



May 16, 2023

Cost Growth Target Advisory Committee  
Sustainable Health Care Cost Growth Target Program  
Oregon Health Authority  
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Members of the Advisory Committee:

The Oregon Association of Hospitals and Health Systems (OAHHS) is a mission-driven, nonprofit association representing Oregon's 62 community hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer Oregon with equitable access to quality health care, OAHHS provides services to Oregon's community hospitals ensuring all are able to deliver dependable, comprehensive health care to their communities; educates government officials and the public on the state's health landscape; and works collaboratively with policymakers, community organizations, and the health care community to build consensus on and advance health care policy benefiting the state's 4 million residents.

Hospitals are more than just buildings; they are cornerstones within the communities they serve. Our hospitals are employers, partners in community projects, and community spaces—all while providing vital health services to generation after generation of families in communities across Oregon. We know that when our hospitals are strong, our communities win.

We appreciate the opportunity to offer comments in response to the two reports released by the Health Care Cost Growth Target program earlier this month.<sup>1</sup> These reports are a significant step forward in the development of this program. We continue to support the cost growth target program as a tool to help understand cost drivers in our health care system, promote transparency, and make informed policy choices.

The cost trends presented in the reports reflect the impact of tectonic shifts observed throughout the health care system during the COVID-19 pandemic. Quantifying the resulting patterns of cost growth helps illuminate the magnitude of the impact and the varied outcomes across different areas of the system. We expect to see significant ripple effects from the pandemic reflected in cost trends for years to come.

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<sup>1</sup> Oregon Health Authority, [Health Care Cost Growth Trends in Oregon, 2018-2020](#), May 2, 2023; [Health Care Cost Growth Trends in Oregon, 2020-2021](#), May 9, 2023.

Building on these initial reports, we see the following opportunities for further exploration and discussion as the program learns from the data it is collecting and analyzing:

- **Clarify methodology with robust stakeholder engagement and transparency.** These reports appear to contain some differences in analysis from what was originally contemplated by the Implementation Committee and the Oregon Health Authority (OHA). For example, Net Cost of Private Health Insurance (NCPHI) is measured separately from market-level Total Medical Expenses (TME) rather than including both NCPHI and TME in a market-level calculation of Total Health Care Expenditures (THCE).<sup>2</sup> NCPHI is also excluded from cost growth measurements at the individual payer level,<sup>3</sup> suggesting that individual payers will not be held accountable for cost growth in NCPHI. While we recognize that there may be a need to evolve the methodology behind these reports as we gain more experience, transparency and robust stakeholder engagement are critical in this process to ensure that the program is meeting its intended objectives.
- **Explore differential and underlying patterns.** For instance, another recent cost analysis by OHA acknowledged the importance of understanding the impact of utilization vs. price on cost trends.<sup>4</sup> In the 2020-2021 report, much of the cost growth is attributed to increased utilization due to delayed care from earlier in the pandemic; however, Medicaid showed a negative cost trend, despite it being reasonable to expect that Medicaid members would also have delayed care earlier in the pandemic. Another example might be to explore whether the proportion of TME that consumers are expected to pay out of pocket has shifted, as well as the impact of hospital financial assistance.
- **Pursue a deeper understanding of cost drivers.** While the payer and provider perspectives offered in these reports provide helpful insight into the reasons for certain cost trends, these cost drivers should be evaluated quantitatively to the extent feasible, using transparent processes developed in consultation with stakeholders. This will help ensure objectivity and consistency as information gleaned through the cost growth target program is used to make policy decisions and to determine payer and provider accountability when the target is exceeded.

The importance of transparency and consistency in the cost growth target program's methodology cannot be overstated. OHA has considerable discretion under the law to determine what cost growth is reasonable and what warrants a performance improvement plan or financial penalty. Especially in our existing health care and economic environment, it is important to ensure that these penalties are not a barrier to achieving our collective goals of supporting, retaining, and growing the health care workforce and maintaining access to quality care in our communities. Uncertainty in how the

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<sup>2</sup> See, for example, p. 17 of the 2020-2021 report and p. 22 of the 2018-2020 report, which measure NCPHI as a separate category rather than including it in the measures of THCE for each market. Contrast this with the descriptions of THCE on p. 10 of the 2020-2021 report and p. 11 of the 2018-2020 report, which include NCPHI as a component of THCE. The latter descriptions appear consistent with the original [Implementation Committee Recommendations](#) (January 2021), which describe the calculation of THCE on pp. 26-30.

<sup>3</sup> See p. 55 of the 2018-2020 report and p. 27 of the 2020-2021 report. Contrast this with OHA's prior [communication to providers in May 2022](#), slide 35, and the [Implementation Committee Recommendations](#), pp. 29-31, which describe the use of TME to measure provider-level cost growth but THCE to measure payer-level cost growth.

<sup>4</sup> Oregon Health Authority, [Health Care Cost Trends: Price & Utilization](#), State and Market Level Data in Oregon, 2013-2019, November 2022.

accountability standards in this program will be applied increases the risk of unintended consequences for our communities and our health care workforce.

That is one reason we are working with our labor partners to advance House Bill 2045,<sup>5</sup> which was passed unanimously by the Oregon House of Representatives last Thursday, May 11, 2023. The bill provides a mechanism to quantify the impact of frontline worker compensation on provider organizations' cost growth as well as clear legislative direction that providers will not face penalties if they exceed the cost growth target as a result of investments in their frontline workforce. This is one example of the level of clarity, transparency, and predictability that the cost growth target program needs to ensure that it accomplishes its intended goals.

We look forward to continued discussion as the cost growth target program evolves through its implementation. While the recent reports signal important progress, they are also reminders that we are still near the beginning of the conversation. Thank you for the opportunity to engage on behalf of our members and the communities they serve.

Thank you,



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<sup>5</sup>[HB 2045](#).