

February 20, 2023

The Honorable Rob Nosse  
Members of the House Committee on Behavioral Health & Health Care

*Delivered electronically through OLIS*

RE: Support for changes to the Cost Growth Target

Salem Health Hospitals & Clinics is a non-profit organization with facilities that include Salem Hospital, West Valley Hospital in Dallas, and Salem Health Medical Group primary and specialty clinics spread throughout the mid-Willamette Valley. Salem Health serves patients in Marion and Polk, as well as Benton, Lincoln, and Yamhill counties with acute care, urgent care, primary, and specialty care.

Salem Health believes healthcare should be accessible to everyone, and accessibility requires affordability. Salem Health supports efforts to control the cost of healthcare. The Cost Growth Target (CGT) was a mechanism to address cost, but our initial interactions with the program raise some concerns.

To truly understand cost drivers at the primary care provider level (where cost growth target data is attributed) we need much more detailed data, particularly at the patient or payer group level. As providers, we typically only see the care encounters provided directly by our organization. This leaves us in the dark about a patient's healthcare expenditures that occur outside our system. In short, the methodology used by OHA may have the effect of penalizing Salem Health for costs incurred outside our system.

As a non-profit organization with facilities that are often the sole source of care for a large geographic area, we are committed to providing care for anyone who needs it, regardless of insurance type, acuity or ability to pay. Other provider groups might have more flexible models. The structure of the cost growth target could incentivize providers to exercise preferences for healthier patients with commercial insurance. The cost growth target runs the danger of shaming organizations caring for those who need the most expensive levels of care, or large amounts of care, while lauding those who have healthier, perhaps younger, patients.

The program is focused purely on cost without consideration for risk, quality or historic inequities that could further entrench neglect of underserved populations. Geographies or populations that have suffered from neglect or underinvestment by the healthcare system deserve reinvestment through additional services, spending on social determinants, and updated infrastructure. The reality is that there is a correlation between cost and reducing health inequities. This program's micro-focus on costs may have a negative impact on the macro goal of reducing health inequities, increasing quality and increasing access.

Last, Oregon's cost growth target was developed during a time before COVID restrictions impacted the nation's economy. Costs are up in every driver upstream of the point of care. Patients are sicker and staying in the hospital

longer. Reimbursements from Medicaid and Medicare do not cover the cost of providing care or keep pace with inflationary factors. Meanwhile, healthcare workers deserve wages that recognize their skills, the critical nature of their work, keep up with inflation, and match the demands of the national market. All of these factors put tremendous pressure on organizations like ours who are aiming to care for the community and plan for the future.

Salem Health supports changes to the cost growth target that address the challenges mentioned above. This includes delayed penalties associated with the program and reasonable recognition of the current economic realities of health care in Oregon. We also would support legislation that exempts costs necessary for maintaining basic services, such as costs associated with labor expense, from the cost growth target.

Healthcare costs and financing are complex. If you should have questions about the provider side of the equation, we are happy to further share our experiences.

Sincerely,



Cheryl Nester Wolfe  
President & CEO



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