



February 19, 2026

House Committee on Health Care
Oregon State Legislature
900 Court St. NE
Salem, OR 97301

Re: HB 4038 – Cost Growth Target

Dear Chair Nosse, Vice-Chair Diehl, Vice-Chair Nelson, members of the committee:

Providence Health & Services and Providence Health Plan (collectively, “Providence”) supports HB 4038, which would create a temporary safe harbor from financial penalties associated with the Health Care Cost Growth Target (CGT) program. During this temporary pause, policy makers and mandatory program participants would have an opportunity to address defects in the program that create risk for the stability of Oregon’s health care industry. We urge you to support HB 4038 and to engage in a meaningful interim process with providers and plans to develop a long-term, workable approach.

Concerns with the Cost Growth Target Program

Program objectives and outcomes: Providence remains concerned that the CGT penalty structure may undermine the program’s stated legislative goals. Penalties imposed on providers may unintentionally increase costs by constraining investments in workforce, infrastructure, or by contributing to higher insurance premiums. This approach risks exacerbating Oregon’s cost challenges rather than alleviating them.

Methodology and data: Providence is concerned about the lack of accuracy in the CGT program data and the lack of transparency in OHA’s calculations.

- **Lack of transparency:** Providers lack visibility into the data and calculations OHA uses, including costs incurred by patients receiving care from other providers. Without full access to these data, providers cannot meaningfully evaluate or manage cost growth.
- **Incomplete methodology:** The current methodology does not account for charity care and financial assistance write-offs, which distorts assessments of actual cost growth.
- **Attribution errors:** Providers do not have an opportunity to verify attributed patients, and Providence has identified discrepancies between our empanelled patients and those assigned under the program. Without accurate attribution, it is impossible to determine whether reported cost growth relates to patients truly under our care.

Administrative burden and resources: The reasonableness determination process is time-consuming, resource-intensive, and inconsistent. The nature of the inquiries from OHA as well as the expectations OHA places on mandatory reporters to understand cost drivers outside of the reporting entity's control demand doctorate-level health care economics expertise on staff or retainer for each entity, driving up cost without improving access or quality. Providence believes the process could be streamlined, including by standardizing how OHA structures meetings and reviews. Further, OHA should be a partner, working with data from reporting entities to determine cost drivers and attribute what is and what is not within the entity's control to change.

Determining reasonableness: The current framework does not adequately recognize legitimate drivers of cost growth. For example, increases in patient acuity and related utilization should be considered reasonable, without requiring providers and payers to prove causation within narrowly defined categories. Carriers and providers are responsible for providing care and access to care for Oregonians. If external factors are raising patient acuity, the cost of care also rises. It is difficult for reporting entities to necessarily know the reasons for the increased acuity, which may be factors outside of our sphere of influence and/or vantage point.

Program governance and oversight: Upcoming federal policy changes, including H.R. 1 (2025), will create further financial instability across markets, with uncertain impacts on Medicaid, the individual insurance market, and payment structures. This instability underscores the importance of a CGT program that is responsive, transparent, and aligned with real-world dynamics. Further, the program should address how all entities, including regulators and policy makers, are accountable for growth, not just payers and providers. We all have a role to play, and we should all recognize the drivers that are outside of our control. A well-structured program will be able to show what aspect of cost growth is attributable to such external factors and, potentially, develop a strategy for engaging federal authority.

Providence participated in the 2026-2030 Cost Growth Target Work Group. We have advocated for a more realistic target than the aspirational targets that have been previously set. The work group developed a recommendation of a 5.5% target; however, the OHA rejected that recommendation and set a target at 3.75%, which was recommended by a minority of participants. OHA set an aspirational, albeit unachievable, goal rather than a realistic goal. Nevertheless, PIPs and penalties hang over reporting entities who fail to achieve what is known to be aspirational.

As we work to address defects in the CGT program, conversations around two goals, one aspirational and one achievable would be meaningful, such that we are holding reporting entities accountable for failing to meet what is achievable, but we are also providing clear data and opportunity for all relevant parties, including regulators and policy makers, to make changes that move the industry closer to what is aspirational for our communities.



Request for Interim Collaboration: Providence respectfully requests that we work in the interim to reassess the CGT program and develop a long-term, evidence-based approach that reflects the realities of Oregon's health care environment.

Thank you for the opportunity to provide comments and for your commitment to strengthening Oregon's health care system.

Sincerely,

A handwritten signature in black ink, appearing to read "Jackie Fabrick".

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A handwritten signature in black ink, appearing to read "Tara Harrison".

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