



Salem Health
P.O. Box 14001
Salem, Oregon 97309-5014
503-561-5200
salemhealth.org

June 10, 2013

To: Human Services Subcommittee Ways & Means Co-Chairs Sen. Alan Bates
and Rep. Nancy Nathanson

From: Lane Shetterly, Salem Health Board of Trustees

Re: Opposition to HB 3309

I am here as a volunteer member of the Salem Health Board of Trustees which includes Salem Hospital and West Valley Hospital in Dallas. We are the largest private employer in both Marion and Polk Counties, with more than 3,800 employees and we operate the busiest ER in the state.

I offer this testimony in opposition to HB 3309.

Under this bill any dissenting voice on a Coordinated Care Organization Board could be both expelled from the Board and have its reimbursements cut to 58 percent of Medicare for five years.

HB 3309 is unnecessary to accomplish the goal of removing a member from the Board. For example, our local CCO, Willamette Valley Community Health (WVCH), is organized as a limited liability company under Oregon law. Chapter 63 of the Oregon Revised Statutes already addresses standards of conduct for members.

It is no secret that this bill is aimed at Salem Hospital. The bill sponsor has stated he will drop the bill if Salem Hospital drops its lawsuit against the local WVCH.

Our lawsuit against WVCH is a contract action that we brought as a vendor of services to the CCO, not as a CCO member.

When the CCO was formed it assumed the contracts from its predecessor then cancelled ours and no one else's. We objected.

The CCO then cancelled all vendor contracts that involved its members as vendors and promptly reinstated all vendor's prior contracts except Salem Hospital's.

After that, it authorized a contract rate to Salem Hospital for 64 percent of Medicare reimbursement, which is the rate hospitals get if they don't have CCO



contracts. We believe we had a contract and we want to continue to contract with the CCO. Sixty-eight percent is the rate contracting hospitals are to receive. The litigation over our vendor contract only covers the timeframe from Aug. 1, 2012 to Feb. 6, 2013.

The CCO has so far refused to extend a subsequent contract to Salem Hospital, while the litigation is pending, even though we continue to provide services as a member of the CCO.

We are being cast as the so-called "bad actor" when that is not the case.

Our Board of Trustees has agreed to go into mediation with WVCH. I am pleased to report that we and the CCO have mutually agreed on the selection of a mediator and are in the process of moving forward with mediation. As such, I submit that HB 3309 is unnecessary and the legislature should allow us to work to resolve our issues in good faith.

We welcome the opportunity to work through the multiple issues that exist between the two organizations with the goal of a establishing a better working relationship in order to meet the health care needs of our mutual patients and advance health care reform in our community.

Ultimately, the success of the CCOs are an important element in the governor's plan for health care transformation. We want health care transformation to be successful. HB 3309 is a significant barrier to success.