



Maine
Hospital
Association

*Representing
community hospitals,
health care
organizations
and the patients
they serve.*

MEMORANDUM

TO: Senator Margaret Rotundo, Chair
Representative Jeremy Fischer, Chair
Members of the Appropriations & Financial Affairs Committee

Senator Joseph Brannigan, Chair
Representative Anne Perry, Chair
Members of the Health & Human Services Committee

FROM: Mary Mayhew, Vice President of Government Affairs

DATE: January 24, 2007

RE: Testimony in Support of LD 215 - An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and To Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2007

Good afternoon, my name is Mary Mayhew and I represent the Maine Hospital Association. The Maine Hospital Association represents all 39 community-governed hospitals which include 36 non-profit general acute care hospitals, 2 private psychiatric hospitals, and 1 acute rehabilitation hospital. Maine is one of only a handful of states in which all of its general acute care hospitals are nonprofit. In addition to acute care hospital facilities, our hospitals represent 19 home health agencies, 19 skilled nursing facilities, 17 nursing facilities, 8 residential care facilities, and 200 physician practices.

On behalf of the Maine Hospital Association, our board and our 39 hospitals, I am pleased to express our support for the proposed supplemental budget.

In this budget, the Governor is advancing the negotiated MaineCare Agreement with hospitals. The supplemental budget proposes to appropriate, with existing revenues and anticipated surplus, the full \$102 million (\$275 million combined state and federal) that was promised in the agreement with hospitals signed last fall. Of this money, \$82 million in state funds will go toward raising weekly prospective interim payments (PIP) to hospitals. The remaining \$20 million will be used to pay for money owed to hospitals since 2003 and 2004.

Specifically, the supplemental budget includes a \$50 million state general fund appropriation for hospital settlements and PIPs. It also provides that hospitals will be the top priority for any surplus and/or unexpected state funds that exist at the end of this fiscal year, which ends June 30. This would allow for an

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appropriation of a maximum of \$52 million to fund the remaining portion of the first phase of the agreement to increase hospital PIPs.

Outline of Negotiated MaineCare Hospital Agreement

Current MaineCare Debt Owed to Maine Hospitals: \$330 Million (\$122 General Fund)

Current 2-year Under-funding of Hospital Prospective Interim Payments: \$221 Million (\$82 General Fund)

The Agreement Timeline:

SFY '08: \$20 million General Fund (\$55 million state & federal) toward debt; paid by Oct. 15, 2007. This will pay for many of the remaining settlements for hospital fiscal years ending in 2004.

\$39 million GF (\$104 state and federal) to increase current hospital payments effective July 1, 2007.

SFY '09: \$43 million GF (\$117 state and federal) to increase current hospital payments effective July 1, 2008.

SFY '10: \$51 million GF (\$138 state and federal) to pay past MaineCare debt by October 15, 2009. We estimate this amount will pay for most of the hospital fiscal years through June 30, 2006.

MaineCare Hospital PIPs will increase by 3%.

SFY '11: \$51 million GF (\$138 state and federal) to pay past MaineCare debt by October 15, 2010. We estimate this amount will pay for most hospital fiscal years through June 30, 2007.

MaineCare Hospital PIPs will increase by 3%.

We need your support for these hospital provisions included within the supplemental budget. When the state pays hospitals for health care already provided MaineCare patients and responsibly budgets for future care, it improves the affordability of health care and health insurance for everyone and significantly furthers hospitals' goals to preserve access to affordable high quality health care in Maine.

For background purposes, it is important to understand the origins of this issue and to understand that these line items pertain to a bill that is owed to Maine's hospitals for services already provided to MaineCare beneficiaries over the last several years and to fix the core problem wherein MaineCare hospital payments do not currently pay for the number of MaineCare patients being cared for each week at Maine's hospitals. Maine's hospitals receive a weekly prospective interim payment that is calculated by multiplying their rate of reimbursement by the anticipated number of MaineCare patients the hospitals will care for in a year. That number is then divided by 52 to

establish weekly payments. The state is then obligated to settle-up with hospitals at the end of each hospital's fiscal year and pay for the actual number of MaineCare patients cared for during that year. Right now the state's estimates are based on the number of patients cared for in 2003 but the number of patients cared for has increased dramatically over the last 3 years. These provisions in the budget do not change the rate at which hospitals are reimbursed – these provisions are solely to pay past debt and to fix the problem related to the underpayment of PIPs to address the cash flow shortage at hospitals and to stop the accumulation of debt.

Over the past several years, as the number of people enrolled in the State's MaineCare program grew and the state's fiscal challenges increased, the state has failed to settle-up with hospitals in a timely manner or account for the increasing number of MaineCare enrollees being cared for at Maine hospitals. The bottom line: hospitals are providing care to thousands of people over the course of a year and waiting *years* to receive any payment for their care.

The state's debt to hospitals and chronic underpayments jeopardizes access to critical services, investments in new technology and hospitals' ability to improve the affordability of health care. At an unprecedented level, hospitals are borrowing from lines of credit to meet payroll obligations and other hospital day-to-day expenditures because of the impact of the delayed MaineCare payments on their cash flow.

Maine's hospitals provide quality health care 24 hours a day, seven days a week to all patients regardless of their ability to pay. Maine's hospitals have stepped in to bridge gaps in access to services to ensure access to primary care physicians and specialists, to provide access to continuing care services, mental health services, nursing facilities, and public health programs. Maine doesn't have a statewide public health infrastructure; hospitals pick up the slack. Across the state, hospitals subsidize physician practices in underserved areas. Maine hospitals now employ 41% of the licensed physicians in the state to ensure that Mainers have access to critical physician services and do not have to rely on the emergency room for their point entry to the health care system. Physicians have come to hospitals asking for help to sustain their practices because the financial challenges are too great to stay in private practice.

We undertake these programs because they further our missions to care for the ill and injured. No one knows more than the people who work at hospitals the cost in human suffering that putting off medical care can cause. The dedicated doctors and nurses and other professionals at our hospitals have all too often experienced the frustration and heartbreak of seeing patients arrive too late because they couldn't afford to seek care while their conditions were still treatable. It is our belief in providing the right care at the right time in the right place that motivates us to expand our services beyond the hospital walls.

But it is abundantly clear that our ability to maintain our mission is continually jeopardized by the significant under funding of the MaineCare program. MaineCare must be preserved to ensure the health of our most vulnerable citizens, but such preservation must be done by fairly covering the cost of providing high quality care to the program's beneficiaries.

Let me be clear: hospitals cannot continue to subsidize doctors' offices, home health agencies and the like, nor can they make needed investments such as electronic medical records, computerized physician order entry systems if they continue to have to wait years to be paid for patients who receive coverage through MaineCare. We believe in all those services we provide, but the financial

reality is we cannot continue to wait two, three or four years for payments and still fulfill our missions.

Maine's hospitals rank third in the country in the quality of care provided to their patients. Hospitals are committed to providing care regardless of ability to pay. All Maine hospitals provide free care to those at the poverty level and many hospitals have even more generous charity care policies. Hospitals want people to receive the right care in the right place at the right time and health insurance coverage, be it public or private, helps ensure that. The state's MaineCare program is vital to ensuring that the neediest Mainers, both children and adults, receive the care they need when they need it. The goal for the MaineCare program must be to ensure access to the right care at the right time and in the right setting. For this goal to be reached, the state must pay its bills.

Again, please remember that the money appropriated and the money pledged out of unappropriated surplus is to pay past debt owed to Maine hospitals by the State's MaineCare program for existing obligations in the program and to fix the core problem of underpayments that have not recognized the increased volume of MaineCare patients being cared for – this does not change our rate of reimbursement. It is critical that these provisions are adopted as proposed to ensure continued access to high quality affordable health care in Maine. I appreciate the opportunity to present our comments to you today. I would be pleased to respond to any questions you may have. Thank you.