



Maine
Hospital
Association

*Representing
community hospitals
and the patients
they serve.*

January 18, 2017

Honorable Representative Chellie Pingree
2162 Rayburn House Office Building
Washington, DC 20515

Dear Representative Pingree,

Please accept this letter as the perspective of Maine hospitals on the current discussions in Washington regarding the future of the Affordable Care Act (ACA). We understand that elections have consequences and that there will be changes to healthcare-related laws and programs. At this point, we are simply asking that the new provisions be disclosed and discussed before any existing provisions are eliminated. Please don't repeal the ACA without identifying the adequate replacement.

Maine Hospitals

The Maine Hospital Association 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 14 home health agencies, 19 skilled nursing facilities, 21 nursing facilities, 13 residential care facilities, and more than 300 physician practices. Our acute-care hospitals are nonprofit, community-governed organizations with more than 800 volunteer community leaders serving on the boards of Maine's hospitals. Maine is one of only a handful of states in which all of its acute-care hospitals are nonprofit.

Hospitals in Maine employ over 30,000 workers throughout Maine. Hospitals are the largest employer in half of Maine's counties. They are among the top four employers in every county except Sagadahoc (which doesn't host a hospital).

Maine hospitals perform more than 140,000 surgeries each year. This is down 10% over the past five years. Hospitals deliver about 12,000 babies, manage 600,000 emergency room visits and more than 12 million total outpatient visits each year.

Maine hospital operating margins have averaged approximately 1% for the past five years. In other words, 99% of the revenue that flows in to hospitals flows right back out of hospitals in the form of salaries for nurses, taxes paid to the State of Maine, pharmaceutical costs and so on.

33 Fuller Road
Augusta, Maine 04330
tel 207-622-4794
fax 207-622-3073
www.themha.org

Hospitals are open 24 hours per day, 365 days per year. They provide care to all, regardless of ability to pay.

ACA Overview

MHA has finalized our review of the impacts of the possible ACA repeal and the results are quite grim for Maine hospitals. Our primary message is that there should be no repeal unless there is an adequate and simultaneous replacement of its provisions.

The ACA contained both positives and negatives for hospitals. We don't yet know what provisions are being repealed and we also don't know what provisions may be replaced. Accordingly, we have generated what we call the "nightmare" scenario...the ACA cuts to hospitals continue and the benefits to hospitals are not replaced at all.

We hope the nightmare scenario will not materialize; however, we need to model what is at stake so we can monitor the different moving parts.

There are five primary parts for hospitals to watch.

ACA Cuts to Hospitals

Marketbasket Cut. The primary cut to hospitals in the ACA were reductions to the rates that Medicare pays to hospitals. Medicare has an extensive process to adjust hospital reimbursement rates each year. One of the components is to adjust hospital rates to reflect changes in the cost of healthcare.

The ACA required CMS to change the formulas it uses to provide this adjustment in such a way that hospitals would be paid less and the federal government would save money. This "marketbasket" cut was implemented in 2011 but has ramped-up over time.

The loss to Maine hospitals from this cut was approximately \$3 million in 2011. Next year hospitals will lose about \$63 million because of this cut.

DSH Cut. The second cut to hospitals was reductions in Disproportionate Share Hospital payments (DSH). The purpose of DSH payments is to provide additional financial help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals.

There are two DSH programs, one in Medicare and one in Medicaid. The ACA cut both Medicare and Medicaid DSH programs.

Medicare DSH. The ACA includes provisions to cut Medicare DSH payments by 75 percent beginning in federal fiscal year 2014. The annual loss to Maine hospitals because of the DSH cut is \$16 million.

Medicaid DSH. The federal government also provides DSH funding to states' Medicaid programs. States typically establish "uncompensated care pools" and use the funding to financially assist hospitals that treat higher shares of low-income patients.

Maine is unusual in that it does not provide DSH payments to Maine's hospitals. Accordingly, there is no impact to Maine hospitals from the Medicaid DSH cuts.

Our position on the ACA cuts to hospitals is the following: If Congress repeals the ACA, it must repeal the cuts to hospitals.

ACA Benefits to Hospitals

The ACA provides three primary benefits to hospitals. Hospitals are very reliant on these programs and are quite concerned about their fate.

Exchange Subsidies. First, the ACA provides subsidies to individuals to purchase commercial insurance on the health insurance exchanges. These are individuals who do not receive health insurance from their employer.

In Maine, approximately 75,000 individuals receive these subsidies. Maine hospitals and hospital practices provide the vast majority of care to these individuals. Our estimate is that Maine hospitals receive approximately \$200 million per year in compensation for care provided to individuals who have subsidized coverage. This is a huge amount of money for Maine hospitals.

As you know, the market for individual health insurance in Maine prior to the ACA was not strong. If these subsidies are repealed without an adequate replacement, there is a high likelihood that these individuals will become uninsured.

340b. The 340b Drug Pricing Program allows certain Medicaid facilities, including some hospitals, to purchase outpatient drugs at discounted prices. This program produces significant savings for safety-net providers, generally between 20-50 percent of the drug's cost. The ACA expanded the program to more facilities including Critical Access Hospitals (CAH) and Sole Community Hospitals (SCH). These types of hospitals became categorically eligible for the 340b program under the ACA .

Critical Access and Sole Community are federal designations given to certain hospitals that are smaller and more remote. Maine has 16 CAH hospitals and three SCH hospitals.

The ACA's extension of the 340b program saves these hospitals approximately \$15 million per year. The aggregate operating margin of all of the CAH and SCH hospitals combined is substantially less than \$15 million. This initiative alone would wipeout their operating margins, for those hospitals that actually have positive margins. Half of these hospitals were in the red in calendar year 2015.

Medicaid Expansion. The third primary benefit for Maine hospitals is the opportunity to expand Medicaid to more individuals. Maine is one of the minority of states that has not expanded Medicaid.

Approximately 40,000 Maine citizens would receive health insurance coverage if Maine were to expand. As you know, Maine has a mandatory, statutorily imposed obligation to hospitals to provide free care to Maine citizens below 150% of the federal poverty level. All of the individuals who would be covered are eligible for this free care. Accordingly, the decision not to expand Medicaid in Maine disproportionately impacts Maine hospitals.

If other states that have expanded Medicaid continue to receive 90% federal funding for their Medicaid expansion populations, then states that have not expanded should continue to be allowed to pursue expansion.

Our position on the ACA benefits to hospitals is the following: If Congress keeps the ACA-related cuts to hospitals, then it must provide comparable benefits to hospitals as provided in the ACA.

Summary

	ACA Benefits to Hospitals at Risk			ACA Cuts to Hospitals		
	Subsidies on Exchanges	340b for CAHs	Total	Marketbasket Update	Medicare DSH	Totals
1 - Year	\$200 Million	\$15 Million	\$215 Million	\$63 Million	\$26 Million	\$89 Million
10 - Year	\$2 Billion	\$150 Million	\$2.15 Billion	\$633 Million	\$262 Million	\$895 Million

Other ACA Impacts

This letter only covers the most significant hospital-related ACA provisions. There are many others. For example, the ACA either established or magnified several value-based purchasing programs. The three most prominent of which are the “Readmission” program the “Hospital Acquired Conditions” program and the “Value Based Purchasing” program.

These programs attempt to tie hospital reimbursement to the outcomes of the care provided by hospitals to Medicare patients. Hospitals with lower quality scores lose money on these programs. Hospitals in Maine support these programs, but they are not constructed perfectly and could be improved. For example, two of the three quality programs above only punish hospitals for poor performance; they do not reward outstanding hospitals for their high quality. This is unfair and should be changed. Congress shouldn’t use these defensible programs to cut Medicare funding. These programs should be revenue neutral.

The ACA also had several insurance-related taxes and fees. As large employers who provide health insurance coverage, our members pay some of these fees. So, the table above is not a full accounting of the impacts of the ACA on hospitals.

Conclusion

You have provided support for us on a number of issues throughout the years. For that, we are grateful. We are once again asking for your support.

The above comments provide a rather high-level overview of our perspective in the midst of several unknowns. We would like to work with you as you review proposals to change the ACA. We believe we can help as you craft the next set of healthcare policies for the nation.

Our members have weathered a lot of storms. They are nothing if not resilient. However, there are limits to that resilience. It won't take cuts of hundreds of millions of dollars to dramatically undermine Maine hospitals.

Maine hospitals are the backbone of our healthcare system. As you know, there are no government hospitals in Maine like there are in most other states. If Maine's private, non-profit hospitals struggle, the entire safety net is at risk.

Please proceed cautiously and know that we are ready to help.

Thank you

A handwritten signature in black ink, appearing to read 'SM', written in a cursive style.

Steven Michaud
President