



26 February 2024

VIA FILE UPLOAD TO:

<https://olis.oregonlegislature.gov/liz/2024R1/Testimony/SHC/HB/4130/0000-00-00-00-00?area=Measures>

Hon. Deb Patterson
Chair
Senate Committee on Health Care
Oregon State Legislature

Re: Opposition to HB 4130 A

Chair Patterson and Honorable Committee Members:

Radia Inc., P.S. (“**Radia**”) submits the following written testimony **in opposition** to HB 4130 A. As presently drafted, the bill poses a threat to our ability to complete a transaction to combine Radia’s practice with that of the physician shareholders of Medford Radiology Group, P.C. (“**MRG**”) (the “**Planned Transaction**”).¹ Radia and the MRG shareholders have worked together to structure the terms of the Planned Transaction² over more than two years and the Planned Transaction already has been approved by the Oregon Health Authority’s Health Care Market Oversight Program (“**HCMO**”).³ We are in the final stages of payer credentialing, IT integration and professional services contracting work prior to closing and expect to close the Planned Transaction prior to June 30, 2024. For the reasons described more particularly below, if passed, HB 4130 A will have the following three material adverse impacts on the terms of the transaction:

1. **Require revisions to the corporate structure.** HB 4130 A requires Oregon limited liability companies formed for the practice of medicine to meet all of the requirements applicable to professional corporations. This would mean that the Oregon professional entity that Radia formed for this transaction could no longer be solely owned by Radia. This would have profound negative consequences because to comply with the federal Stark law another practice must be a wholly owned subsidiary in order for both organizations to be considered a single group practice.⁴ Being a group practice allows the revenue from ancillaries such as MRG’s interventional clinic to run through a single

¹ Background information about Radia and MRG is available on Appendix A

² More information about the terms of the Planned Transaction is available at Appendix B

³ HCMO’s Modified Order approving the Planned Transaction is available here:
<https://www.oregon.gov/oha/HPA/HP/HCMOPageDocs/2023-12-22-007-Radia-MRG-Modified-Order.pdf>

⁴ See CMS-AO-2021-01 (providing designated health services through a wholly owned subsidiary of a group practice does not violate the “single legal entity” requirement for group practice status under 42 C.F.R. 411.352.)

funds flow and allow requests for diagnostic interpretations by Radia's employed radiologists (i.e., referrals) to be made by Oregon-based physicians performing procedures at the clinic.

2. **Restrict Ownership and Governance Participation by MRG Physicians in Radia PS.**

The terms of the Planned Transaction call for Radia PS to provide management services to the Oregon practice entity. These services are a critical component of the technology and operational support the MRG physicians desire to realize for their practice from the Planned Transaction. If HB 4130 A is enacted, the MRG physicians' would have to choose between their desire to become Radia shareholders or directors, or serve as managers for the local entity and the receipt of management services from Radia. Ironically, ensuring the opportunity for the MRG shareholders to have meaningful participation in Radia's governance structure was a significant concern for HCMO during their review. As planned, former MRG physicians will hold shares that give them rights to elect a member of the Radia PS board of directors from among their ranks. In addition, the Oregon-licensed members of Radia's board serve as the managers of the local entity and the members of local compensation pool also get to elect a representative from among their membership to serve as a Manager of the local entity. HCMO's order approving the transaction requires that Radia report on the extent of this participation for several years post-closing. HB 4130 A would frustrate both the goals of the MRG Physicians and one of HCMO's key oversight criteria.

3. **Threaten our ability to operate a Compensation Program Structure that incentivizes provision of on-site care in Southern Oregon.**

As planned, Radia also intends to implement a separate, performance-based, compensation pool for those who spend the vast majority of their time providing professional services located in Southern Oregon. This is a critical value and support to sustain the MRG physicians' practice and increase the odds to maintain on-site support for health systems in the Southern Oregon region. Unfortunately, HB 4130 A would either prevent this compensation program entirely by precluding Radia's ownership of the Local Entity; or prevent the MRG physicians ability to participate in the assessment of their closest colleagues' performance if they are also shareholders or directors of Radia, or Managers of the Oregon practice. This limitation runs counter to the incentive we are trying to create for physicians to practice in Southern Oregon.

The purpose of the Planned Transaction is to provide the MRG physicians access to the technology and operational support available from a larger organization, enhance the MRG physicians' ability to recruit radiologists to provide on-site services in Southern Oregon and to enhance the availability of sub-specialty professional radiology services for the benefit of the Southern Oregon patient community, especially neonates, patients with cancer, heart disease, and other life-altering or life-threatening injuries and conditions. Some may object that Radia's interest in completing the Planned Transaction is parochial; however, we submit that there is a broader lesson to be learned from our opposition to HB 4130 A. Specifically, the transaction, governance, and operating models that HB 4130 A seeks to proscribe were developed and have become widespread not as tools of investors to leverage control over care providers but because they address challenges posed by a variety of complex legal and regulatory requirements and

limitations that uniquely affect businesses involved in delivering health care services. HB 4130 A tars these models with too broad a brush—one which threatens collaborations that have the potential to enhance access to care for millions of Oregonians.

For the foregoing reasons, Radia urges this committee to vote “**No**” on HB 4130 A and allow its sponsors to obtain additional input from stakeholders and refine the bill to address areas of concern without a wholesale proscription of structure and governance models for physician practice affiliations that are valuable for achieving compliance with applicable regulations.

Respectfully Submitted,

DocuSigned by:



EAD37A04E6E24CB...
Anthony R. Miles
Chief Legal Officer

APPENDIX A

About Radia: Radia is a physician group practice organized as a Washington State professional services corporation and headquartered in Lynnwood, Washington. Radia was created in 1997 through a merger between Puget Sound Radiology and Radiology Associates. Radia is 100% owned and controlled by physician radiologists licensed in Washington, Oregon, and other states. Radia provides professional radiology services to patients at hospitals, health systems, and imaging centers. In addition to professional radiology services, Radia provides management services to affiliated imaging centers and radiology practices, and develops and maintains proprietary radiology workflow technology. While most of Radia's services are provided in Washington, Radia also serves patients and health care facilities in Alaska, Arkansas, California, Idaho, and Oregon. Radia provides more than 3 million services to 1.55 million patients annually and employs more than 260 physicians.

About MRG: MRG is a physician group practice organized as an Oregon professional services corporation and headquartered in Medford, Oregon. Founded in 1948, MRG provides professional radiology services in southern Oregon and northern California. MRG is owned and controlled by physician radiologists licensed in Oregon. In 2022, MRG's 15 physicians and four physician assistants provided diagnostic imaging and interventional radiology services for more than 125,000 patients at clinics, hospitals, and imaging centers in Medford, Ashland, Central Point, Grants Pass, and Coos Bay.

APPENDIX B

Under the terms of the Planned Transaction, Radia will form a new subsidiary, Radia Oregon Radiology Medical Group, LLC (“RORMG”) and offer MRG physicians the opportunity to become employees of Radia or RORMG. Existing MRG shareholders who meet Radia’s shareholder qualifications will be extended the option to immediately become shareholders of Radia. MRG physicians who become shareholders of Radia will have guaranteed representation on Radia’s board for three years following closing. RORMG will acquire certain assets of MRG’s interventional radiology clinic. MRG will not become a wholly owned subsidiary of Radia and instead will continue to operate as a standalone entity separate from Radia.

Radia will provide management services to RORMG and, for a limited time, to MRG, under Management Services Agreements. Specifically, Radia will provide centralized support services to its Oregon employees and locations, including financial, legal, IT, scheduling, and human resource functions. Professional services performed at MRG sites will be billed and collected separately under RORMG’s Tax ID number. As Radia employees, Medford-based physicians will have access to Radia’s benefit programs, though their compensation will be determined separately from Radia’s existing physicians. Radia will manage quality improvement activities, including data collection and peer-review for Medford-based physicians, who will be invited to participate on Radia’s peer review and other quality committees

Compensation for Medford-based physicians will be structured separately from that of current Radia physicians. The entities refer to this compensation methodology as the Medford Compensation Pool (“MCP”). To participate in the MCP, physicians must spend a certain percentage of their time providing services locally in the Medford area and at MRG sites of service.