

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:

Sky Lakes Medical Center, Inc., an
Oregon nonprofit corporation

For the Cost Growth Target
measurement period: 2021-2022

Agency No. **CGT-2023-PROV-56**

**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

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

Sky Lakes Medical Center, Inc., an Oregon nonprofit corporation ("Sky Lakes Medical Center") is a provider organization in Oregon and was identified as an accountable organization for the 2021-2022 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, Commercial) attributed to them across CGT data submissions for the measurement period.²

On or around December 13, 2023, OHA notified Sky Lakes Medical Center that it had sufficient attributed patient volume to be accountable to the cost growth target. On or around January 10, 2024, OHA generated a data summary and shared it with Sky Lakes Medical Center on or around January 26, 2024. On or around February 7, 2024, OHA met with Sky Lakes Medical Center to review data output for the 2023 data cycle

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/List-of-Provider-Organizations-for-CGT_01.31.2024.pdf

and discuss and resolve any data validation concerns. On or around February 21, 2024, OHA completed CGT-1 data validation with Sky Lakes Medical Center.

On or around May 7, 2024, OHA notified Sky Lakes Medical Center of the cost growth data that were to be reported publicly in OHA's 2024 Cost Growth Target Annual Report, for the 2021-2022 cost growth measurement period. This report was released publicly on or around May 28, 2024.

OHA identified Sky Lakes Medical Center as having cost growth over the target between calendar years 2021 and 2022 for the following markets: **Medicaid, 6.8%**.

On or around July 25, 2024, OHA notified Sky Lakes Medical Center that it had exceeded the cost growth target for the 2021-2022 measurement period pursuant to OAR 409-065-0035(3).

OHA did not require Sky Lakes Medical Center to attend a reasonableness determination meeting following an initial review of cost growth target data for the measurement period that identified key drivers of cost growth.

Findings of Determining Reasonableness Process

- 1. Increased cost of retail pharmacy:** A significant portion of Sky Lake Medical Center's growth in per member per month costs was due to an increase in the amount spent on retail pharmacy for its attributed patients with Medicaid coverage. The cost of pharmaceuticals is an ongoing concern in Oregon and nationally. Oregon's Prescription Drug Price Transparency Program [reported](#) that nationally, prescription drug expenditures grew 8.4% in 2022, double the rate increase of other health care expenditures.
- 2. Increased performance incentive payments:** In 2022, Sky Lakes Medical Center received increased non-claims performance incentive payments from their Coordinated Care Organization for meeting or exceeding care quality benchmarks. This increase accounted for more than half of Sky Lakes Medical Center's cost growth from 2021-2022. This aligns with an increase in OHA funding that was designed to help Medicaid providers overcome the challenges faced during the COVID-19 pandemic.

PROPOSED DETERMINATION

Following a review of CGT data and additional information on health care spending, OHA has determined that Sky Lakes Medical Center's health care cost growth for Medicaid from 2021-2022 was:

- **Due to acceptable reason(s).** Sky Lakes Medical Center will not be held accountable for cost growth in this measurement period and no further action is required for this measurement period.

Please see Attachment 1 for a running summary of Sky Lakes Medical Center's cost growth performance over time.

Dated this 21 day of January, 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.

Attachment 1: Cost Growth Target Performance Over Time

Sky Lakes Medical Center’s Medicaid Cost Growth

Measurement Year	Cost Growth %	Status	Determination
2021-2022	6.8%	Not Met	Reasonable