

MEDICAID EXPANSION FACTS

The Maine Hospital Association (MHA) and its 38 member hospitals support the expansion of Medicaid in Maine consistent with the federal Affordable Care Act (ACA).

Healthy People

The primary reason hospitals support the expansion is that people without health insurance are excluded from many of the preventative health care services available in the health care system. Hospitals have generous free care policies that cover the individuals who would benefit from expansion. However, all hospitals do not provide all health services and many of these individuals need the kind of routine ongoing care that some hospitals may not provide. If these people are afforded health insurance, there will be



a better chance that they can receive the right care, at the right time, in the right setting.

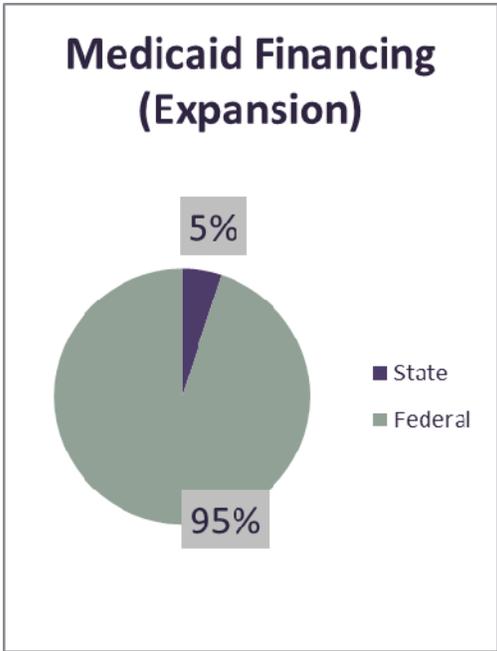
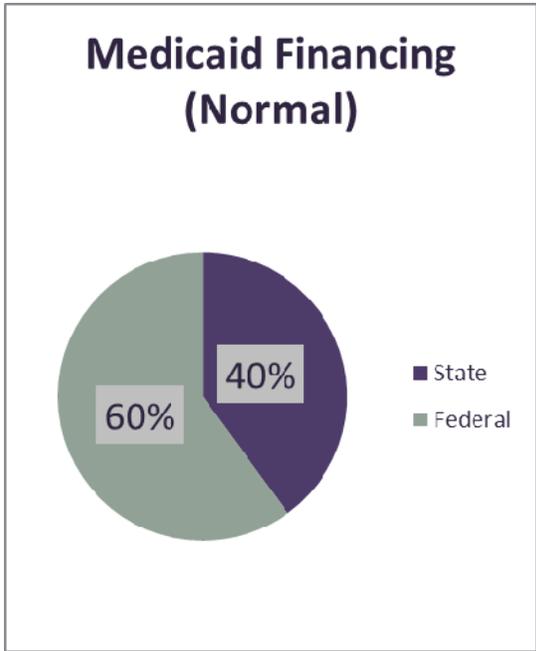
Healthy Hospitals

Funding for the Medicaid program is a state and federal partnership where the federal government pays about 60% of the cost of the program and the state funds the remaining 40%. Under the ACA, however, the costs associated with Medicaid expansion are eligible for enhanced federal funding.

The financing is a bit complicated, but in essence, the federal government will cover approximately 95% of the costs associated with expansion through 2016. The federal share will settle at

approximately 90% in 2019. This is much higher than the normal federal share of 60%.

The state share, 5 to 10% of the costs associated with expansion, should not be ignored. A credible plan to cover those future state costs must be explained. Part of that plan involves savings the state will experience as a result of Medicaid expansion. That is, there are some programs for which the state provides 100% of the funding today. When Maine expands Medicaid, those programs can end and the state can dedicate its savings to covering part of the state's costs from expansion.



As for the federal government’s obligation to fund 90 to 95% of expansion, a principle mechanism that the ACA used was to cut hospital reimbursements in the Medicare program. The theory is that that the lower Medicare revenues to hospitals would be offset with higher Medicaid revenue. The hospitals would be in no better or worse financial position, but more people would have access to care.

Last year, the Supreme Court ruled that Medicaid expansion was an option for states and that the ACA’s mandate to expand was deemed unconstitutional.

However, the associated Medicare cuts to hospitals were not invalidated. Accordingly, Maine hospitals are experiencing the cuts in the ACA but not the offsetting benefits.

In 2013, Maine hospitals lost over \$33 million in Medicare reimbursement due to the ACA cuts. Over ten years, Maine hospitals will lose about \$900 million unless the state expands Medicaid.

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Maine must expand Medicaid in order for the hospitals to recover any of this cut funding.

Maine hospitals are experiencing significant financial challenges. Approximately two-thirds of our hospitals have negative operating margins. This is an all-time high. Layoffs, pay freezes and

cutbacks of every sort are being

implemented. While the settlement of the MaineCare debt was very helpful, those were overdue bills and it does not improve the operating performance of hospitals in 2013 and going forward.

Finally, according to the Wall Street analyst Fitch Ratings, “hospitals in states not expanding Medicaid are likely to be more financially challenged in the near term due to the combination of the foregone revenue and the reimbursement cuts.” Maintaining stable borrowing rates will be more difficult for hospitals in states like Maine if we don’t expand Medicaid.

Healthy Economy

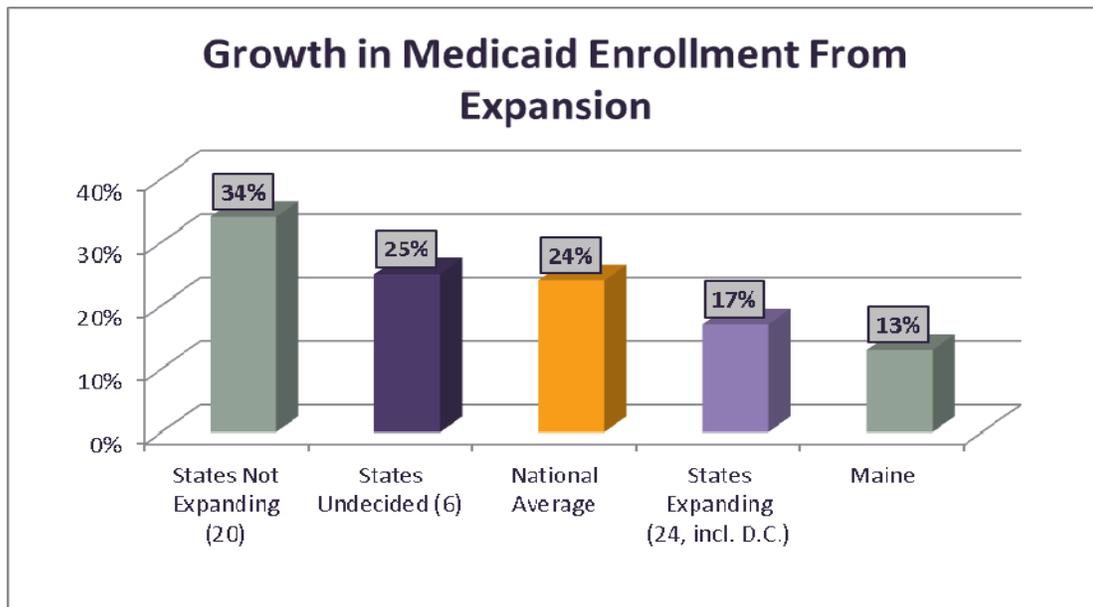
The amount of revenue associated with expansion is quite significant. ***In this period of an extended slump, it would greatly help if the Legislature supported Medicaid expansion; thereby bringing hundreds of millions of dollars into the Maine economy.***

More than half of hospital revenues go toward the wages and benefits of Maine citizens. If Maine were to expand, hundreds of jobs would be saved or created across the state. Additionally, millions in additional sales and income taxes would be paid by our employees, further helping to cover the state's share of the

costs of expansion. Also, for every job in a hospital, the economic ripple effect of hospitals helps create another job indirectly. These jobs range from professional accountants to laundry services, food supply to IT support.

National Perspective

The issue of expansion is a significant policy decision and reasonable people can disagree on its merits. Roughly half the states have decided to expand while half have not. What is peculiar about Maine's decision is that it is completely contrary to the national experience. Maine is so much more like the states that are expanding and unlike those that are not.



According to a recent report from the Kaiser Family Foundation, Medicaid expansion in Maine is one of the most modest nationally in terms of scope. States who are not expanding would experience double the growth in their Medicaid enrollment (34%) compared to states that are expanding (17%). In that light, one can understand why different states have a different perspective on expansion. Predictably, states unsure about expansion are right in the middle at 25%. But the impact in Maine would be a relatively modest 13%. Even this scope of expansion is significant and its impacts should not be diminished; but it should also be understood in the national context.

The MHA and its member hospitals support Medicaid expansion and we urge Maine policy makers to enact implementing legislation in 2014.



MHA Members

Acadia Hospital, Bangor
The Aroostook Medical Center, Presque Isle
Blue Hill Memorial Hospital
Bridgton Hospital
Calais Regional Hospital
Cary Medical Center, Caribou
Central Maine Medical Center, Lewiston
Charles A. Dean Memorial Hospital, Greenville
Down East Community Hospital, Machias
Eastern Maine Medical Center, Bangor
Franklin Memorial Hospital, Farmington
Goodall Hospital, Sanford
Houlton Regional Hospital
Inland Hospital, Waterville
LincolnHealth, Damariscotta
Maine Coast Memorial Hospital, Ellsworth
MaineGeneral Medical Center, Augusta
Maine Medical Center, Portland
Mayo Regional Hospital, Dover-Foxcroft

Mercy Hospital, Portland
Mid Coast Hospital, Brunswick
Millinocket Regional Hospital
Mount Desert Island Hospital, Bar Harbor
New England Rehabilitation Hospital of Portland
Northern Maine Medical Center, Fort Kent
Parkview Adventist Medical Center, Brunswick
Pen Bay Medical Center, Rockport
Penobscot Valley Hospital, Lincoln
Redington-Fairview General Hospital, Skowhegan
Rumford Hospital
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

MHA



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