

# Maine's Healthcare Trustee



*Representing  
community hos-  
pitals, healthcare  
organizations  
and the patients  
they serve.*

**JULY 2003**

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## Cassidy assumes MHA chair from Welsh

Jim Cassidy, CEO of St. Mary's Regional Medical Center, was installed as chair of the Maine Hospital Association's Board of Directors during MHA's Summer Forum in Rockport.

Cassidy succeeds **John Welsh**, CEO of Rumford Hospital. Welsh will continue on MHA's Board of Directors as immediate past chair.

As outgoing chair, Welsh called his year "an interesting one" and said that through MHA "Maine hospitals spoke up loud and clear, to ensure that well-intentioned reforms did not contain the seeds of unintended disaster for our institutions and for our hospitals."

Welsh also recognized the seven members who are retiring from the board: **Scott Bullock, Bill Addison, Frank Muddle, Joyce Packard, Mary-Anne Ponti, Dr. Stephen Sears** and **Ron Victory**.

The current immediate past chair, **Scott Bullock**, CEO of MaineGeneral, was honored for his service to the MHA Board.

Cassidy has been president and CEO of Sisters of Charity Health System Inc. and of St. Mary's Regional Medical Center since 1991 and previously was president of the Southwestern Vermont Medical Center in Bennington.

**MHA Contact: Steven Michaud**

## Dirigo Health passes with palatable changes

The far-reaching legislation will expand coverage for uninsured Maine people and add new cost-containment measures.

After an intense, five-week campaign, [LD 1611](#), the Dirigo Health Reform Initiative, was enacted last month. The legislation has undergone substantial revision, partly as a result of hospital objections to certain features of the original bill. The amended LD 1611 no longer contains the "global budget" cap on hospital spending, the 3 percent "voluntary" cap on hospital price increases (followed by rate regulation if hospitals did not go along), or the requirement that hospitals and physicians develop a plan to allocate health care resources.

"This amended bill is a health care reform plan hospitals can live with," said MHA president **Steven Michaud**. "This bill will still cause hospitals real pain, forcing cost cutting that will be deeper than most will like. At the same time, we recognize the importance of expanding health coverage to the uninsured and the need to contain price increases while maintaining high-quality care in our hospitals."

The amended legislation has three goals: increase access to health care, make health care more affordable by controlling spending and maintain quality.

A new state-sponsored insurance program called Dirigo Health will contract with private insurers to provide the most affordable product possible. Income-eligible individuals and families will receive subsidies. In addition, MaineCare will be expanded to parents who earn up to 200 percent of the poverty level (\$30,500 for a family of three, \$18,000 for an individual). Childless adults would be eligible in this expanded program with incomes up to 125 percent of poverty (\$11,225).

Dirigo, continued on next page

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Health care spending will be controlled through a new biennial state health plan. For the near term, hospitals, physicians and insurers will be asked to hold to a 3 percent cap on operating margins and hospitals will observe a voluntary 3.5 percent cap on expense increases in their Case Mix Adjusted Discharge.

The Certificate of Need (CON) process will be strengthened and a cap on capital expenditures will be set and adjusted biennially. Physicians will have 12.5 percent of the capital budget reserved for ASCs and other physician-funded outpatient clinics. In addition, a one-year moratorium on non-emergency medical expansions is effective as of May, 2003.

Some members of the business community continued to oppose the pass-through provision of the insurance premium tax beginning in the second year of the program. The start-up costs of Dirigo Health are paid for through a one-time \$53 million federal appropriation, Maine's share of a multi-billion dollar relief package to states to assist with their Medicaid programs. The appropriation was part of the May tax-cut stimulus package passed by Congress.

Other sectors of the business community question whether small businesses can afford the Dirigo insurance product. Voluntary purchase of Dirigo insurance by small businesses is central to the goal of expanding coverage to those currently uninsured.

MHA neither supported nor opposed the amended bill. The most onerous provisions were taken out, but many questions remain on implementation of remaining provisions.

**MHA Contacts: Steven Michaud, Mary Mayhew**

## Schmermund is MHA's Caregiver of the Year

Stephanie Schmermund, a surgical and orthopedic-unit nurse and nursing team leader at St. Joseph Healthcare in Bangor, has won MHA's second annual Caregiver of the Year award.

Schmermund was selected from numerous nominations made by Maine hospitals. The award honors a caregiver from an MHA member institution who daily demonstrates extraordinary commitment to delivering care to patients and their families. **Suzanne Laliberte**, an oncology nurse and program manager from Goodall Hospital, was the inaugural award winner.

The president of St. Joseph Healthcare, Sister **Mary Norberta**, said in nominating Schmermund: "Her peers say she is the model nurse, mixing her superb clinical skills with her effervescent, caring attitude." The nomination cited Schmermund, "the Florence Nightingale of St. Joseph Hospital," for extra efforts including making personalized "hug pillows" for surgical patients, comforting families and patients struggling with severe illness, and volunteering for months of extra night duty to ease a staffing crunch.

"Stephanie is a nurse in the truest sense of the word," said Sister Norberta, "part caregiver, part provider, part educator, part therapist."

Schmermund has worked at St. Joseph Healthcare since 1991. A graduate of Washington Academy in Machias, she earned a nursing degree at Husson College in Bangor. Her studies included nursing duties at the University of the West Indies in Kingston, Jamaica.

She accepted her award on June 25, during the annual meeting dinner at the MHA's Summer Forum. A committee of former MHA chairs, assisted by MHA President **Steven Michaud**, selected her as the winning nominee.

"Stephanie's award is a beautiful reminder that effective health care is more than technology, wonder drugs and clinical technique," Michaud said. "It's also personal dedication and a genuine concern for fellow human beings. Maine people are blessed by having Stephanie Schmermund and thousands of other committed caregivers here to serve them."

**MHA Contact: Steven Michaud**

## Maine Recruitment Center places five physicians

The Maine Recruitment Center recently place five physicians, bringing this year's total placements to 14.

The physicians are:

- Two family practitioners for separate locations with Mercy Primary Care, affiliated with Mercy Hospital in Portland.
- A family practitioner for Blue Hill Memorial Hospital in Blue Hill.
- An orthopedic surgeon and an internist for Mount Desert Island Hospital in Bar Harbor.

MRC has successfully placed 52 physicians in medical practices and hospitals since its inception. The Center's website, [www.themrc.org](http://www.themrc.org), lists physician openings and has links to other health care job opportunities in Maine.

**MHA Contact: Jane Ham**

## Legislature abandons major tax reform this year

The Taxation Committee is crafting a competing measure to the Maine Municipal Association's tax referendum issue on the ballot this November.

Gov. **John Baldacci's** long-awaited tax reform proposal will not be taken up by the Legislature's Taxation Committee after all, an apparent victim of the rapidly approaching deadline for Legislative adjournment. If the committee is successful in developing an alternative to the Maine Municipal Association (MMA) referendum question, it would be narrowly written to achieve voter preference over the MMA question.

The MMA proposal requires the state to increase its funding of local schools to 55 percent, which would cost the state an additional \$264 million in the first year.

Although the Governor's recently introduced tax reform legislation did not include any provisions allowing local municipalities the option of charging nonprofit organizations for the actual cost of providing services to the nonprofit or any provisions altering the definitions of charitable & benevolent entities, the MHA closely monitored developments given the recent deliberations of the Taxation Committee on these issues. Additionally, the administration was interested in pursuing tax reform in three phases. The tabled legislation reflected the administration's objectives in phase I. Although there were few details provided regarding phase II and III, the MHA was concerned about references in phase II that could affect nonprofit organizations.

MHA strongly opposes any provision that would charge tax-exempt organizations a fee for municipal services. MHA believes it is inconsistent to seek consolidation of municipal services and then penalize nonprofit hospitals because they serve a broader population than just that of the host municipality.

Hospitals are nonprofit, tax-exempt organizations because they provide a wide range of significant benefits to their communities including public health services and education, support groups, subsidy of many primary care and long-term care services, disease prevention efforts, community education programs and emergency and hospital care regardless of the ability to pay.

MHA will continue to defend hospitals' exemption from property taxes and object to the levying of service fees and will monitor tax reform efforts in the second legislative session beginning in January.

**MHA Contact: Mary Mayhew**

## MHA meets with CMS staff

In a meeting preceding the June 3 CMS Hospital Open Door Call held on location in Boston, representatives from hospital associations in the New England Region met with top officials from CMS, the Centers for Medicare and Medicaid Services.

During the two hour meeting, **Michael Brannigan**, MHA's Director of Financial Policy, stressed to CMS' **Tom Grissom**, Director for Centers for Medicare Management, **Tom Barker**, Counselor to the Administrator, and **Charlotte Yeh**, M.D., New England Regional Administrator, that Maine's rural make up sets it a part from other New England states and as such Maine hospitals find themselves on the low end of the Medicare reimbursement scale. Brannigan encouraged CMS to study the adequacy of payments to rural hospitals as compared to their costs. Maine hospitals are experiencing the same cost pressures faced by hospitals in metropolitan areas in competing for nurses and paying for pharmaceuticals, new technology, and blood products to serve Maine's elderly. Yet, Medicare payments fail to reflect these cost pressures and as a result, payment shortfalls are growing.

Another major concern raised at the meeting was the consistency in the way which Maine's Fiscal Intermediary, the contractor who implements CMS policy, interprets CMS rules and regulations. Brannigan encouraged CMS to study the way Fiscal Intermediaries around the country are doing business on CMS' behalf to learn how Maine's FI compares. Tom Grissom assured MHA that just such a project is being considered, one which will look at a number of indicators including the accuracy of payments and denials.

Officials at the meeting knew of the quality of care at Maine hospitals. Grissom acknowledged and commended Maine a number of times for the third in the nation ranking with regard to quality. They commented on ways to reward hospitals for quality through payments and that this subject is receiving serious consideration at CMS.

The meeting was a great opportunity to be introduced to high ranking officials and make them aware of Maine's dismal reimbursement levels. The meeting was followed by CMS' monthly Hospital Open Door Call. On the call, listeners are updated on the latest CMS activities regarding rulemaking and are given the opportunity to ask questions. For more information on the calls including the schedule, visit the CMS website at [www.cms.gov](http://www.cms.gov).

**MHA Contact: Steven Michaud**

## Save the date: Friends of Maine Hospitals Golf Tournament on Sept. 22

The 7<sup>th</sup> annual Friends of Maine Hospitals Golf Tournament will again be held at the beautiful Augusta Country Club, beginning at noon on Sept. 22.

Mark your calendars and make plans to join us for a fun-filled day of golf, good food and activities.

Look for your registration materials in the mail in July.

**MHA Contact: Carol Sinclair**

## Council meets on Department of Human Services/Department of Behavioral and Developmental Services merger

The Advisory Council for the Reorganization and Unification of the Department of Human Services and the Department of Behavioral and Developmental Services continued its work last month to merge the two state agencies.

**Valerie Landry**, former Labor Commissioner, chairs the 12-member council that has been charged with creating the “blueprint” to combine and streamline the two departments. The council will work toward four goals established by Gov. **John E. Baldacci**: improve service to the people of Maine, increase management efficiency, solidify partnerships with community organizations, and increase fiscal accountability and efficiencies.

The council of legislators and professionals in health care, law, finance, policy, and social services adopted a schedule that will lead to detailed legislation to implement the merger being introduced for the 2004 session of the Legislature.

At its meeting this week, the council received an overview of the workings of each of the departments and began to identify the major benefits and challenges presented by the merger. In addition to its monthly meetings, the council will establish subcommittees to focus on specific programs, services and operations. Subcommittees will include council members and external stakeholders. **Richard Batt**, president of the Franklin Community Health Network, is a member of the Advisory Council as are hospital trustees **Meg Baxter** (Spring Harbor) and **Cheryl Rust** (Miles).

**MHA Contact: Sandra Parker**

## Harley-Davidson turnaround has lessons for hospitals

Roaring in on a Harley-Davidson motorcycle, the manufacturer’s former communications director told Summer Forum participants last month to make a memorable “noise” with their hospital, too.

**Ken Schmidt** said the distinctive, throaty roar announces a Harley’s presence long before the “hawg” comes into view. He asked the MHA audience to think about what “noise” their hospital makes—distinctive or like everyone else’s?

After recounting disastrous decisions in the 1980s to compete on price with imports and to let the media negatively caricature H-D customers, Schmidt chronicled the company’s comeback story. H-D rebuilt its corporate culture, rekindled relationships with customers and reached out to them in new ways, redefined their product line, improved quality, listened to customers, and developed ways for customers to identify with the product and other customers.

“Harley-Davidson built a sense of ownership, identity and belonging in owners that is at the core of the company’s worldwide success today,” Schmidt said.

**MHA Contact: Carol Sinclair**

Visit MHA’s Maine Center for Healthcare Governance for timely information and resources designed to help you become a more informed and effective board member. You can access the Center by visiting MHA’s website at [www.themha.org/pages/governance.htm](http://www.themha.org/pages/governance.htm)