



April 27, 2023

Oregon State Legislature
900 Court St. NE
Salem, OR 97301

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Chair Fahey and Members of the House Committee on Rules:

The Oregon Association of Hospitals and Health Systems (OAHS) is a mission-driven, nonprofit association representing Oregon's 62 community hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer Oregon with equitable access to quality health care, OAHS provides services to Oregon's community hospitals ensuring all are able to deliver dependable, comprehensive health care to their communities; educates government officials and the public on the state's health landscape; and works collaboratively with policymakers, community organizations, and the health care community to build consensus on and advance health care policy benefiting the state's 4 million residents.

Hospitals are more than just buildings; they are cornerstones within the communities they serve. Our hospitals are employers, partners in community projects, and community spaces—all while providing vital health services to generation after generation of families in communities across Oregon. We know that when our hospitals are strong, our communities win.

We appreciate the opportunity to express support for House Bill 2045 with the -1 amendments. The amended version of the bill is part of the health care workforce package that was developed through a collaborative partnership between labor and hospitals. It is a necessary step to ensure that the Health Care Cost Growth Target program is not a barrier to achieving our collective goals of supporting, retaining, and growing the health care workforce and maintaining access to quality care in our communities.

The Health Care Cost Growth Target program, established in 2019, holds payers (insurers, including CCOs) and providers accountable for limiting their annual cost growth to a certain rate, which is currently set at 3.4% per year.¹ Given the macroeconomic shifts that have occurred since this program was created in statute, legislative changes are needed to ensure that the program does not have the unintended consequence of penalizing hospitals and other providers for taking steps to meet the needs of their communities and workers.

As hospitals and other providers face severe staffing shortages, investing in frontline health care workers is one of the most important things they must do to maintain access to care. It is also one of

¹ See Oregon Health Authority, [Sustainable Health Care Cost Growth Target](#).

the most expensive. By the end of 2022, hospital labor expenses per FTE increased 26% over pre-pandemic levels.² With labor costs making up over half of a typical hospital's operating expenses,³ it is likely that these costs will lead to cost growth above the 3.4% target. Under current law, OHA has considerable discretion to impose performance improvement plans or financial penalties on providers for such cost growth, meaning that providers could be penalized for making these critical investments in their frontline workforce.

HB 2045-1 leaves the cost growth target program intact while providing clear legislative direction that providers will not face penalties if they exceed the cost growth target as a result of investments in their frontline workforce. The amendment specifies that providers shall not be accountable for cost growth resulting from the amount of total compensation provided to frontline workers. Frontline workers are defined as persons whose total annual compensation is less than \$200,000, adjusted for inflation, excluding executive managers and salaried managers.

Working within the existing program design, the -1 amendment will require providers to report annually to the Oregon Health Authority (OHA) the aggregate amount of total compensation paid to frontline workers. This provision reflects working with OHA to ensure that the program will have adequate data to calculate the extent to which frontline worker compensation contributed to each provider's cost growth.

We appreciate the engagement and agreement of our labor partners in crafting a solution that will provide much needed reassurance to our community hospitals and providers as they continue to navigate workforce challenges. We see this as an important step in continuing the conversation around health care cost growth, and we urge the legislature to keep monitoring the cost growth target program as it is implemented to ensure that it is meeting its intended objectives.

Thank you for the opportunity to engage on behalf of our members and the communities they serve.

Thank you,



Sean Kolmer
Executive Vice President, External Affairs
Oregon Association of Hospitals and Health Systems

² See Apprise Health Insights, [Oregon Hospital Utilization & Financial Analysis: 2022 Year-End & Current Trends](#), p. 6.

³ *Id.*