



November 6, 2023

Oregon State Legislature  
900 Court Street NE  
Salem, OR 97301  
*Delivered electronically*

Chair Nosse and Members of the House Interim Committee on Behavioral Health and Health Care:

The Hospital Association of Oregon is a mission-driven, nonprofit association representing Oregon's 62 community hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer Oregon with equitable access to quality health care, the hospital association provides services to Oregon's community hospitals ensuring all are able to deliver dependable, comprehensive health care to their communities; educates government officials and the public on the state's health landscape; and works collaboratively with policymakers, community organizations, and the health care community to build consensus on and advance health care policy benefiting the state's 4 million residents.

Hospitals are more than just buildings; they are cornerstones within the communities they serve. Our hospitals are employers, partners in community projects, and community spaces—all while providing vital health services to generation after generation of families in communities across Oregon. We know that when our hospitals are strong, our communities win.

We appreciate the opportunity to offer a hospital perspective in today's informational meeting regarding Sustainable Health Care Cost Growth Target Program Accountability.

Patients are at the heart of the goals behind the cost growth target program. Health care is becoming increasingly inaccessible as health insurance premiums and patient cost sharing amounts continue to rise. The cost growth target program attempts to contain costs across the health care system by holding individual entities accountable for cost growth beyond the target. However, the program's accountability mechanisms are prone to arbitrary application and may ultimately exacerbate the challenges our system is facing, without telling the story of why patients continue to need financial help. It will take a collaborative effort to improve affordability without adversely impacting patients' access to high-quality care or further straining the health care workforce.



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## Patient Costs and Hospital Financial Assistance

The recent report from the Oregon Health Authority (OHA), “Impact of Health Care Costs on People in Oregon, 2021,” illustrates the troubling reality that so many Oregonians and their families face in paying for health care. OHA reports that, as of 2021, personal spending on health care was approaching \$8000 per person—a 40% increase from 2013.<sup>1</sup> This is despite the fact that over 95% of Oregonians had health insurance in 2021.<sup>2</sup> The OHA report estimates the rate of underinsured Oregonians—that is, people with health insurance who cannot afford to use it because of high out-of-pocket costs relative to their income—at 28-45%, depending on the definition applied.<sup>3</sup> This is unsurprising given the trajectory of commercial insurance costs for enrollees. Between 2013 and 2021, commercial insurance premiums in Oregon increased by 36% for individual plans and 32% for family plans; average deductibles increased 84% for individual plans and 34% for family plans.<sup>4</sup> Commercial insurers in Oregon’s individual market are raising premiums again in 2024, by an average of 6.2%.<sup>5</sup>

As commercial insurers push more costs onto patients, Oregon’s hospitals are a safety net. Hospitals treat all individuals and families who walk through their doors needing care—24 hours a day, 7 days a week, 365 days a year—regardless of their ability to pay. When a patient needs hospital care and can’t afford the deductibles, co-pays, and co-insurance the insurer requires them to pay, it is the hospital that comes to the rescue—not just medically, but also financially.

In Oregon, all hospitals are required to have patient financial assistance policies.<sup>6</sup> HB 3076, passed in 2019, further requires nonprofit hospitals to offer certain amounts of financial assistance (also called “charity care”) to patients with incomes at or below 400% of the federal poverty level (\$120,000 annually for a family of four in 2023<sup>7</sup>) according to a sliding scale.<sup>8</sup> At one end of the scale, patients whose incomes are at or below 200% of the federal poverty level are entitled to financial assistance that covers the entire amount they owe for medically necessary services or supplies provided by the hospital.<sup>9</sup> Health insurers have no such requirement to offer financial assistance; instead, they continue to shift cost burdens to patients. We are not aware of any commercial insurers in Oregon that offer financial assistance to enrollees to cover cost-sharing amounts.

**What does this have to do with cost growth target accountability?** Hospitals can only take care of you and your loved ones, support their communities, and provide free and discounted care if they are financially healthy. A hospital must be able to cover its costs to provide patient care, or it cannot continue to exist. Oregon hospitals

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<sup>1</sup> Oregon Health Authority, [Impact of Health Care Costs on People in Oregon, 2021](#), September 2023, p. 2.

<sup>2</sup> Oregon Health Authority, [Oregon Health Insurance Survey](#), 2021.

<sup>3</sup> Oregon Health Authority, [Impact of Health Care Costs on People in Oregon, 2021](#), September 2023, p. 14.

<sup>4</sup> Oregon Health Authority, [Impact of Health Care Costs on People in Oregon, 2021](#), September 2023, pp. 3 and 7.

<sup>5</sup> Division of Financial Regulation, Oregon Department of Consumer and Business Services, [ACA-Compliant Plans: 2024 Health Insurance Rate Requests](#).

<sup>6</sup> ORS 442.610 (2); [HB 3076](#) (2019), Sections 2 and 3.

<sup>7</sup> Healthcare.gov, [Federal poverty level \(FPL\)](#).

<sup>8</sup> ORS 442.614 (1)(a).

<sup>9</sup> ORS 442.614 (1)(a)(A); ORS 442.614 (1)(e).



continue to find themselves in a financially tenuous position, facing rising costs to provide care.<sup>10</sup> Expecting that hospitals and other providers will be able to meet a 3.4% cost growth target when their expenses are rising at multiple times that rate is unsustainable. Deploying accountability measures under these circumstances is likely to be counterproductive and risks unintended consequences for patients and health care workers.

### **Cost Growth Target Accountability**

The association has been highly engaged throughout the implementation of the cost growth target program, including the ongoing development of the program's accountability mechanisms. We have repeatedly emphasized the need for transparency and predictability in determining any accountability.<sup>11</sup> While OHA has acknowledged that "not all cost growth is bad,"<sup>12</sup> OHA has significant discretion to decide what level of cost growth was or would have been reasonable in hindsight.<sup>13</sup> The factors that determine reasonableness are broad, subjective, and difficult to quantify, which increases the risk of unpredictable and inconsistent application.

We have urged OHA to dig deeper to understand and quantify the drivers behind what it costs to deliver care so that conversations about reasonableness and accountability take place against a backdrop of objective data about systemic trends. Without this understanding, efforts to establish accountability under this program will become a futile exercise in blame shifting. For instance, payers may attempt to justify cost growth above the target by pointing to rising hospital prices.<sup>14</sup> Indeed, the Hospital Inpatient and Hospital Outpatient service categories saw notable cost growth in the commercial and Medicare markets from 2020-2021.<sup>15</sup> However, "hospital inpatient" and "hospital outpatient" are not cost drivers in and of themselves. They reflect what it costs the hospital to provide that care and continue to operate. We need to look at why *those* costs are rising and identify points to intervene without making unacceptable tradeoffs that harm our workforce and our communities.

Performance improvement plans (PIPs) and financial penalties should be used sparingly to address outlier situations that are within the control of an individual health care entity. Any financial penalties imposed under the program should have a reasonable upper limit that reflects the newness of the program, prevents adverse impacts on access to care and the health care workforce, and ensures the penalty does not result in increased consumer costs.

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<sup>10</sup> [Q2 2023 Oregon Hospital Utilization and Financial Analysis](#).

<sup>11</sup> See, for example, Oregon Association of Hospitals and Health Systems letters to the Cost Growth Target Advisory Committee, [May 16, 2023](#) and [September 13, 2023](#); Oregon Association of Hospitals and Health Systems, [Letter to the Oregon Health Authority Cost Growth Target Team](#), July 25, 2023; Oregon Association of Hospitals and Health Systems [Testimony on HB 2742](#), February 21, 2023; Oregon Association of Hospitals and Health Systems [Testimony on HB 2045](#), April 27, 2023.

<sup>12</sup> Oregon Health Authority, [Health Care Cost Growth Trends in Oregon, 2020-2021](#), May 9, 2023, p. 12.

<sup>13</sup> See Sustainable Health Care Cost Growth Target: [Implementation Committee Recommendations Final Report to the Oregon Legislature](#), January 2021, p. 48.

<sup>14</sup> See, for example, Cambia Health Solutions, [Comments on the Cost Growth Target Reports](#), May 2023.

<sup>15</sup> Oregon Health Authority, [Health Care Cost Growth Trends in Oregon, 2020-2021](#), May 9, 2023, p. 22.



## Conclusion

One of the legislature's stated intentions in creating the cost growth target program was to "ensure the long-term affordability and financial sustainability of the health care system in this state."<sup>16</sup> Right now, the financial sustainability of the health care system is at risk while hospitals serve as the community safety net. We should avoid constructing a system that could further destabilize hospitals for taking steps to ensure they can meet the needs of their communities.

Accountability for cost growth is a small piece of the affordability puzzle, but the accountability tools in this program pose a threat to access, quality, and the health care workforce if not implemented thoughtfully. We must not lose sight of our broader goals; our communities need health care that is affordable, accessible, and high-quality, and our health care workforce needs support and continued investment. We appreciate the legislature's ongoing attention to this issue and encourage further discussion to find collaborative solutions.

Thank you,



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<sup>16</sup> ORS 442.386 (1)(c).

