

SENT VIA EMAIL

To: Josephine (Jodie) Mooney, Senior Vice President, Chief Legal and Risk Officer,
St. Charles Health System

RE: CGT-2024-PROV-16
St. Charles Petition for Reconsideration and Request for Contested Case
Hearing
January 26, 2025, Informal Conference

Oregon Health Authority's (OHA) Sustainable Health Care Cost Growth Target Program (CGT) is tasked with monitoring the cost of health care in Oregon and holding payer and provider organizations accountable for cost growth that exceeds the annual target with statistical confidentiality and without acceptable reason. The CGT is governed by Oregon Revised Statutes (ORS) 442.385 through 442.386 and Oregon Administrative Rules (OAR) Chapter 409, Division 065.

Per ORS 442.386 and OAR 409-065-0035, OHA reviews underlying cost drivers and reasons for cost growth and makes a determination as to whether such conditions or factors, or combination of such conditions or factors, suffices as reasonable cause for an entity to exceed the cost growth target for the measurement period.

On October 31, 2025, OHA issued its Notice of Proposed Determination and Right to Request a Hearing ("Notice") finding that St. Charles' health care cost growth for the Commercial market from 2022-2023 was not due to acceptable reason(s).

On November 20, 2025, St. Charles timely filed a Request for Contested Case Hearing and Informal Conference ("Request") pursuant to the requirements of OAR 409-065-0050(4).

On December 3, 2025, St. Charles timely filed a Petition for Reconsideration ("Petition") pursuant to the requirements of OAR 409-065-0050(1).

On January 16, 2026, St. Charles filed a memorandum with OHA containing additional information in support of its Request and Petition (“January 16 memo”).

On January 26, 2026, OHA held an in-person informal conference with St. Charles (the “conference”), the purpose of which was to:

- (A) Provide an opportunity to settle the matter;
- (B) Give the parties and the Authority an opportunity to review the information which is the basis for the action; and
- (C) Give the parties and the Authority the chance to correct any misunderstandings of the facts.

This conference served as both the informal conference for reconsideration and for the contested case hearing.

This correspondence serves to outline certain items discussed in the conference and to request additional supporting information from St. Charles in support of its Request and Petition. OHA will not post this correspondence on the public facing website absent discussion with St. Charles. If OHA is subject to a public records request, OHA will contact St. Charles prior to its release of this correspondence.

Summary of Conference and Outcome

Participants: Jodie Mooney (St. Charles), Matthew Swafford (St. Charles), Cara Marsh-Rhodes (St. Charles), Anna Claypool (St. Charles), Sarah Bartelmann (OHA), Scott Hillier (OHA), Sam Smith (OHA), Karine Gialella (DOJ), Eric Seepe (DOJ).

OHA reviewed the Cost Growth Target Program data validation and determination of reasonableness process for the 2022-2023 measurement period and explained the overall process for the conference, reconsideration request, and potential next steps. After requesting and reviewing any additional information, OHA intends to issue a revised determination to, at minimum, correct a typographical error.

As discussed, potential outcomes include the following:

- If OHA accepts St. Charles’ reasons and determines that St. Charles now has acceptable reasons for all excess cost growth, OHA will withdraw its Notice and issue a revised finding of

acceptable cost growth for the 2022-2023 measurement period to St. Charles. The result of this revised finding is that St. Charles will not be required to develop and submit a performance improvement plan (PIP), and the 2022-2023 measurement period will not count as a “strike” toward a financial penalty. No further action from St. Charles is needed.

- If OHA does not accept St. Charles’ reasons, or if some reasons are accepted but St. Charles still has unacceptable excess cost growth remaining, OHA will issue a revised Notice of Proposed Determination of unacceptable cost growth for the 2022-2023 measurement period to St. Charles. OHA will update all applicable documentation. If there are no material changes to the Notice, OHA will refer the matter to the Office of Administrative Hearings (“OAH”) to proceed with a contested case hearing. If there are material changes to the Notice, OHA will provide St. Charles with an additional notice period to request a contested case hearing. If St. Charles again requests a contested case hearing, OHA will then refer the matter to OAH to proceed with a contested case hearing. A final determination will be issued only after the contested case hearing process concludes.

Conference Discussion

St. Charles asked questions about what factors OHA took into consideration in making the initial reasonableness determination; OHA clarified that factors were documented in the Notice, Attachment A, provided more information about the internal analyses it conducts during the determination process, and confirmed that market share was not a factor used in the determination. St. Charles confirmed that it was not challenging the calculation of 26.3% commercial cost growth.

OHA asked St. Charles for more information on the change to sole community hospital status and the process with the Centers for Medicare & Medicaid Services (“CMS”). St. Charles confirmed that they submitted an application to CMS. OHA asked if St. Charles would be able to quantify the impact the change in hospital status had on commercial reimbursement and St. Charles indicated this may be possible.

St. Charles provided additional context on economic factors outside of 2022-2023 and their multi-year efforts to recover from the effects of the pandemic, including shifting from temporary / contract workforce to permanent workers, addressing deferred maintenance, and potential implications for maintaining level 2 trauma status.

OHA asked St. Charles for more information about community investments and shared concerns about payments made within integrated organizations. OHA agreed to accept an updated declaration from St. Charles regarding the subsidy agreements and will work with St. Charles to develop acceptable language.

OHA confirmed that it will correct the avoidable days / avoidable delays typographical error in the Notice; St. Charles confirmed that they reduced avoidable days which were not paid by CMS, which in turn freed up hospital beds for patients and reimbursable elective services. St. Charles also confirmed challenges in discharging and transferring people during COVID-19. OHA shared that other organizations have also noted these challenges as part of the determining reasonableness process and OHA will request supporting data from St. Charles in follow-up correspondence.

OHA shared that in making determinations, it is looking for three things: supporting data, contextual narrative, and a connection to one of the acceptable reasons on the list [outlined in Oregon Administrative Rules 409-065-0035(2)]. OHA agreed to send St. Charles a detailed list of questions and requests to support the Request, which will include a notation of where St. Charles has already provided one or more of these required components. OHA confirmed that it will provide an updated table in the revised Notice to provide transparency into the potential reasons for excessive cost growth and whether these reasons were accepted by OHA.

St. Charles confirmed that it is not asserting that any information in the Request, Petition, and January 16 memo is confidential under Oregon law. On January 26, 2026, St. Charles provided written correspondence to OHA confirming that fully unredacted versions of the Request, Petition, and January 16 memo will be posted on OHA's public-facing website. OHA confirmed the posting of these documents on January 27, 2026.

Requested Information

In order to further understand arguments made by St. Charles during the conference and in St. Charles' Request, Petition, and January 16 memo, OHA is requesting St. Charles submit the following information to OHA:

- a. Avoidable Days.

- i. Please provide a written narrative describing how commercial health insurance reimbursement to St. Charles relates to Medicare payments and status during the 2022-2023 measurement period. Specifically, please address whether there were situations where commercial payers paid for longer or shorter hospital stays than they were contractually obligated to pay. Further, please quantify any difference in commercial reimbursement to St. Charles this resulted in.
- ii. Please provide a written narrative describing the inability to discharge commercial patients during the 2022-2023 measurement period. In your response, please identify any long-term care or other facilities that specifically contributed to the inability to discharge commercial patients. Please also describe any changes during the 2022-2023 measurement period or later that resulted in improving St. Charles' ability to discharge commercial patients.
- iii. Please provide a written narrative describing the primary elective procedures (or procedure groups e.g. joint replacements) that returned or increased during the 2022-2023 measurement period.
- iv. Please submit supporting data (procedure, volume, and average cost) on the top 20 elective procedures for commercial patients between 2017-2023 using the template labelled as Attachment 1 and attached hereto.
- v. Please provide a written narrative addressing whether St. Charles' commercially insured patients experienced higher acuity post-COVID during the 2022-2023 measurement period. In your response, please describe any measures you are relying on for this and provide supporting data, if applicable.
- vi. Please submit supporting data on length of stay (LOS) for St. Charles' commercially insured patients between 2017-2023 using the table labelled as Attachment 2 and enclosed herein. Along with the requested data, please include a written narrative explaining how observation days and same-day discharges have been addressed in the data.

b. Sole Community Hospital Status

- i. Please provide a written narrative describing what led St. Charles to receiving the Sole Community Hospital and Rural Status Designations in 2022. In this response,

please include a detailed timeline and process steps that led to this designation. Specifically, please include information on any changes in CMS rule or policy related to sole community hospital designations that may have affected St. Charles' decision to apply for the designation. Further, please also include if applicable, any other state or federal change in statute, administrative rule, or guidance that led St. Charles to applying for this designation.

- ii. Please provide a written narrative describing how the change to sole community hospital status affected St. Charles' reimbursement rates. In this response, please be specific about how this change affected St. Charles' *commercial* reimbursement rates. If St. Charles also renegotiated commercial reimbursement rates unrelated or not directly linked to the sole community hospital status, please either refrain from including these increases in the response or separately list these increases in the response.
- iii. Please provide supporting data quantifying how the change to sole community hospital status affected St. Charles' commercial reimbursement during the 2022-2023 measurement year. Please include any methodology notes, formulas, and references to payment schedules, as applicable, used to quantify the change.

c. Level 2 Trauma Designation and Community Stabilization

- i. Please provide a written narrative and supporting data, if applicable, quantifying payments (e.g., investments, subsidies, etc.) made to community and provider organizations that describe how these were necessary for St. Charles to maintain its level 2 trauma designation.
 1. To the extent St. Charles is comfortable sharing, please provide some information about the type of organizations, type of payment, and a general sense of what the payments were for (e.g., \$xx grant made to local primary care practice to purchase medical equipment).
 2. If applicable, please describe any changes in commercial reimbursement or commercial payer contracts made related to the level 2 trauma designation or to support community investments that affected the 2022-2023 measurement period.

ii. Please submit an additional or updated declaration that provides additional information related to this level 2 trauma designation. OHA will accept and review proposed language prior to execution. At minimum, please ensure the additional or updated declaration includes language that mirrors or is similar to the following:

1. In 2023, St. Charles provided \$xx in investments to community organizations to [*include a high level summary of what these investments included and were for*].
2. St. Charles confirms that these investments are in addition to and not duplicative of the previously declared (1) \$3.7M in community benefit across its health system, (2) \$10M in free or reduced charges to patients for medical care, and (3) \$98M in unreimbursed care.
3. St. Charles confirms that it does not have any potential or perceived conflicts (e.g. ownership interest, financial stake, etc.) in these community organizations.

iii. In the August 14, 2025, submission, St. Charles included the opening of a St. Charles urology clinic in 2023 under community stabilization. Please address the following:

1. Describe any connections between this clinic and St. Charles' level 2 trauma designation.
2. Describe any other new clinics, facilities, or lines of service newly opened or offered during the 2022-2023 measurement period related to St. Charles' level 2 trauma designation, if applicable.
3. If these new clinics, facilities, or services resulted in St. Charles negotiating increased reimbursement rates with commercial payers that would affect the 2022-2023 measurement period, please describe all such contract changes.

d. Additional Information on Encounter Mix Changes

St. Charles previously provided insufficient information related to this reason (as documented in Attachment A to the Notice). As requested during the conference, the following is further explanation of what information OHA has received to date and what

information is still required in order for St. Charles to support further consideration of this proposed reason.

i. In the August 14, 2025, submission, St. Charles included the following information under encounter mix changes:

1. 8% increase in higher acuity surgical volumes as we reduced the post-COVID surgical backlog.
2. 4% increase in commercial Case Mix Index (CMI) for surgical diagnosis related groups (“DRGs”).
3. \$1.5 million increase in reimbursement by reducing avoidable days and replacing with reimbursable services.
4. COVID vaccinations resulted in additional \$100,000 reimbursement in 2023.

ii. Higher Acuity Surgical Volumes

1. To the extent not already addressed in section a. “Avoidable Days” above, and to the extent that St. Charles is pursuing a determination of reasonableness under a second and distinct criterion, please provide a written narrative and supporting data describing the 8% increase. Please include, at minimum:
 - a. Data for multiple years (2017-2023 suggested), showing the surgical volume for patients and acuity scores, stratified by payer type (Medicaid, Medicare, Commercial)
 - b. A written narrative describing the methodology for acuity scores or determining patient acuity.

iii. Commercial Case Mix Index

1. To the extent not addressed in section a. “Avoidable Days” and subsection (ii)(1) of section d. “Additional Information on Encounter Mix Changes” above, and to the extent that St. Charles is pursuing a determination of reasonableness under a second and distinct criterion, please provide a written narrative and supporting data describing the 4% increase in

commercial Case Mix Index (CMI) for surgical DRGs. Please include, at minimum:

- a. Data for multiple years (2017-2023 suggested), showing CMI by surgical DRG and an indication of patient and procedure volume, stratified by DRG (or DRG group), preferably with sufficient detail to support a per member per month calculation.
- b. A written narrative describing the methodology used.

iv. COVID Vaccinations

1. Please provide supporting data and a written narrative for the increased reimbursement. Please include, at minimum:
 - a. Clarification if the \$100,000 was all commercial reimbursement, or if this figure includes any other payer reimbursement.
 - b. Written narrative explaining the increase (i.e. was the increase due to an increase in patients, vaccinations provided, reimbursement for the vaccinations increasing, etc.).
 - c. Data quantifying the increase, preferably with sufficient detail to support a per member per month calculation.

OHA is requesting St. Charles submit the above information within 30 days from the date of this letter. If St. Charles needs additional time to compile information or needs clarification on any of the above requests, please reach out to OHA.

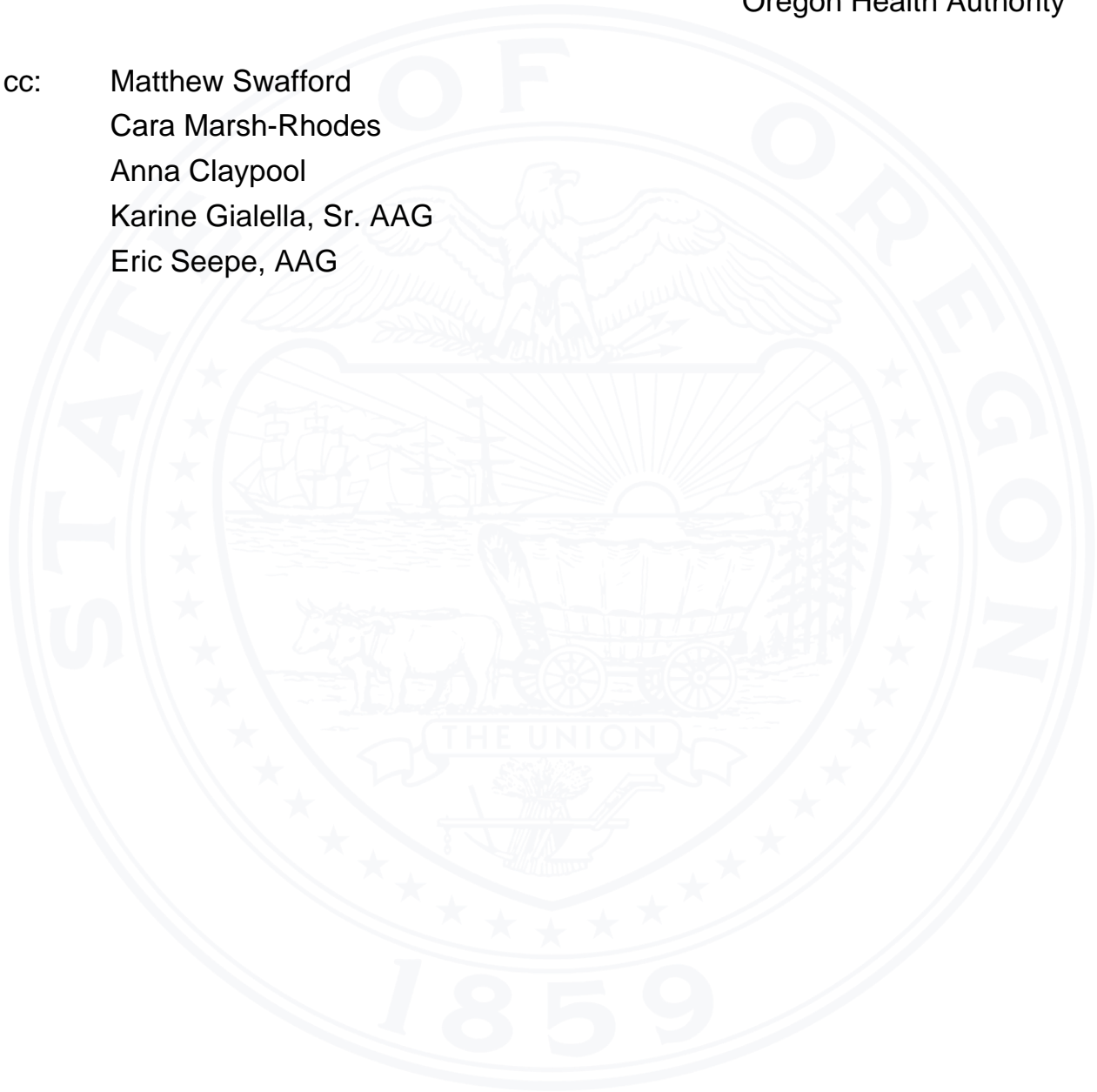
If St. Charles wishes to designate any information or data in its response to this letter as confidential, please follow the instructions in OAR 409-065-0042, and include a redaction log that provides a reasonably detailed statement of the grounds on which confidentiality is claimed and the reasoning for such redaction.

Dated this 30th day of January, 2026



Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority

cc: Matthew Swafford
Cara Marsh-Rhodes
Anna Claypool
Karine Giaella, Sr. AAG
Eric Seepe, AAG



Attachment 1. Elective Procedures Table
See accompanying spreadsheet.



Attachment 2. Length of Stay Table

Year	Commercially Insured Inpatient Discharges (count)	Total Inpatient Days for Commercially Insured Patients (count)*	Average Length of Stay for Commercially Insured Patients (days / discharges)	Commercially Insured Inpatient Days that were Not Reimbursed (count)**	Average Daily Census	Average Staffed Beds***
2017						
2018						
2019						
2020						
2021						
2022						
2023						

*Total Inpatient Days = reimbursed and not reimbursed.

** Days that were not reimbursed should be a subset of Total Days

***Beds for which St. Charles has adequate equipment and staffing to operate