



Maine
Hospital
Association

*Representing
community hospitals
and the patients
they serve.*

TESTIMONY OF THE MAINE HOSPITAL ASSOCIATION

In Support Of

LD 1578 – *An Act To Increase Health Security by Expanding Federally Funded Health Care for Maine People*

January 15, 2014

Senator Craven, Representative Farnsworth, and members of the Health and Human Services Committee, my name is Jeffrey Austin and I am here on behalf of the Maine Hospital Association. I am here today to testify in support of LD 1578.

The Maine Hospital Association represents all 37 community-governed hospitals that include 34 non-profit general acute care hospitals, 2 private psychiatric hospitals, and 1 acute rehabilitation hospital. In addition to acute care hospital facilities, our hospitals represent 14 home health agencies, 19 skilled nursing facilities, 21 nursing facilities, 13 residential care facilities, and more than 300 physician practices.

The issue of whether to further expand Medicaid is one of the more significant decisions you will make this year. This can be a difficult issue and we respect the varied opinions about the issue.

For several reasons, our members support expansion. We believe that expansion will benefit Maine and Maine citizens. There are many arguments that can be put forward regarding expansion; I will try to limit my testimony to those arguments that are unique to hospitals.

Medicaid Expansion Is Partially Funded by Cuts to Hospitals

The newspapers and others are quick to point out that the federal government is providing 100% reimbursement for 3 years for the expansion populations and 90% reimbursement thereafter. What the newspapers neglect to point out is where the federal government is going to get this funding. If you recall, the ACA was revenue neutral (at least on paper) in that revenues were identified to off-set increased federal expenses.

One of the sources of federal revenue to finance the federal government’s costs associated with expansion were hospital reimbursement programs under Medicare. Several hospital programs had their reimbursement formulas “adjusted” (lowered) over the 10-year scoring period of the ACA. The hospital cuts totaled

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approximately \$900 million from 2011-2021. The cuts in 2013 were \$30 million alone. In 2014 the cuts will total \$55 million and in 2015 they will be nearly \$100 million. By 2019, hospitals are due to receive \$200 million less than they would have had the ACA not passed. Please keep this in mind when you hear about costs in the “out years.”

The justification for these significant reductions to hospital reimbursement in Medicare is that there would be benefits to hospitals from Medicaid expansion. The logic behind the tradeoff is sound. Hospitals will receive less reimbursement under one program (Medicare) in order to expand another program (Medicaid). When the Supreme Court ruled that Medicaid expansion was optional, it did not rule that the associated cuts were optional as well. So, hospitals across the country faced the prospect of significant pain (Medicare cuts) without the bargained for gain (Medicaid expansion). That is why you have seen significant hospital advocacy in favor of expansion in Maine and across the country.

So it matters to us that people understand, 100% federal financing of expansion in large measure equates to hospital-financing of expansion. Hospitals can not afford \$30, \$50 and \$100 million annual cuts in Medicare without the benefit of Medicaid expansion.

Medicaid Spending is Not Out-of-Control

One aspect of the debate over expansion that is most frustrating to me is the repetition of a tired shibboleth that Medicaid spending is out-of-control. It is most definitely not.

Maine spending on Medicaid is actually well under control. The following table from OFPR outlines total Medicaid spending over the past five years.

State Fiscal Year	Total Spending
2009	\$2,523,969,279
2010	\$2,465,076,772
2011	\$2,429,565,170
2012	\$2,439,271,502
2013	\$2,519,836,590

Total spending on Medicaid was actually lower (albeit barely) in 2013 than it was in 2009. Governor LePage, his administration, legislators, providers like hospitals and patients deserve credit for this. No one supported every initiative that has led to this result, but the fact of the matter is that the budget is under control. And it’s true even if you reach back further into the last decade. For the ten years from 2004-2013, Medicaid spending has essentially tracked inflation.

Now, in fairness to the Legislature, the State’s share of that flat spending has not been flat. Maine taxpayers have had to shoulder a greater share of that spending as the one-time stimulus

funding ran out. This no doubt creates challenges for you in crafting state budgets. But, this is not because spending is out of control.

As you know, closing a state budget is extraordinarily difficult. Frequently, we all hope that we can achieve savings from a variety of initiatives. Those initiatives are generally well-intentioned and often successful. But, when a budget hole emerges and a supplemental budget becomes necessary because spending couldn't be cut as much we'd hoped, that budgeting challenge shouldn't be mischaracterized as a spending problem.

Furthermore, Hospitals have been significant parts of the solution. In 2008, the hospital tax paid by our members totaled \$60 million; last session you raised it to \$100 million. Hospitals have been working with DHHS to curb unnecessary utilization of emergency rooms by targeting the most frequent users; DHHS has indicated this has saved millions. Inpatient admissions have declined more than 5% since 2008 as we try to keep people from having to be admitted and by doing more in the less expensive outpatient setting.

Furthermore, even though Maine is a generally high-cost state, Maine's spending on Medicaid (per recipient) ranks 26th in the country and is the lowest in New England.

This is not to say Maine's Medicaid program is not in need of further reform, restructuring or change. We are continually striving to try and make the program more efficient. Hospitals are working with DHHS to create health homes and patient centered medical practices; we're working with DHHS on its ambitious SIM grant initiative; our members are working with DHHS to explore the creation of accountable care communities in Medicaid.

We completely agree with the administration's reform efforts keeping focus on the most expensive patients. As you've heard many times, the top 5% most expensive patients consume over half the Medicaid budget. These people present many challenges. They typically have mental health challenges and their most expensive need is long-term care (daily living).

However, don't forget that 80% of Maine's Medicaid population consumes less than \$1,000 in health care. The vast majority of providers and patients are doing good work managing their health. We're committed to helping DHHS meet the challenges of providing quality care to Maine's Medicaid population while keeping costs in check.

Hospitals are Charities and Fulfill Their Charitable Missions Every Day.

Hospitals are open 24-hours per-day, 7-days per-week, even though this is extremely expensive and is generally not self-sustaining. There are many private health care providers in Maine that will perform an array of medical services for the public. No private, for-profit entity in Maine operates a 24-hour emergency room.

As you know, the ER room is frequently the point of entry for Maine's more than 100,000 uninsured residents. The ER is that point of entry for three reasons: (i) because of its practical availability (it is always open) (ii) because of federal EMTALA law which obligates us to provide emergency care to anyone who presents at an ER and (iii) because hospital charity care policies.

Hospitals provide charity care; meaning care to individuals from whom no payment is expected. Charity care is provided to low-income individuals – generally individuals whose household income is less than 200% of the poverty line. Hospitals also write-off the bad debts of persons who are not eligible for charity care.

We can't predict what will happen to charity care as Medicaid is expanded. The last time Maine expanded Medicaid our members expanded eligibility for their charity care programs. When the state did more...we did more. However, with Medicaid expansion, it is our expectation that uncompensated care costs will be reduced. This will be a benefit to hospitals and other consumers of hospital services.

Access to Care

A goal of expanded coverage is not simply an issue regarding financing. A major goal is to improve the health and well being of the uninsured individuals who will benefit from expansion. Please understand though, while hospitals provide the bulk of their medical care today, we will not be the primary caregiver for these individuals once they are covered by Medicaid. Many of these individuals suffer from mental health and substance abuse problems. Many are homeless, lack transportation or even regular sources of food. The expansion of Medicaid may help pull these individuals out of the shadows. But once out, they will require both medical care and significant social services beyond the medical care hospitals provide. Maine will need to provide these individuals the appropriate care and supports.

Amendments

The bill before you includes provisions that were originally offered by Senator Katz last session as amendments to the Medicaid expansion bill. MHA supports those amendments which seek to both further reform Medicaid as well as to provide protections for Maine should the program not unfold as we expect.

Conclusion

Thank you for accepting the testimony of the Maine Hospital Association. I would be happy to respond to any questions or comments you may have.