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Hospital Community Benefit Minimum Spending Floor

Methodology Announcement for Hospital Fiscal Years 2028 and 2029

Background

Pursuant to OAR 409-023-0110, the Oregon Health Authority (OHA) will publish the formula used to calculate hospitals' community benefit minimum spending floors for a two-year cycle by January first of every odd-numbered year. The community benefit minimum spending floor program is effective January 1, 2021.

Spending Floor Methodology for Hospital Fiscal Years 2028 and 2029

OHA will assign and publish minimum spending floors using the following formula for hospital fiscal years (FY) 2028-2029:

FY 28 spending floor = **3-year average of unreimbursed care spending** + (**direct spending net patient revenue percentage** × **3-year average operating margin multiplier**)

FY 29 spending floor = **FY28 spending floor** + (FY 28 spending floor × **4-year average percent change in net patient revenue, capped at +/- 10%**)

Where:

Three-year average of unreimbursed care is the arithmetic mean of the sum of unreimbursed Medicaid net costs, charity care net costs, other public programs net costs, and subsidized health services net costs for FY 2024, FY 2025, FY 2026 as reported on form CBR-1 to OHA.

Direct spending net patient revenue percentage is a percentage of net patient revenue for FY 2026 as reported on form FR-3. The percent amount is based on hospital type. For DRG hospitals, the amount is 1.5% of net patient revenue, for Type A and Type B hospitals it is 1.0% of net patient revenue.

Three-year average operating margin multiplier is a multiplying factor applied to the direct spending net patient revenue portion of the formula based on the arithmetic mean of the FY 2024, FY 2025, and FY 2026 operating margins, expressed as a percentage of operating revenue, as reported to OHA on form FR-3. The factors are:

- 1.05 for three-year average operating margins of 6% or more
- 1.0 for three-year average operating margins between 3% and 6%
- 0.9 for three-year average operating margins between 0% and 3%
- 0.8 for three-year average operating margins between -2% and 0%
- 0.75 for three-year average operating margins less than -2%

Four-year average percent change net patient revenue is the arithmetic average of year over year change in net patient revenue from FY 2022 to FY 2026. The percent change adjustment is capped at + or – 10%.

Important Dates for FY 2027 and FY 2029 Spending Floors

- Hospitals shall use form CBR-3 to report the organizational grouping they are selecting for purposes of calculating their minimum community benefit floor, in accordance with ORS 409-023-0110, no later than 90 days prior to the start of each even-numbered fiscal year.
- OHA will publish an initial spending floor calculation, based on the selected organizational grouping, 60 days prior to the start of the even-numbered fiscal year.
- A public comment period of 30 days shall begin the day the floor is published.
- Hospitals will have 30 days from the day the floor is published to review and request changes.
- Spending floors are final on the first business day of an even-numbered fiscal year.

The table below identifies the calendar dates for these events for FY 2028 – 2029 by hospital fiscal year.

Hospital Fiscal Year	CBR-3 Due	Initial Floor	Hospital Response	Final Spending Floor
April 1 Fiscal Year	1/1/2027	2/1/2027	3/1/2027	4/1/2027
May 1 Fiscal Year	2/1/2027	3/1/2027	4/1/2027	5/1/2027
July 1 Fiscal Year	4/1/2027	5/1/2027	6/1/2027	7/1/2027
October 1 Fiscal Year	7/1/2027	8/1/2027	9/1/2027	10/1/2027
January 1 Fiscal Year	10/1/2027	11/1/2027	12/1/2027	1/1/2028

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