Maine Hospital Association

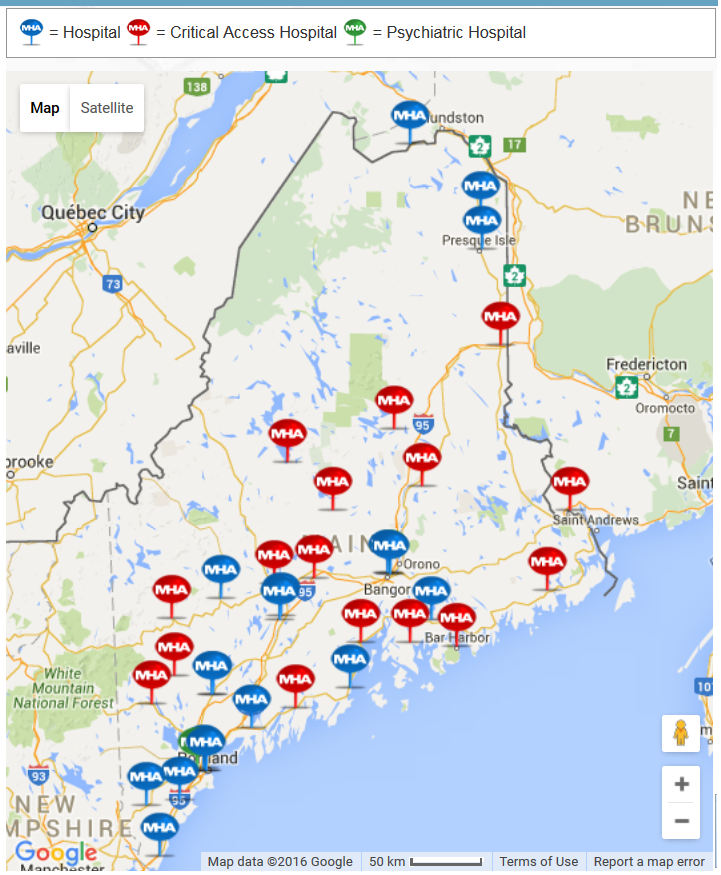
Hospital Overview 2016

We appreciate that the Medicare Program has been mostly stable during the past year. However, we are deeply concerned by the prohibition on new hospital outpatient departments. Off-campus facilities have been a major reason many underserved parts of Maine can access healthcare close to home. The new ban, enacted as part of the budget deal, is getting dangerously close to irreparably hurting healthcare in Maine. We need your support to prevent this harmful action from becoming much worse in the near future.

Hospitals

Maine has 36 hospitals. All of the general hospitals are nonprofit (two are government affiliated). The hospitals are governed by more than 650 trustees statewide.

- **Prospective Payment System (PPS) Hospitals**—17 hospitals with 2,978 beds;
- **Critical Access Hospitals**—16 hospitals with 400 beds;
- **Institutes of Mental Disease**—2 hospitals with 178 beds; and
- **Acute Rehabilitation**—1 hospital with 100 beds.



Maine continues to have fewer hospital beds than the national average on both a per-capita basis and on a per-square-mile basis. The total number of beds is more than 2,500 fewer now than in the early 1980s.

Hospitals are major employers

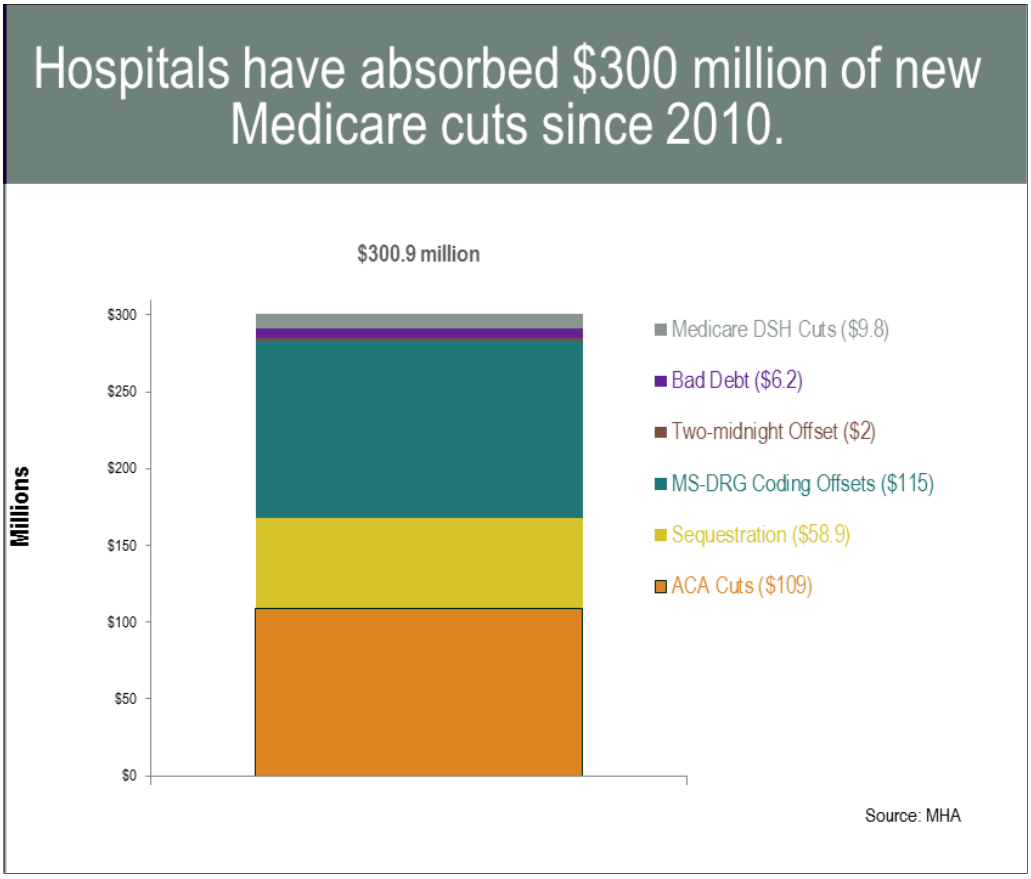
Maine hospitals employ nearly 32,000 people including 6,000 physicians (full-time equivalents). Maine hospitals employ roughly two-thirds of all physicians in Maine.

Hospitals are one of the top 5 largest employers in 15 of 16 counties

#1 Employer in Seven Counties: Androscoggin, Aroostook, Cumberland, Kennebec, Knox, Lincoln and Penobscot.

Hospitals Have Recently Sustained Major Medicare Cuts

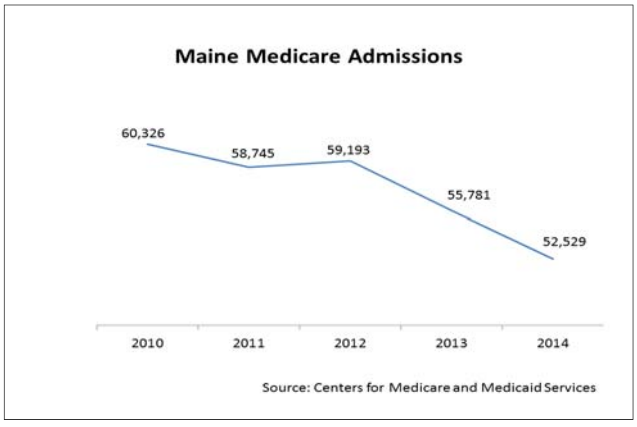
Maine's hospitals have absorbed enormous cuts in the Medicare program over the past six years. Payments for services provided to Medicare patients have been reduced by more than $300 million since 2010. These cutbacks include cuts to hospital spending enacted as part of the Affordable Care Act and the 2013 sequestration efforts that mandated a 2% across-the-board reduction in all Medicare payments.

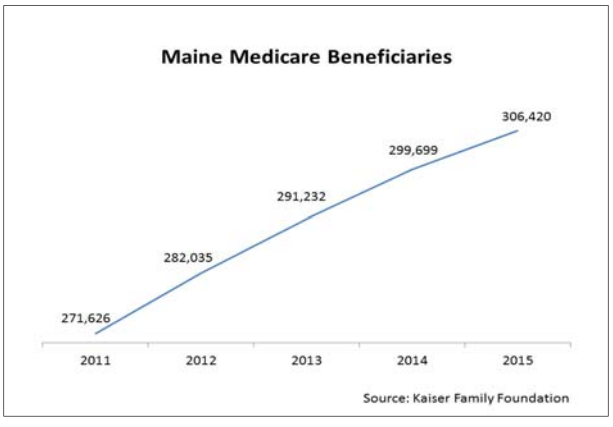


$300 million in reduced reimbursement and fewer admissions challenge hospitals financially. Any further cuts to Medicare reimbursement would be unsustainable and would harm Medicare patients.

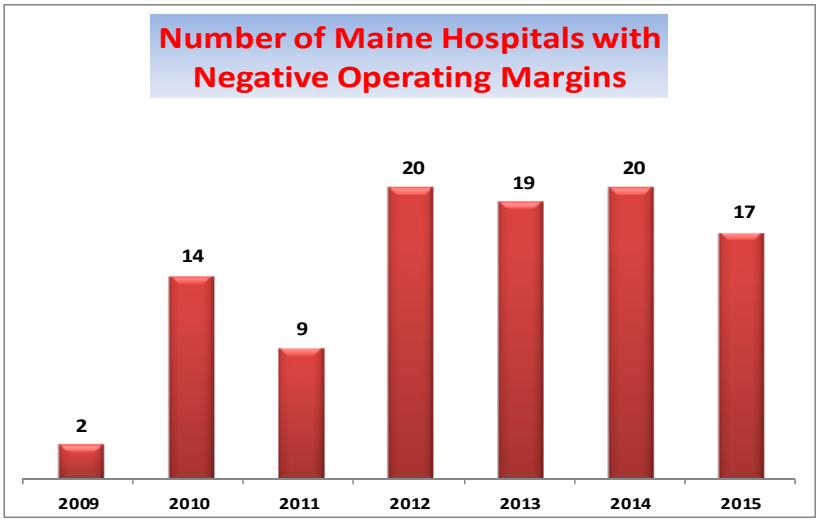
Fewer Medicare Patients are Being Admitted to Maine Hospitals

Maine hospitals have participated in various programs, such as those to reduce readmissions, to improve hospital quality and patient experience. Because of these successful efforts, Medicare admissions have dropped by over 5% in the past four years. This is during a period in which the number of Maine people served by the Medicare program has increased by more than 12%.





Hospitals Are in a Very Difficult Financial Situation



Source: 2009-2014 from Hospital Audited Financial Statements; 2015 from MHA Quarterly Financial and Statistical Report—subject to change upon audit. Prepared by Maine Hospital Association, 4/20/2016 .

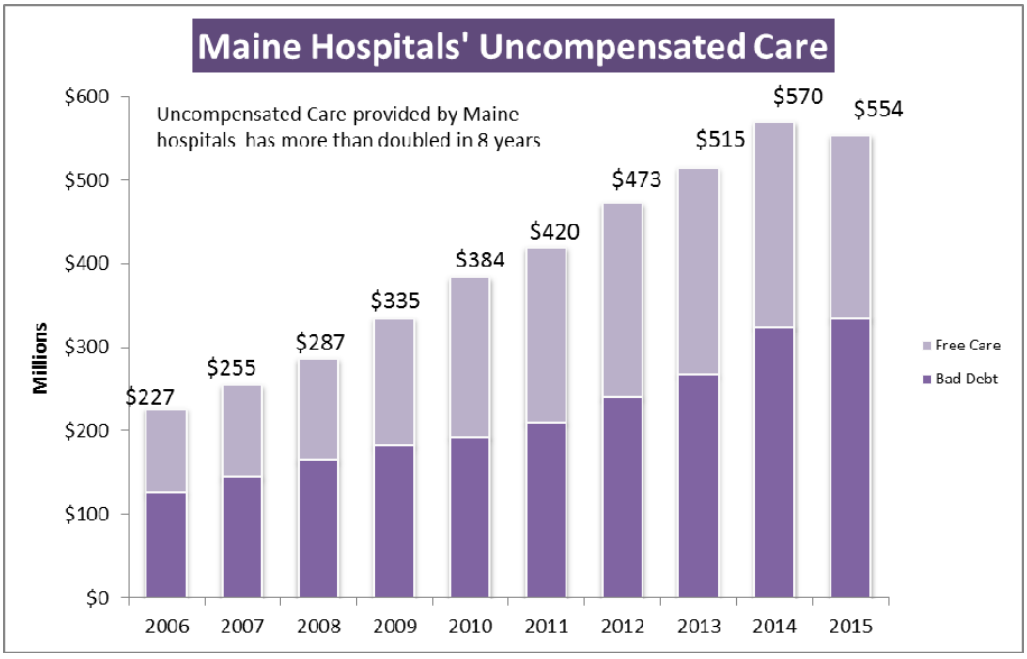
Maine hospitals operate on thin margins; the typical aggregate margin for hospitals in any given year is around 2%. Also, roughly a third of hospitals in the state will have a negative margin in a typical year.

In 2015, however, Maine hospitals had margins with a statewide average of 1.3%.

There are many contributors to these challenges, including lower utilization issues. State cuts to MaineCare rates and increases to the hospital tax also hurt the bottom line. Additionally, the federal government has repeatedly cut hospital rates each time it faced a fiscal cliff or debt ceiling fight.

Finally, bad debt and charity care remain high. Private employers are pushing employees into high-deductible plans and those workers can't afford the deductibles. When deductibles go unpaid, hospital bad debt increases. Employers and Medicaid also are simply cutting coverage for some individuals. That pushes up the hospital charity care number. *Since 2007, uncompensated care has increased from $255 million to $554 million*.

Things will not improve anytime soon.



Source: Hospital Audited Financial Statements. 2015 - MHA Quarterly Report. Prepared by Maine Hospital Association, 4/20/2016.

Medicare

Maine hospitals are very dependent upon Medicare.

Roughly one-third of a hospital's revenue comes from Medicare. This is second to commercial insurance, which accounts for 50% of revenue. However, when it comes to workload, a typical hospital devotes almost 45% of its resources to Medicare patients.

Rank	State	% of Population
1	Maine	23%
1	West Virginia	23%
2	Vermont	21%
3	New Hampshire & 6 others	20%
National Average	UNITED STATES	17%
54	Alaska	11%

Mainers Rely on Medicare

You probably know that Maine has the highest median age in the country at 44.1 years old and has the second highest percentage of its population over age 65 at 18.3% (Florida is #1 at 19.1%). *In Maine, 23% of the population is on Medicare, tied for the highest percentage in the country.*

Maine's Medicare Costs are Low

Maine's Medicare costs, on a per-recipient basis, are below the national average at just $8,821, according to the Kaiser Family Foundation.

Rank	State	$ Per Recipient
1	New Jersey	$11,903
2	Florida	$11,893
3	Louisiana	$11,700
National Average	UNITED STATES	$10,365
35	Maine	$8,821
51	Montana	$7,576

Hospital	MDH	LVH	SCH
TAMC	$3 Million	$700,000	-
Cary	$535,000	$628,000	-
Inland	$1.9 Million	-	-
Maine Coast	$1.4 Million	$450,000	-
NMMC		$1 Million	$2.1 Million
Franklin		$633,000	$3 Million
Pen Bay			$3.3 Million

Rural Extender Programs are Vital

Maine hospitals rely on programs like the Medicare Dependent Hospital (MDH), Low Volume Hospital (LVH) and Sole Community Hospital (SCH), which are often funded year to year, and sometimes only at six-month increments. Our members need more certainty and predictability from these vital programs. We are grateful for the predictability given us in the doc fix bill. *Maine receives $20 million each year from these programs*.

Maine Hospital Quality is Among the Best in the Nation

From the federal government to private quality-monitoring organizations like Leapfrog, Maine hospitals continue to score the highest nationally on quality scores.

Maine's success is not by chance. For well over a decade, Maine hospitals have been working together to improve the quality of care. The Maine Hospital Association helped hospitals establish very high standards through its five-year "In Pursuit" quality improvement effort. Hospital quality directors exist in every hospital and meet regularly to share best-practice information. And, most importantly, Maine hospital employees are dedicated workers who put the needs of their patients first. High-quality care is provided to Medicaid and Medicare patients and that helps keep costs down for the government.

In October 2015, the Leapfrog Group released its Hospital Safety Scores. For the fourth time in a row, Maine hospitals had the highest percentage of A's in the country, with nearly 69% of Maine hospitals earning A's. In December 2015, six of the 24 hospitals that the Leapfrog Group named as Top Rural Hospitals in the country were Maine hospitals.

In 2015, Maine had the third highest rate of hospitals recognized for outstanding performance by the Joint Commission, according to that organization's annual report.

Maine hospitals have consistently ranked high in the federal Agency for Healthcare Research and Quality's detailed healthcare quality reports and, in the most recent report, is ranked number one.

Performance of All States Across All Measures

Number	State	Meter score for hospital measures
1	**Maine**	**74.24**
2	Ohio	72.58
3	Colorado	65.15
4	New Hampshire	64.71
5	Utah	64.06
6	Delaware	63.33
7	Illinois	63.24
8	Wisconsin	62.50
9	Vermont	60
10	Idaho	59.38

Source: AHRQ State Snapshot, http://nhqrnet.ahrq.gov/inhqrdr/Maine/snapshot/summary/Setting_of_Care/Hospital

We know that "best" does not mean perfect. Our members remain focused on tackling persistently difficult issues. Because of our high quality, Maine continues to lead the nation in terms of benefitting from "value-based purchasing" in the Medicare program.

HOSPITAL REQUESTS FOR 2016

1. Continue to Oppose Cuts to Hospital-Based Services.

The Bipartisan Budget Act of 2015 enacted payment reductions for Medicare services that are furnished in **new** off-campus hospital outpatient departments (HOPD); defined as off-campus departments that started billing Medicare under the outpatient prospective payment system (OPPS) on or after November 2, 2015, the law's date of enactment. Starting January 1, 2017, items and services furnished in new off-campus HOPDs, other than those furnished by a dedicated emergency department (DED), will no longer be covered as OPPS services. Instead, payment would be made under other Medicare Part B payment systems.

As the Centers for Medicare & Medicaid Services (CMS) embarks on rulemaking to implement the provisions of the law, two issues still remain regarding the limitation on new off-campus outpatient services billing as hospital outpatient departments.

1. Under Development – Under the law, an outpatient practice that was under development at the time of the budget deal would not be able to bill under the OPPS. However, many Maine hospitals had taken significant and sometimes expensive steps to bring new practices on board as hospital-based, but had not started billing by the time of the budget deal. H.R. 4273 would allow practices where architectural plans were completed, zoning requests or necessary applications to state agencies made or granted to be counted as "existing" under the law and not subject to site-neutral payments.
2. Grandfathering – The law as enacted is intended to apply to new practices only. While the law applies to new practices, it says nothing about relocating or rebuilding existing practices. CMS's rules will clarify these issues and we hope Congress will urge them to be as flexible as possible. Hospitals need to be able to respond to market forces and the needs of their patients without financial penalty.

Limiting new off-campus patient services dramatically reduces access to care in the many rural areas in Maine where the hospital is far away. If the hospitals in these rural areas of Maine didn't employ the doctors, the doctors wouldn't be there. We urge you to reject any further site-neutral payment policies.

We need your continued opposition to these cuts, we ask you to sign the "Dear Colleague" letter and please ask CMS to enact rules that address the issues above.

2. Substance Abuse Prevention and Behavioral Health Remain Top Concern.

Maine hospitals have seen dramatic increases in demand for both substance abuse and mental health-related needs. We are encouraged that these two issues continue to get attention in Congress. As you know, the opioid issue is a public health crisis in Maine. The lack of a national standard regarding opioid prescribing left a void for states like Maine to enact state-level rules. Furthermore, ongoing challenges with unmet mental health needs result in hospital Emergency Departments bearing the brunt of the problem.

Please let us know what we can do to help you move legislation forward on both of these topics.

3. Support Reform of Pain Control Questions on Patient Experience Surveys.

Hospitals are rewarded for high scores on Medicare Patient Experience Surveys. Patients are asked how well their pain was controlled. This system may inappropriately penalize hospitals and pressure physicians who, in the exercise of medical judgment, opt to limit opioid pain relievers to certain patients and instead

reward those who prescribe opioids more frequently. Four out of five new heroin users were first addicted to opioid painkillers.

Please continue to support efforts to rewrite the control-of-pain measure and not reward over prescription of opioid painkillers.

4. Support Rural Healthcare and Rural Extenders.

Rural Mainers depend on their local hospitals to provide care. Hospitals and the providers who work for them are often the only source of care. Rural Maine hospitals are challenged by their remote locations, limited workforce and constrained financial resources. In parts of rural Maine, patients are more likely to be older, sicker, poorer and less likely to be insured. Hospitals need relief from burdensome CMS requirements that mandate direct supervision of outpatient therapeutic services. CMS also recently began enforcing a condition of payment for Critical Access Hospitals (CAH) requiring a physician to certify that a beneficiary may reasonably be expected to be discharged or transferred to a hospital within 96 hours after admission.

***Please pass the Rural Hospital Access Act (S. 332, HR 663), which would make the Medicare Dependent Hospital program and low-volume adjustment programs permanent and pass the Medicare Ambulance Access, Fraud Prevention and Reform Act (S. 377, HR 745), which would make the ambulance add-on payments permanent. Please reject misguided proposals to change the CAH program and support the Critical Access Hospital Relief Act (S. 258, HR 169), which would remove the 96-hour piece of the physician certification requirement as a condition of payment. Please vote for the Protecting Access to Rural Therapy Services Act (S. 257, H.R. 1611), which would protect access to outpatient therapeutic services. The Save Rural Hospitals Act (HR 3225) seeks to accomplish many of the above issues and tackles several others on behalf of rural hospitals and CAHs*.**

5. Stop Incentivizing Overzealous Recovery Audit Contractors (RACs).

The national RAC program began in 2010 with the goal of ensuring accurate payments to Medicare providers. However, financial incentives drive RACs to inappropriately deny claims. Nearly 60% of the hospital medical records reviewed by RACs are found to have no overpayment errors. RAC auditors are not physicians; they often second guess the medical expertise of the physicians who provided the treatment. Forty-seven percent of the RAC-denied claims are appealed and 72% of appeals brought before an administrative law judge are overturned in favor of the hospital.

Please support H.R. 2156, the Medicare Audit Improvement Act of 2015, which would make significant, fundamental changes to the Recovery Audit Contractor program payment structure from a commission on every denied claim to a retainer.

6. Reject Cuts to Medical Education and Training and Support More Residency Spots.

Some are advocating for significant changes and reductions in Medicare Graduate Medical Education (GME) payments to teaching hospitals. In addition, legislation was introduced that would reimburse indirect medical education costs through lump-sum payments rather than for each discharge beginning with cost-reporting periods ending during or after FY 2019. These caps have remained in place and have generally been adjusted only as a result of certain limited and one-time adjustments.

Please reject reductions in Medicare funding for indirect medical education and direct GME and pass the Resident Physician Shortage Reduction Act (S. 1148, H.R. 2124), which would increase the number of Medicare-funded residency positions.

MHA Member Hospitals

Acadia Hospital, Bangor
The Aroostook Medical Center, Presque Isle
Blue Hill Memorial Hospital, Blue Hill
Bridgton Hospital, Bridgton
Calais Regional Hospital, Calais
Cary Medical Center, Caribou
Central Maine Medical Center, Lewiston
Charles A. Dean Memorial Hospital, Greenville
Down East Community Hospital, Machias
Eastern Maine Medical Center, Bangor
Franklin Memorial Hospital, Farmington
Houlton Regional Hospital, Houlton
Inland Hospital, Waterville
LincolnHealth, Damariscotta & Boothbay Harbor
Maine Coast Memorial Hospital, Ellsworth
MaineGeneral Medical Center, Augusta & Waterville
Maine Medical Center, Portland
Mayo Regional Hospital, Dover-Foxcroft
Mercy Hospital, Portland
Mid Coast Hospital, Brunswick
Millinocket Regional Hospital, Millinocket
Mount Desert Island Hospital, Bar Harbor
New England Rehabilitation Hospital of Portland
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
Sebasticook Valley Health, Pittsfield
Southern Maine Health Care, Biddeford & Sanford
Spring Harbor Hospital, Westbrook
Stephens Memorial Hospital, Norway
Waldo County General Hospital, Belfast
York Hospital, York

MHA

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