PacificSource
HEALTH PLANS

February 19, 2026

Representative Rob Nosse, Chair
Representative Ed Diehl, Vice-Chair
Representative Travis Nelson, Vice-Chair
House Committee on Health Care
900 Court St NE
Salem, OR 97301

Delivered via OLIS.

Re: Support for House Bill 4083

Chair Nosse, Vice-Chairs Diehl and Nelson, and Members of the Committee:

The PacificSource companies are independent, not-for-profit health insurance providers based in Oregon. We serve over 500,000 commercial, Medicaid, and Medicare Advantage members in three states. PacificSource Community Solutions is the contracted coordinated care organization (CCO) in Central Oregon, the Columbia River Gorge, and Marion & Polk Counties. Our mission is to provide better health, better care, and better value to the people and communities we serve.

We write to express our support for House Bill 4038. We realize that this bill will not be adopted this session, but we are pleased to have the opportunity to express the challenges we experience with the Health Care Cost Growth Target program ("program"). It is our hope that the Assembly takes another look at the legal and operational contours of the program to ensure that parties responsible for cost growth make appropriate reports, that the program sets achievable and realistic goals, and that proving reasonable causes of cost growth is not unnecessarily burdensome.

We want to start with the premise that Oregon and the health system is invested in the cost growth target program in the first place. Every session, this Assembly deliberates benefit and reimbursement mandates, as well as limitations on how plans conduct business (e.g., payment integrity programs, software tools, and other methods to ensure accuracy in payment). Medicaid reimbursement is not keeping up with the pace of growth, leading to cost shifting to the commercial health insurance space. A state really dedicated to limiting cost growth must take a holistic approach to limiting growth, and since passage of Senate Bill 889 in 2019 the state has not really taken collective action to limit growth. The pressures of all the other competing demands of the health care sector on this Assembly and on payers and providers puts the cost growth target far down the list of priorities. Yet, health plans may receive consent orders and potential fines if we cannot meet all these restrictions and also limit cost growth.

The target the program seeks to hold the health care sector may have made sense in a low-inflationary environment, when the legislation first passed, but makes little sense in a post-pandemic world. The target stood at 3.4% since the program's inception. Recently the program announced that the target would increase to 3.75%, over recommendations of a workgroup the agency convened which recommended a 5.5% cost of growth target.[1] We contend that a cost growth target needs to be realistically achievable for parties to meet while balancing out all the competing pressures placed on the reporting entity.

As far as reporting goes, health plans like PacificSource end up reporting multiple times with no guarantee of continuity. As you have heard from our testimony in committee before, health plans must receive prior approval of proposed rates for our plans in the individual and small group markets. The Insurance Commissioner retains the discretion to raise or lower rates if the commissioner's office finds that rates are "*[r]easonable* and not excessive, inadequate or unfairly discriminatory" and "[b]ased upon *reasonable* administrative expenses."[2] Thus, rates approved by the Commissioner are reasonable as a matter of law. We are then expected to file annually again with the Oregon Health Authority to prove that rates approved by the Commissioner are reasonable causes of cost growth.[3] Just based on the legal sources alone, health plans could prove that rates are reasonable with one state agency but could fail with another agency.

This reporting requirement extends to Medicaid, where rates are exclusively set by the Oregon Health Authority. We appreciate this committee's work on opening the rate process incrementally with the adoption of House Bill 4039A, but Medicaid rates will be set by the agency for the foreseeable future. Nonetheless, coordinated care organizations like PacificSource must file and prove that cost growth in the Oregon Health Plan is reasonable. Entities who offer Medicare Advantage plans in the state must, as a matter of state law, file with the program. But as a matter of federal law, states may only regulate the solvency of health plans who offer Medicare Advantage plans; states may not otherwise regulate in this space.[4] The preemptory effect of federal regulation is stronger in Medicare Advantage than it is for ERISA plans. Health care entities may be filing information, but it is far less than clear that plans can be held to a rate of growth without running afoul of federal regulation.

In terms of who files, the program also relies on the actions of essentially two participants in the health care sector and asks nothing of the remaining components of the sector. While we file with two different state agencies, other parties that raise costs within the health care sector do not file anything. For instance, the only linkage between the cost growth target program and pharmaceutical manufacturers is a requirement that the Prescription Drug Affordability Board report to the program on price trends and on the prescription drugs that the Board reviewed.[5] But since the Board has not completed an affordability review until very recently, and they only look at a few drugs per year, this linkage is weakly helpful at best.

When we file reports, information necessary for heath plans to prove that cost growth is nonetheless reasonable is out of our hands. For instance, health plans would not have any influence over workforce costs and wage increases that providers experience in delivering care, yet we need to account for those costs. We are in no better position to prove macroeconomic factors than other entities, and yet we prove the impact of trade policy, employment and other economic matters to show that cost growth is in fact reasonable. The result is that health plans must metaphorically throw spaghetti against the wall, hoping that all the reasons why a plan may have exceeded the cost growth target are acceptable to the agency.

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[1] https://www.oregon.gov/oha/HPA/HP/2026%202030%20workgroup/CGT%202026%202030%20recommendation%20to%20OHA.pdf

[2] ORS 743.018 (2025) [Emphasis added].

[3] *See* OAR 409-065-0035.

[4] *See* 42 CFR § 422.402.

[5] ORS 646A.696.

For all these reasons, we welcome an interim conversation about the direction of the program moving forward. Controlling cost growth is well intentioned, but now having lived with the program we believe it is time to discuss how the program can meet the state's goals without unnecessarily burdening reporting entities in the process.

Sincerely,

/s

Richard Blackwell
Director, Oregon Government Relations