

MATERIAL CHANGE NOTICE SUBMISSION DETAILS

MCN Number	2024-11-12-1249
OHCA Review Start Date	12/24/24
Anticipated date (unless tolled per regulation) by which OHCA could waive cost and market impact review	2/7/25
Anticipated date (unless tolled per regulation) by which OHCA could determine cost and market impact review required	2/24/25

SUBMITTER

HEALTH CARE ENTITY CONTACT FOR PUBLIC INQUIRY

Title	Legal & Compliance
First Name	Catherine
Last Name	Jackson-Woods
Email Address	Kate.woods@schweigerderm.com

GENERAL

Business Name	CSI Medical Group, P.C.
Website	https://www.californiaskininstitute.com/
Ownership Type	Professional Corporation
Tax Status	For-profit
Federal Tax ID	47-1108040
Description of Submitting Organization	CSI Medical Group, PC (“CSI Medical Group”) is a physician-owned private practice dermatology and plastic surgery physician group in California. It is currently wholly owned by Greg Morganroth, M.D. Committed to excellence in medical, surgical, and cosmetic dermatology and plastic surgery, CSI Medical Group offers a skin-based service line, including laser, ultrasound, microwave, light-based, and radiofrequency technologies, local anesthesia cosmetic and reconstructive surgery techniques, a varicose vein treatment program, a full-service dermatopathology laboratory, a dermatologic surgery fellowship training program, and a comprehensive skin care product line.
Health Care Provider	Yes
For Providers: Desc. of Capacity or Patients served in California	CSI Medical Group, a physician group. includes over 90 providers that include board-certified dermatologists, cosmetic dermatologists, laser surgeons, Mohs skin cancer surgeons, reconstructive surgeons, pathologists, plastic surgeons, nurse

	practitioners and physician assistants. CSI Medical Group offers services at 48 locations across 15 counties in Northern and Southern California, including Sonoma, Marin, San Francisco, Santa Clara, Alameda, San Mateo, Stanislaus, Santa Cruz, Monterey, Ventura, Los Angeles, Riverside, San Bernardino, Orange and San Diego. CSI Medical Group served approximately 172,000 patients across 15 counties in California in the last year.
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LOCATIONS

Counties	Alameda; Los Angeles; Marin; Monterey; Orange; Riverside; San Bernardino; San Diego; San Francisco; San Mateo; Santa Clara; Santa Cruz; Sonoma; Stanislaus; Ventura
California licenses and numbers	See Licenses Addendum.
Other States Served	None
Other state(s) licenses and numbers	None.
Primary Languages used when providing services	English
Other language if not listed above	Third party service provides translations in additional languages as requested

MATERIAL CHANGE

ADDITIONAL ENTITIES

Business Name	Description of the Organization	Ownership Type	Additional MCN Submission
Eric Schweiger, M.D.	See "Supplemental Responses."		No
California Skin Institute Management, LLC	See "Supplemental Responses."		No
Dr. Greg S. Morganroth	See "Supplemental Responses."		No
California Skin Institute Holdings, LLC	See "Supplemental Responses."		No
California Skin Institute Intermediate	See "Supplemental Responses."		No

Holdings, LLC			
SDG Mgmt Company, LLC	See "Supplemental Responses."		No
Schweiger Holding Company, LLC	See "Supplemental Responses."		No

CRITERIA

A health care entity with annual revenue, as defined in section 97435(d) , of at least \$25 million or that owns or controls California assets of at least \$25 million, or;	Yes
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CIRCUMSTANCES FOR FILING

The proposed fair market value of the transaction is \$25 million or more and the transaction concerns the provision of health care services.	Yes
<p>The transaction involves a transfer or change in control, responsibility or governance of the Submitter. A transaction will directly or indirectly transfer control, responsibility, or governance in whole or in part of a material amount of the assets or operations of a health care entity to one or more entities if:</p> <p>(1) The transaction would result in the transfer of 25% or more of the voting power of the members of the governing body of a health care entity, such as by adding one or more members, substituting one or more members, or through any other type of arrangement, written or oral; or</p> <p>(2) The transaction would vest voting rights significant enough to constitute a change in control such as supermajority rights, veto rights, and similar provisions even if ownership shares or representation on a governing body are less than 25%;</p>	Yes

TRANSACTION DETAILS

Anticipated Date of Transaction Closure	1/19/2025
Description of the Transaction	See attached "Supplemental Responses."
Submitted to US Department of Justice or Federal Trade Commission?	No
Subject to court proceeding	No
Description of current services provided and expected post-transaction impacts on health care services	CSI Medical Group is a physician-owned private practice dermatology and plastic surgery physician group in California. It is currently wholly owned by Greg Morganroth, M.D. Committed to excellence in medical, surgical, and cosmetic dermatology and plastic surgery, CSI Medical Group offers a

skin-based service line, including laser, ultrasound, microwave, light-based, and radiofrequency technologies, local anesthesia cosmetic and reconstructive surgery techniques, a varicose vein treatment program, a full-service dermatopathology laboratory, a dermatologic surgery fellowship training program, and a comprehensive skin care product line. CSI Medical Group includes over 90 providers that include board-certified dermatologists, cosmetic dermatologists, laser surgeons, Mohs skin cancer surgeons, reconstructive surgeons, pathologists, plastic surgeons, nurse practitioners and physician assistants. CSI Medical Group offers services at 48 locations across 15 counties in Northern and Southern California, including Sonoma, Marin, San Francisco, Santa Clara, Alameda, San Mateo, Stanislaus, Santa Cruz, Monterey, Ventura, Los Angeles, Riverside, San Bernardino, Orange and San Diego. The proposed transaction is not expected to impact the provision of these services, as there are no anticipated changes of a material nature to CSI Medical Group's operations post-closing.

CSI Medical Group served approximately 172,000 patients across 15 counties in California in the last year. CSI Medical Group serves patients of all ages (roughly 5% of patients are children, 25% are age 19-45, 45% are age 46-75, and 25% are age 76+). Roughly 55% of patients are female, with the remaining 45% being male. CSI Medical Group does not gather data regarding patient race or ethnicity, though it serves a diverse patient population, with a breakdown approximating that of the local communities served. The proposed transaction is not expected to have impacts on the patient population served by CSI Medical Group, as there are no anticipated changes of a material nature to CSI Medical Group's operations post-closing.

CSI Medical Group does not participate in any charity care or community benefit programs. The proposed transaction is not expected to have impacts on CSI Medical Group's

	<p>participation in charity care or community benefit programs.</p> <p>CSI Medical Group currently accepts government pay, including Medicare, and will continue to accept government pay post-closing. The proposed transaction is not expected to have impacts on the population of government pay patients served, as there are no anticipated changes of a material nature to CSI Medical Group's operations post-closing.</p>
<p>Prior mergers or acquisitions that: (A) involved the same or related health care services;</p> <p>(B) involved at least one of the entities, or their parents, subsidiaries, predecessors, or successors, in the proposed transaction; and</p> <p>(C) were closed in the last ten years.</p>	<p>Dr. Schweiger and his affiliates have not engaged in any mergers or acquisitions of this kind in California in the last ten years.</p> <p>A list of mergers or acquisitions of this kind that involve CSI is attached in the CSI M&A Addendum.</p>
<p>Description of Potential Post Transaction Changes</p>	<p>The submitter does not anticipate any post-transaction changes to the ownership of any parties to the transaction. With respect to CSI Medical Group: Eric Schweiger, M.D. is expected to become the sole director and will hold all officer positions following the closing of the proposed transaction. The submitter does not expect any material changes to the staffing levels, wages, benefits or employment protections of its employees post-transaction. The submitter does not currently hold any city or county contracts regarding the provision of health care services, and does not expect post-transaction changes. The submitter does not expect any material changes to comparable health care services currently offered by other health care entities within 20 miles of any location where the submitter offers health care services, in connection with the proposed transaction.</p>
<p>Description of the nature, scope, and dates of any pending or planned material changes occurring between the Submitter and any other entity, within the 12 months following the date of the notice</p>	<p>None.</p>

Licenses Addendum

CSI Medical Group, P.C. holds the following licenses, permits and registrations.

Medical Board of California, Fictitious Name Permit:

- 543837
- 36322

Centers for Medicare & Medicaid Services, and California Department of Public Health - CLIA Certificates of Provider-Performed Microscopy, Certificate of Waivers, and Certificate of Compliance:

- 05D0687162
- 05D0605631
- 05D0687031
- 05D0578410
- 05D0684682
- 05D0932355
- 05D2024008
- 05D2001806
- 05D0687025
- 05D0598593
- 05D0604332
- 05D2069633
- 05D2271053
- 05D2122588
- 05D2273082
- 05D2273093
- 05D0600577
- 05D2141375
- 05D1071110
- 05D0592715
- 05D0985405
- 05D2175007
- 05D2177962
- 05D0674512
- 05D0688925
- 05D0606934
- 05D2069464
- 05D0930533
- 05D0590148
- 05D0605685
- 05D0696402
- 05D2115539
- 05D0686334
- 05D2148484
- 05D2084019
- 05D0555281
- 05D1056829
- 05D1021936
- 05D2118106
- 05D2083943
- 05D2254484
- 05D0946352
- 05D2087620

- 05D0592282
- 05D0582270
- 05D0686492
- 05D2164178

California Department of Health Clinical Laboratory License:

- CLM-00303299
- CLM-00301293
- CLM-00303683
- CLM-00304653
- CLP-00304663
- CLM-00308152
- CLM-00309308
- CLF-90000653
- CLM-00346852
- CLM-00346853
- CLM-00345454
- CLM-00352027
- CLP-90000223
- CLP-90008238
- CLP-90008239
- CLM-00304455
- CLM-00305058
- CLM-00305611
- CLM-00305619
- CLP-00307542
- CLM-00308323
- CLM-00308418
- CEC-00308420
- CEC-00308440
- CLP-00308615
- CLM-00321768
- CLM-00322636
- CLP-00327912
- CLM-00331340
- CLM-00339486
- CLP-00345484
- CLM-00349424
- CLP-00350282
- CLP-00351411
- CLR-90000094
- CLM-90005914
- CLP-90008012
- CLM-00353923
- CLM-00346973
- CLM-00341164
- CLM-00334456
- CLM-00323477
- CLP-00305733
- CLP-00308236
- CLP-00336174
- CNC-305527
- CNC-305237

California Department of Health Radiation Operator:

- Palm Desert; RHC00200473

Medical Waste Permit:

- California Department of Health
 - Calabasas; 35737
 - DTLA; 51070
 - Pasadena; 29853
- Monterey County
 - Salinas; HZA24-000007
 - Monterey; PR0636221
- Santa Cruz County
 - Freedom; FA0001859
- Santa Clara County
 - Gilroy; PT0495199
- Alameda County
 - Fremont; FA0330445

California Department of Tax and Fee Administration, Seller's Permit:

- Alameda; 103-68401-00018
- Anaheim; 103-068401-00030
- Arcadia; 103-068401-00051
- Beaumont; 103-068401-00050
- Beverly Hills; 103-068401-00053
- Brea; 103-068401-00029
- Calabasas; 103-068401-00057
- Camarillo; 103-068401-00032
- Castro Valley; 103-068401-00019
- Daly City; 103-068401-00012
- DTLA; 103-068401-00048
- Encinitas; 103-068401-00058
- Fountain Valley; 103-068401-00042
- Freedom; 103-068401-00015
- Fremont; 103-068401-00031
- Gilroy; 103-068401-00041
- Kentfield; 103-068401-00055
- Los Altos; 103-068401-00003
- Loma Linda; 103-068401-00049
- Modesto; 103-068401-00054
- Monterey; 103-068401-00014
- Mt. View; 103-068401-00001
- Newport Beach; 103-068401-00038
- Newport Beach - San Miguel; 103-068401-00063
- Oxnard; 103-068401-00033
- Pasadena; 103-068401-00065
- Pebble Beach; 103-068401-00016
- Redwood City; 103-068401-00002
- Salinas; 103-068401-00017
- San Leandro; 103-068401-00064
- San Jose; 103-068401-00005
- San Mateo; 103-068401-00008
- San Pedro; 103-068401-00056

- Santa Cruz; 103-068401-00039
- Santa Rosa; 103-068401-00013
- Saratoga; 103-068401-00007
- SF-Nob Hill; 103-068401-00011
- SF-California; 103-068401-00035
- SF-Castro; 103-068401-00061
- SF-Ocean; 103-068401-00062
- SF-Union; 103-068401-00060
- Sunnyvale; 103-068401-00004
- Thousand Oaks; 103-068401-00044
- Torrance Beach Cities; 103-068401-00045
- Vista; 103-068401-00037

Local Business License:

- Alameda; 822422
- Anaheim; BUS2018-00721
- Arcadia; 63911
- Beaumont; 07460
- Beverly Hills; 00026617
- Brea; 44380
- Camarillo; 42338
- Castro Valley; 135319
- Daly City; LIC-7-14-21985
- DTLA; 3161093-0001-0
- Freedom; 2641
- Fremont; 89235
- Gilroy; 16606191
- Gilroy; 16606188
- Los Altos; 17206
- Loma Linda; 18716
- Long Beach; BU22017333
- Modesto; 1304069
- Monterey; 1005779
- Mt. View; 54151
- Newport Beach; BT30065738
- Newport Beach - San Miguel; BT30080289
- Oxnard; 8410-01
- Palm Desert; 13709203
- Pasadena; 77484
- Redwood City; 46914
- Salinas; 58923
- San Leandro; 4535374
- San Jose; 9782252074
- San Mateo; 48337
- Santa Cruz; BL107045
- Santa Rosa; 06507428
- Saratoga; 16-10181
- SF-Nob Hill; 1004600
- SF-California; 1004600
- SF-Castro; 1004600

- SF-Ocean; 1004600
- SF-Union; 1004600
- Sunnyvale; 069274
- Torrance Beach Cities; BL-LIC-039991
- Vista; BL-00040194

OHCA Application: Supplemental Responses

- 6. Description of transaction, including:**
- a. The goals of the transaction;**
 - b. Summary of terms of the transaction;**
 - c. Statement of why the transaction is necessary or desirable;**
 - d. General public impact or benefits of the transaction, including quality and equity measures and impacts;**
 - e. Narrative description of the expected competitive impacts of the transaction; and**
 - f. Description of any actions or activities to mitigate any potential adverse impacts of the transaction on the public.**

Pursuant to the proposed transaction, Eric Schweiger, M.D. will acquire all of the equity interests of CSI Medical Group from Greg Morganroth, M.D. The acquisition of CSI Medical Group is subject to customary closing conditions, including the concurrent closing of the sale of all of the equity interests of California Skin Institute Intermediate Holdings, LLC by California Skin Institute Holdings, LLC, which are affiliates of CSI Medical Group, to SDG Mgmt Company, LLC, a management services organization that is affiliated with Dr. Schweiger and his clinical practice. The consideration to be paid for the proposed transaction consists of \$60,000,000 in cash and the issuance of Class A3 Preferred Units and Class E Common Units of Schweiger Holding Company, LLC, the indirect parent company of SDG Mgmt Company, LLC, valued at \$51,500,000. The acquisition of California Skin Institute Intermediate Holdings, LLC is subject to customary closing conditions. The closing of the transactions is not expected to generate any material competitive impact because Dr. Schweiger and his current medical practices do not currently provide services in California and there is no consolidation or aggregation of any California physician practices or operations.

CSI Medical Group is committed to providing high-quality medical care and prioritizes the health and wellbeing of its patients. Dr. Schweiger's vision is to make top-notch dermatology services easily accessible and improve the patient experience by delivering short wait times in modern offices and convenient appointment times. In light of these goals, the parties are pursuing this transaction to allow CSI Medical Group to provide the highest quality advanced dermatology services to California patients, improve access to providers, and offer patients innovative treatments and unique

benefits leveraging Dr. Schweiger's experience in other markets. The proposed transaction is desirable and will benefit the public because it will allow CSI Medical Group to build on Dr. Schweiger's expertise in the field of dermatology to provide services to individuals of all races, genders, and economic status. The proposed transaction will also allow Dr. Schweiger and his affiliates to expand their business and enter the California market. Access to care is and will continue in California, to be a priority of Dr. Schweiger's. In other markets, about a quarter of the Schweiger patient revenue is from government payors. The closing of the transactions is not expected to generate any material competitive impact, as there will be no consolidation of existing medical practices or assets; rather, the operations of CSI Medical Group as of the date of closing are not expected to change in any material manner. Accordingly, the proposed transaction is not expected to have any adverse impacts on the delivery of care, but is designed to improve access and care quality.

10. Additional Entities to the Transaction

- a. California Skin Institute Management, LLC: California Skin Institute Management, LLC (“CSI Management”) is a Delaware limited liability company. CSI Management is a management services organization and provides non-clinical administrative services to CSI Medical Group. CSI Management is wholly-owned by California Skin Institute Intermediate Holdings, LLC. CSI Management is not a healthcare entity under 22 CCR § 97431(g) and Cal. Health & Safety Code § 127500.2, as OHCA has stated that management services organizations are not health care entities, and the entity does not otherwise qualify as a health care entity under this definition.
- b. Dr. Greg S. Morganroth: Dr. Greg Morganroth is a board-certified, fellowship-trained dermatologic surgeon, specializing in Mohs surgery, laser surgery, reconstructive surgery, and cosmetic surgery. Dr. Morganroth received his M.D. from the University of Michigan School of Medicine. Dr. Morganroth is the President of CSI Intermediate and CSI Management, and CEO of CSI Holdings.
- c. California Skin Institute Holdings, LLC: California Skin Institute Holdings, LLC (“CSI Holdings”) is a Delaware limited liability company. CSI Holdings is an investment holding company. CSI Holdings is owned by (i) Greg S. Morganroth, M.D. and his affiliates, (ii) an affiliate of Goldman, Sachs & Co., and (iii) other individual physicians and various current and former members of executive management. CSI Holdings is not a healthcare entity under 22 CCR § 97431(g) and Cal. Health & Safety Code § 127500.2 as it does not provide any healthcare services or conduct any business.
- d. California Skin Institute Intermediate Holdings, LLC: California Skin Institute Intermediate Holdings, LLC (“CSI Intermediate”) is a Delaware limited liability company. CSI Intermediate is an investment holding company. CSI Intermediate is wholly owned by CSI Holdings. CSI Intermediate is not a healthcare entity under 22 CCR § 97431(g) and Cal. Health & Safety Code § 127500.2 as it does not provide any healthcare services or conduct any business.
- e. SDG Mgmt Company, LLC: SDG Mgmt Company, LLC is a Delaware limited liability company (“SDG Mgmt”). SDG Mgmt is a management services organization and provides non-clinical

- administrative services to dermatology practices in New York, New Jersey, Pennsylvania, Connecticut, Florida, Illinois, Minnesota and Missouri. SDG Mgmt is wholly owned by SDG Management Holdings, LLC. SDG Mgmt is not a healthcare entity under 22 CCR § 97431(g) and Cal. Health & Safety Code § 127500.2, as OHCA has stated that management services organizations are not health care entities, and the entity does not otherwise qualify as a health care entity under this definition.
- f. Schweiger Holding Company, LLC: Schweiger Holding Company, LLC is a Delaware limited liability company (“Schweiger Holding Company”). Schweiger Holding Company is an investment holding company. The ownership of Schweiger Holding Company is as follows: approximately 25% Dr. Eric Schweiger, and the balance owned by other physicians and investors. Schweiger Holding Company is not a healthcare entity under 22 CCR § 97431(g) and Cal. Health & Safety Code § 127500.2 as it does not provide any healthcare services or conduct any business.
 - g. Dr. Eric Schweiger: Dr. Eric Schweiger is a medical doctor who is Board-certified in dermatology. Dr. Schweiger received his bachelor’s degree from the University of Michigan and medical degree from the Albert Einstein College of Medicine in New York City. He completed his post-doctoral training at New York University and University of Kansas Medical Center. Dr. Schweiger is the CEO of SDG Mgmt and is on the faculty at Mt. Sinai Medical Center in New York City.