

VIA EMAIL ONLY

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December 16, 2024

Re: Determination of Covered Transaction Status — **043 Providence-Compassus**

The Oregon Health Authority (OHA) is the state agency charged with operating the Health Care Market Oversight (HCMO) Program under Oregon Revised Statutes (ORS) 415.500 through 415.900 and Oregon Administrative Rules (OAR) 409-070-0000 through 409-070-0085.

Entities may ask OHA to determine whether a transaction is subject to HCMO review by submitting a Determination of Covered Status Form (“Request”) pursuant to OAR 409-070-0042. On November 21, 2024, Sheppard, Mullin, Richter & Hampton LLP submitted a Request to OHA on behalf of FC Compassus, LLC (“Compassus”) which is party to a proposed transaction with Providence Health & Services Oregon (“Providence Oregon”) (collectively, the “Entities”) regarding a proposed multi-step joint venture that will result in the transfer of 50% ownership of a Providence-owned Oregon health care entity to Compassus (“proposed transaction”) This letter presents OHA’s Determination as to whether the proposed transaction is a Covered Transaction under OAR 409-070-0010.

Proposed Transaction

According to the information submitted by the Entities to date, news articles, and the information in OHA's database, including the publicly available Notice of Change of Ownership filed with OHA's Health Facility Licensing & Certification division on November 6, 2024, it appears that the proposed transaction consists of the following multi-step process, several steps of which have already occurred:

- On October 17, 2024, as part of an internal reorganization, certain subsidiaries of Providence St. Joseph Health, a Washington nonprofit corporation (collectively, "Providence"), created a new entity, Compassus Providence Holdings, LLC ("Compassus Providence"), a Delaware limited liability company (LLC).
 - Subsequently, several Delaware LLCs were formed underneath and wholly owned by Compassus Providence.
- Prior to closing of the proposed transaction, Providence will undergo an internal restructuring whereby the assets of all Providence Home Health and Hospice locations in Oregon will be moved into the above entities so that the assets will be transferred to ground level operating LLCs wholly owned by Compassus Providence.
- Upon closing, which is expected to occur approximately two days following the above internal restructuring, Compassus will acquire and purchase from Providence 50% of the membership interests of Compassus Providence pursuant to the terms of the proposed transaction. Further, upon closing, Providence and Compassus will enter into an agreement whereby Compassus will manage all operations for all Home Health and Hospice locations in Oregon.

Determination of Covered Transaction Status

Pursuant to OAR 409-070-0010(2), an acquisition of a health care entity occurs when another person acquires control of a health care entity including acquiring a controlling interest.

Pursuant to OAR 409-070-0025(1)(b): A transaction shall be rebuttably presumed to involve an acquisition of control of the health care entity if a person, directly or indirectly, acquires voting control of twenty-five percent (25%) or more of any class of voting securities/membership interests of the health care entity.

- Compassus Providence's assets solely consist of Providence's home health and hospice agencies. It does not contain other Providence assets. In this proposed transaction, Compassus will acquire and purchase from Providence 50% of the membership interests of Compassus Providence pursuant to the terms of the proposed transaction. This meets the threshold of OAR 409-070-0010(2) and OAR 409-070-0025(1)(b).

Pursuant to OAR 409-070-0020(1)(d), Contracts under which one health care entity, for and on behalf of a second health care entity, provides patient care and related services or provides administrative services relating to, supporting or facilitating the provision of patient care and services are excluded from HCMO review if the second health care entity:

- (A) Maintains responsibility, oversight and control over the patient care and related services;
- (B) Bills and receives reimbursement for the patient care and related services; and
- (C) Does not provide comprehensive management services.

- Upon closing, Providence and Compassus will execute an agreement whereby Compassus will provide comprehensive management services for Compassus Providence and all subsidiaries noted above. Pursuant to OAR 409-070-0020(1)(d)(C), this agreement is not excluded from HCMO review.

Based on information provided by the Entities about the proposed transaction to date, the proposed transaction is subject to review by the HCMO program.

To submit a Notice of Material Change Transaction form, use the required forms available at the following link: <https://www.oregon.gov/oha/HPA/HP/Pages/HCMO-How-To-Submit.aspx>. This form and any necessary attachments must be submitted at least 180 days prior to the planned effective date of the transaction. For more information about the filing process, please consult the HCMO program website at www.oregon.gov/hcmo.

If you have questions or would like to request pre-filing technical assistance, please contact the HCMO team at hcmo.info@oha.oregon.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "Sarah E. Bartelmann", with a long horizontal flourish extending to the right.

Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority

Cc: Mitchell Raup, Polsinelli