

November 16, 2023

Sarah Grabe
Oregon Health Authority
Office of Health Analytics

Ms. Grabe,

Thank you for your letter dated 10/31/23 outlining the proposed minimum spending floor (MSF) for the years 2024 and 2025 for Mid-Columbia Medical Center (MCMC), now doing business as Adventist Health Columbia Gorge. After reviewing the proposed MSF and corresponding calculations that were provided, we feel that the amount proposed is too high for our organization and would like to request a modification for two reasons, outlined below.

Firstly, we believe there is an error in the underlying data used in the calculation of the 2024 MSF that is causing the calculation to return too high of an amount. In early 2022 we received some incorrect information from an external third party suggesting that the unreimbursed care provided to Medicare patients could be included on the CBR-1 form as a Subsidized Health Service. Based on this information, we attempted to submit a revised 2020 CBR-1 form with this amount included which increased the value of the unreimbursed care reported by \$4,820,845 over what had originally been submitted. After a discussion with you and your team we came to understand that these services did not meet the criteria for inclusion on the CBR-1, so it was our understanding that the revised 2020 form was rejected and the 2020 CBR-1 as originally filed was the correct amount. However, when reviewing the calculation for the 2024 MSF we noted that the higher number from the revised 2020 form was used to calculate the 3-year average of unreimbursed care, which we believe overstates that number by \$1,606,948 and directly overstates the calculated MSF by that amount. We therefore request that the original as-filed amount of unreimbursed care for 2020 (\$6,812,469) be used in the calculation and the MSF be adjusted downward accordingly.

The second factor that we would like to have considered for a modification of the MSF is economic. Over the last few years our facility has experienced significant cost growth due to staffing shortages and other factors that frankly is not sustainable. To combat this trend, as I am sure you are aware, MCMC has affiliated with Adventist Health to take advantage of the cost efficiencies and other advantages that can be found in being part of a larger hospital system, such as reduced overhead costs and better contracted rates for supplies. As we are working to fully integrate into the system, we are anticipating reductions in the cost of care in 2024 and beyond as we begin to realize those efficiencies. This means that we anticipate the unreimbursed cost of care reported on the CBR-1 in these years to be lower than it has been prior, even though we are not anticipating the services provided to those patients to decrease. In an attempt to quantify this change, I compared our 2024 projections with actual 2022 results and noted that, even though we are planning for similar patient volumes and payer mix as 2022, we are anticipating being able to reduce total costs by about 9% by realizing some of the efficiencies I described above and moving toward reducing our reliance on expensive agency staff and providing

services using employed caregivers, which also helps keep more of our dollars spent in our local community rather than paying people/companies outside our service area. Applying this 9% reduction in costs to the figures reported in the 2022 CBR-1, assuming the amount of care provided and similar levels of reimbursement from Medicaid and other public programs, would result in a reduction of approximately \$3.4 million to the unreimbursed care amount. We would like to request that this lower amount be used for the 3-year average calculation for the MSF, which would reduce the result by another \$1.1 million.

Thank you for your consideration of these factors. If you have questions or would like additional information regarding our calculations or reasoning, please feel free to reach out to me or our Controller, Paul Merklin.

Sincerely,

A handwritten signature in blue ink that reads "Wendy Apland". The signature is fluid and cursive, with the first name "Wendy" and last name "Apland" clearly distinguishable.

Wendy Apland
Chief Financial Officer