



February 10, 2026

Oregon State Legislature
House Committee on Health Care
900 Court Street NE
Salem, OR 97301
Submitted electronically via OLIS

RE: HB 4038, relating to health care cost growth

Chair Nosse and Members of the Committee:

The hospital association is part of the coalition that supports HB 4038 with the -1 amendments. The -1 amendments take important steps to address inconsistencies in the performance improvement plan and penalty structure. The hospital association also supports convening a legislative workgroup to develop changes to the program for the 2027 legislative session that address the foundational problems with the Cost Growth Target Program. We support convening a workgroup with LPRO staff. Our comments today focus on the need for a legislative workgroup.

As supporters of the enabling legislation for this program, we understood the potential of this program to address the health care cost challenges we continue to face. We also believed it should serve as the thoughtful foundation for policy discussion amongst policymakers, stakeholders, and consumers as we continue to discuss health care reform.

With any policy there are compromises and then implementation challenges. We are now at a place where we are with many programs and realize the sand under our feet is shifting. So, we need to be thoughtful about the effects policy changes both at the federal and state level will have on the health care system and thus how that will affect the foundational goals of this program, and why we all supported it in the first place.

The Oregon health care system is in crisis now, and federal changes in H.R. 1 will make things worse. One in three Oregonians is currently covered by Medicaid. We can be proud of how many people are covered. But having that many people covered by a program that pays less than the cost of care has consequences, and we are facing those consequences. Medicaid only pays about .56 cents on the dollar for care, meaning there is a major gap between the cost to provide care, and the payments providers receive.



Oregon hospitals can only do so much to control costs. For example, state laws and OHA's implementation have made a wide range of laws more costly and difficult than it needs to be for hospitals. Faced with these challenges, tough decisions have been made. Several hundred hospital staff—including frontline workers—have lost their jobs this year. Two hospitals announced they are closing inpatient services. These job losses ripple through local economies, especially in places where hospitals are the largest employers. The impending \$12 billion federal Medicaid reduction and the coverage losses that will result from H.R. 1 create an entirely new dynamic that the original Cost Growth Target Program could not have anticipated.

Hospitals have concerns with the program's aspirational target, methodology and processes, including data quality, attributing patients, the penalty structure, applying "reasonableness," and the lack of consideration for changes in payment dynamics. Full validation of the Cost Growth Target results requires transparency in attribution and total claims for attributed lives. Providers cannot validate data or research root causes without this information. The hospital association has continually raised these concerns with the Oregon Health Authority (OHA), which is why a legislative workgroup is critical so that payers and providers can work with policymakers to improve this program if possible.

For the first five years of the program, hospitals were measured retroactively against an unrealistic 3.4% cost growth target. The hospital association advocated for a new, realistic cost growth target during OHA's 2026-2030 Cost Growth Target Workgroup.¹ We supported the majority recommendation that "the cost growth target for 2026-2030 should be 5.50%, based on a 50/50 blend of historic 5-year lookback National Health Care Expenditures (NCHE) per capita growth and historic 5-year lookback Oregon median wage growth."² The majority proposal acknowledged the current crisis in Oregon's health care system.

It's concerning that OHA disregarded the majority recommendation and instead followed the minority recommendation to ultimately set the 2026-2030 cost growth target at 3.75%.³ This decision by OHA doesn't take into account the growing cost pressures that are beyond hospitals' control. We support the intent to help people have access to quality, affordable care—but this program risks failing that mission if Oregon's hospitals can't keep their doors open.

We urge the legislature to convene a workgroup during the interim to prepare legislative solutions that improve the Cost Growth Target Program so that it can once again work towards its foundational goals through the challenges hospitals face ahead.

¹ Oregon health Authority. 2026-2030 Cost Growth Target Workgroup.

<https://www.oregon.gov/oha/HPA/HP/Pages/2026-2030-workgroup.aspx>

² Cost Growth Target for 2026-2030 Workgroup. Recommendation to OHA. 19 Nov 2025.

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

³ Oregon Health Authority. Press release. HPA-HP Sustainable Health Care Cost Growth Target: Oregon's new cost growth target for 2026-2030. 9 Jan 2026. <https://content.govdelivery.com/accounts/ORHA/bulletins/4039a4f>



Sincerely,



Sean Kolmer
Executive Vice President of External Affairs
Hospital Association of Oregon

About the Hospital Association of Oregon

Founded in 1934, the Hospital Association of Oregon (HAO) is a mission-driven, nonprofit trade association representing Oregon's 60 hospitals. Together, hospitals are the sixth largest private employer statewide, employing more than 70,000 employees. Committed to fostering a stronger, safer, more equitable Oregon where all people have access to the high-quality care they need, the hospital association supports Oregon's hospitals so they can support their communities; educates government officials and the public on the state's health landscape, and works collaboratively with policymakers, community based organizations and the health care community to build consensus on and advance health care policy benefiting the state's four million residents.

