

FORM A
STATEMENT REGARDING THE
ACQUISITION OF CONTROL OF OR MERGER WITH A DOMESTIC INSURER

**Health Plan of CareOregon, Inc.,
a subsidiary of CareOregon, Inc.**

Name of Domestic Insurer

BY

SCAN Group

Name of Acquiring Person (Applicant)

Filed with the Department of Consumer and Business Services of the State of Oregon

Dated December 30, 2022

Name, Title, address and telephone number of Individual to Whom Notices and Correspondence Concerning this Statement Should be Addressed:

Timothy Hatfield
Partner
Stoel Rives LLP
760 SW Ninth Ave., Suite 3000
Portland, OR 97205
Phone: 503-294-9868

ITEM 1. METHOD OF ACQUISITION

(a) *Name and Address of the Insurer*

Health Plan of CareOregon, Inc.
315 SW Fifth Avenue, Suite 900
Portland, OR 97204

(b) *Method of Acquisition*

CareOregon, Inc. (“CareOregon”) is a domestic nonprofit public benefit corporation and the sole corporate parent of Health Plan of Care Oregon, Inc. (“Insurer”). On December 13, 2022, SCAN Group, a nonprofit public benefit corporation organized under the laws of the State of California (“Applicant”), and CareOregon entered into an Affiliation

Agreement (the “Affiliation Agreement”). Upon the closing of the transaction pursuant to the Affiliation Agreement, CareOregon shall, among other things, convert from an Oregon non-member public benefit corporation to an Oregon member public benefit corporation, and name Applicant as the sole member. The board of directors of CareOregon will remain in place and will appoint four of its members to serve on Applicant’s board. CareOregon will remain the sole member of Insurer and the board of directors of Insurer will remain in place.

ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT

(a) Name and Address of the Applicant

SCAN Group
3800 Kilroy Airport Way, Suite 100
Long Beach, CA 90801

(b) Business Operations of the Applicant

Applicant is a mission-driven organization that is tackling some of the biggest issues in healthcare for older adults, including chronic illness, access to care, homelessness, inequities, and loneliness. Applicant is the sole corporate member of SCAN Health Plan, one of the nation’s foremost not-for-profit Medicare Advantage plans, serving more than 270,000 members in California, Arizona, and Nevada, and expanding to Texas in 2023 through separately incorporated subsidiaries. Independence at Home, a SCAN Health Plan community service, provides vitally needed services and support to seniors and their caregivers. Since 2020, Applicant has launched three mission-aligned medical groups, Healthcare in Action, Welcome Health, and MyPlace Health (a joint venture with Commonwealth Care Alliance), each of which focuses on meeting the needs of older adults. Applicant also recently acquired The Residentialist Group, an organization that provides clinical services to frail and vulnerable older adults in their homes. The SCAN Foundation, created in 2008 through a one-time contribution from SCAN Health Plan, works to ensure the availability, affordability, and quality of long-term services and supports that keep vulnerable older adults independent at home.

Following closing of the transaction, CareOregon and its existing affiliates (sometimes collectively referred to herein as the “CareOregon Companies”) will become direct or indirect subsidiaries of a renamed SCAN Group, known as HealthRight Group (“HealthRight”). Applicant and its existing affiliates (sometimes collectively referred to herein as the “SCAN Companies”) will continue to operate the programs addressed above. In addition, Insurer and other CareOregon entities will continue to operate their existing Medicaid and Medicare Advantage programs with the support of the HealthRight organization.

For clarity, we will refer to Applicant as “HealthRight” when referencing post-closing operations.

(c) Pre- and Post-Closing Organizational Charts

Exhibit A is Applicant's pre-closing organizational chart. Exhibit B is HealthRight's post-closing organizational chart.

ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT

Attached hereto as Exhibit C are the biographical affidavits of Applicant's current officers and directors.

ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION

(a) Describe the Nature, Source and Amount of Funds or Other Consideration

Neither party will pay consideration associated with the change of control of Insurer. To support ongoing investments and operations of the combined organization, CareOregon and SCAN Health Plan, a subsidiary of Applicant, will each make contributions to HealthRight in amounts roughly proportional to their current annual revenues. Specifically, SCAN Health Plan has already contributed funds which are currently valued in excess of \$244,000,000 to HealthRight. Upon closing, CareOregon will make a one-time contribution of \$50,000,000 to HealthRight. Beginning with respect to the 2024 calendar year, and each year thereafter, CareOregon will make additional annual contributions to HealthRight equal to 0.5% of the annual aggregate gross revenues of the CareOregon Companies until aggregate annual contributions equal \$70,000,000. HealthRight will use this capital to fund initiatives in furtherance of the purposes of the SCAN Companies and CareOregon Companies, including investments benefitting vulnerable populations in the State of Oregon.

Notwithstanding the foregoing, CareOregon may elect to defer any such annual contribution if the net income of the CareOregon Companies for the year in question is less than 0.5% of the annual aggregate gross revenue of the CareOregon Companies. Additionally, for a period of two years from the closing, no funds will be transferred from Insurer to HealthRight or any non-CareOregon affiliate, other than payments made under intercompany agreements, if such transfer would reduce Insurer's reserves below 600% of its risk-based capital.

Prior to the closing, CareOregon will establish a charitable foundation and at or prior to closing (or such other date mutually agreed to by CareOregon and HealthRight) contribute \$25,000,000 to such foundation, which will provide financial support for charitable organizations that focus on serving the needs of Oregon's most frail and vulnerable individuals.

All distributions from Insurer will be subject to any required notices to, and approvals by, the Department of Consumer and Business Services.

A copy of the Affiliation Agreement is attached hereto as Exhibit D.

(b) Criteria Used in Determining the Nature and Amount of Consideration.

The terms set forth above were determined through arm's-length negotiation between Applicant and CareOregon.

(c) Identity of Lender

No loans will be needed in connection with the transaction.

ITEM 5. FUTURE PLANS OF INSURER

Neither HealthRight, CareOregon, nor Insurer have any intention of declaring an extraordinary dividend, to liquidate Insurer, to sell its assets, or to make any material changes in its business operations, corporate structure, or management. Insurer will remain a wholly owned subsidiary of CareOregon. The board of directors and principal officers of Insurer will remain the same post-closing.

Applicant is committed to serving the dual eligible population, and both Applicant and CareOregon consider Insurer an important component of fulfilling their common mission of improving access to care and services.

ITEM 6. VOTING SECURITIES TO BE ACQUIRED

No voting securities will be acquired as part of this transaction as both parties are nonprofit entities with no voting securities. Upon closing of this transaction, HealthRight will become the sole member of CareOregon, with certain reserve powers set forth in the Articles of Incorporation and Bylaws of CareOregon, each as amended and restated upon closing and as set forth in Exhibits 2.1(b)(i) and 2.1(b)(ii) of the Affiliation Agreement. Upon closing, CareOregon will remain the sole member of Insurer.

ITEM 7. OWNERSHIP OF VOTING SECURITIES

See response to Item 6 above.

ITEM 8. CONTRACTS, ARRANGEMENTS OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

Following closing, CareOregon and HealthRight will have certain reserve powers with respect to Insurer, as set forth in Insurer's Articles of Incorporation and Bylaws, each as amended and restated upon closing.

ITEM 9. RECENT PURCHASES OF VOTING SECURITIES

None.

ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE

None.

ITEM 11. AGREEMENTS WITH BROKER-DEALERS

None.

ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements and Three-Year Projection for Insurer

Exhibit E: 2020 and 2021 Financial statements for Insurer

Exhibit F: Three-year financial projections for Insurer (filed confidentially)

(b) Financial Statements of Applicant

Exhibit G: Consolidated audited financial statements of Applicant, 2017-2021

Exhibit H: Unaudited quarterly financial statement dated September 30, 2022 (filed confidentially)

(c) Tender Offers and Agreements to Acquire or Exchange Voting Securities of the CCOs, Management Contracts

Exhibit I: Management Services Agreement by and between CareOregon and Insurer, as amended (filed confidentially)

ITEM 13. AGREEMENT REQUIREMENTS FOR ENTERPRISE RISK MANAGEMENT

Applicant agrees to provide, to the best of its knowledge and belief, the information required by Form F within 15 days after the end of the month in which the acquisition of control occurs.

[Signature page follows]

ITEM 14. SIGNATURE AND CERTIFICATION

Signature and certification required as follows:

SIGNATURE

Pursuant to the requirements of ORS 732.517 to 732.592, Kevin Kroeker has caused this application to be duly signed on its behalf in the City of Long Beach and State of California on the 30th day of December 2022.

(SEAL)

Kevin Kroeker

Name of Applicant: SCAN Group
BY: Kevin Kroeker, General Counsel

Attest:

Michael Plumb

Michael Plumb, Chief Financial Officer
SCAN Group

CERTIFICATION

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated December 30th, 2022 for and on behalf of SCAN Group; that the deponent is the General Counsel of such company and that the deponent is authorized to execute and file the instrument. Deponent further says that the deponent is familiar with the instrument and the contents thereof, and that the facts therein set forth are true to the best of the deponent's knowledge, information, and belief.

(Signature) *Kevin Kroeker*

Kevin Kroeker