

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	Timothy Hatfield
Title	Partner
Organization	Hatfield Knivila LLC
Email Address	tim@hkhealthlaw.com

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

Name	Thomas Karnes
Address	1115 SE 164th Avenue
Unit/ number	Dept. 302
City	Vancouver
State	WA
Zip	98683

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

Merger Contract Other (specify) _____
 Acquisition Affiliation

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

The proposed transaction will close upon the satisfaction of all the closing conditions set forth in the parties' agreement. The anticipated closing date is July 31, 2023.

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.

PeaceHealth is a not-for-profit healthcare system that owns and operates medical centers, critical access hospitals, medical group clinics, and laboratories located in Washington, Oregon, and Alaska. PeaceHealth's Oregon hospitals are PeaceHealth Sacred Heart Medical Center, University District in Eugene; PeaceHealth Sacred Heart Medical Center at RiverBend in Springfield; PeaceHealth Harbor Medical Center in Florence, and Cottage Grove Community Medical Center in Cottage Grove. These facilities have a total of 501 licensed beds. PeaceHealth had total revenues of nearly \$3.3 billion in fiscal year 2022.

PeaceHealth Medical Group is a division of PeaceHealth. PeaceHealth Medical Group operates 61 clinics in Lane County, Oregon and employs 398 Oregon practitioners, 28 of whom are surgeons. PeaceHealth Medical Group's primary Oregon service lines are primary care, surgery, gastroenterology, cardiology, and others. There are 182 surgeons on the medical staffs at PeaceHealth's Oregon facilities. There were [REDACTED] surgical procedures performed on [REDACTED] unique patients at PeaceHealth's Oregon facilities between June 1, 2022 through May 31, 2023.

PeaceHealth is governed by a self-perpetuating board of directors currently made up of eleven members. All members of the PeaceHealth board are elected by other members of the Board. PeaceHealth's mailing address is 1115 SE 164th Avenue Vancouver, WA 98683. PeaceHealth's website is. <http://www.peacehealth.org>. PeaceHealth's Federal Tax ID is 91-0939479. PeaceHealth Medical Group's Federal Tax ID is 93-1172927.

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.

Northwest Surgical Specialists, LLP is an Oregon limited liability partnership ("NWSS") based in Lane County, Oregon. NWSS operates one clinic in Springfield, Oregon. NWSS employs 8 physicians, 4 advanced practice providers, and 30 other employees. NWSS-employed providers performed [REDACTED] surgical procedures and [REDACTED] office visits in calendar year 2022. NWSS is owned and governed by the 7 physician partners, who have equal rights under the NWSS partnership

agreement. NWSS had annual revenues of approximately \$12 million in 2022.

NWSS's primary service lines are general surgery and vascular surgery. NWSS's primary surgical procedures offered are:

- Major abdominal cancer
- Biliary Disease
- Breast disease and cancer
- Hernias, including complex abdominal reconstruction
- Thyroid and parathyroid disease
- Trauma surgery
- Acute care surgery
- Carotid endarterectomy for TIA and stroke
- Esophagectomy
- Fundoplication for gastroesophageal reflux disease
- Gallbladder surgery
- Laparoscopic colorectal
- Laparoscopic inguinal hernia repair
- Lower extremity bypass
- Major abdominal cancer: stomach, pancreatic, GIST, and neuroendocrine cancers
- Ventral hernia repair
- Umbilical hernia repair
- Gallbladder and foregut surgery
- Minimally invasive robotic/laparoscopic procedures
- Skin and soft tissue tumor removal

NWSS physicians perform surgical procedures at PeaceHealth Sacred Heart Riverbend, McKenzie Willamette Hospital, The Day Surgery Center and McKenzie Surgery Center.

NWSS's mailing address is 335 Riverbend Dr., Ste. 300, Springfield, OR 97477. NWSS's website is <https://nwsurgicalspecialists.com>. NWSS's Federal Tax ID is 17-70516544.

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).

PeaceHealth and NWSS (collectively, the "Parties") will execute an Asset Purchase Agreement ("APA") pursuant to which PeaceHealth will acquire all the furniture and equipment owned by NWSS and currently located at NWSS's clinic (the "Equipment"). The purchase price is \$118,600, which equals the fair market value of the Equipment according to an independent third-party appraisal plus an additional \$3,000 for miscellaneous art. The Parties also contemplates that, at or around the time of the closing of the APA:

- (a) PeaceHealth will assume all rights in certain telephone numbers and fax numbers currently in use by NWSS at the clinic;

- (b) PeaceHealth Medical Group will hire as full-time employees 7 NWSS physicians, 4 physician extenders, and 15 other employees, which equates to approximately 60% of NWSS current staff;
- (c) PeaceHealth will assume an NWSS equipment lease for an ultrasound machine; and
- (d) PeaceHealth will assume NWSS lease for the clinic space.

The Parties do not assign any independent value to transactions listed in (a) – (d). All other NWSS assets will remain with NWSS and will not be involved in this transaction. This includes (a) all NWSS medical records, (b) all NWSS goodwill, (c) all NWSS accounts receivable, and (d) all NWSS contracts, including payor contracts. As noted above, NWSS will also retain 40% of its current employees. NWSS’s vascular surgeon will continue to practice independently and will not be joining PeaceHealth Medical Group. NWSS will also retain 15 non-physician staff.

We do not anticipate any changes to health care services as part of the transaction.

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.

Post closing, NWSS vascular surgeons will continue to practice independently and will continue to provide the same scope of services, either through NWSS or via a newly incorporated entity. All of NWSS’s general surgeons will continue to offer the same services at the same locations as they did prior to this transaction, except as employees of PeaceHealth Medical Group. Thus, the proposed transaction will not result in any changes to health care services available in the community. PeaceHealth Medical Group has had preliminary discussions about further expanding those service lines and related access by offering colorectal surgical care and surgical oncology. Also following the transaction, patients seeking care in those service lines will be eligible for PeaceHealth’s financial assistance policy, which provides charity care for eligible patients.

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.

We expect the proposed transaction to preserve and potentially increase access to affordable health care in Oregon. NWSS is under severe financial pressure associated with the recent departure of several partner physicians. As such, the remaining NWSS partners were actively looking for a way of winding down their practice, either through an acquisition or dissolution. An acquisition by another party, such as private equity group, competing surgical practice, or an out-of-area hospital, would have threatened access to general surgery services at PeaceHealth Sacred Heart Medical Center Riverbend. Similarly, a dissolution of the practice likely would have resulted in additional NWSS physicians leaving the community.

The proposed Transaction will enable PeaceHealth Medical Group to preserve (and potentially expand) NWSS’s general surgery service line and ensure that these general surgery services remain affordable and community-based. Also, following the transaction, patients seeking care from NWSS

physicians now employed by PeaceHealth Medical Group will be eligible for PeaceHealth’s financial assistance policy and other charitable programs, which provide free and reduced-cost care to eligible patients.

In addition, PeaceHealth Medical Group hopes to expand its surgical service lines at PeaceHealth Sacred Heart Medical Riverbend. There have been preliminary discussions about targeting colorectal surgical care and surgical oncology, neither of which are currently available at PeaceHealth Sacred Heart Riverbend.

9. Explain how, if at all, the proposed transaction will:

a. improve health outcomes for residents of this state.

The proposed transaction will help preserve community access to general surgery and create an opportunity for further service line enhancements, such as colorectal surgical care and surgical oncology. By joining PeaceHealth Medical Group, NWSS’s general surgeons will have expanded access to PeaceHealth’s quality improvement and peer review infrastructure. Additionally, these physicians will begin billing under PeaceHealth’s provider contracts, many of which are value-based and include incentives for adhering to cost and quality metrics. This will improve care management and continuity for patients in the community.

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.)

Raising per-physician administrative costs threatened the financial sustainability of NWSS. To remain independent and profitable, NWSS would have had to demand higher rates from third-party payors, adjust payor mix, and/or increase prices for self-pay patients. By joining PeaceHealth Medical Group, the NWSS physicians will reduce per-capita overhead and benefit from the efficiencies associated with operating as part of a larger, multi-specialty organization. The proposed transaction is in the best interest of the public because it stabilizes important service lines and creates an avenue for further service line enhancements.

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

The proposed transaction helps preserve important service lines for the community. The parties will preserve existing access and hope to increase patient access by expanding into colorectal surgical care and surgical oncology.

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

As described above, the proposed transaction will benefit the public good by preserving access to general surgery services for the community and expanding service lines for colorectal surgical care and surgical oncology.

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.

We do not anticipate the transaction materially reducing competition for general surgery in the applicable market. The community will continue to have several independent surgical groups who practice at PeaceHealth Sacred Heart Medical Center Riverbend and nearby facilities.

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.*

The parties do not anticipate submitting any other applications, forms, notices, or other materials regarding the proposed transaction.

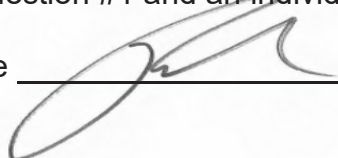
12. Will the proposed material change transaction change control of a public benefit corporation or religious corporation?

No. The proposed transaction will not change control of either a public benefit corporation or religious corporation.

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 _____

A handwritten signature in black ink, appearing to be 'John', is written over a horizontal line.

Date: July 12, 2023