

**CERTIFIED MAIL, RETURN RECEIPT REQUESTED**

**Tracking #:**

**Date Mailed:**

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

In the Matter of:

St. Charles Health System

For the Cost Growth Target  
measurement period: 2022-2023

Agency No. **CGT-2024-PROV-16**

**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. St. Charles Health System (referred to herein as "St. Charles") 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 St. Charles that it had sufficient patient volume to be accountable to the cost growth target for the 2022-2023 measurement period.
  - b. On or around January 24, 2025, OHA generated a data output summary and shared it with St. Charles 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. On February 3, 2025, OHA met with St. Charles to review data output for the 2024 data cycle and discuss and resolve any data validation concerns.
  - d. On or around February 4, 2025, OHA responded to several questions on cost growth target data, submitted by St. Charles following the February 3, 2025, meeting, and provided an updated supplemental data output with an additional breakout requested by St. Charles of the cost growth attributed to them by a specific payer.
  - e. On May 2, 2025, OHA and St. Charles met with this payer to discuss St. Charles' data and answer additional questions from St. Charles related to the costs attributed to them by the payer.
  - f. On or around June 30, 2025, OHA issued a letter to St. Charles responding to concerns raised by St. Charles about its data and explaining the program's methodologies in more detail. OHA also provided an updated cost growth data summary to St. Charles that incorporated updated data from several payers following the Spring 2025 provider validation process.
- 3. On or around June 30, 2025, OHA completed CGT-1 data validation with St. Charles.
  - 4. Pursuant to OAR 409-065-0028, on July 31, 2024, OHA notified St. Charles that it was required to submit a CGT-4 Frontline Workforce data template and provided a due date of December 6, 2024.
    - a. On or about December 13, 2024, St. Charles requested this December 6, 2024, deadline be extended to December 31, 2024. OHA approved this extension request.
    - b. On or about December 23, 2024, St. Charles submitted its CGT-4 Frontline Workforce data template to OHA.
  - 5. On January 14, 2025, OHA completed validation of St. Charles' CGT-4 frontline workforce data submission.
  - 6. OHA identified St. Charles as having cost growth over the target between calendar years 2022 and 2023 for the following market: **Commercial, 26.3%.**

7. OHA identified St. Charles as having indeterminant cost growth between calendar years 2022 and 2023 for the following market: **Medicaid, 5.2%**.
8. Pursuant to OAR 409-065-0035(3), on or around June 30, 2025, OHA notified St. Charles that:
  - a. it had exceeded the cost growth target for the 2022-2023 measurement period for the Commercial market;
  - b. a determination of reasonableness process for the Commercial market was 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 not required.
9. On July 29, 2025, OHA met with St. Charles 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 dates and participants.
10. Following the July 29, 2025, meeting, St. Charles provided additional information on its reasons for growth during the measurement period. A summary of OHA's review of St. Charles' additional documentation is attached as Exhibit B and incorporated herein by reference.

### **PROPOSED DETERMINATION**

1. Following a review of CGT data and additional information on health care spending, OHA has determined that St. Charles had indeterminant cost growth in the **Medicaid** market for the 2022-2023 measurement period. St. Charles will not be subject to a Performance Improvement Plan (PIP) and cost growth for the 2022-2023 period will not count towards any future financial penalty related to the Medicaid market.
2. Following a review of CGT data and additional information on health care spending, OHA has determined that St. Charles' health care cost growth for the **Commercial** market from 2022-2023 was **not due to acceptable reason(s)**. St. Charles will be held accountable for cost growth in this measurement period.
  - a. ORS 442.386(9) requires that OHA impose a financial penalty on any provider 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.

- b. 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.
- c. Pursuant to OAR 409-065-0040, St. Charles 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 \(CGT-6\)](#). Attached as Exhibit C, and incorporated herein, is a running summary of St. Charles’ 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
July 29, 2025	OHA: Sarah Bartelmann, Sam Smith, Trang Weitemier  St. Charles: Dan Grimes, Cara Marsh-Rhodes, Emily Salmon, Matt Swafford



## **Exhibit B: OHA's review of St. Charles' additional documentation**

## 2024 Cost Growth Target Reasons Documentation

**Entity Name:** St. Charles Health System

**Date:** October 31, 2025

**Entity Type:** ☐ payer/insurer ☒ provider organization

**Measurement Period:** CY 2022-2023

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*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%.<sup>1</sup>

### 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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<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>

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**

St. Charles exceeded the cost growth target with statistical confidence<sup>2</sup> in the following market(s):

Market	Cost Growth % (95% CI)	Per Member Per Month (PMPM) Costs Over the Target <sup>3</sup>
Commercial	26.3% (20.2%, 32.3%)	\$153.47

**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**

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

<sup>3</sup> 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](mailto: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	\$9.99	OHA is not holding entities accountable for pharmacy spending for this measurement period.*
New or new uses of pharmaceuticals – Retail Pharmacy	N	Y	\$32.17	OHA is not holding entities accountable for pharmacy spending for this measurement period.*
Change in taxes or administrative factors – Behavioral Health directives	N	Y	\$5.87	Acceptable reason for cost growth per OAR 409-065-0035.
Frontline workforce compensation	Y	Y	\$60.62	Acceptable reason for cost growth per OAR 409-065-0035.
Acts of God – COVID return to care increasing IP length of stay	Y	N	N/A	Supplemental information showed IP LOS decreasing in 2023
Capital investments	Y	N	N/A	Not an acceptable reason for cost growth per OAR 409-065-0035.
Encounter mix changes	Y	N/A	N/A	Insufficient information provided to support given reason

Reason	Supplemental Information Provided to OHA (Y/N)	Cause Acceptable to OHA (Y/N)	PMPM Applied to Entity's Cost Growth	Notes
Community stabilization	Y	N/A	N/A	Insufficient information provided to support given reason
Increase in avoidable delays	Y	N/A	N/A	Insufficient information provided to support given reason

\*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**

St. Charles Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	4.2%	Indeterminate	N/A
2022-2023	26.3%	Not Met	Not reasonable