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**STATE OF OREGON
OREGON HEALTH AUTHORITY
HEALTH POLICY AND ANALYTICS DIVISION
SUSTAINABLE HEALTH CARE COST GROWTH TARGET PROGRAM**

In the Matter of:

Providence Health Plan, an Oregon
Nonprofit Corporation; Providence
Health Assurance, an Oregon
Nonprofit Corporation; Providence
Health & Services – Oregon, an
Oregon Nonprofit Corporation

For the Cost Growth Target
measurement period: 2022-2023

Agency No. **CGT-2024-PAYER-02**
CGT-2024_PROV-02

**NOTICE OF PROPOSED DETERMINATION
AND RIGHT TO REQUEST A HEARING**

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 payers and provider organizations accountable for cost growth that exceeds the annual target with statistical confidence and without an acceptable reason. The CGT is governed by Oregon Revised Statutes (ORS) 442.385 through 442.386 and Oregon Administrative Rules (OAR) Chapter 409, Division 65.

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.

Now, therefore, upon due consideration of the circumstances, including the mandatory cost growth target data submissions, supplemental information provided by the entity, and the entirety of OHA's record, OHA enters the following Notice of Proposed Determination.

Procedural History and Findings of Fact

1. OHA's CGT conducted its cost growth review under OAR 409-065-0035, which requires that OHA conduct analyses to understand potential systematic causes or other factors that might result in payers or provider organizations exceeding the cost growth target. The cost growth target for 2021 through 2025 is 3.4%.¹
2. Providence Health Plan, an Oregon Nonprofit Corporation ("PHP") and Providence Health Assurance, an Oregon Nonprofit Corporation ("PHA") are payers in Oregon and mandatory reporters under OAR 409-065-0010.
3. Providence Health & Services – Oregon, an Oregon Nonprofit Corporation ("PHS") is a provider organization in Oregon and was identified as an accountable organization for the 2022-2023 measurement period. To be accountable to the target, provider organizations must have at least 10,000 unique patient lives or 5,000 lives within any one CGT market (Medicaid, Medicare Advantage, Commercial) attributed to them across CGT data submissions for the measurement period.²

¹ The cost growth target value for 2021-2025 was established by the Cost Growth Target Implementation Committee, as documented in their January 2021 Recommendations Report.

<https://www.oregon.gov/oha/HPA/HP/HCCGBDocs/Cost%20Growth%20Target%20Committee%20Recommendations%20Report%20FINAL%2001.25.21.pdf>

² Provider inclusion criteria were established by the Cost Growth Target Implementation Committee, as documented in their January 2021 Recommendations Report.

<https://www.oregon.gov/oha/HPA/HP/HCCGBDocs/Cost%20Growth%20Target%20Committee%20Recommendations%20Report%20FINAL%2001.25.21.pdf>. OHA publishes the list of provider organizations that meet inclusion criteria every year.

<https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/Provider-list-2024-final-1.8.2025.pdf>

4. As PHP, PHA and PHS operate an integrated delivery system, the entities are collectively referred to herein as “Providence” and per OHA’s sub-regulatory guidance (CGT-7), jointly participated in the determining reasonableness process.
5. On or around April 16, 2024, OHA notified PHP/PHA that it was subject to the cost growth target program for the 2024 data cycle, with a data submission due date of September 6, 2024.
 - a. On or around September 6, 2024, PHP/PHA submitted its mandatory data submission (CGT-1) to OHA.
 - b. OHA’s validation review identified concerns and PHP/PHA resubmitted the CGT-1 data file on or around October 15, 2024 and November 22, 2024.
 - c. OHA first generated a data output summary on September 11, 2024 and held data validation meetings with PHP/PHA on October 9, 2024 and October 30, 2024.
 - d. OHA completed CGT-1 data validation with PHP/PHA on or around December 4, 2024.
6. On or around January 9, 2025, OHA notified PHS that it had sufficient patient volume to be accountable to the cost growth target as a provider organization.
 - a. On or around February 4, 2025, OHA generated a data output summary and shared it with PHS.
 - b. On or around March 3, 2025 and April 24, 2025, OHA met with PHS to review data output for the 2024 data cycle and discuss and resolve any data validation concerns. OHA agreed to incorporate agreed on changes.
 - c. During OHA’s CGT-1 data validation with provider organizations in Spring 2025, several questions arose about the payer submitted CGT-1 data that led to Providence resubmitting their final and accepted data on or around March 14, 2025 and United Health resubmitting their final and accepted data on or around June 24, 2025.

- d. On or around July 3, 2025, OHA shared an updated version of PHS's cost growth target data, following resubmissions of 2022-2023 cost growth target data by several cost growth target mandatory reporters (payers) that resulted from the Spring 2025 provider validation process and to incorporate the agreed changes following the April 24 meeting.
 - e. OHA completed CGT-1 data validation with PHS on or around July 3, 2025.
- 7. In addition to collecting and reporting on PHS's cost growth, per OAR 409-065-0028, OHA notified PHS on July 31, 2024 that it was required to submit a CGT-4 Frontline Workforce data template, with a due date of December 6, 2024.
 - a. PHS submitted its CGT-4 Frontline Workforce data template on December 8, 2024.
 - b. On December 8, 2025, OHA completed validation of PHS's CGT-4 frontline workforce data submission.
- 8. OHA identified Providence as having cost growth over the target between calendar years 2022 and 2023 for the following markets:
 - a. **Commercial, 7.1% and 7.2%** (for both payer and provider organizations respectively);
 - b. **Medicare Advantage 5.4% and 4.9%** (for both payer and provider organizations respectively); and
 - c. **Medicaid 11.0%** (provider organization).
- 9. Per OAR 409-065-0035(3), on or around February 27, 2025, OHA notified PHP/PHA that:
 - a. it had exceeded the cost growth target for the 2022-2023 measurement period;

- b. PHP/PHA's cost growth target performance would be reported publicly in OHA's 2025 Cost Growth Target Annual Report for the 2022-2023 cost growth measurement period³; and
 - c. a determination of reasonable process for the Commercial and Medicare Advantage markets were required following an initial review of cost growth target data and other available information.
- 10. On March 21, 2025, OHA met with PHP/PHA to discuss potential reasons for its excess cost growth for Commercial and Medicare Advantage markets from 2022-2023. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting information and participants.
- 11. Following the March 21, 2025, meeting, PHP/PHA submitted additional documentation to OHA containing details and supplemental information on the reasons for its growth.
- 12. Per OAR 409-065-0035(3), on or around July 3, 2025, OHA notified PHS that:
 - a. it had exceeded the cost growth target for the 2022-2023 measurement period;
 - b. a determination of reasonableness process for the Commercial and Medicare Advantage markets was not required following an initial review of cost growth target data and other available information; and
 - c. a determination of reasonableness process for the Medicaid market was required following an initial review of cost growth target data and other available information.
- 13. On July 28, 2025, OHA met with PHS to discuss potential reasons for its excess cost growth for Medicaid from 2022-2023. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting information and participants.

³ This report was released publicly on or around June 5, 2025.

14. Following the July 28, 2025, meeting, PHS submitted additional documentation to OHA containing details and supplemental information on the reasons for its growth.

Findings of Determining Reasonableness Process

As a result of the reasonableness discussion and data review process, OHA identified the following major cost drivers for Providence from 2022-2023:

1. **High cost outliers.** Providence provided insurance coverage for members requiring high cost medical services in the second year of the measurement period. This medically necessary high spending contributed to a year-over-year trend surpassing the statewide target.
2. **Increased payments for behavioral health.** Providence increased rates as a payer and received increased rates paid to behavioral health providers. OHA's Behavioral Health Directed Payment program, implemented in 2023, increased the allowed amount (contracted rate) for Medicaid reimbursement across a broad array of behavioral health services. Behavioral health rate increases were made to improve workforce shortages and expand behavioral health care in the region. The increased payments drove up the amount paid for member and patient care on a per member per month basis.
3. **Rising cost of pharmacy (retail and medical).** A significant portion of the growth in per member per month costs between 2022-2023 was due to an increase in the amount spent on retail and medical pharmacy for Providence members / patients. The cost of pharmaceuticals is an ongoing concern in Oregon and nationally. The latest Centers for Medicare and Medicaid Services (CMS) National Health Expenditure data reports prescription drug expenditures grew 11.4% in 2023, faster than the rate increase of other health care expenditures⁴.

⁴ National Health Expenditures, Table 2, National Health Expenditures; Aggregate, Annual Percent Change, Percent Distribution and Per Capita Amounts, by Type of Expenditure: Selected Calendar Years 1960-2023. Centers for Medicare & Medicaid Services. <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data/nhe-fact-sheet>

4. **Rising cost of frontline worker compensation.** During the 2022-2023 period, the cost of providing care rose. Macroeconomic factors such as workforce shortages and inflationary pressure related to the COVID-19 pandemic also contributed to this cost trend.
5. **Rebound in utilization of hospital outpatient services following the COVID-19 pandemic.** During the COVID-19 pandemic, many patients delayed necessary care. As the pandemic eased, they returned for care, sometimes for illnesses that could have been identified and treated earlier and were more severe as a result. In 2023, these patients had increased service utilization, which drove up cost growth during this period.
6. **Hospital facility rate increase.** OHA mandated temporary Medicaid rate increases for diagnosis-related group (DRG) hospitals for CY 2023 due to the upward cost pressures faced by hospitals during COVID-19. PHS received these increased rates, which drove the cost of care upward in this measurement period.
7. **Hospital inpatient discharge challenges.** During the 2022-2023 cost growth period, PHA saw an increase in the length of patient stay in hospital inpatient settings. Much of this increase was due to challenges discharging patients to lower-cost settings for follow-up care. Bed shortages in skilled nursing facilities, issues with foster care placement, and a lack of space in other state or federal facilities meant that patients spent longer in the hospital than was necessary, driving up costs in the hospital inpatient service category.

PROPOSED DETERMINATION

1. Following a review of CGT data and additional information on health care spending, OHA has determined that Providence's health care cost growth for the **Commercial, Medicare Advantage, and Medicaid** markets from 2022-2023 was **due to acceptable reason(s)**. Providence will not be held accountable for cost growth in this measurement period and no further action is required for this measurement period. Attached as Exhibit B, and incorporated herein by reference, is a running summary of Providence's cost growth performance over time.

Dated this 31 day of October 2025.

By:



Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority

IMPORTANT NOTICES

PETITION FOR RECONSIDERATION: You may file a Petition for Reconsideration (“Petition”) pursuant to OAR 409-065-0050 within 30 days from the date this proposed order was mailed (See the “Date Mailed” on the first page). The Petition must include the specific grounds for reconsideration, and may be supported by written argument or attachments explaining why you believe OHA erred in its decision. This Petition will initiate an informal review process under OAR 409-065-0050.

The Petition must be submitted via email to HealthCare.CostTarget@oha.oregon.gov.

NOTICE OF RIGHT TO REQUEST A HEARING: You are entitled to a hearing as provided by the Administrative Procedures Act (chapter 183, Oregon Revised Statutes), OAR 409-065-0050 and OAR 137-070-0075. You are entitled to be represented by an attorney at the hearing. Legal aid organizations may be able to assist a party with limited resources. The Oregon Health Authority will be represented by an Assistant Attorney General from the Oregon Department of Justice.

To request a contested case hearing, your request must be in writing and must be received within twenty (20) calendar days from the date this Order was personally served, mailed, or electronically transmitted to you, based on the date at the top of this document.

A request sent by U.S. mail is “received” on the date it is postmarked. Your request may also be emailed. Your request should be sent to:

HealthCare.CostTarget@oha.oregon.gov

or

421 SW Oak Street, Suite 875
Attn: Cost Growth Target Program
Portland, OR 97204

If you submit a request for a contested case hearing, you will be notified of the time and place of the hearing. Information on the hearing process will be provided to you in accordance with ORS 183.413(2). Any hearing will be conducted by an administrative law judge from the Office of Administrative Hearings, assigned as required by ORS 183.635.

If you fail to request a hearing within the time allowed, if you request a hearing and subsequently withdraw your request for a hearing, if you request a hearing and fail to appear for the hearing, or if a hearing is scheduled and you later notify OHA that you will not appear at the specified time and place, you will have waived your right to a hearing, and this proposed order will become a final order by default. If OHA issues a final order by default, it designates its file on this matter, including all materials that you have submitted relating to this matter, as the record in this case for purposes of proving a prima facie case.

NOTICE TO ACTIVE DUTY SERVICEMEMBERS: Active-duty service members have a right to stay these proceedings under the federal service members Civil Relief Act. For more information contact the Oregon State Bar at 800-452-8260, the Oregon Military Department at 503-584-3571, or the nearest United States Armed Forces Legal Assistance Office through <http://legalassistance.law.af.mil>. The Oregon Military Department does not have a toll-free telephone number.

Exhibit A: Meeting Dates and Participants

Meeting Date	Participants
March 21, 2025	OHA: Sarah Bartelmann, Margaret Munroe PHP/PHA: Aaron Bals, Dom Cantoria, Tara Harrison, Daryl Manullang, Aaron Masini, Kurt Meidinger, Helen Noonan-Hamsberger, Laurel Soot
July 28, 2025	OHA: Sarah Bartelmann, Sam Smith, Trang Weitemier PHS: Melissa Damm, Kristen Downey, Jackie Fabrick, Dale Hiserote, Laura McMahon

Exhibit B: Cost Growth Target Performance Over Time

PHP's Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	1.0%	Met	N/A
2022-2023	7.1%	Not Met	Reasonable

PHA's Medicare Advantage Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	3.7%	Indeterminate	N/A
2022-2023	5.4%	Not Met	Reasonable

PHS's Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	5.0%	Indeterminate	N/A
2022-2023	7.2%	Not Met	Reasonable

PHS's Medicare Advantage Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	6.7%	Not Met	Reasonable
2022-2023	4.9%	Not Met	Reasonable

PHS's Medicaid Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	3.1%	Indeterminate	N/A
2022-2023	11.0%	Not Met	Reasonable