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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:

The Corvallis Clinic, PC, an Oregon
Professional Corporation

For the Cost Growth Target
measurement period: 2022-2023

Agency No. **CGT-2024-PROV-22**

**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. The Corvallis Clinic, PC, an Oregon Professional Corporation ("The Corvallis Clinic") 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.²
 - a. On or around January 9, 2025, OHA notified The Corvallis Clinic that it had sufficient patient volume to be accountable to the cost growth target.
 - b. On or around January 24, 2025, OHA generated a data output summary and shared it with The Corvallis Clinic on or around January 29, 2025.

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>

² 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 March 6, 2025, OHA met with The Corvallis Clinic to review data output for the 2024 data cycle and discuss and resolve any data validation concerns.
 - d. On or around March 6, 2025, OHA completed CGT-1 data validation with The Corvallis Clinic.
 - 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 July 2, 2025, OHA shared an updated version of The Corvallis Clinic's cost growth target data output summary, following resubmissions of 2022-2023 cost growth target data by several cost growth target payers.
3. In addition to collecting and reporting on The Corvallis Clinic's cost growth, per OAR 409-065-0028, OHA notified The Corvallis Clinic on 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. The Corvallis Clinic submitted its CGT-4 Frontline Workforce data template on December 5, 2025.
 - b. On January 24, 2025, OHA completed validation of The Corvallis Clinic's CGT-4 frontline workforce data submission.
4. OHA identified The Corvallis Clinic as having cost growth over the target between calendar years 2022 and 2023 for the following markets: **Medicare Advantage, 5.7%** and **Commercial, 8.7%**.
5. Per OAR 409-065-0035 (3), on or around July 30, 2025, OHA notified The Corvallis Clinic that:
- a. it had exceeded the cost growth target for the 2022-2023 measurement period;

- b. a determination of reasonableness process for the Medicare Advantage market was not required following an initial review of cost growth target data and other available information; and
 - c. a determination of reasonable process for the Commercial market was required following an initial review of cost growth target data and other available information.
6. On August 15, 2025, OHA met with The Corvallis Clinic 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.
 7. Following the August 15, 2025, meeting, The Corvallis Clinic declined to provide additional information on the reasons for its growth during the measurement period.
 8. On or about October 2, 2025, The Corvallis Clinic submitted a supplemental memo to OHA and requested that it be published along with their Notice of Proposed Determination. This supplemental memo is attached as Exhibit B and incorporated herein by reference.

Findings of Determining Reasonableness Process

As a result of the reasonableness discussion and data review process, OHA identified the following major cost drivers for The Corvallis Clinic from 2022-2023:

1. **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 The Corvallis Clinic patients. The cost of pharmaceuticals is an ongoing concern in Oregon and nationally. Centers for Medicare & 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.³

PROPOSED DETERMINATION

1. Following a review of CGT data and additional information on health care spending, OHA has determined that The Corvallis Clinic health care cost growth for the **Medicare Advantage** market from 2022-2023 was **due to acceptable reason(s)**. The Corvallis Clinic will not be held accountable for cost growth in this measurement period and no further action is required for this measurement period.
2. Following a review of CGT data and additional information on health care spending, OHA has determined that The Corvallis Clinic health care cost growth for the **Commercial** market from 2022-2023 was **not due to acceptable reason(s)**. The Corvallis Clinic 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, OHA has determined that 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(11), OHA may waive the requirement for an accountable entity to complete a Performance Improvement Plan (PIP). OHA has determined that The Corvallis Clinic is not required to submit a Performance Improvement Plan (PIP) (CGT-5) to OHA for this measurement period. Attached as Exhibit C, and incorporated herein by reference, is a running summary of The Corvallis Clinic’s cost growth performance over time.

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>

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
August 15, 2025	OHA: Sarah Bartelmann, Sam Smith The Corvallis Clinic: Russ Shust, Philip Capp, Jean Noonan, Addy Rigsby, Sheela Tallman

Exhibit B: The Corvallis Clinic Supplemental Memo

To: Sarah Bartlemann

CC: Sheela Tallman, Addy Rigsby

From: Phil Capp, MD

Date: October 1, 2025

Subject: Commercial Cost Trends at The Corvallis Clinic (CY 2022–2023)

Memo:

Ms. Bartlemann:

Thank you for the opportunity to respond to the Oregon Health Authority's (OHA) Sustainable Health Care Cost Growth Target Program as it pertains to the commercial insurance market for The Corvallis Clinic during the 2022–2023 focus period. After discussions with OHA, we respectfully submit this response.

The Corvallis Clinic joined Optum in March 2024. We cannot speak directly to decisions or programs that may have influenced costs during the 2022-2023 time period; any insights into cost drivers from that period would be speculative. The one insight that we do have from the period in question is that the care management team was very focused on decreasing avoidable ED and hospital utilization, which was largely driven by unmet mental health needs.

Publicly available data from OHA's 2025 Sustainable Health Care Cost Growth Target [Annual Report](#) provides a clear picture of broader trends across Oregon that likely contributed to rising costs in the commercial segment in Corvallis. The impact of hospital-driven costs is significantly higher in the commercial market segment, as unit costs (e.g., the cost of a visit or a service) for hospital services (emergency department, inpatient care, and hospital outpatient services) are universally and substantially higher than what Medicare pays for the same services (e.g., 200% of Medicare). This means that the cost impact due to even a small increase in utilization is very significant. Here are some of the key trends from the OHA 2025 Annual Report:

- Hospital Outpatient Services (e.g., scheduled MRIs or CT scans): Costs rose by 12.1%, even though the number of services provided decreased by 1.7%. This is relevant in that commercially insured patients tend to have higher overall utilization of hospital outpatient services than other groups.
- Hospital Inpatient Services (e.g., emergency care for conditions like stroke or heart attack): Costs remained stable, but usage increased by 5.2%, likely due to delayed preventive care during the pandemic. This is relevant given that even mild increases in inpatient care result in dramatic increases in total cost, given the very high unit cost in the commercial market segment.
- Retail Pharmacy (prescriptions filled at pharmacies): The cost of prescriptions increased by 10%, which was more than double the increase in the number of prescriptions filled. This is relevant in

that the absolute cost of a prescription outpaced the need for more prescriptions by 2:1. Providers do not control the cost of retail pharmaceuticals.

- Professional Services (e.g., visits to providers): Both unit costs and demand increased by 5%, with a notable rise in behavioral health visits. This is relevant in that, on an absolute basis, more services were delivered, and each service cost more than the year before.

Optum has been working to build on a strong foundation of value-based care in Corvallis, developing programs focused on improving health outcomes while managing costs. Some of our core programs include:

- Comprehensive care management: focused on navigating through a highly complicated health system for patients with severe health challenges
- Integrated pharmacy support: focused on education, disease management programs (e.g., diabetes and blood pressure control), and the appropriate and cost-effective use of medications
- Integrated behavioral health: providing access in a primary care setting for behavioral needs (e.g., depression and anxiety)
- Specialized programs for chronic conditions and populations: examples include memory care programs (e.g., dementia care), palliative (end of life) care, high-acuity urgent care, and hospital at home
- Advanced digital tools to better support patients in accessing the care that they need and clinicians in delivering the best care possible
- Team-based care tailored to diverse patient needs: teams made up of pharmacists, nurses, advanced practice clinicians, and physicians

While we have limited insights into cost trends at The Corvallis Clinic during 2022-2023, the data suggests that rising costs were largely driven by broader market-wide factors, in particular costs for hospital outpatient services, rather than the professional services rendered by the clinic. The Corvallis Clinic cannot control or influence what hospitals negotiate with insurance companies. Our levers are strong preventative care and population health programs that over time, through better care and better outcomes, lead to an absolute decrease in the need for expensive, low-value care. As the Optum model matures in Corvallis, our ability to directly influence cost elements we control, as well as our ability to influence levers that we do not directly control, will dramatically increase, as will quality and patient experience.

Respectfully,



Phil Capp, MD

Executive Medical Director, OR Care Delivery | Optum Health



Exhibit C: Cost Growth Target Performance Over Time

The Corvallis Clinic's Commercial Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	0.7%	Indeterminate	N/A
2022-2023	8.7	Not Met	Not Reasonable

The Corvallis Clinic's Medicare Advantage Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	6.1%	Not Met	Reasonable
2022-2023	5.7%	Not Met	Reasonable