



2500 NE Neff Road
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June 8, 2017

Dear Members of the Joint Ways and Means Subcommittee on Capitol Construction,

I am writing on behalf of St. Charles Health System to urge you to oppose Senate Bill 1067, legislation that proposes to limit Public Employee's Benefit Board (PEBB) and Oregon Educators Benefit Board (OEBB) rates for DRG hospitals to 185 to 200 percent of Medicare rates. I have also reached out to our legislators to express St. Charles' opposition to this bill as we believe it could have a detrimental and long-lasting impact on hospitals throughout the state.

While St. Charles' is supportive of the Legislature's efforts to find methods to control spending and seek efficiencies in existing programs, we believe this bill would fail to contain health care costs. If passed, the bill would:

- Shift costs to those buying commercial insurance;
- Solidify and codify the use of a fee-for-service payment model that our state has committed to moving away from. It does not account for progress toward alternative models that reward value and strong quality performance;
- Limit PEBB and OEBB rates to 185 to 200 percent of Medicare rates, which are not based on the actual cost of care in Oregon. Hospital rates rest upon a complex set of calculations, which include covering the cost of services like emergency preparedness, patient volume on certain services, payer mix and other factors. Artificially capping one set of rates could place strain on other related areas or have other unintended consequences.

PEBB and OEBB have significant purchasing and contractor power. We believe the Oregon Health Authority (OHA) should explore administrative levers to control cost through contract negotiation. Furthermore, we believe the OHA should continue to support hospitals' work towards a coordinated care model where providers are paid for health outcomes and performance is measured.

We strongly encourage you to oppose this legislation, as we believe it is counterproductive to health care transformation efforts already underway and would ultimately fail to control health care costs.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jennifer R. Welander".

Jennifer R. Welander
Chief Financial Officer
St. Charles Health System
Bend, Ore.

