

February 20, 2026

Chair Nosse and Members of the Committee:
House Committee on Behavioral Health and Health Care
Oregon State Legislature

RE: Support for HB 4038 – Oregon’s Cost Growth Target Program

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

Thank you for the opportunity to provide written testimony in strong support of HB 4038, which would pause the financial penalties associated with Oregon’s Cost Growth Target (CGT) program and allow the Legislature, the Oregon Health Authority (OHA), providers, and payers to meaningfully revisit the program’s structure.

Asante is the largest employer in southern Oregon, providing health care to nine counties across southern Oregon and northern California and serving over 600,000 people. Rogue Regional Medical Center serves as the safety net hospital for our region as the only Level II trauma center and Level III NICU.

As a nonprofit health system, Asante is committed to providing high-quality, accessible care despite an escalating set of financial and operational pressures. Workforce shortages, rising pharmaceutical and supply costs, and reimbursement rates that fail to keep pace with inflation continue to challenge our ability to meet community needs. The current CGT framework creates significant additional strain.

Systemic Risk Created by Aspirational Targets with Severe Penalties

Asante does not view the Cost Growth Target framework as sound or effective regulation. The structure imposes rigid expectations that do not reflect how health care is financed or delivered, and it relies on targets that are disconnected from economic conditions, workforce realities and the cost pressures facing hospitals across the state.

Rather than supporting access or affordability, it adds administrative burden and financial uncertainty at a time when Oregon’s health care system is already under undue stress. While we fundamentally disagree with the structure of the program, if this is the framework Oregon intends for us to operate under, then it must be improved to make it **fair, functional, and grounded in reality**.

Asante is particularly concerned about the disconnect between OHA’s aspirational cost-growth target and the severe penalties tied to it. Last fall, OHA convened a diverse workgroup that included providers, labor representatives, consumer advocates, an economist, and others—to review extensive data and recommend a reasonable target for 2026–2030.

The workgroup, acting in good faith, **recommended a 5.5% target** as the most realistic and evidence-based option. OHA gave little weight to this majority recommendation and instead adopted a **3.75% target** - an aspirational figure that is widely understood to be unattainable under current health care conditions in Oregon.

Cost growth target programs must choose one of two approaches:

- Realistic, achievable goals paired with penalties, or
- Aspirational goals pursued collaboratively by providers, payers, and the State without punitive consequences.

Oregon’s current model attempts to do both and, in doing so, threatens the financial viability of the health care systems as a whole.

External Pressures Amplifying the Risk

Broader systemic factors, including federal policy changes, workforce shortages and high labor costs, inflation, and rising patient acuity are driving costs upward in ways that no provider can control. In southern Oregon, where Medicaid and Medicare enrollment is high and alternatives for care are limited, these pressures are even more pronounced. Penalizing providers under these conditions risks reducing access to essential services and weakening the health care infrastructure on which communities rely.

Support for Reform

HB 4038 offers a responsible and necessary path forward. By pausing penalties and enabling a thoughtful, collaborative reassessment of the CGT program, the Legislature can help ensure that Oregon’s cost growth strategy is realistic, transparent, and aligned with maintaining access to high-quality care.

Asante supports:

- Replacing the aspirational target with an **achievable** target aligned with economic and workforce realities;
- **Transparency and data integrity**, including verifiable attribution and access to underlying claims and utilization data;
- **Risk adjustment** that reflects patient acuity and complexity;
- A **penalty structure** that is proportionate and non-destabilizing, focused on verifiable, controllable drivers of excess growth and that fully accounts for external cost pressures and operational realities; and
- A **collaborative process** that meaningfully includes providers and regional systems.

Asante urges your support for **HB 4038**. A temporary safe harbor and comprehensive reassessment are essential to ensure Oregon's affordability goals are pursued without compromising access to care or the financial stability of the health systems serving our communities.

Respectfully submitted,



Heather Rowenhorst

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