

Tina Kotek, Governor

February 3, 2026

Representative Rob Nosse, Chair  
Representative Travis Nelson, Vice Chair  
Representative Ed Diehl, Vice Chair  
900 Court Street NE  
State Capitol  
Salem, OR 97301

**SUBJECT: OHA testimony on HB 4039-1**

Chair Nosse, Vice Chairs Nelson and Diehl,

OHA appreciates the opportunity to provide information on HB 4039 as amended by the -  
1. We have appreciated working together with our CCO partners in the development of  
this amendment and the bill that will result.

**Background:**

The 2026 rate-setting process was unlike any prior year with a trend of 10.6% growth, after a decade of growth averaging at 3.7%. Historically, CCO rates are developed using previous years' experience. For 2026, however, OHA incorporated emerging data from the first half of 2025 due to accelerating cost trends, particularly in behavioral health, combined with declining reserves and reduced risk tolerance among CCOs. This adjustment was necessary and reflects our ongoing commitment to program sustainability.

OHA engages in a lengthy and open process with CCOs regarding rate development. This includes multiple group sessions as well as one-on-one meetings, and working closely with our contractor, Mercer, to make adjustments based on that feedback.

Partner feedback has been integral to reviewing and adjusting our approach to rate development. The unusual nature of this year's process underscores why transparency and partnership remain critical as we look ahead to 2027.

## **Key Adjustments in the -1 Amendment**

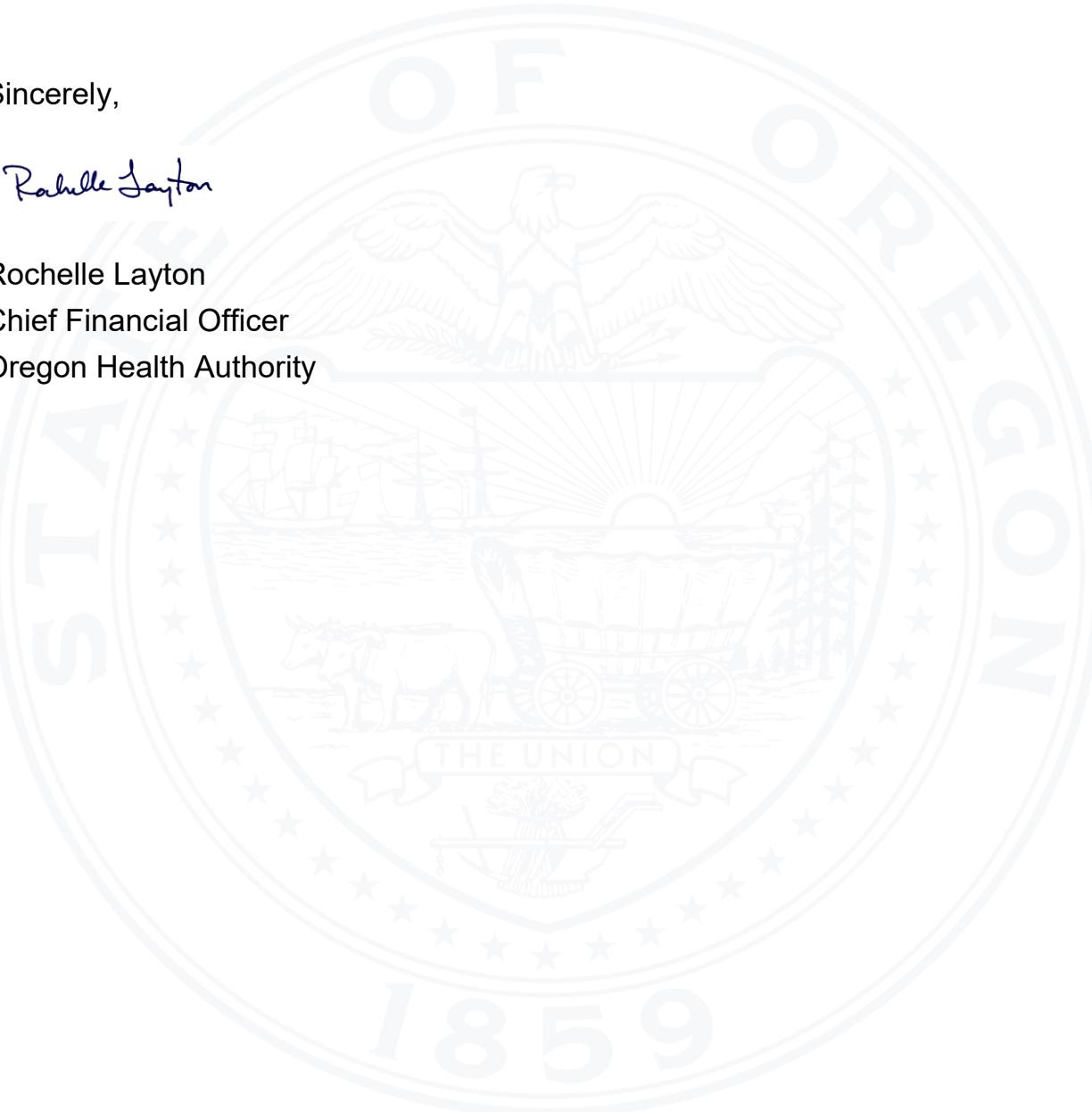
During the engagement on HB4039, OHA and CCOs discussed concerns around proprietary algorithms, non-renewal deadlines, and transparency with the public. After significant dialogue, OHA believes the -1 amendment creates a feasible path forward for rate setting in 2027 and beyond.

- **Adding 7 Days for CCO review:** Although this is not addressed in the -1 amendment, the agency wishes to make clear for the record that we plan to provide CCOs their capitation rates and models seven days earlier than the current timeline of 134 days, providing them 21 days total to review rates before a potential non-renewal decision. This adjustment does not change the statutory renewal deadline for contracts and avoids significant additional program costs.
- **Providing 90-day notice for fee-for-service (FFS) rates:** OHA can provide a 90-day notice of discretionary changes to the authority's schedule for FFS reimbursement rates and make appropriate adjustments to the capitation rates when necessary.

- **Data reconciliation and outliers reporting:** OHA will engage with Mercer, OHA's actuarial vendor, to provide additional support and details to fulfill these requirements. OHA will ensure as part of the data reconciliation efforts that CCOs can review any adjustments made by OHA or OHA's actuaries.
- **Program change tracking for material changes:** OHA can identify cost impact arising from material changes in a proposed contract restatement and include that information in the preliminary rate publication. This ensures reporting focuses on significant contractual or program changes.
- **Engaging with the Oregon Health Policy Board (OHPB) on CCO rates:** OHA will provide timely written reports to OHPB on rate-setting activities. While "timely" allows flexibility, our intent is to maintain a regular, annual cadence aligned with program milestones.
- **Reaffirming Transparency for Clinical Efficiency Adjustment:** OHA uses clinical efficiency algorithms, developed by Mercer, to save \$30 million or more annually in capitation rate setting. These algorithms remove low-value care from the base data, ensuring that capitation rates reflect efficient, high-value services. While these tools are proprietary, OHA provides transparency through multiple channels. OHA will continue to provide summarized data and presentations. Technical assistance information can be found [here](#). This ensures CCOs have insight into proprietary clinical efficiency adjustments and rate setting, while maintaining appropriate parameters under vendor intellectual property and contract provisions.

The 2026 rate-setting process demonstrated the importance of collaboration and adaptability. OHA remains committed collaborating in future years in order to maintain program sustainability.

Sincerely,

A faint watermark of the Oregon Health Authority seal is visible in the background. The seal is circular with "THE OREGON HEALTH AUTHORITY" around the top and "1859" at the bottom. Inside, it features a central figure, a ship, a plow, and a sheaf of wheat, with the words "THE UNION" and "STATE OF OREGON".

*Rochelle Layton*

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Oregon Health Authority