



February 8, 2021

Representative Rachel Prusak, Chair  
Representative Cedric Hayden, Vice-Chair  
Representative Andrea Salinas, Vice-Chair  
House Committee on Health Care  
900 Court Street NE  
Salem, OR 97301

Delivered electronically.

**Re: HB 2362, Mergers and Acquisitions**

Chair Prusak, Vice-Chairs Hayden and Salinas, and Members of the Committee:

The PacificSource companies are independent, not-for-profit health insurance providers based in Oregon. We serve over 500,000 commercial, Medicaid, and Medicare Advantage members in four states. PacificSource Community Solutions is the contracted coordinated care organization (CCO) in Central Oregon, the Columbia River Gorge, Marion & Polk Counties, and Lane County. Our mission is to provide better health, better care, and better value to the people and communities we serve.

Thank you for the opportunity to testify on House Bill 2362, a concept that grants to the Oregon Health Authority broad and duplicative authority to review, regulate and halt mergers and acquisitions in the state. Unfortunately, PacificSource opposes this bill, for the reasons specified below:

1. *In a time of needed fiscal responsibility, we believe the committee should avoid adding duplicative programs into state law.* Oregon already maintains transparent and public regulatory review procedures to analyze and ultimately determine whether any proposed merger, acquisition, consolidation or integration transaction involving an Oregon health insurer should be approved and allowed to move forward – a practice that all 50 states follow as part of their accredited status with the National Association of Insurance Commissioners.<sup>1</sup> Oregon's insurance market enjoys healthy competition between large numbers of insurers; this competition offers consumers innovative health care options and greater than average choices among plans, as compared with other states.<sup>2</sup>

In terms of the current process, insurance companies already submit detailed information to the Oregon Department of Consumer and Business Services (DCBS) when entering into a proposed business transaction. Typically, the Director of DCBS convenes a public hearing where parties can express concerns about a transaction, similar to the rate review process for individual and small group markets. After a process that can take a year or more, depending on the complexity of the transaction, the director may deny a proposed merger or acquisition for a

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<sup>1</sup> See Model #440, Insurance Holding Company System Model Act (available at <https://content.naic.org/sites/default/files/inline-files/MDL-440.pdf>). Oregon has adopted this model into law; see ORS 732.517 to 732.546.

<sup>2</sup> See, e.g., Testimony of John McConnell, Joint Interim Task Force On Health Care Cost Review, March 9, 2018 (available at <https://olis.oregonlegislature.gov/liz/201711/Downloads/CommitteeMeetingDocument/148190>)

number of reasons. For example, if a director finds that a proposal would result in a highly concentrated insurance market or a monopoly in the state, the director may refuse to approve the transaction.<sup>3</sup>

The Oregon Health Authority (OHA), in its move to bring business rigor to the oversight of coordinated care organizations (CCOs) through the passage of SB 1041 (2019), adapted this commercial review model law in administrative rule for CCO mergers and acquisitions.<sup>4</sup>

2. *We are concerned about the impact this bill will have in implementing voluntary compacts for value-based payments and other innovative methods of delivering care.* As the COVID-19 pandemic demonstrated the need to re-evaluate the provider-payer relationship, insurers like PacificSource worked through the Sustainable Cost of Care Growth Implementation Committee to advocate for voluntary compacts of value-based payment arrangements. The committee endorsed this concept as a solution to meet cost of care benchmarks. Unfortunately, HB 2362 covers far more types of contractual arrangements than a traditional merger of acquisition of a controlling interest in another entity.

These value-based payment compacts may require new structures and innovative partnerships that would be subject to review and regulation by OHA under the provisions of HB 2362. Given the wide-ranging number of transactions covered by the bill, we believe this bill could inadvertently stop or slow the progress being made on this important state priority of quickly moving to meaningful value-based payment arrangements.

3. *We are concerned that the law will inhibit access to care, and act as a counterweight to addressing health equity, innovation and integration.* A central concern this session is health equity, and a subset of health equity is access to health care.<sup>5</sup> To achieve even higher levels of access to quality, affordable health care, providers may need to build innovative partnerships and structures that further integrate and transform health care systems, providers and payers. Achieving this health care transformation and integration of health care systems and payers in Oregon will ultimately suffer due to the uncertainty and costs of this proposed transaction review procedure.

In sum, we believe that this legislation is unnecessarily duplicative, deters the rollout of value-based payments and may slow advancement on health equity.

Thank you for your consideration. For questions or concerns, please contact me at 503.949.3620 or [richard.blackwell@pacificsource.com](mailto:richard.blackwell@pacificsource.com).

Sincerely,

/s/

Richard Blackwell  
Director, Oregon Government Relations

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<sup>3</sup> ORS 732.528(1)(e).

<sup>4</sup> See OAR 410-141-5255 to 410-141-5355.

<sup>5</sup> See, e.g., Presentation of Linda Roman to House Committee on Health Care, January 28, 2021 (available at <https://olis.oregonlegislature.gov/liz/2021R1/Downloads/CommitteeMeetingDocument/229904>).