



Health Care Market Oversight (HCMO) Program

HCMO-2: Request for Emergency Exemption from Material Change Transaction Review

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A health care entity should complete this form to request emergency exemption from material change transaction review. Under OAR 409-070-0022, Oregon Health Authority (OHA) may exempt an otherwise covered transaction from review if there is an emergency situation that immediately threatens health care services, and the proposed transaction is urgently needed to protect the interest of consumers and to preserve the solvency of an entity.

Submit this completed form, in a portable document form (pdf), by email to hcmo.info@oha.oregon.gov. OHA may request additional information or discussion as needed to determine emergency exemption status. OHA will post the completed form on the Health Care Market Oversight Program website for public comment in accordance with OAR 409-070-0022. OHA will strive to accommodate an expedient review of this application for emergency exemption but must consider each application on a case-by-case basis.

I. Parties to the proposed transaction

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

Party A (Applicant)	St. Charles Health System, Inc. ("St. Charles")
Party B:	Neuromusculoskeletal Center of the Cascades, P.C. ("The Center")

Click or tap here to enter text.

- Provide the requested information for Party A.

Legal entity name	St. Charles Health System, Inc.
Assumed name	St. Charles Medical Group, St. Charles Bend, St. Charles Redmond, St. Charles Madras, and St. Charles Prineville (note: most commonly used assumed business names)
Tax ID	93-0602940, 27-2006180
Mailing address	2500 NE Neff Road, Bend, OR 97701
Website	https://www.stcharleshealthcare.org/
Contact Name	Darren T. Binder
Title	Senior Vice President and Chief Legal & Risk Officer
Phone	(541) 706-4494

Email	dtbinder@stcharleshealthcare.org
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3. Provide the legal name, assumed name, Tax ID, mailing address, and website of all other parties to the transaction.

Legal entity name: Neuromusculoskeletal Center of the Cascades, P.C.
 Assumed Name: The Center (note: most commonly used assumed business name)
 Tax ID: 93-1261079
 Mailing Address: 2200 NE Neff Road, Suite 200, Bend, OR 97701
 Website: <https://www.thecenteroregon.com/>

II. About the proposed transaction

4. Is the transaction urgently necessary to maintain the solvency of an entity involved in this transaction?

Yes No

If yes, explain why and include a complete statement of the facts, circumstances, and conditions which justify emergency exemption.

This transaction is urgently necessary to maintain the viability and continued financial stability of The Center. As described in more detail below, SCHS and The Center seek this emergency exemption due to the inability of The Center to remain an independent entity as a result of several market forces, including the increasing costs of labor and supplies, flat to declining reimbursements, and the rapid departure of physicians from the community providing essential orthopedic, neurosurgical, and physical medicine and rehabilitation care.

Background

Central Oregon, which primarily includes Deschutes, Crook and Jefferson Counties, is a vast, mostly rural geographic region with limited health care resources for approximately 260,000 Oregonians. Separated from the larger Oregon cities in the Willamette Valley by the Cascade Mountains, most residents in Central and Eastern Oregon rely on services provided in Bend and its surrounding communities for primary, specialty and emergency health care services. As costs to provide care are increasing while reimbursements for services remain flat to declining, Central Oregon is experiencing a rapid reduction in access to care as independent providers leave the market and smaller specialty groups close their doors.

The Parties

The Center is an independent, physician-owned, group of 27 fellowship trained sub-specialists providing critical orthopedic, neurosurgical, physical medicine and rehabilitation care throughout Central Oregon and regional outlying areas including Bend, Redmond, Sisters, Prineville, Powell Butte, Culver, Madras, Warm Springs, La Pine, John Day, Burns and Lakeview. The Center also employs 27 advanced practice providers and approximately 200 employees. In addition to seeing patients at their

multiple clinics, the physicians from The Center operate at St. Charles Bend, St Charles Redmond, Cascade SurgiCenter, and Bend Surgery Center. The Center has been in the community for more than 25 years and serves patients from the Idaho border to the Cascade Mountain range. For decades, this has allowed patients to stay close to home, i.e., on the eastern side of the Cascades, to get the care they need. However, due to the circumstances described below, Central and Eastern Oregonians' ability to continue to access the care they need is in immediate jeopardy.

St. Charles Health System is a nonprofit health care system that owns and operates four hospitals and multiple medical clinics throughout the Central Oregon tri-county area. St. Charles Bend is the only Level II trauma center serving Deschutes, Crook, Jefferson, Harney, Lake and Klamath Counties with a population of roughly 350,000.

Financial Difficulties with Orthopedic and Trauma Services Has Created a Public Health Emergency in Central and Eastern Oregon, Putting Critical Services At Risk

Orthopedic and trauma services are immediately threatened in Central and Eastern Oregon due to a critical shortage of orthopedic, neurosurgery, and rehabilitation physicians. Multiple factors, particularly high practice administrative costs and decreasing reimbursements, have made it extremely challenging for independent practice groups to remain viable. Most recently, Desert Orthopedics, a longstanding provider group headquartered in Bend, Oregon, abruptly closed its doors on Dec. 31, 2023. While The Center offered employment to some of the Desert Orthopedics providers, this transition dramatically reduced the community's access to orthopedic care locally. In the past two years, Central Oregon has suffered a net loss of 18 orthopedists and physical medicine and rehabilitation providers – a 26% decrease of providers in the region. Meanwhile, Central Oregon's population continues to grow, especially among seniors.

Without significant stabilization, The Center is in immediate danger of losing additional providers.. Despite working harder than three-fourths of their peers nationally (according to third-party productivity benchmarks) take home compensation for The Center physicians is substantially below market. [REDACTED]

[REDACTED] Inflation in staff wages, supplies and other overhead expenses have also made it impossible to maintain competitive rates of pay for physician owners and to recruit new physicians, exacerbating the provider shortages in the region. At the same time that The Center is facing substantially increased costs, it is also experiencing decreasing reimbursements from major insurance payers, Oregon Health Plan, and the Centers for Medicare and Medicaid Services. Without an immediate subsidy for operations going forward, expected to be at least [REDACTED], The Center is at risk of succumbing to the same market forces which led Desert Orthopedics to close and that have impacted other specialty care organizations in the region.

The Center has been financially and operationally overwhelmed in its attempt to recruit physicians, increase staff, expand medical office space and other operational resources necessary to make up for the current gap in capacity. As an independent practice operating in current market conditions, The Center does not have access to sufficient capital and financial resources to meet the increasing community need. The Center has identified St. Charles as the only partner with the resources and expertise necessary to support stabilization of its operations in the near term. The physicians of The Center have been active members of the St. Charles medical staff since inception and the two

organizations have long-standing aligned missions to care for the Central Oregon community.

In addition to the significant financial support that St. Charles will bring to The Center, St. Charles will provide other helpful resources such as provider recruitment expertise and staffing, operational and administrative capacity (e.g., compliance, patient service representatives, health information management services), and robust IT and security infrastructure. These combined resources will stabilize The Center’s practice to ensure access to care for Central and Eastern Oregonians. Patients will further benefit from St. Charles’ generous financial assistance policies and practices.

5. When is the threatened entity anticipated to become insolvent without this proposed transaction? (e.g., how many days cash on hand does the entity have?)

The Center is in an unsustainable situation because it is currently only able to pay its physicians compensation that is significantly below market rates. [REDACTED]

[REDACTED]

[REDACTED]

This would cause significant delays in patient care, increased patient transfers out of our geographically isolated community, and would be devastating to the community.

The Center simply does not have the financial and operational resources and infrastructure to build up its practice quickly enough to prevent care interruptions and create capacity for additional people needing urgent care. The Center needs a partner to rapidly develop capacity, medical office space and staff to continue to care for patients. St. Charles can provide that support.

6. Is the transaction in the interest of consumers?

- Yes No

If yes, explain why and include any other relevant information not already provided that justifies the emergency exemption.

The proposed transaction will preserve and expand critical orthopedic and trauma services for residents of Central and Eastern Oregon. The impact of a loss of the essential services provided by The Center on Central and Eastern Oregonians cannot be overstated. The Center serves patients at its own clinic locations in Bend and Redmond. The physicians of The Center are essential members of the Trauma Service at St. Charles Bend, the only Level II trauma center east of the Cascades. They also serve patients through an arrangement with Summit Health, a large multispecialty clinic based in Bend, and provide outreach appointments in John Day (Grant County), Burns (Harney County), and the La Pine Community Health Center, a Federally Qualified Health Center (FQHC) in southern Deschutes County. Without these services, patients would have to travel hundreds of miles to Eugene, Salem, Portland or Boise for care.

Among the services provided by The Center in the last year:

- At least 100 visits with patients from each of nine Oregon rural counties: Deschutes, Crook, Klamath, Jefferson, Grant, Lake, Harney, Wheeler, Wasco;
- More than 45,000 visits by seniors, including more than 8,000 by patients over age 80;
- More than 6,000 pediatric visits (age <18); •More than 19,000 visits provided in Redmond, thus preventing patients from having to drive 20 miles further south to Bend for care;
- More than 450 visits provided to residents of Warm Springs; and
- More than 12,500 visits to Oregon Health Plan (Medicaid) members.

To put the deterioration of access to services into stark perspective, patients in dire need of joint replacement surgeries currently wait a minimum of six months for an initial consultation appointment with a surgeon and another six months after that appointment before surgery is scheduled. From the time a person determines joint replacement is needed, they can easily wait a full year for treatment.

The proposed transaction also extends to the interest of consumers due to its impact on the Level II Trauma Center operated by St. Charles in Bend. More than 2,000 patients are treated annually for acute and often life-threatening trauma at St. Charles' Level II Trauma Center, especially in the summer months when regional recreational activities increase. The Center provides two of the four neurosurgeons in the community who provide neurosurgical trauma call coverage. These four providers have absorbed a significant burden taking all neurosurgery call for the last eighteen months. Local neurosurgery groups have not been successful in recruiting additional providers for the past several years. It is expected that the financial stability provided by St. Charles would greatly enhance the attractiveness to potential candidates and provide additional capacity for the community. Further, the integration will help to reduce the burden for existing physicians and mitigate the risk of any one of the neurosurgeons exiting the market. Additionally, six of the remaining orthopedists at The Center regularly share daily trauma service shifts, three more provide occasional shifts, and all of The Center orthopedic physicians provide night and weekend assistance. Any exit of these physicians from the community would threaten the availability of Level II trauma services for tens of thousands of square miles east of the I-5 corridor and create an "orthopedic desert" in Central Oregon.

7. Provide a detailed explanation of all the terms, conditions and agreements of the transaction and the manner in which such terms, conditions and agreements will respond to the conditions necessitating expedited consideration of the emergency exemption application (e.g., how will the transaction change ownership/governance, how will the transaction change providers or support staff). Attach supporting documentation as needed.

The Center is seeking a financial partner to provide immediate funding to stabilize operations. The Center has identified St. Charles as its preferred organizational partner and the parties have signed a Letter of Intent to pursue immediate employment by St. Charles for the majority of The Center staff and physicians.

This transaction will allow for St. Charles to directly employ providers and staff and assume responsibility for clinics and equipment leases. Clinic leases include the main Center location on Neff Road, the clinic on Medical Center Drive, the Shevlin clinic on the westside of Bend and the Redmond clinic. St. Charles will pay fair market value for other fixed assets such as clinical fixtures, supplies, materials and DME. In addition, St. Charles will acquire all rights to The Center name, phone, and fax numbers.

Incoming providers and staff will be offered fair, market-based compensation to join St. Charles as direct employees. St. Charles will provide compensation and benefits at least as favorable as those currently provided by The Center. Post-closing, St. Charles Recruiting and Human Resources teams will immediately begin recruiting for additional providers to back-fill providers who have left to stabilize services in the community.

The parties do not anticipate any reduction or decrease in access to health care services as part of this transaction. As described below, the transaction will result in increased access to services.

8. Has any entity involved in the material change transaction engaged with consumers about the proposed transaction and received input from consumers?

Yes No

If yes, describe.

The parties are attaching a letter of support from Megan Haase, FNP of Mosaic Community Health, an essential community partner in Central Oregon.

Further, the parties share below a selection of comments compiled from the ktvz.com website and Facebook page relating to its July 17, 2024 article entitled “The Center and St. Charles to explore expanded relationship amid dramatic drop in number of orthopedic surgeons.” These comments demonstrate strong community support for stabilizing access to orthopedic services and reducing wait times at The Center:

“The Center is actually losing providers and staff rapidly. I am there enough to see it and have had conversations with my PA about this very thing recently. He told me to prepare for it to be worse.”

“I’ll be waiting for neck surgery for a year.”

“Took me two months to get appt[.]”

“[M]y husband waited 7 months to see orthopedic surgeon to get schedule for a total knee replacement, and then 5 months to have it done! It went well, now waiting to have the second one done...luckily we schedule this one once he was recovered from the first...3 months (he could have had it sooner but the date did not work for us).”

9. As a result of the emergency transaction, will there be a significant reduction or elimination of essential services? Please see [Essential Services and Significant Reduction](#) guidance document.

No. The proposed transaction will not result in the reduction or elimination of any essential services. It is expected that the transaction would result in increased access to orthopedic, neurosurgical and physical medicine care for which access has deteriorated significantly over the past two years and at a much more rapid pace in the past 6 months. Post-transaction, The Center intends to offer the same orthopedic, neurosurgery, and psychiatry services and operate in the same locations for office visits and surgical procedures including four clinic locations, St. Charles Bend, Cascade SurgiCenter, Bend Surgery Center and outlying regional areas such as Sisters and LaPine. The transaction will result in the ability to recruit additional providers to Central Oregon to back fill the the community's substantial loss of physicians.

10. Ideally, by what date does the applicant want a decision from OHA?

The parties seek an emergency exemption to the Oregon Health Authority's material change transaction review for the following reasons:

- Absent an emergency exemption, The Center will be forced to consider options clearly not in the interest of consumers, such as reducing outreach services to outlying communities and discontinuing certain services.
- The Center is currently unable to meet the high volume of patient demand and patients are suffering due to a critical shortage of providers.
- Although it has tried, The Center has experienced great difficulty in recruiting additional physicians to fill significant care gaps and will not succeed without immediate financial support.
- Consolidation of The Center's operations for greater efficiency is essential to reduce operating expenses.
- Full integration of the entities will take six to 12 months because of the complexities of transitioning clinical operations, including electronic health record systems while minimizing patient care disruption. Starting on this process as soon as possible is imperative to preserving and stabilizing care in the community.

The Center and St. Charles request an emergency exemption so the parties can quickly move forward with plans to integrate the two entities in order to stabilize and expand access to orthopedic and trauma services in the Central Oregon region. Based on the circumstances outlined above, the applicant requests the most expedient possible review and decision on approval of the application.

III. Certification

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

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

Signed on the 18th day of July, 2024.

Darrin T. Buda

SUBSCRIBED AND SWORN TO before me, this 18th day of July, 2024

Jodie Y'onne Greener

Notary Public in and for Oregon

My Commission Expires: June 7, 2027

