



A Briefing Paper  
from the Maine  
Hospital Association



# The Costs of Caring in Maine

In a time of challenge, Maine hospitals share a commitment to ensure that the people of Maine have access to quality, affordable health care, close to home.

SPRING 2005



## What Maine Hospitals Do

More than 25,000 people work at keeping Maine hospitals ready to serve 24 hours a day, 365 days a year. Their skills, backed by new technologies and medicines, have improved patient care and reduced the average hospital stay from 7.7 days in 1992 to 5.0 days in 2002.<sup>1</sup>

### In a typical year, Maine hospitals:

- › Treat 3.8 million patient visits (inpatient and outpatient)
- › Perform more than 157,000 surgeries
- › Provide outpatient treatment for 3.02 million people
- › Care for over 700,000 people who come to their emergency rooms
- › Deliver about 13,000 babies<sup>1</sup>
- › Provide about \$170 million of care to patients who cannot pay for it themselves<sup>2</sup>

## Maine Hospitals Providing High Quality Health Care

We are proud of the consistently high quality care provided in Maine hospitals, which has been reported as third best in the country by studies published in the Journal of the American

Medical Association in 2000 and updated in 2003.<sup>3</sup> These two articles may be found at: <http://www.carh.net/pdfs/medicarequalitystudy.pdf> and <http://www.ahqa.org/pub/media>.



## Maine Hospital Costs

Despite our many challenges, including the incidence of chronic disease, our aging population, the pace of new medical technology and the demands of health care delivery

in a rural state, Maine hospital costs are in line with the national averages and considerably below the New England average.



SOURCE: 2003, AMERICAN HOSPITAL ASSOCIATION (AHA) HOSPITAL STATISTICS

# Medicare and Medicaid: Government Policies have Profound Impacts on Health Care Financing

Although millions of people are treated, the vast majority of services in Maine hospitals are provided to elderly and low-income Mainers not covered by commercial insurance. Medicare covers those 65+ and the State's MaineCare program (which is a state and federal program) covers those who fall into lower income brackets.

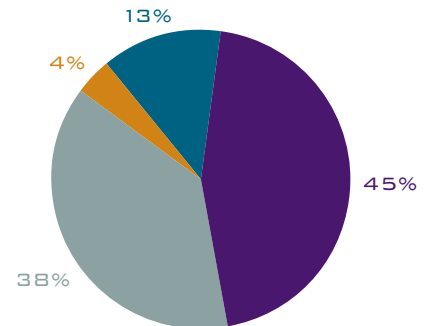
- ▶ **Even though just 14% of Maine's residents are insured by Medicare, these beneficiaries use the health care system more than any major sector of the payer community, including all commercially insured individuals.**
- ▶ **Medicare pays only 88% of what it costs to care for an individual and Medicaid pays only 75% of what it costs.**
- ▶ **Maine ranks 46th nationally in the percentage of costs that are reimbursed to its hospitals by the Federal Medicare program.<sup>4</sup>**
- ▶ **To make-up the losses, Maine hospitals have to increase their charges to those who have health insurance and those who pay for care**

**themselves. This "cost-shifting" is worsening as the federal government and Maine government respond to financial pressures by cutting reimbursement to hospitals, physicians and other health care providers.**

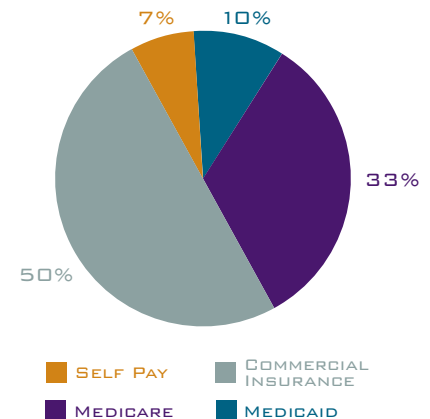
*Medicare pays only 88% of what it costs to care for an individual and Medicaid pays only 75% of what it costs.*

The substantial losses incurred by Maine hospitals and their physician practices in caring for Medicare and MaineCare patients increase the costs of commercial health insurance and further challenge our ability to reduce the number of uninsured people in Maine.

## Who uses Hospital Services?



## Who Pays for Hospital Services?



SOURCE: MAINE HOSPITAL ASSOCIATION



## Caring for our Communities

- ▶ **Maine has the fourth highest rate of chronic disease in the U.S.**
- ▶ **Chronic diseases cause over a third of all disabilities, and often require long hospital stays.**
- ▶ **Fully 14% of Maine's population is 65 and older (seventh highest in U.S.), versus 12% nationally.**
- ▶ **The 14% of Mainers aged 65-plus account for 45% of all hospital services provided.**

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# What is Driving Health Care Cost Increases?

There are many reasons that health care and hospital costs are increasing, but the number one reason is the demand for, and use of, health care services. A recent study by the national accounting firm of PricewaterhouseCoopers concluded that some of the largest increases were in pharmaceuticals and medical supplies.<sup>5</sup> Other health economists continue to cite the rapid pace of new medical technology, such as PT

scanners and other sophisticated imaging devices, as significant contributors to medical cost increases. Other large factors are wages and benefits and the impact of a nationwide shortage of health care professionals. Total spending on hospital care is also affected by many factors, including increasing consumer demand for health care services, a rapidly aging population in need of more health care, and a sicker population suffering from



chronic diseases that account for a significant percentage of overall health care spending in Maine.

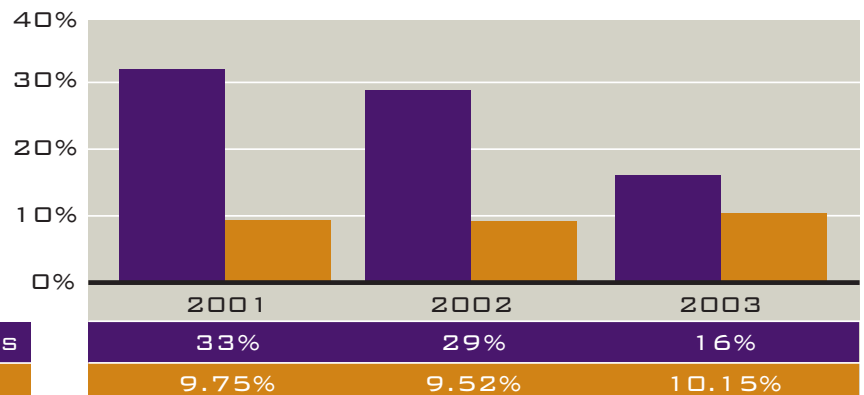
## The Maine Hospital Commitment: Controlling Costs

Keeping costs under control benefits everyone. Maine's community hospitals are improving the affordability of health care by:



- ▶ **Complying with voluntary cost increase caps.**
- ▶ **Collaborating to provide clinical services.**
- ▶ **Sharing medical technology.**
- ▶ **Conducting joint purchasing of supplies for financial savings.**
- ▶ **Providing Maine consumers with hospital-specific information on hospital costs, charge increases, and margins.**
- ▶ **Participating in a state-wide partnership with the Maine Hospital Association for the treatment of bio-medical wastes.**
- ▶ **Posting public information on availability of average hospital charges.**
- ▶ **Working with insurance companies to streamline claims processing to further reduce administrative costs.**
- ▶ **Advocating for fair reimbursement by Medicare and MaineCare for the costs of caring for their beneficiaries.**
- ▶ **Investing in information systems to computerize health care information to improve quality and reduce costs.**

## Health Insurance vs. Health Care: Premiums vs. Hospital Costs



SOURCE: BUREAU OF INSURANCE AND MAINE HOSPITAL ASSOCIATION

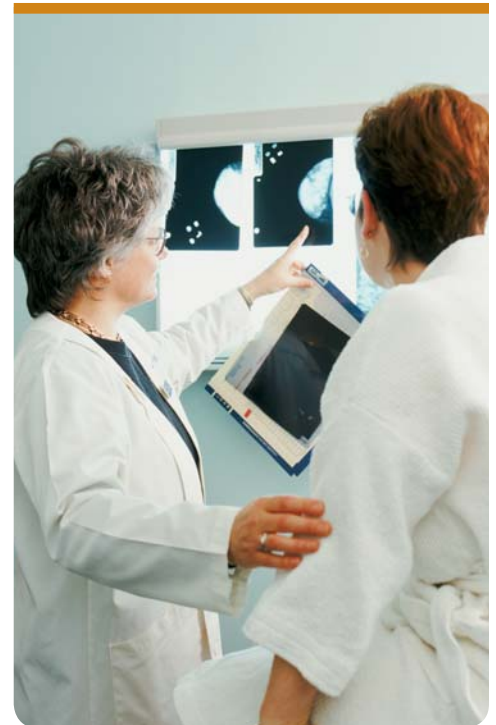
## Hospitals Improving the Health of Maine Citizens by:

- **Providing preventative medicine, education and services to reduce the frequency of preventable diseases.**
- **Managing chronic diseases to help eliminate complications requiring hospitalization.**
- **Continuing to provide high quality evidence-based care to our patients.**
- **Investing in technology and an outstanding workforce to provide the best care possible.**

## Improving Health: The Best Way to Reduce Costs

The best and the only responsible way to control health costs is to improve the overall health of Mainers. When people are healthier, the number and length of hospitalizations are reduced and costs are lowered.

Our approach to health care reform must be balanced to ensure that we don't arbitrarily limit health care investments and jeopardize access. Hospitals will continue to use economic efficiencies to reduce costs, but never at the expense of our patients and their care. Our mission will continue to be ensuring that the people of Maine receive the right care in the right place at the right time.



## DATA SOURCES

1. American Hospital Association (AHA)
2. Hospital Financial Statements
3. Journal of the American Medical Association, January 15, 2003, JAMA 2000; 284:1670-1676
4. MHA data
5. Pricewaterhouse-Coopers, Costs of Caring: Key Drivers of Growth in Spending on Hospital Care, February 19, 2003

## MHA Member Hospitals

**The 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**  
**C.A. Dean Memorial Hospital, Greenville**  
**Down East Community Hospital, Machias**  
**Eastern Maine Medical Center, Bangor**  
**Franklin Memorial Hospital, Farmington**  
**Goodall Hospital, Sanford**  
**Houlton Regional Hospital, Houlton**  
**Inland Hospital, Waterville**  
**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**  
**Miles Memorial Hospital, Damariscotta**  
**Millinocket Regional Hospital, Millinocket**  
**Mount Desert Island Hospital, Bar Harbor**  
**New England Rehabilitation Hospital of Portland**

**Northern Maine Medical Center, Fort Kent**  
**Parkview Adventist Medical Center, Brunswick**  
**Penobscot Bay Medical Center, Rockport**  
**Penobscot Valley Hospital, Lincoln**  
**Redington-Fairview General Hospital, Skowhegan**  
**Rumford Hospital, Rumford**  
**St. Andrews Hospital & Health care Center, Boothbay Harbor**  
**St. Joseph Hospital, Bangor**  
**St. Mary's Regional Medical Center, Lewiston**  
**Sebasticook Valley Hospital, Pittsfield**  
**Southern Maine Medical Center, Biddeford**  
**Spring Harbor Hospital, Westbrook**  
**Stephens Memorial Hospital, Norway**  
**Waldo County General Hospital, Belfast**  
**York Hospital, York**

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