

Health Care Market Oversight (HCMO) Program Notice of Material Change Transaction

The applicant must complete and submit this notice of proposed material change transaction to hcmo.info@oha.oregon.gov.

One important role of the Health Care Market Oversight Program is to notify the community and people living in Oregon when entities propose a material change transaction. This document will be published and serve as the public notice. If requested under public records laws, OHA will disclose all versions of this document received. Contact program staff with any questions or to request technical assistance at hcmo.info@oha.oregon.gov.

Note: if any entity involved in the proposed transaction has associated National Provider Identifiers (NPIs), complete and submit the NPI form.

I. General Information about the Transaction and Entities

1. Provide the name, title, organization, and email address of the individual completing this form on behalf of the applicant.

Name	
Title	
Organization	
Email Address	

Provide a mailing address for OHA to send a physical copy of the final order.

Name	
Address	
Unit/ number	
City	
State	
Zip	

2. What type of material change transaction is the applicant proposing¹?

<input type="checkbox"/> Merger	<input type="checkbox"/> Contract	<input type="checkbox"/> Other (specify) _____
<input type="checkbox"/> Acquisition	<input type="checkbox"/> Affiliation	

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

The proposed transaction is subject to closing conditions. If those conditions are met the close will occur on May 1, 2023.

¹ Please see OAR 409-070-0010 for definitions of transactions subject to review.

4. Briefly describe the applicant completing this notice.

Describe the notifying applicant's business (including business lines or segments), ownership type (corporation, partnership, limited liability corporation, etc.), governance and operational structure (including ownership of or by a health care entity), annual revenues, and geographic areas of operation. For health care entities, also include provider type (hospital, physician group, etc.), facilities owned or operated, service lines, number of staff, geographic service area(s), and capacity or patients served in Oregon (e.g., number of licensed beds, number of patients, quantity of services provided annually). Include the mailing address, website(s), and Federal Tax ID(s) of the applicant.

Samaritan Health Services, Inc. ("Samaritan"), is a non-profit Oregon corporation operating a fully integrated health care delivery system of hospitals, clinics and health plans. Samaritan, its 5 hospitals, health plan and foundations are each governed by a board of directors comprised of volunteer community members. Samaritan is the sole member of Samaritan Medical Supplies, LLC ("SMS"), which provides durable medical equipment to customers throughout Samaritan's service area. SMS employs 26 people in 4 store fronts (1 in Newport, 2 in Corvallis and 1 in Lebanon) and a warehouse in Lebanon. The annual net patient revenue for Samaritan (unaudited) in 2022 was \$833,398,259. SMS 2022 annual revenue was \$9,842,927. In 2022 SMS served 11,985 unique customers. The approximate number of products and services billed for in 2022 was 144,724.

Samaritan Health Services, Inc.
3600 NW Samaritan Drive
Corvallis, OR 97330

Samaritan Health Services, Inc 93-0951989
Samaritan Medical Supplies, LLC 46-5619962
www.samhealth.org

5. Describe all other entities involved in the proposed transaction.

For each entity, describe the entity's business (including business lines or segments), ownership type (corporation, partnership, limited liability corporation, etc.), governance and operational structure (including ownership of or by a health care entity), annual revenues, and geographic areas of operation. For health care entities, also include provider type (hospital, physician group, etc.), facilities owned or operated, service lines, number of staff, geographic service area(s), and capacity or patients served in Oregon (e.g., number of licensed beds, number of patients, quantity of services provided annually). Include the mailing address, website(s), and Federal Tax ID(s) of entities involved in the proposed transaction. Limit the response to 500 words per entity described.

Norco is a gas, welding and home medical equipment supplier operating in 7 states, with locations in Oregon, Washington, Idaho, Montana, Utah, Wyoming, and Nevada, head quartered out of Boise, Idaho. Medically, Norco provides Durable Medical Equipment to patients, the VA and Hospice providers. Norco Inc. is an Idaho Corporation owned 65% by family trusts, and 35% by the Norco ESOP Trust with annual revenues of \$60 million in the state of Oregon. Norco has two business lines or segments, the medical division which supports respiratory and home medical equipment needs, and the industrial division which provides gases, welding equipment, safety, and janitorial supplies. Norco Medical operates as a part of Norco Inc and they are one entity, with one Tax ID. Norco serves approximately 59,000 patients in Oregon annually, providing 3900 DME products.

Norco Inc.
1125 W. Amity Rd.
Boise, ID 83705

Tax id 82-0277763
Norco-inc.com

6. Briefly describe the nature and objectives of the proposed material change transaction, including any changes in ownership, governance, or operational structure, any exchange of funds between the parties (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 proposed transaction is for Samaritan to sell the assets of Samaritan Medical Supplies, LLC to Norco in an all cash sale for \$7,800,000. \$5,000,000 will be due at close and another \$2,800,000 will be contingent upon confirmation by Norco of all assets of the sale within 90 days after close. Because Norco specializes in medical gas and DME services, Samaritan's patients and customers will be best served by Norco assuming this service line and enhancing it with their significant expertise. Samaritan Medical Supplies, LLC will no longer operate the DME business in any way and will have no ownership or operational responsibility in the business; rather, Norco will provide all of the services with no involvement from Samaritan going forward. This will be cash transaction, Norco will not be utilizing any financing at this point in time.

7. Briefly describe any anticipated operational or management changes resulting from the transaction, including changes in health care services offered, staffing changes, new investments or other initiatives, implementation of new policies and procedures, and organizational structure changes. Include a description of the transaction's impact on the financial stability of any entity involved in the transaction.

Norco will assume ownership and management of all DME operations effective May 1. Norco intends to hire as many current Samaritan DME employees as possible. There are no intended changes to DME services, staffing, new investments or other initiatives. Samaritan will benefit from the transaction by reinvesting the proceeds into furthering its nonprofit mission.

II. Impact from the Proposed Transaction

8. Describe the expected impact – increase, decrease, or no change – of the proposed transaction on access to affordable health care in Oregon. Explain your answer.

No change. Norco will operate out of the same locations that Samaritan currently is, and provide the same services and equipment. The intent of the parties is to minimize any impact to customers to the greatest extent possible as highlighted by language in the Asset Purchase Agreement that "Purchaser intends to maintain or expand the durable medical equipment business and services within Seller's service areas to meet the needs of Seller's communities, including those who are insured by Medicare and Medicaid."

9. Explain how, if at all, the proposed transaction will:
a. improve health outcomes for residents of this state.

It shouldn't impact health outcomes for residents. Samaritan currently provides DME equipment and services to patients and clients in our service area. After May 1 Norco will provide the same equipment and services at the same locations.

b. benefit the public good by reducing the growth in patient costs. (If the transaction will not reduce the growth in patient costs, explain why the proposed transaction is in the best interest of the public.)

Norco specializes in providing and billing DME, which takes significant expertise and resources to do compliantly. With this transaction, Samaritan will be able to focus more on its core mission of community health and wellness by rededicating resources it had allocated to DME elsewhere in the organization.

- c. benefit the public good by increasing access to services for medically underserved populations.

Norco will continue to operate out of each of Samaritan's current storefront locations so customers will not be impacted by this transaction. Samaritan's current locations will be integrated into Norco's 45 other locations in the Pacific Northwest. This infrastructure eases supply chain and workforce concerns as the network becomes self-supporting

- d. benefit the public good by rectifying historical and contemporary factors contributing to health inequities or access to services.

N/A

10. Will the proposed transaction result in a decrease in competition? If no, please explain. If yes, describe any anticompetitive effects that may result from the proposed transaction.

No, there will be no decrease in competition. Currently Samaritan Medical Supplies services DME needs in Samaritan's service area; Norco does not have any presence here. The result of this transaction will see Norco replace Samaritan as the DME provider in Samaritan's service area.

11. Indicate the date and nature of any applications, forms, notices, or other materials you have submitted regarding the proposed material change to any other state or federal agency. *Indicate the date and nature of any other applications, forms, notices, or other materials provided to other state or federal agencies relative to the proposed material change, including but 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.*

No other notices are required to be submitted to any other state or federal agency.

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

No.

III. Signature

Certification and attestation are not required. The electronic signature below should be the name entered in Question #1 and an individual who can sign on behalf of the applicant.

Electronic Signature Tyler Jacobsen

Date 3-21-2023