Maine Hospital Association

MAINE'S LEADING
VOICE FOR HEALTHCARE

TESTIMONY OF THE MAINE HOSPITAL ASSOCIATION

In Support Of

LD 1350 – *An Act To Improve Rural Health Care*

May 3, 2019

Senator Gratwick, Representative Hymanson and members of the Health and Human Services Committee, my name is Jeffrey Austin and I am with the Maine Hospital Association. I am offering this testimony in support of LD 1350.

The Maine Hospital Association (MHA) represents all 36 community-governed hospitals including 33 non-profit general acute care hospitals, 2 private psychiatric hospitals, and 1 acute rehabilitation hospital.

In addition to acute-care hospital facilities, we also represent 11 home health agencies, 18 skilled nursing facilities, 19 nursing facilities, 12 residential care facilities, and more than 300 physician practices.

The Medicaid program must treat Rural Hospitals more fairly and stop forcing hospitals to suffer financial losses treating Medicaid patients. The *Act to Improve Rural Health Care (LD 1350),* sponsored by Senate President Troy Jackson and Rep. Anne Perry, makes three changes that will help our hometown hospitals now.

We understand that the number of rate-setting bills that come to this committee can seem never-ending.

However, there has not been a bill (or budget) that increases hospital reimbursement rates in my entire 9 years at the hospital association. There have been, however, a few cuts.

Several other providers have had their rates increased, or re-based in the past few years. Not hospitals.

We would appreciate your support.

The Challenge. Almost all of Maine hospitals have had a tough time financially the past few years. Challenges are not confined to rural hospitals only. However, the challenges in rural Maine are demonstrably more difficult on almost every measurable factor

Rural Maine Residents Have Greater Challenges Than do Residents in the Rest of Maine:

- Demographic – Rural Maine is older, poorer and has fewer job opportunities that does the rest of Maine.
- Health – Rural Maine is also sicker, having higher rates of smoking, obesity, cardiovascular death and infant mortality than the rest of Maine.
- Access – Rural Maine has a higher uninsured rate, fewer primary care doctors and fewer psychiatrists than the rest of Maine.

Rural Hospitals are Vital to the Health and Wellbeing of Rural Maine:

- Jobs - Rural hospitals provide 8,600 jobs and are among the top 5 largest employers in 8 of 9 Rural counties.
- Economic Impact - Rural hospitals generate $1.6 billion in economic activity in rural Maine.
- Healthcare - Rural hospitals perform 35,000 surgeries, deliver 2,500 babies and accept 240,000 emergency room visits per year.

Rural Hospitals Provide Outstanding Quality Healthcare:

- Maine hospitals provide the highest quality care in the nation using CMS data.
- Maine healthcare system in its entirety is the highest quality system in the nation according to the CMS Agency for Healthcare Research and Quality (AHRQ).
- Maine is the best state for rural hospitals according to the Leapfrog Group.

Rural Hospitals Are in Financial Crisis:

- Losses - Rural hospitals collectively lost $20 million over the past five years. Eight hospitals in Maine have sustained losses for 5 consecutive years; seven of them are in rural Maine.
- Negative Margins - Rural hospitals have an aggregate annual margin of - 0.4%.
- Reduced Volume – The number of surgeries, newborn deliveries and ED visits have all declined in Rural hospitals.
- Payer Mix – Rural hospitals are more reliant on government payers and have fewer commercial patients than in the rest of Maine.
- Uncompensated Care – Rural hospitals provide $70M in uncompensated care each year.
- Tax – Rural hospitals lose more than $8M on the hospital tax each year.

The Legislation. The *Act to Improve Rural Health Care*, makes three policy choices that will help hospitals continue to employ physicians and nurses in Rural Maine. There is no single change that will solve all the challenges in rural hospitals; however, the State must treat rural hospitals more fairly.

Note: Rural hospitals include Maine's 16 Critical Access Hospitals (CAHs) and 6 PPS hospitals (Inland, Cary, MaineCoast, AR Gould, Franklin Memorial and NMMC) that qualify for Medicare programs provided to smaller, rural hospitals.

Part A – Hospital Physicians Are Underpaid by Medicaid. (State Cost = $1.75M)

Part A increases MaineCare reimbursement for rural hospital-employed physicians. Hospitals lose 7% on inpatient and emergency room physicians; hospitals lose 16% on outpatient physicians.

When Medicaid undercompensates hospitals, the hospitals are forced to try and shift those losses onto other payers, like the commercial insurance carriers that provide coverage to small businesses in the community. When it works, this 'cost shift' drives up the cost of doing business in Rural Maine. However, increasingly rural hospitals are unable to shift those costs and are absorbing unsustainable losses.

Part A asks Medicaid to simply do its part and cover the cost of providing physician services to Medicaid patients by setting reimbursement rates at 100% of allowable cost.

Part B – Rural Health Clinics Need to Be Re-Based (State Cost = $1.5M)

Part B re-bases the reimbursement for Rural Health Clinics (RHCs). RHCs were created by the federal Rural Health Clinic Services Act of 1977 to address an inadequate supply of physicians serving Medicare patients in rural areas and to increase the use of non-physician practitioners, such as nurse practitioners (NPs) and physician assistants (PAs) in rural areas.

RHCs are paid a flat rate for medically-necessary primary health services and qualified preventive health services furnished by an RHC practitioner. The "base rate" is set in rule and has not been re-based since 2001 for many RHCs in Maine. There have been some modest inflation adjustments to the base rate, but they are not nearly sufficient to keep pace with the cost of care. (For example, the budget you supported increases the rate this year by 1.2%).

This provision in LD 1350 is drafted to apply to all RHCs, not just the approximately 80% affiliated with hospitals.

We don't know what re-basing would produce for a reimbursement rate. However, we do know what Medicare pays for the same RHC service and the Medicaid reimbursement rates are 40-50% below the Medicare rates that the federal government pays.

Part C – Loan Forgiveness Programs are Vital to Recruiting Doctors and Nurses (State Cost = $1.25M).

When a healthcare employer provides loan forgiveness to an employee, Maine's tax code counts that forgiveness as taxable compensation to the healthcare employee. Thus, the doctor or nurse must pay taxes to Maine on the amount of loan forgiveness received. This bill exempts that forgiveness amount from the employee's taxable income for nurses and physicians at any hospital in Maine (not just rural Maine). This provision is modeled on the existing program for undergraduate loan payments. It would apply to all hospitals, not just rural hospitals.