

MATERIAL CHANGE NOTICE SUBMISSION DETAILS

MCN Number	2024-07-08-1182
OHCA Review Start Date	December 23, 2024
Anticipated date (unless tolled per regulation) by which OHCA could waive cost and market impact review	February 6, 2025
Anticipated date (unless tolled per regulation) by which OHCA could determine cost and market impact review required	February 21, 2025

SUBMITTER

HEALTH CARE ENTITY CONTACT FOR PUBLIC INQUIRY

Title	Mr.
First Name	Ryan
Last Name	White
Email Address	ryanwhite@amm.cc

GENERAL

Business Name	Swan Practice Holdings, P.C.
Website	https://www.seoulmedicalgroup.com/
Ownership Type	Corporation
Tax Status	For-profit
Federal Tax ID	92-3159483
Description of Submitting Organization	<p>Submitter is a California professional corporation that engages in no business activities other than owning a “health care entity,” Seoul Medical Group, Inc. (“SMG”), which itself is a California professional corporation. Submitter is 100% owned by Dr. Richard Park, a physician licensed to practice medicine in California.</p> <p>Dr. Park is an emergency medicine physician, co-founder of Ascend Partners, and founder and former CEO of City MD, a leading urgent care company.</p> <p>SMG is a risk-bearing organization (“RBO”), also called an independent practice association (“IPA”), whose participating primary care and specialist providers provide health care services to beneficiaries in California. In addition, SMG provides similar services in other states across the country. Submitter is a holding company and does not serve patients or own facilities. SMG has a number of operating subsidiaries that enter into similar</p>

	contractual arrangements in Nevada, Texas, Washington, Hawaii, Georgia, Virginia, and New York. In California, SMG receives capitated payments from health plans for the number of beneficiaries per county identified in Attachment 7. For the period 06/01/2023 to 06/30/2024, SMG, in its capacity as an RBO, reported to the Department of California Managed Health Care enrollment between 25,000 and 50,000 members.
Health Care Provider	No

LOCATIONS

Counties	Los Angeles; Orange; Santa Clara
California licenses and numbers	Submitter is registered with the California Secretary of State as a stock corporation (entity #5548540).
Other States Served	GA; HI; NV; NY; TX; VA; WA
Other state(s) licenses and numbers	N/A - Submitter, as a holding company, does not maintain other health care licenses.
Primary Languages used when providing services	English
Other language if not listed above	Submitter's subsidiary, SMG, offers services in English and Korean, and offers translation services.

MATERIAL CHANGE

ADDITIONAL ENTITIES

Business Name	Description of the Organization	Ownership Type	Additional MCN Submission
Korean-American Medical Group, Inc.	Korean-American Medical Group, Inc. is a California professional corporation formed 5/17/1990 that is 100% owned by a group of licensed physicians. In 2023, entity had \$78.8M in revenue. Please see KAMG's filings for additional details.	Corporation	Yes
King Practice Holdings, P.C.	This business entity has no annual revenue or operations and was formed on 4/2/2024 by Dr. Richard Park to effectuate the proposed transaction as the parent corporation of KAMG that will merge with and into Submitter, leaving	Corporation	No

	KAMG as a wholly owned subsidiary of Submitter.		
King Practice Mergeco, P.C.	This business entity has no annual revenue or operations and was formed on 4/2/2024 by Dr. Richard Park to effectuate the proposed transaction as the parent corporation of KAMG that will merge with and into Submitter, leaving KAMG as a wholly owned subsidiary of Submitter.	Corporation	No
SMG Operating Company, LLC	SMG Operating Company, LLC (“OpCo”) was formed in 2/22/2023 in connection with Submitter’s acquisition of SMG. As OpCo is a newly-formed entity, there is no historic revenue information available prior to 2023. Please see Submitter’s financial information for additional information.	Limited Liability Company	No
SMG Aggregator, LLC	SMG Aggregator, LLC (“Aggregator”) was formed in 2/22/2023 in connection with Submitter’s acquisition of SMG. Aggregator is a holding company with no business operations other than being the parent of SMG Midco, LLC, which is the parent of SMG Operating Company, LLC.	Limited Liability Company	No
KAMG Rollover Holdco LLC	KAMG Rollover Holdco LLC is a Delaware limited liability company created 3/22/2024. This business entity has no annual revenue or operations and was formed only to effectuate the proposed transaction. The entity is owned by a physician shareholder of KAMG.	Limited Liability Company	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
A health care entity with annual revenue, as defined in section 97435(d) , of at least \$10 million or that owns or controls California assets of at least \$10 million and is a party to a transaction with any health care entity satisfying subsection (b)(1), or	No
A health care entity located in a designated primary care health professional shortage area in California, as defined in Part 5 of	No

Subchapter A of Chapter 1 of Title 42 of the Code of Federal Regulations (commencing with section 5.1), available at data.hrsa.gov . To determine if you are located in a primary health care professional shortage area, please visit here	
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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
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TRANSACTION DETAILS

Anticipated Date of Transaction Closure	1/5/2025
Description of the Transaction	Please see attachment.
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	<p>Currently Submitter has no business activities other than being the sole owner of SMG. Both SMG and KAMG are RBOs that hold contracts with health plans and a network of independent primary care and specialist care providers. The entities arrange for the provision of primary care and specialty services, primarily in Los Angeles and Orange Counties.</p> <p>Post-transaction, KAMG will become a wholly owned subsidiary of Submitter and a sister entity to SMG. The transaction is not expected to result in any change to the level of services, geographic scope or patient population of either SMG or KAMG.</p> <p>In California, SMG currently serves, and post-transaction anticipates serving, 43,930 patients enrolled in commercial HMO and Medicare Advantage Plans in Los Angeles, Orange, and Santa Clara counties. SMG arranges for the provision of primary care and specialty physician services to its assigned members. Similarly, KAMG currently serves approximately 20,000 patients, which is split between Medicare and commercial payors. As with SMG, these patients are comprised of, generally, 65+ individuals who are Korean and prefer the Korean language (with a minority of patients preferring English).</p>

	<p>SMG does not have a community needs assessment, nor does it provide charity care.</p> <p>Medi-Cal and Medicare-eligible patients form the majority of SMG's assigned beneficiaries. There are no expected post-transaction changes thereto.</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>In 2023, SMG was acquired by Dr. Richard Park, an individual physician licensed to practice medicine in California, from a number of former shareholders of SMG, each of whom was an individual physician licensed to practice medicine in California (the "Rollover SMG Shareholders"). In addition, SMG Operating Company, LLC ("OpCo") entered into a comprehensive administrative services agreement with SMG and its subsidiaries pursuant to which OpCo assumed responsibility for all non-clinical business and administrative functions of operating SMG's business. The network of independent primary care and specialist care providers continue to manage their own separate, independent medical practices, as well as the clinical functions of their practices. Of note, today, all non-clinical business and administrative functions are generally performed by OpCo's subsidiary, Advanced Medical Management, Inc., an entity which provided such services to SMG as well as other independent California-based healthcare organizations for over a decade before the 2023 transaction. As part of the contemplated transactions, KAMG will similarly become part of the same enterprise and become party to the above-mentioned administrative services agreement.</p>
<p>Description of Potential Post Transaction Changes</p>	<p>As a result of the transaction, KAMG, a California professional corporation, will become a wholly owned subsidiary of Submitter, a California professional corporation. The former physician shareholders of KAMG will become shareholders of KAMG Rollover Holdco LLC, which will hold a minority interest in SMG Aggregator, LLC, meaning that KAMG's physician shareholders will retain ownership and share in the joint governance of the enterprise.</p>

	<p>Submitter does not have any employees and the proposed transaction is not expected to result in any workforce reductions. Employees or contractors of KAMG will continue providing services to KAMG post-transaction.</p> <p>The parties to the transaction do not have any city or county contracts among them for the provision of health care services.</p> <p>In addition to KAMG, a large number of other IPAs offer comparable services Los Angeles County, Orange County, and other counties within Southern California. These other IPAs include, but are not limited to, Astrana Health, Optum, Heritage, Evergreen IPA, Center IPA, and Prospect Medical Group. As described herein, and according to DMHC data, 214 capitated providers and RBOs operate in California, indicating ample choice in the market.</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>No material changes are planned between Submitter and any other party to the transaction within the 12 months following the date of this notice.</p>

Description of the Transaction. Address all of the following in narrative: 1. The goals of the transaction; 2. A summary of terms of the transaction; 3. A statement of why the transaction is necessary or desirable; 4. General public impact or benefits of the transaction, including both quality and equity measures and impacts; 5. Narrative description of the expected competitive impacts of the transaction; and 6. Description of any actions or activities to mitigate any potential adverse impacts of the transaction on the public.

(a) The Transaction aims to expand and provide a more comprehensive network of independent primary care and specialist physicians in the region to (i) improve the delivery of medical services to a largely underserved and under-resourced patient population, (ii) expand beneficiary access to payor mix, primary care, and specialist care physicians, (iii) enhance care coordination, and (iv) expand the availability of value-based care arrangements in the region.

(b) The transaction is structured as a series of contributions and mergers that will result in: (i) Korean-American Medical Group, Inc., a third-party California professional corporation (“KAMG”), ultimately becoming a subsidiary of Submitter, and (ii) KAMG becoming party to a customary administrative services agreement (“ASA”) with SMG Operating Company (“OpCo”), an affiliated management services organization (the “Transaction”). OpCo and its subsidiaries provide management services to Swan Practice Holdings, P.C., and its subsidiaries, and have provided similar services to unaffiliated third-party healthcare entities for well over a decade. As a result of the Transaction, KAMG’s physician shareholders will receive cash consideration as well as an indirect minority ownership interest in SMG Aggregator, LLC (an indirect parent of OpCo), meaning that KAMG’s physician shareholders will retain ownership and share in the joint governance of the enterprise.

(c) KAMG is an IPA which offers independent health care providers an alternative to joining larger health systems, thereby enabling such providers to maintain independent community-oriented practices. More importantly, KAMG focuses on the delivery of value-based care to Medicare-eligible populations, through an integrated care model led by primary care physicians (“PCPs”) who are empowered, encouraged, and focused on coordinating their patients’ care.

Leading public-health organizations, in addition to the Centers for Medicare & Medicaid Services (“CMS”), have identified the transition to value-based care as a priority for the Medicare system.¹ Moreover, the CMS Innovation Center has noted that “primary care in the United States is in urgent need of investment and support following decades of inadequate payments... [and] access to primary care is associated with improved patient outcomes, increased equity, and lower mortality/higher life expectancy at similar or lower total costs..”² Of note, according to the CMS

¹ See e.g., Commonwealth Fund, Value-Based Care: What It Is, and Why It’s Needed (Feb. 7, 2023), available at: <https://www.commonwealthfund.org/publications/explainer/2023/feb/value-based-care-what-it-is-why-its-needed>.

² See CMS Innovation Center, Strategy to Support High-quality Primary Care (June 9, 2023), available at: <https://www.cms.gov/blog/cms-innovation-centers-strategy-support-high-quality-primary-care>.

Innovation Center, “gaps in payment between primary care and specialist care persist, and fewer people report a regular source of primary care, particularly among underserved populations.”³

SMG and KAMG share a mission of improving the delivery of care, particularly primary care, through value-based payment models led by PCPs, which is consistent with the needs identified by CMS. Once KAMG and SMG’s operations are integrated, the assigned beneficiaries of KAMG and SMG will benefit from access to a broader network of health care providers, who are ready, willing, and able to deliver culturally competent and coordinated care. Such health care providers will continue to practice medicine independently in their existing community-focused settings. Convenience and accessibility of health care services are critical to improving patient outcomes, and broader networks promote improved care coordination and smoother transitions of care between different providers and services to make it easier for patients to both seek care and follow recommended treatment plans.

(d) The parties to the Transaction have many years of experience delivering high quality patient care, including arranging culturally competent care for Asian and Asian-American (and especially Korean and Korean-American) seniors. SMG was formed in 1994 and KAMG was formed in 1989. Asian-Americans, a growing Medicare population, have historically faced socioeconomic, linguistic and cultural barriers to care, and are underrepresented in medical research.⁴

The Transaction is expected to promote greater access, health equity, and quality for this community through a number of ways.

From a patient access perspective, the integration of KAMG and SMG’s operations will enable patients to access a broader network of physicians, including both PCPs and specialists. In addition, post-Transaction, patients who wish to continue seeking care from KAMG/SMG providers will have access to health plans that are currently contracted with either or both parties. This means that each patient will have greater choice in selecting the health plan option that fits their particular needs post-Transaction, while enabling the patient to retain their existing and familiar network of health care providers.

With respect to health equity, KAMG and SMG intend to continue building upon their efforts to engage bilingual staff and doctors, network-wide. Korean is among the languages most commonly spoken among Medicare beneficiaries in California with limited English proficiency.⁵ Research cited by CMS indicates that “language concordance between providers and limited English proficient individuals is associated with better health outcomes, and so better matching patients

³ *Id.*

⁴ See e.g., Assistant Secretary for Planning and Evaluation, Office of Health Policy, HP-2024-13, Health Insurance Coverage and Access to Care Among Asian Americans, Native Hawaiians, and Pacific Islanders: Recent Trends and Key Challenges (June 7, 2024).

⁵ See CMS, Understanding Communication and Language Needs of Medicare Beneficiaries (April 2017), available at: <https://www.cms.gov/About-CMS/Agency-Information/OMH/Downloads/Issue-Briefs-Understanding-Communication-and-Language-Needs-of-Medicare-Beneficiaries.pdf>.

with providers who speak the same language is expected to improve quality of care and reduce disparities.”⁶

Finally, post-Transaction, patients and their health care providers will benefit from more advanced technologies and systems designed to improve and better coordinate care. As noted in articles published by the American Hospital Association and the American Medical Association, the transition to value-based care requires substantial investment in technology systems, processes, and workflows to support population health management activities.⁷ The integration of KAMG and SMG will enable the entities to benefit from economies of scale in connection with the procurement and deployment of such advanced technology systems and software to help improve care coordination, referral management, patient engagement capabilities, and the identification and closure of care gaps.

(e) Stakeholders (including patients and health plans) have ample choice in California, and as such, the transaction will not have a negative competitive impact in any relevant market.

Physicians

According to Department of Health Care Access and Information (“HCAI”), only 10.7% of allopathic and osteopathic physicians practicing in California speak a language within the “Asian and Pacific Islander” census group.⁸ In contrast, the Department of Health Care Services (“DHCS”) has found that ~15% of Medicare beneficiaries in California and 24% of Medicare beneficiaries in Orange County have limited English proficiency, both of which are significantly higher than the nationwide statistic of 5%.⁹ DHCS also notes that Korean is one of the most common languages spoken by California Medicare beneficiaries with limited English proficiency.¹⁰ These data points, particularly within the context of the particular language needs described in (d) of the Korean and Korean-American patient population in California, underscore the need for integrated care delivery models, wherein care can be delivered to patients in their preferred language of choice, across providers and facilities.

IPAs

According to information published by the Department of Managed Health Care (“DMHC”), there

⁶ See 88 Fed. Reg. 22120, 22154.

⁷ See, e.g., American Medical Association, How 3 health systems lead on value-based care? Not by slashing costs (July 24, 2024), available at: <https://www.ama-assn.org/practice-management/payment-delivery-models/how-3-health-systems-lead-value-based-care-not-slashing>; American Hospital Association, *The Cost of Value-Based Care*, available at: <https://trustees.aha.org/articles/927-the-cost-of-value-based-care>.

⁸ See HCAI, Language Spoken by California’s Health Workforce, available at: <https://hcai.ca.gov/visualizations/languages-spoken-by-californias-health-workforce/>.

⁹ See DHCS, Cultural and Linguistic Demographics of the Californian Medicare Population (May 2023), available at: <https://www.dhcs.ca.gov/services/Documents/Cultural-Linguistic-Demographics-California-Medicare-Population.pdf>.

¹⁰ *Id.*

are 214 “capitated providers or RBOs” operating in California.¹¹ The foregoing indicates that patients in California have ample choice for seeking care from IPAs, and that health plans who wish to contract with IPAs have a wide variety to choose from. In addition, several IPAs operating in Southern California have broad name recognition and reach, including certain IPAs affiliated or otherwise owned by publicly-traded companies. For example, three IPAs in the region have reported to DMHC that they maintain PCP networks consisting of over 1,000, 1,400, and 4,000 PCPs. Other IPAs are also present in the region, including those that are focused on particular patient populations, including the Korean, Korean-American and Asian-American populations.

By contrast, SMG and KAMG will have a combined network of fewer than 150 PCPs. In addition, the SMG and KAMG networks are, by default, non-exclusive, meaning that PCPs can choose to participate in other IPAs, and can choose to contract directly with a variety of health plans. As such, there is no expectation of any adverse impact on beneficiaries or payors. There are multiple options outside of KAMG and SMG that will continue to provide care to the relevant patient population. While in-network options will be greater, patients will have the continued option to change their provider, IPA, and/or health plan and seek care from any of the multitude of IPAs in the region, as well as countless other non-IPA affiliated physicians. As such, beneficiaries will continue to have significant alternative options post-Transaction.

(f) While the positive impact on beneficiaries is expected to be substantial, the overall market impacts of the Transaction are minor. The Transaction is not expected to result in a negative impact on the availability or accessibility of services in California, nor is it expected to result in a negative impact on costs for payors, purchasers, or consumers in California.

¹¹ See DMHC, Risk Bearing Organizations, List of Capitated Providers and RBOs (June 2024), available at: <https://www.dmhc.ca.gov/LicensingReporting/RiskBearingOrganizations.aspx>.

Question 7**Submission to other Agencies**

In connection with the transaction, which will result in a change of control, customary filings will be made to the California Secretary of State (corporate filings) and the California Medical Board (FNP permit). However, these filings will be made concurrently with, or after, the consummation of the transaction, as required by applicable law.