

Health Care Market Oversight

2022 Annual Report

What is the Health Care Market Oversight program?

In 2021, the Oregon Legislature passed HB 2362 to oversee health care consolidation, creating the Health Care Market Oversight (HCMO) program. This law directs the Oregon Health Authority (OHA) to review business deals involving health care entities, such as hospitals, health insurance companies, and provider groups. HCMO assesses the impact of these deals on healthcare costs and reliable access to high quality care, particularly for communities that experience inequities. The HCMO program launched March 1, 2022.

Why health care market oversight matters

Health care consolidation is when two or more health care companies – such as hospitals, insurers, clinics, or health systems – combine or affiliate. In Oregon and nationwide, health care consolidation has become increasingly common, resulting in more markets being dominated by large, national companies and fewer independent and local health care providers.

Health care consolidation often happens through confidential business deals, so communities and state agencies have little visibility into major changes to the health care system. This lack of transparency means that communities may be unaware of impacts and have little opportunity to take action to try to mitigate negative consequences for patients and consumers.

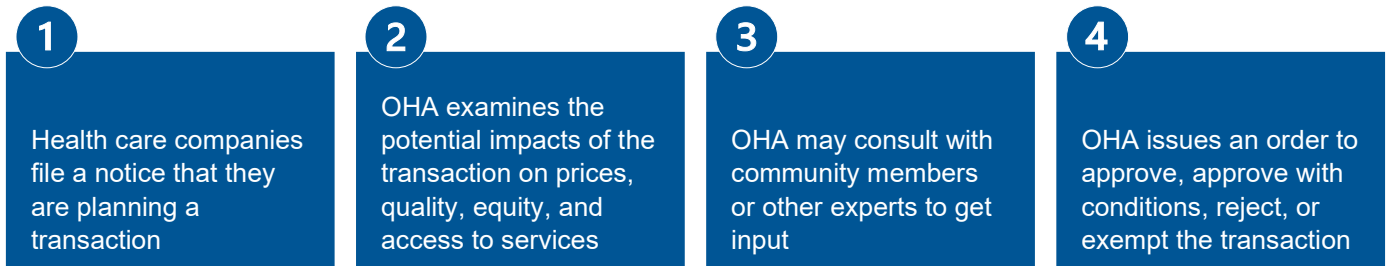
While not all consolidation is bad, the Oregon Legislature created the HCMO program to address potential negative impacts of health care consolidation. Recent research points to some key concerns about health care consolidation:

- **When health care companies combine, it may lead to higher prices.**¹ While health care companies can find savings by consolidating, those savings often don't result in lower prices for patients and consumers.²
- **Consolidation may make it harder to access health care services, particularly in rural areas.** Research has shown that consolidation involving rural hospitals can result in those hospitals ending some onsite services, such as imaging and obstetric services.³
- **Consolidation may worsen health inequities.** For example, when hospitals consolidate, more resources may be invested in areas with more privately insured patients – and these areas also tend to be more urban, White, and wealthy. Facilities that largely serve low-income communities, people living in rural areas, or people of color may receive fewer resources, leading to lower quality care.⁴
- **Consolidation may lead to worse quality in markets with little competition.** Studies looking at health care consolidation have shown that health outcomes and quality of care do not improve when health care companies combine – and in markets with little

competition (i.e., few companies providing similar services), quality of care may get worse.⁵

How the program works

Through the HCMO program, OHA reviews proposed health care transactions to make sure they support statewide goals related to cost, equity, access, and quality. Here's how it works:



OHA has 30 days to complete a preliminary review. Some transactions may also receive a more in-depth comprehensive review, which must be completed within 180 days. Prior to and throughout the review process, OHA provides technical assistance and guidance to companies that are planning a transaction. OHA publicly publishes notices of proposed transactions and gathers public, community member, and other expert input about the potential impacts of a transaction. OHA also monitors statewide trends and produces studies and reports about consolidation in Oregon.

2022 Highlights

HCMO launched on March 1, 2022. In the first eight months of the program, program staff focused on reviewing transactions, building program processes and capacity, and providing information and guidance about HCMO rules and requirements. Highlights include:



Transaction reviews

OHA received five material change transaction notices in 2022. Staff conducted detailed analyses of the potential impacts of the transactions, collected public input, and issued formal decisions. As of December, three transactions were approved after a preliminary review, one transaction is currently under review, and one transaction was exempted from review.



Rulemaking

HCMO staff published initial administrative rules in early 2022. In summer 2022, OHA initiated a rulemaking process to add program fees (as directed by HB 2362) and clarify language in the rules based on feedback from interested groups. Proposed rules were filed in September 2022. The rules will go into effect January 1, 2023. For each rulemaking process, OHA convened a rules advisory committee, comprising representatives from industry, advocacy, and community groups. OHA incorporated feedback from rules advisory committees and public comments in final rules language.



Information and Technical Assistance

The HCMO program developed guidance documents, program overviews, and informational materials, all posted to the [HCMO website](#). Staff met with health care entity representatives and professional groups to provide tailored guidance about program requirements. Staff also provided educational presentations for the Oregon Association of Hospitals and Health Systems and the Oregon Health Policy Board.



Staffing and Resources

OHA hired staff to run the program, including economists, research analysts, and policy analysts. In fall 2022, OHA issued a request for applications (RFA) to create a pool of outside advisors that can support transaction reviews, when needed. Outside advisors will bring expertise in community engagement, health care management, economics, finance and accounting, actuarial analyses, claims analytics and qualitative analyses.



Collaboration

OHA has built collaborative relationships with other state programs that regulate health care entities, including the Department of Consumer and Business Services (DCBS), Department of Justice's (DOJ) Charitable Activities Section, OHA's Certificate of Need Program, and OHA's Office of Actuarial and Financial Analytics. Staff also worked closely with OHA's Equity and Inclusion Division to inform HCMO processes and communications.



News & Media Coverage

HCMO has been featured in local and national media outlets:

- [Addressing the Impact of Hospital Consolidation on Health Equity](#), Community Catalyst, Feb 2022
- [Oregon Launches Merger Oversight Program as Hospitals Object](#), Lund Report, Mar 2022
- [New Oregon Health Care Merger Law Gets First Test](#), Lund Report Jun 2022
- [CDR Asks State to Approve Sale of 2 Oregon Kindred at Home Locations](#), Hospice News, Jun 2022
- [New Oregon Merger Review Program OK's First Deal](#), Lund Report, Jul 2022
- [What happens to healthcare spending and use under private equity ownership](#), OPB's Think Out Loud, Sep 2022
- [Opinion: I don't want your god in charge of my health care](#), Washington Post, Sep 2022
- [Study raises red flags about corporatization of health care, researcher says](#), Science Daily, Sep 2022
- [Oregon Hospitals Sue to Overturn Toughest-in-Nation Merger Law](#), Lund Report, Oct 2022
- [Oregon hospitals sue Oregon Health Authority over M&A law they argue is unconstitutional, burdensome](#), Portland Business Journal, Oct 2022

By the numbers: HCMO in 2022

As of December 2022, the HCMO program tracked 11 transactions:

5 Transactions filed notices

6 Transactions have not filed

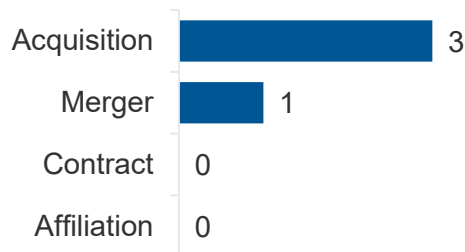
As of December 2022, the HCMO program has undertaken:

4 Preliminary reviews

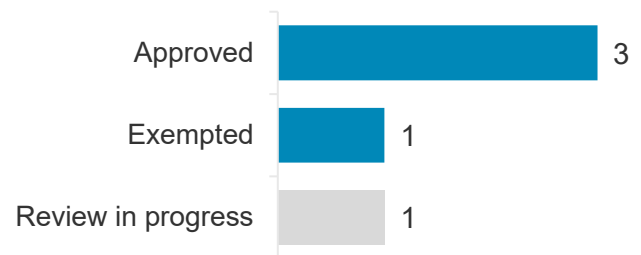
1 Transaction exempted from review

 HCMO received **5** public comments related to transaction reviews.

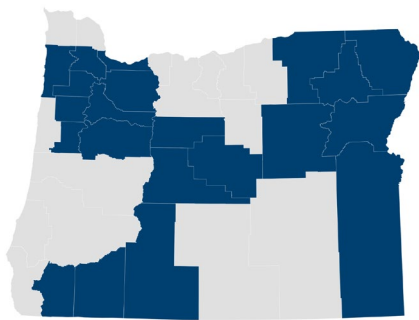
Of transactions HCMO reviewed, acquisitions were the most common type.



Most reviewed transactions were approved.



HCMO reviewed transactions that impact 21 counties in Oregon.



Reviewed transactions have the potential to impact:

22 provider locations

14,000 patients

HCMO transactions involved a range of entity types.



5 transactions with national entities



2 transactions with hospice and home health agencies



2 transactions with private equity firms



2 transactions with dental entities



2 transactions with insurance companies



1 transaction with primary care providers

Transaction Details

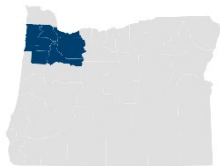
OHA received 5 notices of material change transaction between March 1, 2022 and December 1, 2022. Three of these transactions were approved following HCMO review, one is currently in active review, and one was exempted from review. OHA did not assess fees in 2022. The table below summarizes 2022 HCMO transactions, with additional detail in the following paragraphs and maps showing counties served by entities involved in transactions.

ID	Entities	Review Type	Transaction Type	Decision Date	Status
001	Advantage Dental; Sun Life Assurance	N/A	Acquisition	3/9/22	Exempt from review
002	Falcon Hospice; Kindred at Home; Humana; Clayton, Dubilier & Rice	Preliminary	Acquisition	7/14/22	Approved
003	UnitedHealth Group; LHC Group	Preliminary	Acquisition	9/1/22	Approved
004	Specialty Dental Brands; TSG Consumer Partners; Leon Capitol Group	Preliminary	Acquisition	9/9/22	Approved
005	Amazon; One Medical	Preliminary	Merger	12/29/22	In Review

001 Advantage Dental

Advantage Dental submitted a [notice of material change transaction](#) on March 1, 2022. Sun Life Assurance sought to acquire DentaQuest, the parent company of Advantage Dental. OHA's dental care organization (DCO) contract administrator approved this transaction in October 2021. Given that OHA had already approved the transaction, the transaction was exempted from HCMO review on March 9, 2022 and the [exemption letter](#) posted to the HCMO website.

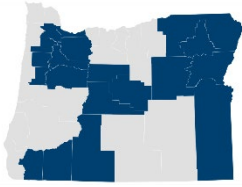
002 Falcon Hospice



On June 14, 2022, OHA received a completed [notice of material change transaction](#) from Falcon Hospice, a limited liability corporation. The notice detailed plans for Falcon Hospice to acquire 60% ownership of Kindred at Home Hospice, a national hospice provider operating two locations in Oregon. Prior to the transaction, Kindred at Home Hospice was owned by Humana, a large national company that offers health insurance products and health care services. Falcon Hospice is a newly created subsidiary of Clayton Dubilier & Rice (CD&R), a private equity firm.

OHA completed a 30-day preliminary review of this transaction. Based on preliminary review findings, OHA approved this transaction and issued a final order on July 14, 2022. OHA publicly posted the notice, [final order](#), [review report](#), [submitted public comments](#), and [executive summary](#) to the HCMO website. The transaction closed on August 11, 2022.

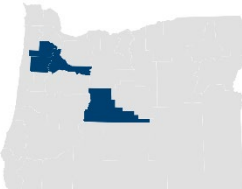
003 UnitedHealth Group – LHC



On August 2, 2022, OHA received a completed [notice of material change transaction](#) from UnitedHealth Group, Inc, a large national company that provides health insurance products, technology services, and health care services. The notice detailed plans for UnitedHealth Group to buy LHC Group, a national provider of home health, hospice, and other post-acute health care services. LHC Group operates 970 service providers in 37 states, including nine locations in Oregon.

OHA completed a 30-day preliminary review of this transaction. Based on preliminary review findings, OHA approved this transaction and issued a final order on September 1, 2022. OHA publicly posted the notice, [final order](#), [review report](#), and [executive summary](#) to the HCMO website.

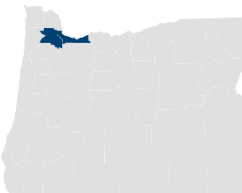
004 Specialty Dental Brands



On August 9, 2022, OHA confirmed receipt of a completed [notice of material change transaction](#) from Specialty Dental Brands (SDB). The notice detailed plans for TSG Consumer Partners, a private equity firm, to acquire an ownership stake in SDB, a dental support organization. SDB partners with dental providers in 20 states, including OR Specialty Dental, a dental practice in Oregon providing orthodontic and oral and maxillofacial surgery services.

OHA completed a 30-day preliminary review of this transaction. Based on preliminary review findings, OHA approved the transaction and issued a final order on September 9, 2022. OHA publicly posted the notice, [final order](#), [review report](#), [submitted public comments](#), and [executive summary](#) to the HCMO website. The transaction closed on September 16, 2022.

005 Amazon – One Medical



On November 29, 2022, OHA confirmed receipt of a completed [notice of material change transaction](#) from Amazon, a large, multinational company that operates across many industries, including online retail, electronic devices, and computing services. The notice detailed plans for Amazon to acquire One Medical, a membership-based primary care practice that operates around 180 medical offices across the U.S., including five locations in the Portland Metro area.

OHA initiated a 30-day preliminary review of the transaction on November 29, 2022. OHA will accept public comments until December 14 and plans to complete the review and issue an order by December 29, 2022.

Equity

The HCMO program focuses on the cost and market impacts of health care consolidation, and it also focuses on equity. While some other states have programs to oversee health care consolidation, Oregon is the only state to explicitly call out equity in its statute and rules. Oregon is also currently the only state that can reject a deal without attorney general involvement if the deal is found to negatively impact costs, quality, access, or equity. Combined, these aspects mean that HCMO has the potential to promote health equity in Oregon.

The table below outlines some of the ways OHA is seeking to advance equity through aspects of the HCMO program.

Program design	<ul style="list-style-type: none"> • Advancing equity is one of the criteria for approving a transaction • HCMO’s guiding principles are grounded in equity and were approved by the Oregon Health Policy Board • HCMO forms and submissions require entities to consider potential equity impacts, including reductions in access to services that are essential for health equity
Data and analysis	<ul style="list-style-type: none"> • Equity is one of HCMO’s four analytic domains, along with cost, access, and quality • HCMO’s analytic framework includes measures of equitable access, equitable quality, community engagement, and equity-enhancing services
Community and public engagement	<ul style="list-style-type: none"> • OHA solicits and incorporates public comments for all transaction reviews and follow-up analyses • OHA may convene community review boards for comprehensive reviews, comprising people who live in communities affected by a transaction, including patients, consumers, advocates, health care experts, and health care providers • During the summer 2022 rulemaking process, OHA posted notices translated into 12 languages and conducted outreach to dozens of community and cultural groups • The HCMO team partners with OHA’s Equity and Inclusion Division and other internal programs to align and coordinate across community engagement and equity efforts
Reporting	<ul style="list-style-type: none"> • OHA produces plain language materials about HCMO with accessible and inclusive language • The HCMO program makes information about health care transactions public, ensuring that individuals and communities have transparent access to information

What's next for HCMO

In 2023, the HCMO program will continue to receive notices of material change transactions and conduct transaction reviews.

Implement fees

Beginning January 1, 2023, and pending fee and rules approval, entities that file a notice of material change transaction may be subject to fee payments. OHA is directed in statute to collect fees toward program expenses. OHA has proposed a flat fee for preliminary and emergency exemption reviews, and a sliding fee scale for comprehensive reviews, based on the average annual or projected revenue of the smaller entity involved in a transaction. OHA has proposed the following fee amounts in rule:

Fee	Proposed 2023-25 Amount
Emergency exemption review	\$2,000
Preliminary review	\$2,000
Comprehensive review – revenue \$10M-\$50M	\$25,000
Comprehensive review – revenue \$50M-\$200M	\$80,000
Comprehensive review – revenue \$200M-\$500M	\$90,000
Comprehensive review – revenue >\$500M	\$100,000

Complete follow-up reviews

As directed by ORS 415.501(19), OHA will complete follow-up reviews for approved transactions one, two and five years after the transaction closes. Follow-up analyses will assess entities' compliance with approval conditions, cost trends and cost growth. OHA may also examine any areas of concern surfaced in the review. To support follow-up reviews, OHA may request data and information from entities and solicit public comments.

In 2023, OHA will conduct follow-up reviews for these transactions:

- 002 Falcon Hospice
- 003 UnitedHealth Group-LHC Group
- 004 Specialty Dental Brands

Monitor consolidation in Oregon




In addition to conducting transaction and follow-up reviews, OHA will monitor consolidation more generally, looking for patterns and trends in mergers and acquisitions of health care entities. OHA will track information about non-filed transactions in Oregon, stay abreast of the latest research and evidence related to health care consolidation, monitor policy changes that could impact consolidation activity, and compile insights and learnings for inclusion in the statutorily mandated 2026 study of the state of consolidation in Oregon.

Notable trends include:

- **Vertical consolidation:** Vertical consolidation involves entities that offer different goods or services. For example, one growing trend is insurance company acquisition of provider groups such as primary care practices.⁶
- **The impact of large, national transactions on Oregon’s health care market and delivery system:** Mergers or acquisitions among large national health care players have the potential to affect care delivery in Oregon, particularly if entities provide health care services to many communities or offer services with few alternatives.
- **The impact of the COVID-19 pandemic on consolidation:** The COVID pandemic continues to drive changes in the health care system, including the potential for increased consolidation. Decreases in patient volume during the pandemic may drive smaller providers to join larger organizations to weather financial uncertainty. Staffing shortages and higher expenses are continuing to create financial strain for many providers.
- **Private equity acquisitions:** The private equity business model, with its focus on short-term profitability, has been widely reported in media and research as being associated with lower quality of care, increased consolidation, and higher health care spending.⁷
- **Cross-market consolidation:** Cross-market consolidation occurs when companies combine that do not directly compete in the same geographic markets. Recent studies have shown that cross-market consolidation can lead to higher prices and harm competition.⁸

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 503-385-5948. We accept all relay calls.

Connect with us to learn more about the Health Care Market Oversight program:

-  Visit our [website](#)
-  Email us at hcmo.info@oha.oregon.gov
-  [Sign up](#) to receive program updates

Appendix: Summary Data Table

Submissions Received	Q1 2022*	Q2 2022	Q3 2022	Q4 2022	Year to date
Notice of Material Change Transaction	1	1	2	1	5
Emergency Exemption Request	-	-	-	-	0
Transaction Reviews					
Completed Preliminary Reviews	-	-	3	-	3
Completed Comprehensive Reviews	-	-	-	-	0
OHA Transaction Decisions					
Approved	-	-	3	-	3
Approved w/ conditions	-	-	-	-	0
Rejected	-	-	-	-	0
Emergency exemption	-	-	-	-	0
Other exemption	1	-	-	-	1
Community & Public Engagement					
Public comment periods	-	1	2	1	4
Public comments received	-	4	1	-	5
Community review boards convened	-	-	-	-	0

*The HCMO program launched March 1, 2022 and only operated for one month in Quarter 1.

Appendix: 2022 Transaction Details

ID	Filing Entity	Other Entities	Description	Transaction Type	Notice Date*	Decision Date	Status
001	Advantage Dental (dental care organization)	Sun Life Assurance (non-health care entity)	Advantage Dental's parent organization (DentaQuest) will become a wholly owned subsidiary of Sun Life.	Acquisition	3/1/2022	3/9/2022	Exempt
002	Falcon Hospice (portfolio company of CD&R)	<ul style="list-style-type: none"> Humana (insurance and health care provider) Kindred at Home (hospice provider) CD&R (private equity firm) 	Humana divested a 60% stake in Kindred at Home's Hospice and Personal Care Divisions to Falcon Hospice, L.P., a portfolio company of CD&R, a private equity firm. Kindred at Home operates two locations in Oregon in Lake Oswego and Salem. This transaction closed 8/11/22.	Acquisition	6/14/22	7/14/22	Approved
003	UnitedHealth Group (insurance and health care provider)	LHC Group (hospice and home health provider)	UnitedHealth (through its Optum subsidiary) is planning to acquire LHC Group. LHC operates nine hospice and home health services locations in Oregon.	Acquisition	8/2/22	9/1/22	Approved
004	Specialty Dental Brands (dental support organization)	<ul style="list-style-type: none"> TSG Consumer Partners (private equity firm) Leon Capitol Group (private equity firm) 	SDB and Leon Capitol Group sold an ownership stake in the business to TSG Consumer Partners, a private equity firm. SDB owns SDB MTN West Partners, LLC and SDB Partner Aggregator, LLC, two dental support organizations that provide management and administrative services to dental practices in multiple states, including Oregon. This transaction closed 9/16/22.	Acquisition	8/9/22	9/9/22	Approved
005	Amazon (technology and retail company)	One Medical (primary care company, aka 1Life Healthcare, Inc.)	Amazon is planning to acquire One Medical. One Medical operates five primary care locations in Oregon.	Merger	11/29/22	12/29/22	In Review

*Notice Date is the date OHA confirmed receipt of a complete Notice of Material Change Transaction. This is also the date OHA's 30-day review period begins.

References

- ¹ MedPac, “[March 2020 Report to the Congress: Medicare Payment Policy](#),” March 13, 2020. Chapter 15.
- ² Karyn Schwartz, Eric Lopez, Matthew Rae, and Tricia Newman, “[What we Know About Provider Consolidation](#),” Kaiser Family Foundation. Sep 2, 2020.
- ³ Claire O’Hanlon, et al. “Access, Quality, And Financial Performance of Rural Hospitals Following Health System Affiliation.” Health Affairs, Dec 2019. See also Rachel Mosher et al. “Access to Obstetric, Behavioral Health, and Surgical Inpatient Services After Hospital Mergers in Rural Areas,” Health Affairs, Oct 2021.
- ⁴ Alan Kaplan and Daniel O’Neill. “[Hospital Price Discrimination Is Deepening Racial Health Inequity](#).” NEJM Catalyst, Dec 2020.
- ⁵ Karyn Schwartz, Eric Lopez, Matthew Rae, and Tricia Newman, “[What we Know About Provider Consolidation](#),” Kaiser Family Foundation. Sep 2, 2020.
- ⁶ “Insurer ‘FOMO’ Driving Healthcare Bidding Wars,” Modern Healthcare, Oct 3, 2022.
- ⁷ See for example, Richard Scheffler, “Soaring Private Equity Investment in Healthcare,” May 18, 2021, and Yashaswini, Zirui Song Singh, Daniel Polsky, Joseph D. Bruch, and Jane M. Zhu. “[Association of Private Equity Acquisition of Physician Practices With Changes in Health Care Spending and Utilization](#).” JAMA Health Forum, Sep 2022.
- ⁸ Leemore Dafny, Kate Ho, Robin S. Lee. “[The price effects of cross-market mergers: theory and evidence from the hospital industry](#).” The RAND Journal of Economics, April 2019. See also Brent D Fulton et al. “[The Rise of Cross-Market Hospital Systems and Their Market Power in the US](#).” Health Affairs, Nov 2022.