

**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 REVISED 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.

Per OAR 409-065-0050, a payer or provider organization may request that OHA reconsider any Notice of Intent or Determination made for the Cost Growth Target

Program. The request for reconsideration process, including additional explanation, supporting documentation, information requested by OHA, and informal conferences, may result in a modified Notice or the reaffirmation of the original Notice.

Now, therefore, upon due consideration of the circumstances, including the mandatory cost growth target data submissions, supplemental information provided by the entity, new information provided as part of the request for reconsideration, and the entirety of OHA’s record, OHA enters the following Notice of Revised Determination (“Notice”).

### **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.

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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>

- b. OHA provided a data output summary for the 2022-2023 measurement period on January 29, 2025, and met with St. Charles on February 3, 2025, to review the data.
  - c. After the meeting on February 3, 2025, St. Charles submitted questions to OHA, and OHA responded with updated supplemental data outputs, including data identifying cost growth attributed to St. Charles by a specific payer.
  - d. On May 2, 2025, OHA and St. Charles met with this specific payer to discuss St. Charles' data and address additional questions from St. Charles related to the costs attributed to them by the payer.
  - e. On 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 for the 2022-2023 measurement period to St. Charles that incorporated updated data from several payers following the Spring 2025 provider validation process.
3. 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.
4. On January 14, 2025, OHA completed validation of St. Charles' CGT-4 frontline workforce data submission.
5. On June 30, 2025, OHA completed validation of the data for St. Charles's 2022-2023 measurement period and notified St. Charles that its cost growth in the Commercial market was 26.3%. Having determined that St. Charles exceeded the CGT for the 2022-2023 measurement period in the Commercial market, OHA in its notification informed St. Charles of the required Reasonableness Determination process for the Commercial market. OHA also notified St. Charles that it's Medicaid

market's indeterminant cost growth of 5.2% did not exceed the 3.4% CGT with statistical confidence and the Reasonableness Determination process was not required for Medicaid.

6. On July 29, 2025, OHA met with St. Charles to discuss potential reasons for its excess cost growth for the Commercial market for the 2022-2023 measurement period. Attached as Exhibit A, and incorporated herein by reference, is a list of meeting dates and participants.
7. 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.
8. On October 31, 2025, OHA issued a Notice of Proposed Determination and Right to Request a Hearing ("Original Notice") to St. Charles finding that its Commercial market cost growth of 26.3% for the 2022-2023 measurement period was not for acceptable reasons and determining that St. Charles must submit a Performance Improvement Plan ("PIP") under OAR 409-065-0040.
9. On November 20, 2025, St. Charles timely filed a Request for Contested Case Hearing and Informal Conference ("Request") pursuant to the requirements of OAR 409-065-0050(4).<sup>3</sup>
10. On November 21, 2025, OHA confirmed receipt of St. Charles' Request and offered dates for a virtual meeting in early December. OHA further acknowledged that St. Charles' preserved the right to a contested case hearing pending the outcome of the informal conference process.
11. On December 3, 2025, St. Charles timely filed a Petition for Reconsideration ("Petition") pursuant to OAR 409-065-0050(1).<sup>4</sup>

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<sup>3</sup> <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/SCHSCGT-RequestForCCHearing.pdf>

<sup>4</sup> [https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/SCHSCGT-Request-For-Reconsideration\\_DEC-3-2025.pdf](https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/SCHSCGT-Request-For-Reconsideration_DEC-3-2025.pdf)

12. On January 16, 2026, St. Charles submitted to OHA a Memorandum in support of its Request for Reconsideration.<sup>5</sup>
13. On January 26, 2026, OHA and St. Charles met for an informal conference to discuss the 2022-2023 measurement period, supporting information and data, and to reconsider factors raised by St. Charles in OHA’s reasonableness determination. This conference served as both the informal conference for reconsideration and the contested case hearing.
14. Following the January 26, 2026, informal conference, on January 30, 2026, OHA requested specific written narrative and data from St. Charles to further understand and support factors raised by St. Charles at the informal conference.<sup>6</sup> On March 4, 2026, St. Charles provided supplemental information to inform the reconsideration, however, St. Charles declined to provide much of the requested data and narrative at a sufficient level of detail to allow OHA to substantiate these factors.<sup>7</sup> A summary of OHA’s review of St. Charles’ additional documentation is attached as Exhibit C and incorporated herein by reference.

### **REVISED DETERMINATION**

1. Following a review of additional information provided by St. Charles, 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

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<sup>5</sup> <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/SCHSCGT-Memo-JAN-16-2026.pdf>

<sup>6</sup> <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/2026.01.30%20OHA%20Ltr%20to%20St.%20Charles.pdf>

<sup>7</sup> <https://www.oregon.gov/oha/HPA/HP/Cost%20Growth%20Target%20documents/St.%20Charles%20Health%20System,%20Inc.%27s%20Response%20to%20OHA%27s%20January%2030,%202026,%20Conference%20Summary%20and%20Request%20for%20Information.pdf>

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, the 2022-2023 measurement period will count as one year of excess cost growth in the “at least three out of five calendar years” that trigger a financial penalty.

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 D, and incorporated herein, is a running summary of St. Charles’ cost growth performance over time.

Dated this 1st day of July, 2026.

By:



Sarah Bartelmann, MPH  
Cost Programs Manager  
Oregon Health Authority

## **IMPORTANT NOTICES**

**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

800 NE Oregon Street, Suite 772  
Attn: Cost Growth Target Program  
Portland, OR 97232

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<br>St. Charles: Dan Grimes, Cara Marsh-Rhodes, Emily Salmon, Matt Swafford |



Health Policy and Analytics Division

Sustainable Health Care Cost Growth Target Program

## **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>8</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 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>9</sup> in the following market(s):

| Market     | Cost Growth %<br>(95% CI) | Per Member Per<br>Month (PMPM) Costs<br>Over the Target <sup>10</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

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<sup>8</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>9</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>10</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.

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**

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                                   |
| 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: OHA's review of St. Charles' March 4, 2026 letter**

### **Reasons for Cost Growth Submitted by Entity**

The table attached hereto as Table 1, which is incorporated herein by reference, summarizes the causes submitted by the entity to OHA in the request for reconsideration process to explain St. Charles' commercial cost growth and describes whether the entity has demonstrated:

- (1) a connection to an acceptable reason for cost growth, as codified in [409-065-0035](#) and further explained in CGT-7;
- (2) data quantifying the acceptable reason; and
- (3) narrative supporting the connection to the acceptable reason.

The table also indicates whether OHA has accepted the submitted cause for excess cost growth as of the date of this correspondence and provides a record of any PMPM costs that OHA has applied to the St. Charles' commercial cost growth as part of the request for reconsideration process.

**Table 1. Additional Reasons for Cost Growth and Supplemental Information Submitted by Entity and OHA's Response**

Note OHA is using the table layout from the 2023-2024 measurement period for the revised determination to make it more clear how the “triangle of reasonableness” (data, narrative, and connection to acceptable reason) is met for each reason.

| Reason   | Connection to Acceptable Reason (Y/N) | Data Provided (Y/N) | Narrative Provided (Y/N) | OHA Accepted Reason (Y/N) | PMPM Applied to Entity's Cost Growth | Notes   |
|--|---------------------------------------|---------------------|--------------------------|---------------------------|--------------------------------------|---|
| Avoidable days: changes to Medicare reimbursement          | Y – Changes in Federal or State law   | N                   | N                        | N                         | N/A                                  | St. Charles declined to provide requested data or detailed narrative documenting how federal changes to Medicare reimbursement rates affected <i>commercial</i> contracts.  |
| Avoidable days: inability to discharge commercial patients | Y – Acts of God (pandemic)            | Y                   | Partial                  | N                         | N/A                                  | St. Charles declined to provide all components of requested narrative. Supplemental data showed inpatient length of stay (LOS) <i>decreasing</i> between 2022-2023. St. Charles' letter confirmed that the ability to discharge patients improved during this period. See rows below. |
| Avoidable days: Length of stay                             | Y – Acts of God (pandemic)            | Y                   | Y                        | N                         | N/A                                  | See row below. OHA will not apply this reason twice (once for LOS, once for elective procedures).   |

| Reason   | Connection to Acceptable Reason (Y/N) | Data Provided (Y/N) | Narrative Provided (Y/N) | OHA Accepted Reason (Y/N) | PMPM Applied to Entity's Cost Growth | Notes   |
|--|---------------------------------------|---------------------|--------------------------|---------------------------|--------------------------------------|---|
| Avoidable days: Covid-related return to care elective procedures | Y – Acts of God (pandemic)            | Partial             | Partial                  | N                         | N/A                                  | <p>St. Charles suggests that decreasing LOS enabled the backlog of elective procedures to increase because beds were available.</p> <p>OHA requested a written narrative describing the primary elective procedures (or procedure groups e.g. joint replacements) that returned or increased during the measurement period. St. Charles response only describes the data file. OHA requested 2017-2023 data; St. Charles provided 2019-2023 data.</p> <p>While the data St. Charles provided indicated that elective procedures increased between 2022-2023, the data also indicated that the average total reimbursement for elective procedures increased at a much higher rate. Additional data from OHA's Hospital Reporting Program supports a finding that increased paid</p> |

| Reason  | Connection to Acceptable Reason (Y/N) | Data Provided (Y/N) | Narrative Provided (Y/N) | OHA Accepted Reason (Y/N) | PMPM Applied to Entity's Cost Growth | Notes  |
|---|---------------------------------------|---------------------|--------------------------|---------------------------|--------------------------------------|--|
|   |                                       |                     |                          |                           |                                      | amounts were a more significant driver of inpatient cost growth than increased utilization.  |
| Avoidable days:<br>Higher acuity post-covid           | Y – Acts of God (pandemic)            | Partial             | N                        | N                         | N/A                                  | OHA requested a written narrative, measures, and supporting data. St. Charles provided a graph showing the monthly and average increase in commercial case mix index (CMI) for 2022-2023. OHA needs additional information from St. Charles demonstrating how the increase in commercial CMI translated to increased commercial reimbursement from health plans, as CMI is typically used for Medicare payments, and a connection to how much of the inpatient cost growth observed in CGT-1 data is due to increased acuity. OHA finds that CMI increased about 3% while inpatient per member per month costs grew more than 50%. |
| Sole Community Hospital and Rural Status Designations | N                                     | N                   | N                        | N                         | N/A                                  | St. Charles did not provide the requested narrative identifying any change in federal policy that led to the new hospital designation or   |

| Reason  | Connection to Acceptable Reason (Y/N) | Data Provided (Y/N) | Narrative Provided (Y/N) | OHA Accepted Reason (Y/N) | PMPM Applied to Entity's Cost Growth | Notes   |
|---|---------------------------------------|---------------------|--------------------------|---------------------------|--------------------------------------|---|
|   |                                       |                     |                          |                           |                                      | supporting data quantifying how the change in hospital status affected commercial reimbursement. St. Charles declaration #8 does not provide sufficient information to support an acceptable reason for St. Charles' commercial cost growth.  |
| Community stabilization: Necessary payments to community and provider organizations | N                                     | N/A                 | N                        | N                         | N/A                                  | St. Charles did not provide the requested narrative describing the community investments; St. Charles declaration #6 confirmed that \$6,950,000 was provided to two community partners who provide essential services and that St. Charles does not have any ownership interest or financial stake in these organizations. St. Charles declaration does not provide sufficient information to support an acceptable reason for St. Charles' commercial cost growth. |

## Exhibit D: Cost Growth Target Performance Over Time

### St. Charles Commercial Cost Growth

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