M|H|A
Maine Hospital Association

Maine Hospital Association

Federal Issues

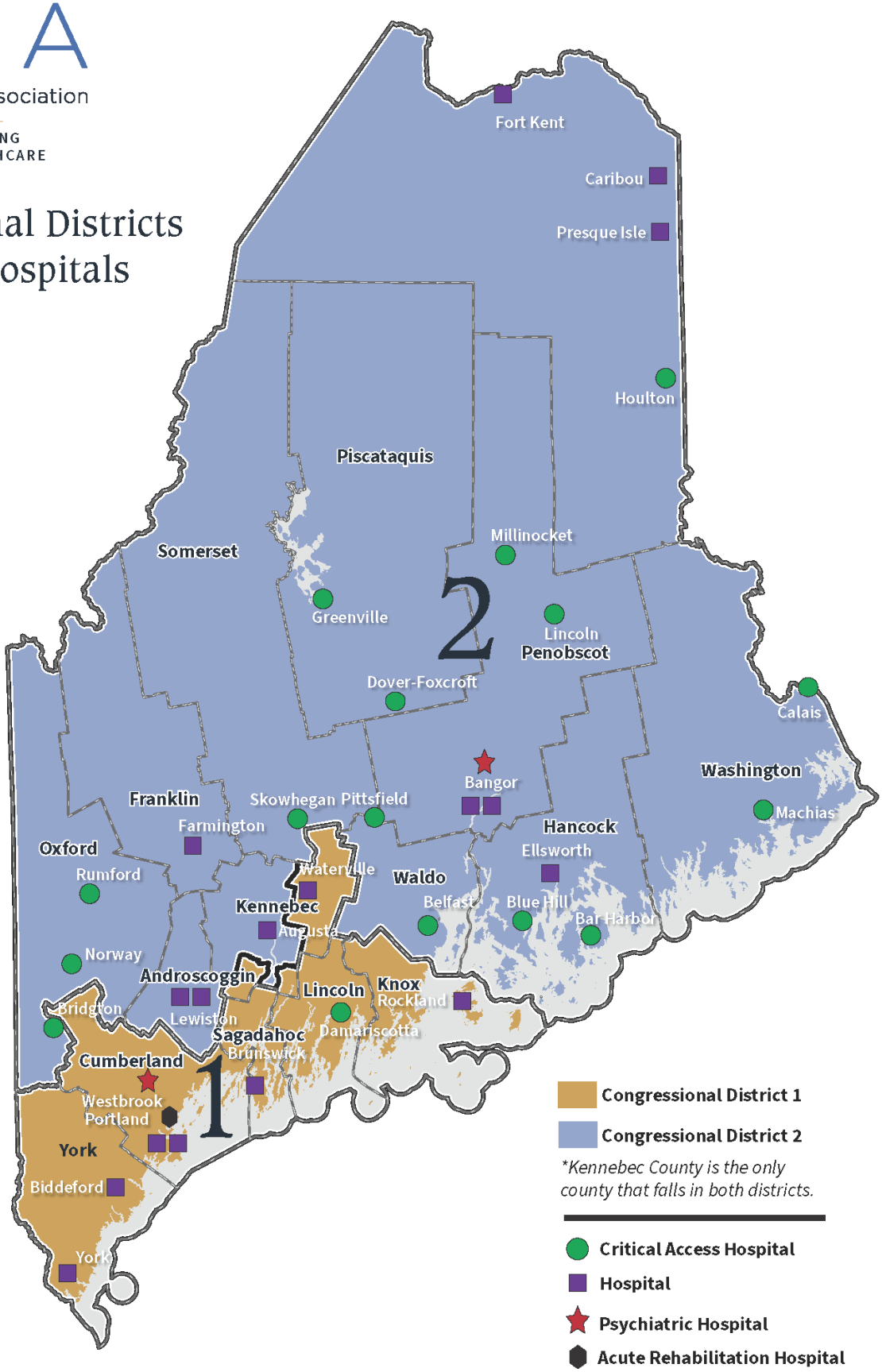
2023

MHA

Maine Hospital Association

MAINE'S LEADING VOICE FOR HEALTHCARE

Congressional Districts for Maine Hospitals



Caring for Our Communities

The New Normal

It would be nice to visit you and be able to deliver the message: “mission accomplished.”

Our doctors, nurses, allied health professionals, administrators and support staff work very hard 24 hours per day, 365 days per year to serve the healthcare needs of Maine’s citizens.

Before, during and, now, after the pandemic, they have done remarkable work. Maine emerged from the pandemic with less disruption than did other states. Maine hospitals continue to do well on quality metrics and are trying to meet the challenges of our ever-changing population.

But healthcare is a journey with no end. The mission does not end. But will it change?

National consultants Kaufman Hall monitor hospitals nationally. One of the Kaufman Hall principals noted in their March report:

> ***"Hospital leaders face an existential crisis as the new reality of financial performance begins to set in...2023 may turn out to be the year hospitals redefine their goals, mission, and idea of success in response to expense and revenue challenges that appear to be here for the long haul."***

But that begs a very big question…What would a redefinition look like?

Does it mean terminating diabetes education programs?

Does it mean dropping outpatient behavioral health programs?

Does it mean no longer subsidizing ambulance services? Or nursing homes? Or primary care practices?

Hospitals in Maine could ‘return to our roots’ and just be hospitals. Does that sound like success? It doesn’t feel like it.

That doesn’t mean the observation is wrong: 2023 may turn out to be the year hospitals are forced to make some major decisions.

We hope to work with you on making sure those answers are the right ones for Maine people.

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.

Hospitals Need Help With Workforce

Maine's healthcare workforce shortage is impacting every facet of care. Patient outcomes are affected daily because hospitals cannot move patients to the appropriate level of care—skilled nursing, residential care, home health or another hospital—due to the lack of workforce to care for them. For example, on February 1 this year, 118 behavioral health patients were stuck in Emergency Departments throughout Maine because of a lack of clinical personnel to staff psychiatric beds. To cope, hospitals have depended on contracted staff to maintain bed capacity and deliver care, but this is not financially sustainable.

This challenge will only worsen as our aging workforce will soon retire en masse. The Maine Department of Labor reports that about 30% of Maine's current healthcare workforce is over the age of 55. To maintain the status quo, Maine hospitals will need to backfill approximately 8,000 healthcare workers in addition to filling current vacancies.

Our members have shared the increasing need for primary care and behavioral health access in their communities, as Mainers delay important medical care or seek care in the emergency department of their community hospital. Recently, the Maine Rural Health Research Center noted, "Most counties in Maine face shortages of primary care, mental health, and/or dental health professionals, with 15 Maine counties designated as partial health professional shortage areas in all three domains: primary care, mental health, and dental health."

The need for healthcare workforce, particularly those educated and trained to provide care in rural communities, is only increasing over time and requires concerted focus on recruitment, training, and retention. Maine hospitals are intensively engaged with partners and stakeholders to identify the best strategies, employ new innovations, and create new training programs. However, the following barriers are continually slowing progress: lack of faculty, training sites, and preceptors for clinical and physician training; lack of affordable housing and childcare options; and difficulty attracting new workers to rural communities.

Our requests:

- Invest in behavioral health workforce development, including behavioral health providers.
- Invest in Graduate Medical Education expansion by increasing the number of resident slots eligible for Medicare funding to address physician shortage areas and entice medical students to choose primary care.
- Invest in clinical workforce development to address nursing shortages, including solutions to address nursing faculty shortages and lack of clinical training sites that inhibit the ability to grow future workforce.
- Encourage the Centers for Medicare & Medicaid Services (CMS) to modify the requirements of nurse educators needing one year long-term care (LTC) experience to teach Certified Nurse Assistant (CNA) courses (CMS regulations at 42 CFR § 483.152), and allow hospitals to employ newly trained CNAs while completing the process for the State Registry, as is currently allowed for LTC facilities (42 CFR §483.35(d)(4) Registry verification). CMS regulations create barriers to expanding CNA training programs and delay the utilization of newly trained CNAs by 4-6 weeks. We request to remove the LTC requirement and keep the standard of 2 years of nursing experience, and allow hospitals the same conditions for registry completion as provided for LTC facilities.

The Labor Crisis in Maine Hospitals

Throughout Maine, hospitals are always there

24 hours a day, 7 days a week, 365 days a year

Hospitals in Maine in 2021 had:

118,897 Patients admitted

11,235 Babies delivered

826,954 ED visits

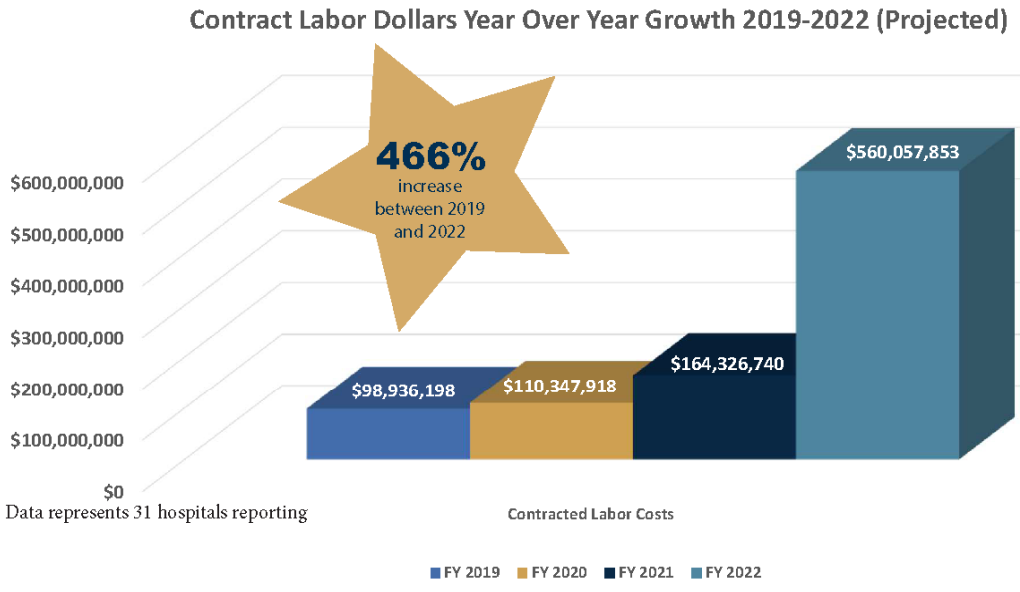
8,183,601 Outpatient visits

Hospitals posted **4,000** direct care jobs in mid 2022. Nearly **3,000** were in nursing.

The burden of the workforce shortage

Maine hospitals are resilient and adaptable, but the stress and burnout of the pandemic combined with an aging workforce retiring has led to unprecedented personnel shortages across the spectrum of care. As a result, hospitals increasingly rely on contracted staff to maintain bed capacity and deliver care. The increased reliance on temporary staff has produced astronomical increases in contracted labor costs that threaten hospitals' financial security.

Contract labor year-over-year growth



In September 2019, Maine hospitals engaged **535** travelers.

By September 2022, that number had more than **Quadrupled** to **2,198**.

Maine hospitals are projected to spend over **$550 million** in contract labor (not including locum tenens, service contracts and consultants) in 2022.

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Maine & Medicare

Total Enrollment: 347,000

Percentage of Population On Medicare:

Maine = 26% (highest in the US)

National Average = 19%

Medicare Spending Per Enrollee:

Maine = $8,350 (44th in the US)

National Average = $11,370

Maine cost/reimbursement is 27% below the national average.

Medicare Hospital Utilization

Maine = 155 Discharges (42nd in US)

National Average = 210 (per 1,000)

Maine utilization is 26% below the national average.

Medicare Hospital Utilization

Maine = 5.69 days of care per discharge (10th most in US)

National Average = 5.3

Even though Maine's costs are lower than average, our hospitals provide more care to seniors when they need help.

Dual Eligibles (Medicare & Medicaid)

Maine = 24% (4th highest in US)

National Average = 16%

Medicare Reform Is Necessary

The recent political debate over the debt ceiling once again involved the fate of Medicare and Social Security. Sadly, the debate quickly descended into defensiveness over who wants to cut benefits for seniors. The only thing that is guaranteed to cut benefits for seniors is the status quo.

For the first time, revenues related to Medicare Part A (hospital coverage) are set to be less than expenses. A modest "trust fund" related to Part A is projected to be depleted in 8 years, 2031. While that is slightly more than projected a year earlier, it still is a sobering statistic, one that gives law and policy makers precious little time to shore-up the program.

These projections change year-to-year. From 2018 to 2022, the projected depletion date had been less than 10 years. This is the first time since 1993-1997 that the Medicare program's financial stability has been so endangered.

Whenever the trust fund runs out of money, there will be a 10% shortfall—and it will grow from there.

The political fault lines are old and predictable: one side opposing benefit reductions; the other side opposing revenue increases. If nothing is done, who will lose? The politically expedient thing will be a version of sequestration and a reduction in reimbursement to providers like hospitals. The press will mindlessly waiver between condemning you for doing nothing and then criticizing your solutions.

Maine is the oldest state in the nation and, consequently, our hospitals are more vulnerable to cuts to Medicare reimbursement than in other states. But this is a problem everywhere in the country as more and more Baby Boomers reach retirement age.

Cutting reimbursement will hurt Maine seniors throughout the state.

It will take political courage to address this impending crisis. We need you to stay strong and lead your colleagues to a rational solution. Don't let the problem stay "off the table."

Medicare Advantage Regulation

Medicare Advantage plans are not regulated by states and their Bureaus of Insurance. There are federal regulations, but there is little ability to enforce regulations at the federal level.

Change is overdue.

The number of Medicare Advantage plans (Medicare Part C) continues to outpace overall Medicare growth.

Nationally, 48% of all Medicare recipients are in Medicare Advantage (28 million people).

The penetration rate is even higher in Maine, with 55% of all enrollees in Medicare Advantage. This is second highest in New England (CT = 56%.)

Four Maine counties, including Cumberland and Kennebec counties, are at 60%.

A colleague from another state relayed a Medicare Advantage story that illustrates the problem:

> *"I just heard from one of our acute rehab hospitals last night that one of the Medicare Advantage plans has now started instituting **a 10-minute window** for when a hospital requests a peer-to-peer consultation over a decision to deny a prior authorization decision for things like a post-acute discharge. The patient in question was a stroke patient, so not really a question as to whether the patient needed acute rehab. After delay upon delay, they were contacted by the MA plan and told they had 10 minutes to get a clinician from the acute rehab hospital or the acute care hospital on the phone with their medical director or the case would be denied. Unfortunately, they were unable to comply with that request and the request to move the patient to acute rehab was denied."*

Why do Medicare Advantage plans do this...because they can. There is no meaningful ability to challenge these decisions. United Health Care earned revenues of $340 billion last year and had a profit margin over 6%. A good chunk of that profit is from the Medicare Advantage market (see sidebar). Its time for meaningful Medicare Advantage regulation.

Medicare Advantage Profits Still Growing

From 2014 to 2021, commercial insurance companies earned higher profits on Medicare Advantage plans than on any other product they sell (including individual plans, group plans and Medicaid Managed Care plans).

Why is it wrong for providers to profit from Medicare but its perfectly acceptable for for-profit insurance companies to?

In 2021, the latest year for which information is available, gross margins in the Medicare Advantage market averaged $1,730 per enrollee.

This is **more than double** the gross profit margin than they earn in any of the other three insurance markets.

Gross margins per enrollee have exceeded $1,400 every year back to 2014.

The biggest healthcare profiteers, like United Health Care, are reaping the biggest profits from seniors on Medicare Advantage.

Medicare Advantage uses endless TV advertising to drive enrollment and then surprises enrollees with higher out-of-pocket costs when seniors try to use their policy.

Lastly, structural problems, like risk scoring and excessive subsidies, are big drivers and should be addressed.

Critical Access Hospital 96-Hour Rule

Existing Medicare regulations require that the annual average acute care length of stay at a Critical Access Hospital must be 96 hours or less.

The 96-hour average length of stay requirement was waived at the beginning of the COVID-19 public health emergency and remains waived today. The waiver ends on May 11 absent any further regulatory or Congressional action.

What's the Problem?

Maine's Critical Access Hospitals are having a very difficult time transferring acutely ill patients to the state's tertiary care centers due to lack of staffing. They are also having a hard time with long-term care and behavioral health patients stuck at those facilities. As a result, the patient often remains in the Critical Access Hospital longer than 96 hours.

What is the ask?

Congress should pass legislation to repeal the 96-hour rule in its entirety. In the event that Congress doesn't act, then the Administration should continue the waiver of the 96-hour rule in recognition that it puts Critical Access Hospitals in an untenable situation when they are unable to transfer patients to tertiary care facilities.

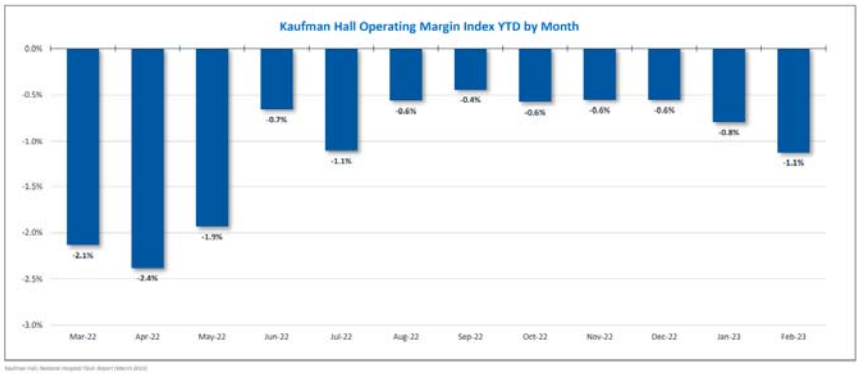
Hospital Financial Condition

Hospitals are once again facing a difficult financial year. This is not an isolated issue for Maine. As the chart below shows, hospitals nationally have had a string of negative operating margins throughout 2022.

We once again want to thank you for the financial support the federal government provided during the pandemic. Without that support, hospitals in Maine might not have survived.

The three primary drivers of our financial challenges today are: sustained high prices (inflation), continued workforce challenges, and operational breakdowns placing patients in the appropriate settings. On this last point, the primary issues are nursing homes closing beds to new admissions, ambulance providers not responding to requests for inter-facility transports, and kids in behavioral health crisis stuck in our emergency rooms.

Operating Margin



Another growing problem is the behavior of carriers in refusing to simply pay bills for services rendered. They will falsely claim that they are just 'scrutinizing' claims. Things have changed, and changed for the worse. On the adjacent page you see our margins; if we were to compile a table of insurance carrier margins, it would look a lot better.

Each of the items in this issue paper—workforce, 340B, Medicare Advantage plans—all contribute to our financial concerns. If people would simply stop attacking us and just work with us, we could get on a stable footing.

The chart below outlines hospital operating margins over the past decade. Unfortunately, 2022 saw a return to the "new normal" in that roughly half of Maine hospitals had negative operating margins.

As you can see, 2021 was an unusually positive year. That was largely due to the financial aid provided by the federal government. That assistance, which helped covered losses in both 2020 and 2022 as well, was absolutely vital. **However, 2022 saw losses of $160 million in the aggregate (statewide margin = - 2.2%.)**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bridgton Hospital	7.27%	4.05%	-0.27%	1.81%	-3.12%	-4.05%	4.04%	9.64%	15.90%
Calais Community Hospital	-9.02%	-5.23%	-3.49%	-6.58%	-2.28%	-3.24%	13.48%	5.61%	N/A
Cary Medical Center	3.63%	3.17%	-1.00%	-1.35%	1.41%	1.28%	1.31%	4.51%	0.00%
Central Maine Medical Center	1.76%	2.95%	-1.84%	-3.18%	-3.15%	-4.83%	-2.63%	-4.53%	-5.70%
Coastal Healthcare Alliance*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-0.28%
Down East Community Hospital	-5.35%	-0.57%	2.00%	1.60%	0.27%	4.11%	5.27%	15.84%	N/A
Franklin Memorial Hospital	-4.20%	-0.69%	-6.21%	-6.38%	-7.18%	-12.02%	-0.03%	0.38%	-2.95%
Houlton Regional Hospital	-1.73%	-1.46%	-2.40%	-1.07%	-0.79%	-1.20%	0.14%	7.72%	5.80%
LincolnHealth	-1.26%	2.47%	0.52%	3.39%	3.58%	2.62%	-1.76%	5.76%	4.52%
Maine Medical Center	3.50%	3.51%	4.73%	4.60%	4.60%	4.60%	0.26%	3.93%	-1.78%
MaineGeneral Medical Center	-3.61%	-6.15%	0.05%	-4.26%	0.42%	1.23%	-1.48%	-1.14%	0.90%
Mid Coast Hospital	2.54%	1.91%	0.60%	1.65%	0.36%	2.85%	-8.64%	2.12%	-9.71%
Millinocket Regional Hospital	-9.04%	-3.12%	-2.90%	-4.66%	-20.89%	-6.54%	-1.16%	10.47%	1.90%
Mount Desert Island Hospital	-2.43%	1.12%	0.51%	3.93%	2.96%	0.85%	2.40%	10.28%	10.50%
Northern Light A.R. Gould Hospital	-3.14%	0.14%	-10.44%	0.94%	2.56%	-0.38%	-0.39%	-2.22%	-7.10%
Northern Light Acadia Hospital	2.30%	4.68%	6.33%	19.82%	5.90%	15.56%	10.50%	10.71%	6.10%
Northern Light Blue Hill Hospital	5.27%	6.46%	2.72%	2.34%	10.86%	4.50%	7.06%	13.24%	15.90%
Northern Light C. A. Dean Hospital	-1.59%	-1.20%	-10.93%	6.26%	11.00%	10.02%	6.31%	18.60%	3.30%
Northern Light Eastern Maine Medical Center	2.50%	5.49%	3.83%	3.25%	1.01%	5.18%	-4.00%	5.16%	-8.00%
Northern Light Inland Hospital	-2.31%	0.31%	-0.80%	1.20%	-4.00%	-7.69%	-3.97%	2.73%	-10.90%
Northern Light Maine Coast Hospital	-6.52%	-9.68%	-7.43%	-7.52%	-5.58%	2.26%	-6.66%	-1.03%	3.30%
Northern Light Mayo Hospital	-1.88%	-0.02%	-3.27%	-3.60%	-2.96%	-5.94%	-8.13%	7.82%	8.00%
Northern Light Mercy Hospital	1.15%	-10.22%	-7.92%	-1.85%	0.69%	5.28%	-5.31%	3.42%	-5.10%
Northern Light Sebasticook Hospital	6.49%	3.31%	3.95%	10.40%	13.83%	10.00%	6.77%	17.68%	17.70%
Northern Maine Medical Center	0.50%	1.50%	0.40%	13.30%	0.70%	0.82%	2.50%	4.29%	-3.54%
Penobscot Valley Hospital	-3.90%	-5.24%	-9.84%	-8.72%	-5.44%	-1.93%	8.04%	8.12%	-9.80%
Redington-Fairview General Hospital	-3.65%	-3.65%	0.01%	0.12%	0.17%	2.65%	2.26%	3.48%	1.80%
Rumford Hospital	0.94%	-1.23%	-2.44%	-0.29%	-4.22%	-2.30%	6.33%	6.32%	9.90%
Southern Maine Health Care	N/A	-3.41%	-2.83%	-0.17%	-2.26%	1.85%	-7.07%	7.49%	-4.53%
Spring Harbor Hospital/Maine Behavioral Healthcare	0.41%	0.43%	-1.63%	2.26%	1.48%	1.43%	-2.08%	-5.84%	-16.22%
St. Joseph Hospital	8.97%	1.33%	2.20%	0.63%	-9.42%	0.72%	-0.33%	-0.25%	-5.40%
St. Mary's Regional Medical Center	-1.67%	-1.68%	1.01%	-0.52%	-11.93%	-0.41%	-6.06%	-3.63%	TBD
Stephens Memorial Hospital	6.38%	4.95%	2.54%	2.10%	2.18%	4.20%	6.45%	13.20%	13.81%
York Hospital	-1.91%	-0.51%	-1.45%	-1.60%	-1.17%	-3.89%	-8.33%	3.09%	-1.20%

*Pen Bay Medical Center & Waldo County General Hospital merged to form Coastal Healthcare Alliance in 2022

Color Code:

Source:
Maine Health Data Organization
Audited Financial Statements

Operating Margins < 0
Operating Margins 0 - 4.99%
Operating Margins 5%+

Calendar 2023 is off to a difficult start as well. As the chart on the previous page shows, the first couple of months has seen a return of persistently negative margins nationally. Kaufman Hall notes that while labor costs remain high, the chief cost driver in 2023 is the cost of goods. Things remain quite difficult.

Preserve 340B Drug Discounts

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.

Approximately one-third of all U.S. hospitals now participate in the 340B program, yet pharmaceuticals purchased at 340B pricing account for only **5% 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, 27 Maine hospitals qualify for the 340B Drug Discount program and receive a collective benefit estimated to be $356 million a year. Eliminating the 340B benefit would have a devastating impact on hospital financial health.

The Challenge. Carriers and pharmaceutical companies are taking increasingly aggressive action to undermine the intent of the program and are having an impact. They are unilaterally choosing to no longer provide drugs at the 340B discount price and they are challenging aspects of the program in court.

If they succeed in their goal of reducing the benefit of 340B, hospitals will lose crucial support, patients will see no financial relief and pharmaceutical companies will laugh all the way to the bank. If the carriers are successful in court, the financial viability of hospitals in Maine will be in jeopardy.

Please support HRSA's enforcement of the intent and purpose of the 340B program.

340B Hospitals

Bridgton Hospital

Calais Community Hospital

Central Maine Medical Center

Down East Community Hospital

Franklin Memorial Hospital

Houlton Regional Hospital

LincolnHealth

MaineGeneral Medical Center

Maine Medical Center

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 Maine Coast Hospital

Northern Light Mayo Hospital

Northern Light Sebasticook 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

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2023

MHA Member Hospitals

Bridgton Hospital, Bridgton
Calais Community 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
Maine Behavioral Healthcare, South Portland
MaineGeneral Medical Center, Augusta & Waterville
Maine Medical Center, Portland
Mid Coast Hospital, Brunswick
Millinocket Regional Hospital, Millinocket
Mount Desert Island Hospital, Bar Harbor
New England Rehabilitation Hospital of Portland
Northern Light Acadia Hospital, Bangor
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Northern Light Eastern Maine Medical Center, Bangor
Northern Light Inland Hospital, Waterville
Northern Light Maine Coast Hospital, Ellsworth
Northern Light Mayo Hospital, Dover-Foxcroft
Northern Light Mercy Hospital, Portland
Northern Light Sebasticook Valley Hospital, Pittsfield
Northern Maine Medical Center, Fort Kent
Pen Bay Medical Center, Rockport
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
Stephens Memorial Hospital, Norway
Waldo County General Hospital, Belfast
York Hospital, York

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