

A Publication of the Maine Hospital Association

S P R I N G 2 0 0 2

The Future of Maine's Healthcare
2ND OF A SERIES

There Are Ways to Control Healthcare Costs

We're all painfully aware of the problem.

After several years of small increases in the 1990s, health insurance premiums recently have increased annually by 30 percent or more. These exorbitant increases force more Maine people to go without insurance, and cause Maine employers to cut benefits and shift more of the cost to their employees.

What can be done to control healthcare costs and make health insurance more affordable?

No single action will solve the problem. Hospitals, health insurance companies, doctors, state and federal government and the public must all contribute to an effective solution.

One step toward controlling health insurance premiums is to persuade the federal and state governments to reimburse hospitals for the full cost of treating Medicare and Medicaid patients.

These patients make up 28 percent of hospital admissions but incur 55 percent of all hospital

Gov. Angus King has emphasized the importance of staying healthy as a way to control the future cost of health insurance.

charges. If your health insurance premium did not have to pay a portion of the unfunded cost of government programs, your premium could decrease (see article on cost-shifting). Lower-cost premiums would make insurance affordable to more Mainers.

Hospitals work hard to control their costs while providing high quality staff and state-of-the-art facilities and services for their patients. In an age where technology provides wondrous advances in detection and care, Maine hospitals strive to provide these benefits. In some cases, such as PET scan technology, mobile equipment is shared among several hospitals to save money. Despite rising labor, blood, energy and other costs, hospital price increases have been a fraction of insurance premium increases over the past six years.

The largest factor driving increased healthcare costs is that more Mainers than ever require healthcare services today. Maine has an older and, unfortunately, less fit population than most states, resulting in a higher reliance on doctors and hospitals. Preventing disease before it starts and managing it well if it occurs is the key to long-term savings.

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A Crisis of Affordability

Health insurance premium increases are on everyone's mind this year. Double-digit price hikes have forced Maine businesses to lower or drop coverage, or shift more costs to their employees.

Some have declared healthcare in crisis.

The crisis is in the *affordability* of health insurance not in quality of care.

What happens every day in Maine's 38 non-profit, community-governed hospitals is nothing short of a miracle, when viewed from a perspective of just ten or twenty years ago.

New knowledge and technology allow patients to go home earlier and healthier after surgery. Disease detection has advanced in remarkable ways. Hospitals continually strive to improve the quality of services offered.

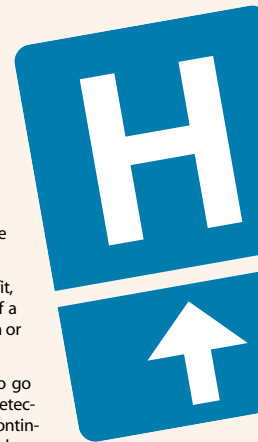
But the debate is escalating over how to provide health insurance coverage to the uninsured. A full debate needs to focus on cost, quality and access but it also needs to acknowledge the positive outcomes that occur every day in Maine's hospitals.

Maine's Healthcare is committed to building awareness of these issues so an informed debate can occur on an issue critically import to all Maine people.

Sincerely,


Steven R. Michaud

President, Maine Hospital Association



Cost Shifting

Low Government Reimbursements Raise Everyone's Costs

We've all heard the stories. Someone looks at his bill for a hospital stay and discovers he has been charged \$3 for an aspirin.

Sounds like the hospital is over-

When hospitals get paid less to care for Medicare and Medicaid patients, they're forced to charge their other patients more.

charging, right? You can buy a whole bottle of aspirin for the same money at the drugstore!

But when a hospital charges more for an item or a service than it costs, it's trying to make up for all the times it gets paid substantially less than it costs to provide treatment. In Maine, that happens with more than half of the care hospitals provide. An additional number of patients can't pay anything for their treatment.

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Maine's Hospitals

Striving for Quality

Quality. For the staff of Maine's hospitals, it's a never-ending effort to provide their patients with the best possible care.

Hospitals routinely evaluate the timeliness of care, the effectiveness of treatment and the continuity of care. They also regularly evaluate their institution's safety, efficiency and the caring and respect with which they deliver services. They have processes and procedures in place to assure that the right care is given in the right setting at the right time.

Hospitals fulfill state licensing and national accreditation requirements by monitoring such things as medication use, hospital-acquired infections,

The former federal Health Care Financing Administration ranked Maine third best in the nation in an analysis of six common diagnoses.



patients' perceptions of care, medication safety and care given to patients admitted for cardiac care. They also participate in quality projects sponsored by other external organizations such as the designated peer review organization for the state.

Using the information gathered from all of their quality management programs, hospitals identify and implement improvement strategies and measure the results of their efforts.

For example, using data gathered by peer review organizations, the former federal Health Care Financing Administration (HCFA) ranked Maine third in the nation in a first of its kind analysis of six common diagnoses. The study measured indicators of clinical performance state by state. MHA credits the collaborative efforts of hospitals, physicians and the Northeast Health Care Quality Foundation (Maine's Medicare peer review organization) in working to improve the quality of care patients receive throughout the state.

Evaluating healthcare is challenging. For instance, there are many reasons why one hip replacement surgery has better results than another, such as the patient's age, health, ability or willingness to follow doctor's orders or tolerance for medication and therapy.

Because there are so many differences among patients, the science of quality evaluation has developed largely around the process of care. For example, we understand that patients who have had a heart attack do better when certain drugs are prescribed early in their treatment and at discharge. Therefore, an effective measure of quality might be to measure how frequently patients receive aspirin and beta blockers early in their care and at discharge, as was done in the HCFA study mentioned above.

"Maine leads the nation in chronic diseases and their associated risk factors," said Dr. Dora A. Mills, director of

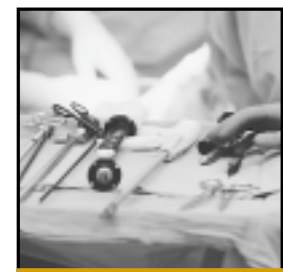
the state's Bureau of Health. Such diseases include diabetes, asthma and cardiovascular diseases. "We should focus our efforts to improve quality on the prevention and treatment of these diseases, both to improve people's health and reduce costs to the health-care system. Our desire for quality should be based on measuring the consistent application of disease management protocols and prevention efforts."

Unfortunately, much of the healthcare data that is publicly available today, such as that collected by the Maine Health Data Organization, comes from billing or claims data. This information is so broad that it can't truly

We should focus quality reporting on prevalent chronic diseases, like diabetes, asthma and cardiovascular disease, that are major causes of illness and disability in Maine.

reflect performance or quality of patient care. Claims data reflect where people get care, how often they get care and why they get care, but they are limited in measuring the quality of the care received.

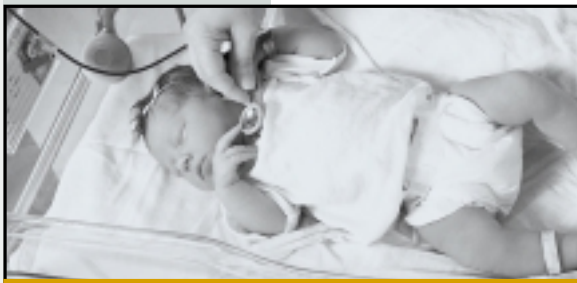
Hospitals are ready and willing to discuss quality with the public in our ongoing efforts to provide the people of Maine with the best possible care. They seek to collect and report on quality data in a way that is cost effective, understandable and effective at measuring true quality outcomes.



fact 1

Besides the traditional acute-care facilities, Maine's hospitals deliver care via:

- ▶ 19 home health agencies
- ▶ 19 skilled nursing facilities
- ▶ 17 nursing facilities
- ▶ 8 residential care facilities
- ▶ 50 physician practices



blood use, mortality, complications and the qualifications of physicians and staff.

Maine's hospitals go beyond these requirements and voluntarily participate in additional efforts aimed at assuring and improving healthcare quality. They identify focus areas for review based on their scope of services and patient populations. For example, hospitals participate in MHA sponsored programs that evaluate

It's important that hospitals' public quality data be collected and reported in a way that is easily understood, adjusted to account for differences in the patient population and cost effective.

fact 2

28 percent of Maine's citizens are covered by Medicare and Medicaid, but beneficiaries incur 55 percent of hospital charges.

SOURCE: YEAR 2000 BLUE RIBBON COMMISSION ON HEALTH CARE

Cost Shifting

Low Government Reimbursements Raise Everyone's Costs

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Costs are shifted to other payers when the federal government pays hospitals less than it costs to serve Medicare patients, who consume 44 percent of all hospital services. Medicare is a federal program that pays healthcare costs for senior citizens. For every \$1 of services hospitals provide, Medicare pays only 88 cents. The shortfall in 1999 alone totaled \$115 million (For more information, see MHA's report on the Medicare shortfall at www.themha.org. Click on "What's New," then "News").

And it's not just Medicare where Maine hospitals lose money. Medicaid, the joint federal/state program for low-income and disabled people, also underpays hospitals. In 2000, Maine hospitals lost \$39 million treating Medicaid patients because the federal and state government reimbursements didn't cover the actual cost of providing services.

As with Medicare, hospitals have to make up the Medicaid shortfall by shifting costs and charging other patients more for services.

Unfunded or under-funded payments lead to cost shifting, which is necessary so hospitals can continue to serve their communities. It is difficult for hospitals to fulfill their missions when two public payers, Medicaid and Medicare, pay less than the cost of services hospitals provide to the programs' beneficiaries. Medicaid and Medicare beneficiaries incur 55 percent of all hospital costs in Maine. The remaining 45 percent of costs are paid by insurance companies or indi-

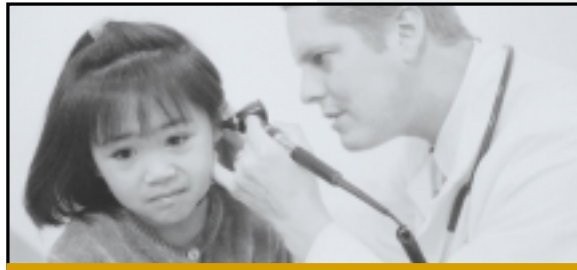
viduals to make up for the Medicaid and Medicare shortfalls and for uncompensated care.

No business, much less Maine's community-owned, non-profit hospitals, can stay open long taking in less money than it costs to provide services. The total \$154 million shortfall (Medicare and Medicaid combined) coupled with the \$145 million in charity care hospitals provide to those who don't pay their bills affects everyone's healthcare costs.

Maine's hospitals are committed to caring for all patients, regardless of their ability to pay, but to survive, hospitals have to make up for these shortfalls elsewhere. They make them up by charging other patients with private insurance more for services. In fact, it's estimated that hospital charges in Maine could be reduced by more than 16 percent if the federal and state government paid hospitals what it actually costs to care for Medicare and Medicaid patients.

Think of it like this: Imagine you plow snow for a living. With gas, insurance, taxes and paying your workers, it costs you a certain amount to plow a parking lot. You have a major government customer who pays only \$84 for a job that it costs you \$100 to provide. So in order to break even, you have to spread out the \$16 you're losing among your other customers.

Lots of people think that if they aren't covered by Medicare or Medicaid, they aren't affected when the government wants to cut reimbursements to hospitals. But the truth is, when hospitals get paid less to care for Medicare and



Medicaid patients, they have to shift those costs to other patients. As a result, commercial insurance companies pay more for treatments for their customers. These insurers, in turn, have to raise their premiums to cover their costs, causing some of their customers to give up coverage because it's become too expensive.

Nearly 60 percent of Maine's population receives healthcare coverage through the commercial insurance market. Nearly three-quarters of Maine citizens without insurance have jobs. Affordable health insurance coverage is critical to ensuring that more Mainers have coverage providing access to the right care, at the right time and in the right setting. Improved health status will have the greatest impact on reducing healthcare costs in Maine. Making health insurance more affordable depends on improving what the federal government reimburses Maine hospitals for Medicare and Medicaid and extending coverage to more Mainers to reduce uncompensated care costs. Once these things happen, Maine can begin to reverse the cycle of ever increasing health insurance premium increases.

fact 3

The uninsured are four times as likely as those with health insurance to require both avoidable hospitalizations and emergency hospital care, according to the American College of Physicians- American Society of Internal Medicine

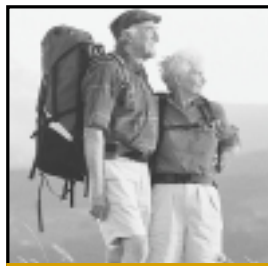
There Are Ways to Control Healthcare Costs

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Hospitals, insurers, employers and state government all provide information on how Maine people can take better care of themselves. Gov. Angus King also has emphasized the importance of staying healthy as a way to control the future cost of health insurance.

As members of the baby boom generation enter their 50s, more and more people need to take responsibility by eating healthier foods and exercising regularly. The benefits of these healthy habits (and decreased smoking and alcohol intake) will help counter the cost pressures brought on by a rapidly aging population.

Increasing access to health insurance (and therefore, healthcare) is critical



to controlling healthcare costs in the long term. Uninsured people have more health problems and are hospitalized 50 percent more often than the insured population for "avoidable conditions," such as uncontrolled diabetes.

Nearly 12 percent of Maine's population is currently uninsured. Absent federal

action, Maine should pursue a plan to reduce the number of people without health insurance. The Maine Hospital Association's 10-step plan (go to www.themha.org and click on "What's New" and then "News" to see *Closing the Gap: 10 Steps to Reduce the Number of Maine People Without Health Insurance*) is a good starting point.

Healthcare costs can be controlled if all parties work together. Hospitals are working hard to manage their costs while providing quality care for all patients. And we all have an incentive to adopt a healthy lifestyle—if for no other reason than it will save us money in the long run.

fact 4

Maine has the fourth highest rate of chronic disease in the US with 75 percent of all deaths here from chronic disease. More than half of these diseases are caused by tobacco use, physical inactivity and poor nutrition.

SOURCE: MAINE BUREAU OF HEALTH

