M|H|A
Maine Hospital Association

Maine Hospital Association
Federal Issues

2018


Fort Kent
Caribou
Presque Isle
Houlton
Millinocket
Greenville
Lincoln
Dover-Foxcroft
Calais
Skowhegan
Pittsfield
Bangor
Ellsworth
Machias
Farmington
Rumford
Waterville
Belfast
Blue Hill
Bar Harbor
Augusta
Norway
Lewiston
Rockland
Damariscotta
Bridgton
Brunswick
Westbrook
Portland
Biddeford
York
Critical Access Hospital
Hospital
Psychiatric Hospital

Thank You

We want thank you for your continued support of Maine's hospitals and the federal issues that matter most to us.

We appreciate that healthcare remains a very difficult policy issue to manage at the federal level.

The range of healthcare issues is seemingly overwhelming; here is the list of topics we considered raising during our annual visits this year:

- Medicare costs;
- Medicaid reform;
- Pharmaceuticals;
- VA administration;
- Affordable Care Act;
- Health insurance exchanges;
- Quality;
- Opioids;
- Workforce; and
- Cybersecurity.

We've narrowed that list down to just four and they are described in this paper. But you must stay on top of all of these issues, and more.

During the development of the federal budget, we were very concerned about several issues. We appreciate that the majority of our concerns were addressed and we thank you for your work on making sure they were addressed.

The annual economic contribution of Maine hospitals has surpassed $10 billion for the first time when you count both the direct and indirect economic impacts.

However, Maine hospitals face daunting fiscal headwinds. Things are not good out there. What is so concerning is that the broader economy, by most traditional measures, is doing well.

How will Maine hospitals survive the next economic downturn?

Our survival depends on your continued support.

For your past and future support, thank you.

Thank you for:

- Extending, for five-years, the Medicare-Dependent and Low Volume hospital programs;
- Repealing the Independent Payment Advisory Board;
- Permanently repealing the Medicare therapy caps;
- Liberalizing telehealth availability for stroke patients;
- Extending, for five-years, the home-health rural and the ambulance add-on payments;
- Extending the Children's Health Insurance Program; and
- Providing $6 billion more for opioid treatment.

About MHA

The Maine Hospital Association represents all 36 community-governed hospitals in Maine. Formed in 1937, the Augusta-based nonprofit Association is the primary advocate for hospitals in the Maine State Legislature, the U.S. Congress and state and federal regulatory agencies. It also provides educational services and serves as a clearinghouse for comprehensive information for its hospital members, lawmakers and the public. MHA is a leader in developing healthcare policy and works to stimulate public debate on important healthcare issues that affect all Maine citizens.

Hospitals' contributions to Maine's economy

The precarious condition of Maine hospital finances has considerable repercussions for the economy.

In 2016, Maine hospitals directly employed almost 33,000 people and paid more than $2.5 billion in salaries and benefits. Their total spending was $5.7 billion, including $5.5 billion in operating expenses and $231.8 million in capital expenditures.

As that money circulated through the Maine economy, it generated an additional $4.5 billion in indirect and induced economic activity, leading to a total economic contribution of more than $10 billion. That supported a total of 67,000 jobs, $4 billion in wages and benefits and almost $400 million in state and local taxes.

Since 2001, economic activity associated with hospitals has grown considerably faster than the overall Maine economy. Hospital jobs have increased by 36 percent, as opposed to all of Maine's other industries, which have experienced flat job growth during the same period. Total hospital wages have increased by 136 percent in the past 15 years, compared to a 46 percent increase in all other industries.

Hospital finances are precarious

All of Maine's acute-care hospitals are nonprofits, and Maine is one of only a few states where this is true. However, most nonprofit businesses, including hospitals, need financial reserves, so they need to earn slightly more in revenue than they have in expenses. In addition to capital investments and maintenance, these reserves help during difficult economic times and allow for unexpected expenses and revenue losses.

For the past 20 years or so, about 30% of Maine's hospitals have lost money from operations in any given year. During the same period, the total operating margin at Maine's hospitals has hovered around 3%. This is a bit lower than in many other states, but is considered a reasonable margin.

These fairly consistent financial results started to change dramatically in 2012, when the number of Maine hospitals with negative operating margins more than doubled—from 9 in 2011 to 20 in 2012. At the same time, the number of hospitals in Maine fell, so the percentage of hospitals with negative operating margins jumped from 30% to 50%. Meanwhile, the total aggregate operating margin for all Maine hospitals slid from a historical norm of just under 3% to 2.3% in 2012 and then down to an unprecedented 0.1% in 2013. Most industry experts agree that these trends are unsustainable.

Things seemed to begin to recover in 2015, when the total number of hospitals with negative margins dropped to 17 and the total operating margin crept up to 1.7%.

However, 2016 figures showed hospital finances returning to a point closer to the 2013 negative levels. In 2016, 19 of the 33 acute-care hospitals, or 57% of them, had negative operating margins, with the total operating margin for all of these hospitals being 0.3%. Continuing reductions in reimbursement from Medicare and Medicaid and high rates of uncompensated care provided by Maine hospitals led to many of these financial problems.

Please continue to oppose harmful hospital cuts and protect reimbursement for hospital outpatient departments.

Hospital Finances

Maine Hospitals Comparison of Operating Margins

	2011	2012	2013	2014	2015	2016
Acadia Hospital	4.13%	4.14%	9.47%	2.30%	4.68%	6.33%
Aroostook Medical Center, The	3.11%	-2.03%	1.11%	-3.14%	0.14%	-9.90%
Blue Hill Memorial Hospital	2.34%	2.09%	4.34%	5.27%	6.46%	2.70%
Bridgton Hospital	14.82%	3.45%	3.19%	7.27%	4.05%	-0.27%
Calais Regional Hospital	-2.14%	-8.84%	-6.95%	-9.02%	-5.23%	-3.49%
Cary Medical Center	8.16%	-1.05%	-3.91%	3.63%	3.17%	-1.00%
Central Maine Medical Center	-2.76%	-1.08%	-4.36%	1.76%	2.95%	-1.84%
Charles A. Dean Memorial Hospital	10.44%	1.96%	3.69%	-1.59%	-1.20%	-10.90%
Down East Community Hospital	-2.23%	-2.48%	-4.53%	-5.35%	-0.57%	2.00%
Eastern Maine Medical Center	2.58%	9.18%	4.58%	2.50%	5.49%	3.90%
Franklin Memorial Hospital	1.57%	-0.29%	-9.78%	-4.20%	-0.69%	-6.21%
Houlton Regional Hospital	-0.42%	-4.43%	-8.90%	-1.73%	-1.46%	-2.40%
Inland Hospital	3.66%	0.99%	1.17%	-2.31%	0.31%	-0.78%
LincolnHealth	*	*	*	-1.26%	2.47%	0.52%
Maine Coast Memorial Hospital	5.45%	-1.28%	-0.47%	-6.52%	-9.68%	-5.20%
Maine Medical Center	2.43%	3.29%	1.05%	3.50%	3.51%	4.73%
MaineGeneral Medical Center	4.84%	3.52%	3.16%	-3.61%	-6.15%	0.05%
Mayo Regional Hospital	1.13%	-2.40%	-4.37%	-1.88%	-0.02%	-3.30%
Mercy Hospital	-8.38%	-6.76%	-4.21%	1.15%	-10.22%	-7.92%
Mid Coast Hospital	4.39%	0.89%	1.38%	2.54%	1.91%	0.60%
Millinocket Regional Hospital	1.72%	-1.77%	-1.63%	-9.04%	-3.12%	-2.90%
Mount Desert Island Hospital	-1.43%	-4.27%	-1.78%	-2.43%	1.12%	0.51%
Northern Maine Medical Center	-0.37%	29.61%	4.56%	3.17%	2.34%	0.50%
Pen Bay Medical Center	2.05%	-4.04%	-0.04%	0.94%	-3.35%	-6.76%
Penobscot Valley Hospital	1.99%	-0.42%	-2.01%	-3.90%	-5.24%	-9.84%
Redington-Fairview General Hospital	-0.91%	-0.87%	-2.85%	-3.65%	-3.65%	0.01%
Rumford Hospital	11.34%	-1.18%	-1.58%	0.94%	-1.23%	-2.44%
Sebasticook Valley Health	3.22%	0.76%	4.68%	6.49%	3.31%	3.95%
Southern Maine Health Care	*	*	*	*	-3.41%	-2.83%
Spring Harbor Hospital/Maine Behavioral Healthcare	0.55%	-1.90%	1.74%	0.41%	0.43%	-1.63%
St. Joseph Hospital	9.05%	5.38%	8.04%	8.97%	1.33%	2.20%
St. Mary's Regional Medical Center	2.71%	-2.60%	0.07%	-1.67%	-1.68%	1.01%
Stephens Memorial Hospital	4.51%	5.44%	3.97%	6.38%	4.95%	2.54%
Waldo County General Hospital	8.69%	4.75%	1.96%	-1.54%	6.71%	5.73%
York Hospital	1.88%	-1.06%	-1.12%	-1.91%	-0.51%	-1.45%

Source: Maine Health Data Organization, Audited Financial Statements

* Not Available

Color Code:

- Operating Margins < 0
- Operating Margins 0–4.99%
- Operating Margins 5.0%+

Preserve 340B drug discounts

The 340B Drug Discount Program was created in 1992 and provides eligible hospitals with access to discounted drug prices for their patients receiving outpatient hospital services. Eligible hospitals include those that provide a disproportionate amount of care to low income patients, Critical Access Hospitals (CAH), Rural Referral Centers, Sole Community Hospitals and children's hospitals.

The 340B Drug Discount Program requires pharmaceutical manufacturers to provide prescription drugs to qualifying hospitals and other covered entities at or below a "340B ceiling price" established by the Health Resources and Services Administration. These drugs are then provided to all hospital patients with the exception of those patients on the Medicaid program. Medicaid patients are covered under a similar drug discount program administered by State Medicaid Agencies.

In 2010, the Affordable Care Act made all CAHs, Sole Community Hospitals and Rural Referral Center Hospitals categorically eligible to participate in the 340B Drug Discount Program. By extending these benefits to small rural hospitals, approximately one-third of all U.S. hospitals now participate in the 340B program, yet pharmaceuticals purchased at 340B pricing account for only 2% of all medicines purchased in the United States each year. This program produces significant savings for safety-net providers, generally between 20% and 50% of the drug's cost.

Currently, 25 Maine hospitals qualify for the 340B Drug Discount program and receive a collective benefit estimated to be $105 million a year. Eliminating the 340B benefit would wipe out the operating margins for those hospitals that actually have positive margins.

Please oppose any changes to the 340B Drug Discount Program that would have a negative impact on hospitals and the low-income patients that benefit from this important program. It is especially important for Congress to retain 340B eligibility for the nation's rural hospitals that benefited from the changes in the Affordable Care Act.

340B Hospitals

The Aroostook Medical Center
Blue Hill Memorial Hospital
Bridgton Hospital
C.A. Dean Memorial Hospital
Calais Regional Hospital
Central Maine Medical Center
Down East Community Hospital
Eastern Maine Medical Center
Houlton Regional Hospital
Inland Hospital
LincolnHealth
MaineGeneral Medical Center
Maine Medical Center
Mayo Regional Hospital
Millinocket Regional Hospital
Mount Desert Island Hospital
Northern Maine Medical Center
Pen Bay Medical Center
Penobscot Valley Hospital
Redington-Fairview General Hospital
Rumford Hospital
Sebasticook Valley Health
St. Mary's Regional Medical Center
Stephens Memorial Hospital
Waldo County General Hospital

Stabilize the insurance exchanges

More than 75,000 Mainers purchased their health insurance for 2018 through the Affordable Care Act's (ACA) health insurance exchange.

In 2017, 87% of those enrolled in Maine's insurance exchange were receiving subsidies.

With one of the only health insurance co-ops still operating, Maine's exchange offered plans from two companies in 2018. A third insurance company stopped participating because of the elimination of cost-sharing reductions (CSR).

Maine hospitals want our patients to have insurance. We are already suffering from exceptionally high rates of uncompensated care. Anything that increases the rate of uninsured people is bad for them and bad for hospitals.

Please support the reestablishment of CSRs

When the ACA was first enacted, it included a temporary reinsurance program. That temporary program replaced Maine's reinsurance program called the Maine Guaranteed Access Reinsurance Association (MGARA).

Now that the federal reinsurance program has ended, Maine is seeking a 1332 waiver to reestablish the MGARA. However, according to the state's actuarial analysis, even with the reduced premiums that MGARA will create, Maine's health insurance premiums in the exchange will rise faster than inflation.

The analysis also found that the number of people insured in Maine's individual market will fall by about 19 percent in 2019.

Maine's anticipated expansion of Medicaid will help those on the low end of the income scale, but without reinsurance, people with income above 400 percent of the Federal Poverty Limit will be priced out of the market.

Federal reinsurance will help stabilize the insurance market by reducing the rapid increase of premiums.

Please support the establishment of a federal reinsurance program.

Please support

Please take steps to stabilize the marketplaces, including fully funding cost-sharing reductions, implementing a reinsurance program, ensuring accurate risk adjustment for plans, and protecting against plans that do not offer sufficient consumer protections, including access to a comprehensive set of services.

Please help

We request that Congress pressure the federal Drug Enforcement Agency (DEA) and the Food and Drug Administration to make sure speculators aren't allowed to corner the market on any medical supply and to ensure that medicine isn't diverted to the illegal drug market.

Two opioid crises in Maine

Maine is suffering from two different opioid crises. First, there is the obvious one, the one we see in our emergency rooms, on the evening news, in the press, the one about misuse of opioids and the addiction and overdoses that follow.

This document will discuss that problem in a little bit.

Drug Shortages

The other opioid crisis, the one in hospitals, is different. It concerns shortages of pain medicine, vital medication.

Since last fall, intravenous (IV) solution and IV narcotics have been in short supply, primarily because plants in Puerto Rico were closed after Hurricane Maria.

While the shortage of IV solutions has improved, the shortage of IV narcotics is getting worse. One hospital reports that it has not been able to obtain patient-controlled analgesia (PCA) since January. PCA gives patients the power to control their pain through use of a patient-controlled pump containing pain medication administered through the patient's IV line. This sort of pump is often used by patients recovering from surgery.

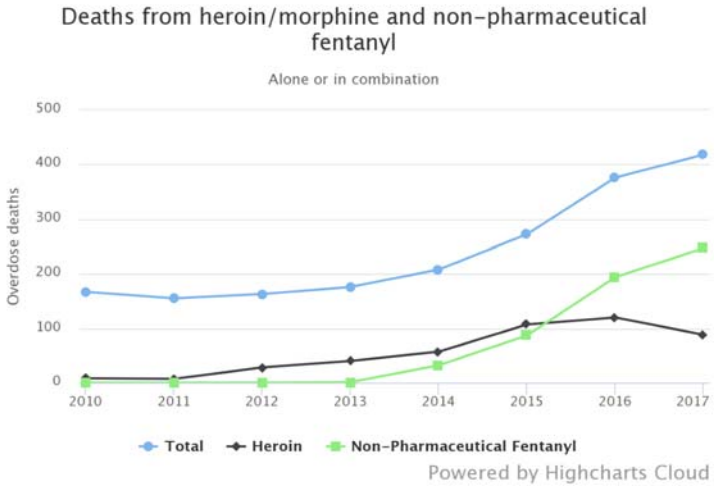
Additionally, fentanyl is in short supply. Fentanyl has made headlines because it is often a factor in drug overdoses. But in a hospital setting, it's a vital painkiller. There is some evidence that at least some fentanyl is being diverted to mock pharmacies for use in the illicit drug trade.

Another disturbing development is the establishment of gray markets for medications and supplies. Speculators identify key products predicted to become in short supply and purchase large quantities, further exacerbating the shortage, thus driving up the price. Hospitals, desperate to find supplies, must pay the inflated prices, which drives up the cost of care for all of us.

We appreciate that the DEA recognizes the challenges and is working with manufacturers to release their quotas to other manufacturers in some circumstances.

Overdose Crisis

As for the more obvious opioid crisis, Maine saw 418 overdose deaths in 2017, compared to 376 in 2016. However, by enacting some of the strictest prescribing rules in the nation, the state has taken significant steps to reduce the chances that a legitimate pain prescription will lead a patient on the path to addiction. **In fact, opioid prescriptions in Maine were down 32% from 2013 to 2017**; the national decline was 22%. These state regulations are not magic. With a considerable number of Mainers addicted to opioids, we need more treatment. Too many patients either can't find or afford treatment.



Source: Bangor Daily News

Medicaid expansion will help low-income people get help, but Maine needs three other regulatory changes.

First, the Institute for Mental Disease exclusion for opioid treatment needs to be eliminated (S. 1169/HR 2687). The opioid crisis not only exerts a human toll on those who are addicted and their families, but it also limits economic productivity. In many parts of Maine, there is a shortage of qualified workers because so many people have an active addiction. It makes economic sense to treat these patients and get them back to being productive members of society.

Second, practitioners need to be able to share data (S. 1850/HR 3545). Substance use privacy laws need to harmonize with the privacy protections in HIPAA.

Finally, as always, we need financial resources to treat the remaining uninsured.

Please support

Eliminating the IMD Exclusion:

Medicaid Coverage for Addiction Recovery Act

- S.1169 (*Thank you Senators Collins and King*)
- H.R. 2687 (*Thank you Representatives Pingree and Poliquin*)

Aligning Federal Privacy Laws:

Protecting Jessica Grubb's Legacy Act / Overdose Prevention and Public Safety Act

- S. 1850 (*Thank you Senators Collins and King*)
- H.R. 3545

Alternatives to Opioids in the Emergency Department Act:

- S. 2516
- H.R. 5197

Please support

The Resident Physician Shortage Reduction Act would phase-in more residency slots over the next five years. This bill expands the size of the physician pipeline that fuels our healthcare system. Please consider supporting this legislation:

- H.R. 2267
- S. 1301

The Title VIII Nursing Workforce Reauthorization Act of 2017.
S. 1109 (*Thank you Sen. Collins*)
H.R. 959 (*Thank you Rep. Pingree*)

Aging state causes workforce shortage

Maine's aging population creates a higher demand for healthcare services. And our existing healthcare workers are reaching retirement age themselves.

The result is a shortage of workers. It's started to have significant effects on the services our rural hospitals offer. Here's what's happening at just one rural hospital:

- Respiratory therapy is no longer offered because the hospital couldn't recruit a therapist after a year of trying.
- The hospital has spent nearly $1 million on temporary physicians for their obstetric (OB) and hospitalist programs. Their overnight hospitalist program is staffed by nurse practitioners because they can't staff MDs.
- Three OB nurses are leaving. If those positions can't be filled, the hospital may have to eliminate the service.
- The hospital is seriously discussing closing one of its rural health centers because the providers have left and the hospital has been unable to recruit new staff.

Nationally, it is anticipated that there will be a shortage of over 100,000 physicians by 2030. The national nursing shortage will be over 1 million by 2022.

In Maine, the nursing shortage will be more than 3,200 RNs by the middle of the next decade. Much of the challenge in Maine is simply retirements exceeding new entrants. Half of the RNs and APRNs in Maine are 50 years of age or older.

This shortage issue is not a factor of wages. Hospitals can't just solve the problem by attracting more people in to these professions with a pay increase. The U.S. already pays a premium for physicians and nurses. According to a recent study in the Journal of the American Medical Association, nurses in the U.S. make 42% more than their peers in other countries like Canada, Japan and the UK. For generalist physicians, the pay premium in the U.S. is 62%; for specialists, the premium is 72%.

We can't just pay our way out of this problem with higher salaries; this isn't a demand-side problem. We need a bigger supply of candidates.

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2018

MHA Member Hospitals

Acadia Hospital, Bangor
The Aroostook Medical Center, Presque Isle
Blue Hill Memorial Hospital, Blue Hill
Bridgton Hospital, Bridgton
Calais Regional Hospital, Calais
Cary Medical Center, Caribou
Central Maine Medical Center, Lewiston
C.A. Dean Memorial Hospital, Greenville
Down East Community Hospital, Machias
Eastern Maine Medical Center, Bangor
Franklin Memorial Hospital, Farmington
Houlton Regional Hospital, Houlton
Inland Hospital, Waterville
LincolnHealth, Damariscotta & Boothbay Harbor
Maine Coast Memorial Hospital, Ellsworth
MaineGeneral Medical Center, Augusta & Waterville
Maine Medical Center, Portland
Mayo Regional Hospital, Dover-Foxcroft
Mercy Hospital, Portland
Mid Coast Hospital, Brunswick
Millinocket Regional Hospital, Millinocket
Mount Desert Island Hospital, Bar Harbor
New England Rehabilitation Hospital of Portland
Northern Maine Medical Center, Fort Kent
Pen Bay Medical Center, Rockport
Penobscot Valley Hospital, Lincoln
Redington-Fairview General Hospital, Skowhegan
Rumford Hospital, Rumford
St. Joseph Hospital, Bangor
St. Mary's Regional Medical Center, Lewiston
Sebasticook Valley Health, Pittsfield
Southern Maine Health Care, Biddeford & Sanford
Spring Harbor Hospital, Westbrook
Stephens Memorial Hospital, Norway
Waldo County General Hospital, Belfast
York Hospital, York

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