



Policies Governing Community Benefit Spending Floor Modification Requests

May 2025

Health Policy and Analytics Division
Office of Health Analytics
Hospital Reporting Program



Oregon Health Authority Policies Governing Community Benefit Spending Floor Modification Requests

This document outlines the Oregon Health Authority’s (OHA) policies governing requests to modify a hospital community benefit minimum spending floor, as defined in [rule](#). Requests must be made in writing and submitted to the program mailbox: hdd.admin@dhsosha.state.or.us. Formal modification requests and supporting documents are subject to public posting.

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Spending Floor Program Overview

With the passage of House Bill 3076 in 2019, the Oregon State Legislature created a community benefit minimum spending floor program for Oregon’s 60 acute care hospitals and their affiliated clinics. The bill allows hospitals to choose the grouping the spending floor is applied to each individual hospital and all the hospitals’ nonprofit affiliated clinics, a hospital and a group of the hospital’s nonprofit affiliated clinics, or all the hospitals that are under common ownership and control and all of the hospitals’ nonprofit affiliated clinics.

OHA is required to calculate and apply hospital spending floors every two years and calculates the spending floor independently for each year. The first spending floors calculated were applied to hospitals’ fiscal years 2022 and 2023. For 30 days after OHA notifies a hospital or health system of its proposed community benefit minimum spending floor, members of the public may provide comments, and the hospital or health system may formally request a modification to its spending floor. OHA may agree to recalculate a hospital’s proposed floor. Or may also amend the minimum spending floor formula itself, if necessary, based on review of community benefit reports and feedback from interested parties and the general public.

More information about the spending floor program can be found on the Hospital Reporting Program [website](#) under Community Benefit Minimum Spending Floor.

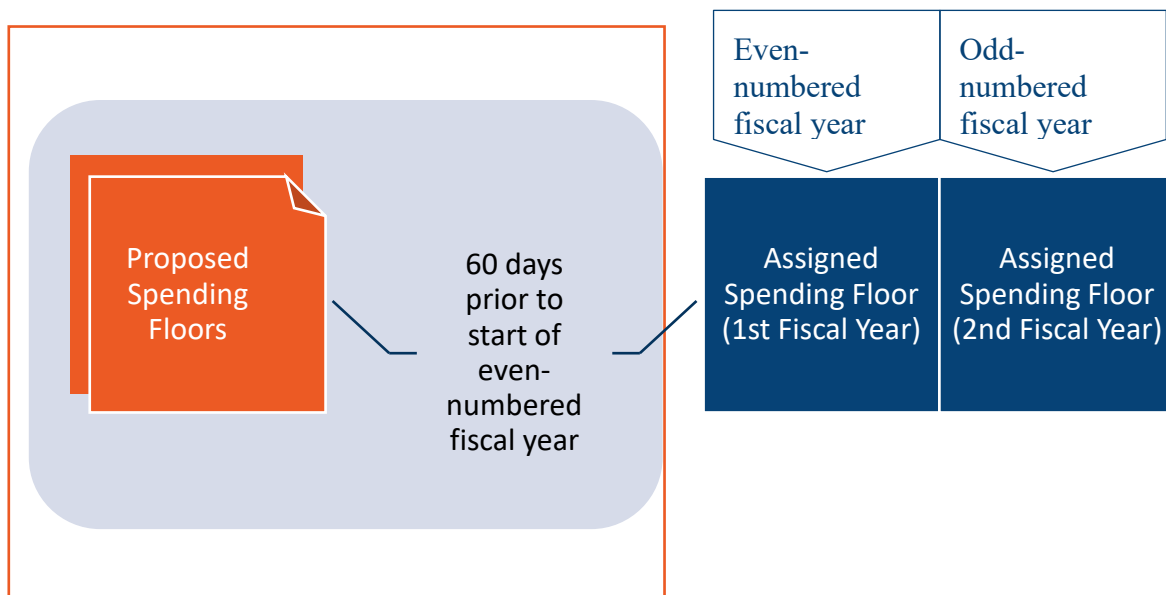
Spending Floor Modification Overview

A hospital or health system may request a modification of its spending floor at any time following receipt of OHA's letter notifying the hospital of its proposed floor and prior to the end of the relevant fiscal year.

There are two types of spending floor modifications that may be requested:

- **Modification Request Type 1: Proposed Spending Floor Recalculation**

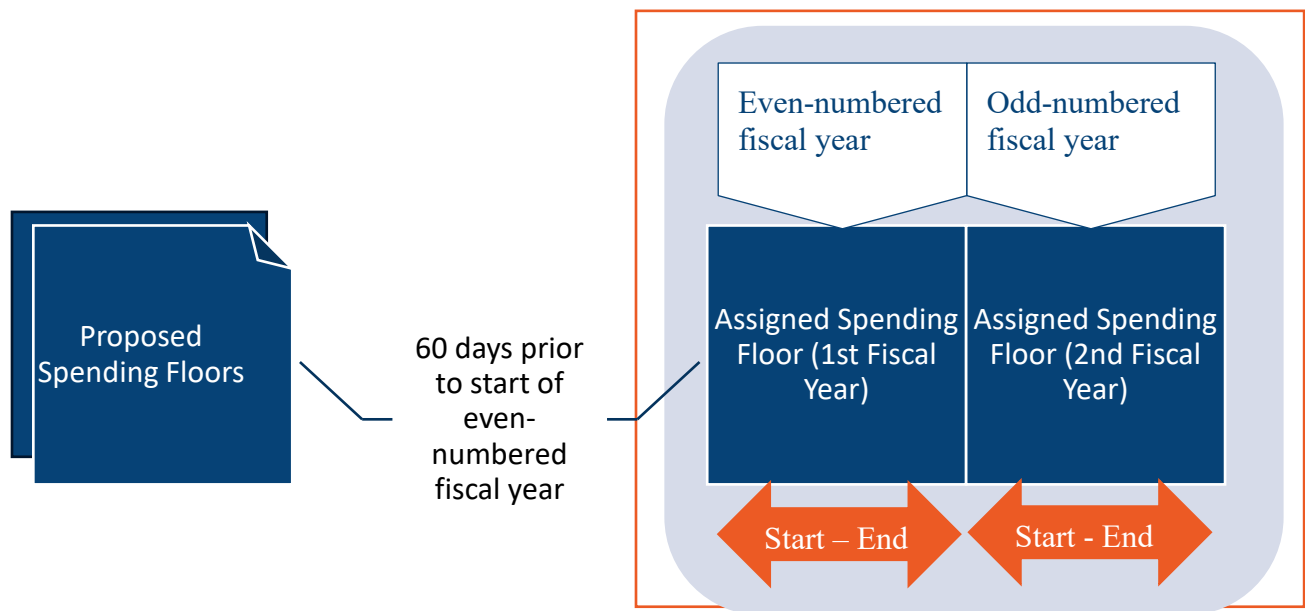
A hospital or health system may request a recalculation of its proposed spending floor prior to its spending floor being finalized by submitting evidence that one or more of the inputs in the formula are not predicted to match the inputs used in the formula calculation as proposed. This request is used if there is an error found on the proposed calculation or if the forecasted financial metrics do not align with the hospital's projections.



- **Modification Request Type 2: Assigned Spending Floor Waiver**

A hospital or health system may submit a waiver form requesting a change to its assigned spending floor after the floor is finalized and assigned and fiscal year is in process. This request is used to waive and modify a finalized spending floor based on financial need or due to a change in operating conditions outside the hospital's control.

Modifications made in response to a request to recalculate or waive the spending floor may change the inputs to the formula used to calculate the hospital's spending floor, but they do not alter the formula itself. If one of these requests is approved, OHA may modify a portion of the spending floor, thus lowering the overall spending amount. All requests require significant evidence in support, are subject to public posting, and are at OHA's discretion.



General Guidelines

Modification requests will always be handled on a case-by-case basis following these general guidelines:

1. Any modification is at OHA's discretion.
2. The burden of proof is on the hospital. The hospital must provide the rationale and justification for any new facts or figures they supply to OHA.
3. In a recalculation request, based on a data discrepancy, the hospital must, at minimum, show that with the correct inputs the spending formula will set a lower spending floor than the proposed assumptions.
4. In a recalculation request based on a risk for financial harm, or a waiver request based on a risk of financial harm, OHA will consider the entire financial picture of the hospital. This includes but is not limited to other operating revenue amounts, investment income amounts, cash on hand, or any other metric which may inform if the hospital is at risk for financial harm from the originally calculated spending floor.

Modification Request Type 1: Proposed Spending Floor Recalculation

Hospitals may request a spending floor recalculation modification within 30 days of receipt of their proposed spending floor in the following events:

- If the hospital discovers that OHA's data does not match data in the hospital's records
- If more recent data indicates the hospital's financial metrics will be lower than the formula assumes.

→ In the case of an error or data discrepancy

If OHA is alerted either by their own review or by the hospital or health system that OHA made an error, such as by using an input that differs from correctly submitted data, OHA will recalculate the proposed floor with no further action required from the hospital.

If the hospital makes an error, such as by submitting data that differs from that on hospital records, the hospital must resubmit the data on the relevant form (FR-3 or CBR-1 forms on the Hospital Reporting Program [website](#)) prior to OHA recalculating the proposed floor.

→ **If the hospital believes future financial metrics will be below the averages in the formula and that meeting the spending floor as assigned poses financial risk**

The spending floor formula assumes that in the following two years, a hospital will perform *at least* as well as the calculated trend projects, which is based on previous years' performance.

OHA may consider the following four modifications to the spending floor calculation when more recent projections indicate financial metrics will be lower than assumed:

- A request to use more recent data

The spending floor uses the most recent data available to OHA from FR-3 and CBR-1 reporting which results in a data lag of one fiscal year. A hospital may submit more recent data to recalculate the spending floor. For example, OHA uses FY2024 data to calculate the FY2026 spending floor. A hospital may submit preliminary FY2025 data for consideration. For any more recent data (FY2023 data in this example) the hospital may not include more than one quarter of projected data.

- A change in the projected calculated amount of unreimbursed care

A hospital or health system may request a recalculation of their proposed floor if they project their actual unreimbursed care will not meet the unreimbursed care amount in the proposed formula. This request must include evidence to support the projection. The intention of the unreimbursed care portion of the formula is to maintain consistent care in response to community needs. If OHA deems the hospital's predicted value to be well supported, OHA may elect to replace the formula's value of unreimbursed care with the previous 5-year trend or a similar, adjusted trend that OHA and the hospital agree upon.

- Incorporating a more recent operating margin year into the calculation

OHA's formula uses the three most recent fiscal year operating margins based on FR-3 reporting. A hospital may elect to provide their most current operating margin available if well supported with documentation. OHA would use the most recent operating margin as the last data point in the series of three fiscal years to establish the operating margin average. For example, if a hospital supplied FY2025 data, OHA would use FY2023, FY2024 and FY2025 to determine average the operating margin for the spending floor calculation.

- Calculating a more recent value for net patient revenue for the second-year floor.

OHA would use the more recent figure as the last value in the series to establish the 4-year change in net patient revenue. Similar to the above example for operating margin using FY2025, OHA would use the percent change from FY2022 through FY2025 to determine the average year-over-year change.

Modification Request Type 2: Assigned Spending Floor Waiver

Hospitals may request a spending floor modification at any point after the start of their fiscal year and throughout the duration of the fiscal year, but not after the last day of the fiscal year. If a hospital or health system requests a spending floor waiver, they must complete and return the waiver with sufficient evidence to support their request. Waivers are allowed under two general circumstances:

1. Financial Hardship

A financial hardship waiver is for situations in which the hospital's projected trends of the spending floor formula are accurate, but the financial situation of the hospital would be jeopardized by meeting the spending floor obligations. To be approved for a financial hardship waiver, the hospital must provide evidence of current or imminent financial instability or evidence of a change in financial circumstance including but not limited to data on current days cash on hand, current cash to debt ratio, capital spending ratio, and trend information that may inform future projections for revenue and expense. The hospital must disclose the circumstances that result in the inability to meet the community benefit minimum spending floor obligations.

Any modification due to financial hardship are handled on a case-by-case basis. OHA cannot waive any legal obligation a hospital has to provide financial assistance, even in the event of financial hardship.

2. Change in Circumstances Outside the Hospital's Control

A waiver due to a change in circumstance will be evaluated similarly to the Type 1 request for a spending floor recalculation. A hospital may request a waiver if their actual financial metrics do not match or come close to the projected trend for their financial metrics as calculated in the spending floor formula. These circumstances might be more temporary or offer a more immediate solution than a financial hardship waiver. A hospital may make the same appeal as stated in the Type 1 request section. However, they must clearly state what circumstance has changed that resulted in financial performance not meeting assumptions. As with Type 1 requests, a hospital may be required to show updated data or information to validate the change in trend.

Public Disclosure

Any formal request made to OHA will be posted on the website for a 30-day public comment period, regardless of whether the request is approved or denied. Any information provided to OHA to support the request may also be subject to public posting.

OHA welcomes informal requests for information from any hospital wishing to better understand this program and their options. However, no agreement on a spending floor modification will be reached without a formal request submitted to OHA for public posting.

Frequently Asked Questions

	MODIFICATION REQUEST TYPE 1: PROPOSED SPENDING FLOOR RECALCULATION	MODIFICATION REQUEST TYPE 2: ASSIGNED SPENDING FLOOR WAIVER
DESCRIPTION	A request to recalculate the proposed spending floor before the floor has been assigned.	A request to recalculate the assigned spending floor after the floor has been assigned.
WHEN CAN I APPLY?	Within 30 days of receiving the proposed, even-numbered-year spending floor calculation OR within 90 days of the start of second, odd-numbered fiscal year	At any time during the fiscal year but not after the end of the fiscal year.
I SHOULD CHOOSE THIS REQUEST IF...	My spending floor has been proposed but has not yet been assigned.	My spending floor has been assigned and my fiscal year has begun.
WHAT KIND OF EVIDENCE SHOULD I PROVIDE?	Actual and/or projected inputs to the spending floor formula or other financial metrics that influence the hospital/health system's ability to meet the spending floor. This could include quarterly budget projects/updates; updated operating margin, operating expenses, operating profit; unreimbursed care projections, direct spending projections; other factors unique to the hospital/health system.	Recent financial data that indicates hardship: actual and/or projected inputs to the spending floor formula or other financial metrics that influence the hospital/health system's ability to meet the spending floor. This could include quarterly budget projects/updates; updated operating margin, operating expenses, operating profit; unreimbursed care projections, direct spending projections; other factors unique to the hospital/health system.
WHAT IS THE PROCESS FOR THIS REQUEST?	<ol style="list-style-type: none"> 1. Email OHA Hospital Reporting Program with initial request. 2. OHA will set up a meeting to discuss the request. 3. Hospital provides documentation to OHA in support of request. 4. Hospital submits formal letter explaining the request, request reasoning and evidence to support request. 5. OHA approves or denies request. If approved, recalculates floor and posts all submitted documents. 	<ol style="list-style-type: none"> 1. Email OHA Hospital Reporting Program with initial request. 2. OHA will set up a meeting to discuss the request. 3. Hospital submits waiver form and provides documentation to OHA in support of request. 4. Hospital submits formal letter explaining the request, request reasoning and evidence to support request. 5. OHA approves or denies request. If approved, recalculates floor and posts all submitted documents.