

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

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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:

Salem Health, an Oregon nonprofit  
corporation

For the Cost Growth Target  
measurement period: 2022-2023

Agency No. **CGT-2024-PROV-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%.<sup>1</sup>
2. Salem Health, an Oregon nonprofit corporation 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.<sup>2</sup>
  - a. On or around January 9, 2025, OHA notified Salem Health that they had sufficient attributed patient volume to be subject to the cost growth target program for the 2022-2023 cost growth period.
  - b. On or around January 23, 2025, OHA generated a data output summary and shared it with Salem Health on or around January 29, 2025.

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<sup>1</sup> 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>

<sup>2</sup> 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>

- c. OHA held a data validation meeting with Salem Health on February 27, 2025 to review data output for the 2024 data cycle and discuss and resolve any data validation concerns.
  - d. On or around April 4, 2025, Salem Health sent OHA a letter regarding concerns about 2022-2023 cost growth target data. OHA reviewed Salem Health's concerns and conducted extensive follow up with several payers and responded to Salem Health's letter on or around June 30, 2025.
  - e. 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.
  - f. On or around June 30, 2025, OHA sent Salem Health an updated data summary for the 2024 cycle after updates made during the Spring 2025 validation process.
  - g. On or around July 23, 2025, Salem Health emailed OHA expressing their remaining concerns with the Cost Growth target Program's data collection and attribution methodology. OHA acknowledges Salem Health's concerns and considers CGT-1 data validation complete.
3. In addition to collecting and reporting on Salem Health cost growth, per OAR 409-065-0028, OHA notified Salem Health on or around 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. Salem Health submitted its CGT-4 Frontline Workforce data template on or around December 5, 2024.
  - b. OHA reviewed the data submission for errors and requested a resubmission of the data on January 6, 2025. Salem Health resubmitted its CGT-4 Frontline Workforce data template on or around January 22, 2025.
  - c. On or around January 22, 2025, OHA completed validation of Salem Health's CGT-4 frontline workforce data submission.

4. OHA identified Salem Health as having indeterminant cost growth<sup>3</sup> between calendar years 2022 and 2023 for the following markets: **Medicare Advantage, 4.0%.**
5. OHA identified Salem Health as having cost growth over the target between calendar years 2022 and 2023 for the following markets: **Commercial, 9.0%** and **Medicaid, 6.9%.**
6. Per OAR 409-065-0035(3), on or around July 28, 2025, 2025, OHA notified Salem Health that:
  - a. it had exceeded the cost growth target for the 2022-2023 measurement period; and
  - b. a determination of reasonable process for the Commercial and Medicaid markets was required following an initial review of cost growth target data and other available information.
7. On August 20, 2025, OHA met with Salem Health to discuss potential reasons for its excess cost growth for Commercial and Medicaid from 2022-2023. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting information and participants.
8. Following the August 20, 2025, meeting, Salem Health submitted additional documentation to OHA containing details and supplemental information on the reasons for its growth.

### **Findings of Determining Reasonableness Process**

1. **Increased payments for behavioral health.** Salem Health received increased rates paid to behavioral health providers. Behavioral health rate increases were made to improve workforce shortages and expand behavioral health care in the

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<sup>3</sup> For more information on how OHA calculates confidence intervals:

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

region. The increased payments drove up the amount paid for Salem Health patient care on a per member per month basis.

2. **Increased performance incentive payments for quality care provision.** During this period, the amount of non-claims performance incentive dollars received by Salem Health increased. This cost category fluctuates from year to year based on a number of different factors, including how well patient care is managed, provider organization performance on quality metrics, and how much patient care ends up costing relative to projections incorporated into shared risk/shared savings contractual terms agreed upon with the payer. Relative to 2022, Salem Health received more performance incentives in 2023.
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 Salem Health 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 expenditures<sup>4</sup>.
4. **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.

## PROPOSED DETERMINATION

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<sup>4</sup> 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>

1. Following a review of CGT data and additional information on health care spending, OHA has determined that Salem Health's health care cost growth for **Commercial** and **Medicaid** from 2022-2023 was **due to acceptable reason(s)**. Salem Health 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 Salem Health'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](mailto: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
August 20, 2025	OHA: Sam Smith, Trang Weitemier  Salem Health: Danielle Bouldry, Michael Gay, Ruth Miles, James Parr, Carla Reilly

## Exhibit B: Cost Growth Target Performance Over Time

### Salem Health Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	8.3%	Not Met	Reasonable
2022-2023	9.0%	Not Met	Reasonable

### Salem Health Medicare Advantage Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	1.0%	Indeterminate	N/A
2022-2023	4.0%	Indeterminate	N/A

### Salem Health Medicaid Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	0.6%	Met	N/A
2022-2023	6.9%	Not Met	Reasonable