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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:

PacificSource Health Plans

For the Cost Growth Target
measurement period: 2022-2023

Agency No. **CGT-2024-PAYER-14**

**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. PacificSource Health Plans is a payer in Oregon and is a mandatory reporter under OAR 409-065-0010.
 - a. On or around April 16, 2024, OHA notified PacificSource Health Plans 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.
 - b. On or around August 23, 2024, PacificSource Health Plans requested an extension to submit their data file on September 27, 2025 following reporting clarifications from OHA. OHA approved the extension request.
 - c. On or around September 27, 2024, PacificSource Health Plans submitted its mandatory data submission (CGT-1) to OHA.
 - d. OHA first generated a data output summary on September 30, 2024 and held a data validation meeting with PacificSource Health Plans on October 14, 2024.

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>

- e. OHA's validation review identified certain concerns and PacificSource Health Plans submitted version 2 of the CGT-1 data files on or around October 18, 2024.
 - f. OHA held a second data validation meeting with PacificSource Health Plans on October 31, 2024.
 - g. OHA completed CGT-1 data validation with PacificSource Health Plans on or around October 31, 2024.
3. OHA identified PacificSource Health Plans as having cost growth over the target between calendar years 2022 and 2023 for the following market: **Commercial, 7.3%.**
4. Per OAR 409-065-0035(3), on or around February 27, 2025, OHA notified PacificSource Health Plans that:
- a. it had exceeded the cost growth target for the 2022-2023 measurement period;
 - b. PacificSource Health Plans' cost growth target performance would be reported publicly in OHA's 2025 Cost Growth Target Annual Report for the 2022-2023 cost growth measurement period;² and
 - c. a determination of reasonableness process was required following an initial review of cost growth data and other available information.
5. On April 4, 2025, OHA met with PacificSource Health Plans to discuss potential reasons for its excess cost growth for the Commercial market from 2022-2023. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting information and participants.
6. Following the April 4, 2025, meeting, PacificSource Health Plans provided additional documentation to OHA containing details and supplemental information on the reasons for its growth in the Commercial market from 2022-2023. Attached

² This report was released publicly on or around June 5, 2025.

as Exhibit B, and incorporated herein by reference, is a summary of OHA's review of PacificSource Health Plans' additional documentation.

PROPOSED DETERMINATION

Following a review of CGT data and additional information on health care spending, OHA has determined that PacificSource Health Plans' health care cost growth for the **Commercial** market from 2022-2023 was **not due to acceptable reason(s)**. PacificSource Health Plans will be held accountable for cost growth in this measurement period.

1. ORS 442.386(9) requires that OHA impose a financial penalty on any payer that exceeds the cost growth target without reasonable cause in three out of five calendar years, pursuant to the schedule of financial penalties adopted by OHA in OAR 409-065-0045.
2. Pursuant to ORS 442.386 and OAR 409-065-0045, 2022-2023 will count as one year of excess cost growth in the "at least three out of five calendar years" that trigger a financial penalty. Attached as Exhibit C is a running summary of PacificSource Health Plans' cost growth performance over time.
3. Pursuant to OAR 409-065-0040, PacificSource Health Plans is required to submit a Performance Improvement Plan (PIP) (CGT-5) to OHA no later than 90 calendar days from the date of this notification. For more information, see [PIP Instructions and Manual \(CGT-6\)](#).

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
April 4, 2025	OHA: Sarah Bartelmann, Margaret Munroe, Sam Smith PacificSource Health Plans: Peter Davidson, Julianne Duncan, Peter McGarry, Aaron Shatzer, Jeannette Simms

Exhibit B: OHA's Summary of PacificSource Health Plans' additional documentation

2024 Cost Growth Target Reasons Documentation

Entity Name: PacificSource Health Plan

Date: October 31, 2025

Entity Type: ☒ payer/insurer ☐ provider organization

Measurement Period: CY 2022-2023

*Note: The purpose of this document is to create a shared record of the payer or provider organization's submitted reasons for cost growth performance against the target for the 2022-2023 measurement period. This correspondence is **not** an official determination of cost growth reasonableness. Pursuant to Oregon Administrative Rules (OAR) 409-065-0035(10), OHA will issue a Notice of Proposed Determination once it completes its review of the 2022-2023 cost growth period.*

The 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 Program is governed by Oregon Revised Statutes (ORS) 442.385 through 442.386 and Oregon Administrative Rules (OAR) Chapter 409, Division 65. The cost growth target for 2021 through 2025 is 3.4%.¹

Cost Growth for 2022-2023

Following the data validation process, OHA calculated 2022-2023 cost growth for all payers and provider organizations in markets with sufficient patient volume to be

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subject to the CGT accountability process and notified entities individually in the 2024 Cost Growth Target Performance Memo whether they were required to participate in the reasonableness determination process for the measurement period.

Entity’s Cost Growth, 2022-2023

PacificSource exceeded the cost growth target with statistical confidence² in the following market(s):

Market	Cost Growth % (95% CI)	Per Member Per Month (PMPM) Costs Over the Target ³
Commercial	7.3% (6.3%, 8.4%)	\$23.94

Reasons for Cost Growth Submitted by Entity

Pursuant to OAR 409-065-0035, OHA met with entity to discuss the causes for the entity’s cost growth exceeding the target. The table attached hereto as Attachment A, which is incorporated herein by reference, summarizes the causes submitted by the entity to OHA to-date to explain the entity’s cost growth, describes whether the entity has provided data or other supplemental information to support the claims that these causes for such cost growth exceeding the target are reasonable, and indicates whether OHA has accepted the submitted cause for excess cost growth as of the date of this correspondence. Attachment A also provides a record of PMPM costs that OHA has taken into consideration in the determining reasonableness process to-date.

For More Information

² See Statistical Analysis guidance online at <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/Statistical-Analysis-for-Cost-Growth-Target.pdf>

³ OHA has calculated this based on the difference between entity’s actual PMPM costs in 2023 and what PMPM costs would have been in 2023 if the cost growth target had been met for the 2022-2023 measurement period, adjusted for any changes in member months.

Information about acceptable causes for cost growth is available in [CGT-7 Subregulatory Guidance on Determining Reasonableness and Accountability](#).

If you have any questions, please email HealthCare.CostTarget@oha.oregon.gov .

Sincerely,



Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority

ATTACHMENT A

Table 1. Reasons for Cost Growth Submitted by Entity and OHA's Response To-Date

Reason	Supplemental Information Provided to OHA (Y/N)	Cause Acceptable to OHA (Y/N)	PMPM Applied to Entity's Cost Growth	Notes
New or new uses of pharmaceuticals – Medical Pharmacy	N	Y	\$3.31	OHA is not holding entities accountable for pharmacy spending for this measurement period.*
New or new uses of pharmaceuticals – Retail Pharmacy	Y	Y	\$8.01	OHA is not holding entities accountable for pharmacy spending for this measurement period.*
Change in taxes or administrative factors – Behavioral Health directives	N	Y	\$6.36	Acceptable reason for cost growth per OAR 409-065-0035.
Population acuity increase – higher risk scores	Y	-	-	Insufficient information provided to support given reason. Information provided not connected to an acceptable reason for cost growth per OAR 409-065-0035.
Increased hospital costs – new contracted facility rates	Y	N	N/A	Not an acceptable reason for cost growth per OAR 409-065-0035.

*OHA is waiving its right to hold entities accountable for pharmacy spending solely for the 2022-2023 measurement period. OHA reserves the right to hold entities accountable for pharmacy spending in future measurement periods and reserves all rights and remedies available under Oregon law.

Exhibit C: Cost Growth Target Performance Over Time

PacificSource Health Plans’ Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	2.8%	Indeterminate	N/A
2022-2023	7.3%	Not Met	Not Reasonable