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Maine Hospital Association

Rural Hospital Crisis

A Plan to Help Maine's Ailing Rural Hospitals - 2019

Our Goal

MHA seeks legislative support for policy changes that would help rural hospitals.

The Bill

LD 1350



129th MAINE LEGISLATURE

FIRST REGULAR SESSION-2019

Legislative Document

No. 1350

S.P. 418

In Senate, March 21, 2019

An Act To Improve Rural Health Care

Reference to the Committee on Health and Human Services suggested and ordered printed.

DAREK M. GRANT
Secretary of the Senate

Presented by President JACKSON of Aroostook.
Cosponsored by Representative PERRY of Calais and
Senators: CARPENTER of Aroostook, DAVIS of Piscataquis, LUCHINI of Hancock,
Representatives: HIGGINS of Dover-Foxcroft, HUBBELL of Bar Harbor, MADIGAN of
Waterville, MAXMIN of Nobleboro, STEARNS of Guilford.

Printed on recycled paper

The Crisis

Portland Press Herald

36° F Full Forecast | Today's E-Edition

EDITORIALS > Posted 4:00 AM

INCREASE FONT SIZE **A+**

Our View: Rural hospitals close at an alarming rate

Expanding Medicaid will help take some of the pressure off small facilities with low-income patients.

BY THE EDITORIAL BOARD

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In more ways than one, the health of rural areas depends on their hospitals. And throughout the country, the diagnosis is grim.

Caring for a population that is increasingly old and poor, rural hospitals are [struggling](#). Since 2010, 88 of [them](#) have at least ended inpatient services, with many closing altogether. Nearly 41 [percent](#) of the hospitals that remained open operated at a loss in 2016.

Along with schools, hospitals are the centers of rural communities, and when they close they leave a hole that can't be easily filled. Indeed, the mass closure of rural hospitals – which provide both health care and jobs – is both an indication that many rural areas are in danger of fading away and a contributing factor in that decline. As other factors drive people from rural areas, hospitals are more likely to close, leading more people to move away.

It's a cycle that has to be stopped if rural America is to flourish again.

November 5, 2018

The Crisis


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CBS NEWS | March 10, 2019, 9:09 AM

Critical condition: The crisis of rural medical care

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Now Playing

- Rural medical care in crisis
- U.S. not grounding Boeing 737 Max 8 planes
- Fed Chair Powell on income disparity
- Huge crater at Ethiopian Airlines crash site

Tonopah, Nevada, is about as isolated a place as you can find – 200 miles south of Reno, 200 miles north of Las Vegas, with one road in or out. But to those who call it home, this scenic dot on the desert landscape once had everything they needed.

Emmy Merrow had no concerns about living in such a remote place: "It had a store

Watch CBSN Live

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- Woman attacked by jaguar tells her story
- Savage family aims on meeting daughter Joycelyn, who is living with R. Kelly
- Venezuelan stores and schools close amid blackout, U.S. withdraws all diplomatic personnel
- Three stories to watch this morning

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PRIMES

RURAL HOSPITAL SUSTAINABILITY:

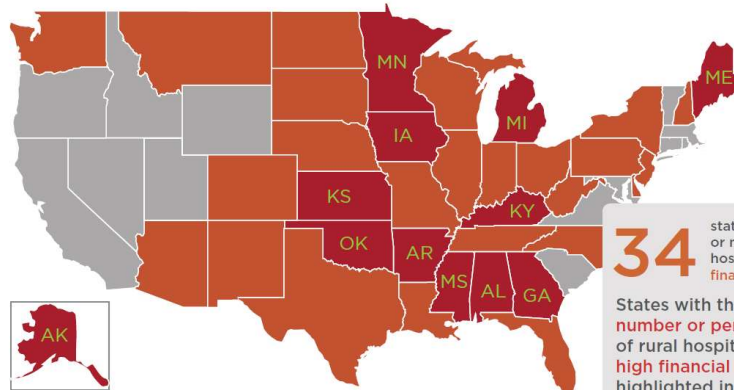
New Analysis Shows Worsening Situation for Rural Hospitals, Residents

David Mosley and Daniel DeBehnke, MD, Navigant — February 2019

Figure 1: Rural Hospital Financial Risk

THE NUMBER AND PERCENTAGE OF RURAL HOSPITALS AT HIGH RISK OF CLOSING*

21% OF U.S. RURAL HOSPITALS are at a HIGH RISK OF CLOSING unless their financial situations improve



STATE	HOSPITALS AT HIGH FINANCIAL RISK	PERCENTAGE AT HIGH FINANCIAL RISK
AL	21	50.0%
MS	31	48.4%
GA	26	41.7%
ME	8	40.0%
AK	6	40.0%
AR	18	36.7%
OK	17	29.3%
KS	29	28.7%
MI	18	25.4%
KY	16	24.6%
MN	19	21.3%
IA	17	17.9%

34 states have 5 or more rural hospitals at high financial risk
States with the highest number or percentage of rural hospitals at high financial risk are highlighted in red

*(DE, NJ, and RI have no qualifying rural hospitals)

The Crisis

Rural People

Older and poorer.

- **Population** - Down in Rural Maine.

Population is down in Rural Maine vs. up in Non-rural (-3.2% v. 1.7%).

- **Age** - Rural Mainers are older on average.

Median Age is 9% higher in Rural Maine (47 vs. 43). Two Rural Counties have median age above 50.

- **Poverty** - Rural Mainers are poorer on average.

Poverty is 33% higher in rural Maine (16% vs. 12%).

- **Jobs** - Rural Mainers have fewer job opportunities.

Unemployment is 44% higher in rural Maine (5% vs. 3.5%).

- **Income** - Rural Mainers have lower income.

Median income is 21% lower in rural Maine (\$43K vs. \$55K).

Rural Health

Sicker.

- **Smoking**

Smoking rates are 24% higher in Rural Maine (22% vs. 18%).

- **Cardiovascular Death Rate**

Cardio death rates are 13% higher in Rural Maine (213 vs. 189 per 100K).

- **Obesity**

Obesity is 22% higher in Rural Maine (32.5% vs. 26.6%).

- **Infant Mortality**

Infant mortality is 9.4% higher in Rural Maine (6.9 vs. 6.3 per 100K).

Rural Access

Fewer choices.

- **Uninsured Rate**

Uninsured rate is 30% higher in rural Maine (11.4% vs. 8.7%).

- **Primary Care Doctor Availability**

Rural Maine has 33% fewer primary care doctors (50 vs. 75 per 100K).

- **Mental Health Services**

Rural Maine has 73% fewer psychiatrists (3 vs. 11 per 100k).

Rural Hospitals

Essential

- **Hospitals: 22 of 36 (61%) are Rural:**

All the hospitals in 9 rural counties plus 4 hospitals in 3 other counties.

- **Jobs:** 8,600.

- **Total Economic Impact:** \$1.6 Billion.

- **Employment Rank:**

A hospital is among top 5 largest employers in 8 of 9 Rural counties.; a hospital is the largest employer in 3 of 9 rural counties;

- **Surgeries:** 35,000 surgeries per year.

- **ED Visits:** Over 240,000 Emergency visits per year.

- **Newborn Deliveries:** 2,500 deliveries per year.

Rural Quality

Very Good.

MHA Rankings: Maine Hospitals are #1.

AHRQ Ranking: Maine Hospitals are 10th

ARHQ Ranking: Maine is #1 Overall Across all Settings of Care.

Leapfrog: Maine Hospitals have the 10th highest percentage of "A" grades. (2018).

Leapfrog: Maine Is the Best State for Rural Hospitals. (7 of 18 Top Rural Hospitals nationwide are in Maine.)

Rural Hospital Crisis

*Hospitals need
help.*

- **Financial Losses:**

Rural Hospitals collectively lost more than \$20M during previous 5 years.

- **Margins:**

Rural Hospitals have an aggregate annual margin of **-0.4%**.

- **Fewer Patients:**

Surgery down **16%**; ED Visits down **5%**; Deliveries down **19%**.

- **Payer Mix:**

Government Payers (Medicare and Medicaid) - 62%

Commercial insurance is 13% lower in Rural Maine (31.5% v. 36.1%)

- **Uncompensated Care:**

Bad Debt is \$45M annually (increased by 34% over 5 years); Free Care is \$24M.

Rural Hospital Crisis

8 Hospitals have had negative margins for at least 5 consecutive years. 7 of them are Rural.

Maine Hospitals							
Comparison of Operating Margins							
	2011	2012	2013	2014	2015	2016	2017
Bridgton Hospital	14.82%	3.45%	3.19%	7.27%	4.05%	-0.27%	1.81%
Calais Regional Hospital	-2.14%	-8.84%	-6.95%	-9.02%	-5.23%	-3.49%	-6.58%
Cary Medical Center	8.16%	-1.05%	-3.91%	3.63%	3.17%	-1.00%	-1.35%
Central Maine Medical Center	-2.76%	-1.08%	-4.36%	1.76%	2.95%	-1.84%	-3.18%
Down East Community Hospital	-2.23%	-2.48%	-4.53%	-5.35%	-0.57%	2.00%	1.60%
Franklin Memorial Hospital	1.57%	-0.29%	-9.78%	-4.20%	-0.69%	-6.21%	-6.38%
Houlton Regional Hospital	-0.42%	-4.43%	-8.90%	-1.73%	-1.46%	-2.40%	-1.07%
LincolnHealth	*	*	*				
Maine Medical Center	2.43%	3.29%	1.05%	3.50%	3.51%	4.73%	4.60%
MaineGeneral Medical Center	4.84%	3.52%	3.16%	-3.61%	-6.15%	0.05%	-4.26%
Mayo Regional Hospital	1.13%	-2.40%	-4.37%	-1.88%	-0.02%	-3.30%	-3.60%
Mid Coast Hospital	4.39%	0.89%	1.38%	2.54%	1.91%	0.60%	1.65%
Millinocket Regional Hospital	1.72%	-1.77%	-1.63%	-9.04%	-3.12%	-2.90%	-4.66%
Mount Desert Island Hospital	-1.43%	-4.27%	-1.78%	-2.43%	1.12%	0.51%	3.93%
Northern Light A.R. Gould Hospital	3.11%	-2.03%	1.11%	-3.14%	0.14%	-9.90%	0.94%
Northern Light Acadia Hospital	4.13%	4.14%	9.47%	2.30%	4.68%	6.33%	5.65%
Northern Light Blue Hill Hospital	2.34%	2.09%	4.34%	5.27%	6.46%	2.70%	2.34%
Northern Light C. A. Dean Hospital	10.44%	1.96%	3.69%	-1.59%	-1.20%	-10.90%	6.26%
Northern Light Eastern Maine Medical Center	2.58%	9.18%	4.58%	2.50%	5.49%	3.90%	3.25%
Northern Light Inland Hospital	3.66%	0.99%	1.17%	-2.31%	0.31%	-0.78%	0.88%
Northern Light Maine Coast Hospital	5.45%	-1.28%	-0.47%	-6.52%	-9.68%	-5.20%	-7.52%
Northern Light Mercy Hospital	-8.38%	-6.76%	-4.21%	1.15%	-10.22%	-7.92%	-1.85%
Northern Light Sebecook Hospital	3.22%	0.76%	4.68%	6.49%	3.31%	3.95%	10.40%
Northern Maine Medical Center	-0.37%	29.61%	4.56%	3.17%	2.34%	0.50%	8.30%
Pen Bay Medical Center	2.05%	-4.04%	-0.04%	0.94%	-3.35%	-6.76%	-3.95%
Penobscot Valley Hospital	1.99%	-0.42%	-2.01%	-3.90%	-5.24%	-9.84%	-8.72%
Redington-Fairview General Hospital	-0.91%	-0.87%	-2.85%	-3.65%	-3.65%	0.01%	0.12%
Rumford Hospital	11.34%	-1.18%	-1.58%	0.94%	-1.23%	-2.44%	-0.29%
Southern Maine Health Care	*	*	*	*			
Spring Harbor Hospital/Maine Behavioral Healthcare	0.55%	-1.90%	1.74%	0.41%	0.43%	-1.63%	2.26%
St. Joseph Hospital	9.05%	5.38%	8.04%	8.97%	1.33%	2.20%	0.63%
St. Mary's Regional Medical Center	2.71%	-2.60%	0.07%	-1.67%	-1.68%	1.01%	-0.52%
Stephens Memorial Hospital	4.51%	5.44%	3.97%	6.38%	4.95%	2.54%	2.10%
Waldo County General Hospital	8.69%	4.75%	1.96%	-1.54%	6.71%	5.73%	7.63%
York Hospital	1.88%	-1.06%	-1.12%	-1.91%	-0.51%	-1.45%	-1.60%

Color Code:
 Operating Margins < 0
 Operating Margins 0 - 4.99%
 Operating Margins 5%+

Source: Maine Health Data Organization, Audited Financial Statements
 * Not Available

Rural Hospitals are Hurting

On the previous slide, you see 6 years worth of hospital operating margins.

8 hospitals have had 5 consecutive years of operating losses – that's 25% of hospitals in Maine.

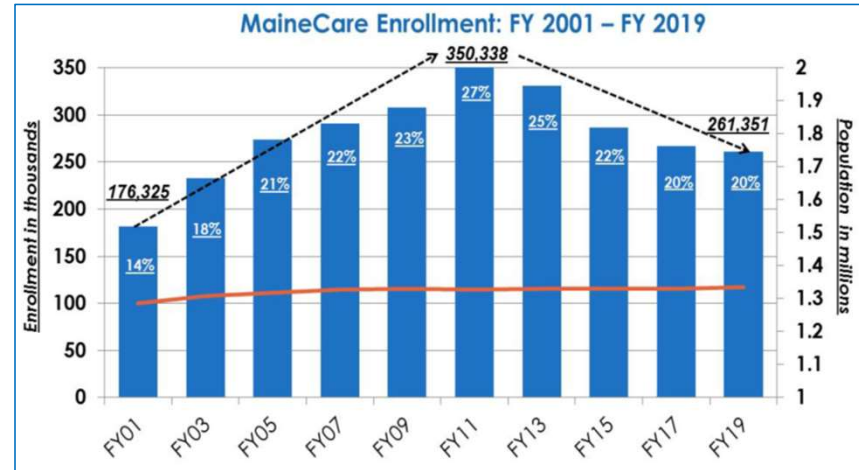
7 of those hospitals with 5 years of consecutive losses are Rural.

State Government

Need a different approach.

MaineCare Enrollment

Declined 25% over 5 years



Hospital Tax and Losses

- \$23M annually
- \$8.4M losses

Hospital Cuts

- Over the past 10 years:
- Critical Access Hospital (CAH) rate cut of 8% (2010)
 - Crossover Cut (2014)
 - 10% Outpatient Rate Cut (2014)
 - ED Reimbursement Cut (2016)

State Government

*Can't Look The
Other Way at
Underpayment
Anymore*

For too long, we've all just accepted that Medicaid doesn't pay its fair share.

We've just accepted that Medicaid will be the lowest payer – by far – than any other payer.

We've just accepted that Medicaid underpayments can be managed by absorbing losses and shifting costs onto local businesses and families.

That has to change.

Medicaid doesn't have to "bail out" hospitals; but Medicaid can no longer be one of the leading causes of losses at hospitals.

State Government as Solution

LD 1350 makes three proposals:

- **Increase Physician Reimbursement**
- **Re-base Rural Health Center Reimbursement**
- **End the Tuition Reimbursement Tax Penalty**

State Government as Solution

- **Physician Reimbursement (\$1M-1.5M GF)**

Part A of the MHA Rural Hospital Bill increases MaineCare reimbursement for rural hospital-employed physicians to 100% of cost. Currently, MaineCare reimburses hospital-employed physicians below cost. Rural hospitals include 16 Critical Access Hospitals (CAHs) and 6 PPS hospitals who qualify for Medicare benefits provided to smaller, rural hospitals.

Medicaid rates are 93% of cost for ER and inpatient;

Medicaid rates are 84% of cost for outpatient.

State Government as Solution

- **Rural Health Clinics (\$1M-1.5M GF)**

Part B of the Rural Hospital Bill re-bases the reimbursement for Rural Health Clinics. According to CMS, RHCs were created to address an inadequate supply of physicians serving Medicare patients in rural areas and to increase the use of non-physician practitioners, such as nurse practitioners (NPs) and physician assistants (PAs) in rural areas. RHCs are paid an all-inclusive rate (AIR) for medically-necessary primary health services and qualified preventive health services.

RHCs were last re-based in 2001. On average, Medicaid reimburses RHCs at \$125-150 below Medicare.

Sample Comparison of Medicaid v. Medicare reimbursement for RHCs in Maine:

	Medicare	Medicaid	Difference
Clinic 1	\$245	\$140	\$105
Clinic 2	\$365	\$170	\$195
Clinic 3	\$250	\$165	\$85
Clinic 4	\$320	\$165	\$155

State Government as Solution

- **Tuition Reimbursement (\$1M GF)**

When a healthcare employer provides loan forgiveness to an employee, Maine's tax code counts that forgiveness as taxable compensation to the healthcare employee. Part C of the MHA Rural Hospital Bill exempts that forgiveness amount from the employee's taxable income for nurses and physicians. This statute is modeled on the existing program for undergraduate loan payments in Sub-section FF.

State Government as Solution

- **Medicaid Expansion**

Implementation of Medicaid expansion will help all hospitals, including Rural Hospitals. We support expansion and are grateful it is moving forward.

However, it is not enough. It will not solve all of their challenges.

Getting individuals insured helps hospitals reduce their charity care burden.

But putting more people in a Medicaid program that doesn't fully reimburse for the cost of care provided to Medicaid patients creates its own challenges long-term.

The existing Medicaid program has become too much of a burden on providers and help is long overdue.

Thank You



Appendix: Rural Hospitals

Critical Access

Mount Desert Island Hospital (Bar Harbor)

Penobscot Valley Hospital (Lincoln)

Redington-Fairview General Hospital
(Skowhegan)

Rumford Hospital (Rumford)

LincolnHealth/St. Andrews Hospital
(Boothbay Harbor)

Sebasticook Valley Health (Pittsfield)

Stephens Memorial Hospital (Norway)

Waldo County General Hospital (Belfast)

Blue Hill Memorial Hospital (Blue Hill)

Bridgton Hospital (Bridgton)

Calais Regional Hospital (Calais)

Charles A. Dean Memorial Hospital
(Greenville)

Down East Community Hospital (Machias)

Houlton Regional Hospital (Houlton)

Mayo Regional Hospital (Dover-Foxcroft)

Millinocket Regional Hospital (Millinocket)

Other

The Aroostook Medical Center (Presque Isle)

Cary Medical Center (Cary)

Franklin Memorial Hospital (Farmington)

Inland Hospital (Waterville)

MaineCoast Hospital (Ellsworth)

Northern Maine Medical Center (Fort Kent)

Appendix: Rural Programs

- **Critical Access Hospitals**

- Have no more than 25 beds; cap average length of stay at 96 hours; and be in a rural or remote location.

- **Sole Community Hospitals (SCH)**

- At least 35 miles from other like hospitals;
- Rural, located between 25 and 35 miles from other like hospitals, and meets one of these criteria:
 - No more than 25 percent of residents who become hospital inpatients or no more than 25 percent of the Medicare beneficiaries who become hospital inpatients in the hospital's service area are admitted to other like hospitals located within a 35-mile radius of the hospital or, if larger, within its service area; or
 - The hospital has fewer than 50 beds and would meet the 25 percent criterion above if not for the fact that some beneficiaries or residents were forced to seek specialized care outside of the service area due to the unavailability of necessary specialty services at the hospital.
- Rural and between 15 and 25 miles from other like hospitals but because of local topography or periods of prolonged severe weather conditions, the other like hospitals are inaccessible for at least 30 days in each of 2 out of 3 years; or
- Rural and because of distance, posted speed limits, and predictable weather conditions, the travel time between the hospital and the nearest like hospital is at least 45 minutes.

- **Medicare-Dependent Hospitals**

- In a rural area; 100 or fewer beds; not also classified as a SCH; and at least 60 percent of inpatient days or discharges were attributable to individuals entitled to Medicare Part A benefits.

- **Low Volume Hospitals**

- Fewer than 1,600 discharges; Geographically distant from another hospital

- **Rural Demonstration Project Hospitals**

- In a rural area; fewer than 51 acute bed; 24-hour emergency services; and not eligible to be critical access hospital.

Appendix: Rural Counties

All of Maine is Rural, some parts are just more rural than others.

Rural Counties (9)

(87% of the 385K residents in these counties live in rural areas.)

Aroostook (4 Rural Hospitals)
Franklin (1 Rural Hospital)
Hancock (3 Rural Hospitals)
Lincoln (1 Rural Hospital)
Oxford (2 Rural Hospitals)
Piscataquis (2 R Rural Hospitals)
Somerset (2 Rural Hospitals)
Waldo (1 Rural Hospital)
Washington (2 Rural Hospitals)

18 Rural Hospitals
0 Non-Rural Hospitals

Non-Rural Counties (7)

(51% of the 945K residents in these counties live in rural areas.)

Androscoggin (2 NRH)
Cumberland (1 Rural Hospital; 5NRH)
Kennebec (1 Rural Hospital; 1 NRH)
Knox (1 NRH)
Penobscot (2 Rural Hospital; 3 NRH)
Sagadahoc (No hospitals)
York (2 NRH)

4 Rural Hospitals
14 Non-Rural Hospitals