

# Maine's Healthcare Trustee

## MHA goes to Washington

Representatives from MHA and Maine's hospitals traveled to Washington, D.C., last month to meet with the state's Congressional delegation.

The meetings were in conjunction with the American Hospital Association's Annual Meeting.

MHA and Maine hospital leaders discussed MHA's federal priorities with the Congressional Delegation, including issues related to Medicare and Medicaid.

With regard to Medicare, MHA addressed the following issues:

- **Inflation Update** - Provide hospitals with a full inflationary update (market basket) plus 0.55 percent for FY 2004, and a full inflationary update FY 2005. (H.R. 1710) **Maine Financial Impact: \$12.7 million (over the next 5 years).**
- **Inpatient Standardization** - Increase the lower of Medicare's two standard inpatient payment rates. In February, Congress passed a 2003 omnibus-spending bill that increased the base payment rate for rural and other urban areas to the large urban rate for the remaining six months of the federal fiscal year. (H. R. 1675/S. 816) **Maine Financial Impact: \$32 million (over 5 years).**
- **Graduate Medical Education** - Increase the IME adjustment to 7.5 percent from 5.5 percent for FY 2004 to compensate hospitals for losses suffered during FY 2003. Freeze the IME adjustment at 6.5 percent in FY 2005 and beyond. (H.R. 1710) **Maine Financial Impact: \$20.4 million (over 5 years).**
- **Wage Index** - Lower the labor-related share from 71.1 percent to 62 percent over three years for those hospitals with wage indexes less than 1.0, while maintaining a labor-related share of 71.1 percent – and thus holding harmless – those hospitals with wage indexes greater than 1.0. (H.R. 1580; H. R. 1675/S. 816) **Maine Financial Impact: \$7 million (over 5 years).**
- **Outpatient** - Create a pool of new resources to Washington, continued on next page

## Committee talks tax reform

Hospitals are urged to contact members of the taxation committee to express opposition to any effort to levy service fees on nonprofit organizations or to alter statutory definitions of nonprofit organizations.

The taxation committee is considering numerous issues as part of a plan to develop a comprehensive tax reform package. The committee is focused on property tax relief – largely because of two pending bills that address property taxes and education funding. Although the committee killed two of the bills that challenged hospitals tax-exempt status, the issues remain alive in the tax reform deliberations, especially given the focus on property tax relief. In particular, there are members of the committee who have expressed strong interest in the levying of service fees on nonprofits. In one of the defeated bills, a municipality would be allowed to levy service fees on a tax-exempt entity of up to 2 percent of annual gross revenues. While the committee has not outlined any specific proposals, it is critical that hospitals communicate with legislators on the committee as well as their legislative delegation to discourage any efforts to tax hospitals or to allow for service fees.

The key points to make to committee members are that:

- Services fees are simply taxing one public service to pay for another public service;
- Service fees to hospitals will exacerbate health care costs.

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

MAY 2003

Hospitals should remind committee members of the cuts they sustained in the recently enacted biennial budget. Hospitals should ask their trustees and other supporters to help in this grassroots effort. MHA has provided talking points at <http://www.themha.org/pages/advocacy/taxexempttalking.htm>.

**MHA Contact: Mary Mayhew**

## Health Action Team changes focus

Plans to create a nonprofit state-run health insurance company have gone back to the drawing board, members of Gov. John E. Baldacci's Health Action Team (HAT) have been told.

Instead, the focus has now shifted to a plan that is similar to legislation known as the Saxl Plan after the bill's sponsor, former House Speaker **Michael Saxl** (D-Portland), which would use employer premiums for low-income workers to leverage Medicaid money to help pay for commercial insurance. The Saxl Plan was adopted by the Legislature but not funded.

HAT was formed by Gov. Baldacci to provide feedback to him and his team on his proposal to provide universal coverage. The Governor's Office of Health Policy & Finance is expected to present the HAT with the final proposal by the end of the month for review and comment prior to the submission of the plan to the Legislature.

Although the work of the sub-committees is theoretically complete, the Cost Containment Committee continues to meet. Near the end of their eighth meeting, administration member **Ellen Schneider** said she needed feedback on several issues, namely a freeze in insurance rates and provider rates, global budgeting and reallocation of hospital services. While there was little discussion of the details of these proposals within the subcommittee, it is clear from other comments from the Governor's Office of Health Policy & Finance that they would like the opportunity to remake aspects of the health care delivery system, which is what MHA suspects is the intent of the "redistribution of healthcare services." The subcommittee did not discuss any details of these proposals. Committee members representing the business, insurance and hospital communities strenuously rejected these proposals.

The concern remains, however, that these issues may be directly or indirectly reflected in the final document despite the objections of committee members.

The Cost Containment Committee has formally  
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## Summer Forum rooms available

Members who know they will be attending MHA's Summer Forum June 25-27 can reserve rooms at the Samoset Resort by completing the reservation form.

This year's conference will feature **Carl A. Hammerschlag**, M.D., master storyteller and internationally recognized author, physician and speaker; and **Ken Schmidt**, former executive, Harley-Davidson Motor Company speaking on "The Rise, Fall and Rise of Harley-Davidson."

Brochures will be mailed soon. Look for the brochure soon at MHA's website at <http://www.themha.org/pages/education/education1.htm>. The room reservation form can be found at: <http://www.themha.org/art/pdf/sfroomform03.pdf>.

For more information about the rooms, contact **Leslie Gagne** at [lgagne@themha.org](mailto:lgagne@themha.org).

**MHA Contact: Carol Sinclair**

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address the overall underfunding of APCs, and enhance payments for clinic and emergency room visits.

- **Critical Access Hospitals** - Extend enhanced cost-based reimbursement to post-acute care services, including home health, skilled nursing, swing bed, and rehabilitation services, improve CAH reimbursement to include some adjustment for technology and infrastructure needs; all-inclusive billing for hospital employed physicians; reenactment of the coinsurance calculation based on 20 percent of cost rather than charges; coverage for emergency on-call providers; greater flexibility with acute and swing beds. (H.R. 1675/S. 816; S. 172)
- **Medicare DSH** - Remove the 5.25 percent DSH cap, bringing DSH hospital payments in line with those of urban facilities. (H.R. 1675/S. 816) **Maine Financial Impact: \$2.5 million annually.**
- **Home Health** - Eliminate the 15 percent cut; provide full inflationary update for home health services and extend the 15 percent rural add-on. Maine hospital based HHAs have *negative* Medicare margins of 16 percent. (H.R. 319/S. 636; H.R. 500)
- **Ambulance Services** - Address inequity in reimbursement for rural ambulance providers. (H.R. 1301/S. 171)

MHA emphasized that any federal action to address the current Medicaid funding crisis and any change to the current structure not put further financial pressure on the states or diminish the guarantee of coverage for our most vulnerable patients.

Other Medicaid priorities are:

- **State Funding**
- **Provider Reimbursement**
- **EMTALA**

**Steven Michaud**, president, and **Mary Mayhew**, vice president of government affairs and financial policy, represented MHA.

**MHA Contact: Mary Mayhew**

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recommended: strengthening the Certificate of Need (CON) process to include all providers, not just hospitals, and to link that process to state health planning. They also recommended strengthening use of technology for greater administrative efficiencies.

MHA is drafting comments to respond to current recommendations as submitted to the HAT.

**MHA Contact: Mary Mayhew**

## Cost and quality bills killed in committee

Three bills pertaining to hospital procedure charge information and the submission of quality clinical data to Maine Health Data Organization were killed by the Insurance and Financial Services Committee this week.

The committee has retained a generic study bill on consumer reports of cost and quality. LD 497, Resolve to Study the Feasibility and Effectiveness of Providing Consumers with Consumer Reports on Health Care Services, would establish a commission to study providing consumers with information on the cost and quality of health care services.

While MHA expects that cost and quality reporting will remain alive as part of the Governor's Health Action Team's legislative recommendations, at least the more onerous provisions embodied in these bills are no longer alive in print.

Speaking in support of LD 497, MHA said it supported delaying efforts to disseminate information about hospital quality until the Governor's Health Action Team completes its legislative recommendations.

MHA supports efforts to create uniformity in the collection and reporting of clinical quality data, but noted that there are too many burdensome and competing demands on providers to report clinical data. Efforts to reduce those burdens through a state level approach would be a positive step. Any state level effort on the collection of quality clinical data should be modeled to the extent possible on the matrix established by Medicare and the National Quality Forum. Maine hospitals will ultimately be reporting that information to Medicare and it is widely agreed that the same matrix would be valuable to Maine consumers and Maine providers. MHA has also argued that the costs associated with quality data submission, analysis and public reporting should be borne by the state general fund and should not be paid for through provider assessments, which currently fund the operation of the Maine Health Data Organization.

"The collection and evaluation of quality clinical data should be founded on the view that we need to establish the 'quality bar' for health care services and

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## New alliance with Anthem and technical colleges addresses workforce shortage

MHA has joined with the Maine Technical College System (MTCS) and Anthem Blue Cross and Blue Shield in a pilot program to expand the capacity of the Technical College System to educate a new generation of health care employees.

Governor **John Baldacci** joined MHA President **Steven Michaud**, MTCS President **John Fitzsimmons** and Anthem General Manager **Jim Parker** at a Bangor press conference Wednesday to announce the new initiative.

"We're here because we see a looming crisis on the horizon," said Michaud. "No matter how modern the equipment and building, it is people who administer care to patients. Without a new generation of health care professionals, hospitals won't be able to meet the increased need for services expected in the next ten years."

The program drew praise from Gov. Baldacci.

"I commend the partners in this Alliance for stepping forward to tackle this problem together," he said. "Health care employs more Maine people than any other sector of our economy, and impacts our very quality of life. We cannot achieve affordable, accessible health care for our citizens if we don't address the shortage of skilled health care workers."

The three partners in the Alliance announced a joint investment of \$400,000 over three years to expand nursing and radiologic technology training capacity in two branches of Maine's Technical College (soon to be re-named Community College) System; Eastern Maine Technical College in Bangor and Northern Maine Technical College in Presque Isle. The expanded classes will begin this September and scholarships will be awarded this spring for next fall's class.

Half of the \$400,000 investment will create 100 new scholarships for young adults pursuing careers in health care.

MTCS President Fitzsimmons noted that "(nationally) sixty-five percent of new health care workers are educated at community colleges. If health care was a priority of our technical colleges, it will be an even larger priority of our community colleges."

In Maine, fifteen of the health care occupations with the greatest projected shortages require one or two years of higher education—making the technical colleges a key player in solving the problem.

MHA's Board approved the concept of partnering with Maine's Technical College System last November in order to increase the number of Maine students choosing a career in health care. The Association will be asking hospitals for contributions (on a sliding scale, depending on hospital size) to support this initiative.

MHA and MTCS will be exploring longer term funding options to expand this program beyond the initial two-year pilot project.

**MHA Contact: Mark Ishkanian**

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to assist providers in attaining that bar,” said **Mary Mayhew**, MHA’s vice president of government affairs. “Our health care delivery system is built on ensuring necessary and rational access to health care services throughout the state. Quality measures must be used to assist providers, not penalize them.”

MHA will continue to work with the Legislature on the issues of cost and quality reporting.

**MHA Contact: Mary Mayhew**

## Bill to eliminate Rule 850 access standards tabled

**A bill that would have eliminated Bureau of Insurance Rule 850 geographic access standards for specialists and hospital services was tabled after several committee members questioned the impact of bill on access to certain services locally.**

The best example was provided by a nurse on the Insurance & Financial Services Committee, Rep. **Anne Perry** (D-Calais), who explained that, while the charge for a colonoscopy at her hospital might be more than at other hospitals, if patients have to travel for this screening test they would be unlikely to have it done. Rep. Perry also spoke eloquently of the interdependent relationships that exist within a community of providers and that in many communities the hospital is the foundation for the delivery of many health care services beyond the hospital setting.

The Senate chair and sponsor of the legislation, Sen. **Lloyd LaFountain** (D-York), while still believing that this legislation will reduce premiums, agreed to work on an amendment to modify approach taken in bill, but no details were provided. Many others on the committee still support the bill.

MHA emphasized to the committee that Rule 850 doesn’t require enrollees use the closest provider but requires that they be able to access a provider within an hour of their home.

The Certificate of Need process that requires approval of new health care services and reviews those applications based on need, costs associated with the services, and quality would be a better vehicle to solve the problem of expense. Efforts to reign in health care costs should be focused more on improving that process not on the elimination of geographic access standards.

There is no data that supports the contention that reducing access will reduce insurance premiums. In addition, without statewide data on quality and outcomes, businesses and insurers will use procedure price comparisons for decisions on available care—forcing enrollees to use the cheapest provider. Procedure charge comparisons fail to factor in numerous variables such as payer-mix, losses from other hospital and affiliate services, patient-mix, etc.

MHA will continue to monitor this bill as amendments are proposed.

**MHA Contact: Mary Mayhew**

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)