assets of its portfolio companies listed in Section 8 above.
11. Elevance Health does not offer commercial, Medicaid, or Medicare insurance plans in Oregon. Elevance derives some revenue from services to Oregon residents, primarily through remote services or services to Oregon residents who are employed or insured in other states.
12. Amy's Family Health Center and Vera Whole Health Clinic both have relatively small market shares of the primary care market in their respective service areas.
 - a. Amy's Family Health Center serves less than 4% of commercially insured primary care patients in its service area.
 - b. Vera Whole Health Clinic serves less than 2% of commercially insured primary care patients in its service area.
13. According to the Notice, Amy's Family Health Center and Vera Whole Health Clinic will continue to operate uninterrupted after the transaction closes, providing the same types of services to the same geographic areas.

CONCLUSIONS OF LAW

1. The Notice is supported by the required documentation and meets the requirements of the Health Care Market Oversight Program rules for approval with respect to acquisitions of health care Entities pursuant to ORS 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.
2. OHA finds that:
 - a. Comprehensive review of the material change transaction is not warranted given the size and effects of the transaction.
 - i. This transaction involves the formation of a joint venture. None of the entities involved in the transaction have significant market share for services provided in

Oregon, nor is the transaction likely to result in changes to those entities' market shares. CD&R portfolio companies operate two clinics in Oregon, Amy's Family Health Center and Vera Whole Health Clinic, with each serving a small share of primary care patients in their respective service areas. Other entities that will be included in the joint venture do not operate locations in Oregon. Elevance does not offer insurance plans or have physical clinical locations in Oregon. Elevance companies do provide some services remotely, pay for services for out-of-state patients, and potentially serve Oregon residents who have coverage in other states; however, these services account for insignificant market shares. The transaction is unlikely to increase consolidation in Oregon.

ORDER AND CONDITIONS

Based on the foregoing Findings of Fact and Conclusions of Law it is hereby ORDERED that:

1. The transaction is hereby APPROVED WITH CONDITIONS upon the basis of the information contained in the Notice of Material Change Transaction to date.
2. This Order shall be conditioned upon and subject to the following:
 - a. Entities shall not modify the terms of the Master Transaction Agreement and Plan of Merger, dated April 12, 2024 ("Agreement") prior to completing the first phase of the multi-step transaction without the prior consent of OHA. If any modification to the Agreement is proposed, it shall be presented to OHA not later than fifteen (15) days before the scheduled closing of the first phase of the transaction.
 - b. Following completion of the first phase of the multi-step transaction, Entities shall provide written notification to OHA of any changes to the Agreement that materially changes subsequent phases of the multi-step transaction.
 - c. For a period of seven (7) years, or until July 31, 2031, Entities shall provide written notification to OHA of any changes in ownership interests in the joint venture. Such notification shall include, at minimum:
 - i. A description of changes,
 - ii. Effective date of changes,
 - iii. Any and all expected impact of changes on costs of health care for consumers and payers, access to health care services, quality of health care, and health equity in Oregon.
 - d. The Entities shall file a Notice of Material Change Transaction for each new phase of the proposed multi-step transaction, as outlined in the Agreement, that is subject to OHA review.

3. The Entities shall notify OHA within one (1) business day following completion of the Transaction by email to hcmo.info@oha.oregon.gov.

This Order will be posted to the Health Care Market Oversight Program website at <https://www.oregon.gov/oha/HPA/HP/Pages/health-care-market-oversight.aspx>.

OHA will conduct follow-up reviews to assess the impact of the transaction in accordance with ORS 415.501(10). OHA will publish findings from follow-up reviews. Per OAR 409-070-0080, OHA may require the Entities to provide any information, reports, analyses, and documentation needed to monitor and assess the impact of the Transaction.

APPEAL RIGHTS

You are entitled to judicial review of this order in accordance with ORS 183.482. You may request judicial review by filing a petition with the Court of Appeals in Salem, Oregon, within 60 days from the date of this Order. If you do not file a petition for judicial review within the 60-day time period, you will lose your right to appeal.

Dated this 2st day of August, 2024



Sarah Bartelmann, MPH
Health Care Market Oversight Program
Manager
Oregon Health Authority