

To: OHA - Health Care Market Oversight Program  
From: SEIU  
Date: November 5, 2024  
Re: St. Charles – The Center transaction conditions

We submit these comments on behalf of the SEIU State Council. Together, SEIU Local 49 and SEIU 503 are major purchasers of health insurance in this state. Many of our members live in Central Oregon and would be directly affected by St. Charles' acquisition of the Neuromusculoskeletal Center of the Cascades ("The Center").

First, we would like to applaud the agency for denying St. Charles' original emergency exemption that attempted to fast track this deal and instead conduct a 30-day review. We were also pleased to see strong conditions applied to OHA's subsequent approval issued on October 24. We understand that St. Charles has unfortunately chosen to appeal these conditions. However, we firmly believe the conditions applied are necessary to protect consumers and that this appeal should be denied.

We offer the following observations and comments about this transaction:

First, we applaud the agency's thorough analysis of price, access and market concentration and the thoughtful conditions put in place to safeguard the interests of Oregon consumers. We were particularly relieved to see Condition 3, which ensures that St. Charles will not be able to charge facility fees for any services rendered by former The Center providers for 10 years. This condition is undeniably crucial to ensure that prices do not increase further as a result of this deal taking place in an already highly concentrated market.

Second, we urge the agency to ensure that it carefully monitors quality data its post-transaction monitoring reports, as a recent analysis of PEBB/OEBB's spending on knee and hip replacements calls into question St. Charles' prices and quality. Between April 2019-March 2022, PEBB/OEBB spent \$2 million on knee and hip replacements performed in Central Oregon. As expected, the plan paid more for each procedure in Central Oregon than they did for the same procedures in the Portland Metro. When PEBB/OEBB analyzed data at the facility level, they identified a hospital in central Oregon as the 5<sup>th</sup> highest facility by volume. This facility also had the highest complication rates of the 10 facilities that performed the most PEBB/OEBB procedures.<sup>i</sup> While St. Charles is not specifically named in the report, St. Charles operates the only hospital in Bend, Oregon as well as all hospitals within 50 miles. This data begs the question about whether the quality of these procedures is worth St. Charles' prices relative to other providers.

Finally, we were disappointed to see how poorly St. Charles addressed three key issues in its application:

- 1.) How the transaction will reduce the growth in health care costs (addressed in 15b)

St. Charles is seeking to acquire a practice that provides lucrative orthopedic services,<sup>ii</sup> including treating sports injuries and performing joint replacements. Musculoskeletal care is a field in which low-value care is rampant. For example, a recent study noted that "For arthroscopic surgery for pain and degenerative changes in the knee, there is suspicion that they cause greater harms than benefit and it is not possible to reliably identify subgroups of patients that benefit from the

surgery.”<sup>iii</sup> Yet, St. Charles fails to make clear how they will ensure that these services do not add more total cost to the healthcare system and further contribute to spending on low-value care in Oregon. For example, how will St. Charles ensure all conservative therapies are considered prior to steering patients toward surgery?

- 2.) How the transaction will rectify historical and contemporary factors contributing to health inequities or access to services (15d)

Decades of research has shown that there are racial and economic disparities in who receives musculoskeletal interventions. One recent meta-analysis of racial and socioeconomic disparities in osteoarthritis management found that: 1.) patients with low socio-economic status receive less arthritis education from providers and get less exercise/physical therapy; 2.) blacks and Hispanics are less likely than whites to undergo total joint replacement; and 3.) blacks and Hispanics have worse functional outcomes and more complications following these procedures.<sup>iv</sup> Johns Hopkins researchers also highlighted the ways in which providers’ eligibility criteria unfairly limit minorities’ access to hip and knee replacement surgeries.<sup>v</sup> Despite the well-documented disparities in this field, the application fails to address any of these issues and instead describes holding community-wide education events and unrelated efforts to address disparities in maternal/child health.

- 3.) Whether the transaction will have any competitive effects or result in a decrease in competition (16).

The applicants simply say that the deal will not have any anticompetitive effects, provide no data or information about why, and write “not applicable” for all subsequent questions on this topic. Based on the nature of the application itself this appears to be untrue given that a chain of clinics that directly competes with St. Charles in the same geographic areas would then be wholly owned by St. Charles. In other words, if the application were to be approved there would necessarily be a reduction in competition and St. Charles fails to adequately respond to this important issue.

We appreciate OHA’s dedication to placing consumers’ interests at the center of healthcare transactions that have gone through the HCMO process. We hope you will continue to do so by denying St. Charles’ appeal of the agency’s reasonable and necessary conditions.

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<sup>i</sup> All PEBB/OEBB data is taken from the meeting materials packet for the Innovation Workgroup Meeting held on September 20, 2022.

<sup>ii</sup> [5 specialties that drive the most revenue to hospitals \(beckershospitalreview.com\)](https://www.beckershospitalreview.com/5-specialties-that-drive-the-most-revenue-to-hospitals)

<sup>iii</sup> [Low-value care in musculoskeletal health care: Is there a way forward? - PMC \(nih.gov\)](https://pubmed.ncbi.nlm.nih.gov/35484441/)

<sup>iv</sup> [Racial/Ethnic and Socioeconomic Disparities in Osteoarthritis Management - PMC \(nih.gov\)](https://pubmed.ncbi.nlm.nih.gov/35484441/)

<sup>v</sup> [Eligibility Criteria Unfairly Limit Minorities’ Access to Hip and Knee Replacement Surgeries | Johns Hopkins Medicine](https://www.hopkinsmedicine.org/health/conditions-and-diseases/eligibility-criteria-unfairly-limit-minorities-access-to-hip-and-knee-replacement-surgeries)