

Health Care Market Oversight

Transaction 028

Pennant-Signature NP2U

30-Day Review Report

October 14, 2024



About this Report

This report summarizes analyses and findings from Oregon Health Authority’s preliminary (30-day) review of the proposed material change transaction of Finding Home Healthcare, LLC, which is owned by The Pennant Group, Inc, and NP2U, LLC, which is owned by the Signature Group, LLC. It accompanies the [Findings of Fact, Conclusions of Law, and Final Order](#) (“Preliminary Review Order”) issued by Oregon Health Authority on October 14, 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

The Pennant Group, Inc. (“Pennant”), parent group of affiliated home health, hospice, and senior living companies, proposes to purchase assets of certain home health and hospice agencies owned by The Signature Group, LLC (“Signature”). This transaction is associated with five other OHA transaction reviews (029 Signature-Pennant Tigard, 030 Signature-Pennant Lincoln City, 031 Signature-Pennant Bend, 032 Signature-Pennant Eugene/Albany, 033 Signature-Pennant Medford). In this transaction, Finding Home Healthcare, LLC (“Finding Home”), owned by Pennant, plans to purchase the assets of NP2U, LLC (“NP2U”), which is owned by Signature.

OHA’s Review

OHA completed a 30-day 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. Upon request by OHA, Pennant and Signature (collectively, the “entities”), provided additional information on referral relationships between entities and corporate relationships of other entities that are not otherwise specified in the transaction documents. OHA held a public comment period and received no public comment submissions.

Key Findings



Cost

The proposed transaction entails the sale of a primary and palliative services company to another and is associated with five other proposed transactions (#028 through #033). The proposed transaction is unlikely to affect costs.



Access

The proposed transaction is unlikely to affect access to primary and palliative care services provided by NP2U, LLC’s nurse practitioners.



Quality

The proposed transaction is unlikely to affect the quality of care delivered by nurse practitioners affiliated with NP2U, LLC.



Equity

The proposed transaction is unlikely to affect health equity. For region-specific findings, see OHA's [preliminary reports for transactions #028 through #033](#).

Conclusions and Decision

Based on preliminary review findings, **OHA approved the transaction on October 14, 2024**. (See [order](#)). OHA approved the proposed transaction based on the following criteria:

1. **The material change transaction is not likely to substantially alter the delivery of health care in Oregon.**

The proposed sale of NP2U to Finding Home is unlikely to alter the delivery of primary or palliative care services. The proposed transaction relates to transactions #029 through #033, which relate to the sale of home health and hospice agencies.

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 the 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 August 23, 2024, OHA received a Notice of Material Change Transaction (“Notice”) from The Pennant Group, Inc. (“Pennant”) and The Signature Group, LLC (“Signature”) (Pennant and Signature are collectively referred to herein as the “entities”). The Notice describes plans for Pennant to purchase Signature’s home health and hospice businesses in Oregon. Pennant plans to complete the purchase of Signature’s home health and hospice agencies through six different transactions. In this proposed transaction, Finding Home plans to purchase the assets of NP2U, which provides primary and palliative care services by nurse practitioners. Finding Home is a subsidiary of Pennant and NP2U is a subsidiary of Signature.

OHA reviewed the notice of material change transaction 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.

Parties to the Transaction

Pennant

Pennant is a for-profit, publicly traded company incorporated in Delaware and based in Idaho.¹ Pennant is a holding company of independently operating subsidiaries located throughout the country. Pennant operates in 13 states including Oregon. Nationally and as of June 2024, Pennant operates 117 home health and hospice agencies and 54 senior living communities with 3,835 total units in their assisted living, independent living, and memory care facilities.² Pennant operates two home health and hospice agencies in Oregon: Connected Home Health and Hospice (“Connected Home”) in Portland and Riverside Home Health Care and Hospice (“Riverside”) in Medford and Grants Pass. Pennant’s revenue from their home health and hospice services and senior living services was approximately \$545 million in 2023.³

Finding Home Health Care

In this transaction, NP2U will become a subsidiary of Finding Home, which is owned by Pennant. Finding Home provides in-home palliative and primary care to home bound patients. Finding Home provided 55 patient visits in Oregon in 2023.

Governance and Organizational Structure

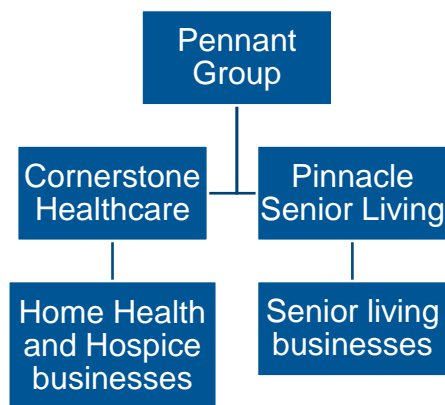
The Ensign Group, Inc. (“Ensign”), a for-profit publicly traded company incorporated in Delaware, launched Pennant in 2019 as a spin-off company for all of its non-skilled nursing business lines. From the beginning, Pennant was a “publicly traded holding company

comprised of Ensign’s home health and hospice agencies and substantially all of Ensign’s senior living and ancillary service businesses.”⁴ Following the spin-off, Ensign continued operating as a holding company for post-acute service providers such as skilled nursing and assisted and independent living.

In December 2017 – more than a year before the spin-off – the Ensign was affiliated with 46 home health and hospice agencies and approximately 69% of their home health and hospice revenue came from Medicare. In the years leading up to the creation of Pennant, Ensign’s home health and hospice grew significantly. Revenue from home health and hospice grew 257% and the number of home health and hospice agencies grew by 188%.⁵

Currently, Pennant operates each home health and hospice agency independently and has no traditional corporate headquarters. Each of Pennant’s independent operating subsidiaries has its own management, employees, and assets.⁶ Each agency is supported by Pennant’s “Service Center” which provides professional resources in their areas of expertise including human resources, legal, billing, and financial services. Pennant operates their home health and hospice businesses through Cornerstone and their senior living businesses under the name Pinnacle Senior Living. Pennant states the following regarding their organizational structure:

“Pennant believes that healthcare is local, which means the best way to accomplish its mission of providing life-changing service is to empower local leaders to meet the needs of those they have the pleasure of serving, all while being supported with cutting-edge systems and resources. To this end, our home health and hospice agencies operate relatively independently and have no traditional corporate headquarters. Instead, they are supported by a “Service Center,” a world-class team of professional resources that advise on their respective areas of expertise. This allows on-site leaders and clinicians to focus squarely on day-to-day care and business issues in their individual agencies.”⁷



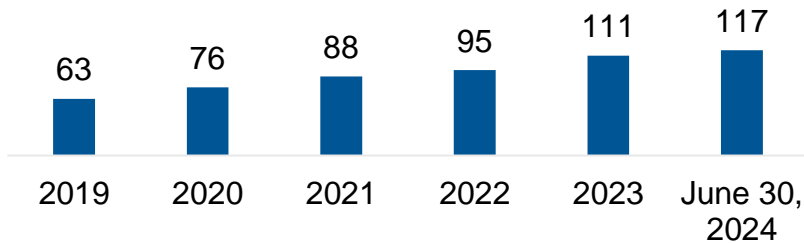
Mergers and Acquisitions

Pennant states that its growth strategy includes three core elements:

- The company prioritizes development of local leaders to serve as CEOs of the provider organizations they acquire.
- Pennant seeks to address questions as to where they can add value to the marketplace, become an “employer of choice” and expand their census through careful examination of the health of the local market.
- Vetting the potential acquisition business.⁸

Since Ensign spun off Pennant in 2019, the number of Pennant’s home health and hospice agencies has almost doubled.⁹

The number of Pennant's home health and hospice agencies has **almost doubled** in its six year history



Operations in Oregon

Pennant currently operates two home health and two hospice agencies in Oregon: Riverside and Connected Home. The Riverside agency has two locations as reflected in the table below.¹⁰

Name	Address	Number of employees	Home Health Average daily census	Hospice Average daily census
Riverside Home Health Care and Hospice	402 SE G St., Grants Pass, OR 97526	79	392	31
	606 Medford Center, Medford, OR 97504			
Connected Home Health and Hospice	7515 NE Ambassador Place, Ste C, Portland, OR 97220	58	203	26

Pennant does not own any skilled nursing facilities, rehabilitation facilities or senior living entities in Oregon.

Signature

Signature, also known as Signature Health Care at Home, owns many home health and hospice agencies that operate in Oregon. In August 2024, Pennant acquired Signature’s home health and hospice agencies in Washington and Idaho.¹¹ Signature’s headquarters

are in Wilsonville, Oregon. Avamere Home Health Care ("AHC") operates Signature's home health businesses and Northwest Hospice, LLC ("Northwest Hospice") operates Signature's hospice business; both are subsidiaries of Signature. Signature's annual revenue is around \$78 million.¹² See Appendix 1 for the full list of Signature's businesses in Oregon.

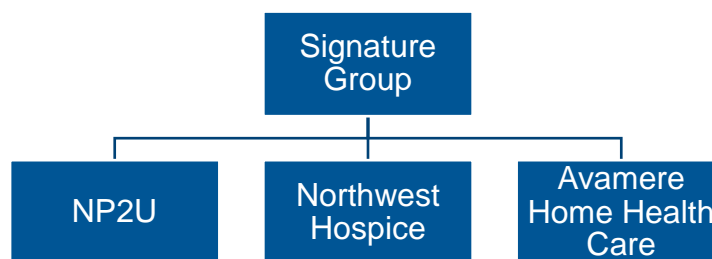
In 2021, the U.S. Department of Health and Human Services, Office of the Inspector General published an audit and its findings about Signature's Northwest Hospice, LLC. The audit report estimated that Northwest Hospice received at least \$3.9 million in unallowable Medicare reimbursement for hospice services over a two-year period.¹³

Pennant is proposing to buy most of Signature's home health and hospice businesses in Oregon. Northwest Hospice is not included in the proposed transaction.

NP2U

NP2U is a business owned by Signature that uses nurse practitioners to provide primary, acute and palliative care services. Nurse practitioners visit patients in assisted living facilities, residential care facilities, adult foster homes, or skilled nursing facilities. NP2U nurses visit patients in affiliated Avamere facilities, but also provide services to patients in facilities that are not operated by AHC. NP2U nurse practitioners are employed by the Signature Hospice agency in the geographic area that they serve. For example, nurse practitioners in Jackson or Curry County would be employed by Signature Hospice Medford. There is an employee sharing arrangement where hours worked for hospice are allocated to the hospice entity/employer and hours worked for primary, acute, and palliative care are allocated to NP2U.

In 2023, NP2U provided 7,453 patient visits to approximately 1,500 patients in Oregon with its annual revenue totaling \$870,008. NP2U is a primary care medical group credentialed as a Medicare Part B provider.¹⁴



Signature and Avamere Owners

Both Signature and AHC are owned by K. Rickard Miller, Jr., Revocable Trust, Dillon Family Trust and Odermott Family Trust. The same entities also own NAIR, LLC, which owns and operates multiple skilled nursing facilities and rehabilitation facilities in Oregon. AHC also owns and operates assisted living facilities and skilled nursing facilities in Oregon. See Appendix 1 for the list of skilled nursing and assisted living facilities that are owned by AHC and NAIR in Oregon.

Signature, Avamere, NAIR organizational chart



Transaction Terms

Pennant, through an asset [purchase agreement \(the “agreement”\)](#), is proposing to purchase the assets and operations of AHHC’s NP2U. The total purchase price for all six of Pennant’s proposed transactions is \$48 million before adjusting for closing indebtedness amount, census amount, and lease deposit.

The entities state that there is no arrangement between them for any discounts, rebates, or other refunds after the transaction concludes. After the sale, AHHC will no longer own or operate NP2U.

Rationale for the Transaction

Signature stated that as its owners reached retirement age, they began considering a sale of some of their home health and hospice agencies. In 2019, Pennant bought two of Signature’s locations in Utah and Idaho, which began the working relationship between Signature and Pennant.¹⁵ Pennant’s six proposed transactions are expected to contribute to a 13% boost in Pennant’s revenue with a 25% increase in home health admissions and a 3% increase in their hospice daily census.¹⁶

Post-Transaction Plans

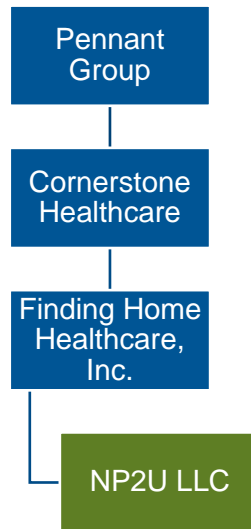
In the submitted Notice of Material Change Transaction Pennant stated:

“The services offered by NP2U will remain the same. New policies and procedures will be implemented to further improve and enhance the services provided. In most cases, the leadership at the local agencies will remain the same, and current employee and operational structure will not be significantly altered.”¹⁷

Pennant also stated that the proposed transaction is expected to increase access to affordable health care in Oregon, but did not provide specifics as to how Pennant’s ownership will expand access relative to Signature’s ownership.

Pennant’s purchase of Signature’s home health and hospice agencies is one of their largest acquisitions to date.¹⁸ Pennant has stated they will focus on integration of these agencies into their operating model in the next 6 months.¹⁹

Post-Transaction organizational chart



Overview of Home Health & Hospice Care

What is home health?

Home health includes a range of services to treat an illness, injury, or medical condition that are provided in a patient's place of residence. Services include skilled nursing care (such as medication management, pain management, injections or intravenous treatments, wound care and post-operative care), physical therapy, occupational therapy, speech therapy, and non-medical services such as social services or assistance with daily living.

Eligibility requirements for home health vary depending on insurance type. For Medicare, enrollees must need intermittent skilled care for an illness or injury and be "homebound," meaning they cannot leave their residence without considerable help. Patients in assisted living facilities (e.g., group homes and personal care homes) also qualify for home health.

Who provides home health care?

CMS certifies home health agencies for all states and territories. Home health care services are provided by licensed medical professionals such as nurses, doctors, and technicians.

How do payments work for home health care?

Medicare currently pays for most home health care services nationwide, and there are two options for individuals eligible for Medicare: Original Medicare and Medicare Advantage. In 2022, 55% of individuals in Oregon eligible for Medicare were enrolled in a Medicare Advantage plan.²⁰ Medicare Advantage plans pay for home health care services differently than Original Medicare.

For patients with Original Medicare, home health agencies receive payment from the federal government. To obtain payment from Original Medicare, home health agencies must submit a certification by a physician or other clinician that the patient is eligible for home health care along with an assessment of the patient's condition and service needs. The certification is valid for 60 days, after which another assessment is required. There is no limit to the number of continuous 60-day certifications for home health eligible patients.

Original Medicare currently reimburses home health providers on a predetermined national base amount for each 30-day period of care (reduced from 60 days as of January 2020).

Home health & skilled nursing

The term "home health" is often used interchangeably with "skilled nursing care." While both offer similar services delivered by similar providers, there are some important distinctions:

Home health refers to medical and non-medical care provided in a person's home (or place of residence) to treat an illness, medical condition, or injury. Services may aim to improve or maintain the patient's condition, maintain functionality, build self-sufficiency, or slow decline.

Skilled nursing refers to skilled medical care (for example, intravenous injections) provided by licensed health professionals, such as doctors, registered nurses, or physical therapists. Services may be provided a hospital, skilled nursing facility, nursing home, or in the home (in which case they are also considered "home health" care).

Payments are adjusted based on patient severity (case mix) and geographic differences in wages. (Prior to 2020, the number of in-person therapy visits provided during the period of care was also factored into the payment adjustment.) Agencies may receive extra (“outlier”) payment for patients requiring unusually costly care.

Original Medicare does not require copayments or payments towards a deductible for home health services. Medicare Advantage plans, however, may require copayments depending on the plan.

For patients with Medicare Advantage, home health agencies receive payment from the applicable Medicare Advantage plan, which is a commercial insurer. Unlike Original Medicare, home health providers negotiate with Medicare Advantage plans to determine payment amounts. These payment amounts, however, are constrained by the fact that Medicare Advantage plans receive funding from the federal government at predetermined rates.

What is hospice?

Hospice services focus on comfort and quality of life for people with serious medical conditions who are approaching the end of their lives. Rather than attempting to cure a medical condition or slow its progress, hospice care aims to reduce pain and suffering and provide comfort and support patients and their caregivers.

People covered by Medicare who have a terminal illness and a life expectancy of six months or less are eligible for Medicare’s hospice benefit. When opting for hospice care, a patient stops all curative treatment for their terminal illness and instead receive care intended to relieve pain and provide comfort and support as they near end of life.

Hospice care encompasses a range of supportive services, including physician and nursing services, pain management, physical or occupational therapy, medical social services, spiritual and grief counseling, and home maintenance support. Services align with a plan of care that is designed collaboratively with the patient and caregiver(s).

Hospice services can be provided in a person’s home, in other care settings (e.g., skilled nursing or assisted living facilities), in an inpatient hospital, or in a specially designated inpatient hospice facility. As a patient’s illness progresses, they may need to transition to or from any of these settings, but the hospice staff can continue to provide supportive care.

Hospice & palliative care

The term “hospice” is often used interchangeably with “palliative care.” While both offer similar services delivered by similar providers, there are some important distinctions:

Hospice care focuses on pain relief and comfort at the end of life. Hospice is provided for patients who forgo attempts to cure illness and who are expected to have six months or less to live. Hospice care can take place in home or at a facility.

Palliative care focuses on pain relief and comfort, regardless of life expectancy. Patients may receive palliative care along with treatment intended to cure serious illness. Palliative care can take place in home or at other care locations.

An episode of hospice care begins when a patient elects hospice care and ends when the patient passes away, is discharged to another kind of care facility, or opts out of hospice care.

Palliative care is billed and delivered similarly to hospice care and is often offered by licensed hospice facilities; however, it is not limited to patients with a 6-month life expectancy.

Who provides hospice care?

Hospice care engages an interdisciplinary team to meet the needs of patients, including doctors, nurses, social workers, counselors, hospice aides, and pastoral care providers.

Hospice agencies must meet specific requirements to receive Original Medicare payments from the federal government, as outlined in [CMS regulations](#). The State of Oregon further licenses and regulates hospice agencies under [Oregon Revised Statutes \(ORS\) 443.850-443.869](#) and [Oregon Administrative Rules \(OAR\) Chapter 333, Division 035](#)

There are separate licensing and Medicare certification processes for agencies that provide home health care. Given the overlap in types of care and required staff qualifications, some hospice agencies choose to obtain both hospice and home health care licenses and offer both services to patients.

How do payments work for hospice services?

Each year CMS sets reimbursement rates for hospice services for Original Medicare recipients. Rates are set nationally based on the intensity of services provided and adjusted to account for regional differences in staffing costs. CMS publishes their annual wage index adjustments for rural and urban regions across the country.²¹

Original Medicare pays a daily rate for each patient enrolled in hospice care. CMS also sets a per-person cap on annual payments; the proposed cap for fiscal year 2023 is \$33,494.²² The daily rate varies based on level of care and services provided:

Table 3: CMS daily rates for hospice services

Level of Care	Payment*	Requirements
Routine Home Care	First 60 days (high RHC rate): \$218 per day Subsequent days (low RHC rate): \$172 per day	Paid each day patient is in routine hospice care, regardless of service delivery
Continuous Home Care	\$65 per hour, maximum of \$1,565 per day	Provided only in crisis to keep patient at home; must deliver 8 hours of services each 24-hour period
Inpatient Respite Care	\$508 per day	Paid a maximum of consecutive 5 days, additional days paid at RHC rate; patient must be at a certified

Level of Care	Payment*	Requirements
		inpatient hospice facility, hospital, or skilled nursing facility
General Inpatient Care	\$1,145 per day	Patient must receive care at a certified inpatient hospice facility, hospital, or skilled nursing facility

* FY2024 CMS Hospice Payment rates²³

With Original Medicare, patients pay a coinsurance (maximum of \$5) for drugs received in the home and 5% of inpatient respite care days (taken when caregivers require a rest from ongoing home care).

Patients without Medicare can have hospice services covered by Oregon’s Medicaid program or commercial health insurance. Benefit coverage for the patient and reimbursement rates to providers may vary by commercial plan but are likely indexed to the Medicare rate.

Findings & Potential Impacts

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

- Transaction terms
- Market characteristics
- Statements by entities
- Publicly available data, research, and reports on home health and hospice services.

Service Area

NP2U provides medical services to all the geographic areas currently served by Signature's home health and hospice agencies. See the other [five Pennant-Signature notices of material change transactions and the preliminary reviews of the proposed transactions](#).

Market Share & Consolidation

NP2U provides medical services to patients receiving home health or hospice services. NP2U does not directly employ the nurse practitioners; the home health or hospice agency employs the nurse practitioners. As such, the HCMO program conducted a market share and consolidation analysis for each home health and hospice agency and the geographic region served by each.

OHA does not have concerns about the impact of this transaction on consolidation. See the other five preliminary review reports of the Pennant-Signature proposed transactions.

Access

In 2023, nurse practitioners associated with NP2U provided 7,453 patient visits for approximately 1,500 patients in the geographic regions currently served by all Signature home health and hospice agencies across Oregon. The nurse practitioners are employed by each home health or hospice agency.

Notably, the entities state that “current patients will be notified of the transaction and have the option to remain on services with their current provider and continue to receive care.”²⁴

See the other [five Pennant-Signature preliminary reviews of the proposed transactions](#) for analyses of the proposed transactions’ impacts to access.

OHA does not have specific concerns about reductions in access to care resulting from this transaction.

See the other five preliminary review reports of the Pennant-Signature proposed transactions. Specifically, see the preliminary review and order of transaction number 029, 030, 031, 032, and 033, incorporated herein by reference.

Cost

Currently, the nurse practitioners who work for Signature’s hospice agencies bill all hospice-related services through the hospice agency. Through an agreement between NP2U and Signature’s home health and hospice agencies, only the hours associated with the nurse practitioners’ provision of primary, acute, and palliative care are allocated to NP2U. NP2U then bills Medicare and other payers for these services.

See the other [five Pennant-Signature preliminary reviews of the proposed transactions](#) for analyses of the proposed transactions’ impacts to cost.

OHA does not have specific concerns about price/cost increases resulting from the transaction.

See the other five preliminary review reports of the Pennant-Signature proposed transactions. Specifically, see the preliminary review and order of transaction number 029, 030, 031, 032, and 033, incorporated herein by reference.

Quality

Because NP2U does not directly employ any medical providers, all analyses regarding the effects to quality as a result of the Pennant-Signature proposed transactions are included in the other [five preliminary review reports](#).

OHA does not have specific concerns about quality of care for this transaction.

See the other five preliminary review reports of the Pennant-Signature proposed transactions. Specifically, see the preliminary review and order of transaction number 029, 030, 031, 032, and 033, incorporated herein by reference.

Equity

All analyses regarding the effects to equity as a result of the Pennant-Signature proposed transactions are included in the other [five preliminary review reports](#).

OHA does not have specific concerns about equity for this transaction.

See the other five preliminary review reports of the Pennant-Signature proposed transactions. Specifically, see the preliminary review and order of transaction number 029, 030, 031, 032, and 033, incorporated herein by reference.

Public Comments

OHA received no public comments related to the proposed transaction between Pennant and Signature.

Conclusions

Based on preliminary review findings, **OHA approved the transaction on October 14, 2024.** See [Findings of Fact, Conclusions of Law, and Final Order in the Matter of Proposed Material Change Transaction of Finding Home Healthcare, LLC and NP2U, LLC](#), dated October 14, 2024.

The transaction was approved, per ORS 415.501(6)(b) and OAR 409-070-0055(2)(d), because OHA determined the transaction is unlikely to substantially alter the delivery of health care in Oregon.

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

Approval Criteria

Unlikely to substantially alter the delivery of health care in Oregon

The proposed sale of NP2U to Finding Home is unlikely to alter the delivery of primary or palliative care services. The proposed transaction relates to transactions #029 through #033, which relate to the sale of home health and hospice agencies.

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 the services offered by NP2U, LLC will remain the same and continue to offer provider services in the same communities. More broadly, OHA will monitor changes to cost, quality, access and equity, and may also assess other measures relevant to each domain.

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

Acronyms & Glossary

Acronyms & Abbreviations

APAC	Oregon's All Payer All Claims database
AHHC	Avamere Home Health Care
CMS	Centers for Medicare and Medicaid Services
HCMO	Health Care Market Oversight
HHCAHPS	Home Health Consumer Assessment of Health Care Providers and Systems
OASIS	Home Health Outcome and Assessment Information Set
OHA	Oregon Health Authority
OHP	Oregon Health Plan
PSA	Primary Service Area

Glossary

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

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

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

Health equity: OHA defines health equity as follows:

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

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

OHA's Review

OHA performed a preliminary review of the transaction to assess its potential impact on Oregon's health care delivery system. The review explored impacts in four areas (domains): cost, access, quality, and equity. OHA's analysis followed the guidelines and methods set out in the HCMO Analytic Framework published January 31, 2022.²⁵ The framework is grounded in the goals, standards and criteria for transaction review and approval outlined in OAR 409-070-0000 through OAR 409-070-0085.

Background Research and Literature Review

OHA conducted background research on the entities involved in the transaction to understand more about the proposed transaction and the entities involved. OHA consulted publicly available sources, including press releases and media reports; Securities & Exchange Commission (SEC) filings; business filings with the Secretary of State in Oregon and other states; entity websites; state agency, professional association, and third-party entity reports; reports commissioned by local, state, and federal government; and other relevant governmental communications.

OHA also considered articles and research reports about home health and hospice services.

Requests for Information

In addition to the information provided in the notice, OHA made three information requests of the entities to clarify and supplement the notice, to which Pennant responded. Through these requests, OHA sought more information about referral relationships between the entities' affiliates and other relevant information.

Public Input

OHA solicited public comments on the proposed transaction during the preliminary review. On August 23, 2024 OHA posted a comment form to the [Transaction Notices and Reviews](#) page of the HCMO website and emailed subscribers to HCMO program updates to inform them about the opportunity to provide comment. OHA accepted comments via the form, phone, and by email to hcmo.info@oha.oregon.gov.

Analysis

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

Data Sources

All Payers All Claims Data

The Oregon All Payer All Claims Database (APAC) houses administrative health care data for Oregon’s insured populations. It includes medical and pharmacy claims, non-claims payment summaries, member enrollment data, billed premium information and provider information for Oregonians who are insured through certain commercial insurance, Medicaid and Medicare. Information about APAC is available on OHA’s [website](#).

CMS Home Health Consumer Assessment of Health Care Providers and Systems (HCAHPS) Data

The Center for Medicare and Medicaid Services HCAHPS data measure the experience of people receiving home health care services from agencies that are Medicare-certified. The survey asks patients about their home health providers’ communication about health care, quality of care, and whether they would recommend the home health agency. Additional information about HCAHPS can be found on the CMS [website](#).

CMS Outcome and Assessment Information Set (OASIS)

The Center for Medicare and Medicaid Services OASIS is a group of standard data elements that home health agencies collect and submit to CMS. The data are patient specific. Additional information about the information set can be found on the CMS [website](#).

Domain	Analysis
Cost	<p>Analyses under the cost domain explore how the transaction may affect the prices consumers and payers (e.g., insurers, employers, and governments) pay for home health and hospice care services in Oregon and overall spending on these services for Oregonians. Prices and spending for services may be affected by the degree of competition between providers offering similar services within a service area.</p> <p>For this review, OHA analyzed the payer mix of the entities, which is the percent of service episodes that are paid by which type of payer (e.g., Original Medicare, Medicare Advantage, Oregon Health Plan, or commercial). The analysis also presented the average out-of-pocket spending amounts that patients face.</p>
Access	<p>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.</p> <p>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</p>

Domain	Analysis
	<p>provider types, potentially affecting the financial viability and profitability of offering certain health care services in a region.</p> <p>For this review, OHA used the number of services provided - quantified by the number of patient episodes - for each entity and regional competitors. OHA also used statements made by the entities in the notice regarding the number of patients served.</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 adverse effects on patient outcomes. Analyses in the quality domain consider current indicators of quality and assess potential impacts of the transaction on quality of care.</p> <p>For this review, OHA used data from CMS showing the quality of the entities' home health and hospice services across a range of measures and relative to the Oregon statewide average.</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> <p>For this review, OHA looked at the proportion of patients who are covered by the Oregon Health Plan and the degree to which the proposed transaction could disrupt care for patients currently receiving home health or hospice services.</p>

Reporting Methodology

Market Share and Consolidation

Consolidation, or concentration, is a measure of the degree of competition in a market; highly concentrated markets are generally characterized by a smaller number of firms and higher market shares for individual firms. When a transaction involves health care entities offering similar products or services (a “horizontal” transaction), the level of concentration in the market and the change in concentration resulting from the transaction is useful as an initial screen for potential anticompetitive effects.

OHA measured market concentration using the Herfindahl-Hirschman Index (HHI), a measure commonly used by federal and state antitrust enforcement agencies.

HHI is calculated as follows:

$$HHI = (S_1^2 + S_2^2 + S_3^2 + \dots S_n^2)$$

Where S1 is market share (in percentage points) of firm 1 and n is the total number of competitors in the market. By summing the squared values of market shares, the HHI gives greater weight to firms with larger market shares. For this analysis, OHA measured market shares as a percentage of home health and hospice services in 2017-2022 for residents of Oregon zip codes within the entity’s primary service area.

Transactions occurring in concentrated markets and those involving a significant change in concentration are more likely to have adverse effects on competition and lead to price increases. For horizontal transactions under preliminary review, HCMO will use the HHI thresholds specified in the U.S. Department of Justice and Federal Trade Commission Horizontal Merger Guidelines summarized in the table below.

HHI Thresholds:

Post-transaction HHI	Concentration Level
Greater than 1,800	Highly concentrated
Between 1,000 and 1,800	Moderately concentrated
Less than 1,000	Low concentration

Post-transaction	HHI Change	Level of Concern
HHI greater than 1,800	More than 100	High (if both). Presumed to substantially lessen competition or tend to create a monopoly.
Market share greater than 30%	More than 100	High (if both). Presumed to substantially lessen competition or tend to create a monopoly.

U.S. Department of Justice and the Federal Trade Commission, Horizontal Merger Guidelines, December 18, 2023, available at <https://www.justice.gov/d9/2023-12/2023%20Merger%20Guidelines.pdf>.

PSA Definition

To define the Primary Service Area (PSA) for this transaction, OHA followed four steps:

1. Summarize the claims rendered by or billed to the provider(s) involved in the transaction during the study period by patient zip code and episode count. OHA uses National Provider Identifiers (NPIs) to identify relevant claims for each provider in the transaction. OHA typically defines a transaction PSA using the claims rendered by or billed to the provider(s) being acquired.
2. Rank the patient zip codes in descending order of episode count (volume).
3. Identify contiguous zip codes that account for at least 75% of the provider's total episodes. This identifies the contiguous, volume-driven PSA.
 - a. To do this, OHA starts with the provider's office zip code and adds other zip codes to the map based on volume rank only if they are contiguous to the provider's office zip code. When an NPI is associated with more than one address, OHA uses the zip code of the primary practice address listed for the NPI in the [NPPES NPI Registry](#) as the starting zip code.
 - b. Zip codes that are not immediately contiguous with the provider's office location may be permanently excluded from the PSA or only temporarily excluded until interim zip codes are added that fill in the geographical gap. Adding a new zip code that then pulls in previously excluded zip codes can result in a PSA volume over 75%.
4. Add zip codes that are fully encompassed by the zip codes identified in step 3. This may result in a PSA volume over 75%.

Home Health and Hospice Claims Identification

Methodology

OHA's identification of home health PSA and analysis of market share and HHI are based on home health agency and home hospice claims data from APAC. To find relevant claims for these uses, OHA utilized [bill type codes](#) for home health and for home hospice. All analyses in this report are based on claims incurred by Oregon residents and rendered by or billed to Oregon providers.

Home Health and Hospice Episode Definition

Methodology

OHA's PSA and market analyses use 'episodes' of home health and home hospice care for the unit of measurement. Instances of home health agency care are considered to be one episode if the same home health agency provides care to the same patient for any period of time without a gap in care longer than 30 days. Instances of care with gaps longer than 30 days are considered separate episodes. Instances of home hospice care are considered to be one episode if the same home hospice agency provides care to the same patient for any period of time without a gap in care longer than 60 days. Instances of care with gaps longer than 60 days are considered separate episodes.

Appendix 1: List of Avamere, NAIR, and Signature facilities

Avamere owned assisted living and skilled nursing facilities in Oregon:

- Avamere at Sandy, 17727 SE Langensand Road, Sandy, OR 97055
- Arbor at Avamere Court, 450 Clagget Court N., Keizer, OR 97303
- Avamere at Bethany, 16360 NW Avamere Court, Portland, OR 97229
- Avamere at Cascadia Village, 39495 Cascadia Village Drive, Sandy, OR 97055
- Avamere at Oak Park, 1400 NE Rocky Ridge Drive, Roseburg, OR 97470
- Avamere at Albany, 2800 14th Avenue SE, Albany, OR 97322
- Avamere at Sherwood, 16500 Century Drive, Sherwood, OR 97140
- Avamere at St. Helens, 2400 Gable Road, St. Helens, OR 97051
- Avamere at Hillsboro, 2000 SE 30th Avenue, Hillsboro, OR 97123
- The Stafford, 1200 Overlook Drive, Lake Oswego, OR 97034
- Avamere at Newberg, 7300 Foothills Drive, Newberg, OR 97132
- Suzanne Elise Assisted Living Community, 101 Forest Drive, Seaside, OR 97138
- Avamere at Seaside, 2500 S. Roosevelt Drive, Seaside, OR 97128
- Avamere Rehabilitation of Eugene, 2360 Chambers St., Eugene, OR 97405
- Avamere Rehabilitation of Coos Bay, 2625 Coos Bay Blvd., Coos Bay, OR 97420
- Avamere Rehabilitation of Clackamas, 220 E. Hereford, Gladstone, OR 97027
- Avamere Rehabilitation of Junction City, 530 Birth Street, Junction City, OR 97448
- Avamere Rehabilitation of Lebanon, 350 S. 8th, Lebanon, OR 97355
- Avamere Rehabilitation of Oregon City, 1400 Division, Oregon City, OR 97045
- Avamere Rehabilitation of King City, 16485 SW Pacific Highway, Portland, OR 97224
- Avamere Rehabilitation of Newport, 835 SW 11th Avenue, Newport, OR 97365
- Avamere Rehabilitation of Hillsboro, 650 SE Oak Street, Hillsboro, OR 97123
- Avamere Riverpark of Eugene, 425 Alexander Loop, Eugene, OR 97401
- Avamere Crestview of Portland, 6530 SW 30th Avenue, Portland, OR 97239
- Avamere at Waterford, 760 Spring Street, Medford, Oregon
- Avamere at Three Fountains, 625 Stevens Street, Medford, Oregon 97504
- Avamere Transitional Care at Sunnyside, 4515 Sunnyside Road SE, Salem, OR 97302
- Avamere Court at Keizer, 5210 River Road N., Keizer, OR 97303
- The Pearl at Kruse Way, 4550 Carman Drive, Lake Oswego, OR 97035

NAIR LLC owned assisted living and skilled nursing facilities in Oregon:

- Avamere at Park Place, 8445 SW Hemlock Street, Tigard, OR 97223
- Avamere at Chestnut Lane, 1219 NE 6th Street, Gresham, OR 97030
- Avamere at Hermiston, 980 W. Highland Avenue, Hermiston, OR 97838
- Bend Transitional Care, 900 NE 27th Street, Bend, OR 97701
- Avamere Rehabilitation of Beaverton, 11850 SW Allen Blvd., Beaverton, OR 97005
- South Salem Transitional Care, 3445 Boone Road SE, Salem, OR 97317
- Laurelhurst Village, 3060 SE Stark Street, Portland, OR 97214

Signature owned home health and hospice agencies in Oregon

- NP2U, 7632 SW Durham Road, Suite 105, Tigard, OR 97224
- Northwest Hospice, 7632 SW Durham Road, Suite 130, Tigard, OR 97224

- Avamere Home Health Care, 7632 SW Durham Road, Suite 100, Tigard, OR 97224
- Signature Home Health Bend, 454 NE Revere Avenue, Bend, Oregon
- Signature Hospice Bend, 454 NE Revere Avenue, Bend, Oregon
- Avamere Home Health Care, 1200 Executive Parkway, Suite 400, Eugene, OR 97401
- Signature Hospice Eugene, 1200 Executive Parkway, Suite 400, Eugene, OR 97401
- Avamere Home Health Care, 834 South Front Street, Central Point, OR
- Signature Hospice Medford, 834 South Front Street, Central Point, OR
- Signature Coastal, 798 SE Highway 101, Lincoln City, Oregon
- Signature Hospice Oregon Coast, 796 SE Highway 101, Lincoln City, Oregon

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