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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 Community Health
Plans, an Oregon Nonprofit
Corporation

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 Community Health Plans, an Oregon Nonprofit Corporation ("PacificSource Community") 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 Community 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. PacificSource Community requested and received a submission due date extension. OHA granted the extension.
 - c. On or around September 27, 2024, PacificSource Community submitted its mandatory data submission (CGT-1) to OHA.
 - d. OHA's validation review identified concerns and PacificSource Community resubmitted the CGT-1 data files on or around October 18, 2024.
 - e. OHA first generated a data output summary on September 30, 2024 and held data validation meetings with PacificSource Community on October 14, 2024 and October 31, 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>

- f. OHA completed CGT-1 data validation with PacificSource Community on or around October 31, 2024.
3. OHA identified PacificSource Community as having cost growth over the target between calendar years 2022 and 2023 for the following market: **Medicare Advantage, 7.4%.**
4. Per OAR 409-065-0035(3), on or around February 27, 2025, OHA notified PacificSource Community that:
 - a. it had exceeded the cost growth target for the 2022-2023 measurement period;
 - b. PacificSource Community'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 period²; and
 - c. A determination of reasonableness process was required following an initial review of cost growth target data and other available information.
5. On April 4, 2025, OHA met with PacificSource Community to discuss potential reasons for its excess cost growth for Medicare Advantage from 2022-2023. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting dates and participants.
6. Following the April 4, 2025, meeting, PacificSource Community provided 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 PacificSource Community from 2022-2023:

1. **Increased payments for behavioral health services.** PacificSource Community increased rates paid to behavioral health providers. Behavioral health rate increases were made to improve workforce shortages and expand behavioral

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

health care in the region. The increased payments drove up the amount paid for PacificSource Community member care on a per member per month basis.

2. **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 PacificSource Community members. 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 expenditures³.

PROPOSED DETERMINATION

1. Following a review of CGT data and additional information on health care spending, OHA has determined that PacificSource Community's health care cost growth for the Medicare Advantage market from 2022-2023 was **due to acceptable reason(s)**. PacificSource Community 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 PacificSource Community's cost growth performance over time.

Dated this 31 day of October 2025.

By:



Sarah Bartelmann, MPH
Cost Programs Manager
Oregon Health Authority

³ 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>

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 Community: Peter Davidson, Julianne Duncan, Peter McGarry, Aaron Shatzer, Jeannette Simms

Exhibit V: Cost Growth Target Performance Over Time

PacificSource Community's Medicare Advantage Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	-0.3%	Met	N/A
2022-2023	7.4%	Not Met	Reasonable