



Maine Hospital Association Federal Issues

2019





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 and those issues are described in this paper. But you must stay on top of all of these matters, and more.

Now that the federal budget has been introduced, we are very concerned about several of its components, including cuts to Medicare and Medicaid that will hurt Maine hospitals and the patients we care for.

The annual economic contribution of Maine hospitals has surpassed \$10 billion 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.

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.

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.

But 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.

These grim numbers continue to this day. In 2017, 15 of 33 hospitals have negative margins. And the statewide average operating margin was 1.5 percent.

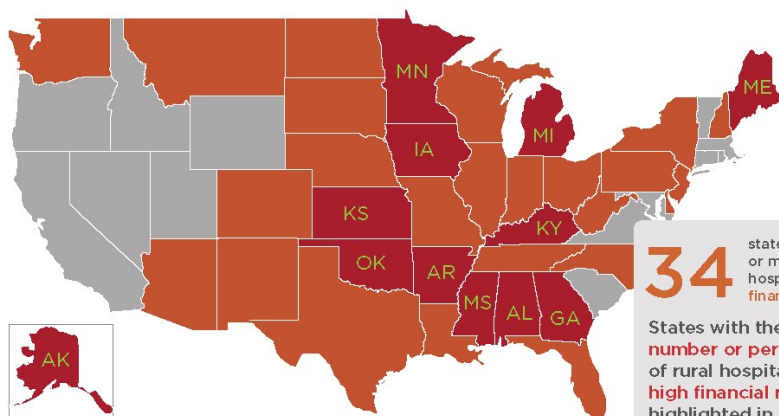
As you can see from the chart below, 40 percent of Maine’s rural hospitals are at a high financial risk. The table on the next page shows that even hospitals with positive margins have very little cushion.

Eight hospitals have had negative operating margins for at least five consecutive years. Seven of those hospitals are rural.

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

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



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

STATE	HOSPITALS AT HIGH FINANCIAL RISK	PERCENTAGE AT HIGH FINANCIAL RISK
AL	21	50.0%
MS	31	48.4%
GA	26	41.3%
ME	9	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%

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

Source: Navigant Rural Hospital Sustainability: New Analysis Shows Worsening Situation for Rural Hospitals, Residents, February 2019

Hospital Finances

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	*	*	*	-1.26%	2.47%	0.52%	3.39%
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	*	*	*	*	-3.41%	-2.83%	-0.17%
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

Preserve 340B drug discounts

340B Hospitals

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

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, 26 Maine hospitals qualify for the 340B Drug Discount program and receive a collective benefit estimated to be \$188 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.

Save hospital-based practices

Hospitals in Maine employ about 70% of the physicians working in the state. In rural Maine, this percentage of employed physicians is more than 90%. Hospitals pay to recruit these scarce professionals, supply insurance such as professional liability and workers compensation, and often help pay for their medical education.

Hospitals employ these physicians primarily to provide patient access to healthcare services in a largely rural state. Many states, especially in rural parts of the country, employ a large percentage of their physicians, so any Medicare or Medicaid policy change toward site-neutral payments has a disproportionate impact on rural America. In fact, a national analysis of previous site-neutral payment proposals has shown Maine to be the state most negatively affected when considered on a per capita basis.

Unlike community-based providers, those who operate in a hospital outpatient department are required to open their practices to all patients, including Medicaid patients and those unable to pay for their care. In fact, these practices must follow all the regulations imposed on hospitals. This is critical to maintaining access for all patients in need of care but also results in huge amounts of uncompensated care that needs to be covered. For the latest reporting period, Maine hospitals provided over \$590 million in free care to patients.

In 2015, Congress prohibited new hospital-based outpatient locations, but established a policy to preserve the existing outpatient rate for “grandfathered” hospital outpatient departments in recognition of the crucial role that they play in providing needed healthcare services their communities.

However, the final Calendar Year (CY) 2019 Outpatient Prospective Payment System (OPPS) Rule reduces payments for hospital outpatient clinic visits furnished in off-campus provider-based departments that had been grandfathered in the 2015 rule. Under the rule, in CY 2019, clinic visits will be paid 70% of the OPPS rate and in CY 2020 and beyond, 40 percent of the OPPS rate. **In Maine, this means Medicare reimbursements will be reduced by an estimated \$50 million.**

Maine hospital joins suit to save hospital-based practices

Maine hospitals are grateful to our congressional delegation for issuing a letter opposing site-neutral payments.

This issue is of extreme importance to Maine hospitals, which stand to lose an estimated \$50 million in Medicare reimbursements.

York Hospital, in York, Maine, has joined a lawsuit filed by the American Hospital Association to oppose the rule, saying it runs counter to Congress’ intent.

York Hospital has 14 off-campus clinics that are grandfathered and 54 percent of the hospital’s patients are receiving Medicare. Because these clinics are affiliated with the hospital, they have specialized equipment that goes beyond what is in ordinary physician offices. These clinics help keep elderly Mainers from having to travel long distances to the hospital to receive outpatient care.

Please continue to support the Congressional intent and maintain the grandfathered status of these clinics.

Oppose budget cuts to hospitals

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.

ACA Repeal and Replace

With the expansion of Medicaid, Maine hospitals are finally going to be paid for the care they provide impoverished people. The president's budget supports enactment of legislation that would replace the individual marketplace subsidies and Medicaid expansion under the Affordable Care Act (ACA) with market-based healthcare grants. Because states would have wide discretion in using these block grants, such a proposal creates a lot of uncertainty both for patients and the providers who treat them. A hospital's survival shouldn't depend on who is currently in the Blaine House. We urge you to support continuity in the healthcare system and oppose efforts to repeal and replace the ACA.

Cuts to Medicare

The budget proposes \$817 billion in Medicare reductions over 10 years. As we have discussed on previous pages, Maine hospitals have been struggling with the previous round of Medicare cuts. In Maine, where so many of our patients are Medicare beneficiaries, such cuts will have the unintended effect of eliminating providers and reducing access to care.

We've already discussed the devastating effects that site-neutral payment policies and changes to the 340B Drug Pricing Program have on Maine hospitals. Other cuts to Medicare of special concern are:

- **Bad Debt.** The budget proposes to decimate bad debt payments to providers (from 65 percent to 25 percent) by \$38.5 billion over 10 years. While Maine has a high rate of insured patients, many of those patients are simply too poor to pay their co-pays and deductibles. This cut will be very difficult for hospitals to absorb.
- **Uncompensated Care.** The budget proposes to index total amounts of disproportionate share hospital uncompensated care payments to inflation, thereby reducing payments by \$98 million over 10 years.

- **Graduate Medical Education (GME).** The budget proposes to consolidate GME spending from Medicare, Medicaid and the Children’s Hospitals GME program into a single grant program. The policy would result in \$47.9 billion in savings over 10 years. Maine hospitals depend on money from these programs to educate the next generation of physicians and to encourage them to practice in Maine. Such cuts would impede hospitals’ ability to train and recruit for the future.

Medicaid

The budget proposes to limit eligibility to receive Medicaid benefits. It’s important to note that removing people from the Medicaid rolls doesn’t eliminate them or their illnesses and injuries. It just means that hospitals don’t get paid for the care those patients need. Furthermore it ensures the care they do receive is often too little too late, sometimes threatening public health, certainly raising the intensity and cost of that care.

When hospitals don’t get paid for care they provide to uninsured patients who cannot pay for their care, hospitals have no choice but to raise their prices they charge insured patients. The cuts that the administration’s budget proposes are penny wise and dollar foolish. They make the entire health system more expensive.

Another concern is the proposal to limit states’ ability to generate the state share of the Medicaid match. This proposal has the potential to have serious consequences to Maine’s state budget. As you may know, part of Maine’s match is generated through a tax on hospitals. While Maine’s hospitals don’t love the tax, we recognize that the state is now dependent on this revenue source.

Conclusion

While there are a few initiatives we can support in the budget, taken as a whole, we must oppose it. Please craft a budget that is less harmful to hospitals.

Maine hospitals have highest quality in the nation

When you can get the highest quality services at a fair price, that translates to excellent value. That’s exactly what Mainers get from hospitals here: excellent value.

Maine continues to provide higher quality hospital care on average than any other state in the country, according to data from the Centers for Medicare & Medicaid Services Hospital Compare website. Maine hospitals have consistently ranked well for the quality of care they provide, reaching number 1 several times.

In October 2018, the Leapfrog Group released its Hospital Safety Scores. Maine hospitals were once again in the top 10 for the highest percentage of A’s in the country. In another 2018 Leapfrog report, of the 17 hospitals named to Leapfrog’s Top Rural Hospitals list, seven were in Maine. Only nine states had hospitals on the Top Rural list. Maine was the only state with more than two hospitals listed.

In the most recent year, the Agency for Healthcare Research and Quality listed Maine as the best in the country in its National Healthcare Quality and Disparity Report across all settings of healthcare.

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.

Please support

S. 348, the Resident Physician Shortage Reduction Act would increase the number of Medicare-funded residency positions by 15,000 over five years. This bill expands the size of the physician pipeline that fuels our healthcare system. A similar bill, HR 1763 was recently introduced in the House. Please consider supporting this legislation.

The Conrad State 30 Waiver Program allows J-1 medical doctors to apply for a waiver for the 2-year residence requirement upon completion of the J-1 exchange visitor program. The program addresses the shortage of qualified doctors in medically underserved areas.

Thank you Senators Collins and King for your sponsorship of the Employer Participation in Repayment Act of 2019, which would support employers assisting employees in paying off their student loan debt.

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2019

MHA Member Hospitals

Bridgton Hospital, Bridgton
Calais Regional Hospital, Calais
Cary Medical Center, Caribou
Central Maine Medical Center, Lewiston
Down East Community Hospital, Machias
Franklin Memorial Hospital, Farmington
Houlton Regional Hospital, Houlton
LincolnHealth, Damariscotta & Boothbay Harbor
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Mayo Regional Hospital, Dover-Foxcroft
Mid Coast Hospital, Brunswick
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Penobscot Valley Hospital, Lincoln
Redington-Fairview General Hospital, Skowhegan
Rumford Hospital, Rumford
St. Joseph Hospital, Bangor
St. Mary's Regional Medical Center, Lewiston
Southern Maine Health Care, Biddeford & Sanford
Spring Harbor Hospital, Westbrook
Stephens Memorial Hospital, Norway
Waldo County General Hospital, Belfast
York Hospital, York



Maine Hospital Association

**MAINE'S LEADING
VOICE FOR HEALTHCARE**

33 Fuller Road
Augusta, ME 04330
Phone: 207-622-4794
Fax: 207-622-3073
www.themha.org