



OFFICE OF THE DIRECTOR

Kate Brown, Governor

Oregon  
Health  
Authority

500 Summer St. NE E-20

Salem, OR 97301

Voice: 503-947-2340

Fax: 503-947-2341

[www.oregon.gov/oha](http://www.oregon.gov/oha)

September 22, 2022

TO: Chair Nosse, Vice-Chairs Hayden and Prusak,  
Members of the House Interim Committee on Health Care

FROM: Patrick Allen, Director, Oregon Health Authority

SUBJECT: Cost Growth Target

Dear Chair Nosse, Vice-Chairs Hayden and Prusak, and committee members:

Thank you for the opportunity to testify before your committee and to provide an update on the Cost Growth Target. Please find a response to the question asked and additional information below.

**Rep. Moore-Green:**

**What is the timing for the Cost Growth Target financial penalties – i.e. when does the 5-year period for the 3 strikes begin?**

The soonest any payer or provider organization might be subject to a financial penalty for excess cost growth is 2027, looking at performance relative to the cost growth target in the first five years of the program (CGT Years 1-5 in the table below).

The first year that counts toward that five-year period is Year 1; cost growth between 2020-2021. The Oregon Health Authority is collecting this data from payers starting this month. The second year that counts toward that period is cost growth between 2021-2022, etc.

CGT Year	0	1	2	3	4	5
Cost growth between	2018 – 20	2020 – 21	2021 – 22	2022 – 23	2023 –24	2024 – 25
Data submitted in	2021	2022	2023	2024	2025	2026
Data reported in	2022	2023	2024	2025	2026	2027
Are payers/providers publicly identified?	No	Yes	Yes	Yes	Yes	Yes
Do PIPs apply?	No	No	Yes	Yes	Yes	Yes
Does \$ penalty apply?	No	No	No	No	No	Yes

One important clarification – the “strike” only applies for payer and provider organizations who exceed the cost growth target in a given year with statistical confidence and without a good reason. For example, any organization that is currently exceeding the target because of increased workforce costs / livable wage for caregivers are unlikely to have this performance counted against them towards those “3 strikes”.

OHA will provide a summary of cost growth performance relative to the target to each included payer and provider organization each year and will review and discuss reasons for excess cost growth prior to any public reporting and determination of accountability.

OHA will conduct rulemaking on accountability mechanisms (e.g. Performance Improvement Plans) and financial penalties in summer 2023, including further developing criteria for “good reasons” for cost growth and how the financial penalties will be calculated.

Please do not hesitate to reach out if you have any questions or require additional information.

Sincerely,

A handwritten signature in blue ink, appearing to be 'P. Allen', with a long horizontal stroke extending to the right.

Patrick M. Allen  
Director