

**Providence Health & Services**  
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March 25, 2015

The Honorable Monnes Anderson  
Chair, Senate Committee on Health Care  
State Capitol  
Salem, Oregon 97301

RE: Senate Bill 665, Hospital rate commission

Dear Senator Monnes Anderson and members of the committee:

On behalf of Providence Health & Services, thank you for the opportunity share our perspective and concerns about Senate Bill 665.

The health care environment in Oregon continues to change rapidly. A significant part of this change revolves around pricing. Provider reimbursement that was once entirely fee-for-service has become a hybrid with the adoption of global budgets and accountable care models. Today, health systems like Providence are increasingly paid based on performance and at-risk for the cost of care.

Senate Bill 665 is inconsistent with Oregon's health care transformation goals and our progress to-date. As we understand it, the bill would require approval for each of our hospital charges unless they meet a formula under which the charges are determined to be reasonable. Such a process eliminates the ability for hospitals to be nimble in response to market demands, negotiate competitive contracts with insurers and manage costs. This approach simply doubles down on a fee-for-service system in which costs are managed on a procedure-by-procedure basis.

In order to respond and anticipate market forces, hospitals are developing new ways to manage risk and offer competitive bundled services to payers. For example, joint replacement or pregnancy care bundles take a large number of fee-for-service procedures and place them under a capitated cost structure. Hospitals assume accountability for cost and quality outcomes and manage to those standards. These are the kind of innovative approaches that will reduce costs and improve outcomes for patients.

Oregon's current approach is driving competition and changing health care spending in dramatic ways, we encourage you to oppose Senate Bill 665.

Sincerely,

A handwritten signature in blue ink that reads "William Olson".

William Olson  
Vice President of Finance Operations  
Providence Health & Services - Oregon