

Partial Acquisition of Marquis Advantage, Inc.
d/b/a AgeRight Advantage Health Plan by
Rimborso, LLC and Avamere Group, LLC

Summary and Benefits of the Proposed Transaction

Marquis Advantage, Inc. Background

- Marquis Advantage, Inc. is a Health Maintenance Organization (“HMO”) offering an Institutional Special Needs Plan (“I-SNP”) under the business name of AgeRight Advantage Health Plan (“AgeRight”).
- AgeRight, as an I-SNP, provides coverage to Medicare Advantage eligible individuals who, for 90 days or longer, have or are expected to need the level of services provided in a long-term care (“LTC”) skilled nursing facility (“SNF”) or similar facility.
- As an I-SNP, AgeRight is regulated by the Centers for Medicare and Medicaid Services (“CMS”) and state insurance regulation is preempted other than as relates to licensing and solvency.

Rimborso, LLC Background

- Rimborso, LLC (“Rimborso”) is a wholly owned subsidiary of Avamere Group, LLC, a part of the Avamere Family of Companies (“AFOC”), and was created for the purpose of this acquisition.
- The mission of the independent companies within the AFOC is to enhance the life of every person it serves. The AFOC comprehensive continuum of post-acute care and senior living settings help seniors with a range of health care needs and post-retirement options. With twenty independent skilled nursing facilities in Oregon, the AFOC is one of the largest providers of skilled nursing services in the state. The ability to offer residents in these facilities the opportunity to become members of Marquis Advantage, Inc. would be yet another way to enhance the lives of every person the AFOC SNFs serve.

Transaction Summary

- Marquis Advantage, Inc. currently has 1,000 shares of common stock issued and outstanding of which Marquis Companies I. Inc owns 600 shares or 60% and AllyAlign Health, Inc. owns 400 shares or 40%.
- Rimborso, LLC (“Buyer”), a subsidiary of Avamere Group, LLC, will buy 90 shares of the issued capital stock in Marquis Advantage, Inc. from Marquis Companies I, Inc. (“Marquis Seller”) and 310 shares from AllyAlign Health, Inc. (“AAH Seller”).
- Upon approval by the Department of Consumer and Business Services of the State of Oregon and closing of the acquisition transaction, Marquis Advantage, Inc. will be owned by Buyer (40%), Marquis Seller (51%), and AAH Seller (9%).
- In addition, the parties will each purchase a surplus note from the HMO in these amounts: Buyer-\$1,472,000; Marquis Seller-\$1,876,800; and AAH Seller-\$331,200, and the HMO will pay down certain existing surplus notes owned by sellers. The net effect of these surplus notes, post transaction, to the HMO will be \$350,000 additional surplus.

Benefits of the Transaction

Benefits to Marquis Advantage, Inc.

- Applicant will bring additional policyholders to the I-SNP by bringing additional skilled nursing facilities within the affiliated family of the I-SNP. Additional policyholders will be beneficial to the growth and stability of the HMO while also providing more Oregon consumers with health insurance and healthcare.
- This partial acquisition assures that management of the I-SNP has a local market presence supported by centralized administration that allows the flexibility to respond to the needs of its individual service areas. This operating structure, which includes onsite personnel and local support, provides a strong advantage over competitors who have centralized many or all operations and customer service.

Benefits to Consumers and Policyholders

- This partial acquisition and the addition of all AFOC skilled nursing facilities' residents in Oregon that choose to become policyholders will enhance their healthcare while decreasing the costs of that healthcare. I-SNPs aim to lower rates of emergency department use, inpatient care and hospital readmissions compared to the standard Medicare fee-for-service model.
- I-SNPs focus on clinical quality, can become eligible to receive additional payment via Medicare's Health Plan Star Ratings, and reinvest those dollars in plan benefits for enrollees/policyholders.
- An ISNP's model of care is designed around empowering a skilled nursing facility, such as those in the AFOC, and its engaged network of providers to deliver the most optimal care in the most appropriate setting. This model of care enables the nursing facility as plan sponsor to provide more intensive preventive care services within the policyholder's residence (i.e., the nursing home) by aligning the Medicare payments with the services that can help prevent acute episodes (i.e., hospitalizations) for residents, which has a significant impact on the health outcomes and quality of life for nursing home residents.

Benefits to Consumers and Policyholders Continued

- The alignment of provider and plan benefits policyholders, the plan itself, and the State of Oregon, in general, as nursing home residents are provided most targeted care possible, improving the lives of the policyholders and reducing pressure on healthcare resources in the State of Oregon, generally, by reducing hospitalizations and the need for inpatient care.
- The I-SNP Plan deploys a coordinated care approach, providing Members on-site primary care services through a primary care team comprised of a nurse practitioner and primary care physician. Another benefit of the model will be the close working relationship with the nursing facility staff.
- The I-SNP Plan concentrates on a historically underserved population— seniors in nursing facility settings such as those in the AFOC affiliated entities. This marginalized group struggles to navigate the healthcare system, is less likely to get health care when they need it, and suffer disproportionately from disease and poor health. This acquisition will allow for a large group of this constituency to obtain better healthcare and insurance

Regulatory Oversight

Oregon Division of Financial Regulation

- Marquis Advantage, Inc. is licensed as an Oregon Health Care Service Contractor **and is** typically subject to regulation by the Department of Consumer and Business Services for the State of Oregon (“Oregon DFR”). In this case, due to the I-SNP nature, the Oregon DFR regulates the HMO/I-SNP regarding licensing and solvency while CMS otherwise regulates the entity.
- The proposed partial acquisition is subject to the Oregon DFR approval. This partial acquisition will not affect the Oregon license and Oregon DFR will continue providing the same regulatory oversight regarding the state license.

CMS Oversight

- As noted above, other than for licensing and solvency, HMO/I-SNPs are regulated by CMS.
- In compliance with applicable CMS regulations, Marquis Advantage~~–~~, Inc. will restrict enrollment in the I-SNP to Medicare Advantage (MA) eligible individuals who, for 90 days or longer, have had or are expected to need the level of services provided in a long-term care skilled nursing facility, a LTC nursing facility, a SNF/NF, an intermediate care facility for individuals with intellectual disabilities, or an inpatient psychiatric facility.
- In compliance with CMS' requirements, Marquis Advantage contracts with or owns and operates the specific facilities participating with the I-SNP Plan.
- CMS oversees and regulates the marketing, coverage provided, the cost of coverage, claims handling, and policies and procedures related to same.