

Health Care Market Oversight (HCMO) Program

HCMO-1: Notice of Material Change Transaction

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 503-945-6161. We accept all relay calls.

General Instructions

Pursuant to Oregon Revised Statute (ORS) 415.501, an entity to a material change transaction must submit a Notice to the Oregon Health Authority (OHA) notifying OHA of such transaction. This form must be used to comply with this statutory mandate.

You must file this Notice electronically with OHA, in a portable document form (pdf), by email to hcmo.info@oha.oregon.gov **no less than 180 days** before the expected closing date of your material change transaction.

The Notice is not complete until all required information is satisfactorily provided, and the 180-calendar day pre-merger period will not run until OHA deems the Notice complete. To avoid delays to your transaction, due diligence is required to complete this form correctly. The Notice will be published and serve as notice to the public. Contact program staff with any questions or to request technical assistance at hcmo.info@oha.oregon.gov.

Who must file a Notice

Under ORS 415.501, an entity entering into a transaction that constitutes a material change must submit written notice to OHA of such material change.

A material change transaction includes:

- A. A transaction in which at least one party had average revenue of \$25 million or more in the preceding three fiscal years and another party:
 - i. Had an average revenue of at least \$10 million in the preceding three fiscal years; or
 - ii. In the case of a new entity, is projected to have at least \$10 million in revenue in the first full year of operation at normal levels of utilization or operation as prescribed by the authority by rule.

Out-of-state entities

If a transaction involves a health care entity in this state and an out-of-state entity, a transaction that otherwise qualifies as a material change transaction must submit this Notice if the transaction may result in increases in the price of health care or limit access to health care services in this state. See [OHA Guidance on Out-of-State Entities](#).

Confidentiality

Information on this Notice form shall be a public record and will be posted on OHA's website. Pursuant to ORS 415.501(13), OHA shall maintain the confidentiality of all confidential information and documents that are not publicly available that are obtained in relation to a material change transaction and may not disclose the information or documents to any person without the consent of the person who provided the information or document. Information and documents described in this paragraph are exempt from disclosure under Oregon Public Records Law (ORS 192.311 to 192.478).

Entities must follow the requirements of Oregon Administrative Rule (OAR) 409-070-0070 when designating portions of a Notice and any documents submitted by the applicant in support of the Notice as confidential. See [OHA Use of Confidential Information Guidance](#).

Definitions

"Acquisition" occurs when:

- a) Another person acquires control of the health care entity including acquiring a controlling interest as described in OAR 409-070-0025;
- b) Another person acquires, directly or indirectly, voting control of more than fifty percent (50%) of any class of voting securities of the health care entity other than a domestic insurer as described in OAR 409-070-0025(1)(c);
- c) Another person acquires all or substantially all of the health care entity's assets and operations;
- d) Another person undertakes to provide the health care entity with comprehensive management services; or
- e) The health care entity merges tax identification numbers or corporate governance with another entity.

"Legal entity name" means legal business name as reported with Internal Revenue Service.

"Merger" means a consolidation between two or more organizations, including two or more organizations joining through a common parent organization or two or more organizations forming a new organization.

"NPI" means 10-digit National Provider Identification number issued by the Centers for Medicare and Medicaid Services (CMS).

"Tax ID" means 9-digit federal tax identification number also known as an employer identification number (EIN) assigned by the Internal Revenue Service.

"Transaction" means:

- a) A merger of a health care entity with another entity;
- b) An acquisition of one or more health care entities by another entity;

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- c) New contracts, new clinical affiliations and new contracting affiliations that will eliminate or significantly reduce, as defined by the authority by rule, essential services (see [Essential Services and Significant Reduction](#) guidance);
- d) A corporate affiliation involving at least one health care entity; or
- e) Transactions to form a new partnership, joint venture, accountable care organization, parent organization or management services organization.

Additional defined terms can be found at ORS 415.500 et seq. and OAR 409-070-0000 to -0085.

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.
Party B:	Neuromusculoskeletal Center of the Cascades, P.C.

II. Contact information for the parties

Provide contact information for the proposed transaction, as requested below.

1. Provide 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
Cell Phone	
Email	dtbinder@stcharleshealthcare.org

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Is Party A represented by legal counsel for this transaction?

Yes

No

Provide information regarding Party A's legal counsel, if applicable.

Name	Kaley Fendall
Firm	Davis Wright Tremaine LLP
Address	560 SW 10 th Avenue, Suite 700, Portland, OR 97205
Phone	(503) 778-5375
Email Address	kaleyfendall@dwt.com

2. Provide information for Party B.

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/
Contact Name	Brett Hazlett
Title	Chief Executive Officer
Phone	(541) 382-3344
Cell Phone	
Email	bhazlett@thecenteroregon.com

Is Party B represented by legal counsel for this transaction?

Yes

No

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Provide information regarding Party B’s legal counsel, if applicable.

Name	L. David Connell
Firm	Buchalter
Address	805 SW Broadway Suite 1500, Portland, OR 97205
Phone	(503) 226-8605
Email Address	dconnell@buchalter.com

For any additional Parties, please provide a supplemental attachment describing the information requested in Section 2.

3. Provide a billing contact for payment of review fees.

Name	Darren T. Binder
Address	2500 NE Neff Road, Bend, OR 97701
Phone	(541) 706-4494
Email Address	dtbinder@stcharleshealthcare.org

III. About the proposed transaction

4. Provide the type of material change transaction. (See OAR 409-070-0010 for definitions of transactions subject to review.)

- Merger
- Acquisition
- Affiliation
- Contract
- Other (specify)_____

5. What is the anticipated effective date of the proposed material change transaction?

As soon as all conditions to closing have been satisfied.

6. Briefly describe the proposed material change transaction, including:

- a. Goals and objectives

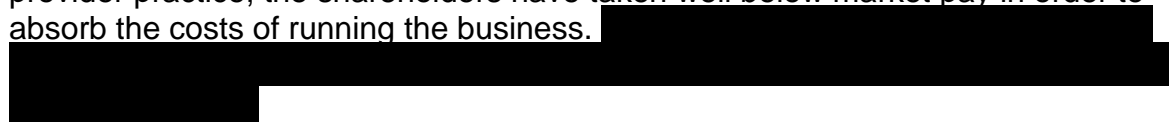
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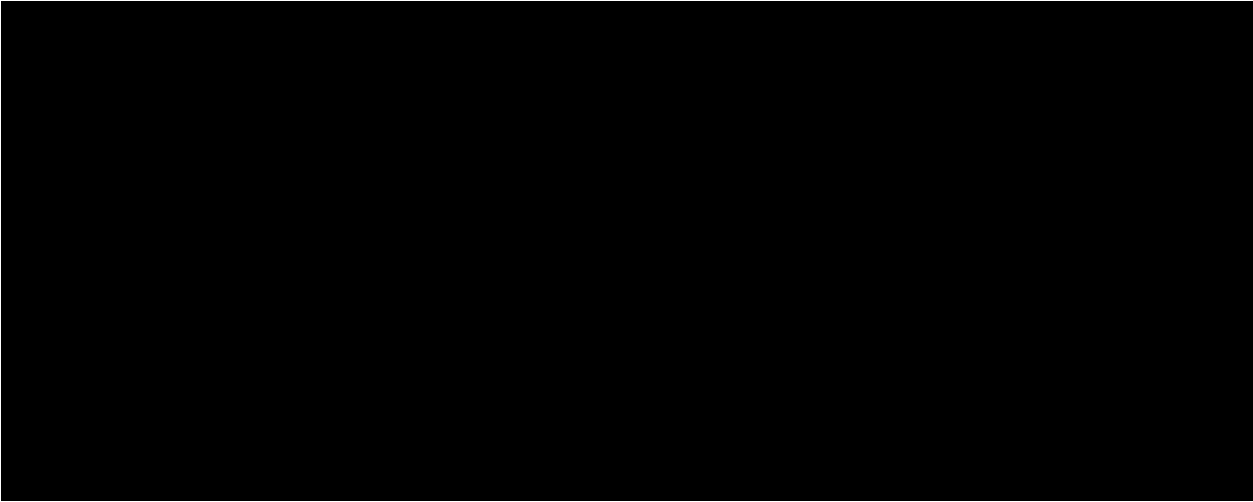
The purpose of this proposed transaction is to stabilize critical access to orthopedic, neurosurgical and physical medicine rehabilitation care in Central and Eastern Oregon.

These services have been significantly reduced following the departure of many providers from the region. For instance, the sudden closure of Desert Orthopedics in December 2023 decreased access to care in the community when it lost six physicians and four physician assistants before The Center was able to step in at the end of 2023 and offer employment to the remaining providers. Around the same time, seven physicians and two physician assistants departed or retired from The Center with The Center only being able to backfill one of these departures with the hiring of one new physician.

In total, there has been a net reduction of orthopedists and physical medicine and rehabilitation providers from the community since the end of 2022. Of the providers who have left The Center and Desert Orthopedics to pursue other opportunities, seven were orthopedic physicians who chose to remain in the West, with six of the seven choosing the increased financial stability provided by hospital-based positions.

This substantial departure of providers from the region has placed an unsustainable burden on The Center to provide necessary medical services as these reductions have removed capacity for over 40,000 annual patient visits and 4,000 surgeries and procedures from the community. The present situation also leaves The Center incredibly vulnerable to losing additional providers to health systems out of the area. The departure of just one or two additional providers from The Center would likely leave the remaining providers unable to bear the financial burden of the business operations and lead to either further departures or force The Center to cease its operations altogether. The Center is particularly vulnerable to further provider departures due to several market conditions that have resulted in its inability to pay providers fair market compensation. Because The Center is an independent provider practice, the shareholders have taken well below market pay in order to absorb the costs of running the business.



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- b. The proposed transaction will stabilize and maintain access to critical healthcare services in the region. By joining St. Charles Health System, Inc. (“St. Charles”), providers of The Center will gain from the efficiencies associated with operating as part of a larger organization, including having reduced call burdens as a result of increased recruitment activities, benefitting from enhanced provider retention efforts, and earning fair and market-based compensation. Summary of transaction terms

As part of the transaction, St. Charles and The Center will negotiate and execute an Asset Purchase Agreement (“APA”) pursuant to which St. Charles will pay fair market value for certain fixed assets, such as clinical fixtures, supplies, materials, and durable medical equipment. Additionally, St. Charles will assume the performance of certain material contracts of The Center, including leases for several of The Center’s clinic locations. St. Charles will also acquire certain rights in The Center’s name, phone, and fax numbers. The Center will retain its cash and accounts receivable in order to pay all outstanding liabilities and wind up its operations on an orderly basis.

As a result of the transaction, St. Charles will directly employ substantially all providers and a majority of staff of The Center. Incoming providers and staff joining St. Charles as direct employees will be offered fair, market-based compensation and benefits at least as favorable as those provided by The Center. Post-closing, St. Charles Recruiting and Human Resources teams will immediately begin recruiting for additional providers to address the sizeable gap in neuromusculoskeletal services in the community.

- c. Why the transaction is necessary or warranted

This transaction is urgently necessary to stabilize and maintain access to orthopedic, neurosurgery and physiatry provided to the communities in Central and Eastern Oregon. The Center has been and continues to be drastically impacted by several market forces, including flat to declining reimbursements from both governmental and commercial payers, increasing costs and decreasing supply of labor, and

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increased administrative cost associated with activities such as prior authorization and denials management. These forces have led to the rapid departure of physicians from the community who provide essential orthopedic, neurosurgical, physical medicine and rehabilitation care.

As previously highlighted, over the past year, seven physicians have left The Center. While three were retirements, the other four physicians accepted positions with larger health systems with three of those choosing to remain in the Pacific Northwest. Additionally, and as also noted above, Desert Orthopedics, a longstanding provider group based in Bend, Oregon, abruptly closed its doors on Dec. 31, 2023. While The Center was able to retain some of the physicians, this transition further reduced the community's access to critical orthopedic care services locally. Over 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 – while Central Oregon's population continues to grow, especially among seniors.

Without the financial stability provided by this proposed transaction, The Center is at significant risk of further physician departures that would exacerbate the existing provider shortage and jeopardize the ability of The Center to continue its operations.

- d. Any exchange of funds between the parties, including the nature, source and amount of funds or other consideration (such as any arrangement in which one party agrees to furnish the other party with a discount, rebate, or any other type of refund or remuneration in exchange for, or in any way related to, the provision of health care services).

The Parties will negotiate a purchase price for the assets being purchased by St. Charles based upon a fair market value analysis being conducted by an independent third-party.

7. Describe the negotiation or transaction process that resulted in the entities entering into an agreement.
 - a. How the entities were identified (e.g., did one party approach the other, did one party engage in a bid/auction process, etc.)

Given the market forces and healthcare trends discussed earlier, The Center has been evaluating various partnerships to provide stability and improve its ability to attract and retain talent since 2019. Over the past year in particular, The Center has evaluated a number of potential partnerships including with private equity firms. After conducting its research, The Center approached St. Charles seeking a partner to provide immediate funding and resources to stabilize operations. The Center identified St. Charles as its preferred partner due to the parties' longstanding relationship and shared interest in preserving essential services within Central Oregon. Additionally, after meeting with potential partners outside of Central Oregon, The Center came to highly value St. Charles as a non-profit

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community provider with a locally-based leadership team that is focused on providing access to high quality care to the communities The Center has always served.

- b. Any due diligence performed by any of the parties to the transaction. Provide any products, reports, or analyses resulting from due diligence processes.

St. Charles and The Center are conducting due diligence, including operational, financial and legal due diligence, concurrently with this review process.

8. Will the proposed material change transaction change control of a public benefit corporation or religious corporation?

Yes

No

9. List any applications, forms, notices, or other materials that have been submitted to any other state or federal agency regarding the proposed material change transaction. Include the data and nature of any submissions. This includes, but is not limited to, the Oregon Department of Consumer and Business Services, Oregon Public Health Division, Oregon Department of Justice, U.S. Department of Health and Human Services (e.g., Pioneer ACO or Medicare Shared Savings Program application), Federal Trade Commission, and U.S. Department of Justice.

N/A

- a. If a pre-merger notification was filed with the Federal Trade Commission or U.S. Department of Justice, please attach the pre-merger notification filing along with this notice submission.

N/A

IV. About the entities involved in the proposed transaction

10. Describe Party A.

St. Charles Health System, Inc. is a non-profit 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.

- a. Describe Party A's business, including business lines or segments

St. Charles is the sole community hospital operating four locations throughout Central Oregon. As a designated Level II trauma center, St. Charles provides

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inpatient and outpatient care including surgical services, emergency services, ICU, acute care, and ambulatory care across a variety of services, specialties and diagnostic care. St. Charles serves the Central and Eastern regions of Oregon.

- b. Describe Party A's governance and operational structure (including ownership of or by a health care entity)

St. Charles is a 501(c)(3) non-profit, community health system governed by a board of directors. The organization has a CEO, who reports to the board of directors, and an executive leadership team.

- c. Provide a diagram or chart showing the organizational structural and relationships between business entities.

See Attachment No. 4.

- d. List all of Party A's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

See Attachment No. 2.

- e. Provide financial statements for the most recent three fiscal years. If Party A also operates outside of Oregon, provide financial statements both for Party A nationally and for Party A's Oregon business.

See Attachment No. 8 (CONFIDENTIAL).

- f. Describe and identify Party A's health care business. Provide responses to i-ix as applicable:

- i. Provider type (hospital, physician group, etc.)

Hospital System

- ii. Service lines, both overall and in Oregon

The current service lines at St. Charles include Cardiovascular, Surgical Services, Oncology and Whole Person Care (Primary Care, Behavioral Health, Home Health & Hospice, Palliative Care). The organization is growing its service line structure and will be transitioning existing businesses into additional service lines in the next few years.

- iii. Products and services, both overall and in Oregon

Services of St. Charles include inpatient care, outpatient care, emergency medicine, urgent care, surgical services (general surgery, acute care surgery), cardiovascular services, primary care, women's health services, gastroenterology, oncology, infectious disease, urology, imaging services, laboratory services, behavioral health, hospital medicine, pediatric hospital

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medicine, critical care services, perioperative medicine, pulmonary, neonatology, post acute care, hospice/palliative care, rehabilitation, psychiatric medicine, and sleep medicine.

iv. Number of staff and FTE, both overall and in Oregon

Employed Staff (Overall) = 4981
Employed Staff (Oregon) = 4894
Employed Staff FTE (Overall) = 4059.9
Employed Staff FTE (Oregon) = 3975.5

Full Breakdown:

Work Location State	Count of Employees
Arizona	10
Arkansas	1
Florida	19
Idaho	3
Missouri	5
Montana	1
Nevada	7
New Mexico	3
North Carolina	12
Oklahoma	2
Oregon	4894
Tennessee	11
Utah	3
Wisconsin	10
Grand Total	4981

v. Geographic areas served, both overall and in Oregon

Areas served include Central Oregon and outlying areas including, Bend, Redmond, Sisters, Prineville, Powell Butte, Culver, Madras, Warm Springs, LaPine, John Day, Lakeview and Warm Springs. Secondary areas also include Grant, Lake, Wheeler and Wasco counties. The coverage area is approximately 32,000 square miles.

vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)

See Attachment No. 3.

vii. Annual number of people served in Oregon, for all business, not just business related to transaction

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St. Charles serves a catchment area of roughly 350,000 people over 32,000 square miles.

viii. Annual number of services provided in Oregon

See Attachment No. 5.

ix. For hospitals, number of licensed beds

Hospital Location	Number of Licensed Beds
Bend	292
Redmond	48
Prineville	16
Madras	25

11. Describe Party B.

The Center is an independent, physician-owned, group of 27 fellowship trained sub-specialist physicians providing critical orthopedic, neurosurgical, physical medicine and rehabilitation care to communities throughout Central and Eastern Oregon including Bend, Redmond, Sisters, Prineville, Powell Butte, Culver, Madras, Warm Springs, La Pine, John Day, Burns, Klamath Falls 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 nearly all communities east of 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.

a. Describe Party B’s business, including business lines or segments

The Center provides services across three specialty areas – orthopedics, neurosurgery, and physical medicine and rehabilitation. The Center’s orthopedic practice focuses on diagnosing and treating conditions ranging from the more common such as osteoarthritis, sports injuries and fractures, to the more complex including joint replacements and hand surgeries. In addition, The Center’s orthopedic surgeons provide the entirety of the call coverage to St. Charles for orthopedic trauma. The Center’s neurosurgical practice specializes in the diagnosis and treatment of medical problems affecting the brain, spine, neck, back, and central nervous system including stroke, brain injuries, spinal cord injuries, aneurysms, and diseases of the brain and spine. The Center’s neurosurgeons include the only endovascular and pediatric neurosurgeons in the region and they also comprise half of the neurosurgical trauma support for St. Charles. The Center’s physical medicine and rehabilitation physicians complement The Center’s practice by specializing in diagnostic and non-operative treatment of a variety of musculoskeletal and neurologic conditions

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- b. Describe Party B's governance and operational structure (including ownership of or by a health care entity)

The Center is a professional corporation with 16 owners. The owners are all physicians and all are members of the board of directors. The board elects a President to preside at meetings and a Secretary.

- c. Provide a diagram or chart showing the organizational structural and relationships between business entities.

See Attachment No. 6.

- d. List all of Party B's business entities currently licensed to operate in Oregon using [HCMO-1b: Business Entities form](#). Provide the business name, assumed business name, business structure, date of incorporation, jurisdiction, principal place of business, and FEIN for each entity.

See Attachment No. 2.

- e. Provide financial statements for the most recent three fiscal years. If Party B operates outside of Oregon, provide financial statements both for Party B nationally and for Party B's Oregon business.

See Attachment No. 9 (CONFIDENTIAL).

- f. Describe and identify Party B's health care business. Provide responses to i-ix as applicable.

See 11.a. The Center's entire business consists of its health care business.

- i. Provider type (hospital, physician group, etc.)

Physician-owned private practice group

- ii. Service lines, both overall and in Oregon

Orthopedics, neurosurgery, and physical medicine and rehabilitation

- iii. Products and services, both overall and in Oregon

The Center provides products and services including the following: office visits, surgical procedures, in-office procedures, EMG/nerve conduction studies, injections, orthopedic splints and casts, durable medical equipment and diagnostic imaging.

- iv. Number of staff and FTE, both overall and in Oregon

As of August 15, 2024, The Center had 268 employees (including 234 FTE).

- v. Geographic areas served, both overall and in Oregon

Central and Eastern Oregon

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- vi. Addresses of all facilities owned or operated using [HCMO-1c: Facilities and Locations form](#)

See Attachment No. 3.

- vii. Annual number people served in Oregon, for all business, not just business related to transaction

[REDACTED]

- viii. Annual number of services provided in Oregon

[REDACTED]

- ix. For hospitals, number of licensed beds

N/A

For any additional Parties, please provide a supplemental attachment describing the information requested in Section 11 (a) – (f).

12. Describe all mergers, acquisitions, and joint ventures that closed in the ten (10) years prior to filing this notice of material change transaction involving any entities party to the current proposed transaction, the same or related services, and health care entities. For each previous transaction, include:

- a. Legal names of all entities party to the transaction
- b. Type of transaction
- c. Description of the transaction
- d. Date the transaction closed

St. Charles acquired Central Oregon Surgery Center, LLC (COSC) from Three Brothers Holdings, LLC. COSC is a small, two room endoscopy center located in Bend. This was necessary to maintain access to endoscopies in an ASC environment for the community after an independent GI practice closed down. This transaction did not meet the statutory or regulatory requirements for review by HCMO.

- a. Legal names of all entities party to the transaction: St. Charles Health System, Inc. Central Oregon Surgery Center, LLC and Three Brothers Holdings, LLC
- b. Type of transaction: Acquisition
- c. Description of the transaction: Stock purchase
- d. Date the transaction closed: January 31, 2024

13. Describe any anticipated changes resulting from the proposed material change transaction, including:

a. Operational structure

i. Provide a chart or diagram showing the pre- and post-transaction organizational structure and relationships between entities.

See Attachment No. 4.

b. Corporate governance and management

St. Charles will continue to have the same corporate governance and management model. St. Charles will continue the evolution of its service line development by adding an Orthopedic, Neurosurgery & Physiatry service line, which will be overseen by the Vice President of Cardiac & Surgical Services.

c. Investments or initiatives



In addition, post-close, St. Charles will immediately begin recruiting efforts to add additional orthopedists, neurosurgeons and physiatrists to the team to further stabilize and ensure access to these critical services. St. Charles is also making investments to add specific specialty specific modules to Epic, such as Bones, to adequately support the ambulatory electronic health record needs of these specialties.

d. Type and level of staffing

No change is anticipated

e. Type and level of services provided

No change is anticipated

f. Number and type of locations

No change is anticipated

g. Geographic areas served

No changes is anticipated

h. For providers, payer contracts and payer mix

No change is anticipated

i. For insurance carriers, provider contracts and networks

No change is anticipated

j. Other contractual arrangements, including contracts with suppliers, partners, ancillary service providers, PBMs, or management services organizations

No change is anticipated

V. Impacts from the proposed material change transaction

14. Describe how the proposed material change transaction will impact the public and people served by the entities in Oregon.

The proposed transaction will preserve, stabilize, and increase access to 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 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.

As described previously, there has been a significant number of providers to depart the community in the past 2 years, which has had a substantial impact on patient access to these services. 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 is also in the best 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 18 months. Local

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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 proposed transaction will help to reduce the burden for existing physicians and mitigate the risk of any one of the remaining 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. The departure of any of these orthopedic 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.

In summary, the proposed transaction is in the best interests of the public because it stabilizes critical healthcare services and creates an opportunity for further improvements to both the access to and quality of such services.

- a. If there are any anticipated negative effects, describe how the entities will seek to mitigate negative impacts.

The parties do not anticipate any negative effects as a result of the transaction.

15. Explain how the proposed material change transaction will:

- a. Impact health outcomes for people in Oregon. Provide applicable data, metrics, or documentation to support your statements.

Ensuring access to orthopedic services in Central Oregon means that patients will not have to travel long distances for their care. Access to orthopedic services in Central Oregon has continued to deteriorate, and the closest orthopedic practice is 140 miles away in any direction. Having to travel this distance would likely increase inequities of care.

Patients are currently waiting up to 12 months or longer for access to critical and routine orthopedic care, such as joint replacement surgeries. Post-close, St. Charles intends to recruit additional providers to be able to better meet the community’s health needs for orthopedics, neurosurgery and physical medicine. The parties also believe that this transaction can help to solidify these services to support St. Charles’ ongoing Level 2 Trauma designation

- b. Benefit the public good by reducing the growth in health care costs. Provide applicable data, metrics, or documentation to support your statements.

St. Charles is subject to the state’s cost growth target and consistently works to maintain reasonable growth in costs of care to patients.

This proposed transaction allows The Center providers and staff to benefit from the investment that St. Charles has made in infrastructure, services, skills and training to support a Level II hospital. Ideally, this will result in efficiencies of infrastructure costs associated with running two separate systems for key back of

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house activities such as call centers, billing practices, hardware and software infrastructure, security, etc.

- c. Benefit the public good by increasing access to services for medically underserved populations. Provide applicable data, metrics, or documentation to support your statements.
- As a non-profit organization, St. Charles has a long history and commitment to care for all patients regardless of their ability to pay for services. St. Charles provides a robust financial assistance program and all patients at or below 400% of the federal poverty level are encouraged to apply. In 2023, St. Charles provided more than \$117 million in community benefit dollars including more than \$13 million in charity care.
 - This will benefit the public by continuing to provide services as last year including:
 - 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.

- d. Benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services. Provide applicable data, metrics, or documentation to support your statements.

As described above, the transaction will benefit the public good by stabilizing and increasing access to orthopedic, neurosurgery, and physical medicine needs.

St. Charles is currently working to understand if health inequities exist for patients receiving maternal-child medicine services based on SDOH or REALD factors. The project team is currently creating the data models to combine outcome data with SDOH and REALD data to understand where there are statistically significant differences. These different data sets have historically not been analyzed together. Once these models are validated, they can be spread to other services beyond maternal-child medicine. Concurrently, St. Charles is establishing its Women's and Children's Service Line, which will make it easier to establish new care pathways and other appropriate interventions to address

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inequities, once they are known, across all St. Charles locations. Additionally, as part of its efforts to provide high quality maternal-child services to all patients, St. Charles provides educational and community outreach opportunities, such as a Breastfeeding Support Group, which is offered weekly to moms, babies, and their families on a drop-in basis, and Childbirth Education classes and events, which are offered free of charge to the community on an ongoing basis at a variety of dates and times.

St. Charles believes there are opportunities to expand these efforts to other service lines and establish programs to address historic health inequities for those suffering from orthopedic, neurosurgery and physical medicine needs in the future. Specifically, St. Charles plans to expand and improve its collection of social determinants data across St. Charles beginning in 2025. St. Charles also anticipates offering community educational and outreach programs, such as pre-surgery total joint arthroplasty educational events and learning opportunities to allow patients to understand how to best prepare for surgery and improve outcomes. Further, St. Charles expects to offer community education on post-surgical care and expectations to enhance patient care and recovery. Physicians of The Center also currently provide services at outreach clinics in several communities across Central and Eastern Oregon, which will continue post-transaction to improve outcomes and access in rural communities.

Finally, and as mentioned in response to 15(c) above, St. Charles has a robust patient financial assistance policy that would apply to orthopedic, neurosurgery, and physical medicine patients. St. Charles's Financial Assistance Program helps those who are unable to pay for the cost of their care. All patients and applicable parties are eligible to apply for the Financial Assistance Program.

- e. If the transaction will not benefit the public good as described in b-d, explain why this proposed material change transaction is in the best interest of the public.

This proposed transaction will benefit the public good because it will maintain access to important specialty care services in the Central Oregon region, reduce the need for patients to travel outside of the area for care, and reduce the need for additional costs of care associated with that increased travel time.

16. Describe any competitive effects that may result from the proposed material change transaction.

- a. Will the proposed material change transaction result in a decrease in competition?

The proposed transaction will not result in a decrease in competition. The objective of the transaction is to provide immediate and continued stabilization to orthopedic services in Central and Eastern Oregon, and to increase access to and expand those same services by the same providers to the these communities. No locations will be closed or services will be discontinued as a result of the transaction.

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i. If yes, describe any anticompetitive effects that will result from the proposed transaction.

N/A

ii. If yes, describe any plans to mitigate potential anticompetitive effects, including any divestiture plans.

N/A

b. Provide applicable data, metrics, or documentation to support your statements.

N/A

17. Describe the proposed material change transaction's impact on the financial stability of any entity involved in the transaction.

Without significant and immediate financial stabilization, [REDACTED]

[REDACTED] The Center is in imminent danger of losing additional providers. Despite working harder than three-fourths of their peers nationally (according to third-party productivity benchmarks) compensation for The Center physicians is substantially below market.

[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 commercial payers, Oregon Health Plan, and the Centers for Medicare and Medicaid Services. Due to the significant reduction in compensation and the resulting gap between physician productivity and compensation levels, it has been exceedingly difficult to retain and recruit providers. This has only put further pressure on the remaining physicians.

[REDACTED] This would cause significant delays in patient care, a substantial increase in patient transfers out of our geographically isolated community, and would be devastating to patients in the region.

The Center has been financially and operationally overwhelmed in its attempt to recruit physicians, increase staff, expand medical office space, and invest in other operational resources necessary to address the current gap in access and capacity.

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As an independent practice operating in difficult 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 feasible partner with the resources and expertise necessary stabilize its operations in the near term.

In addition to the significant financial support that St. Charles will bring to The Center, St. Charles will provide other needed 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.

VI. Supplemental materials

Submit the following materials, if applicable, with your submission.

- [HCMO-1a: NPI form](#) (required for health care provider entities)

See Attachment No. 1.

- [HCMO-1b: Business Entities form](#) (required parties with multiple business entities licensed to operate in Oregon)

See Attachment No. 2.

- [HCMO-1c: Facilities and Locations form](#)

See Attachment No. 3.

- Pre- and post-transaction organizational structure diagram

See Attachment No. 4 (St. Charles) and No. 6 (The Center).

- Copies of all current agreements and term sheets for the proposed transaction

See Attachment No. 7 (CONFIDENTIAL).

- Financial statements for all entities for the most recent three fiscal years

See Attachment No. 8 (St. Charles) and No. 9 (The Center) (CONFIDENTIAL).

- Copies of current governance documents for all entities (for examples, bylaws, articles of incorporation, corporate charter, etc.)

See Attachment No. 10 (St. Charles) and No. 11 (The Center (CONFIDENTIAL).

- Documentation or analytic support for your responses, as applicable

N/A.

- Redaction log

See Attachment No. 12.

VII. Certification

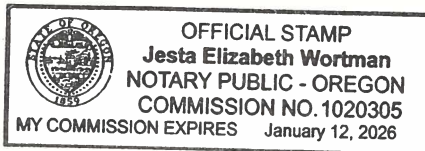
I, the undersigned, being first duly sworn, do say:

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 23rd day of Sept., 2024.

Daren T. Bunde

SUBSCRIBED AND SWORN TO before me, this 23rd day of September, 2024.



Jesta Wortman
Notary Public in and for State of Oregon

My Commission Expires: January 12th, 2026