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VIA EMAIL ONLY

Subject: Comments on proposed merger of Salem Health and Santiam Hospital & Clinics

Dear Sarah,

Thank you for the opportunity to share feedback about the proposed merger between Salem Health and Santiam Hospital & Clinics (Santiam).

Regence BlueCross BlueShield of Oregon strongly opposes the proposed merger between Salem Health and Santiam Hospital & Clinics. As the oldest health insurer in the state, we are committed to providing access to affordable, high-quality health care for the nearly 1 million Oregonians we serve. In keeping with our values as a tax-paying nonprofit, 92% of every premium dollar goes to pay our members' medical claims and expenses. As stewards of our members' health care premium, we work hard to ensure access and affordability for our members through a broad network of affordable providers. We believe the merger will reduce competition, threaten affordability, and limit access to care for our members and the broader mid-Willamette Valley community.

Our concerns are grounded in recent experiences with Salem Health, which terminated its contract with Regence after it sought unprecedented rate increases and subsequently refused to negotiate under reasonable terms. Salem Health is also refusing to allow Blue Cross Blue Shield members to use out-of-network benefits. This action left many of our members without access to Salem Health facilities and underscored Salem Health's prioritization of profit over patient care. In contrast, Santiam has remained a crucial, affordable in-network

partner. The merger would eliminate one of the last significant alternatives to Salem Health in the region, likely resulting in higher costs and fewer choices for patients.

Given these facts, we urge the Oregon Health Authority to subject the proposed merger to a comprehensive review and recommend establishing a community review board. We believe the transaction fails to meet statutory standards for approval and poses clear risks to affordability, access and the public interest.

The broader context: How provider consolidation harms consumers

The health care provider landscape has undergone dramatic transformation through widespread consolidation¹ that has led to higher prices and reduced access to care. Where markets previously supported multiple competing hospitals, many regions now feature two or fewer major systems, fundamentally eliminating the competitive pressure that once helped contain costs. This consolidation creates a direct pathway to price increases that burden patients and purchasers alike.²

Health plans increasingly negotiate with highly consolidated hospital systems. These consolidated entities leverage market dominance, demanding substantial rate increases under threat of network exclusion³—knowing that health plans and insurers have limited alternatives. In markets where a single hospital system dominates, providers can demand double-digit rate increases with the knowledge that plans cannot tell members their only local hospital is out of network. These costs do not exist in a vacuum, but flow directly to individuals, families and businesses through higher premiums and out-of-pocket costs. According to January 2025 [data](#) from the Department of Health and Human Services (HHS), horizontal hospital-to-hospital mergers in concentrated markets can raise hospital prices from 6% to

¹ <https://www.fiercehealthcare.com/providers/heres-where-hospital-markets-are-most-concentrated>

² <https://www.gao.gov/assets/gao-25-107450-highlights.pdf>

³ Li SE, Jones D, Rich E, Lansdale A. How do hospitals exert market power? Evidence from health systems and commercial health plan prices. *Health Aff Sch.* 2025 Jan 16;3(1):qxae179. doi: 10.1093/haschl/qxae179. PMID: 39822238; PMCID: PMC11736714.

65%, while hospitals' acquisition of physician practices (vertical integration) can lead to a 14% average increase in prices for physicians' services.⁴

Beyond financial impact, consolidation severely limits consumer choice and access to care. Patients lose the ability to select from multiple providers based on quality, experience or cost considerations. When independent hospitals like Santiam are absorbed into large systems, consumers face reduced options for where and how they receive care, referral patterns change and the community loses the accountability that independent providers often provide.⁵ The result is a health care market where consumers pay more while having fewer choices—provider consolidation systematically drives up costs while restricting access to affordable, competitive health care options.

The data is clear: Provider consolidation reduces competition and drives up prices for consumers, employers and public programs—without delivering better care for patients.⁶

The proposed merger follows this harmful pattern. Salem Health's acquisition of Santiam would eliminate a significant competitive alternative in the mid-Willamette Valley, giving Salem Health the market dominance to deploy the aggressive pricing tactics and patient exclusions Regence has experienced in its negotiations with Salem Health. This is precisely the type of consolidation Oregon's merger-review process exists to prevent.

Salem Health terminated with Regence, driving members to Santiam

Salem Health chose to leave Regence's network as of Jan. 1, 2025, after nearly a year of negotiations. Salem Health began the negotiations by requesting the highest year-to-year rate increases Regence ever received from a hospital system in Oregon. Salem Health failed to move to a reasonable request during the negotiation

⁴ Also cited in <https://bipartisanpolicy.org/issue-brief/health-care-provider-consolidation/>

⁵ Moss D, Ware A, Lin, L. Fixing a Broken System: Policy Responses to Hospital Acquisitions of Physician Practices That Limit Health Care Access for U.S. Consumers. Progressive Policy Institute. 2025 Dec. 1.

⁶ [GAO: Provider Consolidation Driving Up Costs Without Improving... - AHIP](#)

period. When it left our network, Salem Health was requesting a rate increase of more than 40% over two years. At the time it left, Salem Health was already Regence's highest paid acute care facility in the state, it had already granted itself substantial increases through its chargemaster increase⁷, and it did not show demonstrable value or better quality compared to similar systems that were not demanding such significant increases. While Salem Health claimed Regence's rates were lower than our competitors', our market research showed our offers were well within range of our competitors, and Salem Health never presented objective data to support its assertion.

Notably, Salem Health continues to accept Medicaid patients, Medicare patients and OEBC/PEBC members, all of whom pay reimbursement rates that are substantially lower than those offered by Regence. Salem Health was not merely trying to cover costs in its rate increase demands to Regence but seeking to place its profit margin on the backs of Regence customers.

While Regence stands ready and willing to resume discussions with Salem Health about returning to our network at reasonable rates, Salem Health refuses to participate without requiring Regence to sign a broad non-disclosure agreement, which would prohibit Regence from sharing information about the negotiations with lawmakers, regulators or affected members without a subpoena. Regence cannot agree to these terms. As such, we anticipate that Salem Health will continue to remain out of network for Regence members.

This result is inconsistent with OHA's goals of improving availability and achieving equitable access to care, particularly outside the Portland metropolitan area, and it is a crucial factor in your review of the proposed merger. It is also important to note that in addition to leaving our network, Salem Health will not serve any Blue Cross Blue Shield members at its facilities, even those with out-of-network health plan benefits. This is unprecedented and shows a desire to withhold care from impacted patients, especially given that Salem Health could

⁷ A chargemaster is a hospital's master price list. It catalogs every billable item — from a surgical procedure to a single aspirin tablet — and assigns each one a dollar amount. Prior to our latest negotiations, Salem Health had already raised its chargemaster, giving itself a rate increase, which it then didn't want accounted for in negotiations.

charge its desired rates out of network, and belies Salem Health's claims of financial need given it could charge its desired rates out of network.

Further, Salem Health has frustrated emergency care and continuity-of-care benefits Regence members are entitled to under federal law as members worked to transition away from Salem Health. For example, Regence has dozens of examples of Salem Health cancelling continuity-of-care patient appointments, attempting to charge patients beyond required rates, and refusing to schedule patients who qualified for continuity-of-care. We also have at least one example of a patient being refused service at the Emergency Room, in violation of federal law. Actions prioritizing financial gain over patient welfare are directly relevant to evaluating Salem Health's proposed merger.

Since Salem Health has left our network, we have helped our members find care at more affordable, in-network facilities, ensuring they have access to care at a more affordable rate. Santiam has been one of our key partners in these efforts, and is currently in network through at least June 2027, with an additional 6-month continuation period following any termination during which parties are required to continue to follow the terms of the contract. Approval of the proposed merger calls into serious question the long-term viability of our current contract with Santiam and of Regence members' access to their hospital services. Access to Santiam is essential, as it is one of two easily accessible, regional systems that many of our members moved to after the Salem Health termination and where they've now established care.

The transaction requires comprehensive review

As you work through your preliminary review of the proposed merger, we appreciate your support of equitable access to health care for all Oregonians.

In order for the transaction to only require preliminary review, the state must find:

1. The material change transaction is in the interest of consumers and is urgently necessary to maintain the solvency of an entity involved in the transaction;

2. The material change transaction is unlikely to substantially reduce access to affordable health care in Oregon;
3. The material change transaction is likely to meet the criteria for approval after a comprehensive review, as listed in OAR 409-070-0060;
4. The material change transaction is not likely to substantially alter the delivery of health care in Oregon; or
5. Comprehensive review of the material change transaction is not warranted given the size and effects of the transaction. OAR 409-070-0055(2).

The proposed merger does not meet these standards, and, therefore, should undergo a Comprehensive Review.

The proposed merger is not in the interest of consumers and is not urgently necessary to maintain the solvency of either entity.

Neither Salem Health nor Santiam has demonstrated financial distress requiring urgent consolidation. Indeed, Salem Health's willingness to walk away from Oregon's largest health insurer while demanding rate increases exceeding 40% and refusal to see out-of-network members demonstrates financial strength, not vulnerability. In fact, based on analysis of CMS cost reports and audited financials reported by KPMG, Salem Health is highly profitable and has significant financial resources at its disposal. Organizations facing solvency concerns do not have the leverage to make such demands or terminate major payer relationships. Furthermore, Santiam has continued to operate successfully as an independent entity and maintains productive network relationships with major payers, including Regence. There is no evidence of financial instability that would necessitate this merger to preserve access to care in the region. Indeed, Santiam had a net income of \$14.4 million in 2024, and has consistently had positive operating revenue and margin. Santiam has positioned this merger not as a necessity, but as a strategic move.⁸ The merger appears motivated by market consolidation and increased negotiating leverage rather than any urgent need to preserve either entity's viability. This is precisely the type of transaction that warrants comprehensive review rather than expedited approval.

⁸ [Salem Health and Santiam Hospital file with state to merge - Salem Reporter](#)
("Hudson said the hospital system has been able to keep its head above water, and could have continued to do so without a partner.")

The proposed merger is likely to substantially reduce access to affordable health care in Oregon. The merger would eliminate Santiam as an independent, competitively priced alternative to Salem Health in the mid-Willamette Valley. Currently, Santiam serves as a critical access point for Regence members who can no longer access Salem Health facilities. If Salem Health acquires Santiam, Regence may be subject to Salem Health’s demands for unacceptably exorbitant rate increases for Santiam—just as Salem Health had done with its other hospitals—risking loss of critical access to a key regional hospital system in the area. Salem Health’s recent conduct, paired with a history of disputes with other entities, demonstrates how it will likely use increased market power post-merger and threaten access to care for all Oregonians.

The merger would also eliminate competitive pressure that currently helps contain costs. With Santiam under Salem Health's control, there would be even less ability to constrain Salem Health's rate demands for any payer. Given that Salem Health was already Regence's highest-paid acute care facility in Oregon before demanding an additional 40%+ increase, consolidation would likely accelerate cost growth well beyond the state's health care cost growth targets.

The proposed merger is not likely to meet the criteria for approval after comprehensive review.

Material Anticompetitive Effects (OAR 409-070-0060(5)(a)(A)): The merger would create substantial market concentration in the mid-Willamette Valley. Salem Health would control both major regional hospital systems, dramatically increasing its leverage when negotiating with payers. Salem Health's recent behavior—demanding unprecedented rate increases while already being the state's highest-paid acute care facility—demonstrates how it would exercise this enhanced market power. The resulting cost increases would far outweigh any claimed benefits.

Hazardous or Prejudicial to Consumers (OAR 409-070-0060(5)(a)(D)): Salem Health's conduct during and after network termination demonstrates a pattern of behavior prejudicial to consumers. This includes: refusing care to all Blue Cross and Blue Shield members (not just Regence), refusing to allow members to use out-of-network benefits, obstructing members' continuity-of-care rights,

and denying emergency care in violation of Emergency Medical Treatment & Labor Act (EMTALA). These actions suggest the merged entity would prioritize financial leverage over patient welfare.

The transaction also fails to demonstrate it will benefit the public good under subsection (b) or improve health outcomes under subsection (c), as discussed below.

The proposed merger is likely to substantially alter the delivery of health care in Oregon. The merger would fundamentally transform the competitive landscape for health care delivery in the mid-Willamette Valley, a region serving hundreds of thousands of Oregonians. Salem Health has been rapidly acquiring facilities throughout the region, with our records showing at least 8 acquisitions of clinics⁹ since 2019, including acquisitions that have effectively given it a monopoly for specific services in the region, leading to a high-profile monopoly lawsuit that was settled.¹⁰ This acquisition would add 12 clinics and a hospital system to Salem’s already highly consolidated system, further reducing patient choice and driving up costs in the region, and risking closure of key facilities.¹¹

⁹ 2019/2020: [Salem Health Hospitals & Clinics buys WVP Medical Group](#)

- WVP Independence-Monmouth Family Medicine
- WVP The Doctors' Clinic
- WVP Flaming Medical Center
- WVP Keizer Clinic
- Dallas Family Medicine
- WVP Boulder Creek

2023: [Salem Health \(OR\) Acquires Hope Orthopedics | DealFlow's Healthcare Services Investment News](#)

- Hope Orthopedics

2024/2025 : [Salem Health absorbs Willamette Urology - Salem Reporter](#)

- Willamette Urology

¹⁰ [Heart clinic privately settles monopoly lawsuit with Salem Health | The Lund Report](#)

¹¹ According to 2025 data from HHS, horizontal mergers in concentrated markets can raise hospital prices from 6-65%. See [Health Care Consolidation: Published Estimates of the Extent and Effects of Physician Consolidation | U.S. GAO](#) (“Meanwhile merging hospitals sometimes close facilities or eliminate essential services that rarely turn a profit, such as maternity wards, emergency departments, and primary care clinics, particularly in underserved and rural areas.” ... “The GAO reported in 2021 that rural hospital closures force residents to travel roughly 20 miles farther for common inpatient services (and about 40 miles farther for less common services).”)

Currently, patients and payers can choose between Salem Health and Santiam as independent providers, creating competitive pressure that benefits consumers through both pricing discipline and quality improvement.

Post-merger, Salem Health would control two major hospital systems in the region, eliminating meaningful choice for patients and negotiating alternatives for payers. This consolidation would substantially alter how care is delivered by:

1. **Reducing patient choice:** Regence members and other patients who have established care at Santiam following Salem Health's network termination would find their provider absorbed into the very system they left. This forces patients to either accept care from Salem Health (despite previous concerns) or travel farther to alternative facilities.
2. **Changing referral patterns:** With both systems under common ownership, referrals would flow within the merged entity rather than based on patient preference, clinical appropriateness or cost-effectiveness.
3. **Reducing competitive innovation:** Independent providers compete not just on price but on quality, patient experience and innovative care delivery models. Consolidation eliminates this competitive drive for improvement.
4. **Altering the payer-provider dynamic:** The merged entity would have unprecedented ability to dictate terms to health plans, fundamentally changing the balance of negotiating power in a way that ultimately harms consumers through higher premiums and reduced access. Salem Health's willingness to exclude all Regence and BlueCard members from care demonstrates how it would use this increased market power, making this substantial alteration in health care delivery particularly concerning.

Comprehensive Review is warranted given the significant size and effects of the proposed merger. The scale and impact of this transaction clearly warrant comprehensive review. The merger involves:

1. **Two major regional health systems** serving a substantial portion of Oregon's population in the mid-Willamette Valley.

2. **Direct impact on thousands of BlueCross BlueShield members** who currently rely on Santiam as their primary in-network option following Salem Health's network termination.
3. **Significant market concentration** that would give Salem Health control over the region's hospital capacity and eliminate a meaningful competitive alternative.
4. **Substantial cost implications** given Salem Health's history as Regence's highest-paid acute care facility and its demands for rate increases exceeding 40%, and the research on the effects of horizontal consolidation.

The transaction's effects extend beyond the immediate parties. It would set precedent for hospital consolidation statewide, signal to other providers that market dominance can be achieved through acquisition, and call into question whether Oregon's merger review process can effectively protect consumers from anticompetitive consolidation. Given Salem Health's demonstrated willingness to prioritize financial leverage over patient access—including the unprecedented step of denying out-of-network care—the potential harm from this merger is substantial and warrants the thorough examination that only comprehensive review provides. The preliminary review process is designed for transactions with limited scope and impact. This merger fails that test on every measure.

The proposed merger does not satisfy the Comprehensive Review requirements

Even if the transaction proceeds to comprehensive review, it cannot satisfy the approval criteria under state law. Current law states that approval is appropriate after a Comprehensive Review if the transaction satisfies (a) **and either** (b) or (c) below (OAR 409-070-0060(5)):

- (a) There is no substantial likelihood that the transaction would:
 - (A) Have material anticompetitive effects in the region (such as significantly increased market concentration among providers when contracting with payers, carriers or coordinated care organizations, or among carriers when establishing health benefit premiums that is likely to increase costs for consumers) not outweighed by benefits in increasing or maintaining services to underserved populations;

- (B) Be contrary to law;
 - (C) Jeopardize the financial stability of a health care entity involved in the transaction; or
 - (D) Otherwise be hazardous or prejudicial to consumers or the public. OAR 409-070-0060(5)(b)
- (b) The transaction will benefit the public good and communities by:
- (A) Reducing the growth in patient costs in accordance with the health care cost growth targets established under ORS 442.386 or maintain a rate of cost growth that exceeds the target that the entity demonstrates is in the best interest of the public;
 - (B) Increasing access to services in medically underserved areas; or
 - (C) Rectifying historical and contemporary factors contributing to a lack of health equity or access to services. OAR 409-070-0060(5)(b)
- (c) The transaction will improve health outcomes for residents of this state. OAR 409-070-0060(5)(c)

This transaction fails all three metrics.

Material anticompetitive effects: The merger would have significant anticompetitive effects in the mid-Willamette Valley region. Market concentration would increase dramatically, with Salem Health controlling two major hospital systems. This concentration would manifest in:

- **Increased negotiating leverage with payers:** Salem Health has already demonstrated its willingness to use market power aggressively, demanding rate increases exceeding 40% while already being Regence's highest-paid acute care facility. Acquiring Santiam would only embolden these types of demands.
- **Higher costs for consumers:** Extensive research demonstrates that hospital consolidation leads to higher prices without corresponding quality improvements. Given Salem Health's pricing history, the merger would likely accelerate cost growth well beyond Oregon's health care cost growth targets, directly increasing premiums and out-of-pocket costs for consumers.

- **Reduced access for certain populations:** Salem Health's decision to refuse all out-of-network care to Blue Cross and Blue Shield members demonstrates how the merged entity would use market power to exclude patients. This is particularly harmful to underserved populations who may have limited ability to travel to alternative facilities or may not be able to afford out-of-network care. These anticompetitive effects are not outweighed by benefits to underserved populations. Indeed, Salem Health's conduct suggests the opposite—that vulnerable patients would face reduced access as the merged entity exercises enhanced market power.

Hazardous or prejudicial to consumers: The transaction would be hazardous and prejudicial to consumers based on Salem Health's demonstrated pattern of conduct:

- Obstructing continuity-of-care rights for patients transitioning away from Salem Health
- Refusing to treat any Blue Cross and Blue Shield members, even those with out-of-network benefits
- Denying emergency care in violation of EMTALA
- Demanding unprecedented rate increases while already being the state's highest-paid facility
- Refusing to negotiate without overly restrictive NDAs that would prevent transparency with regulators and affected members

This pattern suggests the merged entity would prioritize financial extraction over patient welfare, making the transaction prejudicial to the public interest.

Public good and community benefits: The merger fails to demonstrate benefits to the public good:

- **Reducing cost growth:** The merger would likely *increase* cost growth, not reduce it. Salem Health's pricing history and negotiating tactics suggest the merged entity would use enhanced market power to demand higher rates, driving costs well above Oregon's health care cost growth target. There is no credible mechanism by which eliminating Santiam as an independent competitor would reduce costs.
- **Increasing access in underserved areas:** The merger would *reduce* access, particularly for Regence members and other Blue Cross and Blue Shield members. Salem Health has demonstrated willingness to exclude thousands of Oregonians

from care. Giving this entity control over Santiam would eliminate the access point these members currently rely upon.

Rectifying health equity issues: The merger provides no credible plan for addressing health equity. Salem Health's exclusion of patients based on insurance coverage disproportionately harms those who may lack resources to travel longer distances to alternatives. Further, Salem Health has actively sought to move large employer business away from Regence or directly contract with those employers, but offers no viable access remedies for small group or individual members for whom Regence is the most affordable, preferred option. Consolidation would exacerbate rather than rectify equity concerns.

Improving health outcomes: The merger does not demonstrate how it would improve health outcomes for Oregon residents. While the parties may claim operational efficiencies or care coordination benefits, these theoretical benefits must be weighed against:

- Reduced access for Regence members who currently rely on Santiam.
- Elimination of competitive pressure that drives quality improvement and affordability.
- Increased costs that may cause patients to delay or forgo necessary care.
- Reduced patient choice in selecting providers based on quality and experience

Salem Health has not provided evidence that the merger would achieve outcome improvements that could not be achieved through less anticompetitive means, such as clinical affiliations or care coordination agreements that preserve Santiam's independence.

The proposed merger does not meet Oregon's metrics for approval on comprehensive review and should be denied.

HCMO should use Community Review Board for the proposed merger

Oregon Administrative Rule allows for use of a Community Review Board during a Comprehensive Review to advise HCMO on the impact of the transaction to the community, and to make recommendations to HCMO on the approval or disapproval of the transaction (or approval

with conditions). OAR 409-070-0062(1). The determination to convene a community review board hinges on several factors, including: 1) potential loss or change in access to essential services, 2) the potential to impact a large number of residents in this state, and 3) a significant change in the market share of an entity involved in the transaction. OAR 409-070-0062(2). A community review board must consist of members of the affected community, including persons who represent populations that experience health disparities, consumer advocates, and health care experts. OAR 409-070-0062(3).

We strongly recommend that HCMO use a community review board to evaluate this proposed merger. The transaction would fundamentally alter health care delivery for hundreds of thousands of Oregonians in the mid-Willamette Valley, and their voices deserve to be heard in this process. A community review board would provide essential perspective on:

- How the merger would affect patient access and choice
- The adequacy of Salem Health's commitments to maintain services
- The credibility of claimed benefits given Salem Health's recent conduct
- The impact on vulnerable and underserved populations

Community input is particularly critical given Salem Health's demonstrated willingness to prioritize financial considerations over patient access and the significant concerns about how the merged entity would exercise enhanced market power. Notably, we believe that at least two members of the community review board should be Regence members or employers affected by the potential loss of access to Santiam.

We appreciate the work you do to further the Oregon legislature's goals of achieving access to health care at an affordable cost, and we appreciate the opportunity to comment on the proposed merger. We

look forward to a full and transparent review process to ensure that the proposed merger does not disrupt care for Oregonians.

Sincerely,



Mary Anne Cooper
Director of Public Affairs and Government Relations
Regence BlueCross BlueShield of Oregon