



Maine Hospital Association

Hospital Financial Condition

2021-2022

Overview

Generally speaking, the pandemic has had three major negative impacts on hospital finances, which were not particularly strong to begin with.

- First, care has been cancelled or delayed for a variety of reasons and that negatively impacts hospital finances. In the Spring of 2020, the Governor asked that hospitals cease elective or scheduled procedures in order to be ready for the potential influx of COVID cases. Thankfully, there was no surge of COVID cases in the Spring of 2020. But, they emptied the hospital and kept staff employed. As such, hospitals complied with this request and lost a lot of money as a result.
- Second, our costs have skyrocketed. In addition to the baseline inflation rate going up that impacts all businesses, we've had some particularly high-cost increases, particularly for labor, especially nursing. Costs increased more dramatically than did reimbursement. We believe there was a rebound in early 2021, but it didn't last.
- Third, the Omicron surge in late 2021 forced hospitals to again delay or cancel scheduled procedures. We know that the fourth quarter of 2021 and first quarter of 2022 are going to be very bad for hospital finances. Hospitals are busy and are getting reimbursed for the care they are providing; but the mix of services is such that there will be meaningful revenue losses.

Operating Margins

We just received hospital margin data for 2020 from MHDO. We hope to get the 2021 data soon.

- Median hospital margins were cut in half in 2020 as compared to 2019 (0.7% v. 1.3%).
- Hospital operating income dropped by 90%.
- Aggregate hospital margins are essentially 0%. This is net of federal financial aid. At MHA, we generally present an aggregate hospital margin (take all of the hospital income and all the hospital expenses and create a single balance sheet).

We hope for a bit of a rebound in 2021 numbers, but then major trouble at least for the first quarter of 2022.

COVID-related Financial Relief Provided to Maine Hospitals

- Over the past two years, hospitals have received almost \$680 million in direct financial relief – the vast majority of that from the federal government. While we are extremely appreciative for that assistance, we do not believe it made all of our members whole.

CY	General Fund Medicaid Supplemental	Federal Funds Medicaid Match	Federal Funds State Disbursed	Federal Funds Federal Disbursed	Total
2020	\$3 Million	\$7 Million	\$2.6 Million	\$377 Million	\$390 Million
2021	\$6 Million	\$17 Million	\$12.3 Million	\$255 Million	\$290 Million
2022	-	-	-	-	-
Total	\$9 Million	\$24 Million	\$15 Million	\$632 Million	\$680 Million

State Assistance

- The state has provided \$9 million in state General Fund supplemental Medicaid payments; that \$9 million in state General Fund expenditures has drawn down an additional \$24 million in federal matching funds. *Attached is a request for additional assistance we sent to the Governor in December.*
- Of the total \$680 million in financial aid received by hospitals, 1.3% is from the state General Fund.
- The state also took a portion of the \$1 billion federal grant funding it received and provided hospitals with \$15 million in such federal funding.

State Assistance

Note About State Assistance. We have only outlined direct financial assistance from the General Fund. The state has provided other assistance that has helped hospital finances. For example, providing national guard support is helping hospitals. Some of the medications and supplies (PPE) that were provided to the hospitals required state effort. Finally, the existence of Medicaid expansion has helped hospitals as enrollment has spiked during the pandemic. But again, most of this state-directed assistance is federally funded. We appreciate the state's efforts, but the General Fund has largely been absent from hospital assistance.

Federal Assistance

The federal government has provided \$632 million in direct financial relief to hospitals.

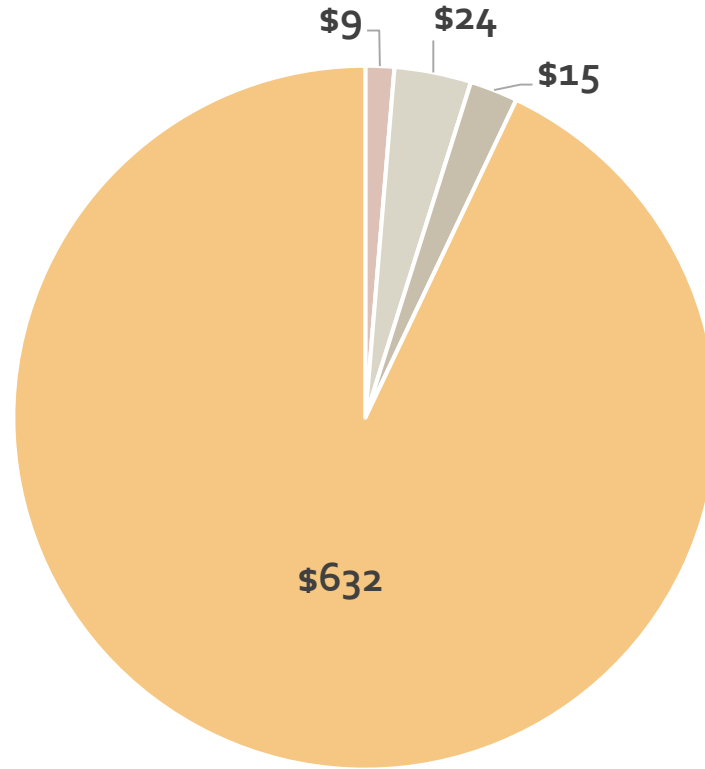
That assistance has come over the course of 14 different disbursements and also includes PPP loans (that we believe will be mostly forgiven) and temporary relief from so-called “sequestration” cuts.

It is important to note that each of the 14 disbursements had different eligibility criteria. For only two of those 14 payments did all 36 hospitals qualify for payment.

No new aid has been authorized by Congress in a year and the losses from the Omicron surge are unaddressed.

Total Relief

COVID-related Financial Relief



- General Fund
- Federal Matching Funds
- Federal Funds (State Disbursed)
- Federal Funds (Federal Disbursed)

Hospital Tax

We are asking for fairness in the hospital tax program. Fairness to us is when the total amount of so-called 'match' is equal to the total amount of the tax.

That was the original promise made to hospitals 20 years ago when the tax was reinstated. And for the first few years of operation, hospital did not suffer, in the aggregate, a loss. Today they do lose, a significant loss that increases every two years.

Please Stop Making Things Worse

So far in 2022, two legislative committees have passed bills that increase hospitals' cost to provide healthcare to patients; yet, neither committee has increased our Medicaid reimbursement in order to cover Medicaid's share of those costs. That is unfair. If the state is going to increase the cost of providing care, Medicaid must pay its share of those costs.

Request to Governor

In December, the MHA Board of Directors asked us to send a letter to the Governor requesting relief.

Our request is as follows:

- **On-time Aid.** \$8 million in General Funds for a one-time payment in 2022;
- **Re-balance hospital Tax.** Hospitals suffer an approximately \$23 million loss from the tax every year. The tax rate must be cut to re-balance the tax.
- **Telehealth Infrastructure Assistance.** There has been an unprecedented increase in telehealth utilization. The state has set aside tens of millions for upgrading our infrastructure. To our knowledge, none has been set aside for hospitals.

We have not yet heard a response to our request.

Thank You

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